

Business

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Lebanon inflation hits 190% in February

IMF calls for govt, CB to act urgently to stabilize economy

BEIRUT: Inflation in Lebanon hit an annual rate of about 190 percent in February as the International Monetary Fund called on the country's government, parliament and central bank to close ranks and take decisive actions to stabilize the economy. Hyperinflation continued for the 32nd consecutive month, led by soaring communication, health, restaurant and hotel prices, as well as rising food, water and energy costs, the Central Administration of Statistics' Consumer Price Index showed.

The CPI increased by about 26 percent from January 2023. After hitting 155 percent in 2021, inflation in the country surged to 171.2 percent in 2022, the highest in about four decades as the country's worst economic and financial crises in decades continued during a political deadlock that has blocked the formation of a new government and the enactment of reforms required to unlock billions of dollars in aid from the IMF and other international donors.

Communication costs increased nearly five-fold in February compared with the same month in 2022, while health costs increased more than four times. Clothing and footwear prices and the rates of restaurant and hotels leapt more than threefold. The prices of food and non-alcoholic beverages increased more than three times while transportation costs rose by a similar proportion.

Lebanon's economy contracted about 58 percent between 2019 and 2021, with GDP falling to \$21.8 billion in 2021, from about \$52 billion in 2019, according to the World Bank — the largest contraction on a list of 193 countries.

Lebanon's tax revenue more than halved between 2019 and 2021 in the face of the deepest economic crisis since the end of the civil war, according to the IMF. The fund estimates that the mis-valuation of customs, excises and Vat at the border caused a loss of revenue worth 4.8 percent of Lebanon's gross domestic product in 2022.

"Despite the severity of the situation, which calls for immediate and decisive action, there has been limited progress in implementing the comprehensive package of economic reforms ... notwithstanding some efforts by the government," the IMF said



BEIRUT: Lebanese forces secure a private bank in Beirut during a demonstration by members of the banks depositors committee against monetary policies. — AFP

last week after the end of a staff mission visit to Beirut from March 15 to 23.

"This inaction disproportionately harms the low-to-middle-income population and undermines Lebanon's long-term economic potential. The government, parliament, and the Central Bank (BdL) must act together, rapidly and decisively to tackle long-standing institutional and structural weaknesses to stabilize the economy and pave the way for a strong and sustainable recovery."

The World Bank has described the country's crisis as one of the worst in modern history, ranking it among the world's worst financial crises since the mid-19th century. Lebanon's political elite have yet to enforce critical structural and financial reforms required to unlock \$3 billion of assistance from the IMF. Securing the IMF funds would pave the way for an additional \$11 billion in assistance that was pledged by international donors at a Paris conference in 2018.

Reforms hinge on the formation of a new gov-

ernment, the election of a president and consensus among the country's political elite. Politicians are deadlocked over the formation of a new cabinet 10 months after parliamentary elections were held and nearly five months after the six-year term of former president Michel Aoun expired at the end of October. Inflation is likely to remain elevated as the Lebanese pound continues to lose value on the parallel market and on the official exchange rate since a 90 percent devaluation at the start of February. — Agencies

Canada budget doles out incentives for clean economy

OTTAWA: Canada unveiled a budget on Tuesday that aims to make it a clean energy "superpower" and secure a leading place in global supply chains for critical minerals and electric vehicles. The basket of measures—including 15 to 30 percent tax credits to spur new investments in tidal and nuclear energy, for example, as well as the extraction of critical minerals for EV batteries—seeks to narrow a gap with major US subsidies.

The Canadian incentives, expected to cost about Can\$80 billion (\$50 billion) over a decade, build on previous tax credits and investments in "clean economy" projects such as the production of hydrogen from renewable sources. The upbeat budget however included scaled back expectations for economic growth this year, including a possible worst-case scenario of a shallow recession.

Finance Minister Chrystia Freeland said in a speech to parliament that the world is undergoing "the most significant economic transformation since the Industrial Revolution" as it moves to fight climate change. "Today, and in the years to come, Canada must either meet this historic moment—this remarkable opportunity before us—or we will be left behind as the world's democracies build the clean economy of the 21st century," she said.

Green technology production has taken on greater urgency after the United States unveiled a \$370 billion program of tax credits and subsidies for electric vehicles, batteries and renewable energy projects. According to the International Energy Agency, the clean technology sector is expected to be worth



OTTAWA: Canadian Prime Minister Justin Trudeau, flanked by Deputy Prime Minister and Minister of Finance Chrystia Freeland (left) and Foreign Minister Melanie Joly (right) attend a meeting with a visiting US delegation. — AFP

over \$630 billion worldwide by 2030, more than three times the current level.

China currently dominates in many of the sectors including semiconductors, critical minerals, batteries and solar panels. Freeland noted that Canada's allies are moving to "friendshore their economies" and build critical supply chains with likeminded democracies. Ottawa has been wooing investments in advanced lithium-ion batteries manufacturing for electric vehicles and critical minerals mining. Earlier this month, German auto giant Volkswagen announced it was building its first North American battery factory in St. Thomas, Ontario. Stellantis and LG Energy Solution have also partnered on a new battery plant in Canada.

Ottawa's budget earmarked billions of dollars to lure more private investments in the sector, and announced it would backstop future energy and tradable carbon credit prices in case market rates fall

Wednesday's announcement was sparked after Broadcom declined to address the UK regulator's initial concerns. The CMA already warned that the deal "could make computer servers more expensive for UK businesses".

The tie-up could harm innovation and drive up the cost of computer parts used by key clients including government, banks and telecoms, the watchdog insisted. It added that the deal may result in Broadcom obtaining "commercially sensitive information" that hardware rivals supply to VMware.

The CMA will give its ruling by September 12, following the European Union's antitrust decision by May 11. The bloc's competition regulator, the European Commission, said that in addition to concerns regarding server competition, a deal could prevent or restrict the use of VMware software.

At the time of the cash-and-stock bid for VMware in May, Broadcom said it wished to offer customers "greater choice and flexibility to build, run, manage, connect and protect applications at scale". Under the transaction, VMware shareholders can elect to receive either \$142.50 in cash or slightly more than one-fourth of a Broadcom share for each VMware share. That represented a premium of almost 50

percent compared with VMware stock before news reports of the deal surfaced.

Broadcom will also assume \$8 billion of VMware debt. VMware was spun out of Dell Technologies in 2021. The CMA said Broadcom's blockbuster deal was the second largest it had investigated. The biggest is Microsoft's proposed \$69-billion purchase of US video game giant Activision, which is also facing an in-depth UK investigation. However, the CMA last week narrowed the scope of its Microsoft/Activision probe to cloud gaming, after concluding it would not harm competition in console gaming in the UK. — AFP

Musk and experts call for halt in 'giant AI experiments'

SAN FRANCISCO: Billionaire mogul Elon Musk and a range of experts called on Wednesday for a pause in the development of powerful artificial intelligence (AI) systems to allow time to make sure they are safe. An open letter, signed by more than 1,000 people so far including Musk and Apple co-founder Steve Wozniak, was prompted by the release of GPT-4 from San Francisco firm OpenAI.

The company says its latest model is much more powerful than the previous version, which was used to power ChatGPT, a bot capable of generating tracts of text from the briefest of prompts.

"AI systems with human-competitive intelligence can pose profound risks to society and humanity," said the open letter titled "Pause Giant AI Experiments". "Powerful AI systems should be developed only once we are confident that their effects will be positive and their risks will be manageable," it said.

Musk was an initial investor in OpenAI, spent years on its board, and his car firm Tesla develops AI systems to help power its self-driving technology, among other applications. The letter, hosted by the Musk-funded Future of Life Institute, was signed by prominent critics as well as competitors of OpenAI like Stability AI chief Emad Mostaque. — AFP

Russia announces deal to boost oil supplies to India

MOSCOW: Russian energy giant Rosneft announced a deal on Wednesday to ramp up oil sales to India, as Moscow seeks new buyers in the wake of tensions with the West over the Ukraine conflict. The Kremlin's decision to deploy its military to Ukraine last February saw Russia's share of the European market collapse as Kyiv's allies levied sanctions on the Russian oil sector.

Rosneft said in a statement that its CEO Igor Sechin had travelled to India and brokered an agreement with the head of the Indian Oil Corporation. "Rosneft Oil Company and Indian Oil Company signed a term agreement to substantially increase oil supplies as well (as) diversify the grades to India," Rosneft said in a statement. Rosneft however did not specify the volumes stipulated in the agreement nor its value. The announcement comes one day after Russian Deputy Prime Minister Alexander Novak said Moscow's oil sales to India had surged more than twentyfold last year. Rosneft said that representatives of the two oil companies also discussed the "possibilities of making payments in national currencies," pointing to Russia's efforts to de-dollarize its economy. — AFP

Britain extends probe into big US tech tie-up

LONDON: Britain on Wednesday deepened a probe into US semiconductor maker Broadcom's planned takeover of cloud computing firm VMware, citing competition concerns. Broadcom's \$61-billion offer "may be expected to result in a substantial lessening of competition" for goods and services in the UK, the Competition and Markets Authority (CMA) said in a statement.

It comes after the European Union in December launched its own in-depth probe into the deal over concerns it may stifle competition in the server sector. Broadcom is seeking to expand into the software market to boost its server business and has already acquired two complementary firms, CA Technology and Symantec. The CMA will conduct an in-depth or phase two investigation into Broadcom's latest pursuit after launching an initial probe last year.



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