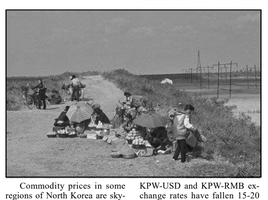
North Korea's economy continues to show warning signs



Commodity prices in some regions of North Korea are skyrocketing while the country's currency exchange rates continue to plummet. North Korean leader Kim Jong Un claimed during a recent Central Committee plenary session that North Korea's economy had improved "overall" in the first half of the year, but reports from Daily NK sources in the country suggest that not all is well in the economy.

A Daily NK investigation found that the KPW-USD exchange rate in Pyongyang was 4,900 North Korean won to the dollar on June 16. This is an 18.2 percent fall from the exchange rate of 5,990 won to the dollar on June 8.

Exchange rates are also plummeting in other major North Korean cities, including Sinuiju (5,000 won to the dollar) and Hyesan (4,850 won to the dollar) as of June 16. The exchange rates in these cities have fallen by 15 percent or more compared to June 8.

The KPW-RMB exchange rate is also falling. Daily NK found that on June 16 Pyongyang's KPW-RMB exchange rate was 560 won against the Chinese RMB, with Sinuiju and Hyesan recording 555 won and 558 won, respectively, against the RMB. Again, the exchange rates in these cities have fallen 15-19 percent compared to June 8.

All in all, North Korea's KPW-USD and KPW-RMB exchange rates have fallen 15-20 percent in the space of around a week.

Enjoying this article? Click here to subscribe for full access. Just $5 a month.

That being said, North Korean authorities do not appear to have implemented any particular measures that would impact the country's foreign exchange rates.

Multiple Daily NK sources in the country confirmed that the authorities have not tried to control the popular use of dollars and RMB, nor have they required the use of North Korean won at shops.

Get briefed on the story of the week, and developing stories to watch across the Asia-Pacific.

It seems North Korean organizations and individuals, previously expecting the restart of China-North Korea trade, are selling off their dollars and RMB. This development is having a major impact on the fall in the exchange rates.

North Korean government agencies and individuals who received new waku (trade certificates) last month bought up foreign currency under the belief that cross-border trade would soon restart. North Korean authorities continue to restrict trade, however, making their foreign currency reserves useless. They are now selling off what foreign currency they have in their possession.

"The [North Korean] authorities may have implemented policies to prevent the use of foreign currency or gave a signal to individuals and [trade-related] agencies that it is better to sell off their foreign currency reserves than to hold on to them," Kim Byung-yeon, a professor in the Department of Economics at Seoul National University, told Daily NK.

In fact, North Korean authorities handed down an order on June 3 saying that trade agencies would be unable to participate in trade activities unless they receive permission from the Workers' Party. The authorities also said that if a trade agency violates this rule and imports or exports goods, they will be considered to have engaged in "smuggling."

With the authorities still delaying the restart in cross-border trade, people who borrowed funds for trade purposes appear to be "dumping" their foreign currency reserves to prevent financial losses that could grow larger the more they wait.

On the other hand, members of the donju, North Korea's wealthy entrepreneurial class, and high-level cadres who already have considerable capital at their disposal, consider the plummeting exchange rates a good time to buy up foreign currency. They are making efforts to buy up what they can.

These individuals think that the current situation is a perfect time to accumulate more foreign currency under the belief that 1) trade will restart at some point, even if the border remains closed for the foreseeable future; and 2) that exchange rates will inevitably continue to rise.

As a result, most people working in North Korea's trade sector are selling off their foreign currency reserves, but some members of the country's elite are buying up foreign currency. This suggests that – rather than the exchange rates plummeting completely – the current exchange rate situation could very well continue as is, or that there will be a slight rise in exchange rates.

North Korea's economy, however, is facing an unpredictable and unstable situation given that exchange rates are falling despite lackluster economic growth, and because commodity prices are soaring while exchange rates are plummeting.

Corn and rice prices in some of the country's major cities, including Pyongyang, have fallen after local residents received government rations. However, Daily NK has confirmed that the price of one kilogram of rice is going for more than 10,000 North Korean won in cities near the Sino-North Korean border and in the interior of the country.

According to a Daily NK source, one kilogram of rice in Musan and Yonsa, two areas in North Hamgyong Province, was selling for 15,000 won on June 20. Businesspeople at "grasshopper markets" (small-scale unofficial markets) and street markets have insufficient stock to sell, so sellers are reportedly setting prices at their own discretion.

"The falling of exchange rates, coupled with the skyrocketing of commodity prices in some markets, suggests signs of chaos in the markets," Kim, the Seoul National University professor, said. "It appears that the markets are unable to encourage transactions that reduce the deviation [in prices] among [different] regions [of the country]."

Kim further said that, since 2010, the "engine" of North Korea's economy has been trade and the markets, but that North Korean authorities are "preventing the markets from doing their proper function by delaying the restart of trade under the pretext of [stopping] COVID-19." Moreover, he noted that "the authorities could stabilize prices artificially by distributing rations to specific places, but there is a high likelihood that [this] could gradually increase regional deviation [in prices]," making it a less-than-desirable option for the government. thediplomat

Iran energy workers hold wage protests as economy hit by sanctions

Thousands of workers in Iran's energy sector have held protests for better wages and working conditions in southern gas fields and some refineries in big cities, according to Iranian news agencies and social media postings.

With an economy tanked under the weight of U.S. sanctions and the worst COVID-19 pandemic impact in the Middle East, Iran has faced nearly continuous protests by workers and pensioners for months over an inflation rate of more than 50%, high unemployment and unpaid wages.

An unspecified number of workers with temporary hiring contracts "stayed home" to press for higher wages earlier this week in Assaluyeh, Iran's main gas production hub on the Gulf, the semi-official Iranian Labour News Agency (ILNA) reported.

Some officials and parliamentarians acknowledged the protests and called for efforts to help resolve the issues that prompted them.

"Since we learned of the labour actions and their salary and benefit demands... the issues are being seriously followed up in (parliament's) Energy Commission," Mousa Ahmadi, a lawmaker whose district includes Assaluyeh, told ILNA.

According to rights groups and social media posts, Tehran's refinery has fired 700 striking workers. A social media video showed refinery workers holding up what appeared to be notices of termination.

Shaker Khafai, spokesman for the state-run Tehran Oil Refining Company, denied the dismissal report and said a sub-contractor had laid off 35 workers, the state news agency IRNA reported.

The protests, dubbed "Campaign 1400" with reference to the Iranian calendar year, saw two gatherings on Thursday, including one by workers at a power plant in Iran's Gulf island of Qeshm, the Human Rights Activists News Agency (HRANA), which is based outside the country, reported on Friday. There was no immediate report of widespread action against protesters by security forces which have cracked down on protests in the past, especially when they have turned political. Iran held a presidential election last week, won by hardline judiciary chief Ebrahim Raisi, who will take office in August, replacing pragmatist Hassan Rouhani. Reuters

COVID-19 and all its rules could slam spain's economy this summer

Just when we all thought the end of the pandemic was in sight comes a piece of shockingly bad news for Spain, Britain, and the rest of Europe.

Let's start with Spain, which will still be struggling from the effects of the COVID-19 outbreak this summer.

"The Delta Covid variant has quashed hopes of a 'normal' summer tourism season for Spain," states a recent report from London-based financial research company Capital Economics.

Spain relies heavily on tourists visiting from other countries during the hotter summer months. But this year, that may not happen.

"The EU's "digital certificate", which will be available in all member states next week, should give non-essential travel within the bloc a boost; other EU citizens can already visit Spain but numbers have so far been low."

The largest group of tourists to Spain each year has traditionally been from the United Kingdom, leaving the EU at the beginning of last year. Hence, Brits don't qualify for the digital certificate.

"While Spain is not imposing testing on tourists arriving from the UK, the UK government's requirement for quarantine on return is deterring British travellers [sic]. [my emphasis]"

While the quarantine may get waived later this summer, the Capital Economics report says that could come too late for Spain.

In other words, a British rule may be giving Spain's economy a kick in the head at a time when it needs help.

That said, it's not all Britain that is causing problems. European leaders, such as Merkel and Macron, are likely making things worse for mainland Europe's beleaguered economy, states a recent report from the Telegraph. They are trying to restrict British tourists from visiting mainland Europe due to concerns that British citizens will infect the EU with the new COVID variant.

In other words, the largest group of sun-seeking tourists that Europe has relied on for generations to keep their economies going likely won't be showing up this summer. forbes

US economy grows 6.4% in Q1; likely Just the start

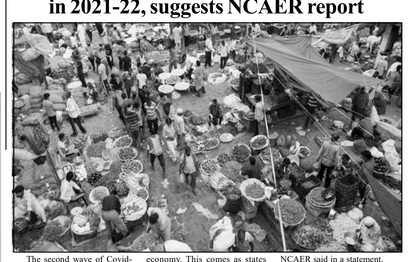
The U.S. economy grew at a solid 6.4% rate in the first three months of this year, setting the stage for what economists are forecasting could be the strongest year for the economy in possibly seven decades.

The Commerce Department said Thursday that growth in the gross domestic product, the country's total output of goods and services, was unchanged from two previous estimates. The gain represented an acceleration from growth at a 4.3% rate in the fourth quarter.

Economists believe GDP growth has accelerated even more in the current April-June quarter as increased vaccinations have allowed for more businesses to reopen and encouraged consumer to get out and spend.

The spending has been aided by the nearly $3 trillion in support the government has approved since December. AP

Indian economic growth may touch 10.1% in 2021-22, suggests NCAER report



The second wave of Covid-19 in India was four times worse than the first wave in terms of infections and deaths seen in the country, the report said. The second wave disrupted the already battered growth process from the first wave, it added.

The Indian economy is likely to grow 8.4-10.1% for the current financial year as against a contraction of 7.3% in the last fiscal, the economic think-tank National Council of Applied Economic Research (NCAER) said on Friday.

The research council has pitched for strong fiscal support to push India's economic growth in its quarter review report, reported news agency PTI.

"We estimate that gross domestic product (GDP) will grow 11.5% in Q1 (first quarter) and 8.4-10.1% for the whole year 2021–22," the think-tank said.

The Indian economy turned a corner this month and began regaining momentum in June, ultra-high frequency data indicate, though subdued consumer sentiment is expected to limit the pace of recovery in Asia's third largest economy. This comes as states gradually ease curbs on business activity, keeping in mind the decline in the number of fresh Covid cases.

The week ended June 13 was at least the third consecutive week in which economic activity sequentially gained momentum, according to three data trackers by research agencies using a range of data available on daily or weekly basis.

PM Modi addressed the nation on the 78th episode of Mann Ki Baat on Sunday.

PM Modi addresses nation on Mann Ki Baat. Watch live

President Ram Nath Kovind, during his train visit to Kanpur.

Indicating that the economy will reach the level where it was in 2019 after suffering two brute Covid-19 waves. "However, these high growth rates are also a reflection of strong base effects since 2021-22:Q1 follows the very steep decline in 2020-21:Q1. At the end of 2021-22 GDP, on constant prices, would still be about the same as ?146 trillion (?146 lakh crore) as in 2019-20," the NCAER said in a statement.

In 2020-21, India's economic growth slowed and contracted by 7.3%, the NCAER said.

The second wave of Covid-19 in India was four times worse than the first wave in terms of infections and deaths seen in the country, the report said. The second wave disrupted the already battered growth process from the first wave, it added.

The economic activity, according to the think-tank's report, declined sharply at the peak of the second Covid-19 wave in April and May this year as shown by the high-frequency indicators.

Economically, in June, India will see activities pick up signalling recovery during the gradual unlocking process.

The NCAER report has stressed on a strong positive push to restore the growth process after the Covid-19 waves India has seen.

This, combined with a strong expansionary macroeconomic policy thrust, could help revive normal growth, the report said. hindustantimes