Iran's new leader faces an existential economic crisis

With a month to go before his swearing in, Iran's president-in-waiting Ebrahim Raisi is getting daily intimations of the many problems that await him: American missile attacks against Iranian proxy militias in Iraq and Syria, an Israeli drone attack on a centrifuge factory near Tehran, stalling negotiations with the world powers in Vienna, and calls for inquiries into his culpability in the country's 1988 mass execution of political prisoners.

But arguably the most pressing predicament facing the next leader of the Islamic Republic is one that's getting little attention outside the country. Strikes and protests have broken out in Iran's critical petroleum industry, where workers are fed up with low wages and poor working conditions. The unrest underscores the gravity of the economic crisis confronting Raisi. It could also precipitate a serious political crisis at the start of his presidency.

Although independent trade unions are technically banned, labor activism has grown more common in recent years as the Iranian economy has been stifled by gross mismanagement, widespread corruption and the constraints imposed by U.S. sanctions. The additional strain of the coronavirus pandemic has left many employers, even state entities, struggling to pay salaries. As a result, there has been a spate of workers' protests in many sectors across the country.

For the most part, the strikes have been small and local. But they have occasionally flared into street demonstrations large enough to alarm the regime in Tehran. Its usual response is to blame unspecified "enemies" and crack down hard on protesters.

But dissatisfied workers in the energy sector represent a threat of a much higher order. The regime has long extolled this labor cohort above all others as working-class heroes. This reflects not only the importance of hydrocarbons to the Iranian economy but the vital role petroleum workers have played in the country's politics. There might never have been an Islamic Republic if it weren't for the widespread oil strikes in the late 1970s that paralyzed the economy. At the root of those protests were workers' grievances over pay and conditions. Matters got out of hand at the end of 1978, when Shah Reza Pahlavi tried to end the strikes by force. After his troops opened fire on demonstrators in the oil-producing regions of the south, the protests spread to other sectors and turned distinctly political, setting the stage for the Shah's ouster in the 1979 revolution. You can see why any president, even one with Raisi's hard-line credentials, would be reluctant to deploy security forces against today's strikers.

The current unrest among energy-sector workers doesn't match the intensity of the protests of 42 years ago, but it comes at a time of widespread dissatisfaction with the country's political leadership that mirrors the discontent of the 1970s. The regime's legitimacy is at its lowest ebb since the revolution: Turnout in last month's presidential election was the lowest ever, and a sizable proportion of voters cast spoiled ballots, a telling indicator of the public mood. Raisi will inherit an economy that has contracted in each of the past three years, even as the Iranian rial has lost 80% of its value and inflation is around a crippling 40%. The strikes and protests suggest workers are not inclined to give him much time to set things right. The president-in-waiting is counting on the nuclear talks in Vienna to be concluded before his swearing in. An agreement would lift the American sanctions and allow Iran to ramp up oil exports, as well as freeing up assets that have been frozen for years.

'Syrian migrants can positively impact local economy'

Syrian migrants can have a positive impact on Turkey's local economy, Martijn Pluim, the International Centre for Migration Policy Development's (ICMPD) director of migration dialogues and cooperation, stated Friday.

"Over a decade, Turkey has been hosting an enormous number of migrants, Syrians under temporary protection as well as other asylum-seekers. The current complex migration situation in Turkey requires a continuous and comprehensive reaction led by national institutions," Pluim stated during a program in coordination with the European Union and the Technology and Industry Ministry in the capital Ankara.

"The Syrian crisis requires a concerted effort to find durable solutions for refugees at national and regional levels," he added, stressing that one country alone cannot manage the existing migration situation and apply all the possible solutions.

Grant schemes for the project Enhancement of Entrepreneurship Capacities for Sustainable Socio-Economic Integration (ENHANCER) were announced during the meeting to further aid the integration of migrants and support the entrepreneurship ecosystem in Turkey.

"While on one side we are aiming to strengthen the resilience of Syrians under temporary protection, on the other side, we consider that the management of the current forced migration situation will also be able to contribute to the development of local economies of Turkey," Pluim pointed out.

The main aim of the projects is to consider local entrepreneurial ecosystems as the most effective and inclusive ecosystems for host communities and Syrians under temporary protection, to improve the policymaking and the coordination of the policy implementation at the national level and to increase employment opportunities for the Syrians and local host communities by strengthening the performance of the market operators.

Three grant schemes were announced during the program, the first of which is to create or develop already available entrepreneurship centers for the joint use of the local community and Syrians, while the second one aims to remove the technical and humanitarian capacity deficiencies of institutions of the local entrepreneurship ecosystem.

The third one is a scheme for small- and medium-sized enterprises eyeing to increase their employment capacities.

Pluim told Daily Sabah that the ENHANCER project so far has done a lot of "preparatory work to establish a framework, carried out background search, defined the industries which we believe will be the most successful. Within a year we have accumulated a whole database of information and established procedures. We are very confident that in the coming years we will be able to hand out the grants to deserving parties and make sure they get the support they need."

Tamer Kiliç, the regional coordinator for the ICMPD, elaborated that 60% of the grant schemes can be used by Syrians and 40% by Turkish citizens.

He added that the total project budget is 32.6 million euros ($38 million) of which 17.1 million euros is reserved for grants for entrepreneurs and local institutions.

Kiliç added that the program will be implemented in 11 provinces of Turkey where there's a higher density of Syrians. "The grant schemes aim to contribute to Turkey's production."

Head of the EU delegation to Turkey, Nikolaus Meyer-Landrut, stated that the implementation of the projects is taking place under "challenging circumstances during the pandemic."

"Activities under these grant schemes, which are launched today, shall enable the development of new and growing businesses, provide sustainable jobs, livelihoods, develop a sustainable institutional framework," he said, commending Turkey's efforts as a host of Syrian refugees and stating that the bloc will continue to support Ankara in this regard.

Turkey is hosting the largest number of refugees in the world with around 3.6 million Syrians that fled the civil war in the country.

Turkey has made large investments in its social cohesion policies to enable Syrians to integrate into Turkish society smoothly.

In addition to 33,000 university students, more than half a million Syrian children are enrolled in schools across Turkey, according to the U.N. children's organization UNICEF. At these schools, the children learn the Turkish language as well as other disciplines.

Although some Syrians are business owners or co-owners with Turkish nationals, a large number of Syrians in Turkey work in the service sector. According to the U.N. figures, over 130,000 work permits have been granted and over 10,000 Syrian entrepreneurs have had the opportunity to start a business in Turkey.

Canada posts unexpected trade deficit in May as exports falter

OTTAWA — Canada posted a surprise trade deficit of $1.39 billion (US$1.12 billion) in May, missing analyst expectations of a small surplus, as imports increased and exports fell, Statistics Canada data showed on Friday.

Analysts polled by Reuters had predicted a surplus of $370 million following a revised $460 million surplus in April.

Imports jumped 2.1 per cent, mostly on imports of metal and non-metallic mineral products, which reached a record level in May, StatsCan said. Imports of consumer goods also jumped, with pharmaceutical imports — including COVID-19 vaccines — contributing.

Exports, meanwhile, dropped 1.6 per cent in May, with exports of motor vehicles and parts falling again as the global semiconductor chip shortage continued to hit production. There was also a plunge in exports of consumer goods as April's seafood surge reversed.

While exports were weaker than expected, it was largely due to global supply disruptions rather than weakening demand for Canadian products, economists said.

"With the rise in imports boding well for domestic demand, the Bank of Canada remains on track to taper its asset purchases again this month," Stephen Brown, senior Canada economist with Capital Economics, said in a note.

Canada's central bank will update its forecasts in its regular interest rate decision on July 14.

The Canadian dollar was up 0.5 per cent at 1.2379 to the U.S. dollar, or 80.78 U.S. cents, on Friday.

Extra jobless benefits aren't holding back the economy

With overall employment appearing to bounce back, the argument by some politicians that overly generous enhanced jobless benefits are impeding the economic recovery is losing steam. Moreover, the extra cash will turn out to be a good thing in the long run.

Since the American Rescue Plan Act of 2021 was passed earlier this year, unemployed people have been authorized to receive an additional $300 in weekly federal benefits in addition to any other payouts they collected. Those extra benefits are being phased out in September, but dozens of states have opted to end them earlier, citing labor-market shortages.

It does seem as if the bigger unemployment payouts have delayed some Americans from reentering the labor force, but the broader upward trend is clear. Nonfarm payrolls increased by a better-than-expected 850,000 last month, and the number of job seekers rose, the Labor Department's monthly employment report showed on Friday.

The gains aren't uniform, of course, as illustrated by the recent initial jobless claims data. Namely, states that have ended benefits early have generally seen a faster pace of residents coming off the jobless rolls, preliminary figures show.

To get a sense of this divergence, consider the data assembled by Jefferies LLC Chief Economist Aneta Markowska from this week's initial jobless claims. Her team found that claims declined 2.7 percent from the week earlier in states that ended enhanced benefits early and rose 2.8 percent elsewhere.

"Since mid-May, claims are down 12.6 percent in early expiration states and just 3.4 percent in September expiration states, so the gap continues to widen," Markowska wrote in an email Friday.

The data isn't perfect because it's hard to control for factors such as greater availability of child care, fear of getting ill and different paces of vaccinations and reopening in different states. But nevertheless, let's assume that it's generally correct in direction.

The reason this is so important is that businesses can't grow and return to full capacity if they can't find workers. And that's the complaint as "help wanted" signs spring up in almost every corner. "Labor challenges across the entire value chain continue to be the major obstacles to increasing growth," Timothy Fiore, chairman of the Institute for Supply Management's manufacturing business survey committee, said in a statement this week. The issue is especially loaded when nearly 7 million fewer Americans are working today compared with the level before the pandemic, as highlighted by the jobs report.

But this friction, of so many people out of work while labor shortages abound, is nuanced. For most working-age people, it takes more than just a temporary chunk of cash to remain out of the labor force. As Oxford Economics economist Oren Klachkin wrote in a June 30 report, "Overall, the value of a job outweighs the value of unemployment benefits." He estimated that benefits would have to range from $1,600 to $3,200 a week, on a per-state basis, to persuade people to remain jobless.

He came to a similar conclusion suggested by the findings of a recent paper from the San Francisco Federal Reserve, which found that only one in seven out-of-work Americans rejected job offers because of the additional $300-a-week support. Workers are staying home with their out-of-school children. Others are finding they don't have skills that are as relevant now as before the pandemic, given the turbocharged shift to everything online. For still others, they may still have residual health issues or concerns or are taking a little longer to find the right position.

But let's just say a significant number of workers took their time returning to the labor force because of the extra cash. Even so, it's still hard to see these enhanced benefits as anything other than a boon to economic growth. It's a key driver behind the high savings rates and lower debt levels among Americans, who now have more than $2 trillion in excess savings to deploy. It has helped fuel the spending that prompted the leisure and hospitality sector to add 343,000 jobs in June.

And it has enabled workers who are busy with children at home to maintain their spending at a level, knowing they'll reenter the labor market in the fall when their children go back to school.

Ultimately it comes down to an issue of timing. How do states withdraw extra support? And how closely should that be linked to vaccination rates, hospitalizations and Covid-19 case numbers? These are tweaks on the margins, perhaps ways to even out the kinks in the labor-market frictions. I'm sympathetic particularly to small-business owners who are struggling to find anyone to apply for their jobs while paying wages that don't jeopardize their companies' survival.

On the whole, it's hard to argue that these enhanced benefits were anything other than a net positive for the individuals and for the economy as a whole as it seeks to pull itself out of the most severe downturn since the Great Depression. It put more money in the hands of people who were most likely to spend it just as the economy roared back to life following the worst health crisis in modern history. That should not be lost on politicians who excoriate the extra payouts as the labor market straightens itself out.

U.S. economy added 850,000 jobs last month, as companies scramble to find workers

The U.S. economy gained 850,000 jobs in June and the unemployment rate rose to 5.9 percent, from 5.8 percent, a sign that the recovery of the world's largest economy is building momentum after misses in April and May.

Economists had expected gains of roughly 700,000 jobs and a drop of 0.1 to 0.2 percent in the unemployment rate as Americans have increased activities like travel, staying at hotels, eating in restaurants and visiting movie theaters.

The positive employment report, released Friday by the Bureau of Labor Statistics, was cheered by economists.

"June's better-than-expected payroll gains provide some needed reassurance that the healing of the job market remains a work in progress," said Mark Hamrick, senior economic analyst at Bankrate. "The June showing is solidly above this year's monthly average pace of more than 500,000 jobs added or recovered." Economists might have been too optimistic initially, said Julia Pollak, a labor economist at the jobs site ZipRecruiter, adding that it's hard to overstate the amount of disruption Covid-19 inflicted on the economy, and the extent to which it upended the career trajectories for millions of workers. All of this adds up to a critical function of the economy that isn't yet working normally. "There are all kinds of bottlenecks and frictions in the process of restaffing entire industries," Pollak said. For instance, she added, a company that laid off all of its administrative personnel would have to recreate its human resources department before rehiring on a large scale. Economists tend to dislike attaching too much weight to a single month's report, since it provides a backward-looking snapshot that, even with seasonal adjustments, can remain volatile.

"I think it's likely going to be pretty noisy here over the next few months as we go through the dog days of summer," said Cliff Hodge, chief investment officer at Cornerstone Wealth.

The trajectory of the labor market recovery over the next few months will give policymakers — and investors — a better sense of what the future holds. "I think we're going to be looking quite carefully at what the participation rate is doing," said James McCann, deputy chief economist at Aberdeen Standard Investments. "What the data could do is cement investors' thinking about when the Fed might announce a tapering of asset purchases," he said.

Policymakers have mostly agreed that current pockets of inflation are transitory. But if job gains are robust and both unemployment and underemployment undergo sustained decreases, worry about rising wages creating inflationary pressure could persuade Federal Reserve Chairman Jerome Powell and the other members of the central bank to revisit its massive bond-buying program sooner rather than later. "It could nudge the Fed to act more quickly than market participants have baked in at the moment," Hodge said.

Weekly jobless claims data released Thursday showed initial applications for unemployment fell to a new pandemic-era low of 364,000, while payroll processor ADP reported on Wednesday private-sector job growth of 692,000 for June. More than 330,000, or nearly half, of those new jobs came from the leisure and hospitality sector. Overall, gains were broad-based, appearing in every sector except information services, which was down slightly. Small businesses added 215,000 of those jobs, even though the economic activity taking place there — particularly at restaurants and bars, stores and hotels — has been constrained as business owners struggle to compete for workers with big-box retailers and chain restaurants for hourly workers.