Trade ports backbone of Afghanistan's economy

By: Shukria Kohistani

With increasing insecurities in trade ports of Afghanistan, problems in trade and business have increased, but there's hope all the problems will be soon addressed.

As fighting is going on between Afghan defense and security forces and Taliban insurgents in several provinces, Taliban has now focused on provincial capitals of some provinces. The group has recently taken the control of several trade ports connecting Afghanistan with neighboring countries.

Trade ports such as Shir Khan port in Kunduz, Aikhanum port in Takhar, Patan port in Paktia, Aqina port in Faryab, Islam Qala in Herat, Torghundi in Herat, Spin Boldak in Kandahar and Abo Nasr Farahi port in Farah have fallen to the hand of Taliban insurgent groups in recent weeks.

As Afghanistan is an importing country from the perspective of the country's economy and most key staples are imported from foreign countries, suspension of trade ports or collecting all incomes coming to these trade ports by the Taliban will face Afghanistan with economic challenges.

Currently, six key trade ports are under control of the Taliban group as fighting still going on in provinces where these ports are located. Therefore, Afghanistan ministry of finance is not able to collect all incomes coming from these ports. Suspension of the ministry's activities in the respective trade ports have caused that custom duties decreased by 7.2 billion AFG in June and July. Increasing insecurities in the country has put negative impacts on custom incomes of the country.

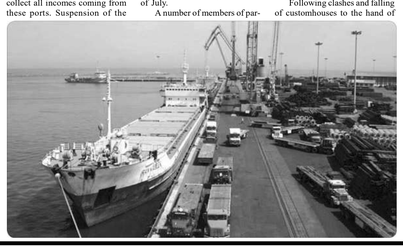
It is said that Afghanistan ministry of finance had collected 3.7 billion AFG custom duties in June, while 6.4 billion incomes have been collected during the month of July.

A number of members of parliament are asking the government to recapture the fallen trade ports, or the country will face with economic problems in case the step is not taken by the government. Currently, increasing insecurities and surge in Taliban attacks have affected trade in the country as a number of national traders are facing with lots of problems and cannot do their businesses in the country.

Following clashes and falling of customhouses to the hand of Taliban, trade between Afghanistan and neighboring countries have been hit badly, causing concerns among national traders and investors in the country as a number of traders and investors have stopped their activities and left for foreign countries.

War and violence have brought big crisis and catastrophes to Afghanistan. Current situation is not good for private sector, national traders and investors as insecurities have increased in recent months in the country. Most national traders and investors are thinking how to leave for other countries to invest. It is time that the government should take serious step to retake the control of trade ports. Otherwise, the country will lose big portion of daily incomes.

With increasing insecurities and surge in Taliban attacks in Afghanistan, trade activities have reduced and the price of first and key stuffs have risen in big cities particularly Kabul, the capital. Besides, the Afghani currency against foreign currencies in particular US dollar has got down. This comes after US and NATO announced full troop withdrawal from Afghanistan in April.



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China's factory activity in July grows at slowest pace since February 2020

China's factory activity expanded in July at the slowest pace in 17 months as higher raw material costs, equipment maintenance and extreme weather weighed on business activity, adding to concerns about a slowdown in the world's second-biggest economy.

The official manufacturing Purchasing Manager's Index (PMI) eased to 50.4 in July from 50.9 in June, data from the National Bureau of Statistics (NBS) showed on Saturday, but remained above the 50-point mark that separates growth from contraction.

Analysts had expected it to slip to 50.8. It was the lowest figure since the index slumped to 35.7 in February 2020, after China began lockdowns to control the coronavirus pandemic.

An NBS official said in a statement the PMI's sub-index for production slipped to 51.0 from 51.9 in June, pointing to equipment maintenance and extreme weather. The new order sub-index fell to 50.9, from 51.5, reflecting a slowdown in demand.

"The most alarming signal is the new export order index, which is at lowest level since July last year," said Zhiwei Zhang, chief economist of Pinpoint Asset Management.

The sub-index for new export orders has dropped for three straight months starting in May. It stood at 47.7 in July.

A sub-index for raw material costs stood at 62.9 in July, compared with June's 61.2, pointing to an increase in costs.

High raw material prices have eaten into the profitability of industrial firms and deterred some Chinese exporters from taking on orders.

Authorities are eager to prevent high factory-gate prices being passed on to consumers, which would only add to current economic headaches as underlying demand remains weak.

Hit by extreme weather, the construction index dropped to 57.5, from June's 60.1, and analysts expect the sector to face headwinds amid Beijing's clampdown on the property market.

To bolster a slowing economy, the People's Bank of China (PBOC) in mid-July surprised the market by lowering the reserve requirement ratio (RRR) for banks, releasing around 1 trillion yuan ($154 billion) in long-term liquidity.

China's economy has largely recovered from disruptions caused by the pandemic, with the consumption and service sectors gradually catching up to the improvements in exports and manufacturing.

However, manufacturers are grappling with new challenges including higher raw material prices, surging logistics costs and global supply chain bottlenecks, and the pace of gross domestic product growth is expected to moderate.

The country is also racing to contain a fresh Covid-19 outbreak of the more infectious Delta variant in the eastern city of Nanjing. China's zero-tolerance approach could present significant downside risks to the current economic recovery, analysts say.

Record flooding in central China may have also weighed on business activity in July, along with government moves to curb steel production in line with a drive to reduce emissions.

The official non-manufacturing Purchasing Managers' Index (PMI) eased to 53.3 in July, from 53.5 in June, a separate survey from the NBS showed.

Oil prices fall, but on track for 2pct weekly gain

Oil prices fell on Friday but remained on track to post weekly gains with demand growing faster than supply, while vaccinations are expected to alleviate the impact of a resurgence in COVID-19 infections across the globe.

Brent crude futures for September, which expires on Friday, dropped 12 cents, or 0.2 percent, to $75.93 a barrel by 0844 GMT, following a 1.75 percent jump on Thursday.

The more active Brent contract for October was down 14 cents, or 0.2 percent to $74.96 per barrel.

US West Texas Intermediate (WTI) crude futures fell 15 cents, or 0.2 percent, to $73.47 a barrel, whittling down a 1.7 percent rise from Thursday.

But both benchmark contracts were headed for gains of around 2 percent for the week.

Even with coronavirus cases rising in the United States, all around Asia and parts of Europe, analysts said higher vaccination rates would limit the need for the harsh lockdowns that gutted demand during the peak of the pandemic last year.

"The oil market no longer appears to be viewing the issue of the Delta variant with quite the same alarm as it was at the beginning of last week," said Commerzbank analyst Carsten Fritsch.

"There is confidence that the ongoing vaccination campaigns in the industrialized countries will prevent any reintroduction of widespread mobility restrictions," he added.

Analysts also point to a rapid rebound in India's gasoline consumption and industrial production following its COVID-19 surge earlier this year as a sign that economies are more resilient to the pandemic.

"Delta is a risk, but is it going to derail demand growth in the second half? We may not see that," said Commonwealth Bank commodities analyst Vivek Dhar.

Top oil exporter Saudi Arabia is expected to raise prices across various grades of crude oil it sells to Asia in September for a second straight month, tracking the strength in Middle East benchmarks, trade sources said.

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The U.S. economy is bigger than ever, but it's still got a few big problems, too

Hurray. The U.S. economy has revived so quickly that it's now larger than it was before the pandemic. But it's still no time to celebrate.

After a sizzling 6.5% rate of annualized growth in the spring, the size of the economy surpassed its pre-coronavirus peak. And it happened a lot faster than virtually anyone would have predicted one year ago.

"Last year at this time, the U.S. economy was facing a near Great Depression scenario," said chief economist Scott Anderson of Bank of the West. "Much of the leisure and hospitality and service economy was flat on its back and the U.S. unemployment rate hovered at 10.2%. What a difference a year makes."

Yet the economy is still not nearly as big as it would have been had the pandemic never happened at all. Economists estimate it's about 2.7% smaller than it would have been without COVID.

Now 2.7% might not sound like much, but in a $22 trillion economy that's a lot of missing jobs, worker pay and business profits.

Missing jobs is still a big problem for the economy.

Although most of the 22 million people who were laid off early in the pandemic have gone back to their jobs, the labor force is still missing 6.7 million workers.

The shortage of labor has become one of the biggest headwinds on the economic recovery.

Many businesses can't find enough workers to serve diners, clean hotel rooms, build homes or manufacture industrial goods. Even higher pay or hiring bonuses haven't been enough to draw more people back into the labor force.

People are returning to the labor force, to be sure, but not as quickly as businesses would like.

Economists estimate the U.S. added about 900,000 new jobs in July, nudging the official unemployment down a few ticks to 5.7% when the data is reported next Friday. That would still leave the economy almost 6 million jobs short.

Surveys of unemployment workers indicate that up to a few million earn enough from extra jobless benefits put in place during the pandemic to stay at home. Half of the U.S. states recently ended extra federal benefit payments to try to prod people to go back to work.

Million of others say they are staying home because they have to care for young children or aging relatives. Others are still worried about catching the coronavirus.

The conventional wisdom has been that these people would return to work in the fall as schools and nursing homes fully reopen and extra jobless benefits run out.

Yet that view is being challenged by the latest spike in coronavirus cases due to the more contagious delta strain.

The Biden administration is urging people to wear masks again in many parts of the country where the virus is spreading and prominent businesses such as Google GOOG, -0.97% have already delayed plans to bring workers back to the office.

However, the delta variant alone should not be enough to stunt the recovery.

Federal Reserve Chairman Jerome Powell pointed out last week that each new wave of coronavirus cases has done diminishing harm to the U.S. economy. Businesses and consumers have largely learned to adjust, he noted.

Perhaps the biggest danger is that the delta variant will hurt other countries even worse and keep the global economy on the ropes. Trade between countries has been severely disrupted and one of the offshoots has been surging inflation.

Take manufacturing. U.S. businesses cannot get enough supplies, many of which are produced overseas, to provide all the goods that Americans are clamoring for. Auto production in particular has been stunted by a lack of computer chips.

These problems are also likely to persist into the fall — and push off the day when the U.S. economy makes a full recovery.

"After a blazing start to the global recovery, it is becoming increasingly apparent that the last mile will be the toughest due to supply challenges and the spread of the delta variant," said chief economist Douglas Porter of BMO Capital Markets.

Iran's Raisi set to focus on economy and nuclear deal

Iran's ultraconservative Ebrahim Raisi will be inaugurated on Tuesday as the new president of the Islamic republic, a country mired in deep economic crisis and hit by crippling US sanctions.

He replaces moderate president Hassan Rouhani, whose landmark achievement was the 2015 nuclear deal between Iran and six world powers.

Raisi, 60, will have to tackle the nuclear talks aimed at reviving the deal from which the US unilaterally withdrew.

Two days after Tuesday's inauguration by the Islamic republic's supreme leader Ayatollah Ali Khamenei, Raisi will take the oath before parliament.

He won June's election when more than half the voters stayed away after many political heavyweights were barred from standing.

A former judiciary chief, Raisi has been criticised by the West for his human rights record.

Iran's economic problems, exacerbated by the American sanctions, will be the new president's greatest challenge, according to Clement Therme, a researcher at the European University Institute in Italy.

"His main objective will be to improve the economic situation by reinforcing the Islamic republic's economic relations with neighbouring countries," Therme told AFP.

"The goal would be to build a business model that would protect Iran's economic growth from American policies and decisions."

Therme believes Raisi's main priority will be to "remove US sanctions" so Iran can bolster trade with its neighbours and non-Western countries such as China and Russia.

The 2015 deal saw Iran accept curbs on its nuclear capabilities in return for an easing of sanctions.

But former US president Donald Trump unilaterally withdrew from the accord three years later and ramped up sanctions again, prompting Tehran to pull back from most of its nuclear commitments.

Trump's successor Joe Biden has signalled his readiness to return to the deal and engaged in indirect negotiations with Iran alongside formal talks with the agreement's remaining parties -- Britain, China, France, Germany and Russia. The US sanctions choked Iran, including by seeking to stop its oil exports, and the economy contracted by more than six percent in both 2018 and 2019.

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