New Zealand exports

New Zealand wholesale trade sales rose in the June 2019 quarter driven by fruit exports, the county's statistics department Stats NZ said, Xinhua wrote.

Oil, gas companies spend $50b on projects that don't meet Paris climate accord

Oil companies across the globe have vowed to meet the goals set out by the historic Paris climate accord, but a new research report shows they aren't doing more for the cause than providing lip service.

In fact, they are investing billions of dollars in the current environment to develop new oil and gas supplies, not taking into account the low-carbon world we are headed for, interestingengineering.com wrote.

A new study by Carbon Tracker, the non-profit financial think tank, found the billions of dollars the oil and gas industry is spending on new projects don't align with efforts to prevent the planet from rising under 2°C.

RONNIECHUA/ISTOCK

Not operating in a low-carbon world

"Every oil major is betting heavily against a 1.5°C world and investing in projects that are contrary to the Paris goals," wrote Andrew Grant, senior oil and gas analyst and author of the report.

"Investors should challenge companies' spending on new fossil fuel production. The best way to both preserve shareholder value in the transition and align with climate change goals will be to focus on low-cost projects that will deliver the highest returns."

According to Carbon Tracker since 2018, oil and gas companies have approved $50 billion of investment, with most undermining the climate targets. None of the major oil and gas companies are investing to support the goals laid out in the Paris accord.

Those projects include ExxonMobil's $2.6 billion Aspen project in Canada, which the group said is the first greenfield oil sands projects in five years. Oil prices will have to be more than $80 a barrel for ExxonMobil to see a 15 percent return on its effort, Carbon Tracker said.

The group also pointed to Shell's $13 billion liquefied natural gas project also in Canada, BP, Chevron, ExxonMobil and Equinor's $4.3 billion ACG deepwater oil project located in Azerbaijan and BP, ExxonMobil, Total and Equinor's $1.3 billion Zinia 2 deepwater oil project in Angola.

Investors are at risk too

"ExxonMobil, Chevron, Shell, BP, Total, Eni and ConocoPhillips, with Equinor, each spent at least 30 percent of their investment in 2018 on projects that are inconsistent with a 1.6°C world," wrote Carbon Tracker. "The report found projects already sanctioned by the oil and gas industry will take the world beyond a 1.5°C warming pathway."

Outside of the environmental impact, these projects will put its investors at risk. Carbon Tracker projects the oil and gas companies risk wasting $2.2 trillion by 2030 based on the investment decisions that rely on current emissions policies, not on low-carbon ones.

The group said ExxonMobil has the greatest risk of stranded assets with more than 90 percent of its potential spending from 2019 through 2030 on new projects outside a 1.6°C pathway. At Shell, Carbon Tracker said 70 percent of its assets are at risk while 67 percent of Total's assets could be stranded. Chevron is at a 60 percent risk, while BP's risk stands at 57 percent and ENI has a 55 percent risk.

Turkmenistan suffering economic crisis of its own making

Turkmenistan is tremendously rich in natural resources, with around 10 percent of the world's total gas reserves.

But the news trickling out of the isolated country does not paint a rosy economic picture. For more than two years, inflation has been stubbornly high (jumping to almost 300 percent by one estimate last year), eurasianet.org wrote.

There have been consistent reports of food shortages and breadlines. This year the government scrapped free utilities, breaking a decades-long social contract. Public sector wages are going unpaid.

Turkmenistan suffers because it hasn't diversified. Its immediate neighbors all have ample energy reserves, so they're not interested in buying Turkmenistan's chief export: Gas.

Gas buyers are, instead, far away. And the Central Asia-China gas pipeline, through which Turkmenistan exports gas to China, its most important buyer, is close to maximum capacity.

Ashgabat has also been lousy managing other trade partners. Gas sales to Russia only recently resumed after a 40-month hiatus. India is a major energy consumer. However, the logistics of exporting gas to India is complicated by Afghanistan. What about exporting gas in LNG form? That's how India imports most gas from the Middle East. But this would mean using Iranian ports.

Despite these geographic challenges, Turkmenistan's economic misfortunes are largely its own doing.

A cornerstone of Ashgabat's economic policy in recent years has been to defend its overvalued currency, the manat. To achieve this, the government has clamped down on imported goods with draconian import controls and by limiting access to hard currency.

ENERGY POLICY GROUP

For starters, this has created severe shortages of basic goods as imports have nosedived: According to the IMF total goods imports fell from $8.4 billion in 2014 to $2.5 billion in 2018, a staggering 70 percent decline.

And second, though officials often talk about diversifying from gas, a propped-up manat hurts its few other exports because anything Turkmenistan sells abroad is artificially expensive on global markets.

Now why would a government work so hard to maintain its currency peg?

An overvalued currency means that one Turkmen manat translates into more dollars than it would if it were depreciated.

This policy favors anyone with money to transfer out of the country. In other words, an overvalued manat favors someone wanting to buy dollars and send them abroad — exactly the kind of pursuit often attributed to senior Turkmen officials.

South Korean won likely to further ascend

The South Korean won is expected to further advance against the US dollar for some time on what analysts called long-awaited but unanticipated positive developments that helped remove some uncertainties facing Asia's fourth-largest economy.

The local currency closed at 1,196.90 won to the greenback on Friday, up 3.30 won from Thursday's close, extending its gains to a third consecutive session, Yonhap reported.

It marked the first time since Aug. 1 that the won-dollar exchange rate breached the 1,200-won mark.

Friday's closing price also marks a two-percent increase from Aug. 13, when the won closed at 1,222.20 won per dollar, the lowest since March 2, 2016.

"The won-dollar exchange rate rapidly breached the 1,200-won mark on positive factors that came unexpectedly," Jeon Seung-ji, an FX analyst from Samsung Futures, said.

Such positive developments included the increased possibility of Britain's exit from the European Union with a deal, as well as Hong Kong's withdrawal of its extradition bill that has led to weeks of enthusiastic protest rallies that nearly paralyzed the entire city.

"The protesters have refused to accept the government's withdrawal of the extradition bill, but the possibility of the city shutting down and violent demonstration has been reduced," Jeon said.

"The US and China too have agreed to hold high-level trade talks in Washington early next month, prompting a renewed hope for an end to their trade dispute," she added.

SHUTTERSTOCK

The analyst expected the local currency to advance to as high as 1,193.00 won per dollar before attempting to further recover ground to 1,183.00 won, or to the pre-August level when the won began to descend amid the escalating trade dispute between the world's two largest economies, as well as South Korea's own trade spat with Japan.

Tokyo removed Seoul from its list of trusted trade partners in early August, about one month after it began imposing tougher restrictions on South Korea-bound shipments of three key materials used to produce semiconductors and display panels, both key export items of South Korea.

Other analysts agreed the local currency will likely advance on increased hope for a breakthrough in the US-China trade dispute, as well as a widely anticipated US rate cut.

South Korea has faced a greater risk of capital outflow since its central bank lowered its policy rate to 1.50 percent in its first rate cut in three years in July, widening its rate gap to 75 basis points with that of the US, which currently sits at a range of 2.0 percent to 2.25 percent.

"For a country such as South Korea, the No. 1 issue it has to consider before a possible rate reduction is capital flight, which could cause very serious problems," a Bank of Korea official said earlier, while speaking on condition of anonymity.

They, however, insisted the won's sharp appreciation will likely be limited due to the country's weakening fundamentals, such as slowing exports.

South Korea's exports have dropped for nine consecutive months since December, plunging 13.6 percent on-year to $44.2 billion last month.

"The won-dollar exchange rate is expected to face large fluctuations on risk-taking behavior and increased demand from export companies. However, the rise of the won is expected to be limited due to poor local indicators, concerns of deflation and remaining uncertainties (about a US rate cut)," Kookmin Bank said in a research paper.

The dynamics of India's growth recession

By Amit Kapoor*

The crisis brewing within the Indian economy has gained unanimous acceptance by now. Even the latest annual report of the RBI for the fiscal year 2018-19 (or FY19) confirmed that the Indian economy has indeed hit a rough patch.

The GDP growth rate of the economy has slipped to five percent in the first quarter of FY20, the lowest in over six years.

This is an indication of tougher times ahead. Be it the recent collapse of the automobile sector or the rising number of non-performing assets (NPAs), sluggish consumer demand or failing manufacturing sector; all have a hand in this deceleration of growth rate. The spurt in instances of job losses from automobile manufacturers to biscuit makers has led to the general acceptance of the downturn.

This is the third instance of an economic slowdown for India in the past decade after the ones that began in June 2008 and March 2011.

The technical term for the same is growth recession. A recession is defined in economics as three consecutive quarters of contraction in GDP. But since India is a large developing economy, contraction is a rarity.

The last instance of negative growth for India was in 1979. A growth recession is more commonplace where the economy continues to grow but at a slower pace than usual for a sustained period, what India has been facing nowadays.

THE DAYAFTER

The growth of the Indian economy had been predominated by consumption inclusive of both — Private Final Consumption Expenditure (PFCE) as well as the Government Final Consumption Expenditure (GFCE). Over the last five years, the total consumption expenditure by Indian households had accelerated with an average growth rate of 7.8 percent compared to an average of 6.1 percent in 2011-14. But the recent sharp fall in PFCE in the June quarter to 3.1 percent compared to 7.2 percent in the March quarter has significantly contributed to the recent slowdown.

That being said, any fall in consumption expenditure, as and when it would happen, would escalate the crisis even more. If consumption spending falls, then output and employment levels also fall since consumption expenditure directly impacts the other two.

As a consequence, the economy would stagnate, and prices deflate. Lower prices, if unable to recover the costs, would halt the operations of any firm and would initiate the layoff process. This, in turn, reduces earnings further. Hence this vicious cycle keeps on repeating itself until the economy slips into a deeper state of shock. In addition, another major component of India's GDP is investment, induced by both — private and government sectors. It has been a key driver of growth since the liberalization of 1991. Though gross fixed capital formation (GFCF), the main constituent of investment in the economy, increased, yet its contribution to growth fell by 6.2 percentage points in 2014-19 than in 2011-14.

The slackening of investment lowers the level of infrastructure development, causes hesitation in creating small businesses, stop entrepreneurs from investing in research and development, and thus stagnates technological development. Capital Investments are long-term gains that generate profitability for many years by improving operational efficiency and boosting innovation. It goes without saying that for holistic growth of the economy and to gain competitive edge over others, the economy must innovate.

Recession can be short-lived if corrective actions are taken immediately, failure of which can have a prolonged effect on the health of an economy. Amidst the news of slowdown, rise in FDI inflows from $12.7 billion (FY19) to $16.3 billion (Q1 FY20) brought respite for the government. In a welcoming move, government revised GST for the automobile sector, opened up FDI in contract manufacturing sector and even announced the recapitalization of the banking sector. Together with these, it should also focus on optimum utilization of funds granted by RBI and direct them to boost investment in the economy both infrastructural and research investment. Further, structural shifts over the long run can be achieved through tapping into the health and education sectors that long for quality improvements. Only such long-lasting structural changes can improve the growth potential of the Indian economy and deter the possibility of three slowdowns within the short span of a decade.

** Amit Kapoor is the chair of Institute for Competitiveness. The above article was taken from The Economic Times.*