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Tea Exporters Association

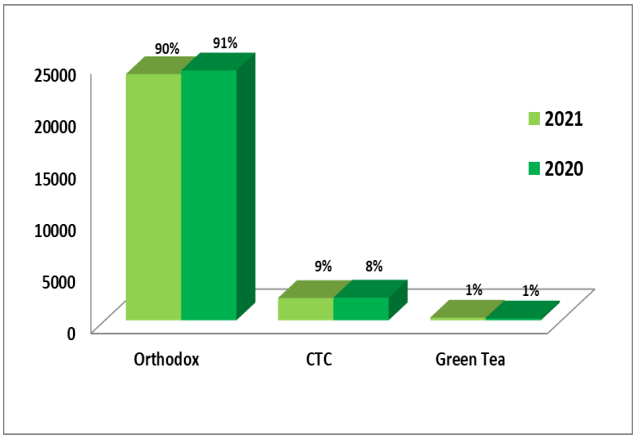
Sri Lanka

NEWSLETTER

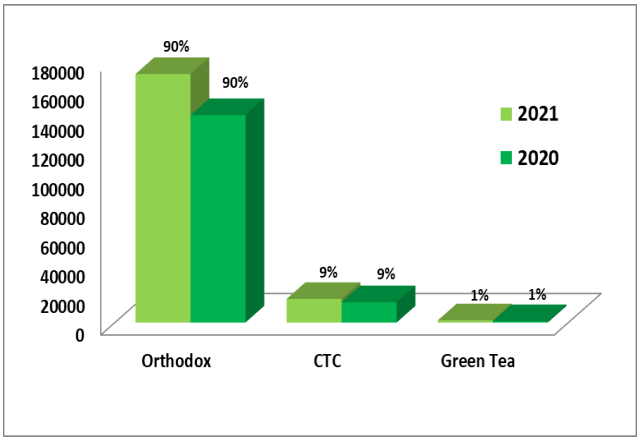
August 2021

SRI LANKA TEA PRODUCTION

JULY 2021/2020 - in MT

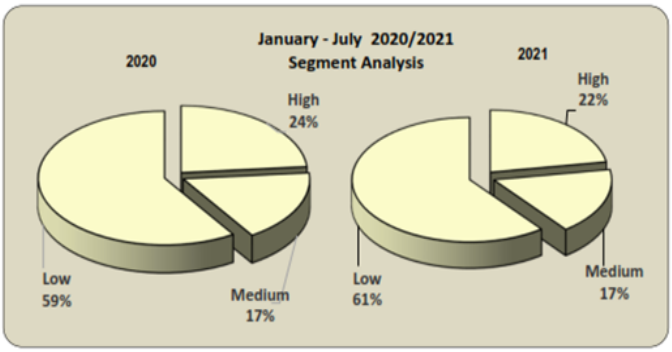


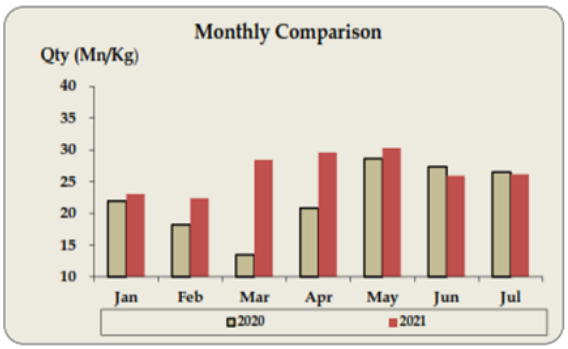
JANUARY TO JULY 2021/2020 - in MT



(SLTB)

SRI LANKA TEA PRODUCTION

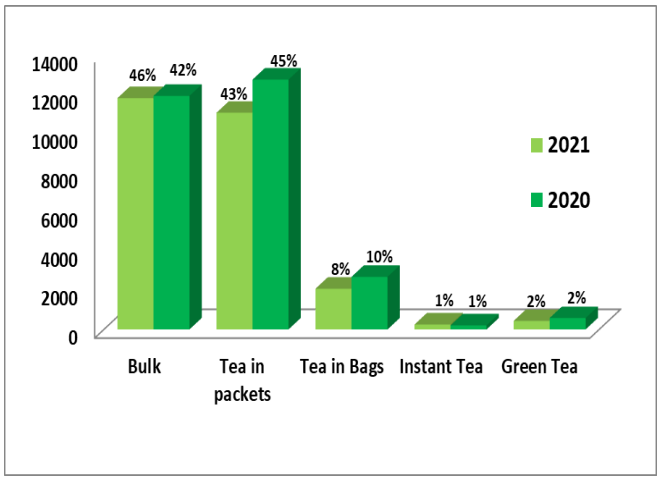




(Asiya Siyaka Commodities PLC)

SRI LANKA TEA EXPORTS

JULY 2021/2020 - in MT



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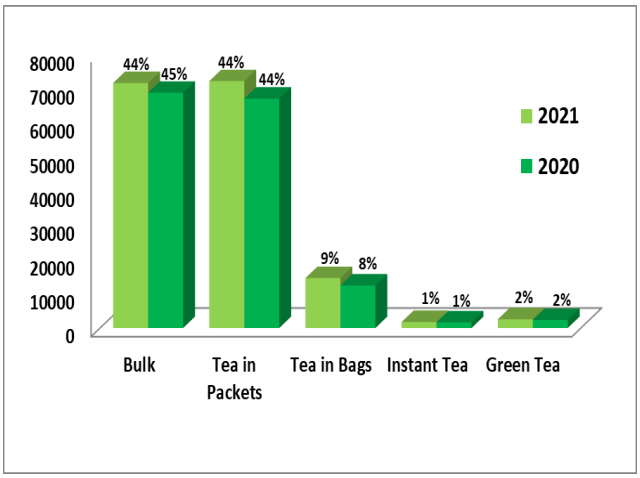
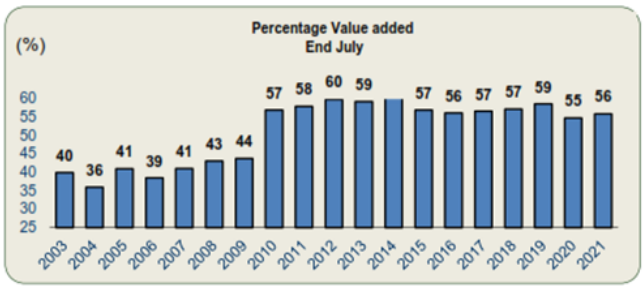


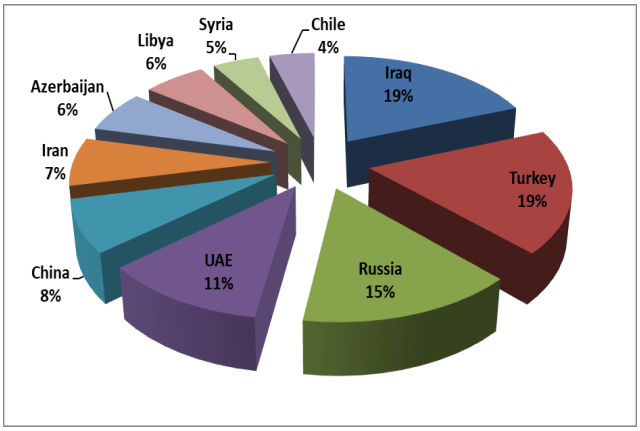
SRI LANKA TEA EXPORTS - JULY 2021



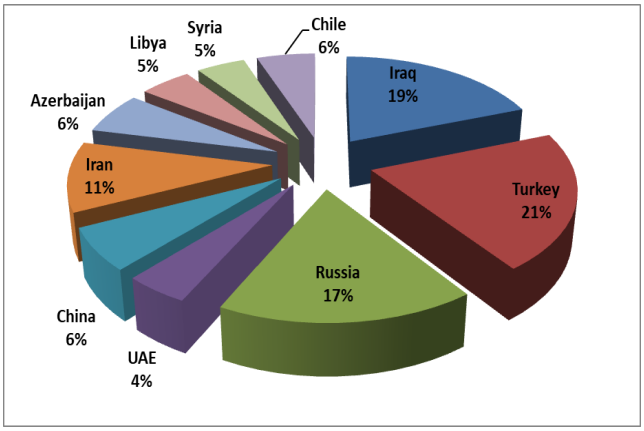
(Asiya Siyaka Commodities PLC)

MAJOR IMPORTERS OF SRI LANKA TEA

JANUARY TO JULY 2021



JANUARY TO JULY 2020



(SL Customs - courtesy Forbes & Walker Tea Brokers)

World Tea Crop

The latest tea crop figures of some leading tea producing countries are furnished below (in million Kg).

Country	Period	2020	2021	Variance
Bangladesh	January to July	33.90	38.30	4.40
North India	January to July	392.00	478.70	86.70
South India	January to July	119.00	144.20	25.20
Malawi	January to June	31.20	34.50	3.30
Kenya	January to May	254.29	230.60	(23.69)

(Forbes & Walker Tea Brokers)

Summary of developments in the major producing countries - August

With noticeably higher exports to the Russian Federation, Uzbekistan, Ghana and Mauritania, exports from China up to July records a decline of 5% only against the same period in 2019. However, exports to Morocco have declined during this period.

India is expecting an increase in their exports to Iran following recent trade discussions to work out an improved alternative payment system as the rupee-rial mechanism has ground to a halt following sanctions on Iran.

Cumulative production in the first half of the year in Kenya is lower by approximately 9% than last year as a result of lower or moderate rainfall coupled with colder conditions both East and West of Rift. There was improved interest on offerings at the Mombasa auctions during August following the weekly arrangements made to settle on floor prices for KTDA managed teas that are more in tune with the market.

Exports from Sri Lanka up to July is in line with exports made during the same period in 2019 with significantly higher exports to the UAE and China. Exports to most other major destinations have held up well though shipments to Iran, Iraq, Libya and India are lower.

The spreading of Covid-19 across all tea producing countries in Asia at the present moment is a matter of serious concern and the coming months will shed further light as to how the supply chains might be affected, as a result of this. Temporary closures of some ports along-with the absence of shipping containers where required and associated higher shipping costs are also likely to cause further disruptions to trade.

Other Auction Centers

Mombasa

There was improved demand in the first week with the best BP1's, PF1's, and bright PD's dearer and 77% of the offerings were sold on the auction floor with the auction average moving up to US$ 1.95 p/kg. Though the market remained steady at the next two auctions, 30% of the offerings remained unsold at each sale as a result of higher KTDA floor prices. In week 4, there was improved demand and the total average price crossed US$ 2 p/kg. for the first time since the first week of March. Slightly easier price levels were witnessed at the next sale where there was irregular demand.

Kolkata

At the first auction of the month, there was fair demand for select best Assams and well made leafy orthodox teas. Fair demand was maintained for the best liquoring Assams but rest of the teas were easier at the next sale with exporters not showing interest. There was improved demand the week after where orthodox teas remained firm with interest from Middle East buyers and CTC teas firm to dearer with strong local activity. There was good demand at the next sale but at lower price levels than the previous week.

Guwahathi

There was only fair demand at the first sale of the month with prices tending easier. Market remained just about steady the week after and there were significant withdrawals in the Dust catalogues. Barring clean, good liquoring teas, all teas were easier the week after. Demand was steady at the next sale where prices remained quite firm.

Kochi

Leafy teas were steady to occasionally dearer at the first sale of the month but a significant number of lots in the Dust catalogues were withdrawn. Good liquoring Dust teas were firm to dearer whilst the exporters showed interest in the poorer teas at the next sale. No auction was held in week 3 and there was some improvement in the market the week after. Overall demand was weaker at the next sale though leafy orthodox teas were in demand.

Chittagong

Demand was selective at easier rates at the first sale of the month and prices eased further the week after. With increased participation of buyers at the next auction, there was improved demand with all better liquoring teas firm to dearer. Blenders continued to be the mainstay of the market the following week with good liquoring teas selling dearer whilst other teas were easier. An easier market prevailed the week after.

Jakarta

Demand was generally weak at the first sale of the month except for a few CTC teas. At the next sale, there was improved demand with brighter West Java teas attracting interest. From week 3, the auction was moved to a Zoom platform and the larger offering met with less demand with prices declining except for the best orthodox brokens. Brighter teas of both CTC and orthodox varieties made gains with interest from the Russian Federation, Malaysia, UK & USA.

Limbe

There was only fair demand at the first two auctions of the month at generally easier rates. Stronger demand was noticed the week after with prices moving up. The limited quantity on offer the following week enjoyed fairly attractive prices but at lower levels than the previous week.

(International Tea Committee and Courtesy: Forbes & Walker Tea Brokers)

CBSL tightens Monitory Policy

The Central Bank announced multiple moves to tighten monetary policy, becoming the first in Asia to do so since and despite the worsening COVID pandemic, but justified its stance saying it will help macroeconomic stability and revive growth. The key points are;

- Ends one year of expansionary monetary policy stance with multiple moves; first in Asia to do so since outbreak of pandemic.
- Ups SDFR and SLFR by 50 bps each to 5% and 6% respectively.
- Bank Rate linked to SLFR with a margin of +300 bps will automatically adjust to 9%.
- To induce a faster response of the market to these adjustments ups SRR on all rupee deposit liabilities by 2 percentage points to 4% with effect from reserve maintenance period starting on 1 Sept.
- CB retains 5% growth forecast despite third wave and delayed recovery in tourism and other shocks.
- But warns possible disruptions to economic activity from re-emergence of COVID-19 and related preventive measures could weaken recovery to some extent during the 2H of 2021.
- Upward adjustments in market interest rates and expected liquidity deficit would help economy absorb large amount of currency held by the public.

The Monetary Board expects these moves to iron out the prevailing imbalances in the domestic financial markets and the external sector of the economy, while pre-empting the build-up of any excessive inflationary pressures over the medium-term, thereby supporting greater macroeconomic stability.

"The upward adjustments in market interest rates and the expected liquidity deficit in the domestic money market would also help the economy to absorb the large amount of currency held by the public observed since the onset of the pandemic in early 2020," the Central Bank said.

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CENTRAL BANK OF SRI LANKA

It will continue to monitor domestic and global macroeconomic and financial market developments and take appropriate measures to ensure that the economy reverts to its potential, while maintaining inflation in the targeted 4-6% range under its flexible inflation targeting framework.

The multiple moves bring to an end the expansionary monetary policy stance maintained for the past year by the Central Bank in view of the pandemic. This also saw interest remaining at historically low levels since July 2020.

The economy is poised to record a higher growth rate during the second quarter of 2021, partly due to the sharp contraction observed in the corresponding quarter of the previous year. Possible disruptions to domestic economic activity from the re-emergence of the COVID-19 pandemic and related preventive measures could weaken the recovery to some extent during the second half of 2021.

(CBSL)

Global purchases of imported tea totaled US$6.7 billion in 2020

The overall value of tea imported by all buyer countries shrank by an average -2.1% since 2016 when tea purchases cost $6.8 billion. From 2019 to 2020, the total dollar amount for imported tea slipped by -5.5% from 2019 to 2020.

The 5 most valuable import markets for tea (Pakistan, United States, Russia, United Kingdom and Saudi Arabia) accounted for almost a third (31.1%) of the worldwide sales of imported tea in 2020.

From a continental perspective, Asian countries bought the most imported tea during 2020 with purchases costing $2.9 billion or 43.7% of the worldwide total. In second place were European countries at 29.3% while 14.4% of all tea imports were delivered to customers in Africa.

Smaller percentages went to North America (9.1%), Oceania (2%) led by Australia and New Zealand, and Latin America (1.5%) excluding Mexico.

Below are the 10 countries that imported the highest dollar value worth of tea during 2020.

RANK	IMPORTER	VALUE (US$)	2019-20 CHANGE
1	Pakistan	$589,756,000	18.70%
2	United States	$473,832,000	-3.00%
3	Russia	$412,245,000	-3.20%
4	United Kingdom	$348,686,000	-2.10%
5	Saudi Arabia	$243,557,000	2.90%
6	Iran	$236,308,000	-39.90%
7	Hong Kong	$221,816,000	19.00%
8	Morocco	$202,304,000	-12.80%
9	Egypt	$197,215,000	-28.70%
10	Germany	$195,015,000	-14.80%

China ($ 180 million) , France ($ 168 million) , UAE ($ 165 million) , Japan ($ 157 million) and Iraq ($ 135 million) are the other important buyers of tea in 2020.

Among the above countries, 4 markets for tea imports grew since 2019 namely: Hong Kong (up 19%), Pakistan (up 18.7%), Saudi Arabia (up 2.9%) and France (up 0.7%).

Those countries that posted declines in their imported tea purchases were led by: Iran (down -39.9%), Egypt (down -28.7%), Iraq (down -23%) and United Arab Emirates (down -21.7%).

(Market Research Agency)

Vietnam Tea Exports

According to preliminary statistics of the General Department of Customs, in June 2021, the country exported 11,110 tons of tea, equivalent to 19.57 million USD. The average price was 1,761 USD/ton, up 9.8% in volume and up 18 .7% in turnover compared to May 2021, up 8.1% in price. Compared to June 2020, it decreased by 7.8% in volume and 2.1% in turnover but increased by 5.8% in price.

In the first 6 months of 2021, the country's tea export volume reached 58,090 tons (up 0.3% compared to the first 6 months of 2020), earning nearly US$94.86 million (up 4.4%), the price average reached 1,632.9 USD/ton (up 41%).

Pakistan still is the main buyer of Vietnam tea, reaching over 17,274 tons, equivalent to 33.41 million USD. The average price is 1,933.9 USD/ton, up 12% in volume, up 14.4% in turnover, and 2.1% increase in price compared to the first 6 months of 2020. Accounting for 29.7% of the total volume and 35.2% of the total tea export turnover of the country.

Tea exports to Taiwan market – the second-largest market in the first 6 months of 2021 increased by 15% in volume, up 12.9% in turnover but decreased by 2% in price over the same period in 2020, reaching 8,425 tons, equivalent to 12.98 million USD, average price 1,540.8 USD/ton; accounting for 14% of the total volume and total turnover.

The Russian market ranked third with 6,501 tons, equivalent to 10.33 million USD, priced at 1,589 USD/ton, down 11.8% in volume, down 7% in turnover but up 5.5% in price over the same period, accounting for 11% of the total volume and total export turnover of tea of the country.

The notable market is China in the first 6 months of 2021 with a strong increase of 55% in volume. An increase of 59% in turnover, and a 2.6% increase in price over the same period in 2020, reaching 5,405 tons, equivalent to 8 .39 million USD, price 1,552.4 USD/ton; accounting for 9% of the total volume and total turnover.

Russia imports more Tea

In the first four months of 2021, Russia's tea imports showed signs of recovery, reaching 52.3 thousand tons, worth $152.2 million, up 4.8% in volume and 13.4% in value. The average tea import price of Russia reached 2,907.1 USD/ton, up 8.2% over the same period in 2020.

Russia sharply increased tea imports from many main markets in the first four months of 2021, while sharply decreasing imports from Vietnam.

Tea imports from Vietnam reached 4 thousand tons, worth US$6.7 million, down 18.9% in volume and 15.8% in value over the same period in 2020. The price of imported tea from Vietnam is at 1,684.4 USD/ton, up 3.8% over the same period in 2020. The proportion of imports from Vietnam accounted for 10.6%, down 3 percentage points over the same period in 2020.

According to worldstopexports.com, although the demand for tea imports tends to decrease sharply due to changes in consumption trends of Russians, Russia is still the world's third-largest import market in terms of import value. In 2020, Russia's share of tea imports accounted for 6.2% of the total value of tea imports globally.

Meanwhile, the value and volume of imports from Vietnam are still low. Therefore, there are still many opportunities for tea exporters to boost exports to the Russian market in the near future. In particular, the Free Trade Agreement between Vietnam and the EAEU will boost Vietnam's tea export turnover to this market, when the tax rate will be reduced to 0% immediately after the Agreement comes into effect.

India, Kenya, and Sri Lanka are the three main suppliers of black tea to Russia. The proportion of three tea import markets accounted for 68.7% in volume and 71.1% in value over the same period in 2020. Next was green tea with 4.5 thousand tons, valued at 14. 0.7 million USD, up 10.7% in volume and 19.3% in value over the same period in 2020. China is the main supplier of green tea for Russia, the proportion of imports from China accounts for 84.4% of the total amount of green tea imported by Russia. These are the main competitors for Vietnamese tea exports, not only in Russia but also in many other countries around the world.

(Vihaba)

India Tea Exports - 2Q 2021

Country	April-Jun, 2021		April-Jun, 2020	
	Qty (M.Kgs)	Unit Price ($/Kg)	Qty (M.Kgs)	Unit Price ($/Kg)
Russian Fed	6.95	2.43	8.87	2.09
Ukraine	0.36	2.92	0.60	2.08
Kazakhstan	1.19	2.63	1.27	2.18
Other CIS	0.31	2.68	0.33	2.91
Total CIS	**8.81**	**2.48**	**11.07**	**2.13**
United Kingdom	0.99	4.16	1.41	2.68
Netherlands	0.44	6.32	0.54	4.81
Germany	1.83	4.16	1.86	2.79
Ireland	0.12	15.25	0.18	13.44
Poland	1.37	2.68	1.03	2.43
U.S.A	3.49	4.96	2.63	4.33
Canada	0.44	16.23	0.40	4.98
U.A.E	2.32	3.47	2.08	2.70
Iran	5.16	3.62	6.81	3.43
Saudi Arabia	0.61	4.44	1.05	3.70
EGYPT (A.R.E)	0.07	3.14	0.47	1.66
Afghanistan	0.15	1.87	0.37	1.57
Bangladesh	0.01	8.00	0.03	5.00
China	0.72	2.26	2.86	1.93
Singapore	0.66	5.86	0.24	2.96
Sri Lanka	0.18	3.06	0.31	1.87
Kenya	0.18	2.44	0.21	1.86
Japan	0.67	5.76	0.55	6.56
Australia	0.42	5.60	0.48	5.25
Other countries	8.79	3.40	8.46	3.01
Total	**37.43**	**3.71**	**43.04**	**2.94**

(Tea Board- India)

India Tea Exports to Iran

India's tea exporters are confident of shipping 35 million kg of teas to Iran this year, despite the continuing US sanctions on the West Asian country. Industry executives said that exporters are getting their payments routed through the UAE and Turkey as the rupee-rial trade between Indian and Iran has come to a standstill.

The recent visit of Minister of External Affairs to Tehran has raised hopes of an improvement in the payment system between the two countries,

"Exports to Iran have never stopped despite payment difficulties. Orthodox tea exporters are expecting to achieve 35 million kgs of tea exports to Iran this year. We are eagerly waiting for some trade agreement to be clinched between India and Iran so that tea exports can increase in the coming three months," Director at Asian Tea, told ET.

In the January-May period this year, India exported 7.33 million kg of tea to Iran compared to 12.38 million kg in the year-ago period.

Ever since the US imposed sanctions on Iran, India has not been able to engage in dollar-denominated trade with the country. Hence, a rupee-rial trade mechanism was put in place in 2018.

However, since there have been no oil imports by India since May 2019 in view of the US-led sanctions, the accumulations in the rupee-rial accounts have depleted drastically.

"Indian tea exporters have become over-reliant on Iran just like the way they had become dependent on Russia in the 1970s. The exporters should develop other markets for routing orthodox teas," said Chairman, Indian Tea Exporters' Association.

He further said the overall export prospects this year remain bleak. "It will be difficult to achieve last year's export figure of 207 million kg as things stand today.

CTC (common variety of black tea) prices need to be corrected further if we have to compete with Kenyan tea in the world markets," he said.

Talking about other challenges, he said, "There has been a 400-1,000% increase in shipping costs in the last six months to one year for exporting teas to the US. In fact, some of the buyers in the US have shown their impatience as we are not being able to send consignments. There is hardly any Container available at Kolkata Port through which most of the teas get shipped."

(Economics Time)

Iran tea production up by 25%

The Head of Iran's Tea Organization (ITO) Habib Jahansaz has annonced that tea production in Iran rose by 25 percent in the first five months of the current Iranian year.

He further stated that "The 25-percent increase in tea production in the country indicates that the market has the capacity to boost production and shows an increase in the general popularity of Iranian tea."

In the first five months of 2021, 114,445 tons of tea leaves valued at 6.5 trillion rials (about USD154.7 million) were purchased from the country's tea farmers, 51 percent of that was high quality first grade product, he further declared.

The government has so far settled 75 percent of its dues to the tea farmers, the official added.

(MENA)

Pakistan ends tea export levy on Kenya

Kenya's tea farmers will save Sh200 million a year after Nairobi and Pakistan ended a decade-long tariff war that had seen Pakistan levy an attestation fee of 0.5 percent on tea from Kenya.

Kenya's Trade CS Betty Maina and Pakistan High Commissioner to Kenya Saqlain Syedah announced the removal of the levy that has been in place since 2007.

Pakistan had imposed it after Kenya slapped its rice with 75 percent duty in line with the requirement of the East African Community Protocol.

The Asian state remains the largest buyer of Kenyan tea, accounting for more than a third of all the commodity exported last year.

"I am glad to inform Kenyan [tea] traders that the attestation fee has officially been removed effective August 16, 2021. I have on record the confirmation of the removal of that gazette notice in Pakistan," Ms Maina said on Tuesday.

Ms Syedah said the agreement was in line with Pakistan's policy on Africa, aimed at improving the ease of doing trade between her country and the continent.

East African Tea Traders Association (Eatta) managing director Edward Mudibo said the move to abolish the attestation fee will boost to the earnings of growers.

"It is a positive move that the government of Pakistan has agreed to abolish the levy, this comes as a major boost to the farmers," said Mr Mudibo.

Tea stakeholders have for years lobbied for the removal of the levy, which made Kenya's tea more expensive in Pakistan when compared with beverages from other countries.

Before tea is exported to Pakistan, the buyers were required to get clearance from the Embassy of Pakistan in Kenya after paying the levy.

Pakistan bought tea worth Sh38 billion ($ 351 million) from Kenya last year, cementing its position as the top buyer of Kenya's beverage.

In the five months to May this year, Pakistan had already purchased tea worth Sh20 billion ($ 185 million) at the Mombasa Auction. The volume of tea exported to Pakistan increased by 20.7 million kilogrammes to 93.7 million kilos in the period, accounting for 35 percent of total exports.

(Daily Star)

KTGA accuses Tea Board

The Tea Board of Kenya has been accused of laxity in marketing tea at international markets.

Kenya Tea Growers Association (KTGA) chairperson Daniel Kirui has since written to the board's director Peris Mudida, accusing the agency of not doing enough to increase demand for local tea.

"Lack of aggressive marketing strategies in countries that are major consumers of tea and the board's failure to address challenges facing the tea industry is hurting farmers," said Mr Kirui.

He said increased cost of inputs had made growing of tea a tough call for farmers, especially with the low prices of Kenyan tea. Things would be different if the board did more to market the produce, he added.

Kirui said while overproduction of tea in the East African region contributed to the low prices, declining demand and undervaluation of tea at the Mombasa auction were of great concern to farmers.

He said his association planned to set minimum prices of tea for brokers representing their members at the Mombasa Tea Auction. "We also want to ensure proper valuation of tea so our members can reap maximum benefits from their efforts." "Prices currently offered at the auction do not even cover the cost of production and are therefore not sustainable. We feel unless measures are taken to correct this, the sector, which is a source of livelihood for many, is at risk of collapsing," he said.

KTGA's statement came as Kericho Governor Paul Chepkwony assured UK-based companies such as James Finlay, Unilever, George Williamson and Sotik Tea, that his administration will not increase taxes. "We will only charge what is legal. We will not increase taxes. We don't want to appear as if we want to punish our investors," the governor said.

And as the multinational companies embrace tea harvesting machines to lower cost of production, Chepkowny asked them to ensure the technology does not lead to job losses.

The multinational tea firms want to set the minimum price of tea at more than Sh200 ($ 1.80) for a kilo to break even, which will be Sh20 above the reserve price the government set on purchases of the smallholders' produce. The plantation owners argue that the cost of production for a kilo of the beverage is between Sh190 ($ 1.75) and Sh200 ($ 1.80), way above the selling price at the auction.

Kenya Tea Growers Association chief executive Apollo Kiarii said the multinationals produce has been fetching Sh150 ($ 1.40) a kilo on average in the last couple of months, implying that they have been operating at a loss. The companies announced last week that they would set a minimum price for their tea at the Mombasa auction to cut on losses occasioned by the low cost of the commodity in the market. "The current prices offered at the auction, which are frequently below the cost of production, are not sustainable and unless something is done, the entire sector and the livelihoods it supports is at risk."

Agriculture Cabinet secretary Peter Munya introduced the minimum price at the auction for Kenya Tea Development Tea Agency (KTDA) farmers produce last month at Sh183 ($ 1.70), citing low value for the beverage amid high cost of production. The new price regime at the auction saw millions of kilos of tea offloaded from the trading floor as traders kept away from KTDA teas as they opted to buy beverages from other firms that were seen to be cheaper. However, the prices have so far picked with a kilo of tea at the auction last week (August) hitting a five-week high to Sh213 ($ 1.97) from a low of Sh168 ($ 1.55) in July.

(Standard Media)

Taiwan-Coffee consumption exceeds tea for the first time

Taiwan's coffee industry has grown by leaps and bounds over the past two decades, and annual average coffee consumption in Taiwan last year reached 1.8kg per person, exceeding the 1.4kg average per person for tea.

It is possible that this could be an indication that coffee could soon replace tea as Taiwan's go-to drink.

From the 4.73 hectares of coffee planted in 2001 to the 1,153.21 hectares planted last year, it is apparent that a large number of people are investing in the coffee industry, Taiwan Coffee Laboratory researcher Lin Jen-An said, citing statistics provided by the Council of Agriculture.

Most coffee farms that have earned themselves a good reputation are located on mountains 700m above sea level, and many have been repurposed from tea farms, he said.

The frequent interaction between coffee farmers, baristas and roasters gives Taiwan's coffee industry its competitive edge, as it aims to attract more attention at the Private Collection Auction today.

Lin said that Taiwan is the only place in the world, with the exception of Hawaii, in which there is nearly no distance between production and consumption.

Like the Hawaiian Kona beans, Taiwan's beans cost more but have excellent taste, which would give Taiwan an edge in making a name for itself in the international gourmet coffee market, he added.

Comparing the quality of Taiwan's coffee to the Geisha bean produced in Panama's Hacienda La Esmeralda region, which sells for US$156 per kilogram, Lin said that Taiwan is looking to obtain a good price on its first appearance on the international coffee bidding scene.

At the event, a panel of 26 judges from five countries are scheduled to select nine of the best brews out of 19 entries of Taiwan-grown coffee beans for auctioning, the Alliance of Coffee Excellence said.

The beans selected are then to be auctioned online, with buyers from Taiwan, Japan, South Korea, the US, New Zealand, Australia and Saudi Arabia doing the bidding, the alliance said.

Taiwan Agricultural Research Institute director Fang Yi-Chou said that the institute has obtained a patent for the first locally cultivated type of coffee, which can be planted in plains and can yield 1.2 times more beans than current coffee plants.

Fang said that the institute hopes to promote the new bean among local growers soon.

(Taipei News)

Uncertainty in Afghan Tea Market

Afghanistan is a major tea-consuming nation and a smuggler's paradise for tea. The country became a profitable middleman by clever manipulation of border regulations only recently reined in after decades of openly flaunting Pakistani Customs enforcement.

Bidding on tea at the Mombasa auction slowed in last few weeks as the Taliban occupied Kabul, according to the East African Tea Trade Association (EATTA). EATTA reports that Afghanistan gets most of its African tea via Pakistan, where there have been no disruptions at all, according to The East African. India halted tea shipments to Afghanistan (and does not ship to Pakistan).

Last year Pakistan imported $589.8 million worth of tea (approximately 8.9% of global imports), making it the highest valued tea import market, according to World's Top Exports. Imports increased 18.7% in value compared to 2019 on volumes that exceed 120,000 metric tons a year. Afghanistan purchased about $18 million (Ksh2 billion) worth of Kenyan tea in 2020. However, direct shipments declined steadily from a $127 million high in 2012.

Afghans prefer green tea to black, yet land hundreds of thousands of kilos of black tea annually at the Port of Karachi, Pakistan. Until recently, Pakistan charged a combined 38% duty and tax on tea. The combination made the cost of tea 32% higher than tea imported into neighboring Afghanistan.

Afghanistan is landlocked, so larger quantities of African tea, shipped mainly from Kenya, are delivered to the Pakistani port tax-free, taxed at a low rate at the Afghan border, and then transported to large warehouses. The bulk tea is then broken down into retail packets and smuggled into Pakistan. Smugglers pay a 12-15% bribe and transportation cost, pocketing the difference according to reports in the Express Tribune.

The tea travels via bicycle and small motor vehicles to Quetta and Peshawar through what is known as the "tribal lands" in the Khyber region of Pakistan, territory that has shifted jurisdictions so often that allegiance is fluid and enforcement is infrequent. No visa is required as crossings are regulated by tribes that straddle the border.

Pakistan Customs lists black tea and green tea as two of the five most smuggled commodities. In 2012 the Pakistan government reduced its sales tax on tea from 16% to 5%, but a shortfall of funds led to a reversal within eight months. Smuggling continued unfazed.

The Competition Commission of Pakistan (CCP) strongly urged the government to resolve the issue. After several years of negotiations with the Afghanistan Pakistan Transit Trade Coordination Authority (APTTCA), progress is evident based on a compromise of stepped-up enforcement and eased regulations.

A crackdown on violators in late 2020 led to a 55% increase in customs duties collected (a proxy for illegal trade). In January in Chaman, customs officers seized a 28,500-kilo shipment of tea disguised as agricultural herbs that revealed bags of black tea valued at 14.8 million rupees and marked “In Transit to Afghanistan." The consignment was seized, duty and taxes of 5.5 million rupees were levied, and the clearing agent was arrested.

CCP considers smuggling to be “the biggest threat faced by the domestic tea industry, causing loss of millions of rupees to the government and forcing legal importers out of business,” according to a 2019 report in the Business Recorder in Islamabad.

The Recorder reported that “by decreasing the cost of legal imports, the smuggling trade can be made unprofitable.”

The Afghan Transit Trade Agreement and the border's porous nature is an arrangement that creates the opportunity for corruption that is hard to control. It is too soon to know how the collapse of the Afghan government and the return of the Taliban will alter the tea market, but smuggling was rampant during the 1996-2001 Taliban regime. In Helmand province, traders said that “if we smuggle 40kg (heroin), we give the Taliban 4kg.”

(STiR Tea & Coffee)

Biggest Herbal Tea Factory in Southern Africa

The biggest organic and herbal tea factory in Southern Africa was commissioned in Zimbabwe recently by a private enterprise, M/s Organic Africa in partnership with German and Swiss investors. The company has commenced cultivation of herbal plants in a 250 hectare land and also work with 5,000 small scale farmers and 3,000 wild fruit collectors all over Zimbabwe.

The company has started organic and herbal tea production a few years back and the current production level of 500 MT per year will go up to 10,000 MT per year. The Organic Africa has also tapped in to enormous potential of value added organic product processing and marketing of premium value herbs, spices and medicinal plants. Most of the production of the plant will be exported to Germany and other EU markets,

(Zimbabwe News)

Israel support for Indian Tea Growers

Israeli agri-scientists are among pioneers when it comes to applying scientific knowledge to agriculture. Now, they are venturing into beverages. After path-breaking innovations and tie-ups to make kaapi (coffee) better through their unit in Sakleshpur, Hassan district, they are shortly launching technical innovation to improve chai (tea) through research data and tech know-how.

Karnataka does not have too many tea plantations, although there are a few in Kodagu, Hassan and Chikkamagaluru districts. India is the second largest tea producer in the world, and tea growers have long complained of problems due to climate change and seasonal effects, considering that tea is sensitive to changes in the weather and has specific needs when it comes to climate.

Agriculture Minister B C Patil told TNIE, “Israeli agri-scientists use technology to achieve better soil management techniques, utilize water which is scarce, and cultivate coffee and tea plantations based on science. This helps bring down the cost of cultivation.” Israeli Consul General Jonathan Zadka, who is based out of Bengaluru, told TNIE, “Our scientists and experts are working with United Planters’ Association of Southern India.

We have already set up a smart irrigation project on a tea estate to use scarce water resources and help growers achieve higher yield with minimum amounts of water. Jain Irrigation Systems and Israeli company NanDan Irrigation have put up the first of its kind drip irrigation system on a plot as a pilot venture. It is an attempt to introduce a robust tailor-made irrigation solution. The system involves a combination of drip irrigation technology, automation and fertigation and empowers tea growers to produce higher yield of better quality crop, with fewer resources.’’

(Express News)

FDA warns online tea company about claims of COVID mitigation and other health benefits

As part of its enforcement activities, the Food and Drug Administration of USA sends warning letters to entities under its jurisdiction. Some letters are not posted for public view until weeks or months after they are sent. Business owners have 15 days to respond to FDA warning letters. Warning letters often are not issued until a company has been given months to years to correct problems. The FDA frequently redacts parts of warning letters posted for public view.

An online tea company in Kansas is on notice from the FDA for claims made about its tea’s ability to mitigate, prevent, treat, diagnose, or cure COVID-19 in people.

The FDA’s inspection revealed that the firm made claims on their websites that the products are not foods, but rather drugs under section 201 of the Federal Food, Drug, and Cosmetic Act because they are intended for use in the cure, mitigation, treatment, or prevention of disease. With certain exceptions not applicable here, new drugs may not be legally introduced or delivered for introduction into interstate commerce without prior approval from the FDA. The FDA approves a new drug on the basis of scientific data and information demonstrating that the drug is safe and effective.

(FDA)

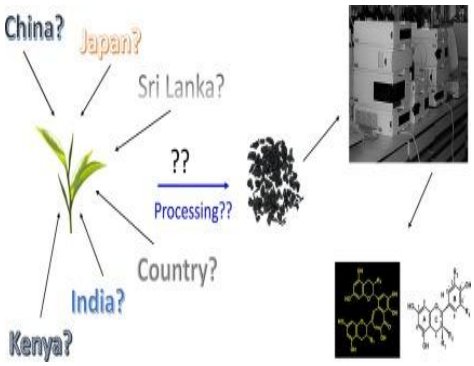
Mapping out Tea Chemistry

The Institute for Global Food Security is analyzing the leaf chemistry of tea sampled from a broad range of geographical locations to create a map identifying the “chemical fingerprint” of tea.

These protocols will verify that tea was grown at the stated origin as marketed. Blends are easily sorted by origin and adulterants are easily spotted. The rigorous examination uses state-of-the-art spectrometry and artificial intelligence modeling to also identify the presence of bulking agents, dyes, soapstone, plumbago, and gypsum. In their review of vulnerable food supply chains, Professor Chris Elliott and researcher Dr. Di Wu found tea to be at high risk due to the complicated nature of tea production, making authenticity testing a tricky undertaking, according to New Food Magazine.

The recent inclusion of traceability in a formal definition of specialty tea by the European Speciality Tea Association attests to its significance in defining premium value. Traceability is also critical in the commodity sector. The Tea & Herbal Infusions Europe (THIE) offers guidelines to reduce risks “of any raw materials intended for use as tea or (herbal infusions) from the point of initial growing, through the harvesting, primary process shipping, and storage prior to final processing.”

Elliott, a professor of food safety with the (Assured, Safe and Traceable) ASSET Technology Centre at Queen's University Belfast said that "once these statistical models are built, they will be validated with further samples of known origins to calculate the predictive capability of the methods. The most robust (accurate) technique will be selected, and the method will be fully validated to international standards. "This method will then be transferred to laboratories across the world," said Elliott.



The ASSET center, located in the School of Biological Sciences, recently moved into a $55 million (GBP 40 million) facility examining the origins of many foods including rice. Elliott has been involved in food safety research for the past decade when he managed a program to ensure the safety of animal feed, a program that involved food safety researchers in six countries. The program established procedures for food fraud, identify risks to the food chain and develop new technology for use at ports, factories, and in labs to detect contamination quickly and at low cost. On achieving these results, the center is now at the forefront of handheld spectroscopy that can be used at any link of the supply chain.

Elliot said that he is seeking partnerships with tea companies and research organization as well as major retailers to join in the effort to improve the integrity of the world's tea supply chains. Contact him at Institute for.

(STiR Tea & Coffee)

Definition of Specialty Tea- A difficult Task

The Tea and Herbal Association of Canada, Tea and Herbal Infusions Europe and the Tea Association of the USA have issued a statement in response to the European Speciality Tea Association's definition of specialty tea that was produced in August 2021.

In the collective statement issued recently, The Tea and Herbal Association of Canada, Tea and Herbal Infusions Europe and the Tea Association of the USA offered the following:

["We] take great pride in our collective approach of inclusion, representing the tea industry from bush to cup. Our members include all parts of the supply chain operating in what is commonly referred to as the 'traditional' tea industry as well as the 'specialty' tea industry. The European Speciality Tea Association (ESTA), has recently announced their definition of 'specialty tea.'

Although we agree fully with their statement acknowledging "…that it will be difficult if not impossible to achieve a definition which is universally agreed by all…", we are concerned with the language used to then differentiate 'specialty tea' from other tea. The ESTA definition of 'specialty tea' includes knowledge of supplier, farm, location, production dates and processing methods. These supply chain facts are known and documented by every reputable company operating in the tea industry regardless of 'specialty' or 'traditional' label. In fact, they are critical to traceability requirements which are at the core of food safety laws in place around the world and must be demonstrated as part of regular audits for large retailers as well as certification programs.

The definition goes on to list five criteria by which quality is defined: dry leaf, aroma of dry leaf, colour and clarity of the liquor, flavour and mouthfeel of the liquor, appearance and aroma of wet leaf. Again, these are the same criteria used by every tea taster in the industry, regardless of 'specialty' or 'traditional' label. Although all the above may be a part of 'specialty tea,' suggesting they are not a part of 'traditional' tea is factually incorrect.

As national associations, we celebrate the vast range of teas available to consumers. We believe in accessibility for all and strongly support elevating the value of tea. We encourage all efforts to make the industry more sustainable, thereby benefiting the entire supply chain – from bush to cup."

(Tea & Coffee Magazine)

ITO EN promotes Matcha in USA

Further evidence has emerged that global demand for premium Japanese green tea and matcha is stronger than ever. Green tea industry powerhouse ITO EN, well-known global suppliers of authentic, organic ceremonial green tea and matcha powder, has chosen to partner with another respected global green tea leader, Taiyo International, to supply high-quality matcha to the food, beverage and supplement industries in North America.

Based in Japan, ITO EN has been producing authentic, flavourful and highly nutritious tea for more than 50 years. The company has a longstanding tradition of honouring tea's cultural heritage, producing great tasting, sustainable tea and matcha powder with unmatched health properties. US consumers may be most familiar with ITO EN's brands including Tea's Tea, Matcha Love and Oi Ocha.

Taiyo is the leader in the fast-growing field of green tea, having more than 50 years of experience focused on green tea research, nutritional product development and manufacturing technology. ITO EN's ceremonial matcha adds to Taiyo's existing portfolio of culinary organic matcha powder and ceremonial organic matcha powder.

"Taiyo is proud to partner with ITO EN, which rounds out our overall green tea portfolio. It is exciting to blend our B2B strengths with ITO EN's consumer-facing expertise," says Scott Smith, vice president of Taiyo International. Taiyo's portfolio also includes Suntheanine, a pure form of L-theanine, and Sunphenon and Teavigo standardised green tea extracts.

"We value the history and the authenticity of Japanese green tea including matcha. We have been able to sustain those values with high quality tea products utilising our expertise in production and product development. We are very pleased to partner with Taiyo International, having expertise in the North American food and supplement markets. It will enable us to explore new product offerings to American consumers in addition to our product lineup of beverage, tea bags, and tea powder," says Naritoshi Tomisawa, head of International Business of ITO EN, LTD. Japan.

Matcha powder is made of high-grade green tea leaves cultivated with special care. The market for this distinctively rich-flavoured ingredient with the beautiful green colour has evolved quickly. Consumers have become more familiar with matcha thanks in part to its use by high-end coffee retailers as well as elite specialty brands.

"Consumers are becoming much more sophisticated in their appreciation of the true taste, colour and aroma of matcha," confirms Smith. "The timing of this partnership between Taiyo and ITO EN is ideal due to the growing demand for the flavour of authentic organic matcha as well as its health benefits." Matcha powder is also a wholesome nutritious ingredient. When treated with care, Matcha is a rich source of polyphenols, vitamins, minerals, fibers, chlorophyll and L-theanine.

"As the market becomes better educated about high quality matcha, it is important that formulators have trusted suppliers who can deliver a premium ingredient and can provide valuable advice on how to position it. This is where Taiyo excels," says Smith. "There is such a rich history associated with matcha, in addition to its tremendous health benefits. Understanding and educating people about this history is essential to bringing high-end products to store shelves."

All Taiyo green tea and matcha powder ingredients, including those sourced from ITO EN, are produced using time-honored water infusion and milling processes, and are in compliance with strict solvent and pesticide regulations. Stringent quality control standards are in place from farm to market. Both grades of matcha ingredients are certified organic, Kosher, NGPV, FSSC 22000 certified and Informed Ingredient certified.

"Our strict adherence to using only high-quality starting materials and safe processing standards is our guarantee that end-consumers will consistently have the benefit of nutritious, authentic products," explains Smith.

(Taiyo International)

Coffee consumption grows in Russia

The demand for coffee in Russia grows steadily, thanks to the recent lifting of the majority of Covid-19 restrictions and a developing economic recovery after the pandemic and its consequences. This is according to recent statements made by representatives of some leading local producers and analysts. While the pandemic led to the growth of the overall consumption of coffee in Russia, it also resulted in a change of preferences of local customers, and the growth of consumption of previously uncommon roasted coffee (both ground and whole bean).

According to Russian analytical resource Check Index, in the first quarter of 2021 overall sales of coffee in Russia grew by almost 20% in retail and 61% in vending. A significant part of these sales are now in roasted coffee, with the biggest demand coming from the largest, primarily Moscow and St. Petersburg.

Alexander Matevosyan, general director of Almafood, the Russian-Swiss company, one of the largest coffee distributors in Russia and the CIS countries, predicted in an interview with Check Index further growth in roasted coffee demand this year.

“The Russian market of roasted coffee has been growing steadily over the past several years,” said Matevosyan. “That led to a significant increase of the number of its local consumers. For many of them, roasted coffee has become a favorite hot drink.

“In general, Russia gradually becomes a coffee-drinking nation despite its rich traditions of tea consumption, which is more typical for Asian countries,” he continued. “This is especially noticeable in St. Petersburg [as well as the entire north-western region of Russia], which is the ‘coffee capital’ of the country at present. In addition to St. Petersburg, the demand for roasted coffee along with its consumption is also growing in the southern regions despite traditionally high popularity of tea there.”

In the meantime, the current market trends are confirmed by some interviewed leading local coffee producers.

“The growth of coffee consumption is a stable trend for the Russian market of natural hot drinks at present,” said Maria Drabova, group corporate communications director, Orimi Group of Companies, in an exclusive interview. “From our side, we observe a more intensive growth of the demand towards roasted coffee although instant coffee currently still dominates in the overall sales structure of finished packaged coffee products in the Russian retail, with the share of 69% in volume terms, [compared to 31% in the case of roasted].” Orimi is Russia’s largest domestic coffee producer taking an 11% share of the local market).

According to Drabova, the growth of the overall coffee market in Russia last year was slightly lower than 2019 mainly due to quarantine measures and closure of HoReCa enterprises. However, according to her the decline was offset by increased coffee sales in e-commerce segment, with the biggest demand in roasted coffee beans and roast and ground coffee, as well as coffee capsules. Drabova believes that the complete lifting of Covid-19 restrictions in Russia will result in a further growth of “outside home consumption”, the demand for which may even exceed the pre-pandemic figures.

Viktoria Gavrilova, an official spokesman of The May company, another leading Russian coffee producer, shares almost the same position. In an interview with the Russian Ria Novosti newswire, Gavrilova said that the pandemic led to the shift of the consumption of coffee in Russia from the HoReCa segment to home consumption. According to her, this year the demand for roasted coffee in Russia continues to grow, resulting in at least a 10% growth in the beginning of this year compared to the previous year.

However, most analysts believe further growth in both instant and roasted coffee may be complicated by the ever rising prices in the domestic market. The purchasing power of the Russian consumer remains generally low due to the pandemic and its consequences, that may have a negative effect on the local coffee Still, the roasted coffee segment is expected to be more resistant to such prices growth.

According to Ekaterina Petrova, a well-known Russian columnist and expert in the field of coffee business, the increase of prices will not have a catastrophic effect on the segment of roasted coffee, as a significant part of local range is traditionally positioned as premium products, which are usually less sensitive price increases, compared to economy segment of the market.

As for the producing segment, so far the majority (both local companies and global majors operating in the local market) announced plans to increase prices. According to them, that will be mainly due to Russian rouble devaluation, maintaining quarantine restrictions in Russia, and the ever-growing prices for raw materials. Finally, the ongoing increase in logistics, packaging, and other costs puts additional pressure on their business.

According to producers, in recent months many faced an acute shortage of arabica coffee, mainly due to its low harvest in Central America and a general decline in production and supplies by leading exporters. Amid the ever-growing demand for roasted coffee, many of producers are considering an increase in local output this year and more localization of their businesses.

In recent years, local production has become more profitable for them than imports from abroad. That resulted in the building of large-scale processing factories within Russia, which are supply products to both the domestic and export markets.

According to Drabova, the development of local production allows producers to significantly reduce overall costs and ensures implementation of stricter control over the quality of products, which contributes to their competitiveness.

(STiR Tea & Coffee)

Tea Benefits Children Onward from Age 4

Tea not only calms and soothes, relieving stress and aiding relaxation, drinking tea strengthens the cardiovascular system, builds immunity, and helps children from the age of four combat obesity. An extensive review of medical research suggests tea is an ideal replacement for sugary drinks.

In a peer-reviewed paper published in the Nutrition and Food Technology journal, lead researcher Dr. Pamela Mason identified 60 scientific studies on the health benefits of drinking tea from childhood onward, as reported in The Telegraph of London. Mason, a public health nutritionist with an MSc in food policy, said that these “studies show that benefits for health and wellbeing are seen at daily intakes of two to four cups – and it doesn't matter whether you choose regular black tea or green tea.”

Caffeine negatives outweighed by tea's benefits

Drinking tea daily “could help preserve physical and mental health in childhood, through the teens and adulthood, pregnancy and into old age,” she said. Any negatives associated with caffeine intake by young or old are outweighed by the hydration and flavonoids it provides, said Mason. The phenolic compounds found in tea include catechins, theaflavins and thearubigins, and L-Theanine, an amino acid unique to tea that enhances brain functions such as alertness and concentration.

The research, commissioned by the UK’s Tea Advisory Panel (TAP), showed that clinical and laboratory studies demonstrate how phenolic compounds in green tea boost nitric oxide levels to lower blood pressure, and act as antioxidants to reduce inflammation for tea drinkers of any age. Tea polyphenols also limit cholesterol absorption in the gut and target receptors that regulate blood cholesterol levels.

A splash of milk – not a big concern

There continues to be confusion on the presence of “tannins” in tea, writes Bond. He explains why adding a splash of milk to a child’s tea is not a big concern: Astringency is caused through the interaction of the derived polyphenols with proteins in the saliva and mucous membranes of the mouth.

"Adding milk to tea reduces astringency because the polyphenols interact with the proteins in the milk, rather than those in the mouth," writes Bond. Although tea does contain low levels of tannin-type substances, the bulk of tea's flavonoid polyphenols aren't tannins. They don't function as a tanning agent – for example, where tannic acid is used for the tanning of leather, said Bond. As such, the phenolic compounds present in tea should be referred to as "derived polyphenols" he said.

Researchers used the World Health Organization's definition of health and wellness as "a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity."

TAP provides independent and objective information about the latest health benefits regarding black tea and herbal infusions. This novel health group brings together experts in the areas of public health, general practice, nutrition, and diet. Their work is supported by grants from the UK Tea & Infusions Association.

(STiR Tea & Coffee)

Global Growth will Strengthen the Dollar

Foreign exchange rate analysts at HSBC had expected the US dollar to be vulnerable for much of 2021 and then strengthen from late this year. It has now adjusted its view and no longer sees a window for US currency weakness.

A key factor in this shift is developments in the global economy. HSBC had expected that a strong recovery in the global economy would boost confidence in other economies, attract investment flows out of the US economy and weaken the US dollar.

HSBC now expects that the global economy is already peaking, especially with evidence of stresses in China, which will limit the scope for US currency weakness.

The bank notes; "If we expected the USD to temporarily weaken this year against a still recovering global economy, then the opposite should also hold true."

The bank also notes that any slowdown in the global growth trend would tend to underpin the US currency.

"Slower global trade in goods would be consistent with the USD's decline losing speed, if not reversing."

The second strand of HSBC's argument for a stronger US dollar is a tighter Federal Reserve policy. It expects that the US central bank will tighten policy within the next few months which will provide direct dollar support on yield grounds.

It notes; "The Fed's plan to taper and its divergent monetary policy stance from other central banks should eventually guide the USD stronger, especially once tapering actually starts."

HSBC also expects that will be an important impact on US dollar sentiment with strong data viewed positively amid expectations that there would be a further impact on potential yields.

It notes; "Instead of interpreting better US data as a "risk on" event that weakens the safe-haven or countercyclical USD, the market increasingly sees the economic releases in the context of what it means for the timing and pace of Fed tapering."

The bank maintains a bearish stance on the Euro with expectations of further capital outflows.

Despite forecasts of dollar gains, HSBC is keen to reiterate that it does not expect major drama within currency markets. Overall US dollar gains are expected to be modest and broadly benign while global growth is likely to be solid and healthy by historic standards.

There would be the risk of a much more disruptive and malign dollar advance if the global economy is damaged heavily by the coronavirus delta variant.

There are sharp downward revisions to forecasts for commodity-linked currencies due to the combination of a stronger dollar and peak global growth.

(HSBC)

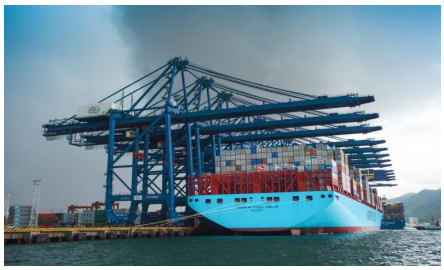
No relief for Shippers

With demand from shippers remaining at high levels, bottlenecks developing across the supply chains, port infrastructure stretched, and inland transport also near overload levels, there are few signs of relief for shippers in the near term. The latest data from Xeneta taking real-time rates from leading shippers showed a leveling off in August but they continue to forecast that increasing port congestion and relentless demand ahead of the year-end holidays' sales will continue to drive the markets in the weeks ahead.

As an example of just how unrelenting the situation has become and the increasing pressures, the Marine Exchange of Southern California that manages ship movements in the San Pedro Bay reported no less than four new records in the past few days surpassing new highs that had only been set days before. On August 30 there was a new record of 129 vessels in the port complex with a record 76 containerships at the ports of Los Angeles and Long Beach.

While Executive Director of the Marine Exchange of Southern California, notes that there might be a slight downward trend, the congestion outside the port reached record levels as well. There was a record 75 vessels in the anchorage and drift areas on August 29, surpassing the previous high of 71 on August 27, with the main anchorage and the contingency both full with a further 12 vessels, including eight containerships, drifting beyond the anchorages also waiting for space in the port.

While the backlog in Southern California might be the most dramatic, many ports around the world are also reporting increased volumes and delays. With global demand remaining high for the container carriers, long-term contracted ocean freight rates stand at a remarkable 85.5 percent higher than a year ago according to data from Xeneta. August, however, showed a modest gain in the rates of just over two percent.



"In the context of 2021, a 2.2 percent monthly increase in rates appears modest, but in any other year this is an excellent result for carriers," notes, Xeneta CEO. "Remember, this is yet another rise on the back of the largest ever monthly increase in July (28.1 percent). So, while some may have been expecting – read hoping for' if you're a cargo owner – an adjustment downwards, we're seeing a further demonstration of the powerful position liner operators find themselves in. They really are holding all the cards… and winning big."

The pressures are coming across all the major markets according to Xeneta's data. In Europe, imports rose by half a percent, while exports climbed more than three percent. Results in the Far East followed a similar pattern, with imports up nearly one percent (up 50.5 percent since August 2020) and exports jumping by 2.5 percent (a massive 115.5 percent year-on-year increase). Xeneta reports similar increases in the U.S., where imports increased by an additional 2.1 percent and exports climbed 0.6 percent month-on-month.

"While we can't be certain of a repeat of the astronomical monthly increases the industry has grown accustomed to, further gains are certainly not of the question," comments Berglund. "There's still a dearth of equipment, high demand, and, worryingly, very congested ports that are choking up the supply chain for shippers and retailers."

The Xeneta CEO says landside infrastructure is "simply overwhelmed," with the congestion tying up vessels, and their sought-after containers, in an ever-worsening cycle of delays.

"With the holiday season logistical rush round the corner things may get worse before they get better," forecasts Berglund, "and that'll have an obvious knock-on effect on rates."

(Maritime News)

Chinese Economy Contracts

China's businesses and the broader economy came under increasing pressure in August as factory activity expanded at a slower pace while the services sector slumped into contraction, raising the likelihood of more near-term policy support to boost growth.

The world's second-largest economy staged an impressive recovery from the coronavirus-battered slowdown, but growth has stymied the recent domestic Covid-19 outbreak, slowing exports, tighter measures to ease hot asset prices and carbon dioxide emissions. The campaign to reduce has shown signs of losing steam. Emissions.

The official Manufacturing Purchasing Managers' Index (PMI) stood at 50.1 in August, up from 50.4 in July, data from the National Bureau of Statistics (NBS) showed on Tuesday. The 50-point mark separates growth from contraction. Analysts polled by Reuters had expected it to slip to 50.2.

"The latest surveys show that China's economy contracted (in August) as the virus disruption took a heavy toll on services activity. In a note, Julian Evans-Pritchard, senior China economist at Capital Economics, said the industry continued to swell due to supply chain bottlenecks and slowing demand.

While most of the weakness should reverse with the easing of Covid-19 restrictions, tight credit conditions and weak foreign demand will continue to weigh on China's economy, he said.

In a worrying sign for China's slowing consumption recovery, a gauge of activity for the services sector in August slipped into a sharp contraction for the first time since the height of the pandemic in February last year.

The official non-manufacturing PMI in August was 47.5, well below July's 53.3, data from the National Bureau of Statistics (NBS) showed. "The epidemic in many provinces and locations was a major blow to the services industry, which is still recovering," said NBS's Zhao Qinghe.

The manufacturing PMI showed demand fell sharply, with a gauge for new order contracts and new export orders falling to 46.7, the lowest in a year. The factories also laid off workers like in July.

The Meishan terminal at China's Ningbo port resumed operations in late August after being closed for two weeks due to a Covid-19 case. The closures have blocked ports in the country's coastal regions and further strained global supply chains amid a resurgence of consumer spending and a shortage of container ships.

Higher raw material prices, especially of metals and semiconductors, have also put pressure on profits. In July, earnings of industrial firms in China slowed for the fifth straight month.
The People's Bank of China (PBOC) cut the amount of cash banks in mid-July, releasing about 1 trillion yuan ($6.47 trillion) in long-term liquidity to support the economy.

Many analysts expect another cut at the end of the year. The official August composite PMI, which includes both manufacturing and services activity, fell to 48.9 from 52.4 in July.

(Daily Star)

Lebanon Economic crises deepens

Lebanon’s economic decline is set to gather pace after the central bank decided to end a fuel subsidy that has drained its reserves, a move that is likely to affect everything from food to clothes and basic goods.

Lebanese economic crisis will rank as among the top three in the world in the past 150 years, according to the latest World Bank Lebanon Economic Monitor (LEM).

The country is already suffering from shortages of food, medicines, and other basic items, as well as power supply shortage due to lack in diesel supply. Stocks of liquefied petroleum gas, usually sold in canisters and used widely in homes and businesses, are also running out.

Central bank Governor Riad Salameh defended his actions in an interview, saying the government could resolve the problem by passing necessary legislation. “So far you have nobody running the country,” he said. The Lebanese pound is “hostage to the formation of a new government and reforms,” he said.

The Central Bank has said it cannot use mandatory foreign currency reserves, currently $14 billion, without legislation. With the Lebanese pound having lost 90 percent of its value in less than two years, the central bank is in a bind. Spend its reserves and the currency will likely depreciate further, spurring more inflation for the long-suffering Lebanese population; hold onto them and inflict prices rises through higher fuel prices.

The decline in the pound has already eroded Lebanese purchasing power. The minimum wage was equal to about $450 before October 2019, and is now worth $30, equal to about two tanks of gasoline.

In June, the Lebanese parliament approved a distribution of $556 million through ration cards that will support 500,000 of the country’s poorest families with an average of $93 per month for one year. Some are calling for an increase in those payments to counter increased fuel costs.

Such moves constitute a band aid for the Lebanese economy that can only begin to recover if a government can be formed and help can be obtained from the International Monetary Fund.

Over half of Lebanese people now live in poverty, one in three Lebanese suffer from food insecurity and nearly 4 million people are at risk of not accessing safe water, according to the UN.

(Arab News)

What the Taliban takeover will mean for Iran’s economy

Iran was more economically dependent on Afghanistan than many people realize. The change of regime will impact on Tehran in four main ways.

Over the last year, Iranian leaders have kept lines of communication open with the Taliban, anticipating the eventual US withdrawal. They now appear to be seeking some kind of accommodation with the Taliban, and are concerned by the prospect of rising instability in Afghanistan.

What is certain is that the economic consequences of the Taliban takeover will be significant for Iran. The two countries are more economically interconnected than is widely appreciated. The strengthening of these ties has come about in a largely unplanned way, caused by Iran’s search for economic opportunities in its own region as US sanctions cut it off from the global economy. In particular, the role that Afghanistan plays in Iranian currency markets, and the status of Afghanistan as a primary destination for Iranian non-oil exports, suggest that Iran is set to pay an economic price for the Taliban’s success.

The first major issue facing Tehran in this respect is that recent international moves to limit the Taliban's access to hard currency will impact on exchange rates in Iran. In recent years, Afghanistan has been an important source of hard currency for Iran, whose foreign reserves remain frozen due to American sanctions. Reports suggest that the two countries' trade in hard currency amounted to as much as $5m transferred to Iran each day from Afghanistan. The outflows were so significant that the Afghan central bank expressed concerns that this was having a material impact on the exchange rate of the afghani. But last month the US Treasury halted dollar deliveries to Afghanistan in advance of the Taliban's seizure of Kabul, and the Biden administration has made clear that the Taliban will not have access to the reserves Afghanistan holds in the United States. Iran will have a harder time meeting demand for the US dollar at home by sourcing those dollars from Afghanistan – a reality that is likely to add upward pressure to exchange rates in Iran, subsequently increasing inflationary pressure.

Secondly, the end of dollar deliveries will also create an inflationary environment in Afghanistan. As prices rise, Afghan businesses and households will need to curtail demand – including for Iranian goods. In recent years, Afghanistan has emerged as one of the largest destinations for Iranian non-oil exports, with exports totalling around $2 billion a year. Iran's own economic troubles, which saw the rial depreciate significantly, made Iranian goods more affordable for Afghan buyers. Iranian exporters were increasingly targeting Afghanistan, with its population of 38 million, as a priority market. But, already, the unrest in Afghanistan is having an impact on trade, which will be exacerbated as demand falls among Afghan consumers.

Thirdly, the Iran-Afghanistan economic relationship looks set to be hit further as international aid dries up, impacting on the economic welfare of ordinary Afghans. Employment in Afghanistan depends on agriculture, which contributes income to 60 per cent of households, and on what the World Bank describes as the "booming aid-driven services sector." The US spent $24 billion on economic development during the course of the war. International aid, if not international investment, made a meaningful contribution to Afghanistan's economy. By 2020, aid flows had decreased to 42 per cent of GDP – a concerning decline in a country where around three-quarters of public spending is furnished by grants and where there exists a very limited private sector. Taken together, higher inflation and lower incomes – an undeserved hardship for ordinary Afghans – will mean less demand among consumers and business alike. This bodes ill for Iranian non-oil exports to the country, which largely comprise consumer and agricultural goods. A decrease in bilateral trade may also impact on Taliban earnings. A recent study from Graeme Smith and David Mansfield determined that the Taliban earned $84m in 2020 by imposing duties on cross-border trade with Iran.

Finally, the long-term prospects for Iran's economic development will be dimmer so long as the political and economic outlook in Afghanistan remains uncertain. A recent push among governments in the region to promote a common agenda for connectivity now appears in doubt. Iran's role in this agenda centered on the port of Chabahar, which was seen as a way to connect India to new trade opportunities, principally by providing a trade corridor to central Asia and Afghanistan that circumvents Pakistan. Not only will India-Afghanistan bilateral trade suffer should demand fall in Afghanistan, but the necessary upgrades to transport infrastructure required to fully realize the envisioned corridor, such as additional connections between the Afghan and Iranian railway systems, are unlikely to be completed – the first railway connection between Iran and Afghanistan was only finished in December 2020.

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