

Headlines:

- **The World Economy Faces a Huge Stress Test in 2023**
- **British Families are Eating PET FOOD**
- **Pakistan Economic Crisis Forces Malls and Markets to Close Early**

Details:

The World Economy Faces a Huge Stress Test in 2023

The fact that the world did not experience a systemic financial crisis in 2022 is a minor miracle, given the rise in inflation and interest rates, not to mention a massive increase in geopolitical risk. But with public and private debt having risen to record levels during the now-bygone era of ultra-low interest rates, and recession risks high, the global financial system faces a huge stress test. A crisis in an advanced economy – for example, Japan or Italy – would be difficult to contain. True, tighter regulation has reduced risks to the core banking sectors but that has only led to risks shifting elsewhere in the financial system. Rising interest rates, for example, have put huge pressure on private equity firms that borrowed heavily to buy up property. Now, with housing and commercial real estate on the brink of a sharp, sustained drop, some of those firms will most likely go bust. In that case, the core banks that provided much of the funding for private equity real estate purchases could be on the hook. That has not happened yet, partly because lightly regulated firms are under less pressure to mark their books to market. But suppose interest rates remain stubbornly high even during a recession (a distinct possibility as we exit the ultra-low-rate era). In that case, widespread payment delinquencies could make it hard to maintain appearances.

The UK's recent financial misfortunes demonstrate the kind of unknowns that could pop up as global interest rates increase. Although the former prime minister Liz Truss took all the blame for the near meltdown of her country's bond markets and pension system, the main culprit turned out to be pension fund managers who essentially bet that long-term interest rates would not rise too fast. Japan, where the central bank has kept interest rates at zero or negative for decades, might be the world's most acutely vulnerable country. In addition to ultra-low rates, the Bank of Japan has also engaged in yield curve control, capping five-year and 10-year bonds at about zero. Given the increase in real interest rates around the world, the yen's sharp depreciation, and high inflationary pressures, Japan may finally exit its near-zero era. Higher interest rates would immediately put pressure on the Japanese government, as the country's debt amounts to 260% of GDP. If one were to integrate the BOJ's balance sheet, roughly half the government debt bought by the private sector is effectively in short-maturity bonds. A 2% interest rate increase would be manageable in a high-growth environment, but Japan's growth prospects will most likely decline as long-term real interest rates continue to rise. Italy is another example of latent risk. In many ways, ultra-low interest rates have been the glue holding the eurozone together. Open-ended guarantees for Italian debt, in line with the former European Central Bank president Mario Draghi's 2012 promise to do "whatever it takes," were cheap when Germany could borrow at zero or negative rates. But this year's rapid interest rate rises have changed that calculus. Today, Germany's economy looks more like it did in the early 2000s, when some called it "the sick man of Europe". And while Europe is comparatively new to ultra-low rates, you have to be concerned that a sustained wave of monetary tightening could, as with Japan, reveal enormous pockets of vulnerability. [Source: The Guardian]

Capitalism has once again brought the world on the precipice of an economic catastrophe that will dwarf the global financial crisis of 2008. The only solution to these destructive economic cycles is Islam. Islam does not subscribe to exponential growth fueled by credit where economies are under the sole purview of the super-rich to make money at the expense of everyone else.

British Families are Eating PET FOOD

A community worker with 20 years' experience said people are being forced to eat pet food while others are heating their food on radiators due to the ongoing cost of living crisis. Mark Seed, who heads a community food project in Trowbridge, Cardiff, is urging for people in struggling households to be given adequate support, even when they do not appear in areas associated with poverty. He suggests that as a result of the rise of inflation that policies need to focus on people, not places. Speaking of the experiences he has witnessed, told BBC Wales: 'I'm still shocked by the fact that we have people who are eating pet food,' he said. '[There are] people who are trying to heat their food on a radiator or a candle. 'These are shocking kind of stories that are actually the truth.' He discussed how people are not being paid enough to afford basic needs and essentials all should have access to. The Pantry, where Mr Seed works, is a Community Trust-funded facility that aims to reduce food poverty in Cardiff and provide affordable food and household essentials to over 160 locals. As the cost of living progresses, recent figures showed inflation rising to a new 41-year high of 11.1 per cent - with experts warning of worse to come. The ONS purposed that without the Government subsidising energy bills during the colder months, CPI could have been as high as 13.8 per cent and experts warned the UK faces a 'lethal combination' of recession and soaring prices. Soaring food and energy costs have been labelled the main cause of the latest surge, with the Office for National Statistics estimating that the average UK household is now paying 88.9 per cent more for heating and lighting than last year. New inflation figures show that the price of household staples such as milk, butter, cheese, meat and bread increased by up to 42 per cent last month - the highest rates since 1980. [Source: Daily Mail]

Capitalism enables the super-rich to commit day light robbery during the cost-of-living crisis by passing on costs to the masses. Islam ensures that every human being on this planet has a right to food, clothing, and shelter in the implementation in the Islamic State. Furthermore, Islam prohibits the transfer of wealth from the masses to the super-rich, where it perpetually revolves in the hands of a few people who spend it to preserve their interests only.

Pakistan Economic Crisis Forces Malls and Markets to Close Early

Pakistan's government has ordered shopping centres and markets to close early every day as the country faces an economic crisis. Defence minister Khawaja Asif says the measures will save the South Asian nation around 62bn Pakistani rupees (\$274.3m; £228.9m). Pakistan generates most of its power using imported fossil fuels. Global energy prices jumped last year, putting further pressure on the country's already dwindling finances. To pay for those energy imports the country needs foreign currency, especially US dollars. The Pakistan government had \$11.7bn of foreign currencies available last month after its reserves fell by about 50% last year. That is only enough to cover around one month's worth of all the country's imports, most of which is energy. Meanwhile, the production of inefficient electric fans will be banned from the start of July. "The federal cabinet has immediately approved the Energy Conservation Plan's enforcement," the ruling Pakistan Muslim League-N (PML-N) party said on Twitter. The nation of 220 million people has been struggling for years to stabilise its economy. In 2019 Pakistan secured a \$6bn bailout from the International Monetary Fund, while in August last year it received a further \$1.1bn. The government is also negotiating with the IMF over the delayed release of another \$1.1bn of bailout money. Pakistan's finances were also impacted last year by devastating floods that hit the country. In October the World Bank estimated that the flooding had caused \$40bn of damage to the country. [Source: BBC]

It no longer matters which political party is in power or whether the military rules or not. The entire leadership is bereft of any economic solutions to stop Pakistan's economic demise. Only the re-establishment of the Khilafah Rashidah (rightly guided Caliphate) upon the method of the Prophethood can return economic sovereignty to Pakistan and permanently end the interference of foreign powers and their institutions in Pakistan's economic affairs.