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Qatar is seen set to expand its residential construction sector

Wednesday, January 18, 2023
Jumada II 25, 1444 AH

GULF TIMES
BUSINESS

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Saudi Arabia signals it's not stuck on US dollar for trade

Qatar's industrial production jumps 10.4% year-on-year in November: PSA

By Santhosh V Perumal
Business Reporter

A robust expansion in the extraction of crude petroleum and natural gas as well as in the production of beverages, food products and chemicals helped Qatar report an impressive 10.4% year-on-year growth in industrial production in November 2022, according to the latest official data.

However, the country's IPI, or industrial production index, witnessed a 1.7% decline month-on-month in the review period, according to figures released by the Planning and Statistics Authority (PSA).

The PSA introduced IPI, a short-term quantitative index that measures the changes in the volume of production of a selected basket of industrial products over a given period with respect to a base period 2013.

The mining and quarrying index, which has a relative weight of 82.46%, saw a 12.2% surge on a yearly basis owing to a 12.2% increase in the extraction of crude petroleum and natural gas and 10% in other mining and quarrying sectors.

On a monthly basis, the index shrank 1.4% on account of a 1.4% contraction in the extraction of crude petroleum and natural gas, even as other mining and quarrying sectors saw a 2.3% jump in the review period.

Electricity, which has a 1.16% weight in the IPI basket, saw its index zoom 51.9% year-on-year but shrank 2.5% month-on-month in November 2022.

In the case of water, which has a 0.53% weight, the index saw a 50% increase on an annualised basis but was down 0.3% on monthly basis in November 2022.

However, the manufacturing index, with a relative weight of 15.85%, was marginally down 0.6% year-on-year in November 2022 owing to a 17.8% contraction in the production of cement and other non-metallic mineral products, 9.1% in printing and reproduction of recorded media, 6.2% in basic metals and 0.4% in refined petroleum products in the review period.

Nevertheless, there was a 16% increase in the production of beverages, 7.6% in food products, 3.4% in chemicals and chemical products and 0.5% in rubber and plastics products.

On a monthly basis, the manufacturing index fell faster at 3.2% owing to a 9.8% plunge in the production of refined petroleum products, 4.2% in chemicals and chemical products and 4.1% in cement and other non-metallic mineral products in November 2022.

However, there was an 8.7% jump in the production of basic metals, 4.1% in rubber and plastics products, 2.4% in food products and 0.8% in beverages in the review period.

An oil refinery on the outskirts of Doha (file). A robust expansion in the extraction of crude petroleum and natural gas as well as in the production of food products and chemicals helped Qatar report an impressive 10.4% year-on-year growth in industrial production in November 2022, according to PSA data.

Al-Kuwari meets World Bank MD of operations in Davos

HE the Minister of Finance Ali bin Ahmed al-Kuwari met with World Bank managing director of operations Axel van Trotsenburg on the sidelines of the World Economic Forum 2023 which is being held in Davos, Switzerland, on January 16-20. During the meeting, they reviewed the existing co-operation relations and prospects of enhancing and developing them, especially in the fields of investment, finance and economy, in addition to a number of issues of mutual interest.

Ooredoo offers Google Workspace to support businesses in Qatar

Ooredoo is now offering Google Workspace to businesses in Qatar. This collaboration will introduce to the market one of the most popular productivity suites for integrated communication and collaboration.

Companies across a range of sectors around the world use Google Workspace to transform how their employees work and achieve more together. The partnership between Ooredoo Qatar and Google Cloud will ensure that businesses in Qatar will be able to leverage Google Workspace to drive innovation and enhance productivity.

Two broad variations of the new Google Workspace suite will be offered, Business and Enterprise, each with a diverse range of applications, features, and collaboration tools, giving a wider choice to the market in line with their business priorities.

All Google Workspace packages will offer business access to collaboration and productivity applications, such as Gmail, Calendar, Meet, Chat, Drive, Docs, Sheets, Slides, Forms, Sites, and more. Some packages will also offer AppSheet, Google's no-code platform that enables the building of rich apps and automated processes without writing a line of code.

Thani Ali al-Malki, chief business officer at Ooredoo, said: "As one of the first ICT service providers in Qatar to offer Google Cloud's productivity suites, we aim to add more value and supply innovative services to our business customers. Working with Google Cloud is further evidence of our ongoing pursuit of best-in-class partners across the world, all the while boosting our comprehensive ICT portfolio of services."

Ghassan Kosta, Qatar country manager at Google Cloud, added: "Partnering with Ooredoo to bring Google Workspace to more businesses in Qatar helps us empower people with technology that in turn helps them to become more productive and collaborative while strengthening communications between them. Google Workspace provides one unified platform that can be accessed from anywhere, which makes it a top choice for businesses as they navigate the new hybrid world environment."

Business customers can leverage the Ooredoo Advantage, making Ooredoo 'Best for Business', thanks to its breadth and depth of talent, best fixed and mobile networks, broadest portfolio of ICT services and solutions, and trusted partner for 60 years.

The partnership between Ooredoo Qatar and Google Cloud will ensure that businesses in Qatar will be able to leverage Google Workspace to drive innovation and enhance productivity

High oil prices boost balance sheets of Qatar, other issuers in core Islamic finance countries: S&P

By Pratap John
Business Editor

High oil prices have boosted the balance sheets of several issuers in core Islamic finance countries including Qatar, S&P Global said and noted sukuk slump may slow but not stop in 2023.

Total sukuk issuance globally dropped to $155.8bn in 2022, S&P said as it forecasts a further decline in total issuance to about $150bn this year.

"We believe lower and more expensive global liquidity, increasing regulatory complexity and reduced financing needs in some core Islamic finance countries will hold back the market this year," S&P said citing countries such as Qatar and the UAE in its report.

In others, where government transformation visions are being implemented - such as Saudi Arabia - S&P said it expects some corporates to hit the sukuk market because the banking system won't be able to absorb all the investments.

It also expects the Saudi government to continue issuing sukuk in local currency to develop the local capital market, although recent pressure on banks' liquidity resulted in lower activity than 2021.

S&P Global Ratings believes that sukuk issuance volumes will continue to decline in 2023, albeit at a slower pace than 2022.

"We expect lower and more expensive global liquidity, increased complexity, and reduced financing needs for issuers in some core Islamic finance countries to deter the market.

Notably, future standards development and certain Shariah scholars' preference for a higher proportion of profit-and-loss sharing in sukuk could pose additional legal challenges, in its view.

"We continue to believe that if sukuk become an equity-like instrument, investor and issuer appetite will likely diminish significantly, in particular amid already expensive liquidity.

"However, we see supportive factors in other areas. Corporates are likely to contribute to issuance volumes, particularly in countries with government transformation visions or plans, such as Saudi Arabia, where well capitalised banking systems will not have the capacity to finance all the projects," S&P said.

S&P also sees continued momentum via the energy transition and increased awareness of environmental, social, and governance considerations among issuers in key Islamic finance countries. However, the sukuk market seems to be lagging the conventional one when it comes to automation and issuance of digital instruments, which could accelerate growth and make the process more appealing.

On why sukuks are unlikely to recover this year, S&P noted Islamic bonds are more complex and time-consuming than conventional ones.

Therefore, new issuers are mainly taking the Islamic route because they expect to increase their investor base compared with purely conventional transactions.

Regulatory uncertainty remains high and resides in the fragile equilibrium between making sukuk a fixed-income instrument and Shariah scholars' push for more profit-and-loss sharing.

In its view, if sukuk lose their fixed-income characteristics while adding significant risks compared to bonds they will become a less attractive option, reducing the market's prospects.

Despite the natural alignment of Islamic finance and sustainable finance, sustainability sukuk issuance remains limited, albeit expanding.

"From green to social, we expect to see higher volumes as issuers meet investor demands and core Islamic finance countries seek to reduce their carbon footprints," S&P said.

China economy grows at slowest pace in decades but tops forecasts

AFP
Beijing

China's economy grew last year at its slowest pace in four decades as it was hammered by Covid lockdowns and a property crisis but the forecast-beating reading raised hopes for a strong recovery as it reopens.

Beijing's rigid adherence to its zero-Covid strategy of strict containment that effectively shut the country off from the world hammered business activity last year and threw supply chains offline, rattling the global economy.

The measures meant the growth came in at just 3% last year, the worst reading since a 1.6% contraction in 1976 — when Mao Zedong died — excluding pandemic-hit 2020.

National Bureau of Statistics official Kang Yi told reporters yesterday the world's number-two economy had in 2022 "faced storms and rough waters in the global environment", and warned "the foundation of domestic economic recovery is not solid as the international situation is still complicated and severe".

The figure missed the government's 5.5% target and was well down from the previous year but it was better than the 2.7% predicted in an AFP survey of analysts.

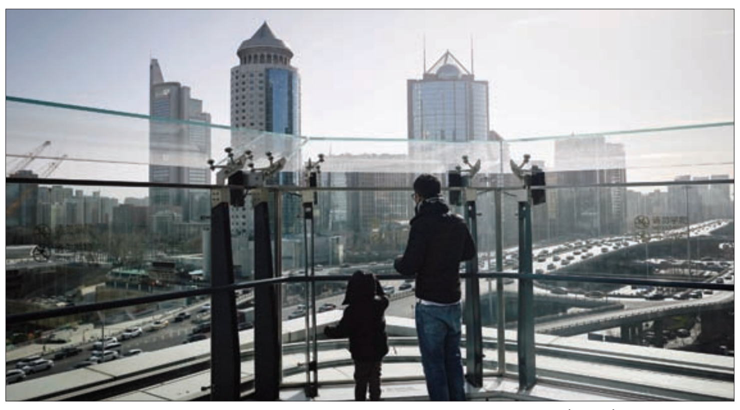
The fourth-quarter reading also topped forecasts, providing some optimism for 2023.

Retail sales shrank just 1.8% in December, compared with the 9.0% estimated, as the lifting of restrictions allowed consumers to go back to the high street.

Industrial output and fixed-asset investment also beat expectations, while unemployment fell last month from November.

"The good news is that there are now signs of stabilisation, as policy support doled out towards the end of 2022 is showing up in the relative resilience of infrastructure investment and credit growth," Louise Loo, Senior Economist at Oxford Economics, said in a note.

China's economic woes last year sent reverberations across a global supply chain already struggling with waning demand caused by surging inflation and central bank interest rate hikes.



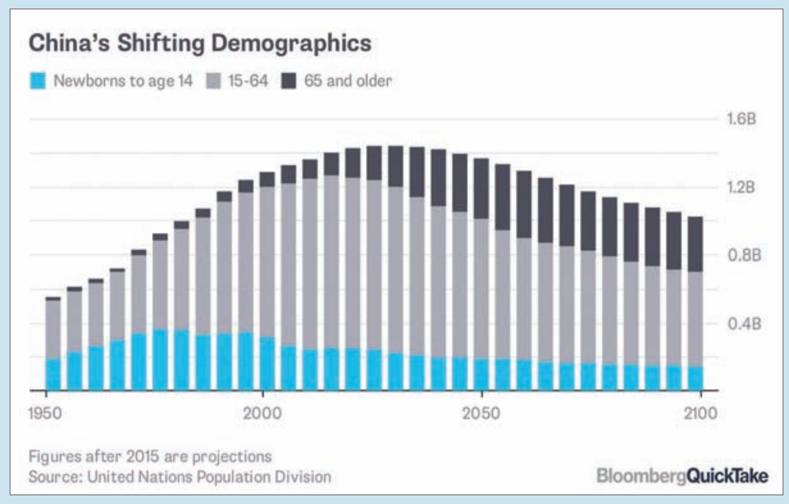
A man and a child look out at the Central Business District (CBD) in Beijing yesterday. Beijing's rigid adherence to its zero-Covid strategy of strict containment that effectively shut the country off from the world hammered business activity last year and threw supply chains offline, rattling the global economy.

Bloomberg QuickTake Q&A

What China's falling population means for its economy ?

By Bloomberg News

Please have more babies. That's China's message for couples after decades of limiting most families to just one child. Why the turnabout? The reason is that births have now fallen for six years in a row, leading to a population drop last year for the first time since the 1960s. Even before the historic overall decline, the working-age population had been shrinking for years, and projections show that one quarter of the population will be 60 or older by 2030. This threatens economic growth, which has been predicated on a vast labour supply — not to mention there may not be enough able-bodied people to take care of all those seniors. The upshot is that China's economy may struggle to overtake the US in size and the country could lose its status as the world's most populous to India this year.



1. What's being done?

The Politburo decided in 2021 to allow all couples to have a third child, five years after changing its one-child policy to allow women to have two. (Family-planning policies were totally stricken from a new Civil Code, leaving room for the government to scrap birth limits altogether.) The change to allow two kids worked at first: The number of newborns in 2016 was 17.9mn, a jump of more than 1mn from the year before. However, births dropped each year after that, to 9.56mn in 2022, the lowest since at least 1950. Some regions have started offering incentives for couples to have kids, from extending parental leave to offering subsidies and providing baby loans. Shenzhen, which neighbours Hong Kong, is working on plans to subsidise parents until their children turn three.

2. How much did the population shrink?

The fall in births and tick-up in deaths resulted in 850,000 fewer Chinese people living in mainland China in 2022 compared with 2021, according to official data released in January. The head of the statistics bureau predicted the trend would continue, pointing to a "drop in people's willingness to have babies, the delay in marriage and pregnancy, as well as a fall in number of women of child-bearing age." The Covid-19 outbreak that began sweeping across the country late last year will likely boost deaths in the short-term, which will come on top of the increase in deaths expected as the nation ages. In addition:

■ The share of the working-age population — those ages 15-59 — slumped to 62% from more than 70% a decade ago. Bloomberg Economics predicts the group will slump to about 650 million people in 2050, a drop of about 260 million from 2020.

■ The fertility rate, or average number of lifetime births per woman, fell to 1.3 in 2020, far below the 2.1 needed for a steady population, excluding migration.

■ As recently as 2019, the United Nations was forecasting that China's population would peak in 2031; by last year it had revised that estimate to 2022. It now expects China to lose 110mn people by 2050 and fall to about half its current size by the end of the century.

■ The UN projects that India will surpass China as the world's most populous country this year, four years ahead of an earlier estimate.

3. What's the impact?

If the decline in the number of people of working age leads to a drop in how many people are actually working, that may raise the cost of labour in China, adding to the price of manufactured goods. With fewer people starting families, there would also likely be hit to long-term demand for houses, which would have an impact on demand for commodities such as iron ore. The government may also struggle to pay for its underfunded national pension system. All that could cut into the long-term growth potential of the economy unless government policies to promote having children become effective. There could be ripple effects outside the country. For example, fewer children may reduce the number of Chinese students seeking education in the US, Australia and elsewhere. The decline will be hard to reverse, even after the government ended its one-child policy. A traditional preference for sons caused many Chinese parents to abort female fetuses; the male-to-female ratio reached 120-to-100 in some provinces. The sex ratio for births has stabilised at around 105 in recent years, but in some regions such as Guangdong and the tropical island of Hainan, the ratio remains elevated at above 110. One result is fewer women of child-bearing age.

4. Where did the one-child policy come from?

After the creation of the People's Republic of China in 1949 and the end of the civil war, the government trained tens of thousands of "barefoot doctors" to bring healthcare to poor and rural areas. The mortality rate plummeted and the population growth rate rose from 16 per thousand in 1949 to 25 per thousand just five years later. This prompted the first attempts to encourage family planning in 1953. Still, total population expanded to over 800mn in the late 1960s. By the 1970s, China was facing food and housing shortages. In 1979, its leader, Deng Xiaoping, decided to limit most couples to just one child. (There were exceptions for rural farmers, ethnic minorities and certain situations, like when a first child was handicapped.) To enforce it, according to Human Rights Watch, women were pushed to have abortions. Children born outside the state plan weren't allowed to have their hukou — a government registration needed to access some benefits.

5. What's the solution?

A change to the retirement age may address some of the issues. The country has kept it at 60 for men and 55 for women white-collar workers for more than four decades, even as life-expectancy has risen. There's discussion again about raising the age, but as in other countries, such a move is very unpopular policy and there was a backlash when it was considered a decade ago. On top of ending restrictions on the number of children, officials will need to build up support for families, including pre-schools and schools, as well as financial incentives or tax breaks. Time and financial concerns mean that many couples feel they can only afford to have one child — if any. The central government has tried to relieve that burden, such as by wiping out the for-profit, after-school tutoring industry to lower education costs. It also issued a guideline to reduce abortions while providing more support to women to raise children. However, if the experience of Japan, South Korea and other developed nations is any guide, it's incredibly difficult if not impossible to radically raise birth rates, even with measures such as subsidies, free childcare and generous parental leave allowances. There's no reason to think the situation in China will be different.

Renault and Geely seen looking to bring Aramco into engine venture

Reuters
Beijing/Paris

Renault SA and China's Geely Automobile Holdings are working to finalise a deal to bring Saudi Aramco in as an investor and partner to develop and supply gasoline engines and hybrid technologies, three people with knowledge of the talks said.

The Saudi oil producer has been involved in advanced discussions to take a stake of up to 20% in a previously announced but still-unnamed Geely-Renault powertrain technology company that the automakers are working to establish, the three people told Reuters.

Big oil firms have worked with automakers to develop sustainable fuels and hydrogen engines in recent years.

But if a deal is agreed, Aramco would be the first major oil producer to invest in the car business, as the rise of electric cars threatens to cut demand for conventional fuels.

According to a document prepared by the companies and viewed by Reuters, the aim is to establish a powertrain company this year with a production capacity of more than 5mn "low-emission and hybrid engines and transmissions" annually.

A 20% stake for Aramco would leave Renault and Geely with 40% each in the joint venture, which would combine a carve-out of the French automaker's existing combustion-engine production with Geely's gasoline and hybrid technology and related assets, the people told Reuters.

Renault and Geely both declined to comment.

Aramco did not immediately respond to a request for comment from Reuters.

The new joint-venture — code-named "Horse" by Renault and "Rubik" by Geely — is aimed at developing more-efficient gasoline engines and hybrid systems at a time when the focus of much of the automobile industry has been on the capital-intensive transition to purely electric vehicles, two of the people said.

The financial terms of the potential investment by Aramco in the joint venture were not immediately known.

According to the document, Aramco's investment would be used to support development of decarbonisation technologies for gasoline engines.

Aramco would also contribute to research and development of powertrain technologies, especially synthetic fuel solutions and next-generation hydrogen technologies, the document said.

The people who described the outline of the deal being negotiated asked not to be named because it has not been announced.

Last year, Aramco announced a partnership with Hyundai Motor Co to study advanced fuels that could be used in hybrid engines to reduce CO2 emissions.

Aramco's deal with Geely and Renault still needs approval by the boards of the automakers, one of the people said.

The three companies are working to complete a letter of intent in the coming weeks, one of the sources said.

Geely and Renault when they announced the new venture last year said it would employ 19,000 people at 17 powertrain factories and three research and development hubs.

By carving out its internal-combustion-engine business, Renault plans to focus on electric cars, part of the French automaker's effort to revamp its alliance with Nissan Motor Co.

As part of that, Renault is trying to convince Nissan to invest in its new electric vehicle unit.

For Geely, the deal with Renault extends its pattern of building partnerships to expand beyond China.

A strategic focus for the joint venture will likely be on an advanced four-cylinder engine, two of the sources said.

One way to use those engines would be as a dedicated power generator to supply a charge to a hybrid car's battery system, rather than powering the vehicle directly when the battery charge was low, one of them said.

In that kind of arrangement, gasoline engines could be designed to operate in an "exceptionally efficient mode", one of the sources said.

Geely previously announced a hybrid gasoline engine development deal with Mercedes-Benz and holds a stake in the German automaker.

The new Geely-Renault joint venture is not the only company betting on the view that fuel-efficient hybrids will remain part of the mix even as more automakers roll out electric vehicles.

If a deal is agreed, Aramco would be the first major oil producer to invest in the car business, as the rise of electric cars threatens to cut demand for conventional fuels

Global concerns drag QSE benchmark by 230 points; M-cap erodes QR13bn

By Santhosh V Perumal
Business Reporter

Mirroring the global concerns on weak Chinese growth, the Qatar Stock Exchange (QSE) yesterday saw more than 230 points fall in key index and capitalisation erode as much as QR13bn.

A higher than average selling pressure at the insurance and banking counters led the 20-stock Qatar Index to plummet 2.17% to 10,606.7 points although it touched an intraday high of 10,839 points.

About 83% of the traded constituents were in the red in the main market, which reported year-to-date losses of 0.7%.

The foreign institutions were increasingly into net selling in the main bourse, whose capitalisation saw QR12.52bn or 2.04% decrease to QR601.81bn, mainly led by large and midcap segments.

The Arab retail investors were seen net profit takers in the main market, which saw a total of 0.24mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR1.08mn changed hands across 44 deals.

The Arab institutions' weakened net buying had its marginal influence on the main bourse, which saw no trading of sovereign bonds.

The Islamic index declined slower than the main barometer in the main market, which saw no trading of treasury bills.

The Total Return Index tanked 2.17%, the All Share Index by 2.04% and the Al Rayan Islamic Index (Price) by 1.76% in the main bourse, whose trade turnover volumes were on the increase.

The insurance sector index plummeted 2.97%, banks and financial services (2.54%), industrials (2.06%), real estate (1.82%), transport (1.23%) and consumer goods and services (0.14%); while telecom was up 0.01%.

Major shakers in the main market included Qatar General Insurance and Reinsurance, Inma Holding, Al Khaleej Takaful, Beema, Salam International Investment, QNB, Qatar Islamic Bank, QIIB, Masraf Al Rayan, Lesha Bank, Dlala, Baladna, Industries Qatar, Gulf International Services, Mesaieed Petrochemical Holding, Qatar Insurance, QLM, Barwa, Mazaya Qatar and Nakilat.

In the venture market, Al Faleh Educational Holding saw its shares depreciate in value.

Nevertheless, Al Meera, Qatar National Cement, Qamco, Aamal Company and Medicare Group were among the gainers in the main market.

The foreign funds' net selling increased significantly to QR45.78mn compared to QR32.66mn the previous day.

The Arab individuals were net profit takers to the tune of QR12.58mn against net buyers of QR8.35mn on January 16.

The Arab institutions' net buying declined marginally to QR0.15mn compared to QR0.22mn on Monday. However, the local retail investors' net buying grew considerably to QR42.97mn against QR19.67mn the previous day.

The domestic institutions' net buying expanded marginally to QR24.85mn compared to QR24.66mn on January 16. The foreign retail investors turned net buyers to the extent of QR7.03mn against net sellers of QR0.18mn on Monday.

The Gulf individuals' net buying strengthened marginally to QR0.07mn compared to QR0.01mn the previous day.

The Gulf institutions' net selling weakened markedly to QR16.73mn against QR20.08mn on January 16.

The main market saw a 13% jump in trade volumes to 175.12mn shares, 19% in value to QR669.25mn and 18% in deals to 23,193.

Saudi Arabia signals it's not stuck on US dollar for trade agreements

Bloomberg
Davos

Saudi Arabia is open to discussions about trade in currencies other than the US dollar, according to the kingdom's finance minister, in what could be another challenge to the greenback's hegemony.

"There are no issues with discussing how we settle our trade arrangements, whether it is in the US dollar, whether it is the euro, whether it is the Saudi riyal," Mohamed al-Jadaan told Bloomberg TV yesterday in an interview in Davos.

"I don't think we are waving away or ruling out any discussion that will help improve the trade around the world," al-Jadaan said.

The world's largest oil exporter, which has maintained a currency peg to the dollar for decades, is seeking to strengthen its relations with crucial trade partners including China. The kingdom is a pillar a petrodollar system established in the 1970s that relies on pricing crude exports in the US currency.

During President Xi Jinping's visit to Riyadh last year, the two countries agreed to boost co-ordination on energy policy and exploration. During that trip Xi said that China would make efforts to buy more oil from the Middle East and also wanted to settle that trade in the yuan.

"We enjoy a very strategic relationship with China and we enjoy that same strategic relationship with other nations including the US and we want to develop that with Europe and other countries who are willing and able to work with us," al-Jadaan said.

Saudi Arabia is also working with multilateral institutions to provide support to Pakistan, Turkiye and Egypt, as part of the kingdom's largesse to nations it deems "vulnerable," al-Jadaan said.

"We are investing heavily in these countries and will continue to look for opportunities to invest," he said. "It's very important to bring stability."

The minister said his country is looking to invest $10bn in Pakistan. It already extended the term of a $3bn deposit to boost its foreign-currency reserves late last year, and Saudi Arabia is now exploring the possibility of increasing the amount.

"We are providing even oil and derivatives to support their energy needs," al-Jadaan said. "So there is a lot of efforts, but we wanted this to be conducted."

The kingdom is also discussing with the World Bank and other institutions how can it be "more creative to provide that support" to Pakistan, the minister said.

Saudi Minister of Finance Mohamed al-Jadaan.

Saudi confident on attracting more foreign investors

Saudi Arabia is confident it can attract enough large-scale investment to make significant strides in diversifying the economy of the world's largest oil exporter, according to a top official.

Authorities believe they have "so many enablers that can attract a lot of partners," said the Saudi Minister of Economy and Planning, Faisal Alibrahim, citing the kingdom's access to natural resources, regulatory changes, and its mostly young population, reports Bloomberg.

"We have the right kind of incentive structures and governance and processes in order to attract the right kind of investors for the right kind of returns for them as partners," Alibrahim said an interview on the sidelines of the World Economic Forum's annual meeting in Davos, Switzerland.

Hitting targets for attracting foreign direct investment as part of Crown Prince Mohamed bin Salman's plans to overhaul the Saudi economy has been a challenge. That plan envisages lifting foreign investment to 5.7% of economic output.

Yet most of the $19.3bn foreign investment in 2021 — the most since 2010 — came from state oil company Saudi Aramco selling part of its pipeline unit, rather than going into new industries.

The Saudi government has made more than 700 regulatory changes as it seeks to attract investors, said Alibrahim. "We're very serious about our diversification efforts," he said. "We're open and we're talking to all partners who're interested in the Saudi story."

Saudi Arabia saw the strongest increase in employment in almost five years as business conditions in its non-oil economy — the engine of job creation for the kingdom — improved at a slightly slower pace at the end of last year following a surge.

"We still want to create more jobs and we want to even reach higher levels," said Alibrahim. He doesn't see higher interest rates impacting the Saudi private sector.

Turkiye inflation seen at 42.5% in 2023; GDP growth at 3%

Reuters
Istanbul

Turkiye's inflation is expected to fall to 42.5% this year, much higher than an official forecast, while GDP growth is seen far below the official forecast at 3%, a Reuters poll showed yesterday.

The rate easing cycle pursued since late 2021 led to a currency crisis, which in turn sent inflation to a 24-year high of 85.5% in October.

While inflation eased to 64.3% in December due largely to base effects, economists expect its decline to be slower than Ankara expects.

The median forecast of 12 economists in the poll stood at 42.5% for inflation at end-2023, with forecasts ranging between 28.5% and 48.1%. It was seen falling to 26.4% in 2024.

Those compare to Ankara's inflation forecasts of 24.9% for 2023 and 13.8% for 2024.

Officials say price stability will be achieved once chronic current account deficits flip to surpluses, as a result of the interest rate-cutting programme.

However, Ankara does not see a surplus in the three years to 2025 that its forecasts cover.

The poll also predicted gross domestic product (GDP) growth would fall short of official expectations.

It is seen at 3% for both this year and next, according to the median of 28 economists, compared to Ankara's forecasts of 5.0% and 5.5%, respectively.

Growth was expected to have been 5.0% in 2022, in line with government forecasts.

All 22 economists who participated in the Reuters poll expected Turkiye's central bank to keep its policy rate unchanged at 9% at its meeting on January 19.

While the median estimate for the policy rate in the first half of the year stood at 9% in the Reuters poll, many saw hikes in the second half of the year, with one as high as 50%.

The median estimate for the policy rate in the third quarter stood at 24%, while in the fourth quarter it was 25%.

The forecasts for the current account deficit-to-GDP ratio in the Reuters poll were also far higher than that of the government, with 4.3% expected in 2023 and 3.5% in 2024.

Those compare to Ankara's forecasts of 2.5% and 1.4%, respectively.

DP World forecasts further freight rate fall as demand slows

Reuters
Davos

DP World expects freight rates to drop by a further 15-20% in 2023, with the worst still to come as demand slows, the Dubai-based global logistics company's deputy chief executive and chief financial officer Yuvraj Narayan told Reuters.

Narayan said the first signs of a significant drop in demand were visible and freight rates on the shipping side had declined quite significantly on certain routes as agencies including the International Monetary Fund (IMF) lowered growth forecasts.

Freight rates are the prices at which cargoes are delivered by container from one point of the globe to another.

"It is clear that there is a massive drop in demand, inventories are not clearing up the orders are not coming through," he said on Monday. "We have not seen the worst of it yet."

The biggest problems were in China, Europe and the United States, as the world's largest producing and consuming economies, DP World's Narayan said in an interview on the sidelines of the World Economic Forum (WEF) in Davos.

Narayan said that across shipping freight rates there had been a significant decline in freight rates of anywhere between 20% and 50% from their peaks last year.

There were three overriding factors driving this, Narayan said, notably disruptions during the Covid-19 pandemic, inflation in Europe due to the energy price spike and severe disruptions to global supply chains.

These disruptions were persisting as a result of the war in Ukraine and sanctions against Russia, he added.

DP World, which is a major ports operator, has been talking to the United Nations and Kyiv about providing safe passage for the transportation of grain out of Ukraine, but had yet to get the necessary approvals, Narayan added.

"We have the ability to do that...we are confident we can do it if they say it is OK to do it," he said.

Ukrainian grain exports from Black Sea ports and ways to unblock fertiliser and food exports from Russia have been the subject of intense diplomatic negotiations since last year.

Ukraine is a major global grain grower and exporter, but its shipments fell significantly due to hostilities in many regions and Russian blockades of its seaports.

Narayan also said the Ukraine war had forced DP World to put its Russia investment plans on hold.

"There were new trade routes that were going to get established and we were out there as potential partners," he said, adding: "Basically we put everything on hold till we get a clearer political picture."

DP World expects freight rates to drop by a further 15% to 20% in 2023, with the worst still to come as demand slows, the Dubai-based global logistics company's deputy chief executive and chief financial officer Yuvraj Narayan told Reuters in Davos

Foreign investors pour $925mn into Egypt

Reuters
Cairo

Foreign investors transferred more than $925mn into the Egyptian foreign exchange market in the three days since its currency sharply depreciated last week, Egypt's central bank said in a statement on Monday.

The Egyptian pound weakened to about 32 to the dollar from 27.60 at the open yesterday before rebounding to 29.61 pounds by end-Monday.

Additional foreign currency from local sources, remittances from Egyptians working abroad and tourism also flowed into the market over the past three business days, the central bank statement added.

Egypt promised it would shift to a "durably flexible" exchange rate when it reached an agreement with the IMF for a $3bn financial support package in October.

It turned to the IMF for assistance after Russia's war in Ukraine pushed up its bills for wheat and oil while dealing a blow to tourism from two of its largest markets, Ukraine and Russia, a key source of hard currency.

It has been loosening its dollar peg in jumps, with a view to letting the currency float freely.

Banks were able to fulfil more than $2bn in requests by Egyptian importers over the past three days, in addition to the requests other clients, the central bank statement added.

Goods began backing up in Egyptian ports after the central bank placed restrictions on imports in February. Last month the central bank removed those restrictions, and importers have been scouring for dollars to get their goods released.

Sales of Egyptian treasury bills of one year or less surged at auctions on Thursday and Sunday as investors continued to flood back after the pound's depreciation.

China reopens its doors with investment pitch to global elite

Reuters
Davos, Switzerland

China's Vice-Premier Liu He speaks during a session of the World Economic Forum annual meeting in Davos yesterday. Liu welcomed foreign investment and declared his country open to the world after three years of pandemic isolation.

China's Vice-Premier Liu He welcomed foreign investment and declared his country open to the world yesterday after three years of pandemic isolation. Liu's explicit pitch to global leaders gathered in Davos made it clear China wants international investors to play a key role in Beijing's attempts to revive its slowing economy.

"Foreign investments are welcome in China, and the door to China will only open up further," Liu, a top economic tsar and confidant of President Xi Jinping, said.

His speech to the World Economic Forum's (WEF) annual meeting mentioned "strengthening international co-operation" and "maintaining world peace" 11 times.

Liu made his speech as the release of new population data sounded an alarm on a demographic crisis with profound implications for the world's second largest economy.

New GDP data also showed economic growth slumped in 2022 to the worst level in nearly half a century.

Liu's visit to the Swiss ski resort is the first trip abroad by a high-level Chinese delegation since Beijing abruptly began dropping its "zero-Covid" curbs that shielded its 1.4bn people from the coronavirus last month. That policy also cut off China from the rest of the world for the past three years, stifling foreign investment.

At Davos, Liu is sitting down with CEOs of finance, tech, consumer and industrial companies, a Chinese official familiar with the matter told Reuters.

He will also meet other world leaders. In his speech, Liu said he had caught up with many old friends, having last attended Davos in 2018.

Former US Treasury Secretary Lawrence Summers told Reuters he spoke with Liu on Monday for more than an hour, without giving details.

Yesterday, Liu will meet US Treasury Secretary Janet Yellen in Zurich for their first in-person meeting, although they have met virtually three time since she took office. Liu's speech was another sign of Beijing's increased engagement with other countries in recent weeks.

A recent thawing of relations with Australia paved the way for China to resume imports of Australian coal after a three year halt. And in November, Chinese President Xi Jinping and US President Joe Biden met on the Indonesian island of Bali where they agreed to follow-ups, including a planned visit to China by Secretary of State Antony Blinken in early 2023.

The visit by the high-level Chinese delegation to Davos also contrasted with the conspicuous absence of Russia, a key ally whose invasion of Ukraine China has refused to condemn.

China's relations with the US and its allies have grown more tense throughout the Covid-19 pandemic, with Beijing and Washington sparring on issues from technology to Taiwan.

The bosses of global investor Fidelity International and accountancy giant EY yesterday were among the business leaders attending Davos who voiced concern about a potential decoupling of the two economies.

Liu's speech was aimed at addressing investor concerns, said Xingdong Chen, Chief China Economist and Head of BNPP Markets. "Liu He, on behalf of Xi, wants to clarify the policy confusion and misunderstanding, and to reassure the world China will continue the market-oriented reform and opening."

The speech, he said, explained key concepts the ruling Communist Party has been pushing, such as the Chinese model of modernisation and common prosperity. "It seems the new leaders are reversing leftward policy changes and re-embarking on Deng Xiaoping's line of reform and opening," he added.

Whether global investors and leaders buy into China's new sales pitch remains to be seen.

US Congressman Seth Moulton, also in Davos, said he was highly worried about China's stance on Taiwan. Moulton, a Democrat, said the shift in tone did nothing to allay his fears.

Earlier, European Commission President Ursula von der Leyen said Europe must seek to work and trade with China, rather than decouple from it.

But she cautioned that Chinese subsidies were restricting access to the clean tech sector for European companies.

In addition to zero-Covid, the Chinese economy has been squeezed by a crisis in its vast property sector and a wide-ranging regulatory crackdown on sectors from technology to education, which have in turn hit foreign investment sentiment. Liu referred to efforts by Chinese authorities to resolve a liquidity crunch in its real estate sector.

He also said the country would continue to promote entrepreneurship and support the private sector, echoing recent signals from top Chinese officials that they would ease the crackdown.

QSE MARKET WATCH

Company Name	Lt Price	% Chg	Volume
ZAD HOLDING CO	14.11	-0.84	9,487
WIDAM FOOD CO	1.90	-3.41	99,379
VODAFONE QATAR	1.62	0.12	656,642
UNITED DEVELOPMENT CO	1.27	-1.17	983,493
SALAM INTERNATIONAL INVESTME	0.60	-4.61	3,170,553
QATAR & OMAN INVESTMENT CO	0.58	-3.50	2,369,548
QATAR NAVIGATION	9.77	-0.99	16,474
QATAR NATIONAL CEMENT CO	5.10	1.43	163,040
QATAR NATIONAL BANK	17.06	-2.51	7,238,041
QLM LIFE & MEDICAL INSURANCE	4.20	-3.31	6,401
QATAR ISLAMIC INSURANCE GROU	8.51	0.12	7,455
QATAR INDUSTRIAL MANUFACTUR	3.10	-0.61	739,240
QATAR INTERNATIONAL ISLAMIC	9.99	-3.01	1,590,584
QATARI INVESTORS GROUP	1.72	-1.21	1,817,464
QATAR ISLAMIC BANK	18.45	-3.20	4,055,279
QATAR GAS TRANSPORT(NAKILAT)	3.63	-1.36	2,218,128
QATAR GENERAL INSURANCE & RE	1.45	-7.17	114,952
QATAR GERMAN CO FOR MEDICAL	1.25	-2.27	2,933,772
QATAR FUEL QSC	18.18	0.39	1,457,994
LESHA BANK LLC	1.17	-2.34	3,063,267
QATAR ELECTRICITY & WATER CO	17.60	-0.28	792,674
QATAR EXCHANGE INDEX ETF	10.26	-3.83	63,732
QATAR CINEMA & FILM DISTRIB	3.12	0.00	-
AL RAYAN QATAR ETF	2.37	-1.83	177,505
QATAR INSURANCE CO	2.00	-3.29	2,769,660
QATAR ALUMINUM MANUFACTURING	1.71	0.83	35,227,769
OOREDOO QPSC	8.94	-0.03	1,572,628
ALIJARAH HOLDING COMPANY QPS	0.74	-0.93	4,985,393
MAZAYA REAL ESTATE DEVELOPME	0.69	-2.26	6,167,667
MESAIEED PETROCHEMICAL HOLDI	2.12	-4.26	5,476,402
AL MEERA CONSUMER GOODS CO	16.93	1.99	93,991
MEDICARE GROUP	6.38	0.79	226,428
MANNAI CORPORATION QSC	7.75	-2.75	491,785
MASRAF AL RAYAN	3.07	-2.88	38,737,404
AL KHALIJ COMMERCIAL BANK	0.00	0.00	-
INDUSTRIES QATAR	13.13	-2.81	5,978,493
INMA HOLDING COMPANY	4.02	-5.84	286,149
ESTITHMAR HOLDING QPSC	1.80	-0.33	7,897,395
GULF WAREHOUSING COMPANY	3.78	-1.89	140,829
GULF INTERNATIONAL SERVICES	1.66	-2.93	7,529,887
AL FALEH EDUCATION HOLDING	1.30	-0.15	227
EZDAN HOLDING GROUP	1.00	-1.29	7,814,871
DOHA INSURANCE CO	1.91	-2.31	85,939
DOHA BANK QPSC	1.84	-1.02	6,799,171
DLALA HOLDING	1.22	-3.40	327,214
COMMERCIAL BANK PSQC	5.28	-1.58	3,186,122
BARWA REAL ESTATE CO	2.86	-2.39	2,622,139
BALADNA	1.50	-2.78	918,111
AL KHALEEJ TAKAFUL GROUP	2.26	-5.67	1,179,466
AAMAL CO	0.99	0.82	58,372
AL AHLI BANK	4.01	0.00	-

Morgan Stanley narrowly beats analysts' expectations as wealth management hits record

Bloomberg
New York

Morgan Stanley's revenue narrowly beat analysts' expectations on a wealth-management record even as the firm's traders fell short of estimates.

Wealth management, where Morgan Stanley benefited from higher net interest income as a result of rising rates, reported revenue of $6.62bn, up 5.9% from a year earlier. The New York-based firm's trading operation posted $3.6bn in fourth-quarter revenue, worse than the $4.07bn analysts had forecast.

The bank, which now leans on its wealth- and asset-management business for more than half its revenue, saw assets in the unit rose from the third quarter to $4.19tn. Morgan Stanley has a long-term goal of $10tn in client assets. "We have seen a healthy start to the year," chief financial officer Sharon Yeshaya said in an interview. "A lot of it hinges on the economic outlook and whether we have seen a peak in inflation and a policy pivot."

Morgan Stanley executives have been preaching confidence heading into 2023 in the hopes that their business model will avoid getting caught up in any consumer-market strain, while a rebound in asset prices and capital-markets activity would prove a boon for the firm.

Morgan Stanley shares rose 1.6% to $93.14 in New York trading. They had dropped 7.3% in the 12 months through Friday.

Morgan Stanley's trading results were hurt by equity trading, with a 24% drop in revenue to $2.18bn. The trading disappointment added to the troubles suffered by Morgan Stanley's dealmakers, who struggled throughout the year to recapture their 2021 performance.

Revenue from equity underwriting slumped 73% to $227mn, while debt underwriting declined 38% to $314mn. Merger bankers also fell behind, with advisory revenue dropping 34%.

The bank's investment-management arm posted $1.46bn in revenue, down 17%.

The bank has been mindful of cost pressures. In December, it started a fresh round of job cuts that affected about 1,600 employees, or roughly 2% of its total workforce. While the move represents a much smaller action than the firings at rival Goldman Sachs Group Inc, it serves as another indicator of Wall Street's cautious outlook as a possible US recession looms.

The bank said last week that chief operating officer Jon Pruzan will be leaving at the end of the month. Pruzan, who'd been seen as a candidate to be the firm's next CEO, plans to pursue other opportunities. With his exit, the list of key contenders for the top spot has been narrowed down to Ted Pick and Andy Saperstein, the firm's co-presidents, along with Dan Simkowitz, its investment-management chief.

The firm is still holding onto the debt package it provided to Elon Musk to help him complete his acquisition of Twitter. Since the closing of the $44bn deal, Musk has talked publicly about Twitter's cost struggles and fleeing advertisers.

EU to counter US climate game changer with own green deal

Reuters
Davos, Switzerland

European Commission President Ursula von der Leyen addresses the World Economic Forum in Davos, yesterday.

The European Union (EU) responded yesterday to US moves to boost its energy transition with its own plans to make life easier for green industry, saying it would mobilise state aid and a sovereignty fund to keep firms from moving to the United States. European Commission head Ursula von der Leyen told the World Economic Forum (WEF) annual meeting in Davos that the moves would be part of the EU's Green Deal industrial plan to make Europe a centre for clean technology and innovation.

"The aim will be to focus investment on strategic projects along the entire supply chain. We will especially look at how to simplify and fast-track permitting for new clean tech production sites," she said in a speech at the meeting.

"To keep European industry attractive, there is a need to be competitive with the offers and incentives that are currently available outside the EU," von der Leyen added.

Earlier, International Energy Agency (IEA) executive director Fatih Birol told a WEF panel that energy security was now the biggest driver of climate investment.

Birol said the US Inflation Reduction Act (IRA), which was signed by President Joe Biden last year, would drive investment into cleaner energy and represented the most important climate deal since the landmark 2015 Paris Agreement.

This view was echoed by Larry Fink, chief executive of the world's biggest asset manager BlackRock, who told an event on the sidelines of the WEF meeting that moves by the US government to finance a faster shift in the world's biggest economy, through the IRA was a "game changer".US climate envoy John Kerry told a separate panel on financing the transition to a low carbon economy that the only way to avoid catastrophic damage caused by climate change was for governments and companies to spend big.

"How do we get there? The lesson I have learned in the last years...is money, money, money, money, money, money, money," Kerry said of what was needed for the world to stand any chance of meeting the 2015 Paris Agreement goal of limiting global warming to 1.5C above pre-industrial levels.

While European countries have welcomed the new commitment to energy transition by Biden's administration, some fear it may disadvantage their companies.

"I understand the importance of the Act from a US perspective but on the other side I should also think about European interests," Jozef Sikela, the Czech minister of industry and trade, said on the same WEF panel as Birol.

Europe's energy crisis, triggered by Russia's invasion of Ukraine last year, has been felt across the 27-member EU, with gas prices almost 90% higher last year than the year before.

Sikela said European households and industries were paying the biggest bill for the global energy crisis, while the new US legislation would pull away investors and force governments into a "dangerous" competition on subsidies.

Von der Leyen later told reporters that the proposed fund — an idea she first raised in September which does not yet have the support of all EU governments, notably Germany — would disburse both grants and loans.

ECB is pondering slower hikes after half point in February

Bloomberg
Frankfurt

European Central Bank (ECB) policymakers are starting to consider a slower pace of interest-rate hikes than President Christine Lagarde indicated in December, according to officials with knowledge of their discussions.

While the 50 basis-point step in February she signalled remains likely, the prospect of a smaller 25-point increase at the following meeting in March is gaining support, the officials said, asking not to be identified because talks on the matter are confidential.

Any slowdown in monetary tightening shouldn't be viewed as the ECB going soft on its mandate, the officials said. They stressed that no decisions have been taken, and that policymakers may still deliver the half-point move for the March meeting that Lagarde pencilled in on December 15.

An ECB spokesperson declined to comment on future action by the Governing Council.

Weaker-than-expected inflation in the euro area, a drop in natural gas prices and the prospect of gentler tightening by the US Federal Reserve have brought some comfort to policymakers as they ponder how to continue the most aggressive rate hikes in ECB history.

While officials opted to slow the pace of increases in December with a 50-basis-point move, they coupled that decision with a sense of heightened vigilance on price stability.

Lagarde said then that available data "predicate" a 50-basis-point hike at the February 2 meeting "and possibly at the one after that" — cautioning that decisions will continue to be data-dependent.

Economists currently anticipate moves of that magnitude at the next two meetings. Money markets are betting on a half-point hike next month and placing more than 80% odds on a similar increase in March, with the deposit rate expected to peak below 3.5% by July.

Whether and how inflation prospects have shifted will only become apparent with the new forecasts in March, which might help justify a less aggressive pace. That may be one reason for policymakers to be cautious about departing from their outlined hike in February.

Since the start of 2023, officials from all camps — from doves to hawks — have indicated some openness to discussing a slowdown in the pace of tightening after raising the deposit rate by 250 basis points in just six months.

Latvia's Martins Kazaks, among the Governing Council's most conservative members, said in an interview that while he expects "quite large steps" at both of the next two meetings, "of course the steps may become smaller as necessary as we find the level appropriate to bring the inflation down to 2%."

Finland's Olli Rehn urged his colleagues to "keep an open mind to adjust our policies if needed," while his French colleague Francois Villeroy de Galhau called for pragmatism and argued "we need to look at where inflation is and the outlook for inflation."

The ECB's Chief Economist Philip Lane was the latest to chime in, highlighting still "very high uncertainty."

In an interview with the *Financial Times*, he cited big declines in energy since mid-December due in part to mild weather, and said "this is a simple example of why we must not be so confident about where interest rates need to go."

Signage is seen outside the European Central Bank building in Frankfurt. ECB policymakers are starting to consider a slower pace of interest-rate hikes than president Christine Lagarde indicated in December, according to officials with knowledge of their discussions.

China's reboot and stable energy to help Europe grow in 2023

Bloomberg
London

China's reopening and an ebbing energy crisis are expected to give Europe's economy a boost this year, helping it avoid a recession, the latest MLIV Pulse survey shows.
A series of rate hikes by the European Central Bank (ECB) aimed at taming the region's inflation, however, are expected to tarnish the appeal of the region's debt. The ECB's deposit rate will top 3.5% after another 1.5 percentage points of hikes, according to more than a third of 201 respondents in the poll. An additional 15% see it heading to 4% or above, which would be a record level. That helps explain the survey participants' strong conviction that euro area bonds will underperform US Treasuries this year.
The Federal Reserve "seems closer to ending the cycle than the ECB" and there's also "greater uncertainty" over where euro-area rates peak, said Rohan Khanna, rates strategist at UBS Group AG. With possible Fed cuts later this year and a wave of supply from European governments, the outperformance of Treasuries versus bunds is one of his top trades.
Goldman Sachs Group Inc economists now expect the eurozone's gross domestic product to grow 0.6% in 2023, compared with their earlier forecast of a recession and overall decline of 0.1%. China's sudden reboot has given economists a strong reason to revise expectations. European luxury behemoths including LVMH and Gucci owner Kering SA are seen benefiting in particular as wealthy Chinese consumers start shopping and travelling again after heavy restrictions under Beijing's Covid Zero policy.
About one-third of survey respondents said luxury and other discretionary sectors would benefit most from China's re-opening, while another 23% said tourism and travel. The MSCI Europe Textiles Apparel & Luxury Goods Index has gained twice as much as Stoxx 600 so far this year. Luxury stock price levels are trading above analysts' targets.
European stocks in the fourth quarter had their best-ever run relative to US peers in dollar terms; that notable outperformance has continued into 2023. Relatively cheap valuations helped. The Stoxx Europe 600 Index trades at a 12-month forward price-to-earnings ratio of over 12 times, compared with the S&P 500 at about 17. US stocks' premium is historically pricey.
The survey also showed that most investors expect Europe to avoid an energy crisis in 2023. Mild weather has seen the price of natural gas plummet as fuel consumption drops, and stockpiles are fuller than usual for this time of the year. More than 60% of MLIV survey participants predicted an energy crisis can now be avoided.
Yet, policy makers have been warning that their fight against inflation is still ongoing. ECB Governing Council Members Olli Rehn and Pablo Hernandez de Cos are the latest to say there are still "significant" rate rises ahead. The area's core measure of inflation, which strips out food and energy, rose to a record high of 5.2% in December even as the headline figure declined to 9.2%. Market bets on the ECB's peak rate have slipped in recent days, falling back below 3.5% for July. More than half of survey respondents, however, see the rate not peaking until the third quarter or later.
Meanwhile, in the US, slowing inflation is fuelling expectations that the Fed is about to rein in its aggressive cycle of hikes. Markets are now leaning toward a 25 basis points increase come February, which would be the smallest in nearly a year. Jupiter Asset Management sees 10-year Treasury yields slumping as low as 2%, compared to around 3.40% now, as a global downturn pushes investors toward haven assets. The expectation of further significant ECB tightening helps explain another response to the MLIV survey: about 72% of investors think it's very likely or somewhat likely that the central bank will have to use its Transmission Protection Instrument, a bond-buying tool to mitigate financial stress.
Contrast that to comments by ECB officials, who have said they hope the TPI won't be used and that its existence alone will be enough to avert unwarranted selloffs in the region's riskier sovereign bonds.
"I think there's a non-trivial probability TPI will be used, if you think about raising rates and the massive supply coming," said Greg Peters, co-chief investment officer at PGIM Fixed Income. "They can't afford to have Italian spreads blow out."
A continued hawkish stance from the ECB could derail gains in German debt so far this year and lift 10-year yields close to 3% this quarter, from around 2.2% currently, according to Societe Generale SA strategists. As a result, more than three quarters of those surveyed favoured Treasuries over euro-area bonds this year.
While both US stocks and Treasuries are on a roll so far in January, a majority of professional and retail investors think those holding bonds will end up with better returns in the next month. The longer-term outlook for equities also looks tough, according to Marija Veitmane, senior multi-asset strategist at State Street.
"The current state of the US economy is reasonably strong and that's creating inflationary pressure," she said in an interview with Bloomberg TV on Friday. "The Fed will have to stay fairly aggressive for longer, with no cuts, and that means deeper recession later on. In that world, you prefer bonds over stocks."

Goldman and UBS join bullish bets on global assets as China reopens

Bloomberg
London

Global markets got a sugar rush when China reverted to pro-growth policies in late 2022, and some are arguing it's not too late to join the rally.

Chinese equities stand to gain another 20%, oil could renew its push past $100 and copper may breach $10,000 as consumption revives in the world's No 2 economy. Those are just a few of the forecasts from strategists and money managers, with emerging-market stocks and selected Asian currencies also likely to benefit.

The resumption of activity in China promises to unleash over $836bn of excess savings, and may help ease fears of a global downturn as other central banks continue to tighten policy. But even so, sceptics caution that a hawkish Federal Reserve will still be the dominant theme for financial markets and the world economy.

"We are in the early phase of recovery in terms of asset prices," said Paras Anand, London-based chief investment officer at Artemis Investment Management LLP. "A recovery or normalisation of the Chinese economy will be positive for global growth at the margin."


People stand in front of a sculpture of bulls at the entrance to the Shenzhen Stock Exchange building. Chinese equities stand to gain another 20%, oil could renew its push past $100 and copper may breach $10,000 as consumption revives in the world's No 2 economy.

Selective on stocks: Chinese shares may beat their global peers in 2023, with Morgan Stanley and Goldman Sachs Group Inc forecasting the MSCI China Index will gain roughly 10% more while Citi Global Wealth Investments sees about 20% upside. "This time round the recovery is going to be services- and consumption-led," rather than investment, which helps local equities more than other economies, said Fidelity International's George Efstathopoulos.

Yet others see Asian equities extending gains, even after a benchmark entered a bull market. Exporters such as South Korea and Taiwan will benefit, as well as Southeast Asian economies which rely on Chinese tourists, notably Thailand. BNP Paribas SA predicts the MSCI Emerging Markets Index will rise to 1,110 through year-end.

Commodity choices: Brent crude could average more than $100 a barrel this year as China, the world's largest oil importer, dismantles Covid curbs, according to ING Group NV analysts. Similarly, the nation's voracious appetite for copper augurs well for the commodity, with Goldman Sachs forecasting that it will top $10,000 a ton before end-December. Oil was trading around $85 on Tuesday, and copper under $9,100.

The reopening will make investors "think twice" about shorting oil despite the demand backdrop in the West, said Louis Luo, an investment director in abrdn plc's multi-asset team.

Iron ore is also poised to benefit although gains may be tempered by China's crackdown on surging prices.

Steel and iron have rallied since the lows reached in October and have "priced in the construction rebound that's likely to occur," said David Chao, a global market strategist for Asia Pacific ex-Japan at Invesco Hong Kong Ltd.

Commodity shipments from Indonesia, Thailand and Vietnam are also on the radar after Southeast Asia replaced the European Union as China's top trading partner in 2020, according to HSBC Holdings Plc.

Currencies boost: The onshore yuan has gained about 6% since China started rolling back virus curbs in November. It could climb to 6.50 per dollar this year from around 6.78 now as economic growth rises above trend into the second half, according to UBS Global Wealth Management.

A 60-day correlation gauge between the yuan and emerging-market currencies has risen to 0.70, the highest in five months. The reopening could be especially lucrative for Thailand's baht and the South Korean won, both beneficiaries of Chinese tourism. The Chilean peso will also climb amid rising Chinese demand for copper.

"We think this is a real turning point for the Chinese economy, its underlying assets, and the broader emerging market universe," Alan Wilson, money manager at Eurizon SLJ Capital, wrote in a January 6 note.

EU's record recovery fund at risk as countries struggle to meet deadline

Reuters
Madrid/Lisbon

The risk that European Union (EU) governments will not be able to spend the largest aid package in its history is growing as members struggle to meet deadlines imposed by the bloc, officials from four countries have told Reuters.

Difficulties in renegotiating the €724bn post-pandemic recovery plan — less than two years after it was approved — raises doubts about its ability to deliver at all, said Manuel Hidalgo, a senior fellow at the Esade Centre for Economic Policy, a Madrid-based think-tank.

"If all the money isn't spent this will have a reputational cost for the EU," Hidalgo said. "If it doesn't turn out well they will have to justify many things, such as the very existence of these kinds of plans."

The thorniest issue will be securing unanimity from the bloc's 27 members on extending the disbursement of financing beyond 2026, which would require approval in each country's parliament, including Hungary and Poland, which are already at odds with the EU and may use their support as leverage to secure concessions.

The EU froze funds earmarked for Hungary and Poland over their nationalist governments' track record of undercutting liberal democratic rules. Poland's access to nearly €36bn of funds is dependent on an overhaul of its judicial system.

The EU is withholding €5.8bn until Hungary implements measures to curb corruption and boost its judiciary's independence.

Extending the implementation period faces "a major problem — the decision on own resources would have to be reopened, which requires unanimity, which is almost unthinkable", said Czech EU Affairs Ministry spokesperson Marek Zeman.

Countries are already behind. While milestones and targets must be reached by August 2026, 70% of grants and loans should have been committed by last year and the remainder by 2023.

The actual amount committed so far is around 20%, according to EU data.

Recipients of the funds say that the rising cost of raw materials, a product of the war in Ukraine, and supply chain bottlenecks have delayed the adjudication and implementation of recovery projects.

Portugal had disbursed €1.4bn, or 8.5% of the total recovery funds assigned to it, to project promoters by the end of 2022.

A spokesperson for Portuguese Cabinet Minister Mariana Vieira da Silva said talks with the European Commission about a "reassessment of goals" would begin this month and include a "review of the execution period". Portugal was analysing which projects had been most affected "by the current macroeconomic context," the spokesperson said.

Italy expects talks to review some aspects of the plan to conclude by February, although it has so far not asked for a deadline extension beyond 2026, a source in the Italian government said.

Rome wants Brussels to take into account the negative impact of sky-high raw material costs on public works, the person said.

Wall Street dealers become bit players in US bond sales

Bloomberg
New York

Wall Street bond dealers are moving rapidly to the sidelines of US Treasury auctions — the very activity that defines their status at the heart of the world's biggest bond market.

Until 2008, the roughly two dozen "primary dealers" designated by the Federal Reserve Bank of New York had a virtual stranglehold on the distribution of new US government debt, capturing at least 60% of every 10-year note auction and usually more than 80%.

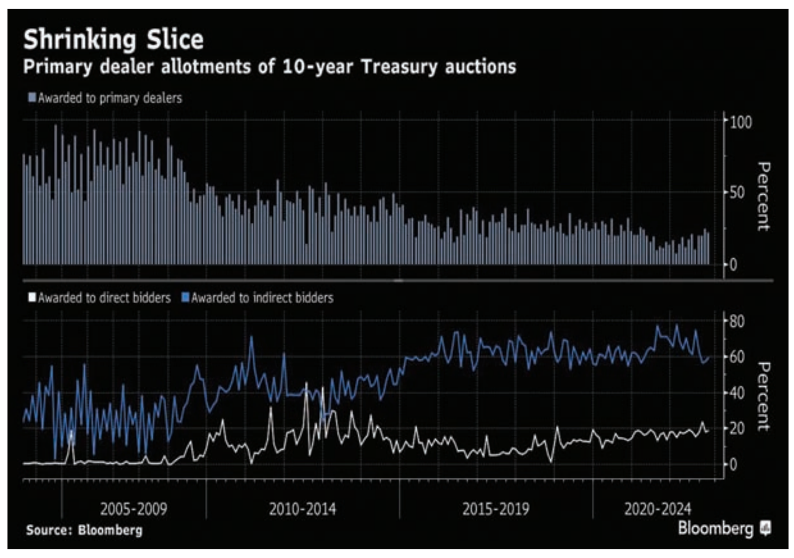
But by last year their role was starkly smaller: The average was under 17% and, in one auction, was as low as 7.4%. The trend is the same for the Treasury's other notes, bonds, and inflation-protected securities. Two auctions last week produced record low awards to those primary dealers.

The diminished sway of the once-dominant players stems in part from institutional investors that have seized on the ability to buy directly from the Treasury, bypassing the firms that snap them up and resell them to customers. It's also a side effect of the US government's burgeoning debt, which swelled faster than the dealers' capacity to absorb it all and left others picking up the slack.

"The US Treasury market has evolved to include a more diverse set of market participants that is increasingly driven by investor, rather than dealer, trading," said Kevin McPartland, head of research for market structure and technology at Coalition Greenwich.

The trend has contributed to the deep reduction in the Treasury market's liquidity, or the ability to buy or sell big blocks of bonds without moving prices. While other factors have also played a role in the liquidity drop — including a surge in volatility — the auction figures show how the Wall Street giants have scaled-back their role in a market where they have been counted on to step in to soften the impact of selloffs.

The US Treasury sells seven varieties of notes and bonds — maturing in two, three, five, seven, 10, 20 and 30 years — with one auction a month of each. In 2022, only the three-year note, a relative newcomer, had auctions in which dealers were awarded more than 25%. Last week, auctions of three-year notes and 30-year bonds produced record low primary dealer awards. (Auctions of Treasury bills, which mature in a year or less, continue to be dealer-dominated, however.)



The size of such Treasury auctions has risen steeply over the past decade as the government borrowed to cover its budget deficit. It sold $5.14tn of notes and bonds in 2022, up from $1.03tn in 2008, according to the Securities Industry and Financial Markets Association. Meanwhile, there are 25 primary dealers, compared as many as 46 in 1988, according to New York Fed records.

At the same time, regulations enacted after the 2008 financial crisis have made it more costly for dealers to allocate additional capital to lower-return businesses like Treasuries, said Jay Barry, head of US interest-rate strategy at JPMorgan Chase & Co. They include the Fed's supplementary leverage ratio and the Financial Stability Board's capital buffer surcharges for global systemically important banks.

Barry's favourite broad measure of liquidity, which is based on the quantity of bonds being quoted at the top three best prices in the inter-dealer market, declined about 60% last year, nearly matching the worst levels reached during the 2008-2009 financial crisis and in March 2020.

The primary dealers' loss of market share in auctions has coincided with the rise in direct bidding, in which institutional investors can bypass dealers to acquire Treasuries at auction. Such buying has taken off since the Treasury moved to an internet-based platform in 2008.

Through 2008, six auctions produced direct bidder awards exceeding 10%. In 2022, just one auction had a direct bidder award less than 10%, and most were between 15% and 25%.

Concentration in the asset management business is likely also a driver of growth in auction awards to end users, said Priya Misra, global head of rates strategy at TD Securities. The top 20 US asset managers in 2021 were responsible for $49.7tn, more than double the $18.2tn they controlled in 2012, according to research by Willis Towers Watson.

Officials at securities dealers have long argued that direct bidding by investment firms would increase volatility by making auction outcomes more difficult for them to predict, encouraging them to bid cautiously. That's at odds with their role as primary dealers obligated to participate meaningfully in Treasury auctions in exchange for being designated as trading counterparties in the New York Fed's daily money-market operations.

Historically, primary dealers' auction access has been viewed as the counterpart of their commitment to provide liquidity for Treasury debt subsequent to the auctions, in the so-called secondary market, said Robert Almgren, co-founder of Quantitative Brokers LLC. "If more of the issuance goes directly to other players than primary dealers, one would expect liquidity to be worse," Almgren said.

It's also unclear how many firms are responsible for the direct buying. The Treasury hasn't provided any detailed information about the number of investors using the direct bidding system since 2004, when then-undersecretary for domestic finance Brian Roseboro said there were 825. The department won't say how many there are today.

NYSE-listed IAA enters into strategic alliance with QFZ-based Jumla Automotive Trading

By Santhosh V Perumal
Business Reporter

The New York Stock Exchange (NYSE)-listed IAA, a leading global digital marketplace connecting vehicle buyers and sellers, has entered into a strategic market alliance with the Qatar Free Zone (QFZ)-based Jumla Automotive Trading as part of its efforts to expand global buyer base in the Middle East.

Jumla will operate an IAA Auction Center in Doha, helping local buyers in the region to research, bid, buy and transport vehicles from IAA auctions.

The first auction in Qatar through IAA's bidding platform 'AuctionNow' will take place on January 23. As a new alliance, Jumla will leverage IAA's bidding platform to operate its auctions, increasing reach for sellers by integrating its inventory with IAAI.com

"We are thrilled to enter Qatar adding to our over 50 branded locations in more than 20 countries and helping to drive continued aggressive growth of our buyer base globally and specifically in the Middle East," said John Kett, chief executive officer and president of IAA. Highlighting that Jumla Automotive Trading enjoys a strong reputation for excellence and customer satisfaction, he said IAA is eager to combine their strong customer relationships with its technology and world-class platform to meet the needs of more buyers in the region.

"We are proud of working with IAA to bring Qatar's expansive range of vehicles to an international marketplace. IAA's global brand and network will be a vital asset as we look to improve and streamline the buying experience for our customers in Qatar," said Demetri Melekos, chief operating officer and co-founder of Jumla Automotive Trading. With the help of IAA's platform, he said its highly trained and qualified team will work efficiently to tailor the process of purchasing a vehicle to each customer's individual needs and preferences.

Headquartered near Chicago in Westchester, Illinois; IAA serves a global buyer base – located throughout over 170 countries – and a full spectrum of sellers, including insurers, dealerships, fleet lease and rental car companies, and charitable organisations.

IAA offers sellers a comprehensive suite of services aimed at maximising vehicle value, reducing administrative costs, shortening selling cycle time and delivering the highest economic returns.

QFC Regulatory Authority takes disciplinary action against a person associated with HCW

QNA
Doha

The Qatar Financial Centre (QFC) Regulatory Authority announced yesterday that it had taken disciplinary action against a person associated with Horizon Crescent Wealth LLC (HCW), for providing misleading information to the Regulatory Authority during an investigation of HCW.

The Regulatory Authority imposed a financial penalty of QR546,182 ($150,000) and an indefinite prohibition from carrying out any function for firms in the QFC.

In 2019, the Regulatory Authority took disciplinary action against HCW.

HCW is licensed as a Trust Administrator and as such is a designated non-financial business or profession (DNFBP) subject to the Anti Money Laundering and Combating Terrorist Financing Rules 2010 (AML/CFTR). The Regulatory Authority fined HCW QR30,000,000 for serious legal and regulatory breaches of the AML/CFTR, QFC Law No 7 of 2005 and the Financial Services Regulations.

Luis Laplana was an investment manager for two customers of HCW.

The financial penalty and prohibition imposed on Laplana followed the completion of an investigation, which found that he provided misleading information to the Regulatory Authority during the HCW investigation, and knowingly and recklessly provided the Regulatory Authority with false, misleading or deceptive information or concealed information where the concealment of such information was likely to mislead or deceive the Regulatory Authority.

The actions taken by the Regulatory Authority against Laplana will serve as a strong deterrence to other individuals who are required to provide evidence in investigations by ensuring that the information they provide is not misleading the Regulatory Authority.

On March 11, 2019, the QFC Regulatory Authority issued a financial penalty against HCW for contraventions relating to the Anti-Money Laundering and Combating Terrorist Financing Rules 2010 and general regulatory contraventions.

The QFC Regulatory Authority is an independent regulatory body established in 2005 by Article 8 of the QFC Law.

It regulates firms that conduct financial services in or from the QFC.

It has a broad range of regulatory powers to authorise, supervise and, when necessary, discipline firms and individuals.

The QFC Regulatory Authority regulates firms using principle-based legislation of international standard, modelled closely on that used in major financial centres.

'Qatar set to expand its residential construction and investment in infrastructure'

Backed by a buoyant economic outlook, Qatar is set to expand its residential construction and investment in infrastructure, the organiser of Build Your House Exhibition (BYH) 2023 has said.

Qatar is set to expand its residential construction and investment in infrastructure, according to Rawad Sleem, co-founder and general manager of NeXTfairs for Exhibitions and Conferences, who noted that BYH is slated from May 15-18 at Qatar National Convention Centre (QNCC) and will be inaugurated by HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Abdullah al-Thani.

"At the same time, the country's economic outlook is buoyant. The recent recovery of global energy prices combined with the decreased costs of projects related to the World Cup has positively impacted Qatar's national budget.

As a result, total annual revenue is estimated at QR228bn ($62.64bn), and spending at QR199bn, with a budget surplus of QR29bn. In addition, the national budget also revealed that the salaries of Qatari nationals would rise by 7%, increasing their purchasing power."

This year, BYH announced the sponsorship from Public Works Authority Ashghal (Official Partner), General Electricity & Water Corporation Kahramaa (Sustainability Partner), Qatar Airways (Official Airline), and supported by the Ministry of Commerce and Industry, Ministry of Municipality, Civil Defence, and Qatar Chamber, as well as Al Hattab Holding (Gold Sponsor) and American Institute of Architects (Conference Partner). More sponsors will be announced soon.

Rawad Sleem, co-founder and general manager of NeXTfairs for Exhibitions and Conferences.

The fourth edition of BYH is set to connect Qatari visitors to an enhanced array of services and products from consultants, contractors, suppliers, and smart home and general service industry leaders.

In addition, attendees can take advantage of vital knowledge sharing and practical workshops from government entities and learn about the latest trends and technology.

With an expanded event capacity, which sees exhibition space increase by 50% and another day added, visitors now have access to more suppliers and contractors.

In addition, they have the opportunity to participate in more live talks and Q&As and gain assistance from the free self-build course. BYH 2023 is a pioneering platform that brings industry professionals and homeowners together to stimulate the construction sector in Qatar. At last year's show, suppliers signed an estimated QR453mn in deals.

It has rapidly become a springboard for connectivity and collaboration, enabling local SMEs and international industry experts to showcase their services to consumers in Qatar and empowering Qatari citizens to fully utilise the government's provisions for land development, housing vouchers, and loans.

While BYH 2023 continues to help businesses flourish, its annual competition for VCUarts Qatar's interior design students allows three shortlisted winners to gain vital industry exposure as they showcase their designs at the exhibition.

Attendees of BYH 2023 can look forward to the event's Knowledge Sharing Conference and an extensive international pavilion featuring exhibitors from over 10 countries.

The Knowledge Sharing Conference will be open during the four event days, with daily talks and sessions starting at 11am. In addition, overseas visitors can enjoy a reduced travel rate. BYH 2023 has signed an exclusive discount with Qatar Airways, which enables travellers to receive a 15% discount.

Registrations are now available for exhibitors. Visit www.buildyourhouseqatar.com or call 5514 1188 for further details.

Green bonds market to accelerate GCC net-zero agenda: BCG

By Pratap John
Business Editor

The Middle East's banking sector has an opportunity to benefit significantly from financing the transition of the oil and gas industry and other strategically important sectors to cleaner, more sustainable technologies.

The region's lenders should review the impact of the transition to cleaner energy on their portfolios, Boston Consulting Group (BCG) said in its latest sustainability report.

Green and sustainable debt issuance has been growing rapidly in the Middle East, despite the comparative lack of regulation of green financial instruments.

In 2021, the total issuance of green and sustainability-linked debt in the region increased more than four times compared to 2020. In these early stages of the climate transition, there is a critical need for patient, high-risk capital for investments in sectors whose paths to decarbonisation are dependent on technologies that are still in the early stages of development, such as iron and steel, heavy road transport, and shipping.

BCG's report titled 'Financing a net-zero Middle East' shows how regulatory pressure in most Middle East countries is not yet strong enough to compel banks to take immediate action on climate issues, even though climate change poses an array of risks to their portfolio. Larger banks in fossil fuel-exporting countries typically have high exposures to the oil and gas industry and other high-emitting sectors of the economy such as transportation, construction and infrastructure, and shipping.

Shelly Trench, managing director and partner at Boston Consulting Group and co-author of the report said: "The Middle East banking sector has an opportunity to benefit significantly from financing the transition of the oil and gas industry and other strategically important sectors to cleaner, more sustainable technologies. "Regulators and policymakers could address this challenge by establishing carbon prices that adequately represent the cost of greenhouse gases and are aligned with international carbon price levels. In addition, they could create financial and other incentives to support decarbonisation and develop environmental and industrial policies that align with climate objectives."

Regional bank alliances prove key to this end, such as the Net Zero Banking Alliance (NZBA) and the Science-Based Targets initiative (SBTi), as well as joining working groups such as the Partnership for Carbon Accounting Financials, to influence the global standard-setters.

The report further draws on the need for key regulatory interventions to drive climate action through climate reporting and disclosure to then create taxonomies of sustainable activities. The Network for Greening the Financial System (NGFS), an association of central banks and supervisors, is a key forum for co-ordinating these efforts and exchanging best practices among regulators.

The report highlights another potential intervention such as the creation of carbon pricing structures that could stimulate demand for investments in renewables and low-carbon technologies while reducing subsidies for high-carbon projects, levelling the playing field and making cleaner projects more economically attractive.

"With time, as climate finance regulation is rolled out and green projects become more bankable, banks and financial institutions will become the key source of funding for the climate transition. Until then, Middle Eastern banks would benefit from reviewing the impact of transition risk on their portfolios and preparing themselves for the future by declaring portfolio emissions reduction targets and joining global alliances to exchange best practices. Doing nothing means maintaining their portfolios' ever-increasing exposure to the impacts of climate change — a far riskier option," noted Aytech Pseunokov, project leader at Boston Consulting Group.

Qatar debt issuance stood at $3.9bn in 2022: National Bank of Kuwait

By Pratap John
Business Editor

Qatar debt issuance stood at $3.9bn in 2022, a research by the National Bank of Kuwait has shown.

GCC domestic and (USD) Eurobond gross issuance reversed its declining trend, increasing to $15.9bn in Q4, 2022 (fourth quarter last year) from $11.8bn in Q3 and $14.7bn in Q3.

Improving fiscal positions supported by higher oil prices in 2022 helped the GCC governments lock in tighter spreads over US treasuries, despite lower financing needs, the report said.

National Bank of Kuwait said increasing interest rates and reduced sovereign financing needs may limit the flow of new issuances in the GCC region.

During most of 2022, the amount of new issuance fell due to rising debt-servicing costs, reduced deficit financing needs amid elevated oil prices, and commitments to medium-term fiscal reforms.

However, the rise in new issuance in fourth quarter last year, particularly in Saudi Arabia, could be attributed to the government's willingness to lock in tighter spread over US treasuries as the region continues to benefit from high oil revenues and improving fiscal positions.

GCC medium-term sovereign bond yields fell in Q4,2022, unlike their global peers, as strong fiscal balances and robust non-oil growth outlooks boosted the attractiveness of regional bonds amid a falling supply of new benchmark papers. GCC central banks also ratcheted up benchmark rates in response to the rise in US Fed rates.

GCC bond yields will continue to follow global markets broadly and could reverse some of the gains given still-high inflation and the possibility of further rate hikes by the Fed.

That said, still-elevated oil revenues and much improved fiscal positions could lessen the potential for significant increases in regional bond yields, given lower financing needs.

Globally, sovereign bond yields rose sharply in October before retreating later as the outlook for inflation appeared to moderate.

However, a continued hawkish commentary by central banks pushed yields higher in the second half of December.

GCC medium-term sovereign bonds outperformed their global peers, closing the final quarter of 2022 on a better note and posting quarter-on-quarter (q-o-q) declines in yields.

The latest inflation print for most economies indicated that the worst phase of rising consumer prices has likely passed, although prices are still significantly elevated compared to pre-2022 years.

In addition, the price momentum seems to be shifting from goods (such as energy) to services, which could keep the core inflation rate relatively elevated over the coming months.

Major global central banks in December downshifted to interest rate hikes of 50 bps, following outsized increases earlier in the year.

"Further rate hikes are likely in H1, 2023 given still-elevated consumer prices and a tighter job market, which could keep bond yields high from a historical perspective. Inversely, any policy pivot towards rate cuts during the latter part of 2023 should drive a rally in bond prices and hence lower yields for benchmark paper," National Bank of Kuwait said.