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Qatar 2023 outlook ‘positive’ as higher oil prices bolster finances: Moody’s

By Pratap John
Business Editor

Qatar is expected to post budget surplus this year on the back of robust hydrocarbon revenue and spending restraint, Moody’s Investors Service said and noted the country’s 2023 outlook is ‘positive’ as high oil prices bolster its finances.

In contrast to 2015-21, when most sovereigns in the region ran large fiscal deficits, Moody’s said it expects all GCC governments except Bahrain (B2 stable) to post surpluses in 2023, as they did in 2022.

In addition to robust hydrocarbon revenue, this reflects its view that expenditure increases in 2023 will be contained compared with previous periods of high or rising oil prices.

“In nominal terms, we expect total spending across GCC sovereigns to increase by only around 1.5%, compared with an annual average of around 13% in 2011-14 and around 8% in 2022; in inflation-adjusted terms, spending will decline,” Moody’s said.

For example, Saudi Arabia (A1 stable) is targeting broadly unchanged government spending in 2023 after around a 9% increase in 2022.

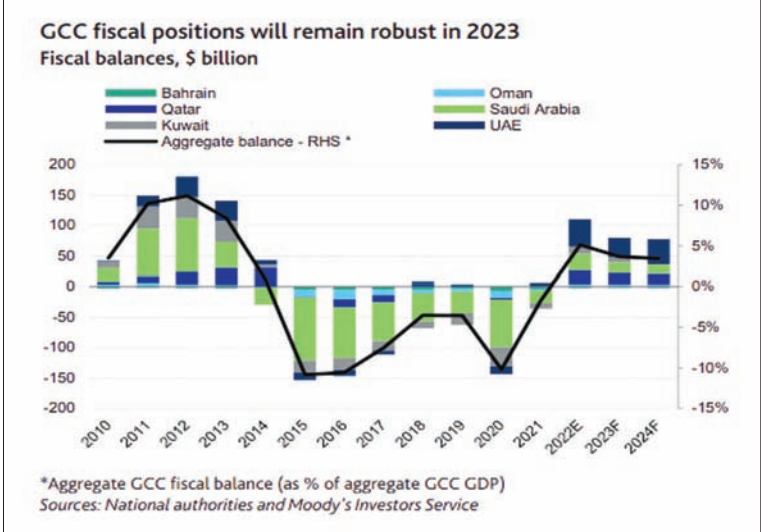
Qatar (Aa3 positive) plans to cut overall spending by 2.6% compared to the 2022 budget target, mainly reflecting a 14% cut in capital expenditure.

Oman (Ba3 positive) is also targeting lower overall spending in 2023, although this primarily reflects a shift of expenditure to another government-owned entity.

In general, the sovereigns that will benefit most from high oil prices are those with the greatest hydrocarbon revenue relative to GDP, namely Kuwait (A1 stable, 42%), Oman (30%), Qatar (28%), and Saudi Arabia (22%).

Moody’s noted its outlook for sovereign creditworthiness in 2023 in the Gulf Co-operation Council (GCC) region is “positive”.

A revenue windfall from still elevated oil prices, despite recent declines, will allow governments to lower debt burdens and rebuild fiscal



buffers, further unwinding the balance-sheet erosion that took place during 2015-20 and increasing capacity to deal with future shocks.

Higher hydrocarbon revenue will also provide more ample financial resources to support economic diversification projects that, if effective, will reduce sovereigns’ heavy economic and fiscal reliance on hydrocarbons and high exposure to longer-term carbon transition risks.

High oil prices will additionally support robust current account surpluses and limit external financing pressures for lower-rated GCC sovereigns. A deeper-than-expected global slowdown, eroding hydrocarbon demand, and escalation of regional geopolitical tensions are the key sources of downside risk.

High oil prices will continue to bolster GCC sovereigns’ credit quality in 2023. Moody’s assume Brent crude oil will average around \$95/barrel, below the 2022 average of \$100 but significantly above the average of \$57 in 2015-21.

Although GCC crude oil output is likely to decline in 2023 on strategic production cuts by Opec+, hydrocarbon revenue will remain robust, allowing most GCC sovereigns to run substantial fiscal and current account surpluses.

These surpluses, it said, will offer governments a further opportunity to pay down debts, rebuild fiscal reserves, accumulate foreign-currency buffers, and advance structural reforms and diversification projects.

Stronger government balance sheets and more diversified economies will increase resilience to future economic and fiscal shocks, while reducing government liquidity and external vulnerability risks.

“Even if oil prices fell to around \$80/b, we expect most GCC governments would avoid a material rebound in debt burdens and deterioration in debt affordability. Under an average oil price of \$75/b, fiscal balances would remain in surplus in Qatar and the UAE, but turn into moderate deficits in Kuwait, Oman and Saudi Arabia. For Bahrain, a lower oil price would result in a significantly higher fiscal deficit,” Moody’s noted.

Alexander Perjessy, vice-president and senior credit officer at Moody’s said: “Higher hydrocarbon revenue will also provide more ample financial resources to support economic diversification projects that, if effective, will reduce sovereigns’ heavy economic and fiscal reliance on hydrocarbons and high exposure to longer-term carbon transition risks.”

Al-Kaabi meets Cote d’Ivoire minister of energy



HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi met Mamadou Sangafowa-Coulibaly, Cote d'Ivoire Minister of Mines, Petroleum and Energy in Doha yesterday. Discussions during the meeting dealt with bilateral relations and enhancing co-operation in the field of energy between Qatar and Cote d'Ivoire.

IPA Qatar leads panel on diversification and development at WEF in Davos

The Investment Promotion Agency Qatar (IPA Qatar), in partnership with the Wall Street Journal (WSJ), sponsored a high-level panel yesterday at the World Economic Forum (WEF) annual meeting, a turnkey annual business event currently being held in Davos, Switzerland. Moderated by Marx Willem, Editor for Commercial Programming, The Trust WSJ Barron’s Group, the panel thematised “Diversifying and Developing: How Energy Can Drive Expansion” and featured distinguished panellists Ignacio S Galan, execu-

tive chairman, Iberdrola Group; James Zhan, director, Investment and Enterprise, United Nations Conference on Trade and Development (UNCTAD); Sheikh Ali Alwaleed al-Thani, chief executive officer, IPA Qatar; and Phillipa Leighton-Jones, senior vice president, The Trust. IPA Qatar’s session highlighted some of the challenges confronting policymakers in energy-rich nations, who are working towards a future with reduced hydrocarbon emissions. Panellists discussed the growing push for

business sustainability and examined the value of specific growth strategies, such as improving infrastructure, expanding education and developing new sectors, including healthcare, hospitality and sports. With a focus on “Co-operation in a Fragmented World”, Davos 2023 is a platform for global government, business and civil society leaders to engage in constructive, forward-looking dialogue in an effort to address the state of the world and help find solutions through public-private co-operation.



From left: Phillipa Leighton-Jones, senior vice-president, The Trust; Sheikh Ali Alwaleed al-Thani, chief executive officer, IPA Qatar; Ignacio S Galan, executive chairman, Iberdrola Group; and James Zhan, director, Investment and Enterprise, UNCTAD at the WEF 2023.

North Field LNG expansion to create new business opportunities for Qatar banks: Moody’s

By Pratap John
Business Editor

The North Field liquefied natural gas (LNG) expansion project will create new business opportunities for Qatari banks, Moody’s Investor Service said yesterday. The North Field expansion plan, which is the global industry’s largest ever LNG project includes six LNG trains that will ramp up Qatar’s liquefaction capacity from 77 million tonne per year (mtpy) to 126 mtpy by 2027. Continued economic growth, moderate domestic inflation and higher rates will preserve GCC banks’

solid financial performance, driving a stable outlook, Moody’s said. On the drivers of its “stable outlook” on GCC banks, Moody’s said high energy prices and economic diversification initiatives are lifting business sentiment in the non-oil economy where GCC banks operate. Moderate inflation will support loan performance. Higher interest rates through US dollar-pegged currencies, as well as lower loan-loss provisioning needs will preserve profitability. Robust capital and strong provisioning reserves will shield the banks from losses. Gain in oil prices supports GCC

banks’ low-cost deposit funding base, Moody’s pointed out. The outlook could change to “positive, if there is a return to generous government spending on the back of booming oil prices beyond current supportive levels leading to faster growth in the non-oil economy, it said. The other factors are improved momentum in economic diversification agendas, attracting foreign investment and creating additional business opportunities for banks and successful cost and revenue synergies achieved through continued bank consolidation to create leaner, more efficient and more

profitable banks in what remains a highly competitive GCC banking industry. The outlook for GCC banks could change to “negative” for the following reasons: lower oil prices that impair consumer, business and investor sentiment, and that reduce liquidity for banks, a greater than-expected global slowdown or recession in advanced economies that cuts oil and gas demand, market stress in weaker jurisdictions, sharper fiscal tightening that restrains government spending and depresses non-oil business activity, deteriorating sovereign credit profiles that reduces the capacity of

GCC governments to support falling banks and escalation of geopolitical tensions beyond historical tail risks. Strong business and consumer confidence in the GCC will keep loan demand high, despite rising interest rates. For 2023, Moody’s expect credit growth in high-single digits across the region. Loan books will remain “strongest” at Qatari and Kuwaiti banks because a sizeable share of their lending activities are to the government and related entities, as well as to public-sector employees with track records of stable employment throughout the pandemic and previous credit cycles. Profitability is on a firm path toward

pre-pandemic levels. Economic growth, margin preservation, solid efficiency and moderate provisioning needs will support net earnings. The US dollar peg keeps interest rate increases tied to the US Fed hiking cycle. All GCC local currencies are pegged to the US dollar except for the Kuwaiti Dinar, which is pegged to a basket of undisclosed hard currencies heavily skewed towards the greenback, Moody’s noted. “Strong capital provides a substantial loss-absorbing buffer. GCC banks’ core capital levels are among the highest globally, which is a key credit strength,” Moody’s noted.

Domestic funds’ selling pressure drags QSE below 10,600 level

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange (QSE) yesterday lost more than 20 points and its key index settled below 10,600 levels as domestic institutions turned net profit takers.

The real estate, banking, insurance and consumer goods sectors witnessed higher than average selling pressure as the 20-stock Qatar Index fell 0.19% to 10,586.28 points, although it touched an intraday high of 10,693 points.

More than 57% of the traded constituents were in the red in the main market, whose year-to-date losses widened to 0.89%.

The foreign retail investors were seen net profit takers in the main bourse, whose capitalisation saw QR0.38bn or 0.06% decrease to QR601.43bn, mainly led by microcap segments.

The Arab institutions turned net sellers in the main market, which saw a total of 0.06mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.19mn change hands across 10 deals.

The Gulf individuals were net profit takers, albeit at lower levels, in the

main bourse, which saw no trading of sovereign bonds.

The Islamic index was seen declining faster than the other indices in the main market, which saw no trading of treasury bills.

The Total Return Index shed 0.19%, the All Share Index by 0.22% and the Al Rayan Islamic Index (Price) by 0.27% in the main bourse, whose trade turnover volumes were on the decline.

The realty sector index tanked 1.16%, banks and financial services (0.88%), insurance (0.8%) and consumer goods and services (0.37%); while transport shot up 2.52%, industrials (0.64%) and telecom (0.38%).

More than 57% of the constituents were in the red with major losers being Qatar Cinema and Film Distribution, Qatar General Insurance and Reinsurance, Widam Food, QLM, Medicare Group, Commercial Bank, Masraf Al Rayan, Estithmar Holding, United Development Company and Ezdan.

Nevertheless, Doha Insurance, Nakilat, Ahlibank Qatar, Gulf Warehousing, Zad Holding, Baladna and Mesaied Petrochemical Holding were among the gainers in the main market.

The domestic institutions were net sellers to the tune of QR17.7mn com-

pared with net buyers of QR24.85mn the previous day.

The foreign retail investors turned net sellers to the extent of QR0.93mn against net buyers of QR7.03mn on Tuesday.

The Arab funds were net profit takers to the tune of QR0.11mn compared with net buyers of QR0.15mn on January 17.

The Gulf individuals turned net sellers to the extent of QR0.06mn against net buyers of QR0.07mn the previous day.

The local retail investors’ net buying declined considerably to QR22.82mn compared to QR42.97mn on Tuesday.

However, the Arab individuals were net buyers to the tune of QR6.96mn against net profit takers of QR12.58mn on January 17.

The foreign institutions’ net selling weakened significantly to QR2.52mn compared to QR45.78mn the previous day.

The Gulf institutions’ net profit booking decreased markedly to QR8.46mn against QR16.73mn on Tuesday.

The main market saw a 32% shrinkage in trade volumes to 119.67mn shares, 27% in value to QR489.5mn and 19% in deals to 18,682.

The real estate, banking, insurance and consumer goods sectors witnessed higher than average selling pressure as the 20-stock Qatar Index fell 0.19% to 10,586.28 points yesterday, although it touched an intraday high of 10,693 points



QCB governor participates in Gulf Payments Company board meeting



HE the Governor of Qatar Central Bank (QCB) Sheikh Bandar bin Mohamed bin Saoud al-Thani participated yesterday in the 12th board meeting of the Gulf Payments Company via video conference. The meeting discussed a number of important topics and appropriate decisions were taken.

Japan Inc is finally giving raises, just not to everyone

Reuters
Tokyo

Japan's top companies are gearing up to offer their biggest wage increases in decades, but there's no way Hideki Kawada can afford raises for the 18 employees at his printing firm. Prime Minister Fumio Kishida has called on Japan Inc to increase pay and reverse decades of flat wages that have squeezed growth in the world's third-largest economy. Fast Retailing Co Ltd, which owns clothing giant Uniqlo, said it would boost pay by up to 40%, fuelling expectations big manufacturers will offer more at annual wage talks with unions this Spring. Yet the small companies that provide most of Japan's jobs generally can't increase pay, business owners, economists and officials say. Battered by the pandemic, small firms now struggle to pass on higher costs out of fear of losing customers.

That's bad news for both Kishida and the central bank, which wants to wind down years of stimulus. The lack of broad wage growth illustrates Japan's struggle to escape a deflationary spiral that has forced households and businesses to scrimp instead of spend. "Sure we can give raises, that's easy, but we'd be out of business in two years," said Kawada, whose Tokyo company, Kowa, prints advertisements and brochures. The cost of paper went up three times last year and his ability to raise prices is limited by competition. "The companies that can hold out and offer lower prices, even temporarily, get the work," he said. "Everyone's losing money, so it's just a case of enduring as long as you can until the other guys go out of business." Kawada has taken the company his father founded into web production and video, but doesn't see enough of a future to pass it down to his son.

He is considering shutting it when he retires. Japan's largest labour group, Rengo, has called for a 5% pay increase at spring talks and big firms are seen offering around 2.9%, the biggest bump in 26 years. Some members of Tokyo Union, which represents around 600 workers mainly at small companies, will see "a little bit of a raise, if they really demand it," said deputy chairman Tatsuya Sekiguchi. Last year some workplaces kept up with the cost of living and very few got a little extra, he said. Many workplaces still haven't recovered from the pandemic, he said. Small and mid-size firms account for 99% of the companies in Japan and almost 70% of employment, according to a 2016 government survey, the latest available. They form the backbone of manufacturing, or "monozukuri", built on tiers of suppliers from tiny subcontractors up.

الميرة Al Meera

TENDER ANNOUNCEMENT

إعلان طرح مناقصة

تعلن شركة الميرة للمواد الاستهلاكية(ش.م.ع.ق) عن طرح المناقصة التالية:
Al Meera Consumer Goods Company (Q.P.S.C) announces the following tender:

رقم المناقصة Tender No.	الموضوع Title	فئات التصنيف Specialization /Classification	نظام تقديم العطاءات Bidding System	قيمة الوثائق Document Fees	تاريخ استلام الوثائق Date of Collection documents	الضمان Tender Bond	تاريخ الإغلاق Closing Date
٢٠٢٣/١	توريد الزي الرسمي لموظفي شركة الميرة لمدة عامين	الشركات ذات الاختصاص	ثلاثة مظاري (مطروف فني + مطروف مالي + الضمان البنكي	١٥٠٠ ريال قطري	٢٠٢٣/١/٢٢ إلى ٢٠٢٣/١/٢٤	٣٠,٠٠٠ ريال قطري	٢٠٢٣/٢/٧
1/2023	Supply and Delivery of Uniform for Al Meera for two years	Competent companies	Three separate sealed envelopes Technical Proposals + Financial Proposals + Tender Bond	QAR 1,500	From 22 January ~24 January 2023	QAR 30,000	7/2/2023

- يمكن الحصول على وثائق المناقصة من مقر شركة الميرة للمواد الاستهلاكية (برج قطر، بجوار برج القصر مقابل أبراج اذبان) - الطابق الرابع والعشرون، شارع مجلس التعاون، الدفنة.
- للحصول على وثائق المناقصة يجب إبراز كتاب تفويض من الشركة، صورة قيد المنشأة وصورة من الرخصة التجارية والسجل التجاري سارية المفعول.
- يرفق ضمان مصرفي من أحد البنوك المعتمدة في دولة قطر حسب ما هو مبين أعلاه كتأمين مؤقت لمدة (١٢٠) يوماً بإسم شركة الميرة للمواد الاستهلاكية.
- مدة سريان العطاء هي تسعين يوماً من تاريخ إقفال المناقصة.
- على من ترسو عليه المناقصة تقديم ضمان مصرفي نهائي بما نسبته ١٠ ٪ من قيمة العقد لمدة (٩٠) يوماً من تاريخ انتهاء الأعمال.
- سيكون آخر موعد لتقديم العطاءات هو الساعة الثانية عشر من مساء يوم الاقفال (الثلاثاء)، ولن يلتفت إلى أي عطاء يرد بعد هذا الموعد المحدد.
- تقدم العطاءات داخل مظاريف مغلقة ومختومة بخاتم الشركة، ومعنونة بإسم السادة / لجنة المناقصات والمزايدات، وتسلم لأمانة سر اللجنة بمقرها المذكور أعلاه.

Aramco sees oil demand picking up on China and aviation recovery

Bloomberg
Davos

The world's biggest oil company is confident demand will pick up strongly this year as China reopens its economy and the aviation market recovers.

"We are very optimistic in terms of demand coming back to the market," Saudi Aramco's chief executive officer, Amin Nasser, said in an interview. "We are starting to see good signs coming out of China. Hopefully, in the next couple of months, we'll see more of a pickup in the economy there."

Demand for jet fuel is now around 1mn barrels a day below pre-pandemic levels, according to Nasser, roughly half the figure from a year ago. "It's picking up," he said at the World Economic Forum in Davos.

Oil prices whipsawed in 2022. Brent crude surged to almost \$130 a barrel in the wake of Russia's attack on Ukraine, but slumped in recent months as the Chinese, US and European economies slowed. It's trading at about \$86.80 a barrel, up 1% since the end of December.

Many Wall Street banks, including Goldman Sachs Group Inc, expect it to climb above \$100 a barrel in the second half of the year. They cite a global economic rebound by that time, low fuel stockpiles in nations such as the US and the potential for Russian exports to drop as the west tightens sanctions.

Nasser reiterated that companies need to invest more in oil production. Idle capacity stands at 2mn barrels a day, barely above total demand of 100mn barrels, and will probably drop as China ends its coronavirus lockdowns, he said.

The world needs 4-6mn barrels a day of new production just to make up for the natural decline in existing fields, according to the CEO.

"We're moving into the situation where we're eroding spare capacity and any supply interruptions will have a huge impact," he said.

"We will be in a situation similar to natural gas," he said, referring to how prices for the fuel jumped to the equivalent of \$250 a barrel after Russia's invasion.

The Saudi Arabian state-controlled company sees oil demand continuing to grow for the rest of the decade, even as electric vehicles become more popular and investors pour money into renewable energy.

"It's offsetting some of the demand" for oil, said the



Amin Nasser, Aramco's president and CEO.

CEO. Still, crude consumption will "definitely" be higher in 2030.

The increasing use of petrochemicals — feedstocks for everything from plastics to fertilisers and clothes — is positive for Aramco, he said.

The company wants to convert 4mn barrels a day of crude into petrochemicals by the end of the decade. It's looking at more investments in Chinese refineries and liquid-to-chemical plants as part of that push, said Nasser.

"We're in serious discussions with so many entities" in China, he said.

Last year, Aramco and its chemicals subsidiary, Sabic, said they were planning to build a 320,000 barrels-per-day refinery at Gulei, a coastal Chinese town.

Aramco is also investing billions of dollars in hydrogen, a fuel seen as crucial to the transition to cleaner forms of energy. The Saudi firm aims to export blue hydrogen, made by converting natural gas and capturing the carbon dioxide emitted in the process, on a large scale from about 2030.

Talks with potential importers in Japan and South Korea are progressing, though they'll probably need to get assurances of financial support from their governments before they sign any supply contracts, Nasser said.

"They think they'll be able to do it in 2023," he said. "We'll see."

Blue hydrogen may end up costing the equivalent of around \$250 a barrel of oil, Nasser said, though Aramco won't know until it's done more research.

"It's not going to be \$80 or \$100" a barrel, he said. "This is cleaner — it costs more."

Negotiations with European firms are proving tougher, primarily because they want to wait for technological advances to bring down the price of blue hydrogen.

China's Covid-19 reopening set to push 2023 oil demand to new high: IEA

The lifting of Covid-19 restrictions in China is set to boost global oil demand this year to a new record high, the International Energy Agency (IEA) said yesterday, while price cap sanctions on Russia could dent supply, reports Reuters. "Two wild cards dominate the 2023 oil market outlook: Russia and China," the Paris-based energy watchdog said in its monthly oil report. "Russian supply slows under the full impact of sanctions (while) China will drive nearly half this global demand growth even as the shape and speed of its reopening

remains uncertain." Weak industrial activity and mild weather helped cut oil demand by nearly 1mn barrels per day in the OECD developed countries in the last quarter of 2022. But despite possible but likely mild recessions in Europe and the United States, China's expected reopening is set to fuel rebounds in nearby Asian economies and see it take the lead from India as the world's leader in oil demand growth. "The preminent driver of 2023 GDP and oil demand growth will be the timing and pace of China's post-lockdown recovery," the IEA said.

Meanwhile, the main growth in oil supply is set to come from the United States as output from the Opec+ producer group will decline by 870,000 barrels per day (bpd), led by Russia. Russian oil output was dented by only 200,000 bpd in December after the European Union banned imports of its seaborne crude and a coalition of countries imposed a price cap on its crude, the IEA said. That was around double what the IEA had predicted in its last report and the agency originally foresaw 3mn bpd being shut in after Moscow's invasion of Ukraine.

Secretary of Tenders & Auctions Committee

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Al Meera Consumer Goods Company (Q.P.S.C)

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سكرتير لجنة المناقصات والمزايدات

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شركة الميرة للمواد الاستهلاكية (ش.م.ع.ق)

برج قطر (بجوار برج القصر مقابل أبراج اذبان)

– الطابق الرابع والعشرون شارع مجلس التعاون،

الدفنة، الدوحة - قطر

إحداثيات الموقع



GPS COORDINATES

Aviation industry’s battle with cyber-attacks



By Alex Macheras

The European aviation industry is being increasingly exposed to rising levels of risk, as criminals, hackers and state-sponsored cyber-attackers look to exploit vulnerabilities, cause chaos, and above all, fill their pockets at the expense of the aviation sector, with

airlines and the flying public firmly in their sights. Airlines continue to be an irresistible target for cybercriminals, with around \$1bn a year lost from fraudulent websites alone. Add to that data theft, card fraud, air miles fraud, phishing, fake invoices and more, and you have a perfect storm for a part of the industry that continues to reel from the pandemic. Every week, an aviation company suffers a ransomware attack somewhere in the world, with big impacts on productivity and business continuity, let alone data loss and/or costly extortion demands paid in order to restart operations. Thankfully, no impact on flight safety has yet been reported - but that is no grounds for complacency, with state-sponsored or highly organised crime syndicates capable of conducting large-scale targeted intrusions that aim at massive disruption as much as financial gain. A major Eurocontrol report has found that many aviation businesses, including in the supply chain, are

exposing themselves to extra risk by not systematically applying basic IT security controls. 61% of all identified cyber-attacks in 2020 targeted airlines, almost twice as much as the two next largest market segments combined (16% manufacturers, 15% airports). The vast majority of these attacks - 95% - were financially motivated: 739 out of 775 incidents. This led to financial loss in 55% of cases, and the leaking or theft of personal data in an additional 34% of cases. The fake airline ticket business is extremely lucrative: The average value of a purchase is significantly higher than that of a legitimate purchase. "Big Game Hunting" fraudsters are drawn to the profit margins on airline ticket fraud - where the average cost of a fake ticket, at around \$1,930, is almost triple that of a legitimate purchase (on average \$606). Airline loyalty programme accounts are a hugely attractive target for fraudsters, and the pandemic has accelerated criminal interest as airlines

began returning money via loyalty accounts to passengers whose flights had been cancelled owing to the pandemic, or extending the validity period of accumulated miles. In 2020 EATM-CERT issued alerts to 30 airlines, and detected 15,493 accounts on offer on the dark web, worth over \$400,000. The total market value of unredeemed miles is enormous - estimated by IATA at \$238bn. With aviation moving towards introducing more and more digitalisation thanks to new technologies and concepts using non-aviation specific means (e.g. Cloud, 5G, Internet, satellite communications and navigation). This will inevitably increase the number of aviation actors potentially impacted by a cyber-attack. The challenge now lies in making aviation systems/services progressively more and more cyber-resilient while remaining safe and cost-effective. Last Wednesday a blanket ban on flight departures was implemented by the US aviation regulator, the Federal

Aviation Administration, owing to a failure of the NOTAM (notice to air missions) system. A NOTAM is a notice issued by a country's aviation regulator to deliver essential information and directives to pilots, controllers, airline operation hubs and personnel involved in ensuring the safe travel of an aircraft from A to B. Before departure, pilots will refer to a NOTAM to check updates on active runways at their destination, along with potential airspace restrictions, hazards nearby, security notices, and even weather. NOTAMs keep aviation sectors informed and up-to-speed, and with the FAA suffering an "outage" on its centralised NOTAM system, US air travel was restricted in a significant way. At 7:19am ET, the FAA said it had "ordered airlines to pause all domestic departures" until 9am ET to give it time to "validate the integrity of flight and safety information." By the time of the first statement, United Airlines had already announced it had grounded all flights. By 8:15am ET, the FAA said departures from a few airports were

resuming after "making progress in restoring its Notice to Air Missions system following an overnight outage." Almost an hour later, a full restoration of the system was confirmed, and the FAA said that the flight ban had been lifted. While it's the first time the US has suffered a glitch with its NOTAM system that inevitably affected US aviation as a whole given the prominent role the FAA has to play as a regulator, it has refreshed the legitimate concerns many have in the industry of two significant threats to the smooth running of air travel everywhere: out-dated IT and the constant risk of cyber-attacks. Following Wednesday's US flight disruption, White House Press Secretary Karine Jean-Pierre said: "There is no evidence of a cyber-attack at this point" but an investigation has now started to determine the root cause. ■ *The author is an aviation analyst. Twitter handle: @AlexInAir*

Will China’s reopening provide a boost to battered aviation?

By Pratap John

China recently removed quarantine requirements for inbound travellers and green-signalised international travel, abandoning its 'Covid Zero' policy in favour of reopening of its economy. While it has come as a surprise to many, given the relapse in Chinese Covid cases again, some analysts believe the country's swift reopening may offer a boost to the flagging world economy. The growth impulse will be felt through service sectors such as aviation and tourism as Chinese people pack their bags for international travel for the first time since the pandemic. Tourism-reliant nations in Southeast Asia will likely be among the first to note a pick up, with developed economies also benefiting from the return of Chinese visitors. According to prominent aviation analyst John Grant, in 2019, China was the fifth largest international market in the world with over 102mn seats per year, of which Chinese carriers accounted for 53.8mn, or a 52% share of the market. But in 2022, China had slipped to 51st spot in global rankings with just 7.4mn international seats - just ahead of Ethiopia, but behind Cyprus - by any measurement a "staggering collapse" of position, he says. The current international market from China is just 7% of its pre-pandemic levels. Although the locally based airlines flipped a considerable amount of their capacity from 2020 to domestic services, the simple truth, he says, is that the financial results have been crippling for many airlines. "While the rest of the airline industry was reporting record revenues for the third quarter of 2022, China's major airlines were



Travellers at Beijing Capital International Airport. China recently removed quarantine requirements for inbound travellers and green-signalised international travel, abandoning its 'Covid Zero' policy in favour of reopening of its economy.

Beyond the Tarmac

reporting eye-watering losses," Grant wrote in OAG, global travel data provider. The Chinese Lunar New Year commences on January 22 and the "Year of the rabbit" is supposed to bring prosperity, which is rather apt for the current situation facing the local airlines. Over the last few months airlines will have been taking reservations for the busy weeks of travel during the Spring Festival (January 22-28) and while domestic flying has proven to be unprofitable this holiday period would have been one of the peak weeks for demand with some hope of profitability. Many airlines likely have far too many forward bookings that will prevent them from adjusting and

changing their planned services; frustrating, but something that couldn't be easily overcome. The second factor to consider, Grant noted, is that most airlines had no flights on sale to and from China (and certainly not to the previous levels of pre-pandemic capacity). For most international airlines operating to China has been challenging, limitations on capacity that could be sold, damaged operating performance, expensive penalties of presenting Covid-infected passengers and crewing restrictions added further complexity. For many international airlines operating to China had become a case of "holding a position" and "staying in the market" with

some presence awaiting the return of the market. The easing of travel restrictions in China was sudden, but Grant insists it will not result in a sudden change of capacity or rapid switching of schedules towards international flights; at least not in the next three to four months. "By surprising everyone, the Chinese authorities have failed to recognise the planning that is required to reopen markets that had been closed for nearly three years or understood the challenges airlines are facing in adding more capacity at short notice," he said. However, despite all those challenges China may once again become a major international market over the next year. Short-haul regional demand from China to major leisure markets such as Thailand, Vietnam, Japan and South Korea will noticeably grow in the second half of the year and by the last quarter

of the year the outlet malls of Europe and North America will once again be accepting 'Alipay' in all the shops. "China might not quite be the hot spot for international growth that some expect in the first half of the year, but heading into 2024 and beyond it will once again be in the top five international markets in the world, and that will be some recovery in twelve months," Grant noted. Meanwhile, more countries are now demanding that visitors from China take Covid tests, although Beijing warned of possible reciprocal measures after the European Union and some other Asian countries recommended pre-departure testing for Chinese passengers. The global aviation industry, battered by years of pandemic curbs, has also been critical of the decisions to impose testing on travellers from China. That said, the World Health Organisation has warned that the holiday, which starts on January 21 and usually brings the biggest human migration on the planet as people head home from cities to visit families in small towns and villages, could spark another infection wave in the absence of higher vaccination rates and other precautions. Chinese authorities expect 2.1bn passenger trips, by road, rail, water and air, over the holiday- double last year's 1.05bn journeys during the same period. Country's transport ministry has urged people to be cautious to minimise the risk of infection for elderly relatives, pregnant women and infants. One region poised to be a major beneficiary of China's opening is Southeast Asia, where countries have not demanded that Chinese visitors take Covid tests.

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Qatar Airways, Air Serbia sign comprehensive codeshare agreement

Qatar Airways has signed a comprehensive codeshare agreement with Air Serbia, allowing passengers seamless travel to over 40 destinations when travelling on each other's networks from February 1. Qatar Airways currently operates five weekly flights between Doha and Belgrade, the Serbian capital. The codeshare agreement opens up a host of new exciting destinations for its passengers to use a single booking to continue their journey to European countries such as Bosnia and Herzegovina, Montenegro, and Slovenia among others served by Air Serbia. Qatar Airways Group Chief Executive, HE Akbar al-Baker said: "This partnership will allow us to expand our footprint in the Central and Eastern European markets where we are looking forward to offering additional travel choices for our customers. We are extremely proud to unveil this partnership with Air Serbia, the leading airline in this region since it was founded in 1927 and we look forward to working effortlessly together." From its hub at Belgrade Nikola Tesla Airport, Air Serbia serves more than 70 destinations in Europe, the Mediterranean, North America, Asia and Africa. As part of the codeshare agreement, Serbia's flag carrier will add its marketing code on Qatar Airways direct flights between

Belgrade and Doha, as well as various points beyond Doha including Adelaide, Baku, Brisbane, Tbilisi, Ho Chi Minh City, Hong Kong, Melbourne, Muscat, Nairobi, Perth, Seychelles, Singapore and Sydney. Additionally, subject to obtaining all necessary government approvals and once all conditions are fulfilled, Air Serbia plans to extend its coverage to Bangkok, Cape Town, Johannesburg, Phuket, Seoul, Tokyo, Yerevan, Zanzibar and many more. Air Serbia chief executive officer Jiri Marek said: "It is our great pleasure to announce the codeshare agreement with Qatar Airways, known for its global network of destinations and premium service. We are joining forces to provide passengers with new connection opportunities and access to unique destinations from both networks. Through this co-operation, we believe that we will be able to jointly bring to Serbia more traffic and opportunities for trade and tourism, as well as to increase the traffic between the two hubs." Qatar Airways and Air Serbia have a long standing interline co-operation and today's signing marks a milestone in the mutual commitment of both airlines to improving customer experience. Passengers can book their travel with both airlines, through online travel agencies as well as with local travel agents.



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Ryanair records strongest ever sales with more than 2mn bookings

Bloomberg
London

Ryanair Holdings Plc said strong demand across Europe and the UK drove its best ever sales last weekend as people continue to plan summer getaways despite the surging cost of living. Passenger bookings at Europe's biggest discount airline exceeded 2mn, surpassing the previous record set in 2019 by 400,000 or 25%, chief executive officer Michael O'Leary said on Tuesday in a London briefing where he unveiled an expanded timetable of UK flights for the coming summer. The booking tally for the week as a whole exceeded 4.95mn and a figure of 5mn is anticipated for next week as Europeans ramp up spending on low-cost travel despite rampant inflation and a slowing economy. Fares remain buoyant



Passenger aircraft, operated by Ryanair Holdings, on the tarmac at London Stansted Airport. Ryanair said strong demand across Europe and the UK drove its best ever sales last weekend.

after rising last year and will likely show a further high single-digit percentage gain, from an average €50 (\$54) in 2022 to around €53-€55. "There just seems to be very strong demand out there," O'Leary said. "And people I think are worrying

that prices are going to rise this summer, which they will, and getting in early and booking their travel." Demand this winter has been strong enough and capacity sufficiently limited for Ryanair to fill planes without resorting to "999 seats," he said. Bookings have picked up particularly well in the UK in recent days and weeks, O'Leary said. Ryanair plans to base 57 jets across London's Stansted, Gatwick and Luton airports this summer, offering around 180 destinations, six more than last year, and in excess of 300,000 flights, or 10% higher. The Irish carrier will station 115 aircraft in Britain as a whole, with provincial demand even stronger than from London and the southeast, the CEO said. O'Leary said that the situation regarding delayed deliveries of new Boeing Co 737 Max planes is easing, with 45 of 51 pending aircraft now expected before May, ready for deployment in time for the summer peak.

Jet delivery delays spark penalties battle

Reuters
Dublin

A battle for compensation is brewing over delays in the delivery of commercial jets, with a Dublin aviation summit descending into a blame game over the worst industrial disruption in years. Airbus and Boeing are on average delivering new jetliners three-to-six months late, blaming post-pandemic havoc in supply chains, delegates at two major aviation finance conferences said. Powerful leasing companies heaped pressure on planemakers over the delays, with Air Lease executive chairman Steven Udvar-Hazy telling this week's Airline Economics conference that manufacturers had "grossly misjudged" their output. Airbus and Boeing defended their record, saying the situation is the result of a mix of factors, from the pandemic to weak supply chains, and a sudden snapback in travel demand.

The public exchanges reflect the battle lines in negotiations behind the scenes over whether manufacturers should bear contractual responsibility by paying penalties, even when suppliers are at fault, people involved in the discussions said. With January already marked by fresh delay notices being sent to airlines and leasing companies, experts said millions of dollars of exposure are riding on one word: "Excusable". Aircraft contracts contain dense descriptions of adverse factors which excuse manufacturers for multiple types of delay, meaning they can avoid paying penalties or "liquidated damages". Excusable delays include "acts of God", natural disasters, fire, flood, earthquakes and epidemics, among other examples, according to extracts of past contracts filed with regulators. They may give the manufacturer a get-out in the event of a failure to obtain parts. Wars and strikes are also excusable. Non-excusable delays include any-

thing that falls outside this catalogue, but are rare, experts say. Only the grounding of the Boeing 737 MAX over design defects was treated as a non-excusable delay on a significant scale, resulting in hefty compensation payments from Boeing, industry sources said. With last year's deliveries below target and doubts rising over 2023, planemakers are once again invoking the "excusable delay" clause, buyers said. Airbus and Boeing declined comment on contractual matters. But three years after the early spread of Covid-19, with demand now surging and China coming back onto the market, lessors used their annual summit to argue enough is enough. "They are not excusable at all," Aengus Kelly, chief executive of lease giant AerCap told the Airfinance Journal conference when asked about the delays. "Manufacturers" were just wildly over-optimistic in what they could produce. They are trying to blame Covid but Covid has long gone."