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GULF TIMES BUSINESS



Masraf Al Rayan shareholders meeting endorses agenda items

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Sheikh Abdulla bin Ali bin Jabor al-Thani elected Commercial Bank chairman

Commercial Bank held its Ordinary General Assembly Meeting last night and approved all items on the agenda including the Board of Director’s recommendation to distribute a cash dividend of QR0.25 per share, equivalent to 25% of the nominal share value. Shareholders also elected the following Board members for a period of three years: Sheikh Abdulla bin Ali bin Jabor al-Thani,

Hussain Ibrahim Alfardan (representing Alfardan Investment), Omar Hussain Alfardan (representing Al Gassar Capital), Abdulrahman bin Hamad al-Attiah, Sheikh Jabor bin Abdulla bin Ali al-Thani (representing Vista Trading), Ibrahim al-Osman Fakhro, Salem Khalaf al-Mannai (representing Qatar Insurance Company), Mohamed Ismail Mandani al-Emadi, Bader Omar al-Dafa, (Independent),

Tariq Ahmad al-Malki al-Jehani (Independent) and Mohamed Yaser al-Mosallam (Independent). Following the Ordinary General Assembly Meeting, a meeting of the Board of Directors was held and Sheikh Abdulla bin Ali bin Jabor al-Thani was elected as chairman, Hussain Ibrahim Alfardan as vice-chairman and Omar Hussain Alfardan as managing director of Commercial Bank.



Commercial Bank Board of Directors at the bank’s Ordinary General Assembly Meeting last night.

Dukhan Bank net profit up 5% to QR1.25bn in 2022

Dukhan Bank reported a 5% year-on-year (y-o-y) growth in net profit to reach QR1.25bn in 2022, with an EPS of QR0.227 per share, post considering nominal value of QR1 per share. This comes after the bank’s transformation into a Qatari public shareholding company by listing its shares on the Qatar Stock Exchange and commencement of trading from February 21, 2023. Total income for the year increased to QR4.5bn, showing solid double-digit growth of 10% from last year, while net income from financing activities also grew to QR3.2bn, marking a 10% y-o-y growth. Overhead expenses were below last year by 4% from QR782mn to QR750mn. Total assets reached QR106bn and financing assets increased to QR76bn with a growth of 1% over last year. The balance sheet is mainly funded by customer deposits, which reached QR75bn. The regulatory LDR was maintained at 100% level, asserting prudent liquidity management by the bank. The bank’s total equity soared to QR12.5bn, representing a growth of 3%, whereas the total capital adequacy ratio was 18.3% as of December 31, 2022, in accordance with Basel III and the Qatar Central Bank (QCB) guidelines, showing strong and well-capitalised position of the bank. Return on equity and assets were 11% and 1.2%, respectively in 2022. The bank has been rated “A2” and “A-” by Moody’s and Fitch, respectively with a stable outlook. Reflecting on the robust performance, Dukhan Bank’s board of directors proposed a dividend distribution to shareholders of 16% or QR0.16 per share, post considering nominal value of QR1 per share after its conversion to a public listed company, increased from QR0.14 per share or 14% of the nominal share value last year, subject to approval of general assembly meeting of the shareholders and the QCB.



Sheikh Mohamed bin Hamad bin Jassim al-Thani, chairman and managing director of Dukhan Bank.

Sheikh Mohamed bin Hamad bin Jassim al-Thani, chairman and managing director of Dukhan Bank, said: “We are very pleased that Dukhan Bank has continued its progressive growth journey, which led to improved financial performance that resulted in achieving solid growth, supported by stability, resilience, and high-performance of the Qatari banking sector in 2022. “The outstanding performance is also attributed to the exceptional hosting of the 2022 FIFA World Cup by the State of Qatar and the contribution that we have made to ensure its success by supporting our customers and Qatar’s guests with innovative and secured banking services.” He added: “This financial report is of particular importance to the bank’s management and shareholders as Dukhan Bank recently recorded a significant milestone by successfully

listing its shares on the Qatar Stock Exchange, transforming into a Qatari public shareholding company. This step will enable us to share the positive results of the Bank’s successful growth journey over the years with a broader base of investors.” Noting the financial results, the board of directors stated: “The importance of the environmental, social, and corporate governance (ESG) strategy launched by the bank in 2022 was highlighted in the meeting. The bank aims to be placed in a leading position within Qatar’s transition to a sustainable society, helping to build a future in which economic growth and sustainability are aligned in accordance with the Qatar National Vision 2030 with an increased focus on the bank’s digital transformation strategy to provide its more than 150,000 customer-base an easy, secure, and seamless banking experience.”

Lesha Bank Purchases Minority Stake in Starlink Qatar



Abdulrahman Totonji
Lesha Bank’s CEO

Lesha Bank Purchases Minority Stake in Starlink Qatar. Lesha Bank LLC (Public) (the “Lesha Bank” or the “Bank”) announces the purchase of minority stake in Starlink W.L.L (“the company”) a leading provider of ICT, managed services and retailer of technology products as part of its private equity strategy to expand its footprint in Qatar. Lesha Bank purchased 27.5% stake in Starlink, marking its first deal in 2023 and an exciting addition to the Bank’s Shari’a-compliant private equity portfolio. Launched in 2006, Starlink, is a leading provider of latest technology products, mobile, gadgets and accessories. The company has also successfully created

its mark in the ICT services sector in Qatar and other regions of GCC. Starlink W.L.L has an omnichannel presence spanning across 19 retail outlets in Qatar, an online platform as well as a variety of other supporting channels that provide outsource-managed services in multiple areas such as: IT, installations, maintenance and contact centers. The new deal further boosts Lesha Bank’s presence in the local private equity market. It also comes after recent purchases made in the consumer goods, technology & household electronics sectors reaffirming the Bank’s investment strategy to diversify its exposure. Abdulrahman Totonji, Lesha Bank’s CEO commented: “This investment marks another landmark for Lesha Bank and a step towards increasing the Bank’s private equity offerings. Starlink, with its market presence as a leading retailer of technology products, mobiles and ICT services presents a unique opportunity for local investors. As we look to explore other industries, this acquisition is in line with our investment strategy to access diverse opportunities in the local market, in an innovative and potentially promising industry. We look



Subaib AlMabrouk,
Lesha Bank’s Head of Private Equity and Corporate Banking

forward to working with Starlink’s stakeholders and we believe that the company has great potential for growth.” Suhaib AlMabrouk, Lesha Bank’s Head of Private Equity and Corporate Banking added: “We are delighted to add Starlink to our growing private equity portfolio. Starlink has a strong focus on client experience and has built a valued business over the years. I am confident in Starlink’s potential and prospects and pleased that we will be their partner on this journey.” Lesha Bank LLC (Public) is the first independent Shari’a-compliant Bank authorized by the QFC Regulatory Authority (QFCRA) and a listed entity on the Qatar Stock Exchange (QSE: QFBQ).

Lesha Bank holds AGM; all items on agenda approved

Lesha Bank held its Annual General Meeting (AGM) yesterday and approved all items listed on its agenda. Chaired by Lesha Bank's chairman Sheikh Faisal bin Thani al-Thani, the AGM was held virtually via Zoom, with the attendance of Lesha Bank's Board members, shareholders, and senior management team.



Sheikh Faisal bin Thani al-Thani, Lesha Bank chairman.

The AGM included the presentation of the chairman's report for the financial year ended December 31, 2022 and the work plan for the financial year of 2023, in addition to several other reports including the presentation and approval of Shariah Supervisory Board report; audited financial statement; external auditor's report; corporate governance report in compliance with the Qatar Financial Markets Authority (QFMA) Governance Code for companies and legal entities listed on the main market; and the Internal Control Over Financial Report (ICOFR). Moreover, the meeting approved Lesha Bank's major transactions and the recommendations of the Board of Directors regarding non-distribution of dividends as well as not taking an optional reserve, and the discharging and releasing of the members of the Board from liabilities. Sheikh Faisal commented, "Lesha Bank has enjoyed continued success in 2022, recording a net profit of

QR75.5mn. This marked our second consecutive year of profit along with nine profitable quarters, a remarkable steppingstone towards greater improvements. The new Board has demonstrated excellent diligence in their first year with our Bank. "We will continue our cautious, disciplined, and prudent measure and controls to overcome the current global macroeconomic challenges while maintaining our focus on looking out for lucrative and profitable premium investment opportunities, and offering top-of-the-line investment portfolio management services." "Our rebranding from QFB to Lesha Bank is a great milestone, helping us launch a new chapter in our journey capitalising on the experience and insight we accumulated. We have grown and improved over the course of the years as an organisation with devoted employees and loyal shareholders and clients, and we aim to further build on the momentum to achieve further growth."

Qatar's non-oil investments help its economy remain resilient, says ICAEW

By Santhosh V Perumal
Business Reporter

With the World Cup economic boom starting to ease, Qatar's economic growth will be affected but higher investments in non-hydrocarbons will help it remain resilient this year, the Institute of Chartered Accountants in England and Wales (ICAEW) has said.

According to the first quarter or Q1 report, Qatar's expansion will be led by the non-oil sector this year, though the pace of activity will nearly halve to 3.3%, from over 6% in 2022.

"With the economic boom from the World Cup starting to slow down, GDP (gross domestic product) growth will be affected. However, continuing to increase investment in the non-oil sectors and doubling down on reforms will help Qatar remain resilient this year and reach the goals charted in its National Vision 2030," said Hanadi Khalife, Head of Middle East, ICAEW.

Scott Livermore, ICAEW economic adviser, and chief economist and managing director, Oxford Economics Middle East, said though much of the activity last year was linked to the World Cup, the preparations for the event contributed to medium-term diversification goals through strong gains in construction and real estate, transportation, and financial services.

"These gains will slow in the coming year, and some areas of



Hanadi Khalife, head of Middle East, ICAEW.

the economy, such as accommodation and food services, may see a dip in the near term. However, we think the ongoing expansion of gas capacity and the pipeline of planned projects, will draw foreign direct investment (FDI) and support non-oil activity," he said.

Further reforms will also play a role in attracting FDI as Qatar keeps up with the growing competition in the region, according to him.

The latest Economic Insight report for the Middle East, commissioned by ICAEW and

compiled by Oxford Economics, revealed that Qatar's economic growth is strong while it still enjoys a boost from the World Cup in 2022.

Qatar's growth likely exceeded 4% in 2022, marking the fastest pace since 2015 and leaving the economy the largest it has ever been. However, the 2023 GDP growth forecast is still unchanged at 2.7%.

Although energy prices are easing from 2022 levels, they will "remain elevated", supporting Qatar's macroeconomic environment, the report said.



Scott Livermore, ICAEW economic adviser.

Due to higher prices in main export commodities, Qatar enjoyed one of the largest terms-of-trade improvements in 2022, with recent data showing the trade surplus widening to QR355.2bn last year.

As oil and gas prices remain above levels from early 2022, the external position will only deteriorate marginally this year, with the current account surplus at 15.6% of GDP, down from 17.1% in 2022.

Expecting public spending to remain "supportive" of growth in 2023; it said high commodity

prices underpinned a 54% year-on-year rise in budget revenue in 2022, pushing Qatar's budget surplus to QR89bn, the largest since 2014.

Qatar's 2023 budget, based on a reduction in spending and an oil price of \$65 per barrel, projects a surplus of QR29bn, equivalent to 3.4% of GDP.

Forecasting Brent at \$86 per barrel in 2023, which is "significantly" above the budgeted price; the report said on that basis, a modest rise in spending and a surplus of QR82bn (9.7% of GDP) is expected.

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- For heirs, the original personal ID of the heir, the Legal Heirs' Certificate and an authenticated power of attorney if the recipient is an agent.

For Corporate:

- Official Transcript of the Commercial Registration "CR" and the Corporate Identity Card.
- Letter of Authorization for the recipient and his original personal ID.

Shareholders who have officially provided Qatar Central Securities Depository with their bank accounts to receive their dividends, their cash dividends will be deposited in these accounts.

Fahad bin Mohammad bin Jabor Al-Thani
Chairman

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Global banking woes drag Qatar bourse key index 102 points; M-cap erodes QR4.47bn

By Santhosh V Perumal
Business Reporter

Global banking woes continued to dampen sentiments in the Qatar Stock Exchange, which yesterday lost more than 102 points and its key index settled below 10,200 levels.

Reflecting the concerns in Credit Suisse, after the collapse of Silicon Valley Bank, the 20-stock Qatar Index tanked 1% to 10,113.73 points.

The market, which was skewed towards decliners, however touched an intraday high of 10,300 points.

The domestic institutions were seen squaring off their position in the main market, whose year-to-date losses widened further to 5.31%.

The real estate sector saw higher than average selling pressure in the main bourse, whose capitalisation saw QR4.47bn or 0.76% erosion to QR583.6bn, mainly on account of small and microcap segments.

About 66% of the traded constituents were in the red in the main market, which saw a total of 0.3mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.82mn changed hands across 18 deals.

The foreign retail investors' weakened net buying had its influence in the main bourse, which saw no trading of sovereign bonds.

The Islamic index was seen declin-

Ezdan reports net profit of QR86.7mn in 2022

Ezdan Holding Group has reported net profit of QR86.7mn on revenues of QR1.94bn in 2022. The company, whose earnings-per-share was QR0.003 in 2022, has recommended no dividends for shareholders, which will have to be approved by them at the annual general assembly meeting, scheduled to be convened later.

ing faster than the main barometer of the main market, which saw no trading of treasury bills. The Total Return Index shrank 0.5%, All Share Index by 0.44% and Al Rayan Islamic Index (Price) by 1.25% in the main bourse, whose trade turnover and volumes were on the decline.

The realty index plummeted 1.02%, consumer goods and services (0.92%), banks and financial services (0.51%), industrials (0.35%) and telecom (0.07%); while transport gained 0.14% and insurance (0.09%).

Major shakers in the main market included Qatar Electricity and Water, QIIB, Qatar General Insurance and Reinsurance, Doha Bank, Qatar Oman Investment, Inma Holding, Qatari German Medical Devices, Woqod, Qatar National Cement, Mesaieed Petrochemical Holding, Qamco, Mazaya Qatar and Milaha.

Nevertheless, Gulf Warehousing, Qatar Industrial Manufacturing, Nakilat, Al Khaleej Takaful, Zad Holding and Vodafone Qatar were among the gainers in the main market. In the venture market, Al Faleh Educational Holding saw its shares appreciate in value.

The domestic funds turned net sellers to the tune of QR1.12mn compared with net buyers of QR65.19mn on March 14. The foreign retail investors' net buying declined noticeably to QR0.49mn against QR5.16mn the previous day.

The Gulf individual investors' net buying eased perceptibly to QR0.14mn compared to QR1.55mn on Tuesday.

However, the Gulf institutions were net buyers to the extent of QR19.82mn compared with net sellers of QR1.05mn on March 14.

The local retail investors turned net buyers to the tune of QR4.76mn against net sellers of QR4.18mn the previous day. The Arab individuals were net buyers to the extent of QR3.38mn compared with net sellers of QR13.46mn on Tuesday.

The foreign institutions' net profit booking decreased substantially to QR27.46mn against QR53.23mn on March 14. The Arab institutions had no major net exposure compared with net buyers to the tune of QR0.01mn the previous day.

The main market saw a 16% fall in trade volumes to 94.2mn shares, 11% in value to QR371.35mn and 13% in deals to 14,623.



Reflecting the concerns in Credit Suisse, after the collapse of Silicon Valley Bank, the 20-stock Qatar Index tanked 1% to 10,113.73 points yesterday

Metaverse seen to help Islamic banks expand to new markets

By Peter Alagos
Business Reporter

The '9th Doha Islamic Finance Conference' has recommended the leveraging of the Metaverse to propel the expansion of Islamic banks into wider markets and tap other growth drivers.

The conference, which was held in Doha recently, concluded with a set of objectives and recommendations based on presentations and discussions of four main themes: 'Islamic Finance in the World of Metaverse', 'RegTech and SupTech in Islamic Finance', 'Cross-border Finance and its Impact on Islamic Finance', and 'Sustainability in Digital Finance'.

Leading scholars, academics, and specialists participated in the conference, which also witnessed discussions and interventions that led to the following objectives and recommendations:

Financial transactions in the virtual world with underlying blockchain technology do not, in principle, conflict with the rulings of Islamic jurisprudence, when the guidelines related to the contract and the transfer of

ownership are adhered to in what people consider valuable wealth in the forms of virtual assets or cryptos, as well as the contract shall have its pillars and conditions, and shall be free from the legal impediment or legal violations.

To control financial transactions in the world of the Metaverse, it is necessary to adhere to contractual, legal and ethical controls, and special controls related to contracts so that their effects are real, and that their place is something real, even if it is not tangible, in addition to precise technical controls to prevent all types of crimes related to honour, money, and privacy; Islamic banks are urged to leverage metaverse technology to expand into new markets and sectors in order to increase their growth opportunities. They are also advised to adopt regulatory technology applications to enhance transparency and compliance, and improve their overall performance, enabling them to achieve greater competitiveness.

Endowment institutions are urged to create virtual spaces for the endowment to introduce it, its history, its roles, and everything related to it in theory and practice, and to arrange global dialogues about develop-

ing its tools and activating its products through these spaces. Islamic endowment institutions should be encouraged to integrate metaverse-based solutions into their operations to streamline the collection and management of endowment funds with transparency and high efficiency.

The effective use of technology can enhance the chances of achieving the goals of endowment and social financing institutions, while scholars and practitioners should intensify co-operation to design virtual products and services that comply with Islamic law. This will accelerate the use of technology by Islamic financial service providers and enable joint efforts to create smart applications that provide financial solutions for the Islamic lifestyle as an alternative to usurious applications offered by technology giants.

Artificial intelligence techniques and virtual reality applications can be utilised to develop Shariah governance mechanisms in Islamic financial institutions. It's important to emphasise the need for co-operation between competent authorities to create unified standards for supervisory and control technology in Islamic financial institutions.



HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Thani is joined by dignitaries during the '9th Doha Islamic Finance Conference' held in Doha recently.



Qatar Chamber board member Mohamed bin Ahmed al-Obaidli receiving engineer Louis Lahoud, general director of the Ministry of Agriculture, and Dr Mohamed Abou Haidar, general director of the Ministry of Economy and Trade of Lebanon, during a meeting held in Doha yesterday.

Qatar Chamber reviews commercial ties with Lebanon

Officials of Qatar Chamber and Lebanon's economy and agriculture ministries held a meeting in the chamber's Doha headquarters yesterday to discuss ways to bolster commercial and economic co-operation.

The meeting was held in the presence of Qatar Chamber board member Mohamed bin Ahmed al-Obaidli and engineer Louis Lahoud, general director of the Ministry of Agriculture, and Dr Mohamed Abou Haidar, general director of the Ministry of Economy and Trade.

Al-Obaidli lauded Qatar's distinguished relations with Lebanon, particularly in the economic and commercial fields, and underscored the chamber's keenness to develop relations between Qatari and Lebanese businessmen.

He noted that Qatar can be a regional trading hub owing to its incentives to foreign investors and the country's advanced infrastructure, as well as leading economic legislation.

"Lebanon and Qatar are bound by significant co-operation in all fields and historic relations," said Lahoud, who also praised the support Qatar is offering Lebanon to overcome various challenges.

Lahoud noted that Lebanon is keen to increase its exports and trade exchange

with Qatar, citing the "close, positive co-operation" between both countries' chambers of commerce.

Abou Haidar said Lebanon is focusing on productive sectors, such as industry, agriculture, and the knowledge-based economy. He noted that both countries' chambers of commerce have a key role to play in developing commercial and investment exchanges between Lebanese and Qatari businessmen.

Lebanon's exports to Qatar witnessed a significant increase within the past two years, calling on Qatari investors to invest in Lebanon in all economic sectors, according to Abou Haidar.

He said the delegation's visit to Qatar was part of Lebanon's participation in the 10th edition of the Qatar International Agricultural Exhibition (AgriteQ) and expressed hope that AgriteQ would see tangible results and successful bilateral meetings between businessmen and companies on both sides.

Abou Haidar said Lebanon will also participate in Qatar Expo this year, noting that the event will provide "a great opportunity" for Lebanon to reach new markets, especially in the areas of sustainability, innovation, and technology.

Spain keen to support Qatar's post-World Cup strategy

By Peter Alagos
Business Reporter

Spain is keen on supporting Qatar's initiatives to continue its successful momentum following the country's phenomenal hosting of the 2022 FIFA World Cup, Spanish ambassador Javier M Carvajosa has said.

"We would like to be part of Qatar's new journey," the ambassador told *Gulf Times* on the sidelines of the seventh edition of 'Friends of Spain' awards, which was organised by the Spanish embassy and the Chamber of Commerce of Spain in Qatar to honour individuals who have helped strengthen ties of both countries.

This year's awardees include Alfardan Group president and CEO Omar Hussain Alfardan (Individual Businessman Award); Umm Al Houli Power CEO Jamal al-Khalaf (Corporate Award); recipient of the 'Corporate Award'; and FIFA World Cup Qatar 2022 CEO Nasser al-Khater, receiving a 'Special Award' from the organisers.

Speaking about the award, Alfardan said: "It's been a pleasure and honour to accept such an award from the Spanish ambassador and officials of the Spanish Cham-



Spanish ambassador Javier M Carvajosa joins this year's 'Friends of Spain' awardees Alfardan Group president and CEO Omar Hussain Alfardan (Individual Businessman Award); Umm Al Houli Power CEO Jamal al-Khalaf (Corporate Award), and FIFA World Cup Qatar 2022 CEO Nasser al-Khater (Special Award). Looking on are David Quintanilla, president of the Chamber of Commerce of Spain in Qatar, and the ambassador's wife, Ambreen Qazi.

ber of Commerce. It reflects our close ties and how we had fully developed our relationship with Spain during the World Cup, and by hosting under the umbrella of the Alfardan Group three Spanish restaurants led by Michelin star chefs. We are proud to bring 'the taste of Spain' to Doha."

In a statement, organisers noted that 'Friends of Spain' emphasises the strong bond between Spain and Qatar.

"It provides an opportunity for people to come together and recognise the efforts of those who have worked to strengthen the ties between these two nations. Representatives from various companies and organisations present at the event shared their experiences and the efforts they have made to support Spanish businesses in Qatar and to promote Spanish culture in the country," the statement explained.

In his speech, Carvajosa highlighted the importance of the relationship between Spain and Qatar. "I thank the attendees for their efforts in promoting Spanish culture and business opportunities in Qatar. The embassy recognises the contribution of different individuals and companies who have played a significant role in fostering this relationship," he said.

David Quintanilla, president of the Chamber of Com-

merce of Spain in Qatar, announced that members of the chamber had now reached 65, representing a wide range of sectors, including energy, roads, railways, water treatment and maintenance, urban maintenance and operations, facility services, oil and gas, IT, Big Data management, and R&D on artificial intelligence, among others.

The statement also noted that in 2022, His Highness the Amir Sheikh Tamim bin Hamad al-Thani was received by King Felipe VI during his visit to Spain where various business and commercial collaboration agreements were signed, thus reinforcing the relationship between the two nations.

Post-World Cup, Carvajosa emphasised that Spain will be supporting Qatar's thrust to bolster its food security strategy. Aside from this sector, the ambassador also emphasised Spain's support for Qatar's infrastructure, energy, and tourism.

"Qatar's investments in Spain are very important," Carvajosa also noted, citing the memorandum of understanding between the Qatar Investment Authority and Compania Espanola de Financiacion del Desarrollo (COFIDES) to elevate the value of Qatari investments in Spain by "\$5bn."

Pakistan recession risk looms large amid IMF loan talks

Bloomberg
Islamabad

Pakistan's lingering political and economic turmoil, coupled with multiple delays in the International Monetary Fund's bailout programme, will likely push the nation into a recession, a Bloomberg survey showed.

The probability of the economy slipping into recession stands at 70%, according to the median forecast in a Bloomberg survey of 27 economists.

Crisis-hit Pakistan has failed to meet several deadlines to secure funds to stave-off a default, raising concerns that it may have to pause debt repayments. To seal the bailout, authorities have raised taxes, cut energy subsidies and raised interest rates to a 25-year high to tamp down prices, but some issues are yet to be resolved.

The inability of successive governments to meet IMF's prescriptions is leading to a delay, said Luqman Nadeem, general partner at FlatRock Associates. The current political crisis could make the "IMF more



Labourers unload sacks of grains at a main wholesale market in Karachi. Pakistan's lingering political and economic turmoil, coupled with multiple delays in the International Monetary Fund's bailout programme, will likely push the nation into a recession, a Bloomberg survey showed.

reluctant to disburse any funds," he said. "There is no continuity of policies regardless of who is in power, which is a big red flag for the lender as well as any friendly countries."

The nation's political crisis deepened this week after clashes erupted as the police tried to arrest former

premier Imran Khan, who is demanding early elections.

Pakistan needs funds to revive its \$350bn economy, ease widespread shortages and rebuild its foreign currency reserves. The nation's dollar stockpile has fallen to less than a month's worth of imports, restricting its ability to fund overseas

purchases, stranding thousands of containers of supplies at ports, forcing plant shutdowns and putting tens of thousands of jobs at risk.

"Pakistan's default risk is creeping even higher. Bond spreads are widening — while the International Monetary Fund deliberates on whether to resume aid.

We think it eventually will, but the wait is excruciating. Meantime, dollar shortages are choking off growth," says Ankur Shukla, economist, Bloomberg Economics.

"Severe demand destruction is taking a hold," said Suleman Rafiq Maniyya, head of advisory at Vector Securities Pvt. Companies are operating at less than 50% capacity amid a dollar crunch and high inflation is reducing disposable incomes, further dampening demand, he said.

Pakistan is scheduled to release its annual gross domestic product report in May. Bloomberg Economics sees the economy contracting 2.2% in the financial year ending June, compared with a 6% expansion in the previous year.

"The government policies to address these challenges have been limited in their effectiveness," said Ehtesham Khan, chief executive officer at EK Global Capital, "A decline in GDP growth, high unemployment rates, reduced consumer spending, decreased business investment" all point toward an economic downturn, he said.



Qatar Stars League

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- Please deposit the amount related to the tender in QSL's account number (**QA29QN-BA00000000013027075001**) in QNB as well as a copy of the commercial certificate. Moreover, note that the official letter of your company must state clearly the name of the person who represents the company and who is in charge of receiving the tender documents. The letter on behalf of the company must state the tender reference number and the willingness to be part of the tender.
- Each proposal must include a primary performance bond and a letter of the guarantee for a period of 120 days. This performance bond must be from any bank recognized by the state of Qatar. Please note that no proposal will be taken into consideration without the performance bond. (A copy of the performance bond must be available in the technical proposal as well). The performance bond must be valid for 90 days starting from the day the envelopes are opened. Also note that this performance bond will be returned to all companies once the tender is completed.
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- Quotations must be in Qatari riyals.
- The proposal must include fixed prices.
- No modification is allowed after closing dates. If the participants wish to withdraw, the performance bond will not be reimbursed.
- Proposals must be submitted in one original and two copies along with a copy of the tender bond.
- Any proposal can be rejected if the participant is not willing to adhere to the conditions, kindly submit the technical proposal and the financial proposal in separate envelopes. **Any proposal that does not include the 2 envelopes as indicated in the policy won't be accepted.**
- For any additional information please don't hesitate to contact us by phone: (44754011) or by (fax) (44754041).

Bloomberg QuickTake Q&A

Active or passive investing? How choosing got so hard

By Sam Potter Mar

The decades-long debate over the virtues of active versus passive investing shifted abruptly in 2022. High inflation, rising interest rates and economic uncertainty disrupted equity markets, ending a long bull market and sending major indexes into a spin. That reinvigorated the fortunes of stock pickers, who by some measures beat the market at the highest rate in almost two decades. It also slowed the \$11tn march toward passive investing, a strategy in which an investor buys funds that hold all the stocks in an index like the S&P 500. Confusing matters further, the lines between these two camps keep blurring, as active investing gets more passive and passive gets more active. It all adds up to a chaotic new investment landscape in which the black-and-white, active-versus-passive choice of the past few decades is fading.

1. What started the passive boom?

In and around the 1960s, a confluence of factors (in particular the advent of computers) allowed a small group of academics to show precisely how most money managers were performing versus the US stock market. The conclusion was famously articulated by Burton Malkiel in his 1973 book, “A Random Walk Down Wall Street,” in which he argued that “a blindfolded monkey throwing darts at the stock listings” would do as well as the pros. Trailblazers at firms including Wells Fargo & Co and Vanguard Group Inc developed index funds with the idea that by accepting “average” returns engineered by buying a broad swath of the market — but spending far less on fees — most investors would do better.

2. How did passive investing take hold?

Year after year the evidence against stock picking accumulated as the

technology to automate buying and selling to match an index got better. Fewer than 15% of active US large-capitalisation funds beat the market in the 2010s, according to data from S&P Global. Fees for passive funds can be less than 0.1% of assets compared with more than 1% for the average active mutual fund. The dam finally broke over the last decade thanks to a combination of easier-to-trade products like exchange-traded funds (ETFs) and the mistrust of money managers sown by the 2008 financial crisis.

3. What are the implications?

By late 2019, passive strategies had swallowed up more than half of publicly traded assets in US equity funds. The share of passive strategies in areas like non-US stocks or bonds has yet to surpass that of active money, but the same trend is unfolding. Index funds, used by both institutional and retail investors, are a big reason why more than half of all Americans are invested

in the stock market today, a bigger share than in other rich countries. Companies such as BlackRock Inc, the world’s biggest asset manager, have also become the largest shareholders in many US corporations, leading to much hand-wringing about the potential dangers. Concerns range from stock price volatility to the inefficient allocation of capital toward companies that have big weightings in an index. Another worry is that index approaches could delay a shift to so-called ethical investing if investment managers neglect their traditional role as company watchdogs.

4. How has active investing bounced back?

Active managers have always mounted a spirited defence of their craft, arguing that the period after 2008 was an abnormal one, with many stocks moving in lockstep rather than trading on their individual profit prospects. Bad-mouthing indexing as “a blob,” they predicted that when markets got

more choppy and stock performance became more dispersed, active investing would shine — and that’s what has happened. While measuring the relative performance of fund managers is tricky, an analysis by Strategas Securities, an advisory firm, showed that 62% of active large-company “core” funds — those that buy a mix of growth and value stocks — beat the market in 2022. That’s the highest percentage since 2005. The question is whether it’s a blip or a sustained trend — and either way, whether it’s enough to save active management.

5. What’s next?

Active managers say passive distortions will create more opportunities for those who can spot bargains and avoid overpriced securities. Meanwhile, hybrid styles are emerging that mix the two. Widely followed managers like Cathie Wood at Ark Investment Management are popularising the use of active strategies inside ETFs. These capture

the tax and trading benefits of an ETF but give managers more discretion. Fees are slightly higher, and so far performance has varied widely. Since Wood’s market-beating success in 2020, such funds have launched at more than double the rate of passive vehicles in 2021.

6. How passive is passive investing?

The field has evolved from buying the whole market to buying ever-smaller or more complicated slices of it and using a mixture of strategies to the point where many investors have what amounts to actively managed portfolios via a selection of index funds. As more cash has shifted to indexing and ETFs, the number of gauges and funds has exploded, with about 3mn indexes and about 10,000 ETFs now in existence. Meanwhile, big money managers are racing to develop so-called custom indexing — another hybrid approach that’s arguably more active than the name suggests.

China reports economic rebound but warns of risks to recovery

Bloomberg
Hong Kong

China reported a rebound in consumer spending, industrial output and investment this year after coronavirus restrictions were dropped, while warning of risks to the economy’s recovery as unemployment rose and real estate investment continued to slump. Retail sales rose 3.5% in January and February compared to the same period last year, the National Bureau of Statistics said on Wednesday. Industrial output rose 2.4% and fixed-asset investment grew strongly, as local governments increased infrastructure spending to spur the recovery. However, the unemployment rate increased, pointing to weakness in domestic demand. The numbers were broadly in line with economists’ estimates and came after Beijing signalled that it would provide a similar fiscal stimulus to the economy as last year, betting on consumers to drive the recovery. Economists said the data was consistent with China meeting its target of around 5% GDP growth this year, a significant boost to global demand as the US and European economies face recession fears. The data is “pointing to a steady rather than accelerating momentum, which also indicates strong policy support is needed to unleash the growth potential,” said Zhou Hao, chief economist at Guotai Junan International Holdings. “The relatively high jobless rate seems to suggest that the further recovery of consumption will hinge on policy dynamics,” he said. The two-month data may not fully reflect recent strength in consumer spending, as it includes January when China was hit by a wave of coronavirus infections that followed the government’s sudden ending of Covid restrictions the previous month. Cases apparently peaked ahead of the Lunar New Year holiday in late January, prompting people to travel and spend again. Factories also benefited as workforce shortages due to Covid eased. The value of new apartment sales over the period rose 3.5% on-year, com-



Travellers walk at a terminal hall, during the annual Spring Festival travel rush ahead of the Chinese Lunar New Year, in Beijing Capital International Airport. China reported a rebound in consumer spending, industrial output and investment this year after coronavirus restrictions were dropped, while warning of risks to the economy’s recovery as unemployment rose and real estate investment continued to slump.

pared with a 22% slump in the first two months of 2022. That recovery from a low base is a sign that Beijing’s financial support for the property sector is taking effect following a deep real estate slump which has lasted for more than a year. However, residential property investment fell 4.6%, meaning better sales are not yet leading to growth in housing investment which economists estimate drives up to 20% of demand in China’s economy. Beijing has refrained from providing cash stimulus to households, betting that a pick-up in hiring by companies will boost wages and spending. How-

ever, China’s official urban unemployment rate rose to 5.6% from 5.5% in December, and the jobless rate for young people jumped to a six-month high of 18.1%. “The problem of insufficient demand is still prominent. The economy’s foundation for rebounding is not yet secured,” the statistics bureau said in a statement. The bureau combines the data releases for the two months of January and February to avoid distortions from the Lunar New Year holiday, which can fall in either month in different years. Key highlights of the data:

- Industrial output rose 2.4% in January-February from a year earlier, lower than the 2.6% forecast.
- Retail sales increased 3.5% in the period, in line with expectations.
- Fixed-asset investment climbed 5.5% during the two-month period, better than the 4.5% estimate and 5.1% growth for the whole of last year. Overall property investment contracted 5.7%, less than the 8.5% decline predicted by economists.
- The urban unemployment rate rose to 5.6% from 5.5% in December. The jobless rate for young people jumped to a six-month high of 18.1%.

Japan Inc delivers largest wage increases in decades

Reuters
Tokyo

Top Japanese companies offered their largest pay increases in a quarter century at annual labour talks which wrapped up on Wednesday, heading, at least for now, Prime Minister Fumio Kishida’s calls for higher wages to counter rising living costs. Worker pay has been one casualty of years of sputtering growth in the world’s third-largest economy since the late 1990s, leaving Japanese salaries well behind the OECD average. But now a weak yen and rising commodities prices have driven up import costs and pushed inflation to the highest in four decades, prompting Kishida to beat the drum for better pay. The average wage increase at “shunto” spring wage talks this year was the highest in about 30 years, according to the Keidanren business lobby, which did not give a more exact figure. That put the increase broadly in line with analysts’ expectations for a boost of almost 3%, which would be the highest since 2.9% in 1997. “This spring marks a turning point for growth and wealth distribution,” Kishida told a meeting with representatives of business lobbies and unions. He also said he aimed for a nationwide increase in the minimum wage. A number of Japan’s biggest corporations — including Toyota Motor Corp and Hitachi Ltd — said they had agreed fully to the requested increases from unions, results that were widely flagged in recent weeks. “Given the surge in prices, employee expectations were running higher than most years,” Hitachi vice-president Kenichi Tanaka told a briefing. The Rengo umbrella labour group had called for a 5% pay hike. This year’s talks marked the first time that all of Japan’s major automakers had fully accepted union demands, Akihiro Kaneko, the

president of an umbrella group of automaker unions, said. But for workers at smaller companies — which make up almost 70% of Japan’s workforce — the outlook was less rosy. Those businesses have often struggled to pass on rising costs to their customers. “I’m so jealous of workers at companies like Toyota,” said Takehiro Kato, who works at a truck maker where wages have hardly risen. His employer recently paid out a one-time allowance to help counter inflation, but that’s it. “You can’t count on money like that, because you don’t know when you’ll get another such payment again,” he said. It remains to be seen whether the higher wage trend will be sustainable, let alone create the “virtuous cycle” of stronger economic growth and 2% inflation long sought by Japan’s central bank. The central bank attaches great importance to wage growth for achieving sustainable inflation, arguing that recent price rises have been from external factors such as higher import costs, rather than improving domestic demand. In the last year, it has been a standout among major central banks in keeping to ultra-low interest rates. Japan’s economy narrowly averted a recession in the final months of 2022 amid frail consumption. “Rather than a change in the stance of companies, this is more a case of a temporary reaction to unexpected and historically high prices,” said Takahide Kiuchi, a former Bank of Japan board member who is now executive economist at Nomura Research Institute. “It is unlikely that wage hikes will just continue next year and after regardless of what happens with prices.” Ahead of the talks, big companies had been expected to raise wages by around 2.85%, according to a survey of 33 economists taken by Japan Economic Research Center (JERC). The talks cover both base and bonus pay.

Egypt devaluation calls grow louder, longer as crunch time nears

Bloomberg
Cairo

Traders are on a record-long streak of hedging against a decline in the Egyptian pound as some Wall Street banks warn growing pressures on the currency could soon force the central bank’s hand in allowing another devaluation. Time may be short for a country facing what Citigroup Inc said is growing pent-up demand for dollars that won’t ease without more currency flexibility and stronger investment flows. Half measures haven’t been enough, stalling deals and resulting in an underperformance of Egypt’s bonds. The market verdict also reflects scrutiny of Egypt’s pledge in October to move to a flexible exchange rate, which helped it clinch a \$3bn deal with the International Monetary Fund. But the pound has been on a short leash for weeks as a dire inflation outlook at home becomes a focus for authorities, especially after hiking fuel prices and with only days left before the holy month of Ramadan. Accelerating in-

flation is adding pressure on the currency, which has traded “relatively flat” since the January devaluation “despite clear signs of ongoing FX liquidity shortages,” Farouk Soussa, an economist at Goldman Sachs Group Inc, said in a note. Ahead of the first review of the IMF’s programme this month, the derivatives market is signalling a deeper slide in the pound even after three devaluations in the past year lopped off almost half its value. The one- and 12-month contracts on the currency in the non-deliverable forwards market posted their 10th week of losses in the five days through Friday, the longest such streak in data going back to 2007. In another measure of expectations for a devaluation, Commercial International Bank’s depository receipts on the London Stock Exchange are trading at a 14% discount to their shares in Cairo. Egypt will need to loosen its grip on the pound “sooner, rather than later,” said Edwin Gutierrez, head of emerging-market sovereign debt at abrdn in London. “It’s still a very managed currency, which

is not what the fund wants to see — or emerging-market debt managers for that matter,” Gutierrez said. “The equilibrium is for a weaker currency, which would cause higher inflation, as they aren’t getting any capital inflows.” The Arab world’s most populous nation is struggling again to clear out billions of dollars of imports that have remained blocked at its ports. That’s created an unfulfilled demand for hard currency and worsened the fallout of Russia’s invasion of Ukraine on one of the world’s biggest buyers of commodities such as wheat. The backlog is currently estimated at around \$4bn, from as low as \$2.5bn in January, according to Citigroup. Reflecting a deterioration in confidence, foreign-currency deposits increased in January by the most since July, it said in a report last week. Facing investor impatience and doubts over progress in pursuing asset sales, the government said it will begin the process of offering two military-affiliated companies this week, and is planning to put

forward another four large firms. The central bank may have to raise interest rates by as much as 300 basis points when it meets later this month, after February’s inflation far surpassed forecasts, according to Goldman Sachs. In February, policymakers defied most analysts’ expectations by leaving borrowing costs unchanged for the first time since September, saying they were assessing the impact of a combined 800 basis points of increases in 2022. While posing a risk for inflation, a weaker pound would help ease pressure on Egypt’s balance of payments and make the funding gap more manageable. In the non-deliverable forwards market, the one-month contract on the pound has weakened about 4% since the end of February to 32.6 per dollar, while the 12-month contract is at around 38. Non-deliverable forward contracts allow investors to take a view on the exchange rate and settle the difference between the agreed rate and the actual price in dollars. The pound traded at almost 31 versus the dollar on Monday. It’s weakened about 2%



A man counts Egyptian pound banknotes at a currency exchange shop in downtown Cairo (file). Traders are on a record-long streak of hedging against a decline in the Egyptian pound as some Wall Street banks warn growing pressures on the currency could soon force the central bank’s hand in allowing another devaluation.

since end-January, less than declines seen in the Russian rouble, Argentina’s peso, the Zambian kwacha and South Korea’s won. The Egyptian currency’s real effective exchange rate is 23% cheaper than its 10-year average, according to Citigroup.

ECB to gather amid growing dissonance over interest rate path

Bloomberg
Frankfurt

When the European Central Bank sets interest rates today, attention will be on the increasingly acrimonious path that lies ahead.

Despite its insistence on decisions being taken “meeting by meeting,” investors have grown accustomed to getting a preview of where borrowing costs are likely to head in the ensuing weeks and even months.

But with officials bickering over how much guidance is appropriate and what measure of inflation they should focus on, providing a clear message will prove trickier than at any point in what’s already the most forceful bout of monetary tightening of the euro era.

The collapse of US bank SVB adds another element of uncertainty and has pushed down investor bets on how high rate will rise. So far, European officials don’t see contagion risks. French Finance Minister Bruno Le Maire on Monday described the situation in the US as “unique,” highlighting the lender’s ties to the tech sector, which is much smaller in Europe.

But money markets are pricing a lower peak in the ECB’s deposit rate of below 3.75% for the first time in almost a month. They’re also a little less sure about this week’s planned half-point hike, though that move is still widely expected after Feb-



The European Central Bank headquarters in Frankfurt. When the ECB sets interest rates today, attention will be on the increasingly acrimonious path that lies ahead.

ruary’s dire reading for eurozone underlying inflation.

Even before SVB blew up, tensions among rival factions within the 26-member Governing Council over the path beyond March were spilling out into the open. After Austria’s Robert Holzmann last week urged four more hefty rate rises, Italian central bank chief Ignazio Visco slammed colleagues advocating “prolonged” increases.

Such public sparring throws into question whether ECB policymakers can present a “unified picture” of their monetary-pol-

icy roadmap, warns Joerg Angele, an economist at Bantleon in Zurich. “While the hawks keep calling for new interest-rate hikes with reference to the core inflation rate, the doves are now increasingly speaking out and calling for a cautious approach,” he said.

Fresh gross domestic product and inflation projections through 2025, also due Thursday, probably won’t settle that debate.

Analysts polled by Bloomberg see forecasts for headline price gains being lowered from last

quarter’s outlook after a plunge in energy costs. The path for core inflation, though, may be revised higher — at least in the near term.

That risks intensifying a debate that was already underway in February, according to an account of that month’s gathering. Officials discussed how much weight to place on the underlying gauge, with one argument being that “some elements of core inflation could move quite quickly.”

Such uncertainty is reflected in analysts’ views of how far the

ECB must tighten. The median estimate in a Bloomberg poll this month was for a 3.75% peak in the deposit rate — up from 2.5% now — with three quarter-point steps to follow the upcoming bigger move.

“Given we know what’s going to happen this week, of course we’re all looking for signals on May,” said Karsten Junius, chief economist at Bank J Safran Sarasin. “But the Governing Council should resist the temptation to tell us what’s going to happen, because two months is a long time. We’ll have two more inflation readings by then.”

Resilient European output could slow the moderation in those figures. Jobs markets have held up especially well, pushing labour unions to seek double-digit pay boosts that would compensate lost purchasing power.

For Ulrike Kastens, an economist at asset manager DWS, such signals — alongside the worrying data on underlying prices — mean the ECB must “give a hawkish message that it takes the inflation problem seriously.”

“The hawks will probably push for some form of guidance that another half-point hike will come in May and we expect President Christine Lagarde to indicate that a further significant increase in rates is likely to be needed, although all decisions will remain data dependent,” say David Powell and Maeva Cousin, analysts at Bloomberg.

QSE MARKET WATCH

Company Name	Lt Price	% Chg	Volume
Zad Holding Co	14.45	1.05	6,000
Widam Food Co	1.29	-1.75	428,664
Vodafone Qatar	1.66	1.03	2,309,469
United Development Co	1.04	-0.95	1,080,934
Salam International Investment	0.52	0.39	3,096,294
Qatar & Oman Investment Co	0.52	-3.89	698,600
Qatar Navigation	8.59	-2.40	554,335
Qatar National Cement Co	4.01	-3.03	137,550
Qatar National Bank	15.66	-0.57	3,836,988
Qim Life & Medical Insurance	3.24	-0.03	16,647
Qatar Islamic Insurance Group	8.52	0.24	7,460
Qatar Industrial Manufacturing	2.85	1.75	1,565
Qatar International Islamic	9.56	-5.80	1,148,158
Qatari Investors Group	1.77	-1.67	1,591,848
Qatar Islamic Bank	17.61	0.46	1,201,594
Qatar Gas Transport (Nakilat)	3.20	1.59	3,175,564
Qatar General Insurance & Reinsurance	0.85	-5.03	249,072
Qatar German Co For Medical	0.88	-2.44	3,162,668
Qatar Fuel Qsc	16.21	-1.76	461,321
Lesha Bank Llc	0.82	-0.84	873,048
Qatar Electricity & Water Co	16.40	-5.91	1,501,618
Qatar Exchange Index Etf	10.17	0.25	15,200
Qatar Cinema & Film Distribution	3.30	0.00	-
Al Rayan Qatar Etf	2.30	-0.35	286,068
Qatar Insurance Co	1.56	0.00	4,941,471
Qatar Aluminum Manufacturing	1.64	-1.26	4,509,445
Ooredoo Qpsc	8.71	-0.46	1,068,819
Aljarah Holding Company Qps	0.63	-0.63	1,002,175
Mazaya Real Estate Development	0.55	-2.50	8,410,216
Mesaieed Petrochemical Holding	2.00	-2.10	2,501,937
Mekdam Holding Group	7.40	0.86	417,567
Al Meera Consumer Goods Co	14.70	0.00	186,153
Medicare Group	6.00	0.00	-
Mammal Corporation Qsc	5.68	-0.40	346,186
Masraf Al Rayan	2.59	-1.03	9,741,487
Industries Qatar	14.12	0.43	5,258,821
Inma Holding Company	3.02	-3.02	187,299
Estithmar Holding Qpsc	1.76	-1.40	9,072,286
Gulf Warehousing Company	3.78	6.87	63,177
Gulf International Services	1.65	-1.73	3,407,830
Al Fahh Education Holding	1.06	1.83	30,212
Ezdan Holding Group	0.84	-1.18	1,217,534
Doha Insurance Co	1.98	0.00	-
Doha Bank Qpsc	1.56	-4.17	4,040,116
Diala Holding	0.71	-0.28	400,113
Commercial Bank Qsc	6.11	-0.89	3,257,916
Barwa Real Estate Co	2.76	-0.90	1,255,573
Baladna	1.30	-0.76	1,047,760
Damaan Islamic Insurance Co	3.80	0.53	8,741
Al Khaleej Takaful Group	1.88	1.19	315,347
Aamal Co	0.88	-0.90	23,067
Al Ahli Bank	3.92	0.26	164,216

Russia’s oil revenue sinks as price cap bites: IEA

AFP
Paris

Russia’s oil-export revenue sank by almost half in February compared to last year as Western powers tightened sanctions on the country, the International Energy Agency said on Wednesday.

The country earned \$11.6bn from its oil exports last month after the European Union imposed a ban on Russian petroleum products alongside a price cap agreed with the Group of Seven and Australia, according to the IEA.

This was down from \$14.3bn in January and a 42% drop from \$20bn in February last year. Russia, however, was still shipping “roughly the same” amount of oil to world markets, according to the IEA, which advises wealthy nations.

“This indicates that the G7 sanctions regime has been effective in not restricting global crude and product supplies, while simultaneously curtailing Russia’s ability to generate export revenue,” the IEA said.

Russian oil exports fell by 500,000 barrels per day to 7.5mn bpd in February, with a big drop in shipments to the EU, but it was still near pre-war levels.

“Recent tanker tracking data suggest that Moscow has managed to re-route most of

the barrels previously destined for the EU and US to new outlets in Asia, Africa and the Middle East,” the IEA said.

Shipments to the EU plunged by 760,000 bpd to just 580,000 bpd, the IEA said.

Over the past year, 4.5mn bpd of Russian oil that used to go to the EU, North America and other members of the OECD had to find new customers, the Paris-based agency said.

China and India took in more than 70% of Russian crude exports last month, the IEA said.

“Willing buyers in Asia, namely India and, to a lesser extent, China, have snapped up discounted crude oil cargoes, but increasing volumes on the water suggest the share of Russian oil in their import mix may be getting too big for comfort,” it added.

As for petroleum products, “a more diverse set of buyers” has emerged as exports to the EU and G7 fell by almost two mn bpd compared to pre-war levels in February, the IEA added.

Exports to Asia grew by less than 300,000 bpd while shipments rose by 300,000 bpd in Africa, 240,000 bpd in Turkey and 175,000 bpd in the Middle East. “It remains to be seen if there will be sufficient appetite for Russian oil products now that the price cap is in place or if its production will start to fall under the weight of sanctions,” the IEA said.

Asia markets rally as bank worries ebb, Fed rates back in view

AFP
Hong Kong

Asian markets bounced yesterday as concerns about contagion from the collapse of two US regional lenders eased while investors turned their attention back to next week’s Federal Reserve interest rate decision.

Banks rallied in early exchanges after taking a battering the previous two days in reaction to the demise of Silicon Valley Bank and Signature Bank at the weekend, which were the biggest casualties since the global financial crisis.

But investor worries were soothed by the swift response from US authorities to pledge all depositors would get their cash and that other lenders would be given support.

The run on deposits at SVB and Signature — as well as crypto bank Silvergate Capital, which went under earlier in March — led ratings agency Moody’s to cut its outlook for the US banking system to negative from stable.

Still, the mood on trading floors was less fraught than at the start of the week, with banks enjoying a much-needed lift.

Japan’s Sumitomo Mitsui Financial gained more than 3% and Mitsubishi UFJ Financial put on almost 5%, while South Korea’s Hana Financial Group was up more than 2%.

HSBC gained more than 3%.

On broader markets, Asia tracked a surge on Wall Street that was led by banks, though they pared morning rallies.

Hong Kong, Singapore, Seoul, Taipei and Manila all put on more than 1%, while Bangkok was more than 2% higher.

Shanghai, Sydney, Mumbai and Wellington were also up, while Tokyo and Jakarta were flat.

Traders offered little reaction to data showing Chinese retail sales rebounded in January-February thanks to the lifting of zero-Covid restrictions and as the country celebrated Lunar New Year.

With the temperature over US banking lowered, traders were able to turn their attention back to inflation and the Federal Reserve’s plans for interest rates.

With the sharp rise in borrowing costs said to have helped cause the SVB crisis, the Fed has come under pressure not to pile any more misery on other lenders with another round of big hikes.

Forecasts last week were for a 50-basis-point increase on March 22, but traders have now lowered their bets to 25 points.

Japan’s Nomura even suggested it could announce a cut.

Data Tuesday showing US consumer prices rose 6% last month — in line with forecasts and a further slowdown but still way above the Fed target — did little to dissuade those expectations.

However, there is a feeling the bank will not go as high as thought last week.

“Policymakers may still feel forced to press pause on rates, despite evidence the hot inflation is still a risk, unwilling to be blamed for making a bad situation worse,” said Hargreaves Lansdown’s Susannah Streeter.

“While smaller banks remain under pressure, there are concerns that bigger banks could become more risk averse in lending, which could dip the economy

into a sharper downturn.” And OANDA’s Edward Moya added: “Obviously, given the market turbulence over the past week, it is no surprise that expectations for the (Fed) meeting on March 22 are all over the place, but Nomura’s call might be a bit of an overreaction to the news that came out over the weekend.

“Many banks have abandoned their rate hike calls and are expecting the Fed to pause.”

The more upbeat mood on trading floors was also providing support to oil prices, which have been battered by concerns of a possible recession in light of the SVB upheaval.

Both main contracts dived more than 4% Tuesday, but they enjoyed gains of around 1% in early Asian business.

“Oil markets are looking straight into that recession tunnel as energy traders draw a straight line to prior bank sector-driven recessions,” said SPI Asset Management’s Stephen Innes.

“Especially the 2008 financial crisis, which has similar overtones to the current financial tumult and when oil tanked.”

A \$13bn plunge in bond sales hints at pain for EM credit

Bloomberg
London

The pipeline of company debt from emerging markets is running dry as major central banks continue to raise borrowing costs and investors grow increasingly wary after a series of high-profile corporate blowups. Businesses from developing economies have sold just \$60bn of global bonds so far this year — a drop of about 18%, or \$13bn, from the same period of last year, according to data compiled by Bloomberg. That’s the smallest sum to start any year since 2016, just after the Federal Reserve embarked on its last rate-hiking cycle.

This time, the world’s most-influential monetary authority is sounding even more aggressive as it seeks to tame runaway inflation.

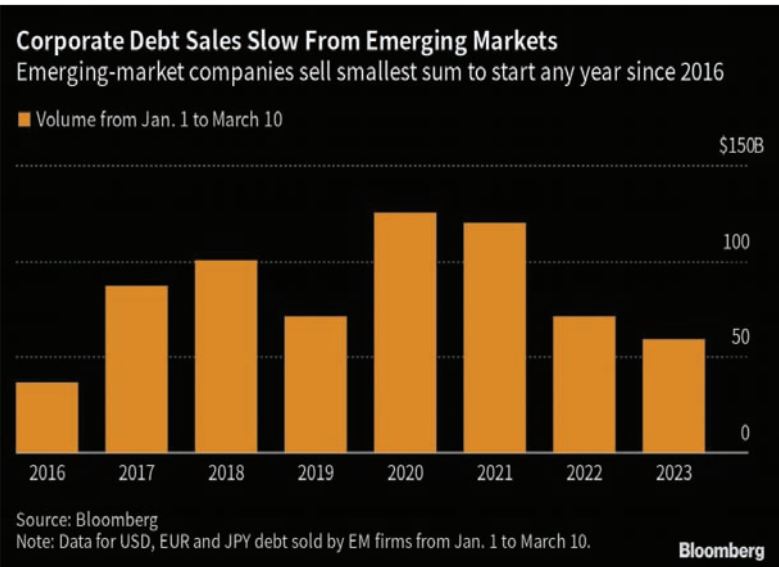
That, and Wall Street’s waning conviction in emerging markets following corporate meltdowns at India’s Adani Group and Brazil’s Americanas SA, have analysts flagging the risk of a second-straight year of limited capital markets access — and the trouble that could cause for highly-indebted firms.

“The market isn’t open to most of our issuers,” said Siby Thomas, a portfolio manager specialising in emerging-market corporate debt at T Rowe Price. “You’re seeing this bifurcation in the market where the companies that want to issue can’t because it’s too expensive, and the higher-rated ones that can issue don’t want to because they can afford to wait.”

Issuance from both emerging-market firms and US high-yield companies had soared in the first years of the pandemic as policymakers pushed down borrowing costs to prop up their economies. But that trend ended as the Fed and other major central banks embarked on a fight against persistent price pressures last year.

“Corporates tend to pro-actively manage their upcoming maturities a couple of years in advance, and took advantage of the low yields during 2020 and 2021,” said Sara Grut, an analyst at Goldman Sachs Group Inc. “On some level, the current environment is just the flip side of that issuance.”

While junk-rated US firms have been able to maintain some access to the bond market, with total issuance up roughly 5% this year from the same



period of 2022, similarly-rated companies from developing nations haven’t been so fortunate.

That’s left some companies in a tricky situation. While investment-grade borrowers can often carry on without the help of foreign bondhold-

ers, there are fewer options for junk-rated firms with higher leverage ratios and generally riskier outlooks.

Companies in need of cash may have to turn to domestic debt markets, private placements or multilateral financing sources, according to Lisandro

Miguens, head of debt capital markets for Latin America at JPMorgan Chase & Co. “Financial markets are very volatile as a result of Fed rates uncertainty, and EM corporates are no exception,” he said. Firms “need to adapt their financing strategy to this reality and be ready to act accordingly.”

Wall Street has already begun to take a more cautious approach to developing-market assets as an early-year rally fades and a soft landing for the global economy appears. Sentiment has soured in developed markets, too, after Silicon Valley Bank became the biggest US lender to fail in more than a decade.

Emerging-market dollar bonds tumbled 2.2% in February, paring their year-to-date returns to just 0.6%, according to data compiled by Bloomberg. In comparison, a gauge of US high-yield debt is up 2.2% this year.

With juicy yields available in more-mature markets, the incentive is lower for investors to take on extra risk, according to Akbar Causser, a portfolio manager at Eaton Vance Management focused on emerging-market debt.

“The bar for everything else is high” when US Treasuries offer attractive yields, he said. And while a meltdown

in assets tied to Adani’s sprawling business empire after a short-seller report and an accounting scandal at Brazilian retailer Americanas aren’t indicative of the asset class overall, they certainly raised eyebrows among some money managers in emerging-market corporate debt.

A dobbing 77% of new corporate bond deals from the developing world this year have come from investment-grade issuers, according to data compiled by Bloomberg. Companies from China have been the most active in global debt markets, followed by those in Saudi Arabia and South Korea, the data show.

From here, the question is when the spigot for emerging-market corporate debt will reopen. An eventual end to the Fed’s tightening efforts will make borrowing easier, said Omotunde Lawal, a portfolio manager at Barings Ltd.

The timing, of course, is still uncertain. In the meantime, only the most well-prepared emerging issuers will be able to sell debt in the brief periods of market respite, said Andres Copete, a director for Latin America in the debt capital markets business at Deutsche Bank AG.

Masraf Al Rayan shareholders meeting endorses agenda items

Masraf Al Rayan held the Annual General Meeting yesterday. At the AGM, the shareholders endorsed the financial statements for the fiscal year ended at 31 December 2023 that reflect a net profit after tax of QR1.34bn. HE Sheikh Mohamed bin Hamad bin Qassim al-Thani, Masraf Al Rayan chairman presented the Board of Directors' report on the Bank's activities and financial position for the year that ended on December 31, 2022 and future plans. Commenting on the 2022 activities, Sheikh Mohamed said, "2022 was a turning point for MAR subsequent to the merger. We successfully completed the operational integration which helps to drive agility across the business and improve our service offering to our valued clients. "We have also launched Sustainable Finance Framework – Qatar's first Shariah-compliant green deposit and Islamic sustainable financing framework. Moreover, we have increased our Foreign Ownership Limit



HE Sheikh Mohamed bin Hamad bin Qassim al-Thani, Masraf Al Rayan chairman presented the Board of Directors' report on the bank's activities and financial position for the year that ended on December 31, 2022 and future plans, at the Annual General Meeting yesterday.

(FOL) to 100%, which will assist to boost the bank's weight in major indices." On future plans, he added, "We intend to fully embrace all the tenets of Environmental, Social, and Governance (ESG), recognising that its associated opportunities and risks are becoming increasing important to financial institutions and the industry at large. MAR is fully committed to making a positive contribution to society, minimising its environmental impact in

line with Qatar's national climate change action plan aspirations, and to facilitating and promoting sustainable green financing. "We will take our rightful role in leading Qatar's banking sector in the digital economy era embracing

all technology advancements to bring to market the very best of Fintech products for customer convenience and service excellence. We will also continue our efforts to develop Qatar's human resource potential and contribute to creating a knowledge-based economy to ensure our national talents are empowered to be tomorrow's successful industry leaders, role models and responsible and committed citizens. "We will simultaneously nurture our close, and expanding, relationships and have our eyes firmly focused on attaining the status of being the Islamic bank of choice to support Qatar's national vision ambitions." During the meeting, MAR shareholders reviewed and endorsed the respective reports of the Sharia Supervisory Board and the external auditors on the bank's accounts for the fiscal year 2022. They considered and endorsed the financial statements for the fiscal year 2022 as presented to the meeting and approved the Board's proposal to distribute a cash dividend equal to 10%

of the share nominal value ie QR0.10 per share for the financial year that ended in December 2022 including the appropriation of the remaining profits as proposed in the audited financial statements. The AGM also selected the new Board of Directors for the new term 2023-2024-2025 as follows: HE Sheikh Mohamed bin Hamad bin Qassim al-Thani, appointed by Qatar Investment Authority/Qatar Holding, Sheikh Hamad bin Faisal bin Thani al-Thani, appointed by Qatar Investment Authority/Qatar Holding, Turki al-Khater, appointed by General Authority for Retirement and Social Insurance, Nasser Jaralla al-Marri, appointed by Qatar Armed Forces Portfolio/Barzan Holding, Abdulla Nasser al-Misnad, Independent member, Mohamed al-Saadi, Independent member, Abdulla Hamad al-Misnad, Independent member, Abdullrahman al-Khayareen, Mohamed Jaber al-Suleiti, Sheikh Ali bin Jassim al-Thani, Sheikh Nasser bin Hamad al-Thani and Abdulla al-Malki.

Al-Kuwari leads Qatar delegation to 2nd Financial Sector Conference in Riyadh



HE the Minister of Finance Ali bin Ahmed al-Kuwari is heading Qatar's delegation, which is participating in the Second Financial Sector Conference at Riyadh in Saudi Arabia. The two-day conference until March 16 is being held under the theme "Promising financial horizons", and attended by ministers and dignitaries from across the region. The conference includes four main axes: Enabling financial institutions to support the growth of the private sector, developing an advanced financial market, promoting and enabling financial planning and supporting financial technology companies. During the conference, minister al-Kuwari will also hold several bilateral meetings with a number of financial institutions and international banks that contribute to strengthening bilateral relations and exploring areas of joint co-operation.

QatarEnergy discusses achievements, vision and strategy at Annual Leadership Forum

QatarEnergy held its Annual Leadership Forum, bringing its most senior leaders together for a meaningful discussion of achievements, vision and strategy, and creating an important space for QatarEnergy leaders to engage and interact with HE the President & CEO as well as with his executive leadership team. In remarks at the opening of the forum, HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, also the President and CEO of QatarEnergy, expressed pride in QatarEnergy's leadership teams and said, "It is through our strong and resilient leadership QatarEnergy successfully made significant strides towards realising its vision." Citing milestone performance and achievements in the upstream, downstream, and sustainability and environmental responsibility on the local and international levels, al-Kaabi highlighted QatarEnergy's unprecedented growth and particularly the North Field expansion projects, which will take Qatar's LNG production from 77mm tonnes per year to 126mm tonnes,

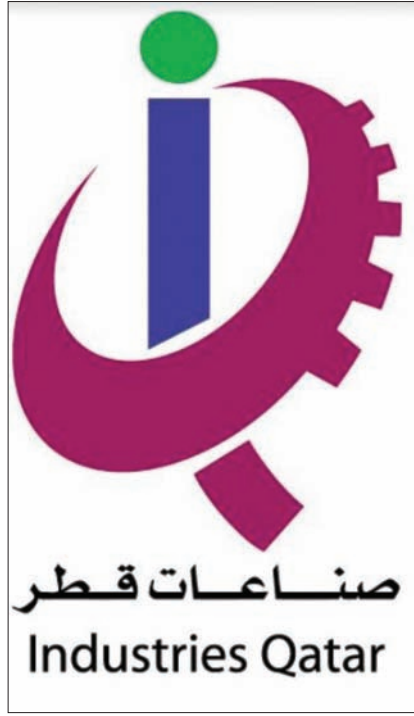


QatarEnergy held its Annual Leadership Forum, bringing its most senior leaders together for a meaningful discussion of achievements, vision and strategy, and creating an important space for QatarEnergy leaders to engage and interact with HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, also the President and CEO of QatarEnergy as well as with his executive leadership team.

and the impact this growth has had on its transformation into one of the world's best energy companies. "These great achievements, which we have celebrated and continue to celebrate, are enabling the realisation of our vision to strengthen the position of QatarEnergy and the State of Qatar on the global energy map. However, this is a journey that does not come without challenges, which will certainly require us to continuously challenge our ways of working and become more innovative

in how we adapt to our new business environment," al-Kaabi noted. Al-Kaabi invited the leadership team to develop an adaptive mind-set that continuously aims for superior performance and focuses on excellence. The minister later engaged in a dialogue session with the participants, during which he answered their questions and provided a comprehensive overview of the important developments in the energy industry and the outlook in light of those developments.

IQ plans QR11bn capital expenditure for 2023-27



By Santhosh V Perumal
Business Reporter

Market heavyweight Industries Qatar (IQ) – the holding entity of Qatar Petrochemicals, Qatar Fertiliser and Qatar Steel – has planned capital expenditure (capex) of QR11bn for 2023-27. A "significant" portion of this spending will be related to the new blue ammonia train, amounting to QR4.4bn, and IQ's share of capex in the new PVC (polyvinyl chloride) project, amounting to QR121mn. Valued at approximately \$1.06bn being fully internally funded, the new train will have a designed capacity of up to 1.2mn tonnes per annum (MTPA) of Blue ammonia, making it the world's largest facility," HE the Minister of State for Energy Affairs and IQ Chairman and Managing Director Saad bin Sherida al-Kaabi said in the board of directors report presented during the general assembly. "There is no doubt that this project further add on our expertise in commissioning, operating, and maintaining ammonia plants," he told shareholders at the

meeting, which approved all the items on the agenda. The group will continue to focus on its capex programmes with critical importance to improve asset integrity, operational efficiency, reliability, cost optimisation, capacity de-bottlenecking, and regulatory compliance, according to Abdulla Yaaqob al-Hay, acting manager Privatised Companies Affairs Department, QatarEnergy. In terms of capex over the next five years, Qatar Fertiliser is expected to incur QR9.2bn in various projects, including a new ammonia train. As per the capex plan, QR4.4bn will be spent in relation to the new ammonia train. In addition, other expenditures will include maintenance related shutdowns. The EPC (engineering, procurement and construction) contract for the new Ammonia-7 train was awarded to a consortium of ThyssenKrupp and Consolidated Contractors Company. The new train is intended to be operational by the first quarter of 2026. The fertiliser segment spent QR729mn in capex in 2022. This includes initial capex relating to the new blue ammonia

train (QR35mn). About Qatar Petrochemicals, it said in terms of capex over the next five years, the segment is slated to spend QR1.3bn on various projects. As per the capex plan, QR440mn will be spent in relation to the new PVC project in form of capex. As per the Principles Agreement, the total capex outlay relating to the new PVC plant will be shared between IQ and Mesaieed Petrochemical Company in a ratio of 44.8% and 55.2%, respectively; equivalent to their share in Qatar Vinyl Company based on a new joint venture agreement. The segment had seen capex of QR371mn in 2022, primarily related to maintenance-related expenditures, routine fixed asset additions, and HSE improvements. This also includes IQ's share of QR71mn towards capex on the new PVC project. Qatar Steel is expected to incur QR0.5bn in capex in 2023-27 in various projects including asset replacements, HSE and reliability improvements. The segment incurred a capex of QR62mn in 2022, primarily related to routine property, plant and equipment additions.

IPA Qatar and Knight Frank partner to attract global investors to Qatar's real estate sector

The Investment Promotion Agency Qatar (IPA Qatar) has partnered with Knight Frank, a UK-based global real estate consultancy to showcase Qatar's real estate industry to international investors. During the global real estate event, MIPIM 2023, currently being held in France, Sheikh Ali Alwaleed al-Thani, chief executive officer of IPA Qatar, and James Lewis, managing director, Knight Frank Middle East signed a memorandum of understanding (MoU) at the Qatar pavilion to promote Qatar's real estate sector on a global scale and attract foreign investment. "The partnership with Knight Frank is a fantastic opportunity for us to leverage each other's strengths to expand the reach of Qatar's real estate market worldwide. We look forward to working closely with Knight Frank to support Qatar's economic diversification goals and to showcase the country as an attractive destination for foreign investment," Sheikh Ali said. This collaboration builds upon Knight Frank's recent establishment of an office in Doha to provide integrated residential and commercial real estate transaction, consultancy and management services for local and foreign investors. Through this bilateral cooperation, Qatar's liberalised property ownership reforms, sustainable residential developments and lucrative commercial real estate will be

showcased to Knight Frank's global network of clients and investors. Furthermore, Knight Frank will collaborate with IPA Qatar and other Qatari stakeholders to provide insights into global real estate trends, facilitating the exchange of knowledge between the entities. "Coupling Knight Frank's global reach and expertise with IPA Qatar's knowledge of Qatar's real estate industry, this collaboration will enable us to present the country's thriving property market and lucrative investment opportunities to a wider audience. We are proud to support Qatar's economic diversification goals and excited to work closely with IPA Qatar and other Qatari stakeholders to promote the country as an exceptional destination for foreign investment," Lewis said. Qatar's realty market has experienced a rapid transformation in recent years, with significant growth and development across various subsectors. The country's thriving economy and ambitious vision have paved the way for a range of exciting projects, including residential properties, commercial and retail spaces and infrastructure. According to the International Monetary Fund report, the foreign investment is on the rise in the real estate sector, with investors attracted by the country's business-friendly environment, stable political climate and attractive investment opportunities.



IPA Qatar and Knight Frank sign MoU to attract global investors to Qatar's real estate sector.

Lower food, restaurant prices drag Qatar's inflation m-o-m in Feb: PSA

By Santhosh V Perumal
Business Reporter

Qatar's inflation, based on consumer price index (CPI), was down 0.06% month-on-month in February 2023, mainly dragged by lower food and restaurant prices, according to the official estimates. However, the country's CPI inflation was higher by 4.41% on an annualised basis this February, said the figures released by the Planning and Statistics Authority (PSA).

The country's core inflation (excluding housing and utilities) rather rose 0.09% and 3.37% month-on-month and year-on-year

respectively during the review period. "The average inflation will ease substantially this year to 2.3%, less than half the average pace of 5% in 2022," said the latest Economic Insight report for the Middle East, commissioned by the Institute of Chartered Accounts in England and Wales or ICAEW and compiled by Oxford Economics. The restaurants and hotels group, with a 6.61% weight, saw its index shrink 2.12% on a monthly basis but shot up 4.45% year-on-year in February 2023, the PSA said. Food and beverages group, which carry 13.45% weight in the CPI basket, became cheaper by 1.45% and 1.29% month-on-month and year-on-year respectively in February 2023. The index of clothing and footwear,

which has a 5.58% weight in the CPI basket, declined 0.8% month-on-month but gained 0.7% on a yearly basis in February 2023. The index of housing, water, electricity and other fuels – with a weight of 21.17% in the CPI basket – was down 0.62% month-on-month but showed an 8.94% growth year-on-year in February 2023. The index of miscellaneous goods and services, with a 5.65% weight, was down 0.28% and 0.23% month-on-month and year-on-year respectively in the review period. However, the index of recreation and culture, which has an 11.13% weight in the CPI basket, was seen gaining 3.75% and 20.8% month-on-month and year-on-year

respectively in February 2023. The index of transport, which has a 14.59% weight, grew 0.24% and 2.38% on monthly and yearly basis respectively in February 2023. The sector has the direct linkage to the dismantling of the administered prices in petrol and diesel as part of the government measures to lower the subsidies. The index of furniture and household equipment, which has 7.88% weight in the CPI basket, was up 0.11% month-on-month but fell 0.04% on an annualised basis this February. Communication, which carries a 5.23% weight, saw its group index tread a flat path month-on-month but shrank 4.84% year-on-year in the review period.



‘Riyadh Air’ to face Gulf neighbours in battle for transit passengers



By Alex Macheras

Saudi Arabia has launched the kingdom's new "global airline" — Riyadh Air, a state start-up owned entirely by the nation's sovereign wealth fund to compete directly from its Riyadh hub with neighbouring airline giants Emirates, Qatar Airways, and Turkish Airlines.

The kingdom is actively upgrading its aviation infrastructure as part of a broader strategy to diversify its economy

and move towards its vision of becoming a global aviation transit point, targeting passengers flying between East and West, while encouraging stopovers to experience the fast-growing tourism sector of Saudi Arabia.

Riyadh Air, which will be based in the capital, aims to fly to 100 destinations by 2030, and the government announcement stated the carrier "will be a world-class airline, adopting the global best sustainability and safety standards."

The airline is wholly-owned by the Public Investment Fund (PIF), which has more than \$600bn in assets and is the main driver of the kingdom's efforts to diversify its economy and wean itself off oil.

In its attempt to go on to replicate, and then build on the successes of its established Gulf hub airline neighbours, the new Saudi airline enters an increasingly crowded and competitive market — albeit much later than their regional neighbours.

Going head-to-head in the battle for international transit passengers, Riyadh Air will face Emirates of Dubai, along with Qatar Airways of Doha, Turkish Airlines of Istanbul, Etihad Airways of Abu Dhabi, and other carriers in the region focused on flying passengers around the world

via their respective Middle East hubs. Over the last 20 years Middle Eastern airlines have leveraged their geographic positions as a gateway between Europe, Asia, and Africa. 80% of the world's population is within a 7-hour flight from Qatar and the United Arab Emirates, and brief layovers in the Gulf are common for many long-haul travellers. Riyadh Air is hoping to take a slice of the transit market by attracting passengers from competitor airlines with new aircraft, premium cabins, Saudi hospitality, and an aggressive tourism campaign to encourage stopovers in the kingdom.

The carrier will also face competition from established major airlines already luring passengers away from the traditional stopover concept by offering ultra-long haul, nonstop flights with new comfortable cabins, such as Australia's Qantas, and Singapore Airlines.

Just last month, commercial aviation history was made when Air India announced the largest airline jet order in history, an agreement to buy 470 jets from both manufacturing rivals Airbus and Boeing, betting on a rapid expansion of global air travel, and positioning itself to offer the millions of passengers currently flying to/from India via the

Gulf, a new aircraft experience, nonstop alternative.

In Saudi Arabia, Riyadh Air will operate alongside the existing state-owned national airline Saudia and will not replace it, the kingdom confirmed. It's unclear if the two will go on to overlap each other in international markets, or if Riyadh Air will eventually go on to replace routes currently operated by Saudia.

Tony Douglas, who recently resigned from UAE's national airline Etihad Airways, has been appointed CEO of Riyadh Air, and promised "the new airline reflects the ambitious vision of Saudi Arabia to be at the core of shaping the future of global air travel and be a true disrupter in terms of guest experience. Riyadh Air's commitment to its guests will see the integration of digital innovation and authentic Saudi hospitality to deliver a seamless travel experience."

Yasir al-Rumayyan, the governor of PIF, will be Riyadh Air's board chairman, and Peter Bellw, the ex-chief operating officer at Ryanair and easyJet, has been appointed into the same role at the Saudi airline. Bellw was most recently the chief operating officer at easyJet before suddenly quitting amid immense operational disruption and strike action in July 2022.

Following Riyadh Air's launch announcement, the carrier's leadership confirmed its first commercial airline jet order agreement, a purchase of 39 Boeing 787-9s long haul jets, with options for an additional 33 787-9s. The order was in addition to 49 Boeing 787s designated for Saudia. Boeing did not disclose a timeline for deliveries of the aircraft, but it's expected the new jets will begin to be delivered in early 2025.

The White House said the order is worth almost \$37bn, although that figure does not take discounts that airlines typically receive, especially for large aircraft orders, into account. Saudi Arabia's ambassador to US, Reema bint Bandar al-Saud, described the new Riyadh Air Boeing order as "another step towards our vision of becoming a global transportation hub".

As is becoming increasingly common with state-owned airline aircraft deals, America thanked Saudi Arabia at a state-to-state level for the choice by Saudi to "buy American" with the new jetliner deal. US Secretary of Commerce Gina Raimondo said, "I want to congratulate Boeing and the Kingdom of Saudi Arabia on finalising one of the largest commercial agreements in the history of the

US-Saudi partnership. The announcement will deliver world-class passenger aircraft to the Kingdom of Saudi Arabia and power economic growth and job creation in both countries".

She added "This is a clear win for American manufacturers and workers, supporting more than 140,000 jobs at over 300 Boeing suppliers across 38 states. Moreover, the Kingdom of Saudi Arabia has selected GE Aerospace's GENx engine to power the aircraft, providing billions more in US exports and supporting good-paying American jobs". Under President Biden, America is experiencing a manufacturing renaissance, and agreements like the one announced today underscore the strength of America's private sector, workers, and technology in the competitive global landscape.

While Boeing's CEO Dave Calhoun stated "Boeing won this one"; Tony Douglas, CEO of Riyadh Air confirmed this week that there will be more aircraft orders on the way. Six months ago, Saudi Arabia was in advanced negotiations to order almost 40 A350 jets from Airbus, a deal that could still be in the works.

■ The author is an aviation analyst. Twitter handle: @AlexInAir

Airlines hit further air pockets as 5G rolls out in United States

By Pratap John

Global aviation is facing significant challenges as time is fast running out for airlines to meet proposed regulatory deadlines in the United States to ensure they won't suffer interference from 5G C-band transmissions from towers located near US airports and approach paths.

Recently, the Federal Aviation Administration (FAA) in the United States issued a directive, which gives airlines until July 1 to install new aircraft radar altimeters (RadAlts) or upgrade existing ones with new filters to utilise instrument landing systems at affected US airports.

Furthermore, from February 1, 2024, aircraft that have not been retrofitted with filters or new RadAlts will be banned from operating in US airspace.

RadAlts not only tell an aircraft its height from the ground but also feed into other safety-critical systems that are vital for landing, particularly in poor weather.

An eleventh-hour compromise between the FAA and 5G telecom providers avoided massive flight disruptions in 2022. Under the deal, the telecom providers — AT&T and Verizon — agreed to restrict power levels of their 5G C-band towers near airports and approach paths.

That compromise is set to expire in July, however. In the same month, up to 19 additional telecom providers are expected to introduce 5G services in the C-band and they are not part of the existing, voluntary deal. Airlines have long warned that the fifth-generation wireless technology, widely known as 5G, could interfere with sensitive airplane instruments such as altimeters, significantly hampering low-visibility operations and grounding planes.

FAA, airlines, and manufacturers have cautioned against 5G interference risks since 2018, when the US Federal Communications Commission (FCC) proposed auctioning off the bandwidth to telecom providers.

The industry continued to raise these concerns during and following the auctions, which raised billions of dollars for the US government. Unfortunately, industry concerns went unheeded until late 2022, when they reached the White House, leading to the last-minute compromise.

Since then, airlines have borne the cost of modifying thousands of aircraft to enable them to operate in CAT 2 and CAT 3 landing conditions in the presence of 5G transmissions.

The FAA, meanwhile, has logged about 100 instances of possible interference with RadAlts, although none has resulted in an incident or accident. The FAA estimates the cost of compliance at \$26mn based on



A contractor installs 5G equipment on a light pole near Los Angeles International Airport in California. Global aviation is facing significant challenges as time is fast running out for airlines to meet proposed regulatory deadlines in the United States to ensure they won't suffer interference from 5G C-band transmissions from towers located near US airports and approach paths.

Beyond the Tarmac

\$26,000 per retrofit for approximately 1,000 aircraft. IATA calculations put the cost at twice that amount and if the 6,000 US aircraft that have already been retrofitted to follow FAA recommendations are included, the price soars to more than \$450mn.

If the cost of non-US carriers is also added, the industry outgoing will be close to \$640mn, the association points out.

"The unfairness of this outcome cannot be overstated," says Doug Lavin, IATA's vice president, (Member and External Relations - North America).

"Airlines are having to find and pay for a solution to a problem of somebody else's making. They are blameless yet suffering the consequences. But we want to move forward. We are working hard to find a rational solution." IATA Director General Willie Walsh in a recent letter to US Secretary of Transportation Pete Buttigieg and Acting FAA Administrator Bill Nolen noted, "It is now clear to everyone (the FAA, the aircraft manufac-

tures, the radio altimeter manufacturers, and airlines serving the United States) that many operators will not make the proposed July 2023 ... retrofit deadline owing to supply chain issues, certification delays, and unavoidable logistical challenges."

To date, other than the US, only Laos remains as being of high concern, IATA noted. Laos is at the early stages of 5G development and there is every reason to believe that it will listen to IATA advice on keeping 5G away from the aviation spectrum, according to Stuart Fox, IATA's director, Flight and Technical Operations.

"There is a minor issue in India with carriers unnecessarily advised to contact RadAlt manufacturers about upgrading but there are no safety issues," he says.

At present, Canada has limited 5G C-band transmission power, introduced exclusion zones on an interim basis, and antennas have a national down-tilt requirement. Australia, China, and Japan have all

taken sensible precautions. In Japan, for example, the macro cell power levels are only 4% of that permitted in the United States and the small cell power levels are less than 1%.

In Europe, the dedicated 5G spectrum is in the 3.4GHz to 3.8GHz range, far enough away from that used by radio altimeters.

The power levels are generally far lower too. French transmission power, for example, is ten times lower than that licensed in the United States.

Walsh urged the FAA to develop a project plan that includes milestones agreed to by all involved in the retrofit implementation.

"A well-crafted implementation project plan clearly offers greater opportunities for success than today's decentralised approach. It will also give the telcos a realistic picture as to progress to date and an expectation as to when they can take full advantage of their 5G investment.

"Finally, it will inform the US Government as a whole as to what steps may need to be taken if the current deadlines prove unachievable."

■ Pratap John is Business Editor at Gulf Times. Twitter handle: @PratapJohn

Latin America's largest airline plans return to US capital markets after restructuring

Bloomberg
New York

Latin America's largest airline is planning a return to US capital markets after cutting nearly \$4bn of debt during a years-long restructuring.

Latam Airlines Group SA will seek to re-list its American depositary receipts on the New York Stock Exchange this year after they were suspended during the bankruptcy, Chief Financial Officer Ramiro Alfonsin said in a video interview. It also expects to return to international bond markets next year, he said.

The Santiago-based carrier, which emerged from Chapter 11 in November, is trying to reduce debt-to-earnings ratios even as it adds routes to its network.

"We have a good opportunity for the market to recognize and better understand the new Latam," Alfonsin said. "In 2024, it's likely we'll start to address the question of refinancing."

The company, which operates 310 aircraft and has the largest share of at least four South American markets, was one of three big Latin American carriers to restructure in US bankruptcy courts when the Covid-19 pandemic crippled air travel in 2020.

The company has about \$6.5bn in debt, including more than \$1bn in secured notes due in

2027 and 2029 that were issued as private placements during the restructuring. The notes have each returned 15% since issuance, better than the 7.6% average gain for high-yield airlines, according to a Bloomberg index.

Shares, which never stopped trading in Santiago, have lost 19% since the company exited bankruptcy. Its ADRs have been trading over the counter.

Latam set 2023 guidance for Ebitdar — a standard measure of profitability for airlines — at \$2bn to \$2.2bn, close to the figure it reported in 2019, the last full year before the pandemic. Net debt is forecast to fall to around three times Ebitdar from four times at the end of 2022.

The company has about \$2.3bn in liquidity after securing cash under a new ownership structure that includes stakes held by US investment firms Sixth Street Partners and Strategic Value Partners and international carriers Delta Airlines and Qatar Airways Group.

Latam plans to fly 38 more routes than it did before the pandemic as demand returns. For international ones, it has joined Delta in a joint business agreement, which is "among the most lucrative and least difficult expansion" strategies, according to Stephen Trent, an analyst at Citigroup Inc. who rates Latam as neutral/high risk.



A Latam Airlines aircraft on the tarmac of Arturo Merino Benítez International Airport in Santiago. Latin America's largest airline will seek to re-list its American depositary receipts on the New York Stock Exchange this year after they were suspended during the bankruptcy.

Cathay Pacific CEO outlines rebuild with profit in sight this year

Bloomberg
Hong Kong

After being hit during the pandemic harder than pretty much any airline still flying, Cathay Pacific Airways Ltd has a very good chance of posting a net profit this year and returning to full capacity in 2024, according to chief executive officer Ronald Lam.

Covid-related disruption had such an impact on Hong Kong air travel that on one day in March last year, Cathay flew just 58 passengers. The situation has improved since mandatory quarantine was dropped in September, with Cathay's average daily passenger numbers topping 33,000 in January. But there's more to do before Lam can restore its standing as one of the world's premier airlines.

"It's going to be a little bit of a tunnel to still go through," Lam told Bloomberg Television in one of his first interviews with international media since becoming CEO of the 76-year-old airline on January 1.

Cathay — which was rescued by the Hong

Kong government in 2020, with its business paralysed — is "rebuilding as rapidly" as possible, but it's being constrained by a lack of manpower to cope with the sharp rebound in travel demand, said Lam. He welcomed the news that China would start reissuing tourist visas this week. "I'm very optimistic about the traffic flow," he said.

Cathay's overall passenger capacity should return to about 50% of pre-pandemic levels this month and 70% by year-end, while cargo services — which "kept us alive during Covid" — are expected to be back to 85% by then, Lam said.

"There's quite a lot to rebuild in terms of manpower resources, but I think we're rebuilding according to our plan," he said. "I don't think we are in a crisis mode of any sort."

The staffing challenge is both in the air and on the ground, and not only for Cathay, but for the aviation ecosystem as a whole, Lam said.

The airline has "been scrambling to train" pilots who couldn't fly enough to remain qualified during Covid, when Hong Kong essentially shut down international travel.

While the airline's staff numbers remain below



Ronald Lam, chief executive officer of Cathay Pacific Airways.

2019 levels, even with 3,000 additional hires planned this year, the pandemic changed the way the carrier operates and made it more efficient, Hong Kong-born Lam said. "One of the key objectives is to ensure that we are more

productive and competitive as a group, so we can't just look at headcount. A lot has changed in how we work."

As part of that change, regional brand Cathay Dragon was closed down in 2020, leaving the main carrier and HK Express serving the passenger side. A rebranded Cathay Cargo operates airfreight.

The renewed rush for international travel, not least among people who were stuck in Hong Kong throughout Covid, has left a mismatch in terms of demand for flights and supply of aircraft and staff. That's driven up ticket prices.

"We are already seeing the ticket price coming down gradually and as we rebuild toward 70% by end of this year, I foresee the ticket price will come down further," Lam said.

Among services being revived, Cathay plans to operate four or five Hong Kong-London Heathrow flights a day from the end of this month. Other popular routes include South Korea, Japan and Thailand, while business travel is more encouraging than many would've anticipated, Lam said.

Cathay also needs to reactivate dozens of

planes in its 222-strong fleet that were sent to long-term storage as they weren't being used during the pandemic. Lam said all parked jets should be out of storage by early next year. In the wake of Hong Kong removing Covid travel restrictions, Cathay went on to post its first annual operating profit since 2019 last year and revenue grew 12%. The carrier still recorded a net loss of HK\$71bn (\$905mn), dragged down by associate Air China Ltd.

Lam said there was no plan to change the relationship with Air China, which controls 29.99% of Cathay. "The status quo is working fine for us," he said. Cathay owns more than 16% of the Beijing-based carrier.

Sobie Aviation analyst Brendan Sobie said Cathay should be able to return to profitability this year assuming market conditions and demand remain favourable.

"A profit in the first half even is possible despite their relatively low passenger capacity levels given the current high yield environment," he said. Cathay shares rose as much as 2.2% in early trade Wednesday, trimming declines for the year to 14.3%.