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MIDEAST FEARS | Page 4

# IEA raises 2024 oil demand forecast but lags Opec view



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# GULF TIMES BUSINESS

**SUPPLY-CHAIN CRISIS: Page 3**

# Air strikes on Yemen bring new level of chaos to shipping in southern Red Sea



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# Qatar may post fiscal surplus this year on 'supportive' fiscal environment, says Moody's

**Pratap John**  
Business Editor

Qatar will post fiscal surpluses this year as it has since 2021, Moody's said and noted that for hydrocarbon exporters, its assumption that oil prices will average \$83 per barrel in 2024, unchanged from 2023, implies a supportive fiscal environment, despite restrained oil production.

In the Gulf Co-operation Council (GCC) region and Iraq, continued robust growth in real non-hydrocarbon GDP of around 4% on average will offset subdued hydrocarbon output because of restrained oil production.

The Organisation of Petroleum Exporting Countries and other partners (together Opec+) had agreed to production cuts from November 2022, and some countries such as Kuwait, Oman, Saudi Arabia and the UAE announced further voluntary cuts (from May 2023) with Saudi Arabia imple-

menting even deeper cuts from July 2023.

"In general, we think the unwinding of cuts will be gradual," Moody's noted.

There is a risk that oil production could be cut further from 2023 levels, given the Opec+ announcement at the end of November 2023 that voluntary cuts would continue through the first quarter of this year.

For the GCC, the implementation of large government-led economic diversification projects remains on track given the commitment to reduce long-term reliance on hydrocarbons.

Construction related to fixed investment will spur activity in supporting sectors, while domestic spending will increase as projects are launched or become commercial in phases, particularly those targeted at leisure and entertainment, including tourism.

Over the longer term and provided they are effectively executed, the diversification projects will reduce the hydrocarbon-

exporting economies' exposure to fluctuations in oil-price cycles and increase resilience to global carbon transition – the key environmental risk exposure and long-term vulnerability for GCC countries and Iraq.

Additionally, the projects can generate job opportunities and alleviate the potential strain on governments to provide employment for their citizens as part of social contracts, which drives the social risk assessment for these countries.

Moody's noted its outlook for sovereign creditworthiness in the Middle East and North Africa (Mena) is stable. Investment, including the implementation of long-term projects, and supportive commodity prices will keep output solid across most economies. But still high interest rates and in some cases elevated inflation will constrain debt affordability and government liquidity for lower-rated sovereigns.

“Regional geopolitical tensions represent the key tail risk,” it said.



Qatar will post fiscal surpluses this year as it has since 2021, Moody's said and noted that for hydrocarbon exporters, its assumption that oil prices will average \$83 per barrel in 2024, unchanged from 2023, implies a supportive fiscal environment, despite restrained oil production. **PICTURE:** Shaji Kayamkulam

## Qatar industrial production index on the decline in November 2023: PSA

**By Santhosh V Perumal**  
Business Reporter

Lower extraction of hydrocarbons and fall in the production of rubber and food products led Qatar's industrial production index (IPI) to drop 5.8% year-on-year in November 2023, according to official statistics. The country's IPI was down 1.5% on a monthly basis in the review period, according to the figures released by the Planning and Statistics Authority (PSA).

The PSA introduced IPI, a short-term quantitative index that measures the changes in the volume of production of a selected basket of industrial products over a given period, with respect to a base period 2013. The mining and quarrying index, which has a relative weight of 82.46%,

plummeted 5.7% on a yearly basis on a 5.7% slump in the extraction of crude petroleum and natural gas and 7.6% in other mining and quarrying sectors. On a monthly basis, the sector index was seen unchanged on flat extraction of crude petroleum and natural gas, even as there was a 1.9% contraction in other mining and quarrying sectors in the review period.

The manufacturing index, with a relative weight of 15.85%, tanked 3.5% year-on-year in November 2023 owing to a 9.5% fall in the production of rubber and plastics products, 9.1% in printing and reproduction of recorded media, 8.8% in food, 5% in basic metals, 4.3% in beverages, 3.9% in chemicals and chemical products and 2.4% in refined petroleum products; whereas there was a 2.4% jump in the production of cement and other non-metallic mineral products.

On a monthly basis, the manufacturing index, shrank 5.2% in November 2023 on account of 9% decrease in the production of basic metals, 71% in beverages, 5.7% in printing and reproduction of recorded media, 5.6% in refined petroleum products, 5.2% in chemicals and chemical products, 2.6% in rubber and plastics products and 2.5% in food products, even as there was a 0.3% increase in cement and other non-metallic mineral products. Electricity, which has a 1.16% weight in the IPI basket, saw its index plummet 27.6% and 30.5% year-on-year and month-on-month respectively in November 2023.

In the case of water, which has a 0.53% weight, the index was seen declining 9.8% and 8.3% on annual and monthly basis respectively in the review period.

# Fed official reiterates view rate cuts to start in third quarter

**Bloomberg**  
Washington

**F**ederal Reserve Bank of Atlanta President Raphael Bostic said he wants to see more evidence inflation is on track toward the central bank's 2% target, repeating that he doesn't expect policymakers to cut interest rates until the third quarter. "My outlook right now is for our first cut to be sometime in the third quarter this year and we'll just have to see how the data progress," Bostic said in remarks to the Metro Atlanta Chamber's board of directors yesterday.

Bostic, who votes on monetary policy decisions this year, suggested he would be open to moving earlier if inflation falls “well faster” than he expects. But he reiterated that he’s still looking for “more evidence that we’re staying on that trajectory to that 2% target.”

The worst outcome, he added, would be for policymakers to lower rates and have to raise them again later if inflation moves higher. "I'm expect-

ing it's going to be bumpy and because of that bumpiness I feel like we've got to be careful," he said. "We do not want to go on these up and down or a back and forth pattern."

"I want us to be absolutely certain that inflation is where we need it to be before we move too dramatically," he added.

The Federal Open Market Committee is expected to leave its benchmark interest rate unchanged for a fourth straight meeting when policymakers gather on January 30-31. Bostic's comments are among the last by Fed officials before the committee goes into a self-imposed communications blackout ahead of the gathering.

“Policymakers’ quarterly projections from December implied three interest-rate cuts in 2024 or some 7½ basis points of cuts – and Fed officials have pushed back against market expectations of imminent and deep rate reductions this year. Odds of a March cut have notably eased since Governor Christopher Waller said earlier this week that policy moves should be “carefully calibrated and not rushed.”



# QSE welcomes \$200mn corpus QIA-Ashmore equity fund

The Qatar Stock Exchange (QSE) has welcomed the partnership between the Qatar Investment Authority (QIA) and Ashmore Group for launching an active asset management initiative in collaboration with local and regional asset manager. The Ashmore Qatar Equity Fund valued at approximately \$200mn, with the QIA as an anchor investor and Ashmore Group as the first partner, will play a pivotal role in enhancing investor relations, quality of disclosure, research coverage, and improve liquidity on the local bourse, said Abdulaziz Nasser al-Emadi, acting chief executive officer of the QSE. This strategic initiative, which aligns with the QIA's goals and aspirations, will play a significant role in supporting the development of the local financial markets. The sovereign wealth fund's active asset management initiative to seed funds by re-allocating shares in QSE-listed companies to these external managers will add to the available free float in the market and create confidence among investors and encourage both local and international investment institutions to participate, he added. The move by the QIA comes in the wake of its role in supporting the QSE's initiatives aimed at enhancing liquidity in the market, including the market making, which was launched last April. The QIA had committed QR1bn for establishing a permanent market-making programme at the QSE. The commitment is set to run over the next five years and will cover 90% of the size of the market capitalisation listed on the QSE, offering an economic incentive by way of a rebate to lower trading costs for established market makers. The local bourse had recently amended the list of securities eligible for the market making to include more stocks.

# Fed rate worries drive QSE down 83 points; M-cap melts QR2.79bn

By Santhosh V Perumal  
Business Reporter

Reflecting global concerns that the US Federal may not cut interest rates as soon as previously expected, the Qatar Stock Exchange (QSE) yesterday lost another 83 points and its key index settled a tad above 10,300 levels. The Gulf institutions were seen increasingly into net profit booking as the 20-stock Qatar Index shrank 0.8% to 10,318.74 points. The real estate, industrials and banking counters witnessed higher than average selling pressure in the main market, whose year-to-date losses widened further to 4.73%. As much as 66% of the traded constituents were in the red in the main bourse, whose capitalisation tanked QR2.79bn or 0.46% to QR600.23bn with small cap segments losing the most. The Arab individuals' weakened net buying had its influence on the main market, which however, touched an intraday high of 10,446 points. The foreign institutions continued to be net sellers but with lesser intensity in the main bourse, which saw as many as 9,169 exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.03mn trade across seven deals. The local retail investors were increasingly bullish in the main market, which saw no trading of sovereign bonds. The Islamic index fell faster than the other indices in the main bourse, which witnessed no trading of treasury bills. The Total Return Index shed 0.8%, the All Islamic Index by 1% and the All Share Index by 0.65% in the main bourse, whose trade turnover and volumes were on the increase. The realty sector index tanked 1.58%, industrials (1.13%) and



The Gulf institutions were seen increasingly into net profit booking as the 20-stock Qatar Index shrank 0.8% to 10,318.74 points yesterday.

banks and financial services (0.82%); while insurance gained 0.56%, telecom (0.47%), transport (0.3%) and consumer goods and services (0.22%). Major shakers in the main market included Industries Qatar, Masraf Al Rayan, Qatar Islamic Bank, QIIB, Barwa, United Development Company, Doha Bank, Commercial Bank, Baladna, Qatari Investors Group, Mesaieed Petrochemical Holding, Qamco, Vodafone Qatar and gulf Warehousing. In the venture market, Mahar Holding saw its shares depreciate in value. Nevertheless, Beema, Ahl-i-bank Qatar, Doha Insurance, Milaha, Ooredoo and Woqod were among the gainers in the main market. In the junior bourse, Al Faleh Educational Holding saw its shares appreciate in value. The Gulf institutions' net profit booking grew substantially to QR39.6mn compared to QR10.32mn on January 17. The Arab individual investors' net buying weakened perceptibly to QR4.67mn against QR8.65mn the previous day. However, the local retail investors' net buying rose significantly to QR38.65mn compared to QR13.72mn on Wednesday. The domestic institutions' net buying strengthened noticeably to QR17.57mn against QR14.84mn on January 17. The foreign individuals turned net buyers to the tune of QR3.19mn compared with net sellers of QR1.62mn the previous day. The Gulf retail investors' net buying expanded marginally to QR0.76mn against QR0.42mn on Wednesday. The Arab institutions were net buyers to the extent of QR0.05mn compared with no major net exposure on January 17. The foreign institutions' net selling eased marginally to QR25.3mn against QR25.67mn the previous day. Trade volumes in the main market more than doubled to 332.18mn shares and value more than doubled to QR1.16bn on more than doubled deals to 36,562. The venture market saw trade volumes triple to 0.24mn equities and value more than double to QR0.26mn on more than doubled transactions to 23.

QSE MARKET WATCH			
COMPANY NAME	Lt Price	% Chg	Volume
Zad Holding Co	13.62	-0.51	12,580
Widam Food Co	2.29	0.62	279,585
Vodafone Qatar	1.89	-1.20	47,280,764
United Development Co	1.05	-1.87	22,342,082
Salam International Investme	0.68	0.00	1,386,555
Qatar & Oman Investment Co	0.90	-0.66	252,434
Qatar Navigation	10.50	1.45	2,323,631
Qatar National Cement Co	4.00	-0.05	1,270,998
Qatar National Bank	16.10	0.31	8,784,682
Qim Life & Medical Insurance	2.30	-1.54	103,303
Qatar Islamic Insurance Grou	8.85	-0.42	55,568
Qatar Industrial Manufactur	2.98	0.03	81,680
Qatar International Islamic	10.69	-2.11	2,282,845
Qatari Investors Group	1.66	-1.72	1,410,356
Qatar Islamic Bank	19.74	-2.03	2,458,832
Qatar Gas Transport(Nakilat)	3.60	-0.52	6,012,631
Qatar General Insurance & Re	1.11	-0.63	3,050
Qatar German Co For Medical	1.35	-2.45	1,602,307
Qatar Fuel Qsc	15.85	0.96	3,587,305
Lesha Bank Lic	1.35	-0.37	1,209,756
Qatar Electricity & Water Co	17.44	-1.47	1,867,488
Qatar Exchange Index Etf	9.88	-1.27	1,379
Qatar Cinema & Film Distrib	3.05	0.00	-
AI Rayan Qatar Etf	2.24	-1.15	7,790
Qatar Insurance Co	2.39	0.80	505,775
Qatar Aluminum Manufacturing	1.31	-1.36	30,930,454
Ooredoo Qpsc	10.76	1.03	5,349,626
Aljarah Holding Company Qps	0.78	0.38	2,668,132
Mazaya Real Estate Developme	0.70	-0.85	5,109,052
Mesaieed Petrochemical Holdi	1.70	-1.16	30,065,056
Mekdam Holding Group	4.89	-1.73	174,571
AI Meera Consumer Goods Co	13.26	-1.12	311,652
Medicare Group	5.16	-1.04	1,509,591
Mannai Corporation Qsc	3.99	-1.21	2,375,811
Masraf Al Rayan	2.55	-1.78	50,816,710
Industries Qatar	12.00	-1.40	15,382,672
Inma Holding Company	3.90	0.00	50,073
Estithmar Holding Qpsc	2.01	-0.74	4,119,937
Gulf Warehousing Company	3.21	-1.84	1,070,047
Gulf International Services	2.85	0.74	15,691,145
AI Faleh Education Holding	0.83	0.12	129,536
Ezdan Holding Group	0.85	0.35	20,258,826
Doha Insurance Co	2.52	2.40	121,950
Doha Bank Qpsc	1.68	-1.12	4,270,761
Diaia Holding	1.29	-0.85	44,213
Commercial Bank Psc	5.53	-1.07	3,968,571
Barwa Real Estate Co	2.87	-1.88	4,880,627
Baladna	1.16	-1.02	12,200,580
Damaan Islamic Insurance Co	4.00	7.04	62,036
AI Khaleej Takaful Group	2.85	-1.59	1,083,586
Aamal Co	0.88	0.00	941,366
AI Ahil Bank	3.90	3.17	33,641

# Saudi Arabia eyeing big investment to kick off foray into semiconductors

Bloomberg  
Davos, Switzerland

Saudi Arabia's sovereign wealth fund is planning to make big investments in both the semiconductor and space industries this year as the kingdom accelerates efforts to diversify its economy away from oil. The Public Investment Fund is looking at making a "sizeable investment" this year into the semiconductor industry, Saudi Minister of Communications and Information Technology Abdullah Alswaha said in an interview at the World Economic Forum in Davos. "They plan to make an announcement on a particular champion within the space to lead the Saudi efforts," he said, declining to give further details. Alswaha, who is chairman of the kingdom's Space Agency as well, said the fund will also look to create a national space company to invest and acquire assets in that sector. The space industry is "ripe right now" for M&A, he said. The fund, known as PIF, has emerged as one of the key parts of Crown Prince Mohamed bin Salman's plan to shake up the Saudi economy and wean it off a reliance on oil sales. It has rapidly built up assets of around \$700bn after a spending spree on everything from electric carmakers to backing upstart golf tournaments, and plans to control \$1tn by 2025. One of its key initiatives has been to develop an auto manufacturing hub on the West coast of the kingdom. US EV maker Lucid Group Inc is already assembling cars from the site, and is set to be joined by Hyundai Motor Co and Ceer, a brand created by the PIF. The plan involves developing downstream industries that's expected to also include making semiconductors and batteries. The kingdom launched its space program in 2018 and sent astronauts into space last year, as part of a wider plan to invest in the industry. "The new space economy is definitely the next trillion-dollar opportunity," Alswaha said. "The kingdom is very bullish on not only becoming a regional leader in this space but also a global leader. The ambition by 2030 is to definitely establish regional leadership and then move on by 2040 to global leadership." A key part of Saudi Arabia's space investments will be in communications, Alswaha said. "2.6bn people in 2024 are still not connected and the only way to connect the unconnected is from the skies." Alswaha said that Saudi Arabia expects to be able to continue to attract investment from both US and Chinese technologies companies, even as tensions between the world's two largest economies escalate. The kingdom "has demonstrated our partnership with both east and west on protecting their intellectual property and patents and any potential technology leakage," Alswaha said.

# Iran tensions rattle Pakistan stocks, bonds and raise economic woes

Reuters  
Karachi/London

An escalation of geopolitical tension between Pakistan and neighbouring Iran yesterday sent ripples through Pakistan's bonds and stocks, and raised the spectre of more pressure on the country's struggling economy. Pakistan conducted strikes inside Iran, targeting separatist Baloch militants two days after Tehran said it had attacked the bases of another group within Pakistani territory. The country, where an election is scheduled for February 8, is already facing a crippling financial crisis with its \$350bn economy beset by high inflation and yawning fiscal and current account deficits. A \$3bn International Monetary Fund (IMF) loan programme agreed in July helped pull Pakistan back from the brink of a sovereign debt default, but the short-term nine-month standby arrangement is set to expire this spring. Pakistan's international bonds fell by as much as 1.3 cents in early trade before trimming or reversing losses, with some shorter-dated bonds down 0.4 cent while

longer-dated issues eked out small gains, data from Tradeweb showed. Bonds maturing in 2031 and beyond were trading between 60.9-64.1 cent, well below the 70 cent in the dollar threshold below which debt is seen as distressed. The benchmark share index dropped as much as 1.6% before recovering some ground to close 0.57% lower. Economic ties with Iran, while not huge, are important for Islamabad as it struggles to supply its western-most regions in Balochistan with critical commodities. Iran provides electricity to many areas in Pakistan, and there is sizeable unofficial trade in commodities including Liquefied Petroleum Gas and Iranian diesel. Pakistan passed a special order in June to allow barter trade with Iran, along with Afghanistan and Russia, for certain goods, among them petroleum and natural gas. "The bilateral trade, valued at over \$2bn, is crucial for both economies, especially regions like Balochistan...where the local economies are significantly dependent on trade with Iran, particularly for agricultural products and petrochemicals," said Aneel Salman, chair economic security at Islamabad Policy Research Institute.

Salman said that the interruption of trade routes would have an immediate impact, including shortages in Pakistan and a notable decrease in the critical \$2bn trade volume. The conflict could also significantly affect long-term collaborative projects like the Pakistan-Iran gas pipeline, known as the Peace Pipeline, he added. The pipeline, already delayed, would transport natural gas from Iran to Pakistan and potentially India. It may now face further delays and funding challenges. Pakistan's then-minister of state for petroleum in August said the government was "actively engaged" with Iran to dissuade it from pursuing international arbitration over delays to the pipeline. Pakistan has until March to negotiate a settlement to avoid legal battles. The two countries signed a five-year trade plan in August 2023 and set the bilateral trade target at \$5bn. "On the surface, this episode...should not lead to any more serious an escalation than its precedents," said Hasnain Malik, head of equity research at Tellimer. "But it is worth noting that this latest exchange is taking place as Pakistan is trying to improve relations with the US."

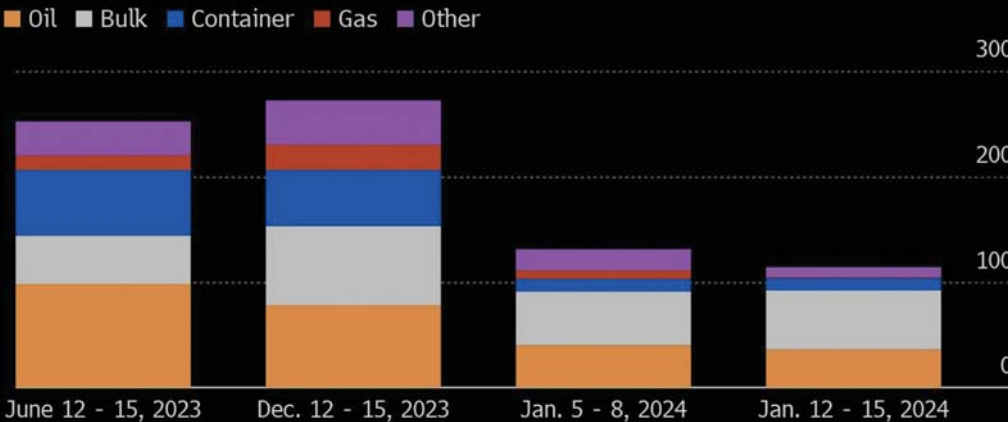


A broker talks on phone as he watches share prices at the Pakistan Stock Exchange in Karachi (file). An escalation of geopolitical tension between Pakistan and neighbouring Iran yesterday sent ripples through Pakistan's bonds and stocks, and raised the spectre of more pressure on the country's struggling economy.



### Cargo Ships Passing Bab el-Mandeb

The number of cargo ships transiting the Bab el-Mandeb has fallen by more than half

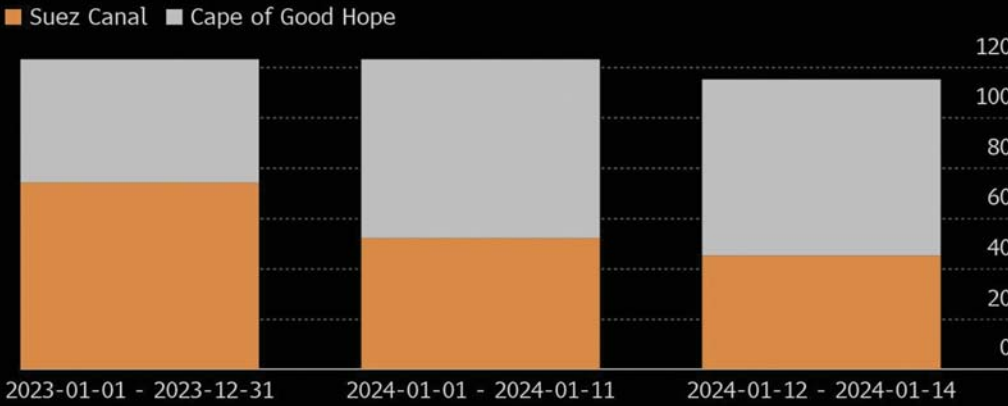


Source: vessel tracking data monitored by Bloomberg  
Note: Oil tankers include crude, products and chemicals. Gas tankers include LPG. Total number of vessels in each period.

Bloomberg

### Going the Long Way Round

Ships transiting the Suez canal have fallen by 40% with a commensurate increase in voyages around Africa



Source: IMF Portwatch  
Note: Average number of ships passages per day. Includes all tankers and cargo ships.

Bloomberg

# Air strikes on Yemen bring new level of chaos to shipping in the southern Red Sea

Bloomberg  
London

The US and UK's decision to hit back at Houthi rebels after weeks of attacks on merchant shipping in the Red Sea has only escalated the chaos across the shipping industry, underscoring the threat of an enduring supply-chain crisis as vessels navigate the crucial trade route.

On Wednesday, a third commodity carrier in three days was struck, this time by a drone. Senior officials in the shipping industry privately acknowledge that many crew are now frightened at the prospect of transit. Shortly after the US and UK launched air strikes at Houthi targets in Yemen — marking a step up from the more defensive approach known as Operation Prosperity Guardian — western navies advised ships to stay away. That guidance was publicly heeded by the owners and operators of at least 2,300 merchant vessels — and some insurers responded by restricting cover. The result has been sharp declines in shipments through a waterway that would normally handle about 12% of global seaborne trade. Flows of oil, gas, grains, and manufactured goods have increasingly been diverted. Even a livestock carrier appeared to detour, raising animal welfare concerns.

"It's a very uncertain time, and I think all of us are waiting to see the overall impact of the ongoing Operation Prosperity Guardian, and also the most recent strikes," said John Stawpert, a senior manager for trade and environment at the International Chamber of Shipping, which represents owners of about 80% of the global shipping fleet. "The potential impact of these attacks is horrendous" for crews.

Insurance costs for those ships whose seafarers who do brave the waterway have shot up tenfold, including a large increase since the air strikes. Some underwriters are even seeking to exclude US, UK and Israeli vessels from cover, and container shipping and oil freight rates are starting to climb.

The nervous crews, fraught safety situation, disrupted transits, delayed deliveries and volatile freight markets have revived talk of inflationary pressures and costlier oil, as well as warnings of supply chain snarls that could damage the global economy.

"For us, this will mean longer transit times and probably disruption of supply chains for a few months at least," Vincent Clerc, chief executive of transport giant A. P. Moller-Maersk A/S, said this week.

US National Security Council spokesman John Kirby said on Tuesday that it was "too soon" to say what impact the strikes would have, but that they'd had a "good effect" in terms of disrupting and degrading the Houthis' capability to conduct military offensive operations.

At its narrowest point, the Bab el-Mandeb at the southern end of the Red Sea — an unavoidable waypoint for any freighter using the Suez Canal to cut between Asia or the Middle East and Europe — is about 20 miles from Yemen on one side to Djibouti on the other.



People walk on the beach as a container ship crosses the Gulf of Suez towards the Red Sea before entering the Suez Canal, in El Ain El Sokhna in Suez, east of Cairo (file). At its narrowest point, the Bab el-Mandeb at the southern end of the Red Sea — an unavoidable waypoint for any freighter using the Suez Canal to cut between Asia or the Middle East and Europe — is about 20 miles from Yemen on one side to Djibouti on the other.

"It's very complicated for everybody," said Dirk Siebels, senior analyst at Risk Intelligence, a Danish security intelligence firm. "The main problem is the level of uncertainty, which is always complicated for planning purposes." Siebels said that up until the air strikes, the Houthis had been sticking to targets that were connected to Israel. Since those strikes, the Houthis say they are targeting US and UK vessels too and since Friday two of the three vessels that were hit were US owned. The disruption is affecting raw materials and consumer goods all along the supply chain. Oil from countries including Iraq and Saudi Arabia has been disrupted by in the chaos. At least 6mn barrels of crude from Iraq, the biggest Middle Eastern supplier to Europe through the Bab el-Mandeb, have been diverted. As many vessels take the long route around Africa, firms that provide ship fuel are reporting increased demand in African and Middle Eastern locations. In the gas market, suppliers have by and large stopped using the Suez Canal — through which any ship must also pass if it's going through the Red Sea to cut between Europe and Asia. At least five liquefied natural gas carriers, some of which are controlled by export projects in Russia, U-turned away from the waterway this week, and are heading toward the Atlantic, according tracking data. Two were transporting gas for Asian customers. All of Japan's top shipping lines have stopped transits for the time being. Others, including Torm, Stena Bulk and Hafnia also announced they'll steer clear. That's in addition to the numerous container lines and other vessel owners that already diverted hundreds of ships before the air strikes.

Until last week, bulk ships that carry commodities like grain, coal and metal had seen relatively little impact, but now many of those vessels are also avoiding the route. Ships hauling about 1.6mn tons of grain and headed for the Suez Canal have been diverted to other routes in the last 3 weeks, according to Kpler analyst Ishan Bhanu. Most of that will be crops heading south for consumers in China and southeast Asia. "We have increasingly more shipowners who won't take new business via the Red Sea now," Vasilis Mouyis, joint managing director of Greece-based bulk shipping broker Doric Shipbrokers SA said. The avoidance of the Red Sea isn't universal. About a quarter of shipowners he works with are still willing to take business passing via the Red Sea, Mouyis said — but only if they get a good premium on rates. For some owners, ties to China and Russia appear to be helping their fleets securing safe passage. Some ships have even broadcast their links to China in an apparent attempt to avoid being targeted. Others may judge that the risk is simply worth taking. As many as 114 vessels — including oil tankers, bulk carriers and container ships — passed into or out of the Red Sea through the narrow chokepoint between Friday and Monday, according to ship-tracking data compiled by Bloomberg. That's down from 272 during the same period a month earlier. "Supply chains are going to have to invest to become more resilient to disruptions of this nature," said Saul Kavonic, an energy analyst at researcher MST Marquee. "Even in the unlikely event the Middle East conflict were to subside tomorrow, governments and business will need to reconsider their logistics and supply chains to be resilient to future such occurrences."

## Shipping CEOs see no short-term end to Red Sea disruptions

Bloomberg  
Davos

The CEOs of two leading freight carriers said they expect Red Sea threats to disrupt shipping for weeks or months longer, extending delays and higher transport costs for companies dependent on goods flowing along trade lanes that link the world's largest economies.

"For us, this will mean longer transit times and probably disruption of supply chains for a few months at least," Vincent Clerc, the chief executive of A.P. Moller — Maersk A/S, said on a panel at the World Economic Forum in Davos on Wednesday.

While Clerc said he hopes the unrest will end sooner than that, he said "it could also be longer because it's so unpredictable how this situation is developing."

He called the situation in the Red Sea "extremely disruptive". Also speaking at Davos, DHL Group CEO Tobias Meyer said the rerouting of ships around southern Africa instead of the shortcut through the Suez Canal was leading to imbalances in container capacity. As a result, shortages might start to occur in about two weeks, hitting Asia in particular, he said. "The back-flow is currently not happening at the pace people were planning for, so that's something to monitor," Meyer said.

Among the other leaders watching the renewed threats to supply chains was European Central Bank President Christine Lagarde.

The things "I'm watching carefully" are "wage bargaining, profit margins, energy prices, and — hopefully not, but — the coming back of supply bottlenecks," she told Francine Lacqua at an event at Bloomberg House in Davos on Wednesday.

Monetary policymakers have reason to be wary. Disruptions to supply chains that began during the pandemic were partly behind an initial bout of inflation that occurred before energy prices spiked in the wake of the Russian invasion of Ukraine. Global trade faces a major challenge in the Red Sea, where Iran-backed Houthi rebels have been escalating attacks on commercial ships for the last months. The West is attempting to deter further action while averting a wider Mideast conflict in a region already on edge due to the Israel-Hamas war. Faced with longer journeys, the shipping industry has scrambled to raise spot rates for containers between Asia and Europe in recent weeks, leading to tripling of costs for cargo owners that is also affecting importers in the US. According to Bloomberg Intelligence's Lee Klaskow, trans-Pacific shipping rates surged 58% to \$4,375 per 40-foot container in the week ended Wednesday, based on the Drewry Hong Kong-Los Angeles benchmark.

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Bloomberg QuickTake Q&A

How Trump’s candidacy tests US constitution

By Gregory Korte

Like no one before him, Donald Trump is at once a former president, a leading candidate to be nominated for the presidency again, and a criminal defendant. He faces 91 felony charges in four separate cases for conduct before, during and after his presidency, including conspiring to defraud the US in his efforts to overturn his 2020 election loss, mishandling classified documents and falsifying business records to cover up hush money to an adult film actress. This unprecedented situation raises questions that previously would have been implausible law school hypotheticals. These are some of them.

1. Is Trump immune from prosecution as a former president?

Trump says his efforts to overturn his defeat by Joe Biden — the subject of two of the four criminal cases against him — were official acts and therefore immune from prosecution. His legal team notes that, in 2021, the Senate fell short of the two-thirds majority vote needed to convict him of an impeachment charge related to that same behaviour. Trump’s immunity claim was rejected on December 1 by a US district judge who suggested he was seeking “the divine right of kings to evade the criminal accountability that governs his fellow citizens.” His claim was also met with scepticism by a US appeals court panel during arguments on January 9. Trump has signalled that he will take his fight to the Supreme Court if necessary. That court in the past has held that presidents are entitled to sweeping protection over actions they took within the “outer perimeter” of their official duties. But that was about immunity from civil lawsuits. Trump is the first former president to face federal charges, so claims of immunity from criminal prosecution are uncharted territory.

2. Is someone convicted of a crime eligible to serve as president?

Generally speaking, yes. The US constitution says

the president must be at least 35 years old, a natural-born citizen and a 14-year resident of the US; a clean criminal record is not a job requirement. The 14th amendment to the constitution, adopted after the Civil War and little-discussed for decades, does block from public office anyone who has “engaged in insurrection or rebellion” against the US. Trump was not charged with insurrection or rebellion. Still, many Americans say those terms apply to what happened on January 6, 2021, when a violent pro-Trump mob attacked the US Capitol as Congress was certifying the results of the 2020 election. The attack followed a rally at which Trump repeated his false claims that the election had been fraudulently stolen from him.

3. Does the 14th Amendment make Trump ineligible to serve again?

That question now sits squarely before the US Supreme Court. Two states, Colorado and Maine, have said they will keep Trump’s name off presidential ballots on the basis of the 14th Amendment’s insurrection clause. Courts or election officials in at least four other states have ruled in Trump’s favour. Trump asked the Supreme Court to overturn the Colorado ruling, and the court agreed to consider the case, scheduling arguments for February 8.

4. Could Trump, as president, pardon himself?

Not if he’s convicted on state charges such as those he faces in New York and Georgia. That’s because the president’s constitutional power to “grant reprieves and pardons for offences against the United States” applies only to federal crimes. As for the dozens of counts he faces in two federal prosecutions, legal scholars disagree on whether the president can self-pardon. Some point to the advice given by the Justice Department’s Office of Legal Counsel to President Richard Nixon in 1974 in connection with the Water-gate scandal: “Under the fundamental rule that no one

may be a judge in his own case, the President cannot pardon himself.”

5. Could Trump, while president, be sent to prison?

This is also unclear. There’s an argument that the president’s responsibilities would override the imperative to serve a prison sentence. “Constitutionally you’d have a pretty good argument that you would have to let him out while he’s president,” said Brian Kalt, a Michigan State University law professor whose 2012 book, Constitutional Cliffhangers: A Legal Guide for Presidents and Their Enemies, anticipated some of the current questions surrounding Trump.

6. Could Trump be president from prison?

The logistical and security hurdles presented by a president behind bars boggle the mind. If it came to that, the 15 department heads who make up the presidential cabinet could declare the president “unable to discharge the powers and duties of his office” under the terms of the constitution’s 25th amendment and temporarily assign authority to the vice president. But, as Kalt writes, that amendment is mainly viewed as applicable only if a president is “completely incapacitated” by, say, a stroke or severe dementia.

7. If elected, could Trump be removed by (another) impeachment?

In the event Trump wins the presidency again, lawmakers could try once more to force his removal by arguing that his conduct related to January 6 meets the constitutional standard of “high crimes and misdemeanours.” Trump’s defenders would surely argue that his previous acquittal settled that issue. Any new impeachment approved by the House of Representatives would, like the last one, face a steep uphill battle to achieve the supermajority vote in the Senate required to remove a president from office.

US weekly jobless claims at 1-1/2-year low; housing starts decline

Reuters

Washington

The number of Americans filing new claims for unemployment benefits fell last week to the lowest level in nearly 1-1/2 years, suggesting job growth likely remained solid in January.

The unexpected decline in initial claims reported by the Labor Department yesterday added to strong retail sales growth in December in painting an upbeat picture of the economy, and could make it difficult for the Federal Reserve to start cutting interest rates in March as financial markets anticipate.

“The claims data are consistent with a labour market that will need further loosening before the Fed considers rate cuts and bolsters our assumption that the March meeting will be too soon,” said Matthew Martin, a US economist at Oxford Economics.

Initial claims for state unemployment benefits dropped 16,000 to a seasonally adjusted 187,000 for the week ended January 13, the lowest level since September 2022. Economists polled by Reuters had forecast 207,000 claims for the latest week.

Claims data tend to be volatile at the turn of the year. While that could have contributed to some of the drop in claims, economists said the data was consistent with a fairly tight labour market. They noted that companies generally remained reluctant to lay off workers following difficulties finding labour during and after the Covid-19 pandemic.

Unadjusted claims decreased 29,543 to 289,228 last week, with filings plunging 17,176 in New York. The were also significant declines in Michigan, Pennsylvania, Wisconsin, South Carolina, Georgia and Minnesota, which more than offset notable increases in California, Iowa, Kansas and Texas.

A separate report from the Commerce Department showed single-family homebuilding taking a breather in December after a recent stretch of gains. New construction remains underpinned by a shortage of previously owned houses for sale.

Single-family housing starts, which account for the bulk of homebuilding, fell 8.6% to a seasonally adjusted annual rate of 1.027mn units last month, the Commerce Department’s Census Bureau said. Rainy weather last month likely contributed to the plunge in homebuilding.

Single-family starts increased 15.8% on a year-on-year basis in December. A rebound in monthly activity is likely as the rate on the popular 30-year fixed mortgage has retreated further to 6.66% after peaking at a 23-year high of 7.79% in late October, according to data from mortgage finance agency Freddie Mac.

Permits for future construction of single-family homes increased 1.7% to a pace of 994,000 units last month, the highest level since May 2022.

The housing market has been pressured by higher borrowing costs and a perennial inventory shortage, which have constrained sales of previously owned homes. But demand for new construction is boosting residential investment, which rebounded in the third quarter after nine straight quarterly decreases.

Deep freeze forcing US LNG exporters to cancel, delay cargoes

The recent freeze across Texas and Louisiana disrupted scheduled exports of US liquefied natural gas, temporarily tightening some supply of the heating and power-plant fuel, reports Bloomberg. The Cameron LNG export plant in Louisiana cancelled at least one scheduled shipment, according to people familiar with the matter. Several other planned deliveries from Cameron and Cheniere Energy Inc’s Corpus Christi facility in Texas were also delayed, they said. The Freeport LNG terminal in Texas on Tuesday briefly brought down and restarted one of its three production units, according to a state regulatory filing. Freeport LNG’s loading schedule was also disrupted this week as a result of the weather, according to people familiar with the matter. Export disruptions will likely be short-lived, with warmer weather expected next week. Milder-than-normal temperatures are forecast across most of the US from January 23-27, according to the National Oceanic and Atmospheric Administration. The global market impact should also be limited given that gas inventories across Europe and Asia remain high, with the end of winter on the horizon. European gas futures fell to a five-month low on Wednesday.

IEA raises 2024 oil demand forecast but lags Opec view

Reuters

London

The International Energy Agency (IEA) has again raised its 2024 global oil demand growth forecast, though its projection remains lower than Opec’s expectations, and said the market looked well supplied because of strong growth outside the producer group.

The IEA and the Organisation of the Petroleum Exporting Countries (Opec) have clashed in recent years over issues such as future oil demand. The IEA expects oil demand to peak by 2030 as the world shifts to cleaner fuels, a view Opec dismissed in an article on Wednesday.

The IEA, which advises industrialised countries, yesterday predicted global consumption will rise by 1.24mn barrels per day (bpd) in 2024. This was its third consecutive upward revision in as many months but was below Opec’s 2.25mn bpd projection.

With conflict in the Middle East raising concern over supply, the IEA said that — barring significant disruptions to flows — the market looked reasonably well supplied in 2024 and a surplus could emerge if Opec and its



An oil tanker is seen at sunset anchored off the Fos-Lavera oil hub near Marseille, France (file). The IEA, which advises industrialised countries, yesterday predicted global consumption will rise by 1.24mn barrels per day in 2024.

allies unwind output cuts as scheduled in the second quarter.

The IEA’s latest upward demand growth revision, up 180,000 bpd from its previous projection, was linked to improving global economic growth and lower crude prices in the fourth quarter plus China’s expanding petrochemicals sector.

“The consensus economic outlook has improved somewhat over the last few months in the wake of the recent do-

vish pivot in central bank policy,” the Paris-based IEA said in its January report. “The fourth-quarter 2023 slump in oil prices acts as an additional tailwind.”

Oil prices kicked off the year on a weak footing as demand uncertainty offset the impact of a new round of supply cuts by Opec and its allies, together known as Opec+, as well as rising tensions in the Middle East.

Brent crude was trading around \$78 a barrel on Thurs-

day, holding on to early gains after the IEA report was published, having lost about 10% in 2023 to finish the year at \$77.04.

The IEA said the expected halving in the rate of demand expansion year on year in 2024 is the result of post-pandemic recovery being all but complete, lacklustre economic growth in major economies, energy efficiency improvements and a booming electric vehicle fleet.

At the same time, the IEA

expects world oil supply to rise by 1.5mn bpd to a new high of 103.5mn bpd in 2024, fuelled by record-setting output from the US, Brazil, Guyana and Canada.

“Barring significant disruptions to oil flows, the market looks reasonably well supplied in 2024, with higher-than-expected non-Opec+ production increases set to outpace oil demand growth by a healthy margin,” the report said.

Rising geopolitical tensions in the Middle East, which the IEA says accounts for a third of the world’s seaborne oil trade, has perturbed markets.

Attacks by Iran-allied Houthi rebels on ships in the Red Sea since November have slowed trade between Asia and Europe and alarmed major powers in an escalation of the war between Israel and Palestinian Hamas fighters in Gaza.

This could disrupt the flow of oil via key trade chokepoints, though a rising number of ship owners are diverting cargoes away from the Red Sea.

As non-Opec output rises, the producer group and the wider Opec+ alliance have implemented a series of output cuts since late 2022 to support the market. A new cut for the first quarter took effect this month.

India could ‘ease China investment curbs’ if border stays calm

Reuters

Davos, Switzerland

India could ease its heightened scrutiny of Chinese investments if the two countries’ border remains peaceful, a senior Indian official said in the first signal that the four-year-old curbs could be lifted.

Border tensions, the biggest irritant to relations between the nuclear-armed Asian giants, have eased, which could lead to improved investment ties, top industrial policy bureaucrat Rajesh Kumar Singh told Reuters on Wednesday at the annual World Economic Forum meeting in Davos, Switzerland.

In 2020, India tightened scrutiny on investments from companies based in countries it borders, adding a layer of vetting and security clearances. The move was widely seen as retaliation for a clash between Chinese and Indian troops on their disputed, 3,800km (2,400-mile) Himalayan frontier that killed at least 20 Indian and four Chinese soldiers, their worst military conflict in decades. The curbs have disrupted billions of dollars of investments between the world’s two most-populous countries, halting planned projects including from Chinese automakers BYD and Great Wall Motor.

The investment rules “could change once our relationship there stabilises because I think the

border issues that we’ve had — the border has stabilised”, Singh, secretary at the Department for Promotion of Industry and Internal Trade, said in an interview.

“On the investment side also, if things go well, I’m sure we can resume normal business.” He did not give a timeframe for a possible easing.

Asked if India’s message was that Chinese investments depend on a peaceful border, Singh said: “You can’t have somebody nibbling at your border while at the same time having red-carpet treatment for investments from there.”

The investment curbs, he said, were a slight “step back” from India’s broader opening to foreign investment in recent years. India has significantly reduced hurdles for inbound investment, lowering or scrapping foreign ownership caps in many sectors and granting automatic approvals.

Despite the border problems, China is India’s largest source of imports, with bilateral trade rising 32% since tensions flared to nearly \$114bn in the fiscal year that ended in March.

Indian and Chinese troops clashed twice in 2022 even as peace talks were ongoing. New Delhi and Beijing, which fought a brief border war in 1962, have held a series of diplomatic and military talks to resolve the conflict.

The two neighbours must find a way to step back from potential confrontation in the western Himalayas, Indian Foreign Minister Subrahmanyam Jaishankar said in June.

