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SPENDING BOOST | Page 4

US fourth-quarter growth revised higher; labour market strong

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GULF TIMES

BUSINESS



VITAL REVENUE | Page 2

Opec+ output cuts are tightening oil market after a subdued start to year

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The rating actions follow the upgrade of Qatar's sovereign rating to 'AA' (with stable outlook) and they reflect the agency's view of the increased ability of the Qatari authorities to support the banks.

Fitch upgrades seven Qatar banks with 'stable' outlook

By Santhosh V Perumal
Business Reporter

International credit rating agency, Fitch Ratings has upgraded seven Qatari banks on the country's upgrade.

The rating agency has upgraded QNB's long-term (LT) issuer default ratings (IDRs) to 'A+' from 'A' and affirmed the short-term (ST) IDR at 'F1'.

Fitch has also upgraded the LT IDRs of Qatar Islamic Bank (QIB), Commercial Bank, Doha Bank, Dukhan Bank, QIIB and Ahlibank Qatar to 'A' from 'A-' and their short-term IDRs to 'F1' from 'F2'.

The outlooks on all LT IDRs are "stable".

The banks' viability ratings (VRs) and 'xgs' (ex-government support) ratings are unaffected. 'xgs' communicates Fitch's view of the creditworthiness of an entity or financial obligation excluding assumptions of extraordinary government support.

The rating actions follow the upgrade of Qatar's sovereign rating to 'AA' (with stable outlook) and they reflect the agency's view of the increased ability of the Qatari authorities to support the banks.

Qatar's sovereign rating upgrade reflects Fitch's greater confidence that debt-to-GDP (gross domestic product) will remain in line with or below the 'AA' peer median after falling sharply in recent years, while Doha's external balance sheet will strengthen from an already strong level. Qatar is likely to retain budget surpluses until the 2030s as a result of the North Field expansion.

Qatar's 'AA' ratings are supported by large sovereign net foreign assets (SNFA), one of the world's highest ratios of GDP per capita and a flexible public finance structure.

The seven banks' IDRs are driven by sovereign support, as reflected in their government support ratings (GSRs). The "stable"

outlooks reflect that on the Qatari sovereign rating.

The banks' GSRs of 'a' are in line with Fitch's D-SIB GSR of 'a'; reflecting Fitch's view that the Qatari authorities have a strong propensity to support domestic banks, irrespective of their size or ownership.

They also have a strong ability to do so, as indicated by the sovereign rating and substantial net foreign assets and revenue, albeit weakened by the Qatari banking sector's high reliance on external funding and rapid asset growth in recent years. The 'a' GSR for Qatari D-SIBs is three notches below the sovereign 'AA' IDR.

The seven banks' short-term IDRs of 'F1' are the lower of two options mapping to 'A+' and 'A' long-term IDRs because a significant proportion of the banking sector's funding is government-related, and financial stress at these banks likely to come at a time when the sovereign itself is experiencing some form of stress.

QSE continues bearish spell for 4th day

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday extended the bearish session for the fourth straight session and its key index lost more than 14 points, as investors await the US inflation, which is due soon.

Transport, real estate, banking and insurance counters witnessed higher than average selling pressure as the 20-stock Qatar Index lost 0.14% to 9,943.61 points, although it touched an intraday high of 10,006 points. The Arab individual investors were seen net profit takers in the main market, whose year-to-date losses widened further to 8.19%.

The local retail investors' weakened net buying had its influence on the main bourse, whose capitalisation however added QR0.45bn or 0.08% to QR574.22bn with microcap segments leading the pack of gainers. The Gulf institutions continued to be bearish but with lesser intensity in the main market, which saw as many as 3,135 exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.01mn trade across five deals.

The foreign institutions were seen net buyers in the main bourse, which saw no trading of sovereign bonds.

The Islamic index made gains vis-à-vis declines in the other indices in the main market, which reported no trading of treasury bills.

The Total Return Index shed 0.14% and the All Share Index by 0.14%, while All Islamic Index was up 0.07% in the main bourse, whose trade turnover and volumes were on the increase. The transport sector index tanked 1.16%, realty (0.42%), banks and financial services (0.2%), insurance (0.19%), consumer goods and services (0.06%) and industrials (0.04%); while telecom gained 1.78%.

Major losers in the main market included Milaha, Zad Holding, QIIB, Qatar Industrial Manufacturing, Barwa, Qatari Investors Group and Nakilat. Nevertheless, Ahlibank Qatar, Ooredoo, Qamco, Doha Insurance, Dlala, Qatari German Medical Devices, Baladna, Meeza, Mazaya Qatar and Vodafone Qatar were among the gainers in the main bourse. In the venture, Al Mahhar Holding saw its shares appreciate in value. The Arab individuals turned net sellers to the tune of QR4.11mn

compared with net buyers of QR5.45mn on March 27.

The Qatari retail investors' net buying declined substantially to QR22.07mn against QR44.14mn the previous day.

The foreign individuals' net buying weakened noticeably to QR1.71mn compared to QR4.27mn on Wednesday. However, the foreign funds were net buyers to the tune of QR2.61mn against net profit takers of QR0.17mn on March 27. The Gulf institutions turned net buyers to the extent of QR1.3mn compared with net sellers of QR15.94mn the previous day. The Gulf individual investors' net buying expanded marginally to QR0.63mn against QR0.25mn on Wednesday.

The domestic funds' net selling declined substantially to QR24.22mn compared to QR37.99mn on March 27. The Arab institutions had no major net exposure for the fifth straight session. Trade volumes in the main market rose 19% to 145.98mn shares, value by 9% to QR468.34mn and deals by 6% to 15,043.

The venture market saw an 86% contraction in trade volumes to 0.01mn equities, 91% in value to QR0.01mn and 70% in transactions to three.

Potential Opec+ cuts extending to Q3 may further support oil price: Oxford Economics

By Pratap John
Business Editor

Potential OPEC+ cuts extending to the third quarter (Q3) could further increase oil price, Oxford Economics has said in a report.

Oil prices have been on an upward trend year-to-date, with last week's prices surpassing \$86 per barrel - the highest level since November 2023. This, Oxford Economics noted, has been mainly driven by recent geopolitical developments and expectations for US Federal Reserve rate cuts.

According to Oxford Economics, oil prices have been "volatile" lately due to various global events. However, since December 2023, prices have trended upward, fuelled by expectations surrounding the US Federal Reserve's rate decision, the ongoing Middle East conflict, Eastern Europe war developments, and declining US oil rig counts.

Last week, prices surpassed \$86 per barrel, the highest since November 2023. There is a chance Opec+ cuts might extend to Q3, potentially amplifying upward pressure on prices.

Optimism regarding potential US rate cuts and the possibility of a Gaza ceasefire could enhance oil demand and market movements, potentially alleviating upward pressures, Oxford Economics said.

In another report, National Bank of Kuwait said the oil market at this juncture seems relatively balanced risks-wise and could auger a period of reduced price volatility compared to the fourth quarter (Q4, 2023) especially with Opec+ producers unlikely to change production policy until at least June. Meanwhile, a Reuters dispatch said oil prices advanced following two consecutive sessions of decline, as investors anticipated tighter supplies given the Opec+ producer alliance is widely expected to stay the course on its current production cuts.

"We expect US inventories to rise less than normal in reflection of a global oil market in a slight deficit," SEB analyst Bjarne Schieldrop said. "This will likely hand support to the Brent crude oil price going forward."

US refinery utilisation rates, which rose 0.9 percentage points last week, also supported prices.

It said investors will watch for cues from a meeting next week of the Joint Monitoring Ministerial Committee of producer group the Organisation of Petroleum Exporting Countries (Opec+).

Increased geopolitical risk has raised expectations of possible supply disruption, but Opec+ is unlikely to make any oil output policy changes until a full ministerial gathering in June.

UDC showcases premium real estate projects at Hong Kong expo

- UDC's participation in expo was in collaboration with its financing partner, Commercial Bank
- Commercial Bank is offering mortgage loan packages to foreign investors looking to invest in Qatar property

United Development Company (UDC), master developer of The Pearl and Gewan Islands, participated in the International Immigration & Property Expo 2024 in Hong Kong recently. This event marked a significant opportunity for UDC to showcase its premium real estate investment products in Qatar, particularly at The Pearl and Gewan Islands. UDC's participation in the expo was in collaboration with its financing partner, Commercial Bank, a leader in innovative digital banking in Qatar, to promote attractive financing schemes tailored

for international non-resident investors. These schemes aim to provide seamless access to investment opportunities in UDC's thriving property portfolio.

UDC said its presence at the International Immigration & Property Expo underscores its commitment to offering exceptional real estate investment opportunities in Qatar.

"Through strategic partnerships like the one with Commercial Bank, UDC aims to provide accessible and attractive financing options for global investors interested in Qatar's dynamic property sector. "Investors can leverage Qatar's residency benefits and capitalise on the booming business climate, coupled with high returns on property investments with UDC, making it an ideal destination for international investors seeking lucrative opportunities."

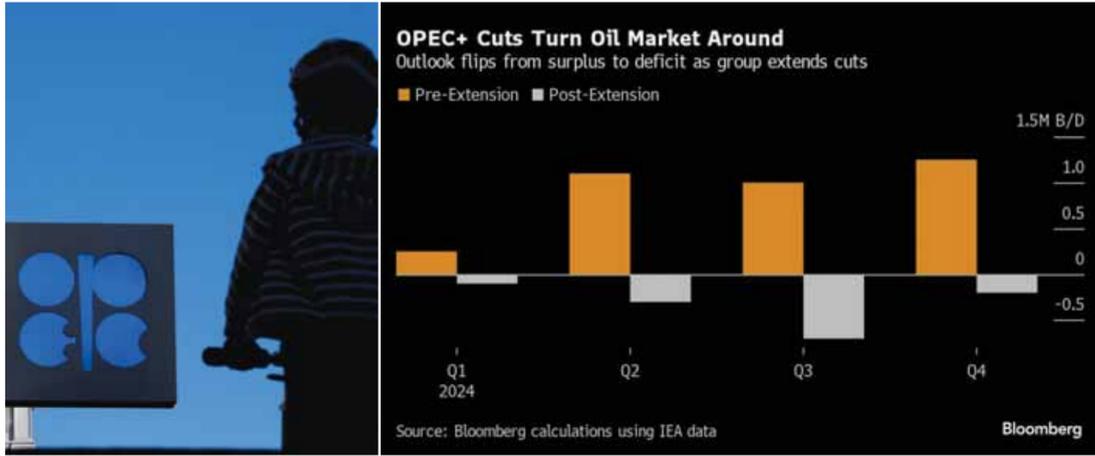
For its part, Commercial Bank is offering mortgage loan packages to foreign investors

looking to invest in Qatar property. Loan products come with flexible tenures of up to 20 years, designed to meet the diverse financial needs of investors looking to invest in and acquire permanent residency in Qatar through the approved real estate investment channels.

During the expo, UDC showcased its flagship projects, including developments at The Pearl Island and Crystal Residence at Gewan Island, representing some of the most sought-after apartment buildings in Qatar's newest mixed-use development. UDC's strategic engagement in global events like the International Immigration & Property Expo reflects its ongoing efforts to attract foreign investments into Qatar's vibrant real estate sector. This participation aligns with UDC's mission to deliver premium real estate developments that cater to the needs and expectations of both local and international investors.



UDC, master developer of The Pearl and Gewan Islands, participated in the International Immigration & Property Expo 2024 in Hong Kong recently



Opec+ production cuts are tightening the oil market

Bloomberg
London

When Opec+ ministers take stock of global oil markets next week, they'll see plenty of evidence that their production cuts are working. After a subdued start to the year, crude prices are showing increasing signs of life as the supply reductions by Saudi Arabia and its allies combine with surprisingly resilient demand. Market sentiment still lacks the exuberance of early 2023, when traders widely proclaimed the return of \$100 oil, but Wall Street banks like Morgan Stanley and trading giants such as Trafigura Group are predicting further price gains.

Brent crude futures have climbed about 11% this year, cementing a floor above \$85 a barrel in recent weeks. While that may aggravate central banks and consumers by undercutting recent success in the fight against inflation, for Riyadh and its partners the rally shores up vital revenue.

Officials from the Organisation of Petroleum Exporting Countries see no need to consider any changes to production policy on April 3, when they'll hold an online review of the latest output cutbacks.

"The Opec cuts have been effective," said Michael Hsueh, a strategist at Deutsche Bank AG. "The global market is either already in deficit or on the verge of turning into deficit."

The past few weeks have brought plenty of validation that the cuts are having the desired effect, Opec+ delegates said.

The International Energy Agency, which advises major economies, flipped its outlook for global markets in 2024 from a supply surplus to a deficit following the alliance's decision to extend its curbs to the end of June. Global fuel consumption is surpassing expectations and the Opec+ cuts — amounting to roughly 2mn barrels a day — are offsetting a flood of new oil from across the Americas, the IEA said.

At the oil industry's annual get-together in Houston earlier this month, the CERAWEEK by S&P Global conference, the mood among executives was bullish.

Top trader Gunvor Group Ltd forecast a rally toward \$90 a barrel, and Trafigura said the focus for prices has shifted to "upside risk." The duo see world consumption growing by roughly 1.5mn barrels a day this year, above historic trends, as robust US consumption offsets slower growth in China.

On Wall Street, Morgan Stanley has bolstered its crude price forecasts, and JPMorgan Chase & Co warned that Brent may hit \$100

a barrel, assuming Russia follows through on its new pledge to shift the emphasis of its cuts from exports to production.

World oil inventories drained at a rapid clip of 1.7mn barrels a day last month, Standard Chartered Plc estimates.

Rising prices may spell pain for consumers. US gasoline prices at the pump are likely to climb to \$4 a gallon, the highest since the summer of 2022, according to the AAA automobile club. That could complicate the work of the Federal Reserve as it seeks to pivot to looser monetary policy. It may also spell trouble for President Joe Biden as he begins his reelection campaign against Donald Trump, with high inflation still fresh in consumers' minds.

"President Biden faces the prospect of a cruel summer," with conflicts in Ukraine and the Middle East imperiling energy supplies, said Helima Croft, head of global commodity strategy at RBC Capital Markets LLC.

But for the 22 members of Opec+, the price upturn helps fill government coffers.

Saudi Arabia wants oil prices above \$90 a barrel, according to Fitch Ratings, as Crown Prince Mohamed bin Salman spends on everything from futuristic cities to premier sports players. President Vladimir Putin's Russia, meanwhile, needs funds to continue waging war on Ukraine.

| QSE MARKET WATCH | | | |
|---------------------------------------|----------|-------|------------|
| COMPANY NAME | Lt Price | % Chg | Volume |
| Zad Holding Co | 13.66 | -1.59 | 45,136 |
| Widam Food Co | 1.98 | 0.10 | 832,209 |
| Vodafone Qatar | 1.75 | 0.69 | 8,098,035 |
| United Development Co | 1.13 | -0.26 | 12,514,109 |
| Salam International Investment | 0.63 | 0.00 | 1,332,528 |
| Qatar & Oman Investment Co | 0.85 | 0.00 | - |
| Qatar Navigation | 10.53 | -2.32 | 331,814 |
| Qatar National Cement Co | 3.62 | 0.47 | 265,541 |
| Qatar National Bank | 14.20 | -0.07 | 4,533,699 |
| Qim Life & Medical Insurance | 2.07 | 0.19 | 98,826 |
| Qatar Islamic Insurance Group | 8.08 | 0.24 | 404,591 |
| Qatar Industrial Manufacturing | 2.69 | -1.14 | 125,315 |
| Qatar International Islamic | 10.93 | -1.35 | 4,466,765 |
| Qatari Investors Group | 1.65 | -0.66 | 2,029,496 |
| Qatar Islamic Bank | 19.00 | -0.26 | 1,416,478 |
| Qatar Gas Transport (Nakilat) | 3.98 | -0.33 | 2,164,515 |
| Qatar General Insurance & Reinsurance | 1.12 | 0.00 | 1,000 |
| Qatar German Co For Medical | 1.32 | 1.15 | 5,202,525 |
| Qatar Fuel Qsc | 14.77 | 0.27 | 273,049 |
| Lesha Bank Lic | 1.25 | 0.81 | 4,368,023 |
| Qatar Electricity & Water Co | 16.23 | 0.19 | 443,725 |
| Qatar Exchange Index Etf | 10.01 | 0.00 | 500 |
| Qatar Cinema & Film Distribution | 2.91 | 0.00 | - |
| AI Rayan Qatar Etf | 2.29 | -0.31 | 2,635 |
| Qatar Insurance Co | 2.25 | -0.53 | 2,954,800 |
| Qatar Aluminum Manufacturing | 1.32 | 1.47 | 14,789,294 |
| Ooredoo Qpsc | 10.60 | 2.12 | 788,189 |
| Aljarah Holding Company Qps | 0.68 | -0.15 | 3,860,541 |
| Mazaya Real Estate Development | 0.66 | 0.46 | 4,856,650 |
| Mesaleed Petrochemical Holding | 1.96 | 0.00 | 6,723,917 |
| Mekdam Holding Group | 4.96 | -0.40 | 534,275 |
| AI Meera Consumer Goods Co | 13.11 | -0.68 | 181,894 |
| Medicare Group | 4.28 | 0.02 | 993,771 |
| Mannal Corporation Qpsc | 4.16 | 0.17 | 447,639 |
| Masraf AI Rayan | 2.37 | 0.59 | 10,280,693 |
| Industries Qatar | 11.97 | -0.17 | 1,724,870 |
| Inma Holding Company | 3.87 | -0.49 | 40,535 |
| Estithmar Holding Qpsc | 1.91 | -0.52 | 1,236,104 |
| Gulf Warehousing Company | 3.25 | 0.31 | 452,977 |
| Gulf International Services | 2.69 | -0.30 | 2,344,734 |
| AI Faleh Education Holding | 0.73 | 0.00 | 150 |
| Ezdan Holding Group | 0.80 | 0.13 | 3,291,663 |
| Doha Insurance Co | 2.22 | 1.37 | 5,334,499 |
| Doha Bank Qpsc | 1.49 | -0.27 | 1,524,878 |
| Diala Holding | 1.24 | 1.31 | 449,577 |
| Commercial Bank Qpsc | 4.94 | -0.50 | 2,408,247 |
| Barwa Real Estate Co | 2.76 | -0.72 | 5,890,246 |
| Baladna | 1.16 | 0.78 | 1,661,828 |
| Damaan Islamic Insurance Co | 3.77 | -0.05 | 15,509 |
| AI Khaleej Takaful Group | 2.50 | -0.20 | 1,285,441 |
| Aamal Co | 0.76 | -0.39 | 2,312,126 |
| AI Ahli Bank | 4.12 | 5.78 | 23,815 |

Firmer oil prices expected as demand builds and supply curbs persist

Reuters
London

Oil prices will gain some momentum this year as demand picks up and output curbs by the Opec+ producer group continue to squeeze supply that is already being pressured by military conflicts, a Reuters poll showed on Thursday.

A survey of 46 economists and analysts forecast that Brent crude would average \$82.33 a barrel in 2024, up from the \$81.13 consensus projection in February. US crude expectations were raised to \$78.09, up from the \$76.54 forecast last month.

This was the first upward revision in 2024 consensus forecasts since the October poll.

"We see the oil price rally going further until the summer months," said Florian Grunberger, senior analyst at data and analytics firm Kpler. "This is due to the geopolitical risk premium and the interests of Opec+ members, coupled with increasing demand in China."

Oil prices have added more than 12% in the quarter so far, fuelled by geopolitical tensions in the Middle East, Houthi attacks on Red

Sea shipping and recent Ukrainian drone attacks on Russian refineries.

On the demand side, the overall consensus was roughly in line with the 1.3mn barrel per day (bpd) rise for 2024 projected by the International Energy Agency.

The IEA's forecast was far less bullish than that of Opec, which expects demand growth at 2.25mn bpd this year and said the 2024 and 2025 growth trajectories of India, China and the US could exceed current expectations.

"Traders have now fully absorbed the implications of the Opec+ supply cut extensions at a time when demand is proving more robust than expected," said Matthew Sherwood, lead commodities analyst at the Economist Intelligence Unit.

Opec+ members led by Saudi Arabia and Russia are unlikely to make any oil output policy changes until a full ministerial gathering in June, three Opec+ sources told Reuters.

"Convincing Opec+ members to under-produce as a group to maintain oil prices above a certain level is not going to be easy," said Suvro Sarkar, energy sector team lead at DBS Bank, pointing to rising surplus capacity and the loss of Opec+ market share to non-Opec+ producers such as the US.

'UAE weighs 10-year golden business licences'



A visitor walks along the corniche, backdropped by skyscrapers on the city skyline, in Dubai. The United Arab Emirates is considering granting long-term golden visas for businesses as it steps up efforts to attract investments and bolster growth, reports Bloomberg, quoting Dubai-based *Gulf News*. The proposal to introduce 10-year golden and five-year silver licences for trade was discussed at the government's Economic Integration Committee on Wednesday, *Gulf News* reported. It aims to increase government revenue, ensure business continuity, and promote economic growth, according to the report. The UAE, of which Abu Dhabi and Dubai are part, already provides golden visas to foreigners.

Carry trade roaring back in Egypt as yield hunters pounce on bonds

Bloomberg
Cairo

Investors enticed by high yields and a cheaper currency are piling into Egypt's local bonds at a record pace after a policy turn earlier this month unlocked tens of billions of dollars in financial assistance. Bids submitted in auctions for Treasury bills surged to historically high levels after Egypt's devaluation on March 6 as the risk of further currency depreciation dissipated and the premium to hold them surged to a record over other emerging-market notes. Demand for 364-day bills jumped to more than 400bn Egyptian pounds (\$8.5bn) in a single auction this month, the highest ever, with investor appetite strong across the maturity curve. Egypt increasingly stands out for carry traders, who borrow where rates are low to invest where they are high. The local currency has been gaining against the dollar since it was allowed to weaken by more than 38% three weeks ago, a decision accompanied by Egypt's biggest-ever interest rate hike. "Investors had waited for an inflection point in the local market story to get involved in size in carry trade positions," said Samir Gadio, head of Africa strategy at Standard Chartered Bank. Egypt has won pledges this year of over \$50bn in investment and loans in a global bailout that included a \$35bn deal with United Arab Emirates, the largest inward investment in the North African nation's history. The UAE's pledge paved the way for

the long-awaited currency flotation and an \$8bn expanded International Monetary Fund program. Egypt's Treasury bills are trading at their widest discount ever relative to other emerging-market debt, according to data compiled by Bloomberg. The gap between the official exchange rate and the pound's non-deliverable forward contracts narrowed sharply after the devaluation, signalling an expectation of a more stable currency in the market. "There's been huge demand at the auctions because foreign portfolio investors are eager to lock in current levels of the currency as arguably the pound has overshot with such a large amount of foreign reserve coming," said Gordon Bowers, a London-based analyst at Columbia Threadneedle Investments. Demand for the bills "has been overwhelmingly strong as they offer plenty of buffer to absorb any future currency depreciation." "While T-bill auction demand is still robust, it could moderate further from recent record highs as yields ease," Gadio said. "There was probably a lot of T-bill demand front-loading immediately after the devaluation." Investors previously shunned Egypt's local debt as the central bank resisted a devaluation of the heavily managed pound. It became overvalued in the eyes of foreign traders, contributing to shortages of hard currency that caused inflation to soar. The size of the bailout and the speed of the turnaround in investor sentiment warrant caution, though, according to Thierry Larose, a portfolio manager at Vontobel Asset Management AG.

Demand for Egypt Debt Surges After Policy Turn



"Pouring money into a relatively small economy and sudden investment flows bring risks," Larose said. "I expect at some point in the future that the Egyptian government may make some mistake, then the exit door will be extremely narrow. For us, Egypt is more a tactical play rather than a strategic view on

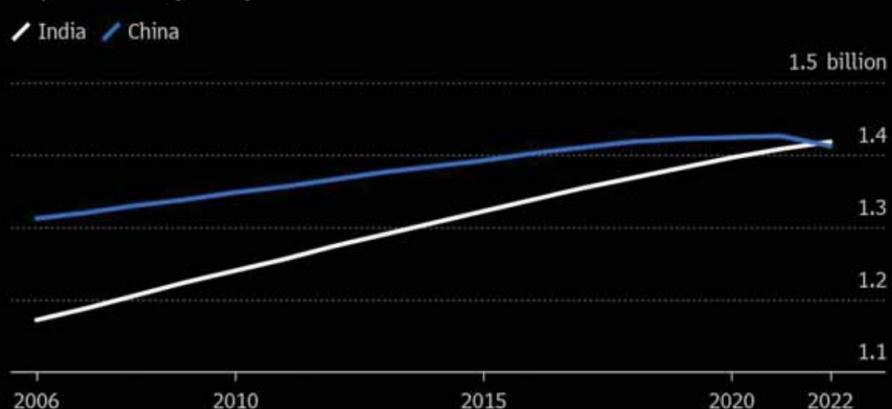
the long-term development of the country." Meanwhile, the extra yield investors demand to own Egypt's dollar bonds rather than US Treasuries traded below 600 basis points on Wednesday, according to indicative data from JPMorgan Chase & Co, dropping from the 1,000 basis-point level widely considered by

investors to signal that an asset is in distress. "The combination of the policy shift and significant external financing has transformed Egypt's macro outlook and will continue to support the investment thesis in Egyptian risk assets," Kevin Daly and Clemens Grafe, analysts at Goldman Sachs Group Inc, said in a note.



Raghuram Rajan, former Reserve Bank of India governor.

India Elbows China to Become World's Most-Populous Nation



Source: Macrotrends
Note: China data for 2022 is from National Statistics Bureau. All other estimates are from Macrotrends

Bloomberg

India making mistake believing 'hype' about growth: Rajan

Bloomberg New York

India is making a big mistake believing the "hype" around its strong economic growth since there are significant structural problems that need to be fixed for the country to meet its potential, former central bank Governor Raghuram Rajan said. The biggest challenge a new government must grapple with after elections is improving the education and skills of the workforce, Rajan said in an interview. Without fixing that, India will struggle to reap the benefits of its young population, he said, in a country where more than half of the 1.4bn population are below the age of 30. "The greatest mistake India can

make is to believe the hype," he said. "We've got many more years of hard work to do to ensure the hype is real. Believing the hype is something politicians want you to believe because they want you to believe that we have arrived." But it would be a "serious mistake for India to succumb to that" belief, he added. Dismissing Prime Minister Narendra Modi's ambition to make India a developed economy by 2047, Rajan said it was "nonsense" to talk of that goal "if so many of your kids don't have a high school education" and drop-out rates are high. "We have a growing workforce, but it is a dividend only if they're employed in good jobs," he said. "And that's, to my mind, the possible tragedy that we face." India needs to firstly make the workforce more employable,

and, secondly, create jobs for the workforce it has, he said. Rajan cited studies showing a drop in the learning ability of Indian school children to pre-2012 levels after the pandemic, and that only 20.5% of grade three students could read a grade two text. Literacy rates in India also remain below other Asian peers like Vietnam. "That is the kind of number that should really worry us," he said. "The lack of human capital will stay with us for decades." India needs to do a lot more work to get to 8% growth on a sustainable basis, Rajan said, dampening some of the recent optimism about the economy's prospects. Foreign investors have been flocking to India to take advantage of the rapid expansion, which the

government predicts will reach more than 7% in the coming fiscal year, making it the fastest-growing major economy in the world. Rajan said policy choices made by the Modi government to spend more on subsidies for chip manufacturing than the annual budget for higher education were misguided. The subsidies to semi-conductor businesses to set up operations in India was an estimated 760bn rupees (\$9.1bn), compared with 476bn rupees allocated for higher education. The government was too focused on high-profile projects like chip manufacturing instead of doing the work to fix the education system so it can produce well-trained engineers needed for those industries, he said. "The ambition of the government is real, to become a great nation,"

he said. "Whether they pay attention to what needs to be done is a different question. I worry that we've become more fixated on prestige projects, which suggest more great nation ambition, such as chip manufacturing, while leaving the underpinnings that will contribute to a sustainable chip manufacturing industry." A professor of finance at the University of Chicago Booth School of Business, Rajan is a well-known commentator on the global economy and an outspoken critic of India's policies. He left the Reserve Bank of India for academia in 2016 after his term as governor wasn't extended, having come under attack from headline politicians for his views. He recently co-authored a book titled *Breaking the Mould: Reimagining India's Economic*

Future and has been releasing a series of videos on his LinkedIn profile to provide perspective to India's growth outlook. Beyond improving education, Rajan highlighted a number of policy priorities for the new administration, including reducing inequality and increasing labour intensive production. He also said India's governing system was too centralized, and devolving control to states will help improve development. "What we need is a pragmatic approach," Rajan said. Quoting China's former leader Deng Xiaoping, who spearheaded that country's economic reforms, Rajan said if India learns anything from China, it should be that "it doesn't matter whether the cat is black or white, it matters whether it catches mice," he said.

China's property crisis is rippling through its biggest banks

Bloomberg Hong Kong

China's protracted property downturn is eroding the balance sheets of the nation's largest state banks as their bad loans creep up. Bank of Communications Co reported on Wednesday that its property bad loan ratio jumped to 4.99% at the end of last year from 2.8% a year earlier. While the balance of its overdue mortgages slipped, the special mention loans for the segment — a leading indicator of soured loans — jumped 23% to 9.88bn yuan (\$1.4bn). Bigger rival Industrial & Commercial Bank of China Ltd saw its bad loans from residential mortgages rise 9.6% to 27.8bn yuan, according to a Wednesday filing. In the corporate loan segment, its property non-performing loan ratio was the highest among all sectors. Agricultural Bank of China Ltd reported a 4.7% increase in soured residential mortgage loans last year, while NPL ratio for the property sector also topped other industries. All three banks managed to report gains in profit even interest margins narrowed. Bocom dropped 2.7% and ICBC slid 0.8% in Hong

Kong. AgBank ended Thursday trading 0.3% lower right before its results. The nation's largest state-owned banks are struggling to maintain growth as Beijing tasked them with duties to help pump up the domestic economy as well as rescue its debt-laden property developers and local governments. The state banks have so far heeded Beijing's call to lower lending rates and step up financing support for developers. Bocom said China's earlier cuts on loan prime rates and reductions on outstanding mortgage rates have hurt margins. The bank underwrote 56.5% more real estate corporate bonds last year to meet the needs of developers, it said in its filing. ICBC maintained a "stable and orderly" issuance of property loans and boosted financial support for rental housing, according to its statement. AgriBank said repricing of existing loans such as residential mortgages hurt its margins, according to its filing. The lender cut the interest rates on existing mortgages by an average 73 basis points for more than 7.63mm borrowers last year. China's home price declines deepened in February in both new and used home segments, underscoring the challenge for au-

thorities to salvage the beleaguered market. ICBC has increased efforts to manage risks associated with real estate developers and projects, according to Wang Jingwu, the bank's vice president. The non-performing property loan ratio decreased by 0.77 percentage point to 5.37% from the beginning of the year, with sufficient provisions provided, he said. As of the end of 2023, the balance of real estate loans and mortgages at ICBC was more than 7tn yuan, accounting for more than a quarter of their loan book. Bocom's Vice-President Yin Jiuyong said the pressure to keep asset quality in check remains "immense" this year as it will take time for home sales and developers' liquidity conditions to recover. Overall risk from its property exposure is still manageable, he said at an earnings briefing. The big lenders' profitability and asset quality are in focus as investors await to gauge their resilience in an economy that's heavily reliant on bank lending to regain momentum. Combined profits at China's commercial banks rose 3.2% to 2.38tn yuan last year, the slowest pace since 2020, according to official data. Outstanding bad loans climbed to a record 3.23tn yuan.



Chinese 100 yuan banknotes are seen in a counting machine at a branch of a commercial bank in Beijing. China's protracted property downturn is eroding the balance sheets of the nation's largest state banks as their bad loans creep up.

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Bloomberg QuickTake Q&A

Why credit-card swipe fees are so hotly contested

By Jenny Surane

Every time a credit or debit card is swiped or a website's "buy" button is clicked, a series of events moves money from consumer to merchant. The process cost retailers more than \$170bn in fees last year — and banks, payment networks (such as Visa Inc and Mastercard Inc) and payment processors fight intensely for a share of that. Retailers have been pushing back, and on March 26, Visa and Mastercard agreed to cap so-called swipe fees as part of a settlement to end a legal fight that's lasted almost two decades.

1. What's a credit-card swipe fee?

What's known in payments-industry parlance as an interchange fee is typically divided among multiple parties and usually amounts to about 2% of a purchase price for a credit-card transaction and 21 cents for one with a debit card. The US has what's known as a four-party system — the consumer, the consumer's bank, the merchant and the merchant's bank. The networks, Visa and Mastercard, sit between the consumer's bank and the merchant's bank and send signals back and forth that allow money to securely pass between the two. In a typical transaction, proceeds are shared by the two banks and either Visa or Mastercard.

2. Who pays the fee?

The merchant. The idea is that banks assume most



A customer holds a credit card for payment at the check-out desk of a supermarket in Barcelona, Spain. On March 26, Visa and Mastercard agreed to cap so-called swipe fees as part of a settlement to end a legal fight that's lasted almost two decades.

of the risk by loaning the consumer the money for a credit-card purchase. And studies show consumers spend more when they're using plastic instead of cash, which is good for the merchant.

3. What's the case against the current system?

Retailers, restaurants, small businesses and other merchants say consumers end up footing the bill in the form of higher prices. These critics also say swipe fees finance the lavish rewards — airline miles, cash back and the like — that banks offer

to wealthy credit-card holders, who in turn are usually willing to pay hefty annual fees for the privilege.

4. What's the new agreement?

For years, lawyers representing millions of merchants have been negotiating with Visa and Mastercard to change their practices as part of a lawsuit over swipe fees. The companies have agreed to cap the fees as part of a deal that US merchants say will save them at least \$30bn over five years. The deal, which is subject to court approval, will also allow retailers to charge consumers extra at checkout for using Visa or Mastercard credit cards and use pricing tactics to steer customers to lower-cost cards. It could fundamentally reshape the way consumers think about paying for items at checkout with a credit card. Separately, retailers are pressing lawmakers to cap interchange fees for credit cards, as was done several years ago for debit cards.

5. Who else competes for these fees?

Companies like Block Inc's Square and Stripe Inc have entered the so-called merchant acquiring space by offering lower prices or better service to small businesses that accept electronic payments. Square's products, which turn a mobile phone into a credit-card payment processor, appeal to some retailers because of the simplicity of its flat-rate pricing system. Further shaking things up are Apple Pay and other so-called mobile payment offerings.

IMF calls for 'strong financial sector reforms' in Switzerland

Reuters
Bern

Switzerland needs "strong financial sector reforms" in the wake of the state-engineered rescue takeover of Credit Suisse by UBS, the IMF said on Thursday, the latest international organisation to raise concerns about the mega-merger and its aftermath.

"The state-facilitated acquisition of Credit Suisse by UBS has stabilised the financial markets, but the experience and prospects also call for strong financial sector reforms," the International Monetary Fund said after concluding its review of the Swiss economy.

The IMF's concerns about the enlarged UBS — which has a balance sheet that dwarfs the Swiss economy — follows a similar warning from the Organisation for Economic Co-operation and Development earlier this month.

The Financial Stability Board, a grouping of central bankers, treasury officials and regulators from the group of 20 top global economies, has also highlighted the risk a failure of UBS would pose to Switzerland and urged Bern to strengthen its controls on banks.

Pelin Berkmen, head of the IMF delegation, said lessons from the Credit Suisse case should be used to strengthen regulation and supervision in Switzerland.

Although some progress had been made to improve the resilience of the Swiss banking sector, the IMF's proposals from 2019 remained relevant, she said.

The IMF recommended stronger powers for Swiss financial regulator FINMA, giving it the powers to fine bank executives and announce publicly its enforcement actions.

"We do think that there is a need to increase the powers and resources of the supervisor to enable an early effective intervention," Berkmen told reporters in Bern.

"We mentioned reducing reliance on external auditors, strengthening recovery and resolution planning and implementability, including powers to require changes to bank structures to resolve banks," she added.

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Swiss authorities should also address capital and liquidity requirements, Berkmen said, and introduce a more effective public liquidity backstop to give banks access to emergency funding in a crisis.

"The global world has changed, and there are lessons to be learned from the Credit Suisse episode, and this includes changes to capital and liquidity requirements going forward," Berkmen said.

"As to the details of what that should be, that assessment will be done as part of our in-depth review of the financial sector assessment," she said.

The IMF is due to carry out a more detailed assessment of the Swiss financial sector later this year and publish a report in early 2025.

The Swiss government, which is also due to come up with its own proposals on banking regulation in April, said it took note of the IMF's recommendations.

Berkmen said supervising UBS would be challenging, citing the bank's size, complexity and global reach.

"It requires further actions and changes... in terms of capital and liquidity requirements, and overall too big to fail framework, and those actions will enable a proper supervision and regulation." Judging the Swiss economy overall, the IMF said the country has "strong fundamentals" but also faced several challenges, including a funding gap in its pension system and vulnerabilities in its real estate sector.

For 2024, the IMF forecast Swiss GDP growth of 1%, when adjusted for sporting events, and 1.7% in 2025, similar to the Swiss government's most recent forecasts for growth at 1.1% and 1.7% respectively.

US Q4 growth revised higher; labour market is still strong

- Fourth-quarter GDP growth revised up to 3.4% rate
- Consumer spending, business investment revised higher
- Corporate profits increase, boost GDI growth
- Weekly jobless claims fall 2,000 to 210,000

Reuters
Washington

The US economy grew faster than previously estimated in the fourth quarter, boosted by strong consumer spending and business investment in nonresidential structures like factories and healthcare facilities.

The report from the Commerce Department on Thursday also showed profits rising at a solid clip last quarter, driven by nonfinancial corporations. Increasing profits, together with rising worker productivity, could encourage companies to retain their employees.

Labour market resilience is underpinning consumer spending, keeping the economy afloat despite dire predictions of a recession in the aftermath of 525 basis points worth of interest rate hikes from the Federal Reserve since March 2022 to quell inflation.

"The consumer will be front and centre when it comes to gauging the strength left in this recovery, and their spending that has shifted to services will be critical this year," said Christopher Rup-



Customers wait for orders at a McDonald's in New York City. The US economy grew faster than previously estimated in the fourth quarter, boosted by strong consumer spending and business investment in nonresidential structures like factories and healthcare facilities.

key, chief economist at FWD-BONDS in New York.

Gross domestic product increased at a 3.4% annualised rate last quarter, revised up from the previously reported 3.2% pace, the Commerce Department's Bureau of Economic Analysis said in its third estimate of fourth-quarter GDP.

The revision reflected upgrades in consumer spending, business investment as well as state and local government spending, which offset downgrades to inventory accumulation and exports. Economists polled by Reuters had expected GDP growth would be unrevised.

The economy is growing above what US central bank officials regard as the non-inflationary growth rate of 1.8% and continues to out-

perform its global peers. The economy grew at a 4.9% pace in the July-September quarter. It expanded 2.5% in 2023, an acceleration from 1.9% in 2022. Growth estimates for the first quarter are converging around a 2.0% pace.

Consumer spending, which accounts for more than two-thirds of US economic activity, increased at a 3.3% rate, adding 2.20 percentage points to GDP growth. It was previously estimated to have grown at a 3.0% pace. The upward revision was in services.

The upgrade to business spending reflected higher outlays on manufacturing as well as commercial and healthcare structures than previously estimated. Spending on intellectual property products was also revised

up, while the decline in outlays on equipment was not as steep as previously estimated.

Corporate profits including inventory valuation and capital consumption adjustments increased \$133.5bn in the fourth quarter after rising \$108.7bn in the July-September quarter. Profits of domestic nonfinancial corporations increased \$136.5bn, while those of financial corporations rose \$5.9bn. That more than offset an \$8.9bn decline in profits from the rest of the world.

When measured from the income side, the economy expanded at a robust 4.8% rate. Gross domestic income (GDI) increased at a 1.9% pace in the July-September quarter. In principle, GDP and GDI should be equal, but

in practice differ as they are estimated using different and largely independent source data.

A widening gap between GDI and GDP in prior quarters had raised concerns among some economists that the economy was not as strong as suggested by the GDP figures. The surge in GDI reflected higher wages and profits.

The average of GDP and GDI, also referred to as gross domestic output and considered a better measure of economic activity, increased at a 4.1% rate last quarter after advancing at a 3.4% pace in the third quarter.

A separate report from the Labor Department on Thursday showed initial claims for state unemployment benefits fell 2,000 to a seasonally adjusted 210,000 for the week ended March 23. Economists had forecast 212,000 claims in the latest week.

Claims have been hovering in a 200,000-213,000 range since February. Most employers are retaining their workers despite a rash of high-profile layoffs at the start of the year.

The number of people receiving benefits after an initial week of aid, a proxy for hiring, increased 24,000 to 1.819mn during the week ending March 16, the claims report showed. The so-called continuing claims covered the period during which the government surveyed households for March's unemployment rate.

Continuing claims were little changed between the February and March survey periods. The unemployment rate was at 3.9% in February.

UK's biggest water supplier plunges into deeper financial crisis

AFP
London

Debt-plagued Thames Water has failed to raise a major cash injection from shareholders, it revealed on Thursday, blaming industry regulations that made its rescue plan "uninvestable". Britain's biggest water supplier said in a statement that £500mn (\$630mn) of new equity would "not be provided by Thames Water's shareholders" this month. The cash represented most of a £750mn funding lifeline agreed with investors in July to stay afloat. The company on Thursday said it was in talks with industry regulator Ofwat over a plan that is "affordable for customers, deliverable and financeable for Thames Water, as well as investible for equity investors". Britain's domestic Press Association news agency said Ofwat had refused to bow to Thames Water's demands for concessions, which it said included a 40% jump in water bills that would worsen the country's cost-of-living crisis. Other concessions sought reportedly include an easing in capital spending requirements and leniency over regulatory penalties. "Safeguards are in place to ensure that services to customers are protected regardless of issues faced by shareholders of Thames Water," said an Ofwat spokesperson. "Today's update... means

the company must now pursue all options to seek further equity for the business to turn around the performance of the company for customers."

Thames Water, which supplies more than 15mn homes and businesses in London and elsewhere in southern England, is saddled with debts of almost £15bn that have placed it at risk of nationalisation.

"We prepare for a range of scenarios across our regulated industries — including water — as any responsible government would," said a statement Thursday from the Conservative administration led by Prime Minister Rishi Sunak.

Steve Reed, environment spokesman for the main opposition Labour party, said "the government and regulators must do everything in their power to stabilise the company and ensure new investment comes through to fix the broken sewage system without taxpayers being left to foot the bill."

Labour, widely tipped to win a UK general election this year according to several polls, "will strengthen the regulator's powers and make financial stability a priority to prevent this situation from happening again" should it win power, Reed added in a statement.

Thames Water has faced fierce criticism over missing targets to reduce leaks and slash sewage discharges into rivers, despite major infrastructure investment.

