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Biden's hot economy stokes currency fears for the rest of world

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GULF TIMES
BUSINESS



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Mideast economies in 'shadow of uncertainty' due to regional conflicts

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Minister of Finance meets AMF chairman



HE Ali bin Ahmed al-Kuwari, Minister of Finance, held a meeting with Dr Fahad Mubarak al-Turki, chairman of the Arab Monetary Fund (AMF), on the sidelines of the Spring Meetings of the International Monetary Fund and the World Bank Group, in Washington, DC. Topics pertaining to mutual interests, particularly in the financial and ways to enhance financial stability in Arab countries, were discussed during the meeting, as well as measures aimed at broadening the scope of joint co-operation.

Al-Kuwari, World Bank president witness working agreement signing



HE Ali bin Ahmed al-Kuwari, Minister of Finance, and Ajay Banga, President of the World Bank, witnessed the signing of a work agreement between Qatar, represented by the Education Above All Foundation, and the World Bank Group, in Washington, DC. The two parties concluded a mutually beneficial agreement with the aim of enhancing joint co-operation and advisory services. Page 4

Indian envoy launches 'KBF Business Connect 2024'

The Kerala Business Forum (KBF) recently held a curtain raiser for 'KBF Business Connect 2024', a pan-India summit that aims to explore investment opportunities in both Qatar and India, fostering entrepreneurship and business growth within the Indian community.

Indian ambassador Vipul led the launching of the summit, which will be the first segment of a series of similar events planned to facilitate a platform that will connect prospective investors, as well investment opportunities

The event was presided over by Aji Kuriakose, where Sandeep Kumar, deputy chief of Mission at the Indian embassy, along with presidents and secretaries of apex bodies and associated organisations, were present.

KBF vice president and event convener Kimi Alexander presented the details of two-day summit while general secretary Manzoor Moideen welcomed the guests and Shaheen M P delivered the vote of thanks.

The two-day event is scheduled from April 30 at the Grand Hyatt Doha



Indian ambassador Vipul leading the launch of the 'KBF Business Connect 2024' in the presence of key officials of the Kerala Business Forum.

Hotel and aims to attract 500 attendees from the business and professional communities in Qatar; predominantly Qatari, Qatari companies, Indians, and also other nationalities.

"In continuation of past business and investment conclaves, 'KBF Business Connect 2024' aims to shed light on the investment landscapes in Qatar and across different states of India, from agriculture to artificial

intelligence (AI) projects," said Kuriakose.

Grant Thornton (GT), one of the Big 5 companies globally, was appointed as 'Knowledge Partner' for the event. Expert panellists from GT India will share potential opportunities and support mechanisms, including government grants and subsidies for various industries in eight states: Andhra Pradesh, Gujarat, Karnataka,

Kerala, Maharashtra, Odisha, Punjab, and Tamil Nadu. The participating industries during 'KBF Business Connect 2024' are manufacturing, agriculture, logistics, cold storage, space technology, skills development, assistive technology, pet food, textiles, tourism, and geriatrics.

Discussions will be held with Invest Qatar on the investment opportunities in Qatar, government policies encouraging new investors, and motivating factors for foreign investment in Qatar.

Along with Invest Qatar, KBF is trying to involve the participation of Invest India where specific sessions will be presented during the two-day summit. Apart from these, there will be a series of presentation by the experts from GT India and also group and individual sessions for chosen sectors and states where experts will provide insight to ensure participants gain a comprehensive understanding of investment landscapes, sectoral opportunities, and available support mechanisms from authoritative sources.

Europe demand for LNG set to peak in 2024 as crisis fades

Bloomberg
Paris

The European Union's demand for liquefied natural gas, which provided a key lifeline during the energy crisis, will likely peak this year as the region accelerates its renewables transition, the bloc's energy watchdog said.

If renewable targets are fully met, "the gas demand reduction foreseen by 2030 will be slightly over 200bn cubic metres relative to 2019," according to a report from the Agency for the Co-operation of Energy Regulators. That figure is more than the EU's annual Russian imports before the war. From 2027, the bloc will be over-contracted for gas, but flexible agreements should mean that "such contractual surpluses should be easily manageable" and diverted elsewhere, the report showed.

The data adds to evidence that Europe's energy crunch, which sent gas prices soaring to all-time highs, is at its end even as the continent becomes the world's largest importer of LNG. It also means that the US decision to halt fresh projects for the export of the super-chilled fuel is unlikely to have a significant impact on the bloc's energy security as its rollout of renewables accelerates.

ACER said that the EU's LNG demand may even have topped out last year unless the upcoming winter is a particularly cold one. Still, the EU's dependence on Russian LNG supplies is far from over even as it looks to phase out all fossil fuels from the country by 2027. Last year Spain received almost 40% of the 18bn cubic metres that came to Europe's shores, with a further third going to France and a fifth to Belgium. These are mostly the result of long-term contracts signed before 2022, ACER said.

Fed uncertainties weigh on Qatar shares; M-cap melts QR5.66bn

By Santhosh V Perumal
Business Reporter

The global concerns over the US Federal Reserve's views that restrictive monetary policy may last longer had cast its shadow on the Qatar Stock Exchange, which closed this week on a lower note. The industrials and banking sectors witnessed higher than average selling pressure as the 20-stock Qatar Index fell 0.95% this week which saw Qatar's consumer price index inflation decline 1.4% month-on-month this March. The domestic funds were seen increasingly into net profit booking this week which saw Qatar's industrial production index jump 0.4% year-on-year in February 2024. "The index remains below all MAs on the weekly chart, while a cross over the resistance line at

10,300 points would be the first improvement sign that should lead to 10,830 points, knowing that a close above this will target 11,130 points," said a technical analysis note of Kamco Invest. The foreign institutions were seen increasingly bearish in the main market this week which saw Qatar Islamic Bank report a 5.5% year-on-year growth in net profit to QR955mn in the first three months of this year. The Gulf individuals' increased net selling had its influence on the main bourse this week which saw Qatari Investors Group register net profit of QR43.5mn during January-March 2024. The foreign retail investors continued to be net profit takers but with lesser intensity in the main market this week which saw a total of 0.2mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR0.46mn trade

QSE WEEKLY REVIEW

across 26 deals. The local retail investors were seen net buyers in the main bourse this week which saw as many as 0.01mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.09mn change hands across 10 transactions. The Islamic index was seen gaining slower than the other indices in the main market this week which saw the industrials and banks sectors together constitute about 64% of the total trade volumes. Market capitalisation eroded QR5.66bn or 0.98% to QR570.64bn on the back of mid and small cap segments this week which saw no trading of sovereign bonds. Trade volumes and turnover were on the increase in both the main and venture markets this week

which saw no trading of treasury bills. The Total Return Index shed 0.96%, the All Share Index by 0.86% and the All Islamic Index by 0.36% this week. The industrials sector index tanked 1.83%, banks and financial services (1.31%), telecom (0.43%), consumer goods and services (0.42%) and insurance (0.13%); while transport and real estate gained 2.8% and 1.12% respectively this week. Major losers in the main market included Qatari Investors Group, Commercial Bank, Qatar Islamic Insurance, Industries Qatar, Aljjarah Holding, Qatar Islamic Bank, QNB, Ahibank Qatar, Woqod, Qatar German Medical Devices, Gulf International Services, Mesaeied Petrochemical Holding, Ezdan and

Mazaya Qatar. In the venture market, Al Mahhar Holding saw its shares depreciate in value this week. Nevertheless, Meeza, Baladna, Gulf Warehousing, Medicare Group, Milaha, QIB, Qatar Oman Investment, Widam Food, Mekdam Holding, Aamal Company, Qamco, United Development Company and Nakilat were among the gainers in the main bourse this week. The domestic funds' net selling strengthened drastically to QR68.03mn compared to QR2.18mn the week ended April 11. The foreign institutions turned net sellers to the tune of QR67.42mn against net buyers of QR17.68mn the previous week. The Gulf individuals' net profit booking increased perceptibly to QR1.15mn compared to QR0.62mn a week ago. However, the Gulf institutions' net buying surged drastically to QR61.81mn against QR13.01mn the

week ended April 11. The Qatari individuals were net buyers to the extent of QR58.05mn compared with net sellers of QR10.08mn the previous week. The Arab individual investors turned net buyers to the tune of QR17.37mn against net profit takers of QR12.21mn a week ago. The foreign retail investors' net selling weakened noticeably to QR0.62mn compared to QR5.62mn the week ended April 11. The Arab institutions continued to have no major net exposure. The main market witnessed trade volumes more than tripled to 778.71mn shares and value more than triple to QR2.35bn and deals also more than triple to 80,908 this week. In the venture market, trade volumes more than doubled to 0.77mn equities and value also more than doubled to QR1.16mn on almost tripled transactions to 108.



UAE giant seen to target majority stake in Vedanta's Zambian mines in expansion drive

■ Abu Dhabi firm interested in majority stake in Zambia's KCM
■ IRH interest comes on the back of Mopani Copper Mines deal
■ Billionaire Agarwal seeking cash to reboot Zambian copper mines

Reuters
Johannesburg

The mining investment arm of Abu Dhabi's most valuable company has offered to buy a majority stake in Vedanta Resources' Zambian copper assets, two sources familiar with the matter told Reuters, in its drive to build an African copper mining empire. The unit of International Holding Company recently made an offer of more than \$1bn to buy a 51% stake in Konkola Copper Mines (KCM) from Indian billionaire Anil Agarwal-owned Vedanta, the sources said.

The unit — International Resources Holding (IRH) — is racing to broaden its burgeoning copper mining business in Zambia after buying a 51% stake in Mopani Copper Mines in a deal worth \$1.1bn. IRH said last month it planned to bid for a stake owned by EMR Capital in Lubambe Copper Mine, which is also for sale. The deals spree is part of a push by United Arab Emirates (UAE) and Saudi Arabia to secure critical metal supplies from Africa, a move that could also help them participate in the transition to green energy. The IRH offer for a controlling stake is non-binding and talks are ongoing, one of the sources said. Vedanta might balk at giving up a majority interest in KCM as it has always wanted the assets on its balance sheet, the source added. "IRH is deeply committed to strategically expanding its presence in the copper mining sector, exemplified by our

interest in multiple assets," IRH said in reply to a request for comment. It declined to comment on "ongoing discussions". Vedanta wants to sell part of its 80% stake in KCM and has hired Standard Chartered to manage the process in an effort to raise capital to revive the assets, which were nearly paralysed in an ownership dispute with the government that erupted in 2019 when the then-administration seized them. The Zambian government owns 20% of KCM through state firm ZCCM-IH. Stanchart issued a "request for proposals" seeking investors interested in buying a minority interest in KCM, the sources said. IRH is only interested in a controlling stake in KCM as there are no clear benefits in becoming a passive investor in the operations, the sources said, as they are not making money and need significant investment. Asked for comment, Vedanta said

Stanchart was assisting in a "broader strategy to manage its capital structure and ensure the company has the funds necessary to meet its obligations and continue operations again." "As part of this process, we are engaging with prospective partners for both short-term financing and longer-term equity financing but cannot disclose the names of these partners or investors due to the sensitive stage these discussions have reached." Vedanta recently regained control of the assets after protracted legal battles, including international arbitration, with the previous Zambian government which seized the copper mines and smelting plant after accusing the company of failing to invest in expanding copper production. The legal squabbles, which erupted following the May 2019 government-forced liquidation of KCM, starved the operations of fresh capital and nearly

brought them to a standstill. Now Vedanta wants to raise about \$1bn to invest in the assets over the next five years and an additional \$300mn to pay off outstanding local creditors, Chris Griffith, the CEO of Vedanta's base metals unit told Reuters in February. Much of the funding is required to advance the Konkola Deep Mining Project, an underground operation, which holds one of the world's richest copper deposits. Vedanta is open to selling either a minority or majority stake and the company is seeing interest from various investors, a third source said. A rally in copper prices is likely to fuel investors' interest in the assets, but they may be unnerved by tough conditions including removing groundwater from the Konkola Deep underground operation, another source at a global miner which previously explored a deal over the assets, told Reuters.

Middle East economies in 'shadow of uncertainty' due to regional conflicts: IMF

AFP
Washington

Economies in the Middle East and North Africa face a "shadow of uncertainty" from ongoing tensions in the region, a senior IMF official told AFP on Thursday.

"We are in a context where the overall outlook is cast into shadows," the International Monetary Fund (IMF)'s director for the Middle East and Central Asia department, Jihad Azour, said in an interview in Washington.

"The shadow of uncertainty on the geopolitical side is an important one," added Azour, a recent candidate to be the next Lebanese president.

In the face of the ongoing conflicts in Gaza and Sudan, and a recent cut to oil supplies by Opec countries, the IMF has pared back its growth outlook for the Middle East and North Africa (Mena) region once again. The Fund now expects growth in Mena of 2.7% this year — 0.2 percentage points below its January forecast — before picking up again next year, the IMF said in its regional economic outlook report published Thursday.

The risks to growth in the Mena region remain heightened, the IMF said, pointing to the danger of greater regional spillovers from the ongoing Israel-Gaza war.

"We have concerns about the immediate and lasting impact of conflict," Azour said.

The IMF report said economic activity in Gaza has "come to a standstill" and estimates economic output in the West Bank and Gaza contracted by 6% last year.

The report excludes economic projections for the West Bank and Gaza for the next five years, "on account of the unusually high degree of uncertainty," the IMF said.

The Fund cannot lend to the West Bank and Gaza because it is not an IMF member country. However, it has provided the Palestinian Authority and the central bank with technical assistance during the current conflict, Azour said.

"When we move into the phase



Jihad Azour, IMF Director of the Middle East and Central Asia Department.

of reconstruction, we will be part of the international community support to the region," he added.

Azour also discussed the situation in Sudan, where thousands have been killed in a civil war that has also devastated the economy, causing it to contract by almost 20% last year, according to the IMF.

"The country is barely functioning, institutions have been dismantled," he said.

"And for an economy, for a country like Sudan, with all this potential, it's important to very quickly the stop the bleeding and move to a phase of reconstruction," he added.

The Egyptian economy has been particularly badly hit by the recent Houthi attacks on Red Sea shipping, which caused trade through the Egypt-run Suez Canal to more than halve — depriving the country of a key source of foreign exchange. Egypt reached agreement last

Loan programme to help Egypt reduce debt burden

The International Monetary Fund (IMF)'s loan programme with Egypt should help the country gradually reduce its debt burden, an IMF official said on Thursday, reports Reuters. "We gradually expect with implementation of the programme, improvement of balance sheets, and increase in inflows that Egypt will be able to reduce and pay back part of

its debt," IMF Middle East and Central Asia director Jihad Azour told a news briefing. The IMF expects Egypt's debt-to-GDP ratio to drop to 82.6% next year from 92.4% this year, and the trend should continue downward, Azour added. "This is also one of the main pillars of our programme to allow Egypt to gradually reduce the burden of debt," he said.

month to increase an existing IMF loan package from \$3-8bn, after its central bank hiked interest rates and allowed the pound to plunge by nearly 40%.

A key pillar of the current IMF programme is the privatisation of Egypt's state-owned enterprises, many of which are owned by or linked to the military.

"This is a priority for Egypt," Azour told AFP. "Because Egypt needs to have a growing private sector, and to give space for the private sector to create more jobs." "We have an opportunity to re-engineer the role of the state, to give the state more responsibility as an enabler, and less as a competitor," he said.



Pakistan Finance Minister Muhammad Aurangzeb is interviewed during the G20 Finance Ministers and Central Bank Governors' Meeting at the IMF and World Bank's 2024 annual Spring Meetings in Washington on Thursday.

Pakistan aims to agree outline of new IMF loan in May, says finance minister

Reuters
Washington

Pakistan hopes to agree the contours of a new International Monetary Fund (IMF) loan in May, Finance Minister Muhammad Aurangzeb told Reuters, and has kicked off talks with ratings agencies to lay the groundwork for a return to international debt markets.

The country's current \$3bn arrangement with the fund runs out in late April and the government is seeking a longer and bigger loan to help bring permanence to macroeconomic stability as well as an umbrella under which the country can execute much needed structural reforms, the minister said.

"We expect the IMF mission to be in Islamabad around the middle of May — and that is when some of these contours will start developing," said Aurangzeb, who met with the Fund's Managing Director Kristalina Georgieva on Wednesday during the International Monetary Fund and World Bank Spring Meetings.

He declined to outline what size programme the government hoped to secure, though Pakistan is expected to seek at least \$6bn. Aurangzeb added that once the IMF loan was agreed, Pakistan would also request additional financing from the Fund under the Resilience and Sustainability Trust.

The struggling South Asian nation had managed to accumulate foreign exchange reserves in recent months and was on track for its war chest to hit \$10bn — or roughly two months import cover — by end-June.

The debt situation also looked more benign, Aurangzeb said. "The bulk of our bilateral debt — including our China debt — is being rolled over, so in that sense I think we are in good shape and I don't see a big issue during this fiscal year nor next fiscal year, cause we need to repay roughly \$25bn every fiscal year."

Pakistan also hopes to come back to international capital markets, possibly with a green bond. However, there was some more work to be done before that happens, said Aurangzeb.

"We have to come back into a certain ratings environment," he said, having kicked off talks with ratings agencies, adding the government was hoping to get an improvement in its sovereign rating in the next fiscal year.

"In all likelihood, any international capital markets issuance will likely be in the 2025/2026 fiscal year."

Saudi Arabia needs oil near \$100: IMF

Bloomberg
Washington

Saudi Arabia will need a higher oil price than previously thought this year as the Opec+ leader spearheads the group's production cuts, according to the International Monetary Fund (IMF).

Riyadh will require an average oil price of \$96.20 a barrel to balance its budget, assuming it holds crude output steady near 9.3mn barrels a day this year, the Washington-based Fund said in its regional economic outlook on Thursday.

That's up 21% from a previous forecast in October, when the IMF predicted that the kingdom would pump 10mn barrels a day in 2024. It's also higher than the current price for international benchmark Brent futures, which are trading near \$89 a barrel.

Saudi Arabia has led the Opec+ alliance in curbing output to stave off a global crude surplus and shore up prices, deepening cutbacks by 1mn barrels a day since last

July. The measures have helped buoy the market, but as Riyadh sacrifices sales volumes it needs a higher price to compensate. "The Saudi state may need an oil price closer to \$108 per barrel this year to fund its spending once domestic investments by the sovereign wealth fund are taken into account," says Ziad Daoud, chief emerging markets economist, Bloomberg Economics.

The Organization of Petroleum Exporting Countries and its partners will gather on June 1 to consider whether to continue to supply curbs into the second half of the year. With conflict in the Middle East bolstering the market, some analysts expect that Opec+ may start to unwind the curbs. The kingdom needs considerable revenue to fund the ambitious transformation plans of Crown Prince Mohammed bin Salman, which involve spending hundreds of billions of dollars on everything from futuristic cities like Neom to top-flight sports players. The government has resorted to debt as a way of bridging some

gaps, selling \$12bn of bonds in January, equivalent to more than half the fiscal deficit projected for this year.

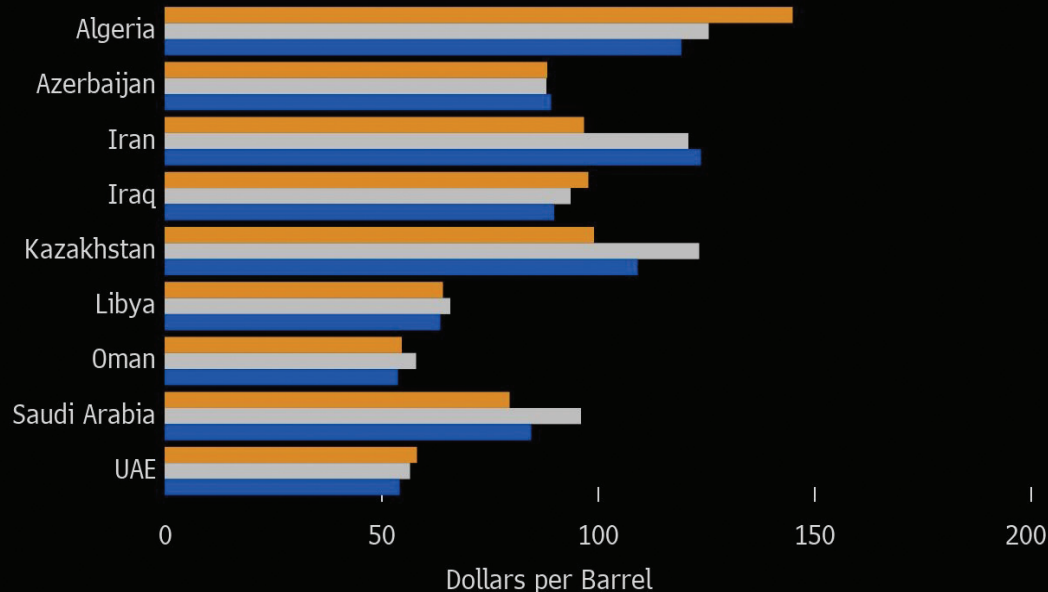
Neom is also planning a debut riyal bond sale later this year as it looks for more sources of funding, Bloomberg reported this week. The kingdom's quest for foreign direct investment has so far under-delivered. The government wants to hit \$100bn of FDI annually by 2030, a haul roughly three times bigger than it has ever achieved and about 50% more than what India gets today.

Kazakhstan and Iran, fellow Opec+ members, also saw their price needs climb, according to the IMF's calculations. But the break-evens for several others in the group — which haven't made such deep output sacrifices as the Saudi Arabia — remained broadly stable or even decreased. Assuming the kingdom relaxes the supply cuts and revives production to 10.3mn barrels a day next year, its break-even price requirement should subside to \$84.70 a barrel, according to the IMF.

OPEC+ Leader Needs Higher Oil Price

Saudis require \$96.20 a barrel, up from \$79.70

■ Previous 2024 ■ New 2024 ■ 2025



Source: IMF

Bloomberg

Bloomberg QuickTake Q&A

How EV transition is reshaping global auto industry

By Stefan Nicola and Linda Lew

The biggest transformation of the auto industry in a century is underway, as governments offer massive subsidies to speed up the shift to electric vehicles. In the past year, several surprises have emerged. One is the size of the lead Chinese automakers have opened, and just how difficult it will be for the rest of the field to compete with the lower cost and advanced technology of made-in-China cars. Another is the extent of the country's dominance of the EV supply chain. And just as automakers have begun racing to catch up, the growth in demand for EVs has slowed globally. This combination could mean big losses for Western automakers and endanger ambitious goals for reducing the greenhouse gas emissions that come from road transportation.

1. How big is China's EV industry?

Chinese brands account for about half of all EVs sold globally. Chinese companies have succeeded in taking domestic market share from former leaders such as Volkswagen AG, while homegrown champion BYD Co, the top brand within China, overtook Tesla Inc as the world's largest EV maker in the fourth quarter of 2023. China's consumers are going electric in large numbers: fully electric vehicles (that is, not hybrids or plug-in hybrids) accounted for a quarter of all new passenger car sales there in 2023, compared with 15.7% of sales in Europe. Chinese smartphone makers Xiaomi Corp was set to release its long-awaited EV in March, while Huawei Technologies Co's Aito model was the best-selling EV among new entrants to the field in both January and February. (By contrast, Apple Inc in March pulled the plug on its EV project after spending billions of dollars over a decade.) UBS analysts predicted that China's global market share — for EVs and non-EVs combined — will almost double to 33% while traditional Western carmakers will see their share fall to 58% from 81% by 2030; they also estimated that in 2023 BYD had a 25% cost

advantage over North American and European brands.

2. What's China's advantage?

China's predominance is most pronounced in batteries, the most expensive part of an EV. More than 80% of EV battery cells are supplied by Chinese producers, backed by a supply chain that is increasingly putting the mining and processing of component minerals such as lithium, cobalt, manganese and rare earth metals in the country's hands. The cost of batteries in China has dropped to \$126 per kilowatt hour on a volume-weighted average basis, while packs are priced 11% higher in the US and 20% higher in Europe, according to BloombergNEF. In the meantime, Chinese manufacturers are already unveiling a new generation of batteries that rely on sodium, which is more abundant than the lithium now used in EV batteries, and less prone to catch fire.

3. What has this meant to other automakers?

In 2023, tough competition in China's domestic auto market and the slowdown of its economy led to pressure to sell elsewhere, and the country exported 1.55mn EVs in 2023, a 64% jump over the prior year. Chinese exports have gone mostly to the rest of Asia and to Europe, where subsidies to consumers are available on imported as well as domestically made cars. Chinese brands, led by BYD and Nio Inc, saw their European market share jump to 5.6% in the first half of 2023 from 1.1% in 2020. In September, the European Union opened a probe into China's state subsidies of EV makers. The US has also offered subsidies, but the expanded tax credits in President Joe Biden's Inflation Reduction Act (IRA) are limited to cars built in North America with components mainly made domestically. The US also places tariffs of 25% on Chinese car imports, compared with 10% in Europe.

4. What's happened to EV demand?

Global sales of EVs are still rising,



Workers at a factory, which makes lithium batteries for electric cars and other uses, in Nanjing in China's eastern Jiangsu province. China's predominance is most pronounced in batteries, the most expensive part of an EV. More than 80% of EV battery cells are supplied by Chinese producers, backed by a supply chain that is increasingly putting the mining and processing of component minerals such as lithium, cobalt, manganese and rare earth metals in the country's hands.

but growth is slowing. According to BloombergNEF, sales of all-electric vehicles plus plug-in hybrids that can also be powered by gasoline or diesel more than doubled in 2021 and grew 62% in 2022. But the figure was 31% last year. BNEF forecasts that the annual increase will slow again to 21% this year.

5. Why is EV sales growth slowing?

China's economy continues to struggle, meaning it is no longer the reliable source of growth that it was in years past. Most Chinese manufacturers missed their 2023 sales goals, and sales are expected to slow for a second year in 2024. But the bigger issue is demand in Europe and the US. For the first wave of EVs, carmakers were able to rely on tech enthusiasts and government subsidies for company-car purchases to boost volumes. But for the next phase, they face more cost-conscious drivers, many of whom are sceptical of the technology and balk at buying vehicles that on average are 30% and 27% pricier than fuel-burning

equivalents in Europe and the US respectively. The subsidies and tax breaks that helped drive sales are drying up in Europe, and the current incentives in the US are contingent on a local-production threshold, limiting buyers' choices. On top of sticker shock, consumers have been put off by an increase in borrowing costs as central banks have moved to rein in inflation. Some consumers are still anxious about charging infrastructure and battery range.

6. How are carmakers reacting?

Several carmakers, led by Tesla, have cut prices repeatedly over the past year to win customers. Many have also reduced output and staffing to maintain profits. Manufacturers are racing to introduce several cheaper models. European versions include Stellantis' e-C3, the Renault 5 and the Volvo EX30. Carmakers are also investing heavily in battery technology to win over wary potential buyers. BYD and Tesla have led the pack in embracing lithium-iron-phosphate batteries, which have a lower energy

density but cost less, boast a longer life and are perceived as safer than the main alternative — nickel-cobalt-manganese batteries. Volkswagen, Toyota, BYD, and Chinese battery company Contemporary Amperex Technology are all working on developing solid-state batteries, a potential breakthrough technology that could make EVs more efficient and less expensive.

7. What are other countries doing in response to Chinese exports?

In the US, in the year after the passage of the IRA, investments totalling \$55.1bn for US battery manufacturing were announced along with \$16.1bn for EV factories. While that eventually will produce a wave of capacity, the immediate effect was limited, in part because so many carmakers rushing to ramp up production have had to rely on Chinese technology. In 2023, only 14 models in production were eligible for IRA purchase subsidies. The requirements for how much of the value of battery components and

where raw materials for batteries can come from are due to rise in 2024 and through 2030. That's posing big problems for carmakers like GM and Ford Motor Co, which are losing billions of dollars on their EV line ups and face a consumer backlash against high vehicle prices. The pinch is especially acute because of their current reliance on Chinese technology, raw materials and components as they struggle to build their own supply chains and hold costs down. Germany, France and Spain reacted to the IRA's passage by announcing a flurry of their own tax credits and aid packages for EV investments. European automakers including Volkswagen, Stellantis and Renault SA are retooling their car factories to transition to EVs. They're planning to launch dozens of new battery-powered models in the coming years and are setting up battery plants — either alone or with partners — as they shift away from the internal combustion engine. Some industry executives have floated the idea of a broad partnership — what some call an Airbus for EVs, in reference to the transnational airplane manufacturer — as the only way to achieve the scale needed to match China's automakers. South Korea, home to three of China's biggest rivals in the battery sector — Samsung SDI Co, LG Energy Solution Ltd and SK On Co — is seen by some as the solution. Its status as a free trade partner with the US has made it attractive to western carmakers scouring the globe for supplies of battery chemicals like nickel sulfate, cobalt sulfate and lithium hydroxide. The country has no meaningful mined reserves of battery metals, but a barrage of investment is helping to turn it into one of the world's biggest processing hubs. Since the IRA came into effect, Korean companies — some in joint ventures with US carmakers — have committed almost \$48bn to build new plants to make chemicals, cathodes and finished batteries at home and in North America, according to Bloomberg calculations. But Korea's battery makers have historically been reliant on raw materials sourced from China. In 2023, the country expanded a subsidy program as EV sales slowed in the face of a sagging economy.

The EV bust in Europe is a red flag for region's climate goals

Bloomberg
Paris

Europe's falling electric-vehicle sales are painful proof the market isn't ready to stand on its own, putting governments on notice for more support until affordable EVs become a reality. The glut is clogging up ports and factories are cutting production — a red flag for the region's climate goals and risk of more job cuts after Tesla Inc's mass layoffs this week. Without subsidies, EVs are still too expensive for many drivers. Insurance and repairs are more expensive than for combustion-engine cars, and many would-be customers continue to bristle at limited charg-

ing infrastructure. At the same time, rapid technological advances and Tesla's price war are causing resale values to plummet, wreaking havoc on ownership costs. "We are losing momentum," said Mattias Bergman, chief executive officer of auto industry group Mobility Sweden, where sales slumped by nearly a fifth during the first quarter. "The market is no longer growing, and the share of electric cars in the market is actually decreasing." For the industry, it's too late to turn back. Volkswagen, Mercedes-Benz, Stellantis and other carmakers have invested billions and are now grappling with building out new lineups even as demand weakens. Last month, sales in Europe declined

11% from a year ago, helping tip the broader market into reverse, as Germany, Sweden and Italy saw EV declines of around 30%. Changes in incentives have been a trigger for the reversal. Germany, looking for savings during an unprecedented budget crisis, yanked its popular subsidy program suddenly late last year, causing EV sales to halve in December. In Sweden, among the most advanced EV markets in Europe with 39% of new vehicles sold last year being battery-powered, the government ended an incentive and then lowered fuel taxes, making combustion-engine cars cheaper by comparison. "People just don't earn enough to buy these cars," said Laurent Favre,

CEO of French auto-part supplier OPmobility. "There's a gap between supply and demand and it's normal that the subsidies won't last forever. Reality is catching up with us." Governments are starting to be more selective with their subsidies. Italy is considering grants of as much as €13,750 (\$14,650) on EV purchases for low-income families who trade in decades-old cars. In France, President Emmanuel Macron's cut-price EV leasing contracts for poorer households have been wildly popular. In the UK, the House of Lords in February said it was "premature" for the country to end a plug-in grant for private buyers in 2022. Since then, EV sales have flatlined as a

share of overall new car purchases. New targeted grants should be reconsidered, the report said. "The grants were lifted too early," said Andy Palmer, interim CEO of charging company Pod Point and former head of Aston Martin. Consumers are reluctant to spend comparatively more on an EV, he said, especially when the charging infrastructure is lagging. "If you want to speed up adoption, you've got to reduce the cost of the cars. You've got to put cars in that \$20,000-30,000 bracket." Months into owning a Mercedes EQB, Naeem Badiuzzaman in Milton Keynes, England, says he's ready to trade in the vehicle, which he acquired with the help of a company

incentive program. A dearth of charging stations has meant regular 45-minute waits, and even medium-distance trips required him to stop and top up his battery. When his two-year lease ends, Badiuzzaman plans to switch to a hybrid. "I would currently not recommend an EV to my family or friends," he said. "For the price of an entry level electric vehicle, you have wide range of slightly more premium petrol cars." Sentiments like his are a bad omen for Europe's ambition to phase out sales of new combustion-engine cars by 2035. Carmakers have begun lobbying for a softening or delaying of that plan, and an easing of interim benchmarks they're supposed to hit along the way.

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Minister of Finance meets Uzbekistan deputy prime minister



HE Ali bin Ahmed al-Kuwari, Minister of Finance, held a meeting with Jamshid Kuchkarov, Deputy Prime Minister-Minister of Economy and Finance of Uzbekistan, on the sidelines of the Spring Meetings of the International Monetary Fund and the World Bank Group, in Washington, DC. During the meeting, a wide range of topics related to common interests were discussed, especially in the economic and financial fields, as well as ways in which these co-operative efforts between the two countries can be expanded.

Biden's hot economy stokes currency fears for rest of world

Bloomberg
Washington

As Joe Biden this week hailed America's booming economy as the strongest in the world during a re-election campaign tour of battleground-state Pennsylvania, global finance chiefs convening in Washington had a different message: cool it.

The push-back from central bank governors and finance ministers gathering for the International Monetary Fund-World Bank spring meetings highlight how the sting from a surging US economy — manifested through high interest rates and a strong dollar — is ricocheting around the world by forcing other currencies lower and complicating plans to bring down borrowing costs.

Just as officials began arriving in the US capital, Chair Jerome Powell on Tuesday issued a warning that the long-anticipated Federal Reserve interest-rate cuts will be delayed yet further due to disappointingly high US inflation readings.

That shift set the tone for the confab, triggering a global government-bond selloff that sent yields to the highest levels in months and put pressure on a raft of currencies including the yen, which hit the lowest since 1990 against the dollar. Japanese and South Korean authorities scrambled to talk up their currencies, Indonesia told state firms to hold off on big dollar purchases and Malaysia issued an intervention warning.

"Of course it is concerning," as IMF Managing Director Kristalina Georgieva



US President Joe Biden speaks at an International Brotherhood of Electrical Workers conference in Washington yesterday. As Biden this week hailed America's booming economy as the strongest in the world during a re-election campaign tour of battleground-state Pennsylvania, global finance chiefs convening in Washington had a different message: cool it.

summed it up on Thursday with reference to the dollar's strengthening. "All eyes are on the US," with many delegations in Washington questioning how long the Fed will be stuck before it lowers rates.

"That's what I hear from countries," she said in an interview with Bloomberg Television's Surveillance.

New forecasts released by the IMF show just how much of an outlier the US is. The fund boosted its 2024 growth outlook for the US to 2.7%, up from 2.1% in January — more than double the pace of each of its Group of Seven counterparts.

While that's helping support global growth, it also means the US is "slightly overheated," Georgieva said — thanks in part to Washington's fiscal stance, with the

budget gap pushing toward 7% of GDP.

Her colleague, IMF chief economist Pierre-Olivier Gourinchas, earlier in the week said the US budget stance creates "longer-term fiscal and financial stability risks for the global economy." German Finance Minister Christian Lindner was more blunt, calling out Biden administration industrial policies including the so-called Inflation Reduction Act, which offers subsidies for clean energy and the electric vehicle sector.

Lindner warned his own nation against adopting such a policy, saying on Wednesday, "I don't want to be impolite, but if we look at the economic development in the US, the inflation rate is higher again and this forces the Fed to react."

Treasury Secretary Janet Yellen the same day heard her counterparts from South Korea and Japan complaining about the weakness of their exchange rates — offering a nod to their concerns in a joint statement with Asia's top two allies.

A common thread among many finance chiefs in Washington this week has been insisting on policy independence.

While Brazilian Finance Minister Fernando Haddad said the Fed's delay will trigger a repricing across global markets, his central bank counterpart Roberto Campos Neto highlighted that his nation's external accounts are very strong — helping differentiate its position relative to some others.

South African Reserve Bank Governor Lesetja Kgan-

yago said, "We watch the Fed. We don't follow the Fed." Even so, he said on Bloomberg TV that "the actions of the Fed have got huge implications for global financial markets." There was also at least one expression of envy.

"I wish I had that unemployment rate," Carlos Cuperpo, Spain's economy minister, said in an interview with Bloomberg, noting the two-year US run with sub-4% joblessness.

Still, a reckoning may be inevitable, in the view of European Commission Vice President Valdis Dombrovskis. "Obviously all this will warrant discussion in the US on the direction of fiscal policy and whether some more prudence is needed," he told reporters.

US debt held by the public is expected to reach \$48.3tn, or 116% of GDP by 2034, up from 97% at the end of 2023, according to the Congressional Budget Office.

It isn't only US interest rates that are drawing global attention.

On his swing through Pittsburgh, Biden vowed to keep US Steel Corp American-owned and called for higher tariffs on Chinese steel and aluminium as he sought to woo union workers ahead of November's election.

"America is rising," Biden said. "We are the strongest economy in the world." Yet the renewed use of industrial policy, export controls and other protectionist measures is also stoking a backlash from trading partners.

"The subsidy race is a race to the bottom and we shouldn't go in that direction," European Central Bank President Christine Lagarde said.

Netflix slips as move to end sharing subscriber count raises growth concerns

Reuters
New York

Netflix shares fell yesterday as its plan to stop sharing subscriber numbers from 2025 stoked growth worries, with analysts warning that rivals may follow the step by scrapping the key metric on the streaming industry's health.

Subscriber additions have long been watched by investors and Wall Street analysts to evaluate how companies, including Netflix, Walt Disney Co and Warner Bros Discovery, are faring in the streaming wars.

But after three quarters of blockbuster growth in subscribers, streaming pioneer Netflix said late on Thursday it would stop reporting the figure to focus more on revenue and profitability.

"Industries tend to work in unison and if one of the leading players decides it is better that investors judge performance on different measures, rivals might adopt the same logic," said Dan Coatsworth, investment analyst at AJ Bell.

The move comes as some analysts raised concerns about how Netflix plans to maintain growth after its password-sharing crackdown, which helped it add 9.3mn new customers in the first quarter.

There are signs that streaming growth is saturating in the US as it halved in 2023, data from research firm Antenna showed in February.

"While this is partially a sign of Netflix's unrivalled market share, it also raises questions about the streamer's ultimate ceiling in the current landscape," said Brandon Katz, entertainment industry strategist for Parrot Analytics.

Netflix's stock fell 7.3% to \$565.85, its largest drop since July, as its revenue forecast for the second quarter was below estimates. If losses hold, its market valuation was set to fall about \$19bn.

Netflix has said it plans to fuel future growth by working to improve the variety and quality of its entertainment and scale its advertising business.

Wolfe Research said the streaming giant could enter the bidding for NBA media rights, which mark a big change from its strategy of focusing on sports entertainment — content such as Formula One docu-series *Drive to Survive* and WWE.

"Netflix leaps from subs to engagement (and less disclosure) at a pivotal moment: the NBA's media rights sale. Will Netflix spend \$1-3B for some of the NBA's media rights? We think so. Sports is the biggest slice of the pay TV pie, and Netflix can accelerate sports brands' globalisation."

Foreign investment in China falls with cloud over growth outlook

Foreign investment into China slowed for a third straight month in March compared to the same period last year, underscoring Beijing's struggle to attract more overseas funds to boost its economy, reports Bloomberg. New actually utilised foreign investment into China was 87bn yuan (\$12bn) last month, according to calculations based on figures provided by the Ministry of Commerce yesterday. That was down 38% compared to the same month in 2023.

Inbound investment for the first three months of the year was 301bn yuan, down 26% compared to the same period last year, vice commerce minister Guo Tingting said. She attributed the steep fall to the high base of comparison with the January-March quarter of 2023, which saw a record inflow of investment. China has sought to convince overseas companies to invest in the country since it reopened from years of Covid isolation. But foreign companies have largely held back, citing geopolitical tensions and the country's uncertain growth outlook.

A survey of US firms earlier this year showed nearly half of all respondents had no plans to expand their investment in the country, even as some grew optimistic about stabilising US-China ties.

Beijing has pledged to take steps to create an environment friendly to foreign businesses, although EU and US officials have recently raised concerns that overseas firms are treated unfairly in the world's second-largest economy.

Ample oil supplies limit impact of Mideast flare-up on prices

Reuters
London

Plentiful supplies of some of the biggest crude grades are limiting the impact on benchmark oil futures prices of conflict in the Middle East, according to analysts and traders. Brent crude futures briefly topped \$92 a barrel last week, the highest since October. While that's bad news for governments struggling to control inflation and high fuel costs, it could have been worse if physical supplies were tighter.

To date, the conflict has not had a big impact on oil supplies from the Middle East, the world's top producing region.

"In the absence of actual supply/production issues this market will struggle to convincingly challenge the annual peaks reached at the end of last week," said Tamas Varga of oil broker PVM.

Some of the most important crude grades are showing signs of weakening in price.

In the North Sea physical market, Forties crude's premium to the dated Brent benchmark, which hit a 2024 high of \$2.30 in February, has eased to 35 cents, LSEG data shows. Africa's top crude exporter Nigeria has struggled to offload cargoes scheduled for

May loading, and some sellers have been reducing offers this week. At least 35 out of 49 cargoes are still available, two traders told Reuters, relatively slow sales for this point in the month.

Yesterday, Brent spiked on reports Israel had attacked Iran, gaining over \$3.50 to a high of \$90.75. But this was short of last Friday's peak, and it fell back to trade flat on the day. Rystad Energy sees fair value for Brent at about \$83 based on market fundamentals, "indicating a current premium attributable to geopolitical concerns," analyst Jorge Leon said.

"Despite the latest strike, Rystad Energy's view remains that, barring a significant escalation in the Middle East, the geopolitical risk premium will stabilise and gradually decrease," he said.

Along with the lack of impact on supply, the fact that the Opec+ producer group has ample spare production capacity is "helping to keep oil prices in check", HSBC analysts said, while noting "a fair degree of geopolitical risk (is) already priced in".

The weakening signs in physical markets have been driven by peak refinery maintenance, extra supply from the US, and a recovery from outages at some producers, reversing the strength seen in February. Libyan oil output has recovered from outages

earlier this year and US crude exports to Europe in the first four months of 2024 are tracking higher year-on-year, according to Kpler data.

There is good availability of West Texas Intermediate (WTI) Midland, a trading analyst said. Midland is the largest of the six crude streams that underpin the Brent benchmark.

In a further indication of market fragility, the premium of the first-month Brent contract to the six-month contract eased to \$3.51 a barrel on Thursday, the lowest in about a month. The easing in this market structure, called backwardation, indicates that supply tightness is fading.

Even so, analysts said that while lighter, sweeter crudes that have lower density and sulphur content and underpin Brent futures are well supplied, heavier, more sulphurous — or sour — grades typically produced in the Middle East are tighter.

Protracted Opec+ supply cuts have taken considerable supply of sour crude off the market, particularly as producers in the group favour the sale of their lighter grades that yield more revenue per barrel, veteran oil trader Adi Imsirovic said.

The supply imbalance between sweet and sour crude has been compounded by two other developments, Imsirovic said — Mexico's decision to slash crude exports this



An oil tanker is seen at sunset anchored off the Fos-Lavera oil hub near Marseille, France. Plentiful supplies of some of the biggest crude grades are limiting the impact on benchmark oil futures prices of conflict in the Middle East, according to analysts and traders.

month and next, and the United Arab Emirates exporting more light Murban crude while it diverts heavier Upper Zakum into the new Ruwais refinery. Opec+'s spare production capacity provides some leeway in the event of actual disruption to supplies. The International Energy Agency

puts Opec+ spare capacity at close to 6mn barrels per day, equal to around 6% of world demand. "The price reaction to a potential supply deficit/demand excess is much more muted when there is something to fall back on," PVM's Varga said.