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Bank of England holds rate at 16-year high, signals looming cut

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GULF TIMES BUSINESS

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China's exports and imports return to growth, signalling demand recovery

Qatar's fiscal position seen to strengthen further in medium term on North Field expansion projects

By Santhosh V Perumal
Business Reporter

Qatar's economy had a strong start in 2024 and its fiscal position is expected to strengthen further in the medium term as the North Field expansion moves ahead, according to PricewaterhouseCoopers (PwC) Qatar.

Forecasts for this year predict another surplus, based on a conservative oil price assumption of $60 per barrel, despite Brent crude's actual Q1 (first quarter) average of $83, PwC said in its latest report.

Expecting the price to remain over $80 on an average throughout 2024, similar to 2023; it said the budget anticipates a 5% decline in expenditure compared with the 2023 outturn, largely due to reduced spending on major capital projects, signalling a fiscal surplus on par with the previous year.

"Looking into the medium term, the fiscal position is expected to strengthen further as the North Field expansion moves ahead and is ready to enter commercial operations," the report said.

In February, QatarEnergy announced a third phase, North Field West, with plans to add two more liquefied natural gas (LNG) trains totalling 16mn tonnes per year (mta) by 2030. Meanwhile, construction is progressing rapidly on the existing phases, North Field East (32 mta) and North Field South (16 mta), which will come on stream in stages during 2026-27.

These expansion phases will increase gross LNG capacity by over four-fifths to 142 mta, in addition to increases in the production of condensates, natural gas liquids, ethane and helium, PwC said.

The LNG expansion was upsized after exploration activity boosted its reserve estimates and after a record series of long-term contract signings with customers in Asia and Europe, with 27-year terms, which allocated around 600mn tonnes of LNG, it added.

Qatar's strong fiscal position allows the state to focus on its other economic priorities, it said, adding after the 2022 World Cup, new opportunities emerged in 2023, including in the North Field expansion and some of the non-oil sectors.

The non-oil economy experienced a slowdown in 2023 following its robust growth in the lead-up to the FIFA World Cup 2022, with a 0.6% year-on-year growth during the first half of 2023 compared to 5.8% in 2022.

In the first half of 2023, the construction sector shrank 8% year-on-year, a cooldown from the high construction activity that was required leading up to the World Cup. Financial services and retail and wholesale trade sectors also fell 3% and 2% respectively.

In contrast, manufacturing surged by 4%, while transport and storage sectors grew by 9%, it said, adding the hospitality sector, including hotels and restaurants boomed with a 15% increase in GDP (gross domestic product), aligning with a significant 58% increase in tourist arrivals, resulting in a record 4mn visitors for the year.

"This demonstrates that Qatar was able to positively leverage the visibility it received from the World Cup," it said.

A view of the Ras Laffan Industrial City, Qatar's principal site for the production of liquefied natural gas and gas-to-liquid. Qatar's economy had a strong start in 2024 and its fiscal position is expected to strengthen further in the medium term as the North Field expansion moves ahead, according to PwC Qatar.

Sheikh Mohamed meets EU special representative for Gulf

HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Thani, met yesterday with EU Special Representative for the Gulf Luigi Di Maio, who is currently visiting the country, reports QNA. The meeting dealt with co-operation relations between the State of Qatar and the European Union in the trade, investment and industrial fields. It also dealt with ways to support and develop those ties. The two sides also discussed a number of topics of joint interest. Sheikh Mohamed highlighted the successful economic policies established by the State of Qatar to support the private sector in terms of incentives, legislation and promising opportunities available in the country aimed at encouraging investors, businessmen and company owners to invest in the State of Qatar.

Opec+ seen likely to keep production cuts in place at June 1 meeting

By Pratap John
Business Editor

Opec+ is likely to keep production cuts in place at is June 1 meeting, Emirates NBD has said in a report.

The production levels for 2024 have already been substantially revised thanks to the voluntary cuts from some members of the producers' alliance as well as revisions made at the November 30, 2023 Opec+ ministerial meeting.

Opec+ may officially endorse them for the rest of the year but the targets set mid-way through 2023 are far off from where production actually lies at the moment. For the countries not committed to voluntary cuts, there seems to be little need to adjust them, Emirates NBD said.

Nigeria has been missing its required production level so far in 2024 — output has been at an average of 1.475mn barrels per day (bpd) for the first four months of the year compared with a target level of 1.5mn bpd. Angola rejected its assigned production level after the November meeting and quit Opec, while the other members not committed to additional voluntary cuts — Congo, Gabon and Equatorial Guinea — are relatively small producers.

For those producers that committed to additional voluntary cuts, a rollover — either in full or to a high degree — seems to be a forgone conclusion. The cuts were already extended by an additional quarter at the start of March, which should help to keep global crude oil balances in deficit for Q2.

Extending the cuts in full for an additional quarter and, importantly, complying with them in full would push oil markets into a sizeable deficit for Q3 of nearly 1.4mn bpd, a substantial draw.

"At current estimates for demand growth, we do see space for Opec+ countries to ease some barrels back into the market in the second half of the year and avoid generating a substantial surplus. Our forecast has been that the cuts would be gradually unwound but with compliance remaining an issue," Emirates NBD said.

An extension of the currently-in-place voluntary cuts would send a signal to oil markets that Opec+ wants to keep inventory levels under control and avoid blowing out stockpiles amid healthy projections for non-Opec+ supply growth and trend-level demand growth.

Further, it would help to keep oil prices supported at a time when we project Saudi Arabia will be running a fiscal deficit close to 4% of GDP.

"We expect market reaction to Opec+ announcements from the ministerial meeting to be relatively modest as the options available to the producers' alliance are limited. Announcing an extension of the voluntary cuts would help to keep oil prices supported in the $80-90/b range but this outcome seems to be widely expected by the market and thus upside risks look to be already priced in,"

Local retail investors turn bullish as Qatar bourse gains 10 points

By Santhosh V Perumal
Business Reporter

The local retail investors' bullish support yesterday lifted the Qatar Stock Exchange by 10 points, although the market was skewed towards losers.

The transport and consumer goods counters notably witnessed higher than average demand as the 20-stock Qatar Index rose 0.1% to 9,633.04 points, although it touched an intraday high of 9,681 points.

The foreign individuals were seen net buyers in the main market, whose year-to-date losses truncated to 11.06%.

The Gulf retail investors turned marginally bullish in the main bourse, whose capitalisation added QR0.77bn or 0.14% to QR560.31bn on account of microcap segments.

The domestic funds continued to be net buyers but with lesser vigour in the main market, which saw as many as 0.01mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.04mn trade across five deals.

The Arab institutions' lower net buying had its influence on the main bourse, which saw no trading of sovereign bonds.

The foreign funds were seen net profit takers in the main market, which saw no trading of treasury bills.

The Islamic index was seen declining vis-à-vis gains in the key barometer in the main bourse, whose trade turnover and volumes were on the decrease.

The Total Return Index was up 0.1%, while the All Share Index fell 0.04% and the All Islamic Index by 0.17% in the main market.

The transport sector index shot up 3.7%, consumer goods and services (1.23%) and industrials (0.35%); while insurance declined 1.57%, real estate (0.82%), banks and financial services (0.78%) and telecom (0.75%).

Major gainers in the main market included Nakilat, Al Faleh Educational Holding, Milaha, Woqod, Gulf International Services, QIIB, Lesha Bank, Meeza and Qatar Electricity Water.

Nevertheless, about 57% of the traded constituents in the main bourse were shakers with major losers being Qatar German Medical Devices, United Development Company, Qatar Islamic Insurance, Estithmar Holding, Masraf Al Rayan and Dukhan Bank.

In the venture market, Al Mahhar Holding saw its shares depreciate in value.

The Qatari individuals turned net buyers to the tune of QR19.13mn compared with net sellers of QR3.27mn on May 8.

The foreign retail investors were net buyers to the extent of QR4.49mn against net sellers of QR1.46mn on Wednesday.

The Gulf individuals turned net buyers to the tune of QR0.26mn compared with net profit takers of QR0.27mn the previous day.

However, the foreign institutions' net selling strengthened substantially to QR52.45mn against QR31.16mn on May 8.

The Gulf institutions' net buying weakened perceptibly to QR21.16mn compared to QR22.51mn on Wednesday.

The domestic institutions' net buying decreased noticeably to QR3.98mn against QR9.88mn the previous day.

The Arab individual investors' net buying eased marginally to QR3.44mn compared to QR3.62mn on May 8.

The Arab institutions had no major net exposure against net buyers to the extent of QR0.15mn on Wednesday.

Trade volumes in the main market shrank 15% to 212.37mn shares, value by 10% to QR614.86mn and transactions by 11% to 20,067.

The venture market saw an 84% contraction in trade volumes to 0.08mn equities, 84% in value to QR0.14mn and 72% in deals to 18.

The transport and consumer goods counters notably witnessed higher than average demand as the 20-stock Qatar Index rose 0.1% to 9,633.04 points, although it touched an intraday high of 9,681 points

BUSINESS

China exports and imports return to growth, signalling demand recovery

Reuters
Beijing

China's exports and imports returned to growth in April after contracting in the previous month, signalling an encouraging improvement in demand at home and overseas as Beijing navigates numerous challenges in an effort to shore up a shaky economy.

The data suggests a flurry of policy support measures over the past several months may be helping to stabilise fragile investor and consumer confidence, though analysts say the jury is still out on whether the trade bounce is sustainable.

Shipments from China grew 1.5% year-on-year last month by value, customs data showed on Thursday, in line with the increase forecast in a Reuters poll of economists. They fell 7.5% in March, which marked the first contraction since November.

Imports for April increased 8.4%, beating an expected 4.8% rise and reversing a 1.9% fall in March.

"Export values returned to growth from contraction last month, but this was mainly due to a lower base for comparison," said Huang Zichun, China economist at Capital Economics.

"After accounting for changes in export prices and for seasonality, we estimate that export volumes remained broadly unchanged from March," she added.


Containers stacked at Lianyungang port, in China's eastern Jiangsu province. China's exports and imports returned to growth in April after contracting in the previous month, signalling an encouraging improvement in demand at home and overseas as Beijing navigates numerous challenges in an effort to shore up a shaky economy.

In the first quarter, both imports and exports rose 1.5% year-on-year, buoyed by better-than-expected trade data over the January-February period. But the weak March figures prompted concerns that momentum could be faltering again.

And a high statistical base seemed to have weighed heavily on last month's brighter numbers, given that production had jumped in March 2023 as many workers recovered from a wave of Covid infections.

"Exports have been the bright spot in China's economy so far this year. The weak domestic demand led to deflationary pressure, which boosts China's export competitiveness," said Zhang Zhiwei, chief economist at Pinpoint Asset Management.

Most China watchers say that Beijing has its work cut out as consumer inflation, producer prices and bank lending for March showed that the world's No.2 economy has a soft underbelly. Moreover, a protracted property crisis remains a drag on overall confidence, spurring calls for more policy stimulus.

Rating agency Fitch cut its outlook on China's sovereign credit rating to negative last month, citing risks to public finances as growth slows and government debt rises.

The Politburo of the Communist Party, the party's top decision-making body, said last month it would step up support for the economy with prudent monetary policy and proactive fiscal policies, including through interest rates and bank reserve requirement ratios.

Beijing has set an economic growth target for 2024 of around 5%, which many analysts say will be a challenge to achieve without much more stimulus.

China stocks rose on Thursday off the back of the trade data, with the blue-chip CSI 300 index up 0.9% and Hong Kong's Hang Seng Index 1.1% higher after the midday break.

The headline import surge might not be all linked to domestic demand as shown by some stocking-up of goods by businesses.

"So far this year, the Chinese yuan depreciated the least among all major Asian currencies, which backs the strong import figures," said Wang Dan, chief economist at Hang Seng Bank China. "Also, Chinese producers are stocking up on raw materials before prices go up," she added.

Nissan net nearly doubles despite China challenges

Nissan said on Thursday it nearly doubled its full-year net profit in 2023-24, weathering challenges in the Chinese market, but forecast a dip of around 10% for the current financial year, reports AFP.

The Japanese automaker said demand was rising at home as well as in North America, Europe and China, where it has struggled to compete with fast-growing electric vehicle firms backed by Beijing.

Net profit totalled ¥426.6bn ($2.7bn), up 92.3% on-year, though Nissan expects that to fall to ¥380bn in 2024-25.

Operating income rose more than 50% on-year, the company said, citing "an increase in sales volume, improved net sales per unit, and disciplined management of fixed costs".

"We expect demand for refreshed and new models to drive sales growth of more than 7.5% to 3.7mn units" this financial year, Nissan said.

The weak yen provided a "short term" boost to profits, CEO Makoto Uchida said.

"But in the mid and long term, whether it's a strong or weak yen... volatility in forex markets is not very beneficial. It will be a challenge," he warned.

The results struck a different tone to an announcement last month when Nissan trimmed its sales and profit outlook for 2023-24, predicting a more modest net profit of ¥390bn.

"The increase in operating profit and net income compared to the April 19 forecast revision is due to the reversal of previously recorded litigation provision," Nissan explained.

Bloomberg QuickTake Q&A

What India's addition to JPMorgan's bond index means

By Ronojoy Mazumdar

Global funds are piling into India's $1tn sovereign-bond market ahead of the country's addition to global debt indexes. JPMorgan Chase & Co announced last year it will add Indian government debt to its benchmark emerging-market index starting in June, a milestone for Asia's third-largest economy. That gave overseas investors a compelling reason to put money into rupee-denominated Indian government debt, which has been offering some of the highest returns in emerging markets. The move also means JPMorgan will be able to tout greater diversification following the exclusion of Russia, and as concerns over US-China geopolitical tensions persist.

For India, this heralds greater connectivity between its domestic and global financial markets — and the potential for lower borrowing costs.

1. What's the back story?

India began liberalising its economy in 1991 but does all its borrowing locally in rupee bonds because it wants to avoid the kind of dollar dependence that provoked the Asian currency crisis and other meltdowns. But in late 2019, India started working to gain access to bond indexes in a bid to lower its borrowing costs by generating additional demand — and to tout its financial discipline. As Covid-19 was ravaging the economy and the government was borrowing at record levels to fund a multibillion-dollar stimulus package, it opened a swath of its sovereign bond market to overseas investors. At the time, however, global funds were selling emerging-market assets to hoard dollars. More recently, foreign investors held less than 2% of Indian sovereign debt at the end of last year, against a ceiling of 6%. That's among the lowest for any big emerging market. New Delhi balked at tax changes for foreigners that would have facilitated the trading of Indian debt on international platforms such as Euroclear. There were also domestic political objections about granting tax exemptions to foreign investors. Those concerns, however, were overridden by investors' need for more options in EM sovereign debt.

2. What happens now?

JPMorgan said that 23 bonds with a combined notional value of about $330bn were eligible for its EM index when it announced India's inclusion last September. Inclusion will be staggered over ten months at roughly 1% weight per month, up to a maximum weight of 10%. Following JPMorgan, Bloomberg Index Services Ltd said earlier this year it will also add India's Fully Accessible Route, or FAR bonds in its EM local currency index from January 2025. India has also been on the watchlist to get into FTSE Russell's EM debt index since March 2021. Bloomberg LP is the parent company of Bloomberg Index Services Ltd, which administers indexes that compete with those from other providers.

3. Why expand the index?

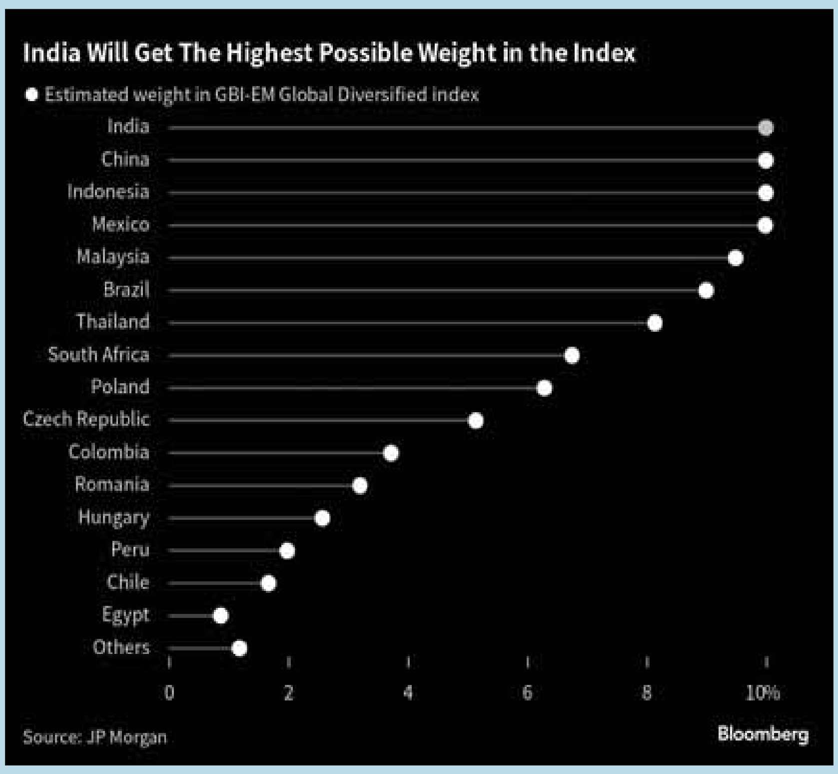
Russia's exclusion from JPMorgan's EM gauges after the country invaded Ukraine in 2022 may have added incentives for the index compiler to fill the gap with Indian debt. Persistent geopolitical tensions between China and the US have put investors on the lookout for new opportunities in local currency EM debt. While foreigners play a small role in the Indian bond market, inflows have been picking up in recent years and the country's assets have proven resilient to financial turbulence that has roiled other developing nations.

4. What are the potential benefits?

Investors will be able to diversify their portfolios and allocate money to a high-yielding market in the world's fifth-largest economy. For India, it's an opportunity to tap a larger pool of liquidity to meet growing needs. India's bond market is likely see an additional inflow of as much as $30bn after the inclusion, according to Standard Chartered Plc. That's money India needs to finance its current-account deficit, which is at risk of expanding every time geopolitical tensions in the Middle East boil over, as higher crude oil prices could lead to a worsening trade balance for the net energy importer. Greater scrutiny from foreign investors, even though many of them will be tied to index decisions, could also re-energise Prime Minister Narendra Modi's efforts to whittle down the fiscal deficit that exploded during the pandemic. For example, a pre-election budget at the start of this year delivered a positive surprise to bond traders with the government lowering its annual borrowing by about a trillion rupees ($15.6bn).

5. What about the concerns?

The government and central bank remain concerned that foreign inflows will increase the volatility of local markets. Officials have in the past worried about the consequences of "hot money" sloshing in and out from offshore. The Reserve Bank of India's monetary policy decisions may also need to ascribe greater weight to how foreign bond investors will respond. Money managers, meanwhile, point to the Euroclear issue, transaction efficiency and clarity on taxes as hurdles that haven't gone away. For India to get the most out of index inclusion, making it easier for foreign investors to put their money in local bonds is crucial.



6. What's the impact on markets?

At a time when global bond markets are in flux, the index news has kept Indian yields relatively steady. Benchmark 10-year yields have risen about ten basis points since last year, while similar-tenor US yields climbed over 100 basis points during the same period. In the long term, as foreign inflows rise, the nation may see structurally lower interest rates. The inclusion could also provide some relief for the rupee, which has been trading near a record low.


omegawatches.com

Bank of England holds its rate at 16-year high, signals looming cut

AFP
London

Andrew Bailey, Governor of the Bank of England, attends the Monetary Policy Report press conference in London on Thursday. "We need to see more evidence that inflation will stay low before we can cut interest rates," Bailey said after the central bank left borrowing costs at 5.25%, the highest level since 2008.

The Bank of England on Thursday kept its main interest rate at a 16-year high, but hinted at a cut over the summer as UK inflation cools further and the country looks set to exit recession.

"We need to see more evidence that inflation will stay low before we can cut interest rates," BoE governor Andrew Bailey said after the central bank left borrowing costs at 5.25%, the highest level since 2008.

Signalling that a rate cut was on the horizon, two members of the bank's nine-strong Monetary Policy Committee (MPC) voted at the May meeting for interest rates to be cut by 0.25 percentage points.

The BoE maintained borrowing costs for a sixth meeting in a row, mirroring a wait-and-see approach by the US Federal Reserve and European Central Bank (ECB).

Thursday's decision came on the eve of official data expected to show that the UK economy has exited a mild recession ahead of a general election due this year.

The BoE on Thursday voiced confidence that the UK economy had grown in the first quarter, which would signal the end of a short-lived recession. "The bank is still on track for summer easing," Yael Selfin, chief economist at KPMG UK, said following the rate decision.

UK annual inflation fell less than expected in March — the last official reading — to 3.2%.

This is well down compared with late 2022, when the rate reached a four-decade high above 11% as energy and food prices soared following Russia's invasion of Ukraine.

However, the UK inflation rate remains above the BoE's 2%, prolonging a cost-of-living crisis.

"We've had encouraging news on inflation and we think it will fall close to our two-percent target in the next couple of months," Bailey said on Thursday.

"I'm optimistic that things are moving in the right direction." Later addressing journalists, Bailey said that in order for inflation to stay around the target, the BoE would "likely… need to cut bank rate over the coming quarters".

Susannah Streeter, head of money and markets at Hargreaves Lansdown, concluded that while "a June rate cut can't now be ruled out… August remains more probable".

She noted that "even though inflation is soon expected to reach the target… the bank is expecting that it will creep back up again to around 2.5% later this year".

The pound dropped against the dollar and euro following Thursday's decision, further boosting exporters and multinationals on London's benchmark FTSE 100 index.

The FTSE hit a fresh record high, as did Frankfurt, with markets forecasting rate reductions in the coming months also from the ECB and the Fed.

Despite the upbeat sentiment, a leading international organisation last week said that the UK would expand by only 0.4% this year because of the inflation situation and stubbornly-high interest rates.

The Organisation for Economic Co-operation and Development (OECD) projected also that the UK would perform worst among the Group of Seven major economies next year.

Britain may have new leadership by then, with polls widely indicating that the main opposition Labour party is on course to win an upcoming general election after 14 years of rule by the Conservatives, currently led by Prime Minister Rishi Sunak.

But the Tories could get a boost if data due out Friday shows, as expected, Britain's economy has exited its brief recession.

The BoE hiked borrowing costs 14 times between late 2021 — when they stood at a record-low 0.1% — and the second half of last year, with supply-chain disruptions following Covid lockdowns also proving inflationary.

High interest rates boost savers but hurt borrowers including businesses. British retail banks meanwhile tend to mirror action by the BoE, resulting in big jumps to mortgage rates.

Turkiye's central bank raises year-end inflation forecast to 38%

Reuters
Ankara

Turkiye's central bank nudged up its year-end inflation forecast to 38% on Thursday and governor Fatih Karahan said it would "do whatever it takes" to avoid any longer-term worsening of inflation as it maintains a tight policy stance.

Presenting a quarterly inflation report, Karahan said annual inflation — which climbed to 69.8% in April — will peak this month at 75%-76% after which a disinflation trend would take hold alongside cooling domestic demand.

The central bank raised its mid-point consumer price inflation (CPI) forecast for end-2024 to 38% from a previous 36%. Its forecast for end-2025 remains unchanged at 14%, while inflation is seen falling to 9% by the end of 2026.

Karahan said the central bank had raised its year-end forecast due to an unexpected additional 4-percentage-point rise in the first four months of the year.

The bank has aggressively raised rates by 4,150 basis points since last June but it kept the policy rate unchanged at 50% in April to allow its earlier monetary tightening, including a 500-point hike in March, to have an impact.

Karahan again pledged to tighten policy further if there is significant deterioration in inflation, which has soared for years, prompting a lingering cost-of-living crisis for Turks.

Analysts have said the bank has probably ended its nearly year-long tightening cycle, which marked a stark turnaround after years of unorthodox economic policy under President Recep Tayyip Erdogan, who in the past urged low rates despite rising prices.

A Reuters poll published last week showed inflation falling to 43.5% by the end of 2024. Central Bank Deputy Governor Cevdet Akcay said at Thursday's event that under the policy programme it was not possible for inflation to end the year above 42%.

Karahan, who took the bank's reins in February, said leading indicators showed domestic demand was now following a more moderate trend than in the first quarter, and that the rate-hike cycle would cool demand more in the second half of the year.

At near 70%, annual inflation is already the highest since late 2022.

As it seeks to cool off the economy, the bank is also rebuilding foreign reserves which had plunged under previous economic programmes that had sought to stabilise the lira.

Net foreign reserves climbed by a record $7bn last week, according to bankers, sustaining a strong turnaround. Net reserves excluding swaps rose to minus $39bn last week, bankers said, up from a record low of minus $65.5bn on March 29, just before local elections.

Asked about the central bank's reserve plans on Wednesday, Isbank Chief Executive Hakan Aran said: "They have a game plan. They have a plan to bring net reserves (excluding swaps) to zero and increase the gross reserves to the level of $200bn."

Karahan said there is no target for reserves or the exchange rate.

The lira was mostly flat at 32.2325 to the dollar, near a record low, as the report was released.

Through the event series, HSBC continues to support women entrepreneurs in turning their dreams and visions into reality, and in managing and growing their wealth across generations

HSBC holds event to support top women entrepreneurs in Qatar

HSBC Global Private Banking presented top women in business in Qatar with a 'Growth With Purpose' event with insightful and thought provoking perspectives about business and personal growth goals.

Through the event series, HSBC continues to support women entrepreneurs in turning their dreams and visions into reality, and in managing and growing their wealth across generations.

Speakers included Sheikha Alanoud bint Hamad al-Thani, Esty Dwek, Head of Investment Counsellors in EMEA at HSBC Global Private Banking and Jennifer Bishop, a Consultant Representative from Christie's Auction House.

Caroline Kitidis, Global Head of Ultra High Net Worth at HSBC Global Private Banking, host and moderator of the session said: "We understand that female entrepreneurs need a support network and access to resources. By connecting our clients to global opportunities, women-led businesses can create international network opportunities and find new ways to create growth in all areas of the business world."

Sheikha Alanoud is renowned for her exceptional achievements and shed light on opportunities that would ensure that women become indispensable contributors to country as well as society development journeys.

"Investing in women and empowering them to manage their wealth is the key to unlocking economic potential on a global scale. By encouraging women to manage their wealth confidently, we open doors to economic equality and create opportunities for a more inclusive society," Sheikha Alanoud said.

Dwek addressed the gender investment gap and highlighted that more women are exploring investing as a path to wealth and thereby having greater influence on investment strategies and preferences.

HSBC's global network and unique expertise, provide women entrepreneurs with the necessary support and resources to enhance confidence and resilience.

Etihad Airways posts surge in Q1 profit

Etihad Airways reported a sharp increase in first-quarter profit on Thursday, helped by an increase in passenger revenue, ahead of possible listing of the Abu Dhabi carrier, reports Reuters.

The airline, which over the past seven years has gone through a massive restructuring, including overhauling its management, reported a profit after tax of 526mn dirhams ($143mn), up from 59mn a year earlier.

Revenue rose 21% to 5,739mn dirhams for the January-March quarter helped by a 41% rise in passenger numbers to 4.2mn.

CEO Antonoaldo Neves told Reuters in March the state-owned airline was improving transparency, governance and its balance sheet to be ready for an public listing should its Abu Dhabi sovereign wealth fund owner, ADQ, decide to list it.

Bloomberg has reported ADQ, which took over Etihad in October 2022 and appointed Neves as its CEO, is considering an IPO for the airline as early as this year.

Saudi stock exchange CEO sees further blitz of IPOs

Bloomberg
Hong Kong

Saudi Arabia has more than ten companies waiting to pursue initial public offerings on its stock exchange, while upwards of 50 firms have applied for listings, in a sign that the frenzy of IPO activity in the kingdom is set to continue.

"We have more than ten IPOs approved but waiting for book building and dealing with the asset managers to determine listing and offering dates," Mohamed al-Rumaih, chief executive officer of Tadawul stock exchange, said in an interview. "And the good thing about those IPOs is not just the number but the diversity," he said. "So they are from different sectors, different sizes in different stage in their life cycle."

The comments come fresh off a burst of IPO activity for Saudi Arabia, with four companies having announced offerings in recent weeks. They include hospital group Dr Soliman Abdul Kader Fakeeh Hospital, which will be the kingdom's biggest IPO of 2024.

That offering sold out in less than an hour and seeks to raise as much 2.86bn riyals ($763.4mn) — more than all of the year's combined listings to date. Water treatment business Miahona's offer also drew strong demand, and the deal was priced at the top of an initial range Thursday.

Almost $700mn has been raised through Saudi IPOs so far this year, with the largest share sale so far being the $314mn listing of Modern Mills Co in March. That represents a large increase from a year ago, when listings ground to a halt amid a decline in Saudi Arabia's stock market.

The Tadawul index is up 4% year to date.

Al-Rumaih, who spoke with Bloomberg Television on the sidelines of the Hong Kong edition of Saudi Arabia's Capital Market Forum, expressed no concern over liquidity needed to absorb all of the expected listings.

When asked about the potential for Saudi Arabian companies to cross list in Hong Kong, or vice versa, he said "we want to have a path ready for them in case they decide to do so."

The Saudi Tadawul Group and Hong Kong Exchanges & Clearing Ltd were co-organising a conference Thursday as both seek to boost their status as financial hubs. Saudi Arabia is also seeking more foreign ownership in its stock market as Crown Prince Mohamed bin Salman works to diversify the kingdom's economy under his Vision 2030 programme.

The bourses are also working on an ETF in Riyadh that tracks Hong Kong's stock indexes. An ETF that tracks Saudi Arabian shares is already listed in Hong Kong and CSOP Asset Management Ltd, which manages that fund, aims to cross list it to Shanghai in the second half of the year.