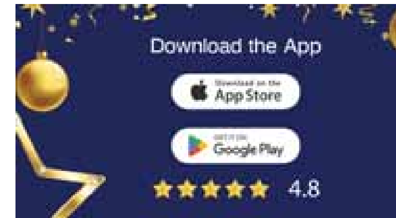


New Year, New Drive

Friday, January 10, 2025
Rajab 10, 1446 AH

GULF TIMES

BUSINESS

DOMESTIC BUOYANCY : Page 4

China's EV exports seen stalling in 2025 amid EU, Russia concerns

In its latest report, S&P said Qatari banks are well capitalised with the total capital ratio and Tier 1 ratio, including capital conservation buffer for the whole banking system, remaining well above the central bank's minimum requirements of 12.5% and 10.5%, respectively. **PICTURE:** Shaji Kayamkulam

Qatar banks remain profitable and benefit from strong capitalisation: S&P

By Santhosh V Perumal
Business Reporter

Qatar's banking sector is profitable and benefits from strong capitalisation and adequate liquidity, as "significant" jump in liquefied natural gas (LNG) production and its spillover effect on non-hydrocarbons will support credit growth in the next two to three years, according to Standard & Poor's (S&P).

In its latest report, S&P said Qatari banks are well capitalised with the total capital ratio and Tier 1 ratio, including capital conservation buffer for the whole banking system, remaining well above the central bank's minimum requirements of 12.5% and 10.5%, respectively.

Supportive shareholders, dividend payouts that tend to be below 50% and strong profitability are slated to contribute to stable capitalisation levels, it said.

The (profitability) trend is expected to continue with an only modest drop in net interest margins owing to interest rate cuts, it said.

"We expect banks profitability to decline slightly due to the lower interest rates and the replacement of external funding by more expensive local funding sources," it said, expecting cost of risk to trend down, thanks to the supportive economic environment and lower rates, which will give some breathing space to struggling realty exposures.

The rating agency said non-performing loans or NPLs will remain modestly elevated at about 4% in 2025 before dropping in 2026, when GDP (gross domestic product) and lending opportunities are expected to pick up amid the LNG expansion, but oversupply in the real estate and hospitality sectors would weigh on banks' asset quality.

Asset quality should stabilise, thanks to interest rate cuts, precautionary provisions booked over the past few years, and the government's tourism and non-oil diversification push, it however noted.

"The contribution of Turkiye and Egypt to Qatari banks' lending books is likely to shrink further due to the depreciation of local currencies and lending growth in Qatar," S&P said. Although geopolitical tensions in the Middle East are high, S&P does not expect a full-scale regional conflict, and so anticipates macroeconomic conditions in Qatar to remain broadly "stable".

Qatar's North Field Expansion project will increase LNG production (by about 35% by 2027 in its forecast), it said, expecting growth to temporarily average 5.8% in 2026-27 compared with an average 2% growth in 2024-25

A return to normal non-hydrocarbon economic activity, relatively flat LNG production until 2025, and completion of many capital projects imply lower requirements for credit, S&P said, forecasting slower domestic credit growth in Qatar of around 5% in 2025-26 against 11% average in 2019-20.

Finding that most of the major infrastructure projects have been completed, softening the need for external funding; S&P said "we expect local funding sources will fund credit expansion in 2025-26."

In the first nine months of 2024, domestic deposits increased by about 5% compared with less than 1% growth in 2023, it noted.

Mideast carriers log 8.7% year-on-year increase in demand in November: IATA

By Pratap John
Business Editor

Middle Eastern carriers have seen an 8.7% year-on-year increase in demand in November, IATA's latest report has shown.

Capacity increased 3.9% year-on-year and the load factor was 81% (+3.6 ppt compared to November 2023).

Asia-Pacific airlines achieved a 19.9% year-on-year increase in demand. Capacity increased 16.2% year-on-year and the load factor was 84.9% (+2.6 ppt compared to November 2023).

African airlines saw a 12.4% year-on-year increase in demand. Capacity was up 6.0% year-on-year. The load factor rose to 72.9% (+4.1 ppt compared to November 2023).

European carriers had a 9.4% year-on-year increase in demand. Capacity increased 7.1% year-on-year, and the load factor was 85.0 % (+1.8 ppt compared to November 2023).

North American carriers saw a 3.1% year-on-year increase in demand. Capacity increased 1.6% year-on-year, and the load factor was 81.0% (+1.1 ppt compared to November 2023).

Total demand, measured in revenue passenger kilometres (RPK), was up 8.1% compared to November 2023. Total capacity, measured in available seat kilometres (ASK), was up 5.7% year-on-year. The November load factor was 83.4% (+1.9 ppt compared to November 2023), an all-time high for November.

According to the International Air Transport Association , international demand rose 11.6% compared to November 2023. Capacity was up 8.6% year-on-year, and the load factor was 83.4% (+2.3 ppt compared to November 2023).

Strong performance by carriers in Europe and Asia-Pacific drove this double-digit expansion in demand.

Domestic demand rose 3.1% compared to November 2023. Capacity was up 1.5% year-on-year and the load factor was 83.5% (+1.2 ppt compared to November 2023).

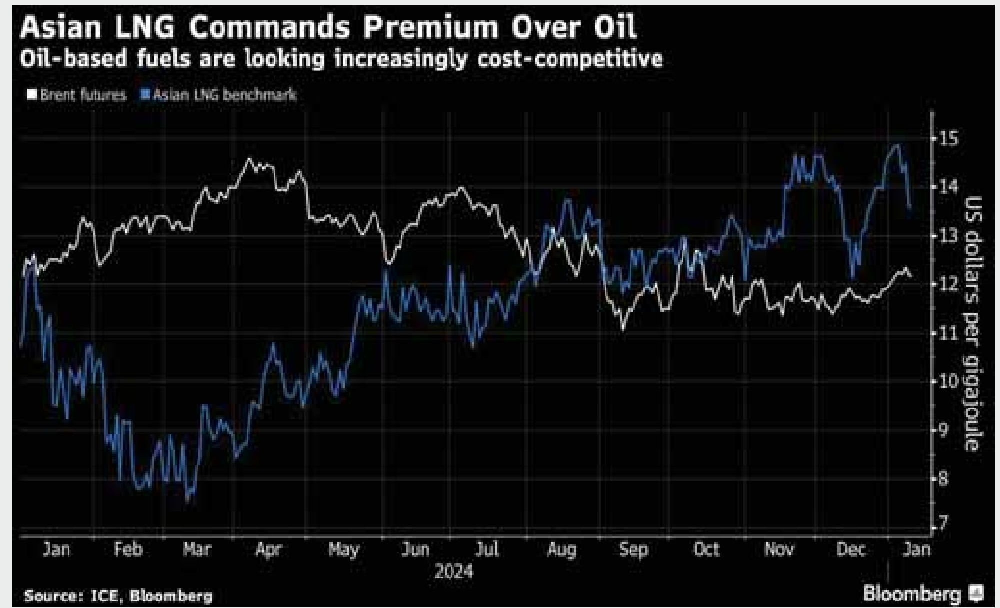
Domestic RPK increased 3.1% over the previous year, decelerating slightly from the 3.5% growth posted in October. Signs of stable growth were shown in all markets except in the US, which saw a 2.7% contraction, deeper than the 1.2% year-on-year dip recorded in October.

This is part of a slowing trend in the US domestic market since June 2024 and mainly reflects lower low-cost carrier activity. US mainline carriers have continued to see growth over the same period.

IATA's Director General Willie Walsh said: "November was another month of strong growth in the demand for air travel with an overall expansion of 8.1%. The month was also another reminder of the supply chain issues that are preventing airlines from getting the aircraft they need to meet growing demand. Capacity growth is lagging demand by 2.4 ppt and load factors are at record levels.

"Airlines are missing out on opportunities to better serve customers, modernise their products and improve their environmental performance because aircraft are not being delivered on time. The 2025 New Year's resolution for the aerospace manufacturing sector must be finding a fast and durable solution for their supply chain issues."

Gas more expensive than oil sets stage for Asian fuel switching



A rally in liquefied natural gas has pushed Asian prices to a rare and substantial premium over oil, paving the way for major consumers to shift to cheaper but dirtier fuels. Japan-Korea marker prices for LNG, the Asian benchmark, were as much as 22% more expensive than Brent crude earlier this month on an energy-equivalent basis, according to Bloomberg calculations. Gas prices have risen on cold winter weather in the Northern Hemisphere and the loss of Russian pipeline flows via Ukraine, increasing competition between European and Asian buyers. Many Asian power plants sometimes run on fuel oil, while it's also possible to use diesel-type fuels for industry, heating and transport.

Vodafone Qatar 'first telecom company' to win GSAS D&B 4-star rating for interior fitout

Vodafone Qatar recently achieved a "prestigious milestone" by earning the Global Sustainability Assessment System (GSAS) Design & Build 4 star rating from the Gulf Organisation for Research & Development (GORD), for the interior fitout of its headquarters' office space in Lusail.

This remarkable achievement highlights Vodafone Qatar's commitment to advancing sustainability by fostering innovative solutions and setting industry benchmarks.

Khames al-Naimi, Chief Human Resources Officer at Vodafone Qatar, commented: "It's an honour to be the first company in the telecommunications sector to achieve the 4 star rating in GSAS, as sustainability remains integral to our business and to the long-term success of Vodafone Qatar.

"This achievement is a testament to our commitment to excellence and highlights our role as one of the market leaders in sustainability in Qatar, setting the stage for even more leading initiatives."

Dr Yousef Alhorr, Founding Chairman of Gord, said: "By attaining a 4-star GSAS rating for its Lusail headquarters interior fitout, Vodafone Qatar has demonstrated how corporate leadership can drive real, sustainable change. From adopting energy-efficient designs to choosing responsible sourcing practices, each step taken reflects a long-term vision that not only benefits the environment but also sets a precedent for the entire telecom sector.

"This achievement underscores Vodafone Qatar's commitment to aligning with national sustainability goals, serving as an inspiration for other businesses to embed green principles in both design and operation."

During the certification process, Vodafone Qatar's offices underwent a thorough and detailed screening process by Gord sustainability experts.

The remarkable achievement highlights Vodafone Qatar's commitment to advancing sustainability by fostering innovative solutions and setting industry benchmarks

The company's headquarters boasts of an energy-efficient thermal envelope, limiting energy consumption while ensuring superior indoor comfort. The building also includes a smart LED lighting system - complete with remote monitoring and dimming capabilities - maintaining low lighting power density.

Air quality and energy recovery are similarly foregrounded. Cutting-edge Energy Recovery Units (ERUs) and a Dedicated Outdoor Air System (DOAS) manage fresh air intake and minimise energy loss, reducing the environmental impact without compromising ventilation. Meanwhile, low-flow water fixtures and dedicated water meters on each floor highlight Vodafone Qatar's drive to conserve resources and track consumption meticulously.

Vodafone Qatar's commitment to sustainable sourcing is evident in its choice of construction materials. Approximately 26% of major materials are procured locally, reducing transportation-related emissions and supporting the local economy.

An additional 11% of the materials used contain recycled content, reinforcing the company's pledge to reduce waste. Forest Stewardship Council (FSC)-certified timber products further underscore Vodafone Qatar's dedication to responsible material selection.

Billionaire Sajwani to tap banks for $20bn US project

Bloomberg
Dubai

Dubai property billionaire Hussain Sajwani — who this week stood alongside President-elect Donald Trump to pledge a $20bn investment in US data centres — is likely to lean heavily on banks and other financial institutions for much of that investment.

In an interview with Bloomberg Television yesterday, the Damac Group chief said that the Dubai developer's balance sheet would allow it to fund about 30%.

This is a modal window.

The media could not be loaded, either because the server or network failed or because the format is not supported.

"This is an asset-based business. With infrastructure, normally you borrow 60-70% from the banks or financial institutions, or bonds, leverage," he said. "Damac Properties will be able to put the equity, which will be in the range of the other 30%, which will be around $5-6bn."

The billionaire said he doesn't foresee any funding from governments at the moment.

Damac had $2bn in revenue in 2023 and Ebitda margins of around 40%, according to an S&P credit rating report from last February.

While Damac is primarily a real-estate firm, the billionaire has expanded into data centres in recent years. Damac last year said it plans to invest about $3bn to build data centres across Southeast Asia as the region becomes a hub for AI and cloud services.

It's working on building digital infrastructure that can house the high-end servers essential for storing data and providing artificial intelligence services. Apart from data centres, Damac has been investing in technology firms including Space X, xAI and OpenAI, Sajwani said, adding that his company had broadly committed more than $2bn in private equity.

"For investing directly, we'd wanted to see a more friendly government that encourages foreign investments. And we feel it's the right time now," he said of the US.

The 71-year-old developer has had a relationship with Trump for years, and the two have partnered on a luxury golf course in Dubai. Damac, which has housing developments across the emirate, has been one of the big beneficiaries of its property boom. Sajwani's net worth has surged in recent years to about $13bn, according to the Bloomberg Billionaires Index.

Business leaders from around the world have sought to burnish their relationships with Trump as he prepares to return to the White House. The proposed data centres would extend from Arizona to Ohio. Sajwani said he hopes to announce some land acquisitions across the US sometime this year for the project. The company has data centres in more than 10 countries around the world — mostly in Asia and Europe, he said.

"This AI business only started in the last 18-24 months and we've been quite focused on Asia and Europe in the year 23-24. And now, our focus is going to be heavily on the US," Sajwani said.

Hussain Sajwani.

Saudi PIF-backed cooling firm taps Citi, SNB Capital for potential IPO in Riyadh

Bloomberg
Riyadh

Saudi Tabreed District Cooling Co is working with Citigroup Inc and SNB Capital for a potential initial public offering in Riyadh, according to people familiar with the matter.

The firm, backed by the kingdom's sovereign wealth fund and a United Arab Emirates company, could go public as soon as this year, two of the people said, asking not to be identified as the information isn't public. No final decisions have been made, with details like size and exact timeline still under discussion, they said.

Representatives for the Public Investment Fund and SNB did not respond to requests for comment, while a Citi spokesperson declined to comment.

The PIF, as the wealth fund is known, acquired a 30% stake in Saudi Tabreed in 2022. The holding was valued at about $250mn, Bloomberg News had reported at that time.

The Dubai-listed National Central Cooling Co, also known as Tabreed, holds a 21.8% stake in its Saudi affiliate, according to its 2023 annual report.

Representatives for Tabreed didn't respond to requests for comment, while spokespeople for the Saudi unit couldn't be reached for comment.

The PIF is the main entity tasked with driving Crown Prince Mohammed Bin Salman's ambitious plans to diversify the economy away from oil. With the kingdom projected to run deficits in the coming years, the wealth fund has been tapping the bond markets and selling stakes in portfolio companies to raise funds.

Apart from Saudi Tabreed, it's lining up IPOs of the country's biggest medical procurement firm and a major port operator, Bloomberg News has reported.

Overall, Saudi Arabia had IPOs worth more than $4bn in 2024, and the pipeline for 2025 looks robust. The regulator recently greenlit planned offerings by technology services firm Ejada Systems Ltd, developer Umm Al Qura for Development & Construction Co and financial services company Derayah Financial Co.

The Middle East, where temperatures often soar above 110 degrees Fahrenheit (43 Celsius) during the summer, is a big market for centralized cooling systems for buildings.

A Saudi investor monitors stock prices at the Saudi Stock Exchange, or Tadawul, in the capital Riyadh (file). Overall, Saudi Arabia had IPOs worth more than $4bn in 2024, and the pipeline for 2025 looks robust.

Egypt inflation dips to two-year low of 24.1% in December

Reuters
Cairo

Egypt's annual urban consumer price inflation rate fell to 24.1% year-on-year in December, as expected, from 25.5% in November, its lowest in two years, data from statistics agency CAPMAS showed yesterday.

Inflation began surging in 2022 following the Russian invasion of Ukraine, which prompted foreign investors to withdraw billions of dollars from Egyptian treasury markets. It reached a record high of 38.0% in September 2023 and was last this low in December 2022, at 21.27%.

The decline in December was broadly in line with expectations, with a median of 13 analysts in a Reuters poll having forecast it falling to 24.2%.

On a monthly basis, urban prices rose by 0.2% compared to 0.5% in November, CAPMAS data showed.

Food prices dropped by 1.5% in December after a 2.8% drop in November, putting them 20.3% higher than they were a year earlier.

Inflation has been fuelled largely by an expansion of money supply. Egypt's M2 money supply grew by 29% year-on-year in November, central bank data showed.

Egypt signed an $8bn financial support package with the International Monetary Fund in March designed to help it narrow its budget deficit and adopt a less inflationary monetary policy.

Turkiye seen to log $3.1bn current account deficit in November

Reuters
Istanbul

Turkiye's current account is expected to record a deficit of $3.1bn in November, with the deficit forecast to narrow to $10.5bn in 2024 as a whole, a Reuters poll showed yesterday.

Forecasts by nine economists for the November current account deficit ranged from $2.9-4.05bn.

Turkiye has implemented measures to cap strong domestic demand, one of the main reasons for higher imports, and to boost investments and exports to improve the current account balance. The central bank's tight monetary policy has helped stabilise demand.

Economists expected the current account deficit to fall in 2024 from the previous year's $45.2bn given the tight monetary and fiscal policy. The current account balance showed a surplus of $1.88bn in October. The foreign trade deficit, which constitutes a major part of the current account balance, rose 25% and stood at $7.46bn in November. The January-November deficit fell 26.8% to $73.34bn. The median of the current account deficit forecasts for 2024 was $10.5bn, with estimates ranging from $10bn to $12.43bn.

The annual current account deficit is expected to widen in 2025 to $16.5bn according to the median of institutions who responded to the question in the poll.

Turkish President Recep Tayyip Erdogan said the current account deficit will be around $10bn-11bn in 2024, standing at a ratio of below 1% of gross domestic product. Helping to curb the current account deficit, the government has taken gold trade-related measures, notably interest rate increases, in order to reduce strong domestic demand which had led to high imports.

'Ominvest secures $500mn facility from GIB, ABK and Gulf Bank'

Omani investment company Ominvest has secured a $500mn facility by Gulf International Bank (GIB), ABK and Gulf Bank, reports Reuters.

"The deal will enable Ominvest to drive impactful investments and generate significant value for the firm and the economies it serves," the company said in a statement without providing further detail.

The company has $3.51bn in total assets, according to its website, with investments in sectors including real estate, insurance as well as banking and finance. It holds a stake in Bank Muscat, the Gulf country's biggest bank by assets.

Best EM carry trade boosted by Turkiye's inflation-proofed lira

Bloomberg
London

The Turkish central bank's strategy for managing the lira is laying the ground for traders to enjoy even more of the world's most profitable carry trade.

Turkiye's economic administration has been pursuing a policy of "real appreciation," meaning that the lira weakens but by less than the rate of inflation. The aim is to minimise price pressures stemming from a weakening currency.

While the lira lost 16% against the dollar in nominal terms last year, by the adjusted measure it posted its biggest gain since 2007, a boon for foreign investors who could earn interest of more than 50% on lira bonds.

In its monetary policy report for 2025, the central bank said that lira-denominated assets would remain attractive to investors, indicating that inflation-adjusted appreciation is likely to remain a cornerstone of its disinflation policies. That's good news for anyone investing in Turkish assets.

"In terms of carry, it is a very well-paying strategy," said Peter Kinsella, head of foreign-currency strategy at Union Bancaire Privee Ubp SA in London, who says he's been bullish on lira carry trades for the past six months.

"The only question is to what extent and how quickly will the Turkish central bank cut rates? That's the issue."

The carry trade involves borrowing in places and currencies where interest rates are relatively low, like the US, Europe and Japan, and investing those borrowed funds in places where rates are higher, such as Turkiye.

By ensuring a smooth and largely predictable exchange rate, the Turkish central bank has made the strategy significantly more attractive because it reduces the risk of sudden currency losses.

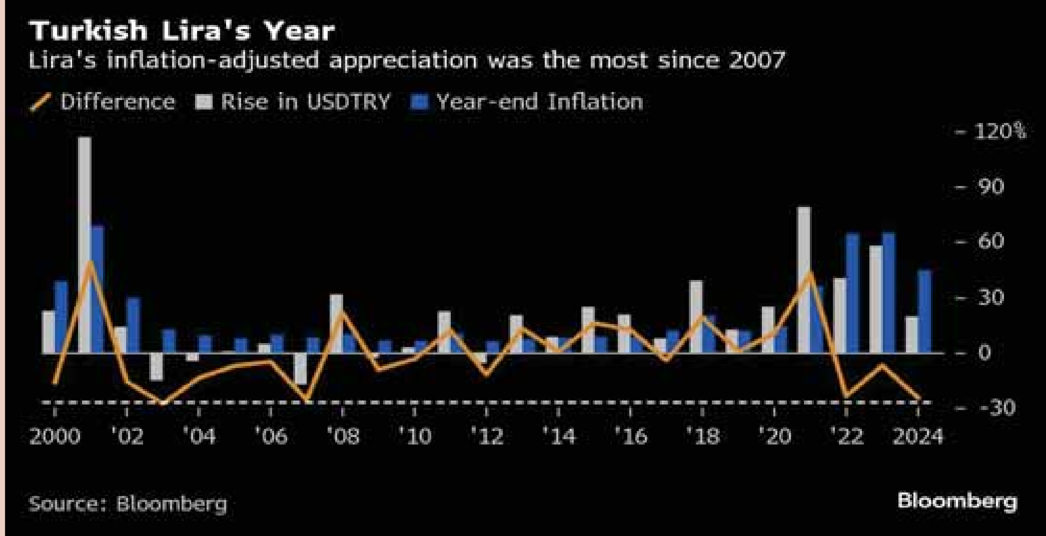
Over the past six months, investors who borrowed in dollars and invested in lira carry trades earned an average return of 15%, according to data compiled by Bloomberg. That's nearly double the return on investments in Argentine pesos, the next closest contender.

Goldman Sachs Group Inc economists Kevin Daly and Clemens Grafe said this month that the central bank is unlikely to allow any acceleration in lira depreciation in the near term, even after it started cutting interest rates in December. With lower rates making domestic assets slightly less attractive, currency stability becomes even more crucial, they said.

"For now the lira carry trade remains attractive, but we will have to see how fast will the central bank cut rates," said Viktor Szabo, senior investment manager at Abrdn Investments Limited in London. While Turkiye's latest inflation and economic activity data were supportive of an aggressive easing cycle, "a gradual cycle makes more sense," he said.

Many analysts have pencilled in a series of larger rate cuts in all of the central bank's eight meetings in 2025. Turkiye's annual inflation rate slowed to 44.4% in December from 47.1% in November.

Selva Bahar Baziki, Bloomberg's Turkiye economist, said one unwanted consequence of real appreciation of the lira could be higher demand for imported goods, a risk to the current-account balance.



"Without substantial inflows to sustain the lira's gains, that's a hard equilibrium for policymakers to maintain," she said.

"So far, we are not seeing any indication that investors need to be concerned about this dynamic, although we would caution that positioning is already quite over-crowded, and it's likely that many potential investors are already invested in the lira," said Daniel Wood, a portfolio manager at William Blair Investment Management in London. "Although we are seeing that valuations are a little more stretched than in 2024, we believe that this is offset by fundamentals which have also improved."

Bloomberg QuickTake Q&A

Here are the tools China uses to manage yuan

By Bloomberg News

Monitoring how the People's Bank of China (PBoC) handles its "managed float" system for the foreign-exchange market isn't easy. The central bank has various tools at its disposal — some are more transparent, like the daily reference rate, while others are murky, such as the potential for Chinese authorities to secretly urge banks not to bet against the yuan in proprietary trading. With the currency once again near the weak end of its allowed trading band — and close to a record low offshore as a potential trade war looms — risks are rising that authorities may step up efforts to stabilise it.

1. How important is the daily fixing?

It's the most obvious tool the PBoC has to influence the currency. It sets a reference rate each trading day at 9:15am Beijing time, around which the yuan is allowed to move 2% in either direction. The rate takes into account factors including the prior day's official close at 4:30pm, the yuan's move against a basket of currencies and changes in other major exchange rates. Encouraging declines at the official close allows the central bank to set weaker fixings without sending a strong signal on policy or destabilising markets. A reference rate that's significantly stronger or weaker than the market's expectations is typically considered a signal from Beijing.

2. How has it evolved?

The fixing has gone through rounds of reform over the years.

To make it more market-based, China started to allow the yuan to trade within 0.3% of the fixing against the dollar in January 2006, widening that to 0.5% in May the following year, 1% in April 2012 and 2% in March 2014. In August 2015 China devalued the onshore yuan in its most dramatic foreign-exchange reform in a decade.

To make the fixing more transparent, the PBoC laid out the factors that banks need to consider as they submit prices for the rate.

3. How can the PBoC guide the fixing rate?

In 2017, the PBoC introduced a "counter-cyclical factor" in the fixing formulas that commercial banks use to calculate and contribute to Beijing's daily reference rate. The move was made to avoid a fixing that the central bank deemed excessively weak. The component was removed and then reinstalled in 2018, before lenders stopped using the factor in October 2020. Market speculation of a further reintroduction to support the yuan emerged in 2022 as the fixing rates' gap versus forecasts widened to levels that couldn't be explained by calculations based on a regular fixing model.

The fixings' deviation from estimates has become more visible since 2023, making it a stronger clue as to where the PBoC's "line in the sand" is. For most of last year, the fixing was stronger than estimates, with the yuan under pressure from soft Chinese growth, a lack of forceful stimulus and US tariff threats. In evidence of the reference rate's huge impact on the market, a slight drop in March 2024 jolted global currencies as it fuelled speculation about depreciation risk.

Since Donald Trump's victory in November's US presidential election bolstered the greenback, the PBoC has been drawing a closely-watched line by setting the fixing at levels stronger than 7.20 per dollar.

China could strengthen the fixing's impact to the market by manoeuvring banks' pricing. Some banks that submit fixing quotations were said to have tweaked their models to lean against the yuan weakness in August 2022, without attributing the change to a reinstatement of the counter-cyclical factor. There were suggestions the tool was being deployed again as the yuan weakened in mid-2023.

An employee counts 100 yuan notes at a bank in Shanghai. The central bank has various tools at its disposal — some are more transparent, like the daily reference rate, while others are murky, such as the potential for Chinese authorities to secretly urge banks not to bet against the yuan in proprietary trading.

4. What else can the central bank do?

One of the latest tools for the PBoC is the so-called foreign exchange reserve requirement ratio that sets the amount of foreign currency deposits banks need to hold as reserves. A change allows the central bank to fine-tune liquidity in the banking system; for example, cutting the ratio will ease the supply of foreign currency, thus propping up the yuan. The PBoC raised the ratio twice in 2021, to 9% by the end of the year, then cut it three times in 2022 and 2023 to 4%. Before those changes, the ratio hadn't moved since 2007.

5. What about less formal measures?

State-owned banks selling the dollar versus the yuan in spot trading is seen by market a type of shadow intervention, which occurs from time to time.

Since 2023, traders also observed large transactions from the lenders in the foreign-exchange swap market, another method which could prop up the yuan. The banks borrowed dollars via swap contracts which can be sold in the spot market to support the yuan.

Chinese officials aren't averse to talking their currency up or down when needed. The PBoC's standard line is that the yuan will be kept basically stable at reasonable, equilibrium levels, while stronger verbal intervention could appear in multiple forms. The official comments seen since 2022 aimed at bolstering the yuan involve the requirement on banks to respect "the authority of the fixing," pledge to adopt comprehensive measures and stabilise expectations, to "resolutely prevent risks of big fluctuations" or to crack down on behaviour that disrupts the market and prevent the formation of one-sided bets as well as an overshoot in the exchange rate.

In addition, to guide market expectations, the PBoC tends to cite statements from the China Foreign Exchange Committee, an industry organisation founded by key participants in the onshore market under the guidance of the regulators. Some of the comments can be targeted at specific trading. In 2023, Chinese regulators reminded traders of their increasing attention toward stress on the yuan in a slew of actions, including urging brokers to cut back proprietary trading, ordering lenders to report on currency trading data and conducting surveys among market participants about capital flows.

6. What can be done against speculation?

Driving up the cost of betting against the yuan offshore was favoured as a tactic when China wanted to curb declines during years including 2016, 2018, 2023 and possibly early this year. The key is to mop up liquidity so traders have to pay higher interest rates to borrow the yuan. That can be achieved by having agent banks buy the currency or decline to lend their supply to other banks. The PBoC can also increase yuan bill issuance in Hong Kong, which is by far the biggest market. It announced a plan to issue a record 60bn yuan in bills in January.

For the onshore market, the PBoC had additional tools to boost costs for yuan bears. The PBoC in 2022 re-imposed a risk reserve requirement of 20% on currency forward sales by banks to clients, a tool it had deployed during the China-US trade war from 2018-2020. The move puts a punitive fee on speculative trades in the derivatives market, raising the cost of bets to short the yuan.

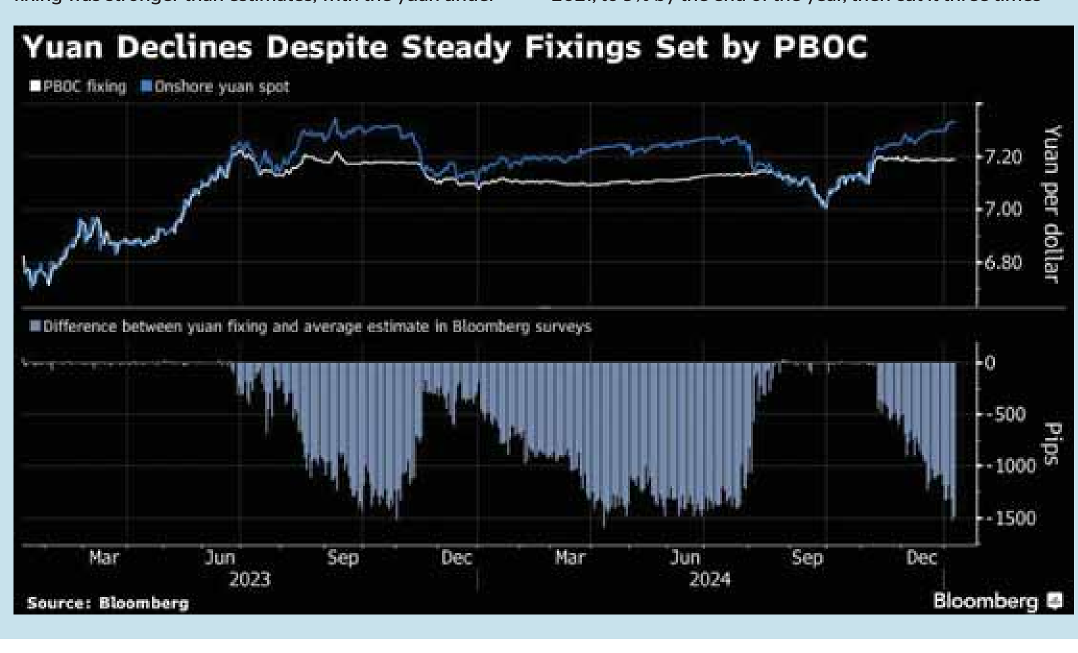
7. How about capital controls?

Controlling the flow of funds in and out of the country is one of the bluntest instruments. China moved to limit outflows in the wake of the yuan's devaluation in 2015 — imposing restrictions on everything from overseas takeovers by Chinese companies to consumers buying insurance policies in Hong Kong — and there has been little sign of a let-up. As the US Federal Reserve began to tighten monetary policy in 2022, Chinese state-owned companies were asked to exercise greater caution in new overseas spending and investment plans. The central bank could also tweak the limits of overseas borrowing or lending for financial institutions and corporates, as was seen in early 2021.

In 2022 and 2023, the PBoC adjusted some rules to allow onshore companies to borrow more overseas, which might also help increase foreign capital inflows. Conversely, the government fostered capital outflows during the yuan's advance in 2021 by initiating new channels with Hong Kong for mainland investors to tap the offshore bond market and wealth management products.

8. What about foreign reserves?

China's foreign reserves are among the world's largest at more than $3tn. Policy makers sold billions of dollars in the aftermath of the 2015 devaluation to support the yuan. While this can be a useful indicator, it is also influenced by broad gains in the dollar, which can lead to a drop in China's reported reserves. These declines aren't necessarily a result of intervention, but rather because non-dollar assets in China's stockpile will have depreciated against the dollar.



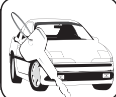
AT YOUR SERVICE

ACCOUNTING SERVICES
GULF FINOVATE - Financial Planning / Website / ERP/ IT Support.
U-301, B-72, D-Ring Rd. T: 44335164, E: info@gulf-finovate.com / W: www.gulf-finovate.com

BUS RENTAL / HIRE
Q MASTER W.L.L. 15/26/30/65 Seater Buses with / W-out Driver
Contact # 55853618, 55861541 (24 Hours) F: 44425610 Em: qataroffice@yahoo.com
THOUSANDS TRANSPORT 60/67 Seated A/C non AC Buses w/ w-out driver
T: 4418 0042...F: 4418 0042...M: 5587 5266...Em: sales@thousandstransport.com
TRAVELLER TRANSPORT - 13/22/26/36/66 Seater Bus With & Without Driver.
Tel: 44513283 Mob: 30777432 / 55899097. Email: info@travellertransport.com
HIPOWER TRANSPORT: 13/22/26/66 Seater Buses & Pickups with & without driver.
Tel: 4468 1056, Mob: 5581 1381, 7049 5406, ... Em: hipower@safarigroup.net

BUSINESS SOLUTION
QATAR ASPECT WLL Business Setup, Local Sponsor, CR License, PRO Service
Call.............................. T: 77912119 ....Em: info@qataraspect.com

CARGO SERVICES
GOODWILL CARGO Air, Sea & Land Cargo Services Worldwide Door to Door
Packing & Moving T: 4462 6549, 4487 8448...M: 3318 8200, 3311 2400...Em: sales@goodwillcargoqatar.com


CAR HIRE
AL MUFTAH RENT-A-CAR Main office D-Ring Rd. T: 4463 4444, 4401 0700
Airport 4463 4433...Al khor 4411 3344...Leasing 5589 1334...Em: reservations@rentacardoha.com...www.rentacardoha.com
AL SAAD RENT A CAR Head Office-Bldg: 242, C-Ring Road T: 4444 9300
Branch-Barwa village, Bldg #17, shop #19........T: 4415 4414, ...M: 3301 3547
AVIS RENT A CAR Al Nasr Holding Co. Building, Bldg. 84, St. 820, Zone 40
T: 4466 7744 F: 4465 7626 Airport T: 4010 8887 Em:avis@qatar.net.qa, www.avisqatar.com
THOUSANDS RENT A CAR
Bldg No 3, Al Andalus Compound, D-ring Rd..T. 44423560, 44423562 M: 5551 4510 F: 44423561
BUDGET RENT A CAR Competitive rates for car rental & leasing
Main Office T: 4432 5500...M: 6697 1703. Toll Free: 800 4627, Em: info@budgetqatar.com

CLEANING
CAPITAL CLEANING CO. W.L.L. All type of Cleaning Services-Reasonable Rates
T: 44582257, 44582546 F: 44582529 M: 33189899 Em: capitalcleaningwll@gmail.com

ISO / HACCP CONSULTANTS
QATAR DESIGN CONSORTIUM - ISO 9001, 14001, 45001, 39001, 27001, 22301, 41001, etc.
T: 4419 1777 F: 4443 3873 M: 5540 6516 ....Em: jenson@qdcqatar.net

PEST CONTROL & CLEANING
QATAR PEST CONTROL COMPANY
T: 44222888 M: 55517254, 66590617 F: 44368727, Em:qatarpest@qatar.net.qa
DOHA PEST CONTROL & CLEANING CO. W.L.L.
T: 4470 9777.. M: 5551 3862, 5551 4709..F: 4436 0838....Em: sales@dohapest.com

REAL ESTATE
AL MUFTAH GENERAL SERVICES www.rentacardoha.com
T: 4463 4444/ 4401 0700.....M: 5554 2067, 5582 3100....Em:reservations@rentacardoha.com

SCHOOL LAB SUPPLIES
SLS SCIENTIFIC LABORATORY SUPPLIES-QATAR, Turnkey solution, direct source from UK,
Mob:51080075 | email: slsqatar@scientific-labs.com | www.science2education.co.uk

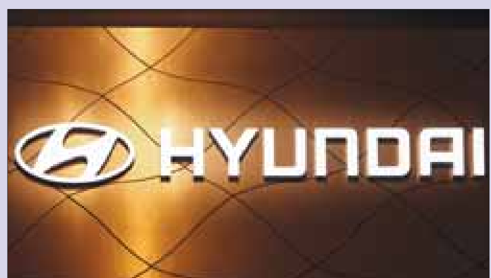
TRANSLATION SERVICES
ASIA TRANSLATION SERVICES www.asiatranslationcenter.com
Sofitel Complex, 1st Floor...T: 44364555, 4029 1307, 44440943 Em:asiatranslation@gmail.com

Updated on 1st & 16th of Every Month

QRS. 1500/-
AT YOUR SERVICE
DAILY FOR THREE MONTHS

Hyundai Motor to invest record $16.7bn in South Korea this year

Reuters
Seoul



South Korea's Hyundai Motor Group said yesterday it planned to boost domestic investment by 19% to a record 24.3tn won ($16.65bn) this year to ensure growth as it navigates political turmoil as well as US economic unpredictability.

The group, which includes Hyundai Motor and Kia, ranks third in global vehicle sales behind Toyota Motor and Volkswagen.

Its planned investment includes 11.5tn won in research and development for next-generation products, electrification, software-defined vehicles, hydrogen fuel-powered products and other technology.

It will also spend 12tn won on ordinary investment such as expanding production of electric vehicles and new models, and about 800bn won on strategic investment such as for autonomous driving, the group said in a statement.

As part of this, the group plans to build a plant at its Ulsan production site for its new "hypercasting" manufacturing technique for EVs.

Hyundai and other automakers are following Tesla's "Gigacasting" technology in which major sections of vehicles are made with large single parts, thereby streamlining production and lowering costs.

"Hyundai Motor Group is making the largest investment ever in South Korea this year because it believes that continuous and stable investments are essential to overcome the crisis and secure future growth engines in the face of growing uncertainties," the group said without detailing the crisis.

Hyundai Motor Group Executive Chair Euisun Chung last week referred to recession and global conflict as external risks.

Shares in Hyundai Motor and Kia were up 2.3% and 3.8% respectively in early trade before paring gains to close down 0.2% and up 2.3%. The broader market closed up 0.03%.

Hyundai and Kia said last week they aimed to grow combined global sales by 2% to 7.39mn vehicles in 2025, after reporting a dip in 2024 and missing targets.

At home, consumer sentiment dropped in December by the most since 2020 during the Covid-19 pandemic, hit by political uncertainty following President Yoon Suk-yeol's declaration of martial law and his impeachment.

In the US, President-elect Donald Trump has said he would impose universal 10% tariffs on imported goods.

Hyundai Motor started production at a factory in the US state of Georgia last year to make its vehicles eligible for tax credits under the incumbent administration which Trump has said he would scrap.

The automaker in November named Jose Munoz, its US chief and global chief operating officer, as co-CEO and the first foreign national to assume that rank at a major South Korean conglomerate. Company watchers said the appointment was aimed at helping the automaker navigate potential challenges posed by the incoming Trump administration.

China EV exports seen stalling in 2025 amid EU, Russia concerns

- **China's auto exports to slow, EV exports to see no growth**
- **EU tariffs and Russia shipment drop impact export growth**
- **Domestic market sees record EV sales amid price war, subsidies**
- **Sales of EVs, plug-in hybrids seen headed for weakest growth since 2021**

Reuters
Beijing

China's auto exports are estimated to slow notably this year after holding the export crown for a second year in 2024, with no growth predicted for electric vehicle exports, an auto association official said yesterday.

With car exports up 25% to 4.8mn units, according to the China Passenger Car Association (CPCA) data, China probably ranked as the world's largest auto exporter ahead of Japan for a second consecutive year in 2024 despite additional tariffs on China-made electric vehicles the European Union introduced in late October.

Japan's auto exports fell 4.3% to 3.82mn vehicles in the first 11 months of 2024, according to the Japan Automobile Manufacturers Association.

But export growth is seen cooling to 10% this year, with an expected drop in shipments to Russia adding to tariff pressure in Europe, said Cui Dongshu, secretary general of CPCA, and EV exports are forecast to see "zero growth."

Exports of electric cars and plug-in hybrids, known collectively as new energy vehicles (NEVs), grew 24.3% to 1.29mn last year.

A year-long subsidy probe against Chinese-made EVs weighed on exports to the bloc, with 10% growth in the first months falling well short of an 36% increase in 2023, according to the association.

Russia, Mexico and United Arab Emirates were the top three markets for China-made cars in the first 11 months of 2024, CPCA said, while exports to Thailand, Australia, and Britain fell.

While EU tariffs would limit sales of Chinese EVs in the short-term, establishing production facilities in Europe, such as BYD's in Hungary, will help China's carmakers gain market share there in the longer term, said Charles Lester, research analyst at Rho Motion.

In China's domestic market, the world's largest, car sales maintained their growth pace in 2024 as EV and plug-in hybrid sales hit a record high amid a brutal price war and with subsidised trade-ins for greener vehicles driving demand.

The outstanding growth in China in a largely stalling global EV landscape bode well for local leaders such as BYD, Geely and Xiaomi and expedited an industry shakeout in a competitive market.

It also benefited Tesla, whose China sales hit a record high in 2024, bucking an overall decline in the US EV giant's global sales.

Other foreign automakers such as General Motors, Toyota and Volkswagen continued to lose ground to Chinese rivals, however, with many of them struggling to sustain effective capacity usage at their Chinese plants.

Passenger vehicle sales rose 5.3% to 23.1mn units in 2024 for the fourth straight year of growth, in line with the 2023 pace, CPCA data showed.

NEV sales rose 40.7% to make up 47.2% of total car sales last year, closing in on a 50% milestone, buoyed by a programme likened to the US "cash-for-clunkers" stimulus in 2009.

More than 6.6mn cars sold last year benefited from government subsidies of up to $2,800 for NEV purchases and as much as $2,000 for more fuel-efficient combustion engine vehicles. Over 60% of the subsidised purchases went to NEVs, according to official data.

Beijing announced on Wednesday an extension of the auto trade-in subsidies into 2025 as part of an expanded consumer trade-in scheme to revive economic growth. "We expect the vehicle trade-in subsidy programme to boost full-year 2025 demand by 3.0mn units," said Deutsche Bank analyst Bin Wang.

Overall, car sales are estimated to grow 2% this year while NEV sales are expected to rise 20% to make up 57% of China's total car sales, CPCA predicted.

That suggests 2025 sales growth of EVs and plug-in hybrid cars could be the weakest since 2021, even though Cui estimated the scale of government subsidies would be sustained at a peak level this year.

Despite the sales growth, China's auto industry has seen a deteriorating profitability over the years. Sales profit margins were at 4.4% in the first 11 months of 2024. That compares with 5% in 2023 and 6.2% in 2020, according to the association.

Electric cars for export waiting to be loaded on the "BYD Explorer NO.1", a domestically manufactured vessel intended to export Chinese automobiles, at Yantai port, in eastern China's Shandong province (file). With car exports up 25% to 4.8mn units, according to the China Passenger Car Association data, China probably ranked as the world's largest auto exporter ahead of Japan for a second consecutive year in 2024 despite additional tariffs on China-made electric vehicles the European Union introduced in late October.

The Gulf retail investors turned net profit takers in the main bourse, whose capitalisation was melting QR1.08bn or 0.18% to QR613.81bn on the back of small and microcap segments.

QSE loses steam as foreign funds up selling pressure; Islamic index bucks the trend

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange (QSE) yesterday lost more than 14 points, dragged mainly by the real estate, transport and banking counters.

The foreign funds were seen increasingly net sellers as the 20-stock Qatar Index lost 0.14% to 10,441.53 points, but recovering from an intraday low of 10,404 points.

The Gulf retail investors turned net profit takers in the main bourse, whose capitalisation was melting QR1.08bn or 0.18% to QR613.81bn on the back of small and microcap segments.

The Gulf institutions' weakened net buying had its influence in the main market, which saw as many as 3,999 exchange traded funds (sponsored by AlRayan Bank and Doha Bank) valued at QR0.04mn change hands across five transactions.

As much as 52% of the traded constituents were in the red in the main bourse, whose trade turnover and volumes were on the decline.

The Islamic index was seen gaining vis-à-vis declines in the other indices of the main bourse, which saw no trading of treasury bills.

The domestic funds were seen increasingly net buyers in the main market, which saw no trading of sovereign bonds.

The Total Return Index fell 0.14% and the All Share Index by 0.18%, while the All Islamic Index was up 0.07% in the main market.

The realty sector index shrank 0.73%, transport (0.49%), banks and financial services (0.4%), industrials (0.08%) and consumer goods and services (0.05%); whereas telecom and insurance gained 1.61% and 0.71% respectively.

Major losers in the main market included Meeza, Zad Holding, United Development Company, Commercial Bank, Ezdan and QNB.

Nevertheless, Widam Food, Qatar General Insurance and Reinsurance, Ooredoo, Mannai Corporation, Aamal Company, Doha Bank, Qatar German Medical Devices and Estithmar Holding were among the movers in the main bourse.

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

The foreign institutions' net selling increased noticeably to QR49.72mn compared to QR42.02mn on January 8.

The Gulf retail investors turned net sellers to the tune of QR0.46mn against net buyers of QR0.68mn on Wednesday.

The Gulf institutions' net buying weakened substantially to QR9.91mn compared to QR19.27mn the previous day.

The foreign individual investors' net buying declined perceptibly to QR5.55mn against QR8.88mn on January 8.

However, the domestic institutions' net buying strengthened markedly to QR25.66mn compared to QR22.06mn on Wednesday.

The Qatari individuals were net buyers to the extent of QR5.92mn against net sellers of QR10.74mn the previous day.

The Arab individual investors' net buying expanded noticeably to QR3.14mn compared to QR1.97mn on January 8.

The Arab institutions had no major net exposure against net profit takers to the tune of QR0.1mn on Wednesday.

Trade volumes in the main market shrank 22% to 123.52mn shares, value by 23% to QR391.12mn and transactions by 27% to 14,581.

Uncertainties point to slower cuts in 2025, says Fed official

Bloomberg
Boston

Federal Reserve Bank of Boston President Susan Collins said a slower approach to adjusting interest rates is merited now as officials confront "considerable uncertainty" over the US economic outlook.

Collins, in prepared remarks for an event yesterday in Boston, said the economy was in a "good place," but noted that progress on cooling inflation will likely be slower this year than previously anticipated. The spectre of new economic policies under the incoming Trump administration and new Congress may also change the economy's trajectory, though it's still too early to estimate exactly how that will play out, she said.

The Fed's "policy is well positioned to adjust as required to evolving conditions – holding at the current level for longer if there is little further progress on inflation, or easing sooner if the need arises," Collins said.

Speaking Wednesday in an interview with Bloomberg News, Collins said she favoured fewer rate cuts this year than she had anticipated just a few months ago. She said her outlook for interest rates was consistent with the median projection from officials released after the Fed's December meeting, which pointed to two quarter-point reductions this year.

Also speaking yesterday, Philadelphia Fed President Patrick Harker said he's prepared to support additional rate cuts in 2025, but the timing will depend on what happens in the economy.

"I still see us on a downward policy rate path. Looking at everything before me now, I am not about to walk off this path or turn around," Harker said in remarks prepared for an event in Princeton, New Jersey. "But the exact speed I continue to go along this path will be fully dependent upon the incoming data."

Policymakers cut interest rates for a third consecutive time at their December gathering, lowering their benchmark by a quarter percentage point and bringing the total amount of reductions last year to a full percentage point.

Many Fed officials have said it's now appropriate to slow down the pace of rate cuts as inflation remains above their 2% target and the labour market healthy.

Collins, who will vote on this year's policy decisions, said on Thursday her support for the December move was a "close call."

"On balance, the December cut provided some additional insurance to preserve healthy labour market conditions while maintaining a restrictive policy stance that is still needed to sustainably restore price stability," Collins said.