ROBUST GROWTH | Page 8
QIB's first-half net profit surges 2.3% to reach QR2.22bn

Tuesday, July 21, 2026
Safar 7, 1448 AH

GULF TIMES
BUSINESS

ESCALATING RISKS: Page 3
Red Sea war insurance costs rise amid 'Houthi blockade'

Ahlibank reports H1 net profit of QR407mn

"The bank delivered a steady performance during the first half of 2026, reflecting the disciplined execution of our strategy, and continued focus on serving our customers. Despite the evolving operating environment, we continued to strengthen our business banking initiatives while maintaining strong capitalisation and good loan growth"

Ahlibank has reported a net profit of QR407mn for H1 2026, representing a 1.2% year-on-year increase from QR402mn.

Ahlibank CEO Hassan Ahmed AlEfrangi said, "The bank delivered a steady performance during the first half of 2026, reflecting the disciplined execution of our strategy, and continued focus on serving our customers. Despite the evolving operating environment, we continued to strengthen our business banking initiatives while maintaining strong capitalisation and good loan growth."

AlEfrangi added: "Throughout the period, we continued to invest in digital banking capabilities. The retail focus on digitalisation and distribution channels is designed to improve efficiency, increase revenue and optimise costs.

"We also enhanced our products and services across retail and corporate banking. These initiatives position the Bank to deliver sustainable growth and long-term value for our shareholders and customers."


Ahlibank chairman Sheikh Faisal bin AbdulAziz bin Jassem al-Thani, and CEO Hassan Ahmed AlEfrangi.

Ahlibank chairman Sheikh Faisal bin AbdulAziz bin Jassem al-Thani said, "The bank is focused on executing its long-term strategy. Notwithstanding the geopolitical developments, the Bank remains well positioned in contributing to Qatar's continued economic development."

An important milestone was crossed during June 2026, when Moody's reaffirmed the Ahlibank's long-term local and foreign currency deposit ratings as A2 with a stable outlook. Fitch has also maintained Long-Term Issuer Default Rating (IDR) of 'A', reflecting international confidence in the bank's solid financial position, sound governance, and strong ability to meet its obligation.

Sheikh Faisal added: "On behalf of the board, we thank the Qatar Central Bank for its guidance and support during this time and for enabling the banking sector to meet the various challenges."

Interim Condensed Consolidated Financial Statements And Independent Auditor's Review Report

For The Six-month Period Ended 30 June 2026

البنك الأهلي
ahlibank

Report on Review of Interim Financial Information

To The Board of Directors of Ahli Bank Q.P.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Ahli Bank Q.P.S.C. (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2026, and the related statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and material accounting policy information and other explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

For Deloitte & Touche
Qatar Branch

Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

20 July 2026
Doha – Qatar

Interim Consolidated Statement of Financial Position

As at 30 June 2026

	30 June 2026 (Reviewed) QR 000	30 June 2025 (Reviewed) QR 000	31 Dec 2025 (Audited) QR 000
ASSETS			
Cash and balances with central bank	1,891,891	2,159,173	3,647,454
Due from banks	7,907,925	9,960,214	7,243,916
Loans and advances to customers	42,573,010	38,190,445	39,598,554
Investment securities	9,327,722	10,800,035	11,532,884
Property and equipment	559,624	323,783	484,476
Other assets	240,901	670,207	187,871
TOTAL ASSETS	62,501,073	62,103,857	62,695,155
LIABILITIES			
Due to banks and central bank	16,091,590	13,017,577	13,180,847
Customer deposits	33,204,872	32,941,726	35,009,628
Debt securities	4,173,476	5,494,625	4,170,189
Other borrowings	922,954	1,460,193	923,566
Other liabilities	770,271	989,405	719,663
TOTAL LIABILITIES	55,163,163	53,903,526	54,003,893
EQUITY			
Share capital	2,551,146	2,551,146	2,551,146
Legal reserve	2,206,436	2,113,192	2,206,436
Risk reserve	842,614	757,471	842,614
Fair value reserve	(14,764)	(12,382)	(6,340)
Retained earnings	1,752,478	1,698,904	2,005,406
Total equity attributable to equity holders of the Bank	7,337,910	7,108,331	7,599,262
Instruments eligible for additional capital	-	1,092,000	1,092,000
TOTAL EQUITY	7,337,910	8,200,331	8,691,262
TOTAL LIABILITIES AND EQUITY	62,501,073	62,103,857	62,695,155

These interim condensed consolidated financial statements were approved by the Board of Directors on 20 July 2026 and were signed on its behalf by:

Sh. Faisal Bin Abdul-Aziz Bin Jassem Al Thani
Chairman

Hassan Ahmed AlEfrangi
Chief Executive Officer

Interim Consolidated Statement Of Income

For the three and six months periods ended 30 June 2026

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2026 (Reviewed) QR 000	2025 (Reviewed) QR 000	2026 (Reviewed) QR 000	2025 (Reviewed) QR 000
Interest income	778,116	778,952	1,521,853	1,539,226
Interest expense	(411,942)	(442,904)	(810,223)	(875,355)
NET INTEREST INCOME	366,174	336,048	711,630	663,871
Fee and commission income	34,293	93,741	71,844	126,025
Fee and commission expense	(1,151)	(1,941)	(2,515)	(3,063)
NET FEE AND COMMISSION INCOME	33,142	91,800	69,329	122,962
Foreign exchange gain	8,919	5,398	19,091	15,463
Gain on investment securities	5,849	16,641	6,337	13,763
Other operating income	313	440	581	1,099
	15,081	22,479	26,009	30,325
TOTAL OPERATING INCOME	414,397	450,327	806,968	817,158
Staff costs	(52,301)	(51,835)	(107,000)	(102,362)
Depreciation	(7,441)	(7,590)	(14,890)	(15,194)
Net impairment reversal /(loss) on investment securities	2,415	(161)	2,061	17,387
Net impairment loss on loans and advances to customers	(143,876)	(179,944)	(192,638)	(227,462)
Net impairment reversal on other financial assets	2,323	8,153	4,239	1,983
Other expenses	(43,803)	(45,805)	(91,313)	(89,110)
	(242,683)	(277,182)	(399,541)	(414,758)
PROFIT FOR THE PERIOD	171,714	173,145	407,427	402,400
Earnings per share (QR)	0.067	0.068	0.151	0.149

Basis of Preparation and Material Accounting Policies

Basis of preparation

The Interim condensed consolidated financial statements for the six-month period ended 30 June 2026 have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and have been presented in Qatari Riyals thousands (QR'000) unless otherwise mentioned, which is the Group's functional and presentation currency.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2025. In addition, results for the six-month period ended 30 June 2026 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2026

Judgments, estimates and risk management

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2025

BUSINESS

A tanker unloads imported crude oil at a terminal port in Qingdao, in China's eastern Shandong province. China, the world's largest oil importer, had slashed crude imports to the lowest in nearly a decade by June.

Why oil prices haven't gone crazy despite 5 months of US-Iran war

- **China sharply cut crude imports and demand, reducing pressure on global oil markets**
- **US boosted output and released Strategic Petroleum Reserve crude**
- **June reopening of Strait of Hormuz eased immediate supply fears**

Reuters
Bengaluru

As the US and Israel went to war with Iran at the end of February, analysts predicted the price of crude oil could hit $150 a barrel or even rise as far as $200, with the fifth of global supply that transits the vital Strait of Hormuz suddenly cut off from world markets.
But, Brent crude futures peaked around $126 — comfortably below 2008's all-time high of $147 — and averaged just $101 a barrel between the start of the conflict on February 28 and June 11 when US President Donald Trump called off strikes on Iran, before briefly retreating to pre-war levels of $70 in early July.
Below are some of the reasons why the oil price hasn't gone crazy. Yet.

1. CHINESE SURPRISE

The biggest surprise was China, the world's largest oil importer, which had slashed crude imports to the lowest in nearly a decade by June. Fuel exports were curbed, its population started using electric taxis instead of personal cars and its petrochemical sector also reduced volumes.

2. US PUMPS MORE

The US, the world's largest oil producer, pumped more crude, with production reaching a record 13.93mn barrels per day by April. It also freed crude from its Strategic Petroleum Reserve as part of a record 400mn-barrel release coordinated by the International Energy Agency in March, helping cushion supply disruptions.

3. TRUMP BURNS BULLS

US President Donald Trump repeatedly wrong-footed oil market bulls by making statements about peace agreements and the resumption of flows through the Strait of Hormuz.
Oil market liquidity has dropped as many traders have become reluctant to make large bullish bets amid the risk of sudden market reversals.
"Everybody is bullish now, but nobody is long," said Ilia Bouchouev of the Oxford Institute for Energy Studies.
After driving their bullish position in Brent futures to its smallest this year in early July, funds then made their largest addition in six months in the week to July 14, according to data from the ICE exchange on Friday. However, at around $14.8bn based on Monday's prices, this position is still more than 50% below late March's six-year peak.
The market is suffering from headline fatigue, which reduces the price impact of fresh announcements, said Saxo Bank head of commodity strategy Ole Hansen.

4. HORMUZ FLOWS REBOUND

Saudi Arabia, the biggest Gulf oil exporter, sharply increased shipments from its Red Sea Yanbu port, helping to offset the loss of barrels via the Strait of Hormuz.
Hormuz shipments briefly restarted in June, easing concerns about crude availability, but dropped again in July as the fighting resumed.

5. AMPLE SUPPLY OF PROMPT PHYSICAL CARGOES

Traders say there is ample supply of physical oil, limiting the price reaction to the latest escalation in the conflict. Crude oil differentials in Europe, such as North Sea Forties, that help set the global dated Brent benchmark have fallen to a discount from a record premium in April.
"There is a lot of prompt crude around for now," said veteran trader Adi Imsirovic. "It may not last!"

Few tankers entering Hormuz to load oil; LNG floating storage rises

Reuters
Singapore

The number of ships transiting the Strait of Hormuz stayed low during the weekend as the US and Iran intensified attacks in the Middle East, shipping data showed on Monday.
Four vessels made the crossing on Sunday, down from eight the previous day, data from LSEG showed. At least three oil products tankers and one Very Large Crude Carrier have entered the strait since Friday to load oil, the data showed.
LSEG data covers transit for container ships, bulkers, vehicle carriers, and tankers that carry oil, gas and chemicals. On Sunday, the US said it had completed an eighth straight night of attacks against Iran, while US allies Kuwait and Bahrain reported more Iranian attacks.
In recent days both sides have taken aim at shipping traffic, with the US saying it is enforcing a naval blockade on Iranian ports, and Iran saying it targets vessels violating its rules on navigating the Strait of Hormuz, which usually handles one-fifth of global oil trade.
The United Kingdom Maritime Trade Operations agency said on Monday it had received a report indicating that a vessel was on fire 8 nautical miles (14.8 km) northwest of Oman's Kumzar. UKMTO said the cause of the fire had not been verified.
No liquefied natural gas tankers have been visible passing through the strait since Thursday. Tankers and other vessels have sometimes shut off transponders to mask their passage.
The combined 10-day moving average of laden LNG transits through the strait fell to just 0.2 cargoes per day by July 15 from roughly 0.8 cargoes per day in late June, vessel tracking data from S&P Global Energy showed.
Only one LNG cargo is known to have exited the Gulf in the past week, the data showed.

Iran to restore lost gas output in coming months, says official

Reuters
Dubai

Iran expects to restore around 100mn cubic metres per day of natural gas production capacity within the coming months, a senior government official said on Monday according to the oil ministry's Shana news outlet.
Attacks on Iran's energy infrastructure removed about 230mn cubic metres from output since the war started with US-Israeli strikes on Iran in late February. Recent US strikes on southern Iran, however, have not hit major energy sites.
Mohammad Jafar Ghaempanah, executive deputy to the president, said the lost capacity had amplified Iran's existing gas supply imbalance, with national production previously standing at around 650mn cubic metres per day. He said restoring the lost capacity would help improve energy supply stability.
Iran is facing additional pressure on its energy system during the hot summer months, when rising electricity demand for cooling has contributed to power shortages and rolling outages affecting households and businesses.
The government has said it is seeking to manage consumption and expand electricity generation capacity to reduce pressure on the grid, notably by installing solar power capacity.
Ghaempanah said oil and gas workers had prevented the shutdown of energy facilities despite the attacks and that the government was working to maintain stable gas and electricity supplies, particularly for industrial and petrochemical production.

Red Sea war insurance costs rise after 'Houthi blockade'

Reuters
London

The insurance cost of shipping goods through the Red Sea rose on Monday after Yemen's Iran-aligned Houthis said they were imposing a naval blockade on Saudi Arabia, escalating risks for merchant shipping, insurance industry sources said.

The move by the Houthis opens a new front against the US in its war on Iran and widens the threat to global energy supplies and trade beyond the Gulf.

Indicative war risk premiums rose to around 0.75% of the value of a ship, from around 0.3% on Friday before the Houthi announcement, according to the sources, who declined to be identified due to the sensitivity of the matter.

Even a small change will mean hundreds of thousands of dollars in extra costs for a seven-day voyage.

It is not clear how the Houthis would carry out a maritime blockade of Saudi Arabia, its northern neighbour along the Red Sea coast, or whether it would include a return to attacks on shipping.

Saudi state oil giant Saudi Aramco, the world's largest oil exporter, has increased use of the Yanbu terminal in the Red Sea since the US-Israeli conflict with Iran began on February 28.

Saudi Arabia-flagged, owned or operated vessels, vessels en route to or from Saudi Arabia and Saudi Arabia's Red Sea ports were assessed at high risk of a Houthi attack, British maritime security company Ambrey said on Monday.

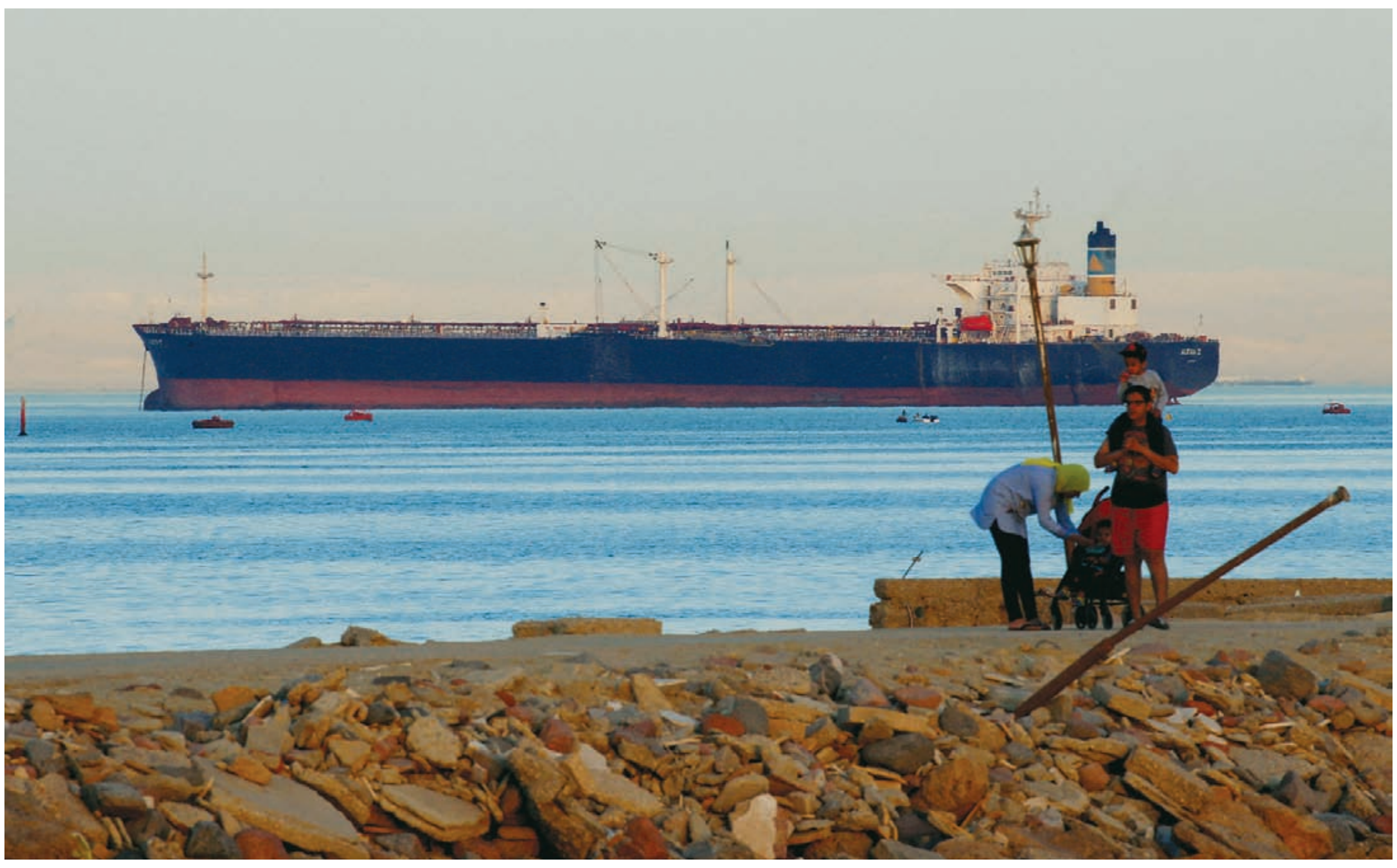
"The Houthis made mistakes during the (2024) Red Sea crisis in targeting shipping with out-of-date affiliations to companies. It is likely that vessels could be targeted for mistaken identities," Ambrey said.

The full closure of the Bab el-Mandeb strait, the southern gateway linking the Red Sea to the Gulf of Aden, would halt Saudi oil exports to Asia and could reduce global oil supply by 7%.

Red Sea traffic has not fully recovered since Houthi attacks off Yemen's coast began in November 2023 in what the group said was solidarity with Palestinians in the Gaza war.

Some Houthi attacks continued until mid 2025, only ending completely with the Gaza ceasefire in October last year.

Suspected Somali piracy and ship hijackings have also risen in recent months in the Gulf of Aden, adding to further dangers for shipping.



People walk on the beach as a container ship crosses the Gulf of Suez towards the Red Sea before entering the Suez Canal, in El Ain El Sokhna in Suez, east of Cairo (file). The insurance cost of shipping goods through the Red Sea rose on Monday after Yemen's Iran-aligned Houthis said they were imposing a naval blockade on Saudi Arabia, escalating risks for merchant shipping, insurance industry sources said.

In a presentation earlier this month, central bank governor Fatih Karahan said the recent uptick in underlying inflation poses upside risks to the near-term pace of price increases

Turkish central bank seen holding rates as Middle East conflict flares

Reuters
Ankara

Turkey's central bank is expected to keep its benchmark interest rate at 37% this week, a Reuters poll showed on Monday, as the war in the Middle East continues to cloud the inflation outlook.

All 10 economists surveyed between July 13 and July 20 forecast no change in the policy rate at Thursday's meeting. Economists nevertheless continued to expect monetary easing later in the year, leaving their year-end 2026 policy rate forecast at 35%, unchanged from the previous month's poll.

In June, the central bank held its key rate at 37% for the third straight meeting, citing market and inflation fallout from the Iran war. Inflation concerns eased somewhat with the de-escalation between the US and Iran under last month's short-lived interim peace deal. June's monthly inflation in Turkey matched expectations at 0.99%.

However, a recent flare-up in mutual attacks fuelled inflation concerns globally. High oil prices pose even more of a challenge for import-heavy economies like Turkey.

In a presentation earlier this month, Central Bank Governor Fatih Karahan said the recent uptick in underlying inflation poses upside risks to the near-term pace of price increases.

The central bank's tightening steps since the conflict broke out in late February have lifted overnight rates to around 40%, roughly 300 basis points above pre-war levels.

In May, the bank raised its end-2026 interim inflation target to 24% from 16%, saying the short-term inflationary effects of the Iran conflict would remain "pronounced".

Goldman Sachs said it expects rates to stay unchanged, as potentially cut-supportive factors, such as a seasonally stronger current account and easing geopolitical tensions, are unlikely to be permanent.

Morgan Stanley said in a recent research note that it does not expect a rate cut before the fourth quarter due to persistent geopolitical uncertainty and deteriorating risk sentiment.

Markets expect the bank to return to policy-rate funding before starting rate cuts.

Investors will watch the MPC statement for clues on the timing of this shift.

The central bank will announce its next interest rate decision on Thursday.

How a Houthi blockade in the Red Sea could tighten Iran grip on global energy supplies

Reuters
London

Yemen's Iran-aligned Houthis will impose a maritime blockade on Saudi Arabia, they said on Monday, further throttling a global energy market already greatly restricted by Iran's closure of the Strait of Hormuz.

This is why it matters and what it means for the Iran war and the global energy crisis:

HOW BIG IS THE RISK TO GLOBAL ENERGY MARKETS?

It is not clear how the Houthis would carry out a maritime blockade of Saudi Arabia, its northern neighbour along the Red Sea coast, or whether it would include a return to attacks on shipping.

Yemen sits on the Bab el-Mandeb strait — the southern gateway to the Red Sea — and closing that would open up a new front in the energy crisis and Iran's overarching conflict with the US

With Hormuz already disrupted, the Red Sea has become a critical alternative outlet for Gulf oil and other products. A serious disruption would mean both of the Middle East's major oil export routes are shut simultaneously.

Iran's partial blockade of the Strait of Hormuz after Israel and the US attacked it on February 28 disrupted most oil and other exports from the Gulf, raising prices and delivering a global energy shock.

Saudi Arabia responded by diverting more than 70% of its normal daily crude exports to the Red Sea port of Yanbu. Ships from Yanbu bound for Europe go north through the Suez Canal. Those heading to Asia go south through Bab el-Mandeb.

Shipments from Yanbu averaged 4 mn barrels per day in recent weeks according to data from Kpler and Signal Ocean, up from around 973,000 bpd a year earlier.

Total petroleum volumes transiting Bab el-Mandeb amounted to 7.4mn bpd in June, or about 7% of global oil output, according to Kpler data, up from 4.2 mn bpd last year.

That has provided a lifeline for the energy market, helping to keep down global oil prices. Saudi Arabia is considering an expansion of its crude oil pipeline to the Red Sea coast, Reuters reported last week.

When the Houthis launched attacks on Red Sea shipping in November 2023, Gulf oil exports were flowing freely.

WHO ARE THE HOUTHIS AND ARE THEY CLOSING RED SEA ENERGY ROUTES ON BEHALF OF IRAN?

The Houthis emerged as a military, political and religious movement in north Yemen in the 1990s, fighting guerrilla wars against the government in Sanaa.

They have been in a civil war against the Saudi-backed, internationally recognised, government for more than a decade and have attacked Gulf neighbours with missiles and drones.

However, a 2022 truce between the country's warring sides largely held until last week, when Yemen's internationally recognised government said it had struck Sanaa airport to stop an Iranian plane landing.

The Houthis said Saudi Arabia was responsible and in response fired missiles at Abha airport in the kingdom's mountainous southwest.

A senior Houthi official, politburo member Mohammad al-Farah, then warned in an interview on Iran's Press TV website that if the situation kept escalating, Bab el-Mandeb would be closed.

Iran champions the Houthis as part of its regional "Axis of Resistance", which includes Lebanon's Hezbollah and Iraqi militias, though its ties with the Yemeni movement are less clear than with those other groups.

The Houthis do not recognise Iran's supreme leader as their ultimate religious authority in the same way Hezbollah and the Iraqi groups do. Their motivations are mainly domestic, though the group is ideologically aligned with Iran.

The US says Iran has armed, funded and trained the Houthis with help from Hezbollah. The Houthis deny being an Iranian proxy and say they develop their own weapons. It is not clear how far the group's stance on Bab el-Mandeb and the Red Sea stems from its own strategic priorities or is being made on Iran's behalf.

WHAT HAPPENED WHEN THE HOUTHIS ATTACKED RED SEA SHIPS BEFORE?

After the October 7, 2023 attack on Israel, and Israel's devastating campaign in Gaza, the Houthis began firing at Israel and on shipping in the Red Sea, saying they were doing so in support of Palestinians.

The attacks severely disrupted global shipping, prompting Maersk, Hapag-Lloyd and other major companies to divert around Africa — a far longer, more expensive route.

Red Sea traffic has not recovered since, with traffic through the Suez Canal down 52% in 2025 versus 2023 levels and at its lowest in at least 50 years, Suez Canal Authority data shows.

A US-led mission to restore free navigation in the Red Sea involved repeated strikes on Houthi targets and a defensive campaign that shot down hundreds of drones and missiles. But some Houthi attacks continued until last summer, only ending completely with the Gaza ceasefire in October.

Last month the Houthis said they would ban ships linked to Israel from the Red Sea after Israel renewed military attacks on Iran.

However, that threat was never acted on and shipping groups Maersk and Hapag-Lloyd are resuming some Red Sea routes that they had abandoned during the Houthi attacks last year, Maersk said this month.

WHAT HAVE THEY DONE DURING THE LATEST IRAN WAR?

While Hezbollah and the Iraqi groups joined the war early with rocket and drone fire after the first US and Israeli strikes on Iran, the Houthis had been comparatively quiet.

The group's leader Abdul Malik al-Houthi said on March 5: "Our fingers are on the trigger at any moment should developments warrant it".

Iranian commanders have repeatedly warned that the Houthis could join the war. The Houthis launched a few missile and drone attacks on Israel in late March and early April.

Revolutionary Guards Quds Force commander Esmaeil Qaani said on June 1 they could choke off the Red Sea. That may now have changed with their announcement of the blockade on Monday.

BUSINESS

The AliExpress logo is pictured at its store, in Granada, Spain. The fine was the third issued by the European Commission under the EU's landmark Digital Services Act, which requires very large online platforms to do more to counter illegal and harmful content.

AliExpress hit with $629mn EU fine over sales of illegal, counterfeit products

Reuters
Brussels

Alibaba's AliExpress was hit with a record €550mn ($629mn) fine from the European Union on Monday for failing to tackle sales of illegal, unsafe and counterfeit products on its platform.

The fine was the third issued by the European Commission under the EU's landmark Digital Services Act, which requires very large online platforms to do more to counter illegal and harmful content.

The Commission charged AliExpress in June last year with failing to comply with a DSA requirement to assess and mitigate the risks of dissemination of illegal products.

It set an October 20 deadline for AliExpress to propose remedial measures, and the company could face further penalties if the regulator decides in December that they do not comply with the DSA.

"This is very dangerous for consumers, unfair for companies which are complying with all our rules," EU tech chief Henna Virkkunen told reporters. She pointed to AliExpress's 193mn users in Europe last year versus Shein's 156mn and Temu's 130mn. Temu has also been fined under the DSA and Shein is facing an ongoing investigation.

"One in five Europeans say they shop once a month from Shein, Temu and AliExpress," Virkkunen said.

AliExpress criticised the EU fine, saying it was excessive.

"We disagree with today's decision and the disproportionate fine, which does not adequately reflect our established framework and the significant, proactive enhancements we have made," AliExpress said in an email. "We are carefully reviewing the decision and considering all available options."

The Commission said that AliExpress had not properly evaluated whether it had enough people to review the risks and had overestimated the effectiveness of its system in detecting and removing illegal products.

The regulator criticised the company's recommender and advertising systems for exacerbating the spread of illegal products and its reliance on one quantitative indicator to measure its moderation system to prevent the risk of illegal products appearing or reappearing in similar forms.

It said the failure of AliExpress to detect illegal products meant that illegal products ranging from counterfeit products to unsafe toys and dangerous cosmetics remained online for many weeks.

The Commission also took issue with the company's ineffective penalty policy, which resulted in penalised businesses continuing to sell illegal products on its platform.

It said that the mandatory AliExpress "brand authorisation" system — intended to prevent counterfeit sales — was ineffective and understaffed and was easily circumvented by traders selling fake products.

Chinese car sales in Mexico surge despite new tariffs in January

Reuters
Mexico City

Mexican sales of Chinese-brand vehicles jumped nearly 30% in the first six months of the year despite steep tariffs imposed in January that were intended to slow the rise of Asian imports, according to a sales report obtained by Reuters.

The undated report from the Mexican Association of Automobile Distributors showed Chinese brands accounted for 17% of new vehicle sales in Mexico during the first half of the year, up from 14% a year earlier, with sales climbing to 137,525 from 107,712.

Chinese brands' rapid expansion in Mexico has transformed the country's auto market and alarmed US officials, who fear the country could become a springboard for Chinese companies seeking to enter the US and upend an industry that contributes $1.2tn to the economy annually.

Mexico's Deputy Foreign Trade Minister Luis Rosendo Gutierrez told Reuters the sales data is misleading because Chinese automakers began the year with sizable inventories in Mexico after front-loading shipments ahead of the tariff increase. The real impact of the tariffs, he said, is evident in a 43% decline in imports of Chinese-brand vehicles during

Chinese brands' rapid expansion in Mexico has transformed the country's auto market and alarmed US officials, who fear the country could become a springboard for Chinese companies seeking to enter the US and upend an industry that contributes $1.2tn to the economy annually

the first five months of the year compared with the same period last year.

"What's important is not the sales figures. What's important is that the measures have halted imports of vehicles from Asia," Gutierrez said.

The issue of growing Chinese exports into Mexico is a flashpoint in negotiations over the future of North America's trade pact, with the region's tightly integrated auto industry at the center of the debate. US and Mexican officials are set to begin a third round of talks in Mexico City on Tuesday.

The jump in Chinese car sales occurred after Mexico imposed a 50% tariff in January on vehicle imports from China and other Asian countries, a measure the Mexican government said would safeguard jobs and analysts said was intended to reassure the US.

Chinese automaker Geely posted the strongest growth in sales this year, followed by MG Motor, Changan and Chirey, according to data from the automobile distributors' association.

BYD, China's largest automaker, remains the biggest player in Mexico's market although sales edged down to 33,969 from 34,606, according to the data. BYD, which has aggressively expanded in Mexico, did not respond to a request for comment. The explosion of Chinese vehicles in Mexico has been astonishing — growing from less than 1% of market share in 2020 to 7% in 2022 and reaching 17% in the first six months of the year, according to the distributors' association.

KMPG Australia fines staff up to $126,000 for 'unacceptable' misconduct in audit scandal

Reuters
Sydney

KPMG Australia said on Monday it imposed penalties of up to A$180,000 ($125,838) on a group of staff after an internal probe into an audit leak scandal confirmed the "unacceptable" misuse of confidential client information.

Seven people have been sanctioned, with consequences ranging from warnings, restricted career progression and lower performance ratings to financial penalties, the firm said.

KPMG has been under intense scrutiny from the Australian government and blue-chip clients since whistleblower accusations that its staff used inside information to win lucrative audit contracts came to light in March.

The financial sanctions are the latest fallout from the scandal that has led to the resignations of the firm's CEO, audit boss and chairman.

Three senior audit partners have already been fined for misusing confidential board papers from real estate company Lendlease.

A KPMG spokesperson said an investigation confirmed that internal documents containing client information were "inappropriately shared" between individuals within the firm.

"The conduct is unacceptable and inconsistent with our values, policies and obligations to protect client information," the spokesperson said.

The findings come after KPMG previously said its past investigations into the allegations failed to substantiate wrongdoing.

Two partners from the group of seven decided to retire from the firm prior to the sanctions being handed down, the spokesperson added.

Australia's corporate regulator, the Australian Securities and Investments Commission (ASIC), is also investigating three partners over their role in the scandal.

ASIC named two of the three partners. Both have left the firm and were among the three partners fined by KPMG for misusing Lendlease board papers.

ASIC has not disclosed the identity of the third partner.

Suzuki's no-frills cars once ruled India; then buyers demanded frills

- **Maruti Suzuki found it hard to adapt cost-focused culture to tastes of increasingly wealthy Indians**
- **Japanese-owned carmaker slow to roll out popular features like sunroofs and advanced technology, as well as SUVs**
- **Company's market share hovers around 39%, near an all-time low; CEO targets 50%**
- **Firm is seen spending more on R&D and increasing autonomy of local managers**

Reuters
New Delhi

For some 40 years, Suzuki cars dominated India's roads.

The Japanese company's relentless focus on keeping prices and running costs low put millions of people behind the wheel. Hatchbacks made by its Indian arm Maruti Suzuki commanded between half and four-fifths of the country's new car sales in recent decades.

But as Indians got richer, they gravitated to bigger and flashier rides — and the automaker's emphasis on affordability started to become a drag. Maruti Suzuki's share of the world's third-largest autos market now lingers at around 39%, near an all-time low.

A visitor uses her phone next to Maruti Suzuki's e Vitara SUV at the company's Gujarat plant in the village of Hansalpur Becharaji, India. As Indians got richer, they gravitated to bigger and flashier rides — and the automaker's emphasis on affordability started to become a drag. Maruti Suzuki's share of the world's third-largest autos market now lingers at around 39%, near an all-time low.

Suzuki's struggles reflect how cost-sensitive managers in Japan were slow to adapt to the changing tastes of newly affluent Indians, four people familiar with its business told Reuters. Executives, the people said, for years felt that demand for sunroofs, advanced technology and SUVs hadn't trumped questions of affordability for Indians.

Reuters is reporting for the first time details about the deliberations between Indian and Japanese executives at Suzuki as they struggled to pivot beyond a long-successful strategy that emphasized value before almost everything else.

Maruti Suzuki managers first floated the idea of adding sunroofs about a decade ago, the people said. But Japanese bosses considered the feature — which has become a symbol of upward mobility in India — impractical given India's extreme heat and dusty roads. They worried that adding a more powerful air conditioning unit and strengthening the cabin to accommodate the panel would increase costs and distract from Suzuki's mission of providing affordable transport.

The carmaker didn't introduce sunroofs until 2022. By then, fast-growing domestic rivals Tata Motors and Mahindra & Mahindra — which both currently have a market share of around 14% — had sunroofs as standard features on between a quarter and a third of their cars sold in India, according to data from auto research firm JATO Dynamics.

This account of the missteps that eroded Suzuki's iron grip on India and its subsequent efforts to woo customers back is based on interviews with more than 20 people, including executives, suppliers and others with direct knowledge of the automaker and its Indian business. Most spoke on condition of anonymity because they were not allowed to talk to the media.

Maruti's head of corporate affairs, Rahul Bharti, said in an interview that Japanese managers were not reluctant to embrace the changing tastes of local customers. Instead, he said, they had prioritized factors such as cost and climate, as well as emissions and safety considerations.

Indian and Japanese executives engage in "extensive" talks before introducing products and new features, Bharti said.

Maruti's market share had declined recently because of a collapse in demand for small cars, the automaker's slow rollout of SUVs and its 2020 decision to stop selling diesel cars, he added.

While it is committed to building affordable and compact models, Suzuki has now directed local managers to "pay more attention to the Indian customer," Bharti said.

Tata and Mahindra did not return requests for comment.

To be sure, Maruti Suzuki still runs a lucrative business in India. Revenue has more than doubled over the last five years to $19bn and profit tripled to $1.5bn as margins improved. About 60% of the 3.3mn cars Suzuki sold in the last financial year were in India, and Maruti contributed nearly half of its profits. But while it is making more money from selling fewer cars, the company has fallen short of chief executive Toshihiro Suzuki's goal of owning half the market.

Maruti Suzuki also risks being seen by younger drivers as a "brand for their parents or grandparents," said Toshihide Kinoshita, an automotive analyst at Nomura Securities.

In India, the typical buyer of a new car is in their mid-30s. The average age in the US is 51, according to data from Cox Automotive.

Japanese car manufacturers increasingly see India, the world's fastest-growing major economy, as a lifeline.

Many face an existential threat in traditional strongholds like Southeast Asia from the low costs and fast-paced innovation of Chinese rivals. They are also being squeezed by tariffs in the US and slow growth at home as Japan's population shrinks. Chinese EV makers, however, are largely shut out of India, which has increased scrutiny of investments from China after a deadly border clash between the two countries in 2020.

Japanese carmakers seek the opportunity: Toyota and Suzuki have announced plans to spend a cumulative $11bn to expand manufacturing and other operations in India by 2030.

Maruti Suzuki is now a symbol of Prime Minister Narendra Modi's push to turn India into a global manufacturing hub.

Suzuki first invested in Maruti in the early 1980s when the Indian brand was state-owned. Then-Prime Minister Indira Gandhi wanted to provide a "people's car" to fulfill the dream of her late son Sanjay, an autos enthusiast who had sought to bring affordable mobility to the middle class. The Maruti 800 arrived in 1983. It was priced at around $9,000 in inflation-adjusted dollars and became synonymous with India's modernization.

Over three decades, Maruti sold nearly 3mn of the small hatchbacks. Such was the scale of Suzuki's dominance in India that its former CEO Osamu Suzuki said he aimed to keep a 50% market share "for eternity."

India's economy has grown some 18-fold since Suzuki entered the market. Yet Suzuki's cost-control culture meant managers initially faced resistance when they lobbied to offer advanced driver assistance systems that Mahindra introduced around 2021, some four years before Maruti, three people said.

For many buyers, the modernity and aspiration that Maruti once represented is found in Tata and Mahindra's feature-laden SUVs, rather than Maruti's workaday models. Maruti does not have "the bells and whistles" that customers now want, said JATO Dynamics president Ravi Bhatia.

Maruti has been here before. Its market share dipped below 40% in 2011, though newer models and an expanded sales network helped it recover.

This time, competition is fiercer. Better equipped rivals and the fall in market share mean Suzuki now faces its toughest situation in India "in the last 40 years," chief executive Suzuki told reporters at the Tokyo auto show last year.

In an attempt to regain dominance, Suzuki is expanding R&D teams at Maruti and giving executives flexibility to make more decisions locally, five people told Reuters. It aims to cut the average product development time to 36 months from 48 months, both sources added.

Maruti has also built more car-testing labs in India to speed up design and execution, Bharti told Reuters.

Maruti has introduced pricier and more design-forward cars, including a three-row minivan that starts at about $25,000. It plans seven more SUVs by 2030, which will join a recently released model that has a sunroof and advanced driver assistance systems.

The brand is also reversing its decision not to use large display screens in some vehicles, according to three sources, who said Japanese executives had felt they would be a distraction for drivers.

Bharti confirmed that Maruti and Suzuki executives had discussed those concerns. Large displays and similar features are always "on the cards," he said, though the company continues to weigh customer demand against the realities of Indian driving conditions.

One open question is whether Maruti's more expensive cars will sell. The brand's association with affordability means Indians willing to spend more usually don't consider Maruti, six people told Reuters. Less than 3% of Maruti's sales come from cars priced above $15,500, compared with over 21% for the rest of the industry, according to JATO Dynamics.

US investors brace for Korea's chip-heavy stock volatility

By Jamie McGeever
Orlando, Florida

The intense volatility rocking Republic of Korea's chip-heavy stock market has come to America, but Wall Street has suffered only modest losses in response. Can this continue, or will the slump in semiconductors and vulnerability among highly leveraged investors cause serious damage in the US as well?

The benchmark KOSPI index - heavily concentrated in firms benefiting from the artificial intelligence boom, most notably the trillion-dollar megacaps Samsung and SK Hynix - is down more than 30% from its peak only a month ago, and volatility has soared. Daily moves of 4% or more are now regular occurrences, and 30-day realised volatility has exploded to the highest since 1998.

Regulators in Seoul have ramped up efforts to curb these wild swings in equity prices, which appear to be fueled, in part, by heavily leveraged retail investors using exchange-traded funds (ETFs). These "mom and pop" investors were pulled in by the extraordinary AI boom, and many have been caught out by the rapid snapback. Most longer-term buyers are still sitting on substantial gains, of course, with the KOSPI still up 55% this year, following an annual gain of 75% last year. But the same cannot be said of short-term punters.

According to Goldman Sachs, more than 1.2mn leveraged retail trading accounts in South Korea triggered margin calls as of July 13, with an estimated 320,000-360,000 accounts fully liquidated. Goldman's strategists reckon this means around one in 30 adults in the country, or 3.4% of the adult population, have received margin calls.

That could have a meaningful impact on Korea's economy more widely. If many South Korean households are now sitting on losses, that could weigh on the country's economy moving forward.

Given rising retail participation in US stocks, exposure to the AI theme, and the rising popularity of leveraged vehicles, could Wall Street - and the broader US economy - be in trouble as well?

The use of leveraged ETFs has exploded in the US in recent years too. These products use futures or swaps to replicate bets with borrowed money, multiplying returns by typically two, three or even five times. But they magnify losses as well.

US assets under management in these ETFs have reached a record $218bn, up 60% since the end of March alone, according to Scott Rubner at Citadel Securities.

Leverage tied to technology ETFs has grown a whopping 136% over the same period, while leverage linked to semiconductor exposure has nearly tripled. Combined, tech and semis now account for 67% of all leveraged ETF assets under management.

Until recently, this was a boon for US markets, which have benefitted hugely from the outperformance of chips, AI and tech. As Rubner notes, some 19 cents of every dollar allocated to the S&P 500 is directed toward semiconductor companies, with 33 cents going to the 'Magnificent 7' megacaps and nearly 40 cents to the index's ten largest holdings, most of which are tech firms.

Put all this together, and you get a "concentration of speculation" that magnifies the potential for a heavy drawdown when sentiment turns, says Bob Elliott at Unlimited.

"It's just leverage working in reverse. Everyone loves it on the way up, but not so much on the way down," he says, adding that he sees a "pretty high chance" of broader asset prices getting dragged down.

It's worth noting that the value of assets under management in leveraged ETFs represents less than 1% of total ETF and mutual fund assets, according to Goldman Sachs. But the direction of travel is clear. Since 2021, the retail share of US trading volumes in leveraged index ETFs has been roughly double the share for those tracking the same indices without leverage. And margin balances - the amount borrowed by retail investors from brokers to buy stocks - at retail investment firms Interactive Brokers, Robinhood, and Charles Schwab rose to 1.8% of customer assets earlier this year, a new record.

If you zoom out to all brokerage firms registered with the Financial Industry Regulatory Authority, margin balances rose to $1.3tn earlier this year, or 52% of gross customer balances, according to Goldman.

That's the highest share on record, and 6 percentage points above the previous record high set in 1998, although it includes institutional money and borrowing to fund short positions as well.

The chip selloff will be putting these positions under pressure. While the S&P 500 and Nasdaq are only 2% and 7% off their June peaks, respectively, the 'SOX' semiconductor index is 25% below its recent high. That means it's technically in a bear market, and 30-day realised volatility is the highest since 2003.

Retail and leveraged investors - not to mention the broader market - could be in for a tough few weeks. While there's little risk that these juiced tech bets could lead to a financial crisis or systemic issue on Wall Street, given the depth and diversification of US markets, there's still enough smoldering tinder for investors to get burned.

■ *Jamie McGeever is a columnist for Reuters. The opinions expressed here are those of the author.*

PayPal tumbles from Wall Street pet to unwilling merger target

Investors believe PayPal has lost its way as rivals introduced new payment methods; company's attempts to retrench have not convinced market; bid of $53bn not enough for board approval, sources say; analysts question whether company can attract better offers

Reuters
New York

Five years ago PayPal was a Wall Street favourite and a leader in digital payments. Since then the stock has plunged, Apple Pay dominates payment services in the US and PayPal is facing a takeover bid it does not like. What happens next?

The company synonymous with digital payments this past week got a $53bn offer to be taken private by upstart rival Stripe and buyout shop Advent International. PayPal's board is discussing the bid but believes $60.50 a share is not enough, people familiar with the company said.

It is a comedown for a company that helped to pioneer e-commerce and email-based payments, launching the careers of tech titans Elon Musk and Peter Thiel in the process.

Founded in 1998, the San Jose, California, firm was acquired by eBay in 2002 and spun off as an independent company in 2015. Continued growth pushed its market value as high as $360bn in 2021.

But since then its growth has slowed and competition intensified, while multiple attempts in recent years to jumpstart its business have borne little fruit.

Dealmakers are now weighing the value of PayPal's sprawling payments ecosystem, from its 400 million-plus consumer accounts to its merchant checkout business, raising the question of whether the company is worth more as a single entity or as a collection of assets, such as the Venmo peer-to-peer payment app, that could be sold off in pieces.

PayPal, Stripe and Advent International logos are seen in an illustration. The company synonymous with digital payments this past week got a $53bn offer to be taken private by upstart rival Stripe and buyout shop Advent International.

PayPal declined to comment for this story.

In February, when the company named a new CEO, it acknowledged a need to address its position relative to competitors and within the broader industry landscape. "While some progress has been made in a number of areas over the last two years, the pace of change and execution was not in line with the Board's expectations," it said in a statement.

Enrique Lores, who took over as CEO in March, has not commented on whether PayPal would pursue a sale.

While bigger rivals such as Apple, Google and Samsung and upstarts including Stripe and Affirm relentlessly rolled out new ways for consumers and businesses to pay for goods and services, analysts say PayPal was slow to explore opportunities in digital banking and commerce, or to offer fresh options when more people were using their phones to pay.

"Why bother becoming a digital bank if you can just be the world's biggest checkout button?" said Dan Dolev, senior analyst at Mizuho. "I think it was too easy to drink the honey straight from the checkout jar." Investors and industry executives are frustrated with PayPal's performance, said one source familiar with the company's deliberations.

PayPal started before the iPhone even existed, but last year Apple Pay's US market share exceeded PayPal's by 10 percentage points, according to PYMNTS Intelligence, a research company.

PayPal has also lagged many rivals in adopting AI and pushing into agentic commerce, in which AI agents negotiate and complete purchases on a user's behalf.

Owen Lau, an analyst at financial services firm Clear Street in New York, said PayPal prioritised winning market share by pricing aggressively, but failed to charge enough to generate attractive returns. Clear Street began coverage of PayPal this past week with a hold rating and a price target of $61 a share, compared with a $57.09 stock price on Friday.

Lau added that growth has slowed across key parts of the business, including Venmo, while newer products such as buy now, pay later have not panned out. PayPal's user base has plateaued, he said, making growth a secondary concern to boosting profits from existing customers.

"They just want to win market share," he said. "They're not charging appropriately, and they're losing momentum in other parts of the business."

The company has had three CEOs in four years and this March embarked on its second turnaround effort since longtime chief Dan Schulman stepped aside in 2023.

Last year, according to a technology executive familiar with the matter, a deal with OpenAI to embed the PayPal digital wallet and processing into ChatGPT spurred a clash between the board and the executive team led by Alex Chriss, the CEO who succeeded Schulman.

Chriss departed following Lores' appointment, after the board asked to delay the deal.

Still, the board is unlikely to support a deal at $53bn, said another person familiar with the company.

Some discussions at the board level have centered on whether the bid is enough to even warrant opening negotiations, the person said. The board is weighing whether the company could be worth more based on its intent to hit milestones in its latest turnaround plan, the source added.

The sources spoke on condition of anonymity to discuss private deliberations.

Wall Street analysts believe Stripe and Advent can afford to pay more, and will. They have assembled $17bn in equity, and Reuters has reported, and have raised $50bn in bank financing, potentially giving them the capacity to raise their offer.

The bidders' decisions on price could be informed in part by what PayPal says this month when it reports quarterly earnings, with a weak report likely to increase pressure on PayPal and a strong one potentially encouraging a higher offer.

Competing bids for PayPal appear unlikely, however. Analysts at Morgan Stanley said this past week that Stripe and Advent International's proposal would provide the "most credible path to value realisation" for PayPal, which they said faces intense wallet competition and a maturing customer base.

Sterling's rally against Canadian dollar may pause

Reuters
New York

The British pound has been climbing against the Canadian dollar for almost four years, though the ascent hasn't been a straight line - it has included several sharp pullbacks along the way. Technical analysis now points to another possible setback, raising the question of whether it will be a brief pause or the start of something bigger.

Last week, sterling touched its highest level against the Canadian dollar - also called the loonie - in more than a decade, reaching 1.9025, according to data supplied by LSEG. Historically, this pair has tended to retreat after hitting similar peaks, giving the market a breather before pushing to new highs.

If that pattern repeats, an initial target is likely to be 1.8560, which is the 55-week moving average - a line traders use to smooth out short-term noise and better identify the underlying trend. Moving averages often act as support, a zone where buyers tend to return. Should that support give way, the market could be drawn towards 1.8130, the monthly low from March this year.

The bigger question is whether the pound's long uptrend has the fuel for a deeper retreat. Interest rates offer one clue: UK rates have been higher than Canada's, drawing investors to sterling. But Canadian inflation has picked up while British price growth cools - a shift that may heighten expectations that the Bank of Canada could lean toward tightening while the Bank of England holds steady, reducing sterling's appeal.

If the rally instead resumes and overtakes the recent high at 1.9025, traders will likely target 1.9285, the high from May 2016.

Also, potentially weighing in the Canadian dollar's favor is what traders refer to as positioning, or the size of bets that traders have placed for or against a given currency. Recently, speculative investors have placed much bigger bets against the Canadian dollar than they have against the pound. Traders often view this type of setup as a contrary indicator, meaning that the loonie might be oversold.

The British pound has been climbing against the Canadian dollar for almost four years, though the ascent hasn't been a straight line - it has included several sharp pullbacks along the way

Most Asian stock markets rise after weak Wall Street trade

AFP
Hong Kong

Most Asian stock markets closed mixed on Monday. Chinese markets outperformed as investors extended a recent rally on expectations Beijing will unveil further measures to support the economy after last week's economic data.

In Tokyo, the Nikkei 225 closed for a holiday. Hong Kong - Hang Seng Index closed up 2.36% to 25,143.05 points and Shanghai - Composite closed up 0.85% to 3,796.28 points yesterday.

Hong Kong added more than 2%, while Shanghai ended the day's trade in the green. Manila and Jakarta edged higher.

Caution prevailed elsewhere.

Seoul closed 4.46% down. Taipei was down, as was Sydney, Mumbai, Bangkok, Singapore and Kuala Lumpur.

London was in the red, while Paris and Frankfurt edged up.

The mellow performance followed another weak session on Wall Street, where all three major indexes finished lower on Friday as investors continued to rotate out of technology shares while keeping a close watch on developments in the Gulf.

Adding to worries about tech, Chinese startup Moonshot AI released on Friday a model that experts said could rival some of the more advanced offerings from US labs.

"Having had the weekend to digest the launch of Moonshot's Kimi K3 model and its potential implications for the pricing power of the major US AI labs… markets appear to be taking a more measured view," said Chris Weston, head of research at Pepperstone.

Gold secured despite the geopolitical uncertainty, falling 0.25%, while silver advanced a little over 1%. Oil scaled back gains after hitting its highest price in a month on Monday as Iran said diplomatic exchanges with the United States were ongoing via mediators despite renewed conflict in the Middle East.

The logo of Hong Kong Exchanges & Clearing is pictured in its office, in Hong Kong. The Hang Seng Index closed up 2.36% to 25,143.05 points yesterday.

Crude has surged over the past week as Washington and Tehran traded fire, raising fears of a sustained disruption in the Strait of Hormuz, which normally carries around a fifth of the world's seaborne oil.

Both Brent crude and US benchmark West Texas Intermediate extended their gains after climbing more than four percent at the end of last week. Brent was trading at $89 a barrel after rising above $91, its highest price since June 11.

The latest moves came after Iran indicated that diplomacy with Washington was continuing through mediators, even as it struck Gulf targets and was targeted by US strikes.

"We have received messages -- without going into details -- but the main point is that the diplomatic apparatus has been active in recent days and ideas have been conveyed to us by certain mediators," Iranian foreign ministry spokesman Esmaeil Baghaei told a news conference in Tehran.

Higher crude prices have revived concerns that inflation could remain elevated and complicate the path to lower interest rates, but some analysts argue the broader economic backdrop is becoming more supportive.

"Markets are once again being forced to trade two seemingly contradictory stories on the same screen," said Stephen Innes of SPI Asset Management.

While the renewed rise in oil prices has injected a fresh geopolitical risk premium into markets, he said cooling underlying US inflation and a softer labour market suggested the energy shock would not necessarily trigger a new cycle of broad-based inflation.

Instead, the biggest risk would come if elevated oil prices persist long enough to erode household spending and weigh on economic growth.

America's power grid is choking on costly congestion

By Gavin Maguire
Littleton, Colorado

Congestion on the US electricity grid is becoming an increasingly costly bottleneck, driving up power prices, delaying new generation projects and undermining reliability.
Yet the electricity industry's attention remains focused largely on generation, with politicians debating solar panels, natural gas turbines and nuclear reactors while utilities tout billions of dollars of planned investments.
PJM Interconnection, the largest US power market that spans 13 states, offers a stark illustration.
Transmission congestion cost market participants $777.8mn in June, according to a new report from grid software firm Gridraven.
That was down from May's record $1bn congestion tab during a regional heat wave, but remains remarkably high.
Taken together, congestion charges approached $1.8bn over just two months.
The worrying part is not the headline number. It is the direction of travel.
If current trends continue, congestion costs are likely to become an even larger burden on electricity consumers and producers in coming years.
That matters because congestion functions like a tax on economic growth.
When transmission lines become overloaded, grid operators cannot simply dispatch the cheapest available electricity. Instead, they are often forced to rely on more expensive generators located closer to demand centers.
The additional costs eventually ripple through wholesale markets and into customer bills.
Consumers rarely see a "congestion surcharge" listed on their electricity statements. But they pay it anyway.
The problem is becoming more acute because demand growth is accelerating at precisely the wrong moment.
For years, US electricity demand was essentially flat, allowing policymakers and utilities to postpone difficult transmission decisions. That era has ended.
Data center construction is surging. Manufacturers are expanding domestic production. States and utilities continue promoting electrification of transport and heating.
All these trends increase demand for power and, crucially, increase demand for moving it across the country.
The geography of the modern electricity system makes the challenge even harder. Much of the cheapest new generation capacity is located far from major population centers. Wind resources are strongest in rural areas. Utility-scale solar often thrives where land is abundant rather than where electricity is consumed.
As a result, the US increasingly needs transmission infrastructure just as much as it needs generation infrastructure.
Unfortunately, transmission development has become notoriously slow. New high-voltage power lines can take a decade or more to permit and construct. Local opposition, permitting disputes and cost-allocation battles routinely delay projects.
Demand growth, however, is not waiting.
The consequences are already visible across PJM.
June congestion was concentrated in Pennsylvania, Maryland, Northern Virginia and New Jersey. Those regions sit at the intersection of rising power demand and transmission bottlenecks.
Northern Virginia is particularly notable because it has become the epicenter of the U.S. data-center boom.
This suggests that May's billion-dollar congestion event should not be viewed as a one-off anomaly. Instead, it may offer a glimpse of what increasingly constrained electricity markets look like.
That presents challenges not only for consumers but also for power producers.
Generators located behind transmission constraints can find themselves unable to fully access lucrative markets even when electricity demand is strong.
Congestion can suppress revenues, distort investment signals and reduce the value of new generation projects.
Renewable developers are especially vulnerable because many projects are located far from urban demand centers and therefore depend heavily on transmission availability.
The irony is that America may simultaneously be investing heavily in new power generation while failing to maximise the usefulness of that generation because of grid bottlenecks.
That helps explain interest in technologies that can squeeze more capacity out of existing transmission infrastructure.
Gridraven estimates that Dynamic Line Rating technology could have increased available transmission capacity in PJM by an average 13% during June, producing roughly $88.3mn in congestion savings.
The company - which uses weather forecasts and AI to model future transmission capacity - suggests the most expensive constraint in June, the Graceton-Manor 230-kilovolt corridor, might have seen congestion costs reduced by nearly $36mn.
Whether those estimates ultimately prove accurate is less important than the broader message. The industry is increasingly searching for ways to unlock existing grid capacity because building entirely new infrastructure is proving so difficult.
Several other firms are also focusing on easing congestion, including Linevision, which uses sensors and digital twins to model useable transmission capacity, and Smart Wires, which has developed hardware that can boost capacity on existing transmission lines.
Such technologies may help. But they are unlikely to fully eliminate the underlying problem.
The uncomfortable reality is that America's electricity ambitions are growing faster than its transmission network.
The country wants AI leadership, more domestic manufacturing, cleaner energy, wider electrification and stronger economic growth. Every one of those goals requires more electricity flowing through the grid.
Until transmission expansion catches up, congestion costs are likely to keep rising.
And if PJM's experience is any guide, electricity consumers may soon discover that the most expensive part of the energy transition is not producing power. It's moving it.

■ *Gavin Maguire is a columnist for Reuters. The opinions expressed here are those of the author.*

Farnborough opens with Boeing, Airbus orders

Airbus and Boeing could secure around 300 aircraft orders, sources told Reuters; defence companies will account for half of the show's record 1,600 exhibitors; incoming British PM Burnham may appear at July 20 to 24 Airshow

Reuters
Farnborough, England

Farnborough Airshow opened on Monday with Boeing and Airbus securing the first aircraft orders, while defence companies unveiled lower-cost interceptor missiles and drones as the wars in Ukraine and the Middle East drive demand for stronger air-defence capabilities.

Ongoing conflicts are shaping discussions at the July 20 to 24 Farnborough Airshow, one of the world's largest aerospace and defence gatherings, bringing together hundreds of companies across commercial aviation, propulsion and military technology, from unmanned fighter jets and hypersonic missiles to spy satellites and AI-enabled weapons systems. "We're in a place of geopolitical unrest around the world," said Farnborough International Airshow CEO Gareth Rogers, though he added firms were still bullish. "My view would be that there seems to be a bit of a continual boom in commercial orders.

What the numbers will be, I don't know." Monday's opening also coincides with the first day in office of Prime Minister-in-waiting Andy Burnham, who could make an appearance at the event later in the week. Commercial deals were led by Irish lessor SMBC Aviation Capital's order for 100 Boeing 737 Max jets and Riyadh Air's purchase of six Airbus A350-1000s.

Boeing also secured orders for 15 787-10 Dreamliners from Philippine Airlines and 28 additional 787s from Riyadh Air, while airlines and lessors announced major engine commitments for future Airbus and Boeing fleets. SMBC is also expected to order around 100 Airbus narrowbody jets, sources said.

Beyond this week's deals, planemakers and engine manufacturers are debating one of the industry's biggest decisions for the next decade: when and how to replace the best-selling Boeing 737 and Airbus A320neo families. Airline executives on Monday cautioned Boeing and Airbus not to rush out a new generation of commercial jets without ensuring their technology is mature enough.

Airbus has backed CFM's "open fan" engine concept, which promises up to 20% lower fuel consumption, while Boeing has taken a more cautious approach, favouring conventional engine designs while keeping its options open. Underscoring the industry's focus on propulsion technology, GE Aerospace said on Monday it had teamed up with NASA and BETA Technologies on the world's first high-altitude flight with hybrid-electric propulsion assistance.

Defence companies made up half of a record 1,600 exhibitors at this year's show, highlighting a shift from the commercial aviation roots of an event that began in 1948 as a showcase for British aerospace technology.

The shift reflects how conflicts from Ukraine to the Middle East have transformed spending priorities and accelerated demand for new defence technologies.

Lockheed Martin announced a lower-cost Patriot interceptor on Monday as militaries seek cheaper ways to counter drones and missiles, while defence contractors face competition from startups making low-cost weapons that can be produced at scale.

Lockheed said its new PAC-3 Adapted Capability Effector, or ACE, missile would cost less than half as much as its PAC-3 MSE interceptors, which cost roughly $4mn per missile, according to US Army budget documents.

European missile manufacturer MBDA also announced it is launching an interceptor to counter attacks by large numbers of low-cost munitions such as drones.

NASA Administrator Jared Isaacman told Reuters it remains on track for next year's Artemis III mission, a key test of orbital docking and lunar landers needed for future crewed moon landings, despite an explosion involving an unmanned Blue Origin rocket during a launchpad test in May.

GE Aerospace achieves first high-altitude hybrid flight

Reuters
Farnborough, England

GE Aerospace has carried out the world's first high-altitude flight assisted by hybrid-electric propulsion, it said on Monday, part of an arsenal of technologies for future jet engines being showcased at this year's Farnborough Airshow.

The flight above 30,000 feet was made by a Saab 340 aircraft that has been discreetly carrying out similar trials since May, including a ground-breaking trip across the Atlantic with stopovers culminating in a debut at the aerospace event.

The research is being carried out in co-operation with NASA and electric aerospace company BETA Technologies, and comes as engine makers are designing the building blocks for engines to power potential successors to the Boeing 737 and Airbus A320neo.

Proponents say the combination of traditional and electric propulsion can be used when needed to help aircraft get higher faster, and contribute to ambitious targets for lower fuel consumption and emissions.

"It leads to the next step in aviation propulsion," BETA CEO Kyle Clark told a news conference.

Hybridisation is one of four key research areas for the RISE engine concept being tested by engine maker CFM, co-owned by GE and France's Safran.

That also includes a radical open-fan design, though the company is also working on a traditional enclosed alternative called AD-L or ADNB, Reuters has reported.

After years of artist's impressions and computerised images at such events, engine makers are vying to demonstrate progress towards the fuel savings and durability required of the next generation of engines towards the end of next decade.

"Simulation has given way to real world innovation," GE Aerospace Commercial Engines CEO Mohamed Ali said.

GE's rivals Pratt & Whitney and Rolls-Royce are due to give updates on their own engine research later this week.

Ali declined to say in detail how the type of high-voltage hybrid system replacing one of the ordinary engines on the Saab 340 test plane would fit into a future product.

An Airbus logo is pictured on display on the opening day of the Farnborough International Airshow 2026 in Farnborough yesterday.

The logo for the Farnborough International Airshow 2026 is pictured in front of a Boeing 777-200 for DHL, on the opening day in Farnborough.

Philippine Air to acquire up to 20 Boeing 787-10s

Philippine Airlines said on Monday it plans to acquire up to 20 Boeing 787-10 Dreamliner jets, its first order from the US manufacturer in nearly 20 years, reports AFP.
The two companies signed a memorandum of understanding for the acquisition of 15 of the fuel-efficient aircraft "with an opportunity for five more", the airline said in a statement, without revealing the cost of the deal.
The first of the wide-body aircraft is to be delivered in 2031.
"The Boeing 787-10 will strengthen our medium and long-haul fleet," Lucio Tan, president and chief operating officer of the flag carrier's parent firm PAL Holdings, said in the statement.
The memorandum of understanding, announced at an international airshow in Britain, marks the airline's first Boeing order since 2007, it said.
Philippine Airlines's international fleet consists mainly of Airbus jets, though it also uses the Boeing 777-300ER for long-haul destinations, it said on its website.
Several key Boeing suppliers such as Moog, Rockwell Collins and JAMCO have production facilities in the Philippines, the airline's statement said.

Ryanair quarterly profit slides on Middle East war impact

AFP
London

Irish no-frills airline Ryanair on Monday said net profit slumped 34% in its first quarter as the Middle East conflict sent jet-fuel prices soaring and impacted ticket sales.

Profit after tax dropped to 538mn euros ($616mn) in the three months to the end of June, from 820mn euros one year earlier, the Dublin-based carrier said in a statement.

Ryanair, which is Europe's biggest airline by passenger numbers and flies mainly across the continent, said the cost of fuel not subject to advance purchase agreements had soared owing to the US-Iran war.

"Operating costs rose 11% to 3.81bn euros as the price of our 20% unhedged jet-fuel more than doubled" in the first quarter, chief executive Michael O'Leary said in the earnings statement. While passenger traffic grew 6%, fares dropped 6%.

Fares "required stimulation as the Middle East conflict led to consumer hesitancy, concerns about EU jet-fuel shortages, economic uncertainty and later bookings", O'Leary said.

He added that Ryanair's net profit for the remainder of its financial year "remains highly sensitive to... conflict escalation in the Middle East and Ukraine, the price of unhedged jet-fuel, macro-economic shocks" and European air traffic control strikes.

Ryanair's share price slid nearly six percent in Dublin midday trading after investors reacted to the bigger-than-expected drop in profits. The airline's "results show just how quickly nervousness surrounding the war has seeped into booking patterns and operational costs", noted Susannah Streeter, chief investment strategist at Wealth Club.

A Ryanair plane on a tarmac of Makedonia airport in Thessaloniki, Greece. Ryanair yesterday said net profit slumped 34% in its first quarter.

Dollar gains as US-Iran conflict intensifies

Reuters
New York

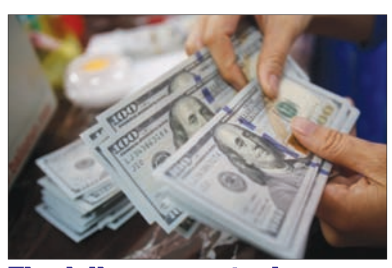
The dollar rose on Monday as investors eyed developments in the Iran war, while the pound fell from earlier highs as markets prepared for new British Prime Minister Andy Burnham.

Yemen's Houthis said they were imposing a naval blockade on Saudi Arabia, a move that opens a new front against the United States in its war on Iran and widens the threat to global energy supplies and trade beyond the Gulf.

Crude prices came off their initial move higher, however, as Tehran and Washington signaled they wanted to resume diplomacy. US crude was upjust 0.01% at $82.50 a barrel and Brent rose to $88.17 per barrel, up 0.08% on the day, after earlier hitting their highest levels in more than a month.

The dollar index, which measures the greenback against a basket of currencies, climbed 0.17% to 100.91, with the euro down 0.23% at $1.1413.

"There's a lot of conflicting news coming from the Middle East, on one hand, it looks like it could be escalating, on the other hand, it looks like there's another like last ditch effort to try to like get a new ceasefire and that's why oil came off," said Marc Chandler, chief market strategist at Bannockburn Capital Markets in New York.


The dollar rose yesterday as investors eyed developments in the Iran war

The economic calendar for the week is light, and Federal Reserve officials are in a "blackout period" of public comments ahead of the central bank's meeting next week. Recent reports on US inflation and the labor market have caused markets to sharply curb expectations for a rate hike from the Fed next week, pricing in only a 14.4% chance for an increase, according to CME Fedwatch, down from more than 40% a week ago. Expectations for a hike at the September meeting are at 65.5%, however.

A bevy of Fed officials, including Chairman Kevin Warsh, have flagged concerns about inflation pressures in recent weeks while noting the labor market remains stable.

The European Central Bank will hold a policy meeting later this week, with markets pricing in only a 13.1% chance of a hike, according to LSEG data, with a 77.9% chance for an increase at its September meeting.

Sterling weakened 0.04% to $1.3448 after climbing to $1.3481 as Burnham took over from Keir Starmer, becoming Britain's seventh Prime Minister in a decade as he pledged to reshape the country's politics and deliver a new economic model.

Traders are especially keen to see who Burnham will pick as the new finance minister given the UK's tricky fiscal position. UK assets last week were supported by reports that the job would likely go to Shabana Mahmood, widely regarded as a centrist, rather than a more left-leaning candidate.

QIIB net profit reaches QR713mn in H1 with 3.5% growth rate

QIIB achieved a net profit of QR713mn in H1 2026 compared to QR689mn in H1 2025, representing a growth rate of 3.5%. Earnings per share (EPS) reached QR0.42. Total income reached QR1.61bn, while total assets reached QR63.8bn, representing a 5.4% growth rate by the end of H1 2026.
Financing assets rose to QR44.1bn, a growth of 13.1%, while customer deposits reached QR43.1bn with a growth of 2.1%.
QIIB vice-chairman and managing director Sheikh Abdullah bin Thani bin Abdullah al-Thani said, "The results for H1 2026 reflect the success of the strategy adopted by the board of directors, which is based on achieving balanced and sustainable growth while maintaining high levels of discipline in risk management, amid challenging global economic environment.
"QIIB has maintained a balanced growth momentum, backed by the encouraging business environment and the high solvency that characterises the Qatari economy, particularly the promising opportunities it offers thanks to economic stability, prudent policies, and the wise guidance of the regulatory authorities."


QIIB vice-chairman and managing director Sheikh Abdullah bin Thani bin Abdullah al-Thani.


QIIB CEO Dr Abdulbasit Ahmed al-Shaibei.

QIIB CEO Dr Abdulbasit Ahmed al-Shaibei explained that the bank continued to enhance its outstanding operational efficiency, as the cost-to-income ratio stood at 19.7%.
He said this remains one of the benchmark and outstanding ratios in the banking sector, confirming the bank's success in improving operational efficiency, particularly with the increasing reliance on technological channels and digital banking solutions.
With regard to asset quality indicators and the effectiveness of risk management policies, Dr al-Shaibei stated: "QIIB operates according to a proactive approach to risk management, as the non-performing financing (NPL) ratio remained at a low level of 2.54%, while the coverage ratio reached 100%, confirming the quality of the financing portfolio and the low levels of credit risk."
Dr al-Shaibei confirmed that the Capital Adequacy Ratio (CAR) under Basel III requirements stood at 21.41% at the end of the H1 2026, exceeding the minimum limits required by regulatory authorities and the Qatar Central Bank.
He said this reflects the robustness of the bank's capital base and its high capacity to absorb various challenges and face potential risks with high resilience.
He added: "The results for the H1 2026 confirm QIIB's ability to achieve stable and sustainable performance, thanks to the diversification of income sources, the flexibility of our business model, and continuous innovation in services and products.
"The past period witnessed the launch of several digital offers and services that received a wide positive response and enhanced our competitive position in the banking market."

QIB first-half net profit rises 2.3% to QR2.22bn

Qatar Islamic Bank (QIB) reported a net profit of QR2.22bn for the first six months of 2026, representing a 2.3% year-on-year (y-o-y) growth.

Earnings per share in H1 2026 stood at QR0.94 compared to QR0.92 for the same period last year. Total assets reached QR234n, representing a 5.9% growth from QR221bn on December 30, 2025, and up by 10.4% compared to June 30, 2025.

Financing assets amounted to QR156.4bn, registering robust growth of 12.9% compared to December 2025 and up by 19.6% compared to June 2025. Investment securities reached QR60.4bn as of June 30, 2026, up by 0.3% against December 2025 and up by 0.5% compared to June 2025. Customer deposits stood at QR148.3bn in H1 2026, registering a growth of 3.9% compared to December 2025 and up by 9.8% compared to June 2025. Total income in H1 2026 reached QR5.64bn. Net income from financing and investing activities stood at QR5.08bn in H1 2026.

Net fee and commission income reached QR456.2mn, registering a growth of 2.7% compared to the same period in 2025.

Total operating expenses for H1 2026 amounted to QR565.6mn. Efficient cost containment enabled the bank to maintain the cost-to-income ratio at 16.4%, which continues to be the lowest in the Qatari Banking sector.

QIB was able to manage the ratio of non-performing financing assets at 1.49%, one of the lowest in the industry, reflecting the quality of the bank's financing assets portfolio and its effective risk management framework.

The bank continues to pursue the conservative impairment policy by building a precautionary impairment charge for financing assets, other assets and other provisions and maintaining a healthy coverage ratio for non-performing financing assets to 95.1% as of H1 2026.

Total shareholders' equity of the bank in H1 2026 stood at QR30.6bn, representing a growth of 3.4% compared to QR29.6bn as of December 31, 2025 and up by 9.0% compared to H1 2025.

Total capital adequacy of the bank as per the new guidelines of Qatar Central Bank (QCB) is 23.3% as of H1 2026, higher than the minimum regulatory requirements prescribed by the QCB and Basel Committee.

In June 2026, Moody's Investors Service affirmed the Long-term deposit ratings at 'A1' with a stable outlook. In June 2026, Fitch Ratings affirmed QIB's credit rating at 'A'. In March 2026, Capital Intelligence Ratings (CI) affirmed the bank's Long-term rating to 'AA-' with a stable outlook.


Financing assets of QIB amounted to QR156.4bn, registering robust growth of 12.9% compared to December 2025 and up by 19.6% compared to June 2025

Value of Qatar property sales reaches QR1.69bn in June; 541 deals recorded

QNA
Doha

The value of real estate transactions registered with Qatar's Ministry of Justice reached QR1.692bn in June, with 541 property deals recorded during the month.

According to the ministry's monthly real estate market bulletin, the municipalities of Doha, Al Rayyan and Al Wakrah recorded the highest transaction values, followed by Al Daayen, Umm Salal, Al Khor and Al Thakhira, Al Shamal and Al Sheehaniya.

The market index showed that transaction values totaled QR649.1mn in Doha, QR418.4mn in Al Rayyan and QR236.2mn in Al Wakrah. Al Daayen recorded QR159.6mn, Umm Salal QR121.5mn, Al Khor and Al Thakhira QR79.9mn, Al Shamal QR24.7mn and Al Sheehaniya QR2.65mn.

In terms of land area traded, Al Rayyan accounted for 34% of the total, followed by Doha with 21% and Al Wakrah with 20%. Umm Salal and Al Daayen each represented 8%, Al Khor and Al Thakhira 6%, and Al Shamal 3%.

Al Rayyan and Doha each accounted for 25% of all properties sold during the month, while Al Wakrah represented 23%. Al Daayen accounted for 9% of transactions, Umm Salal and Al Khor and Al Thakhira 7% each, and Al Shamal 4%.

Average prices per square foot ranged from QR499 to QR925 in Doha, QR367 to QR442 in Al Rayyan, QR242 to QR424 in Al Wakrah, QR348 to QR453 in Umm Salal, QR351 to QR550 in Al Daayen, QR260 to QR322 in Al Khor and Al Thakhira, QR161 to QR256 in Al Shamal and QR262 in Al Sheehaniya.

The ministry said five of the 10 highest-value property sales in June were in Doha, three were in Al Rayyan, and one each was in Al Daayen and Umm Salal.

Mortgage activity totaled 109 transactions worth QR3.078bn during the month. Doha recorded the largest number of mortgage transactions with 42, or 38.5% of the total, followed by Al Rayyan with 25, Al Daayen with 20, Al Wakrah with nine, Umm Salal with eight, Al Khor and Al Thakhira with four, and Al Sheehaniya with one.

Doha also recorded the highest mortgage value at QR2.582bn, while Al Sheehaniya had the lowest at QR2.86mn. Eight of the 10 largest mortgaged properties were located in Doha, with one each in Al Wakrah and Umm Salal. Together, the 10 largest mortgage transactions accounted for 81% of the total value of mortgages registered during June.

In the residential units segment, 150 transactions worth QR232.7mn were recorded in June, representing an increase in trading volume compared with May.

The Ministry of Justice said the figures reflected continued growth in Qatar's real estate sector, supported by active investment and commercial activity, as well as recent legislation covering real estate brokerage, registration, documentation, ownership and usufruct rights, alongside measures aimed at attracting domestic and foreign investment.

Qatar's Islamic banks hold strong capital buffers, stable funding base, says S&P Global Ratings

By Peter Alagos
Business Editor

Islamic banks in Qatar remain well-capitalised and continue to comfortably exceed both the Qatar Central Bank's minimum capital requirements and Basel III standards, according to a new report by S&P Global Ratings.

The Qatar Central Bank (QCB) applies equally robust oversight and supervision standards to conventional and Islamic lenders alike, the report noted.

Deposits made up about "80%" of Islamic banks' total funding base at the end of 2025, a proportion on par with QNB and higher than at the country's midsize conventional lenders.

Islamic banks also rely less on external funding than their conventional peers, with nonresident deposits making up less than "10%" of their total customer deposits at year-end 2025, against "19%-20%" at the system level — a gap S&P said has strengthened funding stability amid the current geopolitical turmoil.

Regulation has kept pace with this stability, the report said, adding that in 2024, Qatar amended its 2015 Islamic Banking Business Prudential Rules to better align them with the Islamic Financial Services Board's prudential standards and elements of Basel III.

Qatar has also adopted a decentralised Shariah governance model, giving individual institutions flexibility to follow the stipulations of their own Sharia supervisory boards rather than a single central board's standards.

On the funding side, the QCB's partnership with the International Islamic Liquidity Management Corporation has improved Islamic banks' access to high-quality, Shariah-compliant liquid assets, S&P said, while the central bank's 2022 launch of a treasury sukuk has diversified the sector's funding base and reduced its reliance on external sources.

Islamic lenders represented about "27%" of Qatar's total commercial banking assets at the end of the first quarter of 2026, up roughly "10%" from year-end 2021, and S&P expects this share to hold broadly steady at "25%-27%" over the next two to three years.

Qatar Islamic Bank (QIB) remains the sector's largest player, with "$61.5bn" in total assets equivalent to "38.1%" of Islamic banking system assets and "10.3%" of the entire banking system, followed by AlRayan Bank ("$48.1bn"), Dukhan Bank ("$34.7bn"), and Qatar International Islamic Bank ("$17.0bn"), S&P data show.

On profitability, Islamic banks in Qatar have historically run lower cost-to-income ratios than their conventional counterparts, reflecting stronger operating efficiency and solid margins, the report found.

Islamic lenders also carry modestly better asset quality than conventional banks overall, with slightly lower nonperforming financing ratios and higher provisioning coverage — a trend S&P attributed largely to QIB's performance, even as asset quality at midsize Islamic banks stays comparatively weaker.

S&P stated that it does not expect further consolidation in the sector over the next two years, given the limited number of banks remaining after two major mergers reshaped the landscape: Barwa Bank's 2019 combination with the International Bank of Qatar, which created Dukhan Bank, and the 2021 merger of Al Rayan Bank with Al Khalij Commercial Bank.

The Qatar's economy, together with the dominance of QNB on the conventional side and QIB among Shariah-compliant lenders, will continue to limit further expansion in Islamic banking, according to the report.

S&P expects Islamic banks' financing growth to moderate this year on the back of the Qatari economy, including softer liquefied natural gas output and weaker demand across real estate, hospitality, trade, and commercial services.

Real estate exposure, in particular, remains a common thread across the sector: The segment made up about "20%-25%" of Islamic banks' financing books, averaging "23%" at the end of the first quarter of 2026, slightly ahead of public-sector and retail financing, though the exact share varies by bank.

S&P said this concentration, combined with softer real estate prices and rents amid oversupply, has kept Islamic banks' average stage 2 financing ratio elevated at about "13%" in the first quarter of 2026.

The agency expects the average nonperforming financing (NPF) ratio for the top four Islamic banks to edge up to "3.8%-4.0%" in 2026, from "3.5%" at the end of 2025, reflecting the broader economic spillover from the ongoing Middle East conflict.

S&P noted that provisions Islamic banks have booked as a precaution in recent years, along with recoveries and write-offs, should help stabilise asset-quality indicators going forward.

Profitability is also expected to soften slightly in 2026, S&P said, as financing growth slows in step with a likely economic contraction, while impairment losses and tax expenses are set to rise — the latter partly a result of new global minimum tax rules for large multinational companies.

S&P flagged that its forecasts carry a significant degree of uncertainty given the unpredictable duration and scale of the Middle East war and its potential knock-on effects on commodity prices, supply chains, regional economies and credit conditions, and said it would reassess its guidance as the situation evolves.

The report does not constitute a rating action, S&P added.

Europe shares tick lower as investors assess war jitters

Reuters
London

European shares slipped on Monday as the deteriorating conflict in the Middle East stoked inflation fears ahead of a European Central Bank meeting this week.

The pan-European STOXX 600 index fell 0.30% to 639.6. Travel and leisure stocks were the biggest laggards, declining 0.95%. US strikes on Iran entered a ninth straight day on Monday and risks to shipping through the Strait of Hormuz mounted after reports of tankers being immobilised. Brent crude prices surpassed $90 a barrel for the first time in a month before trimming gains. Energy stocks rose 0.98%.

Ryanair led losses on the STOXX 600, down 4.55%, after the budget airline reported a 34% drop in first-quarter profit, hurt by higher fuel costs and lower fares.

Meanwhile, tech stocks were up 0.13% ahead of earnings from US Big Tech giants, which could provide fresh stimulus to the industry. Last week, stellar quarterly updates from ASML and TSMC failed to impress investors. Equities are at a delicate juncture.

A global pullback in tech stocks and renewed fighting in the Middle East have dampened sentiment, while markets are also awaiting the interest rate decision from the ECB later this week.

Investors expect the central bank to keep rates on hold, though they are pricing in at least one 25-basis-point hike by the end of the year, according to LSEG-compiled data.

"The main reason for the ECB to sit on its hands this week is that near-term inflation is now tracking well below the Bank's June baseline scenario despite the rebound in oil prices," Pantheon Macroeconomics' chief euro zone economist Claus Vistesen wrote. In the UK, Andy Burnham became the seventh prime minister in a decade.

He pledged to set out new measures to help tackle the cost of living this week, before setting out a new 10-year plan for the country later this year.

The German share price index DAX graph is pictured at the stock exchange in Frankfurt. European shares slipped yesterday as the deteriorating conflict in the Middle East stoked inflation fears ahead of a European Central Bank meeting this week.