Global economic growth expected to be slower

KAMCO-GCC ECONOMIC REPORT

KUWAIT: In its latest update to World Economic Outlook, IMF has lowered world growth expectations to 3.3% as compared to the previous estimate of 3.5% for 2015, whereas growth in 2016 is expected to be at 3.8% only to marginally increase to 3.9% in 2018. The update primarily included downward revisions on the back of deteriorating macroeconomic conditions globally. However, the underlying drivers for a gradual acceleration in economic activity in advanced economies include easy financial conditions, more neutral fiscal policy in the Euro area, lower fuel prices, and improving confidence and labor market conditions.

America

The US Fed is facing an unexpected situation in the form of declining unemployment rates coupled with disinflationary pressure as seen in the consistently declining inflation rates. Moreover, with oil prices expected to remain low without a significant recovery in sight, inflation rates in the US is expected to remain below the target policy levels.

The 6-year upward trend in the US equity markets since the financial crisis has stabilized since mid-last year. The current year run-up came to a halt as fear over China's economic slowdown rocked equity markets around the world. Investors pulled out a record USD 29.2 Bn from equity funds in the week ending 26-August-15 as a result of the Yuan devaluation and fear over global growth rates. In the bond market, yields in the US remain higher compared with comparable government bonds in Germany and Japan.

Eurozone

In what appeared to be a revival of economic activity in the Euro area at the start of 2015 with buoyant stock markets and declining unemployment rates came under serious doubts after the Greek situation and poor performance by France and Italy.

In Eurozone, jobless rates continue to decline as seen in July-15 when the rate dipped below the 11% mark for the first time since February 2012, according to Eurostat data, raising hopes that economic recovery is in sight. Inflation in the Eurozone has also been on a steady downward path since the past 3 years, dipping below the 0% mark, or deflation, in December-14. Government authorities in Europe are concerned about inflation that continues to remain low as the quantitative easing programme launched at the start of the year failed to have achieved the desired result. Downside risks to Europe's growth story increase as debt levels continue to remain high along with structural weaknesses that will weigh on a possible economic recovery. According to Eurostat, the aggregate Eurozone government debt had risen to 92.9% of GDP at end-1Q15, one of the highest levels witnessed since the currency was introduced.

Emerging Markets

Downward revisions to the Chinese economy's growth estimates have affected sentiments towards Asia's sustainable growth. The world's largest consumer market saw a notable slowdown in economic growth thereby putting doubts on global growth rates. Nevertheless, there are exceptions, as seen in the case of India that is expected to grow at above the 7% mark providing a much needed support to global growth. Brazil, continues to face political and economic as reflected in Real's devaluation triggering a downgrade to junk category by S&P.

Currency Market

Emerging market currencies declined to their lowest levels in several years reacting to the devaluation of Chinese Yuan. Currencies of competing markets , including the Indian Rupee, Korean Won, Malaysian Ringgit and the Thai Baht, saw different levels of depreciation against the USD as the greenback maintained its reserve currency status as compared to the Euro. A fragile recovery in emerging markets is expected to further boost the USD as safe haven currency.

World Economic Outlook

Global economic growth witnessed a redistribution among component economies due to events that unfolded during the second half of 2015. The unexpected slowdown in China's growth story came as a major blow to global growth forecasts that were subsequently lowered. Nevertheless, lower oil prices and the resulting fuel cost savings for oil importers is expected to result in additional investments in developing economies like India in addition to a higher disposable income with consumers that would give an immediate push to consumer focused sectors.

Moreover, factors such as easy financial conditions, more neutral fiscal policy in the Euro area and improving confidence and labor market conditions are expected to drive growth in advanced economies.

Inflation continues to remain a concern in developed and advanced economies in North America and Europe with headline numbers touching historical lows over the past one year. The hike in interest rates in the US, which was widely expected during the second half of the year, is likely to be postponed even further whereas Europe has already indicated further quantitative easing measures over the next three years as growth continues to remain fragile.

Commodity prices have touched historical lows recently. This coupled with structural bottlenecks and geopolitical/political factors in Latin America, Ukraine, Russia, the Middle East, or parts of Africa is expected to affect growth in these economies. Moreover, a steep decline in emerging market currencies has resulted in additional fiscal pressure with funding risk for USD debtors. On the other hand, Euro continues to depreciate against the USD, especially after the Swiss franc's peg against the Euro was abolished in early 2015.

Mena Region

Despite the sharp fall in oil prices over the past year, MENA region is expected to witness higher growth rates primarily on a low base since 2013.Growth is expected to moderate in oil exporting countries whereas oil importers are benefiting from low oil prices resulting in improved fiscal conditions and low risk to external vulnerabilities.

Oil prices started sliding from September-14 and fell more than 50% by the end of the year due to continued oversupply concerns. OPEC oil prices fell a six-year low price of USD 40.5/b on 25-August-15 due to concerns regarding health of the Chinese economy and its impact on global growth rates. The expected fall in oil export earnings in 2015 is USD 287 Bn (21% of GDP) in the GCC and USD 90 Bn (11% of GDP) in the non-GCC countries. This is likely to push a majority of the oil exporting economies in the region into deficits, albeit for a short while.

Debt as a percentage of GDP is expected to return to 2013 levels in the GCC in the near term primarily on the back of a number of debt issuances being announced by Saudi Arabia to meet its targets. Conventional bond issuances in the MENA region increased by 76.4% during the 1H-15 to USD 44.6 Bn as compared to 2H-14, whereas growth over 1H-14 stood at 8.4%. In terms of sukuk issuances, KSA topped the chart with YTD-15 issuances totaling USD 4.9 Bn or 37% of total MENA sukuk issuances in 2015.Long term MENA interest rates are expected to move northwards in line with the movement in interest rates in the US. Moreover, any hike in the interest rate in the US would lead to tightening of financial conditions in the Gulf resulting in higher cost of project financing.

MENA Economic Outlook

The growth story of MENA economies remains intact with GDP growth expected to rise from 2.4% in 2014 to 2.7% in 2015. However, the engine of growth has slowed down and is now stretched due to the dramatic fall in oil prices. The significant decline in oil revenues has forced governments to rethink their spending and investment plans and focus only on essential projects and activities and delay or scrap the non-essential ones.

For MENA oil importers, growth is expected to improve in 2015 from 2.5% in 2014 to 3.9% on the back of improved domestic confidence, relatively stable political climate, and accommodative fiscal and monetary policies. The savings on account on oil price decline is expected to result in improved fiscal/quasi-fiscal positions and external vulnerabilities instead of an accelerated growth rates. The improved financial condition should help these countries to undertake subsidy reforms and structural changes that would have otherwise been difficult to achieve.

GCC Economies

Despite the fall in oil prices, the GCC region continues to remain the key driver of growth in the MENA region as the growth rate in GCC outpaces that in the rest of the MENA economies. The decline in the value of exports in the GCC region is expected to significantly lower the current account balance in the GCC which is expected to decline from USD 271.8 Bn in 2014, or 16.5% of GDP to merely USD 40.2 Bn or 2.8% of GDP in 2015. Within the individual countries, KSA, Oman and Bahrain are expected to report a current account deficit in 2015.

Debt levels are not expected to rise significantly in the GCC, especially in the bigger economies. Saudi Arabia is expected to report only a marginal rise in debt levels, recorded at 1.8% of GDP in 2015 as compared to 1.6% in 2014, which is still significantly low as compared to historical levels as well as versus other GCC and global economies. Bahrain continues to record the highest debt level at 54.0% of GDP followed by Qatar at 28.9%.

Inflation has remained under 3% despite increased liquidity levels, as housing and food prices have remained low. Moreover, since most of the currencies in the GCC are pegged to the USD, rising USD rates in 2015 has put a virtual cap on inflation numbers. In addition, since fuel prices are managed by the government, inflation is not expected to see a steep decline with the decline in oil prices.

MANILA: Filipino women activists hold slogans as they protest against the ongoing Asia-Pacific Economic Cooperation (APEC) Policy Partnership on Women and the Economy (PPWE) Management Council Meeting in suburban Pasay, south of Manila, Philippines yesterday. The women's group alleged that the APEC's forum policy direction that will be adapted in November will likely further erode the economic status of women. —AP

China shares jump near close on suspected intervention

CITIC Securities up after news of police probe

SHANGHAI/HONG KONG: China shares jumped almost 5 percent yesterday on suspected government intervention, with a flurry of buying just before the market close helping to undo much of the losses posted on Chinese stock exchanges earlier this week.

The late rally included shares in CITIC Securities, China's biggest brokerage, which said late on Tuesday that some of its senior managers were under police investigation as part of a probe into possible market manipulation.

A last minute spike in trade pulled up China's key equity indexes, a phenomenon markets generally interpret as government intervention to push up values before the closing bell.

Beijing is trying to prop up its beleaguered stock markets, which have fallen around 40 percent since mid-June, calling on its so-called "national team" of state-linked banks, funds and brokerages to buy up shares. Regulators have also tightened control over stock exchanges and currency markets to quell a tumultuous period of volatility and root out those behind what they have called "malicious trading".

In the latest regulatory move, China took aim at the country's commodity exchanges, spooked that speculators have shifted from stocks to futures trading in the likes of iron ore and rubber.

CITIC is a core part of the national team, but has also become embroiled in Chinese authorities' probes into whether market malpractices have contributed to the plunge in stock prices.

The brokerage said late on Tuesday that three company officials, including its general manager, Cheng Boming, are being investigated for alleged insider trading and leaking information.

Market manipulation

Cheng is one of the most senior financial executives known to have been caught up in Beijing's market manipulation probes so far. He forms part of the seven-member executive committee overseeing China's flagship investment bank, which is the country's largest broker by market capitalisation.

State media have previously reported that four senior CITIC executives confessed to insider dealing in August.

Apart from confirming that Cheng and two other officials were being investigated, CITIC has declined to comment.

CITIC has spent the past three years trying to boost its overseas presence and expand into asset management and complex derivatives. In 2012 it paid $1.3 billion for the Asia-focused brokerage CLSA and has also established brokerage units in several overseas markets including the United States.

The brokerage booked a net profit of 11.3 billion yuan ($1.77 billion) in 2014 with revenues of 39.5 billion. CITIC's Hong Kong-listed shares dropped more than 4 percent in early trading on Wednesday, but reduced those losses to close 0.7 percent lower. Its Shanghai-listed shares jumped 6.95 percent higher.

More broadly, Chinese stocks on Wednesday enjoyed their biggest single-day percentage gain since August 27.

The benchmark CSI300 index of the biggest listed stocks in Shanghai and Shenzhen finished up 4.98 percent while the Shanghai Composite Index rose 4.91 percent. In Hong Kong, the Hang Seng closed up 2.38 percent.

The jump comes after stocks fell 6 percent over Monday and Tuesday, raising fears that a significant slide was on the cards.

Small-cap stocks, which took the brunt of the selling at the start of the week, posted the day's biggest gains, with the CSI300 IT Index up more than 9 percent. More than 1,000 stocks ended at the 10-percent limit-up threshold.

Traded volumes remained relatively light though despite the late flurry of buying, with many investors opting to stay on the sidelines given persistent concerns about China's economy and the possibility of an interest rate hike in the United States. —Reuters

BEIJING: Chinese investors play cards at a stock brokerage house in Beijing, yesterday. Asian stocks rose yesterday, tracking gains on Wall Street as investor optimism mounted ahead of a highly anticipated Federal Reserve policy meeting. —AP

Asia's millionaires to become world's richest

SINGAPORE: Asia-Pacific millionaires are set to become the world's richest this year, a report said yesterday, driven largely by wealthy individuals in India and China.

The combined wealth of Asia-Pacific's super rich will surpass its 2014 total of $15.8 trillion and overtake that of their North American counterparts — currently the world's richest group with a shared wealth of $16.2 trillion last year, the study said.

The research by computer services consultancy Capgemini and RBC Wealth Management said the Asia-Pacific region already had the largest number of high net worth individuals (HNWIs), with 4.69 million in 2014 against 4.68 million in North America.

HNWIs are those with investible money of at least $1.0 million apart from the value of their homes and other collectibles. "Looking further ahead, HNWI wealth is expected to expand more in Asia-Pacific than in any other region of the world with much of the new wealth expected to come from the emerging economies of China, India, Indonesia and Thailand," the firms' Asia-Pacific Wealth Report 2015 said.

"China and India, in particular, have propelled Asia Pacific HNWI wealth growth in recent years and are expected to continue to act as key drivers both in the region and globally." The report said China and India represent nearly 10 percent of global HNWI wealth, and accounted for 17 percent of the worldwide increase in new wealth since 2006.

China had 890,000 millionaires with a total wealth of $4.5 trillion in 2014, up 17.5 percent and 19.3 percent, respectively, from a year earlier. Globally, India recorded the fastest pace of growth in the number of millionaires — 26.3 percent to 198,000 — while total wealth surged 28.2 percent to $785 billion, the report added.

The "Asia Pacific continues its tremendous run in wealth creation and doesn't appear to be slowing down anytime soon," said Barend Janssens, Asia head at RBC Wealth Management.

He added that "despite some recent economic issues, the region's wealth is expected to lead global growth". —AFP

Australia to crack down on global firms avoiding tax

SYDNEY: Global firms accused of diverting profits offshore to lower their tax bill will come under fresh scrutiny in Australia after new laws were introduced yesterday to ensure they pay their "fair share of tax".

The bill was put before parliament amid an international push to stop firms using complex corporate structures to avoid tax, and targets more than 1,000 multinationals generating turnovers of over Aus$1 billion (US$700 million), Treasurer Joe Hockey said.

The complex methods allegedly used by firms include booking revenue in lower-taxing countries to reduce tax on profits in higher-taxing jurisdictions, with governments collectively losing billions of dollars in the process.

"It is patently unfair for a large multinational with sophisticated structures not to pay its fair share of tax," Hockey told reporters in Canberra.

"Under this new law, when we catch companies cheating, they will have to pay back double what they owe, plus interest," the treasurer added in a statement. —AFP

NBK provides customers with safest banking services through e-channels

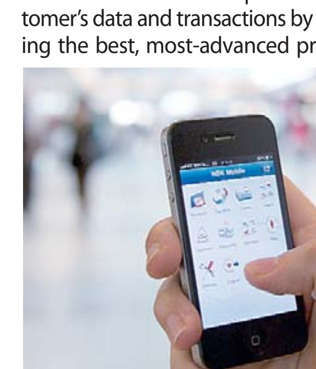
KUWAIT: National Bank of Kuwait (NBK) provides its customers with the most advanced and flexible E-Banking services in Kuwait and abroad. NBK's electronic channels include NBK Online Banking, NBK Mobile Banking and SMS Banking.

All NBK customers can benefit from the most developed banking services and products on NBK Mobile Banking application and NBK Online Banking, including checking balances, transferring funds, making payments, ordering checkbooks, requesting a printed account statement, a branch and ATMs locater and much more.

NBK Call Center provides customers assistance no matter where they are in the world. And they enjoy a range of instant services such as accounts, credit cards and loan information, Settle bills and credit card payments, transfer between accounts and much more.

NBK customers also enjoy complete banking services seven days a week through NBK's branch at Kuwait's International Airport. The Airport Branch is fully equipped with the latest and exclusive banking services. NBK's airport branch offers six new multi-currency ATM machines to allow travelers withdraw cash in six different currencies; Kuwaiti Dinar KWD, US Dollar USD, Euro, Sterling Pound GBP, Emirati Dirham AED and Saudi Riyal SAR.

NBK is committed to protect its customer's data and transactions by adopting the best, most-advanced practices



and measures in Information Security. NBK provides its customers with safety instructions to ensure a secure banking environment while using its electronic channels in Kuwait or abroad.

NBK is committed to adopt the latest world-class technologies in the banking industry to facilitate customer service and be closer to them.

NBK customers can register on NBK Online Banking by visiting NBK's website www.nbk.com. NBK customers can also download NBK Mobile Banking application by visiting the associate store on their mobile devices. For assistance, customers can visit any of NBK's branches.