BOJ's architect of 'shock and awe' plots retreat from stimulus

Deputy governor Amamiya trying to steer toward future rate hike

TOKYO: More than five years into a radical plan to boost the world's third-biggest economy, the Bank of Japan sent a message of quiet surrender last week, admitting it couldn't stoke inflation and walking back steps intended to do so.

The man leading the BOJ away from its program of unprecedented asset-buying and low or negative interest rates is the man who largely crafted the measures in the first place, bank deputy governor Masayoshi Amamiya. A fan of classical music who has recently begun to favor Russian composers, Amamiya "plays the piano, guitar and flute well," says a person who has known him for decades.

Unlike many previous central bank leaders, who took an academic approach to policy, Amamiya simply "tries to create something new," the person said.

The career central banker's latest creation, a mechanism for unwinding much of his previous work, has been quietly under development for almost a year. Interviews by Reuters with a dozen people familiar with the bank's thinking reveal for the first time that there were plans to raise rates twice this year.

In January, market turbulence pulled the rug from under an announcement of an increase. The bank then hoped to signal higher rates in July and raise them in September, but weak inflation data scuttled that idea too. Neither plan was made public.

Last week, the central bank took more subtle action, rolling back parts of its policies that have hurt banks, paralyzed Japan's bond market and distorted stock prices even as they failed to ignite healthy inflation.

The move represented a compromise Amamiya forged with his boss, bank governor Haruhiko Kuroda, to appease doves on the policy board with a promise to keep rates very low for an extended period.

He swung a key vote, deputy governor Masazumi Wakatabe, allowing the new policy to move forward without any clouds of doubt from a senior official.

"The latest steps marked a major turning point for Kuroda's stimulus program," a source said. "The reflationists have become a minority, which means the BOJ is turning more hawkish." Amamiya, who largely crafted Kuroda's initially successful "shock-and-awe" campaign, may now be more mindful of his own legacy, insiders say. The Bank of Japan declined to comment for this article.

A roadmap to a sustainable stimulus program could serve as his own path to succeeding Kuroda as governor in five years. But there are no easy answers. A few more years of ultra-low rates could drag down weak regional banks. Explicitly raising rates may trigger an unwelcome increase in the yen that could cool the export-reliant economy and anger politicians.

"Unwinding monetary support is far more difficult than expanding it," said a former BOJ policymaker who retains close contact with incumbent central bankers.

And looming in the background is the stubborn fact that low rates have done nothing to nudge inflation toward the central bank's target of 2 percent.

"Everyone at the BOJ knows what they're doing now is quite radical and needs amending at some point," another source said.

Mr BoJ

Dubbed "Mr. BOJ" by central bank watchers for innovating most of the bank's recent bold monetary easing tools, the 62-year-old Amamiya has spent most of his career at the monetary affairs department, which drafts policy and speeches. His candid, down-to-earth style won him close ties with powerful politicians and business executives, helping lift him to the second-highest position in the central bank.

But even the politically savvy Amamiya was blindsided by public backlash after the bank, desperate to protect a fragile economy from a strengthening yen, pushed short-term rates below zero in January 2016.

The move proved to be a disaster. Amamiya, who had three years earlier won praise for spearheading Kuroda's radical stimulus, received daily visits from bank executives furious about low bond yields, which were crushing margins. At his direction, bureaucrats soon were huddled in the seventh-floor meeting room at the BOJ's headquarters in Tokyo, searching for ways to support yields that had sunk far below the level they were shooting for.

Their brainstorming led to a policy called yield curve control, which kept short-term rates negative and guided long-term rates to around zero. The policy represented the first tool carefully designed to unwind Kuroda's massive asset-buying program.

It freed the bank from its obligation to buy a fixed amount of bonds, allowing it to steadily slow bond purchases to roughly half of what it had loosely pledged - just enough to keep yields pinned near zero.

"In a way, it was back to orthodox monetary policy that used interest rate targets as a policy tool," a third source said. "It was the first step toward policy normalization." — Reuters

Agility reports 19% Q2 earnings rise

	Q2 2018 (Million KD)	Q2 2017 (Million KD)	Variance (%)	H1 2018 (Million KD)	H1 2017 (Million KD)	Variance (%)
Revenue	384.2	342.1	12.3%	756	662.6	14.1%
Net Revenue	124.3	117.8	5.5%	248.9	228.6	8.9%
EBITDA	37.1	32.6	13.6%	74.8	63.4	18 %
Net Profit	20	16.8	18.7%	38.9	31.4	23.9%
EPS (fils)	13.8	11.6	18.7%	26.9	21.7	24%

KUWAIT: Agility, a leading global logistics provider, yesterday reported second-quarter earnings of 13.8fils per share on net profit of KD 20 million, an increase of 18.7 percent over the same period in 2017.

EBITDA grew 13.6 percent to KD 37.1million. Revenue increased 12.3 percent to KD 384.2million. First-half earnings of 26.9fils per share and net profit of KD 38.9 million were up 24 percent. First-half EBITDA was KD 74.8 million, an increase of 18 percent. Revenue for the first half was KD 756 million, an increase of 14.1 percent.

Tarek Sultan, Agility Vice Chairman and CEO, said: "Our second quarter results were in line with expectations and consistent with the previous growth trend the company has been seeing. Agility's Infrastructure companies performed well, as did our logistics business, which witnessed another quarter of volume and revenue growth despite margin pressure."

Global Integrated Logistics (GIL) business strategy of effective trade lanes development, productivity optimization and defined tailor-made solutions to customers continued to generate favorable results. GIL gross revenue grew 13.4 percent to KD 289.3 million. Net revenue rose 5 percent to KD 66.7 million, primarily due to growth in Freight Forwarding and Contract Logistics. The respective revenue and net revenue growth rates for the first half were 14.5 percent to KD 567.4 million and 6.4 percent to KD 131.3 million.

Air freight continued its strong performance in Q2, driven by solid volume growth of 14 percent and stable yields compared to the same period of last year. Air freight net revenue grew 21.9 percent in Q2 and 20.3 percent in the first half. Ocean freight had consistent volume growth but with lower yields. In Q2, container volume increased 8.2 percent vs. Q2 2017. Ocean freight net revenue grew 7.4 percent in Q2 and 7.3 percent in the first half.

Regionally, Air freight and Ocean freight performance was strongest inthe Americas, Asia Pacific and Europe. Contract Logistics continued its steady growth, primarily in the Middle East and Asia Pacific, as a result of new business and effective utilization of facilities. Contract Logistics net revenue grew 3.2 percent in Q2 and 4.5 percent in the first half.

GIL's net revenue margin was 23 percent in Q2, down from 24.9 percent a year earlier due to yield degradation in Road freight and Project Logistics, primarily in the Middle East and Europe. GIL's EBITDA reached KD 9.3 million in Q2, and its EBITDA margin was 3.2 percent, slightly lower than 3.6 percent in Q2 2017. In the first half, EBITDA grew 13.3 percent to KD 16.8 million. EBITDA margin in the first half remained flat at 3 percent vs. the same period in the previous year.

GIL is accelerating its digital transformation to increase the efficiency of its business processes, gain business insights, develop innovative logistics solutions, differentiate its products and better connect to its customers.

Agility's infrastructure companies

Agility's Infrastructure group EBITDA rose 16.8 percent (after adjusting for the impact of the US government settlement in 2017), to KD 31.3million in Q2. Revenue grew 9.5 percent to KD 97.5 million. For the first half of 2018, EBITDA grew by 20.1 percent and revenue by 14.8 percent. All entities in the group contributed to this performance.

Agility Industrial Real Estate continues to improve the efficiency of its operations in Kuwait. It also concluded its Phase I development in Riyadh of 80K sqm of warehousing capacity and started with Phase II, for which an additional 120K sqm will be delivered next year. Expansion in Africa is progressing according to plan as Agility Industrial Real Estate moves ahead with its development in Ghana and prepares to start new developments in Mozambique, Nigeria and Cote d'Ivoire. Tristar, continues to expand its fuels operation with existing customers. Tristar is also investing and diversifying its operations by expanding in shipping and broadening its geographic reach.

National Aviation Services (NAS) operations in Kuwait are generally stable. NAS operations in Cote d'Ivoire and Afghanistan continue to be positive contributors to the group. In addition, NAS's new operation in Uganda has contributed significantly in 2018. Operations in Tanzania and Morocco continue to bear down on our group, but Tanzania is poised for a turnaround in 2018 and has numerous opportunities in the pipeline.

Gulf Air chairman and deputy CEO receive GFBTU general secretary

MANAMA: Zayed R Alzayani, Minister of Industry, Commerce and Tourism and Chairman of Gulf Air's Board of Directors, alongside the airline's Deputy Chief Executive Officer, Captain Waleed Abdulhameed Al-Alawi yesterday received the General Secretary of the General Federation of Bahrain Trade Unions (GFBTU), Hassan Al-Halwachi, along with a number of GFBTU representatives and Sawsan Al-Aradi, Chief of Gulf Air Trade Union.

During the meeting, a number of matters related to labor issues were discussed. Alzayani praised GFBTU's role and work in the Kingdom of Bahrain, specifically their efforts to develop cooperation and close ties across various sectors with the greater goal of creating a stable working environment that will operate in the interests of employers and workers. The meeting was an important platform for Gulf Air to reiterate its longstanding support of GFBTU and vision of close collaboration to achieve the Kingdom of Bahrain's vision and strategies in this regard.

Gulf Air is in the midst of a #YearOfChange which sees the airline, in 2018 receive 5 Boeing 787-9 Dreamliners and 1 Airbus A320neo aircraft. Gulf Air's new and highly anticipated fleet entry, the airline's Boeing 787-9 Dreamliner, serves Gulf Air's double daily London Heathrow service, offering increased capacity and enhanced, superior on-board products and services. The national carrier's incoming aircraft orders will ensure it maintains one of the youngest fleets in the region while building upon its award-winning reliability, on time performance and product and service standards. In 2018, Gulf Air has launched flights to six new destinations with flights to Bangalore and Calicut in India, Alexandria and Sharm El Shaikh in Egypt, Casablanca in Morocco and Baku in Azerbaijan.