

Business

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12 NBK wins global best innovation for real time payment tracker



13 NBK-Egypt reports KD 8.9m net profits in first quarter 2019



14 Gulf Insurance Group announces net profit of KD 3.7m for Q1 2019



BEIRUT: An employee of the Central Bank in the capital Beirut leaves her office. After decades of civil war and repeated political crises made it one of the world's most indebted countries, Lebanon is drafting its "most austere" budget to secure billions of dollars in international aid. —AFP

Lebanon mulls austerity budget as growth sinks

Fears of benefit cuts in public sector amid pressure from donors

BEIRUT: After decades of civil war and repeated political crises made it one of the world's most indebted countries, Lebanon is drafting its "most austere" budget to secure billions of dollars in international aid. The small Mediterranean country has promised donors to slash public spending as part of reforms to unlock \$11 billion in aid pledged at a conference in Paris last year.

Growth in Lebanon has plummeted in the wake of endless political deadlocks in recent years, compounded by the 2011 breakout of civil war in neighboring Syria. The country has been racking up public debt since the end of its 1975-1990 civil war, which now stands at 152 percent of gross domestic product (GDP), according to the finance ministry. Eighty percent of that debt is owed to Lebanon's central bank and local banks. Prime Minister Saad Hariri last month vowed to introduce "the most austere budget in Lebanon's history", sparking fears of benefit cuts in the public sector.

The cabinet has not yet released a full austerity package for 2019, but already it has faced a string of small protests. Lebanon's government is under pressure from all sides, said Nassib Ghoril, head of the economic research at Byblos Bank.

At home, "the pressure comes from the Lebanese cit-

izen who sees job opportunities and the economy are in decline", a private sector suffering from cost increases, and a banking sector weighed down by having to fund the public sector, he explained.

And the cabinet has to meet the expectations of "countries and institutions" who have promised billions in aid, he said.

'Social upheaval'

Despite previous promises of reform, Lebanese have continued to complain of unemployment, poor infrastructure, and dire public services including an ageing electricity grid plagued by frequent power cuts. More than a quarter of all Lebanese live in poverty, according to World Bank figures.

At the Paris conference, Lebanon committed to gradually reducing its public deficit over five years, but appears to have missed the mark for 2018. The World Bank estimates the public deficit reached 11.5 percent of GDP for that year, above the figures for previous years.

As the cabinet mulls how to cut expenses in 2019, Lebanese public employees are warning their benefits are a red line. For the first time in the country's history, a strike by central bank employees briefly crippled the

country's stock exchange earlier this month.

Also clamoring against austerity measures that would affect them are army pensioners, port workers, public university staff, and employees of the national electricity company. "We're against any measure that will affect disadvantaged sections of the population," Lebanon's labor union chief Beshara Asmar told AFP. "If the government does not take note of the remarks we have submitted to it... the budget will lead to social upheaval," he warned.

So far, to decrease the public deficit, the cabinet has announced it will increase taxes on interest income from bank deposits from seven to 10 percent. The government is also expected to slash salaries and freeze recruitment in the public sector.

Tax evasion

But Ghoril said measures like raising taxes showed "a lack of seriousness in finding sources of revenue" Instead, he suggested tackling rampant tax evasion, and chasing up unpaid utility bills.

The state should also fight smuggling to increase custom revenues, and make sure influential businessman who have built illegally on state-owned land along the coast

actually pay fines. "Around 50 percent of individuals and companies in Lebanon do not declare all taxes" they should pay, Ghoril said. "All these measures just require political will. They could easily bring in \$1 billion in 2019 without even increasing taxes," the economist said.

Many Lebanese are disillusioned with the ruling class, whom they accuse of nepotism and graft. After previous pledges of aid have failed to bring about structural reform in Lebanon, international creditors last year set conditions on handing out more cash. A government finally formed in January after an eight-month political deadlock is grappling to complete the requirements on time to receive these monies. In April, the cabinet approved a plan to reform a costly but underperforming electricity sector.

And as the cabinet now moves on to cutting budget expenses, members of the Lebanese public are making sure they are not trampled in the process.

"This is the last warning," said retired general Ali Amer at a recent protest in Beirut against feared pension cuts. If the budget does affect their retirement benefits, "we will be on the streets every day, all over the country, burning tires and blocking roads," he said. —AFP

Al-Tijari declares operating profit before provision KD 24.0m for Q1 2019

KUWAIT: Commercial Bank of Kuwait announced an operating profit before provision KD 24.0 million for the first quarter of 2019. The net profit after allocation of precautionary and other provisions is KD 1 million for this period. The Bank witnessed a healthy growth in all its key areas of business. Loans increased by 8.1 percent to reach KD 2,317.4 million and investment securities increased by 24.3 percent to reach KD 584.4 million.

Sheikh Ahmad Duaij Al-Sabah, the Bank's Chairman, commented on these results that the Bank continues to focus on asset quality, digitalization, operational efficiency and customer service. The operating profit for Q1 2019 was KD 24.0 million and the Bank prudently allocated a portion of it to strengthen its pool of available provision. The total provisions held with the Bank against its

credit portfolio as at the end of the 31st March 2019 were KD 157.9 million.

Sheikh Ahmad added that the Bank has provided funding to mega projects of national importance and will continue playing an active role in strengthening the local economy. Furthermore, the Bank will continue its prudent policy of conservative approach towards growth by maintaining and improving the quality of its assets during 2019 and beyond, in order to meet the challenges of the volatile economic and geopolitical situation in the region.

Sheikh Ahmad further added that Bank's capital adequacy ratio at the end of March 2019 was 18.5 percent, the leverage ratio at 11.8 percent, net stable funding ratio at 108.4 percent and liquidity coverage ratio at 166.4 percent, comfortably exceeded the regulatory requirement set by the Central Bank of Kuwait. He pointed that the Bank's strong financial indicators are due to its prudent policy of cleaning its loan portfolio by writing off irregular loans but taking all the necessary steps to protect the interests of the Bank. The NPL ratio at zero is a clear demonstration of this strategy.

Sheikh Ahmad went on to add that the digitalization of processes to enhance customer experience at various touch points and investment in technology and human capital to exceed customer

expectations is continuing at a rapid pace.

New initiatives were taken during first quarter of the year and new features like, but not limited to, electronic dividends payment through Internet Banking, document verification by using QR technology, T-Pay for QR payments within CBK, changing password through mobile banking, KYC update through mobile/online banking, transfers limit amendment through online banking, change security questions/answers through mobile banking and video tutorials about our products and services on Mobile banking for customers education and easy guidance were introduced to facilitate customers and ease their banking experience.

Sheikh Ahmad took the opportunity to thank the Bank's shareholders, valued customers, staff and regulatory authorities, emphasizing that the Bank's Management continues to implement all the required policies for safeguarding the interest of all stakeholders.



Sheikh Ahmad Duaij Al-Sabah

KIPCO announces 15% growth in net profit to KD 6.5m for Q1 2019

KUWAIT: KIPCO - the Kuwait Projects Company (Holding) - has announced a net profit of KD 6.5 million (\$21.4 million) for the first three months of 2019, an increase of 15 percent over the KD 5.64 million (\$18.5 million) reported in the same period last year. Earnings per share was up 41 percent from 1.53 fils (\$0.50 cents) reported in the first quarter of 2018 to 2.16 fils (\$0.71 cents) for the first three months of 2019. The company's consolidated assets stood at KD10.1 billion (\$33 billion), compared to KD 10.4 billion (\$34 billion) reported at year-end 2018. Faisal Al-Ayyar, KIPCO's Vice Chairman (Executive), said: "We noted in our recent Shafafiyah Investors' Forum that the positive performance of our companies last year paves the way for an expected continuation of growth in 2019, and the results we have achieved in the first quarter of the year support this. While we remain guarded, we are optimistic that we are on track towards a more positive out-



Faisal Al-Ayyar