Business

Markaz hosts webinar to discuss COVID impact on Kuwait economy

Sectors with high vulnerability towards lockdown form 67% of Kuwait economy

KUWAIT: Kuwait Financial Centre "Markaz" recently hosted a webinar in collaboration with the Kuwait Foundation for the Advancement of Science (KFAS), to discuss the impact of COVID-19 on Kuwait economy. The webinar, which was presented by Raghu, EVP and Head of Published Research at Markaz, addressed four key points, namely the impact of COVID-19 on the Kuwait economy, the implications on Kuwait based businesses, the importance of accelerating the adoption process of emerging trends and last but not least, what business leaders and owners need to do, to recover and build up their businesses given the current situation.

Pandemic impacts all dimensions of human life

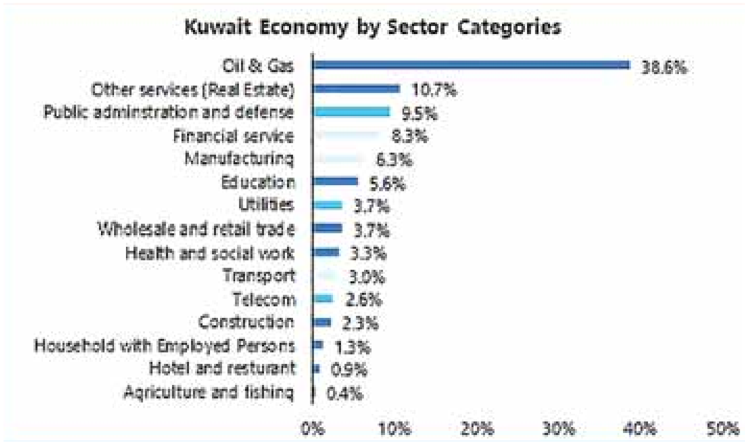
Raghu initiated the live talk by illustrating the overall impact of the pandemic, stating that the spread of the COVID-19 has impacted all dimensions of human life, from a physical, emotional and economic perspective. An overview of the ramifications of the pandemic on global markets and key sectors was also presented, with a detailed recap of all actions taken by the Kuwait government to combat the spread of the pandemic, highlighting various parameters, the level of impact as a result of these actions, supported by key policy recommendations and short to long terms suggestions. The sectors covered were banking, real estate, retail, SME, transportation and logistics, and telecom.

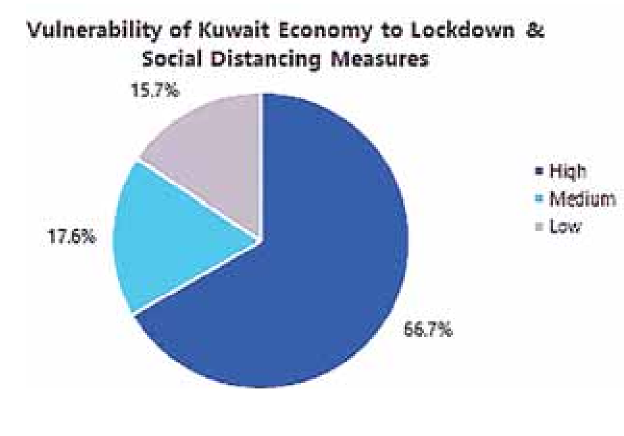
Raghu said: "As Kuwait navigates through the current lock down, businesses of all sizes and nature are grappling with the evolving crisis and trying to mitigate the challenge in various ways. Business leaders need to navigate a variety of issues from keeping their employees and customers safe, shoring up the balance sheet with ample liquidity to ride through the uncertainty amid falling or no revenues and reorienting operations to revising the business model."

The importance of mobility as a key aspect of life and an interlink between various stakeholders was also addressed, with emphasis on the areas enabled by it, such as the supply chain, which impacts the movement of goods and services; transportation services as a means of granting access to students and employees, and fundamental life requirements, such as accessing basic food supplies, medical aid and others.

The impact on the Kuwait economy and businesses was clearly portrayed, where macroeconomic indicators were outlined, along with the multiple headwinds Kuwait is faced with, in terms of the fiscal deficit which is set to widen on back of lower oil receipts; oil prices that plummeted by 55 percent in March this year, and the expected job losses which were observed by sector in Kuwait. The impact on 'Kuwait Household Expenditures' and vulnerability of various sectors in Kuwait was also discussed, with a look at the sectors that can withstand the current social distancing and lockdown measures, based on the ability of each to operate and survive with the 'work from home' approach.

The webinar showed that hospitality, construction, retail, entertainment, and the oil and gas sectors have low ability to work remotely, as opposed to the banking, telecommunications and software and IT enabled services that would be able to operate remotely maintaining their key business functions. The sectors with high vulnerability towards the lockdown and social distancing measures constitute almost 67 percent of overall Kuwait's economy, namely Oil & Gas, Real Estate, Education, Wholesale & Retail, Health & Social Work, Construction, Household, Hotels & Restaurants and Agriculture & Fishing.





In addition, the webinar addressed the key policy measures that have been taken by the Kuwait government and put forth measures that could be possibly implemented at a later stage. The measures were discussed across households/labor, corporations/organizations, financial sector, real estate sector and labor markets categories from the perspective of liquidity, solvency and legislative measures.

The webinar was concluded with a series of recommendations and thoughts shared by Raghu, where he highlighted that Kuwait is faced with multiple headwinds that are mutually reinforcing – COVID-19, low Oil prices and expected job losses. He added that economic costs will be immense with little or no government interventions, and that government spending should be swift and significant to safeguard the private sector. Another suggestion made was that monetary measures should extend beyond low interest rates and loan deferments to significant quantitative easing and capital support programs. In addition, fiscal measures should move beyond SME and cater to organizations of all size that have been affected by the crisis; ensure solvency through capital provisions to otherwise healthy firms and nurture healthier firms further to flourish and generate jobs, among a few other points.

Markaz continues to engage in strategic initiatives and activations, and share insights that support the overall development of the Kuwait economy. Markaz's most recent input was with regards to a market study on the impact of mobility restrictions on the economy and different stakeholder groups.

This file photo shows employees of German carmaker BMW working on a BMW car assembly plant in San Luis Potosi, Mexico. – AFP

BMW cuts jobs, ends project with Mercedes

FRANKFURT: BMW will slash 6,000 jobs this year and freeze a major self-driving technology collaboration with rival Mercedes-Benz as the German luxury carmaker sees demand plunging because of the coronavirus pandemic. "Further steps are needed to make the BMW Group more resilient to external influences and market fluctuations," bosses said in a statement, adding that the company aims "to achieve planned workforce reductions through attrition and voluntary agreements".

The 6,000 positions make up a considerable chunk of BMW's more than 120,000 worldwide, with the job cuts coming as the industry battles a demand trough and production setbacks from the coronavirus pandemic. Meanwhile BMW and Daimler-owned Mercedes "are putting their cooperation on development of next-generation technology for automated driving on hold," the Munich and Stuttgart-based firms said in a joint statement. The two groups had joined forces to catch up their American and Chinese competitors, including Tesla and Google, which have a head start. But talks begun last year had showed that "in view of the expense involved in creating a shared technology platform, as well as current business and economic conditions, the timing is not right," they said.

"Cooperation may be resumed at a later date," the two firms added. BMW had already announced in May that it would bulk up a cost-cutting program to tackle the economic devastation of infection control measures introduced to fight the coronavirus. Bosses had already planned to reduce investments, while they hoped to slash labor costs via attrition rather than the additional measures announced Friday.

Now BMW has resorted to slashing two hours a week for some workers and granting others an extra eight days' holiday per year in exchange for lower pay.

Like Daimler and industry behemoth Volkswagen, BMW expects the pandemic to inflict an operating loss for the second quarter. Many of its showrooms had to be closed for weeks. And over the full year, its pre-tax profit is expected to be "significantly lower" than 2019's 7.1 billion euros ($8 billion).

Europe's auto market collapsed by 52.3 percent year-on-year in May, although the plunge was less steep than in April. Meanwhile 41.5 percent fewer cars were sold in the first five months than last year.

A shrinking car market, a costly transition to electric power and harsh new EU penalties for excessive CO2 emissions were all already sapping Germany's flagship industrial sector before pandemic lockdowns bit. – AFP

AUB resumes Al-Hassad draws, announces winners

KUWAIT: Al-Hassad draws are back! Ahli United Bank (AUB) announced with utmost pleasure the return of draws for Al-Hassad Islamic Account.

AUB resumed Al-Hassad account draws on June 17 after the previous period of business suspension due to the coronavirus (COVID-19) pandemic. In full accordance with guidelines and measures of the Ministry of Health, AUB held three of the previously postponed draws for the following dates and prizes: the March 25 Monthly Draw for KD 100,000 was won by Kausar Islam; the March 25 Privilege Draw for KD 25,000 with Eid Awaad Al-Azmi named as the winner; and the April 22 quarterly draw for KD 250,000 was for the lucky winner Habeeb Hantoum Al-Azmi.

All postponed draws are held to preserve the full legal rights of all qualified AUB Al-Hassad customers who are eligible to enter the draws during the period of suspension. The draws of Al-Hassad include several cash prizes, such as KD 100,000 each Eid and the grand quarterly draw of KD 250,000 prize which continues to be a key aspiration for customers who are wishing to fulfill their dreams. On top of that, Al-Hassad offers a monthly draw of KD 100,000, as well as 20 weekly prizes of KD 1,000 for each winner. In addition to this attractive package of rewards, Al-Hassad Islamic account incorporates a Wakala contract for projected annual profits, making this account beneficial to all customer segments that are aspiring to build their short and long-term savings through a unique savings account with many advantages.

Furthermore, for the first time in Kuwait, the AUB Al-Hassad presents the "Privilege Draw", which is a quarterly draw of KD 25,000 exclusively for Al-Hassad customers who maintained their balances for more than one year and have not won a prize in the past five years.

For all draws, the clients are eligible for one draw chance for each KD 50 deposited in their Al-Hassad account. Al-Hassad Islamic account is an award winning account that received the "Best Savings Product in Kuwait 2019" award by the prestigious Banker Middle East Magazine for the numerous unique features it provides. The features include being a program with a great amount of ease and simplicity, highest number of winners, largest prize value, unique draws during Eid Al-Fitr and Eid Al-Adha, loyalty multipliers, unique online account opening feature, as well as transparent draws held during radio shows with live broadcast on the Bank's social media platforms and much more.

Reliance debt free after Facebook, Saudi deals: Ambani

MUMBAI: Indian tycoon Mukesh Ambani said Friday that his Reliance conglomerate is net debt free after raising more than $22 billion in a rights issue and selling stakes in its e-commerce unit to Facebook, Saudi Arabia's wealth fund and others.

Asia's richest man after upending the Indian telecoms market, Ambani is attempting to do the same in e-commerce with Jio Platforms, taking on US giants Amazon and Walmart in the vast market of 1.3 billion consumers. "I have fulfilled my promise to the shareholders by making Reliance net debt-free much before our original schedule of 31st March 2021," the chairman of the oil-to-telecoms giant said in a statement.

"I wish to assure them (shareholders) that Reliance in its Golden Decade will set even more ambitious growth goals, and achieve them," he added. Ambani, 63, lives in a 27-storey luxury Mumbai skyscraper believed to have cost more than $1 billion to build. For years he has been embroiled in an epic feud with his brother Anil Ambani.

In April, Mumbai-based Reliance raised $5.7 billion by selling a 9.99-percent stake in Jio Platforms to Facebook, in one the biggest ever foreign investments in India. Further deals quickly followed, including with Saudi Arabia's sovereign wealth fund, the Abu Dhabi Investment Authority and private equity firm KKR. To further its e-commerce ambitions, Reliance is also closing in on a stake in units of Future Group, which already has a partnership with Amazon, Bloomberg News reported on Thursday.

Shares in Reliance Industries were up almost four percent in Mumbai after the debt announcement. – AFP

MUMBAI: Traffic pass by advertising boards of Reliance Jio, a digital platform owned by Indian businessman Mukesh Ambani's Reliance Industries, in Mumbai on Friday.—AFP

US travel spending to see 40% drop

WASHINGTON: Domestic US travel spending is expected to collapse this year amid the coronavirus pandemic, suffering a 40 percent decline compared to 2019, while international spending will plunge 75 percent, according to new research.

The report, commissioned by the US Travel Association, showed spending by US residents will drop to $583 billion this year from $972 billion last year.

Total travel spending, including domestic and international visitors, is projected to fall 45 percent to $622 billion, according to research by Tourism Economics, a division of Oxford Economics.

That decline follows three years of steady, albeit modest, growth of around four percent a year, although international travel dipped in 2019. The association labeled the downturn "The Great Travel Depression," and said 8.1 million travel jobs have been lost.

The group is lobbying Congress to provide additional support for the travel industry, including expanding the popular Paycheck Protection Program (PPP) to include organizations that promote tourist or business venues and also provide $10 billion in grants to provide healthy travel practices.

These destination marketing organizations "drive demand and economic development to communities across the country and are vital to recovery," the association said in a LinkedIn post Thursday.

"We need relief, protection and stimulus to revive the travel industry and set America on the path toward recovery." Other sectors also are seeking more support beyond, and a bipartisan group of lawmakers are crafting legislation to help the food services industry, which has been hard hit by the shutdowns and fears of the virus, leaving businesses struggling to attract customers and remain profitable.

Some businesses may face renewed struggles when the short-term PPP funding runs out if shoppers and diners fail to return. The National Press Club in Washington—which has two restaurants and hosts numerous events and luncheons—told its members Friday it will furlough 50 of 113 employees, and cut the pay of remaining workers by 15 percent after its PPP funds were used up. – AFP

World markets retreat on renewed pandemic fears

NEW YORK: Demand for safe havens rose and global equity markets turned south on Friday after Apple Inc said it would temporarily shut 11 US stores as coronavirus cases continue to rise, rekindling fears of a deadly second wave of the pandemic. News of Apple's move involving stores in Florida, Arizona, South Carolina and North Carolina doused hopes for a quick economic recovery that had spurred risk appetite earlier in the day, driving up European and US stocks about 1 percent.

The dollar rebounded from earlier losses and was on track for its best weekly gain in a month, while gold rose more than 1 percent, with futures settling above the technical barrier of $1,750 an ounce. Treasury yields also fell on safe-haven demand. Apple's decision portends more restrictions coming back as coronavirus cases increase and the reopening process stalls, said Edward Moya, senior market analyst at currency brokerage OANDA.

The $1,750 mark "has been a big barrier for gold and speaks strongly that the safe-haven trade is not going away anytime soon," Moya said. Stocks in Europe pared some gains but closed higher before the Apple news broke. Investors remained hopeful that a massive 750 billion euro stimulus package will soon be passed, though European Union leaders made little progress in negotiations. The Nasdaq's surge above the 10,000 mark, putting it on track to set a record closing high, was foiled by Apple. MSCI's gauge of stocks across the globe shed 0.05 percent while the pan-European STOXX 600 index rose 0.56 percent. Emerging market stocks rose 0.65 percent.

On Wall Street, the Dow Jones Industrial Average fell 108.29 points, or 0.42 percent, to 25,971.81. The S&P 500 lost 8.7 points, or 0.28 percent, to 3,106.64 and the Nasdaq Composite dropped 3.15 points, or 0.03 percent, to 9,939.91. Investors have been tugged in opposite directions by improving economic data and new breakouts of COVID-19 infections. California, North Carolina and a string of US cities have mandated or urged mandatory mask use to contain spiraling coronavirus cases.

Mainland China reported 32 new coronavirus cases as of the end of June 18, 25 of which were reported in Beijing, China's National Health Commission said. Oil prices pulled back sharply from early highs on concerns the pandemic's continued spread could stall the recovery.

Boston Federal Reserve President Eric Rosengren said more fiscal and monetary support for the US economy will likely be needed, echoing comments by the European Central Bank chief, who said the EU's economy was in a "dramatic fall." Brent futures rose 68 cents to settle at $42.19 a barrel while US crude settled up 91 cents at $39.75.—Reuters