

Business

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Eurozone economic recovery falters

German economic rebound remains on course despite slacking services

LONDON: The eurozone's economic recovery faltered in September as the reimposition of some restrictions on activity to halt a resurgence in the coronavirus sent the bloc's dominant service sector into reverse, a survey showed. Rising infection rates in the region, something a Reuters poll said last month was the biggest threat to the recovery, will concern policymakers who had hoped the bloc's economy was healing after contracting an historic 11.8 percent in the second quarter.

To support the economy, the European Central Bank plans to make 1.35 trillion euros of pandemic-related additional asset purchases and the European Union has announced a 750 billion euro recovery fund due to kick in next year. But that didn't stop IHS Markit's final composite Purchasing Managers' Index, seen as a good barometer of economic health, falling to 50.4 in September from August's 51.9, close to the 50 mark separating growth from contraction.

It was dragged down by the PMI for services industries, which accounts for around two thirds of GDP, which slumped to 48.0 from August's 50.5, albeit slightly better than a preliminary 47.6 estimate. "With the euro zone economy having almost stalled in September, the chances of a renewed downturn in the fourth quarter have clearly risen," said Chris Williamson, chief business economist at IHS Markit.

"Much will depend on whether second waves of virus infections can be controlled, and whether social distancing restrictions can therefore be loosened to allow service sector activity to pick up

again." Suggesting any pick up may take some time, demand for services fell in September and firms cut headcount for a seventh month. The new business index fell to 48.1 from 49.8.

Still, optimism about the coming year improved to levels not seen since before Europe felt the full brunt of the pandemic. The composite future output index rose to 60.5 from 57.8, its highest since February.

Meanwhile, Germany's service sector barely



Service sector goes into reverse gear

grew in September, but strong manufacturing helped the private sector in Europe's largest economy to remain on track for a solid recovery in the third quarter, a survey showed yesterday. IHS Markit's final services Purchasing Managers' Index (PMI) fell to 50.6 from 52.5 in the previous month.

The reading, which came in higher than a flash reading of 49.1, marked the third month in a row that the services index was above the 50 mark dividing growth from contraction. The final compos-



A farmer loads cattle onto a boat for the transport on their return from the mountain pastures during the so-called 'Almabtrieb' (cattle drive) near the village of Schoenau on Lake Koenigssee in the German Alps, southern Germany. The eurozone's economic recovery faltered in September. — AFP

ite PMI covering both the services and manufacturing sectors rose to 54.7 from 54.4 the previous month. That was higher than the flash figure of 53.7. IHS Markit economist Phil Smith said coronavirus infections in Germany had been rising to a smaller extent than in other European countries, so the impact on actual services activity had been smaller than in the likes of Spain and France.

"While the service sector is close to stalling,

growth in Germany has been buoyed by a reviving manufacturing sector, which means the economy carries at least some momentum heading into the final quarter of the year," Smith said. Germany is doing also better than most of its eurozone peers in terms of shielding the labour market from the brunt of the pandemic as there was some hiring across the service sector and a slowdown in factory job cuts, he added. — Reuters

Egyptians face eviction amid crackdown on illegal housing

CAIRO: In her village in Egypt's Nile Delta, 35-year-old Shaimaa Saleh has spent sleepless nights worrying how to raise almost \$1,000 to save her unfinished three-storey home.

Like hundreds of thousands of others, and many dependents, she faces a deadline at the end of October by which residents of buildings without permits - mostly in poor areas - must apply to regularize their property for a fee, or face demolition. Officials say that the law introduced last year is part of a crackdown on illegal buildings that violate safety standards, hinder traffic and development, and encroach on arable land.

It's part of a drive by President Abdel Fattah Al-Sisi to upgrade infrastructure and housing and deal with decades of haphazard construction that accelerated after a 2011 uprising. But for some residents the demolition threat is a fresh blow after years of economic austerity, rising prices and, most recently, the fallout from the coronavirus. "I have been struggling to

make a living as a farm hand to feed my three children since my husband died in Kuwait last year," said Saleh, a resident of Defriya village in Kafr El-Sheikh province.

"I make around 1,500 pounds (\$95.48) (a month) from work and my late father's pension. But the government wants 15,000 pounds to regularize my house." Her husband, who was a construction worker, started building the red brick house in 2014 without a permit and later added two unfinished floors, a typical construction in Egypt where informal housing has long been the norm. Reuters spoke to a dozen residents in three provinces who said they had struggled to pay a settlement fee of between 50 and 2,000 pounds per square meter. Egypt's state press center did not respond to questions about their plight and the fees.

Sporadic clashes

The government campaign has led to tensions in some communities. In Saryaqos, a village outside Cairo, bulldozers destroyed four informal buildings in late August, before the deadline expired, residents said. Angry residents threw stones at the bulldozers and workers who were accompanied by policemen, according to four residents and a video posted online.

The housing and local development ministries declined to comment on complaints about demolitions before the deadline. Local authorities in Qalyubia province did not respond to questions about the incident, but a security official said 15 men had been



Egypt's crackdown has left hundreds of thousands of residents without permits - mostly in poor areas - to pay fees or face demolition. — Reuters

arrested for rioting. Egyptian authorities have detained several hundred people in recent days, a rights group has said, amid reports of small, scattered demonstrations against Sisi.

The president has complained that not enough people were coming forward to regularize their properties, and in televised remarks threatened to deploy the army in villages to demolish illegal houses if violations did not stop. Some residents in Saryaqos told Reuters that they rushed to regularize their property after the incident. — Reuters

Some residents in Saryaqos told Reuters that they rushed to regularize their property after the incident. — Reuters

UK must fix budget hole after COVID crisis: Sunak

LONDON: British Finance Minister Rishi Sunak said yesterday he would protect the public finances after a surge in spending, and also defended Prime Minister Boris Johnson whose handling of the coronavirus crisis has come under fire.

Britain is on course for its biggest budget deficit since World War Two, hit by around 200 billion pounds (\$259 billion) of emergency spending and an expected slump in tax revenues after the economy shrank by 20 percent in the second quarter. Sunak used his speech to the annual conference of his Conservative Party - usually a high-profile event but delivered online this year due to the pandemic - to promise he would fix the public finances in the medium term.

"We have a sacred responsibility to future generations to leave the public finances strong, and through careful management of our economy, this Conservative government will always balance the books," he said. "If instead we argue there is no limit on what we can spend, that we can simply borrow our way out of any hole, what is the point in us?"

Sunak, who has been tipped in the British media as the next prime minister after his decisive action early in the crisis, paid tribute to Johnson - whose leadership has been questioned, including by some within the Conservative Party. "Yes, it's been difficult, challenges are part of the job, but on the big calls, in the big moments, Boris Johnson has got it right and we need that leadership," Sunak said.



LONDON: Britain's Chancellor of the Exchequer Rishi Sunak speaks with members of staff as he visits the headquarters of Octopus Energy, in London yesterday. — Reuters

He said he would be creative in finding ways to help the world's sixth-biggest economy recover from its record slump. "Even if this moment is more difficult than any you have ever faced, even if it feels like there is no hope, I am telling you that there is, and that the overwhelming might of the British state will be placed at your service," he said. But he repeated his warning that he would not be able to protect all jobs.

"We are now seeing our economy go through changes as a result of coronavirus that can't be ignored," he said. Sunak announced last month that he would replace his huge subsidy program for furloughed workers, which expires on Oct. 31, with a less generous job support program. Economists expect unemployment to rise sharply in the coming months.

Shopper numbers across all British retail destinations fell for a second consecutive week, dented by the government's new curbs to stem the spread of COVID-19 as well as wet weather, market researcher Springboard said yesterday. — Reuters

Pakistan invites bids for record six LNG spot cargoes for Dec

ISLAMABAD: Pakistan will ramp up spot buying of liquefied natural gas (LNG) from the international market, seeking up to six cargoes for December, its procurement subsidiary said on its website, as the country prepares for a potentially crippling gas shortage. December and January see the largest spike in demand for gas in Pakistan, but this year the demand-supply shortfall will be greater on the back of higher consumption and diminishing indigenous supply, authorities believe.

A source in Pakistan LNG Ltd (PLL), which handles LNG imports, told Reuters that six spot cargo purchases for delivery in December would be the most in a single month by the country.

An advertisement by PLL said the country was seeking the cargoes, each of 140,000 cubic meters, in six delivery windows and Nov. 2 is the deadline for submission of bids. Pakistan has long term LNG agreements in place, including one with Qatar, but has also been active on the spot market since August. The country has advertised tenders for delivery of two cargoes in August, three in September, two in October and three in November.

In a press conference last week, Pakistan's Minister for Petroleum Nadeem Babar said the country was headed towards a major gas shortfall in December and January, and blamed dwindling indigenous gas supply and rising demand. He added that there had been a lack of local exploration licenses granted by the previous government, and while new gas discoveries were found, they were small in size. He said his government would advertise more exploration licenses this month. According to a report put out in August by the Oil and Gas Regulatory Authority increased demand had resulted in natural gas availability constraint. — Reuters

CBK forms higher committee of sharia supervision

KUWAIT: In view of Law No. 3 of the year 2020 concerning the formation of a higher Shariah Supervision Authority, the Central Bank of Kuwait (CBK) Board of Directors approved the establishment, on 1 September 2020, of the Higher Committee of Sharia Supervision at the CBK and the guidelines organizing its business, within provisions of relevant laws.

This initiative stems from the CBK's commitment to maintain financial stability and to underpin the governance of sharia supervision and compliance in Islamic financial and banking institutions according to international best practices. This is in line with rapid developments seen in the Islamic finance industry in the State of Kuwait.

In a statement, the CBK highlighted that the decision to establish the Committee was taken after an assessment of global experiences where central banks have sharia supervision authorities in place. The Committee shall play a role in presenting opinions and counsel to the Central Bank of Kuwait on: Sharia compliance of financial transactions between the Central Bank and Islamic banks and finance institutions, on the instructions the CBK issues to these institutions. The Committee will also propose general guidelines for products and services they offer. It shall also propose controls to regulate the business of Sharia supervision bodies, conduct internal and external sharia audits, and govern the activities related to Fatwa and Sharia supervision at Islamic banks and finance institutions.

The Committee will also preapprove candidates for membership on Sharia Boards at Islamic banks and finance institutions, issue final decisions where Sharia supervision authorities deliberations are inconclusive, and present sharia-based opinions on matters referred to it by the courts or arbitration centers relating to issues of Islamic banking and finance business.

The statement added that a decision has been issued by the Governor and Chairman of the Board of Directors of the Central Bank of Kuwait, on 5 October 2020, on the establishment of the Higher Committee of Shari'ah Supervision and the appointment of the following four experienced Fiqh and Islamic banking specialists as members:

Dr. Essa Z E Shaqra — Chairman
Dr. Khaled M Y Boodi — Member
Mostafa Sayed H A Alzelzalah — Member
Dr. Motlaq J M Aljaser — Member

The appointment is for a three year term and renewable.

In conclusion, the Central Bank of Kuwait stressed its commitment to making diligent efforts toward developing the banking sector in Kuwait and promoting governance across the sector, aiming to bolster the State's financial stability.