

Spanish government feels heat as economic recovery falters

Country faces sluggish consumption, soaring energy prices and weak growth

MADRID: Spain's leftist Prime Minister Pedro Sanchez started the year with a bullish economic outlook. Months later, he faces protests, strikes and an emboldened opposition as the recovery from the pandemic slump trails other European nations.

Gone is the optimism shown earlier this year when Sanchez forecast a strong comeback in 2021 for the eurozone's fourth-largest economy. The country has since faced sluggish consumption, soaring energy prices and weak growth.

"Little by little, the climate changed and clouds gathered," said Rafael Pampillon, an economist at CEU-San Pablo University. Anger over the state of the economy is now starting to spill out into the streets.

Hundreds of auto workers protested in Madrid on Monday to draw attention to the problems the sector faces, while in the southern city of Cadiz metalworkers have been on strike since mid-November to demand wage increases. As Christmas approaches, truckers have threatened to go on strike to protest against rising fuel prices.

The government had initially forecast the economy would expand by 9.8 percent in 2021, one of the highest figures in the eurozone. But in April it slashed its forecast to 6.5 percent, as Spain was hit by a third wave of COVID-19 infections. Most economists, however, believe growth will not surpass 5.0 percent this year.

In recent weeks, disappointing data regarding household consumption and investment have been released that have dampened Spain's economic outlook. Revised figures show gross domestic product (GDP) expanded just 1.1 percent during the second quarter, less than half of the 2.8 percent initially forecast.

And growth was just 2.0 percent in the third quarter, instead of 2.7 percent. "In absolute terms, it's not so bad, but

we could expect better," said Pedro Aznar, a professor at Spain's ESADE business school. He recalled that Spain's tourism-dependent economy contracted 10.8 percent in 2020, one of the worst results among industrialized countries, so it had "a lot of room to grow".

Factories closing

While Spain's GDP remains 6.6 percent below pre-pandemic levels, Italy has narrowed the gap to 1.4 percent, Germany to 1.1 percent and France to just 0.1 percent. Analysts blame soaring energy costs, supply chain disruptions and an overreliance on tourism for the slower growth in Spain.

Energy prices have risen across Europe, but the impact has been especially intense in Spain, since it relies heavily on energy imports, and the higher price of gas and electricity has "hurt consumption," said Aznar. Higher energy prices have also contributed heavily to inflation, which reached 5.4 percent in October, a 29-year high.

And global supply chain problems have dealt a blow to Spain's key automaker sector, which accounts for 11 percent of economic output, said Pampillon.

"This forced many factories to close," he added. Before the pandemic hit in spring 2020, Spain was the world's second-most popular tourist destination after France.

The government has said it was hoping to attract around 45 million tourist visits this year, approximately half the figure for 2019. But as of the end of September it welcomed just 20 million, as people continue to limit travel because of the pandemic.

'Overly optimistic'

"The government was overly optimistic," said Pampillon, adding Spain has also been slow to use money from



BEYOND GDP: MONITORING
MADRID: Spanish Prime Minister Pedro Sanchez has said he remains 'confident' about Spain's economic prospects. — AFP

the European Union's economic recovery fund.

One of the main beneficiaries of the fund, Spain is set to receive 140 billion euros (\$157 billion) in grants and loans. Aznar said the slower economic growth will "weaken" the government's budget forecasts and possibly "create a problem with Brussels", which enforces EU deficit rules.

Pablo Casado, the leader of the main opposition conservative Popular Party (PP) which currently tops the polls, accused Sanchez of economic "incompetence" during a debate in parliament earlier this month. He has called for structural reforms to lower taxes, make the labour market more flexible and "reduce bureaucracy and waste".

Sanchez has said he remains "confident" about the country's economic prospects. "Spain is doing better and I promise that next year we will be even better than today," he said recently. — AFP

Powell 'right person' to lead Fed, fight inflation: Biden

WASHINGTON: Jerome Powell is the "right person" to lead the Federal Reserve and fight the record spike in US inflation, President Joe Biden said as he made his long-awaited pick for chair of the world's most influential central bank. The nomination, expected to win confirmation by the Senate, ends weeks of speculation over whether Biden would appoint the Republican chair to a second term or heed calls from left-wing members of his Democratic Party to replace him with another candidate, such as Fed Governor Lael Brainard.

Instead, Brainard will serve as vice chair, Biden said, while Powell will remain in the Fed's driver's seat, presiding over the rollback of its pandemic stimulus and the likely beginning of interest rate hikes next year. Speaking alongside Powell and Brainard at a White House event, Biden credited the Fed chair with helping to spur the economy's faster-than-expected recovery from last year's collapse, pointing to the progress made towards restoring the more than 20 million jobs COVID-19 destroyed.

"I believe Jay is the right person to see us through and finish that effort while also addressing the threat of inflation and what it poses to our economies and families," Biden said, referring to Powell by his nickname. Powell has led the central bank's response to the massive pandemic downturn, which saw it slash

its lending rate to zero and roll out trillions of dollars in liquidity.

The bank has pulled back those measures as the economy has recovered, but inflation has also spiked, fueling a drop in Biden's approval ratings. The Fed chair and other central bank leaders argue the inflation wave will prove temporary and have said they do not foresee rate hikes at least until the middle of 2022, while saying their policies can address employment disparities, with racial minorities and less-educated people getting hired less.

Powell pledged to use "our tools to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched."

Powell, 68, was appointed by Biden's Republican predecessor Donald Trump and took office in 2018 after the then-president decided not to give Democrat Janet Yellen a second term in the seat.

Now Treasury secretary, Yellen told CNBC that she believes Powell and Brainard will "have broad support among Congress and the public and can be counted on to do an excellent job." Powell must be confirmed by the Senate, which Biden's Democrats narrowly control, though analysts predict he will receive a number of votes from Republicans in the opposition-one of whom, Mitt Romney, immediately confirmed his intention to vote yes. — AFP

Biden dives into US oil reserves to soothe Americans on inflation

WASHINGTON: President Joe Biden tapped the US strategic oil reserves in a bid to reassure Americans angry about inflation and goods shortages as they head off to Thanksgiving—and to buoy up his sinking poll ratings. Facing growing discontent around the country over inflation and especially the soaring price of fuel in filling stations, Biden on Tuesday announced a coordinated plan with other big consumers to release national oil reserves onto the market.

The White House said that following weeks of negotiations, "this release will be taken in parallel with other major energy consuming nations including China, India, Japan, Republic of Korea and the United Kingdom."

"It will take time but before long you should see the price of gas drop," Biden said in a speech at the White House. Beijing and Tokyo confirmed yesterday that they would join the United States but gave few details.

Despite the announcement, both main crude contracts surged soon after the news-WTI more than two percent and Brent more than three percent—with analysts saying the release had been well telegraphed but the amount was less than expected. And they extended the gains in Asian trade.

While the US economy is rebounding strongly from the COVID-19 lockdowns, supply chain disruption and inflation is stirring anxiety as the holiday season begins with Thanksgiving today. "Moms and dads are worried asking will there be enough food we can afford to buy for the holidays? Will we be able to get Christmas presents to the kids on time?" Biden said, acknowledging that for many the price rises are "painful."

However, he pushed back at critics who accused him of failing to grasp the challenge. Biden noted that the two biggest trading ports, both in southern California, were now working 24/7, as opposed to just 40 hours a week. In the latest average of polls from fivethirtyeight.com, Biden's approval rating is just 42.8, with 52.2 percent disapproving.

Biden said the price of gasoline in the wholesale market has fallen by about 10 percent in the last few years but the price at the pump hasn't budged. "In



TEXAS CITY: An oil refinery on Galveston Bay in Texas City, Texas. — AFP

other words, gas supply companies are paying less and making a lot more," he said, accusing companies of "pocketing the difference" between wholesale and retail prices.

Republican opponents were not impressed with Biden's reassurances on tapping the oil reserve.

"Joe Biden's failed leadership caused skyrocketing prices, and now American families are paying more for gas, groceries, and everything this Thanksgiving," Republican National Committee chair Ronna McDaniel said in a statement.

Expensive holiday trips

US employment is rapidly rising, wages are up and the stock market is climbing ever higher, but inflation, especially for fuel, is spoiling the mood. Average fuel prices at filling stations are \$3.41 a gallon, the highest level since 2014, according to latest figures from the AAA motorists' association. This represents an increase of \$1.29 over gasoline prices a year ago.

Like millions of Americans, Biden and his wife Jill are traveling to see family or friends ahead of Thanksgiving, although in his case it was to be on Air Force One later Tuesday for a short flight to the picturesque island of Nantucket. High transport costs are also juicing costs and scarcity throughout the economy, with supply issues impacting everything from second hand cars to clothing. Biden said the rough patch was temporary and that visions of empty shelves at Christmas would not come to pass. "Families can rest easy. Grocery stores are well stocked with turkey and everything, you know, (that) you need for Thanksgiving," Biden said. — AFP

president informed me a week ago that he had decided to reconsider my appointment as head of the Bank of Mexico," Herrera tweeted without elaborating.

Herrera has already been replaced as finance minister by Rogelio Ramirez de la O, an economic consultant and ally of Lopez Obrador. The surprise withdrawal of Herrera's nomination "creates uncertainty," tweeted Gabriela Siller, head of analysis for the financial group BASE.

"International investors are asking who will be the next governor of the Bank of Mexico and why Herrera was not ratified," she added. The news comes at a time when Mexico is facing rising inflation that has prompted the central bank to raise interest rates for fourth consecutive meetings. — AFP

NBK launches 'Weyay,' the first digital bank in Kuwait

KUWAIT: National Bank of Kuwait announced the launch of "Weyay", the first fully digital bank in Kuwait, made in Kuwait for the youth of the country.

"Weyay" was launched in an inauguration ceremony attended by a number of board members, as well as Isam Al-Sager, NBK Group CEO, Shaikha Al-Bahar, NBK Group Deputy CEO, Salah Al-Fulaij, CEO of NBK - Kuwait, Sulaiman Al-Marzouq, Deputy CEO of NBK - Kuwait, Mohammed Al-Othman, GM-Consumer Banking Group at NBK, alongside the presence of a select of the bank's executive management and Kuwaiti tech industry leaders and influencers.

Digital future

Commenting on the launch, Shaikha Al-Bahar, NBK Group Deputy CEO stated: "Digital banks are the new normal course and are the new generation of transformations in the banking industry, especially in view of customers' increasing reliability on digital services and financial apps provided by fintech, telecoms companies and some of the world's leading technological corporates."

Therefore, the launch of "Weyay" as the first digital bank in Kuwait reinforces NBK's leadership position in digitizing banking services and its excellence as a provider of latest innovations and cutting-edge banking solutions. "All our strategies aim to be fully prepared for the future; with its anticipated evolutions, milestones that will be offered through huge opportunities and crises as well, as seen during the pandemic. Therefore, we started our digital journey years ago and set a road map to sustain our excellence and leadership locally and regionally," she added.

The past period, demonstrated the success of NBK's insightful and proactive vision in implementing the digital transformation strategy, developing its digital services and channels, and providing advanced and innovative payment solutions.

"We have completed a chapter of our digital journey; during which we succeeded to build a solid technological infrastructure

and created a digital culture that became embedded in all of our operations, products, and services. Now, we are starting a new chapter in which we continue to invest in developing our digital platforms and increase reliance on Artificial Intelligence (AI); out of our belief that digital advancement is the main driver of future growth across all the markets in which we operate," Al-Bahar concluded.



(From right): Isam Al-Sager, Muthana Al-Hamad, Shaikha Al-Bahar and Haitham Al-Khaled

Modern vision

On his part, Salah Al-Fulaij, CEO of NBK - Kuwait said: "Weyay" provides an array of innovative digital banking services and solutions designed by NBK youth cadres for the for their peers of Kuwaiti youth."

"Over the course of a whole year, we have provided all sorts of support to the Kuwaiti youth cadres, who tirelessly worked to design for us a modern integrated vision that meets the needs and aspirations of their peers with dynamic designs, ideas and services that suit their lifestyle," Al-Fulaij continued.

"The Kuwaiti society has a vigorous nature, as two thirds of Kuwaitis are under the age of 34, and Kuwait has one of the highest smartphone and internet penetration rates in the world, making it a necessity to launch a new generation of digital services," he added. Al-Fulaij explained: "The idea of founding "Weyay" was inspired by the desire to launch a non-traditional bank that embodies the youthful and digital-savvy nature of the Kuwaiti society and reflects the future of its banking needs and aspirations and the ability of NBK's innovative banking solu-

tions to meet them."

"We are keen to offer our customers integrated banking products and services, and "Weyay" embodies this strategy as it provides financial engineering to the youth customers, where they can, through a single platform, take their financial and investment decisions and the banking solutions they need that can help them succeed in these decisions," he noted. Al-Fulaij highlighted that updating "Weyay" services will be an ongoing process starting from the launch in order to meet customers' needs.



Mohammed Al-Othman



Mohammed Al-Othman

Central Bank paved the way

Al-Fulaij stressed that the achievements we are witnessing today reflect the success of the Central Bank of Kuwait's supportive policy for digital transformation in paving the way for a new digital era for the Kuwaiti banking sector. Thanks to its efforts that laid the foundations for a huge technological infrastructure and a clear framework for a regulatory environment that gave the Kuwaiti banking sector the precedence in launching advanced digital services on the regional level.

We express our appreciation to the Central Bank of Kuwait for extending all sorts of support that saved time and effort in the course of launching "Weyay", he said.

Mexico president scraps choice for CB chief

MEXICO CITY: Mexican President Andres Manuel Lopez Obrador has withdrawn his nomination of former finance minister Arturo Herrera to head the central bank, Herrera announced Tuesday.

Lopez Obrador had proposed his then finance minister in June to be governor of the Bank of Mexico, subject to approval by the Senate. "The