

Business

Amid pandemic, Americans are saving more, especially the wealthy

Americans have accumulated \$1.8tn in excess savings in 11 months

WASHINGTON: The coronavirus pandemic has wiped out millions of jobs in the United States, but it's had the unexpected effect of increasing savings rates among Americans, especially wealthy people stuck at home and forced to give up travel and entertainment. Along with the dramatic reduction in leisure spending, things like government stimulus checks, unemployment benefits and the suspension of monthly loan repayments for more modest earners have swelled the bank accounts of Americans who are usually known to be crumbling under debt.

Americans have accumulated \$1.8 trillion in excess savings in the 11 months since the start of the pandemic, according to figures released this week by Barclays and Oxford Economics. "And, we estimate that this number could rise to \$2.5 trillion by this summer," Gregory Daco, chief US economist at Oxford Economics, told AFP.

The savings rate of Americans, which averaged seven to eight percent before the crisis, spiked to a record 33 percent in April 2020, thanks to a massive \$2.2 trillion COVID relief package for households and businesses, according to Bureau of Economic Analysis data. The savings rate was holding at 13.7 percent

at the end of December, though decreasing as various forms of aid expired.

It jumped in January to 20.5 percent after \$600 stimulus checks were included in a \$900 billion plan adopted by Congress at the end of December. And, it could rise again this spring, as lawmakers consider the Biden administration's \$1.9 trillion relief package. Overall, the savings trend has highlighted the disparities between rich and poor in the United States, with wealthy households saving much more than families of modest means who have been hardest-hit by job losses and have used stimulus money mostly to pay bills.

The richest Americans were generally able to maintain their jobs through teleworking - their income has remained constant while spending has plunged, resulting in excess savings. "About four-in-ten Americans (42 percent) say they have been spending less money than usual since the pandemic began, and that is especially the case among upper-income adults," according to a survey of 10,334 Americans by the Pew Research Center, released Friday.

Some 53 percent of higher-income Americans reported spending less, compared with 43 percent of middle-income and 34 percent of low-income people.

While financially secure people were unable to spend on leisure and travel, low-income Americans reported spending less because they were worried about personal finances.

Euphoric consumption?

"Many Americans were already struggling to save money before the coronavirus outbreak hit," Pew said, with 47 percent of low-income adults unable to save, compared to 25 percent for those who are middle-income. Only eight percent of upper-income Americans had the problem. Saving rates were even more unequal when broken down by race, with 38 percent of black adults saying they are usually not able to save, compared with 31 percent of Hispanics, 27 percent of white respondents and 19 percent of Asians, the Pew data showed.

The fundamental question remains: Whether the record savings rate will boost consumption in the United States, where consumer spending is historically the driver of the economy. Before the pandemic, it represented two-thirds of the GDP. "Our outlook assumes a fairly rapid acceleration in household spending in the coming year and we make the explicit assumption that households will draw down on accumulated saving in the



NEW YORK: US currency is seen in a back pocket on March 4, 2021. — AFP

process," Barclays economists said.

They noted the potential "for a substantial rebound in consumption post-pandemic if households experience higher benefits - akin to 'euphoria' - from consuming after a period of deprivation". Daco is not so sure. While he anticipates a rebound in consumer activity, he noted that spending on things like

travel probably won't skyrocket to a rate that would make up for a year's shortfall.

"Are we going to take all the trips that we would have liked to take last year, in addition to those planned once the pandemic is over? Are we going to travel in business or first class on the pretext that we have more money tucked away?" he asked. "Not necessarily." — AFP

Kamco Invest reports KD 15m fee income, KD 2.7m losses in 2020

KUWAIT: Kamco Invest, a regional non-banking financial powerhouse with one of the largest AUMs in the region, announced its financial results for FY 2020 ended Dec 31, 2020. The Company reported a net loss of KD 2.7m (EPS: -7.85 fils) compared to a net profit of KD 3m in 2019 (EPS: 12.47 fils). The results were impacted by unrealized losses and the coronavirus pandemic which disrupted government entities, the private sector, and economies since March 2020.

The slow of business since March 2020 had a negative impact on the fee & commission income which dropped by 21.4 percent compared to 2019 to reach KD 15m in 2020. Despite the unprecedented challenges, negative sentiments and the slow of business, the company continued to provide its clients with interruption-free services and distributed cash dividends to its shareholders for the fiscal year 2019 amounting to KD 1.7m in June 2020.

As at the end of Dec 2020, total assets under management stood at KD 3.9bn (USD 12.9bn). Equity funds and managed portfolios continued to outperform their respective benchmarks and three funds were recognized by the 2020 Refinitiv Lipper Fund awards for their consistent risk-adjusted performance relative to peers.

Kamco Invest successfully raised over USD 623m for several products and transactions, distributed around USD 49m to clients (capital and income distributions) and acquired properties in the US and UK, raising the managed real estate value to over USD 1.1bn. Simultaneously, the Company exited from two managed US properties generating

above targeted returns to its clients. The Special Situations Asset Management team continued exit negotiations with several parties on behalf of clients.

Throughout the year, Investment Banking successfully played the role of joint lead manager for six debt capital market transactions, two regional and four local offerings, for a total amount equivalent to USD 2.6bn. The team also acted as exclusive sell-side advisor to a healthcare group in Egypt and launched a strategic initiative to support companies in battling the ongoing crisis. Kamco Invest was awarded the 'Best M&A Bank in the Middle East - 2020' award from the highly accredited and internationally renowned Global Finance.

First Securities Brokerage Company, Kamco Invest's brokerage arm, continued to provide its services to clients without interruption while increasing market share and attracting new clients through the online trading platform. Furthermore, Kamco Invest managed to rationalize its cost base where general and administrative expenses dropped by 26.5 percent in 2020 to reach KWD 14.3mn, thanks to the measures taken by the Company to cope with the market conditions and the Company's strategy post-merger completion.

The Company reduced its total liabilities by KD 3.8m, a reduction of 5.5 percent, to reach KD 64.8m at the end of Dec 2020. The Company enjoys a strong financial position with KD 50m in shareholders' equity as of Dec 31, 2020 and a "BBB" long-term credit rating and "A3" short-term rating with stable outlook by Capital Intelligence in their latest

Microsoft compliance manager now available in Kuwait

KUWAIT: Microsoft announced that cloud customers in Kuwait will gain access to Microsoft Compliance Manager, empowering organisations to adhere to legal obligations while innovating with more freedom in an economic climate where business agility is critical.

The announcement comes at a time when more and more Kuwaiti businesses are choosing remote working and hybrid workplaces to keep employees safe while delivering operational continuity. According to a GCC survey in March, 35 percent of regional organisations were either in the process of implementing remote-working models or had already done so. And another research in June showed that remote working was likely to remain beyond the pandemic, with 90 percent of MENA employees expecting its usage to increase between now and 2030.

"In a region that was already innovating at a

breathless pace, the pandemic acted as an accelerant," said Alaeddine Karim, Country Manager, Microsoft Kuwait. "In both the private and government sectors we saw extraordinary progress in a short span of time. When making such moves, the IT environment undergoes dramatic changes, and maintaining compliance can be quite difficult, especially if you don't have the resources to build a dedicated oversight team. Microsoft Compliance Manager demystifies and simplifies compliance processes, putting the organization in the driver's seat, while allowing it to automate at scale - thereby accelerating innovation."

Microsoft Compliance Manager - now part of Microsoft 365 - takes the complexity out of regulatory alignment, allowing organisations of all sizes and industries to examine their obligations quickly and map out their actions in a way that makes sense to their operational models. It supports the prioritisation of tasks and allows the formulation of risk-informed policies.

"Kuwait's regulatory framework is in place to protect citizens, residents and businesses from the loss or compromise of their private data. It is an essential component of Vision 2035, and Microsoft is committed to showing businesses how they can comply with these important guidelines while continuing to innovate and thrive in the new normal," added Karim.



Faisal M Sarkhou



review in June 2020.

Faisal Mansour Sarkhou, Chief Executive Officer, said, "The results were impacted by unrealized losses and we are well positioned to benefit from positive market performance as well as cope with the unforeseen circumstances should returning to normal take more time than expected. Despite the extremely difficult economic and operating conditions, we managed to strengthen our financial position by enhancing our liquid assets and reducing our total liabilities. We also rationalized our cost base and most importantly remained focused on the recurring fee-based income."

He added, "We were able to sign new mandates, close deals, attract new clients and raise funds for new and existing products and mandates. We have also expedited our digitization drive while ensuring our existing systems and processes handled the situation of remote working and serving of our clients. We will continue to monitor new trends and behavioral changes that will inevitably lead to the formulation of new standards and investment opportunities after overcoming the current crisis."

Maersk pleads for military backup against pirates

COPENHAGEN: Fed up with pirate attacks on its fleet off the west African coast, global shipping giant Maersk is clamoring for a major naval mission to police the vital but treacherous maritime route. The call for action comes after two of the Danish company's ships were boarded by bandits in the Gulf of Guinea within the space of one month at the turn of the year.

The area is a major shipping route stretching from Senegal to Angola, but it has been plagued by piracy in recent years. Armed kidnappings of seafarers reached record levels in 2020, according to the International Maritime Bureau (IMB). "In 2021 we should not have seafarers who are afraid of sailing anywhere because of piracy, this is not the age of piracy," Aslak Ross, head of maritime standards at the Danish giant, told AFP. Maersk wants an international mission similar to the naval operation that the European Union has deployed in the Gulf of Aden, off East Africa, since 2008 and which has been credited with a sharp drop in piracy there. "A solution is to have the international community support a mission in the short term," Ross said.

At the same time, governments should back longer-term efforts to strengthen the anti-piracy capabilities of coastal countries, he said. Every day some 1,500 ships travel the maritime route off Africa's two largest oil producers, Nigeria and Angola, and Maersk said 50 of its vessels regularly sail in the area.

Maersk is the world's largest container shipping company, operating in 130 countries and employing some 80,000 people worldwide. It moves 12 million containers every year. The waters are the world's number one spot for cargo-ship crew kidnappings, which tend to be seen as more lucrative for pirates than the traditional attacks on oil tankers. Of the 135 attacks on seafarers recorded worldwide last year, 130 took place in the Gulf of Guinea, the IMB reported. — AFP

News in brief

737 MAX 'mechanical issue'

NEW YORK: An American Airlines Boeing 737 MAX jet flying to Newark, New Jersey from Miami landed safely on Friday after pilots shut down an engine during the flight, the US air safety regulator said. The MAX returned to skies in the United States late last year after it was grounded worldwide in March 2019 following two deadly crashes. American Airlines confirmed to AFP that the issue was related to an engine oil pressure issue and not the faulty flight handling system known as MCAS, which was implicated in the crashes that killed a total of 346 people. — AFP

'Metal fatigue' confirmed

NEW YORK: A key US safety regulator said Friday initial investigations confirm metal fatigue was a factor in last month's scare when a Boeing 777 engine caught fire and rained debris on houses below. But the National Transportation Safety Board (NTSB) said it has not reached a final conclusion on the causes of the incident involving Pratt & Whitney engines. The NTSB update confirmed fan blades in the engine had broken off, and said "the fracture surface was consistent with fatigue". — AFP

McAfee charged in scam

NEW YORK: The creator of McAfee computer security software was facing charges Friday that he cashed in on a "pump-and-dump" scheme, by promoting cryptocurrencies on Twitter to drive up their value. John McAfee, founder of the antivirus firm that bears his name, and Jimmy Watson face charges of conspiracy, fraud, and money laundering in connection with schemes to trick cryptocurrency investors, according to an indictment unsealed by the US Department of Justice. Pump-and-dump schemes typically involve over-hyping the value of stocks or, in this case cryptocurrency, by holders so that they can be sold at artificially high prices. — AFP

China military budget to grow

BEIJING: China's military budget - the second largest in the world after the US - is set to increase by 6.8 percent in 2021, the finance ministry announced Friday. Military tensions have dramatically increased over the past year between China and rival powers including the United States and India, with flashpoints like the Himalayan border, Taiwan and the South China Sea. Beijing plans to spend 1.36 trillion yuan (\$210 billion) on defense, which is still less than a third of Washington's military budget. The growth rate, up from 2020's 6.6 percent, was revealed by the ministry at the opening of the government's annual legislative meetings. — AFP

Fix Price raises \$2bn

MOSCOW: Russia's largest cut-price retailer Fix Price said Friday it had raised \$2 billion in an initial public offering in London as Russian consumers embrace discounters amid a fall in living standards. The company said in a statement it had priced its IPO on the London Stock Exchange at \$9.75 per share - the top end of the price range - implying a market capitalization of \$8.3 billion. The company's CEO Dmitry Kirsanov said the IPO represented a "landmark" in the history of not only his company but Russia's entire retail industry. — AFP

