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China reveals $41bn price tag of plan to boost consumption

Friday, July 26, 2024
Muharram 20, 1446 AH

GULF TIMES
BUSINESS

UPBEAT EARNINGS : Page 3

Gulf stocks get summer reprieve after slumping in first half of 2024

QCB issues DLT guidelines to enhance fintech ecosystem

By Santhosh V Perumal
Business Reporter

The Qatar Central Bank (QCB) has issued the distributed ledger technology (DLT) guidelines as part of efforts to regulate the use of DLT in the financial sector as well as ensure increased efficiency and lower costs in real time settlement.

The 20-page guidelines come in line with the third financial sector strategy, fintech strategy and the QCB's endeavour to regulate and develop the financial sector and enhance the fintech ecosystem in the country. It is anticipated that the fintech strategy will provide tangible benefits over the next few years, as the number of fintechs proliferate and grow in Qatar.

DLT can be utilised in various ways by financial institutions to develop their services. It may provide a transparent and secure platform for recording transactions, enabling real time settlements and reducing the need for intermediaries.

"Its benefits include increased efficiency, lower costs, enhanced transparency and improved security, ultimately streamlining processes and fostering greater trust in the financial sector," the QCB said.

DLT (of which blockchain is a particular form but only one of many possible DLT types) is a shared database of records that can be updated by a set of participants using a consensus mechanism, with no need for the central database management system used to validate such updates in traditional databases. The entire newly created business model needs to be assessed to identify risks to an entity; from very low risk internal administrative processes to highly complex processes.

Strongly encouraging entities to inform the QCB of all potential DLT applications; the guidelines said entities should present fully worked out proposals to the QCB and currently, it would not permit DLT networks without permission.

"An entity must create a defined DLT strategy based on its needs and risk appetite. It must also be consistent with the entity's relevant strategies and internal policies and processes," it said, adding an entity must conduct a periodic review of its DLT strategy on a timetable consistent with its goals and risk appetite.

The guidelines stipulate that an entity should ensure that its strategy provides a business case, addresses information and communication technology requirements, information security, and operational risk management (including business continuity, disaster recovery, and resiliency framework).

An entity's DLT strategy should define an implementation plan and architectural roadmap which covers the target IT environment, the transition from the current environment to the target environment and the operating model, including any organisational change or additional skillsets that may be necessary, it said, adding an entity must allocate sufficient resources to handle any DLT projects and ongoing business needs.

It is essential that entities conduct a proper risk assessment when developing, providing, using, or implementing a DLT system. These risks must be clearly identified, mitigated, and monitored throughout the entire life cycle of the DLT use.

The 20-page guidelines come in line with the third financial sector strategy, fintech strategy and the QCB's endeavour to regulate and develop the financial sector and enhance the fintech ecosystem in Qatar. DLT can be utilised in various ways by financial institutions to develop their services. It may provide a transparent and secure platform for recording transactions, enabling real time settlements and reducing the need for intermediaries

Ministry of Finance holds workshop on transitioning to programme-based budget for government, semi-government entities

The Ministry of Finance, represented by the Public Budget Department, in collaboration with Qatar University, has launched the second phase of workshop on transitioning to a programme-based budget for government and semi-government entities.

The workshops that commenced on July 7 will continue for four weeks, the Ministry of Finance said yesterday.

The organisation of these workshops falls within the framework of the Ministry's commitment and keenness to develop and enhance the fundamental requirements of programme-based budgeting, which aligns with Qatar's National Vision 2030.

The workshops aim to equip participants with the knowledge, skills, and training necessary for the transition to programme-based budgeting. They introduce the concept of programme-based budgeting as an advanced method for preparing the public budget, focusing on goal achievement by breaking down overarching objectives into sub-goals and setting performance indicators to measure progress based on efficiency and effectiveness metrics. Additionally, the workshops include training and capacity building for employees to ensure their thorough understanding of the concepts and methodologies of programme-based budgeting.

The Ministry initiated the 'Budget Transformation Workshops' in the first phase (during 2023) involving some 11 government and semi-governmental entities. In the second phase, which is ongoing this current year, the participation has been expanded to include some 150 representatives from as many as 18 government and semi-governmental entities. The Ministry of Finance has reiterated its commitment to continuing co-ordination with various government and semi-governmental entities, facilitating communication bridges through meetings, workshops, and sessions.

The organisation of the workshops falls within the framework of the Ministry's commitment and keenness to develop and enhance the fundamental requirements of programme-based budgeting, which aligns with Qatar's National Vision 2030.

US economy regains momentum in second quarter; price pressures ebbing

Reuters
Washington

The US economy grew faster than expected in the second quarter amid solid gains in consumer spending and business investment, but inflation pressures subsided, leaving intact expectations of a September interest rate cut from the Federal Reserve.

Growth last quarter also received a boost from inventory building as well as increased government spending, the Commerce Department's advance report on second-quarter gross domestic product on Thursday showed. The housing market recovery, however, regressed and was a small drag on the economy. The trade deficit widened further, subtracting from GDP growth.

The economy continues to outperform its global peers, despite hefty rate hikes from the US central bank in 2022 and 2023, thanks to a resilient labour market.

"Economic growth is solid, not too hot and not too cold," said Christopher Rupkey, chief economist at FWDBONDS. "Inflation looks to be going the Fed's way and an easing of monetary restraint with an interest rate cut is likely in September."

Gross domestic product increased at a 2.8% annualised rate last quarter, the Commerce Department's Bureau of Economic Analysis said in its advance estimate of second-quarter GDP. Economists polled by Reuters had forecast GDP rising at a 2.0% rate. Estimates ranged from a 1.1% rate to a 3.4% pace. The economy grew at a 1.4% rate in the first quarter.

US central bank officials regard a 1.8% pace as the non-inflationary growth rate. Still, growth was slower than the 4.2% pace logged in the second half of last year.

Consumer spending, which accounts for more than two-thirds of the economy, increased at around a 2.3% rate after slowing to a 1.5% pace in the January-March quarter. Spending was driven by increased outlays on services like healthcare, housing and utilities as well as recreation.

Consumers also boosted outlays on goods, including motor vehicles and parts, recreational goods and vehicles, furnishings and durable household equipment as well as energy products.

Business investment picked up as spending on equipment surged at an 11.6% rate after rising at only a 1.6% pace in the first quarter. Businesses also accumulated more inventory, which increased at a $71.3bn rate after rising at a $28.6bn pace in the prior quarter.

Even discounting inventories, growth was solid last quarter, with domestic demand rising at a 2.6% pace. The increase in final sales to private domestic purchasers matched the gain in the January-March quarter.

The rise in GDP growth bodes well for an acceleration in productivity, which would slow the pace of increase in labour costs and ultimately price pressures.

QSE slips on slicky global oil prices; foreign funds square off position

By Santhosh V Perumal
Business Reporter

Global weakening of oil prices had its reflection on the Gulf bourses, including the Qatar Stock Exchange, which yesterday lost more than 39 points.

The foreign institutions were seen net profit takers as the 20-stock Qatar Index shed 0.39% to 10,098.36 points, although it touched an intraday high of 10,137 points.

The realty, consumer goods, telecom and transport counters saw higher than average selling in the main market, whose year-to-date losses widened to 6.76%.

More than 67% of the traded constituents were in the red in the main bourse, whose capitalisation shrank QR1.19bn or 0.2% to QR584.94bn on the back of small cap segments.

The Arab and foreign retail investors' weakened net buying had its influence on the main market, which saw as many as 0.01mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank), valued at QR0.09mn change hands across 11 transactions.

The Gulf institutions continued to be net profit takers but with lesser intensity in the main bourse, which saw no trading of treasury bills.

The local retail investors and domestic funds were seen bullish in the main market, which saw no trading of sovereign bonds.

The Islamic index was seen declining faster than the other indices in the main bourse, whose trade turnover grew amidst lower volumes.

The Total Return Index shed 0.33%, the All Islamic Index by 0.6% and the All Share Index by 0.23% in the main market.

The real estate index tanked 1.54%, consumer goods and services (0.97%), telecom (0.74%), transport (0.4%) and banks and financial services (0.18%); while industrials and insurance gained 0.23% and 0.15% respectively.

Major losers in the main bourse included United Development Company, Woqod, Vodafone Qatar, Doha Bank, Qatar Electricity and Water, Qatar Islamic Bank, Dukhan Bank, Qatar German Medical Devices and Estithmar Holding. In the venture market, Techno Q saw its shares depreciate in value.

Nevertheless, Industries Qatar, QLM, Al Meera, Dlala and Qatar Oman Investment were among the movers in the main market. In the junior bourse, Al Mahhar Holding saw its shares appreciate in value.

The foreign institutions turned net sellers to the tune of QR23.93mn compared with net buyers of QR20.53mn on July 24.

The Arab retail investors' net buying declined significantly to QR0.32mn against QR3.17mn the previous day.

The foreign individual investors' net buying eased marginally to QR0.09mn compared to QR0.31mn on Wednesday.

However, the Qatari individuals were net buyers to the extent of QR17.2mn against net sellers of QR2.67mn on July 24.

The domestic funds turned net buyers to the tune of QR11.19mn compared with net sellers of QR11.52mn the previous day.

The Gulf institutions' net profit booking weakened noticeably to QR3.9mn against QR7.65mn on Wednesday.

The Gulf retail investors' net selling decreased perceptibly to QR1mn compared to QR2.17mn on July 24.

The Arab institutions continued to have no major net exposure for the ninth straight session.

Trade volumes in the main market fell 13% to 100.12mn shares, while value rose less than 1% to QR300.13mn and transactions by 5% to 12,005.

The venture market saw a 21% jump in trade volumes to 0.85mn equities and 30% in value to QR1.77mn but on 18% contraction in deals to 85.

The foreign institutions were seen net profit takers as the 20-stock Qatar Index shed 0.39% to 10,098.36 points, although it touched an intraday high of 10,137 points.

BUSINESS

CORPORATE RESULTS

Tesla reports profit drop on price cuts, lower vehicle sales

Tesla has reported a hefty drop in second-quarter profits due to the effect of price cuts while spending aggressively on autonomous driving and other technology.
Elon Musk's electric vehicle company reported profits of $1.5bn, down 45%, on revenues of $25.5bn, which were up two percent behind an increase in its energy generation and storage business.
Tesla's earnings per share missed analyst expectations, while revenues exceeded them.
The results are the latest in a rough patch for Musk's EV titan as it contends with rising competitive pressures that prompted a string of price cuts across leading markets.
Earlier this year, Tesla laid off 10% of its global staff, or about 14,000 workers, as part of a push to cull expenses to finance major new investments.
That reorganisation also resulted in one-time expenses of $622mn in the second quarter due to severance and other costs, said Chief Financial Officer Vaibhav Taneja.
While vehicle sales fell compared to the year-ago period, they rose from the level in the first quarter as "overall consumer sentiment improved," Tesla said in its earnings powerpoint.
Although Tesla reaffirmed its expectation that vehicle volume growth may be "notably lower" than last year's, it said new, more affordable models are set to begin production in the first half of 2025.
Musk announced the accelerated timeframe in April, winning cheers from Wall Street which had sought fresh offerings.
However, on Tuesday Musk declined to offer new details, saying the topic would be covered in a product launch event.
Tesla said its iconoclastic Cybertruck vehicle remains on track for profitability by the end of 2024 as it ramps up production.
Tesla vowed to press on with technological pushes in artificial intelligence and autonomous driving.
Earlier this month, the company postponed a much-anticipated robotaxi event planned for August until October.
While the "timing of Robotaxi deployment depends on technological advancement and regulatory approval, we are working vigorously on this opportunity given the outsized potential value," Tesla said.
The outspoken Musk has a history of making bold predictions about the prospects for autonomous vehicles, saying conventional autos will one day be as obsolete as a horse and buggy.
But Musk has fallen short of projections about the timeframe for self-driving technology, after previously predicting the company would achieve the breakthrough by 2018.
Musk acknowledged his "overly optimistic" prior forecasts but said he expects the robotaxi could achieve full autonomy by the end of 2024, adding "I would be shocked if we cannot do it next year."
The results come as Musk has lately deepened his commitment to electoral politics, coming out loudly for Donald Trump in the 2024 presidential election despite the former president's longstanding denial of climate change -- which has been a professed Musk priority.
Musk formally endorsed Trump on July 13 shortly after a shock assassination attempt on the Republican presidential nominee.
Musk has agreed to donate $45mn monthly to 'America PAC,' a fund focused on electing Trump, starting in July, the *Wall Street Journal* reported earlier this month.
But the Tesla chief acknowledged that a Trump victory might affect a plan announced in March 2023 to build a new Gigafactory in Mexico, given that the Republican candidate has vowed "heavy" tariffs on Mexican goods.
"I think we need to see just where things stand after the election," Musk said.

Centrica

British oil and gas supplier Centrica announced Thursday that its profits and revenues tumbled in the first half on sliding prices — an update that sent its share price crashing.
Profit after tax slumped 68% to £1.3bn ($1.7bn) as revenue decreased more than one third to £10.1bn, Centrica said in a statement.
Its share price shed nearly eight % in reaction.
"Our core businesses continued to deliver in line with our expectations in the first half of 2024, against the backdrop of more normalised market conditions," Centrica chief executive Chris O'Shea said in the earnings statement.
Gas, along with oil and electricity prices, have fallen heavily since soaring in the wake of Ukraine's invasion by major energy producer Russia in early 2022.
Energy bills remain elevated, however, prolonging a cost-of-living crisis for millions of Britons.
"Centrica's wholesale operation meant it was a direct beneficiary of an increase in oil, gas and electricity prices," noted AJ Bell investment analyst Dan Coatsworth.
Falling profits "as prices come down shouldn't come as a major surprise", he added.

Ford Motors

Shares of Ford Motors sank over 12% in early premarket trading on Thursday after the automaker missed second-quarter profit estimates, as it struggles with quality-related costs and stiff competition in its EV business.
The Detroit automaker earned an adjusted profit of 47 cents per share, well below analysts' expectations of 68 cents, according to LSEG data. Its peer General Motors beat earnings targets on Tuesday.
Ford's shares dropped 11% in after-hours trading in New York on Wednesday, and its Frankfurt-listed shares fell 8% on Thursday.
Ford is expected to lose about $7.22bn in market capitalisation at current share price levels of $11.86.
Warranty expenses went up $800mn in the second quarter compared with the previous quarter, significantly hurting profits in its Ford Blue combustion and hybrid vehicle business.
Analysts at Piper Sandler cited these 'unwelcome warranty headwinds' as the reason for the stock slump.
"Ford referenced quality problems on vehicles from the 2016 and 2021 model years, and to address these concerns, the company is shouldering a higher-than-expected warranty burden," they said.
However, Ford expects the second half of the year to match its warranty cost expectations.
Ford CEO Jim Farley has made fixing the automaker's quality problems a priority since he took the helm in October 2020.
The company hired a new executive director of quality and transformed some of its production practices to avoid errors, but has still topped the industry in number of recalls.
Legacy automakers have scaled down their EV ambitions amid easing demand, a shift to hybrids, and stiff competition from Tesla and Chinese EV makers in global markets.
"For now, shareholders will have to take a good quarterly dividend...and special dividends as compensation for up-and-down results that continued to be hampered by warranty problems and slower launch ramp-ups," said David Whiston, analyst at Morningstar.

Nissan

Nissan tumbled more than 10% on Thursday after the Japanese automaker issued a profit warning, citing "intense sales competition", especially in the US.
The company and its domestic rivals are also struggling to stand their ground in China's market as fast-growing electric vehicle firms backed by Beijing race ahead.
Net profit in the first quarter plunged 73% year-on-year to ¥28.6bn ($190mn), Nissan said — far below analyst expectations of ¥97.1bn.
The auto giant now predicts a full-year net profit of ¥300bn ($2bn), down from ¥380bn yen previously forecast.
"Our first-quarter results were very challenging" and "we have implemented measures to recover our performance," CEO Makoto Uchida said in a statement.
"From the second half we aim to maximise sales of new and refreshed models to achieve the revised forecast of sales volume and profit," he added.
Although global sales remained even, "profit was impacted by increased sales incentives and marketing expenses to meet intense sales competition and optimise inventory," particularly in the US, Nissan said.
The disappointing first-quarter earnings come after the company nearly doubled full-year net profit in 2023-24, partly thanks to the weak yen inflating its takings.
On Thursday, Nissan shares tanked 11% right after the earnings release but recovered to close down 6.98%.
In China, competition also "remained intense", but Nissan performed well among international brands, chief financial officer Stephen Ma said.
Uchida said at a Financial Times summit in May that Nissan would work with Chinese firms to launch five new electric or hybrid vehicles in the country within the next two years, calling operating in the market there "a survival game".
Nissan recently ceased production at a factory west of Shanghai as part of efforts to cut production capacity.
A company spokesman confirming the move said Nissan was "committed to China under the strategy of 'in China, for China' with a focus on NEV transformation, corporate value, and overall competitiveness in the Chinese market".
The plant in Changzhou was a joint venture with state-owned Chinese auto company Dongfeng Motor.
It had an annual capacity of 130,000 vehicles — 8% of Nissan and Dongfeng's total capacity in China — and only opened in 2020, according to Japanese media.
Japan's Honda is also struggling with sales in China and plans to reduce its annual car output capacity there by 50,000 units, Kyodo News reported on Thursday.
China overtook Japan as the world's biggest vehicle exporter last year, helped by its global dominance in electric cars as firms such as BYD speed ahead of international rivals.

Unilever

Unilever beat first-half profit expectations on Thursday boosted by resilient pricing even as sales growth disappointed.
Shares in the maker of Dove soap and Hellmann's condiments rose 6.8% in early trade to the top of London's FTSE 100 index.
Unilever posted a 3.9% rise in second-quarter underlying sales, below the 4.2% increase expected by analysts in a company-compiled consensus.
It maintained its full-year underlying sales growth forecast of 3% to 5%, mostly driven by volume, while its forecast for an underlying operating margin of at least 18% was stronger than the market view.
Switzerland's Nestle also reported lower than expected half-year sales growth on Thursday and lowered its full year outlook.
"There is much to do, but we remain focused on transforming Unilever into a consistently higher performing business," CEO Hein Schumacher said in a statement.
After a protracted global cost of living crisis, some consumer goods makers have been easing their price increases, hoping to attract back shoppers who traded down to cheaper, often private label products.
Unilever's underlying price growth for the quarter was less than expected at 1%, but underlying volume sales growth ran ahead of estimates at 2.9%.
The industry has struggled with soaring costs for several years, with everything from sunflower oil and shipping to packaging, grain and energy becoming more expensive during and in the wake of the pandemic and Russia's invasion of Ukraine.
Unilever's underlying operating profit rose 17% to €6.1bn ($6.61bn) for the six months to June, beating market expectations of €5.44bn.
Its underlying operating margin widened 250 basis points to 19.6%, although the company expects that to slow in the second half.

SK Hynix

South Korean chip giant SK Hynix reported its best quarterly profits in six years on Thursday thanks to explosive global demand for artificial intelligence, but its shares tumbled with other tech firms following a hefty sell-off on Wall Street.
The world's second-largest memory chip maker dominates the market for high-bandwidth memory (HBM) semiconductors and is a key supplier for Nvidia, which controls about 80% of the global AI chip market.
SK Hynix posted an operating profit of 5.47tn won ($3.96bn) in April-June, its third consecutive quarterly profit after losses last year.
Net profit jumped 115% on-year to 4.12tn won and revenues surged 125% to 16.42tn won — a record quarterly high.
The company said "the continuous rise in overall prices of DRAM and NAND products with strong demand for AI memories including HBM led to 32% increase in revenues compared to the previous quarter".
Revenues for HBM chips rose more than 80% from the previous quarter and 250% on-year.
"The company will further solidify the position as a leader in AI memory products by focusing on developing the best process technology and high-performance products based on a stable financial structure," said chief financial officer Kim Woo-hyun.
However, the firm's shares plunged more than eight % at one point, its biggest intraday drop since November 2022.

Kering

Kering reported a bigger-than-expected drop in second-quarter sales and forecast a weak second half, as the French luxury group works to revive its key label Gucci while facing subdued demand from Chinese shoppers.
Sales at the French luxury group which also owns labels Boucheron and Balenciaga, fell to €4.5bn ($4.9bn), an 11% drop on an organic basis, which strips out currency effects and acquisitions.
The figure was below analyst expectations for a 9% drop, according to a Visible Alpha consensus.
Kering said second-half operating income could fall by around 30%, following a 42% drop in the first half to €1.6bn.
"There was a deterioration of the trends in June that so far are persisting in July," deputy CEO Jean-Marc Duplaix said on a call with analysts.
However, chief financial officer Armelle Poulou told reporters that the forecast smaller decline in operating profit in the second half compared with the past six months was based on a gradual improvement in revenue, especially for Gucci.
Kering's American Depository Receipts (ADRs) were down about 8% in New York, extending earlier losses after the results were released.
On Tuesday, sector bellwether LVMH's quarterly results missed expectations as sales rose 1%, offering few signs that a pickup is around the corner, and sending shares in the luxury goods sector down on Wednesday.
Kering's Paris-listed shares had traded at their lowest level since 2017 ahead of its results which came after European trading.
Sales at Gucci fell 19% in the quarter, showing no improvement from the first three months, and below analyst expectations for a 16% decline, according to a Visible Alpha consensus.
Kering has been revamping Gucci, the century-old Italian fashion house which accounts for half of group sales and two-thirds of profit.

BNP Paribas

French banking giant BNP Paribas posted on Wednesday a stronger-than-expected net profit in the second quarter, boosted by good performances in its equities trading unit.
The top eurozone bank said its net profit reached €3.4bn ($3.7bn) between April and June, a 21% jump from the same three-month period last year.
It was better than the €2.7bn forecast by analysts surveyed by Bloomberg, or the €2.9bn foreseen in a poll by financial data firm FactSet.
The bank's revenue also beat forecasts, reaching €12.3bn in the second quarter, up 3.9%.
"The Group performed very well in the second quarter 2024 thanks to the business momentum of its operating divisions," chief executive Jean-Laurent Bonnafe said in a statement.
The bank confirmed its full-year guidance, including revenue growth more than 2% higher than in 2023 and net profit of €11.2bn.
BNP Paribas highlighted the "excellent" quarter at its trading division, with revenue jumping 12.1% to €4.5bn on the back of a sharp rise in activity in equity markets.

Gulf stocks get summer reprieve after slumping in first half

Bloomberg
Dubai

Stocks in the Gulf region are rebounding in the summer after slumping in the first half of 2024 as upbeat earnings reports and cheaper valuations entice buyers.

The MSCI GCC Countries Combined Index climbed 3.6% this month through Wednesday's close, adding to June's gains. Dubai has led the advance among regional benchmarks, with those in Abu Dhabi, Saudi Arabia, Kuwait and Qatar also in the green.

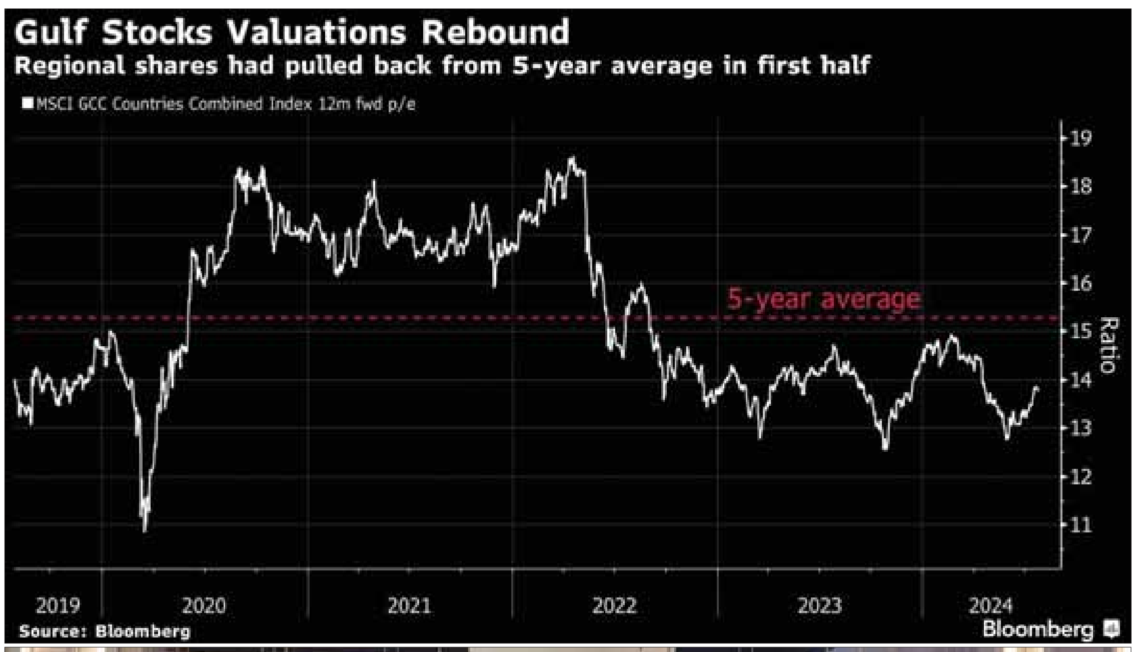
Equities in the six-country bloc are still lower so far this year over concerns about regional growth, the direction of oil prices and the path of interest rates in a market largely made up of banks. Saudi Aramco's $12.4bn secondary share sale has especially weighed on the kingdom's market — the largest in the region — as investors reserved cash for the deal as well as other initial public offerings in the region.

Gulf stocks have advanced amid "resilient corporate earnings and dividend expectations and cheaper valuations than before," said Hasnain Malik, head of equity strategy research at Tellimer in Dubai. Those factors as well as "the passing of any drain on liquidity from the Aramco transaction have all helped GCC equities recently, in the face of another step down in oil price," he said.

Still, the Gulf stock index is underperforming the MSCI Emerging Markets Index — up 5% in 2024 — as risks still linger. Oil prices have pulled back from yearly highs, government projects are seeing delays and scale-backs and the International Monetary Fund has downgraded its growth projections for Saudi Arabia, the region's largest economy. As a result, some investors say the upside is capped.

"I will not read much into the rebound and I expect the market to be range-bound," said Faisal Hasan, chief investment officer at Al Mal Capital. "Regarding earnings, I would like to see improvement both on a quarterly and yearly basis, and more importantly, what is the guidance for the next quarters."

Banks in the United Arab Emirates largely beat estimates so far this season, including its largest lenders — First Abu Dhabi Bank and Emirates NBD. In Saudi Arabia, Jarir Marketing Co and Saudi Telecom Co are among those that surpassed expectations.



Turkiye returns Saudi billions in sign of economic turnaround

Bloomberg
Istanbul

Turkiye's central bank took the milestone step of returning a $5bn deposit from Saudi Arabia, signalling authorities' confidence in their ability to restore foreign-exchange reserves without taking on debt from wealthy allies.

Dramatically improved investor sentiment since an overhaul of Turkiye's economic team last year has led to strong demand for Turkish assets, stabilised the lira and prompted Deutsche Bank AG to say that buying lira-denominated bonds was the trade of the year in emerging markets. That shift has allowed the central bank to reduce its foreign-exchange liabilities at a record pace.

Since local elections on March 31, domestic investors have withdrawn $11.5bn from government-backed accounts that promised to compensate investors for losses in foreign-currency terms, while foreign portfolio flows into Turkish equities and government debt reached $18bn.

"Sign of confidence," said Tim Ash, an emerging-markets strategist at RBC BlueBay Asset Management. "Turkiye is moving to a much better underlying position with net reserves now positive." Bloomberg Economics estimates that the central bank added around $80bn to its reserves in the second quarter alone. As of early July, net reserves, excluding swaps with commercial lenders, stood at approximately $15bn, up from about negative $60bn recorded before local elections in March.

The central bank's reserves had come under intense scrutiny following a currency crisis in 2018, which authorities at the time tried to manage with backdoor exchange-rate interventions that depleted foreign reserves without succeeding in preventing the lira from dropping.

Those interventions began to be replaced by more orthodox policies, including interest-rate hikes, last year.

"We have largely eliminated swaps with domestic banks and are now reviewing deposit agreements with international counterparts," central bank Governor Fatih Karahan told Bloomberg in an interview this month.

Still, a potential unwinding of carry trades or renewed local interest in foreign currencies could pose challenges to the monetary authority. The central bank, which has set its benchmark interest rate at 50%, has committed to maintaining a tight monetary policy to tame inflation and keep lira assets attractive.

The "carry trade" refers to the practice of borrowing in places where interest rates are relatively low, and then converting that money to instruments in currencies that offer higher interest rates, like the Turkish lira. The attractiveness of the trade depends both on the level of interest rates and the stability of the currency.

According to a Bloomberg Economics estimate, around $20bn of the increase in foreign reserves may be related to carry trade flows.

Bloomberg QuickTake Q&A

Europe's push to protect rainforests is angering trade partners: Here's why

By John Ainger and Agnieszka de Sousa

Economic superpowers often turn to trade as a way to achieve their foreign policy goals. So it's no surprise that the European Union, in its determination to be a global leader in the fight against climate change, has made forest preservation a condition for doing business with the bloc. From the end of the year, the EU will enforce a ban on imports of raw materials produced on newly deforested land anywhere in the world. But the way it's going about it has prompted a backlash from industries and other trading nations, raising the risk that the landmark initiative may be delayed.

1. What's the plan?

The European Deforestation Regulation, or EUDR, is designed to stop the felling of forests to grow products sold in Europe. Those include palm oil (which is found in thousands of everyday items including ice cream, shampoo and fuel), soy, beef, wood, rubber, cocoa and coffee and some manufactured products such as chocolate, leather and furniture. To send them into the EU or export them from the bloc, companies must show they weren't made on land that was deforested or degraded since December 31, 2020. They will also need to prove they were produced in compliance with local human rights laws and laws protecting the rights of indigenous peoples. The measures entered into force at the end of June 2023, and companies have until the end of 2024 to comply, with a further six-month grace period for small businesses.

2. How will it work?

The new rules require sophisticated tracking systems and will be enforced using the threat of fines. Importers must have collected precise data identifying the plots of land where the goods were grown. The location coordinates will be checked off against historical land-use information gathered via satellite imaging and other sources. A traffic light system will assign a score for each country based on the perceived risk of deforestation there.

3. How significant are the new rules?

Up to this point, efforts to stop the destruction of the world's forests focused largely on persuasion and positive incentives. Now one of the most important players in the global economy has resorted to coercion. Companies that fail to meet the rules could face fines of at least 4% of their annual turnover in the EU. It's not the only area where the bloc is using trade in pursuit of climate goals beyond its borders. It's also agreed to a carbon levy on imports of goods such as steel and aluminium from countries with less strict environmental rules, while packaging producers outside the bloc will also have to comply with its re-use and recycling rules.

4. What's the EU's motivation?

Burning or cutting down rainforests releases greenhouse gases and deprives ecosystems of carbon-absorbing trees. Much of the cleared land is used to grow export crops or to raise livestock, which generates even more climate-warming emissions. The EU was responsible for 16% of deforestation associated with international trade in 2017, surpassed only by China, at 24%, according to a 2021 report by the World Wide Fund for Nature. Efforts to re-grow Europe's own forests have little impact on the region's overall carbon footprint as so much of what its population and industries consume comes from elsewhere. Europe's demand for rubber alone has been linked to the deforestation of 520 square kilometres (201 square miles) of West Africa since the end of the last century.

5. Who opposes the EUDR?

Commodity-producing countries have been among the first groups to protest. They say the rules will unfairly penalise smallholders who often lack the sophisticated mapping tools needed to get their harvests approved by the EU. The likes of Indonesia — a major producer of palm oil — even accused the bloc of "regulatory imperialism." Major trading partners, including the US, have also raised objections, along with several industries that use the commodities covered by the regulation in everything from furniture to diapers. Their main gripe is a lack of clarity on how to implement the regulations across their supply chains, which national authorities will oversee the rules (not all EU countries have appointed a regulator) and how to deal with the reams of extra paperwork. A group of 20 industry groups — from animal feed suppliers to grain traders — warned of impending supply disruptions and inflation due to a lack of detail on the rules, according to a statement seen by Bloomberg News.

Even some EU governments are having cold feet, with Austria leading a group of countries calling for a delay to the rules and a substantial re-write. The largest group in the European Parliament, the centre-right European People's Party, has made a similar plea.

6. What was the EU's response?

It's been making some concessions. The European Commission, the bloc's rule-making body, had originally intended to categorise all countries as having a high, standard or low level of deforestation risk. High-risk countries were to face a stricter level of checks — 9% of traders and commodities — compared with 1% for those deemed to be low-risk. It later conceded this would take too long, so switched to having one standard level of risk to start with. This could benefit countries seen as having the highest risk of deforestation. But it could irk those seen as carrying a lower risk, such as Sweden or the US, that will now be obliged to have more checks than they'd expected.

Aside from that, the commission is largely sticking to its guns. It plans to have the information system that will make sure industry, traders and other stakeholders are playing by the rules up and running in early December, less than a month before deadline. The commission has downplayed the level of bureaucracy entained by the EUDR. A former environment commissioner has said farmers could simply use their smartphones to comply. Some advocates of the new system say the industry may be pushing back partly because the world will finally see how much deforestation their activities cause. Environmentalists have lauded the EU measures, with the WWF calling them "groundbreaking." They hope the rules will be expanded to other ecosystems, such as savannas, and say the rules are vital for making sure Europe lives up to its international commitments.

7. What if the EU does want to overhaul the EUDR?

The clock is ticking until December 31, leaving the bloc with limited options, even if it does decide to delay compliance. It doesn't help that Commission President Ursula von der Leyen has just been re-elected and the body is entering a new legislative cycle. Von der Leyen needs to choose a new team of commissioners, and whoever takes over the environment portfolio will have their own view on the way forward. So what are the options?

- The commission could propose re-opening the agreed text to write a delay into the text, but that would require sign-off from member states and the European Parliament, unless it decides to fast-track the rules via an emergency procedure
- It could choose to opt for a more informal "grace period," whereby fines aren't administered while companies get used to the rules

8. What does the EUDR mean for Europeans?

If the system holds up and importers comply, consumers will be able to enjoy their morning coffee in the knowledge that no trees were cut down to grow the beans. Economists will pay close attention to the potential impact on shopping bills. One study published in 2022 found the new measures would create compliance costs equivalent to as much as 3.5% of palm producers' revenue. Advocates of the new rules say the companies will recoup those costs as consumers will be ready to pay more if they know the goods are environmentally sustainable.

Russia's Novak says no friction with Opec+ over exceeding production quotas

Reuters
Moscow

Russian President Vladimir Putin's oil point man said on Thursday that there was no friction with Opec+ due to Russia exceeding crude production quotas and that the world's second largest oil exporter would compensate for its overpumping.

Russia on Wednesday unexpectedly announced that its crude oil production in June exceeded quotas set by the Opec+ group but said that it would resolve the issue and stick to agreed output levels this month.

The news triggered speculation among some oil traders about tension between Saudi Arabia, the world's biggest exporter which leads the Organisation of the Petroleum Exporting Countries, and Russia.

Together Opec and others including Russia, in a group known as Opec+, have made a series of deep output cuts since late 2022.

Asked by reporters in Moscow if Arab members of the Opec+ club were unhappy with Russia's overproduction, Russian Deputy Prime Minister Alexander Novak said: "We have no friction."

"What we are under-fulfilling is very meagre," he added. "These are errors that will actually be eliminated, secured and obligations will be fulfilled."

An industry source told Reuters that Novak held a call last week with Saudi officials, who expressed concern about Russia's overproduction.

"I spoke with the minister (of Saudi Arabia) last week," Novak said. He gave no further details.

Riyadh needs higher oil prices to balance its books.

Saudi Arabia's economic growth will likely be one of the slowest among the Gulf Co-operation Council countries this year, according to a Reuters poll of economists, who lowered growth forecasts from three months ago due to extended oil output cuts.

Russia's production figures are classified so it is unclear just how much Russia pumped in June — and why it needed to make a public statement about it if the overproduction was "meagre".

According to industry sources data obtained by Reuters, Russia's July crude oil export plan for its western ports is 1.7mn barrels per day (bpd) down from 2.1mn in June, while refinery runs are seen at 5.36mn bpd, up from 5.16mn bpd.

Under Opec+ deals and voluntary cuts, Russia's quota for June to September was 8.98mn bpd. According to the International Energy Agency, oil production in Russia in June fell to 9.22mn bpd from 9.24mn bpd in May.

Opec estimates Russia's oil production in June at 9.14mn bpd down by 114,000 bpd from May.

Novak said Russia was in constant touch with its Opec+ partners and that he expected the Opec+ joint ministerial monitoring committee (JMCC) meeting on August 1 to be constructive.

"We always have constructive discussions," Novak said.

"The general focus is to ensure the balancing of the market, the execution of agreements. We are in constant contact with our colleagues."

Saudi's flynas strikes deal for 75 Airbus A320neos, 15 A330s

Low-cost Saudi airline flynas has signed a memorandum of understanding with Airbus for 75 of its narrow-body A320neo family aircraft and 15 of its wide-body A330-900 jets, the companies said at the Farnborough Airshow on Thursday.

The A320neo deal is worth about $4bn and the A330 deal about $1.7bn, according to estimated delivery prices from Cirium Ascend.

Reuters reported that flynas was negotiating an A330 deal ahead of the air show.

"The A320neo family provides exceptional operational performance and environmental benefits, allowing us to offer unique, low-cost travel experiences," flynas CEO Bander Almohanna said in a statement.

"Additionally, the A330neo will enhance our long-haul capabilities with its advanced technology and efficiency while supporting our growth plans and Saudi Arabia's pilgrim programme."

China reveals $41bn price tag of plan to boost consumption

Bloomberg
Hong Kong

China disclosed for the first time it's earmarking 300bn yuan ($41bn) for an initiative to give a makeover to the country's stock of industrial and household equipment.

As part of one of this year's main stimulus programmes designed to lift consumer spending, the central government will use funds raised by selling ultra-long special sovereign bonds this year for the overhaul, according to a document released Thursday.

About half of that money will finance subsidies for companies that buy new equipment, while the rest will go to local governments to enact various incentives for consumers to trade in products like cars.

"The foundation of a recovery in consumption still needs to be solidified," Zhao Chenxin, vice chairman of the National Development and Reform Commission, the country's top economic planning agency, said during a press briefing on Thursday. "I believe these measures will create a positive impact on consumption in the second half of the year."

The programme is similar to a "cash for clunkers" initiative seen in countries like the US in trying to coax consumers and businesses to spend more. But its impact on domestic demand has yet to be felt, as China reported retail sales growing in June at the weakest monthly pace since December 2022.

Xu Xingfeng, an official with the Ministry of Commerce, acknowledged at the briefing that consumption faced "great pressure" in the first half of the year.

To make the programme more successful, the government expanded business areas that are supported by the equipment upgrade push to include sectors like energy. It lifted the size of subsidies for consumers who retire their old cars and buy new ones, and set a rebate level of 15% of the price tag for purchases of home appliances that meet certain energy efficiency standards.

All of the funds will be allocated by the end of August, and the government has simplified procedures of the programme, according to officials at the briefing.

Pedestrians carrying shopping bags cross a street in the financial district in Beijing (file). China has disclosed for the first time it's earmarking 300bn yuan ($41bn) for an initiative to give a makeover to the country's stock of industrial and household equipment.

Adani plans $600mn share sale in post-Hindenburg first

Bloomberg
Mumbai

Gautam Adani's power transmission unit is considering raising at least 50bn rupees ($597mn) through a share sale, marking the Indian conglomerate's first foray into public equity markets since a scathing short-seller's report wiped away billions in shareholder value.

Adani Energy Solutions Ltd is looking to raise funds through a so-called qualified institutional placement, or QIP, and plans to conclude the share sale by mid-August, people familiar with the matter said, speaking on condition of anonymity.

This follows the board approval it received in May to raise as much as 125bn rupees through various modes.

The return to public fundraising is a milestone of recovery for the Adani Group after US short seller Hindenburg accused it of widespread fraud and corporate malfeasance in early 2023, trigging a rout that at one point wiped over $150bn off the conglomerate's market value.

While the group has largely recovered, a successful QIP would be powerful vote of investor confidence in the tycoon, since he had to scrap a $2.5bn share sale under investor pressure in the weeks after the Hindenburg attack.

Adani Energy is looking to bring in more institutional investors, including some from the US, through the share sale. Such an expansion of investor base is also an attempt to draw more research analysts to cover the firm, one of the people said.

Deliberations are ongoing and details of the fundraising, including size, could still change, the people said. An Adani Group representative couldn't immediately comment when reached by phone.

Adani Energy is India's largest private sector power utility and operates more than 21,100 ckm or circuit kilometres of transmission lines, according to its website. The company has a target of ramping up to 30,000 ckm of transmission lines by 2030 by tapping both organic and inorganic growth opportunities, it said.

On Thursday, the company reported a net loss of 8.24bn rupees for the April to June quarter.