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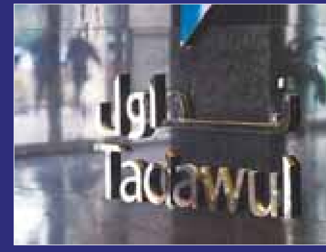

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China investors pile into Saudi ETFs amid growing trade ties

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Transshipment volumes bolster container traffic at Qatar ports in July

By Santhosh V Perumal
Business Reporter

Qatar's ports saw a 46% jump in container handling in July on an annualised basis, primarily due to a 132% surge in transshipments, Mwani Qatar said on X.

Qatar's Hamad Port reported a stupendous 132% year-on-year jump in transshipment volumes in July, helping the country carve a special place in the regional maritime industry, according to official data.

The country's ports saw a 46% increase in container handling in a "record-breaking" July on an annualised basis, primarily due to a 132% increase in transshipments, Mwani Qatar said in its social media handle X.

This growth was accompanied by a rise in handling volumes of livestock and RORO (vehicles) as Qatar's maritime sector saw more vessels calling on Hamad, Doha and Al Ruwais ports in July 2024 compared with the previous-year period, according to the data from Mwani Qatar.

The positive momentum in the ports reflects the optimistic outlook, especially for the country's non-energy private sector, as indicated by the latest purchasing managers' index of the Qatar Financial Centre.

The number of ships calling on Qatar's three ports stood at 235 in July 2024, which saw a 3.98% increase year-on-year but was down 2.89% on a monthly basis.

Hamad Port, whose strategic geographical location offers opportunities to create cargo movement towards the upper Gulf, supporting countries such as Kuwait and Iraq and south towards Oman, saw as many as 132 vessels call (excluding military) in the review period. A total of 1,558 ships had called on the three ports during the first seven months of this year.

The container handling through the three ports stood at 146,752 TEUs (twenty-foot equivalent units), which saw 45.53 and 1.29% year-on-year and month-on-month jump respectively in July this year.

The container terminals have been designed to address the increasing trade volume, enhance ease of doing business and support economic diversification, which is one of the most vital goals of the Qatar National Vision 2030.

Hamad Port, which is the largest eco-friendly project in the region and internationally recognised as one of the largest green ports in the world, saw 148,479 TEUs this July. The container volume at the three ports totalled 853,375 TEUs during January-July 2024.

The three ports were seen handling 20,302 livestock in July 2024, which zoomed 271.29% on an annualised but shrank 65.66% on monthly basis. As many as 378,503 livestock heads were handled by three ports during the first seven months of this year.

The three ports handled as many as 12,214 RORO in July 2024, which registered 102.08% growth year-on-year while it declined 22.1% month-on-month in July 2024. Hamad Port alone handled 12,192 units this July. A total of 68,158 RORO units were handled by three ports during January-July 2024.

Qatar's automobile sector has been witnessing stronger sales, especially in heavy equipment, private motorcycles and private vehicles, according to the latest data of the National Planning Council.

The general and bulk cargo handled through the three ports fell 20.85% on an annualised basis to 131,982 freight tonnes in July 2024. However, it was seen surging 131.82% month-on-month.

Hamad Port – whose multi-use terminal is designed to serve the supply chains for the RORO, grains and livestock – handled 98,922 freight tonnes of breakbulk in July 2024. A total of 1.06mn freight tonnes of general and bulk cargoes were handled by the three ports during January-July 2024.

The building materials traffic through the three ports stood at 22,204 tonnes this July, which declined 37.09% and 1.33% year-on-year and month-on-month respectively. As much as 193,362 tonnes of building materials were handled by Hamad, Doha and Al Ruwais ports during January-July this year.

Woqod posts net profit of QR482mn in January-June

Woqod has reported a 9.5% year-on-year increase in net profit to QR482mn at the end of the first six months of this year on the back of stronger sales volumes and other earnings.

The company's earnings-per-share was QR0.48 compared to QR0.44 the year-ago period.

Saad Rashid al-Mohannadi said the company has decided to distribute interim dividend of QR0.4 a share and Edaa will manage the interim cash dividend distribution.

Total fuel sales volume increased by 10% on an annualised basis, driven by increase in jet fuel sales by 16%, he said, adding the company will open another petrol station in the third quarter of 2024.

Highlighting that the construction of petrol stations as a dynamic exercise, he said Woqod, in association with Kahramaa, has completed installation of 25 EV charging points at 19 petrol stations. It is also working on many initiatives to improve non-fuel revenues this year.

Woqod would take appropriate initiatives to develop the downstream oil and gas sector within the framework of the State's general policy of modernisation and development as well as strengthening the pillars of the country's national economy, it said.

Qatar generates budget surplus of QR2.6bn in second quarter

■ **Second quarter of 2024 saw total budget revenues at QR59.9bn and total expenditure of QR57.3bn with oil price averaging $85 per barrel, according to the Ministry of Finance**

Qatar generated a budget surplus of nearly QR2.6bn in the second quarter (Q2), according to the Ministry of Finance.

The Q2 of 2024 saw total budget revenues at QR59.9bn and total expenditure of QR57.3bn, generating a surplus of QR2.6bn. During the Q2, oil price averaged $85 per barrel, the Ministry of Finance said.

While presenting the budget early this year, the Ministry of Finance made an oil price assumption of $60 per barrel in 2024.

"The surplus will be directed to reduce public debt and therefore there is no cash surplus," the Ministry noted.

The first quarter figures show oil and gas revenues account for QR41.1bn while non-oil revenues stood at QR18.7bn.

Secondary capital expenditures amounted to QR1.3bn, and major capital expenditures reached QR18.1bn – down 1.8% from Q2, 2023.

Earlier, the state budget had estimated a total annual revenue of QR202bn and spending at QR200.9bn for this year.

Although the budget for 2024 sees a small surplus preliminarily, given Qatar's commitment to pay the equivalent of approximately QR7.3bn of public debt dues next year, the Ministry of Finance has then estimated a deficit of about QR6.2bn.

In the budget, Qatar has taken a more conservative approach, with an oil price assumption of $60 per barrel in 2024, instead of $65 per barrel in 2023, by taking into account the estimates of international institutions.

Meanwhile, the country's general budget for 2024 continues to focus on achieving the goals of the QNV 2030 related to the development of human capital by focusing on the health and education sectors.

The outlay for the two key sectors constitutes 20% of the total budget.

This underscores Qatar's commitment to the development of its nationals, recognising that the development of human capital is vital for the progress of all other sectors, be it economic or social.

The allocation for the communications and information technology sector has seen a 200% increase in the next year's budget compared to 2023.

The doubling of outlay for the ICT sector compared to last year's budget, reaffirms Qatar's commitment to fostering a knowledge-based and innovative economy while promoting investments in these pivotal sectors.

Saudi wealth fund signs $50bn of deals with Chinese financial firms

Saudi Arabia's sovereign wealth fund PIF has signed six memorandums of understanding (MoUs) worth a total of $50bn with leading Chinese financial institutions, the fund said in a statement on Thursday, reports Reuters.

The MoUs were signed with Agricultural Bank of China (ABC), Bank of China (BoC), China Construction Bank (CCB), China Export and Credit Insurance Corp (SINOSURE), Export-Import Bank of China (CEXIM), and the Industrial and Commercial Bank of China (ICBC), the statement added.

PIF said the MoUs covered areas of co-operation such as encouraging two-way capital flows via both debt and equity.

One of the world's largest sovereign wealth funds, Saudi Arabia's Public Investment Fund (PIF) has a sprawling portfolio of investments, from date farms to multinational conglomerates.

The kingdom's ambitious Vision 2030 plan aims to diversify its economy away from fossil fuels to develop a vibrant private sector.

Qatar Airways collaborates with industry stakeholders to promote lower emission fuels

By Pratap John
Business Editor

In a push to the use of sustainable aviation fuels, Qatar Airways has pledged to use at least 10% SAF in its overall jet fuel consumption by 2030, the national airline has said in its latest annual report.

Qatar Airways Group said it is committed to working in collaboration with industry stakeholders to advance the use of SAF and low carbon aviation fuels (LCAF) certified under a robust sustainability-criteria recognised by ICAO or the member states.

Most recently, Qatar Airways joined the First Movers Coalition (FMC) of the World Economic Forum.

In 2023, in-line with its commitments, the Group successfully completed the uptake of 3.9mn litres of neat SAF, with a 94.4% lower emission in the life-cycle compared to fossil jet fuel.

This SAF represented more than 5% of total fuel uplifted by Qatar Airways for its operations in Amsterdam, Netherlands, over the course of the 2023-24 fiscal year.

The Group continues to expand the scope of its voluntary carbon offsetting programme for passengers as well as corporate and cargo customers.

Since the programme launched in November 2020, Qatar Airways' customers have contributed to reducing or avoiding carbon dioxide emissions by supporting high-quality and accredited offsetting projects for renewable energy located in Africa and Asia.

In addition to its customers' contributions, the Group complies with the monitoring and reporting of the EU and UK emissions trading schemes.

The Group also complies with the State of Qatar's requirements, which is part of the voluntary phase of ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

CORSIA is a global scheme, which will result in greater levels of CO2 mitigation in international aviation than could be achieved through domestic policy measures.

It is forecast that CORSIA will stabilise net CO2 emissions from international aviation at about 600mn tonnes of CO2, according to the global body of airlines, IATA.

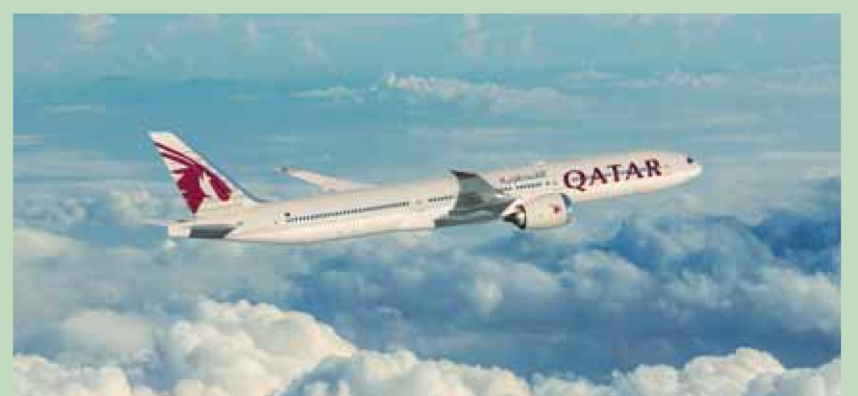
IATA estimates that, without CORSIA, the CO2 footprint of international aviation would increase from slightly over 600mn tonnes of CO2 in 2019 to almost 900mn tonnes of CO2 by 2035.

In its annual report, Qatar Airways said it remains committed to demonstrating leadership in protecting the environment whilst exploring new initiatives that minimise environmental impact and cement a path for a sustainable future.

From investing in the most advanced aircraft technology, to minimising single-use plastics and conserving water and energy, the environmental efforts of the group span every aspect of its network operations, establishing a well-balanced approach and a long-term strategy to support environmental sustainability.

The group actively collaborates with industry stakeholders in leading global efforts to reduce carbon dioxide emissions and address climate change.

Despite the challenging task to decarbonise the aviation sector, the Group is taking action to achieve its commitment of net zero emissions by 2050 in accordance with the Four Pillars Strategy adopted by IATA and ICAO.



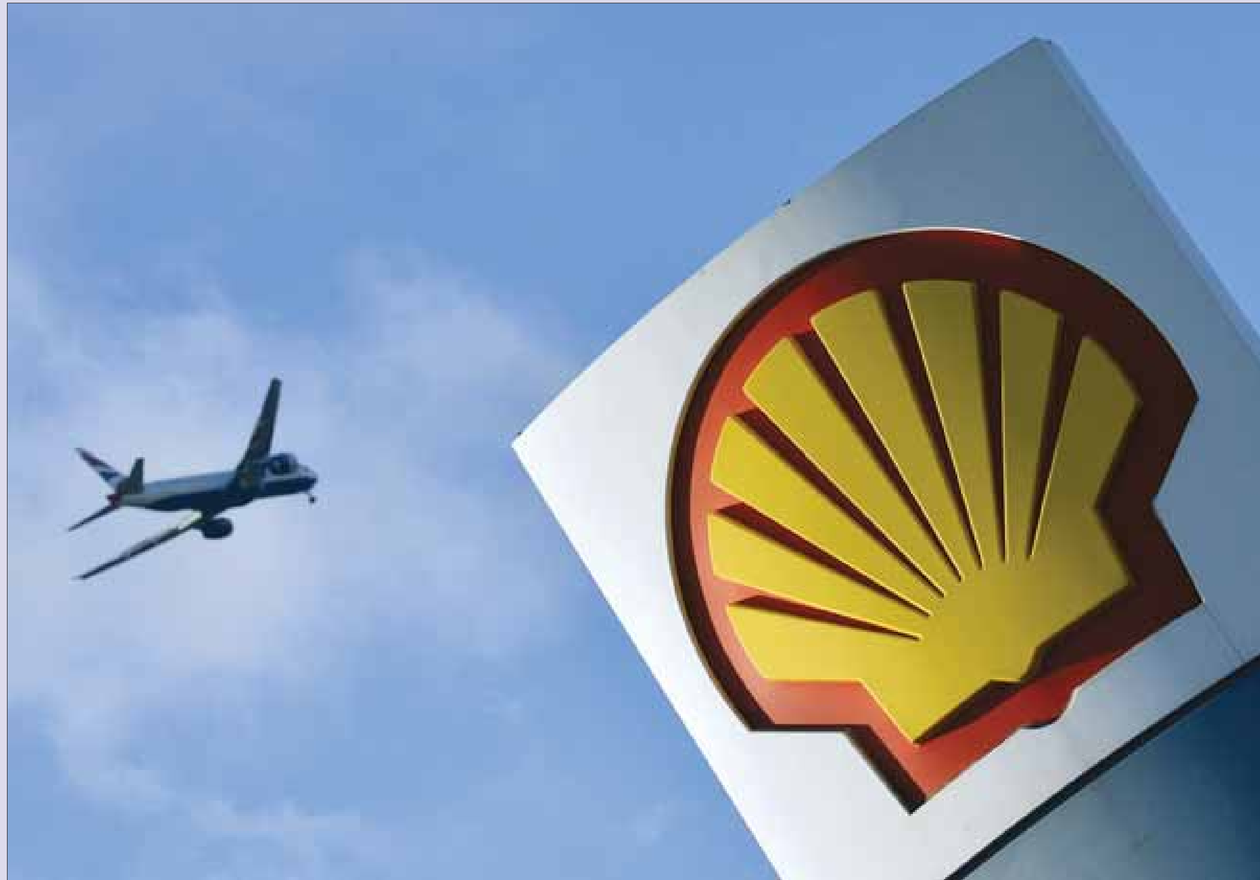
Qatar Airways Group is committed to working in collaboration with industry stakeholders to advance the use of SAF and LCAF certified under a robust sustainability-criteria recognised by ICAO, or the member states

The group continues to invest in the most advanced aircraft technology and new generation engines, which position the group at the top of the industry in terms of fleet modernisation and its positive impact on operational efficiency.

Maintaining an advanced fleet also contributes towards enhancing Qatar Airways' capacity to drive future growth while reducing the overall fuel consumption and carbon emissions per passenger and cargo transported, the annual report noted.

CORPORATE RESULTS

Oil giant Shell says net profit dips in first half



British energy group Shell on Thursday said net profit dropped 8% in the first half due to weaker gas prices and write-offs.
Profit after tax declined to $10.9bn compared with the first six months of last year, Shell said in an earnings statement.
The same issues affected rival BP according to its interim earnings published this week, although the drop in profit was much bigger with a 79% plunge to $2.1bn.
Both companies announced dividends and hefty share buybacks, with profits still sizeable by historical standards.
Shell chief executive Wael Sawan described as "strong" the latest set of results, which included also a slight increase in quarter-on-quarter revenue at $75bn.
Half-year turnover dropped around 9% to just below $150bn.
Ahead of the results, Shell warned investors that its second-quarter had suffered a significant write-down owing to a shelved biofuels project in the Netherlands.
Shell and BP have scaled back various climate objectives in recent months and said they would focus more on oil and gas to raise profits, drawing criticism from environmental activists.
Sawan on Thursday insisted that Shell continued to demonstrate "more value with less emissions".
Earlier this month, Shell, BP and French group TotalEnergies each agreed a 10-percent stake in a liquefied natural gas project in the United Arab Emirates.
Japanese trading company Mitsui & Co will also acquire 10% of the Ruwais LNG plant, scheduled to come online in 2028.
Abu Dhabi National Oil Company has a 60% stake in the project.
Gas prices have fallen heavily since soaring after the invasion of Ukraine by major energy producer Russia in early 2022.

Maersk

Danish shipping giant Maersk said on Thursday it expects its underlying profit in 2024 to be $2bn higher than its previous forecast as freight rates have increased amid the crisis in the Red Sea.
Months of attacks by Yemen's Houthis have prompted some shipping companies to detour around southern Africa to avoid the Red Sea route — which normally carries about 12% of global trade.
Maersk said in a statement that it was upgrading its 2024 full-year guidance "due to the continued supply chain disruption caused by the situation in the Red Sea, which is now expected to continue at least until the end of 2024, coupled with robust container market demand."
The Danish company said it was now expecting its operating profit (earnings before interest, taxes, depreciation, and amortisation or EBITDA) to come in at between $9bn and $11bn for the full year.
Already in June, the shipping giant had upped its projected EBITDA by $3bn to between $7bn and $9bn.
"Trading conditions remain subject to higher than normal volatility given the unpredictability of the Red Sea situation and the lack of clarity of supply and demand," it added.
Maersk, which is due to report its second quarter earnings on August 7, said that based on preliminary figured it would report a revenue $12.8bn, and EBITDA of $2.1bn for the second quarter.
The Yemeni rebels have been launching drones and missiles at shipping in the Red Sea since last November, saying they are acting in solidarity with Palestinians during the Gaza war.

ING

Dutch banking giant ING posted a drop in net profit for the second quarter on Thursday, dragged down by a loss of income on interest.
The Amsterdam-based lender said its profit after tax reached €1.78bn ($1.9bn), a 17% fall from the same period last year.
Its net interest income — the difference between a bank's earnings from loans and deposit costs — fell 5.7% to €3.83bn.
Overall revenue remained stable year-on-year at €5.7bn with ING saying it was broadening its online client base, particularly in Germany, the Netherlands and Spain.
The bank reeled in 248,000 new clients using its banking app for mobile phones or website, bring ING's total online customer base to 13.7mn customers.
"Our growing customer base and favourable market conditions have helped us lift fee income from investment products, daily banking, mortgage brokerage and insurance," ING chief executive Steven van Rijswijk said.
"Expenses increased as expected, reflecting the impact of delayed inflationary pressure on staff costs, as well as increased marketing expenses," Van Rijswijk said.

Toyota

Toyota reported a small rise in net profits on Thursday as a weak yen and cost cuts helped the Japanese auto giant overcome a drop in production and sales in its home market.
The firm said first-quarter net income rose 1.7% to ¥1.33tn ($8.9bn) and operating profit jumped ¥16.7% to ¥1.31tn. Revenues climbed 12.2% to ¥11.8tn.
The world's largest automaker by sales also stuck to its full-year forecasts, predicting net profit of ¥3.57tn, marking a drop of 27.8%, on sales of ¥46tn, which would be a gain of 2.0%.
Toyota said the rise in profit was "despite a decrease in production and sales volume in Japan, due to the effects of foreign exchange rates and cost reduction efforts".
"Despite the inability to maintain stable production in Japan due to factors such as certification issues and recalls, we achieved an increase in profit, thanks to the support of all our stakeholders, including suppliers and dealers," a statement said.
In June, the government instructed five firms — Toyota, Honda, Mazda, Suzuki and Yamaha — to stop delivering certain vehicle models within Japan because of certification issues.
This week Toyota was also slapped with a correction order by the transport ministry over a failure to comply fully with national vehicle inspection standards.
That followed inspections in June by officials at its headquarters in the central Aichi region to probe breaches declared by the company related to domestic shipment certifications.
Toyota last year reported record bumper results, with net profit doubling to ¥4.94tn and revenues soaring by a fifth to ¥45.1tn.
The results were driven by strong sales of hybrid vehicles — which combine internal combustion engines and batteries — an area that Toyota pioneered with the Prius.
But it has been criticised along with other Japanese automakers for being slow to embrace purely battery-powered vehicles, allowing firms like Tesla and China's BYD to steal a march and gain market share.
However, there are signs consumers are going cold on pure EVs because of high prices and worries about reliability, range and a lack of charging points.
The firm is also hoping to mass-produce solid-state batteries, a potential game-changing technological breakthrough that could mean faster charging times and greater range.

Barclays

British banking group Barclays on Thursday logged sliding first-half profit on a dip in revenue and as it set aside more money for bad debts in the US.
It fared better than expected, however, owing to strong performance by its investment division, while it highlighted progress on slashing costs.
Profit after tax dropped 10% to almost £2.8bn ($3.6bn) in the six months to the end of June from a year earlier, Barclays said in a statement. Pre-tax profit was down by a similar proportion at £4.2bn but this beat market expectations.
Revenue dropped 2% to £13.3bn in the first half.
The London-listed lender also confirmed plans for £750mn in share buybacks.
At the same time, it set aside £897mn for soured loans in the first half, which was slightly higher than one year ago.
Barclays in February outlined plans to slash £2bn in costs over the coming years, having axed 5,000 jobs in 2023.
The bank has sought this year to focus on core activities with the sale of its Italian mortgage book and German consumer finance business.
It recently bought the banking arm of British supermarket giant Tesco, in a deal due to complete in November.
"We are making good progress on our three-year plan," Barclays chief executive CS Venkatakrishnan said in Thursday's earnings statement.

BMW

German luxury carmaker BMW posted a drop in net profit for the second quarter on Thursday, dragged down by higher manufacturing costs and weakening demand in key market China.
Net profit at the BMW group — which also includes the Rolls-Royce and Mini brands — declined by 8.6% to €2.7bn ($2.9bn) between April and June, on the back of revenues down 0.7% to just under €37bn.
Car deliveries dipped by 1.3%, to 618,743 units.
Deliveries in China were down 4.7%, where cooling domestic consumption and increased competition from local brands is hitting European carmakers hard.
"In China, in particular, revenues were impacted by heightened competition and weaker consumer sentiment," BMW said.
BMW said it expected "the economic situation to begin to stabilise" in China in the third quarter.
Higher manufacturing and personnel costs and spending on IT projects also hurt the group's earnings, BMW said.
There was better news in the battery-electric vehicle segment (BEV), where the group saw deliveries surge 22% in the second quarter — at a time when many rival carmakers are struggling with slowing demand as European governments phase out electric subsidies.
Looking ahead, BMW said it still expects to see a slight growth in overall car deliveries in 2024, thanks to "sustained demand" for premium vehicles and the introduction of new models.

SABIC

Saudi Basic Industries Corp (SABIC), one of the world's biggest petrochemicals companies, reported a close to 85% jump in second-quarter net profit on Thursday, helped by higher margins on some key products.
SABIC reported net profit of 2.18bn riyals ($581.04mn) for the three months to June 30, beating analyst expectations of 904.25mn riyals, LSEG data shows.

Telefonica

Spanish telecoms giant Telefonica on Wednesday reported a 29% rise in first-half net profit, boosted by strong customer growth in its home market, and reaffirmed its 2024 financial targets.
The company, which is also present in nine Latin American countries, booked a net profit of €979mn ($1.1bn) between January and June, up from €760mn euros during the same time last year.
Revenues rose 1.1% to €20.4bn during the first half.
The company said the "favourable performance" during the period "was specially reflected" in the Spanish market where customers grew in all of its main segments — fixed broadband, mobile contract and television.
"Telefonica is a more profitable and sustainable company, meeting the pillars of its strategic plan, confirming all its financial targets for 2024," Telefonica chief executive Jose Maria Alvarez-Pallete said in a statement.
The company's financial targets presented in February set revenue growth of around 1% in 2024, and an increase of between one and 2% in earnings before interest, tax, depreciation and amortisation (EBITDA), a key measure of profitability.
The earnings come as Telefonica is facing stiffer competition in its domestic market after regulators last year approved the merger of French telecoms giant Orange's Spanish operations and Spanish rival Mas Movil, which create the biggest mobile operator in Spain.

GlaxoSmithKline

British pharmaceutical group GlaxoSmithKline on Wednesday posted falling net profit and rising sales, but its share price slid on concerns over its vaccines division.
Profit after tax sank 29% to £2.2bn ($2.8bn) in the six months to the end of June from a year earlier, largely due to adverse foreign exchange moves, GSK said in a statement.
However, core operating profit excluding exceptional items jumped 18% to £2.5bn.
And turnover increased 8% to £15.25bn, boosted by cancer and HIV treatments.
That sparked an upgrade to its earnings outlook — although it lowered sales guidance for its vaccines arm.
"The strong performance was broad-based, although the shingles vaccine Shingrix, which has been a key growth driver in recent years, saw sales drop by 4%," noted Hargreaves Lansdown analyst Derren Nathan.

HSBC

Banking giant HSBC has said that pre-tax profits in the first half of 2024 came in at $21.6bn, slightly lower than last year's record performance.
"After delivering record profits in 2023, we had another strong profit performance in the first half of 2024, which is further evidence that our strategy is working," said Noel Quinn, the group's outgoing chief executive.
The bank also doubled down on its share buyback, announcing a further three-month repurchase of up to $3bn, following the completed $3bn buyback announced last quarter.
The buyback and approval of an interim dividend of $0.1 per share would bring shareholders a total of $4.8bn, taking the total amount of capital distributed since 2023 to $34.4bn, Quinn said in the statement.
"We remain confident that we can deliver attractive returns, even in a lower interest rate environment," he added.
"As a result, we are providing new guidance of a mid-teens return on average tangible equity, excluding the impact of notable items, in 2025."
The Asia-focused lender and its peers were buoyed by rising interest rates earlier this year.
It achieved record profit in 2023, but was followed by an almost 2% dip in pre-tax profit to $12.7bn.
HSBC announced earlier this month that its chief financial officer, Georges Elhedery, will step into the chief executive role in September.
Quinn, 62, in his last interim report, "place on record what an enormous privilege it has been to lead this great institution", where he had a 37-year career.

Samsung Electronics

Samsung Electronics on Wednesday reported its fastest growth since 2010, with operating profits soaring for the second quarter, as chip prices bounce back and demand for generative AI continues to grow.
The world's largest memory chip maker posted an operating profit of 10.44tn won ($7.5bn) "as favourable memory market conditions drove higher average sales price" for the April to June period, it said in a statement.
It added that "robust sales of OLED panels", used in creating digital displays, had also contributed.
The figure is a 1,462.29% jump from 670bn won for the same period a year earlier, exceeding market expectations.
Sales rose 23.4% to 74tn won, Samsung said.
The firm is the flagship subsidiary of South Korean giant Samsung Group, by far the biggest of the family-controlled conglomerates that dominate business in Asia's fourth-largest economy.
Semiconductors are the lifeblood of the global economy, used in everything from kitchen appliances and mobile phones to cars and weapons.
And demand for the advanced chips that power AI systems has skyrocketed thanks to the success of ChatGPT and other generative AI products.
Samsung is one of only a handful of companies worldwide that manufacture premium high-bandwidth memory (HBM) chips tailored for artificial intelligence processors.

Microsoft

Microsoft has said it made a profit of $22bn on $64.7bn in revenue in the recently ended quarter, up from the same period a year earlier.
Cloud unit revenue of $36.8bn, however, disappointed investors and shares slid more than 5% to $401.06 in after-market trades.
Money brought in from cloud computing has driven blockbuster earnings quarter after quarter, and a hint that stellar growth may be slowing was enough to give investors pause.
Microsoft is among the major contenders in the fierce race to build out artificial intelligence systems, pouring billions of dollars into the technology in the hope it will pay off.
Microsoft is among the best positioned to monetise generative AI, having moved the fastest to implement it across all its products, and pouring $13bn into OpenAI, the start-up stalwart behind ChatGPT.
Winning the big bet on AI is "crucial" for the group, said Jeremy Goldman of Emarketer, "but the market is willing to give them a level of patience." The AI frenzy has helped Microsoft's cloud computing business grow in the double digits, which analysts said could be hard to sustain.
"This type of growth cannot hold forever, but the synergies between cloud and AI make it more likely that Microsoft holds onto reliable cloud growth for some time to come," Goldman said.
Revenue from Microsoft's AI-infused "Intelligent Cloud" unit was $28.5bn, a 19% increase from the same quarter a year earlier, according to the earnings figures.

Volkswagen

German automaker Volkswagen pledged on Thursday to focus on cutting costs following a drop in second-quarter profits as the group grappled with lower demand in China and restructuring expenses.
The 10-brand auto giant reported a net profit of €3.6bn ($3.9bn) for the April-June quarter, a 4.2% fall from a year ago.
Revenues nevertheless rose 4.1% to €83bn, VW said, boosted by a strong performance in the financial services unit.
Car deliveries, however, dipped 3.8% to 2.2mn units.
Increases in Western Europe and North and South America failed to offset a 19% plunge in deliveries in the key Chinese market, where European carmakers are facing fierce local competition and a slowing economy.
Global deliveries of the group's less expensive Seat and Skoda vehicles were up in the second quarter, but those of pricier Audi and Porsche models were down.
"The changed framework conditions in China, in particular, are a major challenge for our group," CEO Oliver Blume told reporters during a conference call.
Higher fixed costs, one-off charges and "unplanned provisions for the severance programme" as VW looks to cut personnel costs also weighed on the bottom line, the group said.
The rising costs and cooling Chinese demand had prompted Volkswagen to lower its profit margin forecast in July.
The group now expects an operating return on sales of 6.5%-7.0% this year, from 7.0%-7.5% previously.

China investors pile into Saudi ETFs amid growing trade ties

Bloomberg
Hong Kong

Chinese investors are pouring money into two new exchange-traded funds tracking Saudi Arabian shares as the dismal performance of local equities supercharges demand for overseas assets.

The Saudi-focused ETFs enjoyed a bumper start when they debuted in Shanghai and Shenzhen on July 16 with both jumping by the daily 10% limit on their first two trading days. They were then suspended for part of July 18 after their managers notified the exchanges that the premium of their share price over their net asset value had become excessive.

Part of the fervour surrounding the two ETFs is the growing economic and trading ties between China and Saudi Arabia. In recent months, companies and sovereign funds from both sides have announced a series of billion-dollar deals ranging from the tech industry to solar power and electric vehicles.

"Chinese investors are thirsty for better returns from overseas assets as the yield from China assets is too thin," said Nelson Yan, co-chief investment officer at Fosun Wealth International in Hong Kong. "The relationship of China and Saudi Arabia is good, investment wise, and the geopolitics risk is smaller." Furthermore, Chinese high-level government entities "intend to lead investments to the Middle East, and we see Chinese index companies keen on developing Middle East-related indexes and ETFs," he said.

The Huatai-PineBridge CSOP Saudi Arabia ETF QDII, which is listed in Shanghai, traded at a premium of as much as 17% over its NAV on its second day of trading. The premium then shrunk back to 3.8% on July 24, the latest date for which the information is available. The Shenzhen-listed China Southern Asset Management CSOP Saudi Arabia ETF QDII traded at a premium of 6% on the same day. The vast majority of ETFs trade within 1% of their NAV, according to website ETF.com.

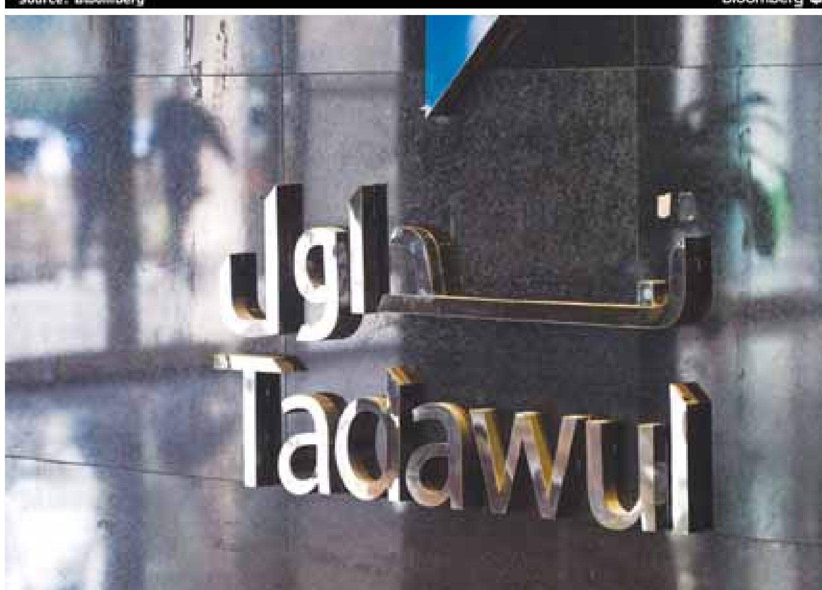
The current enthusiasm for Saudi Arabian shares isn't the first time Chinese investors have become enamoured with a particular country's equities.

In January, Chinese mutual fund houses tried to cool investors' ardour for funds focused on US stocks, putting restrictions on their purchases of their products. In the same month, some fund companies were said to have allocated more Qualified Domestic Institutional Investor quotas to Japanese ETFs to bring their share prices closer to their NAVs.

While the Saudi market may appear more exotic to Chinese investors than Japanese or US shares, investors have been optimistic about ties between the two countries and are eager to know more, said Melody Xian He, deputy chief executive officer at CSOP Asset Management Ltd in Hong Kong.

The two Saudi Arabian ETFs track the FTSE Saudi Arabia Index, in which the highest weightings are financials, basic materials and energy companies. Al Rajhi Bank, Saudi Aramco and Saudi National Bank account for nearly one third of the gauge.

"The Saudi ETF index coverage corresponds to the current risk preference of domestic Chinese equity market investors," said Ren YuChen, an investment adviser at Guotai Junan Securities Co "The relatively high dividends from financial and resource stocks also give them a competitive advantage in dividend yields."



The Saudi Stock Exchange (Tadawul). Chinese investors are pouring money into two new exchange-traded funds tracking Saudi Arabian shares as the dismal performance of local equities supercharges demand for overseas assets.

'Iraq and BP plan to develop Kirkuk oil and gas fields'

Reuters
Baghdad

Iraq has signed a preliminary agreement with Britain's BP to develop the northern Kirkuk oil and gas fields, the Iraqi prime minister's office said on Thursday.

Under the deal, which was signed in Baghdad between Iraq's oil minister Hayan Abdel-Ghani and BP CEO Murray Auchincloss, BP will develop four oil and gas fields in the Kirkuk region, the statement from the Iraqi prime minister's office said.

BP and Iraq's oil ministry signed in 2013 a letter of intent to study the development of the giant Kirkuk oilfield.

Kirkuk is estimated to contain about 9bn barrels of recoverable oil, according to BP. But that deal was put on hold in 2014 , allowing the Kurdish regional government (KRG) to take control of the Kirkuk region.

BP will start drawing up a major plan to boost output capacity of crude oil and gas from Kirkuk, Bai Hasan, Jambour and Khabbaz fields, Iraq oil ministry officials said.

The Kirkuk field's reservoir was discovered in 1927 and is where Iraq's oil industry was founded.

Iraq, the second biggest producer in the Organisation of the Petroleum Exporting Countries behind Saudi Arabia, currently has the capacity to produce almost 5mn barrels per day.

Rehabilitation of existing facilities, where required, and the construction of new facilities – including gas expansion projects together with a drilling programme at the Kirkuk fields, has the potential to stabilise production and reverse decline, the BP statement added.

Negotiations over the preliminary agreement are expected to be complete early in 2025, said BP.

Baghdad regained full control of the deposit from the regional government in 2017 after a failed Kurdish independence referendum, at which point BP resumed its studies on the field. In late 2019, BP pulled out of the oilfield in the north of the country after its 2013 service contract expired with no agreement on the field's expansion.

Gulf funds drag QSE 23 points; M-cap melts QR1.17bn

By Santhosh V Perumal
Business Reporter

Reflecting the Middle East tensions, the Qatar Stock Exchange yesterday saw Gulf funds increasingly square off their position, which led to more than 23 points decline in key index.

The industrials and real estate counters witnessed higher than average selling pressure as the 20-stock Qatar Index fell 0.23% to 10,130.75 points, although it touched an intraday high of 10,164 points.

The Arab individual investors were increasingly net profit takers in the main market, whose year-to-date losses widened to 6.46%.

As much as 60% of the traded constituents were in the red in the main bourse, whose capitalisation melted QR1.17bn or 0.2% to QR585.81bn on the back of small cap segments.

The foreign retail investors were increasingly bearish in the main market, which saw no trading of exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank).

The foreign institutions' weakened net buying had its influence in the main bourse, which saw no trading of treasury bills.

The Gulf retail investors were increasingly into net profit booking 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 fell amidst higher volumes.

The Total Return Index fell 0.23%, the All Islamic Index by 0.46% and the All Share Index by 0.17% in the main market.

The industrials sector index tanked 1.26%, real estate (0.37%) and insurance (0.06%); while telecom gained 0.37%, transport (0.29%), banks and financial services (0.17%) and consumer goods and services (0.02%).

Major losers in the main market included Qatar Industrial Manufacturing, Industries Qatar, Al Khaleej Takaful, Al Faleh Educational Holding, Baladna, Qatar German Medical Devices, Qatar Electricity and Water, Qamco and Ezdan.

Nevertheless, QIIB, Doha Bank, Milaha, QNB and Inma Holding were among the movers in the main bourse.

In the venture market, both Al Mahhar Holding and Techno Q saw their shares appreciate in value.

The Gulf institutions' net profit booking increased noticeably to QR14.09mn compared to QR5.36mn on July 31.

The Arab individual investors' net selling expanded significantly to QR9.64mn against QR0.36mn the previous day.

The foreign individuals' net profit booking strengthened markedly to QR3.77mn compared to QR0.56mn on Wednesday.

The Gulf individual investors' net selling grew perceptibly to QR3.04mn against QR1.04mn on July 31.

The foreign funds' net buying decreased substantially to QR22.78mn compared to QR35.47mn the previous day.

However, the Qatari individuals turned net buyers to the tune of QR7.19mn against net sellers of QR27.7mn on Wednesday.

The domestic institutions were net buyers to the extent of QR0.56mn compared with net sellers of QR0.45mn on July 31.

The Arab funds had no major net exposure for the third straight session.

Trade volumes in the main market rose 2% to 116.82mn shares, while value fell 28% to QR291.39mn and transactions by 10% to 11,766. The venture market saw a 57% contraction in trade volumes to 0.3mn equities, 57% in value to QR0.61mn and 54% in deals to 38.

The industrials and real estate counters witnessed higher than average selling pressure as the 20-stock Qatar Index fell 0.23% to 10,130.75 points yesterday, although it touched an intraday high of 10,164 points

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Bloomberg QuickTake Q&A

Understanding Nigeria's currency slump

By Alister Bull

With its oil wealth, Nigeria should be awash with foreign currency. But years of economic mismanagement have left the country with a debilitating shortage of dollars. In an attempt to fix the problem, President Bola Tinubu relaxed longstanding foreign exchange restrictions shortly after taking office in May 2023. The local naira currency, pegged for years at an artificially high level against the dollar, has since fallen 70%. Tinubu's goal was to trigger an influx of foreign capital and eventually make Nigeria a more attractive investment destination. The near-term impact was to send inflation surging to a 28-year high, leading to a cost-of-living crisis that could potentially undermine stability in Africa's most populous nation.

1. What's gone wrong with Nigeria's economy?

Despite Nigeria being among Africa's largest oil producers, the economy has stagnated for years, its resource riches plundered by a politically connected elite. Corruption is endemic, many state institutions are dysfunctional and armed bandits and militants roam the country's north. About 40% of Nigeria's more than 200mn people live in dire poverty, according to the World Bank, and the higher living costs have added to their ranks. Dollar shortages persist, and businesses also face constant policy uncertainty and power cuts. The government used 68% of the revenue it collected in the first half of 2024 to service debt, an improvement on past years but still not leaving much for anything else. Under previous management, the central bank played a highly unorthodox role, providing loans to small businesses and introducing multiple exchange rates. The system was supposed to boost dollar availability to key parts of the economy, but had the opposite effect, fanning a thriving unofficial currency market that made the naira even more volatile by encouraging speculation.

2. What's being done to turn things around?

Within days of taking office, Tinubu partially scrapped popular fuel subsidies that cost the government $10bn in 2022 alone, and suspended the head of the central bank. The bank's new leadership allowed the naira to trade more freely, while aggressively raising interest rates. Governor Olayemi Cardoso has increased the benchmark rate by 800 basis points to 26.75% since he took office in September. He's also worked hard to pay down an overhang of outstanding agreements between the central bank and Nigerian entities to sell them dollars, which has weighed on the naira. The government has also struck a deal to sell crude oil to Dangote Petroleum Refinery in naira to alleviate pressure on the currency. The sales were being made in dollars at an annual cost of $13.5bn a year, placing a significant drain on Nigeria's foreign currency liquidity.

3. Is it working?

It's a mixed bag. The measures were welcomed by the International Monetary Fund and World Bank but have been very painful for ordinary Nigerians. Inflation is close to a three-decade high, largely driven by the naira depreciation and higher gasoline prices due to the removal of subsidies. The currency recovered sharply from mid-March until mid-April before falling again, and it remains weak. Analysts blame seasonal factors, as rich Nigerians buy dollars to pay for foreign holidays and school fees. For his part, Cardoso says monetary policy is gradually working and the naira is on the mend.

4. What are foreign investors saying?

There was growing optimism as the naira clawed back from a record low earlier this year that it would find a solid base. But that's been challenged by the currency's recent bout of weakness, and investors are keeping their distance while they wait for it to stabilise. Government plans for a Eurobond issue and concessional funding from multilateral lenders would improve the dollar supply picture, though there's been more talk than action on those fronts from Nigerian officials.

5. How have businesses been affected?

They've struggled. More than 700 manufacturing companies shut down in the first quarter of 2023 alone, according to an industry association. Drugmaker GSK Plc, consumer-goods company Procter & Gamble Co and several other international businesses have exited the country as the currency shortages made it complicated to import goods and repatriate profits. Local business leaders have warned that the higher interest rates could stifle consumer spending and investment.

6. What's the prognosis?

Tinubu's policies, if they survive in the face of popular discontent, should ultimately be good for the economy and lead to stronger and more inclusive growth. The IMF forecasts that output will expand by about 3.1% this year, slightly stronger than 2023. But many Nigerians are struggling to afford even basic necessities, piling pressure on the government to show the policy changes are benefiting the wider population. Desperate crowds have looted food convoys and the risk of growing public disorder is being taken seriously by the authorities. Recent calls for public demonstrations over the cost of living crisis — which echoed protest calls in Kenya in June that turned deadly — have prompted Tinubu to take steps to soften the impact of food prices, even as his security forces warn they won't tolerate violent protests.

Bank of England cuts rates from 16-year high, will be 'careful' on next moves

Reuters
London

The Bank of England cut interest rates from a 16-year high on Thursday after a tight vote by its policymakers who were split over whether inflation pressures had eased sufficiently.

Governor Andrew Bailey led the 5-4 decision to reduce rates by a quarter-point to 5% and he said the BoE would move cautiously going forward.

It was the central bank's first cut since March 2020, at the start of the Covid-19 pandemic, giving Britain's new government a boost as it seeks to speed up the pace of economic growth.

But Bailey stressed the BoE was not committing to a series of quick reductions in borrowing costs.

"We need to make sure make sure inflation stays low, and be careful not to cut interest rates too quickly or by too much," he said in a statement.

Most economists polled by Reuters had expected a cut while financial markets had seen just over a 60% chance.

Sterling slipped to its lowest against the US dollar since early July and bond yields also fell slightly after the BoE's announcement with the yield on 10-year gilts touching its lowest since March.

Bailey insisted the BoE would take its decisions on rates "from meeting to meeting" but investors were betting on another rate cut this year with the chance of a move at its next meeting in September seen as a roughly 55% probability.

"The Bank of England is staying tight-lipped on when it expects to cut rates again," ING economist James Smith said. "But we think better news on services inflation and wage growth can unlock one, or more likely two rate cuts by year-end."

Borrowing costs had been on hold for almost a full year — the longest period they have been left unchanged at the peak of a BoE tightening cycle since 2001.

In June, the BoE's Monetary Policy Committee voted 7-2 to keep rates on hold. Minutes of the August meeting showed the decision to cut them was "finely balanced" for some members.

None of the policymakers whose votes changed the balance — Bailey and Deputy Governors Sarah Breeden and new MPC member Clare Lombardelli — had spoken publicly about monetary policy since June.

Speaking opportunities had been limited by the July 4 election which brought the Labour Party to power.

The BoE said policymakers had been briefed on this week's announcements of big public-sector pay increases and on fiscal policy, but their impact would only be incorporated into the BoE's forecasts after the October 30 budget.

Finance minister Rachel Reeves welcomed the rate cut but said millions of families still faced higher mortgage rates and she reiterated her plan to "fix the foundations of our economy after years of low growth."

British consumer price inflation returned to the BoE's 2% target in May and stayed there in June, down from a 41-year high of 11.1% struck in October 2022.

This leaves British inflation lower than in the euro zone — where the European Central Bank cut rates in June — and the US, where on Wednesday the Federal Reserve opened the door to a September cut.

The BoE expects headline inflation to rise to 2.75% in the final quarter of 2024 as the effect of steep falls in energy prices fades, before returning to its 2% target in early 2026 and later sinking below.

The long time lags for interest rates to affect inflation mean the BoE is more focused on what it sees as medium-term drivers of inflation: services prices, wage growth and tightness in the labour market.

The BoE linked June's strong services inflation to "volatile components" and regulated prices that were influenced by high headline CPI earlier in the year.

Wage growth at nearly 6% is almost double the rate the BoE views as consistent with 2% inflation but is slowing in line with the central bank's expectations.

The BoE now thinks Britain's economy will expand by around 1.25% this year, up from a previous forecast of 0.5%, after stronger-than-expected growth earlier this year.

Based on International Monetary Fund forecasts, that would be stronger growth than in France, Italy and Germany. Surveys of businesses published earlier on Thursday suggested growth in Britain last month was stronger than in much of the eurozone and Asia.

Opec+ sticks to oil policy, repeats could pause October output hike

Reuters
Moscow/London

A meeting of top Opec+ ministers has kept oil output policy unchanged including a plan to start unwinding one layer of output cuts from October, and repeated that the hike could be paused or reversed if needed.

Several ministers from the Organisation of the Petroleum Exporting Countries and allies led by Russia, or Opec+ as the group is known, held an online joint ministerial monitoring committee meeting (JMMC) on Thursday.

Opec+ is currently cutting output by a total of 5.86mn barrels per day, or about 5.7% of global demand, in a series of steps agreed since 2022 to bolster the market amid uncertainty over global demand and rising supply outside the group.

In a statement after Thursday's meeting, Opec+ said the members making the most recent layer of cuts — a 2.2mn bpd voluntary cut until September — reiterated that its gradual phase-out could be paused or reversed, depending on market conditions.

Oil prices have fallen from a 2024 high above $92 a barrel in April to below $81, pressured by concern about the strength of demand but finding support this week from increasing tensions in the Middle East.

Russian Deputy Prime Minister Alexander Novak said on Thursday the current level of oil prices was comfortable for Russia, its budget, and other participants in the market.

A flag with the Opec logo is seen before a news conference at its headquarters in Vienna (file). Opec+ is currently cutting output by a total of 5.86mn barrels per day, or about 5.7% of global demand, in a series of steps agreed since 2022 to bolster the market amid uncertainty over global demand and rising supply outside the group.

Supply and demand remained in balance, he added.

"Starting from the fourth quarter, if the balance of supply and demand is positive, a partial increase in production is possible," Novak said.

Opec+ still has some weeks before it needs to decide whether to proceed with the output hike from October, a source close to the group said.

Algeria's Energy Minister Mohamed Arkab said uncertainties affecting oil markets were unlikely to continue for much longer, as long as the market remains adequately supplied.

Oil demand, he added, was expected to follow a sustained upward trend in the coming weeks.

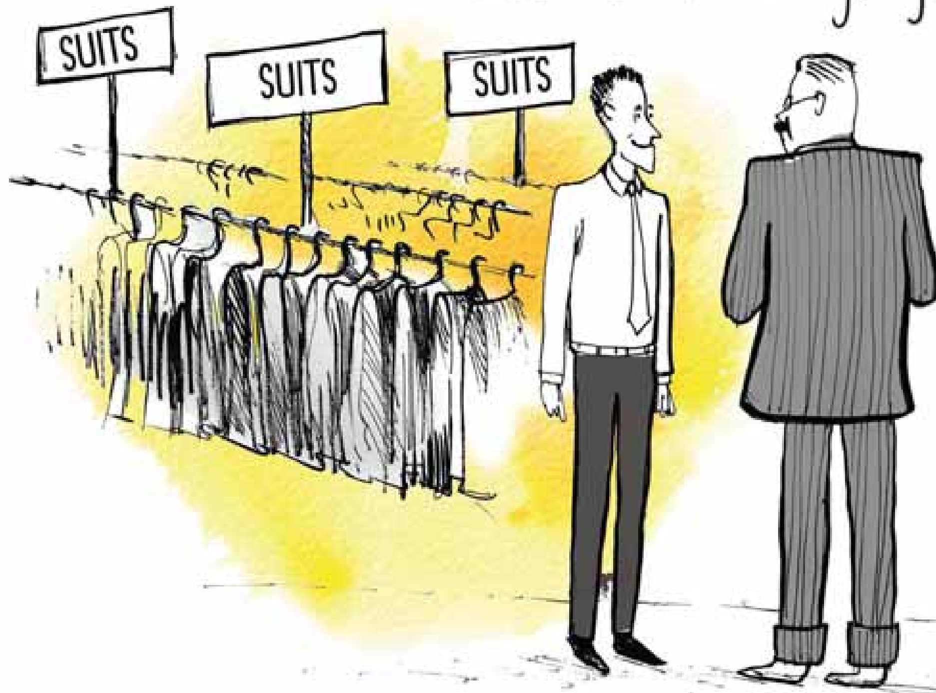
Opec+ agreed at its last meeting in June to phase out the 2.2mn bpd cut over the course of a year from October 2024 until September 2025. It also agreed then to extend earlier cuts of 3.66mn bpd until end-2025.

Soon after that, Saudi Arabian Energy Minister Prince Abdulaziz bin Salman said Opec+ could pause or reverse the production hikes if it decided the market is not strong enough.

Thursday's meeting also noted assurances from Iraq, Kazakhstan and Russia made during the meeting to achieve full conformity with pledged output cuts, the statement said. Those countries had earlier delivered plans to compensate for past overproduction. An Opec+ source said the chair of the meeting was insisting that members show commitment to the compensation plan.

The JMMC, which groups the oil ministers of Saudi Arabia, Russia and other leading producers, usually meets every two months and can make recommendations to the wider Opec+ group.

The JMMC will hold its next meeting on October 2.



Russian LNG clout in Europe strengthens as US ships head to Asia

Bloomberg
London

Europe just can't seem to shake its reliance on Russian liquefied natural gas.

The nation was close to becoming the biggest supplier to the region in July after US flows declined amid an outage and higher prices in Asia. The gap in deliveries to Western Europe is now the smallest since late 2021.

The development shows just how hard it is for the European Union to wean itself off Russian supplies to rely more on other producers. While pipeline flows from the east are just a fraction of what they were before the Russian invasion of Ukraine in early 2022, imports of liquefied natural gas from Yamal LNG in the Arctic have remained stable.

"This indicates that although Europe wants to reduce its reliance on Russian LNG, such reliance should be seen in the context of the global LNG market," said Katja Yafimava, a senior research fellow at the Oxford Institute for Energy Studies. "It is still tight and more flexible volumes could sail away."

While the EU is making it harder for Russia to move LNG around the world, the bloc has stopped short of banning imports outright. Sales to major consumers Spain and France have even increased since the war began.

The drop in US shipments also shows the danger of relying too heavily on transatlantic exports.

Those cargoes typically don't have destination restrictions, which means that trade flows can quickly change when prices and demand increase outside Europe.

Overall, northwest Europe's total LNG imports fell by almost 20% in July from a month earlier, according to preliminary data. To some extent, that is down to the summer lull in demand, but it is a warning that supplies can dry up quickly when Asian consumers are willing to pay more.

US exports to Europe fell after the Freeport LNG facility in Texas suspended loadings for more than two weeks because of Hurricane Beryl. Egypt has also emerged as a buyer as the nation is struggling with energy shortages, increasing global competition even further.

Traders have consistently favoured the Asian market over Europe this summer. The premium is about $5mn per cargo, more than enough to compensate for freight costs, according to Jean Heintz, an independent consultant at Wideangle Energy. As a result, US deliveries to Asia jumped to the highest level since 2021 this month, according to ship-tracking data.

"One could expect more competition closer to and during the winter season," said OIES's Yafimava.

But by late March next year, even more Russian LNG may end up in Europe as EU sanctions on transshipments come into force. New rules will mean that Russian tankers won't be able to load fuel onto other tankers in European ports for further journeys to Asia.