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BUSINESS

TRADE RISKS : Page 4

Europe, Asia and US factories end 2024 on weak footing as Trump 2.0 concerns mount

GCC 'proactively' pursues green ammonia to diversify energy mix and reduce carbon footprint, says GPCA

By Pratap John
Business Editor

GCC countries are proactively pursuing green ammonia projects to diversify their energy mix and reduce carbon footprint, the Gulf Petrochemicals and Chemicals Association (GPCA) has said in a newsletter.

The GCC's journey in nitrogen production began in the 1960s when countries started converting flared gas into valuable agri-nutrient products, marking the birth of the region's petrochemical industry, noted Noora Mukhtar, Research Specialist at GPCA.

Since then, the GCC has continuously expanded its nitrogen production capacities, modernising facilities and increasing efficiency.

Since these early efforts, the GCC countries have continuously expanded their nitrogen production capacities.

Major investments have been made to modernise facilities and increase production efficiency. The ample investments in nitrogen capacity in the GCC are part of a broader trend within the GCC countries to enhance their industrial capabilities and economic diversification efforts.

Regions with access to renewable energy sources, such as solar and wind, are gaining traction in attracting nitrogen investments.

The integration of renewable energy into nitrogen production processes holds the promise of reducing GHG emissions and aligning with the industry's sustainability goals.

For example, countries like Morocco, with its vast solar potential, and Chile, known for its abundant wind resources, are actively courting investments in green nitrogen production facilities.

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Similarly, the GCC countries are proactively pursuing green ammonia projects to diversify their energy mix and reduce their carbon footprint. Several GCC nations have unveiled ambitious plans to establish green ammonia facilities, capitalising on their renewable energy endowments and commitment to environmental stewardship.

The nitrogen fertiliser industry stands at a pivotal moment, marked by evolving investment patterns driven by sustainability and resilience, Mukhtar noted.

Leveraging its resource advantages and strategic initiatives, the GCC region is poised to play a critical role in the future of nitrogen production.

Balancing economic viability with environmental stewardship will be key to the success of these investments.

To facilitate the transition in nitrogen investments, regional collaborations and infrastructure development are gaining momentum. Investments in research and development are driving market growth, supported by GCC governments through subsidies, financial assistance, and technological advancements.

These measures are fostering more favourable conditions for fertiliser adoption across the region.

The convergence of geopolitical shifts, regulatory changes, and sustainability imperatives is creating a dynamic landscape for nitrogen investments.

The GCC region, with its strategic initiatives and investments in both traditional and green ammonia projects, is well-positioned to capitalise on these emerging opportunities and contribute to meeting global nitrogen demand while aligning with environmental goals, Mukhtar noted.

Tesla annual deliveries fall for first time as competition hurts demand

Reuters
New York

Tesla reported its first decline in annual deliveries yesterday, as the automaker handed over fewer-than-expected electric vehicles in the fourth quarter and incentives failed to boost demand for its ageing line-up of models.

Shares of the company fell about nearly 6%, indicating investor worries over the challenges facing CEO Elon Musk, who expected promotions including zero-interest financing to power a "slight growth" in deliveries in 2024.

Reduced European subsidies, a shift in the US toward lower-priced hybrid vehicles and tougher competition especially from China's BYD have pressured Tesla.

In response, Musk pivoted Tesla to self-driving taxis and backed President-elect Donald Trump with millions of dollars in campaign donations in hopes that it could bring regulatory relief for the company.

Tesla handed over 495,570 vehicles in the three months to December 31, missing estimates of 503,269 units, according to 15 analysts polled by LSEG. It produced 459,445 vehicles in the period,

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down about 7% from a year ago.

Deliveries for 2024 totalled 1.79mn, 1.1% lower than a year ago and below estimates of 1.806mn units, according to 19 analysts polled by LSEG.

That was ahead of rival BYD, which reported a 12.1% rise in sales of battery-electric vehicles to 1.76mn in 2023 thanks to competitive prices and a strong push into Asian and European markets.

Morgan Stanley analysts said Tesla's ageing products and increased availability of cheaper alternatives outweighed any rise in promotional activities.

With self-driving technology still years away, analysts have said Tesla would have to rely on cheaper versions of current cars and the Cybertruck to achieve Musk's target of 20-30% sales growth in 2025.

The truck, known for its futuristic design, has been showing signs of demand weakness, analysts have said.

Tesla has yet to break out deliveries for the Cybertruck. The company said yesterday it handed over 471,930 Model 3 and Model Y vehicles and 23,640 units of other models, including the Model S sedan, Cybertruck and Model X premium SUV.

Tesla shares are coming off a strong 2024, in which they rose more than 60% thanks to Trump's election victory.

Musk has said he plans to leverage his promised role as a government-efficiency czar under the Trump administration to advocate for a federal approval process for autonomous vehicles to replace the current state-specific laws, which he described as "incredibly painful" to navigate.

Tesla's Autopilot and "Full Self-Driving" technologies, which are not yet fully autonomous, have been the subject of scrutiny due to lawsuits, US traffic safety regulator probe and a Department of Justice criminal investigation.

Turkiye inflation 'likely missed central bank target' for end-2024

Bloomberg
Istanbul

Turkiye's annual inflation in December likely eased less than the central bank projected, just as policymakers have started to set the stage for a more accommodative stance in the new year.

Annual growth in consumer prices slowed to 45.2% in December from 47.1% a month earlier, according to the median forecast in a Bloomberg survey of analysts. The data is due today. The central bank earlier raised its year-end estimate to 44% from 38% in November.

The central bank was at pains in 2024 to cool off demand and gain a hold over inflation expectations, raising borrowing costs to as high as 50%.

Still, the central bank delivered a bigger-than-anticipated rate cut of 250 basis points at the end of December, even as it maintained a hawkish stance by narrowing the difference between its lending and borrowing rates and warning it would remain cautious about future moves.

The monetary authority justified lowering borrowing costs — the first time since February 2023 — by citing preliminary data showing an improvement in services inflation and the underlying trend in monthly prices in December.

Analysts expect monthly inflation to slow to 1.60% in December, according to the Bloomberg poll. Seasonally-adjusted data, closely monitored by the central bank, will be published on Monday.

"The central bank's larger-than-expected rate cut launching its easing cycle suggests the political ask related to lower borrowing costs is carrying more weight for policymakers than the elevated inflation outlook. And that's after factoring in the narrowing interest rate corridor — the second act from the policy decision — which we think is meant to dampen the dovish shock from the rate cut. Taken together, all this flags a downside risk to our outlook for gradual easing to an end-2025 policy rate of 25%," says Selva Bahar Baziki, economist, Bloomberg Economics.

Accommodation from the fiscal side is poised to help cool down price growth further. Turkish Finance Minister Mehmet Simsek said on Sunday that tax increases on fuel and tobacco would be adjusted enough not to "endanger" the central bank's inflation outlook, which at present foresees prices easing to 21% by the end of 2025.

PBoC seen delaying reserve ratio cut after $233bn cash injection

A man walks past the headquarters of the People's Bank of China in Beijing. The PBoC previously flagged it could free more cash for banks by cutting the reserve requirement ratio again one more time by the end of 2024. It's now expected to make that move in the first quarter of this year, keeping officials' powder dry on a closely watched tool that could alleviate the negative impact from fresh US tariffs.

Bloomberg
Hong Kong

China's central bank injected massive liquidity into the market at the end of 2024 without using high-profile stimulus, as officials preserve policy space before US President-elect Donald Trump returns to office.

The People's Bank of China (PBoC) previously flagged it could free more cash for banks by cutting the reserve requirement ratio again one more time by the end of 2024. It's now expected to make that move in the first quarter of this year, keeping officials' powder dry on a closely-watched tool that could alleviate the negative impact from fresh US tariffs.

To ensure the market has enough liquidity, the PBoC instead last month injected 1.7tn yuan ($233bn) of cash to banks via the outright reverse repo and government bond purchases. That operation exceeded the largest amount of monthly one-year loans ever provided via the medium-term lending facility — previously the PBoC's flagship tool for liquidity injections that's now heading into retirement.

That move helped mitigate a record withdrawal of liquidity via the MLF last month, resulting in a net addition of cash of 550bn yuan — equivalent to the impact of a 25-basis-point cut to the RRR, according to analysts.

"RRR cut has been assigned the role of countering tariff risks and stabilizing markets, so it will mostly likely be delayed until US imposes higher tariffs," said Xing Zhaopeng, senior China strategist at Australia & New Zealand Banking Group Ltd, adding that he sees a potential window ahead of the Lunar New Year holiday, which starts on January 28.

China's economy has shown signs of recovery after officials rolled out a broad package of stimulus since late September, but the growth outlook remains challenging due to a possible second trade war with the US. Top leaders have signalled a more supportive stance regarding liquidity in 2025, in order to ensure banks have enough money to lend to the economy. A rise in government bond sales in the coming years would also require cash in the market to absorb the notes.

The PBoC has several reasons to go slowly on lowering the amount of cash banks keep in reserve, including its need to stabilize the yuan and avoid fuelling another rally in the government bond market.

A RRR cut — which is typically used only sparingly — could add more pressure to the Chinese currency because it sends a strong signal of monetary easing. That could lead to a reduction in yuan assets' yields compared with dollar assets and drive capital outflow.

If the Federal Reserve sends a more dovish signal in January, there could be greater space for China to cut the RRR ahead of the Lunar New Year, according to Bruce Pang, distinguished senior research fellow at the National Institution for Finance and Development, a think tank.

The central bank has also signalled its discomfort with a record-setting sovereign bond rally after yields plummeted to historic lows. Adding too much liquidity could encourage investors to pile into the bonds.

Liquidity often gets tight at the end of the first quarter, so that could be when the officials eventually decide to pull the trigger on another RRR cut, said Zhou Hao, chief economist at Guotai Junan International.

China's top policymakers pledged to adopt a "moderately loose" monetary policy in 2025, moving away from a "prudent" stance that held for 14 years. The PBoC is also revamping its toolbox in order to influence markets more effectively and flexibly.

"Substantial action will be necessary to effectively stimulate demand in 2025," said Carlos Casanova, senior Asia economist at Union Bancaire Privee. "In addition to sustained liquidity support, we expect the bank to expand its balance sheet significantly and won't rule out the possibility of outright equity purchases."

BUSINESS

Crypto's $205bn stablecoin market set to go mainstream

Bloomberg
New York/London

While Bitcoin's surge above $100,000 captivated the headlines in 2024, many financial firms were more focused last year on a different type of cryptocurrency whose price is never meant to rise — or fall for that matter.

Mainstream players such as Visa, PayPal Holdings Inc, Stripe Inc and others are making investments in projects involving stablecoins, which are crypto tokens typically designed to be pegged to the value of the US dollar or another traditional currency.

This sub-sector of the digital-asset space has proven to be a lucrative business, now that issuers are able to invest reserves backing stablecoins in short-term US Treasuries with attractive yields. And unlike Bitcoin and other tokens prone to price volatility, use of stablecoins as actual currencies in transactions is gaining popularity around the world.

"We've seen significant growth in demand from some of the largest companies in the world that participate in under-served payment verticals like global contractor and employee payouts, trade finance, and remittance," said Rob Hadick, a general partner at digital-asset venture firm Dragonfly. "There is both significant demand from end users in receiving US dollars, which can be near impossible using non-stablecoin rails, but also from senders who want to bypass the correspondent banking system which can be slow, costly, and have high failure rates."

This year is poised to see competition ramp up in stablecoins, which collectively have grown to about $205bn in market capitalization, according to tracker DeFiLlama. While Tether Holdings Ltd's USDT extended its lead in the market last year, reaching a current market capitalization of about $140bn, headwinds to its dominance are emerging as the calendar flips to 2025.

The European Union's Markets in Cryptoassets rules require all stablecoins listed on centralized exchanges to be issued by an entity with a so-called e-money license. Circle Internet Financial Ltd, Tether's main competitor, received such a permit in July. Tether has yet to apply for one, meaning the token risks being delisted by exchanges. Several crypto exchanges operating in the EU have already delisted USDT.

Meanwhile, several US companies are getting into the business. Visa launched a new platform called Visa Tokenized Asset Platform for banks to issue stablecoins and other tokens. The financial-technology company Revolut is considering issuing its own stablecoin, Bloomberg reported in September.

Stripe, the payments company founded by billionaire brothers Patrick and John Collison, has acquired fintech platform Bridge, which specializes in stablecoin transactions. PayPal already has its own dollar-tracking cryptocurrency called PYUSD that was created in a collaboration with New York-based Paxos.

Stablecoin "issuance is an attractive business model today," said Augustus Ilag, investment partner and head of Asia at CMT Digital. "Many players have woken up to just how attractive this can be, off the back of the success of companies like Circle and Tether. By launching stablecoins, companies gain a new revenue stream, a compelling addition for many businesses looking to diversify their offerings."

Because stablecoins are running on blockchains, it reduces the transaction costs and improves overall efficiency to move money, added Ilag.

In lacklustre year for emerging markets, riskiest bonds shine

Bloomberg
London

Dollar bonds from some of the world's weakest economies have emerged as the bright spot in what's otherwise been yet another lacklustre year for emerging-market assets.

While many emerging assets ended the year with gains, their returns pale in comparison with those on Wall Street. Among currencies tracked by Bloomberg, just three from the developing world have managed to strengthen in the face of a rising US dollar.

MSCI's index of EM stocks has notched a 5% return — its second straight year of gains — but that compares with a 17% gain on global equities and 20%-plus on the S&P 500 Index. Investors in EM local-currency debt, meanwhile, have seen an average 2.1% return.

Emerging-market equities and local-currency bonds "underperform their US peers by default whenever the US dollar strengthens," said Simon Quijano-Evans, chief strategist at Gramercy Ltd in London. He said the asset class's performance next year hinges now on President-elect Donald Trump's policies, "and what they mean for the US dollar." Equities outperformed in Argentina, Pakistan, Sri Lanka and Kenya, while China's stock index rose almost 15%, its best annual advance since 2020, thanks to Beijing's stimulus efforts.

Bloomberg's gauge of EM high-yield dollar bonds was the top performing asset in emerging-markets with a 15% gain in year to date on December 31, and was set for its best year since 2016.

Countries such as Argentina and Ghana benefited from economic reforms, with some Argentine dollar bonds notching gains of over 100%. Others, like Ukraine, gained as investors grew more hopeful that a Trump presidency could end its war with Russia. Some recently restructured Ukrainian bonds gained more than 45% since September.

Such markets far outperformed EM investment-grade debt which returned a meagre 1.7% while the broader index of EM debt handed investors a 6.5% gain.

Carlos de Sousa, an emerging market debt portfolio manager at Vontobel Asset Management, is sceptical the high-yield rally can sustain last year's pace, and said that country and credit selection will be key from here.

"We're a lot more diversified than usual at the moment, as many of our favourite bets did play out in 2024," he added. Meanwhile, a 7.7% gain in Bloomberg's dollar index kept EM currencies under pressure, with an MSCI gauge set to end the year in the red. Only the Malaysian ringgit, Hong Kong dollar, Thai baht have managed to strengthen last year.

Near the bottom is the Brazilian real which has weakened 21% against the greenback, undermined by a budget deficit of about 10% of the country's gross domestic product. The Mexican peso is not far behind, having shed 18%, as the prospect of Trump's trade tariffs weighed.

"The strong underperformance of many Latam currencies was certainly an eyecatcher, especially as they also faced some of the highest real interest rates," Quijano-Evans said.

The South African rand has depreciated for the fifth straight year against the dollar, yet rising investment, slowing inflation and reform efforts by a new government have slowed its decline. Analysts predict it to strengthen 15% in 2025.

China proposes further export curbs on battery, critical minerals technology

Reuters
Beijing

China's commerce ministry has proposed export restrictions on some technology used to make battery components and process critical minerals lithium and gallium, a document issued yesterday showed.

If implemented, they would be the latest in a series of export restrictions and bans targeting critical minerals and the technology used to process them, areas in which Beijing is globally dominant.

Their announcement precedes the inauguration later this month of Donald Trump for a second term during which he is expected to use tariffs and various trade restrictions against other countries, in particular China.

Adam Webb, head of battery raw materials at consultancy Benchmark Mineral Intelligence, said China's proposals would help the country retain its 70% grip on the global processing of lithium into the material needed to make electric vehicle (EV) batteries.

"These proposed measures would be a move to maintain this high market share and to secure lithium chemical production for China's domestic battery supply chains," he said. "Depending on the level of export restrictions imposed, this could pose challenges for Western lithium producers hoping to use Chinese technology to produce lithium chemicals."

The proposed expansion and revisions of restrictions on technology used to extract and process lithium or prepare battery components could also hinder the overseas expansion plans of major Chinese battery makers, including CATL, Gotion and EVE Energy.

Some technologies to extract gallium would also be restricted.

Thursday's announcement does not say when the proposed changes, which are open for public comment until February 1, could come into force.

Climate tech funds see cash pile rise to $86bn as investing slows

The amount of new capital for climate tech investing climbed globally in 2024, a hopeful sign that the sector is poised to grow despite still-high interest rates and likely regulatory changes ahead in the US, reports Bloomberg.

Climate funds added $47bn in assets under management, a 20% bump over 2023, according to a report released recently by market intelligence firm Sightline Climate. Much of the uptick was driven by financial heavyweights like Brookfield Corp and TPG Inc raising a second, third or even fourth climate-targeted fund.

"These mega-funds coming out for their second fund is a positive signal in many cases because it's a proof point that their first fund was successful," said Kim Zou, the CEO and co-founder of Sightline Climate.

While the money added climbed, the number of investors who participated in a climate deal shrank by 18% and the deployment of capital slowed. Funds have roughly $86bn in dry powder, a sign investors are backing away from riskier bets in favour of proven technologies and companies.

Bloomberg QuickTake Q&A

Why US port workers are threatening to strike, again

By Laura Curtis and Brendan Murray

Ever since metal boxes big enough to hold 50 refrigerators revolutionized shipping nearly 70 years ago, dockworkers have fought to defend the importance of skilled labour in global commerce. Yet technological advances in robotics and automation continue to threaten their roles, especially in US ports. The International Longshoremen's Association, or ILA — the 47,000-member union that represents cargo handlers at every major Eastern US and Gulf Coast port — is threatening to walk off the job on January 15 as its leaders seek new protections from automation. A strike would pose economic risks for the country and a political dilemma for President-elect Donald Trump just days before his inauguration.

Why are US port workers threatening another strike?

The longshoremen — who play a key role in the global supply chain — are negotiating with the US Maritime Alliance, or USMX, a group of shipping lines and terminal operators that employ them to load and unload container ships. In early October, a three-day ILA strike won generous pay concessions while barely denting the US economy; the union agreed to suspend its walkout until mid-January. A strike is still a possibility because one point of contention remains unresolved: the threat of automation. USMX had offered to maintain the automation language in the now-expired contract, but the ILA wants stronger protections — specifically closing loopholes that allow some of their duties to be done by semi-autonomous equipment.

Who are the main players?

The ILA's president is Harold Daggett, a third-generation member of the union and a Navy veteran who grew up in Woodside, Queens. He's a tough-talking negotiator who previously helped ink two six-year deals with the USMX. Daggett has threatened to take his campaign against port automation global by boycotting companies that install machines that replace labour, no matter which country they're in. Dennis Daggett, Harold's son and his ILA deputy, wrote in a Facebook post in early December that "this is a pivotal moment in our history." The Daggetts are up against David Adam, CEO of the USMX, which represents more than 30 port businesses including Maersk, MSC and COSCO. The two sides had previously negotiated 10 straight contracts without a strike.

How is the shipping industry preparing?

In the event of a strike, companies should expect delays in cargo and higher freight rates, some of which could be passed on to American consumers through increased prices. On December 24, Hapag-Lloyd alerted its customers to expect surcharges of $850 for 20-foot containers and $1,700 for 40-foot units affected by a strike.

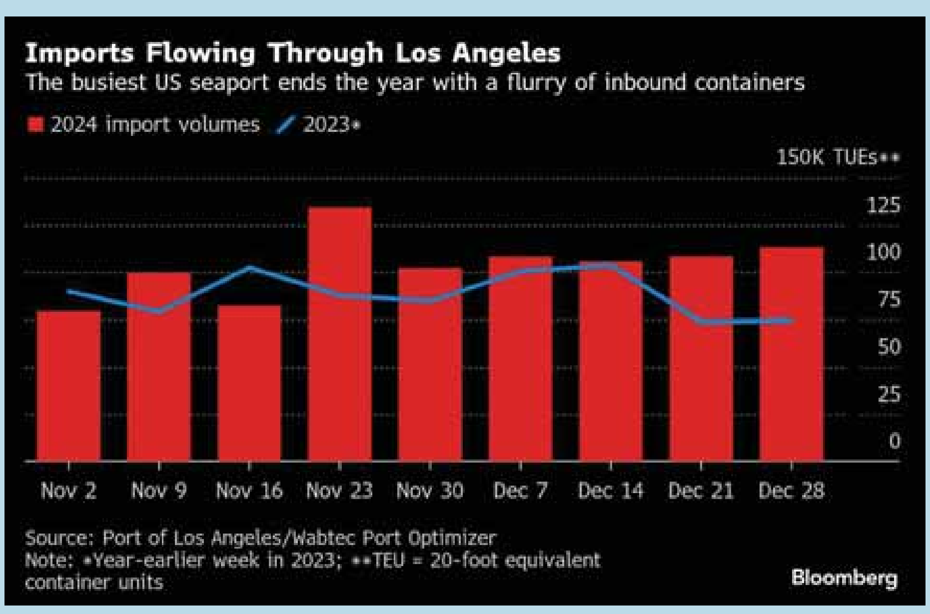
If a strike drags on for weeks, the container companies will cancel voyages so their vessels aren't waiting outside harbours indefinitely. Their system is designed without much flexibility: A ship that's delayed entering a port by a week will be a week late on its return trip. The end result is tighter capacity, which has been an ongoing issue because of Houthi attacks in the Red Sea that forced ships to take the longer route around southern Africa instead of passing through the Suez Canal. In the short term, less capacity can be a good thing for the carriers because it allows them to charge more. In the longer run, though, it leads to unreliable schedules and unhappy customers.

What's the potential economic impact?

Most economists expect another strike will be a non-event if it lasts less than a week or two. Delayed shipments will arrive before long, and the hit to gross domestic product will be negligible. The forecasts for damage range from $1bn to $5bn in lost activity each day — a small fraction of the $29tn US economy. The problems start to compound, however, if it lasts more than a few weeks with component and product shortages weighing on industrial production and consumer sentiment. Most automakers, for instance, have contingency plans and ample inventories to weather a few weeks of a strike. Plenty of other businesses are apparently planning for the worst, too. The Port of Los Angeles, the nation's busiest gateway for seaborne trade, is seeing brisk activity heading into 2025 without signs of bottlenecks — a pickup attributed to front-loading of import orders. But as the pandemic showed, supply disruptions tend to feed on themselves, as shortages cause businesses and households to stockpile out of panic.

What about the politics of a port strike?

The US president has the authority to end a strike and order the union back to work under the Taft-Hartley Act. Such intervention makes for tricky politics, however, given the US presidential inauguration on January 20. Trump has spent time since his election win threatening various US trading partners with tariffs and calling for a more efficient federal government, but he's also expressed support for the ILA's fight against automation. While that could put pressure on the USMX to do a deal, some experts would argue that the long-term competitiveness of American ports would suffer if advances in automation that improve fluidity are disallowed in a new six-year contract with the union.



The US flag flutters in the wind as cranes stand above cargo shipping containers at the Port of Los Angeles, California. The International Longshoremen's Association, or ILA — the 47,000-member union that represents cargo handlers at every major Eastern US and Gulf Coast port — is threatening to walk off the job on January 15 as its leaders seek new protections from automation.

EVs, nuclear and forever chemicals: Climate predictions for 2025

Bloomberg
London

From record solar installations to rising electric vehicle sales, the world is in many ways ramping up the fight against global warming.

Yet there are coal-black swans waiting to disrupt the green transition this year. From the US to Japan, power demand is expected to significantly increase as data centres demand more electricity for artificial intelligence (AI). This is forcing some utilities to rethink the phase-out dates of their fossil-fuel power stations. (It's also causing nuclear energy to have a revival too.) All of this is happening as President-elect Donald Trump prepares to take office. Trump has already promised to end what he calls Washington's "green new scam". On day one he's pledged to scrap offshore wind projects, which would be another blow to an industry plagued by bottlenecks. He's also vowed to abandon the Paris Agreement, which calls for nations to limit global warming to ideally 1.5C before the end of the century.

Even before Trump enters the White House, the planet is showing worrying vital signs with scientists virtually certain 2024 was the warmest year on record and the first in which global temperature rise exceeded 1.5C.

What more can we expect in 2025? Bloomberg reporters and editors, along with BloombergNEF analysts, have selected 15 trends that will shape the future of the planet this year.

Solar installation rate slows in 2025

The solar market grew by 35% in 2024, but BloombergNEF expects global installations to only increase by 11% this year. As solar makes up a bigger proportion of countries' electricity mix, networks will struggle to integrate surplus daytime power into their grids. Still, solar will remain the largest source of new generation added to grids around the world in 2025.

Coal gets another life extension

Last month the International Energy Agency scrapped its forecast for peak coal consumption, saying use of the world's dirtiest fuel will continue to break records until at least 2027. While coal demand has plummeted in many Western countries, an increasing appetite for the fuel source in India and China is more than enough to offset that. Meanwhile US utilities are being faced with a surprise rise in power demand for factories and homes, electric vehicles and heating, and especially data centres and artificial intelligence. For some, the green transition may be put on hold as they turn to the reliability of gas and coal power plants.

ESG investing isn't going away

The ESG label has become so freighted with politics that it may soon disappear. But Bloomberg Intelligence analysts say it doesn't matter. What matters is the principles behind environmental, social and governance investing will continue to impact companies and markets in a warming world. In the US, right-wing politicians continue to score points with Big Oil by attacking ESG. And there's evidence European firms are cooling to it because of regulations aimed at quashing greenwashing. Still, more than $3tn has been invested globally in the energy transition since 2021 and there's trillions more to come. There will be money to be made in the transition — no matter what you call it.

Offsets standards will probably get looser

The most prominent arbiter of corporate net-zero targets, the Science Based Targets initiative (SBTi), will make a decision this year on the role carbon credits can play in meeting climate goals. Today SBTi's rules only allow companies to use offsets for no more than 10% of the emissions from their full range of activities by 2050. Last year the organization had to walk back an announcement that credits could be used to neutralize all of a company's supply chain emissions after critics argued this would lead to widespread greenwashing. Following a lengthy review process at SBTi, BloombergNEF expects the group will offer more flexibility than it does now, with caveats around quality of offsets. Yet any decision SBTi makes will send shockwaves throughout the carbon credit world and set the pace for future growth.

Oil markets reckon with Chinese EV success

Electric vehicle fever has cooled in some parts of the world. Not so much in China, which BloombergNEF forecasts will represent 65% of all EVs sold globally this year. The shift to electric led the nation's top oil company to move up its forecast for peak demand by five years to 2025, and analysts expect a steep decline after. That's bad news for Opec, as China has accounted for more than half of global consumption growth this century.

Long-unloved nuclear comes back

Nuclear power is having a revival. In Europe, concern about global warming and the security of energy supplies amid Russia's war in Ukraine has sparked renewed interest in the energy released by splitting atoms. In the US, giant tech companies have been turning to nuclear as a climate-friendly power source. Expect to hear more news about restarting some of the big nuclear plants that have closed, and more interest in the next generation of reactors that are still under development but are expected to be smaller and easier to install.

Startups look for a new promised land

President Joe Biden's Inflation Reduction Act fuelled a climate tech boom in the US. With Trump's return, many entrepreneurs are reconsidering where to build their businesses. The prospect of weakened government support for carbon-cutting technologies has spurred some companies to hold off on US expansion plans, explore opportunities abroad and even begin the search for a new home. If those startups actually do pack their bags, expect a climate brain drain that could hamper America's competitiveness in the global race for next-generation innovations.

The Arctic moves up the priority list

Global warming is accelerating at the top of the planet. Scientists will continue to track the Arctic's diminishing role as a shield against climate change as feedback loops caused by disappearing sea ice, thawing permafrost and underground wildfires turn parts of this once pristine region into a carbon source. Meanwhile, the Arctic will get busier. From new sea routes, to oil and gas deposits, to tourism, non-Arctic states including China will be keen to unlock more of the region's economic potential. At the same time, tensions between Russia and the seven Nato countries that make up the rest of the Arctic are boosting its strategic security value. Oh, and Trump wants to buy Greenland.

Climate scientists rethink some assumptions

As carbon dioxide levels rise and rise, the weather has become more extreme and unpredictable. Scientists are now grappling with how to provide governments and industry with useful analysis about risks. Flood simulation is just one area that's facing scrutiny. Meanwhile, extreme weather has prompted some to look more closely at technologies that were once on the fringes of climate science. Geoengineering is becoming a growing area of interest for some Silicon Valley entrepreneurs.

Development banks lead on COP29 pledges

One thing that helped countries reach a compromise to raise annual climate finance to $300bn by 2035 at COP29 was a COP30 roadmap aimed at reaching $1.3tn of funding for developing countries each year. This year there will be lots of talk about how exactly that huge leap can be made. Most immediately, actual funding increases will come from multilateral development banks such as the World Bank and European Investment Bank. They're the only sources with a mandate and the financing available to increase lending by tens of billions of dollars in a 2025.

Brazil's UN climate talks look messy

COP30 will take place in Belem, an impoverished, remote Amazonian city without the infrastructure for a global meeting that regularly draws rock-concert levels of attendance. It won't be a surprise if events, such as world leader gatherings, are held in alternative locations or on different dates. Accommodation is being hastily built. Ships have been considered for some lodging, an option that requires dredging. The fieriest exchanges will be between nations over their individual climate ambitions. Countries are due to submit new targets by early February, a deadline most will miss. Many proposed emissions cuts are likely to be made conditionally, with some wanting to see finance flows first.

The world gets a partial plastics treaty

There is increasing momentum from the majority of the world to curb the production and consumption of plastic and ban dangerous chemicals used in the material. UN-brokered talks aimed at producing a legally binding treaty late last year were stymied by a small group of oil producing countries including Saudi Arabia and Russia and are scheduled to resume this year. In the meantime, expect a growing group of more than 100 countries frustrated by the consensus-led UN process to launch their own effort to drastically reduce plastic's use in their own nations.

Miners prepare to exploit the deep ocean

For years mining companies have had their eye on the deep ocean, which contain the largest estimated deposits of minerals on the planet. This year the UN-affiliated organization that oversees deep-sea mining aims to finalise regulations that would allow such activities to proceed in international waters. China is already planning to deploy a test seabed mining machine in July to one of its licensed areas in the Pacific. Elsewhere, Japan says it'll begin mining in its territorial waters. Scientists have repeatedly warned that mining could have catastrophic environmental consequences, as little is known about the unique deep sea ecosystems.

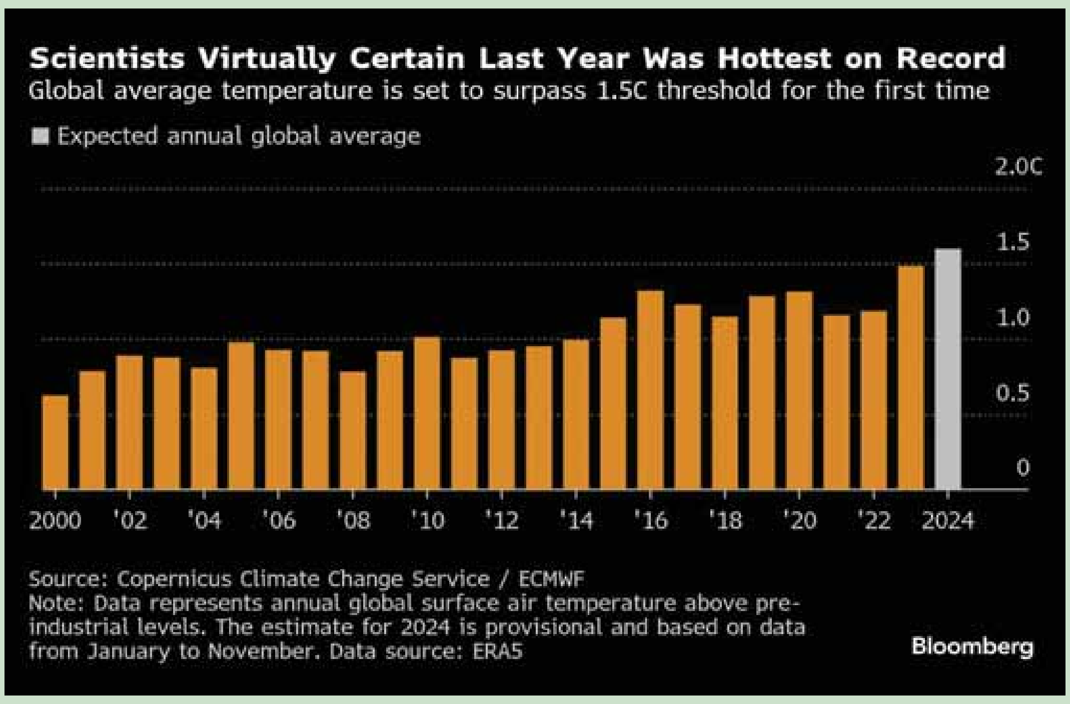
The anti-consumption movement grows

For years social media has been dominated by extreme consumption, marked by clothing hauls that arrive in refrigerator-sized boxes, massive cosmetic restocking and even grocery store hauls. But in recent months there's been growing pushback. Influencers, especially on TikTok are saying that for 2025 they are turning to underconsumption. In the past month there's been a 13,233% increase in use of the term on the platform, while Google trends has similarly noticed a spike in the word since July. Those who are pledging to buy less say they're motivated by a desire to reduce debt or increase savings, get rid of clutter, and to do better by the environment.

The era of PFAS-free clothing emerges

Starting January 1, businesses in California and New York are banned from selling new raincoats, shirts and other everyday apparel with intentionally added per- or poly-fluorinated chemicals, or PFAS for short. California's ban also covers linens and some other textiles. There's growing evidence linking these so-called forever chemicals to cancer and other health problems. In response to the two US state bans, some companies including outdoor gear and apparel maker Patagonia, Inc have updated their products globally, meaning consumers everywhere stand to benefit.

Electric cars for export are waiting to be loaded on the "BYD Explorer NO.1", a domestically manufactured vessel intended to export Chinese automobiles, at Yantai port, in eastern China's Shandong province (file). The electric vehicle fever has cooled in some parts of the world. Not so much in China, which BloombergNEF forecasts, will represent 65% of all EVs sold globally this year.



Asia LNG prices to rise after Russia-Ukraine transit ends

An LNG tanker passes boats along the coast of Singapore. The end of Russian natural gas flows to Europe via Ukraine is likely to boost competition with Asia and prices for alternatives, reports Bloomberg. Ukraine hopes increased supply of gas from the US and other producers to Europe will make prices more comfortable, President Volodymyr Zelensky said in a Telegram post on Wednesday. Russia's invasion of its neighbour in February 2022 sparked an energy crisis in Europe that led to a jump in regional benchmarks and international liquefied natural gas prices. "This is going to further tighten the LNG market," Scott Darling, a managing director at Haitong International Securities, said on Bloomberg TV yesterday. "Supply, particularly for LNG, is tight, and we see more upside risk to spot LNG prices this year and next." Gas flows from Russia to Europe via Ukraine halted on Wednesday, bringing to an end more than five decades of the key conduit for the region. While the move was expected after months of political wrangling, Europe will still have to replace about 5% of its gas and may rely more heavily on storage, which has fallen below average levels for the time of year. Prices rose in anticipation of the cut-off, with Europe's gas benchmark closing 2024 up more than 50%. Those gains haven't yet been fully reflected in the cost of the normally more-expensive LNG that nations including Japan and South Korea are heavily reliant on.

Europe, Asia and US factories end 2024 on weak footing as Trump 2.0 risks mount

- **European manufacturing activity fell sharply in December**
- **Asia's factory activity slows amid weak Chinese demand**
- **US activity contracts for a 6th straight month**
- **Trump's tariff threats impact major trading partners**
- **Taiwan sees growth, while South Korea and Japan face declines**

Reuters
London

Factory activity in Asia, Europe and the US ended 2024 on a soft note as expectations for the new year soured amid growing trade risks from a second Donald Trump presidency and China's fragile economic recovery.

A manufacturing slowdown in the eurozone intensified last month, with scant signs of a rebound anytime soon as the bloc's three largest economies — Germany, France and Italy — remained stuck in an industrial recession.

Manufacturing purchasing managers' indexes for December from across Asia published on Thursday showed factory activity slowing in China and South Korea although there were some signs of a pickup in Taiwan and Southeast Asia.

In the US, activity contracted for a sixth straight month to wind up another year of below-par production across the factory sector.

US President-elect Trump has pledged to impose tariffs across the board, with bigger barriers on imports from three major trading partners — Mexico, Canada and China. The Caixin/S&P Global manufacturing PMI for China nudged down to 50.5 in December from 51.5 the previous month, undershooting analysts' forecasts and indicating activity grew only modestly.

A worker operates machines at a textile factory in Nantong, in eastern China's Jiangsu province. The Caixin/S&P Global manufacturing PMI for China nudged down to 50.5 in December from 51.5 the previous month, undershooting analysts' forecasts and indicating activity grew only modestly.

Gabriel Ng, assistant economist at Capital Economics, said Beijing's increased policy support in late 2024 provided a near-term boost to growth, which is likely to be seen in other fourth quarter indicators.

"And this improvement should carry over into early 2025," Ng said. "But the boost probably won't last more than a few quarters, with Trump likely to follow through on his tariff threat before long and persistent structural imbalances still weighing on the economy."

In Europe, HCOB's eurozone manufacturing Purchasing Managers' Index, compiled by S&P Global, dipped to 45.1 in December, just under a preliminary estimate and further below the 50 mark separating growth from contraction, where it has been since mid-2022.

"Output in the eurozone remained under pressure at the end of 2024, held back by a continued slide in new orders in both the domestic market and in exports," noted Claus Vistesen, chief euro zone economist at Pantheon.

Factory activity in Germany fell deeper into contraction territory last month on sharper declines in output and new orders while activity in France declined at the fastest pace in more than four years.

In Britain, outside the European Union, factory activity shrank at the quickest rate in 11 months and firms reduced staffing levels due to higher taxes and weak foreign demand.

Meanwhile, the S&P Global US Manufacturing Purchasing Managers' Index fell to 49.4 in December from 49.7 in November, but it was up from the 'flash' reading of 48.3. A separate reading on the US factory sector from the Institute for Supply Management will be released on Friday and is also expected to show sluggishness.

"US factories reported a tough end to 2024, and have scaled back their optimism for growth in the year ahead," Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, said in a statement. "Factories are reporting an environment of subdued sales and inquiries, notably in terms of exports."

Elsewhere in Asia, South Korea's PMI showed activity shrinking in December and the decline in output gathering pace, a stark contrast to better-than-forecast export growth figures released on Wednesday.

South Korea's central bank governor said yesterday the pace of monetary policy easing would need to be flexible this year due to heightened political and economic uncertainty.

In addition, South Korea is dealing with the hit to business confidence from a national political crisis after a failed bid by President Yoon Suk-yeol last month to impose martial law.

Earlier in the week, Japan's PMI showed activity shrinking in December, albeit at a slower pace. Malaysia and Vietnam also reported declines in factory activity.

US weekly jobless claims hit eight-month low as labour market remains resilient

Reuters
Washington

The number of Americans filing new applications for unemployment benefits dropped to an eight-month low last week, pointing to low layoffs at the end of 2024 and consistent with a healthy labour market. The report from the Labor Department yesterday added to a recent raft of upbeat economic data, including consumer spending, in reinforcing the Federal Reserve's projections for fewer interest rate cuts this year. Labor market resilience is keeping the economic expansion on track.

"A stable job market will squelch the Fed's appetite for cutting rates aggressively amid nagging services inflation," said Jeffrey Roach, chief economist at LPL Financial.

Initial claims for state unemployment benefits dropped 9,000 to a seasonally adjusted 211,000 for the week ended December 28, the lowest level since April. Economists polled by Reuters had forecast 222,000 claims for the latest week.

There were sharp declines in unadjusted claims in California and Texas. Large increases in filings were recorded in Michigan, New Jersey, Pennsylvania, Ohio, Massachusetts and Connecticut.

Claims tend to be volatile around the end of the year. Through the volatility, however, they have remained compatible with a labour market that is steadily slowing at a pace that does not signal a deterioration in economic conditions.

The four-week moving average of claims, which strips out seasonal fluctuations from the data, fell 3,500 to 223,250.

The US central bank last month delivered a third consecutive interest rate cut, lowering its benchmark overnight interest rate by 25 basis points to the 4.25-4.50% range

The dollar rose to a two-year high against a basket of currencies, while stocks on Wall Street were slightly stronger. Yields on longer-dated US Treasuries edged higher.

The US central bank last month delivered a third consecutive interest rate cut, lowering its benchmark overnight interest rate by 25 basis points to the 4.25-4.50% range.

It, however, projected only two reductions in borrowing costs this year compared to the four it had forecast in September, acknowledging the resilience of the jobs market and economy. The Fed's policy rate was hiked by 5.25 percentage points in 2022 and 2023 to quell inflation.

The labour market is being underpinned by very low levels of layoffs, but employers are hesitant to add more workers after a hiring spree during the recovery from the Covid-19 pandemic.

As a result, some workers who have lost their jobs are experiencing long bouts of joblessness, with the median duration of unemployment approaching a three-year high in November.

The number of people receiving benefits after an initial week of aid, a proxy for hiring, decreased 52,000 to a seasonally adjusted 1.844mn during the week ending Dec 21, the claims report showed.

The so-called continuing claims continued to rise in Washington state, long after a strike by factory workers at Boeing ended. They remained elevated in North Carolina in the aftermath of the devastation caused by Hurricane Helene, and in Michigan and Ohio, which have suffered job losses in manufacturing. Economists have also attributed some of the continued elevation in the so-called continuing claims to difficulties stripping out seasonal fluctuations from the data. They expect the unemployment rate to have held steady at 4.2% in December.

The government is scheduled to publish its closely watched employment report for December next Friday.

"Businesses hired fewer employees in 2024 than they did in 2023 and 2022, leading to the persistent increase in continuing claims in 2024," said Stuart Hoffman, senior economic advisor at PNC Financial. "But the economy is still creating roughly enough jobs to keep up with labour force growth."

A separate report from the Commerce Department's Census Bureau showed construction spending was unchanged in November as a moderate rise in single-family homebuilding was offset by a sharp decline in outlays on multi-family housing projects. That followed an upwardly revised 0.5% rise in October.

European stocks jump into 2025, powered by energy sector gains

Reuters
London

European stocks kicked off the first trading session of 2025 on a high note on Thursday, buoyed by a strong performance in the energy sector, while global investors analysed fresh economic data from the US.

The pan-European STOXX 600 index rose 0.6% to 510.67, reversing modest losses earlier in the session as trading volumes were light with investors still returning from their New Year holidays.

Europe's oil and gas sector jumped 2.3% as crude prices surged 2% following a pledge by China's President Xi Jinping to promote growth. China is the world's top crude importer.

Utilities and defence each gained over 1.5%.

Meanwhile, automobiles and luxury stocks led sectoral declines, with losses of more than 0.4%.

The benchmark STOXX 600 suffered its worst quarterly drop in more than two years from October to December, weighed by uncertainty around interest rates and the Trump administration's policies that several market participants fear will boost inflation.

Still, the index clocked a roughly 6% gain in 2024, which was, overall, a positive year for stocks. The US market, in particular, jumped to all-time highs due to optimism about the adoption of AI and the Federal Reserve's interest rate cuts.

The STOXX 600, too, hit a record high last year but lagged the S&P 500's 23.3% surge, as a slowing European economy and political turmoil in Germany and France weighed on sentiment.

A survey showed manufacturers in the eurozone ended last year on a sour note, with factory activity declining at a faster rate, offering scant signals of an imminent recovery.

HCOB's final eurozone manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, dipped to 45.1 in December, just under a preliminary estimate and further below the 50 mark separating growth from contraction. Economists were expecting the index to hold steady at 45.2.

Across the pond, a Labor Department report showed jobless claims unexpectedly fell last week, consistent with a healthy labour market.

Major Wall Street indexes opened higher.

"For now, the focus is on what appears to be the enduring resilience of the American economy, with jobless claims falling sharply, underlying the buoyant labour market," said Susannah Streeter, head of money and markets at Hargreaves Lansdown. "There are hopes that companies will continue to shrug off the effect of high interest rates, while benefiting from lower taxes and expected de-regulation policies under a fresh Trump presidency."