

Business

NBK ECONOMIC REPORT

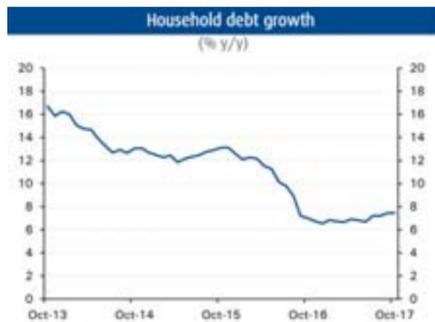
Kuwait's consumer sector on the mend amid broad-based recovery

Consumer confidence shows renewed strength

KUWAIT: The consumer sector appears to be on the mend, with clear signs of a recovery in 3Q17, following a noticeable slowdown in 2016 and 1H17. The recovery is broad based with strength materializing in card spending, consumer confidence and household credit, though most consumer indicators remain below the double-digit growth of previous years. Nonetheless, employment remains healthy, providing support to the sector.

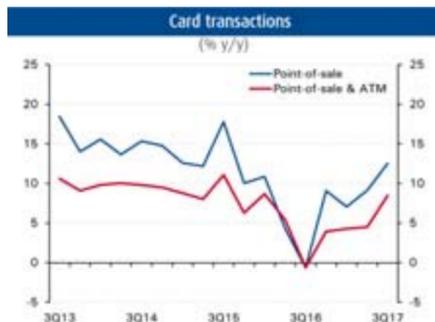
Consumer spending growth continued to recover in 3Q17, with growth nearing its 2015 pace. Spending growth on credit and debit cards at point-of-sale machines improved to 12.5 percent year-on-year (y/y) during the third quarter, up from -0.7 percent y/y in 3Q16. Growth in total spending including ATM withdrawals, which has been slower, has also been improving, accelerating to 8.5 percent y/y in 3Q17.

Durable goods continue to show some weakness, though a turn-around is expected soon. The contraction in car imports has moderated to a 5 percent y/y decline during the first nine months of 2017. The Ara consumer confidence index has also hinted at a possible rebound.



The durable goods sub-index registered its highest 3-month average in a year, coming in at 119 in November, up 16 percent y/y.

Overall consumer confidence has also improved



noticeably. The Ara general index registered its sixth consecutive month above 100, settling at 113 in November and averaging 107 since June 2017, compared to 94 over the same period in 2016.

The improvement in consumer confidence appears to be helping household loan growth pick-up steadily in 2017. Growth in personal facilities excluding credit for the purchase of securities has picked up in recent months to average 7.3 percent y/y between July and October 2017; this is compared to an average of 6.8 percent during the first half of 2017. The average monthly gain in such loans also rose to KD 92 million over that same period, well above 1H17's KD 58 million average.

Employment growth among Kuwaitis strengthened in 2Q17 following some moderation in 1Q17. The number of new civilian jobs among Kuwaitis totaled 4,200 in 2Q17, driven by a strong increase in government hires. Growth in employment, however, was steady at 2 percent y/y, around the slowest pace it has been in over seven years.

The consumer sector is likely to finish 2017 on a strong note. The decision to implement more moderate hikes in utility prices and the slow recovery in the real estate market activity, combined with a government commitment to limit its spending cuts, should continue to provide decent support to the consumer sector.

Mercedes-Benz claims luxury pole position in 2017

FRANKFURT: Mercedes-Benz said yesterday it had defended its top spot as the world's biggest luxury carmaker in 2017, with a surge in sales, particularly in China, enabling it to clock up another record year. The Stuttgart-based group reported sales of around 2.3 million cars last year, an increase of almost 10 percent on the figure for 2016 and its seventh record year in a row.

Much of the growth was attributable to Mercedes' breakthrough expansion in China, where sales grew by 26 percent, and the ever-rising appeal of its SUVs, with the luxury four-wheel-drive vehicles accounting for more than one in three sales worldwide.

The group claimed its three-pointed star remained the top high-end car

brand worldwide, after overtaking Munich-based rivals BMW in 2016.

BMW has yet to release full-year sales figures for 2017, but the latest release from November shows the group significantly lagging Mercedes. "Success in our core business provides the basis for us to actively shape the mobility of the future," said Dieter Zetsche, chief executive of Mercedes parent company Daimler.

Like other carmakers, Mercedes is investing heavily in hybrid and all-electric vehicles, as well as more efficient, less polluting traditional motors. Manufacturers are racing to polish up their environmental credentials and meet more stringent emissions requirements. — AFP

ASAR acts as legal counsel to KIPCO

KUWAIT: Al-Ruwayeh & Partners (ASAR), Kuwait's leading and most prominent corporate law firm, and one of the region's top tier firms, acted as Kuwait legal counsel to both Kuwait Projects Company (Holding) K.S.C.P. (as Issuer) and the Joint Lead Managers in the Issuer's KD100 million bonds issuance which was successfully completed on 28 December 2017. KAMCO Investment Company K.S.C.(Public), Gulf Bank K.S.C.P., and Watani Investment Company K.S.C.C. acted as Joint Lead Managers under the bond issuance transaction. The bond issuance was well received by both institutional and high net worth investors and was oversubscribed. Of note, the bond issuance is the first seven year corporate bond issuance to be issued in Kuwait.

Commenting on the bond issuance, Rob Little, Counsel at ASAR said: "We are very pleased to have been part of KIPCO's bond issuance transaction. While global and GCC markets remain under some pressure, we believe that similar transactions are key to the overall stability of steady economic growth. ASAR has a long established history of acting in leading capital markets transactions, and this current transaction is no exception."

Ibrahim Sattout, Partner at ASAR said: "Our involvement in KIPCO's latest bond issuance transaction and the popularity it received is a testament to the solid development of the local market. We strongly believe that Kuwait's private sector is steadily growing to align with the country's develop-



Ibrahim, Rob and John

ment plan. Today's announcement reaffirms the proficiency that ASAR enjoys, and we look forward to continue to assist our existing and new client's in achieving their goals and corporate objectives." John Cunha, Partner at ASAR said: "We are delighted to have acted on behalf of KIPCO and the joint lead managers on KIPCO's latest bond issuance. This transaction is a testament to the strength and depth of local and regional financial capital markets. The successful conclusion of this transaction is the result of the hard work of KIPCO, the joint lead managers, and the relevant regulators in Kuwait such as the CMA." With dedicated offices in Kuwait and Bahrain coupled with its associated offices and relationships,

ASAR provides clients across an extensive range of industry sectors with comprehensive legal advice and support for their business activities in Kuwait, Bahrain, across the GCC and beyond.

The firm has been consistently rated as the leading corporate and commercial law firm in Kuwait by reputable legal guides such as the Chambers Global Guide, International Financial Law Review (IFLR) and the Legal 500. In 2017, ASAR was awarded with the "IFLR National Law Firm of the Year Award"; an award which ASAR has been delighted to receive for the 9th consecutive year. Also in 2017, the firm won the "IFLR M&A Deal of the Year Award" and the "IFLR Restructuring Deal of the Year Award".

Cryptocurrency may be getting quietly channeled to N Korea university

SEOUL: A cybersecurity company said it has found software that appears to install code for mining cryptocurrency and sends any mined coins to a server at a North Korean university, the latest sign that North Korea may be searching for new ways to infuse its economy with cash.

The application, which was created on Dec. 24, uses host computers to mine a cryptocurrency called Monero. It then sends any coins to Kim Il Sung University in Pyongyang, said cybersecurity firm AlienVault, which examined the program.

"Crypto-currencies may provide a financial lifeline to a country hit hard by sanctions, and as a result universities in Pyongyang have shown a clear interest in cryptocurrencies," the California-based security firm said in a release, adding that the software "may be the most recent product of their endeavors."

The company added a caveat that a North Korean server used in the code does not appear to be connected to the wider internet, which could mean its inclusion is meant to trick observers into making a North Korean connection. Kim Il Sung University, however, plays host to foreign students and lecturers, not just North Koreans. Kim Il Sung University did not immediately respond to requests for comment. Government officials representing North Korea at the United Nations were not immediately available for comment.

Others have flagged increasing signs of North Korean interest in cryptocurrencies and underlying blockchain technology. "With economic sanctions in place, cryptocurrencies are currently the best way to earn foreign currency in North Korea's situation. It is hard to trace and can be laundered several times," said Mun Chong-hyun, chief analyst at South Korean cybersecurity firm ESTSecurity.

Cryptocurrency watchers say technical details of Monero, the 13th-largest crypto asset in the world, according to www.coinmarketcap.com, with a total value of more than \$7 billion, make it more appealing than bitcoin to those who value secrecy.

Monero funds go to an unlinked, one-time address generated with random numbers every time a payment is issued. That makes it less traceable than bitcoin, where transactions can be linked to specific, albeit anonymous, private addresses, cybersecurity experts said. South Korea-based Bithumb, the world's busiest cryptocurrency exchange, is also the largest Monero

trading exchange in the world, with about 24 percent of trading volume. The next largest were Europe-based exchange HitBTC and Hong Kong-based Bitfinex, as of Monday.

Cybersecurity firm FireEye cited in a November blog post a series of North Korean activities against South Korean cryptocurrency targets such as exchanges. Analyst Luke McNamara wrote that "it should be no surprise that cryptocurrencies, as an emerging asset class, are becoming a target of interest by a regime that operates in many ways like a criminal enterprise."

In early November, Federico Tenga, the Italian co-founder of bitcoin startup ChainSide, posted on his Twitter account pictures and comments on his visit to lecture on bitcoin and blockchain technology at the Western-funded Pyongyang University of Science and Technology.

"The lectures were at a quite basic level to give a general understanding of blockchain technologies, which are also very relevant to trade, supply chains and other e-business," a spokesman for the university said. "We believe this teaching can give the next generation of North Korean professionals additional concepts that may be valuable as they seek to develop their country," the spokesman added. "We're acutely aware of issues around sanctions, which we keep under regular review and take care to avoid any sensitive or proscribed areas."

Tenga said his lectures were geared toward explaining the underlying technology of cryptocurrencies. "The focus of the lectures was to make the students understand what the blockchain is, how it works (special focus on proof of work) and what are the main use cases. My aim was simply to spread technical knowledge, not suggesting them how to use it," Tenga told Reuters in a series of messages. AlienVault's report said one North Korean IP address, 175.45.178.19, has been active on bitcoin trading sites. That is the same address used to control compromised web servers in 2014-15 cyberattacks on South Korean energy, traffic, telecommunications, broadcasting, financial and political institutions, according to security firm AhnLab.

The report also observed that North Korean IP addresses have downloaded several episodes of the automotive TV series Top Gear and documentaries by the show's former presenter James May. — Reuters

Data machine cranks back into high gear for 2018

LONDON: Data in the week ahead will enable investors to gauge the strength of German and British industry. US spending and Chinese trade at the end of last year - and the first hints on the strength of economic activity at the start of 2018. The German economy has been firing on all cylinders in recent months, with consumption, state spending and rising exports driving growth in both industry and services.

With interest rates low and the labor market performing well, the economy has so far weathered the political impasse resulting from Chancellor Angela Merkel's failure to form a government since an election in September. She launches coalition talks on Sunday with the Social Democrats, her partners from the 2013-17 administration. Industrial orders have been strong in recent months, suggesting this sector of Europe's biggest economy should gain steam at the start of 2018, although actual output has unexpectedly slipped following a more than six-year high hit in August.

Analysts at HSBC think that imbalance is likely to have rectified itself to some degree in November, and they forecast a hefty rise in output in particular. "We expect the order level to be unchanged in November after having risen in the three consecutive months," they wrote in a note to investors. That

US job gains disappoint, unemployment holds at 4.1%

NEW YORK: The US economy's job creation ability disappointed in December, despite solid hiring in manufacturing and construction, according to government data reported Friday.

But with the country believed to be near full employment, the jobless rate still held steady at its 17-year low of 4.1 percent. Employers added just 148,000 new hires in the final month of the year, all but 2,000 of them in the private sector far below economists' expectations of 200,000 jobs or more.



JAKARTA: A vendor works in a shop in Jakarta yesterday. — AFP

would undercut the Reuters consensus forecast for a 0.5 percent rise in orders. But HSBC expects production to have rebounded by 2.2 percent month on month in November, outstripping the Reuters consensus call for 1.8 percent.

The German orders data is due out yesterday, with output figures to follow today. By contrast, British industrial output has been buoyant, expanding in October at its fastest annual pace in almost a year. While the economy has lost momentum as sterling's tumble after the Brexit vote sent inflation climbing, some exporters have gained from the weaker pound and the rebound in the euro zone

economy. "While actual manufacturing output may not be as strong as ... surveys suggest, the uniformly sharp pick-up reported by them implies growth has been decent in November," analysts at Investec wrote in a note. "Additional support may come from utilities output as temperatures dropped to more typical seasonal levels after a particularly mild October." Investec sees industrial production rising 0.8 percent on the month, more than double the Reuters consensus forecast for a 0.3 percent pickup. The data is due out tomorrow. There are no major central bank decisions due in the coming week. — Reuters

nearly at full employment that is finding it hard to find workers to fill open positions, a sentiment seen in many business surveys.

Many firms have reported the need to raise wages to attract new workers, and that was reflected in the increase in average hourly earnings to \$26.63 from \$26.54 in the prior month, and from \$25.98 at the end of 2016. That marks a 2.5 percent increase in wages over last year, slightly ahead of consumer inflation.

The manufacturing sector added 25,000 new jobs in December, while the construction sector added 30,000, and health care added 29,000. But retail employment fell by 20,000, and professional and business services slowed sharply to a gain of just 19,000 after two months, with increases of close to 50,000. — AFP