

Business

Burgan Bank issues \$500,000,000 Perpetual Tier 1 Capital Securities

Successful issuance follows roadshows in London, HK, Singapore, Abu Dhabi and Dubai

KUWAIT: Burgan Bank K.P.S.C., the second largest conventional bank by assets size in Kuwait, announced it has successfully placed Perpetual Tier 1 Capital Securities in the international debt capital markets. The securities comply with the Basel III regulatory framework that's adopted by the Central Bank of Kuwait.

The transaction came on the back of a comprehensive global roadshow, covering the key financial centers in London, Hong Kong, Singapore, Abu Dhabi and Dubai. Following strongly positive feedback from the roadshow, the orderbook saw strong momentum from investors globally, which allowed the Bank to ultimately place \$500,000,000 Perpetual Tier 1 Capital Securities at a yield of 5.750 percent (which translates to a margin of 400.7bps over the 5-year US Treasury Rate).

The transaction saw strong demand from a diverse investor base, which allowed for a balanced distribution. More specifically, the securities were allocated to investors across the Middle East (51 percent), Asia (22



Majed Essa Al-Ajeel

percent), Europe (26 percent), and US offshore accounts (1 percent). In addition, allocations to different types of accounts were also well balanced, with banks (30 percent), private banks (26 percent), fund managers (37 percent), pension funds and insurance companies (3 percent) and other investors (4 percent) anchoring the orderbook.

Majed Essa Al-Ajeel, the Chairman of Burgan Bank commented: "The success of this issuance is a testament to the strength of Kuwait's financial market and Burgan's credit story. We would like to extend our sincerest gratitude to the Central Bank of Kuwait and Kuwait's Capital

Markets Authority for their diligence and professionalism throughout the transaction process".

Burgan's Group Chief Executive Officer, Masaud Hayat stated: "The diverse and high quality orderbook, which was 4.4x oversubscribed reflects the confidence that regional and international investors have in the Bank's strategy, prudent financial management and prospects for growth and development".

The issuance was part of a wider financing exercise. More specifically, it was undertaken in conjunction with a tender buy-back offer on the Bank's existing \$500,000,000 Perpetual Tier 1 Capital Securities, after which Burgan accepted \$230,185,000 worth of securities for purchase at 100.85 percent of their nominal value. The value of the Perpetual Tier 1 Capital Securities repurchased represented 46.04% of their overall outstanding amount. This liability management exercise which was undertaken in relation to the Bank's existing Perpetual Tier 1 Capital Securities is the first of its kind

from the region. Raed Al-Haqhaq, the Bank's Chief Executive Officer - Kuwait commented: "The transaction demonstrates Burgan's on-going strategy to support the Bank's balance sheet with long-term funding, and meet regulatory liquidity and capital requirements. The support provided by the Bank's advisors was indispensable to the transaction's success".

HSBC Bank plc and J P Morgan Securities plc acted as Joint Global Coordinators and Joint Lead Managers along with Arab Banking Corporation, Citigroup Global Markets Limited, Emirates NBD Capital Limited, First Abu Dhabi Bank P.J.S.C., Standard Chartered Bank and Watani Investment Company K.S.C.C. who also acted as Joint Lead Managers.

HSBC Bank plc and J P Morgan Securities plc acted as Dealer Managers on the tender offer. Burgan has affirmed credit ratings of A+ by Fitch, A3 by Moody's and BBB+ by S&P underlying the credit strength of the Bank.

Hoping to boost spending, Japan tries to sell shoppers on cashless purchases

TOKYO: When the baseball season kicked off in Japan this spring, fans of the Tohoku Rakuten Golden Eagles were faced with an inconvenience they'd never encountered before: the food and drinks stalls did not accept cash. The team's owner, internet commerce firm Rakuten Inc., was trying to promote its QR code mobile payment system. But the marketing ploy quickly turned out to be much more than that.

In April and May, food, beverage and merchandise sales at the Eagles' stadium in the northeastern city of Sendai jumped 20 percent from the same two-month period of 2018, in part because taking cash out of the equation changed spending habits.

"We consider it to be a success story," said Hayato Morofushi, marketing manager for Rakuten's mobile payments. "Using QR codes for payments has only just started in Japan, so we don't expect everyone to jump on the bandwagon. As we get more success stories, this will win more people over."

Experts say that when queues move faster, more people join. Customers don't see cash leaving their wallets and focus on the satisfaction of a purchase, so they spend more. That psychology could be crucial for Japan's economy, locked for decades in a deflationary mindset, where consumers delay spending in hopes of stable or lower prices. The Bank of Japan has spent more than \$3 trillion since 2013 on bonds and other assets to attain a two percent price growth rate, without success.

A scheduled increase in the sales tax to 10 percent from 8 percent in October could hurt spending. Aware of that risk, the government is betting big on mobile payments, an industry only just taking root in Japan. As soon as the tax increase kicks in, the government will offer points redeemable for future discounts to shoppers who use QR codes and other cashless payments for nine months.

The project has a six-month budget of 280 billion yen (\$2.6 billion), which will be reassessed in the new fiscal year. "If we change how we pay, we can change society as a whole," said Masamichi Ito, director of the Japanese Economy Ministry's cashless promotion office, set up in October with the goal of doubling cashless transactions to 120 trillion yen by 2025.

Cash settles 80 percent of Japan's transactions, with the rest shared among credit cards, mobile and pre-paid



Shoppers crowd the streets of Takeshita Dori in Harajuku

swipe cards. That is the highest cash usage rate in the developed world after Germany.

Low crime rates - Japanese are comfortable carrying large amounts of cash - and an ageing population seen as the main obstacles for deeper adoption. In India and China, two of the world's most voracious spenders, mobile payments are 30-35 percent of transactions, according to Statista. On average, cashless payments increase per-customer sales by 1.6 percent, according to the Nomura Research Institute (NRI). Domestic consumption in Japan has grown an average of 0.5 percent each year in the past six years. The government says going cashless could alleviate other major economic headaches, such as a labor shortage and the falling profitability of banks, simply by virtue of being more efficient. Cashiers spend on average more than two hours a day managing cash, while Japanese banks spend around 1 trillion yen a year on their ATM network and physically moving cash, NRI says.

Chinese shoppers

Tourism spending, especially from China, has been one of the few economic bright spots in Japan, and Chinese tourists use the mobile payment system Alipay, run by Ant Financial Services Group, at over 300,000 Japanese merchants. Some duty-free counters at big department stores deposit tax refunds directly into Alipay accounts. The app

uses targeted advertisements to help users find what they want to buy and recommends related products nearby. When users return to China, they get a recommendation to buy similar Japanese goods online.

South Korean mobile payment firm Kakao Pay is looking to enter Japan, betting on Tokyo's push to go cashless, Ryu Young-joon, chief executive of Kakao Pay, told Reuters in a May interview. "When I go to Japan, they do not accept credit cards in many stores," Ryu said. "So I thought if I can use Kakao Pay in Japan, it's going to be good." PayPay, a Japanese QR code system launched in October, is compatible with Alipay, which may smooth the path toward local adoption. Satoshi Komiya, 39, who runs a Tokyo curry restaurant, got PayPay three months ago - signing a deal that guaranteed he would be charged no fees for three years - and since then, said he had noticed a "slight" increase in sales. "So far, so good," Komiya said.

But other Japanese payment providers, including Origami, messaging app Line and auction site Mercari, typically charge fees of about 3 percent. Because smaller retailers in Japan have average profit margins of around 2 percent, such fees are a major obstacle for adoption, says Yuki Fukumoto, a researcher at NRI Research Institute. Japan also has a network of ubiquitous vending machines and meal ticket dispensers that relies on cash and cannot be replaced or upgraded overnight. — Reuters

Agility expands Oman operations with new office in Duqm

KUWAIT: Agility, a leading global logistics provider, opened a new office in Duqm, Oman, expanding its storage, freight forwarding, custom brokerage, road and transportation, and project and heavy lift capabilities. The new office, located in the Special Economic Zone Authority (SEZAD), will service key customers in the, oil & gas, chemicals, manufacturing and engineering goods sectors during their start-up stage and provide logistics support. It will also service FMCG and retail business, sectors that are fast developing to cater to this growing city. The new Duqm facility adds to Agility's expanding network across Oman, where it has existing operations in Muscat, Sohar, Nizwa, Salalah and Wajajah Border.

As one of a few global freight forwarders with its own customs brokerage license in Oman, Agility provides brokerage services for a number of local and multinational organizations. Agility is also a leading provider of cross-border transportation, owning and operating a fleet of more than 56 vehicles to move goods to and from Oman's ports, airports, industrial areas and logistics services area.

"Oman is a key market for Agility in the Middle East. With an expanding population in the GCC and an increasing demand for integrated logistics services, Agility's investment in Duqm, which is ideally located as a gateway to Middle East, Africa and Indian markets, will help us better serve our national and international clientele in Oman," Agility CEO Tarek Sultan said.

Agility currently employs 160 people in Oman. The new investment in Duqm will significantly increase Agility's Oman workforce as the company develops operations within SEZAD. Local hiring is in line with the government's vision to develop Omani talent and create a diverse workforce that will contribute to the economic growth of the Sultanate. Oman has significantly improved its logistics competitiveness, ranking 12th globally in logistics competitiveness and fourth for business fundamentals among emerging markets, according to the 2019 Agility Emerging Markets Logistics Index.

Nigeria will sign landmark Africa free trade pact

LAGOS: Nigerian President Muhammadu Buhari will sign a landmark deal to scrap trade tariffs among African countries at an upcoming summit of the continent's leaders, his office said. Africa's most populous country has been one of only three African states to hold back on inking the accord, after local manufacturers said they would be badly hit by liberalization.

But in a tweet the presidency said Buhari would sign the pact when leaders of the 55-nation African Union meet in Niger's capital Niamey from this weekend.

The African Continental Free Trade Area (AfCFTA) aims at spurring business across Africa, a market of 1.2 billion people-expected to reach 2.5 billion by 2050 — and a current GDP of \$2.5 trillion (2.22 billion euros).

The agreement would progressively eliminate tariffs among AU members, creating the world's largest free-trade area since the formation of the World Trade Organization (WTO). Nigeria had been a key backer when talks on the AfCFTA got underway in 2002. But it abruptly changed course shortly before the draft deal was signed last year, amid pressure from unions and businesses fearful of the impact of lowered trade barriers.

But the presidency announced late Tuesday that Nigeria would now join the club. "Nigeria is signing the #AfCFTA Agreement after extensive domestic consultations, and is focused on taking advantage of ongoing negotiations to secure the necessary safeguards against smuggling, dumping and other risks/threats," it said. Last week, a special government panel formed to study the potential impact of joining AfCFTA recommended that Buhari sign Nigeria up.

The trade deal "provides immense opportunities for Nigeria's manufacturing and service companies to expand to Africa", the panel's chair, Desmond Guobadia, said.

AU Trade Commissioner Albert Muchanga welcomed Nigeria's decision as a "good and important development" and urged the two remaining non-signatories, Benin and Eritrea, to follow suit.

"Two more to go and an All Africa Market will start shaping up," he wrote on Twitter. In addition to signing the agreement, Nigeria will still need to ratify it if it wants to emulate Africa's other economic heavyweights, Egypt,



LAGOS: Nigerian President Muhammadu Buhari will sign a landmark African free trade agreement during the upcoming African Union meeting in Niger. — Reuters

Ethiopia, Kenya and South Africa. The AfCFTA formally came into force at the end of May after it crossed a threshold of ratification by at least 22 countries.

However, key details still have to be thrashed out to make it operational, including the creation of institutional structures and key regulations such as rules of origin. At present, only 16 percent of trade by African nations is with continental neighbors. One reason is that average tariffs on intra-African trade, of 6.1 percent, are higher than on exports outside of Africa.

The Economic Commission for Africa (ECA) estimates AfCFTA "has the potential both to boost intra-African trade by 52.3 per cent by eliminating import duties, and to double this trade if non-tariff barriers are also reduced", the AU says on its website.

Charles Robertson, the global chief economist with Renaissance Capital, said signing "the deal is a step forward for the efficiency of the Nigerian economy". He said Nigeria "has taken a protectionist approach to development, more similarly to Latin America than Asia, but this is a step away from protectionism which will make Nigeria more competitive". Nigerian business operators also hailed the decision to sign the agreement. "It is a welcome development. Though it is coming rather late. It's better late than never," said Muda Yusuf, the head of Lagos Chamber of Commerce and Industry. "Signing the deal will reaffirm Nigeria's prime position in Africa," he said. "The Africa free trade agreement provides an opportunity to assert ourselves on the continent." Yusuf said the initial concerns by manufacturers of not being part of the negotiations were being addressed. — AFP

Tesla deliveries surge as automakers report dip in 1H 2019 US sales

NEW YORK: Tesla reported a surge in second-quarter deliveries on Tuesday, while other US automakers suffered drops in sales for the first half of 2019, with higher vehicle costs weighing on consumers. Shares of Tesla shot higher in after-hours trading after it reported delivering 95,200 vehicles during the quarter ending June 30, a record and an increase of more than 50 percent over the prior quarter.

The company, which has faced worries about weakening demand for its electric vehicles, said in a securities filing, "we believe we are well positioned to continue growing total production and deliveries in Q3." Earlier, General Motors, Fiat Chrysler and Toyota were among the companies that reported drops in sales through the year's midpoint, although Fiat Chrysler won a modest gain in sales in June.

Sales at Honda and Nissan also fell through the first half of the year. The results were roughly in line with analyst forecasts and reflective of an auto market that has cooled somewhat, even as demand has stayed strong for larger autos. Higher interest rates on auto loans have added to the drag on consumers, who already face higher vehicle costs, said Michelle Krebs, head of automotive relations at Cox Automotive.

Cox is forecasting 2019 sales of 16.8 million, down three percent from last year, with a drop to 16.5 million expected in 2020. Annual sales have been above 17 million the last four years. "We have seen retail sales weakening for some time," Krebs said in an interview, adding that the effect has been mitigated somewhat by higher sales from companies who are taking advantage of tax incentives to refresh their fleets. "The consumer has got a lot of debt and wages have stagnated," she said. General Motors reported a 4.2 percent drop in first-half sales of 1.4 million following a 1.5 percent dip in second quarter.

The company's fleet of larger crossover vehicles sold well, along with fully available versions of the Chevrolet Silverado and GMC Sierra, two popular pickups that were recently revamped. However, overall sales of both the Sierra and Silverado fell compared with the year-ago period because some versions of the vehicles are still not

widely available. A GM spokeswoman said more vehicles would be on the market in the second half of 2019.

"The US economy continues to grow at a healthy pace," said GM Chief Economist Elaine Buckberg. "If the Fed cuts rates, as widely expected, lower financing costs will provide further support to auto sales."

Fiat Chrysler bucks trend

Fiat Chrysler's auto sales for the first half of the year were down two percent at 1.1 million.

A two percent gain in June was propelled by a 45 percent surge in Ram truck sales, which offset declines in the company's other brands, including Jeep, Chrysler, Dodge and Fiat. The results suggest Ram has gained market share from GM's Silverado during the latter's launch period, Krebs said in a note from Cox. Toyota North America reported a 3.1 percent drop in first-half sales to 1.2 million, with a 3.5 percent decline in June sales.

The company pointed to higher June sales of its RAV4 crossover vehicle. But sales of the Corolla and Camry sedans have fallen for the first six months so of the year. Sales of the company's luxury Lexus brand fell during the quarter but rose slightly during the first half of the year. — AFP



SEOUL: Visitors look at a Tesla Model 3 during a press preview of the Seoul Motor Show in Goyang, northwest of Seoul. Tesla reported a surge in second-quarter deliveries on Tuesday while other US automakers suffered drops in sales for the first half of 2019. — AFP