

Business

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African money transfer firms thrive

World Bank forecasts 20% drop in remittances to poor countries

JOHANNESBURG/HARARE: Having fled an economic implosion in his native Zimbabwe, Brighton Takawira was able to support his mother back home with modest earnings from a small perfume business he set up in South Africa.

Then the pandemic struck. Borders closed. The buses he had used to send his cash stopped running.

"I had to send something, even a few dollars," said Takawira, though it meant sometimes going without bread. So he tried out an online remittance company on a friend's recommendation. He is one of many African migrants being pushed towards digital transfer services, often for the first time, during the pandemic.

sprawling informal networks of traders, bus drivers and travellers used by many migrants to send money home.

"We've seen an influx of new customers, and we see them mainly coming to us from the informal market," said Andy Jury, chief executive of Mukuru, the company Takawira now uses.

Jury and other industry executives say that shift is likely to last as digital remittance services are typically cheaper, faster and safer than informal networks, which are difficult for governments to regulate.

Mukuru, which focuses mainly on African remittances and allows customers to send both cash and groceries, has seen a roughly 75 percent acceleration in growth compared to last year.

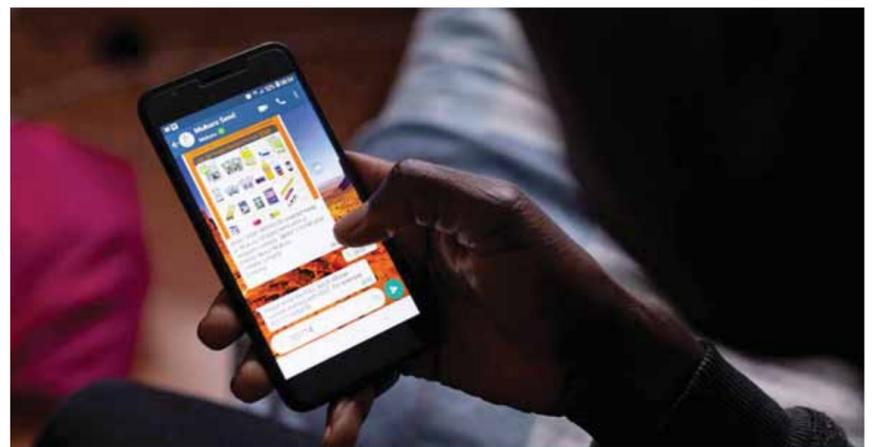
'Silver lining'

Remittances to sub-Saharan Africa officially totaled \$48 billion last year, according to the World Bank. Experts, however, say that figure tells only part of the story. Much of the money Africans ship home via informal networks is absent from official data.

As those networks ground to a halt during lockdowns, formal money transfer businesses - particularly digital platforms - were suddenly the only game in town. According to Kenyan central bank data, remittances to Kenya were up 6.5 percent through August compared to the same period last year. Remittance inflows to Zimbabwe were up 33 percent through July.

Online remittance company WorldRemit reported last week that transfers to Zimbabwe via its service had doubled over the past six months. Azimo, a UK-headquartered remittance company whose major African markets include Nigeria, Ghana and Kenya, saw a nearly 200 percent increase over the expected number of new customers in April, May and June.

"I'd swap it out for no pandemic any day of the week," Azimo CEO Michael Kent told Reuters. "But given that's what's happening, I think you are seeing



Despite predictions of a historic drop in remittances due to a pandemic-induced global economic slump, Africa's money transfer companies have seen a boom. — Reuters

digital adoption in financial services all over the place."

Remittance companies got an additional boost early on in the pandemic when African central banks reduced fees and loosened limits on digital transactions, to encourage the public to use digital services to facilitate social distancing.

"I would probably agree with the World Bank that the total amount (of remittances) will go down," said Dare Okoudjou, founder of MFS Africa. "But anyone who's in digital would actually gain market share and see their volume go up." The company, which runs networks across 36 African countries to channel remittances between mobile money accounts, has seen

year-on-year transaction growth of over 90 percent in 2020. The industry is now at an inflection point, analysts say. "If we can get the money flowing with less friction, it's going to be better for everybody. That's the silver lining," said Timothy Ogden, managing director of the Financial Access Initiative at New York University. Takawira, whose brother also works in South Africa, says he's now using Mukuru each month to send cash and groceries to his 60-year-old mother in rural Zimbabwe, where inflation is topping 650 percent. "My salary does not buy much ... When the boys send me money, it does help a lot," his mother Gladys Muzira said. — Reuters



Pandemic spurs online remittances

This is fuelling a boom for Africa-focused money transfer companies, despite predictions from the World Bank of a historic 20 percent drop to \$445 billion in remittances to poorer countries this year due to a pandemic-induced global economic slump. "We saw an increase of transfers as the diaspora wanted to help their family," said Patrick Roussel, who heads mobile financial services for the Middle East and Africa at French telecom company Orange - a dominant player in French-speaking Africa.

Like Takawira, many had to dip into savings or make other sacrifices to do so, analysts and company officials say. The pandemic gave remittance companies an advantage over their main competition in Africa: the

Pandemic plunges Lagarde into 'intense' first year at ECB

FRANKFURT: It's been a baptism by fire for Christine Lagarde whose first year as head of the European Central Bank has been dominated by the coronavirus pandemic and the drastic action needed to keep the eurozone economy afloat. The former International Monetary Fund chief, who became the ECB's first female president last November, says the past 12 months have been "very intense" and at times "without much sleep" as policymakers confront an unprecedented economic shock.

"It has been a very tough time for Christine Lagarde," said ING bank analyst Carsten Brzeski, "and probably not what she had imagined when accepting the job." Lacking the technical expertise of her predecessors has caught her out over the past year but ECB watchers have also praised Lagarde, a former French finance minister and top corporate lawyer, for her political instincts and cool handling of the crisis so far. She will on Thursday chair her eighth monetary policy meeting at Frankfurt's gleaming ECB tower, with the 25-member governing council once again holding their discussions via video link because of virus precautions. The meeting comes as Europe battles a spike in coronavirus infections that is forcing countries to reimpose some of the painful lockdowns that pummeled the economy in the spring. Lagarde, 64, warned last week that the second COVID-19 wave and new restrictions "are adding to the uncertainty and weighing on the recovery" in the 19-nation euro area.

Nevertheless, observers expect the ECB to adopt a wait-and-see approach Thursday, before adding greater muscle to the bank's pandemic stimulus in December.

'Extraordinary times'

When Lagarde first arrived in Frankfurt, a key task on her to-do list was to patch up a rift between ECB members openly divided over her predecessor Mario Draghi's ultra-loose monetary policy. But the spat was quickly overshadowed by the pandemic, which saw the ECB leap into action and roll out a 1.35-trillion-euro emergency bond-buying scheme to keep credit flowing and cushion the impact from the biggest global downturn since World War II.

"Extraordinary times require extraordinary action," Lagarde said, stressing that the ECB stood ready to do even more. "Under her leadership the ECB has been successful in averting a sovereign debt crisis," said Andrew Kenningham of Capital Economics, although Lagarde



European Central Bank (ECB) President Christine Lagarde, wearing face mask, attends the 16th Congress of Regions (Congres des Regions) in Saint-Ouen, north of Paris. — AFP

"has on occasion seemed unsure of herself in handling some of the more technical economic aspects of the job". Lagarde notably gaffed in the early stages of the pandemic, triggering a sell-off in bond markets after saying it was not the ECB's job to "close the spread" between Italian and German bond yields.

She learned the hard way that "every single word of the ECB president can have an enormous impact," Brzeski said. "It is under Lagarde that the ECB (website) had to introduce the 'blog' entry to repair any communication damage from the press conference the day after."

'More collegial'

Under Lagarde's leadership, ECB board members and eurozone central bankers are communicating more frequently with the media, giving markets more insight into their thinking in between the six-weekly policy meetings. The ECB's communication is "more collegial than under Draghi," noted Gilles Moeck, chief economist at insurance firm AXA.

Lagarde's political experience has given weight to her pleas for European leaders to use their fiscal firepower to support the ECB's efforts. She has praised the European Union for agreeing a historic 750-billion-euro rescue fund and urged governments not to withdraw their coronavirus support for businesses and citizens too quickly. Lagarde's diplomatic skills "help in a crisis situation where good coordination between monetary and fiscal policy is more important than ever," said Fritzi Koehler-Geib, chief economist at German public bank KfW.

The ECB boss has also focused on "greening" the ECB's agenda-climate change is among her chief concerns-and launched a major review of the bank's tools and goals, due to conclude next year.

Lagarde herself has vowed to be a "consensus builder" and said she is not "overly concerned" by diverging opinions, as the bank weighs the crucial next steps to take. — AFP

Consider all options to cut emissions: Saudi minister

SINGAPORE: Saudi Arabia's energy minister said yesterday the world should be looking at all options to mitigate emissions of greenhouse gases in its fight against climate change, but that getting rid of oil and gas would be "far-fetched and unrealistic". "Let's not focus on the fuel of choice but rather how we can mitigate and adapt to these realities without showing any preferences," Prince Abdulaziz bin Salman told the Singapore Energy Summit.

Prince Abdulaziz said he embraces technologies that would allow the country which sits on the biggest hydrocarbon reserves in the world to make full use of its resources. For example, Saudi Arabia is building solar power plants to free up oil and gas for exports. In response to a question about how OPEC+ has ensured high compliance with production quotas, Prince Abdulaziz said: "Engaging people as equal, ensuring that people do understand that the lack of conformity and lack of commitment would undermine ... the credibility of this agreement to the market."

"Therefore the market, instead of rewarding us, it would actually penalize, and the more it penalizes, the less the others who are in conformity with it would see the point of continuing control, and then all of this will cascade down to nothing."

The Organization of the Petroleum Exporting Countries and their allies including Russia, a group known as OPEC+, are cutting output by about 7.7 million barrels per day to balance the global oil markets after demand was severely hit by the coronavirus pandemic. Supply cuts by OPEC+ have helped revived global oil price Brent to above \$40 a barrel although rising COVID-19 cases has again depressed prices. "The fear now is for a re-occurrence of a second wave," Prince Abdulaziz said, responding to a question about the global oil market. However, he added he was optimistic that "everybody has learned harsh and tough lessons of attending to the first wave". "What we need to do is to continue working, attending and improving the world economy and local economies yet ensuring that we will abide by (social distancing measures)," he said. — Reuters



ISTANBUL: A currency exchange office worker counts Turkish lira banknotes in front of the electronic panel displaying currency exchange rates at an exchange office in Istanbul. — AFP

Turkish lira slides to record low against dollar

ANKARA: Turkey's lira yesterday set a new record low against the US dollar after the central bank refused to raise its main interest rate and tensions increased sharply with the country's Western allies. The lira was at 8.03 against the dollar at around 0730 GMT, suffering a loss of nearly one percent since the start of the day. The Turkish currency also recorded its lowest level against the euro, trading near 9.52.

The lira has lost 26 percent of its value against the dollar since the start of the year.

Turkey's central bank last week upset the markets which had expected a 175 basis points hike to the one-week repo rate. The bank opted instead to keep the rate unchanged at 10.25 percent despite market concerns over persistently high inflation, which remains in double-digits, and worries about a sharp drop in foreign currency reserves.

Consumer price inflation was 11.75 percent in September. The bank's governor will deliver the quarterly inflation report on Wednesday in Istanbul. The lira's decline comes at a time of strained relations with NATO allies including France, Greece and the United States over multiple issues.

Turkish President Recep Tayyip Erdogan angered Paris after he said his French counterpart Emmanuel Macron needed to have "mental checks" at the weekend. France responded by recalling its ambassador to Ankara and on Saturday described Erdogan's comments as "unacceptable". — AFP

Microsoft quietly prepares to avoid focus under Biden

WASHINGTON: Microsoft Corp, which has largely evaded Washington's scrutiny of Big Tech companies and scored a lucrative \$10 billion government contract under the Trump administration, has emerged as a significant backer of the Biden campaign.

The Redmond, Washington-based software company is the fourth largest contributor to Democratic Presidential candidate Joe Biden's candidate campaign

committee, according to data from OpenSecrets, a website which tracks money in politics and campaign finance records.

The company's President Brad Smith is playing a key role behind the scenes, hosting a fundraiser for Biden last year in Medina, Washington. He is also a big dollar bundler - people who help raise more than \$25,000 for the Biden campaign - and had a public role during the Democratic National Convention, similar to Amazon.com Inc policy chief Jay Carney.

Microsoft Chief Technology Officer Kevin Scott and his wife have contributed over \$50,000 supporting committees helping Biden win, according to campaign finance records. And Microsoft board member and co-founder of LinkedIn, Reid Hoffman, and his wife have also donated generously to the Biden campaign. Hoffman's wife has contributed over half a million dollars to the Biden victory

fund. Microsoft senior executives also have donated more to the Biden campaign during the primaries than any other large tech company, according to data from the Revolving Door Project, part of Center for Economic & Policy Research (CERP). "Microsoft has been playing politics for much longer than the other large technology companies that are widely talked about," said Max Moran, a researcher at CERP, noting it has been around longer than most US tech companies. "It knows how to play the game on both sides of the aisle," he added.

Companies are prohibited by law from donating themselves. The contributions, according to OpenSecrets, were either made by the company's political action committees (PACs) themselves, members of the PAC or their employees. Microsoft spokeswoman said the company has a history of engaging with administrations on issues that matter to its business. —Reuters

