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TEHRAN: Iranian stockbrokers monitor share prices at the Tehran Stock Exchange in Tehran yesterday. The Tehran Stock Exchange has rallied to a one year high in the wake of Iran's landmark nuclear deal with world powers last summer. — AP

SAUDI FISCAL RESERVES SLIDE TO 4-YEAR LOW OMANI RIAL PLUMMETS, CB SAYS COMMITTED TO PEG

RIYADH: Saudi Arabia's fiscal reserves dropped to a four-year low last year as the government sought to finance a budget deficit caused by plunging oil revenues, a report said yesterday.

The reserves of the world's largest crude exporter dropped to \$611.9 billion at the end of 2015, the lowest level since 2011, down from \$732 billion a year before, the Saudi Jadwa Investment said in an economic report. Jadwa said it expected reserves to fall to around \$500 billion by the end of 2016, after oil prices fell by three quarters since mid-2014.

The kingdom, the second largest crude producer after Russia, posted a record budget deficit of \$98 billion last year after oil income dived by 60 percent to just \$118 billion. Riyadh also projected an \$87 billion deficit for this year but Jadwa forecast the shortfall to be more than \$107 billion. To help finance the budget deficit, the kingdom in December introduced a series of austerity measures raising fuel prices by up to 80 percent and

increasing the prices of electricity, water, natural gas and others. Jadwa said it expected inflation to soar this year to 3.9 percent, from 2.2 percent last year, as a result of the price hikes. The kingdom also issued bonds in the domestic market worth \$30 billion.

The International Monetary Fund last month revised downward Saudi gross domestic product growth to just 1.2 percent this year, the lowest since 2009. Its GDP grew 3.4 percent in 2015. Saudi Arabia is currently pumping 10.2 million barrels of crude per day.

Omani rial plunges

Oman remains committed to the peg of its rial currency against the US dollar, the head of the central bank said yesterday, after the rial dropped to its lowest level in the forwards market for a decade. Low oil prices are hurting Oman's state finances and depleting its foreign reserves, fuelling speculation among some foreign bankers that it may eventually have to abandon the peg of 0.3849 rial to the

dollar, set in 1986. One-year dollar/rial forwards - deals that will be settled in 12 months' time - jumped on Monday as high as 1,500 points, their highest since 2006. That implied the rial would depreciate about 4 percent from its peg. Forwards came down slightly to 1,400 points by Tuesday afternoon, but currency dealers said the market's move this week showed some bankers were identifying the Omani rial as the most vulnerable currency in the six-nation Gulf Cooperation Council of wealthy oil exporters. "The currency pegs in Oman and Bahrain are not robust to severe terms-of-trade shocks, and sustainability issues may become increasingly more pressing over the next 12-24 months if oil prices stay at below \$60-\$70 per barrel," Goldman Sachs said in a research note in late January.

A dealer with a foreign bank in the Gulf, speaking on condition of anonymity because the matter is sensitive, said: "Oman is the weakest link in the GCC and its peg may come under pressure as early as end-2016." Bahrain

and Oman lack the deep financial resources of their neighbors and while Bahrain is widely believed to be able to count on financial support from Saudi Arabia, to which it is closely allied politically, the markets believe Oman may not have such automatic backing.

That has left traders focusing on the damage which cheap oil is doing to Oman's state finances. The government posted an \$11.7 billion deficit last year and has forecast another big deficit this year despite spending cuts. The plunge of the Brent oil price to near \$30 a barrel, from around \$100 18 months ago, has created some unease about all the GCC currencies. But the United Arab Emirates, Qatar and Kuwait have hundreds of billions of dollars of overseas assets and small populations, so the markets think they are safe for now.

Saudi Arabia's riyal has come under pressure in the forwards market but that pressure has eased since Riyadh warned banks not to speculate against its currency and threatened to mobilize its huge reserves against specula-

tors. Central bank executive president Hamood Sangour Al-Zadjali told Reuters on Tuesday that Oman had no intention of altering its currency peg.

"Nothing changed. We are committed to the peg with the USD. The interest rate hasn't changed," he said, adding that the rial's weakness in the forwards market might be partly due to the strength of the US dollar globally.

Nevertheless, speculation against the rial may continue unless there is a substantial rebound of oil prices. The Goldman Sachs report estimated the probability of a devaluation in Oman could reach over 80 percent within three years. Keen to boost economic growth, the Omani central bank has so far resisted pressure to raise its official interest rates in line with the U.S. Federal Reserve, which hiked rates by 0.25 percentage point in December. Within hours of the US hike, Saudi Arabia, the UAE, Kuwait and Bahrain raised their rates in what was seen by markets as a signal that they would defend their currency pegs. — Agencies

UPS Q4 PROFIT OF \$1.33BN BEATS STREET FORECASTS

DALLAS: UPS nearly tripled its fourth-quarter profit and seemed to avoid many of the holiday package-delivery breakdowns that it suffered a year earlier. The company said that through greater use of automation and working with retailers, it was able to smooth out some of the spikes that overwhelmed its network in late 2014.

UPS expects 2016 earnings of between \$5.70 and \$5.90 per share, which would be an increase of between 5 percent and 9 percent over 2015 and stronger than Wall Street expected. Analysts were forecasting \$5.72 per share in 2016, according to a FactSet survey.

Still, company executives said they face mixed economic indicators and slowing growth in some emerging economies. United Parcel Service Inc. earned \$1.33 billion, up from \$453 million a year earlier, when results were hurt by a \$692 million charge for pension and health care costs.

Company executives said the peak holiday season was a success. UPS used pricing to encourage retailers to shift some shipments to slower days such as weekends and reduce the volume on the busiest days. They said that avoided the surges that overwhelmed the UPS network during the 2014 holidays. UPS said it delivered 1.3 billion packages in the fourth quarter, an

increase of 2 percent over late 2014.

Myron Gray, president of UPS' US operations, said to handle the load the company hired 90,000 to 95,000 seasonal workers, just as it expected. But because of automation, UPS was able to delay some of the hiring until the workers were needed, and hours worked fell 8 percent from a year earlier, he said. "We don't see a need to add head count" or more employees, he added during a conference call with analysts.

The Atlanta company said yesterday that profit worked out to \$1.48 per share. Excluding one-time costs including a charge for pension returns that were lower than expected, earnings would have been \$1.57 per share, which is 16 cents better than industry analysts had projected, according to a poll by Zacks Investment Research. However, the company's fourth-quarter revenue of \$16.05 billion was short of \$16.27 billion that Wall Street had expected. UPS cited the strong dollar and falling energy prices, which means that the company did not log the same fuel surcharges it had last year.

In morning trading, UPS shares rose \$1.53 to \$95.61. They began the day down 2 percent since the beginning of the year, compared with a 5 percent drop in the Standard & Poor's 500 index. — AP



TEHRAN: Two passenger planes of Iran's national air carrier, Iran Air, are parked at the Mehrabad Airport in Tehran. — AP

IRAN SIGNS DEAL TO BUY 20 MORE AIRPLANES

TEHRAN: Iran's national carrier has signed an agreement to buy 20 new passenger airplanes with an option for 20 more from French-Italian aircraft manufacturer ATR, Iranian media reported yesterday.

The purchase comes a week after Iran Air signed a deal to buy 118 planes from the European consortium Airbus, signaling a major effort to develop the civilian aviation sector now that international sanctions have been lifted under a landmark nuclear deal. ATR said the deal signed with Iran Air includes a firm order for 20 ATR 72-600 planes. Iran's private Donya-e Eghtesad daily says the deal is worth \$1.089 billion.

Iranian Transport Minister Abbas Akhoundi said Tuesday that the planes will be delivered over 3 years, beginning in 2016, according to the official IRNA news agency. He said that under a separate agreement, a French company will build a new terminal in Tehran International Airport within a year, without elaborating.

He said the government hopes to expand the airport's capacity from 8 million passengers to 40 million over the next four years by adding two other new terminals as well as renovating an existing one. He added that Iran hopes to become a hub for long-haul flights. — AP

OIL PULLS DOWN MOST OF GULF, QNB BUOYS QATAR

DUBAI: A pullback in oil prices caused weakness in most major Gulf stock markets yesterday but Qatar was boosted by its biggest bank, while real estate firms lifted Egypt's bourse. Brent crude retreated more than 3 percent to below \$33 a barrel yesterday as hopes for a deal between OPEC and Russia on oil output cuts faded. That was enough to make many Gulf investors become more wary of buying stocks.

The Saudi stock index, which has been highly correlated to the oil price this year, dropped 1.9 percent, led by petrochemicals. The sector's biggest stock, Saudi Basic Industries, tumbled 3.6 percent.

Construction company Jabal Omar Development Co slid 3.6 percent, bringing its losses to 7.5 percent in the three days since it said it was in talks with creditors after failing to make the first repayment of 650 million riyals (\$173 million) on a 3 billion riyal loan from the government. Only 22 stocks gained against 141 decliners. Among the gainers, Al Bilad Bank added 4.2 percent after its board recommended a share capital increase through a one for five bonus issue, paid for with financial reserves and

retained earnings. Dubai's stock index edged down 0.3 percent to 2,970 points but came well off the day's low of 2,943 points. Emaar Properties dropped 0.8 percent but there was buying in some smaller real estate stocks such as Union Properties, which rose 0.6 percent.

Air Arabia rose 3.3 percent after saying it would hold a board meeting to discuss its 2015 earnings on Sunday. Abu Dhabi fell 0.4 percent as First Gulf Bank, which had surged in the previous two days on strong fourth-quarter earnings, pulled back 1.7 percent. National Bank of Abu Dhabi sank 2.8 percent. But the Qatari index rose 0.9 percent as Qatar National bank climbed 1.0 percent after a two-day suspension during which it made a 20 percent bonus share issue, which began trading yesterday.

Egypt's index gained 1.7 percent, more than erasing its loss on Monday. Among real estate stocks, Palm Hills Development surged 4.8 percent and Emaar Misr climbed 6.7 percent to 2.24 Egyptian pounds after Prime Holding started coverage of the stock with a "buy" rating and a fair value estimate of 3.94 pounds. — Reuters