Export-hooked Germany rebalances economy - up to a point

Germans' appetite for imports grows as real incomes rise

BERLIN: In 2010, France's then Finance Minister Christine Lagarde urged Germany to boost economic demand at home and help weaker euro zone states recover from the global crisis. Six years on, it is delivering - up to a point and as much by accident as by design. Those who say Germany is gradually rebalancing its economy, after decades of relying mainly on its exporters for growth, point to forecasts that domestic demand will account for all of this year's expansion. Others, however, doubt whether the shift towards greater spending by private citizens, industry and the state marks a lasting, structural change in the economy. Germany's trade and broader current account surpluses remain high, they say. A third group warns that if Germany gets too keen on consuming, rather than producing the high quality goods it has long sold to the world, it may not bounce back from future downturns in the way it did from the global crisis of 2007-09. One thing is certain: Germans are sucking in more imports from other euro zone countries, helping to encourage growth and employment among the neighbors. One such is 35-year-old house husband Augustin Tougas whose wife works as a teacher in Berlin and has just got a pay rise of more than four percent, well above inflation which hit a record-low of 0.1 percent last year.

They've just spent 300 euros ($340) on an Italian espresso machine. After disturbed nights caring for their two small children, a stiff coffee is what they need to prepare for the day. "It's a belated Christmas present for ourselves. We just felt we should give ourselves a treat," Tougas said. The International Monetary Fund (IMF), which Lagarde now heads, cautiously welcomes the trend towards greater consumption. "Domestic demand is increasingly playing more of a role as growth driver in Germany, which should contribute to rebalancing both inside and outside the euro area," said an IMF official, speaking to Reuters on condition of anonymity.

The year Lagarde made her plea, net foreign trade accounted for almost a third of growth in the German economy, which was then recovering from the financial crisis much more rapidly than other major euro zone countries. By last year, this contribution had shrunk sharply with domestic demand instead accounting for the lion's share: 1.5 percentage points of the 1.7 percent growth rate. This year, Berlin expects growth to be entirely domestically-driven. Net foreign trade will only hinder the expansion, with overall exports hurt by waning demand for 'Made in Germany' goods from emerging markets such as China, where the economy is slowing, and Russia which is in recession.

Refugee factor

The rebalancing that has been achieved so far is due both to factors over which Berlin has no control, and government policy decisions - some made over a decade ago. Chancellor Angela Merkel can claim some of the credit in at least one respect. Her public welcome for refugees from wars in Syria and elsewhere helped to encourage more than one million people to seek asylum in Germany last year. The conservative chancellor has decided to spend not only a large part of her political capital on the migrant crisis, but also last year's entire budget surplus of 12 billion euros on accommodating and integrating the record influx of refugees. While Merkel's refugee policy is politically controversial, it is undoubtedly an economic game-changer for Germany's ageing society. The DIW economic institute estimates that the state will spend over 30 billion euros on refugees in 2016 and 2017, adding about 0.3 percentage points to annual growth. Other factors lie beyond her influence. Record low interest rates set by the European Central Bank are encouraging Germans to borrow and spend, while the slump in global oil prices has helped to push down inflation, raising their purchasing power. With Germans' appetite for foreign goods rising, imports from other euro zone countries climbed to 350.5 billion euros in 2014 from 302.2 billion in 2010, data from the Federal Statistic Office show. This helped to reduce Germany's trade surplus with the rest of the euro zone to 63.2 billion euros in 2014 from 88.6 billion euros in 2010. In 2015, imports from other euro zone countries further rose by nearly four percent, preliminary data showed on Tuesday. Germany, however, can't shake off its habits that easily. The trade surplus with the world jumped to 247.8 billion euros last year from 213.6 billion in 2014, the data showed.

The wider current account surplus also hit a record 249.1 billion euros in 2015. This reflects how Germans also remain a nation of savers, with pension funds investing this money in the likes of French and Italian government debt, and returning interest payments boosting the surplus. Holger Schmieding, chief economist at Berenberg private bank, says the collapse in oil prices is masking the underlying trend of imports rising faster than exports. "Over time, Germany's external surplus will decline," he said. "But as Germany can now import its energy much more cheaply, the current account surplus may not yet shrink in 2016."

Others are less confident. "Germany's trade and current account surpluses are still big. When the surpluses start declining, then I will be confident that a lasting rebalancing has taken place," said Professor Paul De Grauwe of the London School of Economics. Economics commentator Philippe Legrain sees no sign that the current account surplus - which he called the "biggest economic imbalance in the eurozone and indeed the world" - is shrinking. "A genuine rebalancing requires much higher wages commensurate with workers' increased productivity over the past two decades and increased domestic investment, both public and private."

'Leading by Example' to drive sustainable economic growth

Qalaa Co-founder at AmCham UNDP conference

CAIRO: Qalaa Holdings Co-founder and Managing Director, Hisham El-Khazindar, discussed the private sector's role in ushering in a new era of inclusive growth for Egypt at a forum organized by the American Chamber of Commerce and the UNDP. "Private sector investors are becoming increasingly aware that their ability to grow and generate profits is directly linked to the existence of a stable and prosperous society and thus there is tremendous overlap between the interests of the public and private sectors," said Hisham El-Khazindar, Co-Founder and Managing Director of Qalaa Holdings, an African leader in energy and infrastructure.

El-Khazindar participated in the opening panel at the AmCham UNDP Forum; "Expanding Horizons in Development: The Rising Role of the Private Sector," which was attended by former Mexican President Felipe Calderon during his visit to Cairo. El-Khazindar's co-panelists included Minister of Social Solidaridy, GhadaWaly and Dina Sherif, Co-Founder, Ahead of the Curve and Director of the Center for Entrepreneurship at the American University in Cairo.

The focus of the panel, moderated by LailaIskander, former Minister of Urban Renewal and Informal Settlements, was to discuss the findings of a new report published by the UNDP, the Egyptian Corporate Responsibility Center (ECRC) and the Industrial Modernization Center (IMC) on the role of the Egyptian private sector in development. "We need to create an environment of inclusive growth to make sure that no one is left out," said Waly.

"This will require partnership and more private sector investments in sectors such as health, education, infrastructure and microfinance." Highlighting the fact that businesses can do more than just give back to society by donating a portion of profits to charitable organizations as part of their corporate social responsibility (CSR),El-Khazindar noted that, "we need to move beyond the concept of CSR.

The scale of the problems is so large that in order to achieve our development goals more businesses need to incorporate the social dimension as part of their core activities by pursuing the types of responsible or impact investments that will foster inclusive growth. Since inception QalaaHoldings has provided close to EGP 400 million in funding across a spectrum of projects. "Out of belief in the importance of investing in human capital and the future leaders of Egypt, we established the

Hisham El-Khazindar

Qalaa Holdings Scholarship Foundation (QHSF) in 2006. This year we are celebrating our10th anniversary.

Including the 2016 class of scholarship recipients, the Foundation will have provided more than 150 scholarships for Egyptian students to pursue graduate studies abroad at some of the world's most prestigious universities with one condition, that they return to work in Egypt after graduation, which is something that we are extremely proud of. It is sustainable philanthropy," said El-Khazindar. "We have also joined the United Nations Global Compact (UNCG) out of a belief in transparency and accountability, and have evolved from CSR to responsible, impact investing," he added. Qalaa has been a regional pioneer in the area of impact investing by pursuing what can be referred to as the "the Double Bottom Line," a term coined to measure a company's success based on both positive social impact and financial performance.

"Over the years we have tried to invest in businesses that spur job creation, develop human capital by transferring knowledge to the wider community, and provide products or services that will have a positive impact on the lives of average citizens such as gas distribution, electricity generation, solid waste management and even microfinance through our subsidiary, Tanmeyah which directly addresses those at the base of the pyramid who have no access to the banking system," said El-Khazindar. Waly praised Qalaa's and the private sector's initiatives in pioneering solutions and addressing national challenges and invited them to continue their efforts. "Qalaa Holdings is doing great work by focusing on education, which is vital in order to develop generations of youth who can help rebuild the country."

Qalaa Holdings was the first company in Egypt to receive an "A" grade rating from the UNGC's Global Reporting Initiative (GRI) on its first Sustainability Report issued in 2015. The GRI which helps businesses and governments communicate the impact of business on critical sustainability issues, awarded Qalaa Holdings for aligning the company's business operations with the UNGC's principles for environmental, social and governance policies.

Sherif, who is the lead author of the UNDP Report, also noted that Qalaa Holdings is a company that is serious about the issue of self accountability. "Qalaa's Sustainability Report is an excellent example of an Egyptian company that has moved beyond basic compliance to voluntarily report on where it stands against global sustainability indicators." "We represent the tip of the iceberg, we need to lead by example," said El-Khazindar.

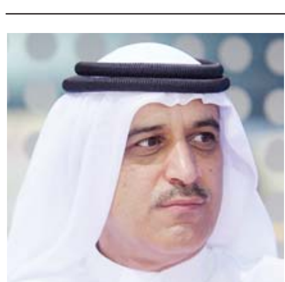
TAKAUD, BKIC partner to protect Bahrainis, MENA

MANAMA: TAKAUD, the specialist provider of savings, investment and pension solutions for the MENA region, is joining forces with BKIC (Bahrain Kuwait Insurance Company) to protect the people of Bahrain and the GCC and MENA regions, by helping them take better care of their tomorrows. The two Bahrain-based financial institutions have signed a Memorandum of Understanding (MoU) aimed at creating strong synergies between the two institutions, which in turn enhances the customer offerings and experiences for both firms. The partnership will allow both providers to explore areas of cooperation that will enhance their respective customer propositions.

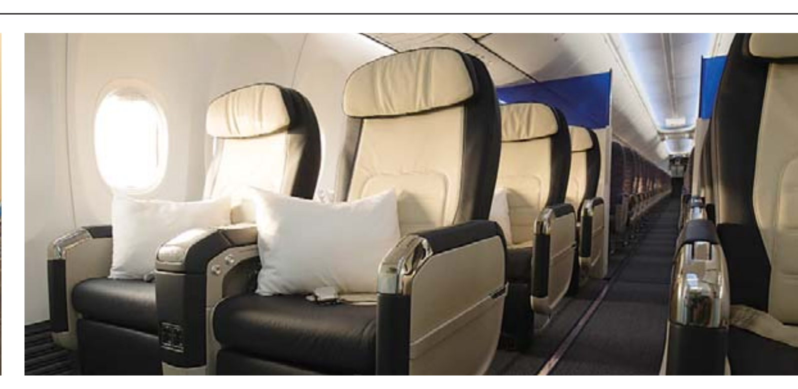
The MoU was signed recently by TAKAUD's CEO Luc Metivier and BKIC's CEO Ebrahim Al Rayyes at a special signing ceremony held at the BKIC offices. Areas of cooperation include providing BKIC's customers with information about TAKAUD smart-saving programs, including Employee Savings Plans for corporations, and Financial Consultancy and Wealth Management services for individuals of all income levels. TAKAUD customers, in turn, will get access to information about insurance products from group life insurance programs for corporations to domestic-worker, house and car insurance for families.

"Insurance and smart savings are products that everyone knows they need but it isn't always easy for people to get access or information about these services," TAKAUD's CEO Luc Metivier said. "Our partnership with BKIC brings information about TAKAUD smart savings to BKIC outlets and their Website at the same time as TAKAUD links its customers to BKIC insurance products. It is a natural partnership of financial products to make people's lives easier, more secure and simply better."

Ebrahim Al Rayes, BKIC's CEO said, "Now, when BKIC agents talk to our corporate and individual customers about car and medical insurance, we can also let them know how they can create smart-savings plans to secure their future. Both BKIC and TAKAUD are about making tomorrow better. We protect people from dangers that can hurt their homes and families; TAKAUD protects them by helping to ensure their futures are as bright as or better than today."



flydubai CEO Ghaith Al Ghaith



flydubai announces 4th full-year of profitability

KUWAIT: flydubai yesterday reported profits of AED100.7 million ($27.4 million) for 2015 following a stronger second half-year which saw increased numbers of passengers travel across its network. Total revenue for the full year was AED 4.9 billion ($1.33 billion), an increase of 11% compared to 2014. The overall yield, in terms of fils per Revenue Passenger Kilometer (RPKM), was under pressure attributable to the strong dollar; the challenging trading environment across the network; disruption resulting from the suspension of flights on some established routes and a large number of recently launched routes with a lead time required to reach maturity.

His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman of flydubai, said: "2015 was an important year for flydubai. It was a year in which through determination and commitment we continued to realize our vision to increase connectivity in support of the UAE's economic development. The year culminated in two achievements: The delivery of our 50th aircraft; and our fourth full-year of profitability." Ghaith Al Ghaith, Chief Executive Officer (CEO) of flydubai, added: "The overall trading environment has remained challenging but we have maintained our growth story and ended the year positively. Our robust passenger growth of 30%, in terms of RPKM, underlines the demand for travel within our geographic focus; the continued appeal of Dubai as a destination; and the popularity of our service."

Cost performance

A stronger performance in the second half of the year coupled with cost management efforts has resulted in a positive end to the year. Fuel costs reduced to 30.3% of operating costs benefitting from lower fuel prices with 59% of fuel costs unhedged. In line with flydubai's active fuel hedging policy, 16% of the fuel requirements for the next 24 months are currently hedged. This will provide a level of certainty and control to its fuel costs due to the ongoing fluctuation in fuel prices.

EBITDAR reduced slightly compared to the previous year, but remained healthy at 20.5% of revenue. The closing cash and cash equivalents position, including pre-delivery payments for future aircraft deliveries, was robust at AED2.4 billion. Ghaith Al Ghaith, CEO of flydubai, commenting on flydubai's cost performance, said: "The solid foundation we laid when the airline launched has ensured that we are best placed to respond quickly to manage the challenging socio-economic environment, in a controlled manner, both in the short term and for the long term."

Operational performance

Ready for business: Business Class was introduced on 17new routes in 2015 representing 87% of all departures from Dubai. flydubai saw the number of passengers from across its network who travelled in Business Class increase by 72% compared to 2014. Highest demand came from Africa followed by the Subcontinent and the Middle East, highlighting the demand for business class air travel, especially in the markets that have not had access to this service before. Demand for this service is also reflected in the UAE's position as an internationally recognized centre for business and trade.

Driving demand at second hub: the start of flydubai's new operations at Al Maktoum International-Dubai World Central saw services become available to Amman, Beirut, Doha, Kathmandu and Kuwait while flights to these destinations continued to be available at Dubai International. Services started on 25 October 2015 and during these first 10 weeks of operations passengers welcomed the choice and convenience offered by the new airport. Al Maktoum International-Dubai World Central continues to provide passengers from across Dubai with increased opportunities for travel.

Creating free flows of trade: increased accessibility to previously underserved markets has benefited cargo revenues which remain strong, posting an increase of 28.4% with 40,441 tons carried during the year. Increased spending aids ancillary revenue: continued strong performance for pre and onboard sales including inflight entertainment, food, seat preferences, checked baggage allowance, car rental, hotel bookings, travel insurance and visa facilitation services contributed 15.1% of revenue.

The introduction of new technology has provided more flexibility and opportunity to increase sales. Growing in experience and talent: in support of its growing fleet flydubai staff numbers rose to a total of 3,393 including 658 pilots, 1,435 cabin crew and 273 engineers representing 114 nationalities. This is a reflection of the opportunity created by opening previously underserved markets and flydubai's ability to attract some of the best talent in the aviation industry.

Listening to our customers

flydubai's onboard survey continues to provide the airline with unique insights into emerging travel trends. Feedback through the onboard survey came from 230,016 passengers and covered 36 touch points. flydubai reviews and analyses the data on a weekly basis and uses it to drive innovation across the airline. This approach further emphasizes its commitment of putting the customers' experience at the core of its operations.

Creating real connections

flydubai's strategy to support the vision of the Government to create a globally recognized centre for trade and tourism has seen: flydubai launch 18 new destinations including Asmara, Astana, Chennai, Gizan, Jouf, Quetta and Shiraz. An increase in business and leisure travel between KSA and the UAE contributed to flydubai's market growth of 26%. flydubai's commitment to open direct air links between KSA's regional airports and Dubai saw the number of flights increase by 29% including the start of the first international flights from Jouf Airport.

flydubai's comprehensive network across the GCC (including Bahrain, Kuwait, Qatar and Oman) saw passenger numbers grow by 18%. Passenger numbers from 14 points in the Middle East (including Jordan and Lebanon) grew by 37%. Demand for travel between India and the UAE remained strong. flydubai accounted for 15% of the total passenger growth which represented 4.5% of the overall market. In March, Chennai became the 8th point on flydubai's network in India with three flights a week.

With 11 points in Europe and 9 points in Russia flydubai passenger numbers grew by 14% across these markets however passenger numbers between Russia and Dubai decreased by 22% reflecting the current economic situation. Passenger numbers from the Caucasus grew by 21% and from Central Asia by 15%. The start of flights to Quetta and Faisalabad saw the network in Pakistan increase to five points and a 77% increase in passenger numbers contributed to an overall market growth of 12%. Since its launch, flydubai has opened 59 destinations on its network that were previously underserved or that did not have direct air links to Dubai. 2015 saw flydubai increase connectivity offered by Dubai's aviation hub and contributed 29% of the total increase in passengers using Dubai's airports.

Optimizing a modern and efficient fleet:flydubai took delivery of seven new aircraft during 2015 which included its 50th aircraft, marking the last delivery from the first aircraft order made at the Farnborough Airshow in 2008. Aircraft utilization was 13.6 block hours together with an industry-leading record of 99.77% technical dispatch reliability. Ghaith Al Ghaith, CEO of flydubai, commenting on flydubai's operational performance, said: "We have been focused on increasing access to Dubai and during the last two years we have launched 41 new routes. In support of our expansion plans, we have continued to create demand for travel whilst maintaining the efficiency of our operations and meeting the needs of our passengers."

Outlook

Starting in May, flydubai will take delivery of 16 new aircraft over the next 24 months. This includes five new Boeing 737 MAX 8 aircraft due to arrive in the second half of 2017. In line with its strategy to maintain a young and efficient fleet these aircraft will support flydubai's continued growth as well as replace some of the original aircraft in the fleet. During this period, seven aircraft will be retired. The continued focus on cost improvement and efforts to increase operational efficiencies are expected to contribute further cost savings to the airline.

The airline's route network will continue to strengthen as it sees all the 41 new routes launched in the last two years mature. flydubai has a network of 89 destinations in 43 countries. Ghaith Al Ghaith, CEO of flydubai commenting on the year ahead, said: "Our network is maturing and so we continue to monitor capacity and review the opportunities for existing routes as well as for new routes. In response to the changing environment, considered, balanced adjustment and management will be required. Our prudent outlook will help flydubai remain well-positioned to take advantage of the opportunities within our flying radius and continue our sustained growth trajectory."