KIPCO repays KD 80 million bond

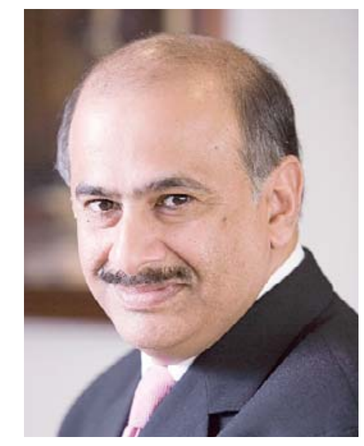
'Our prudent funding policies have served us well: ' Group CFO

KUWAIT: KIPCO, the Kuwait Projects Company, has announced that it has repaid its KD 80 million ($264 million) bond. The bond, which was issued in January 2012, was the largest local bond issued by a Kuwaiti corporate.

As part of its strategy, KIPCO regularly raises money in the local and international debt markets, and will continue to do so with the aim of diversifying its investor base and providing the company with financial flexibility. KIPCO is also on schedule to repay its $500 million bond in October 2016, issued under its international bond program. The company will have no debt repayments to make in 2017.

Commenting on the transaction, KIPCO's Group Chief Financial Officer, Pinak Maitra, said: "Our prudent funding policies have served us well and KIPCO's liquidity remains strong. We ended 2015 with one billion dollars in cash, which will allow us to comfortably cover our commitments in 2016. The excellent reputation that KIPCO's enjoys in the global investment community, together with its prudent financial practices, ensures that the company can always make true on its promises and distinguishes KIPCO as a role model in the region."

The KIPCO Group is one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of $31.4 billion as at 30 September 2015. The Group has significant ownership interests in over 60 companies operating across 24 countries. The group's main business sectors are financial services, media, real estate and manufacturing. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors.



Pinak Maitra

Has the demand for oil peaked?

By Hayder Tawfik

The recent big falls in oil price may be justifying a peak in demand rather than just a supply and demand issue. May be the assumption that the demand for oil will continue rising is wrong or has been wrong for a while. At some point in the future global oil use will start to fall.

We have always been told that population growth and a rising global middle class guarantee the steady demand for oil and other energy. This will lead to rising prices in the future. This theory has been universally accepted by literally everyone. Investors, governments and industries alike. But maybe we should start question this theory for the sake of better understanding why oil price has been falling. I strongly believe that the world economy is going through a massive change when it comes to oil consumption. This will dramatically change the patterns of energy use in the near future. This change has been ongoing and I believe will accelerate in the coming years with a dire impact on oil demand.

Global industries are more productive than ever added to the technological revolution in recent years that have saved money and energy in its usage. The rapid development and the building of urban cities and infrastructure require far less energy these days than before. The increased political turmoil in key regions of the developing world, and large bets on renewable energy are among the many factors that will combine to slow the previous breakneck growth for oil. Last year $265 billion were spent on renewable energies in most courtiers in the world. This figure was much higher than the money spent on oil investments. I believe the world is changing very fast and the global demand for oil demand will peak within the next two decades.

The geopolitical and economic implications of peaking demand will be huge for some oil producing countries. As economic growth becomes increasingly disconnected from oil, the focus will likely be on other scare resources that are more critical for the human being. Food, water and natural commodities that help in generating energy away from oil.

Those who argue against the peak in demand for oil uses the ever-increasing world middle class in places like China, India, Indonesia and some part of Africa. It has always been in the interest of the oil industry to promote such argument. We know that the growth of the middle class mean more cars on the road and more fuel consumption. Officially, the International Energy Agency forecasts oil demand rising to 104 million barrels a day by 2040 from 90 million barrels a day in 2013, as surging demand in the developing world dwarfs the demand declines expected in the industrialized countries.

I believe these forecasts misses one important point and that is the developed world has been very effective in saving energy. So, maybe there is an underestimation of the actual demand for oil in the developed economies and at the same time an overestimation of the future demand for oil from the emerging economies.

The developed economies have been in the forefront of introducing measures that have led to being more effective in using oil or energy. Most countries have in place energy taxes some are very high and some are going up every year. The technological breakthroughs has resulted in a peak in oil demand in the most industrious economies such Japan, US and Europe. According to the latest energy research Europe's oil use last year hit its lowest level since the mid-1990s. The U.S. Energy Information Administration declared 2007 as the peak year for oil use in the U.S., with demand expected to fall by between 1.8 million and 2.7 million barrels a day by 2035 based on improvements in automotive efficiency and demographic trends.

Also, there are signs that slowing oil demand even in China, which has been the biggest source of growth in consumption over the past decade. China has been quite successful in making its economy less dependent on oil. It has been promoting renewable energy and advanced automotive technology at home and for export. Over the past few years China has spent billions on developing new cities that are energy efficient and has connected these cities with a huge network of high speed trains that run on electricity and very energy efficient too.

The new trend of massive urbanization will more likely reduce the viability of private car ownership. Old and new cities around the world are seeking smarter designs for transport systems as well as penalties and restrictions on car ownership. The number of people using trains for the daily journey in the UK has hit record highs. Aging population in the US, Japan and Europe drive far less and use buses and trains more than ever. At the same time, increased turmoil and low oil prices are crippling economic activity in some parts of the oil producing countries and Africa. Many state-sponsored fuel-price subsidies, which have been a key driver of oil demand in the developing world, are rapidly disappearing.

Over the past few years, the cost of producing renewable energy being wind power, solar or electric cars have fallen dramatically. They are now very promising than expected. China's commitment to an industrialization program pushing itself to be the world's major exporter of solar panels and advanced vehicles, including the production of five million electric vehicles a year, is another source of caution to those who forecast oil demand will rise exponentially forever.

Obviously none of this is for sure but the signs are there already. A lot could happen in the future and changes bound to occur. Future, changes in politics, economics and technology could easily alter the demand for oil. - Rasameel

Bahrah Trading Company wins prestigious award from HINO

KUWAIT: Bahrah Trading Company (BTC), one of the Al-Sayer Group Holding Companies has won top honor at the Middle East and Africa Region HINO Service skill contest recently held at Hino Sharjah Training Center.

Scripting a remarkable achievement Jonathan Galvez Mariano, Specialist Technician - BTC Hino service won the Champion Award at the event. Hino Middle East Office and Training Centre, a branch of Hino Motors Ltd. Japan, has organized a regional skills contest at its center in Sharjah Airport International Free Zone, SAIF Zone. Apart from BTC Kuwait team the contest was participated in by various Hino distributors from UAE, Saudi Arabia, Algeria, Bahrain, Iraq, Jordan, Lebanon, Morocco, Oman and Qatar.

"This contest was to recognize the abilities of our technicians and to encourage continuous improvement in our after-sales service. This annual event is an initiative of Hino as part of our commitment to attain its ultimate goal of "Total Support", said Takeshi Yasuda, Senior General Manager of Hino Motors.

Top Training Put To Test, Best Of The Best Battle For Top Honors:

Crediting BTC on winning this award Mubarak Naser Al-Sayer, CEO Al-Sayer Group said "This achievement is all the more heartening and significant given the fact Bahrah is the youngest Hino dealership in the region, just about a year old, which amply demonstrate the resilience and adaptability of new products by Bahrah's technical cadre. The HINO Service Skills Contest is an important event for the brand's continued success. We aim to gain the best competitive advantage for sales and service and such world-class training and assessment is vital to the growth of our business"

"This contest was a compilation of the skills training attended by the technicians. Based on the knowledge, understanding and education they attained, they were able to compete successfully and showcase their expertise", said Yoshihiro Koyama, General Manager of Hino Middle East Office and Training Centre.

Appreciating the technician's sincere efforts Melakandy Hamza, General Manager BTC said "Joe had faced tough competition from veteran technicians from other distributors, quite a few of whom won laurels in earlier contests yet, prevailed to secure the champion award by making the best use of highly skilled professional approach, knowledge and impeccable preparation."

Kenichi Sekine, Chief Representative of Hino Middle East Office and Hino Middle East Parts Depot in UAE lauded the achievement and heaped compliments on Joe; he also praised Bahrah Service' high level of comprehensive competency.

Hamza Melakandy GM and Krishna Raj Assistant Manager Hino Center Ahmadi were present at the venue of the contest which encouraged Joe aim higher with confidence.

"Joining us in 2007 as Technician, heavy equipment service, by dedication and sincere efforts rose steadily in the ranks, promoted to master technician, eventually to the position of Specialist Technician. His overall professional conduct and attitude has been exemplary" added Mr. Hamza Melakandy.

Reliable Service from BTC for World Leading Brand HINO: All HINO technicians receive skill training at HINO facility in Sharjah. BTC ensures availability of sufficient inventory at warehouse considering the Units in operation in Kuwait are in place at the warehouse. Appropriate maintenance arrangements are also in place including special tools and diagnostic equipment and instruments to assist the service operations while BTC Ahmadi Center is the hub of Hino activities. Meanwhile Al Rai and Ardiyah facilities are fully equipped to extend all assistance to support the service and parts operations.

Hino has maintained a proven record as one of the world market leaders with representation and presence in GCC and Africa since 1960's with trucks for powerful driving performance, durability, and reliability featuring tomorrow's technology for today's environment.

For the year 2015, HINO marked record growth in Kuwait since BTC officially re-launched the brand in November 2014. Hino's recognition as the largest manufacturer of trucks and buses in Japan rightfully proves that the company's technicians are among the best.

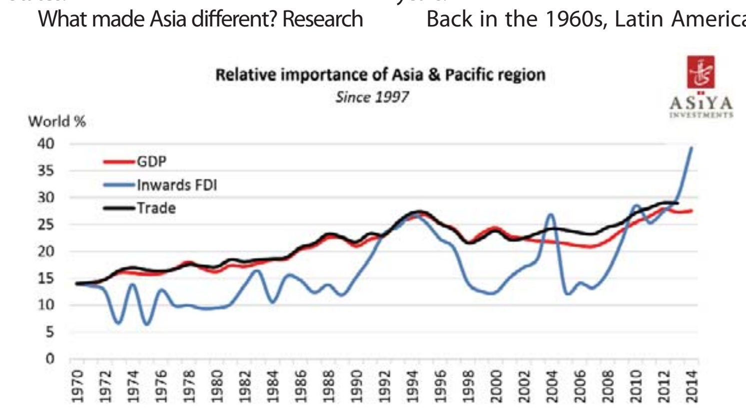
Asia will continue to outperform other emerging regions

By Jordi Rof
Asiya Capital Investments Company

KUWAIT: 2016 has started with a dramatic selloff in equities across the globe. The erratic performance of Chinese stock markets has been pointed at as one of the trigger of the global correction, and investors look with concern at emerging markets, including Asia. Indeed, the combination of diverging policy cycles in the United States and the rest of the world, declining oil prices, decelerating growth and policy fatigue constitutes a sobering context to invest, in which no asset or region seems attractive. In moments like this, it is useful to think long term, and resource to economic fundamentals. Historically, macroeconomic performance remains the best explanatory factor for investment returns. What are the global macro trends?

The weight of most regions in terms of GDP barely experienced any changes in the last 40 years. Latin America and the Caribbean accounted for 6% of GDP in 1970 versus 8% in 2014. Sub-Saharan Africa's contribution to global output remained steady at 2.2% in the same period. Middle East and North Africa (MENA) improved substantially, from 1.3 percent to 4.5 percent of global GDP, but mainly due to the rise of oil-exporting economies. Emerging Asia is the only undisputable story of successful development among developing economies. The region almost doubled its weight, from almost 14 percent in the 1970s to 27.5 percent of global GDP in 2014, mostly at the expense of European and North American economies. The improvement was not only quantitative but qualitative, as GDP per capita at current prices improved from 4.9 percent to 17.3 percent measured as a percentage of the same measure in the United States.

What made Asia different? Research suggested that circumstances such as the colonial legacy and institutional quality could have played a significant role. However, macroeconomic explanations stand out. For instance, from 1970 to 2010 East Asia registered substantially lower inflation rates than most other developing regions. Fiscal prudency created an ample fiscal space which allowed the implementation of counter-cyclical stabilizing fiscal policies. In fact, in the region, debt to GDP ratios remained below 50 percent, and primary deficits under 2 percent, in the last 15 years. Foreign investment flocked in, averaging over 3 percent of GDP in the 1990-2010 period. Investment levels are even more striking, as they remained consistently above 30 percent of GDP since the 70s and above 40 percent in the last five years.



Back in the 1960s, Latin America was the most promising region, but it did not live up to the expectations. From 1980 to 2014 real GDP growth averaged 2.9 percent, less than half of Asia's (7.4 percent), and significantly more volatile. Inflation was higher, and investment lower averaging about 21 percent of GDP from 1970 to 2014. Other factors such as financial instability -27 banking crises between 1980 and 2000- and lower trade levels -62 percent of GDP in Asia vs. 50 percent in Latin America- also contributed to the weak performance. Trade is not only less prominent in Latin America than in Asia, but exports are more commodity based. Low sophistication of exports in the region is also shown by the percentage of high-tech exports over merchandise exports, 10 percent in 2014, compared to 25 percent in Emerging Asia.

A combination of appropriate fiscal and monetary frameworks, effective industrial policies, which targeted sectors with high value added, and high levels of investment made the Asian awakening possible. The foundations of these fast, stable and sustainable development remain unchanged so far. Capital formation (41 percent of GDP), trade levels (63 percent of GDP) remained high compared to other emerging regions in 2014. A high real GDP growth (6.8 percent) in a context of low inflation in 2014 (2.7 percent) are still contributing to attract large amounts of inwards investment. In 2014 the region received a record 40 percent of global investment. Moreover, the latest slump in commodity prices could have positive implications for the region, while hurting other emerging commodity-exporting economies in South America, Africa or the Middle East. In spite of the deceleration that the region is experiencing, economic fundamentals remain strong in Asia, and the region is expected to keep outperforming other emerging economies.

Benefits of cheap oil will come, but not soon

WASHINGTON: With petroleum investment and the manufacturing sector sagging and the stock market in free fall, many Americans are wondering when they will begin to see the benefits of cheap oil. Crude oil prices have tumbled by 70 percent since mid-2014, dropping this year below $30 a barrel, a price unimaginable as recently as 18 months ago, when they were at $110 a barrel.

The technological breakthroughs of hydraulic fracturing-or fracking-have revolutionized the market for black gold, making the United States the world's leading petroleum exporter.

So why do things feel so bleak to many Americans? It may be just a question of timing, some economists say. "On a net basis, the decline of oil prices is or will be positive for the US economy," said Angel Ubide, a senior fellow at the Peterson Institute for International Economics. Because the negative impact is "faster and more concentrated in time," people are already feeling it, Ubide told AFP. "If we look at it in two or three years' time, we'll be able to conclude that the decline in oil prices on net was positive. But we need some time for that."

Steve Murphy of Capital Economics sounded a note of caution, however, saying much will depend on how long oil prices remain low. "The magnitude and duration of the slump in oil prices has far exceeded what we originally expected, and the longer it persists, the harder it is to argue that decline will ever be a net positive for the US economy," he said.

"Lower prices should have boosted real economic growth in the US. Instead, the hit to domestic investment has been unrelenting, while households still haven't spent any of their savings."

US financial authorities, starting with Fed chair Janet Yellen, insist that lower gasoline prices should free consumers' purchasing power. Premium gas at the pump is now below $2 a gallon on average (0.48 euros a liter), a seven-year low.

And yet few signs of impact on consumer spending seem to have materialized, even if the American consumer remains the locomotive of today's modest levels of US growth. Retail sales rose only 2.1 percent in 2015, according to official figures published Friday, down from a yearly average of 5.1 percent from 2010 to 2014. Murphy said Americans have saved $115 billion thanks to cheap gas over the past 18 months, but rather than spending it, "Personal saving has increased by US$120 billion, suggesting that households have saved every last dime from lower pump prices." —AFP