Volvo to export China-made electric car

SHANGHAI: Volvo Cars, the Chinese-owned Swedish automaker, said yesterday it plans to make electric cars in China for sale worldwide starting in 2019 amid pressure by Beijing for global auto brands to help develop its fledgling industry in alternatives to gasoline. The announcement at the Shanghai auto show is among a flurry of automakers' plans for electric models in China, their industry's biggest market. The ruling Communist Party has the world's most aggressive electric vehicle goals, both to clean up smog-shrouded cities and seeking the lead in an emerging industry.

On Tuesday, General Motors Co said it will produce a gasoline-electric hybrid version of its Chevrolet Volt in China. Ford, Volkswagen AG, Nissan Motor Co and other brands also intend to sell electric models in China, adding to competition in a market that has been dominated by lower-cost Chinese producers. Volvo said its first pure-electric model will be based on the economy-size CMA platform it shares with Chinese automaker Geely, which bought the Swedish brand from Ford in 2010. It said the name, size and other details were yet to be decided.

"It will be for global export. So it is built from the start to work all over the world," said Henrik Green, Volvo's senior vice president for research and development. Volvo has three factories in China. In 2015 it became the first automaker to export Chinese-made cars to the United States. Chinese buyers have shown little enthusiasm for electric cars due to concern about cost, reliability and limited range. But Chinese authorities are using a mix of incentives and penalties to push for electric models. Automakers are scrambling to develop models with consumer appeal.

"It's clear that China wants to take a leading role globally in terms of the regulatory environment and electrification," said David Schoch, Ford's president for the Asia-Pacific. Models on display at Auto Shanghai 2017, the global industry's biggest marketing event of the year, reflect the conflict between Beijing's ambitions for environmentally friendly cars and Chinese consumers' love of hulking, fuel-hungry SUVs. Nearly every automaker is displaying at least one electric concept vehicle, if not a market-ready model.

They range from family-friendly SUVs to futuristic-looking, premium-priced electric muscle cars from Chinese startups such as NextEV and Qiantu. South Korea's Kia Motors Co debuted an SUV-inspired crossover, the K2 Cross, designed for the Chinese market. GM said its Velite 5 hybrid will be sold by Buick, which has modest sales elsewhere but is GM's main brand in China. GM's joint venture with a state-owned automaker, Shanghai Automotive Industries Corp., will make it. Prices will start at 265,800 yuan ($38,600).

The Velite 5 will be able to travel 116 kilometers on one charge, with an added gasoline engine extending that to 768 kilometers, GM said. It said the Velite 5 will be the Chinese market's most energy-efficient hybrid to date and the first able to travel 100 kilometers on the equivalent of less than 1 liter of gasoline. "Buick is committed to expanding its portfolio of new energy vehicles," said a GM statement. "It will introduce additional new energy vehicles in China in the next two years, including hybrid electric vehicles, plug-in hybrid electric vehicles and pure electric vehicles."

On Tuesday, Volkwagen AG announced plans to launch a pure-electric car in China next year with a state-owned partner. It is to be the first in a full range of pure-electric vehicles for China. Ford announced plans earlier to manufacture a hybrid sedan, the Mondeo Energi, with a state-owned Chinese partner, Chang'an Automobile Co. It is due to go on sale next year. One brand still displaying only classic gasoline models was Italy's Maserati, whose CEO, Reid Bigland, would not say if it might produce an electric or hybrid. China is the biggest market for Maserati's top-of-the-line Quattroporte sedan and the brand's total Chinese sales rose 90 percent last year to 12,250.

Regulators jolted the industry by proposing a requirement that electrics account for at least 8 percent of each brand's production by next year, rising to 10 percent in 2019 and 12 percent in 2020. Automakers say they may be unable to meet those targets and regulators have suggested they might be reduced or postponed. The government is expanding China's network of charging stations to reduce "range anxiety," or buyers' fear of running out of power. The Cabinet's planning agency announced a goal in February of having 100,000 public charging stations and 800,000 private stations operating by the end of this year.

Electric cars also are exempt from sales tax and license plate quotas Beijing, Shanghai and other cities use to curb congestion and smog. Still, sales of electric and gasoline-electric hybrids fell 4.4 percent from a year earlier in the first quarter to 55,929 vehicles while SUV purchases rose 21 percent to 2.4 million. Ford's Schoch said that as manufacturing volume of batteries - an electric car's most expensive component - expands, costs should fall, making them competitive with combustion engines.

"That will create a market pull rather than the government forcing action," he said. The status of manufacturing electric cars in China is unclear for foreign brands, which are required to work through joint ventures with state-owned Chinese partners that assemble their vehicles. Previous rules required foreign automakers to hand over key technology to a Chinese partner or pay import taxes even on models produced in China. Foreign companies balked at giving away expensive know-how that might help a potential competitor to develop. —AP

SHANGHAI: A Volvo S90 car is presented during the first day of the 17th Shanghai International Automobile Industry Exhibition. —AFP

SHANGHAI: A Singulato Concept car is displayed during the first day of the 17th Shanghai International Automobile Industry Exhibition yesterday. Global automakers unveiled new SUVs, electric vehicles, and futuristic concept cars at the Shanghai Auto Show - racing for an edge in the world's biggest auto market as growth slows after years of frenzied sales. —AFP

Automakers see promise in Chinese 'car-sharing'

SHANGHAI: Unable to afford a car, Shanghai university student Long Yi endured an expensive taxi commute across his vast city until he started using one of the car-sharing schemes quickly gaining momentum in China. Essentially an Internet Age twist on car rentals, car-sharing is attracting Chinese millennials who increasingly demand mobility but shun the burden of auto ownership. Long, 20, drives himself to school for around 50 yuan ($7) using EVCARD, a service launched by state-owned automaker SAIC Motor that has compact electric vehicles sprinkled around the city, slashing his travel time and costing one-quarter the taxi fare. "It is cheaper and more convenient and very flexible. I'll choose EVCARD as my primary mode of transport almost every time," said Long.

After years of skyrocketing China sales, the global auto industry is contemplating slower growth as it convenes this week for the Shanghai Auto Show, putting alternative sales channels like car-sharing in focus. Long-established in Western countries, such services only began appearing in China in the past two years, but are part of an ongoing Chinese personal-mobility revolution. Already bike-sharing businesses have exploded across China, flooding major cities with bicycles that are unlocked by GPS using an app, can be left anywhere and have become critical to countless commutes.

Similarly, drivers typically use a smartphone app to find and unlock shared cars, later parking them anywhere or at set locations. Dozens of Chinese and foreign companies have now either launched or invested in car-sharing operations, with some making purpose-built cars. Germany-based consultancy Roland Berger forecasts annual market growth of at least 45 percent. "That is a significant growth opportunity (for manufacturers). There are only a few hundred thousand cars now, but it's growing and it's growing very quickly," said Johan Karlberg, a Shanghai-based partner with Roland Berger.

Driving new sales

German giant Daimler launched a car-sharing service last year that has since expanded to seven cities, gaining more than 250,000 registered users, the company said. Jochem Heizmann, China CEO for Volkswagen, the country's top car brand, told reporters in Shanghai VW would partner with Chinese car-sharing operator Shouqi in multiple cities, partly to boost electric-vehicle sales. "You have to see the development of such fleets as sales channels," he stressed. Lynk & Co-a new unit of Chinese automaker Geely, which owns Volvo-unveiled in Shanghai two SUVs with built-in touch-screen sharing software developed with Microsoft and Sweden's Ericsson. "Communities", such as companies or residential developments, can jointly purchase vehicles to share, or owners can share their car for a fee with other drivers who join Lynk & Co's network, said Alain Visser, the company's senior vice president. "It becomes an interesting concept because sharing can reduce the cost of ownership," he said.

Lynk & Co also is partnering with TripAdvisor and Tujia-China's Airbnb on a proposed system combining shared accommodation and cars. "Instead of entering the (car-sharing) market once it becomes big, we want to make it big," Visser said. Bill Russo, head of Shanghai-based consultancy Gao Feng, said such services will guide auto manufacturing in future. "You may build them to entertain people in the backseat, or to provide more connectivity so people can be productive. We'll see this segment influence specifications," he said. China's central government and many local authorities are keen to reduce congestion and air pollution and have dangled various incentives for car-sharing, such as eased licensing requirements and guaranteed parking. —AFP

Ahli United Bank records 10 percent growth in Q1

KUWAIT: The Bank's revenue from core net financing activities grew by 10% amounting to KD 23.4 million during Q1 2017, up from KD 21.2 million recorded in the first quarter last year. The Bank recorded a net profit after tax of KD 16 million for Q1 2017, an increase of 3% over the KD 15.6 million net profit recorded for the same period last year. This profit is achieved following a conservative approach to provisioning and credit policies to mitigate the risks attached with the ongoing market volatility and geopolitical instability in the region.

Dr Al-Mudhaf, Chairman of Ahli United Bank (Kuwait) remarked "The Bank's successful strategy has resulted in realizing sound key performance indicator levels during the period". "The Bank has achieved a return on equity (ROE) of 17% and a return on assets (ROA) of 2% at the end of March 2017 being amongst the highest return indicators of banks announcing their results in the local market for the same period. The higher returns contributed in generating earnings per share (EPS) of 10.3 fils as compared with the EPS of 10 fils recorded in 2016.

The Bank's total assets grew to reach KD 3.8 billion at the end of March 2017 up from KD 3.7 billion recorded at the end of last year. Total deposits reached KD 3.3 billion. The Bank has reported a sound capital adequacy ratio (CAR) of 17.6% being higher than the minimum regulatory required level of 13.5%." The Chairman attributed these positive results for the period to the efforts of the Bank's management and staff who have provided distinctive services and integrated solutions for customers, maintaining customer confidence and enhancing the presence of the Bank in Corporate Banking, Retail Banking, Private Banking & Wealth Management, and Treasury.

Dr Anwar Al Mudhaf

The Chairman stressed that the management's success has placed the Bank among the best and safest Islamic Banks, not only locally but also regionally. The Bank has continued to receive high credit ratings from international credit rating agencies, such as Fitch, Moody's and Capital Intelligence. The Bank maintained a credit rating of "A+" on the long term and "F1" on the short term with stable outlook by Fitch Ratings Agency, and "A2" on the local currency with stable outlook by Moody's. Capital Intelligence affirmed the Bank's long term credit rating of foreign currency to "A+" and enhanced the short term foreign currency rating to "A2". All these ratings confirm the credit standing, capital quality, and stability of the Bank for future growth. The Bank obtained several awards during past one year including the "Best Islamic Bank Award in Kuwait" for the fourth consecutive year from the international magazine, The Banker, and the "Second Safest Islamic Bank in Kuwait and Fourth in the GCC" awarded by the Global Finance magazine. Furthermore, the Chairman expects further progress in the Bank's performance with growth during the forthcoming period, notwithstanding the increased competition in the market. The Bank is committed to the continuous improvement in banking services, including the innovation of its services, products and financial solutions.

In concluding his statement, Dr Al-Mudhaf extended his thanks and appreciation to the Central Bank of Kuwait for providing valuable guidance to the Bank, to the Bank's Board of Directors, to customers, to shareholders, and to management and staff for the confidence and support they have conferred upon the Bank. This has enabled the Bank to realize these continued achievements and maintain its preeminent position in the Kuwaiti Banking sector.

Beijing relaxes cross-border capital curbs; yuan steadies

Capital flow curbs derailed

SHANGHAI: China's central bank has relaxed some of the curbs on cross-border capital outflows it put in place just months ago to shore up the yuan currency, banking sources said yesterday. The first easing of the measures comes as China's leaders and financial markets feel more confident that pressure on the yuan and the country's foreign exchange reserves has diminished, thanks largely to a pullback in the surging US dollar. The yuan slumped around 6.5 percent against the dollar last year, but has firmed nearly 1 percent in 2017, defying-for now-many analysts' expectations of further depreciation.

Indeed, a Reuters poll earlier this month indicated investors likely increased their bullish bets on the yuan to the most since July 2015. With less incentive for capital flight and the economy on steadier footing, China's foreign exchange reserves have clawed back above the closely watched $3 trillion level. Premier Li Keqiang said on Tuesday that market confidence in the yuan has significantly improved, Xinhua news agency reported. As of last week, the People's Bank of China (PBOC) is no longer demanding that banks match outflows with equal inflows, the sources said. The South China Morning Post first reported the relaxation of the capital controls earlier yesterday.

There was no immediate comment from the People's Bank of China when contacted by Reuters. The State Administration of Foreign Exchange (SAFE) did not have an immediate response to Reuters' questions on the SCMP report. Expectations of further yuan depreciation have eased in recent months, opening a window for authorities to relax recent measures, but Beijing is not likely to let go totally, said Raymond Yeung, chief Greater China economist at ANZ in Hong Kong. In addition to checking exchange rate expectations, the authorities were also using capital controls to control where Chinese money flows, limiting investments in foreign sectors deemed undesirable, he noted.

"The current macro environment obviously favours an easing of the (rules on) fund flows, but that doesn't mean that it is going to have solved the structural issue of the mismatch between the corporate desire to go out versus the central government's centrally-driven approach when they talk about offshore investment," Yeung said. While the world's second-largest economy still has the largest stash of forex reserves by far, it had burned through over half a trillion dollars since August 2015 trying to support the yuan. The government reacted by intensifying capital controls late last year, making it harder for individuals and companies to move money out of China.

Those measures are credited with quashing speculative outflows and helping to stabilize the currency, but have also hampered legitimate outflows as China Inc goes more global. Chinese businesses have complained that the curbs were damaging their plans for overseas investments and acquisitions, while foreign firms have been more reluctant to invest in China for fear of having trouble repatriating profits. In March the US owner of Dick Clark Productions Inc said that one of its affiliates terminated an agreement to sell assets to Chinese conglomerate Dalian Wanda Group, with Reuters reporting earlier the deal was under pressure amid tight scrutiny by Beijing on outbound deals.

But the small relaxation step won't help much in terms of outbound investment approvals, said Greg Burch, who works on mid-market China outbound M&A deals as a Hong Kong-based partner at the Locke Lord law firm. "This particular move won't help on real M&A deals...It's like the brakes aren't totally locked up any more, but the foot is still on the brake pedal pretty hard," said Burch. On Tuesday, China reported that its non-financial outbound direct investment (ODI) slumped 30.1 percent in March from a year earlier as authorities kept a tight grip on outflows. In the first quarter, it fell nearly 49 percent.

While Beijing says it supports legitimate overseas investment, regulators have warned they would pay close attention to "irrational" investment in property, entertainment, sports and other sectors. The sources did not spell out what criteria would still be applied to outflows. "Actually, it'll be the same as SAFE's previous policy stance, emphasizing that cross-border settlements for legal and compliant business are guaranteed," said one of the sources, who declined to be identified. Much will depend on the outlook for the US currency, which analysts expect to rebound eventually as the Federal Reserve continues to slowly raise interest rates. — Reuters

BEIJING: A worker assembles an aluminum platform outside a construction site at the Central Business District of Beijing. China's economic growth ticked higher to 6.9 percent in the first quarter of the year, according to the latest figures. —AP

OPEC 'optimistic' oil output cuts lead to price recovery

ABU DHABI: Oil-exporting cartel OPEC is confident that production cuts agreed with non-members to prop up prices will lead to a recovery in the market, its chief said yesterday. "We are optimistic that the policy measures we have taken already place us on the path of recovery," OPEC Secretary General Mohammad Sanusi Barkindo said at an energy forum in Abu Dhabi. OPEC members agreed in November to cut production by 1.2 million barrels per day for six months beginning from the start of the year. Some non-cartel producers, led by Russia, joined in December by committing to cut output by 558 million bpd.

The OPEC chief did not take a position on whether oil ministers from participating countries would extend the cuts when they meet in Vienna next month. "These 24 countries, I believe, will take a decision that will be in the best interest of not only producers but also consumers and the global industry in general," he said. OPEC and non-OPEC producers said after talks in Kuwait last month that they were looking into extending the output cuts, as compliance with the agreement has increased. UAE energy minister Suhail Al-Mazrouei told reporters at the forum that it was "still premature to make any decision" on the cuts.

"The market is correcting itself. So far we have not seen huge fluctuation in the price, which is a good thing," he said. "We want stability in the market," he added. Barkindo said the joint action has put OPEC and other producers in the "driving seat" to dictate events instead of "reacting to market developments." The cuts were agreed to help restore market stability "by addressing one variable, which is stock," he said. "As a result of the rising stock over the past years, the equation has gone out of balance." All producers taking part in the cuts are committed to restoring stability, he said. —AP