Soon time to watch for rising global inflation?

LONDON: The global economy has weathered the new US administration's sweeping challenges to the status quo with surprising aplomb given serious threats made to world trade, but what is not so clear is how much longer inflation will remain stubbornly low. Nearly a decade since the start of the financial crisis and an avalanche of emergency monetary stimulus that ensued, inflation is only just now close to the 2 percent target many of the world's biggest central banks still keep.

But there have been stirring signals on inflation elsewhere in the world, suggesting a turning point may be closer. The Reserve Bank of India just dropped its bias to ease policy, citing global inflation pressures as one reason for a sudden volte-face. Mexico's central bank, grappling with a falling peso, hiked rates on Thursday to a near-eight year high. Key releases on inflation for the United States, Britain and China are due next week, forecast at 2.4, 1.9 and 2.4 percent, respectively, according to Reuters polls.

The worry is with growth holding up and commodity prices giving inflation a nudge up now, the last thing needed with most major central bank rates still near zero is more fuel poured onto to an already-raging fire. An expected announcement from the Trump administration on plans for sweeping tax cuts is likely only weeks away, and has again boosted already-lofty stock prices, despite widespread worries about the barriers to trade that may come later.

Federal Reserve Chair Janet Yellen is due to testify to Congress next week for the first time since Donald Trump moved into the White House. She doesn't appear ready to signal a major step up in the Fed's glacial pace of rate rises yet either. Inflation in the economy is picking up: but so far not because spare capacity has been eaten up in product and labour markets, triggering price rises driven by demand outstripping shortages of supply.

Instead, the latest rise has to do with rising costs, particularly energy costs, leaving central bankers, notably European Central Bank President Mario Draghi, saying they will instead focus on the next round of inflation pressures. The main impediment to higher inflation rests in one of the side-effects from the free flow of labor: A lack of wage pressure. "What had appeared to be a promising trend of stronger wage growth broadening out to include more higher paying industries has reversed since late last year," notes Morgan Stanley US economist Robert Rosener. "Wage pressures remain predominately in low-wage industries, limiting gains in overall aggregate wage growth."

The US unemployment rate is below 5 percent, close to where most economists say is the lowest it can go before shortages start to drive up the cost of labor. Despite this latest setback in the official data, the general expectation is that wage inflation will soon take off, especially given that it is one of President Trump's stated aims to hire American. The talk of wage inflation has been less robust in the Britain, however.

Britain is facing an imported inflation challenge following Britons' majority vote last June to leave the European Union that caused a 15 percent fall in sterling. That could send inflation to 3 percent or higher later this year. The Bank of England just cut its estimate of the unemployment rate it thinks will generate inflation to 4.5 percent from 5.0 percent based on recent evidence that already-low unemployment isn't boosting wages much.

Its latest agents survey of businesses shows very modest expectations for pay settlements in the coming year, only slightly above 2 percent. Average UK weekly earnings excluding bonuses are forecast to rise 2.7 percent in the three months to December on a year ago, steady compared with the last official set of data. It is clear that going forward, there is still plenty of uncertainty over what Britain's future trading relationship will be with the EU and how long that will take. But if the unemployment rate keeps falling, it should soon be time for a trend of rising wages to re-establish itself, so long as basic laws of economics still apply. "There seems to be a real inconsistency between the way the US is being analysed and the way the UK is being analyzed," said Charles Goodhart, former member of the BoE's Monetary Policy Committee, at a recent conference hosted by Fathom Consulting and Thomson Reuters. — Reuters

Jazeera reports KD 52.8m revenues, KD 10.8m profit

KUWAIT: Jazeera Airways today announced its full-year financial results for 2016. The company recorded KD 52.8 million in revenues for the year, an operating profit of KD 8.8 million, and a net profit of KD 10.8 million making 2016 the company's sixth consecutive year of profitability. The board of directors has recommended a 35 percent cash dividend totaling KD7 million.

Full-year results highlights:

- Operating revenue: KD 52.8 million, down 10 percent from the previous year
- Operating profit: KD 8.8 million, down 35.3 percent from the previous year
- Net profit: KD 10.8 million, down 29.8 percent from last year
- Passengers: Up 0.3 percent
- On-time Performance: 94 percent

Marwan Boodai

Jazeera Airways Chairman Marwan Boodai said, "I am pleased to report that the year 2016 was our sixth consecutive year of profitability, however the slowing macroeconomic environment and the continued oversupply of seats on our routes placed pressure on our yields, resulting in a 29.8 percent drop from last year while carrying slightly more travelers. Having said that, with six years of consecutive profitability and virtually no debt, our balance sheet remains strong and cash-rich, making it the healthiest balance sheet in our industry."

"Looking forward, we believe that with the recent investments in on-ground facilities that we've made - and launched in the second half of 2016- will attract more travelers in the quarters to come. Our new terminal, which we have announced earlier will differentiate our product and gradually counter the pressure on yields. The terminal is due to start welcoming travelers by year-end."

In 2016 Jazeera Airways broke new grounds by launching services that make the travel experience more efficient for travelers in Kuwait. The airline launched a remote check-in service called Park & Fly, the first in Kuwait, as well as a dedicated business lounge adjacent to its dedicated gates. The airline also upgraded the entire check-in experience for even faster service. In 2017, the airline will continue to facilitate travelers' check-in, boarding, departure, and arrival experience with the construction of a brand new state-of-the-art dedicated terminal that aims to make the airport experience even more efficient for travelers flying in and out of the airport.

The new Jazeera Airways Terminal building will incorporate smart technology tasked with providing a seamless, congestion-free, check-in process. The automated building will also connect to travelers' devices as soon as they arrive to the terminal and offer immediate assistance such as updating their flight status and navigation to their gate.

Dollar rallies on Trump tax pledge

LONDON: The dollar extended a rally yesterday on comments by US President Donald Trump that he would release details of a "phenomenal" tax-cut plan, which also lifted global stock markets. Japan's Nikkei index led the advance, piling on 2.5 percent as the yen sank, while a forecast-busting trade report from China also lifted spirits in Hong Kong and Shanghai, dealers said. European markets were also up, with London receiving a boost also from far better-than-expected UK industrial production data.

At a meeting Thursday with airline executives, Trump said he would release details of a "phenomenal" tax cut plan in the next two or three weeks. The news sent a rocket through Wall Street, where all three main indices ended at record high levels, and the dollar powered higher. They continued rising at the opening bell yesterday, with the Dow gaining 0.2 percent. "US equities are adding to yesterday's rally following a promise of a "phenomenal" tax plan in the next 2-3 weeks by President Donald Trump, helping ease heightened trade and immigration concerns," said analysts at Charles Schwab brokerage.

World stock markets surged in the two months after Trump's November election win, buoyed by his promises to slash taxes, hike infrastructure spending and cut red tape to fan economic growth. But in the three weeks since he took office, sentiment has been consumed largely by a series of controversial Trump measures and comments, particularly over trade, that left dealers worried that his domestic agenda had been put on the back burner.

"Trump has started making the right noises again as far as markets are concerned, with Thursday's promise of a 'phenomenal' tax announcement in the coming weeks certainly hitting all the right notes," said Craig Erlam, senior market analyst at Oanda trading group. "Investors have become a little apprehensive in recent weeks due to the unpredictable nature of Trump's policies and the timing of the announcements which has taken the edge of moves we saw heading into year-end."

Elsewhere yesterday, oil prices rose as the International Energy Agency watchdog said OPEC countries are largely complying with a landmark deal to reduce the global oil glut. In a monthly update, the IEA added that oil demand was likely to be more vigorous than anticipated this year. — AFP

Energy products boost US import prices in January

WASHINGTON: US import prices rose more than expected in January amid further gains in the cost of energy products, but a strong dollar continued to dampen underlying imported inflation. The Labor Department said yesterday import prices increased 0.4 percent last month after an upwardly revised 0.5 percent rise in December. In the 12 months through January, import prices jumped 3.7 percent, the largest gain since February 2012, after advancing 2.0 percent in December.

Economists polled by Reuters had forecast import prices gaining 0.2 percent last month after a previously reported 0.4 percent increase in December. The dollar extended gains against the euro on the data, while prices for US government debt fell. Import prices are rising as firming global demand lifts prices for oil and other commodities, but the spillover to a broader increase in inflation is being limited by dollar strength. The dollar gained 4.4 percent against the currencies of the United States' main trading partners in 2016, with most of the appreciation occurring in last months of the year.

This suggests that the greenback will continue to depress imported inflation in the near-term even though the dollar has weakened 2.9 percent on a trade-weighted basis this year. Prices for imported fuels increased 5.8 percent last month after rising 6.6 percent in December. Import prices excluding fuels fell 0.2 percent following a 0.1 percent dip the prior month. The cost of imported food dropped 1.3 percent after declining 1.5 percent in December. Prices for imported capital goods edged down 0.1 percent after being unchanged in December. — Reuters