Kuwait Times 55 Anniversary Years

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RIO DE JANEIRO: A woman uses her 'Mumbuca' card at a pharmacy in Marica, suburb of Rio de Janeiro, Brazil. Mumbuca, the first virtual social currency of Brazil, was financed by the royalties of oil exploration three years ago. — AFP

Higher energy costs fuel US producer prices

Fed has limited view on Trump policies as Yellen heads to Congress

WASHINGTON: US producer prices rose more than expected in January, recording their largest gain in more than four years amid increases in the cost of energy products and some services, but a strong dollar continued to keep underlying inflation tame.

The Labor Department said yesterday its producer price index for final demand jumped 0.6 percent last month. That was the largest increase since September 2012 and followed a 0.2 percent rise in December. Despite the surge, the PPI only increased 1.6 percent in the 12 months through January. That followed a similar gain in the 12 months through December. Economists polled by Reuters had forecast the PPI rising 0.3 percent last month and the year-on-year increase moderating to 1.5 percent. The US dollar pared losses against a basket of currencies after the data. Prices of US Treasuries were mixed while US stock index futures were largely flat. The rise in producer prices comes as manufacturers report paying more for raw materials.

The Institute for Supply Management's (ISM) prices index surged in January to its highest level since May 2011. The ISM index, which is closely correlated to the PPI, has increased for 11 straight months. The gains in PPI last month largely reflected increases in the prices of commodities such as crude oil, which are being boosted by a steadily growing global economy. Oil prices have risen above $50 per barrel. But with the dollar strengthening further against the currencies of the United States' main trading partners and wage growth still sluggish, the spillover to consumer inflation from rising commodity prices is likely to be limited. A government report on Friday showed import prices excluding fuels fell in January for a third straight month. Data today is expected to show the consumer price index increased 0.3 percent in January after a similar gain in December, according to a Reuters survey of economists. Last month, prices for final demand goods increased 1.0 percent, the largest rise since May 2015. The gain accounted for more than 60 percent of the increase in the PPI. Prices for final demand goods advanced 0.6 percent in December.

Tepid growth

The US economy will get a small boost in 2017 from President Donald Trump's planned deregulation and fiscal stimulus, a Reuters poll showed, but economists said the probability of achieving 4 percent growth was low. The latest results showed a wide gap between economists, who were criticized for being too optimistic late in the last economic cycle, and market expectations that have sent bond yields and the US dollar soaring and pushed Wall Street to record highs.

Trump has promised sweeping tax cuts for individuals and businesses, infrastructure spending, and deregulation to boost growth, which in the long recovery from the financial crisis has been weaker than in past expansions. Investors have taken those proposals as a green light to buy stocks since the US election, lighting a fire under financial shares in particular. But it is still not clear when the proposals will actually turn into legislation. All of the 58 economists who answered an extra question said the likelihood of the Trump administration achieving its aim of 4 percent growth this year was low.

"The markets have gone ahead of themselves," said Ethan Harris, head of global economics at Bank of America Merrill Lynch. "They have not yet fully factored in the degree of the period of uncertainty we are about to enter here, and the risk that some of the policy proposals are very growth unfriendly."

Only two economists polled on economic growth have forecasts of more than 4 percent growth, and not until in the second half. The consensus is for growth in a range of 2.1 percent to 2.5 percent in each quarter, unchanged since the January poll and barely moved since the poll taken after the US election. Since then, the S&P 500 index has rallied about 10 percent.

Federal Reserve Chair Janet Yellen goes to Congress yesterday for the first time since Republicans took control of the White House and both houses of the legislature with less clarity on the direction of US economic policy than at any time of her three-year tenure. The details of President Donald Trump's economic policies remain largely unknown. — Agencies

Greece economy shrinks in Q4 as farmers protest

ATHENS: Greece's economy contracted in the fourth quarter of 2016, the state statistics office said yesterday, as the debt-laden country faces stalemate in negotiations with its creditors. Gross domestic product (GDP) for October to December declined 0.4 percent compared with the previous quarter, although it grew 0.3 percent in comparison with the same quarter in 2015, Elstat said in a flash estimate. The figures followed two straight quarters of quarter-on-quarter growth after a period of recession. The news comes amid fears of a new debt crisis that could again jeopardize Greece's place in the euro after months of failed talks between Athens and its eurozone and International Monetary Fund (IMF) creditors. Top EU economic affairs official Pierre Moscovici is due in Athens for talks with Greek Prime Minister Alexis Tsipras today in an effort to unblock bailout negotiations.

Despite the quarterly contraction, Greece's economy grew 0.3 percent as a whole last year, according to AFP calculations-only the second time annual GDP has grown since 2008. Brussels is pencilling in Greek growth of 2.7 percent for 2017 and 3.1 percent for 2018. But Athens faces debt repayments of 7.0 billion euros ($7.44 billion) this summer that it cannot afford without defusing the feud that is holding up new loans from Greece's 86 billion euro bailout.

The core of the row is whether Greece can deliver on budget targets that the IMF says are based on overly-optimistic economic forecasts. The IMF, quietly backed by Germany, insists that more pension cuts and tax hikes are necessary to reach those targets.

Unofficial deadline

The Tsipras government bitterly refuses more reforms, and the premier on Saturday warned creditors to "stop playing with fire" over his country's debt problems. An IMF report obtained by AFP last week said Greece's debt "is highly unsustainable" and "will become explosive in the long run." Talks in Brussels between Greece and its creditors on Friday ended with no breakthrough, although

ATHENS: Cabbages lie in Central Athens as Greek farmers protest against the new taxation measures during an anti-austerity demonstration yesterday. — AFP

Eurogroup chief Jeroen Dijsselbloem said some progress had been made. The next meeting of eurozone ministers, on February 20, is seen as an unofficial deadline to end the stalemate ahead of important elections in Europe. Greek central bank chief Yannis Stournaras has warned that a quick resolution is crucial in order to avoid a replay of the chaos in 2015 when Greece defaulted and just barely survived in the eurozone. "Any later, the conditions will be much worse and it will be too late," Stournaras told lawmakers on Monday.

Meanwhile, thousands of Greek farmers were marching in central Athens yesterday to protest tax increases imposed as part of efforts to meet conditions of the country's international bailout. About 2,000 farmers from across the country headed to the Greek capital yesterday to complain about the higher taxes, some of which took effect on Jan 1. Farmers have been blocking highways sporadically as part of their protest, including at some of Greece's northern border crossings.

Addressing the crowd before the march began, protest leader Vangelis Boutas said public opinion was backing them. He said: "This is all about fewer people having more. But ordinary people support our blockades." Greece is struggling to agree with its international creditors on what further reforms might be needed as part of its bailout agreement. — Agencies

Daimler to elect Kuwait wealth chief to its board

KUWAIT: The supervisory board of Daimler has proposed the election of Bader Mohammad Al-Saad, managing director of the Kuwait Investment Authority (KIA), to its board at the group's annual shareholders' meeting, sources said. Bader Mohammad Al-Saad is being nominated for election as a member representing the shareholders and a meeting to consider his nomination will be held in Berlin on 29 March, 2017. "Kuwait has been a shareholder of Daimler for more than 40 years, is our biggest shareholder, and has become our most dependable partner [in spite of] all of the highs and lows in the company's history over the past four decades," the sources said quoting Manfred Bischoff, chairman of the supervisory board.

"We are grateful to have Kuwait as a shareholder at our side who supports the strategy of the company and, together with us, aims to secure a successful future for Daimler, while Al Saad is familiar with capital markets and various industrial companies thanks to his long-standing experience as MD of KIA," sources said quoting Bischoff.

Through the Kuwait Investment Authority, Kuwait holds a 6.8 percent stake in Daimler AG. The Kuwait Investment Authority was established in 1953 and is the world's oldest sovereign wealth fund. Bader Mohammad Al-Saad would replace Dr Bernd Bohr, who has agreed that it is "in the interests of the company" for him to step down from the supervisory board at the end of the 2017 annual shareholders' meeting.

Al-Saad has previously served on the boards of both domestic and international companies, including the Kuwait Petroleum Corporation. He is currently a member of the Global Advisory Council of the Bank of America and a member of the Advisory Board of the Russian Direct Investment Fund (RDIF). He is a founding member of the International Forum of Sovereign Wealth Funds (IFSWF) and was its Chairman and Deputy Chairman from its inception in 2009 until October 2015.