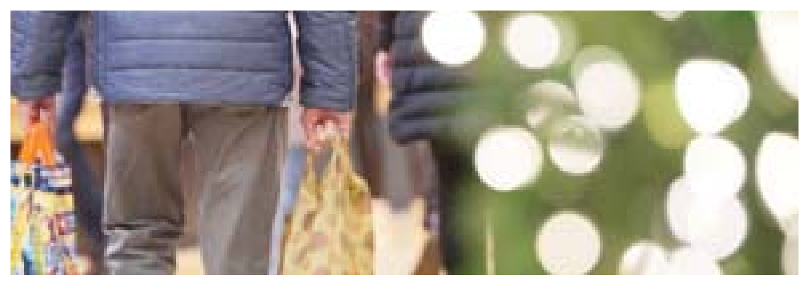
Kuwait Times
Established 1961

Business

WEDNESDAY, NOVEMBER 29, 2017

18 French banks did not break rules with NF account closures: CB

19 OECD sees growth peaking as investment lags, debt builds



22 2018 Chevrolet Impala comes with new standard features

VIENNA: A file photo shows OPEC delegates attending a ministerial meeting.

Tough OPEC meeting looms tomorrow

Cartel may rethink output cuts amid price rally

DUBAI/VIENNA: OPEC is heading for tougher-than-expected policy talks this week as its leader Saudi Arabia pushes to extend oil output cuts by nine months while non-member Russia is hesitating on the curbs' duration due to worries that the market could overheat.

"It will not be an easy meeting and we always look at various scenarios," United Arab Emirates Energy Minister Suhail bin Mohammed Al-Mazroui said yesterday in Dubai before leaving for the OPEC gathering in Vienna. The Organization of the Petroleum Exporting Countries, Russia and nine other producers are cutting oil output by about 1.8 million barrels per day until March 2018, and tomorrow will discuss extending the deal.

The market had largely expected OPEC to prolong cuts until the end of 2018 but doubts have emerged in the last few days. Saudi Arabia has signaled that it wants oil to trade at about $60 a barrel as the kingdom prepares to list shares in national oil champion Aramco and is fighting a large fiscal deficit. The Russian government also wants high oil prices ahead of a presidential election in March 2018. But officials in Moscow have voiced worries about pricier oil boosting the ruble, which could undermine the competitiveness of Russia's economy.

As oil rallied above $60 per barrel, US producers aggressively hedged their future production, raising fears of another spike in shale output in the United States, which is not participating in the global production curbs. Goldman Sachs, one of the most active banks in commodity trading and oil producer hedging, said yesterday in a note the outcome of the OPEC meeting was uncertain as Brent oil had risen above $63 per barrel.

UAE minister predicts no easy meeting

"The push for a nine-month extension, four months before the cuts end and given an accelerating rebalancing further stands in the face of prior comments that the cuts should remain data-dependent to assess their effectiveness," the US bank said. Citi, one of Goldman's main rivals, said it expected major producers to end production cuts sooner rather than later.

"OPEC and Russia will both realize they are losing market share and they will be better off going back to a more competitive environment," the head of commodity research at Citi, Ed Morse, told Reuters.

Gradual output boost

US oil prices fell more than 1 percent on Monday and eased further yesterday from a two-year high reached last week. Goldman said oil might fall further this week as the market had priced in a nine-month extension. "We continue to expect a gradual ramp up in OPEC and Russian production from April onward," Goldman said, adding "as a result, the announcement of an only six-month extension would still initially appear bullish relative to our expectation".

On Friday, Russia said it was ready to support extending the output-cutting deal but had still to decide on the duration. On Monday, Reuters reported that a major Russian production project led by Exxon Mobil was preparing to ramp up output by a quarter from next year.

The project is not subject to the global output-cutting deal but the development would signal an obstacle to Russia's efforts on production curtailment.

The Exxon project involves Rosneft, the Kremlin-owned state producer whose boss Igor Sechin, a close ally of President Vladimir Putin, has long been a critic of Moscow's deal with the 14-country OPEC. Sources close to talks between OPEC and Russia told Reuters Moscow wanted to fine-tune the language of the deal to include an option to review the agreement if global stocks fell steeply.

The supply pact is aimed at reducing oil stocks in industrialized countries to their five-year average. The latest figures suggest OPEC is more than halfway there, with OPEC sources saying the target could be reached after June 2018. Fatih Birol, head of the International Energy Agency, which advises industrialized nations on energy policy, told Reuters he expected the market to tighten towards the second half of 2018 due to robust demand. — Reuters

Slowing outflows let Qatar wind down bank support operation in Oct

DUBAI: Slowing withdrawals of deposits from Qatari banks permitted Qatar's government to stop pumping money into the banks last month to shield them from sanctions imposed by other Arab countries, central bank data showed yesterday.

Banks and investors from Saudi Arabia, the United Arab Emirates, Bahrain and Egypt began pulling deposits and other funds out of Qatar in June, when those four states cut diplomatic and trade ties with Doha. The deposit outflow initially put the balance sheets of some Qatari banks under pressure, and the government responded by injecting billions of dollars of its own money into accounts at the banks. Much of the money came from the country's sovereign wealth fund, the Qatar Investment Authority (QIA).

But the outflows are now slowing, as the four states run out of money left to withdraw. That is reducing the need for the government to aid the banks. In October, foreign customers' deposits at banks in Qatar - the vast majority in the form of foreign-currency deposits - fell by only 5.1 billion riyals ($1.4 billion) from the previous month, to 137.7 billion riyals, the data showed.

The decline was slower than falls of 6.2 billion riyals in September, 8.2 billion in August, 13.4 billion in July and 14.0 billion in June. Meanwhile, the Qatari public sector's deposits with local banks fell slightly in October after soaring during the initial months of the sanctions, indicating the government was no longer pumping fresh money into the system as a whole.

The deposits dropped by 4.2 billion riyals to 298.4 billion riyals last month, after increasing by 7.2 billion riyals in September and rising by more than three times that amount in each of the previous three months. The central bank has not responded to queries about details of official support to banks, but central bank governor Sheikh Abdullah bin Saud Al-Thani said last month that the government and the central bank had more than enough financial resources to protect the banking system from outflows. After the sanctions were imposed, Qatari banks' borrowing from foreign banks also fell sharply as institutions from the four Arab countries stopped extending loans.

October's data suggested, however, that Qatari banks have begun to have success filling this gap by increasing their borrowing from Asia and Europe. Qatari banks owed banks outside the country 171.7 billion riyals in October, up from 169.5 billion riyals in September; it was the first increase since the sanctions were imposed. In May, before the sanctions, the figure stood at 234.5 billion riyals. — Reuters

Kuwait's domestic credit up by 3.1% in Sept: KFH report

KUWAIT: Kuwait Finance House (KFH) said yesterday that the total domestic credit granted by the banking sector has grown 3.1 percent to KD 35.8 billion, equaling $118 billion, as of September 2017.

Meanwhile, financial facilities directed to industrial, non-bank financial institution, real estate, and construction sectors have fell in September by 11.8 percent, 4.1 percent, and 0.6 percent respectively, KFH said in its economic report, entitled "Credit Activity Development in Kuwait".

The report indicated that the personal facilities sector recorded an increase in value in September by 3.6 percent to KD 515.5 million, equaling $1.7 billion compared to same period last year.

The crude oil and gas sector also saw an increase in value in September by 50.7 percent to KD 437.3 million, equaling $1.4 billion, compared to September 2016, it said. The sector also recorded an increase in the total credit in September by 3.6 percent to KD 1.3 billion ($4 billion), the report indicated. Personal credit facilities amounted to some 42 percent in September of the total 41.8 percent of credit granted in September 2016, said KFH. Furthermore, credit share granted to real estate and construction sector amounted to some 28 percent of the total credit granted last September compared to last year's 29 percent.

Leased facilities' share increased to 71.4 percent of personal facilities last September, compared to 67.8 percent in September 2016. Personal facilities' share has also amounted to some 19 percent of personal credit facilities in September, compared to 22 percent of same period last year. Consumption loans amounted to 7.4 percent of personal credit facilities in September, which is a decrease from last year's eight percent. Moreover, personal consumption loans granted to individuals to finance medical treatment and education coverage decreased by 4.6 percent to KD 1.1 billion ($3.3 billion), in September. — KUNA