NBK Economic Report

Oil prices drop on bearish US data, capital markets sell-off

Analysts see Brent trading below $62/bbl this year

KUWAIT: The positive momentum that propelled oil prices to four-year highs appears to have slipped since the start of the month. A combination of bearish oil data out of the US showing crude stocks building for the second week in a row and US crude production breaking through the symbolic 10 mb/d level and contagion from sell-off in the equity, debt and broader commodity markets were the main factors.

Prices have fallen in six of the last eight trading sessions. The international crude benchmark, Brent, closed at $65.53 per barrel (bbl) on Wednesday, moving down into negative territory on a year-to-date basis, at -2.0 percent, for the first time this year. And since hitting a four-year high of $70.5 on 24 January, Brent has fallen by 7 percent. West Intermediate (WTI), the US crude marker, closed at $61.76/bbl on Wednesday, falling 6.6 percent since reaching its four-year high of 66.

A tightening oil market had supported oil prices in the past few months, with global stocks drawing down and the oil futures curve firmly in backwardation. Supply and demand fundamentals have supported oil's near 70 percent rise since late June 2017. Thanks primarily to the efforts of OPEC and its ten non-OPEC partners led by Russia to rein in the supply surplus, the oil market has visibly tightened. (OPEC output rose slightly to 32.4 mb/d in December, but compliance reached a high of 128 percent.) In their efforts, the oil producers have also been aided by a price-positive melange of robust oil demand, supply outages, heightened geopolitical risk premia and, up until recently, a weaker US dollar.

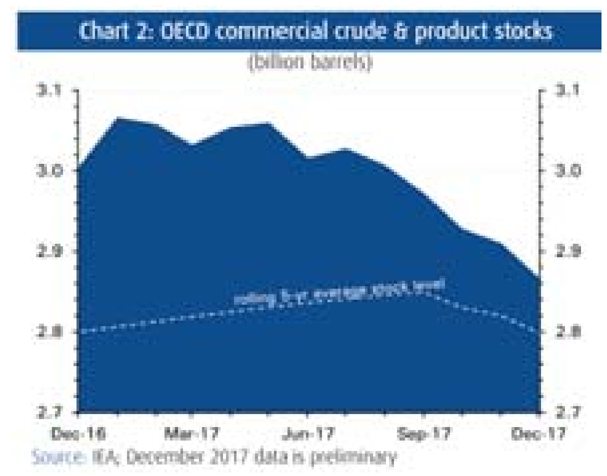
A reading of the most recent International Energy Agency (IEA) estimate of the amount of crude and petroleum stocks in storage across the OECD, one of the key metrics by which OPEC is gauging the efficacy of its supply cuts, is certainly encouraging as far as the oil producers' group (and oil bulls) is concerned. Thanks to burgeoning demand for middle distillates such as diesel, global stocks were down for the fourth consecutive month in November, at 2,910 billion barrels, which would bring OPEC to within 65 million barrels of its target five-year average (rolling) stock level-the level at which the oil producers' group sees global inventories as having 'normalized'. Stocks had been as high as 366 million barrels over the five-year average back in July 2016. Indeed, according to the IEA, preliminary estimates of December's inventories show that they were on track to close the year down by 137 million barrels at 2.87 billion barrels.

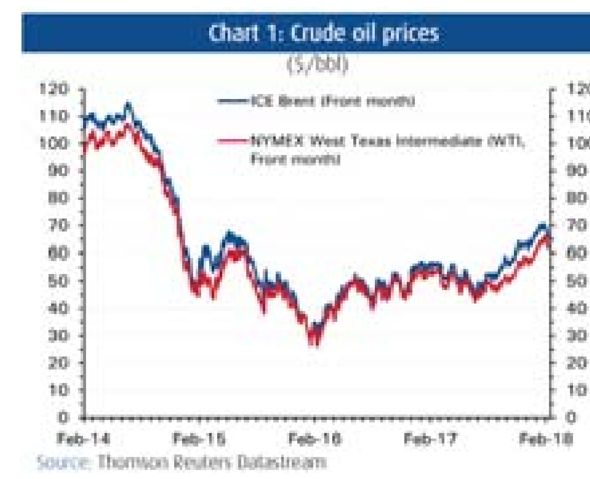
OECD stocks down to 2.9bn barrels

Meanwhile, over in the futures market, a glance at the Brent forward curve shows that prices for crude deliveries all the way through to 2022, were lower than prices for nearer-term and immediate (spot) deliveries. Backwardation, as the structure is known, typically reflects strong demand and tighter supplies; the last time the trend was this pronounced was back in 2014.

Upward price forecast

Reflecting the changing landscape, money managers amassed record bullish positions (net 'longs') in crude futures and options worth more than half a billion contracts in anticipation of firmer prices. Commodities traders and investment houses have, in turn, responded by raising their forecasts for oil this year. Noted commodities trader, Goldman Sachs, even went as far as to predict a headline-grabbing price of $82.5 for Brent within six months.





Consensus forecasts appear to favor prices settling at $62 on average this year. Even though it represents a rise of 13 percent compared to last year's average of $54.8, it is lower than the current oil price. The lower price forecast for 2018 largely reflects the markets' expectation of quite dramatic increases in US shale growth this year. These concerns have once again resurfaced with US crude production recently topping 10 mb/d, a level last witnessed in 1970.

The IEA, in its monthly oil market report, noted that surging US oil production, itself motivated by higher oil prices, will be responsible for 80 percent (1.35 mb/d) of the 1.7 mb/d in non-OPEC supply growth expected in 2018. US crude expanded by more than 1 mb/d in 2017, replacing effectively 55 percent of the crude taken off the market by OPEC and its non-OPEC partners last year. Output in Canada and Brazil is also projected to increase substantially this year.

Global oil demand

World oil demand and supply are expected to track each other quite closely in 2018, rising to 99.1 mb/d on average, following demand growth of 1.3 mb/d and supply growth of 1.8 mb/d, respectively. This does assume that output by OPEC and its partners will remain constant in 2018 as per the terms of the production cut agreement.

Global oil demand has benefitted from better-than-expected economic activity, some of which has been stimulated by lower oil prices. The International Monetary Fund (IMF) recently revised up its forecast of economic growth in 2018 to 3.9 percent from 3.7 percent in 2017.

With scope for further stock draws this year limited given that the market is roughly in balance, much of the attention will inevitably switch to the unfolding shale story in the US and focus on the demand side of the equation. Turbulence is certainly envisaged, especially over the next few weeks when oil enters a period of seasonally weaker demand due to refinery maintenance. Market participants should prepare for a bumpy ride.

VIVA successfully implements Oracle FRM Cloud

KUWAIT: VIVA, Kuwait's fastest-growing and most developed telecom operator, announced the launch of Fusion Revenue Management (FRM) system, the first cloud based application for VIVA and the first fully automated revenue management system in GCC that complies with International Financial Reporting Standards (IFRS15) standard. This project has been successfully completed in cooperation with Oracle, one of the world's leading companies in this field.

On this occasion, Eng Salman Bin Abdulaziz Al-Badran, CEO at VIVA says: Since its inception, VIVA is committed, through its successful strategy, to play a key role not only on operational level but also by applying the best practices and professional standards across all VIVA sectors and departments that support VIVA's activities and plans. In addition, VIVA is fully committed to comply with all regulatory requirements and is eager to apply all the new and advanced systems in line with our principles, values and professional standards."

"This achievement reflects the great efforts made by the company's staff along with Oracle team during the last period to reach the introduction of this system, as well we always seek to concentrate our efforts to achieve the best results through integrated professional team in timely and efficiently manner", he added.

Mohammed Bin AbdulMohsen Al-Assaf, CFO at VIVA stated: "This achievement proves effective and outstanding efforts exerted by VIVA to be a pioneer in ensuring the compliance with Accountant standards and regulatory requirements, also the optimal operational efficiency through the adoption of the best methods and modern techniques to obtain the best possible results that reflect the vision and strategy of the company."

"It is essential for the organizations to be compliant with International Financial Reporting Standards (IFRS) and with successful implementation of Fusion Revenue Management (FRM), VIVA will be capable of handling the complex revenue accounting processes and systems in a very agile manner to be complied with IFRS15", he added.

Zarrar Khan, CTO at VIVA stated: "VIVA has always been pioneer amid its competitors to implement first of its kind projects within GCC. In line with our technology strategy to have efficient systems supporting the business operations, VIVA Kuwait along with Oracle has embarked on a journey towards a fully automated "Revenue Management" system. "The strategic partnership between VIVA and Oracle has always enabled both the companies to innovate and achieve the best for organization".

Bayt.com weekly report

It takes 30 seconds to judge a CV

KUWAIT: During the recruitment process, looking at CVs is a given. Often, reviewing a large number of CVs can be tiresome, especially if the precise information you are looking for in the CV is not easily spotted. Not only does this make the hiring process lengthy. It becomes even more challenging when you only have 30 seconds to spare per CV due to the huge number of applicants crowding your inbox.

To help you successfully weigh a CV in under a minute, Bayt.com, the Middle East's #1 job site, has prepared a CV-reviewing guide. Here are some quick things to look for:

• The look

A CV's layout is extremely important for employers. Looking at any document that is not properly formatted and organized can be very disorienting and a waste of their valuable time. So, from a quick glance, there should be a few essential elements that can show whether a CV deserves a full read or not. Some of these items include the applicant's career objective, experience and contact information. There are other things to look for, but if you have a hard time finding these basic sections, then you know it's time to move to the next CV in the pile.

• The objective

A candidate's career objective should be the first main section in a candidate's CV, right after their personal contact information. You can consider the career objective an introduction to your candidate, the type of experience they have, the skills they possess, and their career trajectory.

A candidate's career objective should show what they can bring to your organization, and how hard they're willing to work to reach their end goals. Furthermore, the candidate's career objective should be aligned to the requirements of your vacancy. You'll be able to quickly tell if the candidate's previous experience and future plans are truly relevant to your vacancy or not.

• The professional background

A common rule of CV writing is that all professional work experience must be stated in a reverse chronological manner, from the most recent to the oldest. The second thing to look for after the order is a detailed representation of what the candidate's job tasks were, their responsibilities, and any significant accomplishments they have accumulated.

A simple job title that's stuck next to a previous employer's name is not enough, even if it sounds fancy. Firstly, as an employer, you are most likely going to be aware of what a job description includes just by reading the job title. Secondly, you're probably not particularly interested in the generic tasks performed by your applicant. In order to find a truly qualified candidate who will go above and beyond in performing their job, you'll need to know what they performed, achieved, grew, and added to their previous company beyond the minimum requirements. Look for keywords that match your core skills and qualifications, look for numbers and quantitative values, and look for indications of growth.

Remember that, later on, you'll need to verify some of the details such as the dates of employment, specific job titles, and names of previous employers. This can be done during the initial screening phases, such as the phone interview.

• The skills

Let's assume that you're hiring a graphic designer. In their career objective, they've stated that they have experience in designing social media visuals, fancy PDFs, and brilliant presentations. They also stated that they're currently looking to work in a dynamic environment that will help them become even more creative and add value to the organization.

In their work experience, you can see that they've worked in marketing agencies and production houses. But, so far, you still have no indication of their technical skills. The vacant position requires someone who is knowledgeable in Photoshop, Illustrator, and InDesign. Competency in these programs should be found under a candidate's technical skills, so that you truly gauge what they're capable.

The next order of business is soft skills. While many CVs neglect adding technical skills, the majority of CVs you read will have a long list of soft skills with the exact same wording: Excellent communication skills, a team player and, works well under stress.

While wording alone is no reason to doubt an applicant's skills, you should still be cautious with this section. If after reading through their career objective, their work experience, and their job tasks, you don't feel like they've had the experience to develop and apply the skills they claim to have, then you're probably right to have reasonable doubts.

• The educational repertoire

To some employers, educational background may not be as important as work experience. But, for others, and especially for entry-level jobs, the vacancy at hand may require knowledge that's only acquired through learning. And, just like work experience is stated from most recent to oldest, the same should ideally apply to education.

You might not always find a GPA or overall average, so what you should look for instead are academic accomplishments, including merits, certificates, and awards. This information will give you an idea of how motivated and hardworking your candidate was during their learning phase of life, and how well they'll perform if they were hired.

Another aspect to consider is learning outside the formal education. Looking at extra courses, internships, workshops, and such can signify that the candidate is truly interested in growing and developing as a professional.

Because 30 seconds is all you've got, you should increase the efficiency of your background hiring work as much as possible, expedite writing job descriptions, increase the efficiency of your job postings, and streamline your CV scanning and search efforts so you can focus on selecting the best candidate quickly.

US home construction jumps in January, shifts to apartments

WASHINGTON: US home building surged in the first month of 2018, with a sharp rise in construction of apartments and as rebuilding continued in the storm-damaged South, according to government data released Friday.

The jump brought the pace of housing construction to a 15-month high, while new building permits, a sign of supply in the pipeline, hit a pre-housing-crisis record, according to the Commerce Department data. Total housing starts rose 9.7 percent in January to an annual rate of 1.3 million units, the highest level since October 2016 and the largest increase in 13 months, the report said.

That surpassed analyst forecasts, which had called for 1.2 million units. The increase was driven by a 19.7 percent surge in apartment construction, while single-family homes started rose just 3.7 percent from December.

"The underlying story here is that housing construction is grinding slowly higher, and likely will continue to do so through mid-year, at least," Ian Shepherdson of Pantheon Macroeconomics said in a research note. "Higher mortgage rates are likely to become a problem later in the year."

Lawrence Yun, chief economist of the National Association of Realtors, cheered the data, since the increase in available housing will help hold down home prices and rent.

In addition, "This boost in housing supply not only helps the economy, but may also help the Federal Reserve temper the pace of future short-term rate hikes," Yun said, since rising housing costs can drive inflation. "Simply put, more housing supply means a lower inflation rate, and potentially a slower pace of interest rate increases by the Fed."

However, he noted that housing inventory is currently near historic lows. The construction figures are subject to a high degree of uncertainty and most fell within broad margins of error. Officials caution that a trend may take as many as six months to appear.

Data on permits for projects in the works, which are more reliable, showed a 7.4 percent rise to 1.4 million units, the highest since June 2007. This was largely due to a sudden 25.4 percent spike in permits for multi-unit dwellings. Permits in the single family home segment, in contrast, fell 1.7 percent. Analysts say rising costs and scarce labor have slowed construction, leaving builders struggling to meet strong demand in the current economic recovery, causing prices to increase. Construction in the fire-damaged West rose 10.7 percent, and increased 9.3 percent in the South, which was battered by back-to-back hurricanes in August and September. Building in the Northeast, also mainly of apartments, jumped 45.5 percent but construction slowed 10.2 percent in the Midwest. —AFP

Japan, short of workers, eyes hiking pension age beyond 70

TOKYO: Japan has okayed plans to let people choose to start drawing their state pensions beyond the age of 70 as it grapples with severe labor shortages, ballooning welfare costs and a shrivelling tax base stemming from its greying population. The government said on Friday it would look to cement the proposals through legal changes after April 2020, adding that it would look at raising in stages the mandatory retirement age for some 3.4 million civil servants to 65 from the current 60.

Japanese people can currently choose to start receiving their pensions at any point between the ages of 60 and 70, with bigger monthly payments offered to those who do so after their 65th birthdays.

The policies may offer clues to how countries from Germany and Italy to China and South Korea could deal with the challenges sparked by their own ageing societies, from a lack of workers to spiralling welfare spending. Japan has the world's highest life expectancy, while the number of births last year fell to their lowest since records began over a century ago. Its population will shrink to 88 million from the current 127 million in the next four decades, the government estimates.

The grim demographics, coupled with a reluctance to loosen tight immigration rules, have led to the worst labor shortages since the early 1970s. The squeeze stifles the potency of Prime Minister Shinzo Abe's economic policies, the International Monetary Fund has said.

Abe has pushed for more elderly people to remain in work and stay active in later life, as part of his "work style" reforms aimed at revving up economic growth and productivity. The government said on Friday it would also support companies that raise their mandatory retirement age. Most Japanese companies require full-time employees to retire at 60. — Reuters