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# Business

12 VIVA kicks off 5G service commercially during an event held at Avenues Mall

14 Flydubai's inaugural flight lands in Naples

14 Gulf Air launches Salalah service

Saudi Arabia's Minister of Energy, Industry and Mineral Resources Khalid Al-Falih speaks to reporters. —Reuters

# Saudi Arabia committed to Aramco IPO: CP

## Kingdom to finalize $533 million privatization deals this year

**RIYADH:** Saudi Arabia remains committed to selling shares in national oil conglomerate Aramco through an initial public offering but only at the right time, Crown Prince Mohammed bin Salman has said.

"We are committed to the IPO of Saudi Aramco based on appropriate conditions and at the right time," Prince Mohammed told the pan-Arab daily Asharq Al-Awsat in an interview published yesterday. He reiterated his earlier expectations that the IPO of Saudi Aramco "will take place in (late) 2020 or the start of 2021," almost two years later than expected.

Saudi Arabia plans to sell up to five percent of the world's largest energy firm and hopes to raise up to $100 billion. Prince Mohammed said it was still premature to announce where the IPO will be held, adding that many requirements for the sale to go through had been successfully completed. Riyadh has taken a number of key procedures in preparation for the IPO including issuing a law for hydrocarbons tax, appointing a new board for Aramco and allowing an independent auditing of the kingdom's oil reserves, the crown prince said. Aramco has also opened its accounts books for the first time to international ratings agencies, declared the size of its profits and transformed into a public shareholding company, he said. The IPO-expected to be the world's largest stock sale-forms the cornerstone of a reform program envisaged by Prince Mohammed to wean the Saudi economy off its reliance on oil.

### Privatization deals

The crown prince said that the government will finalize privatization deals worth 2 billion riyals ($533 million) before the end of this year, according to an interview with the Saudi-owned Asharq Al-Awsat newspaper.

The privatization drive is part of Vision 2030, a package of reforms led by Crown Prince Mohammed bin Salman that is intended to wean the economy off oil and create jobs for young Saudis. The expected deals will be in sectors that include rain silos, medical and shipping services. The government will next year offer privatization projects in the education sector with investments worth around 1 billion riyals, according to the interview. The government's aim to attract investment into everything from education to sports, a cornerstone of its effort to trim dependence on oil revenues, has been mired by some holdups and fallout from the murder of journalist Jamal Khashoggi.

Riyadh had previously set a goal of aiming to generate 35 billion to 40 billion riyals ($9.3 billion to $10.0 billion) of non-oil state revenues from its privatization program by 2020. Some of that money would come from asset sales, while the rest would come from public-private partnerships. But that drive has had some false-starts. The most high-profile was the shelving of proposals to float shares in oil giant Aramco. The crown prince, known as MbS, said the government remains committed to Aramco IPO, expecting it to take place between 2020 and early 2021.

He added that recent Aramco acquisition of a majority stake in petrochemical giant SABIC would help its growth potentials and profitability amid usual oil market volatility. He said the kingdom's sovereign wealth fund (PIF) is playing a major role in the economic diversification process and that its assets has doubled in two years to 1 trillion riyals. — Agencies

# American paradox: Deficit widens even as economy grows

**WASHINGTON:** President Donald Trump likes to take credit for the US economy, with historic low unemployment and few signs of rising prices, but his promises that surging growth would pay for massive tax cuts are falling flat.

After an initial bounce in 2018 and in the first three months of 2019, the economy is expected to slow this year. And the US budget deficit is steadily widening, the yawning gap edging closer to $1 trillion after trending downward from its peak in 2009 during the worst of the global financial crisis.

Trump promised to supercharge growth to three percent or higher, and claimed the tax cuts would pay for themselves by spurring investment and employment, which in turn would generate higher tax revenue. In fact, July will mark the longest economic expansion in US history, with continual growth since mid-2009. With a healthy economy, it is the ideal time for governments to shore up their finances and reduce debt, saving up for the next rainy day.

But forecasts call for slower growth into next year-with some economists even fearing a recession-and last month the federal deficit hit a new record for May of $208 billion, a 42 percent increase from a year earlier. Just eight months into the fiscal year which ends in September, the deficit is nearly as big as all of 2018, swelling to $739 billion, $206 billion higher than the same period of last year.

WASHINGTON: Trump promised to supercharge growth and claimed the tax cuts would pay for themselves. —AFP

Even the billions in tariffs taken in during Trump's multi-country trade wars have not helped, since most of the funds taken in have gone back out to aid farmers hurt by retaliation from China and others. At the same time government debt is expanding, and now is larger than the country's annual economic output at more than $22 trillion.

Normally this should leave Trump open to attacks from political opponents, but the Democratic party is on the horns of a dilemma: the progressive wing of the party, including many of the two dozen presidential candidates, favor massive spending programs. With interest rates still very low, the adherents to "modern monetary theory" believe the government can continue to borrow to finance programs without negative consequences.

Critics dismiss the theory, known as MMT, saying it is akin to supply side economics espoused by Republicans in the 1980s, which argued that tax cuts would pay for themselves through higher economic output. — AFP

# US Fed leans toward a cut

**WASHINGTON:** As President Donald Trump's trade wars drag on, and the global economy weakens, the US Federal Reserve is inching closer to its first interest rate cut in more than a decade. But investors hoping to see the benchmark lending rate begin to drop this week are almost certain to be disappointed.

After preaching patience and leaving rates untouched since December, financial markets will be watching closely for a change of tone from the central bank and its chairman, Jerome Powell, and a sign the Fed is ready to step in to boost the economy. Policymakers will hold two days of deliberations starting Tuesday, and for now are expected to keep the key interest rate in a range of 2.25-2.5 percent.

The Fed raised rates nine times in the last three years as the economy recovered and put millions of Americans back to work, and officials repeatedly said they expected the growth to continue. But Trump's aggressive tariff policies have shaken confidence, and some central bankers have begun to acknowledge a chill in the air.

The consensus is that the Fed is poised to switch directions and begin cutting rates. The only question is when. James Bullard, president of the Fed's St Louis regional branch, was the first to make the move, saying early this month that a rate cut could be needed "soon."

Just days later, Powell himself opened the door to a possible move, saying the Fed would do whatever necessary "to sustain the expansion"-a noticeable shift in posture. Then Fed Vice Chair Richard Clarida added to the mix the possibility of "insurance cuts"-preemptively lowering rates just in case the economic outlook starts to deteriorate. Wall Street welcomed this dovish talk, which drove a recovery in stocks after the rout in May. Futures markets as of Friday were forecasting as many as three cuts for this year, in July, September and December.

"In the old days, we'd have used the language the Fed has an easing bias," John Ryding, chief economist at RDQ Economics, said. "They are predisposed to cut."

### It's complicated

Since the Fed's last announcement at the end of May, the world's largest economy has continued to send mixed signals. But beyond the strictly economic factors are the political ones as Trump continues to flout tradition, repeatedly hammering Powell and the Fed on Twitter and in public comments for undermining his bid to supercharge the US economy. In an interview with ABC, Trump acknowledged that his vocal criticism puts Powell in a box but said he would persist because he disagrees "entirely" with the Fed's policy. "I'm gonna do it anyway because I've waited long enough," Trump said in the interview. Powell steadfastly repeated that central bankers pay no attention to political pressure. — AFP