

## Business

# Air travel may take 2 to 3 years to return to 2019 levels: Boeing exec

## Narrow-body airplanes will lead the way to recovery

By Sajeev K Peter

**KUWAIT:** The air travel industry will come out of the present turbulence ignited by the coronavirus pandemic, but it might take two to three years for travel to return to 2019 levels and a few more years beyond that for the industry to return to long-term growth trends, said a top Boeing executive.

In remarks to Kuwait Times in an exclusive interview, Omar Arekat, Vice President of Boeing's Commercial Sales and Marketing for Middle East, Africa and Turkey, said the air travel industry has never seen anything like this. "Not just the Middle East - airlines around the world are assessing their businesses, making difficult decisions including those that result in grounding fleets, deferring airplane orders and postponing acceptance of completed orders," he said.

However, the fundamentals that have driven air travel through the past many decades and doubled air traffic over the past 20 years remain intact, he said. "The picture is dynamic and subject to many unknowns," Arekat said when asked if Boeing expects opportunities under the current circumstances for additional sales in the region and globally, at least in the short term.

Most of the Gulf countries are currently slashing their investments and spending in view of the budget constraints resulting from a sharp drop in oil prices coupled with the unpredictable economic fallout from COVID-19. The pandemic has taken a grievous toll



Omar Arekat

on the regional aviation industry, with many airlines grounding aircraft and slashing their workforces. Kuwait's flag carrier Kuwait Airways recently announced plans to lay off around 1,500 expat employees.

### Way to recovery

"But as we see it today, narrow-body airplanes will lead the way to recovery, trailed by wide-body fleets as airlines progressively bring their networks back online. Therefore, wide-body passenger fleets will likely be more significantly impacted than narrow-body airplanes in the near term," he pointed out.

When asked about Boeing's short-term outlook, he said: "Our outlook is informed by decades of analyses and insights on customer behavior including how the industry reacted to prior market shocks." Boeing's position is helped by the value proposition of its family of airplanes and the diversity of its backlog, he explained. "This includes our market-leading 787 Dreamliner family, our unmatched cargo lineup, the world's largest and most efficient twin-engine jet, 777X, and the versatile 737 family," he said.



In this file photo, a Kuwait Airways Boeing B777 aircraft prepares to land at Kuwait International Airport in Kuwait City. — Photo by Yasser Al-Zayyat

Boeing recently announced its Confident Travel Initiative (CTI) where its team of experts will work to develop new solutions to help minimize air travel health risks amid the coronavirus pandemic and drive awareness of health safeguards already in place. "The CTI team will work with airlines, global regulators, industry stakeholders, flying passengers, infectious disease experts and behavioral specialists to establish

industry-recognized safety recommendations", said Arekat.

"Air travel is coming back and Boeing's goal is to provide a safe experience from curbside to the airplane and beyond for which common system-wide standards are key to a safe experience," he said quoting Mike Delaney, one of Boeing Commercial Airplanes' top ranking executives.



### COVID-19 forces airlines to take hard decisions

## Zynn brings China video app rivalry to US

**BEIJING:** Chinese short video app makers have taken their rivalry overseas, with TikTok facing stiff competition from a newcomer that has surged in popularity abroad—by paying users to keep scrolling.

Zynn, a product of China's number-two video app maker Kuaishou, launched in May and became the most popular free app in the US Apple App Store just a month later. With Zynn, Kuaishou is trying to dethrone TikTok, the app by its Beijing-based competitor ByteDance that has become a worldwide sensation.

Zynn's interface is a near-clone of TikTok, allowing users to view a continuous feed of short videos featuring other users dancing or performing stunts to upbeat music. But unlike TikTok, Zynn promises more than just entertainment.

Zynn, which is not available in China, rewards users in the US and Canada with cash when they invite friends to download the app—up to \$20 per invite, depending on how active the friend is on the app. Users also earn points for simply watching videos, which can then be converted into cash.

Zynn's model is familiar to users in China, where startups have thrown millions of yuan in gifts and cash at users in order to grab a larger share of the market than competitors offering nearly identical services. Nasdaq-listed news aggregator Qutoutiao was among the first apps to offer users cash rewards in what it calls "loyalty programmes" that "cost-effectively acquire new users".

"It requires people who are sensitive to small financial incentives of which there are plenty in China's vast inland rural areas," Shanghai-based mobile technology expert Matthew Brennan told AFP.

Kuaishou is taking a gamble in exporting its model to North America, where few apps have managed to build long-term audiences by paying people to use them.

Success will depend on whether the main attraction of the app is the money up for grabs, or whether payment is "merely a sec-



The Apple App Store download page for the app Zynn, a new Chinese owned video platform, in Washington, DC. — AFP

ondary 'side benefit' to using Zynn", Rui Ma, a tech advisor and host of the Tech Buzz China podcast, told AFP.

Most online reviews of Zynn are focused on the cash reward system, with reviewers either complaining about being unable to withdraw their winnings or grateful for the amounts they've made off the app.

### 'Money-making app'

Kuaishou has chosen a "smart" time for Zynn's debut, with many young people stuck at home because of COVID-19, and with the summer holidays approaching, said Man-Chung Cheung, an analyst at Insider Intelligence.

But in the long run, retaining users will depend on Zynn's "ability to attract top content creators, talent and brands to share videos", Cheung told AFP. Kuaishou will also have to contend with rising China-US tensions, which have already put rival TikTok and other Chinese tech companies under increased scrutiny from the US government.

US officials have warned that TikTok, which has denied any ties with the Chinese government, could become another tool exploited by Chinese intelligence services.

Zynn has sought to downplay its Chinese origins, with its website offering little information about its background and giving an

address in Palo Alto, California.

Zynn spokesman Rocky Zhang confirmed that Kuaishou is behind the upstart app. "Zynn is a product only for the US, and we launched Zynn for the US," he told AFP.

Zhang said Zynn plans to continue paying users in the long term, but will shift towards rewarding "content creators" in the future, while generating revenue through advertising.

### Old rivals

A years-long rivalry between massive Chinese tech companies lies behind Kuaishou's new foray across the Pacific and into North America.

Kuaishou is backed by Tencent, the Chinese tech giant behind payment and social media app WeChat, which has long sought to expand its share of the short-video market. The Chinese short-video industry is expected to generate nearly 100 billion yuan (\$14 billion) in advertising revenue by 2021, according to Daxue Consulting.

Tencent has launched a number of short-video apps of its own, but none have reached the level of popularity enjoyed by Kuaishou and TikTok's Chinese version, Douyin. Kuaishou in February said it had reached 300 million daily active users, just behind Douyin, which said it hit 400 million users in January. — AFP

## Bond investors look for Fed to back yield curve

**NEW YORK:** Expectations that the global economy has dodged the worst-case coronavirus pandemic scenarios have led to a dramatic sell-off in US government bonds from their record highs, pushing the yield curve to its steepest level since March.

Investors will get a chance next week to see whether the US Federal Reserve agrees with their optimism. The US central bank's two-day meeting, ending on Wednesday, will be the first since April when Fed Chair Jerome Powell said the US economy could feel the weight of the economic shutdown for more than a year.

The meeting will follow a surprise gain in the Labor Department's closely watched jobs report on Friday that pushed benchmark 10-year Treasury yields to the highest since early March.

"The sell-off in the bond market in the last few weeks seems to be justified," said Subadra Rajappa, head of US rates strategy at Societe Generale.

While the Fed could introduce additional bond-buying programs known as quantitative easing or yield-curve control measures to target short-term rates, fund managers say they expect yields will need to rise significantly to justify any intervention in the bulk of

the curve. Instead, they are watching for hints that the central bank believes the worst part of the coronavirus crisis has passed. "They are really in this transition phase," said Eric Stein, co-director of global income and portfolio manager at Eaton Vance. "Markets are functioning, if not all the way back to pre-shock levels, with very strong debt issuance and market improvement, even though the real economy is incredibly weak."

As a result, Stein is looking for signs that the Fed believes the economic rebound can support the rise in yields. "The Fed will be OK with a slow creep higher, particularly with a backdrop of a recovery, but if it moves too much and destabilizes the recovery, there's a reason for concern," he said.

Ed Al-Hussainy, senior interest rate analyst at Columbia Threadneedle, expects the Fed to focus on its newly announced Main Street Lending Program to support small- and medium-sized businesses facing financial strain from the pandemic, rather than introducing significant new stimulus measures.

"The Fed is likely to communicate that there is more scope for fiscal measures but that is a very uncomfortable spot to be in," he said. "We won't have a clear sense of direction of the economy until well into the fourth quarter because all the sequential data now is massively positive."

The manufacturing ISM index rose to 43.1 in May from 41.5 in April, while weekly jobless claims fell to 1.877 million from 2.126 million the week before. — Reuters



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## Syrian pound plummets as sanctions loom

**BEIRUT:** Syria's pound hit record lows on the black market Saturday trading at over 2,300 to the dollar, less than a third of its official value, traders said, ahead of new US sanctions.

Three traders in Damascus told AFP by phone that the dollar bought more than 2,300 Syrian pounds for the first time, though the official exchange rate remained fixed at around 700 pounds to the greenback.

After nine years of war, Syria is in the thick of an economic crisis compounded by a coronavirus lockdown and a dollar liquidity crunch in neighbouring Lebanon.

Last month, the central bank warned it

would clamp down on currency "manipulators". Analysts said concerns over the June 17 implementation of the US Caesar Act, which aims to sanction foreign persons who assist the Syrian government or help in post-war reconstruction, also contributed to the de fact devaluation. Zaki Mehchy, a senior consulting fellow at Chatham House, said foreign companies—including from regime ally Russia—were already opting not to take any risks.

With money transactions requiring two to three weeks to implement, "today's transactions will be paid after June 17", he said. Heiko Wimmen, Syria project director at the conflict tracker Crisis Group, said that with the act coming into force, "doing business with Syria will become even more difficult and risky". Both analysts said the fall from grace of top business tycoon Rami Makhlouf despite being a cousin of the president was also affecting confidence.

"The Makhlouf saga is spooking the rich," Wimmen said.

After the Damascus government froze assets of the head of the country's largest mobile phone operator and slapped a travel ban on him, the wealthy feel "nobody is safe", he said. They are thinking "you better get your assets and perhaps yourself out preparing for further shakedowns", he said.

Mehchy said the impact of the pound's decline and ensuing price hikes on Syrians would be "catastrophic". Most of Syria's population lives in poverty, according to the United Nations, and food prices have doubled over the past year.

The UN food agency's Jessica Lawson said any further depreciation risked increasing the cost of imported basic food items such as rice, pasta and lentils.

"These price increases risk pushing even more people into hunger, poverty and food insecurity as Syrians' purchasing power continues to erode," the World Food Program spokeswoman said. "Families may be forced to cut the quality and quantity of food they buy." — AFP

## Zimbabwe grain deficit to grow to 1.17m tons

**HARARE:** Zimbabwe's grain deficit is expected to widen to 1.17 million tons this year despite a small increase in production, the latest official crop report showed on Saturday, leaving the majority of the population facing food shortages.

The ministry of lands and agriculture said grain output would increase to 1,060,143 tons from 944,000 tons harvested last year. That is still below the

national requirement of 2.23 million tons, the report said. Last year, Zimbabwe had a grain shortfall of 700,000 tons, with stocks carried over from the 2018 season helping narrow the gap.

The World Food Programme is leading humanitarian efforts to feed millions of Zimbabweans and has warned of deepening climate- and recession-induced food shortages. The crop report said grain stocks in more than half of Zimbabwe's 60 rural districts would not last six months.

The coronavirus outbreak is seen inflicting more damage on Zimbabwe's economy, which is already grappling with the effects of a devastating drought in 2019 and erratic rains this year as well as a fiscal crisis. — Reuters