

## Business

# Pandemic upsurge hits Europe's hopes for return to recovery

## ING revises down eurozone growth forecast to 3.0% this year

PARIS: An upsurge in new coronavirus cases is forcing governments across Europe into new, damaging lockdowns that threaten to delay a much hoped-for return to growth, economists say.

The plan was that mass vaccination programs would turn the tide on the pandemic, allowing locked-down consumers free rein after months penned up at home. Instead the virus has embarked on a third wave which is proving more difficult to bring under control. French President Emmanuel Macron warned Thursday that the European Union would have to do more and beef up its already massive 750 billion euro (\$885 billion) virus recovery fund as a result.

The EU had made a major effort after the first wave last year, Macron said, but "following the second and third waves... we will no doubt have to add to our response". In September, as the economy picked up sharply after a rapid reverse in the first wave, expectations were high that by the middle of this year it would be solidly back on track, thanks especially to the vaccine rollout.

### 123 billion euro delay

Just a couple of weeks ago, European Central Bank head Christine Lagarde was even talking about a "firm rebound in activity in the second half of the year". Now the EU's strongest economies—Germany, France and Italy—have reimposed restric-

tions and the vaccine program in Europe is mired in a blame game over supplies. Credit insurer Euler Hermes estimates that the EU is now seven weeks adrift of its target to have 70 percent of the population vaccinated by the end of the summer, compared with five weeks in February. It estimates the delay will cost the bloc's 27 member states some 123 billion euros this year. "If you compare us with the US, where the outlook is so much more positive, we are falling further behind on the recovery because of this third wave," said Charlotte de Montpellier, economist with Dutch bank ING.

### 'Two speed' Europe

ING now expects eurozone growth of 3.0 percent this year, down more than half a percentage point from its previous estimate. Most of the growth will also come from the third quarter, slightly later too, ING added. Andrew Kenningham, chief Europe economist at Capital Economics, said he does not expect the bloc to return to pre-pandemic activity levels before the second half of 2022, a year behind the US. "We are revising down our forecast for eurozone GDP growth due to the resurgence of virus cases, slow pace of vaccination and extension of lockdowns," Kenningham said.

"The outlook has deteriorated," said Chris Williamson, chief economist at IHS Markit. The key Purchasing Managers Index (PMI) compiled by IHS



A graffiti reading "The Future is Europe" is pictured in front of the European Commission Headquarters in Brussels on Friday. — AFP

Markit for March showed Germany, Europe's strongest economy, doing better than France and the northern countries generally doing better than their southern partners—Spain, Italy, Greece, Portugal—which risk seeing their key tourist industries shackled for yet another year. Standard and Poor's howev-

er has decided to keep its eurozone growth forecast unchanged at 4.2 percent for 2021, citing the positive factor of cheap credit. At the same time, the economy and Europe's people have adapted to the restrictions, lessening the impact, said Sylvain Broyer, chief S&P economist for Europe. — AFP

## KFH first Kuwaiti bank to launch digital signature

KUWAIT: Following successful technical tests, Kuwait Finance House (KFH) has launched, as the first bank in Kuwait, a digital signature service in personal financing products that includes the electronic handling of all paper documents for personal finance transactions. The new service enables KFH customers to electronically sign any required document using any device and anywhere as well as complete the entire financing request automatically in accordance with the terms and conditions.

Group General Manager Retail Banking at KFH, Khaled Yousif Al-Shamlan said that this initiative reinforces KFH leadership in implementing the digital transformation strategy. He added that the bank has been a pioneer in promoting investment in the financial technology "FinTech" and digital banking services, while ensuring that they are provided to customers at the highest standards of efficiency and quality. Al-Shamlan appreciated the fruitful cooperation with the Public Authority for Civil Information, praising the efforts made in the technical arrangements that led to successfully completing the electronic link with PACI at an advanced level of coordination and cooperation.

Al-Shamlan explained that KFH has succeeded in automating the whole process of financing request, including digital signature by customers, automatically and in a fast and secure manner. Consequently, the customers can apply for financing request through fully automated process and without the need to visit KFH branches. He confirmed that the new developed financing request reinforces KFH leadership in providing digital solutions and reflects the digital transformation and financial inclusion, ensuring best services with the utmost speed, accuracy and safety. In line with the current exceptional circumstances and social distancing requirements, the new service also guarantees continued access to KFH services, taking into account the health safety of customer and employee. This contributes to moving the wheel of the economy and areas of financial development.

Al-Shamlan pointed out that the personal financing service is linked to a number of important economic activities in the local market and is considered one of the basic requirements of customers and an important element in the relationship between the bank and the customer. "Through converting paper transactions into smart files with the possibility of digital signature and automating all points of contact with the customer, KFH aims at delivering many benefits, most notably: reducing the time of transaction in a way that enhances customer engagement and loyalty and ability to face competition by providing services at a high level of flexibility anywhere and anytime. This helps keep the customer in constant contact, bringing KFH closer to its customers while meeting their aspirations and needs in accordance with the highest quality standards," he said. Al-Shamlan praised the success of the administrative, legal and technical arrangements along with all concerned departments in these areas, stressing that all precautions were taken to ensure safety elements in digital signatures in terms of verifying the authenticity and legitimacy of signatures.

He stressed the importance of this service as a unique qualitative leap, adding that the digital signature is a pioneering technological service, featuring multiple advantages and flexibility in application and development to serve customers and enhance their banking experience.



Khaled Al-Shamlan

## Only two days left to enter Gulf Bank's Al-Danah's draw for KD 1,000,000

KUWAIT: Gulf Bank has announced that there are only two days left to participate in this year's semi-annual Al-Danah account draw, with Wednesday, March 31 being the last day to enter for a chance to win the millionaire prize of KD 1,000,000. The semiannual draw is scheduled to be held on July 15, 2021 in the presence of representatives from the Ministry of Commerce and from Ernst & Young.

Gulf Bank's General Manager of Consumer Banking, Mohammed Al-Qattan, encouraged both Kuwaiti and non-Kuwaiti residents of the country to take advantage of this opportunity, saying: "There are only two days left to deposit and enter the draw for a chance to become Gulf Bank's first millionaire of the year! As we have previously announced, and as part of our new draw scheme, we are excited to be rewarding two millionaires per year with the Al-Danah account, and will be giving away a yearly grand prize of KD 1.5 million to one winner, and a semiannual prize of KD 1 million to the other. Today, I would like to remind all Gulf Bank customers of this opportunity, and to encourage everyone to participate by opening and depositing into an Al-Danah account online through the Gulf Bank app, or by visiting one of our branch-

es. We are wishing everyone the best of luck!"

The Al-Danah account is one of the most rewarding savings accounts in Kuwait, with its periodic draws that award valuable prizes and its many advantages for account holders. Gulf Bank's Al-Danah account offers monthly opportunities to win KD 1,000 to ten lucky winners, in addition to two quarterly draws with KD 100,000 prizes each, a semiannual draw prize of KD 1,000,000 and a grand draw prize of KD 1,500,000.

### Numerous benefits

The Al-Danah account is the only account that rewards customers for their loyalty by providing loyalty chances. Loyalty chances are the total chances gained in the previous year, which are then transferred to the current year to reward customers for their loyalty to the Bank. Accordingly, all chances gained by existing Al-Danah customers in 2020 have been transferred to the 2021 draws, and this will be repeated in 2022 onwards. Terms and conditions apply. It is also worth noting that all account draws are attended by a representative from the Ministry of Commerce and Industry, with the quarterly and annual draws also reviewed by Ernst & Young.

### Annual grand prize

To increase their chances of winning, account holders must either maintain the minimum deposit amount of KD 200, or increase their Al-Danah savings - the higher the balances in an account, the more chances accumulated over time. Gulf Bank's Al-Danah account holders also have the opportunity to enter and win cash prizes all year long through

monthly, quarterly and annual draws.

### Opening an Al-Danah Account

To enter the upcoming draws, Gulf Bank customers can open an Al-Danah account today with only KD 200. To open an Al-Danah account, existing Gulf Bank customers can apply through Gulf Bank's online and mobile banking services, or book an appointment at their nearest branch by using the new "Visit Gulf Bank" app for a faster and more convenient branch visit. New customers can also open an Al-Danah account by visiting their nearest Gulf Bank branch or by scheduling an appointment through the app.

### Deposit more for more chances to win!

With Gulf Bank, depositing into an Al-Danah account is easier and more secure than ever, as clients can deposit into their accounts through the following channels: Online/Mobile Banking App which includes the ePay service, ATMs and ITMs, the Customer Contact Center at 1805805 which is available 24/7, in addition to the free standing order service from other Gulf Bank accounts. Gulf Bank's Al-Danah account is open to both Kuwaiti and non-Kuwaiti residents of Kuwait. A minimum of KD 200 is required to open an account and the same amount must be maintained for customers to be eligible for the upcoming Al-Danah draws.



Mohammed Al-Qattan

## KPMG Kuwait's Managing Partner highlights SME situation

KUWAIT: The COVID-19 pandemic has drastically affected the way small and medium enterprises (SMEs) operate in Kuwait. The economic impasse created by the outbreak has primarily troubled business liquidity. Dr Rasheed Al-Qenae, Managing Partner, KPMG in Kuwait, talks about the small businesses' situation in the country and how they should benefit from the pandemic-induced conditions.

"The measures undertaken during the lockdown to contain the spread of the pandemic have influenced businesses in terms of demand (revenue), supply chain (material and end-product delivery) and operational continuity (manpower/resource constraints), while operational costs (salaries, rents, etc.) continue to exist," says Dr Rasheed Al-Qenae. He further adds "B2C businesses, especially the food and beverage and retail sectors, were highly impacted.

However, the fast-moving consumer goods (FMCG) businesses have, overall, done exceptionally well as people continued to stock up on supplies. Most of the FMCG businesses and others moved to online/delivery models to counter the situation." However, there were also many other issues connected with low demand from downstream businesses and manpower availability. The Higher Steering Committee for Economic Stimulation report, as of June 2020, stated that the visits to restaurants, entertainment sites, etc. dropped by approximately 75 percent, and about 26 percent of the companies observed a revenue slump of almost 80 percent. Due to lower revenues, the primary concerns of SMEs revolve around access to liquidity, loan repayment and bankruptcy evasion.

To initiate recovery, SMEs should focus on their financials and constantly monitor cash flows. Moreover, they should concentrate on improvement opportunities in the medium term

and realign their business model in the long term. Along with understanding their core competency, they should also try and adjust to the market dynamics by rolling out three-month budgets and plans. Some of them might also opt for redefining their business strategies or restructuring their operations.

SMEs should also consider other sales channels such as e-commerce. With restrictions placed around visiting physical stores, consumers are opting digital channels and SMEs should take benefit of this accelerated growth to maximize reach. SMEs may also think about offering discounts to attract sales and associating with third parties to manage logistics. Moreover, SMEs should focus on non-discretionary expenses and cut avoidable costs, wherever possible. They may also opt for an installment plan for payments (e.g. rents), use technology/automation for reduced turnaround and thereby decrease the operational cost.

To help the SMEs, the government announced a stimulus package through the Commercial Bank of Kuwait (CBK). This package assists SMEs with their working capital requirements via soft loans (capped @ max 2.5 percent, interest with flexible repayment terms). In addition, the government relieved entities from paying social security contributions for a period of six months starting March 2020.

KPMG has also been working with various SMEs and funds since long including the former Kuwait Small Projects Development Company (KSPDC) and Industrial Bank of Kuwait (IBK) Small Industries Fund, and now with the Kuwait National Fund (KNF) and banks. Mentioning how KPMG is supporting SMEs, Dr. Rasheed Al-Qenae added, "KPMG has been actively working with SMEs in Kuwait in terms of guiding and assisting them. We have also released a few 'Thought Leadership' or insight papers on social media platforms to help SMEs navigate their challenges."

Our advisors are also helping SMEs with cash flow projections, liquidity position and funding needs. This helps them in arranging loan applications according to the bank requirements for the CBK stimulus package. KPMG is committed towards developing a strong community of small business owners, which further helps in overall economic growth of the country.



Dr Rasheed Al-Qenae

## Sidra Capital's USD private finance funds achieve target returns

JEDDAH: Sidra Capital, a sharia-compliant asset management firm headquartered in Jeddah, Saudi Arabia and regulated by the Capital Market Authority (CMA), has announced healthy annual returns on two of its US dollar-denominated funds: the USD income fund, which generated above-target returns of 8 percent, and the US dollar Mutajara Fund, which met its targeted return of 5 percent for 2020.

The returns are especially impressive in light of global challenges such as disruptions in supply chains in certain markets and other challenging market conditions stemming from the Covid-19 pandemic.

"Performance of our trade finance funds in 2020 showcased the resilience of our private finance strategy in the face of the external shocks brought about by the pandemic," Hani Baothman, Chairman of Sidra Capital, said. "Despite the challenges, our private finance transactions did not experience a single default, and the funds offered an excellent alternative investment asset class that provides hedging to portfolios and protects investors' wealth from market fluctuations."

The Sidra Income Fund is a US dollar-denominated private fund focused on supporting infrastructure supply chain transactions in Asia. The fund is designed to capitalize on the infrastructure boom in Asia and aims at achieving stable, high-yield returns uncorrelated to the stock market and global commodity prices. Specializing in natural commodities, the Sidra Income Fund offers sharia-compliant, top-tier, income-generating asset classes for risk-averse investors. It aims at achieving stable, high yield returns uncorrelated to the stock market and global commodity prices while contributing positively toward the social and economic development of the communities that the invested companies operate in.

The Sidra Mutajara Fund, also US Dollar-denominated, combines Shari'ah-compliant money market investment with structured trade finance products in order to achieve liquidity, steady performance and above-benchmark returns. The fund is regulated by the Saudi Capital Market Authority (CMA) and provides investors with quarterly distributions and the option of liquidity through the quarterly exit feature. The Sidra Mutajara Fund plays an important role in financing growth in the real economy.