

Business

Automaker rebound boosts US industrial production in March

Amid inflation, consumers opt to buy more services than goods

DETROIT: US industrial production climbed in March as automakers shifted into gear despite the ongoing semiconductor shortage, the Federal Reserve said.

Industrial production climbed 0.9 percent last month, the Fed said, more than expected and pushing the metric of industry output to an annualized rate of 8.1 percent for the first quarter. Motor vehicles and parts production jumped 7.8 percent and fueled a 0.9 percent gain in overall manufacturing, while other factories saw production rise 0.4 percent, the data said.

American automakers have struggled to keep production going as the supply of the computer chips vital to today's motor vehicles runs short. Mining output gained 1.7 percent, mostly due to increased oil and gas production, while utilities rose 0.4 percent as electricity usage increased but natural gas demand fell.

Consumers are generally shifting to buy more services than goods, Oren Klachkin of Oxford Economics said, but "there are still plenty of goods orders that need to be fulfilled" and industrial production will likely see gains in the months to come. "However, nagging supply chain issues, rising interest rates, and hot inflation readings will continue to pose some constraints," he said in an analysis. Biden touts US manufacturing know-how on trip to battleground state.

President Joe Biden had hailed US innovation on a visit to the south to promote his efforts to combat inflation, jumpstart high-tech manufacturing and return the United States to pole position in the global economy.

"Science and technology is moving so incredi-

bly rapidly. It's all part of a broader vision that Vice President (Kamala) Harris and I ran on-to build back a better America than even before the pandemic."

The visit came with the Bureau of Labor Statistics reporting inflation at a 40-year high of 8.5 percent—mainly due, it said, to Russia's invasion of Ukraine, rent hikes and gas prices.

Biden met faculty and students reading robotics and cybersecurity to discuss how his Bipartisan Innovation Act could boost the economy by improving manufacturing.

Deputy press secretary Karine Jean-Pierre told reporters aboard Air Force One that Greensboro was an example of the kind of "regional manufacturing ecosystem" that Biden envisions building across America, to create an industry that can counter China's growing influence.

One of the administration's top priorities, the legislation would offer funding to the city of 300,000 and places like it, to promote job creation and business growth.

Biden's trip—which came with Washington's political elite bracing for November's midterm elections—was the political equivalent of a fixture on neutral ground. North Carolinians have voted for the Republican candidate in every presidential election since the Reagan era except 2008, when the state went for Barack Obama over John McCain.

But five out of its seven governors over the same period have been Democrats, and statistical analytics website FiveThirtyEight described North Carolina in 2020 as a "perennial" swing state.

Biden is deep underwater in recent polling, however, with inflation seen as the Democrats' biggest



DETROIT: In this file photo, a GMC Hummer EV on an assembly line at the General Motors Factory ZERO electric vehicle assembly plant in Detroit, Michigan. —AFP

challenge if they are to pull off the unlikely feat of holding on to Congress. A poll released last week by High Point University gave the president a job approval rating of 35 percent in North Carolina, while 53 percent said they disapprove.

His lowest marks were for his handling of inflation (19 percent), including rising gas prices (18 percent), and his stewardship of the economy in gener-

al (26 percent). Nationally, a new Quinnipiac University poll has the president at just 33 percent approval, while 54 percent disapprove of his job performance. Democrats and Republicans in the House and Senate have been discussing the contours for launching formal negotiations on Biden's legislation as early as April, with a floor vote expected in May or June. —AFP

NBK Money Markets Report

US inflationary pressures send dollar higher

KUWAIT: In the United States, consumer prices rose 8.5 percent in March, marking the highest level seen since the Reagan administration in 1981. Excluding food and energy, the core CPI figure increased less than expected at 6.5 percent y/y and 0.3 percent m/m, providing some hope that overall inflation is likely easing. The usual culprits were responsible for the increase, with food prices up 8.8 percent and energy prices up 32 percent over the year. Gasoline prices alone surged 18.3 percent for the month, boosted by the war in Ukraine and subsequent pressure on supply.

In the US, the latest CPI figures were followed by headline PPI and core figures well exceeding estimates, wiping out any opportunity for leniency from the Fed. Producer prices in March jumped 1.4 percent from the previous month and 11.2 percent from a year ago, the most on record. Core PPI, which excludes food and energy, increased 1 percent in March from a month earlier and was up 9.2 percent from a year ago. It contrasted the latest core CPI figure, which showed a softening pace in core inflation.

Federal Reserve Governor Lael Brainard said the slowing increase in core CPI illustrates a "welcome" development in bringing down inflation, adding that she will be looking "to see whether we continue to see moderation in the months ahead." Nevertheless, alongside the surge in inflation worker wages have not kept up with the cost of living. Real average hourly earnings posted a 0.8 percent decline for the month, and the inability to keep up with costs could add to inflationary pressures. Markets reacted positively to the inflation data with stocks rising and government bond yields declining.

After the strong inflation data, markets have priced in two rate hikes worth 50 basis points in the upcoming Fed meeting with a probability of 98 percent. The mounting pressure on commodities and geopolitical uncertainties have increased inflation expectations and hence more aggressive rate hike expectations. The market is also pricing in two rate

Rates - 17th April, 2022

Currencies	Previous Week Levels				This Week's Expected Range		3-Month Forward
	Open	Low	High	Close	Minimum	Maximum	
EUR	1.0933	1.0756	1.0950	1.0806	1.0630	1.0925	1.0851
GBP	1.3039	1.2970	1.3147	1.3058	1.2850	1.3150	1.3058
JPY	124.05	123.99	126.68	126.35	125.30	128.20	125.95
CHF	0.9302	0.9284	0.9445	0.9425	0.9235	0.9640	0.9381

hikes in the June 15th meeting. If those expectations were to happen, it would mean that benchmark interest rates in the US have increased by 1.25 percent in 6 months.

Market movement

On the forex front, the dollar remained on top of the currencies hill and gained much ground on the Japanese yen after the inflation report. The USDJPY reached a new high of 126.66 on Friday as the greenback's momentum continued.

ECB's vague forward guidance

As widely expected, the ECB did not announce any policy changes on 14 April and left all interest rates unchanged, with the deposit rate still standing at -0.50 percent. No major changes were announced to the forward guidance or the pace of winding down QE purchases. Net purchases under the APP have been confirmed at EUR40bn in April, EUR30bn in May and EUR20bn in June. There was a small tweak, however, to the language regarding the pace of purchases after June. The statement now says that "at today's meeting the Governing Council judged that the incoming data since its last meeting reinforce its expectation that net asset purchases under the APP should be concluded in the third quarter" while before it said that "if the incoming data support the expectation that the medium-term inflation outlook will not weaken even after the end of its net asset purchases, the Governing Council will conclude net purchases under the APP in the third quarter". The ECB also reaffirmed that the first rate rise will take place "some time" after the end of asset purchases, with Ms Lagarde reiterating that "could be anywhere between a week or several months".

Consequently, the markets were less optimistic on

the euro and hence a selloff was evident in the single currency sending the currency to a low of 1.0756 before reversing the move toward 1.08. The market is currently pricing in 6 hikes of 10 basis points starting in July till year end by the ECB. If materialized, the benchmark rate would be 0.10 percent in out of negative territory.

Inflation pressure in the UK

The Fed is not alone grappling faster inflation. CPI in the UK rose by 1.1 percent in March alone, the fastest monthly increase on record, and surged by 7 percent annually, a 30-year high. Prices are set to surge further this month when a 54 percent increase in energy costs hits household bills. The pressure is piling on the Bank of England (BoE) to act when they meet next month, the market has priced in a rate hike in the upcoming May policy meeting.

China's inflation

China's inflation figures surprised on the high side, with annual CPI rising to 1.5 percent and annual PPI gaining 8.3 percent. The figures are unlikely to prevent the People's Bank of China (PBOC) from easing monetary policy to cushion the economy from the economic struggles of the recent lockdown.

Demand on energy

Signs of deteriorating diplomacy around Russia's war in Ukraine and China's demand forecasts reviving as it looks to ease some of the more stringent lockdown conditions gave way for oil prices to reestablish above \$100 a barrel.

Kuwait

Kuwaiti dinar
USD/KWD closed last week at 0.30480.



Michael Barr

Biden to name Michael Barr for key Fed role

WASHINGTON: US President Joe Biden announced his intention to nominate Michael Barr for the key position of vice chair for supervision of the Federal Reserve, one month after his first pick dropped out.

Barr's nomination will have to be confirmed by the Senate. "Michael brings the expertise and experience necessary for this important position at a critical time for our economy and families across the country," Biden said in a statement. Currently serving as dean of the University of Michigan's public policy school, Barr also worked at the Treasury Department during the Bill Clinton and Barack Obama administrations.

He was one of the main architects of the Dodd-Frank Act, passed after the 2008 global financial crisis, which was aimed at better regulating the activities of large US financial institutions.

He also helped create the Consumer Financial Protection Bureau and the position for which Biden nominated him. If confirmed, Barr will oversee supervision and regulation of banking giants such as JPMorgan Chase, Bank of America and Citigroup.

"He understands that this job is not a partisan one, but one that plays a critical role in regulating our nation's financial institutions to ensure Americans are treated fairly and to protect the stability of our economy," the president said. Biden's original nominee for the position, Sarah Bloom Raskin, withdrew from the race in mid-March when her nomination appeared to be in jeopardy due to a lack of support in the Senate.

Republican senators, as well as Democratic Senator Joe Manchin, said that they would not give her their votes. In addition to Barr, the Senate must confirm four other nominations to the Fed's board of directors, including those of its current chairman Jerome Powell and of Lael Brainard as vice chair.

The US central bank can bring inflation down by raising interest rates without jeopardizing growth in the world's largest economy, although it will be a challenge, a top Federal Reserve official had said.

"I think we can achieve a soft landing," New York Fed President John Williams said in an interview with Bloomberg. A wave of price increases caused by high demand and supply chain challenges was made worse by the Russian invasion of Ukraine, which hit food and fuel prices, sending US inflation to its highest level in four decades.

But Williams said Fed interest rate hikes are "really well suited" for addressing the imbalances between supply and demand in the US economy without causing a downturn. The Fed can "just take the froth... out of the economy" to put it on sustainable footing. But he acknowledged that "it's not going to be easy," given the "unique set of circumstances" facing the economy due to the ongoing challenges of the pandemic and the Russian invasion of Ukraine. —AFP



LuLu Hypermarket felicitates winners of voucher promotion

KUWAIT: LuLu Hypermarket, the retail leader in the region, held a prize distribution ceremony at its Al-Rai outlet on 16 February to felicitate winners of the voucher promotion held as part of the Hala February celebrations.

Prizes worth a total of KD 15,000 were distrib-



uted to 131 lucky winners by top LuLu Hypermarket management in Kuwait, in the presence of a large gathering of shoppers and well-wishers of the hypermarket. The voucher promotion, which ran from 3 February to 19 March, culminated with an electronic prize draw that was held on 28 March at the Ministry of Commerce and Industry, and in the presence of ministry officials and LuLu management.

The promotion, which was available at all LuLu Hypermarket branches in Kuwait, provided customers with the opportunity to win attractive gift vouchers on every KD 5 they spent at the hypermarket during the promotion period. The first prize

of KD 1,000 worth of gift vouchers was awarded to three winners; the second prize of KD 500 worth of gift vouchers went to the next six winners; KD 100 worth of gift vouchers were presented to the next 61 winners; and finally, KD 50 worth of gift vouchers went to the next 61 winners of the promotion. The voucher promotion was a highlight of the annual month-long Hala February festival held in Kuwait, and also part of celebrations marking the National and Liberation Days of Kuwait. Overwhelming response to the promotion once again underlines the enormous rapport that LuLu Hypermarket and its various interactive initiatives enjoys with shoppers in Kuwait.