Airbus scraps A350 contract with Qatar Airways in feud

Locked in dispute with Airbus over degradation of the exterior fuselage surfaces

PARIS: European aircraft maker Airbus has cancelled its contract to deliver 19 A350 planes to Qatar Airways, a source close to the matter said Wednesday, amid a feud between the two aviation giants.

Airbus had already cancelled a multi-billion-dollar order of 50 planes from Qatar Airways, a major customer, earlier in the year, over the airline's grounding of A350 aircraft. Qatar Airways has been locked in a dispute with Airbus over degradation of the exterior fuselage surfaces on some of its A350 wide-body planes.

The issue has led the airline, one of the Gulf region's "big three" carriers, to ground 23 of the aircraft and not accept further deliveries from the European firm until the problem is resolved. Qatar Airways claimed damages from Airbus amounting to $200,000 per day, per plane out of action.

The order for the 19 aircraft was worth seven billion euros at catalogue prices, though airlines are usually charged less for large purchases. Neither Airbus nor Qatar Airways immediately commented on the cancelled order.

Court battle

The airline and leading plane-maker have been fighting in the British courts for months over the paint problem. Qatar Airways launched legal action against Airbus over the issue before the High Court in London in December, with Airbus vigorously defending the A350 against any suggestions the aircraft isn't safe.

Qatar's civil aviation authority grounded the planes judging the exposure of the metal mesh under the paint posed a safety risk. But the European Aviation Safety Agency (EASA) found it posed no impact on the airworthiness of the aircraft.

In May, both sides said they hoped to reach a negotiated settlement. Qatar Airways is demanding about $1 billion in damages over the peeling paintwork, which it says is a threat to the A350's lightning conductor.

After the airline last year grounded part of its fleet of A350s, Airbus responded by cancelling an order worth more than $6 billion for 50 A321s from Qatar Airways. Airbus said that a clause in the contract for the 50 A321 planes allowed its cancellation if Qatar Airways failed to fully honour any of its other contracts, which the airline did by refusing to take delivery of A350 aircraft.

In January, an Airbus spokesman told AFP that the aircraft maker had "terminated" the contract for 50 single-aisle A321neo aircraft, "in accordance with our rights". Qatar Airways chief executive Akbar Al Baker in June accused Airbus of acting like a "bully" over the dispute.

"A manufacturer must never be allowed to use their market dominance to bully their long-standing customer," he said at the International Air Transport Association annual general meeting in Doha. Airbus chief Guillaume Faury, for his part, had said he was looking to talk to try to resolve the issue but acknowledged it was difficult. —AFP

Toyota upgrades forecast as Q1 net profit slumps

TOKYO: Toyota upgraded its annual net profit forecast on Thursday, predicting an earnings boost from the weaker yen even after first-quarter net profit took a hit from pandemic-related supply chain issues. The global chip shortage, COVID-19 lockdowns disrupting Chinese factory output and Russia's invasion of Ukraine are all weighing heavily on the auto industry.

But Japanese companies like Toyota selling products overseas have also benefited from a cheaper yen, which has hit 24-year lows against the dollar in recent months. The world's top-selling automaker now forecasts an annual net profit of 2.36 trillion yen ($17.6 billion) — up from its previous estimate of 2.26 trillion yen, but still a drop of 17 percent compared with last year's record results.

For the three months to June, the auto titan said net profit fell 17.9 percent on-year to 736.8 billion yen. "Despite the positive foreign exchange effects from the weaker yen, the large impact from lower sales volume due to supply constraints and higher raw materials prices led to a decrease in operating income" in the first quarter, the company said.

Meanwhile, "the revision of foreign exchange rate assumptions had a positive impact on the operating income forecast", it said. Revisions to the predicted impact of "soaring materials prices" and cost-reduction efforts would also cause operating income to decrease this financial year, Toyota added.

Buoyed in part by the weaker yen, Toyota in May logged a record full-year net profit of 2.85 trillion yen for 2021-22. The focus will now be on whether the company can keep its global production target of 9.7 million units for this financial year in light of the parts shortage, said Satoru Takada, auto analyst at research and consulting firm TIW.

Three big automakers in Japan-Toyota, Nissan and Honda-have been "unable to sufficiently recover production" to meet consumer demand, Takada told AFP. However, Toyota has so far largely escaped the worst of the crises, he said, adding that the company has "customers waiting for its cars thanks to strong demand".

TOKYO: The logo of Japan's Toyota Motor is displayed at a car showroom in Tokyo on August 4, 2022. —AFP

The firm built stronger ties with domestic suppliers after Japan's 2011 earthquake and tsunami, which analysts say helped it weather a pandemic-triggered shortage of semiconductors-an essential component of modern cars-better than its rivals.

But it has been forced to repeatedly adjust production targets because of the chip shortage and pandemic-linked factory closures. Adding to the problems is uncertainty arising from Moscow's war in Ukraine. Toyota said in March it would halt operations at its only factory in Russia, and stop shipping vehicles to the country.

Ahead of the earnings announcement, SC Capital called Toyota's annual outlook "the most low-balled in the industry", predicting a sharp upwards revision later this year as semiconductor supplies become more abundant.

"Toyota's first quarter... is expected to be bad. But consensus is way too low for the rest of the year, as supply constraints from Shanghai will subside from the second quarter and chip inventory rises more than expected," SC Capital said in a SmartKarma commentary. —AFPr

Legal woes hit Bayer profits in second quarter

FRANKFURT: German chemicals giant Bayer said Thursday it had suffered a net loss in the second quarter due to an environmental lawsuit in the United States, while raising its outlook for the year.

Between April and June, Bayer booked a net loss of 298 million euros ($303 million), after a 2.3-billion-euro loss in the same period last year. The result was dragged into the red by a 694-million-euro provision to manage legal risks in the United States related to PCB, a product formerly marketed by Bayer's troubled subsidiary Monsanto.

Nonetheless, Bayer CEO Werner Baumann said in a statement that the group had a "strong operational performance" in the quarter. Sales in its agricultural business climbed by 17.2 percent to 6.5 billion euros on the back of rising prices.

Sales of consumer health products rose 6.8 percent to 1.5 billion, while the improvement in pharmaceuticals was smaller, up 2.1 percent to 4.8 billion euros. Bayer raised its outlook for the year, predicting revenues to rise to between 47 billion and 48 billion euros, up from its previous estimate of "approximately 46 billion euros".

The chemicals group also expected an operating-or underlying-profit for the year of around 12.5 billion euros, up from 12 billion euros previously. Bayer said it did not see any "material financial impact in 2022 from any potential gas supply bottlenecks as a result of the war in Ukraine".

LEVERKUSEN: File photo shows a board bearing the logo of German chemicals and pharmaceuticals giant Bayer is seen at the group's headquarters in Leverkusen, western Germany. —AFP

Germany is reckoning with the possibility that Russia may cut supplies of natural gas and has taken steps towards rationing the fuel. The local VCI chemicals industry group has previously warned that a cutoff would be a "heart attack for the economy". The chemicals industry is reliant on gas as an energy source and as a raw material in production. —AFP

Kuwait's oil revenues to reach KD 30.370bn

KUWAIT: By the end of July 2022, the fourth month of the current fiscal year 2022/2023 ended with the monthly average price of Kuwait oil reaching $109.3 per barrel. It is $44.3 or 68.2% higher than the new hypothetical price of $65 estimated in the current budget and $64.3 higher than the average hypothetical price of $45 for the past fiscal year. The average oil price of July is 36.9% higher than the yearly average price of $79.9 per barrel recorded in the past fiscal year 2021/2022. According to the Ministry of Finance, the average price for July is $34.3 higher than the new budget's parity price of $75 (without the deduction of 10% of revenues for the future generations' reserve).

Kuwait is supposed to have achieved actual oil revenues of KD 2.510 billion in July. Assuming that production and prices would continue at the current levels - an unrealistic assumption - Kuwait's oil revenues for the entire current fiscal year would reach KD 30.370 billion, after deducting annual production costs pertaining to the entire current fiscal year. It would be KD 13.629 billion higher than the estimated revenues of KD 16.741 billion for the current budget. Adding KD 2.078 billion in non-oil revenues, total budget expected revenues for the current fiscal year would amount to KD 32.448 billion.

Comparing this figure with the expected expenditures of KD 21.949 billion, it is likely that the public budget to achieve a surplus of KD 10.499 billion. With oil revenues being the only decisive factor, while the oil market situation due to the Russian/Ukrainian war is exceptional, a prudent fiscal policy is required to estimate a discount rate to quantify future risks, which are inevitable and substantialin anticipation of falling into the repeated pitfalls of the past.

Alibaba quarterly revenue flat for first time ever

BEIJING: Chinese e-commerce giant Alibaba reported flat revenue growth on Thursday for the first time ever, as the country grappled with an economic slowdown and COVID-19 resurgences kept consumers jittery.

Alibaba's performance is widely seen as a gauge of Chinese consumer sentiment, given its market dominance, and its revenue growth has slowed markedly over the past year. Revenue came in at 205.6 billion yuan ($30.7 billion) in the April-June quarter, beating analyst expectations despite being slightly below the same period last year, following a decline in the company's China commerce segment revenue, Alibaba said.

The company has been grappling with growing competition and economic fallout from strict COVID restrictions that have battered consumer sentiment, pushed the unemployment rate up and tangled supply chains.

"Following a relatively slow April and May, we saw signs of recovery across our businesses in June," said Alibaba Group's chairman and chief executive Daniel Zhang in a statement. "Despite the soft economic conditions, we managed to deliver stable revenues and narrowed losses in several strategic businesses by improving operating efficiency," he added in an earnings call.

The company's revenue growth was flat "primarily due to a decline in China commerce segment revenue" although this was offset by growth in the cloud segment, Alibaba said. Many parts of China have faced harsh lockdowns in recent months, as officials struggled to stamp out the Omicron variant under the country's zero-COVID policy.

Shanghai, China's biggest city and a major economic hub, was sealed off for two months due to COVID-related restrictions during the quarter. The firm cited "restrictions that resulted in supply chain and logistics disruptions in April and most of May" that bogged down performance in its China commerce sector, although there was a pick-up in demand in June during a popular shopping festival.

Its profit for the latest quarter stood at 22.7 billion yuan, down from 45.1 billion yuan a year earlier. Alibaba has recently been building its international commerce businesses, such as Lazada in Southeast Asia and Trendyol in Turkey. It has also shifted from its aggressive market expansion in the past, amid slowing growth.

Challenges

Apart from coronavirus curbs, Alibaba has been contending with a regulatory crackdown on China's tech giants and other challenges abroad. US authorities have put the company on a watch-list that could see it delisted in New York if it does not comply with disclosure orders, causing its shares to slump.

The company is seeking a primary listing in Hong Kong which could allow it to access mainland China's vast pool of investors, a move that comes as Chinese tech firms trading in New York grow increasingly worried about regulatory action by US authorities.

Alibaba, a tech behemoth, has also seen its market value plummet after Beijing launched a sweeping crackdown in 2020. In recent years, Chinese officials have taken aim at alleged anti-competitive practices by some of the country's biggest names, driven by fears that major internet firms control too much data and expanded too quickly.

This included a last-minute cancellation of a planned IPO by Alibaba's financial arm Ant Group, which would have been the world's largest public offering at the time. Last week, a report said Alibaba co-founder Jack Ma plans to give up control of Ant Group as part of a strategy to appease Chinese regulators and revive the digital payments unit's initial public offering.

Following the latest results, Alibaba's US-listed shares rose 4.5 percent in pre-market trading. China's economy expanded just 0.4 percent in the second quarter this year, logging its slowest growth since the initial coronavirus outbreak more than two years ago. —AFP