

Business

Nigerian airlines to suspend all flights over soaring fuel prices

Ukraine war, Western sanctions send fuel prices skyrocketing

ABUJA: Nigerian airlines are to suspend all flights from Monday over rising jet fuel prices, an umbrella organization of operators said on Saturday. The cost of fuel has soared worldwide since Russia invaded its neighbor Ukraine in February and the West responded by slapping sanctions on Moscow.

The Airline Operators of Nigeria said the price of jet fuel had jumped from 190 to 700 Nigerian naira per liter (from \$0.45 to almost \$1.70). "No airline in the world can absorb this kind of sudden shock from such an astronomical rise over a short period," the AON said.

The group said it would now cost a customer 120,000 naira (\$289) for a one-hour flight, a sum unaffordable for Nigerians "already experiencing a lot of difficulties". The AON therefore wished "to regrettably inform the general public that member airlines will discontinue operations nationwide with effect from Monday May 9, 2022 until further notice," it said. The aviation ministry responded by urging airlines to "consider the multiplier effect of shutting down operations, on Nigerians and global travelers".

The Nigerian consumer protection agency also implored "domestic airlines to consider the effect of

the proposed shutdown on passengers and the magnitude of difficulties and hardship associated with such an action". It added it was "concerned with rising consumer feedback that airlines have continued to sell tickets beyond the date announced for the proposed service shutdown."

Social media users made fun of the airlines suggesting customers find alternative means of travel.

"Airlines in Nigeria will shut down their services to passengers from Monday," one tweeted to more than 110,000 followers. "I hope you can trek from Lagos to Abuja?" they wrote, of the journey of more than 700 kilometers (more than 400 miles) by road between the country's largest city and its capital—one that normally takes just over an hour on an airplane.

"If you use the roads, I hope you have your ransom money?" they added, making light of abductions in other parts of the oil-rich country. Nigeria produces 1.4 million barrels of crude a day, but it refines little. It relies almost completely on fuel imports, making the local market vulnerable to disruptions.

The rising price of fuel has caused prolonged power blackouts in recent weeks. —AFP



NBK Money Markets Report

Fed dilemma over tackling inflation, averting recession

KUWAIT: The Federal Reserve deployed its most aggressive tightening policy in decades upon delivery of a 50bp rate hike, taking the federal funds rate to a range of 0.75 percent to 1 percent. The move marked the first time the Fed delivered a hike this size since 2000 and boosted rates at consecutive meetings since 2006. The 50bp rate hike was favored unanimously and Fed Chair Jerome Powell flagged future rate hikes at that pace, nixing a more worrisome and larger 75bp rate hike for the time being.

The Fed also announced it would begin trimming its \$8.96 trillion balance sheet next month. The balance sheet reduction is to happen in phases, allowing a capped level of proceeds from maturing bonds to roll off each month while reinvesting the rest. Starting June, the Fed will begin declining its holdings of Treasuries and mortgage-backed securities at a combined monthly pace of \$47.5 billion (\$30 billion in Treasuries and \$17.5 billion in mortgage-backed securities) for three months, which will then pick up to \$95 billion (\$60 billion in Treasuries and \$35 billion in mortgage-backed securities).

"Inflation is much too high and we understand the hardship it is causing and we are moving expeditiously to bring it back down," Chair Jerome Powell said, maintaining his confidence in the Fed's ability to pull off a soft landing for the American economy.

US economy chimes on

Despite the latest quarterly GDP figure shrinking by 1.4 percent in the first quarter as higher prices begin to bite, the US economy did not show signs of any material slowdown. Although figures fell, activity in both the manufacturing and service sectors are above the thresholds that indicate growth. Softening growth in orders, production, and employment sent the ISM Manufacturing PMI unexpectedly dropping in April to 55.4, the lowest level since 2020, compared to 57.1 last month. The ISM Service PMI also dropped in April to 57.1 compared to 58.3 last month but recorded growth for the 23rd month in a row. The labor market remains in robust health. April non-farm payrolls matched last month's figure and beat estimates, adding 428K jobs while the unemployment rate held at 3.6 percent. On a brighter note, average hourly earnings grew, but less than expected rising by 0.3 percent instead of the estimated 0.4 percent.

Markets took a sharp U-turn after rallying the most since May 2020 celebrating the results of the Fed meeting and safety assurances from a 75bp rate hike.

US companies break long silence on abortion rights

NEW YORK: After carefully avoiding the taboo topic for decades, more and more US companies are taking a stand on the right to abortion, a sign of a new generation with growing influence and very different expectations than their predecessors. Mere hours after the leak of a draft Supreme Court opinion indicating the national right to abortion would be overturned, a variety of American businesses began to react publicly.

"Given what is at stake, business leaders need to make their voices heard and act to protect the health and well-being of our employees," Levi Strauss said in a statement. "That means protecting reproductive rights." Like the iconic denim brand, Apple has also pledged to cover costs for employees who have to travel to another state to get an abortion. Revoking the nationwide right to abortion "will jeopardize the human rights of millions of women," the review platform Yelp told AFP, saying it would have "a seismic impact on our society and economy" and urging other companies to "step up to safeguard their employees."

Since Texas in September implemented a law banning abortion after six weeks—before many women even know they are pregnant, and with no exceptions for rape or incest—the stigma on speaking out has

Solid US jobs growth and wages remain an enduring source of inflationary pressures. The Dow Jones, S&P 500, and Nasdaq all closed the week in the red and the 10-year Treasury yield shot back above 3 percent. The US Dollar index climbed to just under 104, its strongest level since 2002 before fluctuating after the data release, ending the week at 103.66. Despite the decline, it still remains the winner against its peers.

Operation stagnation

Europe just narrowly avoided slipping into a recession in its ongoing battle with inflation, war, and supply chain issues conspiring to drag the region's economy down. German GDP grew 0.2 percent last quarter compared to last quarter's 0.3 percent decline. However, the outlook of the German's economy darkened in recent weeks as the manufacturing sector suffered from input shortages and record price pressures caused by the war. Factory orders in Germany dropped by 4.7 percent in March, much higher than the anticipated 1 percent drop and the previous month's 0.8 percent drop, reflecting disruptions to global supply chains and the lack of access to the Russian market, a key export destination for German firms. German joblessness in April fell by 13K only, its slowest pace in a year compared to an 18K drop in the previous month, pointing to labor market vulnerabilities as the war in Ukraine and surging inflation weigh on Europe's largest economy. European Union proposals to restrict their reliance on Russian energy supplies will be a headwind on growth this year as alternative sources of energy will take time acquainting with the region's economy.

Inflation in the Eurozone continues to be driven mainly by energy prices, which are 38 percent higher in April than they were a year ago. Price pressures in the region were unveiled as monthly PPI figures in April rose by 5.3 percent compared to 1.1 percent in the previous month, and exceeded expectations of 4.9 percent increase.

Pause for thought

The European Central Bank's (ECB) monetary policy timeline has been complicated by the spillover from the war in Ukraine. It already signaled it will terminate quantitative easing in the third quarter, after which interest rate hikes will be considered. However, the latest economic data and its go-slow approach that is beginning to contrast its major peers may coerce the ECB to move sooner. Germany's 10-year Bund yields rose above 1 percent for the first time since 2015, closing the week at 1.13 percent. The euro tumbled, demoralized by an increasingly concerning economic outlook and persisting geopolitical complications. After breaking below 1.0500 for the first time since 2016, it collapsed to 1.0483 before closing the week at 1.0555.

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USD/KWD closed last week at 0.30640.

started to break. Amazon, Uber and even the bank Citigroup have all announced they will cover the additional costs that the Texas legislation might cause for their employees.

"We're in a very unusual political time where this issue's come back up as a pressing political issue, and it will force companies to take a stand," said Maurice Schweitzer, a professor at the University of Pennsylvania's Wharton business school. "Businesses that are located in states that might overturn (abortion access), they have to make a decision one way or the other: Are they going to offer that benefit in terms of travel to a location where those services could be accessed? Or are they not?" said Neeru Paharia, a professor at the Georgetown University McDonough School of Business. "It kind of forces a lot of these (companies) to take a stand on this issue."

According to The New York Times, Tesla, which moved its headquarters from California to Texas, has also pledged to cover its employees' abortion-related expenses. The newfound boldness of US businesses is also tied to the fact that "in this country, people who are pro-choice are larger in number than people who are anti-abortion," said Paharia.

The announcements by several leading companies are part of a "general trend" that has been developing for the past decade and "picked up steam" under former US president Donald Trump, she said. Immigration, LGBT rights, gun regulations, the Black Lives Matter movement, voting rights—hot-button issues keep coming up, in a climate of heightened polarization, and many companies have been pressured to respond by their employees. —AFP

Ogilvy EMEA chairman Paul O'Donnell retires

KUWAIT: Ogilvy on Sunday announced that Paul O'Donnell, Chairman of Ogilvy EMEA, will be retiring after 37 years with the agency. Throughout his tenure, O'Donnell has held a range of leadership positions spanning clients, geographies, and businesses.

"It has been an honor to have worked with thousands of Ogilvy colleagues and clients across the globe during my career. It has been a rich and fulfilling experience in which I have travelled the world and helped grow brands and businesses in just about every market you can imagine," O'Donnell said. "The longevity of my career was due to two things: working with great people and managing to bring enough variety to my roles. Now, I'm proud to leave behind a highly skilled and experienced team that is driving the business forward as we emerge from the COVID-19 pandemic and we are already experiencing significant growth under their leadership," he added.

Andy Main, Global Chief Executive Officer of Ogilvy, said: "Paul's career, spanning four decades, has the hallmark of reinvention. He progressively challenged himself and the teams around him to adapt to the needs of our clients and take Ogilvy's business forward. We are very grateful to Paul for his leadership, passion, and dedication to Ogilvy, our clients, and our people. We wish him all the best as he begins this exciting new life chapter." O'Donnell joined Ogilvy in 1985 after completing a BA (Hons) in Politics from the University of Hull. His career began in telemarketing and account management, before rising through the ranks to help establish the Planning Department in London. He then went on to hold key positions in Jakarta, Singapore and Hong Kong where he spent three years as the President of Asia-Pacific. O'Donnell's skills as both a marketer and a business leader were apparent early on. During his term as Managing Director in Singapore he led the business to become one of the most creatively award-winning offices in the global network in a few short years.

He was a key part of the team that created OgilvyOne, being responsible for the brand and identity of the new agency. In 1998 he was appointed



Paul O'Donnell

Executive Vice President, International Development Director of OgilvyOne Worldwide, where he strengthened capabilities through more than 20 mergers and acquisitions. This was followed by becoming CEO of the Ogilvy Group in the UK, where he led a team that delivered five years of double-digit growth. In 2014 O'Donnell was appointed CEO for all Ogilvy operations across EMEA, becoming Chairman in 2021. In this capacity he led the project to consolidate all of Ogilvy's UK operations into the award-winning Sea Containers building on London's South Bank.

O'Donnell's experience in the industry extends far beyond Advertising to Digital Marketing, CRM, Data, Public Relations, Design and more. He has brought this range of experience to his role on Ogilvy's Global Executive Committee, which he has served on since 2014. He is a Fellow of the Institute of Data & Marketing (IDM), being one of the first participants in the BDMA Diploma. He holds the INSEAD Diploma in Consulting and Coaching for Change and a master's degree from HEC, Paris.

O'Donnell has also been active in the industry beyond Ogilvy. He served as a Trustee of the IDM, helping successfully merging it with the DMA to create a single powerhouse for the UK's Data and Direct industries. He has been the President and Chairman of the International Advertising Association, UK Chapter. He is currently the President of The European Association of Communication Agencies as well as being a Director of The American European Business Association. After Ogilvy, he intends to spend more time sailing, skiing, and playing tennis. He will also further his interest in wine by studying for the WSET Diploma and launching a specialist Sherry business. He also hopes to develop a small portfolio of non-Executive and mentoring roles.

US sanctions bitcoin 'mixer' firm for aiding N Korea

WASHINGTON: The United States announced sanctions Friday on virtual currency mixer Blender.io, saying the service was used by a North Korean hacker group to support weapons programs, the Treasury Department said. US officials said the case marks the first US sanctions on a virtual currency "mixer," which is used to conceal participants in transactions involving Bitcoin and other cryptocurrencies. Officials said the Lazarus Group, a North Korean-backed hacker group, stole \$620 million from the online game Axie Infinity, employing Blender to process more than \$20.5 million of the illicit funds that went to the benefit of the Democratic People's Republic of Korea (DPRK).

"Today, for the first time ever, Treasury is sanctioning a virtual currency mixer," said Brian Nelson, a Treasury undersecretary for terrorism and financial intelligence. "We are taking action against illicit financial activity by the DPRK and will not allow state-sponsored thievery and its money-laundering enablers to go unanswered."

The action comes just days after Seoul reported the latest North Korean ballistic missile test, its 14th since January in a provocative streak that has drawn criticism from the United Nations and Washington. US Secretary of State Antony Blinken said sanctions were needed on Blender, which has "enabled DPRK malicious cyber actors to mix illicit virtual currency with anonymous virtual currency to facilitate money laundering," according to a State Department statement.

"The United States remains committed to seeking diplomacy with the DPRK and calls on the DPRK to engage in dialogue," Blinken said. "At the same time,



we will continue to address the DPRK's unlawful cyber activities, as well as violations of UN Security Council resolutions."

Blender has been used to transfer more than \$500-million worth of Bitcoin since 2017. Besides aiding the DPRK, Treasury officials also found the service supported Russian-linked malign ransomware groups. "While the purported purpose is to increase privacy, mixers like Blender are commonly used by illicit actors," said the Treasury Department. The crackdown on Blender.io comes after US authorities on April 14 tied Lazarus Group to the Axie heist, one of the biggest to hit the crypto world. Lazarus Group gained notoriety in 2014 when it was accused of hacking into Sony Pictures Entertainment as revenge for "The Interview," a satirical film that mocked North Korean leader Kim Jong Un.

In Axie Infinity, players participate in battles using colorful blob-like Axies, and are mainly rewarded with "Smooth Love Potions" (SLPs) that can be exchanged for cryptocurrency or cash—or invested back into the game's virtual world Lunacia. Attackers exploited weaknesses in the set-up put in place by the Vietnam-based firm behind Axie Infinity, Sky Mavis, which created an in-game currency and a sidechain with a bridge to the main ethereum blockchain.

The result was faster and cheaper—but ultimately less secure. —AFP