Business

EU leaders plead with Orban to support Russian oil ban

Oil embargo seen as an atom bomb against Hungary's economy

BUDAPEST: Hungarian Prime Minister Viktor Orban presents the members of the new Hungarian government prior to an oath-taking ceremony at the Hungarian Parliament building in Budapest on May 24, 2022.

BRUSSELS: EU leaders on Monday will try to persuade Hungarian President Viktor Orban to back a watered-down oil embargo against Russia after a month of haggling over the bloc's latest sanctions.

The sixth wave of measures against Moscow was put on the table weeks ago, but has been refused by Orban who argues that an oil embargo would be an "atomic bomb" against his country's economy.

French President Emmanuel Macron cautiously told reporters that a long-sought-after deal was "getting closer", but others doubted that the Hungarian leader was ready to sign on at this stage.

"I don't think we'll reach an agreement today," said Estonian Prime Minister Kaja Kallas at a political meeting ahead of the summit in Brussels. "Of course we're going to have discussions, but everybody needs to be on board," she said, adding that she did not expect a solution before a summit in late June.

EU sanctions require the backing of all 27 member states and ambassadors fell short of finalizing a deal just hours before the start of the summit. A senior EU diplomat described the failure as the "elephant in the room", especially given that Ukrainian President Volodymyr Zelensky was also slated to address the leaders by video link.

Still, an EU official said the leaders would attempt to find a "political agreement" on the Russian oil ban, with exceptions for specific countries worked out "as soon as possible".

'Orban's antics'

Landlocked Hungary imports 65 percent of its oil from Russia through the Druzhba pipeline and, along with Slovakia and the Czech Republic, have asked for an exception from the import ban. Diplomats said a two-year delay to the embargo has been granted to the countries concerned, but that Budapest wants at least four years and nearly 800 million euros ($860 million) in European funding to adapt its refineries.

"There is quite a lot of sympathy for Hungary's oil supply issues, which are great, despite the antics by Orban," an EU diplomat said on condition of anonymity. The latest compromise solution would exclude the Druzhba pipeline from the embargo and only impose sanctions on oil shipped to the EU by tanker vessel, which counts for two-thirds of Russian oil imports.

"The European Council aims to reach a political agreement today on an embargo on Russian oil," an EU official told reporters, referring to the leaders' summit. "Some temporary exceptions have been granted to ensure security of supply for certain Member States. The council will come back to these exceptions as soon as possible."

Hungary's intransigence comes on the back of Orban's recent resounding re-election to a fourth term and some experts are skeptical about the official claims of alarm over a Russian oil ban.

Also complicating the stand-off is Hungary's share of the EU's 800-billion-euro recovery fund, which Brussels has yet to approve due to disagreements over Budapest's respect for the rule of law and human rights. A senior diplomat warned that some leaders accused negotiators of going too far in their efforts to placate Orban, who before the war was Russian President Vladimir Putin's closest EU ally.

The question of how we answer Russia is always "emotional" for certain member states and will be "one of the most sensitive issues" at the summit, the diplomat added. — AFP

NBK Economic Report

Oil prices up at nine-week highs

KUWAIT: Oil markets continue to endure quite pronounced volatility, linked to the Russia-Ukraine conflict and uncertainties over the near-term outlook for both oil supply and oil demand. ICE Brent crude closed at $119.4/bbl (+9.2 percent mtd: +53.5 percent ytd) on 27 May, gaining support from further crude stock declines and higher refining activity in the US. The tighter supply picture is also evident in the increase in the price premium for near-term Brent futures ('backwardation').

Range-bound for several weeks, Brent finally broke free last week, rising to its highest level since late March at Friday's close. Markets had spent April and May largely alternating between concerns over the prospect of tighter supplies if the EU's planned embargo on Russian oil imports goes ahead amid only incremental OPEC+ output growth on the one hand and worries about faltering global economic growth amid high inflation and monetary policy tightening on the other.

Attention has increasingly focused on the refined products market, especially in the US, where surging post-pandemic demand from industry and transportation has combined with limited oil supplies from Russia, due to selfsanctioning, and from China, due to reductions in export quotas, to send gasoline and middle distillate (e.g. diesel) futures prices to record highs.

Indeed, product prices have outperformed crude prices this year, with US gasoline and heating oil futures up 72 percent and 66 percent, respectively. Both gasoline and diesel distillate stock levels are at multi-year lows, the former at the lowest seasonal level in a decade (219 mb) and the latter at a fourteen year-low (107 mb), amid record high refining margins and reduced refining capacity. The latter has partly been a reflection of refinery closures during the Covid-19 pandemic. The US Energy Information Administration (EIA) estimates that refineries will be tapping 95 percent of their capacity during the forthcoming peak summer demand season. The focus on these dynamics is providing a bullish impulse to oil prices, helping to counteract the bearish pressure of potentially slower global economic and oil demand growth due to factors including fallout from the Russia-Ukraine conflict, weaker Chinese economic activity following months of COVID-19 restrictions, and tighter monetary policy as key central banks address spiraling inflation. The IMF in its April World Economic Outlook revised down its forecast of global growth from its January estimate by almost a percentage point to 3.6 percent. The International Energy Agency (IEA) and others have also lowered their* 2022 oil demand forecasts once more. Citing 'soaring pump prices and slowing economic growth', the IEA reduced its estimate by 70 kb/d in May and now sees oil demand rising this year by 1.8 mb/d on average, a marked slowdown from 2021's post-pandemic bounce of 5.6 mb/d.

In total, the agency has shaved 1.23 mb/d off its demand growth estimates since February. OPEC went further in its May revision, slashing this year's average oil demand growth by 210 kb/d, but sees demand rising by 3.36 mb/d, almost twice as much as the IEA. On the supply side, the disruption to Russian crude flows due to oil embargoes by the US and its allies hangs heavily over the market. The IEA estimates that 1 mb/d of Russian crude was shut-in in April, a figure that could treble to 3 mb/d from June onwards after major trading houses ceased oil purchases with government-owned Rosneft, Gazprom Neft and Transneft on 15 May. Should the EU-27 reach an agreement on banning Russian oil imports by yearend, Russian oil losses could extend to 4 mb/d. The decline in Russian crude was behind the substantial, 846 kb/d fall in aggregate OPEC+ output (excluding Iran, Libya and Venezuela) in April to 37.2 mb/d according to OPEC secondary source data. This is the lowest figure in six months. Once again, the group fell short of its target, but this time by a massive 2.7 mb/d.

OPEC-10 in April actually increased output by 284 kb/d (m/m), more than the 254 kb/d mandated by the supply increase agreement. This was largely due to Iraq's quota-busting monthly gain of 103 kb/d (versus 44 kb/d). But OPEC-10 production of 24.5 mb/d in April is still 800 kb/d below the target for that month, largely due to serial underproducers Angola and Nigeria, whose production capacity has likely shrunk due to chronic under-investment. The OPEC+ undersupply picture is quite stark: by April, the group should have* collectively returned 7.4 mb/d of the original 9.7 mb/d of supply cuts, but they only managed to resupply 4.7 mb/d of that target. As was agreed at April's OPEC & non-OPEC ministerial meeting, the broader OPEC+ group will be looking to increase the rate of monthly supply increases to a combined 432 kb/d from May onwards.

KFH: Draw worth KD 100,000 for Hesabi customers

KUWAIT: Kuwait Finance House (KFH) launched a promotional campaign for "Hesabi" youth customers to attract their student allowances. The campaign comprises prizes totaling KD 100,000 and shall extend during the period from mid-May till the end of this year. This campaign comes as part of KFH endeavor to provide the best privileges on deposited funds, strengthen relations with various categories in a comprehensive manner that would enable customers to benefit from all services and products provided by KFH and the best offers and privileges at the market level.

The "Your Student Allowance with Us" campaign provides the largest exclusive draw for "Hesabi" youth customers totaling KD 100,000. The draw includes 4 winners of grand prize amounting KD 5,000 throughout the campaign, 20 winners of KD 500 monthly prize, in addition to several other advantages and offers including: free prepaid card for the first year, subscription in Baitak Rewards Points and earning 1K points upon activation, distinguished offers, weekend offers, and banking services round the clock.

Customers who obtain their student allowance via their KFH account receive one chance to win in the draw on monthly prizes or at the end of the campaign as soon as they transfer their student allowance through their KFH account. They will have the chance to win and enter the draw one month after allowance transfer to account. Upon winning, the prize value will be credited in the winner's account directly.

The campaign depicts the appreciation and care KFH extends to "Hesabi" youth customers, reiterates its efforts to achieve financial inclusivity and encourages customers to perform more financial and banking transactions. This process aims to achieve distinction in service and affirm KFH understanding of customers needs and requirements as well its keenness to enhance positive values in all different categories including the saving value and provide all motivating advantages and offers.

CBK bonds and related Tawarruq

KUWAIT: The Central Bank of Kuwait (CBK) announced the most recent issues of CBK bonds and related Tawarruq at a total value of KD 360 million for six months with a rate of return at 2.000 percent.

KIB's RBD enhances digital expansion plans, electronic services

KUWAIT: Kuwait International Bank (KIB) continues to solidify its leading position within the financial and banking industry, by offering world class banking products with the latest technologies and exceptional levels of service. Within this vein, the Bank recently announced its notable achievements within its Retail Banking Department (RBD), serving as a testament to the Bank's continuous efforts in striving to maintain higher performance levels, and garner further retail customer trust and satisfaction with offerings that meet their aspirations and suit their needs.

Among the most prominent of these achievements was the installation of 120 ATMs so far and spreading them across Kuwait, reflecting the success of the strategic expansion plans put forward by KIB's Retail Banking Department - aiming to broaden the Bank's reach to serve the largest number of its customers possible from all different segments.

Nawaf Al-Khrayef

On the other hand - as part of its customer-focused strategy that has been implemented to ease banking transactions on customers and save them time and effort - KIB succeeded in adding the option of remotely updating customer civil ID data and completing the "Know Your Customer" form via the Bank's Contact Center over the phone service. This enables customers to conveniently complete this particular transaction through one of KIB's main customer service channels that can be accessed without having to visit a branch.

Speaking about KIB's RBD digital and electronic services achievements, the Bank's Executive Manager in the Retail Banking Department, Nawaf Al-Khrayef, said: "In the Retail Banking Department, we are always keen on putting forward all our efforts to fully understand the needs of our customers, while focusing first and foremost on enriching their banking experience with the Bank. We strive to provide our retail banking services as broadly and conveniently as possible, utilizing all different methods and employing across various channels as best suits the need of each segment and all demographics. Accordingly, we have accomplished a set of achievements during the past months that reflect our diligent efforts in positioning KIB as a key player within the financial and banking sector - providing the best of integrated services to its customers."

Among its other notable achievements, that came as part of KIB's integrated strategy to digitize most of its banking services, Al-Khrayef stated that the Bank succeeded in implementing six new digital services on the KIB Mobile: app sharing account and IBAN number and splitting the bill. He also noted that the number of application users increased by 30 percent. Within this vein, the bank also doubled increase in digital account openings, and deposit investment openings through the KIB App during the first quarter of this year, compared to the first quarter of the year 2021.

It also worth noting that KIB's Retail Banking Department continues to offer a suite of innovative banking services and products, including providing various different accounts that suit the requirements of each customer segment. This includes, but is not limited to, its Youth, Amil, as well as KIB's premier Black account, designed especially for bank's select group of elite customers. Additionally, KIB's Retail Banking Department offers its customers a wide selection of debit and credit cards that suit all the different needs and lifestyles of its customers, with exclusive packages that they can benefit from locally and abroad. KIB's banking products also come with special offers and reward campaigns. In line with KIB's slogan, 'Bank for Life', the Department also presents its customers with a set of attractive and hassle-free financing services to aid them in all their necessary purchases and attend to their financial needs.

HONG KONG: People walk past an electronic display showing the Hang Seng Index in the Central district of Hong Kong. —AFP

Equity markets extend rally as China eases curbs

LONDON: Asian stock markets advanced Monday and Europe followed cautiously in their wake on a wave of investor optimism as China eases some of its strict Covid curbs in Shanghai and Beijing. After Tokyo and Hong Kong closed above two percent, London equities crept 0.1 percent ahead two hours from the close while Frankfurt and Paris added around 0.5 percent.

Asian indices rebounded as traders also digested strong US data and a pre-weekend rally on Wall Street, which was closed Monday for the Memorial Day public holiday. "Worries about global growth have eased-and hopes (are) that China's worst COVID woes may be over," said Hargreaves Lansdown analyst Susannah Streeter.

"There was a ripple of relief across European markets after authorities in Shanghai announced a lifting of restrictions from Wednesday, with more production now expected to begin across the manufacturing and tech hub." The prospect of easing COVID curbs has buoyed hopes for the world's number two economy.

But inflation remains a top concern for investors who worry that central banks could act too harshly to contain it, bringing a halt to the economic recovery. New data on Monday showed German inflation hitting a new record at 7.9 percent in May as Russia's invasion of Ukraine fuels higher energy and food prices. Spanish inflation also surged, rising 8.7 percent year-on-year in May from 8.3 in April.

The readings add to pressure on the European Central Bank to speed up interest rate rises, with a first hike expected in July.

Rate hikes

Monday's gains extended a positive end to last week for global equities, with some commentators saying there was a growing hope that the months-long sell-off may have run its course. Wall Street provided a strong lead and snapped a series of weekly losses, with Friday's rally supported by data showing an easing of the key personal consumption expenditures (PCE) price index.

Markets have been pummeled this year as soaring prices-caused by the Ukraine war, supply chain snags and China's lockdowns among other things-forced central banks to hike interest rates and warn of more to come. The US reading lent hope that the worst of the inflation surge may have passed and could allow the Federal Reserve to ease back from its hawkish rate hike drive later in the year.

May jobs data-due for release on Friday-should provide a fresh snapshot of the economy and possibly an idea about the Fed's next policy moves.

The possibility that China's COVID curbs could be gradually removed helped oil prices rise, with Brent briefly topping $120 per barrel for the first time in two months as traders bet on a pick-up in energy demand. European leaders began a summit Monday to discuss a Russian oil embargo over the Ukraine war, but Hungarian Prime Minister Viktor Orban warned that the bloc has yet to come up with a compromise that he could agree to. — AFP