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Business

KUWAIT: The workshop on fintech hosted by Central Bank of Kuwait in collaboration with the International Monetary Fund's Center for Economics and Finance in the Middle East (CEF).

Participants of the workshop pose for a group photo.

Rapid growth in fintech underlines need for regulation and supervision

CBK, CEF host panel discussion for GCC monetary bodies

KUWAIT: The Central Bank of Kuwait is hosting a panel discussion on financial technology (fintech) regulation and oversight from Feb 20-23, 2023. Representatives of central banks and monetary institutions of the Gulf Cooperation Council (GCC) countries are participating in the panel discussion, organized by the International Monetary Fund's Center for Economics and Finance in the Middle East (CEF).

In a press statement, the Central Bank of Kuwait indicated that in the context of the significant growth in modern financial technologies and the expansion of opportunities offered by them, it is important to develop regulatory and supervisory solutions and tools to develop digital financial services and support financial inclusion. This will also help the industry develop financial innovations on the one hand and improve risk management on the other, providing protection for users of digital financial services.

The CBK stated that the workshop aims at deepening awareness of the concepts and tools of regulatory and oversight technologies and their latest developments, in addition to getting acquainted with the methodologies and experiences of leading countries by reviewing international experiences to adopt these technologies. The impact of Big Tech companies on financial services will also be addressed. As for cybersecurity, the panel discussion will review cyber risks and international best practices in this field.

The CBK hosts this panel discussion within the framework of the annual series of panel discussions organized by it, aiming to develop the capabilities of employees of Gulf monetary institutions and central banks, and inform them of the latest developments in the field of banking supervision. The CBK concluded its statement by emphasizing the importance of the role played by monetary institutions and central banks within the framework of efforts to maintain financial stability, which requires strengthening the capabilities of cadres working in central banks and monetary institutions and developing them according to the best international practices in this field.

KUWAIT: A herd of sheep is moved to a livestock market in Kuwait. — Photo by Yasser Al-Zayyat

Kuwait inflation edged higher to 3.31% in January

KUWAIT: The annual inflation rate in Kuwait rose to 3.31 percent in January this year, data from the Central Statistical Bureau showed on Monday. The bureau, in a statement to KUNA said, the inflation rate in Kuwait rose by 0.24 percent in January on a monthly basis due to the rise in prices of all major groups affecting the movement of indices, especially foodstuffs and education.

It was the highest reading since August 2022 as prices increased for clothing & footwear (6 percent vs 5.4 percent) furnishing equipment & household maintenance (1.8 percent vs 1.7 percent) and recreation & culture (3.2 percent vs 3.1 percent). On the other hand, cost slowed for food & beverages (7.4 percent vs 7.5 percent) and transport (2.9 percent vs 3 percent), while inflation was steady for housing services (at 1.4 percent), restaurant & hotels (at 3.5 percent) and education (at 0.4 percent). On a monthly basis, consumer prices were up by 0.24 percent, after increasing 0.71 percent in the previous month.

The inflation rate in the fifth group, home furnishings, increased by 1.77 percent while the prices of the transportation rose by 2.87 percent in January compared to the same month of 2022. The bureau showed that the prices of the eighth group, communications increased by 1.16 percent on an annual basis, and the inflation rate increased in January. The ninth group entertainment and culture increased to 3.21 percent while the prices of the tenth group education increased by 0.40 percent. The consumer price index is a tool for measuring price levels in general between two periods, either monthly or annually. It is usually a basic indicator for measuring economic growth or contraction, as through it the state can make economic and commercial decisions and draw up financial and monetary policies. — KUNA

Iran rial sinks to record low after new EU sanctions

TEHRAN: Iran's currency plunged to new lows Monday amid fresh European Union sanctions, crossing the psychologically important rate of 500,000 rials to a dollar in foreign exchange markets. To counter the slump, central bank chief Mohammad Reza Farzin proposed opening a new foreign exchange centre. "We will supply the currency needed for basic goods from the sale of ... oil and gas condensate," state television quoted him as saying, referring to a light type oil produced during natural gas production.

Iran is suffering from a nearly 50 percent inflation rate and increasing commodity prices. Last week, supreme leader Ayatollah Ali Khamenei acknowledged Iran is facing many shortcomings such as "high prices, inflation and the depreciation of the national currency."

TEHRAN: Iranians exchanging the United States 100-dollar bills and Iran's rial banknotes in Tehran.

On Saturday, ultra-conservative President Ebrahim Raisi pledged to "control the price of foreign currencies". The EU measures imposed on Monday targeted 32 individuals and two entities, issued in response to months-long protests triggered by the death of Mahsa Amini, a 22-year-old Iranian Kurd who died after her arrest for an alleged breach of the country's strict dress code.

Iran has also been the target of biting economic sanctions since 2018 by the United States, when then-president Donald Trump withdrew his country from the 2015 nuclear deal between Tehran and world powers. The deal gave Iran sanctions relief in exchange for curbs on its nuclear program to guarantee that Tehran could not develop a nuclear weapon-something it has always denied wanting to do.

On-off talks to revive the agreement began in April 2021 but have since stalled, with Iran hit with additional Western sanctions, including for the supply of drones to Russia to be used in the war in Ukraine, an allegation Tehran denies. —AFP

A man counts Pakistani rupees at his shop in Karachi in this May 2019 file photo. — AFP

Pakistan hikes tax on luxury goods and services for IMF deal

ISLAMABAD: Pakistan's parliament gave the go-ahead Monday for the government to raise taxes on a raft of luxury imports and services in a bid to unlock the next tranche of an International Monetary Fund (IMF) loan. Faced with critically low foreign exchange reserves, the government has already halted most imports-apart from food and pharmaceuticals-but hopes to boost revenue with the broad tax hike.

Years of financial mismanagement and political instability have pushed Pakistan's economy to the brink of collapse, exacerbated by a global energy crisis and devastating floods that submerged a third of the country in 2022. However, with an election due by the end of the year, the government is reluctant to be too harsh in case it is punished at the polls.

Parliament approved on Monday a supplementary finance bill that increases sales tax from 17 to 25 percent on imports ranging from cars and household appliances to chocolates and cosmetics.

People will also have to pay more for business-class air travel, wedding halls, mobile phones, and sunglasses. A general sales tax was raised from 17 to 18 percent.

"The prime minister will also unveil (further) austerity measures in the next few days," Finance Minister Ishaq Dar told the national assembly as the bill was passed, adding "we will have to take difficult decisions". Pakistan is desperate to unlock the next tranche of a $6.5 billion loan facility with the IMF but struggling to meet tough conditions set by the global financier.

The IMF is demanding that Pakistan boosts its pitifully low tax base, ends exemptions for the export sector, and raises artificially low energy prices that are meant to help poor families.

"Those who are making good money in public or private sectors need to contribute to the economy," IMF Managing Director Kristalina Georgieva told German state broadcaster Deutsche Welle at the weekend. "It shouldn't be that the wealthy benefit from subsidies. It should be the poor who benefit from them." Dar told parliament when tabling the bill this month that the luxury tax would generate an additional 170 billion rupees ($650 million).

"These are the items which are widely used by the rich class," he said, adding it would "put minimum burden on the common man".

While an IMF cash injection will not be enough to rescue Pakistan on its own, it is necessary to boost confidence and open the doors for friendly nations such as Saudi Arabia, China and the United Arab Emirates to offer further loans. —AFP

European stocks steady, dollar up

LONDON: Europe's main stock markets steadied Monday after record highs for London and Paris last week as investors bet on prospects for a brighter economy despite lingering recession risks caused by high inflation. The dollar gained against main rivals on the likelihood of more US rate hikes, analysts said, while oil prices climbed.

In earlier Asian trading, Shanghai jumped more than two percent. Banking giant Goldman Sachs said it saw mainland Chinese stocks surging this year as the country reopens after zero-Covid.

In Europe, London's FTSE 100 index "was holding its position above 8,000 (points) on a day somewhat lacking in catalysts thanks to US markets taking a break for the President's Day holiday", noted AJ Bell investment director Russ Mould. The benchmark index last week went above 8,000 points for the first time in history, shortly before the CAC 40 also hit a record high.

Investors are awaiting minutes from the Federal Reserve's last policy meeting for clues on the size of further hikes to US interest rates. Some Fed members have said they were open to a 50 basis-point hike at the next gathering to further tame inflation, which remains elevated around the world.

Sweden's price increases tempered slightly in January but inflation remained in the double digits at 11.7 percent on soaring food prices that have offset sliding energy costs, official data showed Monday.

Stubbornly-high inflation has renewed concerns that the United States and other economies could tip into recession this year, with commentators warning that company earnings were also on course to take a hit. At the same time, "the equity market... seems sanguine about the rates outlook, seemingly taking more signal from the better-than-expected macro data", said National Australia Bank's Tapas Strickland. Data last week showed inflation cooling also in the United States and Britain. — AFP