

# Business

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## Kuwait Airways losses drop by KD 52m

### KAC will acquire T4 building next August

By Majd Othman

KUWAIT: Kuwait Airways will acquire the "T4" building after renting it out for about KD 1 million annually, said Captain Ali Al-Dukhan, chairman of the board of directors at Kuwait Airways Company (KAC) during a press conference held by the company to announce its 2022 financial results. The terminal (T4) is currently operated by a Korean company until August 2023. Kuwait's national airline will then move to "T4" after the Korean company's contract ends, said Al-Dukhan. He added that he hopes the investment returns of the T4 building will bring Kuwait Airways closer to reaching the expected break-even point in 2024.

KAC losses dropped from KD 107m in 2019 to about KD 55m in 2022, Al-Dukhan announced. Revenues, on the other hand, climbed by 10 percent compared to 2019 and 115 percent compared to 2021. The profit margin also improved by 40 percent compared to 2019 and 37 percent compared to 2021. Passenger traffic at "T4" grew by 26 percent during 2022 compared to 2019 and to 229 percent compared to 2021.

Kuwait Airways received three new aircrafts in 2022: One Airbus "A320NEO" and two Airbus "A330NEO", added Al-Dukhan. The airlines also launched new destinations, including Manchester, Madrid, Casablanca, Trabzon, Mykonos, Kuala Lumpur and Hyderabad. It was also committed to flight departure timings 86 percent of the time, achieving third place in the Middle East and North Africa. KAC plans to achieve a commitment of up to 90 percent and will soon be flying to new destinations: Athens, Antalya, Taif, Qassim, Al-Ula,

Barcelona, Budapest and Berlin. Al-Dukhan expected a growth in passenger traffic by nearly 4.5 million passengers in 2023 and an increase in operations by more than 30 percent.

Soaring fuel prices cost KAC about KD 130m annually. The company plans to tackle that, said Al-Dukhan, by asking the government to obtain higher discounts. Adding new aircrafts to the company's fleet in 2024 will also save 50 percent of the fuel costs. One of the most important achievements made by KAC in 2022 was the restructuring of the aircraft deal with "Airbus," as it raised the volume of a previous order from "Airbus" from 28 to 31 aircrafts in a deal worth \$3bn.

Other achievements include: The completion of the maintenance contract with Air France and Rolls-Royce, the approval of the establishment of the Kuwait Airways Training Academy, the signing of a mutual business partnership with Air Europe and Eta Airlines and transporting 14,000 passengers to Doha to attend the 2022 World Cup matches in Qatar. Al-Dukhan said the company also trained 100 high school students and university students and graduates, participated in the Balsam project with the Kuwait Red Crescent Society, donated 100 wheelchairs to the Ministry of Health and took part in the design and construction of the "Kuwaitia Tower" that took place on Al-Hilali Street.

Regarding the deal of selling "Alafco" assets, in which Kuwait Airways owns nine percent of its capital, Al-Dukhan said that Kuwait Airways first opposed the deal, but Alafco's largest owners decided to go with it. Al-Dukhan said the procedures through which the deal was completed were "deficient". KAC is working to reduce its expenses



(From left) Basem Muthafar, Captain Ali Al-Dukhan and Maen Razouqi.

related to aircrafts and manpower, said Maen Razouqi, the CEO of Kuwait Airways, pointing out that the company was surprised in 2022 that fuel prices grew by about 30 percent. The increase in the discount rate during the past year from 1.5 to 3.5 percent also raises the cost of services that other companies provide to KAC such as operational services, maintenance or spare parts.

Razouqi said that while the company is looking to reach the break-even point in 2024 and start positive results in 2025, it is facing a delay in

receiving new aircrafts ranging between four and six months. The delay raises costs, especially since the new "NEO" aircraft reduces fuel costs by 15 percent compared to current aircrafts. Razouqi added that the company is currently working on preparing its strategy for the year 2030, to be completed during the first quarter of this year, revealing that it sold one of its Boeing 777 aircrafts, which will go to its new owner in less than a month. Kuwait Airways also expects to sell three Airbus 340 aircrafts by the middle of next summer.

## US growth slows in 2022 as downturn fears loom

WASHINGTON: The US economy grew at a slower pace in 2022 but performed better than expected in the final months of last year, the Commerce Department said Thursday, as recession fears loomed. Economic activity has been moderating as the US central bank hiked the benchmark lending rate seven times last year, in hopes of cooling demand and reining in costs as inflation surged.

The property sector has slumped, followed by declines in manufacturing and retail sales. Against this backdrop, the world's largest economy expanded 2.1 percent for all of 2022, down from the figure in 2021, according to Commerce Department data.

"The increase in real GDP in 2022 primarily reflected increases in consumer spending, exports," and certain forms of investment, said the department in a statement. For the October to December period, US gross domestic product exceeded expectations to rise at an annual rate of 2.9 percent.

This was slightly below the 3.2 percent jump in the third quarter last year, and marks a second straight quarter of growth after two rounds of contraction.

### Slowing 'sharply'

While the economy grew strongly in the fourth quarter, most of the advance took place early on and a repeat performance in early 2023 is unlikely, said Oren Klachkin of Oxford Economics. Household spending and business investment remained positive in the final months last year but slowed, added Rubeela Farooqi of High Frequency Economics.

Inventories and net trade may have helped growth, but analysts caution that this cannot be relied upon in the new year. Meanwhile, residential investment continued contracting, falling for a seventh consecutive month in the longest streak since the housing crisis, said Klachkin.

The interest-sensitive housing sector has been



ARCADIA: People shop during Black Friday in Santa Anita within the city of Arcadia, California. The US economy grew at a slower pace in 2022, the Commerce Department said. —AFP

reeling as the Federal Reserve hiked rates, with mortgage rates remaining high and weighing on affordability. "Looking ahead, recent data suggest that the pace of expansion could slow sharply in the first quarter, as the effects of restrictive monetary policy take hold," Farooqi said.

A separate Commerce Department report released Thursday showed orders for big-ticket US manufactured goods were stronger than expected in December, though data indicated a weak ending to 2022 for business investment and equipment spending, she added. A slowdown would be welcome news to the Fed and could open doors to a slower pace of rate increases ahead.

### Growth engine to weaken

While unexpectedly resilient consumer spending supported growth last year, there are signs that this key engine is weakening as households draw down on their savings from the pandemic period. This could point to more subdued expenditures ahead, economists say.

"Consumer spending — the economy's main growth engine — is expected to weaken as income growth softens and households can no longer rely on excess savings to maintain their desired pace of spending," Klachkin added. "The economy is currently close to full employment so job growth is bound to slow," he said. The US could enter a recession in the second quarter as consumers limit their expenditures and businesses become more reluctant to hire and invest, Oxford Economics expects. But others believe the country may yet avoid a recession, if the labor market remains strong and household balance sheets are healthy.

Even if households are eating into their funds due to inflation, "they're coming from a very high point," and this should alleviate or prevent a protracted downturn, according to Moody's Analytics economist Matt Colyar. Large-scale layoffs also appear hard to imagine for now as issues with labor supply is keeping firms hiring. "It's believable that the softness we're seeing stays relatively contained," Colyar said. —AFP

## IBM to cut 3,900 jobs

NEW YORK: IBM will slash some 3,900 jobs, slightly more than one percent of its workforce, related to businesses it has divested, a source close to the matter told AFP on Wednesday. The computing company based in New York state did not talk of job cuts in its quarterly earnings report published Wednesday, however, nor in a call with analysts to discuss the financial results.

IBM said it would take a one-time \$300 million charge in its first quarter this year, which the source said was related to the layoffs. This cost is "entirely related" to the spin-off of Kyndryl and the disposal of health data and analysis businesses, an IBM spokesperson told AFP.

"It is not an action based on 2022 performance or 2023 expectations," the spokesperson added. The more than century old technology firm reported profit of \$2.9 billion in the final three months of last year, some 17 percent higher than the same period in 2021 despite revenue remaining flat at \$16.7 billion.

"Clients in all geographies increasingly embraced our hybrid cloud and AI solutions as technology remains a differentiating force in today's business environment," IBM chief executive officer Arvind Krishna said in an earnings release.

The company founded in 1911 announced late last year that it will invest \$20 billion in semiconductors, quantum computing and other cutting-edge technology in New York state. Krishna unveiled the spending, which will take place over a decade, in a speech alongside US President Joe Biden in the tech giant's Poughkeepsie facility.

Biden hailed the pledge from the "iconic American company" as another sign that his strategy of rebuilding the US innovative edge is working. The Democratic president has made a priority of encouraging growth in high-tech manufacturing, hoping to rebuild domestic supply chains in crucial components such as microchips that for years have been left to foreign companies based as far away as Taiwan. —AFP

## Tesla reports record profits

NEW YORK: Tesla reported another round of record quarterly profits Wednesday while confirming its long-term growth outlook in spite of concerns about rising competition and macroeconomic headwinds. Elon Musk's electric vehicle (EV) company reported fourth-quarter profits of \$3.7 billion, up 59 percent from the year-ago period as revenues jumped 37 percent to \$24.3 billion.

The results were fueled by a 31 percent rise in vehicle deliveries compared with the year-ago period. The EV giant, which startled investors earlier this month by announcing vehicle price cuts in the United States and Europe, acknowledged challenges such as rising interest rates and an "uncertain macroeconomic environment."

Tesla said it was accelerating its "cost reduction roadmap," while working to ramp up production. "In any scenario, we are prepared for short-term

uncertainty," said Tesla, while adding that its "relentless cost control and cost innovation" will allow it to navigate 2023 better than rivals.

The recent US and European price cuts—which followed similar actions last year in China—have prompted debate among analysts on whether they are a sign of weakness, or a shrewd tactic to increase market share.

Musk touted the move in a conference call Wednesday, saying Tesla has seen increased orders since it was announced. "Price really matters," the billionaire said. "These price changes really make a difference for the average consumer."

The company has described its long-term plan as seeking to chalk up production growth of 50 percent per year, on average. Tesla's earnings report Wednesday reasserted that long-term forecast, but said it would likely only produce 1.8 million vehicles in 2023, about 31 percent above the 2022 production. It also predicted a 37 percent growth in deliveries, at 1.3 million.

Musk has noted that Tesla's output has been constrained by economy-wide supply chain and raw material shortages, but said Wednesday that output

could reach two million in 2023 if there is a "smooth year" free of disruptive surprises.

Tesla confirmed plans to launch production of its Cybertruck in 2023 at its massive Texas plant. Musk said the volumes of the Cybertruck would not be significant in 2023, but would be meaningful in 2024.

CFRA Research analyst Garrett Nelson described Tesla's guidance as "mixed," with 2023 volumes shy of estimates but the confirmation of Cybertruck production "a big positive." Shares of Tesla have fallen about 50 percent from their year-ago level, reflecting worries about the introduction of EVs from other automakers, the drag from a slowing economy and anxiety that Musk's other pursuits such as running Twitter are hindering the company.

Musk's \$44 billion acquisition of Twitter was just one of the myriad controversies surrounding the unpredictable billionaire. But he defended the deal on Wednesday, saying his large Twitter following "speaks for itself" and benefits Tesla.

Musk has been in court this week addressing another thorny matter: a lawsuit filed by investors



Elon Musk

who argue that Musk's statements in 2018 about potentially taking Tesla private were fraudulent and responsible for their losses. Musk testified that a tweet about taking Tesla private at \$420 a share was no joke and that Saudi Arabia's sovereign wealth fund was serious about helping him do it. Shares of Tesla jumped 4.6 percent to \$151.02 in after-hours trading Wednesday. —AFP