

## Business

# Boeing reports quarterly loss but reaffirms 2023 targets

## Finishes 2022 with positive free cash flow for the first time since 2018

**NEW YORK:** Persistent supply chain woes and staffing issues led to another quarterly loss at Boeing, but the company on Wednesday confirmed its 2023 outlook amid strong aviation demand. Boeing said its commercial plane business was dented by "abnormal costs," while labor instability and supply chain disruption weighed on its defense, space and security unit.

The company's \$634 million loss for the quarter ending December 31 was smaller than the \$4.1 billion loss in the same period last year. Revenues rose 35 percent to \$20 billion, but came in below analyst forecasts. The aviation giant, which has been beset in recent years with production problems and certification delays following the 737 MAX crashes, nevertheless finished 2022 with positive free cash flow for the first time since 2018 as it reaffirmed 2023 targets. "We had a solid fourth quarter, and 2022 proved to be an important year in our recovery," said Boeing Chief Executive Dave Calhoun.

He told analysts the company expects more announcements akin to large orders unveiled in 2022 with United Airlines and Delta Air Lines. "There are some big interests in aviation," Calhoun said. "I'd say the majority now are outside the US as opposed to inside the US and we're considering really big things."

Nervousness about the near-term economic outlook also doesn't affect those plans, he said. "Recessions don't seem to get in the way because remember, we're competing for deliveries out four and five years from now, so they're not really computing recession into that," he said.

### 'Bumpy' 2023

Boeing has said it expects to return to a level of

financial strength comparable to its pre-pandemic state around the 2025-26 timeframe. The company's turnaround has been aided by robust demand for commercial planes as airlines struggle to meet pent-up demand for flying and replace older planes with newer jets that burn less energy and release fewer carbon emissions.

But efforts to ramp up output have been hindered by snags in garnering key parts and materials, including delays in receiving engines from key suppliers. In an interview with CNBC, Calhoun said suppliers have made progress in hiring more staff but are still working through the process to be able to increase output.

"You have to train," Calhoun told the network. "Every one of these products are pretty sophisticated." He predicted that 2023 would remain "bumpy" as far as the supply chain, but said the ramp-up was aided by shared knowledge that demand for aviation remains strong.

Boeing has resumed deliveries of the 787 Dreamliner after a lengthy halt, and confirmed it would increase production in 2023 from the current "low" level. The company expects to deliver 70-80 Dreamliners in 2023, up from 31 last year. Boeing is also eyeing 400-450 deliveries of 737s, compared with 387 in 2022.

### Breakthrough in China?

A key unknown facing the company is the degree to which it can expect bankable revenues from China after a lengthy pause in deliveries of 737 MAX planes while the country maintained strict Covid-19 policies. Boeing executives have previously suggested the suspension was a reflection at least in part of the tense state of US-China relations.



**RENTON:** A Boeing logo hangs on the side of a construction hangar, where Boeing 737 MAX airliners are built, in Renton, Washington. Boeing has reported a fourth-quarter loss of \$634 million on January 25, 2023, as elevated operating and supply chain costs offset a December uptick in commercial plane deliveries. —AFP

China was the last major market to clear the MAX to return to service after a global grounding following two fatal crashes. Earlier this month, a 737 MAX operated by China Southern Airlines undertook the first flight by a MAX plane in the country since March 2019.

Calhoun told CNBC that he expects progress over the next six months in moving the 100 MAX planes already in China back into the air, but that he wouldn't engage in a "guessing game" about when deliveries of new planes could resume.

The Boeing CEO said he was "optimistic and constructive" around the market given the reopening Chinese economy, but that he didn't have "rose colored glasses on." CFRA Research analyst Colin Scarola, who has a "strong buy" recommendation on Boeing with a \$255 price target, expects supply chain problems to ease in the second half of 2023 and predicted that China's shift on Covid-19 "will boost 737 demand as well as aid the supply chain." Shares of Boeing finished 0.3 percent higher at \$212.68 after a rollercoaster session. —AFP

## Adani exploring legal action over fraud claims

**MUMBAI:** An Indian conglomerate owned by Asia's richest man Gautam Adani said Thursday it was exploring legal action against a US investment firm that accused it of "brazen" corporate fraud. Hindenburg Research this week alleged that Adani Group had used undisclosed related-party transactions and earnings manipulation to "maintain the appearance of financial health and solvency" of its listed business units.

Wednesday saw a major sell-off of Adani shares, wiping \$6 billion from the net worth of its 60-year-old founder and knocking him down one place to fourth on Forbes' real-time global rich list. Adani Group hit back on Thursday against Hindenburg's "maliciously mischievous" report and said it was the victim of a reckless reputational attack just as it was preparing for a major fundraising round.

"The volatility in Indian stock markets created by the report is of great concern and has led to unwanted anguish for Indian citizens," Adani legal chief Jatin Jalundhwal said in a statement.

Hindenburg's announcement that it had taken a short position in the group's companies was proof that the company had a vested interest in driving down share prices through the release of its report, he added. "We are evaluating the relevant provisions under US and Indian laws for remedial and punitive action."

Adani's sprawling business empire has interests ranging from Australian coal mines to India's biggest ports and the combined market cap of its seven listed companies exceeds \$218 billion. Shares in its business units have soared up to 2,000 percent in the past three years, adding more than \$100 billion to its founder's net worth and vaulting him up the ranks of the world's richest people.

Adani—now with an estimated fortune of around \$120 billion—is considered a close supporter of Prime Minister Narendra Modi.

### 'Fear of reprisal'

Hindenburg's report accused Adani Group of engaging in a "brazen stock manipulation and accounting fraud scheme over the course of decades". It claimed Adani's elder brother Vinod managed "a vast labyrinth of offshore shell entities" in tax havens including Mauritius, Cyprus and several Caribbean islands.

The report said a pattern of "government leniency towards the group" stretching back decades had left investors, journalists, citizens and politicians unwilling to challenge the group's conduct "for fear of reprisal".

Its allegations come ahead of an ambitious \$2.5 billion follow-on public offer—India's biggest-ever—due to open for bids on Friday and aimed at bolstering the business empire's balance sheet. Shares in flagship Adani Enterprises fell as much as three percent on Wednesday, before recovering to trade 1.07 percent lower at the close in Mumbai.

Indian markets were closed Thursday for India's national Republic Day holiday. —AFP

## Toyota to replace Akio Toyoda as president, CEO

**TOKYO:** Toyota named Koji Sato president and CEO on Thursday, in a surprise reshuffle that sees third-generation chief executive Akio Toyoda step aside to become board chairman of the world's top-selling automaker. The Japanese automaker said Sato, 53, would also become operating officer when the changes to its executive structure take effect on April 1.

Sato—previously chief branding officer, and president of Toyota's luxury Lexus brand—is taking the helm at a time of major upheaval for the industry, with electric vehicles now centre-stage. He is the same age as Toyoda was in 2009 when he became the company's youngest president, after the global financial crash.

"He has youth, and like-minded colleagues—I expect this team to go beyond the limits that I cannot break through," Toyoda told reporters. "To promote change in an era in which the future is unpredictable, the head of management must continue to stand on the front lines. For that, stamina, energy and passion are indispensable."

Toyoda, 66, is the grandson of company founder Kiichiro Toyoda. His father Shoichiro Toyoda also led Toyota, in the 1980s and '90s. He is known as a charismatic leader, having steered the group

## Philippines economy grows 7.6% despite inflation threat

**MANILA:** The Philippines' economic growth beat expectations last year, expanding to its fastest pace in 46 years on the back of strong consumer spending despite rising inflation, officials said Thursday. Gross domestic product expanded 7.6 percent in 2022, the state statistics agency said in a briefing, faster than the pandemic-blighted 5.7 percent output in 2021.

The reading topped the government's target of 6.5-7.5 percent expansion. "There was so much pent-up demand... and that significantly improved economic activities," Socioeconomic Planning Secretary Arsenio Balisacan said in a briefing.

"We are confident that we will remain in our high growth trajectory," he added. The full-year print was also the Philippines' best economic performance since 1976, according to official data. Growth in the last three months of the year also beat expectations, expanding 7.2 percent against a

## Pakistani rupee plunges to all-time low against dollar

**KARACHI:** The Pakistani rupee dived to an historic low against the US dollar on Thursday after an exchange cap was lifted as Islamabad campaigns to unlock a vital bailout from the IMF. Pakistan is in dire economic straits, with shrivelling foreign exchange reserves only enough to pay for around three weeks of imports amid an endless effort to service external debt.

The rupee shed 24.11 in the official interbank market on Thursday, falling as low as 255.43

through a quality-control scandal that saw him apologise before the US Congress, and supply chain chaos caused by Japan's 2011 quake and tsunami. More recently, he has worked to strengthen Toyota's ambitions in the key electric vehicle sector.

The company pioneered hybrid cars, but some critics say it has been slow to make the shift to battery-powered engines even as demand soars for low-emission automobiles. In December 2021, Toyota hiked its electric vehicle sales goal by 75 percent and said it planned to roll out 30 battery-powered electric models by the turn of the decade.

### 'I love making cars'

Sato has worked for Toyota since graduating with a bachelor's in mechanical engineering in 1992. "I'm an engineer and have long been engaged with developing cars. I love making cars," Sato said. Toyoda will replace 76-year-old Takeshi Uchiyamada as board chair. Uchiyamada was chief engineer of the team that developed the hugely popular Prius, the world's first mass-produced hybrid model.

Born in the city of Nagoya where Toyota is based, as a child Toyoda wanted to become a taxi driver. He is a passionate motorsports fan and has even competed in races himself—using the pseudonym "Morizo", so as not to draw attention from his day job as a chief executive. Although the Toyodas own just a small percentage of Toyota's stock, several subsidiaries are run by extended family members in a complex cross-ownership system. In November, Toyota left its annual net profit forecast unchanged as a weaker yen offset a global chip shortage and

6.6 percent median estimate in a Bloomberg survey of economists.

"The improvements in labour market conditions, increased tourism, revenge and holiday spending, and resumption of face-to-face classes supported growth in the quarter," Balisacan said. Agricultural production, however, grew just half a percent last year, barely contributing to the overall output.

Consumer spending weathered rising inflation as pent-up demand to spend in restaurants and entertainment as well as more jobs fuelled domestic demand, Balisacan said. "Clearly, if not for the high inflation and elevated prices during this period, growth could have been higher," Balisacan said.

Inflation hit 8.1 percent in December, the fastest in 14 years, prompting the central bank to aggressively raise interest rates. Inflation stood at 5.8 percent for the full year, above the bank's target. Balisacan said keeping commodity prices in check and ensuring food security are at the top of the government's priorities "as global and domestic headwinds persist".

Officials are aiming for growth of 6-7 percent this year amid fears of a global economic slowdown. "That is a very respectable growth for the Philippine economy if we achieve that." The higher

rupees to the dollar, according to multiple sources. The 9.6 percent decline of the rupee is the second-biggest drop in a single session, brokerage Topline Securities said.

The previous official low of 240 rupees was recorded in July 2022, when Pakistan's long-struggling economy was further weakened by political chaos and devastating floods. In 2019, the government of former prime minister Imran Khan brokered a multi-billion dollar loan package from the International Monetary Fund (IMF).

But the economy slid backwards when Khan reneged on his promise to cut subsidies and market interventions that had cushioned the cost-of-living crisis. Prime Minister Shehbaz Sharif, who ousted Khan in a no-confidence vote last spring, has also been reluctant to meet loan conditions



**TOKYO:** President of Japanese automaker Toyota, Akio Toyoda, gesturing at a briefing on electric vehicle battery strategies at the company's showroom in Tokyo. —AFP

supply-chain disruptions that have repeatedly forced it to slash production targets.

Semiconductors are an essential component of modern cars, and the pandemic-triggered chip drought has pummeled Toyota and its rivals worldwide. But in January, it set a production target for 2023 of 10.6 million vehicles in the Toyota and Lexus brands—above recent years, including even the 9.05 million units in pre-pandemic 2019.

Still, it warned there was a risk production would come in up to 10 percent lower because of ongoing parts shortages. —AFP



**MANILA:** A vendor sells clothes to customers in the Divisoria district of Manila on January 26, 2023. The Philippines' economic growth beat expectations last year, fuelled by strong consumer spending. —AFP

than expected growth could give the central bank "space to tightening policy further", ING senior economist Nicholas Mapa said. "Inflation, although close to peak, remains well-above target and could prove to be sticky over the coming months," Mapa said. —AFP

amid falling popularity.

Exchange Companies Association of Pakistan President Zafar Paracha told AFP the cap was lifted on Wednesday "in consultation with the state bank". Mohammad Sohail, the CEO of Topline Securities, told AFP: "Inflation is bound to rise further."

Pakistan is drastically short on forex reserves owing to persistently rising demand for the dollar. Thousands of shipping containers packed with raw materials for industry, foodstuffs, and medical equipment are being held up at Karachi port because banks have refused to guarantee importers' dollar transactions.

Pakistan also suffered from a nationwide electricity outage earlier this week, linked to a cost-cutting measure, estimated to have cost the textile industry alone \$70 million. —AFP