Special Report

ARA Consumer Confidence Index – November 2019

Durable Goods tumble 21 points

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For females, the index also showed a decrease of 19 within a month.

The employment ratio among the workers and employees with intermediate educational qualifications decreased by 25 points.

These are several factors that constitute difficulties for various demographic groups in finding employment opportunities. The slow pace of a number of construction projects and a reduction in the pace of work in others have negatively affected contractors, which is reflected in the availability of employment opportunities for different types of workforce.

The labor market is subject to the law of supply and demand. However, a responsible approach is needed to address these gaps and increase the annual share of citizens joining various economic sectors, especially the private sector.

Purchase of Durable Goods Index reports lowest ratio

The ARA Purchase of Durable Goods Index reported its lowest ratio in years, 84 points, a fall of 21 points within a month and 36 points within a year.

This sudden plunge occurred despite several factors that encouraged consumption, including:

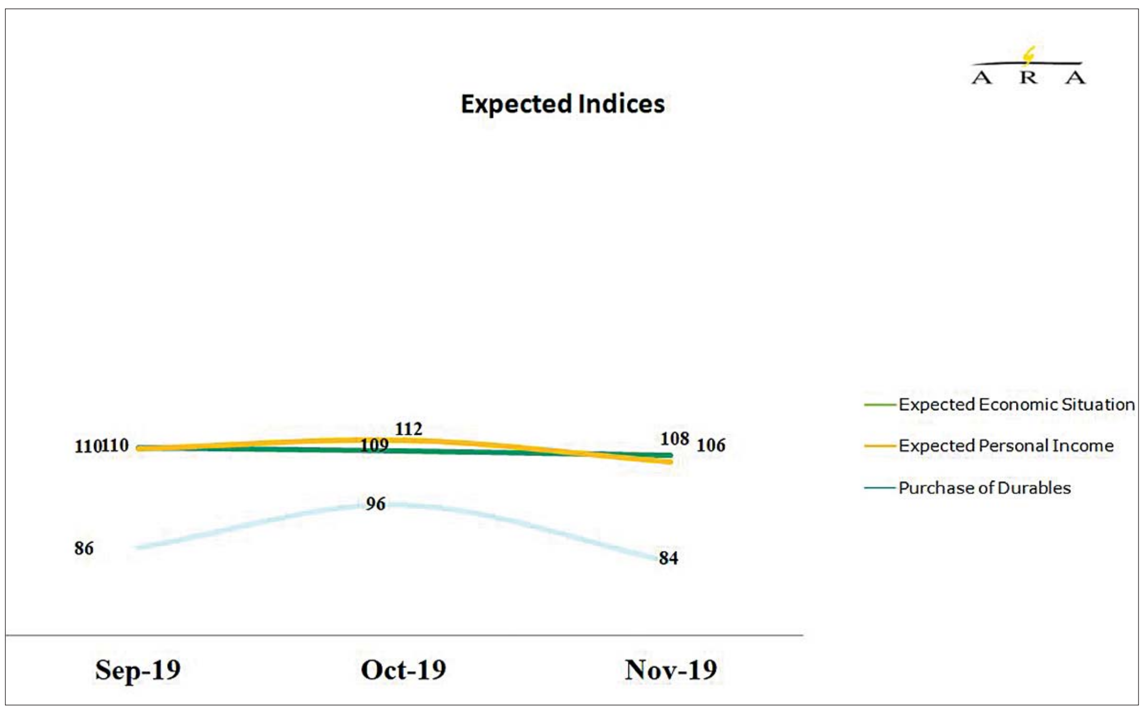
The relative stability of oil prices.

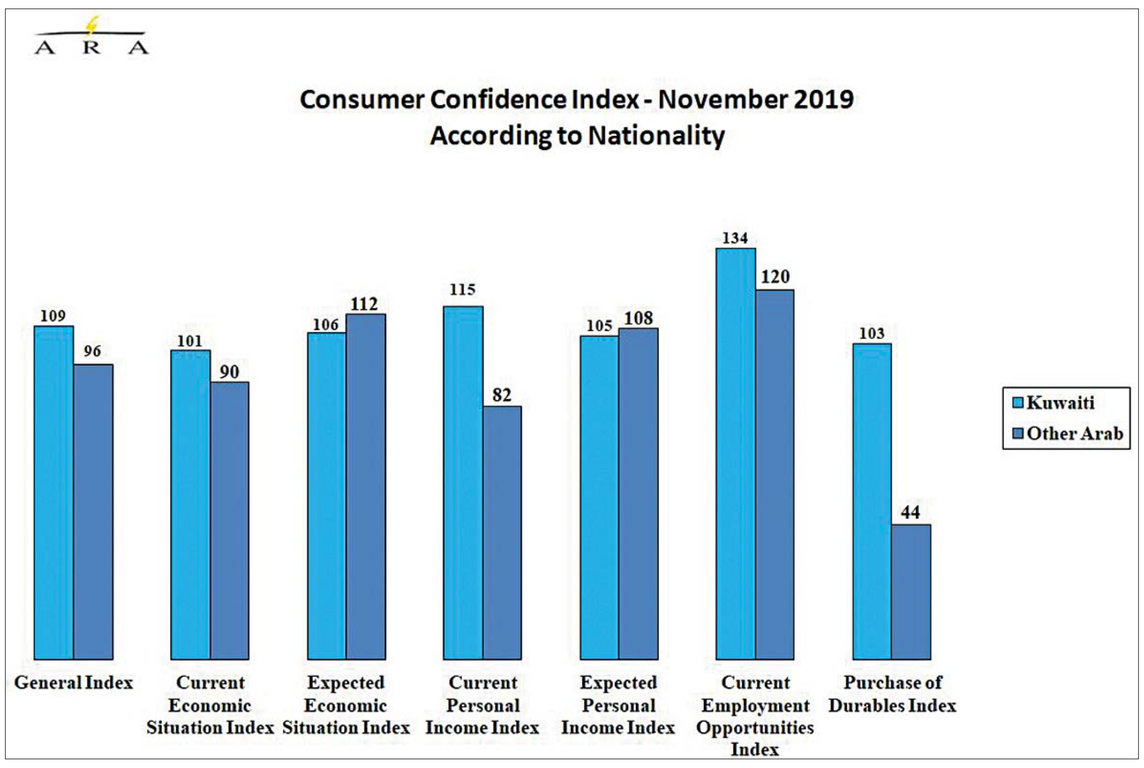
A growth of 21.5% in consumer loans since the beginning of the year.

An increase in the loans obtained by citizens and expatriates over the past five years to 4.1 billion dinars.

Loans directed to the real estate sector were promoted and the facilities for granting personal loans increased. Moreover, the dinar retained its purchasing power and its exchange rate against foreign currencies. All these factors were designed to increase and stimulate consumption activity, even though the research findings show this has suddenly reduced.

Has the consumption pattern changed? Is this a transient phenomenon? We will follow up consumption activity to establish the facts.





Lentz leaving after 38 years in leadership roles

Toyota North America CEO to retire

DETROIT, Dec 15, (AP): He was the face of Toyota in the US during the automaker's unintended-acceleration crisis. He steered it through the Great Recession, started and closed the youth-oriented Scion brand and reorganized the company's North American operations.

Now, after 38 years in a number of leadership roles with Toyota, Jim Lentz is retiring, effective April 1.

Lentz, 64, will step down as CEO of Toyota Motor North America, and will be replaced by Tetsuo "Ted" Ogawa, who currently chief operating officer, Toyota said.

Lentz is most well known for his February 2010 testimony before a congressional committee investigating complaints about Toyota vehicles accelerating without warning. Lentz was candid, saying that recalls of some 8.5 million vehicles worldwide and more than 6 million in the United States might not solve the problems.

He said at the time that an electronic cause could not be ruled out, although Toyota and US government agencies did make controversial determinations later that the problem was caused by sticky gas pedals and floor mats pushing on the accelerator, not electronics. Toyota was fined $50 million for being too slow to report safety problems to US regulators.

In an interview with The Associated Press, Lentz said the unintended-acceleration saga taught him that it's important not only to listen to customers and government regulators, but to understand them.

"It's important that you be transparent," he said. "Make quick decisions, implement them quickly and move on."

Lentz, who started his automotive career at Ford Motor Co in 1978, joined Toyota in 1982 and worked his way up through the sales operation.

In 2003 he launched the Scion brand to lure people 18 to 34 to the aging Toyota family. Scion, with funky designs, did appeal to some younger buyers, but sales slumped and it was folded into the Toyota brand in 2016.

After becoming chief executive

In this file photo, Jim Lentz, president and chief operating officer of Toyota in North America, listens during an interview in New York. (AP)

of the North American region for the whole company in 2013, Lentz made the bold decision to combine Toyota's siloed US manufacturing, sales and finance operations. In 2017 he relocated the company's North American headquarters from California to the Dallas suburb of Plano, Texas.

He called the move "One Toyota" and said it got all of North America on the same page, improving the speed of decision making to handle fast-paced industry changes.

"I'm convinced the new norm for any business is just chaos," Lentz said. "It's been chaos since 2009."

Lentz said he has positioned Toyota in the US to handle the shift away from cars to trucks and SUVs, as well as a pending shift to electric, hybrid or hydrogen fuel cell propulsion systems. Toyota also has partnerships and is developing its own autonomous vehicles. Lentz said the move to autonomous or electric vehicles will take a long time, and even if he stayed longer, he wouldn't be around long enough to see the company through the changes.

So now it's time to leave Toyota to what Lentz said is a strong US leadership team. He plans to stay in Texas, improve his golf game and see his two granddaughters more often. Lentz said he may join the board of a corporation or nonprofit at some point.

Brexit conundrum might be coming to an end

Safe haven currencies trading in red

Report prepared by NBK

United States

The two major risks to the global economy have diminished substantially last week as the Conservative party won the UK's general election with a landslide and reports reached markets that President Trump had agreed to a limited "Phase One" trade deal with China. As the year comes to an end, the geopolitical atmosphere seems to be cooling down. In spite of the current optimism seen in financial markets, the trade prospects could easily disappoint again, which has occurred several times over the course of the year. If both nations formally agree and sign the phase one deal, it could limit the deterioration of the bilateral relationship. However, the disputes facing the two largest economies are complex and include many different aspects. Therefore, they are unlikely to all be resolved quickly. Officials acquainted with the negotiations said that American negotiators were proposing to rollback existing tariffs on Chinese goods by around 50% and postpone the upcoming tariffs scheduled on Dec 15 if China promises to purchase US farm products worth $50 billion in 2020.

Looking at the worst performers in the FX market, the Japanese yen took the lead followed by the US dollar. Safe haven currencies were continuously trading the red zone, while currencies of export oriented economies thrived. The USD/JPY is heading towards a 7-month high, while the dollar index fell to a 6-month low of 96.588. On a weekly basis, the dollar index has shed 0.53% of its value versus a basket of currencies. The yen is down by nearly 0.70% against the USD in the past five trading days.

In the US bond market, the yield on the 10-year note rose to a four-week high of 1.903% after the positive developments on trade, from 1.79% seen on late Wednesday. It was evident from the rise in yields that bonds were in selling mode. As trade worries eased, the yield curve steepened for the first time in four days, with the spread between the two-year and 10-year note yields expanding to as much as 23.10 basis points, the widest gap in four weeks.

The outcome of last week's FOMC meeting offered no surprises as the overnight rate remained unaltered at 1.50-1.75% with a unanimous support from the committee. The majority of members on the FOMC expect policy to finish 2020 at the same level seen in 2019, while the market is pricing in one cut by late 2020. Thirteen members expect rates to stay on hold next year, while four see a hike. In September, there were seven FED officials recommending a rate above 2% for 2020. Now there are none.

The FED Chairman portrayed a resilient picture on the US economy by stating that "our economic outlook remains a favorable one despite global developments and ongoing risks." "As long as incoming information about the economy remains broadly consistent with this outlook, the current stance of monetary policy will likely remain appropriate."

Looking at projections, policy setters displayed more confidence in the US labor market by lowering their predictions for unemployment for the next three years. They dropped the long-run unemployment rate to 4.1% from 4.2%. GDP is seen at 2% next year and 1.9% in 2021, both unchanged from the last estimates. Inflation is expected to hit 2% in 2021, also unchanged from the prior projection. Overall, the monetary policy message is that the central bank is on hold for now and that it would take some significant change in the outlook to induce the FED to move in either direction.

Europe & UK

The Brexit turmoil which has created a cloud of uncertainty for years and almost pushed the UK economy into a recession is on the verge of conclusion. PM Boris Johnson's snap election gamble has paid off remarkably as the Conservative party secured a crushing victory. The Conservative party (Tories) won 365 seats in Parliament easily securing a majority and is considered as the largest win for the Tories since the late 80s. On the other hand, the Labor party attained 203 seats only, the worst result for the party since 1935. The election results indicate that British citizens are in favor of leaving the EU with Boris's agenda; the Tories' strong pledge to "Get Brexit Done" clearly echoed well with the public.

All of the elected Tory members are in favor of Johnson's Brexit deal, so it should be relatively smooth sailing for the government to pass its Brexit bill. The new Conservative government will be less reliant on hard Brexiteers which could make concessions and negotiations easier with the EU. The election results brings some short term clarity on Brexit, however the debate might rapidly shift from the risks of a 'no deal' Brexit to the risks of a 'no trade deal' one. Hence, the Brexit drama isn't out of the woods yet. Brexit may continue to pressure economic activity as the challenging task of forging the UK's new trading relationships is just beginning.

The Sterling pound was the top performer among G10 currencies last week, climbing to a 19-month high of 1.3514 after the polling results were released. In weekly terms, the GBP gained around 185 basis points against the greenback. Markets may witness a less volatile Sterling pound in the months ahead as the Brexit risk becomes a less vital driver of performance. Since the Brexit referendum, the pound's trajectory has been mainly dominated by political headlines. This political trend could come to an end with economic fundamentals back in play.

The European Central Bank maintained its loose monetary policy rate at a record low of -0.50% and stuck to its asset purchase program of 20 billion euros per month. The ECB restated its key message from the previous meetings, saying that rates will not rise "until it has seen the inflation outlook robustly converge to a level sufficiently close to the 2% objective." Moreover, the new ECB president Christine Lagarde mentioned that interest rates could move lower until the inflation objective is achieved. It looks like years of negative interest rates and more than □2.6 trillion of ECB bond purchases have failed to boost prices and growth. In conclusion, no new light was shed on the European economic outlook and monetary stance of the ECB. Consumer inflation is currently at 1% y/y, way below the ECB's objective and as such rates are likely to remain in a negative environment for the time being. Financial markets currently expect the ECB to maintain its monetary settings throughout next year, a view that was fortified by the FED signaling that it was unlikely to touch US interest rates in 2020.

It was no surprise that the Swiss central bank voted to uphold its negative interest rate environment at -0.75%, especially with annual inflation at -0.3% in October and -0.1% in November. The bank's tone remained extremely dovish and labeled the Swiss franc as 'highly valued'. The SNB reiterated the importance of negative rates and FX interventions to curb the appreciation of the currency if warranted. The SNB chairman said "It would make no sense to conduct an irresponsible monetary policy only to get rid of the negative rates. As soon as the outlook will change, then we will change, but we have no good idea when that will happen because it really depends on the international environment."

On the expectations front, price growth forecasts were cut for the second successive quarter. Inflation is now seen by the SNB at only 0.1% in 2020 and 0.5% in 2021, instead of 0.2% and 0.6% projected in September. The bank assumes a pick-up thereafter but inflation is not expected to exceed 1% until Q3 of 2022.

All in all, the SNB vowed to stay active in the FX market to ease upward momentum on the CHF, which has gained around 3% in value against the euro this year. Policymakers also indicated that further rates cuts were probable, but the consequences to act remain relatively high given the side effects of negative rates. For the bank to lower rates further it would probably require a significant risk aversion event leading to a stronger franc. In such a scenario, the risk to the price stability mandate would probably make rate cuts more likely.

The single currency (EUR) has appreciated tremendously last week and rose to a 4-month high of 1.1199 versus the USD. Optimistic expectations on trade and Brexit combined with Germany's ZEW indicator of economic sentiment that turned positive in December, rising to the highest level in 21 months paved the way for the euro's rise. The week ended with euro gaining 0.57% over its dollar counterpart.

Kuwait

Kuwaiti Dinar at 0.30320

The USD/KWD opened at 0.30320 Sunday morning.

Rates – 15 December, 2019

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	High	Low	Close	Minimum	Maximum	Forward
EUR	1.1056	1.1128	1.1051	1.1119	1.0950	1.1295	1.1192
GBP	1.3134	1.3514	1.3049	1.3325	1.3230	1.3570	1.3369
JPY	108.59	109.70	108.41	109.36	108.40	111.30	108.72
CHF	0.9901	0.9910	0.9804	0.9838	0.9735	0.9920	0.9770

GM lending $40mn to startup company

TOLEDO, Ohio, Dec 15, (AP): General Motors has agreed to loan $40 million to a newly-formed company that wants to make electric pickup trucks at a massive Ohio assembly plant GM shut down earlier this year.

The agreement between the two companies also would allow GM to buy back the plant up until next May, documents filed last week show. The amount available would be more than enough to cover the $20 million price tag for the plant.

Lordstown Motors Corp announced a month ago that it had bought the the once-bustling factory near Youngstown that made the Chevrolet Cruz up until last March.

The new company wants to begin making electric trucks by late 2020, but it also said that it still needs more investors before manufacturing can begin.

GM's decision to end production in Lordstown, where it employed 4,500 two years ago, came into the political spotlight after President Donald Trump criticized the plan last year and pushed GM executives to either reopen or sell the plant, At one point, he threatened to cut off all federal subsidies to the automaker.

GM spokesman Jim Cain said the company wants to help Lordstown Motors stick to its launch schedule and that the company does not expect it would buy the plant back, nor is it an investor in Lordstown Motors.

"It's in everyone's best interest in seeing this succeed," he said.

The loan agreement, first reported by the The Business Journal in Youngstown, also would give GM the chance to lease land next to the Lordstown plant.

GM announced last week that it has formed a joint venture with Korea's LG Chem to build an electric vehicle battery cell factory at undisclosed location near Lordstown.

The new battery plant will create more than 1,100 jobs, but the exact location hasn't been disclosed.

Lordstown Motors, meanwhile, plans to hire 400 production workers next year so that it can begin limited production of its electric trucks.