In this file photo the logo of a Mercedes car is photographed during an annual press conference of Daimler AG in Stuttgart, Germany. (AP)

China, global recovery boost profit at automaker Daimler

German car and truck maker Daimler AG says net profit rebounded strongly to 4.4 billion euros ($5.3 billion) in the first three months of the year, as the global economic recovery and demand for the company's lineup of luxury vehicles in China fattened the bottom line.

The company on Friday raised its outlook for an important measure of profitability this year, saying that it now expected profit of 10%-12% on sales of its Mercedes-Benz cars, up from an outlook for 8%-10% in its last estimate. Strong profits on conventional vehicles are key to funding the huge investments in new technologies such as electric cars and digital services that are shaking up the auto industry.

Chief Financial Office Harald Wilhelm said that "after this promising start, we are very confident that we can keep up the pace to improve our margins on a sustainable basis and at the same time expand our electric vehicle lineup." He said that earnings were boosted by a product mix weighted toward more-profitable vehicles, and by favorable pricing power. He cited tailwinds for the company's business in China, a key source of sales for Mercedes.

The company is accelerating its introduction of new electric vehicles; on April 15 it showed off the EQS, the battery-powered equivalent of its flagship S-Class large sedan.

The first-quarter profit compared to the 168 million euros scraped out in the first quarter of 2020, when the company shut down factories and shifted into cash preservation mode in the first phase of the coronavirus pandemic.

Daimler AG revenue rose 10% to 41.0 billion euros as sales at the Mercedes-Benz car business jumped 15% to 538,869. (AP)

Market Movements 23-04-2021

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+8.74	7,320.71
S. KOREA	-	KRX 100	+17.49	6,784.57
CHINA	-	Shanghai SE	+9.05	3,474.17

			Change	Closing pts
JAPAN	-	Nikkei	-167.54	29,020.63
GERMANY	-	DAX	-40.90	15,279.62
FRANCE	-	CAC 40	-9.34	6,257.94
EUROPE	-	Euro Stoxx 50	-1.46	4,013.34
PHILIPPINES	-	PSEi	-37.46	6,378.07
INDIA	-	Sensex	-202.22	47,878.45
PAKISTAN	-	KSE 100	-222.85	44,706.76

ECB leaves pandemic stimulus unchanged

EU govt debt, deficit to GDP up due to COVID-19

FRANKFURT, Germany, April 24, (Agencies): The European Central Bank left its key stimulus programs unchanged with almost 900 billion euros of support still in the pipeline as the economy lags the US and China in a drawn-out struggle with the COVID-19 pandemic.

The central bank for the 19 European Union member countries that use the euro left interest rates unchanged at record lows and made no adjustments to its 1.85 trillion euro bond purchase stimulus it says will run at least through March, 2022. Just under half of that amount remains to be used in coming months.

The regular purchases using newly created money – a key power of central banks – drive down longer-term borrowing costs for companies, consumers and governments.

At the last meeting on March 11, ECB President Christine Lagarde said the bank would step up the pace of those purchases during coming months, answering concerns that some bond-market interest rates were creeping up.

On Thursday, Lagarde said that the economic outlook in the short term "remains clouded by uncertainty" about the extent of the latest wave and vaccine rollout as lockdowns "continue to constrain economic activity."

In this file photo, European Central Bank President Christine Lagarde addresses European lawmakers during a plenary session at the European Parliament in Brussels. (AP)

Although the bank eventually expects "a firm rebound" later in the year, Lagarde underlined that for now the bank is nowhere near withdrawing any of its extraordinary measures, even if inflation jumps later this year. Inflation is expected to temporarily climb above 2% annually in the later part of the year. She said the recent increases in inflation were due to "idiosyncratic and temporary factors" and that underlying inflationary pressures "remain subdued."

She said the risks were "on the downside" in the short term and that bank stood ready "to adjust all its instruments" if the situation calls for it. Longer term, risk are "more balanced" and progress in ramping up vaccination was "encouraging." Europe's vaccine rollout has lagged that in the US and the UK.

Bank officials have stressed that any jump in inflation would be the result of one-time factors such as the withdrawal of pandemic tax breaks and comparisons with an earlier period of very low oil prices - and not a reason to withdraw any of its efforts to keep credit cheap for companies, governments and consumers. Inflation in the eurozone was an annual 1.3% in March. The bank's goal is close to but below 2%.

US Federal Reserve Chair Jerome Powell has taken a similar view, saying that price increases later this could be due to temporary factors and that the Fed would not begin raising rates until the recovery in jobs in hiring was "effectively complete" and that inflation appears "on track to run moderately above 2% for some time."

The eurozone economy shrank by 6.6% last year and economists say it may have contracted in the first quarter of this year as well. Output is not expected to reach pre-pandemic levels until mid-2022, lagging well behind other major pillars of the global economy. The US could reach pre-pandemic output as early as this month, according to an April 14 forecast from the Conference Board, while China was the only major economy to grow for the year in 2020.

The US rebound is being propelled by massive relief and stimulus spending by the federal government. European governments have also spent heavily on pandemic relief but their 750-billion euro recovery fund at the EU level will only starting paying out for digital and green projects this year.

One ECB board member, Klaas Knot from the Netherlands, has suggested the ECB could start scaling back the pandemic bond purchases later this year in time to phase them out in March 2022. For now that position appears to be in the minority but could signal friction between stimulus advocates and skeptics when it the scheduled end of the bond purchase stimulus draws nearer.

Meanwhile, in 2020, the government deficit of both the euro area and the European Union increased significantly compared with 2019, as did the government debt, in the context of the measures undertaken in response to the COVID-19 pandemic.

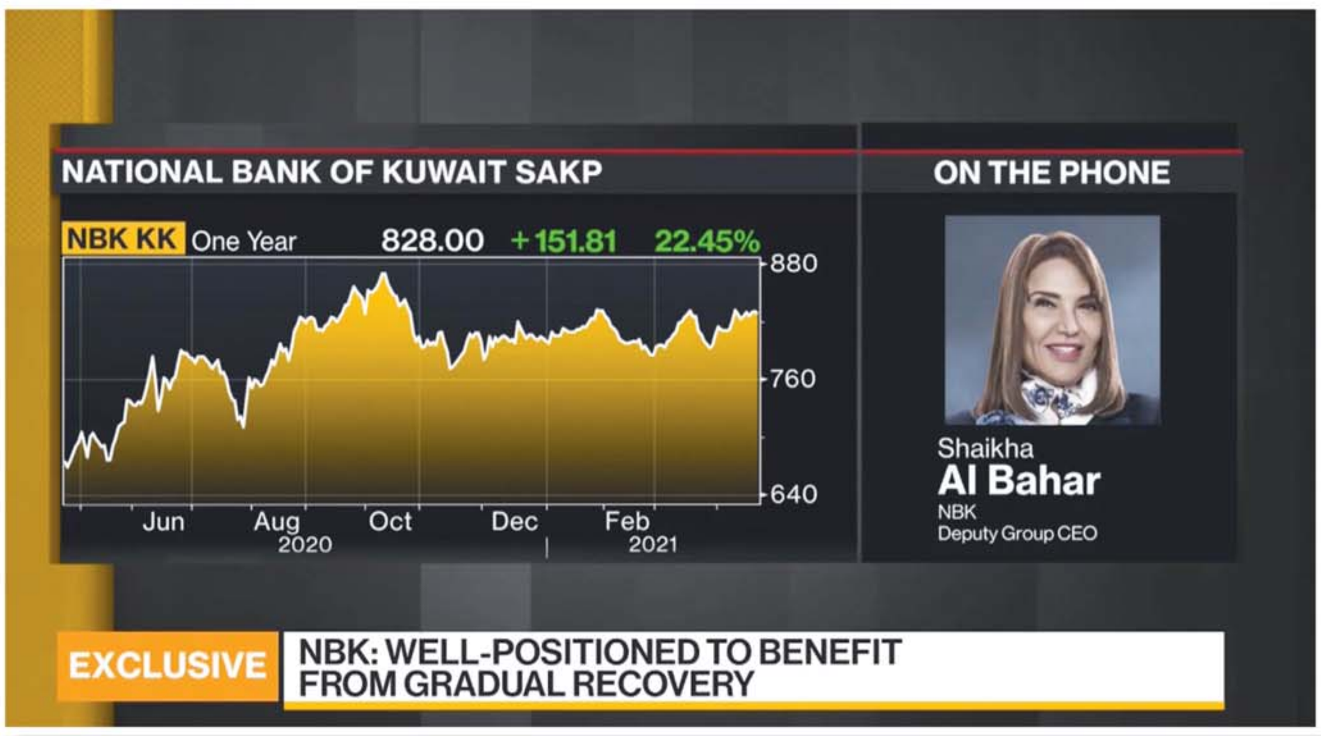
In the euro area, the government deficit to GDP ratio rose from 0.6% in 2019 to 7.2% in 2020, and in the EU from 0.5% to 6.9%, the EU's statistical agency, Eurostat, reported Thursday.

In the euro area, the government debt to GDP ratio increased from 83.9% at the end of 2019 to 98.0% at the end of 2020, and in the EU from 77.5% to 90.7%.

NBK Deputy Group CEO in an Interview with Bloomberg TV

Al-Bahar: Our Digital Capabilities Guarantee Us to Remain Ahead of All Competitors

Ms. Shaikha Al-Bahar, NBK Group Deputy CEO said that 1Q is another good quarter supporting the same trends that we have seen in 4Q, as the market is stabilizing with some recovery seen across various profitability lines



In an interview with Bloomberg TV, Al-Bahar added: "We grew our bottom line year on year (8.5%) and quarter on quarter (8.6%) supported by the core banking business that is performing well, in addition to the gradual improvement in margins compared to previous quarters and strong recovery in fee business.

The good performance of 1Q was accompanied by some improvement in provisioning trends as we benefit from our conservative approach in 2020, she noted.

Cautious optimism

Al-Bahar expressed cautious optimism about the improvement of operating environment going forward benefitting from the accelerated vaccination rate (+20K vaccines administered/day and around 20% of the population received the vaccine so far). This should lead to relaxation of restrictions by the summer months and accordingly revival of a lot of business activity.

We are estimating non-oil GDP growth to recover to the 2.5% level in 2022 and 2023. In addition, after a slow projects market in 2020, we expect some rebound in activity to clear the increasing backlog, she mentioned.

> *We are proud of our flexible business model that allowed us to navigate through the pandemic while remaining on course with our strategic priorities*

Al-Bahar pointed out that the government should work on developing the non-oil revenues on the short term, while making comprehensive structural reforms including the expense side on the long term.

Unchanging priorities

Al-Bahar said: "We are proud of our flexible business model that allowed us to navigate through the impact of the pandemic while remaining on course with our strategic priorities."

"Our regional focus continues to be on GCC and Egypt through organic growth. We continue to grow our wealth management business in Saudi Arabia while focusing on retail growth in Egypt," she added.

> *Our priorities have not changed and our focus remains on our key market in Egypt and KSA*

Al-Bahar emphasized the success of the bank's strategy to diversify its business, not only in terms of geographical footprint, as the Group provides Islamic banking services through its Islamic arm Boubyan Bank, as well as investment and wealth management services through its subsidiary NBK Capital.

Digital transformation

Al-Bahar mentioned: "We continue to rollout our digital transformation strategy, which has positioned us very well during the pandemic and proved we are on the right track staying ahead of all competitors."

Al-Bahar pointed out that the crisis has highlighted the importance of digital banking services and electronic payment solutions for the future of the banking sector. This proves the success of NBK's insightful and proactive vision in implementing the digital transformation strategy and upgrading its digital banking services over the past years, which gave the bank's approach more resilience that contributed to enriching customers' banking experience of and meeting their different banking needs.

> *We expect a momentum in project awarding in 2021 to clear the backlog resulting from the pandemic*

Organic growth in key markets

Al-Bahar said: "We are growing our business in the key markets in which we operate to achieve integration between the services we offer. At the present time, we are focusing on growing our wealth management business in which we are making remarkable progress, as well as growing our retail services in Egypt."

Our two key markets outside Kuwait have done very well in response to COVID, Al-Bahar noted.

"In KSA; the quick response to the pandemic and the aggressive reform agenda are shaping a good economic recovery and strong growth potential," Al-Bahar explained.

"In Egypt, the response to the pandemic has also helped through early lockdown along with implementing important fiscal and monetary measures. Economic recovery remains on track with fiscal position gradually improving," she added.

Strategic diversification

Speaking on the bank's vision regarding some investment opportunities that may arise as a result of the crisis, Al-Bahar emphasized that, at the present time, the bank is focusing on organic growth in the key markets in which the Group operates, with a view to enhance market share in order to achieve more growth and integration between international operations. This goes in line with NBK's strategy to diversify income source and to benefit from its leading position as a provider of digital banking services

> *Our digital excellence supports growth in our key markets to achieve integration between the services provided by the Group*

Al-Bahar underscored that diversifying the sources of income, both geographically and sectorally, is a key pillar of our strategy to achieve sustainable growth, with international operations contributed to increasing group volumes, noting that the group focuses on expansion in its key markets in Egypt and KSA, in addition to continuing to gain market share in Kuwaiti market.

In Saudi, we will continue to position our recently established wealth management entity and connecting it with our global wealth management platform. We will also work on increasing our commercial banking offerings to cross-sell our network and offerings to our clients in the Kingdom. While in Egypt, the bank aims to grow our retail business by boosting customer acquisition, streamlining processes and investing in the digital banking proposition.

Al-Bahar highlighted NBK's pioneering geographical expansion approach, which has proven successful over long years. This approach depends on assessment of the target market and entity based on the added value that the acquisition will realize to the bank's shareholders, as well as its contribution to enhancing integration between the group's operations, noting that the same approach will be followed with any investment opportunities arising in the future.

> *The crisis proved the success of our insightful and proactive vision in upgrading our digital services over the past*

Asset quality

Al-Bahar mentioned that NBK's management took very conservative approach during 2020 which eventually led into building high provisioning buffers to face uncertainties

Throughout last year we ran several recovery scenarios and always opted for more conservative schemes when it came to provisioning as a way to mitigate the

expected levels of risks at that point.

As we moved into the various opening phases of the economy last year, the strength of our underwriting policies and risk management practices was very evident in how well the quality of the book held.

We finished the year at 1.72 % NPL ratio which is very low considering the circumstances and even further improved in 1Q 2021 to 1.68%, while our provision cover remained extremely comfortable.

> *We focus on organic growth in our key markets by growing our retail share in Egypt, and wealth management business in Saudi Arabia*