

# Asian lender forecasts strong rebound for the region in 2021

ADB expects inflation in to fall to 2.3% this year

**MANILA, April 28, (AP):** Developing Asian economies will grow at a solid 7.3% pace this year after contracting slightly in 2020 due to the pandemic, the Asian Development Bank says in its latest regional outlook.

But the regional lender said that forecast is in doubt as outbreaks of coronavirus flare in several countries, including Thailand, India and the Philippines.

Those setbacks threaten just as growth has been gaining momentum, said the ADB's chief economist, Yasuyuki Sawada. "Economies in the region are on diverging paths," he said. "Their trajectories are shaped by the extent of domestic outbreaks, the pace of their vaccine rollouts, and how much they are benefiting from the global recovery."

China, which first reported the virus and has been the first major economy to bounce back from the pandemic, is forecast to grow 8.1% this year, slowing to 5.5% in 2022, said the ADB report, released Wednesday.

It estimates that India's economy will expand at an 11% pace in 2021, in line with similar forecasts from the International Monetary Fund and private economists.

Surging new cases in India - at more than



In this file photo, shoppers visit a retail district in Beijing. (AP)

300,000 per day for the past five days - may derail that progress as hospitals are inundated with seriously ill patients, it noted.

So far, the overall impact of this spike in cases is unclear.

"Real-time data on traffic, electricity demand and mobility suggest that, so far at least, India's virus outbreak has had more of an impact on behavior than it has on activity," Shilan Shah of Capital Economics said in a separate report.

So far, the Indian government has resisted taking the sort of drastic lockdown measures it ordered in March 2020 when millions of workers were stranded in cities, unable to work or return to their villages.

"The big unknown is whether these restrictions will be sufficient to curb the outbreak. If not and it continues, more draconian measures may still be needed," Shah said.

The ADB forecast that Myanmar's economy will contract nearly 10% this year following a military coup that has thrust the country into turmoil. The economy grew at a modest 3.3% level in 2020, before the military seized power on Feb 1, provoking a mass civil disobedience campaign that has stifled most business activity.

The ADB economists did not foresee a significant increase in inflation, despite concerns in the US and elsewhere that massive government spending and other stimulus might spark surging prices.

The ADB expects inflation in the region to fall to 2.3% this year from 2.8% in 2020, when disruptions from the pandemic pushed food prices sharply higher in some places. The inflation rate for developing Asia is forecast to rise to 2.7% in 2022.

Apart from the cost of lost lives and misery, damage to health and productivity, the pandemic has extracted a harsh toll in many ways, wiping out millions of jobs, sinking families into poverty. It also has put children far behind in their studies, the report said.

The authors estimated that the cost to future earnings from school closures amounts to \$1.25 trillion, or more than 5% of regional economic activity in 2020.

## Toyota Motor acquires Lyft's self-driving unit for \$550 mln

**TOKYO, April 28, (AP):** Toyota Motor Corp. has acquired the self-driving division of American ride-hailing company Lyft for \$550 million, in a move that highlights the Japanese automaker's ambitions in that technology.

The acquisition, announced Tuesday, was carried out by Woven Planet Holdings, a Toyota subsidiary that began business in January and focuses on innovations and investment in projects such as "smart cities," robotics and automated driving.

Of the payment, \$200 million will be paid upfront, and \$350 million over a five-year period, according to Toyota.

The Woven Planet project will bring together engineers and researchers in mobility services, software and sensor assets and automated driving systems to further develop the technology, according to Toyota.

"This deal will be key in weaving together the people, resources, and infrastructure that will help us to transform the world we live in through mobility technologies that can bring about a happier, safer future for us all," said Woven Planet Chief Executive James Kuffner.

Woven Planet and Lyft also signed commercial agreements to use the Lyft system and fleet data to speed up commercialization of the technology.

Toyota also said the deal will mean Woven Planet will have Tokyo, Palo Alto, California, and London as locations.

A centerpiece of Woven Planet

is the Woven City, which held a ground-breaking ceremony in Japan recently, to build a community showcasing intelligent homes, autonomous vehicles and other mobility products for Toyota's workers and other people.

"Woven Planet is driving towards its mission to combine the innovative culture of Silicon Valley with world-renowned Japanese craftsmanship to create the mobility solutions of the future," said George Kellerman, who oversees investments at Woven Planet.

All the world's top automakers are working on technology to make vehicles smarter, cleaner and more connected. Lyft, founded in 2012, offers a ride-sharing and rental network.

Also Tuesday, Toyota announced it will work with Japanese automakers Suzuki Motor Corp., which makes small cars, Subaru Corp., Daihatsu Motor Co. and Mazda Motor Corp. on next-generation vehicle communications devices.



In this file photo, visitors walk at a Toyota showroom in Tokyo. (AP)

## Microsoft Q1 profits soar

**NEW YORK, April 28, (AP):** Microsoft's profits soared during the first three months of 2021, thanks to ongoing demand for its software and cloud computing services during the pandemic.

The company on Tuesday reported fiscal third-quarter profit of \$14.8 billion, up 38% from the same period last year.

"Over a year into the pandemic, digital adoption curves aren't slowing down. They're accelerating, and it's just the beginning," CEO Satya Nadella said in a statement.

Net income of \$1.95 per share beat Wall Street expectations. Analysts were expecting Microsoft to earn \$1.78 per share on revenue of \$41 billion for the fiscal quarter ending in March, according to FactSet. The software maker based in Redmond, Washington, posted revenue of \$41.7 billion in the January-March period, up 19% from last year.

Revenue from Microsoft's productivity segment, which includes its Office suite of workplace products such as email, grew by 15% over the same time last year, to \$13.6 billion. Its cloud computing business segment grew 23% to \$15.1 billion.

Microsoft's personal computing business segment grew by 19% to \$13 billion, buoyed by last year's release of a new Xbox gaming console and an unusually strong season for PC sales across the industry. Microsoft gets licensing revenue for computers made by other manufacturers running its Windows operating system.

The first quarter of 2021 was a gold mine for the sale of personal computers in part due to unfulfilled demand because of a components backlog, according to separate reports from Gartner and IDC. The sharp rise across the industry was also due to an unusually weak first quarter of 2020, when the coronavirus outbreak began disrupting supply chains in Asia.

Pent-up demand for supply-constrained consoles during the holiday season also contributed to the 34% rise in sales of Xbox content and services in early 2021 from the same time last year.

But it's the cloud growth that has been Microsoft's focus as the company tries to tap into a pandemic-caused shift in big businesses, governments and other organizations doing more of their essential work online.

"Microsoft came through the pandemic with relatively little damage," said Forrester research analyst Andrew Bartels.

Nadella has steered the company through a series of ambitious acquisitions while rivals like Amazon and Google have faced more antitrust uncertainty as regulators scrutinize their market power.

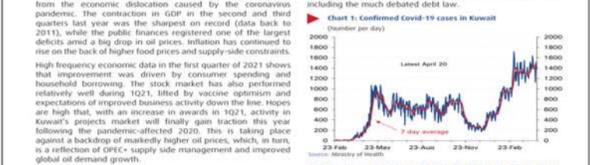
## Quarterly Economic Brief

Kuwait

### Economy improving slowly with ongoing pandemic but should be buttressed by reforms

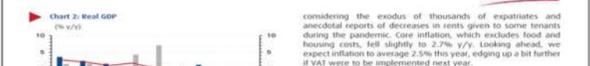
- Highlights**
- The economy looks in better shape so far in 2021, though normalization is delayed due to the persistence of the pandemic.
  - Recently released GDP data shows the onset of the economic contraction in 2020 - by as much as 11.4% y/y in 2020.
  - Consumer spending improved by 55% y/y in March supported by recent strength in household lending.
  - Employment growth for nationals slowed slightly to 2.1% in 2020, while expatriate employment fell 7.0%.
  - Long-standing reforms are needed to take growth to a higher level and create more jobs in the private sector.
  - The widening gap in public finances should provide a further impetus to deficit-reducing fiscal measures, although the recent increase in oil prices would relieve some of the pressures on budget financing.

Kuwait's economy so far in 2021 looks to be recovering gradually from the economic debilitation caused by the coronavirus pandemic. The contraction in GDP in the second and third quarters last year was the sharpest on record (data back to 2011), while the public finances registered one of the largest deficits amid a big drop in oil prices. Inflation has continued to rise on the back of higher food prices and supply-side constraints.



Having said that, uncertainty is still high: the reintroduction of partial curfew amid rising coronavirus infections both in Kuwait and abroad will slow down the normalization process. (Chart 1) In Kuwait, lending to businesses has been soft, though the approval of the "loan guarantee" law should provide some support. The impact of the deferral of Kuwaiti loan repayments for six months is uncertain on economic activity although it would add to the fiscal burden, and so would the recent KOD6 billion to front line workers.

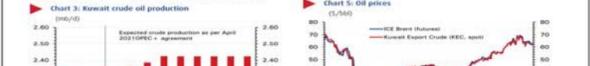
The still tense relation between the newly elected parliament and the government does not augur well for the budget and long-awaited reform agenda, especially on the fiscal front, including the much debated debt law.



Oil GDP is projected to improve in the remainder of the year following the recent OPEC+ decision to release gradually more oil into the market starting in May. (South Arabia will restore its 1 mb/d of the voluntary oil production as well.) Kuwait's compliance with the OPEC+ supply cut agreement was in excess of 100% (average) during the quarter with production averaging 2.33 mb/d but is expected to rise to 2.43 mb/d in line with its new quota. Production is then seen at the level until the expiration of the OPEC+ agreement in April 2022. (Chart 3.)



Optimism about the prospects for a global economic recovery and associated reports of decreases in rents gives to some extent a boost to the housing market. (Chart 4) The housing market, however, remains tight as the primary reasons for the increase in oil prices. Brent price closed out the first quarter of the year up 22% q/q at \$61.5/bbl, having almost breached a 22-month high of \$70 in mid-March. (Chart 5.)



Prices have been largely range-bound heading into April on renewed demand-side concerns, quoted by the impact of coronavirus lockdowns in several economies. Recently, though, better-than-expected economic data out of the US and China (although India, a large consumer of oil, has been hampered by massive infections which could affect oil demand) and the International Energy Agency's upward revision to global oil demand in 2021 appear to have improved sentiment. Kuwait



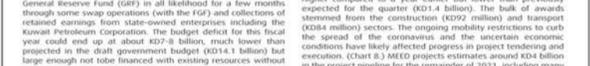
Export Crude (KEC) has outperformed Brent, gaining 26% in 1Q21 to \$61.9/bbl at end-March.

**Large fiscal deficit in FY20/21**  
Lower oil production and prices are likely to push the budget deficit in the fiscal year that ended in March to a high level of lower than projected in the official budget. Low oil revenues drove the increase in the deficit with the KEC oil price down 35% y/y during the period to \$41.5/bbl, while oil production declined by 12.6% on OPEC+ production cuts. Moreover, non-oil revenues, although relatively small, shrank by 16.1% amid expectations of the Covid pandemic. Meanwhile, while government spending fell by 7.2% due mainly to the significant decline in interest payments on delays and postponements to project work, the government registered a deficit of KOD6 billion during the first 11M of FY20/21 (April-released). However, based on spending patterns, the deficit could end up at about KOD9 billion (28% of GDP) for the whole fiscal year.

The recent rise in oil prices if sustained will help reduce the government's financing needs for the current fiscal year. Aside from halting transfers to the future, the government has taken additional steps to boost liquidity at the General Reserve Fund (GRF) in all likelihood for a few months through some swap operations (with the FIC) and collections of retained earnings from state-owned enterprises including the Kuwait Petroleum Corporation. The budget deficit for the fiscal year could end up at about \$07.8 billion, much lower than projected in the draft government budget (KOD14.1 billion) but large enough not to be financed with existing resources without passing the debt law or withdrawing from the GRF.



The external sector should improve further in 1Q  
The latest available data for 3Q20 showed an improvement in the external position due to the rebound in oil prices from the pandemic lows and also high returns on investments abroad (G and PPI) due to a rebound in international markets. (Chart 7.) With oil prices rising, the current account has improved further in 1Q21. With a possible easing of restrictions



and travel in the remainder of the year, we could witness a widening of the service account but the external position should remain robust.



Project awards gather pace, but fall short of expectations  
The value of project awards in 1Q21, at KOD27 million, was higher compared to a year earlier but lower than previously expected for the quarter (KOD1.4 billion). The bulk of awards stemmed from the construction (KOD9 million) and transport (KOD8 million) sectors. The ongoing mobility restrictions to curb the spread of the coronavirus and the uncertain economic conditions have led to a significant delay in project tenders and execution. (Chart 8.) AED projects estimates around KOD4 billion in the project pipeline for the remainder of 2021, including many that have been postponed from 1Q21 to 2Q21, that could ease the ongoing pattern of delays and setbacks and the extension of the current partial curfew until May, it is very likely that a much smaller figure will materialize.



bill. Excluding domestic workers, expatriate employment dropped 7.0%.



Domestic credit started the year on a relatively decent note, with growth at 5.6% y/y in a year earlier but lower than previously expected for the quarter (KOD1.4 billion). The bulk of awards stemmed from the construction (KOD9 million) and transport (KOD8 million) sectors. The ongoing mobility restrictions to curb the spread of the coronavirus and the uncertain economic conditions have led to a significant delay in project tenders and execution. (Chart 8.) AED projects estimates around KOD4 billion in the project pipeline for the remainder of 2021, including many that have been postponed from 1Q21 to 2Q21, that could ease the ongoing pattern of delays and setbacks and the extension of the current partial curfew until May, it is very likely that a much smaller figure will materialize.



Household credit continued to grow strongly, reaching 6.9% y/y by end-February, driven mainly by housing loans (2.9%), while consumer loan growth softened further to 3.1%. Looking ahead, the six-month cycle of household credit instalments of Kuwaiti borrowers, all else being equal, is expected to strengthen the net growth of household credit.

As for resident deposits, they have been falling for five months in a row (3.4% y/y growth). The weakness in private-sector deposits is driven by time deposit growth which could reflect the drop in interest rates. Government deposits have been even weaker, falling by nearly 6% year-to-date (ytd) (KOD666 million), possibly



As the government tries to withdraw funds left in the banking sector to finance the widening budget deficit, the deferral of household credit instalments of Kuwaiti borrowers is expected to provide some support for the net growth of private-sector deposits going forward. Muted resident deposits, which are partly compensated by decent non-resident deposits, which are up by 3% ytd.

The newly approved "loan guarantee" law, while overall for SMEs, is not expected to have a major impact on overall credit growth given its small size (capped at KOD50 million), which represents only 1.2% of total outstanding domestic credit by the end of February. Finally, an effort to continue supporting the banks and the overall economic recovery, the CBK extended its relaxed capital adequacy and liquidity measures for an additional six months (till the end of June 2021).

**Stocks see moderate rise on recovery optimism**  
After the sluggish performance of 4Q20, Bouras Kuwait's All-Share index rose a solid 1.9% q/q in 1Q21, pushing market capitalization up to a 15-month high (KOD34 billion), as higher oil prices and the vaccine rollout bolstered sentiment and economic recovery expectations. (Chart 12.) The index was lifted largely by the premier market (4.5%), with the technology, real estate and financial sectors in the lead. Liquidity remained ample, with an average daily turnover by value of KOD39 million, reflecting continued interest in a healthy level of activity. However, though net foreign inflows slowed considerably to around KOD6 million in 1Q21, largely due to the end of the market upgradation fees of 2020. Looking ahead, easing of easing of easing concerns, the rollout of vaccines and economic recovery optimism should be supportive of market sentiment, while downside risks include the lagging pace of reforms amid the ongoing political turmoil, as well as pandemic and vaccine-related uncertainty.



Adjusted earnings, which excludes one-time gains or losses, came to \$2.77 per share, far exceeding Wall Street projections of \$1.67, according to Zacks Investment Research.

Total revenue soared 27% to \$22.91 billion, also beating expectations.

UPS also has been delivering COVID-19 vaccines around the world, many of which need to be kept in deep freezers.

## KIB infuses distinctive community initiatives into its 2021 Ramadan campaign

As part of its active social commitment to play an active role within the local community beyond the scope of its financial services and solutions, Kuwait International Bank (KIB) announced the launch of its Ramadan campaign for this year. The campaign is set to kick off at the beginning of the Holy Month under the Bank's leading social responsibility program, featuring a variety of recreational, religious, social and sports initiatives and activities.



Nawaf Najia

On this occasion, Nawaf Najia, Executive Manager of the Corporate Communications Unit at KIB, congratulated all members of the Board of Directors, Executive Management, shareholders and employees of the Bank, as well as KIB's valued customers and members of Kuwait's society on the advent of the holy month of Ramadan. "Every year, KIB looks forward to launching its Ramadan campaign to complement its track record of impactful community initiatives, which reflects its unyielding commitment to continue to give back to the community. Additionally, KIB's campaigns epitomize its strategic vision and leading role as an active community member with a solid commitment to having a positive impact on various segments of Kuwait's society, especially at this time of year, the holy month of Ramadan is a time of deep reflection and generosity for all the society - it brings members of the society together to spread love and encourage acts of benevolence."

Najia pointed out that this year, KIB is introducing a first-of-its-

kind marketing project that aims to spread banking awareness and knowledge in an entertaining way, especially given the continuing curfew and lockdowns which has kept people homebound. Developed in collaboration with a renowned international animation studio, "KIB Family" is an informative animated series that will be released during Ramadan across the Bank's social media platforms. "KIB Family" is the first complete show to be developed by a financial institution that depicts real life events and offers valuable and engaging insights to the Kuwaiti audience.

In celebration of the holy month, KIB is also launching the "KIB Family Competition" where the audience will have to answer questions about each of the episodes to win a cash prize, in addition to Ghatawi KIB - a social media competition on KIBPage with valuable cash prizes for each winner.

Najia added: "In addition to communicating effectively with

the public through its social media channels, KIB continues to play a leading role in promoting religious awareness, by creating and sharing content that comprises information and advice, in addition to posting episodes that highlight useful religious, moral and Islamic topics in collaboration with Sheikh Talal Al Fakher. Moreover, our Ramadan campaign is packed with content that feature a range of exercising videos and work out tips by Trainer Fahad Al Jarallah, in order to help maintain a healthy routine during Ramadan, especially amidst pandemic-related restrictions and home quarantine."

Concluding his statement, Najia pointed out that this year, KIB's Ramadan campaign comprises several charitable and humanitarian initiatives aimed at supporting underprivileged families, he added: "The initiatives will promote notions of social solidarity and philanthropic values, which Kuwait has always been known for, including launching its annual "Al Machla" initiative aimed at providing essential food supplies to underprivileged families in Kuwait in collaboration with the Kuwait Red Crescent Society (KRCS). Additionally, KIB is launching its annual Iftar Sa'em initiative and will distribute daily Iftar meals with the help of a dedicated team of volunteers from the Bank as well as dozens of other volunteers throughout the holy month. In addition, the Bank is set to conclude its Ramadan campaign with "Kiswat El Eid" initiative by distributing purchase vouchers for Eid clothing to the poor and needy, with the aim of spreading and sharing the joy of Eid."

## UPS stock hits 'all-time' high

**NEW YORK, April 28, (AP):** Small businesses in the US fueled demand for delivery, helping UPS post better-than-expected earnings and revenue for the first quarter of the year.

That sent the company's stock to an all-time high Tuesday morning.

UPS is one of the few companies that benefited from the pandemic as demand for delivery rose as more people stayed home and shopped online. But even with more people getting vaccinated and heading out, the company said it expects delivery demand to continue this year as more businesses open up and need to ship goods.

Plus, consumers have more money in their pocket to spend from government stimulus checks. UPS said daily volume jumped more than 14% in the first three months of the year from the same period a year ago.

The Atlanta company reported net income of \$4.79 billion, up nearly 400% from the same period last year. But much of those gains came from a \$2.5 billion pension benefit related to the American Rescue Plan Act of 2021, which gives big employers protection against insolvency of their pension plans. That reduced the company's pension liability by \$6.4 billion.

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