

Business

Bank jitters fuel uncertainty as ECB eyes next rate hike

Concern over health of banking system as borrowing costs climb higher

FRANKFURT: The European Central Bank is poised to raise interest rates again on Thursday to tackle inflation, but the sudden collapse of a US lender has fuelled concern about the health of the banking system as borrowing costs climb higher. The ECB's 26-member governing council will "very, very likely" raise interest rates by another half a percentage point at its meeting in Frankfurt, president Christine Lagarde said last week. It would be the sixth successive increase, leaving the ECB's three main rates 3.5 percentage points higher since July. The ECB has hiked rates at a historically fast pace to cool consumer prices after energy and food costs shot up in the wake of Russia's war in Ukraine.

With Thursday's decision "a done deal", investors will be more interested in clues about the ECB's future moves, said ING bank economist Carsten Brzeski. He predicts a "heated discussion" between dovish policymakers wanting to slow down rate hikes to ease the pain of higher borrowing costs, and "hawks" pushing to stay the course as inflation remains well above the ECB's two-percent goal.

"The March hike will be less important than what is signaled for May and beyond," Deutsche Bank economists said in a preview note. Ahead of Thursday's gathering, ECB policymakers will be closely watching the market turmoil sparked by the failure of US lender SVB last week, which saw European bank shares

plunge on spillover fears. Concerns about the financial fallout from rising rates could see the ECB opting for smaller hikes after Thursday "to take some pressure off", said Baader Bank analyst Robert Halver. "The over-indebtedness is far too high and higher interest rates could leave debtors vulnerable," he told AFP.

French Finance and Economy Minister Bruno Le Maire sought to calm jitters on Monday, saying he didn't "see any risk of contagion", while Germany's finance watchdog said the SVB collapse posed no threat to financial stability.

Analysts say SVB's collapse could influence the decision-making of the US Federal Reserve, which started hiking rates earlier and more aggressively than the ECB. The higher rates played a part in SVB's collapse as they brought down the value of US government bonds with lower returns that it held. SVB took a \$1.8 billion loss in the sale of \$21 billion worth of securities before it collapsed, raising concerns that other banks could face similar problems. Prior to SVB's turmoil, Fed chief Jerome Powell had said that the "ultimate level of interest rates is likely to be higher than previously anticipated" in the wake of stronger-than-expected economic data.

"With the market turmoil following the collapse of SVB, there are now heightened expectations that the Federal Reserve will be less aggressive with its monetary policy," said Richard Flax, chief investment officer

at Moneyfarm. The economic picture is murkier in the eurozone, with revised data showing that the economy stagnated in the fourth quarter of 2022, instead of recording weak growth as initially estimated.

Declining energy prices in recent months have helped slow inflation, which reached 8.5 percent in February, down from 8.6 percent in January. But excluding volatile energy and food costs, core inflation hit a fresh record high of 5.6 percent, bolstering the argument for further interest rate rises. Lagarde has vowed to do "whatever it takes" to restore price stability in the 20-nation currency club.

The eurozone economy has proved "resilient" to the fallout from the Ukraine war, she said last week, and unemployment remains low. Nevertheless, the bank is keeping a close eye on wage growth as higher consumer prices fuel demand for pay rises across Europe-adding to inflationary pressures.

New forecasts

"The ECB needs to be prepared to climb further. We suspect it is," the Deutsche Bank economists said. Many analysts expect the ECB's bank deposit rate, currently at 2.5 percent, to peak at 3.5-4.0 percent this summer and remain there for some time.

The ECB will be armed with new economic forecasts on Thursday to help guide its decisions. Back in December, the bank expected inflation to soften



GENEVA: European Central Bank (ECB) President Christine Lagarde delivers a speech during a conversation event on the occasion of International Women's Day, at the WTO headquarters in Geneva. —AFP

to 3.4 percent in 2024 and 2.3 percent in 2025.

Given the recent plunge in natural gas prices, observers now predict a downward revision of those figures. The ECB does not expect a recession in 2023, and any upward revisions to economic growth forecasts would make it easier for policymakers to back more monetary tightening. —AFP

LuLu Hypermarket wins 'Service Hero' award

KUWAIT: For a second consecutive year, LuLu Hypermarket, the leading regional retailer, won the prestigious 'Service Hero 2022 Customer Service Assessment' award, after customers in Kuwait voted the retailer as the 'Best Supermarket 2022' in Kuwait. This is the fourth time that LuLu Hypermarket is being selected for this annual award, after having won the 'Service Hero Service Assessment Award' in 2013, 2014, and 2021 in the 'Best Specialty Store' category.

In a media statement issued after receiving the 'Service Hero 2022' award, top LuLu Hypermarket management in Kuwait expressed their gratitude and appreciation to all their valued customers, well-wishers, and other stakeholders for their overwhelming vote of confidence in the brand. The statement also underlined the hypermarket's pride in winning the Arab world's only customer satisfaction index that is based solely on consumer perceptions. The statement added: "As a responsible retailer, it is our commitment and obligation to our loyal customers in Kuwait to facilitate well-organized, easily accessible, and conveniently located retail outlets, where shoppers are able to purchase quality products at the best competitive prices in a world-class shopping ambience. "We also assign the utmost priority to enriching and refreshing the product range available on our shelves so as to cater to the tastes, desires, requirements, and choices of customers. Our future plans include further extending our product range to meet the demands of various sectors of our customer base, and enlarging our network to reach all areas of the country in the



most efficient manner." The award is widely seen as a reflection of the entrenched loyalty and popularity that the brand and its customer-oriented services enjoys among shoppers in Kuwait. LuLu Hypermarket won the 2022 award following an in-depth and stringent assessment procedure that evaluated various criteria across several service dimensions.

Among the dimensions examined by the index evaluators were quality and variety of the hypermarket's product range, reliability and speed of service delivery, staff attitude, and convenience of location and value to price, as well as store hygiene, product availability and the usefulness and functionality of

their online presence. In this year LuLu hypermarket has announced plans to open five more new outlets in Kuwait. These new projects are expected to provide customers with an enhanced shopping experience and access to a wider variety of products.

The top scoring brands on overall customer satisfaction in each service category, which met the minimum vote requirements, were then awarded pole-position prizes. Launched in 2010, the Service Hero Awards are the only national index which awards prizes based solely on consumer feedback. The assessment is overseen by an independent advisory council.

Indonesian farmers fight for their land in nickel mining boom

WAWONII, Indonesia: Three women with machetes stood guard at their farm hilltop on Indonesia's Wawonii Island, directing their blades towards the nickel miners working in the forest clearing below. "I pointed the machete at their faces. I told them: 'If you scratch this land, heads will fly, we will defend this land to the death,'" said 42-year-old villager Royani, recounting a recent encounter with some of the miners. The dig site is part of a huge rush to Indonesia, the world's largest nickel producer, by domestic and foreign enterprises to mine the critical component used in electric vehicle batteries. Residents and rights groups told AFP the boom threatens farmers' land rights and harms the environment in areas like Wawonii in the resource-rich Sulawesi region, which is home to black macaques, maleo birds and tarsier primates.

'We were destroyed'

Facing the prospect of losing their land and livelihood, around a dozen Wawonii villagers take turns keeping watch from a hut surrounded by clove trees, waiting for trespassers as machinery roars below.

Royani, who goes by one name, joined the effort to safeguard the land after an Indonesian firm cleared hundreds of her family's tropical spice trees in January. "When we saw there was nothing left, we were destroyed," she said. Royani said she wants to protect not just her family's land from further encroachment, but also her neighbors'. But the farmers are up against formidable adversaries. Soaring global demand for metals used in lithium-ion batteries and stainless steel has pushed major economies such as China and South Korea, alongside electric car giant Tesla and Brazilian mining company Vale, to zero in on Indonesia. Dozens of nickel processing plants now pepper Sulawesi—one of the world's largest islands—and many more projects have been announced.

'I will continue to fight'

Nickel miner PT Gema Kreasi Perdana (PT GKP), owned by one of Indonesia's wealthiest families, has two concessions on Wawonii totaling 1,800 hectares (4,450 acres). Islanders said it is trying to expand further, with employees repeatedly approaching them for land talks they never asked for.

PT GKP, the Indonesian Ministry of Energy and Mineral Resources, and the local energy agency in Southeast Sulawesi all declined to comment for this



JANTHO: A newly constructed road is seen on a mountain top in a protected forest area in Jantho, in Indonesia's Aceh province on March 12, 2023. —AFP

story. "Even for 1 billion rupiah (\$65,537), I don't want to sell," said cashew grower Hastati, 42, whose land has already been partially cleared. Several protesters in Wawonii have been detained after the land disputes sparked demonstrations, riots, and in some cases armed confrontations. Hastoma, a 37-year-old coconut farmer, said he was detained for 45 days last year after clashes between villagers and miners. Other villagers have blocked miners' vehicles and set heavy equipment on fire, while some held miners hostage, restraining them with ropes for up to 12 hours. "If I keep quiet... where we live will be destroyed," Hastoma said, adding that two hectares of his land were seized after his release. "I will continue to fight to defend our area."

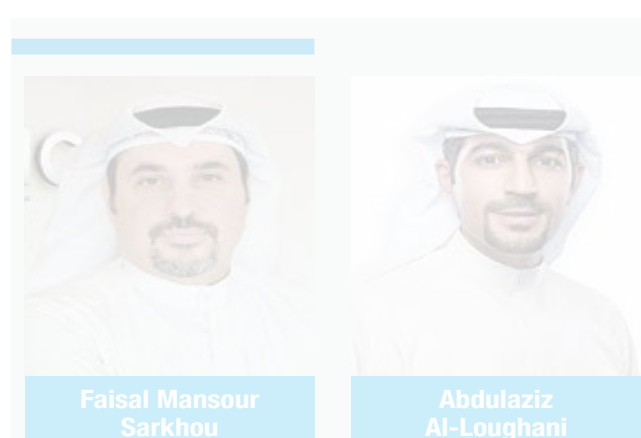
Nickel museum

While land registers in many parts of Indonesia are poorly managed, a presidential decree issued in 2018 recognized farmers' rights on state lands they use. Citing a 2007 law designed to protect coastal areas and small islands like Wawonii, courts have on several occasions ruled in favor of plaintiffs contesting mining investments. But Jakarta is leveraging its resources to entice investors, with many land disputes stemming from overlapping claims due to a lack of adequate ownership checks. "The problem is, permits are often unilateral-

ly issued" by the government, said Benni Wijaya of the Consortium for Agrarian Reform advocacy group.

"After the permit is issued, it turns out that people have been cultivating the land for years. This is what drives these conflicts," he added. Among the leading international investors are Chinese companies. Indonesian government data shows Chinese firms pumped \$8.2 billion into the country last year—more than double the 2021 figure of \$3.1 billion.

In central Sulawesi, Chinese companies have set up their own nickel ore processing facilities and even built a nickel museum. The investments have come at a cost, worsening pollution and stoking tensions over poor working conditions at Chinese-run facilities, including a deadly January riot. The southeastern Sulawesi coastline has borne the brunt of the environmental impact of the mines. In a village in the Pomalaa region of the island, still houses sit above rust-red sludge where children swim in murky waters. Contaminated soil from nickel mines—including one by state-owned firm PT Aneka Tambang Tbk (Antam) — brought down the hills by rain has turned the coastal waters of the Pacific Ocean a deep red color, locals said. "When there were no mines, the water was not like this. It was clean," said villager Guntur, 33. Antam did not respond to an AFP request for comment. —AFP



Faisal Mansour Sarkhou

Abdulaziz Al-Loughani

Kamco Invest attends Floward's pre-IPO series C investment round

KUWAIT: Kamco Invest, a regional non-banking financial powerhouse with one of the largest AUMs in the region, announced Monday that its private equity team has participated in the Pre-IPO Series C investment round raised by Floward, the go-to online flowers and gifts destination operating in 37 cities in nine countries across MENA and UK.

In addition to Kamco Invest, the Floward's most recent round of \$156 million was also led by Aljazira Capital, Rainwater Partners, and STV. Some other earlier investors include Impact46, Faith Capital, BNK and 500 Startups. This round will assist Floward in growing further by expanding their gifting verticals and utilizing artificial intelligence and machine learning to manage its organic growth. Additionally, it will be used to fund its M&A strategy as it looks to acquire regional champions in different gifting verticals following its recent acquisition of Mubkhar, the leading brand defining authentic standards of perfumery in the GCC, in November 2022. Chief Executive Officer of Kamco Invest, Faisal Mansour Sarkhou, said: "We are proud to take part in this regional tech champion, which is successfully showcasing a tremendous growth trajectory with multiple pillars of growth initiatives supported by prominent regional and international investors. We are confident in Floward's business model, its strategy and the team's ability to lead the company to a successful future. This investment is in line with our strategy to extend our tech ecosystem expertise to the region following our venture capital initiatives across US and Europe.

Chairman and CEO of Floward, Abdulaziz B Al-Loughani, said: "We are proud to see Kamco Invest amongst our esteemed list of shareholders as we keep working towards achieving our goals of becoming a unicorn ahead of our IPO in the next 24 months. We are grateful to our team members, clients, and partners for believing in us and their continuous support in helping Floward achieve its vision of becoming a prominent global player in the flowers and gifts industry."

It is worth noting that Floward, which was established in 2017, has raised \$194 million through several investment rounds and has expanded its operations to cover 37 cities across the six GCC countries, Egypt, Jordan, and the United Kingdom. The company's commitment to the region has delivered 50 million flower stems in 2022, created more than 1,000 direct jobs, and partnered with +400 brands and local talents who have produced some of the best brands on a global scale. During the region's largest tech event Leap23 Conference that took place in Riyadh in February 2023, it was announced that Floward has been selected for the Saudi Unicorns Program.