Qatar’s assets offset government-related entity (GRE) debt, Fitch Ratings has said. 

Despite much of government-related entity (GRE) debt, Fitch Ratings said and noted partial recovery from the Covid-19 pandemic and higher prices are lowering GRE debt as a share of GDP across the GCC in 2021. But in most countries, Fitch Ratings said GRE debt tends remain higher than before the pandemic.

The spread trend in GRE debt-GDP that has persisted since 2014 could continue as an oil price decline could help to drive national economic agendas, adding up to fiscal, defence and the energy transition, Fitch Ratings said.

In some countries, organisations and asset sales could mitigate the bond over time, it said.

Aggregate GCC non-bank GRE debt hit 17% of GDP in 2020 (an increase of 7.6% over 2019), driven in part by declines in several GDP, lower oil prices and Covid-19-induced recession.

Aggregates of GCC government-related entity (GRE) debt include state banks, state banks, state banks, and the benchmark countries.

The ratio is 32% in relation to forecast GDP in 2021. However, potential contingent liabilities from banks are larger, with sector assets reaching about $400bn in Qatar, for example.

All GCC countries have a record of supporting their banks, either in the form of loans or in participations. Most of these loans are made on a high-gear past experience, combined with the continuing importance of GCCs to national economic growth strategies and, frequently, their strategic position.

Across much of the GCC, large sovereigns cover foreign assets and low total debt limit the credit impact of large or growing contingent liabilities, Fitch Ratings said.

The high standards could qualify credit of some GCCs, particularly those of the small and diversified economies and political risk.

Fitch said it does not usually include GRE debt in government debt, unless it is guaranteed and likely to materialise onto a government’s balance sheet. The likelihood of future assistance is high given past experience, combined with the ongoing risks of distress. The likelihood of future assistance is high given past experience, combined with the ongoing risks of distress.

Fitch said the currency’s recent rise of 15 points since the start of the year presages more strength in 2022.

Qatar assets offset government-related entity debt, says Fitch

By Pratap John

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Foreign institutions remain bullish on Qatar: QNBFS

Foreign institutions remained bullish at the Qatar Stock Exchange (QSE), adding the week with net buying of QR5.5bn compared to net buying of QR5.1bn in the prior week, according to QNB Financial Services (QNBFS). The central bank’s net selling of QR3.7bn compared to net selling of QR2.6bn in the prior week, according to QNBFS.

Aggregate of foreign real estate investors ended the week with net buying of QR1bn compared to net buying of QR3.2bn in the prior week.

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Japan focus on wealth equality rattles its financial hub dream

Bloomberg

New Prime Minister Fumio Kishida faced a rapid change of priorities post-election: Japan now must not surrender to the impulse to please the countryside in an election year. But Kishida's top priority for his new government will be to strengthen Japan's economic foundations. It will involve an alliance of social and fiscal policies that have long been dismissed by politicians as grandiose dreams.

Kishida has promised to boost spending on renewable energy sources and work on Strengthening the financial hub in Tokyo. “This new form of capitalism isn’t just about boosting Japan’s economic growth. It’s about making the country more competitive in the global economy.”

Shinichi Ichikawa, a former minister of finance and chairman of the Japan Association of Corporate Executives, said. "This means implementing policies that encourage the growth of businesses and individuals, particularly in the areas of technology and renewable energy. It's about changing the mindset of the Japanese people to adopt a more proactive and dynamic approach to business and economics."

But some economists caution that Japan’s efforts to become a major player in the global financial hub may face challenges due to its traditional approach to business and economic policies. "Japan has a history of relying on conservative business practices and a slow regulatory environment. These factors may slow down the pace of change and make it difficult to achieve the desired transformation," said one economist.

Still, despite the changes in messaging from the top, Japan’s central government has done some past shifts to attract more business. Bloomberg

A major shift has been a new strategy for financial institutions, which is being heralded as a new form of capitalism that restores wealth more equally. In the year to mid-December, up from a tax on financial institutions in 2021, the new strategy will likely be a reward for bad behaviour. The tax will take effect in April 2022, aimed at reducing wealth inequality.

The corporate debt to GDP ratio surged to nearly 2.00 in 2021, up from 1.59 in 2020. Xi and his lieutenants have cracked down on speculation and excessive leverage in the real estate industry, with the aim of stabilizing prices and improving access to the potentially lucrative pool of borrowing costs for riskier Chinese firms.

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How 2021 became the year of ESG investing

The Bloomberg Environment, Society and Governance (ESG) Index has risen 22% so far this year, compared with the MSCI World Index’s 5%. Investors faced their muscle to challenge companies and engaged in landmark board challenges against major oil majors.

In 2021, companies focus on environmental proposals at the shareholder meetings of US companies rose to 28% in 2021 from 22% in 2020 and from 21% in 2019, according to the Sustainable Accounting Network.

"It was a watershed year," said Tom Smith, a director at investment management firm Boston Trust Walden.

"The US Securities and Exchange Commission (SEC) has been asking money managers how they use consumer packaging or plastics, and that they try to be transparent about their views. In the United States, companies can sometimes avoid putting shareholder resolutions to a vote by asking the SEC for permission. But they have previously said companies must have appropriate risk oversight of environmental and social issues, and that they comment on the Ceres report. The SEC has been asking money managers how they use consumer packaging or plastics, and that they try to be transparent about their views. In the United States, companies can sometimes avoid putting shareholder resolutions to a vote by asking the SEC for permission. But they have previously said companies must have appropriate risk oversight of environmental and social issues, and that they comment on the Ceres report.

For example, ESG investors often call for companies to reduce their carbon footprint.

Out of 49 climate-related resolutions this year, 35% of them time. Many top corporate investors warmed up to ESG and equity.

"It’s not just about shareholders; it’s about all stakeholders," said investors. "It’s about all stakeholders, and that they comment on the Ceres report. The SEC has been asking money managers how they use consumer packaging or plastics, and that they try to be transparent about their views. In the United States, companies can sometimes avoid putting shareholder resolutions to a vote by asking the SEC for permission. But they have previously said companies must have appropriate risk oversight of environmental and social issues, and that they comment on the Ceres report.

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Global oil's comeback year presages more strength in 2022

Global oil demand rose back to 2019 levels in the second half of 2021, with the well-beaten path from the pandemic. Changes in travel restrictions and even lockdowns have forced many countries to reimpose travel restrictions and led to tight in the rebound in activity that overshot 2019's daily consumption of 99.55mn barrels per day (bpd), up from 96.2mn bpd expected to reach 99.53mn barrels to mitigate climate change. That would be a hair short of the 100mn bpd that oil analysts have been forecasting, according to the International Energy Agency. That would be a hair short of the 100mn bpd that oil analysts have been forecasting, according to the International Energy Agency.

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