

Rising stocks fuel record profit for Buffett's Berkshire



Berkshire Hathaway Chairman Warren Buffett walks through the exhibit hall as shareholders gather to hear from the billionaire investor at Berkshire Hathaway Inc's annual shareholder meeting in Omaha, Nebraska

Reuters

Warren Buffett's Berkshire Hathaway Inc on Saturday posted a 23 per cent decrease in quarterly operating profit, while soaring prices in stock holdings such as Apple Inc enabled the conglomerate to smash its old record for full-year earnings.

In his annual letter to Berkshire shareholders, Buffett defended Berkshire's foray into stocks, which comes amid a four-year drought since its last major acquisition that has left Berkshire sitting on \$128 billion of cash.

Berkshire did step up repurchases of its own stock, buying back roughly \$2.2 billion after repurchasing \$2.8bn in the prior nine months.

"I am delighted with the increased commitment to share repurchases," said Thomas Russo, a partner at Gardner, Russo & Gardner, which invests 13pc of the \$13bn of assets it oversees in Berkshire. "It may be a very large arrow in Berkshire's quiver to increase intrinsic value on a per-share basis."

Fourth-quarter operating profit fell to \$4.42bn, or approximately \$2,720 per Class A share, from \$5.72bn, or about \$3,484 per share, a year earlier,

hurt by underwriting losses in its reinsurance operations.

Berkshire also posted quarterly net income of \$29.16bn, compared with a net loss of \$25.39bn a year earlier, reflecting gains in its common stock holdings.

For all of 2019, net income totaled \$81.42bn, topping the record \$44.94bn for 2017, when Berkshire benefited from that year's reduction in the U.S. corporate tax rate.

Such huge swings stem from an accounting rule requiring Berkshire to report paper gains and losses from its stock holdings with net income even if it sells nothing.

Buffett wrote that the companies whose stocks Berkshire owns are generating returns that are "remarkable under any circumstances," and "truly mind-blowing" compared to low single-digit returns available on bonds.

"Over time, Charlie and I expect our equity holdings—as a group—to deliver major gains, albeit in an unpredictable and highly irregular manner," Buffett wrote, referring to Berkshire Vice Chairman Charlie Munger.

Apple soared 86pc in 2019 and 31pc in the fourth quarter alone, leaving Berkshire with a \$73.67 billion year-end stake.

G20 generally agrees on need to coordinate over coronavirus



Japanese Finance Minister Taro Aso

Reuters | Riyadh

Japanese Finance Minister Taro Aso said yesterday that Group of 20 nations generally agreed on the need to coordinate in responding to the new coronavirus that emerged in China and has spread globally.

Aso said he did not believe that risks to Japan's economy have heightened dramatically

but declined comment on recent weakness in the yen.

He said almost all the G20 finance leaders gathered in Saudi Arabia on Saturday had mentioned risk from the new coronavirus, which has led to massive business disruptions in China that are starting to spill over into the global economy.

China's ambassador to Saudi Arabia represented Beijing at the meeting, Aso said.

Saudi Arabia hosts G20 leaders

Riyadh

Finance ministers and central bank governors from G20 nations met in the Saudi capital yesterday for a two-day gathering to discuss the global economy and the risks from the coronavirus epidemic.

Aside from an action plan to shield the world economy from the impact of the outbreak, financial leaders from the world's top 20 economies are also expected to discuss ways to achieve a fairer global taxation system for the digital era.

"Finance ministers and central bank governors will discuss global economic outlook and possible policy responses to support growth and safeguard against downside risks," G20 organisers said in a statement.

"In addition, they will discuss the priorities of the Saudi G20 Presidency under the theme 'realising opportunities of the 21st century for all'... including the tax challenges arising from the digitalisation of the economy."

The meeting in Saudi Arabia, the first Arab nation to hold the G20 presidency, will be chaired by the kingdom's finance minister Mohammed al-Jadaan and central bank governor Ahmed al-Kholifey.

The meeting comes amid growing alarm over the new coronavirus as Chinese authorities lock down millions of people to prevent the spread of the disease, with major knock-on



Saudi Arabia took over the presidency of the G20 group from Japan at a foreign ministers' meeting in Nagoya in November



Finance ministers and central bank governors will discuss global economic outlook and possible policy responses to support growth and safeguard against downside risks

G20 ORGANISERS

The impact of the epidemic may be short-lived but it comes as the global economy remains "fragile", IMF chief Kristalina Georgieva told a gathering in Riyadh on Friday.

Georgieva said the economic impact could see a "V-shaped" trajectory, with a sharp decline in China's GDP followed by a sharp recovery.

She warned the situation could have more dire consequences for other countries as the impacts spill over.

The virus has now claimed 2,345 lives in China, cutting off transportation and forcing businesses to close their doors.

China has said it will not be sending any leaders from Beijing for the Riyadh gathering but the Chinese ambassador in the kingdom will instead lead a small delegation.

"We have been closely watching the developments of the virus and assessing its potential effects on economic growth," a senior US Treasury official told reporters.

"We expect ministers and governors will discuss the global economic outlook, particularly as it relates to the coronavirus outbreak."

The G20 organisers will also

US blocking G20 mention of climate change in draft communique

Reuters | Riyadh

The United States is against mentioning climate change in the communique of the world's financial leaders, G20 diplomats said, after a new draft of the joint statement showed the G20 are considering including it as a risk factor to growth.

The G20 expects a modest pick-up in global growth this year and next, but noted downside risks to this outlook stemming from "... geopolitical and remaining trade tensions and policy uncertainty and macroeconomic risk related to environmental sustainability".

The latest draft communique gives less prominence to the outbreak of the coronavirus as a growth risk, saying only the G20 would "... enhance global risk monitoring, including the recent outbreak of COVID-19," the medical acronym for the coronavirus.

host a ministerial-level symposium on international taxation, focused on the challenges arising from the digitalisation of the global economy.

The symposium will be attended by US Treasury Secretary Steven Mnuchin along with a host of other financial leaders.

The Saudi presidency will see it host world leaders for a summit in Riyadh from November 21 to 22.

It will hold more than 100 events and conferences in the run-up to the summit, including ministerial meetings, organisers say.

Human rights groups have urged G20 member states to exert pressure on the kingdom over its intensifying crackdown on dissent, which has seen women activists, journalists and political dissidents jailed.



Journalists sit in the media center during the meeting of G20 finance ministers and central bank governors in Riyadh, Saudi Arabia,

Let's come together to tax tech giants, say G20 officials eyeing \$100 billion boost

Reuters | Riyadh

Leading world economies must show unity in dealing with aggressive "tax optimisation" by global digital giants like Google, Amazon and Facebook, G20 officials said yesterday.

Global rules are being developed by the Organisation for Economic Cooperation and Development (OECD) to make digital companies pay tax where they do business, rather than where they register subsidiaries. The OECD says this could boost national tax revenues by a total of \$100 billion (77 billion pounds) a year.

The call for unity appeared mainly directed at the United States, home to the biggest tech companies, in an attempt to head off any stalling on the rules until after the U.S. presidential election in November.

"There is no time to wait for elections," German Finance Minister Olaf Scholz told a tax



The Facebook logo is displayed on a mobile phone in this picture illustration

seminar on the sidelines of a meeting of G20 finance ministers and central bankers.

"This needs leadership in certain countries," Scholz said, looking directly at U.S. Treasury Secretary Steven Mnuchin, sitting next to him at the seminar.

The taxing of digital firms and the effect of the coronavirus outbreak on the global economy are among the hot topics being debated by G20 financial

leaders, from the world's 20 largest economies, during their talks in Riyadh this weekend.

The OECD wants to set a minimum effective level at which such companies would be taxed and seeks agreement by the start of July, with an endorsement by the G20 by the end of the year.

"A coordinated answer is not the better way forward, but, given the alternatives,

the only way forward," OECD head Angel Gurría told the seminar.

But the OECD efforts were stalled late last year by last-minute changes demanded by Washington, which many G20 officials view as reluctant to deal with a potentially politically tricky matter before the presidential election.

Mnuchin said OECD countries were close to an agreement on the minimum tax level, which he said would also go a long way to resolving the issue of where tax is paid.

"I think we all want to get this done by the end of the year, and that's the objective," Mnuchin told the seminar.

Mnuchin sought to reassure G20 delegates that a U.S. proposal to add a "safe harbour" regime to the tax reform effort — which has drawn criticism from France and other countries — would not let companies simply opt out of paying taxes.