

Weekly Economic Commentary – April 26, 2009

Global Developments

- IMF' has forecast US\$4.1 trillion in losses (\$3.1 trillion in the US) from the financial crisis in the banking sector worldwide, and in its new World Economic Outlook downgraded world growth to -2.5% for 2009.
- The US Leading indicator index fell by 0.3% in April after 0.4% in March. Meanwhile the initial jobless claims are still increasing by more than 600,000 and durable goods orders contracted by 0.8% mom in March.
- Secretary Geithner assertion in Congress testimony that US banks are adequately capitalized helped diminish stress test concerns and gave a temporary boost to the stock markets.
- US real estate remains weak: existing home sales in March fell 3.0% mom and new home sales fell 0.6% mom.
- The six leading German economic institutes cut GDP growth forecasts to -6% for 2009.
- The expectations component of the German ZEW index rose in April, indicating an improvement in sentiment, reflected in a slight increase in the IFO.
- Eurozone flash Purchasing Managers' Index (PMI) showed a substantial upwards rebound in April, indicating a slower pace of contraction. The French and German flashes for manufacturing and services PMI and the Belgian Manufacturing Survey also showed a similar improvement, but overall this data are still indicating a contraction in output.
- UK GDP fell by 1.9% qoq in Q1, worse than expected, indicating that in 2009 GDP could fall by 6% or more.
- The U.K. labor report showed another rise in

unemployment rate in March (to 4.5%). That measure of unemployment is now trending up at a rate of 3 ticks per month. Meanwhile UK budget deficit for the fiscal year 2009-10 has been estimated to reach 12.4% of GDP.

- Korea GDP for first quarter of 2009 showed a slight growth of 0.4% quarter on quarter, strengthening from the previous quarter fall of 18.9% qoq.
- The Reserve Bank of India cut the reverse repo and repo rates by 25basis points (bp) each, making a total of 425bp cuts in the repo rate and 275bp cut to the reverse repo rate since the rate-cutting cycle began.
- Singapore Industrial Production plunged by 34% in March yoy, much worse than expected and particularly worrisome considering that IP plummeted 24%yoy in Jan-Feb compared to the same period in 2008.

Regional Developments

- Kuwait recorded a preliminary budget surplus of KWD 6.1billion for financial year ending Mar09, from higher oil sales. Oil revenue was 70.6% higher than budgeted while non-oil revenue was 22.2% above budget during this period.
- In an effort to accelerate economic integration, Saudi Arabia has removed previous restrictions on all GCC citizens wanting to work, buy property or study in the Kingdom.
- SABIC said it would look to cut costs as it reported a loss of 974 million riyals (\$ 259.3 million) compared to a net profit of 6.92 billion riyals in the first quarter of 2008.

Market Intelligence on the UAE:

- Lower CDS spread (fell to a low of 565 basis points from 660bps a month ago) for Dubai on rising confidence in the Emirates' finances among international investors.

- Cityscape Abu Dhabi held last week witnessed the launch of a host of projects like a housing scheme for middle income Emiratis by Aldar Properties and a multi-faceted project in Abu Dhabi with a first phase development value of Dh4 billion. However, the number of visitors was estimated at 27, 000 compared to over 50,000 participants in the previous edition.
- According to the Dubai Roads and Transport Authority (RTA), 3 major road projects worth Dh2.9 billion have been approved by the Ruler of Dubai. Additionally, work has begun to expand the combined passenger capacity at Dubai's two airports to 240 ml, from the 190 ml initially planned. All this reaffirms the commitment of the government to support infrastructure growth to sustain job creation and boost the capacity of the economy.
- Amlak and Tamweel will restart functioning as independent Islamic mortgage lenders, before the merger comes into effect. This is to bridge the vacuum in Islamic home finance firms as these two companies represented more than 60% of Dubai mortgage industry
- Etisalat added only 41,000 new mobile subscribers in Q1 2009 compared to 251,000 in Q4 2008.