

# Weekly Economic Commentary – February 07, 2010

## Markets

Global **stock markets** slid sharply to a three-month low on Friday due to widespread concerns about the public finances of Greece, Portugal and especially Spain compounded by negative data on the US job market. Most GCC markets were up, with the exception of only Saudi Arabia. **Oil** fell nearly 3 percent on Friday to a seven-week low, taking its losses to 14.4% over the past month. The **euro** weakened to an 8 month low against the dollar.

## Global Developments

### **America:**

- The US payroll data showed further job losses of 20,000 units in January. The unemployment data were more positive with the rate falling to 9.7% from 10.1%, which appears to reflect a genuine move. The household measure of employment in fact rose by 541,000.
- The US ISM non manufacturing index edges back to 50.5 into positive growth territory, spurred by a gain in order but otherwise slightly disappointing expectations.

### **Europe:**

- Euroland's PMI manufacturing increased by less one point to 52.4 in January, signaling moderate growth is holding ground. The PMI services on the contrary lost almost one point to 52.5, a lackluster result.
- German industrial production fell sharply in December by -2.6% mom -6.7% yoy. Although seasonal and calendar effect might explain this weakness it is clear that momentum is waning and is not helped by weakness in the Southern part of the euro area.

- Spanish GDP fell 0.1% qoq in Q4 2009. This is the first figure to come out of the eurozone, and is not particularly encouraging. But Spain's woes last week came under the spotlights with markets fretting about the sustainability of its fiscal position.

### **Asia and Pacific:**

- South Korean exports rose 47.1% yoy, and imports 26.7% yoy in January. Exports growth was more broadly based than in December with a distinctive out-performance towards emerging markets.
- India's export grew 9.3% yoy and import by 27.2% in December. While improvement in exports continued, non-oil imports jumped, with merchandise imports growing 22.1% qoq (sa).

**Bottom line:** Doubts about the strength of the recovery intensify in developed economy with the job market still weak and the weight of unsustainable public debts coming under scrutiny.

### **Regional Developments**

- Gulf Air's ownership has been transferred to the Bahraini government from Mumtalakat earlier. According to Mumtalakat's chief executive, airline industry investment did not fit with the fund's strategy and given low-returns from such investments, its earlier role was more of a strategic nature.
- Qatar Financial Centre announced an alteration in its strategy to focus on asset management, reinsurance and captive insurance, the head of its governing body said, in a move to compete with other Gulf financial hubs.
- Shuaa Capital's GCC Investor Confidence Index dipped 2.4 points in Jan 2010; Investor sentiment towards the UAE

fell into negative territory due to increased uncertainty about the six months outlook of the economy and stock markets.

- According to a new report by Kamco Research, Saudi Arabia's banks hold the largest deposit base among its GCC peers (about 38% of total GCC deposit base) or about \$283 billion as of Sept09. The banking sector in the UAE followed with 30% (deposit base of \$221bn), while Kuwaiti banking sector held the third largest position with 17%, equivalent to \$124bn.
- The GCC railway project is expected to cost \$25 billion and likely to be completed by 2017 according to an informed source at the GCC General Secretariat; tenders for an engineering study would be invited from specialized consultancy firms in Q1 2010, and the project is expected to create about 40,000 jobs. (Source: Zawya)
- Kuwait clocked in a surplus of KWD 6.32 bn in the first eight months of the fiscal year 2009-2010 from higher oil revenues; In other data released, consumer prices rose 5.2% yoy in Apr09, slowing slightly from 5.7% in the previous month.

### **Market Intelligence on the UAE**

- Dubai's exports grew by 9.3% to Dh40.9 billion in the fourth quarter of 2009. Meanwhile, the total number of Certificates of Origin (COO) issued by the Dubai Chamber during the fourth quarter stood at 152,070, an increase of 1.7% from Q3.
  - Dubai's offshore oilfield is likely to begin commercial production within a year, according to the office of the Emirate's ruler. The field which is named al-Jalila will be the fifth in Dubai.
  - The Dubai Financial Support Fund gave Dubai World about \$6.2 bn over the past 12 months and stands

ready to provide “considerably more”, according to its spokeswoman, adding that the aid was given on commercial terms. Meanwhile, uncertainty about the company’s \$22 billion debt restructuring is starting to weigh on the credit again – pushing up bond yields and Dubai’s debt insurance costs.

- State-owned Dubai Aluminium Co year-on-year sales volume for 2009 rose 8.7% on higher demand in the Middle East.

Dubai’s Department of Economic Development announced the issuance of 11,635 business licences in 2009, as economic activities continued at similar momentum. Meanwhile, real estate transactions during Jan 2010 dropped 15% yoy according to RERA.