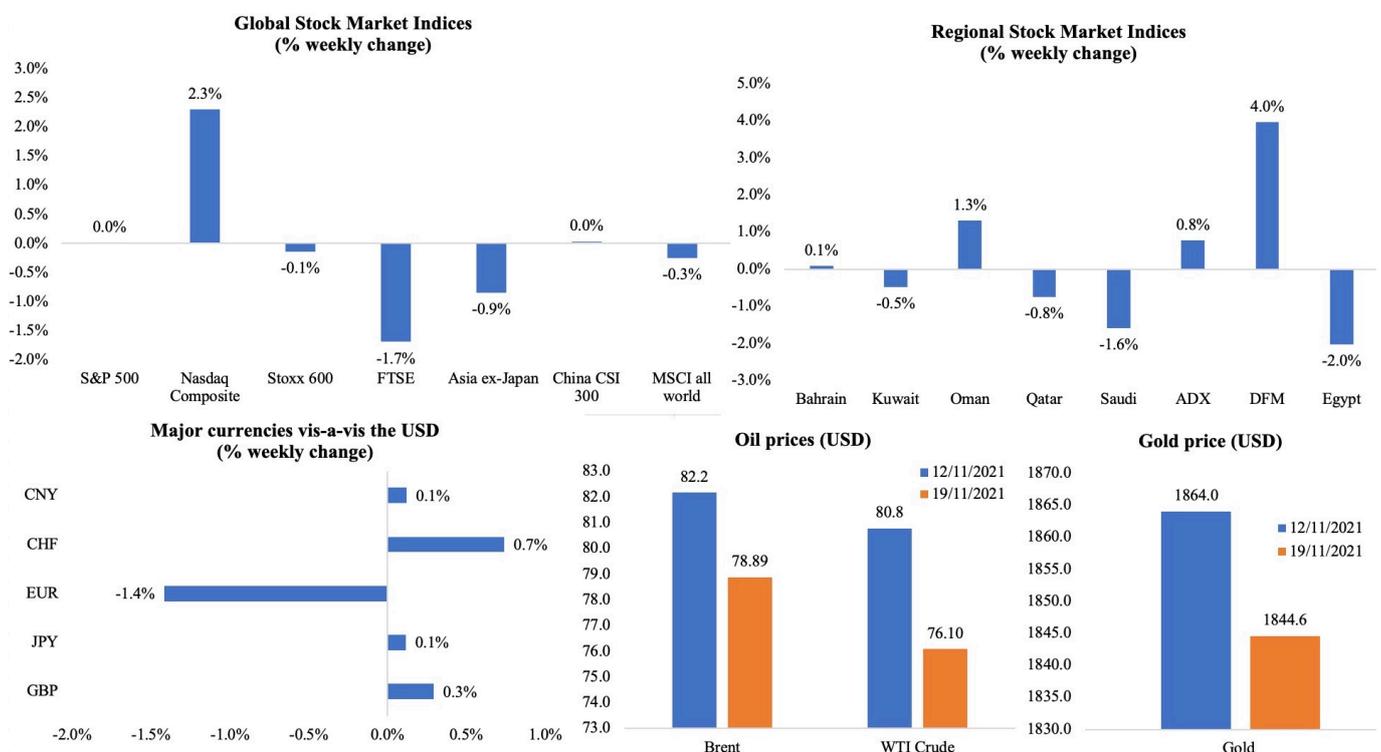


# Weekly Economic Commentary – Nov 21, 2021

## Markets

successive weekly <sup>nd</sup>In the US, Nasdaq recorded a weekly gain while Dow Jones posted a 2 loss; fresh Covid19 lockdowns in Europe caused markets to give up gains by end of the week after posting record highs (Germany’s DAX, Switzerland’s SMI, France CAC 40, Stoxx 600, UK’s FTSE,); the MSCI world equity index fell by 0.3%. Regional markets were mixed: both Saudi and Egypt were down, while DFM gained given the buzz around potential IPOs and announcements of incentives. The euro fell to more than six-year lows versus the Swiss franc and touched a 16-month low against the dollar. Furthermore, the rise in UK inflation pushed the GBP to its highest rate against the euro since Feb 2020 on higher rate expectations. Oil prices dipped after Austria reimposed a full lockdown to tackle Covid19 infections and fears of similar moves across other nations in Europe amid news of potential release of oil reserves from China and the US. Despite its safe haven status, gold price slipped by 1% on talks about accelerated tapering moves from the Fed.

Weekly % changes for last week (18 – 19 Nov) from 11 Nov (regional) and 12 Nov (international).



Source: Refinitiv Eikon, Datastream, Nasser Saidi & Associates.

## Global Developments

### US/Americas:

(Sep: -1.3%). **Industrial production in the US rebounded by 1.6% mom in Oct** • Capacity utilization climbed to 76.4% (Sep: 75.2%). The Fed disclosed that about half of

the rebound in industrial production reflected a recovery from the effects of Hurricane Ida. (Oct: 0.8%), the largest gain **Retail sales in the US inched up by 1.7% mom in Nov** since Mar, as holiday shopping started earlier given potential shortage of goods. Sales **.21.4% above their pre-pandemic level** soared 16.3% yoy in Oct and are 4% mom to 1.65mn in Oct while the number of **Building permits in the US grew** houses authorized for construction but not yet started rose by 4.8% to a 15-year high of , down by 0.7% in Oct to a **Housing starts meanwhile continued to fall** 152k. seasonally adjusted annual rate of 1.52mn units, following Sep's 2.7% dip. Materials shortages due to supply chain bottlenecks and high prices of raw materials have been weighing on homebuilding. (Oct: 19.8), supported **NY Empire State manufacturing index rose to 30.9 in Nov** The by new orders (28.8 from 24.3) and shipments (28.2 from 8.9); optimism for the next 6 **Philadelphia Fed** months dropped to 36.9 from 52 the month before. The (Oct: 23.8), thanks to increases in **manufacturing survey accelerated to 39 in Nov** employment and prices paid and received. , staying <sup>th</sup> in the week ended Nov 12 **Initial jobless claims declined by 1k of 268k** consecutive week while the 4-week average slipped to <sup>th</sup> below the 300k mark for the 5 .<sup>th</sup> 272.75k. Continuing fell by 129k to 2.08mn in the week ended Nov 5

#### Europe:

, confirming the **GDP in the eurozone increased by 2.2% qoq and 3.7% yoy in Q3** previous estimate. The number of employed persons increased by 0.9% qoq in Q3 (Q2: 0.7%). (Sep: 3.4%), with energy **Inflation in the EU grew to a 13-year high of 4.1% yoy in Oct** prices rising by 23.7%, followed by services (2.1% from 1.7% in Sep). Core inflation inched up to 2% yoy (and up 0.3% on the month). , largely due to **German producer price index accelerated to 18.4% yoy in Oct** soaring gas and electricity prices. **rising at the fastest pace** (Sep: 3.1%), **Inflation in the UK jumped to 4.2% yoy in Oct** -, driven by the hospitality sector as well as a rise in costs of fuel and second in a decade hand cars. Core inflation accelerated to 3.4% from 2.9% the month before. Producer price index also inched up in Oct, rising to 8% yoy (Sep: 7%) – the highest output producer inflation since Oct 2008; core output was up by 0.7% mom (Sep: 0.6%). from 4.5% **The ILO unemployment rate in the UK fell to 4.3% in the 3 months to Sep** in Jun-Aug. The Claimant Count Rate edged lower to 5.1% (Sep: 5.2%) while average earnings grew by 4.9% (excluding bonus), slowing from 6% previously. , rising by 0.8% mom in Oct – this follows **Retail sales in the UK rebounded strongly** **This** five months of almost no growth; even excluding fuel, sales were up by 1.6% mom. -ONS revealed that non-. **higher than their pre-pandemic levels in Feb 2020% is 5.8** food stores were the only main retail sector to see a rise in sales volumes (+4.2%). , up by 3 points to -14 in Nov. **UK consumer confidence index improved in Nov**

#### Asia Pacific:

- in the period Jan-Oct (Jan-**Fixed asset investment in China increased by 6.1% yoy** **FDI into China grew** Sep: 7.3%), with investments by the private sector rising by 8.5%.

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to CNY 943.2bn (vs 19.6% in Jan-Sep). Foreign **by 17.8% in the first 10 months** investment into the service sector was up by 20.3%, while high-tech industries saw FDI inflows jumped 23.7%.

(Sep: 3.1%), rising by **China's industrial production increased by 3.5% yoy in Oct** •  
**Urban jobless** by 4.9% yoy in Oct (Sep: 4.4%). **Retail sales grew** 10.9% in Jan-Oct. – the lowest level since Dec 2018 – while **rate remained unchanged at 4.9% in Oct** among the 16-24 age group, unemployment rate dipped to 14.2% (Sep: 14.6%).

, down by **value of government land sales in China fell for the 4th month in Oct** The •  
 13.14% yoy to CNY 573.7bn (USD 89.9bn), versus Sep's 11.15% slump in a policy clampdown.

(Q2: 0.4%), with **Japan's preliminary estimates for GDP shrank by 0.8% qoq** •  
 household consumption, private non-residential investment and public investments declining by 1.2%, 3.8% and 1.5% respectively. In annual terms, GDP fell by 3% in Q3 (Q2: 1.5%).

**Japan unveiled a record USD 490bn spending package at a time when other major** •  
 This includes **developed nations are planning to withdraw stimulus measures.** spending for items ranging from cash payouts to households, subsidies to COVID-hit firms and reserves set aside for emergency pandemic spending.

(Sep: 0.2%), with a slump in mobile **Inflation in Japan increased by 0.1% yoy in Oct** •  
 phone fees (-54%) amid a surge in gas prices by 21%. Prices excluding food increased **prices excluding both food** consecutive month) while <sup>nd</sup>by 0.1% (advancing for the 2 (Sep: -0.3%).) **and energy fell by 0.7%**

by 9.4% yoy in Oct (Sep: 13%), the smallest rise in 8 **Exports from Japan increased** •  
 months, dragged down by 36.7% drop in the shipment of cars. Imports grew by 26.7% (Sep: 38.2%), hence posting a trade deficit of JPY 67.4bn (USD 586.6mn).

in month-on-month terms in Sep; orders were **Core machinery orders remained flat** •  
 up by 12.5% yoy.

on the back of higher prices **Retail inflation in India rose marginally to 4.48% in Oct** •  
 . **Wholesale price inflation** of edible oil and vegetables as well as the price of services consecutive month of <sup>th</sup>to 12.54% yoy in Oct (Sep: 10.66%) – the **7in India increased** double-digits WPI - with the ministry citing “rise in prices of mineral oils, basic metals, food products, crude petroleum & natural gas, chemicals and chemical products”.

, compared to a **Trade deficit in India more than doubled to USD 19.73bn in Oct 2021** •  
 year ago. Exports jumped by 43.1% to USD 35.65bn and imports rose at a faster pace of 62.5% (oil imports surged by 140.5% to USD 14.4bn).

**Bottomline: Global economic recovery is currently facing two major concerns - inflationary pressures and new lockdowns in Europe where cases are skyrocketing (Austria announced the first nationwide vaccine mandate in Europe). The Fed minutes (out this week) should provide some indication as to their take on inflation and tapering timelines. For now, in spite of higher prices, retail sales have held up well as people started holiday shopping early. Emerging markets are facing additional concerns of tighter financing conditions: in Turkey, central bank cut interest rates by 1 ppt to 15% last week and the lira touched its weakest level on record; China's real estate woes and liquidity issues are worsening; Paytm shares plunged by more than 27% after India's biggest IPO debuted on the market (with worries about profitability, high valuation and competition in the payments segment).**

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## Regional Developments

- **The oil and gas sector in Bahrain contributes to only about 20% of GDP, but forms** , according to the finance minister. He disclosed that the **the largest part of revenues** country is still running a deficit and hence borrowings would continue.
- , with top 10 trading **Bahrain-origin exports surged by 85% yoy to BHD 366mn in Oct** partners accounting for 67% of total. Saudi Arabia, UAE and the US were the top nations receiving exports (BHD 53mn, BHD 37mn and BHD 33mn respectively). Imports grew by 24% to BHD 452mn, with Brazil, China and Australia the top exporters to Bahrain (BHD 61mn, BHD 56mn and BHD 54mn respectively).
- (Q2: 7.3%), with the total **Unemployment rate in Egypt inched up to 7.5% in Q3 2021** number of unemployed citizens reaching 2.2mn during the quarter. Male unemployment rate climbed to 5.9% in Q3 (Q2: 5.7%) while the female rate stood at 15.3% (Q2: 15%).
- , rising to 3.1% of **Egypt's budget deficit widened to EGP 219.8bn in Jul-Oct 2021** GDP compared to 2.6% of GDP in the same period a year ago. Total revenues touched EGP 311bn (+8.3% yoy), of which tax revenues contributed about 78.8%. Expenditures also ticked up, rising by 16.6% to EGP 530.7bn.
- - the 3 fees **The Financial Regulatory Authority in Egypt announced a reduction in** on the exchange by 20%. The current payable for trading operation time in 2 years -<sup>rd</sup> fee is 10%.
- **99 petroleum agreements in the past 7** has witnessed **Egypt's petroleum sector implementation of 45** , with investments totaling USD 17bn in addition to the years with investments of EGP 565bn. **projects to develop oil fields** to USD 2.7bn in Aug 2021, according
- **Remittances into Egypt increased by 11.6% yoy** to the central bank. Year-to-date, remittances were up by 10.4% to USD 21.4bn.
- roughly around **Egypt's central bank has instructed banks to increase financing for** . This is to support employment and **companies and factories, especially SMEs** 126k production rates amid rising international prices, thereby avoiding financial problems.
- , with a total of **Suez Canal saw a record 80 ships passing through last Monday** The 5.4mn tons of shipments.
- through the **Iraq received a shipment of 1.2mn doses of the Pfizer Covid vaccine** Covax sharing scheme. According to official data, nearly 7mn Iraqis have received at least one dose of the vaccine, accounting for 17.5% of the total population.
- , according to the Ministry of **iraqi wheat production is in a crisis given water scarcity** Agriculture. It is estimated that production deficit will reach 2mn tons this year.
- to KWD 1.1bn in Q3 **Real estate sales in Kuwait increased by 16% qoq and 63% yoy** 2021, thanks to strong activity in the residential sector (+87% yoy) and a significant rise in home and land prices (+27% and 14% respectively as of Sep).
- business credit was **Domestic credit disbursed in Kuwait grew by 2.1% qoq in Q3;** flat in 3Q2021 with the yoy increase at 0.3% through Sep. Credit to the real estate sector accounted for 43% of the total, and credit growth to the sector inched up by 2.3% yoy at end-Sep.
- **Arab Gas pipeline by early next** Syria and the **Egypt will export gas to Lebanon via** the nation plans to export up to 65mn cubic feet of gas per day to Lebanon. The year: nation will pay Egypt using a World Bank loan, though the amount has yet to be determined.
- - by 2.6% yoy to OMR 23.4bn at end- **Credit to the private sector in Oman inched up** , driven by an increase in **Nominal GDP during H1 2021 increased by 10.1% ep 2021.**

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output of the hydrocarbon sector by 8.7% and the non-hydrocarbon sector by 11.1%.

**The IMF disclosed that it had received a request for aid from Tunisia's new** •  
aid program in 10 years from the IMF, and <sup>th</sup>. This would be the country's **4government**  
it hopes to receive a USD 4bn loan before end of the year.



## **Saudi Arabia Focus**

**8% yoy to 6.52mn barrels per** by 1% mom and **Saudi Arabia's oil exports increased** •  
straight month. Between Apr-Sep, oil exports have <sup>th</sup>, rising for the **5in Sep (bpd) day**  
risen by nearly 15%. Crude oil output rose by 100k bpd to 9.622mn bpd in Sep – the  
highest since Apr 2020.

(Sep: 0.6%), given the uptick in food **Inflation in Saudi Arabia ticked up to 0.8% in Oct** •  
and beverages (1.4%) and transport (6.4%). SAMA expects inflation to rise slightly in  
Q4, given global inflation levels and strengthening domestic demand.

**largest** – the **Saudi Arabia launched NEOM's industrial city OXAGON last week** •  
Powered 100% by clean energy, the port, logistics and rail **floating industrial complex.**  
delivery facility will be unified, providing world-class productivity levels with net-zero  
carbon emissions. The facility is estimated to reduce ship to factory time to a day at  
most.

**32 issued Saudi Transport General Authority** In a bid to drive the logistics sector, the •  
in the private sector. **nternational SMEsilogistic licenses to local and**  
Global Ports Company, in coordination with the Saudi Ports Authority (Mawani), **Saudi** •  
at King Abdulaziz Port **reduce handling fees of importing empty containers** plans to  
This will support competitiveness of the **by 50%, for the duration of a year.** Dammam  
ports, and reduce costs for businesses.

**licensing process to set up a business from outside Saudi Arabia has been** The •  
: first, investors need to request an attestation for a contract from the Ministry **simplified**  
of Foreign Affairs, following which they can apply for a business license from the Ministry  
of Investment. Finally, they need to authenticate the establishment contract of the  
business and issue the commercial register with the Ministry of Commerce.

**Saudi Arabia launched the largest factory for solar panels production in the MENA** •  
in Tabuk Industrial City: strategically located near NEOM and the Red Sea **region**  
and **production capacity of 1.2 gigawatts** projects, the project is estimated to have a  
accounts for SAR 700mn (USD 186.6mn) of investments.

**Saudi government and sovereign wealth fund are** Bloomberg reported that the •  
in a few months to raise funds to finance projects **planning to launch green bonds**  
powered entirely by renewable energy.

**More than 175k families have benefited from the Saudi Housing Ministry's Sakani** •  
from Jan-Oct this year. **program**  
by 5.3% yoy to USD 124.3bn **Saudi Arabia's holdings of US Treasury bills declined** •  
- in Sep. During Jan-Sep, Saudi reduced its investments in US T-bills by 8.87% from end  
Dec.

this **The Ministry of Justice in Saudi Arabia initiated a real estate exchange trial:** •  
will process direct transactions, real estate offers, new transactions, mortgages, inquiries  
about title deeds and update of title deeds. Buy orders are expected to be added shortly.

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**Saudi PIF roughly tripled its stakes in US-listed holdings to USD 43.45bn in Q3** •  
from USD 16bn in Q2, boosted by Lucid Motors' IPO in Jul. The PIF has an estimated USD 430bn worth of assets under management. In addition to stakes in Lucid Motors (a majority 62.72%), Alibaba, Walmart, Pinterest, the wealth fund also purchased stakes in Just Eat Takeaway.com and Ballard Power Systems.



**2022: 1<sup>st</sup> will come into force from Feb 2022 UAE's new labour law for the private sector** •  
**condensed** as well as **temporary and flexible work, freelance jobs** it allows for  
(2 **and shared jobs** (40 hours per week can be completed in 3 days) **working hours**  
persons can do the same job and split the pay, after agreeing with the employer).  
Another provision bans employers from holding employees' passports or charging them  
for recruitment fees. Any indefinite contracts will be changed to fixed-term contracts that  
can be renewed.

**The Dubai Financial Market's incentives to boost IPOs and support listings from** •  
includes financial support to the cost of private companies' IPOs on **the private sector**  
the Main Market and listing on the Second Market, post-listing support through  
participation in its international roadshows, and a 3-year waiver on fees (listing, AGM  
and dividend distribution).

**Dubai Future District Fund to (USD 272mn) Dubai launched a AED 1bn** •  
and encourage them to list on the local **seed to growth-stage tech startupssupport**  
stock exchanges. The aim is to establish 1,000 tech firms in the country in 5 years and  
increase startup investments to AED 4bn from AED 1.5bn.

**Emirates** : the Chairman and CEO of **Potential IPO announcements are flowing** •  
**Al Habtoor Group** Airlines stated that it could list one of its entities on the DFM. The  
may list 30 or 35% of shares in Q3 2022, revealed the firm's Chairman during an  
interview with Al Arabia.

**India hopes to sign a new trade pact with the UAE in H1 2022,** •  
General of India in Dubai in an interview. This will help achieve over USD 115bn in  
bilateral trade in the next five years.

**UAE plans to invest USD 10bn in Brazil in the coming decade** •  
economy minister, after bilateral talks were held.

**UAE's financial regulators have issued joint guidelines to support financial** •  
like application programming **institutions safely adopt enabling technologies**  
interfaces (which allow FinTechs to work with banks' software), Big Data analytics,  
artificial intelligence, biometrics, cloud computing and distributed ledger technology. This  
will help these institutions to manage risk "proactively and appropriately" from the  
introduction of technology.

**will publish a new index for actual overnight funding The UAE central bank** •  
from 7th Dec 2021, named "DONIA" **transactions denominated in UAE Dirham**  
(Dirham Overnight Index Average) and will improve transparency in domestic money  
market activities.

**Department of Economic Development in Abu Dhabi has added 11 new** The •  
including **commercial activities to the list of Freelance Professional License**  
accounting and auditing, analysing and reviewing accounting and auditing systems,

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Sharia review consultancy, design of database systems and electronic risk management services among others.

- **for foreign employees of firms visaDubai announced a five-year multiple entry** to improve flexibility and efficiency: this allows employees of **based in the emirate** MNCs to visit and stay in the UAE for 90 days, with an extension of further 90 days.
- **UAE signed 23 agreements with local and international companies worth AED** , revealed the Ministry **Dubai Airshow** (USD 6.1bn) during the first 4 days of the **22.5bn** of Defence.
- **UAE will award contracts for USD 20bn of natural gas** Bloomberg reported that the (Dalma gas field in Persian Gulf waters) in the coming days, in a bid to boost **projects** exports. The Dalma gas field will see gas flowing by about 2025 and help UAE become self-sufficient in gas by 2030, according to ADNOC CEO.
- **Passengers at the Dubai International Airport will increase to around 45-50 million** , from 27-30 million this year, stated the Deputy CEO of Dubai Airports Co. **in 2022 welcomed 20.7mn** disclosed that it had **Dubai International Airport** Separately, , with traffic up almost 20% in the past month. India **passengers in Jan-Oct this year** (2.8mn), Pakistan (1mn), Egypt (753k), US (710k) and Turkey (598k) were the largest source nations.
- , released by Majid Al Futtaim, revealed **State of the UAE Retail Economy** The , while retail performance **footfall in shopping malls increased by 18% yoy in Q3** that grew by 7% qoq in Q3 (surpassing 2019). The report, which finds that consumer confidence in Dubai reached its highest level in 10 years in Q3, also states and more than a fifth higher than Q2. **e-commerce grew by 34% yoy in Q3** that

## Media Review

### **Inflation: is now the time to get worried?**

<https://www.ft.com/content/570e9180-45fb-4157-9727-553c2471c309>

### **Governments are not going to stop getting bigger**

[-https://www.economist.com/briefing/2021/11/20/governments-are-not-going-to-stop-getting-bigger](https://www.economist.com/briefing/2021/11/20/governments-are-not-going-to-stop-getting-bigger)

[-https://www.economist.com/leaders/2021/11/20/the-world-is-entering-a-new-era-of-big-government](https://www.economist.com/leaders/2021/11/20/the-world-is-entering-a-new-era-of-big-government)

### **Lebanon medicine prices skyrocket as subsidies lifted**

[-https://www.thenationalnews.com/mena/lebanon/2021/11/16/lebanon-lifts-most-medicine-subsidies/](https://www.thenationalnews.com/mena/lebanon/2021/11/16/lebanon-lifts-most-medicine-subsidies/)

