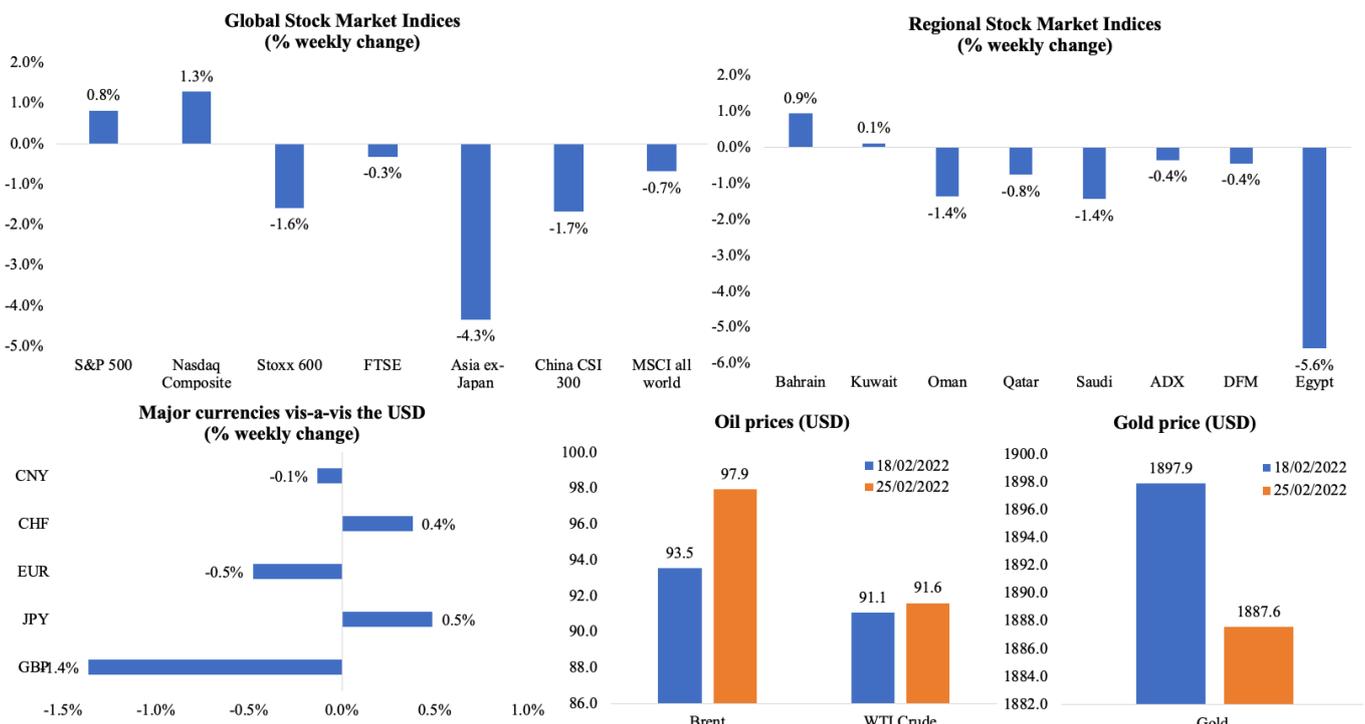


# Weekly Economic Commentary – Feb 28, 2022

## Markets

Global markets last week were in turmoil after the Russian invasion of Ukraine, which has since seen tight sanctions from the West including selected banks being banned from the Swift financial network. Thursday alone saw almost USD 1trn being wiped off the value of global stock market; many markets rebounded on Friday. At the end of the week, both S&500 and Nasdaq ended on a positive note while the MSCI World Index was down 0.7%. Most Middle East markets tumbled on concerns about disruptions to energy supply due to the invasion while UAE markets (which were open on Friday) stabilised. The surge in oil and gas prices were the most dramatic: Brent almost reached USD 105 a barrel in early trading this morning; potential disruption of grain shipments from both Ukraine and Russia – which could affect countries in North Africa significantly (especially wheat) – also saw future prices rise higher (wheat prices touched the highest since mid-2008). Demand for safe haven assets weakened on Friday, including gold price: it had touched USD 1973.96 on Thursday, the highest since Sep 2020, but ended lower by end of the week.

Weekly % changes for last week (24 – 25 Feb) from 17 Feb (regional) and 18 Feb (international)



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

## Global Developments

### US/Americas:

- , slightly higher than the initial 6.9% **GDP increased at a 7% annualized rate in Q4** estimate, supported by consumer spending (+2.1%) while inventories surged by a revised USD 238mn.
- the highest increase since Apr **Core PCE price index surged by 5.2% yoy in Jan,**

1983. Including both food and energy prices, headline PCE rose to 6.1%, the most in Jan, reversing Dec's **Personal spending accelerated by 2.1%** since Feb 1982. , following a 0.4% uptick the month **Personal income was flat in Jan** 0.8% decline. before.

<sup>th</sup>(Dec: 1.2%), posting the 4**Durable goods orders inched up by 1.6% mom in Jan** •  
consecutive month of gains. Non-defense capital goods orders excluding aircraft grew by 0.9% (Dec: 0.4%).

(Jan: 55.5), supported **Flash manufacturing PMI in the US inched up to 57.5 in Feb** •  
**Input cost inflation eased to a nine-month** by gains in factory orders and export sales. , but production continues to be hampered by scarcity of raw materials, supply chain **low** disruptions and labour shortages.

(Jan: 8.0), **Richmond Fed manufacturing index fell to a 5-month low of 1.0 in Feb** •  
as new orders dropped (-3 from 6 in Jan) though employment gained (to 20 from 4 in (Dec: 0.07), improving **Chicago Fed national activity index rose to 0.69 in Jan**Jan). across all categories.

**in** to a seasonally adjusted annual rate of 801k **New home sales fell by 4.5% mom** •  
**Pending home sales fell for** , given high home prices and rising mortgage rates.**Jan** , dropping by 5.7% mom – the steepest since a **in Jan consecutive month<sup>th</sup>the 4** record drop in Apr 2020.

by 18.6% yoy in Dec (Nov: 18.3%). The**S&P Case Shiller home price index increased** •  
National Composite Index posted a gain of 18.8% in 2021, the highest calendar year increase in 34 years and much higher than 2020's 10.4% uptick.

from the previous <sup>th</sup>**Initial jobless claims slipped to 232k in the week ended Feb 18** •  
**Continuing** week's upwardly revised 249k; the 4-week average eased to 236.25k. – this is the lowest level since <sup>th</sup>to 1.476mn in the week ended Feb 11 **claims eased** , 1970.<sup>th</sup> March 14

## :Europe

, the lowest monthly rate in 6 **HICP in the euro area inched up 0.3% mom in Jan** •  
months.

(from the earlier estimate of 2.7%). In Q4, **GDP in Germany grew by 2.9% yoy in 2021** •  
GDP declined by 0.3% (lower than the 0.7% estimated before), with the drop in consumer spending (-1.8%) slightly offset by government spending (1%).

, with**Producer price index in Germany surged to a new record high 25% yoy in Jan** •  
energy prices the biggest contributor to the uptick (+66.7%) in addition to upticks in intermediate goods (20.7%) and capital goods (5.3% - the biggest gain since Dec 1982).

to 58.5 in Feb (Jan: 59.8) despite strong**Germany's flash manufacturing PMI slipped** •  
**uptick in services PMI**order growth given staff absenteeism due to infections. But the – up 2.4 points to 56.2. **rise in composite PMI** (to 56.6 from 52.2) supported the (Jan: 58.7): while **Flash manufacturing PMI in the eurozone eased to 58.4 in Feb** •  
supply bottlenecks eased, respondents indicated that inflow of new orders exceeded gains in production. As in Germany's case, the jump in services PMI (to 55.8 from 51.1) (to 55.8 from 52.3). **climb in composite PMI**supported the (Jan: 96). Both the **German Ifo business climate index inched up to 98.9 in Feb** •  
current assessment and expectations increased to 98.6 and 99.2 (from 96.2 and 95.8 respectively), supported by the relaxation of restrictions and waning Covid numbers. (Feb: -6.7), given high **GfK consumer confidence survey worsened to -8.1 in Mar** •

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inflation rates. The lifting of pandemic-related restrictions should lead to near-term improvements.

- (Jan: 112.7). The **Eurozone's economic sentiment indicator edged up to 114 in Feb** final estimate of consumer confidence in Feb remained unchanged at -8.8 while the business climate edged down slightly to 1.79 from the previous estimate of 1.8.
- from the month **in Feb Flash manufacturing PMI in the UK stood unchanged at 57.3** from 54.1. Output **services PMI shot up to an 8-month high of 60.8** before while growth in the service economy (sub-index at 60.8) exceeded that seen in the manufacturing sector by a wide margin (sub-index at 56.7).

#### :Asia Pacific

- **The People's Bank of China left interest rates unchanged at 3.7% at the meeting** the apex bank on Friday pumped a net CNY 290bn through seven-day reverse repurchase agreements – the most since Sep 2020 - to keep liquidity stable at the end of the month.
- (Jan: 55.4), the weakest **Flash manufacturing PMI in Japan declined to 52.9 in Feb** time in 5 months and new exports orders <sup>st</sup>since Sep 2021: output shrank for the 1 growth slowed.
- (Jan: 0.5%), the highest since Dec **Inflation in Tokyo inched up to 1% yoy in Feb** 2019. Excluding fresh food prices ticked up to 0.5% from 0.2% the month before – largely due to the 24.2% surge in energy prices. Excluding food and energy, prices fell by 0.6% (Jan: -0.7%).
- – the highest level since Jul **Japan's leading economic index climbed to 104.8 in Dec** – up from the preliminary reading of 104.3 and Nov's 103.9. The coincident index edged down slightly to 92.7 in Dec (Nov: 92.8).
- (after **Bank of Korea maintained the 7-day repurchase rate steady at 1.25%** The raising rates three times since Aug) while signaling tighter policy up ahead. Inflation is expected to touch 3.1% this year, much higher than the previous 2% estimate.
- **in additional (USD 14.2bn) parliament approved another KRW 9trn** Separately, the .pandemic-related spending by 10.7% mom in Jan; excluding **Manufacturing output in Singapore plunged** biomedical manufacturing, output fell by 0.2%.

**Bottomline: Concerns about inflation rise as both energy prices and grain prices surge to multi-year highs and supply disruptions can be expected to linger. While release of oil from global strategic reserves is being planned, it seems unlikely that the OPEC+ will provide additional oil when it meets this week. Central banks are likely to continue tightening plans given inflationary pressures. Meanwhile, the Russian central bank doubled interest rates to 20% earlier today after the sanctions led to a plunge in the rouble (-29% to almost 118 vis-à-vis the dollar in early trading).**

#### Regional Developments

- by 116% yoy to BHD 498mn **Revenues from online transactions in Bahrain surged** in 2021 from more than 3.7mn transactions. The digital transformation also saw 57 new government services migrating to online channels and 91% of the community opting to use eServices.
- **Real estate transactions in Bahrain increased**

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by 46% yoy to BHD 1bn (USD 2.7bn)

in 2021, supported by government initiatives (especially National Real Estate Plan 2021-2024).

<sup>th</sup>will discuss with its shareholders (on March 20 **Bahrain-based GFH Financial Group** , reported Argaam. **plans to list on Tadawul and Abu Dhabi Securities Exchange**) its ), up from 2% in **Oct-Dec 2021** Q2 of the current financial year (**Egypt grew by 8.3%** in the same quarter a year ago but lower than the 9.8% growth in Q1 of the current fiscal year. Growth is estimated to range between 6.2-6.5% this fiscal year.

(USD 362bn), thanks to the **Bank deposits in Egypt rose by 22.3% yoy to EGP 5.7trn** retail sector deposits (up 20% to almost EGP 3.9trn). The highest growth was seen in public sector deposits (+43% to EGP 732bn) while the private business sector grew 18.3% to EGP 671bn.

**sale** has selected six international banks to manage the **Egypt** Bloomberg reported that , with the issuance likely to **bn2USD of its first sovereign Islamic bonds worth** happen in Q2.

**Egypt's non-banking financial institutions are required to obtain the FRA's prior** , according to a statement published a **approval before conducting due diligences** week ago. The FRA will also be setting up two new dispute resolution committees for such firms.

**Egypt launched a USD 50mn venture capital fund to finance new and existing** the program is operating with the support of the World Bank. **startups:**

's minister of petroleum and mineral resources disclosed **Egypt** Mid-last week, **to start using natural gas ideal with Russia would be signed "soon" initial** that an as engine fuel. **the transportation sector**

, **Egypt's current energy mix includes 20% of solar, wind and hydroelectric power** , **aims to add** according to the minister of petroleum and mineral resources. The country **.42% renewable energy to its energy mix by 2035**

, according to the **production in wheat Egypt has achieved 62% self-sufficiency** agriculture minister. Currently, about 3.7mn acres in the country (the world's largest wheat importer) are dedicated to producing about 9.5-10mn tons of wheat.

**aims to shift** 's oil minister revealed (at a gas exporters conference) that the nation **Iraq** for the first time ever. **its investment priority from the oil sector to gas**

**in late payments to public** (USD 7.78bn) **Kuwait's government owes KWD 2.35bn** , revealed the finance ministry, due to the lack of liquidity in the Treasury's **entities** accounts. The arrears are equal to nearly 11% of Kuwait's budget for the fiscal year that starts on April 1st.

(Nov: 3.9%), driven by higher costs for **Inflation in Kuwait increased to 4.3% in Dec** **For the full year, overall inflation rose** housing services (2.4% from Nov's 0.8% gain). (2020: 2.1%); food prices jumped to 9.5% (2020: 4.9%) while housing services **to 3.43%** grew to 0.5% (2020: -0.2%).

**Abu Dhabi's stock exchange signed an** In a bid to strengthen strategic cooperation, and Kuwait Clearing Co. to facilitate trading **agreement with the Kuwaiti bourse** procedures.

for the design and **US approved a potential military sale to Kuwait worth USD 1bn** construction of the defense ministry headquarters and related equipment.

**the IMF has requested Lebanon to meet a set** Reuters reported, citing sources, that . This includes a framework for **of pre-conditions before initiating bailout discussions** fiscal reform, revamping the insolvent banking sector, implementing capital controls,

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amending, or lifting banking secrecy and audits of both the central bank and the state power company among others. Many of these measures would need parliamentary approval.

**neither Qatar nor any other single country has** Qatar's energy minister revealed that . With existing **the capacity to replace Russian gas supplies to Europe with LNG** long-term contracts to Asian buyers, Qatar can divert only 10-15% of volumes to

**LNG production capacity will rise to 126mn** 's Emir disclosed that the nation's **Qatar** **Qatar is building** from 77mn tonnes now. He also revealed that **tonnes a year by 2027** which will isolate and store 2.5mn tonnes of carbon per year in a **carbon capture facility** four years (and 9mn tonnes per year by 2030).

: though significant progress has been **Negotiations on the Iran nuclear deal resume** made, very tough issues remain, according to the US State Department.

**Moody's expects global sovereign sukuk issuance to drop to USD 73bn this year** (2021: USD 88bn). In 2021, issuance volumes had already dropped by 22% with declines largely from the GCC (mostly Saudi Arabia).

**ranks Saudi** 's Government Electronic and Mobile Services Maturity Index **UN The** for citizens and **Arabia first in the MENA region for e-services availability** globally among the G20 nations in the Digital <sup>nd</sup> businesses. Separately, it also ranks 2 Competitiveness Report 2021.



**Saudi Arabia Focus**

in (to SAR 231.3bn) **Overall non-oil exports from Saudi Arabia grew by 37.7% yoy**

**Oil exports** and compares to a 73% hike in oil exports (to SAR 772.8bn). **2021** - , accounting for just over three-

**Ratio of non-oil** fourth of total trade in Q4 2021 (more than its share in Q1 2020). to an average 47.3% in 2021 from 39.5% in 2020. **exports to imports increased**

**Saudi energy minister cautioned that focusing only on renewable power sources** as it would not be able to produce all the energy needed for **was not right move now** current recovery, also stating that lack of investments had led to the rise in energy prices.

amid supply **signs of more global demand** disclosed that there are **Aramco's CEO** close to pre-pandemic levels. But, he warned that the level of investment in the sector is inadequate to sustain short- to mid-term global demand. Separately, in an Argaam

**reviewing some assets to potentially sell in the** interview, he stated that Aramco is , without elaborating more. **future**

by 32% yoy in 2021: exports of **Saudi Arabia's shipments of refined products grew** diesel (which accounts for 50%+ of refined oil products) grew by 35% to an average 682k bpd.

**transfer from** recent USD 86bn stake **Saudi PIF is exploring options to monetize its** **PIF opened 3 new subsidiary companies'** , reported Bloomberg. Separately, **Aramco** in London, New York and Hong Kong as part of its global expansion plans. **offices**

**ome 1.95 million young s** 's Human Resources Minister revealed that **Saudi Arabia** in the country; he also **Saudi nationals are working in real estate and related sectors**

**tourism sector aims to create one million jobs by 2030** highlighted that the **Volume of construction contracting in Saudi Arabia is expected to reach SAR 275bn** according to the Governor of Saudi Contractors Authority. **by 2024 (USD 75bn)** **44% of homeowners in Saudi Arabia plan to buy a second home for personal use** A study by Knight Frank showed that **NEOM was named the most preferred location** to buy a home by first time buyers and HNWI. **most preferred location** as it shares rose to the **Aramco hit a record USD 2.2trn in market value last week** highest since listing.



(USD 517bn), **UAE's non-oil foreign trade jumped by 27% yoy in 2021 to AED 1.9trn** according to Dubai's ruler. This places trade activity above pre-pandemic levels. **UAE is close to signing trade deals with Indonesia and Israel** The foreign trade minister, in a Bloomberg interview. Negotiations with Colombia are expected to end by Mar. **UAE does not plan to introduce income tax for now** for foreign trade, stating "it is not at the table at all now". **Total revenue generated from services provided by the UAE's federal government totaled AED 26bn in 2021** according to the finance ministry's undersecretary. Revenue from the e-Dirham surpassed AED 14.3bn. **critical that investments flow to the UAE's industry minister** stated that it was given that transitions towards net-zero **lowest-cost, lowest-carbon energy resources** emissions take time. **expects to launch its IPO in Mar, )DEWA**The Dubai Water and Electricity Authority ( reported Reuters, citing sources. The company is expected **with a DFM listing in Apr** to offer between 5-10% of its shares to investors and could be valued between USD 27-37bn. It may also triple its annual dividend payout to AED 6.2bn after IPO. **Hospital operator across the Middle East VPS Healthcare is considering an IPO in Abu Dhabi** reported Reuters. It had planned a listing in 2019 in London, which did not go happen given Brexit-related uncertainty. **Gulf Capital is considering the setup of a SPAC that will list on ADX** Reuters report. **UAE became the largest trading hub for rough diamonds in 2021** with over USD 22.8bn worth rough diamonds traded through the UAE, according to the head of DMCC (which houses the Dubai Diamond Exchange). **world's busiest for international travel for the 8th consecutive year** retained its title as the **Dubai** with 29.1mn passengers in 2021 (up 12% yoy). However, this **consecutive year** **In Q4, in 2019. miles away from the pre-pandemic of 86.4 million in annual traffic is** (+77% qoq), accounting for 40% of 2021 total: this was **the airport handled 11.8mn** the first time since Covid hit that quarterly traffic surpassed 10mn passengers. **passenger traffic was likely to reach pre-pandemic levels only by 2024** Separately, Dubai Airports' CEO revealed that **UAE plans to order 12 L-15 light attack planes from China** In a bid to diversify weapon suppliers, with an option to purchase 36 more.

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and ended the **UAE removed the requirement to wear face masks outdoors** •  
mandatory quarantine for Covid19 contact cases while also stating that “for economic  
**vaccinated** and tourist sectors, physical distancing has been cancelled”. Furthermore,  
to travel to the country.**passengers are no longer required to take PCR tests**

### **Media Review**

#### **Six factors to guide investors during Ukraine turmoil: El-Erian**

<https://www.ft.com/content/ad9bf55d-89a2-46c8-8106-4eb898d06c2e>

#### **Russia’s War and the Global Economy: Roubini**

[-https://www.project-syndicate.org/onpoint/russias-war-and-the-global-economy-by-nouriel-roubini-2022-02](https://www.project-syndicate.org/onpoint/russias-war-and-the-global-economy-by-nouriel-roubini-2022-02)

#### **Oil’s journey from worthless in the pandemic to \$100 a barrel: Reuters**

[-https://www.reuters.com/business/energy/oils-journey-worthless-pandemic-100-barrel-2022-02-24/](https://www.reuters.com/business/energy/oils-journey-worthless-pandemic-100-barrel-2022-02-24/)

#### **If the supply of Russian gas to Europe were cut off, could LNG plug the gap?**

[-https://www.economist.com/the-economist-explains/2022/02/26/if-the-supply-of-russian-gas-to-europe-were-cut-off-could-lng-plug-the-gap](https://www.economist.com/the-economist-explains/2022/02/26/if-the-supply-of-russian-gas-to-europe-were-cut-off-could-lng-plug-the-gap)

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