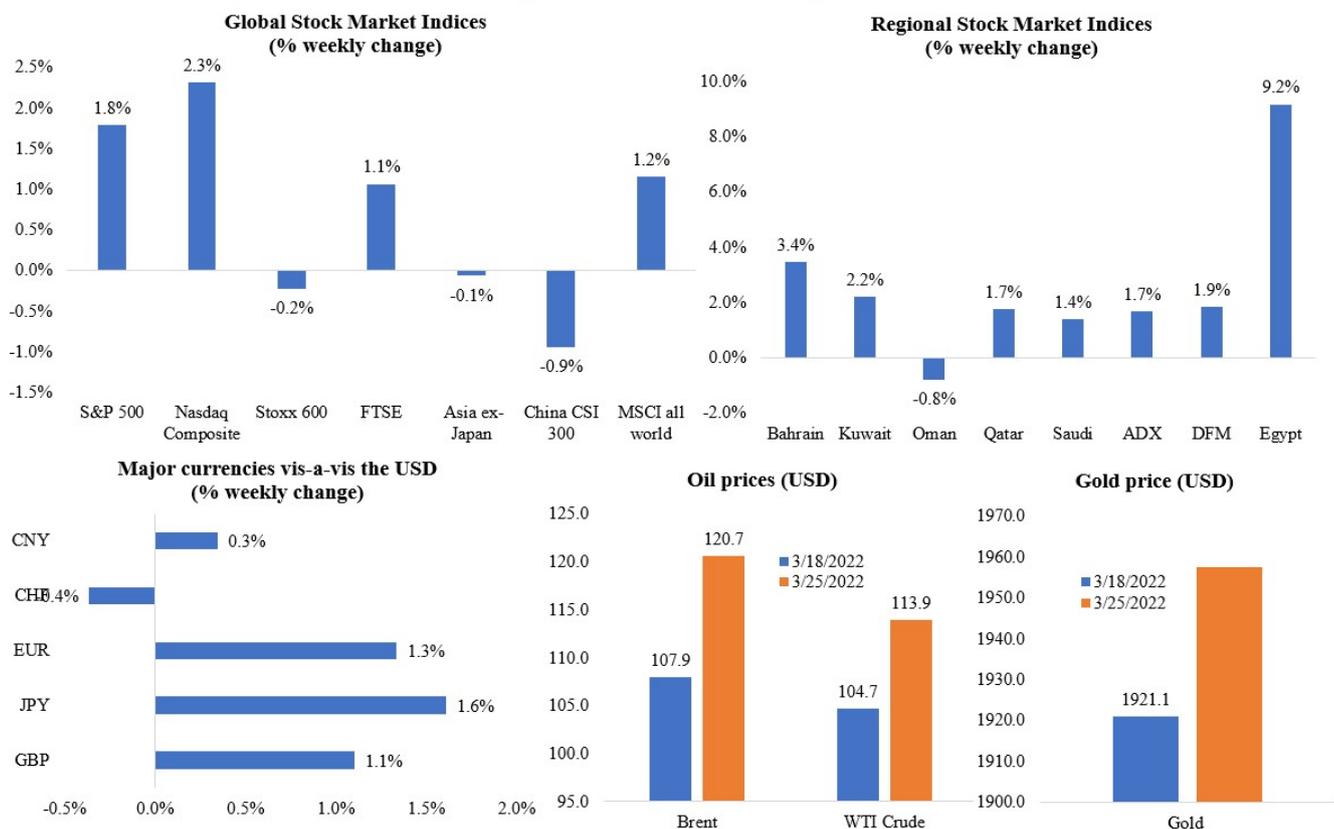


Weekly Economic Commentary – Mar 28, 2022

Markets

Global markets showed a mixed picture last week, with US equities supported by a tech rally (amid rising US Treasury yields) while Stoxx600 and Chinese equities ended the week lower. The MSCI all world index posted gains for a 2nd consecutive week. Regional markets were mostly higher compared to a week ago, with Egypt's index posting the biggest percentage gain in nearly 2 years (4.5%) last Monday when the central bank hiked rates. Oil prices increased (first weekly gains in 3 weeks) after an attack on a Saudi Aramco facility in Jeddah while safe haven assets gold and the Swiss franc remaining robust.

Weekly % changes for the week ending 24 – 25 Mar from 17 Mar (regional) & 18 Mar (international)



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

Global Developments

US/Americas:

- (Jan: 0.59), with declines in **Chicago Fed national activity index eased to 0.51 in Feb** • contribution of both production related indicators (0.22 from 0.25 in Jan) and personal consumption and housing indicators (0.04 from 0.21).
- (Jan: -1.6%). Non-defence capital **Durable goods orders fell by 2.2% mom in Feb** • goods orders excluding aircraft however fell by 0.3%, posting the first decline in a year, and down from a 1.3% gain in Jan.
- (Feb: 57.3). **Markit flash manufacturing PMI in the US inched up to 58.5 in Mar** •

to 58.9 from 56.5. Flash composite PMI output index rose **Services PMI also improved** to an eight-month high of 58.5 (Feb: 55.9), thanks to strong demand for both goods and services.

by 2% mom to a seasonally **New home sales in the US unexpectedly declined** •
adjusted 772k in Feb, as mortgage rates increased, and median house prices rose by
407,000 new homes on the market, the 10.7% yoy. Data also indicated that there were
, with 65% of the inventory being houses under construction. **highest since Aug 2008**
, down by 4.1% mom in Feb. **consecutive monthth Pending home sales fell for the 4** •
The average rate on the 30-year fixed mortgage is now more than a full percentage
point higher compared to a year ago.

Initial jobless claims fell to 187k in the week ended Mar 18 – the lowest level since •
- with 4-week average falling to 211.75k, consistent with a heated labour **Sep 1969**
– thmarket. Continuing claims also declined, by 67k to 1.35mn in the week ended Mar 12
this was the lowest since Jan 1970.

:Europe

Germany's producer price index inched up to a new record high of 25.9% yoy in •
(Jan: 25%), with energy costs posting the largest increase (+68%) alongside metals **Feb**
(36.2%), fertilisers (71.7%) and food (7.5%) among others. It is worthwhile remembering
these readings do not yet include the impact from the Russia-Ukraine conflict. that
(Feb: 58.4) – given the **Germany flash manufacturing PMI slipped to 57.6 in Mar** •
impact from supply bottlenecks and a drop in export demand amid rise in Covid cases.
Services PMI also declined to 55 in Mar from 55.8 the month before, resulting in a slight
drop in the composite PMI to 54.6 (Feb: 55.6). Rising input and output costs are also
weighing down expectations.

(90.8 in Mar from Feb's **German Ifo showed a collapse in business climate** •
(a “record collapse” to **and expectations** (97 from 98.6) **current assessment** 98.5),
85.1 from 98.4) – all due to the Ukraine crisis.

(Feb: **Eurozone flash manufacturing PMI slowed to a 14-month low of 57 in Mar** •
Services 58.2): output growth slowed and new orders fell for the first time in 21 months.
(given a drop in services exports), causing the composite **PMI eased to 54.8 from 55.5**
PMI to slow to a 2-month low of 54.5. Manufacturing input costs posted a steep rise
alongside a record increase for service sector input costs.

(Feb: -8.8): this was **Consumer confidence in the euro area slipped to -18.7 in Mar** •
the lowest level since May 2020, dragged down due to the ongoing Russia-Ukraine
conflict.

, **Current account in the euro area posted a surplus of EUR 22.6bn in Jan** •
unchanged from the month before. In the one-year to Jan 2022, current account surplus
stood at EUR 294bn, up from EUR 247bn in the same period a year earlier.

(Jan: 5.5%) – the highest reading since **Inflation in the UK surged to 6.2% yoy in Feb** •
Mar 1992 – on higher food, fuel and energy costs. Core CPI also accelerated, to 5.2%
Retail price from 4.4%. Separately, the PPI core output rose to 9.9% in Feb (Jan: 9.5%).
(Jan: 7.8%) – the highest reading since **index in the UK increased to 8.2% yoy in Feb**
Mar 1991.

(Feb: 58), **UK flash manufacturing PMI slipped to a 13-month low of 55.5 in Mar** •
Services PMI however with production rising at the weakest pace since Oct 2021.
to 61 in Mar (Feb: 60.5), recording the fastest expansion in 9 months, **inched up**

benefitting from the reopening of the economy after Covid19 restrictions.
; excluding fuel sales, **Retail sales in the UK unexpectedly fell by 0.3% mom in Feb** •
retail was down by a higher 0.7%. While the proportion of retail sales online fell to 28%
in the last month lowest since Mar 2020), it is much higher than pre-pandemic levels.
, falling to -31 in **consecutive monthth GfK consumer confidence declined for the 4** •
Mar (Feb: -26): this is the lowest since Nov 2020 and was dragged down due to worries
about surging inflation, higher interest rates as well as the conflict in Ukraine.

:Asia Pacific

- : the one-**The People's Bank of China kept the benchmark interest rate unchanged** •
ear loan prime rate stood at 3.70% while the five-year LPR remained at 4.60%.
- (Dec: 103.7): this is **Japan leading economic index was revised lower to 102.5 in Jan** •
the lowest reading since last Oct. Coincident index was at 95.6, down from a
preliminary estimate of 95.7.
- (Feb: 52.7) – this was the **Japan's flash manufacturing PMI increased to 53.2 in Mar** •
weakest growth since Sep 2021 though output finally returned to expansion territory
but increased to **Services PMI stayed below 50** and new export order growth slowed.
48.7 from 44.2 the month before.
- (Jan: 4%) while core inflation (which excludes **Singapore CPI edged up to 4.3% in Feb** •
accommodation and private transport costs) eased to 2.2% (Jan: 2.4%).
- (Jan: 2.4%): this is **Singapore industrial production jumped up by 17.6% yoy in Feb** •
consecutive month of increase in IP and the strongest pace since Jun 2021, th the 5
largely due to substantial surges in electronics (32.4%) and biomedical manufacturing
(25.4%).

Bottomline: The OPEC+ meeting this week is likely to result with staying on track (calling to raise output by 400k bpd) given that the current uptick in prices is largely due to geopolitical reasons (but, Russia's oil production is estimated to fall by as much as 3mn barrels per day from Apr). With calls for a complete ban of energy from Russia gaining traction, the call from Putin to pay in roubles is making several nations (check our Media Review section for a recent IMF working paper that explores the uneasy . Eyes are on inflation numbers from the eurozone this erosion of dollar dominance) week: the flash PMIs have equivocally shown rising costs of both inputs and outputs, paving the way for a new record high (up from Feb's 5.9%) i.e. more than 3 times the ECB target of 2%.

Regional Developments

- by 121% yoy to BHD **The value of Bahrain's domestic-origin exports increased** •
417mn (USD 1.1bn) in Feb 2022. US, Saudi Arabia and Italy were the top recipients of
exports of national origin. Overall trade deficit narrowed to BHD 9mn versus BHD 178mn
a year ago.
- Bahrain recorded a 50% increase in foreign tourists for the Formula 1 Grand Prix** •
compared to 2019. **2022,**
- market share in Bahrain rose to 38.8% of domestic banking Islamic banking's** •
and 17.8% of total banking assets (including foreign assets) at end-2021. Fitch **assets**
Ratings forecast that rising public demand will drive Islamic banks growth in Bahrain.
- Egypt lowered its GDP growth target to 5.5% for the next financial year** •

(from a

- previous forecast of 5.7% in the 2022-23 financial year). The country also plans to **targeting a** public budget to cope with the global crisis: it is **2022-23** restructure its **primary surplus of 1.5%, a budget deficit of 6.1% of GDP and debt ratio to 80.5%**. with an aim to maintain economic **Egypt is in talks with the IMF on a new program** • **The potential** and financial stability while promoting comprehensive structural reforms. stated the finance **new IMF deal will not include additional burdens on citizens**, minister.
- turned real interest rate positive; this, along with **Egypt's 1% hike last Monday** • **allowing the pound to depreciate by 14% should encourage exports, attract FDI** **government announced an EGP 130bn economic** . The **and remittance inflows** , which will work in favour of the requested IMF support to implement a **relief package** "comprehensive support programme".
- per kg; (USD 0.66) Egypt set a fixed price for unsubsidised bread at EGP 11.50** • this move followed a jump in prices by around 25% in 3 weeks after the Russia-Ukraine **for** with Argentina, India, France and US **Egypt is in talks** conflict began. Separately, **future wheat imports.**
- has attracted more than** , which was set up in 2019, **Egypt's sovereign wealth fund** • , revealed the government. **USD 2bn in investments** **Egypt plans to raise USD 500mn worth of Samurai bonds** reported that *Bloomberg* • (5-year debt in a private placement with a target yield of 0.8-0.85%) in a bid to diversify funding.
- Egypt Suez Canal Authority will temporarily raise a surcharge on laden crude oil** • transiting the canal to 15% of normal dues from 5%. **and petroleum products tankers** . In Feb, the Suez Canal posted a 15.1% yoy st This will come into effect from May 1 jump in revenue to USD 545.5mn.
- Bilateral trade between Egypt and Saudi Arabia touched USD 8.02bn in 2021** • disclosed Egypt's minister of trade and industry.
- : the field is expected **Kuwait and Saudi Arabia agreed to develop the Durra gas field** • to produce one billion standard cubic feet per day of gas and 84k barrels per day of condensates.
- : the PM expressed th **Lebanon will start talks with the IMF delegation on March 29** • -hopes that a deal will be agreed to in the coming weeks, and prior to elections in mid May.
- will** (which has incorporated IMF's comments) **A draft capital control law in Lebanon** • on Mon (28 Mar); if the text is agreed to, **be discussed by parliamentary committees** a vote could happen as early as Tuesday.
- consecutive triple-digit th, the 20 **Inflation in Lebanon touched 215% yoy in Feb** • increase, driven up by transportation costs (510%), restaurants and hotels (449%), health (413%) and food (396%) among others.
- Banks in Lebanon will be allowed to sell the local currency for USD and vice-versa** • , according to the central bank, at the approved rate determined by **starting March 28** the "Sayrafa" platform. Fuel imports will be based on an exchange rate of 22,200 th Lebanese pounds per dollar, until March 29
- is planning a tender to** , in a bid to find alternatives to grain from Ukraine, **Lebanon** • . However, it will depend on the central bank **import 50k tonnes of wheat from India** **also waiting to hear from the US and Kazhakstan** opening a credit line. The country is on specifications and prices, according to the economy minister.

- -, thanks to broad-Oman’s nominal GDP grew by 16.1% yoy to OMR 33bn in 2021 ased recovery across both hydrocarbon and non-hydrocarbon sectors (rising by 38.5% and 8.4% respectively). Among the non-oil sectors, transport & warehousing, wholesale & retail trade, and industrial sectors grew the fastest, by 19.4%, 15.5% and 13.6% respectively.
- As fiscal balances improve given higher oil prices and fiscal consolidation any additional oil revenues would be used to ’s Sultan stated that Omanmeasures, and the rest would be allocated to development projects. settle public debt first to(USD 520mn) was announced additional spending of OMR 200mn Furthermore, an , bringing total expenditure to OMR 1.1bn. In Jan 2022, a budget deficitthe 2022 budget of USD 3.9bn was forecast for 2022 by the Ministry of Finance (at an estimated oil price of USD 50).
- , linking both countries, allowing forOman has opened a new land port at UAE’s Hatta smooth movement of travellers from both sides.
- over the next Qatar and the Gates Foundation will jointly invest up to USD 200mn in developing countries adapt to climate change.to help farmers 2 years
- UAE accounted for 77% of GCC investments in Latin American markets between (which stood at USD 4bn). Saudi Arabia and Qatar accounted for 2016 and 2021 another 22% and 1% respectively. Half of the overall investments were in logistics, distribution and transportation companies.
- in (partly owned by the PIF) is Americana Group reported that the Bloomberg .a dual listing in the UAE and Saudi Arabia to raise USD 1bn via discussions from USD 9.7bn GCC luxury market is projected to grow to USD 11bn by 2023 currently, according to a Chalhoub Group report. E-commerce recorded double-digit growth with the beauty sector experiencing a 63% growth while fashion grew by 89%.
- UAE committed to At a meeting between the leaders of Egypt, UAE and Israel, the invest around USD 2bn in Egypt by buying state-held stakes in . The 3-way meeting also discussed food security and Bloomberg reportedcompanies, energy markets stability in the backdrop of the Russia-Ukraine conflict.



Saudi Arabia Focus

- Oil by 49.6% yoy to SAR 107.6bn in Jan 2022.Saudi Arabia’s exports jumped (a far cry from the lowest exports still account for more than ¾-th of overall exports reading of 62% in Jun 2020); ratio of non-oil exports to imports increased to 46.5% in , followed by China is Saudi Arabia’s main trading partnerJan (Jan 2021: 39.4%).
- UAE was the top recipient of India, South Korea, US, and the UAE. Interestingly, in Jan 2022, with transport equipment & parts the Saudi Arabia’s non-oil exports largest product (34.6% of overall non-oil exports sent to the UAE).
- Saudi Arabia emphasised “the Almost a week before OPEC+ is scheduled to meet, in bringing balance and stability to oil essential role” of the OPEC+ agreement markets. The Saudi cabinet also stated that it would not bear responsibility for a global supply shortage if it were due to Houthi attacks on Saudi installations.
- thanks to improvements in GDP S&P revised Saudi Arabia’s outlook to “positive” growth and better fiscal dynamics over the medium term while reaffirming the rating at

“A-/A-2”.

Tadawul’s CEO disclosed that the exchange At the Saudi Capital Markets Forum, , three were awaiting approval from the market **has seen 16 listings so far in 2022** regulator and that more than 70 applications were pending. He underscored the sector diversity in recent listings and stated that it plans to provide companies with “new financing tools such as debt instruments”.

Saudi Arabia’s capital market is gearing up for measures to improve post-trade : Saudi exchange plans an **services infrastructure (to be implemented on Apr 3rd)** enhanced mechanism for short selling activities, in addition to buy-in trades executed at the exchange and settled on the same day; Securities Clearing Center Co will clear services to cover equities, sukuk, bonds, and traded funds markets to facilitate the introduction of new products and services for clearing members; Securities Depository Center Co will introduce a new central securities depository system and post-trade services, in alignment with international standards.

, which had raised USD 1.36bn from **The pharmacy chain operator Nahdi Medical Co** . **saw its shares surge in trading after making its market debut on Tadawulits IPO,** With its stock closing at SAR 150 on Tues, its market value was as high as SAR 19.5bn. , according to the **Saudi Arabia provided more than USD 80bn in support to SMEs** governor the SME Authority Monsha’at. In addition to cash injections, support was also provided via regulatory improvements and advisory hubs.

with **Saudi Arabia launched a MENA regional Voluntary Carbon Market (VCM),** Aramco, Saudia airlines, ACWA Power, Ma’aden, and ENOWA (a subsidiary of NEOM) announced as first potential partners. The VCM will connect the supply of carbon credits with demand from investors, corporates and institutions wanting to reduce their carbon footprint.

no plans to disclosed that though there were **Saudi Arabia’s minister of transport** , such a move could be initiated in the future. He also **impose fees on roads presently** stated that the first Riyadh metro lines will likely launch towards end-2022 with the rest of the lines expected to be fully operational before end-2023.

Riyadh’s strategy aims to raise the capital’s ranking from 40th level to reach , according to the Mayor of **among the top 10 cities’ economies globally by 2030** Riyadh region. Population in the city is expected to rise to 15-20mn by 2030 from 7.5mn currently.

Aramco aims to launch 140 projects in various energy fields during the next three , citing a senior official. *Al Arabiya* reported **years,**



is looking to raise as much as AED)DEWAThe Dubai Electricity and Water Authority (, with the indicative price range set at between AED **8.06bn (USD 2.19bn) via its IPO** 2.25 and 2.48 each. This is expected to be the biggest IPO on the exchange since 2007. Emirates Investment Authority, state holding company ADQ, Multiply Group, Alpha Dhabi Partners and Investment Holdings Est will become cornerstone investors in the IPO with a total commitment of up to USD 1.3bn. **allowing the use of foreign reserves and federal law** President issued a **UAE The** **international debt instruments to maintain balance in the UAE’s 2022 general**

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- , according to a tweet from the finance ministry. **UAE Cabinet authorised the use of crowdfunding by both public and private** The
 - . **sectors**
 - **UAE's Sharjah emirate was seeking to raise USD 750mn** reported that *Al Arabiya*
 - **from its first sukuk issuance in 2022.**
 - , up 3% yoy, as part **Dubai SME members won contracts worth AED 921.6mn in 2021**
 - of the Government Procurement Programme. Contracts at the Expo topped the list (AED 161.7mn) followed by the Roads and Transport Authority (AED 95.2mn).
 - **Mubadala launched a USD 1.5bn worth five and** sovereign wealth fund **Abu Dhabi's**
 - **ten-year bonds for sale.**
 - **UAE launched 10 initiatives to empower 15k coders in the UAE over a 15-month**
 - including a coding ambassador programme, a language programmer challenge, **period**
 - and nomination of coders into career opportunities.
 - **Dubai will set up a specialised body to ensure fair trade and consumer rights**
 - The Executive council approved the entity's objectives including reducing **protection.**
 - anti-competitive practices, reviewing and developing consumer protection policies in addition to educating consumers on their rights and responsibilities.
 - – **Dubai saved 329 megawatts in electricity consumption during Earth Hour 2022**
 - emissions, according to DEWA. ²equivalent to a reduction of 132 tonnes of CO
 - **Abu Dhabi Fund for Development financed water, irrigation, and agricultural** The
 - across 18 countries, it was disclosed in a report published on **projects worth AED 2bn**
 -).nd World Water Day (Mar 22
 - **hotel occupancy in the UAE was 85% in the week ending** STR data showed that
 - , compared to a global average of 50.8%. In **highest in the world** : this is theth**March 12**
 - Dubai, hotel occupancy was at 90.4%, with an average daily rate of AED 846.3 – this compares to 82.7% and AED 617.22 in the same week in 2019.
 - : there have been 12,119 sales transactions till **Dubai property market is going strong**
 - late-March, according to Property Monitor real estate data platform. This is 17.7% higher than in 2017, which had seen a similar good start to the year.
 - ; th**Dubai airport will close 2 of its runways for a 45-day maintenance from May 9**
 - this would move some flights (to 34 of its more than 90 destinations) temporarily to Dubai's second airport (Al Maktoum International).

Media Review

Saudi Arabia's rise as global start-up hub attracts Egyptian entrepreneurs

<https://www.arabnews.com/node/2050526/business-economy>

When it comes to oil, the global economy is still hooked

<https://www.reuters.com/business/energy/when-it-comes-oil-global-economy-is-still-hooked-2022-03-25/>

War with Russia? Finland has a plan for that

<https://www.ft.com/content/c5e376f9-7351-40d3-b058-1873b2ef1924>

-The Stealth Erosion of Dollar Dominance - Active Diversifiers & the Rise of Non traditional Reserve Currencies: IMF working paper

[-https://www.imf.org/en/Publications/WP/Issues/2022/03/24/The-Stealth-Erosion-of-Dollar-Dominance-Active-Diversifiers-and-the-Rise-of-Nontraditional-515150](https://www.imf.org/en/Publications/WP/Issues/2022/03/24/The-Stealth-Erosion-of-Dollar-Dominance-Active-Diversifiers-and-the-Rise-of-Nontraditional-515150)

(op-ed by Eichengreen)<https://www.ft.com/content/5f13270f-9293-42f9-a4f0-13290109ea02>

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