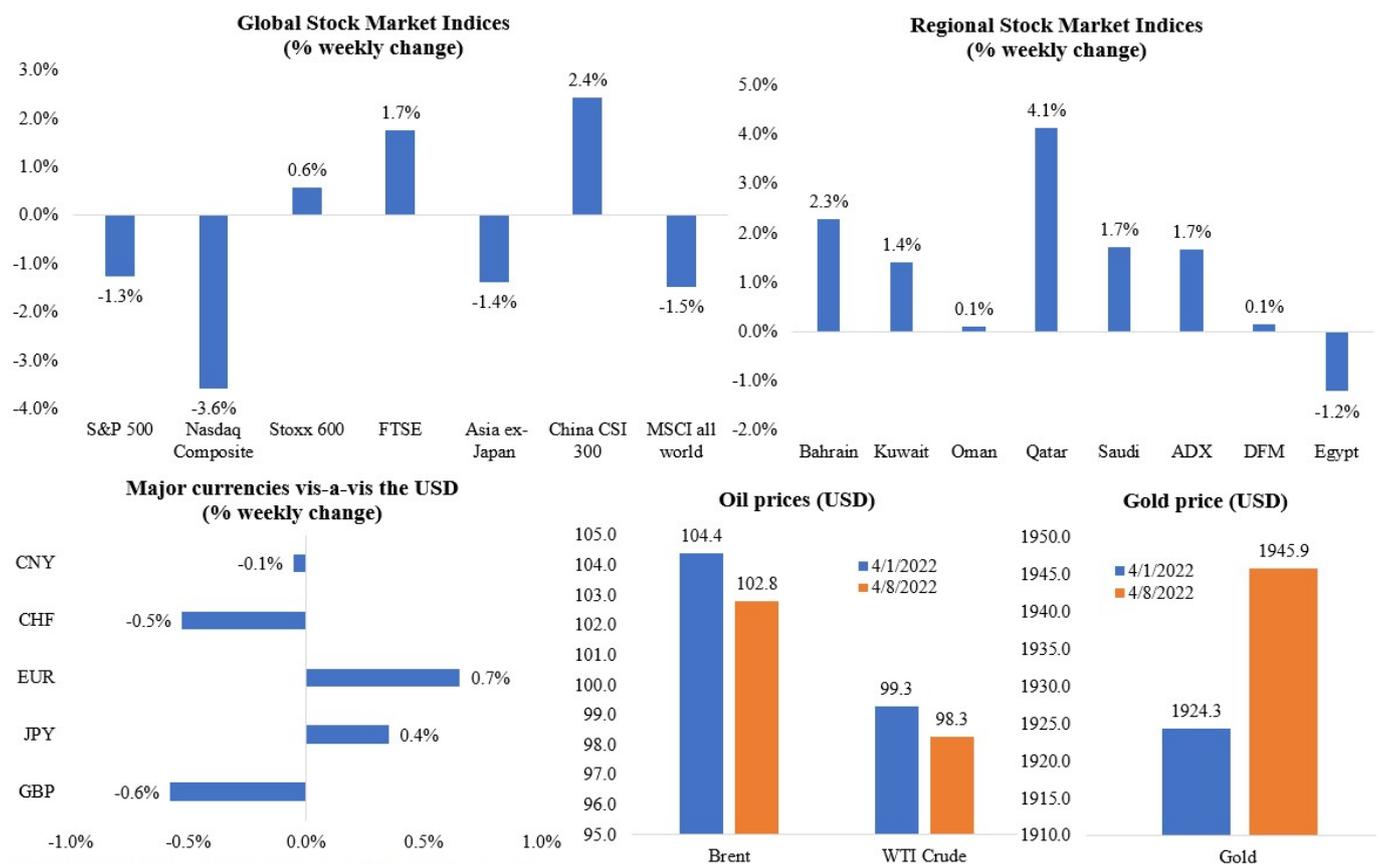


# Weekly Economic Commentary – Apr 11, 2022

## Markets

Global markets painted a mixed picture last week: US markets dipped given hawkish comments in the FOMC minutes; in Europe, equities gained, driven by banking stocks (supported by expectations of upcoming rate hikes); world stocks declined given ongoing geopolitical risks amid growing inflationary pressures. In the region, Qatar gained most while UAE's ADX and DFM gained a combined AED 22bn in the first week of Ramadan (with ADX breaking the 10,000 barrier for the first time), while Egypt dropped by 1.2% compared to a year ago. The dollar index touched the 100-mark last week – the highest since May 2020. Gold price gained while oil prices declined after news that IEA members will release 60mn barrels of strategic reserves over next 6 months.

Weekly % changes for the week ending 7 Mar – 8 Apr from 31 Mar (regional) & 1 Apr (international)



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

## Global Developments

### US/Americas:

**the Fed agreed to reduce the balance sheet, to the tune of USD 95bn a month most likely starting this May** The FOMC minutes revealed that •  
 . The meeting minutes also indicated potential rate hikes of 50bps in the coming meetings especially in the backdrop of intensifying inflationary pressures.

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- (Jan: 1.5%), posting the first decline since **US factory orders fell by 0.5% mom in Feb** Apr 2021. Durable goods orders declined by 2.1% due to transportation equipment (-5.3%) while non-durable goods orders rose by 1.2%.
    - Goods and services trade deficit in the US inched down by 0.1% mom to USD**
    - Overall exports grew by 1.8% to a record USD 228.6bn, with petroleum **89.2bn in Feb** exports at a record high of USD 20.3bn and exports of services increased to USD 69.9bn, supported by a USD 1.2bn rise in travel.
      - (Feb: 56.5), thanks to a rebound in **ISM Services PMI increased to 58.3 in Mar** employment (54 from 48.5), improvements in new orders (60.1 from 56.1) and business activity (55.5 from 55.1) while prices paid inched up to 83.8 (Feb: 83.1).
      - Initial jobless claims dropped to a more than 53-year low of 166k in the week** (prev: 171k), bringing the 4-week average down by 8k to 170k. **st ending Apr 1**
      - Continuing jobless claims inched up by 17k to 1.523mn in the week ending March 25

## :Europe

- from a preliminary reading **Composite PMI in Germany was revised up to 55.1 in Mar** of 54.6 but lower than Feb's 55.6. This was aided by an improvement in the services PMI component (which ticked up to 56.1) versus an 18-month low in manufacturing PMI (56.9).
  - , easing from Feb's 5-month **Composite PMI in the eurozone climbed to 54.9 in Mar** high of 55.5, supported by a recovery in services PMI (to 55.6). Sentiment dropped to the lowest in 17 months.
    - (Jan: 30.6%). **Producers price index in the eurozone jumped to 31.4% yoy in Feb**
    - , widening the trade **German exports grew by 6.4% mom and imports by 4.5% in Feb**
    - : **China remained Germany's biggest foreign trade partner** surplus to EUR 11.5bn. exports to China rose by 6.4% mom to EUR 9.5bn.
    - (Jan: 2.3%), falling for the first **German factory orders declined by 2.2% mom in Feb** time in 4 months, dragged down by a slump in foreign orders.
      - , slower than the **Industrial production in Germany expanded by 0.2% mom in Feb** upwardly revised 1.4% growth in Jan. Excluding energy and construction, IP grew by only 0.1% in Feb. Compared to pre-Covid levels, production was 3.8% lower.
      - (Jan: 8.4%); in month-on-**Retail sales in the eurozone increased by 5% yoy in Feb** onth terms, sales inched up by 0.3% following a 0.2% rise in Jan.
      - (Mar: -7) – this is the **Eurozone's Sentix investor confidence plunged to -18 in Apr** lowest level since Jul 2020. The current conditions index fell to -5.5 in Apr (Mar: 7.8) while the expectations index fell to -29.8, its lowest since Dec 2011.

## :Asia Pacific

- (Feb: 50.2), **Caixin services PMI in China plummeted to a 25-month low of 42 in Mar** with both output and new orders shrinking the most since Feb 2020 and export sales falling at the fastest pace in 22 months.
  - preliminary reading of Japan's leading economic index slipped to 100.9 in** The (Jan: 102.5), the lowest reading since Sep 2021. The coincident index inched lower **Feb** by 0.1 points to a 3-month low of 95.5. Rising Covid19 cases and increasing supply chain disruptions are dragging down the overall readings.
    - , rising for a **Japan's overall household spending grew by 1.1% yoy in Feb**

in **Real wage growth stagnated** consecutive month but easing from Jan's 6.9% gain.<sup>nd2</sup> Feb with the uptick in consumer prices offsetting gains in nominal wage growth. (repo rate at 4% and reverse **Reserve Bank of India left policy rates unchanged** The **inflation** repo at 3.35%) but indicated a gradual rise in rates later this year. The (from 4.5% earlier) while **forecast was hiked to 5.7% for the fiscal year 2022-23** to 7.2% (from 7.8% previously). **growth forecast was lowered** (Apr: 50.2) but remained in expansionary **Singapore's PMI inched down to 50.1 in Mar** consecutive month. The input prices index, at 51.9, touched the <sup>st</sup> territory for the 21 highest reading since Oct 2013. , ending 5 months of **Retail sales in Singapore fell by 1.2% mom and 3.4% yoy in Feb** consecutive gains. Excluding motor vehicles, retail sales fell 1% mom.

**Bottomline: A data-heavy week, with inflation numbers from the US and China topping the list amid multiple central bank meetings including the ECB, Canada and New Zealand. This, in the backdrop of UN reporting that global food prices rose to record highs given the war in Ukraine. France's Presidential election "risks" were lowered after last night's count showed Macron leading (27.41% of votes vs Le Pen's 24.03%); the Apr runoff could show a narrower margin. Meanwhile in Shanghai the lockdown has been<sup>th24</sup> further extended (so far, this lockdown has not resulted in a further increase in freight rates from the city).**

### Regional Developments

's hosting of the Formula 1 Grand Prix over the days Mar **Bahrain** • The race weekend saw 98k persons **recovery in tourism in Q1 2022**. 17-22 supported turnout during the period and 35k persons in attendance on the day of the race (a record high).

**Government Land Investment Platform in Bahrain is looking to attract private** The • to bid, develop and provide services in government owned land. Currently, 17 **investors** projects are available for partnership with various ministries including the Finance and National Economy Ministry.

with the **consecutive month in Mar, <sup>th</sup>Egypt's PMI stayed below-50 for the 16** • reading down to 46.5 from Feb's 48.1. Sharp declines were registered in both output (44.6 from 46.1) and new orders (45.1 from 47.3) sub-indices amid evident inflationary pressures (input prices climbed to 58.6 from 54.5 and purchase costs were up to 59.1 from 55.9).

- highest in nearly 3 years **Annual urban inflation in Egypt surged to 10.5% in Mar** • Core inflation stood at 10.1% in Mar (Feb: 7.2%), highest . and up from 8.8% in Feb since Jun 2018. Food prices were up by 19.8%: 11% rise in bread and grain prices while cooking oil prices surged by 36.2%. Overall annual inflation in Egypt touched 12.1% in Mar.

, **Egypt's net foreign reserves fell by nearly USD 4bn to USD 37.082bn in Mar** • according to the central bank. About USD 5bn was to be deposited by Saudi Arabia at the central bank by end-Mar.

**Egypt's sovereign wealth fund's agreement with the Abu Dhabi Development** • (ADQ) includes stakes in listed and unlisted firms, reported **Al Holding Company** Arabiya. Further details are expected to be released within days.

by 24% yoy to 479,195 tonnes in **Wheat imports into Egypt from Russia increased** •

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March, reported Reuters. Wheat imports from Ukraine however was down by 42% to 124,500 tonnes. Separately, Egypt's government aims to supply as much as 6mn tons of local wheat this year. A cabinet spokesperson revealed a week ago that the nation's strategic wheat, sugar and veg oils and rice reserves were enough for 2.6, 5.6 and 5.9 months respectively.

, about 22k bpd short of its OPEC+ **Iraq pumped 4.15mn barrels per day of oil in Mar** •  
production quota. This was lower by 112k bpd from Feb.

Oil exports from Iraq touched 3.244mn bpd in Mar; the nation's oil minister disclosed **exports of more than 3.3mn bpd can be secured from Iraq's southern ports.** that •  
The **Iraq will allow all food imports for 3 months, in a bid to support food security.** •  
trade ministry plans to allocate 2mn tonnes of wheat to strategic reserves – this would be sufficient for 6 months.

**by 35 Kuwaiti fils per for 98-octaneKuwait raised its domestic gasoline price** •  
for a 3-month period. Prices of other types of fuel remain <sup>st</sup>(to 235), effective April 1 **litre** unchanged.

– the third **Kuwait's government resigned three months after it was formed** •  
resignation in the past year and a half and delaying multiple reforms (including the public debt law).

**The IMF have reached a Staff Level Agreement with Lebanon, conditional on** •  
five key highlighted pillars include restructuring the financial sector, **reforms:** implementing fiscal reforms alongside restructuring of external public debt to ensure debt sustainability, reforming state-owned enterprises, strengthening governance and anti-corruption, as well as establishing a “credible and transparent” monetary and exchange rate system. Given parliamentary elections in May, it seems unlikely that any reforms can be passed till the new Parliament is sworn in and a new government is formed.

(Feb: 47.5): weak demand and low **PMI in Lebanon edged down to 47.4 in Mar** •  
purchasing power dragged down output and new orders growth, while price pressures intensified.

, valued at **Lebanon's central bank has an estimated 286 tonnes of gold reserves** •  
USD 17.5bn at end-Feb, according to the governor.

, with public **at end-Feb(USD 547mn)Oman posted a budget surplus of OMR 210mn** •  
revenue rising to OMR 1.918bn (+75.6% yoy). Net oil revenues surged by 81.4% to OMR 1.094bn while gas revenues were up by 116.6% to OMR 509mn.

**Production of crude oil and oil condensates in Oman grew by over 8% yoy to** •  
while total exports of crude oil rose by 18.3% yoy. **61mn barrels in Feb**

**Qatar's foreign** (Feb: 61.4). Separately, **Qatar's PMI inched up to 61.8 in Mar** •  
to QAR 210.5bn (USD 57.82bn) in Mar, **exchange reserves grew by 2.6% yoy** according to the official news agency.



**Saudi Arabia Focus**

**with PMI ,Saudi Arabia's non-oil private sector activity strengthened in Mar** •  
(Feb: 56.2). Among the sub-components, output index posted the **inching up to 56.8** highest growth since Dec 2017 (62.4 from 60.4) and new orders grew to the strongest

since Nov while employment fell below-50 for the first time in a year. Both input and output prices accelerated to the highest since Aug 2020.

- , according to the **Real GDP in Saudi Arabia is forecast to grow by 7.4% in 2022** ministry of finance, driven by an increase in oil GDP.
- – the highest rate **Industrial production in Saudi Arabia grew by 22.3% yoy in Feb** consecutive month of growth. <sup>th</sup>recorded in the past 3 years. This is the 10
- **SAMA has called to stop the opening of online accounts for institutions or** starting Apr 10, accounts can be opened only through branches, reported **individuals:** Okaz daily. There are also limits on daily electronic transfers and holding of international transfers for 24 hours. These decisions are to be implemented to reduce the incidence of fraud according to SAMA.
- to SAE **value of point of sales transactions in Saudi Arabia fell by 10.8% mom** The 38.9bn (USD 10.4bn) in Feb – the biggest monthly drop since Feb 2021. In yoy terms, however, value of PoS transactions remained strong, rising by 25.2% in Feb (Jan: 16.9%).
- **current Saudi Arabia's** An increase in oil exports (16.5% qoq to USD 64bn) boosted . Net FDI touched USD 1.92bn in Q4, up **account surplus to USD 26.6bn in Q4 2021** from Q3's USD 1.75bn net inflows.
- **planning to raise more than USD ) isLuberef** Base Oil Co (also called **Aramco** Saudi , reported Bloomberg. The firm produces 1.2mn tonnes a year of base **1bn from an IPO** oils (like lubricants).
- **Saudi construction services firm Ladun Investment Co. issued its IPO prospectus** potentially floating 5mn shares or 10% of its capital on the parallel market Nomu.
- **loans worth SAR 200.3bn to** extended **Saudi Arabia** Banks and finance companies in , up 14% yoy.**the MSME sector in Q3 2021**
- , to **in Q1 2022** (USD 1.46bn) **Saudi EXIM Bank approved loans worth SAR 5.5bn** support Saudi exports and lead to greater diversification. The bank has also signed 5 MoUs with an aim to open more credit lines to support Saudi exporters.
- **8 local and** The Saudi Ministry of Industry and Mineral Resources disclosed that -at Riyadh's Al-**international companies have qualified for an exploration license** hunayqiyah site.
- **Owners of vacant land in Saudi Arabia have been asked to fence their plots before** , to avoid being fined SAR 100 (USD 26.6) for every square meter.**of July <sup>st</sup>1**
- **Saudi Arabia's Agricultural Development Fund approved loans worth SAR 434mn** (USD 115mn) to finance working capital: it was approved during the current fiscal year's first board meeting.
- **ICT spending in Saudi Arabia is expected to rise by 2.3% yoy to USD 32.9bn in** , according to International Data Corp. The sector had expanded by 8% between **2022** 2019-2021.
- **Saudi Arabia announced that up to 1mn people** With easing of Covid restrictions, Last year Hajj pilgrimage was limited to just 60k**can join the Hajj pilgrimage this year.** domestic participants, compared to 2.5mn pre-pandemic.



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- UAE GDP grew by 3.8% in 2021, tweeted the UAE's PM and Ruler of Dubai.** •

, the central bank disclosed in its **Non-oil sector in the UAE expanded by 7.8% in Q4** •

**Non-oil bringing the full year growth to 3.8% in 2021.** Quarterly Economic Review, sector growth is expected to nudge up to 3.9% in 2022 while oil sector accelerates by 5% (2021: -1.4%). The apex bank forecast 2.7% average inflation in 2022, after posting an average 3.3% in Q1 this year.

, with overall real GDP **Abu Dhabi's non-oil sector GDP grew by 4.1% in 2021** •

expanding by 1.9%, according to the Statistics Centre Abu Dhabi. Growth was highest in agriculture, forestry and fishing (23.1%), followed by manufacturing (21.7%) and human health and social work (19.7%).

while output and new business **UAE PMI remained unchanged at 54.8 in Mar:** •

. **input costs picked up at the fastest rate since Nov 2018** continued to rise, **output charges are still** Domestic sales were the main driver of growth, but overall – a decision firms will need to rethink in the backdrop of higher input costs (and **falling consecutive<sup>th</sup> Employment sub-index ticked up for the 10** declining profit margins). , rising to 50.6 from 50.1. **month**

, **Industrial exports from the UAE surged by 48.7% yoy to AED 116bn in 2021** •

-according to the Minister of Industry and Advanced Technology. He credited the In Country Value Programme as one of the key achievements of the ministry in addition to securing AED 1bn in finance for industrial sector companies (via the Emirates Development Bank).

**is set to raise AED 22.32bn )DEWA**The Dubai Electricity and Water Authority ( •

, after an indicative price range of AED 2.25-2.48 was set. A **(USD6.1bn) from its IPO** tweet from Dubai's deputy ruler revealed that DEWA had attracted AED 315bn of demand for the IPO, from SWFs, private funds and 65k individual investors.

, with an aim to list on the Abu Dhabi Securities **UAE developer FAM Holding** •

**into a joint-stock company with USD** the firm **converted** Exchange's second market, (which operates 17 **Dubai school operator Taleem** Separately, **13.6mn capital.**

**is in preliminary discussions with banks regarding schools in Dubai and Abu Dhabi)** , reported Reuters. **an IPO**

to establish as a crypto **Binance was awarded in-principle approval from ADGM** •

asset service provider.

**launched a venture studio platform )DIFC**Dubai International Financial Center (**The** •

(named the Studio Launchpad) with an aim to launch over 200 new ventures over the next 5 years – of which over 100 will be scale-ups and 10 to potentially gain unicorn status.

**in three of India-based Adani Group's (USD 2bn) UAE's IHC will invest AED 7.3bn** •

-Adani Green Energy, Adani Transmission and Adani Enterprises. **companies**

, according to the Abu **Abu Dhabi issued 25,427 new licenses in 2021, up 21.5% yoy** •

Dhabi Department of Economic Development. Renewed business licenses also ticked up, rising by 15.8% yoy to 83484. New licences for foreign Investors grew from only 6 in 2020 to 273 in 2021 while virtual licenses (launched in Q4) for non-resident foreign investors touched 11.

**registered a total trading )DGCX**The Dubai Gold and Commodities Exchange ( •

, led by a spike in demand for the DGCX's G6 currency **volume of USD 15.74bn in Mar** futures contract.

**at least 1,415 apartments and villas worth** According to the Dubai Land Department, •

**AED 2.96bn (USD 805mn) were sold to buyers in Dubai during the week ending**

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th April 8

- **in investments to achieve its net-zero** (USD 671.1bn)**The UAE requires AED 2.5trn**, according to a Standard Chartered report. Emerging markets region together **ambitions** require an additional AED 350trn to meet the targets.
- **Abu Dhabi is set to ban single-use plastic bags starting June** with plans to phase out **by 2024**, reported Bloomberg. The emirate also plans to stop single use styrofoam cups, plates, and food containers.
- **UAE's energy minister reiterated that the OPEC+ mission was to stabilise** and squeezing out any partner would only raise prices further. **markets**

### Media Review

#### **IMF reaches Staff-Level Agreement on Economic Policies with Lebanon**

[-https://www.imf.org/en/News/Articles/2022/04/07/pr22108-imf-reaches-agreement-on-economic-policies-with-lebanon-for-a-four-year-fund-facility](https://www.imf.org/en/News/Articles/2022/04/07/pr22108-imf-reaches-agreement-on-economic-policies-with-lebanon-for-a-four-year-fund-facility)

#### **Web3 is yet to take off despite the hype**

<https://www.ft.com/content/16eaf1b9-08fb-4454-a4eb-ac662cdd8590>

#### **Can Silicon Valley still dominate global innovation?**

[-https://www.economist.com/business/can-silicon-valley-still-dominate-global-innovation/21808708](https://www.economist.com/business/can-silicon-valley-still-dominate-global-innovation/21808708)

#### **First Global Bank Stress Test Highlights Increased Financial Resilience: IMF**

[-https://blogs.imf.org/2022/04/06/first-global-bank-stress-test-highlights-increased-financial-resilience/](https://blogs.imf.org/2022/04/06/first-global-bank-stress-test-highlights-increased-financial-resilience/)

#### **Development Economics Goes North: Dani Rodrik**

[-https://www.project-syndicate.org/commentary/rich-countries-with-developing-country-problems-by-dani-rodrik-2022-04](https://www.project-syndicate.org/commentary/rich-countries-with-developing-country-problems-by-dani-rodrik-2022-04)

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