

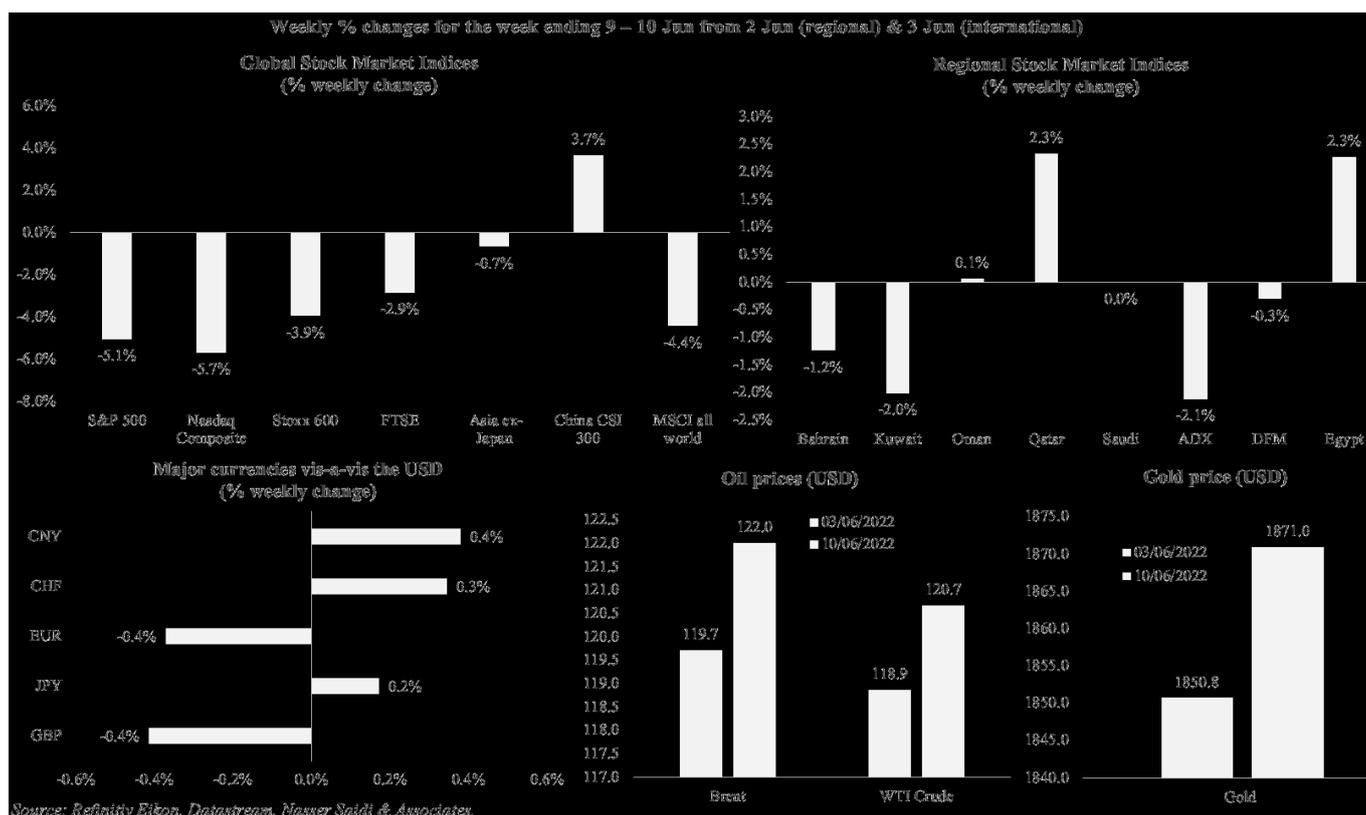
# Weekly Economic Commentary – Jun 13, 2022

## Markets

US equity markets posted their biggest weekly losses since Jan on the 8.6% high inflation reading, expectations of an aggressive rate hike and the growing likelihood of a recession.

European markets also fell, after ECB disclosed its plans for monetary policy tightening.

MSCI's gauge of global equity markets also ended lower last week. Chinese equity markets were supported by strong buying from foreign investors and hopes of regulatory easing on tech firms and despite re-imposing some Covid19 restrictions in Shanghai and Beijing. The dollar index gained, rising to its highest level since mid-May while the yen hit a 24-year low against the dollar (on Monday, after touching 20-year lows last week) as Japan maintained its ultra-loose monetary policy. Oil prices crossed the USD 120 mark though concerns are rising that high costs will reduce consumer demand amid new lockdown measures. Gold price rebounded, on its safe haven asset appeal.



## Global Developments

### US/Americas:

, highest since Dec 1981. The month-on-month **S inflation rose to 8.6% yoy in May** • increase of 1% was driven by a 3.9% rise in energy prices, a 4.1% gain in petrol prices and more concerning, a 0.6% in housing costs. Core CPI rose 0.6%, maintaining the **Services inflation, ex-energy, rose 0.6%** same momentum as the previous month. **mom and 5.2% yoy.**

to USD 87.1bn in Apr, down 19.1% from **Foreign trade balance in the US narrowed** •  
**Exports of goods and services** Mar's record high (this was the largest decline since Dec 2012).  
 ) – petroleum exports rose to **to a record high USD 252.6bn** by 3.5% ( **services grew**  
 an all-time high of USD 27.2bn, food exports touched a record high and capital goods  
**imports from China fell** exports were the highest since Mar 2019. Imports fell by 3.4%:  
 (possibly as a result of the lockdowns). **USD 10.1bn**  
 , at 50.2 in Jun, is now substantially **University of Michigan Consumer Sentiment** •  
**comparable to the trough** lower than it was during the Great Financial Crisis and  
 Consumers' views on current conditions **reached in the middle of the 1980 recession.**  
 tumbled to 55.4 in June (May: 63.3), while a barometer of expectations fell to 46.8 from  
 55.2.  
 (highest level <sup>th</sup>**Initial jobless claims increased to 229k in the week ended May 27** •  
 ) from an upwardly revised 202k a week ago, taking the 4-week average <sup>th</sup>since Jan 15  
 at over 1.3mn in the week **Continuing jobless claims were unchanged** higher to 215k.  
 .<sup>th</sup>ending May 27

## :Europe

to left interest rates unchanged as expected; it remained hawkish stating its plan **ECB** •  
**hike by 25bps in Jul while also hinting at an extra-large interest rate hike come**  
**end quantitative easing on Jul** if inflation persists. The ECB also plans to **September**  
**.1st**  
**growth increased by 0.6% qoq** shows **Q1 GDP in the eurozone** The final reading of •  
 (0.3% qoq and 5.1% yoy). **and 5.4% yoy in Q1, higher than the previous estimate**  
 Growth was strongest in smaller countries (Ireland growing by 10.8%) versus larger  
 nations (Germany growing at 0.2%, Italy at 0.1% and France falling by 0.2%).  
 , easing to -15.8 in Jun from **Sentix investor confidence in the eurozone improved** •  
 -22.6 the previous month. The current conditions index improved to -7.3 in Jun (May:  
 -10.5) and an expectations index rose to -24.0 (May: -34.0).  
 by 2.7% mom and 6.2% yoy in Apr – this is the **Factory orders in Germany declined** •  
 third consecutive month of lower factory orders – with a large drop in foreign orders  
 (-4%), especially to those to the eurozone (-5.6%). Orders for both capital and consumer  
 durable goods declined: by 4.3% and 2.6% respectively.  
 : it rose by 0.7% mom but fell **German industrial production recovered slightly in Apr** •  
 by 2.2% in yoy terms (Mar: -3.1%).  
 from the preliminary estimate of 51.8. **UK services PMI inched up to 53.4 in May** •  
 Inflation is a concern with the latest input cost inflation the steepest since the index  
 began (Jul 1996).  
 by 1.5% yoy in May (Apr: -1.7%). Overall, **Like for like retail sales in the UK declined** •  
 sales decreased by 1.1% in May versus an increase of 28.4% in May 2021.  
 by 150bps to the pre-crisis level of **Russia's central bank cut its key interest rate** •  
 9.5%; this follows three rounds of 300bps cuts each.

## :Asia Pacific

(Apr: 3.9%) **China's exports surged by 16.9% yoy in May** As Covid restriction eased, •  
 while imports grew by 4.1% (the first expansion in 3 months). Trade balance widened to  
 USD 78.76bn from a USD 51.12bn surplus recorded in Apr.

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- (Apr: 0.4%) while remaining **Inflation in China declined by 0.2% mom in May** •  
 unchanged at an annual 2.1%. Non-food prices rose by 2.1% yoy, driven by housing  
 (+1%), transportation and communication (6.2%) and education (1.8%) among  
 , following the **Producer price index eased to a 14-month low of 6.4% in May** others.  
 8% increase the month before.
  - New loans nearly tripled** by 11.1% in May (Apr: 10.5%). **Money supply in China grew** •  
**Growth of outstanding total social** to CNY 1890bn in May (from Apr's CNY 645.5bn).  
 to 10.5% in May (Apr: **quickened** , a broad measure of credit and liquidity, **financing**  
 to USD 3.128trn in May from USD **inched up Foreign exchange reserves** 10.2%).  
 3.12trn in Apr.
  - , the highest since Feb 2020 and **urban jobless rate in China rose to 6.1% in Apr** The •  
 much higher than the target of 5.5%.
  - , **China's Caixin PMI stayed in contractionary territory for the 3rd month in May** •  
**Input cost inflation eased to** a though rising to 41.4 (from Apr's 26-month low of 36.2).  
 , while output costs climbed. **nine-month low**
  - , slightly less than previously **Japan's Q1 GDP fell by 0.1% qoq and 0.5% yoy in Q1** •  
 reported. In annualised terms, GDP fell by 0.5% in Q1, lower than the preliminary  
 reading of 1% decline. The increase was largely due to an upward revision in private  
 consumption: it inched up to 0.1% qoq from the flat reading reported previously.  
 Domestic demand contributed 30bps to revised GDP figures, while net exports took off  
 40 bps.
  - (Mar: 100.8), the highest **Leading economic index in Japan inched up to 102.9 in Apr** •  
 reading since Dec 2021. The coincident index remained unchanged at 96.8.
  - (Mar: JPY **Current account surplus in Japan shrank to JPY 501.1bn in Apr** •  
 2549.3bn). Overall imports surged by 32.8% yoy to a record high, also inflated due to a  
 weaker yen.
  - (Mar: -2.3%), dragged **Overall household spending in Japan fell by 1.7% yoy in Apr** •  
 down by lower spending on cars and vegetables. Labour cash Inflation adjusted real  
 wages shrank by 1.2%, the biggest fall since Dec 2021.
  - India's central bank increased the repo rate by 50bps to 4.9% in a bid to tame** •  
 ; it left the reverse repo rate unchanged at 3.35%. The governor called **inflation**  
 expectation of rate hikes in June a "no-brainer".
  - (Mar: 1.9%), an 8-month **Industrial production in India surged by 7.1% yoy in Apr** •  
 high, powered mainly by higher electricity and mining output.
  - : growth was revised down to a **Q1 GDP in Korea was revised down slightly** •  
 seasonally adjusted 0.6% qoq and 3% yoy in Q1 (prev estimate: 0.7 % qoq and 3.1%  
 yoy).

**Bottom line: An eventful week with a line-up of central bank meetings. The Fed and BoE**  
**-are likely to lift rates again, especially with rising cost of living amid declines in inflation**  
**adjusted wages; a 25bps hike is expected from the BoE, especially given this morning's**  
**GDP print (0.3% drop in GDP in Apr), though it could opt for a higher 50bps hike in line**  
**with the Fed. In contrast, the BoJ looks ready to continue with its ultra-loose monetary**  
**policy stance (its argument being that a weaker yen had generally positive effects on the**  
**economy). In a rare move, the BoJ, Ministry of Finance and Financial Services Agency**  
**released a joint statement last week aimed at bringing some stability to the USD-JPY**  
**-exchange rate. It would be interesting to see if the BoJ governor's comments post**  
**meeting shows a shift in stance (i.e. that further weakness could be detrimental to the**

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economy).

## Regional Developments

- (+0.9 ppts from Jan), supported by rising oil reforms and some nations' structural reforms. Though output in the region remains below pre-pandemic trends, the gap is expected to have roughly halved by 2023 relative to 2020.  
<https://www.worldbank.org/en/publication/global-economic-prospects> More:
- , up 73% yoy, according to the **Bahrain attracted USD 1.766bn in FDI inflows in 2021** UNCTAD's World Investment Report. Inward FDI stocks grew by 6% to USD 33.47bn.
- **to USD Net profits of listed companies in Bahrain posted a 62.4% yoy surge** 922.5mn in Q1 2022, with the materials sector posting the largest net profit (up 181% to USD 389.3mn).
- 's 16 programmes as part of the 2021-25 strategy **Bahrain's labour fund Tamkeen approval of over 9300 proposals and funding support of BHD 39mn** have seen the (USD 103.47mn). The programs were launched with the aim of developing local Bahraini talent and incentivize high potential sectors.
- (Apr: 13.1%), **Inflation in Egypt accelerated to a 3-year high of 13.5% yoy in May** falling outside the target range of between 5-9%: a rate hike seems almost certain at the to 13.3% yoy (Apr: 11.9%). **Core inflation also ticked up** meeting on June 23.
- that will speed **Egypt plans to establish a USD 4bn IPO fund** The Sovereign Fund of up the subscription process for companies. The CEO of the Sovereign Fund disclosed **will be signing an MoU with Saudi PIF to attract USD 10bn worth investments** that it into joint projects.
- **strategic wheat reserves** disclosed that the country's **Egypt A supply ministry official in Reserves of sugar, vegetable oils and rice will were sufficient until end of this year.** last for 5, 6 and more than 3 months respectively.
- **Japan's Sumitomo signed an initial agreement to establish its largest factory in** , to manufacture automotive wore harnesses. The project will begin operations by **Egypt end-2023.**
- : this will allow **Iraq passed the Emergency Law for Food Security and Development** the government to transfer IQD 25trn (USD 17.14bn) to support the buying of essential items like wheat, rice, gas and energy as well as pay salaries among others.
- : this **Iraq and Jordan reached an agreement on an electricity grid interconnection** will begin supplies starting next year.
- **aims to attract USD** , unveiled last week, **Jordan's 10-year development strategy** (from JOD 30.2bn currently). The **41bn in funds to raise GDP to JOD 58.1bn by 2033** biggest challenge identified was to reverse current unemployment rate (24%) and find jobs for over a million youth in a decade's time.
- **aims to invest** (established by Saudi PIF) **The Saudi Jordanian Investment Fund** , revealed its CEO. The latest agreement was for a USD 400mn **USD 3bn in Jordan** investment in a healthcare project in Jordan.
- **Kuwait Petroleum Corporation is seeking financing of up to** Reuters reported that ; these funds are to be used for capital expenditure including on oil and gas **USD 1bn** production, according to the oil minister.
- Ali Alghanim and Sons Automotive **Kuwaiti car distributor** According to EFG Hermes, , which was 11 **raised more than USD 3bn in a private placement ahead of its IPO** Co

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times oversubscribed.

- , reported Al **value of Kuwait's oil exports rose to an all-time high in Q1 2022** The Qabas daily citing a special government report. Additionally, oil revenues in 2021-2022 accounted for 84% of total revenues, while non-revenues declined by 38.9% from the 2020-21 fiscal year.
- , with prices of **Wholesale prices in Kuwait increased by 2.3% yoy in Dec 2021** imported goods rising by 3.2% and that of domestic goods by 0.6%.
- **Lebanon's deputy PM called on the banks to "go first" in absorbing the losses** the Associations of the Banks of Lebanon had rejected the **from the financial collapse** (plan). He also disclosed that the government would aim to return up to USD 100k of the depositors' savings over time (using the banks' foreign currency assets).
- , with oil and gas exports **Exports from Oman surged by 55.9% yoy in Jan 2022** standing at OMR 1.15bn (+58.7%) and non-oil exports up by almost 70% to OMR 626.8mn.
- is currently developing 2 solar **Oman Power and Water Procurement Company** The power plants and is expecting an investment of USD 600mn from the private sector. to **plans to attract investments of more than USD 1.25bn** Altogether, the company **projects in renewable energy and water resources** implement several **Shell and ConocoPhillips as , Total , Qatar picked Exxon** Reuters reported that This expansion is **partners in the expansion of the world's largest LNG project.** expected to boost Qatar's LNG output by 64% by 2027.
- **Listed firms in the GCC reported a 67% yoy increase in aggregate profit to USD** , revealed a report by Kamco Invest. Saudi Arabia's listed firms accounted **65.4bn in Q1** for the largest share of aggregate profits, with its firms' profits up by 73% to USD 49.8bn.
- , according to data from **Startups in MENA raised USD176mn from 42 deals in May** Wamda: this compares to amounts of USD 299mn and USD 297mn raised in Mar and (USD 81mn raised from 11 **Egypt** Apr respectively while the deals count grew 31% mom. (USD 45mn from 8 deals) **and UAE** (USD 46mn from 9 deals) **Saudi Arabia** deals), **continue to dominate the startup space.**
- (2020: USD 26bn), **FDI inflows into the GCC jumped to more than USD 44bn in 2021** according to the latest UNCTAD World Investment Report. UAE attracted the largest amount of FDI (USD 20.7bn), followed closely by Saudi Arabia (USD 19.3bn), Oman (USD 3.6bn) and Bahrain (USD 1.7bn).  
<https://worldinvestmentreport.unctad.org/world-investment-report-2022/>More:



**Saudi Arabia Focus**

- , at 9.9% yoy, was the highest since Q3 2011, **Saudi Arabia's Q1 GDP growth** (20.3%). Non-oil sector also expanded, **driven by increase in oil sector activity** and In yoy . though at 3.7%, it is growing much slower pace compared to previous quarters **growth** terms, the maximum gains accrued in the mining & quarrying sector. However, manufacturing (8%), trade and transportation (6% each) **was also recorded across** **Private investment and exports supported GDP growth** (by and finance (4%). , rising by 20% and 22.1% respectively in Q1 while private consumption **expenditure**)

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grew by just 7.1%.

**highest level**, at 130.2 in Apr, was the **Industrial Production Index in Saudi Arabia** •  
Higher mining and quarrying production (+28.3% yoy) led **recorded since Apr 2020**.

to a 26.7% surge in overall industrial production in Apr 2022. The manufacturing with oil component within the IPI (22% weight in overall index) also increased in tandem production, up by 25.1% (Mar: 22%), supported by recovery in trade and exports.

: 299 new factories **Industrial investments in Saudi Arabia increased in Q1 2022** •  
started production in the quarter, 176 new licenses were issued, and the capital of newly licensed factories exceeded USD 1.1bn.

**record-breaking number of new foreign licenses in Q1** Saudi Arabia reported a •  
**Wholesale and** at 9400, it was up 350% qoq and 19 times higher than Q1 2021. **2022:**  
(64.1%) while construction (12%), **retail trade licenses accounted for the lion's share**  
manufacturing (7.1%) and accommodation and food (6%) were the other prominent  
sectors.

**Ministry of Investment signed 101 deals in Q1 2022, with estimated** Saudi •  
including with EV manufacturer Lucid to open a plant. **investments of over USD 4bn**,  
With 57 of the 101 deals announcing investment amounts, it is estimated that about 6k  
jobs will be created.

(by USD 2.1 a **Saudi Arabia increased the July crude oil prices for Asian buyers** •  
barrel from June to USD 6.5 a barrel over Oman/ Dubai quotes) given concerns about  
tight supply and strong demand expectations in summer.

**Invested funds in equity crowdfunding platforms in the Saudi Exchange** •  
to SAR 210mn (USD 56mn) from 2019 to 2021 from 46 offerings. **increased**  
plans to list for two listings: (a) **Alamar Foods Saudi CMA has given the go ahead** •  
**Saudi Networkers Services** 10.63mn shares (41.69% of its capital) on Tadawul; and (b)  
plans to trade 25% of its capital (1.50mn shares) on Nomu. **Company**

**Saudi PIF was shortlisted to buy a stake in the MENA and** Reuters reported that the •  
held by Kuwait-based Alshaya Group. **Central Asia Starbucks franchise**  
: **Saudi Arabia's PIF is taking an 8.1% stake in Sweden's gaming group Embracer** •  
the latter issued 99.9mn shares raising SEK 10.3bn (USD 1.05bn). This follows a 5%  
stake in Nintendo last month.

, supported by **Moody's affirmed Saudi Arabia's rating at 'A1' with a stable outlook** •  
the effectiveness of its fiscal policy, progress on diversification and the rollout of capital  
and development projects among others.

, up **Bilateral trade between Saudi Arabia and Indonesia touched USD 5.5bn in 2021** •  
by more than 40% yoy. Saudi is Indonesia's largest trading partner in the Middle East  
and it has invested around USD 24.6bn in Indonesia during the period 2016-21.

**USD 100mn has been allocated to** 's tourism minister disclosed that **Saudi Arabia** •  
**provide training for 100,000 people to work in the tourism and sustainability**  
He also stated that USD 800bn had been allocated to be spent on the sector up **sector**.  
to 2030.

**new tourist visa scheme for GCC residents will be launched by Saudi Arabia** A •  
, revealed the minister of tourism. He also disclosed that Saudi Arabia witnessed **soon**  
64mn domestic trips and 5mn visitors from abroad in 2021.

, the highest level in five years, **Occupancy at offices in Riyadh have hit 96%** •  
according to Knight Frank. Thanks to an influx of foreign businesses, office space rents  
in Riyadh has increased by 6.5% in the last 12 months to SAR 1560 per square meter.

Saudi Ministry of Human Resources and Social Development revealed that it had •

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more than 800,000 visas to recruit foreign workers during the year 2021. issued



- **UAE's GDP grew by 3.8% in 2021 and is expected to increase to 5.4% and 4.2% in 2022 and 2023**, according to the central bank's annual report. Non-oil sector expanded by 5.3% in 2021 and its growth will moderate to 3.9% this year. (Apr: 54.7), thanks to a "fast recovering" tourism sector. Wholesale and retail companies registered a slowdown in the growth of new orders while new work in the construction sector softened for the first time since Sep 2021. Cost inflation increased to an over 4-year high, while overall charges decreased for the 11th straight month in May
- **Dubai's TECOM Group** (which operates 10 business districts in the emirate) is offering to open on Jun 16th – the planning an IPO, selling a 12.5% stake expects to be admitted for trading on DFM on July 5th. The company expects to pay a dividend of AED 800mn (USD 217.83mn) for every financial year over the next three years.
- **UAE's oil minister calling efforts to boost output "not encouraging"**. OPEC+ was currently 2.6mn barrels per day short of its production target, while ADQ launched a USD 100mn technology-focused VC Abu Dhabi's holding company ian Ministry of Digital Economy and Entrepreneurship to **Jordanthe fund along with** invest in the "strong potential of Jordan's tech ecosystem".
- **UAE's trade surplus with the GCC stood at AED 134.7bn in 2021**, given a 26% increase in total trade to AED 247.5bn.
- **E-commerce spending in the UAE grew at double the rate of PoS transactions in Q1 2022**, according to Network International. Overall card spends saw a double digit increase while the number of cards transacting online surged by 32% during Q1.
- **DEWA is building 3 water reservoirs valued at AED 550mn to increase storage capacity** In a bid to enhance water security, of desalinated water.
- **DMCC reported a 36% increase in the value of rough and polished diamonds** The in the UAE to USD 11bn in Q1 2022. It was the world's largest rough diamond traded trading hub last year, recording USD 22.8bn in trade.
- **Number of visitors to Dubai grew by 203% yoy to 5.1mn in Jan-Apr 2021**; Oman, India and UK were the top source markets during this period (590k, 550k and 367k persons respectively).

## Media Review

### How Xi Jinping is reshaping China's capital markets

<https://www.ft.com/content/d5b81ea0-5955-414c-b2eb-886dfed4dffe>

<https://www.reuters.com/markets/europe/exclusive-beijing-gives-initial-nod-revive-ant-ipo-after-crackdown-cools-sources-2022-06-09/>

### How to run a business at a time of stagflation

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<https://www.economist.com/business/2022/06/08/how-to-run-a-business-at-a-time-of-stagflation>

**How Should Developing Countries Deal with Inflation? A Q&A With Raghuram Rajan**

[-https://www.promarket-org.cdn.ampproject.org/c/s/www.promarket.org/2022/06/09/how-should-developing-countries-deal-with-inflation-a-qa-with-raghuram-rajana/](https://www.promarket-org.cdn.ampproject.org/c/s/www.promarket.org/2022/06/09/how-should-developing-countries-deal-with-inflation-a-qa-with-raghuram-rajana/)

**Lebanese caretaker energy minister: “politics” behind delay of U.S.-backed electricity plan**

[-https://www.reuters.com/world/middle-east/lebanese-energy-minister-says-politics-behind-delay-plan-supply-country-with-2022-06-08/](https://www.reuters.com/world/middle-east/lebanese-energy-minister-says-politics-behind-delay-plan-supply-country-with-2022-06-08/)

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