

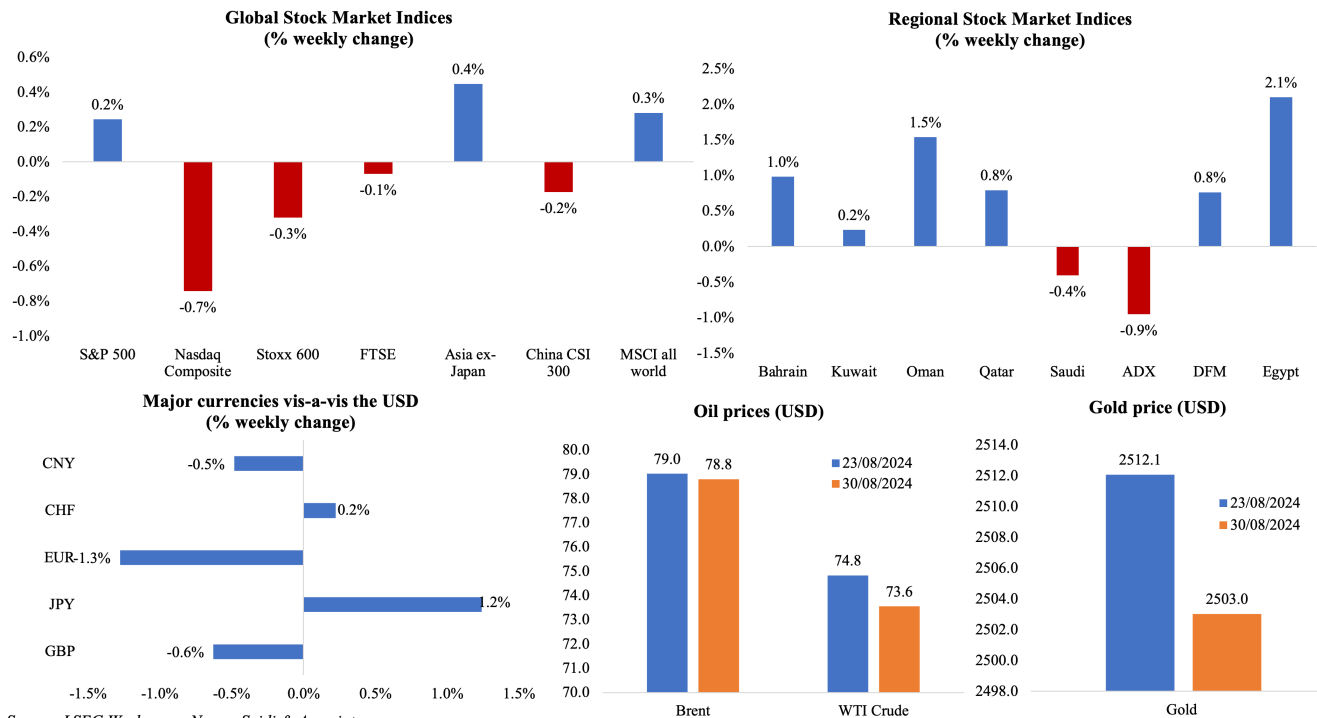
Weekly Economic Commentary – Sep 2, 2024

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Markets

Equities markets had a good day on Fri – Stoxx touched a record intraday high and DJIA closed on a record high – and major markets posted monthly gains in Aug (despite the early-Aug selloff). Regional markets mostly posted weekly gains as expectations of a Fed cut strengthened; Abu Dhabi's index ended the week with a loss but saw a rebound on Friday after consecutive sessions of losses. The dollar gained last week, rising 1.2% versus the JPY (the most since mid-Jun) while the euro fell by 1.3% during the week but posted a monthly gain of 2.1% (the best since Nov 2023). Oil slipped on news that OPEC+ is likely to go ahead with a planned output hike from Oct, while gold price fell by 1% on Fri (though it is up 2% in Aug).

Weekly % changes for the week ending 29-30 Aug from 22 Aug (regional) & 23 Aug (international)



Global Developments

US/Americas:

- **GDP in the US grew at a 3% annualised pace in Q2**, up from the previous estimate of 2.8% and Q1's 1.4%. Consumer spending increased at a 2.9% rate (higher than the earlier estimate of 2.3%), and private inventory investment also reported gains (+7.5% in Q2, thanks to a 10.8% rise in investment in equipment).
- **PCE price index in the US grew by 0.2% mom and 2.5% yoy in Jul**. Excluding food and energy prices, **core PCE matched Jun's reading of 2.6% yoy and rose 0.2% mom**.
- **Personal income grew by 0.3% mom in Jul (Jun: 0.2%)**, with wages rising by 0.3% (Jun: 0.2%), while **personal spending increased at a faster pace (0.5% vs Jun's 0.3% gain)**. The **saving rate dropped to 32.9%, the lowest level since Jun 2022**.
- **US goods trade deficit widened to USD 102.7bn in Jul (Jun: USD 97.4bn)**, the largest since May 2022, as imports surged by 2.3% (to USD 275.6bn).
- **Durable goods orders in the US rebounded in Jul**, growing

by 9.9% mom (Jun: -6.9%) – this was the highest since May 2020, but were driven by a surge in transportation equipment (+4.8% to USD 102.2bn). Non-defence capital goods orders excluding aircraft fell by 0.1% mom from a 0.5% gain the month before.

- **Dallas Fed manufacturing business index improved in Aug**, rising to -9.7 from -17.5 in Jul – **the lowest negative reading since Jan 2023**, thanks to production expanding (1.6 from -1.3) and new orders rising (-4.2 from -12.8) among others. **Richmond Fed manufacturing index fell further** to -19 in Aug (Jul: -17), posting the sharpest drop since May 2020.
- **Michigan consumer sentiment index inched up to 67.9 in Aug**, up by 0.1 from the preliminary reading, thanks to a higher reading for the current economic gauge (61.3 from 60.9). The 5-year inflation expectations held steady at 3% in Aug.
- **S&P Case Shiller home price indices grew by 6.5% yoy in Jun** (May: 6.9%); the benchmark 20-city index rose for a 16th consecutive month to a new all-time high.
- **Pending home sales fell by 5.5% mom in Jul** (Jun: 4.8%) to the lowest reading since the series started in 2001. **Sales tumbled by 8.5% yoy, recording the largest drop since Jan 2024.**
- **Initial jobless claims declined by 2k to 231k in the week ended Aug 23**, taking the 4-week average down by 4.75k to 231.5k. **Continuing jobless claims rose by 13k to 1.868mn in the week ended Aug 16**, close to readings in late-2021.

Europe:

- **Inflation in the eurozone fell to 2.2% in Aug** (Jul: 2.6%), as energy prices declined (-3% from Jul's 1.2% gain, partly due to base effects) alongside an uptick in services inflation (to 4.2%). Core inflation eased to a 4-month low of 2.8% (Jul: 2.9%). **Inflation (HICP) in**

Germany eased to 2% yoy in Aug (Jul: 2.6%), the lowest reading since Mar 2021.

- **Eurozone's economic sentiment indicator inched up to 96.6 in Aug** (prelim: 96), the highest in almost a year, as the Employment Expectations Indicator crept up by 1.3 points to 99.2. **The ESI improved most in France (+4.3)**, Spain (+1.3), the Netherlands (+0.9) – with the former boosted by the Olympics – while it **declined in Germany** (-1.7) and Italy (-1.2).
- **Business climate index in the eurozone declined to -0.62 in Aug** (Jul: -0.61). Consumer confidence also edged down to -13.5 (Jul: -13.4). **Industrial confidence improved** to -9.7 (Jul: -10.4) while services sentiment improved to 6.3 from 5 the month before.
- **GDP in Germany contracted in Q2**, down by 0.1% qoq, following a modest gain of 0.2% in Q1; in yoy terms, growth was flat (Q1: -0.1%). Growth fell due to declines in household consumption (-0.2% qoq) and investment (-2.2% qoq).
- **German Ifo business climate index dropped to a 5-month low of 86.6 in Aug** (Jul: 87), the lowest level since Feb. The current assessment and business expectations slipped to 86.5 and 86.8 (from 87.1 and 87 respectively).
- **Unemployment rate in Germany stood unchanged at 6% in Aug**, though the number of unemployed persons increased by 2k to a seasonally adjusted 2.8mn. **Unemployment rate in the euro area eased to 6.4% in Jul** (Jun: 6.5%), with about 10.99mn unemployed (down 114k from Jun & 190k from Jul '23), while youth unemployment rate was 14.2% (Jun: 14.4%).
- **German GfK consumer confidence survey fell further to -22 in Sep** (Aug: -18.6), clocking in the lowest reading since May, with income expectations plunging to the lowest in almost 2 years (3.5 from Aug's 19.7) alongside economic prospects (2.0 from 9.8).

Asia Pacific:

- **China NBS manufacturing PMI declined to 49.1 in Aug** (Jul: 49.4), remaining in contractionary territory for the fourth month in a row. Output shrank (49.8 from 50.1), as did new orders (48.9 from 49.3) while employment remained weak (48.1 from 48.3). **Non-manufacturing PMI rose to 50.3 in Aug** (Jul: 50.2), staying above 50 for the 20th consecutive month, even as new export orders and employment weakened further (to 47.6 and 45.2 respectively).
- **Japan's leading economic index was upwardly revised to 109.0 in Jun** (prelim: 108.6) – this is the lowest reading since Nov 2023; Jun also posted the first decline in services activity since Aug 2022. The **coincident index was revised down to 113.2** (prelim: 113.7).
- **Inflation in Tokyo rose to 2.6% yoy in Aug** (Jul: 2.2%). Excluding food and energy moved up to 1.6% in Aug (Jul: 1.5%). **Excluding fresh food, prices accelerated for the fourth month in a row to 2.4%** (Jul: 2.2%), above the BoJ's 2% target. The readings suggest a strong possibility of an upcoming BoJ hike.
- **Unemployment rate in Japan inched up to 2.7% in Jul** (Jun: 2.5%), the highest rate since Aug 2023. **Jobs to applicants' ratio inched up to 1.24** (Jun's more than 2-year low of 1.23).
- **Japan's industrial production rebounded by 2.8% mom in Jul** (Jun: -4.2%), only the third expansion this year. In yoy terms, IP grew by 2.7% – the largest uptick since Jan 2023- and following Jun's 7.9% plunge. Following the positive readings, **government upgraded its assessment on industrial output for the first time since Mar 2023**.
- **Retail sales in Japan grew by 0.2% mom and 2.6% yoy in Jul** (Jun: 0.6% mom & 3.8% yoy), as rising wages continued to support consumption. Growing sales were reported for non-store retailers (9.6%), automobiles

(6.3%) and pharmaceuticals & cosmetics (5.1%) among others.

- **GDP expanded by 6.7% yoy during the Apr-Jun quarter in India** (Jan-Mar: 7.8%) – this was the **slowest pace in 5 quarters**. Manufacturing grew by 7% during the quarter (vs 5% a year ago) while agriculture grew at a much slower pace of 2% (given the uneven monsoons and compared to 3.7% growth a year ago). Government final consumption expenditure contracted by 0.2% during the quarter.
- **Infrastructure output in India increased by 6.1% yoy in Jul** (Jun: 5.1%), thanks to increases in electricity output (7% from 8.6% in Jun) and steel production (7.2% from 6.7%).
- **Industrial production in Singapore** rebounded in Jul, rising by 10.1% mom and 1.8% yoy (Jun: -4.3% mom and yoy). The yoy growth can be traced back to a surge in electronics output (2.8% from Jun's 6.7% drop) and precision engineering (0.7% from -2.4%).
- **Turkey has formally submitted a request to join the BRICS+ alliance**, as it tries to build ties with the emerging market. Turkey is a member of NATO and while it has been officially recognised as a candidate for full EU membership, negotiations for accession have been very slow.

Bottom line: An important week ahead as the US non-farm payrolls report will be critical to determine the size of the potential Fed rate cut (later this month). Final PMI readings for Aug will also be released, likely to cement the ongoing divergence in growth – one, between manufacturing and services and two, between the developed and emerging markets. Meanwhile, US politics are in a critical phase given upcoming Harris-Trump debates while geopolitics in the Middle East remains a concern – further disruptions in the Red Sea will lead to supply chain strains and trade delays (affecting the 2024 holiday season shopping).

Regional Developments

- **Bahrain will introduce a new domestic minimum top-up tax on MNCs starting Jan 1st:** this will see large MNCs, with global revenue exceeding EUR 750mn in 2 of the last 4 fiscal years, pay a minimum 15% tax on profits generated in the country. This is in line with the OECD Global Anti-Base Erosion Model Rules (Pillar II).
- **IMF, in its review of Egypt, indicated that there were signs of economic recovery** as several economic reforms were implemented though hurdles related to geopolitical issues remain. **The IMF softened several conditions of its financial support package to allow for additional time for the implementation of reforms** including delayed publication of annual fiscal account audits (by end-Nov), a plan to recapitalise the central bank (by end-Aug) as well a commitment to restore energy prices to their cost recovery levels (by end-2025). More: <https://www.imf.org/en/Publications/CR/Issues/2024/08/26/Arab-Republic-of-Egypt-Third-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-553968>
- **A new oil deposit has been discovered in Egypt's Western Desert:** according to the minister of petroleum and mineral resource "early tests have yielded an impressive 7,165 barrels of oil per day, alongside 23mn cubic feet of natural gas" – which could boost energy production.
- **The central bank of Egypt posted a profit of EGP 22.83bn in the 2023-24 fiscal year,** reported Asharq Business (2022-23: loss of EGP 86.28bn). This is **the first profit since the fiscal year 2016-17** when it clocked in a profit of EGP 12.66bn. Total assets surged by 35% yoy to EGP 6.1trn.
- **Net foreign assets in Egypt increased by USD 220mn to USD 13.27bn in Jul, staying positive for the third month running.** NFAs had turned negative in Feb 2022 and stood at minus USD 28.96bn in Jan 2024.
- **Egypt's PM disclosed that a transition to cash subsidies**

from the current provision of commodity subsidies could begin as early as Jul 2025. Currently over 60mn persons benefit from discounted prices on staples while at least 10mn benefit from subsidized bread.

- **Allocations for subsidies, grants, and social benefits in Egypt's 2024-25 budget has been raised to EGP 635.9bn.** This includes EGP 154.5bn for fuel subsidies (almost one-fourth of allocations) and EGP 134.2bn for subsidised commodities.
- **Egypt's General Authority for Tourism Development unveiled 84 investment opportunities** in the country which could add more than 48k hotel rooms to the **hospitality sector**. The primary focus is the untapped potential in the North Coast, in addition to creating a series of artificial lakes south of the coastal road.
- **Multiple renewable energy projects are underway in Egypt, expected to generate 3,450MW of wind energy and 3,700MW of solar power.** The electricity and renewable energy minister also revealed that discussions are underway to **integrate battery storage systems** totalling 2,840 MWh into the ongoing projects.
- **Iraq is planning to offer 10 gas exploration blocks to US companies,** reported Reuters. This follows recent agreements to develop 13 oil and gas blocks to support domestic production.
- **Kuwait's trade surplus narrowed to KWD 4.71bn in Jan-Apr 2024** (-3.28% yoy), reported Al-Seyassah daily, largely due to a decline in exports by 3.88% to KWD 8.42bn.
- **Wholesale price index in Kuwait rose by 2.1% yoy in Jun,** with imported goods prices up by 2.3% while local goods prices inched up by a lower 1.6%.
- **Oman-India FTA negotiations are in an advanced stage,** disclosed the Indian Ambassador to Oman. Bilateral trade between the two nations had crossed USD 12bn in 2022-23 before slipping down to USD 8bn in 2023-24.
- **The Effective Exchange Rate Index of the Omani rial inched up by 2.7% yoy to 118.4 points in H1 2024,**

according to the National Centre for Statistics and Information. It was also revealed that local liquidity surged by 12% yoy to OMR 24bn in H1 2024.

- **Oman's OQ Trading** (based in Dubai) **signed an agreement to offtake LNG from Mexico**, for supplying to the growing Asia Pacific market.
- **Moody's upgraded Oman's outlook to positive** from stable and affirmed its **Ba1** long-term issuer and long-term senior unsecured ratings, citing improvements in its fiscal performance.
- **Non-mining and quarrying activities in Qatar grew** by 1.7% yoy to QAR 114.6bn in Q4 2023 but overall real GDP **shrank** by 0.04% yoy and 0.6% qoq as mining and quarrying activities contracted (-3.1% yoy and -5.6% qoq).
- **Qatar's July foreign trade was driven by upticks in both exports & imports**, resulting in a wider trade surplus of QAR 20.1bn in Jul. Exports grew by 3.9% yoy to QAR 30.2bn, thanks to the **increase in exports of petroleum gases & other gaseous hydrocarbons exports** (3.7% to QAR 17.6bn; or 61.3% of domestic exports). Re-exports grew by 31% to QAR 1.5bn in Jul and **imports increased** by 6.8% yoy to QAR 10.077bn in Jul. China was the main export and import partner; UAE, Japan and India were among top 5 trade partners.
- **Qatar signed a 15-year deal to supply Kuwait with 3mn tons LNG per annum**, with deliveries starting Jan 2025. This is the second deal with Kuwait since 2020.
- **Qatar's Estithmar Holding issued a QAR 500mn Sukuk**, the **first corporate issuance in local currency** listed on the London Stock Exchange's International Securities Market.
- **GCC listed banks' aggregate net profits grew by 2.6% qoq and 9.2% yoy to USD 14.8bn in Q2 2024**, as per a report by KAMCO Invest. Net interest income rose the most in Kuwait (6.3% yoy to USD 2.5bn), followed by Saudi Arabia (2.5% to USD 7.3bn). Total loan loss provisions fell to USD 1.9bn – the lowest level in at least 33 quarters.
- **International air cargo demand in the Middle East**

carriers surged by 14.7% yoy in Jul, according to IATA: **the Middle-Europe route surged by 32.3%**, the most across all other major trade lanes, also continuing to post the double-digit growth (starting Sep 2023). The Middle East-Asia route was also among the fastest growing (+15.9%). **Middle Eastern airlines grew their** international revenue passenger-kilometres (RPKs) **by 5.8% yoy in Jul** (though lower than the industry average of 10.1%).

Saudi Arabia Focus



- **Total deposits in Saudi Arabia edged down by 0.9% mom in Jul**, with government deposits posting a larger drop (-6.1% mom to SAR 450.4bn). **Private sector loans grew by 11.7% yoy, faster than Jun's 11.3% expansion**, while **overall credit growth was up 8.6% in the period Jan-Jul**. SAMA's **net foreign assets grew** in yoy terms for the 5th month in a row, up 5.6% to SAR 1.613trn. **Money supply grew by 7.9% yoy in Jul** (Jun: 9%).
- **Credit card loans in Saudi Arabia surged by 21% yoy to SAR 30.04bn in Q2 2024**, the highest uptick in a year, according to SAMA. These loans exclude real estate financing, finance leasing and margin lending.
- Saudi wheat flour producer **Arabian Mills plans to offer 15.4mn shares** (or 30% of its capital) **to raise up to SAR 1.01bn via its IPO**. The institutional book-building period began on Sep 1 and will close on Sep 5, and the retail subscription will last Sep 18-19.
- **Saudi PIF secured a USD 15bn revolving credit facility** from a global syndicate of 23 financial institutions, with an initial term of 3 years, to support general corporate purposes.
- **The number of industrial establishments in Saudi Arabia increased to 11,549 in 2023**, up 60% from 7206 in 2016, with Riyadh accounting for close to 40% of the facilities. The National Industrial Strategy, which

focuses on 12 industrial sub sectors, aims to raise this to 36k by 2035.

- **Venture capital investments in Saudi e-commerce startups touched SAR 1.6bn (USD 426.7mn) in 2023**, according to a report from Monsha'at. E-commerce users surged by 42% between 2019 and 2024 and it is projected to reach 34.5mn by 2025.
- **Fintech startups in Saudi Arabia totalled 224 active firms as of Q2 2024**, employing over 7000 persons, according to Monsha'at's latest SME Monitor report. About USD 412mn in capital was deployed to Saudi startups across 63 deals in H1 2024.
- With housing demand rising in the country, **residential sales in Saudi Arabia increased four-fold in H1 2024**, according to the National Housing Co: over 13k units were sold at a total value of SAR 13.5bn.
- **Saudi Arabia plans to acquire, via Manara Minerals, a 15% stake in the Reko Diq mining project in Pakistan**, according to a newspaper The Express Tribune. The project is estimated to cost USD 6.0-6.5bn, with USD 3.0-3.5bn required in debt financing.
- **Listed companies in Saudi Arabia posted a 2.6% yoy increase in net profit to USD 39.1bn in Q2 2024**, according to a report from KAMCO Invest. During H1 2024, net profits were down by 2.7% yoy to USD 75.2bn.
- A report by the National Cybersecurity Authority revealed that **cybersecurity sector's contribution to Saudi Arabia's GDP touched SAR 15.6bn in 2023**. The number of providers of cybersecurity products, solutions & services registered with NCA stood at 353.
- **Saudi Arabia rose to 15th rank globally in terms of container handling, as per the Lloyd's List**. The Jeddah Port moved up to 32nd from 41st in 2023 while the King Abdullah Port climbed to 70th place and King Abdulaziz Port in Dammam rose to 82nd.

- **UAE-Philippines trade negotiations entered the third round**, and a deal is expected to be signed in Oct this year. UAE is the Philippines' second-largest trade partner in MEA (behind Saudi Arabia), accounting for about 30% of its total trade.
- The toll operator Salik disclosed that the **two new road toll gates in Dubai**, to be operational by end-Nov 2024, have been **valued at AED 2.7bn**. Salik will repay the Roads and Transport Authority (RTA) the total valuation amount over six years – AED 455.7mn annually (in two equal instalments), starting end-Nov. The Dubai-listed Salik had posted a 2% yoy decline in profits to AED 268mn in Q2 despite an increase in revenues (3% to AED 533mn).
- **Talabat**, the food-ordering app in the UAE and subsidiary of German firm Delivery Hero, is **planning to list on the Dubai stock exchange in Q4 2024**. The firm reported top-line growth with a 28% yoy increase in gross merchandise volume during the first half of 2024.
- Further to UAE's record-high foreign trade performance in H1, **Jebel Ali Port reported handling 7.3mn TEUs in Jul**, up 3.9% yoy, **the highest container volume** since 2015.
- **UAE's Federal Tax Authority (FTA) processed 2.7mn tax refund requests from tourists in H1 2024**, up from 2.55mn requests in H1 2023. About 15k transactions were processed daily, up by 5.62% yoy.
- **UAE's retail conglomerate MAF posted a 11% yoy decline in revenues in H1** (to AED 11.6bn), leading to a 6% drop in net profit. The firm has 467 Carrefour stores across 14 MENA & CIS countries. However, the **digital side of its retail business turned positive for the first time**, posting a 109% yoy surge in revenues to AED 1.3bn.
- **The number of Emirati women entrepreneurs in Ajman stood at 2,949 in H1 2024**, according to a report by the Department of Economic Development. Emirati businesswomen accounted for **5% of the total**

businesswomen in Ajman.

- **DMCC** disclosed, during a MoU signing with the Bogota Chamber of Commerce, that the free zone was **home to 23 companies from Colombia and over 150 firms from South America**. The DMCC roadshow to Colombia, focused on coffee, precious stones and technology, and followed the latter's recent CEPA signing with the UAE.

Media Review:

Pakistan eyes USD 4bn from Middle East banks to plug financing gap, says central bank chief: Reuters

<https://www.reuters.com/world/asia-pacific/pakistan-aims-secure-4-bln-middle-eastern-banks-says-central-bank-chief-2024-08-27/>

PIF-backed Saudi companies increase dividends

<https://www.agbi.com/analysis/markets/2024/08/pif-backed-saudi-companies-increase-dividends/>

Trump's call for a bitcoin strategic reserve is a very bad idea

<https://www.ft.com/content/e0e5e286-1885-4d72-8b65-3333069815c1>

Women Lead Record Number of Central Banks, but More Progress is Needed

<https://www.imf.org/en/Blogs/Articles/2024/08/29/women-lead-record-number-of-central-banks-but-more-progress-is-needed>

Clean energy's next trillion-dollar business

<https://www.economist.com/2024/09/01/clean-energys-next-trillion-dollar-business>

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