

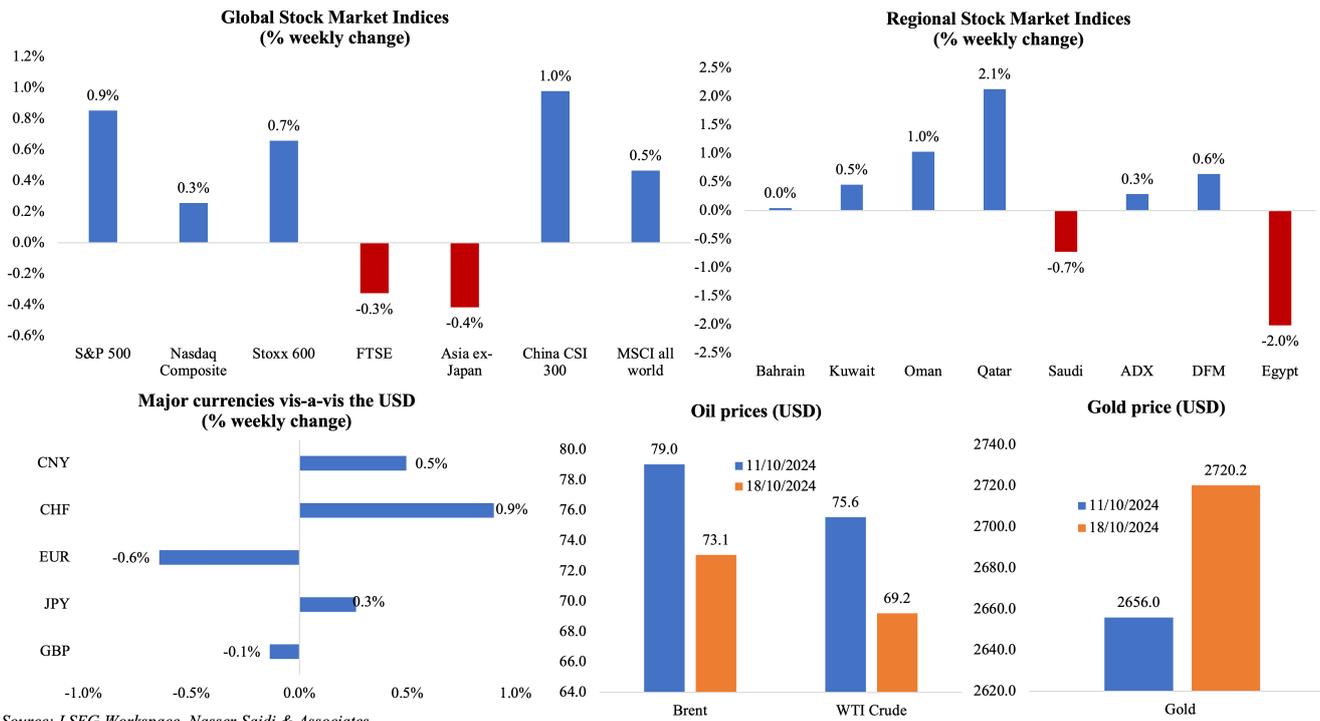
Weekly Economic Commentary – Oct 21, 2024

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Markets

Equities markets rallied last week, thanks to tech stocks driving the uptick in Wall Street to the ECB rate cut and stimulus measures in China (from property to support stock markets) among other factors. Regional markets were mostly up: earnings supported most GCC markets; UAE gained on Friday after some Chinese stimulus measures were announced, enabling ADX and DFM to post gains of 0.3% and 0.6% respectively. Chinese yuan gained over the week while the JPY broke above the 150-mark on Thursday (first time since early-Aug). Oil prices dipped last week on concerns about demand amid uncertainties related to the regional conflict. Gold price continued its record-breaking rally, crossing USD 2700 last week (up 30%+ year-to-date).

Weekly % changes for the week ending 10-11 Oct from 17 Oct (regional) & 18 Oct (international)



Global Developments

US/Americas:

- **US industrial production fell** by 0.3% mom in Sep (Aug: 0.3%), largely due to the impact of factory closures during eh hurricanes and a strike at Boeing. Manufacturing output declined by 0.4% while capacity utilisation slowed to 77.5% (from 77.8% in Aug).
- **Retail sales in the US grew by 0.4% mom in Sep (Aug: 0.1%),** with receipts at food services and drinking places rising by 1.0% and sales at clothing stores up by 1.5% (supported by school re-openings) amid a fall in receipts at service stations (-1.6%, as gasoline prices fell).
- **The New York Empire State manufacturing index plummeted to -11.9 in Oct (Sep: 11.5),** the worst reading since May. New orders and shipments indices fell by 20 and 21 points to -10.2 and -2.7 respectively. The silver lining was an increase in the future business activity index (+8 points to 38.7).
- **Philadelphia Fed manufacturing survey index increased to**

10.2 in Oct (Sep: 1.7), with gains across most indices: new orders and shipments turned positive though employment index fell. The 6-month ahead growth outlook was optimistic.

- **Building permits in the US tumbled by 2.9% mom to 1.428mn in Sep**, dragged down by plunge in multi-family housing permits (10.8% to 398k). **Housing starts declined by 0.5% mom to 1.354mn in Sep**, as multi-family starts fell by 4.5% (to 317k) while single-family starts inched up by 2.7% (to 1.027mn). With expectations for further Fed rate cuts, and thereby lower mortgage rates, buyers are postponing purchases for the time being.
- **US budget posted a surplus of USD 64bn in Sep** (Aug: USD 380bn deficit). Revenue increased by 13% yoy to USD 528bn while spending fell by 23% to USD 463bn. Budget deficit for the fiscal year clocked in at USD 1.833trn (the third largest ever, and most outside the Covid years 2020 and 2021); this was 6.4% of GDP (previous year: 6.2%). Interest on federal debt jumped by 29% yoy to USD 1.133trn, equivalent to 3.93% of GDP.
- **Initial jobless claims decreased by 19k to 241k in the week ended Oct 11**, resulting in a moderate 4.75k rise in the 4-week average to 236.25k. **Continuing jobless claims rose** by 9k to 1.867mn in the week ended Oct 4 (the most since late-July). Various hurricanes have hit parts of the country recently and this will affect claims numbers in coming weeks.

Europe:

- **The ECB lowered interest rates at the latest meeting**, the third cut this year and the first back-to-back one in 13 years: deposit rate was lowered by 25bps to 3.25% while the main refinance rate was lowered to 3.4% (from 3.65%).
- **Industrial production in the eurozone rebounded in Aug**, up by 1.8% mom and 0.1% yoy (Jul: -0.5% mom and -2.1%

yoy). This was the fastest monthly growth since Feb 2023, supported by upticks in capital goods (3.7%), consumer durables (1.7%) and energy (0.4%). Interestingly, Germany posted a 3.3% jump in production, alongside France's 1.4% gain.

- **The ZEW economic sentiment index in Germany unexpectedly surged to 13.1 in Oct (Sep: 3.6) while in contrast, the current situation worsened to a reading of -86.9 (Sep: -84.5).** The improvement future sentiment stems from expectation of easing inflation, ECB's rate cuts and better economic conditions in export partners including China. The economic sentiment index for the **eurozone** also increased to 20.1 (from 9.3) while the current situation fell 0.4 points to -40.8.
- **Wholesale price index in Germany fell by 0.3% mom and 1.6% yoy in Sep – this is the 17th consecutive month of declining prices.**
- **Inflation in the UK eased to a 3-year low of 1.7% yoy in Sep (Aug: 2.2%)** partly due to lower energy prices. Core inflation also slipped, to 3.2% from Aug's 3.6%, while services inflation fell (to 4.9% from 5.6%, partly because of lower airfares).
- **Retail sales in the UK unexpectedly expanded by 0.3% mom (Aug: 1% mom).** The monthly gains were supported by non-food stores sales (+2.5%) while sales at supermarkets fell the most this year (-2.5%). Sep's 3.9% yoy gain (Aug: 2.3%) was the largest since Feb 2022.
- **Producer price index for output declined in Sep: -0.5% mom and -0.7% yoy;** this yoy decline was the biggest fall since Oct 2020. Input producer prices also fell, down by 1% mom and 2.3% yoy. Retail price index fell by 0.3% mom (Aug: 0.6%).
- **Unemployment rate in the UK edged down to 4% in the 3 months to Aug,** from a reading of 4.1% before. **UK average earnings eased to 3.8% including bonus (from 4.1%) and 4.9% excluding bonus (from 5.1%).**

Asia Pacific:

China:

- **The People's Bank of China (PBoC) cut the 1- and 5-year loan prime lending rates by 25bps**, the first since Jul, to 3.1% and 3.6% respectively.
- **China's GDP grew by 0.9% qoq and 4.6% yoy in Q3** (Q2: 0.7% qoq and 4.7% yoy), bringing the growth this year to 4.8% and below the government's target of 5% growth.
- **Exports from China increased by 2.4% yoy in Sep** (Aug: 8.7%) alongside a 0.3% uptick in imports (Aug: 0.5%), taking the trade surplus to a narrower USD 81.71bn (Aug: USD 91.02bn). Introduction of tariffs from major trade partners and trade tensions will leave an impact on exports going forward.
- **Industrial production in China rose** by 5.4% yoy in Sep (Aug: 4.5%), the first acceleration since May, thanks to an expansion in manufacturing (5.2% from Aug's 4.3%). **Retail sales increased** by 3.2% yoy (Aug: 2.1% yoy), registering a 3.35% growth in Jan-Sep. Fixed asset investment grew by 3.4% till Sep (Jan-Aug: 3.4%). Urban jobless rate eased to 5.1% in Sep (Aug: 5.3%).
- **China's money supply expanded by 6.8% yoy this Sep** (Aug: 6.3%). **New loans disbursed jumped to CNY 1.59trn** (Aug: CNY 900bn), with household loans up to CNY 500bn (Aug: CNY 190bn). **New home prices fell** for the 15th month in a row, by 5.8% in Sep – **the fastest decline since May 2015**. Property sales plummeted 17.1% in Jan-Sep (Jan-Aug: -18%).
- **China's property market received a government boost:** the housing authority plans to expand the "white list" of housing projects (i.e. list of projects eligible for additional funding to help complete unfinished projects); loans to stabilise the sector will increase to CNY 4trn by end-2024. State banks would continue to offer financing for redevelopment, and local governments

could issue special-purpose bonds to provide further support.

- **The PBoC announced two schemes to support and add CNY 800bn to the stock market: (a) a swap scheme allowing brokerages, asset managers and insurers to **obtain liquidity through asset collateralisation** to buy stocks; and (b) state banks can **provide loans** to companies and major shareholders **for stock repurchases**. The swap and re-lending measures resulted in a rally in the equity market.**

Rest of Asia Pacific:

- **Inflation in Japan eased to 2.5% in Sep (Aug: 3.0%),** thanks to lower electricity and gas prices. Excluding food and energy, prices inched up to 2.1% (Aug: 2%); services prices slowed to 1.3% (Aug: 1.4%). **Excluding fresh food, prices slowed to a 5-month low of 2.4% (vs Aug's 2.8%)** as a result of the government's temporary subsidies.
- **Japan's exports fell 1.7% yoy in Sep (Aug: 5.5%), down for the first time in 10 months,** while imports grew by 2.1% (Aug: 2.3%). This moved trade deficit to a narrower JPY 294.3bn (Aug: JPY 703.2bn). Exports to China and US declined – by 7.3% and 2.4% respectively – on weak demand for auto; the stronger yen also weighed on exports.
- **Industrial production in Japan declined** by 3.3% mom and 4.9% yoy in Aug (Jul: -6.4% mom and -6% yoy), with the automotive industry production plunging (-10.7% mom and -15.4% yoy). Weak overseas demand and some halted production accounted for the decline.
- **Japan's machinery orders plunged in Aug,** falling 1.9% mom and 3.4% yoy (Jul: -0.1% mom and 8.7% yoy). This was the fifth decline this year, originating from both manufacturing (-2.5% mom to JPY 388.4bn) and non-manufacturing (-7.7% to JPY 446.9bn) sectors.

- **Consumer price inflation in India inched up to a 9-month high of 5.49% yoy in Sep (Aug: 3.65%), as food prices surged (9.24% from 5.66%). Wholesale price index inflation rose to 1.84% yoy in Sep (Aug: 1.31%) on higher food prices (9.47%, the most since Aug 2022) while fuel and power prices fell (-4.05%, the lowest in 10 months).**
- **GDP in Singapore grew by 2.1% qoq and 4.1% yoy in Q3 (Q2: 0.4% qoq and 2.9% yoy), according to advance estimates. This growth was helped by expansion in the manufacturing sector (+7.5% qoq from Q2's -1.2% drop).**

Bottom line: Amid a mixed picture from China's latest economic indicators – varying from GDP growth below 5% to higher industrial production & retail sales alongside tumbling property sector – the real question is whether the latest round of stimulus measures will result in faster growth, and if so, when. This week will see the release of updated global macroeconomic forecasts during the IMF-World Bank annual meetings (currently underway). The already published surging public debt numbers have been an eye-opener -it is set to reach USD 100trn or 93% of global GDP by end of the year, and approach 100% by 2030 – as have World Bank's warning that global poverty reduction had "slowed to a near standstill". Politics will play an integral role in determining the growth path: Middle East tensions are growing, the BRICS summit underway in Russia (will want to make a mark, positioning themselves as a counterbalance to the West-led world order and dollar dominance(?)), and the US elections (with just 2 weeks to go) remain too-close-to-call.

Regional Developments

- **GDP in the MENA region is forecast to grow by 2.2% and a faster 3.8% in 2024 and 2025 respectively, supported by GCC growth, according to the World Bank's latest [MENA Economic Update report](#). The path of the ongoing conflict in the Middle East, which is assumed not to escalate/**

worsen in the report, presents a significant risk to the forecasts. **Within the GCC, Bahrain and UAE are expected to be the fastest growing in 2024** (3.5% and 3.3% respectively) while in 2025 growth picks up most in Saudi Arabia and UAE (4.9% and 4.1% respectively).

- **Bahrain's GDP is forecast to grow by 3% in 2024 and 3.5% in 2025, and inflation is projected to rise to 1.2% in 2024, according to the IMF following its 2024 Article IV mission.**
- **Money supply in Bahrain grew by BHD 0.6mn to BHD 16.4bn by end-Aug**, with the balance sheet of the banking system rising by 8.2% to USD 243.1bn. The outstanding balance of total loans and credit facilities disbursed to residents grew by 5.2% year-to-date to BHD 12.2bn alongside a 2.9% yoy rise in private sector deposits to BHD 14.3bn.
- **The central bank of Egypt left interest rates unchanged for the fourth meeting in a row:** keep the overnight deposit and lending rates were left at 27.25% and 28.25% respectively.
- **Egypt raised gasoline and diesel prices for the third time this year**, in line with the IMF's condition to gradually lower subsidies. Gasoline prices were raised by 11-13% depending on the grade. Separately, **Egypt's President was quoted saying that the IMF's deal "must be reviewed"** in light of the spillovers from the war in Gaza, indicating that there is immense pressure on the public from these hikes & other fiscal austerity measures.
- **Egypt's external debt fell to USD 152.9bn by end-Jun** from USD 160.6bn at end-Mar and USD 168bn at end-Dec 2023. Debt owed by Egyptian banks rose slightly to USD 20.67bn by end-Jun, up from USD 20.1bn at end-2023.
- The Central Bank of **Egypt** disclosed that its **net foreign assets achieved a surplus of USD 10.4bn in Sep** (Aug: USD 10.2bn). Bank deposits in local currency slipped to EGP 637.119bn in Sep, from EGP 699.648bn in Aug.

- According to CAPMAS, **Egypt's trade deficit widened by 18.3% yoy to USD 4.6bn at end-Jul**: exports grew by 10.7% yoy to USD 3.54bn alongside a 14.9% surge in imports. Separately, the central bank reported that **Egypt's foreign trade clocked in at USD 77.039bn in the 9-month period Jul 2023-Mar 2024**. UAE was Egypt's top trading partner (USD 6.995bn), followed by Saudi Arabia (USD 5.209bn), US (USD 5.091bn), China (USD 5.077bn) and Germany (USD 3.819bn).
- **Egypt's index of manufacturing and extractive industries**, excluding crude oil and petroleum products, **grew by 2.74% mom to 112.55 in Jul**, thanks to increases in textile (+30.94%) and rubber & plastic products (26.87%).
- **Fuel imports into Egypt grew by 11.8% yoy to USD 10.5bn in Jan-Sep**, accounting for 30-35% of the total consumption of petroleum products. Separately, **Egypt's imports of fuel oil** used for power generation jumped to 255k barrels per day (bpd) in Sep: the highest since 2016.
- **Egypt revised down its renewable energy target to 40% for 2040**, from the previous target of 58%, stated the petroleum minister. Natural gas will continue to be part of the energy mix, with the minister stating that they aim "to achieve new discoveries in the region".
- **Bank credit to Oman's private sector grew by 2.8% yoy to OMR 26.3bn at end-Aug**, while overall credit rose by 3.3% to OMR 31.4bn.
- **Oman reported a 2.9% yoy drop in inbound tourists this Aug** (to 374k): majority of the visitors were from the GCC nations (55% of the total) while Asia and other Arab nations were also significant (at 24% and 14% respectively).
- **The chairman of the Qatar Chamber disclosed that membership fees would be reduced "soon" to support the private sector**. The fees for shareholding companies, holding companies, and foreign companies involved in

state contracts will be reduced by 50% (to QAR 5000 annually). For others, the annual fee will be set at QAR 500.

- **Tourists into Qatar increased** by 3.3% mom and 24.5% yoy to **328k tourists in Aug** (Jul: 317.5k), taking the total to **3.29mn visitors in Jan-Aug 2024** (Qatar had clocked in a record-high 4mn visitors in full year 2023, which were almost twice pre-pandemic levels). **Visitors from the GCC accounted for 41% of the total**, with Europe and Asia accounting for around 20% each.
- **Qatar will hold a referendum to vote on a set of constitutional amendments** including one to abandon legislative elections; the first-ever elections were held in 2021 though it was approved in a 2003 referendum.
- **Green bond issuances in the Middle East touched USD 16.7bn in Jan-Sep 2024** (-18% yoy), led by Saudi Arabia and the UAE, according to S&P. The value of sustainable sukuk in the Middle East stood at USD 6.1bn (unchanged yoy) and globally at USD 7.1bn (-11% yoy).
- The ILO reported **a surge in unemployment rate in Gaza to nearly 80% since the war started a year ago**. In the West Bank, unemployment rate averaged 34.9% between Oct 2023-Sep 2024. Prior to the current war, unemployment stood at 45.3% and 14% in Gaza and the West Bank respectively.

Saudi Arabia Focus



- **The Saudi Crown Prince and Egypt's President agreed to deepen trade and investment cooperation**, while also establishing a supreme coordination council to deepen bilateral collaboration. Bilateral trade stood at USD 8.38bn (+35.16% yoy) as of H1 2024 while Egypt was the top recipient of investment licenses in Saudi Arabia (+71% yoy to 178 in Q2 2024).
- **Saudi Arabia and Egypt agreed to deals worth USD 15bn over three years**, as per the Chairman of the Egyptian-

Saudi Joint Business Council, in projects across renewable energy, industry, real estate development, tourism and technology. Further details were not disclosed.

- **Consumer price inflation in Saudi Arabia inched up to 1.7% yoy in Sep** (Aug: 1.6%), with the price of housing surging even further (9.3% in Sep from Aug's 8.9%) as **rental costs jumped** by 11.2% (Aug: 10.7%) – the highest on record since Jan 2013. Food prices moderated (up by 0.82% from 0.92% in Aug) while transport prices fell by 3.3% (Aug: -3.36%).
- **Wholesale prices in Saudi Arabia rose to 3.11% in Sep** (Aug: 3.16%), with costs of agriculture & fishery products declining (-0.43% from 0.4% in Aug). Metal products, machinery & equipment saw prices rise (0.12% from Aug's -0.12%) while “other transportable goods” clocked in the highest gains (7.97% from Aug's 8.08%). **For the period till Sep 2024, average wholesale prices accelerated:** clocking in 3.36% (vs Jan-Sep 2023: 0.5%), with the surge driven by “other transportable goods” (8.39% from 0.54%).
- **Saudi Arabia's crude oil exports fell** by 1.2% mom to **5.671mn barrels per day in Aug**, the lowest since Aug last year, according to data from the Joint Organisations Data Initiative. Separately, LSEG data showed **Russian fuel oil and VGO Loadings to Saudi** declined by 10% mom to 0.7mn tons in Sep: this was the **2nd-highest after shipments to China**.
- **NEOM project is using one-fifth of all steel produced in the world** and also accounts for around 5% of the global logistics market, **revealed NEOM's chief investment officer**.
- **Saudi PIF's green project investment plan expanded to USD 19.4bn across 91 projects**, as per the “Allocation and Impact Report”. Of this total, USD 8.5bn comes from its two green bonds (issued in 2022 and 2023).
- **Saudi Arabia's container transshipment volume surged by**

55% between 2017 and 2023, alongside a 31% increase in container import and export volumes, according to the president of the Saudi Ports Authority.

- **The crisis in the Red Sea** that has seen ships being re-routed **has benefitted Saudi air cargo**: according to the head of the Saudi General Authority of Civil Aviation, there has been a **53% rise in air cargo shipments**. The airports are expected to process a record 1mn+ tons of air cargo this year with an aim to increase air cargo capacity to 4.5mn tons by 2030 (a five-fold increase compared to 800k tons in 2023).
- The **Landbridge project**, linking Riyadh and Jeddah, **will cost an estimated USD 7bn** and will start off as a freight train (expanding to include passengers after 2030).

UAE Focus



- **Dubai announced a rural transformation masterplan worth AED 390mn**: it consists of 37 projects ranging from driving desert tourism to improving services for remote communities and is expected to be completed by 2028.
- Following a meeting of the Joint Committee under CEPA, **UAE agreed to study** an issue raised by India, namely the **higher exports into India of silver products, platinum alloy and dry dates**. According to a statement, India “urged UAE to verify compliance to the rules of origin norms”.
- UAE retail firm **Lulu Group International will float a 25% stake on the Abu Dhabi Exchange**. The opening date for subscriptions to the IPO will be Oct 28th and the listing is estimated to raise USD 1.7-1.8bn. Retail investors will be offered 10% via the IPO.
- The **UAE central bank announced joining “Project Aperta”** which was launched by the BIS. The project aims to connect the domestic open finance infrastructures of different jurisdictions, enable global/ cross-border

interoperability; one of the use cases would be “trade finance data related to shipping to significantly reduce the cost and increase the speed of international trade”.

More:

https://www.bis.org/about/bisih/topics/open_finance/aperta.htm

- **UAE Etihad Rail signed 10 major agreements with international firms** including Korea National Railway (KNR), Korea Railroad Corporation (Korail), Hitachi Rail, Presight AI Technologies in addition to Indian groups such as L&T and RITES (an Indian public sector enterprise specialising in transportation and infrastructure).
- A **S&P** report highlighted that **Dubai government debt level is estimated to decline to 34% of GDP by end-2024** from 70% of GDP in 2021. However, the report does not consider financing for either the Al Maktoum airport or the rainwater drainage network (due to lack of clarity on timing of issuance & if government would be the issuer).
- **Kenya is in talks with the UAE for a commercial loan worth USD 1.5bn**, disclosed the former’s finance minister. The loan would have a 8.25% interest rate and a 7-year tenor. In Feb, the two countries signed a CEPA to boost trade.

Media Review:

Global Public Debt Is Probably Worse Than it Looks: IMF

<https://www.imf.org/en/Blogs/Articles/2024/10/15/global-public-debt-is-probably-worse-than-it-looks>

The BRICS viewpoints via Project Syndicate

<https://www.project-syndicate.org/commentary/moscow-brics-summit-expanded-bloc-still-rudderless-and-ineffective-by-jim-oneill-2024-10>

<https://www.project-syndicate.org/commentary/brics-potential-to-reshape-global-governance-kazan-summit-by-brahma->

[chellaney-2024-10](#)

The True Dangers of Trump's Economic Plans

<https://www.foreignaffairs.com/united-states/true-dangers-trumps-economic-plans>

World Bank's Middle East and North Africa Economic Update, October 2024

<https://www.worldbank.org/en/region/mena/publication/middle-east-and-north-africa-economic-update>

Global merchandise trade to grow by 2.7% in 2024 & 3.0% in 2025: WTO

https://www.wto.org/english/news_e/news24_e/stat_10oct24_e.htm
https://www.wto.org/english/blogs_e/ce_ralph_ossa_e/blog_ro_11oct24_e.htm

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