

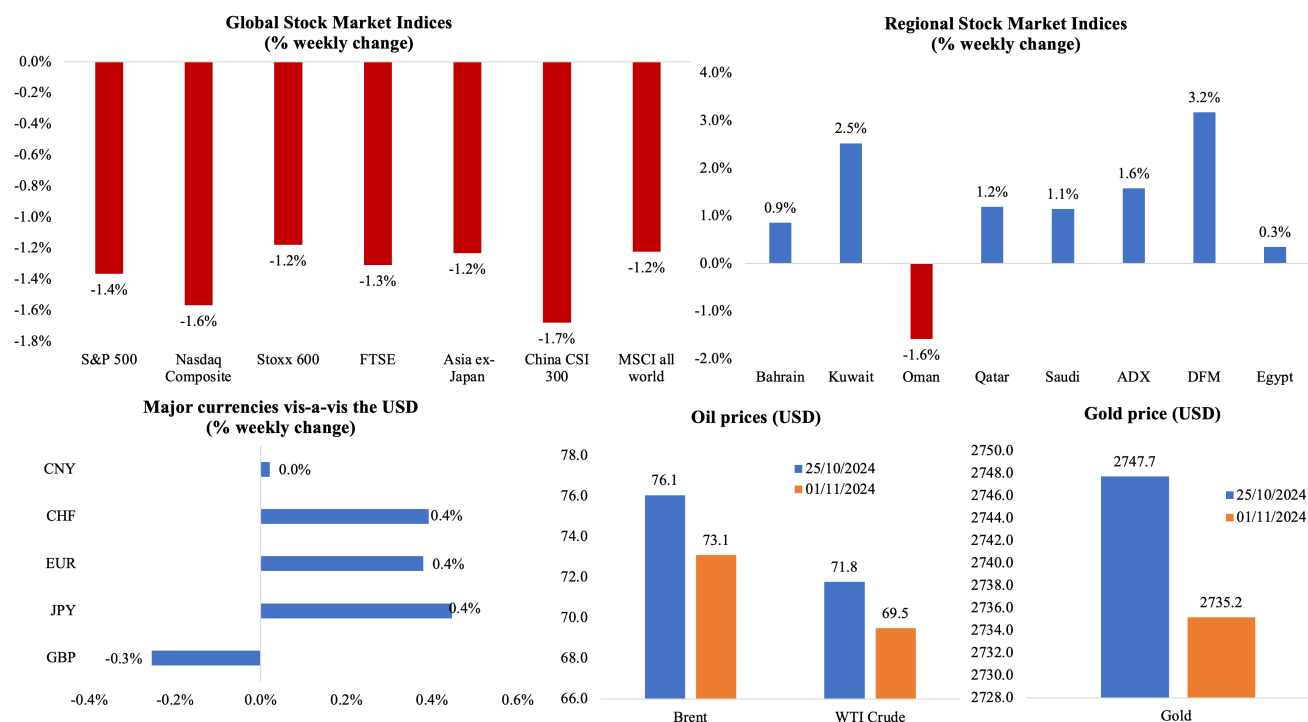
# Weekly Economic Commentary – Nov 4, 2024

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## Markets

Equity markets had a weekly rout, with a sell-off on Thursday and slight recovery on Friday ahead of the US elections. Regional markets performed better on news of a potential ceasefire deal (on Thursday) and positive earnings results (including banking stocks): DFM was the biggest gainer, posting its biggest weekly gains since Nov 2023. Qatar's index had tumbled ahead of the referendum on constitutional amendments but ended the week 1.2% higher. Among currencies, the dollar strengthened on Friday, and the JPY benefitted from the less dovish rhetoric from the governor. Oil prices slipped by more than 3% from the previous week (though OPEC+ extended their production cuts), but as the war continues unabated there are increasing concerns related to supply (especially if there are further retaliatory strikes). Gold prices posted a marginal decline, given a stronger dollar and as traders took profit after gold touched a record high of USD 2,790.15.

Weekly % changes for the week ending 31 Oct - 1 Nov from 24 Oct (regional) & 25 Oct (international)



## Global Developments

### US/Americas:

- **GDP in the US grew at an annualised pace of 2.8% in Q3**, according to preliminary estimates (Q2: 3.0%), with consumer spending growing (+3.7%) alongside a slip in residential investment (-5.1%). Core PCE eased to 2.2% in Q3 (Q2: 2.8%).
- **Personal income in the US grew by 0.3% mom in Sep** (Aug: 0.2%) and spending increased by 0.5% (Aug: 0.3%), causing savings rate to ease 4.6% from 4.8%. The PCE price index rose by 0.2% mom and by 2.1% yoy while core PCE advanced by 0.3% mom and by 2.7% yoy.
- **Non-farm payrolls increased by 12k in Oct** (Sep: 223k), **the lowest growth since Dec 2020** – partly because of the two hurricanes and partly due to strikes at Boeing. Average hourly earnings grew by 4.0% (Sep: 3.9%) and labour force participation rate moderated to 62.6% (From 62.7%). Unemployment rate remained unchanged at 4.1%.
- **US private sector added 233k jobs in Oct** (Sep: 159k), **the biggest uptick since Jul 2023**, with manufacturing

the only sector reporting losses (-19k).

- **JOLTS job openings slipped to 7.443mn in Sep** (Aug: 7.861mn); the quits rate dropped to 1.9% – one of the lowest quits rate since mid-2015 (excluding 2020).
- **Initial jobless claims unexpectedly fell by 12k to 216k in the week ended Oct 25**, leading to a slip in the 4-week average to 236.5k. **Continuing jobless claims declined** by 26k to 1.862mn in the week ended Oct 18.
- **Dallas Fed manufacturing business index clocked in at -3 in Oct** (Sep: -9), staying in negative territory since May 2022. Production index surged 18 points to 14.6 alongside significant gains in shipments and capacity utilisation. **Chicago PMI declined to a 5-month low of 41.6 in Oct** (Sep: 46.6), as production and new orders fell by 7.8 and 4.6 points.
- **ISM manufacturing PMI slipped to 46.5 in Oct** (Sep: 47.2), **the lowest since Jul 2023**: this was despite an increase in new orders (47.1 from 46.1) and employment (44.4 from 43.9) while prices paid surged (54.8 from 48.3).
- **Goods trade deficit in the US widened to USD 108.2bn in Sep** (Aug: USD 94.9bn), as exports fell (-2.0% mom to USD 174.2bn) amid a surge in imports (+3.8% to USD 282.1bn).
- **S&P Case Shiller home prices rose by 5.2% yoy in Aug** (Jul: 5.92%), the least in 10 months.
- **Pending home sales rose by 7.4% mom in Sep** (Aug: 0.6%); sales were up 2.6% yoy, the first increase since Mar and the fastest since May 2021.

## Europe:

- **GDP in the eurozone grew by 0.4% qoq and 0.9% yoy in Q3** (Q2: 0.2% qoq and 0.6% yoy): this was supported by revived growth in Germany and France (0.4% gain from 0.2% in Q2). Preliminary estimates show that **Germany's GDP grew by 0.2% qoq in Q3**, rebounding from Q2's 0.1% drop; in yoy terms, GDP fell by 0.2%.

- **Inflation in the eurozone accelerated in Oct**, rising to 2.0% (Sep: 1.7%, the lowest since Apr 2021). Energy costs fell (-4.6% from Sep's -6.1%) while core inflation remained unchanged at 2.7%.
- **Economic sentiment indicator in the euro area slipped to 95.6 in Oct** (Sep: 96.3). Consumer confidence was unchanged at -12.5 while industrial confidence moved lower to -13 (from -11) and business climate indicator worsened to -0.96 (Sep: -0.76).
- **Inflation (HICP) in Germany accelerated to 2.4% in Oct** (Sep: 1.8%) while core inflation ticked up to 2.9% (from 2.7%).
- **Retail sales in Germany unexpectedly grew** by 1.2% mom and 3.8% yoy in Sep (Aug: 1.6% mom and 2.1% yoy). In monthly terms, non-food sector sales jumped by 1.7% while internet sales soared by 3.1%.
- **Unemployment rate in Germany inched up to 6.1% in Oct** (Sep: 6%), as the number of unemployed increased by 27k to 2.86mn. Unemployment rate in the eurozone meanwhile held steady at 6.3%.
- **GfK consumer confidence in Germany remained in negative territory in Nov**, though edging up to -18.3 (Oct: -21), which was the highest since Apr 2022. This was supported by a rise in income expectations and propensity to buy (the highest in almost 3 years).
- **Manufacturing PMI in the UK fell into a contractionary reading of 49.9 in Oct** (prelim: 50.3 and Sep's 51.5), the first drop since Apr. New orders fell, including from foreign markets, while employment inched up.

## **Asia Pacific:**

- **NBS manufacturing PMI in China rose to 50.1 in Oct** (Sep: 49.8), with output rising to a 6-month high (52 vs Sep's 51.2) alongside foreign sales falling further (47.3 from 47.5).
- **China's non-manufacturing PMI inched up to 50.2** (Sep:

50) as new export orders clocked in a reading of 50 following 9-months of decline. New orders and employment improved though remaining sub-50.

- **Caixin manufacturing PMI moved to expansionary territory in Oct**, up to 50.3 (Sep: 49.3), thanks to steady production and demand recovery.
- **The BoJ left interest rates unchanged at 0.25%**, with the governor stating that “wages and prices are moving in line with our forecasts”.
- **Manufacturing PMI in Japan edged up to 49.2 in Oct** (vs prelim: 49), but lower than Sep’s 49.7 and staying in contractionary territory for the 4th month in a row. Both output and new orders fell the most in six and 17 months while employment fell for the first time since Feb.
- **Unemployment rate in Japan inched lower to 2.4% in Sep** (Aug: 2.5%). Jobs to applicants’ ratio stood at 1.24, slightly higher than the previous month’s 1.23.
- **Industrial production in Japan rebounded in Sep**, up by 1.4% mom (Aug: -3.3%), thanks to a jump in production of motor vehicles (7.1% from Aug’s -10.7%) and chemicals (6.6% from -8.1%). In yoy terms, IP fell by 2.8%, following a 4.9% drop in Aug.
- **Retail sales in Japan grew by 0.5% yoy in Sep** (Aug: 3.1%), the slowest pace since Feb 2022; large retailer sales grew by 2% (vs 5% in the month before). In month-on-month terms, sales fell by 2.3%, the first decline in 6 months and the steepest since Aug 2021.
- **Preliminary unemployment rate in Singapore slipped to 1.8% in Q3** (Q2: 2.0%) as total employment increased by 24,100 jobs.

**Bottom line: The too-close-to-call US elections is firmly on the minds of investors, and potential disagreements over results could add to a prolonged period of uncertainty. The Fed meeting is a few days after on Nov 7th – markets are expecting about a 99% chance of a 25bps interest rate cut (it**

was earlier pricing in a 92% chance prior to the jobs data release). Meanwhile, the Bank of England is expected to cut rates on Thursday – the Labour budget has raised inflation expectations (the Office for Budget Responsibility expects inflation to be pushed up by around 0.5% at their peak) and this might mean fewer cuts next year.

## Regional Developments

- **According to the IMF's Regional Economic Outlook (REO) report, GCC growth is projected to surge in 2025 (4.2%),** given expectations that the voluntary oil production cuts will be phased out alongside robust non-oil sector activity. Growth in the wider MENA region is expected to recover in 2025, up by 4% versus a sluggish reading of 2.1% in 2024. **Inflation shows signs of easing in 2024-25,** running at close to 2% in the GCC versus double digits in the MENA region. Breakeven oil prices are inching lower, with the highest in Bahrain (USD 135.7 in 2024) vs Qatar at the other end (USD 46.9).
- **New Zealand agreed a trade deal with the GCC:** the agreement sees the removal of tariffs for 51% of New Zealand's exports to the region, with this number rising to 99% over 10 years. A deal with the UAE had been finalised in Sep.
- **Non-oil exports from Bahrain grew by 1.0% yoy to BHD 949mn (USD 2.5bn) in Q3 2024** alongside a 3.0% uptick in non-oil re-exports. Non-oil imports were up by 3.0% yoy to BHD 1.4bn leading to a BHD 304mn deficit. UAE and Saudi Arabia were top export destinations while China ranked first for imports into Bahrain.
- **Egypt's net foreign assets surged by 6.3% mom to USD 10.31bn (EGP 498.6bn) at end-Sep,** marking the fifth consecutive month of a surplus reading. Total foreign assets of the banking system amounted to EGP 3.562trn in Sep (Aug: EGP 3.531trn) and deficit in commercial banks narrowed to USD 132mn, improving from Aug's USD 536mn.

- **During the IMF chief's visit to Egypt**, she highlighted indicators signifying a growth recovery, while **indicating that the reform programme would remain largely intact**. Last week, at the launch of the REO, a senior IMF official stated that it was **too early to discuss any changes to the size of Egypt's loan** also highlighting that programme is "moving in the right direction" and "gradually achieving its targets".
- **Fitch Ratings upgraded Egypt's long-term foreign-currency Issuer Default Rating (IDR) to "B"** with a stable outlook from "B-", thanks to the jump in international reserves and recovery in net foreign assets.
- **Egypt's gold purchases plunged** by 17% yoy and 38.5% qoq to **10.4 tons in Q3 2024**, according to the World Gold Council data.
- **Kuwait attracted KWD 206.9mn in FDI during the period Apr 2023-Mar 2024**, according to the Kuwait Direct Investment Authority, leading to a 16% jump in cumulative spending in the domestic economy of approximately KWD 924.1mn. The investments were "generated by 95 licensed entities from 34 different countries" and focused on IT, oil & gas, construction and infrastructure.
- **Money supply (M2) grew by 3.68% yoy** to KWD 40.48bn in **Kuwait this Sep** (Aug: 3%).
- **Qatar's Hamad International Airport welcomed 13.7mn passengers in Q3 2024**, up 7.9% oy, thanks to a busy July (handling 4.74mn persons). Saudi Arabia, UAE and Bahrain were the key growth countries from the region, while Spain, UK and Germany topped in Europe and China posted a 43% yoy growth during the period.
- **QatarEnergy took a 50% stake in TotalEnergies solar project in Iraq**, though the size of the deal was not disclosed. The 1.25-gigawatt project, expected to come online between 2025 and 2027, is part of Iraq's USD 27bn Gas Growth Integrated Project (GGIP).

- According to a Kamco Invest report, **foreigner investors** (including institutional investors) **were net buyers on GCC stock markets in Q3**, buying USD 3.71bn (Q2: USD 3.66bn). Abu Dhabi, Saudi Arabia and Kuwait were the top exchanges seeing increased buying activity (stood at USD 1.9bn, USD 1.3bn and USD 220.4mn respectively). Net buying in Bahrain, at USD 46.3mn, was the highest recorded in 21 quarters.

## Saudi Arabia Focus



- **Saudi Arabia's real GDP grew by 4.5% in Q3 2024**, according to preliminary data, thanks to a recovery in the oil sector (0.3% yoy from Q2's -8.9% drop). **Non-oil sector growth was robust, up 4.2% in Q3**, though the pace has been slowing in recent quarters (it has averaged 4.2% till Q3 year vs an average of 4.5% in Jan-Sep 2023). Non-oil sector has benefitted from strong domestic demand. Additionally, the government sector grew by 3.1% in Q3 (Q2: 3.6%).
- **Saudi Arabia's total bank deposits grew by an average 9.0% yoy in Jan-Sep 2024**, with government deposits plunging by 6.2%. Credit increased at a faster pace (10.7% in Jan-Sep), with double-digit gains in private sector claims; private sector loans were up by 12.1% in Sep (Aug: 11.9%). Money supply in Saudi Arabia surged 10.7% yoy (Aug: 8.7%). **Credit card loans touched a record high** of SAR 30.27bn in Q3 (+14.24% yoy) while among consumer loans (+4.01% to SAR 462.3bn) lending for education grew the most (16% to SAR 8.24bn).
- The finance minister of **Saudi Arabia reaffirmed the country's resilience and commitment to its economic transformation plan**, stating that non-oil GDP currently represented about 52% of the economy and that "we are doubling down, making sure we are doing the right thing". He also disclosed that **540 firms had committed to having their regional headquarters in Saudi** (way

ahead of the target of 500 by 2030).

- **Many deals were announced at the Saudi investment conference FII.** The PIF entered a non-binding agreement to be an anchor investor in Brookfield's USD 2bn Middle East-focused private equity fund. Furthermore, PIF signed five MoUs with Japanese financial firms worth up to USD 51bn with an aim to spur "two-way capital flows through both debt and equity". ACWA Power signed agreements to the tune of over USD 1.78bn at the FII including a USD 690mn financing deal with the National Bank of Kuwait and a USD 402mn Sharia-compliant loan from the International Finance Corporation.
- **The PIF aims to reduce international investments to 18-20% of its assets under management;** it stood at 21% in 2023, down from 30% in 2020.
- Saudi Arabia's minister for investment revealed that **agreements worth USD 2.8bn had been signed between businesses in Pakistan and Saudi Arabia** via 34 MoUs.
- **The Saudi private sector hired 294k citizens in Jan-Sep 2024,** disclosed the Human Resources Development Fund, and that about 139k establishments have benefited from the Fund's services during this period.
- It was disclosed at the Saudi-Emirati Economic Forum that by end-2023 **UAE's FDI into Saudi Arabia amounted to SAR 111bn** (+15% from 2022) while bilateral trade grew by 25% over the past 5 years to touch SAR 113bn.
- **Saudi Arabia's investments and development aid into Africa has increased** to nearly USD 45bn, according to the minister of investment.

## UAE Focus



- **UAE signed a comprehensive economic partnership agreement (CEPA)** with Vietnam, following a year of negotiations. Bilateral trade stood at around USD 4.7bn last year (+6.0% yoy), and the CEPA has UAE committing to phasing out tariffs on 99% of Vietnam's exports, and

Vietnam pledging to remove tariffs on 98.5% of UAE's exports.

- **Dubai approved a 3-year budget cycle for 2025-27 with a total spending of AED 272bn (USD 74.06bn) and revenues at AED 302bn.** Expenditure in 2025 is set at an estimated AED 86.26bn, with 46% allocated towards infrastructure projects and 30% assigned to the social development sector. The spending covers Dubai's rainwater drainage project as well as the new passenger terminal at the Al Maktoum airport. **The 2025 budget is estimated to achieve an operating surplus of 21% of total revenues** for the first time.
- According to the Under-Secretary of the UAE Ministry of Investment, the 37% rise in announced **greenfield FDI into UAE last year led to a 7.5% jump in total jobs created** and a 31% surge in the number of announced projects. Contributing most to FDI stock were UK (15% of total), India (6%), Saudi Arabia (4%), Netherlands (4%) and China (4%).
- **Ras Al Khaimah's Department of Economic Development reported a 2.9% yoy increase in the number of valid licenses** held to 20,408 as of end-Sep. Total capital of these companies increased by 15% yoy to AED 9.26bn.
- **Abu Dhabi's CYVN Holdings entered a non-binding agreement with Bahrain's Mumtalakat to buy a stake in carmaker McLaren Group.**

### **Media Review:**

**IMF Regional Economic Outlook, Middle East & Central Asia, Oct 2024**

<https://www.imf.org/en/Publications/REO/MECA/Issues/2024/10/24/regional-economic-outlook-middle-east-central-asia-october-2024>

**Video of panel discussion/ press briefing (Dubai):**

<https://www.imf.org/en/Publications/REO/MECA/Issues/2024/10/24>

[/regional-economic-outlook-middle-east-central-asia-october-2024#video](#)

<https://www.agbi.com/infrastructure/2024/11/middle-east-not-the-west-should-lead-rebuilding-say-experts/>

### **What to look for on US election night**

<https://www.ft.com/content/e6ac4408-9337-4abb-9d09-49d5056d4ecf>

<https://www.economist.com/united-states/2024/11/03/why-half-of-america-will-vote-for-donald-trump>

### **The Perils of a Trump-Musk Economy**

<https://www.project-syndicate.org/commentary/trump-musk-economy-lower-tax-cuts-for-the-rich-higher-costs-for-everyone-else-by-joseph-e-stiglitz-2024-11>

### **Will China's stimulus be enough to get its economy out of deflation?**

<https://www.piie.com/blogs/realtime-economics/2024/will-chinas-stimulus-be-enough-get-its-economy-out-deflation>

### **Kuwaiti companies looking at Saudi exchange listings**

<https://www.agbi.com/markets/2024/11/kuwaiti-companies-looking-at-saudi-exchange-listings/>

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