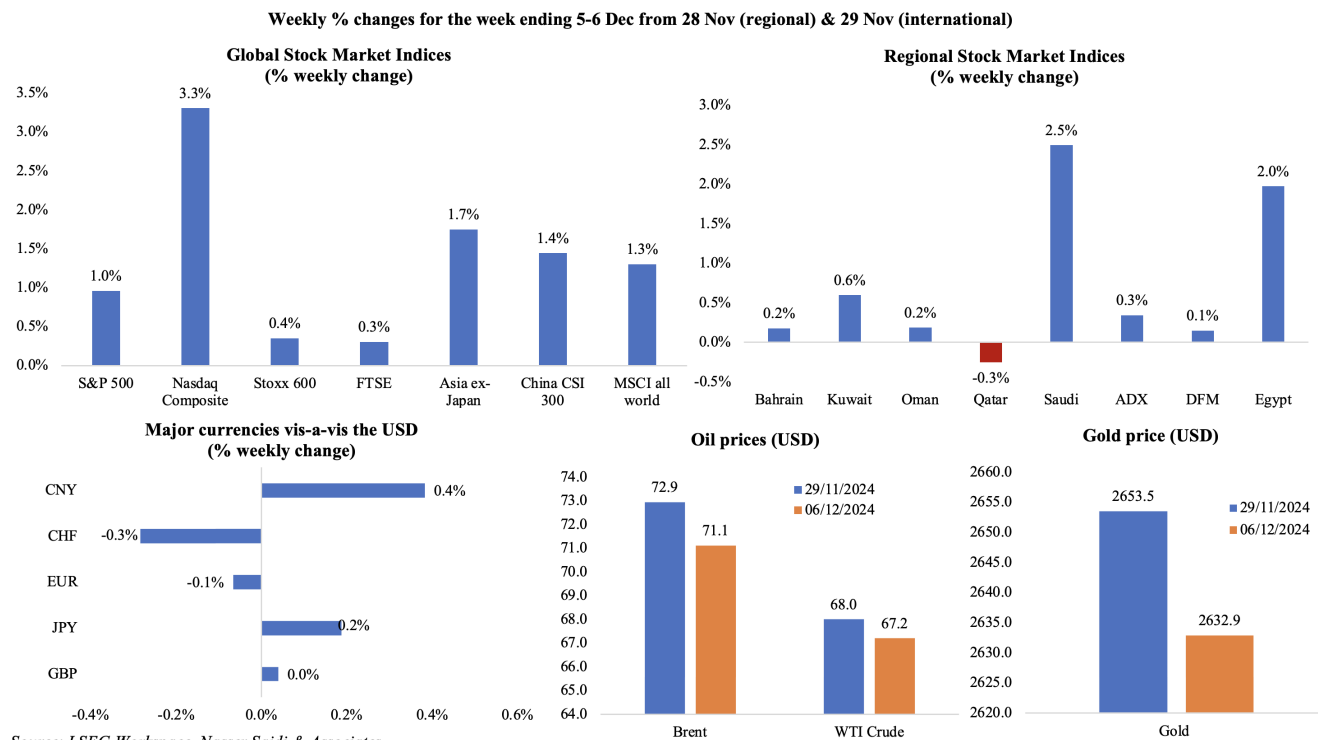


Weekly Economic Commentary – Dec 9, 2024

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Markets

Equity markets gained last week, given rising expectations of a Fed rate cut this month (thanks to the strong non-farm payrolls data). MSCI index for global stocks gained 1.3% with Chinese shares also climbing to 3-week high. Regional markets mirrored the global market trend, also supported by the OPEC+ decision to delay output increase; Saudi Tadawul gained the most. Oil prices fell during the week on projections of excess supply next year (due to weak demand) and despite of the OPEC+ decision. Gold price also posted a weekly decline.



Global Developments

US/Americas:

- **Non-farm payrolls increased by 227k in Nov** (Oct: 36k). Labour force participation rate stood at 62.5%, slightly lower than Oct's 62.6%, while average hourly earnings grew by 0.4% mom and 4% yoy. **Unemployment rate inched up to 4.2%** (from 4.1%).
- **Private sector jobs grew by a weak 146k in Nov** (Oct: 184k), with the services sector adding 140k jobs. JOLTS job openings increased to 7.744mn in Oct (Sep: 7.372mn), with layoffs dropping the most since Apr 2023 (169k). There were **1.11 job openings for every unemployed person in Oct** (Sep: 1.08).
- **Initial jobless claims increased by 9k to 224k in the week ended Nov 29**, leading to a slight uptick in the 4-week average to 218.25k (by 0.75k). **Continuing jobless claims declined by 25k to 1.871mn** in the week ended Nov 22.
- **Fed Beige book reported economic activity rising slightly** in most districts alongside "subdued" hiring activity and wage growth softening to a modest pace.
- **Factory orders in the US rebounded by 0.2% mom in Oct**, following two consecutive months of declines including Sep's 0.2% drop. Durable goods orders gained 0.3% (thanks to transportation equipment orders) while non-durables were up by 0.1%.
- **Goods and services trade deficit narrowed to USD 73.8bn in Oct** (Sep: USD 83.8bn), with imports falling by the most since Nov 2022 (-4.0% to USD 339.6bn). **Exports and imports of services both rose to a record highs** of USD 95.1bn and USD 70.2bn respectively. **Goods trade deficit also narrowed slightly** (to USD 98.7bn from USD 99.1bn), with a decline in both exports (by USD 5.3bn) and imports (by USD 15.7bn).
- **S&P Global manufacturing PMI in the US jumped to 49.7 in Nov**, from the preliminary estimate of 48.8 and Oct's 48.5. Input cost inflation was the lowest in a year and respondents reported higher purchases ahead of potential tariffs being imposed next year.

- **US ISM manufacturing PMI rose to 48.4 in Nov** (Oct: 46.5), thanks to the upticks in new orders (50.4 from 47.1) and employment (48.1 from 44.4) alongside an ease in prices paid (50.3 from 54.8). ISM services PMI fell to 52.1 (Oct: 56), with declines across new orders (53.7 from 57.4), employment (51.5 from 53) amid services prices paid up to 58.2 (from 58.1).
- **Michigan consumer sentiment index rose to 74 in Dec** (Nov: 71.8), **the highest since Apr**, with current conditions surging (to 77.7 from 63.9) while expectations sub-index declined (to 71.6 from 76.9). The 1-year inflation expectation jumped to a 5-month high of 2.9% while the 5-year inflation expectation slipped to 3.1% (from 3.2% the month prior).

Europe:

- **Eurozone's manufacturing PMI dropped to 45.2 in Nov** (Oct: 46.0), with contractions across multiple sub-indices including production and new orders. Amid weak demand, employment posted the steepest fall since Aug 2020. Composite PMI inched up to 48.3 (from 48.1), thanks to the uptick in services PMI (49.5).
- **Producer price index in the eurozone declined by 3.2% yoy in Oct** (Sep: -3.4%). Prices rebounded by 0.4% mom (Sep: -0.6%) as costs increased across energy (1.4%), durable consumer goods (0.3%) and non-durable consumer goods (0.2%) amid unchanged prices for capital goods. Estonia and Italy had the highest monthly industrial producer price hikes (1.0% mom) and Bulgaria posted the largest monthly decrease (-2.9%).
- **Retail sales in the eurozone fell by 0.5% mom in Oct** (Sep: 0.5%), with volumes up by 0.1% for food, drinks and tobacco. Sales grew by 1.9% yoy, slower than Sep's 3.0% growth.
- **Unemployment rate in the euro area stood pat at 6.3% in Oct** while the EU unemployment rate was also stable at

5.9%.

- **Manufacturing PMI in Germany slipped to 43 in Nov**, lower than the preliminary estimate of 43.2 but the same as in Oct. New orders and output declined, but at a slower pace, employment declined sharply and output costs fell on competitive pressures. **Services PMI eased to 49.3** from the initial reading of 49.4.
- **Industrial production in Germany tumbled by 1.0% mom and 4.5% yoy in Oct** (Sep: -2% mom and -4.3% yoy), led by drops in energy (-8.9%) and automotives (-1.9%) production.
- **German factory orders decreased by 1.5% mom in Oct** (Sep: 0.5%), on lower manufacture of machinery and equipment (-7.6%) and automotive industry (-3.7%). In yoy terms, orders grew by 5.7%, faster than the 4.2% gain in Sep. Domestic orders fell by 5.3% while foreign orders nudged up by 0.8%.
- **Manufacturing PMI in the UK clocked in at 48 in Nov** – the lowest since Feb, lower than the initial estimate of 48.6 and from Oct's 49.9. Output fell and new export business dropped on weak demand from US, China and the EU.
- **Like-for-like retail sales in the UK fell by 3.4% yoy in Nov** (Oct: 0.3%), following four consecutive months of gains, with shopping centres posting the sharpest decline.

Asia Pacific:

- **China announced a change in their monetary policy stance to “moderately loose”** from “prudent” – ahead of an annual meeting of the party this month.
- **Caixin manufacturing PMI in China improved to 51.5 in Nov** (Oct: 50.3), the fastest since Jun, thanks to output rising to a 5-month high, increase in exports and growth in foreign orders (most since Feb 2023); additionally, selling prices gained the most since Oct 2023.

- **China's Caixin services PMI moderated to 51.5 in Nov** (Oct: 52): new business and foreign sales grew, employment increased for the 3rd month in a row, input price inflation fell to the lowest in 53 months and business confidence rose to a 7-month high.
- **The People's Bank of China increased its gold reserve holdings to 72.96mn fine troy ounces in Nov**, purchasing gold after a 6-month pause.
- **Manufacturing PMI in Japan remained contractionary at 49 in Nov**, the lowest since Mar 2024: new orders fell, employment levels fell for the first time since Feb and output shrank the most since Apr. **Services sector rebounded**, up to 50.5 following Oct's sub-50 reading.
- **Overall household spending in Japan fell by 1.3% yoy in Oct** (Sep: -1.1%), recording the 3rd month of declines. Spending on clothing plunged by 18.4%, food expenses dropped by 0.8% and spending on electricity and gas accelerated by 16.3% and 4.9% respectively.
- **The preliminary estimate of the leading economic index in Japan declined to 108.6 in Oct** (Sep: 108.9). The coincident index moved up to 116.5, the highest since May, from 114.
- **The Reserve Bank of India left interest rates unchanged**: the repo and reverse repo rates were left at 6.5% and 3.35% respectively. The cash reserve ratio was lowered by 50bps to 4.0% and an increase in interest rate ceilings was announced on Foreign Currency deposits for non-residents.
- **GDP in South Korea grew by 0.1% qoq in Q3** (Q2: 2.3%), remaining unchanged from the initial estimate. In yoy terms, GDP was up 1.5%.
- **Singapore PMI edged up to 51.0 in Nov** (Oct: 50.8), staying expansionary for the 15th month in a row though employment remained contractionary. PMI for electronics rose to 51.6 (Oct: 51.4) with higher readings for new orders, new exports, output and employment.

Bottom line: Central bank meetings are once again in the limelight. The ECB is widely expected to lower rates this week and last week's strong job creation readings are tilting the scales in favour of a Fed rate cut later this month unless the inflation print this week stays higher than anticipated. The surprise however was the announcement this morning from China of a monetary policy shift (the first since 2010) in a bid to stimulate growth. Separately, the latest PMI readings continue to show the US outperforming its European counterparts and the overall picture remains dismal, with export orders declining – not ideal, especially given the threat of higher US tariffs looming large.

Regional Developments

- **Syria rebels**, who started the offensive on Nov 27th, **seized the capital yesterday** (in less than 2 weeks), forcing President Assad to flee the country.
- **Bahrain's public debt stood at BHD 17.9bn in 2023**, as per the annual report of the National Audit Office. Overall revenues fell by 10% yoy to BHD 2.196bn, given the 16% drop in oil revenues, and spending grew by 6% to BHD 3.693bn.
- **PMI in Egypt moved up slightly to 49.2 in Nov** (Oct 49.0) as output and new orders remained contractionary at 49.1 and 48.7 respectively, though rising moderately from Oct's 47.9 and 47.6. Employment declined after 4 months of expansion, with respondents citing reduced sales and weak confidence levels.
- **Egypt's government will reveal plans to list military-affiliated companies** this week, according to the PM.
- **Non-oil exports from Egypt grew by 12.2% yoy to USD 33.35bn in Jan-Oct 2024**: this compares to a total of USD 35.6bn for the full year 2023.
- **Egypt's net foreign assets fell** by USD 1.12bn to the equivalent of **USD 9.21bn in Oct**, following a USD 591mn gain in Sep, according to the central bank.

- **External debt in Egypt rose steeply by 307% in 2022**, according to the World Bank's International Debt Report 2023, while its Gross National Income rose by 69%. Egypt recorded a USD 17.4bn short-term debt inflow in 2022, about 19 times higher than 2021.
- **Egypt's ranking in the Air Transport Infrastructure Index rose** to 27th in 2024, from being 63rd in 2015. Since 2014, Egypt has increased its airport capacity by 28.5% accommodating 66.2mn passengers.
- **Kuwait renewed a USD 2bn deposit with the Central Bank of Egypt** for another year: the deposit was set to mature in Apr 2024.
- **PMI in Kuwait rose to 55.9 in Nov** (Oct: 52.7), with the pace of expansion the second fastest since Sep 2018 (when the survey began) and output rising for the past 22 months.
- **Lebanon's PMI inched up to 48.1 in Nov**, from October's 44-month low of 45.0, with signs of recovery in exports and domestic demand though employment posted a slight contraction.
- **Exports from Oman expanded by 10% yoy to OMR 18.241bn by end-Sep**, driven by an increase in oil and gas exports (21.5% yoy to OMR 12.406bn), and imports grew by 10.9% yoy to OMR 12.178bn. UAE and Saudi Arabia were its top trade partners for non-oil exports.
- **Oman and Belgium signed an MoU to strengthen their green hydrogen collaboration**: in addition to joint research and technical training programs, the focus for cooperation will be on analyzing the value chains for importing green hydrogen, developing shipping infrastructure in Oman, and overcoming legislative challenges.
- **Qatar PMI inched up to 52.9 in Nov** (Oct: 52.8), with inflows of new business expanding for the 11th consecutive month and input prices index declining from Oct's 4-year high.
- **Industrial production index in Qatar rose by 7.8% qoq in**

Q3 2024; however, it fell by 1.5% yoy. Separately, trade surplus narrowed by 10.7% yoy to QAR 17.7bn.

- **Qatar central bank issued a regulatory framework for digital banks**, including regulatory requirements, process of obtaining a license and ensuring accountability.
- **During a 2-day visit of Qatar's emir to Britain**, plans were announced for **Qatar to invest GBP 1bn in climate tech in the UK** in addition to an agreement to promote cooperation in financial services.
- **QatarEnergy signed a long-term agreement** with Singapore-based Shell **to supply 3 mn tonnes per annum of LNG to China**, with deliveries to start from Jan 2025.
- **OPEC+ extended the ongoing oil production cuts into 2026**: the current voluntary cuts of 2.2mn bpd will continue till Mar 2025 after which an unwinding will begin and last 18 months until Sep 2026. The UAE will be allowed to raise output by 300k bpd gradually from Apr till end-Sep 2026.
- **Aggregate wealth of UAE billionaires surged by 39.5% to USD 138.7bn**, according to UBS, and the number of billionaires increased to 18 in 2024. Billionaires' wealth in the Middle East & Africa region rose by 17% yoy to USD 3.7trn, with their number rising by 70 to 728.
- **Saudi Arabia was one of the fastest growing destinations for international tourism recovery** last year, according to the World Tourism Barometer: arrivals increased by 61% compared to pre-pandemic levels. The Middle East posted the strongest growth globally, led by Saudi Arabia and Qatar.

Saudi Arabia Focus



- **GDP in Saudi Arabia grew by 2.8% yoy and 0.7% qoq in Q3**, supported by non-oil sector activity (4.8% yoy) alongside a modest 0.5% yoy uptick in the oil sector.

Among non-oil sectors, wholesale & retail trade grew the fastest (5.8%), followed by financial, insurance & business services (5.7%) and construction (4.6%). Gross fixed capital formation expanded by 4.5% yoy and 0.9% qoq.

- **Saudi Arabia's PMI accelerated to 59.0 in Nov** (Oct: 56.9), **the fastest since Jul 2023**, thanks to increases in output (63.8 from 60.2), new orders (63.4 from 62.5) and employment was the second fastest in over a decade – all underscored by robust demand.
- **Almoosa Health plans to sell a 30% stake via an IPO**: this is expected to raise about SAR 1.688bn, with the price range set at SAR 123-127 per share.
- **Saudi banks' real estate loans surged** by 13.29% yoy **to a record SAR 846.48bn** in Q3 2024. The share of real estate lending to individuals stood at 78% of the total (or SAR 656.88bn) while total real estate loans accounted for 29.67% of Saudi banks' loan portfolio.
- **Saudi Arabia renewed the USD 3bn deposit with Pakistan's central bank** for another year.
- **Saudi PIF signed a 5-year agreement for funding for up to USD 10bn** from a French export credit agency, for projects supporting Vision 2030. Separately, **Saudi companies including Aramco agreed with France's TotalEnergies** to explore the development of a sustainable aviation fuel plant in Saudi.
- **Saudi Arabia signed double taxation avoidance agreements with Kuwait and Croatia**, also aimed at boosting trade and investment.
- **Riyadh's Mayor disclosed that non-Saudi residents accounted for more than half** the city's population. He also highlighted Riyadh metro and cultural/entertainment projects (such as Diriyah, Qiddiya, and King Salman Park) as enablers for an improved quality of life.

- **UAE PMI inched up to 54.2 in Nov** (Oct: 54.1), with the new orders subindex rising to 58.0 (from 55.9) amid a slower reading for output (59.6 from 61.3) and employment weakened to a 31-month low. Input costs were stable, and firms continued with further price discounting. Dubai PMI rose, up to 53.9 from Oct's 53.2.
- **Gross banks' assets in the UAE grew by 0.7% mom and 12.2% yoy to AED 4.38trn at end-Aug** alongside a 18.9% yoy and 0.24% mom surge in M2 to AED 2.211trn. **Gross credit increased by 6.1% yoy in Aug**, driven by a sharp increase in domestic credit. **Bank deposits gained by 0.2% mom and 8.7% yoy**, despite a monthly decline in deposits of GREs (-5.9%) and non-residents (-6.4%).
- **UAE minister of economy disclosed that there were more than 1.5mn registered trade licenses** in the country.
- **Abu Dhabi rolled out a few measures to support non-oil diversification efforts** including a **centralised business registry authority** (Abu Dhabi Registration Authority) in a bid to simplify processes for businesses. Other business friendly policies announced include a **strategic roadmap** for the Abu Dhabi Chamber of Commerce and Industry **for growing the private sector**, and the **creation of a Family Business Council** for family-owned businesses.
- **Dubai unveiled a Dubai Walk masterplan**, with an aim to transform the city into a pedestrian friendly one. The pilot phase will run from 2025 to 2027 and the plan also aligns with the 2040 urban master plan's "20-minute city" goal.
- **ADNOC signed a 15-year contract with Malaysia's Petronas to supply 1mn tonnes per annum of LNG** (from its Ruwais LNG project), with deliveries estimated to begin from 2028.
- **Mubadala's CEO revealed that the sovereign wealth fund** (which has USD 330bn in assets under management) **is under-invested in Asia**. The firm is also focusing on AI and private credit as key sectors for investment.

- **Dubai will reinstate the 30% municipality tax on alcohol from the beginning of 2025.** The tax had been removed in 2023 in attempt to make the city/ dining out more affordable.
- The acting Director General of **Abu Dhabi Projects and Infrastructure Centre** has **more than 600 infrastructure projects valued at over AED 200bn.** These projects, covering national housing, transportation and tourism initiatives, are open for collaboration with the private sector.

Media Review:

Who will rule Syria now the Assad regime has been toppled?

<https://www.economist.com/middle-east-and-africa/2024/12/08/who-will-rule-syria-now-the-assad-regime-has-been-toppled>

World trade is on track to hit a record \$33 trillion in 2024: UNCTAD

<https://unctad.org/news/global-trade-set-reach-new-high-opportunities-and-challenges-developing-economies-2025>

<https://unctad.org/news/developing-economies-surpass-1-trillion-mark-digitally-deliverable-services-exports>

Why Bidenomics Did Not Deliver at the Polls

<https://www.project-syndicate.org/commentary/democrats-biden-wrong-kind-of-economic-populism-by-dani-rodrik-2024-12>

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