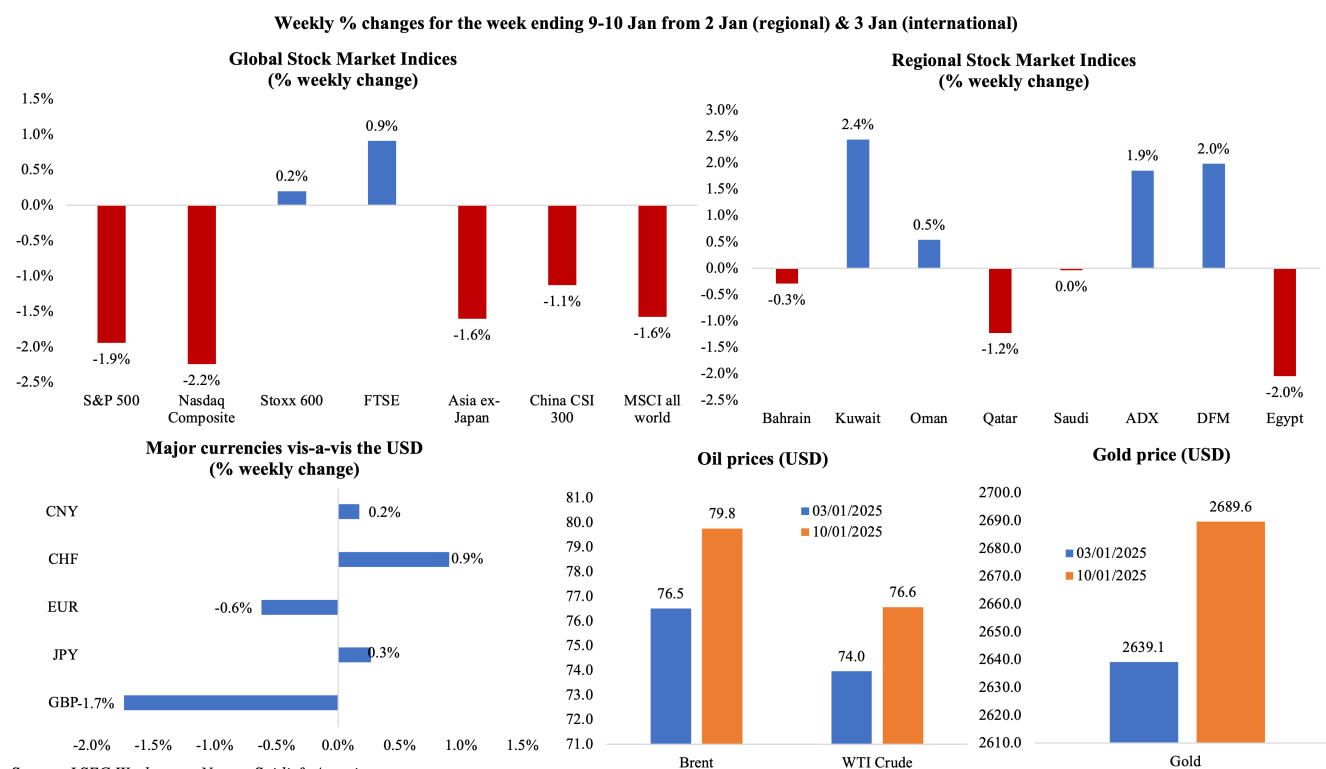


# Weekly Economic Commentary – Jan 13, 2025

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## Markets

Major equity markets fell last week, with investors anticipating slower pace of rate cuts on strong US labour markets (markets were pricing in a single rate cut no sooner than Jun). Regional markets were mixed with Egypt posting the largest weekly decline while the UAE's ADX and DFM posted gains of 1.9% and 2.0% respectively. The dollar remained strong alongside the EUR and GBP dropping to the lowest level since Nov 2022 and Nov 2023 respectively. Oil prices rose by more than 3% weekly to 3-month highs, with sanctions expected to hit Russian oil exports, and gold price increased as well despite strong labour market data.



Source: LSEG Workspace, Nasser Saidi & Associates.

## Global Developments

### US/Americas:

- **US nonfarm payrolls increased by 256k in Dec** (Nov: 212k), the most since Mar, bringing the jobs created in 2024 to 2.23mn jobs (or 186k per month). Average hourly earnings grew by 0.3% mom and 3.9% yoy while the labour force participation rate remained unchanged at 62.5%. **Unemployment rate eased to 4.1%** (from 4.2% in Nov), resulting in an average 4.0% in 2024.
- According to ADP, **private sector firms added 122k jobs in Dec**, down from Nov's 146k and job creation was the strongest in education and health services (+57k). Meanwhile **pay grew by 4.6% yoy (the slowest since Jul 2021)**.
- **JOLTS job openings unexpectedly rose to 8.098mn in Nov** (Oct: 7.839mn), the highest level since May. There were 1.13 jobs available per unemployed worker, up slightly from Oct.
- **FOMC minutes showed that officials expect upside risks to inflation** given "the likely effects of potential changes in trade and immigration policy". This indicates a **slower reduction in interest rates** thanks to increased uncertainty.
- **Factory orders fell by 0.4% mom in Nov** (Oct: 0.5%), with orders for commercial aircraft and parts down by 7.0% (Oct: +16.4%). Orders for non-defence capital goods excluding aircraft inched up by 0.4% (revised down from previous 0.7%).
- **Goods and services trade deficit in the US widened to USD 78.2bn in Nov** (Oct: USD 73.6bn), as trade deficit widened to USD 103.4bn (from USD 102.9bn). Overall exports expanded by 2.7% to a record high USD 273.4bn while goods exports grew by 3.6% (to USD 177.6bn). Imports are expected to rise further in Nov, with businesses likely to front-load ahead of Trump's threat

of higher tariffs.

- **ISM services PMI moved up to 54.1 in Dec** (Nov: 52.1), thanks to an uptick in new orders (54.2 from 53.7) while employment slowed (51.4 from 51.5) and prices paid surged (64.4 from 58.2). This was the sixth consecutive month of expansion, and tenth time in 2024.
- **The preliminary reading of the Michigan consumer sentiment index edged lower to 73.2 in Jan** (from Dec's 8-month high of 74). The **one-year ahead inflation expectation rose to an 8-month high** of 3.3% (from 2.8%) while the 5-year ahead reading also ticked up to 3.3% (from 3.0% in Dec).
- **Initial jobless claims fell by 10k to an 11-month low of 201k in the week ended Jan 3**, leading to a decline in the 4-week average to 213k (by 10.25k). **Continuing jobless claims increased** by 33k to 1.867mn in the week ended Dec 27.

## **Europe:**

- **Inflation in the eurozone rose to 2.4% in Dec** (Nov: 2.2%), with services inflation rising to 4.0% followed by food, alcohol & tobacco (2.7%), non-energy industrial goods (0.5%) and energy (0.1%). Core inflation held steady at 2.7%. Separately, **producer price index in the euro area fell by 1.2% yoy in Nov**, slower than Oct's 3.3% drop.
- **Economic Sentiment Indicator in the eurozone declined to 93.7** (Nov: 95.8), the lowest level since Nov 2020. Business climate fell to -0.91 in Dec (Nov: -0.78) and consumer confidence stayed put at -14.5.
- **Eurozone's services PMI rose to 51.6 in Dec** (flash: 51.4; Nov: 49.5), on improved demand, while new export orders contracted for the 19th month in a row. Gains in services PMI led to an increase in composite PMI (49.6).
- **Sentix investor confidence in the eurozone dipped to -17.7 in Jan** (Dec: -17.5), with the current situation

gauge falling to the lowest level since Oct 2022 (down by one point to -29.5).

- **Services PMI in Germany increased to 51.2 in Dec** (flash: 51.0; Nov: 49.3) in spite of new business declining for the fourth month in a row, input costs growing at the fastest pace since Feb and employment down for the sixth month. Composite PMI moved to 48, supported by the gain in services.
- **Harmonised index of consumer prices in Germany ticked up to 2.8% in Dec** (Nov: 2.4%), the highest since Jan, due to higher food prices (+2.0%) and services inflation (4.1%) amid a decline in energy prices (-1.7%). Average inflation stood at 2.2% in 2024 (2023: 5.9%).
- **Factory orders in Germany shrank** by 5.4% mom and 1.7% yoy in Nov. Orders for aircraft, ships, and trains tumbled by 58.4%. Domestic orders grew by 3.8% while foreign orders tumbled by 10.8%.
- **Industrial production in Germany fell by 2.8% yoy in Nov** (Oct: -4.2%), thanks to an increase in energy (5.6%), construction (2.1%) and “manufacture of other transport equipment” (11.4%). In mom terms, IP rebounded, up by 1.5% after the 0.4% dip in Oct.
- **German retail sales grew by 2.5% yoy in Nov** (Oct: 1.0%); in mom terms, the decline eased (-0.6% from -1.5%), with sales in the food sector up by 0.1% while sales in the non-food sector slipped by 1.8%.
- **Unemployment rate in the eurozone remained at 6.3% in Nov**, with Germany recording the fewest number of people without jobs and Spain with one of the highest unemployment rates (11.2%) followed by France (7.7%).
- **BRC like-for-like retail sales in the UK rebounded in Dec, rising by 3.1% yoy** (Nov: -3.4%), the largest gain since Mar. Sales were up by 0.7% for the full year while like-for-like sales ticked up by 0.5%.

## **Asia Pacific:**

- **Inflation in China eased in Dec, to a 9-month low of 0.1%** (Nov: 0.2%), raising worries about deflation. The full year inflation stood at 0.2% in 2024, below the official target of around 3.0%. Core inflation moved to a 5-month high of 0.4% in Dec (Nov: 0.3%). **Producer price index fell 2.3%** (Nov: -2.5%), staying deflationary for the 27th month in a row.
- **China's Caixin services PMI inched up to 52.2 in Dec** (Nov: 51.5), the fastest increase since May. Sales grew thanks to domestic demand as new export orders fell for the first time since Aug 2023. Sentiment weakened to the second-lowest level since Mar 2020 on concerns related to international trade in light of potential higher tariffs.
- **Overall household spending in Japan fell** by 0.4% yoy in Nov (Oct: -1.3%), with spending by multi-person households on durable goods plunging 28.2%. Meanwhile, expenditures rebounded for housing (18.7% in Nov from Oct's 10.7% dip), medical care (0.8% from -2.4%), and education (31.9% from -14.0%).
- **Japan's services PMI slipped to 50.9 in Dec** from the preliminary estimate of 51.4, though higher than Nov's reading of 50.5. New business rose for the sixth month in a row in Dec and employment ticked up for the 15th straight month.
- **Labour cash earnings in Japan grew by 3% yoy in Nov** (Oct: 2.2%) while basic wages grew by 2.7%, the fastest growth rate since 1992. Real wages fell for the 4th consecutive month, down by 0.3% yoy in Nov (Oct: -0.4%)
- **Japan's leading economic index slipped to 107 in Nov** (Oct: 109.1) alongside a slip in the coincident index which fell to 115.3 from 116.8 the month before.
- **India's services PMI revised down to 59.3 in Dec** from the flash reading of 60.8; this was higher than Nov's 58.4 and marked the 41st month of growth. However, employment rose at one of the strongest paces since data collection began in Dec 2005.

- **India's industrial output grew by 5.2% yoy in Nov (Oct: 3.7%), a six-month high, with manufacturing up by 5.8% (from 4.4%) alongside gains in electricity (4.4% from 2.0%) and mining (1.9% from 0.9%). In Apr-Nov, industrial output grew by 4.1%.**

**Bottom line:** This week sees the release of inflation data for both US and UK, close on the heels of an uptick in EU's inflation. The US is also bracing itself for higher inflation (and uncertainty) once President Trump takes office on Jan 20th, if tariffs are rolled out as promised during the campaign trails, and the Fed is itself projecting only two 25bps cuts by end of this year. UK inflation and GDP data will be watched – an uptick in inflation alongside a contraction would be the worst scenario for the government (especially with the pound British gilts under pressure; 10-year yields were at the most since the financial crisis of 2008-09).

### **Regional Developments**

- **Real GDP in Bahrain grew by an average 2.4% yoy in Jan-Sep 2024, supported by an uptick in non-oil sector (3.4%) vs decline in oil sector activity (-2.5%). Real GDP grew by 2.1% in Q3 (Q2: 0.7%), pushed by non-oil activity as oil sector plunged by 8.1% (Q2: -6.73%). Among the non-oil non-government sector, **information & communication** recorded the highest growth in Q3 (11.9% yoy) while growth was fastest in **business activities** in Jan-Sep 2024 (8.9% yoy).**
- **Non-oil exports from Bahrain grew by 7.0% yoy to BHD 319mn in Nov while non-oil imports rose 5.0% to BHD 478mn. China was the top country of origin for imports to Bahrain, with a total of BHD 73mn (15% of total), followed by Australia (BHD 53mn, 11%) and the UAE (BHD 38mn, 8%).**
- **Bahrain Bourse will launch an incentive scheme starting Feb 2nd to boost trading: this includes liquidity providers qualifying for commission rebates as well as**

entities reaching certain thresholds receiving up to 30% discounts on trading commissions.

- **Egypt's inflation eased to a 2-year low of 24.1% in Dec** (Nov: 25.5%), as food prices slowed to 20.3%, the least since Mar 2022 (Nov: 24.6%). Core inflation eased to 23.2% (Nov: 23.7%).
- **Egypt PMI slipped to 48.1 in Dec** (Nov: 49.2), the weakest since Apr, as output and new order volumes fell due to weakened demand and rising costs.
- **Trade deficit in Egypt narrowed to USD 3.66bn in Oct 2024**, largely due to the increase in exports (21.3% to USD 4.07bn) while imports inched up only 0.2% to USD 77.3bn. Separately, the minister of investment and foreign trade disclosed that exports touched a record-high USD 40bn for the first time in 2024, with an aim to record USD 145bn by 2030.
- **Egypt's net international reserves rose to USD 47.109bn** at end-Dec from USD 46.952bn at end-Nov. Separately, **money supply grew by 29% yoy** to EGP 11.34trn (USD 224.11bn) **in Nov** while **net foreign assets declined** by USD 3.25bn to the equivalent of USD 5.96bn.
- **Egypt is expected to receive a new tranche worth USD 1.2bn from the IMF in January.**
- **Egypt saved USD 1.5bn on its petroleum import bill, according to the PM** while oil and gas companies operating in Egypt had been able to boost production from existing fields.
- **Tourists into Egypt clocked in a record-high 15.7mn in 2024** despite the regional turmoil. The minister of tourism and antiquities disclosed that the 40,000 new hotel rooms would be added to the current capacity and that plans are underway to establish an Investment Opportunities Bank (that would have a unified investment map of all tourism opportunities).
- **TotalEnergies revealed that it began construction on a gas processing facility in Iraq.** The project will process 50mn cubic feet of gas per day from the Ratawi

field (currently flared).

- **ACWA Power was awarded the construction of a 1,000MW solar energy plant in Iraq** and the firm is expected to build the plant as a JV with Iraq.
- **Kuwait PMI edged down slightly to 54.1 in Dec** (Nov: 55.9) but this was the third strongest reading since Sep 2018 (when the survey began), with the Arabian Gulf Cup supporting the expansion. Output and new orders was slower compared to Nov, but some respondents also mentioned staff shortages limiting the ability of firms to complete orders on time.
- In addition to the recent introduction of a supplementary local minimum tax of at least 15% on multinational entities that operate across multiple countries, in line with OECD Pillar II, it was reported by Arab Times that **Kuwait is planning to increase residency and transaction fees for expats and visitors.**
- **Lebanon elected a new President last week** for the first time since 2022 and is expected to pave the way for the implementation of much-needed deep institutional and structural reforms, and a national anti-corruption drive. The immediate need for Lebanon is to have a strong-willed PM and cohesive, competent, and effective government willing to undertake structural reforms without bowing to political pressure. Concurrently, there needs to be a permanent ceasefire in the South to help stabilise the country.
- **Lebanese government bonds extended their three-month-long rally last week** ahead of the selection of a President. The rally stemmed from the optimism of the election of the next President but it might be short-lived unless an effective prime minister is chosen and government formed at an early date.
- **PMI in Lebanon improved to 48.8 in Dec** (Nov: 48.1), the highest reading since Apr, with contractions in sub-indices softening. The ceasefire contributed to the uptick in optimism.



- To meet its **financing requirements of an estimated OMR 2.454bn** this year – a budget deficit of OMR 620mn and OMR 1.834bn for debt servicing – **Oman's government plans to issue government development bonds and sovereign local sukuk worth OMR 750mn in 2025.** This will include eight issues of government development bonds worth OMR 550mn and two issuances of sovereign local sukuk worth OMR 200mn.
- **Qatar** launched the Ministry of Commerce and Industry strategy and Qatar National Manufacturing Strategy 2024-2030 last week. The **MOCI strategy aims to achieve a CAGR of 3.4% for non-hydrocarbon GDP** and attract USD 100bn in FDI by 2030. The **manufacturing strategy expects to raise the sector's value-added contribution to QAR 70.5bn**, boost non-hydrocarbon exports to QAR 49bn and attract annual industrial investments of QAR 2.75bn **by 2030.**
- **Inflation in Qatar inched up to 0.95% yoy in Nov** (Oct: 0.83%), the highest rate since Aug. Food and beverage costs rebounded in Nov, up by 1.05% (vs Oct: -0.46%), and transport prices were up 2.8% (vs 0.97%).
- **Qatar PMI stood unchanged at 52.9 in Dec**, above the long-run average of 52.3, supported by gains in output and new orders with employment providing the strongest boost. The Financial Services Future Activity Index rose to 68.3 in Dec (Nov: 62.1)
- **International reserves and foreign currency liquidity at Qatar Central Bank grew by 3.69% yoy to QAR 255.003bn in Dec.**
- The WTTC expects **travel and tourism to have contributed 11.4% of the GCC region's GDP in 2024** and it is forecast to account for 13.3% of GCC's GDP by 2034. International visitor spent in the region was estimated at USD 151.1bn last year (and rise to USD 223.7bn in 2034), while domestic visitor spent USD 72.7bn in 2024 (2034 forecast: USD 108.3bn).
- **Funding for startups in the MENA region fell by 29% yoy**

to just under USD 2bn in 2024, according to MAGNiTT. Funding in Saudi plunged by 44% yoy to USD 750mn while in the UAE it fell by 8% to USD 613mn. Late-stage deals was absent while 47% of MENA investments fell in the USD 1-5mn range.

- **In 2024, there were 48 IPOs in the GCC**, of which 38 were in Saudi Arabia, **raising USD 12.06bn in total** according to LSEG data. Of the 21 IPOs that raised at least USD 100mn, the most represented were retailers (4), professional or financial services (4), oil and gas (3) and the food and beverage sector (3).

### Saudi Arabia Focus



- **Industrial production in Saudi Arabia grew by 3.4% yoy** (Oct: 4.4%), gaining the second consecutive month, with manufacturing up by 2.7% (Oct: 2.9%). However, in mom terms, IP slipped by 2.3%. **Oil activities grew by 3.8% in Nov**, following a 4.8% uptick in Oct (it had plunged by an average 7.3% in Jan-Sep 2024), with manufacture of coke and refined petroleum products surging by 17.6% yoy.
- **Saudi Arabia raised USD 12bn billion in a three-part bond sale**: it sold USD 5bn, USD 3bn and USD 4bn in tenors of 3,6 and 10 years. Investor demand was strong with total order book at USD 37bn.
- **Saudi Arabia allocated SAR 10bn (USD 2.66bn) to activate Standard Incentives Program for the industrial sector** – the first phase of which will target investments in chemical conversion industries, the automotive sector, and machinery and equipment. According to the investment minister, the initiative is expected to generate an estimated SAR 23bn annually in GDP from the targeted projects.
- **Saudi Arabia has issued more than 36k investment licenses since Vision 2030** was launched; it surged 73.7% yoy to 3810 as of end-Q3 2024. Entrepreneurial license

issuance surged by 118% yoy in 2024 while permits in the wholesale & retail sector jumped by 123%. **Manufacturing continues to be the sector with the second-most investment licenses issued**, following construction.

- **Riyad Bank Saudi Arabia SME PMI stood at 56.9 in Dec** (Nov: 57.1), highlighting increased job creation (rising at the fastest pace since Feb) despite higher input costs (raw material prices, wages). Confidence rose to the highest since Mar.
- **Commercial business registrations in Saudi jumped by 67% yoy to over 160k in Q4**, taking the full year number to more than 1.6mn. The top sectors included cloud computing services, app development, financial technology, tourism, entertainment, and talent development. The **e-commerce business registrations grew by 10% yoy to 40,953 in Q4**.
- Bloomberg reported that PIF-backed **Tabreed District Cooling is planning to launch an IPO** on Tadawul this year, with discussions on size and timelines under discussion. Dubai-listed National Central Cooling Company (Tabreed) holds a 21.8% stake in its Saudi affiliate.
- **Saudi PIF is expected to more than double its current AuM value of USD 925bn to USD 2trn by 2030**, enabling it to rank second among all sovereign wealth funds (SWFs) from sixth currently, according to Global SWF projections. PIF's AuM in 2030 is estimated to be 10.5% of the global SWFs total assets. PIF's 10-year annualized return from 2013 to 2022 stood at 6.9%, outperforming the SWF average of 5.7% annually.
- **Saudi Arabia posted a 17.4% surge in mergers and acquisitions approvals in 2024**, with the General Authority for Competition approving 202 economic concentration requests and 10 currently under review.
- **Riyadh's King Khalid International Airport Terminal 1 expansion**, inaugurated last week, will raise the total capacity to up to 7mn passengers per year (from 3mn).

Along with ongoing enhancements to Terminal 2, the total capacity is expected to rise to 14mn annually.

- A report released by the Ministry of Communications and Information Technology disclosed that there were **more than 43 high-growth startups in Saudi** (with USD 987mn+ in funding in 2022) and that **50% of the deep tech startups in the country are working on AI and IoT**. There were 104 active startup investors registered in Saudi in 2023, up 41% compared to 2018.

## UAE Focus



- **UAE PMI rose to a 9-month high of 55.4 in Dec** (Nov: 54.2), on robust demand and rise in new work though new export orders growth eased to a 7-month low and employment sub-index stood near a 31-month low in Nov/Dec. UAE's sentiment was the 2nd-lowest since early 2023 while in Dubai, only 6% of respondents expect output to grow in 2025.
- **Visitors into Dubai increased by 9.2% yoy to 16.79mn in the 11 months to Nov 2024**. Western Europe and South Asia accounted for the largest shares of visitors at **19.6% and 17.0%** during the period (2.92mn and 2.76mn respectively) while the GCC & MENA regions together accounted for 4.3mn visitors (or 28.2% of the total).
- **UAE plans to roll over the payment of USD 2bn due by Pakistan**, disclosed the latter's PM, at a press conference.
- The Ruler of **Dubai** approved the building of more than **3004 new housing projects worth AED 5.4bn** (USD 1.5bn) to benefit citizens across the emirate.
- The **chairman of UAE's** real estate developer **DAMAC** **promised a USD 20bn investment in developing data centres in the US** in coming years "if the opportunity in the market allows us".
- UAE's **ADNOC Logistics and Services** **acquired an 80% stake in Navig8 TopCo. Holdings** – a firm that has a modern

fleet of 32 tankers and an established presence in 15 cities across five continents.

### **Media Review:**

#### **A roadmap for a new Syria**

<https://www.agbi.com/opinion/economy/2025/01/nasser-saidi-road-map-for-a-new-syria-reconstruction/>

#### **Dr. Nasser Saidi's comments on Lebanon's eurobonds rally (The National)**

<https://nassersaidi.com/2025/01/10/comments-on-lebanons-eurobonds-rally-in-the-national-9-jan-2025/>

#### **A Retrospective on Trump's First Year Back**

<https://www.project-syndicate.org/commentary/economic-and-geopolitical-scenario-for-trump-first-year-by-jeffrey-frankel-2025-01>

<https://www.project-syndicate.org/commentary/trump-weak-dollar-goal-will-not-help-us-economy-by-barry-eichengreen-2025-01>

#### **Where voters don't want to throw the incumbents out – and why**

<https://www.ft.com/content/75ece192-7313-4d0c-879a-3b551f4a5d15>

#### **How to spot housing bubbles**

<https://www.imf.org/en/Publications/fandd/issues/2024/12/how-to-spot-housing-bubbles-enrique-martinez>

#### **For good reasons and bad, global bond wobble passes over euro zone**

<https://www.reuters.com/markets/europe/good-reasons-bad-global-bond-wobble-passes-over-euro-zone-2025-01-09/>

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