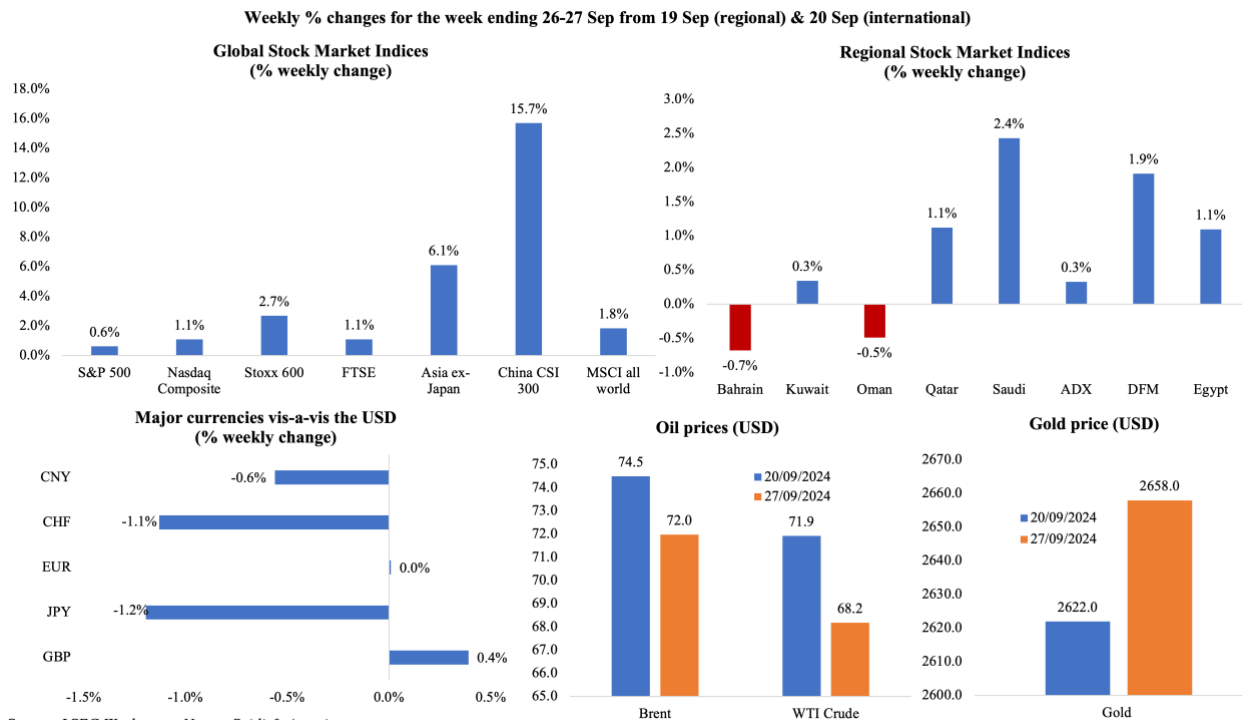


## Weekly Economic Commentary, 30 Sep 2024

### Markets

Equities markets saw US register a weekly gain as the Dow, Stoxx600 and MSCI's global stock index touch a record high; China's CSI300 posted a 15.7% gain, the highest weekly uptick since Nov 2008 (following the stimulus measure announcements and rollout). Japan's election of Ishiba (a fiscal hawk who indicated that the BoJ were "on the right policy track" with rate hikes so far) as the PM saw the Nikkei decline and the yen rally. Regional markets were affected by weak oil prices and regional geopolitical issues after the proposal for a ceasefire (following the ramp up of attacks in Lebanon) was rejected. The dollar index weakened to the lowest since Jul 2023 while JPY strengthened after the new leadership was announced. Oil prices declined compared to a week ago while gold price ticked up by 1.4%.



### Global Developments

#### US/Americas:

- **US GDP grew at a 3% annualised pace in Q2**, as per the third estimate, thanks to an acceleration in consumer spending (+2.8%) and increase in business investment (8.3%).
- **The PCE price index rose by 0.1% mom and 2.2% yoy in Aug** (Jul: 0.2% mom and 2.5% yoy). Core PCE, at 2.7%, was higher than the PCE as it does not include the drop in energy prices but includes the housing-related inflation (which remains relatively high).

Prepared by:

Dr. Nasser Saidi  
Founder & President  
[nsaidi@nassersaidi.com](mailto:nsaidi@nassersaidi.com)

Aathira Prasad  
Director, Macroeconomics  
[aathira@nassersaidi.com](mailto:aathira@nassersaidi.com)

- **Personal income in the US grew by 0.2%** (Jul: 0.3%) and spending grew by 0.2% (Jul: 0.5%). Real personal disposable income grew a modest 0.1% for a third month in a row.
- **Durable goods orders remained flat in Aug** (Jul: 9.9% mom). Non-defence capital goods orders excluding aircraft rebounded in Aug, up 0.2% after a 0.2% decline in Jul.
- **Richmond Fed manufacturing plummeted to -21 in Sep** (Aug: -19), the largest drop since May 2020, with shipments and employment falling while new orders improved. **Kansas Fed manufacturing activity tumbled to a 14-month low of -18 in Sep** (Aug: 6).
- **Chicago Fed national activity index rose to 0.12 in Aug** (Jul: -0.42) after 2 months of declines: production related indicators contributed +0.21 (Jul: -0.42).
- **Michigan consumer sentiment index moved up to 70.1 in Sep** (prelim: 69), the highest since Apr, with both the current economic conditions and expectations index revised upwards (63.3 and 74.4 respectively). The one- and 5-year inflation expectations stood at 2.7% and 3.1% respectively.
- **US preliminary manufacturing PMI dropped to 47 in Sep** (Aug: 47.9). Services PMI moved to 55.4 (Aug: 55.7).
- **S&P Case Shiller home price index grew by 5.92% yoy in Jul** (Jun: 6.5%): this was the slowest pace of increase in the index since Nov 2023. **New home sales fell by 4.7% mom to a seasonally adjusted 716k in Aug**, with the average sales price standing at USD 492,700. **Pending home sales grew by 0.6% mom** from Jul's record-low level.
- **Goods trade deficit in the US narrowed to USD 94.3bn in Aug** (Jul: USD 103.1bn), as exports increased (2.4% to USD 177bn) alongside a decline in imports (-1.6% to USD 271.3bn; imports of food and industrial supplies declined sharply).
- **Initial jobless claims unexpectedly declined by 4k to a 4-month low of 218k in the week ended Sep 20**, taking the 4-week average slightly lower by 3.5k to 224.25k. **Continuing jobless claims increased by 13k to 1.834mn in the week ended Sep 13.**

#### Europe:

- Eurozone's **preliminary manufacturing PMI fell to a 9-month low of 44.8 in Sep** (Aug: 45.8), as production declined (with output declines sharp in Germany and France) and employment fell the most since Dec 2020. **Composite PMI fell below-50 to 48.9** (Aug: 51) as services PMI slowed to 50.5 (Aug: 52.9).
- **Economic sentiment indicator in the euro area slowed to 96.2 in Sep** (Aug: 96.5). The flash consumer confidence held steady at -12.9, almost catching up with its long-term average.
- **Ifo business climate index in Germany declined for the fourth month in a row**, to 85.4 in Sep (Aug: 86.6). Current assessment and expectations moved lower to 84.4 and 86.3 (from 86.4 and 86.8 respectively). The **manufacturing subindex fell to the lowest level since Jun 2020**, with the current situation assessment and expectations also pessimistic.
- **Preliminary manufacturing PMI in Germany slipped to a 1-year low of 40.3 in Sep** (Aug: 42.4), as production fell (to 40.5, the steepest drop in 12 months), new orders declined, and employment contracted. **Services PMI slipped to a 6-month low of 50.6** (Aug: 51.2) -

outstanding orders contracted at the fastest pace in seven months and new business declining - taking the composite PMI down to 47.2 (Aug: 48.4).

- **GfK consumer confidence in Germany improved in Oct**, though the reading stayed negative (-21.2 from Sep's -21.9). Income expectations increased to 10.1 (from 3.5) as did propensity to buy (-6.9 from -10.9).
- **UK preliminary manufacturing PMI fell by 1 point to 51.5 in Sep and services PMI slowed to 52.8** (Aug: 53.7). Output growth cooled in both sectors and business optimism rose, with data hinting at a “soft landing for the UK economy”, according to S&P.

#### Asia Pacific:

- **China's rollout of stimulus: the central bank** cut the reserve requirement ratio by 50bps thereby injecting CNY 1trn (USD 142bn) for new lending and a cut in the 7-day repo by 20bps to 1.5%. Following the rate cut announcement, the PBoC also mentioned potential RRR cuts in the future while earlier in the week it had highlighted future plans to lower the interest rate on the medium-term lending facility by about 30bps and loan prime rates by 20-25bps. The PBoC also plans to support the property market; a 50bps reduction on average interest rates for existing mortgages was announced (to be done before end-Oct) while a cut in the minimum downpayment requirement to 15% on all homes was also announced. Separately, the **politburo also announced that “necessary fiscal spending” would be rolled out** (with a focus on consumer subsidies and government debt) to meet the growth target for the year. Reuters reported that China plans to issue USD 284bn worth of sovereign debt as part of its fiscal stimulus measures.
- **China's NBS manufacturing PMI shrank for the 5th month in a row to 49.8 in Sep** (Aug: 49.1): production sub-index ticked up to 51.2 (Aug: 49.8) and new orders were up to 49.9 (Aug: 48.9). Official **services PMI fell to 49.9 in Sep**, the first sub-50 reading since Dec 2023, while the non-manufacturing PMI (which includes services and construction) clocked in at 50 in Sep (Aug: 50.3).
- **Caixin manufacturing PMI slipped to 49.3** (Aug: 50.4): while production expanded for the 11th consecutive month, new orders was the lowest in 2 years. **Caixin services PMI declined to 50.3 in Sep** (Aug: 51.6), the lowest since Sep 2023, as new orders expanded at a slower pace while employment posted a modest expansion. Input costs also rose to the highest in 2.5 years while output prices fell.
- **Industrial profits in China tumbled by 17.8% yoy in Aug** - the largest decline this year – (Jul: 4.1%) and earnings rose by 0.5% during Jan-Aug (Jan-Jul: 3.6%).
- **Inflation in Tokyo eased to 2.2% yoy in Sep** (Aug: 2.6%), with services prices gaining 1.2% (Aug: 1.3%). **Excluding food and energy, prices grew by 1.6%, falling below the central bank's target of 2%**. Excluding fresh food, prices slowed to 2% (Aug: 2.4%) – partly due to the resumption of government subsidies.
- **BoJ monetary policy minutes called attention to the uncertainty related to the next rate hike**: while some board members called for more rate hikes, the majority warned against moving too quickly.

- **Japan's flash manufacturing PMI declined to 49.6 in Sep** (Aug: 49.8), the third straight month of contraction: output shrank, new orders dropped, and business sentiment fell to the lowest since Dec 2022. **Services PMI inched up to 53.9** (Aug: 53.7), as new orders grew for the 29th month in a row and export orders increased.
- **Leading economic index in Japan slipped** to 109.3 in Jul (from a preliminary reading of 109.5, but higher than Jun's 109.1). **Coincident index moved up to 117.2** (slightly higher than the flash estimate of 117.1).
- **Industrial production in Japan fell by 3.3% mom in Aug** (Jul: +3.1%), dragged down by the decline in motor vehicles output (-10.6% mom) and electrical machinery & electronics equipment (-6.2%) among others. In yoy terms, IP contracted 4.9% (Jul: +2.9%).
- **Retail trade in Japan grew by 0.8% mom and 2.8% yoy in Aug** (Jul: 0.2% mom and 2.7% yoy), with textile, clothing and personal goods sales growing the most (11.3% yoy) while fuel sales dropped (-1.4%). Rising wages continue to support retail spending.
- **Preliminary manufacturing PMI in India slipped to 56.7 in Sep** (Aug: 57.5), the lowest reading since Jan, as output and new orders grew at a slower pace. **Services PMI fell to 58.9** (Aug: 60.9), the slowest since Nov 2023, while employment increased the most since Aug 2022. This caused the composite PMI to fall to 59.3 - the least in 2024.
- **Inflation in Singapore eased to 2.2% yoy in Aug** (Jul: 2.4%), the lowest reading since Apr 2021, largely due to a fall in private transport prices. Core inflation inched up to 2.7% in Aug (Jul: 2.5%) as services inflation ticked up (3.3% from Jul's 2.9% gain).
- **Singapore's industrial production grew by 6.7% mom and 21% yoy in Aug** (10.2% mom and 2% yoy). In yoy terms, this was the fastest growth since Jun 2021, supported by output of electronics (49.1% yoy from Jul's 2.9%) and chemicals (11.1% from 1.8%) among others.

**Bottom line: Geopolitical turmoil in the Middle East continues unabated, with conflicts now occurring across multiple countries - including Gaza, Lebanon, Syria and Yemen among others – escalating tensions and uncertainty. The biggest market-moving news last week were the announcements of stimulus in China aimed at boosting lagging growth and the election of Ishiba as Japan's next PM – both of leaving a positive impact. Meanwhile, this week's US payrolls and eurozone inflation data will be critical information to determine the likelihood of rate cuts at the next central bank meetings.**

### **Regional Developments**

- **Bahrain is on track to achieving fiscal balance this year**, reported Gulf Daily News, citing a review by the Parliament's financial and economic affairs committee. Expected revenues are estimated to touch BHD 3.2bn this year (vs an expected BHD 3.1bn) while spending will likely be around BHD 4bn (vs expected BHD 3.7bn). The deficit of around BHD 773.9mn will be covered via borrowing.
- **Non-oil exports from Bahrain declined by 8% yoy to BHD 298mn in Aug**, with the top 10 countries accounting for about 72% of the exports value. Saudi Arabia, US and the UAE were

the top destinations for non-oil domestic exports. Non-oil imports fell by 7% to BHD 494mn, resulting in a narrowing of trade deficit to BHD 136mn.

- **Egypt aims to attract more than USD 20bn in FDI and generate more than USD 140bn in export volume by 2030** according to the PM. Separately, the minister of investments and foreign trade disclosed at a meeting that the **government had invested USD 300bn in infrastructure development over the past decade** while also stating that renewable energy will be a major area of focus for attracting investments.
- **Egypt's United Bank will be listed on the stock exchange by Q1 2025 once approvals are received** from the Financial Regulatory Authority and the stock exchange. While details were not provided, Saudi PIF was reportedly in talks to acquire the bank (as reported by Bloomberg in Dec 2022).
- The **US government pledged USD 129mn in investments to support Egypt's reforms** (via USAID) including public education, public health and strengthen transparency.
- **ESCWA** has issued a brief warning that Lebanon is on the Brink and warning of Catastrophic Collapse. "This conflict has devastated not only infrastructure but also the very fabric of society," said Rola Dashti, ESCWA Executive Secretary. "The destruction of homes, schools, and health-care facilities, coupled with widespread displacement, is eroding human capital and tearing apart social cohesion." <https://www.unescwa.org/news/lebanon-brink-un-warns-catastrophic-collapse>.
- According to the EBRD's latest Regional Economic Prospects report, **Lebanon's economy is forecast to shrink by 1% yoy this year** given the conflict and ongoing economic and political turmoil. It expects modest growth to return next year should regional tensions lessen, and an IMF program be implemented.
- **Bilateral trade between Oman and Saudi Arabia crossed OMR 1bn in H1 2024**, according to NCSI data. Metal products were the largest exports, totalling OMR 161mn during the period followed by minerals and related products (OMR 95mn). **Investment from Saudi Arabia into Oman grew to OMR 121mn in H1** compared to OMR 81mn at end-2021.
- **Oman's credit rating was raised to BBB-** from BB+ by S&P Global Ratings, citing its continued improvement in public finances. Its **short-term grades were upgraded to "A-3"** from "B" and transfer and convertibility assessment was improved to BBB from BBB-.
- **Money supply in Qatar grew by 6.7% yoy in Aug** (Jul: 6.4%).
- **Private sector exports from Qatar grew by 3.5% qoq to QAR 2.62bn** (USD 719mn) in Q2, according to a report from the Qatar Chamber. Asian nations (excluding the GCC and Arab nations) received 45.6% of total exports, followed by the GCC (23.9%) and the EU (20.7%). Fuel exports during the quarter fell by 17.7% qoq to QAR 435mn while aluminium exports declined by 31% to QAR 302mn.
- **Bilateral trade between Qatar and Vietnam grew by 44% in the last decade** to more than QAR 2bn (USD 549mn), revealed the Ambassador of Vietnam to Qatar.

- **Qatar became the first Gulf country to be admitted into the US Visa Waiver Program.** This will allow Qatari citizens, starting no later than Dec 1, to travel for tourism or business and stay up to 90 days without a visa.
- **Pakistan received “significant financing assurances” from Saudi Arabia, the UAE and China for to meet the external financing gap** (on top of a debt rollover), following which the IMF approved a new USD 7bn 37-month loan agreement.
- **WIPO’s Global Innovation Index 2024 ranks UAE 32nd globally and first in the Western Asia and North Africa region.** Only UAE, Iran and Oman improved their position since 2013: the latter two are ranked 64th and 74th respectively.
- According to Moody’s, issuance of ESG sukuk globally increased by 21% to USD 6.8bn in H1 2024, and **the GCC accounted for 82% of global sustainable sukuk issuance.** Saudi and UAE contributed 42% and 33% of the total. Meanwhile, conventional sustainable bonds issuance fell by 8% in H1.
- **Retail sector in the GCC is forecast to grow at an annual rate of 4.6% between 2023 and 2028,** clocking in at USD 386.9bn by 2028, according to Alpen Capital. Saudi Arabia and UAE are the main drivers of this growth, set to expand by 5.1% and 5.4% respectively (to USD 139.1bn and USD 161.4bn).
- **OPEC revised upwards the world oil demand forecast for the medium and long-term** (118.9mn bpd by 2045 and 120.1mn by 2050), citing growth in developing nations (led by India, Africa and the Middle East). Expecting no peak oil demand, the **World Oil Outlook report also expects a slower move to EVs** while calling for USD 17.4trn investment in the oil industry by 2050.

### Saudi Arabia Focus

- **Saudi Arabia’s exports recovered in Jul, growing by 6.5% mom and 2.0% yoy** to SAR 94.5bn –this was up from June’s reading which was the lowest since Jun 2021. **Oil exports, which accounted for 73.1% of total exports** in Jul, fell by 3.1% yoy to SAR 69.1bn. **Imports grew by 8.8% mom and 12.6% yoy** to SAR 75.2bn in Jul, thereby narrowing trade surplus to SAR 19.3bn (vs Jun: SAR 19.6bn; Jul 2023: SAR 25.9bn) – **the lowest trade surplus since Nov 2020.**
- **Saudi Arabia’s Fourth Milling Company (MC4)** stated that the IPO was priced at SAR 5.3 per share indicating a market cap of SAR 763.2mn at the time of listing. The firm **looks to raise USD 229mn from the IPO.** The institutional investors tranche was 119 times oversubscribed.
- **Saudi Aramco raised USD 3bn from its second debt sale this year:** witnessing strong demand, Aramco sold USD 1.5bn in five-year sukuk at a spread of 85bps over U.S. Treasuries and USD 1.5bn in 10-year sukuk at 100 bps spread. Earlier this year, in Jul, Aramco had raised USD 6bn from a 3-tranche bond sale.
- **The FT reported that Saudi Arabia is committed to raising oil output come December** even if it leads to a long period of low oil prices (in a bid to boost market share). Currently



# NASSER SAIDI

— & ASSOCIATES —

OPEC+ market share has slipped to less than half of world supply with Saudi output lower than 10% of the total supply (versus US at around 20%).

- According to the Ministry of Tourism, **Saudi Arabia welcomed 17.5mn international visitors in Jan-Jul this year**, up 10% yoy and 73% higher compared to pre-pandemic 2019. Around **4.2mn tourists entered the country for entertainment and leisure experiences**, up 25% yoy and 656% compared to 2019.
- **Kafalah**, Saudi Arabia's Small and Medium Enterprises Loan Guarantee Program, **has supported more than 23k SMEs, facilitating over SAR 100bn in financing guarantees** since its launch, according to the CEO. Between 2019 to 2023, Kafalah saw a 166% surge in guarantees issued, alongside a reduction in processing time (36 hours from 48 working days).
- **Saudi Arabia's first natural gas storage facility** - Hawiyah Gas Storage facility – **has become operational**. The facility is designed to reintroduce up to 2 billion standard cubic feet of natural gas per day into the Master Gas System, which will help meet the energy demand in the country (especially during peak times and in managing seasonal demand fluctuations).
- According to the CEO of **Diriyah**, one of the Saudi giga projects, **deals worth nearly USD 1bn have been agreed with European firms**. He also stated that talks were underway with other foreign investors related to real estate developments and equity stakes in hotels. The PIF has invested around SAR 20bn in the project in 2023-24.

## UAE Focus

- **UAE central bank revised its GDP forecast for 2024 to 4.0%**, with growth supported by the non-oil sector (5.2% in 2024, lower than 2023's 6.2%). Oil sector is expected to recover in 2025 as production resumes. **Inflation in the UAE inched up to 2.4% in Jun 2024** (May: 2.3%), with upticks in housing and utilities (3.1% from 3.0%), recreation & culture (4.2% vs 1.2%) and insurance & financial sector (6.6% vs 4.3%).
- **New Zealand and the UAE have agreed to a trade deal**, removing 98.5% duties on New Zealand's exports (rising to 99% within 3 years). Bilateral trade between the two nations stood at USD 813.5mn in Jun 2023-Jun 2024 period. With trade negotiations having begun this May, the four month+ duration is the fastest conclusion to a trade agreement by New Zealand.
- During the UAE President's visit to the US, **UAE was designated as a major defence partner by the US**, enabling close military cooperation through joint training, exercises and other collaborative efforts. India is the only other country designated as a major defence partner by the US. Furthermore, **a new customs cooperation agreement was signed** between the two nations to reduce violations and combat illicit trade among others.
- The CEO of **Etihad Airlines** stated that the **final decision to IPO would be for the shareholder ADQ to make** and that in the meantime, the airline has been working to be ready for one. In preparation for the IPO, the airline plans to invest USD 7bn over the next five years and double the size of its fleet by 2030.
- Abu Dhabi Developmental Holding Company (**ADQ**) **will list its second bond issuance** (USD 2bn) **on the London Stock Exchange**. The bond was oversubscribed 4.1 times and attracted investors across the globe.



- **Kenya and UAE are close to agreeing to a USD 1.5bn loan** for the former to meet its funding requirements (amidst a delay in IMF funding), according to Reuters and Bloomberg.
- **UAE Ministry of Finance raised AED 25bn** – AED 11.2bn worth bonds and AED 13.8bn in sukuk - **through the issuance of government bonds and sukuk by end-Aug.**
- **Passenger traffic through UAE airports grew** by 14.2% yoy to over 71.7mn travellers in H1 2024, with Dubai and Abu Dhabi airports posting an increase of 8% and 33.8% respectively.
- Abu Dhabi National Energy Company (**Taqa**) signed an **agreement with utility company Suez and Siemens** to take part in a **desalination initiative to help emerging market nations.**
- UAE's **Masdar bought** the green energy firm **Saeta Yield** from Canada's Brookfield in a **USD 1.4bn deal.** With this deal, Masdar acquired 745 megawatts of mostly wind assets and 1.6 gigawatts of projects under development in both Spain and Portugal.

**Media Review:**

**Uber & WeRide announce partnership to launch robotaxis in UAE**

<https://www.reuters.com/business/autos-transportation/uber-chinese-self-driving-tech-startup-announce-partnership-launch-robotaxis-uae-2024-09-25/>

**The debt that shall not be named**

<https://www.project-syndicate.org/commentary/trump-harris-campaigns-ignore-astronomical-us-debt-by-michael-r-strain-2024-09>

**How Europe Can Make Carbon Pricing Policies Less Regressive**

<https://www.imf.org/en/Blogs/Articles/2024/09/26/how-europe-can-make-carbon-pricing-policies-less-regressive>

**If you must raise taxes, raise VAT**

<https://www.economist.com/leaders/2024/09/26/if-you-must-raise-taxes-raise-vat>

