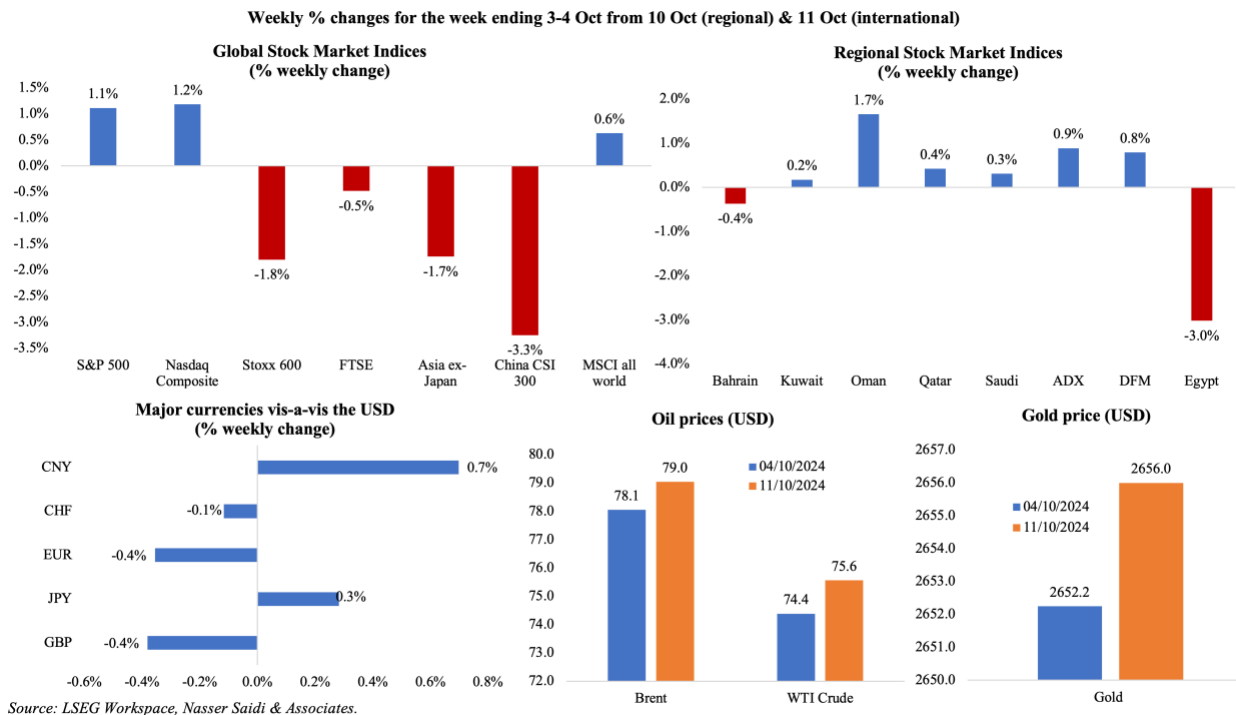


## Weekly Economic Commentary, 14 Oct 2024

### Markets

Equities markets in the US closed higher (S&P 500 at a record high), as did the MSCI all world index; other markets including in Europe and Asia did not fare as well after China's much-awaited fiscal policy stimulus plans fell short on details, and failed to include a major spending package. Regional markets were mostly up, though many ended lower on Thursday amid rising geopolitical tensions. The CNY strengthened ahead of the stimulus news conference (held on Saturday). Oil prices closed higher for the second week in a row on supply concerns (Hurricane Milton in the US and potential disruptions in the Middle East), up by 1.0%+; gold price also edged higher.



### Global Developments

#### **US/Americas:**

- **Inflation in the US eased to 2.4% yoy in Sep** (Aug: 2.5%), **falling for the sixth month in a row**, and smallest increase since Feb 2021. Compared to Aug, food prices rose by 0.4%, rents were up by 0.3% while energy prices fell by 1.9%. Core inflation rose to 3.3% from 3.2% a month before.
- **Producer price index in the US edged down to 1.8% in Sep** (Aug: 1.9%), recording the lowest gain in 7 months; PPI excluding food and energy moved up to 2.8% (Aug: 2.6%).

#### *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)

- **US goods trade deficit inched up to USD 94.9bn in Aug** (Jul: USD 94.3bn) though goods exports grew by 2.5% to USD 179.4bn (highest since Sep 2022). Goods and services trade deficit narrowed to USD 70.4bn in Aug (Jul: USD 78.9bn) as exports rose by 2.0% to a record high USD 271.8bn.
- **Michigan consumer sentiment index slipped to 68.9 in Oct** (Sep: 70.1), as both the current conditions and expectations gauge declined to 62.7 and 72.9 respectively (from 63.3 and 74.4). The 5-year inflation expectations eased to 3.0% (from 3.1%) and the 1-year ahead expectation inched up to 2.9% (from 2.7%).
- **Initial jobless claims increased by 33k to 258k in the week ended Oct 4**, the highest since early-Aug 2023, also taking the 4-week average slightly higher by 6.75k to 231k. **Continuing jobless claims rose** by 42k to 1.861mn in the week ended Sep 27 (the most since late-July).

#### Europe:

- **Sentix investor confidence in the eurozone turned less pessimistic to -13.8 in Oct** (Sep: -15.4): the current situation index fell to -23.3 (the lowest since Dec 2023) alongside expectations ticking up to -3.8 (from -8.0).
- **Retail sales in the euro area inched up by 0.2% mom** and 0.8% yoy in Aug. In month-on-month terms, sales increased for food, drinks & tobacco (0.2%), non-food products (0.3%).
- **Industrial production in Germany shrank by 2.7% yoy in Aug** (Jul: -5.6%). In mom terms, IP rebounded by 2.9% (Jul: -2.9%) – the fastest gain since Oct 2021 – thanks to gains in motor vehicles & trailers (19.3% from -8.2%), energy production (2.3%) and construction (0.3%).
- **German factory orders fell 3.9% yoy** and 5.8% mom in Aug. New orders fell across the board: capital goods by 8.6%, intermediate goods by 2.2% and consumer goods by 0.9%. Orders from the eurozone shrank by 10.5% while foreign orders were down by 2.2%.
- **Trade surplus in Germany widened to EUR 22.5bn in Aug** (Jul: EUR 16.9bn). Exports grew by 1.3% mom in Aug (Jul: 1.7%) while imports declined by 3.4% (Jul: 5.3%). Exports to the US were the main contributor to total exports, up by 5.5%.
- **German retail sales expanded by 1.6% mom in Aug** (Jul: 1.5%; Jun: -1.1%), with food and non-food sales rose by 1.9% and 1.1% respectively. In yoy terms, sales grew by 2.1%.
- **GDP in the UK grew by 0.2% mom in Aug**, following zero growth in June and July: services sector posted a monthly gain of 0.1% and construction sector rebounded by 0.4%. Industrial and manufacturing production fell by 1.6% yoy and 0.3% respectively (Jul: -2.2% and -2.0%).
- **UK like for like retail sales grew by 1.7% yoy in Sep** (Aug: 0.8%), the fastest increase in 6 months.

#### Asia Pacific:

- **China's stimulus announcement fell flat** after the government pledged to “significantly increase” debt without providing details of the size or timing of the package. The package will include more debt issuances and support for provincial governments.
- **Inflation in China eased to a 3-month low of 0.4% yoy in Sep** (Aug: 0.6%), with food inflation up by 3.3% alongside non-food prices down by 0.2%. Core CPI rose by 0.1%, the

lowest since Feb 2021. **Producer price index fell by a sharper 2.8%** in Sep (Aug: -1.8%), the fastest pace of decline in 6 months. Deflation worries continue to haunt markets.

- **Japan's leading economic index slipped to 106.7 in Aug** (Jul: 109.3), the lowest reading since Oct 2020, alongside a decline in the coincident index to 113.5 (Jul: 117.2).
- **Overall household spending in Japan fell by 1.9% yoy in Aug** (Jul: 0.1%) as spending fell for transport & communication (-17.1%), culture & recreation (-6.9%), housing (-7.4%), education (-3.4%) and fuel, water & light charges (-2.4%) among others. **Labour cash earnings in Japan grew by 3% yoy in Aug** (Jul: 3.4%); inflation adjusted wages fell by 0.6% yoy after 2 months of gains.
- **Current account surplus in Japan widened to JPY 3.8036trn in Aug** (Jul: JPY 3.193trn): this was the largest amount on record and the 19th straight month of surpluses. Trade deficit narrowed to JPY 377.9bn from JPY 482.7bn on a BOP basis as exports (6.2%) grew faster than imports (1.3%)
- The **Reserve Bank of India held the repo and reverse repo rates unchanged** for the tenth month in row (to 6.5% and 3.35% respectively). The monetary policy committee changed the policy stance to “neutral” from “withdrawal of accommodation”.
- **Industrial output in India fell by 0.1% yoy in Aug** (Jul: 4.7%), the first fall since Oct 2022, as manufacturing growth slowed (1.0% vs 4.4% in Jul). Cumulative output grew by 4.2% in Apr-Aug (Apr-Aug 2023: 6.2%).
- The **Bank of Korea lowered interest rate by 25bps to 3.25%**, the first rate cut since 2020. Inflation rate has fallen below the BoK's target rate of 2% (Sep: 1.6%).

**Bottom line: China's slew of data is to be released this week, including GDP – this year's target is around 5%, a difficult one to attain given the disappointing Q2 performance. The ECB meets on Thursday and a rate cut is almost confirmed, given the weak data from its member countries (especially Germany). UK inflation data this week will be key to the BoE meeting in Nov - it could be the month where headline inflation falls below the 2% target but watch out for the persistently high services inflation data (was 5.6% in Aug).**

### Regional Developments

- **Real GDP in Bahrain grew by 1.3% in Q2 2024** (Q1: 3.3%), supported by an uptick in non-oil sector (2.8% in Q2) vs decline in oil sector activity (-6.7%). Among the non-oil, non-government sector, transportation & storage recorded the highest growth in Q2 (12.9% yoy) while financial and insurance activities grew by 2.1%. In terms of contribution to growth of real GDP, financial sector topped the list (17.1%), followed by crude petroleum & natural gas (14.8%), manufacturing (14.4%), government services (8.4%) and construction (6.4%).
- **Inflation in Egypt ticked up to 26.4% yoy in Sep** (Aug: 26.2%), with food prices rising by 27.7% yoy (from 29%). The uptick was a result of the various price hikes in Jul-Sep including fuel, metro and electricity. Core inflation slowed to 25% (Aug: 25.1%).
- In a quarterly update from the newly merged Ministry of Planning, Economic Development & International Cooperation, it was disclosed that **GDP growth in Egypt slowed to 2.4% in Q4**

of the fiscal year 2023-24, causing GDP growth for the full year to ease to 2.4% (2022-23: 3.8%). Lower oil and gas production led to the extraction sector recording a fall of 4.7% and the non-oil manufacturing sector also fell by 5.2% during the year. Separately, the minister also stated that **Egypt secured USD 2.9bn in new financing**, to support structural reforms and budget, from development partners including the EU.

- **Selling 5G licenses to telecom operators will add USD 675mn in direct foreign investments to Egypt** within weeks, disclosed the PM.
- **Egypt's finance minister revealed aims to bring the debt-to-GDP ratio to below 85% of GDP over the next 3 years.** External debt of public entities fell by around USD 4bn in Jun.
- **Egypt is planning to set up six new free zones in 2026**, according to the CEO of the General Authority for Investment and Freezones. Two have already been licensed though not activated.
- **A comprehensive tax facilitation package was launched in Egypt** last week: this includes a new tax facilities package for SMEs (to become effective in Nov), as well as tax exemptions (e.g. from capital gains taxes, dividends, stamp fees).
- **The trial of the Egypt-Saudi Arabia electricity interconnection project will be undertaken in Apr 2025**, according to Asharq Business. The first phase, with a capacity of 1,500 megawatts, is expected to be fully operational by Jun.
- **Iraq's oil production in Sep touched 3.94mn barrels per day (bpd)**, below the OPEC+ output quota of around 4mn bpd. The official stated that lower production was a result of lower exports, reduced domestic consumption and a decline in output from the Kurdistan Region.
- **The IMF expects growth in Kuwait to contract by 3.2% yoy in 2024**, partly due to the OPEC+ oil production cut, and recover in 2025 (+2.8%). Non-oil sector will expand by 1.3% this year. Fiscal deficit will rise to 5.1% of GFP in 2024-25 and is expected to increase by about 1% of GDP per year over the medium term. More: <https://www.imf.org/en/News/Articles/2024/10/10/mcs-101024-kuwait-staff-concluding-statement-of-the-2024-aiv-mission>
- **FATF**, in its latest progress report on **Kuwait**, disclosed that there were “serious shortcomings delivering effective outcomes” despite adequate legal and supervisory framework to combat money laundering and terrorism financing.
- **Lebanon's Eurobonds rose to a 2-year high**, up 44% from a low base since late-Sep (as of end-last week): the jump resulted in the bond maturing in 2025 to trade at 8.5 cents on the dollar (vs 70 cents when bonds are considered distressed).
- **Oman's budget surplus slipped to OMR 447mn in the period Jan-Aug 2024**, down from a surplus of OMR 773mn a year ago. While revenues grew by 2.3% yoy to OMR 8.11bn, spending expanded at a faster pace (7.12% to OMR 7.15bn). Public revenues edged down due to a sharp decline in net gas revenues (-15.4% yoy to OMR 1.21bn, partly due to the change in methodology for collecting revenue). Current expenditure edged down (-0.5% to OMR 5.43bn) alongside a 28% jump in development expenditure (to OMR 735mn, or 82% of development spending for 2024).

- **Total investments in Oman's special economic zones**, free zones, and industrial cities **exceeded OMR 20.1bn at end-H1 2024**, with number of employees exceeding 71k persons. The Duqm SEZ posted the fastest yoy growth: up 55% to OMR 2.1bn.
- **Oman and Saudi Arabia inked a trade and economic partnership**. Currently, bilateral trade stands at SAR 36.8bn, with Saudi. Exports to Oman at SAR 22.5bn.
- **QatarEnergy signed a 20-year naphtha supply deal with Shell**: the agreement is to supply up to 18mn metric tons of naphtha.
- **Qatar launched initiatives to boost private sector participation and growth**: this includes writing off some loans disbursed during the pandemic to Qatari firms and ability to access short-term funding to finance working capital.
- **Trade in goods and services fell by 3.7% yoy to USD 3.4trn in 2023**, as exports plunged by 9.2% while imports rose by 3.3% (to USD 1.6trn), according to the Arab Investment & Export Credit Guarantee Corporation.
- **GCC signed a contract to link the Gulf Electricity Market with Iraq**: expected to begin operations in early 2025, the connection will provide Iraq with up to 3.94 terawatt-hours of electricity annually at competitive prices (lower than local production costs).
- **Hafet Rail**, the Oman and Etihad Rail company, **secured a USD 1.5bn loan for the 238km rail link**. The **Oman-UAE railway network project** is estimated to cost USD 2.5bn and will cut travel time between the 2 countries while being able transport more than 15k tonnes of cargo in a single freight train journey.
- **Funding to MENA's startups fell by 13% yoy to USD 1.3bn in Jan-Sep 2024**, while the deal count dropped 6% to 352, according to MAGNiTT data. The number of investors has ticked up (34% yoy) given a surge in international investors (+69%). Fintech remained the top sector in MENA, raising USD 480mn across 72 deals.

### Saudi Arabia Focus

- **Industrial production in Saudi Arabia grew for the second month in a row**, up by 1% yoy in Aug (from a downwardly revised 0.8% in Jul), thanks to an uptick in mining & quarrying activities (+0.8%). Manufacturing grew by 7.7%, given increase in manufacture of food products (12.9%) and chemical and chemical products (2.9%).
- **Saudi Arabia plans to appoint private operators to manage 4 airports in the country**, according to the investment minister. He stated that the updated investment law is attracting investments in logistics and transport sectors. Separately, the minister of transport and logistics services revealed that **over SAR 1trn will be invested in the Saudi logistics sector**, allowing it to meet its ambition to become a global hub by 2030; SAR 200bn has already been deployed.
- **Foreign investors purchased SAR 3.84bn worth stocks on the Saudi Exchange in Sep**, surging by 947% yoy. A breakdown showed that qualified foreign investors led these international purchases, contributing SAR 3.78bn in Sep. Foreign ownership in Nomu meanwhile grew by 67.54% yoy to SAR 914.07mn.
- During a 3-day visit to Pakistan by the Saudi delegation, **around 27 agreements and MoUs worth USD 2bn+ was signed with companies in Pakistan**.



- Bloomberg reported that **Saudi PIF established a new entity Energy Solutions Company to invest USD 10bn** in the production of **green hydrogen**. The company will be launched later this month, and some investment could be done in collaboration with Aramco.
- **Saudi Arabia is home to 2,000 of the 5,000 green building projects across the Arab world**, disclosed a senior government official, underscoring the shift toward energy-efficient structures and the increased use of green building materials.
- **Twelve foreign airlines have started direct flights to Saudi Arabia this year**, versus a global average of 2-4 foreign carriers annually, disclosed the CEO of Saudi's Air Connectivity Programme. About 60 new direct routes have been launched since 2021 and the plan is to establish more than 250 direct routes by 2030.

### **UAE Focus**

- **UAE Cabinet approved the largest ever federal budget of AED 71.5bn for 2025**, surpassing budgets of AED 64.06bn in 2024 and AED 63.066bn in 2023. **Social development and pensions** together account for 38% of the federal budget in 2025 – the highest share. The breakdown shows **government affairs and public & higher education sectors** accounting for the largest share of spending (AED 25.6bn and AED 10.9bn respectively). The share of infrastructure & economic and financial investment sectors stands at 3.6% and 4.0% respectively.
- **UAE signed a Comprehensive Economic Participation Agreement (CEPA) with Jordan, the first with an Arab nation**. UAE is the fifth largest global trading partner of Jordan: non-oil bilateral trade stands at over 4.2bn in 2023, USD 2.7bn in H1 2024, and the CEPA is estimated to boost trade to over USD 8bn+ by 2032. Bilateral investments stand at USD 22.5bn, with UAE the largest international investor in Jordan. The CEPA follows various other agreements in place including the USD 2.3bn railway investment project and the Industrial Partnership for Sustainable Economic Growth.
- **UAE's CEPA with Serbia** is the first with a non-WTO member country and **aims to add USD 351mn to UAE's GDP by 2032**. Bilateral trade between the two nations crossed USD 122.9mn in 2023 and is forecast to jump to USD 500mn in the next 5 years.
- **UAE and Malaysia have confirmed the conclusion of negotiations towards a CEPA**: This is **UAE's 12<sup>th</sup> CEPA** and will aim to lower/ eliminate tariffs and trade barriers while creating new investment opportunities. Bilateral trade had crossed USD 4.9bn in 2023, and in H1 2024 reached USD 2.5bn (+7% yoy). UAE is Malaysia's second-largest trade partner in the Arab world while Malaysia is the UAE's 12th-largest Asian trading partner & 5<sup>th</sup> largest among ASEAN countries.
- The CEO of Dubai Chambers revealed that **Turkish investments in Dubai stands close to USD 100mn between 2015 and 2023**, while investments by Dubai-based companies is nearly USD 2bn in Türkiye during the period 2018 to H1 2024.



**Media Review:**

**Lebanon conflict will only exacerbate existing economic crisis: Dr. Nasser Saidi's op ed in AGBI**

<https://www.agbi.com/opinion/economy/2024/10/lebanon-conflict-will-only-exacerbate-existing-economic-crisis/>

<https://nassersaidi.com/2024/10/11/lebanon-conflict-will-only-exacerbate-existing-economic-crisis-op-ed-in-arabian-gulf-business-insight-agbi-9-oct-2024/> (extended version)

**The Royal Swedish Academy of Sciences has decided to award the 2024 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel to Daron Acemoglu, Simon Johnson and James A. Robinson “for studies of how institutions are formed and affect prosperity.**

<https://www.nobelprize.org/uploads/2024/10/press-economicsscienceprize2024.pdf>

**What matters most to world markets in a tight US election race**

<https://www.reuters.com/markets/what-matters-most-world-markets-tight-us-election-race-2024-10-11/>

**Insurance payouts surge in UAE after record rainfall**

<https://www.agbi.com/analysis/finance/2024/10/insurance-payouts-surge-in-uae-after-record-rainfall/>

**Why Women Risk Losing Out in Shift to Green Jobs**

<https://www.imf.org/en/Blogs/Articles/2024/10/07/why-women-risk-losing-out-in-shift-to-green-jobs>

