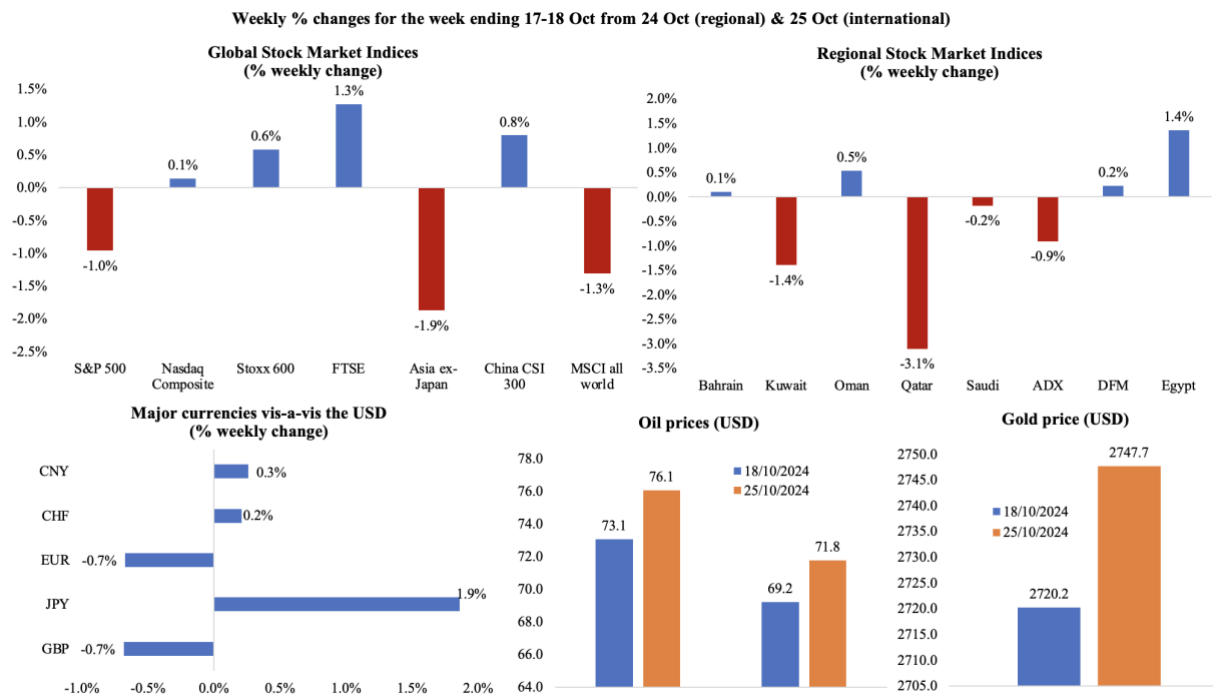


## Weekly Economic Commentary, 28 Oct 2024

### Markets

Markets are dominated by geopolitical and US political developments rather than concerns about macro fundamentals (inflation and/ or growth). Equities markets were mixed last week on concerns about conflicts in the Middle East and a possibility of a close race in the US elections (Nov 5th). Asia ex-Japan dropped almost 2% weekly, while S&P 500 was down by 1%. Regional markets were mostly down, with Qatar posting the largest drop (-3.1%); UAE markets, which were open on Friday, reacted positively to a potential resumption of ceasefire talks this week (but ADX closed on a weekly loss of 0.9% vs Dubai's 0.2% gain). Among currencies, dollar strengthened vis-a-vis the JPY, while the euro and the British pound weakened. Oil prices posted a weekly gain (of around 4%) though lower after the Iran attack. Gold prices ended the week higher but have come off the record-high touched on Wednesday (USD 2758.37).



### Global Developments

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

- **Fed Beige book showed little change in economic activity across the US**, with a slight uptick in hiring and a mixed picture on consumer spending (with many delaying spending decisions till after the elections).

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- **Durable goods orders in the US fell by 0.8% mom in Sep**, unchanged from the initial estimate, largely due to a fall in transportation equipment (-3.1%). Non-defence capital goods orders excluding aircraft grew at a faster pace of 0.5% (vs the preliminary 0.3% gain).
- **Michigan consumer sentiment index rose to a 6-month high of 70.5 in Oct** (preliminary: 68.9). The 1- and 5-year consumer inflation expectations stood at 2.7% and 3% respectively.
- **Richmond Fed manufacturing index was less pessimistic in Oct** (at -14 vs Sep's -21) while the Kansas Fed manufacturing activity moved to zero in Oct (Sep: -18). **Chicago Fed national activity index plunged to -0.28 in Sep** (Aug: -0.01).
- **Existing home sales fell** by 1.0% mom to 3.84mn in Sep, the lowest level since Sep 2010. **New home sales grew by 4.1% mom to 738k in Sep**, the highest since May 2023, thanks to single-family home sales.
- S&P Global's **preliminary manufacturing PMI in the US** inched up to 47.8 in Oct (Sep: 47.3), with new orders falling for the fourth month in a row. The input costs fell to a 7-month low alongside an easing of selling price inflation.
- **Initial jobless claims unexpectedly fell by 15k to 227k in the week ended Oct 18**, leading to a moderate rise in the 4-week average to 238.5k. **Continuing jobless claims rose** by 28k to 1.897mn in the week ended Oct 11 (the highest since mid-Nov 2021).

#### Europe:

- **Eurozone's flash manufacturing PMI moved up to a 5-month high 45.9 in Oct** (Sep: 45.0) though new orders were down for the fifth month in a row. Input costs rose at the slowest pace since Nov 2020, and output charge inflation eased to a 44-month low. Employment declined at the fastest pace since end-2020.
- **Consumer confidence in the euro area eased to -12.5 in Oct** (Sep: -12.9): this is the highest reading since Feb 2022, though remaining below the long-term average. In the EU, confidence rose to -11.2 (the long-term average).
- **Ifo business climate index in Germany increased to 86.5 in Oct** (Sep: 85.4), the first increase following four consecutive declines. The current situation assessment and expectations indices ticked up by 1.3 & 0.9 points to 85.7 and 87.3 respectively.
- **German producer price index fell by 0.5% mom and 1.4% yoy in Sep**. This was the 15th straight yoy decline, because of the dip in energy prices (-6.6%). Prices ticked up for both capital and consumer goods, by 2% and 1.5% respectively.
- **Germany's preliminary manufacturing PMI** increased to 42.6 in Oct (Sep: 40.6), with the speed of decline easing for both output and employment levels. Business sentiment was firmly in negative territory, close to Sep's 11-month low.
- The **flash manufacturing PMI in the UK eased to a 6-month low of 50.3 in Oct** (Sep: 51.5) while the **composite PMI slipped to an 11-month low of 51.7** (Sep: 52.6). Respondents cited uncertainty ahead of the Autumn Budget as a major reason for concern related to domestic growth prospects. Total private sector employment declined for the first time since Dec 2023, led by a sharp fall in service sector workforce.

- **GfK consumer confidence in the UK slipped to a 1-year low of -21 in Oct** (Sep: -20), ahead of the budget statement which is expected to raise taxes to close funding gaps.

**Asia Pacific:**

- **FDI into China plunged by 30.4% till end-Q3**, easing from the 31.5% drop during the Jan-Aug period.
- **Preliminary manufacturing PMI in Japan slipped to 49 in Oct** (Sep: 49.7), remaining in contractionary territory for the fourth month in a row. Both output and new orders fell the most in six and 7 months respectively while employment fell for the first time since Feb. Business sentiment also fell to a two and a half year low.
- Inflation in **Tokyo** eased to 1.8% in Oct (Sep: 2.1%). **Excluding fresh food, prices slipped to 1.8%** (Sep: 2.0%), **falling within the BoJ's target range for the first time in 5 months**. However, excluding food and energy, prices moved up to 1.8% (Sep: 1.6%).
- **Leading economic index in Japan was revised up to 106.9 in Aug** (prelim: 106.7): not only was it below Jul's reading of 109.3, but also the lowest reading since Oct 2020. The coincident index stood at 114, lower than Jul's 117.2 and the lowest since Feb 2023.
- **India's flash manufacturing PMI inched up to 57.4 in Oct** (Sep: 56.5), with new orders and new export orders expanding at a faster pace. Flash composite PMI rose to 58.6 (Sep's 10-month low of 58.3) with overall employment posting the sharpest gain since Feb 2006.
- **GDP in South Korea grew by 0.1% qoq and 1.5% yoy in Q3** (Q2: -0.2% qoq and +2.3% yoy), with consumer spending showing signs of recovery (+0.5% vs Q2's -0.2%) and corporate investment up by 6.9% alongside a fall in exports (-0.4%, the first since Q4 2022 and vs Q2's +1.2%) and a further drop in construction investment (-2.8% from Q2's -1.7%).
- **Inflation in Singapore declined to 2% in Sep** (Aug: 2.2%), the slowest since Mar 2021, as private transport costs fell (-2.4% vs -1.0%), food inflation eased (2.6% vs 2.7%) and services inflation was unchanged at 3.3%. Core inflation inched up for the second month in a row, to 2.8% (Aug: 2.7%).
- **Singapore's industrial production grew by 9.8% yoy in Sep** (Aug: 22%), given a slowdown in electronics output (1.9% vs Aug's 50% rise). Excluding the volatile biomedical manufacturing segment (which surged by 62% in Sep vs Aug's 14.7% drop), production increased by 4.5%.

**Bottom line: The IMF projects global economic growth to remain resilient, rising by 3.2% in 2024 and 2025 (2023: 3.3%) versus growth in the emerging market economies accelerating to 4.2% in 2024 and 2025 (given gains in Middle East & North Africa and Sub-Saharan Africa). Global inflation is estimated to decline to 5.8% in 2024 (2023: 6.7%) and 4.3% in 2025, though services inflation remains relatively high (almost double pre-pandemic levels). Oil prices are projected to rise by 0.9% to about USD 81 a barrel this year. With US election next week and no clear frontrunner yet, a close and contested result would add to the various uncertainties. The latest snap election results in a relatively predictable Japan, where the results gave no party a clear majority, saw the yen plunge**

and Nikkei rally; this will have an impact on the BoJ policy decision this week (likely to hold). US payrolls data and Britain's Labour government budget (with potential taxes) are major events scheduled to happen this week.

### Regional Developments

- **The IMF forecasts economic growth in MENA to touch 2.1% this year, revised lower** compared to the previous update, due to the **ongoing conflicts in the region and oil production cuts. Growth projection for 2025 assumes that the conflicts ease:** GCC growth improves to 4.2% in 2025 from 2024's 1.2%, with non-oil sector growth the main driver (ranging between 3-4%). Saudi Arabia and UAE are forecast to grow by 1.5% and 4% in 2024 and rise to 4.6% and 5.1% in 2025.
- **Inflation is starting to ease in the Middle East** (14.8% in 2024 from 15% in 2023), partly due to monetary policy tightening and lower energy costs. However, it **remains elevated for oil importers** (24.7% in 2024 from 22.8% in 2023). Country-specific reasons have kept inflation relatively high in some nations including in Egypt and Lebanon.
- **The IMF's MD indicated that the size of Egypt's loan program is "still appropriate".** Discussions in early-Nov would centre around the reach and sufficiency of its social protection programs, and while the Fund is "open to adjusting the Egyptian program" there was a need to adhere to reform commitments.
- **Egypt plans to borrow EGP 1.293trn from the domestic market** in Nov-Dec 2024 - 36 treasury bill tenders worth EGP 1.150trn and 23 bond tenders worth EGP 143bn - with an aim to repay prior debt instruments and finance the budget deficit.
- **The latest fuel hikes in Egypt will generate EGP 80bn in savings** by the end of the current fiscal year, according to a government official. Diesel subsidies account for 70% of the annual petroleum product subsidies and total fuel subsidies in Q1 of the current financial year stood at EGP 39.3bn.
- **Trade between Egypt and BRICS nations grew by 15% yoy to USD 30.2bn in Jan-Aug 2024.** During this period, exports from Egypt to BRICS grew by 7.3% to USD 5.7bn while imports surged by 17% to USD 24.5bn.
- **Inflation in Kuwait slipped to 2.75% in Sep** (Aug: 2.92%), as prices of food and clothing moderated (to 5.8% and 5.7% respectively) alongside an uptick in health and recreation costs (4.38% and 2.34% respectively). Inflation gained 0.15% month-on-month (Aug: +0.07%).
- **Kuwait signed three-year road maintenance contracts worth KWD 400mn** (USD 1.31bn) with 18 local and foreign companies, in a bid to improve existing road conditions. According to the Central Administration of Statistics, **the numbers of registered vehicles on Kuwait's roads jumped to 2,522,933 at end-2023** from just 685k+ in 2014, thanks to the surge in private cars (+542k+ to 2,028,665 in 2023). Road construction had also increased during the period, with 1130kms of road added between 2014 and 2023.
- **The UNDP forecast Lebanon's GDP to decline by 9.2% compared to a no-war scenario** and even if the war were to end this year, GDP would contract by 2.28% and 2.43% in 2025

and 2026 respectively. Government revenue and investments are estimated to decline by 9% and 6% in 2025 and 2026.

- The Financial Action Task Force (FATF) placed Lebanon on the “grey list” of countries: this adds on to existing financial and macroeconomic worries in the country, in addition to the ongoing conflict. Read the article “[Time to address Lebanon’s crippling banking crisis](#)” for more a proposed roadmap to recovery.
- At a conference in Paris, **around 70 government delegations and 15 international organisations pledged more than USD 800mn** (including USD 300mn from the US) **to help Lebanon**. Another USD 200mn was set aside for the Lebanese Armed Forces. The aid will be in-kind rather than cash/financial. Earlier in the week, **Lebanon’s minister in charge of responding to the crisis** disclosed that the country **would need USD 250mn a month to cover basic needs of the displaced population**.
- **Oman’s real GDP grew by 2.8% yoy to OMR 3.0bn in Q2 2024**: total petroleum activities (which accounted for 32.5% of GDP) fell by 2.6% yoy, while the non-oil sector activity gained 4.7% (industry & services activities increased by 6.4% and 3.9% respectively). Wholesale & retail trade grew at the fastest pace (9.0% yoy in Q2), followed by transportation & storage (7.7%) while accommodation & food services activities posted a massive 12.8% decline.
- **Credit disbursed to Oman’s private sector grew** by 2.8% yoy to OMR 26.3bn at end-Aug while deposits grew by 11.6% yoy to OMR 31.1bn.
- **Oman will launch the “Promising Companies Market” this year-** that will have lighter disclosure requirements and is expected to enable family businesses to enter the market.
- **Expat workforce in Oman grew to 1,808,672 at end-Sep**, with the private sector employing 1.42mn persons. Just over 442k persons were employed in the construction sector, with the wholesale & retail trade sector coming in at second (273, 537 persons).
- **Inflation in Qatar eased to 0.82% yoy in Sep** (Aug: 1.15%), with declines in food & beverages (-3.3%), transport (-0.3%) and housing & utilities (-4.2%) while recreation & culture costs ticked up (12.6% vs Aug’s 10.7%). **Money supply grew by 5% yoy in Sep** (Aug: 6.7%).
- **GCC sovereign wealth funds (SWFs) completed 126 transactions valued at USD 55bn during Jan-Sep 2024**: this accounted for 40% of global deals, according to Global SWF. US and UK have attracted USD 18.9bn and USD 9.5bn from the GCC SWFs. Over the past 6 years, almost 84% of FDI inflows into the GCC have been into Saudi Arabia and the UAE.

### Saudi Arabia Focus

- **Saudi Arabia’s exports plunged** by 1.9% mom and 9.8% yoy to SAR 92.8bn in Aug, dragged down by oil exports (which accounted for 70.3% of total exports). **Oil exports**, at SAR 65.3bn in Aug (-5.6% mom and 15.5% yoy), **were the lowest since mid-2021**. Non-oil and re-exports together grew by 8.2% mom and 7.5% yoy to SAR 27.5bn. **China was the top trade partner in Aug**: accounting for 16% of overall exports and 22.2% of total imports.





- **FDI stock increased by 13.4% yoy to SAR 897.347bn (USD 238.9bn) in 2023**, according to official data based on new methodology of the Balance of Payments Manual (BPM6) published by the IMF. FDI inflows rose to SAR 96bn in 2023 (roughly 2.4% of GDP) higher than the National Investment Strategy target of SAR 83bn. Excluding the one-off Aramco deal (valued at SAR 55bn) in 2022, FDI inflow grew by 50% yoy. **UAE topped the list of FDI inflows into Saudi last year**, with its investments (SAR 13bn) accounting for 14% of the total.
- Saudi-based United Electronics Company (eXtra) **plans to list a 30% stake of its financial unit United International Holding Company (UIHC) on Tadawul**. The amount raised will be distributed to eXtra.
- The deputy governor of the Saudi Central Bank revealed that the **number of transactions conducted by digital payment systems increased by 16% yoy by end-Q3 2024**. Additionally, the share of electronic payments in the individuals sector reached 70% of the total payment transactions – a target planned for 2025.
- **Around 364,000 Saudi citizens have joined the local employment market for the first time in 2024**, according to the minister of human resources and social development.
- **Aramco's CEO** stated at a conference of being **“fairly bullish” on Chinese oil demand**, on “more demand for jet fuel and naphtha especially for liquid-to-chemical projects”.
- **Saudi Arabia**, during the Energy Sector Localization Forum, **signed 107 agreements worth SAR 104bn (USD 27.69bn) in the energy sector**.
- **Knight Frank forecasts Riyadh's population to grow to 9.6mn by 2030** (with 5.5mn expats) from around 7mn in 2022. This will increase the demand for new homes, with Saudi citizens demand estimated at 220k units from 2024 to 2030 and 305k units from 2024 to 2034.
- **Saudi Arabia** called for greater private sector involvement to fill the **SAR 37bn (USD 10bn) investment gap in its agriculture sector**. The main areas for private investment include areas such as plant production, animal husbandry, fisheries, and agricultural processing.
- The Transport General Authority in **Saudi Arabia** announced a **trial operation of emission-free hydrogen powered taxis**. Kaust researched the use of hydrogen fuel cells in vehicles to suit Saudi conditions - hydrogen fuel cell electric cars produce their own electricity through a chemical reaction in an onboard fuel cell stack.

### UAE Focus

- **UAE retail operator Lulu Group**, expected to list on ADX by Nov 14<sup>th</sup>, forecasts **revenues to grow by 8-10% this year**, with growth across the UAE and Saudi Arabia. In H1, revenues grew by 5.6% to USD 3.9bn, with UAE and Saudi Arabia's share at 36% and 19% of the total followed closely by Oman (17%).
- **Dubai announced a new digital platform Ignyte to support and accelerate the growth of startups and entrepreneurs**. The platform will help connect startups with mentors, investors and networking opportunities while also enabling investors to receive pitches from startups.
- **Women account for one-third of new board members in the UAE**, disclosed Heidrick & Struggles in its fourth Board Monitor in the UAE. Boards also spent more time versus global



counterparts on emerging technologies (e.g. AI: 83% in the UAE vs 71% globally), financial performance & risk (74%) and geopolitical volatility (67%).

**Media Review:**

**IMF World Economic Outlook, Oct 2024**

<https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024>

<https://www.imf.org/en/Blogs/Articles/2024/10/22/as-inflation-recedes-global-economy-needs-policy-triple-pivot>

**Abu Dhabi Inc: report by Global SWF**

<https://globalswf.com/reports/abudhabiinc>

<https://global-swf.s3.amazonaws.com/file-uploads/JNTYgKRacIL0iL13BfpCBV7JwrI7MX08YxDUVHVM.pdf>

**Qatar LNG sales to key Asian markets confronted by US, UAE rivalry**

<https://www.reuters.com/business/energy/qatar-lng-sales-key-asian-markets-confronted-by-us-uae-rivalry-2024-10-21/>

**UAE law could make emissions reporting mandatory**

<https://www.agbi.com/sustainability/2024/10/uae-law-could-make-emissions-reporting-mandatory/>

