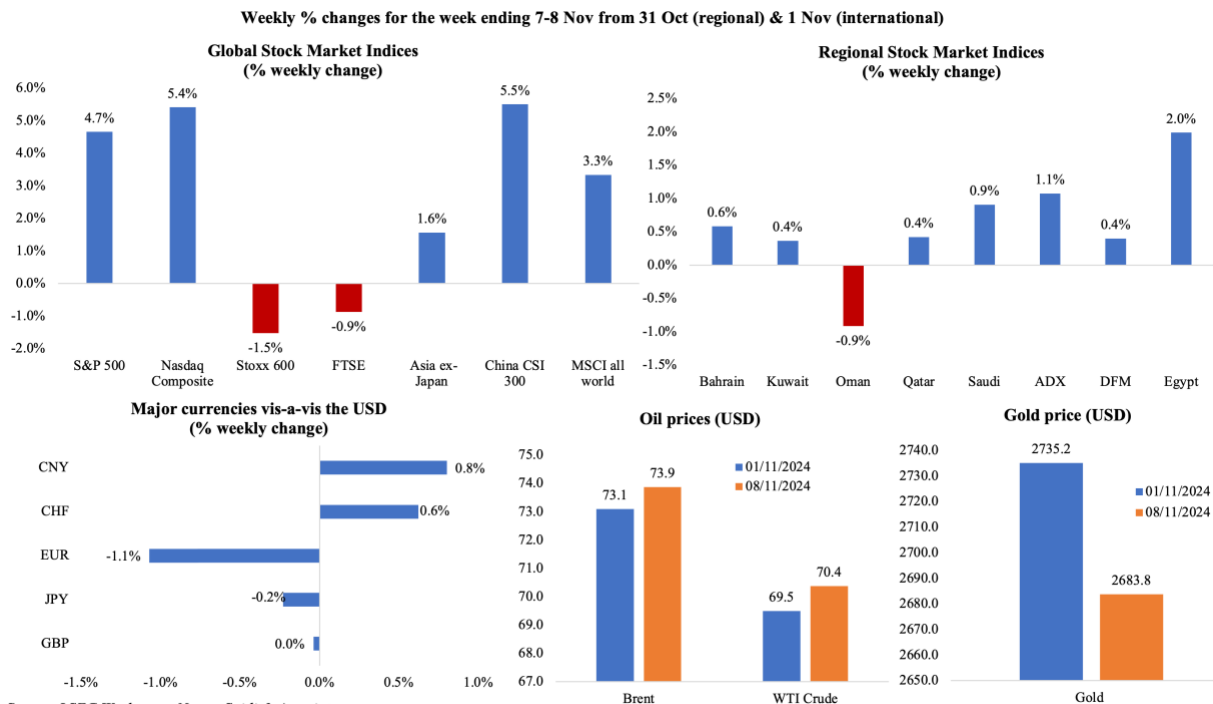


Weekly Economic Commentary, 11 Nov 2024

Markets

Equity markets cheered Trump’s re-election as President with the S&P500 crossing 6000 points to a new record. Though Stoxx and FTSE were down from a week before, expectations of the stimulus package in China led to gains in CSI300 and MSCI’s global index touched a record high on Friday. Regional markets mostly gained as company earnings were released. Among currencies, dollar strength continued with the currency up 1.53% on Wednesday (the most in over 2 years) while the euro lost ground after Germany’s coalition government collapsed. Oil prices inched up by 1%+ (on expectations of sanctions on oil producers such as Iran and Venezuela) while gold price fell 1.8% (after touching an all-time high the week ending 1st Nov). Bitcoin is seeing a surge, rising above USD 80,000 in hopes that the Trump administration would be supportive of digital assets.



Global Developments

US/Americas:

- **FOMC lowered its benchmark overnight interest rate by 25bps to the 4.50% to 4.75% range, with the Fed noting that job market risks and inflation were “roughly in balance”. The Fed Chair stated that the election results would have no “near term” impact on policy.**

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- **Non-farm productivity in the US increased by 2.2% yoy in Q3** (from a downwardly revised Q2 reading of 2.1%) with output up by 3.5% and hours worked by 1.2%. Unit labour costs were up by 1.9% (Q2: 2.4%).
- **Goods and services trade deficit in the US widened** to USD 84.4bn in Sep (Aug: USD 70.8bn), the highest reading since Mar 2022 as exports fell by 1.2% (to USD 267.9bn) while imports grew by 3% (to USD 352.3bn). **Capital goods imports jumped to an all-time high** and food imports rose to a record high of USD 18.8bn. Goods trade deficit widened to USD 109bn (also the most since Mar 2022), and deficit with China increased to USD 26.9bn.
- **Factory orders in the US fell** by 0.5% mom in Sep, following Aug's 0.8% decline, as durable and non-durable goods producers noted declines (0.7% and 0.2% respectively).
- **S&P Global composite PMI in the US gained to 54.1 in Oct** (Sep: 54.0, though lower than the preliminary reading of 54.3) as services PMI clocked in at 55 while manufacturing PMI continued to decline. **Output price inflation fell to the lowest in 53 months.**
- **ISM Services PMI in the US rose to 56.0 in Oct** (Sep: 54.9), thanks to a jump in employment (53 from 48.1) while new orders slowed (57.4 vs 59.4) as did prices paid (58.1 vs 59.4).
- **Michigan consumer sentiment index improved to 73.0 in Nov** (Oct: 70.5), with the current economic conditions slipping to 64.4 (from 64.9) alongside an uptick in the index of consumer expectations (78.5 from 74.1). The **5-year consumer inflation expectation inched up to 3.1%** (from 3% previously); the year-ahead inflation expectation fell to 2.6% (from 2.7%).
- **Initial jobless claims increased by 3k to 221k in the week ended Nov 1**, leading to a drop in the 4-week average to 227.25k (by 9.75k). **Continuing jobless claims jumped** by 39k to 1.892mn in the week ended Oct 25.

Europe:

- **Eurozone manufacturing PMI moved up to 46.0 in Oct** (prelim: 45.9 and Sep's 45.0): though this was the 28th straight month of contractionary reading, the rate of decline is slowing. Factory orders fell and jobs cuts continued, but the drop in output and sales slowed.
- **Sentix investor confidence in the eurozone rose by 1 point to -12.8 in Nov**, with the current situation gauge rising to -21.5 from Oct's -23.3.
- **Producers price index in the eurozone fell** by 0.6% mom and 3.4% yoy in Sep (Aug: 0.6% mom and -2.3% yoy). Energy prices declined (-11.6% vs -7.8%) while prices of capital and non-durable goods rose (by 1.3% and 1.5% respectively).
- **Retail sales in the eurozone grew by 0.5% mom** and 2.9% yoy in Sep (Aug: 1.1% mom and 2.4% yoy): this was the highest yoy growth since Apr 2022. Food and beverages sales were down by 0.4% mom while non-food products sales increased by 1.1%.
- **Manufacturing PMI in Germany inched up to 43.0 in Oct** (prelim: 42.6 and Sep: 40.6), the highest since Jul, with output, new orders, employment and stocks all declining more slowly than in Sep. **Composite PMI rose to 50 in Oct**, with services PMI climbing to 51.6.
- **Exports from Germany declined by 1.7% mom in Sep** (Aug: 1.3%), with exports to the US up by 4.8% while exports to China and EU fell by 3.7% and 1.8% respectively. Imports grew

by 2.1%, following a decline of 3.4% in Aug. Trade surplus narrowed to EUR 17bn (Aug: EUR 21.4bn).

- **Industrial production in Germany dropped by 2.5% mom** and 4.6% yoy in Sep (Aug: 2.6% mom and -3% yoy). The mom decline was largely due to a plunge in the automotive industry (-7.8%) while production in the energy-intensive industries fell by 3.3%.
- **German factory orders rebounded in Sep**, up 4.2% mom (Aug: -5.4%), because of a surge in large scale orders for aircraft, ships and trains (+117.1%) while capital and consumer goods orders increased by 8.3% and 3.8% respectively.
- **The Bank of England lowered the key interest rate by 25bps to 4.75%**, citing continued easing of inflation as a main factor influencing the decision. The governor reiterated that the apex bank would follow a “gradual approach” to policy easing.
- **Composite PMI in the UK fell to 51.8 in Oct** (Sep: 52.6), the slowest since Nov 2023, given services PMI (52) outperforming manufacturing (that fell below-50 to 49.9). Jobs fell at the fastest pace since Sep 2023.
- **Like-for-like retail sales in the UK grew by 0.3% yoy in Oct** (Sep: 1.7%).

Asia Pacific:

- **China unveiled a USD 1.4trn fiscal package** to support local governments: the package allows local governments to issue bonds to restructure “hidden” or “implicit” debts (that are held by off-balance sheet finance vehicles).
- **Exports from China accelerated in Oct**, up by 12.7% yoy, the fastest pace since Jul 2022. Weak demand led to a fall in imports (-2.3%, turning negative the first time in 4 months): imports from the EU and Southeast Asia fell by 6.1% and 7.3%. Trade surplus widened to USD 95.2bn (Sep: USD 81.7bn). Trump’s win and his campaign pledges to raise tariffs could dent growth in exports and throw a wrench in the nation’s trade prospects. Importers may build up inventory in anticipation of higher tariffs.
- **Inflation in China eased to 0.3% yoy in Oct** (Sep: 0.4%), the lowest in 4 months; core inflation accelerated to 0.2% in Oct (Sep: 0.1%). **Producer price index fell sharply by 2.9%** following a fall of 2.8% in Sep – the biggest decline in 11 months.
- **Caixin services PMI in China rose to 52.0 in Oct** (Sep: 50.3), the highest since Jul, thanks to a jump in new businesses (52.1 from 51.0). Composite PMI climbed to 51.9 from 50.3.
- **Jibun Bank services PMI in Japan fell to 49.7 in Oct** (prelim: 49.3 and Sep: 53.1), the first contractionary reading since Jun. Exports fell by the steepest since Jun 2022 while employment gained for the 13th month in a row.
- **Labour cash earnings in Japan grew by 2.8% yoy in Sep**, the same pace as Aug’s 2.8% gain. Real wages slipped 0.1% after turning positive in June and July.
- **Leading economic index in Japan jumped to 109.4 in Sep** (Aug: 106.9), the highest since May. Coincident index also inched up, to 115.7 in Sep (Aug: 114).

- **Current account surplus in Japan widened to a record-high Apr-Sep reading of JPY 15.82trn**, as primary income account clocked in at a record JPY 22trn alongside a trade deficit of JPY 2.4trn. Sep was the 20th consecutive month of current account surplus.
- **Strong demand led to an increase in manufacturing PMI in India** - to 57.5 in Oct from a preliminary reading of 57.4 and Sep's 56.5 - with an acceleration in output growth and new orders. **Composite PMI rose to 59.1**, thanks to gains in services PMI (58.5 from 57.7 in Sep).
- **Inflation in Korea eased to 1.3% yoy in Oct** (Sep: 1.6%), the lowest since Jan 2021; core inflation excluding food and energy prices stood at 1.8%, the weakest reading since Sep 2021. The Bank of Korea expects core prices to trend around 2.0% and is likely to continue with the easing policy cycle.
- **Retail sales in Singapore grew by 0.4% mom and 2% yoy in Sep** (Aug: 0.8% mom and 0.7% yoy), largely due to the rise in motor vehicle sales (+29.6% yoy, partly from the demand for electric vehicles). Excluding motor vehicles, retail sector posted a 1.4% drop (Aug: -1.3%).

Bottom line: Trump's decisive victory has all eyes focused on who will be part of the next administration. While markets are on a roll, if campaign pledges including extension of tax cuts and higher tariffs on imports are given the go ahead, inflation could increase in the near-term - making the Fed's easing policy a more challenging one. Meanwhile, in China the recent spending package was much lower than anticipated causing shares to tumble this morning, alongside a drop in the yuan. Exports have so far been a saving grace for China, which is still grappling with weak domestic demand – while a trade war with the US would be the last thing they want to battle, reduced reliance on US markets over the past years should provide some comfort. Lastly, with the Trump threat looming large on US climate commitments (and a potential withdrawal from the Paris Accords), it is difficult to see how other nations would commit to any deals at COP29, where high level attendance has dropped compared to COP28.

Regional Developments

- **Most GCC central banks lowered interest rates in line with the Fed cut.** While Bahrain, Oman, Saudi Arabia and UAE reduced rates by 25bps, Qatar opted to cut its 3 main interest rates by 30bps.
- **Bahrain received investment commitments of over USD 100mn from Singapore-based companies since Nov 2023**, covering financial services, ICT and tourism sectors. Bahrain EDB disclosed this milestone on the sidelines of Singapore Fintech Festival 2024.
- **Bahrain launched a BHD 100mn Private Credit SME Growth Fund**, to provide financial support to SMEs thereby boosting job creation and GDP. The fund will be managed by the Bahrain Development Bank and capital pooled from local and regional financial institutions.
- **Egypt's PMI edged up in Oct but stayed contractionary at 49.0** (Sep: 48.8): demand remained weak, especially in construction which was hit by rising material costs. On a positive note, export orders posted the 3rd highest reading on record, employment rose for the fourth month in a row and input cost inflation eased from Sep's 6-month high.

- **Annual urban inflation in Egypt inched up to 26.5% in Oct** (Sep: 26.4%), because of recent hikes in prices of fuel, metro tickets and electricity. Food & beverages prices moderated (27.3% vs Sep's 27.7%) while core inflation eased to 24.4% (Sep: 25.0%).
- The government of **Egypt will unveil an updated IPO program** for state-owned firms by **end-Nov**, according to the PM. He stated that discussions with the IMF centred around postponing deadlines for previously agreed IMF targets given impact from regional conflicts.
- The Central Bank of **Egypt's net international reserves rose to USD 46.941bn in Oct** (Sep: USD 46.736bn). Value of gold reserves jumped to USD 11.14bn (Sep: USD 10.723bn).
- **Egypt's minister of tourism and antiquities disclosed that the number of tourists is expected to touch 15.3mn by end-2024**, up 5% yoy.
- The chairman of the **Suez Canal Economic Zone** revealed **plans to invest USD 3bn on infrastructure** over the next few years. He also stated that the zone attracted almost USD 1bn in Jul-Oct 2024.
- **Egypt's agricultural exports clocked in at USD 4.1bn in Jan-Oct**, from 7.1mn tonnes of goods. This compares to 7.5mn tonnes exported last year, a record year for food exports.
- **Egypt and Saudi Arabia announced the first subsea cable between the two countries**, with an aim to improve the speed & efficiency of communications and the flexibility of internet traffic between Europe and the Middle East.
- **Jordan and Egypt are discussing improvements to energy connectivity** via the Arab Gas Pipeline link – a project allowing for the transport of natural gas from Egypt to Jordan, Syria, and Lebanon.
- **Kuwait's PMI grew to a 7-month high of 52.7 in Oct** (Sep: 50.3), thanks to growth in new orders (including to other GCC nations) and output (to a 5-month high). Employment rose “fractionally” as many firms chose to reduce employment to save costs.
- **Domestic credit disbursed in Kuwait increased by 2.5% till end-Sep**. Business credit grew by 1.1% qoq in Q3, taking year-to-date gain to 3.4%. Resident deposits grew at a strong pace of 2.5% qoq and 3.7% ytd while public institutions deposits remained volatile.
- **Lebanon's PMI slipped to 45.0 in Oct** (Sep: 47.0), **the lowest reading since Feb 2021**, with sharp declines in new orders and new export orders while employment levels also dropped. Input costs surged to a 19-month high and output prices rose at the fastest pace in over one and a half years despite high dollarisation of the economy.
- During an annual media briefing, the Chairman of Majlis A'Shura's Economic and Financial Committee revealed that **under the legislation being considered by the State Council, those earning more than OMR 30k annually (or OMR 2500 monthly) in Oman will be subject to personal income tax**.
- **Oil production in Oman fell by 5.1% yoy to 272.4mn barrels in Jan-Sep**, according to NCSI data. Crude oil production plunged by 6.7% yoy to 208.5mn barrels in Jan-Sep and the average oil output averaged 991,500 bpd in Sep. **Oman's oil exports remained stable**, up 0.1% to 230.5mn barrels in Jan-Sep.

- **Oman's OQ Base Industries (OQBI) plans to list up to a 49% stake on the local exchange:** this follows earlier listing of OQ's exploration and production business. OQBI reported revenues of more than USD 500mn for the 12 months to end-Jun 2024.
- **PMI in Qatar rose to 52.8 in Oct** (Sep: 51.7), with an acceleration in new business growth while employment and staff costs remained close to Sep's record high. The Financial Services Employment Index rose to 63.3 (Sep: 60.9), the highest since the series began in Apr 2017.
- **Qatar's referendum was passed last week**, with a 90.6% approval of the valid votes. This replaces Shura Council elections with appointed roles.
- **Bilateral trade between Qatar and Indonesia grew by 12% over the past 5 years**, according to the Ambassador of Indonesia to Qatar. More than 24k Indonesians work in Qatar.
- **Saudi Arabia and the UAE invested USD 26.8mn in Pakistan in Q1 of the current fiscal year** starting Jul (+48% yoy), according to media reports. China, UAE and Saudi Arabia led foreign investments in Q1 (of USD 404mn, USD 25mn, USD 1.8mn respectively).

Saudi Arabia Focus

- **Non-oil sector PMI in Saudi Arabia inched up to a 6-month high of 56.9 in Oct** (Sep: 56.3), benefitting from new orders (62.5 from 59.3), output (60.2 from 59.7) and rise in sales alongside employment (up for 6 months in a row) as domestic demand stayed robust. Higher material costs and wages were the main drivers of input costs.
- **With Saudi fiscal deficit clocking in at SAR 30.2bn in Q3**, overall deficit this year increased to SAR 57.96bn (vs SAR 44bn in Jan-Sep 2023). Recent projections placed full year deficit for 2024 at SAR 118bn. **Overall revenues grew** by 11.9% yoy to SAR 956.2bn in Jan-Sep 2024, with oil revenues fastest growing component, rising by 15.9% (to SAR 585.8bn) while non-oil revenues grew by 6.2% to SAR 370.5bn. **Spending rose** by 12.9% yoy to **SAR 1.014trn in Jan-Sep** with capex posting one of the largest increases - up 33.4% to SAR 147.6bn - not surprising given the spending on infrastructure. Total debt rose to SAR 1.16trn as of end-Sep, up from SAR 1.1trn at the beginning of the year.
- **Industrial production in Saudi Arabia declined by 0.3% yoy and 1.2% mom in Sep**, as manufacturing slipped by 0.5% yoy alongside a flat mining and quarrying production. The index for non-oil activities increased by 5% yoy in Sep.
- **China plans to issue dollar-denominated bonds** (up to USD 2bn) in Saudi Arabia this week – this would be the nation's first USD debt issuance since 2021.
- **Gross fixed capital formation in Saudi Arabia grew** by 6.1% yoy to SAR 296bn (USD 79bn) in Q2, according to Ministry of Investment data. The growth was largely from the non-government sector (which accounted for 86.45% of the total): +8.2% to SAR 255.9bn.
- **Eleven mining exploration permits** - covering a total area of 850 sq. km across Riyadh, Makkah, and Asir - **were granted by Saudi Arabia** under its Accelerated Exploration Program to a mix of local and international companies.
- **Aramco reported a drop in profit** (-15.4% yoy) in Q3, and net income stood at USD 27.6bn - but dividend was kept unchanged at USD 31.1bn including USD 10.8bn in performance-linked payouts.



- **An SME-focused event** organised by Monsha'at in Saudi Arabia, **Biban 24**, welcomed over 1350 startups as well as 182k visitors and **signed agreements worth over SAR 35.4bn**.
- **Saudi Arabia reported a 107% yoy surge in hotel rooms** to 214,600 in Q3, with room licenses rising to over 3,950 in Q3 (Q3 2023: 2,000). The country aims to add 250k hotel rooms by 2030.
- **Saudi Arabia's Roads General Authority** disclosed that **road infrastructure projects worth SAR 3bn were underway** in the country – this includes new roads, preventive maintenance projects and enhancing road safety.
- Axios reported that the **US and Saudi Arabia were discussing a security agreement** (not a full defence treaty) that excludes a deal with Israel, according to unidentified sources. The plan is to reach the agreement before the Biden term ends.

UAE Focus

- The **UAE** launched its National Investment Strategy, with an **aim to double cumulative FDI to AED 1.3bn** (30% of national investment volume) and triple cumulative FDI balance to AED 2.2trn by 2031. The main target sectors will include advanced manufacturing and renewable energy among others. While UAE's previous target was to attract AED 550bn in foreign investment by 2031 and AED 1trn by 2051, the country had attracted AED 112.6bn in 2023, up 35% yoy.
- **UAE's gross bank assets grew** by 0.9% mom and 12% yoy to AED 4.348trn in Jul; year-to-date, it grew by 6.8%. The central bank's **total assets surged** by 1.4% mom **to a new record-high** AED 817.889bn in Jul. The **capital and reserves of banks** operating within the UAE **touched a new high of AED 502.6bn**, up 1.5% mom & 10.5% yoy. Money supply surged by 16.4% yoy in Jul (Jun: 15.3%).
- **UAE banks' deposits increased** by 14.3% yoy in Jul, with **private sector deposits** accounting for 64.9% of total deposits and 70.8% of total resident deposits. **Domestic credit** inched up by 0.3% mom and 6.3% yoy to AED 1.822trn: the share of loans to the private sector stood at 72.2%. Loans to the government and GREs increased by 4.6% and 1.5% year-to-date to AED 192.8bn and AED 296.8bn respectively.
- **PMI in the UAE rose to 54.1 in Oct** (Sep: 53.8), thanks to increase in output levels (61.3 vs 57.9) while new orders softened (55.9, the lowest level since Feb 2023, from 56.7), and employment fell to a 30-month low. Input cost inflation eased to the lowest in six months and output charges was lowered after six consecutive months of increases. **Dubai PMI**, in contrast, **slipped to 53.2** from Sep's 54.1.
- **Dubai GDP grew by 3.3% yoy to AED 116bn in Q2**, thanks to strong performance from transportation & storage (+7.8% yoy), information & communication (+5.6% yoy) and accommodation & food services activities sectors among others. GDP in H1 this year grew by 3.2% to AED 231bn.
- **Lulu Retail Holdings raised AED 6.32bn from its IPO**, making it the **biggest UAE listing this year**, with final share price set at AED 2.04. High investor demand led the firm to raise the size of the IPO to 30% from the announced 25%.

- **UAE and Australia signed a Comprehensive Economic Partnership Agreement (CEPA)** last week, making it the 14th CEPA signed since the program was launched in Sep 2021. The agreement is **projected to triple bilateral trade** to USD 15bn by 2032 (2023: USD 4.2bn and H1 2024: USD 2.3bn).
- Ahead of the COP29 summit, **UAE pledged to cut emissions by 47% by 2035 as per its new climate plan.** The UAE minister of energy and infrastructure revealed that up to AED 200bn would be invested to meet sustainable energy demand over the next 6 years.
- **ADNOC signed its first long-term sales and purchase agreement** with a subsidiary of Germany's Sefo (Sefo Marketing and Trading Singapore) **for the lower-carbon Ruwais LNG project.** The 15-year, 1mn tonnes per annum deal is expected to see deliveries start in 2028.
- Berlin-based food delivery firm **Delivery Hero will list Talabat on the Dubai Stock Exchange in mid-Dec:** floating 15% of its issued shares, the firm plans to pay a minimum dividend of USD 100mn in Apr 2025 after the IPO.

Media Review:

Trump 2.0

<https://www.economist.com/leaders/2024/11/06/welcome-to-trumps-world>

<https://www.project-syndicate.org/onpoint/trump-return-ps-commentators-explain-what-it-means-by-ps-editors-2024-11>

Podcast transcript: <https://www.ft.com/content/4413f084-c165-4abc-92a8-c0cda7ad926b>

<https://www.pii.com/research/special-projects/election-2024-assessing-presidential-economic-platforms>

Time is running out for the world to meet climate targets

<https://www.ft.com/content/aed9fdbb-0e07-423b-8028-15b40d6b1a5a>

Jordan's tourism industry struggling as Gaza war deters visitors

<https://www.reuters.com/world/middle-east/jordans-tourism-industry-struggling-gaza-war-deters-visitors-2024-11-09/>