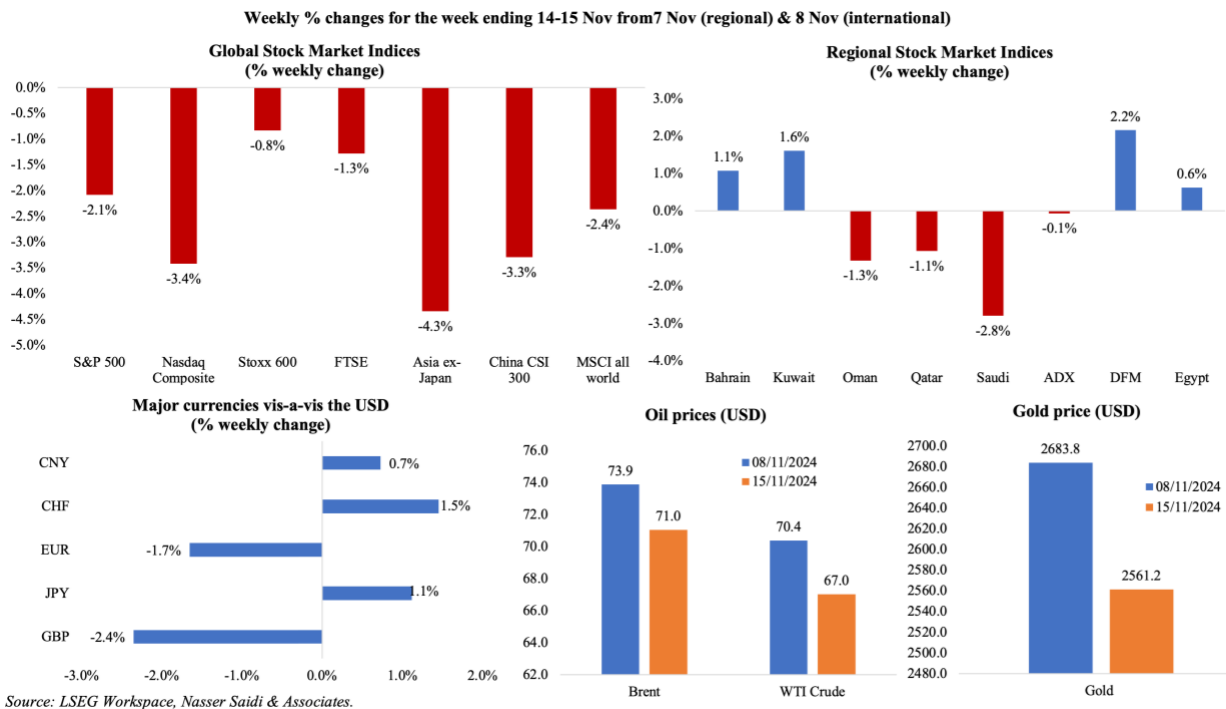


Weekly Economic Commentary, 18 Nov 2024

Markets

Equity markets ended in the red last week, as Fed comments indicated a slower pace of interest rate cuts. S&P 500 and Nasdaq Composite indices fell by more than 2%+ and 3%+ respectively while MSCI global stocks index dropped by 2.4% from a week ago. Regional markets were mixed. IIF data showed the largest monthly outflow since 2020 from emerging market stocks though this was more than offset by inflows to emerging market bonds and debt. The dollar remained strong, the euro was down to its lowest level in a year (with potential blanket Trump tariffs likely to weigh on growth and recovery in the bloc) and the GBP was down by more than 2%. Oil prices fell sharply (Brent by close to 4% and WTI by around 5%) on lower demand from China as well as expectations of slower rate cuts. Gold price fell by more than 4%, recording the largest weekly decline in 3 years.



Global Developments

US/Americas:

- **Inflation in the US inched up to 2.6% yoy in Oct (Sep: 2.4%),** the first uptick since Mar, largely due to an uptick in costs for shelter (+0.4% mom) while food prices were up 0.2% and gas prices fell 0.9%. **Core inflation remained unchanged at 3.3% yoy. Producer price index rose by 0.2% mom and 2.4% yoy in Oct (Sep: 0.1% mom and 1.9% yoy),** given

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increases in services costs (+0.3% mom) such as portfolio management (+3.6%) and airline costs (+3.2%). Excluding food and energy, prices rose 3.1% (Sep: 2.9%).

- **US industrial production fell by 0.3% mom in Oct** (Sep: -0.5%), partly affected by the strike at Boeing and damage due to the hurricanes. Output of motor vehicles tumbled 3.1%, utility production rose by 0.7%, and capacity utilisation fell to 76.2% (lowest since Mar 2021).
- **Budget deficit in the US stood at USD 257bn in Oct**, up 287% yoy: receipts fell by 19% to USD 327bn alongside a 24% jump to USD 584bn. The full year 2024 deficit stood at USD 1.83trn, the largest after the deficit of USD 3.1trn in fiscal year 2020 affected by Covid.
- **US retail sales grew by 0.4% mom in Oct** (Sep: 0.8%), with auto sales up by 1.6% while electronics and appliances sales rebounded (2.3%). Core retail sales fell by 0.1% (Sep: 1.2%).
- **NFIB optimism index increased to 93.7 in Oct** (Sep: 91.5), indicating a rise in optimism. Expectations about the economy ticked up 7 points alongside an uptick in expectations about higher real sales (+5 points) and plans to increase capital outlays (+3 points).
- **NY Empire State manufacturing index climbed to 31.2 in Nov** (Oct: -11.9), the highest reading since Dec 2021, thanks to an uptick in new orders (+38 points to 28.0) and shipments (+35 points to 32.5).
- **Initial jobless claims declined by 4k to 217k in the week ended Nov 8**, leading to a drop in the 4-week average to 221k (by 6.25k). **Continuing jobless claims slipped** by 11k to 1.873mn in the week ended Nov 1.

Europe:

- **Germany's ZEW economic sentiment index slipped to 7.4 in Nov** (Oct: 13.1) while the current situation plunged further to -91.4 (Oct: -86.9). **The economic sentiment index for the eurozone also decreased**, to 12.5 in Nov from 20.1 in Oct and the current situation indicator fell by 3 points to -43.8 points.
- **Industrial production in the eurozone fell by 2% mom and 2.8% yoy in Sep**. The monthly drop was the sharpest since Jan: energy and capital goods production decreased by 1.5% and 3.8% respectively.
- **UK GDP grew by 1% yoy and 0.1% qoq in Q3** (Q2: 0.7% yoy and 0.5% qoq). Industrial production fell by 1.8% yoy in Sep, dragged down by a 0.7% drop in manufacturing. Services sector grew 0.1% on the quarter alongside a rise in construction (+0.8%).
- **Unemployment rate in the UK moved up to 4.3% in the 3 months to Sep** (Q2: 4.0%), as the claimant count increased by 26.7k. Average earnings including bonus jumped by 4.3% (prev: 3.9%). **Excluding bonuses, earnings grew by 4.8%, the lowest in more than 2 years.**

Asia Pacific:

- **China money supply grew by 7.5% yoy in Oct** (Sep: 6.8%). **New loans grew by CNY 500bn in Oct**, falling sharply from Sep's CNY 1590bn; together, new yuan loans added up to CNY 16.52trn in Jan-Oct. The **outstanding total social financing slowed to a record low of 7.8% in Oct** (Sep: 8.0%).

- **Industrial production in China increased by 5.3% yoy in Oct**, a slightly slower pace than Sep's 5.4%. **Retail sales were up by 4.8%** (Sep: 3.2%), a result of the holiday week and the Singles Day shopping festival. Fixed asset investment grew by 3.4% in Jan-Oct (unchanged from the Jan-Sep reading). **FDI into China plunged by 29.8% in Jan-Oct**, slightly easing from the 30.4% drop in Jan-Sep.
- **GDP in Japan grew at a 0.9% annualised pace in Q3** (Q2: 2.2%), supported by an increase in private consumption (3.6%) and exports (1.5%). GDP increased by 0.2% qoq (Q2: 0.5%).
- **Japan's industrial production rose by 1.6% mom in Sep** compared to a preliminary estimate of 1.4% (Aug: -3.3%), thanks to an increase in motor vehicles production (7.1% from -10.7%) and electrical machinery & electronics equipment (2.2% from -6.2%). In yoy terms, IP fell by 2.6%, following a 2.8% drop in Aug.
- **Retail inflation in India inched up to 6.21% in Oct** (Sep: 5.49%), the most in 14 months, and crossing the upper limit of the RBI's tolerance band. Food prices grew by 10.87%, from a rise of 9.24% in Sep, with vegetable prices surging 42%. **Wholesale prices rose to a 4-month high of 2.36% in Oct** (Sep: 1.84%), driven by food prices (11.6%) especially vegetable costs (63% yoy).
- **India's industrial output rebounded in Sep**, up by 3.1% following a 0.1% drop in Aug, thanks to a jump in manufacturing (3.9% from 1.0%). Cumulative output was up by 4% in Sep (Aug: 4.2%).
- **Trade deficit in India widened to USD 27.14bn in Oct** (Sep: USD 20.78bn). Exports surged by 18% yoy to USD 39.2bn, the fastest pace in 28 months, while **imports touched an all-time high of USD 66.34bn** (+3.9%). In Apr-Oct, exports grew by 3.2% to USD 244.5bn and imports rose by 5.7% to USD 416.9bn.

Bottom line: Comments from Fed officials, including the chair, took the spotlight last week. With all indications of a slower pace of rate cuts, market expectations for a 25bps cut in Dec declined to 58.4% on Friday from about 85.5% a month ago. Trump nominations for key posts are still ongoing, but top economic positions (including Treasury secretary) have not been decided – being fully on board with Trump's policies (including on tariffs) is highlighted as a key criterion for selection. China will be the first in the line of fire, but Europe also seems to be preparing for some onslaught – demands related to NATO spend and higher tariffs could affect how the bloc grows; already recovery has been weak, putting pressure on faster rate cuts from the ECB. Geopolitics will likely be a key discussion point at the G20 meeting that is currently underway.

Regional Developments

- Preliminary proceedings for the **merger between National Bank of Bahrain and Bank of Bahrain and Kuwait** began in Nov: the merger is estimated to be completed in 2025, according to the Group CEO of NBB.
- **Aluminium Bahrain will decide on the merger with subsidiaries of Ma'aden by Q1 2025**, revealed the CEO. The firms had entered into a non-binding agreement mid-Sep.

- The restaurant chain **AlAbraaj Restaurants Group is planning to list on Bahrain Bourse this year**, disclosed the chairman. The last listing on the main bourse was back in 2018.
- **Inflation in Egypt inched up to 26.5% in Oct** (Sep: 26.4%), with food prices up by 27.3%. Core inflation eased to 24.4% from 25% in Sep.
- **Egypt's unemployment rate rose to 6.7% in Q3** (Q2: 6.4%), with a total of 2.159mn unemployed persons. Male unemployment rate remained stable at around 4.2% while female unemployment rate ticked up to 18.2% (from 17.3%).
- **Trade deficit in Egypt widened to USD 4.88bn in Aug** (Aug 2023: USD 4.3bn), as a result of a 7.2% drop in exports (to USD 3.45bn) alongside a 7.6% increase in imports.
- **Remittances into Egypt grew by 65.6% yoy to USD 2.6bn in Aug**, according to the central bank. In Jan-Aug 2024, remittances were up by 36.4% to around USD 18.1bn.
- **Bilateral trade between Egypt and Saudi Arabia surged** by 33.9% to USD 7.5bn in Jan-Sep 2024. Furthermore, **remittances of Egyptians working in Saudi Arabia amounted to USD 8.3bn in 2022-2023**, compared to USD 11bn during the fiscal year 2021-2022.
- **Lebanon has initiated a phased reopening of public schools** amid the conflict. Of the 1250 public schools, 505 have been converted to temporary shelters according to the education ministry. Around 175k students, which includes 38k displaced children, will resume classes.
- **Oman's budget surplus declined by 39.8% yoy to OMR 476mn in Jan-Sep 2024**. Revenues grew by 3.5% yoy to OMR 9.2bn alongside a faster pickup in spending (+7.8% yoy to OMR 8.7bn). **Average oil price rose by 2.5% yoy to USD 83** and average daily oil production fell by 5.2% to 999k barrels per day. Repayment of public debt meant that **public debt stood at OMR 14.4bn at end-Q3**, from OMR 15.3bn at end-Dec 2023 and OMR 15.7bn at end-Q3 2023.
- **Non-oil exports from Oman fell** by 12% yoy to OMR 4.039bn in Jan-Aug 2024: shipments to Saudi Arabia and India declined by 19.2% (to OMR 534mn) and 14.2% (to OMR 385mn) respectively. UAE was the top destination for non-oil exports, up 11.6% to OMR 638mn. Oman's reexports grew by 14% yoy to OMR 1.131bn during the period, thanks to demand from UAE, Iran and China.
- Latest monetary statistics data released by the Qatar central bank showed that **total assets of commercial banks grew by 5.5% yoy to QAR 2.026trn in Sep**. **Money supply growth was healthy**: M2 and M3 were up by 5.0% and 9.1% respectively. Total deposits grew by 9.8% yoy to QAR 1.05trn in Sep, with **domestic deposits accounting for the major share** (81.0%). **Domestic credit was up by 7.0% yoy** in Sep, with claims to the private sector and government up by 5.9% (to QAR 894.1bn) and 18.6% (to QAR 115.3bn) respectively.
- **QatarEnergy will buy a 23% stake in an offshore exploration block in Egyptian waters from Chevron**, according to QatarEnergy. Chevron will retain a 40% share in the concession agreement for the block, also owned in part by Australian firm Woodside (27%) and Egypt's Tharwa Petroleum Company (10%).

- According to EY, **Saudi Arabia and the UAE led the merger and acquisition activity in the MENA region in Jan-Sep 2024**. MENA witnessed 522 deals during the period (+9% yoy) with value totalling USD 71bn. Ten of the largest deals were recorded in the GCC, while UAE and Saudi Arabia together were home to 239 transactions worth USD 24.5bn.

Saudi Arabia Focus

- **Consumer price inflation in Saudi Arabia inched up to 1.88% yoy in Oct** (Sep: 1.7%), the highest since Aug 2023. Once again **housing & utilities costs were the main driver of inflation**: it grew by 9.6% (following a 9.28% uptick in Sep) – because of a **surge in rental costs** (11.57% from Sep’s 11.16%) – still the highest on record since Jan 2013. Food prices moderated (up by 0.05% from Sep’s 0.82%) while transport prices fell by 3.2% (slower than Sep’s 3.3% drop).
- **Wholesale prices in Saudi Arabia eased sharply to 2.38% in Oct** (Sep: 3.11%), with costs of agriculture & fishery products up 0.79% (vs -0.43% in Sep). Price of metal products, machinery & equipment (with a weight of 39.71%) increased to 0.51%, the second consecutive month of an increase following 18 months of deflationary readings. “Other transportable goods” (with a weight of 33.72%) eased, though at a relatively high 5.4% (vs Sep’s 7.97%).
- **Industrial production in Saudi Arabia fell by 0.3% yoy and 1.2% mom in Sep**, falling after two months of gains. **Oil activities** continued to decline, down by 2.5% yoy and 1.6% mom in Sep, though the **decline was relatively slowing** (it had plunged by an average 7.6% in Jan-Sep 2024). Manufacture of coke and refined petroleum products fell by 12.3% yoy and 7.6% mom, driving the decline. **Overall non-oil manufacturing activity meanwhile grew by 0.1% mom and 6.7% yoy in Sep**.
- **Saudi PIF raised SAR 3.86bn from a 2% stake sale in telco firm STC**: the offering was oversubscribed five times, and international investors were allocated 40% of the shares.
- **Saudi-based finance firm UIHC’s IPO received orders worth SAR 131bn** – making it 132 times oversubscribed. The retail position will open on Nov 19 for 2 days.
- **Saudi Capital Markets Authority simplified its sukuk and bond issuance rules**: this includes simplified prospectus requirements and supporting documents need to issue debt along with an expedited process for private companies to issue debt.
- **Saudi PIF reduced its stake in Nintendo to 7.54%** from 8.58% before. This followed the financial results which showed a drop in sales of the Switch (to 2.1mn in Apr-Jun, from 3.91mn a year ago).
- The chief executive, Nadhmi al-Nasr of **Neom**, Saudi Arabia’s \$500bn futuristic development in the desert, has been abruptly replaced after six years in charge of the mega project.
- The **number of active mining licenses in Saudi Arabia rose to 2295 by end of Sep**, after 35 new licenses were issued during the month. Of the total 2295 licenses, 63.7% were quarry licenses for building materials.
- **Saudi Arabia and Tunisia signed an MoU to boost bilateral investments and cooperation**. Tunisia highlighted the country’s mining resources as well as automotive and pharma industries as opportunities for cooperation.



- It was disclosed following a bilateral meeting that **Nigeria is planning to finalise a USD 5bn trade facility with Saudi Arabia**. No specific details were provided about the facility, but it could involve a combination of deposit of foreign exchange and/ or infrastructure finance facility. Nigeria's non-oil imports from Saudi Arabia clocked in at USD 400mn in 2023, and Saudi imports stood at USD 19.7mn.
- **NEOM Green Hydrogen Company**, the world's largest green hydrogen plant, **is now 60% complete**, according to its CEO. The plant's green hydrogen will be created through electrolysis, relying entirely on solar and wind energy to power the 2.2GW electrolyzer.
- The Saudi minister of municipalities and housing disclosed that **real estate transactions in Saudi Arabia totalled USD 168bn this year**. At the Cityscape exhibition last week, contracts worth SAR 75bn were unveiled.
- **Saudi Arabia jumped 22 ranks in the World Bank's Statistical Performance Index 2023** evaluation. Saudi, with a score of 81.5, ranks highest in the Arab region and jumped to 14th among the G20 nations.

UAE Focus

- **Dubai real GDP grew by 3.3% yoy to AED 116.2bn in Q2 2024**, following a growth of 3.2% in Q1, despite the intense flooding mid-Apr, underscoring the resilience of the emirate. The fastest growing sector was transportation & storage (7.8%), followed by ICT (5.6%) while accommodation & food services and financial & insurance activities posted growth rates of 4.7% and 4.6% respectively. **Wholesale and retail trade was the largest contributor to GDP** (24.7% of total), followed by transportation & storage (13.6%) and financial & insurance activities (11.3%).
- **Dubai's USD 1bn internal road development 5-year plan has been approved**: covering 21 projects, the plan involves the building of 634km of new roads at a cost of AED 3.7bn.
- **ADNOC Gas signed a 10-year deal with Gail India** (India's largest natural gas company) to supply up to 0.5mn tonnes per annum of LNG from 2026 onwards. Separately, the CFO of ADNOC Gas disclosed that the firm is looking towards international M&A to meet strong demand for LNG. The company raised its capex plans by USD 2bn to USD 15bn by 2029.
- **Emirates Airlines has repaid about 73% of the AED 17.5bn debt raised during the pandemic**, reported AGBI. Of the AED 14.85bn received from its parent company ICD, about 57.2% has been paid.

Media Review:

How will Trumponomics work out?

<https://www.piiie.com/blogs/realtime-economics/2024/how-will-trumponomics-work-out>

Would Trump's tariffs really be that bad? (FT podcast episode)

<https://www.ft.com/content/bbce1353-d4b1-4951-a137-ef28f6f2d1c7>

How to make Elon Musk's budget-slashing dreams come true

<https://www.economist.com/finance-and-economics/2024/11/17/how-to-make-elon-musks-budget-slashing-dreams-come-true>

Neom mega-project boss abruptly replaced in Saudi Arabia

<https://www.ft.com/content/5e1e10b5-53ad-4155-ac2f-3076c4e589ab>

EM stocks see largest foreign monthly outflow since 2020, bonds hang on

<https://www.reuters.com/markets/em-stocks-see-largest-foreign-monthly-outflow-since-2020-bonds-hang-2024-11-15/>

