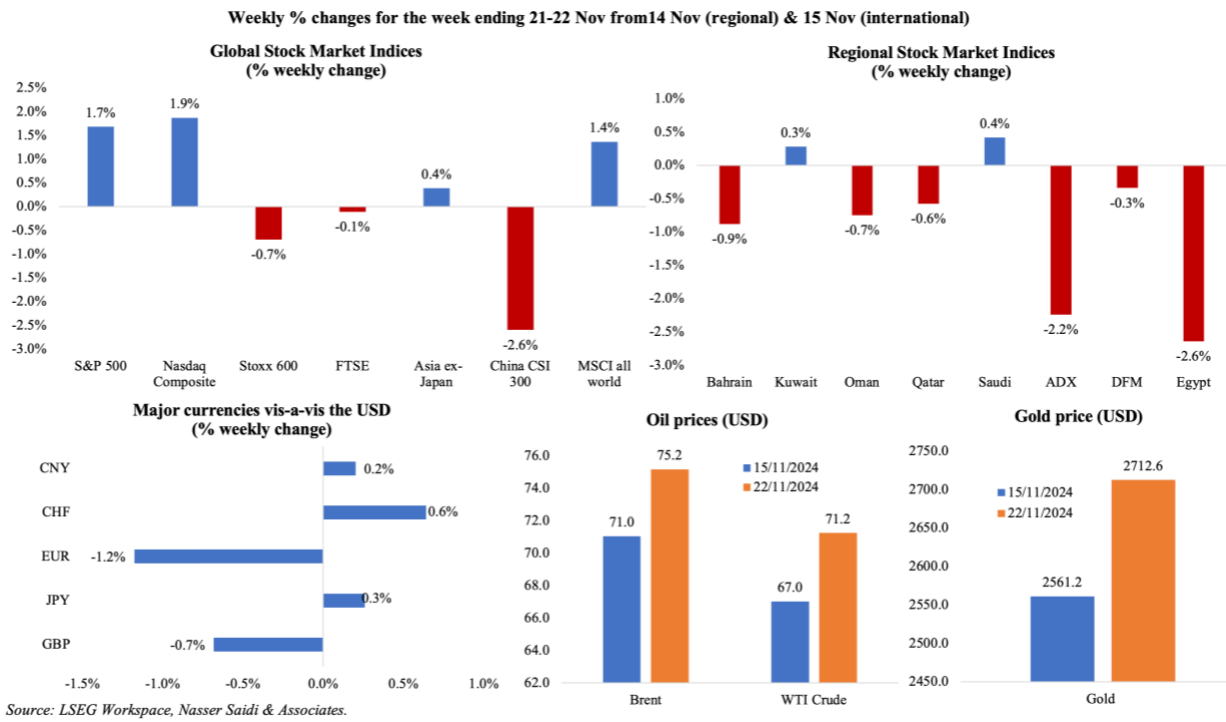


## Weekly Economic Commentary, 25 Nov 2024

### Markets

Equity markets in the US gained even as investors brace for the Trump Presidency which is likely to be a mix of tariffs and tax cuts (that could affect inflation and monetary policy moves). Regional markets were mostly lower amid persistent geopolitical tensions, and Dubai's DFM posted a 0.3% drop after 6 weeks of gains. Among currencies, the euro touched a 2-year low while GBP fell to a 6-month low on Friday and posted losses for the second week. Oil prices inched up to a 2-week high (as Ukraine-Russia tensions revved up) alongside a rise in gold price (thanks to its safe-haven status) while Bitcoin is inching closer to the USD 100k mark.



### Global Developments

#### US/Americas:

- **Building permits in the US fell by 0.6% mom to 1.416mn in Oct**, largely due to the drop in multi-family building permits (-3% mom to 393k) while permits for single family housing rose to the highest since Apr (+0.5% to 968k). **Housing starts declined by 3.1% mom to 1.311mn in Oct**, as single-family starts plunged (-6.9% to 970k units).
- **Existing home sales grew by 3.4% mom and 2.9% yoy to 3.96mn in Oct**: this was the first annual gain since Jul 2021. Despite an increase in inventory (10.1% yoy to 1.37mn), the median existing home price grew by 4% yoy to USD 407,200 - highest recorded for any Oct.

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- **Kansas Fed manufacturing activity decreased to -4 in Nov** (Oct: 0), as new orders volume moved further into negative (-9.0) alongside a rebound in number of employees (1 from -2).
- **Philadelphia Fed manufacturing survey unexpectedly slipped to -5.5 in Nov** (Oct: 10.3): new orders and shipments declined to 8.9 and 4.5 respectively but growth expectations for the next 6 months rose to the highest since Jun 2021.
- **Michigan consumer sentiment index stood at a 7-month high of 71.8 in Nov**, higher than Oct's 70.5 but lower than the preliminary reading of 73.0. Inflation expectations for the year ahead held steady at 2.6% (a 4-year low).
- **S&P composite PMI output index in the US moved up to 55.3 in Nov** (Oct: 54.1), the highest reading since Apr 2022. This was supported by **services PMI** which climbed to 57.0 (the highest since Mar 2022 and from Oct's 55) as manufacturing stayed sub-50 (48.8 from 48.5). **Prices charged by businesses slipped** to 50.8 (Oct: 52.1), the **lowest since May 2020**.
- **Initial jobless claims declined by 6k to 213k in the week ended Nov 15**, the lowest since April, leading to a drop in the 4-week average to 217.75k (by 3.75k). **Continuing jobless claims increased** by 36k to 1.908mn in the week ended Nov 8.

#### **Europe:**

- **Preliminary composite PMI in the EU dropped to a 10-month low of 48.1 in Nov**, as both manufacturing and services PMI fell, to 45.1 and 49.2 respectively (from Oct's 45.8 and 51.6) – the latter falling below-50 for the first time since Jan. Prices could be affected in the coming months should Trump impose tariffs across the board.
- **Euro area's trade surplus moved to a surplus of EUR 12.5bn in Sep** (Sep 2023: EUR 9.8bn). Exports rose by 0.6% yoy to EUR 237.8bn while imports fell by 0.6% (to EUR 225.3bn). Intra-euro area trade declined by 3.4% yoy to EUR 1,931.9bn in Jan-Sep 2024.
- **Consumer confidence in the EU stood at -12.4 in Nov**, down by 1.1 points, while confidence in the euro area fell by 1.2 points to -13.7.
- **GDP in Germany contracted by 0.3% yoy in Q3**; in qoq terms, growth was revised down to a 0.1% gain (vs 0.2% in the first estimate). The estimates showed household consumption (0.3% qoq) and inventory buildup as the main drivers of growth, while government spending slowed (0.4% from 1.6%) good and services exports were down 1.9%.
- **Flash manufacturing PMI in Germany inched up to 43.2 in Nov** (Oct: 43), given the drop in new orders amid evidence of staff cuts. **Services PMI unexpectedly slipped to 49.4** (Oct: 51.6), on weak demand conditions.
- **Germany's producer price index declined by 1.1% yoy in Oct** (Sep: -1.4%), recording the 16th straight month of deflation as energy prices fell (-5.6%). However, consumer and capital goods prices rose by 1.9% and 2.0% respectively.
- **Inflation in the UK increased to a 6-month high of 2.3% yoy in Oct** (Sep: 1.7%), rising above the BoE's 2.0% target, and could be traced back to an increase in regulated domestic energy tariffs. **Services inflation rose to 5.0%** (Sep: 4.9%) while core inflation inched up to 3.3% from 3.2% the month before.

- **Producer input prices in the UK declined** by 2.3% yoy in Oct (Sep: -1.9%). **Factory gate prices** fell by 0.8%, the **biggest drop since Oct 2020** during the pandemic, and sharper than the 0.6% slip in Sep. **Retail price index increased to 3.4%** (Sep: 2.7%).
- **Retail sales in the UK fell by 0.7% mom in Oct** (Sep: 0.1%): this was the largest drop in 4 months, as non-food store sales declined (1.4%) and online sales contracted (by 1.2%). In yoy terms, sales were up by 2.4% (Sep: 3.2%).
- **GfK consumer confidence in the UK stood at -18 in Nov**, recovering from Oct's pre-budget dip of -21. There was a 5-point uptick in consumers' willingness to make big-ticket purchases.
- **Flash manufacturing PMI in the UK edged down to 48.6 in Nov** (Oct: 49.9) and services PMI moved to a neutral 50 reading from Oct's 52.0. Composite PMI fell to 49.9, falling below 50 after 13 months of expansionary readings.

#### **Asia Pacific:**

- **The People's Bank of China left interest rates unchanged:** the 1-year and 5-year loan prime rates were kept at 3.1% and 3.6% respectively.
- **Japan's inflation eased to 2.3% yoy in Oct** (Sep: 2.5%). **Excluding food and energy, prices inched up to 2.3%** (from 2.1% in Sep) as services inflation rose (1.5% from Sep's 1.3%). Excluding fresh food, prices eased to 2.3% (Sep: 2.4%). The uptick in core inflation will add pressure to the central bank to hike rates.
- **Exports from Japan rebounded in Oct**, up by 3.1% yoy (Sep: -1.7%), while imports rose by a modest 0.4%, resulting in a wider trade deficit (JPY 461.2bn from JPY 294.1bn in Sep). Exports to China grew by 1.5% (Sep: -7.3%) while those to US and Europe fell by 6.2% and 11.3% respectively.
- **Japan's core machinery orders fell by 1.3% qoq in Q3** as manufacturing orders declined by 7.2% alongside a rise in non-manufacturing orders (+1.4%, driven by rising demand for construction machinery).
- **Japan's manufacturing PMI fell for the 5th month in a row** to a preliminary reading of 49 in Nov (Oct: 49.2), with the output and new orders sub-indices shrinking while employment declined for the first time since Feb. Services PMI moved into expansionary territory, up to 50.2 from 49.7, as outstanding business grew the fastest in 8 months.
- **Preliminary manufacturing index in India eased** to 57.3 in Nov (Oct: 57.5) while services PMI inched up to 59.2 (Oct: 58.5). On a positive note, employment generation rose at the fastest pace since the survey began in Dec 2005 (supported by services sector) while price pressures are increasing (output costs rose at the fastest pace since Feb 2013).

**Bottom line:** Last week saw the release of preliminary PMI readings – the key finding being that economic activity in the US and Europe are moving in opposite directions (the latter in contractionary territory), implying that the central banks could also be following contradictory policies next year with implications for the euro and the relative performance of European vs US financial markets. Meanwhile, a new global finance deal was finalised after COP29 meetings concluded - this included a tripling of finance to developing nations

(considered too little), scaling up finance (to USD 1.3trn by 2035), greenlighting of carbon credits, and increased funding for adaptation among others. However, even as question marks loom next to US climate commitments, there are also increasing concerns about growing trade barriers hampering climate progress.

### Regional Developments

- **Bahrain plans to issue tenders in Q1 2025 to build a new “airport city”** - consisting of commercial and residential development - around the international airport, according to the CEO of Bahrain Airport Company. He stated that the feasibility plan had been completed.
- **The IMF concluded its visit to Egypt**, as part of the fourth review under the extended loan program: while calling the economic outlook challenging, the IMF complimented the authorities on undertaking various reforms including the flexible exchange rate regime and fiscal discipline. Discussions are underway to finalise the agreement on outstanding policies and reforms, according to the Fund.
- **Egypt left interest rates unchanged for the fifth meeting in a row**: the lending and deposit rates stayed at 28.25% and 27.25% respectively. The committee stated that the policy stance was “appropriate” till there was a “sustained decline in inflation”.
- **Inflation in Egypt moved to 26.5% in Oct** (Sep: 26.4%), as non-food inflation inched up to 26% (Sep: 25.5%) and food inflation reached the lowest in 2 years (27.3%). Core inflation eased to 24.4% (Sep: 25%).
- A broad sell-off in emerging markets and higher local demand for USD led to the **EGP falling to its lowest value since devaluation** in Mar towards end of last week, reported Bloomberg.
- **Egypt secured development financing from the European Bank for Reconstruction and Development (EBRD)** to the tune of USD 21.3mn **to expand Gulf of Suez wind power plant**. This will be the largest wind farm in Egypt and Africa, when complete.
- **Egypt is currently in discussions** with US companies and portfolio players **regarding a long-term LNG deal**, reported Reuters.
- In a bid to attract the private sector, **tenders for public private partnerships (PPPs) worth about EGP 62bn will be issued by Egypt** for water and wastewater treatment projects. In the previous financial year, investments in PPPs clocked in at less than EGP 20bn.
- **Iraq’s fuel exports are likely to hit a record high** of more than 18mn metric tons **in 2024**, reported Reuters based on data from Kpler and LSEG. Fuel oil exports crossed 2.15mn metric tons in Oct – this was the highest monthly volume on record.
- **Kuwait’s inflation slipped to 2.44% yoy in Oct** (Sep: 2.75%), the lowest reading since Sep 2020. Food prices eased to 5.0% (Sep: 5.8%) while recreation & culture costs held steady at 2.3% and transport costs rose to 1.9% (from 1.6%).
- **Money supply (M2) in Kuwait grew by 3.2% yoy** and 0.2% mom to KWD 40.6bn in Oct. Year-to-date, private sector and **government** deposits increased by 4.5% and 10% respectively. **Credit growth to the private sector has been strong**, with claims growing

3.8% and by 4.0% ytd in Oct. However, claims on both government and public institutions have been declining – down by 32.6% and 6.7% ytd this year.

- **The IMF**, after its Article IV consultation in Oman, **commended Oman's efforts in accelerating diversification, fiscal management and implementing social reforms** among others such as overhauling state-owned firms through the Oman Investment Authority. The nonhydrocarbon sector grew significantly (by 1.8% in 2023 and 3.8% in H1 2024) driven by construction, manufacturing, and services. The IMF expects economy to grow 1.2% this year, and faster next year on higher hydrocarbon production alongside robust non-oil sector gains.
- **OQ Base Industries**, a subsidiary of Oman's state energy company OQ, **aims to raise up to OMR 187mn through an IPO** on the Muscat Stock Exchange. The subscription period for the IPO is already underway, till December 1st.
- According to S&P, **Qatar's average debt-servicing costs are likely to be below 5% of general government revenues by 2027**. This stems from a combination of debt reduction strategies and higher expected earnings related to the North Field Expansion.
- **Saudi Arabia was the 17th largest global investor in US Treasuries**, clocking in at USD 143.9bn in Sep – highest since Mar 2020. **Kuwait's holdings rose to USD 48.3bn in Sep, the most since end-2022**. **UAE holdings fell** by 9.2% mom to USD 71.9bn in Sep.

### Saudi Arabia Focus

- **Saudi Arabia's non-oil exports grew by 11.6% yoy to SAR 18.7bn in Sep.** In Q3, non-oil exports were up 16.8%, with UAE, India and China the top partners. **Oil exports as a share of total exports stood at 70.7% in Sep** and 71.3% in Q3.
- The **value of projects under Saudi Arabia's local content initiatives** stood at around SAR 800bn (USD 213bn) by Q3 2024, according to the Minister of Industry & Mineral Resources. The **Local Content Forum event in Saudi Arabia** saw 15 agreements being signed across multiple sectors including manufacturing, technology and transportations. **The deals are estimated to boost GDP by SAR 12.4bn (USD 3.3bn).**
- According to data from JODI, **Saudi Arabia's refined crude exports increased** by 23% yoy **to a 23-month high** of 1.54mn barrels per day in Sep; refinery output held steady at 2.76mn bpd. Crude oil production edged down to 8.97mn bpd (-0.19% mom) while crude exports inched up to a 3-month high of 5.75mn bpd (+1.41%).
- **Aramco's CFO** disclosed during a Bloomberg interview that that the firm **plans to increase borrowing**, but did not specify whether the firm would borrow to support dividend payments.
- **Saudi Arabia accounted for up to 27.5% of private debt fund transactions in the MENA region between 2016 and Q3 2024**, according to a report by Preqin along with SVC. The total capital raised at final close by private debt funds investing in Saudi Arabia touched a record high of USD 335mn in 2022 and compares to the USD 32mn raised by a single fund in 2003.
- **Moody's upgraded Saudi Arabia's rating to Aa3** from A1 previously, citing successful diversification efforts, while **also revising the outlook to stable** from positive.
- The **number of investment licenses issued in Saudi Arabia surged by 73.7% yoy to 3810 licenses in Q3**, according to the Ministry of Investment. Construction, manufacturing,





professional & educational activities, wholesale & retail trade, and information & communications sectors together accounted for around 72% of licenses issued in Q3.

- **Saudi Arabia issued 34 investment licenses in the entertainment industry in Q3**, up 13% qoq, taking the total number so far to 303. The country has issued 2,189 licenses in the entertainment sector over the past five years and expects to create 450k jobs in the sector by 2030, enabling a contribution of 4.2% to overall GDP.
- **Saudi employees in the private sector stands at 2.34mn currently**, up from 1.7mn in 2019, according to the minister of human resources and social development.
- **Saudi Arabia plans to expand its rail network to cover over 8,000kms**, from the current network of over 5,500kms, according to the Chairman of Saudi Arabia Railways. He also stated that the Asasat Program (to localise the railway industry) is expected to generate investment opportunities worth SAR 15bn and create over 3000 jobs by 2030.

### UAE Focus

- **Dubai inflation slowed to 2.38% in Oct** (Sep: 2.5%), clocking in the lowest in 14 months, **as transport costs fell sharply** (down by 10.56% from Sep's 8.02% drop). Prices of housing & utilities and insurance & financial services were the highest in Oct: at 7.16% and 5.83% respectively (up from Sep's 7.02% and 5.20%).
- Reuters reported that **ADNOC plans to sell an additional 3-5% of ADNOC Gas** though the firm clarified that neither the timing nor size of the sale has been finalised.
- **Dubai Chamber of Commerce** reported a 4% yoy **increase in new companies in Jan-Sep** (+51,561), with exports and re-exports of members increasing by 7% yoy to AED 224bn.
- **SMEs contribute 42.8% to Abu Dhabi's non-oil GDP** and employ nearly half the workforce, as they account for over 90% of total businesses in the emirate, revealed the acting CEO of the Khalifa Fund.
- **UAE and China agreed at COP29 to co-invest almost USD 3bn in renewables** in developing nations. China's Silk Road Fund will invest up to CNY 20bn into projects that are "developed, invested in, or operated by" UAE's Masdar.



### Media Review:

#### **Trump must focus on rebuilding a war-torn Middle East**

<https://www.agbi.com/opinion/development/2024/11/trump-must-focus-on-rebuilding-a-war-torn-middle-east/>

#### **A Better Approach to Climate Finance**

<https://www.project-syndicate.org/commentary/climate-finance-target-reached-but-not-enough-better-approach-by-ricardo-hausmann-2024-11>

#### **COP29 climate negotiations & results**

<https://www.economist.com/international/2024/11/24/half-a-loaf-at-best-from-the-climate-talks>

<https://www.ft.com/content/0559f24a-bfc1-4758-9adc-56f78b3639c7>

<https://www.reuters.com/business/environment/contentious-cop29-deal-shows-climate-cooperation-fraying-edges-2024-11-25/>

