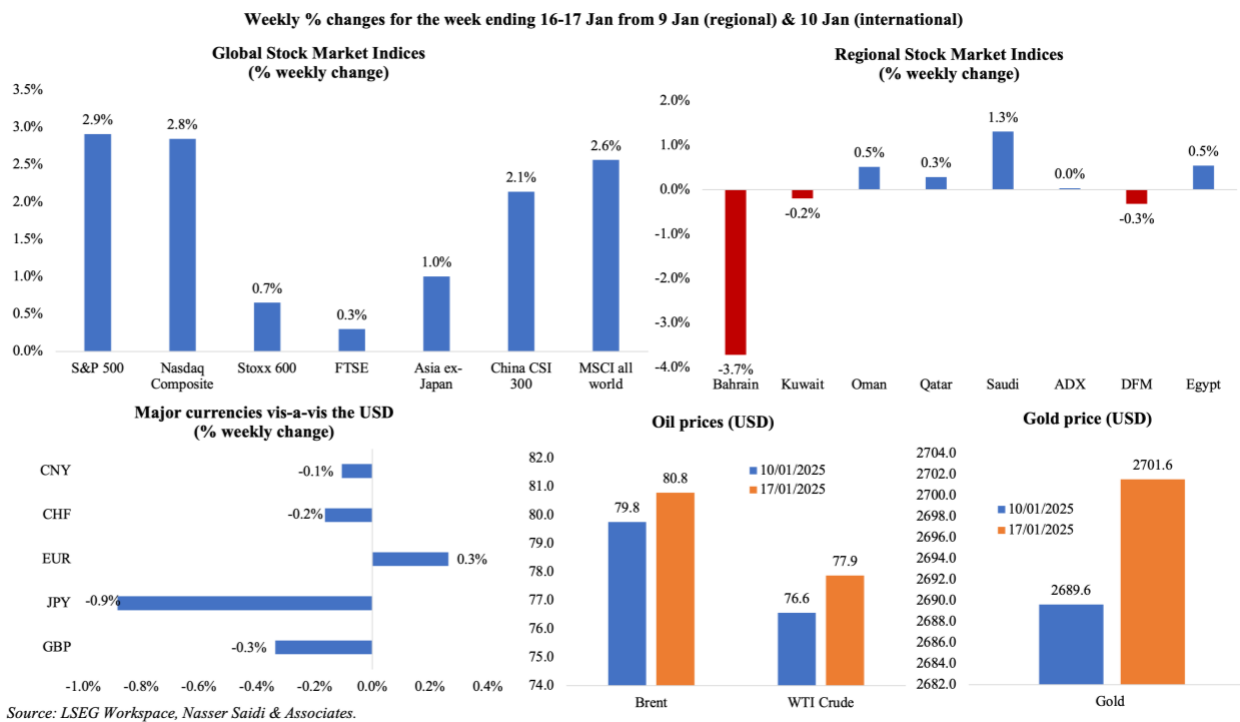


Weekly Economic Commentary, 20 Jan 2025

Markets

Major equity markets recovered last week thanks to positive data and earnings (including softer-than-expected core inflation and housing starts in the US). Regional markets were mixed - Bahrain declined the most (across communication services and materials sectors among others) but most markets gained towards end of the week on Gaza ceasefire and expectations of Fed rate cuts. The dollar index posted a loss after 6 consecutive weeks of gains and the GBP ended near the 14-month low recorded last Monday. Oil prices gained for the fourth week in a row amid sanctions on Russia. Uncertainties related to the Trump Presidency lifted the gold price to above the USD 2700-mark, while Bitcoin was around USD 105k+ on hopes that the Trump administration would rollout pro-crypto/ virtual assets policies.



Global Developments

US/Americas:

- **Inflation in the US inched up to 2.9% in Dec** (Nov: 2.7%), with energy prices accounting for more than 40% of the rise in inflation; rents and other housing prices rose by 0.3% mom and 4.6% yoy. **Core CPI eased unexpectedly to 3.2% in Dec** (Nov: 3.3%).

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- **US monthly budget statement showed a deficit of USD 87bn in Dec**, narrowing from USD 129bn in Dec23. Revenues grew by 6% to USD 454bn, while spending fell by 3% to USD 541bn.
- **Producer price index rose to 3.3% yoy in Dec** (Nov: 3.0%), the highest since Feb 2023, while excluding food and energy, prices inched up to 3.5% (Nov: 3.4%).
- **NY Empire State manufacturing index plunged to -12.6 in Jan** (Dec: 2.1), with new orders dropping to -8.6 (down 13 points) and shipments down to -1.7 (down by 11 points).
- **Fed Beige Book showed economic activity increased slightly to moderately** in Nov-Dec while employment and consumer spending ticked up.
- **Philadelphia Fed manufacturing survey surged to 44.3 in Jan** (Dec: -10.9), the highest reading since Apr 2021 and the highest monthly rise since Jan 2020. New orders, shipments and employment increased to 42.9 (up 47 points), 41 (up 39 points) and 111.9 (up 7 points).
- **Retail sales in the US gained by 0.4% mom and 3.9% yoy in Dec** while core retail sales grew by 0.7% (Nov: +0.4%).
- **Building permits fell by 0.7% mom to 1.483mn in Dec** (Nov: 5.2%) taking the permits issued for the full year to an estimated 1.471mn (-2.6% yoy). **Housing starts jumped by 15.8% mom to 1.499mn**, with single-family homebuilding rising by 3.3% to a 10-month high of 1.050mn units. Additionally, the **average rate on the 30-year fixed-rate mortgage rose above 7%** last week for the first time since May.
- **Industrial production in the US grew by 0.9% mom in Dec** (Nov: 0.2%), the strongest uptick since Feb, thanks to a rise in manufacturing (0.6%), mining (1.8%) and utility (2.1%) production. Capacity utilisation inched up to 77.6% (Nov: 77%).
- **Initial jobless claims increased** by 14k to **217k in the week ended Jan 10**, leading to a decline in the 4-week average to 212.75k (by 0.75k). **Continuing jobless claims increased** by 18k to 1.859mn in the week ended Jan 3.

Europe:

- **Industrial production in the eurozone decreased by 1.9% yoy in Nov** (Oct: -1.1%). In mom terms, IP inched up by 0.2% for the second month in a row (Oct: +0.2%), with growth broad-based including in Germany (+1.3% mom), France and Italy.
- **UK inflation moderated to 2.5% yoy in Dec** (Nov: 2.6%). Core consumer price cooled to 3.2% (Nov: 3.5%) and services inflation also fell (to 4.4% from 5%). Easing inflation led to falling bond yields, leading to expectations of a rate cut during the upcoming BoE meeting.
- **Producer input prices in the UK declined in Dec** (-1.5% from Nov's -2.1%) while factory gate prices were up (0.1% yoy from Nov's 0.5% dip). In monthly terms, producer prices (both input and output) ticked up by 0.1%.
- **Industrial production in the UK fell by 1.8% yoy in Nov** (Oct: -1.1%), with manufacturing down by 1.2% (Nov: flat). IP fell by 0.4% mom (Oct: -0.6%), with declines across mining & quarrying (-1.5% from -2.9%) and manufacturing (-0.3% from -0.6%).

- **UK retail sales unexpectedly edged down by 0.3% mom in Dec** (Nov: 0.1%), with declines in food stores (-1.9%) while non-food store sales rose by 1.1%. In yoy terms, sales grew by 3.6% in Dec after a flat sales reading in Nov – this took full year sales grew by 0.7% (2023: -2.9%).

Asia Pacific:

- **China GDP accelerated by 1.6% qoq and 5.4% yoy in Q4** (Q3: 1.3% qoq and 4.6% yoy), thanks to strong exports (ahead of potential US tariffs) and manufacturing growth.
- **Exports from China grew by 10.7% in Dec**, and imports by 1%, taking trade surplus to a wider USD 104.8bn. For the full year, exports and imports grew by 4.9% and 1.1% respectively, leading to a widening of the trade surplus. China's exports of electric vehicles and semiconductors accelerated by 13.1% and 18.7% respectively in 2024, alongside steel exports touching the highest level since 2015.
- **Industrial production in China increased by 6.2% yoy in Dec** (Nov: 5.4%). Retail sales rose by 3.7% yoy in Dec (Nov: 3.0%). For the full year, retail sales grew by 3.5% and industrial output by 5.8% and FDI declined by 27.1% (Jan-Nov: -27.9%).
- **China's money supply growth was up by 7.3% yoy in Dec** (Nov: 7.1%). **New loans ticked up** to CNY 990bn in Dec (Nov: CNY 580bn). For the full year, new loans added up to CNY 18.09trn, the lowest since 2019. Medium- to long-term new loans to households stood at CNY 2.25trn in 2024, the lowest in more than a decade while short-term new loans to residents clocked in at CNY 473bn, the worst reading since 2008.
- **Outstanding yuan loans in China grew by a new low of 7.6% in Dec** (Nov: 7.7%) while the outstanding total social financing increased by 8% (vs record low of 7.8% in Oct & Nov).
- **Japan's current account surplus widened to JPY 3.35trn in Nov** (Oct: JPY 2.46trn), as goods trade balance moved into surplus. Exports rose 2.8% to JPY 8.91trn, driven by strong demand for chip-making equipment while imports fell by 5.7% to JPY 8.81trn. The services trade surplus nearly tripled to JPY 238.6bn thanks to rising tourists (which grew by 30.6% to 3.19mn in Nov).
- **Retail inflation in India eased to 5.22% yoy in Dec** (Nov: 5.38%), with food prices softening (8.39% from 9.04%). WPI inflation inched up to 2.37% in Dec (Nov: 1.89%).
- **India's trade deficit narrowed to USD 21.94bn in Dec** (Nov: USD 37.84bn), with exports and imports standing at USD 38.01bn and USD 59.95bn respectively. During the month, India imported oil and gold worth USD 15.2bn and UDS 4.7bn.
- **The Bank of Korea unexpectedly left interest rates unchanged at 3%** - partly due to the recent weakness in the Korean won.

Bottom line: The IMF, in its latest World Economic Outlook report, revised the global growth forecast to 3.3% in 2025 and 2026, though this was lower than the historical average of 3.7% during the period 2000-19. The organisation warned that global growth could suffer if there was “an intensification of protectionist policies” (a reference to Trump's proposal of higher trade tariffs). Inflation is expected to ease, given a decline in energy

prices and cooling labour markets. The second term of Trump's Presidency begins today, and the initial spate of executive orders will reveal the direction it will take (on tax cuts, tariffs, immigration). Separately, the ceasefire in Gaza is expected to provide some respite – however, for peace to resume, discussions need to centre around the next plans for Gaza as well as its reconstruction needs.

Regional Developments

- **Egypt is projected to grow by 4.0% in the current fiscal year**, thanks to the ongoing structural reforms, according to the minister of planning and economic development. She also stated that the government was seeking USD 4.2bn in support from global partners.
- **In 2023-24, FDI inflows into Egypt surged to a record USD 46.1bn** from USD 10bn in the prior fiscal year. FDI from Arab nations touched USD 39.5bn in Q4 of the fiscal year, with UAE alone accounting for 95% of the total.
- **Current account deficit in Egypt more than doubled to USD 5.9bn in Jul-Sep 2024** (vs USD 2.8bn a year ago), according to the central bank. This was partly due to the plunge in Suez Canal revenues: -61.2% to USD 931.2mn (from USD 2.4bn a year prior). However, remittances increased to USD 8.3bn in Jul-Sep from USD 4.5bn a year ago.
- **Egypt's minister of investment and foreign trade disclosed that non-oil exports grew by 14% yoy to a record USD 40.8bn in 2024**, with top importer nations were Saud Arabia, UAE, Turkey and Italy. Reforms including the reduction of customs clearance time (to 2 days in 2025, from 8 days) is expected to increase total exports to USD 145bn by 2030.
- **Egypt's central bank disclosed that external debt fell by USD 11.8bn to USD 152.9bn as of end-Jun**, partly due to the transfer of deposits from the UAE for the Ras Al Hekma project. **External debt service obligations rose to USD 32.9bn in the financial year 2023-24**, including USD 23.6bn in principal repayments and USD 9.3bn in interest payments.
- **Overall foreign exchange reserves held by Egypt increased by USD 11.889bn to USD 47.109bn by end-Dec 2024**, and **gold reserves grew by USD 2.2bn to USD 10.644bn**.
- **China's Geely opened its first car assembly plant in the MENA region, in Egypt**, with an aim to producer 10k vehicles annually for the domestic market and another 30k for exports.
- **Iraq and UK agreed to a GBP 12.bn trade package**, in addition to a bilateral defence deal, according to a joint statement.
- **Kuwait GDP shrank by 4% yoy in Q3 2024**, according to the Kuwait Statistical Bureau, as oil sector activity dipped (-5%, due to oil production) as did non-oil sector (-2.5%).
- **Non-oil exports from Kuwait grew by 12.08% mom to KWD 23.2mn** (USD 74.9mn) in Dec, according to the ministry of commerce and industry. Separately, exports eased to USD 5.75bn in Q3 (Q2: USD 5.93bn). Imports increased to USD 2.91bn from USD 2.69bn in Q2.
- **Kuwait's finance minister disclosed that the ministry was working on a new law to introduce a "selective tax" on goods that are harmful to health**. The introduction of such a "sin tax" is projected to raise KWD 200mn a year.

- The MD of **Kuwait** Petroleum Corporation revealed **plans to expand oil production capacity by up to 40%** (to 3.5 to 4mn barrels per day by 2035-40) with an investment of about USD 30bn.
- **Lebanon's PM revealed that government formation would not be delayed** citing that the "atmosphere is more than positive among all the blocs". Separately, the President underscored the urgency of the withdrawal of Israeli military from the south of Lebanon in a meeting with the UN Secretary-General.
- **Oil and gas exports from Oman accounted for an average 67.7% of overall exports in Jan-Oct 2024**, higher than the average of 60.9% recorded in the same period a year ago. Exports increased by 8.7% yoy to OMR 20.3bn in Oct (driven by oil exports: +21.1% yoy to OMR 13.8bn) while imports accelerated at a faster pace of 11.4% (to OMR 13.8bn). This widened trade surplus to OMR 6.56bn (vs OMR 6.34bn in Jan-Oct 2023). **UAE was Oman's largest non-oil trade partner**: non-oil exports to the UAE grew by 10.8% yoy to OMR 839mn by Oct, while re-exports stood at OMR 494mn.
- **Construction in Oman's Zone 88**, the country's first scientific and economic zone committed to space industries and advanced technologies, **is 25% complete**. The area will include a space habitat centre, commercial space launching area, unmanned vehicles technology centre, artificial intelligence and advanced technology testing area and ground station.
- **Qatar's exports declined by an average 3.3% yoy in Jan-Nov 2024** to a total QAR 314.8bn while imports accelerated by 13.3% (to QAR 117.6bn). This narrowed trade surplus to QAR 197.2bn (vs QAR 222.7bn in Jan-Nov 2023). GCC accounted for over 11% of exports and imports. **UAE was Qatar's largest trade partner in the GCC**: exports to the UAE stood at QAR 20.0bn in Jan-Nov 2024, while imports were at QAR 5.5bn. **UAE was followed closely by Kuwait** (exports to KW at QAR 7.5bn in & imports at QAR 2.7bn) **and Oman** (exports to OM at QAR 2.8bn & QAR 3.1bn imports).
- **Qatar Duty Free reported a 18% surge in sales in 2024**, higher than the 15% growth in total passengers through the airport (to 52.7mn).
- **Saudi Arabia continued to be the 17th largest holder of US Treasuries in Nov**, though the total holdings slipped by 2.58% mom to USD 135.6bn. In comparison, UAE and Kuwait Treasury holdings stood at USD 73.13bn and USD 51.2bn respectively.
- While the **number of GCC citizens working in the GCC public sector clocked in at 11.2k in 2023** (vs 12.2k in 2007), their number increased in the private sector to 21.2k (2007: 17.9k), according to GCCStat.

Saudi Arabia Focus

- **IMF lowered Saudi Arabia's growth forecast for this year to 3.3%** owing to the continuation of oil production cuts. Last year's growth was also revised down to 1.4%. MENA region growth was also trimmed to 3.6% (vs Oct's forecast of 3.9%).
- **Consumer price inflation in Saudi Arabia moderated to 1.93% in Dec** (Nov: 1.98%), with food prices inching up sharply (to 0.78% from 0.31% in Nov) while restaurant & hotels costs declined (0.95% from 1.51% in Nov). Housing costs edged down in Dec (8.93% from 9.09%)



as **rental costs slowed**, up by 10.63% (from Nov's 10.84%). **CPI averaged 1.69% in 2024** vs 2.3% in 2023, with **all categories showing a decline except housing costs**, which rose by an average 8.84% (vs 7.95% in 2023).

- **Wholesale prices in Saudi Arabia also eased, to 1.2% in Dec** the lowest reading since Oct 2023 (and vs Nov's 1.35%), with declines across the board. Deflation continued in ores & minerals (-2.6% from -3.0%) and food products, beverages, tobacco and textiles (-0.14% from -0.43%). **In the full year 2024, average wholesale prices accelerated:** clocking in 2.93% (vs 2023: 0.9%), with the surge driven by "other transportable goods" (7.16% from 1.55%).
- The Saudi minister of investment disclosed that **571 global firms had moved their regional headquarters to Saudi Arabia**, exceeding the Vision 2030 target: a large number were industrial firms, and "most" were opening in the King Abdullah Financial Centre in Riyadh. He also stated that manufacturing industries had seen investments to the tune of SAR 142bn in Q1-Q3 2024.
- **Saudi Arabia revealed 15 new incentives under the Authorized Economic Operator program** to boost competitiveness in exports and logistics. The program includes access to industrial land, with long-term leases of up to 30 years, streamlining procedures for investors and further financial support through the Saudi Industrial Development Fund.
- **Saudi Arabia plans to invest SAR 120mn (USD 32mn) in mining incentives this year** to support firms in the sector, from SAR 70mn injected in 2024, according to the deputy minister for mining development.
- **Saudi Arabia's stock exchange launched its Fixed Income Market Making Framework** with an aim to boost secondary market liquidity and activity. Market makers are required to be members of the Saudi Exchange.
- **Saudi real estate price index increased by 1.6% qoq and 3.6% yoy in Q4**, according to the General Authority for Statistics, with the growth driven by the commercial (+5% yoy) and residential (+3.1%) real estate sectors. Within residential real estate, villa prices jumped 2.4% qoq and 6.5% yoy.
- **Saudi Arabia's development fund might invest more than USD 100mn in Pakistan's mining infrastructure**, disclosed the Saudi minister of investment. Investment in the infrastructure will support and be beneficial to the investment by Manara Minerals (a JV between PIF and miner Ma'aden) in Pakistan's Reko Diq mine.
- **Ports in Saudi Arabia handled a total of 320.78mn tonnes of cargo in 2024**, up 14.45% yoy, according to the Saudi Ports Authority. Saudi Arabia also climbed to 15th in the global ranking for container handling, as per the 2024 Lloyd's List, with 3 Saudi ports in the top 100.
- **Saudi newspapers reported that the government has plans to encourage unproductive public sector employees to resign** in return for cash incentives (of nearly SAR 12.7bn for a three-year plan). **Public sector wages account for nearly 44% of the 2025 budget.**

UAE Focus

- **UAE signed CEPAs with Kenya, Malaysia and New Zealand last week.**
The UAE-New Zealand trade deal will remove duties on 98.5% of New



Zealand's exports while discussions with Malaysia also included potential investments in data centres and artificial intelligence, according to UAE's trade minister

- **Kenya initiated discussions with the UAE to secure funding for its regional railway** - to extend the Standard Gauge Railway to connect Kenya, Uganda and South Sudan – after Beijing withdrew financial support, and a feasibility study will be carried out by both parties. The country is also finalising a USD 1.5bn commercial loan from the UAE and signed a CEPA to remove trade barriers and promote investments.
- **UAE's Masdar signed a USD 15bn renewable energy deal with Philippines** with an aim to provide up to 1 GW of clean power by 2030 via the development of solar, wind and battery energy storage systems. Philippines, with had a 22.8% clean energy share in 2022, plans to raise this to 35% and 50% by 2030 and 2040 respectively.
- **Ras Al Khaimah posted a record high 1.28mn overnight arrivals in 2024**, allowing for tourism revenue to rise by 12% yoy. The emirate aims to attract 3.5mn annual visitors by 2030.
- **Sharjah approved a draft law on extractive and non-extractive natural resources corporate tax**; the framework aims to raise public revenues to support development projects.
- **Tenders have been issued for the design and construction of civil works and station packages for the high-speed rail link between Dubai and Abu Dhabi**. The Abu Dhabi-Dubai rail link will be operational by 2030, and plans are for it to be extended to other emirates later.
- A bourse filing revealed that Abu Dhabi sovereign wealth fund **ADQ plans to launch a takeover offer for Aramex**, in a bid to boost its logistics holdings. The offer (for which no timeline was provided) values Aramex at AED 4.39bn.
- **UAE, in partnership with Italy and Albania, plans to build a EUR 1bn (USD 1bn) subsea connection to import renewable energy** across the Mediterranean region.
- **Brazil and UAE signed an MoU for exploration of "strategic" minerals**, essential to the green energy transition. UAE is currently Brazil's second-largest trade partner in the Middle East, with bilateral non-oil trade more than USD 2.64bn in H1 2024.
- **UAE plans to construct a solar energy storage plant**: at an estimated cost of USD 6bn, the project will be a partnership between Masdar and Emirates Water & electricity Company.
- **Pakistan's central bank disclosed that UAE rolled over two deposits of USD 1bn each**, maturing this month, **for another year**.

Media Review:

Economic Consequences of a Trump Presidency Redux – oped in CNN Business Arabic (in English & Arabic)

<https://nassersaidi.com/2025/01/15/economic-consequences-of-a-trump-presidency-redux-op-ed-for-cnn-business-arabic-14-jan-2025/>

<https://cnnbusinessarabic.com/article/1110449/رأي-وتحليل-النداءات-الاقتصادية-لعودة-ترامب>

IMF WEO Jan 2025 update

<https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>



<https://www.imf.org/en/Blogs/Articles/2025/01/17/as-one-cycle-ends-another-begins-amid-growing-divergence>

WEF Global Risks Report 2025 & Chief Economists Outlook report

https://reports.weforum.org/docs/WEF_Global_Risks_Report_2025.pdf

<https://www.weforum.org/publications/chief-economists-outlook-january-2025/>

Egypt rushes to catch up on solar energy as gas prices soar

<https://www.reuters.com/business/energy/egypt-rushes-catch-up-solar-energy-gas-prices-soar-2025-01-13/>

