



Weekly Economic Review by UAE (DUBAI) Chapter of ICAI

(For internal circulation to members only)

Week ending November 2, 2019

	Current Week	Previous Week	% Change		Current Week	Previous Week	% Change
DFM	2,746.93	2,784.11	-1.34%	USD/INR	70.76	70.85	-0.13%
ADX	5,107.76	5,163.09	-1.07%	EUR/USD	1.1165	1.1078	+0.79%
SENSEX	40,165.03	39,058.06	+2.83%	USD/JPY	108.17	108.64	-0.43%
NIFTY	11,890.60	11,583.90	+2.65%	USD/CNY	7.0368	7.0647	-0.39%
DOW	27,347.36	26,958.06	+1.44%	Gold	1,513.55	1,504.33	+0.61%
NASDAQ	8,161.17	8,029.22	+1.64%	US 10-year	1.7280	1.8010	-4.05%
S&P 500	3,066.91	3,022.55	+1.47%	Crude - Brent	61.69	62.02	-0.53%

UAE and other GCC countries announce reduction in the policy interest rate

- The Central Bank of UAE (CBUAE) and other leading central banks across the GCC cut their key interest rates late on Wednesday following the lead from the US Federal Reserve, which cut interest rates for the third time this year in a move to boost the flagging economic growth.
- GCC central banks in general follow the Fed's monetary policy lead to maintain exchange rate stability in their respective countries.
- Saudi Arabia, UAE and Bahrain, whose currencies are pegged to the US dollar, have announced rate cuts. The CBUAE said on Wednesday that it was cutting interest rates applied on the issuance of certificates of deposits by 25 basis points. The central bank also said the repo rate for borrowing short-term liquidity had been cut by 25 basis points.
- Usually Kuwait tends to diverge from the Fed policy cuts to some extent because of its currency's peg to a basket of currencies rather than a direct peg to the dollar. But because of the dominance of the dollar in the currency bracket, Kuwait too can't diverge its policy rates for too long. Kuwait cut its discount rate by 25 basis points to 2.75 per cent from 3 per cent after staying put in July and September when other major Gulf central banks cut rates.
- The Saudi Arabian Monetary Authority (SAMA) has decided to lower the repo rate by 25 basis points from 2.5 per cent to 2.25 per cent and the reverse repo rate by 25 basis points from 2 per cent to 1.75 per cent with immediate effect.

Du profit falls 13.5% amid pressure on mobile revenues

- Emirates Integrated Telecommunications Company (du), the UAE-based telecom provider, reported on Wednesday a 13.5 per cent decline in its net profit for the third quarter of 2019 as revenues slid.



- The company's profits reached Dh381 million, down from the Dh441 million recorded in the third quarter of 2018. This brought profits in the first nine months of this year to Dh1.29 billion, down 7.9 per cent year-on-year.
- The drop came as revenues for the past quarter fell by 7.9 per cent to Dh3 billion, and fell by 6.2 per cent for the first nine months to Dh9.4 billion.
- This was amid a decline in the number of mobile subscribers by 10.6 per cent, as the number of fixed line subscribers only rose by 1.5 per cent. The decline in customer numbers was reflected in a 9.8 per cent decrease in mobile revenues, while the inch up in fixed line subscribers of 1.5 per cent resulted in a 7.7 per cent jump in fixed revenues.

Emirates NBD profits jumps 63% to \$3.4bn

- Emirates NBD delivered a strong set of results with net profit up 63% year-on-year to Dh12.5 billion (\$3.4 billion) for the first nine months of this year.
- The results include a Dh4.4 billion impact from the Network International transaction. Post DenizBank acquisition, core operating profit grew 5% y-o-y, supported by a 17% increase in net interest income on loan growth and a 31% increase in non-interest income from higher foreign exchange and credit card income, the bank said.
- The bank has also recently announced a rights issue to further boost its capital ratios. The bank is seeking to raise AED 6.45bn from a rights share offering.

ADCB's Q3 profits drop 13%

- Abu Dhabi Commercial Bank, which formally merged with two other banks this year, on Sunday reported a 13% drop in third-quarter 2019 net profit as lower interest income impacted the bank's bottom line.
- ADCB made a net profit of AED 1.41 billion (\$383.93 million) in the three months ending Sept. 30, compared with AED 1.62 billion during the same period last year.

FPIs invested over Rs 3,800 crore into Indian markets in October

- Indian capital markets witnessed a net inflow of over Rs 3,800 crore by foreign portfolio investors (FPI) in October so far. This came after the Government had taken steps to revive domestic demand coupled with positive global cues.
- The depositories data showed that overseas investors pumped in a net amount of Rs 3,769.56 crore into equities and Rs 58.4 crore in the debt segment, taking the total net investment to Rs 3,827.9 crore in this month so far.
- FPIs have been net buyers for the second consecutive month. In September, FPIs invested a net Rs 6,557.8 crore in the domestic capital markets (both equity and debt).
- Investment in September had come following net outflows in July and August.



- Going forward, FPI flows will be influenced by how the economy performs and how soon corporate earnings recover. The United States (US) Fed's monetary stance and global liquidity will be crucial in determining FPI flows. The further progress in US-China trade deal would also help the inflow in the emerging market as investors would encourage to take risk-on trade.

World Bank to continue with \$6bn annual lending support to India

World Bank President David Malpass on Saturday said the multi-lateral funding agency will continue with \$ 6 billion lending target for India. As many as 97 projects are being currently executed with loan assistance from the World Bank.

Saudi Aramco to keep 4.6 million barrels of oil in Indian storage

- India will lease a quarter of its strategic petroleum reserve in Padur to Saudi Aramco to store about 4.6 million barrels of oil, a government official said on Wednesday, as New Delhi seeks global investment in its expanding energy infrastructure.
- Indian Strategic Petroleum Reserves Ltd, a government company charged with building oil storage, signed a memorandum of understanding with the Saudi state firm for its participation in the 2.5-million-tonne facility in Karnataka state.
- The Padur storage facility has four equal sized compartments. Aramco has signed an MoU for only one compartment.
- So far, Abu Dhabi National Oil Co is the only foreign company storing oil in India's strategic reserves, at Mangalore, also in Karnataka. Last year it signed a preliminary agreement to use half of the Padur reserve.
- India, which relies on imports for about 80% of its oil needs, has underground emergency storage in three locations to protect against any supply disruption. The reserves can hold 36.87 million barrels.

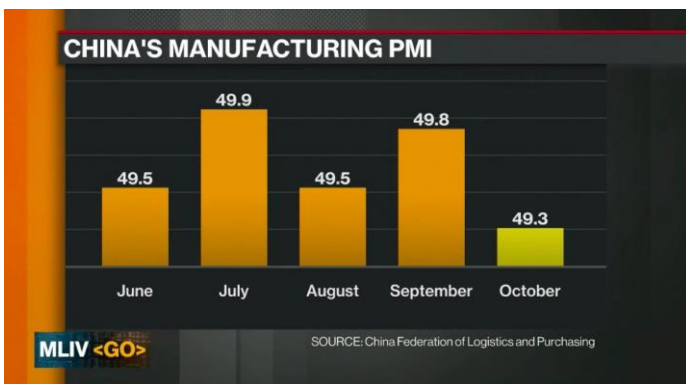
India's GST collection in October – paints mixed picture

- Central and state governments collected ₹95,380 crore in October in Goods and Service Tax (GST), an improvement month-on-month but failed to measure up to what was collected in the same month a year ago, according to official data released on Friday. This is the second consecutive month when GST collection was down on a year-on-year basis since the indirect tax regime was implemented in July 2017.
- As per a finance ministry statement, total GST revenue of central and state governments in October was 3.8% above the INR 91,916 crore mopped up in September but 5.3% less than the INR 1 trillion collected in the year-ago period. The year-on-year decline in GST receipts is indicative of sluggish demand amid an economic slowdown.



China's factory activity shrinks at sharper pace, services weaken as risks grow

- Factory activity in China shrank for the sixth straight month in October and by more than expected, while service sector growth eased as firms grapple with the weakest economic growth in nearly 30 years.
- The Purchasing Managers' Index (PMI) fell to 49.3 in October, China's National Bureau of Statistics said on Thursday, versus 49.8 in September. The 50-point mark separates growth from contraction on a monthly basis.
- New export orders fell for the 17th month in a row in October, with the sub-index down to 47.0 from 48.2 in the previous month.





EU agrees Brexit extension to 31st January

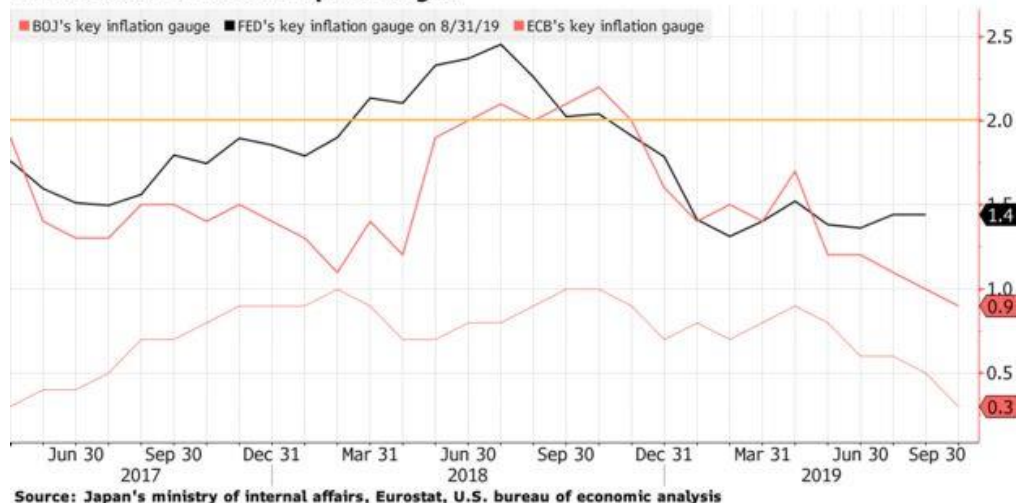
- The European Council president, Donald Tusk, announced on Monday that, it has agreed to extend Brexit until 31st January 2020. He said in a tweet that, the council would allow for a so-called “flexextension” – meaning the UK could leave before the deadline if a deal was approved by Parliament.
- It comes as UK MPs prepare to vote on proposals by the PM, Boris Johnson for an early general election on 12th Dec.

Bank of Japan keeps policy steady, hints of rate cuts to come

- The Bank of Japan kept monetary policy steady on Thursday as expected but gave the strongest signal to date that it may cut interest rates in the near future, underscoring its concern that overseas risks could derail a fragile economic recovery.
- BOJ Governor Haruhiko Kuroda said the central bank still had room to take already negative rates even lower to prevent global uncertainties from hurting the world’s third-largest economy.
- The decision came hours after the U.S. Federal Reserve lowered rates again but signalled a pause in further cuts unless the economy took a turn for the worse.

BOJ Lags Behind

BOJ remains far from 2% price target



Euro zone third quarter growth steady, inflation slows on cheaper energy

- Euro zone economic growth in the third quarter defied market expectations of a slowdown and was steady quarter-on-quarter, preliminary data showed on Thursday, while headline inflation slowed because of a sharp fall in energy prices.
- The European Union’s statistics office Eurostat estimated gross domestic product in the 19 countries sharing the euro grew 0.2 percent in the July-September period against the previous three months, the same as in the second quarter.



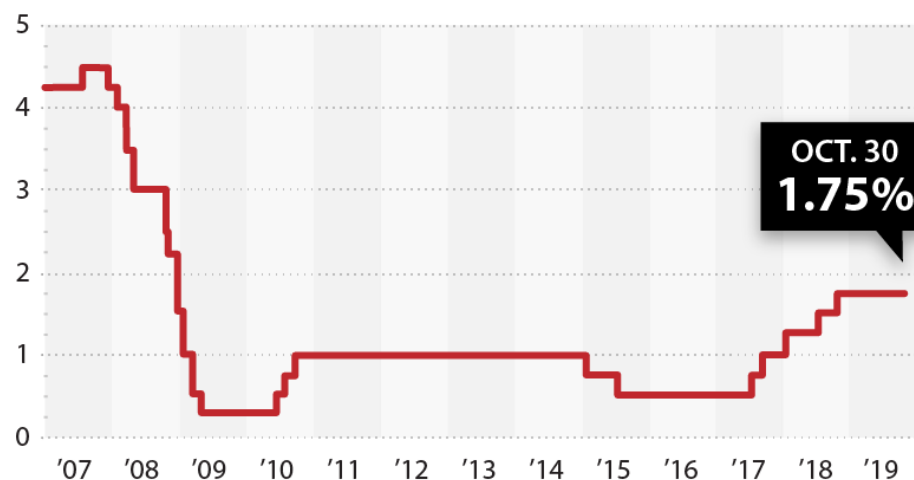
- Separately, Eurostat said euro zone consumer prices rose 0.7 year-on-year percent in October, down from 0.8 percent year-on-year in September.
- The European Central Bank wants to keep inflation below, but close to 2% over the medium term, but despite years of quantitative easing and negative interest rates it has failed to bring price growth closer to its target.
- The slower inflation in October was mainly due to a sharp drop in energy prices. Without that volatile component and excluding also unprocessed food prices, inflation was stable at 1.2%.

Bank of Canada holds rate at 1.75%

- The Bank of Canada (BOC) kept its key interest rate on hold in a decision that positions the country as an exception among advanced economies already responding to the weakening world economy.
- BOC has kept the rate unchanged at 1.75% for an eight-straight meeting. BOC Governor Stephen Poloz said his governing council discussed the possibility of implementing an “insurance” cut to counter global economic headwinds but decided against it because of the potential costs to such a move. These include driving up inflation already at the central bank’s 2% target and fuelling household debt levels that are among the highest in the world.

KEY OVERNIGHT INTEREST RATE

A look at the Bank of Canada’s trend-setting overnight rate:



SOURCE: BANK OF CANADA

THE CANADIAN PRESS

US economy grew at 1.9% in Q3

- Gross domestic product increased at a 1.9% annualized rate in the third quarter, also as businesses maintained a steady pace of inventory accumulation and the housing market



rebounded after contracting for six straight quarters, the government said in its advance estimate of GDP.

- The economy grew at a 2.0% pace in the April-June period. Economists estimate the speed at which the economy can grow over a long period without igniting inflation at between 1.7% and 2.0%.
- The Trump administration's trade war with China has eroded business confidence, contributing to the second straight quarterly contraction in business investment.
- Business investment fell at a 3.0% rate in the third quarter, the sharpest contraction in more than 3-1/2 years, after falling at a 1.0% rate in the second quarter. It was pulled down by declines in spending on equipment and non-residential structures.

Fed cuts rates for third time in a row, but signals a pause

- The Federal Reserve cut its policy rate by 0.25% for the third time in a row this year but signalled that it has finished easing policy for the time being, pending clearer economic data.
- The US Central Bank said on Wednesday that uncertainty on the economic outlook justified its new cut, but Chairman Powell said at a post meeting press conference that a preliminary US-China trade deal had the potential to increase business confidence.
- After a two-day meeting in Washington, the FOMC also made two changes to the language of its monetary statement. It said it would "assess the appropriate path" for rates instead of saying it would "act as appropriate to sustain the expansion."
- The statement also said the Fed would "continue to monitor the implications of incoming information". The changes suggest the Fed does not plan to cut again in December.
- The cut and the signal that the Fed will now pause its easing, come as the central bank is eager to ensure that it has room to act when an economic slowdown materialises in the US. It is weighing actual data against the fears of what political uncertainty and a global slowdown could do.

US Nonfarm payrolls increases

- The Labour Department's closely watched monthly employment report on Friday came on the heels of data this week showing a further slowdown in economic growth in the third quarter as a trade tensions-induced slump in business investment deepened.
- Nonfarm payrolls increased by 128,000 jobs last month, better than expectation of 89,000. Manufacturing shedded 36,000 positions - the most since October 2009, the government's survey of establishments showed. The unemployment rate ticked up to 3.6% in October as expected. Annual wage inflation, as measured by average hourly earnings, also stayed unchanged at 3%.
- The data for the month of September was revised to 180,000 from an earlier release of 136,000.



What to expect in coming week?

Date	Country / Region	Event
4 th Nov	UK	Construction PMI
	US	Factory Orders
5 th Nov	Australia	Reserve Bank of Australia policy meeting
	US	Trade Balance, ISM Non-manufacturing orders
7 th Nov	UK	Bank of England policy meeting
8 th Nov	Canada	Labour market data

Compiled & Researched by: CA Shantanu Ghate

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