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QFMA issues new rules for dividend distribution to listed firms' shareholders

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GULF TIMES
BUSINESS

CYCLICAL SLOWDOWN: Page 2

Dubai's record home prices may start to fall by end of 2024, says S&P

QIB returns to global debt market; $500mn sukuk oversubscribed 6.6 times on high demand

Qatar Islamic Bank (QIB), the largest Islamic lender in Qatar, has returned to global capital markets with a $500mn sukuk, which was oversubscribed 6.6 times, indicating high demand from investors in Europe, Asia and the Middle East.

The bank's five-year sukuk, which carries a profit rate of 5.581%, equivalent to 115 basis points (bps) over the benchmark US treasury rate, shows international investors' confidence in the bank and in Qatar's economy.

QIB effectively reopened the international market for other Qatari entities, being the first bank issuer from Qatar to access the dollar market via a public issue since July 2021.

The transaction was met with strong demand, culminating an orderbook size in excess of $3.3bn from more than 160 regional and international investors.

The oversubscription rate represents the highest orderbook for a senior sukuk since June 2020.

The strong investor appetite for the sukuk allowed QIB to tighten pricing to 115bps over the benchmark rate from initial price thoughts of 155bps, a move of 40bps, which is rarely seen in the market and is reflective of the strength and quality of the orderbook, said a spokesman of QIB.

The final pricing level of US Treasury Rate +115bps is substantially lower than where all Qatari banks papers is currently trading in the secondary market.

In addition, 53% of the sukuk was placed outside the GCC (Gulf Co-operation Council) region with UK/European, Asian, US offshore and supranational investors, marking another notable distinction on the deal.

"QIB is very pleased with its successful return to the international capital markets. Our deal highlights the confidence placed by international and regional investors in the bank's strategy and credit story and also showcases the large and broad investor following that Qatar enjoys," its chief executive officer Bassel Gamal said.

Highlighting that it is the first Qatari bank to access the US dollar public market in over two years, he said "the exceptional investor demand helped us achieve a record over-subscription and enabled us to price the deal inside our curve."

QIB is rated 'A1' by Moody's and 'A-' by Fitch. The sukuk was issued as a drawdown under QIB's $5bn Trust Certificate Issuance Programme and will be listed on Euronext Dublin.

HSBC and Standard Chartered Bank acted as joint global co-ordinators along with Bank ABC, Dukhan Bank, KFH Capital, MUFG, QInvest, QNB Capital, SMBC Nikko, The Islamic Corporation for the Development of the Private Sector as joint bookrunners and joint lead managers.

QIB effectively reopened the international market for other Qatari entities, being the first bank issuer from Qatar to access the dollar market via a public issue since July 2021.

QNB named 'Best Wealth Manager Servicing in Qatar' 2023 by WealthBriefing

QNB Group has been selected as 'Best Wealth Manager Servicing in Qatar' at the 10th Annual WealthBriefing Mena Awards 2023.

The prestigious award is a testament to the bank's standing as the leading wealth management institution in Qatar and marks its dedication to creating sustainable investment solutions and customised advisory services to empower its affluent customers to strategically manage their wealth and secure their financial future.

It also recognises QNB's efforts to develop a leading platform of investment instruments covering equity, fixed income, structured products, real estate and commodity investments to help clients build and grow their wealth, according to their return objectives and risk profile.

Adel Khashabi, senior executive vice-president, QNB Group Asset and Wealth Management, said: "We are thrilled with this new recognition that celebrates our position at the top of the private banking sector and underlines our investment expertise to achieve the highest return for our clients.

The prestigious award is a testament to QNB Group's standing as the leading wealth management institution in Qatar and marks its dedication to creating sustainable investment solutions and customised advisory services to empower its affluent customers to strategically manage their wealth and secure their financial future

"We see this award as a tribute to our strong record in successfully serving our clients with state-of-the-art solutions and products and catering to their investment needs. We look forward to offering our clients customised investment opportunities while fostering excellence and innovation."

The WealthBriefing Mena Awards recognise outstanding organisations, which have demonstrated innovation and excellence. Each of these awards is highly contested and is subject to a rigorous process of selection.

Through its subsidiaries and associate companies, QNB Group extends to 28 countries across three continents providing a comprehensive range of advanced products and services. The total number of employees is more than 30,000 operating through 900 locations with an ATM network of more than 4,800 machines.

QatarEnergy is 'platinum sponsor' of Made in Qatar 2023 exhibition

Qatar Chamber and QatarEnergy have signed a platinum sponsorship agreement for the ninth edition of the Made in Qatar exhibition, which is slated from November 29 to December 2 at the Doha Exhibition and Convention Centre (DECC).

The partnership agreement was signed by Hussain Yousef al-Abdulghani, director of the Administrative and Finance Department at Qatar Chamber, and Lolwa Khalil Salat, manager of Public Relations and Communication at QatarEnergy.

Held under the patronage of His Highness the Amir Sheikh Tamim bin Hamad al-Thani, the Made in Qatar exhibition is organised by the Qatar Chamber, in co-operation with the Ministry of Commerce and Industry (MoCI).

On this occasion, al-Abdulghani expressed his gratitude to QatarEnergy for sponsoring the exhibition, praising its vital role in the national economy and its commitment to promoting and supporting the Qatari industry. He emphasised that this sponsorship aligns with Qatar's crucial role in meeting the world's growing energy needs, especially in liquefied natural gas (LNG), which has positioned Qatar as a leading provider on the global LNG map.

Al-Abdulghani highlighted the exhibition's role in promoting the Qatari industry and enhancing relations among business owners and industry leaders. He expressed hope that the exhibition would significantly contribute to the further development of the industrial sector, especially for small and medium-sized enterprises (SMEs).

The exhibition will feature the participation of 450 companies and factories, including 92 new factories, providing a platform to showcase the experiences of leading companies, the chamber said in a statement.

Hussain Yousef al-Abdulghani, director of the Administrative and Finance Department at Qatar Chamber, and Lolwa Khalil Salat, manager of Public Relations and Communication at QatarEnergy, during the signing ceremony held recently.

Qatar participates in 14th Bosphorus Summit in Istanbul

Qatar participated in the 14th Bosphorus Summit, which took place recently in Istanbul, under the theme 'Navigating the Next Century: Challenges and Promises'.

Qatar's delegation was headed by HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Thani.

HE Sheikh Mohamed expressed his pleasure at participating in the influential assembly during his speech at the summit. He stressed the summit's significance as a leading global forum that brings together leaders, experts, and stakeholders to share ideas and provide invaluable insights across various fields.

He also underscored its importance as an international platform fostering collaboration and disseminating best practices, in line with the shared goal of advancing stability and fostering prosperity on a global economic level.

Sheikh Mohamed highlighted that the Bosphorus Summit took place amidst a period defined by an array of challenges that bear substantial consequences for the global economy, including the critical issues of the food security crisis and climate change.

He also underscored Qatar's active participation in the summit, emphasising its commitment to establishing strategic partnerships with countries worldwide.

This dedication extends to promoting initiatives aimed at fostering a sustainable global economy through the development of new international alliances and strengthening multilateral cooperation, he said. The summit plays a crucial role in embracing critical perspectives and visions necessary for the economic progress of nations. These initiatives are essential for empowering economies to effectively tackle the pressing challenges of the modern world, Sheikh Mohamed said.

In his address, Sheikh Mohamed highlighted the strategic initiatives undertaken by the country as outlined in the Qatar National Vision 2030. Those initiatives aim to connect the advancements in science and technology for a transformative impact, steering towards a more promising future.

He also underscored the notable progress achieved over the past two decades, with the country experiencing substantial infrastructural development and robust growth across diverse industries. This trajectory has positioned Qatar among the strongest economies globally, Sheikh Mohamed emphasised.

In alignment with the government's vision to position Qatar as a hub for digital innovation, Sheikh Mohamed stated that numerous initiatives have been initiated across various sectors. The overarching objective is to facilitate technological advancements, elevating their contribution to overall growth and sustainability.

HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Thani addressing the 14th Bosphorus Summit in Istanbul.

Sheikh Mohamed also explained that Qatar has placed significant emphasis on digital security and cybersecurity. On a domestic scale, Qatar established the National Cybersecurity Agency. Qatar is also actively committed to encouraging global co-operation and serves as an active member of the Global Cybersecurity Forum.

HE Sheikh Mohamed also hoped for the achievement of the summit's goals and expressed the belief that its outcomes would facilitate improved economic and trade collaboration among the nations involved, thereby making significant contributions to shared initiatives.

Throughout its course, the summit's sessions and seminars covered several significant issues. It included an exploration of the prospects for the next century, considerations on climate and the green economy, conflict resolution strategies, the dynamics of the Arab-Turkish dialogue, the Belt and Road initiative, developments in banking and financial services, defence industries, and cybersecurity, as well as discussions on infrastructure and urban development investments.

Bloomberg QuickTake Q&A

RTO? WFH? Why post-Covid work norms are so confusing

By Matthew Boyle and Jo Constantz

As the Covid pandemic fades into the past, many things have returned to normal. The world of work has not. Companies, employees and governments are still figuring out how to adapt to lasting changes to corporate life sparked by widespread lockdowns that put millions onto a Work From Home (WFH) schedule. At stake worldwide aren't just norms for office life but the economic health of big cities as well, particularly in the US.

1. What's been happening?

The so-called Return to Office (RTO) has not played out evenly across continents, industries or types of work, creating patchwork patterns within countries as well as around the globe. Rates of remote work stayed higher in the US as the pandemic eased than in other regions, but even there more than half of American workers toil in settings such as factories, restaurants or stores where it's not an option. In some sectors, a slowdown in hiring from the frenetic pace of 2021 appears to be giving bosses who want workers back in the office more leverage.

2. What are the regional variations?

As measured by office occupancy, the highest rates of RTO were found in Asia, where levels of Covid infection remained low in 2020 and 2021, meaning fewer people spent long periods working remotely. Europe was close behind, while the Americas lagged, a reflection of the widespread adoption of hybrid schedules by white-collar workers there. Using a broader measure, paid full days worked at home, English-speaking nations have topped the global list, with the UK reporting one of the highest rates of remote work. France had one of the lowest.

3. Why the differences?

Workers in Europe and Asia appear to be more concerned about missing out on social connections than Americans. In Germany, 43% of the workforce spends four days a week or more in the office, according to a survey by workplace design firm Unispace. China's high rates of office attendance are attributable in part to its so-called 996 culture, which refers to a norm in some fields of working from 9am to 9pm, six days a week. Loyalty to employers is also more steadfast in places such as Japan and South Korea than, say, in the US. And the US has a higher proportion of so-called knowledge workers able to log in from anywhere.

4. Is it all about geography?

No. Women place a higher average value on working from home than men do in all but a few countries, according to Stanford University economics professor Nicholas Bloom. The same is true for those with more education. And some trends reflect specific work cultures: Wall Street banks have pushed hard to get workers into the office for three days every week or more, while Japan's largest lenders haven't.

5. Has there been conflict over RTO?

In the US in particular, there's been a steady push and pull between employers and employees. During 2023, many companies gradually upped their RTO requirements; over 1mn workers faced tougher new policies that took effect after Labor Day, the traditional end of summer vacation season. Workers staged public protests against the policies at companies including Amazon.com, Starbucks and Disney. But the number of households with someone working remotely fell to 26% by the start of October, from 37% in early 2021, according to Census Bureau data.

6. What rights do workers have over remote work?

Enforceable legal rights to work remotely are scarce, but in Europe, policymakers have taken steps to promote more flexible arrangements. In April 2023, a law went into effect in Ireland that requires employers to consider employee requests to work remotely based on both parties' needs. If employers say no, they must provide reasons in writing. The UK adopted a similar measure that will take effect in 2024, while Dutch legislators rejected the idea. In the US, the government has not taken a stand, but workers suing for the right to work remotely as a "reasonable accommodation" under the Americans With Disabilities Act have succeeded more often since the pandemic arrived than before. According to a Bloomberg Law analysis, employees won about 40% of such cases in federal court in the two years before July 2023, up from about 30% in a two-year period before the pandemic.

7. What's the impact of these shifts?

The effects on productivity are hotly debated but still unclear, and some labour experts argue that any possible gains for employers could be offset by a drop in worker retention rates. The shifts have without question upended the commercial real estate market, where empty offices and the fastest pace of interest-rate hikes in a generation are leading to a debt crisis among some landlords. A McKinsey report in July 2023 estimated that between $800bn and $1.3tn may be wiped out from the value of office buildings in what it called the world's nine superstar cities, with San Francisco and New York being hardest hit.

A general view of the Burj Khalifa and the downtown skyline in Dubai. The emirate has long been known for sharp booms and busts in the property market, with one of its most dramatic downturns coming in 2009, when a debt fuelled real estate crash left some of its largest developers on the brink of bankruptcy.

Dubai's record home prices may start to fall by end-2024: S&P

Bloomberg
Dubai

Dubai's record property prices are expected to start easing by the end of next year and slightly reverse by 5% to 10% in the next 12 to 18 months, according to S&P Global Ratings.

"We do think the risk of a cyclical slowdown and potentially a mild reversal are increasing over the next 12 to 18 months," Tatjana Lescova, S&P's associate director of corporate ratings, said at an event on Wednesday. "All the global economic uncertainty could affect the demand in Dubai."

Although prices are expected to increase a further 15% to 18% this year and then by another 5% to 7% next year when the market gradually slows down, according to S&P.

Dubai's property market recently broke a decade-long record for home sales, while rental rates have jumped to unprecedented levels. The rebound from a seven-year slump has been fuelled by an influx of wealthy investors such as Russians seeking to shield their assets, crypto millionaires and rich Indians seeking second homes. The government has also relaxed visa laws and introduced permits for job seekers and freelancers.

Still, Dubai has long been known for sharp booms and busts in the property market, with one of its most dramatic downturns coming in 2009, when a debt fuelled real estate crash left some of its largest developers on the brink of bankruptcy.

Signs of Stress

Although the property boom is continuing for now with sales surpassing 2022 levels in the first 10 months of this year, some signs of stress are starting to appear, according to Lescova who covers three Dubai developers with a combined market share of around 50%.

"Buyers are downsizing a little bit" with the average property size shrinking due to the rising prices, she said. "You have the high net worth individuals who can afford multiple and multi-million properties, but the bulk of the market is coming to a certain limit in terms of purchasing power as property becomes expensive." Lescova said developers are starting to respond by planning new projects with smaller homes such as studios and one bedroom apartments to accommodate buyers with lower budgets.

S&P expects developers to deliver 40,000 homes in Dubai this year and similar numbers in 2024 and 2025. That's high when compared with historic levels at between 15,000 to 30,000 homes. This could also put pressure on the market but the saturation of the market could be delayed if more people keep moving to the city, Lescova said.

Still, the ratings agency expects developers to remain resilient in the face of a slowing market after years of strong sales and higher profit helped reduce debt.

"We don't expect the ratings to change quickly," Lescova said. "Over the past few years, developers have been able to significantly improve their financial health" with moderate levels of debt currently meaning their ratings can tolerate higher leverage, she added.

Egypt gets $625mn boost from this year's biggest asset sale

Bloomberg
Cairo

Egypt completed its biggest single asset sale this year by offloading about 30% of the country's largest tobacco company for $625mn, part of a privatisation push aimed at raising sorely needed hard currency.

The Public Enterprise Ministry said on Thursday that United Arab Emirates-based Global Investment Holding had bought 699mn shares at 24.52 Egyptian pounds apiece, totalling 16.4bn pounds. That amount was payable in US dollars at the exchange rate in effect on the day before the sale was finalised.

An additional 2.93bn pounds was to be paid in dollars, bringing the total value of deal to 19.34bn pounds, or $625mn, the ministry said in a statement. Under the pact, the funds must be transferred from abroad in dollars.

Egypt's stock exchange earlier on Thursday reported a block trade for 699mn Eastern shares, but didn't identify the buyer. The ministry said the deal's overall value was equivalent to 28.9 pounds a share, or about 3.4% higher than the stock's closing price on Thursday.

The fundraising by Egypt has shifted into higher gear as it faces its worst foreign currency crunch in decades. The government separately tapped Asian capital markets in recent weeks with bond sales in China and Japan.

The state asset sale programme is a key part of a broader plan to revamp the economy, as the International Monetary Fund pushes authorities to make good on an earlier promise to implement a more flexible exchange rate regime.

Although the IMF provided Egypt with a $3bn loan, the Washington-based lender has yet to conduct several programme reviews that would unlock other tranches and pave the way for an expected fourth devaluation of the pound.

Egyptian authorities have devalued the currency three times since March 2022, roughly halving the pound's value and sending local prices soaring.

The government in early September said it had agreed to sell the stake to Global for $625mn. Officials also said that company would provide $150mn for the purchase of raw materials for manufacturing.

UAE green energy firm is seeking Europe and US deals to boost output

Bloomberg
Dubai

The biggest green energy company in the United Arab Emirates is targeting deals in Europe and the US to more than double gross generating capacity to 100 gigawatts by the end of the decade.

While the Middle East will remain Masdar's largest market, the focus is on the more mature regions for solar and wind power, Chief Operating Officer Abdulaziz Alobaidli said in an interview this week. First on the list is a "transformative" acquisition in Europe, but he declined to say how much money the firm has allocated on growth.

"This is one of the largest markets," Alobaidli said. "If you want to be a key player, you have to increase your portfolio."

Masdar is leading the country's push for renewables as the UAE became the first Middle Eastern oil producer to declare a target to reach net zero carbon emissions by 2050. Its chairman, Sultan al-Jaber, is also the president of the COP28 climate summit that kicks off in Dubai later this month.

Masdar is jointly owned by Abu Dhabi sovereign wealth fund Mubadala Development Co, the country's largest utility Abu Dhabi National Energy Co, known as Taqa, and government-owned oil producer Abu Dhabi National Oil Co. After Taqa and Adnoc bought into Masdar last year and combined their renewable energy portfolios, the firm held stakes in solar and wind projects of more than 20 gigawatts.

The company is well on its way to doubling that capacity by the end of this year, Alobaidli said, without disclosing how many gigawatts the company currently owns directly or partially. Earlier this year, Taqa said Masdar may spend about $50bn on solar and wind by 2030 to get to at least 100 gigawatts.

In June, Masdar and Taqa began commercial operations at the 2-gigawatt Dhafra solar plant, developed with partners Jinko Power Co and Electricite de France SA's renewables arm. The project in Abu Dhabi was formally inaugurated on Thursday.

Asian LNG buyers pay a Panama chokepoint premium for 2024

Bloomberg
London

The gap between liquefied natural gas prices in Asia and Europe is increasing as tighter restrictions at the drought-stricken Panama Canal threaten to make journeys costlier from mainly US suppliers.

The Asian gas price premium to Europe for summer 2024 has more than doubled since October 30, when the Panama Canal announced that it would further restrict passage, while the winter 2024 spread has also widened. The number of slots available for ships the size of LNG carriers will be reduced by half come January, according to BloombergNEF.

The price move illustrates how drought and rising costs to transit the Panama Canal are already reverberating across energy markets, as well as their vulnerability to maritime choke points. Traders will now be forced to avoid the Panama link and send Asia-bound cargoes from the US and Trinidad & Tobago via the Cape of Good Hope or the Suez Canal, increasing time and shipping costs for the journey.

"The margin for US LNG to the Pacific will keep shrinking, given the longer voyage days and higher shipping cost," said Xi Nan, head of LNG research at Rystad Energy. "East Asia spot price will have to provide a premium to attract US supplies to Asia instead of to Europe."

For example, congestion costs for an LNG cargo from Sabine Pass in the US to Futtsu in Japan surged by $1.5mn from last week, making total spot freight $6.2mn more expensive, data from Spark Commodities show. The figures factor in 29 days of gridlock for a return journey.

The Panama Canal is a vital shipping route for LNG supplies from the US, the world's top exporter, to North Asian nations such as Japan, Korea and China. Authorities are constraining traffic through the waterway as rainfall dropped to the lowest level for October since record-keeping began in 1950.

LNG carriers may be dragged into bidding wars for slots across the canal from next month, BNEF said in a report earlier this week.

From December, container ships will be prioritised over LNG vessels for booking to transit the waterway, according to Rystad's Xi. Meanwhile, LNG shippers are preferring to use the Cape of Good Hope more than any other route, BloombergNEF data show. That will remain so until Asian spot LNG prices rise enough to justify the cost of paying millions of dollars to jump the queue of waiting vessels — on top of the usual canal transit fee

BUSINESS

Wall Street traders are placing all-or-nothing bets on a soft landing

Bloomberg
New York

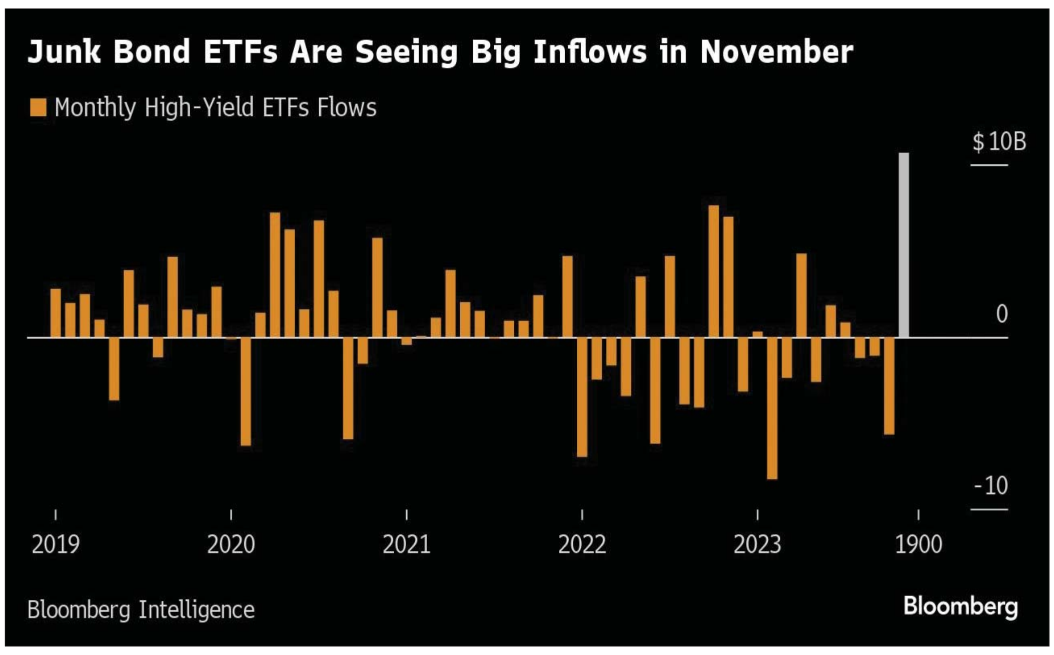
From the weakest borrowers in Corporate America to the abandoned districts of the S&P 500, Wall Street traders are placing fresh all-or-nothing bets that the US economy will survive Jerome Powell's war on inflation.

Small-cap stocks just surged the most versus the broader market since February 2022, while a version of the large-cap benchmark that dilutes the influence of megacaps posted its biggest weekly outperformance since early summer. After money was drained from them for months, funds tracking high-yield bonds have sucked in nearly $11bn. Even Cathie Wood's flagship Ark fund is back en vogue.

Underpinning the revival is a speculative frenzy tied to views that the Federal Reserve can beat inflation without spurring a recession. While soft-landing evidence mounted this week, via a tame consumer-price report as well as strength in retail spending and housing, recent history is littered with examples of similar optimism ending up misplaced.

"It's a pipe dream," says Wells Fargo Investment Institute's Sameer Samana. "Either the economy will re-accelerate and inflation along with it, which will lead to the Fed starting another round of rate hikes and there will be a harder landing later. Or, the soft landing will quickly turn into a broader and deeper economic slowdown."

Investors are growing more certain that the central bank is finished with its historic tightening campaign and are pencilling rate cuts for the first half of next year. The Russell 2000 index of small caps added more than 5%, while automakers and banks rallied. Just as global stock funds saw their second-biggest inflow of the year, according to EPFR Global data, the ARK Innovation ETF (ARKK) had its best week of inflows this year with traders opting for rate-sensitive speculative tech stocks.



After three straight months of outflows, junk-bond exchange-traded funds are on track for their best month of inflows on record, according to data compiled by Bloomberg.

Fueling it is a hope that has surfaced repeatedly during Fed Chair Powell's campaign to subdue consumer prices: That growth may bend but is unlikely to break even as the central bank works to undo stimulus. Since the start of November, data on everything from hiring to consumer sentiment and retail sales have depicted an economy losing vigour but exceeding worst-case forecasts. Third-quarter S&P 500 earnings are on track to rise about 4%, compared with estimates for a 1% decline a month ago.

Still, it's not the first time euphoria pegged to the Fed has arisen to foment gains in economically sensitive corners. Deutsche Bank AG macro strategist Henry Allen points to six instances over the past two years when the Fed was derailed from the dovish pivot market participants were betting on.

Take July of last year when a print showing cooling inflation, along with Powell's comments about slowing the pace of increases, lifted sentiment. That helped spur a double-digit gain for the S&P 500 in the span of a month — only for a hawkish speech at Jackson Hole to fade the gains.

"Some of my concern is how quickly investors have re-allocated the flows," said John Porter, chief investment officer of equities at Newton Investment Management. "The things that they had complete disdain for two or three weeks ago, they're now all in on. It just feels like too rapid of a switch in sentiment."

While risk-on bets have pushed the S&P 500 up three weeks in a row, much of the advance is the result of gains in technology stocks that have proven themselves resistant to the economic cycle. Increases in small caps remain but a blip on longer-term charts showing them down 20% from the start of last year, while financial firms are flat in 2023 and the equal-weight S&P 500 only recently turned positive.

Early stage as the moves may be, money managers on the whole are showing signs of more durable optimism. Almost 75% of investors recently surveyed said a soft landing is their base case for the global economy in 2024, according to a Bank of America Corp poll.

Markets are now pricing in 92 basis points of rate cuts next year, according to the interest-rate swap market, compared with Fed officials' estimating half a point of easing for 2024. That threatens bad surprises for those investors positioned for a sharp easing in monetary policy.

"The lesson of the past few years is that all good investors must be humble in their economic projections," said Lindsay Rosner, head of multi-sector fixed income investing at Goldman Sachs Asset Management.

US housing starts rise moderately; tight supply supporting new construction

Reuters
Washington

US single-family homebuilding increased marginally in October and activity could remain moderate in the near term amid higher mortgage rates, which sent homebuilder confidence tumbling to an 11-month low in November.

Nevertheless, new construction remains supported by an acute shortage of houses on the market, with the report from the Commerce Department on Friday showing permits for future single-family homebuilding rising to the highest level in nearly 1-1/2 years last month. Residential investment rebounded in the third quarter, ending nine straight quarters of decline.

"Homebuilders have an opportunity to capitalise on the low supply of homes on the market," said Jeffrey Roach, chief economist at LPL Financial in Charlotte, North Carolina.

"If mortgage rates move lower in the latter half of next year, we could see some improved demand for residential real estate." Single-family housing starts, which account for the bulk of homebuilding, rose 0.2% to a seasonally adjusted annual rate of 970,000 units last month, the Commerce Department's Census Bureau said. Data for September was revised up to show starts rising to a rate of 968,000 units instead of 963,000 units as previously reported. Single-family homebuilding peaked in May.

Starts surged 12.0% in the Northeast and increased 12.3% in the West, but dropped 4.9% in the densely populated South and fell 0.9% in the Midwest, which is generally considered the most affordable housing region.

A survey on Thursday showed confidence among home builders slumped this month. The National Association of Home Builders noted that builders anticipated lower sales over the next six months, with mortgage rates stuck above 7% since mid-August.

"This suggests that building activity could decline over the winter, especially with loan rates for builders continuing to rise," said Ben Ayers, a senior economist at Nationwide in Columbus, Ohio.

The rate on the popular 30-year fixed mortgage averaged 7.79% in late October, the highest since November 2000, according to data from mortgage finance agency Freddie Mac. It has since retreated following data this month showing the labour market cooling, and averaged a still-high 7.44% this week.

Mortgage rates could grind lower in the weeks ahead as the yield on the benchmark 10-year Treasury note has declined in the wake of inflation-friendly economic data that have left financial markets anticipating an interest rate cut from the Federal Reserve next spring.

US Treasury prices were higher on Friday, with the 10-year yield briefly dropping to a two-month low. The dollar slipped against a basket of currencies. Stocks on Wall Street fell.

Starts for housing projects with five units or more jumped 4.9% to a rate of 382,000 units in October. With a huge stock of multi-family housing under construction and the rental vacancy rate hitting a 2-1/2 high in the third quarter, there is little room for major gains for this housing segment.

Higher rents have played a big part in boosting inflation well above the Fed's 2% target and the large supply of multi-family housing in the pipeline is expected to significantly help tame underlying price pressures next year.

"The big wave of multifamily supply headed toward the rental market increases our conviction that core inflation will slow in 2024, allowing the Fed to reduce interest rates," said Bill Adams, chief economist at Comerica Bank in Dallas.

Overall housing starts rose 1.9% to a rate of 1.372mn units in October. Economists polled by Reuters had forecast starts slipping to a rate of 1.350mn units.

Permits for future construction of single-family homes rose 0.5% to a rate of 968,000 units last month, the highest level since May 2022.

The Qatar Stock Exchange (QSE) Index gained 244.25 points or 2.4% during the week to close at 10,221.48. Market capitalisation moved up 2.1% to reach QR597.6bn compared with QR585.3bn at the end of the previous trading week. Of the 50 traded companies, 39 ended the week higher and 9 ended lower, while two were unchanged. Meeza QSTP (MEZA) was the best performing stock for the week, gaining 10.0%. Whereas, Doha Insurance (DOHI) was the worst performing stock for the week, moving lower 2.0%.

Qatar Islamic Bank (QIBK), Industries Qatar (IQCD) and Masraf Al Rayan (MARK) were the main contributors to the weekly index gain. QIBK and IQCD added 61.64 and 55.85 points to the index, respectively. Further, MARK added another 54.74 points.

Traded value during the week declined 15.0% to QR2,654.4mn from QR3,123.7mn in the prior trading week. Masraf Al Rayan (MARK) was the top value traded stock during the week with total traded value of QR556.4mn.

Traded volume dropped 23.0% to 1,019.4mn shares compared with 1,324.3mn shares in the prior trading week. The number of transactions went down 11.1% to 89,539 vs 100,768 in the prior week. Masraf Al Rayan (MARK) was the top volume traded stock during the week with total traded volume of 223.7mn shares.

Foreign institutions remained positive, ending the week with net buying of QR68.2mn vs net buying of QR118.4mn in the prior week. Qatari institutions remained bullish with net buying of QR9.9mn vs net buying of QR4.4mn in the week before. Foreign retail investors ended the week with net selling of QR0.9mn vs net selling of QR20.1mn in the prior week. Qatari retail investors recorded net selling of QR77.2mn vs net selling of QR102.7mn the week before. YTD (as of Thursday's closing), global foreign institutions were net short $176.9mn, while GCC institutions were net buyers of Qatari stocks by $748.6mn.

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QNB FINANCIAL SERVICES

Weekly Market Report

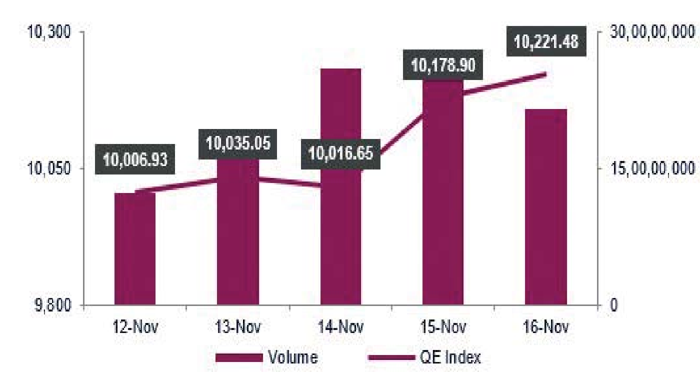
Market Indicators	Week ended. Nov 16, 2023	Week ended. Nov 09, 2023	Chg. %
Value Traded (QR mn)	2,654.4	3,123.7	(15.0)
Exch. Market Cap. (QR mn)	597,586.2	585,323.4	2.1
Volume (mn)	1,019.4	1,324.3	(23.0)
Number of Transactions	89,539	100,768	(11.1)
Companies Traded	50	50	0.0
Market Breadth	39:9	26:22	–

Source: Qatar Exchange (QE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	21,936.74	2.4	7.3	0.3
ALL Share Index	3,440.11	2.1	6.5	0.7
Banks and Financial Services	4,256.74	2.3	8.4	(3.0)
Industrials	4,046.24	2.9	6.5	7.0
Transportation	4,150.92	(1.6)	0.2	(4.3)
Real Estate	1,477.65	4.6	9.1	(5.3)
Insurance	2,480.12	0.4	(1.0)	13.4
Telecoms	1,521.70	2.0	1.0	15.4
Consumer Goods & Services	7,478.08	1.3	7.4	(5.5)
Al Rayan Islamic Index	4,521.13	3.4	8.1	(1.5)

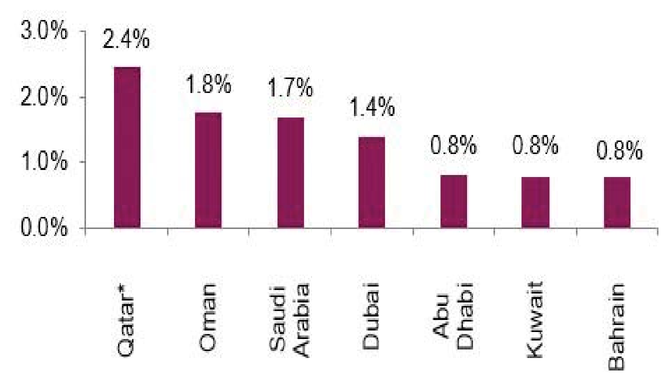
Source: Qatar Exchange (QE)

QSE Index and Volume



Source: Qatar Exchange (QE)

Weekly Index Performance



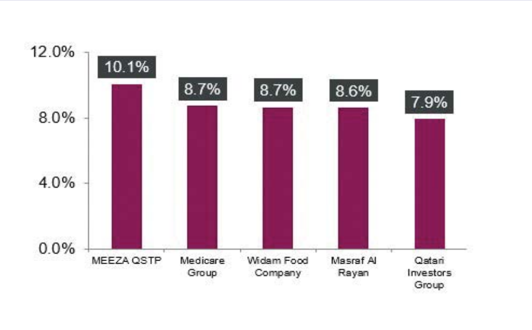
Source: Bloomberg

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value ($ mn)	Exchange Mkt. Cap. ($ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,221.48	2.4	7.3	(4.3)	729.85	163,858.1	12.1	1.3	4.8
Dubai	3,984.52	1.4	2.8	19.4	377.48	182,067.8	8.8	1.3	4.5
Abu Dhabi	9,607.09	0.8	2.8	(5.9)	1,087.31	726,382.3	27.8	3.0	1.6
Saudi Arabia#	11,022.89	1.7	3.1	5.2	7,032.54	2,956,779.8	18.4	2.2	3.3
Kuwait	6,642.26	0.8	1.7	(8.9)	712.97	138,743.7	14.0	1.4	4.2
Oman	4,619.36	1.8	1.6	(4.9)	44.32	23,554.2	13.9	0.9	4.8
Bahrain	1,946.52	0.8	0.9	2.7	32.06	53,817.4	6.9	0.7	8.6

Source: Bloomberg

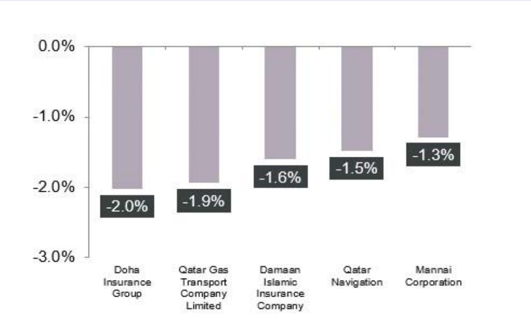
Qatar Stock Exchange

Top Five Gainers



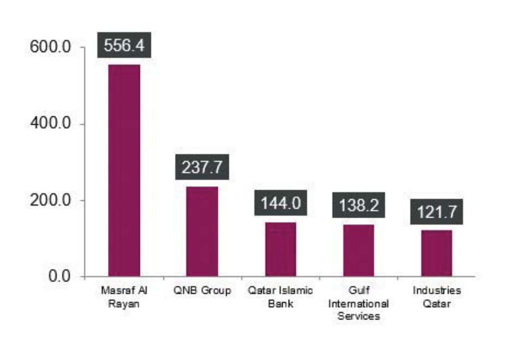
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



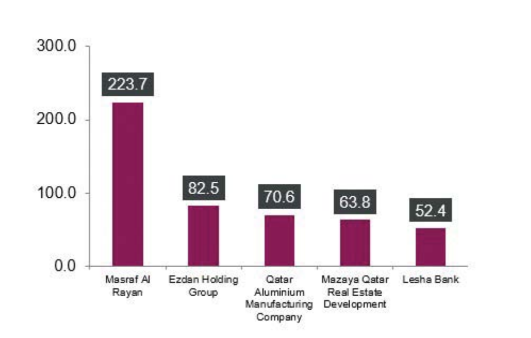
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)

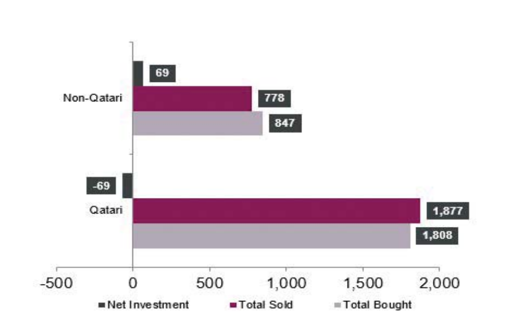


Source: Qatar Stock Exchange (QSE)

Investor Trading Percentage to Total Value Traded

Source: Qatar Stock Exchange (QSE)

Net Traded Value by Nationality (QR Million)



Source: Qatar Stock Exchange (QSE)

Company Name	Price November 16	% Change Weekly	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	15.83	(0.31)	(12.06)	146,213	10.4	1.7	3.8
Qatar Islamic Bank	18.79	4.39	1.24	44,399	11.1	1.8	3.3
Commercial Bank of Qatar	5.45	2.46	9.00	22,058	8.2	1.1	4.6
Doha Bank	1.73	2.43	(11.52)	5,358	19.3	0.5	4.3
Al Ahli Bank	3.75	0.00	(6.46)	9,569	12.3	1.4	5.3
Qatar International Islamic Bank	9.98	1.88	(4.04)	15,107	14.5	2.1	4.0
Masraf Al Rayan	2.53	8.63	(20.25)	23,520	20.0	1.0	4.0
Lesha Bank	1.40	3.03	21.92	1,564	21.4	1.3	N/A
National Leasing	0.74	1.78	5.40	367	25.2	0.6	4.0
Dlala Holding	1.38	3.44	21.10	263	N/A	1.4	N/A
Qatar & Oman Investment	0.90	1.36	62.91	282	N/A	1.2	N/A
Islamic Holding Group	3.96	(1.17)	(3.77)	224	34.5	1.5	1.3
Dukhan Bank	3.99	4.53	(8.21)	20,900	1.8	0.2	4.0
Banking and Financial Services				**289,823**			
Zad Holding	13.50	0.00	(2.91)	3,880	21.0	3.1	4.4
Qatar German Co. for Medical Devices	1.58	2.26	26.01	183	N/A	5.3	N/A
Salam International Investment	0.70	0.29	13.68	798	19.6	0.6	N/A
Baladna	1.27	4.08	(16.79)	2,422	26.6	1.0	N/A
Medicare Group	5.63	8.73	(9.33)	1,584	21.5	1.6	4.7
Qatar Cinema & Film Distribution	3.01	0.00	(3.37)	189	42.3	1.5	2.0
Qatar Fuel	16.22	0.75	(9.64)	16,127	15.9	1.8	5.5
Widam Food	2.32	8.65	14.32	418	N/A	3.4	N/A
Mannai Corp.	3.98	(1.29)	(47.50)	1,817	N/A	1.9	2.5
Al Meera Consumer Goods	13.08	(0.46)	(14.62)	2,694	14.1	1.7	3.3
Mekdam Holding Group	5.19	2.65	(9.94)	421	12.2	3.0	5.1
Meeza QSTP	2.87	10.07	32.44	1,865	N/A	N/A	N/A
Consumer Goods and Services				**32,400**			
Qatar Industrial Manufacturing	3.00	1.63	(6.57)	1,425	8.7	0.8	4.3
Qatar National Cement	3.60	0.90	(25.58)	2,354	11.2	0.8	8.3
Industries Qatar	13.38	3.88	4.45	80,949	17.4	2.1	8.2
Qatari Investors Group	1.62	7.93	(3.91)	2,014	12.7	0.7	9.3
Qatar Electricity and Water	17.40	2.65	(1.69)	19,140	12.3	1.3	5.5
Aamal	0.84	1.95	(14.15)	5,273	14.7	0.7	6.0
Gulf International Services	2.78	0.22	90.27	5,159	11.8	1.3	3.6
Mesaieed Petrochemical Holding	1.62	1.25	(23.84)	20,352	17.8	1.2	6.8
Estithmar Holding	2.05	0.05	13.89	6,978	20.4	1.5	N/A
Qatar Aluminum Manufacturing	1.29	1.57	(15.00)	7,210	15.3	1.1	7.0
Industrials				**150,854**			
Qatar Insurance	2.43	0.21	26.11	7,920	33.7	1.4	N/A
QLM Life & Medical Insurance	2.70	3.85	(43.74)	945	10.9	1.6	4.6
Doha Insurance	2.23	(2.02)	12.68	1,115	7.6	0.9	6.7
Qatar General Insurance & Reinsurance	1.21	1.68	(17.57)	1,059	N/A	0.2	N/A
Al Khaleej Takaful Insurance	3.01	3.94	30.73	768	13.4	1.3	3.3
Qatar Islamic Insurance	8.80	(0.90)	1.15	1,320	10.3	2.9	5.1
Damaan Islamic Insurance Company	3.69	(1.60)	(12.35)	738	N/A	1.5	4.3
Insurance				**13,865**			
United Development	1.02	3.45	(21.54)	3,612	8.8	0.3	5.4
Barwa Real Estate	2.81	5.47	(2.05)	10,950	9.3	0.5	6.2
Ezdan Real Estate	0.91	5.79	(8.69)	24,244	N/A	0.7	N/A
Mazaya Qatar Real Estate Development	0.68	1.19	(2.01)	790	24.9	0.8	N/A
Real Estate				**39,595**			
Ooredoo	9.99	2.12	8.58	31,997	10.8	1.2	4.3
Vodafone Qatar	1.80	1.75	13.44	7,600	13.5	1.6	5.6
Telecoms				**39,597**			
Qatar Navigation (Milaha)	9.44	(1.48)	(6.97)	10,729	10.4	0.6	3.7
Gulf Warehousing	3.10	1.60	(23.34)	182	7.8	0.8	3.2
Qatar Gas Transport (Nakilat)	3.39	(1.94)	(7.43)	18,781	12.6	1.6	3.8
Transportation				**29,692**			
Qatar Exchange				**597,586**			

Technical analysis of the QSE index

The QSE index closed up (2.5% from the week before); it closed at 10,221.5 points. The current move, on the weekly chart, suggests that the V-shaped recovery is expected to continue more on the upside. We have to signify the fact that, technically, the Index remains inside a downtrend channel. The 9,200-9,000 levels remain to be our support levels on the weekly chart and the resistance level at the 10,500 points on the Index.

Definitions of key terms used in technical analysis

RSI (Relative Strength Index) indicator – RSI is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between 0 to 100. The index is deemed to be overbought once the RSI approaches the 70 level, indicating that a correction is likely. On the other hand, if the RSI approaches 30, it is an indication that the index may be getting oversold and therefore likely to bounce back.

MACD (Moving Average Convergence Divergence) indicator – The indicator consists of the MACD line and a signal line. The divergence or the convergence of the MACD line with the signal line indicates the strength in the momentum during the uptrend or downtrend, as the case may be. When the MACD crosses the signal line from below and trades above it, it gives a positive indication. The reverse is the situation for a bearish trend.

Candlestick chart – A candlestick chart is a price chart that displays the high, low, open, and close for a security. The 'body' of the chart is portion between the open and close price, while the high and low intraday movements form the 'shadow'. The candlestick may represent any time frame. We use a one-day candlestick chart (every candlestick represents one trading day) in our analysis.

WEEKLY ENERGY MARKET REVIEW

Oil prices jump 4% after selloff, but falls for a fourth week

www.abhafoundation.org

Oil

Oil prices jumped more than 4% on Friday, rebounding from a four-month low hit in the previous session, as investors who had taken short positions took profits and while US sanctions on some Russian oil shippers lent support. Brent crude futures settled up $3.19, or about 4.1%, at $80.61 a barrel, while West Texas Intermediate crude (WTI) rose $2.99, or 4.1%, at $75.89. Some of the losses were offset after the US imposed sanctions this week on maritime companies and vessels for shipping Russian oil sold above the Group of Seven's price cap. Still, both benchmarks ended the week more than 1% lower, their fourth straight weekly decline, mostly weighed down by a rise in US crude inventories and sustained record high production. China's deepening property crisis and slowing industrial growth also weighed. US oil producers have been cutting the number of active drilling rigs for nearly a year due to weaker prices.

The oil rig count, however, this week rose by six, the most since February, energy services firm Baker Hughes said. The Organisation of the Petroleum Exporting Countries is set to consider whether to make additional oil supply cuts when they meet later this month.

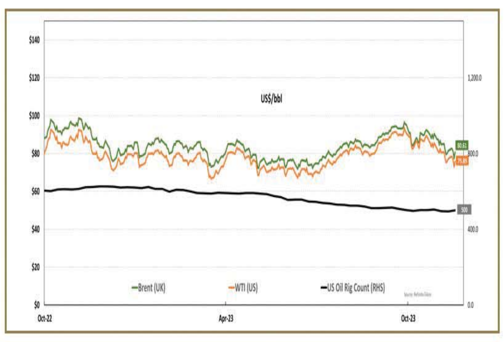
A crude oil pump jack in the Permian Basin in Texas. Oil prices jumped more than 4% on Friday, rebounding from a four-month low hit in the previous session, as investors who had taken short positions took profits and while US sanctions on some Russian oil shippers lent support. *Picture supplied by the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.*

Gas

Asian spot liquefied natural gas (LNG) prices were little changed this week, amid high inventory levels in east Asia which kept demand from the region muted. The average LNG price was at $16.70 per million British thermal units (mmBtu), industry sources estimated, versus $16.50 per mmBtu last week. Demand from end-users in northeast Asia has remained largely weak, with market participants flagging continued high terminal inventories in South Korea and Japan in particular, analysts said. Recent cold weather and forecasts for Tokyo in the coming weeks did little to spur significant spot market activity by Japanese buyers, analysts added, while Seoul is set for above-average temperatures through to the year-end, suggesting little scope for a substantial power and heating demand rebound. European gas and LNG markets remained well-supplied with gas storage levels still hovering above 99% even with net withdrawals seen across several countries. In the US, natural gas futures fell about 3% to a three-week low on Friday on record output that should enable utilities to keep injecting gas into storage through late November. For the week, the price was down about 2% after falling about 14% last week.

■ *This article was supplied by the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.*

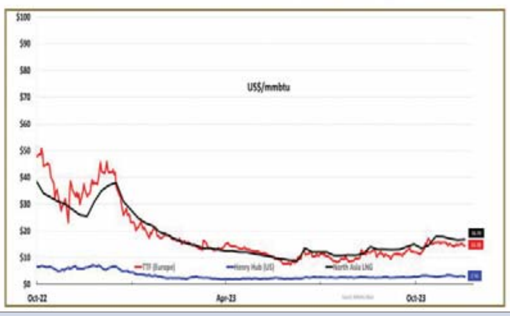
The closing price ($/Barrel) as of Friday 17 Nov 2023 – Dec Futures



Benchmark Oil Prices

	Brent ICE	WTI NYMEX	DME Oman
Price	80.61	75.89	81.98
Weekly Change	▼ 1.0%	▼ 1.7%	▼ 0.4%
YTD Change	▼ 1.0%	▼ 1.0%	▲ 5.8%

The closing price ($/mmBtu) as of Friday 17 Nov 2023 – Dec Futures



Benchmark Gas Prices

	NE Asia LNG	Europe TTF	US Henry Hub
Price	16.70	14.38	2.96
Weekly Change	▲ 1.2%	▼ 1.5%	▼ 2.4%
YTD Change	▼ 50.6%	▼ 59.8%	▼ 48.4%

QFMA issues new rules for dividend distribution to listed firms' shareholders

QNA
Doha

HE the Governor of Qatar Central Bank (QCB) and Chairman of the Board of Directors of Qatar Financial Markets Authority (QFMA) Sheikh Bandar bin Mohamed bin Saoud al-Thani issued new rules for the dividend distribution in financial markets.

Such rules, which are being implemented for the first time, include substantial changes in the mechanisms of annual dividend distribution to shareholders in public shareholding companies listed on the Qatar Stock Exchange (QSE) and include regulating the interim dividend distribution (quarterly, semi-annually) for companies wishing to do so.

CEO of QFMA Dr Tamy bin Ahmad al-Binali announced that the new rules will be implemented as of 2024. He said that under such rules, QSE listed public shareholding will be allowed for dividend distribution on an interim basis (three months or six months) or annually, as is currently in effect. These companies will also be required to distribute dividends within certain period, which shall not be exceeded.

In addition, Dr al-Binali explained that public shareholding companies will no longer be the entity authorized to distribute dividends and bonus shares to shareholders, explaining that this responsibility will be assumed from now by Edaa, which will make dividend distribution to shareholders on behalf of the public shareholding companies.

He stressed that the new rules for dividend distribution obligated these companies to transfer the dividends scheduled to be distributed to Edaa, which in turn would transfer them to shareholders through several options stipulated in Article (13) of the rules, which include transferring the dividends to the bank account of each investor, or to the trading account of the brokerage company with which the investor deals, or added to the balances of the investor's Qatari credit card (Himyan), according to the investor's choice of his due dividends collection methods.

Article (13) also stipulates, as Dr al-Binali said that the dividend payments to beneficiaries shall be within a period not exceeding the end of the fifth business day after the date of dividends receipt from the listed company. Whereas Article (12) of the rules sets out that "The listed company shall transfer the full value of the cash dividends to the allocated dividends account, which it has been notified of by the Depository and shall send name lists of the shareholders entitled to the cash dividends scheduled to be distributed and their respective share of the dividends to the Depository. This shall be done within a period not exceeding three business days from the date of the interim dividend's decision of the General Assembly or board of directors". Such dividends shall be transferred to the investor's account within a period not exceeding 10 days from the date of their approval by the concerned party in the company, whether the General Assembly or the Board of Directors.

The new dividend distribution rules, which are being implemented for the first time, include substantial changes in the mechanisms of annual dividend distribution to shareholders in public shareholding companies listed on the Qatar Stock Exchange and include regulating the interim dividend distribution (quarterly, semi-annually) for companies wishing to do so

Dr al-Binali spoke about the advantages and implications of the new rules, which allows listed companies to distribute interim dividends that provide investors in the stock market with a periodic return (quarterly or annually) on the value of their investments instead of waiting for the annual one. It also contributes to reinjecting part or all the dividends into the market periodically during the financial year as well increasing activity in the market. This also can help attracting a new category of investors to the stock market and enhancing investor confidence in the operational performance of listed companies, the strength of their financial position and their ability to generate real interim revenues and cash flows.

Dr al-Binali pointed out that the interim dividend distribution enhances the expectations of investors in the markets regarding achieving good financial results at the end of the financial year.

He continued by saying that dividends distribution through Edaa aims to facilitate and ease the distribution procedures, preserving shareholders' dividends with a reliable party, unifying the procedures and party of distribution, and accelerating the process of distribution and delivery to such beneficiaries.

This can be achieved by shortening the period of dividends receipt by the shareholder to a few days, reducing the costs and burdens on listed companies, and encouraging investors to direct all or some of these dividends back into the market, as well as enabling them to choose the most appropriate means of collecting their due cash dividends as they see fit.

Dr al-Binali said that QFMA conducted a comprehensive study on the possibility of interim dividends distribution in the Qatari capital market, and surveyed, through a questionnaire, the consultations of all those concerned with the new rules, as it became clear that most investors and QFMA's partners prefer the interim dividends distribution (quarterly or semi-annually) which guarantees them a quick cycle of income, provides them with an investment alternative to savings pools in banks, and attracts more of them towards investing in listed companies.

QIC sponsors Qatar Travel Mart

Qatar Insurance Group has announced its sponsorship of the Qatar Travel Mart (QTM) 2023, to be held at the Doha Exhibition and Convention Centre from November 20-22, 2023.

In addition to lending its insurance capabilities to this year's edition, QIC is an expert panel participant on the role of the insurance industry in 'preserving cultural heritage and promoting tourism'.

Additionally, QIC will showcase its latest inbound and outbound travel insurance solutions for retail and corporate customers, offering QTM visitors a unique opportunity to explore the variety of insurance options they can choose from when travelling to and from Qatar.

Visitors to the QIC pavilion will receive personalised insurance advice and instant assistance with determining their travel insurance needs, understanding the logic of travel coverage and choosing the right policies that best respond to their travel needs around the world.

Salem al-Mannai, Group CEO, said: "We are delighted to once again be the official insurance sponsor of Qatar Travel Mart and to be present at this unique event where we will showcase our latest travel insurance products and solutions to local and global audiences.

"Sponsoring QTM 2023 is indeed another testament to QIC's commitment to supporting the development of the travel industry in Qatar and to contributing to all valuable initiatives that shall help cement Qatar's position as a major regional hub for inbound tourism."

This year, QIC's excellence in providing the best travel insurance products and services has earned the company a set of prestigious accolades, including Best Travel Insurance Company in The Middle East by The Global Banking & Finance Review Awards 2023, Best Travel Insurance Company in Qatar by The International Finance Awards 2023, and Best Online Travel Insurance Provider in Qatar by The World Economic Magazine Award 2023.

Salem al-Mannai, CEO of QIC Group.

QTM 2023 continues to be an exclusive world-class platform for Qatar's travel and tourism industries, with more than 9,000 visitors from 60 countries expected to attend. The exhibition will offer visitors a unique opportunity to explore some of the world's top destinations and the latest trends in business and leisure travels while being rich with collaboration opportunities between tourism boards, travel agencies, international carriers, and other public and private stakeholders.

QIC is a publicly listed insurer with a consistent performance history of over 59 years and a global underwriting footprint. Founded in 1964, QIC was the first domestic insurance company in Qatar.

Today, QIC is the market leader and the first digital insurance company in Qatar and a dominant insurer in the GCC and Mena regions. QIC is one of the largest insurance companies in the Mena region in terms of written premium and total assets and is listed on the Qatar Stock Exchange and has a market capitalisation of over QR8bn.

Euro area economy on the edge of recession, says QNB

Since 2022, the resilience of the euro area economy has been pushed to its limits due to significant headwinds from high energy prices, record monetary policy tightening, global uncertainty, and weak external demand. As a result, growth has stagnated over the last four quarters, with real GDP expanding only 0.1%, QNB stated in its latest economic commentary.

"Going forward, the outlook remains grim. Business sentiment across sectors is at its lowest since the Covid-19 pandemic and at a level that has only been worse in deeply contractionary episodes, such as the global financial crisis or the sovereign debt crisis.

"With sentiment and business surveys pointing to further declines in activity in the final quarter of the year, the region currently stands on the brink of a recession, defined as two consecutive quarters of negative growth," QNB stated.

QNB stated: "In this article, we discuss the main factors that signal a significant likelihood that the Euro-area economy will end this year in a recession. First, we expect financial conditions to become tighter on the back of policy rate hikes and the normalisation of the central bank balance sheet.

"The interest rate tightening cycle of the European Central Bank (ECB) is likely to be over, after accumulating an increase of 450 basis points leaving the main refinancing rate at 4.5%, the highest in more than 20 years. However, in spite of the expected end in tightening, it is widely understood that the transmission of changes in policy rates to households and firms is gradual, and therefore the impact of previous tightening is yet to be fully felt in consumption and investment."

QNB stated that in addition to the higher costs of credit, the ECB continues its process of balance sheet normalisation. This implies the reversal of the extraordinary measures put in place through different asset purchase programmes during the Covid-19 pandemic, which results in reduced liquidity in financial markets. As a result, banks have reported stricter credit standards for households and firms throughout the year, and are expected to tighten further. Consequently, credit volumes continue to contract, weighing on economic activity.

Second, QNB stated that the manufacturing recession continues to deteriorate, and is now broad-based across the major economies in the region. The Manufacturing Purchasing Managers Indices (PMI) reflect these conditions well. The PMI is a survey-based indicator that provides a measurement of improvement or deterioration in economic activity. An index level of 50 serves as a threshold to separate contractionary (below 50) from expansionary (above 50) business conditions. The PMI shows that manufacturing has deteriorated continuously this year and further worsened in October.

Pessimism affected Germany's industrial sector first, given its greater exposure to the decelerating Chinese economy and energy constraints. But negative conditions have become extensive in the four major economies (Germany, France, Italy, and Spain), which account for 73% of the region's GDP. Furthermore, headwinds from energy constraints and weak external demand will continue to suppress manufacturing activity, signalling a negative contribution to total output in the last quarter of the year, QNB stated.

"All in all, following a year of economic stagnation, in our view the Euro-area is likely to end 2023 in recession, given tight financial conditions, and a manufacturing sector undergoing a deep contraction. Looking ahead, we expect a recovery in the manufacturing cycle to partially mitigate a slowdown in consumer spending. This would help the Euro-area economy to move out of recession around the first quarter of 2024. Nevertheless, the overall economic remains stagnant and weak," QNB stated.