

AUGUST 2023 | ISSUE 20

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# **OUR UPDATES**

Insights with Khalid Al Shemeili, CEO at Emirates Driving

Khalid AI Shemeili, CEO at Emirates Driving, discusses the company's efforts in the mobility sector in the areas of accessibility, technology, innovation, and sustainability.

To watch the full video, click here



## In-Depth Interview with Multiply Group's Chief Economist

In the inaugural episode of Multiply Group's new podcast series, Multipliers, host Lama Al Bachir was joined by Multiply Group's Chief Economist Kaiser Geelani, to gain valuable insights into the current state of the economy, the challenges it faces and the future drivers of growth.

Follow our podcast channels and stay tuned for captivating episodes featuring many experts from different industries.

Check out the full episode on Spotify, Apple Podcasts, Google Podcasts, and our YouTube channel



Multiply Group added to Sustainalytics' Low Risk category of companies

Multiply Group's environmental, social and governance (ESG) risk level has been rated at 15.8 by Sustainalytics, a leading global ESG rating and research firm. This places the Group in the "Low Risk" category of companies and situates us among the top 10% of all companies analyzed within the Diversified Financials sector.

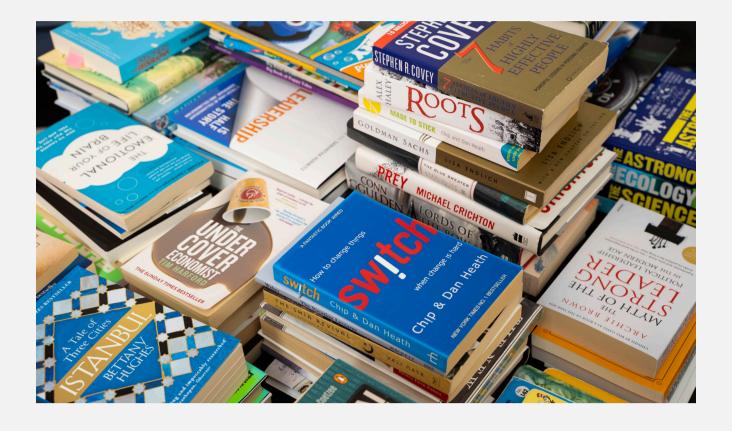
The ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks.

Cor	mpany	' ESG Ri	sk Rating	<u>j</u> s		
Μ	ultip	oly Gr	oup P	JSC		
ES	G Risk	Rating	COMF	PREHENSIVE		
1		0	Lc			
	5	K	Ri			
				SK		
N	egligible	Low	Medium	High	Severe	
	0-10	10-20	20-30	30-40	40+	

## "Spreading Knowledge, Empowering Lives" Book Drive

As part of Multiply Group's ongoing corporate social responsibility to spread knowledge and literacy, the Group have collected a vast collection of books, generously donated by its employees and given them to one of the UAE's authorised cultural foundations.

Earlier this year, Multiply Group supported the Logos Hope ship mission in Abu Dhabi port, the world's largest floating book fair, which seeks to share knowledge, help, and hope with the world.



# SUBSIDIARIES' NEWS

MG Wellness Holding acquires 49.38% stake in LVL Technology Holding

MG Wellness Holding LLC, a wellness-focused subsidiary of Multiply Group PJSC, has acquired 49.38% equity interest of LVL Technology Holding.

LVL Technology Holding's LVL Wellbeing is a corporate wellbeing platform that provides a holistic system of unique individual, team and corporate wellbeing practices that contribute to a healthier work/life balance.

The investment will support scaling operations, facilitating strategic expansion across the region and will see HealthierU integration under LVL Wellbeing's platform combining forces to offer the most comprehensive preventative health and wellbeing services to members and clients.



# Emirates Driving Company obtains ISO 31000 certification

In line with its commitment to the highest safety standards in all its operations, and to ensure the utmost safety and professional training services, Emirates Driving Company has obtained the ISO 31000 certificate for its risk management system.

This certification enables Emirates Driving to mitigate risks effectively and adhere to the highest international safety standards.



## Pal Cooling connects Nord Anglia School

Multiply Group's subsidiary, Pal Cooling Holding (PCH), has successfully connected the new Nord Anglia School in Reem Island, having a 1,250 RT cooling load requirement, to its Tamouh district cooling plant.

Earlier this year, PCH completed and commissioned the first phase of the Tamouh district cooling plant's expansion with an additional installed capacity of 5,000 RT. Once the second phase is completed later this year, the plant will have a total installed capacity of 75,000 RT.



## Viola Communications Shortlisted for MENA Digital Awards

Congratulations to Viola Communications for being shortlisted for another exciting award, this time for the MENA Digital Awards under the "Best Integrated Digital Campaign" and "Best Use of Social Media" categories.

Happening in October 2023, The MENA Digital Awards (MDA) is a bespoke awards show whose purpose is to promote digital innovation and media in the MENA region.



# MARKET MONITOR

### **Global Markets**

August was the weakest month since February, the only month to endure three consecutive weekly global equity market declines this year. There was some notable recovery, however, towards end of the month, buttressed by Nvidia and Fed comments out of the Jackson Hole symposium. While the US economy remains resilient with pockets of moderation, Chinese newsflow was consistently negative as the market adjudged policy interventions by Beijing to be falling short. The ACWI declined 3.0%, a broad-based global decline led by EMs – African equities dollar returns were the worst due to currency depreciation. The dollar and hydrocarbons were notable assets in the black for the month. In a month we seem to have more headwinds than tailwinds here are some of the notable bull and bear factors:

#### **Bull Factors**

- Nvidia thoroughly exceeded expectation on both Q2 performance and Q3 outlook
  Fed chair Jerome Powell's Jackson Hole speech was adjudged to be "free
- of surprises", with an emphasis on data-dependence
  China falls into deflation this could be a negative signal, but in our case,
- we view it positive as it gives China policy flexibility
  UK: Q2 GDP growth printed at +0.2% q/q and +0.4% y/y, stronger than expectations of 0.0% q/q and +0.2% y/y
- Eurozone Q2 GDP returned to growth

#### **Bear Factors**

- Fed chair Jerome Powell, in Jackson Hole, cautioned that inflation is still "too high" and that the central bank would be prepared to raise interest rates again "if appropriate"
- The global CPI moderation seems to be losing steam. While Britain was better than feared, it remains too high for comfort. US PCE accelerated YoY, so did the eurozone CPI
- Several below-par policy interventions in China including central bank's key interest rate cut by a smaller margin than had been expected
  Continued weak global manufacturing activity, notably China
- undershooting expectations
   Moody's downgraded 10 US mid-sized banks. Fitch downgraded the US sovereign long-term credit rating to AA+ from AAA; US Treasury's funding needs jumped unexpectedly

#### **Outlook & Risks**

The month was mostly dominated by the world's top two: **America's exceptionalism vs. cracks emerging in China's growth model, with most of the concerns emanating from its highly indebted real estate market that is spreading to the financial sector**. There are fears that the more than \$5trn Chinese real estate market is too big to save, when juxtaposed against China's c.\$3trn in reserves, but also too big to fail – it will reverberate globally. In the US, patterns of easing are emerging, though, on balance, the consensus is that the economy remains resilient, and it is too early to rule out further rate hikes. Interestingly, the US's Q2 GDP growth was recently revised downwards to 2.1% from 2.4% -- still a great number by several measures.

- Overall, the main risk factors to watch include:
- China's slowing & indebted real estate;
  The risk of more rate hikes, given the market has effectively priced out further hikes;
- Moderating b
- Moderating but still elevated core inflation measures;
  Tight labour markets' likely adverse effect on the inflation fight;
- Weak manufacturing activity globally;
- The potential economic fallout from the recent banking turmoil;
  Declabelisation or poarshoring; and operate and food risks (inflation)
- Deglobalisation or nearshoring; and energy and food risks/inflation remaining real with no end in sight for the Russia-Ukraine war.

MSCI Coun World I	itry	S&P	500		Stoxx DO	FTSE	E 100	Eme	SCI rging s Index
-2.9	6%	-1.7	7%	-2.7	'9%	-3.3	8%	-6.3	86%
		)ollar dex	Bit	coin		de Oil ent)	G	old	
	1.0	6%	-11.	31%	1.5	2%	-1.2	24%	

The GCC markets closed lower despite stronger oil prices. Notably, the QSE tanked hard taking it into negative territory for the YTD. Both demand and supply dynamics are boding well for oil as the price has recovered remarkably to levels last seen in January.

Our overall thesis for the ADX remains: It is attractive on strong fundamentals. The strong recovery in oil prices in the last few weeks should lead to higher government revenue/surplus for UAE/Abu Dhabi, enabling flexibility in government expenditures, and improving overall credit conditions in the economy. Second, over the medium to longer term, various investment arms of the UAE/ Abu Dhabi are directing funding towards diversifying the economy from oil into newer industries and greener energy sources, which should drive and support overall growth and investment.

GCC S&P Index	FADG	DFM	TASI	QSE
-3.22%	0.24%	0.58%	-1.72%	-7.01%

#### **Other News**

- The UN's food-price index, which measures international prices across a basket of commodities, rose by 1.3% in July compared with June.
   Vegetable-oil prices jumped 12% amid uncertainty triggered by Russia withdrawing from the deal that allowed Ukraine to export food from the Black Sea. Rice prices rose 2.8% after India announced a partial ban on rice exports.
- Global gold demand excluding over-the-counter trading fell 2% YoY to 920.7 metric tons in the second quarter of 2023 as central banks slowed their purchases and consumption by the technology sector remained soft, the World Gold Council said.
- China's imports and exports dropped much faster than anticipated in July. China's exports experienced a third consecutive monthly decline in July due to a slump in global demand, while imports saw a sharp drop due to domestic pressures. The Chinese July Exports stood at -14.5% y/y, weaker than expectations of -12.5% y/y. China's July Imports came in at -12.4% y/y, weaker than expectations of -5.0% y/y. But it's trade balance was better than forecasts.
- Norway's \$1.4trn sovereign wealth fund returned 10%, or \$143bn, in 1H2O23, following one of the worst years in its history: Equities gained just under 14% in the six months through June, while fixed-income investments returned 2.3%. Unlisted real estate holdings were down 4.6%. The return was boosted by a rebound in technology stocks after a weak 2022.
- Global wealth, as measured in personal holdings of assets from real estate to stocks and shares, is projected to rise 38% by 2027 to \$629trn, driven largely by emerging markets, a study published by Credit Suisse and UBS showed. Net private wealth dipped 2.4% last year, with the loss concentrated in more prosperous regions such as North America and Europe. A stronger dollar was a big factor. The largest wealth increases were recorded for Russia, Mexico, India and Brazil.
- Investment in AI is rising quickly and could reach \$200bn globally by 2025 according to Goldman Sachs Economics Research. The impact of AI investment could peak up to 2.5% of GDP in major AI leaders.
- S&P Global Ratings downgraded ratings for several US banks including KeyCorp and Comerica, two weeks after Moody's Investors Service cut ratings for 10 American lenders: "Many depositors have shifted their funds into higher-interest-bearing accounts, increasing banks' funding costs".
- The Asia-Pacific region saw a 20.4% YoY decline in deals in the first seven months of 2023 due to economic uncertainties and geopolitical undercurrents, said GlobalData. A total of 8,457 deals were concluded between January and July 2023, compared to 10,626 a year ago. The number of M&A, PE and venture financing deals fell by 10.9%, 7.8% and 28.7%, respectively.
- Business activity in the UAE's non-oil sector continued to expand last month as output levels rose but the level of activity slipped from its June heights. The seasonally adjusted S&P Global UAE Purchasing Managers' Index dropped to 56 in July, from 56.9 in June: Higher output was accompanied by higher sales, but at a weaker pace as some businesses reported competitive pressures.
- Saudi Arabia's non-oil private sector maintained its strong performance in July thanks to favourable local economic conditions. At 57.7 in July, the Riyad Bank Saudi Arabia Purchasing Managers' Index was down from 59.6 in June and the lowest since December 2022. The latest reading was slightly above the long-run survey average of 56.9.
- Middle Eastern and Sub-Saharan countries were major recipients of Belt and Road initiative (BRI) finance and investments in first half of 2023. Sub-Saharan countries saw a 130% increase in Chinese investments and 69% increase in construction contracts, becoming the second most important target region for BRI investments, after East Asia, according to a report by the Green Finance & Development Center at Fudan University in Shanghai.
- The UAE's economy grew 3.8% YoY in Q1 2023 supported by its non-oil sector. GDP rose to AED418.3bn (\$113.9bn), adding AED15bn from the same period last year. The non-oil GDP totaled AED312bn, rising 4.5% year-on-year. The World Bank expects the UAE to grow around 3.4% from 2.8% in 2023.
- The value of announced M&A transactions with any MENA involvement reached \$31.9bn during the first six months of 2023, down 34% YoY, according to data compiler Refinitiv. This is the lowest first half total since 2017. The number of deals are down 23% from last year's all-time record first half tally, but it is the third highest first-half level since Refinitiv's records began in 1980.
- Residential values across Abu Dhabi's freehold areas experienced 1.6% growth in Q2, and rents in general continue to reduce, according to global real estate consultancy Knight Frank. Average prices remain 25% cheaper than the 2014 peak and values have remained relatively unchanged for three-and-a-half years now.
- The GCC current account surplus is also forecast at 9% of GDP in 2023 and 6% of GDP in 2024. This means that funds will continue flowing into deep-pocketed SWFs, providing additional investment opportunities domestically and abroad. The region's state-owned investors deployed \$83bn of fresh capital in 2022.
- UAE has retained its status as the lowest-risk country in the Middle East and Africa (MEA) region for the first quarter of 2023 compared to the previous quarter, according to GlobalData Regional and Global Risk Index (GCRI).
- Dubai remains the world's number one market for prime property, with luxury house prices in the emirate surging by 48.8% in the 12 months to June 2023, according to a Q2 2023 report by Knight Frank. The increase is the highest globally and places Dubai in the top position in the Prime Global Cities Index for the eighth consecutive quarter. Property prices in the emirate have now skyrocketed by 225% after reaching a low in Q3 2020 due to the pandemic.

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