

US agency investigating Tesla front suspension failures

The US government's road safety agency is investigating various complaints that suspensions can fail on nearly 115,000 Tesla electric vehicles.

The National Highway Traffic Safety Administration says it has 43 complaints that linkages near the ball joints can fail, allowing contact between the tire and wheel liner.

The agency says 32 owners complained of failures at low speeds, but 11 said the links failed on roads while traveling above 10 mph including four at highway speeds.

It says the number of complaints is increasing as the vehicles age, with 32 in the last two years. Three of the highway complaints came in the last three months.

In addition, NHTSA says it has eight complaints that may involve suspension failures that haven't been confirmed by photos or service records.

The agency said it has no reports of crashes or injuries. The agency says it will investigate how often the problem happens and the safety consequences. The probe could lead to a recall.

A message was left early Friday seeking comment from Tesla.

NHTSA says that in 2017, Tesla issued a service bulletin describing the failure and saying that drivers could still control the vehicles "but the tire may contact the wheel arch liner." (AP)

# US consumer confidence plunges as virus spreads

Optimism down to the lowest level since August

WASHINGTON, Nov 28, (AP): US consumer confidence fell to a reading of 96.1 in November as rising coronavirus cases pushed American optimism down to the lowest level since August.

The November reading released by the Conference Board said represents a drop from a revised 101.4 in October. The decline reflected a big drop in consumer expectations for income, business and labor market conditions.

"Heading into 2021, consumers do not foresee the economy nor the labor market gaining strength. In addition, the resurgence of COVID-19 is further increasing uncertainty and exacerbating concerns about the outlook," said Lynn Franco, senior director of Economic Indicators for the Conference Board.

Consumer confidence is closely watched for signals it can provide of how willing households are to spend. Consumer spending accounts for 70% of economic activity in the US.

"We think the sharp rise in positive coronavirus cases nationwide, which has prompted new restrictions and shutdowns in many states, has led consumers to be more fearful of what lies ahead for them and their families as we head into the year-end holiday season," said Chris Rupkey, chief financial economist at global financial group MUFJ.



In this file photo, passers-by examine a storefront window in Boston's fashionable Newbury Street shopping district. US consumer confidence dipped slightly in October as a new wave of coronavirus cases began across the country. (AP)

The consumer confidence index is set on a scale with 100 equaling the confidence level in 1985.

In the leadup to the pandemic with the country enjoying unemployment at a half-century low of 3.9%, the confidence index had risen above 130. It stood at 132.6 in February but plunged to 85.7 in April as millions of Americans lost their jobs after the country went into lockdown to try to halt the spread of the pandemic.

The index has bounced around since its big April decline but remains well below the levels seen before the pandemic hit.

For November, the present situations index, based on consumers' assessment of current business and labor market conditions, decreased slightly to 106.2 from 105.9. However, the expectations index, based on consumers' outlook for the future, declined from 98.1 in October to 89.5 in November.

Shoppers shift online as virus cases spike

## Virus keeps Black Friday crowds thin

NEW YORK, Nov 28, (AP): The raging coronavirus pandemic kept crowds thin at malls and stores across the country on Black Friday, but a surge in online shopping offered a small beacon of hope for struggling retailers after months of slumping sales and businesses toppling into bankruptcy.

In normal times, Black Friday is the busiest shopping day of the year, drawing millions of shoppers eager to get started on their holiday spending.

But these are not normal times: A spike in coronavirus cases is threatening the economy's fitful recovery from the sudden plunge in the spring. Crowds at stores were dramatically diminished as shoppers do more of their purchases online.

Many retailers closed their doors on Thanksgiving Day but beefed up their safety protocols to reassure wary customers about coming in on Black Friday. Stores have also moved their doorbuster deals online and ramped up curbside pickup options as a last grasp at sales before the year ends and they head into the dark days of winter with the pandemic still raging.

"Black Friday is still critical," said Neil Saunders, managing director of GlobalData Retail. "No retailer wants it to be tarnished. It's still vital to get their consumers spending and get consumers into the holiday mood."

Macy's Herald Square in New York featured such deals as 50% off handbags and 60% off women's and men's coats, but there was just a trickle of shoppers at around 7 a.m., an hour after the store opened. There

was no one in line at the service area where customers pick up their online orders. Workers could be seen sanitizing door knobs and windows. The scene looked similarly empty at the nearby Manhattan Mall.

At the Garden State Plaza mall in Paramus, New Jersey, parking spots were easy to find shortly after the mall opened at 7 a.m. Inside, there was a line at video game store GameStop and several police officers to control the crowd.

Things were quiet at a Walmart in Saddle Brook, New Jersey. The nation's largest retailer has been offering its best deals online this month to deter any crowds from showing up on Black Friday.

Mike Mitchell went to a Walmart at 7:30 a.m. expecting to see it packed and the doorbuster deals gone, like past Black Fridays. Instead, the lot was mostly empty. What he wanted - a ride-on battery powered Chevy truck for his daughter - was still in stock, even though it was discounted to \$98 from \$149.

"It was kind of surprising," says Mitchell, who lives in Greensboro, North Carolina. "There was no line. It was very easy."

Several hundreds shoppers were lined up ahead of the 8 a.m. opening at Mall of America in Bloomington, Minnesota, which normally attracts several thousand on Black Friday.

The smaller crowds were planned, said Jill Renslow, Mall of America's senior vice president of business development. The mall spread out the Black Friday deals over eight days, kicking them off

the Monday before Thanksgiving. Renslow said many retail tenants pivoted more online and added curbside pickup. She said she was confident that many tenants, particularly those that focus on health and wellness, casual apparel and home, will have a strong holiday season.

"It feels good, and it's the right thing to do to keep everybody safe," Renslow said "Everyone is shopping a little differently but that's OK."

The U.S. Centers for Disease Control and Prevention has labeled shopping in crowded stores during the holidays a "higher risk" activity and says people should limit any in-person shopping, including at supermarkets. Instead, the health agency recommends shopping online, visiting outdoor markets or using curbside pickup, where workers bring orders to you in the parking lot.

At a popular shopping area in Pinellas Park, Florida, several storefronts were empty, and the only line was at a plasma donation center.

The day after Thanksgiving has been losing its luster as the unofficial start to the holiday shopping season for the past several years, with more stores were offering holiday discounts throughout the month. Still, Black Friday has remained the busiest day of the year, according to ShopperTrak, and is expected to hold that title again this year.

The National Retail Federation, the nation's largest retail trade group, has taken an optimistic view, predicting that shoppers will be looking for reasons to celebrate. The trade group

expects sales for the November and December period to increase between 3.6% and 5.2% over 2019 compared with a 4% increase the year before. Holiday sales have averaged gains of 3.5% over the past five years.

"After all they've been through, we think there's going to be a psychological factor that they owe it to themselves and their families to have a better-than-normal holiday," said NRF Chief Economist Jack Kleinhenz.

Retailers were successful in convincing shoppers to spend early by pushing big discounts in mid-October. And shoppers have shown their willingness to spend for other holidays like Easter and Halloween.

Thanksgiving Day hit a new record online as spending reached \$5.1 billion, up 21.5% compared to a year ago, according to Adobe Analytics, which measures sales at 80 of the top 100 U.S. online retailers. Among the most popular items were Lego sets, Barbie toys, and kid scooters, HP laptops, and Apple Watches, according to Adobe. The popularity of Netflix's "Queen's Gambit" has boosted sales for chess-related items by more than threefold compared to the previous month, Adobe said.

Black Friday is projected to generate \$10 billion in online sales, a 39% bump from the year ago period, according to Adobe Analytics. And Cyber Monday, the Monday after Thanksgiving, will remain the biggest online shopping day of the year with \$12.7 billion in sales, a 35% jump.

The pandemic has already benefited Amazon, which continues to seal its dominance in the online space as jittery shoppers click on their devices instead of venturing into stores. Likewise, big box chains like Walmart and Target that were allowed to stay open during the spring lockdowns fared far better than department stores and other non-essential retailers that were forced to close. That disparity helped speed up bankruptcy filings of more than 40 chains, including J.C. Penney and J.Crew, and resulted in hundreds of stores closings.

Department stores and other clothing stores that haven't yet recovered from the closures during the spring will have a hard time making up for lost sales, says Ken Perkins, president of Retail Metrics LLC, a retail research firm.

For the fiscal third quarter, mall-based retailers saw their profits down 20% while big box stores and other retailers that operate outside a traditional mall posted a 19% increase, according to RetailMetrics' tally of roughly 100 retailers. For the fiscal fourth quarter, mall-based retailers are expected to see profits down 31%, while off-mall stores should see profits up 1%.



Shoppers get in on the Black Friday sales while shopping at Bass Pro Shops in Foxboro, Massachusetts, Friday, Nov. 27, 2020. (AP)

Quarterly Economic Brief  
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Egypt  
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### Relatively good economic performance during difficult times bodes well for the outlook

Highlights

- Economic activity slowed in 2Q20 amid lockdown measures, pushing growth down to 3.6% y/y in the fiscal year ending in June 2020, from 5.6% one year earlier.
- Egypt continued to make progress on its public finances, putting the budget deficit on a downward trend, despite the impact of the pandemic on the fiscal position in the first half of 2020.
- The external sector is under pressure as the pandemic ravaged some of Egypt's main sources of foreign currency.
- As inflation remains low, the CBE may continue cautiously its monetary policy loosening to boost economic growth.

Favorable signs of an economic recovery

Despite the pandemic's fallout, preliminary figures showed that real GDP grew by 3.6% in FY19/20 (July-June) compared to 5.6% a year earlier. The lockdown measures implemented to contain COVID-19 caused a contraction of 1.7% in 2Q20 (last quarter of FY19/20), down from 5.0% in 1Q20, and contributed to the increase in the unemployment rate to 9.6% in 2Q20 (up from 7.7% in 1Q20).

Chart 1: Egypt's PMI (Index)

Chart 2: Egypt's economic growth (y/y %)

Chart 3: Egypt's Fiscal balance (% of GDP)

Chart 4: Egypt's current account (% of GDP)

Chart 5: Egypt's foreign reserves (\$ billion)

Chart 6: Egypt's inflation (y/y %)

Remaining Challenges require continuous vigilance

Egypt is doing relatively well under the circumstances and one of the few emerging countries to record positive growth this year. The macroeconomic reforms over the past four years are paying off. A commitment to forging ahead with macroeconomic and especially structural reforms, a diversified economic base, big markets and a large young population all bode well for the future. However, besides the uncertain outlook of the COVID-19 and its impact on global growth, tourism and remittances, other challenges remain. The dependence on foreign capital could push the debt to GDP ratio to unsustainable levels unless the debt is put to very productive uses that bolster economic growth to rates that exceed the interest on the debt. At the same time, the private sector needs to play a much bigger role in driving growth, reducing poverty and creating jobs for a large number of entrants into the labor force.

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a broadening of the tax base) and subsidies reform. The primary surplus stood at 1.8% of GDP by end-June, slightly lower than targeted, with an overall fiscal deficit of 7.9% of GDP, down from 8.2% of GDP in FY18/19, despite the impact of the pandemic on the fiscal position in 1H20. The debt to GDP ratio reached 87% in FY19/20, compared to 90.4% and 108% in the previous two fiscal years.

For FY20/21, the government aims to reduce its budget deficit further to 7.5%, with a targeted primary surplus of 0.5%. The fiscal outcome for the first four months of the current FY20/21 (July - October) showed an overall budget deficit of about 2.6% of GDP, driven by an 18% increase (y/y) in revenues, mainly on account of a 13.4% y/y rise in tax revenues. This augur well for a favorable outcome for FY20/21 though it would be premature to draw firm conclusions on the basis of this outcome as the budgetary transactions do not necessarily follow a smooth trend in addition to the still uncertainty regarding the end of the pandemic.

Chart 3: Egypt's Fiscal balance (% of GDP)

The external sector is set to improve

Egypt's current account balance is still under pressure, notwithstanding the improvement of some external indicators. Revenues from the Suez Canal rose from \$470.7 million in September to \$490.2 million in October, which is higher than the pre-pandemic February's revenues of \$458.2 million. For FY19/20, remittances (transfer by Egyptians working abroad) rose 33.7% y/y, reaching \$27.8 billion, its highest ever, compared to \$25.2 billion a year ago. This is likely due to the rush to transfer their savings amid the uncertainty regarding the future of labor markets in the GCC. Egypt's current account deficit could reach 4.0% of GDP in FY20/21, before improving to around 2.5% of GDP in the coming years, as the global economy recovers and with it trade, and tourism, which is a major source of foreign reserves.

Chart 4: Egypt's current account (% of GDP)

Egypt's foreign reserves continued to improve for the fifth consecutive month, supported by Egypt's move to secure more financial buffers and the recent acceleration of the capital inflows. The reserves increased by about \$795 million in October 2020, recording \$39.2 billion coming from \$36 billion in May, when it reached its lowest level during the height of the pandemic.

Chart 5: Egypt's foreign reserves (\$ billion)

The Egyptian pound (EGP) appreciated further against the US dollar in 2H20, supported by an increase in foreign capital flows and a gradual economic recovery following the easing of lockdown restrictions starting in July. The US dollar traded at around EGP 15.6 in November against EGP 16.2 in June. Barring any major exogenous shocks, the EGP is likely to remain

relatively stable and any intervention in the exchange market should be limited to cases where fluctuations in the rate are not warranted by economic fundamentals.

Monetary policy easing amid low inflationary pressures

Since the onset of macroeconomic reforms in late 2016, Egypt's urban inflation has been on a downward trend making Egypt one of the few countries to experience such a significant drop in inflation (from about 33.1% in July 2017) in a relatively short period. This trend is prone, however, to some fluctuations due to seasonal and other factors. In October, for example, the inflation rate accelerated to 4.5% y/y from 3.7% y/y in September, driven mainly by an increase in the prices of vegetables, education, and services. Core inflation also rose to 3.9% y/y in October, up from 3.3% y/y in September. In the coming months, inflation could increase given the recent increase in energy tariffs and the potential pick-up in demand as restrictions are eased.

Chart 6: Egypt's inflation (y/y %)

As the inflation rate remains well below the target of 9% (±3%), the Central Bank of Egypt (CBE) cut interest rates by 50 basis points in November for a second consecutive time to offset some of the negative impacts of the coronavirus pandemic on economic activity. Given that the real interest rate in Egypt remains higher than most emerging markets (the second highest after India), the CBE will continue cautiously its monetary policy loosening to boost economic growth, while avoiding acceleration of capital outflows. In the meantime, it would not be surprising if the CBE revised down its inflation target range given that recent inflation rates have fallen outside this range.

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