

Daily Economic Update

Economic Research Department
28 March 2024

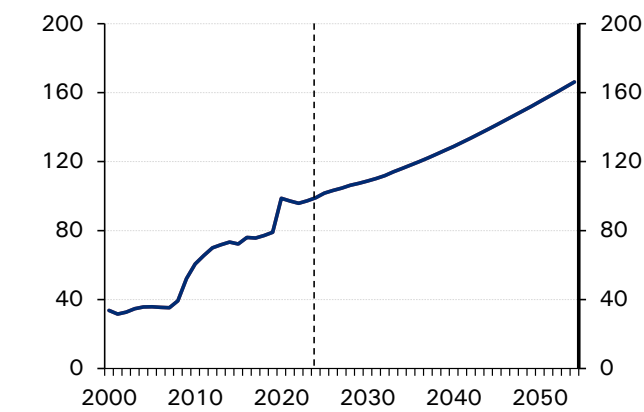
Egypt: Government begins paying overdue arrears to international oil firms. The government has started paying back close to 20% (\$1.5 billion) of its outstanding dues to international oil companies (IOCs). In the last two years, due to limited foreign currency, the government was unable to pay around \$6.5-7 billion to IOCs operating in Egypt (energy companies in Egypt were entitled to a share of the proceeds from the extraction and sale of oil and gas). The authorities hope that their latest move and their promise to pay the remainder in stages will enable energy firms to increase their level of production in the coming period, which would help to limit the volume of imported oil and gas and improve the country's trade deficit.

Saudi Arabia: Unemployment fell to a record-low by end-2023. The unemployment rate among Saudis decreased to 7.7% in Q4 2023 from 8.6% in the previous quarter. The q/q decline was a reflection of improving employment in the female demographic – with a quite substantial decline in female unemployment to 13.7% from 16.3% in Q3 2023. The male unemployment rate was unchanged at 4.6%. However, the participation rate among Saudis dropped for the fourth consecutive quarter, to 51.3% in Q4 2023 from 52.5% in Q4 2022. Meanwhile, FDI inflows in Q4 2023 came in at \$5.2 billion (+17% q/q), contributing to a full year reading of \$19.3 billion in 2023 (1.8% of GDP), down 41% on the \$32.7 billion recorded in 2022 (3% of GDP).

US: CBO projects a grim picture of US public finances over the long term. Earlier this week the nonpartisan Congressional Budget Office (CBO) published its latest long-term projections (2024-2054) of the nation's public finances, which make for grim reading. The CBO forecasts US federal debt to steadily rise from around 99% of GDP currently to 166% by 2054. The fiscal deficit is projected to worsen from 5.6% of GDP to 8.5% by 2054, and average 5.5% over the next five years. Outlays on interest alone could swell to 6.3% of GDP from 2.4% in 2023 as public debt continues to soar amid a higher interest rate environment. Total public debt (excluding intra-governmental holdings) stood at \$26.3 trillion as of September 2023, having risen by 7.7x (+9% CAGR) since 2000 from just 34% of GDP. Explaining the massive rise in federal debt, fiscal revenues since 2000 have increased by 3.8% CAGR, while fiscal outlays have expanded 5.7% per year, resulting in an average deficit of 4.6% of GDP over the same period. Special and largely unfunded stimulus packages in the aftermath of the 2008 financial crisis (estimated at around \$1.5-2 trillion) and Covid relief measures (around \$5 trillion), have contributed to the buildup in government debt. However, non-emergency policies have also had an impact over the years, including the 2010 Affordable Care Act (colloquially known as 'Obamacare'), and Trump's 2017 Tax Cuts and Jobs Act, the latter, for example, is projected to suppress fiscal revenues by a cumulative \$1.5 trillion over 2018-25. Budgetary outlays are increasingly becoming less discretionary and therefore more difficult to remove or cut, with mandatory schemes plus interest payments as a proportion of overall expenditure projected to increase from 72% currently to 82% by 2054. The CBO argues that "mounting debt would slow economic growth, push up interest payments to foreign holders of US debt and pose significant risks to the fiscal and economic outlook." For now, both presidential candidates Biden and Trump are looking to extend previous

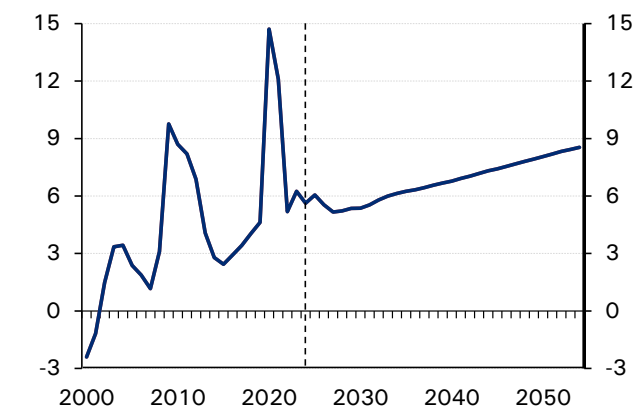
measures such as Medicare spending and tax cuts after their expiry next year and have yet to fully address fiscal and debt sustainability concerns.

Chart 1: US federal government debt as % of GDP



Source: CBO

Chart 2: US fiscal deficit as % of GDP



Source: CBO

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,273	-0.49	-3.18
Bahrain (ASI)	2,068	-0.35	4.92
Dubai (DFMGI)	4,232	-0.34	4.24
Egypt (EGX 30)	28,224	-2.87	13.66
GCC (S&P GCC 40)	723	-0.23	1.51
Kuwait (All Share)	7,367	-0.44	8.07
KSA (TASI)	12,608	0.18	5.35
Oman (MSM 30)	4,711	-0.94	4.36
Qatar (QE Index)	9,958	-0.68	-8.06
International			
CSI 300	3,503	-1.16	2.09
DAX	18,477	0.50	10.30
DJIA	39,760	1.22	5.49
Eurostoxx 50	5,082	0.35	12.39
FTSE 100	7,932	0.01	2.57
Nikkei 225	40,763	0.90	21.81
S&P 500	5,248	0.86	10.04
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.36	0.00	-16.72
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.10	-12.09	-23.16
Saudi	6.24	4.30	0.72
LIBOR	5.56	-0.75	-2.95
SOFR	5.31	0.19	-2.20

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.72	-1.20	40.3
Oman 2027	5.56	-4.60	40.4
Qatar 2026	4.84	-0.60	32.3
Kuwait 2027	4.61	1.60	26.5
Saudi 2028	4.85	-1.70	32.6
International 10YR			
US Treasury	4.20	-3.80	33.6
German Bund	2.29	-5.70	26.3
UK Gilt	3.93	-4.40	39.1
Japanese Gvt Bond	0.72	-1.70	10.6
Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	0.11
KWD per EUR	0.33	-0.09	0.67
USD per EUR	1.08	-0.04	-1.90
JPY per USD	151.32	-0.15	7.27
USD per GBP	1.26	0.10	-0.71
EGP per USD	47.20	-1.19	53.00
Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	86.09	-0.19	11.75
KEC	85.40	-1.20	7.34
WTI	81.35	-0.33	13.54
Gold	2190.6	0.69	6.22

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver