

Daily Economic Update

Economic Research Department
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Kuwait: IMF recommends medium-term fiscal plan and structural reforms. The IMF, in its latest Article IV Consultation, acknowledged that Kuwait's non-oil economic growth, fiscal and external buffers have strengthened recently thanks to higher oil prices. However, the agency reiterated the imperative of reorienting the country's economy and finances away from overdependence on volatile oil prices. With the aim of promoting fiscal and economic sustainability (as well as intergenerational equity), the IMF suggests the establishment of a medium-term fiscal framework, with a clear fiscal anchor, such as the non-oil primary balance (the fiscal balance net of oil revenues, non-recurring items and investment income). Through this framework the authorities will be better placed to tackle current spending rigidities (e.g. ever-inflating wage and subsidy costs) and resist spending more when oil prices rise, instead saving the oil proceeds for deployment during an economic downturn or redirecting them towards more productivity-enhancing investments. At the same time, non-oil revenues would need to be significantly expanded through a much larger and more prominent private sector. This would be made possible by implementing structural reforms targeting, among others, the labor market (e.g. to equalize public-private sector working conditions and boost productivity), the business environment (e.g. to stimulate FDI and enhance competition), governance and the education system (e.g. to raise the quality of education and align skills more closely with the needs of businesses).

Saudi Arabia: Debt center issues SAR2.45 billion Sukuk. The National Debt Management Center completed the issuance of a two-tranche SAR2.45 billion Sukuk, under the government's SAR-denominated local Sukuk program. The first tranche maturing in 2030 for SAR1.03 billion and the second maturing in 2033 for SAR1.42 billion. Total bids reached SAR8.76 billion, more than three times the allotted amount. Public debt stood at SAR989 billion as of June 2023, but is budgeted to fall to SAR951 billion (around 24% of estimated GDP) by the end of the year.

Global: OECD sees slower global growth in 2024. In its latest Economic Outlook report, the OECD said that although global economic growth has proved more resilient than expected so far in 2023, the outlook for next year is weaker as the impact of tighter global monetary policy feeds through and as the Chinese economy remains under stress. World GDP growth for 2024 was downgraded to 2.7% from 2.9% in June, and versus a slightly upgraded 3.0% this year. Growth in the US (1.3% in 2024 from 2.2% in 2023) and China (4.6% from 5.1%) would slow next year, while that in the Eurozone would remain weak (1.1% from 0.6%). It described risks to the growth outlook as tilted to the downside, with the main ones being the possibility of more persistent than expected inflation, adverse supply shocks including from higher energy prices, and an even weaker Chinese economy with property sector issues raising default risks among real estate developers.

Europe: August Eurozone inflation revised downwards. Final estimates for the Eurozone's August CPI show inflation revised down a touch to 5.2% y/y from 5.3% in the earlier estimate. On a monthly basis, inflation was also revised downwards to 0.5% m/m from 0.6% in the initial estimate. Core CPI stood unchanged at 5.3% y/y and 0.3% m/m. Though the downward revision is subtle, it is consistent with ECB's recent hints that it could keep policy rates on hold in the coming period. Looking ahead, the disinflation process will be helped by a base effect from steep price hikes last year especially starting September 2022, which would allow the headline figure to remain well contained at or below 5% y/y and offset a possible pickup in monthly inflation on the back of the rise in oil prices.

Japan: Trade balance in deficit again in August. Japan's goods exports declined 0.8% y/y in August (much less than the consensus -1.7%), brought down by drops in China's steel and heavy oil demand and higher global interest rates. Shipments to China, Japan's largest trading partner, fell 11% y/y in August, marking a third straight month of double-digit declines. Imports declined 18% as domestic demand remained soft. The seasonally-adjusted goods trade deficit narrowed slightly to ¥555 billion (\$3.8 billion), and is well down from its peak of ¥2.2 trillion in October last year. Following the yen's steep decline this year (currently ¥148/USD), the benefits to Japan's trade balance from cheaper exports have been somewhat offset by a rise in import prices.

Daily market indicators

| Stock markets | Index | Change (%) | |
|--------------------|--------|------------|-------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi (ADI) | 9,822 | 0.05 | -3.81 |
| Bahrain (ASI) | 1,929 | 0.38 | 1.80 |
| Dubai (DFMGI) | 4,075 | 0.65 | 22.14 |
| Egypt (EGX 30) | 19,954 | 1.03 | 36.69 |
| GCC (S&P GCC 40) | 671 | 0.21 | -2.88 |
| Kuwait (All Share) | 6,990 | -0.21 | -4.15 |
| KSA (TASI) | 11,071 | 0.31 | 4.97 |
| Oman (MSM 30) | 4,688 | -0.49 | -3.80 |
| Qatar (QE Index) | 10,319 | 0.45 | -3.39 |

| | | | |
|----------------------|--------|-------|-------|
| International | | | |
| CSI 300 | 3,721 | -0.19 | -3.90 |
| DAX | 15,664 | -0.40 | 12.50 |
| DJIA | 34,518 | -0.31 | 4.13 |
| Eurostoxx 50 | 4,243 | -0.07 | 11.84 |
| FTSE 100 | 7,660 | 0.09 | 2.80 |
| Nikkei 225 | 33,243 | -0.87 | 27.39 |
| S&P 500 | 4,444 | -0.22 | 15.74 |

| 3m interbank rates | % | Change (bps) | |
|--------------------|------|--------------|--------|
| | | Daily | YTD |
| Bahrain | 6.69 | 0.32 | 55.10 |
| Kuwait | 4.31 | 6.25 | 31.25 |
| Qatar | 6.00 | 0.00 | 71.67 |
| UAE | 5.01 | -10.69 | 69.94 |
| Saudi | 6.21 | -1.09 | 100.26 |
| LIBOR | 5.66 | -0.08 | 89.13 |
| SOFR | 5.40 | -0.38 | 81.04 |

| Bond yields | % | Change (bps) | |
|-----------------|------|--------------|------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi 2027 | 4.81 | -0.50 | 58.3 |
| Oman 2027 | 6.06 | 4.10 | 7.4 |
| Qatar 2026 | 5.08 | 0.40 | 60.0 |
| Kuwait 2027 | 5.02 | 2.80 | 75.3 |
| Saudi 2028 | 5.16 | 0.10 | 49.4 |

| | | | |
|---------------------------|------|-------|------|
| International 10YR | | | |
| US Treasury | 4.37 | 4.80 | 53.6 |
| German Bund | 2.74 | 2.10 | 17.6 |
| UK Gilt | 4.34 | -4.80 | 67.4 |
| Japanese Gvt Bond | 0.72 | 1.60 | 30.3 |

| Exchange rates | Rate | Change (%) | |
|----------------|--------|------------|-------|
| | | Daily | YTD |
| KWD per USD | 0.31 | -0.01 | 0.99 |
| KWD per EUR | 0.33 | -0.15 | 0.75 |
| USD per EUR | 1.07 | -0.12 | -0.23 |
| JPY per USD | 147.86 | 0.18 | 12.78 |
| USD per GBP | 1.24 | 0.06 | 2.42 |
| EGP per USD | 30.85 | 0.00 | 24.70 |

| Commodities | \$/unit | Change (%) | |
|-------------|---------|------------|-------|
| | | Daily | YTD |
| Brent crude | 94.34 | -0.10 | 9.81 |
| KEC | 98.00 | -0.06 | 19.45 |
| WTI | 91.2 | -0.31 | 13.63 |
| Gold | 1932 | 0.03 | 6.17 |

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

Source: Refinitiv / Haver