

# Daily Economic Update



Economic Research Department  
31 January 2024

**Egypt: Local news reports a new IMF agreement between \$6-9bn.** Egyptian government spokesman Mohamed El Homosany said the government is preparing to make a statement on the results of the talks with the IMF delegation. Local news reports point toward an upsized version of the IMF program that could bring the program size to a range of \$6-9bn from the current \$3bn with a possibility of disbursing \$700mn up front. In our opinion, the decisive factor behind the size of the program would be the extent of Egypt commitment to a stronger reform measures including the move to a free float of the pound. The deal size if confirmed would come below that expected by some in the market, who were looking for a minimum of \$10bn in order to be able to build on it further multilateral lending. The EGP continues to hit record lows every day on the unofficial market, now trading at EGP70/\$1. Meanwhile, the IMF downgraded the country's growth to 3.0% for FY23/24 from the projections of 3.6% released in October 2023. This is the fourth forecast downgrade for FY23/24 all the way from 5.0%. Growth in Q1FY23/24 came in at 2.6% y/y.

**Oil: Saudi Aramco shelves oil capacity expansion plans.** In a surprise announcement, Saudi Aramco suspended its plan to raise crude oil production capacity by 8% from the current 12 mb/d to 13 mb/d by 2027. The target was originally set in 2020 following a battle for market share between the Kingdom and Russia. Aramco said it was acting on a Ministry of Energy directive. The move is being seen by market watchers as reflecting a potential reappraisal in the kingdom's thinking on the trajectory of oil demand growth amid ongoing global decarbonization efforts and a rebalancing of investment and funds towards renewables and the energy transition. The investment needed to raise production capacity by 1 mb/d was reportedly more than \$20 billion, according to a former Saudi energy minister back in 2018, so abandoning the upstream expansion could save Aramco at least \$3 billion a year from a capex budget that was as high as \$45-55 billion in 2023. In truth, with 3 mb/d of existing spare capacity sitting idle following successive rounds of production cuts as part of its OPEC supply management strategy—Saudi's current output is under 9 mb/d—the Kingdom probably reckons that this buffer is more than enough to smooth out potential market imbalances due to global supply outages from natural or geopolitical causes and to meet projected oil demand growth in the medium term—especially with US-driven, non-OPEC supply continuing to make gains. Moreover, should the need arise, the kingdom has additional capacity (+200 kb/d) in the Partitioned Neutral Zone (PNZ) and is working on plans to monetize more of its existing capacity, potentially up to 1 mb/d, through liquid displacement, efficiency gains and direct burn minimization.

**Global: IMF sounds a more upbeat tone on global growth.** In its latest forecast update, the IMF sounded a more upbeat tone on the global economy, upgrading its growth expectations for this year to 3.1% from 2.9% previously on the back of better performances in the world's two largest economies, the US and China. Growth in the former is seen at 2.1% from 1.5% before reflecting the resilience of recent economic data, while China will benefit from additional government stimulus steps, pushing growth to 4.6% from 4.2% previously. In 2025,

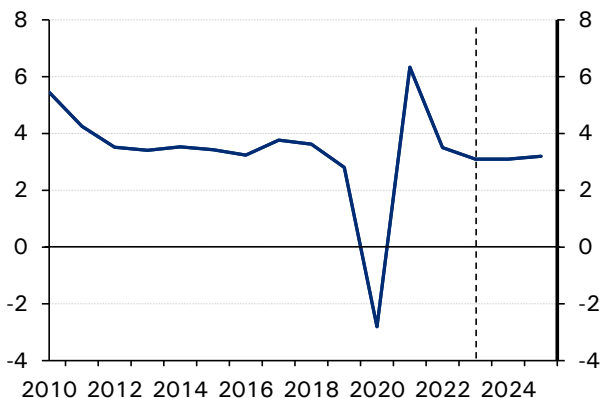
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growth is forecast to edge up to 3.2%, unchanged from before – though still below the historical average of 3.8%. For the MENA region, growth this year was cut by 0.5% points to 2.9% reflecting oil output cuts in Saudi Arabia linked to OPEC+ policy, with a rebound next year to 4.2%. Upside risks to the global outlook include faster disinflation resulting in interest rate cuts and a stronger economic performance in China, while downside risks include more persistent inflation and commodity price spikes linked to geopolitical and weather events.

**Chart 1: World GDP growth**

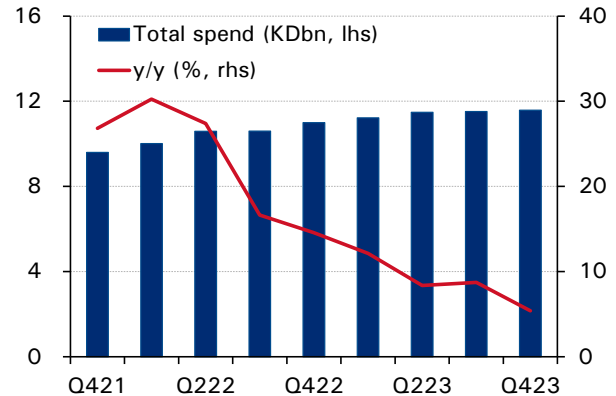
(% y/y)



Source: IMF WEO update, Jan 2024

**Chart 2: GDP growth**

(% y/y)



Source: IMF WEO update, Jan 2024

**US: Job openings unexpectedly rise, showing fewer signs of loosening.** Job openings (JOLTS report) in December surprisingly rose to a three-month high of 9 million from an upwardly revised 8.9 million in November, underpinning a continued robust labor market. While there were still 1.44 vacancies per unemployed person (same as in November), layoffs ticked up slightly. The number of quits fell to an almost three-year low, implying job-switchers may be finding it difficult to land new opportunities at better salaries, underscoring slower wage gains. Meanwhile, house price rises, based on the S&P Case-Shiller index in November moderated to their slowest since February 2023, at 0.2% m/m (+5.2% y/y) from 0.6% in October on rising unaffordability amid a continued shortage of existing homes on sale. However, falling mortgage rates could drive more price gains over the coming months. Finally, the Conference Board's consumer confidence index jumped to a two-year high of 114.8 in January from 108 in December, attributed to 'slower inflation' and 'favorable employment conditions.'

**Europe: Euro Area skipped a recession in Q4.** Euro Area GDP growth came in at 0.1% y/y for Q4 2023, beating the consensus which had expected no growth, similar to Q3. On a quarterly basis, growth also came in a touch better than expectations at 0% q/q versus -0.1% q/q in Q3. Germany's economy showed contraction of 0.3% q/q in Q4, while Italy and Spain grew by 0.2% q/q and 0.6% q/q, respectively. Although slightly better than forecast, the latest figures continue to point to a region struggling against various headwinds including high interest rates and ongoing (albeit easing) price and wage pressures, and still very close to recession.

**China: Manufacturing activity continues to contract but service momentum picks up.** Factory activity in China shrank for a fourth consecutive month in January, but the pace of deterioration moderated slightly at 49.2 from 49 in December, according to the official NBS PMI survey. The new export order sub-index remained in contraction for the 10th straight month, highlighting a challenging global demand outlook. However, the non-manufacturing measure gained momentum, ticking up to a four-month high of 50.7 from 50.4 in December, likely reflecting higher service-related demand during the upcoming lunar holiday period. The government has pledged more policy support recently, which could help drive a gradual recovery in domestic consumption over 2024.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,519	-0.33	-0.62
Bahrain (ASI)	2,070	1.43	4.99
Dubai (DFMGI)	4,168	-0.05	2.68
Egypt (EGX 30)	30,347	3.83	22.21
GCC (S&P GCC 40)	721	-1.60	1.25
Kuwait (All Share)	7,329	0.29	7.50
KSA (TASI)	11,986	-2.18	0.16
Oman (MSM 30)	4,587	-0.10	1.62
Qatar (QE Index)	10,110	-0.41	-6.65
International			
CSI 300	3,245	-1.78	-5.42
DAX	16,972	0.18	1.32
DJIA	38,467	0.35	2.06
Eurostoxx 50	4,663	0.50	3.12
FTSE 100	7,666	0.44	-0.87
Nikkei 225	36,066	0.11	7.77
S&P 500	4,925	-0.06	3.25
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.49	-0.04	-3.76
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.27	-0.16	-5.27
Saudi	6.33	0.69	9.76
LIBOR	5.57	-0.62	-2.50
SOFR	5.31	-0.48	-1.87

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.52	-6.90	20.1
Oman 2027	5.42	-3.90	26.0
Qatar 2026	4.70	-5.80	18.1
Kuwait 2027	4.42	-1.90	8.3
Saudi 2028	4.83	-7.30	31.2
International 10YR			
US Treasury	4.06	-3.40	19.7
German Bund	2.27	3.50	24.4
UK Gilt	3.90	2.60	36.3
Japanese Gvt Bond	0.71	-1.40	9.6
Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.13
KWD per EUR	0.33	0.12	0.88
USD per EUR	1.08	0.06	-1.78
JPY per USD	147.60	0.07	4.64
USD per GBP	1.27	-0.08	-0.25
EGP per USD	30.93	0.26	0.26
Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.87	0.57	7.57
KEC	83.49	-2.13	4.93
WTI	77.82	1.35	8.61
Gold	2031.5	0.31	-1.50

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

Source: Refinitiv / Haver