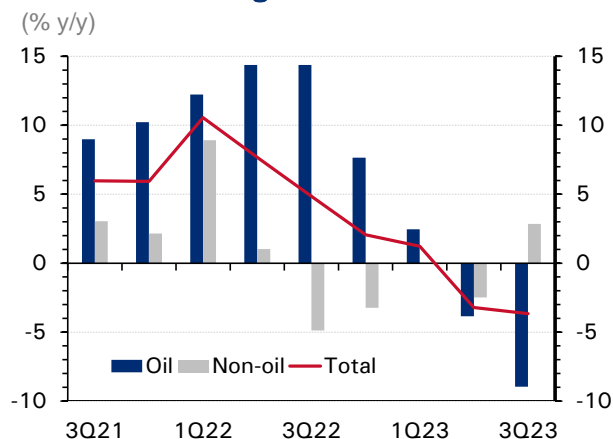


Daily Economic Update

Economic Research Department
13 February 2024

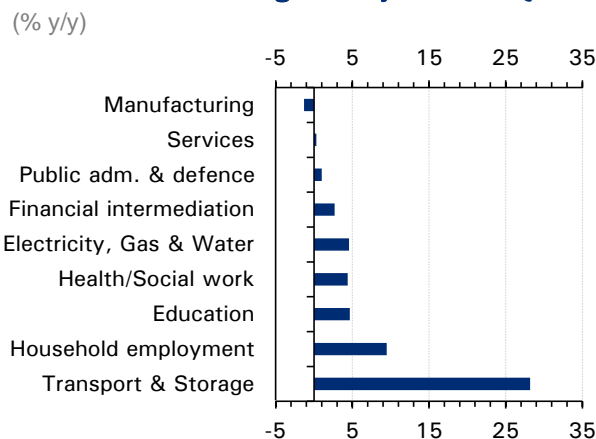
Kuwait: Non-oil GDP growth accelerates in Q3 2023. Official figures published by the Central Statistical Bureau show that real GDP in Kuwait's non-oil sector expanded by 2.8% y/y (+1.2% q/q) in Q3 2023. In contrast, oil sector GDP declined for the second consecutive quarter, by a steep 9% y/y (-0.5% q/q), due to crude oil production cuts undertaken as part of Kuwait's OPEC+ obligations. Overall GDP growth fell to -3.7% y/y (+0.3% q/q), a second quarterly decline in a row. The increase in non-oil activity largely came from gains in the financial services (+2.7% y/y), public administration (+1.0% y/y) and transportation and storage (+28% y/y). Gains in the latter accounted for just under half of the non-oil sector's growth of 2.8%. Meanwhile, manufacturing GDP, which includes refining, contracted for the sixth quarter in a row, by 1.3% y/y. This contrasts with data from the international Joint Organizations Data Initiative, which shows that Kuwait's refining output has increased every quarter since Q2 2022 helped by the commissioning and near full-utilization of the Al-Zour refinery. We note that in the current release, downgrades to manufacturing and 'other services' output resulted in non-oil GDP growth in Q2 23 being revised down sharply to -2.5% y/y from +1.5% previously. Non-oil GDP growth for Q1-Q3 23 averaged just 0.1% y/y, and in the absence of further data revisions, risks to our earlier full-year estimate of around 3% are clearly to the downside.

Chart 1: Real GDP growth



Source: Central Statistics Bureau (CSB); figures are preliminary

Chart 2: Non-oil GDP growth by sector in Q3



Source: CSB; figures are preliminary

Egypt: Parliament approves EGP180bn social protection package. Egypt's parliament approved a social protection package of public sector minimum wage hikes (by 50% to EGP6,000) and pension increases (by 15%) as well as specific pay rises for employees in the education and healthcare sectors. The personal income tax exemption level is also being raised, to EGP60,000 from EGP45,000. The total cost of the package is estimated to be EGP180 billion, and the measures will now be sent to President Sisi for ratification ahead of a March 1 implementation date. We think this package may be intended as a tonic ahead of the introduction of

tough economic reforms including an EGP devaluation, public spending cuts and higher central bank policy rates. It should help, to a small extent, cushion the impact of these expected measures on lower-income households.

Saudi Arabia: Real estate price growth broadly flat. The real estate price index (measured quarterly) in Q4 2023 was broadly flat compared with Q4 2022 (up just 0.2%) as the residential index (65% weight) inched up by 0.6% while the commercial (31% weight) and agricultural (4% weight) indices edged down slightly, by 0.5% and 0.1%, respectively. The trends were broadly similar from a q/q perspective. We note that the index is heavily driven by the prices of land plots, which account for 95% weight of the residential index and 99% weight of the commercial index.

US: Consumer inflation expectations steady in January. According to the January New York Fed survey, consumers' next-year and five-year inflation expectations were at 3% and 2.5%, respectively, unchanged from the previous month. Consumers see price rises decelerating over the next twelve months across key categories, including gasoline, food and rents. The Fed will likely see a stable inflation outlook as an encouraging indicator, with recent price volatility seemingly not affecting individuals' inflation expectations. However, worsening geopolitics and potential supply-chain snarls could spur renewed price pressures.

Japan: Producer prices edge up in January. Producer prices rose by 0.2% y/y in January, unchanged from the previous month and slightly higher than forecasts of 0.1%. The reading remained the lowest since February 2021, extending the downtrend seen since late 2022, with negative pressure coming mostly from continued deflation in the cost of iron and steel, and chemicals. The low PPI implies less pressure to pass-on material costs to consumers, thereby easing inflationary pressures and contributing to the softer inflation observed in recent months. The Bank of Japan may be less inclined to tighten its monetary policy in the near future to avoid undershooting its 2% inflation target.

Daily market indicators

| Stock markets | Index | Change (%) | |
|---------------------------|--------|--------------|--------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi (ADI) | 9,324 | -0.21 | -2.65 |
| Bahrain (ASI) | 2,077 | 0.25 | 5.37 |
| Dubai (DFMGI) | 4,211 | 0.65 | 3.72 |
| Egypt (EGX 30) | 28,495 | 1.05 | 14.75 |
| GCC (S&P GCC 40) | 727 | 0.59 | 2.04 |
| Kuwait (All Share) | 7,360 | 0.36 | 7.96 |
| KSA (TASI) | 12,296 | 0.71 | 2.75 |
| Oman (MSM 30) | 4,563 | 0.00 | 1.08 |
| Qatar (QE Index) | 10,093 | 0.49 | -6.81 |
| International | | | |
| CSI 300 | 3,365 | 0.00 | -1.93 |
| DAX | 17,037 | 0.65 | 1.71 |
| DJIA | 38,797 | 0.33 | 2.94 |
| Eurostoxx 50 | 4,746 | 0.65 | 4.97 |
| FTSE 100 | 7,574 | 0.01 | -2.06 |
| Nikkei 225 | 36,897 | 0.00 | 10.26 |
| S&P 500 | 5,022 | -0.09 | 5.28 |
| 3m interbank rates | | | |
| | % | Change (bps) | |
| | | Daily | YTD |
| Bahrain | 6.38 | -2.83 | -14.38 |
| Kuwait | 4.31 | 0.00 | 0.00 |
| Qatar | 6.00 | 0.00 | -25.00 |
| UAE | 5.40 | 11.76 | 7.15 |
| Saudi | 6.23 | 3.48 | -0.59 |
| LIBOR | 5.57 | -0.25 | -2.49 |
| SOFR | 5.31 | 0.77 | -2.24 |

| Bond yields | % | Change (bps) | |
|---------------------------|------|--------------|------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi 2027 | 4.59 | 0.90 | 27.3 |
| Oman 2027 | 5.51 | 0.00 | 35.1 |
| Qatar 2026 | 4.75 | 2.20 | 23.0 |
| Kuwait 2027 | 4.52 | 1.60 | 18.1 |
| Saudi 2028 | 5.00 | -0.90 | 47.7 |
| International 10YR | | | |
| US Treasury | 4.17 | -1.70 | 31.0 |
| German Bund | 2.37 | -1.40 | 33.7 |
| UK Gilt | 4.06 | -2.90 | 51.8 |
| Japanese Gvt Bond | 0.72 | 0.00 | 10.5 |

| Exchange rates | Rate | Change (%) | |
|----------------|--------|------------|-------|
| | | Daily | YTD |
| KWD per USD | 0.31 | 0.00 | 0.21 |
| KWD per EUR | 0.33 | -0.11 | 0.27 |
| USD per EUR | 1.08 | -0.10 | -2.40 |
| JPY per USD | 149.34 | 0.03 | 5.87 |
| USD per GBP | 1.26 | 0.06 | -0.81 |
| EGP per USD | 30.85 | 0.00 | 0.00 |

| Commodities | \$/unit | Change (%) | |
|-------------|---------|------------|-------|
| | | Daily | YTD |
| Brent crude | 82.00 | -0.23 | 6.44 |
| KEC | 81.29 | N/A | 2.17 |
| WTI | 76.92 | 0.10 | 7.36 |
| Gold | 2018.2 | -0.25 | -2.14 |

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

Source: Refinitiv / Haver