

Daily Economic Update

Economic Research Department
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Saudi Arabia: Government to run budget deficits in the medium term on expansionary fiscal stance. The Saudi authorities in their pre-budget 2024 statement revised their expectations for 2023 and now see the Kingdom recording a budget deficit of SAR 82 billion (\$21.9bn), equivalent to 2.0% of GDP, rather than a surplus of SAR 16 billion, or 0.4% of GDP, as previously forecast. This comes as spending is revised upwards by 8.4% to SAR 1.262 trillion (exceeding the budget estimate by a relatively large 13%) to reflect heavy outlays including on infrastructure, and revenues lowered by 7% to SAR 1.180 trillion on the back of sizeable voluntary oil production cuts and lower average oil prices for 2023 compared to 2022. The oil sector cuts have significantly affected real GDP growth expectations for this year, pushing down the headline rate to 0.03% y/y from 3.1% previously and from the 8.7% realized in 2022. Non-oil GDP, however, is expected to expand by a robust 5.9% y/y (+5.7% in H1), led by output gains in the trade, hospitality and tourism sectors. For next year and through to 2026 the kingdom is budgeting for fiscal deficits of 1.9% of GDP, 1.6% of GDP (2025) and 2.3% of GDP (2026), based on continued expansionary fiscal stances (though spending is set to fall by a small 0.9% y/y to SAR 1.25 trillion in 2024) and conservative oil price assumptions. The updated spending figures will provide strong support for non-oil activity in the medium term. The authorities anticipate GDP growth of 4.4% and 5.7% in 2024 and 2025, respectively.

Oman: S&P upgrades Oman's sovereign rating to "BB+". S&P Global Ratings upgraded Oman's credit rating by one notch to "BB+" (from BB) with a stable outlook. This follows a similar move by Fitch last week. The agency noted the 'favorable' dynamics in the oil sector and the improvement in non-oil sector output and also highlighted the economy's improved resilience to external financial volatility thanks to successful government initiatives to lower public debt and improve financial and economic indicators. S&P also added that while real GDP growth likely slowed this year due to Oman's participation in the OPEC+ oil production cut agreement, it still expects the Sultanate's economy to grow by around 2% on average between 2023 and 2026.

Oil: Brent closes out September up at \$95.3/bbl, posts best quarter since Q1 2022. Brent crude closed out September with a monthly gain of 9.7% to \$95.3/bbl, as markets continued to focus on tightening supplies and declining global oil inventories. It was also oil's best quarter (+27% q/q) since Q1 2022. Local oil marker, the medium sour Kuwait Export Crude (KEC), finished the month higher at \$97.9/bbl (+9.1% m/m), maintaining its premium over light sweet Brent—a reflection of tighter global medium sour crude fundamentals amid Saudi and Russian supply cuts especially. In the US, Energy Information Administration (EIA) data showed commercial crude oil stocks declining 2.2 mb last week to 416 mb, the lowest level this year on strong refining activity and external demand. This Wednesday, market participants will be keeping a close eye on any oil production cut updates from the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting.

Financial markets: September the worst month this year for global equity markets. Mounting headwinds led to broad losses in global equity markets in September, the worst month this year for global equities, as rising oil

prices helped spur renewed inflation concerns and strengthened the case for extended “higher for longer” Fed monetary tightening. Further pressure came from sixteen-year high bond yields, with the 10-year US treasury yield climbing about 50 bps m/m to reach 4.48% by the end of the month, which reflects higher inflation and interest rate expectations. The higher yields, typically a reference for the pricing of loans, carry negative implications for the broader economy, increasing the likelihood of a downturn and contributing to weaker investor confidence. Losses were led by the tech-heavy Nasdaq composite, which fell a steep 5.8% m/m to the lowest level since May, while the S&P 500 fell 4.9% m/m to a 3-month low. European markets fell (Euro Stoxx 50; -2.8%) as the ECB raised its key interest rate to a record high, while economic weakness continued to weigh on Chinese equities (CSI 300; -2.0%). The negative global sentiment spilled over into GCC equity markets, triggering a sell-off despite higher oil prices. The MSCI GCC fell 2.7% m/m, led by Saudi Arabia (-3.8% m/m), while Kuwait’s All-Share shed 1.7%. Looking ahead, equity market prospects are adversely affected by uncertainty, with a recovery dependent on signs of economic resilience and under-control inflation.

Japan: Factory activity declines in September at fastest pace in seven months. The final au Jibun Bank Japan manufacturing purchasing managers' index (PMI) readings for September showed continued slippage in factory activity, to 48.5 from 49.6 in August. This was about in line with the earlier flash reading of 48.6. Activity has remained in contraction territory for four straight months now, with output at the lowest level since June and new orders declining by the most since February. New export orders have been in decline for nineteen months in a row. Meanwhile, following discussions among Bank of Japan (BoJ) policymakers on the possibility of eventually abandoning their ultra-loose monetary policy, yields on 10-year government bonds spiked to their highest in a decade. The benchmark 10-year Japanese government bond (JGB) yield briefly increased to 0.75%, which brought it closer to the BOJ's hard cap of 1.0%.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,785	n/a	-4.17
Bahrain (ASI)	1,937	-0.10	2.21
Dubai (DFMGI)	4,164	n/a	24.80
Egypt (EGX 30)	20,055	-0.59	37.37
GCC (S&P GCC 40)	670	0.00	-3.01
Kuwait (All Share)	6,918	0.45	-5.13
KSA (TASI)	11,040	-0.14	4.68
Oman (MSM 30)	4,699	0.64	-3.56
Qatar (QE Index)	10,216	-0.35	-4.35

International			
CSI 300	3,690	n/a	-4.70
DAX	15,387	n/a	10.51
DJIA	33,508	n/a	1.09
Eurostoxx 50	4,175	n/a	10.04
FTSE 100	7,608	n/a	2.10
Nikkei 225	31,858	n/a	22.09
S&P 500	4,288	n/a	11.68

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.71	0.00	56.77
Kuwait	4.25	0.00	25.00
Qatar	6.00	0.00	71.67
UAE	5.29	0.00	97.63
Saudi	6.19	1.93	97.79
LIBOR	5.66	n/a	88.98
SOFR	5.39	n/a	80.74

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.04	n/a	81.3
Oman 2027	6.28	n/a	28.8
Qatar 2026	5.28	n/a	80.4
Kuwait 2027	5.22	n/a	94.6
Saudi 2028	5.40	n/a	73.3

International 10YR			
US Treasury	4.57	n/a	74.0
German Bund	2.84	n/a	27.6
UK Gilt	4.44	n/a	77.3
Japanese Gvt Bond	0.77	n/a	35.3

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	1.08
KWD per EUR	0.33	0.11	-0.17
USD per EUR	1.06	0.00	-1.23
JPY per USD	149.35	0.00	13.91
USD per GBP	1.22	0.00	0.83
EGP per USD	30.85	0.00	24.70

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	95.31	n/a	10.94
KEC	97.90	n/a	19.33
WTI	90.79	n/a	13.12
Gold	1848.1	n/a	1.56

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

Source: Refinitiv / Haver

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