

Daily Economic Update

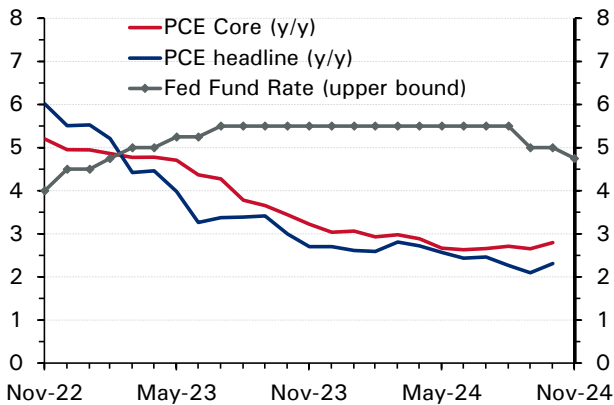
Economic Research Department
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US: Q3 GDP growth unrevised at a solid 2.8% but PCE inflation quickens in October. US economic growth in Q3 was unchanged at a solid 2.8% (annualized) in the second estimate, though down from 3% in Q2, as strong consumer spending and a sharp rise in business equipment investment along with robust government outlays helped growth during the quarter. The job market remains a key factor in US economic resilience, as was further evident by modest initial weekly jobless claims (w/e November 23) at 213K, a seven-month low. Moreover, personal disposable income in October increased by a nine-month high of 0.7% m/m from 0.3% in September, with the savings rate rising for the first time this year, signaling better consumer firepower. However, the Fed's preferred inflation gauge, PCE inflation, rose in October to 2.3% y/y (0.2% m/m) from 2.1% (0.2% m/m) in September, matching the consensus forecast and tracking the acceleration seen in previously reported CPI and PPI inflation data. Core PCE inflation also increased to 2.8% y/y (0.3% m/m) from September's 2.7% (0.3% m/m), mainly driven by underlying services costs such as portfolio management fees. Combined, these data point to an economy in a robust position but with bumpy progress on disinflation, keeping policy interest rate cuts more gradual as underscored in recent Fed commentary.

Saudi Arabia: Budget sees wider deficit in 2025. The Saudi Ministry of Finance released the fiscal year 2025 budget statement, which projects a wider deficit of SAR 101 billion (\$27 bn), equivalent to -2.3% of GDP, compared to the previous year's budget projection of SAR 79 billion (-1.9% of GDP) but a narrower one in relation to estimates for the actual fiscal outcome in 2024, which the authorities see at SAR -115 billion (-2.8% of GDP). Budget-on-budget (b/b), spending is forecast to rise in 2025 by 2.8% to SAR 1.3 trillion due entirely to higher operating expenditures (+3.7%) resulting primarily from increased employee compensation, social benefits and financing expenses (higher debt service costs) associated with large, Vision-linked domestic investments; costs linked to subsidies, goods and services and grants, on the other hand, have been pared back. Budgeted capital spending, however, has also been cut (-2.6% to SAR184 bn), though it should be noted that a significant portion of Vision 2030-related infrastructure spending has already been taken off-budget and sustained through alternate channels such as the Public Investment Fund. Therefore, we do not expect a big drop-off in investment momentum. With regard to revenues, the authorities expect a slight increase budget-on-budget (+1% b/b to SAR1.18 trn) on the back of higher taxes linked to robust non-oil sector growth (though other revenues, including oil revenues, which account for 68% of the total, are expected to decline) but a decrease (-3.7%) compared to estimated realized revenues in 2024, again largely due to lower oil revenues. Finally, public debt is projected to rise to 29.9% of GDP (SAR 1.3trn) from an estimated 29.3% of GDP in 2024 on continued strong bond and sukuk issuance, which is also helping to finance the kingdom's development projects and the observed strong investment growth.

Chart 1: US PCE inflation

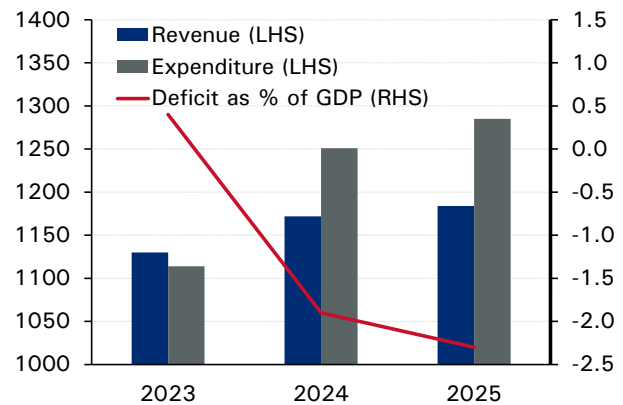
(%)



Source: Haver

Chart 2: Saudi Arabia budget

(SR billion)



Source: Ministry of Finance

Egypt: Potential Qatari investment in the works. The Qatari Prime Minister Sheikh Mohammed bin Abdulrahman bin Jassim Al Thani along with his accompanying delegation have met with Egypt’s president and prime minister whereby they discussed the regional political situation. On the economic front, Prime Minister Madbouly said that there is a very important Qatari real estate project on the north coast that is currently in the works but did not provide clear details on size and timeline of the project. He also added that the Egyptian government will present to Qatar a list of relevant investments in the tourism and hospitality sectors in addition to data centers. He said that they might hold another round of the Egyptian – Qatari investment forum possibly in Q1 2025. In our opinion, the outcome of the talks could have several positive impacts on Egypt’s economy. Another mega investment deal, similar to the Ras El Hekma deal with the UAE (even if much smaller), would be crucial in order to enhance further FX liquidity and give a stronger vote of confidence to the pound and also allow for a smoother interest rate easing cycle in 2025. On geopolitics, ceasefires in regional conflicts would enhance the risk profile for the region including Egypt and allow for a faster recovery in Suez Canal revenues, which have plunged over the past year.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,285	-0.09	-3.05
Bahrain (ASI)	2,032	0.51	3.07
Dubai (DFMGI)	4,805	-0.49	18.36
Egypt (EGX 30)	29,846	-1.45	20.19
GCC (S&P GCC 40)	694	-1.18	-2.52
Kuwait (All Share)	7,233	-0.40	6.09
KSA (TASI)	11,591	-1.24	-3.15
Oman (MSM 30)	4,530	-0.49	0.36
Qatar (QE Index)	10,361	-0.45	-4.33
International			
CSI 300	3,907	1.74	13.87
DAX	19,262	-0.18	14.98
DJIA	44,722	-0.31	18.66
Eurostoxx 50	4,733	-0.61	4.68
FTSE 100	8,275	0.20	7.00
Nikkei 225	38,135	-0.80	13.96
S&P 500	5,999	-0.38	25.76

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.84	0.00	-68.16
Kuwait	4.00	6.25	-31.25
Qatar	6.00	0.00	-25.00
UAE	4.53	11.67	-80.25
Saudi	5.59	4.97	-64.70
SOFR	4.51	-0.72	-81.75

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.58	1.00	25.9
Oman 2027	5.43	-6.00	27.3
Qatar 2026	4.59	-3.00	7.1
Kuwait 2027	4.70	4.00	36.0
Saudi 2028	4.83	-6.00	30.9

International 10YR			
US Treasury	4.26	-3.40	40.0
German Bund	2.17	-3.20	13.7
UK Gilt	4.30	-5.70	75.6
Japanese Gvt Bond	1.07	1.00	45.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.26	-0.23
KWD per EUR	0.32	0.50	-1.95
USD per EUR	1.06	0.74	-4.28
JPY per USD	151.10	-1.31	7.12
USD per GBP	1.27	0.88	-0.40
EGP per USD	49.62	0.08	60.84

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	72.83	0.03	-5.46
KEC	73.21	-0.37	-7.98
WTI	68.72	-0.07	-4.09
Gold	2639.9	0.75	28.00

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

Source: LSEG / Haver