

# Daily Economic Update

Economic Research Department  
2 December 2024

**GCC: GCC summit concludes with a show of unity and solidarity on regional conflicts.** The 45th session of the Supreme Council of the Gulf Cooperation Council (GCC) held in Kuwait concluded on Sunday with GCC leaders reaffirming their unity and commitment to ending the war in Gaza and the establishment of a sovereign Palestinian state based on the pre-1967 borders as mandated by the United Nations. The GCC also expressed their solidarity with the people of Lebanon and called for an end to Israeli incursions into that country. Closer to home, GCC leaders reiterated their commitment to further developing and establishing the Gulf region as a sustainable economic and business hub, capitalizing on digital transformation and academic excellence. Gulf leaders highlighted the importance of social development, particularly the role of women and the youth.

**Egypt: Prime minister says 'previous mistakes' of fixing the EGP will not be repeated.** Prime Minister Mostafa Madbouly emphasized that Egypt is "determined to avoid previous mistakes related to controlling the exchange rate and maintaining a fixed regime". He added that there is a wrong perception within Egypt that a fixed exchange rate is a symbol of the state's robustness and endurance and thus a flexible exchange rate should be avoided. He added also that the government used to adhere to a static exchange rate until a problem arises that requires a significant adjustment through a devaluation of up to 30-40%. He reaffirmed that Egypt is currently adopting a market driven exchange rate mechanism since March and explained that the recent 4-5% decline in the EGP is part of normal flexibility. A flexible exchange rate instills confidence among investors and allows for a long-term strategic planning for investments, he added. The PM noted that a flexible exchange rate allows for larger investment flows and increase the economic resilience of the country. The comments came in parallel with the recent small depreciation of the pound and in our opinion, is notable for two key reasons. First, it shows that there is full understanding of the importance of a flexible exchange rate, thus, calming investors and markets about the consistency of the newly implemented policy. Secondly, such a strong statement also signals that a high interest rate environment will not be utilized to defend the EGP and hopefully allow greater room for the central bank to cut interest rates in 2025 with a large magnitude (potentially 10%+) which we see it critical for the economy reaching its growth potential. On the back of such, we reiterate our view that we should see a weaker pound and significantly lower interest rate environment next year.

**Egypt: Banking system net foreign asset position drops in October.** Total net foreign assets in the banking system (central bank plus commercial banks) fell to \$9.2 billion in October versus \$10.3 billion in September, marking the lowest surplus since May. Commercial banks' NFAs recorded a larger deficit of \$1.4 billion up from \$132 million in September. This was mainly driven by an increase on the liability front of \$1 billion. Central bank NFAs were up by 2% to \$10.6 billion in October, mainly driven by a \$800 million increase to \$45 billion on the asset side. The drop in the total NFA position continues amid the absence of further mega FCY deals and in parallel reflects EM portfolio outflows over the past period. Putting the drop in NFAs along with the recent

comments by the prime minister, we have further conviction that the government will opt to maintain the current flexible exchange rate regime and allow the EGP to weaken as to limit further pressure on NFAs.

**Oil: Prices lower amid thin liquidity as OPEC+ delays ministerial meeting to 5th December.** Amid thin Thanksgiving holiday-related trading, Brent settled lower at \$72.9/bbl on Friday (-3% w/w), partly reversing the previous week's gain and oil's mid-week rise on speculation that OPEC was looking at extending members' voluntary cuts into 2025. OPEC+ later announced that it had delayed their 1 December online meeting by four days to accommodate member country delegates travelling to the GCC summit in Kuwait on the same day. Nevertheless, given current price levels and the prospect of oil inventory builds due to an anticipated supply glut in 2025, the indications are that the group might indeed delay unwinding production cuts scheduled for January (+180 kb/d in Jan), by several months and possibly to end-March. Even if OPEC+ delayed the return of withheld barrels to the market, the International Energy Agency has remarked, this may not be enough to prevent a considerable supply overhang materializing in 2025.

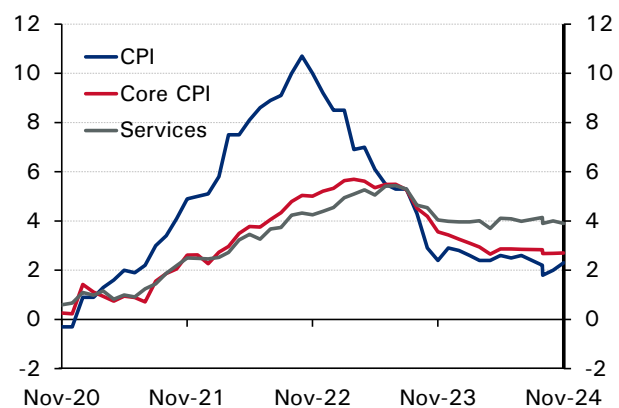
**Eurozone: Inflation rises in November, matching expectations.** Inflation in the Eurozone reached 2.3% y/y in November, up from 2% in October, in line with market expectations. The slight increase was largely driven by base effects as last year's energy cost drop fell out of the annual rate. Services inflation remained solid, though inched down slightly to 3.9% in November, while food, alcohol & tobacco was at 2.8% compared with 2.9% in October, non-energy industrial goods reached 0.7% compared with 0.5% previously and energy costs were down -1.9%, compared to -4.6% in October. Core inflation, meanwhile, was unchanged from last month's 2.7% y/y. Given the latest data, the ECB is likely to take a more cautious approach to their rate cut decision this month. Markets have now fully priced in a smaller 25bps rate cut with a less than 10% chance of a larger 50 bps cut, according to a Reuters poll.

**Chart 1: Oil prices**  
(\$/bbl)



Source: Haver

**Chart 2: Eurozone CPI inflation**  
(% y/y)



Source: Haver, ECB

**China: Manufacturing activity at a seven-month high.** China's official manufacturing PMI increased to 50.3 in November (50.1 in October), in line with market expectations and marking its highest reading since April. However the non-manufacturing PMI inched down to a lower-than-expected 50.0 in November from 50.2 in October. The composite PMI was unchanged at 50.8, the highest level since May. Looking ahead, China's factory activity faces the specter of higher US tariffs, given President-elect Trump's threat of 60%-70% tariffs on imports from China.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,235	n/a	-3.58
Bahrain (ASI)	2,031	-0.04	3.02
Dubai (DFMGI)	4,847	n/a	19.40
Egypt (EGX 30)	30,497	0.84	22.81
GCC (S&P GCC 40)	696	-0.09	-2.29
Kuwait (All Share)	7,246	0.00	6.29
KSA (TASI)	11,742	0.86	-1.89
Oman (MSM 30)	4,578	0.34	1.42
Qatar (QE Index)	10,393	-0.24	-4.04
<b>International</b>			
CSI 300	3,917	n/a	14.15
DAX	19,626	n/a	17.16
DJIA	44,911	n/a	19.16
Eurostoxx 50	4,804	n/a	6.25
FTSE 100	8,287	n/a	7.16
Nikkei 225	38,208	n/a	14.18
S&P 500	6,032	n/a	26.47

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.84	0.00	-68.16
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.52	0.00	-80.72
Saudi	5.57	-2.88	-65.83
SOFR	4.50	n/a	-83.20

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.52	n/a	19.9
Oman 2027	5.43	n/a	27.3
Qatar 2026	4.59	n/a	7.1
Kuwait 2027	4.66	n/a	32.0
Saudi 2028	4.76	n/a	23.9

<b>International 10YR</b>			
US Treasury	4.18	n/a	31.7
German Bund	2.09	n/a	5.8
UK Gilt	4.24	n/a	70.3
Japanese Gvt Bond	1.05	n/a	43.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.04	-0.11
KWD per EUR	0.32	0.11	-1.77
USD per EUR	1.06	0.00	-4.18
JPY per USD	149.75	0.00	6.16
USD per GBP	1.27	0.00	0.06
EGP per USD	49.55	0.02	60.62

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	72.94	n/a	-5.32
KEC	72.76	n/a	-8.55
WTI	68.00	n/a	-5.09
Gold	2657	n/a	28.83

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

Source: LSEG / Haver