

Daily Economic Update

Economic Research Department
7 February 2024

Kuwait: Government announces 2024-27 work-plan. The government yesterday published a revised four-year work plan to address the main structural challenges facing Kuwait identified as unsustainable public spending, an over-reliance on oil as the main source of public revenues and an economy dominated by the public sector. The plan noted that the consequences for the country absent a change in course include the likelihood of distressed institutions, high unemployment, the collapse of social services and ultimately a higher cost of living for citizens. The proposed solution centers on a much more empowered and active private sector, supported by greater investment in small and medium sized enterprises. The plan goes on to specify a list of 22 legislations required to lay the foundation for the economic transformation, most notably laws for liquidity management (potentially including a debt law), the Northern Economic Zone, the Strategic Alternative, amendments to the PPP law, the corporate profits and excise taxes, residency law, pensions and a law to reform subsidies to make them more targeted. Moreover, a 100 day timeline is specified for a list of potential deliverables. The plan appears realistic in that it takes note of and seeks to balance the needs and expectations of the various stakeholders in the economy, including the citizen, government, parliament, private enterprise and the civil and international society.

Kuwait: Population and employment growth moderate in 2023. According to the Public Authority of Civil Information (PACI) data, Kuwait's total population rose by 2.6% in 2023 to 4.86 million (+8% in 2022), with the number of expatriates increasing by 2.9% to 3.31 million (down from 2022's rapid rise of 11.1%) and the Kuwaiti population gaining at a steady rate of 1.9% to 1.55 million. Expatriate numbers are almost back to their pre-pandemic peak. Meanwhile, employment among Kuwaitis increased to 470K (+3.3% y/y) in 2023, with the public sector adding 17K new jobs while the private sector continued to shed positions, dropping 1.8K to 72.6K during the year. The number of unemployed Kuwaitis increased to 30K from 26K at the end of 2022, with the implied unemployment rate ticking up to 6%. Expat jobs rose 5.4% y/y, led by domestic workers (+6.6%). With project activity gaining some momentum, the influx in expatriate workers could pick up in 2024 – though this would not naturally translate into a sizeable boost for consumption given that most new jobs would be in the low-end category as seen during recent periods. Moreover, with the resumption of family visas, the expatriate population could see some further minor increases this year.

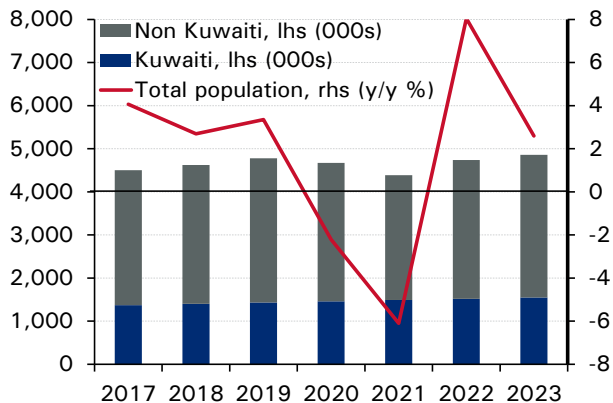
UAE: Dubai residential sales saw robust growth in January. According to DXB interact website data, residential real estate sales in Dubai eased in January to AED34.2 billion (\$9.3 billion) from December's peak of AED40.7 billion (+24.4% y/y). This decline largely stems from the fall in villa sales in both the secondary and the off-plan markets (-60% to AED3.2 billion) and the fall in plot sales (-13.6% to AED12.7 billion), which could be related to limited existing supply in the secondary market (ready sales). Lower villa sales could also be related to buyers being priced out of the villas market, especially in luxury areas, after the price hikes seen in the last two years, making the apartment market a more appealing choice for them. Moreover, apartment sales remained strong

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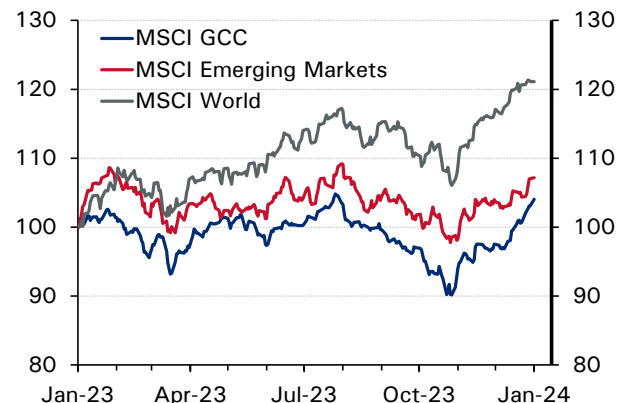
at AED18.3 billion (+1.7% m/m), with the off-plan sales constituting around 70% of the total segment sales. Sales were concentrated mainly in the Jumeirah Village Circle, Business Bay, and Madinat Dubai Al-Melaheyah. Real estate activity has started the year on a relatively strong note supported by a rising population, sustained demand from China and India, and supply constraints. Growth in 2024 is expected to be solid though slower than in the last two years.

Chart 1: Kuwait population



Source: PACI

Chart 2: Dubai real estate sales



Source: DXB interact

Eurozone: Retail sales contract even amid cooling inflation. Eurozone retail sales dropped by 0.8% y/y in December 2023 (from -0.4% y/y in November). The decline was slightly better than the -1.3% that had been expected. On a monthly basis, retail sales saw an even bigger drop of 1.1% m/m in December (vs. -0.3% m/m in November). The latest drop in sales comes even as inflation cools, suggesting that households are continuing to feel the pinch of high costs, an observation that could push the ECB to cut rates sooner.

UK: Retail sales slowdown in January on the back of low consumer confidence. UK retail sales grew by 1.2% m/m in January 2024, easing from the 1.7% m/m growth recorded the previous month. The mixed impact of cold weather and cautious consumer activity continue to constrain retail spending. As in the Eurozone, the subdued data could push the BoE to cut rates sooner rather than later, something that the BoE hinted about last week.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,332	-1.02	-2.57
Bahrain (ASI)	2,063	-0.01	4.66
Dubai (DFMGI)	4,154	-1.82	2.31
Egypt (EGX 30)	27,271	-1.43	9.82
GCC (S&P GCC 40)	715	-0.20	0.39
Kuwait (All Share)	7,262	0.28	6.52
KSA (TASI)	12,071	0.39	0.87
Oman (MSM 30)	4,559	0.23	1.00
Qatar (QE Index)	9,901	0.14	-8.58

International			
CSI 300	3,312	3.48	-3.48
DAX	17,033	0.76	1.68
DJIA	38,521	0.37	2.21
Eurostoxx 50	4,691	0.76	3.74
FTSE 100	7,681	0.90	-0.68
Nikkei 225	36,161	-0.53	8.06
S&P 500	4,954	0.23	3.87

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.41	0.64	-10.90
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.43	0.48	9.99
Saudi	6.27	-0.38	3.74
LIBOR	5.58	0.65	-0.88
SOFR	5.32	2.57	-1.53

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.56	-4.90	23.9
Oman 2027	5.42	-4.40	26.1
Qatar 2026	4.70	-5.00	17.6
Kuwait 2027	4.49	-1.70	15.1
Saudi 2028	4.84	-8.10	31.9

International 10YR			
US Treasury	4.09	-7.20	23.2
German Bund	2.30	-2.60	26.9
UK Gilt	3.95	-5.60	41.3
Japanese Gvt Bond	0.72	-0.20	10.3

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.04	0.18
KWD per EUR	0.33	0.08	0.08
USD per EUR	1.08	0.12	-2.56
JPY per USD	147.94	-0.49	4.88
USD per GBP	1.26	0.52	-1.04
EGP per USD	30.85	0.00	0.00

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	78.59	0.77	2.01
KEC	78.25	0.76	-1.65
WTI	73.31	0.73	2.32
Gold	2034.5	0.43	-1.35

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

Source: Refinitiv / Haver