Daily
Economic Update

Economic Research Department
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Eurozone: French government in crisis, France-German government yield spread soars. The French government is nearing collapse after Prime Minister Michel Barnier failed to secure a majority to pass the 2025 budget bill. Barnier's budget plan had called for around Euro 60 billion of spending cuts and tax increases in an attempt to rein in the deteriorating public finances, with an estimated fiscal deficit of around 6% of GDP in 2024 and debt to GDP of close to 111%. Given that the government has no majority in the fragmented parliament, Barnier offered concessions to the right wing "National Rally" party, but which the latter deemed insufficient. The Prime Minister then used a constitutional mechanism to force through the 2025 budget without a vote in parliament, with the National Rally responding by joining forces with a left-wing coalition, calling for a no-confidence vote, which will take place today. If Barnier loses the no-confidence vote, which is possible, his government will be toppled although it will continue in a caretaker capacity. If that happens, it would be up to President Macron to appoint a new prime minister, although there is no constitutional deadline for his decision. With parliament divided and with no party having a majority, even with a new prime minister the deadlock could continue. The president can call for new parliamentary elections, but only after one year from the prior election, i.e. in July 2025. The prospect that a new budget does not get adopted on time (which seems possible following a successful no confidence vote) is uncharted territory for France, resulting in uncertainties for the public finances in 2025. One likely possibility in that case is that the prior budget (2024) will be rolled over, but here also there are different legal interpretations regarding how much the government can spend with a likelihood that government spending will be under pressure in 2025. Markets have grown increasingly uneasy with the developing situation, with spreads between yields on French and German 10-year government paper soaring to 85-87 bps on Monday/Tuesday, the highest in more than 10 years.

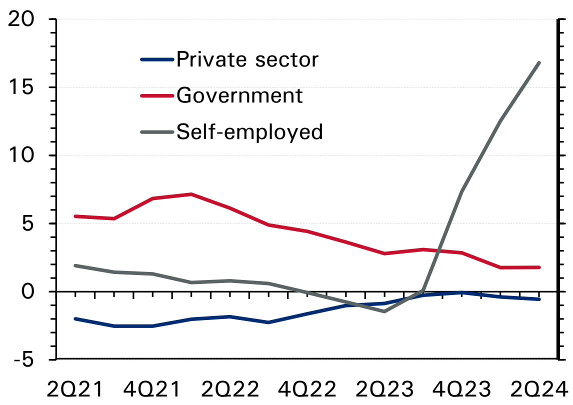
US: Job openings and quits pick up in October but hiring drops. Job vacancies (JOLTS report) in October rose by their highest in over a year to 7.7 million from a downwardly revised 7.4 million in September. However, hiring decreased to its second lowest level since the onset of the pandemic. Meanwhile, the quits rate rose for the first time since May 2023 to 2.1% from 1.9% in September, with layoffs also dropping to a four-month low. Overall, the JOLTS data underscore that the labor market continues to moderate gradually but is still robust given modest layoffs. Moreover, a higher rate of quits implies improved confidence in finding new opportunities at better pay, suggesting that wage growth pressures are not easily dissipating and potentially challenging progress on disinflation. As a reminder, November's job report (non-farm payroll and unemployment data) will be released this Friday, with markets expecting a sharp rebound in job gains (200K) following a weather-disrupted dismal reading of just 12K in October, but with a slightly higher unemployment rate of 4.2% versus October's 4.1%.

Kuwait: Government hiring up, private sector employment down again in Q2 PIFSS data. Figures from the Public Institute For Social Security (PIFSS) show the number of Kuwaitis in employment increasing by 0.5% q/q (2.1%

y/y) in Q2 2024 to 430,075. This is a rebound following an unusual decline in Q1 (-0.2% q/q; +2.0% y/y) and is due to an increase in government sector jobs (0.5% q/q; 1.8% y/y) and, to a smaller extent, in the number of Kuwaitis classed as self-employed. That said, the 1.8% annual growth in government hiring is the slowest in nearly fifteen years and well down on the high of 7.1% recorded in Q1 2022, while growth in self-employment is marked in annual terms (16.8%). Both oil sector and private sector employment (-0.5% q/q; -0.6% y/y), on the other hand, fell, with the number of Kuwaitis employed in the private sector down to its lowest since 2011 at 51,339 (12% of all Kuwaitis employed). Meanwhile, the figures also revealed a marked increase in the number of Kuwaitis retiring, the most for a quarter in nearly five years (4,452; 2.6% q/q). The smaller rise in public sector employment compared to earlier trends contributes to containing growth in the public sector wage bill, which is an important component of fiscal reform. On the other side, the lack of growth in private sector jobs represents an ongoing weak spot for the economy.

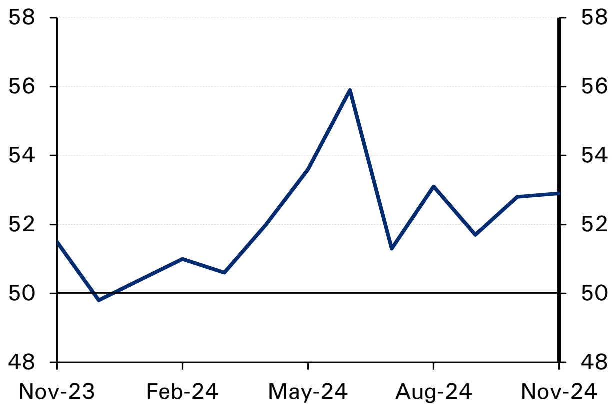
Qatar: Non-energy private sector activity picks up in November. The non-energy PMI rose to 52.9 in November, edging up from 52.8 in the previous month. New orders, the largest subcomponent by weight, softened but was still in expansion territory on higher demand from companies and improving business conditions. Meanwhile, output grew for the second consecutive month, benefitting from a more active manufacturing sector. The non-energy, private sector labor market remained strong, with the employment subcomponent retreating only slightly from the record high set in October while wages rose further amid competition for skilled workers. Nevertheless, prices charged by companies decreased from October as higher competition between firms inhibit cost pass-through to end consumers.

Chart 1: Kuwaiti employment growth
(% y/y)



Source: Public Institute For Social Security (PIFSS)

Chart 2: QFC non-oil private sector PMI
(index; >50 = growth)



Source: Qatar Financial Center (QFC), Haver

Egypt: PMI improves in November but still in contraction zone. The PMI remained in contraction territory in November at 49.2 compared with 49.0 in October, albeit recording a slight improvement. Subdued consumer demand and weaker new orders were the main reason behind still sluggish business activity. This marks the third consecutive contraction in the PMI level for Egypt after it reached 50.0 in August for the first time in over three years. Input price inflation slowed down significantly, coming in at the lowest in four months. In our opinion, the PMI levels reflect a very muted business level in Egypt even amid an improvement in wages and slower price inflation – and implying a strong need to kick start a new economic cycle through a lower interest rate environment.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,235	0.00	-3.58
Bahrain (ASI)	2,033	0.06	3.12
Dubai (DFMGI)	4,847	0.00	19.40
Egypt (EGX 30)	30,629	0.34	23.34
GCC (S&P GCC 40)	700	0.30	-1.69
Kuwait (All Share)	7,263	0.10	6.54
KSA (TASI)	11,816	0.65	-1.27
Oman (MSM 30)	4,573	0.08	1.32
Qatar (QE Index)	10,389	-0.02	-4.08
International			
CSI 300	3,952	0.11	15.18
DAX	20,017	0.42	19.49
DJIA	44,706	-0.17	18.62
Eurostoxx 50	4,879	0.66	7.89
FTSE 100	8,359	0.56	8.10
Nikkei 225	39,249	1.91	17.29
S&P 500	6,050	0.05	26.84

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.89	-0.33	-63.29
Kuwait	4.00	6.25	-31.25
Qatar	6.00	0.00	-25.00
UAE	4.52	0.00	-80.72
Saudi	5.55	7.05	-68.13
SOFR	4.46	-0.15	-86.67

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.57	3.00	24.9
Oman 2027	5.43	0.00	27.3
Qatar 2026	4.57	-1.00	5.1
Kuwait 2027	4.71	3.00	37.0
Saudi 2028	4.82	0.00	29.9
International 10YR			
US Treasury	4.23	3.10	36.6
German Bund	2.06	2.15	2.6
UK Gilt	4.24	3.25	70.3
Japanese Gvt Bond	1.07	0.00	45.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.07	-0.09
KWD per EUR	0.32	0.05	-2.40
USD per EUR	1.05	0.11	-4.78
JPY per USD	149.59	0.00	6.05
USD per GBP	1.27	0.12	-0.46
EGP per USD	49.70	0.06	61.10

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	73.62	2.49	-4.44
KEC	72.48	-0.21	-8.90
WTI	69.94	2.70	-2.39
Gold	2644.7	0.37	28.23

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

Source: LSEG / Haver

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