

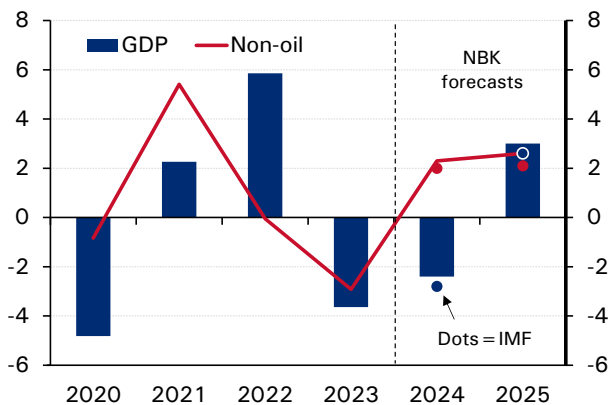
Daily Economic Update

Economic Research Department
10 December 2024

Kuwait: IMF says Kuwait at a ‘crossroads’ on economic reforms. In its latest article IV report, the IMF says that Kuwait’s non-oil sector is undergoing an ‘incipient’ recovery, with growth forecast at 2.0% in 2024 having contracted in 2023. Total GDP is forecast to contract 2.8% this year due to steep OPEC-related cuts in oil production. Prospects for next year are better, with non-oil growth edging up a fraction to 2.1% and overall GDP rebounding to 2.6% as oil output recovers. Inflation is expected to moderate next year to 2.4% while the (central government) fiscal deficit will widen to 7.9% of GDP. Fund Directors “welcomed the authorities’ focus on a transition to a more dynamic and diversified economy” while “underscoring the need for fiscal consolidation over the medium term” which would include phasing out water and energy subsidies, containing growth in the wage bill and introducing VAT and excise taxes. It advocates an overall fiscal consolidation plan amounting to 13% of GDP at a pace of 1-2% of GDP per year (about KDO.5-1.0 bn at today’s prices). Away from fiscal policy, the report reiterates the need for reforms to the business environment to improve competitiveness, to the labor market including to incentivize private sector employment among Kuwaiti nationals, and to various governance-related topics including fiscal transparency and statistics.

Chart 1: Kuwait GDP

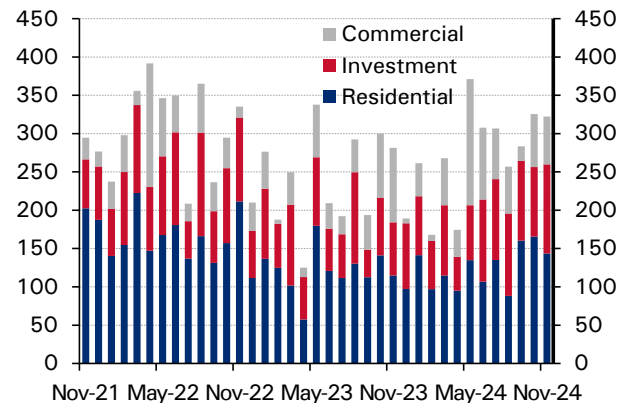
(% y/y)



Source: Haver, NBK, IMF

Chart 2: Kuwait real estate sales

(KD million, per month)



Source: Ministry of Justice (MoJ)

Kuwait: Real estate investment sales remained solid in November. Total real estate sales in November largely maintained October’s solid performance, at KD322 million, declining only 1% m/m. Sales in the investment segment, which rose by 28% m/m to KD 116 million, offset the 13% decline in residential segment sales, which constitute about 45% of total sales. The commercial segment saw a decline of 10% m/m, coming in at KD 62 million on a sharper decline in transaction volumes. On a y/y basis, growth shows signs of improvement compared with the weak base of 2023 with overall sales logging a 14.5% increase in November, driven by

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robust growth in the investment (68%) and residential (25%) segments. This brings overall sales growth in the first eleven months of 2024 to 15%, versus a fall of 23% in 2023, driven mainly by the strong increase seen in the commercial (36%) and investment (21%) sectors. We expect the improvement in real estate sales in H2 2024 to continue into 2025, in line with improvement in the broader economy and lower interest rates. Government proposals to reform and streamline the buying and selling process through measures such as digitization and establishing a e-real estate broker system could also benefit sales.

UAE: Outlook remains robust despite the external risks, as per the IMF. The IMF, in its latest Article IV report, stated that the economic outlook will remain positive over the medium term driven by broad-based growth in key non-hydrocarbon sectors and a healthy expansion in domestic credit. Non-oil growth is projected at 4.9% in 2024 and 4.2% in 2025 while UAE authorities expect stronger near-term growth. The IMF projects inflation to remain stable in the medium term at 2% after moderating sharply in 2023 (1.6%) while fiscal and external balances remain high. However, the report highlighted uncertainties and external risks, including geopolitical tensions, slow global growth, and oil price volatility that may weigh on the outlook. The IMF also suggested the need for more coordination and the integration of strategies at different levels of government to advance legislative reforms that include the digital and AI economy, green strategies, and bilateral trade agreements in order to achieve sustainable growth over the medium term.

China: November trade data miss expectations while the Politburo pledges stronger support for the economy. Exports rose 6.7% y/y in November, missing market expectations of 8.5% and lower than the 12.7% recorded in October. Despite the weaker-than-expected November figure, exports have been a bright spot in a faltering economy which has been hindered by demand weakness and a prolonged property downturn. Imports fell for the second straight month, down 3.9% y/y in November and missing market expectations of a 0.3% increase. The fresh data follows a recent top-leaders Politburo meeting announcing support for a “moderately loose” monetary policy in 2025 as well as a “more proactive” fiscal policy next year to shore up the struggling economy and stabilize the property market, though specifics were not given. That announcement comes ahead of China’s annual Central Economic Work Conference set to take place on December 11 and 12.

Japan: Q3 GDP growth revised up slightly on higher housing investment and exports. GDP growth for Q3 was revised higher to 0.3% q/q compared with an initial estimate of 0.2% and 0.5% recorded in Q2. The upward revision came mainly on higher housing investment, which rose by 0.4% q/q compared with the earlier estimate of -0.1% and stronger export growth (1.1% from 0.4%). On the other hand, the increase in private consumption, which accounts for more than half of Japan’s GDP, saw a downward revision to 0.7%, while government consumption growth was lowered to 0.1% from 0.5%. The slight growth upgrade supports the BoJ’s view on the moderate expansion in the economy, and likely strengthens the consensus view of a rate hike in next week’s BoJ meeting or in the January one.

US: Consumer inflation expectations tick up but with better household finances amid a mixed job outlook. According to a New York Fed survey, consumers’ one-year ahead inflation expectation rose to 3% from October’s four-year low of 2.9%. Similarly, three-year and five-year inflation expectations also increased by 0.1 percentage point from October to stand at 2.6% and 2.9%, respectively. Consumers also saw better earnings growth projections over the next year but with a softer outlook on employment prospects. Meanwhile, views on household finances improved, with the average perceived probability of missing a minimum debt payment over the next three months reducing and more consumers expecting overall better financial situations over the next year. A robust job market with decent wage growth (around 4%) has been the key driver of resilient consumer spending and economic growth in the recent past, and improving views on household finances could continue to drive the growth outlook.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,251	-0.16	-3.41
Bahrain (ASI)	2,029	-0.32	2.92
Dubai (DFMGI)	4,848	-0.13	19.42
Egypt (EGX 30)	31,005	-0.18	24.86
GCC (S&P GCC 40)	713	0.94	0.11
Kuwait (All Share)	7,314	0.52	7.28
KSA (TASI)	12,097	1.19	1.09
Oman (MSM 30)	4,553	0.11	0.87
Qatar (QE Index)	10,421	0.58	-3.78

International			
CSI 300	3,967	-0.17	15.61
DAX	20,346	-0.19	21.46
DJIA	44,402	-0.54	17.81
Eurostoxx 50	4,985	0.15	10.26
FTSE 100	8,352	0.52	8.00
Nikkei 225	39,161	0.18	17.02
S&P 500	6,053	-0.61	26.90

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.87	4.33	-65.63
Kuwait	4.00	0.00	-31.25
Qatar	4.90	0.00	-135.00
UAE	4.26	-9.45	-106.91
Saudi	5.39	-11.61	-84.52
SOFR	4.43	-0.17	-90.47

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.53	1.00	20.9
Oman 2027	5.31	0.00	15.3
Qatar 2026	4.54	3.00	2.1
Kuwait 2027	4.71	3.00	37.0
Saudi 2028	4.75	2.00	22.9

International 10YR			
US Treasury	4.20	5.21	34.0
German Bund	2.12	0.50	8.9
UK Gilt	4.27	-0.50	73.2
Japanese Gvt Bond	1.04	-1.00	42.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.06	0.03
KWD per EUR	0.32	-0.15	-1.80
USD per EUR	1.06	-0.15	-4.39
JPY per USD	151.19	0.77	7.18
USD per GBP	1.27	0.05	0.16
EGP per USD	50.45	0.56	63.53

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	72.14	1.43	-6.36
KEC	72.37	0.07	-9.04
WTI	68.37	1.74	-4.58
Gold	2664.9	1.00	29.21

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

Source: LSEG / Haver