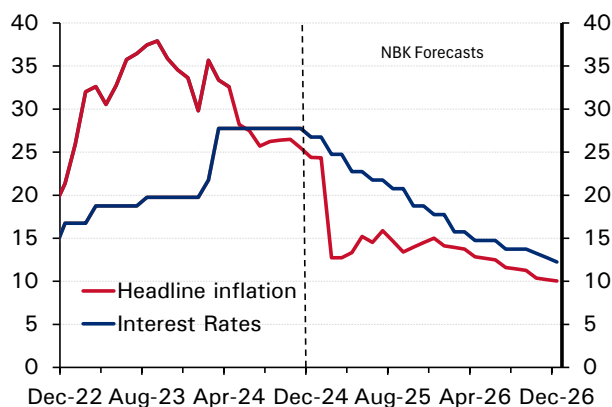


Daily Economic Update

Economic Research Department
11 December 2024

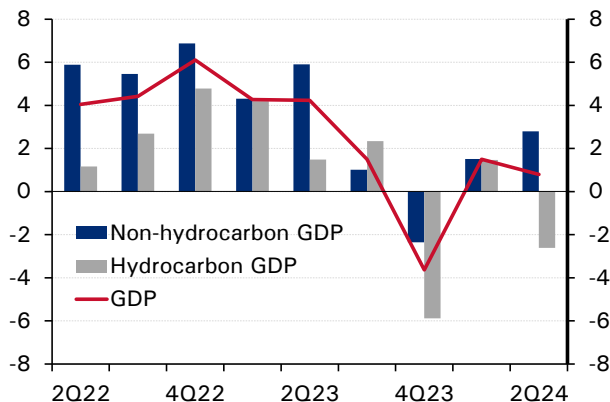
Egypt: Inflation slows in November for the first time in four months, raising prospects of an interest rate cut. Headline inflation decelerated to 25.5% y/y in November (0.5% m/m) from 26.5% (1.1% m/m) in October, the first time the pace of CPI rises has eased since July. The slowdown was due largely to a month-on-month decline in food and beverage prices (-1.9% m/m; +24.6% y/y) coupled with a slower rise in restaurant and hotel inflation. This helped offset the inflationary impact of fuel and electricity prices, visible in the ‘housing, water, electricity, gas and other fuels’ (1.3% m/m) and transport (7.3%) categories as the authorities continue to pare back state subsidies in these components. Core CPI inflation also decelerated to 0.4% m/m in November from 1.3% in October, bringing down the annual rate to 23.7% from 24.4% in October. On this trajectory, headline inflation could fall below 25% in the December CPI print, for the first time in two years, which we believe could prompt the Central Bank of Egypt’s monetary policy committee to cut interest rates, by a possible 2-3%, when it meets for the final time this year on the 26th of December. Looking ahead to 2025, we think inflation will drop sharply in February to below 15% due to a year-on-year base effect and could average around that level for the year when accounting for further fuel and utility price rises and currency depreciation (making imports costlier).

Chart 1: Egypt CPI inflation
(% y/y)



Source: CAPMAS, CBE, NBK (indicative interest rate projections)

Chart 2: Qatar GDP Growth
(% y/y)



Source: Haver

Kuwait: IMF suggests prioritizing governance and regulatory reforms to accelerate diversification. As part of its recent Article IV consultation report, the IMF zeroed-in on the economic reform agenda, recommending that Kuwait prioritize governance, regulatory quality and external sector reforms among multiple measures being considered as the authorities press ahead with their Vision 2035 strategy and five-year National Development Plans. The IMF noted that while Kuwait has made some progress, diversification remains broadly limited, held

back by regulatory and governance constraints, labor market rigidities and political gridlock. These challenges have made sustaining advances in the Human Development Index more difficult, such that GDP per capita has been on a declining trend since 2010, in contrast to the advances recorded by some regional peers. The Fund suggests reforms to enhance governance, regulatory practices, the external sector and the credit and labor markets among others, with the biggest benefits to non-oil growth coming from reforms aimed at improving regulatory quality and governance. These could boost non-oil activity by a total of 4.2% and 4%, respectively, over a five-year period, ahead of gains stemming from external sector (3.3%) and credit market (3.0%) reforms over the same period. This sequencing of reforms would not only help augment the medium-term non-oil output gains from the credit sector and labor market reforms but could also yield larger non-oil output gains during periods of low growth.

UAE: Government imposes a 15% minimum tax rate on large multinational enterprises. The Ministry of Finance announced that a Domestic Minimum Top-up Tax (DMTT) rate of 15% will be imposed, effective January 2025, on multinational enterprises operating in the UAE with consolidated global revenues of EUR 750 million or more in at least two out of the four financial years immediately preceding the financial year in which the DMTT applies. This update follows the implementation of the corporate tax rate in June 2023 (at a standard rate of 9%) and comes in line with the UAE's strive to implement OECD recommendations. The latter is related to the Base Erosion and Profit Shifting Pillar Two framework to address tax challenges, which the UAE joined in 2018. The implementation of this tax will help the UAE in adhering to the OECD's rules on the global minimum tax while supporting the diversification of the government's non-oil revenue streams.

Qatar: Non-hydrocarbon growth accelerates in Q2 2024. The economy grew by 0.8% y/y in Q2 2024, benefitting from an acceleration in non-hydrocarbon activity and despite a contraction in the hydrocarbon sector. Non-hydrocarbon GDP expanded by 2.8% y/y, quickening from 1.5% in Q1 amid robust growth in the transportation/storage, public administration, and information/communication sectors. In contrast, the hydrocarbon sector declined by 2.6% y/y, compared with a 1.5% increase in Q1. For H1 2024, non-hydrocarbon growth stood at 2.2%, lifting total GDP growth to 1.1% while the hydrocarbon sector contracted by 1.2%. Improving growth in the non-hydrocarbon sector is welcome news for the government, which has outlined its goal to continue diversifying the economy in its recently-released third National Development Strategy, though the 2.2% growth in H1 comes below the 4% annual target.

US: Small business confidence soars to over three-year high on post-election euphoria. According to a survey from the National Federation of Independent Business members, confidence among small business owners jumped to its highest since June 2021 to 101.7 in November from 93.7 in October. The improvement was attributed to the anticipated favorable changes to business and economic policies, particularly related to taxation and regulation, under the incoming Trump administration. Results from recent business surveys (such as PMIs from ISM and S&P) have been mixed post elections, but other consumer surveys have shown a relative improvement despite expectations of higher inflation next year, signaling a cautiously optimistic outlook.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,250	-0.02	-3.42
Bahrain (ASI)	2,017	-0.60	2.29
Dubai (DFMGI)	4,794	-1.11	18.09
Egypt (EGX 30)	30,618	-1.25	23.30
GCC (S&P GCC 40)	717	0.53	0.64
Kuwait (All Share)	7,318	0.05	7.34
KSA (TASI)	12,194	0.80	1.89
Oman (MSM 30)	4,533	-0.45	0.42
Qatar (QE Index)	10,496	0.72	-3.09

International			
CSI 300	3,996	0.73	16.45
DAX	20,329	-0.08	21.36
DJIA	44,248	-0.35	17.40
Eurostoxx 50	4,952	-0.68	9.51
FTSE 100	8,280	-0.86	7.07
Nikkei 225	39,368	0.53	17.64
S&P 500	6,035	-0.30	26.52

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.85	-1.97	-67.60
Kuwait	4.00	0.00	-31.25
Qatar	4.90	0.00	-135.00
UAE	4.27	1.20	-105.71
Saudi	5.59	20.12	-64.41
SOFR	4.40	-3.05	-93.52

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.55	2.00	22.9
Oman 2027	5.37	6.00	21.3
Qatar 2026	4.56	2.00	4.1
Kuwait 2027	4.75	4.00	41.0
Saudi 2028	4.74	-1.00	21.9

International 10YR			
US Treasury	4.23	2.71	36.7
German Bund	2.12	-0.15	8.7
UK Gilt	4.32	5.15	78.3
Japanese Gvt Bond	1.06	2.00	44.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.03
KWD per EUR	0.32	-0.15	-1.80
USD per EUR	1.05	-0.25	-4.62
JPY per USD	151.95	0.50	7.72
USD per GBP	1.28	0.15	0.31
EGP per USD	50.40	-0.10	63.37

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	72.19	0.07	-6.30
KEC	72.28	-0.12	-9.15
WTI	68.59	0.32	-4.27
Gold	2697.6	1.23	30.80

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

Source: LSEG / Haver