

Daily Economic Update

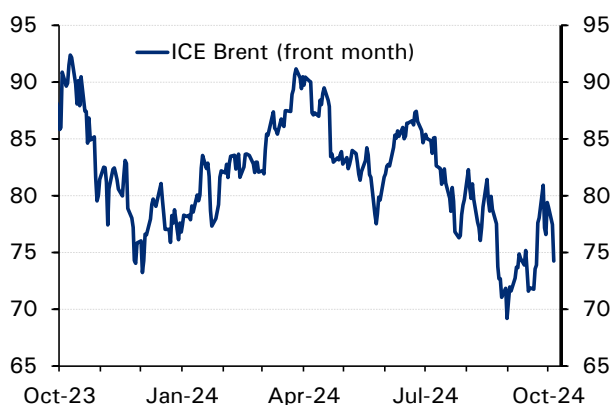
Economic Research Department
16 October 2024

Oil: Prices plunge on reports Israel would spare Iran's oil infrastructure in counterstrike. Oil prices plummeted yesterday following media reports that Israel's retaliatory strike on Iran will not target the latter's critical oil or nuclear infrastructure. The said decision, which apparently came at the behest of the United States to avoid further escalation, weighed on Brent futures, which settled at \$74.3/bbl, down 4.1% d/d. Israel, however, later retorted that it would make its own decisions about how to strike Iran. A weaker demand outlook by the International Energy Agency (IEA) also tempered markets bullishness. In its monthly oil report, the IEA lowered its oil demand growth estimate for this year by 40 kb/d to 860 kb/d on weakness in China amid softer economic growth and acceleration towards electrical vehicles. But for the next year, the agency raised its demand growth forecast by 50 kb/d to 1 mb/d. Given the milder demand outlook and robust non-OPEC+ oil supply growth (seen at 1.5 mb/d in 2024 and 2025), market balances are set to flip into a surplus next year, regardless of whether OPEC+ delays or proceeds with unwinding supply cuts, according to the IEA.

Saudi Arabia: Inflation edges up but remains overall low in September. Consumer price inflation edged up to a seven-month high of 1.7% y/y in September (+0.1% m/m) from 1.6% in August. Steep price increases in the housing, water, electricity and gas component (+9.3% y/y; +0.6% m/m) continued to be the predominant inflationary impulse, with housing rents rising at a record pace of 11.2% y/y (tied with July) on the back of strong housing demand in line with an expanding labor force and economy. Modestly higher inflation was observed in restaurants/hotels and miscellaneous goods/services, up by 1.7% (from 1.5% in August) and 1.0% (from 0.7%), respectively. Overall price growth, nevertheless, continued to be restrained by ongoing deflation in most other items amid strong competition and despite solid domestic demand.

Chart 1: Oil prices

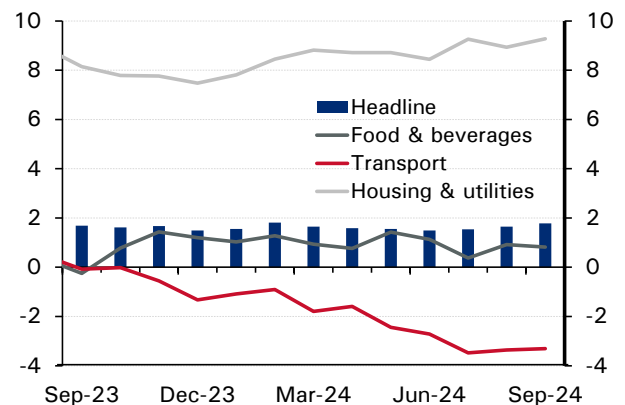
(\$/bbl)



Source: Haver

Chart 2: Saudi Arabia CPI inflation

(% y/y)



Source: GASTAT

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UK: Unemployment rate unexpectedly drops but wage growth slows further. The unemployment rate fell to 4% in three months to August from 4.1% in the preceding three months, the lowest since Dec-Feb 2024. Vacancies also dropped to their lowest since Apr-Jun 2021 to 841K in three months ending September 2024 from 856K the prior three months. Total wages rose at a slower pace of 3.8% y/y, down from 4.1% in May-Jul, with regular wage growth (excluding bonuses) falling to 4.9% y/y from 5.1% in the previous three months. However, the moderate rise in total wages was partly due to one-time bonuses paid to some government workers last year, which inflated last year's base. Still, the overall trajectory remains downward, which should encourage the Bank of England to cut the policy rate further at its meeting next month, barring any serious inflation surprise (September prints are due later today). Meanwhile, in an interview, PM Starmer denied alleged plans to raise the capital gain tax rate to up to 39% as cited in media reports, which is currently in the 10-28% range.

US: Consumer medium and long-term inflation expectations rise, and delinquency risks deepen. According to a New York Fed's September consumer survey, year-ahead inflation expectations held steady at 3% but rose for three-year and five-year horizons to 2.7% and 2.9% from August's 2.5% and 2.8%, respectively. Views about job prospects slightly improved but wage growth expectations eased marginally, signaling consumers continued to see the job market healthy in the near term. However, in some worrying signs, the probability of missing debt repayments over the next three months rose for the fourth straight month to its highest since April 2020 to 14.2% from 13.6%, with households with annual incomes above \$100K seeing the sharpest jump. Worsening household finances could pressure thus far the strongest pillar of US economic resilience, consumer spending, underscoring slowing GDP growth ahead. Though a still-robust job market should help cushion the impact.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,283	-0.22	-3.08
Bahrain (ASI)	2,000	0.28	1.47
Dubai (DFMGI)	4,470	0.33	10.09
Egypt (EGX 30)	30,584	1.03	23.16
GCC (S&P GCC 40)	703	0.58	-1.29
Kuwait (All Share)	7,102	0.86	4.17
KSA (TASI)	12,002	0.35	0.29
Oman (MSM 30)	4,802	-0.01	6.39
Qatar (QE Index)	10,642	1.57	-1.74
International			
CSI 300	3,856	-2.66	12.38
DAX	19,486	-0.11	16.32
DJIA	42,740	-0.75	13.40
Eurostoxx 50	4,947	-1.87	9.40
FTSE 100	8,249	-0.52	6.67
Nikkei 225	39,911	0.77	19.26
S&P 500	5,815	-0.76	21.92
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.04	-1.42	-48.55
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.65	1.82	-67.59
Saudi	5.62	0.76	-61.63
SOFR	4.65	-0.86	-68.41

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.25	-3.00	-7.1
Oman 2027	5.04	0.00	-11.7
Qatar 2026	4.42	-4.00	-9.9
Kuwait 2027	4.25	-5.00	-9.0
Saudi 2028	4.49	-2.00	-3.1
International 10YR			
US Treasury	4.03	-6.27	17.3
German Bund	2.23	-4.85	19.8
UK Gilt	4.16	-7.50	62.4
Japanese Gvt Bond	0.97	2.00	35.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.02	-0.33
KWD per EUR	0.33	-0.19	0.97
USD per EUR	1.09	-0.17	-1.32
JPY per USD	149.19	-0.37	5.76
USD per GBP	1.31	0.10	2.69
EGP per USD	48.50	-0.10	57.21

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	74.25	-4.14	-3.62
KEC	74.46	-4.29	-6.41
WTI	70.58	-4.40	-1.49
Gold	2661.4	0.51	29.04

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

Source: LSEG / Haver