

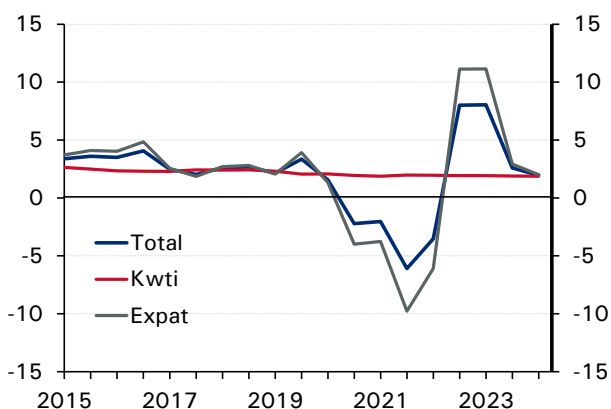
# Daily Economic Update

Economic Research Department  
23 July 2024

**Kuwait: Population growth slowed as of mid-2024.** Latest numbers from PACI show that Kuwait's population stood at 4.92 million as of June, with growth slowing to 2.0% y/y from 2.6% at the end of last year. The figures suggest that the post-Covid surge in the number of residents has abated with more normal patterns being re-established. The Kuwaiti population grew 1.9% to 1.56 million and the expat population 2.0% to 3.36 million, pushing up the latter's share of the total population fractionally to 68.3%. Meanwhile there was also a slowdown in total employment growth, which dipped to 2.7% y/y in June from 5.0% at the end of last year. This was driven mostly by slower job growth among expats (2.6%), including due to attrition in the public sector, where the expat share of jobs has fallen to a modern day low of 21.7%. Job growth among Kuwaiti nationals was stronger at 3.2%. However, continuing the recent pattern, this was due to a gain in public sector jobs, while private sector employment fell (the latter now accounts for 15.1% of all Kuwaiti employment). Overall, the figures point to a broad normalization of post-pandemic demographic trends with the population rising at a more normal pace after the volatility of the Covid era. But the pandemic has left its legacy, with the population still more than 0.5 million smaller (all expats) than it would have been had pre-pandemic growth trends been maintained in recent years. Also, the continued decline in private sector employment of Kuwaiti nationals highlights the ongoing challenge facing the government as it looks to change the employment mix and relieve pressure on the public finances.

**Chart 1: Kuwait population**

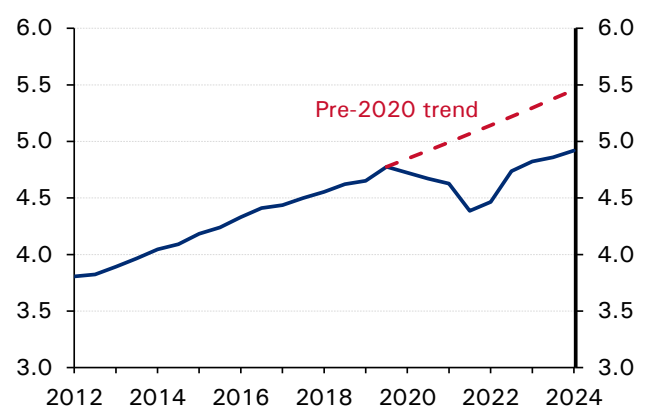
(%, y/y)



Source: PACI / NBK estimates

**Chart 2: Kuwait population**

(millions)



Source: PACI / NBK estimates

**Egypt: Monetary easing cycle hinges on the upcoming energy subsidy cuts.** The government, including the Ministry of Finance, Ministry of Petroleum, and Ministry of Electricity, should announce expected hikes in energy prices covering petroleum products (octane, diesel, butane cylinders, and natural gas) soon. Current subsidies mean that the government recaptures only 30% of the cost of petroleum products, and we expect

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the government to increase prices by 10-15% per quarter. We have already factored in such price hikes into our inflation forecasts, expecting it to trend lower towards 24-25% by December (from 28% currently). This should allow the central bank to embark on a monetary easing cycle starting at its September meeting in our base case scenario. However, if the subsidy rollback is steeper than expected, pushing inflation upward, the CBE could delay interest rate cuts. We await the announcement of the subsidy cuts to have better visibility on the exact timing of CBE policy easing.

**Egypt: Average T-bill yields up by 15bps w/w in the latest auctions.** Average T-bill (EGP 3-12 month) yields stood at 26.63% in the latest auctions (18-22 July), up 15bps versus the previous week's auctions but still down over 480bps since March. The minor upward move came on the back of lower bid coverage compared to the prior week across all tenors (1.65x compared to 1.69x last week), with shorter tenors seeing more coverage. The government increased the acceptance ratio for shorter tenors in anticipation of a drop in interest rates in the upcoming period (so to avoid borrowing more at longer tenors). We expect the yield curve to remain inverted for as long as the government keeps its borrowing dominated by T-bills. However, it could flatten towards the end of 2024/early 2025 after the anticipated central bank rate cuts.

**China: Third plenum statement reiterates the same agenda; no major stimulus seems forthcoming.** A detailed statement released following the Communist Party's 20th Central Committee meeting last week mostly rehashed President Xi's earlier stance of pushing the "high-quality development" agenda. The broader message appeared similar to the previous commitments, wherein the authorities looked to favor the 'quality' aspect of economic growth rather than 'quantity.' Despite weakening growth, the government has resisted calls for any significant fiscal stimulus, and the plenum's statement reinforces similar intent. Regarding key takeaways, the text mentioned that markets would have a crucial role in allocating resources and that the government would focus on creating laws to enhance the private sector. In addition, the authorities would adjust the fiscal appropriations between the central and local governments, which should help ease the latter's debt burden through a greater share of central revenue. Moreover, local governments would have full autonomy in regulating the real estate market to remove imbalances between supply and demand. To fix structural demographic issues, the government would gradually lift the retirement age and incentivize to boost birth rates. However, the communique didn't address the challenges such as deflationary pressures, underwhelming domestic demand, and rising trade tensions that the economy is currently facing.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,279	0.49	-3.12
Bahrain (ASI)	1,980	1.00	0.43
Dubai (DFMGI)	4,179	-0.05	2.94
Egypt (EGX 30)	28,992	0.73	16.75
GCC (S&P GCC 40)	701	0.06	-1.55
Kuwait (All Share)	7,118	0.64	4.41
KSA (TASI)	12,175	-0.23	1.73
Oman (MSM 30)	4,631	-1.10	2.60
Qatar (QE Index)	10,121	0.60	-6.56

<b>International</b>			
CSI 300	3,515	-0.68	2.44
DAX	18,407	1.29	9.88
DJIA	40,415	0.32	7.23
Eurostoxx 50	4,897	1.45	8.31
FTSE 100	8,199	0.53	6.02
Nikkei 225	39,599	-1.16	18.33
S&P 500	5,564	1.08	16.66

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.33	0.00	-19.00
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.04	-18.27	-10.42
Saudi	6.19	-1.83	-2.45
LIBOR	5.54	0.04	-4.84
SOFR	5.28	0.10	-4.84

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.71	-3.00	38.9
Oman 2027	5.32	0.00	16.3
Qatar 2026	4.93	6.00	41.1
Kuwait 2027	4.91	2.00	57.0
Saudi 2028	4.90	2.00	37.9

<b>International 10YR</b>			
US Treasury	4.25	1.16	39.4
German Bund	2.48	2.00	45.3
UK Gilt	4.16	3.65	62.0
Japanese Gvt Bond	1.05	1.75	43.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	-0.56
KWD per EUR	0.33	-0.08	0.60
USD per EUR	1.09	0.11	-1.33
JPY per USD	157.00	-0.31	11.30
USD per GBP	1.29	0.10	1.59
EGP per USD	48.36	0.10	56.76

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.40	-0.28	6.96
KEC	84.31	-2.42	5.97
WTI	79.78	-0.44	11.35
Gold	2392	-0.15	15.98

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

Source: Refinitiv / Haver