

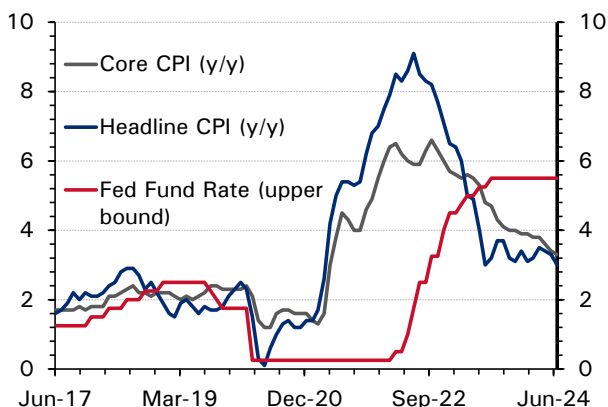
# Daily Economic Update

Economic Research Department  
14 July 2024

**US: CPI inflation eases further, boosting September rate cut hopes.** Former President Trump emerged from a suspected assassination attempt last night with non-life-threatening injuries, with his campaign team reporting that he is “fine” following the shooting. The incident comes just ahead of the Republican National Convention on July 15-18, where Trump will be officially nominated as his party’s candidate for the presidency and is also likely to announce his pick for Vice President. Trump has maintained a narrow but clear edge over incumbent Joe Biden in most opinion polls of late and is also ahead in some key swing states such as Arizona, Michigan and Pennsylvania. Meanwhile on economic data last week, CPI inflation in June fell m/m for the first time in four years at -0.1% (3% y/y) from 0% (3.3% y/y) in May as gasoline prices dropped 3.8% from the previous month. The core rate also softened to its lowest since September 2021 at 0.1% m/m, following 0.2% m/m in May as the heavyweight shelter component eased to 0.2% m/m (also the smallest since September 2021). Annually, the underlying rate moderated to an over three-year low of 3.3% from 3.4% earlier. The monthly deceleration was largely broad-based (except auto insurance prices), signaling progress in the so-called ‘last mile’ in reducing stickier service price inflation. However, June’s PPI inflation print offset some optimism, with slightly hotter-than-expected readings (0.2% m/m [2.6% y/y] from 0% [2.4% y/y] in May. Still, two straight months of encouraging consumer inflation data boosted the probability of a September Fed interest rate cut to over 90% (based on interest rates futures), with markets looking for at least two cuts by the year-end.

**Chart 1: US CPI and Fed rate**

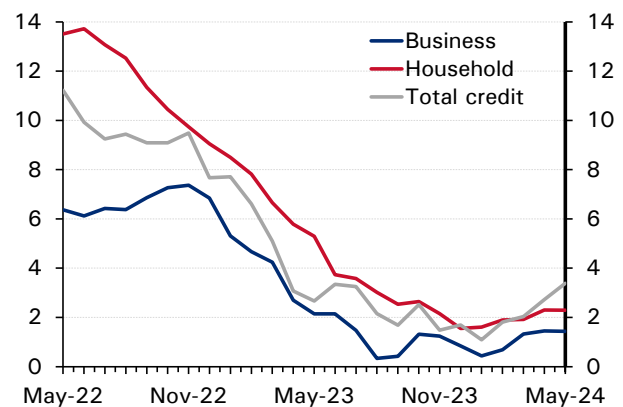
(%, y/y)



Source: Haver

**Chart 2: Kuwait credit growth**

(%, y/y)



Source: Central Bank of Kuwait

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**UK: Economy grew above expectations in May.** The UK economy grew by 0.4% m/m in May from no growth in April and higher than the market consensus of 0.2% m/m. On an annual basis, the economy grew by 1.4% y/y, higher than 0.7% y/y in April and slightly above market expectations of 1.2% y/y. Construction output grew by 0.8% y/y, manufacturing by 0.6%, and industrial production by 0.4%. The data provides some support for the economic outlook for the new government which took office two weeks ago but is expected to have to implement some fiscal tightening over the coming year to address the budget deficit.

**Kuwait: Solid domestic credit growth in May driven by household credit.** Domestic credit increased by a solid 0.6% m/m in May, driving up YTD growth to 1.6% (+3.4% y/y). Business credit inched up by 0.2% m/m, resulting in YTD growth of 1.7% (+1.4% y/y). The real estate sector had a good month, up 0.6% m/m, which pushed YTD growth to 2.5%. The construction and trade sectors took a breather in May but remain the fastest growing so far this year (+7.8%, +2.9% YTD, respectively), in line with trend seen in 2022-2023. Household credit had a strong month, up 0.5% m/m (+2.3% y/y), the fastest monthly increase since October 2023, but with YTD growth still muted at 0.9% given a weak expansion in the first four months of the year. Driven by public-institution deposits, resident deposits were up by a strong 0.8% m/m, resulting in a 1.3% YTD increase (+2% y/y). However, after a strong three-month run, private-sector deposits were flat in May, keeping the YTD increase at 3% (+1.6% y/y), outstripping government deposits (+0.9% YTD) and public-institution deposits (-7.4%). Within private-sector KD deposits, and after three consecutive months of solid growth, CASA decreased in May while time deposits increased. After dropping in 2022 and 2023, CASA is up by a limited 1.4% YTD, while time deposits increased by 4.2%.

**UAE: Dubai property sales enjoy ongoing surge.** Real estate sales in Dubai increased by 52% y/y in June to AED46.4 billion (\$12.6 billion), up from 36% in May and led by off-plan apartment and plot sales, which rose by 54% y/y and 364% y/y, respectively, pointing to still-strong investor confidence. On the other hand, villa sales saw marginal growth of 1.5% y/y in June, though rising by 46% on a monthly basis. Top performing areas were Business Bay, JVC, and Marsa Dubai, which continued to attract buyers due to their strategic locations and potential for capital appreciation. Demand was supported by mortgages which increased by 23% y/y in value terms (May 20%), reflecting solid confidence and accessibility. Dubai's property market has been supported by residency reforms, rising foreign capital inflows, and continued strong growth in the UAE's non-oil economy. Although the June figures suggest that the current boom has continued momentum, we still expect sales growth to slow going forward amid the still-high cost of financing, a projected rise in property supply (especially in high-end luxury segment) and as economic growth moderates.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,143	-0.09	-4.54
Bahrain (ASI)	1,992	-0.14	1.03
Dubai (DFMGI)	4,104	0.32	1.09
Egypt (EGX 30)	28,288	0.00	13.91
GCC (S&P GCC 40)	682	0.00	-4.23
Kuwait (All Share)	7,098	0.53	4.11
KSA (TASI)	11,792	0.07	-1.46
Oman (MSM 30)	4,700	0.10	4.12
Qatar (QE Index)	10,177	0.15	-6.03
<b>International</b>			
CSI 300	3,472	0.12	1.20
DAX	18,748	1.15	11.92
DJIA	40,001	0.62	6.13
Eurostoxx 50	5,043	1.34	11.53
FTSE 100	8,253	0.36	6.72
Nikkei 225	41,191	-2.45	23.09
S&P 500	5,615	0.55	17.73
<b>3m interbank rates</b>			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.00	-17.33
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.19	5.22	-11.72
Saudi	6.19	0.00	-1.88
LIBOR	5.55	-1.53	-2.73
SOFR	5.30	-0.27	-3.00

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.73	-4.00	40.9
Oman 2027	5.37	-5.00	21.3
Qatar 2026	4.89	-7.00	37.1
Kuwait 2027	4.90	-5.00	56.0
Saudi 2028	4.86	-8.00	33.9
<b>International 10YR</b>			
US Treasury	4.19	-2.54	32.6
German Bund	2.50	2.50	46.6
UK Gilt	4.11	3.30	56.8
Japanese Gvt Bond	1.05	-3.00	43.4
<b>Exchange rates</b>			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.07	-0.60
KWD per EUR	0.33	0.38	0.79
USD per EUR	1.09	0.38	-1.18
JPY per USD	157.89	-0.57	11.93
USD per GBP	1.30	0.64	2.07
EGP per USD	47.95	0.00	55.43
<b>Commodities</b>			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	85.03	-0.43	10.37
KEC	87.56	0.19	10.06
WTI	82.21	-0.50	14.74
Gold	2414	-0.04	17.05

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

Source: Refinitiv / Haver