

Daily Economic Update



Economic Research Department
18 July 2024

US: Industrial production and housing activity indicators come in strong. Industrial production in June came in higher than expected, rising 0.6% m/m from an upwardly revised 0.9% in May, driven by robust 0.4% m/m growth (+1% in May) in manufacturing output. This was the first two consecutive months of rise in industrial production since February 2023. Housing construction activity also showed a sharp increase in June, with housing starts and building permits rising 3% m/m and 3.4% from -4.6% m/m and -2.8%, respectively, in May. However, the rebound was entirely driven by multi-family units, as construction and permits for single-family units declined further amid weakening demand due to affordability issues. Overall, the latest data and previously reported strong consumer spending figures imply an acceleration in economic growth in Q2 (from 1.4% in Q1), with expectations firming up for GDP growth of 2%+, despite a backdrop of a loosening labor market and easing (though still-above target) inflation.

Eurozone: ECB set to keep rates unchanged today. Final CPI readings came in unchanged from initial estimates of 2.5% y/y in June, down from May's 2.6%. Meanwhile, core CPI (+2.9% y/y) and the monthly rate (+ 0.2% m/m) also matched initial estimates and were unchanged from the previous month. Despite inflation being slightly lower, services inflation remains stubbornly high at 4.1% y/y which might be a cause of concern for the ECB. It is widely expected that the ECB will hold interest rates at today's meeting (deposit rate 3.75%) reflecting a cautious approach to policy loosening, though markets see scope for two more rate cuts by year end.

UK: New government aims to boost growth with focus on housing, clean energy, and infrastructure. New PM Keir Starmer listed 39 bills at the King's Speech yesterday to boost UK economic growth. One of the critical bills aims to reform the planning system to build 1.5 million new homes over the next five years to ease housing shortages. The government is creating a new energy company, with a capital of £7.3 billion, to co-invest in clean energy projects, hoping to attract three times' private investments. The administration also intends to improve transportation and industrial infrastructure, while enhancing workers' rights. The new administration has limited fiscal headroom (gross debt to GDP is already close to 100%), with the upcoming budget (September/October) set to spell out more details about expenditure and funding plans. UK economic growth has been plagued by lower productivity, rising labor inactivity due to long-term sickness, and underwhelming investment (especially in housing due to poor planning mechanisms). The IMF, in its latest projections, lifted its forecast for UK growth to 0.7% in 2024 (and an uninspiring 1.5% in 2025), but it remains much below the 1.7% expected for advanced economics overall.

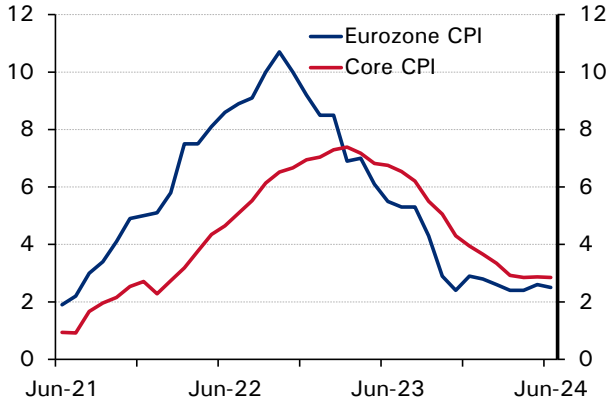
UK: Inflation steady, lowering chances of an August interest rate cut. CPI inflation in June was unchanged at 2% y/y (0.1% m/m), as expected, with the underlying measure also steady at 3.5% (+0.2% m/m). While goods prices fell -1.4% y/y, services inflation remained sticky at 5.7%. The latter was mainly driven by a monthly 8.8% rise in hotel prices possibly linked to Taylor Swift concerts during the month. Still, elevated service prices

T: (+965) 2229 5500, econ@nbk.com [Visit our publications](#) | [Unsubscribe from this list](#) | [Comments & feedback](#)

© 2024 NBK | Disclaimer: While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. Daily Economic Update is distributed on a complimentary and discretionary basis to NBK clients and associates. This report and previous issues can be found in the "News & Insight / Economic Reports" section of the National Bank of Kuwait's web site. Please visit our web site, www.nbk.com, for other bank publications.

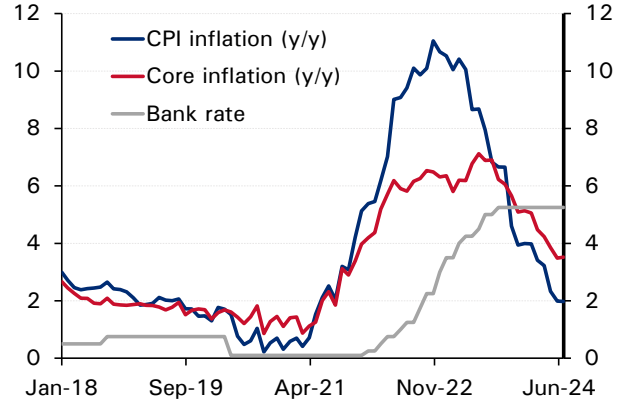
and a potential rebound in overall inflation later this year (due to a change in the cap on energy prices and base effects) could mean that the Bank of England stays put on interest rates (Bank rate of 5.25%) at its upcoming meeting on August 1. Markets see narrowing chances of a pivot in August but still price in around two cuts of 25 bps each by the end of the year.

Chart 1: Eurozone CPI inflation
(%, y/y)



Source: Haver, Eurostat

Chart 2: UK CPI inflation & bank rate
(%)



Source: Haver

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,168	0.13	-4.27
Bahrain (ASI)	1,986	0.00	0.73
Dubai (DFMGI)	4,132	0.54	1.78
Egypt (EGX 30)	28,340	1.84	14.13
GCC (S&P GCC 40)	699	0.33	-1.93
Kuwait (All Share)	7,117	0.22	4.40
KSA (TASI)	12,158	0.64	1.59
Oman (MSM 30)	4,693	0.06	3.96
Qatar (QE Index)	10,152	-0.41	-6.27
International			
CSI 300	3,502	0.09	2.05
DAX	18,437	-0.44	10.06
DJIA	41,198	0.59	9.31
Eurostoxx 50	4,891	-1.14	8.18
FTSE 100	8,187	0.28	5.87
Nikkei 225	41,098	-0.43	22.81
S&P 500	5,588	-1.39	17.16
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.00	-17.33
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.21	-1.31	-10.10
Saudi	6.25	5.07	-3.40
LIBOR	5.54	0.02	-5.22
SOFR	5.28	-0.65	-5.22

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.70	0.00	37.9
Oman 2027	5.32	0.00	16.3
Qatar 2026	4.91	-2.00	39.1
Kuwait 2027	4.85	-7.00	51.0
Saudi 2028	4.89	0.00	36.9
International 10YR			
US Treasury	4.16	0.09	29.9
German Bund	2.42	-1.10	39.1
UK Gilt	4.07	2.60	53.5
Japanese Gvt Bond	1.03	1.00	41.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	-0.59
KWD per EUR	0.33	0.30	1.03
USD per EUR	1.09	0.37	-0.90
JPY per USD	156.16	-1.38	10.70
USD per GBP	1.30	0.33	2.19
EGP per USD	48.15	0.33	56.08

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	85.08	1.61	10.44
KEC	85.61	-0.20	7.60
WTI	82.85	2.59	15.63
Gold	2454.8	-0.31	19.03

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

Source: Refinitiv / Haver