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Daily
Economic Update

Economic Research Department
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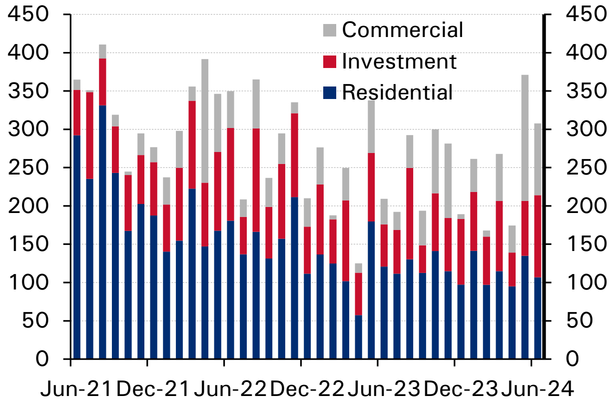
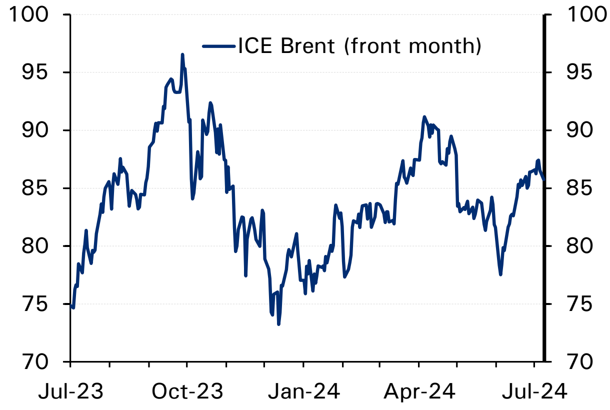
Kuwait: Real estate sales remained solid in June, helped by commercial sector. Total real estate sales in June fell back 17% from May's 32-month high but remained solid overall at KD308 million. The figure was helped by another strong month in the commercial segment with sales of KD94 million, which while down from May is well above typical levels. The investment (i.e. apartment) segment also had a good month with sales of KD107 million, boosted by a one-off deal of KD22 million in Salmiya. By contrast the residential sector was soft, with sales dipping to a well below-par KD107 million. For Q2 overall, total sales reached their highest level in two years, led by record quarterly sales in the commercial segment. While these data can be volatile and subject to seasonal influences, they point to property activity picking up from the lows of 2023, albeit with a recovery still lacking breadth across sectors. Residential sales, which historically account for around half of all activity, remain lackluster, weighed down by still-high financing costs and affordability issues. We look for further limited gains in overall sales through 2024, improving in 2025 as interest rates come down and economic prospects start to brighten.

Chart 1: Real estate sales in Kuwait
(KD million, per month)



Source: Ministry of Justice (MoJ)

Chart 2: Oil prices
($/bbl)



Source: Haver

Egypt: Current account deficit widens significantly in July-March. The current account deficit widened by 225% y/y in 9M FY23/24 (July to March) to $17.1bn from $5.3bn in the same period in FY22/23. This came mainly on the back of a significant drop in Egypt's natural gas production, leading to a 61% drop in oil and gas exports which pushed the oil trade balance to record a $5.1bn deficit (versus a $1.7bn surplus previously). The non-oil trade deficit improved by $1.5bn mainly on the back of a 3% drop in imports due to import restrictions, but this was not enough to balance out the worsening oil trade position. Remittances from Egyptians living abroad also slowed down to $14.5bn (down 17% y/y). On a positive note, tourism revenues remained strong growing by 5.3% y/y even amid all the regional tensions. The situation was positive on the

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capital account front as the EGP devaluation in March 2024 allowed for the release of the $15bn first tranche of the Ras El Hekma deal along with significant inflows from carry trade investments. This was reflected in FDIs reaching $23.7bn (from $7.9bn) and a net inflow of $14.6bn in portfolio investments (versus a net outflow of $3.4bn). The overall balance of payments saw a surplus of $4.1bn (from a $0.3bn deficit).

Oil: Brent dropped yesterday after finishing last week flat. Brent futures settled at $85.8/bbl on Monday (+11.3% ytd), falling 0.9% d/d as the impact of Hurricane Beryl on crude oil facilities was less severe than initially expected after making landfall in Texas. Last week, Brent closed flat at $86.5/bbl as a bullish Energy Information Administration weekly report showing a stronger-than-expected drawdown in US commercial crude inventories and expected impact of Hurricane Beryl on crude oil production in the Gulf of Mexico were offset by rising prospects of a ceasefire deal in Gaza that reduced the geopolitical risk premium. The outlook for oil prices for H2 2024 remains dependent on oil demand, the trajectory of which has been a point of controversy between OPEC and the International Energy Agency's (IEA). The IEA expects much slower oil demand growth both this year and next amid muted economic activity and adoption of renewable energy technologies, whereas OPEC is more bullish – two views that are unlikely to be changed in both of the agencies' monthly reports due later this week.

US: Consumer inflation expectations cool, but crucial June CPI data due this week. A New York Fed survey showed that US consumers' one-year ahead inflation expectations moderated to 3% in June from 3.2% in May, slowing for a second consecutive month from this year's peak of 3.3% in April. Consumers expected smaller home price rises and moderated gains in food, gas, education, and medical costs. Five-year ahead inflation expectations also cooled to 2.8% from 3% earlier. A more critical CPI inflation report for June will be released this Thursday, confirming whether the 'encouraging' disinflation progress seen in May (0% m/m for headline and 0.2% m/m for core) following disappointing data earlier this year continues. The market expects the June inflation print to come in at 0.1% m/m (3.1% y/y), with a second straight reading of 0.2% m/m (3.4% y/y) for the core rate.

China: PBOC curtails interest rates amid reform initiatives. The People's Bank of China (PBOC) has strengthened its control over interest rates as part of policymakers' efforts to broaden their range of tools for guiding markets. The PBOC decided that it would carry out new repo and reverse repo operations, effectively reducing the range in which short-term borrowing rates can vary. Reverse repo operations should allow the central bank to inject cash into the banking system which will enhance market expectations for the seven-day repurchase rate to become the new standard as well as keep banking system liquidity sufficient. The PBOC plans to conduct these operations in the afternoon "depending on the market situation" each working day, narrowing China's interest rate corridor, which in turn would reduce interbank volatility. As a result of the PBOC's statement China's 30-year government bond yield rose 2.5 basis points (bps), while 10-year yields were up around two basis points.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,133	-0.06	-4.64
Bahrain (ASI)	2,005	0.13	1.71
Dubai (DFMGI)	4,082	0.29	0.55
Egypt (EGX 30)	28,412	-0.67	14.41
GCC (S&P GCC 40)	678	0.65	-4.78
Kuwait (All Share)	7,052	0.98	3.45
KSA (TASI)	11,718	0.25	-2.08
Oman (MSM 30)	4,687	-0.04	3.83
Qatar (QE Index)	10,157	0.33	-6.22
International			
CSI 300	3,402	-0.85	-0.86
DAX	18,472	-0.02	10.27
DJIA	39,345	-0.08	4.39
Eurostoxx 50	4,970	-0.19	9.91
FTSE 100	8,193	-0.13	5.95
Nikkei 225	40,781	-0.32	21.86
S&P 500	5,573	0.10	16.84

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.33	0.00	-19.00
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.30	-0.14	-2.85
Saudi	6.22	-0.25	-0.82
LIBOR	5.57	-0.23	-2.45
SOFR	5.31	N/A	-2.45

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.88	1.00	55.9
Oman 2027	5.58	0.00	42.3
Qatar 2026	4.96	2.00	44.1
Kuwait 2027	5.05	-4.00	71.0
Saudi 2028	5.05	0.00	52.9
International 10YR			
US Treasury	4.28	0.19	41.9
German Bund	2.52	-1.25	48.9
UK Gilt	4.11	-1.15	57.4
Japanese Gvt Bond	1.08	1.00	46.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.04	-0.40
KWD per EUR	0.33	-0.18	0.12
USD per EUR	1.08	-0.13	-1.94
JPY per USD	160.81	0.06	14.00
USD per GBP	1.28	-0.03	0.59
EGP per USD	47.88	-0.04	55.20

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	85.75	-0.91	11.31
KEC	88.08	-1.61	10.71
WTI	82.33	-1.00	14.91
Gold	2355.2	-1.39	14.20

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

Source: Refinitiv / Haver