

Daily Economic Update

Economic Research Department
3 September 2024

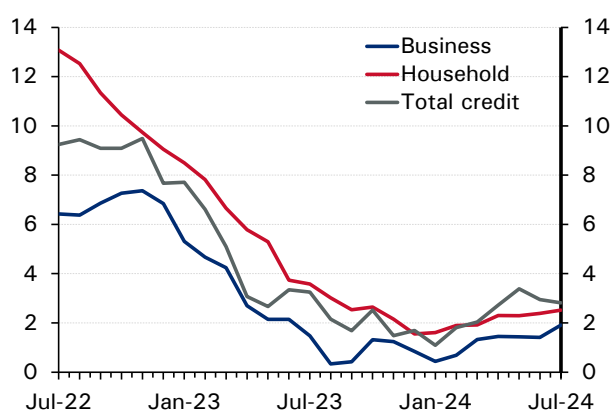
Kuwait: Solid household credit growth for the second month in the past three. Domestic credit in July was weighed down by a 10% plunge in lending to banks/financial institutions, pulling down the YTD increase to 1.8% (+2.8% y/y). Underlying growth was better, with household credit up a solid 0.5% m/m, the second strong month in the past three, pushing up YTD growth to 1.4% (+2.5% y/y). Household credit had witnessed a modest recovery in the second half of last year and it remains to be seen whether this will be repeated this year, but recent data is encouraging. Business credit inched up a limited 0.1% m/m, pressured by another steep drop in the oil/gas sector (now down 9.1% YTD). The increase in business credit (+2.3% YTD, +1.9% y/y) would improve to 3.3% YTD if the oil/gas sector is excluded. Meanwhile, driven by public-institution and government deposits, resident deposits increased in July, driving up YTD growth to 1.6% (+4% y/y). On a YTD basis, public-institution deposits remain a big drag (-11%), but private-sector deposits are up a decent 2.8% while government deposits (+11%) continued to be, for the third straight year, a major growth driver. Within private-sector KD deposits, CASA decreased for the third consecutive month (-1.8% YTD) while time deposits continued to increase (+6.2% YTD).

Kuwait: Private sector activity turns modestly negative in August, PMI shows. The PMI slipped into slightly negative territory in August (to 49.7 from 51.5 in July), according to the latest S&P Global survey. This is the first contraction in private sector activity in thirteen months, and while headline growth began easing in June, the degree of slowdown in August could reflect the traditional seasonal summer lull. Almost all metrics, including output, new orders and employment slowed in August, though both output and new orders continued to expand and only employment registered a contraction. Output price inflation, while still positive, also eased in August. But input prices bucked the moderating trend in August, instead rising on the back of higher costs for air conditioning, advertising, and travel tickets. Survey respondents' degree of optimism about their firm's future output markedly dropped in August to a seven-month low (though was still positive), attributed to intensifying competitive pressures.

Egypt: PMI swings above 50 for the first time in nearly four years on demand recovery. The August PMI surpassed the 50-neutral benchmark for the first time since November 2020, with most sub-indices showing expansion, including output, new export orders, future output, and employment. A continued recovery in demand played a big role in uplifting the PMI and firms' outlook. The cooling in inflation over the past few months along with a growth in credit activities (in real terms) corroborate such demand recovery. Business expectations are seeing further improvement as the degree of optimism and confidence stands at its highest since June 2022. We believe that the continued availability of FCY along with anticipated lower interest rates should help lift the PMI further, with the more flexible exchange rate regime crucial to ensure a sustained availability of FCY across the banking system.

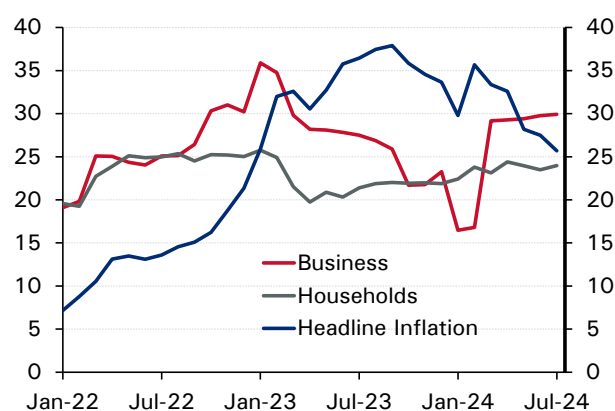
Egypt: Domestic private credit increases 28% y/y in July. Domestic private credit was up by 28.1% y/y (1.2% m/m) in July, slightly higher than the 27.8% y/y recorded in June. Private business credit grew by almost 30% y/y (1% m/m), much higher than the 25.7% inflation, while household grew by 24% (1.8% m/m). Strong private business and household credit growth shows that economic recovery is on the way, which could be boosted by pent-up demand as inflation remains on a downward trajectory. Private sector credit growth averaged around 24% in FY23/24, significantly lower than the average inflation of 33.6%, thus falling in real terms, as evident in weak PMI and GDP figures. We expect the central bank to cut interest rates starting October as inflation continues to trend lower. This should act as a boost to the credit cycle, especially private businesses (70% of total private credit), and kickstart the long-awaited CAPEX borrowing cycle. Overall, we expect at least 10% cuts in policy rates in CY 2025, which could propel private sector credit growth to 20%+ in FY24/25, above our inflation forecast of 18.5% over the same period.

Chart 1: Kuwait credit
(%, y/y)



Source: Central Bank of Kuwait

Chart 2: Egypt bank credit and inflation
(%, y/y)



Source: Central Bank of Egypt

Saudi Arabia: Non-oil business activity strengthens in August. The non-oil PMI edged up to 54.8 in August from 54.4 the previous month, reflecting a stronger expansion in activity, although overall growth momentum remained slower than the recent trend. New orders growth picked up but remained below the long-run average reportedly on increased competition as selling prices fell for the second consecutive month despite resilient demand conditions. Still, business confidence rose to its highest since March with firms optimistic about future business conditions. Finally, input prices eased to the lowest since July 2023 on softer purchase costs, although staffing costs rose firmly in August.

Qatar: Non-hydrocarbon GDP growth slows in 2023 on World Cup base effects. Latest figures show that economic growth softened to 1.2% y/y in 2023, easing from 4.2% the previous year as non-oil expansion slowed sharply to 1.1% compared to 5.7% in 2022, weighed by base effects from the 2022 FIFA World Cup, while the hydrocarbon sector moderated slightly to 1.4%. Still, positive spillover effects from the World Cup and the country's focus on tourism were notable in 2023's figures as accommodation and food services registered the highest growth among industries (13%), followed closely by arts and recreation activities (4.6%). Nevertheless, the positive impact on overall growth was partially offset by an annual contraction in bigger industries including construction (-4.3%) and financial services (-1.3%). The near-term growth outlook remains moderate but will improve significantly once expansions works are completed on the North Field East project, which would boost LNG production capacity from 77 million tons per annum (mtpa) to 110 mtpa by 2026.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,363	0.84	-2.24
Bahrain (ASI)	1,949	-0.38	-1.15
Dubai (DFMGI)	4,357	0.72	7.31
Egypt (EGX 30)	30,732	-0.55	23.76
GCC (S&P GCC 40)	709	0.25	-0.44
Kuwait (All Share)	7,169	-0.05	5.16
KSA (TASI)	12,167	-0.18	1.67
Oman (MSM 30)	4,772	0.25	5.71
Qatar (QE Index)	10,344	1.11	-4.49
International			
CSI 300	3,265	-1.70	-4.84
DAX	18,931	0.13	13.01
DJIA	41,563	0.00	10.28
Eurostoxx 50	4,973	0.30	9.98
FTSE 100	8,364	-0.15	8.15
Nikkei 225	38,701	0.14	15.65
S&P 500	5,648	0.00	18.42
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.31	0.00	-21.21
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.07	2.31	-25.41
Saudi	6.03	3.20	-20.18
LIBOR	5.28	0.00	-31.48
SOFR	5.02	0.09	-31.48

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.16	0.00	-16.1
Oman 2027	4.95	0.00	-20.7
Qatar 2026	4.44	0.00	-7.9
Kuwait 2027	4.47	1.00	13.0
Saudi 2028	4.44	0.00	-8.1
International 10YR			
US Treasury	3.91	0.00	4.8
German Bund	2.34	4.80	30.8
UK Gilt	4.05	3.85	51.4
Japanese Gvt Bond	0.90	1.00	28.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.16	-0.54
KWD per EUR	0.34	0.18	2.28
USD per EUR	1.11	0.22	0.32
JPY per USD	146.90	0.51	4.14
USD per GBP	1.31	0.18	3.30
EGP per USD	48.49	-0.06	57.18
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	77.52	-1.62	0.62
KEC	77.70	-2.24	-2.34
WTI	73.55	0.00	2.65
Gold	2493.8	0.00	20.92

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

Source: LSEG / Haver

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