

# Daily Economic Update

Economic Research Department  
11 September 2024

**Oil: Price rout continues amid bearish sentiment.** Brent futures settled at their lowest level since December 2021 yesterday at \$69.2/bbl, shedding 3.7% d/d and extending year-to-date losses to 10.2%. Sentiment in the market has remained overwhelmingly bearish as demand concerns continue to dominate headlines after data showed Chinese crude oil imports falling 7% y/y in August. OPEC also revised its oil demand growth outlook lower for 2024 by 80 kb/d to 2 mb/d and for 2025 by 40 kb/d to 1.7 mb/d, making this the second consecutive month that demand has been downgraded, citing revisions to reflect actual data from earlier in the year. Still, its figures remain well ahead of other forecasters. In a sign that compliance is being taken more seriously by serial overproducers, members participating in the production compensation plan Iraq, Kazakhstan and Russia, all lowered crude production in August, according to OPEC secondary sources estimates. Iraq's output fell by 50 kb/d m/m, slightly shy of its monthly reduction target, however. Kazakhstan reduced its output by 115 kb/d m/m, exceeding the 49 kb/d reduction required of it for August. Russia, meanwhile, brought down its output for the fifth consecutive month, bringing it closer to its OPEC quota, though the compensation cuts are only set to kick-in from October. The recent weakness in prices poses a serious challenge for OPEC and how the group tackles the expected surplus in 2025. There is considerable resistance by members to the idea of deeper production cuts to support prices, while compliance, always a tough act to follow for members, will need to be more stringently applied if the group sees that as a possible over-supply mitigating tool. OPEC+ could take some positive from this, though, which is that lower oil prices could disincentivize further US shale output gains and be supportive for the global economy amid prevailing soft headwinds.

**UK: Strong July employment data but slowing wage growth.** UK employment in the three months through July recorded the strongest growth in over two years of 265K jobs, significantly improving from 97K jobs in the preceding three months. Moreover, the unemployment rate fell for a second straight time to 4.1% from 4.2%, with labor participation ticking up to 62.8% from 62.6% as more people joined the workforce. The solid job rise underpins improving prospects for the economy, which saw a robust recovery in the first half of 2024, and if sustained, could surprise positively in H2. Meanwhile, in encouraging signs for the Bank of England's (BoE) loosening policy outlook, total wage growth eased to 4% y/y from 4.6% in the three months through June, the slowest pace since late 2020, while regular pay rise moderated to 5.1% y/y from 5.4% earlier, coming broadly in line with market expectations. The bank in early August, after delivering its first policy rate cut in the current cycle, had highlighted elevated wage growth and service inflation as key obstacles before declaring victory over inflation, sounding cautious about future rate cuts. Thus, the latest and sustained softening in wage growth should keep the BoE on track to cut rates again in November/December this year – following a likely pause at next week's MPC meeting.

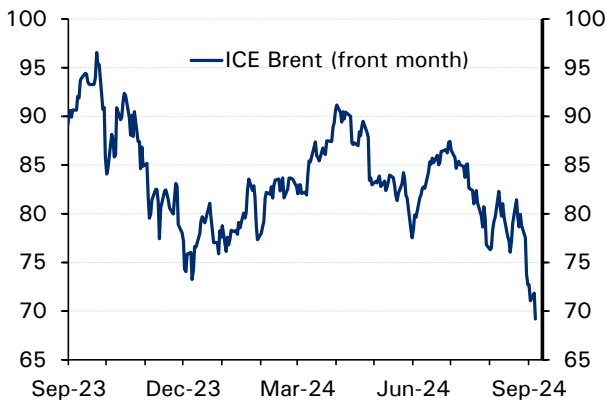
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Chart 1: Oil prices

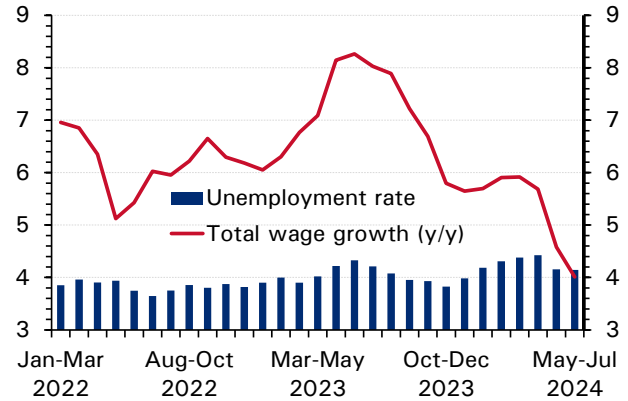
(\$/bbl)



Source: Haver

Chart 2: UK unemployment and wage growth

(%)



Source: Office for National Statistics UK

**Egypt: Inflation edges back up in August following fuel price hikes.** Inflation picked up to 26.2% y/y in August after slowing for five months in a row to 25.7% y/y in July from a 2024 peak of 35.7% in February. The pickup was driven by a higher-than-expected (and above consensus) monthly inflation rate of 2.1% m/m (versus our expectations of 1.5% m/m and 0.4% in July) following end-July fuel price hikes (10-15% end of July), which triggered a jump in transportation costs and potentially a trickle-down effect on food inflation (up by 1.8% m/m in August). Core inflation also picked up to 0.9% m/m (from -0.5%) leading to a higher core inflation rate of 25.1% y/y versus 24.4% in July. Despite slightly surpassing expectations, we believe that inflation was within an acceptable margin and we stick to our view that inflation will end the year close to 24%. While we still believe that the 2025 inflation outlook is more important than the current levels, September inflation data (to be released early October) could be an important data point for the central bank to be able to embark of the monetary easing cycle with confidence.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,402	0.50	-1.83
Bahrain (ASI)	1,949	0.56	-1.15
Dubai (DFMGI)	4,387	0.65	8.07
Egypt (EGX 30)	30,104	-0.89	21.23
GCC (S&P GCC 40)	703	0.46	-1.31
Kuwait (All Share)	7,194	0.18	5.53
KSA (TASI)	11,987	0.20	0.16
Oman (MSM 30)	4,748	0.07	5.19
Qatar (QE Index)	10,267	0.50	-5.21
<b>International</b>			
CSI 300	3,196	0.09	-6.86
DAX	18,266	-0.96	9.04
DJIA	40,737	-0.23	8.09
Eurostoxx 50	4,747	-0.66	4.99
FTSE 100	8,206	-0.78	6.11
Nikkei 225	36,159	-0.16	8.05
S&P 500	5,496	0.45	15.21
<b>3m interbank rates</b>			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.18	-7.35	-34.67
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	4.99	-2.04	-34.13
Saudi	5.92	2.78	-31.13
LIBOR	5.21	2.33	-38.25
SOFR	4.93	-1.31	-40.59

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	3.97	-3.00	-35.1
Oman 2027	4.89	0.00	-26.7
Qatar 2026	4.31	-3.00	-20.9
Kuwait 2027	4.24	-2.00	-10.0
Saudi 2028	4.31	-2.00	-21.1
<b>International 10YR</b>			
US Treasury	3.64	-6.19	-22.1
German Bund	2.15	-2.40	11.8
UK Gilt	3.82	-3.70	27.9
Japanese Gvt Bond	0.89	0.00	27.4
<b>Exchange rates</b>			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.12	-0.58
KWD per EUR	0.34	-0.13	1.75
USD per EUR	1.10	-0.14	-0.15
JPY per USD	142.43	-0.52	0.97
USD per GBP	1.31	0.05	2.75
EGP per USD	48.31	0.02	56.60
<b>Commodities</b>			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	69.19	-3.69	-10.19
KEC	73.11	-0.60	-8.11
WTI	65.75	-4.31	-8.23
Gold	2512.3	0.42	21.81

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

Source: LSEG / Haver