

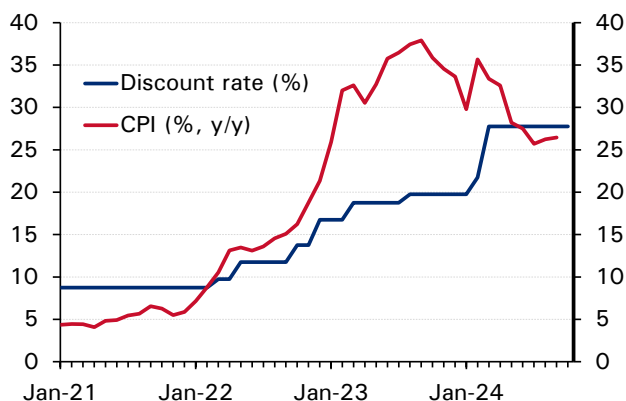
Daily Economic Update

Economic Research Department
20 October 2024

Egypt: Central Bank keeps rates unchanged for the 4th time in a row. The central bank kept interest rates at 27.25% for the deposit side and 28.25% for the lending side in meeting last Thursday, in line with the consensus view. This was the 4th successive meeting that rates were unchanged. In its press release, the CBE reassured market participants that inflation will remain at the current levels towards the end of the year and then drop significantly towards Q1 2025 (especially in February). Inflation stood at 26.4% y/y in September slightly higher than 26.2% in August and we expect it to end the year close to 24-25%. In our view, the CBE seems more cautious than we expected when it comes to cutting interest rates and looks set to wait until there is a high real positive interest rate which will materialize only in Q1 2025. Thus we believe that there are higher chances that the bank will lower rates in early 2025 instead of late 2024. However, we commit to our view that we should see a minimum of 10% rate cuts in 2025.

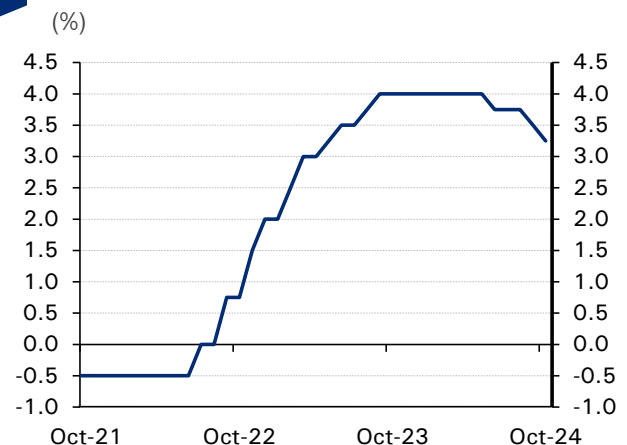
Eurozone: ECB cuts its main policy rate 25bps as economic growth concerns increase. As anticipated, the European Central bank (ECB) cut the deposit facility rate by 25bps to 3.25% last Thursday, marking the first back-to-back cut in 13 years, and suggesting that concerns have risen over the growth outlook and the risk of inflation undershooting the targeted 2% (1.7% y/y in September). However, officials did not signal any hints on the size or frequency of future cuts, though in her post-meeting comments, President Lagarde downplayed growth concerns and rather emphasized fading inflationary pressure and reiterated that the bank will retain a data-dependent approach. That said, a fourth cut in December is very likely unless economic or inflation data turns around in the coming weeks.

Chart 1: Egypt interest rates & inflation



Source: Haver

Chart 2: ECB policy deposit rate



Source: Haver

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US: Retail sales accelerate more than forecast, underscoring economic resilience. Retail sales in September climbed 0.4% m/m from August's 0.1% and versus the market forecast of a 0.3% rise, as consumer spending remains robust, supporting the growth outlook. A narrower measure of sales (excluding food services, auto, gas stations and building supplies) increased by 0.7% from 0.3% the previous month, indicating that household spending ended Q3 on a solid note. However, industrial production declined 0.3% m/m following a 0.3% rise in August due to weak manufacturing output. Meanwhile, initial weekly jobless claims fell to 241K (w/e Oct 12) from an over one year high of 260K the previous week. Unemployment claims over the coming weeks will likely remain volatile as the full impact of recent Hurricanes in the Southeast US in filing claims is yet to be visible.

China: Third quarter GDP grows at slowest pace since early 2023. The Chinese economy expanded 4.6% y/y in Q3 2024, performing slightly above market forecasts of 4.5% and a touch below the Q2 reading of 4.7%. The figure was the weakest since Q1 2023 amid the ongoing real estate downturn, soft domestic demand and export growth amid increasing trade frictions with the West. This also marks the second quarter in a row that China's official measure of economic growth has fallen below the 5% target, which will add to government concerns. On a quarterly basis GDP expanded 0.9%, lower than the anticipated 1.0% but slightly higher than Q2's 0.7%. In the weeks prior, authorities have released a string of stimulus measures with the aim of bolstering the economy and reaching its ambitious 5% growth target by year-end. That said, the recently announced stimulus measures are a good start, but more is required if officials are to address the structural challenges in the economy.

Japan: Inflation eased in September; demand pressures remain. Consumer price inflation slowed to 2.5% y/y in September from August's 10-month high of 3.0% on the rollout of fuel subsidies as electricity (15.2% versus 26.2% in August) and (7.7% versus 11.1%) gas price growth eased. However, core inflation (excl. fresh food and energy) rose slightly to 2.1% (2.0% in August), in a sign that the Bank of Japan may raise interest rates further. The BoJ's governor has stated earlier that the bank will keep raising rates if inflation remains on track, though stressing the need for gauging how global economic uncertainties affect Japan's economic recovery. The slowing in global inflationary pressures and the appreciation of the yen constitute the main downside risks for the remainder of the year. We do not expect any policy changes at the October board meeting. However, market observers are divided on whether the bank could hike rates in December or wait until January.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,288	0.11	-3.03
Bahrain (ASI)	2,000	-0.05	1.44
Dubai (DFMGI)	4,469	0.24	10.09
Egypt (EGX 30)	30,144	-1.31	21.39
GCC (S&P GCC 40)	698	0.00	-1.96
Kuwait (All Share)	7,080	-0.33	3.86
KSA (TASI)	11,907	-1.09	-0.50
Oman (MSM 30)	4,800	-0.27	6.34
Qatar (QE Index)	10,733	-0.02	-0.90
International			
CSI 300	3,925	3.62	14.40
DAX	19,657	0.38	17.35
DJIA	43,276	0.09	14.82
Eurostoxx 50	4,986	0.79	10.28
FTSE 100	8,358	-0.32	8.08
Nikkei 225	38,982	0.18	16.49
S&P 500	5,865	0.40	22.95
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.02	0.00	-50.05
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.55	0.20	-77.88
Saudi	5.63	0.00	-60.51
SOFR	4.62	-1.49	-71.40

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.28	0.00	-4.1
Oman 2027	5.03	0.00	-12.7
Qatar 2026	4.43	0.00	-8.9
Kuwait 2027	4.23	-4.00	-11.0
Saudi 2028	4.50	0.00	-2.1
International 10YR			
US Treasury	4.08	-1.16	22.2
German Bund	2.18	-1.90	15.3
UK Gilt	4.06	-3.30	51.7
Japanese Gvt Bond	0.97	1.00	35.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.07	-0.32
KWD per EUR	0.33	0.26	0.76
USD per EUR	1.09	0.32	-1.54
JPY per USD	149.52	-0.45	6.00
USD per GBP	1.30	0.29	2.51
EGP per USD	48.58	0.00	57.47
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	73.06	-1.87	-5.17
KEC	74.30	0.11	-6.61
WTI	69.22	-2.05	-3.39
Gold	2713.7	0.84	31.58

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

Source: LSEG / Haver