

Daily Economic Update

Economic Research Department
3 October 2024

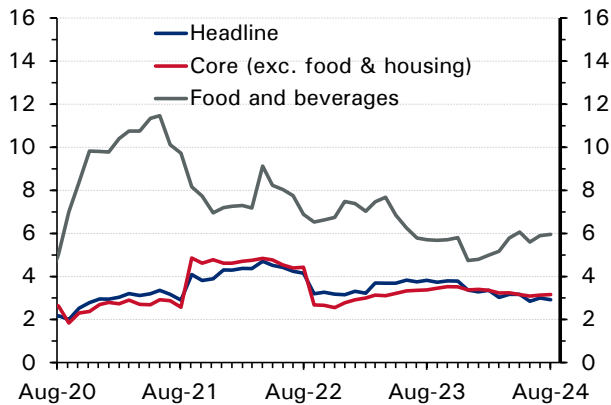
Kuwait: Inflation eases only slightly in August amid persistent food price rises. Consumer price inflation ticked only marginally lower in August, the latest data from the Central Statistical Bureau (CSB) showed. The headline rate eased to 2.9% from 3.0% in July (core at 3.2%), helped by moderating price gains in the furnishings, communications, and health categories. The largest component by weight, food and beverages, however, continued to trend up, posting an increase of 6% y/y, followed by clothing and footwear, which accelerated by 5.8% y/y. The slowdown in headline inflation is expected to continue this quarter, bringing down the year-average rate to 3.0% from 3.6% in 2023. Meanwhile, according to the latest S&P Global PMI readings, non-oil private sector activity rebounded slightly in September, ticking up from August's contractionary-territory figure of 49.7 to 50.3, indicating moderate expansion. Output in September increased only marginally, rising at the slowest pace in twenty months of expansion, while new orders fared slightly better but still only posted growth at the slower end of the trend of the last twelve months. Employment levels also improved in September, after August's decline, but gains were again muted. On the price front, input costs rose at the fastest pace in five months, on the back of higher raw materials, advertising and maintenance costs, while inflation in sales prices ticked up at the slowest pace in a year, restrained by competitive discounting pressures.

Saudi Arabia: Business activity strengthens in September. The non-oil PMI rose to 56.3 in September, the highest since May, from 54.8 the previous month, reflecting continued expansion in the non-oil private sector. The expansion in business activity was driven by stronger growth in output and new orders, supported by robust domestic demand. The favorable business conditions supported a solid rise in employment, while backlogs of work increased slightly. In contrast, purchasing activity fell to a three year low as inventories continued to increase. Selling prices continued to ease despite an increase in input costs (wages and materials) as competition reportedly remained strong. The strong business activity of recent months is in line with robust credit growth, which reached 9.3% ytd in August, driven primarily by loans to the private sector.

UAE: Output dips to a three-year low in September. The headline PMI softened in September, coming at 53.8 compared with August's reading of 54.2, though remaining well above the 50-no change level. Output remained robust though softened to a three-year low (57.9) as new orders slowed to a five-month low. Employment growth eased for the fourth month in a row, recording its slowest expansion since December 2022. Input prices continued to see sharp increases in September though at a softer pace while staffing costs rose marginally. On the other hand, output prices expanded for the fifth consecutive month on rising demand and purchasing costs. The business outlook fell to its lowest level since March 2023 (55.9), though firms remained broadly positive about growth prospects and business conditions.

Chart 1: Kuwait consumer price inflation

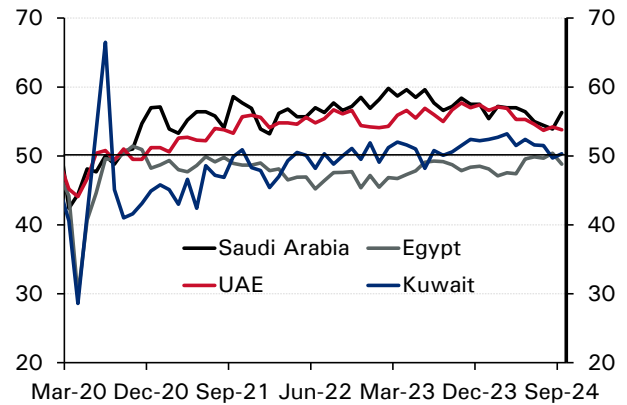
(% y/y)



Source: Central Statistical Bureau (CSB)

Chart 2: Purchasing Managers' Index

(index)



Source: Haver, S&P Global

Egypt: PMI drops again to 48.8 after surpassing the neutral benchmark in August. Business activity in September, according to the PMI, reversed course and declined (48.8) after recording a first expansion in almost four years in August. Output and new orders declined at the fastest pace since last April, mainly on the back of elevated price pressures that have affected sales and businesses activity. The electricity price hikes would have also influenced September's PMI reading. Despite this, companies remain optimistic about the potential for an economic recovery in the next twelve months.

Egypt: Net foreign assets position shrinks by 28% m/m deteriorating for the first time in 8 months. Commercial banks net foreign assets dropped by \$3.40 billion (-118% m/m) in August (\$0.53bn deficit position vs. a surplus of \$2.85bn in July) while the Central Bank of Egypt (CBE) saw a more limited decrease of only 4% m/m (\$0.44bn) to stand at \$10.20 billion in August vs. \$10.64 billion in July. Commercial banks assets dropped by close to \$4.0 billion while liabilities shrank by \$0.62 billion. With no indication from the CBE on the reasons behind the large drop, we can postulate that it was probably related to increasing energy imports.

Eurozone: Unemployment unchanged in August, fueling ECB rate cut speculation. Recently released data showed the unemployment rate at 6.4% in August, unchanged from the previous month and in line with market expectations. Spain remained at the top of the unemployment chart, with a rate of 11.3% in August, down from 11.5% in July. Unemployment figures for the Eurozone may further fuel investor speculation about an additional ECB rate cut in October, following softer-than-expected preliminary inflation figures (+1.8% y/y) earlier this week.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,307	-1.05	-2.83
Bahrain (ASI)	2,008	-0.01	1.87
Dubai (DFMGI)	4,440	-0.83	9.37
Egypt (EGX 30)	31,333	-1.67	26.18
GCC (S&P GCC 40)	703	-1.65	-1.25
Kuwait (All Share)	7,071	-1.20	3.71
KSA (TASI)	12,044	-1.71	0.64
Oman (MSM 30)	4,678	-0.40	3.62
Qatar (QE Index)	10,566	-0.60	-2.44

International			
CSI 300	4,018	0.00	17.10
DAX	19,165	-0.25	14.41
DJIA	42,197	0.09	11.96
Eurostoxx 50	4,963	0.18	9.77
FTSE 100	8,291	0.17	7.21
Nikkei 225	37,809	-2.18	12.98
S&P 500	5,710	0.01	19.70

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.06	0.49	-46.81
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.58	19.60	-74.45
Saudi	5.58	0.15	-65.39
SOFR	4.61	1.74	-72.19

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.01	8.00	-31.1
Oman 2027	4.77	0.00	-38.7
Qatar 2026	4.23	6.00	-28.9
Kuwait 2027	4.06	2.00	-28.0
Saudi 2028	4.21	4.00	-31.1

International 10YR			
US Treasury	3.78	5.03	-7.9
German Bund	2.10	5.95	7.2
UK Gilt	4.03	8.70	48.7
Japanese Gvt Bond	0.81	-4.00	19.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.15	-0.56
KWD per EUR	0.34	-0.06	2.16
USD per EUR	1.10	-0.20	0.08
JPY per USD	146.46	2.02	3.83
USD per GBP	1.33	-0.14	4.23
EGP per USD	48.32	0.29	56.63

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	73.90	0.46	-4.08
KEC	75.40	6.35	-5.23
WTI	70.1	0.39	-2.16
Gold	2647.1	-0.76	28.35

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

Source: LSEG / Haver