

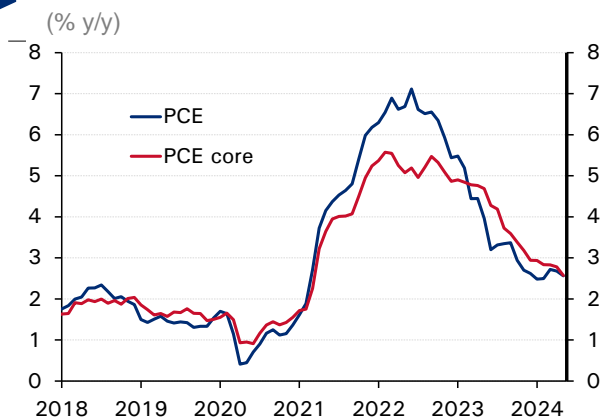
Daily Economic Update

Economic Research Department
30 June 2024

US: Inflation edges lower, little immediate impact on Fed policy. PCE inflation edged down 2.6% y/y in May (0.1% m/m) from 2.7% in April, in line with the consensus, with the core measure also falling to 2.6% (0% m/m) from 2.8% a month earlier. May's decline was helped by a dip back into deflation among goods (-0.1% y/y), while services inflation also eased but remained strong (3.9%). The PCE measure continues to come in lower than the CPI inflation gauge at 3.3%, partly reflecting the latter's higher weighting of housing costs, which are currently running strong at above 5% y/y. May's data will be encouraging for the Fed in its battle to lower inflation but is unlikely in itself to inject any fresh urgency to cut interest rates. Meanwhile, consumer spending came in lower than expected at 0.2% m/m in May, but income was a beat at 0.5% – providing mixed signals on the real side of the economy. Weekly unemployment claims fell slightly for the second consecutive week to 233,000 (w/e 22 June, -6,000 w/w) but appear to remain on a rising trend. Finally, GDP growth for Q1 2024 was revised up a touch to an annualized 1.4% from 1.3% previously. The consensus is for growth of a stronger 2% or so in Q2, potentially helped by a smaller drag from net overseas trade.

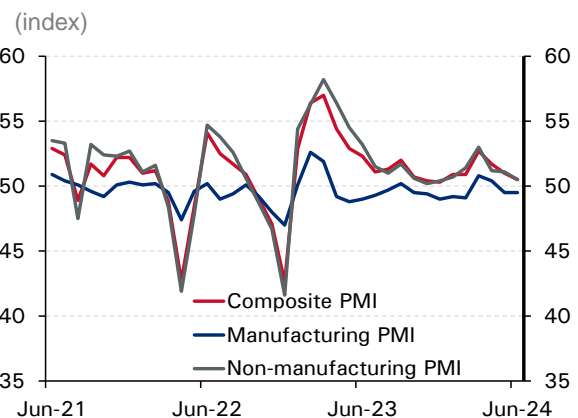
China: PMI readings disappoint in June, underscoring shaky economic recovery. The official manufacturing PMI remained in contraction territory in June at 49.5, unchanged from May and in line with expectations. The non-manufacturing PMI came in at 50.1 with the services component sinking to 50.2, a five-month low, and construction PMI slipping to 52.3, the weakest reading since July last year. Overall, the composite PMI edged down to 50.5 in June from 51.0 in May, the lowest figure since last December. Recent data readings suggest that the economy needs additional stimulus in light of chronically weak demand, soft inflationary pressures, and the ongoing real estate slump. Figures were released prior to the Third Plenum in July (15 – 18), a critical political gathering at which the Chinese Communist Party may announce significant changes in economic policy.

Chart 1: US PCE inflation



Source: Haver

Chart 2: China PMI



Source: Haver

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Kuwait: Government to add 24,000 public sector jobs. The Civil Service Commission announced the approval of 24,000 new jobs in the public sector for nationals in the current fiscal year. The staffing will be for a wide range of job roles including newly created ones across various ministries, and, according to the commission, will clear the remaining backlog of applicants (around 11k), noting that previous waiting times spanned up to three years. The level of recruitment is high by historical standards, with 21,815 new hires in the previous fiscal year (FY23/24). As yet there has been no indication whether the government intends to adjust its draft budget to accommodate higher spending or implement offsetting savings and/or additional revenue-enhancing measures elsewhere. The hiring may help ease short-term employment pressures, though the longer-term objective, as stated in previous government work plans and Kuwait's Vision 2035, remains to transition the workforce to higher productivity employment in a more active private sector and to rationalize spending as part of a prudent fiscal management framework.

Egypt: Net Foreign Assets climb to \$14 billion in May. Egypt's total net foreign assets (both central bank and commercial banks) jumped to \$14.3 billion as of May up from a negative position of \$3.7 billion in April. This was mainly attributed to an increase of \$11.8 billion on the asset side (\$4.8 billion increase for the CBE and \$7 billion for commercial banks) in addition to a narrowing down on the liability side by \$6.2 billion (\$5.6 billion for the CBE and \$0.6 billion for commercial banks). This is all attributed to Egypt receiving the second and final tranche of the Ras El Hekma deal which amounted to \$14 billion in fresh cash and \$5 billion of UAE deposits to be converted into EGP investments. This turnaround is very positive for Egypt's external dynamics as it allows the country to stand with a strong balance sheet on both sovereign (CBE) and commercial banks against global/regional headwinds.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,061	0.63	-5.40
Bahrain (ASI)	2,031	-0.16	3.00
Dubai (DFMGI)	4,030	0.52	-0.73
Egypt (EGX 30)	27,766	0.97	11.81
GCC (S&P GCC 40)	679	0.17	-4.62
Kuwait (All Share)	6,967	0.58	2.20
KSA (TASI)	11,730	0.63	-1.99
Oman (MSM 30)	4,688	0.31	3.85
Qatar (QE Index)	9,962	0.92	-8.02

International			
CSI 300	3,462	0.22	0.89
DAX	18,235	0.14	8.86
DJIA	39,119	-0.12	3.79
Eurostoxx 50	4,894	-0.17	8.24
FTSE 100	8,164	-0.19	5.57
Nikkei 225	39,583	0.61	18.28
S&P 500	5,460	-0.41	14.48

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.00	-17.39
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.30	24.21	-9.79
Saudi	6.23	0.00	2.10
LIBOR	5.59	-0.70	0.32
SOFR	5.33	-0.30	0.02

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.95	-1.00	62.9
Oman 2027	5.63	6.00	47.3
Qatar 2026	5.18	4.00	66.1
Kuwait 2027	5.08	3.00	74.0
Saudi 2028	5.10	1.00	57.9

International 10YR			
US Treasury	4.39	10.57	53.1
German Bund	2.48	3.25	45.5
UK Gilt	4.17	4.30	63.2
Japanese Gvt Bond	1.04	-3.00	42.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.01	-0.17
KWD per EUR	0.33	0.09	-0.63
USD per EUR	1.07	0.10	-2.93
JPY per USD	160.83	0.06	14.02
USD per GBP	1.26	0.03	-0.68
EGP per USD	47.98	0.00	55.53

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	86.41	0.02	12.16
KEC	87.94	0.92	10.53
WTI	81.54	-0.24	13.80
Gold	2327.7	0.14	12.86

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

Source: Refinitiv / Haver