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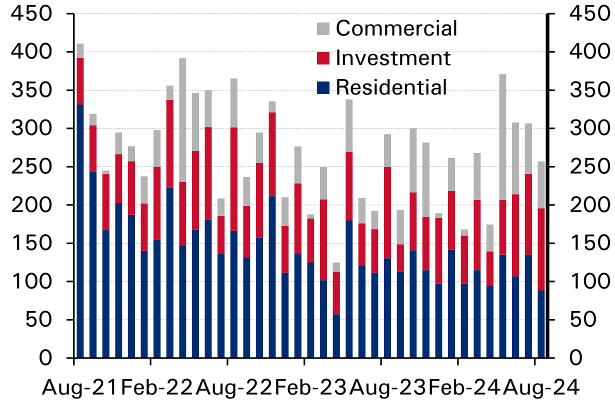
# Daily
## Economic Update

Economic Research Department
10 September 2024

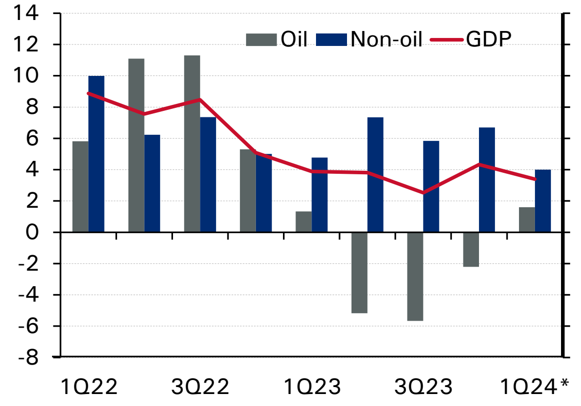
**Kuwait: Residential sales slip to a 16-month low.** Real estate sales in August reached their lowest since April, declining 12% y/y to KD257 million. The decline came mainly from the residential segment, which fell 32% y/y to a 16-month low of KD88 million. However other segments did relatively better, with investment sales ticking up slightly to KD108 million despite a decline in transaction volumes. Commercial sector sales edged down only a touch on a monthly basis, to KD61 million, though continued to register a double-digit growth on a yearly basis. We are reluctant to read too much into August's weak overall sales given a) August is often a soft month due to seasonal factors, b) the preceding 3 months had been surprisingly strong, meaning that a pullback was perhaps due and c) there have been no meaningful macro or policy changes to trigger a shift in market dynamics. Overall sales during the first eight months of 2024 logged a 13% y/y increase, supporting a view that market trends are improving slightly albeit from a weak base in 2023. Still, ongoing sluggishness in the residential segment – where the share of total property sales fell to a multi-year low of 34% in August – does highlight specific challenges including supply shortages, high valuations and weak borrowing demand at present.

**Chart 1: Kuwait real estate sales**
(KD million, per month)




Source: Ministry of Justice (MoJ)

**Chart 2: UAE GDP**
(%, y/y)




Source: Haver * Preliminary

**UAE: Non-oil growth remains robust in Q1 2024.** GDP growth eased to 3.4% y/y in Q1 2024, down from 4.3% in Q4 2023, according to the Ministry of Economy. Growth was supported by the oil sector which flipped into positive growth for the first time in three quarters at 1.6% y/y and despite a decline in oil production, with the rise perhaps related to an increase in gas production. On the other hand, the non-oil sector logged its lowest yearly growth since Q1 2021, though remained robust at 4.0% y/y, driven mainly by the financial and insurance services sector, which saw growth of 7.9%, followed by transportation (7.3%), construction (6.2%), and hospitality (4.6%). Growth should hold up in the following quarters on solid performances in the tourism

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and logistics sectors, though we expect slower full-year non-oil growth of 4.5% in 2024 versus an exceptional 6.2% in 2023.

**Egypt: LCY treasury yields see minimal increase of 5bps w/w, reaching a peak soon in our view.** LCY treasury yields saw limited changes on a weekly basis (only up by 5bps on average), the second smallest increase in eight weeks after rising only 4bps last week. Yields on treasury bills/bonds (3-12M & 3Yr) averaged 27.5% in the 2nd week of September versus 27.44% the previous week, but up 101bps since mid-July. The 6-month treasury bill saw the highest increase (22bps) as the government accepted a higher amount (EGP50 billion versus EGP11 billion the previous week) than usual in this tenor while the rest of the short-end tenors saw insignificant changes. The 3-year bond yield dropped, for the second week in a row, by 6bps (w/w) signaling more comfort by markets towards rates moving forward. This week's auctions results go in line with our previous call of yields reaching a peak. There are several reasons for the treasury market to be comfortable towards lower yields moving forward: 1) the 1Y T-bill offers a positive real yield of 8.41% (on a forward-looking average inflation of 18% over the coming 12 months); 2) the latest MPC press release which gave comforting signs on inflation direction; 3) state-owned banks Banque Misr and NBE increased their limit to sell USDs to customers travelling abroad, confirming a better shape for bank NFAs and a continuously improved outlook on FX availability.

**US: Consumer borrowing surges, while inflation expectations steady.** Total consumer credit (including credit cards, auto and other loans but excluding mortgages) rose 0.5 m/m (+6% y/y) in July, accelerating from a 0.1% rise (+1.2% y/y) in June. The annual growth was at its highest since November 2022. The surge in consumer credit was driven by both revolving facilities such as credit cards (+0.8% m/m), and non-revolving loans, including auto and education (+0.4% m/m). The rise in consumer credit should help household spending grow in the near term. However, elevated interest costs and worsening job market prospects could potentially lead to higher delinquencies, which already jumped to a 12-year high of 2.74% in Q2 24. Meanwhile, according to a New York Fed survey, consumers' next-year and five-year ahead inflation expectations held steady at 3% and 2.8%, respectively, in August. Moderating inflation, though still at levels above the Fed's 2% target, amid weakening job market conditions will encourage the start of an easing cycle at next week's FOMC meeting. The market currently expects a 25 bps interest rate cut, with 'some' chances of a larger 50 bps cut. August's CPI inflation print will be released tomorrow.

**China: Exports surge to 23-month-high in August while imports disappoint.** Exports rose 8.7% y/y in August (up from 7% in July), beating market expectations of 6.5% and marking the strongest gain since March 2023. This was helped by a low base from last year, coupled with concerns over tariffs with major trading partners, suggesting that manufacturers might be expediting the fulfillment of orders ahead of future significant obstacles. Meanwhile, imports edged up by 0.5% y/y, slowing significantly from July's 7.2% rise, and missing market estimates of 2.0%, reflecting ongoing weakness in domestic demand.

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## Daily market indicators

| Stock markets | Index | Change (%) Daily | YTD |
|---|---|---|---|
| **Regional** | | | |
| Abu Dhabi (ADI) | 9,355 | -0.98 | -2.32 |
| Bahrain (ASI) | 1,938 | -0.59 | -1.70 |
| Dubai (DFMGI) | 4,359 | -0.31 | 7.37 |
| Egypt (EGX 30) | 30,375 | 0.33 | 22.32 |
| GCC (S&P GCC 40) | 700 | -1.23 | -1.76 |
| Kuwait (All Share) | 7,182 | 0.03 | 5.34 |
| KSA (TASI) | 11,963 | -0.16 | -0.04 |
| Oman (MSM 30) | 4,745 | -0.58 | 5.12 |
| Qatar (QE Index) | 10,216 | -0.44 | -5.68 |
| **International** | | | |
| CSI 300 | 3,193 | -1.19 | -6.94 |
| DAX | 18,444 | 0.77 | 10.10 |
| DJIA | 40,830 | 1.20 | 8.33 |
| Eurostoxx 50 | 4,779 | 0.86 | 5.68 |
| FTSE 100 | 8,271 | 1.09 | 6.95 |
| Nikkei 225 | 36,216 | -0.48 | 8.22 |
| S&P 500 | 5,471 | 1.16 | 14.70 |

| 3m interbank rates | % | Change (bps) Daily | YTD |
|---|---|---|---|
| Bahrain | 6.25 | -0.33 | -27.32 |
| Kuwait | 4.25 | 0.00 | -6.25 |
| Qatar | 6.00 | 0.00 | -25.00 |
| UAE | 5.01 | 2.04 | -32.09 |
| Saudi | 5.89 | -6.86 | -33.90 |
| LIBOR | 5.19 | -1.31 | -40.59 |
| SOFR | 4.94 | -0.74 | -39.28 |

| Bond yields | % | Change (bps) Daily | YTD |
|---|---|---|---|
| **Regional** | | | |
| Abu Dhabi 2027 | 4.00 | 2.00 | -32.1 |
| Oman 2027 | 4.89 | 11.00 | -26.7 |
| Qatar 2026 | 4.34 | 2.00 | -17.9 |
| Kuwait 2027 | 4.26 | -1.00 | -8.0 |
| Saudi 2028 | 4.33 | 1.00 | -19.1 |
| **International 10YR** | | | |
| US Treasury | 3.70 | -1.22 | -15.9 |
| German Bund | 2.17 | 0.05 | 14.2 |
| UK Gilt | 3.85 | -3.30 | 31.6 |
| Japanese Gvt Bond | 0.89 | 4.00 | 27.4 |

| Exchange rates | Rate | Change (%) Daily | YTD |
|---|---|---|---|
| KWD per USD | 0.31 | 0.08 | -0.70 |
| KWD per EUR | 0.34 | -0.43 | 1.89 |
| USD per EUR | 1.10 | -0.44 | -0.02 |
| JPY per USD | 143.17 | 0.63 | 1.50 |
| USD per GBP | 1.31 | -0.39 | 2.69 |
| EGP per USD | 48.30 | -0.10 | 56.56 |

| Commodities | $/unit | Change (%) Daily | YTD |
|---|---|---|---|
| Brent crude | 71.84 | 1.10 | -6.75 |
| KEC | 73.55 | -1.46 | -7.55 |
| WTI | 68.71 | 1.54 | -4.10 |
| Gold | 2501.8 | 0.33 | 21.31 |

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

Source: LSEG / Haver

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