

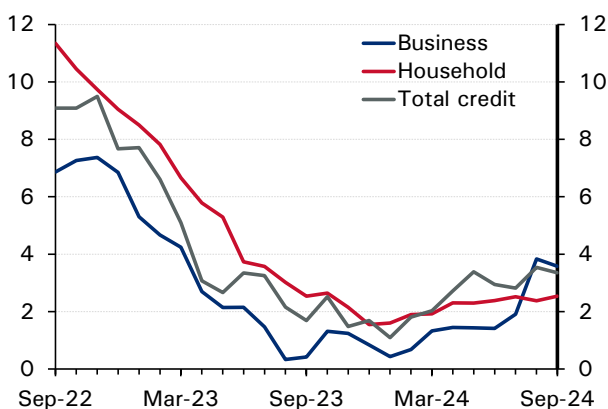
Daily Economic Update

Economic Research Department
31 October 2024

Kuwait: Decent credit growth in September driven by businesses and households. Domestic credit increased by a decent 0.3% in September, driving up YTD growth to 2.5% (3.4% y/y). Following a bumper 0.8% growth in August, business credit inched up by 0.2% in September, pushing YTD growth to 3.4% (3.6% y/y). Construction, real estate, and other services drove business credit growth in September while construction and trade are the fastest growing YTD at 16% and 7%, respectively. The recovery in household credit continued, albeit at a softer pace, with growth in September at 0.2%, resulting in a YTD increase of 1.9%. While y/y growth in household credit remains a limited 2.5%, annualized growth over the past five months is a stronger 3.8%. Looking ahead, the fourth quarter of the year is usually the weakest for business credit likely due to increased repayments and write-offs, but it will not be surprising if the nascent recovery in household credit is sustained, especially given the commencement of the interest rate-cutting cycle. Meanwhile, resident deposit growth was strong for the second straight month, standing at 1.1% in September and driving up YTD growth to 3.7% (6.7% y/y). The strength in deposits was across the board in September, while YTD, government deposits are up 11%, private-sector deposits 4.3%, but public-institution deposits remain a drag (-4.6%). Within private-sector KD deposits, CASA was flat in September while time deposits continued to increase, but the differential in terms of y/y growth rates (at -2.7% and +8.3%, respectively) is significantly narrower than the peak seen in mid-2023.

Chart 1: Kuwait credit growth

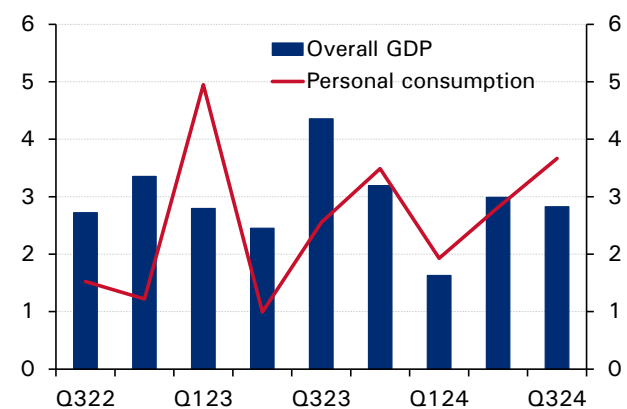
(% y/y)



Source: Central Bank of Kuwait

Chart 2: US GDP growth

(% q/q) annualized



Source: Haver

US: GDP growth eases to a still solid 2.8% in Q3 on robust consumer spending. The US economy grew by an annualized 2.8% in Q3, slowing from 3% in Q2 and versus market expectations of a similar 3% rise. Personal consumption expenditures rose by a very solid 3.7%, a six-quarter high, accelerating from 2.8% in Q2, with government consumption growth also quickening to 5% from 3.1%. Business investment slowed and

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residential investments contracted amid worsening affordability in the housing segment. In addition, net trade was a major drag, likely impacted by firms increasing imports ahead of the port workers' strike in late September/early October. Resilient household spending continues to support economic momentum, which shows little signs of significant weakening, reinforcing hopes of a soft-landing for the economy.

Eurozone: Third quarter GDP growth at 0.4% q/q, beating estimates. The eurozone economy grew by 0.4% q/q in the third quarter, up from 0.2% in Q2, beating expectations (0.2%) and marking the strongest growth since Q3 2022. The better-than-expected performance was driven by Spain (0.8%) and France (0.4%), with the latter supported by the Paris Olympics, which was held during the quarter. Meanwhile, Germany also beat expectations, with growth coming in at 0.2%. Despite Q3 growth surprising to the upside and given the expected trajectory for inflation and future growth, the ECB will most likely go ahead and cut rates again in December, as pointed out by numerous ECB officials recently.

UK: Autumn budget sees a significant increase in tax revenues and higher spending. The governing Labour Party presented its first budget after winning elections by an overwhelming majority in July. Partly due to the precarious state of public finances, the budget was eagerly-awaited, especially coming at a time when economic growth momentum has started to falter lately. Key highlights included a big increase in tax revenues of £40 billion by 2029-30 through 1) a rise in employers' national insurance contributions to 15% from 13.8%, 2) unfreezing personal income thresholds after its expiry in 2028, 3) an increase in capital gains tax rates to 18-24% from 10-20%, 4) VAT on private school fees, besides other levies and abolishing the non-domicile tax status. On the spending side, there will be higher outlays on healthcare, education, housing, transport and defense. Overall, the fiscal deficit is projected at 4.5% of GDP for both FY2023/24 and FY2024/25, higher than 4.2% and 3.1%, respectively, previously. The Office of Budget Responsibility also published its latest economic forecasts, which now sees higher GDP growth of 1.1% and 2% for 2024 and 2025, respectively, versus the earlier projections of 0.8% and 1.9%, respectively, but lower growth over the medium term due to higher government borrowing crowding out private sector activity. For comparison, the IMF's latest GDP growth forecast stands at 1.1% and 1.5%, respectively. The government also changed its debt rules to cover "public sector net financial liabilities" from "public sector net debt excluding the Bank of England," which should allow it headroom to borrow more.

Japan: The Bank of Japan holds rates steady, in line with expectations. Bank of Japan (BoJ) board members unanimously decided to keep the benchmark policy rate steady at "around 0.25%" while maintaining their forecast that inflation will hover near its 2% inflation target in coming years. The as-expected decision highlights the rising political and economic uncertainties related to the ruling party's loss at the recent general election as well as the upcoming US elections and their impact on the economic backdrop. Meanwhile, retail sales growth, a leading indicator for private consumption, eased to a much lower-than-expected 0.5% y/y in September from 3.1% in August, logging its lowest reading since February 2022, while industrial production declined by 2.8% y/y in September, softer than the 4.9% drop seen in August, driven by lower production of motor vehicles and general production machinery.

China: Manufacturing PMI above 50 for first time since April. The manufacturing PMI increased to 50.1 in October from 49.8 in September, coming in slightly above market expectations of 50 and marking its highest level in six months. The non-manufacturing PMI was also up, increasing to 50.2 in October from 50.0 in September, though missing expectations of 50.4. The overall PMI increased from 50.4 to 50.8, the highest level since May, likely indicating that the recent string of stimulus measures is starting to have an impact on economic activities. It is worth noting that China's parliament is set to convene next week (November 4-8) and is expected to release highly-anticipated details on fiscal stimulus measures.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,328	0.16	-2.61
Bahrain (ASI)	2,018	0.05	2.37
Dubai (DFMGI)	4,605	0.46	13.42
Egypt (EGX 30)	30,371	-0.81	22.30
GCC (S&P GCC 40)	706	-0.35	-0.96
Kuwait (All Share)	7,113	0.04	4.34
KSA (TASI)	12,019	-0.36	0.43
Oman (MSM 30)	4,756	-0.21	5.37
Qatar (QE Index)	10,464	-1.20	-3.39
International			
CSI 300	3,889	-0.90	13.36
DAX	19,257	-1.13	14.96
DJIA	42,142	-0.22	11.81
Eurostoxx 50	4,886	-1.30	8.05
FTSE 100	8,160	-0.73	5.51
Nikkei 225	39,277	0.96	17.37
S&P 500	5,814	-0.33	21.88

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.02	0.08	-50.70
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.62	0.26	-71.25
Saudi	5.77	7.69	-46.67
SOFR	4.59	-0.38	-74.60

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.42	1.00	9.9
Oman 2027	5.26	1.00	10.3
Qatar 2026	4.60	1.00	8.1
Kuwait 2027	4.37	0.00	3.0
Saudi 2028	4.68	6.00	15.9
International 10YR			
US Treasury	4.30	4.43	43.9
German Bund	2.37	4.10	34.5
UK Gilt	4.35	3.50	81.0
Japanese Gvt Bond	0.95	-2.00	33.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.01	-0.35
KWD per EUR	0.33	0.35	0.63
USD per EUR	1.09	0.34	-1.64
JPY per USD	153.41	0.04	8.76
USD per GBP	1.30	-0.41	1.83
EGP per USD	48.69	0.06	57.83

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	72.55	2.01	-5.83
KEC	71.92	1.10	-9.60
WTI	68.61	2.08	-4.24
Gold	2788.5	0.73	35.21

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

Source: LSEG / Haver