

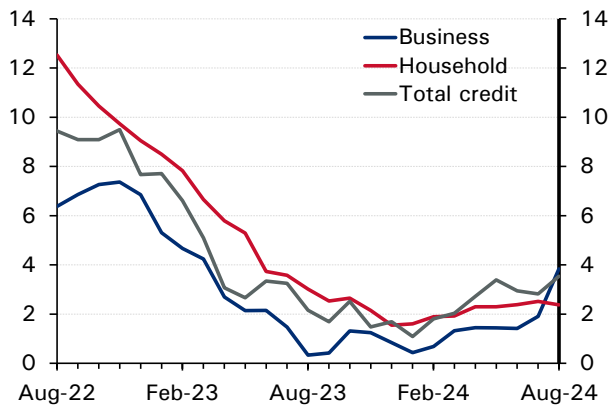
# Daily Economic Update

Economic Research Department  
1 October 2024

**Kuwait: Solid business and household credit growth in August.** Domestic credit increased by a robust 0.4% in August (+3.5% y/y; +2.2% ytd). Business credit increased by a strong 0.8% m/m (+3.8% y/y; +3.2% ytd). Growth was broad-based but especially solid was trade (+3% m/m; +8% ytd) and construction (+1.9%;+15.0% ytd), in line with recent trends. The recovery in household credit continued, with growth in August at 0.4%, the third solid month in the past four. While y/y growth in household credit stands at a limited 2.4%, annualized growth over the past four months is a higher 4.1%. While the solid expansion seen in business credit in August might not be easy to repeat in the final months of 2024, it would not be surprising if the nascent recovery in household credit is sustained. Meanwhile, driven by private sector and public institution deposits, total resident deposits increased in August (+5.1% y/y; +2.6% ytd). Year-to-date, public-institution deposits remain a drag (-8%), while private sector deposits and government deposits are up by 3.6% and 10%, respectively. Within private sector KD deposits, CASA increased for the first time in four months (though still down 1.4% ytd) but at a slower pace than time deposits (+7.4% ytd).

**Chart 1: Kuwait bank credit growth**

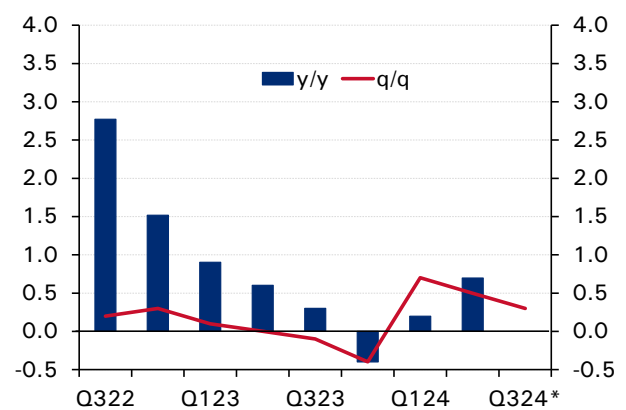
(%, y/y)



Source: Central Bank of Kuwait (CBK)

**Chart 2: UK GDP**

(% change)



Source: Haver, \*BOE projection

**Saudi Arabia: Unemployment falls to record low in Q2.** Total unemployment eased to a record low of 3.3% in Q2 2024 from 3.5% in the previous quarter (and 4.1% a year ago). The unemployment rate for Saudi citizens eased to 7.1% in Q1 from 7.6% in Q2, owing to a notable drop in female unemployment (12.8% in Q2 from 14.2% in Q1). The lower figure extends the trend of falling unemployment since its peak of 9% during the pandemic (Q2 2020), thanks to strong growth in the non-oil economy and favorable labor market reforms. The labor force participation rate increased slightly to 66.2%, with the Saudi citizen participation rate steady at 51%.

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**US: Amid robust economic growth Powell sees gradual interest rate cuts.** In a speech at the annual meeting of the National Association for Business Economics, Fed chair Powell underscored the solid performance of the US economy and reiterated that the Fed was not in “a hurry to cut rates quickly”. He emphasized that while the baseline expectation was for two cuts of 25 bps this year, the ultimate decision would be based on the totality of the incoming data and the evolving outlook, and accordingly, the Fed could adjust the pace. Powell’s remarks were broadly similar to his message after the FOMC meeting last month. He sees inflation gradually easing to the 2% target as the bank shifts its focus towards cooling job market conditions. After his comments, the future markets pared back the probability of another 50 bps cut at November’s Fed meeting to below 40% from above 50% earlier but continued to price-in a total of 75 bps cuts by the end of 2024.

**UK: GDP growth in Q2 revised down, and house prices rebound sharply in September.** GDP growth in Q2 2024 was revised lower to 0.5% q/q (+0.7% y/y) from the 0.6% estimated earlier. This is also slower than the 0.7% m/m (+0.3% y/y) growth recorded in Q1. Following a sharp recovery in H1 this year, the UK’s economy has lost some momentum, with July GDP flat and expectations of a slower 0.3% rise in Q3, according to the Bank of England’s latest forecasts. Meanwhile, according to the Nationwide house price index, residential prices rebounded in September more than expected, increasing by 0.7% m/m from a drop of 0.2% in August, with annual price gains rising to their highest in nearly two years at 3.2% from 2.4% in August. Improving affordability amid elevated wage growth, easing inflation and reduced borrowing costs should help revive property market activity and support further moderate price rises.

**Japan: Industrial production plummets while retail sales ticked up in August.** Industrial production in August posted a surprise decline (-4.9% y/y), well below market expectations of a 3.3% increase and down from July’s expansion of 2.9%. The fall was driven mainly by lower yearly production of iron & steel and non-ferrous metals, business-oriented machinery, electrical machinery and motor vehicles. The survey projects an increase in production in September & October. Meanwhile, retail sales ticked up in August (+2.8% y/y from 2.7% in July), coming in higher than the market consensus. Sales were solid for textile, clothing and personal goods, machinery & equipment and food & beverages. The prospects for growth remain broadly positive in Q3, though likely at a more moderate pace than initially expected given the ease in household spending compared with Q2 2024.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,425	-0.46	-1.59
Bahrain (ASI)	2,013	-0.05	2.09
Dubai (DFMGI)	4,503	-0.39	10.93
Egypt (EGX 30)	31,587	0.41	27.20
GCC (S&P GCC 40)	714	-1.16	0.19
Kuwait (All Share)	7,136	-0.22	4.68
KSA (TASI)	12,226	-0.37	2.16
Oman (MSM 30)	4,710	-0.51	4.35
Qatar (QE Index)	10,614	0.27	-2.00

<b>International</b>			
CSI 300	4,018	8.48	17.10
DAX	19,325	-0.76	15.36
DJIA	42,330	0.04	12.31
Eurostoxx 50	5,000	-1.32	10.59
FTSE 100	8,237	-1.01	6.51
Nikkei 225	37,920	-4.80	13.31
S&P 500	5,762	0.42	20.81

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.02	-0.65	-50.07
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.66	12.42	-67.23
Saudi	5.57	-1.41	-66.03
LIBOR	4.85	-0.12	-73.93
SOFR	4.59	-1.03	-73.81

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	3.95	1.00	-37.1
Oman 2027	4.77	6.00	-38.7
Qatar 2026	4.22	0.00	-29.9
Kuwait 2027	4.05	-5.00	-29.0
Saudi 2028	4.19	-1.00	-33.1

<b>International 10YR</b>			
US Treasury	3.79	3.60	-7.4
German Bund	2.13	-0.75	10.2
UK Gilt	4.01	3.05	46.8
Japanese Gvt Bond	0.85	4.00	23.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.13	-0.60
KWD per EUR	0.34	-0.13	2.80
USD per EUR	1.11	-0.26	0.89
JPY per USD	143.62	1.01	1.81
USD per GBP	1.34	-0.02	5.04
EGP per USD	48.23	-0.25	56.34

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	71.77	-0.29	-6.84
KEC	74.32	0.65	-6.59
WTI	68.17	-0.01	-4.86
Gold	2636.1	-0.31	27.82

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

Source: LSEG / Haver