

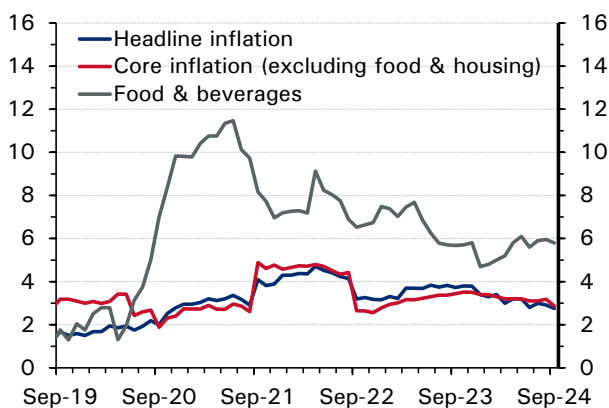
Daily Economic Update

Economic Research Department
22 October 2024

Kuwait: Headline and core inflation both moderate in September. Consumer price inflation eased to 2.8% y/y in September from August's 2.9% amid slower price growth in most index sub-components. Housing services, the largest component by weight that reflects mostly rents, grew 0.6% y/y, the lowest since August 2021. Meanwhile, food & beverage inflation remained elevated at 5.8% y/y but slowed from the prior month's 6% reading. There was a still-more decisive drop in core inflation, which softened to 2.9% from 3.2% in August, and the first sub-3% rate since January last year. Leading the deceleration was the transportation sector, which fell into deflation at -1.6% y/y amid lower air transport prices. Clothing & footwear, communication, restaurants & hotels, and education also eased. Countering the moderation were increases in home furnishings and "Services and miscellaneous goods", both of which rose to their highest rates in over three years. We expect the ongoing deceleration in headline inflation to continue in the near term, averaging 3% in 2024 and 2.5% in 2025 amid softer economic growth and still-elevated interest rates.

Chart 1: Kuwait CPI inflation

(% y/y)



Source: Haver, CSB

Chart 2: Qatar headline inflation

(% y/y)



Source: Haver, Planning and Statistic Authority (PSA)

Qatar: Inflation moderates in September. Headline inflation stood at 0.8% y/y in September, easing from 1.1% in August amid declining prices in the housing, food & beverages, and transport sectors. The housing subcomponent, which has been in deflation for the last year in the aftermath of the pre-2022 World Cup construction boom, fell 4.2% y/y, the steepest drop since September 2021. Meanwhile, the decline in the food and beverage subcomponent accelerated to -3.3% y/y, while transport prices decreased 0.3%. Offsetting the steep declines in the largest inflation categories was strength in tourism-related sectors including recreation & culture (+12.6% y/y) and restaurants & hotels (+2.7%), which benefitted from surging visitor arrivals. As economic growth remains tepid in the backdrop of a high interest rate environment in the near-

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term, we expect inflation to average 1.6% this year, increasing slightly from the January-September average of 1.3%, driven by base effects in Q4 2023.

Egypt: Government presumably requests to extend the IMF program. Local news agencies reported that the government has requested the IMF to extend the program period, allowing it to implement key reforms over a longer period to limit the negative social implications of these reforms. This comes just two days after President Sisi commented on the fact that these measures are being implemented amid a very tough regional environment. We have adopted such view earlier this year when the IMF program was continued again after staying on pause for almost all of 2023. The new IMF publications still showed that the 46-month program would end in 2026 even though it started practically in 2024. Thus, we believe that the government has a fair chance to extend the program till 2027, giving it an additional year. If this materializes, this should help the government and the Central Bank of Egypt (CBE) to have more assurance that inflation will be under control. Meanwhile, the CBE and the Ministry of Finance (MoF) launched an EGP50 billion tourism funding initiative to expand the sector's capacity while attracting more tourists. The maximum funding for a single client is EGP1 billion, while linked entities can receive up to EGP2 billion. The CBE also stated that the companies will pay a reduced rate of 12%.

China: Youth unemployment notches down after hitting peak. The youth unemployment rate (ages 16 to 24, and not in school) fell to 17.6% in September from 18.8% in August, which was the highest level since the new system of record-keeping began in December last year. Joblessness among China's youth surged from 13.2% in June to 18.8% in August as an influx of graduates entered the labor market. The lower September reading is mainly due to the labor market absorbing the fresh graduates from earlier in the year, reflecting China's ongoing efforts to boost employment, particularly the employment of college graduates.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,275	-0.14	-3.16
Bahrain (ASI)	1,993	0.17	1.12
Dubai (DFMGI)	4,478	0.19	10.30
Egypt (EGX 30)	30,445	3.10	22.60
GCC (S&P GCC 40)	703	0.64	-1.33
Kuwait (All Share)	7,027	-0.32	3.07
KSA (TASI)	12,008	1.06	0.34
Oman (MSM 30)	4,800	-0.21	6.33
Qatar (QE Index)	10,607	-0.08	-2.06
International			
CSI 300	3,935	0.25	14.69
DAX	19,461	-1.00	16.17
DJIA	42,932	-0.80	13.91
Eurostoxx 50	4,941	-0.90	9.28
FTSE 100	8,318	-0.48	7.56
Nikkei 225	38,955	-0.07	16.41
S&P 500	5,854	-0.18	22.73
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.02	-0.33	-50.37
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.68	13.11	-64.78
Saudi	5.60	-2.59	-63.59
SOFR	4.63	1.42	-69.98

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.35	7.00	2.9
Oman 2027	5.09	6.00	-6.7
Qatar 2026	4.48	5.00	-3.9
Kuwait 2027	4.29	6.00	-5.0
Saudi 2028	4.59	9.00	6.9
International 10YR			
US Treasury	4.19	11.28	33.5
German Bund	2.28	9.50	24.8
UK Gilt	4.14	8.20	59.9
Japanese Gvt Bond	0.95	-2.00	33.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.03	-0.23
KWD per EUR	0.33	-0.53	0.23
USD per EUR	1.08	-0.47	-2.00
JPY per USD	150.83	0.88	6.93
USD per GBP	1.30	-0.49	2.00
EGP per USD	48.62	0.14	57.60

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	74.29	1.68	-3.57
KEC	73.68	-0.83	-7.39
WTI	70.56	1.94	-1.52
Gold	2723.1	0.35	32.04

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

Source: LSEG / Haver

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