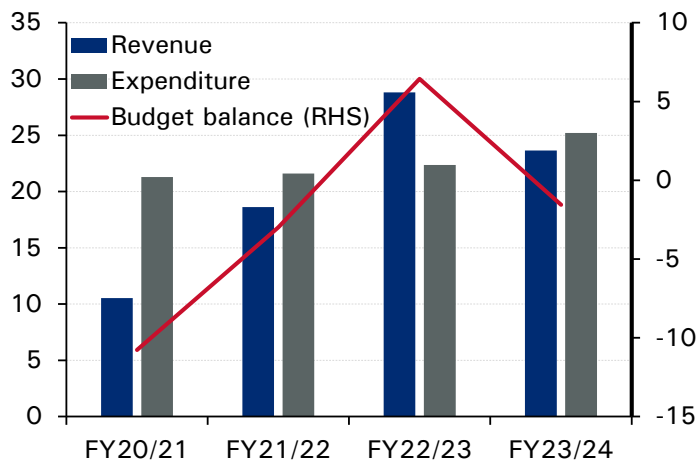


# Daily Economic Update

Economic Research Department  
25 July 2024

**Kuwait: Closing account reveals a fiscal deficit of KD1.6 billion.** The ministry of finance released a summary of the closing fiscal accounts for the full year FY23/24, showing a deficit of KD1.6 billion (3% of GDP) following an exceptional surplus of KD6.4 billion (12% of GDP) in the previous fiscal year. Expenditures rose 13% to KD25.2 billion, driven by notably higher spending on wages (+12%) and subsidies (+34%), which once again comprised a large part (81%) of total expenditure. Capital expenditure fell 9% y/y to KD1.9 billion, extending a long-run trend of declining capex and underspending versus the budget allocation (75% of budgeted capex). On the other side, revenues fell 18% y/y to KD23.6 billion due to a 19% drop in oil income (91% of total revenue), as average crude price realization was \$84/bbl, down from \$97/bbl in the previous fiscal year. Meanwhile, non-oil revenues were little changed at KD2.1 billion. The deficit came in smaller than our projection of KD3 billion thanks mainly to an overshoot of oil revenues relative to expectations. Further deficits are expected over the medium term, although with fiscal reforms expected to help narrow the funding gap.

**Chart 1: Kuwait closing account**  
(KD billion)



Source: Ministry of Finance

**Oil: Iraq, Kazakhstan, and Russia submit plans to compensate for overproduction.** The OPEC Secretariat announced yesterday that it received compensation plans from the alliance's serial overproducers, Iraq, Kazakhstan, and Russia. According to an assessment by independent sources, overproduced volumes in H1 24 by Iraq, Kazakhstan, and Russia stood at 1.18 mb/d, 620 kb/d, and 480 kb/d, respectively. Iraq and Kazakhstan will begin compensating for overproduction this month, while Russia will start in October; all three schedules are through September 2025. The compensation efforts could soften the impact of the unwinding

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of 2.2 mb/d in voluntary cuts beginning in Q4 this year, which adds around a 180 kb/d incremental crude supply every month between October 2024 and September 2025. Tighter projected market fundamentals from the final quarter of this year could nudge OPEC+'s joint ministerial monitoring committee, at its meeting on 1 August, to maintain its current policy stance.

**US: Economy starts Q3 on a strong note, based on S&P PMI surveys.** The S&P Global flash composite PMI in July rose to its highest since April 2022 at 55 from 54.8 in June. In sector terms, manufacturing unexpectedly contracted to a seven-month low of 49.5 from 51.6, but services surprisingly expanded at a solid pace of 56 from 55.3 in June as new orders improved. Despite continued upward pressure on input costs, firms found it difficult to raise output prices by the same proportion, indicating consumers' squeezed wallets. Nonetheless, improving business optimism in July points to early signs of a pickup in economic activity in Q3 following a disappointing start to the year (Q1 GDP growth at 1.4%). Q2 GDP data is due this afternoon, with expectations of a 2% expansion. In other data points, new home sales unexpectedly fell 0.6% m/m in June after a 15% drop in May, underscoring further weakening in the housing market amid elevated mortgage rates and rising home prices.

**Eurozone: Flash PMIs decline in July, signaling waning economic momentum.** The Eurozone flash composite PMI unexpectedly decreased to 50.1 in July from 50.9 points in June, its lowest level in five months, pointing to ongoing weakness in the private sector. Manufacturing activity fell deeper into contraction to 45.6 versus 45.8 in June, extending the slump for the 25th consecutive month. Meanwhile, the services PMI dropped to 51.9 from 52.8, the slowest growth since March. Weakening activity underscores the toll higher interest rates have taken on the private sector, although still-high service sector inflation leaves a question mark on the ECB move at its September meeting.

**UK: Business activity gains further pace as growth recovers.** The UK flash manufacturing PMI rose to a better-than-forecast 51.8 in July from 50.9 – the fastest pace of expansion in two years. Similarly, the gauge of service activity rose to 52.4 from 52.1, a ninth straight month of expansion on strong new orders. The composite PMI also continued to recover from last year's trough, coming in better than expected at 52.7 in July from 52.3 in June. Overall, improving optimism for the UK private sector points to a gradual recovery in growth rates, with the IMF recently bumping up its 2024 GDP growth forecast to 0.7% from the 0.5% projected in April.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,263	0.32	-3.28
Bahrain (ASI)	1,978	-0.07	0.34
Dubai (DFMGI)	4,229	0.30	4.16
Egypt (EGX 30)	29,091	-0.36	17.15
GCC (S&P GCC 40)	700	0.12	-1.73
Kuwait (All Share)	7,155	0.32	4.95
KSA (TASI)	12,101	-0.04	1.12
Oman (MSM 30)	4,654	0.13	3.11
Qatar (QE Index)	10,137	-0.03	-6.40
<b>International</b>			
CSI 300	3,418	-0.63	-0.38
DAX	18,387	-0.92	9.77
DJIA	39,854	-1.25	5.74
Eurostoxx 50	4,862	-1.12	7.52
FTSE 100	8,154	-0.17	5.44
Nikkei 225	39,155	-1.11	17.01
S&P 500	5,427	-2.31	13.78
<b>3m interbank rates</b>			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.33	0.00	-19.00
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.27	7.74	-13.39
Saudi	6.19	-3.71	-0.09
LIBOR	5.54	-0.54	-4.68
SOFR	5.28	0.12	-4.68

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.73	0.00	40.9
Oman 2027	5.32	0.00	16.3
Qatar 2026	4.89	1.00	37.1
Kuwait 2027	4.91	-2.00	57.0
Saudi 2028	4.89	0.00	36.9
<b>International 10YR</b>			
US Treasury	4.28	3.13	42.5
German Bund	2.44	0.40	41.3
UK Gilt	4.16	3.20	61.6
Japanese Gvt Bond	1.07	1.00	45.4
<b>Exchange rates</b>			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	-0.57
KWD per EUR	0.33	-0.12	0.18
USD per EUR	1.08	-0.11	-1.79
JPY per USD	153.87	-1.10	9.08
USD per GBP	1.29	0.01	1.39
EGP per USD	48.29	-0.04	56.53
<b>Commodities</b>			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	81.71	0.86	6.06
KEC	82.61	-0.49	3.83
WTI	77.59	0.82	8.29
Gold	2413.3	0.36	17.01

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

Source: Refinitiv / Haver