

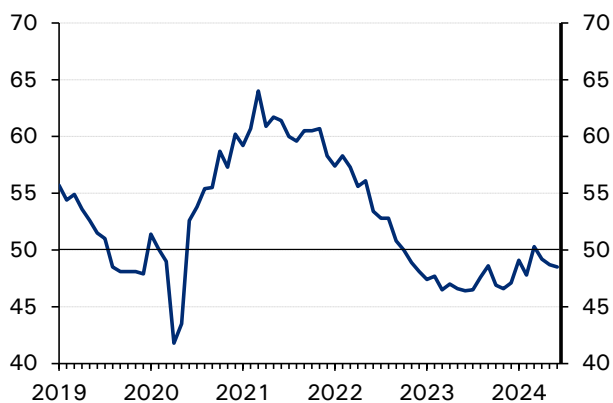
Daily Economic Update

Economic Research Department
02 July 2024

US: ISM manufacturing survey points to continued contraction. The ISM manufacturing PMI for June remained in contraction territory for the third consecutive month, standing at 48.5 versus 48.7 in May (below the 50 'no change' mark). This was also the 19th month of decline in sector activity in the past 20. Most of the key subcomponents remained in negative territory, though the new orders balance did rise to 49.3 from 45.4 in May. The employment balance slipped back into contraction at 49.3 from 51.1 previously, while the prices paid balance fell to 52.1 from 57.0. The survey mentioned that demand remained subdued, with firms unwilling to invest "due to current monetary policy and other conditions." The manufacturing sector represents around 10% of the US economy, so the broader service sector survey equivalent to be released on Wednesday will provide a stronger steer on how the economy ended Q2 2024. The alternative manufacturing PMI produced by S&P Global, also released yesterday, showed some divergence, edging up to 51.6 from 51.3 in May, reflecting positive though still modest growth.

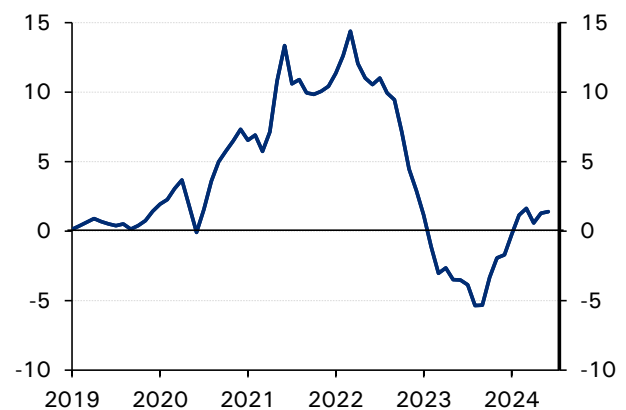
UK: House prices edge up, but transactions numbers remain soft. UK house prices increased slightly for the second month in a row in June, by 0.2% m/m and 1.5% y/y according to Nationwide data. This was lower than the 0.4% m/m rise seen in May. The average house cost GBP266,000. Nationwide commented that while earnings growth was strong over the past period, the impact of higher mortgage rates means that affordability is still an issue and the market remains under pressure. Prices in London rose by 1.6% y/y in Q2 of 2024. The total number of housing transactions has fallen by 15% from 2019 levels while those involving mortgages have fallen by 25%. The fall in total transactions could point to rising expectations that the Bank of England will start cutting interest rates from their 16-year high of 5.25% as early as next month.

Chart 1: US manufacturing ISM PMI
(index, 50 = no change)



Source: Haver

Chart 2: UK Nationwide house prices
(%, y/y)



Source: Haver

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Oman: Majlis Al-Shura approves a draft law on personal income tax. Parliament (Majlis Al-Shura) has approved a draft law on personal income tax, which has been sent to the State Council to complete the legislative cycle. The government had plans in 2020 to introduce the income tax law as part of the country's economic development plan for 2020-2024 but it was put on hold. Back then, it was expected that the tax would be applied in the range of 5% on Omani Nationals on their net global income above \$1 million annually while foreign nationals would be subject to a personal income tax rate between 5-9% on income that is above \$100k per year. If the income tax is applied, it would impact mostly the professional expatriate staff. The move comes after the government has delivered strongly on the fiscal and external side allowing for an improvement in its credit ratings over the past period. Currently the personal income tax is not applied in any of the GCC countries, thus Oman would be the first to apply it if it moves forward.

Saudi Arabia: Unemployment rate edged up but remained low in Q1 2024. The unemployment rate increased slightly to 3.5% in the first quarter from a downwardly revised 3.4% in the previous quarter. The male/female unemployment split was 1.8% and 11.8% respectively, with both measures down significantly from the long-run average level. The slight increase came despite a lower labor force participation rate and was due mainly to a marginal decrease in employment which eased to 64% in Q1 from 65% the previous quarter. The downtrend in unemployment is a product of the government's vision-linked investments and reforms, meant to promote the growth and diversification of the non-oil economy.

Bahrain: Personal loans growth drives May's credit. Domestic credit grew by 0.4% m/m in May, higher than the 0.2% seen in April. On an annual basis, credit grew by 5.1% y/y in May versus 4.0% in April. Personal credit grew by 0.5% m/m from 0.3% the previous month, while credit to businesses saw slower growth of 0.1% from 0.2% previously. Government credit grew by 1.3% m/m, a big reversal from April's 0.5% contraction. It is worth noting that personal loans have the biggest share of total loans at 48.2%, followed by businesses at 43.4% and the government at 8.3%.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,060	-0.01	-5.41
Bahrain (ASI)	2,017	-0.41	2.32
Dubai (DFMGI)	4,057	0.67	-0.07
Egypt (EGX 30)	27,970	0.73	12.63
GCC (S&P GCC 40)	675	-0.64	-5.23
Kuwait (All Share)	6,943	0.09	1.84
KSA (TASI)	11,659	-0.18	-2.58
Oman (MSM 30)	4,696	0.19	4.03
Qatar (QE Index)	10,007	0.39	-7.61
International			
CSI 300	3,478	0.48	1.37
DAX	18,291	0.30	9.19
DJIA	39,170	0.13	3.93
Eurostoxx 50	4,930	0.73	9.03
FTSE 100	8,167	0.03	5.61
Nikkei 225	39,631	0.12	18.43
S&P 500	5,475	0.27	14.79
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.06	-17.39
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.28	-1.61	-3.00
Saudi	6.23	-0.51	-0.22
LIBOR	5.58	-0.37	-0.68
SOFR	5.32	-0.70	-0.68

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.00	5.00	67.9
Oman 2027	5.73	10.00	57.3
Qatar 2026	5.12	-6.00	60.1
Kuwait 2027	5.14	6.00	80.0
Saudi 2028	5.18	8.00	65.9
International 10YR			
US Treasury	4.47	7.91	61.0
German Bund	2.60	12.00	57.5
UK Gilt	4.28	11.20	74.4
Japanese Gvt Bond	1.06	2.00	44.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.05	-0.22
KWD per EUR	0.33	0.18	-0.45
USD per EUR	1.07	0.23	-2.70
JPY per USD	161.45	0.39	14.45
USD per GBP	1.26	0.04	-0.64
EGP per USD	48.25	0.56	56.40

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	86.60	0.22	12.41
KEC	87.56	-0.43	10.06
WTI	83.38	2.26	16.37
Gold	2327.6	0.00	12.86

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

Source: Refinitiv / Haver