

Daily Economic Update

Economic Research Department
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Global: Key central bank decisions in focus. This week will see three major central bank policy decisions across three continents. The US Fed will likely avoid raising interest rates on Wednesday, keeping its Fed fund rate at the 5.25-5.5% range. But all eyes will be on updates to its dot-plot projections, which may signal another 25 bps hike before the year-end and possibly that rate cuts will be delayed well into 2024 amid rising commodity prices; the GDP growth forecast for Q4 2023 may also be upgraded, given recent robust economic indicators. In Europe, the Bank of England could deliver a further and possibly final rate hike of 25 bps on Thursday, taking the bank rate to 5.5%, with the BoE governor recently hinting that the end of the tightening cycle is near as inflation eases (albeit still at elevated levels), while the growth outlook weakens. In Asia, the Bank of Japan should reaffirm its dovish stance on Friday, keeping the existing ultra-loose monetary policy in place as the domestic economy remains fragile. The market will keenly look for cues as to "if and when" the BoJ will start unwinding the current negative interest rates.

Oil: Supply tightness propels prices higher for a third week in a row. Brent crude jumped 3.6% w/w to \$93.9/bbl as of Friday, the third consecutive weekly gain and reaching the highest level since last November amid projections of tighter market supplies for the remainder of the year and better-than-expected Chinese industrial production and retail sales data. Higher oil prices, meanwhile, have once again reignited inflation fears particularly in the US and Europe: higher energy prices helped push up US CPI inflation to a higher-than-expected 3.7% y/y in August. The trajectory of oil prices in 2024 will have a bearing on the economic outlook in the GCC. Saudi and its partners will need to carefully weigh up the oil demand-dampening and US Shale-incentivizing effect of prolonged high oil prices (which will also make competing renewables even more cost-effective) with the pressing need to advance ambitious non-oil development plans and strengthen fiscal and external buffers.

Oman: Inflation rate reached 0.8% y/y in August. Oman's CPI inflation rate reached 0.8% y/y (+0.3% m/m) in August, slightly higher than the 0.4% recorded in July though still down from the 2.4% recorded a year ago. The primary driver of inflation in August was the food & beverages category, which saw the largest year-over-year increase since March at 2.9% (1.3% in July). This offset mostly steady-to-easing inflation in other areas. Inflation has averaged 1.2% y/y in the first eight months of the year, declining from last year's average of 2.8% quicker than previously anticipated.

Egypt: IMF review could be postponed to Q1 2024, minimum wage rises 14%. A member of Egypt's parliament mentioned that there is a strong possibility that the IMF review will be postponed to Q1 2024 (CY) as the government cannot meet the key requirements in the current political and economic environment. In our opinion, the news comes in line with last week's rumors that the election could take place as early as December 2023 instead of early 2024. This also reinforces our view that the government might not embark on a currency devaluation as the country prepares for the electoral process. Meanwhile, President Sisi announced that the income tax break for lower earners would be increased to bring the exemption to EGP 45k per year from

EGP36k. He also raised the minimum wage to EGP4k per month from EGP3.5k in addition to public sector employees and civil servants given an annual bonus payout of EGP600. Moreover, pensioners accounting for approximately 11mn people will receive each EGP600 as an exceptional bonus. The moves come as a policy response to limit the impact of skyrocketing inflation (37% y/y) on the most vulnerable segments of society, although it will not do so fully. The minimum wage was raised by 14%, which is still well below the current inflation rate. The timing of the wage and bonuses hikes are not yet clear but we expect that they could take place as soon as next month.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,880	n/a	-3.24
Bahrain (ASI)	1,925	-0.35	1.56
Dubai (DFMGI)	4,043	n/a	21.20
Egypt (EGX 30)	19,669	0.66	34.73
GCC (S&P GCC 40)	677	0.14	-2.04
Kuwait (All Share)	7,011	-0.26	-3.85
KSA (TASI)	11,104	-0.45	5.29
Oman (MSM 30)	4,711	-0.31	-3.31
Qatar (QE Index)	10,253	-0.64	-4.00
International			
CSI 300	3,709	n/a	-4.21
DAX	15,894	n/a	14.15
DJIA	34,618	n/a	4.44
Eurostoxx 50	4,295	n/a	13.22
FTSE 100	7,711	n/a	3.48
Nikkei 225	33,533	n/a	28.51
S&P 500	4,450	n/a	15.91

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.69	0.00	54.78
Kuwait	4.25	-6.25	25.00
Qatar	6.00	0.00	71.67
UAE	5.24	0.00	93.49
Saudi	6.29	2.56	108.27
LIBOR	5.66	n/a	89.60
SOFR	5.41	n/a	82.26

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.81	n/a	57.7
Oman 2027	5.98	n/a	-0.8
Qatar 2026	5.05	n/a	57.1
Kuwait 2027	4.97	n/a	69.5
Saudi 2028	5.13	n/a	46.0
International 10YR			
US Treasury	4.32	n/a	49.1
German Bund	2.67	n/a	10.7
UK Gilt	4.36	n/a	69.2
Japanese Gvt Bond	0.71	n/a	28.7

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	1.05
KWD per EUR	0.33	0.15	0.60
USD per EUR	1.07	0.00	-0.44
JPY per USD	147.82	0.00	12.75
USD per GBP	1.24	0.00	2.41
EGP per USD	30.94	-0.03	25.10

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	93.93	n/a	9.34
KEC	98.38	n/a	19.92
WTI	90.77	n/a	13.09
Gold	1923.7	n/a	5.72

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

Source: Refinitiv / Haver

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