

Daily Economic Update

Economic Research Department
27 October 2024

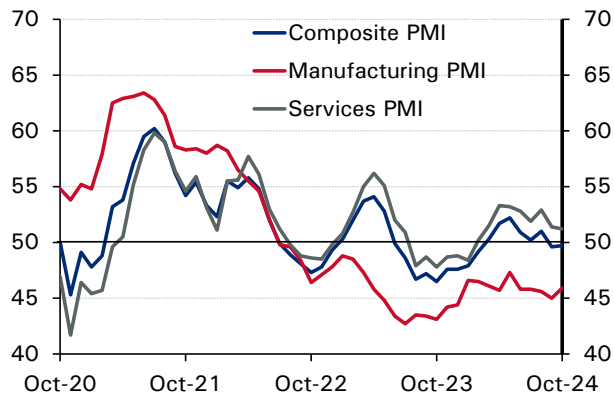
Egypt: IMF gives mixed comments about the possibility of adjusting the program. IMF officials have provided several comments over the past days in response to the Egyptian government's request to extend some of the key targets and timeline of the program, especially those related to electricity and fuel price hikes. IMF managing director Kristalina Georgieva said that the Fund is open to adjusting the program to what is best for the people and that this could be a normal response to recent growth projections that are being revised downward mainly due to the regional conflicts. At the same time, she mentioned that reforms should be done sooner rather than later as delays in actions make the cost higher, which eventually falls on the shoulders of the people. In our opinion, it is too early to have a clear view on the IMF's final response to the government's request of pushing some of the timelines and targets, but our initial reaction is that even if the IMF agrees on extending some targets, it could adopt a stricter position with other matters such as EGP flexibility for example. Georgieva should be visiting Egypt in the coming days, and we expect to have more details after that visit.

US: Weekly jobless claims fall, while business activity strengthens slightly. Initial weekly jobless claims (w/e Oct 19) fell to a lower-than-expected 227K from 242K the previous week as the impact of recent Hurricanes faded. However, continuing claims (w/e Oct 12) climbed to a nearly three-year high of 1.9 million from 1.87 million in the prior week, partially influenced by the ongoing strike at Boeing. Overall, these indicators continue to point towards a slowing but still-decent labor market as layoffs appear modest, yet finding new opportunities seems to be increasingly difficult for laid-off workers. Meanwhile, the S&P Global PMI flash surveys for October showed business activity gathering pace at the beginning of Q4, as the composite measure rose to 54.3 from 54 in September on an easing slump in manufacturing (to 47.8 from 47.3) and a slight pickup in services (to 55.3 from 55.2). New order inflows, mainly in the service sector, were particularly strong, signaling more economic robustness. Finally, durable goods orders fell at a steady rate of 0.8% m/m in September as aircraft orders further tanked. However, a core measure (excluding defense equipment and aircraft) increased 0.5%, accelerating from a 0.3% rise in the previous month.

Eurozone: Flash PMIs for October indicate a stagnant economy. The Eurozone's flash composite PMI improved very marginally in October, though remained below the 50 neutral level (49.7) for the second straight month, indicating a stagnant economy. The manufacturing PMI rose to a five-month high of 45.9 (45.0 in September), beating consensus estimates of 45.3. Meanwhile, the services PMI eased to 51.2 from 51.4, missing expectations of 51.5. This marks the softest increase in service activity since February.

Chart 1: Eurozone PMI

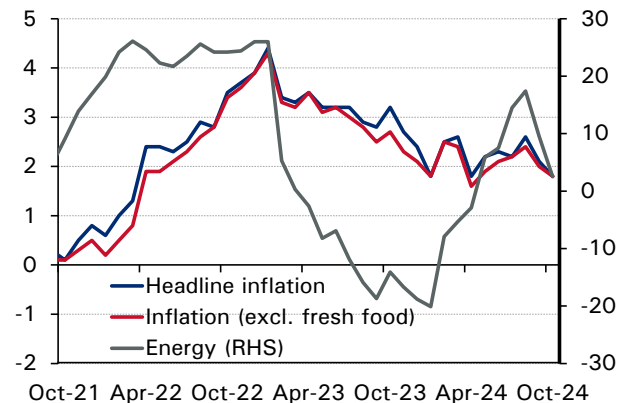
(index)



Source: Haver

Chart 2: Tokyo's CPI inflation

(% y/y)



Source: Haver

UK: Business activity moderates on a broad-based slowdown. The S&P Global PMI flash surveys for October pointed to easing momentum as the composite measure dropped to an 11-month low of 51.7 from 52.6 in September. The services PMI slowed from September's 52.4 to 51.8 while the manufacturing gauge decreased to 50.3 from 51.5. The input price index receded to a 47-month low, but the output price measure expanded to the highest level since July. Meanwhile, employment contracted for the first time this year, albeit slightly, led by the services sector. Firms cited elevated uncertainty ahead of the UK government's budget (this week), geopolitical concerns, and the upcoming US election as factors impacting their decision making. We note that the economic momentum has slowed in H2 despite an anticipation of sustained reduction in interest rates over the coming months as businesses remain watchful for upcoming "painful" budgetary measures.

China: PBoC keeps MLF rate unchanged in October. The People's Bank of China has left the medium-term facility rate unchanged at 2.0%, but after a relatively steep 30 bps cut in that rate last month. Looking ahead, markets are watching closely for any forthcoming stimulus from China, which might be revealed in the parliament's session at the end of this month or early November.

Japan: Tokyo inflation slows in October, markets await election results. Headline inflation in Tokyo fell to 1.8% y/y in October from 2.2% the month before, with core inflation (excluding fresh food) also easing to 1.8% from 2%, coming below the Bank of Japan's target for the first time since May 2024. This slowdown came mainly on easing electricity (4.0% versus 14% in September) and gas (1.9% versus 9.2%) prices. Meanwhile, markets will be eagerly awaiting the results of today's general elections and whether the new prime minister Ishiba's conservative ruling party will lose its comfortable majority in the lower house due to public discontent over the economy's slow recovery and financial scandals within the party, raising the political and economic uncertainties.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,204	0.08	-3.91
Bahrain (ASI)	2,002	0.58	1.54
Dubai (DFMGI)	4,479	0.34	10.33
Egypt (EGX 30)	30,553	0.46	23.03
GCC (S&P GCC 40)	696	0.06	-2.37
Kuwait (All Share)	6,982	-0.02	2.41
KSA (TASI)	11,886	-0.13	-0.68
Oman (MSM 30)	4,826	0.40	6.90
Qatar (QE Index)	10,401	-0.14	-3.97
International			
CSI 300	3,956	0.70	15.31
DAX	19,464	0.11	16.19
DJIA	42,114	-0.61	11.74
Eurostoxx 50	4,943	0.15	9.32
FTSE 100	8,249	-0.25	6.67
Nikkei 225	37,914	-0.60	13.30
S&P 500	5,808	-0.03	21.77
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.02	0.00	-50.04
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.64	-8.44	-68.80
Saudi	5.63	0.00	-60.18
SOFR	4.62	-0.87	-71.42

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.36	-7.00	3.9
Oman 2027	5.20	-6.00	4.3
Qatar 2026	4.57	0.00	5.1
Kuwait 2027	4.37	-2.00	3.0
Saudi 2028	4.64	0.00	11.9
International 10YR			
US Treasury	4.24	2.82	38.1
German Bund	2.29	3.45	26.1
UK Gilt	4.23	-0.30	69.5
Japanese Gvt Bond	0.94	-1.00	32.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.06	-0.40
KWD per EUR	0.33	-0.26	0.00
USD per EUR	1.08	-0.31	-2.20
JPY per USD	152.30	0.32	7.97
USD per GBP	1.30	-0.10	1.81
EGP per USD	48.73	0.00	57.96
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	76.05	2.25	-1.29
KEC	73.95	-2.10	-7.05
WTI	71.78	2.27	0.18
Gold	2740.9	0.22	32.90

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

Source: LSEG / Haver