

Daily Economic Update

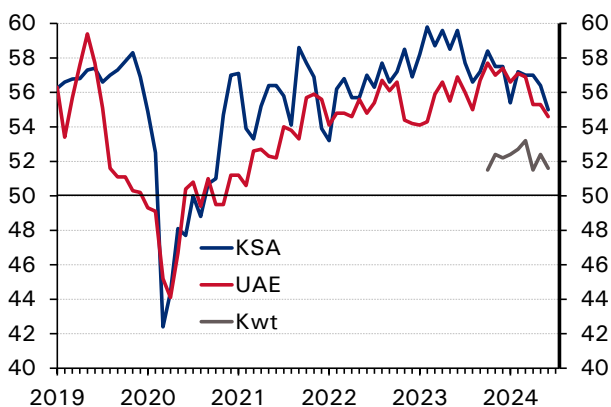
Economic Research Department
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Kuwait: Expansion in private sector activity eases in June, PMI shows. Growth in the non-oil private sector slowed in June, with the latest S&P Global Kuwait PMI reading dipping to 51.6 from 52.4 in May. Nevertheless, the sector extended its expansionary run for a seventeenth consecutive month, with ongoing gains in output and new orders as well as in employment. Indeed, the rise in both new export orders and staffing was the most pronounced in the series' history, with firms having to expand hiring to keep pace with improved demand. Staffing and purchase costs were major drivers of higher input prices for businesses, many of which had to raise selling prices to maintain profit margins. Overall business optimism about the year ahead remained strong.

Saudi Arabia/UAE: PMIs ease in June on slower demand growth. PMIs in Saudi Arabia and the UAE both logged softer expansions in June, coming at 55.0 and 54.6, respectively, mainly on slower growth in new orders, though demand was still supported by a solid increase in export orders. Output saw a robust expansion in both countries, though slid in the UAE to its lowest level in 18 months, which could be related to April's flood impact overhang. Input price pressures continued to increase, with firms citing the rise of shipping costs, tensions in the Red Sea, and the cost of adopting new technologies. On the other hand, both countries reported increases (albeit still modest) in output prices, mainly attributed to strong demand and the pass-through of higher costs to customers. Employment remained in expansionary territory, though easing from May's reading, in line with an ease in the backlog of works and slower orders growth. The business outlook for the year ahead remained upbeat in both countries, reaching a four-year high in the UAE.

Chart 1: Gulf PMI activity gauges

(index, 50=no change m/m)



Source: S&P Global

Chart 2: Euro-zone consumer prices

(%, y/y)



Source: Haver, Eurostat

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Egypt: New cabinet expected to be sworn in today. Egypt is expected to welcome a new cabinet today that includes major changes across almost all ministries. The key changes include Rania Al Mashat, currently Minister of International Cooperation, being given larger responsibilities as head of a merged Planning and Economic Development Ministry (previously headed by Dr. Hala El Said) and International Cooperation Ministry. Ahmed Kouchouk, currently Vice Minister of Finance, will head the Finance Ministry after serving in his current position for eight years. As part of the changes in the cabinet structure, the Investment Ministry will be back and headed by a new face Hassan El Khatib who has served in key positions in several investment banks. Both the Oil and Energy Resources Ministry along with the Electricity Ministry will welcome new faces as well with Karim Badawi (current MENA director of US-based oil company SLB) and Mahmoud Esmat (currently Public Enterprises minister) as heads, respectively. The new cabinet, if confirmed later today, could exhibit a strong coherency in terms of economic planning as the 3 main (previously 4) economic ministries (Planning and Economic Development, International Cooperation, Finance, and Investment) are now all headed by strong policy makers (an average age of 50) who should be able to utilize their backgrounds in international institutions such as the IMF and World Bank to help drive policy forward based on a medium term plan.

Egypt: Tourist arrivals remained relatively stable with revenues up even amid the conflict in Gaza. The number of inbound tourists was relatively stable in H1 2024, increasing only by 0.5% y/y, despite rising geopolitical tensions. However, the solid increase in the number of nights spent (+3.8%) and spending per tourist (+4.7%) contributed to higher tourism receipts during the period by 5% y/y to \$6.6 billion. It is worth noting that Egypt saw a record-breaking number of visitors of 14.906 million. The stable flow of tourists despite the ongoing war in Gaza proves that Egypt remains a popular tourism destination for multiple source countries. It is also attributed to a higher number of inbound airline seats and hotel rooms, in line with Egypt's National Strategy for Sustainable Tourism 2030 which targets to boost visitor traffic to 30 million by 2028. We expect the number of inbound tourists to reach 15 million in 2024, resulting in a 5.3% increase in receipts to \$15.8 billion.

Saudi Arabia: Private sector credit growth accelerated in May. Credit increased by 1.5% m/m in May from 0.6% the previous month, driving up YTD growth to 5.4%. The increase was driven mostly by growth in lending to the private sector, which rose by 1.4% m/m, the largest monthly increase since August 2022, pushing YTD private sector credit growth to 5.1%. Lending to public sector enterprises also accelerated to 3.1% m/m, although this segment comprises a much smaller share (6%) of total lending. Total deposits rose by 1.2% m/m, reversing a 1.2% decline in April, and raising the YTD increase to 4.9% which is slightly below credit growth. Growth in demand deposits was below that of time deposits on a monthly basis, although the former continues to outstrip the latter on a YTD basis. SAMA's reserve assets jumped by \$23 billion (+5.1%) in May to reach \$467 billion (44% of GDP). Reserve assets are now up 7% YTD after falling by 5% in 2023.

Eurozone: Inflation slows in June while unemployment was unchanged in May. The flash CPI estimate came in at 2.5% y/y in June, down from 2.6% in May and in line with expectations. Meanwhile, core inflation was unchanged at 2.9% slightly higher than forecasts of 2.8%. On a monthly basis, inflation was unchanged at 0.2% m/m. The figures support the case for no change in interest rates at the next ECB next policy meeting in July, with the next potential cut in September. Separately, Eurozone unemployment remained at an all-time low of 6.4% in May, unchanged from April and matching market forecasts. The tight labor market is seen as helpful in giving the ECB time to assess the economy and inflation outlook before cutting interest rates again. That said, the number of unemployed persons increased by 38,000 from the previous month, reaching 11.078 million. In May, the youth unemployment rate, which represents individuals under the age of 25, was 14.2%, unchanged from April.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,088	0.31	-5.12
Bahrain (ASI)	2,016	-0.07	2.24
Dubai (DFMGI)	4,063	0.15	0.08
Egypt (EGX 30)	27,986	0.06	12.70
GCC (S&P GCC 40)	672	-0.45	-5.65
Kuwait (All Share)	6,937	-0.08	1.76
KSA (TASI)	11,606	-0.45	-3.02
Oman (MSM 30)	4,684	-0.25	3.77
Qatar (QE Index)	10,006	0.00	-7.61

International			
CSI 300	3,472	-0.18	1.19
DAX	18,164	-0.69	8.43
DJIA	39,332	0.41	4.36
Eurostoxx 50	4,906	-0.48	8.51
FTSE 100	8,121	-0.56	5.02
Nikkei 225	40,075	1.12	19.75
S&P 500	5,509	0.62	15.50

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.00	-17.33
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.31	2.40	-4.61
Saudi	6.23	0.97	-0.72
LIBOR	5.58	-0.27	-1.05
SOFR	5.32	-0.37	-1.05

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.00	0.00	67.9
Oman 2027	5.68	-5.00	52.3
Qatar 2026	5.15	3.00	63.1
Kuwait 2027	5.13	-1.00	79.0
Saudi 2028	5.14	-4.00	61.9

International 10YR			
US Treasury	4.44	-3.47	57.6
German Bund	2.61	0.30	57.8
UK Gilt	4.25	-3.50	70.9
Japanese Gvt Bond	1.08	2.00	46.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.02	-0.24
KWD per EUR	0.33	0.03	-0.42
USD per EUR	1.07	0.06	-2.65
JPY per USD	161.44	-0.01	14.45
USD per GBP	1.27	0.29	-0.35
EGP per USD	48.11	-0.29	55.95

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	86.24	-0.42	11.94
KEC	88.89	1.52	11.73
WTI	82.81	-0.68	15.58
Gold	2323	-0.20	12.64

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

Source: Refinitiv / Haver