

Daily Economic Update

Economic Research Department
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Eurozone: ECB raises rates and hints at a pause. In line with our expectations, the ECB raised policy rates on Thursday by 25bps bringing the deposit rate to 4.0%. The Governing Council's press release stated that "key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target." In our opinion, this part of the release clearly hints towards a pause in the rate hiking cycle on the medium term (several months) with a possibility of a cut after that. The Council thinks that there is still more policy transmission that will take place in the coming period into the economy. ECB staff left projections of inflation (ex energy and food) little changed versus its June forecasts at an average of 5.1% in 2023, 2.9% in 2024, and 2.2% in 2025. But euro area growth was downgraded to 0.7% in 2023, 1.0% in 2024, and 1.5% in 2025.

US: Data continue to show economic resilience. The strong momentum in economic data seen in July has broadly continued through August, with retail sales and industrial production coming in decent and above expectations despite some downward revisions to the prior month's figures. Retail sales rose 0.6% m/m from +0.5% in July (revised lower from the earlier estimate of a 0.7% rise) as higher gasoline prices boosted sales at gas stations. Industrial production increased 0.4% m/m from +0.7% in July (revised down from 1% previously). United Auto Workers went on strike last Friday, which will likely impact auto production this month. Meanwhile, PPI inflation accelerated to 0.7% m/m (+1.6% y/y) from 0.4% (+0.8% y/y) in July, suggesting renewed price pressures similar to the headline CPI data earlier. Finally, the University of Michigan consumer sentiment index in September eased to 67.7 from 69.5 in August, with one-year inflation expectations sharply moderating to 3.1% from 3.5% earlier, the lowest since early 2021.

China: Economy shows signs of stabilization. Echoing earlier improvements in inflation and manufacturing data, retail sales growth accelerated to 4.6% y/y in August from 2.5% in July, while industrial production growth edged up to 4.5% y/y. Fixed asset investment, however, grew 3.2% y/y on a year-to-date basis in August slowing from 3.4% in July, weighed down by weak real estate activity and declining private investment. Following the recent series of government support measures, the People's Bank of China lowered the reserve requirement ratio for banks by 25bps, the second rate cut this year. Tentative signs of a stabilizing economy and more active – albeit less than hoped for – stimulus improves the outlook and raises the chance that the government's 5% GDP growth target will be achieved this year.

Kuwait: Fitch Ratings affirms Kuwait's sovereign credit rating at AA-. Affirming Kuwait's sovereign credit rating at AA- (stable outlook), Fitch highlighted the country's 'exceptionally strong' fiscal and external balances as well as its low public debt amid a background of elevated oil prices. Nevertheless, Fitch noted the fiscal and structural challenges that Kuwait faces, including a heavy dependence on oil, a large welfare state and a political and institutional structure that has often hampered effective policymaking and reforms.

Saudi Arabia: CPI inflation drops to 2%. The consumer price index was flat in August, the slowest pace since February, pushing down the y/y increase to 2% from 2.3% in July. Annual inflation is now the lowest since February 2022. Housing rentals and restaurants/hotels were the only drivers of price pressures in August, increasing by 0.8% and 0.6% m/m, respectively, while all other components were either in deflation or flat. Over the past year, housing rentals (+10.8% y/y, 21% weight in the CPI basket) are the primary driver of inflation while more than 73% of the basket weight recorded price increases of less than 2% y/y or is in deflation. Looking ahead, despite ongoing housing rental pressures, base effects from last year should likely soften the y/y increase in housing rentals in the remainder of the year, down from the 10.8% peak seen in August. Meanwhile, S&P maintained the country's sovereign rating at "A" with a stable outlook, forecasting GDP growth at 0.2% this year and an average of 3.4% in 2024-2026.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,880	0.86	-3.24
Bahrain (ASI)	1,931	0.09	1.91
Dubai (DFMGI)	4,043	0.23	21.20
Egypt (EGX 30)	19,540	0.92	33.85
GCC (S&P GCC 40)	677	0.14	-2.04
Kuwait (All Share)	7,029	-0.10	-3.61
KSA (TASI)	11,155	0.29	5.76
Oman (MSM 30)	4,726	0.32	-3.01
Qatar (QE Index)	10,319	-0.48	-3.39
International			
CSI 300	3,709	-0.66	-4.21
DAX	15,894	0.56	14.15
DJIA	34,618	-0.83	4.44
Eurostoxx 50	4,295	0.36	13.22
FTSE 100	7,711	0.50	3.48
Nikkei 225	33,533	1.10	28.51
S&P 500	4,450	-1.22	15.91
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.69	0.00	54.78
Kuwait	4.31	0.00	31.25
Qatar	6.00	0.00	71.67
UAE	5.24	13.63	79.85
Saudi	6.27	0.00	105.71
LIBOR	5.66	-0.84	90.44
SOFR	5.41	0.07	82.26

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.81	0.80	57.7
Oman 2027	5.98	-4.00	-0.8
Qatar 2026	5.05	0.30	57.1
Kuwait 2027	4.97	0.10	69.5
Saudi 2028	5.13	-1.70	46.0
International 10YR			
US Treasury	4.32	3.20	49.1
German Bund	2.67	7.40	10.7
UK Gilt	4.36	7.80	69.2
Japanese Gvt Bond	0.71	-0.60	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	0.13	-0.44
JPY per USD	147.82	0.24	12.75
USD per GBP	1.24	-0.16	2.41
EGP per USD	30.95	0.00	25.10

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	93.93	0.25	9.34
KEC	98.38	1.73	19.92
WTI	90.77	0.68	13.09
Gold	1923.7	0.72	5.72

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

Source: Refinitiv / Haver

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