

Daily Economic Update

Economic Research Department
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China: August data reconfirm weakening economic prospects. Data for August reconfirmed the grim picture of the Chinese economy, with several indicators weaker than in July and missing consensus expectations. Specifically, industrial production increased by a five-month low of 4.5% y/y, slowing from 5.1% in July and missing expectations of 4.8%. Retail sales, a key marker of consumption, rose only 2.1% y/y in August, down from a 2.7% increase in July and below the 2.5% consensus estimate. Meanwhile, the unemployment rate ticked up to a six-month high of 5.3% in August from 5.2% in July. Finally, new house prices fell at the fastest annual rate in more than nine years, down 5.3% in August (4.9% in July), as the previous stimulus measures failed to shore up the sector. The sluggish figures for July-August point to a slowdown in Q3 economic activities, intensifying calls for more meaningful stimulus measures as the government's 5% growth target for 2024 comes under pressure.

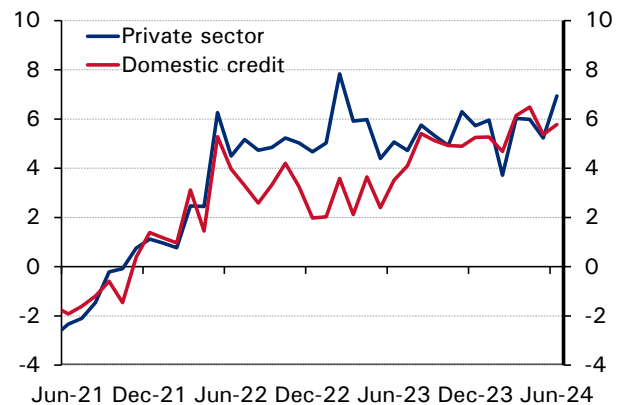
Eurozone: Wage growth softens to a still-elevated 4.5% y/y in Q2. Wage growth decelerated to 4.5% y/y in Q2 2024, from 5.2% in the first three months of the year, while total labor costs (including non-wage components) increased by 4.7% y/y, down from 5% in Q1. Wage growth, which is a key driver of services inflation, (latest at 4.2% y/y), remains elevated, but the deceleration will be welcomed by the ECB, and, if sustained, should increase the likelihood of further monetary easing in the remainder of the year.

Chart 1: Eurozone wage growth
(%, y/y)



Source: Eurostat

Chart 2: UAE credit
(%, y/y)



Source: Haver

Egypt: KSA to invest \$5bn in Egypt via the PIF. Saudi Crown Prince Mohammed bin Salman has pledged that the government's key wealth fund, the Public Investment Fund, will invest \$5bn into Egypt as part of the 'first stage' of a larger investment program. The announcement came amid a trip by Egypt's PM Mostafa Madbouly to Riyadh. The investment equates to 1.4% of Egypt's GDP. No timeline has yet been announced for the

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allocation, and it is thought that some of the funds may come from Saudi's estimated \$5bn in long-term deposits at Central Bank of Egypt – a move comparable to the UAE government's conversion of \$11bn in bank deposits as part of the Ras Al Hekma mega deal in February this year. The announcement marks a further sign of support for the Egyptian economy from Gulf states, following the ongoing currency and fiscal reforms that began earlier in the year, and the subsequent agreement of an upsized and extended IMF support program originally signed in 2022.

UAE: Private sector credit remained robust in June. Domestic credit growth inched up in June to 5.8% y/y from May's reading of 5.4%, on the back of a strong increase in private sector credit (6.9% in June from 5.2% in May), which is driven by 14% growth in personal credit. Government credit fell by 13% y/y while credit to government-related entities saw a strong increase of 14%. On a YTD basis, domestic credit saw an increase of 4.5% through June, versus 4% in the same period last year, reflecting the robust growth in private sector credit. On the other hand, growth in resident deposits eased slightly to 14% y/y due to the decline in government deposits while private sector deposit growth remained stable and strong at 19% y/y.

Saudi Arabia: S&P upgrades outlook to positive from stable on Vision 2030 initiatives. Rating agency S&P has upgraded Saudi Arabia's outlook from stable to positive, citing the prospect of success in promoting non-oil sector growth and diversification. If these ongoing initiatives bear fruit within the next two years, i.e. if they resulted in "steady" income per capita and non-oil GDP growth while keeping the public finances on a sustainable trajectory, then S&P remarked that it would be well disposed to raise the sovereign credit rating above the current "A". The agency expects to see the authorities accelerate investments in manufacturing, logistics, mining, and tourism under the Vision 2030 umbrella. Conversely, any weakening in the fiscal and external accounts, or deterioration in either the domestic or external environments, due to geopolitics, for example, could result in the outlook being lowered to stable. The IMF, in its recent Article IV consultation report, expects the kingdom's current account balance to flip from a surplus in 2023 (3.2% of GDP) to a slight deficit this year (0.1% of GDP) and next (1.1% of GDP) on the back of lower oil export revenues and higher infrastructure-related imports. The fiscal break-even oil price is estimated at \$96/bbl, almost \$25 above the current price of Brent. However, the IMF did remark on the robust performance of the Saudi non-oil economy, pegging growth at 3.5% this year and 4.4% in the medium term, and commended the authorities in reducing unemployment to a historic low.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,389	0.42	-1.97
Bahrain (ASI)	1,945	-0.39	-1.36
Dubai (DFMGI)	4,395	0.34	8.26
Egypt (EGX 30)	30,260	-0.78	21.86
GCC (S&P GCC 40)	700	0.31	-1.78
Kuwait (All Share)	7,156	-0.03	4.97
KSA (TASI)	11,867	-0.28	-0.84
Oman (MSM 30)	4,731	-0.31	4.80
Qatar (QE Index)	10,449	-0.10	-3.52
International			
CSI 300	3,159	0.00	-7.92
DAX	18,633	-0.35	11.23
DJIA	41,622	0.55	10.43
Eurostoxx 50	4,828	-0.34	6.77
FTSE 100	8,278	0.06	7.05
Nikkei 225	36,582	0.00	9.32
S&P 500	5,633	0.13	18.10
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.18	-1.67	-34.73
Kuwait	4.19	0.00	-12.50
Qatar	6.00	0.00	-25.00
UAE	4.87	-7.80	-45.74
Saudi	5.88	-5.60	-35.36
LIBOR	5.12	-7.78	-46.80
SOFR	4.94	-0.55	-39.02

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	3.84	-11.00	-48.1
Oman 2027	4.78	0.00	-37.7
Qatar 2026	4.18	-6.00	-33.9
Kuwait 2027	4.12	-10.00	-22.0
Saudi 2028	4.18	-6.00	-34.1
International 10YR			
US Treasury	3.62	-4.03	-24.4
German Bund	2.12	-2.85	9.0
UK Gilt	3.76	-0.95	21.8
Japanese Gvt Bond	0.84	0.00	22.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.30	-0.06	-0.76
KWD per EUR	0.34	0.44	2.61
USD per EUR	1.11	0.51	0.87
JPY per USD	140.60	-0.16	-0.33
USD per GBP	1.32	0.72	3.83
EGP per USD	48.38	-0.02	56.82
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	72.75	1.59	-5.57
KEC	73.70	-0.42	-7.37
WTI	70.09	2.10	-2.18
Gold	2580.4	-0.03	25.12

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

Source: LSEG / Haver

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