

Daily Economic Update

Economic Research Department
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France: Election sees gains for left-wing alliance, legislative gridlock risk. An alliance of left-wing parties made unexpectedly strong gains in the second and final round of voting in French legislative elections, gaining 182 out of 577 seats in parliament while failing to secure an outright majority. The result leaves the New Popular Front needing to form a coalition government, most likely with President Macron's centrist Ensemble alliance which finished second with 168 seats. However, officials in the latter had previously ruled out an agreement with the NFP, whose most prominent leader Jean-Luc Melenchon has insisted that his alliance's high-spending agenda (which includes raising the minimum wage, price caps and a lower retirement age) should be implemented in full. The result could be a prolonged period of uncertainty and legislative gridlock, stalling economic reforms and potentially triggering financial volatility in France and broader Europe (although early market reaction this morning was limited). Following the results, PM Gabriel Attal said he would submit his resignation to President Macron today, though would remain in power for as long as needed with the Paris Olympics due to begin on July 26. The right-wing populist, anti-immigration National Rally-led alliance, which had led in the first round of voting one week earlier, was pushed back into third place with 143 seats, the result of tactical voting between the other parties.

UK: Labour party secures resounding election win. The UK election as expected resulted in a huge win for the opposition Labour Party, which secured a majority of 174 in the 650 seat House of Commons – the biggest win since 1997. Still, the victory was dubbed a 'loveless landslide' with turnout low at 60%, Labour securing just 34% of the popular vote (lower than opinion polls had predicted) and also benefitting from a vote split on the political right between the former governing Conservative party and newly-created Reform party. New PM Kier Starmer appointed his cabinet on day 1 and promised 'a government of service', appealing to voters across the political spectrum. Market reaction to the election result was muted, with the broad outcome anticipated well in advance and no radical changes in economic policy expected, not least due to the tough fiscal climate and the new government's pledge to carry over its predecessor's rule to have public debt (nearly 100% of GDP) falling by the end of the parliament. The government identified planning reform to increase house building and improving a 'broken' health sector as among its key early priorities.

UK: House prices edge down m/m in June but grow on an annual basis. According to mortgage firm Halifax, UK house prices dipped 0.2% m/m in June but remained in positive territory on an annual basis at 1.6% y/y – the seventh consecutive month of growth. The average house price in the UK now stands at GBP288.4k. East of England was the only region to witness an annual drop of 0.9% while London saw modest growth of 0.9%. Affordability continues to be one of the key challenges facing home buyers, but improvement should be on the way as interest rates start to drop while wage growth remains strong. The Halifax figures come against a 0.2% m/m rise reported by Nationwide with annual growth at 1.5% y/y.

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US: Mixed data as job gains stay strong but the unemployment rate rises. Non-farm payroll gains in June exceeded market expectations at 206K, above the 190K forecast. However, this was below the May figure of 218K and April-May numbers were revised downward by 111K, underscoring a loss in job creation momentum. Moreover, June's new jobs were mostly concentrated in the government and healthcare sectors, with several other industries including manufacturing, retail, and professional and business services reporting losses. The unemployment rate unexpectedly ticked up to 4.1% from 4% in May, an over two-and-half year high, with the labor participation rate increasing to 62.6% from 62.5%. Hourly wage growth also moderated to 0.3% m/m from 0.4% in May, with the y/y rise slowing to a still elevated 3.9%, the lowest since June 2021, from 4.1%. A mixed June employment report coupled with previously reported weak ISM PMI readings suggests stalling economic momentum and highlights further signs of fatigue in consumer spending growth, which should pave the way for a likely Fed loosening later this year.

Kuwait: Government approves FY2024/25 budget. The 2024/25 budget was approved by the Ministry of Finance, with minor changes over the January draft from the revenue side. Revenues are now projected at KD18.9bn from KD18.7bn in the draft on higher non-oil revenues (+KD256mn, +10.5% above draft). No changes were made to the expenditure side as a total, which still stands at KD24.6bn, although around KD130mn in expenses were shifted from subsidies to 'other expenses' with no net effect. With the higher assumed revenue, the budget now projects a deficit of KD5.6bn instead of KD5.8bn in the draft. Although full details of the budget are still to be released, the minimal changes from the draft version imply that larger scale revenue and spending reforms planned by the government will mostly be realized in the FY2025/26 fiscal year at the earliest.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,139	n/a	-4.58
Bahrain (ASI)	2,003	0.00	1.58
Dubai (DFMGI)	4,070	n/a	0.26
Egypt (EGX 30)	28,602	0.84	15.18
GCC (S&P GCC 40)	674	0.01	-5.39
Kuwait (All Share)	6,984	0.00	2.44
KSA (TASI)	11,689	0.26	-2.33
Oman (MSM 30)	4,689	0.00	3.87
Qatar (QE Index)	10,123	0.50	-6.53

International			
CSI 300	3,431	n/a	0.00
DAX	18,475	n/a	10.29
DJIA	39,376	n/a	4.47
Eurostoxx 50	4,979	n/a	10.12
FTSE 100	8,204	n/a	6.09
Nikkei 225	40,912	n/a	22.26
S&P 500	5,567	n/a	16.72

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.33	0.00	-19.00
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.30	0.00	-2.85
Saudi	6.22	-1.79	0.96
LIBOR	5.57	n/a	-2.45
SOFR	5.31	n/a	-1.71

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.87	n/a	54.9
Oman 2027	5.58	n/a	42.3
Qatar 2026	4.94	n/a	42.1
Kuwait 2027	5.09	n/a	75.0
Saudi 2028	5.05	n/a	52.9

International 10YR			
US Treasury	4.28	n/a	41.7
German Bund	2.53	n/a	50.2
UK Gilt	4.12	n/a	58.5
Japanese Gvt Bond	1.07	n/a	45.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	-0.44
KWD per EUR	0.33	0.23	0.30
USD per EUR	1.08	0.00	-1.81
JPY per USD	160.72	0.00	13.94
USD per GBP	1.28	0.00	0.62
EGP per USD	48.09	47.90	-0.08

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	86.54	n/a	12.33
KEC	89.52	n/a	12.52
WTI	83.16	n/a	16.06
Gold	2388.5	n/a	15.81

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

Source: Refinitiv / Haver