

# Daily Economic Update

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21 September 2023

**US: Fed pauses rate hikes, signals keeping policy restrictive for longer.** In line with market expectations, the Fed kept interest rates steady at the 5.25-5.5% range but trimmed anticipated rate cuts for next year. FOMC members' updated dot-plot projections continue to show another 25 bps interest rate hike this year (either November or December) albeit with a narrower majority in favor (12 against 7), and a much higher rate of 5.1% by end-2024 (versus 4.6% earlier). The projection for PCE inflation was slightly increased to 3.3% y/y for Q4 2023 but unchanged at 2.5% for Q4 2024, with core PCE at 3.7% and 2.6%, respectively. Members now see higher GDP growth rates of 2.1% y/y in Q4 2023 (versus 1% earlier) and 1.5% in Q4 2024 (versus 1.1%), returning to trend of 1.8% by end-2025. Participants also project a peak unemployment rate of 4.1%, lower than 4.5% previously, hoping to achieve a soft landing for the economy. Overall, the Fed cited "solid" GDP expansion, slowing but still "strong" job gains, and robust consumer spending as reasons to keep policy restrictive until inflation returns sustainably to its 2% target (likely by 2026). Although the dot-plot showed another 25 bps hike this year, the Fed expects to proceed "carefully," looking at the incoming data in "totality," reflecting a high degree of uncertainty in the economic outlook. Following the Fed's decision, all GCC central banks kept rates on hold.

**UK: August inflation dips, raising possibility of a BoE 'hold' decision today.** UK inflation fell to 6.7% y/y in August (versus 6.8% in July and below expectations of 7%) with monthly inflation at 0.3% m/m (-0.4% in July and below expectations of 0.7%). Core inflation also plunged to 6.2% y/y down from 6.9% in July and below expectations of 6.8%. On a monthly basis, core inflation stood at a near flat 0.1% m/m coming well below last month of 0.3% and significantly lower than 0.6% expected by the market. The largest downward contributors to the annual rate were mainly food and accommodation services while prices for fuel were the largest upward contributors as global energy prices continue to rise. The latest drop in inflation has lifted the market probability of the Bank of England leaving interest rates on hold at today's meeting to 50% from 20%. However, on balance, the bank could prefer to raise rates 25 bps today while giving clear hints of a long pause ahead – similar to the ECB decision last week.

**Kuwait: Inflation unchanged in August.** Consumer prices in Kuwait rose 3.8% y/y (+0.2% m/m) in August, broadly unchanged from July. Food and beverage inflation, which averaged 7.4% y/y last year, slowed for the fourth straight month to 5.7% y/y (from 5.8% in July), helped by a first drop in volatile fish and seafood prices since April 2021. Price in the housing services category, which includes rents, were steady at 3.2% y/y. Core inflation, which excludes food and housing, also stabilized at 3.4% y/y, with decelerating price growth in the clothing and miscellaneous goods categories offset by accelerating price increases in the furnishings and recreation components. Core inflation has continued to trend above its 2014-2019 annual average, lifted by solid consumer spending and expansionary fiscal policy. Nevertheless, we still expect headline inflation to trend

down through to the year-end (averaging 3.5% in 2023) amid easing in consumer spending and credit growth against a background of tighter monetary policy this year.

**UAE: Dubai's inflation rose in August from a subdued July reading.** Consumer price inflation in Dubai increased to 2.3% y/y in August, up from 1% in July. Food & beverages (3.3% y/y) and housing (7.7%) components remained relatively stable while the decline in transportation prices eased to -11.2% y/y versus a fall of 19.7% the previous month. Price rises could regain some momentum during the remainder of the year, supported by the recent rise in petroleum product prices.

**Egypt: Central bank to keep policy rates on hold today.** Having raised interest rates unexpectedly by 100 bps in August, the central bank is expected to keep policy on hold at today's meeting. Although inflation rose to a historical high of 37% y/y in August, the monthly rate continued to cool, standing at 1.6% m/m from 1.9% and 2.1% in July and June, respectively. Additionally, as a high base effect pass through we expect inflation to fall to below 30% by December. Meanwhile, the National Election Authority announced yesterday that details of the 2024 presidential elections schedule will be announced next Monday (25th Sept) with signs indicating a possibility of the elections taking place as early as December 2023. This timeline, if confirmed, could mean that the IMF review might not take place until next year and thus that the central bank could postpone any change in the Egyptian pound until then. Given this, the CBE might postpone hiking interest rates further until early next year.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,823	0.00	-3.80
Bahrain (ASI)	1,923	-0.34	1.46
Dubai (DFMGI)	4,138	1.56	24.05
Egypt (EGX 30)	19,797	-0.79	35.61
GCC (S&P GCC 40)	671	-0.02	-2.90
Kuwait (All Share)	6,966	-0.34	-4.48
KSA (TASI)	11,062	-0.08	4.88
Oman (MSM 30)	4,694	0.14	-3.66
Qatar (QE Index)	10,295	-0.23	-3.62

<b>International</b>			
CSI 300	3,706	-0.40	-4.29
DAX	15,782	0.75	13.34
DJIA	34,441	-0.22	3.90
Eurostoxx 50	4,276	0.78	12.71
FTSE 100	7,732	0.93	3.76
Nikkei 225	33,024	-0.66	26.55
S&P 500	4,402	-0.94	14.66

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.71	1.64	56.74
Kuwait	4.25	-6.25	25.00
Qatar	6.00	0.00	71.67
UAE	5.25	24.55	94.49
Saudi	6.18	-3.37	96.89
LIBOR	5.66	-0.09	89.05
SOFR	5.40	-0.08	80.96

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.92	10.90	69.2
Oman 2027	6.02	-4.00	3.4
Qatar 2026	5.19	11.40	71.4
Kuwait 2027	5.11	9.10	84.4
Saudi 2028	5.18	1.80	51.2

<b>International 10YR</b>			
US Treasury	4.35	-2.00	51.6
German Bund	2.70	-3.50	14.1
UK Gilt	4.22	-12.70	54.7
Japanese Gvt Bond	0.73	0.40	30.7

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	1.01
KWD per EUR	0.33	-0.15	0.60
USD per EUR	1.07	-0.17	-0.40
JPY per USD	148.33	0.32	13.13
USD per GBP	1.23	-0.37	2.04
EGP per USD	30.85	0.00	24.70

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	93.53	-0.86	8.87
KEC	96.68	-1.35	17.84
WTI	90.28	-1.01	12.48
Gold	1945.6	0.70	6.92

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

Source: Refinitiv / Haver