Chartbook

NBK Economic Research Department I 6 October 2020

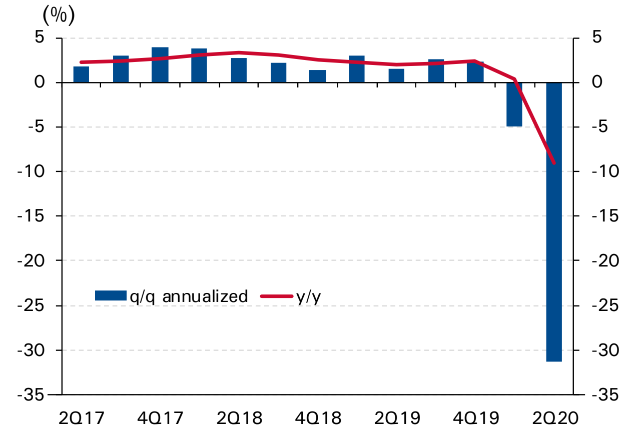
USA

> Saqer Al-Zayed
Economist
+965 2259 5355,
saqeralzayed@nbk.com

Economic boost from restriction-lifting may be fading, pointing to slower recovery ahead

- Unemployment fell to a 5-month low of 7.9% in September, but helped by lower labor participation.
- Non-farm payrolls rose by 661,000 in September, easing sharply from August's 1.49 million.
- Core inflation edged up to 1.7% y/y in August (1.6% in July) mostly on higher new and used vehicle prices.
- Retail sales ex autos rose further by 2.1% y/y in August from 1.5% in July, though the rebound may be slowing.
- The ISM non-manuafacturing index picked-up to 57.8 in September, while manufacturing activity eased slightly.
- The S&P500 fell in September amid a tech-stock selloff and as economic recovery and stimulus uncertainty grew.

Chart 1: Real GDP growth



Annualized GDP growth fell by a record 31.4% in 2Q20, slightly less than expected on large falls in consumption and investment.

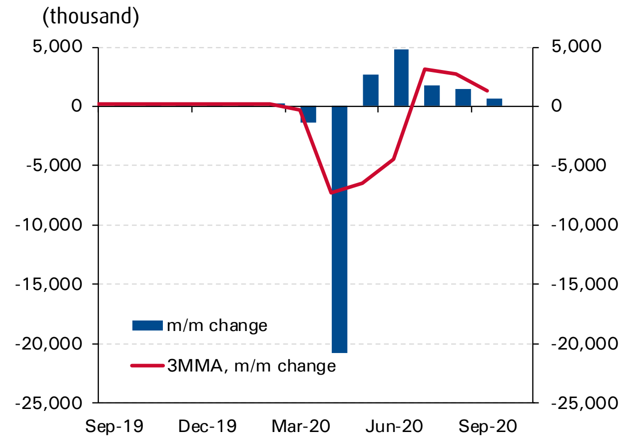
Source: Refinitiv

Chart 2: Unemployment rate

Unemployment continued to fall, reaching a 6-month low of 7.9% in September but helped by lower participation.

Source: Refinitiv

Chart 3: Non-farm payrolls (new jobs)



Non-farm payrolls rose by 661,000 in September, easing sharply from August's 1.49 million and below the forecasted 850,000.

Source: Refinitiv

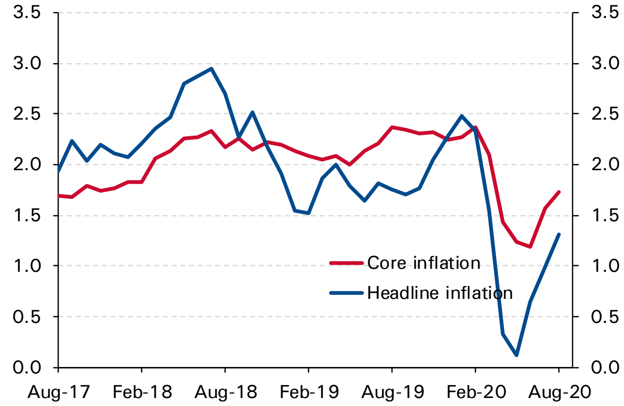
Chart 4: Wage growth

Wage growth edged up to 4.7% in September from 4.8% in July, though remains affected by rehiring and compositional effects.

Source: Refinitiv

Chart 5: Consumer price inflation

(% y/y)



Core inflation edged up to 1.7% y/y in August from 1.6% in July mostly on higher new and used vehicle prices.

Source: Refinitiv

Chart 6: Commercial and industrial loans

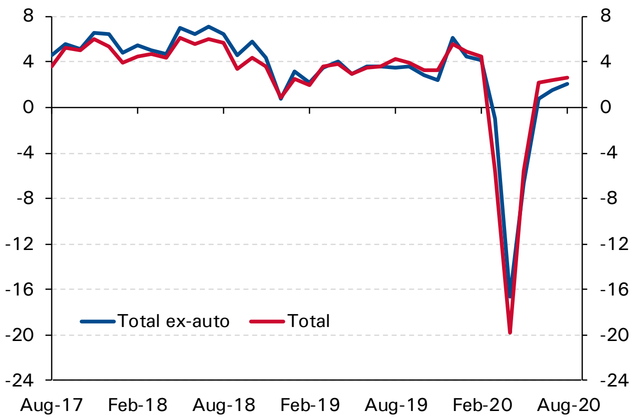
(% y/y)

C&I loan growth continued to ease to 19.1% in August as financing needs lessened on recovering business activity.

Source: Refinitiv

Chart 7: Retail sales

(% y/y)

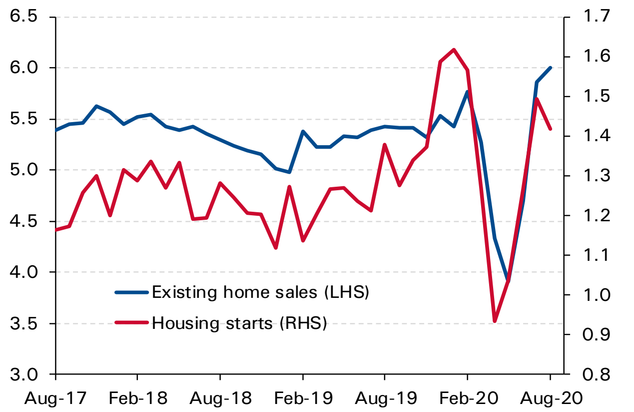


Retail sales ex autos rose further by 2.1% y/y in August from 1.5% in July, though the rebound may be slowing down.

Source: Refinitiv

Chart 8: Existing home sales and housing starts

(million units)

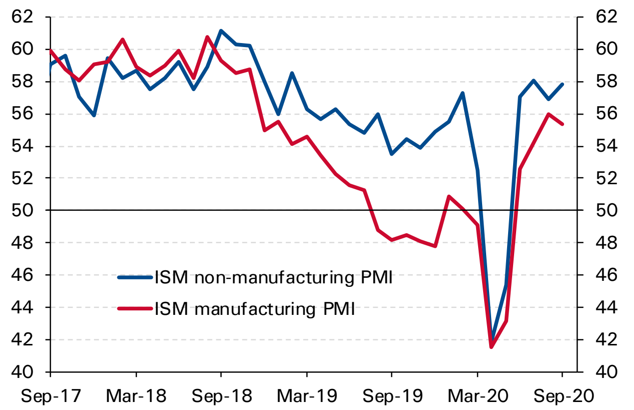


Existing home sales rose by 2% m/m to 6 million units in August, the highest since 2006, helped by record low interest rates.

Source: Refinitiv

Chart 9: Business activity surveys

(index)

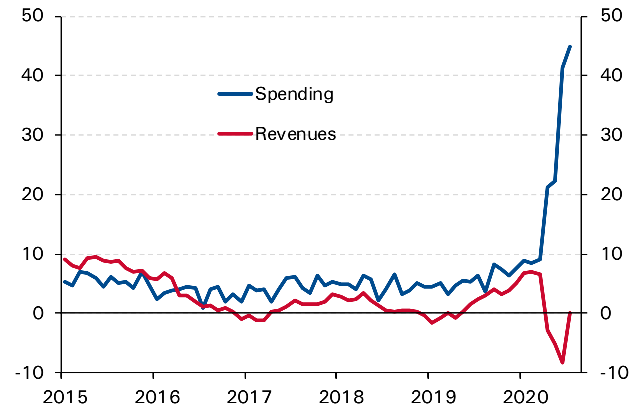


The ISM non-manuafacturing index picked up to 57.8 in September on higher new orders employment.

Source: Refinitiv

Chart 10: US government spending and revenues

% y/y (of 12 month cumulative totals)

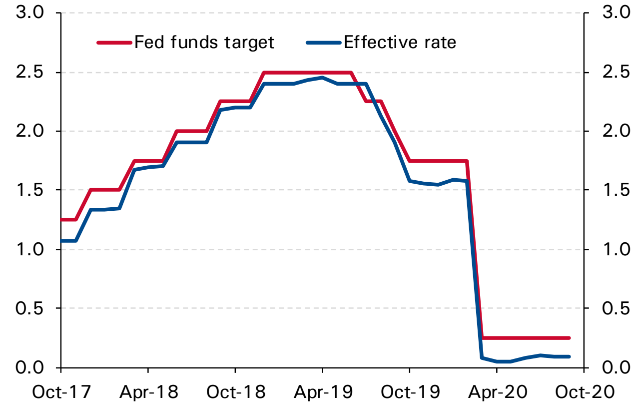


The fiscal deficit is expected to widen to $3.8 trillion or 18% of GDP in 2020 on the negative impact of the pandemic.

Source: Refinitiv

Chart 11: Policy interest rates

(%)

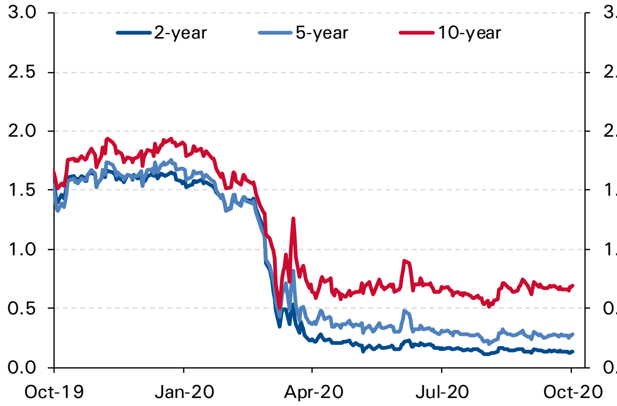


The Fed maintained its policy rate at 0-0.25% though adopted a flexible 2% inflation target, implying that rates may remain low for some time.

Source: Refinitiv

Chart 12: Government bond yields

(%)

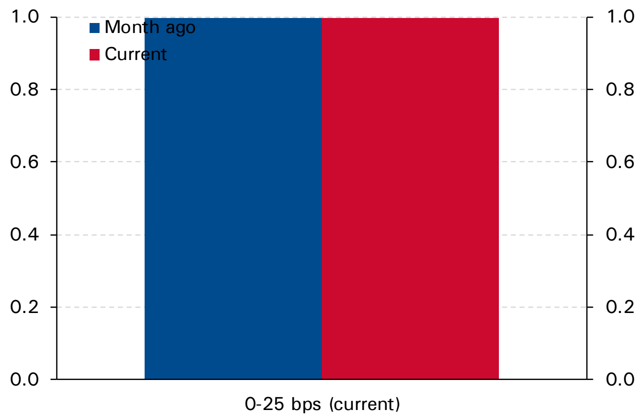


The US 10-year treasury yield stood at 0.68% as of Sep. 30, little changed from a month ago as virus uncertainty lingers.

Source: Refinitiv

Chart 13: Fed policy action outlook for 2020

(futures market probability, as of 4 October 2020)

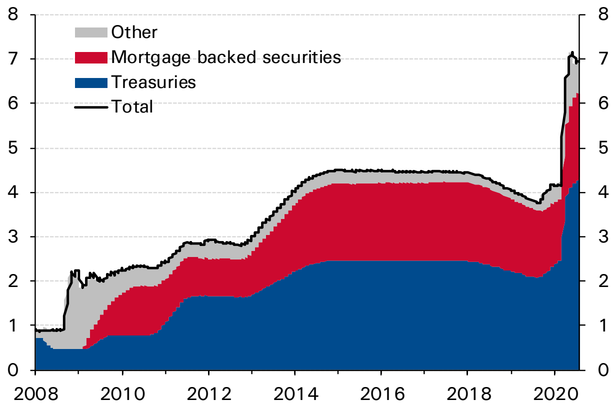


Futures markets probabilities point to no further fed policy rate action in 2020 with absolute certainty (100%).

Source: Refinitiv

Chart 14: Fed balance sheet size and composition

(total assets, $trn)



Federal reserve assets continued to expand, exceeding $7 trillion in late September on large government stimulus.

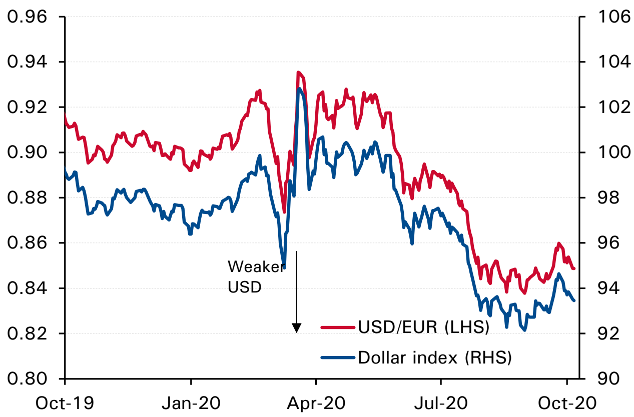
Source: Refinitiv

Chart 15: Stock market

(S&P 500)

The S&P500 fell in September amid a tech-stock selloff and as economic recovery and stimulus uncertainty grew.

Chart 16: Exchange rates



The USD appreciated in September on a weaker euro and as higher market uncertainty boosted safe-haven demand.

Source: Refinitiv

Head Office

Kuwait
National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567,Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France
National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
34h Floor, NBK Tower
Shuhada'a street, Sharq Area
PO Box 4950, Safat, 13050
Kuwait City, Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353