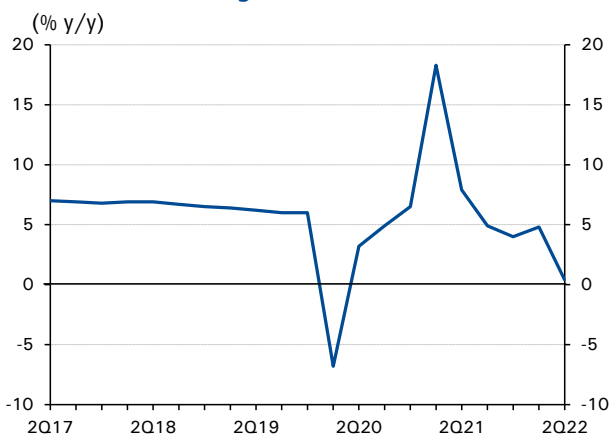


Economic activity continues to struggle as uncertainty lingers

- Economic activity slumped in 2Q22 (+0.4% y/y) amid ongoing Covid restrictions and property sector weakness.
- Retail sales, industrial production and fixed investment grew at modest rates after some easing of Covid curbs.
- The official manufacturing PMI fell for the second month in a row in August amid a record-breaking heatwave.
- House prices were down in August amid weak residential property activity and negative sentiment.
- Both consumer and producer price inflation eased in August, the latter to an 18-month low.
- China's central bank kept key rates steady while injecting liquidity into the financial system.
- Equities dropped 4.6% so far in September (-22% ytd) on an uncertain outlook.

▶ Chart 1: Real GDP growth



Economic activity remained weak in 2Q22 (+0.4% y/y) amid continued Covid lockdowns and a record-breaking heatwave.

Source: Haver Analytics

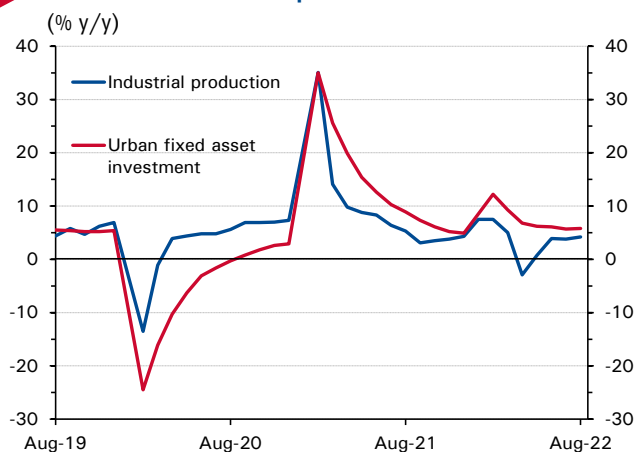
▶ Chart 2: Financial conditions index



The financial conditions index dropped to its lowest level ever in August helped by falling interest rates.

Source: Haver Analytics

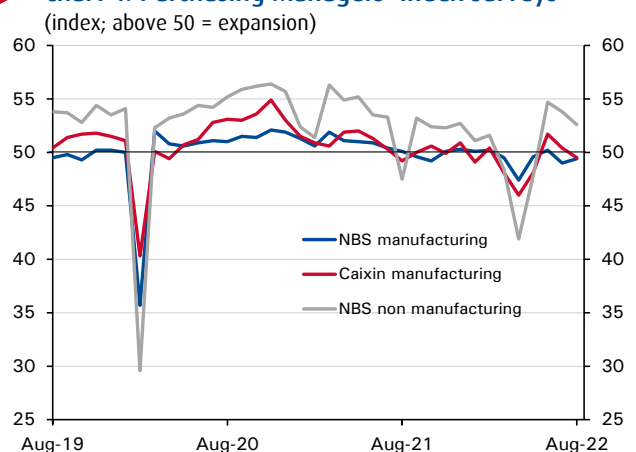
▶ Chart 3: Industrial output and fixed investment



Industrial production and fixed investment growth remained robust in August, growing by 4.2% y/y and 5.8%, respectively.

Source: Haver Analytics

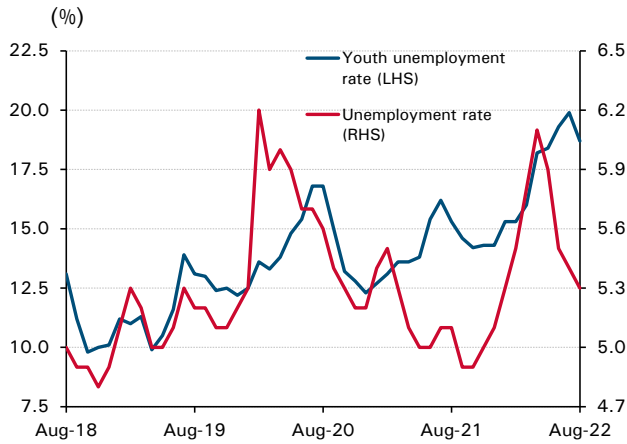
▶ Chart 4: Purchasing Managers' Index surveys



Official manufacturing PMI contracted in August on Covid lockdowns and power rationing. Services did expand, though.

Source: Haver Analytics

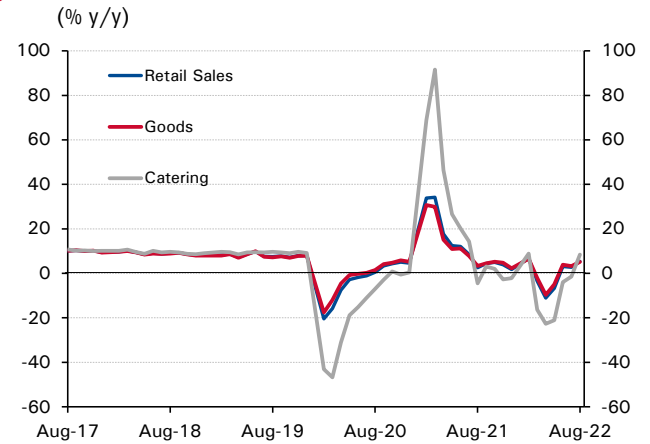
▶ **Chart 5: Unemployment rate**



Both the overall (5.3%) and youth unemployment (18.7%) rates eased in August as hiring picked up.

Source: Haver Analytics, official sources

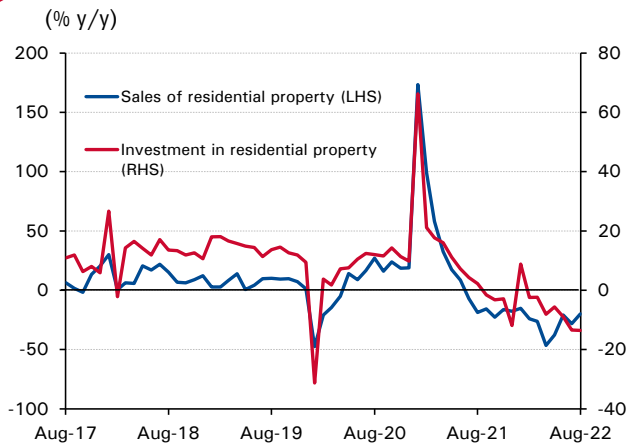
▶ **Chart 6: Retail sales**



Retail sales increased 5.4% y/y in August, led by strong growth in catering sales.

Source: Haver Analytics

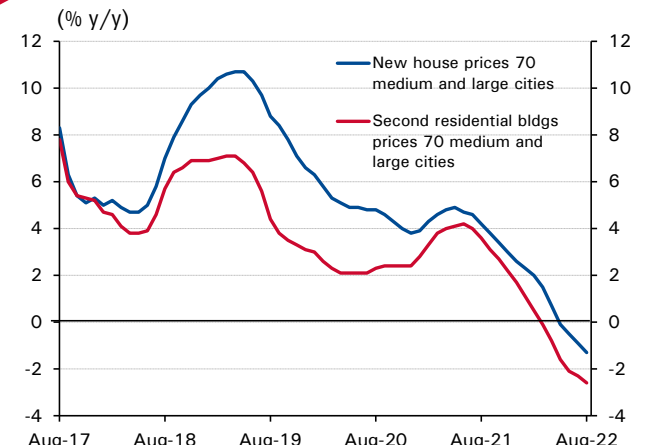
▶ **Chart 7: Sales & investments in residential property**



Activity in the residential property sector continued to decline amid low confidence and widespread mortgage boycotts...

Source: Haver Analytics

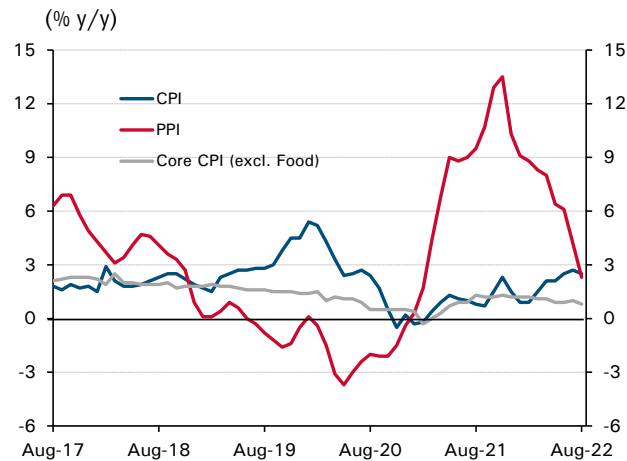
▶ **Chart 8: House prices in 70 medium & large cities**



...which was reflected in lower valuations for new houses and second residential buildings.

Source: Haver Analytics

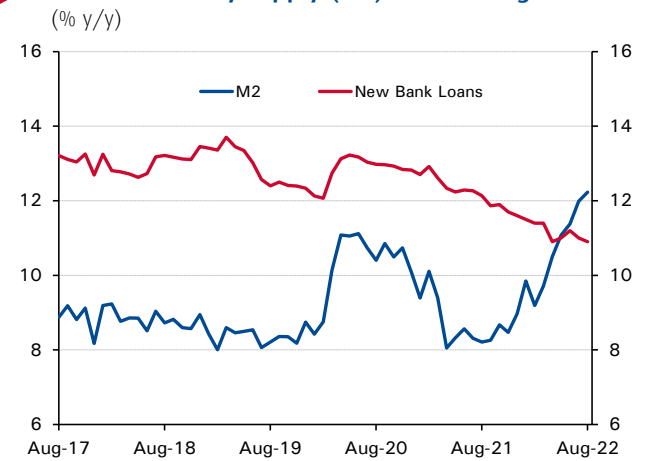
▶ **Chart 9: Consumer and producer price inflation**



CPI inflation (+2.5% y/y) missed expectations in August on weaker consumption. Producer price inflation eased to 2.3% y/y.

Source: Haver Analytics

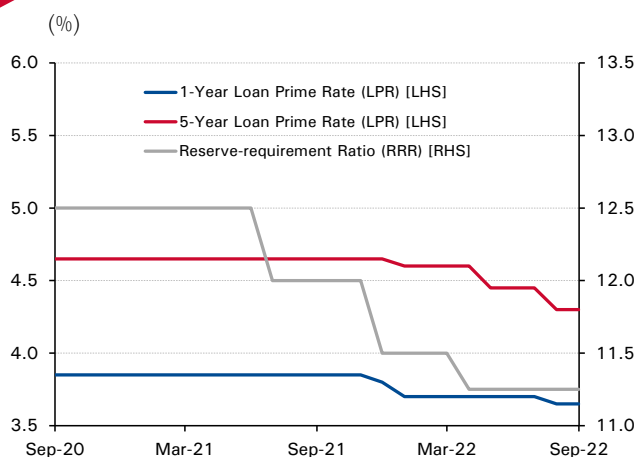
▶ **Chart 10: Money supply (M2) and credit growth**



M2 growth continued to edge up amid liquidity-enhancing measures by the central bank. New loans growth softened.

Source: Haver Analytics

▶ **Chart 11: Interest rates**



The PBoC kept key rates steady in September but cut the 14-day reverse repo rate by 10 bps, injecting liquidity in the system.

Source: Haver Analytics

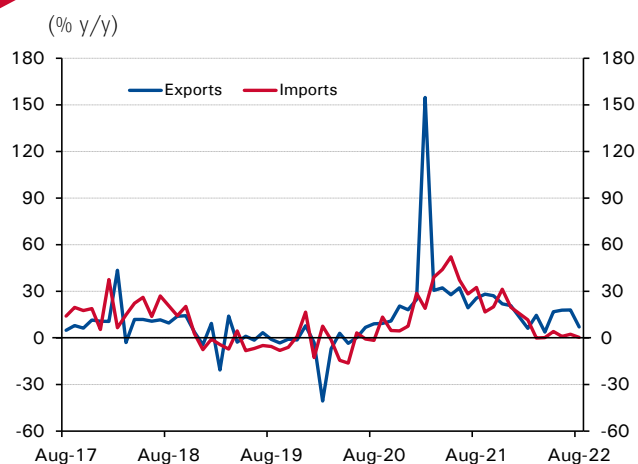
▶ **Chart 12: Yuan-dollar exchange rate**



The yuan continued to depreciate vs. the dollar on wider interest rate differentials and a relatively weaker economic outlook.

Source: Haver Analytics

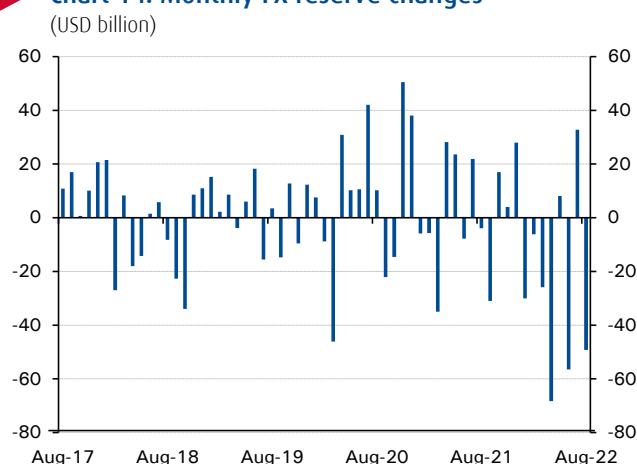
▶ **Chart 13: International trade**



Export growth softened in August (+7.1% y/y) and import growth remained muted (+0.3%) amid the record-breaking heatwave.

Source: Haver Analytics

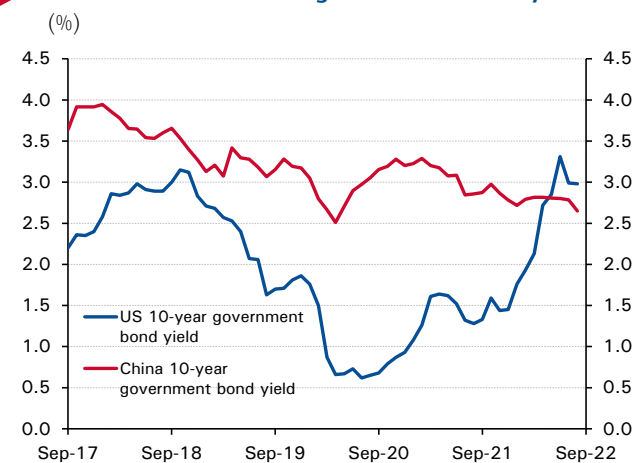
▶ **Chart 14: Monthly FX reserve changes**



Foreign currency reserves fell by \$49 billion in August on dollar strength and asset price depreciation.

Source: Haver Analytics

▶ **Chart 15: China and US government bond yields**



Yields on US 10-yr bonds jumped after the Fed announced its rate hike, widening the differential with equivalent Chinese bonds.

Source: Refinitiv

▶ **Chart 16: Stock market**



The CSI 300 has dropped 4.6% (-22% ytd) thus far in September amid an increasingly uncertain economic outlook.

Source: Haver Analytics

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

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

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
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