

Daily Economic Update

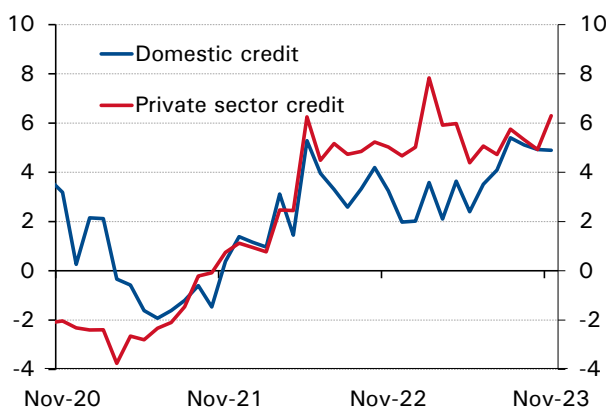
Economic Research Department
18 January 2024

Kuwait: Amir issues decree for new cabinet. The Amir yesterday issued a decree forming a new cabinet headed by prime minister Sheikh Mohammad Sabah Al-Salem. With a near full reshuffle, the new cabinet members will face the challenge of balancing key development and reform objectives with the pro-welfare expectations of the parliament, directions which have often been at odds with each other in the past. Progress on the legislative and reform agenda will depend largely on the cooperation of parliament and its willingness to heed the instruction of the Amir: to make the state's interest a priority, push ahead with reforms and take a strong stance against corruption.

UAE: Domestic credit growth inched up in November on strong private sector credit. Domestic credit growth rose by 0.8% m/m in November from a small decline of -0.1% m/m in October on strong growth in private sector credit (constituting 72% of the total) by 2% m/m, while credit to the public sector (government and GREs) fell by -2.3% m/m. Growth in resident deposits eased for the second consecutive month at 0.4% m/m due to a decline in public sector deposits by -3.1% m/m, while private sector deposits rose 1.9% m/m. On a year-on-year basis, domestic credit was stable in November at +4.9% compared with the previous month, though private sector credit growth picked up to +6.3% (4.9% in October) while credit to the public sector (government and GREs) eased to 1.6% (5.4% in October). On the other side, deposit growth slowed to 12.1% y/y from 14.5% in October, though remained robust compared to historical averages, as public sector deposits declined -1.6% while private sector deposits grew 18.8%. This brings YTD credit and deposit growth to 6.1% and 12.4%, respectively, lowering the loan-to-deposits ratio to 77.5% in November from 82.9% a year ago.

Chart 1: UAE domestic credit

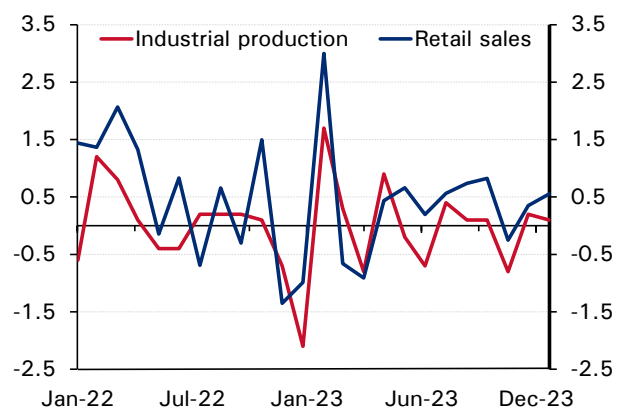
(%, y/y)



Source: Haver

Chart 2: US retail sales and industrial production

(%, m/m)



Source: Haver

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Qatar: Inflation accelerates but remains historically low. Consumer price inflation rose to 1.7% y/y in December from a near 3-year low of 1.3% in November. The pick-up was driven mostly by higher inflation in the communication and culture & recreation segments, while food price inflation rose to a 16-month high of 4.6%. The inflationary impulse was partly offset by deflation in other categories (transport, hospitality, clothing, housing). On a monthly basis, prices rose 1.6% from 0.2% in November.

US: December retail sales jump above forecast, signaling a resilient economy. Retail sales in December rose by a more-than-expected 0.6% m/m following a 0.3% increase in November on sharply rising auto sales, even though sales of several consumer durable goods and receipts at gasoline stations contracted. A core measure of retail sales (excluding auto, gasoline, building material, and food services), which ties closely with personal consumption in GDP, grew at a five-month high rate of 0.8% m/m from an upwardly revised 0.5% in the previous month. December's solid retail sales data reaffirms that the US economy appears more resilient to high interest rates than expected. Following the latest data release, the Atlanta Fed's real-time GDP forecast model showed that the economy in Q4 2023 likely grew 2.4% q/q (annualized), higher than the 2.2% estimated earlier. Meanwhile, industrial production in December unexpectedly rose 0.1% m/m from a downwardly revised no change in November on a sustained rise in auto production. However, overall manufacturing output remained weak in Q4, as highlighted in the ISM's PMI surveys over the last several months.

Eurozone: Inflation picked up in December; Jan & Feb inflation are a better guide for rate cut timing. Inflation was finalized at 2.9% y/y in December, coming in line with expectations and higher than the previous month's level of 2.4%. On a monthly basis, prices rose 0.2% m/m also matching expectations and significantly higher than -0.6% recorded in November. Final core inflation came in at 3.4% y/y (from 3.6% in November) and in-line with expectations. These figures leave the ECB's decision over rate cuts heavily dependent on the coming inflation figures for January and February, with markets projecting the ECB to lower rates four times this year, each at 25 bps, starting June.

UK: Inflation rises, pushing against early rate cuts. Inflation edged up to 4% y/y in December 2023 versus 3.9% in November and 0.2% above expectations. On a monthly basis, inflation reached 0.4% m/m in December, a strong reversal from the -0.2% recorded in November and significantly higher than expectations. Core inflation was unchanged on an annual basis at 5.1% y/y, but monthly figures came in at 0.6% m/m, well above the previous month's -0.3%. A sharp rise in tobacco duty and seasonal air fare increases contributed much of this rise. The data provides some pushback against the prospect of an early cut in interest rates by the Bank of England. Markets are now looking at a 60% chance of a cut by mid-May down from an earlier expectation of over 80%.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,724	-0.38	1.53
Bahrain (ASI)	1,988	0.12	0.85
Dubai (DFMGI)	4,091	0.20	0.76
Egypt (EGX 30)	26,758	-0.67	7.75
GCC (S&P GCC 40)	724	-0.16	1.70
Kuwait (All Share)	7,241	-0.35	6.21
KSA (TASI)	12,063	-0.12	0.80
Oman (MSM 30)	4,590	-0.22	1.67
Qatar (QE Index)	10,402	-0.92	-3.96
International			
CSI 300	3,229	-2.18	-5.89
DAX	16,432	-0.84	-1.91
DJIA	37,267	-0.25	-1.12
Eurostoxx 50	4,403	-0.98	-2.62
FTSE 100	7,446	-1.48	-3.71
Nikkei 225	35,478	-0.40	6.02
S&P 500	4,739	-0.56	-0.64
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.51	-0.33	-1.47
Kuwait	4.31	0.00	0.00
Qatar	6.25	0.00	0.00
UAE	5.06	-11.00	-26.70
Saudi	6.22	1.75	-1.15
LIBOR	5.57	1.17	-2.18
SOFR	5.30	N/A	-3.35

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.54	7.70	21.6
Oman 2027	5.33	8.80	17.2
Qatar 2026	4.70	8.30	18.4
Kuwait 2027	4.43	3.30	8.7
Saudi 2028	4.86	2.00	33.5
International 10YR			
US Treasury	4.10	3.80	24.4
German Bund	2.27	5.90	24.4
UK Gilt	3.99	18.40	44.7
Japanese Gvt Bond	0.61	1.90	-0.5
Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.04	0.23
KWD per EUR	0.34	0.10	1.31
USD per EUR	1.09	0.06	-1.40
JPY per USD	148.15	0.66	5.03
USD per GBP	1.27	0.28	-0.45
EGP per USD	30.85	0.00	0.00
Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	77.88	-0.52	1.09
KEC	78.93	-1.31	-0.79
WTI	72.56	0.22	1.27
Gold	2002.6	-1.15	-2.90

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

Source: Refinitiv / Haver