

Daily Economic Update

Economic Research Department
10 July 2024

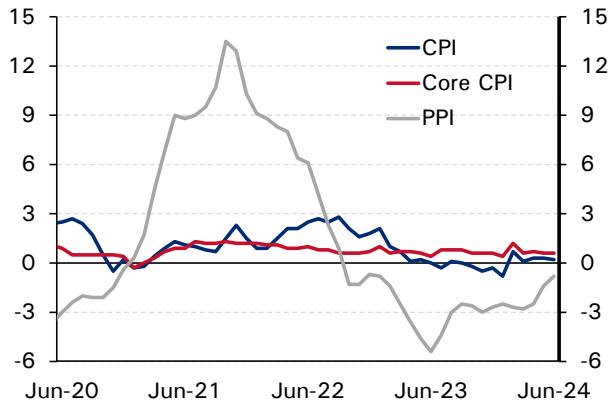
US: Powell paves the way for future rate cut without committing to timeframe. In testimony before the US Senate, Fed chair Jay Powell sent mixed signals about the timing of an anticipated interest rate cut, acknowledging the risks of keeping the policy too tight for a prolonged period while emphasizing the cooling in the labor market, which now looks “fully back in balance”. He also characterized the US economy as “no longer overheated,” with “modest further progress” on reducing price pressures. Powell’s broad message aligned with his post-June FOMC comments, indicating that Fed policy decisions would remain data dependent. For now, the market continues to price in the first 25bps interest rate cut at the FOMC’s September meeting (the next meeting is in July), though the timing of a rate cut just ahead of the November 5 presidential election could be tricky.

China: Consumer prices rise less than expected in June. Consumer price inflation fell short of expectations in June, consistent with almost a year of lackluster economic growth due to sluggish domestic demand. Inflation stood at 0.2% y/y, down from 0.3% in May and marking the slowest rise in three months. Core inflation, which excludes volatile food and energy prices, stood at 0.6% y/y, unchanged from May. Meanwhile, deflation in producer prices showed signs of easing, at 0.8% y/y versus -1.4% in May, the smallest decline in 17 months, helped by a lower base last year. The government has been endeavoring to stimulate consumption following a sluggish post-COVID economic rebound. But there are persistent concerns regarding underlying problems including a prolonged slump in the property market and job instability.

Oman: Non-oil GDP in Oman records strong growth in Q1. GDP grew by 1.7% y/y in 1Q2024 with non-oil GDP leading growth at an impressive 4.5% y/y while the petroleum sector saw a contraction of 2.4%. The petroleum sector accounts for around 36% of GDP. On our estimates, full-year growth could come in at 0.6% in 2024 driven by 2.5% growth in non-oil GDP and a contraction of 3% in oil activities. However, if the non-oil sector continues to perform at the strong rate seen in Q1, overall growth could come in higher. The proposed personal income tax, which the Shura Council has advanced to the State Council, should have a muted effect on growth and the fiscal balance once implemented as the targeted segment of the population (both locals and expatriates) is slim.

Chart 1: China's consumer price inflation

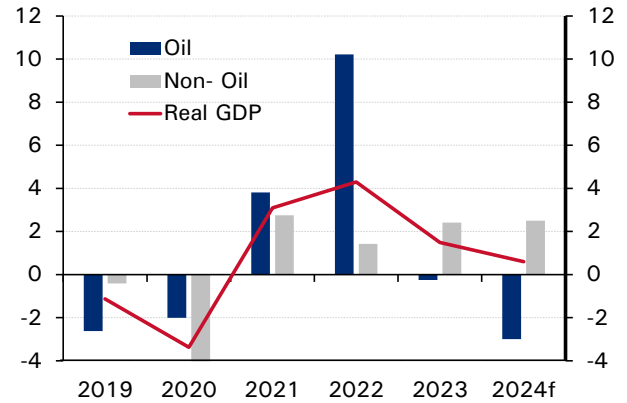
(% , y/y)



Source: Haver

Chart 2: Oman's real GDP

(% , y/y)



Source: Haver, NBK forecasts

Egypt: IMF pushes discussion on 3rd review to July 29th due to the cabinet change. The IMF has removed Egypt from its Executive Board schedule from today (July 10th) to July 29th to discuss the staff level agreement and approve the release of a \$820mn tranche of its earlier funding deal. In our opinion, the main reason behind the postponement is the cabinet change that took place last week. The IMF would like to ensure that the new government (especially the new finance minister) approves and signs once again all related documents. Senior IMF directors confirmed this in an article published yesterday in Ahram Online.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,136	0.03	-4.61
Bahrain (ASI)	2,000	-0.27	1.44
Dubai (DFMGI)	4,078	-0.09	0.46
Egypt (EGX 30)	28,466	0.19	14.63
GCC (S&P GCC 40)	682	0.52	-4.29
Kuwait (All Share)	7,081	0.41	3.87
KSA (TASI)	11,780	0.53	-1.57
Oman (MSM 30)	4,691	0.08	3.91
Qatar (QE Index)	10,166	0.09	-6.14
International			
CSI 300	3,440	1.12	0.25
DAX	18,236	-1.28	8.86
DJIA	39,292	-0.13	4.25
Eurostoxx 50	4,904	-1.33	8.45
FTSE 100	8,140	-0.66	5.26
Nikkei 225	41,580	1.96	24.25
S&P 500	5,577	0.07	16.92
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.30	-3.83	-19.00
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.30	-0.13	-2.99
Saudi	6.22	0.27	-1.08
LIBOR	5.57	-0.06	-2.68
SOFR	5.30	-0.23	-2.68

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.88	0.00	55.9
Oman 2027	5.58	0.00	42.3
Qatar 2026	4.95	-1.00	43.1
Kuwait 2027	5.05	0.00	71.0
Saudi 2028	5.06	1.00	53.9
International 10YR			
US Treasury	4.30	1.76	43.7
German Bund	2.56	4.05	53.0
UK Gilt	4.16	4.50	61.9
Japanese Gvt Bond	1.07	-1.00	45.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	-0.40
KWD per EUR	0.33	-0.08	0.05
USD per EUR	1.08	-0.09	-2.03
JPY per USD	161.31	0.31	14.36
USD per GBP	1.28	-0.16	0.42
EGP per USD	48.02	0.29	55.66
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	84.66	-1.27	9.89
KEC	87.53	-0.62	10.02
WTI	81.41	-1.12	13.62
Gold	2360.1	0.21	14.43

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

Source: Refinitiv / Haver

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