Fed policy expected to remain neutral amid signs of strength in economic data

- Q319 annualized GDP growth was revised up to 2.1% following a 2.0% expansion in Q2.
- The unemployment rate dropped back to 3.5% in November on strong job creation, slightly lower participation.
- Core inflation was steady at 2.3% in November, matching expectations; headline inflation rose to 2.1%.
- C&I loans growth eased to a 20-month low of 4.1% on continued softness in business activity.
- The ISM manufacturing PMI edged down slightly in November, the fourth consecutive month of contraction.
- US stock indices reached record highs in December, boosted by easing trade and economic growth concerns.

**Chart 1: Real GDP growth**

Q3 annualized GDP growth was revised up to 2.1% (from an initial estimate of 1.9%), following a 2.0% expansion in Q2.

Source: Refinitiv

**Chart 2: Unemployment rate**

The unemployment rate fell back down to 3.5% in Nov (3.6% in Sept.) on strong job creation helped by the end of the GM strike.

Source: Refinitiv

**Chart 3: Non-farm payrolls (new jobs)**

Non-farm payrolls rose by 266,000 in November, beating market expectations, from an upwardly-revised 156,000 in Oct.

Source: Refinitiv

**Chart 4: Wage growth**

Wage growth edged down to 3.1% in November from 3.2% in Oct., likely affected by a relatively large volume of new jobs.

Source: Refinitiv
Core inflation was steady at 2.3% in November, matching expectations; headline inflation rose to 2.1% (from 1.8% in Oct.).

Chart 5: Consumer price inflation
(% y/y)

Core inflation
Headline inflation

Chart 6: Commercial and industrial loans
(% y/y)

C&I loans growth eased for the third consecutive month to a 20-month low of 4.1% on continued softness in business activity.

Source: Refinitiv

Retail sales grew 3.4% y/y in Nov. from 3.3% in Oct.; growth missed expectations due to lower discretionary spending, though.

Chart 7: Retail sales
(% y/y)

Chart 8: Existing home sales and housing starts
(million units)

Housing starts rose to 1.37m units (3.2% m/m) on lower mortgage rates; existing home sales fell due to a seller shortage.

Source: Refinitiv

The manufacturing activity index edged down slightly in November, marking the fourth consecutive month of contraction.

Chart 9: Business activity surveys
(index)

The Fed left its policy rate on hold in the 1.50%-1.75% range, amid relatively positive economic data but higher inflation.

Source: Refinitiv

Chart 10: Policy interest rates
(%)
Futures point to a higher probability of no Fed policy actions in 2020 and staying neutral amid improved economic conditions.

Source: CME Group

The 10-yr treasury yield rose to 1.91% from 1.71% on reduced uncertainty following the Dec 15 ‘phase 1’ US-China trade deal.

Source: Refinitiv

Stock indices reached record highs in December, boosted by easing trade and growth concerns and strong investor sentiment.

Source: Refinitiv

The dollar index dipped earlier in Dec. before rebounding later in the month on trade optimism and a weaker pound Sterling.

Source: Refinitiv
Head Office

Kuwait
National Bank of Kuwait S.A.P.
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 220432NBK1FARHNBK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait S.A.P.
Zain Branch
Zain Tower, Building 401, Road 2086
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 S.A.P.
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 S.A.P.
Dubai Branch
Lalla Tower, Sheikh Zayed Road
Next to Crowne Plaza
P.O. Box 9293, Dubai, U.A.E.
Tel: +971 4 3161600
Fax: +971 4 3880566

National Bank of Kuwait S.A.P.
Abu Dhabi Branch
Sheikh Rashid Bin Sereid
Al Maktom, (Old Airport Road)
P.O. Box 11367, Abu Dhabi, U.A.E.
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait S.A.P.
Jeddah Branch
Al Khalidah District,
Al Muinah Tower, Jeddah
P.O. Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 693 6300
Fax: +966 2 693 6318

Jordan
National Bank of Kuwait S.A.P.
Amman Branch
Sharea Abd Al Hamil Sharaf St
P.O. Box: 94129, Shmeissani,
Amman 11194, Jordan
Tel: +962 6 580 0000
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait (Lebanon) S.A.L.
BAC Building, Joslin Street, Sunayeh
P.O. Box: 115727, Road ElSulh
Beirut 1107 2200, Lebanon
Tel: +961 1 1759780
Fax: +961 1 1747866

Iraq
Credit Bank of Iraq
Street 9, Building 182
Sadrion Street, District 102
P.O. Box: 3420, Bagdad, Iraq
Tel: +964 1 7182198/7191944
Fax: +964 1 7184046/7171673
Tel: +964 1 7170516

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 S.A.P.
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 3JA
UK
Tel: +44 20 7222 2277
Fax: +44 20 7222 2101

National Bank of Kuwait (International) Plc
Postman Square Branch
7 Postman Square
London W1H 6HA, UK
Tel: +44 20 7222 2277
Fax: +44 20 7486 3077

France
National Bank of Kuwait (International) Plc
Paris Branch
90 Avenue des Champs Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait S.A.P.
Singapore Branch
9 Raffles Place #44-01
Republic Plaza
Singapore 048699
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait S.A.P.
Shanghai Office
Suite 1803, 18th Floor, Asia Center
1231 Jiangxiu Road
Shanghai 200120, China
Tel: +86 21 6388 1892
Fax: +86 21 5047 1011

© Copyright Notice: The Chartbooks a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.

While every care has been taken in preparing the publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. NBK Research note is distributed on a complimentary and discretionary basis to members and associates. The report and other NBK research can be found in the "Research" section of the National Bank of Kuwait's web site. Please visit our web site, www.nbk.com, for other bank publications. For further information please contact
NBK Economic Research, Tel: (965) 2259 5500, Email: econ@nbk.com

NBK Economic Research, T: (965) 2259 5500, © 2019 NBK
www.nbk.com