

Daily Economic Update

Economic Research Department
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US: President Biden signs off on bill to avert government shutdown. President Biden signed off on a bill to avert a government shutdown after lawmakers agreed at the last minute on measures to keep the existing fiscal spending in place until November 17. The Senate voted 88-9 on Saturday night on a deal thrashed out earlier in the day by the House of Representatives. Without any approved budgeted funding, a potential shutdown may have led to the closure of several government functions, briefly impacting overall economic activity. Meanwhile, in economic data releases, the US Fed's preferred measure of underlying inflation, the core PCE rate, rose by 0.1% m/m in August, the slowest pace since November 2020. The annual rate moderated to 3.9% y/y from 4.3% in July. Headline inflation, however, increased 0.4% m/m (+3.5% y/y) in August (+0.2% m/m; +3.4% y/y in July) on rising energy prices. Meanwhile, second quarter GDP growth this year was confirmed at 2.1% q/q (annualized) in a revised estimate, though down from an upwardly revised 2.2% in Q1. Consumer spending was weaker than previously estimated, at 0.8% versus 1.7% (+3.8% in Q1), which offset stronger business investment spending. Consumer spending has been more robust in July-August, however, suggesting that economic growth could pick up strongly in Q3—notwithstanding headwinds such as the ongoing autoworkers' strike, the resumption of student loan repayments and generally weakening consumer sentiment.

Eurozone: Inflation eases to lowest level in almost two years. Headline inflation in the euro-area slowed to 4.3% y/y in September (+0.3% m/m) from 5.2% in August. This is the lowest reading since October 2021. The key core inflation gauge also fell, to 4.5% y/y in September (compared to 5.3% in August). The fall in inflation across both headline and core metrics will likely reinforce the expectation that the European Central Bank (ECB) at its next meeting in November will pause policy rates after ten consecutive interest rate increases. Global energy prices continue to be the main risk for headline inflation in the coming period, however.

China: Manufacturing activity expands for the first time in six months. Official composite PMI readings for September showed a third consecutive month of improvement, with a headline reading of 52.0 compared to 51.3 in August. The increase was on the back of a first expansion in six months in manufacturing (50.2) and stronger growth in the non-manufacturing segment (51.7). The readings point to further stabilization in economic activity, following better-than-expected retail sales and industrial production data in August. Meanwhile, in China's troubled property sector, the crisis at Evergrande, the country's most indebted developer, continued after its mainland subsidiary defaulted on a \$550m bond repayment (principal and interest).

Saudi Arabia: Credit growth solid in August while deposit inflows from government entities continued. Credit growth was a solid 1.1% in August, driving up the year-to-date (YTD) gain to 7.3%. Private-sector corporate lending increased by 1.2% in August (+10% YTD), while mortgage lending was up by an estimated 8% YTD. Deposit growth stood at 0.7% m/m (+7.4% YTD), which is broadly in line with credit growth. However, we note that so far this year, deposit growth has been mainly driven by deposits from government entities, which are up by a strong 24% YTD and which have accounted for almost all the increase (92%) in deposits YTD. In annual

growth terms, credit is up by 10% y/y, matching the increase in deposits. SAMA's reserve assets were broadly flat in August, standing at \$427 billion, but down by 7% YTD.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,785	-0.29	-4.17
Bahrain (ASI)	1,938	0.00	2.24
Dubai (DFMGI)	4,164	0.23	24.80
Egypt (EGX 30)	20,174	-0.89	38.19
GCC (S&P GCC 40)	670	0.00	-3.01
Kuwait (All Share)	6,887	-0.12	-5.56
KSA (TASI)	11,077	1.45	5.03
Oman (MSM 30)	4,669	0.00	-4.18
Qatar (QE Index)	10,265	-0.59	-3.90

International			
CSI 300	3,690	0.00	-4.70
DAX	15,387	0.41	10.51
DJIA	33,508	-0.47	1.09
Eurostoxx 50	4,175	0.32	10.04
FTSE 100	7,608	0.08	2.10
Nikkei 225	31,858	-0.05	22.09
S&P 500	4,288	-0.27	11.68

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.71	0.00	56.78
Kuwait	4.25	0.00	25.00
Qatar	6.00	0.00	71.67
UAE	5.29	0.00	91.45
Saudi	6.17	0.00	101.36
LIBOR	5.66	0.07	88.44
SOFR	5.39	0.47	80.74

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.04	3.10	81.3
Oman 2027	6.28	-4.10	28.8
Qatar 2026	5.28	0.90	80.4
Kuwait 2027	5.22	3.30	94.6
Saudi 2028	5.40	0.70	73.3

International 10YR			
US Treasury	4.57	-2.60	74.0
German Bund	2.84	-13.00	27.6
UK Gilt	4.44	-4.70	77.3
Japanese Gvt Bond	0.77	1.50	35.3

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	1.08
KWD per EUR	0.33	0.11	-0.17
USD per EUR	1.06	0.10	-1.23
JPY per USD	149.35	0.04	13.91
USD per GBP	1.22	0.00	0.83
EGP per USD	30.85	0.00	24.70

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	95.31	-0.07	10.94
KEC	97.90	-0.75	19.33
WTI	90.79	-1.00	13.12
Gold	1848.1	-0.66	1.56

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

Source: Refinitiv / Haver

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