

Daily Economic Update

Economic Research Department
18 February 2024

Kuwait: Parliament dissolved by Emir over MP comments. Kuwait's National Assembly was summarily dissolved by an Emiri decree on Thursday over comments made by MP Abdulkarim Al-Kandari that were deemed to have been disrespectful to the Emir, and subsequently removed from the record by the Speaker of the House. The Emir's decision to dissolve parliament after only eight months, however, followed a vote in the assembly on reinstating the MP's comments which passed in favor by 44 votes to 16. Elections will now need to be held within two months as per Article 107 of the constitution. In the interim, the government may continue with its recently updated 4-year economic reform plan, in which it outlined several measures and issues to be addressed within 100 days.

Saudi Arabia: Consumer price inflation inches up slightly in January. The consumer price index increased by 0.3% m/m in January, slightly pushing up the y/y increase to 1.6% from 1.5% in December. Housing rentals (21% weight in the CPI basket) continued to be the main driver of price pressures, increasing by 1.2% m/m while a distant second was food and beverages (+0.3% m/m). Over the past year, housing rentals (+9.3% y/y) is by far the main driver of inflation with restaurants/hotels the only other category with a price increase exceeding 2% (2.4%). On average, inflation stood at 2.3% in 2023 (down from 2.5% in 2022), and we expect a further moderation to around 2% in 2024.

UK: Economy slips into recession in Q4 2023. GDP shrank 0.3% q/q in Q4 2023, posting a second consecutive quarter of negative growth (-0.1% in Q3), according to official figures. Activity fell across most sectors, with manufacturing, construction, and wholesale the largest contributors to the decline, while hotels and rentals of vehicles and machinery provided some positive offset. At the expenditure level, net trade and both private and government consumption declined in Q4. For the year, GDP growth came in at just 0.1%; in comparison, US output grew by 2.5% and Eurozone activity rose 0.5% last year, though Germany's economy underperformed the UK's with its 0.3% contraction in 2023. The figures will make unwelcome reading for Prime Minister Rishi Sunak and the Conservative Party in an election year and could sway the Bank of England to bring forward its interest rate cut timeframe, especially after UK inflation in January came in below expectation at a steady 4% (markets now see a 65% chance of a first rate cut by June). That said, with wage growth comfortably outpacing inflation, unemployment low (3.8%) and house prices rising, the economic picture is not all gloomy.

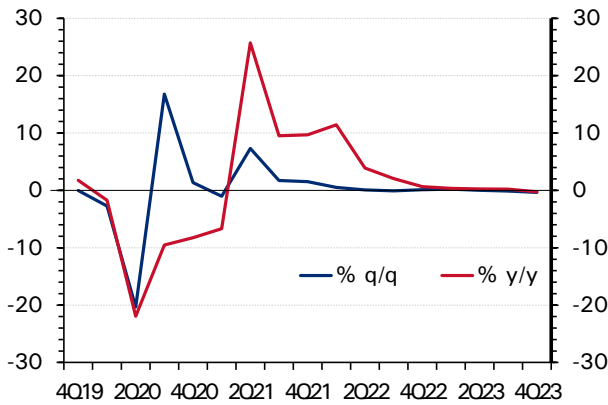
US: Economic output indicators worsen in January, likely due to bad weather. Retail sales in January fell by a more than forecast 0.8% m/m from a downwardly revised +0.4% in December, likely impacted by bad weather as consumers pulled back spending after the end of the holiday season. A core measure, which ties closely with the personal consumption component in GDP and excludes food services, auto dealers, building materials, and gasoline sales, fell for the first time since March 2023 by 0.4% m/m from +0.6% in December. Similarly, industrial production in January also unexpectedly contracted by 0.1% m/m after a revised no-change reading in December, partially explained by weather-related disruptions to manufacturing and mining output.

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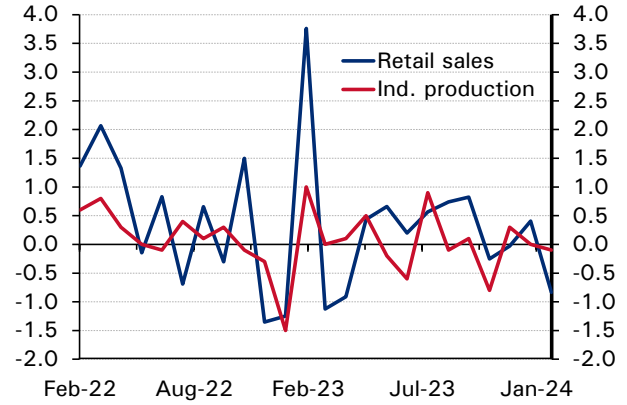
Meanwhile, consumer sentiment (the University of Michigan survey) stayed at its a two-and-half-year high of 79.6 in February, slightly better than 79 in January, as broadly slower inflation and robust labor market conditions help keep consumer confidence buoyant. Like CPI inflation data earlier, January's producer price inflation also came in hotter than expected at +0.3% m/m, rebounding from -0.1% but slowed annually to 0.9% from 1% earlier, with core PPI accelerating to 0.5% m/m (2% y/y) from -0.1% m/m (+1.7% y/y). Overall, weaker economic indicators should not cause too much concern for now, as harsh winter conditions may have unduly impacted the momentum. Still, hotter inflation readings could signal that the Fed may not declare victory over inflation soon, likely keeping the restrictive stance in place for longer than currently expected by the market.

Chart 1: UK GDP (quarterly)
(% change)



Source: Haver, ONS

Chart 2: US retail sales and industrial production
(% m/m)



Source: Haver

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,427	0.23	-1.57
Bahrain (ASI)	2,068	-0.57	4.87
Dubai (DFMGI)	4,259	0.47	4.90
Egypt (EGX 30)	28,926	0.18	16.48
GCC (S&P GCC 40)	736	0.11	3.29
Kuwait (All Share)	7,334	0.03	7.58
KSA (TASI)	12,485	0.37	4.32
Oman (MSM 30)	4,630	-0.01	2.57
Qatar (QE Index)	10,155	-0.57	-6.24
International			
CSI 300	3,365	0.00	-1.93
DAX	17,117	0.42	2.18
DJIA	38,628	-0.37	2.49
Eurostoxx 50	4,766	0.47	5.40
FTSE 100	7,712	1.50	-0.28
Nikkei 225	38,487	0.86	15.01
S&P 500	5,006	-0.48	4.94
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.39	0.00	-13.76
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.34	-1.35	2.54
Saudi	6.21	0.00	-2.34
LIBOR	5.58	-0.51	-1.23
SOFR	5.32	-0.66	-1.23

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.69	2.20	36.9
Oman 2027	5.69	9.10	53.4
Qatar 2026	4.85	-1.80	32.6
Kuwait 2027	4.53	-2.70	19.1
Saudi 2028	5.01	-1.70	49.0
International 10YR			
US Treasury	4.30	5.50	43.5
German Bund	2.40	4.80	37.1
UK Gilt	4.11	5.50	57.2
Japanese Gvt Bond	0.73	0.20	11.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.23
KWD per EUR	0.33	0.05	0.33
USD per EUR	1.08	0.03	-2.37
JPY per USD	150.21	0.20	6.49
USD per GBP	1.26	-0.02	-1.03
EGP per USD	30.85	0.00	0.00

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	83.47	0.74	8.35
KEC	82.33	1.88	3.48
WTI	79.19	1.49	10.52
Gold	2011.5	0.47	-2.47

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

Source: Refinitiv / Haver