

Daily Economic Update

Economic Research Department
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Europe: Eurozone out of recession and core inflation slows down further. Euro-area GDP grew by 0.4% y/y in the first quarter of 2024, higher than forecasts (+0.2% y/y) and growth in Q4 2023 (+0.1% y/y). On a quarterly basis, GDP grew by 0.3% q/q (vs. -0.1% q/q in Q4 2023), still higher than 0.1% expected by the market. Growth in the eurozone is now at its fastest pace in 1.5 years, on stronger gains in Germany (+0.2% y/y), France (+0.2%), Italy (+0.3%), and Spain (+0.7%). The Eurozone appears to have exited the recession after it saw its economy shrinking in the first half of 2023. The ECB now expects the euro area to grow by 0.6% in 2024 and by 1.5% in 2025, supported mainly by a rebound in household incomes and a strengthening in the foreign demand. Inflation in the Eurozone was 2.4% y/y in April, unchanged from March but down slightly on a monthly basis to 0.6% m/m from 0.8% y/y in March. Core inflation saw a drop to 2.7% y/y from 2.9% y/y (+0.7% m/m from 1.1% m/m in March). The further slowdown in inflation, especially on the core side should allow the ECB to deliver its first rate cut this June. April also witnessed a drop in services inflation to 3.7% y/y from 4% y/y (it has been at 4% for the past five months).

US: Labor costs rise, home price gains accelerate, and consumer confidence plunges. The employment cost index in Q1 2024 rose more than forecast (+1.2% q/q) and at the fastest pace in a year (+0.9% in Q4 2023), suggesting elevated inflationary pressures due to rising wages. On the other hand, housing prices (based on the S&P Case Shiller national index) recorded their 13th straight monthly gain, with rises accelerating at 0.4% m/m (+6.4% y/y) in February from 0.3% (+6% y/y) in January amid a persistent lack of existing homes inventory in the market. Combined with the labor cost rises, the sustained increase in home prices means overall inflationary pressure could remain elevated, further stalling the disinflation momentum. Potentially, this could tilt the Fed's tone a bit more towards the hawkish side at the ongoing FOMC meeting, the outcome of which will be released this evening. Meanwhile, the Conference Board's consumer confidence index unexpectedly fell to 97 in April, its lowest since July 2022, from a downwardly revised 103.1 in March, on growing consumer worries about labor market conditions and rising food and energy prices.

Kuwait: External current account surplus declines in 2023. Preliminary balance of payments data published by the Central Bank of Kuwait (CBK) showed a decline in Kuwait's current account surplus to KD15.8 billion (31.5% of GDP) in 2023 from KD19.3 billion in 2022 (34.5% of GDP). This came on the back of a fall in hydrocarbon export receipts due to lower oil prices (KEC declined 16.7% y/y to \$84.3/bbl in 2023) and lower oil production (-4.3% y/y to 2.6 mb/d). In addition, imports (FOB) increased by 16.8%, reflecting the continued recovery in consumption post pandemic. Moreover, the services account deficit increased to KD5.8 billion due to rising outbound tourism debits. On the other hand, primary income, registered a significant increase to reach KD9.9 billion on rising portfolio and other investment returns from overseas, owing to high interest rates. Secondary income, which is dominated by workers' remittances, saw a significant decline of 27.8% y/y to KD4.0 billion, probably on rising living costs in Kuwait. The financial account, meanwhile, recorded lower direct and portfolio

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investment outflows while reserve assets remained stable, declining only by KD150 million to a still sizable KD14.6 billion, covering more than three months of imports of goods & services.

Saudi Arabia: Strengthening retail loan growth and CASA outstripping time deposits so far this year. Credit increased by 0.7% m/m in March (+3.3% YTD; +10.7% y/y). Growth in private sector corporate lending softened to 0.4% m/m but YTD growth is a strong 3.8%. Total personal lending recorded the fastest monthly growth (+1.1%) in a year and a half with the YTD increase improving to 2.2%. For the third consecutive month, deposit growth was solid at 2.3% m/m, driving up the YTD increase to 5% (+8.1% y/y), which is slightly ahead of credit growth. Importantly, and against the trend seen in 2022-2023, CASA deposits have outstripped time deposits for the third straight month (+7.2% YTD) while time deposits are down (-2.4% YTD). SAMA's reserve assets jumped by \$24 billion in March (+5.4% m/m) to stand at \$455 billion (43% of GDP). Reserve assets are now up by 4.2% YTD, after falling by 5% in 2023.

Bahrain: Inflation accelerates in March. Consumer price inflation rose 1% y/y in March, boosted by sharper growth in hotels & restaurants (+7.8% y/y), food & beverages (+6.4%) and recreation & culture (+5.2%). The increase was slightly offset, however, by faster rates of decline in clothing & footwear (-1.5% y/y) and housing (-0.7%). After a subdued 2023 due to higher interest rates and slowing non-oil economic activity, inflation is expected to normalize this year to a more moderate 1.4% (year average).

Egypt: Banks' net foreign assets deficit narrowed in March. The deficit in banks' net foreign assets (NFA) narrowed to \$4.2bn in March 2024 from \$22bn in February 2024. Commercial Banks' NFAs deficit saw the biggest improvement, by \$10.4bn, mainly on the back of a \$7.2bn increase in the assets side and a drop of \$3.1bn on the liabilities side. The Central Bank of Egypt's (CBE) NFA deficit narrowed down by \$7.4bn as the CBE has converted \$4bn of UAE deposits into EGP investments as per the Ras El Hekma agreement thus causing the liability side to improve by the same amount. Assets increase by \$3.4bn on the back of higher reserves. All in all, the improvement is significant, and we expect the momentum to continue over the coming months, albeit at a slower pace.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,067	0.05	-5.33
Bahrain (ASI)	2,029	0.13	2.92
Dubai (DFMGI)	4,156	-0.12	2.36
Egypt (EGX 30)	24,449	-6.01	-1.55
GCC (S&P GCC 40)	702	-0.27	-1.50
Kuwait (All Share)	7,051	0.12	3.43
KSA (TASI)	12,395	0.21	3.57
Oman (MSM 30)	4,784	0.20	5.98
Qatar (QE Index)	9,727	-0.17	-10.19

International			
CSI 300	3,604	-0.54	5.05
DAX	17,932	-1.03	7.05
DJIA	37,816	-1.49	0.34
Eurostoxx 50	4,921	-1.20	8.84
FTSE 100	8,144	-0.04	5.31
Nikkei 225	38,406	1.24	14.77
S&P 500	5,036	-1.57	5.57

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.33	0.35	-19.34
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.32	0.29	-1.20
Saudi	6.24	-3.75	0.84
LIBOR	5.59	0.13	-0.33
SOFR	5.33	-0.27	-0.46

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.21	0.90	88.9
Oman 2027	6.10	5.00	94.2
Qatar 2026	5.32	3.00	80.5
Kuwait 2027	5.29	3.70	95.0
Saudi 2028	5.37	2.00	84.7

International 10YR			
US Treasury	4.68	7.20	82.4
German Bund	2.58	5.50	55.2
UK Gilt	4.35	5.90	81.3
Japanese Gvt Bond	0.87	-4.80	25.6

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.07	0.14
KWD per EUR	0.33	-0.50	-0.71
USD per EUR	1.07	-0.50	-3.36
JPY per USD	157.80	0.94	11.87
USD per GBP	1.25	-0.57	-1.88
EGP per USD	47.80	0.00	54.94

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	87.86	-0.61	14.04
KEC	88.81	-0.91	11.63
WTI	81.93	-0.85	14.35
Gold	2291.4	-2.30	11.10

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

Source: Refinitiv / Haver