

Daily Economic Update

Economic Research Department
6 March 2024

Egypt: PMI falls to the lowest level in 11 months. Private sector activity fell to its lowest level in 11 months in February, the latest Egypt PMI showed with a fall in the headline rate to 47.1 from 48.1 in January. The decline came on the back of higher input costs for corporates that was mainly driven by the disruption in the Red Sea and its impact on traffic in the Suez Canal. These disruptions have caused a sharp increase in freight prices, leading to higher costs across major segments. The PMI reading showed a general decrease in demand, output, and employment. New orders fell sharply, with domestic sales declining, especially at wholesale and retail firms. The survey also showed that import prices rose substantially, leading to an increase in overall final goods and services prices at most businesses.

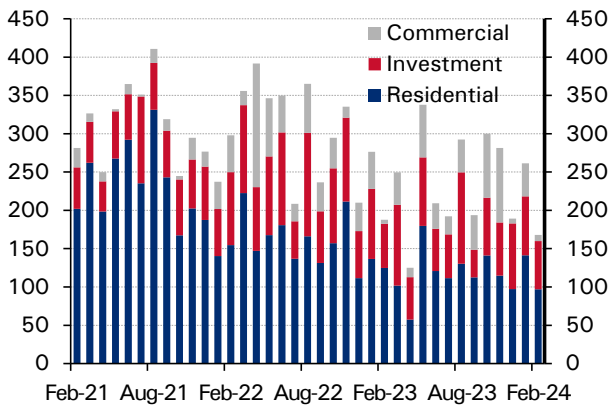
Bahrain: Fitch affirms sovereign rating at B+ with stable outlook. In its latest report on Bahrain, Fitch Ratings affirmed the Kingdom's rating at "B+" with a stable outlook. The agency cited financial backing from GCC partners and high GDP per capita in particular, though weak public finances, high fiscal dependence on oil revenues and low levels of foreign currency reserves weighed on the outlook. Fitch expects the deficit to widen this year owing to delays in enacting non-oil revenue-boosting reforms and rising interest payments, which generally echoes our outlook from November last year (report accessible [here](#)).

Kuwait: Real estate sales decreased in February. Real estate sales fell by 10.6% y/y in February to KD168 million, the lowest level since April 2023. This decline was driven by a 22% y/y fall in residential sales, with the number of transactions declining by 10.4%. However, investment and commercial sales did offer some support, registering growth of 9.5% y/y to KD63.0 million and 45% y/y to KD7.8 million, respectively. The decline in the sales growth rate was softer than in 2023, potentially pointing to a near-bottoming out in the market. However, we expect sales to remain weak over the coming two months with the Holy Month of Ramadan and Eid Al-Fitr hovering into view.

US: Service activity expansion slows but still signals underlying strength. The ISM index softened more than expected in February, falling to 52.6 in February from 53.4 in January as employment contracted but price pressures eased. This was still a 14th consecutive month of expansion for the US services sector, however, with new orders jumping to a six-month high and business activity rising for a fifth straight month, signaling robust demand momentum. Moreover, survey respondents were generally upbeat about business prospects, with potentially more expansion ahead. Meanwhile, easing service price pressures should be welcome news for the US Fed, though the bank could still maintain a somewhat hawkish bias at its upcoming meeting given the strength of the economy.

Chart 1: Kuwait real estate sales

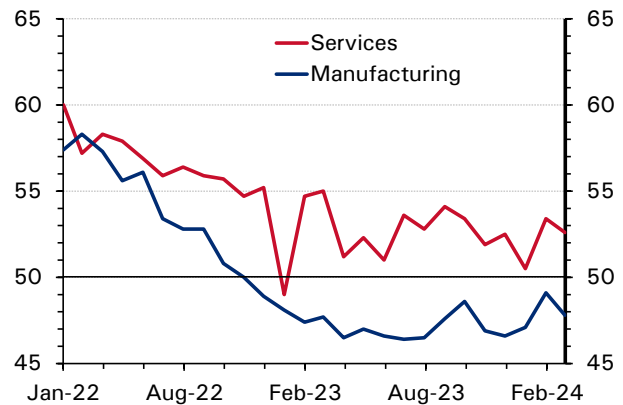
(KD million)



Source: Ministry of Justice (MoJ)

Chart 2: US ISM PMI

(index)



Source: Haver

Eurozone: Economy moves closer to ‘stabilization’, February’s PMI shows. The contraction in eurozone business activity lessened in February, the latest HCOB Eurozone Composite PMI Output Index revealed. The headline figure ticked up from 47.9 in January to 49.2 in February, an eight-month high, and closer to the 50 no-change level, a sign that the euro-area was heading closer to ‘stabilization’ after nine months in contraction territory. Noteworthy were the expansions seen in Ireland, Spain and, to a lesser extent, Italy, while the French and German economies continued to contract. Driving the uptick in the composite index was the services sector, which, for the first time since last July, expanded, hitting 50.2 versus 48.4 in January on the back of an uplift in employment and stable output and new business. Eurozone manufacturing, on the other hand, continued to languish in contraction territory, though the rate of decline slowed in February. Business confidence improved for a fifth consecutive month even while input cost pressures intensified across the eurozone.

UK: Services sector activity continued to expand in February, PMI showed. The S&P Global UK Composite PMI edged up slightly in February to 53.0 from 52.9 in January. The gain was driven by the fastest increase in private sector activity since May 2023, with the services sector showing strong (53.8) but slower growth than in January (54.3). New business and export growth were key, with survey respondents citing improved consumer and business spending, partly shaped by expectations of lower interest rates ahead. Both input and output cost inflation remained elevated, however, with the former rising at the fastest rate in five months on the back of rising wage bills. Output in the manufacturing sector, meanwhile, declined at the slowest rate in three months. In other data releases, UK retail sales rose in February at the slowest pace since August 2022 at 1.1% y/y, easing slightly from January’s rate of 1.2%, figures from the British Retail Consortium (BRC) showed. The BRC noted that February’s poor weather—the wettest on record for the month—had a significant adverse effect on consumer demand.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,236	-0.53	-3.57
Bahrain (ASI)	2,015	1.06	2.19
Dubai (DFMGI)	4,246	-1.87	4.58
Egypt (EGX 30)	30,669	0.41	23.50
GCC (S&P GCC 40)	724	-0.69	1.68
Kuwait (All Share)	7,429	-0.05	8.97
KSA (TASI)	12,470	0.29	4.20
Oman (MSM 30)	4,703	1.50	4.18
Qatar (QE Index)	10,385	-0.84	-4.12

International			
CSI 300	3,566	0.70	3.92
DAX	17,698	-0.10	5.65
DJIA	38,585	-1.04	2.38
Eurostoxx 50	4,893	-0.40	8.21
FTSE 100	7,646	0.08	-1.13
Nikkei 225	40,098	-0.03	19.82
S&P 500	5,079	-1.02	6.47

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.39	0.34	-13.71
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.30	9.62	-2.59
Saudi	6.24	2.61	0.77
LIBOR	5.59	0.26	-0.50
SOFR	5.32	-0.74	-0.76

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.77	0.30	44.7
Oman 2027	5.70	-4.60	53.9
Qatar 2026	4.92	1.90	40.3
Kuwait 2027	4.67	0.70	33.2
Saudi 2028	4.96	-2.70	43.8

International 10YR			
US Treasury	4.14	-8.20	27.7
German Bund	2.32	-7.70	29.1
UK Gilt	4.01	-11.30	47.2
Japanese Gvt Bond	0.70	-1.10	8.6

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	0.12
KWD per EUR	0.33	0.01	0.97
USD per EUR	1.09	0.01	-1.64
JPY per USD	150.04	-0.31	6.37
USD per GBP	1.27	0.10	-0.20
EGP per USD	30.85	0.00	0.00

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.04	-0.92	6.49
KEC	82.04	-1.58	3.12
WTI	78.15	-0.75	9.07
Gold	2133.5	0.75	3.45

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

Source: Refinitiv / Haver