

Daily Economic Update

Economic Research Department
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Oil: Market shrugs off Iranian attack; Brent posts weekly loss. Oil prices traded lower in Asian markets Monday morning (-0.2% to \$90.3/bbl), shrugging off Iran's attack over the weekend after the Islamic Republic indicated that it had concluded its retaliatory response to the Israeli airstrike on its consulate in Syria. Attention will now focus on whether Israel will take heed of US warnings not to escalate the situation further, which would almost certainly add further upside risk to prices this week. Last week saw Brent futures closing lower at \$90.5/bbl (-0.8% w/w; +17.4% ytd), influenced by the International Energy Agency (IEA) lowering its oil demand growth forecast for this year by 130 kb/d to 1.2 mb/d on the back of lower-than-expected consumption in OECD countries and a slump in factory activity. The IEA also published its oil outlook for 2025, in which it projects oil demand growth slowing further to 1.1 mb/d. OPEC, meanwhile, kept oil demand growth forecasts for this year and next steady at 2.2 mb/d and 1.8 mb/d, respectively. The difference between the two agencies' oil demand growth forecasts is the most since at least 2008. Given the recent run up in oil prices, OPEC's decision at the next ministerial meeting on June 1 will be closely monitored to gauge the market balance in the second half of 2024.

Kuwait: Solid credit growth in February, especially business lending. Domestic credit increased by a strong 0.7% m/m in February, driving up YTD growth to 0.5% (+1.8% y/y) as rising business and household credit was supported by a jump in lending for banks and financial institutions (+6.8% m/m). Business credit increased by a robust 0.5% m/m, driving up YTD growth to 0.5% (+0.7% y/y). Business credit growth in February was fairly broad-based across sectors, but with the construction sector expanding by a strong 3.7% m/m, remaining the fastest growing so far this year, in line with trend seen in 2022-2023. Household credit continued its modest recovery that started in the second half of 2023, increasing by 0.2% m/m and 0.4% YTD (+1.9% y/y). We note that growth in consumer loans (+1.1% YTD) has been faster than that of housing loans (+0.3%) so far this year, after the latter was in the lead in 2022-2023. Meanwhile, after a weak January, resident deposits increased by a solid 1% m/m in February (+0.7% YTD, +3.7% y/y) with all three components of deposits (private sector, public institutions, and government) rising. After being flat in January, private-sector deposits increased by 0.8% m/m in February (+0.3% y/y), and while private-sector CASA increased by 0.6% m/m, it was outstripped by 1.4% growth in private-sector time deposits.

Kuwait: Real estate sales record some improvement in March. Real estate sales increased by 7.4% y/y in March, versus a decline of 10.6% y/y in February, reaching KD268 million. This came on an improvement in residential sales, which increased by 12.6% y/y to KD115 million. Commercial sales also logged a notable rise of 45% y/y to stand at KD62 million with most of the sales concentrated in Kuwait City and Hawalli governorates. On the other hand, investment sales declined by 12.8% y/y to reach KD92 million as transactions decreased by 29%, which could be attributed to seasonality given the Holy Month of Ramadan. For Q1 2024, real estate sales reached KD698 million, registering a softer fall (-2.3% y/y) compared to the previous two quarters on easing

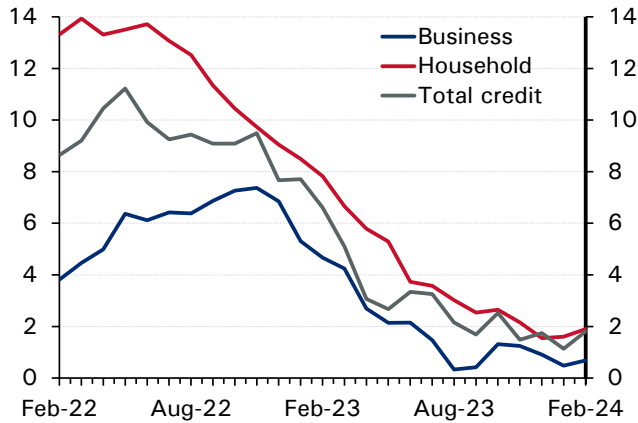
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declines in the residential and investment segments at 2.8% and 8.9% y/y respectively, while commercial sales expanded by 16.9% supported by growth in non-oil economic activities.

Chart 1: Kuwait credit growth

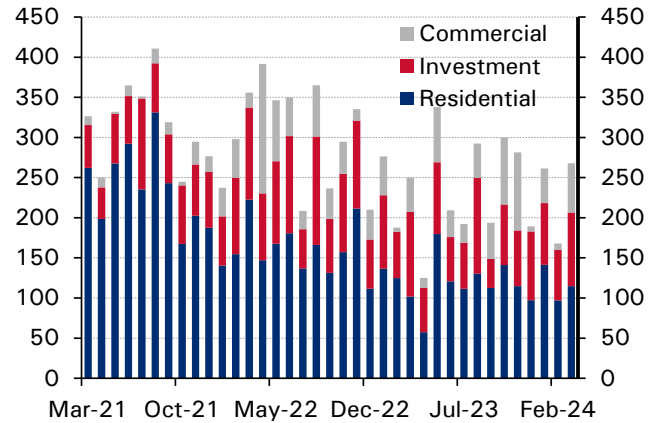
(% y/y)



Source: CBK

Chart 2: Real estate sales

(KD millions.)



Source: Ministry of Justice (MoJ)

Bahrain: Economic growth moderates in 2023. GDP growth decelerated to 2.4% last year from 5.2% in 2022 on elevated interest rates and lower oil production. The non-oil economy grew by a solid 3.5% in 2023, helped by robust growth in the transport & communication, restaurants & hotels, and government services sectors, albeit decelerating from 6.3% in the prior year. Oil GDP, meanwhile, fell 2.5% last year as crude oil production declined in the Abu-Safaa field due to maintenance works. The outperformance of the non-oil economy in 2023 pushed its share of total GDP to 83.9%, the highest level on record, amid the Kingdom's push to diversify away from hydrocarbons. For Q4 2023, GDP grew by 3.8% y/y, supported by a 4.5% increase in non-oil GDP.

US: Retail sales, industrial production, and housing activity data due this week. This week's economic releases will start with March's retail sales data this evening, with expectations for a 0.3% m/m rise following a 0.6% increase in February. Meanwhile, markets will be looking for sustained signs of recovery in industrial production (due tomorrow), which, in February, inched up by a mere 0.1% m/m. On the housing front, building permits and housing starts (both due tomorrow) are expected to ease slightly in March, by 0.7% and 2.7% m/m, respectively, after a solid performance in February. Finally, March's existing home sales (due Thursday) may also retreat (-4% m/m) after their unexpected surge the previous month.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,237	n/a	-3.56
Bahrain (ASI)	2,040	n/a	3.50
Dubai (DFMGI)	4,244	n/a	4.54
Egypt (EGX 30)	28,504	n/a	14.78
GCC (S&P GCC 40)	731	n/a	2.56
Kuwait (All Share)	7,117	-0.98	4.40
KSA (TASI)	12,667	-0.30	5.85
Oman (MSM 30)	4,701	0.08	4.13
Qatar (QE Index)	9,844	-0.80	-9.11

International			
CSI 300	3,476	n/a	1.30
DAX	17,930	n/a	7.04
DJIA	37,983	n/a	0.78
Eurostoxx 50	4,955	n/a	9.58
FTSE 100	7,996	n/a	3.39
Nikkei 225	39,524	n/a	18.11
S&P 500	5,123	n/a	7.41

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.37	n/a	-15.73
Kuwait	4.31	n/a	0.00
Qatar	6.00	n/a	-25.00
UAE	5.24	n/a	-8.81
Saudi	6.16	-1.53	-6.97
LIBOR	5.59	n/a	-0.37
SOFR	5.33	n/a	-0.28

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.07	n/a	75.2
Oman 2027	5.90	n/a	73.9
Qatar 2026	5.17	n/a	64.8
Kuwait 2027	5.07	n/a	72.7
Saudi 2028	5.23	n/a	70.7

International 10YR			
US Treasury	4.50	n/a	63.9
German Bund	2.36	n/a	33.0
UK Gilt	4.14	n/a	60.0
Japanese Gvt Bond	0.86	n/a	24.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.02	0.31
KWD per EUR	0.33	-0.68	-0.83
USD per EUR	1.06	0.00	-3.57
JPY per USD	153.28	0.00	8.66
USD per GBP	1.25	0.00	-2.19
EGP per USD	47.53	0.00	54.07

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	90.45	n/a	17.41
KEC	90.98	n/a	14.35
WTI	85.66	n/a	19.55
Gold	2356.2	n/a	14.25

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

Source: Refinitiv / Haver