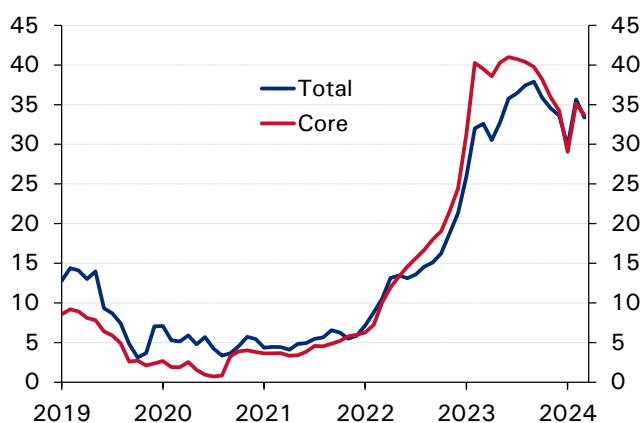


Daily Economic Update

Economic Research Department
14 April 2024

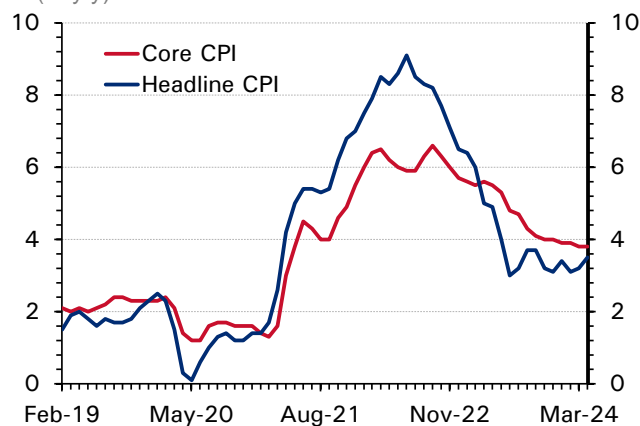
Egypt: Inflation eases back in March following February's spike. Having spiked 11% m/m in February, there was some relief in Egypt's CPI figures for March, which showed prices rising a much more modest 1.0% m/m. This took the y/y rate down to 33.4% from 35.7% in February. The slowdown came despite the 38% currency devaluation in early February, which would normally be expected to push prices up via higher import costs. However, it seems likely that the adjustment came one month earlier, driven by extreme weakness of the currency in the parallel market. Following the devaluation, that weakness has now been reversed, contributing to the slower increase in consumer prices in March. Sector-wise, almost all CPI segment price rises eased slightly y/y in March but remained in double digits. The food segment, which has a large 33% weight in the CPI index, saw price rises slow to 45% y/y from 51% in March and from a peak of 74% last September. Meanwhile, the core inflation rate, which excludes regulated items and volatile food items, slowed to 33.7% y/y from 35.1% in February. Despite the better news in March, inflation still seems likely to remain above 30% for most of the year.

Chart 1: Egypt CPI inflation
(% y/y)



Source: Haver

Chart 2: US CPI Inflation
(% y/y)



Source: Haver

US: Hotter inflation data trim rate cut expectations. CPI inflation in March exceeded expectations, accelerating to 3.5% y/y (0.4% m/m) from 3.2% (0.4% m/m) in February on rising gasoline prices. The core rate also came in above forecast at 3.8% y/y (0.4% m/m), unchanged from the previous month. Shelter inflation remained stuck at 5.7% y/y (0.5% m/m), underscoring a slow and bumpy path to disinflation progress on stickier service prices. However, providing some solace, wholesale inflation (PPI) was slightly lower than forecast at 2.1% y/y (0.2% m/m) from the 1.6% (0.6% m/m) recorded in February, signaling that price pressures down the supply chain remain limited at this point. Nonetheless, stubborn CPI inflation tempered Fed rate cut expectations, with

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markets now looking for the first rate cut at the Fed's July meeting, with a total of only two cuts (25 bps each) by year end. Meanwhile, the University of Michigan consumer sentiment index in April eased more than forecast to 77.9 from 79.4 in March as consumers' next-year and five-year inflation expectations rose to 3.1% and 3% from 2.9% and 2.8%, respectively.

Eurozone: ECB keeps rates on hold, market sees first cut in June. The European Central Bank kept interest rates on hold at its April meeting as expected, leaving the deposit rate at 4%. However, according to ECB president Lagarde, "a few" members of the policymaking committee argued for an immediate rate cut, against a backdrop of weak economic growth and an improving inflation picture. GDP across the region stagnated in Q4 2023 and contracted in its largest economy, Germany, while Eurozone inflation slowed to 2.4% in March – close to the bank's 2% target. The apparently split decision among members in April sets up a likely first interest rate cut at the bank's next policy meeting in June – so long as updated bank economic projections show inflation remaining on a disinflationary path.

China: March data disappoints, Fitch cuts outlook to negative. March's inflation and trade data came in worse-than-expected as the robust pickup in economic activity witnessed in February due to the Lunar New Year fizzled. Consumer prices inched up 0.1% y/y in March, slowing from 0.7% in the prior month as consumption normalized while the decline in producer prices steepened to -2.8% y/y, marking the 18th straight month of contraction. Meanwhile, goods' exports fell 7.5% y/y while imports declined by 1.9%, reversing 7.1% and 3.5% gains in the January-February period, respectively. Meanwhile, Fitch Ratings cut the country's outlook to "negative", citing growing public debt as the main concern behind the change. Overall, the economy faces steep challenges this year from lackluster consumption as seen in weak imports and inflation, while export growth will likely depend largely on world economic growth as well as foreign countries' response to aggressive Chinese industrial and manufacturing subsidies.

Japan: Industrial production remained in contraction in February. The contraction in industrial production in February was revised to -0.6% m/m from an initial estimate of -0.1% m/m, though remained much better than January's reading of -6.7% m/m, the steepest monthly decline since May 2020. Output for motor vehicles (-8.1% m/m versus -15.9% in January), production machinery (-3.2% versus -6.1%), and transport equipment excluding motor vehicles (-6.9% versus -1.6%) remained in contraction, which will weigh on the GDP figure for Q1 2024. On a yearly basis, industrial production registered its sharpest decline since October 2023 at -3.8%.

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)	7,187	n/a	5.43
KSA (TASI)	12,705	n/a	6.17
Oman (MSM 30)	4,697	n/a	4.05
Qatar (QE Index)	9,924	n/a	-8.37

International			
CSI 300	3,476	-0.81	1.30
DAX	17,930	-0.13	7.04
DJIA	37,983	-1.24	0.78
Eurostoxx 50	4,955	-0.23	9.58
FTSE 100	7,996	0.91	3.39
Nikkei 225	39,524	0.21	18.11
S&P 500	5,123	-1.46	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	6.18	n/a	-5.44
LIBOR	5.59	-0.09	-2.55
SOFR	5.33	2.96	-0.28

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.07	1.10	75.2
Oman 2027	5.90	0.00	73.9
Qatar 2026	5.17	-1.00	64.8
Kuwait 2027	5.07	7.30	72.7
Saudi 2028	5.23	0.00	70.7

International 10YR			
US Treasury	4.50	-7.70	63.9
German Bund	2.36	-11.80	33.0
UK Gilt	4.14	-6.60	60.0
Japanese Gvt Bond	0.86	0.60	24.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.08	0.31
KWD per EUR	0.33	-0.68	-0.83
USD per EUR	1.06	-0.76	-3.57
JPY per USD	153.28	0.01	8.66
USD per GBP	1.25	-0.80	-2.19
EGP per USD	47.53	0.06	54.07

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	90.45	0.79	17.41
KEC	90.98	n/a	14.35
WTI	85.66	0.75	19.55
Gold	2356.2	0.06	14.25

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

Source: Refinitiv / Haver