

Daily Economic Update

Economic Research Department
17 March 2024

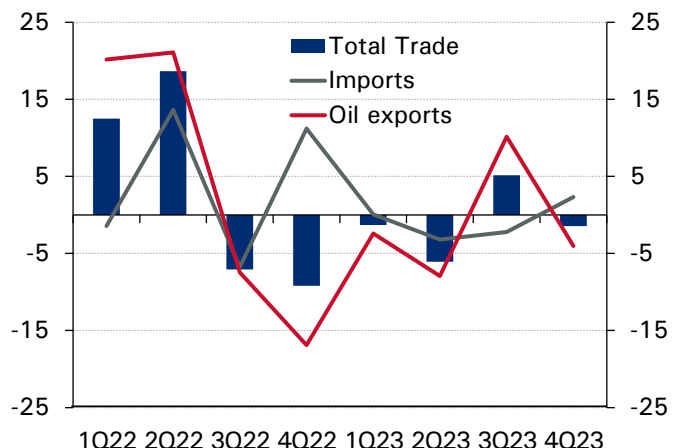
US: Producer price inflation rises, and retail sales disappoint. Economic data painted a slightly weaker picture of the US economy in Q1. Like the trend seen in consumer prices, producer price inflation came ahead of expectations, accelerating from 1% y/y (0.3% m/m) in January to 1.6% (0.6% m/m) in February on a sharp monthly rebound in energy and food prices. The core rate was steady at 2% y/y but slowed monthly to 0.3% from 0.5% as services costs eased. Overall, in unwelcome signs for the Fed, February price data suggested less durable disinflation progress. In terms of output indicators, retail sales came in weaker than expected at +0.6% m/m in February from a downwardly revised -1.1%, indicating consumer spending may be running out of gas. A core measure, which ties closely with personal consumption in GDP and excludes autos, building materials, gasoline stations, and food services, was broadly unchanged after falling 0.3% the previous month. Industrial production edged up +0.1% m/m but from a downwardly revised -0.5% in January, as manufacturing and mining activities recovered from bad weather conditions in January. Overall, February's rises in retail sales and industrial output were underwhelming given significant downward revisions to the January data, underscoring mounting headwinds for the economy. Finally, the University of Michigan consumer sentiment index held broadly stable at 76.5 in March from 76.9 in February, as consumers appeared to be cautious about the economy ahead of the US presidential elections later this year.

Chart 1: US retail sales and industrial production
(%, m/m)



Source: Haver

Chart 2: Kuwait trade balance
(%, q/q)



Source: Central Statistical Bureau

Kuwait: Fitch reaffirms sovereign rating at AA- (stable) on strong asset position. Kuwait's sovereign credit rating was reaffirmed at AA- (stable outlook) by Fitch. The rating was supported by the country's 'exceptionally' strong fiscal and external balance sheets, with net foreign assets expected to reach 529% of GDP in 2024-25—one of

the highest among rated sovereigns. That said, Fitch noted that high dependency on oil revenues to sustain an ever-expanding welfare state coupled with lack of traction in policymaking due to parliament-government friction continue to constrain the sovereign's credit rating.

Kuwait: Overseas trade declines in Q4 2023 on lower oil exports. Total trade saw a 1.5% q/q decline in Q4 2023, down from +5.1% in the previous quarter, as total exports fell (-3.1%) on a 4.3% decline in oil exports which constitute around 93% of the total. Meanwhile non-oil domestic exports and re-exports saw significant increases of +6.2% and 22% q/q, respectively. On the other hand, imports rose +2.3% q/q, following a fall of 2.2% in the previous quarter mainly on higher imports of telephones (+21%) and articles of Jewelry (+46%) while imports of motor vehicles declined by 11.7%. As a result, the trade balance fell by 7% q/q to KD3.6 billion. China, the UAE and India remained Kuwait's main trading partners comprising around 36% of total non-oil trade. The Q4 figures bring the value of Kuwait's total trade in 2023 to KD37.3 billion, down by 10.2% due to a 16.7% q/q fall in oil exports. However, import growth eased to +4.6% in 2023, from +14.4% in the previous year due to lower imports of base metals (-10.2% versus 27% in 2022), and easing growth in mechanical appliances and mechanical equipment (+6.5% versus +20.3%).

Saudi Arabia: S&P affirms its "A" rating with a stable outlook. S&P affirmed its "A" sovereign rating on Saudi Arabia with a stable outlook, expecting that the economic and social reforms will continue to improve the country's economic resilience and wealth levels. The rating agency expects the "government's wide-ranging reforms will continue to underpin the development of the non-oil sector and support non-oil growth and fiscal receipts." While S&P sees a narrowing of fiscal and external net asset positions driven by the oil production cuts and an acceleration of Vision 2030 project implementation, the rating agency expects government liquid assets to remain strong by 2027. S&P forecasts GDP growth of 2.2% in 2024 and an average of 3.3% in 2024-2027 while fiscal deficits are projected at around 2% of GDP in 2024-2027.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,221	-0.36	-3.72
Bahrain (ASI)	2,047	0.19	3.82
Dubai (DFMGI)	4,262	-0.65	4.99
Egypt (EGX 30)	31,316	0.98	26.11
GCC (S&P GCC 40)	730	-0.08	2.53
Kuwait (All Share)	7,443	-0.20	9.18
KSA (TASI)	12,729	0.04	6.36
Oman (MSM 30)	4,786	0.62	6.01
Qatar (QE Index)	10,256	0.63	-5.31
International			
CSI 300	3,570	0.22	4.05
DAX	17,937	-0.03	7.07
DJIA	38,715	-0.49	2.72
Eurostoxx 50	4,986	-0.14	10.27
FTSE 100	7,727	-0.20	-0.08
Nikkei 225	38,708	-0.26	15.67
S&P 500	5,117	-0.65	7.28
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.37	0.00	-15.07
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.24	5.22	-14.42
Saudi	6.20	0.00	-3.02
LIBOR	5.59	0.01	-0.19
SOFR	5.33	0.03	-0.19

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.79	4.10	46.5
Oman 2027	5.70	4.70	54.2
Qatar 2026	4.93	3.80	41.0
Kuwait 2027	4.67	2.50	32.8
Saudi 2028	4.95	2.90	42.8
International 10YR			
US Treasury	4.30	0.60	44.4
German Bund	2.44	1.80	40.7
UK Gilt	4.10	1.90	56.4
Japanese Gvt Bond	0.79	0.40	16.9
Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	0.05
KWD per EUR	0.33	0.07	1.19
USD per EUR	1.09	0.06	-1.35
JPY per USD	149.02	0.47	5.64
USD per GBP	1.27	-0.09	0.08
EGP per USD	47.75	0.00	54.78
Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	85.34	-0.09	10.77
KEC	85.03	0.76	6.88
WTI	81.04	-0.27	13.11
Gold	2157.3	-0.26	4.60

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

Source: Refinitiv / Haver