

Daily Economic Update

Economic Research Department
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Oil: Prices score weekly gains on US inventory drawdowns, upward oil demand revisions. Brent futures rose 4% w/w to settle at \$85.3/bbl last Friday, pushing year-to-date gains to 10.8% amid a drop in US commercial crude oil stocks, attacks on Russian refineries and the International Energy Agency's (IEA) upward revision to its global oil demand growth outlook for this year. Furthermore, US Energy Information Administration weekly data revealed a 1.5 mb w/w commercial crude inventory drawdown (w/e March 8), counter to market expectations. Meanwhile, Ukrainian drone attacks had set one of Russia's largest refineries on fire earlier last week, helping to push oil prices higher. Perhaps the most notable bullish catalyst last week was the IEA revising its oil demand growth outlook higher for the year by 110 kb/d to 1.3 mb/d on an improved US outlook and increased bunkering. The IEA maintains that growth will ultimately slow from last year's rise of 2.3 mb/d on efficiency gains, increased electrical vehicle adoption and slower growth in China, though with OPEC+ extending members' voluntary cuts through Q2 2024, the market is now expected to be in deficit every quarter of the year. The IEA will release its 2025 forecasts next month.

China: Strong data sets off solid start for the year. Chinese data for the January and February period – averaged to mitigate the seasonal effects from the Lunar New Year – topped market expectations, setting an auspicious start to the year for the economy. Industrial production surpassed consensus the most, growing a robust 7% y/y compared to an expected 5%. Strong industrial production data also highlights the government's backing of the manufacturing sector, reiterated during the annual parliamentary meeting with the new slogan "new productive forces". Meanwhile, retail sales rose at a better-than-expected 5.5% y/y during the same period, though at a slower pace compared to December. Fixed asset investment growth accelerated to 4.1% y/y, though slightly dragged by declines in the real estate sector (-9.4% y/y). The stronger-than-expected data perhaps lessens the need for further monetary stimulus at the current juncture, shedding light on the central bank's decision to keep rates steady last Friday.

Global: Critical central bank policy decisions to watch out for this week. Several key monetary policy decisions are due this week, starting with the Bank of Japan on Tuesday, which is seen on the verge of shifting away from its ultra-loose stance after recently concluded trade unions' wage negotiations raised hopes for a positive wage cycle that would make inflation durable around the bank's 2% target. Next on the agenda is the US Fed this Wednesday, which should keep policy rates on hold at the 5.25-5.5% range and provide the FOMC's updated dot-plot projections, possibly striking a more cautious tone on the interest rate trajectory as recent inflation readings appeared to be more stubborn than expected. Finally, across the Atlantic, the Bank of England may also deliver a similar outcome this Thursday, maintaining the bank rate steady as disinflation progress loses steam. However, February's inflation prints, due this Wednesday before the MPC meeting, may still influence its message about the interest rate outlook.

Egypt: EU pledges EUR7.4bn of economic support. The European Union has finalized funding of EUR7.4bn for Egypt in the form of loans, grants and investments to help the country's economy and manage migration to the EU. The package includes EUR5bn in concessional loans to provide macro-financial assistance, EUR1.8bn of additional investments under the southern neighborhood economic and investment plan, and EUR600mn in grants for migration management. The package is expected to have a time frame of 3 years to 2027, including EUR1bn in emergency assistance dispersed upon the signing of the agreement. Finally, there could be some repackaging of the existing EU support programs.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,221	n/a	-3.72
Bahrain (ASI)	2,031	n/a	3.01
Dubai (DFMGI)	4,262	n/a	4.99
Egypt (EGX 30)	31,062	n/a	25.08
GCC (S&P GCC 40)	730	n/a	2.53
Kuwait (All Share)	7,438	n/a	9.10
KSA (TASI)	12,762	n/a	6.64
Oman (MSM 30)	4,776	n/a	5.80
Qatar (QE Index)	10,258	n/a	-5.29
International			
CSI 300	3,570	n/a	4.05
DAX	17,937	n/a	7.07
DJIA	38,715	n/a	2.72
Eurostoxx 50	4,986	n/a	10.27
FTSE 100	7,727	n/a	-0.08
Nikkei 225	38,708	n/a	15.67
S&P 500	5,117	n/a	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	0.00	-9.20
Saudi	6.21	0.63	-2.39
LIBOR	5.59	n/a	-0.17
SOFR	5.33	n/a	-0.19

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.79	n/a	46.5
Oman 2027	5.70	n/a	54.2
Qatar 2026	4.93	n/a	41.0
Kuwait 2027	4.67	n/a	32.8
Saudi 2028	4.95	n/a	42.8
International 10YR			
US Treasury	4.30	n/a	44.4
German Bund	2.44	n/a	40.7
UK Gilt	4.10	n/a	56.4
Japanese Gvt Bond	0.79	n/a	16.9

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.05
KWD per EUR	0.33	0.07	1.19
USD per EUR	1.09	0.00	-1.35
JPY per USD	149.02	0.00	5.64
USD per GBP	1.27	0.00	0.08
EGP per USD	47.19	-1.17	54.78

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	85.34	n/a	10.77
KEC	85.03	n/a	6.88
WTI	81.04	n/a	13.11
Gold	2157.3	n/a	4.60

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

Source: Refinitiv / Haver