

Daily Economic Update

Economic Research Department
2 April 2024

US: Manufacturing activity surprisingly rebounds after 16 months of contraction. The ISM manufacturing PMI unexpectedly returned to expansion after 16 months in negative territory (plus an initial month of no-change), with a reading of 50.3 in March versus 47.8 in February, beating the consensus forecast of 48.4, on a substantial improvement in the new orders (51.4) and production (54.6) sub-indices. Notably, the input price gauge (55.8) surged to its highest since August 2022, implying an uneven path to goods disinflation. As per the survey, firms continued to shed jobs, albeit at a slower pace than in February. Overall, this manufacturing data print combined with previously reported durable goods orders points towards early signs of a recovery in the US manufacturing sector, complementing ongoing solid service activity.

Global: Global equities extend their rally in March. Equity markets continued to rally in March amid lower inflation, rate-cut optimism, and resilient economic data. The S&P 500 gained 3.1% m/m, extending year-to-date gains to a very solid 10.2%. European and UK shares outperformed, with the Euro Stoxx 50 and FTSE 100 up 4.2% each. Meanwhile performance was sluggish in China, with the Shenzhen CSI 300 up a marginal 0.6% as growth concerns once again weighed down on sentiment after the stimulus-driven relief rally in February. In contrast, performance in the GCC markets was negative overall (MSCI GCC -2.1% m/m), affected by thin trading due to Ramadan-related seasonality, led by losses in Qatar (-6%) and Saudi Arabia (-1.8%), while Kuwait's All-Share fell 1.5% m/m.

Egypt: President Sisi to be sworn in for the third presidential term today. President Abdel Fattah El Sisi will officially start his third term as the president of Egypt today after winning close to 90% of votes in the election last December. We expect some changes in the cabinet to be announced in the coming days, though no details are available yet. In our opinion, the appointment of more technocrats in economic-related posts in the cabinet would be a welcome sign that the government will press on with financial and economic policy reforms. Sisi's third term will last six years, ending in 2030, and the initial 2-3 years should be eventful in terms of policy reforms that, if followed and maintained, should put the economy on the right track to achieve faster and sustainable growth. Key reforms should include ensuring a flexible exchange rate regime, giving a larger space for the private sector into the economy, and limiting overall public spending (both government and quasi-government).

Egypt: Net foreign liabilities drop 24% m/m in February. The net foreign liabilities (NFL) of the Egyptian banking system improved significantly in February, dropping by \$7.1 billion to \$21.9 billion compared to \$29 billion in January (an all-time high). Commercial banks saw an increase of \$3.9 billion on the asset side, while foreign liabilities at the CBE dropped by \$2.6 billion. The improvement was likely attributable to fresh funds received from the Ras El Hekma deal with the UAE. Along with an improvement in net foreign liabilities, funds were also utilized to ease some import backlogs and reduce international oil companies' arrears. We expect further improvement in NFLs over the coming months as other FX funding sources would also be available, including

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higher remittances, carry trade investments, and retail investors de-dollarizing some of their savings. Improving the NFL position in Egypt is critical as it should help to enhance the country's external risk profile.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,245	0.18	-3.47
Bahrain (ASI)	2,034	-0.43	3.16
Dubai (DFMGI)	4,263	0.40	5.01
Egypt (EGX 30)	28,297	5.26	13.95
GCC (S&P GCC 40)	717	-0.99	0.59
Kuwait (All Share)	7,354	0.37	7.88
KSA (TASI)	12,423	0.17	3.81
Oman (MSM 30)	4,663	0.60	3.31
Qatar (QE Index)	9,864	0.18	-8.92
International			
CSI 300	3,596	1.64	4.80
DAX	18,492	0.00	10.39
DJIA	39,567	-0.60	4.98
Eurostoxx 50	5,083	0.00	12.42
FTSE 100	7,953	0.00	2.84
Nikkei 225	39,803	-1.40	18.94
S&P 500	5,244	-0.20	9.94
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	-1.67	-17.73
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.18	-2.86	-14.25
Saudi	6.23	2.94	0.00
LIBOR	5.56	0.00	-3.32
SOFR	5.30	-0.37	-3.32

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.84	9.80	51.7
Oman 2027	5.56	0.00	40.4
Qatar 2026	4.87	-0.60	34.8
Kuwait 2027	4.61	-0.30	27.3
Saudi 2028	4.85	-0.40	32.5
International 10YR			
US Treasury	4.33	13.50	46.9
German Bund	2.29	0.00	26.3
UK Gilt	3.94	0.00	39.7
Japanese Gvt Bond	0.74	1.40	12.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.13
KWD per EUR	0.33	-0.45	-0.08
USD per EUR	1.07	-0.46	-2.65
JPY per USD	151.63	0.21	7.49
USD per GBP	1.26	-0.58	-1.41
EGP per USD	47.10	-0.21	52.67

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	87.42	-0.07	13.47
KEC	88.22	N/A	10.88
WTI	83.71	0.65	16.83
Gold	2236.5	0.86	8.44

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

Source: Refinitiv / Haver

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