

# Daily Economic Update

Economic Research Department  
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**Kuwait: Inflation softens to a two-and-a-half year-low in March.** Consumer price inflation slowed to 3.0% y/y in March from 3.4% in February, helped primarily by sharp falls in housing services (+1.4% y/y from +2.4% in Feb) and transportation (+0.9% y/y from +1.8% in Feb) inflation as well as a favorable base effect. Price rises for housing services, the largest component by weight, reflected more subdued rent increases. That said, inflation accelerated in half of the CPI basket components, led by food and beverages (+5.2% y/y), which gained for a third straight month on the back of potentially Ramadan-related seasonal effects, services and miscellaneous (+4.0%), which rose on more costly precious metal prices (for personal jewelry), furnishings (+3.9%) and health (+3.4%). Core inflation, which excludes food and housing, ticked lower to 3.2% y/y from 3.3% in February. We see inflation trending gradually lower this year amid moderate economic activity, to an average of around 3.0% from 3.6% in 2023.

**MENA: Non-oil growth to accelerate in 2024-25, IMF says.** In its latest Regional Economic Outlook, the IMF sees non-oil growth in the GCC accelerating to an average of 4.1% y/y in 2024-2025 on the back of high domestic demand, diversification-focused economic reforms and strong capital inflows. Saudi Arabia and the UAE will lead the pack with average growth rates of 4.6% y/y and 4.2% over this period, respectively. The IMF sees Kuwait's non-oil sector growth improving from an estimated 0.8% in 2023 to 2.0% this year and 2.5% in 2025. Non-hydrocarbon activity will remain the primary driver of GCC growth given the implementation of OPEC-mandated oil production cuts in four of the six GCC states, which has tempered headline growth (to an estimated 0.4% in 2023). The extension/deepening of 2023's OPEC cuts to mid-2024 at the earliest has led the IMF to revise down aggregate GCC growth by 1.3% pts from its October forecast to 2.4% in 2024. Meanwhile, the IMF expects Egypt's economy to grow by 3.0% y/y in 2024 and 4.4% y/y in 2025. Inflation is expected to average 33% in 2024 and slow to 26% in the following year. It also expects the current account deficit to widen to 6.3% of GDP in 2024 up from a deficit of 1.2% in 2023.

**Oil: Brent falls on risk-off tone following de-escalatory Iran stance.** Brent futures closed lower on Friday at \$87.3/bbl (-3.5% w/w), posting a second consecutive weekly decline on easing geopolitical tensions and despite an upgrade to 2024 global economic growth by the IMF (+0.1% pt to 3.2%). Markets, having braced themselves for an Israeli attack on Iran in the days before, took note of the Islamic Republic's muted response following those attacks and sold off. Volatility was pronounced, however, and the calmer tone could not conceal the significant build-up of bullish call options, which are at their highest since 2020. Investment banks/oil forecasters have followed suit in upgrading their oil price forecasts this year as well to reflect both supply tightness and geopolitical risk. Further market tightening could come from the recent reimposition of US sanctions on Venezuela and congressional approval on broadening existing Iran sanctions (including expanding secondary sanctions to cover Iran-China financial transactions since China's refineries purchase around 80% of Iran's oil exports).

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**US: Markets now focusing on Q1 GDP growth and the Fed's preferred price gauge for March.** The first estimate for the US GDP growth for Q1 will be released this Thursday, with markets expecting another robust reading of +2.5% (annualized), slowing from a very solid 3.4% in Q4 2023 but confirming that growth momentum has essentially continued thus far in 2024. Next is PCE inflation data for March this Friday, with a forecast of +2.6% (0.3% m/m), slightly above the 2.5% (0.3% m/m) recorded in February, on rising energy prices. The core rate is seen slowing to 2.6% from 2.8% earlier but steady on a monthly basis at 0.3%. Stalling progress on disinflation in recent months has pushed expectations of interest rate cuts to late 2024, and as such, any meaningful surprise could potentially alter this view. Elsewhere, growth in durable goods orders in March (due this Wednesday) could also accelerate to 2.5% m/m from +1.3% in February, showing more signs of a rebound in the manufacturing sector.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,126	n/a	-4.72
Bahrain (ASI)	2,017	-0.22	2.31
Dubai (DFMGI)	4,175	n/a	2.83
Egypt (EGX 30)	28,623	1.03	15.26
GCC (S&P GCC 40)	707	-0.22	-0.76
Kuwait (All Share)	7,057	0.86	3.52
KSA (TASI)	12,518	0.13	4.60
Oman (MSM 30)	4,704	-0.28	4.21
Qatar (QE Index)	9,792	-0.38	-9.59
<b>International</b>			
CSI 300	3,542	n/a	3.22
DAX	17,737	n/a	5.88
DJIA	37,986	n/a	0.79
Eurostoxx 50	4,918	n/a	8.77
FTSE 100	7,896	n/a	2.10
Nikkei 225	37,068	n/a	10.77
S&P 500	4,967	n/a	4.14
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.34	0.00	-18.05
Kuwait	4.25	-6.25	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.12	0.00	-20.27
Saudi	6.22	1.15	-1.08
LIBOR	5.59	0.00	-0.50
SOFR	5.32	-0.20	-0.68

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	5.15	n/a	82.5
Oman 2027	6.00	n/a	83.9
Qatar 2026	5.28	n/a	76.3
Kuwait 2027	5.20	n/a	85.5
Saudi 2028	5.36	n/a	83.6
<b>International 10YR</b>			
US Treasury	4.62	n/a	75.5
German Bund	2.51	n/a	47.6
UK Gilt	4.23	n/a	69.5
Japanese Gvt Bond	0.84	n/a	21.9
Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.14	0.38
KWD per EUR	0.33	0.11	-0.67
USD per EUR	1.07	0.00	-3.46
JPY per USD	154.63	0.00	9.62
USD per GBP	1.24	0.00	-2.81
EGP per USD	48.32	0.08	56.50
Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	87.29	n/a	13.30
KEC	88.38	n/a	11.09
WTI	83.14	n/a	16.04
Gold	2398.4	n/a	16.29

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

Source: Refinitiv / Haver

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