

Daily Economic Update

Economic Research Department
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US: Powell reiterates possibility that rates could remain elevated as PPI data comes in mixed. PPI inflation (final demand) in April rose to a more-than-expected 0.5% m/m (2.2% y/y) from a downwardly revised -0.1% (1.8% y/y) in March, on a sharp rebound in food, energy, and services prices. However, price pressure in some underlying components, such as healthcare, portfolio management fees, airfares, and hotel accommodation, which feed into the Fed's preferred gauge, PCE inflation, was relatively modest, underscoring an unclear inflation path over the coming months. Meanwhile, in a speech, Fed chair Powell reiterated his previous stance, saying the Fed's next move was unlikely to be a rate hike but acknowledging lower confidence in further disinflation progress and hinting that interest rates could remain elevated for longer as restrictive policy does its work. Crucial April CPI inflation data will be released this evening, providing a further steer on the outlook for interest rates.

China: US raises tariffs on Chinese imports. In an announcement on Tuesday, the White House revealed tariff hikes on \$18 billion of Chinese imports, targeting newer technologies including electrical vehicles, lithium-ion batteries, and solar cells, areas the Chinese government calls "new productive forces". The announcement is unsurprising, given repeated US warnings about excess Chinese manufacturing capacity, signaled lately by Janet Yellen and Antony Blinken during recent visits. Tariffs will be phased in, with some set to start in 2025 & 2026. The move highlights the Biden administration's preparedness to pursue more protectionist trade policies, particularly to defend sectors where it is planning big investments, including for example semiconductors and clean energy via the CHIPS and IRA acts, respectively, and increasing tensions in Sino-US relations.

UK: Earnings rise at fastest pace in more than 2 years but unemployment rise. Average earnings including bonuses increased by 5.7% y/y in the 3 months to March 2024 unchanged from the previous period but higher than expectations of 5.3%. Earnings excluding bonuses saw higher growth of 6.0% y/y, also unchanged from before. Wage growth continued its strong momentum, now well above the average inflation of 3.5% recorded in the first 3 months of the year, meaning positive growth in real wages. The unemployment rate, however, increased to 4.3% from 4.2% showing an increase of 166K in unemployed individuals. The strong wage growth could dent hopes of a sooner-than-later interest rate cut as the Bank of England has hinted several times that wage growth developments are an important part of its thinking.

Oman: Positive outlook as the IMF concludes staff visit. The IMF is positive on reform progress in Oman so far that has resulted in GDP growing by 1.3% y/y in 2023 mainly on the back of non-hydrocarbon activities and compensating for oil production cuts. The Fund projects GDP growth of 0.9% in 2024, rebounding to 4.1% in 2025 upon the relaxation of OPEC+ quotas. The non-oil sector will remain the main driver for growth, rising by 2.6% and 3.2% in 2024 and 2025, respectively. It also expects the fiscal balance to remain in surplus over the medium term, continuing the 2023 trend that has helped bring down central government debt to 36.5% of GDP in 2023 from 40.9% in 2022. This was assisted by divestments across 9 state-owned firms in 2023 that yielded

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\$3 billion. Upside risks to the outlook include higher oil production and accelerated reforms under Oman Vision 2040. The Fund also sees Oman as on its way to achieving renewable energy and green hydrogen targets over the medium term.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,058	-0.38	-5.42
Bahrain (ASI)	2,023	0.00	2.62
Dubai (DFMGI)	4,137	-0.87	1.90
Egypt (EGX 30)	25,340	-0.16	2.04
GCC (S&P GCC 40)	690	-0.78	-3.19
Kuwait (All Share)	7,195	-0.11	5.55
KSA (TASI)	12,121	-1.13	1.28
Oman (MSM 30)	4,758	-0.24	5.40
Qatar (QE Index)	9,646	-0.23	-10.94

International			
CSI 300	3,657	-0.21	6.59
DAX	18,716	-0.14	11.73
DJIA	39,558	0.32	4.96
Eurostoxx 50	5,080	0.03	12.35
FTSE 100	8,428	0.16	8.99
Nikkei 225	38,356	0.46	14.62
S&P 500	5,247	0.48	10.00

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.32	0.00	-20.65
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.33	-6.69	6.76
Saudi	6.30	5.17	1.71
LIBOR	5.59	0.43	-0.90
SOFR	5.32	0.04	-0.90

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.04	-1.20	72.3
Oman 2027	5.86	0.00	70.3
Qatar 2026	5.13	-2.70	60.6
Kuwait 2027	5.08	0.10	73.9
Saudi 2028	5.14	-1.00	62.2

International 10YR			
US Treasury	4.45	-3.60	58.5
German Bund	2.54	3.20	51.1
UK Gilt	4.18	-0.30	63.6
Japanese Gvt Bond	0.96	2.00	34.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.01	0.03
KWD per EUR	0.33	0.27	0.59
USD per EUR	1.08	0.28	-1.98
JPY per USD	156.42	0.14	10.89
USD per GBP	1.26	0.24	-1.11
EGP per USD	46.80	-0.47	51.70

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.38	-1.18	6.93
KEC	85.08	0.08	6.94
WTI	78.02	-1.39	8.89
Gold	2353.4	0.74	14.11

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

Source: Refinitiv / Haver

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