

Daily Economic Update

Economic Research Department
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Europe: Drop in inflation leading to a better-performing services sector. The PMI for April showed business activity in the Eurozone grew at its fastest pace in a year mainly driven by the services industry. The composite index rose to 51.4 in April versus 50.3 in March and surpassed market expectations of 50.8. The services sector gauge reached 52.9 from 51.5 in March and above market expectations by 1 point. On the other hand, the manufacturing PMI dipped to 45.6 from 46.1 in March and came below market estimates of 46.5. In Germany, the largest economy in the euro area, there was a strong rebound in the composite PMI to 50.5 from a low figure of 47.7 in March, still mainly driven by services. The UK also saw a strong recovery in business activity with the PMI hitting 54.9 from 53.1 in March also driven by services sector, which increased to 54.9 while manufacturing contracted to 48.7. The broad drop in inflation across Europe over the past year (to now below US levels) has led to a rise in purchasing power allowing for a stronger services sector in general, though high interest rates continue to weigh especially on the manufacturing sector. The European Central Bank (potentially June) and the Bank of England (potentially August/September) should start to cut interest rates over coming months, with global risks – including higher US inflation and rising geopolitical tensions in the Middle East – perhaps affecting the pace of future rate cuts more than the initial timing.

US: Business activity softens, and new home sales rebound above forecast. Based on the S&P PMI readings, business activity in April eased, with manufacturing contracting (49.9) and services softening (to 50.9 from 51.7), a five-month low, as the strong momentum seen in recent quarters potentially losing steam. More importantly, firms trimmed employment for the first time since June 2020, as demand and output weakened, with the reduction centered on the service sector. Overall, the weak PMI survey points to an uneven outlook at the beginning of the second quarter, following what is expected to be solid 2-2.5% growth in Q1 (due for release this Thursday). Meanwhile, new home sales in March rebounded sharply by 8.8% m/m to a six-month high, from a downwardly revised 5.1% fall in February amid a tight inventory of existing homes in the market. Nonetheless, the recent surge in mortgage rates (to 7%+) and a sustained rise in house prices (+6% y/y in January) could worsen affordability woes for many first-time buyers, pressuring overall housing market activity.

Egypt: Central bank net foreign liabilities shrink in March. Central Bank of Egypt net foreign liabilities (NFLs) decreased to \$1.4bn in March from \$8.7bn in February mainly driven by a \$5bn increase in international foreign reserves that came on the back of the Ras El Hekma investment deal with the UAE struck in February. The level of NFLs is now at its lowest in more than 2 years and could turn positive (i.e. net foreign assets) as soon as next month when Egypt receives the final tranche of the Ras El Hekma deal. The central bank is yet to release data on the net foreign liabilities position of the commercial banks which stood at \$13.2bn in February down from \$18.6bn in January.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,051	-0.27	-5.50
Bahrain (ASI)	2,017	0.03	2.31
Dubai (DFMGI)	4,166	-0.03	2.62
Egypt (EGX 30)	26,777	-4.86	7.83
GCC (S&P GCC 40)	700	-0.20	-1.67
Kuwait (All Share)	7,075	0.04	3.78
KSA (TASI)	12,484	-0.20	4.32
Oman (MSM 30)	4,696	-0.03	4.04
Qatar (QE Index)	9,711	0.48	-10.34

International			
CSI 300	3,506	-0.70	2.19
DAX	18,138	1.55	8.27
DJIA	38,504	0.69	2.16
Eurostoxx 50	5,008	1.44	10.76
FTSE 100	8,045	0.26	4.03
Nikkei 225	37,552	0.30	12.22
S&P 500	5,071	1.20	6.30

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.35	0.00	-17.40
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.10	-10.11	-22.57
Saudi	6.23	2.26	-0.56
LIBOR	5.59	0.06	-0.78
SOFR	5.32	-0.35	-0.85

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.15	1.40	82.7
Oman 2027	6.00	0.10	84.0
Qatar 2026	5.25	-1.40	73.2
Kuwait 2027	5.18	0.20	84.4
Saudi 2028	5.34	1.50	81.9

International 10YR			
US Treasury	4.60	-2.50	73.8
German Bund	2.51	1.50	47.7
UK Gilt	4.25	3.60	70.7
Japanese Gvt Bond	0.89	0.50	26.9

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.07	0.26
KWD per EUR	0.33	0.37	-0.36
USD per EUR	1.07	0.42	-3.05
JPY per USD	154.82	-0.01	9.75
USD per GBP	1.24	0.80	-2.21
EGP per USD	48.00	-0.25	55.59

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	88.42	1.63	14.77
KEC	89.12	2.24	12.02
WTI	83.36	0.62	16.34
Gold	2327.7	-0.19	12.86

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

Source: Refinitiv / Haver