

Daily Economic Update

Economic Research Department
14 May 2024

Egypt: Final tranche of Ras El-Hekma deal received; expect slight appreciation in EGP. The government has received the remaining funds from the Ras El-Hekma deal in the form of \$14 billion in fresh cash and \$6 billion of previous deposits at the Central Bank of Egypt (CBE) to be written off. We expect that funds will be utilized to close the remaining deficit in the net foreign assets of the banking system, which stood at \$4.2 billion as of March. Additionally, the CBE will give priority to clearing the remaining import backlog (\$3 billion) and international oil companies dues (close to \$5 billion). Finally, the remaining (around \$6 billion) could be utilized to further build FX reserve buffers. Thus, we expect FX reserves to reach \$45-46 billion by the end of this month. We also expect some slight appreciation in the EGP against the US dollar in the near term, triggered mainly by this news but assisted by gathering speculation of a land/tourism-development deal with Saudi Arabia similar to the one struck with the UAE over Ras Al Hekma. Over the longer term, we see the pound softening as import activity starts to increase again and growth starts to normalize.

Oman: Government revenues drop on lower oil receipts, but budget still in small surplus. Fiscal revenues dropped by 12% y/y to OMR2.8 billion in Q1 2024 as gas revenues (16% of total revenues) declined by 38% while oil revenues (60% of total revenues) fell by 1%. The decline in oil & gas revenues was larger than the 24% drop in natural gas prices and 0.3% drop in oil prices for the same period, reflecting the drop in production as well. Public spending meanwhile saw a mild drop of 4% y/y to OMR2.7 billion. The budget saw a surplus of OMR160 million for Q1 2024 continuing the 2023 trend of a surplus (of OMR0.9 billion). We expect a full year 2024 budget surplus of 1% of GDP, slightly below 1.5% of GDP in 2023. As part of the strategy to bring down debt levels, public debt was reduced to OMR15.1 billion by end-Q1 2024 compared to OMR15.3 billion at the end of 2023.

US: Consumers' next year inflation expectations climb. According to a New York Fed survey, consumers' year-ahead inflation expectations rose to a five-month high at 3.3% in April from 3% in March, with the rise being broad-based, including gasoline, food, rent, education, and medical care prices. The latest survey mirrored what was previously reported in the University of Michigan's survey, underscoring rising price pressures for households. Worries about a higher inflation outlook would heap pressure on the Fed to keep interest rates elevated, which, coupled with moderating job prospects (as seen in recent indicators), may increase the chance of a harder landing for the economy.

Japan: Producer prices rise 0.9% y/y in April. Producer price rises remained relatively stable in April, at 0.9% y/y compared to March's reading of 0.8%, though still marking the highest increase since last October. Costs increased for most components including non-ferrous metals (11.7% versus 5.8% in March), production machinery (5.0% versus 4.6%), and plastic products (0.5% versus -0.3%), while easing for transport equipment (1.7% versus 2.1%), beverages & food (2.9% versus 4.0%), electrical machinery (3.3% versus 4.5%), metal products (2.9% versus 3.4%), and general-purpose machinery (3.2% versus 3.8%). On a monthly basis, producer

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prices rose 0.3%, the fastest since December 2023, after rising by 0.2% in the previous month. The mildly upward movement in inflation could signal improving demand conditions in the economy, reinforcing speculation of tighter BoJ policy following its announcement of reduced government bond purchases yesterday.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,093	0.03	-5.06
Bahrain (ASI)	2,023	-0.01	2.61
Dubai (DFMGI)	4,173	0.01	2.80
Egypt (EGX 30)	25,381	0.90	2.21
GCC (S&P GCC 40)	695	0.18	-2.43
Kuwait (All Share)	7,203	0.33	5.66
KSA (TASI)	12,260	0.35	2.44
Oman (MSM 30)	4,770	-0.19	5.66
Qatar (QE Index)	9,669	0.26	-10.73
International			
CSI 300	3,665	-0.04	6.81
DAX	18,742	-0.16	11.88
DJIA	39,432	-0.21	4.62
Eurostoxx 50	5,079	-0.12	12.33
FTSE 100	8,415	-0.22	8.82
Nikkei 225	38,179	-0.13	14.09
S&P 500	5,221	-0.02	9.47
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	5.40	4.71	2.06
Saudi	6.25	1.28	0.43
LIBOR	5.58	0.04	-0.94
SOFR	5.32	-0.15	-0.94

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.06	0.60	73.5
Oman 2027	5.86	-9.80	70.3
Qatar 2026	5.15	1.60	63.3
Kuwait 2027	5.08	-0.30	73.8
Saudi 2028	5.15	-1.60	63.2
International 10YR			
US Treasury	4.48	-2.30	62.1
German Bund	2.51	-1.20	47.9
UK Gilt	4.18	1.00	63.9
Japanese Gvt Bond	0.94	3.10	32.5
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.02	0.04
KWD per EUR	0.33	0.17	0.32
USD per EUR	1.08	0.18	-2.25
JPY per USD	156.20	0.31	10.73
USD per GBP	1.26	0.30	-1.34
EGP per USD	47.02	-0.47	52.41
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	83.36	0.69	8.20
KEC	85.01	-1.11	6.85
WTI	79.12	1.10	10.43
Gold	2336.1	-1.32	13.27

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

Source: Refinitiv / Haver

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