

Daily Economic Update

Economic Research Department
5 May 2024

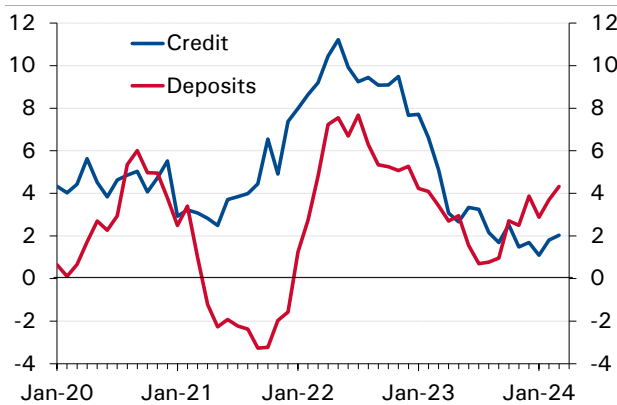
Kuwait: A second consecutive month of strong business lending in March. Domestic credit increased by a decent 0.3% m/m in March, driving up YTD growth to 0.9% (+2% y/y). Business credit increased by a strong 1.1% m/m (highest monthly growth in two years), driving up YTD growth to 1.7% (+1.3% y/y). For the second straight month, business credit growth was broad-based across sectors, with the heavy-weight real estate expanding by a solid 1.7% m/m, followed by trade (second-largest sector) at 1.6%. The construction sector continues to power ahead, remaining the fastest growing so far this year (+7% YTD), in line with trend seen in 2022-2023. Household credit was weak in March, inching down by 0.1% m/m (+0.3% YTD, +1.9% y/y). Driven by private-sector deposits (+1.4% m/m), growth in resident deposits was solid for the second consecutive month (+1.1%), pushing up the YTD increase to 1.8% (+4.3% y/y). Importantly, within private-sector KD deposits, CASA soared by 2.7% m/m (KD 398 million), the highest monthly growth in around two years, while time deposits were broadly flat. After decreasing in 2022 and 2023, CASA is up by 1.6% YTD, slightly weaker than the 2.5% increase in time deposits.

Kuwait: Spending data shows surprising strength in Q1. Card transaction data from the Central Bank of Kuwait – a proxy for consumer spending – surprised on the upside in Q1 2024, increasing by 2.6% q/q in Q1 2024 (+0.5% q/q in Q4 2023). In annual growth terms, spending ticked up by 5.9% y/y in Q1 (+5.4% y/y in Q4 2023), despite the usual dampening effect of Ramadan which fell mostly in March. Spending growth has slowed to more sustainable rates following the high double-digit growth rates recorded in 2021 and 2022, and the outlook remains one of continued moderate growth the backdrop of global uncertainties, ongoing tight monetary conditions, challenging regional geopolitics and the absence of major domestic policy stimulus.

GCC PMIs: Non-oil private sector growth continues at broadly positive rates. Kuwait's non-oil PMI, at 51.5 in April, remained in growth territory, though softened from March's headline reading of 53.2. Driving the deceleration was a pullback in employment, even while output (53.4) and new orders (53.6) continued to expand at decent rates. In Saudi Arabia, the PMI was unchanged at 57.0 in April, slightly higher than the first quarter average of 56.5. However, both output and new order indices inched down in April. In addition, for the first time in two years, the employment index fell below the 50 no-change level, although only marginally so. On the other hand, inventories expanded in April by the highest pace on record, driven by strong demand and expectations of solid growth in sales. In the UAE, meanwhile, the PMI eased in April to its lowest since August 2023 at 55.3, down from 56.9 the previous month. Activity continued to expand due to robust domestic demand, with output levels remaining elevated at 63.2. However, the heavy rainfall and flooding resulted in temporary business disruptions, adversely affecting new orders' levels. Employment saw a modest increase in staffing linked to long-term business expansions and the rise in the backlogs of work.

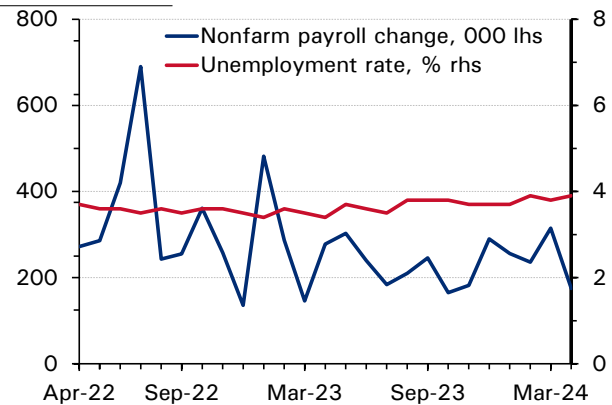
US: Job gains moderate to a six-month low, while service activity unexpectedly contracts. Non-farm payroll growth eased to 175K m/m in April from an upwardly revised +315K in March and came in below expectations (+243K). The unemployment rate edged up to 3.9% from 3.8%, with the participation rate steady at 62.7%. Wage growth also moderated to 3.9% y/y (+0.2% m/m) from 4.1% (+0.3% m/m), the slowest wage rise since June 2021. However, based on just one month of data, moderating job gains amid slowing wage growth suggests some loosening in the labor market (the unemployment rate is still at historical lows despite the latest pick up). If sustained, this could lead to a weakening in overall consumer demand – the key driver of US economic resilience recently. Meanwhile, the ISM PMI gauge of service activity unexpectedly contracted to a 16-month low of 49.4 in April from 51.4 in March, as the business activity subindex plummeted to its lowest since 2009, outside the pandemic period, at 50.9 from 57.4 in March. However, the measure of input prices jumped to a three-month high of 59.2 from 53.4. Weakening business activity measures (including the previously reported ISM manufacturing survey) and resurfacing price pressures could increase the chance of a harder landing, especially if the Fed is forced to maintain an aggressive stance amid stubborn inflationary pressures.

Chart 1: Kuwait credit growth
(% y/y)



Source: Haver

Chart 2: US employment



Source: Haver

Global: OECD upgrades global economic outlook on the strength of the US, India and China. In its latest economic outlook, the OECD lifted its global GDP growth forecast for 2024 to 3.1% (same as in 2023) from the 2.9% projected in February and for 2025 to 3.2% (+3.0% from February). The most notable upgrades for 2024 among the major economies came for the US (now 2.6% from 2.1% earlier), India (6.6% from 6.2%) and China (4.9% from 4.7%). It also projected Eurozone growth at 0.7% (+0.1% versus February), the UK at 0.4% (-0.3% versus February) and Japan at 0.5% (-0.5 versus February). The OECD highlighted generally brightening global prospects – though with growth still at modest levels historically – on solid activity supported by low unemployment and improving private sector confidence amid falling inflation and despite the drag on housing and credit markets due to higher interest rates. Like the IMF before it, the OECD also sees growing near-term divergence between growth in the US and Europe.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,024	-0.09	-5.78
Bahrain (ASI)	2,029	-0.02	2.90
Dubai (DFMGI)	4,141	0.18	2.00
Egypt (EGX 30)	26,114	3.34	5.16
GCC (S&P GCC 40)	695	0.00	-2.38
Kuwait (All Share)	7,033	0.11	3.17
KSA (TASI)	12,352	0.05	3.22
Oman (MSM 30)	4,773	0.13	5.74
Qatar (QE Index)	9,611	-1.01	-11.26

International			
CSI 300	3,604	0.00	5.05
DAX	18,002	0.59	7.46
DJIA	38,676	1.18	2.62
Eurostoxx 50	4,921	0.63	8.84
FTSE 100	8,213	0.51	6.21
Nikkei 225	38,236	0.00	14.26
S&P 500	5,128	1.26	7.50

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.32	0.00	-19.34
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.32	7.39	-5.88
Saudi	6.24	0.00	-1.40
LIBOR	5.59	-0.84	0.13
SOFR	5.34	0.32	0.45

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.11	-5.60	78.9
Oman 2027	5.95	-9.80	79.7
Qatar 2026	5.18	-10.70	66.2
Kuwait 2027	5.14	-8.60	79.9
Saudi 2028	5.21	-8.80	68.9

International 10YR			
US Treasury	4.50	-7.10	64.0
German Bund	2.51	-4.30	48.1
UK Gilt	4.23	-6.30	68.8
Japanese Gvt Bond	0.90	0.00	28.8

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.15	-0.07
KWD per EUR	0.33	0.15	-0.05
USD per EUR	1.08	0.31	-2.52
JPY per USD	152.98	-0.42	8.45
USD per GBP	1.25	0.10	-1.45
EGP per USD	47.90	0.00	55.27

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.96	-0.85	7.68
KEC	85.21	-0.49	7.10
WTI	78.11	-1.06	9.02
Gold	2299	-0.01	11.47

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

Source: Refinitiv / Haver