

Daily Economic Update

Economic Research Department
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Japan: BoJ keeps rates unchanged, lowers growth forecast, and increases inflation projections. As expected, the Bank of Japan held its policy rate at 0.75% this morning. The vote was 6 to 3, with three members voting to raise rates to 1%. As a result, markets are currently pricing in a 25bps rate hike at the next meeting in June, with an additional increase expected before year end. The BoJ also released its quarterly Outlook Report, lowering its GDP growth forecasts for FY2026 (ending in March 2027) and FY2027 to 0.5% y/y (from 1%) and 0.7% y/y (from 0.8%), respectively. The lower projected growth is mainly due to the rise in oil prices, which is set to compress corporate profits and real household income, despite the country's large strategic oil reserves and ongoing household subsidies. Inflation projections were also revised higher, with FY2026 core CPI inflation raised to 2.8% y/y (from 1.9%) and to 2.3% (from 2%) in FY2027. Japan's core CPI inflation rose to 1.8% y/y in March, with further increases expected as higher input costs are passed through to consumers.

China: Moody's affirms "A1" rating and upgrades outlook to "stable". Moody's decision to shift China's rating outlook to stable from negative, while keeping the sovereign rating at A1, reflects growing confidence that the economy can absorb current pressures without a sharp deterioration. The agency pointed to China's continued strength in manufacturing, exports, and policy coordination, arguing these factors should help cushion slowing growth even as the property sector remains a drag and external conditions stay challenging. Importantly, the move does not signal an end to China's structural issues—Moody's still expects government debt to rise and fiscal pressures to persist—but it does suggest that near-term downside risks now appear more contained than previously feared, reducing the likelihood of a further ratings setback for the time being.

Oil: Brent extends gains as diplomacy stalls. Brent futures closed Monday up 2.9% d/d at \$108.2/bbl, extending the run of daily gains to six sessions to close at the highest level since April 7. The move was likely driven by reports that President Trump was unimpressed with Iran's latest ceasefire proposal, which reportedly defers discussion of its nuclear file until after the conflict ends. With details of the proposal still sparse, the US appears to be leaning on its naval blockade as leverage, with Trump signaling that Iran could be forced to shut in production as early as Wednesday, prompting concessions ahead of a potential second round of talks. Estimates from shipping tracking firm Kpler suggest Iran has roughly 12–22 days of spare storage capacity remaining, although more generous assessments extend this to around two months. In the interim, stalled diplomacy and a still closed Strait of Hormuz continue to disrupt global oil flows, providing an ongoing tailwind to prices, with Brent extending gains this morning in Asian markets to top \$109/bbl.

Saudi Arabia: Vision 2030 report sees authorities enabling greater private sector role in economy. The Saudi authorities, in the recently published annual report on the Vision 2030 strategy, look to be increasingly positioning the private sector as the main driver of growth and investment. According to the report, the private sector's contribution to GDP exceeded 51% in 2025, surpassing the 47% target, while the sector's share of total investment rose to 76% from 60% at the start of the program. The number of international investors has

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also increased significantly over the past decade. With five years left until 2030, the next phase of Vision 2030 will focus on delivery and execution, supported by privatization efforts and expanded public-private partnerships. However, FDI inflows remain below target, reaching \$35.5 billion (2.8% of GDP) in 2025 versus a 3.4% target, reflecting global headwinds and cautious cross-border investment conditions. The authorities continue to target \$100 billion annually by 2030, supported by ongoing reforms. Meanwhile, the role of the Public Investment Fund (PIF) is evolving. With assets stabilizing around \$910 billion, the focus is shifting from asset accumulation to driving economic impact, with the PIF contributing around 10% of non-oil GDP and expanding its portfolio. Overall, the strategy is becoming clearer, the private sector is set to take the lead, with the government and PIF playing a more enabling and catalytic role.

UAE: Cabinet approves AED1 billion fund to strengthen diversification and supply-chain security. The UAE has launched an AED1 billion National Industrial Resilience Fund, reinforcing its push to deepen industrial capacity and reduce external vulnerabilities as part of its broader economic diversification strategy. The fund is designed to support priority industrial sectors, strengthen domestic supply chains, expand local production, and the adoption of AI in the manufacturing sector. Resource allocation will cover priority sectors including food security, manufacturing, primary metals, mechanical, electrical and chemical industries, pharmaceuticals, medical supplies, advanced technology, and construction. The UAE cabinet also approved amendments to the National In-Country Value (ICV) program, making it mandatory across selected sectors, including federal entities and companies in which the government holds a minimum 25% stake. Together, these measures underscore the country's commitment to building a more resilient industrial base that is aligned with the "Operation AED300 billion" strategy and the objective of positioning the UAE as a regional industrial hub by 2031.

Egypt: Tourism SOEs to soon list on EGX as privatization drive accelerates. Egypt is moving ahead with the listing of state owned enterprises (SOE) on the Egyptian Exchange, with plans to start the process of listing EGOH and Misr Tourism within the next two weeks, as part of the broader privatization program. Authorities are currently finalizing the required documentation and procedures, with the aim of broadening ownership and increasing private sector participation in SOEs. The government is also preparing to list Commercial Timber Company, a subsidiary of the Holding Company for Tourism and Hotels, as an initial step toward offering up to 20% of its shares. These developments fall within a wider strategy to sell stakes in around 30 SOEs across multiple sectors, with the objective of improving asset efficiency, enhancing transparency, and deepening capital markets. The acceleration of listings signals a more active phase of the privatization program despite a challenging external environment.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,828	0.40	-1.65
Bahrain (ASI)	1,952	0.75	-5.55
Dubai (DFMGI)	5,871	0.28	-2.92
Egypt (EGX 30)	52,719	0.57	26.03
GCC (S&P GCC 40)	759	0.24	3.57
Kuwait (All Share)	8,908	-0.09	0.01
KSA (TASI)	11,169	0.42	6.46
Oman (MSM 30)	8,140	0.24	38.74
Qatar (QE Index)	10,642	-0.25	-1.12

International			
CSI 300	4,771	0.03	3.05
DAX	24,084	-0.19	-1.66
DJIA	49,168	-0.13	2.30
Eurostoxx 50	5,860	-0.39	1.19
FTSE 100	10,321	-0.56	3.92
Nikkei 225	60,537	1.38	20.26
S&P 500	7,174	0.12	4.80

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.12	0.32	13.24
Kuwait	3.56	0.00	0.00
Qatar	4.02	0.00	4.50
UAE	3.73	2.17	25.97
Saudi	4.72	-1.27	-13.46
SOFR	3.67	-0.12	1.72

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

Source: LSEG / Haver

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2030	4.37	-0.34	40.9
Oman 2029	4.64	-0.62	11.4
Qatar 2030	4.31	-0.04	32.3
Kuwait 2030	4.36	0.93	22.4
Saudi 2030	4.53	1.87	27.0

International 10YR			
US Treasury	4.34	3.39	17.6
German Bund	3.03	2.92	18.0
UK Gilt	4.97	6.00	49.7
Japanese Gvt Bond	2.47	4.00	40.8

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	-0.43
KWD per EUR	0.36	-0.08	1.99
USD per EUR	1.17	0.00	-0.21
JPY per USD	159.42	0.03	1.77
USD per GBP	1.35	-0.01	0.42
EGP per USD	52.50	-0.25	10.18

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	108.23	2.75	77.86
KEC	103.79	-3.33	72.52
WTI	96.37	2.09	67.83
Gold	4675.4	-0.99	8.09