

Daily Economic Update



Economic Research Department
11 June 2024

Egypt: Inflation falls to 28.1% in May, raising the possibility of a first policy rate cut in July or September. Inflation fell to 28.1% y/y in May from 32.5% y/y in April, the lowest rate since January 2023, and below both our forecast of 29.0% and the market consensus of 30.4%. This came mainly on the back of a 0.7% m/m decline—the sharpest drop since June 2019—driven mostly by a fall in the price of food & beverages (-3.0% m/m), which contribute around 30% of the CPI basket. Core inflation also slowed down, to 27.1% y/y (-0.8% m/m) from 31.8% in April. The new inflation figures confirm our view that inflation could dip below 25% y/y by August or even sooner (July) and reach close to 22% by the end of 2024. Our expectations take into account the possible fiscal adjustments, such as the bread and fuel price hikes, which together represent 1.6% of the CPI basket. Real policy rates are now at -0.4%, up from -5.6% in March 2024, and could increase to 2.3% by July as inflation falls further. We re-iterate our view that July 18th or Sept 24th could see announcements by the Central Bank of Egypt (CBE) that interest rates will be cut, by 1-2%, with further cuts possible by year-end. Rate cuts will be essential to bring down the cost of doing business and allow liquidity to flow back into the economy.

Saudi Arabia: Foreign investors allocated majority of Aramco share offering. In contrast to Aramco's initial public offering in 2019 when most of the investor demand was local, the latest \$12 billion sale saw strong demand from foreign investors, who are believed to have been allocated up to 60% of the shares. This compares to a relatively limited allocation of 23% to foreign investors in the \$29.4 billion initial offering, which was more than three times oversubscribed. The strong foreign demand, with more than \$65 billion in orders, was despite concerns of a steep valuation and a lack of stock repurchasing, which investors managed to accept in favor of an elevated dividend yield relative to industry peers, at an estimated 6.6% thanks to quarterly payouts amounting to a \$124 billion per year. Interest reportedly came mostly from fund investors led by the US and Europe, followed by the UK, Hong Kong and Japan. The strong foreign demand highlights the Kingdom's potential to attract foreign capital amid its strong drive towards investment and economic diversification, which will be important for progression towards Vision-linked foreign investment targets.

Energy: Investment in clean energy in 2024 almost double that in fossil fuels, IEA predicts. According to the International Energy Agency's (IEA) just-released World Energy Investment 2024 report, the world is investing almost twice as much in clean energy technologies (renewables, electric vehicles EVs, heat pumps etc.) as it is in fossil fuels: \$2 trillion vs. slightly more than \$1 trillion for coal, oil and gas. Total energy investment is thus expected to reach a record \$3 trillion this year, with China, the European Union and the US accounting for almost 60% of all clean energy spending. China is by far the largest investor, whose \$675 billion, is nearly twice the rate of Europe (\$370 billion), which is ahead of the US (\$315 billion). In 2023, China commissioned as much solar photovoltaic (PV) capacity as the entire world did in 2022, as the country looks to limit peak carbon emissions to 2030 and attain carbon neutrality by 2060. Meanwhile, in the Middle East, home to five of the world's top oil producers and three of the world's top natural gas producers, clean energy investment has,

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unsurprisingly, lagged, with only about 15-20% of total energy investment going into renewables and cleaner fossil fuel alternatives—the IEA estimates this at \$26 billion in 2024. That said, global upstream oil and gas investment is expected to continue rising this year, albeit at a slower rate of 7% y/y to \$570 billion (+9% y/y in 2023).

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	8,990	0.36	-6.14
Bahrain (ASI)	2,040	0.26	3.47
Dubai (DFMGI)	3,974	-0.22	-2.13
Egypt (EGX 30)	25,897	0.93	4.28
GCC (S&P GCC 40)	678	1.97	-4.85
Kuwait (All Share)	7,055	0.02	3.49
KSA (TASI)	11,854	-0.01	-0.95
Oman (MSM 30)	4,709	-0.60	4.33
Qatar (QE Index)	9,604	0.35	-11.32

International			
CSI 300	3,574	0.00	4.17
DAX	18,495	-0.34	10.41
DJIA	38,868	0.18	3.13
Eurostoxx 50	5,016	-0.69	10.94
FTSE 100	8,228	-0.20	6.40
Nikkei 225	39,038	0.92	16.66
S&P 500	5,361	0.26	12.39

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.34	0.00	-18.06
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.37	0.30	3.77
Saudi	6.24	0.38	0.21
LIBOR	5.60	0.92	0.26
SOFR	5.33	-0.04	0.26

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.12	0.90	79.7
Oman 2027	5.82	5.00	66.4
Qatar 2026	5.27	1.60	74.6
Kuwait 2027	5.10	-2.80	75.6
Saudi 2028	5.22	2.40	70.1

International 10YR			
US Treasury	4.47	4.10	60.9
German Bund	2.68	5.80	64.6
UK Gilt	4.32	5.80	78.5
Japanese Gvt Bond	1.04	6.00	42.0

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.03	-0.16
KWD per EUR	0.33	-0.32	-0.17
USD per EUR	1.08	-0.34	-2.47
JPY per USD	157.02	0.20	11.31
USD per GBP	1.27	0.07	0.01
EGP per USD	47.65	0.07	54.46

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	81.63	2.52	5.96
KEC	82.56	0.15	3.77
WTI	77.74	2.93	8.50
Gold	2307.7	0.11	11.89

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

Source: Refinitiv / Haver

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