

# Daily Economic Update

Economic Research Department  
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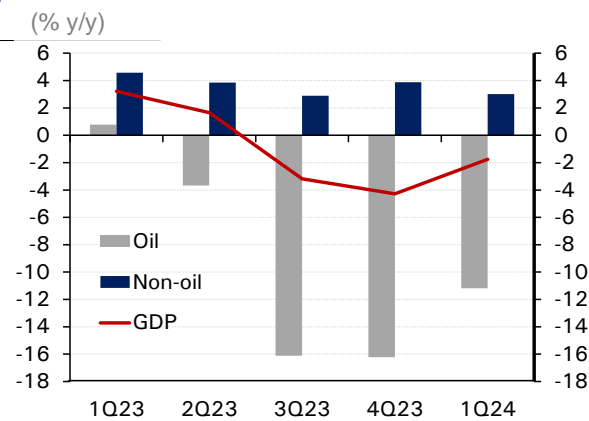
**Oil: Brent logs third consecutive weekly loss on OPEC+ surprise decision.** Brent futures closed lower for a third consecutive week on Friday, falling 2.5% w/w to \$79.6/bbl (+3.3% ytd). Brent did pare back some of its losses from earlier in the week when it tumbled to a near-four month-low of \$77.5/bbl amid market worries of higher supplies following OPEC+'s decision to start unwinding the group's 2024 voluntary supply cuts in Q4. (See our daily newsletter report for a full coverage of OPEC+'s policy decision here.) Prices did dip on Friday, however, following the release of the strong US job data report, which only fed expectations of a delay to US interest rate cuts, and the bearish Energy Information Administration weekly report, which showed a buildup of commercial crude (+1.2 mb) and further increases in gasoline (+2.1 mb) inventories in the week ending May 31. The decline in prices was mitigated somewhat by the European Central Bank's interest rate cut, a reiteration of close market monitoring by OPEC+ ministers, and the news that the US Department of Energy looked to replenish the Strategic Petroleum Reserve (SPR) with a purchase 6 mb of crude oil.

**Saudi Arabia: Non-oil GDP growth moderates to a still solid 3.4% in Q1 2024.** Preliminary official estimates showed the Saudi non-oil economy continuing to post decent growth rates in Q1, with output up by 3.4% y/y and by 0.9% q/q on a seasonally adjusted basis. The annual growth rate was slower than the previous quarter's gain of 4.2% y/y, with private consumption easing to 2.0% y/y (+5.3% y/y in Q1 2023), while government spending and investment also softened. That said, we expect activity in the non-oil sector to continue to post decent growth rates, given solid high-frequency indicators including strengthening credit growth and robust PMI trends. Oil sector GDP in Q1, however, contracted by 11.2% y/y, on the back of the rollover of Saudi's voluntary oil production cuts, though the rate of decline moderated compared to the previous quarter. With oil sector activity affected by OPEC+ mandated production cuts, headline GDP growth in Q1 contracted for the third consecutive quarter, by 1.7% y/y (-4.3% y/y in Q4 2023).

**Chart 1: Oil prices**



**Chart 2: Saudi Arabia GDP**



T: (+965) 2229 5500, [econ@nbk.com](mailto:econ@nbk.com) Visit our publications | Unsubscribe from this list | Comments & feedback

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**Egypt: IMF reaches staff level agreement on third review of the extended fund facility.** The IMF and the Egyptian authorities concluded their third review of the \$8 billion IMF loan to Egypt. Subject to approval by the IMF's executive board, Egypt will receive about \$820 million as the third tranche. Overall, the IMF sees promising signs that economic reforms are proceeding, with the Egyptian authorities looking to maintain macro-economic stability through fiscal discipline, tight monetary policy and a shift to a currency free float. The economic outlook has turned more positive, on an improved FX outlook and availability, and a clear drop in inflation rates. However, the IMF sees ongoing and possibly greater spillovers from the conflict in Gaza, which have disrupted Suez Canal receipts, threatened tourist inflows and augur a potential refugee crisis on Egypt's borders as key downside risks. Another downside risk would be the current domestic structural challenges, which need to be addressed in order to put Egypt on a more sustainable growth path. The IMF has advised on keeping monetary conditions tight in the short term, ensuring that the exchange rate remains flexible, and, in the medium term, on encouraging the creation of sufficient fiscal space to invest in human capital (health and education).

**US: Fed meeting and inflation prints keenly watched events this week.** The FOMC will hold its policy meeting over 11-12 June, with markets widely expecting policymakers to keep interest rates unchanged in the 5.25-5.5% range. Much-awaited and quarterly updated dot-plot projections will also be released this Wednesday, and any revisions to the current three-quarter points reduction in interest rates this year would be keenly looked at. Renewed inflationary pressures earlier this year and last week's strong wage data could likely drive fewer planned rate cuts over the next six months. On the data front, just before the conclusion of the FOMC meeting, May's CPI inflation will be released, with the consensus forecasts pointing towards little change in headline inflation reading at 3.4% y/y (+0.2% m/m). The core rate is seen easing slightly to 3.5% y/y from 3.6% in April but at a steady 0.3% m/m. PPI inflation (due this Thursday) may also ease on a monthly basis to 0.2% from 0.5% in April but could remain flat annually at 2.2%. Finally, the University of Michigan Consumer Confidence Index (due Friday) in June may improve to 73 from its unexpectedly large drop (69.1) in May.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	8,957	n/a	-6.48
Bahrain (ASI)	2,035	-0.05	3.20
Dubai (DFMGI)	3,982	n/a	-1.91
Egypt (EGX 30)	25,659	-2.91	3.33
GCC (S&P GCC 40)	665	0.03	-6.69
Kuwait (All Share)	7,054	0.13	3.47
KSA (TASI)	11,855	2.55	-0.94
Oman (MSM 30)	4,738	-0.70	4.96
Qatar (QE Index)	9,571	0.40	-11.63

<b>International</b>			
CSI 300	3,574	n/a	4.17
DAX	18,557	n/a	10.78
DJIA	38,799	n/a	2.94
Eurostoxx 50	5,051	n/a	11.71
FTSE 100	8,245	n/a	6.62
Nikkei 225	38,684	n/a	15.60
S&P 500	5,347	n/a	12.10

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.34	0.63	-18.69
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.37	0.00	3.77
Saudi	6.23	-1.89	2.10
LIBOR	5.60	n/a	0.26
SOFR	5.33	n/a	0.30

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	5.11	n/a	78.8
Oman 2027	5.77	n/a	61.4
Qatar 2026	5.25	n/a	73.0
Kuwait 2027	5.12	n/a	78.4
Saudi 2028	5.20	n/a	67.7

<b>International 10YR</b>			
US Treasury	4.43	n/a	56.8
German Bund	2.62	n/a	58.8
UK Gilt	4.27	n/a	72.7
Japanese Gvt Bond	0.98	n/a	36.0

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.01	-0.18
KWD per EUR	0.33	-0.72	0.15
USD per EUR	1.08	0.00	-2.14
JPY per USD	156.70	0.00	11.09
USD per GBP	1.27	0.00	-0.06
EGP per USD	47.62	0.28	53.91

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	79.62	n/a	3.35
KEC	82.44	n/a	3.62
WTI	75.53	n/a	5.42
Gold	2305.2	n/a	11.77

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

Source: Refinitiv / Haver