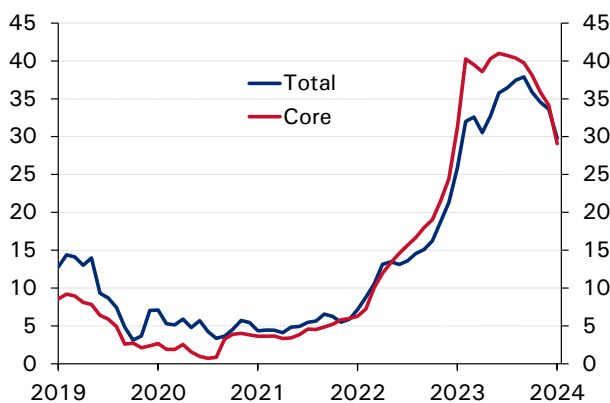


Daily Economic Update

Economic Research Department
7 February 2024

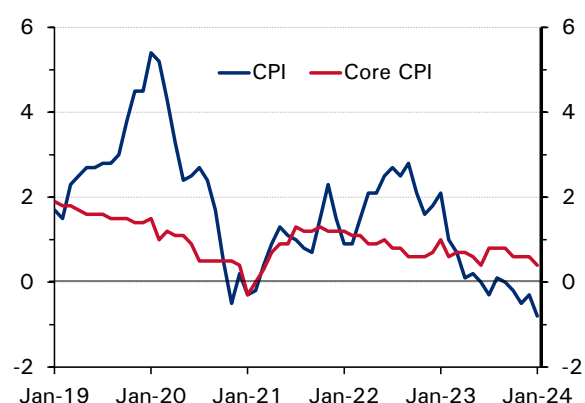
Egypt: Inflation decelerates as base effects kick in. Inflation in January dropped to a 12-month-low of 29.8% y/y (from 33.7% in December 2023). This was largely due to a positive base effect (linked to the January 2023 currency devaluation) and slower inflation in the food & beverages category (+47.9% in January from 60.5% in December). Core inflation also slowed, ticking lower to 29% y/y from 34.2% in December. The monthly headline and core inflation rates, however, did pick-up in January, rising 1.6% m/m (from 1.4% m/m in December) and 2.2% m/m (from 1.3% m/m in December), respectively. We expect that inflation will continue to gain on a monthly basis but remain capped in the near-term in year-on-year terms as positive base effects remain a factor. We also think that the Central Bank of Egypt will amend its inflation target from the current 7% (+/- 2%) by 4Q 2024 and push it to the end of 2025.

Chart 1: Egypt's CPI inflation
(% y/y)



Source: Haver

Chart 2: China's CPI inflation
(% y/y)



Source: China National Bureau of Statistics

US: Unemployment claims fall as the labor market remains robust. Jobless claims fell for the first time in three weeks, to 218K (week ending February 3) from 227K the previous week, broadly in line with market expectations. Continuing claims also eased, to 1.87 million from 1.89 million. Weekly jobless claims have been hovering at a historically modest level of around 200-220K for the past few months as the labor market remains tight amid a resilient economy and solid consumer spending. Moreover, the recent layoffs witnessed in the technology sector have yet to adversely affect conditions in the job market, further encouraging the soft-landing narrative for the US economy this year.

China: Consumer prices decline at fastest rate since 2009. Consumer prices declined by a steep 0.8% y/y in January—the sharpest drop since 2009—from a drop of 0.3% in December and piling further pressure on policymakers as they contend with a stock market rout and tepid consumer confidence. Inflation was brought

lower by a sharp drop—the steepest in the available data—in the food subcomponent (-5.9% y/y), while core inflation, which excludes food and energy, softened to 0.4% y/y from 0.6% in December. Inflation did pick up on a monthly basis, however, to 0.3% m/m in January (+0.1% in December) and could potentially gain again in February due to the Lunar New Year holiday spending period. Nevertheless, the overall data continues to signal that underlying weak economic conditions are persisting with consumption especially lackluster. This could push the government to implement further stimulus in the coming months.

UK: Property prices rose the most on an annual basis since January 2023. According to lending firm Halifax, average UK property prices rose in January by 1.3% m/m, the fourth consecutive monthly increase, and by 2.5% y/y—the latter the highest annual growth since January 2023. A typical UK home now costs more than GBP291K, higher by GBP3.7K on the previous month. The recent reduction in mortgage rates (due to expected cuts in policy rates), relatively higher competition in the market and lower inflation rates have improved confidence in the market among buyers.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,344	-0.20	-2.44
Bahrain (ASI)	2,068	0.23	4.91
Dubai (DFMGI)	4,184	0.60	3.06
Egypt (EGX 30)	28,411	1.81	14.41
GCC (S&P GCC 40)	723	0.01	1.44
Kuwait (All Share)	7,256	0.00	6.44
KSA (TASI)	12,203	0.30	1.97
Oman (MSM 30)	4,547	0.00	0.72
Qatar (QE Index)	9,961	-0.29	-8.03

International			
CSI 300	3,365	0.00	-1.93
DAX	16,927	-0.22	1.04
DJIA	38,672	-0.14	2.61
Eurostoxx 50	4,716	0.11	4.30
FTSE 100	7,573	-0.30	-2.08
Nikkei 225	36,897	0.09	10.26
S&P 500	5,027	0.57	5.38

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.41	0.00	-11.56
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.28	-13.65	9.04
Saudi	6.21	0.00	-2.20
LIBOR	5.57	0.77	-3.00
SOFR	5.30	-1.29	-3.01

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.59	-0.50	26.4
Oman 2027	5.51	4.50	35.1
Qatar 2026	4.73	-0.30	20.8
Kuwait 2027	4.51	0.00	16.5
Saudi 2028	5.01	4.00	48.6

International 10YR			
US Treasury	4.19	1.70	32.7
German Bund	2.38	2.40	35.1
UK Gilt	4.09	3.10	54.7
Japanese Gvt Bond	0.72	2.40	10.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.04	0.22
KWD per EUR	0.33	0.02	0.38
USD per EUR	1.08	0.06	-2.30
JPY per USD	149.30	-0.01	5.84
USD per GBP	1.26	0.02	-0.86
EGP per USD	30.85	0.00	0.00

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.19	0.69	6.68
KEC	81.29	2.16	2.17
WTI	76.84	0.81	7.24
Gold	2023.3	-0.44	-1.90

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

Source: Refinitiv / Haver