

Daily Economic Update

Economic Research Department
4 June 2024

Kuwait: Private sector activity and optimism accelerate in May, PMI shows. Non-oil, private sector activity grew at a faster pace in May, the latest S&P Global Kuwait PMI reading shows. The headline rate ticked up to 52.4 in May from 51.5 in April, registering a sixteenth consecutive month of expansion, boosted by the fastest increase in firms' output and new orders since mid-2020 and the immediate aftermath of the removal of Covid-19 lockdown restrictions. Business sentiment towards the next twelve months was also strongly positive—indeed the reading of above 60 was the third highest in the series history. Backlogs of work increased at the fastest pace in the series' history, with employment growth, which turned only mildly positive in May, largely unable to keep up pace with the rise in new orders. Both input and output prices continued to increase, though the latter at a slower rate than the former, with firms reporting the need for discounts to remain competitive.

Saudi Arabia: Business activity growth eases but remains strong in May. The non-oil private sector PMI eased to 56.4 in May from 57 in the previous month. The reading reflects a continued strong expansion in business activity despite the pace of growth easing to a four-month low. The softer reading was due to continued high inventories (record high in April) driving a deceleration in purchasing growth which fell to the lowest since September 2021, in addition to a contraction in work backlogs. Meanwhile, output and new orders growth remained steep, reflecting strong demand conditions especially in domestic markets. Price pressures remained broadly in check with moderate increases in input prices leading to marginally higher selling prices due to increased competition and sales.

Egypt: PMI shows major improvement, while prime minister submits government resignation. The PMI showed significant improvement in May, coming in at 49.6 from 47.4 in April. While remaining below the 50 'no change' threshold, this was still a significant improvement, representing the highest level for the PMI since September 2021. Several other indicators recovered back or close to the 50 mark including the employment, future output, and new export orders indices. In our opinion, this all reflects an improvement in overall macro stability including lower inflation, a stable exchange rate, and improved availability of foreign currency. We expect further improvements in the coming period as inflation falls further and interest rates start to be cut. On a different note, prime minister Mostafa Madbouly has submitted the government's resignation and the president has requested him to form a new government with including ministers that are experts in their fields. The move is not unexpected, and the new government will be charged with pushing ahead with the next phase of important economic and financial reforms.

UAE: New strategy for the transport and logistics sector in Dubai. The Roads and Transport Authority (RTA) published the main details of the Commercial and Logistics Land Transport Strategy 2030 after being approved by Dubai's crown prince. The main goal of the new strategy is to support Dubai Economic Agenda (D33) through the doubling of the direct contribution of the land transport and logistics sector to the emirate's economy to AED16.8 billion, raise the rate of technology adoption in the infrastructure by 75%, reduce carbon emissions by

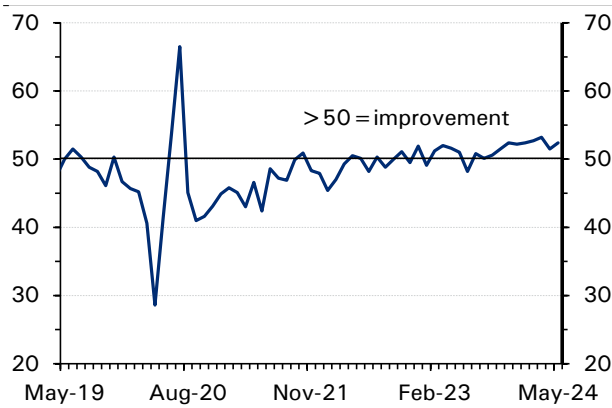
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30%, and improve operational efficiency by 10%. Its worth noting that the transport sector has seen a compound annual growth rate of 34%. In 2021, the direct contribution of this sector to Dubai's economy was AED 8.5 billion, accounting for 3% of the emirate's GDP in 2022 with jobs created within the sector estimated at approximately 242,000 jobs.

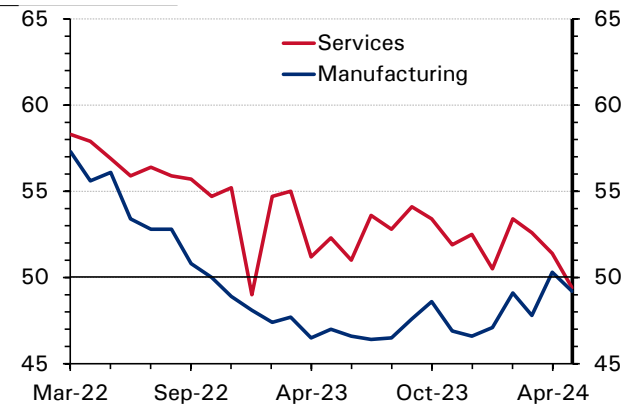
US: Slump in manufacturing activity unexpectedly deepens. Weakness in the manufacturing sector worsened in May, with the ISM PMI survey coming in at 48.7 from 49.2 in April on a substantial drop in new orders (at 45.4, a 12-month low). On a more positive note, the employment subindex rebounded (at 51.1), recording its highest reading since September 2022, reversing the weakening trend seen over the recent months and underscoring an improvement in hiring. Additionally, price pressures mitigated to a still-elevated index level of 57, softening from April's 22-month high (60.9). The latest survey highlights continued weakness in manufacturing activity as high interest rates dampen demand and pressure investments.

Chart 1: Kuwait PMI
(index)



Source: S&P Global

Chart 2: US ISM PMI
(index)



Source: Haver

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	8,918	0.62	-6.89
Bahrain (ASI)	2,037	0.18	3.33
Dubai (DFMGI)	3,993	0.38	-1.64
Egypt (EGX 30)	26,834	-0.13	8.06
GCC (S&P GCC 40)	670	2.00	-5.97
Kuwait (All Share)	7,026	-0.57	3.06
KSA (TASI)	11,808	1.58	-1.33
Oman (MSM 30)	4,821	-0.25	6.81
Qatar (QE Index)	9,409	0.25	-13.13

International			
CSI 300	3,589	0.25	4.59
DAX	18,608	0.60	11.08
DJIA	38,571	-0.30	2.34
Eurostoxx 50	5,004	0.40	10.66
FTSE 100	8,263	-0.15	6.85
Nikkei 225	38,923	1.13	16.31
S&P 500	5,283	0.11	10.77

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.34	0.00	-18.70
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.26	-6.14	-0.52
Saudi	6.26	-0.36	3.22
LIBOR	5.60	-0.29	1.14
SOFR	5.35	-0.13	1.47

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.05	0.00	72.9
Oman 2027	5.77	0.00	61.1
Qatar 2026	5.26	0.80	73.3
Kuwait 2027	5.16	1.50	80.2
Saudi 2028	5.18	1.70	64.0

International 10YR			
US Treasury	4.41	0.60	54.2
German Bund	2.59	0.00	55.6
UK Gilt	4.23	0.00	68.6
Japanese Gvt Bond	1.04	-2.70	45.0

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.03	-0.25
KWD per EUR	0.33	0.59	1.09
USD per EUR	1.09	0.04	-1.21
JPY per USD	156.36	0.17	10.66
USD per GBP	1.28	0.03	0.59
EGP per USD	47.05	0.00	52.51

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	77.88	-0.61	1.71
KEC	84.22	0.36	5.86
WTI	73.69	-0.71	3.59
Gold	2344.4	-0.09	13.78

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

Source: Refinitiv / Haver