

# Weekly Economic and Markets Review

NBK Economic Research Department | 11 June 2023

International & MENA



## International and markets

**US:** The ISM survey of services in May fell to a five-month low of 50.3 from 51.9 in April, signaling further softening in the service sector. The input price index dropped to its lowest level in three years (56.2), underscoring easing services-related inflationary pressures, and the employment index fell below the 50-neutral level to a seven-month low of 49.2. Meanwhile, weekly jobless claims jumped to a one-and-a-half-year high of 261K from 233K in the previous week; however, most rises were concentrated in a few states, implying volatility in the data in a holiday-shortened week as continuing claims fell to 1.76mn from 1.79mn, the lowest since mid-February.

**EU:** Eurozone GDP for 1Q23 fell 0.1% q/q, lower than expectations of 0.0%. The decline follows a fall of the same magnitude in 4Q22, pushing the Eurozone into a technical recession. Meanwhile, the composite PMI remained in expansionary mode but weakened to 52.8 in May from 54.1 in April driven by the services sector (55.1) while manufacturing contracted even further to 44.8 (versus 45.8).

**China:** Exports tumbled 7.5% y/y in May amid weak global demand, while soft domestic activity saw imports decline 4.5% y/y and inflation remain muted at 0.2% y/y (-0.2% m/m).

**Financial markets:** Global equities were mixed, with US major indices extending weekly gains amid the resolution of the debt impasse and the prospects of a Fed rate hike pause. The S&P500 notched its fourth straight week of gains (0.4% w/w), while the Nikkei 225 led gains (2.4%) on higher than expected Q1 growth. The MSCI GCC rose by 2.4% w/w lifted by KSA (3.5%) as data revealed robust non-oil growth in Q1. Kuwait gained 1.1%.

**Oil:** By Friday's close, Brent fell to \$74.8/bbl (-1.8% w/w), reversing a modest early-week gain linked to Saudi's oil production cut announcement. Market sentiment turned bearish on demand concerns related to US fuel stock rises and Chinese trade data weakness. Rumors, later denied, that Iran & the US were close to a deal were also factored.

levels while politics and high oil dependency remain as key challenges.

**Saudi Arabia:** Non-oil GDP rose by 5.4% y/y in 1Q23, lower than the flash estimate (5.8%), but in-line with 2022 growth rates. Oil GDP was up by 1.4% y/y, government activities by 4.9%, and overall GDP was up by 3.8%. The PMI softened to a still-strong 58.5 in May. Price pressures rose with the output price index at 54.4 in May, the highest since August 2020.

**UAE:** The PMI fell in May to a three-month low of 55.5 (56.6 in April), though the index remains firmly in expansionary territory with strong output and new orders growth. Domestic credit eased to 2.1% y/y in March (3.6% in February) on softening private sector credit (5.9% versus 7.8%), while deposit growth continued to trend upwards, reaching 14.9% y/y on increasing government (40%) and private sector deposits (16.6%).

**Bahrain:** The 2023-24 budget projects a steep decline in the fiscal deficit to BD161mn by 2024 (less than 1% of GDP) on strong growth in revenues and spending consolidation, showing a firm commitment to the Fiscal Balance Program targets.

**Egypt:** Inflation picked up again to 32.7% y/y in May (30.6% in April), slightly higher than our expectations of 31.5% as m/m inflation was 2.7% compared to an expected 2.1%. Food inflation was the main driver, increasing by 60% y/y higher than April's 54.7% due to the hike of diesel prices and some subsidized commodities, a move that took place early May.

### Key takeaways:

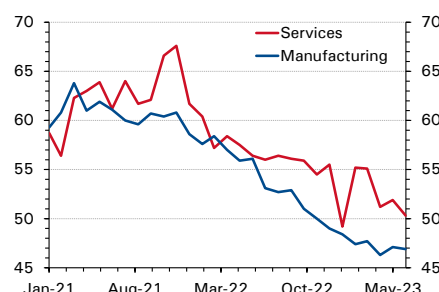
- The US services sector has been the key driver of the economy and sticky inflation this year. Early signs of easing in services activity and employment could mean that the impact of the Fed's monetary tightening has finally started to kick in.
- Weak Eurozone GDP data will not prevent the ECB from hiking interest rates this week as it continues to keep an eye on core inflation that remains too high. The market expects the ECB to raise rates in each of the coming two meetings by 25bps.
- A new parliament in Kuwait offers the chance for a reset in MPs' relations with the government – expected to be formed after Eid – which may reflect positively on reform prospects. However, relatively low MP turnover suggests some of the 2022 parliament dynamics and sentiments could persist.
- The latest rise in inflation in Egypt may not give the central bank enough justification to raise interest rates at its mid-June meeting, with rate moves also reflecting policy around the pound which has been stable recently. But an EGP depreciation could push inflation higher, triggering tighter policy.

► **Chart 1: Brent crude oil price**  
(\$/bbl)



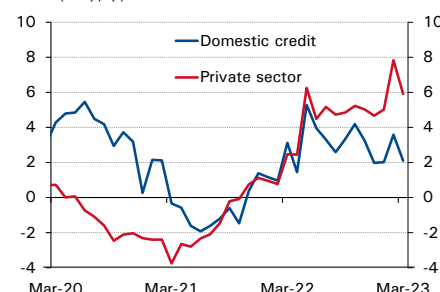
Source: Refinitiv

► **Chart 2: US ISM PMI**



Source: Haver

► **Chart 3: UAE domestic credit**  
(% y/y)



Source: Haver

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,837	-0.7	-0.9
DAX	15,950	-0.6	14.6
DJIA	33,877	0.3	2.2
Eurostoxx 50	4,290	-0.8	13.1
FTSE 100	7,562	-0.6	1.5
Nikkei 225	32,265	2.4	23.6
S&P 500	4,299	0.4	12.0
Regional			
Abu Dhabi SM	9,369	-0.4	-8.2
Bahrain ASI	1,954	-0.2	3.1
Dubai FM	3,699	2.6	10.9
Egypt EGX 30	17,521	-0.1	20.0
MSCI GCC	690	2.4	-0.2
Kuwait SE	6,859	1.1	-5.9
KSA Tadawul	11,397	3.5	8.1
Muscat SAM 30	4,659	0.6	-4.4
Qatar Exchange	10,257	0.5	-4.0

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.75	5.2	-8.6
Bunds 10 Year	2.38	7.2	-18.2
Gilts 10 Year	4.24	8.0	56.8
JGB 10 Year	0.43	1.6	1.4
Regional			
Abu Dhabi 2027	4.34	9.9	11.3
Oman 2027	5.90	4.1	-8.8
Qatar 2026	4.62	14.2	14.4
Kuwait 2027	4.26	7.3	-1.4
Saudi Arabia 2028	4.73	14.9	6.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	74.8	-1.8	-12.9
KEC	76.9	5.1	-6.3
WTI	70.2	-2.2	-12.6
Gold	1962.2	0.5	7.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.55	-0.5	40.4
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	6.00	15.0	71.7
Eibor - 3 month	5.29	-2.6	97.6
Saibor - 3 month	5.90	-1.9	68.8
Libor - 3 month	5.54	4.8	77.7
Sofr - 3 month	5.24	-5.1	65.4

Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	-0.2	0.4
KWD per EUR	0.330	0.5	0.9
USD per EUR	1.075	0.4	0.4
JPY per USD	139.3	-0.4	6.3
USD per GBP	1.257	1.0	3.9
EGP per USD	30.95	0.3	25.1

Updated on 9/6/2023

Source: Refinitiv

### International equity markets

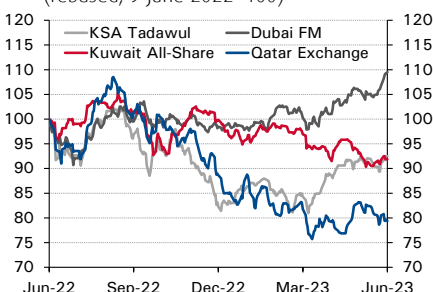
(rebased, 10 June 2022=100)



Source: Refinitiv

### GCC equity markets

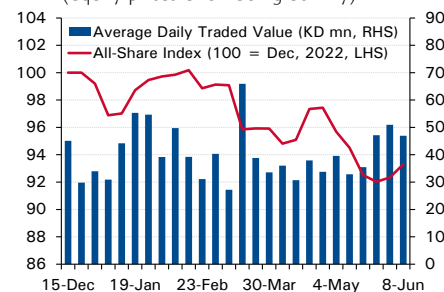
(rebased, 9 June 2022=100)



Source: Refinitiv

### Boursa Kuwait

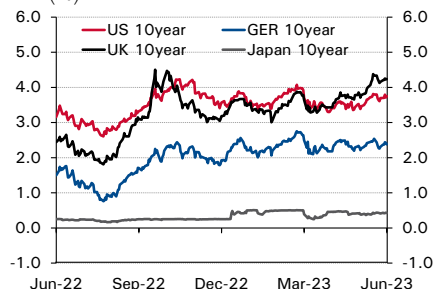
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

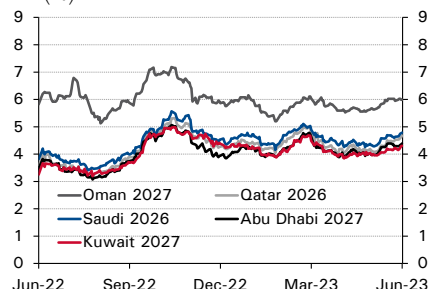
(% )



Source: Refinitiv

### GCC bond yields

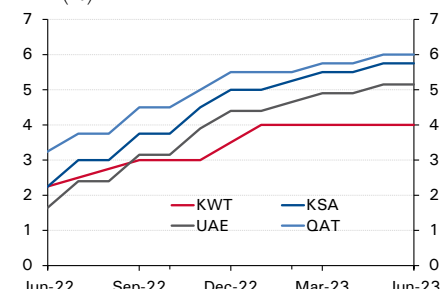
(% )



Source: Refinitiv

### GCC key policy rates

(% )



Source: Refinitiv