

# Weekly Economic and Markets Review

NBK Economic Research Department | 22 June 2023



## International & MENA

### International and markets

**US:** In a testimony to Congress, Fed chair Powell reiterated the views that were communicated in last week's press conference following the FOMC meeting. Specifically, he mentioned that "nearly all FOMC participants expect that it will be appropriate to raise interest rates somewhat further by the end of the year." Meanwhile, housing starts in May came much stronger than expected, soaring by 22% m/m to stand at an annualized 1.63 million, the highest level since April 2022, when the policy interest rate in the US was just beginning to increase.

**Europe:** UK inflation was stuck at 8.7% y/y in May (consensus 8.4%), as services costs continue to rise and offset falling energy costs and easing inflation in food and housing. The core rate unexpectedly rose to 7.1% from 6.8% previously. The figures pile pressure on the Bank of England (BoE) to tighten policy further when it meets today, to avoid inflation becoming more entrenched. Markets were already looking for a hike in the policy rate by 25 bps to 4.75%, but the odds of a larger 50 bps hike and the BoE's base rate reaching 6% by early 2024 have increased significantly.

**China:** The People's Bank of China cut the one-year and five-year loan prime rates by 10bps to 3.55% and to 4.2% respectively, the first cuts since August 2022.

**Financial markets:** Global equities were relatively flat this week as concerns about global inflation and interest rate direction worries markets. Losses were led by the DAX losing 1.8%. The MSCI GCC tracked global markets and was flat with minute losses of (-0.1% w/w) with Kuwait's All-Share outperforming at 1.0%.

**Oil:** Brent looks on track for a second consecutive weekly gain, reaching \$77.1/bbl (+5.4% w/w) on Wednesday. Despite Fed Chair Powell's rate hike comments, prices have been buoyed by solid crude demand from East Asian refiners, by China's economic stimulus plans and by the prospect of potential US crude stocks draws in this week's EIA release.

parliament. Meanwhile, CPI inflation stood at 3.7% y/y (+0.2% m/m) in May, unchanged from the prior two months' pace. Price pressures from the clothing (+6.8% y/y), services & miscellaneous goods (+4%), and furnishing & household maintenance (+2.4%) components were offset by moderation in other categories, especially food & beverages which eased to a 5-month low but remained relatively elevated at +6.9% y/y. Finally, domestic credit continued to be weak in May as it was flat m/m, cutting the y/y increase to 2.7% (April 3.1%), and seeing no-growth on a year-to-date basis. Household credit posted its first meaningful increase this year, rising 0.5% in May though y/y growth softened to 5.3% (April 5.8%).

**UAE:** Domestic credit growth rose in April to 3.6% y/y, from 2.1% in March on rising credit to government of 2% y/y and an easing in the decline in credit to GREs, while private sector credit growth (64% of total domestic credit) remained relatively stable at 6% y/y. On the other side, deposits continued to trend up, rising by 17.1% y/y in April compared with 14.9% in March on strong private sector and government deposits growth of 18.4% and 44%, while non-resident deposits fell by 12.6% during the same month.

**Egypt:** The government's budget deficit widened from 5.5% of GDP in FY21/22 to 6.3% in FY22/23 for the period July to May, mainly on the back of rising interest payments. Meanwhile, the government raised private sector minimum wages by 11% to EGP3K from July. This was second increase this year, resulting in an overall hike of 25% over the past 6 months.

#### Key takeaways:

- Inflation data continue to show that inflation in the UK is becoming more entrenched in the economy. The BoE meets today and there is a possibility that it will raise interest rates by 50bps – above the 25 bps the market expects.
- Following the reopening of Kuwait's parliament, government officials and MPs are showing signs of increased urgency over passage of key legislation. The PM promised to shortly unveil the delayed 'Program of Action' while the parliamentary session looks set to be extended through the summer. An early step could be the passage of the overdue FY23/24 budget.
- In Egypt, the rise in the private sector minimum wage came in an attempt to compensate employees for very high inflation, which stood at 32% in May. Despite the latter, we expect interest rates to remain on hold following the central bank's policy meeting today.

### MENA Region

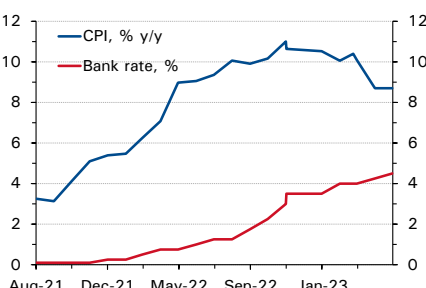
**Kuwait:** The 17th term of Kuwait's National Assembly was officially inaugurated on 20 June, with HH the Crown Prince Meshal Al-Ahmad stressing the necessity of executive-legislative cooperation towards the achievement of Kuwait's goals. To that end, the Council of Ministers has tasked the Minister of Finance to prepare a draft government agenda to be submitted to the council within two weeks before referral to

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



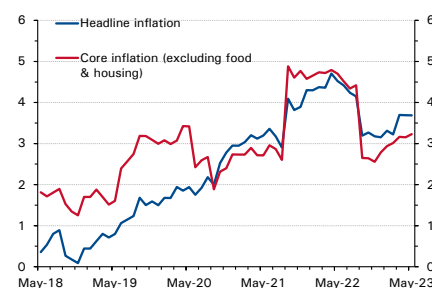
Source: Refinitiv

► **Chart 2: UK CPI and BoE policy rate**  
(%)



Source: Haver

► **Chart 3: Kuwait inflation**  
(% y/y)



Source: Ministry of Finance, CBK

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,864	0.0	-0.2
DAX	16,023	-1.8	15.1
DJIA	33,952	-0.1	2.4
Eurostoxx 50	4,323	-1.2	13.9
FTSE 100	7,559	-0.6	1.4
Nikkei 225	33,575	0.2	28.7
S&P 500	4,366	-0.2	13.7

<b>Regional</b>			
Abu Dhabi SM	9,490	1.0	-7.1
Bahrain ASI	1,957	-0.1	3.3
Dubai FM	3,782	1.8	13.4
Egypt EGX 30	17,706	-0.9	21.3
MSCI GCC	695	-0.1	0.6
Kuwait SE	7,046	1.0	-3.4
KSA Tadawul	11,466	-0.6	8.7
Muscat SM 30	4,722	0.7	-3.1
Qatar Exchange	10,243	-0.5	-4.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.72	-7.5	-10.8
Bunds 10 Year	2.43	-1.6	-13.3
Gilts 10 Year	4.40	1.2	73.5
JGB 10 Year	0.38	-5.6	-4.3

<b>Regional</b>			
Abu Dhabi 2027	4.33	-3.0	10.3
Oman 2027	5.91	4.1	-8.4
Qatar 2026	4.60	-6.2	12.2
Kuwait 2027	4.36	7.0	8.9
Saudi Arabia 2028	4.81	9.9	14.1

Commodities	\$/unit	Change (%)	
		1-week	YTD
Brent crude	77.1	5.4	-10.2
KEC	78.7	3.2	-4.0
WTI	72.5	6.2	-9.6
Gold	1933.3	-1.1	6.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.54	0.0	40.0
Kibor - 3 month	4.19	0.0	18.8
Qibor - 3 month	5.93	-2.5	64.2
Eibor - 3 month	5.14	-0.6	82.7
Saibor - 3 month	5.95	-1.2	73.9
Libor - 3 month	5.54	3.1	77.2
SoFr - 3 month	5.23	-2.0	64.2

Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.0	0.5
KWD per EUR	0.338	2.1	3.1
USD per EUR	1.098	1.4	2.6
JPY per USD	141.9	1.3	8.2
USD per GBP	1.277	0.9	5.6
EGP per USD	30.85	0.0	24.7

Updated on 21/6/2023

Source: Refinitiv

### International equity markets

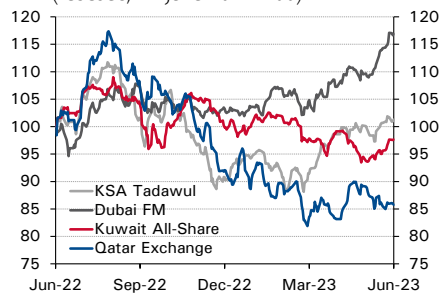
(rebased, 22 June 2022=100)



Source: Refinitiv

### GCC equity markets

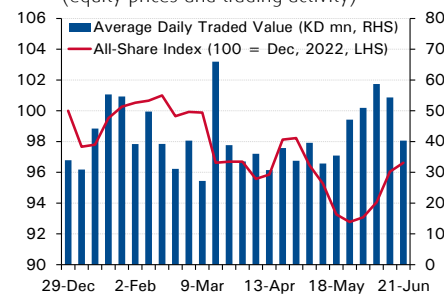
(rebased, 21 June 2022=100)



Source: Refinitiv

### Boursa Kuwait

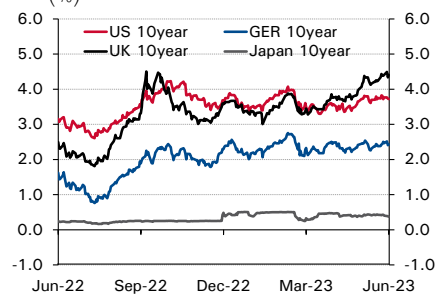
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

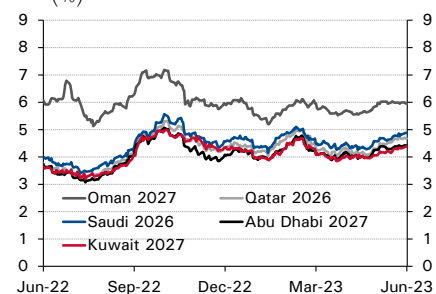
(%)



Source: Refinitiv

### GCC bond yields

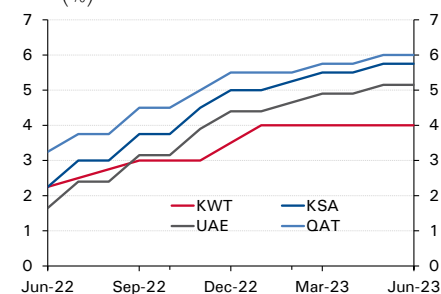
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv