# Weekly Economic and Markets Review

NBK Economic Research Department I 29 January 2023

International & MENA

## International and markets

**US:** GDP growth in 4Q22 slowed to 2.9% (annualized) from 3.2% in Q3, beating the consensus forecast of a 2.6% rise. The underlying demand indicators weakened compared to the previous quarter, such as personal consumption (+2.1% from +2.3%) and gross private fixed investment (-6.7% from -3.5%) signaling some loss of momentum. For the year 2022, the economy grew 2.1% down from 5.9% in 2021. Weekly jobless claims dropped further to 186K, the lowest since April 2022, suggesting a continued robust job market. Meanwhile, the Fed's preferred inflation gauge, the core PCE, softened to 4.4% y/y in December from 4.7% in November but accelerated by 0.3% m/m from 0.2% earlier on rising services prices.

**Europe:** Relatively positive data was out from the Eurozone showing a general improvement in both consumer sentiment and manufacturing output. Consumer confidence for January came in at -20.9 versus -22.0 for December. The manufacturing PMI stood at 48.8 versus 47.8 for the previous month, while the composite PMI surpassed the 50 benchmark (to stand at 50.2 versus 49.3 in the previous month). On the other hand, UK data showed worsening conditions as the PMI dropped to 47.8 from 49.0, driven by a decrease in the services PMI (to 48.0 from 49.9) while the manufacturing PMI increased to 46.7 from 45.3 in the previous month.

**Japan:** Overall CPI in Tokyo (a leading indicator of nationwide trends) increased 4.4% y/y in January (4.0% in December), with core consumer prices rising 4.3% y/y in January.

**Financial markets:** Global equity markets were mostly higher (MSCI AC World +2.1% w/w), with the S&P 500 up 2.5% on expectations of a softer landing for the US economy, while Japan rose 3.1%. GCC markets were mixed, with gains in Qatar (+2.8%), KSA (+1.3%), and Kuwait (+0.8%), while Abu Dhabi declined by 4.4%. EGX 30 extended the YTD rise, up 4.5% w/w.

**Oil:** Brent retreated on Friday, reversing weekly gains on signs of still-resilient Russian supply and mixed US corporate earnings results to fall back to $86.7/bbl (-1.1% w/w; +0.9% mtd). Markets had been upbeat for most of the week, buoyed by hopes of a rebound in Chinese oil demand, strong diesel refining margins and better-than-expected US economic data.

## MENA Region

**Kuwait:** The government's resignation was accepted by the Emir on Thursday after the executive-legislative impasse, with the parliament's debt write-off proposal and the special salaries inquiry at the core of the dispute. Meanwhile, in a surprise move the CBK hiked the discount rate by 50bps to 4%, bringing cumulative hikes to 250bps since March 2022. This was the second 50 bps hike in a row, narrowing the gap with the US Federal Funds target (upper bound) to negative 50 bps.

**Saudi Arabia:** The ministry of finance approved the borrowing plan for 2023, with financing needs of around SAR 45 billion (1.2% of forecast GDP). Despite budgeting a fiscal surplus for 2023, the government will continue to borrow in 2023 to repay maturing debt, finance strategic projects and opportunistically benefit from market conditions.

**UAE:** Domestic credit growth eased to 3.2% y/y in November from 4.2% in the previous month on softening credit to businesses and the industrial sector (+3.7%), while personal credit continued its upward trend (+8.6% y/y). Resident deposit growth remained strong at 16.0% y/y.

**Bahrain:** Inflation eased to 3.6% y/y in December (Nov 3.9%) amid continued deflation in housing prices (-0.75% y/y) and softening pressures in the food and beverages subcomponent. For 2022 as a whole, average inflation stood at 3.6%.

**Egypt:** The two largest state banks will discontinue their one-year 25% CDs by end of January, having accumulated around EGP380bn. The high-yielding CDs were originally introduced at the time of the EGP devaluation that took place on 4 January in an attempt by the central bank to contain inflation and limit dollarization.

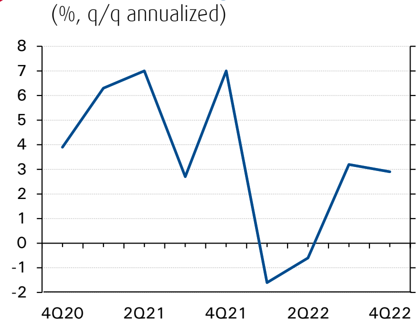
**Key takeaways:**

- Despite better-than-expected growth in Q4, the US economy is losing momentum amid the rapid Fed tightening and weakening consumer demand. However, a sustained robust job market should help avoid a harder landing in 2023.
- Incoming data continue to show divergence between the Eurozone, which is showing tentative signs of recession escape, and the UK where data is signaling that a recession is close. The ECB and BofE will both meet on February 2, with expectations of 50bps hikes by both central banks.
- Last week's CBK off-cycle rate hike (the US Fed is expected to move this week) is seen as a catch-up move, having lagged the Fed in raising rates during the current cycle (250 bps vs. 425 bps in total). Given recent consecutive larger 50 bps hikes, and with Fed rate hikes set to slow, the CBK may be looking to align more closely with the Fed going forward.

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

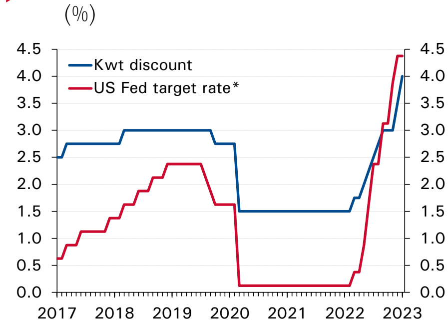

Source: Refinitiv

**Chart 2: US GDP growth**
(%, q/q annualized)




Source: Haver

**Chart 3: Kuwait and US interest rates**
(%)




Source: Haver *middle of range

| Stock markets | Index | Change (%) | |
|---|---|---|---|
| | | 1-week | YTD |
| **International** | | | |
| CSI 300 | 4,182 | 0.0 | 8.0 |
| DAX | 15,150 | 0.8 | 8.8 |
| DJIA | 33,978 | 1.8 | 2.5 |
| Eurostoxx 50 | 4,178 | 1.4 | 10.1 |
| FTSE 100 | 7,765 | -0.1 | 4.2 |
| Nikkei 225 | 27,383 | 3.1 | 4.9 |
| S&P 500 | 4,071 | 2.5 | 6.0 |
| **Regional** | | | |
| Abu Dhabi SM | 9,738 | -4.4 | -4.6 |
| Bahrain ASI | 1,928 | 0.0 | 1.7 |
| Dubai FM | 3,329 | -0.7 | -0.2 |
| Egypt EGX 30 | 16,791 | 4.5 | 15.0 |
| MSCI GCC | 703 | 0.6 | 1.7 |
| Kuwait SE | 7,311 | 0.8 | 0.3 |
| KSA Tadawul | 10,822 | 1.3 | 2.6 |
| Muscat SM 30 | 4,751 | -1.0 | -2.5 |
| Qatar Exchange | 11,110 | 2.8 | 4.0 |

| Bond yields | % | Change (bps) | |
|---|---|---|---|
| | | 1-week | YTD |
| **International** | | | |
| UST 10 Year | 3.52 | 3.4 | -31.3 |
| Bunds 10 Year | 2.25 | 7.4 | -31.7 |
| Gilts 10 Year | 3.33 | -5.6 | -34.4 |
| JGB 10 Year | 0.48 | 8.0 | 6.2 |
| **Regional** | | | |
| Abu Dhabi 2027 | 3.98 | 4.4 | -5.9 |
| Oman 2027 | 5.30 | -17.5 | -11.5 |
| Qatar 2026 | 4.19 | 9.0 | -6.5 |
| Kuwait 2027 | 3.93 | 0.7 | -7.9 |
| Saudi Arabia 2028 | 4.31 | -1.2 | -7.7 |

| Commodities | $/unit | Change (%) | |
|---|---|---|---|
| | | 1-week | YTD |
| Brent crude | 86.7 | -1.1 | 0.9 |
| KEC | 86.4 | 0.3 | 5.3 |
| WTI | 79.7 | -2.0 | -0.7 |
| Gold | 1928.6 | 0.1 | 6.0 |

| Interbank rates | % | Change (bps) | |
|---|---|---|---|
| | | 1-week | YTD |
| Bhibor - 3 month | 6.14 | 0.0 | 0.0 |
| Kibor - 3 month | 4.13 | 6.3 | 12.5 |
| Qibor - 3 month | 5.35 | 3.3 | 6.7 |
| Eibor - 3 month | 4.77 | 28.9 | 45.9 |
| Saibor - 3 month | 5.45 | -1.5 | 24.1 |
| Libor - 3 month | 4.83 | 1.0 | 5.8 |
| Sofr - 3 month | 4.68 | 3.7 | 8.9 |

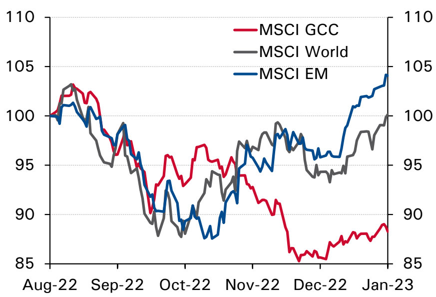
| Exchange rates | rate | Change (%) | |
|---|---|---|---|
| | | 1-week | YTD |
| KWD per USD | 0.305 | -0.1 | -0.2 |
| KWD per EUR | 0.332 | 0.6 | 1.4 |
| USD per EUR | 1.087 | 0.1 | 1.5 |
| JPY per USD | 129.9 | 0.2 | -1.0 |
| USD per GBP | 1.240 | 0.0 | 2.5 |
| EGP per USD | 29.84 | 0.2 | 20.6 |

Updated on 27/1/2023 Source: Refinitiv

# Key data

## International equity markets

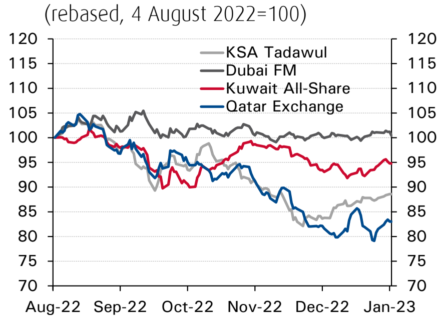
(rebased, 5 August 2022=100)




Source: Refinitiv

## GCC equity markets

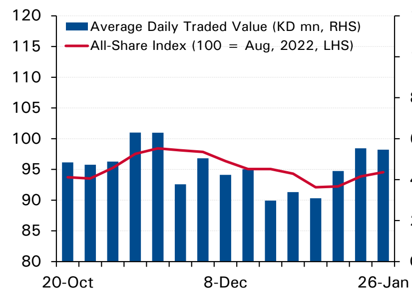
(rebased, 4 August 2022=100)




Source: Refinitiv

## Boursa Kuwait

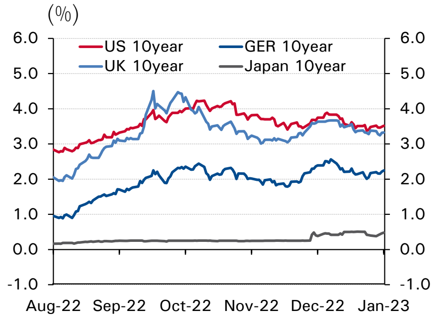
(equity prices and trading activity)




Source: Refinitiv

## International bond yields

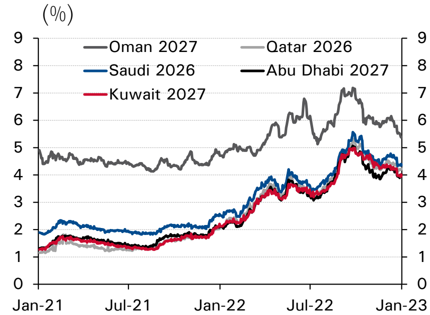
(%)




Source: Refinitiv

## GCC bond yields

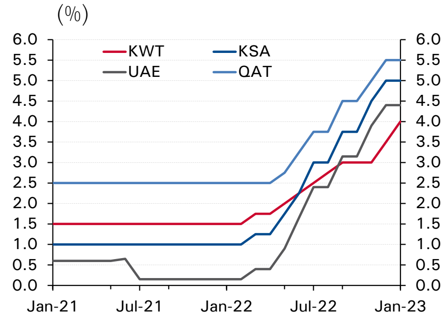
(%)




Source: Refinitiv

## GCC key policy rates

(%)




Source: Refinitiv