

Weekly Economic and Markets Review

NBK Economic Research Department | 16 February 2023



International & MENA

International and markets

US: CPI inflation eased to an above-consensus 6.4% y/y (+0.5% m/m) in January from 6.5% in December. Core inflation softened to a 13-month low of 5.6% y/y (from 5.7% in Dec). Goods reversed their deflationary trend (+0.4% m/m; +4.5% y/y) as energy prices reversed their December decline (+2.0% m/m). Services remained stickier (+0.6% m/m; +7.6% y/y), as the shelter component increased. Meanwhile, retail sales rebounded sharply in January (+3.0% m/m) after declining in December (-1.0%), led by stronger auto sales. Industrial production was unchanged in January, after falling 1% earlier.

Europe: Eurozone GDP growth in 4Q22 was left unchanged from the earlier estimate of 0.1% q/q (+1.9% y/y), slowing from the previous quarter's rate of 0.2% q/q (+2.1% y/y). Meanwhile, the European Commission upgraded the bloc's economic outlook in 2023 on falling wholesale gas prices and resilient employment, forecasting growth of 0.9% from 0.3% earlier. In the UK, inflation in January slowed more than expected, easing to 10.1% (from 10.5% in December) and 5.8% with respect to the core rate (from 6.3%)—the weakest since March 2022. Meanwhile, the unemployment rate was steady at 3.7% in the three months to December 2022. Average earnings (ex. bonus) rose 6.7% y/y, the quickest pace since July 2021.

China: The central bank kept its 1-yr medium-term lending facility rates unchanged, opting instead to inject a net CNY199bn (\$29bn) in liquidity through its policy tools to meet a surge in post-Covid loan demand.

Japan: GDP expanded by an annualized 0.6% in 4Q22, a return to growth after the 1% contraction in 3Q22, but below analysts' forecasts of 2.0%. While consumption rebounded (+0.5%), supported by increased domestic travel and a stronger Yen, business investment (-0.5%) and inventories declined. Kazuo Ueda was nominated for the governor of the central bank role.

Financial markets: Global equities rallied on resilient global economy data, led by European markets (Euro Stoxx 50: +2.0% week-to-date). The FTSE 100 gained 1.5% wtd, reaching a record high. The S&P 500 gained 1.4% wtd. Rate hike expectations continued to push bond yields higher: the 10-yr UST gained 6 bps to 3.8%. GCC markets were mostly positive (MSCI GCC up 0.8%), lifted by Saudi Arabia (1.5%). Kuwait gained 0.4%.

Oil: Brent held steady at the \$85/bbl level (-1.2% wtd; -0.6% ytd) by Wednesday's close, neither pressured by the large US

crude inventory build nor boosted by the IEA's upward revision (+100 kb/d) to world oil demand growth in 2023 (+2 mb/d) on expectations of rebounding Chinese oil consumption.

MENA Region

Saudi Arabia: Inflation came in at 3.4% y/y (+0.2% m/m) in January, up from 3.3% in December, spurred on by higher housing rents (+7.7% y/y) and food & beverage costs (+4.2%).

UAE: Abu Dhabi's real GDP expanded at the fastest rate in the MENA region in the first 9M2022 at 10.5% y/y (+8.1% y/y in 3Q22). Oil and non-oil activities increased by 10.7% y/y and 10.3%, respectively, with the former benefitting from higher crude output and investment and the latter from trade, construction, real estate and manufacturing gains. Meanwhile, in support of UAE Vision 2031 goals, the central bank launched the Financial Infrastructure Transformation Program (FIT), which aims to accelerate the digital transformation in the financial services sector.

Oman: Inflation eased slightly to 1.8% y/y in January (though up 0.5% m/m), with price rises in the food (+4.8% y/y) and restaurants and hotels sectors (+3.9%) continuing to feature.

Egypt: As part of its privatization program, the government intends to establish a holding company, which will include seven 5-star hotels, in which 20-30% of shares will be offered to private investors. GCC sovereign wealth funds, such as Saudi Arabia's PIF, have expressed interest. Transactions will be managed by Egypt's sovereign wealth fund.

Key takeaways:

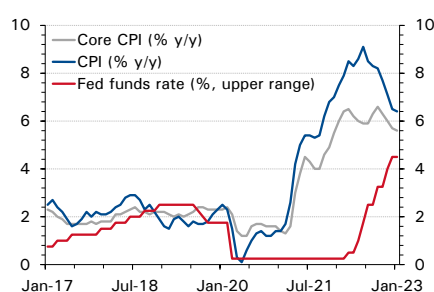
- US inflation data shows that, despite the easing headline rate, stickier inflation in subcomponents such as services could mean that inflation persists for longer than expected. Interest rate futures now project a higher rather than lower terminal rate (5.50%) than the Fed's dot plot projections and one rather than two cuts of 25 bps in 2H23.
- With UK inflation steadily moderating, the BoE now appears close to ending its rate-hiking cycle. Markets expect a 25 bps hike in March.
- Private investor interest in Egypt's privatization program is likely to favor the acquisition of majority stakes so as to be able to drive company performance improvements. Privatization is a major pillar in Egypt's IMF EFF program and will not only help the authorities bridge the financing gap but also help stimulate the country's private sector and ultimately drive economic productivity gains.

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



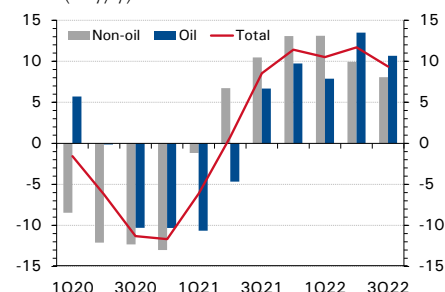
Source: Refinitiv

▶ **Chart 2: US inflation & interest rates**



Source: Haver

▶ **Chart 3: Abu Dhabi real GDP** (% y/y)



Source: Haver

Key data

Stock markets	Index	Change (%)	
		week-to-date	YTD
International			
CSI 300	4,124	0.4	6.5
DAX	15,506	1.3	11.4
DJIA	34,128	0.8	3.0
Eurostoxx 50	4,280	2.0	12.8
FTSE 100	7,998	1.5	7.3
Nikkei 225	27,502	-0.6	5.4
S&P 500	4,148	1.4	8.0
Regional			
Abu Dhabi SM	9,990	-0.3	-2.2
Bahrain ASI	1,937	0.0	2.2
Dubai FM	3,464	0.3	3.8
Egypt EGX 30	17,523	-0.5	20.0
MSCI GCC	690	0.8	-0.2
Kuwait SE	7,370	0.4	1.1
KSA Tadawul	10,573	1.5	0.3
Muscat SM 30	4,633	-2.8	-4.9
Qatar Exchange	10,450	0.2	-2.2

Bond yields	%	Change (bps)	
		week-to-date	YTD
International			
UST 10 Year	3.81	6.4	-2.4
Bunds 10 Year	2.47	10.7	-8.8
Gilts 10 Year	3.49	8.8	-18.2
JGB 10 Year	0.50	0.5	8.2
Regional			
Abu Dhabi 2027	4.22	5.5	-0.4
Oman 2027	5.51	0.0	-7.9
Qatar 2026	4.52	7.8	0.8
Kuwait 2027	4.11	-4.0	-3.7
Saudi Arabia 2028	4.73	9.0	1.3
Commodities			
	\$/unit	Change (%)	
		week-to-date	YTD
Brent crude	85.4	-1.2	-0.6
KEC	84.5	1.7	3.0
WTI	78.6	-1.4	-2.1
Gold	1834.2	-1.5	0.8

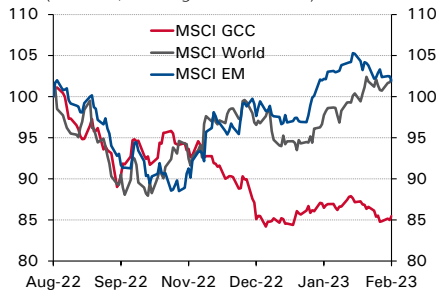
Interbank rates	%	Change (bps)	
		week-to-date	YTD
Bhbor - 3 month	6.26	1.3	12.1
Kibor - 3 month	4.25	6.3	25.0
Qibor - 3 month	5.43	7.5	14.2
Eibor - 3 month	4.68	-19.7	37.2
Saibor - 3 month	5.52	1.6	30.4
Libor - 3 month	4.88	0.7	10.9
Sofr - 3 month	4.77	6.8	18.7
Exchange rates			
	rate	Change (%)	
		week-to-date	YTD
KWD per USD	0.306	0.3	0.2
KWD per EUR	0.328	-0.2	0.1
USD per EUR	1.069	0.1	-0.1
JPY per USD	134.1	2.1	2.3
USD per GBP	1.203	-0.3	-0.6
EGP per USD	30.52	0.2	23.4

Updated on 15/2/2023

Source: Refinitiv

International equity markets

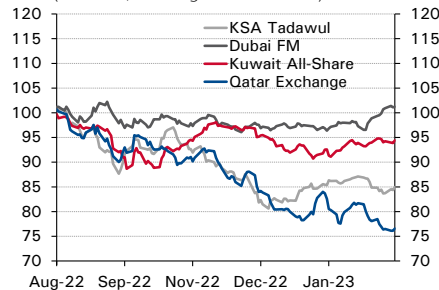
(rebased, 24 August 2022=100)



Source: Refinitiv

GCC equity markets

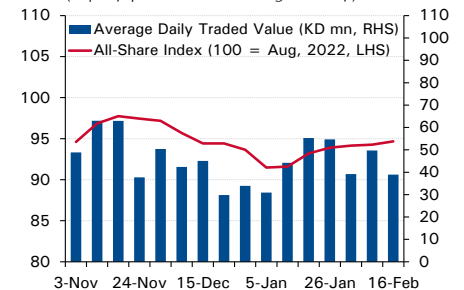
(rebased, 25 August 2022=100)



Source: Refinitiv

Bursa Kuwait

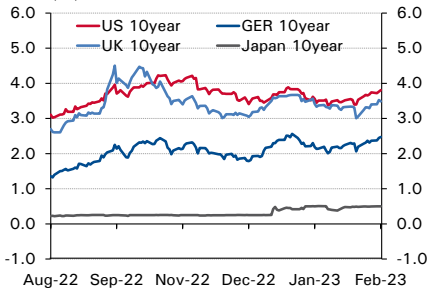
(equity prices and trading activity)



Source: Refinitiv

International bond yields

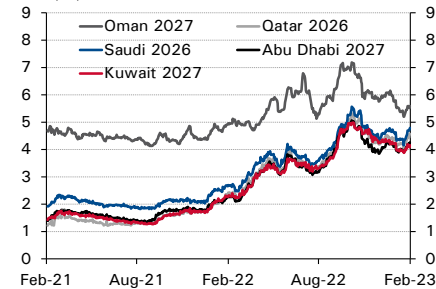
(%)



Source: Refinitiv

GCC bond yields

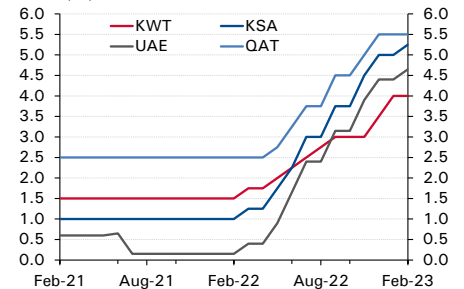
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv