

### International

**US:** Consumer price inflation is under pressure and inflation could rise further on a large stimulus package, vaccine rollout, and higher inflationary expectations. The CPI hit a post-pandemic high of 1.4% y/y in January driven by higher energy costs related to the rising price of oil, and it is seen rising further over coming months driven by both a vaccine-fueled economic recovery and the up to \$1.9 trillion stimulus plan that President Biden looks determined to push through by March. However, last week's data for the consumer-related sector was less than compelling. Initial jobless claims edged down only to a still-high 793,000 in the w/e February 6 from an upwardly revised 812,000 the week before. The University of Michigan consumer sentiment index also remained in the doldrums, falling again to 76.2 in February, well below the pre-pandemic figure of 100.

**UK:** GDP growth in 4Q20 came in at a slightly better-than-expected +1.0% q/q, though was still down a heavy 7.8% y/y. For 2020, GDP fell 9.9%, the largest drop on record, and bigger than many peer group countries in Europe due partly to a relatively worse virus outbreak but also technical differences in the way that public sector GDP is computed.

**Financial markets:** Global equity markets continued their strong rally while regional markets were mostly muted. The MSCI AC World index rose by +1.5% w/w (the CSI up 5.9% w/w), while the S&P reached record-highs, up 1.2% w/w. Regional stock markets were mostly muted with KSA bucking the trend, advancing by a strong 3.8% w/w on higher oil prices, positive reform developments, and solid gains by banking stocks. Qatar also gained (+0.9% w/w) while Kuwait's All-Share Index was flat for the week.

**Oil:** Brent climbed to \$62.4/bbl (+5.2% w/w; +20.5% ytd) due to tighter near-term supplies and continued stock drawdowns. However, the IEA cautioned that the recovery remains fragile amid renewed lockdowns, cutting its 2021 growth forecast by 200 kb/d to 5.4 mb/d with global demand averaging 96.4 mb/d.

### MENA Region

**Kuwait:** The economy displayed mixed signals in 2020 with subdued credit growth (3.5% y/y), lower employment but higher inflation due a sharp increase in world food prices. Household credit (+6.3% in 2020) performed better than business credit (3.5%). Inflation edged up to 3.0% y/y, as food inflation accelerated to 9.8% y/y, while housing was flat for the

seventh consecutive month. For 2020 as a whole, average inflation came in at 2.1% (+1.1% in 2019). Finally, overall employment declined by 4.1% in 2020 on a contraction in expat jobs (-5.2%), despite higher jobs for Kuwaitis (+2.2%) resulting in a drop in expats living in Kuwait, and hence a decrease in the country's population by 2.2% to 4.7 million.

**Saudi Arabia:** The reform momentum continued with the Crown Prince announcing that judicial reforms of four main laws, namely, The Personal Status Law, the Civil Transactions Law, the Penal Code for Discretionary Sanctions, and the Law of Evidence, will be announced over the course of 2021. Meanwhile official estimates of GDP growth in 2020 stood at -4.1% (revised down from -3.7%), coming exactly in line with our forecast for the year.

**Egypt:** Egyptian debt continued to attract foreign capital given the relatively attractive real rates; inflation slowed to 4.3% in January (from 5.4% in December), driven by lower domestic food and beverage prices. Inflation is now below the central bank's 4Q22 target. The government issued international bonds worth \$3.75 billion in three tranches, namely, five-year bonds at a yield of 3.875%, 10-year at 5.875%, and 40-year at 7.5%.

#### Key takeaways:

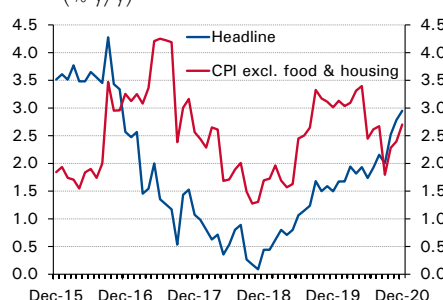
- The US stimulus package is likely to be amended mainly by reducing the income threshold eligible to receive the \$1400 checks, and by either rejecting or lowering the minimum wage below the \$15 per hour.
- Credit in Kuwait ended 2020 on a weak note. For 2021, we project credit growth of 4% to 5% as improving economic growth and ongoing robust lending to citizens will likely be dampened by weaker business emergency funding and muted lending to expats.
- The reform of the judicial system in KSA is a very positive step as it enhances the predictability of rulings, limits the discretion of judges, and expedites the litigation process. This reform is yet another step in the right direction and is expected to be welcomed by international investors.
- If inflation in Egypt remains in February below the target of 7% ( $\pm 2\%$ ), the CBE could cut its policy rate in its upcoming meeting on March 18, to support the economic recovery while keeping the real interest rates relatively high.

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



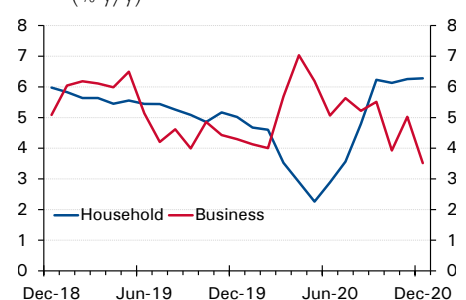
Source: Refinitiv

► **Chart 2: Kuwait inflation** (% y/y)



Source: CSB

► **Chart 3: Kuwait credit growth** (% y/y)



Source: CBK

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	5,808	5.9	11.4
DAX	14,050	0.0	2.4
DJIA	31,458	1.0	2.8
Eurostoxx 50	3,696	1.1	4.0
FTSE 100	6,590	1.5	2.0
Nikkei 225	29,520	2.6	7.6
S&P 500	3,935	1.2	4.8
<b>Regional</b>			
Abu Dhabi SM	5,667	0.1	12.3
Bahrain ASI	1,463	0.1	-1.8
Dubai FM	2,633	-1.4	5.7
Egypt EGX 30	11,546	-0.5	6.5
MSCI GCC	569	2.5	4.1
Kuwait SE	5,696	0.0	2.7
KSA Tadawul	8,944	3.8	2.9
Muscat SM 30	3,560	-1.3	-2.7
Qatar Exchange	10,523	0.9	0.8

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.20	3.0	28.8
Bunds 10 Year	-0.43	1.3	14.5
Gilts 10 Year	0.52	3.6	32.3
JGB 10 Year	0.07	0.2	4.4
<b>Regional</b>			
Abu Dhabi 2022	0.53	-2.7	3.1
Dubai 2022	0.54	4.0	34.1
Qatar 2022	0.43	-10.5	-8.7
Kuwait 2022	0.69	8.2	23.3
KSA 2023	0.72	-2.2	0.2
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.4	5.2	20.5
KEC	61.1	NA	20.7
WTI	59.5	4.6	22.6
Gold	1821.6	0.6	-3.8

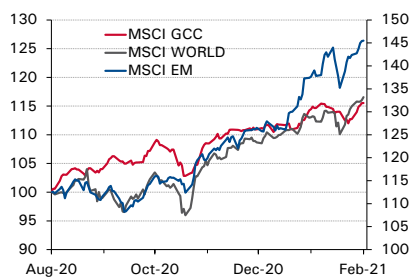
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.17	-3.3	-8.3
Kibor - 3 month	1.50	6.3	6.3
Qibor - 3 month	0.96	-4.8	-15.8
Eibor - 3 month	0.29	-6.7	-22.5
Saibor - 3 month	0.81	-0.4	-0.7
Libor - 3 month	0.20	0.5	-4.1
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	-0.1	-0.5
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.212	0.6	-0.8
JPY per USD	104.9	-0.4	1.6
USD per GBP	1.384	0.8	1.3
EGP per USD	15.57	-0.4	-0.8

Updated on 12/2/2021

Source: Refinitiv

### International equity markets

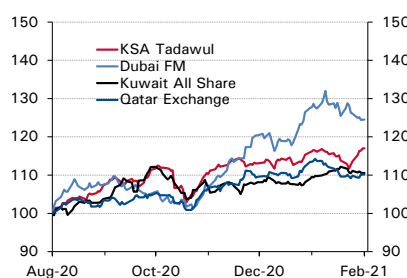
(rebased, 12 August 2020=100)



Source: Refinitiv

### GCC equity markets

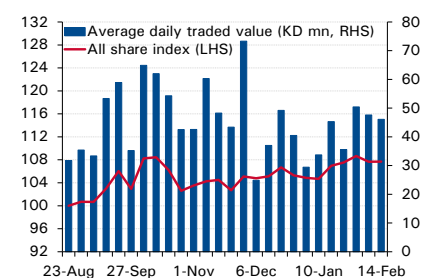
(rebased, 12 August 2020=100)



Source: Refinitiv

### Boursa Kuwait

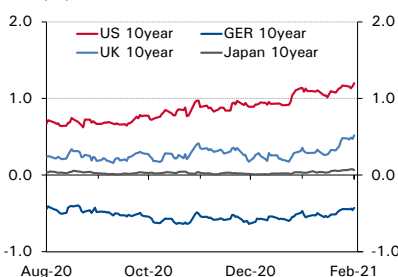
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

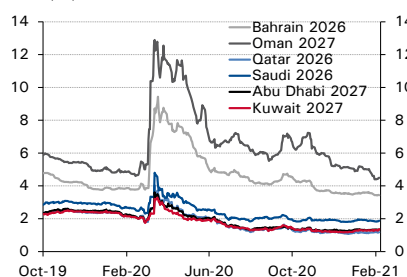
(%)



Source: Refinitiv

### GCC bond yields

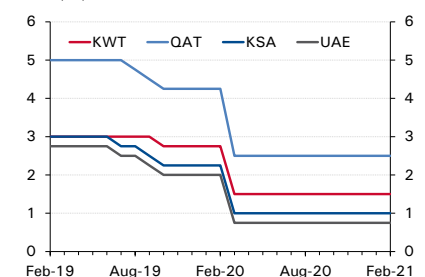
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv