Weekly Economic and Markets Review

NBK Economic Research Department I 17 October 2021

International & MENA

International and markets

Global: Driven by softer expansion in advanced economies, the IMF slightly lowered its 2021 global growth forecast to 5.9% from 6% previously, keeping the 2022 growth forecast unchanged at 4.9%. Price pressures are expected to mostly subside in 2022 though inflation risks are skewed to the upside.

US: The CPI increased by a slightly higher-than-expected 0.4% m/m in September resulting in a 5.4% y/y increase (5.3% in August), while the core rate stood at 4% y/y. Meanwhile, one-year ahead consumers' inflation expectations (as per the New York Fed) increased to 5.3%, a record high since the inception of the survey in 2013. The minutes of the Fed's September meeting revealed broad support for starting asset purchase tapering, which will likely begin before year-end at a rate of $15bn a month and conclude in mid-2022. Finally, September retail sales strongly beat expectations, increasing 0.7% m/m.

Eurozone: Industrial output fell back 1.6% m/m in August, hit by supply chain disruptions and slowing global trade. The fall was particularly sharp in Germany (-4.1%), where car production has been affected by rising freight charges and the semi-conductor shortage. Rising energy costs are now a further headwind to manufacturers and could weigh on EZ GDP which was already set to slow in 4Q21 (0.9% q/q) from Q3 (2%).

Financial markets: Global stocks saw the best weekly gains since July as sentiment improved, with the MSCI AC World up 2.1%, led by European stocks (Euro Stoxx 50 +2.7%). The S&P500 rose 1.8% helped by good corporate earnings and better than expected retail sales. GCC markets were mostly positive (MSCI GCC +1.6%) amid higher oil prices led by Abu Dhabi (1.3%), while Kuwait's All-Share was unchanged.

Oil: Brent gained for a sixth straight week, settling at $84.9/bbl (+3% w/w; +64% ytd), helped by forecasts of near-term supply deficits and higher demand growth as countries ease Covid-19 travel restrictions. The IEA believes the current gas crisis could boost oil demand by 500 kb/d for six months, and has revised its 2021 and 2022 oil demand growth estimates by 170 kb/d (to 5.5 mb/d) and 210 kb/d (to 3.3 mb/d), respectively.

MENA Region

Kuwait: Real estate sales in September amounted to KD 319 million, up 30% y/y but down 22% from the exceptionally-strong level in August. Meanwhile, the CBK will gradually unwind the easing of some of its liquidity and capitalization regulations that took effect in April last year due to the onset of the pandemic. Almost all prudential regulations shall get back to their pre-pandemic levels effective January 2023. Finally, it has been reported that 38 services at 29 governmental units will be repriced upwards. This comes in light of a recent Moody's report projecting the fiscal deficit will remain sizeable despite the increase in oil prices.

Saudi: The Crown Prince launched the National Investment Strategy (NIS), aiming to boost investments in the economy by undertaking further regulatory reforms, setting up special economic zones and moving important supply chains to the Kingdom, among other initiatives. FDI is targeted to reach $103bn annually and investments to account for 30% of GDP by 2030. Meanwhile, inflation edged up to 0.6% y/y in September (0.3% in August) mainly on higher food and beverages prices.

UAE: The government approved the federal budget for 2022-26, with spending at AED290bn. Dubai's PMI softened slightly to 51.5 in September as orders declined for the first time since February. Meanwhile, Abu Dhabi is launching an AED5bn IPO Fund to encourage private firms to list on the local stock market.

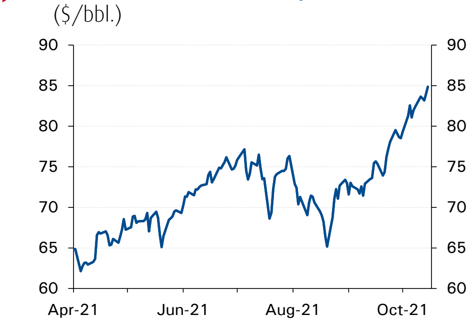
Oman: Moody's changed its outlook from negative to stable and affirmed the country's Ba3 rating on a significant easing of pressure on government liquidity and external financing.

Egypt: Inflation accelerated for the fifth consecutive month to 6.6% y/y in September from 5.7% in August (core at 4.8% from 4.5%), mainly driven by a 10.6% y/y jump in food and beverages prices. Meanwhile, the IMF raised its 2021 economic growth forecast to 3.3% (from 2.5% last April), but lowered 2022 growth to 5.2% from 5.7%.

Key takeaways:

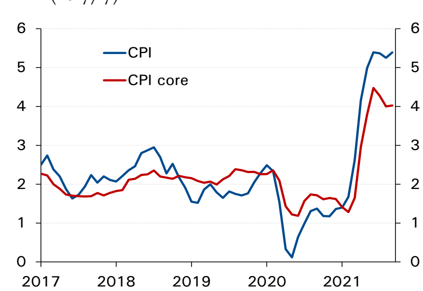
- With Fed asset tapering commencing later this year, the focus has already shifted to the start of rate lift-off given the persistently-high inflation. If inflation remains elevated in the early months of 2022, the Fed may be forced to shorten its tapering timeline and start hiking rates earlier than expected.
- Saudi Arabia's NIS has very high targets in terms of mobilizing local and foreign investments through 2030 (cumulative of SAR12tn), such that even a partial success in that will lead to a fundamental impact on the economy.
- As Egypt's inflation is getting closer to the target of 7% (±2%), the central bank is expected to keep policy rates unchanged at the next MPC meeting on October 28 given the considerable need for foreign financing and a potential tightening in the global monetary policy environment.

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



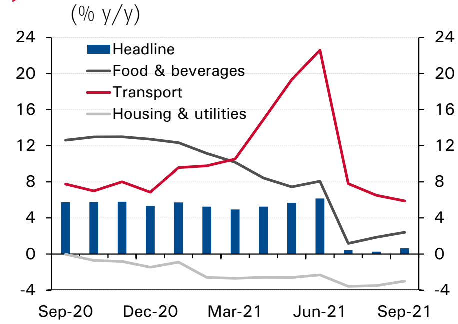
Source: Refinitiv

Chart 2: US inflation
(% y/y)



Source: Refinitiv

Chart 3: KSA inflation
(% y/y)



Source: GASTAT

Key data

Stock markets	Index	Change (%) 1-week	YTD
International			
CSI 300	4,932	0.0	-5.4
DAX	15,587	2.5	13.6
DJIA	35,295	1.6	15.3
Eurostoxx 50	4,183	2.7	17.7
FTSE 100	7,234	2.0	12.0
Nikkei 225	29,069	3.6	5.9
S&P 500	4,471	1.8	19.0
Regional			
Abu Dhabi SM	7,812	1.3	54.8
Bahrain ASI	1,709	0.5	14.7
Dubai FM	2,790	0.6	11.9
Egypt EGX 30	10,996	4.4	1.4
MSCI GCC	740	1.6	35.4
Kuwait SE	6,886	0.0	24.2
KSA Tadawul	11,699	0.9	34.6
Muscat SM 30	3,956	-0.1	8.1
Qatar Exchange	11,664	1.1	11.8

Bond yields	%	Change (bps) 1-week	YTD
International			
UST 10 Year	1.57	-3.8	66.2
Bunds 10 Year	-0.17	-2.4	40.4
Gilts 10 Year	1.11	-5.6	90.9
JGB 10 Year	0.08	-0.1	5.8
Regional			
Abu Dhabi 2022	0.47	-2.3	-3.1
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.33	0.1	-18.8
Kuwait 2022	0.70	23.6	23.6
KSA 2023	0.68	-2.5	-3.7

Commodities	$/unit	Change (%) 1-week	YTD
Brent crude	84.9	3.0	63.8
KEC	84.3	7.3	66.5
WTI	82.3	3.7	69.6
Gold	1767.2	0.6	-6.7

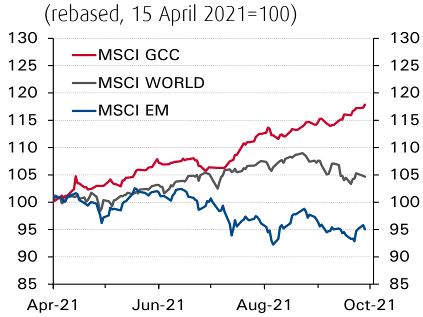
Interbank rates	%	Change (bps) 1-week	YTD
Bhibor - 3 month	1.52	-3.3	-73.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.15	0.0	2.9
Eibor - 3 month	0.41	5.3	-10.5
Saibor - 3 month	0.82	0.4	-0.2
Libor - 3 month	0.12	-0.1	-11.6

Exchange rates	rate	Change (%) 1-week	YTD
KWD per USD	0.301	0.1	-0.8
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.160	0.3	-5.0
JPY per USD	114.2	1.8	10.6
USD per GBP	1.375	1.0	0.6
EGP per USD	15.68	0.2	-0.1

Updated on 15/10/2021 Source: Refinitiv

International equity markets

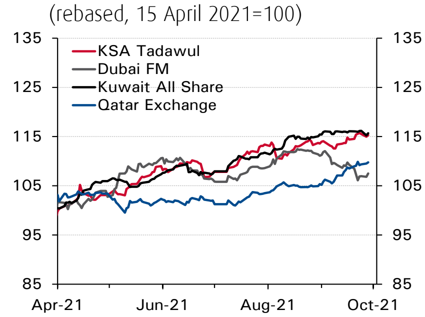
(rebased, 15 April 2021=100)



Source: Refinitiv

GCC equity markets

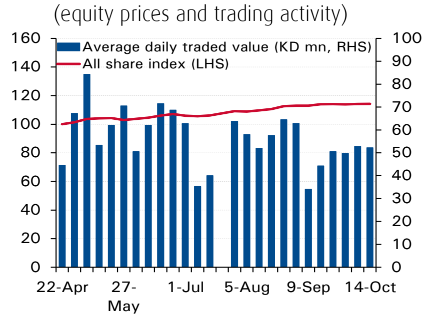
(rebased, 15 April 2021=100)



Source: Refinitiv

Boursa Kuwait

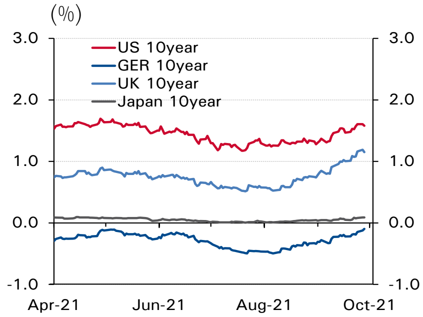
(equity prices and trading activity)



Source: Refinitiv

International bond yields

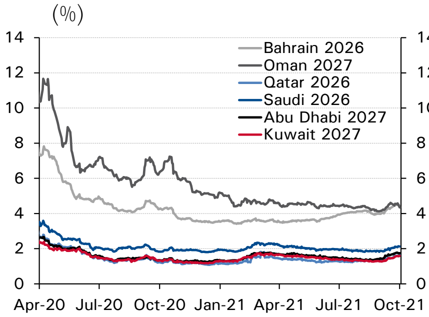
(%)



Source: Refinitiv

GCC bond yields

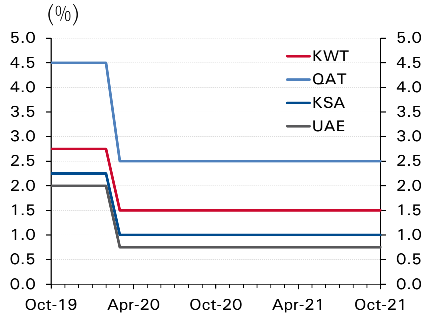
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv