

International and markets

Global: The IMF, in its latest World Economic Outlook, slightly cut its 2023 world GDP growth forecast to 2.8% (3.4% in 2022) from 2.9% on lower growth in EMs but upgraded the outlook for developed economies, including the US (1.6% versus 1.4%) and the Euro area (0.8% versus 0.7%). It sees risks skewed to the downside including from fallout from the banking crisis and a slower easing in the core inflation.

US: CPI inflation in March slowed to 5% y/y (+0.1% m/m), a nearly two-year low, aided by falling energy prices (-6.4% y/y). Core inflation inched up to 5.6% y/y (+0.4% m/m) from 5.5% and overtook the headline rate for the first time since end-2020, but it should moderate ahead given the softening housing market. However, goods (including energy) may rise on the recent uptick in oil prices. Meanwhile, in more signs of momentum-loss, retail sales and manufacturing output in March fell by 1% m/m and 0.5%, respectively. Finally, consumers' one-year inflation expectation rose to 4.6%, a five-month high, but consumer sentiment improved to 63.5 from 62.

Europe: The UK economy unexpectedly stagnated in February (0% m/m), compared to an upwardly revised +0.4% in January, as strikes by public workers impacted output. However, on a rolling 3-month basis, it grew 0.1% q/q through February from the 0% for the three months ending November 2022.

China: Exports surged 14.8% y/y in March, reflecting greater demand abroad and improved supply chain conditions even though imports fell 1.4% y/y. Meanwhile, consumer price inflation softened to an 18-month low of 0.7% y/y in March, while producer prices remained in deflation (-2.5% y/y).

Financial markets: Global equity markets rose as banking sector concerns eased and on hopes that peak interest rates are near. Japan's Nikkei 225 outperformed (+3.5% w/w), while the DJIA rose 1.2% w/w. GCC markets were mixed (+0.3%) amid oil market volatility, with gains in Abu Dhabi and Dubai offset by losses in Qatar. Kuwait's All-Share rose 0.3%.

Oil: Brent rose for a fourth consecutive week on Friday, gaining 1.4% w/w to close at \$86.3/bbl (+0.5% ytd). Meanwhile, the IEA now sees demand outstripping supply beginning in 2Q23 after a 1.16 mb/d voluntary cut by several OPEC+ members.

MENA Region

Kuwait: The new government was announced last week, the seventh in three years, with Sheikh Ahmad Al-Nawaf al-Sabah returning as the PM. Key portfolios were largely unchanged, except Manaf Al-Hajery replacing Abdulwahab Al-Rushaid as

Minister for Finance and Economy. Meanwhile, real estate sales in March declined by 30% y/y to reach KD250mn, as residential sales fell by 54% y/y to their lowest level since July 2020, at KD102mn. The investment segment saw a milder decline of 8% to KD105mn, while commercial sector sales rose 130% to KD42mn. Finally, the IMF lowered Kuwait's 2023 GDP growth forecast to 0.9% from the 2.6% projected in October 2022. Although detail are not yet provided, the shift was likely due to lower oil production following the OPEC+ driven cuts.

Saudi Arabia: The Crown Prince launched four new SEZs, with benefits including competitive tax rates, exemption from customs duties, and 100% foreign ownership. He also announced the transfer of 4% of Aramco's shares to Sanabil Investments, a PIF fully-owned company, with the state's direct ownership falling to 90.2% and PIF's ownership rising to 8%. Meanwhile, the CPI rose by a limited 0.1% m/m in March, resulting in +2.7% y/y (+3% in February), with higher housing rentals remaining as the main inflation driver in March (+0.4% m/m, +8.7% y/y) and for the past year.

UAE: Dubai's PMI jumped to 55.5 in March, a five-month high, as output expanded on steep rises in jobs and inventories.

Qatar and Bahrain: Qatar and Bahrain announced a resumption of diplomatic ties after about six years, with likely positive economic implications for both countries.

Egypt: March inflation came in at 32.7% y/y, slightly above February's 31.9%, with food & beverages segment inflation hitting a high of 63%. However, the monthly rise in prices was 2.7%, much below 6.5% in February. Meanwhile, the IMF lowered its GDP growth forecast for 2023 to 3.7% from 4.0% earlier, while trimming the 2024's growth to 5% from 5.3%.

Key takeaways:

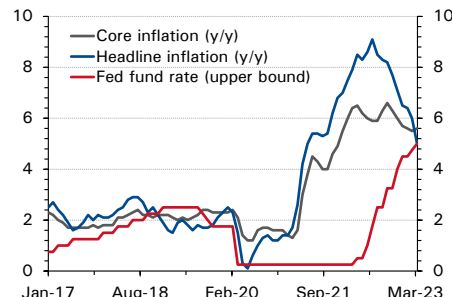
- US inflation prints and job markets, although both still hot, have started to loosen amid increasing odds for a recession. Given potentially tightened credit conditions, the current rate-hike cycle could end after the Fed's meeting in May.
- Kuwait's real estate demand continues to cool following the exceptional strength seen in 2021, with the previously strong residential market seeing the largest year-on-year drop in Q1. Elevated valuations, higher interest rates and a moderating growth outlook are likely weighing on market activity.
- Egypt's inflation came in slightly below our expectations of 34% y/y as the impact of the pound's January devaluation continues to fade along with an absence of any demand-pull factors on the back of eroding purchasing power.

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



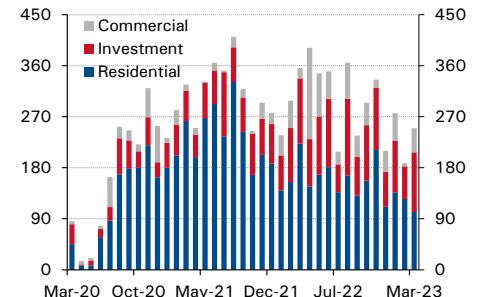
Source: Refinitiv

▶ **Chart 2: US inflation and Fed rate**
(%)



Source: Haver

▶ **Chart 3: Kuwait real estate sales**
(KD mn)



Source: Ministry of Justice, Kuwait

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,092	-0.8	5.7
DAX	15,808	1.3	13.5
DJIA	33,886	1.2	2.2
Eurostoxx 50	4,391	1.9	15.7
FTSE 100	7,872	1.7	5.6
Nikkei 225	28,493	3.5	9.2
S&P 500	4,138	0.8	7.8
Regional			
Abu Dhabi SM	9,623	1.7	-5.8
Bahrain ASI	1,882	-0.2	-0.7
Dubai FM	3,492	2.4	4.7
Egypt EGX 30	17,671	5.8	21.0
MSCI GCC	687	0.3	-0.5
Kuwait SE	6,990	0.3	-4.1
KSA Tadawul	10,965	0.5	4.0
Muscat SM 30	4,811	1.2	-1.3
Qatar Exchange	10,090	-2.4	-5.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.52	13.9	-30.9
Bunds 10 Year	2.43	25.0	-13.1
Gilts 10 Year	3.66	22.9	-0.7
JGB 10 Year	0.47	1.0	5.3
Regional			
Abu Dhabi 2027	3.91	6.2	-31.6
Oman 2027	5.48	-3.5	-50.7
Qatar 2026	4.07	-6.9	-40.9
Kuwait 2027	3.84	-11.8	-43.3
Saudi Arabia 2028	4.25	-3.9	-41.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	86.3	1.4	0.5
KEC	88.2	2.1	7.5
WTI	82.5	2.3	2.8
Gold	2002.2	-0.5	10.0

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	6.35	1.8	20.5
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	5.68	-2.5	39.2
Eibor - 3 month	5.13	14.2	82.2
Saibor - 3 month	5.75	3.1	54.2
Libor - 3 month	5.26	6.4	49.4
Sofr - 3 month	4.98	6.5	39.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.4	0.0
KWD per EUR	0.337	0.6	2.9
USD per EUR	1.100	0.9	2.8
JPY per USD	133.8	1.2	2.0
USD per GBP	1.241	0.0	2.6
EGP per USD	30.85	0.0	24.7

Updated on 14/4/2023

Source: Refinitiv

International equity markets

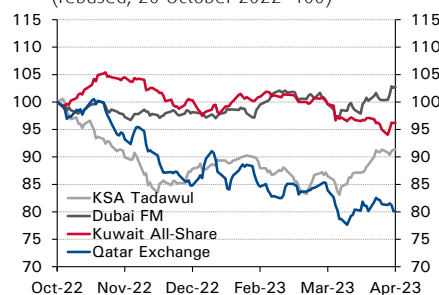
(rebased, 21 October 2022=100)



Source: Refinitiv

GCC equity markets

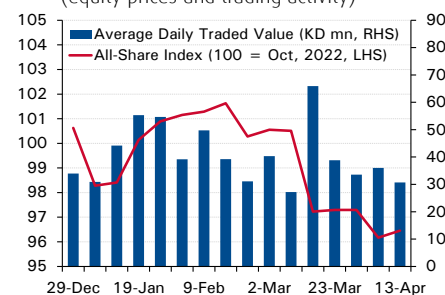
(rebased, 20 October 2022=100)



Source: Refinitiv

Boursa Kuwait

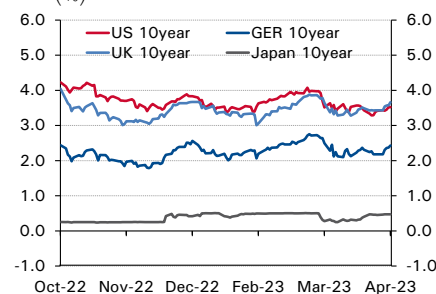
(equity prices and trading activity)



Source: Refinitiv

International bond yields

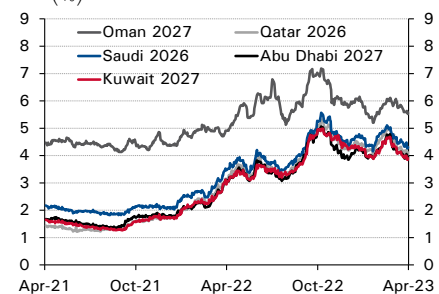
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Source: Refinitiv

GCC bond yields

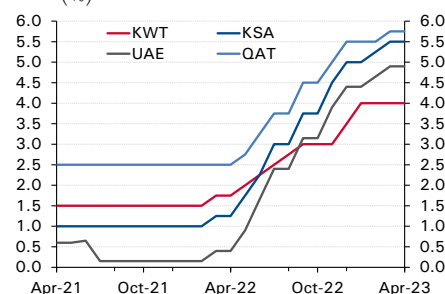
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv