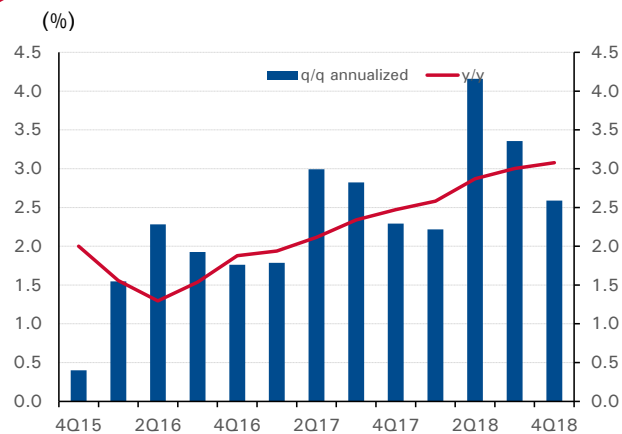


GDP growth slowed in Q4, while Fed signals no rate hikes in 2019

- GDP growth slowed to 2.6% in 4Q18 on an annualized basis, slightly above expectations of 2.4%.
- Unemployment rate declined to 3.8% in February helped by government shutdown-related effects.
- Private sector wage growth increased by 3.4% in February amid tight labor market conditions.
- Core CPI inflation dropped to 2.1% in February, while the headline rate fell to 1.5% on lower energy costs.
- The manufacturing ISM in February, but the non-manufacturing measure was more upbeat.
- Expectations of at least one Fed rate cut this year have more than doubled over the past month.
- Stocks continued to gain in March, with sentiment helped by a more dovish Fed.

▶ Chart 1: Real GDP growth



Annualized GDP growth slowed to 2.6% in 4Q18 but stood at 2.9% for the year overall, just missing President Trump's 3% target.

Source: U.S. Bureau of Economic Analysis

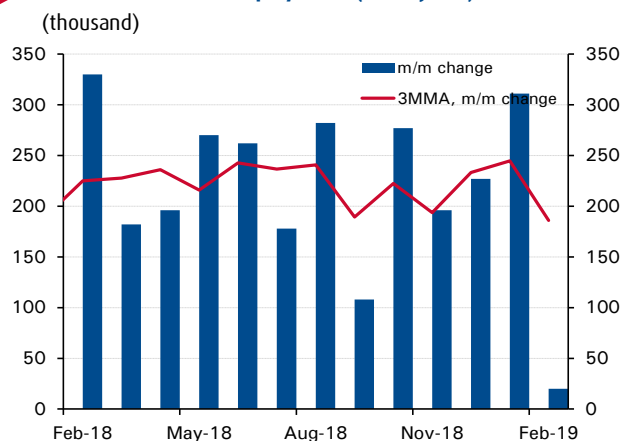
▶ Chart 2: Unemployment rate



Unemployment rate declined to 3.8% in February from 4.0% in January helped by government shutdown-related effects.

Source: U.S. Bureau of Labor Statistics

▶ Chart 3: Non-farm payrolls (new jobs)



Non-farm payrolls rose by only 20,000 in February, well below expectations of 180,000 but following a stellar rise in January.

Source: U.S. Bureau of Labor Statistics

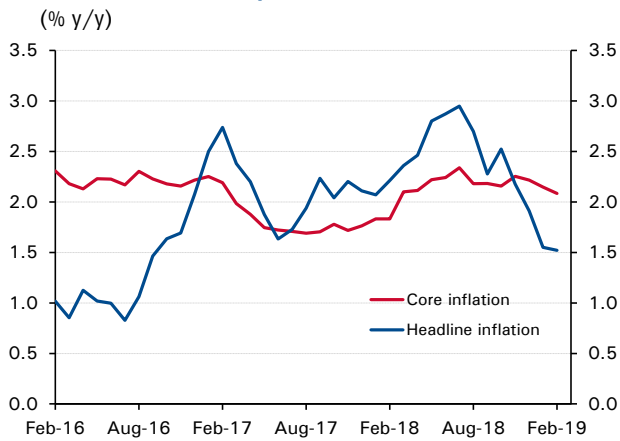
▶ Chart 4: Wage growth



Private sector wage growth rose by a near-decade high of 3.4% in February amid tight labor market conditions.

Source: U.S. Bureau of Labor Statistics

Chart 5: Consumer price index inflation



Core CPI inflation declined to 2.1% in February. Headline inflation slowed to 1.5% on lower energy, medical and clothing costs.

Source: U.S. Bureau of Labor Statistics

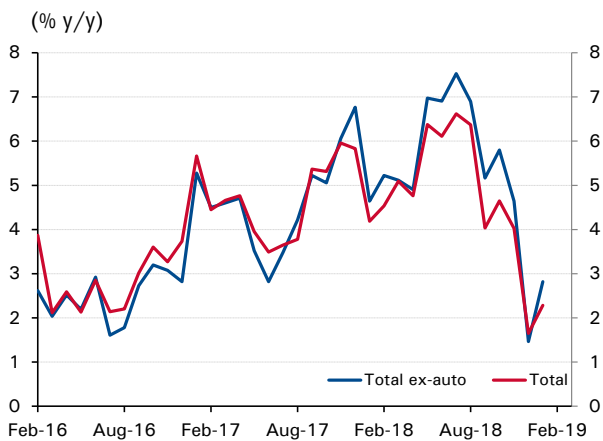
Chart 6: Commercial and industrial loans



C&I loan growth accelerated to 10.6% in February, from a growth rate of 10.4% in January.

Source: U.S. Board of Governors of the Federal Reserve System

Chart 7: Retail sales



Retail sales growth rebounded to 2.3% in January, but not enough to offset December's surprise holiday season plunge.

Source: U.S. Census Bureau

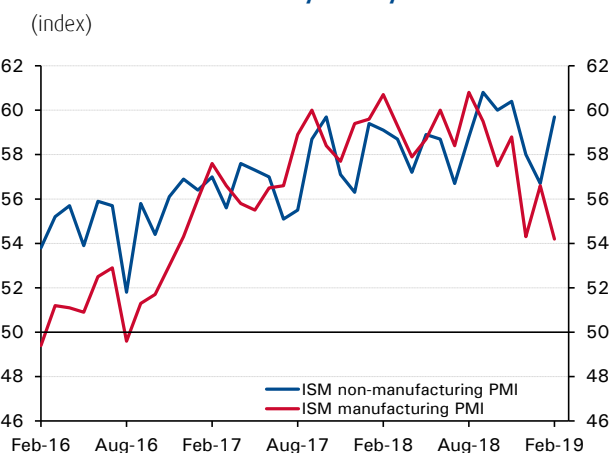
Chart 8: Existing home sales and housing starts



Home sales declined again in January to 4.9 million units; but housing starts recovered from December's plunge.

Source: National Association of Realtors, U.S. Census Bureau

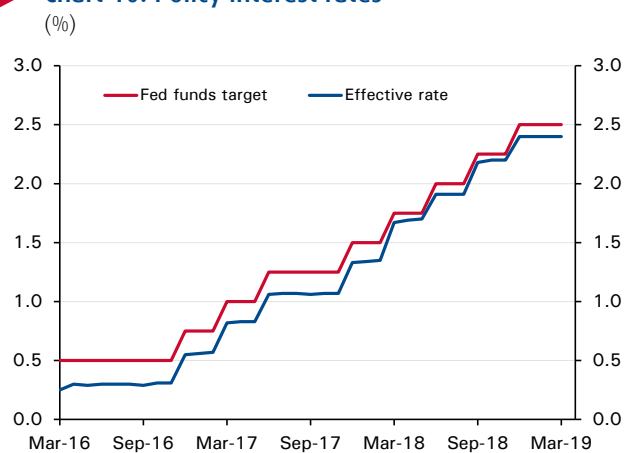
Chart 9: Business activity surveys



The manufacturing ISM index fell to 54.2 in February but the non-manufacturing survey painted a more upbeat picture.

Source: Institute for Supply Management

Chart 10: Policy interest rates



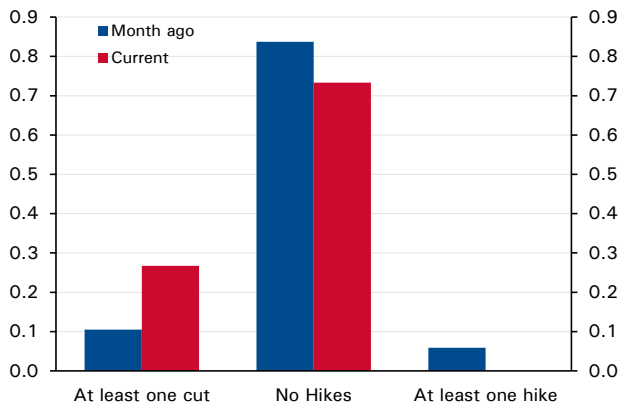
The Federal Reserve target rate currently stands at 2.25-2.50%, and the March Fed meeting confirms no chance of a hike in '19.

Source: Thomson Reuters Eikon Source: QCB

Source: SAM

Chart 11: Fed rate hike outlook for 2019

(futures market probability, as of 18 March 2019)



Expectations of at least one interest rate cut this year have more than doubled from last month, while hikes are off the table.

Source: CME Group

Chart 12: Government bond yields

(%)



Bond yields declined slightly by about 5 bps amid ongoing uncertainty surrounding global trade and growth.

Source: Saudi Ministry of Finance Eikon

Source: Saudi Ministry of Finance Eikon

Chart 13: Stock market

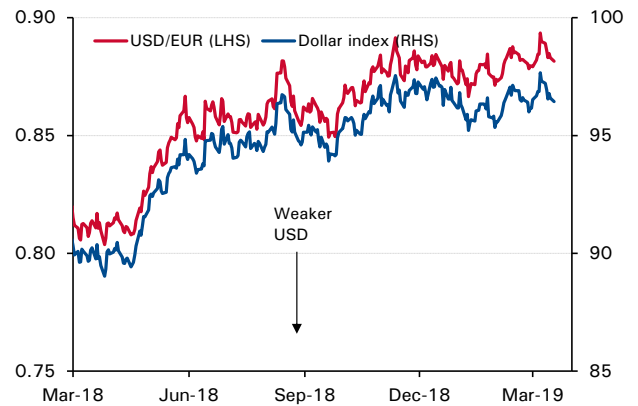
(S&P 500)



Stocks continued to rally in March, with the S&P now up 12.6% YTD with sentiment helped by a more dovish Fed.

Source: Thomson Reuters Eikon

Chart 14: Exchange rates



The US dollar index dipped slightly in the month to mid-March after gaining modestly in February.

Source: Saudi Ministry of Finance Eikon

Source: Saudi Ministry of Finance Eikon

Head Office

Kuwait
National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France
National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353