

International

USA: In an otherwise light week for economic news, survey data point to solid if slowing growth in the services sector, with the ISM non-manufacturing index at 56.7 in January and the services PMI at 54.2. Meanwhile the trade deficit shrunk to a five-month low of \$49 billion in November as export growth decelerated but import growth fell by more. A smaller deficit could support GDP growth in 4Q18 (consensus 2.7%). The GDP data was due January but was delayed by the government shutdown, and will now be released end-February.

Financial markets: Global markets fell late last week as concerns resurfaced over a lack of progress in resolving the US-China trade dispute. The MSCI AC World index declined 0.2%, weighed down by Europe and emerging markets. US markets were less affected, but ended the week almost flat. US 10-year treasury yields slipped 6 bps w/w to 2.63%.

Oil: Brent crude fell 1% w/w to \$62.1/bbl on the continuing US-China trade dispute. In the US, the 'NOPEC' anti-monopolies bill looks set to be voted on shortly by congress. The bill – which could ratchet up tensions between the US and OPEC states if adopted – has bipartisan support, giving it the best chance of passing since 2008, despite opposition from oil firms and business groups fearful of OPEC retaliation.

MENA Region

Kuwait: In the biannual release of demographic data, Kuwait's population rose 2.7% y/y in 2018 (end-year), including growth of 2.8% in expatriates. Employment grew a healthy 4.2%, up from 3.3% in June and its fastest pace since end-2016. While expats employed in the public sector fell, expat employment rose by 4.3% y/y. Employment of Kuwaiti nationals rose a solid 3.7%, mainly in the public sector.

Growth in the NBK consumer index slowed to 0.7% m/m in January from 0.9% m/m in December, as increases in both durables and services spending were offset by a continued decline in non-durables. Year-on-year, spending declined 1.7%, slightly better than December's 1.9% fall. However, the outlook is fairly positive given solid consumer confidence, low inflation and stronger employment growth. Finally, credit growth accelerated to 4.3% y/y in December from 3.0% in November, with lending to both households (6.0%) and businesses (5.3%) picking up.

Saudi Arabia: Business activity improved in January, with the headline PMI ticking up from 54.5 in December to 56.2 in January – its strongest since November 2017. In order to help Saudi firms struggling to pay the expat levy and the higher cost of hiring Saudi nationals, the government will reimburse firms that hire more locals over the next 12 months.

UAE: Abu Dhabi is reportedly expected to roll over the \$20 billion bailout loan to Dubai for the second time, amid signs of economic weakness in the emirate. But the UAE PMI climbed to a seven-month high of 56.3 in January as output and new orders gained. Credit growth edged higher from 3.7% y/y in November to a multi-month high of 4.8% y/y in December.

Bahrain: The government recorded a budget deficit in 2018 of BHD0.9 billion, or 6.1% of GDP, a big improvement on 2017's figure of 10.1% of GDP and well below the BHD1.3 billion deficit projected in the 2018 budget.

Egypt: The central bank has received the \$2 billion fifth tranche of the \$12 billion IMF three-year loan program. Meanwhile, the PMI weakened in January to 48.5 from 49.6 in December. In this context, the government revised down its GDP growth projection for this current fiscal year from 5.8% to 5.6%, and will target growth of 6% in FY19/20. Finally, the unemployment rate fell to 8.9% in Q418 from 11.3% in 4Q17.

Financial markets: GCC markets were mixed and the MSCI-GCC ended the week up 0.2%, led by Bahrain. Kuwait's All-Share index was down 0.1%, but the BK-premier was up 0.2%. Dubai continued its negative trend, down 1% w/w, and Qatar saw a large selloff due to valuation concerns.

Key takeaways:

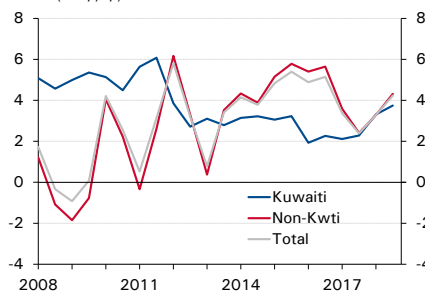
- The pick-up in employment growth in Kuwait was good news for the macro economy, though highlights the ongoing structural challenge of over-reliance on government jobs: the public sector's share of all employment of Kuwaiti nationals rose to 84.0% from 83.8% in June.
- The \$2 billion provided to Egypt from the IMF will provide support for reserves but the government is still looking to issue \$3-7 billion in debt by June.
- Bahrain's success in reducing its budget deficit should be welcomed by investors and will lower its cost of borrowing in the international markets.

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



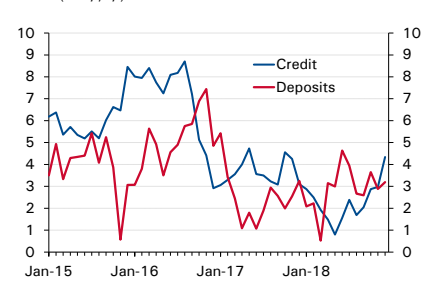
Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait employment** (% y/y)



Source: PACI / NBK

▶ **Chart 3: Kuwait credit and deposits** (% y/y)



Source: Thomson Reuters Datastream

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,247	0.0	7.9
DAX	10,907	-2.4	3.3
DJIA	25,106	0.2	7.6
Eurostoxx 50	3,136	-1.1	4.5
FTSE 100	7,071	0.7	5.1
Nikkei 225	20,333	-2.2	1.6
S&P 500	2,708	0.0	8.0
Regional			
Abu Dhabi SM	5,112	1.3	4.0
Bahrain ASI	1,418	1.9	6.0
Dubai FM	2,543	-1.0	0.5
Egypt EGX 30	14,754	4.4	13.2
S&P GCC 40	1,138	1.3	3.5
Kuwait SE	5,200	-0.1	2.4
KSA Tadawul	8,613	0.6	10.0
Muscat SM 30	4,152	-0.3	-4.0
Qatar Exchange	10,505	-2.0	2.0

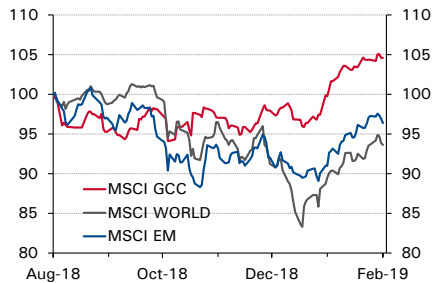
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.63	-5.9	-5.9
Bunds 10 Year	0.09	-8.1	-16.1
Gilts 10 Year	1.15	-9.6	-11.6
JGB 10 Year	-0.03	-0.7	-3.0
Regional			
Abu Dhabi 2022	3.11	3.1	-18.4
Dubai 2022	3.69	-7.3	-24.1
Qatar 2022	3.28	-0.9	-16.7
Kuwait 2022	3.17	0.1	-14.7
KSA 2023	3.50	-6.9	-37.4
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.1	-1.0	15.4
KEC	61.2	1.0	17.3
WTI	52.7	-4.6	16.1
Gold	1313.7	-0.2	2.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.95	0.0	0.0
Kibor - 3 month	2.56	0.0	25.0
Qibor - 3 month	2.93	0.1	2.5
Eibor - 3 month	2.85	-4.5	1.4
Saibor - 3 month	2.96	-0.5	-1.3
Libor - 3 month	2.70	-4.0	-11.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.2	0.1
KWD per EUR	0.343	-1.0	-1.5
USD per EUR	1.133	-1.1	-1.2
JPY per USD	109.7	0.2	0.1
GBP per USD	1.295	-1.0	1.5
EGP per USD	17.55	-0.3	-1.7

Updated on 8/2/2019 Source: Thomson Reuters Eikon

International equity markets

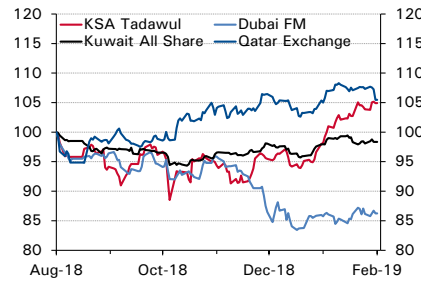
(rebased, 1 August 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

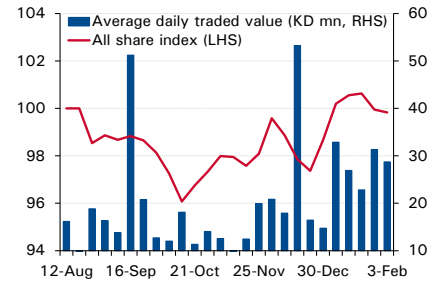
(rebased, 1 August 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

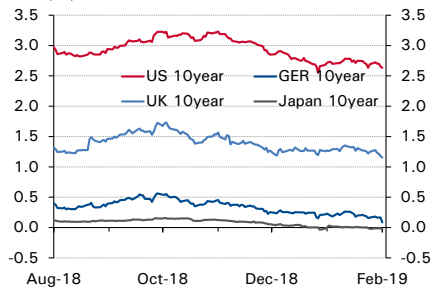
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

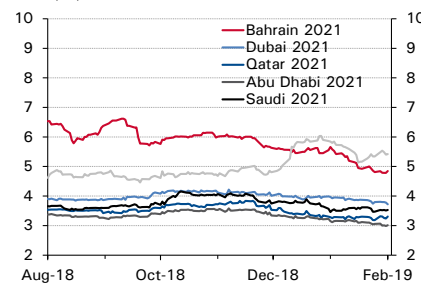
(%)



Source: Thomson Reuters Datastream

GCC bond yields

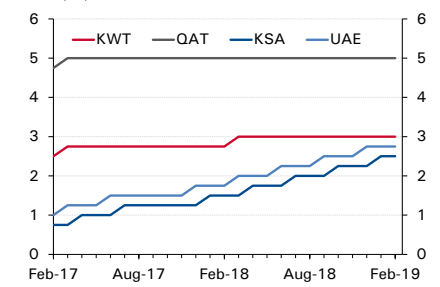
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream