

International and markets

US: In a sign of a cooling job market, the rise in non-farm payrolls in March slowed to 236K from 326K in February. Average hourly wage growth moderated to a 21-month low of 4.2% y/y (from 4.6%) and job openings dropped to 9.9mn from 10.6mn, the lowest since mid-2021, though the revised weekly jobless claims in 2023 showed much higher figures than previously reported. Labor participation rose to a 3-year high of 62.6% and the unemployment rate fell to 3.5% from 3.6%. Meanwhile, the ISM PMI for manufacturing in March sank further into contraction territory, at 46.3 (from 47.7), the lowest since 2009 outside of the pandemic-lockdown period, while the services PMI eased to 51.2 from 55.1, with growth in employment and price-related subcomponents decelerating.

Europe: The Eurozone composite PMI in March moved further into expansion territory, rising to 53.7 from 52.0 in February. This was driven mainly by a strong recovery in services activity (55.0 vs 52.7 in Feb). However, manufacturing continued to contract (47.3 vs 48.5 in Feb). Meanwhile, in the UK, March's composite PMI deteriorated slightly, falling to 52.2 from 53.1 in February, with services down to 52.9 (vs 53.5 in Feb) and manufacturing declining to 47.9 (vs 49.3 in Feb).

China: The composite PMI jumped to a new high of 57.0 in March, driven by expansions in manufacturing (51.9) and non-manufacturing (58.2, includes construction & services) activity.

Financial markets: Global equity markets were mixed amid early signs of a cooling US jobs market. Losses were led by the Nikkei 225 (-2.0% w/w), while the S&P 500 fell 0.1% w/w. GCC markets mostly outperformed, with the MSCI GCC up 2.2% w/w, lifted by Saudi Arabia (+3.0%) amid higher oil prices. Kuwait's All-Share fell 1.2% w/w.

Oil: Brent rose for a third week in a row on Thursday, to \$85.1/bbl (+7.4% w/w), boosted by the decision of several OPEC+ members including Saudi, the UAE and Kuwait to deepen existing production cuts by 1.2 mb/d from May until year-end. Russia will also extend its 500 kb/d cut to end-2023. Saudi raised its official selling price, which, with further US crude stock draws, was seen as signaling a tighter oil market.

MENA Region

Kuwait: The government is reportedly considering 10 measures to strengthen 'economic freedom' in Kuwait, ranging from human capital and digital investment to labor market and business licensing reform, following the country's fall to 108 out of 176 countries in the Heritage Foundation's global rankings for

2023. These initiatives appear broadly aligned with the government's still-to-be unveiled 5-year Program of Action.

Saudi Arabia: The PMI softened to 58.7 in March from the 8-year high of 59.8 recorded in February, on slower growth in output (to 64.2) and new orders (to 66.4). Meanwhile, Fitch Ratings followed S&P and Moody's in upgrading KSA's sovereign credit rating from "A" to "A+" with a "stable" outlook. Fitch cited Saudi's strong fiscal/external balance sheets and its ongoing commitment to fiscal, economic and governance reforms. In foreign policy, Saudi and Iranian diplomats held talks in Beijing to restore diplomatic relations and expand cooperation and trade. The rapprochement would improve regional stability.

UAE: The PMI inched up to a 5-month high in March of 55.9 from 54.3 in February on strong sales and employment. The latter reached its highest level since July 2016, while business expectations improved steadily on rising optimism.

Qatar: GDP grew by 8% in 4Q22 on the back of an exceptional expansion (+10% y/y) in non-oil sector activity linked to the World Cup. Full-year headline growth accelerated to 4.8% in 2022 from 1.6% in 2021. In March, the QFC non-oil PMI rose to 53.8 from 51.9 in February on a faster expansion in output and new orders, mostly in the wholesale, retail and services sectors, while employment improved to an 8-month high.

Egypt: The PMI continued to range below the 50.0 mark in March at 46.7. High inflation, supply constraints, sustained demand weakness and foreign currency shortages continued to weigh on economic activity.

Key takeaways:

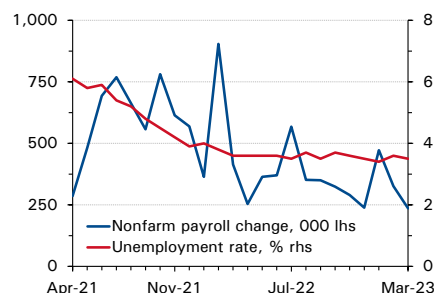
- The US labor market, though still tight, has started to show early (and maybe sustained) signs of loosening, while subdued leading indicators, such as the PMI, are signaling a higher risk of recession later this year.
- PMI readings for both Europe and the UK continue to show that service sector activity is holding up well and likely to be the main driving force for inflation in the coming months.
- The OPEC+ production decision, which shocked the markets coming so soon after reassurances that output would be kept steady in 2023, should, in tandem with strengthening Chinese oil demand, tighten the market significantly and earlier than anticipated (by end-2Q23). Oil prices should firm further.
- High inflation and interest rates, as well as the FX shortage, continue to take a toll on Egypt's economy, as evidenced by the further decline in the PMI and the slowdown in GDP growth to 3.9% q/q in 2QFY22/23 from 4.4% in the previous quarter.

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



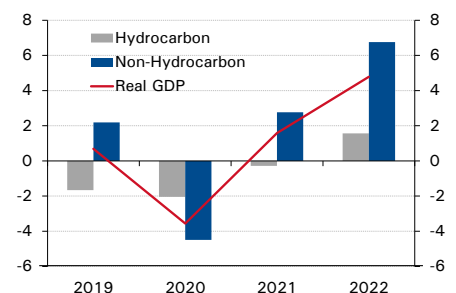
Source: Refinitiv

▶ **Chart 2: US non-farm payrolls**



Source: Haver

▶ **Chart 3: Qatar GDP** (% y/y)



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,123	1.8	5.8
DAX	15,598	0.5	12.0
DJIA	33,485	1.9	1.0
Eurostoxx 50	4,309	0.6	13.6
FTSE 100	7,742	1.6	3.9
Nikkei 225	27,518	-2.0	5.3
S&P 500	4,105	1.3	6.9
Regional			
Abu Dhabi SM	9,462	0.3	-7.3
Bahrain ASI	1,886	0.0	-0.5
Dubai FM	3,411	0.1	2.2
Egypt EGX 30	16,709	1.8	14.5
MSCI GCC	685	2.2	-0.9
Kuwait SE	6,969	-1.2	-4.4
KSA Tadawul	10,906	3.0	3.4
Muscat SM 30	4,756	-2.2	-2.4
Qatar Exchange	10,342	1.3	-3.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.29	-26.1	-54.1
Bunds 10 Year	2.18	-18.5	-38.1
Gilts 10 Year	3.43	-8.2	-23.6
JGB 10 Year	0.47	14.9	5.2
Regional			
Abu Dhabi 2027	3.85	-18.4	-8.6
Oman 2027	5.52	-21.7	-7.9
Qatar 2026	4.14	-5.6	-7.6
Kuwait 2027	3.96	-5.3	-7.4
Saudi Arabia 2028	4.29	-17.7	-8.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	85.1	7.4	-0.9
KEC	86.4	9.5	5.3
WTI	80.7	8.5	0.5
Gold	2011.9	1.6	10.6

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.33	0.5	18.7
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	5.70	0.0	41.7
Eibor - 3 month	4.99	7.9	68.0
Saibor - 3 month	5.72	3.4	51.1
Libor - 3 month	5.20	0.5	43.1
Sofr - 3 month	4.90	0.6	31.7
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.0	0.3
KWD per EUR	0.334	0.6	2.2
USD per EUR	1.092	0.5	2.0
JPY per USD	131.8	-0.5	0.5
USD per GBP	1.244	0.6	2.8
EGP per USD	30.85	0.3	24.7

Updated on 6/4/2023

Source: Refinitiv

International equity markets

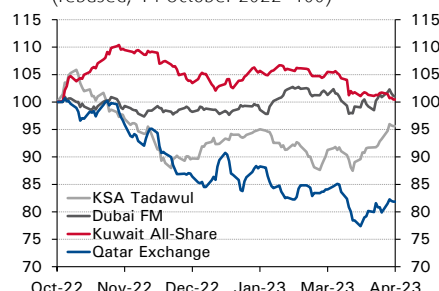
(rebased, 14 October 2022=100)



Source: Refinitiv

GCC equity markets

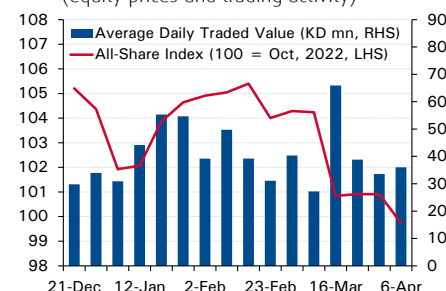
(rebased, 14 October 2022=100)



Source: Refinitiv

Boursa Kuwait

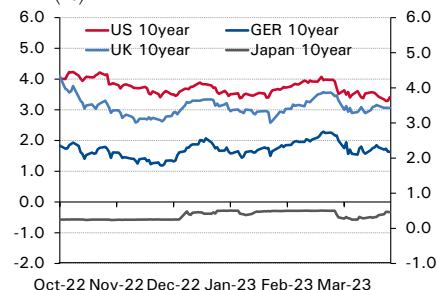
(equity prices and trading activity)



Source: Refinitiv

International bond yields

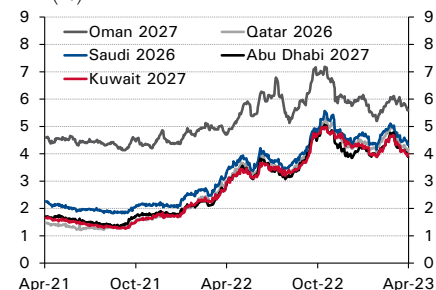
(%)



Source: Refinitiv

GCC bond yields

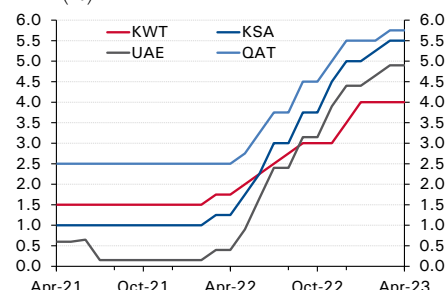
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv