

### International and markets

**US:** Consumer price inflation softened slightly in April, to 4.9% y/y (+0.4% m/m) from 5% in March while the core rate eased to 5.5% y/y (+0.4% m/m) from 5.6%, broadly in line with expectations. Growth in shelter prices slowed, but gasoline and used car prices rebounded m/m, implying a mixed outlook. PPI inflation also moderated to 2.3% y/y from 2.7%. The University of Michigan's consumer sentiment index in May unexpectedly fell to 57.7 from 63.5, perhaps reflecting news reports on the debt ceiling. Meanwhile, credit conditions and loan demand worsened in 1Q23 (based on a Fed's loan officer survey), mainly due to the accumulated effect of Fed tightening. Finally, a crucial talk between President Biden and House Speaker McCarthy to resolve deadlocks on the debt ceiling was pushed to this week.

**UK:** The BOE raised rates by 25bps to 4.50%, hiking rates for the 12<sup>th</sup> consecutive time. The rise was in line with the consensus in terms of both decision and magnitude and justified by high inflation rates close to 10%. The bank now expects inflation to remain above 5% by the end of this year versus below 4% in its February forecast. It also expects GDP to grow by 0.25% in 2023 and 0.75% in the coming two years. 2023 Q1 GDP grew by 0.1% q/q and 0.2% y/y coming in line with the previous Q4 0.1%. This means that UK GDP has seen growth for the second quarter in a row after posting a contraction in Q3.

**Financial markets:** Global equity markets were mostly negative amid ongoing recession concerns and weaker consumer sentiment. Losses were led by the Chinese CSI 300 (-2%) while the Dow Jones fell 1.1% w/w. One-month US T-bill rates surged by more than 100 bps w/w as US federal debt ceiling uncertainty compounded growth concerns. The MSCI GCC gained 1% w/w, lifted by Saudi Arabia on strong earnings, while lower oil prices weighed down on other markets.

**Oil:** US and China macro concerns continued to pressure oil prices, with Brent posting a fourth consecutive weekly loss on Friday at \$74.2/bbl (-1.5% w/w; -13.7% ytd). A stronger US dollar was also a factor. Oil's drop came despite support from continued supply outages in Iraq, potential US crude SPR repurchases and further declines in the US oil rig count.

### MENA Region

**Kuwait:** Consumer spending (based on card transaction data) in 1Q23 rose a robust 14% y/y (similar to 4Q22), with domestic spending growth slowing to 13% from 15% and abroad spending increasing by 20% y/y. Meanwhile however, domestic

credit growth was weak for the third straight month in March, standing at 0.1% m/m, cutting the y/y increase to 5.1%. Household credit inched down for the second consecutive month (y/y at +6.7%) while business credit was up by a relatively decent 0.4% m/m (y/y at 4.2%). YTD, business credit is up by 1.2% while household credit is broadly flat.

**KSA:** Government spending came on the high side in 1Q2023, increasing by 29% y/y while government revenues inched up by 1% y/y as non-oil revenues increased by 9% and oil revenues decreased by 3%. This resulted in a minor budget deficit of SAR 2.9 billion in 1Q2023, which is less than 0.5% of estimated GDP.

**UAE:** Abu Dhabi real GDP growth eased in 4Q22 to 5.9% y/y, from 10.4% in the previous quarter on softening though still solid non-oil growth (+4.8%). In 2022, GDP increased by 9.3% supported by the oil sector (10.4%) and with strong growth in real estate, health and hospitality boosting the non-oil sector (8.4%). Meanwhile, the Dubai PMI reached a 9-month high at 56.4 in April as output and new orders saw a sharp increase, which could be related to the Eid-boost to the tourism sector.

**Egypt:** Inflation slowed to 30.6% y/y and 1.7% m/m in April 2023 from 32.7% y/y and 2.7% m/m in March 2023, as the pass-through impact of January's currency devaluation continued to fade. Meanwhile, Moody's put Egypt on credit rating watch whereby it could downgrade Egypt for the second time this year on large external risks and failure to execute the promised stake sales. Last week however, the government sold 10% of telecom Egypt raising USD129mn although most of the investors were local ones.

### Key takeaways:

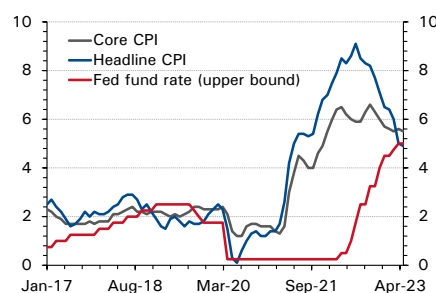
- Signs of cooler US inflation are welcome, but are mostly due to falling food and energy costs while core price pressures have not yet fallen decisively. Absent a sharp weakening in the economy, the Fed will be reluctant to cut policy rates this year.
- Kuwait's consumer spending growth remained solid in Q1, though eased versus 2022. We still expect further softening this year from last year's high base, and given easing household credit, higher interest rates versus 2022 and the overall uncertain global economic backdrop.
- Abu Dhabi's economic growth was the fastest in the GCC region last year, supported by higher oil production and with various key non-oil sectors growing more than 10%. Growth will moderate in 2023 as the oil sector – worth around half of GDP – contracts due to the OPEC+ new production schedule.

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



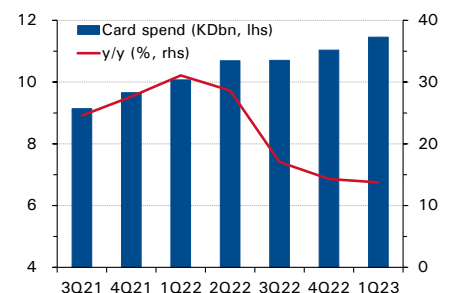
Source: Refinitiv

▶ **Chart 2: US CPI** (%)



Source: Haver

▶ **Chart 3: Kuwait Card Transactions** (KD, billions)



Source: Central Bank of Kuwait

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,938	-2.0	1.7
DAX	15,914	-0.3	14.3
DJIA	33,301	-1.1	0.5
Eurostoxx 50	4,318	-0.5	13.8
FTSE 100	7,755	-0.3	4.1
Nikkei 225	29,388	0.8	12.6
S&P 500	4,124	-0.3	7.4
<b>Regional</b>			
Abu Dhabi SM	9,635	-0.7	-5.6
Bahrain ASI	1,937	1.6	2.2
Dubai FM	3,559	-0.7	6.7
Egypt EGX 30	17,271	-0.1	18.3
MSCI GCC	703	1.0	1.7
Kuwait SE	6,947	-1.2	-4.7
KSA Tadawul	11,393	2.5	8.0
Muscat SM 30	4,667	-1.2	-4.2
Qatar Exchange	10,742	1.0	0.6

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	3.46	1.7	-36.8
Bunds 10 Year	2.27	-2.7	-29.6
Gilts 10 Year	3.78	0.1	11.3
JGB 10 Year	0.39	-3.5	-3.2
<b>Regional</b>			
Abu Dhabi 2027	3.93	-0.2	-29.9
Oman 2027	5.56	3.8	-43.2
Qatar 2026	4.04	-3.2	-44.1
Kuwait 2027	3.92	-1.9	-34.6
Saudi Arabia 2028	4.24	-2.4	-43.0
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	74.2	-1.5	-13.7
KEC	75.9	0.3	-7.5
WTI	70.0	-1.8	-12.7
Gold	2014.5	-0.1	10.7

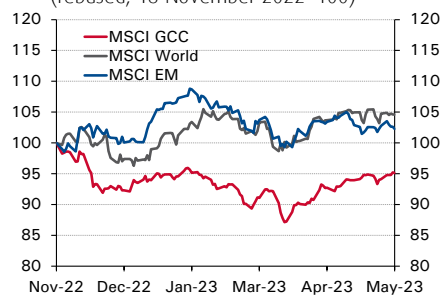
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.53	16.8	38.7
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	5.95	8.3	66.7
Eibor - 3 month	5.33	12.0	101.8
Saibor - 3 month	5.88	16.8	67.0
Libor - 3 month	5.32	-1.9	55.1
Sofr - 3 month	5.07	0.7	47.9
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.2	0.4
KWD per EUR	0.333	-1.6	1.7
USD per EUR	1.085	-1.5	1.4
JPY per USD	135.7	0.7	3.5
USD per GBP	1.246	-1.5	3.0
EGP per USD	30.85	0.3	24.7

Updated on 12/5/2023

Source: Refinitiv

### International equity markets

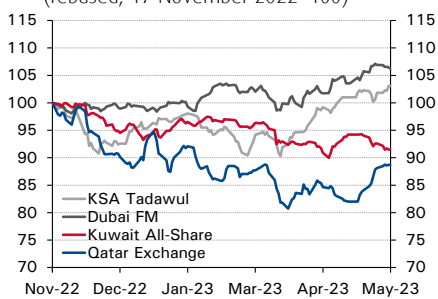
(rebased, 18 November 2022=100)



Source: Refinitiv

### GCC equity markets

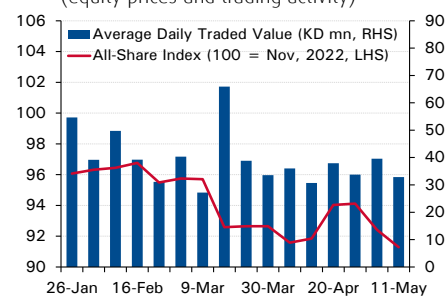
(rebased, 17 November 2022=100)



Source: Refinitiv

### Bursa Kuwait

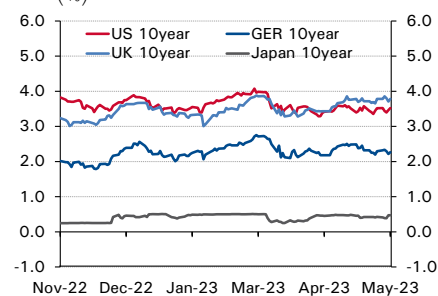
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

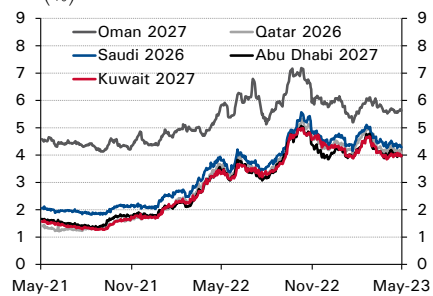
(%)



Source: Refinitiv

### GCC bond yields

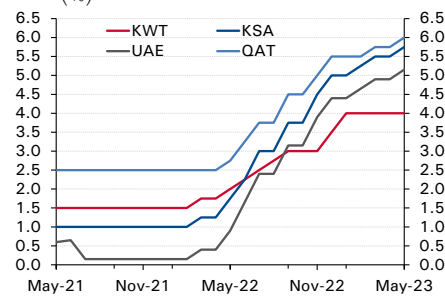
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv