

International and markets

US: Non-farm payrolls increased by 315k in August (+526k in July), broadly in line with consensus expectations. However, the unemployment rate increased from 3.5% in July to 3.7% (the highest level since February), mainly driven by a relatively sharp increase in labor participation to 62.4% from 62.1% in July. The 62.4% labor participation ties with March as the second-highest since the pre-pandemic level of 63.4% in February 2020. Average hourly earnings increased by a lower-than-expected 0.3% m/m, the smallest increase in four months. Meanwhile, the ISM manufacturing index for August was stable at 52.8, although the overriding trend remains downward with an average of 57.8 in 1Q22 and 54.8 in 2Q22.

Europe: Eurozone HICP inflation surged to 9.1% y/y in August from 8.9% in July (versus 9% forecast), with the core rate jumping to 4.3% from 4% in July, implying a broad-based price rise. Meanwhile, economic sentiment eased to 97.6 from 98.9, the lowest since January 2021, as demand weakened. The unemployment rate dropped to 6.6% in July (6.7% in June), reflecting a tightened job market. Russia's Gazprom has indefinitely suspended the planned resumption of gas flows via Nord Stream 1 pipeline, citing technical safety issues, stoking fears of gas unavailability and persistently high energy prices.

Financial markets: Global equities declined for the third consecutive week on Fed hawkishness. The MSCI ACWI fell 3.0% w/w led by the S&P500 (-3.3%). Meanwhile, the 10-year treasury yield rose 16 bps to 3.19% on rate-hike prospects. The MSCI GCC lost a steep 3.7% w/w, influenced by global markets and lower oil prices, led by Qatar (-4.1%) and Saudi Arabia (-3.6%) while Kuwait fell 1.8%.

Oil: Brent declined 8% w/w to close at \$93/bbl amid global economic and oil demand worries. The stronger US dollar is also likely to have been a factor. Meanwhile, the G7 agreed to impose a price cap on Russian oil, to which Russia responded with the threat to cut oil supplies altogether to participants in the scheme, followed by Gazprom's suspension of Nord Stream gas.

MENA Region

Kuwait: Credit increased by 0.3% m/m in July, resulting in 9.5% y/y growth. Business credit and household credit are up by 6.5% and 13.1% y/y, respectively, although their growth in July was sharply lower than their average expansion in the 1H22. Kuwait's population rose 1.8% to 4.5 million by June 2022 from December 2021, but was still down 3.5% y/y and 6.5% from its peak in 2019, as per PACI data. The expatriate

population dropped 6% y/y and 11% since end-2019. Overall employment levels fell 5.2% y/y as non-Kuwaiti workers shrank 7.3% y/y. Meanwhile, Kuwaiti employment went up 6.1% y/y, led by the private sector (+22% y/y, +14K new jobs), with the number of unemployed Kuwaitis falling to 24K (-26% y/y), the lowest since 2017. Separately, according to media reports, government capital expenditure rose 6% to KD1.9 billion (70% of the budgeted total) during FY21/22, curbed by tighter liquidity conditions and technical issues with project awards.

Saudi Arabia: Credit increased by 0.6% in July, resulting in y/y growth of 14.9%, sharply higher than the 9.3% rise in deposits, in continuation of the trend that has been at play since 2020.

Qatar: The trade surplus jumped 78% y/y to QAR 34.8 billion in July 2022, the largest since March 2014, on higher exports amid solid global demand and soaring commodity prices.

Egypt: GDP growth reached 6.6% in FY21/22, the highest since 2008, according to the Minister of Finance. The minister also expects that the budget deficit should decline to 5% of GDP in 23/24, down from 6.1% in FY21/22, with debt falling to around 82.5% of GDP by the end of this year. Egypt is considering the issuance of Chinese yuan-denominated bonds worth \$500 million and sukuk of \$1.5-2 billion during the current fiscal year.

Key takeaways:

- The sharp increase in labor participation in the US in August is a very positive development, implying a boost to the labor supply. If this upward trend continues, that will likely help cool down both wage inflation as well as consumer price inflation.
- Despite the Eurozone being set to fall into recession later this year, spiking inflation amid a weakening euro and the tightened job market mean the ECB could lean towards a 75 bps rate hike this week, following a 50 bps increase in July.
- The proposed G7 price cap on Russian oil was met with some skepticism by the markets. It requires unanimous EU-27 approval, which could be difficult. Moreover, third parties such as China and India may not want their purchasing independence or relationship with Russia undermined. Russia could also cut oil supplies rather than have price caps imposed.
- The reported surge in the number of Kuwaitis in private sector jobs is very welcome given continued government initiatives in this area – though strong economic growth will be needed to sustain this trend over time. Meanwhile, the decline in overall jobs appears primarily driven by losses among lower-end workers, moderating the impact on private consumption.

▶ **Chart 1: Brent crude oil price**

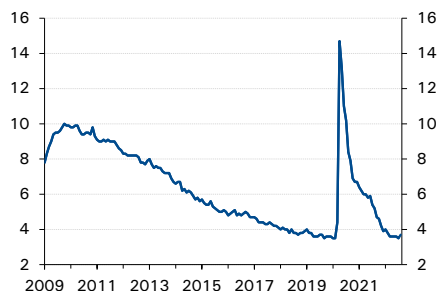
(\$/bbl)



Source: Refinitiv

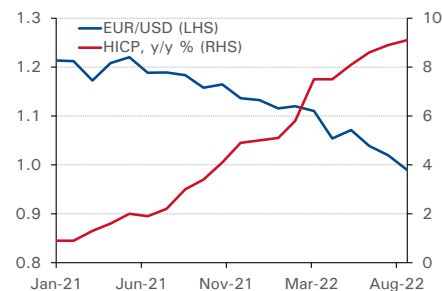
▶ **Chart 2: US unemployment rate**

(%)



Source: Haver

▶ **Chart 3: Eurozone inflation and Euro**



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,024	-2.0	-18.6
DAX	13,050	0.6	-17.8
DJIA	31,318	-3.0	-13.8
Eurostoxx 50	3,544	-1.6	-17.5
FTSE 100	7,281	-2.0	-1.4
Nikkei 225	27,651	-3.5	-4.0
S&P 500	3,924	-3.3	-17.7
Regional			
Abu Dhabi SM	9,755	-3.2	14.9
Bahrain ASI	1,923	1.2	7.0
Dubai FM	3,394	-2.0	6.2
Egypt EGX 30	9,937	-3.4	-16.8
MSCI GCC	785	-3.7	6.5
Kuwait SE	7,644	-1.8	8.5
KSA Tadawul	12,143	-3.6	7.6
Muscat SM 30	4,605	1.5	11.5
Qatar Exchange	13,183	-4.1	13.4

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.19	15.6	167.9
Bunds 10 Year	1.52	12.2	169.9
Gilts 10 Year	2.92	31.3	194.7
JGB 10 Year	0.24	2.0	17.0
Regional			
Abu Dhabi 2027	3.63	27.7	103.3
Oman 2027	5.86	33.2	33.3
Qatar 2026	3.74	20.7	114.2
Kuwait 2027	3.55	14.7	106.9
Saudi Arabia 2028	3.93	26.5	85.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	93.0	-7.9	19.6
KEC	102.5	-4.0	29.7
WTI	86.9	-6.7	15.5
Gold	1709.8	-1.5	-6.4

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	4.13	1.0	261.8
Kibor - 3 month	2.63	0.0	112.5
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	2.88	7.2	251.9
Saibor - 3 month	3.14	9.4	223.9
Libor - 3 month	3.16	8.9	294.9
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.308	0.2	2.0
KWD per EUR	0.307	0.0	-10.9
USD per EUR	0.995	-0.1	-12.5
JPY per USD	140.2	1.9	21.8
USD per GBP	1.151	-2.0	-14.9
EGP per USD	19.20	0.2	22.6

Updated on 2/9/2022

Source: Refinitiv

International equity markets

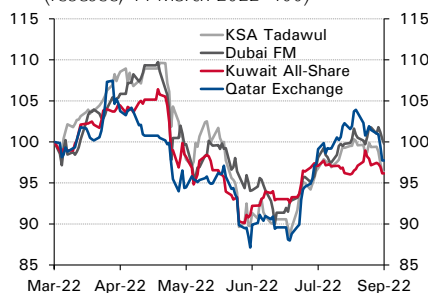
(rebased, 11 March 2022=100)



Source: Refinitiv

GCC equity markets

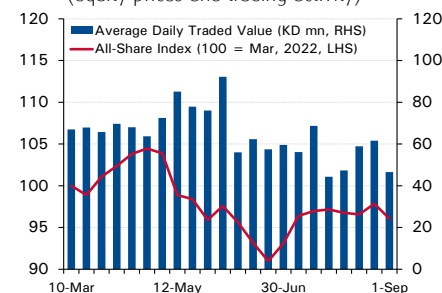
(rebased, 11 March 2022=100)



Source: Refinitiv

Boursa Kuwait

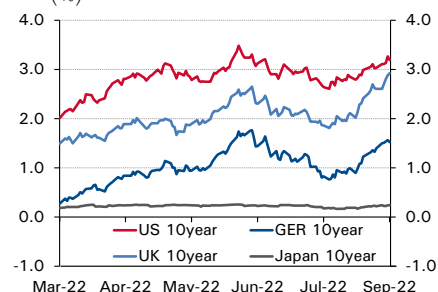
(equity prices and trading activity)



Source: Refinitiv

International bond yields

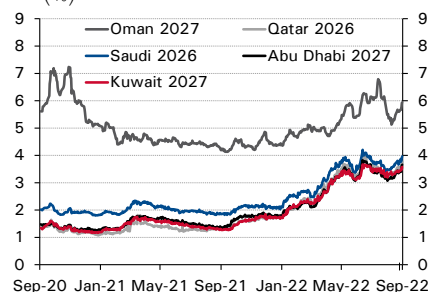
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Source: Refinitiv

GCC bond yields

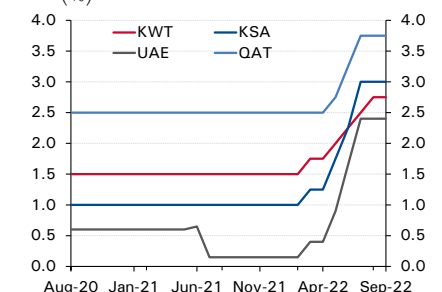
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv