

# Weekly Economic and Markets Review

NBK Economic Research Department 20 November 2022



## International & MENA

### International and markets

**US:** In another sign of cooling inflation dynamics, the PPI for October came lower-than-expected, rising by 0.2% m/m, cutting the y/y increase to 8% from 8.5% in September. Excluding food and energy, prices were flat in October and are up 6.7% y/y. Meanwhile, retail sales for October beat expectations, rising by a strong 1.3% m/m (highest since February) after being flat in September. Excluding vehicles and gas, sales were up 0.9% in October, much higher than consensus (+0.2%). On the other hand, the Conference Board's index of leading indicators continued to show weakness, falling by a steeper-than-expected 0.8% m/m in October, following a downward revised 0.5% drop in September.

**Europe:** The UK's Office for Budget Responsibility projects GDP to shrink 1.4% next year with inflation of 7.4%. The Chancellor's new budget statement aims to fill a £55 billion revenue gap by raising taxes and squeezing/freezing public spending, with much consolidation scheduled after 2024. Meanwhile, CPI inflation rose a faster-than-expected 11.1% y/y in October from 10.1% in September, on soaring energy and food prices, with the core rate flat at 6.5%. Core PPI inflation, however, eased to 13.3% from 14.4%. The unemployment rate slightly increased to 3.6% in three months to September from 3.5%, reflecting falling vacancies. Finally, the Eurozone ZEW economic sentiment index unexpectedly improved to -38.7 in October from -59.7, a five-month high, on softer inflation expectations.

**Japan:** GDP contracted an annualized 1.2% in 3Q22, against forecasts of a 1.2% gain, though second quarter growth was revised higher to an annualized 4.6% from an initial 3.5%. Net exports were the main drag on growth in 3Q22.

**Financial markets:** Global equity markets were mixed after upbeat US economic data as investors' expectations for Fed tightening shifted, with the (global) MSCI ACWI down 0.4%, while emerging markets rose 1.1%. GCC equities were mostly lower (MSCI GCC -1.2%), led by Qatar (-2.7%), Dubai (-1.6%), and Abu Dhabi (-1.5%), partially offset by Kuwait (+0.9%).

**Oil:** Brent tumbled 8.7% last week to \$87.6/bbl (+12.7% ytd), reversing all gains since the OPEC+ output cut announcement, as worries over the oil demand outlook intensified amid rising Covid cases in China (refiners are reducing crude imports) and the prospect of further US interest rate hikes. The IEA noted that with OECD diesel stock levels at an 18-year low, markets remain vulnerable to supply shocks and further price rises.

### MENA Region

**Kuwait:** The National Assembly will form committees and launch studies on pushing forward stalled mega projects, including the North Economic Zone and the development of islands. Meanwhile, the development plan projects follow-up report revealed that government spending on development projects during the first half of FY22/23 was at KD166.2mn, around 13% of total allocations (KD1.3bn). Media sources reported that Kuwait Petroleum Corporation is asking governmental agencies to pay KD2bn of accumulated debts.

**KSA:** CPI inflation eased to 3% in October from 3.1% in September mainly on price increases in food and beverages (+4.4%), transport (+4.4%), and housing rentals (+3.7%).

**Oman:** The Oman Investment Authority (OIA) wealth fund boosted its assets to \$41.5bn (from \$17bn in 2020), increasing its holdings of real estate, technology and logistics.

**Egypt:** The unemployment rate rose to 7.4% in 3Q22, up by 0.2% versus 2Q22. Framework deals worth \$83bn were signed with power firms to construct green hydrogen and ammonia facilities in the Suez Canal Economic Zone with a capacity of 7.6 mn tons of green ammonia and 2.7 mn tons of hydrogen a year.

#### Key takeaways:

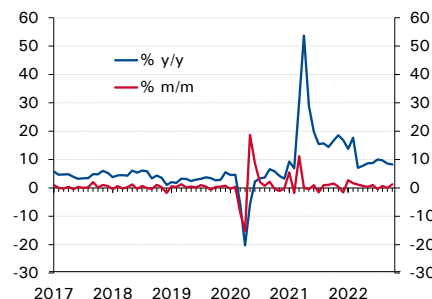
- Despite the UK government's large fiscal consolidation measures adding to economic headwinds, high inflation will cause the Bank of England to continue its monetary tightening policy for now, with a 50bps rate hike expected in December.
- The recent oil price drop is driven by global growth worries. The oil supply picture, however, remains fairly tight, with stock levels below historical norms and OPEC+ withdrawing more than 1 mb/d of exports. With EU sanctions on Russia to come, supply will tighten further and prices should firm up.
- Moves by Kuwait's National Assembly to jumpstart mega projects would offer a shot in the arm for the economy and help advance implementation of Vision 2035. If successful, the move could imply a reversal in FY23/24 of the cuts to capex recently approved for this year's budget.
- Egypt's renewable energy deals have yet to be realized, making it difficult to assess their economic impact. However, the keen interest in renewable energy projects and the size of the investments could help in limiting the external financing gap for the coming 3-4 years and in the rebuilding of reserves.

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



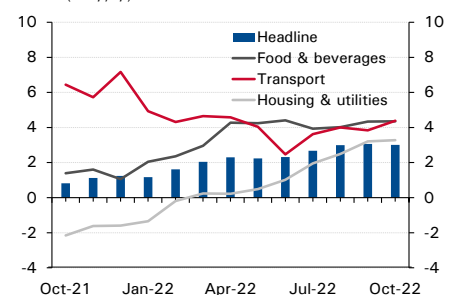
Source: Refinitiv

► **Chart 2: US retail sales**



Source: Haver

► **Chart 3: Saudi Consumer inflation**  
(% y/y)



Source: Haver

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,802	0.3	-23.1
DAX	14,432	1.5	-9.1
DJIA	33,746	0.0	-7.1
Eurostoxx 50	3,925	1.5	-8.7
FTSE 100	7,386	0.9	0.0
Nikkei 225	27,900	-1.3	-3.1
S&P 500	3,965	-0.7	-16.8
<b>Regional</b>			
Abu Dhabi SM	10,466	-1.5	23.3
Bahrain ASI	1,865	0.0	3.8
Dubai FM	3,352	-1.6	4.9
Egypt EGX 30	12,516	6.5	4.7
MSCI GCC	739	-1.2	0.3
Kuwait SE	7,610	0.9	8.1
KSA Tadawul	11,142	-0.6	-1.2
Muscat SM 30	4,486	1.3	8.6
Qatar Exchange	12,213	-2.7	5.1

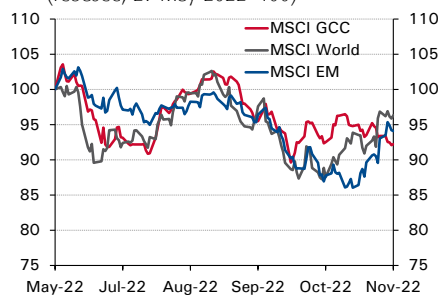
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	3.82	-1.1	230.6
Bunds 10 Year	2.02	-14.0	219.7
Gilts 10 Year	3.24	-12.1	226.4
JGB 10 Year	0.25	0.5	17.5
<b>Regional</b>			
Abu Dhabi 2027	4.23	-11.2	137.0
Oman 2027	6.01	17.1	36.8
Qatar 2026	4.62	2.8	164.6
Kuwait 2027	4.66	14.7	171.5
Saudi Arabia 2028	4.80	2.7	126.9
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	87.6	-8.7	12.7
KEC	88.3	-7.1	11.7
WTI	80.1	-10.0	6.5
Gold	1751.9	-0.8	-4.1

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	5.83	9.2	430.8
Kibor - 3 month	4.00	6.3	250.0
Qibor - 3 month	4.87	16.7	374.2
Eibor - 3 month	4.43	7.4	406.5
Saibor - 3 month	5.51	-31.9	460.1
Libor - 3 month	4.66	5.9	445.6
Sofr - 3 month	4.30	4.3	421.0
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.308	0.3	1.8
KWD per EUR	0.318	2.6	-7.6
USD per EUR	1.032	-0.3	-9.2
JPY per USD	140.4	1.1	22.0
USD per GBP	1.188	0.4	-12.2
EGP per USD	24.51	0.7	56.5

Updated on 18/11/2022 Source: Refinitiv

### International equity markets

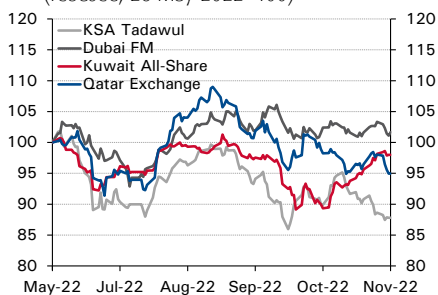
(rebased, 27 May 2022=100)



Source: Refinitiv

### GCC equity markets

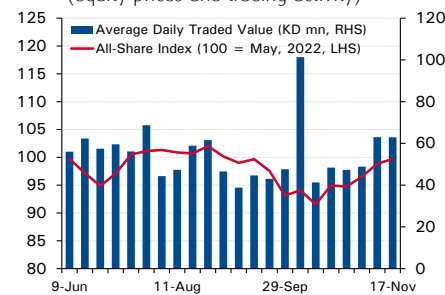
(rebased, 26 May 2022=100)



Source: Refinitiv

### Boursa Kuwait

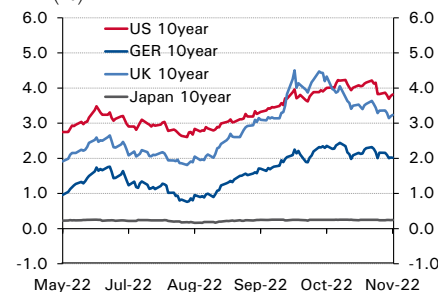
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

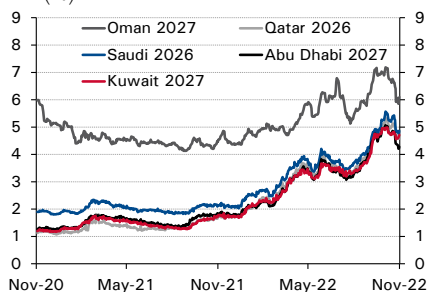
(%)



Source: Refinitiv

### GCC bond yields

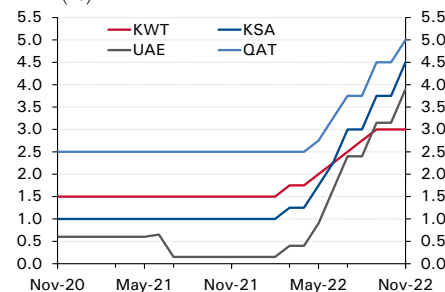
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv