

### International and markets

**US:** The Fed hiked the interest rate by 25 bps to the 4.75-5.00% range, acknowledging the need for “some additional policy firming”. The dot plot projected the peak Fed rate at 5.1%, unchanged from December (implying an additional 25 bps hike and no cuts this year) but with slightly weaker growth (+0.4% y/y) and higher core PCE inflation (+3.6%) in 4Q23. Powell noted that the recent banking turmoil might tighten credit conditions, weighing on economic activities. Meanwhile, treasury secretary Yellen said the government would take necessary actions to safeguard uninsured deposits if any bank fails. On the data front, existing home sales rebounded by 14.5% m/m, the first monthly rise in more than a year, while durable goods orders fell 1% m/m, following -5.0% in January.

**Europe:** The Bank of England (BoE) hiked interest rates by 25 bps, bringing borrowing costs to 4.25%, the highest level since October 2008. The BoE explained in its statement that inflation surprised significantly to the upside and that the GDP outlook is stronger than previously expected. It remarked that employment growth was very strong, that household disposable income is now expected to remain flat in the near term rather than fall significantly, but that it would raise rates further only if there is evidence of persisting price pressures.

**Financial markets:** Global equity markets reversed course to end the week on a positive note as fears of a banking crisis eased alongside softer rate-hike expectations. The S&P 500 rose 1.4% w/w for a second consecutive week of gains while Chinese stocks outperformed, with the CSI 300 up 1.7% w/w. The MSCI GCC tracked global markets higher, up 3.2% w/w, lifted by Saudi Arabia (+4.7%). Kuwait was little changed (+0.1%).

**Oil:** Despite posting a w/w gain of 2.8% last week, Brent settled lower on Friday at \$75.0/bbl (-12.7% ytd) on continued banking sector jitters and after the US energy secretary indicated that SPR restocking could take longer than expected – implying no immediate boost to demand. Further US commercial crude stock builds and a stronger US dollar also pressured oil prices.

### MENA Region

**GCC:** Most GCC central banks, as expected, raised interest rates in line with the US Fed. The Saudi Central Bank raised its benchmark interest rates by 25 bps, specifically the Repo rate to 5.5% and the reverse Repo rate to 5.0%. The Central Bank of the UAE raised its base rate on overnight deposits by 25 bps to 4.9%. The Qatar Central Bank, which maintained its rates in the previous cycle, raised its lending, deposit and repo rates by

25 bps to 5.75%, 5.25% and 5.5%, respectively. The Central Bank of Bahrain raised its one-week deposit rate by 25 bps to 5.75%. Finally, Kuwait left its key policy rates unchanged (discount rate at 4.0%, 1-week repo rate at 3.875%).

**Kuwait:** Bank credit was flat in February, taking the y/y rate down to 6.6% from 7.7% in January. Business credit rose 0.3% m/m (+4.7% y/y), while household credit fell for the first time since May 2020 (+7.8% y/y). Meanwhile, according to PACI data, Kuwait’s population increased 8% y/y to 4.74mn at end-2022. Expatriate numbers rose 11.1%, though their number remains below pre-Covid levels, while the Kuwaiti population grew by 1.9%. Overall employment was up 7.3% to 2.1mn (ex-domestic workers) in the six months to December 2022, with most new jobs concentrated in labor-intensive sectors. Jobs for Kuwaitis rose to 455k (+1.4%), helped by public sector hiring.

**Oman:** Inflation was back up at 1.9% y/y in February. GDP rose 4.3% y/y in 2022, driven by 10.2% growth in oil GDP, the fastest rate in more than ten years. Non-oil sector growth slowed to 1.6% from 2.6% on construction sector weakness.

**Egypt:** Egypt secured \$7bn worth of World Bank financing over the next five years to support private sector job growth, health, and education services. Under the deal, the IBRD will provide Egypt with \$1bn a year through 2027 while the IFC will lend \$2bn throughout the period of the loan.

### Key takeaways:

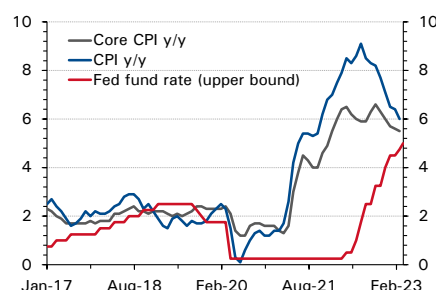
- The Fed delivered a mixed message, keeping tight policy in place with the aim of lowering inflation while noting the contribution from tightened credit conditions in achieving the same objective. While the Fed projects one more 25 bps rise, markets expect no more hikes and at least two cuts in 2023.
- In the UK, although the BoE painted a more upbeat (if uncertain) economic outlook than before, it also raised the bar for further rate rises – unless evidence that price pressures were persisting emerges.
- In Kuwait, the increase in non-Kuwaiti workers last year will have relieved some labor shortages across key sectors. While we do not expect a similar rise in 2023, the increase will help non-oil activity recapture pre-Covid levels this year.
- Egypt’s funding package from the World Bank will help to alleviate some of the external pressures in the medium term, though it will only play a small role. The country’s medium-to-long-term fortunes will continue to hinge on a successful privatization program.

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



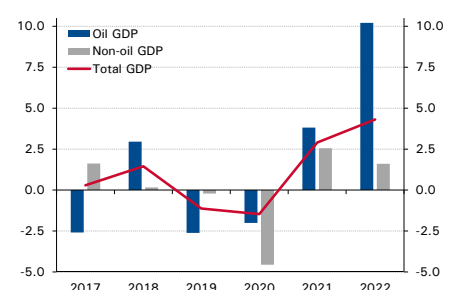
Source: Refinitiv

▶ **Chart 2: US inflation & interest rates**  
(% y/y)



Source: Haver

▶ **Chart 3: Oman GDP**  
(% y/y)



Source: Haver, NCSI

## Key data

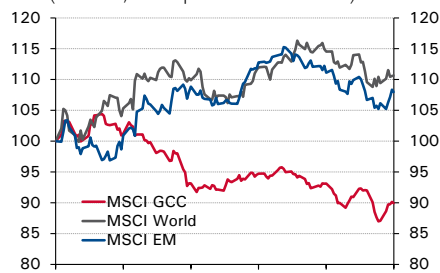
Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)	
		1-week	YTD			1-week	YTD			1-week	YTD
<b>International</b>				<b>International</b>				<b>Interbank rates</b>			
CSI 300	4,027	1.7	4.0	UST 10 Year	3.38	-1.9	-45.3	Bhbor - 3 month	6.27	4.3	13.0
DAX	14,957	1.3	7.4	Bunds 10 Year	2.13	0.2	-43.7	Kibor - 3 month	4.25	0.0	25.0
DJIA	32,238	1.2	-2.7	Gilts 10 Year	3.28	-0.1	-38.8	Qibor - 3 month	5.35	-7.5	6.7
Eurostoxx 50	4,131	1.6	8.9	JGB 10 Year	0.29	0.6	-13.2	Eibor - 3 month	5.04	16.8	72.7
FTSE 100	7,405	1.0	-0.6	<b>Regional</b>				Saibor - 3 month	5.57	4.6	35.9
Nikkei 225	27,385	0.2	4.9	Abu Dhabi 2027	4.05	-15.0	-4.3	Libor - 3 month	5.10	10.3	33.4
S&P 500	3,971	1.4	3.4	Oman 2027	5.66	-17.9	-5.5	Sofr - 3 month	4.88	-0.1	28.9
<b>Regional</b>				<b>Commodities</b>				<b>Exchange rates</b>			
Abu Dhabi SM	9,503	-1.5	-6.9	Brent crude	75.0	2.8	-12.7	KWD per USD	0.306	-0.2	0.1
Bahrain ASI	1,899	0.1	0.2	KEC	76.6	0.3	-6.7	KWD per EUR	0.330	1.5	0.7
Dubai FM	3,349	0.0	0.4	WTI	69.3	3.8	-13.7	USD per EUR	1.076	0.9	0.5
Egypt EGX 30	15,625	6.3	7.0	Gold	1982.1	0.6	8.9	JPY per USD	130.7	-0.8	-0.3
MSCI GCC	666	3.2	-3.7					USD per GBP	1.223	0.5	1.1
Kuwait SE	7,051	0.1	-3.3					EGP per USD	30.85	0.3	24.7
KSA Tadawul	10,446	4.7	-1.0								
Muscat SM 30	4,871	-0.3	0.0								
Qatar Exchange	10,006	1.0	-6.3								

Updated on 24/3/2023

Source: Refinitiv

### International equity markets

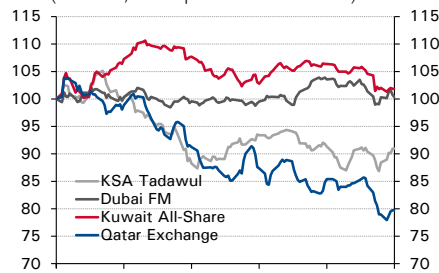
(rebased, 30 September 2022=100)



Source: Refinitiv

### GCC equity markets

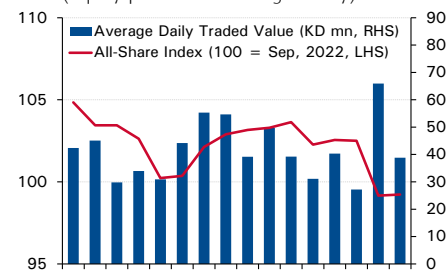
(rebased, 30 September 2022=100)



Source: Refinitiv

### Bursa Kuwait

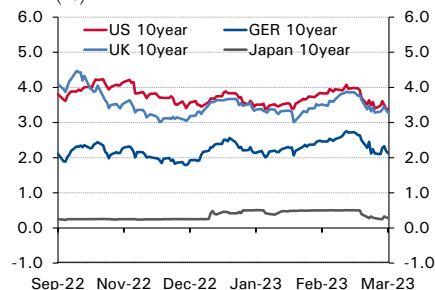
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

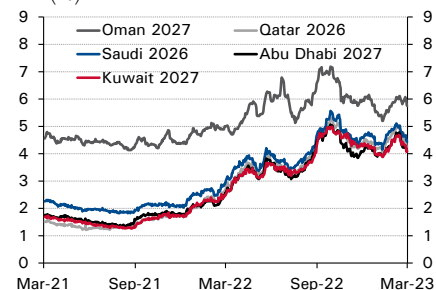
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Source: Refinitiv

### GCC bond yields

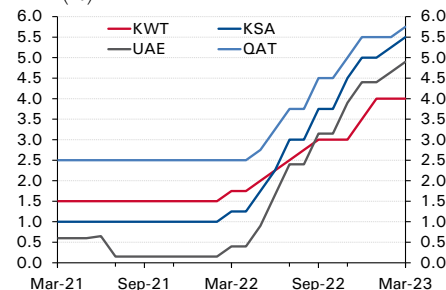
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv