

International and markets

US: In the much-awaited March figures, consumer price inflation jumped to 2.6% y/y from 1.7% in February. Some of the rise was anticipated due to base effects following pandemic-related falls a year earlier (particularly energy costs), however the rise was a bit sharper than expected. The core rate rose to a more modest 1.6% from 1.3% in February, and remains below the Fed's 2% target, while Fed officials continued to argue last week that the current pick up was mostly due to temporary factors including supply chain disruptions. Meanwhile however, further evidence of the robust economic recovery came from the surge in retail sales by a spectacular 9.8% m/m in March, pushing the y/y rate to a base effect-impacted 28%. The rise was driven by a combination of the distribution of \$1,400 individual stimulus checks and easing Covid restrictions, evidenced by a 13% m/m jump in restaurant spending.

China: After the 6.8% y/y pandemic-induced contraction in 1Q20, GDP surged by 18.3% in 1Q21 on soaring retail sales (+34%), helped by base effects. Improved global demand helped exports rise 31% y/y in March while higher commodity prices and stronger domestic demand boosted imports by 38%.

Financial markets: Most global stock markets continued trending higher last week. The S&P500 gained 1.4% w/w driven by stronger-than-expected economic data, but despite that the 10-year US yield dropped by around 9 bps. GCC stock markets were mostly higher, with Qatar outperforming on the back of the decision to allow 100% foreign ownership in listed stocks.

Oil: Brent notched up one of its best weeks since early February, closing on Friday up 5.6% w/w at \$66.8/bbl (+28.9% ytd) on encouraging US and Chinese economic data. Petroleum data was also positive, with US crude stocks drawing down for the third week in a row (-5.8 mb to 492.4 mb) and Chinese refining activity in March increasing by 20% y/y. The IEA also sounded more optimistic in its latest oil report, revising up its forecast for oil demand in 2021 by 230 kb/d to 5.7 mb/d.

MENA Region

Regional outlook: Following a 3.9% estimated contraction in 2020, the IMF forecasts GCC non-oil GDP growth at 3.5% and 3.4% in 2021-2022, respectively. Oman's recovery is projected to be the slowest at an average of 1.9% in 2021-22, while Kuwait's non-oil growth is forecast at 3% and 3.5% in 2021 and 2022, respectively, after a 6% estimated decrease last year.

Kuwait: Credit inched up slightly in February, resulting in a 3.6% y/y increase. While businesses credit was weak, household credit growth continued to be robust at 6.9% y/y, driven by housing loans (+7.3% y/y, strongest expansion in more than two years). Deposits decreased for the fifth consecutive month to reflect 3.4% y/y growth. The IMF, in its recent mission to Kuwait, commended the CBK for its oversight of the banking system in pandemic-affected 2020 and stressed the need for strong fiscal reform.

Saudi Arabia: The ministries of human resources and industry jointly launched a program to increase the employment of Saudis in the manufacturing sector. The program targets creating the necessary environment that will increase the attractiveness of manufacturing jobs through several initiatives, including covering up to 50% of the wage bill, subject to certain conditions. Meanwhile, inflation softened to 4.9% y/y in March, the lowest rate since the VAT-induced spike in July of last year.

Egypt: The balance of payments recorded a surplus of \$1.5 billion in the first half of FY20/21 (July-December) compared with a deficit of \$9 billion one year ago, as the current account deficit widening to \$7.6 billion from \$4.6 billion was more than offset by improvement in the financial account.

Key takeaways:

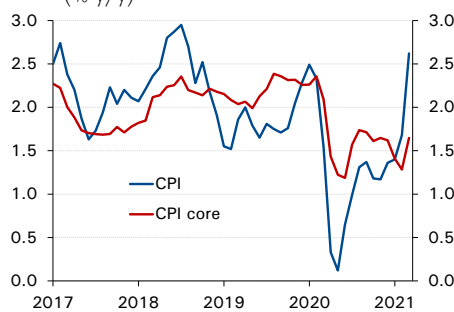
- The rise in US consumer price inflation suggests that price pressures visible in survey indicators may be materializing. The true test of the Fed's view that these pressures are temporary may not come until June, when distortions caused by base effects fade, and the economic recovery should be in full swing.
- As China's double-digit GDP growth in 1Q21 reflects mainly the recovery from a low base in 2020, growth will likely revert to pre-pandemic rates as the country is still heavily reliant on public investment and exports while private consumption has not recovered as fast as expected.
- While household credit growth in Kuwait has been robust, the deferral of household credit instalments of Kuwaiti borrowers, all else equal, is expected to strengthen even further that growth, given that the deferral results in loans staying longer on banks' balance sheets. For the same reason, the deferral will likely provide some support for the growth of private-sector deposits going forward.
- The weak inflation data in Saudi Arabia coupled with the softening PMI numbers indicate that the country's economic recovery in 2021 will likely be gradual. The CPI index has dropped m/m in four of the last five months, while the PMI has decreased for two months in a row after peaking in January.

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



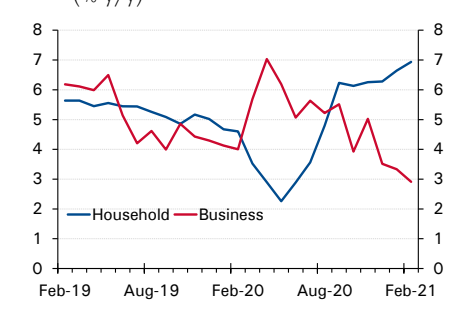
Source: Refinitiv

► **Chart 2: US consumer price inflation** (% y/y)



Source: Refinitiv

► **Chart 3: Kuwait credit growth** (% y/y)



Source: CBK

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,986	-1.4	-4.7
DAX	15,460	1.5	12.7
DJIA	34,201	1.2	11.7
Eurostoxx 50	4,033	1.4	13.5
FTSE 100	7,020	1.5	8.7
Nikkei 225	29,683	-0.3	8.2
S&P 500	4,185	1.4	11.4
Regional			
Abu Dhabi SM	6,132	1.2	21.5
Bahrain ASI	1,475	1.5	-1.0
Dubai FM	2,633	1.9	5.7
Egypt EGX 30	10,143	-1.6	-6.5
MSCI GCC	623	0.3	14.0
Kuwait SE	5,954	0.5	7.3
KSA Tadawul	9,988	-0.2	14.9
Muscat SM 30	3,708	0.0	1.3
Qatar Exchange	10,899	3.4	4.4

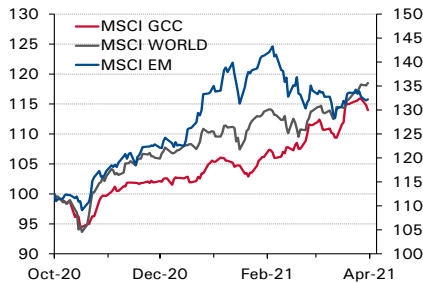
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.57	-9.3	66.1
Bunds 10 Year	-0.26	3.5	31.3
Gilts 10 Year	0.77	-1.0	56.9
JGB 10 Year	0.09	-1.7	6.7
Regional			
Abu Dhabi 2022	0.46	-3.3	-4.3
Dubai 2022	0.80	15.9	59.8
Qatar 2022	0.34	-7.2	-17.7
Kuwait 2022	0.42	-5.5	-3.7
KSA 2023	0.72	-5.1	0.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	66.8	6.1	28.9
KEC	66.1	6.8	30.5
WTI	63.1	6.4	30.1
Gold	1779.0	2.0	-6.0

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.25	0.0	-100.0
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.12	-3.1	-0.3
Eibor - 3 month	0.36	-3.4	-15.5
Saibor - 3 month	0.80	0.0	-2.0
Libor - 3 month	0.19	0.2	-4.9
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	-0.1	-0.8
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.198	0.7	-1.9
JPY per USD	108.8	-0.8	5.4
USD per GBP	1.383	0.9	1.1
EGP per USD	15.63	-0.2	-0.4

Updated on 16/4/2021 Source: Refinitiv

International equity markets

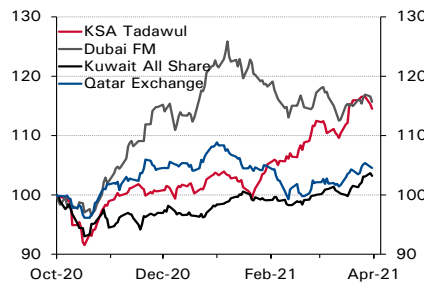
(rebased, 14 October 2020=100)



Source: Refinitiv

GCC equity markets

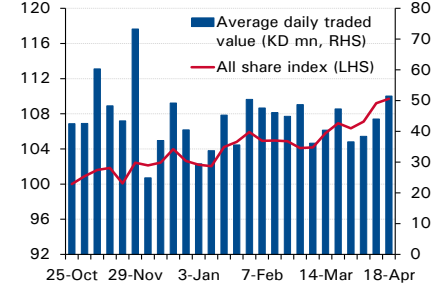
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Source: Refinitiv

Bursa Kuwait

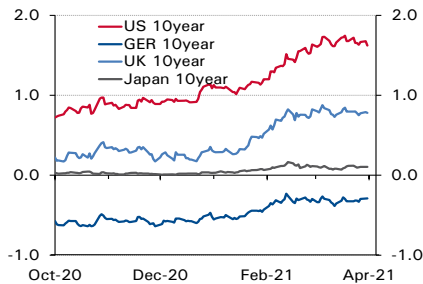
(equity prices and trading activity)



Source: Refinitiv

International bond yields

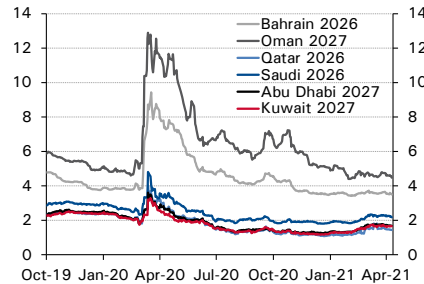
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Source: Refinitiv

GCC bond yields

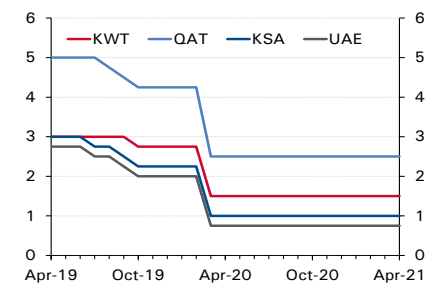
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv