

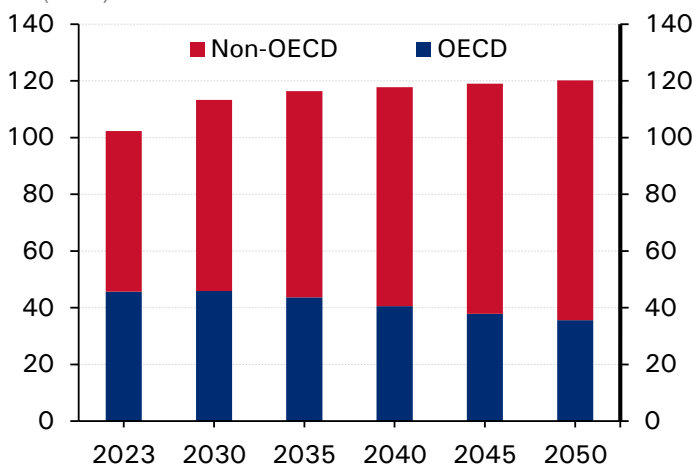
Daily Economic Update

Economic Research Department
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Oil: OPEC raises medium and long-term oil demand outlook, no peak oil demand in sight. In its just-released annual World Oil Outlook 2024, OPEC has raised its forecasts for oil demand in both the medium and the long term, based on the expectation of robust oil consumption non-OECD countries that offsets shrinking oil demand in advanced economies. Moreover, in contrast to other energy reporting agencies, such as the IEA, OPEC believes that there is no peak oil demand on the horizon: oil demand is forecast to top 120 mb/d by 2050, more than 17% higher than 2023's level of 102.2 mb/d. OPEC sees this being underpinned by the persistent trend in urbanization amid robust growth in both world population and GDP. OPEC describes the phasing out of oil and gas as 'fantasy', seeing these two fossil fuels accounting for the same proportion of the total energy mix in 2050, at around 50% or more, as they do today. In the medium term, OPEC has raised its oil demand growth forecast by 1.3 mb/d compared to last year's forecasts to 11.1 mb/d and sees oil consumption reaching 113.3 mb/d by 2030 amid greater gains in the Middle East and China which more than offset downgrades to consumption in the OECD, India and Africa. At the sectoral and petroleum product level, industry is expected to drive long-term growth to 2050 (+4.9 mb/d) particularly through usage of Ethane/LPG as feedstock for petrochemicals, followed by the transportation sector and continued use of kerosene, diesel, and gasoline. While OPEC does acknowledge that the adoption of electric vehicles (EV) is expected to increase rapidly (+651 million units between 2023 and 2050), it nevertheless thinks that the overall market for vehicles including for conventional, fossil fuel-based cars will continue to expand exponentially, such that the market share for EVs will remain below 30% by 2050.

Chart 1: OPEC medium-to-long term oil demand outlook

(mb/d)



Source: OPEC

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US: New home sales decline in August. Sales of new residential units fell 4.7% m/m in August after posting a two-year high growth rate of 10.3% in July. Overall, new home sales have been on a modestly rising trend since mid-2022, as supply of existing units on the market has remained constrained amid elevated interest rates. As we mentioned in our previous notes, the sustained fall in mortgage rates (currently at 6.1% from the current cycle peak of nearly 8%) should lift demand as well as the availability of home units. Signs of improvement are becoming visible as a gauge of mortgage activity (the MBA Mortgage Market Index) in the w/e Sep 20 climbed to its highest since July 2022.

China: Central Bank cuts MLF rate by 30 bps. Following Tuesday's announcement, the Peoples Bank of China (PBoC) cut its medium-term facility (MLF) by 30 bps to 2.00% from 2.30%, marking its largest reduction since the bank started using the monetary tool to guide borrowing costs in 2016. The move was in line with the broad policy adjustments announced previously to bolster the faltering economy. Looking ahead, the move will likely be followed by cuts to the market-based benchmark loan prime rates and deposit rate, which would channel more liquidity into the market and increase market confidence, steering growth levels to the government's current 5% target.

Saudi Arabia: Trade surplus narrowed on higher imports in July. The trade surplus narrowed for the third consecutive month to SR 19.3 billion (-25% y/y) in July 2024, down from SR 25.9 billion a year ago. This is the narrowest surplus since November 2020 and due largely to a jump in imports (+12.6% y/y) for machinery, electrical, and transportation equipment as investments surge in ongoing Saudi Vision projects. Meanwhile, exports saw a smaller 2% increase on higher non-oil product sales, which more than offset a modest decline in oil product sales. Looking back at the year-to-July, the trade surplus declined by 23% y/y to SR 193 billion.

Egypt: Government to announce new details on tax reform measures. The government is working to finalize a tax reform package in the coming days that is aimed at encouraging and incentivizing both new and current investors to increase investments in various sectors. This is expected to be coordinated through the offices of the prime minister and the ministries of finance, investment and trade. Some of these tax reforms measures include launching a central clearing system, putting a cap on late payment penalties and simplifying both tax and VAT returns.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,516	0.59	-0.64
Bahrain (ASI)	2,019	-0.31	2.41
Dubai (DFMGI)	4,489	0.61	10.56
Egypt (EGX 30)	31,251	1.23	25.84
GCC (S&P GCC 40)	723	0.65	1.47
Kuwait (All Share)	7,203	0.48	5.66
KSA (TASI)	12,344	0.61	3.14
Oman (MSM 30)	4,727	0.23	4.71
Qatar (QE Index)	10,543	0.49	-2.66

International			
CSI 300	3,402	1.48	-0.86
DAX	18,919	-0.41	12.94
DJIA	41,915	-0.70	11.21
Eurostoxx 50	4,917	-0.48	8.74
FTSE 100	8,269	-0.17	6.92
Nikkei 225	37,870	-0.19	13.17
S&P 500	5,722	-0.19	19.97

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.04	-1.64	-48.68
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.69	-6.33	-64.16
Saudi	5.65	0.75	-58.54
LIBOR	4.90	-1.57	-68.82
SOFR	4.66	-0.91	-67.26

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	3.93	4.00	-39.1
Oman 2027	4.66	-6.00	-49.7
Qatar 2026	4.20	7.00	-31.9
Kuwait 2027	4.11	3.00	-23.0
Saudi 2028	4.17	-2.00	-35.1

International 10YR			
US Treasury	3.79	5.88	-7.0
German Bund	2.19	5.25	15.9
UK Gilt	3.99	5.00	45.1
Japanese Gvt Bond	0.81	0.00	19.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.14	-0.62
KWD per EUR	0.34	-0.37	2.78
USD per EUR	1.11	-0.43	0.87
JPY per USD	144.75	1.08	2.62
USD per GBP	1.33	-0.66	4.67
EGP per USD	48.50	-0.33	57.21

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	73.46	-2.27	-4.65
KEC	76.32	0.14	-4.07
WTI	69.69	-2.61	-2.74
Gold	2659.2	0.30	28.94

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: LSEG / Haver