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Daily
Economic Update

Economic Research Department
9 September 2024

Global: US CPI inflation and ECB meeting key matters this week. In the US, CPI inflation data for August is due on Wednesday, and the consensus forecast is for a steady 0.2% m/m rise in both the headline and core indices. Moreover, after a mixed August jobs report, the market will continue to focus on the trajectory of initial weekly jobless claims (Thursday), which is seen inching up to 231K. In the Eurozone, the ECB will meet on Thursday and expectations are firm for a 25bps rate cut, but markets will also pay attention to the bank's new economic projections and clues about the frequency of rate cuts going forward. In the UK, July's GDP growth is due this Wednesday, with leading indicators pointing to some improvement after no growth in June. In addition, labor market metrics are due on Tuesday with special focus being on wage growth, which is seen moderating to 4.1% y/y in the three months to July from 4.5% in the April-June period. In Japan, we will hear from two BoJ board members (one on Wednesday and one Thursday) who may reassure that the bank will not hike interest rates if markets are in an unstable state while also emphasizing that the path to neutral rates would be data driven. Finally, in China, August trade figures are due on Tuesday, with imports and exports seen slowing to 2% and 6.5% y/y, respectively from 7.2% and 7%, respectively in July.

China: CPI accelerates in August on higher food costs, PPI deflation worsens. Consumer price inflation edged up to 0.6% y/y in August (from 0.5% in July), missing market expectations of 0.7%. The increase was driven largely by food prices (2.8%), up for the first time since June 2023 due to weather disruptions, rather than improving domestic demand as non-food inflation was at 0.2%, easing from 0.7% in July. The core rate was at 0.3% y/y, the least since March 2021. Meanwhile, producer price inflation fell deeper into deflation territory, marking the highest figure since April. PPI came it at -1.8% y/y sharper than July's -0.8% drop and worse than market forecasts of -1.4%, due to the ongoing weakness in domestic demand and the falling of some global commodity prices. The softer than expected readings did little to ease deflation concerns as early H2 24 data indicate that China's economy is facing increasing pressure due to a protracted housing downturn, persistent joblessness, debt issues, and escalating trade tensions.

Japan: GDP downward revision in Q2 2024 confirm BoJ's policy stance. GDP growth expanded in Q2 2024 at a slightly slower pace than initially reported, at 0.7% q/q compared with an initial estimate of 0.8% q/q (2.9% versus 3.1% annualized). The change was largely due to downward revisions in personal consumption (0.9% q/q), capital expenditures (0.8%), and public investment (4.1%). The revisions were mostly minor, confirming the BoJ's monetary stance and its view of a moderate economic recovery in H2 2024, though spillover risks from potential slowdowns in the US and Chinese economies remain. Growth is expected to expand during the current quarter but at a more moderate pace as increasing living costs weigh on the prospects of a consumer-led recovery, pushing the next BoJ rate hike potentially to January.

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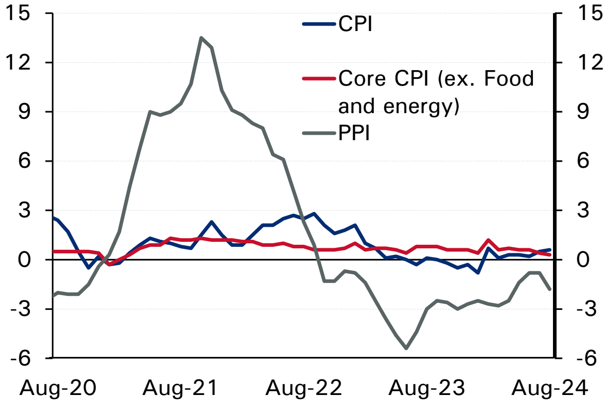
Chart 1: China CPI Inflation

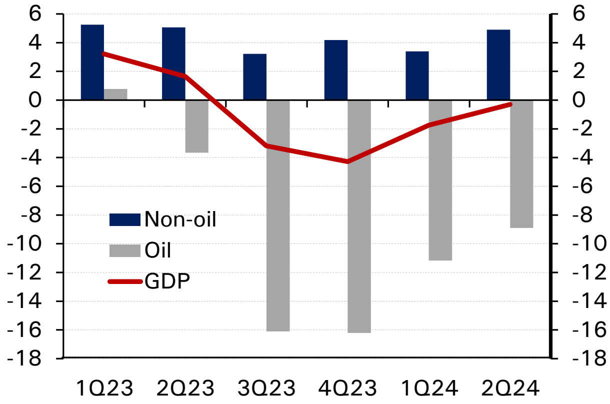
(%, y/y)



Source: Haver

Chart 2: Saudi Arabia GDP growth

(%, y/y)



Source: GASTAT

Saudi Arabia: Mild GDP contraction in Q2 24. The economy continued to contract in Q2 24, albeit at the slowest pace in a four-quarter sequence of negative growth. GDP eased by 0.3% y/y, slightly above the preliminary estimate of -0.4%. Once again, the decline was mostly driven by weaker oil activity, which fell by 8.9% y/y, slowing from -11.2% in the previous quarter. In contrast, non-oil growth accelerated to 4.9% y/y from 3.4% the previous quarter, the highest since Q2 23, while growth in government activities also picked up to 3.6% from 2.0% in Q1. The strong non-oil growth was seen across various sectors, but was driven mostly by the utilities, construction, and wholesale/retail/hospitality sectors, which expanded by 8.9%, 5.7%, and 6.8% respectively. Economic growth is set to recover in the coming quarters as the drag from the 2023 oil production cuts fades, and thanks to continued strength in the non-oil sector. The consensus 2024 growth forecast currently stands at 1.4%, following a contraction of 0.8% in 2023.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,448	n/a	-1.36
Bahrain (ASI)	1,950	0.15	-1.11
Dubai (DFMGI)	4,373	n/a	7.71
Egypt (EGX 30)	30,274	-2.44	21.91
GCC (S&P GCC 40)	709	-0.09	-0.54
Kuwait (All Share)	7,179	-0.10	5.31
KSA (TASI)	11,982	-0.97	0.12
Oman (MSM 30)	4,773	0.25	5.73
Qatar (QE Index)	10,261	-0.60	-5.26
International			
CSI 300	3,231	n/a	-5.82
DAX	18,302	n/a	9.25
DJIA	40,345	n/a	7.05
Eurostoxx 50	4,738	n/a	4.79
FTSE 100	8,181	n/a	5.80
Nikkei 225	36,391	n/a	8.75
S&P 500	5,408	n/a	13.39

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.25	-1.19	-26.99
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	4.99	0.00	-34.13
Saudi	5.96	-2.67	-27.04
LIBOR	5.20	n/a	-39.28
SOFR	4.95	n/a	-38.53

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	3.98	n/a	-34.1
Oman 2027	4.78	n/a	-37.7
Qatar 2026	4.32	n/a	-19.9
Kuwait 2027	4.27	n/a	-7.0
Saudi 2028	4.32	n/a	-20.1
International 10YR			
US Treasury	3.71	n/a	-14.6
German Bund	2.17	n/a	14.1
UK Gilt	3.88	n/a	34.5
Japanese Gvt Bond	0.85	n/a	23.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.30	-0.05	-0.78
KWD per EUR	0.34	-0.24	2.33
USD per EUR	1.11	0.00	0.43
JPY per USD	142.27	0.00	0.86
USD per GBP	1.31	0.00	3.10
EGP per USD	48.35	-0.08	56.73

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	71.06	n/a	-7.76
KEC	74.64	n/a	-6.18
WTI	67.67	n/a	-5.55
Gold	2493.5	n/a	20.90

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

Source: LSEG / Haver

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