

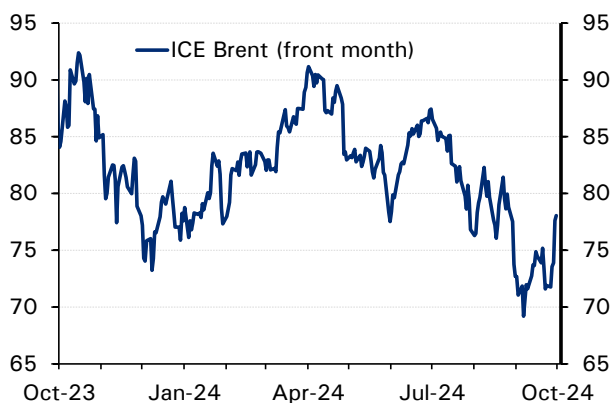
Daily Economic Update

Economic Research Department
7 October 2024

Oil: Brent posts biggest weekly gain since early 2023 on Middle East geopolitical risk. Brent futures rallied 8.4% w/w to close Friday at \$78.1/bbl, bringing year-to-date performance back into positive territory (+1.3%). Prices surged following Iran's retaliatory strike on Israel and US President Biden's comment that Israeli strikes on Iranian oil infrastructure were under discussion, although he later rowed back on the statement, noting that other targets should be considered first. Disruptions to Iran's crude output, which stood at 3.3 mb/d in August (around 1.6 mb/d of which is exported, mainly to China), according to OPEC secondary sources data, could further increase the geopolitical risk premium on oil prices, especially when taking into account the high probability that any Israeli attack on Iran's oil infrastructure would elicit an escalatory response. This could involve a localized, like-for-like strike on Israeli gas or oil processing facilities or a broader attack on international shipping in the Arabian Gulf or Red Sea, for instance. Meanwhile, media reports indicate that Saudi Arabia is stepping up efforts to warn OPEC+ members of the consequences of lax quota compliance, hinting that oil prices could sink to as low as \$50/bbl if there is a disorderly unwinding of supply cuts currently scheduled for December.

Chart 1: Oil prices

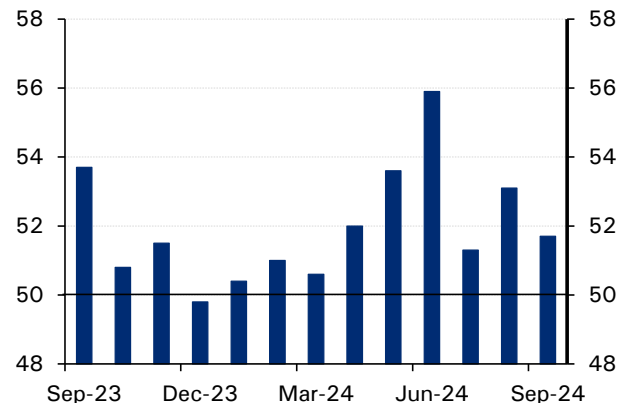
(\$/bbl)



Source: Haver

Chart 2: Qatar non-energy private sector PMI

(Index; >50 = growth)



Source: Qatar Financial Center (QFC), Haver

Qatar: Non-oil economic activity softens in September. The non-energy private sector PMI eased to 51.7 in September from 53.1 in August, suggesting some slowdown in growth. Growth in new orders, the largest component by weight, registered a sharp deceleration, while the output balance slipped into contraction territory for the first time this year amid weakness in the construction sector. Nevertheless, business activity was supported by record growth in private sector employment as hiring demand remained robust across all sectors, driving wage inflation to a record high. Input costs were also nudged higher by a jump in purchasing prices led by wholesale and retail trade. However, firms appeared to hold back on transferring higher input

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costs to consumers, since output prices fell month-on-month. The softer reading in output prices largely tracks the CPI inflation trajectory this year, which averaged just 1.3% y/y in the January-August period.

Eurozone/China: EU approves tariffs on Chinese EV's despite split vote. Following its meeting on Friday, the European Union (EU) will move ahead with imposing duties on Chinese-made electric vehicles (EVs). The tariffs come as a result of the EU's concern over China's extensive use of subsidies for its domestic car industry, which places Chinese car manufacturers at an unfair competitive advantage vis-à-vis European manufacturers when selling their EVs at low prices into the European market. The proposed tariffs of up to 45% on China-made EV's are set to be imposed from 31 October for up to five years. EU discussions with Beijing to find an alternative solution will remain ongoing, though China appealed for a delay to avoid escalating trade frictions. China has threatened to retaliate with duties on imports of EU brandy, dairy and pork products and has also discussed raising import taxes on large-engine gasoline vehicles, which would hit German producers hardest.

Global: US September CPI inflation key data point this week. In the **US**, CPI inflation for September is due on Thursday, with markets keenly focused on core price rises (expected at +0.2% m/m), especially after coming in at a higher-than-expected 0.3% in August on the back of accelerating shelter cost inflation. The headline rate is seen slowing to 0.1% m/m from August's 0.2%. As with the earlier-reported solid jobs data for September, this week's inflation print is another important data point that will have an impact on the Fed's policy decision at its November meeting. In the **Eurozone**, retail sales data is due later today, with expectations for a modest increase of 0.2% m/m in August (from July's +0.1%). In the **UK**, following a no-change GDP reading in both June and July, August's GDP figure (due on Friday) could post modest growth (+0.2% m/m), according to the consensus. Finally, in **Japan**, household spending for August is due on Tuesday, with the market expecting a 2.6% y/y decline after a marginal increase of 0.1% in July.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,180	n/a	-4.16
Bahrain (ASI)	2,004	-0.13	1.63
Dubai (DFMGI)	4,406	n/a	8.52
Egypt (EGX 30)	31,721	0.00	27.74
GCC (S&P GCC 40)	696	-0.14	-2.32
Kuwait (All Share)	6,966	-1.00	2.18
KSA (TASI)	11,769	-1.58	-1.66
Oman (MSM 30)	4,681	0.16	3.70
Qatar (QE Index)	10,412	-0.51	-3.87
International			
CSI 300	4,018	n/a	17.10
DAX	19,121	n/a	14.14
DJIA	42,353	n/a	12.37
Eurostoxx 50	4,955	n/a	9.58
FTSE 100	8,281	n/a	7.08
Nikkei 225	38,636	n/a	15.45
S&P 500	5,751	n/a	20.57
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.06	1.00	-46.47
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.46	0.00	-87.00
Saudi	5.58	-2.05	-65.07
SOFR	4.59	n/a	-74.17

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.20	n/a	-12.1
Oman 2027	4.93	n/a	-22.7
Qatar 2026	4.40	n/a	-11.9
Kuwait 2027	4.17	n/a	-17.0
Saudi 2028	4.43	n/a	-9.1
International 10YR			
US Treasury	3.97	n/a	10.8
German Bund	2.21	n/a	18.0
UK Gilt	4.13	n/a	59.0
Japanese Gvt Bond	0.88	n/a	26.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.19	-0.46
KWD per EUR	0.34	-0.34	1.68
USD per EUR	1.10	0.00	-0.54
JPY per USD	148.71	0.00	5.42
USD per GBP	1.31	0.00	3.04
EGP per USD	48.29	0.00	56.53
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	78.05	n/a	1.31
KEC	78.00	n/a	-1.96
WTI	74.38	n/a	3.81
Gold	2645.8	n/a	28.29

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

Source: LSEG / Haver