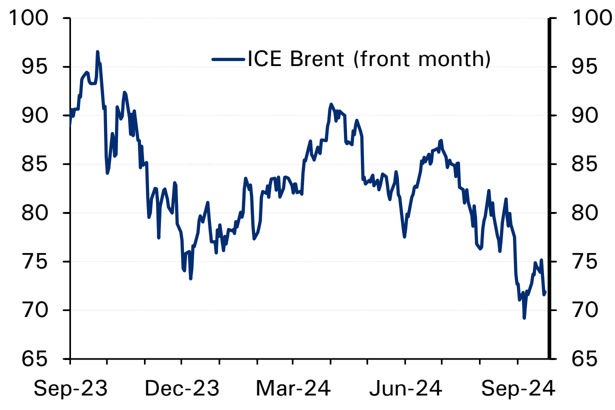
Daily
Economic Update

Economic Research Department
30 September 2024

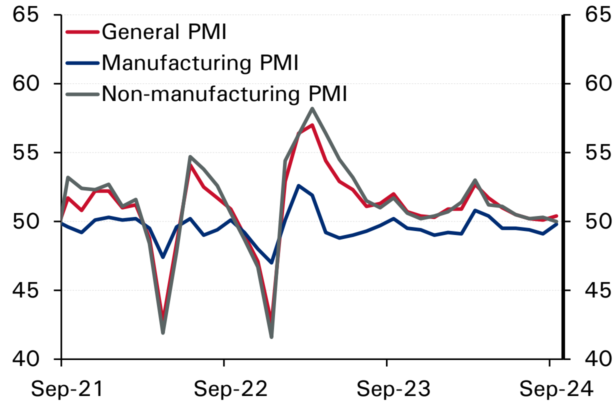
Oil: Rising supply prospects weigh on prices. Oil prices (Brent) closed the week lower at $71.9/bbl (-3.4% w/w; -6.6% ytd), ending two weeks of gains amid rising concerns of more abundant supplies from OPEC+. Markets were spooked by media reports that Saudi Arabia seemed to have lost patience with current market dynamics including the serial overproduction by several OPEC+ members and intended to shift its focus away from price targeting to regaining market share by proceeding with the OPEC+ plans to unwind voluntary supply cuts in December. Also bearish for prices was the news that Libya's rival governments have reached an agreement on the process of appointing a central bank governor, which could pave the way for a resumption in crude flows after August's loss of around half of Libya's output (600 kb/d). That said, Brent did manage to pare back some of its losses on Friday thanks to news of China's stimulus package (a cut to the reserve requirement ratio and other policy measures), and to the constructive US Energy Information Administration (EIA) data, which showed commercial crude inventories declining by 4.5 mb w/w (in the w/e September 19) to their lowest levels (413 mb) since April 2022. **Comment:** The OPEC+ group has struggled to maintain cohesion among producers after implementing deep voluntary cuts, evidenced by Angola leaving the coalition late last year, while some overproducing members have yet to meaningfully adhere to their submitted compensatory output cut schedules. Additional OPEC+ supplies come 2025 is likely to put further pressure on prices while global oil demand remains subdued due to sub-par Chinese economic activity and a potential structural shift in Chinese consumption in favor of alternative fuels. The International Energy Agency (IEA) sees the oil market balance in 2025 as being sufficiently in surplus with scope for sizeable oil stock builds.

Chart 1: Oil prices
($/bbl)



Source: Haver

Chart 2: China PMI
(index)



Source: National Bureau of Statistics (NBS, China)

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China: Official PMI figures indicate some tentative improvement, but service activity softens. PMI data from the National Bureau of Statistics (NBS) showed the composite rate inching up in September to 50.4 from 50.1 in August. Within sectors, manufacturing continued to contract, albeit at a softer pace, reaching 49.8 in September (from August's six-month low of 49.1) and beating expectations of 49.5. Meanwhile, non-manufacturing activity stalled in September (to 50.0 from 50.3 in August), coming in below the market's median forecast of 50.4. The services measure fell to its lowest reading since December 2022, driven by steeper declines in new export orders (47.0 vs 47.6 in August), employment (44.7 vs 45.2) and new orders (44.2 vs 46.3).

China: Government authorities promise to intensify fiscal support. Days after the Chinese government announced a fresh round of measures to support the country's long suffering property sector and fresh monetary policy stimulus to help strengthen the economy (to meet this year's 5% growth target), leaders have pledged to intensify fiscal spending to help shore up the faltering economy. In an official readout of a monthly meeting of top Communist Party officials, leaders have vowed to "issue and use" government bonds to strengthen "the driving role of government investment" in comments that underscored the importance of realizing the government's official growth target. The politburo meeting highlighted key policy focus areas, including to promote consumption, increase middle-class and low-income salaries, encourage foreign investment in manufacturing and to provide additional support for property owners and developers. Following the strong worded remarks, markets rallied, sending the country's stock market sharply higher as investors wagered on increased state support for equities. Meanwhile, the announcement also lifted European stocks and metal prices. It is worth nothing, however, that there was no mention of the size of the additional stimulus nor details of the steps the government will take going forward.

Global: US job and activity data in focus this week. In the **US,** key job indicators are due this week, with the non-farm payroll report (on Friday) the most critical data to watch out for. The market expects relatively stable job gains (145K) and a flat unemployment rate of 4.2% in September but slowing wage growth of 0.3% m/m (+3.3% y/y) from 0.4% (+3.8% y/y) in August. Job openings (JOLTS report tomorrow) may also remain nearly unchanged at around 7.7 million in August. ISM PMI gauges for September will be out this week, with manufacturing activity (tomorrow) seen remaining in contraction (47.2) and services (Thursday) stable at 51.5. In the **Eurozone,** flash CPI inflation data for September is due tomorrow with expectations for the headline rate to drop to 2% y/y from 2.2% in August and the core rate to remain at 2.8%. In the **UK,** the final estimate of Q2 GDP is due today (+0.6% q/q in the preliminary estimate), while the Nationwide house price index (Thursday) is seen increasing 0.1% m/m in September after a 0.2% drop in August. In **Japan, t**he Bank of Japan board members' opinions will be released tomorrow, which may shed light on members' views about the diminishing risk of higher inflation due to the appreciation of the yen over the past three months.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,469	n/a	-1.13
Bahrain (ASI)	2,014	-0.01	2.14
Dubai (DFMGI)	4,521	n/a	11.37
Egypt (EGX 30)	31,459	0.58	26.68
GCC (S&P GCC 40)	722	-0.13	1.37
Kuwait (All Share)	7,152	-0.63	4.90
KSA (TASI)	12,272	-0.83	2.54
Oman (MSM 30)	4,735	0.70	4.89
Qatar (QE Index)	10,585	0.03	-2.27
International			
CSI 300	3,704	n/a	7.94
DAX	19,474	n/a	16.25
DJIA	42,313	n/a	12.27
Eurostoxx 50	5,067	n/a	12.07
FTSE 100	8,321	n/a	7.60
Nikkei 225	39,830	n/a	19.02
S&P 500	5,738	n/a	20.30

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.03	-0.41	-49.42
Kuwait	3.94	0.00	-37.50
Qatar	6.00	0.00	-25.00
UAE	4.53	0.00	-79.65
Saudi	5.59	-4.06	-64.61
LIBOR	4.85	n/a	-73.80
SOFR	4.60	n/a	-72.77

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	3.94	n/a	-38.1
Oman 2027	4.71	n/a	-44.7
Qatar 2026	4.22	n/a	-29.9
Kuwait 2027	4.10	n/a	-24.0
Saudi 2028	4.20	n/a	-32.1
International 10YR			
US Treasury	3.75	n/a	-11.0
German Bund	2.14	n/a	11.0
UK Gilt	3.99	n/a	44.9
Japanese Gvt Bond	0.81	n/a	19.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.30	0.00	-0.74
KWD per EUR	0.34	-0.16	2.93
USD per EUR	1.12	0.00	1.15
JPY per USD	142.19	0.00	0.80
USD per GBP	1.34	0.00	5.06
EGP per USD	48.35	0.08	56.73

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	71.98	n/a	-6.57
KEC	73.84	n/a	-7.19
WTI	68.18	n/a	-4.84
Gold	2644.3	n/a	28.21

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

Source: LSEG / Haver

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