

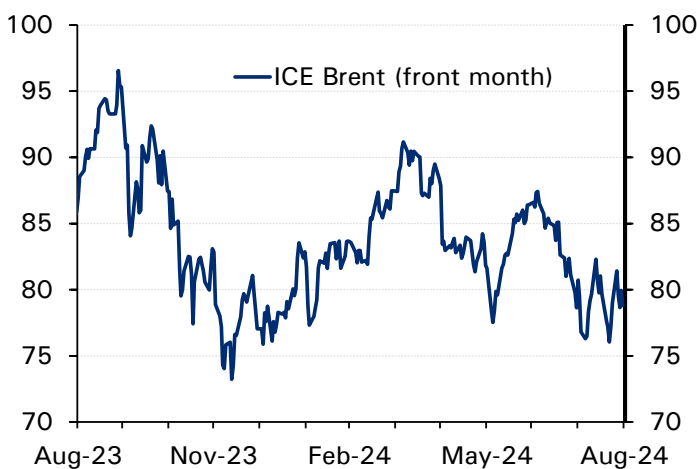
Daily Economic Update

Economic Research Department
2 September 2024

Oil: Brent finished last week lower on stronger US data and OPEC+ resupply worries. Stronger US economic data dashing hopes of aggressive Fed policy rate cuts combined with looming OPEC+ production increases from October pushed Brent down 0.3% w/w to \$78.8/bbl last Friday, reversing earlier gains from the shut-in of Libyan oil fields. According to the Libya's National Oil Corporation, the country's crude oil production had fallen almost 50% to 591 kb/d by Thursday amid an escalating political dispute between rival governments in eastern and western Libya. Prices had also been supported by indications that Iraq would make a stronger commitment to comply with the compensation plans it submitted to the OPEC Secretariat, reportedly cancelling a 1 mb spot crude sale and promising to cancel two further sales of a similar volume. Nevertheless, prices were back under pressure towards the end of the week after sources within OPEC suggested that the group was likely to proceed with unwinding its 2.2 mb/d of voluntary cuts as planned from October—even though OPEC may have assessed that, with Libyan production offline, the market is fundamentally tighter and could absorb returning OPEC+ barrels without too much problem. Meanwhile, in its 2024 Global Outlook, ExxonMobil reemphasized OPEC's view of under-investment in new oil and gas supply, warning that global production could shrink alarmingly without continued investment, squeezing oil supplies to just 30 mb/d by 2030 from around 100 mb/d currently. However, ExxonMobil believes that oil and gas will continue to make up over 50% of the world's energy mix in 2050, with oil demand expected to remain above 100 mb/d even after growth peaks later this decade. We note that the ongoing volatility in global oil supplies underscores the critical need for sustained investment in the energy sector to avoid a severe supply shortfall in the coming decades.

Chart 1: Oil prices

(\$/bbl)



Source: Haver

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Bahrain: Inflation slows down in July or softer food prices. Consumer price inflation fell to 1.1% y/y in July from 1.4% y/y in June, and to its lowest since March. On a monthly basis, CPI was up 0.1% after prices increased by 0.3% in June. The slowdown in inflation was mainly driven by softening price rises for food and non-alcoholic beverages which rose by 3.8% y/y in July, much lower than the 5.2% rise in June. Housing and utilities ticked up to a still mild 0.7% y/y from 0.3% in June. Meanwhile, other items saw price drops on a yearly basis such as recreation and culture, which fell by 4.5%, with transport seeing a contraction of 0.4%.

Global: All eyes on the US jobs data for August and its impact on the Fed outcome. In the US, several key job and business activity data are scheduled for this week, with August's non-farm payrolls (due on Friday) being the most critical. Consensus expects job gains to recover to 163K from July's weather-disrupted 114K, and the unemployment rate to drop marginally to 4.2% from 4.3%. With inflation behaving well lately, the jobs report should set the tone for the FOMC meeting on 17-18 September. Meanwhile, the ISM activity gauges will shed light on the health of the economy, and consensus is for a continued contraction in manufacturing (Tuesday) to 47.8 in August and a slight improvement in services (Thursday) to 51.5. In the Eurozone, the key data point will be retail sales for July (Thursday) with estimates at +0.1% m/m, following a 0.3% drop in June. In the UK, the Halifax house price index (Friday) is expected to show a further rise in house prices in August, extending annual gains for nine straight months. Finally, in Japan, household spending, a leading indicator for private consumption, will be released on Friday with consensus projecting a 0.2% m/m fall in July, after a small rise of 0.1% in June, with the already-released retail sales pointing to that slowdown.

Japan: Signs of consumption recovery trigger an economic assessment upgrade. The government has revised up its qualitative assessment of the economic climate for the first time in a year and a half mainly on the recovery in consumption. The upgrade came following private consumption registering growth for the first time in five quarters in Q2 2024 due to the Shunto wage increases in April and the tax rebates (starting June 2024). This should offer more support to the Bank of Japan's recent hawkish pivot as the economy continues to move in line with the bank's latest forecast. However, retail sales growth eased in July (2.6% y/y versus 3.8% in June), reversing from the steady rise seen since March, with the core inflation (excl. fresh food & energy) print pointing to a slowdown in demand-driven price growth during the month. Though early signs of a slowdown in consumption could weigh on Q3 real growth, the renewal of energy subsidies in August and the strengthening yen could provide some support going forward.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,285	n/a	-3.06
Bahrain (ASI)	1,956	-0.06	-0.77
Dubai (DFMGI)	4,325	n/a	6.54
Egypt (EGX 30)	30,903	0.42	24.44
GCC (S&P GCC 40)	707	0.22	-0.69
Kuwait (All Share)	7,172	-0.12	5.21
KSA (TASI)	12,189	0.36	1.86
Oman (MSM 30)	4,760	0.28	5.45
Qatar (QE Index)	10,230	0.27	-5.54
International			
CSI 300	3,321	1.33	-3.20
DAX	18,907	-0.03	12.87
DJIA	41,563	0.55	10.28
Eurostoxx 50	4,958	-0.17	9.65
FTSE 100	8,377	-0.04	8.32
Nikkei 225	38,648	0.74	15.49
S&P 500	5,648	1.01	18.42
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.31	-0.98	-21.21
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.05	0.00	-27.72
Saudi	6.00	-6.70	-23.38
LIBOR	5.28	n/a	-31.48
SOFR	5.02	n/a	-31.57

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.16	n/a	-16.1
Oman 2027	4.95	n/a	-20.7
Qatar 2026	4.44	n/a	-8.0
Kuwait 2027	4.47	n/a	12.5
Saudi 2028	4.44	n/a	-8.4

International 10YR			
US Treasury	3.91	n/a	4.8
German Bund	2.29	n/a	26.0
UK Gilt	4.01	n/a	46.7
Japanese Gvt Bond	0.89	n/a	27.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.09	-0.71
KWD per EUR	0.34	-0.18	2.10
USD per EUR	1.10	0.00	0.10
JPY per USD	146.16	0.00	3.62
USD per GBP	1.31	0.00	3.12
EGP per USD	48.52	-0.10	57.28

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	78.80	n/a	2.28
KEC	79.48	n/a	-0.10
WTI	73.55	n/a	2.65
Gold	2493.8	n/a	20.92

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

Source: LSEG / Haver