

# Daily Economic Update

Economic Research Department  
1 September 2024

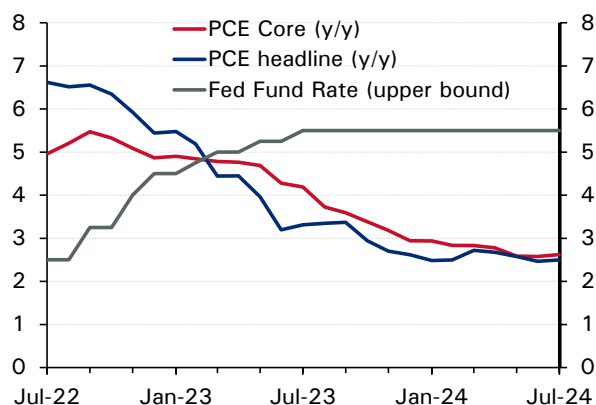
**US: Q2 GDP growth revised up, while PCE inflation remains modest.** Economic growth in Q2 was revised higher to 3% (annualized) from the previously estimated 2.8%, sharply rebounding from a disappointing 1.4% in Q1. The key driver of the upgrade was higher personal consumption, from 2.3% to 2.9% in the second estimate (1.5% in Q1), indicating that consumer spending remained robust. Moreover, growth in personal spending in July accelerated to 0.5% m/m from 0.3% in June, signaling a continuation of consumer spending momentum at the start of Q3, which should further help calm fears of an imminent recession. Meanwhile, PCE inflation stayed modest in July at 2.5% y/y (0.2% m/m), with the core rate also unchanged at 2.6% (0.2% m/m). Finally, underscoring no major cracks or quickening layoffs in the labor market, initial weekly unemployment claims dropped slightly to 231K (w/e Aug 24) from 233K the previous week, but continuing claims rose to 1.87mn (w/e Aug 17) from 1.85mn earlier. The combination of abating price pressures but still solid labor market conditions likely seal an interest rate cut of 25 bps at this month's FOMC meeting, rather than the larger 50 bps that had been on the table until recently.

**Eurozone: August preliminary inflation eases, raising expectations of a rate cut in September.** Consumer price inflation fell to 2.2% y/y in August from 2.6% in July, in line with market expectations to mark the softest rise in consumer prices since July 2021. Core inflation remained relatively sticky at 2.8%, albeit the lowest in four months, with service inflation rising to a 10-month high of 4.2% from 4% in July. Nevertheless, the recent figures have strengthened market expectations of a 25 bps cut in interest rates by the European Central Bank at its September 12 meeting.

**China: August PMI edges down to its lowest since December 2022.** According to the National Bureau of Statistics, the manufacturing PMI in August fell to its six-month low of 49.1 from 49.4 in July, against the market consensus of 49.5. However, the non-manufacturing PMI slightly improved from July's eight-month low to 50.3. Overall, the general PMI dropped to 50.1 in August, the lowest reading since December 2022, down from July's 50.2. Weakening economic activity raises pressure for more consumer stimulus, which the government has consistently pledged in order to broaden domestic demand though as yet has not provided any concrete details.

Chart 1: US PCE inflation

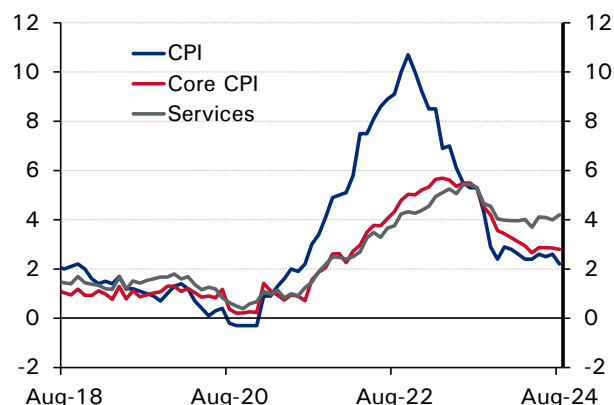
(%)



Source: Haver

Chart 2: Eurozone CPI inflation

(% , y/y)



Source: Haver, ECB

**Egypt: Net foreign asset surplus position up by 3.5%.** Net foreign assets surplus in the banking system (commercial banks + the central bank) increased by 3.5% m/m to \$13.3bn in July, up from \$12.9bn in June. On the commercial bank front, net foreign assets rose 3.7% m/m to \$2.8bn, with gross assets growing by \$745mn to \$31bn, offsetting the increase in liabilities (+\$644mn to \$28.2bn). The CBE's net foreign asset position also improved, to \$10.5bn. Egypt's net foreign asset position has turned into a surplus since May (from a large deficit of \$29bn in January) following the March devaluation and large foreign inflows, recording a net surplus for the third month in a row.

**Saudi Arabia: Credit growth robust in July.** Total bank credit grew a solid 1.4% m/m in July, pushing year-to-date growth to 8%. Private credit grew by 1.1% m/m, with personal loans up 0.9%, while credit to the public sector jumped by 7.6% m/m, the strongest monthly expansion in nearly three years. Meanwhile, total deposits fell 0.9% m/m on a 1.5% decline in demand deposits which outweighed an increase (2.9%) in time deposits. SAMA's reserve assets stood at \$453 billion in July (-3.2% m/m), up 3.6% YTD.

**Oman: Moody's upgrades credit rating outlook to positive from stable, reaffirming Ba1 rating.** Moody's has upgraded the Omani government's credit rating outlook to positive from stable with a 'Ba1' rating that is just one notch below investment grade. The outlook upgrade was mainly driven by the government's strong fiscal management and efforts to bring down debt, including a 27% reduction in FY22/23, followed by another 6% drop in the first seven months of 2024, and maintaining higher assets in the Petroleum Reserve Fund. As a result, the public debt-to-GDP ratio fell from 36.5% at the end of 2023 to 33.9% by the first half of 2024. A rating upgrade could take place over the coming period if the government continues its efforts with regards to debt improvement and further work is achieved on delinking the economy from fluctuations in oil prices.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,285	0.57	-3.06
Bahrain (ASI)	1,957	-0.03	-0.71
Dubai (DFMGI)	4,325	-0.20	6.54
Egypt (EGX 30)	30,774	0.21	23.93
GCC (S&P GCC 40)	707	0.22	-0.69
Kuwait (All Share)	7,181	0.01	5.33
KSA (TASI)	12,145	0.23	1.49
Oman (MSM 30)	4,746	0.55	5.15
Qatar (QE Index)	10,203	0.65	-5.79
<b>International</b>			
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
<b>3m interbank rates</b>			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.32	0.00	-20.23
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.05	-1.41	-27.72
Saudi	6.07	0.00	-16.68
LIBOR	5.28	0.09	-31.48
SOFR	5.02	-4.15	-31.57

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.16	2.00	-16.1
Oman 2027	4.95	-5.00	-20.7
Qatar 2026	4.44	0.00	-7.9
Kuwait 2027	4.46	3.00	12.0
Saudi 2028	4.44	0.00	-8.1
<b>International 10YR</b>			
US Treasury	3.91	4.58	4.8
German Bund	2.29	0.80	26.0
UK Gilt	4.01	-0.35	47.5
Japanese Gvt Bond	0.89	0.00	27.4
<b>Exchange rates</b>			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.10	-0.61
KWD per EUR	0.34	-0.18	2.10
USD per EUR	1.10	-0.27	0.10
JPY per USD	146.16	0.81	3.62
USD per GBP	1.31	-0.32	3.12
EGP per USD	48.57	0.00	57.44
<b>Commodities</b>			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	78.80	-1.43	2.28
KEC	79.48	2.17	-0.10
WTI	73.55	-3.11	2.65
Gold	2493.8	-1.26	20.92

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

Source: LSEG / Haver