Daily
Economic Update

Economic Research Department
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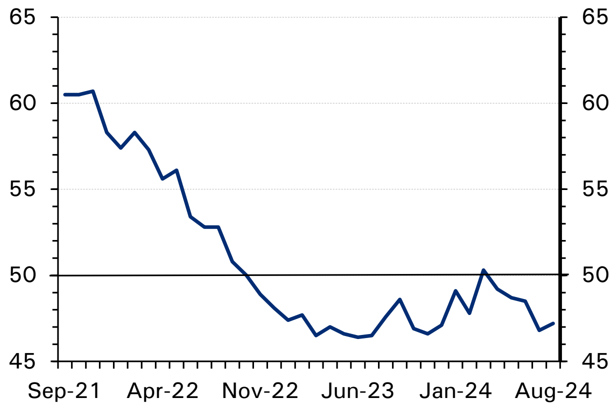
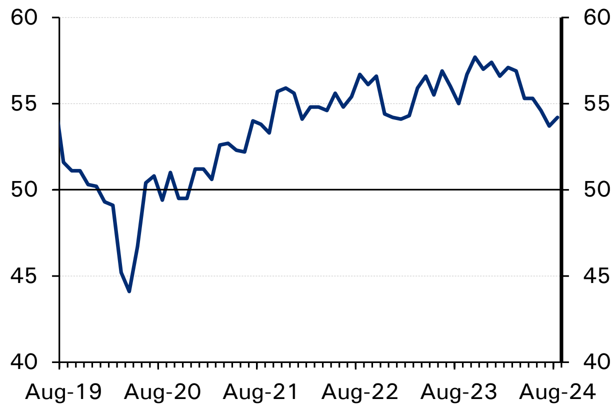
US: Manufacturing activity contracts for the fifth straight month. The ISM manufacturing PMI in August came in at 47.2, improving slightly from 46.8 in July, but remaining in contraction for 21 months out of the past 22. Moreover, key details of the survey were weaker than the headline suggests: new orders (at 44.6) fell at their sharpest pace since May 2023 and the production subindex (at 44.8) was its weakest since the early days of Covid pandemic, signaling no immediate rebound. Meanwhile, input prices (at 54) rose for the eighth consecutive month, albeit at a slower pace, amid rising freight costs. Overall, the ISM PMI reading continues to suggest a weak outlook for the US manufacturing sector. The equivalent gauge of service activity will be released tomorrow, providing more clues on the health of the broader economy.

Chart 1: US ISM manufacturing PMI
index (above 50 = expansion)



Source: Haver

Chart 2: UAE PMI
index (above 50 = expansion)



Source: S&P Global

UAE: Non-oil PMI edges up in August from its three-year low. The PMI inched up to 54.2 in August from a 34-month low reading in July (53.7) on strengthening demand conditions. Output rebounded in August on increases in domestic sales, logging its strongest expansion in five months, while export orders continued to rise sharply for the fourth consecutive month. Price pressures moderated as raw material costs eased from their two-year peak in July while staffing costs saw a slight uptick, in line with the slow expansion in employment. On the other hand, output prices rose for the fourth straight month, though at a slower pace, as companies passed through cost increases to customers. Businesses remained largely optimistic about the next twelve months, benefiting from strong demand and a supply chain recovery following April's flood.

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Qatar: PMI signals stronger growth in August. The non-energy private sector PMI rose to 53.1 in August from 51.3 the previous month, reflecting a more robust demand climate. The employment subindex reached the second-highest level on record, while new orders also benefited from the optimism. Meanwhile, the input cost gauge hit its highest in four years, driven by rising wages and purchase prices; however, this was not reflected in output costs, which fell m/m. The improvement was also reflected in the business optimism balance, which surged to its highest level since March 2023, supported by government economic development policies, including a focus on tourism, a growing expatriate population, and a more attractive environment for international investors. GDP figures for 2023 (reported in yesterday's Daily) highlighted a two-paced non-oil economy, with tourism-related and other service sectors recording a solid rise while others such as construction and financial services seeing weakness.

Egypt: LCY treasury yields see minimal increase of 4bps w/w, remaining restrictive. Egypt LCY treasury yields saw limited changes on a weekly basis (only up by 4bps on average), the smallest increase in seven weeks. Yields on treasury bills/bonds (3-12M & 3Yr) averaged 27.44% in the 1st week of September versus 27.40% the previous week, but up 95bps since mid-July. The short end (<1Y) of the curve has seen a slightly bigger increase (for example, +13bps and +18 bps for 3M and 6M, respectively) while other tenors saw no changes as the ministry of finance borrowed 89% of its funds on the short tenors. Still the rise in yields for short-term bills (3 and 6M) was much softer than the previous week's increase of 55bps, likely signaling an approaching peak for yields. Currently, the 1Y T-bill offers a positive real yield of 8.41% (on a forward-looking average inflation of 18% over the coming 12 months) which is too restrictive for the economy, in our view. We reiterate our stance that bond yields should soften once September and October inflation figures come within the 24-25% range, allowing the CBE to start the easing cycle later this year.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,379	0.17	-2.08
Bahrain (ASI)	1,948	-0.03	-1.18
Dubai (DFMGI)	4,370	0.30	7.64
Egypt (EGX 30)	31,018	0.93	24.91
GCC (S&P GCC 40)	711	0.24	-0.20
Kuwait (All Share)	7,189	0.28	5.45
KSA (TASI)	12,180	0.11	1.78
Oman (MSM 30)	4,778	0.13	5.84
Qatar (QE Index)	10,383	0.38	-4.13
International			
CSI 300	3,273	0.26	-4.60
DAX	18,747	-0.97	11.91
DJIA	40,937	-1.51	8.62
Eurostoxx 50	4,913	-1.22	8.64
FTSE 100	8,298	-0.78	7.31
Nikkei 225	38,686	-0.04	15.61
S&P 500	5,529	-2.12	15.91

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.28	-2.95	-24.16
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.00	-7.82	-33.23
Saudi	6.00	-2.68	-22.86
LIBOR	5.27	-0.51	-31.99
SOFR	5.02	0.09	-31.48

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.12	-4.00	-20.1
Oman 2027	4.95	0.00	-20.7
Qatar 2026	4.42	-2.00	-9.9
Kuwait 2027	4.38	-9.00	4.0
Saudi 2028	4.41	-3.00	-11.1
International 10YR			
US Treasury	3.83	-7.82	-3.0
German Bund	2.27	-6.40	24.4
UK Gilt	3.99	-6.50	44.9
Japanese Gvt Bond	0.92	2.00	30.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.01	-0.55
KWD per EUR	0.34	-0.27	2.01
USD per EUR	1.10	-0.25	0.06
JPY per USD	145.47	-0.97	3.13
USD per GBP	1.31	-0.29	3.00
EGP per USD	48.45	-0.08	57.05

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	73.75	-4.86	-4.27
KEC	77.88	0.23	-2.11
WTI	70.34	-4.36	-1.83
Gold	2489.9	-0.16	20.73

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

Source: LSEG / Haver

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