Daily
Economic Update

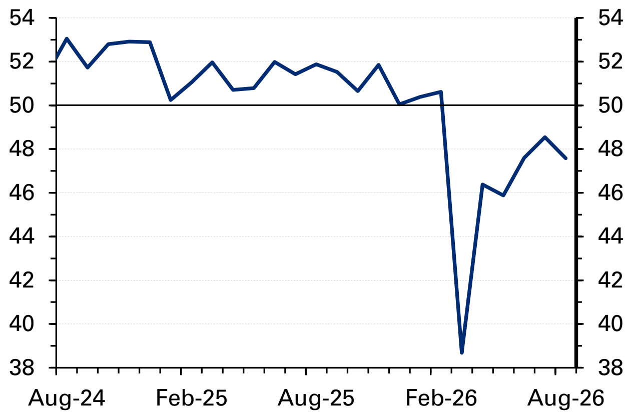
Economic Research Department
6 September 2026

US: Job growth rebounds strongly beating forecasts; upcoming August CPI remains key factor shaping next week's FOMC decision. The US economy added a forecast-busting 162K jobs (56K consensus forecast) in August, rising sharply from a 21K increase in July. Moreover, jobs were upwardly revised by a combined 55K in June and July. Given the volatility in monthly job growth numbers, it is important to look at monthly averages; the 3M average job growth improved to 71K per month while the 6M average is a stronger 107K per month. While government jobs rebounded by 35K after a drop of 50K in July, remaining volatile due to summer school holiday-related seasonality, the private sector also saw an increase of 127K jobs, improving from revised growth of 71K, led by leisure and hospitality. The unemployment rate was unchanged at 4.1%, despite the participation rate improving to 61.6% from 61.4%, after steadily declining since late 2025. Wage growth eased to 3.1% y/y from 3.2% in July, the slowest pace in over five years. Overall, the latest non-farm payrolls data indicates that the labor market is still showing decent momentum despite some fresh softness in the last few months, keeping the FOMC's focus on managing its inflation mandate. Meanwhile, Fed Governor Christopher Waller stated that despite inflation remaining meaningfully above the 2% target "we are finally seeing some signs of disinflation," and if the upcoming August CPI data trends in the same direction, "I would be inclined to support holding the target for the federal funds rate." Another FOMC voting member, Cleveland Fed President Beth Hammack, who was among the three dissenters supporting a rate hike in July, reiterated her hawkish stance, saying "right now, what I am hearing is that it's time to act" on inflation. The futures market currently signals around 60% probability of an interest rate hike at next week's FOMC meeting, with the August CPI print (to be released this Friday) being the key decisive factor. Meanwhile, in a tweet, President Trump renewed his pressure on the Fed to lower interest rates, threatening to stop US trade with countries "with which we have a trade deficit". It is an unclear association between interest rates and trade deficits, and we note that the US has a goods trade deficit with most of its key trading partners, so stopping trade with those is practically impossible. Obviously, Trump's call for lowering interest rates is to put pressure on the Fed not to hike rates in their upcoming meeting. Separately, further confirming the robust state of the economy, the ISM services PMI rose to a six-month high of 55.4 in August from 54.1 in July, led by stronger expansions in new orders and business activity. However, the price gauge jumped to a four-year high at 72.6 from 70.3, showing the continuation of sharply elevated inflationary pressures, while employment shrank again at 47.8 versus 47.4 in July.

Japan: Weak household spending in July; yen rallies sharply against the USD on Wednesday/Thursday. Japanese household spending fell 3.6% y/y in July, worsening from a 3.3% decline in June and marking the eighth consecutive monthly contraction, as rising living costs continued to weigh on consumption. The weakness was broad-based across most spending categories, particularly housing (-16.4% y/y), utilities (-9.2%), and transport/communication (-8.5%), although spending on household goods (+0.7%) and recreation (+4.8%) showed signs of improvement. The reading was significantly weaker than consensus expectations for a 1.6% decline, reinforcing concerns that domestic demand remains fragile despite strong wage growth and robust exports. Meanwhile, the yen rallied sharply in the latter part of last week, rising as much as 2.7% against the USD on Wednesday/Thursday driven by expectations of renewed government intervention after the exchange rate touched again the 160 JPY/USD level in the days before.

Eurozone: Retail sales suggest subdued consumer demand in July. Eurozone retail sales fell 0.6% m/m in July, reversing June's 0.2% increase (revised up from -0.3%) and marking the largest monthly decline in over a year. The decline was driven primarily by weaker sales of non-food goods (-1.4% m/m) and fuel (-0.8%). While food, beverage, and tobacco sales rebounded during the month, the improvement was insufficient to offset broader softness in consumer demand. On an annual basis, retail sales rose just 0.6% in July, down from +1.4% in June (revised up from +0.7%). The weaker-than-expected reading highlights ongoing fragility in consumer spending and suggests households remain vulnerable to elevated inflation and energy-related cost pressures.

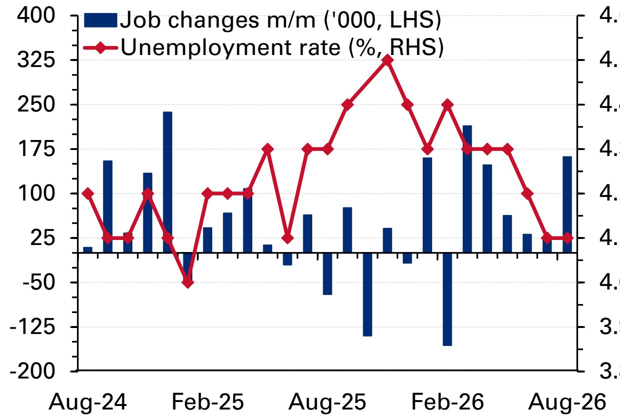
Chart 1: US jobs gains* and unemployment rate



Source: Haver, *un-adjusted for preliminary benchmark revision

Chart 2: Qatar PMI

(index; >50 = expansion)



Source: S&P Global

Qatar: Non-energy business activity deteriorates further in August. Qatar's headline PMI fell to 47.6 in August from 48.5 in July, signaling a further weakening in non-energy private sector activity. Softer business conditions were driven by continued weakness in demand, with both output and new orders declining during the month. Output contracted at a faster pace, with firms citing weak demand, poor sales performance, suspended projects, and a broader slowdown in market activity. New orders also remained under pressure, although the pace of decline eased to its slowest since February, suggesting that demand conditions may be stabilizing at low levels despite extending the downturn for the ninth month. Nonetheless, business sentiment remained positive overall, with firms continuing to expect activity to improve over the next 12 months amid hopes of easing regional tensions and stronger market conditions. However, the degree of optimism declined to its lowest level since May, reflecting lingering uncertainty around the economic outlook. Labor market conditions also softened, with employment growth slowing to its weakest pace in two years as service-sector firms responded to muted demand by reducing headcounts. Meanwhile, cost pressures intensified for an eighth consecutive month, pushing input price inflation to its highest level since October 2024. Higher purchasing costs continued to outweigh softer wage growth, prompting firms to pass part of these increases on to customers. As a result, output price inflation accelerated for a fifth straight month and remained close to survey highs.

Qatar: Fitch removes Qatar from 'Rating Watch Negative' but maintains a negative outlook. Fitch Ratings affirmed Qatar's sovereign credit rating at 'AA' and removed the country from 'Rating Watch Negative', where it had been placed in March following damage to facilities at Ras Laffan. While the decision signals a reduction in near-term risks, Fitch maintained a 'Negative Outlook', indicating that medium-term challenges to the credit profile remain. Continued disruptions to LNG exports through the Strait of Hormuz were cited as a key constraint, weighing on both economic activity and fiscal performance. As a result, Fitch expects Qatar's economy to contract by around 18% in 2026, reflecting the sharp decline in LNG exports. Looking ahead, the agency expects export flows to begin recovering in Q127, with volumes gradually returning toward pre-war levels by Q327, albeit excluding capacity affected by damage to Ras Laffan. Additional support should come from the phased commissioning of the North Field expansion project during 2027, which is expected to boost both LNG production and economic growth. Near-term fiscal pressures are nevertheless set to remain significant, with Fitch forecasting a budget deficit of 7.1% of GDP this year, financed largely through additional borrowing, pushing public debt to 64% of GDP from 51% in 2025. Offsetting these challenges, Qatar's exceptionally strong sovereign balance sheet remains a key rating strength, with sovereign net foreign assets estimated at 252% of GDP, providing substantial capacity to absorb the economic and fiscal shock from the prolonged disruption to LNG exports.

Egypt: GDP growth hits 5.1% in FY25/26, matching our forecast. Egypt's economy grew 5.1% in FY25/26, accelerating from 4.4% a year earlier and matching our in-house projection, according to the Ministry of Planning and Economic Development. Growth slowed slightly to 4.7% y/y in Q226, from 5% in Q1, as the regional conflict weighed on activity. Nevertheless, the full-year result was stronger than the IMF's latest 4.6% forecast. Growth was broadly supported across several sectors. Non-oil manufacturing expanded by 9% over the year, making it the largest single contributor to growth, while industry, trade and communications together accounted for 48% of total growth. The Suez Canal continued its recovery, expanding by 34% in Q2 and 23% over the full year, while communications grew by 24% in Q2. The extractive industries also returned to growth for the first time since Q422, supported by a strong recovery in oil refining, which grew 22% in Q2 and 8.7% over FY25/26. Meanwhile, tourism also remained a key growth driver, expanding by 6.5% over the year as the sector continued to benefit from improving activity and stronger momentum.

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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,977	0.50	-0.15
Bahrain (ASI)	1,939	-0.01	-6.19
Dubai (DFMGI)	5,885	0.70	-2.69
Egypt (EGX 30)	56,270	1.06	34.52
GCC (S&P GCC 40)	750	0.20	2.42
Kuwait (All Share)	8,848	-0.21	-0.67
KSA (TASI)	11,033	0.19	5.17
Oman (MSM 30)	7,624	0.14	29.94
Qatar (QE Index)	9,764	0.13	-9.28
International			
CSI 300	4,548	-0.10	-1.77
DAX	26,046	0.17	6.35
DJIA	53,414	-0.51	11.13
Eurostoxx 50	6,393	0.16	10.39
FTSE 100	10,831	0.00	9.06
Nikkei 225	65,021	1.26	29.16
S&P 500	7,719	-0.38	12.75

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.18	0.00	19.54
Kuwait	3.56	0.00	0.00
Qatar	4.15	0.00	17.50
UAE	3.96	-3.36	48.87
Saudi	4.86	0.00	0.04
SOFR	3.81	-3.08	16.17

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2030	4.86	2.55	90.5
Oman 2029	5.14	3.39	60.8
Qatar 2030	4.93	3.05	94.9
Kuwait 2030	4.98	29.73	84.4
Saudi 2030	5.06	2.86	79.3
International 10YR			
US Treasury	4.78	1.22	62.0
German Bund	3.34	-1.07	48.3
UK Gilt	5.13	-0.59	65.8
Japanese Gvt Bond	2.90	-5.80	84.1

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	-0.23
KWD per EUR	0.36	-0.10	1.26
USD per EUR	1.16	-0.09	-1.12
JPY per USD	156.24	0.29	-0.26
USD per GBP	1.35	0.00	0.36
EGP per USD	50.90	0.24	6.82

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	96.28	0.80	58.23
KEC	98.10	-0.17	63.07
WTI	91.48	0.20	59.32
Gold	4429.8	-1.38	2.41

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

Source: LSEG / Haver. *Percentage change in price from previous trading day on 7 August 2026.

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