

Daily Economic Update

Economic Research Department
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US: Services survey surprisingly hits six-month high. The ISM service sector activity index rose to 54.5 in August from 52.7 in July, above the 52.5 forecast and it is highest since February on accelerating new orders. Also signaling renewed inflationary pressures, the input prices balance increased to a four-month high (perhaps linked to higher oil prices), while the employment component jumped to its highest since November 2021, indicating a continued strong job market. Resilient service activity has been supporting robust US economic growth this year, and the latest ISM figures show momentum being sustained in the current quarter. This, coupled with strong personal spending data earlier, should support another solid 2%+ (annualized) GDP growth figure in Q3, following 2.1% in Q2.

Europe: UK construction PMI expands slightly while Eurozone remains in contraction. The UK construction PMI reached 50.8 for August surpassing the market consensus of 50.5 but below the 51.7 recorded in July. New order volumes declined for the second time in the past three months as construction companies signaled that their clients continue to be more cautious in their spending patterns. The employment balance increased for the seventh month in a row, albeit mildly. On the other hand, the Eurozone construction PMI dropped to its lowest level in 2023 at 43.4 in August from 43.5 in July. This is the 16th consecutive drop in activity and continued to be driven by a sharp reduction in demand in Germany and firms being strongly pessimistic about the blocs' economic outlook. Meanwhile, in a further disappointing report, Eurozone retail sales contracted by 0.2% m/m in July (consensus -0.1%) and below June's growth of 0.2%. On an annual basis, retail sales contracted by 1.0% y/y. Sales have been flat or negative in 6 of the first 7 months of 2023, partly reflecting the pass through of monetary tightening into the economy.

China: External trade improves in August. The slump in external trade eased in August, as exports of goods (in USD terms) fell 8.8% y/y (-14.5% in July) while goods imports declined by a less steep 7.3% (-12.4% in July). The monthly trade surplus narrowed to \$68 billion. The better-than-expected data matched the recent improvement in manufacturing PMI readings and give cause for cautious optimism as the government rolls out more stimulus measures. Nevertheless, high local government debt, a moribund housing market, and rising geopolitical tensions remain downside risks for the outlook in the near term.

Saudi Arabia: IMF forecasts non-oil growth at 4.9% in 2023 and 4.4% in 2024. In its Article IV Consultation report, the IMF commended the ongoing economic transformation driven by the Vision 2030 reforms, which has helped create high growth, record low unemployment, contained inflation, and strong external and fiscal buffers. The IMF forecasts non-oil growth to remain solid at 4.9% and 4.4% in 2023-24, respectively (+4.8% in 2022) while projecting a moderate budget deficit of 1.2% and 1.6% of GDP, respectively (surplus of 2.5% in 2022). Inflation is forecast at 2.8% in 2023 and 2.3% in 2024 (2.5% in 2022) while the current account is seen remaining in surplus in 2023 and 2024.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,614	-0.43	-5.85
Bahrain (ASI)	1,943	-0.24	2.51
Dubai (DFMGI)	4,038	-0.38	21.04
Egypt (EGX 30)	19,225	0.95	31.69
GCC (S&P GCC 40)	678	-0.68	-1.89
Kuwait (All Share)	6,967	0.50	-4.45
KSA (TASI)	11,298	-0.99	7.13
Oman (MSM 30)	4,722	-0.12	-3.10
Qatar (QE Index)	10,141	0.74	-5.06

International			
CSI 300	3,812	-0.22	-1.54
DAX	15,741	-0.19	13.06
DJIA	34,443	-0.57	3.91
Eurostoxx 50	4,238	-0.72	11.72
FTSE 100	7,426	-0.16	-0.34
Nikkei 225	33,241	0.62	27.39
S&P 500	4,465	-0.70	16.30

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.69	0.00	54.77
Kuwait	4.31	6.25	31.25
Qatar	6.00	0.00	71.67
UAE	5.32	-4.51	100.66
Saudi	6.27	6.54	105.77
LIBOR	5.66	0.67	89.21
SOFR	5.40	0.67	81.03

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.77	1.80	54.3
Oman 2027	6.14	7.60	15.0
Qatar 2026	5.09	-1.20	60.7
Kuwait 2027	4.94	-1.00	67.4
Saudi 2028	5.16	-1.70	48.5

International 10YR			
US Treasury	4.29	2.20	45.9
German Bund	2.66	4.80	9.4
UK Gilt	4.54	1.20	86.7
Japanese Gvt Bond	0.66	0.00	23.8

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.90
KWD per EUR	0.33	-0.02	1.13
USD per EUR	1.07	0.07	0.23
JPY per USD	147.65	-0.04	12.62
USD per GBP	1.25	-0.46	3.37
EGP per USD	30.85	-0.16	24.70

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	90.60	0.62	5.46
KEC	93.35	1.40	13.79
WTI	87.54	0.98	9.07
Gold	1918.1	-0.42	5.41

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

Source: Refinitiv / Haver