

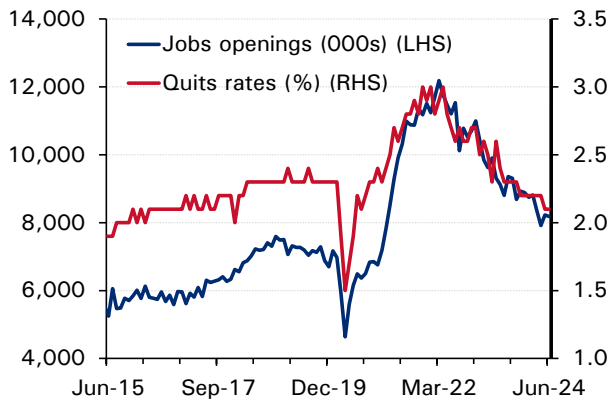
Daily Economic Update

Economic Research Department
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Japan: The Bank of Japan hikes its policy rate and outlines a plan for reducing purchases of government bonds. The BoJ increased its short-term interest rate to “around 0.25%” from a range of 0% to 0.1% previously while agreeing on halving its monthly purchases of Japanese government bonds to around JPY 3 trillion by Q1 2026 (from around JPY 6 trillion currently) by reducing JPY 400 billion every quarter. The BoJ has also downwardly revised its GDP growth for FY2024 from 0.8% to 0.6%, leaving growth unchanged for the following two fiscal years at 1.0%. In addition, the BoJ projects that core consumer inflation (excluding fresh food) would reach its target by FY2026, longer than initially expected, as imported inflation risks remain to the upside through FY2025. The BoJ decision came to counter upside inflationary pressures and stem further depreciation in the Yen, ignoring weak economic data, including the GDP contraction in Q1 2024 and sluggish retail sales. However, financial conditions remain largely accommodative with negative real interest rates, supporting the economic recovery.

US: With fewer vacancies, the job market sees further normalization. Jobs openings (JOLTS report) declined to a less-than-expected 8.18 million in June from an upwardly revised 8.23 million in May, with both hirings and lay-offs falling from the previous month, indicating a gradual normalization in labor market conditions. Quits rates, a key indicator of job market balance, held steady at 2.1% (but down from its record high of 3% in April 2022) as job switchers continued to find it difficult to change jobs at better pay, boding well for a slower rise in wage growth and easing inflation. Meanwhile, house prices, based on the S&P CoreLogic Case Shiller National Price Index, rose 0.3% m/m (+5.9% y/y) in May following a 0.3% (+6.4%) increase in April, pushing the YTD gains to 4.1%. Despite the supply of existing units increasing to a nearly three-and-half-year high recently, the overall inventory remains below pre-pandemic levels, supporting sustained price gains in the housing market. The anticipated interest rate cuts should entice homeowners to list their properties for sale, likely improving activity in the residential market.

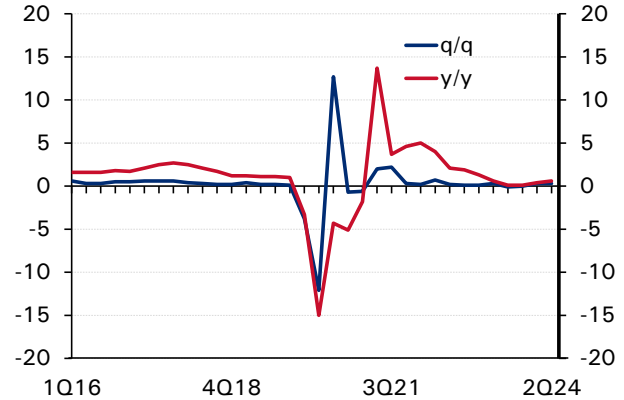
Eurozone: GDP expanded by 0.3% q/q in Q2, slightly better than estimates. GDP expanded by 0.3% q/q in Q2 2024, the same as in Q1 but above forecasts of 0.2%, preliminary estimates showed. On an annual basis, GDP grew by 0.6% versus 0.5% in Q1. The better-than-expected figures eased concerns that the early stages of economic recovery in the Eurozone may be losing momentum. However, the data showed that the Eurozone’s largest economy, Germany, unexpectedly shrank by 0.1% q/q in the second quarter, coming in below expectations while France, Italy, and Spain all posted positive growth rates.

Chart 1: US jobs openings and quits rate


Source: Haver

Chart 2: Eurozone GDP

 (%)

Source: Haver

China: Manufacturing activity extends decline in July. The NBS Manufacturing PMI fell to a five-month low in July, standing at 49.4 (49.5 in June), though slightly better than expectations. Meanwhile, the non-manufacturing PMI, which gauges activity in services and construction, decreased to 50.2 in July from 50.5 in June, staying in growth territory for the nineteenth consecutive month. The composite PMI declined from 50.5 in June to 50.2 in July, its lowest level since December 2022, reflecting the economic challenges amid ongoing deflation risks, muted domestic demand, and protracted property weakness.

Kuwait: Project awards continue strong momentum in July. Project awards in July stood at an impressive KD155 million, increasing 14.4% m/m and continuing the positive momentum seen in Q2, according to MEED Projects. Awards were concentrated in the transport, power, and water sectors, with the South Sabah Al-Ahmad Road and network infrastructure works on N1, N2, N3, and N11 accounting for 57% of the monthly figure. Project awards between January and July totaled KD1 billion, matching the progress seen over the same period last year. The near-term outlook remains robust, with MEED's estimated value of projects in the pipeline for the remainder of H2 2024 at KD5.3 billion, boosted by the Ministry of Electricity and Water's Al-Zour North IWPP phases 2&3 (KD1.2 bn) and a higher concentration of oil & gas projects amid a government push to boost oil output in line with 'Vision 2035' goals.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,396	0.01	-1.89
Bahrain (ASI)	1,979	0.33	0.36
Dubai (DFMGI)	4,284	-0.57	5.52
Egypt (EGX 30)	29,039	0.65	16.94
GCC (S&P GCC 40)	704	-0.36	-1.20
Kuwait (All Share)	7,187	-0.06	5.42
KSA (TASI)	12,065	-0.47	0.81
Oman (MSM 30)	4,664	0.26	3.32
Qatar (QE Index)	10,150	-0.19	-6.28
International			
CSI 300	3,369	-0.63	-1.80
DAX	18,411	0.49	9.91
DJIA	40,743	0.50	8.10
Eurostoxx 50	4,841	0.53	7.06
FTSE 100	8,274	-0.22	7.00
Nikkei 225	38,526	0.15	15.13
S&P 500	5,436	-0.50	13.98
3m interbank rates			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.45	7.33	-14.83
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.29	8.69	-12.42
Saudi	6.25	4.37	-2.63
LIBOR	5.51	-0.44	-7.93
SOFR	5.25	-0.33	-7.93

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.65	-1.00	32.9
Oman 2027	5.32	1.00	16.3
Qatar 2026	4.91	0.00	39.1
Kuwait 2027	4.84	-1.00	50.0
Saudi 2028	4.86	-1.00	33.9
International 10YR			
US Treasury	4.14	-3.11	28.0
German Bund	2.34	-1.80	31.2
UK Gilt	4.05	-0.30	50.6
Japanese Gvt Bond	1.00	-2.00	38.4
Exchange rates			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.08	-0.54
KWD per EUR	0.33	-0.14	-0.09
USD per EUR	1.08	-0.04	-2.00
JPY per USD	152.76	-0.81	8.29
USD per GBP	1.28	-0.19	0.82
EGP per USD	48.39	0.25	56.86
Commodities			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	78.63	-1.44	2.06
KEC	81.21	-1.12	2.07
WTI	74.73	-1.42	4.30
Gold	2405	1.17	16.61

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

Source: Refinitiv / Haver