

Daily Economic Update

Economic Research Department
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Eurozone: GDP growth in Q2 revised down to just 0.1% q/q from 0.3% initially, in line with Q1. On a y/y basis, growth stood at 0.5%, revised down from 0.6% and lower than the 1.1% recorded in Q1. Lithuania (+2.9%), Slovenia (+1.4%), and Greece (+1.3%) recorded the highest growth while Poland (-2.2%), Sweden (-0.8%), and Austria (-0.7%) contracted the most. Government consumption (+0.2% q/q) and gross fixed investment (+0.3% q/q) were the main growth contributors in Q2. On the other hand, net exports had a negative contribution as exports decreased by 0.7% and imports increased by 0.1%. Finally, household consumption showed no growth in Q2. The ECB forecasts the economy will expand by 0.9% in 2023. Meanwhile, employment growth softened to 0.2% q/q from +0.5% in Q1. It is estimated that 168.5 million people were employed in the Eurozone during Q2. Major economic indicators point to the likelihood that the ECB will hold interest rates at its September 14th meeting, with markets indicating a 70% probability of a pause in hikes. However, comments from hawkish governing council member Klaas Knot that markets are underplaying hiking possibilities, have kept alive the idea of a further, perhaps final, rate hike.

UK: Further evidence of house price falls. Data from mortgage firm Halifax show UK house prices shrinking by 1.9% m/m in August, much worse than -0.4% m/m recorded in July and the largest drop since November 2022. On an annual basis, house prices contracted by 4.6% y/y in August versus -2.5% in July. The average house was worth GBP279k in August. Following some resilience earlier this year, the latest data confirm renewed pressure on prices, and corroborate similar weakness recorded in the alternative Nationwide price measure reported last week. UK house prices surged more than 25% through the pandemic in response to monetary policy easing and strong demand for residential property due to work-from-home trends. Even with the latest declines, prices remain around 20% above pre-pandemic levels. Price increases, along with rising interest rates, have stretched affordability, with Nationwide estimating that an average wage earner with a 20% housing deposit is now paying 40% of their salary on mortgage payment versus a long-run average of 29%. Prices will continue to be pressured downwards in 2023 and beginning of 2024 as mortgage rates remain high.

US: Jobless claims drop to the lowest since February. New weekly jobless claims surprisingly fell to 216K from 229K the previous week, the lowest level since February while continuing claims also eased to 1.68mn from 1.72mn. Although job gains have mostly slowed in recent months, falling unemployment claims indicate a still-robust US labor market. Meanwhile, some Fed officials struck a slightly dovish tone over the weekend, highlighting that monetary policy was in a “good place” and “another skip could be appropriate” in the September meeting. They expect the Fed’s approach to be careful, based on incoming data while cautioning about still-elevated inflationary pressures.

Japan: Q2 GDP revised down, wages continue to fall. GDP in Q2 was revised lower in the final reading, coming in at 4.8% annualized, down from the previous estimate of 6.0%. However, growth was still significantly stronger than in Q1, driven entirely by net exports, and the fastest expansion since Q2 2022. Nevertheless, consumption and investment declined in Q2 reflecting the fragile state of the economy, which is already facing headwinds from weakening Chinese growth. Separately, real wages fell for the 16th consecutive month in July, down 2.6% y/y compared with -1.6% y/y in June, as households continued to feel the pinch from rising prices. Nominal pay growth eased to +1.3% y/y in July from 2.3% in June. Given the recent data and a murky outlook, Bank of Japan policymakers have reaffirmed their commitment to an ultra-loose monetary policy until the recent cost-driven inflation shifts to one that is driven by domestic demand and faster wage growth.

Saudi Arabia: Non-oil activities up 6.1% y/y in Q2, faster than initially estimated. The economy continued to be very resilient with non-oil activities growing by 6.1% y/y in Q2 (higher than the initial flash estimate of 5.5%), government activities by 2.3% while oil activities dropped by 4.3% translating into total GDP growth of 1.2% y/y in Q2. This results in growth of 5.7% y/y in H1 in non-oil GDP (+5.4% in 2022), +3.7% in government, -1.5% in oil, and overall GDP growth of 2.5% y/y. The Saudi economy has showed remarkable strength in the face of higher interest rates and while the pressure on oil GDP growth will intensify in H2 given the extension of the 1mb/d voluntary production cut through December, non-oil activities are expected to continue recording solid growth of north of 5% y/y.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,691	0.32	-5.10
Bahrain (ASI)	1,942	-0.05	2.46
Dubai (DFMGI)	4,067	0.21	21.92
Egypt (EGX 30)	19,376	0.79	32.72
GCC (S&P GCC 40)	677	0.11	-2.03
Kuwait (All Share)	7,010	0.61	-3.87
KSA (TASI)	11,216	-0.73	6.34
Oman (MSM 30)	4,690	-0.67	-3.75
Qatar (QE Index)	10,238	0.96	-4.15

International			
CSI 300	3,740	-0.49	-3.40
DAX	15,740	0.14	13.05
DJIA	34,577	0.22	4.31
Eurostoxx 50	4,237	0.38	11.69
FTSE 100	7,478	0.49	0.35
Nikkei 225	32,607	-1.16	24.96
S&P 500	4,457	0.14	16.10

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.69	0.00	55.10
Kuwait	4.31	0.00	31.25
Qatar	6.00	0.00	71.67
UAE	5.24	-10.83	103.75
Saudi	6.27	0.00	105.91
LIBOR	5.67	-0.05	90.53
SOFR	5.41	1.33	82.35

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.77	-0.60	53.5
Oman 2027	6.10	-4.10	11.1
Qatar 2026	5.01	-5.80	53.1
Kuwait 2027	4.96	3.20	68.9
Saudi 2028	5.13	-1.00	46.2

International 10YR			
US Treasury	4.26	-0.60	42.5
German Bund	2.60	-2.00	3.6
UK Gilt	4.43	-2.40	75.8
Japanese Gvt Bond	0.65	-1.30	22.9

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.03	0.91
KWD per EUR	0.33	0.03	0.87
USD per EUR	1.07	0.00	-0.03
JPY per USD	147.81	0.35	12.74
USD per GBP	1.25	-0.07	3.03
EGP per USD	30.85	0.00	24.70

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	90.65	0.81	5.52
KEC	93.92	-0.39	14.48
WTI	87.51	0.74	9.03
Gold	1918.4	0.05	5.42

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

Source: Refinitiv / Haver