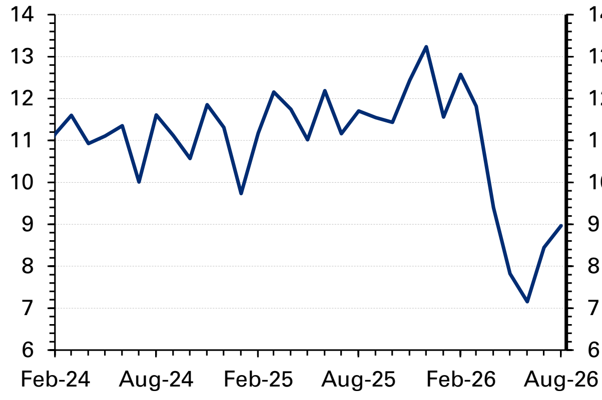
Daily
Economic Update

Economic Research Department
9 September 2026

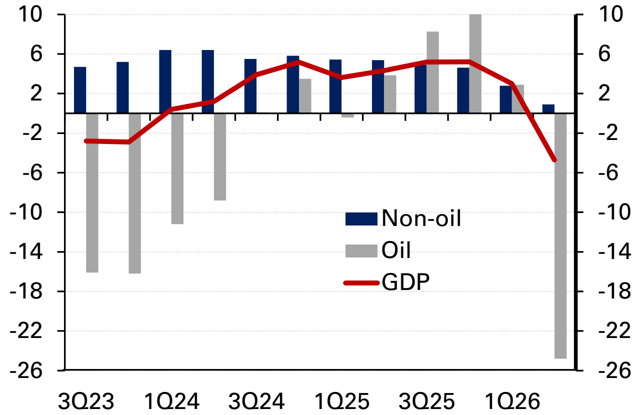
Oil: Prices near $100/bbl as US and Iran trade further strikes. Brent crude futures continue to push towards the $100/bbl mark, rising towards $99.3/bbl in early Asian trading today – the highest level in six weeks – as escalating military activity across the Middle East reinforced concerns over regional oil supply security. Price gains were driven by a combination of Houthi strikes against Saudi Arabia, US targeting of five Iranian vessels near Kharg Island and reported Iranian attacks on Jordan and various ships in Hormuz, highlighting the continued deterioration in security conditions across the region. The disruptions from Houthi strikes on Saudi assets reportedly weighed on the Kingdom's crude production last month, with Bloomberg reporting that output decreased by 1.1 mb/d m/m to 7.0 mb/d. Away from geopolitical developments, Chinese crude import data offered a more constructive signal for demand. August imports remained close to 9 mb/d, marking a second consecutive monthly increase and representing a recovery of roughly 2 mb/d from the lows recorded in June. While this improvement suggests that crude demand conditions in China are stabilizing, import volumes remain down 23% y/y, indicating that import appetite has yet to fully recover. Continued improvement in Chinese buying could provide additional support to oil prices at a time when supply risks remain elevated across key producing regions.

Chart 1: China's crude oil imports
(mb/d)



Source: Haver

Chart 2: Saudi Arabia real GDP
(% y/y)



Source: GASTAT

US: Long-term inflation expectations broadly steady; expanded bond buy-back program goes into effect. According to the monthly New York Fed survey, consumers' median inflation expectations inched down from 3.3% in July to 3.2% in August for the three-year-ahead horizon and were unchanged at 3.6% for the one-year ahead horizon. Long-term inflation expectations is a key metric that the Fed monitors and making sure these remain anchored in such an inflationary environment is critical. To put matters in context by looking at a longer history, the three-year ahead expectations have averaged 3.2% since the outbreak of the Middle East war, i.e.

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since March. This is higher than the 2025 average of 3%, the 2024 average of 2.7%, and the pre-pandemic two-year average of 2.8%. Hence, while higher than the recent history, and likely a touch above what the Fed would like to see, consumers' long-term inflation expectations have not spiked out of control, giving some comfort for Fed officials. Meanwhile, Treasury Secretary Bessent's expanded bond buy-back program goes into effect today and remains in effect until 4 November. On that occasion, Bessent mentioned that he rejects the idea that the price of US Treasuries has been dropping in recent weeks due to concerns about the scale of US borrowing, adding that "my job is to try to push things back towards equilibrium". Bessent has previously mentioned that the performance of the US bond market is an important metric of policy success. We note that 10-year to 30-year UST bond yields are currently around 20 to 40 bps higher than when President Trump took office.

China: CPI inflation edges up in August, but remains muted overall. China's consumer price inflation accelerated to 0.8% y/y in August from 0.5% in July, reflecting firmer price pressures in transport and other non-food categories. The move was in-line with expectations. Non-food prices rose 1.2% y/y, while transport prices increased 2.5% , supported by higher energy-related costs. By contrast, food prices remained in deflation at -1.4% y/y, although the drag on overall inflation eased compared with previous months. Core inflation (excluding food and energy) edged up to 1.0% y/y in August from 0.9% previously. Meanwhile, the PPI rose by a higher-than-expected 3.8% y/y in August, up from 3.5% in July, supported by higher global commodity prices, particularly energy and metals, as well as continued strength in technology-related manufacturing demand. Despite the higher CPI reading, underlying price pressures remain relatively subdued, suggesting domestic demand has yet to strengthen meaningfully.

Saudi Arabia: Oil sector weakness pushed economy into contraction in Q2. Revised data show that GDP contracted by 4.7% y/y in Q2 2026, marking the first annual contraction in two and a half years. The decline was mainly driven by a 24.8% drop in oil activity, as disruptions at two key straits kept oil production constrained. The contraction was slightly less severe than the 5.0% decline indicated by the flash estimate, according to GASTAT. Non-oil growth remained in positive territory at 0.9% y/y, but the expansion was relatively narrow and continued to rely heavily on government-related activity. Government final consumption increased by 5.0% y/y, while private investment rose 2.7%. In contrast, private consumption grew by just 0.8%, suggesting a limited contribution from households. Trade also weakened significantly, with exports falling 24.6% y/y and imports declining 14.8%. On a quarterly basis, however, government consumption and investment both eased, falling 2.0% and 1.4%, respectively, from Q1. This suggests that the slowdown in spending on some mega-projects is beginning to be reflected in the economic data. At the sector level, community, social and personal services recorded the strongest growth, expanding 4.1% y/y, followed by finance, insurance and business services at 3.3%. Agriculture grew 2.6%, real estate 1.6%, while manufacturing outside refining increased by 0.9%. Meanwhile, wholesale and retail trade, restaurants and hotels contracted by 2.0%, while electricity, gas and water activity declined by 2%. Overall, the Q2 data highlight the continued importance of government spending and investment to Saudi Arabia's non-oil economy. While non-oil activity remains relatively resilient, the sharp decline in oil output and the resulting pressure on government-linked spending underline the economy's continued exposure to the oil sector.

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Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	10,021	0.45	0.28
Bahrain (ASI)	1,935	-0.02	-6.39
Dubai (DFMGI)	5,947	0.26	-1.66
Egypt (EGX 30)	56,174	-0.80	34.30
GCC (S&P GCC 40)	754	0.20	2.88
Kuwait (All Share)	8,925	-0.11	0.19
KSA (TASI)	11,036	0.10	5.20
Oman (MSM 30)	7,610	-0.07	29.71
Qatar (QE Index)	9,857	0.73	-8.41
International			
CSI 300	4,559	-0.36	-1.54
DAX	26,008	0.00	6.20
DJIA	52,786	-1.18	9.83
Eurostoxx 50	6,413	0.14	10.74
FTSE 100	10,812	-0.10	8.86
Nikkei 225	65,269	-1.70	29.66
S&P 500	7,674	-0.58	12.10

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.19	0.98	20.52
Kuwait	3.56	0.00	0.00
Qatar	4.15	7.50	17.50
UAE	3.96	6.51	48.81
Saudi	4.83	-0.26	-3.33
SOFR	3.84	2.32	18.49

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2030	4.86	0.08	90.3
Oman 2029	5.14	0.73	61.4
Qatar 2030	4.95	1.78	96.4
Kuwait 2030	5.13	15.23	99.4
Saudi 2030	5.06	0.10	79.2
International 10YR			
US Treasury	4.79	0.91	62.9
German Bund	3.36	-2.70	50.1
UK Gilt	5.17	-0.24	70.2
Japanese Gvt Bond	2.88	-4.50	82.2

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	-0.07	-0.34
KWD per EUR	0.36	-0.04	1.25
USD per EUR	1.16	0.02	-1.04
JPY per USD	153.96	-0.25	-1.72
USD per GBP	1.35	-0.01	0.48
EGP per USD	50.97	0.20	6.97

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	97.92	0.95	60.92
KEC	109.37	8.05	81.80
WTI	93.03	1.69	62.02
Gold	4393.9	-0.81	1.58

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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