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Daily
Economic Update

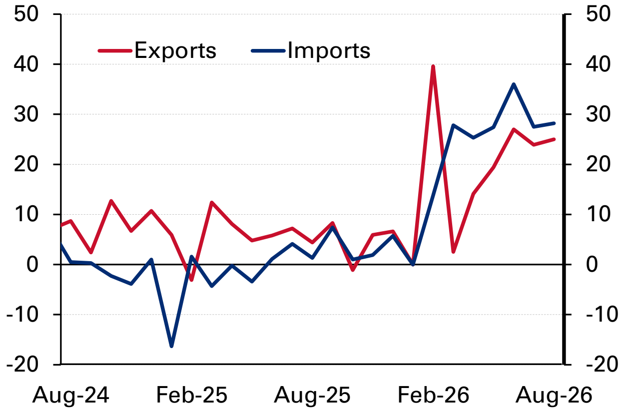
Economic Research Department
8 September 2026

Japan: GDP growth in Q2 revised higher, and strong employees' cash earnings in July, while the yen continued its rebound. GDP growth in Q2 was revised up to 0.4% q/q in the final reading, from 0.3% in the prior estimate, driven by a narrower drop in business investment and a stronger increase in government spending. Meanwhile, employees' cash earnings rose 4.7% y/y in July, exceeding market expectations of 3.9% and accelerating from an upwardly revised 4.0% increase in June. The reading marked the strongest pace of wage growth in nearly three decades and extended the streak of wage gains above 3% to six consecutive months, underscoring the impact of strong increases in the annual wage negotiations and a tight labor market. Importantly, real wages increased 2.4% y/y in July, marking a seventh consecutive month of gains as nominal wage growth continued to outpace inflation. The upgrade to GDP growth and the stronger-than-expected wage data should bolster expectations that the BoJ will raise rates again at its upcoming September meeting. The more hawkish BoJ outlook overall is one of the reasons driving the yen higher, rallying more than 1% against the USD yesterday, and bringing its total gain to around 3.6% since hitting a recent low in early September.

China: Export growth accelerates to 25% y/y in August, and the trade surplus widens further. China's external sector remained a key source of economic support in August, with exports rising 25% y/y, in line with expectations and up from 24% in July, supported by continued strength in shipments of high-tech products, semiconductors and automobiles. Imports increased by 28% y/y, a touch higher than July's growth, but slightly below expectations (30%). However, rather than signaling a broad-based recovery in domestic demand, the strength in imports reflected mostly robust purchases of industrial inputs, intermediate goods and components linked to export-oriented manufacturing sectors, particularly those benefiting from the global AI and technology investment cycle. The trade surplus widened to $119bn in August from $112bn in July ($101bn in August 2025), highlighting the continued importance of external demand in sustaining growth.

UK: Chancellor affirms commitment to fiscal rules ahead of the Autumn budget amid mounting pressure for consolidation. New chancellor John Healey, in his first major speech since taking office, affirmed his commitment to the existing fiscal rule of meeting current spending with revenue by FY 2029-30. He acknowledged the need to bring down welfare costs but didn't provide further details and avoided clarifying plans for any potential tax hikes in the budget due in late October, though he vowed to stick to Labour's 2024 election manifesto pledge of not raising taxes on working people. Given a steep rise in market borrowing costs in recent weeks, with yields on UK long-dated gilts reaching decades-high levels and eroding previous fiscal buffers, PM Burnham's government remains under heavy pressure to trim spending and find revenue boosting measures in next month's budget. Meanwhile, the Lloyds Bank UK house price index fell 0.4% y/y in August following a meagre 0.1% increase in July, recording its first, albeit small, y/y decline since November 2023. On a monthly basis, prices fell further, by 0.2% after a drop of 0.1% in July. The survey highlighted subdued market activity, with transaction volumes declining 1.7% m/m or -1.1% y/y as high inflation and elevated mortgage rates led to an uncertain and difficult backdrop.

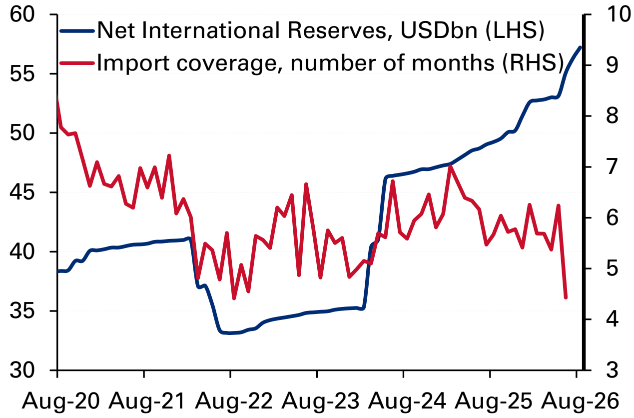
Chart 1: China trade



Source: Haver

Chart 2: Egypt's net international reserves

(% y/y)



Source: Central Bank of Egypt

Egypt: Foreign reserves climb above $57bn but import cover falls. Egypt's net international reserves rose to a record $57.2bn at end-August, up from $56.3bn in July. Higher reserves were mainly contributed by a sharp increase in the value of the Central Bank of Egypt's gold holdings, which climbed by nearly $2bn to $19.1bn, reaching about 4.2mn ounces. Meanwhile, foreign-currency reserves fell by around $1.1bn to $37.6bn, from $38.7bn in July. Deposits held outside official reserves also increased by $2.2bn to a record $14.7bn, providing an additional buffer for Egypt's external liquidity position. Despite the continued rise in reserves, import cover declined to 4.4 months, from 6 months previously, following a significant increase in imports during June. This highlights that while Egypt's reserve position continues to strengthen, the faster growth in imports is putting some pressure on reserve adequacy.

Saudi Arabia: Construction sector expands for fourth consecutive month. The construction sector continued to expand in August, with the Construction Index rising slightly to 55.4 from 55.2 in July. This marked the fourth consecutive month of growth and the second-highest reading since the index was launched in January. The expansion was supported by strong demand and a continued recovery in new orders. All three sub-sectors recorded growth, with residential construction leading the expansion. Companies attributed the strong momentum to improving market conditions, the launch of new projects and ongoing work on major urban development projects. Activity in the non-residential building sector also increased at a strong pace. However, some firms reported delays in decision-making and continued caution among customers. Despite faster growth in input costs during August, companies remained optimistic about the next three months. The positive outlook was supported by strong ongoing projects and expectations that construction activity will continue to expand.

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Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,976	-0.02	-0.17
Bahrain (ASI)	1,935	-0.12	-6.37
Dubai (DFMGI)	5,931	0.79	-1.91
Egypt (EGX 30)	56,628	-0.09	35.38
GCC (S&P GCC 40)	752	0.25	2.68
Kuwait (All Share)	8,935	1.07	0.30
KSA (TASI)	11,025	-0.40	5.09
Oman (MSM 30)	7,615	-0.22	29.80
Qatar (QE Index)	9,786	0.53	-9.08
International			
CSI 300	4,575	0.59	-1.19
DAX	26,007	-0.15	6.19
DJIA	53,414	0.00	11.13
Eurostoxx 50	6,404	0.17	10.58
FTSE 100	10,822	-0.08	8.97
Nikkei 225	66,400	2.12	31.90
S&P 500	7,719	0.00	12.75

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.18	0.00	19.54
Kuwait	3.56	0.00	0.00
Qatar	4.08	-2.50	10.00
UAE	3.90	-6.57	42.30
Saudi	4.83	-4.07	-3.07
SOFR	3.81	n/a	16.17

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2030	4.86	-0.21	90.3
Oman 2029	5.13	-0.15	60.6
Qatar 2030	4.93	-0.22	94.6
Kuwait 2030	4.98	-0.25	84.2
Saudi 2030	5.06	-0.18	79.1
International 10YR			
US Treasury	4.78	0.00	62.0
German Bund	3.38	4.50	52.8
UK Gilt	5.17	4.57	70.4
Japanese Gvt Bond	2.93	2.60	86.7

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	0.00	-0.28
KWD per EUR	0.36	0.03	1.29
USD per EUR	1.16	0.07	-1.06
JPY per USD	154.35	-1.21	-1.47
USD per GBP	1.35	0.13	0.48
EGP per USD	50.87	0.24	6.76

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	97.00	0.75	59.41
KEC	101.22	3.18	68.25
WTI	91.48	0.00	59.32
Gold	4429.8	0.00	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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