In this file photo, Dollar Tree store logos indicating that everything in the store is for $1 are promoted on its storefront window in Jackson, Mississippi. (AP)

Dollar Tree breaks the $1 barrier as costs take a bite

Dollar Tree embedded in its very name what it stands for: Behind these doors, everything can be had for just $1.

The mantra to which the Chesapeake, Virginia, company has held true for decades will now be only mostly true. After expanding nationwide from only a handful of stores in Georgia, Tennessee and Virginia, Dollar Tree is breaking the mold and will sell items in some locations that exceed the tantalizing $1 grab-n-go price.

The cost of clothes, cars, food and just about everything else has soared this year as the global economy emerges from a pandemic uppercut and Dollar Tree has not been untouched. Last month the retail chain said that rising shipping costs would take a bite of $1.50 to $1.60 out of its per-share profits this year. That's a huge hit for any business, perhaps more so for one founded decades ago steadfastly calling itself "Only $1.00 Inc."

"For decades, our customers have enjoyed the 'thrill-of-the-hunt' for value at one dollar - and we remain committed to that core proposition - but many are telling us that they also want a broader product assortment when they come to shop," said CEO Michael Witynski in a prepared statement.

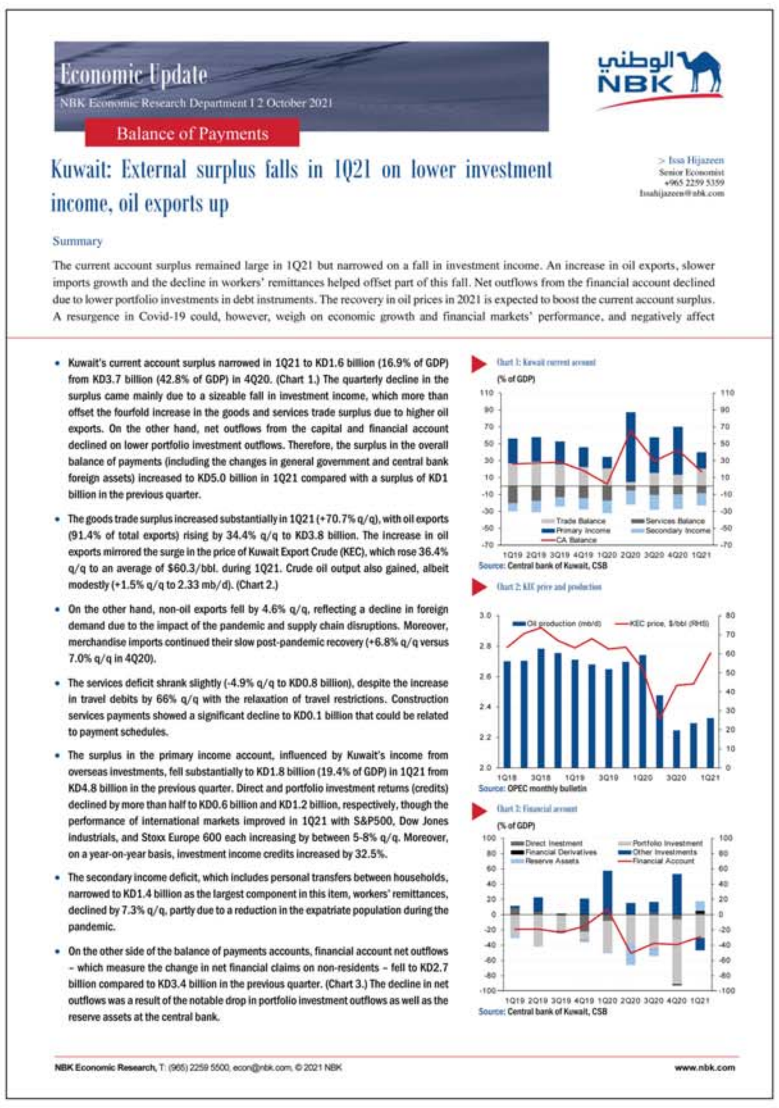
Raising some prices will certainly give the national chain some flexibility and likely more variety on its shelves. But a dollar this year will not buy you what it did in 2020. Annual inflation in the U.S. reached 4.2% in July, the highest in three decades. And this week in an appearance before Congress, Fed Chair Jerome Powell said that price increases have worsened amid snarled supply chains and rising labor costs. (AP)

Market Movements 01-10-2021

			Change	Closing pts
SAUDI	-	Tadawul	+112.11	11,495.76
UAE	-	DFM	+18.96	2,845.49
EGYPT	-	EGX 30	+125.89	10,517.03

			Change	Closing pts
JAPAN	-	Nikkei	-681.59	28,771.07
UK	-	FTSE 100	-59.35	7,027.07
EUROPE	-	Euro Stoxx 50	-12.78	4,035.30
PHILIPPINES	-	PSEi	-29.28	6,923.60
INDIA	-	Sensex	-64.27	58,873.27
PAKISTAN	-	KSE 100	-27.90	44,871.70
SINGAPORE	-	Straits Times STI	-35.59	3,051.11

Business


Economic Update
NBK Economic Research Department I 2 October 2021
Balance of Payments

Kuwait: External surplus falls in 1Q21 on lower investment income, oil exports up

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Summary

The current account surplus remained large in 1Q21 but narrowed on a fall in investment income. An increase in oil exports, slower imports growth and the decline in workers' remittances helped offset part of this fall. Net outflows from the financial account declined due to lower portfolio investments in debt instruments. The recovery in oil prices in 2021 is expected to boost the current account surplus. A resurgence in Covid-19 could, however, weigh on economic growth and financial markets' performance, and negatively affect

- Kuwait's current account surplus narrowed in 1Q21 to KD1.6 billion (16.9% of GDP) from KD3.7 billion (42.8% of GDP) in 4Q20. (Chart 1.) The quarterly decline in the surplus came mainly due to a sizeable fall in investment income, which more than offset the fourfold increase in the goods and services trade surplus due to higher oil exports. On the other hand, net outflows from the capital and financial account declined on lower portfolio investment outflows. Therefore, the surplus in the overall balance of payments (including the changes in general government and central bank foreign assets) increased to KD5.0 billion in 1Q21 compared with a surplus of KD1 billion in the previous quarter.
- The goods trade surplus increased substantially in 1Q21 (+70.7% q/q), with oil exports (91.4% of total exports) rising by 34.4% q/q to KD3.8 billion. The increase in oil exports mirrored the surge in the price of Kuwait Export Crude (KEC), which rose 36.4% q/q to an average of $60.3/bbl. during 1Q21. Crude oil output also gained, albeit modestly (+1.5% q/q to 2.33 mb/d). (Chart 2.)
- On the other hand, non-oil exports fell by 4.6% q/q, reflecting a decline in foreign demand due to the impact of the pandemic and supply chain disruptions. Moreover, merchandise imports continued their slow post-pandemic recovery (+6.8% q/q versus 7.0% q/q in 4Q20).
- The services deficit shrank slightly (-4.9% q/q to KD0.8 billion), despite the increase in travel debits by 66% q/q with the relaxation of travel restrictions. Construction services payments showed a significant decline to KD0.1 billion that could be related to payment schedules.
- The surplus in the primary income account, influenced by Kuwait's income from overseas investments, fell substantially to KD1.8 billion (19.4% of GDP) in 1Q21 from KD4.8 billion in the previous quarter. Direct and portfolio investment returns (credits) declined by more than half to KD0.6 billion and KD1.2 billion, respectively, though the performance of international markets improved in 1Q21 with S&P500, Dow Jones industrials, and Stoxx Europe 600 each increasing by between 5-8% q/q. Moreover, on a year-on-year basis, investment income credits increased by 32.5%.
- The secondary income deficit, which includes personal transfers between households, narrowed to KD1.4 billion as the largest component in this item, workers' remittances, declined by 7.3% q/q, partly due to a reduction in the expatriate population during the pandemic.
- On the other side of the balance of payments accounts, financial account net outflows – which measure the change in net financial claims on non-residents – fell to KD2.7 billion compared to KD3.4 billion in the previous quarter. (Chart 3.) The decline in net outflows was a result of the notable drop in portfolio investment outflows as well as the reserve assets at the central bank.

Chart 1: Kuwait current account (% of GDP)
Trade Balance, Services Balance, Primary Income, Secondary Income, CA Balance
Source: Central bank of Kuwait, CSB

Chart 2: KEC price and production
Oil production (mb/d), KEC price, $/bbl (RHS)
Source: OPEC monthly bulletin

Chart 3: Financial account (% of GDP)
Direct Investment, Portfolio Investment, Financial Derivatives, Other Investments, Reserve Assets, Financial Account
Source: Central bank of Kuwait, CSB

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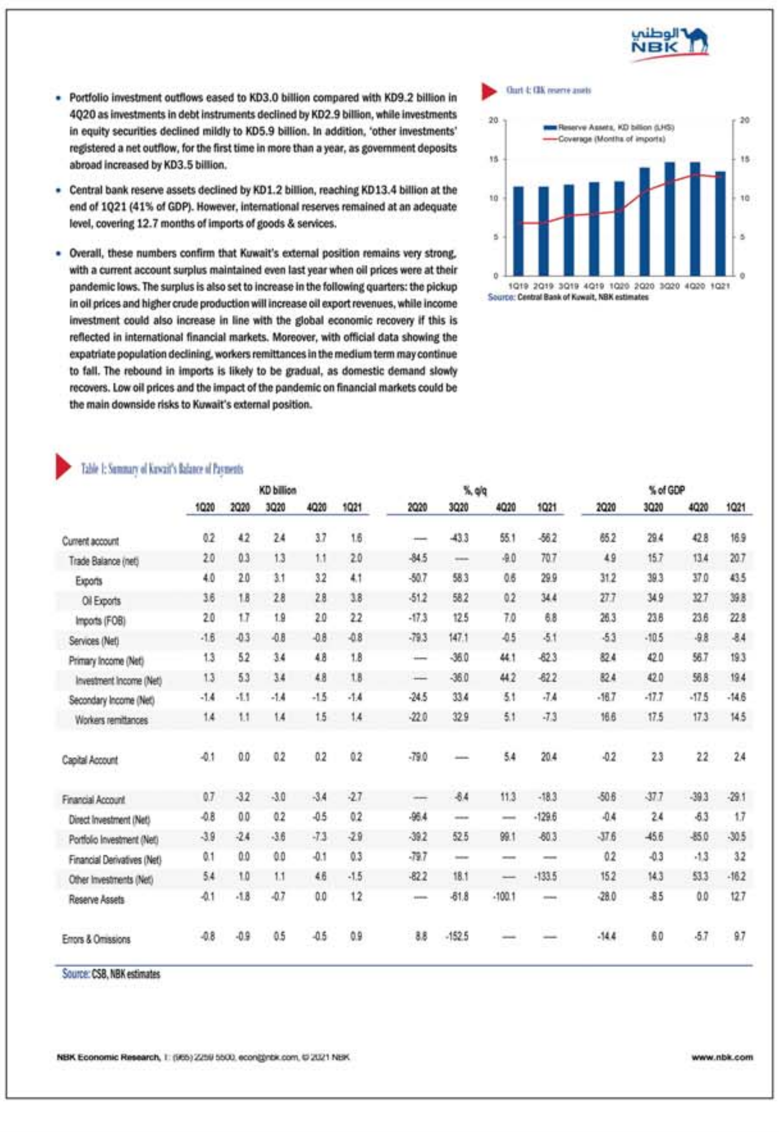
- Portfolio investment outflows eased to KD3.0 billion compared with KD9.2 billion in 4Q20 as investments in debt instruments declined by KD2.9 billion, while investments in equity securities declined mildly to KD5.9 billion. In addition, 'other investments' registered a net outflow, for the first time in more than a year, as government deposits abroad increased by KD3.5 billion.
- Central bank reserve assets declined by KD1.2 billion, reaching KD13.4 billion at the end of 1Q21 (41% of GDP). However, international reserves remained at an adequate level, covering 12.7 months of imports of goods & services.
- Overall, these numbers confirm that Kuwait's external position remains very strong, with a current account surplus maintained even last year when oil prices were at their pandemic lows. The surplus is also set to increase in the following quarters: the pickup in oil prices and higher crude production will increase oil export revenues, while income investment could also increase in line with the global economic recovery if this is reflected in international financial markets. Moreover, with official data showing the expatriate population declining, workers remittances in the medium term may continue to fall. The rebound in imports is likely to be gradual, as domestic demand slowly recovers. Low oil prices and the impact of the pandemic on financial markets could be the main downside risks to Kuwait's external position.

Chart 4: CBK reserve assets
Reserve Assets, KD billion (LHS), Coverage (Months of imports)
Source: Central Bank of Kuwait, NBK estimates

Table 1: Summary of Kuwait's Balance of Payments

	KD billion					%, q/q				% of GDP			
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q20	3Q20	4Q20	1Q21	2Q20	3Q20	4Q20	1Q21
Current account	0.2	4.2	2.4	3.7	1.6	—	-43.3	55.1	-56.2	65.2	29.4	42.8	16.9
Trade Balance (net)	2.0	0.3	1.3	1.1	2.0	-84.5	—	-9.0	70.7	4.9	15.7	13.4	20.7
Exports	4.0	2.0	3.1	3.2	4.1	-50.7	58.3	0.6	29.9	31.2	39.3	37.0	43.5
Oil Exports	3.6	1.8	2.8	2.8	3.8	-51.2	58.2	0.2	34.4	27.7	34.9	32.7	39.8
Imports (FOB)	2.0	1.7	1.9	2.0	2.2	-17.3	12.5	7.0	6.8	26.3	23.6	23.6	22.8
Services (Net)	-1.6	-0.3	-0.8	-0.8	-0.8	-79.3	147.1	-0.5	-5.1	-5.3	-10.5	-9.8	-8.4
Primary Income (Net)	1.3	5.2	3.4	4.8	1.8	—	-36.0	44.1	-62.3	82.4	42.0	56.7	19.3
Investment Income (Net)	1.3	5.3	3.4	4.8	1.8	—	-36.0	44.2	-62.2	82.4	42.0	56.8	19.4
Secondary Income (Net)	-1.4	-1.1	-1.4	-1.5	-1.4	-24.5	33.4	5.1	-7.4	-16.7	-17.7	-17.5	-14.6
Workers remittances	1.4	1.1	1.4	1.5	1.4	-22.0	32.9	5.1	-7.3	16.6	17.5	17.3	14.5
Capital Account	-0.1	0.0	0.2	0.2	0.2	-79.0	—	5.4	20.4	-0.2	2.3	2.2	2.4
Financial Account	0.7	-3.2	-3.0	-3.4	-2.7	—	-6.4	11.3	-18.3	-50.6	-37.7	-39.3	-29.1
Direct Investment (Net)	-0.8	0.0	0.2	-0.5	0.2	-96.4	—	—	-129.6	-0.4	2.4	-6.3	1.7
Portfolio Investment (Net)	-3.9	-2.4	-3.6	-7.3	-2.9	-39.2	52.5	99.1	-60.3	-37.6	-45.6	-85.0	-30.5
Financial Derivatives (Net)	0.1	0.0	0.0	-0.1	0.3	-79.7	—	—	—	0.2	-0.3	-1.3	3.2
Other Investments (Net)	5.4	1.0	1.1	4.6	-1.5	-82.2	18.1	—	-133.5	15.2	14.3	53.3	-16.2
Reserve Assets	-0.1	-1.8	-0.7	0.0	1.2	—	-61.8	-100.1	—	-28.0	-8.5	0.0	12.7
Errors & Omissions	-0.8	-0.9	0.5	-0.5	0.9	8.8	-152.5	—	—	-14.4	6.0	-5.7	9.7

Source: CSB, NBK estimates

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Inflation reaches new highs in US, Europe amid rising energy prices

Supply bottlenecks restrain economic recovery

WASHINGTON, Oct 2, (AP): Inflation has reached new highs in the United States and Europe as rising energy prices and supply bottlenecks restrain an economic recovery from the pandemic in both economies.

The U.S. Commerce Department reported Friday that prices rose 4.3% in August from a year earlier. While only lightly higher than the previous month, it was still the largest annual increase since 1990. Energy costs have jumped nearly 25% in the past year, while supply backlogs have pushed up prices for cars, furniture, and appliances.

In the 19 countries that use the euro, inflation increased to 3.4% in September, from 3% in August, the statistics agency Eurostat said Friday. That's the highest since 2008. Energy prices have risen 17% in the past year, led by natural gas and electricity.

Such price gains can erode workers' purchasing power and have complicated President Joe Biden's ambitious spending plans, as well as raised pressure on central bank leaders in the US and Europe.

The Commerce Department did report Friday that US consumer spending rose at a healthy 0.8% in August despite a surge in COVID-19 cases, after slipping 0.1% in July. That suggests that ongoing hiring, rising pay, and government payouts such as the new child care tax credit are fueling more spending and could boost the economy in the coming months.

In this file photo, a consumer shops at a retail store in Morton Grove, Illinois. US consumer spending accelerated in August despite the surge in COVID cases, while the additional demand combined with supply shortages kept inflation high. (AP)

Americans bought more furniture, clothes, and groceries in August, though the delta variant appeared to lead to a pull back on traveling and eating out. Yet the government revised spending in July much lower, from a 0.3% gain to a 0.1% decline. As a result, several economists reduced their forecasts for growth in the July-September quarter to a still-healthy 3% annual rate, down from 6.7% in the April-June quarter.

US consumer prices increased 0.4% in August from July, the same as the previous month, providing evidence that the rise in prices has not slowed as much as economists had hoped by now. Excluding the volatile food and energy categories, core inflation increased 0.3% in August and 3.6% from a year earlier, the same figures as the previous month.

Supply shortages for everything from computer chips to furniture to paint and chemicals have driven up prices, with the economic rebound from the pandemic-fueled recession catching many companies flat-footed.

Higher costs have raised Americans' concerns about their financial futures and reduced their confidence in the economy, according to the University of Michigan's monthly consumer sentiment survey, released Friday. The survey found consumers were slightly more optimistic about the economy in September compared with the previous month, but far less so than in April, when so many people believed that the arrival of vaccines would end the pandemic quickly.

US factory growth up in Sep

WASHINGTON, Oct 2, (AP): US manufacturing growth accelerated last month to the highest level since May despite global supply chain disruptions.

The Institute for Supply Management, a trade group of purchasing managers, said Friday that its index of manufacturing activity rose to a reading of 61.1 percent in September, 1.2 percentage points above the August level of 59.9 percent.

It was the best showing for manufacturing since a reading of 61.2 in May. Any reading above 50 indicates growth in the sector. September was the 16th consecutive month in which manufacturing has grown since April 2020 when the coronavirus triggered a nationwide shutdown and manufacturing slowed drastically.

Despite the overall increase, manufacturing is still struggling with supply chain problems, partially due to labor shortages as more older factory workers choose retire rather than go back to work.

Refineries and petrochemical plants along the Gulf Coast, the heart of the US industrial energy complex, are still recovering from the arrival of Hurricane Ida in late August.

Timothy Fiore, chair of the ISM manufacturing survey committee, said US companies "continue to deal with an unprecedented number of hurdles to meet increasing demand" as the economy reopens.

One survey respondent in the food industry said, "Lack of labor and escalating costs from every direction are very concerning."

Other respondents cited the backups at the nation's ports and problems in getting needed products and parts from Asia because of the COVID-19 outbreaks in the region. One of the most far-reaching shortages has been in the computer chips that are now a critical component in automobiles and other manufactured goods.

Oren Klachkin, lead US economist for Oxford Economics, expects supply chain disruptions will be a drag on economic growth well into next year, but also noted some positive developments at play.

"A monumental backlog of orders, driven by robust demand and inventory restocking and stronger overseas demand, will keep manufacturing humming into 2022," he said.

The September report showed that 17 of 18 manufacturing industries reported growth in September led by gains in furniture and related products. The one industry that did not see growth in September was wood products.

Don't deprive consumers of oil

Time for OPEC+ to act ... 'increase' oil production

By Kamel Al-Harami
Independent Oil Analyst

NEXT week the oil organization will meet to decide on the fate of the direction of the oil price. Consumers are anxiously waiting for positive news with regard to more oils to come to the market, perhaps in the range of 500,000 barrels per day from next week.

No time should be wasted. OPEC+ should do the right thing and let the prices be free without being held captive by the organization and depriving its consumers from their needs and requirements.

Al-Harami

The same message should go to the American shale oil producers in terms of pushing for more production and being satisfied with the margins they are making without being greedy. The oil price is close to $ 80 a barrel, and it is time to act responsibly and meet the demands of the market and the consumers.

There is no doubt that the impact of environmental and climate campaigners are perhaps pushing too hard in creating such a shortage and demand for oil and gas, which has in turn led to the hardening of the oil prices. Now the oil consumers and producers alike are struggling to find and search for oils.

With investments in hydrocarbons reaching a low level to 50 percent in the last 10 years, capital spending has resulted in constraints in supply, forcing OPEC and its partners to face the pressure of meeting the market demands.

Next week is an opportune time to analyze the oil market, monitor it, and observe the level of demand for it to reach above the level of 95 million barrels. That could leave OPEC+ to its brim.

Here we shall witness the severity of the demand and how far OPEC+ can manage in leaving the oil taps wide open, thus easing the pressure on oil prices or otherwise.

Or else, the consumers should brace themselves for real tightness in supply and a real shortage. This would be a clear sign for investors to pour more capital into the industry - both oil and gas combined.

At a time, the International Energy Agency was calling for a stoppage in investments in oil and gas and pushing towards zero carbon emission by 2050. The same happened with international oil companies with pressure from their shareholders to stay away from oil and gas, leading to perhaps more distress in prices.

For OPEC+, our message is to push or pump more oils for your consumers. Do not let them down... It is not their doing.

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