

Daily Economic Update

Economic Research Department
08 January 2025

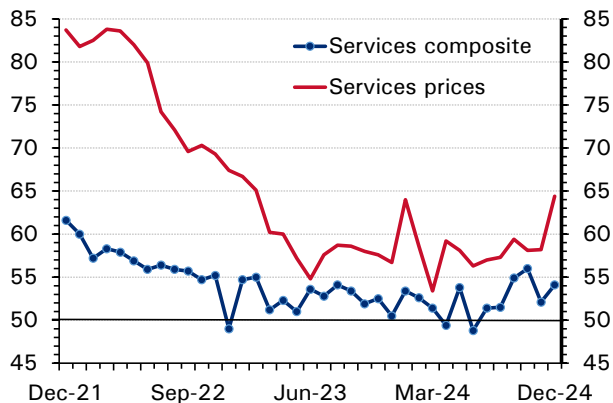
US: Job openings rise to a six-month high and service activity strengthens. Job openings (JOLTS report) in November increased strongly to 8.1 million from an upwardly revised 7.8 million in October, signaling no signs of any material slowdown in the current robust job market. However, details were more mixed as the quit rate fell and the hire rate dropped to a five-month low, but layoffs were also modest. Meanwhile, the ISM services PMI rose more than forecast to 54.1 in December from 52.1 in November, led by business activity and new orders, underscoring that the economy ended Q4 on a solid note. The employment measure was relatively stable at 51.4, but the gauge of prices jumped to 64.4, its highest since February 2023, providing further evidence of renewed price pressures that could warrant Fed caution in 2025. Over the last two months, the market's outlook for Fed interest rate cuts in 2025 has shifted materially, driven by stalled progress on disinflation, ongoing strength in the economy, and the impact of anticipated higher trade tariffs under the incoming Trump administration. The futures markets currently price-in just one to two cuts of 25 bps each in 2025, down from a minimum of five cuts seen in September. Likewise, UST 10Y yields also recorded a steady increase to reach near their highest since April of around 4.7% (up 7 bps yesterday following the ISM prints), a steep jump of almost 100 bps since the Fed first cut rates in September.

Eurozone: Inflation ticked up in December as services inflation remains elevated. Inflation in the Eurozone reached 2.4% y/y in December, up from November's 2.2% and matching market expectations. This marked the third consecutive month of higher inflation and was mainly driven by a rebound in energy prices (+0.1% y/y from -2% in November) along with persistently-high services inflation (4.0% from 3.9%). Meanwhile, core inflation was unchanged for the fourth consecutive month, at 2.7%, in line with market expectations. The most recent figures will likely push the ECB to a 25 bps interest rate cut in the upcoming 30 January policy meeting, putting a damper on investors' hopes for a larger 50 bps cut to help alleviate growth concerns. Separately, the November unemployment rate was stable at 6.3%, matching October's figure and in line with expectations.

UK: Residential property prices unexpectedly fall in December. According to the Halifax house price index, UK home prices dropped 0.2% m/m in December following a 1.2% increase in November, with annual growth slowing to 3.3% from 4.7% in November. However, these numbers are in stark contrast to alternative data provided by Nationwide previously, which reported a consensus-beating 0.7% m/m (4.7% y/y) rise in prices. Overall, UK housing activity in recent months was supported by the fall in mortgage rates and improving affordability amid decent wage growth. Still the outlook for 2025 remains cautious as the market expects a slower reduction in the bank rate than anticipated previously, the economy and the labor market have lost momentum lately and long-term bond yields have moved up.

Chart 1: US ISM services PMI

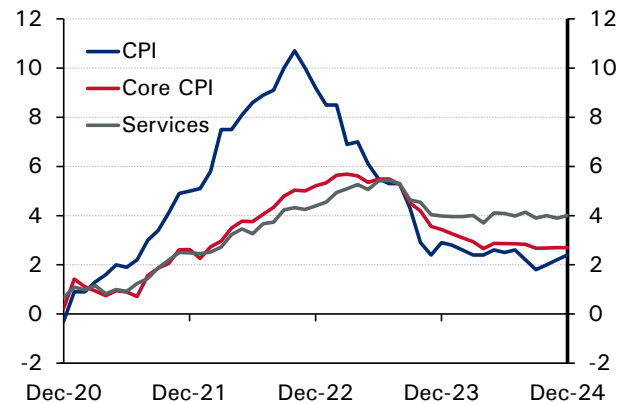
(index, above 50 = expansion)



Source: Haver

Chart 2: Eurozone CPI inflation

(% y/y)



Source: S&P Global, ECB

Kuwait: Real estate sales end 2024 on a positive note. Real estate sales rose by 35% m/m in December to KD434 million, the highest level in six years as investment segment sales nearly doubled to KD225 million while the residential and commercial segments were relatively stable, remaining near November's level of KD147 million and KD62 million, respectively. Sales in Q4 reached their highest level since Q2 2022, coming in at KD1,082 million (28% q/q; 40% y/y) supported by strong growth in the investment (36% q/q) and commercial (32% q/q) segments, while quarterly growth for residential sales continued to improve at a solid pace to reach 19% q/q. Total sales for 2024, which stood at KD3.5 billion, recovered 23% after the slump seen in 2023, though the residential segment, which logged an increase of 7.1% to KD1.5 billion, rose by the least. We think overall real estate activity could see further slight improvement in 2025, in line with broad trends in the non-oil economy, the impact on affordability of recent declines in residential valuations, and potentially lower interest rates.

Bahrain: Strong non-oil activity lifts Q3 GDP growth. Economic activity expanded 2.1% y/y in Q3 2024, accelerating from a downwardly-revised 0.7% in the prior quarter. Growth was mainly driven by the non-oil sector, which rose 3.9% y/y on solid expansion in information and communication (11.9% y/y), business activities (8.1%), public administration (5.9%), and financial and insurance activities (5.8%). Meanwhile, the manufacturing sector, the third largest GDP component, witnessed robust 4.2% growth amid higher production from Bapco's refinery. However, maintenance on the offshore Abu Sa'faa field weighed on oil GDP, which declined 8.1% y/y. With sustained non-oil GDP growth momentum and stagnant to slightly declining crude oil and natural gas production, the contribution of non-oil activities to GDP now stands at a record 86.4%. The prospects for the non-oil sector is helped by the inauguration of Bapco's modernization program in December 2024, which is set to boost the refinery's capacity by 42% from 267 kb/d to 380 kb/d.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,439	0.11	0.22
Bahrain (ASI)	1,975	-0.12	-0.54
Dubai (DFMGI)	5,214	0.45	1.07
Egypt (EGX 30)	29,930	0.00	0.64
GCC (S&P GCC 40)	726	0.26	0.54
Kuwait (All Share)	7,478	0.64	1.57
KSA (TASI)	12,113	0.07	0.64
Oman (MSM 30)	4,601	0.45	0.52
Qatar (QE Index)	10,451	-0.33	-1.13

International			
CSI 300	3,796	0.72	-3.53
DAX	20,341	0.62	2.17
DJIA	42,528	-0.42	-0.04
Eurostoxx 50	5,012	0.51	2.37
FTSE 100	8,245	-0.05	0.88
Nikkei 225	40,083	1.97	0.47
S&P 500	5,909	-1.11	0.47

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.71	0.05	2.05
Kuwait	4.00	0.00	6.25
Qatar	4.65	0.00	-2.50
UAE	4.44	-0.04	-0.03
Saudi	5.38	4.93	-15.56
SOFR	4.29	-0.55	-1.69

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.78	-2.00	4.0
Oman 2027	5.72	1.00	16.0
Qatar 2026	4.92	1.00	13.0
Kuwait 2027	4.95	-2.00	-2.0
Saudi 2028	5.15	5.00	7.0

International 10YR			
US Treasury	4.68	6.11	11.2
German Bund	2.49	3.80	12.4
UK Gilt	4.68	7.40	11.7
Japanese Gvt Bond	1.13	1.00	5.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.02	0.05
KWD per EUR	0.32	-0.47	0.11
USD per EUR	1.03	-0.49	-0.14
JPY per USD	158.02	0.27	0.53
USD per GBP	1.25	-0.35	-0.30
EGP per USD	50.60	0.00	-0.37

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	77.05	0.98	3.23
KEC	76.58	NA	1.04
WTI	74.25	0.94	3.53
Gold	2656.7	0.69	1.05

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

Source: LSEG / Haver