Daily
Economic Update

Economic Research Department
19 January 2025

Global: IMF keeps global growth forecast broadly unchanged for 2025-2026 at 3.3%. In its latest World Economic Outlook update, the IMF marginally upgraded its global growth forecast for 2025 to 3.3% from 3.2% previously and left 2026 growth unchanged at 3.3%. Among the major economies, growth was upgraded for the US in 2025, for China in 2026, but downgraded for the Eurozone for both years. Specifically, projected growth in the US was increased to 2.7% and 2.1% in 2025 and 2026, respectively, from 2.2% and 2% previously. Growth in the Eurozone was lowered to 1% and 1.4%, respectively, from 1.2% and 1.5%, mainly due to weakness in Germany and France. China's growth was raised by 0.1 and 0.4 percentage points in 2025 and 2026 to 4.6% and 4.5%, respectively. In Japan, growth was left unchanged at 1.1% in 2025 and 0.8% in 2026. The Fund sees the medium-term risks to the baseline being tilted to the downside. In addition, the IMF notes that "policy-generated disruptions to the ongoing disinflation process could interrupt the pivot to easing monetary policy, with implications for fiscal sustainability". Finally, the Fund mentioned that economic policy uncertainty has increased sharply, especially on the trade and fiscal fronts.

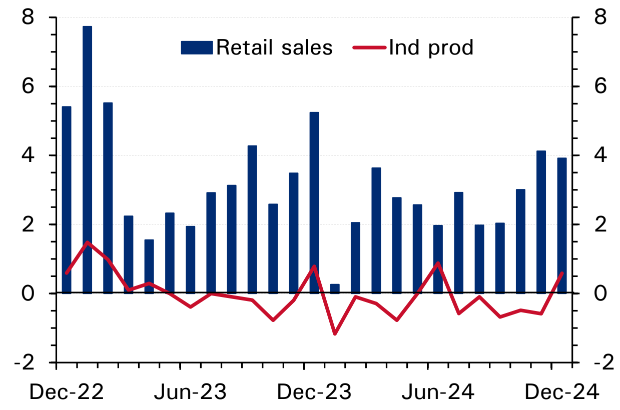
US: Trump's Treasury nominee plans to extend tax cuts, impose steep tariffs but backs Fed independence. Treasury Secretary nominee Scott Bessent, in a pre-confirmation Congress hearing, while laying out his economic and other policy plans, said that Congress should extend tax-cuts scheduled to expire by end of this year to avoid economic crisis. He also supported Trump's plan to impose steep trade tariffs and intended to put the US "fiscal house in order" by addressing budget deficits and scrutinizing spending. Bessent also dismissed any US default concerns on his watch. Crucially, calming markets' jitteriness on the president-elect's intention to 'have a say' in Fed interest rate decisions, Bessent strongly backed the FOMC's independence about monetary policy outcomes. Markets will be keenly awaiting more details on economic policy over the coming weeks, including the scope and extent of anticipated tariff hikes and curbs on immigration, after Trump takes office on Monday. In data news, retail sales growth in December slowed more than forecast to a still-robust 0.4% m/m (3.9% y/y) from 0.8% (4.1% y/y) in November. A narrow measure of sales linked to goods spending in GDP, which excludes food services, auto, gasoline and building supplies sales, rose by a three-month high of 0.7% m/m, underscoring solid support to economic growth in Q4. Moreover, industrial production increased by a better-than-expected 0.9% m/m (0.5% y/y) following a 0.2% (-0.6% y/y) rise in November.

China: Q4 GDP growth exceeds market forecasts on stimulus and sharp growth in exports. The Chinese economy expanded 5.4% y/y in Q4 2024, above market forecasts of 5% growth and higher than Q3's 4.6%. The reading was the strongest since Q223, helped by the string of stimulus measures rolled out late last year to boost consumer confidence. Moreover, growth also received support from higher exports, ahead of anticipated tariff hikes under the incoming Trump administration. On a quarterly basis, GDP grew by 1.6% q/q, slightly higher than the revised 1.3% recorded in Q3 24. For the full year, GDP growth averaged 5%, meeting the government's growth target. Looking ahead, the government has pledged additional stimulus measures in 2025 to mitigate

T: (+965) 2229 5500, econ@nbk.com Visit our publications | Unsubscribe from this list | Comments & feedback the impact of US tariff hikes. Separately, December data underscored an overall improvement in business activity, with retail sales rising 3.7% y/y (versus 3.5% consensus estimate). Meanwhile, the new house price index dropped by 5.3% y/y in December, slowing from a 5.7% decline in November and marking the softest decline since August after the authorities' push to aid the struggling sector with several support measures.

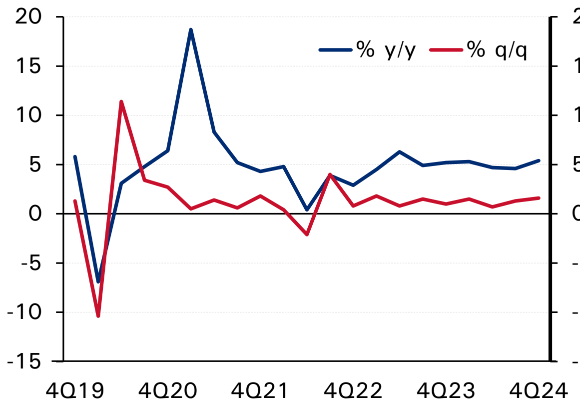
UK: November GDP growth rises less than forecast. GDP in November rose by 0.1% m/m, following consecutive drops of 0.1% each in the previous two months, but came in below the 0.2% market forecast. On an annual basis, growth weakened to 1% from 1.1% in October. While production continued to fall, the service and construction sectors recovered from October. Meanwhile, retail sales volumes in December unexpectedly fell 0.3% m/m (+3.6% y/y) from a downwardly revised +0.1% m/m in November, boding ill for Q4 GDP growth. Overall, the UK economic landscape has deteriorated over the second half of 2024 amid concerns about increased employee costs amid higher insurance contributions. Furthermore, a higher interest rates environment and rising benchmark bond yields have exerted additional pressure on the fiscal position, leaving open the prospect of consolidation measures that would dampen the growth outlook. Weak economic data prompted markets to price-in two to three interest rate cuts of 25 bps each by the Bank of England in 2025, up from one to two earlier last week.

Chart 1: US retail sales and industrial production
(% y/y)



Source: Haver

Chart 2: China GDP growth



Source: Haver

Egypt: Current account deficit widens to $6bn in Q1 FY24/25 (July to June) from $2.8bn in Q1 FY23/24. The sharp deterioration in the deficit, which more than doubled, was mainly attributed to a large increase in import to $23bn (from $16bn a year ago) on the back of higher oil and gas imports ($5.4bn, up from $2.9bn) and around a 30% y/y increase in non-energy imports (to $17.7bn). On the positive side, non-energy exports were up by 18% and remittances almost doubled to $8.3bn. Meanwhile, on the services front, Suez Canal revenues plunged to $0.9bn from $2.4bn in the previous year as geopolitical tensions continued to discourage trade flows through the canal. All in all, the widening in the current account deficit was largely expected and we see it range-bound at current levels for the rest of the year.

UAE: Dubai's inflation edges down in December. Consumer price inflation eased slightly in December 2024 to 2.9% y/y versus November's reading of 3.0%, helped by steeper declines in transportation (-4.9% versus -4.3% in November) and information & communication (-2.1% versus -1.9%). Prices also declined in the hospitality sector, by -0.8%, from an increase of 0.7% in November but rises were relatively steady in the housing segment at 7.2%. As a result, inflation in 2024 was stable versus 2023 at 3.3% supported by housing price rises (6.7%

versus 5.7%) and softer declines in transportation (-2.2% versus -5.2%), while food price growth slowed to 2.3% in 2024.

Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,499	-0.08	0.85
Bahrain (ASI)	1,900	0.30	-4.32
Dubai (DFMGI)	5,212	-0.46	1.03
Egypt (EGX 30)	29,605	0.73	-0.46
GCC (S&P GCC 40)	734	-0.02	1.65
Kuwait (All Share)	7,527	0.08	2.24
KSA (TASI)	12,256	0.36	1.82
Oman (MSM 30)	4,622	0.36	0.99
Qatar (QE Index)	10,472	0.41	-0.94
International			
CSI 300	3,812	0.31	-3.11
DAX	20,903	1.20	4.99
DJIA	43,488	0.78	2.22
Eurostoxx 50	5,148	0.81	5.15
FTSE 100	8,505	1.35	4.06
Nikkei 225	38,451	-0.31	-3.62
S&P 500	5,997	1.00	1.96

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.69	0.00	0.65
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.33	-0.40	-11.29
Saudi	5.32	0.00	-22.30
SOFR	4.29	-0.97	-1.19

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2027	4.83	1.00	9.0
Oman 2027	5.58	-6.00	2.0
Qatar 2026	4.67	0.00	-12.0
Kuwait 2027	4.99	2.00	2.0
Saudi 2028	5.07	2.00	-1.0
International 10YR			
US Treasury	4.62	1.04	5.0
German Bund	2.50	-1.75	14.1
UK Gilt	4.66	-2.50	9.0
Japanese Gvt Bond	1.20	0.00	12.5

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	0.10	0.13
KWD per EUR	0.32	-0.17	-0.47
USD per EUR	1.03	-0.26	-0.79
JPY per USD	156.30	0.76	-0.56
USD per GBP	1.22	-0.62	-2.78
EGP per USD	50.35	0.00	-0.87

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	80.79	-0.62	8.24
KEC	84.60	0.06	11.62
WTI	77.88	-1.02	8.59
Gold	2744.3	-0.08	4.38

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

Source: LSEG / Haver

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