

Daily Economic Update

Economic Research Department
07 January 2025

Egypt: PMI falls back as economy struggles to gain momentum. The PMI activity gauge eased back to an 8-month low of 48.1 in December from 49.2 in November. The drop was driven by lower scores across the output, orders and (especially) export orders components. Rising prices and unstable geopolitical situations were cited as key factors behind the weaker figures. Input costs ticked up thanks to higher raw material prices as well as an increase in staff costs – the latter following salary hikes in response to higher living costs. However, weak demand prevented firms from passing on cost increases to customers, with the output price balance falling to a 7-month low. Overall, the PMI averaged 48.7 in Q4, lower than the 49.6 recorded in Q3 which potentially points to some loss of growth momentum in recent months, with high interest rates, ongoing subsidy cuts and a renewed (albeit gradual) weakening in the EGP possible contributing factors. In our view however, expected interest rate cuts and slowing inflation provide scope for an improved business climate in 2025.

Saudi Arabia: \$12 billion in bonds issued in first sale of 2025. The Saudi government has started selling its first bond of the year, a three-tranche dollar issuance (three, six, and ten years), to help cover its budget deficit. The National Debt Management Center estimates that SAR 139 billion will be borrowed in 2025 to make up a SAR 101 billion shortfall. The \$12 billion bond offering raised over \$30 billion in bids, reflecting strong investor interest in Saudi sovereign debt. The issuance follows the Public Investment Fund's announcement yesterday of its first Murabaha credit facility, a \$7 billion Islamic loan. The kingdom sold \$17 billion of international bonds last year, with 2025 set to be another strong year of debt issuance for the financing of vast vision-linked economic diversification plans.

Qatar: Non-energy, private sector PMI unchanged in December. The PMI activity gauge was unchanged at 52.9 in December, signaling growth and hovering above the long-term average of 52.3. Faster growth in the output subcomponent supported the month-over-month expansion in the headline measure, although it was slightly offset by an easing in the new orders subindex. The labor market has remained the driver behind the recent expansion in non-energy activity as employment and staffing costs have both remained close to their record levels notched last September. Meanwhile, prices charged by firms declined at a marginal rate as companies continued to support sales with price discounting. Businesses nevertheless maintained a strong 12-month-ahead outlook for activity amid higher construction and tourism demand, industrial development, and investment in infrastructure.

Eurozone: December's final PMI reading shows a marginal contraction in economic activity. The Eurozone economy ended the year on shaky ground as the final composite PMI reading reached 49.6 in December from 48.3 in November and a preliminary estimate of 49.5, still in contraction and suggesting ongoing economic weakness. Services activity posted a modest recovery, reaching 51.6, from the preliminary reading of 51.4, and above 49.5 in the month prior, driven by a rise in output across the sector. However, it was not enough to offset the ongoing downturn in manufacturing: the manufacturing PMI reached 45.1 in December, slightly lower than

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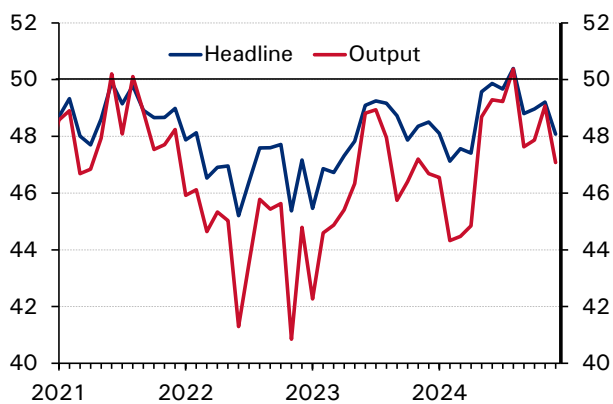
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the 45.2 recorded in November and missing the early market forecasts of 45.3 as Germany, France, and Italy all reported diminished activity.

Japan: Bank of Japan governor gives little clue on the timing of the next rate hike. BoJ governor Kazuo Ueda, in his first public speech of 2025, reiterated the bank's position that the timing of further monetary policy changes is dependent on economy, inflation, and financial conditions. The comments did little to change the recent weakness in the yen, which is currently trading at north of ¥158/\$, the weakest level since July. The statement followed December's BoJ summary of opinions which signaled that a rate hike in January is still on the table despite the bank's decision to hold rates to gauge wage trends and the trajectory of the US economy. The market is currently divided and indicating a slightly less than 50% chance of a 0.25% hike at the 24 January BoJ meeting and a slightly more than 50% probability for no change in rates.

Chart 1: Egypt PMI

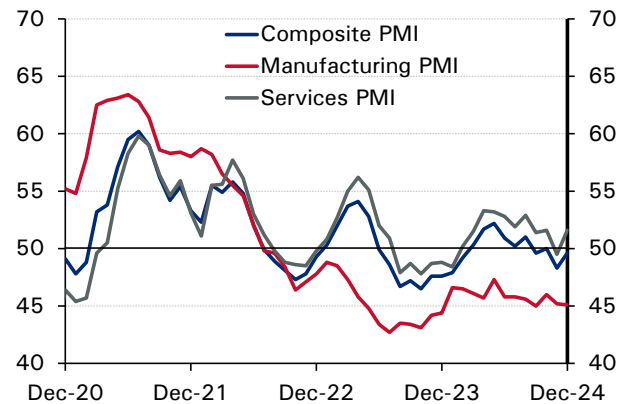
(Index)



Source: S&P Global

Chart 2: Eurozone PMI

(index)



Source: S&P Global, Haver

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,428	1.13	0.10
Bahrain (ASI)	1,977	-0.10	-0.43
Dubai (DFMGI)	5,191	1.25	0.62
Egypt (EGX 30)	29,930	-0.84	0.64
GCC (S&P GCC 40)	724	-0.04	0.28
Kuwait (All Share)	7,430	0.19	0.92
KSA (TASI)	12,105	0.29	0.57
Oman (MSM 30)	4,580	0.23	0.07
Qatar (QE Index)	10,486	0.07	-0.81

International			
CSI 300	3,769	-0.16	-4.22
DAX	20,216	1.56	1.54
DJIA	42,707	-0.06	0.38
Eurostoxx 50	4,987	2.36	1.85
FTSE 100	8,250	0.31	0.94
Nikkei 225	39,307	-1.47	-1.47
S&P 500	5,975	0.55	1.59

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.71	2.00	2.00
Kuwait	4.00	6.25	6.25
Qatar	4.65	0.00	-2.50
UAE	4.45	-3.14	0.01
Saudi	5.33	-0.03	-20.49
SOFR	4.29	-0.24	-1.14

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.80	0.00	6.0
Oman 2027	5.71	5.00	15.0
Qatar 2026	4.91	4.00	12.0
Kuwait 2027	4.97	2.00	0.0
Saudi 2028	5.10	3.00	2.0

International 10YR			
US Treasury	4.62	2.24	5.1
German Bund	2.45	2.30	8.5
UK Gilt	4.61	1.75	4.3
Japanese Gvt Bond	1.12	3.00	4.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.13	0.03
KWD per EUR	0.32	0.75	0.58
USD per EUR	1.04	0.80	0.36
JPY per USD	157.60	0.21	0.27
USD per GBP	1.25	0.78	0.05
EGP per USD	50.60	-0.14	-0.37

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	76.30	-0.27	2.22
KEC	76.58	0.07	1.04
WTI	73.56	-0.54	2.57
Gold	2638.4	-0.25	0.35

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

Source: LSEG / Haver