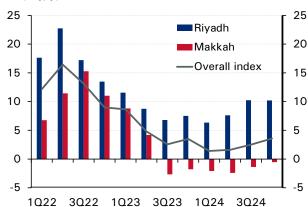
Daily Economic Update Economic Research Department 23 January 2025

Saudi Arabia: Real estate prices continue to rise in Q4, but mainly around Riyadh. Saudi residential real estate prices saw their largest annual increase in one and half years in Q4 2024, up 3.1% y/y according to official data. Price gains appear to be focused in the booming Riyadh market, where property (residential plus others) prices rose by 10.2%. The capital's real estate market has seen multi-year price growth on robust housing demand thanks to higher employment and investment-driven economic growth. This strong market dynamic is also evident in the rents sub-component of the CPI inflation index, which continues to post double digit annual growth (10.6% y/y in December) and remains the main driver of Saudi inflation overall. In contrast, prices either saw modest gains or declines in other areas of the Kingdom, consistent with a higher concentration of economic activity in Riyadh. Over the past three years, real estate prices in Riyadh rose by 34%, far outpacing average wage growth over the same period, affecting housing affordability. Still, homeownership has advanced well towards the 2030 vision target of 70% by the end of the decade, reaching around 63% currently from 47% in 2016, according to a recent IMF report. Although fundamentals remain tight in the Riyadh housing market, price pressure could ease as new supply continues to enter the market from real estate developers and state housing projects. On the other hand, the potential for lower interest rates could restore mortgage demand and lead to further price gains.

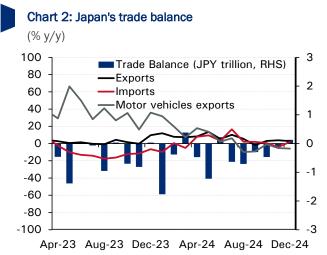
Egypt: Government pays \$1bn of arrears owed to foreign oil companies during the first week of January. Based on our calculations, this should bring down total remaining arrears to \$3.9bn from a peak of \$6.5bn last June. Additionally, the government has agreed on a repayment schedule that starts next month, running until June, to clear the remaining amount. We see such developments as crucial as they should encourage international energy companies to increase their local oil and gas production, helping ease domestic gas shortages. Still, over the short to medium term, Egypt will rely heavily on LNG imports to meet its energy requirements as evident in the recent news about the authorities renting a third regasification unit to enhance the country's LNG import capacity.











UK: Fiscal deficit wider than expected and above official forecasts. The fiscal deficit in December surged to £17.8bn, pushing up the YTD (Apr-Dec) deficit to £130bn (7% y/y), £4.1 billion above the Office for Budget Responsibility (OBR) forecast from last October. The December deficit was due mainly to higher interest rates as the cost of debt servicing rose significantly. Public sector net financial liabilities, the new debt metric favored by the Chancellor, rose to 84.5% of GDP from 82.6% in December 2023. At the time of Autumn budget, the OBR had projected the fiscal deficit for FY24/25 at 4.5% of GDP, with the Chancellor, while outlining higher spending plans in the near term, setting a target of meeting day-to-day spending from revenues by 2029-30. These targets now look increasingly difficult to be met, as despite UK sovereign bond yields retreating from their decades high seen earlier last week, the overall fiscal situation has worsened amid elevated interest rates and weakening economic prospects. Thus, the possibility of fiscal consolidation in 2025 has significantly increased, which would dampen the growth outlook further.

Japan: Trade balance swings into a surplus in December. The goods trade balance flipped into a surplus for the first time in six months in December 2024, soaring to ¥131 billion from November's deficit of ¥110 billion. The surplus came mainly on 2.8% y/y growth in exports to reach a new peak of ¥9.9 trillion with robust growth in computer parts, semicon machinery, and semi-conductors exports, while automobile exports declined by 5.9% due to the prolonged production stoppages amid the safety-test rigging scandal which came to light at the end of 2023. On the other hand, imports grew by 1.8% y/y to reach a five-month high, on increases in foodstuff and raw material imports. On a full year basis, Japan still logged a trade deficit of ¥5.3 trillion in 2024, marking the fourth consecutive annual deficit, though smaller than in 2023. The yen's ongoing weakness is expected to continue helping Japanese exports though the possibility of the new US administration imposing higher tariffs is a risk to the 2025 outlook.



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Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,534	0.18	1.22
Bahrain (ASI)	1,899	-0.29	-4.39
Dubai (DFMGI)	5,231	0.20	1.40
Egypt (EGX 30)	29,979	0.51	0.80
GCC (S&P GCC 40)	740	0.19	2.47
Kuwait (All Share)	7,691	0.90	4.46
KSA (TASI)	12,362	-0.06	2.71
Oman (MSM 30)	4,619	0.13	0.92
Qatar (QE Index)	10,619	1.07	0.46
International			
CSI 300	3,797	-0.93	-3.50
DAX	21,254	1.01	6.76
DJIA	44,157	0.30	3.79
Eurostoxx 50	5,206	0.77	6.33
FTSE 100	8,545	-0.04	4.55
Nikkei 225	39,646	1.58	-0.62
S&P 500	6,086	0.61	3.48

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.69	0.50	0.67
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.25	-18.32	-19.27
Saudi	5.38	-1.82	-16.19
SOFR	4.29	N/A	-1.48

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.70	0.00	-4.0
Oman 2027	5.40	-5.00	-16.0
Qatar 2026	4.63	0.00	-16.0
Kuwait 2027	4.91	-2.00	-6.0
Saudi 2028	5.02	1.00	-6.0
International 10YR			
US Treasury	4.61	3.96	4.0
German Bund	2.50	2.15	13.7
UK Gilt	4.63	4.20	6.4
Japanese Gvt Bond	1.19	1.00	11.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.01	0.02
KWD per EUR	0.32	-0.12	0.74
USD per EUR	1.04	-0.21	0.52
JPY per USD	156.53	0.66	-0.41
USD per GBP	1.23	-0.31	-1.56
EGP per USD	50.26	0.02	-1.04

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	79.00	-0.37	5.84
KEC	82.21	-1.06	8.47
WTI	75.44	-0.59	5.19
Gold	2767.6	0.46	5.26

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

Source: LSEG / Haver

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