

Daily Economic Update

Economic Research Department
9 February 2025

US: A relatively solid jobs report and rising inflation worries leave markets' views on Fed mostly intact. Non-farm payroll gains in January eased more than forecast to 143K (170K consensus forecast) from an upwardly revised 307K in December. But Nov-Dec job gains were revised higher by a combined 100K, which more than compensated for the miss in January. Wage growth unexpectedly accelerated to 0.5% m/m, staying near its highest since early 2022, but remained steady annually at 4.1%. The unemployment rate also surprisingly dropped to 4% from 4.1%, equal lowest since April 2024. The Bureau of Labor Statistics also published its annual and benchmark revisions, which saw 2024 average monthly job gains decreasing to 166K from the previously reported 186K. For the benchmark revisions covering the year through March 2024, non-farm jobs were revised downward by 589K, but less than the provisional estimate of a decrease of 818K, underscoring a slowing but still strong job market. Meanwhile, consumers' one-year ahead inflation expectations surged to 4.3% in February from 3.3% in January, the highest since late 2023, on tariff-related worries, according to a University of Michigan survey. A relatively solid job report, higher inflation expectations along with evolving tariff policies (see below) helped push UST 10Y bond yields higher (to around 4.9%) and the S&P 500 lower (-1%). Markets now expect one to two interest rate cuts of 25 bps over the course of 2025, moving back and forth for an additional/third cut for this year.

US: Trump now pitches for reciprocal tariffs on almost 'everyone', looks to announce details this week. President Trump, in a seeming reversal from pre-election pledges of imposing a universal flat tariff rates of 10-20%, mentioned to use duties on a reciprocal basis on the US's trading partners, citing them as "the only fair way." His remarks came last Friday, and he vowed to announce details sometime this week. He also mentioned that tariffs on the automobile sector were on the table, too. The details of his latest plans and the tariff structures are yet to evolve, previously he had cited US's high trade deficit with many trade partners as the justification for universal duties. Trump also discussed his tax agenda in a meeting with fellow Republicans, and reportedly reiterated his plans to extend expiring tax cut provisions from his 2017 act, expand state and local tax deductions, exempt tips and overtime pay from income taxes, among others.

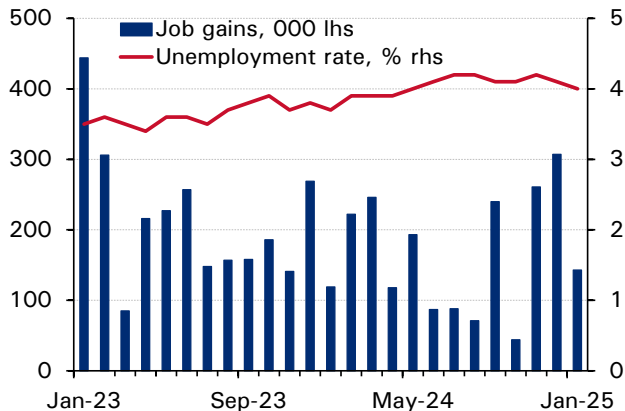
UK: BoE cuts interest rate by 25 bps but sends mixed signals. The Bank of England (BoE), as widely expected, cut the bank rate by 25 bps to 4.5% last Thursday, in a 7-2 vote with the two dissenters opting for a bigger 50 bps cut. One of the two members choosing to cut by 50 bps was the previously hawkish Catherine Mann, now pushing 'a more activist approach' which markets took as a sign of further rate cuts ahead. The bank also downgraded its GDP growth projection for 2025 to 0.75% from 1.5% earlier but upgraded to 1.5% each for 2026 and 2027. The bank also sees higher CPI inflation, peaking at 3.7% in Q3 25 versus November's projection of 2.8%, due mainly to higher energy and other regulated prices, and expecting it to return to the 2% target only by late 2027. Therefore, it guided for "a gradual and careful approach" in adjusting monetary policy. Furthermore, BoE governor Andrew Bailey attributed the anticipated near-term uptick in inflation to factors not

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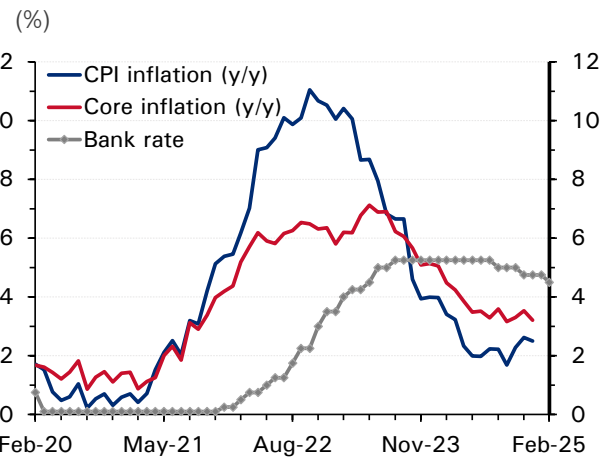
related to underlying cost pressures. The BoE also vowed to monitor uncertainty surrounding US tariff policies closely, which, according to it, could imply downside risks to growth but an unclear impact on UK inflation. Amid the BoE's mixed signals, markets continue to see two to three cuts of 25 bps each for the remainder of 2025. Following the MPC announcement, the pound and UK gilt yields initially fell but then pared losses amidst unclear clues about the interest rate path.

Chart 1: US jobs gains and unemployment rate



Source: Haver

Chart 2: UK bank rate and inflation



Source: Haver

China: Consumer prices rise on holiday-linked boost in January. CPI inflation accelerated in January to 0.5% y/y from December's nine-month low of 0.1% and exceeded market expectations of 0.4%. The January figure marked the highest rise in prices since August 2024 and was largely driven by the Lunar New Year holiday-linked spending boost and the government's ongoing stimulus programs. Core inflation, excluding prices for food and fuel, rose to 0.6% from 0.4% previously. Meanwhile, the producer price index declined by 2.3% y/y in January, matching December's pace of decline and marked more than two years of uninterrupted annual declines. Overall, and despite the temporary seasonal boost to consumer spending, deflationary pressures are likely to persist with consumer demand remaining sluggish and a potential negative growth impact from tariff rises in the US.

Japan: Household spending Jumps in December. Real household spending, an early indicator of private consumption, logged its first yearly increase in five months at 2.7% in December 2024, the highest since August 2022, driven by the strong increase in winter bonuses. Demand was supported by seasonal factors related to winter apparel demand with spending bouncing back on clothes and footwear (4.1% y/y versus -13.7% in November), transport and communication (6.5% versus -0.5%), culture & recreation (0.7% versus -2.9%). The strong increase in household spending could have a positive impact of Q4 GDP estimates, which are scheduled for release next week.

UAE: Dubai's GDP growth eased in Q3 2024. Dubai's GDP growth slowed in Q3 to 2.9% y/y from 3.3% in the previous quarter. Yearly growth softened in transportation & storage (1.5% versus 7.8% in Q2), financial & insurance activities (3.0% versus 4.6%), and accommodation & food services (2.6% versus 4.7%). However, wholesale & retail trade, which constitutes around 25% of GDP, inched up to 3.4% from 2.2% in Q2. As a result, overall growth in the first nine months of 2024 slowed to 3.1% y/y from 3.5% in the corresponding period of the preceding year. However, a strong pick-up in PMI readings for Dubai (to above 60 in December) in Q4 points to a potential strengthening of GDP growth in the fourth quarter.

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Daily market indicators

| Stock markets | Index | Change (%) | |
|--------------------|--------|------------|-------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi (ADI) | 9,586 | 0.24 | 1.77 |
| Bahrain (ASI) | 1,882 | 0.45 | -5.25 |
| Dubai (DFMGI) | 5,238 | -0.12 | 1.55 |
| Egypt (EGX 30) | 30,012 | 0.93 | 0.91 |
| GCC (S&P GCC 40) | 747 | 0.10 | 3.41 |
| Kuwait (All Share) | 7,895 | -0.06 | 7.24 |
| KSA (TASI) | 12,434 | 0.15 | 3.30 |
| Oman (MSM 30) | 4,564 | -0.20 | -0.27 |
| Qatar (QE Index) | 10,616 | -0.39 | 0.42 |

| | | | |
|----------------------|--------|-------|-------|
| International | | | |
| CSI 300 | 3,893 | 1.30 | -1.07 |
| DAX | 21,787 | -0.53 | 9.43 |
| DJIA | 44,303 | -0.99 | 4.13 |
| Eurostoxx 50 | 5,325 | -0.58 | 8.77 |
| FTSE 100 | 8,701 | -0.31 | 6.45 |
| Nikkei 225 | 38,787 | -0.72 | -2.78 |
| S&P 500 | 6,026 | -0.95 | 2.45 |

| 3m interbank rates | % | Change (bps) | |
|--------------------|------|--------------|--------|
| | | Daily | YTD |
| Bahrain | 5.67 | 0.00 | -1.97 |
| Kuwait | 3.94 | 0.00 | 0.00 |
| Qatar | 4.65 | 0.00 | -2.50 |
| UAE | 4.30 | -0.99 | -14.60 |
| Saudi | 5.38 | 0.00 | -16.19 |
| SOFR | 4.30 | -0.46 | -0.78 |

| Bond yields | % | Change (bps) | |
|-----------------|------|--------------|-------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi 2027 | 4.57 | 2.00 | -17.0 |
| Oman 2027 | 5.33 | 1.00 | -23.0 |
| Qatar 2026 | 4.52 | 2.00 | -27.0 |
| Kuwait 2027 | 4.81 | 2.00 | -16.0 |
| Saudi 2028 | 4.96 | 4.00 | -12.0 |

| | | | |
|---------------------------|------|-------|------|
| International 10YR | | | |
| US Treasury | 4.49 | 5.85 | -7.8 |
| German Bund | 2.38 | 0.45 | 1.5 |
| UK Gilt | 4.48 | -0.60 | -9.0 |
| Japanese Gvt Bond | 1.30 | 4.00 | 22.5 |

| Exchange rates | Rate | Change (%) | |
|----------------|--------|------------|-------|
| | | Daily | YTD |
| KWD per USD | 0.31 | 0.03 | 0.14 |
| KWD per EUR | 0.32 | -0.50 | 0.08 |
| USD per EUR | 1.03 | -0.52 | -0.25 |
| JPY per USD | 151.40 | -0.03 | -3.68 |
| USD per GBP | 1.24 | -0.20 | -0.82 |
| EGP per USD | 50.25 | 0.00 | -1.06 |

| Commodities | \$/unit | Change (%) | |
|-------------|---------|------------|-------|
| | | Daily | YTD |
| Brent crude | 74.66 | 0.50 | 0.03 |
| KEC | 78.31 | 0.58 | 3.32 |
| WTI | 71 | 0.55 | -1.00 |
| Gold | 2867.3 | 0.40 | 9.06 |

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

Source: LSEG / Haver

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