

# Daily Economic Update

Economic Research Department  
27 January 2025

**Oil: Brent logs first weekly decline in 2025 on Trump comments.** Brent futures closed down on Friday at \$78.5/bbl, shedding 2.8% w/w (+5.2% ytd) for a first weekly decline this year. With the bullish impact on oil prices of President Biden's sanctions on Russian crude flows receding, markets turned their attention to President Trump and his intention to capitalize further on already dominant US energy production. Trump declared a national energy emergency in order to lift environmental restrictions and allow for unfettered domestic oil and gas production. He issued executive orders repealing the previous administration's efforts to block drilling in the Arctic and withdrawing the US from the Paris climate accords. Trump also asked de facto OPEC+ leader Saudi Arabia to use its leverage within OPEC+ to lower oil prices, a request that would run counter to OPEC+ interests and difficult to grant. That said, were US sanctions on Russia and Iran to materially tighten the market then OPEC+ could in theory look to bring back supplies at a faster rate than already scheduled (OPEC+ is due to commence unwinding 2.2 mb/d of members' voluntary cuts from April), though Saudi Arabia would be mindful about the poor optics vis-à-vis Russia, which is integral to OPEC+'s cohesion and group compliance.

**Global: Fed/ECB meetings and Q4 2024 GDP in the US/Eurozone key matters this week.** In the US, the FOMC will meet on Tuesday/Wednesday and is widely expected to keep interest rates unchanged after cutting them by 100 bps over the last three meetings. In the post-meeting press conference, markets will keenly await any clues about the extent and timing of monetary policy easing in 2025. President Trump's recent comments demanding interest rates drop "immediately" and how Chair Powell will respond will only underscore the market's focus on that conference. Meanwhile, Q4 GDP is due on Thursday, with the consensus expecting another robust 2.7% annualized growth following a solid 3.1% rise in Q3. Finally, December's PCE inflation will be released on Friday, with the market expecting the core rate at 0.2% m/m following November's soft 0.1%. In the Eurozone, the ECB will meet on Wednesday/Thursday and is expected to cut rates by 25 bps amid ongoing weak economic activity, which would bring the total cuts to 125 bps since last June. Additionally, the Q4 GDP print is due on Thursday, with the consensus pointing to slower growth of 0.1% q/q, down from 0.4% in Q3, reflecting the bloc's recent anemic activity. In the UK, Nationwide will publish its January house price index on Friday, with the consensus indicating a sustained gain in prices (+0.3% m/m), albeit slower than December's 0.7%. Finally in Japan, the minutes for the Bank of Japan's 19 December meeting will be published on Wednesday, and on the data front, December's retail sales (+3.2% y/y estimate) and industrial production (+0.3% m/m) are due on Friday.

**China: Steep slowdown in business activity in January amid looming trade tariffs.** China's official NBS general PMI fell to its lowest in five months in January at (50.1), well below market estimates (52.0) and December's reading (52.2) as authorities struggle to sustain the country's economic recovery. Manufacturing activity shrank in January, with the PMI falling to 49.1, missing both market predictions and December's prior reading of 50.1.

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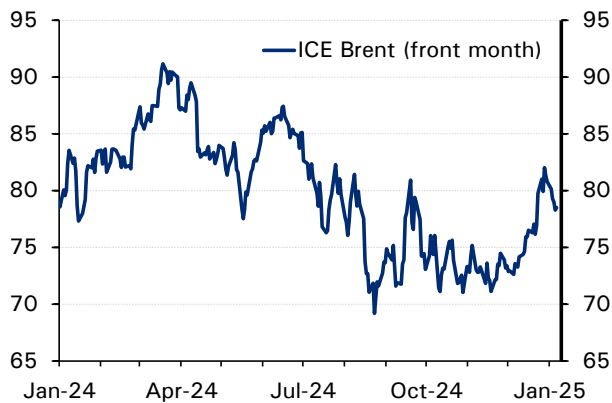
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January marks the first time the gauge has fallen into contraction territory since September as factory activity slowed ahead of the Lunar New Year. Meanwhile, the non-manufacturing PMI moderated to 50.2 in January, down from December's 9-month high of 52.2 as new orders declined at a faster pace than previously recorded. The weak PMI figures could be a symptom of the tariff threats as the Trump administration looks to reduce the US's historic trade deficit with China. Separately, China's industrial profits - a key indicator of the financial health of factories, utilities and mines in China - declined for the third consecutive year at -3.3% YTD in December from -4.7% in the 11 months prior.

**Chart 1: Oil prices**

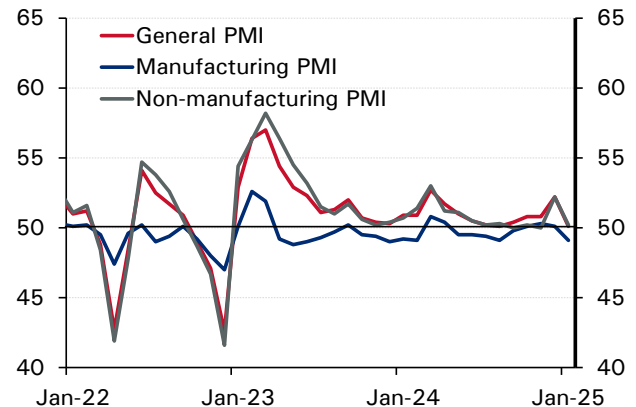
(\$/bbl)



Source: Haver

**Chart 2: China PMI**

(index)



Source: Haver

**Kuwait: Real estate financing law on the table.** According to a local media report, the government will discuss in the next few days the main regulatory elements of the real estate financing draft law (also known as the mortgage law). According to the draft, an individual could expect to borrow up to KD200k, KD70k of which is guaranteed and serviced by the government (interest-free) and KD130k provided by local banks charged at an interest rate of 2% above the discount rate. Currently, the maximum that banks can lend to individuals is KD70k, so the new mortgage law would represent a substantial increase in the amount that can be borrowed. Moreover, the draft also extends the commercial loan maturity to 25 years instead of the current 15 and would raise the maximum debt-to-income ratio to 50% of the monthly income/salary from the current 40%.

**UAE: GDP to grow by 4% in 2025, according to the IMF.** The IMF have concluded their visit to the UAE to discuss the outlook for economic policies and reform priorities. The Fund sees economic growth remaining robust at 4% in 2025, supported by the tourism, construction, and financial services sectors. Oil GDP is expected to increase by 2% as the UAE implements a more gradual OPEC+ quota increase. Meanwhile, inflation is seen stable in 2025 at 2% despite a projected increase in housing rentals and utility costs. On the fiscal front, the government surplus could shrink to about 4% of GDP in 2025 from an estimated 5% in 2024, amid lower oil prices. However, non-oil revenue will be boosted by ongoing implementation of the corporate income tax as well as the adoption of the Domestic Minimum Top-up Tax (DMTT) at 15% for Multinational Enterprises, effective January 2025. The IMF pointed to the positive impact of the country's commitment to reforms and the importance of the ongoing infrastructure investments on medium-term growth and a smooth energy transition. However, it noted that the outlook is subject to high uncertainty due to the difficult external environment, weak global growth and oil price volatility.

**Qatar: Budget surplus shrinks in 2024.** Qatar's fiscal surplus narrowed sharply to QR5.6 billion in 2024 (~1% of estimated GDP) from QR43.1 in 2023 (5.6% of GDP), as a steep decline in revenues outpaced moderate

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expenditure cuts. Hydrocarbon revenues fell by 18% y/y, reflecting slightly weaker energy prices amid subdued global demand. Meanwhile, non-hydrocarbon revenues contracted by 6.2%, mainly due to lower business/corporate income tax collected in Q2 as annual growth in this item remained strong in other quarters. Despite a 1.7% reduction in government expenditures – the first since 2020 – on lower spending on major projects (-18.2%), it was insufficient to offset the revenue shortfall. The latest readings highlight vulnerabilities to volatile energy prices as hydrocarbon receipts formed 81% of total revenues in 2024. Looking into 2025, high expenditure growth and lower hydrocarbon revenues are set to tip the budget into a deficit of 2% of GDP, according to the government's budget. However, higher oil prices compared to the government's conservative forecast (\$60/bbl) are likely to keep the fiscal accounts in surplus territory.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,564	n/a	1.54
Bahrain (ASI)	1,900	0.20	-4.32
Dubai (DFMGI)	5,226	n/a	1.30
Egypt (EGX 30)	30,035	0.12	0.99
GCC (S&P GCC 40)	740	-0.01	2.49
Kuwait (All Share)	7,777	1.32	5.63
KSA (TASI)	12,386	0.26	2.90
Oman (MSM 30)	4,553	-1.10	-0.51
Qatar (QE Index)	10,651	-0.09	0.75
<b>International</b>			
CSI 300	3,833	n/a	-2.59
DAX	21,395	n/a	7.46
DJIA	44,424	n/a	4.42
Eurostoxx 50	5,219	n/a	6.61
FTSE 100	8,502	n/a	4.03
Nikkei 225	39,932	n/a	0.09
S&P 500	6,101	n/a	3.73

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.69	0.01	0.36
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.38	0.00	-6.95
Saudi	5.37	-8.50	-17.45
SOFR	4.30	0.34	-0.50

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.68	n/a	-6.0
Oman 2027	5.37	n/a	-19.0
Qatar 2026	4.54	n/a	-25.0
Kuwait 2027	4.90	n/a	-7.0
Saudi 2028	4.98	n/a	-10.0

<b>International 10YR</b>			
US Treasury	4.62	n/a	4.4
German Bund	2.54	n/a	18.3
UK Gilt	4.63	n/a	6.4
Japanese Gvt Bond	1.23	n/a	15.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.12	0.02
KWD per EUR	0.32	0.70	1.46
USD per EUR	1.05	0.00	1.35
JPY per USD	155.98	0.00	-0.76
USD per GBP	1.25	0.00	-0.26
EGP per USD	50.21	-0.06	-1.14

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	78.50	n/a	5.17
KEC	81.80	n/a	7.93
WTI	74.66	n/a	4.10
Gold	2777.3	n/a	5.63

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

Source: LSEG / Haver

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