

Daily Economic Update

Economic Research Department
06 January 2025

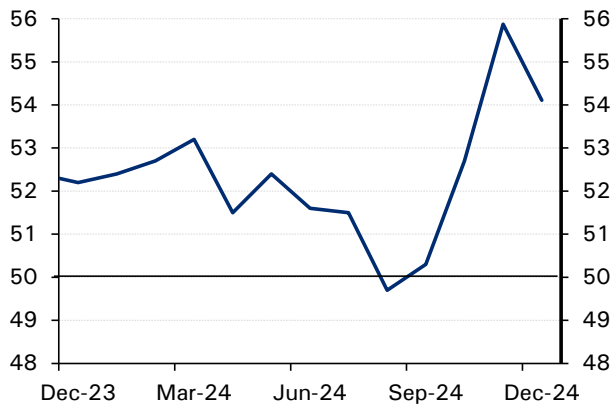
Kuwait: PMI signals solid non-oil growth in December. The non-oil, private sector PMI activity gauge eased slightly to 54.1 in December from 55.9 in the previous month, but mostly maintained its strong November performance and was still the third strongest reading on record. Output, new orders, and export orders moderated slightly but remained near record levels registered in the previous month (excluding the Covid-19 pandemic era), with firms citing the influx of tourists due to the Arabian Gulf Cup as a primary catalyst. Despite the robust demand, output prices fell month-over-month as firms resorted to competitive pricing measures to attract customers. Meanwhile, input prices grew at a softer pace as both the employment and staffing costs indices eased from November. Looking back at Q4 as a whole, the PMI recorded its highest quarterly average on record at 54.2, well above its long-term average of 48.6 amid higher readings for the output, new orders, and new export orders components (all above 56).

UAE: PMI ended 2024 on a strong footing. The PMI inched up for the third straight month to a nine-month high of 55.4 in December. This came mainly on a strong expansion in the output component, reaching an eight-month high, and a strong rise in new orders, which accelerated for the second consecutive month. However, new export orders continued to soften, falling to a seven-month low. Employment expansion has remained marginal since September 2024 despite a continued accumulation in work backlogs. Input prices saw a softer pace of expansion in December despite the increase in shipping and raw material costs, while output prices fell for the third month in a row amid strong competition. The business outlook for the next 12 months remained relatively stable and positive as companies continue to project strong sales and investment plans.

Qatar: GDP growth accelerates in Q3 on robust non-energy activity. Qatar's economy expanded 2% y/y in Q3 2024, buoyed by stronger non-energy activity and despite a contraction in the energy sector. Non-hydrocarbon GDP grew 4.5% y/y, accelerating from 2.7% in Q2, benefitting from faster growth in financial & insurance activities, a pick-up in tourism-related sectors including hotels and restaurants and transportation, and a robust recovery in the construction sector. However, the manufacturing sector logged its fourth consecutive quarter in contraction, weighing on growth in the non-energy economy. Meanwhile, the hydrocarbon sector recorded negative year-on-year growth for the second quarter in a row, though the outlook for hydrocarbon GDP is set to improve as LNG expansion plans come online later in 2025 and early 2026.

Chart 1: Kuwait non-oil private sector PMI

(Index; >50 = growth)



Source: S&P Global

Chart 2: Brent crude oil (ICE futures)

(\$/bbl)



Source: Haver

Oil: A first weekly gain for oil prices in 2025 amid colder weather, Chinese stimulus hopes. Brent crude closed the first week of the new year with a gain of 3.2% w/w to \$76.5/bbl, its highest level since October, as colder than expected weather across Europe and the US spurred demand for heating oil and as markets anticipated further moves by the Chinese authorities to kick-start China's flagging economy. Last week, markets were buoyed by the authorities' announcement that government workers' wages were being increased and by plans to increase ultra-long treasury bond funding to boost domestic investment and support consumer subsidies. Oil prices were also supported by a sixth straight weekly drawdown in US commercial crude inventories (-1.2 mb to 415.6 mb), typically a sign of solid demand. The consensus oil price forecast for this year, which while subject to considerable uncertainty – not least from the incoming US administration, which has vowed to both double down on fossil-fuel use with Trump's 'drill baby drill' mantra and curtail Iranian oil supplies through more stringent sanctions – generally sees prices softening (ranging \$70-75/bbl) amid expectations of a supply overhang. Brent crude posted a second year of losses in 2024, dropping 3.5% and averaging just under \$80 for the year.

Global: US jobs data, FOMC December meeting minutes, and Eurozone inflation key matters this week. In the **US**, an important non-farm payroll report is due on Friday, and expectations are for a gain of 150K jobs in December, lower than 227K in November, and a stable unemployment rate of 4.2%. Other key data releases include November's job vacancies (due Tuesday), which is expected at 7.7 million and the ISM services PMI (Tuesday), with expectations pointing to an improvement to 53.5 in December from 52.1 in November. The FOMC's December meeting minutes will be released on Wednesday, and markets will be looking for more clues on the members' thinking for 2025 after cutting interest rates by 25 bps at that meeting. In the **Eurozone**, key data releases include inflation and unemployment, both on Tuesday. CPI inflation is expected to have risen in December to 2.4% y/y from 2.2% in November while core inflation is seen unchanged at 2.7% y/y. The unemployment rate for November is forecast at 6.4%, slightly higher than October's reading of 6.3%. Additionally, retail sales growth (Thursday) is expected at +0.5% m/m in November, reversing the 0.5% drop in October. In the **UK**, Halifax will publish its December house price index on Tuesday, with the market expecting a rise of 0.8% m/m in residential property prices following a 1.3% increase in November. Finally in **Japan**, wage growth for November will be released on Thursday with expectations for a 2.7% y/y increase, up from 2.6% in October.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,323	0.01	-1.02
Bahrain (ASI)	1,979	0.00	-0.33
Dubai (DFMGI)	5,127	-0.52	-0.62
Egypt (EGX 30)	30,060	0.00	1.08
GCC (S&P GCC 40)	724	-0.09	0.32
Kuwait (All Share)	7,363	0.00	0.00
KSA (TASI)	12,103	0.00	0.55
Oman (MSM 30)	4,573	0.00	-0.07
Qatar (QE Index)	10,571	0.00	0.00

International			
CSI 300	3,775	-1.18	-4.06
DAX	19,906	-0.59	-0.02
DJIA	42,732	0.80	0.44
Eurostoxx 50	4,871	-0.94	-0.50
FTSE 100	8,224	-0.44	0.62
Nikkei 225	39,895	0.00	0.00
S&P 500	5,942	1.26	1.03

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.69	0.00	0.00
Kuwait	3.94	0.00	0.00
Qatar	4.68	0.00	0.00
UAE	4.48	3.59	3.15
Saudi	5.42	0.00	-12.32
SOFR	4.30	N/A	-0.91

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.80	0.00	6.0
Oman 2027	5.66	0.00	10.0
Qatar 2026	4.87	0.00	8.0
Kuwait 2027	4.95	0.00	-2.0
Saudi 2028	5.07	0.00	-1.0

International 10YR			
US Treasury	4.60	0.00	2.9
German Bund	2.42	0.00	6.3
UK Gilt	4.60	0.50	3.1
Japanese Gvt Bond	1.08	0.00	0.0

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.14
KWD per EUR	0.32	0.38	-0.17
USD per EUR	1.03	0.00	-0.43
JPY per USD	157.27	0.00	0.06
USD per GBP	1.24	0.00	-0.73
EGP per USD	50.75	0.00	-0.08

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	76.51	0.76	2.51
KEC	76.53	1.78	0.98
WTI	73.96	1.13	3.12
Gold	2645	-0.52	0.60

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

Source: LSEG / Haver