

Daily Economic Update

Economic Research Department
21 January 2025

US: Trump declares national energy and border emergencies, but in a major relief, does not impose blanket tariffs. Donald Trump was inaugurated President yesterday, and as expected signed an array of executive orders. Among the most important ones were declaring an emergency at the southern US border, which is an attempt to seal the border as well as kickstart the process of mass illegal-immigrant deportations, and declaring a national energy emergency, which aims to increase oil production and exports. In a key relief, he did not impose blanket new tariffs as he had promised during the election campaign, mentioning that he is “not ready for that yet” but threatened a 25% tariff on Canada and Mexico, two of the largest US trading partners, likely as of 1 February. In addition, he issued a trade memorandum, directing federal agencies to assess other nations’ unfair trade practices and currency policies. As expected, Trump also repealed numerous Biden-era green energy initiatives. Other important decisions included withdrawing from the Paris Climate treaty and the World Health Organization as well as pardoning most January 6, 2021 US Capitol rioters. The market reaction so far has been positive, likely driven by the tariff relief, with S&P 500 futures currently indicating that the market will open higher today (US markets were closed yesterday due to a public holiday), US bond yields lower than Friday’s close, and the US dollar index falling from last week’s close.

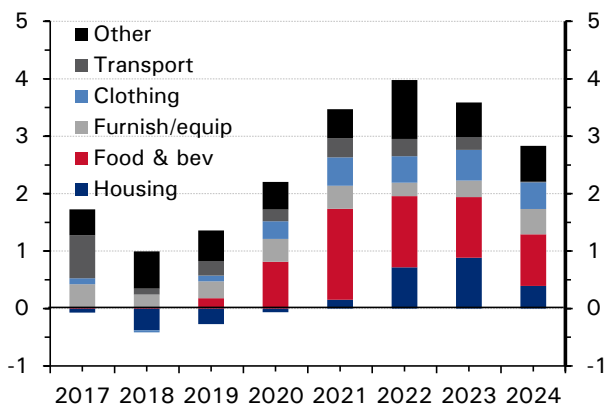
Kuwait: Cabinet passes law to reprice service fees. In an extension of ongoing efforts to mobilize non-oil public revenue, the cabinet passed a new law (1/2025) granting government entities the authority to revise their respective service fees. The repricing aims to regulate consumption, promote resource sustainability, and improve financial management while taking into account the cost of service provision. The decision could affect an extensive list of up to 49 goods and services worth KD852 mn in revenue, the largest of which being electricity and water, accounting for KD475 mn (23%) of non-oil revenue in FY22/23. Examples of other items within the scope of the law include hospital, judicial, and telecom fees (amounting to KD120 mn), public property leases (KD59 mn), and a broad range of other general administrative fees. Although higher non-oil revenue would only partly mitigate ongoing fiscal shortfalls, the repricing could help to address recurring power shortages via the market mechanism, as higher prices provide a disincentive to excessive consumption. Though the magnitude of the repricing is uncertain, the authorities will likely take a moderate approach to adjustment as they attempt to strike a balance between higher fees and citizen welfare. A 50% increase to overall service fees, for example, would yield more than KDO.4 bn in additional revenues per (about 0.8% of GDP).

Kuwait: Inflation edges higher in December. Consumer price inflation rose 2.5% y/y in December, edging up from 2.4% the previous month amid faster growth in the food & beverages, housing services, and recreation & culture subindices. Housing services, which reflects mostly rents and is the largest component by weight, rose 0.9%, while food & beverages prices reversed a 3-month decelerating trend to rise 5%. Core inflation, which excludes food and housing, softened to 2.5%, the lowest reading since November 2020 with growth in most core subcomponents flat or decelerating during the month, barring recreation and culture which accelerated

2.6% (0.5% m/m) potentially affected by the 2024 Arabian Gulf football cup. In annual terms, headline inflation stood at 2.9% in 2024, softening from 3.6% in the previous year, though relatively elevated annual price growth in clothing (5.8%), food & beverages (5.4%) and furnishings (3.8%) limited the deceleration. Meanwhile, core inflation averaged 3% last year, easing from 3.3% in 2023. The near-term outlook for inflation remains moderate-to-low, with tight monetary conditions (compared to earlier years) and the absence of stimulative fiscal policy set to cut the headline rate to 2.5% in 2025 (year average).

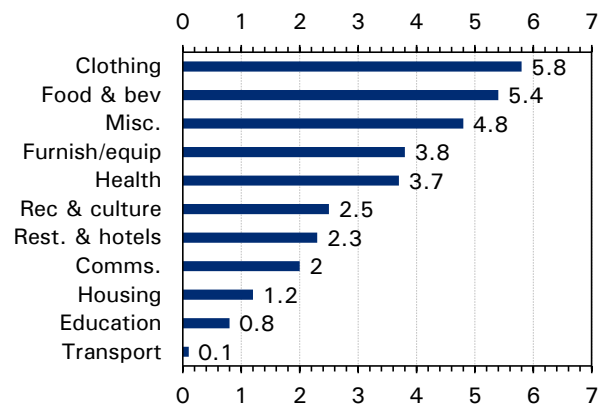
Kuwait: KOC reveals new offshore oil and gas field discovery. State-owned Kuwait Oil Company (KOC) announced yesterday the discovery of large quantities of hydrocarbons in the offshore Al-Jlaiaa field, where the company has reported finding 800 million barrels of commercially-viable, medium sweet crude as well as 600 billion standard cubic feet of natural gas, bringing the field’s reserves count to 950 million barrels of oil equivalent. The discovery follows that of the Al-Nokhitha field in July 2024 and which contains 2.1 billion barrels of light oil and 5.1 trillion standard cubic feet of natural gas (discussed in more detail [here](#)), signaling that Kuwait’s offshore discovery efforts – which have started only recently – are starting to bear fruit. The latest development is welcome news for the Kuwait Petroleum Corporation as it aligns with the firm’s ‘Strategy 2040’ goals of raising domestic crude oil production to 4 mb/d and non-associated natural gas output to 2 billion cubic feet per day.

Chart 1: Kuwait inflation contribution by sectors
(% y/y, annual average)



Source: Haver, CSB

Chart 2: Kuwait 2024 inflation by component
(% y/y)



Source: Haver, CSB

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,507	0.08	0.93
Bahrain (ASI)	1,906	-0.08	-4.01
Dubai (DFMGI)	5,196	-0.30	0.73
Egypt (EGX 30)	29,619	-0.37	-0.41
GCC (S&P GCC 40)	738	0.50	2.16
Kuwait (All Share)	7,581	0.53	2.96
KSA (TASI)	12,380	0.39	2.85
Oman (MSM 30)	4,617	0.03	0.88
Qatar (QE Index)	10,508	0.38	-0.60

International			
CSI 300	3,830	0.45	-2.67
DAX	20,990	0.42	5.43
DJIA	43,488	0.00	2.22
Eurostoxx 50	5,164	0.31	5.48
FTSE 100	8,521	0.18	4.25
Nikkei 225	38,903	1.17	-2.49
S&P 500	5,997	0.00	1.96

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.69	0.00	0.65
Kuwait	4.00	0.00	6.25
Qatar	4.65	0.00	-2.50
UAE	4.41	7.79	-3.51
Saudi	5.39	4.77	-15.12
SOFR	4.29	-0.97	-1.19

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.73	-10.00	-1.0
Oman 2027	5.58	0.00	2.0
Qatar 2026	4.66	-1.00	-13.0
Kuwait 2027	4.95	-4.00	-2.0
Saudi 2028	5.03	-4.00	-5.0

International 10YR			
US Treasury	4.62	0.00	5.0
German Bund	2.49	-1.05	13.1
UK Gilt	4.66	0.25	9.2
Japanese Gvt Bond	1.19	-1.00	11.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.26	-0.06
KWD per EUR	0.32	1.21	0.74
USD per EUR	1.04	1.39	0.59
JPY per USD	155.59	-0.45	-1.01
USD per GBP	1.23	1.32	-1.50
EGP per USD	50.27	-0.12	-1.02

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	80.15	-0.79	7.38
KEC	83.58	-1.21	10.28
WTI	77.88	0.00	8.59
Gold	2744.3	0.00	4.38

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

Source: LSEG / Haver