

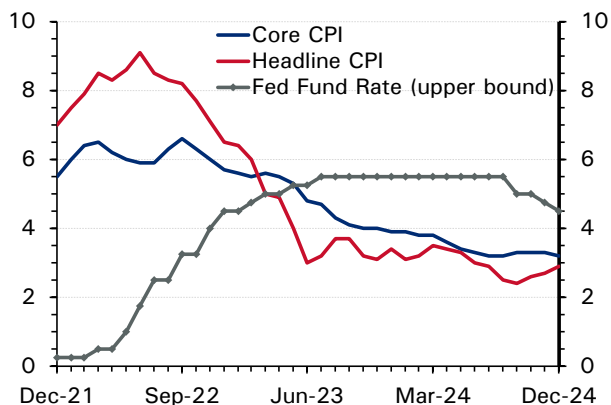
# Daily Economic Update

Economic Research Department  
16 January 2025

**US: Core CPI inflation cools slightly, easing concerns over the outlook.** Core CPI inflation in December eased to 3.2% y/y from 3.3% in November, beating the market forecast (3.3%), though the headline CPI rate rose to a five-month high of 2.9% from 2.7% in November. On a monthly basis, while overall prices rose at a faster 0.4% from 0.3% – mainly on a 2.6% m/m jump in energy costs – underlying price growth softened to 0.2% after being stuck at 0.3% for the previous four months. Growth in shelter costs continued to moderate to 4.6% y/y, the lowest since early 2022, but remained flat m/m at 0.3%. A narrow inflation measure, core services excluding housing, rose at its slowest pace in five months (0.2% m/m), signaling a fresh resumption in disinflation in this segment, which had nearly stalled over the past few months. Still, airfares and vehicles prices recorded sharp gains from November, suggesting a bumpy path ahead. Financial markets, which previously saw heavy selling on inflation fears and elevated interest rates, rallied, with UST 10Y bond yields recording their biggest drop since August 2024 of 14 bps d/d to close at 4.65% and the S&P 500 posting its sharpest advance in over two months of 1.8% d/d at yesterday's close. Futures markets now assign a higher probability of two 25 bps Fed rate cuts by year-end, an about-turn from no cuts at all earlier this week.

**Chart 1: US Fed policy rate and annual inflation**

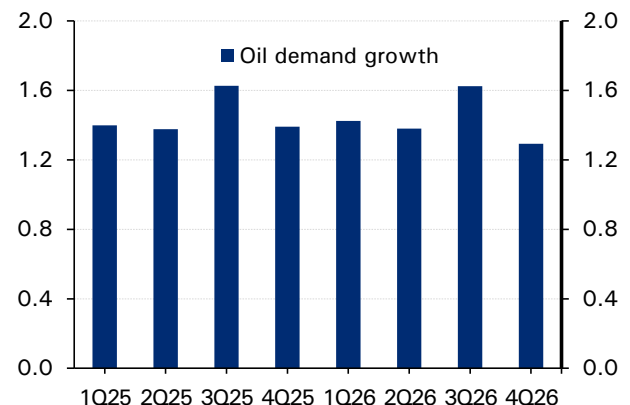
(%)



Source: Haver

**Chart 2: OPEC oil demand growth outlook**

(mb/d)



Source: OPEC

**Oil: Price rally continues on potential supply disruptions in 2025.** Brent futures rallied 2.6% d/d on Wednesday to \$82/bbl, the highest since August 2024. The rally was driven by the US's latest round of sanctions on the Russian energy sector and fears that the incoming Trump administration could levy similar sanctions on Iran. Continued drawdowns in US commercial crude inventories also helped extend yesterday's rally, with the US Energy Information Administration's weekly data showing a 2 mb decline (to 412 mb), the lowest level since April 2022. The International Energy Agency's January report was also constructive, noting the potential for

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supply disruption in 2025 due to the aforementioned sanctions while also revising up its oil demand growth estimate for 2024 by 80 kb/d to 940 kb/d on better-than-expected Northern Hemisphere consumption in Q4 2024 amid colder weather. The agency lowered its oil demand growth estimate for 2025 by 30 kb/d to 1.05 mb/d, which is still an acceleration from 2024. Meanwhile, OPEC's monthly report saw the sixth consecutive downgrade to 2024's oil demand estimate, by 110 kb/d to 1.5 mb/d amid weakness in Chinese oil consumption, though it left 2025's forecast steady at 1.45 mb/d. The producer bloc's January report also provided a first look into oil demand prospects for 2026, forecasting a 1.43 mb/d y/y increase, driven mainly by 'Other Asia', China, and India amid a rise in the use of transportation fuels, particularly air travel.

**Eurozone: Industrial production unchanged in November.** Industrial production growth in November was unchanged at 0.2% m/m from October's rate but just short of market expectations (0.3%). The figures showed broad-based growth in the larger countries in November, led by Germany (1.3% m/m) but also including France and Italy. Despite November's more upbeat numbers, it is too early to call it an industry turnaround, especially in the face of weaker demand for Eurozone products and inventories stuck at historically high levels. Compared to the same month in 2023 industrial production activity was 1.9% y/y lower, declining further from October's rate of -1.1%.

**Kuwait: Government preps draft excise tax law.** Local media reports that the Ministry of Finance is in the process of drafting a law for excise taxes in Kuwait. This follows the recent approval of a 15% top-up corporate income tax law in line with the OECD base erosion and profit-sharing framework (BEPS), which is expected to generate around KD250 million in public revenue, according to government estimates. These taxes form part of a broader effort to mobilize non-oil government revenue, including other potential measures, such as VAT and higher fees on government property and land leases. The ministry estimates the excise tax would add KD200 million to public revenues. Other important draft laws are reportedly in the final stages of approval, including the public debt law and a law to regulate withdrawals from the Future Generations Fund, measures which would enhance liquidity buffers and deficit-financing capacity.

**Saudi Arabia: Inflation eased to 1.9% y/y in December.** CPI inflation came in at 1.9% y/y in December, ticking down from 2% in November in the first slowdown since June. The main inflationary impulse continued to stem from the housing, water and electricity component with slower but still elevated inflation at 8.9% (9.1% in November) driven in large part by still high housing rental inflation (10.6%). Meanwhile food & beverage inflation rose to 0.8% y/y from 0.3%, which helped to offset ongoing price deflation in several other categories including transport, furnishings, and clothing/footwear. Looking forward, positive price pressure from the housing sector is set to continue in 2025 as demand remains strong and consistent with an expanding labor force and economy, while the broader deflationary pressure may ease as higher input prices potentially filter through to consumers to a greater extent in 2025. Against this background, we forecast slightly higher average inflation of 2.0% in 2025 from 1.7% in 2024.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,513	0.16	1.00
Bahrain (ASI)	1,894	0.01	-4.60
Dubai (DFMGI)	5,251	0.10	1.79
Egypt (EGX 30)	29,390	1.46	-1.18
GCC (S&P GCC 40)	731	0.50	1.23
Kuwait (All Share)	7,521	-0.12	2.16
KSA (TASI)	12,212	0.32	1.46
Oman (MSM 30)	4,605	-0.13	0.62
Qatar (QE Index)	10,429	0.42	-1.35

<b>International</b>			
CSI 300	3,796	-0.64	-3.53
DAX	20,575	1.50	3.34
DJIA	43,222	1.65	1.59
Eurostoxx 50	5,032	1.04	2.78
FTSE 100	8,301	1.21	1.57
Nikkei 225	38,445	-0.08	-3.63
S&P 500	5,950	1.83	1.16

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.69	0.04	0.35
Kuwait	4.00	6.25	6.25
Qatar	4.65	0.00	-2.50
UAE	4.45	9.66	0.22
Saudi	5.48	8.96	-5.78
SOFR	4.31	0.56	0.25

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.81	-14.00	7.0
Oman 2027	5.61	-14.00	5.0
Qatar 2026	4.72	-15.00	-7.0
Kuwait 2027	4.96	-4.00	-1.0
Saudi 2028	5.13	-9.00	5.0

<b>International 10YR</b>			
US Treasury	4.65	-13.83	8.2
German Bund	2.53	-9.50	16.6
UK Gilt	4.73	-15.35	16.5
Japanese Gvt Bond	1.25	1.00	17.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.07	0.09
KWD per EUR	0.32	-0.19	-0.35
USD per EUR	1.03	-0.17	-0.62
JPY per USD	156.47	-0.94	-0.45
USD per GBP	1.22	0.20	-2.17
EGP per USD	50.38	-0.04	-0.81

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.03	2.64	9.90
KEC	82.25	0.00	8.52
WTI	80.04	3.28	11.60
Gold	2712.5	1.31	3.17

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

Source: LSEG / Haver