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Daily
Economic Update

Economic Research Department
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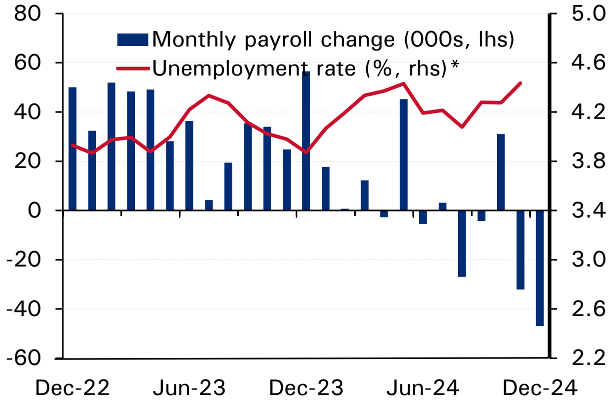
US: Trump mulling 10% tariff on Chinese imports, seemingly a less-hawkish approach. President Trump, in a press briefing, said he was considering subjecting imports from China to a 10% tariff, as soon as February 1, on concerns related to illicit imports of the drug-substance Fentanyl, after he unexpectedly held back on imposing tariffs on his first day at the White House. Details are still awaited, but talk of 10% tariffs seems more accommodative than the threat of an up to 60% duty he mentioned during the election campaign. Prior to this, China's Vice Premier, while warning against trade wars and protectionist policies, had struck a somewhat conciliatory tone at the ongoing World Economic Forum at Davos, stating that his country would be open to import more goods to balance trade, without specifying details. Markets' reaction to the comments was varied, with US equity futures pointing to opening in green but Chinese stock markets down this morning at the time of writing.

UK: Employment falls for the second consecutive month but wage growth accelerates. UK payrolls (based on employment tax records) fell to their lowest in over one year, dropping by 47K m/m in December, indicating firms continued to shed workers amid concerns about higher insurance contribution burdens. The unemployment rate rose to its six-month high of 4.4% in the Sep-Nov period from 4.3% in the preceding three months. Vacancies also dropped to 812K in Oct-Dec, extending the decline to 30 periods out of the past 31, and below the average of 2018-19. Meanwhile, regular pay growth (excluding bonuses) continued to accelerate, rising to 5.6% y/y in three months through November from 5.2% in the previous three months, partially helped by a favorable base effect. Total pay (including bonuses) also rose by 5.6% over the same period from 5.2% earlier, highlighting the risk of sustained wage growth pressure on the inflation trajectory. Overall, weakening employment prospects further underscore a faltering economic landscape, with elevated wage growth making it more difficult for the Bank of England to cut interest rates substantially to boost the economy. For now, the futures market continues to see two to three rate cuts through 2025.

UAE: Credit continues its robust performance in October. Growth in domestic bank credit reached its highest in more than eight years in October, at 7.6%, supported by strong growth in credit to the private sector of 9.3% due mainly to a robust rise in personal loans. Credit to the public sector (government plus GREs) grew by 2.7% y/y during the same period. This increase lifted the YTD growth in domestic credit to 7.7%, up from 5.3% during the corresponding period of 2023, remaining on an upward trend since 2022. Meanwhile, resident deposit growth remained also very strong in October, increasing to 14.6% y/y, slightly higher than September's 14.2%. This was driven by a 19.3% increase in private sector deposits, which constitute around 71% of total resident deposits. Accelerating credit growth points to an economy that retains considerable momentum, despite an extended boom during which non-oil growth has remained above 4% per year since 2021.

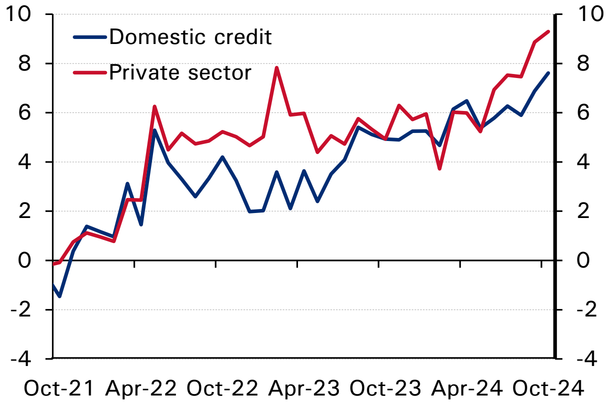
Chart 1: UK payroll change & unemployment rate



Source: ONS, * three-month average

Chart 2: UAE bank credit growth

(% y/y)



Source: Central Bank of UAE

Egypt: Suez Canal receipts to benefit from Houthis' moderating signals on shipping. Yemen's Houthis said that they would allow the passing of American and British ships and will only target Israeli ships moving forward. The news was welcomed by global shipping companies as it would mark a starting point towards bringing back stability and normal transit flows in the Red Sea area and through Suez Canal. This comes after almost a full year of ships avoiding passing through canal due to the Houthi attacks, causing canal receipts to drop by around $6bn in 2024. This also led to a widening of Egypt's current account deficit to $6bn in Q1 FY24/25 (from $2.8bn a year ago) and a deterioration in the net foreign asset position. The recovery in Suez Canal operations and tanker flow will help ease some of this external pressure on the pound and could also help ease the path to lower interest rates in the coming period.

Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,517	0.11	1.04
Bahrain (ASI)	1,904	-0.12	-4.12
Dubai (DFMGI)	5,220	0.46	1.19
Egypt (EGX 30)	29,827	0.70	0.29
GCC (S&P GCC 40)	738	0.11	2.27
Kuwait (All Share)	7,623	0.55	3.53
KSA (TASI)	12,370	-0.08	2.77
Oman (MSM 30)	4,613	-0.09	0.79
Qatar (QE Index)	10,507	0.00	-0.60
International			
CSI 300	3,833	0.08	-2.60
DAX	21,042	0.25	5.69
DJIA	44,026	1.24	3.48
Eurostoxx 50	5,166	0.03	5.51
FTSE 100	8,548	0.33	4.59
Nikkei 225	39,028	0.32	-2.17
S&P 500	6,049	0.88	2.85

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.69	-0.48	0.17
Kuwait	3.94	-6.25	0.00
Qatar	4.65	0.00	-2.50
UAE	4.44	2.56	-0.95
Saudi	5.40	0.75	-14.37
SOFR	4.29	-0.31	-1.50

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2027	4.70	-3.00	-4.0
Oman 2027	5.45	-13.00	-11.0
Qatar 2026	4.63	-3.00	-16.0
Kuwait 2027	4.93	-2.00	-4.0
Saudi 2028	5.01	-2.00	-7.0
International 10YR			
US Treasury	4.57	-4.96	0.0
German Bund	2.48	-1.55	11.5
UK Gilt	4.59	-6.95	2.3
Japanese Govt Bond	1.18	-1.00	10.5

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	0.06	0.00
KWD per EUR	0.32	0.12	0.86
USD per EUR	1.04	0.14	0.73
JPY per USD	155.50	-0.06	-1.07
USD per GBP	1.24	0.25	-1.25
EGP per USD	50.25	-0.04	-1.06

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	79.29	-1.07	6.23
KEC	83.09	-0.59	9.63
WTI	75.89	-2.56	5.81
Gold	2755	0.39	4.78

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

Source: LSEG / Haver

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