

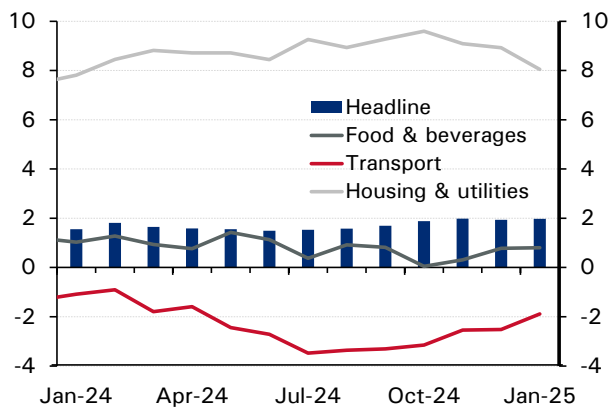
Daily Economic Update

Economic Research Department
17 February 2025

Saudi Arabia: Inflation edged up to 2.0% in January. Consumer price inflation rose to 2.0% y/y in January from 1.9% the previous month, tying with November for the highest annual price increase since July 2023. The higher reading came despite lower but still elevated inflation in housing and utilities (+8.0% from +8.9%), with housing rental inflation dropping to its lowest in nearly two years at 8.7% (+10.6% in December). Upward price pressure stemmed mainly from higher inflation in miscellaneous goods and services (+3.3%), while deflation eased in other categories, most notably in transport (-1.9% from -2.5%), clothing & footwear (-1.5% from -2.2%), and furnishings and household equipment (-2.4% from -2.8%), which together constitute around a quarter of the CPI basket. Inflation could drift up modestly in 2025 in line with evidence of rising input prices and robust growth in non-oil business activity (January's PMI was the highest in more than 10 years) but perhaps limited by strong competitive pressures.

Chart 1: Saudi Arabia CPI inflation

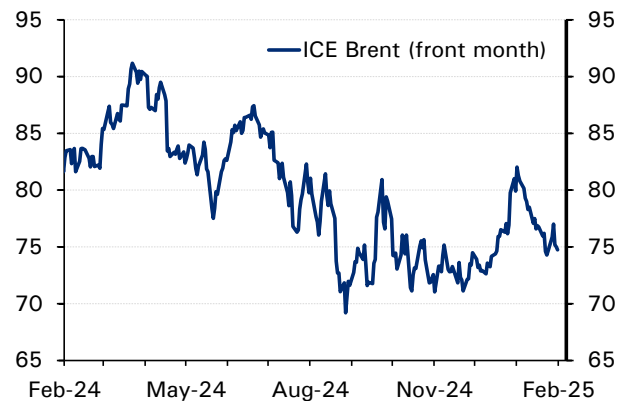
(% y/y)



Source: GASTAT

Chart 2: Oil prices

(\$/bbl)



Source: Haver

Oil: Prices end week largely unchanged. Brent futures closed Friday at \$74.7/bbl, recording a marginal 0.1% w/w gain as prospects for a Russia-Ukraine peace deal removed a portion of the embedded geopolitical risk premium but were balanced by the US administration's insistence on applying a 'maximum pressure strategy' on Iran that would drive its crude exports to 'near zero'. Announcements by US president Trump that he has started negotiations with Russian president Vladimir Putin weighed on the market as supply worries eased on a potential Ukraine peace deal, though it is unclear if Russia can actually afford to increase production given that it remains bound by its OPEC+ quota. Furthermore, the US's attempt to reinforce sanctions again on Iran are uncertain to have a large, continued impact on the country's crude flows as workarounds will typically re-emerge. Indeed, the International Energy Agency (IEA) reiterated a similar message in its latest oil market report, stating that the long-term impact of both tariffs and sanctions on Iran and Russia is still "too early to tell" and

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that “oil markets have continued to show remarkable resilience and adaptability”. Meanwhile, the agency has upgraded its oil demand growth projection for this year by 0.05 mb/d to 1.1 mb/d, accelerating from a downwardly revised estimate of 870 kb/d (-70 kb/d) for 2024. China is set to lead oil demand growth this year as higher petrochemicals sector consumption helped push Chinese oil demand growth back to positive territory in Q4 2024 and is expected to continue to play a leading role in the near term, especially after consumption of gasoline, gasoil, and jet/kerosene declined marginally in 2024.

Japan: GDP growth in Q4 beats estimates. GDP increased by 0.7% q/q in Q4, easily beating expectations of 0.3% while Q3 growth was revised higher to 0.4% from 0.2%. However, private consumption expenditure (more than 50% of GDP) slowed sharply to 0.1% q/q from 0.7% in the previous quarter, though also came in higher than expected. Private consumption was likely weighed down by high inflation, which reached a recent high of 3.6% in December. Business spending rebounded, increasing by 0.5% q/q while net exports supported growth given higher exports and lower imports. For full-year 2024, growth stood at just 0.1%, down from 1.5% in 2023.

Global: FOMC meeting minutes, flash February PMIs, and Japan/UK inflation key matters this week. In the **US**, the minutes of the FOMC January meeting will be released on Wednesday, with markets looking for clues about members’ take on tariffs and other policies and their likely impact on the economy and interest rates. In terms of data releases, the flash S&P PMIs for February are due on Friday. In the **Eurozone**, February flash PMIs are also due on Friday, with the manufacturing one seen rising to 47.0 from 46.6 in January and the services one seen inching up to 51.5 from 51.3. In the **UK**, consensus forecasts point to a reacceleration in inflation in January (Wednesday), with headline and core CPI readings expected at 2.8% y/y and 3.7% from 2.5% and 3.2%, respectively, in December. Other key releases include total wage growth (Tuesday), which is seen rising to 5.9% y/y in December from 5.6% in November. Meanwhile, the flash S&P PMIs for February (Friday) are expected to show a very slight improvement in manufacturing (to 48.5 from 48.3) and in services (to 51 from 50.8). In **China**, the January price index for new houses will be released on Wednesday with the market keen to see if the slight narrowing in y/y decreases that was seen in November and December will be sustained in January. Finally in **Japan**, the January trade data is due on Wednesday, with solid growth expected in exports (7.9% y/y) as well as imports (9.7%) while core inflation (Friday) is seen rising to 3.1% y/y in January from 3% in December.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,626	n/a	2.19
Bahrain (ASI)	1,894	0.12	-4.63
Dubai (DFMGI)	5,362	n/a	3.94
Egypt (EGX 30)	30,444	1.49	2.36
GCC (S&P GCC 40)	747	-0.08	3.43
Kuwait (All Share)	8,028	0.11	9.04
KSA (TASI)	12,372	-0.10	2.79
Oman (MSM 30)	4,479	0.02	-2.13
Qatar (QE Index)	10,605	-0.13	0.32

International			
CSI 300	3,939	n/a	0.10
DAX	22,513	n/a	13.08
DJIA	44,546	n/a	4.71
Eurostoxx 50	5,493	n/a	12.20
FTSE 100	8,732	n/a	6.84
Nikkei 225	39,149	n/a	-1.87
S&P 500	6,115	n/a	3.96

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.67	0.00	-1.95
Kuwait	3.94	-6.25	0.00
Qatar	4.65	0.00	-2.50
UAE	4.37	0.00	-7.18
Saudi	5.59	6.42	4.74
SOFR	4.32	n/a	1.79

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.54	n/a	-20.0
Oman 2027	5.32	n/a	-24.0
Qatar 2026	4.51	n/a	-28.0
Kuwait 2027	4.76	n/a	-21.0
Saudi 2028	4.98	n/a	-10.0

International 10YR			
US Treasury	4.48	n/a	-9.5
German Bund	2.42	n/a	6.1
UK Gilt	4.50	n/a	-6.7
Japanese Gvt Bond	1.35	n/a	27.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.15	0.16
KWD per EUR	0.32	0.19	1.55
USD per EUR	1.05	0.00	1.33
JPY per USD	152.33	0.00	-3.09
USD per GBP	1.26	0.00	0.59
EGP per USD	50.58	0.00	-0.41

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	74.74	n/a	0.13
KEC	78.18	n/a	3.15
WTI	70.74	n/a	-1.37
Gold	2883.6	n/a	9.68

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

Source: LSEG / Haver

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