

Daily Economic Update



Economic Research Department
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US: Reciprocal tariffs and new auto duties to be unveiled in early April. President Trump instructed to impose reciprocal tariffs “for purposes of fairness,” customized for each nation, which could be finalized by early April. The rate structures could also factor in non-trade barriers such as VAT and ‘unfair’ subsidies, with Trump stating that these would apply to “everybody across the board.” However, no further details or effective date has been announced yet. He also pledged to levy new tariffs on the auto sector by ‘around April 2’, without specifying the tariff rate, potentially impacting US auto imports worth around \$240bn in 2024, with Mexico, Japan, South Korea, Canada, and Germany being top suppliers. While details will continue to evolve, the delayed implementation helped calm some worries as market participants took it as a sign of room for negotiation between the US and its top trading partners to allow potential exemptions or to soften the blow.

US: Retail sales slump on weather and fire events, wholesale inflation comes in mixed. Retail sales in January fell by a more-than-expected 0.9% m/m (+4.2% y/y) from an upwardly revised 0.7% m/m (4.4% y/y) increase in December, recording their sharpest monthly drop in nearly two years. Severe wildfires in Los Angeles and winter storms in other parts of the US likely impacted spending in January and therefore, it seems too early to read too much into the sharp pullback in sales. Colder weather conditions helped industrial production record a gain of 0.5% (+2% y/y) in January following a 1% (0.4% y/y) increase in December, driven by soaring utilities output (+7.2% m/m) as manufacturing and mining fell. Meanwhile, wholesale inflation (PPI for final demand) in January rose faster than expected, remaining steady at 3.5% y/y, with underlying price rises (excluding food, energy, and trade services) also staying elevated at 3.4% from 3.5% in December. However, some service components that feed into core PCE inflation, such as airfares and medical services, posted strong drops on a monthly basis that boosted hopes of a milder core PCE inflation figure for January compared to the already-released hotter CPI print.

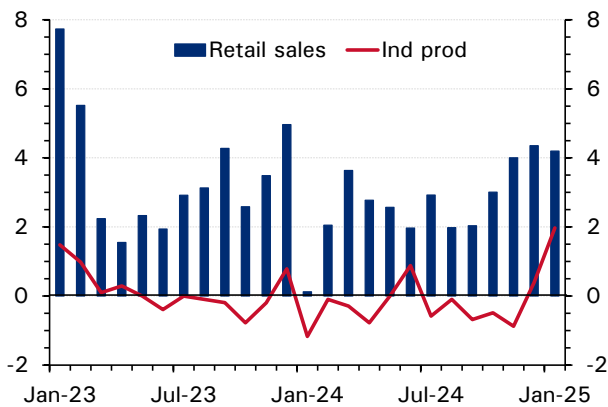
UK: GDP unexpectedly grows 0.1% q/q in Q4. GDP growth in Q4 came in at 0.1% q/q (1.4% y/y), improving from no growth q/q (1% y/y) in Q3 and versus the Bank of England and market forecasts of a decline of 0.1. Q4 growth was mainly driven by higher government expenditures and an increase in stocks/inventory, while household spending was flat and business investments fell, underscoring sustained headwinds for a meaningful recovery in the overall economic environment. For the monthly data, GDP growth in December accelerated to a nine-month high of 0.4% m/m (0.1% forecast) from November’s 0.1% rise, on a stronger increase in services, explaining the outperformance in Q4 compared to expectations. For the full year 2024, GDP growth picked up from 0.4% in 2023 to an uninspiring 0.9%. Expectations for growth in 2025 remain overall subdued amid fresh tax rises on businesses, pressure on the government to trim spending due to a weak fiscal position and to a smaller extent, US tariff-related uncertainty.

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Chart 1: US retail sales and industrial production

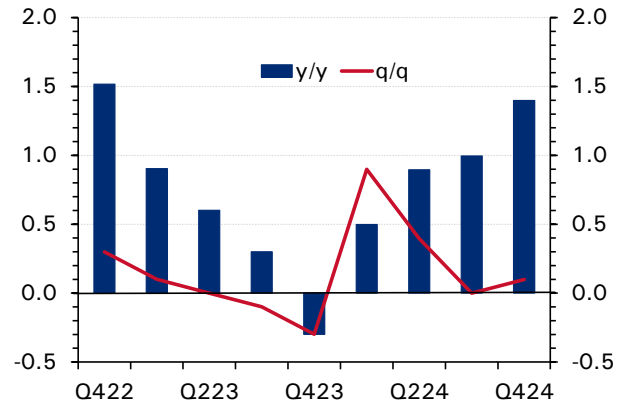
(% y/y)



Source: Haver

Chart 2: UK GDP

(%)



Source: Haver

Eurozone: Q4 GDP growth slightly upgraded to 0.1% q/q. GDP growth for Q4 was revised higher to 0.1% q/q in the second estimate from 0% in the first estimate, putting growth for full-year 2024 at 0.7%. However, the bloc's two largest economies, Germany and France, contracted in Q4 by 0.2% and 0.1% q/q, respectively. Meanwhile, industrial production continued to decline in December, falling by 2% y/y, steeper than November's 1.8% drop, but better than consensus expectations of a 3.1% decrease. Notably, the Eurozone's three largest economies Germany, France, and Italy recorded steep declines of 4.0%, 1.3%, and 7.1%, respectively.

Egypt: Unemployment eases to 6.4% in Q4 2024. The unemployment rate declined to 6.4% in Q4 2024, down 0.3% points from the previous quarter and 0.5 % points from a year earlier. The decline was driven by a 2.8% expansion in the labor force to 33.1 mn, with 935k securing jobs and 29k fewer unemployed. Female unemployment dropped 1.6% points to 16.6%, while male unemployment fell to 3.9%. Youth unemployment declined slightly, though it still made up 64.6% of total unemployment. Wage employment dominated at 71%, while agriculture (18.5%), wholesale/retail (16%), and manufacturing (13.3%) were the largest job sectors. Labor force participation increased to 45.5%, up from 44.4% in Q3 2024 and 43.1% in Q4 2023.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,626	-0.34	2.19
Bahrain (ASI)	1,892	0.00	-4.75
Dubai (DFMGI)	5,362	0.80	3.94
Egypt (EGX 30)	29,997	1.13	0.86
GCC (S&P GCC 40)	747	-0.08	3.43
Kuwait (All Share)	8,019	0.56	8.92
KSA (TASI)	12,385	-0.01	2.90
Oman (MSM 30)	4,478	-0.18	-2.15
Qatar (QE Index)	10,619	0.23	0.45

International			
CSI 300	3,939	0.87	0.10
DAX	22,513	-0.44	13.08
DJIA	44,546	-0.37	4.71
Eurostoxx 50	5,493	-0.13	12.20
FTSE 100	8,732	-0.37	6.84
Nikkei 225	39,149	-0.79	-1.87
S&P 500	6,115	-0.01	3.96

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.67	0.00	-1.95
Kuwait	4.00	0.00	6.25
Qatar	4.65	0.00	-2.50
UAE	4.37	-6.32	-7.18
Saudi	5.52	0.00	-1.68
SOFR	4.32	0.50	1.79

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.54	-6.00	-20.0
Oman 2027	5.32	-9.00	-24.0
Qatar 2026	4.51	-5.00	-28.0
Kuwait 2027	4.76	0.00	-21.0
Saudi 2028	4.98	-5.00	-10.0

International 10YR			
US Treasury	4.48	-5.45	-9.5
German Bund	2.42	0.40	6.1
UK Gilt	4.50	0.90	-6.7
Japanese Gvt Bond	1.35	0.00	27.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.11	0.01
KWD per EUR	0.32	0.19	1.55
USD per EUR	1.05	0.26	1.33
JPY per USD	152.33	-0.30	-3.09
USD per GBP	1.26	0.16	0.59
EGP per USD	50.58	0.00	-0.41

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	74.74	-0.37	0.13
KEC	78.18	0.98	3.15
WTI	70.74	-0.77	-1.37
Gold	2883.6	-1.45	9.68

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

Source: LSEG / Haver