Daily
Economic Update

Economic Research Department
13 April 2025

US: Administration looks to provide some tariff reprieves, while Fed officials careful on rate cuts. President Trump announced exemptions on reciprocal tariffs for certain electronic goods including smart phones and computers. Moreover, prior to the announcement of these exclusions, he had hinted at providing "a couple of exemptions" for some countries but added that generally "10% is a floor." However, previously touted tariffs on semiconductors are currently being worked on, implying that the latest exemptions on some electronic goods may be temporary. Still, a possible consideration of relief underscores a more pragmatic approach following the bond and equity market routs seen last week. Meanwhile, several Fed officials expect the Fed to maintain a caution stance on interest rate cuts given an uncertain government policy environment. New York Fed president John Williams predicted that uncertainty amidst tariffs and reduced immigration could dampen the growth "somewhat below 1%" and push inflation to 3.5-4%, seeing the current modestly restrictive monetary policy stance as appropriate. However, Boston Fed president Susan Collins, while describing the current market functioning and liquidity conditions as normal, emphasized that the Fed "would absolutely be prepared" to stabilize financial markets should the need arises. At the end of an extremely volatile week, the S&P 500 increased by 1.8% on Friday, but UST 10Y yields, in a worrying sign, rose by around 10 bps on Friday to close at almost 4.5%, around 45 bps higher on the week.

Eurozone: EU pauses tariff retaliation for 90 days. The European Union announced a 90 day pause on its €21 billion ($23.2 billion) tariffs against the US, one day after the Trump administration announced its pause on tariffs on non-retaliating countries. The EU's tariffs, which were initially intended to start in stages from mid-April, will be paused as the EU and US look to negotiate a solution to their trade disputes. The European Commission has previously suggested "zero-for-zero" tariffs with the US, but that proposal appears not to have been pursued as the Trump White House continues to demand redress for other "non-trade" barriers, such as the VAT tax and other regulatory impediments.

UK: GDP growth in February rises strongly but outlook cloudy on global trade worries. UK GDP growth in February increased sharply by a more-than-forecast 0.5% m/m (1.4% y/y) from January's upwardly revised figure (1.2%) on a broad-based sectoral improvement led by manufacturing (2.2% m/m). The sharp rebound in manufacturing activity in February suggests that factories raised output before the imposition of US tariffs and the expected adverse impact on trade and external demand that these would cause; UK exports to the US increased substantially in February but may not hold up over the coming months. Moreover, the UK government's tight fiscal position leaves little room to provide additional stimulus, making the overall growth trajectory uncertain.

China: Tariffs on US imports increase for possibly the final time. China's government raised tariffs on US imports by an additional 41% to 125%, a response motivated by White House officials clarifying that the US's tariffs on China add up to 145%, not 125% as previously stated. Despite this, China's Customs Tariff Commission of the State Council has stated that it will disregard any future tariff increases by the US, stating that there is already

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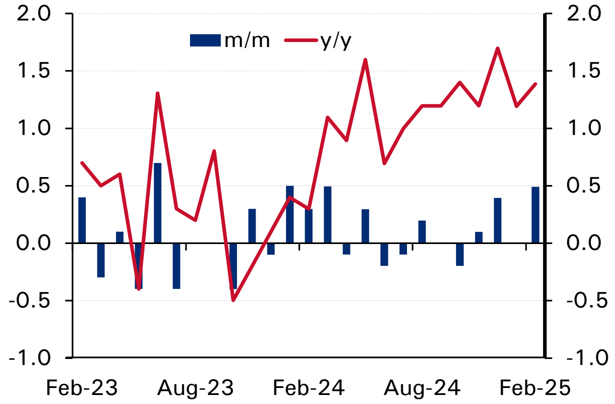
"no market acceptance" for US goods in China. Additionally, the US has excluded smartphones and other electronics from their tariff list, which is a positive development for China.

Chart 1: UK GDP

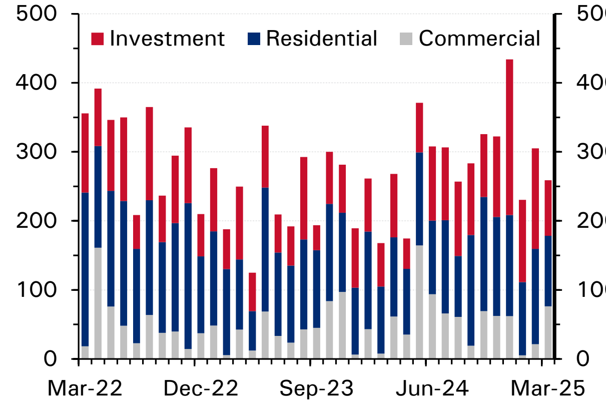
(%)



Source: Haver

Chart 2: Kuwait real estate sales

(KD million, per month)



Source: Ministry of Justice (MoJ)

Kuwait: Real estate sales decline in March amid a seasonal slowdown. Real estate sales fell in March by 15.1% m/m (-3.4% y/y) to KD259 million. The decline in March is likely tied to seasonal factors, including the impact of Ramadan on market activity, with sharp contractions observed in the residential (-26% m/m; -11% y/y) and investment (-44% m/m; -12.4% y/y) segments. In contrast, commercial real estate sales bucked the trend, with sales tripling to KD76.3 million (255% m/m; 24% y/y). Despite the pullback in March, real estate sales (cumulative) for Q1 2025 were strong at KD794 million, increasing by almost 14% over the same quarter in 2024, with the investment sector spearheading growth (49% y/y). Looking ahead, our base case is for real estate activity to improve through 2025, supported by broader non-oil sector growth, potential interest rate cuts, and the anticipated cabinet approval of the mortgage law.

Egypt: Inflation edges up and government hikes petrol prices. Inflation picked up slightly in March to 13.6% y/y (1.6% m/m) from 12.8% y/y in February (1.4% m/m), driven mainly by the food and beverages basket as Ramadan saw higher demand than usual. However, core inflation fell to a more than 3-year low of 9.5% y/y (0.9% m/m). Moving forward, we expect headline inflation to trend up and peak at around 16% y/y by mid-2025 before correcting downwards to end the year at 14%. Furthermore, the government has increased fuel prices (by 12-15%) for the first time in almost 6 months. We have accounted for these price hikes in our inflation trajectory and maintain our view that interest rates will be cut sharply this year, likely starting on April 17th. However, we believe that overall global and regional sentiment could allow the central bank to opt for a more cautious approach than previously expected. Rating agency S&P's latest decision to trim Egypt's credit outlook to stable from positive mainly on the back of high debt servicing costs and a vulnerable external position supports such a view. We expect better clarity for the year after the April 17th decision as both the magnitude of the cut and the MPC statement providing key guidance.

Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,158	0.36	-2.77
Bahrain (ASI)	1,902	0.29	-4.24
Dubai (DFMGI)	4,966	-0.16	-3.73
Egypt (EGX 30)	30,811	2.43	3.60
GCC (S&P GCC 40)	708	0.09	-1.93
Kuwait (All Share)	7,820	1.55	6.21
KSA (TASI)	11,503	3.66	-4.44
Oman (MSM 30)	4,270	0.70	-6.69
Qatar (QE Index)	10,095	1.93	-4.50
International			
CSI 300	3,751	0.41	-4.69
DAX	20,374	-0.92	2.34
DJIA	40,213	1.56	-5.48
Eurostoxx 50	4,787	-0.66	-2.22
FTSE 100	7,964	0.64	-2.56
Nikkei 225	33,586	-2.96	-15.81
S&P 500	5,363	1.81	-8.81

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.65	0.00	-4.26
Kuwait	4.00	0.00	6.25
Qatar	4.65	0.00	-2.50
UAE	4.25	11.40	-19.18
Saudi	5.35	0.00	-19.08
SOFR	4.24	1.21	-6.34

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2027	4.40	6.00	-34.0
Oman 2027	5.59	19.00	3.0
Qatar 2026	4.47	-3.00	-32.0
Kuwait 2027	4.74	8.00	-23.0
Saudi 2028	4.92	8.00	-16.0
International 10YR			
US Treasury	4.50	7.16	-7.7
German Bund	2.53	-5.45	16.5
UK Gilt	4.75	10.65	18.7
Japanese Gvt Bond	1.34	-3.00	26.5

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	-0.10	-0.52
KWD per EUR	0.35	1.41	9.42
USD per EUR	1.14	1.46	9.73
JPY per USD	143.51	-0.65	-8.70
USD per GBP	1.31	0.87	4.55
EGP per USD	51.28	0.00	0.96

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	64.76	2.26	-13.24
KEC	67.36	-0.68	-11.12
WTI	61.5	2.38	-14.25
Gold	3222.2	2.12	22.55

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

Source: LSEG / Haver

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