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Daily
Economic Update

Economic Research Department
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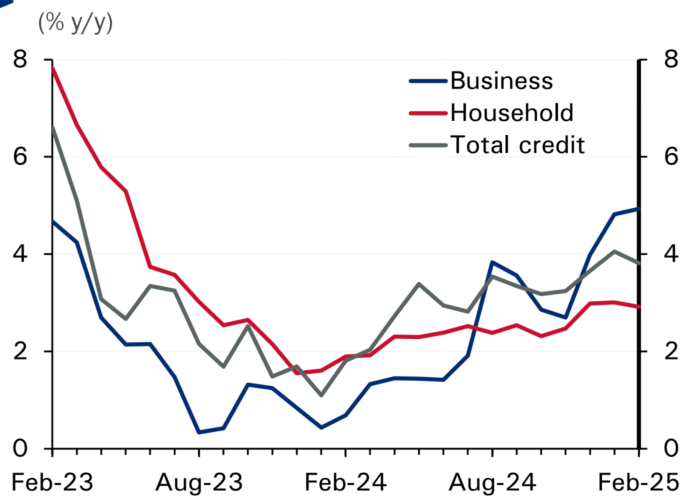
Kuwait: February confirms good start to the year in terms of credit growth, led by business credit. Domestic credit increased by a good 0.5% in February, driving up YTD growth to 0.7% (3.8% y/y). Growth was mostly driven by business credit, which remained solid for the third straight month (0.7% m/m) pushing up the YTD increase to 1.5% (4.9% y/y). Like in January, this growth was broad-based across the different sectors with “trade”, “other services”, and “industry” in the lead YTD. The oil/gas sector, which had fallen for three consecutive years, has now increased for the fourth month in a row, up 4.2% since October. Household credit growth weakened further, to 0.1% in February (2.9% y/y), an eight-month low. We note that in both 2023 and 2024, household credit was much stronger in the second half of the year than in the first half. Overall, it continued to be a good start to the year in terms of credit growth, especially in terms of business credit. Meanwhile, driven by private-sector deposits, resident deposits increased by 0.4% in February, driving up YTD growth to 1.2% (4.1% y/y). Government deposits fell for the fifth straight month, down 10% since September. Within private-sector KD deposits, CASA increased for the second consecutive month, pushing y/y growth further into positive territory (1.8%) after being in the red for nearly 2.5 years.

Chart 1: Kuwait credit growth



Source: Central Bank of Kuwait

US: Trump pauses larger ‘reciprocal’ tariffs for 90 days, spurring a sharp relief rally in equity markets, but uncertainty to continue. President Trump paused steep reciprocal tariffs for 90 days for ‘non-retaliating’ countries that had become effective yesterday. The 10% baseline tariff rate still remains in place for all countries, along with 25% sectoral tariffs and previously announced drugs and illegal immigration linked duties on non-USMCA-compliant imports from Canada and Mexico. However, he also raised duties on China to 125%

after the latter announced to impose its own 84% levies on US goods. Earlier in the week, the US administration had dismissed considering any such blanket reprieve as cited in media, calling it “fake news.” These steep tariffs had caused cratering in US and global equity markets, wild swings in US treasury bond yields, mounting recession worries, and importantly, resentment amongst some core supporters, which may have led to the reversal in Trump’s stance. However, uncertainty remains given the huge volatility in tariff policy from the US administration so far and the impact of baseline and sectoral tariffs on US growth and inflation trajectories. Treasury Secretary Bessent defended the move, saying tariff threats had aligned with the president’s strategy of creating “maximum negotiation leverage” in ongoing talks with several trade partners. Post trade deals with US’s traditional allies, he also pitched for forming a group to collectively address trade imbalances with China. Equity markets staged a massive relief rally on these developments, with the S&P 500 surging 9.5% yesterday, its best daily gain since 2008 and most Asian markets also rising this morning.

US: Fed cautious about higher inflation and slower growth amid tariff uncertainty, FOMC meeting minutes show. Fed officials were generally concerned about higher inflation and slower economic growth outlooks amid growing government policy uncertainty at the FOMC’s meeting last month, at which they left the Fed fund target rate unchanged at 4.25-4.5% range, the meeting minutes showed. Some participants also observed “difficult tradeoffs” in forming a monetary policy approach amid upside risks to inflation and downside risks to growth and employment. A few members were also inclined to maintain the balance sheet runoff rate, which was trimmed to $5bn for treasury securities from $25bn earlier but kept unchanged for MBS at $35bn per month. We think that it would be difficult for the Fed to cut interest rates aggressively over the course of the year while inflation would likely remain persistently above the 2% target in 2025/26. After the ‘temporary’ tariff pause, futures markets pared back rate cut expectations from almost five cuts to around three cuts in 2025, with the first move now seen in June instead of May.

China: Full trade war with the US unfolding as leaders meet to discuss economic stimulus. China raised the tariff on US imports by an additional 50% (to 84%), retaliating to the further tariff increase by the US. Following China’s move, the US hiked the tariff rate to 125% (from 104%). The country’s current tough stance is in stark contrast to its measured response at the start of the trade war when it only raised tariffs by 10-15% on certain energy imports and agricultural goods. Since then, China vowed to “fight to the end”, first raising tariffs by 34% and now to 84%, in addition to adding six more US companies to its “unreliable entity” list and allowing its currency to depreciate. Meanwhile, China’s leaders are expected to meet today to discuss additional economic stimulus following the widening trade war with the US. In terms of data, March’s CPI inflation data remained negative for the second consecutive month, showing a 0.1% y/y decrease when markets expected a 0.1% rise. Similarly, PPI inflation continued its fall, reaching its 30th straight month of declines with this month’s 2.5% decrease (versus the 2.3% expected).

Eurozone: EU approves retaliation on last month’s US-imposed tariffs on steel and aluminum. In an expected move, the European Union voted to impose tariffs on US products worth €21 billion ($23.2 billion), effective in stages, the first starting mid-April. This retaliation is strictly against the 25% US-imposed tariffs on steel and aluminum. The tariffs, mostly at a 25% rate, will be on products including soybeans, diamonds, agricultural products, poultry, motorcycles, etc. The bloc’s announcement came hours before President Trump announced that he would pause the “reciprocal” tariffs on countries that did not retaliate. Overall, the EU has taken a parallel approach of prioritizing negotiations with the US and at the same time preparing a retaliation package. Hence, negotiations should happen with the EU mentioning that their countermeasures can be suspended “should the US agree to a fair and balanced negotiated outcome."

Japan: Bank of Japan governor highlights uncertainty while keeping rate hike stance. BoJ governor Kazuo Ueda emphasized the need for carefully scrutinizing potential ramifications of US tariffs measures on the economic outlook, highlighting their possible effects on inflation expectations and corporate sentiment while reiterating BoJ readiness for further rate hikes should the economy continue to recover in line with projections. Meanwhile, the 2025 Shunto spring wage negotiations marked a historic milestone, with major firms agreeing to an average wage increase of 5.4%— up by 0.18 percentage points from last year and the most substantial rise in over three decades. Moreover, small companies' pay negotiations resulted in a 5% pay increase, up by 0.31 percentage points from the same stage in 2024, according to the Japanese Trade Union Confederation (Rengo). The strong increase in wages in 2025, persistent inflationary pressures, and the expected impact of US tariffs on growth highlights the challenges that the BoJ faces to judge the timing of its next interest rate hike.

Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,066	0.85	-3.75
Bahrain (ASI)	1,896	-0.16	-4.51
Dubai (DFMGI)	4,893	0.05	-5.15
Egypt (EGX 30)	30,080	-1.86	1.14
GCC (S&P GCC 40)	687	-0.83	-4.82
Kuwait (All Share)	7,700	-0.53	4.59
KSA (TASI)	11,097	-1.82	-7.81
Oman (MSM 30)	4,241	-0.47	-7.34
Qatar (QE Index)	9,904	0.08	-6.31
International			
CSI 300	3,687	0.99	-6.31
DAX	19,671	-3.00	-1.20
DJIA	40,608	7.87	-4.55
Eurostoxx 50	4,622	-3.17	-5.59
FTSE 100	7,679	-2.92	-6.04
Nikkei 225	31,714	-3.93	-20.51
S&P 500	5,457	9.52	-7.22

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.63	0.00	-5.90
Kuwait	4.00	0.00	6.25
Qatar	4.65	0.00	-2.50
UAE	4.14	-6.24	-30.10
Saudi	5.33	-14.40	-20.53
SOFR	4.21	0.26	-9.49

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2027	4.35	6.00	-39.0
Oman 2027	5.56	19.00	0.0
Qatar 2026	4.47	7.00	-32.0
Kuwait 2027	4.65	7.00	-32.0
Saudi 2028	4.85	8.00	-23.0
International 10YR			
US Treasury	4.32	3.57	-24.7
German Bund	2.58	-4.50	21.8
UK Gilt	4.79	18.25	22.3
Japanese Gvt Bond	1.27	1.00	19.5

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	-0.18	-0.22
KWD per EUR	0.34	-0.22	5.73
USD per EUR	1.10	-0.05	5.78
JPY per USD	147.72	0.98	-6.02
USD per GBP	1.28	0.38	2.42
EGP per USD	51.62	0.78	1.63

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	65.48	4.23	-12.27
KEC	64.33	-4.82	-15.12
WTI	62.35	4.65	-13.06
Gold	3056.5	2.97	16.25

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

Source: LSEG / Haver

T: (+965) 2229 5500, econ@nbk.com Visit our publications | Unsubscribe from this list | Comments & feedback