

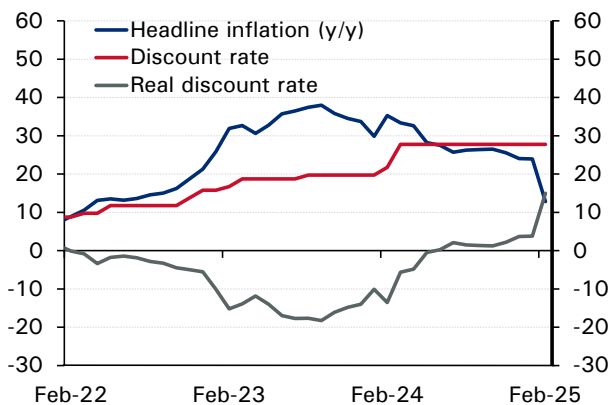
# Daily Economic Update

Economic Research Department  
11 March 2025

**Egypt: Inflation plunges in February on favorable base effects, enters a new norm.** Inflation corrected sharply downwards in February, as expected, to 12.8% y/y from 24% in January, helped by a favorable base-effect reflecting a sharp currency devaluation-linked jump in prices a year earlier. On a monthly basis, inflation slowed to 1.4% m/m from 1.5% m/m in January. The core inflation rate also softened to 10% y/y (1.6% m/m) in February from 22.6% (1.7% m/m) in January, still driven by favorable base effects. Looking forward, we expect inflation to average 15% for 2025 and 12% for 2026, which takes into account a resumption in fuel subsidy cuts, electricity prices hikes, and possible natural gas price increases in 2025. The current inflation target set by the CBE is 7% (+/- 2%) for Q4 2026, which appears likely to be met based on the current dynamics. These figures should encourage the CBE to commence the monetary easing cycle at its next meeting in April, possibly cutting rates by 2-3% with another 3-5% in H2 this year. With the sharp drop in inflation, real policy interest rates currently stand at 15% and could remain substantially elevated even after the CBE embarks on its easing cycle, possibly ending the year at around 8-9%.

**Chart 1: Egypt inflation and interest rates**

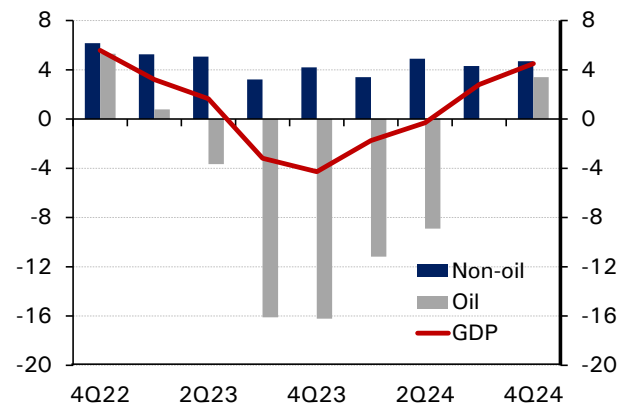
(%)



Source: CAPMAS, CBE, NBK calculations

**Chart 2: Saudi GDP Growth**

(% y/y)



Source: GASTAT

**Saudi Arabia: GDP growth revised up slightly to 4.5% in Q4 2024 and 1.3% for 2024.** According to official data, in the final GDP reading for Q4 2024, growth was revised up to 4.5% y/y (0.5% q/q) from the preliminary estimate of 4.4%. This is the fastest pace of growth in two years and a strong improvement on the 2.8% recorded in Q3. Gains were once again driven by the non-oil sector (4.7% y/y), which outperformed both the government (2.2%) and the oil sectors (3.4%). The latter expanded for the first time since Q1 2023, largely due to base effects (lower-than-expected oil production in Q4 2023). Looking at the sectoral level in Q4, output gains were broad-based but notably robust in the petroleum refining (15.3% y/y), wholesale, retail, trade & restaurants & hotels (6.9%) – linked to strong tourism growth – and finance, insurance and real estate services (6.2%). For

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the full year, the Saudi economy grew by 1.3%, rebounding from a 0.8% contraction in 2023, with the non-oil sector expanding by a robust 4.3%, down marginally from 4.4% in 2023, while the oil sector declined by 4.5%, though improving on the previous year's contraction of 9%. Looking at GDP growth in 2024 in terms of expenditure, private consumption and investment growth both remained solid at 3.2% and 2.6%, respectively, with the latter driven by the Kingdom's ongoing efforts to diversify the economy under the Vision 2030 initiative. Meanwhile, exports declined by 1.4%, while imports increased by 5%, aligning with expansion in the broader non-oil domestic economy. Looking ahead into 2025, while oil output should gradually recover, non-oil economic growth could remain steady on sustained private sector investment, strong tourism growth, and solid private consumption thanks to higher employment.

**US: Consumer inflation expectations broadly steady but overall views downbeat.** Consumers' year-ahead inflation expectations in February rose slightly to 3.1% from 3% in January but remained steady for three-year and five-year horizons at 3% each, according to a New York Fed survey. Still, these outlooks are more moderate than the previously reported University of Michigan survey, which saw long-term inflation expectations soaring to a multi-decade high of 3.5% in February on tariff-related worries. Consumers' views on the labor market were mixed, with steady earnings growth expectations and slightly lower chances of losing one's job. However, expectations for a higher unemployment rate over the next year also jumped to the highest since September 2023. Meanwhile, perceptions about household finances also worsened, with tighter access to credit, rising debt delinquency tendencies over the next three months, along with an overall weaker financial situation in the year ahead. Deteriorating consumer and business confidence amid uncertainties about tariffs and other policies (related to federal spending cuts) has recently adversely impacted the overall economic landscape. Worries about slowing momentum saw the S&P 500 drop 2.7% d/d and tech-heavy Nasdaq 100 fall 4% yesterday. Since hitting its all-time high on February 19, the S&P 500 has now fallen 8.7%. UST 10Y yields also declined by around 9bps yesterday to close at 4.22%, down almost 60 bps since mid-January.

**Japan: GDP growth revised lower in Q4.** Final GDP estimates for Q4 2024 were downwardly revised to 0.6% q/q, slightly lower than the preliminary estimate of 0.7%, but higher than Q3's growth of 0.4%. The revision was largely attributed to softer consumer spending and a downward adjustment in private and public capital expenditures. Meanwhile, household spending growth, a leading indicator for private consumption, softened to 0.8% y/y in January from a 2.7% increase in December on lower expenditures on food, clothing, household goods and transportation amid higher inflationary pressures seen in the last few months. Weaker growth and a fragile consumption recovery would complicate the Bank of Japan's (BoJ) path towards further rate hikes. However, the upward pressure on consumer prices and the anticipated wage growth in April could still push the BoJ towards a hike in May.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,393	-0.58	-0.28
Bahrain (ASI)	1,972	-0.02	-0.72
Dubai (DFMGI)	5,136	-1.66	-0.44
Egypt (EGX 30)	31,137	0.02	4.70
GCC (S&P GCC 40)	730	-0.31	1.15
Kuwait (All Share)	8,067	0.32	9.57
KSA (TASI)	11,746	-0.77	-2.42
Oman (MSM 30)	4,406	-0.32	-3.72
Qatar (QE Index)	10,532	0.06	-0.37

<b>International</b>			
CSI 300	3,929	-0.39	-0.16
DAX	22,621	-1.69	13.62
DJIA	41,912	-2.08	-1.49
Eurostoxx 50	5,387	-1.49	10.03
FTSE 100	8,600	-0.92	5.23
Nikkei 225	37,028	0.38	-7.18
S&P 500	5,615	-2.70	-4.54

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.62	-0.97	-6.86
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.29	10.59	-15.19
Saudi	5.47	12.81	-6.64
SOFR	4.29	-0.24	-1.27

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.23	1.00	-51.0
Oman 2027	5.17	-11.00	-39.0
Qatar 2026	4.45	1.00	-34.0
Kuwait 2027	4.58	-9.00	-39.0
Saudi 2028	4.66	-6.00	-42.0

<b>International 10YR</b>			
US Treasury	4.22	-8.62	-35.4
German Bund	2.83	-1.00	46.3
UK Gilt	4.65	-0.25	7.9
Japanese Gvt Bond	1.57	5.00	49.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.03	-0.02
KWD per EUR	0.33	0.04	4.82
USD per EUR	1.08	0.00	4.63
JPY per USD	147.26	-0.52	-6.31
USD per GBP	1.29	-0.36	2.90
EGP per USD	50.55	-0.06	-0.47

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	69.28	-1.53	-7.18
KEC	74.19	0.79	-2.11
WTI	66.03	-1.51	-7.93
Gold	2891	-0.47	9.96

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

Source: LSEG / Haver

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