

# Daily Economic Update

Economic Research Department  
12 March 2025

**US: Previously set 25% levies on steel and aluminum imports to the US effective today.** President Trump's previously announced 25% tariffs on all steel and aluminum imports (worth around \$60bn) went into effect this morning without any exemptions for now. Earlier in the day, Trump had threatened to levy double duties on Canadian metal imports citing the latter's retaliatory measures, including a 25% surcharge on electricity exports to US. However, after Ontario authorities agreed to rescind their electricity surcharges, the US administration discarded additional levy plans. Trump also downplayed recession worries and dismissed current volatility in financial markets, saying it "doesn't concern" him. As the events unfolded yesterday, US equity markets whipsawed sharply, with the S&P 500 ending the day with a drop of 0.8% but yields on UST 10Y up to around 4.3%. The EU also just announced their own counter duties on imports from the US worth €26bn (\$28.3bn), in retaliation to the US metal tariffs, but they won't be fully effective until mid-April. On the data front, job opening and labor turnover indicators (JOLTS report) in January strengthened, with openings rising to 7.7mn from 7.5mn in December, stable hiring, fewer layoffs, and a six-month high quits rate (2.1% from 1.9%). However, these results are based on a survey that was conducted before the new administration's tariff and federal spending policies saw any firm actions. Given a sharp reversal in business and consumer sentiment over the last few weeks, JOLTS indicators in February/March may weaken, aligning with more recent subdued labor market data such as moderating payroll gains, higher continuing jobless claims, and an increased unemployment rate.

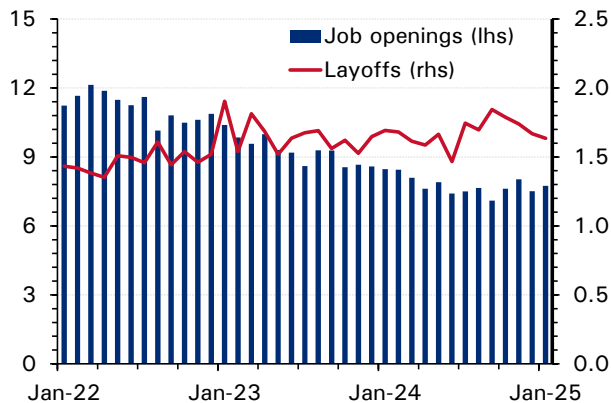
**China: Congress concludes annual session, bond yields rise on tempered rate cut expectations.** The National People's Congress (NPC), China's national legislature, ended its annual meeting on Tuesday. Lawmakers passed resolutions including the adoption of the 2025 plan for national economic and social development and the approval of the 2025 central and local budgets. The markets were hoping for additional stimulus measures to boost the domestic economy, especially after Trump's tariffs threats became reality, impacting China's external sector. However, the meeting concluded seemingly without any concrete announcements on this front. Chinese government 10Y bond yields, which had fallen in December and January, have steadily climbed by over 30bps to reach around 1.9% (the highest since early December) from their historic lows in January amid expectations of fresh support measures and the NPC's signal of a stronger pro-growth stance, centered on fiscal easing. Previously, officials had set an ambitious growth target of around 5% and announced a rare increase in the fiscal deficit to 4% of GDP, along with a plan to issue 1.3 trillion yuan (\$179bn) in ultra-long-term special treasury bonds in 2025. In addition, investors have pared expectations for policy interest rate cuts in the near term following the central bank governor Pan Gongsheng's vows of maintaining currency stability at "a reasonable and balanced level."

**Japan: Producer price rises in February slow from January's 19-month high.** Producer price inflation eased to 4.0% y/y in February, in line with the market consensus, down from a 19-month peak of 4.2% in January. Price rises eased for beverages & foods (2.6% versus 2.7% in January), non-ferrous metals, information, and

business-oriented machinery. Meanwhile, prices for chemical products, iron & steel, and lumber and wood products fell during the month. Import prices dropped in February by 0.7% y/y, following two straight months of annual gains, likely due to the appreciation of the yen, which is currently trading at around its strongest level since early October 2024 of JPY148/\$. Broadly persistent inflationary pressures should continue to support market views that the Bank of Japan's current policy cycle could feature another hike during the summer.

**Chart 1: US job openings and layoffs**

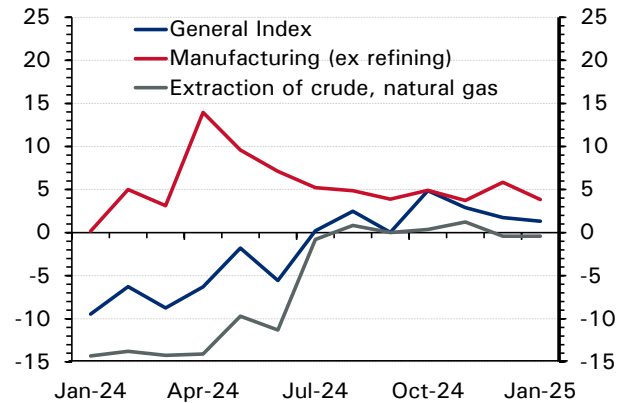
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Source: Haver

**Chart 2: Saudi Arabia industrial production**

(% y/y)



Source: GASTAT

**Saudi Arabia: Industrial production expands in January but slower than December's rate.** Saudi industrial production growth eased in January for the third consecutive month, to 1.3% y/y (1.8% in December), according to the latest release from the Saudi General Authority for Statistics. The manufacturing sub-index rose by 4% y/y (0.3% m/m), lifted by a 4.3% increase in coke and refined petroleum product output and a 4.2% increase in chemicals and chemical products. In addition, food and non-metallic products manufacturing logged strong monthly increases of 1.2% and 1.7%, raising their annual growth to 8.4% and 6.9%, respectively. On the other hand, mining and quarrying activities decreased by 0.4% y/y (0.1% m/m) due to a slight decline in oil output to 8.92mn barrels daily, down from 8.96mn one year prior. Overall, oil-related activities rose by 0.4% y/y, while non-oil activity saw a stronger increase of 3.6% y/y, reflecting the Kingdom's ongoing efforts to diversify the economy in line with Vision 2030.

**Egypt: IMF approves fourth review, highlighting the need for further structural reforms.** The IMF's fourth loan review highlighted mixed progress on structural reforms, with delays in privatization and leveling the public/private sector playing field. While the government had ambitious privatization plans for 2025, little has materialized so far. However, the Fund did note some progress, including steps to strengthen the Egyptian Competition Authority and enhance public bank governance. Following the review, the IMF approved a \$1.2bn tranche, bringing the total disbursement to \$3.2bn out of the \$8bn program. The Fund also granted leniency on fiscal targets, lowering the primary surplus goal to 4% of GDP for FY 2025-26, and stressed on the need for sustained commitment to reforms, particularly in maintaining a truly flexible exchange rate. We note that despite strong tax revenue growth, fiscal consolidation efforts have lagged, prompting spending controls, while external challenges, such as Red Sea trade disruptions and the Sudan conflict, are further constraining the economy.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,376	-0.17	-0.45
Bahrain (ASI)	1,963	-0.46	-1.17
Dubai (DFMGI)	5,122	-0.28	-0.71
Egypt (EGX 30)	30,935	-0.65	4.02
GCC (S&P GCC 40)	727	-0.48	0.67
Kuwait (All Share)	7,997	-0.87	8.62
KSA (TASI)	11,718	-0.24	-2.65
Oman (MSM 30)	4,405	-0.02	-3.74
Qatar (QE Index)	10,484	-0.45	-0.82

<b>International</b>			
CSI 300	3,941	0.32	0.17
DAX	22,329	-1.29	12.15
DJIA	41,433	-1.14	-2.61
Eurostoxx 50	5,310	-1.43	8.45
FTSE 100	8,496	-1.21	3.95
Nikkei 225	36,793	-0.64	-7.77
S&P 500	5,572	-0.76	-5.26

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.62	0.09	-6.77
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.28	-1.38	-16.56
Saudi	5.55	7.70	1.06
SOFR	4.30	0.64	-0.64

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.33	10.00	-41.0
Oman 2027	5.29	12.00	-27.0
Qatar 2026	4.49	4.00	-30.0
Kuwait 2027	4.66	8.00	-31.0
Saudi 2028	4.71	5.00	-37.0

<b>International 10YR</b>			
US Treasury	4.28	6.30	-29.1
German Bund	2.87	4.70	51.0
UK Gilt	4.68	3.55	11.5
Japanese Gvt Bond	1.51	-6.00	43.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.05	-0.07
KWD per EUR	0.34	0.73	5.59
USD per EUR	1.09	0.79	5.46
JPY per USD	147.77	0.35	-5.99
USD per GBP	1.29	0.56	3.48
EGP per USD	50.55	0.00	-0.47

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	69.56	0.40	-6.81
KEC	73.31	-1.19	-3.27
WTI	66.25	0.33	-7.63
Gold	2912.9	0.76	10.79

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

Source: LSEG / Haver

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