Daily
Economic Update

Economic Research Department
7 May 2025

Kuwait: Solid non-oil growth in Q4; total GDP records second consecutive annual decline. Preliminary estimates show that the non-oil economy recorded a strong 4% y/y expansion in Q4 2024, the fastest pace of last year and rebounding from a decline in Q3 (-2.5%). Growth was spurred by a recovery in the manufacturing sector as well as a robust expansion in the real estate, transport, and restaurants & hotels components. On a quarterly basis, non-oil GDP grew by 14.6% q/q, the fastest rate since 4Q13 (when excluding the recovery tied to the loosening of Covid restrictions in 2020) with construction surging 38.7% q/q, followed by solid increases in manufacturing and hotels & restaurants. The final quarter of the year is usually strong for seasonal reasons, though we note that the restaurants & hotels sector (+12.9% q/q) may have benefitted from higher tourism linked to the hosting of the Arabian Gulf Cup in December. For 2024 as a whole, the non-oil economy grew 1.8%, improving on the prior year's reading of 1%, though both are still notably below the 2011-2019 average of 3.3%. Real estate, renting, and business activities contributed the most to non-oil growth last year, followed by education and financial intermediation services. Looking at the oil sector, figures show a 6.9% y/y decline in Q4 24 as Kuwait continues to adhere to OPEC+'s voluntary production cut of 135 kb/d and limited crude output to 2.41 mb/d. Kuwait maintained crude production at this level through 2024, lowering it from 2.59 mb/d in 2023. Overall GDP fell 2.6% in 2024, logging the second consecutive annual decline amid the oil sector drag. Though the numbers are preliminary and subject to change, the data release did not include any revisions to prior quarters as has been the case previously.

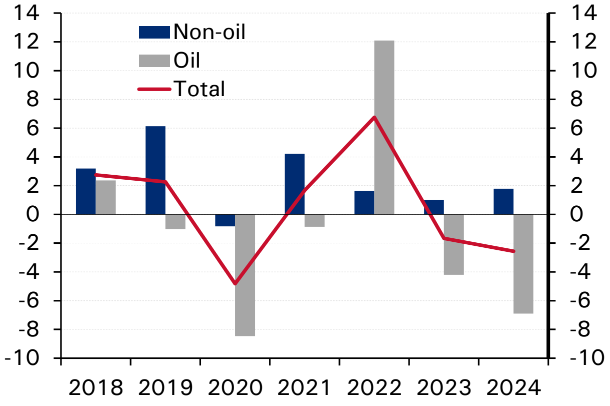
Saudi Arabia: Budget posts larger than expected deficit in Q1. The quarterly budget performance report revealed a fiscal deficit of SR 58.7 billion (around 5.7% of pro-rata GDP) in Q1 2025, more than twice the pro-rated budget estimate and four times wider than the deficit from Q1 2024. Expenditures rose by 5% y/y, in line with the pro-rated budget allocation on higher current spending (6%), mostly from a jump in social benefits, goods and services, and other expenses, which outweighed a 19% drop in capital spending (40% under budget pro rata). The spending overshoot is typical as the government strives to achieve ambitious development goals, but modest compared to past trends (spending was 16% over-budget on average from 2022-2024), possibly due to some degree of spending restraint amid mounting fiscal pressures. Non-oil revenues rose by 2.1% (34% over budget pro rata), mostly from taxes on goods and services, while oil revenues fell by 18% (17% under budget pro rata) on lower oil prices and production, accounting for the majority of the overall fiscal underperformance relative to the budget. Debt issuance (domestic and external) during the quarter amounted to SR 114.9 billion, raising total outstanding debt to around 32% of GDP. The latest fiscal data is in line with our view of a wider fiscal deficit in 2025 (4-5% of GDP from 2.8% in 2024) on a combination of modestly higher spending and much lower oil revenue, and in parallel, a rise in public debt.

Bahrain: Non-oil GDP growth eased but remained solid in 2024. The non-oil economy grew by 4.6% y/y in the fourth quarter of 2024, pushing growth for the full year to a solid 3.8% from 5.1% in 2023. The fastest growth

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

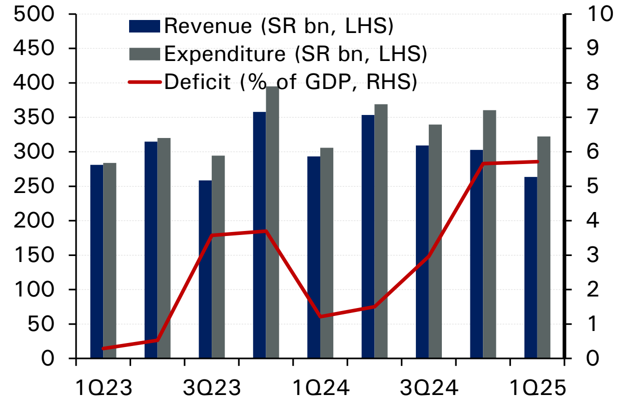
came from 'information & communication' (12.3%), education (9.5%), and 'food & accommodation' sectors (5.9%), the latter benefiting from notable tourism growth spurred by increasing numbers of visitors (19.4% to 14.9 million). The finance & insurance sector, which continued to be the largest contributor to GDP (17.2%), expanded by 4.4%, followed by the manufacturing, public administration, and construction sectors (30% of GDP), which grew by 4.5%, 2.4%, and 3.3% respectively. In contrast, oil GDP fell by 4.0% (-3.5% y/y in Q4), the fastest rate in a five-year sequence of contractions, as oil output declined to an average of 174 kb/d. Overall GDP growth decelerated to 2.6% in 2024 from 3.9% in 2023, with the non-oil sector contributing 86% of total output. Nevertheless, the Ministry of Finance forecasts a pick-up in headline activity in 2025 and 2026 with growth of around 3.0% on average due mainly to the decline in oil sector output moderating (-1.0%), while the expansion in non-oil sector GDP is projected to ease to 3.7% on average from 4.5% in 2023-24 due to rising trade and geopolitical risks.

Chart 1: Kuwait GDP



Source: Central Statistical Bureau

Chart 2: Saudi Arabia fiscal performance



Source: Ministry of Finance

China: PBoC loosens policy ahead of US trade talks. The People's Bank of China (PBoC) announced a series of measures aimed at boosting the economy, including decreasing the benchmark seven-day repo rate to 1.4% (from 1.5%) and lowering the reserve requirement ratio by 0.5%, which is expected to release around yuan 1 trillion ($139 billion) into the economy. The country also vowed to support exporters and the stock market, saying it will adopt "more proactive and robust macroeconomic policies" to achieve its 5% growth goal for 2025. Among other measures, the PBoC lowered rates and increased quotas for several relending tools as well as created a yuan 500 billion relending tool to increase services consumption as it seeks to stimulate domestic demand. This move came shortly after it was announced that US and Chinese officials will meet this weekend in an attempt to de-escalate the trade war.

US: Trade talks with China to formally start this week but Trump keeps overall uncertainty elevated. US Treasury Secretary Bessent and Trade Representative Greer will meet China's Vice Premier Lifeng this weekend, initially prioritizing de-escalatory moves before commencing talks on a comprehensive trade deal. Given that China has insisted that the US "show sincerity" in any such discussions, the talks will take place in Switzerland, a neutral location, indicating that it expects talks to begin on an equal footing. President Trump has previously showed willingness to reduce the 145% duties he imposed on China, subject to securing a 'fair' deal. Separately, keeping uncertainty elevated on ongoing trade deals with several partners, he assigned less importance to the role of negotiations in talks, saying he would put forth "very fair numbers," potentially low, indicating his resolve to dictate terms. Meanwhile, according to media reports, trade talks with the UK have been progressing well and a deal could be reached soon, although the exact timeline is still unclear given conflicting signals from US authorities. Nonetheless, the markets are likely to welcome any moves to de-escalate tensions, as after a 0.8% drop in the S&P500 yesterday, US equity futures are signaling a rebound in today's trading.

UK: Bilateral trade deal with India reached. The UK and India announced agreement on a bilateral trade deal that would reduce trade and non-trade barriers between the two countries. Specifically, the deal will pave the way for reduction in around 90% of tariff lines at Indian customs, and the UK will drop 99% of tariff lines for India. From a UK export perspective, India will substantially trim tariffs on many consumer and machinery products in phases over a 10-year period, while along with lower merchandise duties, India will also gain better access for its services exports. The deal was initially planned to be signed in 2022 but saw several delays. India is the UK's 11th largest trade partner, with total bilateral trade (goods and services) amounting to £43 billion in 2024, with a UK deficit of £8 billion.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,623	0.60	2.17
Bahrain (ASI)	1,909	0.09	-3.89
Dubai (DFMGI)	5,353	0.16	3.77
Egypt (EGX 30)	32,285	0.23	8.56
GCC (S&P GCC 40)	724	0.48	0.30
Kuwait (All Share)	7,990	0.20	8.53
KSA (TASI)	11,434	0.10	-5.00
Oman (MSM 30)	4,342	0.07	-5.12
Qatar (QE Index)	10,484	0.28	-0.82
International			
CSI 300	3,809	1.01	-3.21
DAX	23,250	-0.41	16.78
DJIA	40,829	-0.95	-4.03
Eurostoxx 50	5,263	-0.37	7.50
FTSE 100	8,597	0.01	5.19
Nikkei 225	36,831	0.00	-7.68
S&P 500	5,607	-0.77	-4.67

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.66	0.00	-3.27
Kuwait	4.00	0.00	6.25
Qatar	4.65	0.00	-2.50
UAE	4.15	0.43	-29.77
Saudi	5.35	9.68	-18.63
SOFR	4.31	0.86	0.22

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.14	-6.00	-60.0
Oman 2027	5.15	-5.00	-41.0
Qatar 2026	4.46	2.00	-33.0
Kuwait 2027	4.44	2.00	-53.0
Saudi 2028	4.67	6.00	-41.0
International 10YR			
US Treasury	4.30	-5.07	-27.5
German Bund	2.53	1.35	17.0
UK Gilt	4.51	1.20	-5.4
Japanese Gvt Bond	1.26	0.00	18.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.06	-0.53
KWD per EUR	0.35	0.42	9.35
USD per EUR	1.14	0.48	9.80
JPY per USD	142.41	-0.90	-9.40
USD per GBP	1.34	0.58	6.85
EGP per USD	50.61	-0.02	-0.35

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	62.15	3.19	-16.73
KEC	62.08	3.57	-18.09
WTI	59.09	3.43	-17.61
Gold	3411.4	3.02	29.75

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