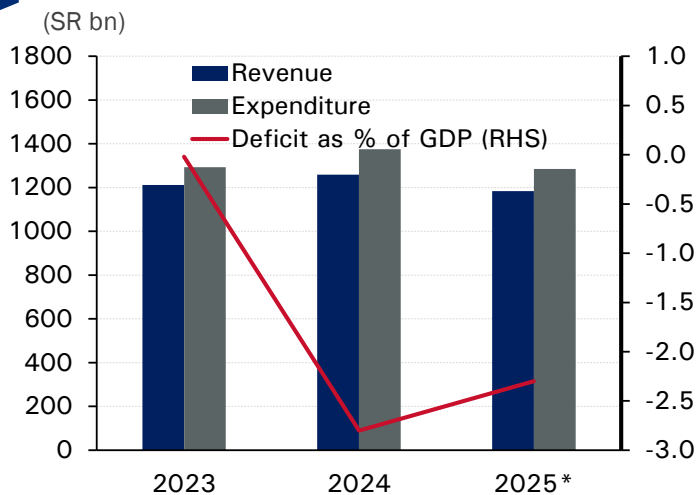


Daily Economic Update

Economic Research Department
18 February 2025

Saudi Arabia: Fiscal deficit widens in 2024. The ministry of finance budget performance report revealed a wider deficit of SR115.6 billion (2.8% of GDP) in 2024, higher than the budget estimate of SR79 billion, and a deficit of SR 80.9 billion in 2023. Total expenditures rose 6.3% y/y mainly on higher current spending which expanded by 7% y/y. The increase in current spending was broad-based, but came mostly from higher outlays on employee compensation, subsidies, and other expenses. Capital expenditures rose by a more modest 2.2% y/y, much less than the previous year's increase (30%), as the government recalibrates investment spending and taps alternate, off-budget channels, mainly the sovereign wealth fund (PIF), amid ongoing fiscal shortfalls. The higher spending outweighed a 3.9% y/y increase in total revenue thanks to a 9.8% jump in non-oil revenue (mainly taxes), while oil revenue growth was near-flat (0.3%), weighed down by OPEC oil production cuts. The deficit was financed entirely through debt issuances, with public debt up 16% y/y to SR 1.22 trillion from SR 1.05 trillion at the end of 2023, while reserves stood unchanged at SR 390 billion.

Chart 1: Saudi Arabia's public finances



Source: GASTAT * budgeted

Egypt: New tax facilities to come into effect starting March 2025. Egypt's Finance Ministry announced that new tax facilities will take effect in March, following President El Sisi's ratification of three laws last week. These laws aim to simplify tax procedures, ease compliance for SMEs, and resolve disputes. Key provisions include full penalty waivers for real estate and unlisted securities tax disputes, capping late payment fees, and integrating informal businesses into the formal economy. Taxpayers who failed to submit returns between 2020-2024 can now file without penalties, while SMEs with annual revenues under EGP 20 mn will benefit from lower tax rates and exemptions from various fees. Additional reforms include a centralized e-clearance system by Q2

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2025, higher tax registration thresholds for foreign firms, and a shift to sample-based audits for large taxpayers. The government aims to increase tax revenues to 15-16% of GDP in five years, up from 11.8% currently.

Egypt: Government to pay USD 1 bn in arrears to foreign energy firms early next month. This follows a similar USD 1 bn payment in January, as part of a structured repayment plan through June 2025. The move aims to restore investor confidence and boost exploration, particularly in the West Mediterranean and West Delta. Dana Gas is resuming exploration in March under a USD 100 mn program after receiving partial payments, while BP has begun production from the second phase of its Raven gas field, adding 220 bn cubic feet of gas and 7 mn barrels of condensate. The government is also securing LNG contracts and offering incentives to increase domestic production. Meanwhile, United Energy Group acquired Apex International Energy's Egypt assets for USD 150 mn, expanding its onshore concessions. Also on energy, Egypt signed agreements with Cyprus to liquefy and re-export natural gas from the Aphrodite and Cronos fields. Gas from the Aphrodite field, which holds 3.5 trillion cubic feet of reserves, will be transported via a pipeline to Egypt, where it may supply local demand or be re-exported. Chevron (35%), Shell (35%), and Israel's NewMed Energy (30%) own the field. Meanwhile, Cronos gas—over 3 trillion cubic feet—will be processed at Zohr and liquefied at Damietta for export, with Eni and TotalEnergies each holding 50%. The agreements were signed in the presence of Egyptian and Cypriot presidents and energy ministers.

UK: BoE governor sees the economy 'static' and the labor market softening. The Bank of England (BoE) governor, Andrew Bailey, in an interview dismissed the unexpected growth in the UK's economy in Q4, saying that the underlying state continues to be weak, and the labor market is softening. As a reminder, previously reported data showed GDP posted a 0.1% q/q growth in Q424 against the BoE expectations of a 0.1% drop. However, household spending was flat, and business investments fell, which, in our opinion, underscored sustained headwinds for a meaningful recovery in the overall economic outlook. Despite expectations of accelerating inflation this summer, due mainly to higher energy prices, a faltering economic landscape amid tepid demand may imply further monetary easing by the bank, with futures markets seeing two to three cuts of 25 bps each in the bank rate by the end of 2025 following a 25-bps interest rate cut by the BoE earlier this month.

Eurozone: Trade balance surplus declines slightly in December. The Eurozone's balance of merchandise trade showed a €15.5 billion surplus in December, falling slightly from November's €16 billion figure. Imports rose 3.8% y/y while exports increased by 3.1%, marking a decrease from last year's €16.4 billion trade surplus. Notably, the European Union increased its trade surplus with the United States to €15.4 billion from 10.1 billion in December 2023. This ongoing surplus is a source of tension with the US, as President Trump has repeatedly indicated.

China: President Xi holds rare meet with business leaders amid US tech rivalry. President Xi Jinping held a rare meeting on Monday with some of the biggest names in China's private sector, assuring them of continuous government support amid amplifying external headwinds. The rare meet comes as a sluggish economic recovery and worsening geopolitical tensions with the US has diminished confidence among China's leading entrepreneurs and investors. According to media reports, Xi stated that "Difficulties and challenges facing the private economy largely emerged in reform and industrial upgrades. They are temporary, not long-term ones. They can be overcome." That said and with foreboding economic challenges ahead including a stagnant property sector, local government debts and deflation, China is right to tap into the private sector as its most reliable growth engine. Nevertheless, Beijing has made clear it sees China's technological future in industries that are more pivotal to the geopolitical rivalry with the US and despite the governments promised support, it is unlikely that China will loosen its grip over its private sector regulations.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,557	-0.72	1.46
Bahrain (ASI)	1,895	0.04	-4.59
Dubai (DFMGI)	5,383	0.39	4.35
Egypt (EGX 30)	30,437	-0.02	2.34
GCC (S&P GCC 40)	741	-0.77	2.63
Kuwait (All Share)	8,020	-0.10	8.93
KSA (TASI)	12,266	-0.85	1.91
Oman (MSM 30)	4,465	-0.30	-2.43
Qatar (QE Index)	10,610	0.05	0.37

International			
CSI 300	3,947	0.21	0.32
DAX	22,798	1.26	14.51
DJIA	44,546	0.00	4.71
Eurostoxx 50	5,520	0.48	12.74
FTSE 100	8,768	0.41	7.28
Nikkei 225	39,174	0.06	-1.81
S&P 500	6,115	0.00	3.96

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.67	0.00	-1.95
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.27	-10.11	-17.29
Saudi	5.45	-14.08	-9.34
SOFR	4.32	0.00	1.79

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.46	-8.00	-28.0
Oman 2027	5.31	-1.00	-25.0
Qatar 2026	4.51	0.00	-28.0
Kuwait 2027	4.76	0.00	-21.0
Saudi 2028	4.91	-7.00	-17.0

International 10YR			
US Treasury	4.48	0.00	-9.5
German Bund	2.48	6.00	12.1
UK Gilt	4.53	2.85	-3.9
Japanese Gvt Bond	1.38	3.00	30.5

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.08	0.08
KWD per EUR	0.32	-0.02	1.54
USD per EUR	1.05	-0.09	1.25
JPY per USD	151.50	-0.54	-3.61
USD per GBP	1.26	0.30	0.90
EGP per USD	50.55	-0.06	-0.47

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	75.22	0.64	0.78
KEC	78.01	-0.22	2.93
WTI	70.74	0.00	-1.37
Gold	2883.6	0.00	9.68

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

Source: LSEG / Haver

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