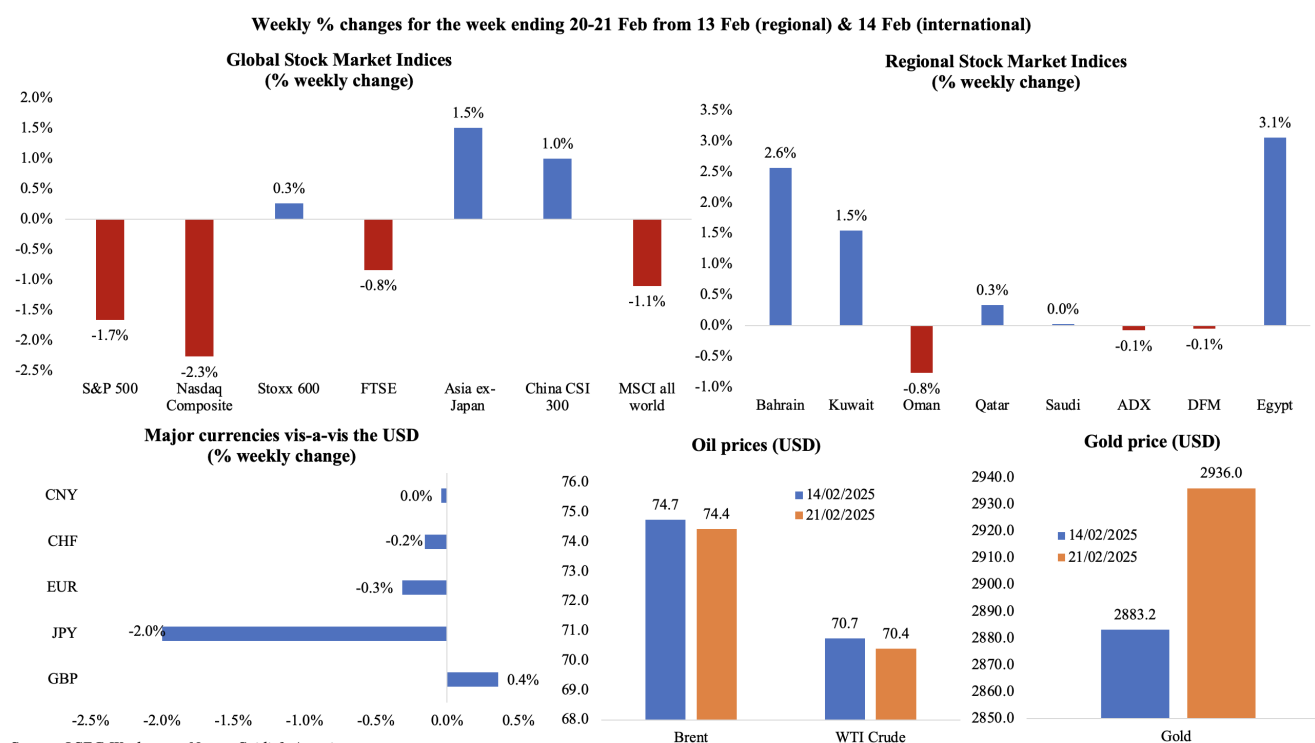


Weekly Economic Commentary – Feb 24, 2025

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Markets

Major equities markets ended the week in the red amid heightened uncertainty amid Trump's policies (ranging from federal job cuts to tariffs), plunge in US consumer sentiment, and German elections; MSCI global stocks index was down by 1.1%. Regional markets were mixed, given concerns related to threat of tariffs and Fed's comments cautioning about inflationary risks; UAE markets witnessed some profit-taking after robust earnings. The dollar strengthened last week, and the yen hit a new 11-week low (of below 150 per dollar). Oil prices were down by 2%+ while gold price gained almost 2% (though easing from a record-high on Thursday).



Source: LSEG Workspace, Nasser Saidi & Associates.

Global Developments

US/Americas:

- **FOMC minutes** showed that officials wanted to see inflation lower more before reducing rates further and underscored the risks to inflation from the “possible effects of potential changes in trade and immigration policy”.
- **The NY Empire State manufacturing index rebounded unexpectedly to 5.7 in Feb** (Jan: -12.6), the second highest reading since Apr 2023. New orders and shipments jumped 20 and 16 points to 11.4 and 14.2 respectively while prices paid rose to the highest in almost 2 years.
- **Philadelphia Fed manufacturing survey plunged to 18.1 in Feb** (Jan: 44.3, the highest since Apr 2021). Prices paid and received increased to 40.5 (highest since Oct 2022) and 32.9 respectively, staying higher than the long-run averages.
- **Michigan consumer sentiment declined to 64.7 in Jan** (Dec: 67.8), the lowest reading since Nov 2023, given a decline in both current economic conditions and expectations sub-indices to 65.7 and 64 respectively (Dec: 68.7 and 67.3). The 1-year and 5-year inflation expectation inched up to 4.3% (the highest since Nov 2023) and 3.5% (the most since May 2021).
- **S&P Global manufacturing PMI in the US increased to 51.6 in Feb** (Jan: 51.2), the highest reading since Jun 2024, as output grew at the fastest pace in almost a year.
- **Building permits inched up by 0.1% mom to 1.483mn in Jan**, as the number of single-family houses rebounded 2.8% to 145k units. **Housing starts tumbled by 9.8% yoy and 0.7% yoy** to 1.366mn in Jan, with single-family starts declining by 8.4% mom and 1.8% yoy (to an annual rate of 993k units).
- **Existing home sales tumbled by 4.9% mom to 4.08mn in Jan** but gained for the fourth month in a row (+2% yoy).

Properties stayed on the market for 41 days in Jan – this was the most since Jan 2020 (vs 36 days a year ago). The 30-year fixed mortgage inched up to 6.85% in the final week of Dec (end-Oct: 6.72%).

- **Initial jobless claims increased by 5k to 219k in the week ended Feb 14**, leading to a slight slip in the 4-week average to 215.25k (by 1k). **Continuing jobless claims rose** by 24k to 1.869mn in the week ended Feb 7. The labour market seems strong and there were no immediate signs of the widespread layoffs of federal government workers across departments.

Europe:

- **Manufacturing PMI in the eurozone jumped to 47.3 in Feb** (Jan: 46.6), as both production and new business continued to fall amid weak demand and decline in employment. Input prices were up the most in 6 months though selling prices were marginally lower.
- **Current account surplus in the euro area widened to EUR 50.5bn in Dec** (Nov: EUR 32.7bn), with the goods and services surpluses rising to EUR 35.6bn and EUR 12.5bn respectively.
- **Consumer confidence in the euro area moved to a 4-month high of -13.6 in Feb** (Jan: -14.2), with respondents optimistic about ECB rate cuts this year. Confidence in the EU ticked up by 0.4 points to -12.9.
- **Germany's flash estimate of the manufacturing PMI edged up by 1.1 points to a 2-year high of 46.1 in Feb**, with production posting its slowest decline in 9 months.
- **The ZEW economic sentiment index from Germany rose to 26.0 in Feb** (Jan: 10.3), posting the strongest uptick in 2 years, potentially due to expectations of a new government; the current situation improved to -88.5 (from -90.4). **The economic sentiment index for the eurozone also showed a significant improvement**, up 6.2 points to 24.2, and the current economic situation rose

by 8.5 points to 45.3.

- **Producer price index in Germany rose to 0.5% yoy in Jan** (Dec: 0.8%), the third straight month of inflation, thanks to an increase in prices of consumer (1.1%) and non-durable consumer goods (3.0%).
- **Inflation in the UK accelerated to a 10-month high of 3% yoy in Jan** (Dec: 2.5%) as did core inflation (3.7% from 3.2%). The increase was largely a result of higher private school fees (due to VAT on fees), food & non-alcoholic beverages (3.3% from 2% in Dec), and transport (1.7%, the strongest since Feb 2023 stemming from air fares, and vs Dec's -0.6%). Producer prices for inputs rose 0.8% mom in Jan (Dec: 0.2%) while factory costs rebounded (0.5% mom from -0.2%).
- **Flash estimate of manufacturing PMI in the UK slipped to 46.4 in Feb** (Jan: 48.3), the lowest since Dec 2023, as output fell amid weaker domestic and export orders. Input prices accelerated on rising costs of raw materials and energy while output costs rose at the sharpest pace since Apr 2023.
- **UK average earnings excluding bonus grew by 5.9% in the 3 months to Dec** (vs 5.6% in the 3 months to Nov), continuing to outpace inflation. Including bonus, average earnings grew by 6% (from 5.6%). Wage growth (excluding bonus) was fastest in the private sector (+6.2%) and compares to public sector's 4.7% gain.
- **Retail sales in the UK grew by 1.7% mom and 1% yoy in Jan.** This was the strongest monthly gain since May 2024, with food sales rising the most since Mar 2020 (5.6%).
- **Unemployment rate in the UK remained unchanged at 4.4% in the 3 months to Dec:** the number of employed individuals rose by 107k to 33.86mn.
- **GfK consumer confidence in the UK rose to -20 in Feb** (Jan: -22), supported by gains in all five core measures. The biggest improvement was seen in respondents' view regarding their personal financial situation over the next 12 months (which was up by 4

points to 2.0 in Feb).

Asia Pacific:

- **The People's Bank of China left the 1-year and 5-year loan prime rates unchanged at 3.1% and 3.6% respectively.** The rates had been cut in Jul and Oct last year.
- **China's FDI declined by 13.4% yoy to CNY 97.6bn in Jan:** this was one of the weakest starts to the year. Last year saw FDI plunge by 27.1% to CNY 826.3bn, which was the lowest since 2015.
- **Japan's inflation inched up to 4.0% yoy in Jan** (Dec: 3.6%), the most since Jan 2023, driven by higher food prices (a 15-month high of 7.8%, from Dec's 6.4%). Excluding food and energy, prices were up to 2.5% (from 2.4%) and **excluding fresh food, prices rose to a 19-month high of 3.2%** (from 3%). Services inflation eased to 1.4% (Dec: 1.6%).
- **Exports from Japan grew by 7.2% yoy in Jan** (Dec: 2.8%), supported by shipments of automobiles to the US (ahead of the tariffs) and imports surged by 16.7% (Dec: 1.7%), causing the merchandise trade balance to turn to a deficit of JPY 2.7trn (Dec: surplus of JPY 132.5bn). Exports to the US jumped by 8.1% (because of higher auto sales) and exports to China fell by 6.2% (dragged by a fall in chipmaking equipment shipments).
- **Flash estimates of manufacturing PMI in Japan contracted for the 8th month in a row,** though inching up to 48.9 in Feb (Jan: 48.7).
- **Industrial production in Japan fell for the second month in a row in Dec,** down by 1.6% yoy (Nov: -2.7%). In month-on-month terms, IP slipped by 0.2% (Nov: -2.2%).
- **Machinery orders in Japan fell by 1.2% mom to JPY 889.3bn in Dec** (Nov: +3.4%), with declines in manufacturing sector (-10.4%) alongside a rise in non-manufacturing orders (+4.7%). Orders grew by 4.3% yoy in

Dec, slowing from Nov's 10.3% gain.

- **India's trade deficit widened to USD 22.99bn in Jan** (Dec: USD 21.94bn), with exports and imports at USD 36.43bn and USD 59.4bn respectively. Exports for the Apr 2024-Jan 2025 period grew to USD 358.91bn (1.39% yoy).
- Preliminary estimates indicate that **manufacturing PMI in India eased to 57.1 in Feb** (Jan: 57.7) while composite PMI stood at a six-month high of 60.6 (from 57.7), as services sector index accelerated to 61.1 (from 56.5 in Jan).

Bottom line: Chaos continues at the Trump White House, with threats of job cuts, tariffs and even political influence on the independent Fed (!). German elections saw the centre-right party winning (29% of the vote), and the winner Merz has promised "independence from the US". This week's PCE index data release will provide some insight on the Fed's next move – a 25bps cut is fully priced in already, but stickier inflation will mean higher rates for longer.

Regional Developments

- **Expatriate workers in Bahrain's civil service fell by 23% since 2019** to 5800 currently. Comprising just 14% of the total civil service workforce, about 58.5% of expats are in the education and higher education jobs while another 31.5% are in medical professions.
- **Egypt interest rates were unchanged for the 7th consecutive time**, with the committee citing rising inflationary risk as the main reason for the decision: overnight deposit and lending rates were at 27.25% and 28.25% and the main operation rate & discount rate stood at 27.75%.
- Suez Canal Authority chairman disclosed that **no sustainable route was created to replace the canal during the Red Sea crisis**. While the disruption cost USD 7bn in revenues last year (a decline of 60%+ yoy), about 47 ships were rerouted to the Suez Canal since early-

Feb.

- **Egypt expects to attract new industrial investments to the tune of USD 3.5bn in 2025 (+15% yoy)**, according to the head of the Egyptian Commercial Service. Separately, **UAE developer Emaar** announced that the company plans to **increase its investments in Egypt to USD 25bn** over the next 3 years (from USD 18bn).
- **Moody's affirmed Egypt's Caa1 long-term foreign and local currency rating** with a positive outlook, supported by improvements to its debt service prospects.
- **Saudi's ACWA Power signed a 25-year power purchase agreement** for the USD 2.3bn power project with the Egyptian Electricity Transmission Company. This is in addition to five existing solar projects in the country (with total investments of close to USD 2bn).
- **More oil supplies are scheduled to enter the market: oil exports are scheduled to resume from the Kurdistan region this week** according to Iraq's oil minister.
- **Kuwait is gradually opening the real estate sector to foreign ownership: under the updated law, entities licensed by the Kuwait Direct Investment Promotion Authority (KDIPA), companies listed on the Kuwaiti stock exchange and licensed real estate funds and investment companies are allowed to own property for their operations or employee housing.**
- **Inflation in Kuwait remained unchanged at 2.5% in Jan: food prices rose by 5.19% from 5% in Dec and transport costs continued to decline (-1.26% vs 1.47%).**
- **Lebanon will negotiate with the IMF for a new programme** when the IMF team visits in March. The country also plans to resume its oil and gas exploration works and establish a new Ministry of Technology and Artificial Intelligence.
- **India is currently in talk with Oman to lease a facility to store about 5mn barrels of crude oil in the country.** India, which currently has a storage capacity to hold 74 days of crude oil and refined fuels, needs to increase

it to 90 days to be able to join the IEA.

- **Oman's Asyad Shipping IPO** will have as **anchor investors** QIA's Falcon Investments and a local investment firm owned by the Omani government – each subscribing for 20% and 10% of the offering respectively. The company is offering 1.042bn shares worth over OMR 128mn from Feb 20-27.
- **Bilateral trade between Oman and Saudi Arabia touched OMR 2.18bn by end-Dec 2024**, with Saudi Arabia the second-largest market for Omani non-oil exports (OMR 764mn). The two countries signed three agreements covering technology, legal services and manufacturing.
- **Oman signed a long-term LNG agreement with** Swiss-based trading company **Mercuria**, to supply 800k metric tonnes per annum this year starting in Apr.
- In a visit by **Qatar's** Emir to India (the first in a decade), the former announced that it **would invest USD 10bn in India across multiple sectors** including infrastructure, technology and manufacturing among others. The two countries also plan to double annual trade to USD 28bn in the next 5 years (from USD 18.77bn in Apr 2022-Mar 2023).
- **Qatar's USD 3bn bond issuance** – comprising 3-year senior unsecured notes of USD 1bn and USD 2bn 10-year bond – was oversubscribed four times. This is estimated **to cover the budget deficit gap** of QAR 13.2bn (USD 3.62bn) this year.
- An assessment by the UN, World Bank and EU places **funding required for recovery and reconstruction in Gaza at an estimated USD 53.2bn over the next 10 years**; of this USD 20bn will be needed in the first 3 years. The report is linked in the Media Review section.
- S&P Global estimates that **private capital financing in the Gulf jumped to USD 54.8bn in 2020-24** from USD 10.4bn raised in the 5 years prior.
- Reuters reported that **Qatar and Kuwait's government bonds would be removed from JPMorgan's Emerging Market**

bond index while UAE is likely to be removed next year, given rising income levels in the region.

Saudi Arabia Focus



- **Saudi Exchange's** CEO revealed that fifteen IPO applications have been approved alongside **more than 50 applications under review by the regulator and the exchange**, and with another 100 with advisors waiting to be submitted.
- **Saudi Arabia's healthcare group SMC Hospitals** have hired banks ahead of a **potential IPO**, reported Reuters.
- **Credit card lending in Saudi Arabia** accounted for 6.66% of total consumer financing in 2024, **more than double compared to six years ago**, according to SAMA data.
- A senior official disclosed at the PIF Private Sector Forum that **Neom spent more than SAR 140bn on infrastructure development**. He also stated that Neom has 2 investment vehicles – Neom Investment Fund that focuses on sector growth and partnerships and the Neom Investment Office that handles real estate development and launching new initiatives.
- **Saudi refinery output grew by 5% yoy to 2.54mn barrels per day (bpd) in Dec**, according to data from JODI. Crude exports edged lower by 2.57% to 6.15mn bpd while refined crude exports were down by 1% to 1.13mn bpd.
- PIF subsidiary **Saudi Real Estate Refinance Co raised USD 2bn from its first international sukuk issuance**: the issuance, which was 6-times oversubscribed, is part of the firm's USD 5bn international sukuk program.
- Saudi Arabia's **National Debt Management Center**, which finalized its green framework in 2024, **is considering issuing green bonds in international markets**.
- In a bid to expand its global retail network, **Aramco agreed to acquire a 25% equity stake in Unioil Petroleum Philippines** though financial details were not revealed.
- Reuters reported that **ACWA Power plans to buy Engie's**

share in Kuwait and Bahrain assets – gas-fired power generation and water desalination facilities – worth USD 693mn.

UAE Focus



- **UAE and Ukraine signed a comprehensive economic partnership agreement (CEPA)**, covering services, investment and digital trade, and is estimated to increase GDP by USD 1bn over the next 6 years. Bilateral trade stood at USD 1.15bn prior to the war and clocked in at USD 372.4bn in 2024. CEPA will allow 99% of Ukrainian imports of UAE goods and 97% of Ukrainian exports to the UAE to be exempt from customs duties with immediate effect.
- **ADNOC sold 4% of its subsidiary Adnoc Gas**: about 3.1bn shares were sold, and the 4-times oversubscribed secondary offering raised USD 2.84bn. Adnoc now retains an 86% stake.
UAE-based technology firm Alpha Dubai plans to raise up to USD 163.2mn from its IPO: the subscription will end on Feb 25.
- **DIFC's revenue grew by 37% yoy to AED 1.78bn in 2024**, with operating profit up 55% to AED 1.33bn. Around 1800+ new firms registered at the DIFC in 2024, up 25% yoy, taking the overall active firms to 6,920 companies (including 75 hedge funds that employ over 1k persons). Technology & innovation was the fastest growing sector, with registrations up 38% to 1,245 companies last year.
- **Dubai Internet City added AED 100bn (USD 27.2bn) to Dubai's GDP over the past 15 years**, according to a study in partnership with Accenture. The free zone that generates 65% of Dubai's technology sector GDP also attracted AED 1.6bn in investments resulting in the creation of 125k+ direct and indirect jobs during the 15-year period.
- **Tourists from China into Dubai surged by 31% yoy to 824k**

in 2024, reported Xinhua news agency citing DET data.

- The **UAE Tawazun Council**, the defence and security acquisitions authority, **signed 10 defence deals worth AED 10.18bn** (USD 2.8bn) at the Middle East's largest defence exhibition in Abu Dhabi. Overall, contracts worth AED 23bn were signed for military equipment and defence, and about 1/4th of contracts went to UAE-based firms.

Media Review:

Foreign Direct Investment Increased to a Record \$41 Trillion in 2023: IMF

<https://www.imf.org/en/Blogs/Articles/2025/02/20/foreign-direct-investment-increased-to-a-record-41-trillion>

Cyprus-Egypt pipeline paves way for island's gas industry

<https://www.agbi.com/oil-and-gas/2025/02/egypt-and-cyprus-sign-gas-export-deals/>

Gaza And West Bank: Interim Rapid Damage and Needs Assessment, Feb 2025

<https://thedocs.worldbank.org/en/doc/133c3304e29086819c1119fe8e85366b-0280012025/original/Gaza-RDNA-final-med.pdf>

India's RBI announces mega \$10 billion FX swap to infuse rupee liquidity

<https://www.reuters.com/world/india/indias-rbi-announces-mega-10-billion-fx-swap-infuse-rupee-liquidity-2025-02-21/>

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