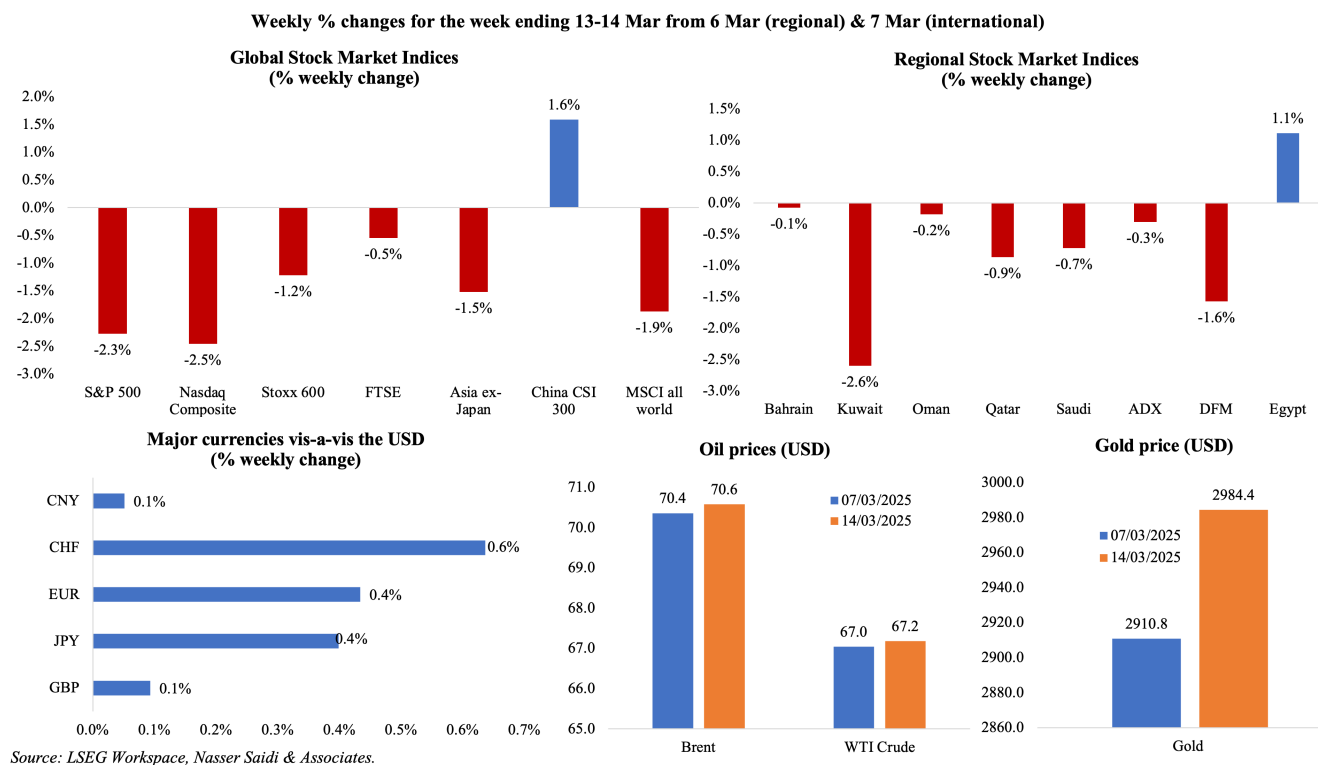


US Policy Upends Stock Market Performance – Weekly Economic Commentary Mar 17, 2025

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Markets

Equities markets plunged last week (with S&P 500 sent into a correction on March 13th), though Friday brought some respite (on hopes that a US government shutdown would be avoided), as investors tried to wrap their heads around the rising uncertainty related to tariffs, trade tensions and wider economic policy. There has been some divergence in stock market performance, with European and Asian equity markets performance relatively better than the US but MSCI's all world index posted close to a 2% drop. Regional markets were mostly down last week, mirroring the performance in the US: UAE markets declined for the fourth consecutive week. Among currencies, safe-haven CHF gained 0.6% alongside the euro (+0.4%, on optimism about Germany). Oil prices edged up while gold touched a record-high of USD 3000 per ounce before posting losses.



Global Developments

US/Americas:

- **US inflation eased to 2.8% in Feb** (Jan: 3%), as energy costs cooled (0.2% yoy from Jan's 1% rise) as did shelter costs (4.2% from 4.4%) while egg prices surged 10% mom and 59% yoy (and broadly food prices rose by 2.6%). **Core inflation slowed to 3.1%** (from 3.3%), posting the smallest gain since Apr 2021. There will be a staggered effect of the tariff hikes on inflation as firms had already been front-loading imports in anticipation of Trump tariffs.
- **Producer price index grew by 3.2% yoy in Feb**, slower than the 3.7% gain in Jan. Excluding food and energy, PPI eased to 3.4% (from 3.6%). In monthly terms, PPI was unchanged in Feb (for the first time since Jul) while goods prices rose by 0.3% (with two-thirds of the rise stemming from the 53.6% jump in wholesale egg prices) and services prices fell by 0.2% (the largest decline since Jul 2024).
- **Federal deficit in the US widened to USD 307bn in Feb**

- (Jan: USD 129bn), thereby totalling USD 1.15trn for the period Oct-Feb. **Total net interest payments rose to USD 396bn, trailing just behind national defence and health.**
- **NFIB business optimism index eased to 100.7 in Feb** (Jan: 102.8), the lowest since Oct, with the uncertainty index up four points to 104 (the second highest reading ever).
 - **JOLTS job openings rose to 7.74mn in Jan** (from a downwardly revised 7.508mn in Dec) and there were 1.13 jobs available per unemployed worker (slightly up from Dec) implying a stable labour market (for now).
 - **Initial jobless claims declined by 2k to 220k in the week ended Mar 7**, with the 4-week average up by 1.5k to 226k. Unemployment compensation for federal employees (UCFE) program saw applications fall to 1580 (from previous week's 4-year high of 1634) in the week ending Feb 28. **Continuing jobless claims fell by 27k to 1.87mn in the week ended Feb 28.**
 - **Michigan consumer sentiment index fell to 57.9 in Mar** (Feb: 64.7), the lowest since Nov 2022, with future expectations tumbling (to 54.2 from 64). **The one- and five-year inflation expectations rose to 4.9%** (the most since Nov 2022, and from 4.3%) and **3.9% (from 3.5%, posting the largest monthly increase since 1993).**

Europe:

- **Eurozone industrial production rebounded in Jan**, up by 0.8% mom (Dec: -0.4%), supported by an increase in the production of intermediate goods (1.6% from -1.7%) while capital goods edged up by 0.5% (Dec: -1.9%). In yoy terms, IP stabilised in Jan after 20 consecutive months of declines (Dec: -1.5%).
- **Sentix investor confidence in the eurozone clocked in at -2.9 in Mar**, easing from -12.7 in Feb, the highest reading since Jun 2024. The expectations index which rose to 18.0 (Feb: 1.0), the most since Jul 2021, led the uptick.

- **Germany agreed on a fiscal deal that would increase state borrowing**, defence and infrastructure spending and could support growth.
- **The harmonised index of consumer prices in Germany eased in Feb** to a 3-month low of 2.6% (revised from a preliminary estimate of 2.8%). **Wholesale price index inched up by 0.6% mom and 1.6% yoy** in Feb (Jan: 0.9% mom and yoy): this was the third month of positive yoy reading after 19 months of deflation and also the highest since Mar 2023.
- **Exports from Germany fell by 2.5% mom in Jan**, while imports grew by 1.2% taking the trade surplus narrower to EUR 16bn (Dec: EUR 20.7bn). **The top export destination was the US** though value of exports fell by 4.2% mom to EUR 13bn. Imports from China slipped by 2.8% mom to EUR 12.9bn.
- **Industrial production in Germany declined by 1.6% yoy in Jan** (Dec: -2.2%); in monthly terms, it rebounded by 2% (Dec: -1.5%) thanks to the boost in food (7.5%) and automobile (6.4%) sectors' production. Recovery has been sluggish with **IP still about 10% below its pre-pandemic levels**.
- **GDP growth in the UK unexpectedly contracted in Jan**: -0.1% (vs Dec: 0.4%) as industrial production and construction output fell by 0.9% mom and 0.2% in Jan (Dec: 0.5% and -0.2%) while **services output picked up** (+0.1% mom from Dec's +0.4%). Manufacturing fell by 1.1% mom and 1.5% yoy (Dec: 0.7% mom and -1.4% yoy), partly due to the decline in metals output (-3.3% mom).
- **Like-for-like retail sales in the UK grew at a slower pace of 0.9% yoy in Feb** (Jan: 2.5%) as customers were more cautious with spending. Sales growth across non-food categories was mostly soft though Valentines Day sales saw growth in jewellery, watches and fragrance sales.

Asia Pacific:

- **China**, in its **30-point plan to boost household spending**, included items such as raising the minimum wage, subsidising consumer loans, “multiple measures to stabilise the stock market” and strictly enforcing the paid annual leave among others.
- **Money supply in China accelerated by 7% yoy in Feb** to CNY 320.52trn (Jan: 7%). **New loans extended fell** to CNY 1.01trn in Feb (Jan: CNY 5.13trn), taking year-to-date to CNY 6.14trn. **Total social financing** stood at CNY 2.23trn, down sharply from Jan’s CNY 7.06trn.
- **Japan’s GDP expanded at an annualised 2.2% in Q4**, slower than the initial estimate of 2.8%; it grew by 0.6% qoq (prelim: 0.7%) and 2.9% yoy (prelim: 2.8%). Capital expenditure rose by 0.6% (prelim: 0.5%) while private consumption stood unchanged (prelim: +0.1%).
- **Overall household spending in Japan grew by 0.8% yoy in Jan** (Dec: 2.7%) as spending surged on housing (+39.2% from Dec’s 15.8%) and education (9.9% from 3.8%) while down for food (-2.4% from -1.2%) and clothing & footwear (-7.6% from +4.1%) among others.
- **Producer price index in Japan slipped to 4% yoy in Feb** (Jan: 4.2%), with costs increasing across most groups including metal products (4.1%), food & beverages (2.6% from 2.7%) and transport equipment (1.7% from 1.6%) among others while iron & steel prices fell (-1.5% from -1.3%).
- The preliminary reading of **Japan’s leading economic index inched up to 108 in Jan** (Dec: 107.9) and the coincident index also moved to 116.2 from 116.1. However, consumer sentiment weakened to its lowest level since Mar 2023.
- **Retail inflation in India eased to a 6-month low of 3.61% yoy in Feb** (Jan: 4.31%). Food inflation touched 3.75% while core inflation rose to 4% partly due to an uptick in gold prices.
- **India’s industrial output increased by 5.0% in Jan** (Dec: 3.5%) as manufacturing increased 5.5% (Dec: 3%),

supported by rebounds in the production of food and motor vehicles (0.6% and 1.8% respectively from -5% and -1.9%). Industrial output grew by 4.2% in Apr-Jan.

- **Unemployment rate in Korea declined to 2.7% in Feb** (Jan: 2.9%), the second consecutive month of decline, while labour force participation rate inched up to 63.7%.

Bottom line: Central banks in Japan, the UK and the US meet on policy this week and are likely to keep rates unchanged, as the world witnesses continued uncertainty related to US trade/tariff policy, geopolitics and foreign policy (Canada-US relations, NATO, ties with the EU, Russia, China etc). With rising economic uncertainty, the narrative from the Fed post-meeting needs to be studied carefully for indications of renewed rate cuts later this year. For now, US inflation seems to be reined in – evidence of tariff related price hikes is yet to kick in (remember that many firms had front-loaded imports ahead of the hikes), and uncertainty is leading consumers to delay their spending. Remember also that tariffs act like taxes, raising prices of affected goods but without a continuing inflation effect.

Regional Developments

- **Bahrain approved a law on the double taxation agreement with the UAE.**
- **In the 2025 Index of Economic Freedom, Bahrain was ranked 55th globally** with Singapore, Switzerland and Ireland the top ranked. From the GCC, UAE, Qatar and Oman were ranked at 23rd, 27th and 58th respectively.
- **Egypt's annual urban inflation tumbled to 12.8% in Feb** (Jan: 24%), the lowest reading since Mar 2022. It is partly a base effect as the increases seen for the past two years fade. While food prices also plunged in Feb (to 3.7% from 20.8%), transportation costs remained relatively high (34.3% from 35.9%). **Core inflation also fell** to 10.0%, the lowest since Feb 2022, and from 22.6% in Jan. the central bank also revealed that **money supply**

(M2) **expanded by a record high 32.1% yoy** to end-Jan

- **The IMF approved its USD 2.5bn loan for Egypt last week**, including USD 1.3bn for climate resilience. High debt levels and large financing needs were highlighted by the Fund, and one of the main commitments was the **reduction of fuel subsidies to cost recovery level by Dec 2025**. Currently about EGP 10bn is being spent on fuel subsidies each month, according to the petroleum minister.
- **Tax revenues in Egypt grew by 38% yoy in H1** of the financial year 2024-25, according to the minister of finance. Note that nominal revenues would rise with higher inflation.
- At USD 2.4bn, **private sector investment accounted for 63% of Egyptian investment**, according to the minister of planning, economic development and international cooperation. Total investments implemented in 2023-24 grew by 5.8% to approximately EGP 1626bn and investments in infrastructure sectors accounted for EGP 180.6bn, or 57.9% of total public investments.
- The **IMF**, during its fact-finding mission to **Lebanon**, was **requested by the government support to address its long-standing economic challenges, requiring comprehensive economic reforms**. Separately, Reuters reported that the US is providing feedback on the candidates for BDL governor with the objective of reducing corruption of and illicit financing. Listen to Dr. Nasser Saidi's interview with the BBC on this: <https://www.bbc.co.uk/sounds/play/w3ct5zty>
- **Non-oil exports from Oman fell by 16.3% yoy to OMR 6.232bn in 2024**, with UAE the top destination for Oman's non-oil products. Oil and gas exports grew by 18.4% to OMR 16.29bn while total imports increased by 12.1% to OMR 16.71bn.
- **Credit and deposit growth increased by 6.7% and 9.1% yoy in 2024**, according to the central bank, with loans to the private sector growing by 5.9% yoy to OMR 27.1bn.

- **Logistics sector in Oman contributed OMR 1.7bn or 1% to GDP in Jan-Sep 2024.** The sector employs more than 79k persons and the aim is to raise this to 300k by 2040.
- **More than one million passengers travelled through Oman's airports by end- Jan from 8983 flights.**

Saudi Arabia Focus



- **Inflation in Saudi Arabia remained unchanged at 2% yoy in Feb**, with “actual rentals for housing” driving up the costs (8.5% in Feb, though slowing from Jan’s 9.7% gain). While food & beverage prices were up by 1% yoy and restaurant & hotel costs ticked up by 0.8%, transportation costs fell by 1.5%.
- **Wholesale price index in Saudi Arabia inched up by 1.54% yoy in Feb** (Jan: 0.86%), thanks to an increase of 3.4% in other transportable goods prices and a 3.9% rise in agriculture and fishery products.
- **Industrial production in Saudi Arabia expanded for the seventh consecutive month in Jan 2025**, up by 1.3%(slightly lower than Dec’s 1.8% gain) and oil activities posting modest gains (0.4% in Jan vs 0.5% in Dec 2024). In month-on-month terms, IP was flat (Dec: +0.6%). Overall **manufacturing inched up by 0.4% mom and 3.8% yoy** and non-oil manufacturing activity grew by 3.6% yoy (though down by 0.2% mom).
- **Saudi Arabia’s gross fixed capital formation grew by 5.3% yoy to SAR 1.18trn (USD 313.68bn) in 2024**, according to the Ministry of Investment, while **non-government sector investments accelerated by 7.6%**.
- **Saudi Arabia’s crude oil shipments to China is expected to fall in Apr** (to about 35.5mn barrels from 41mn in Mar, according to Reuters) despite the OPEC+ proceeding with an increase in oil production. This is partly due to maintenance at refineries owned by Sinopec.
- **S&P raised Saudi Arabia’s rating to “A+” from “A” with a stable outlook** citing “strong non-oil growth momentum

and developing domestic capital markets” that balances the risk from rising government and external debt as well as debt servicing costs.

- **Saudi Arabia launched a SAR 1bn (USD 266.6mn) initiative to encourage private sector participation in sustainable and eco-friendly projects.** This is supported by Riyadh Bank.
- Knight Frank, in its latest report, disclosed that **private buyers are expected to spend USD 1.22bn this year in Saudi Arabia’s residential real estate market** and that NEOM was the top choice of location for the purchase of a home (though its popularity had declined). Work is still ongoing in the area – NEOM awarded construction contracts worth USD 28.7bn as of early 2025, with USD 100mn and an additional USD 10.5bn allocated to Magna and The Line.

UAE Focus



- **Gross bank assets in the UAE grew by 2.4% mom and 12% yoy to AED 4.56trn at end-Dec. Gross credit increased by 0.8% mom and 9.5% yoy to AED 2.18trn,** supported by a surge in foreign credit (+8.3% mom and +31% yoy to AED 332.4bn). **Growth in bank deposits,** by 1.5% mom and 12.9% yoy, was supported by both resident deposits (0.5% mom to AED 2.6trn) and non-resident deposits (+13.9% mom and 20.4% yoy to AED 243.3bn).
- **UAE approved the National Investment Strategy 2031,** which aims to increase annual investment inflows to AED 240bn by 2031 (from AED 112bn in 2023) and grow FDI stock to AED 2.2trn (from AED 800bn). Five sectors were prioritised for new FDI inflows: industry, financial services, transport & logistics, renewable energy & water, telecommunications & IT.
- Abu Dhabi sovereign wealth fund **ADQ has taken a majority stake (58%) in logistics firm Aramex** after its latest acquisition of a 35.31% stake from unit Q Logistics.

- **Sharjah is projected to grow by up to 7.5% in 2025**, according to the Executive Chairman of the Department of Government Relations, with the private sector's contribution estimated to range between 6.5-7.5%. The emirate grew by 6.5% yoy to over AED 145bn in 2023.
- **UAE's aluminium exports to the US jumped ahead of the tariff hike**: in the first 11 days of Mar, UAE exports 68,560.29 metric tons of aluminium to the US (vs 16,124.88 metric tons in Mar 2024). UAE in 2024 was the second largest exporter of aluminium & bauxite to the US; together, **all GCC nations accounted for 12.2% of US aluminium & bauxite imports**.
- **Emirates Global Aluminium reported a 23.5% yoy decline in annual net profit to AED 2.6bn in 2024**, partly due to the introduction of a corporate tax (9% of profit) and the suspension of its bauxite exports from Guinea. Adjusted core earnings were up by 19.5% yoy to AED 9.2bn on record production of alumina and aluminium.
- The Crown Price of Dubai disclosed that the **value of endowment assets (Awqaf) in Dubai grew by 9% yoy to AED 11.1bn in 2024**. It was also stated that the total number of endowments increased to 1,043 and the number of donors rose to 578.

Media Review:

Asset securitisation in the Gulf

<https://www.agbi.com/finance/2025/03/asset-securitisation-in-the-gulf-takes-its-first-baby-steps/>

BBC World Business Report interview with Dr. Nasser Saidi on IMF's visit to Lebanon

<https://www.bbc.co.uk/sounds/play/w3ct5zty>

Dr. Nasser Saidi's Interview with Al Arabiya (Arabic) on the Trump's tariffs

<https://nassersaidi.com/2025/03/14/interview-with-al-arabiya-arabic-on-the-trumps-tariffs-13-mar-2025/>

**“Digitalization, Growth, and Diversification in the Gulf”,
AGSIW webinar**

<https://nassersaidi.com/2025/03/13/digitalization-growth-and-diversification-in-the-gulf-agsiw-webinar-11-mar-2025/>
<https://www.agbi.com/tech/2025/03/gulf-digitalisation-growth-barely-moving-productivity-needle/>

Adnoc chief Sultan al-Jaber: ‘It’s time to make energy great again’

<https://www.ft.com/content/1376e4cd-63c8-41f4-91bd-fb3bb2193241>
<https://www.reuters.com/business/energy/ceraweek-uaes-xrg-make-big-investment-us-gas-adnoc-ceo-2025-03-11/>

UAE Official to Press US on Ability to Buy More Nvidia AI Chips

<https://www.bloomberg.com/news/articles/2025-03-13/uae-official-to-press-us-on-ability-to-buy-more-nvidia-ai-chips>

Oman leads green hydrogen ambitions in the Middle East

<https://www.zawya.com/en/special-coverage/zawya-green/oman-leads-green-hydrogen-ambitions-in-the-middle-east-d70r3rr4>

Exclusive: Qatar to provide gas to Syria via Jordan with a US nod

<https://www.reuters.com/business/energy/qatar-supply-gas-syria-with-us-nod-sources-say-2025-03-13/>

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