

Trade uncertainty surges but no global recession (yet!); GCC a relative sea of calm (for now!): Weekly Insights 18 Apr 2025

Various uncertainties surge, including trade. US Treasuries holdings & GCC. Trade forecasts. Oman's 2024 foreign trade. Saudi inflation.

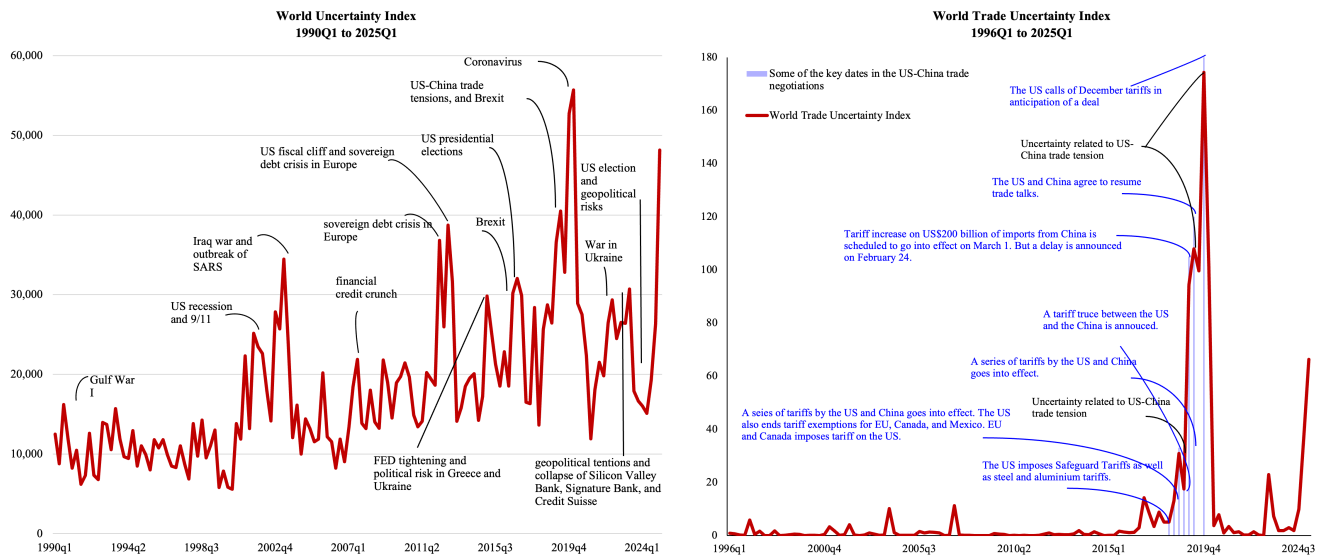
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1. Multiple Uncertainty Indices, All Pointing the Same Way: Up, Up & Away!

- The IMF disclosed that **US tariffs will lead to “notable markdowns” in global growth** (a recession is not forecasted) **and raise inflation in some countries**. The MD of the IMF also called for “cooperation in a multi-polar world” in addition to renewed focus on “internal and external macroeconomic imbalances” and “reforms to enhance economic and financial stability and improve growth potential”.
- **World Uncertainty Index and World Trade Uncertainty Index** (which is built by counting the number of times uncertain or its variant is mentioned in EIU country reports) surged in Q1 2025.
- The **Trade Uncertainty Index** (which counts the times uncertainty is mentioned in proximity to a word related to trade in EIU country reports) shows a surge in Q1 2025 to a value of 66.3 from 37.35 in Q4 2024. A

breakdown of the index by country shows around **40 countries that have seen a jump in the index in Q1** (vs Q4) including Chile (highest score; though untouched by the reciprocal tariff, Chile is the leading copper producer globally and could be affected by the widely-expected possible tariffs on copper), Laos (hit with a 48% reciprocal tariff) as well as Indonesia, Nepal and Singapore to name a few.



Source: World Uncertainty Index via <https://worlduncertaintyindex.com/data/> (updated as of Apr 2025). Based on Ahir, H, N Bloom, and D Furceri (2022): "World Uncertainty Index", NBER Working Paper. <https://www.nber.org/papers/w29763>

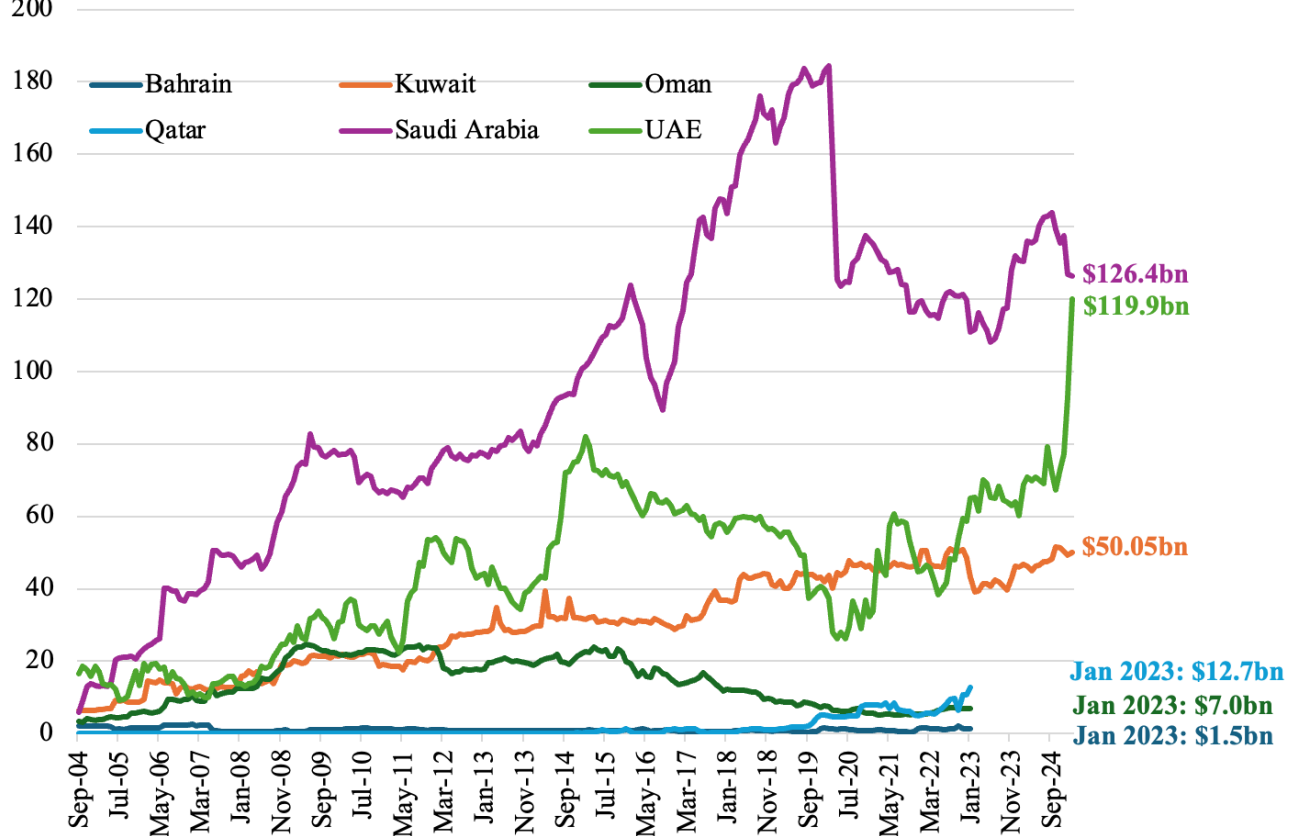
2. Treasury holdings lost its safe-haven shine post-tariff announcement in Apr, but Feb 2025 data clocked in a new-record; UAE's holdings surged to a record-high in Feb '25 (was 19th largest globally)

- **Foreign holdings of Treasuries grew by 3.4% mom and 10.2% yoy to a new record USD 8.817trn in Feb**, crossing the previous high of USD 8.688trn (Sep '24).
- **Once again, Japan & China raised holdings of US Treasuries** in Feb (partly due to a jump in valuation).
- **Japan** – the largest foreign holder of US government debt

– raised holdings to USD 1.1259trn in Feb (Jan: USD 1.0793trn).

- **China** raised US Treasuries holdings to USD 784.3bn (Feb: USD 760.8bn & Dec's USD 759bn, lowest level since 2009). Its record-high was USD 1.315trn in Jul 2011.
- **UAE joined the leaderboard in Feb, becoming the 19th largest holder of US Treasuries.** UAE holdings grew 29.5% mom & 74.1% yoy to a new-record USD 119.9bn.
- **Saudi Arabia remained the 17th largest global investor in Feb**, though its holdings fell 0.4% mom & 3.1% yoy to USD 126.4bn.
- **Kuwait posted a gain** of 1.7% mom and 7.1% yoy (to USD 50.045bn) in Feb.
- **Sell-off in Treasuries post-tariffs announcements was unusual** given its safe-haven status amid the uncertainty – begged the question whether it was being used as a negotiation tactic (though Japan & China would both make losses in such a scenario, given the size of their holdings). Or if countries are concerned about the weaponization of the USD (i.e. potential freezing of assets by the US)

UAE's US Treasuries holdings surged 29.5% mom and 74.1% yoy to a new record USD 119.9bn in Feb while Saudi holdings dropped 0.4% mom and 3.1% yoy to USD 126.4bn

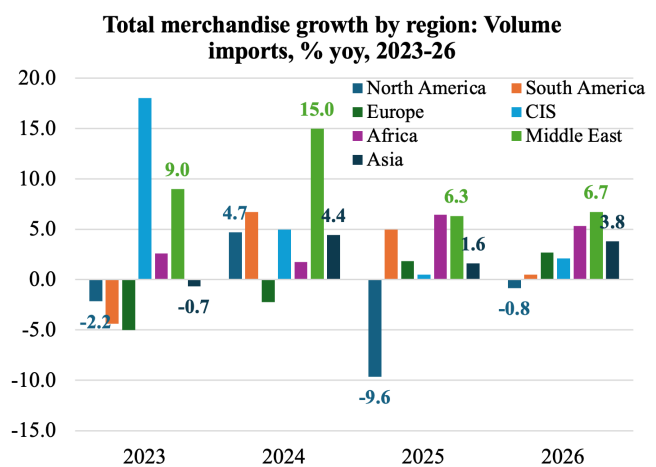
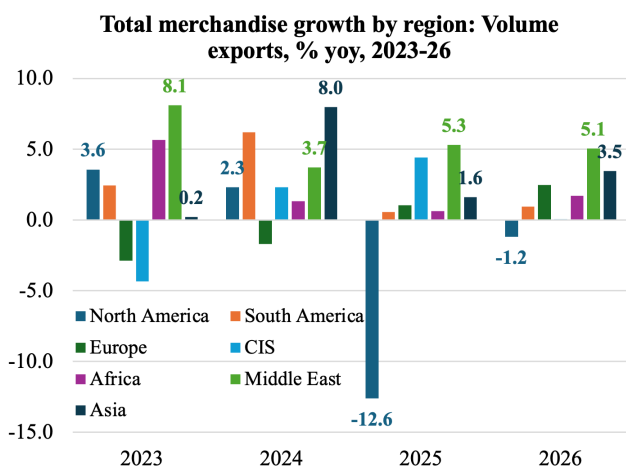


Source: US Treasury, LSEG Workspace. Chart by Nasser Saidi & Associates.

3. WTO: Global trade to drop by 0.2% yoy in 2025 (2024: 2.9%) as world adjusts to greater trade uncertainty

- **Global trade volume grew by 2.9% yoy in 2024**, a recovery from 2023's drop, while also becoming the first year post-Covid when trade grew faster than GDP. However, **with the recent spate of Trump tariffs, expect a dismal 2025: a 0.2% drop in trade volume under current conditions** and a 1.5% decline if the situation worsens (i.e. reciprocal tariffs alongside greater trade policy uncertainty), according to WTO's latest Global Trade Outlook (issued 16th Apr 2025). **Commercial services trade growth, though not directly hit by tariffs, is also projected to slow (+4.0% yoy).**
- **Trade volumes by region** (chart below) shows data till 2024: Europe was a drag on overall trade growth, with both exports and imports contracting (intra-EU trade

fell by 3.2%). Exports from Asia increased better than expected (+8% yoy in 2024 following the 0.2% gain in 2023, perhaps a result of the front-loading behaviour seen ahead of proposed tariffs) while Middle East imports grew the fastest (15% in 2024 vs 9% in 2023). Under the current policy landscape, **Middle East exports are forecast to grow by 5.3% in 2025 and 5.1% in 2026** and imports by 6.3% and 6.7% respectively this year and next.



Sources: WTO and UNCTAD.

4. Middle East nations are among top exporters & importers in 2024

- According to the WTO, **services accounted for 26.4% of global trade based on balance of payments statistics in 2024, the highest share since 2005.** It stood at USD 8.69trn (+9% yoy), driven by Asia (11.1%) and Europe (5.5%).
- Oil exporters **UAE and Saudi Arabia are among the leading exporters & importers**, even in commercial services trade; excluding intra-EU trade, their rankings are higher & includes more nations from the Middle East. **For the Middle East, services exports are expected to grow by 1.7% in 2025 and 1.0% in 2026.**
- **Trade uncertainty can spillover into services** especially demand for international travel – estimated to slow to 2.6% in 2025 before rebounding in 2026 (+4.7%).

Leading exporters and importers in world merchandise trade excluding intra-EU trade, 2024
(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	China	3577	17.8	6	1	United States of America	3359	16.4	6
2	Extra-EU exports	2796	13.9	1	2	Extra-EU imports	2634	12.8	-3
3	United States of America	2065	10.3	2	3	China	2587	12.6	1
8	United Arab Emirates ¹	603	3.0	6	11	United Arab Emirates ¹	539	2.6	14
20	Saudi Arabia, Kingdom of	305	1.5	-5	23	Saudi Arabia, Kingdom of	232	1.1	12
26	Iran ¹	106	0.5	9	28	Egypt ¹	86	0.4	4
27	Iraq ¹	102	0.5	3	29	Iraq ¹	86	0.4	31
29	Qatar	94	0.5	-4		World exclu. EU intra-trade ²	20512	100.0	3
	World exclu EU intra-trade ²	20076	100.0	3					

Leading exporters and importers of commercial services excluding intra-EU trade, 2023
(Billion dollars and percentage)

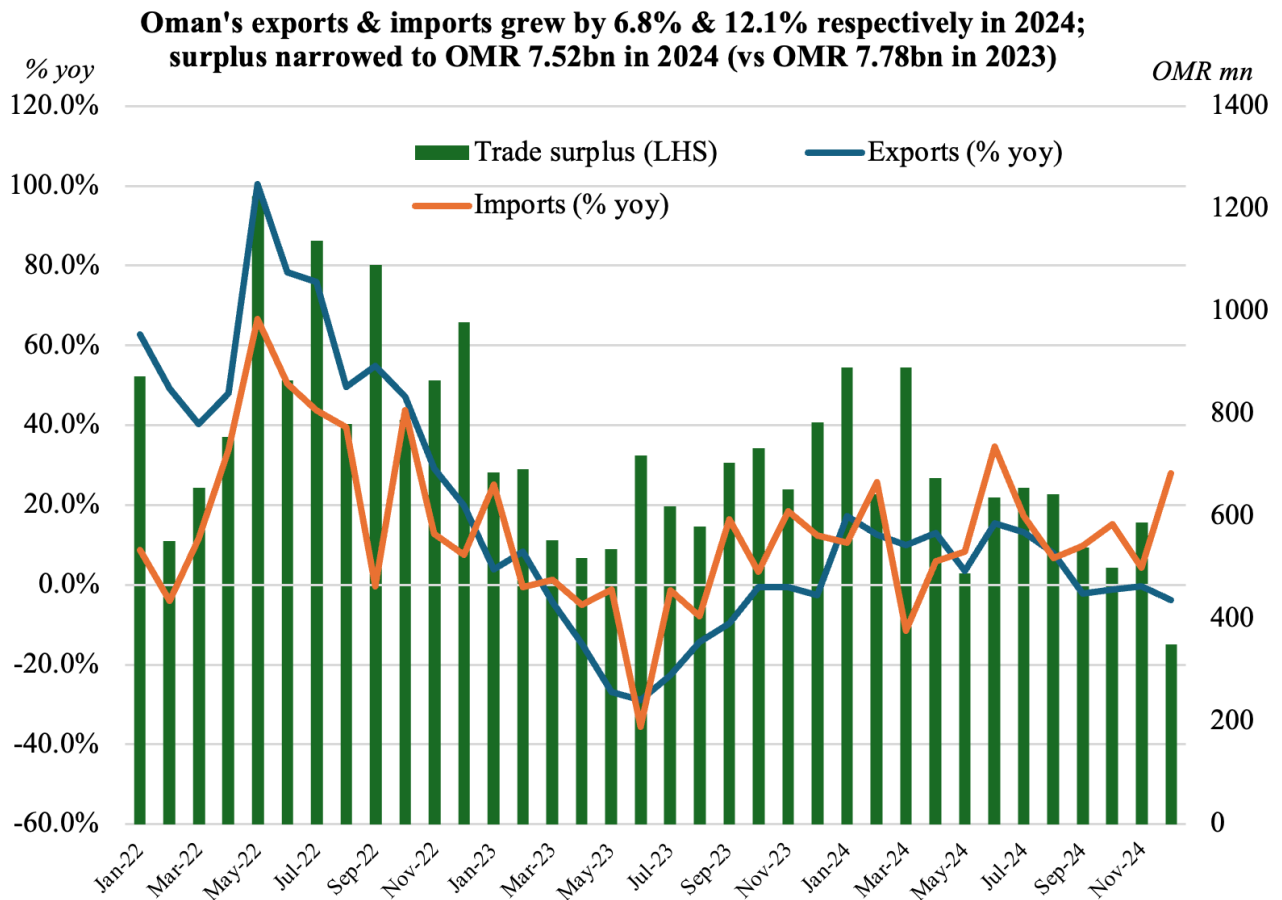
Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
1	Extra-EU exports	1642	23.2	8	1	Extra-EU imports	1437	22.1	6
2	United States of America	1077	15.2	8	2	United States of America	787	12.1	9
3	United Kingdom	645	9.1	11	3	China	608	9.4	11
9	United Arab Emirates ¹	176	2.5	...	12	United Arab Emirates ¹	106	1.6	...
21	Saudi Arabia, Kingdom of	53	0.7	14	14	Saudi Arabia, Kingdom of	94	1.4	6
27	Qatar	30	0.4	-2	27	Qatar	32	0.5	-15
28	Egypt	27	0.4	-16	28	Kuwait, the State of	26	0.4	-7
29	Morocco	27	0.4	9	29	Egypt	25	0.4	22
	World (excl. intra-EU)	7088	100	10		World (excl. intra-EU)	6490	100	8

Source: WTO-UNCTAD

(1) Secretariat estimates.

(2) Includes significant re-exports or imports for re-export.

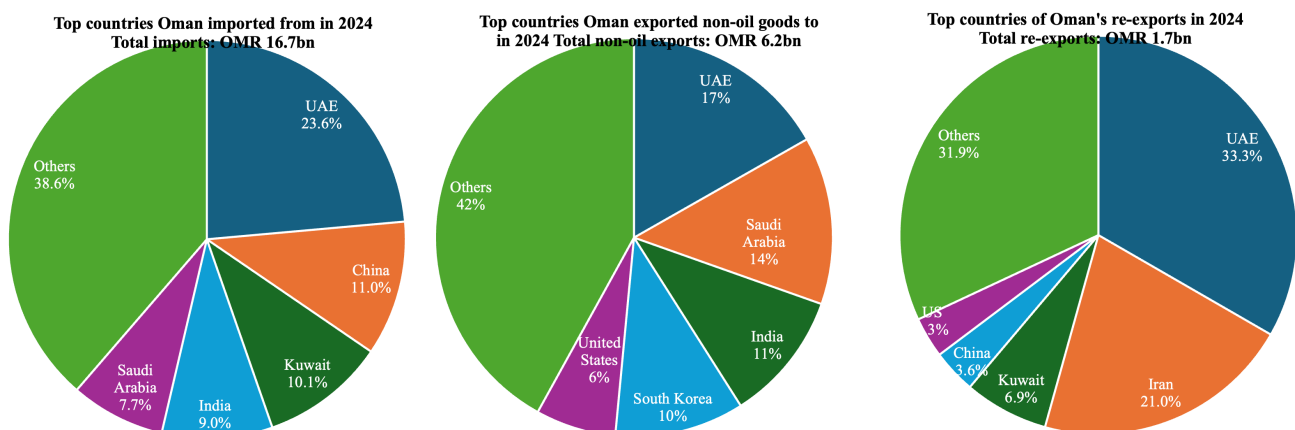
5. Oman posts robust trade growth in 2024; surplus narrows to OMR 7.5bn



▪ Oil and gas exports accounted for just over two-thirds

of Oman's overall exports in 2024, (67.2% vs 60.6% in 2023). Exports grew by 6.8% yoy to OMR 24.2bn (driven by oil exports: 18.4% yoy to OMR 16.3bn) while imports accelerated at double the pace (12.1% to OMR 16.7bn) – resulting in a narrower trade surplus (OMR 7.5bn vs OMR 7.8bn in 2023).

- **Non-oil exports during the year declined by 16.3% yoy to OMR 6.2bn; this comprised mainly mineral products (OMR 1.32bn, down by 36.8% yoy, but accounting for 5.5% share of exports) and base metals & articles (OMR 1.09bn). Re-exports increased by 14.9% to OMR 1.7bn, with transport equipment accounting for 23.5% of total re-exports followed by machinery & electrical equipment (22.0% of total re-exports).**
- **UAE was Oman's largest non-oil trade partner:** non-oil exports to UAE grew by 11% yoy to OMR 1.05bn in 2024, while re-exports were OMR 569mn. China, South Korea and Japan were top export destinations **including oil and gas**. **Oman's imports originated mainly from GCC:** UAE was Oman's largest source of imports (OMR 3.9bn, or 23.6% of total); along with Saudi and Kuwait, the 3 countries accounted for 41% of imports.



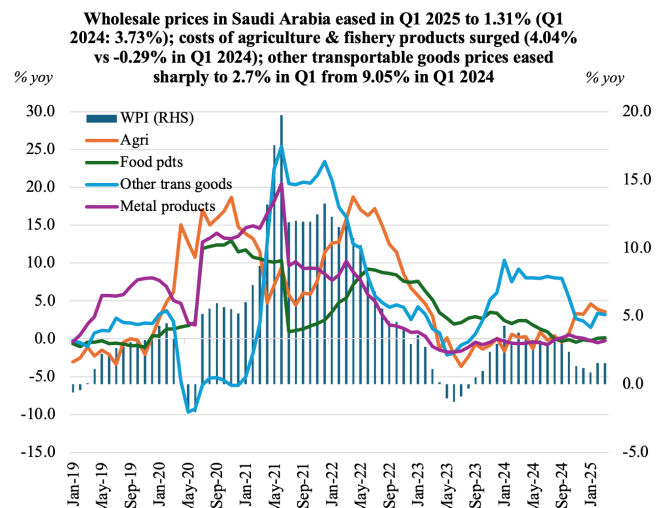
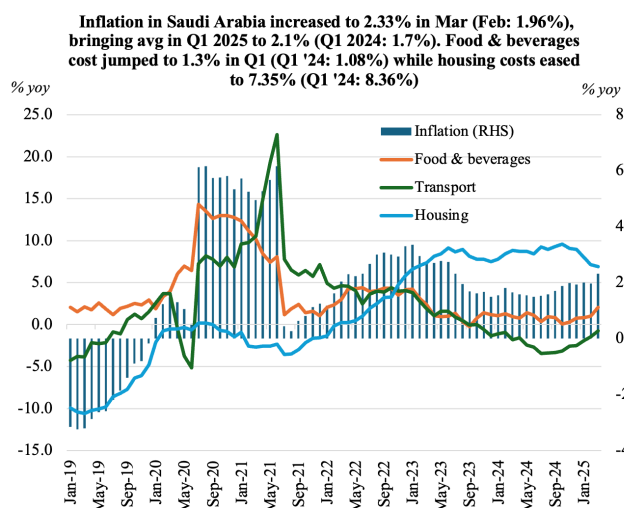
Source: National Centre for Statistics & information, Oman. Charts by Nasser Saidi & Associates.

6. Consumer prices in Saudi Arabia inched up in Q1 2025 versus a year ago; producer price inflation eases

- **Consumer price inflation in Saudi Arabia inched up to 2.3% in Mar (Feb: 2.0%), with increases in food &**

beverages prices (to 2.0% from 1.0% in Feb) and restaurant & hotels costs (1.3% from 0.8%) while recreation & culture costs rose by 0.3% following 11 consecutive months of declines. Housing costs eased slightly in Mar (6.9% from 7.1%) as **rental costs slowed** (8.2% from 8.5%).

- **CPI averaged 2.1% in Q1 2025** vs 1.67% in Q1 2024, with a **mixed picture**: housing costs remained high, but eased to an average 7.4% from 8.4%; transport costs fell further (-1.39% in Q1 2025 vs -1.26% in Q1 2024) while miscellaneous goods and services prices accelerated: up by 3.7% in Q1 2025 from a dip of -1.1% in Q1 2024.
- **Wholesale prices in Saudi Arabia eased in Mar** to 1.53% (Feb: 1.54%), as deflation continued in ores & minerals (-1.94% from -1.91%) while food products, beverages, tobacco & textiles edged up (0.13% from 0.07%).
- **Average wholesale prices more than halved in Q1 2025** compared to the same period a year ago: clocking in 1.31% (vs 3.73% in Q1 2024), as “other transportable goods” prices plunged (2.7% from 9.05%).



Source: GaStat. Charts by Nasser Saidi & Associates

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