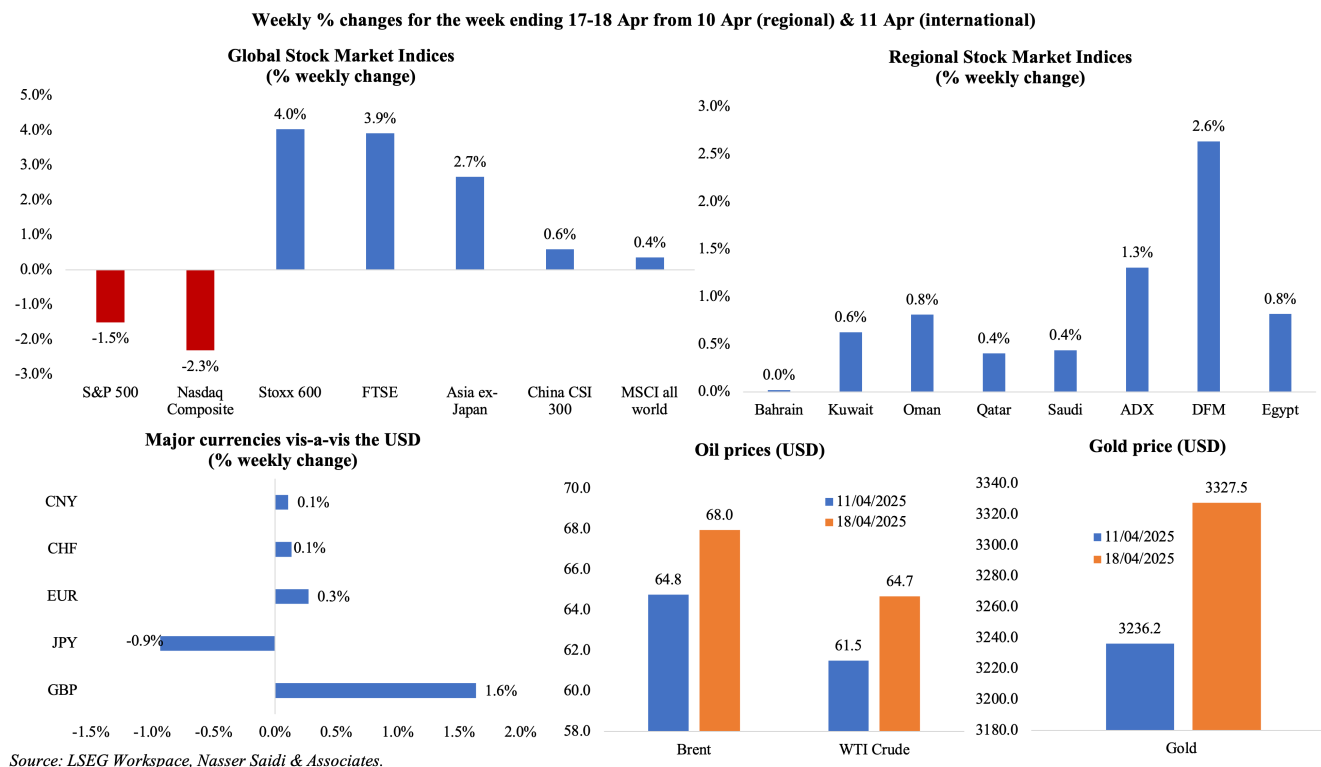


Slowing global growth, trade uncertainties & financial volatility to dominate discussions at the IMF-World Bank meetings – Weekly Economic Commentary Apr 21, 2025

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Markets

Tech stocks led the drop in US equities markets in a holiday shortened week (many markets were closed for Easter holidays) while positive comments about the potential US-EU trade deal benefited markets in Europe. Regional markets were mostly up with UAE's DFM posting the largest weekly gain so far this year. The weakening of the dollar saw euro touch a 3-year high last week and CHF strengthened to a 10-year high vis-à-vis the greenback. Oil prices are up in the backdrop of the US-Iran talks and pressure on Iran's energy exports while gold price, despite some profit taking, gained 1.6%+ from the week before.



Global Developments

US/Americas:

- **Fed Chair Powell warned that tariffs would slow growth and stoke inflation**, stating that the apex bank could face a “challenging scenario”. He also stated that the Fed would wait for more data clarity before deciding on changes to interest rates.
- **Industrial production in the US fell by 0.3% mom in Mar** (Feb: 0.8%), as the index for utilities fell by 5.8% while manufacturing and mining output inched up by 0.3% and 0.6% respectively. Capacity utilisation stood at 77.8%, lower than Feb’s 78.2%.
- **US retail sales grew by 1.4% mom in Mar** (Feb: 0.2%), as households made bulk purchases (e.g. sales at auto dealerships jumped by 5.3%) ahead of the tariff implementation; going forward, sales are likely to dampen. In yoy terms, sales grew by 4.6% (from 3.5%).
- **Building permits in the US rebounded in Mar**, up by 1.6% to 1.482mn though single-family permits fell by 2% to 978k. **Housing starts plunged by 11.4% to a 4-month low**

of 1.324mn on weaker demand amid higher prices and mortgage rates. Single-family housing starts tumbled by 14.2% to 0.94mn.

- **Philadelphia Fed manufacturing survey plummeted to -26.4 in Apr** (Mar: 12.5), with about 39% of firms disclosing lower activity in the month while new orders index dropped to -34.2 (the lowest since Apr 2020 and from 8.7 in Mar). **In contrast, the NY Empire State manufacturing index moved up to -8.1 in Apr** (Mar: -20) even as declines were registered in new orders (-8.8 from -14.9) and shipments (-2.9 from -8.5). **However, future outlook is pessimistic:** future general business conditions fell to the second lowest ever reading of -7.4.
- **Initial jobless claims declined by 9k to a two-month low of 215k in the week ended Apr 11**, with the 4-week average inching lower by 2.5k to 220.75k. **Continuing jobless claims jumped by 41k to 1.885mn in the week ended Apr 4.**

Europe:

- **The ECB lowered key interest rates by 25bps to the lowest since late 2022:** the benchmark deposit rate was cut to 2.25%. The central bank noted the growth outlook has “deteriorated” in light of rising trade tensions.
- **The ZEW Economic Sentiment Index in Germany plunged to -14 in Apr** (Mar: 51.6) – the most it has dropped since Dec 2022, influenced by the US reciprocal tariff announcements. The current situation, however, improved (-81.2 from -87.6). **In the euro area, economic sentiment index fell to -18.5** (Mar: 39.8) and the current economic situation assessment also fell, down by 5.7 points to -50.9.
- **Industrial production in the eurozone rebounded in Feb**, up by 1.2% yoy (Jan: -0.5% yoy) while IP grew by 1.1% mom (Jan: 0.6%). Non-durable consumer goods supported the gain, up by 2.8% mom and 9.7% yoy in Feb.

- **Wholesale price index in Germany fell by 0.2% mom in Mar** (Feb: 0.6%). In yoy terms, prices increased for the fourth month in a row, though easing to 1.3% (from 1.6%).
- **German producer price index unexpectedly fell by 0.2% yoy in Mar** (Feb: 7% yoy), partly due to lower energy prices (-3.6% yoy) while non-durable consumer goods grew by 2.6%. In monthly terms, PPI declined for the 4th month in a row, down by 0.7% (Feb: 0.2%).
- **UK inflation eased in Mar** to 2.6% (Feb: 2.8%), with services inflation also slowed (to 4.7% from 5.0%). Core inflation edged down to 3.4% (Feb: 3.5%). While inflation has eased from previous highs, the apex bank is under pressure given the strong wage growth alongside the impact from Trump's tariffs.
- **Average earnings in the UK including (excluding) bonus grew** by 5.6% (5.9%) in the three months to Feb. Both readings are much higher than the inflation rate currently at 2.6%.
- **UK unemployment rate stayed unchanged at 4.4% in Feb;** the number of employed persons rose by 206k to a record-high of 34mn.
- **UK like-for-like retail sales inched up by 0.9% yoy in Mar** (Feb: 0.9%), supported by the relatively warm weather that drove up spending including food sales (+1.6%) while sales of big-ticket items were downcast (partially due to the recent UK tax upticks and US tariffs).

Asia Pacific:

- **China's GDP grew by 1.2% qoq and 5.4% yoy in Q1** (Q4: 1.6% qoq and 5.4% yoy) – prior to the announcement of the “reciprocal” tariffs in Apr (currently standing at 145%).
- **Industrial production in China grew by 7.7% yoy in Mar** (Feb: 5.9%), the strongest pace since Jun 2021, and

taking the Q1 reading to 6.5%. **Retail sales were up** by 5.9% (Feb: 4%). **Fixed asset investment increased** by 4.2% in Q1 (Jan-Feb: 4.1%).

- **Exports from China accelerated by 12.4% yoy in Mar** (Feb: 2.3%), the biggest increase since Oct 2024 while imports fell by 4.3% (Feb: -8.4%) leading to a wider trade surplus of USD 102.64bn (from USD 58.65bn a year ago). China's exports to the US were up 9.1% yoy in terms of total values while imports fell 9.5%. Trade tensions are likely to result in subdued readings in the coming months.
- **China's crude oil imports rebounded in Mar**, up by 4.8% yoy to 51.41mn metric tons (highest since Aug 2023), supported by an increase in oil from Iran and a rebound in deliveries from Russia. In Q1, crude oil imports were down by 1.5% yoy to 135.25mn metric tons.
- **Money supply in China grew by 7% yoy in Mar** (Feb: 7%). **New loans tripled to CNY 3.64trn in Mar** from CNY 1.01trn in the prior month, taking the total new loans in Q1 rising to CNY 9.78trn (Q1 2024: CNY 9.46trn).
- **Japan's inflation eased to 3.6% yoy in Mar** (Feb: 3.7%). Excluding food and energy, prices inched up to 2.9% (Feb: 2.6%). **Excluding fresh food, prices** (i.e. core inflation) **were up 3.2%** (Feb: 3%) as food costs remained high (7.4% in Mar vs 7.6% in Feb, and with rice prices up by 92.1% yoy in Mar).
- **Exports from Japan grew by 3.9% yoy in Mar**, rising for the sixth month in a row but slower than Feb's 11.4% increase. Exports to the US was up by 3.1% yoy, supported by electronic parts (35.8%), pharma (29.7%) and autos (4.1%). Imports increased by 2% (Feb: -0.7%) causing the trade surplus to narrow to JPY 544.1bn (Feb: JPY 590.5bn).
- **Industrial production in Japan ticked up by 2.3% mom in Feb** (prelim: 2.5% mom and Jan's 1.1% dip), the fastest pace since Mar 2024, aided by gains in electronic parts & devices (9.4% from. -4.8%) and production machinery

(8.3% from -10.2%) among others.

- **Japan's machinery orders rebounded in Feb**, gaining by 4.3% mom from the 3.5% drop in Jan, thanks to increases across manufacturing and non-manufacturing orders including non-ferrous metals (+144.8%), finance & insurance (33.8%) and chemicals (39.6%). In yoy terms, orders were up by 1.5%, much slower than Jan's 4.4% increase.
- **Consumer price inflation in India edged down to 3.34% in Mar** (Feb: 3.61%), with food prices softening further (2.69%). However, **core inflation ticked up to a 15-month high** of 4.1%. **Wholesale price inflation also eased** in Mar, down to a 4-month low of 2.05% (Feb: 2.38%), again thanks to a slower pace in food prices (4.66% in Mar vs 5.94% in Feb).
- **India's trade deficit widened to USD 21.54bn in Mar** (Feb: USD 14.05bn), with imports expanding by 11.4% yoy to USD 63.51bn (the highest recorded reading for Mar) while exports inched up by only 0.7% to USD 41.97bn. **India's second largest trade partner was China** in the 2024-25 fiscal year (ending Mar) and trade deficit with the country stood at USD 99.2bn.
- **The Bank of Korea held the interest rate unchanged at 2.75%** at the latest meeting, given the uncertainty on economic outlook, given trade tariffs (25% on automobiles, and on steel and aluminium, with Japan the fourth largest exporter of steel) and recent government stimulus to support the semiconductor sector.
- **GDP in Singapore grew by 3.8% yoy in Q1** (Q4: 5%) while compared to the quarter before, GDP dipped 0.8%. This was the **first quarterly decline in two years** and could be traced to manufacturing (-4.9% qoq vs flat reading in Q4), construction (-2.3% from +0.3% in Q4) and information & communication, finance & insurance sector (-5% from Q4's 5.9% gain). The Ministry of Trade and Industry (MTI) **cut Singapore's growth forecast for 2025 to zero to 2%** given the ongoing US-China tariff war.

Bottom line: Global confidence indicators are plunging – the latest showing this pattern is the Brookings-FT Tracking Indexes for the Global Economic Recovery, or Tiger. The update also underscored that a combination of “breakdown of global trade”, crumbling financial index, growing debt-servicing burdens, lower foreign aid flows and “elevated policy uncertainty” would suppress growth. Add to that, US President Trump’s comments about Powell last week raised major concerns about independence of the Fed and subsequently in US assets. In retaliation to Trump’s tariffs, China halted its Boeing deliveries, slashed US commodities purchases (including wheat and LNG; US accounted for 17% of China’s wheat imports and 5% of its LNG in 2024), and reduced the number of Hollywood movies allowed into China; there are murmurs of clashes related to IP and US professional services (such as law firms). Furthermore, news that DHL suspended global business-to-consumer shipments worth over USD 800 to the US could presage tariff effects on e-commerce and services. The US economy could also be affected by lower tourism revenues and cancelled purchases of US goods (Goldman Sachs estimates these revenue losses to be around USD 90bn this year), and the crackdown on student visas could have a significant impact on the higher education industry – the previous academic year had seen a record high of more than 1.1mn international students (more likely to be paying full tuition; one-quarter were from China and around 29% from India). This week, watch out for – (a) preliminary PMI readings, especially respondents’ comments regarding input prices that would reflect tariffs impact); (b) comments from the IMF-World Bank meetings where new forecasts are likely to show slowing global growth and rising uncertainties amid financial volatility; (c) US earnings from the likes of Tesla and Alphabet to Boeing and 3M; and (d) more on the US-China tariff wars (following Xi’s 3-nation Southeast Asia tour to garner support, and chatter of tariff exemptions for countries that scale back trade with China) and clarity on US ongoing trade negotiations (such as with EU, Japan and Korea among others).

Regional Developments

- **Bahrain and Oman, both nations with free trade agreements with the US, are discussing ways to react to the 10% tariffs. Bahrain's MPs passed a proposal to impose a 10% reciprocal tariff on US imports. Oman is reportedly holding discussions with the US to review the tariff.**
- **Bahrain's Shura Council financial and economic affairs committee chairman disclosed that new tax measures targeting corporate profits and carbon emissions are included in the state budget for 2025-26 (though not quantified yet as the related legal and technical frameworks are still being finalised) while a proposal for a sin tax on soft drinks, energy drinks and tobacco faced pushbacks.**
- **The Central Bank of Egypt lowered its interest rates for the first time since 2020, slashing it by 225bps: the lending rate to 26% and the deposit rate to 25%. This was the first change since the apex bank hiked rates by 600 bps in Mar 2024.**
- **Egypt's draft budget for the 2025-26 fiscal year was presented to Parliament for approval. Expenditures increased by 19.2% to EGP 4.6trn while revenues grew at a faster 23% to EGP 3.1trn. Tax revenues are estimated at EGP 1.103trn (+34.4% yoy) with VAT surging to EGP 640.4bn (+50.2%). Financing needs have increased by around 25% to EGP 3.6trn, with the amount aiming to cover the widening budget deficit and debt repayments. Worthwhile to note that some of these increases are lower than reported inflation – in 2024, it dropped to 28.3% (2023: 33.9%) though it averaged 16.8% in Q1 2025.**
- **Egypt's Ministry of Industry launched the first phase of financing priority industry sectors. About EGP 30bn will be provided at a diminished interest rate of 15% to support seven sectors including pharmaceuticals, food, engineering, chemicals, ready-made garments and**

textiles, mining, and building materials.

- **About 264 ships have been diverted back to Egypt's Suez Canal** from the Cape of Good Hope since Feb 1st, according to the Chairman of the Suez Canal Authority. Compared to Jan 2025, increases were reported in the number of transiting ships (2.4%), net tonnage (7.1% and revenues (8.8%).
- **Remittances into Egypt accelerated** by 83.2% yoy to **USD 2.9bn in Jan**, posting the 11th consecutive month of expansion in remittance flows. In the seven months of 2024-25, total remittances rose to approximately USD 20bn (+81% yoy).
- **S&P affirmed Egypt's** long- and short-term sovereign credit ratings at **'B-/B'** while **revising the outlook to stable** from positive. The revision in outlook was based on the country's commitment to fiscal and structural reforms amid risk exposures (to a global slowdown and external financing).
- **Egypt expects to attract investments from Kuwait to the tune of USD 6.5bn by end-2026**, reported Asharq Business. Kuwait is the fifth largest foreign investor in Egypt currently and ranks third among Arab countries (behind UAE and Saudi Arabia). Bilateral trade between the two nations stood at USD 507mn in 2024 and Kuwait's investments in Egypt is around USD 1.2bn (over the past three years).
- **Kuwait has begun the process of merging its state-owned oil firms** Kuwait National Petroleum Company and Kuwait Integrated Petroleum Industries Company – this is part of a restructuring plan by the Kuwait Petroleum Corporation, according to Kuwait News Agency.
- **Lebanon's** delegation including the finance minister is attending the IMF-World Bank meetings but is not **planning to meet with international bondholders to discuss restructuring the debt** this time but **within the next 12 months**.
- **Exports from Oman grew by 6.8% yoy to OMR 24.2bn in 2024**

(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). **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.

- **Annual exports from Oman's special economic zones, free zones and industrial cities grew to more than OMR 4.5bn in 2022:** roughly 18% of Oman's total exports and 38% of its non-oil exports, according to an economic survey conducted by the Public Authority for Special Economic Zones and Free Zones (Opaz) in mid-2024. Survey results also revealed that the **zones contributed 7.5% to GDP and accounted for 11.6% of non-oil activity in 2022.**
- **Industrial groups in Oman, Netherlands and Germany signed an agreement to develop the world's first liquid hydrogen import corridor.** The corridor links ports of Duqm and Amsterdam with logistics hubs in Germany (including port of Duisburg) and includes several infrastructure projects (pipe and rail networks) along the corridor.
- **The number of commercial registrations in Oman grew by 13.96% yoy to 441,773 in 2024.**
- **Oman's Ministry of Heritage and Tourism indicated returns of more than OMR 298mn from tourism promotions and campaigns run between 2021 and 2024.**
- **Qatar and Egypt agreed to a USD 7.5bn package in direct investments by the former:** it was revealed during Egypt's President's visit to Qatar, and no further details were provided. Qatar's investments in Egypt touched USD 618.5mn in the fiscal year 2023-24 from USD 548.2mn a year ago. Asharq Business reported that **Egypt aims to attract USD 2bn in new Qatari investments in 2025**, followed by additional USD 6bn between 2026 and mid-2027.
- **Qatar and Indonesia announced the creation of a USD 4bn**

joint fund that will invest in Indonesia. The focus will be on projects in downstream industries, renewables, technology and other relevant sectors. Separately, according to the Chairman of Qatar Chamber, **bilateral trade between the two nations grew by 13.5% yoy to QAR 4.13bn in 2024.**

- **Russia and Qatar signed an agreement to pay an extra EUR 1bn each into a joint investment fund** to focus on investment in technology, healthcare, minerals and other sectors of mutual interest.
- According to the GCC Statistical Centre, **travel and tourism sector contributed 11.4% to GCC's GDP by end-2024.** This is expected to reach 13.3% by 2034 with the average annual growth rate of the contribution expected to exceed 4.2% during the decade (2024-34).
- **UN ESCWA estimates that US tariffs place USD 22bn in Arab non-oil exports at risk.** Arab exports to the US sharply declined to USD 48bn in 2024 from USD 91bn in 2013, due to lower US crude oil imports. Jordan is estimated to be the most exposed (with 25% of its exports going to the US) while the UAE is likely to see disruptions to the tune of USD 10bn given its re-exports. It was also estimated that Egypt, Morocco, Jordan, and Tunisia would pay USD 114mn more in sovereign interest payments in 2025. Read the report here:

<https://www.unescwa.org/news/escwa-us-tariffs-threaten-22-billion-arab-non-oil-exports>

Saudi Arabia Focus



- **Inflation in Saudi Arabia rose to a 20-month high of 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%) and apartment rents were high at 11.9%.

- **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%).
- **Property prices increased by 4.3% yoy in Saudi Arabia during Q1** this year, as prices increased in residential (5.1%) and commercial (2.5%) real estate. Residential sector, which has a 72.7% weight in the overall real estate price index, saw costs jump across the board: villa (10.3%), apartment (1.2%), residential floor (2.8%).
- The Space Market Report 2025 revealed that the **USD 8.7bn space economy in Saudi Arabia** (including all value-added activities and industries derived from technologies and services) **is gaining traction** and could grow to USD 31.6bn by 2035. The space market, focused on commercial services and infrastructure, was valued at USD 1.9bn in 2024 and is projected to touch USD 5.6bn by 2035. Access the [report](https://new.cst.gov.sa/en/media-center/news/N2025041301) via: <https://new.cst.gov.sa/en/media-center/news/N2025041301>
- **Saudi Arabia posted a 333% surge in private hospitality licenses** to 8357 in 2024, in line with the previously reported nearly fourfold increase in tourism license applications.
- **Electronic payments in Saudi Arabia accounted for 79% of total retail payments in 2024** (2023: 70%), according to SAMA. Non-cash electronic payment transactions jumped to 12.6bn in 2024, compared to 10.8bn in the previous year.
- **Saudi Arabia's United Carton Industries Company (UCIC)**, the largest paper packaging company in the Middle East by sales, is planning an IPO – it wants to sell 12mn shares or 30% of the company. This is the fourth IPO on Tadawul this year.

- The **IPO of health training company Future Vision for Health Training on Nomu was more than 6-times oversubscribed** and valued the company at around SAR 70mn.
- Reuters reported, citing sources, that **Saudi Arabia plans to pay off Syria's World Bank debts**, estimated to be around USD 15mn. This comes on the back of plans by Qatar to provide Syria with gas (via Jordan).

UAE Focus



- **UAE became the 19th largest holder of US Treasuries globally in Feb.** UAE holdings grew 29.5% mom & 74.1% yoy to a new-record high of USD 119.9bn.
- The WTO's flagship "World Trade Outlook and Statistics" report highlighted the **UAE's emergence as a key player in global trade**: in 2024, the country was 11th globally in merchandise exports and 13th in services exports (including intra-EU trade). Services exports totaled AED 646.6bn, including AED 191bn in digital services, accounting for 30% of service exports. These datapoints are inclusive of UAE's re-exports.
- **Dubai awarded contracts worth AED 1.4bn for projects to expand the stormwater drainage network**: this is part of an AED 30bn upgrade aimed at increasing drainage capacity sevenfold.
- **Hannover Re**, the third largest reinsurer globally, **booked around USD 150mn of losses from the rains and related flooding in the UAE in Apr 2024**, making it one of the top 5 losses for the company last year.
- **Etihad Airways** disclosed that **passengers** using the airline **grew by 16% yoy to 5mn in Q1 2025**, supported by a rising fleet (10% yoy to 98 aircrafts) and greater number of destinations (to 73 from 69 in Q1 2024).
- **Aviation sector contributes 18.2% to UAE's GDP** (including both direct and indirect impact) and accounts for 992,000 jobs (about 74,500 were employed directly by the airlines), according to IATA.

Media Review:

Fed Chair Powell's remarks at The Economic Club of Chicago & conversation with Raghuram Rajan

https://www.youtube.com/watch?v=1o_9k00zZ0g

Toward a Better Balanced and More Resilient World Economy: IMF MD

<https://www.imf.org/en/News/Articles/2025/04/17/sp041725-spring-meetings-2025-curtain-raiser>

Donald Trump vs Mr Market

<https://www.ft.com/content/e7143a09-b280-4fd5-9efe-2d8684b4294f>

US-China decoupling is crossing a Rubicon

<https://www.reuters.com/breakingviews/us-china-decoupling-is-crossing-rubicon-2025-04-16/>

April 2025 update to TIGER: The world economy shudders and could stall

<https://www.brookings.edu/articles/april-2025-update-to-tiger-the-world-economy-shudders-and-could-stall/>

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