

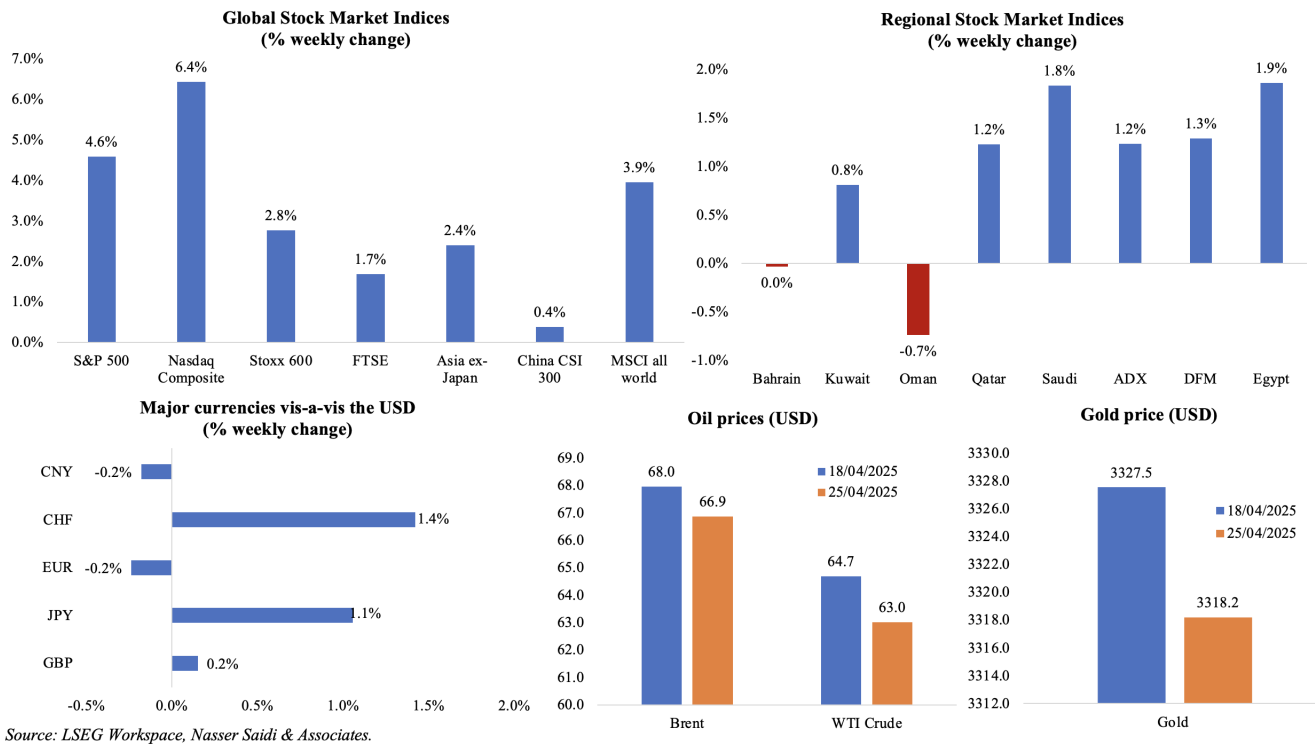
IMF-World Bank meetings offer stark warning about escalating uncertainties & weaker growth – Weekly Economic Commentary Apr 28, 2025

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Markets

Equities markets recovered last week, led by rumours that tariff negotiations with China were underway (a claim Chinese officials denied) supporting a recovery in US technology stocks. Regional markets were mostly up driven by strong earnings results while UAE indices ended the week slightly lower on the fall in oil prices. The dollar was up against a basket of currencies and posted the first weekly gain since mid-Mar. Gold prices inched lower (-0.28%), as did oil prices (Brent edged down by 1.6% from a week ago while WTI fell by 2.6%, on oversupply concerns).

Weekly % changes for the week ending 24-25 Apr from 17 Apr (regional) & 18 Apr (international)



Global Developments

US/Americas:

- **Fed Beige book showed five out of 12 Fed districts reporting tepid growth;** many reported mixed manufacturing activity, while also highlighting tariffs concerns and greater uncertainty. Stagflation seems to be lurking just around the corner.
- **Durable goods orders grew by 9.2% mom in Mar** (Feb: 0.9%), largely owing to a surge in commercial aircraft bookings (139%). China earlier this month directed airlines not to take deliveries of Boeing jets (rather than pay related tariffs). Non-defence capital goods orders excluding aircraft rebounded, up by 0.1% (Feb: -0.3%).
- **Richmond Fed manufacturing index plunged to -13 in Apr** (Mar: -4) as shipments fell to -17 (from -7) and new orders declined to -15. **Kansas City Fed manufacturing index fell to -5 in Apr** (Mar: +1) as production and employment declined and with the non-durable manufacturing sector leading the declines.

- **Michigan consumer sentiment index stood at 52.2 in Apr** (preliminary: 50.8 and Mar: 57.0), the lowest reading since Jul 2022, and with the expectations index falling to 47.3 (Mar: 52.6). **The one-year inflation expectation jumped to 6.5% (the highest since 1981)** while the 5-year ahead expectation rose to 4.4% (from 4.1%).
- **New home sales grew to a six-month high in Mar**, up by 7.4% mom to 724k; the median new house price dropped 7.5% yoy to USD 403,600 and most homes sold were below USD 499,999. **Existing home sales fell** by 5.9% mom to 4.02mn in Mar.
- The preliminary reading of the **S&P Global manufacturing PMI in the US moved up to 50.7 in Apr** (Mar: 50.2), with domestic demand supporting slight increases in output and new orders while export orders declined sharply; output inflation jumped to a 29-month high.
- **Initial jobless claims increased** by 6k to 222k in the week ended Apr 18, with the 4-week average inching lower by 7.5k to 220.25k. **Continuing jobless claims fell** by 37k to a 2-month low of 1.841mn in the week ended Apr 11.

Europe:

- **The preliminary manufacturing PMI in eurozone inched up to 48.7 in Apr** (Mar: 48.6), a 27-month high, supported by output that grew for the second month in a row and fastest since May 2022. Headline reading is however still in contractionary territory due to weak new orders and exports. **Services PMI business activity index shrank to 48.9 from 52.5 in Mar**, leading the composite PMI output index to ease (to 50.1 from 50.9).
- **Consumer confidence in the eurozone declined further to -16.7 in Apr** according to a preliminary estimate (Mar: -14.5): this is the lowest reading since Nov 2023.
- **Germany's preliminary manufacturing PMI fell to 48 in Apr** (Mar: 48.3) though export sales grew for the first

time in over 3 years. Input costs declined largely due to lower commodity prices and a stronger euro, while firms increased output prices for the first time since May 2023.

- **German Ifo business climate index improved by 0.2 points to 86.9 in Apr**, as firms were more optimistic about the current assessment (86.4 from 85.7) while expectations moderated (to 87.4 from 87.7).
- **UK manufacturing PMI (preliminary) fell to a 20-month low of 44 in Apr** (Mar: 45.3), with the output index at a 32-month low and as new export orders plunged the most since May 2020. **Services PMI business activity slipped to 48.9** (from 52.5), ending 17 months of expansionary readings, and causing composite PMI output index to dip to 48.2 (from 51.5).
- **Retail sales in the UK grew by 0.4% mom and 2.6% yoy in Mar** (Feb: 0.7% mom and 2.2% yoy), supported by higher sales at non-food stores (1.7% mom, the highest since Mar 2022). **Q1 sales increased by 1.6% qoq and 1.7% yoy** – the largest increase since Jul 2021.
- **GfK consumer confidence index in the UK declined to -23 in Apr** (Mar: -19), the lowest since Nov 2023 and wiping out gains made this year. Expectations for the 12-month ahead period fell by 8 points to -37, the lowest level since Mar 2023.

Asia Pacific:

- **China left interest rates unchanged at 3.1% last week.** Expectations are high for more market stimulus in the coming months if the trade war intensifies further.
- **Japan's preliminary manufacturing PMI ticked up by 0.1 point to 48.5 in Apr**, but staying below-50 for the tenth month in a row, as new orders and new export orders declined sharply. There was some respite as output cost inflation fell to the lowest level since Jun 2021 even though input costs rose. **Sentiment was at the lowest**

reading since Jun 2020 given tariffs.

- **Inflation in Tokyo jumped to 3.5% in Apr** (Mar: 2.9%) as food costs surged and given a reduction in government subsidies. **Excluding fresh food, prices increased to 3.4%** (from 2.4%), **the highest since Apr 2023**, while excluding food and energy, prices grew to 2% (from 1.1%). The central bank meets this week and is unlikely to hike rates in this backdrop.
- **Japan's government announced an emergency economic package** to lessen the impact from tariffs: this includes support for corporate financing, lower petrol prices (by JPY 10 a litre) and partially compensate electricity bills for 3 months from July. The package will be financed by a reserve fund and funds already earmarked for gasoline subsidies.
- **Infrastructure output in India grew by 3.8% yoy in Mar** (Feb: 3.4%), thanks to increases in production of steel (7.1%) and cement (11.6%). Overall infrastructure output increased by 4.4% in the fiscal year 2024-25.
- **Manufacturing PMI in India moved to 58.4 in Apr** (Mar: 58.1), the fastest increase in a year, thanks to a jump in new export orders and new businesses alongside a steep increase in input inflation (highest in over 12 years). Services PMI rose to 59.1 (Mar: 58.5) – as new export orders increased following the 90-day pause in tariffs implementation – resulting in the composite PMI also increasing (to 60 from 59.5).
- The **initial estimate of South Korea's GDP contracted in Q1**, down by 0.2% qoq and 0.1% yoy – the first drop since Q4 2020. The decline largely stemmed from construction (-12.4% yoy) while US tariff hikes have also affected auto and steel sectors (negotiations are underway with the US).
- **Inflation in Singapore stayed put at 0.9% yoy in Mar**, unchanged from Feb, as prices of food and transport inched up (to 1.3% and 1.9% respectively) while deflationary readings continued for some categories such

as information & communication (-1.1%) and recreation sport & culture (-0.9%). **Core inflation rate edged lower to a four-year low** of 0.5% yoy.

- **Singapore's industrial production fell by 3.6% mom in Mar** (Feb: -2.9%). IP increased by 5.8% in annual terms (the ninth consecutive month of gains) while excluding the volatile biomedical manufacturing, output grew by 4.9%.

Bottom line: The IMF forecasts global economic growth to ease to 2.8% in 2025 and 3.0% in 2026, falling from 2024's 3.3% gain, dragged down by the policy uncertainties emanating from the US tariff hikes. The report also projects trade growth to dip more than output in 2025 (to 1.7%). Growth in emerging market economies is estimated at 3.7% this year, further edging up to 3.9% in 2026. The uncertainties from US trade tariffs are showing up in S&P Global flash PMIs for April, with output growth hitting the lowest level since Dec 2023 among the developed nations (i.e. G4). Separately, even as the fate of Ukraine-Russia peace talks is to be decided this week (by the US), trouble is brewing in the India-Pakistan border with the latest attack on Kashmir (around 26 persons were killed, and more injured in the worst fatality since 2019).

Regional Developments

- **According to the IMF, only the Middle East & North Africa region is expected to post gains in economic growth in 2025** (among major regional groups). Projected at 2.6% yoy, it is coming off a very subdued growth rate of 1.8% in 2024. Growth was also revised lower by 0.9 percentage points from the previous forecast in Jan 2025, dragged down by the ongoing trade uncertainty related to tariffs, OPEC+'s gradual oil production resumption and impact of regional conflicts. The GCC is expected to benefit from resilient non-oil growth and diversification.
- **S&P downgraded Bahrain's outlook to "negative"** from

“stable” citing higher social spending alongside weaker financing conditions that could affect interest payments in the backdrop of market volatility. S&P projects the fiscal deficit will widen to about 7% of the GDP in 2025, versus 5.2% in 2024 and 4.9% in its previous review.

- **Unemployment rate in Egypt fell to 6.6% in 2024** (2023: 7.0%), with youth unemployment also declining to 14.9% (down from 15.9%). Urban unemployment declined to 9.6% (vs 9.9%), while rural unemployment dropped to 4.2% (vs 4.8%). Total labour force was estimated at 32.041mn individuals in 2024, up 2.9% yoy.
- **Egypt is planning to introduce VAT on sugar from the 2025-26 fiscal year**, with around EGP 443mn revenue expected from this new VAT. Sugar is currently exempt from VAT.
- **Iran and Russia agreed on 55bn cubic metres of Russian gas every year**, though price has not been agreed yet. Reuters reported that Russia also promised to fund the construction of a nuclear power plant in Iran.
- **Iraq will ship 220,000 tons of wheat to Syria as “a gift”** after Syria having bought about 100,000 tons of wheat in its previous tender in Mar.
- **Iraq imported more than 126,000 solar panels for its “sun of Basra” solar power park** being built by France’s TotalEnergies. The USD 27bn project, when completed, is expected to generate at least 1000 MW of electricity (to benefit around 250k homes).
- **Kuwait inflation inched lower to 2.41% yoy in Mar** (Feb: 2.49%), the lowest since Nov 2024. Food and beverages prices eased, to 4.99% (from Feb’s 5.23%), while transport costs declined (-0.98% from -1.19%).
- Alqabas daily reported that **Kuwait’s 2025-2026 budget includes capital spending of nearly KWD 1.7bn** (USD 5.7bn) in more than 90 new projects across various sectors, including roads, education, health, and infrastructure.

- **Lebanon passed a new banking secrecy law** allowing government and other authorised entities (such as independent auditors) to access banking records from the last decade.
- **Inflation in Lebanon eased to 14.2% in Mar** (Feb: 15.6%), a five-year low, as the exchange rate stabilised, in a highly dollarised economy. Many categories saw an easing of prices including restaurant & hotels (17.3% from 18%), housing & utilities (16.5% from 18.5%) and clothing & footwear (11% vs 14.4%) among others. However, food & non-alcoholic beverage prices ticked up (21.4% from 20.5%).
- **Lebanon was granted a USD 250mn loan to tackle its power problems.** The country also received preliminary approval to increase the value of a World Bank reconstruction loan to USD 400mn from USD 250mn, noting that the World Bank reconstruction and recovery needs following the conflict that affected Lebanon are estimated at USD 11bn.
- **Oman's free zones, economic zones and industrial cities attracted investments to the tune of OMR 1.6bn** (USD 4.1bn) from private businesses last year, with Duqm special economic zone attracting the most funding (OMR 1.15bn) followed by Sohar (OMR 712.5mn).
- **Hydrocarbon exports from Oman expanded** by 18% yoy to OMR 16.3bn (USD 42.4bn) in 2024 while crude exports inched up by only one percent to OMR 9.9bn. Oman produced nearly 990,000 bpd of crude oil and exported about 830,000 bpd in 2024.
- **Qatar ranks among Australia's top three trading partners from the MENA region.** Bilateral trade in goods and services grew by 10.2% yoy to AUD 3.4bn (QAR 8bn) in 2023.
- **GCC cities are becoming top global commercial hubs:** according to Oliver Wyman's "The Cities Shaping the Future" report, Dubai is ranked 4th as a mobility hub and 8th as a commercial hub, while Riyadh ranks 15th

amongst the commercial hubs globally.

- **The IMF disclosed plans to work with Syria** with an intention to “help them rebuild institutions so they can plug themselves in the world economy”. Separately, **Saudi and Qatar announced a plan to settle Syria’s outstanding arrears of around USD 15mn to World Bank**: these need to be paid off for the World Bank to approve grants and other assistance.

Saudi Arabia Focus



- **The IMF lowered Saudi Arabia’s real GDP growth in 2025 to 3.0%**, from 3.3% previously, reflecting global economic uncertainties and trade tensions. Saudi government **gross debt is estimated to climb to 44.5% of GDP by 2029** while budget deficit as a share of GDP is projected at 4.9% from 2.8% in 2024. In contrast to other oil exporting nations in the region, **Saudi Arabia stands out with its current account deficit readings** (-4.0% and -4.3% of GDP in 2025 and 2026 from -0.5% in 2024), widening due to lower oil export volumes, a surge in overall imports and increased spending on various megaprojects (in line with Vision 2030 targets and other deadlines). **Current projections see Saudi running current account deficits through 2030.**
- **The US President is expected to offer a USD 100bn+ arms package** during his trip to **Saudi Arabia** in May, reported Reuters.
- During the **Indian PM’s visit to Saudi Arabia**, the two countries **agreed to strengthen cooperation in energy and defence sectors** and signed agreements in agriculture and food security.
- **Saudi Arabia’s Vision 2030** initiative reported that **93% of its key performance indicators have been fully or partially achieved**. Out of 374 indicators, 299 were fully met, and 257 had crossed original targets; another

49 indicators had attained between 85-99% of their goals. The report also disclosed that the country attracted SAR 77.6bn in FDI and that non-oil exports reached an all-time high of SAR 515bn in 2024. More from the Vision 2030 2024 Annual Report: <https://www.vision2030.gov.sa/en/annual-reports>

- Reuters reported that Saudi Public Investment Fund (PIF) **is seeking to raise between USD 1.5-2.0bn with a Sukuk** in coming weeks, despite recent market volatility, after having raised USD 11bn this year. The Vision 2030 annual report disclosed that PIF's assets under management surged 390% since the launch of Vision 2030 to hit USD 941.3bn in 2024 (surpassing the target of USD 880bn).
- **Saudi Arabia's overall exports declined by 3.7% mom and 2.6% yoy to SAR 93.7bn** in Feb, dragged down by a sharp drop in oil exports (4.4% mom and 7.9% yoy to SAR 67.6bn). **China and South Korea were the top destination for oil exports** in Feb, ahead of Japan. **Non-oil exports** (excluding re-exports) **posted a monthly loss 13.5% in Feb**; however, re-exports rose by 24% mom and 45.9% yoy. **Total non-oil exports** including re-exports **grew by a 14.3% yoy**. **Chemical products were the largest segment of non-oil exports** (20.3%), and UAE the largest destination.
- **Industrial licenses in Saudi Arabia surged by 66.7% mom to 105 in Feb** while about 113 factories started production (+9.7% mom). The new licenses represent investments exceeding SAR 1.02bn and are expected to create 1,504 jobs.
- The total number of **persons working in tourism activities grew by 4% yoy to 966,500 in Saudi Arabia during Q4 2024**. Only one of four persons working in the sector was a Saudi citizen while male workers accounted for the lion's share (86.7%).
- **Aramco signed a joint development agreement with China's BYD** to advance new energy vehicle technologies, enhance vehicle efficiency and performance.

- **Saudi Arabia moved up to ninth place in the 2025 Geospatial Knowledge Infrastructure Readiness Index**, created by the Geospatial World and backed by the UN Statistics Division, from 32nd in 2022. More: <https://geospatialworld.net/consulting/reports/gki-readiness-index/2025/>. **Saudi also improved its ranking in the 2025 Global Intellectual Property Index**, moving to 40th globally. Since 2019, its overall score increased from 36.6% to 53.7%.

UAE Focus



- **Inflation in Dubai eased to a 5-month low of 2.8% in Mar(Feb: 3.2%)**, clocking in an average of 3.1% in Q1 2025 (vs 3.4% in the same period a year ago), with four of the total 13 categories posting negative readings (these have a weightage of 31.62% in the overall basket). **In Q1 2025, yoy gains were registered in housing & utilities (7.3% vs 6.3% in Q1 '24) and health (3.1% vs 0.1%)** while recreation costs jumped (4.1% vs -0.7%). Sharper decline was evident in transportation in Q1 (-2.2% vs -2.0%) while **costs turned negative for clothing & footwear (-2.1% vs 3.1%) and food & beverages (-0.2% vs 3.3%)**. Food and beverages costs decline is in contrast with highs of 8.94% in Jun '22 and a more recent high of 4.2% in Dec '23. **Price of insurance & financial services declined the most in Q1 2025: declining to 1.4% from 10.1% a year ago.**
- **The UAE is set to become the first country to utilize artificial intelligence in drafting and amending legislation**, reported FT. This initiative aims to expedite the lawmaking process by 70%, leveraging AI to analyse legal data and suggest updates.
- **China National Offshore Oil Corporation (CNOOC) signed a 5-year term deal to buy LNG from ADNOC**, as the country seeks suppliers to avoid US LNG. Privately controlled ENN and state-run Zhenhua Oil from China also secured

LNG contracts with ADNOC. The deal with ENN Natural Gas is to supply one million metric tons annually for 15 years – ADNOC's largest LNG contract with China.

- **Dubai Investments** CEO disclosed that the company is **preparing to sell shares in four subsidiaries** to the public and one IPO may happen before end-2025.
- Dubai's **du announced plans to build a hyperscale data centre** (valued at AED 2bn) **in a deal with Microsoft**. Currently, du operates five data centres across the UAE.
- UAE-based startup **Cafu is working to sell shares via an IPO**, reported Bloomberg – also stating that discussions are at a preliminary stage. The company announced reintroducing a delivery fee for services including fuel delivery.
- Recruitment consultancy **Cooper Fitch** disclosed that **hiring in the UAE grew by less than 1.3% yoy in Q1 2025**. The report detailed that banking jobs grew by 6%, investment hiring was up 3% and general finance positions increased by 3% while business support, strategy and consulting roles were down by 2%.

Media Review:

IMF World Economic Outlook Apr 2025

<https://www.imf.org/en/Publications/WE0/Issues/2025/04/22/world-economic-outlook-april-2025>

<https://www.imf.org/en/Blogs/Articles/2025/04/22/the-global-economy-enters-a-new-era>

On the dollar via

FT: The spectre of dollar doomsday still looms

<https://www.ft.com/content/4dfdcac7-2a7d-459f-bfe7-90df82e3dda5>

Project Syndicate: King Dollar's Shaky Crown

<https://www.project-syndicate.org/onpoint/us-dollar-on-edge-by-maurice-obstfeld-2025-04>

BCG's AI Maturity Index places UAE and Saudi Arabia as AI

contenders alongside 30 other economies globally

<https://web-assets.bcg.com/fe/61/6962e74b44328f148c8a9ac1002d/ai-maturity-matrix-nov-2024.pdf>

Saudi Arabia ranks 15th globally in AI research output

<https://www.arabnews.com/node/2598140/business-economy>

What a plunging dollar means to Gulf imports and inflation

<https://www.agbi.com/analysis/economy/2025/04/what-a-plunging-dollar-means-to-gulf-imports-and-inflation/>

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