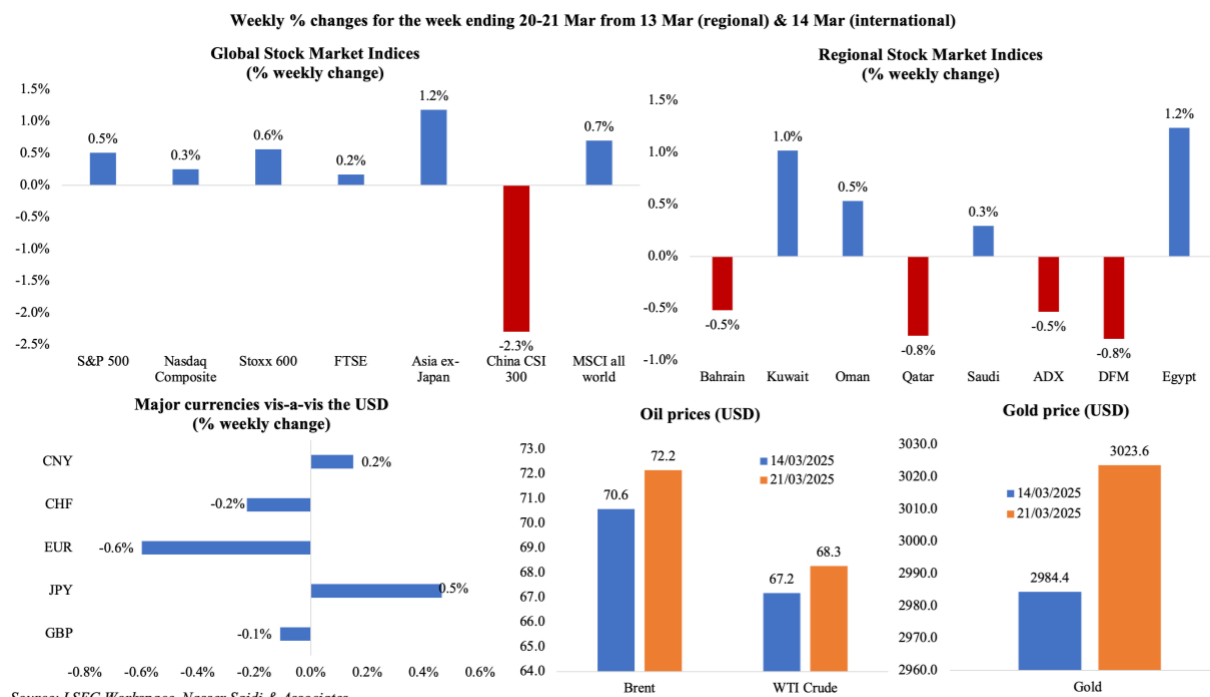


Central Banks Stayed Cautious Ahead of the Next Round of US Tariff Announcements

Weekly Economic Commentary, 24 Mar 2025

Markets

Equities markets posted marginal weekly gains as investors took comfort from a statement that President Trump would be flexible about the new round of tariffs in April. World stocks sans US (MSCI International ACWI ex USA) is on course to post the best Q1 performance since 2019. Regional markets were mixed on increased regional tensions and Fed keeping interest rates steady (most GCC currencies are pegged to the dollar). The euro posted a weekly loss versus the dollar, down by 0.6% and the GBP also ended lower after BoE warned not to assume more cuts were on the cards. Oil prices rose for the second week in a row amid heightened US sanctions on Iran and ahead of OPEC+ new plan for seven of its members to cut oil output to compensate for over-production. Gold prices remained above the USD 3k per ounce mark but came off the record-high of USD 3057.21 on profit-taking.



Global Developments

US/Americas:

- **The Fed kept interest rates on hold for the second time in a row**, in the 4.25%-4.5% range. The apex bank projects GDP to expand by 1.7% this year (vs the Dec forecast of 2.1%) and

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prices to rise by 2.7% (vs 2.5%). The FOMC statement highlighted that “uncertainty around the economic outlook has increased”.

- **US industrial production grew by 0.7% mom in Feb** (Jan: 0.3%), with manufacturing up by 0.9% thanks to an acceleration in motor vehicle and parts output (+8.5%) and durable goods (+1.6%). Capacity utilisation ticked up 78.2% (Jan: 77.7%).
- **Retail sales in the US rebounded in Feb, up 0.2% mom** (Jan: -1.2%), supported by non-store retailers (+2.4%), health & personal care sector (1.7%) and food & beverage sales (0.4%). In yoy terms, sales were up 3.1% (Jan: 3.9%).
- **NY Empire State manufacturing index plummeted to -20 in Mar** (Feb: 5.7), the lowest since May 2023, with new orders and shipments indices fell to -14.9 and -8.5 respectively.
- The **Philadelphia Fed manufacturing survey slipped to 12.5 in Mar** (Feb: 18.1): while both new orders and shipments fell sharply by 13 and 24 points respectively (to 8.7 and 2), the employment index clocked in the highest since Oct 2022.
- **Building permits in the US fell by 1.2% mom to 1.456mn in Feb**, with single-family building permits down by 0.2%. **Housing starts rebounded in Feb**, up 11.2% mom to 1.501mn, thanks to single-family starts jumping by 11.4%. The recent tariffs are driving up the prices of lumber, steel and aluminium alongside falling consumer confidence – both likely to slow housing projects even further.
- **Existing home sales unexpectedly grew by 4.2% mom** to 4.26mn units in Feb and the median existing home price increased by 3.8% yoy to USD 398,400.
- **Initial jobless claims increased** by 3k to **223k in the week ended Mar 14**, with the 4-week average up by 1.25k to 227k. Unemployment compensation for federal employees (UCFE) program saw applications decline by 514 to 1066 in the week ending Mar 7: between court reversal of termination orders and some employees placed on temporary administrative leave, UCFE numbers are yet to reflect the full impact of the ongoing mass firings. **Continuing jobless claims jumped** by 33k to 1.892mn in the week ended Mar 7.

Europe:

- **Inflation in the eurozone eased to 2.3% yoy in Feb** (vs preliminary estimate of 2.4% and Jan’s 2.5%). Core inflation stood at 2.6%, the lowest since Jan 2022. France clocked in the lowest headline inflation, at 0.9%, while Hungary stood at the other extreme (highest at 5.7%).
- **Consumer confidence in the eurozone worsened in Mar**, to -14.5 from -13.6 in Feb. For the EU, sentiment fell by one point to -13.9.
- **German ZEW Economic Sentiment Index surged to 51.6 in Mar** (Feb: 26), likely due to expected increase in defence spending and the set-up of a EUR 500bn infrastructure fund, while the current situation showed a moderate improvement (-87.6 from -88.5). **Economic sentiment index in the eurozone also rose strongly** to 39.8 (Feb: 24.2) while the current situation was up 0.1 points to -45.2.

- **Producer price index in Germany ticked up to 0.7% yoy in Feb** (Jan: 0.5%), driven by higher capital goods prices (+2.0%) and non-durable consumer goods (+3.0%) while energy was less expensive (-0.8%).
- **The Bank of England held interest rates steady at 4.5%** while warning about “a lot of economic uncertainty at the moment”. The BoE raised its GDP growth estimate to 0.25% in Q1 from an earlier forecast of 0.1%.
- **Average earnings excluding bonus in the UK stood unchanged at 5.9% yoy in the 3 months to Jan** while including bonus it slipped to 5.8% (from 6%). Wage growth is at an “elevated level” and has been outpacing inflation for more than 1.5 years now alongside falling productivity rates.
- **GfK consumer confidence in the UK remained subdued**, even as the index moved to -19 in Mar (Feb: -20).
- **Unemployment rate in the UK stood pat at 4.4% in the 3 months to Jan**, with the number of unemployed persons rising by 144k to 33.92mn.

Asia Pacific:

- **The People’s Bank of China held its benchmark lending rates steady for the fifth consecutive month** in March: the one-year loan prime rate at 3.1% and the 5-year LPR at 3.6%. The PBoC statement indicated that the apex bank will “prevent currency overshooting risks”, keep sufficient liquidity and lower social financing costs.
- **Fixed asset investment in China grew** by 4.1% yoy in Jan-Feb 2025 (Jan: 3.2%), with investment in high-tech industries growing by 9.7%; excluding real estate sector, fixed asset investment was up by 8.4% in Jan-Feb. **Industrial production increased** by 5.9% yoy in Feb (Jan: 6.2%), partly affected by factory closures during the Lunar New Year holidays. **Retail sales were up 4%**, higher than the 3.7% uptick in Jan, and the quickest pace since Nov 2024.
- **The Bank of Japan kept interest rates unchanged at 0.5%**, citing potential risks from Trump tariffs (US is Japan’s largest export destination) and domestic price pressures (from higher food costs and strong wage growth).
- **Headline inflation in Japan eased to 3.7% in Feb** (Jan: 4%) while excluding food and energy, prices ticked up to 2.6% (Jan: 2.5%), the fastest increase since Mar 2024. **Excluding only fresh food, prices edged lower to 3%** (Jan: 3.2%) though staying above the BoJ’s 2% target for the 35th month in a row.
- **Exports from Japan grew by 11.4% yoy in Feb** (Jan: 7.3%) while imports declined by 0.7% (Jan: 16.2%), moving the trade balance to a surplus JPY 584.5bn (after 2 months of deficits including Jan’s deficit of JPY 2.737trn). Japan’s exports to the US grew by 10.5% in Feb while imports fell by 2.7% resulting in a surplus JPY 918.8bn.
- **Japan’s industrial production fell by 1.1% mom in Jan**, following a 0.3% drop in Dec, and **down for the third month in a row**. Output of production machinery plunged by 10.2% in Jan (Dec: +1.5%) while electronic parts & devices fell by 2.2% (Dec: +2.8%). In yoy terms, IP grew by 2.2% (Dec: 2.6%).

- **Wholesale price inflation in India inched up to 2.38% yoy in Feb** (Jan: 2.31%), with prices of manufactured food products surging to 11.06%
- **India's trade deficit narrowed to a 3-year low of USD 14.05bn in Feb** (Jan: USD 22.99bn) as petroleum exports to Europe declined by 30% alongside a 60% plunge in gold imports. Overall imports fell sharply by 16.3% to USD 50.96bn, the lowest since Apr 2023 while exports were down by 10.8% to USD 36.9bn.
- **Unemployment rate in Singapore stood unchanged at 1.9% in Q4**, the lowest since Q2 2023. Total employment growth slowed sharply (7,700 compared to 22,300 in Q3) while job vacancies increased (77,500 from 61,500 in Q3).

Bottom line: The key takeaway from the many central bank meetings last week was a very cautious “wait and watch” approach amid the uncertainty from Trump’s trade and tariff policy – the Fed, BoJ and BoE left rates on hold. This week’s US core PCE index, Fed’s preferred inflation gauge, and Tokyo’s inflation readings (in the backdrop of the finance minister’s comments that Japan has not yet beaten deflation) will be carefully watched. The passage of Germany’s stimulus package was a big positive, with it likely to positively affect consumer and investor sentiment. Preliminary PMIs are to be released this week and will reflect the initial reaction of businesses across the globe to the changing tariffs, trade and fiscal situation. The ZEW sentiment for Germany last week showed a substantial jump: will this be mirrored in the PMI reading?


Regional Developments

- **Non-oil exports from Bahrain inched up by 0.3% yoy** to BHD 351mn in Jan 2025 – Saudi Arabia, UAE and Qatar topped the list accounting for 46% of total exports value while the top 10 destinations share stood at 74%. Non-oil imports into Bahrain slipped by 7% yoy to BHD 496mn (Australia, China and the UAE were the top source countries) while reexports were up by 6% (with gold ingots the top re-exported product). Overall deficit narrowed to BHD 74mn from BHD 118mn a year ago.
- **Bahrain’s money supply grew by BHD 3bn to BHD 16.3bn at end-2024**, it was disclosed at the first board meeting of the central bank. Loans disbursed to the domestic sectors grew by 4.6% yoy to BHD 12.3bn while overall private deposits inched up by 0.4% to BHD 14.2bn.
- **Egypt recorded a primary surplus of EGP 330bn in H1 of the fiscal year 2024-25**, supported by a 38.4% surge in tax revenues. The Minister of Finance also disclosed that there was an increase in healthcare and education spending (by 29% and 24% respectively) while subsidies, grants, and social benefits saw a 44% surge during the period.
- **Egypt and India aim to boost bilateral trade to USD 12bn over the next five years**, from the USD 4.2bn reported in 2024. India also signed two deals recently to produce green hydrogen and green ammonia in Egypt, with the investment amounting up to USD 12bn.
- **Suez Canal revenues’ monthly losses amounted to around USD 800mn**, revealed Egypt’s President.

- **Iraq plans to raise oil production capacity to over 6mn barrels per day (bpd) by 2029**, from about 4mn bpd currently, through oil exploration and nationwide drilling activity, according to the oil ministry.
- **Kuwait approved the new Public Debt Law**, officially known as the Financing and Liquidity Law, allowing for the country to access international debt markets. The law grants the government the authority to issue up to KWD 30bn in sovereign bonds and Islamic Sukuk over a 50-year period. This will allow Kuwait to return to international debt markets after 8 years, at a time when dollar issuance by Kuwaiti issuers have surged (to USD 13.6bn in 2024 from USD 60mn in 2023, driven mainly by banks).
- **Kuwait's trade surplus with Japan narrowed by 47% yoy to JPY 44.1bn in Feb**, as exports weakened (-31% yoy to JPY 70.1bn) alongside a 41.5% surge in imports (to JPY 26bn). The Middle East's trade surplus with Japan fell by 19.9% to JPY 644.9bn in Feb.
- **About 83% of 450k working Kuwaitis are employed in the public sector**, according to data from the Central Statistics Administration. Kuwaitis also earn almost 4.5 times as much as expats, according to Al-Shall Consulting Group.
- **Oman's trade surplus in Dec stood at OMR 7.517bn**, as exports increased by 6.8% yoy to OMR 22.69bn (driven by oil and gas exports that surged by 18.4%) while imports grew by 12.1% and re-exports were up by 14.9% to OMR 1.708bn. UAE was Oman's largest non-oil export and re-exports trading partners, followed by Saudi Arabia and India.
- **Credit disbursed by banks in Oman grew by 4.8% yoy by end-Dec 2024**, with credit to the private sector up by 3.6% to OMR 20.7bn. Commercial banks' total deposits grew by 6.2% to OMR 25.1bn (within this, private sector deposits were up by 4.9% to OMR 16.4bn).
- **Real GDP in Qatar grew by 6.1% yoy to QAR 181bn in Q4 2024**, according to the National Planning Council, supported by both hydrocarbon and non-hydrocarbon sectors (up by 6.2% and 6.1% respectively). Among non-oil sectors, the fastest growth rates were recorded in accommodation & food services (+14.7% to QAR 2bn), financial sector (+11.1% to WAT 14.8bn) and wholesale & retail trade (+9% to QAR 14.7bn). Overall, **non-hydrocarbon activities accounted for nearly 64% of total GDP in 2024**.
- **Qatar posted a deflationary reading in Jan (-1.15% yoy, from Dec's 0.24%)**, driven by declines in food & beverages (-5.44%), housing & utilities (-4.67%), and recreation & culture costs (-4.29%) among others. **Excluding housing & utilities, CPI fell by 3.09% mom and 1.8% yoy**.
- **Annual passenger capacity has been expanded to 65mn passengers in Qatar's Hamad International Airport**. According to the Government Communications Office, the terminal area expanded by 14% (to 845,000sqm) and 17 new boarding gates were added (to a total 62). The country received over 5mn visitors last year, up 25% yoy.
- **Fitch affirmed Qatar's AA credit rating with a stable outlook**, thanks to its LNG production capacity expansion and high per capita income.

- **An EU-led conference last week saw donors pledge EUR 5.8bn** (USD 6.3bn) to support Syria's economic recovery. This was lower than the previous year's EUR 7.5bn in grants and loans, with US aid cuts cited as a major factor.

Saudi Arabia Focus

- **Saudi Arabia's Capital Market Authority has approved five more IPOs:**  Dar Al Majed Real Estate Company (will offer 30% of its shares & list on Tadawul), Hamad Mohammed Bin Saedan Real Estate Company (will float 15% on Nomu), Islamic education provider Dome International Investment Company (14.5% on Nomu), the National Signage Industrial Company (can float 20% on Nomu) and gym operator Sport Clubs Company (30% shares on Tadawul).
- **Saudi industry and mineral resources ministry awarded mining exploration licenses** to multiple local and international firms (including Indian miner Vedanta, a consortium of Artar, Gold and Minerals Ltd Co., and Australian firm Hancock Prospecting owned Jacaranda and another consortium of Ajlan & Bros Mining and Chinese mining firm Zijin Mining among others) covering a total area of 4,788 square kilometres; the **firms are estimated to spend around SAR 366mn on exploration over three years.**
- **Point of sale activity in Saudi Arabia increased** in the week ended Mar 15th, with food and beverages, miscellaneous goods & services, and clothing & footwear together accounting for 37.4% of total spending during the week. Jewellery posted the largest uptick in transaction value (31.1%), followed by clothing & footwear (22.8%) while the steepest decline was seen in education (-29.9%).
- **Riyadh introduced 20 new investment opportunities for 2025** (including mixed-use developments) to encourage private sector participation in urban development; these cover more than 175,000sqm across over 20 sites.
- **Aramco launched its first carbon capture facility:** the company's first direct air capture pilot plant, developed with Siemens Energy, will remove 12 tonnes of CO₂ from the atmosphere annually. The plan is to scale up the unit to capture 1,250 tonnes of CO₂ per year.
- **Riyadh added 327,000 sqm of new office space in 2024**, according to JLL: this was the most office space added in any Middle East city last year. With demand still ahead of supply, office space is expected to increase almost three times in 2025, by a further 889,000 square metres.

UAE Focus

- **UAE and Tunisia launched Comprehensive Economic Partnership Agreement (CEPA) negotiations.**  Bilateral non-oil trade between the two countries had grown by 7.7% yoy to USD 350mn in 2024. About 26 CEPAs have been concluded, and many have been ratified and are in force.
- **UAE committed to a USD 1.4trn investment in the US over the next decade:** though many details were not provided, one of the deals is a new aluminum smelter in the US by Emirates Global Aluminum that "would nearly double U.S. domestic aluminum production".
- **Businesses registered in Dubai's free zones** (other than in the DIFC) **will be allowed to expand into the mainland areas**, according to new legislation, after acquiring licenses or

permits from the Dubai Department of Economy and Tourism. The firms will have to maintain separate financial records for freezone based and mainland operations.

- **UAE's ADQ and US private equity firm Energy Capital Partners will invest more than USD 25bn in data centre related energy projects** in the US.
- **UAE's Mubadala is in discussions to form a consortium to invest in and provide liquidity for a new stock exchange in Rio de Janeiro** to be called the Base Exchange. Regulatory approval for the exchange is expected by end-2025 for a potential launch in early 2026.
- **Dubai's Real Estate Tokenisation Project**, which enables the tokenisation of property title deeds, will allow for fractional ownership. Tokenisation essentially enables the creation and trading of digital tokens on a blockchain (in this case backed by a piece of real estate). Dubai Land Department forecasts that the **tokenised real estate market could reach around AED 60bn (USD 16bn) by 2033** (or roughly 7% of all transactions).
- **Imports of physical gold to UAE from Switzerland surged** by 80% mom to 3,465kg in Feb, according to Swiss customs data. This underscores Dubai's role as a major gold trading hub, in addition to the appetite of gold as a safe haven asset amid increased economic uncertainty.

Media Review:

Can the dollar remain kind of currencies?

<https://www.ft.com/content/8a71dceb-806f-4681-80f9-416aa4c366ca>

How Sound Economic Policy Can Help Prevent Conflict

<https://www.imf.org/en/Blogs/Articles/2025/03/13/how-sound-economic-policy-can-help-prevent-conflict>

Can anything get China's shoppers to spend?

<https://www.economist.com/finance-and-economics/2025/03/17/can-anything-get-chinas-shoppers-to-spend>

BCG report From Potential to Profit: Closing the AI Impact Gap

<https://web-assets.bcg.com/0b/f6/c2880f9f4472955538567a5bcb6a/ai-radar-2025-slideshow-jan-2025-r.pdf>