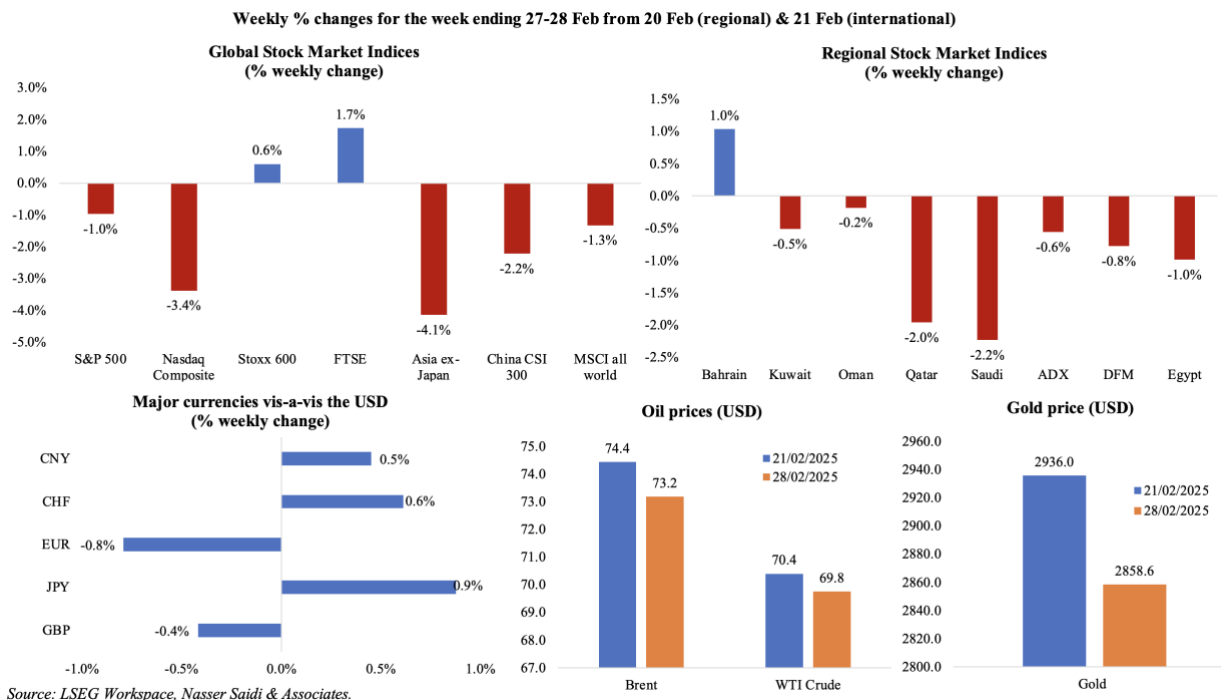


Weekly Economic Commentary, 3 Mar 2025

Markets

Greater uncertainty from US trade tariff announcements, unsettling outcome from the White House meeting with Ukraine’s Zelensky and questions related to NATO among others led to jittery equities markets: major equity markets ended in the red last week, though Stoxx600 managed to eke out a modest gain. Regional markets in the Middle East were mostly down given the rise in overall uncertainty; in Saudi, a slowdown in corporate earnings resulted in a 2.2% weekly loss. The euro fell to a 2-week low of USD 1.036 after the potential Ukraine deal fell through after the White House meeting. Oil prices declined slightly (Brent by 1.7% and WTI by under 1%) and gold price fell (though posted a monthly gain in Feb). Bitcoin and other cryptocurrencies gained on the US President’s announcement that the US will include tokens in its strategic reserve.



Global Developments

US/Americas:

- **US GDP grew at an annualised rate of 2.3% in Q4 (Q3: 3.1%)**, according to the second estimate released by the Bureau of Economic Analysis. The slight upticks in government spending and exports in Q4 were slightly offset by downgrades to consumer spending and investment. Overall, growth in 2024 stood at 2.8% following a 2.9% expansion in 2023.

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- The Federal Reserve Bank of Atlanta's GDPNow tracker estimates that **GDP is heading towards a 1.5% decline in Q1**. The nowcast shows a plunge in the contribution of net exports (to -3.7 percentage points from -0.41). The **bond markets have also been pricing in slower growth**, with the 3-month Treasury yield moving above the 10-year last week.
- **The core personal consumption expenditures price index in the US** (the Fed's preferred inflation measure) **eased to 2.6% in Jan** (Dec: 2.9%): this was the lowest since Jun 2023. In monthly terms, core PCE was up 0.3% as goods prices ticked up by 0.5%, services by 0.2% and housing by 0.3%.
- **Personal spending in the US fell by 0.2% mom in Jan** (Dec: 0.8%), the sharpest monthly decline since Feb 2021, in part due to the cold weather and rising economic uncertainty affecting consumer confidence. **Personal income increased by 0.9% mom** (Dec: 0.4%) on an increase in private wages and social security benefits.
- **Durable goods orders rebounded in Jan, up 3.1% mom** (Dec: -1.8%), driven by transportation equipment (9.8%). Though excluding transportation, new orders were little changed, non-defence capital goods orders excluding aircraft grew by 0.8% (Dec: 0.4%). It is likely that businesses placed orders ahead of tariffs implementation.
- **Goods trade deficit in the US widened to USD 153.3bn in Jan** (Dec: USD 123bn), as imports jumped by 11.9% to USD 325.4bn (given businesses building up inventories ahead of tariffs). **Another slew of tariffs was announced last week**: 25% tariff on Mexico and Canada to begin March 4th (though the Commerce Secretary announced it to be "a fluid situation"), 10% duty on imports from China (on top of the 10% imposed on Feb 4th).
- **S&P Case Shiller home prices index grew by 4.5% in Dec** (Nov: 4.3%), with New York reporting the most gains (+7.2%). S&P disclosed that while national home prices have risen by 8.8% annually since 2020, home prices stalled in H2 last year led by markets in the West.
- **Dallas Fed manufacturing business index tumbled down to -8.3 in Feb** (Jan: 14.1), with production falling 21 points to -9.1 and the outlook uncertainty index rising to a seven-month high of 29.2 from nearly zero in Jan. In contrast, the **Richmond Fed manufacturing index rose to 6 in Feb** (Jan: -4), posting the first expansion after 15 months of declines as new orders moved to zero from -4.0 in Jan and shipment volumes rebounded (12 from -9).
- **Chicago Fed national activity index fell to -0.03 in Jan** (Dec: 0.18), with a decline registered in the contribution of personal consumption (-0.14 from Dec's +0.02) and production-related indicators (+0.03 from +0.19).
- **New home sales fell by 10.5% mom to a 3-month low of 657mn in Jan** as median sales price rose to USD 446,300 (+3.7% yoy), the highest since the record high clocked in Oct 2022. **Pending home sales fell by 4.6% mom to a record low in Jan**, with data indicating that "elevated home prices and higher mortgage rates strained affordability" according to the National Association of Realtors.
- **Kansas Fed manufacturing activity remained unchanged at -5 in Feb**, while the production index fell to a 5-month low of -13 in Feb (Jan: -9).

- **Chicago PMI contracted for the 15th month in a row in Feb**, though rising to 45.5 (Jan: 39.5). The prices paid sub-index increased by 16.9 points, which was the largest monthly increase in nearly 70 years, to its highest since Aug 2022.
- **Initial jobless claims increased** by 22k to **242k in the week ended Feb 21**, the largest increase in 5 months, leading to an uptick in the 4-week average to 224k (by 8.5k). A separate unemployment compensation for federal employees (UCFE) program reported only 614 persons filing for benefits in the week ending Feb 14 (an estimated 200k to 300k+ federal employees are expected to be laid off excluding contractors). **Continuing jobless claims declined** by 5k to 1.862mn in the week ended Feb 14.

Europe:

- **Economic sentiment index in the eurozone moved up one point to a 5-month high of 96.3 in Feb**. Business climate moved to -0.74 in Feb (Jan: -0.92) and industrial confidence improved to -11.4 (Jan: -12.7) while consumer confidence stood at a pessimistic -13.6.
- **Inflation in Germany (HICP) remained steady** at 2.8% yoy in Feb.
- **German GfK consumer confidence survey worsened to -24.7 in Mar** (Feb: -22.4): this was the lowest reading since Apr 2024, with income expectations down to a 13-month low (-5.4 from -1.1) and further decline in willingness to buy (-11.1 from -8.4) though economic expectations showed an improvement (1.2 from -1.6).
- **German Ifo business climate index stood unchanged at 85.2 in Feb**. Current assessment slipped one point to 85 while expectations improved, rising by 1.1-points to 85.4. While order books stabilised in manufacturing sector, lack of orders affected the construction sector, and scepticism was seen to be rising in transport and logistics.
- **Retail sales in Germany rebounded in Jan, up by 0.2% mom** (vs Dec: -1.6%), thanks to an increase in food sales (1.5%) alongside a drop in e-commerce and mail-order sales (-4.2%) and non-food sales (-0.2%). However, sales grew by 2.9% compared to a year ago, with even internet sales registering a substantial increase (+11.5%).

Asia Pacific:

- **China NBS manufacturing PMI moved up to 50.2 in Feb** (Jan: 49.1), following the Chinese New Year break. Expansions were recorded in output and new orders (to 52.5 and 51.1 respectively from sub-50 readings in Jan) while employment remained under-50 (48.6 from 48.1). **Non-manufacturing PMI rose to 50.4** (Jan: 50.2), with declines in both input and selling prices (to 48.4 and 47.8 respectively from 50.4 and 48.6).
- **Inflation in Tokyo slipped to 2.9% yoy in Feb** (Jan: 3.4%). Excluding food and energy held steady, clocking in a reading of 1.9% while **excluding fresh food prices, inflation slowed to 2.2%** (from 2.5%), still higher than BoJ's target. Energy costs eased in Feb (6.9% yoy from Jan's 13.3%) while processed food prices ticked up (+5%).
- **Japan's industrial production in Japan fell for the third month in a row**, down by 1.1% mom in Jan (Dec: -0.2%), dragged down by production machinery (-12.3% mom) and

electronic parts & devices (-5.4%) among others. **In yoy, IP grew by 2.6%** (rebounding from a 1.6% fall).

- **Retail trade in Japan grew by 3.9% yoy in Jan** (Dec: 3.5%), rising for the 34th consecutive month, supported by the rise in wages. Fuel sales were up by 8.7% while automobile and non-food retailers' sales grew by 5.9% and 8.0% respectively.
- **Japan's leading economic index in slipped to 108.3 in Dec** (preliminary: 108.9 and Nov's 107.8). Coincident index moved to 116.4 (from the flash estimate of 116.8 and Nov's 115.4).
- **India's GDP grew by 6.2% yoy in Oct-Dec** (Jul-Sep: 5.6%), supported by increased spending from both government (8.3% from 3.8% in Jul-Sep) and consumer (6.9% from 5.9%). Agriculture clocked in a growth rate of 5.6% (from 4.1%) while manufacturing clocked in a modest 3.5% gain. **The government expects full year GDP** (Apr '24-Mar '25) **to grow by 6.5%** (slightly higher than its previous projection of 6.4%).
- **Infrastructure output in India grew by 4.6% yoy in Jan**, slightly slower than the 4.8% gain recorded in Dec: growth was seen in output of cement (14.5% yoy) and refinery products (8.3%) while steel and coal production slowed (3.7% and 4.6% respectively). Cumulative output growth for the period Apr-Jan stood at 4.4%.
- **The Bank of Korea reduced interest rate for a third time** – lowering its benchmark rate by **25 bps to 2.75%**. The apex bank lowered its growth forecast for the year (to 1.5% from 1.9%) while maintaining inflation forecast at 1.9% for 2025 and 2026.
- **Inflation in Singapore edged down to 1.2% yoy in Jan** (Dec: 1.5%), the lowest reading since Feb 2021, as prices eased for food (down by one percent to 1.5%) and housing & utilities (1.4% from 2.5%) though transport prices ticked up (3.1% From 0.6%).
- **Singapore's industrial production grew by 4.5% mom and 9.1% yoy in Jan** (Dec: -5.4% mom and 5.2% yoy). This was the strongest yoy expansion since 2018 as the electronics sector expanded by 18.9%.

Bottom line: US continues to dominate the news cycle – be it related to trade tariffs (on Canada, Mexico and China as well as hints of 25% tariffs on the EU “cars and all the things”), the argument with Ukraine's President at the White House, market indicators heralding a potential recession, more federal government layoffs this week and growing calls for the US to withdraw from NATO. The EU is hence left handling multiple issues including the Ukraine ceasefire, higher defence spending and policy uncertainty with a new government in Germany, amid a potential rate cut from the ECB this week. Amid worries about potential tariffs, China is holding its National People's Congress this week which could see statements related to fiscal stimulus as well as updated growth and inflation targets for the year. In the Middle East, Egypt's foreign minister revealed that the Gaza reconstruction plan is ready to be presented at the emergency Arab summit scheduled to be held on Tuesday (the first phase of the ceasefire agreement ended this weekend). Discussions with major donor countries will be organised once the plan is given the go-ahead, according to the minister.

Regional Developments

- **Bahrain's credit rating was affirmed at B+ by Fitch though the outlook was downgraded to negative**, citing weak public finances and rising fiscal pressures amid **high debt levels (projected to rise to 136% by 2026 from 130% in 2024)**.
- Egypt launched a **new EGP 200bn (USD 4bn) support package** for groups affected by higher prices. The **minimum monthly wage for public sector workers will be increased** to EGP 7,000 (USD 138.50) from Jul, disclosed the finance minister. This will align the minimum wages with that in the private sector. The package also includes a **15% pension increase** starting Jul, an increase in cost-of-living allowances, higher cash support for beneficiaries of the Takaful and Karama program during Ramadan and assistance to farmers and low-income groups among others. **Cost of the package is estimated at EGP 40bn over the next two months** and wage increases alone will cost EGP 85bn in the next fiscal year.
- **Egypt's investment minister** stated that in a bid to maximize returns, **"state-owned enterprises [would be moved] in batches to the [sovereign wealth] fund to manage"**. The country's SWF was set up in 2018 with an aim to help investments flow into state-owned enterprises.
- Total **deposits in Egypt's banking sector** grew by 26.9% yoy to EGP 11.99trn **in the 2023-24 fiscal year**, according to central bank data. Households accounted for 58.6% of banking deposits during the year, up 27.5% yoy. Credit facilities expanded by 50.2% to EGP 7.21trn during the period, with public sector's share at 13.4%.
- **Financial inclusion rates in Egypt increase to 74.8% in 2024**, compared to 70.7% at end-2023, according to the central bank. The financial inclusion rate for women climbed to 68.8% (+296% vs 2016), while that for youth increased to 53.1% (a growth rate of 65% during the period 2020-24).
- **Egypt's Ministry of Petroleum and Mineral Resources** disclosed that the **bid rounds for 13 oil and gas exploration and production areas had attracted over USD 700mn in investments**; this could potentially double if new discoveries were made.
- **Iraq and BP signed an agreement to redevelop four Kirkuk oil and gas fields**, with BP estimated to spend USD 25bn over the lifetime of the project.
- **Money supply (M2) growth in Kuwait gained in Jan**, up 4.56% yoy to KWD 40.71bn (Dec: 4.26%).
- **Lebanon's new government won a confidence vote (95 in favour and 12 against) in Parliament**, with the PM promising to begin negotiations with the IMF as well as work to remove the country from the FATF grey list; he also stated that "we will put depositors at the top of our priorities". Separately, the finance minister disclosed that the **World Bank is working to create a USD 1bn reconstruction fund**, putting in the seed money of USD 250mn.
- **Lebanon's President** disclosed that he would **request Saudi Arabia "if it is possible to reactivate the [USD 3bn] grant"** to the Lebanese army that was halted in 2016.

- A **UNICEF** official disclosed that **more than half of children under the age of two were experiencing severe food poverty in Lebanon's east**, and that following US aid cuts, UNICEF had to suspend or reduce many programmes.
- **FDI into Oman increased by 17.6% over 5 years**, with FDI totaling OMR 26.6bn by Q3 2024 according to the National Center for Statistics and Information. The UK, US and UAE were the top three investors accounting for OMR 13.6bn, OMR 5.2bn and OMR 836.5mn respectively.
- **Oman's government revenue grew by 4% yoy to OMR 10.2bn in Jan-Oct** while spending on capital projects surged by almost 30% to OMR 992mn. Surplus during the 10-month period was OMR 520mn, according to the National Centre for Statistics and Information.
- **Arab visitors into Oman grew by 1.3% yoy to 1.95mn in 2024**, with UAE leading the table with 1.1mn persons, followed by Yemen (203k) and Saudi Arabia (109,900). Hotel revenues grew by 5% to reach OMR 212.372mn in Jan-Nov 2024, with occupancy rates rising to 48.6%.
- It was revealed that **investments into Oman's tourism sector touched OMR 2.4bn by end-2024** at a conference hosted by Omani Economic Association. According to the Minister of Heritage and Tourism, the aim is to increase the contribution of the tourism sector to 2.75% at constant prices for 2025 and increase hotel capacity to 33k rooms by end-2025.
- **Moody's upgraded the outlook for Oman's banking sector to "positive"** from "stable" given improved loan quality and operating conditions.
- **Qatar's foreign trade in 2024 was driven by imports** (up by an average 14%) while exports declined in yoy terms for 7 of the 12 months in the year. In Dec, **exports** grew by 6.7% yoy to QAR 31.2bn – this was the **highest monthly value since Aug 2023**. **Imports increased by 21.6% to an 11-month high** of QAR 12.8bn and **surplus widened** to QAR 18.4bn (Nov: QAR 16.7bn).
- Qatar Investment Authority (**QIA**) is **evaluating eight venture capital firms** to add to its "fund of funds" programme, according to the head of funds at QIA. About USD 500mn has already been invested in 6 firms. The **VC programme represents less than 0.2% of QIA's holdings**.
- **Qatar signed a deal with AI data firm Scale AI to provide a boost to government services** via AI tools: the firm is expected to develop more than 50 uses of AI for the government in the next 5 years.
- **Total reserve assets of the GCC grew by 7.5% yoy to USD 804.1bn at end-H1 2024** – this accounted for 4.9% of global reserve assets, according to GCC-Stat.
- According to EY, **M&A activities in the MENA region grew by 7% yoy to USD 92.3bn in 2024** from 701 deals (+3% yoy). UAE and Saudi Arabia together had 318 deals with a total value of USD 29.6bn while GCC nations together accounted for 52% of the volume and 74% of the value.
- **Private equity deals in the MENA region totalled USD 27.6bn in the 5 years till 2024**, with UAE and Saudi accounting for 68% of total transactions during the period. While UAE

led in the period till 2022, Saudi Arabia contributed more than half of the region's total disclosed PE investment value in 2024.

- **Middle Eastern airlines' international Revenue Passenger-Kilometres (RPKs) grew by 9.6% yoy in Jan, according to IATA** – the slowest following North America and Europe's 3.4% and 8.6% gain. While passenger growth was up by 10.2% yoy in the **Middle East-Asia route** in Jan (Dec: 5.9%), the fastest growing one was within Asia (25.4% in Jan). Global **Cargo Tonne-Kilometres (CTKs)** grew by 3.2% yoy in Jan, **up for the 18th straight month**, though the **Middle East posted the sharpest decline (-8.4%)** alongside Africa (-3.4%).
- **Egypt attracted USD 30bn in 122 international projects** (or one-third of all such projects in the Arab world) in Jan-Nov 2024, according to the Arab Investment and Export Credit Guarantee Corporation (Daman). **Saudi Arabia and UAE came in second and third**, attracting USD 17.6bn and USD 13.3bn respectively.

Saudi Arabia Focus


- **Total deposits in Saudi Arabia surged to a record high SAR 2.73trn in Jan 2025**, up 8.92% yoy. Government deposits, which accounted for just 15% of total deposits in Jan, fell by 1.7% mom and 12.2% yoy. While **credit growth outpaced deposit growth for the 12th month in a row**, bank loans also crossed SAR 3trn for the first time (14.66% yoy) driven by loans to corporates (18.5%). Real estate loans accounted for the largest share of business lending (21.13%), and loans to the sector rose by 30.6% yoy to SAR 343.6bn.
- **Saudi Arabia's overall exports fell by 4.4% yoy to SAR 94.3bn** in Dec, due to the 10% drop in oil exports while non-oil exports inched up by 15.9% to SAR 20.4bn and re-exports surged by 23.4% to SAR 9.1bn. **Share of oil exports to overall exports slipped** to 68.8% (Nov: 70.1%). **For the full year, non-oil exports grew by an average 4.0%** while re-exports surged by an average 45.7%. Non-oil exports from Saudi Arabia to China amounted to SAR 3.68bn in Dec, just behind UAE (SAR 6.5bn).
- The National Debt Management Centre **in Saudi Arabia raised EUR 2.25bn through a euro bond sale, including a green tranche** valued at EUR 1.5bn (with a 7-year maturity). This is Saudi's first green euro bond (and was oversubscribed 6 times). The NDMC issued SAR 3.07bn in Sukuk in Feb, following an issuance of SAR 3.72bn in Jan.
- **A total of 1346 industrial licenses were issued in Saudi Arabia last year**, attracting investments of over SAR 50bn and supporting the creation of more than 44k jobs, according to the Ministry of Industry and Mineral Resources. Furthermore, production began in 1,075 factories in 2024, with investments crossing SAR 48bn and employing about 39k persons. Separately, **Saudi also issued its first-ever industrial licenses for aircraft maintenance and overhaul** to 2 companies last week (at the Aerospace Connect Forum in Jeddah) in a bid to boost local capabilities and reduce dependence on foreign maintenance facilities.
- The IPO of **Umm Al Qura** for Development and Construction (Umm Al Qura) – a company backed by the PIF and state-run General Organization for Social Insurance – was



oversubscribed 241 times. The firm, the developer of a SAR 100bn mixed use project Masar in Mecca, **will raise USD 523mn from its share sale.**

- **The value of residential real estate transactions in Saudi Arabia** surged by 35% over the past 5 years to SAR 164.8bn, according to a Knight Frank report. The number of sales jumped by 38% to just under 202,661 in the same period.

UAE Focus

- **The fintech sector contributes 8.7% to UAE GDP**, disclosed the minister of economy, while also stating that the goal is to raise its contribution to 12% of GDP by 2031. 
- **Financial centres in the UAE are in demand:** The Dubai Financial Services Authority (DFSA) revealed a **31% increase in the number of authorised firms last year**, bringing the total number of regulated entities **to over 900**. The ADGM reported a **32% jump in annual company registrations** last year, and the total number of firms reached 2381 at end-Dec (2023: 1800+). A total of 134 asset and fund managers managing 166 funds operate out of the centre, and assets under management jumped over three-fold in 2024.
- At a bilateral summit meeting last week, **the UAE announced plans to invest USD 40bn in Italy**, and “more than 40 new agreements” were signed. No time frame was provided for the investment, but agreement covers AI and data centres as well as renewable energy and space research among others.
- **UAE investment platform 2PointZero is planning an IPO this year** and will list in Abu Dhabi by the end of this year, revealed the company’s CEO. The company, which was set up last year with a total asset base of AED 100bn, lists alternative asset manager Lunate, Egyptian financial services company Beltone and International Resources Holding in its portfolio.
- **ADNOC signed a 15-year LNG supply deal with Japan’s Osaka Gas**, to supply up to 0.8mn tonnes per annum from the Ruwais LNG project. **Abu Dhabi Customs recorded a 72% pre-arrival clearance rate in 2024**, rising from the 47% recorded in 2023, underscoring the successful efforts to “enhance digital customs processes, integrate advanced technologies, and optimize clearance systems”. A pilot phase of the **Trusted Digital Trade Corridor** project was launched in Nov following an agreement with Brazil’s Tax Authority.

Media Review:

AI, geopolitics and the Mena opportunity: op-ed by Dr. Nasser Saidi

<https://www.agbi.com/opinion/ai/2025/02/nasser-saidi-ai-geopolitics-and-the-mena-opportunity/>

America is at risk of a Trumpian economic slowdown

<https://www.economist.com/finance-and-economics/2025/03/02/america-is-at-risk-of-a-trumpian-economic-slowdown>

Global debt marches to record high: IIF

<https://www.reuters.com/markets/rates-bonds/global-debt-marches-record-high-raising-risk-bond-vigilantes-iif-says-2025-02-25/>



The Troubled Energy Transition: How to Find a Pragmatic Path Forward

<https://www.foreignaffairs.com/united-states/troubled-energy-transition-yergin-orszag-arya>

Crypto market's biggest hacks and heists after \$1.5 billion theft from Bybit

<https://www.reuters.com/technology/cybersecurity/cryptos-biggest-hacks-heists-after-15-billion-theft-bybit-2025-02-24/>

Crypto market rally post Trump comments to include cryptocurrencies in strategic reserve

<https://www.axios.com/2025/03/02/trump-crypto-reserve-xrp-ada-sol>

<https://www.reuters.com/technology/bitcoin-up-by-fifth-after-trump-lists-reserve-tokens-2025-03-03/>

