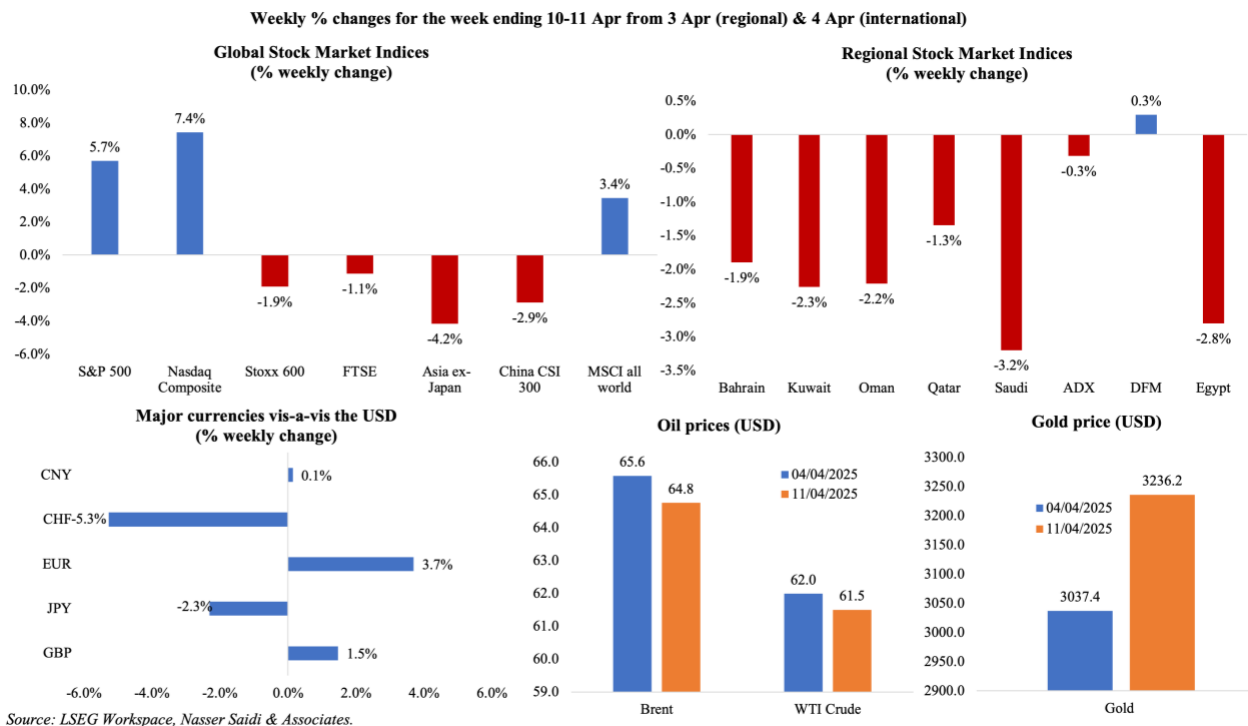


## Troubling Tariff Tiffs & Trade Uncertainties

### Weekly Economic Commentary, 14 Apr 2025

#### Markets

A choppy trading week with President Trump announcing a 90-day pause on tariffs (the 10% minimum remained in place; China tariffs however was revealed to be 145%) leading to a short-term cheer in the markets, before the fog of uncertainty descended again. US equities ended the week higher as did the MSCI's gauge of global stocks. Regionally, Saudi posted a weekly drop despite recording the biggest intra-day increase since Mar 2020 on Thursday while Dubai eked a modest gain (0.3%). The week saw a weaker dollar (largest weekly drop since Nov 2022) while the euro stood at a 3-year high alongside the onshore Chinese renminbi hitting an 18-year low on Thursday as the PBoC allowed a weakening in the "fixing" rate (to support exporters amid the tariffs hike). Safe-haven currency Swiss franc touched a decade-high and gold price touched a new record high on Friday, also posting the largest weekly gain since Mar 2020. Oil prices, both Brent and WTI, slipped lower.



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## Global Developments

### US/Americas:

- **Inflation in the US edged down to 2.4% yoy in Mar** (Feb: 2.8%) and core inflation also eased to 2.8% (Feb: 3.1%). This drop was prior to the announcement of a 10% universal tariff in Apr – these are expected to raise prices and slow growth.
- **Producer price index in the US eased to 2.7% in Mar** (Feb: 3.2%) while the core index dropped to 3.3% (the lowest rate since Sep, and from 3.5% in Feb). The **tariffs imposed on steel and aluminium imports were reflected in the Mar reading**: prices of wholesale iron and steel mill jumped 7.1%, the largest monthly jump since Apr 2021 (a period of pandemic-affected supply chain disruptions).
- **NFIB optimism index declined to 97.4 in Mar** (Feb: 100.7), **the lowest since Oct 2024**; the percentage of owners expecting better business conditions dropped 16 points to a net 21% - the largest decline since Dec 2020.
- **US posted a budget deficit of USD 161bn in Mar** (Feb: USD 307bn), taking the total of the first half of the fiscal year (Oct-Mar) to more than USD 1.3trn – lower only compared to the high recorded during the pandemic-affected fiscal year 2021. Spending in Jan-Mar 2025 increased to USD 139bn (up USD 41bn versus the same period a year ago).
- **The University of Michigan consumer sentiment index fell for the fourth month in a row to 50.8 in Apr** (Mar: 57), the lowest reading since Jun 2022, as expectations index plunged to 47.2 (the lowest since May 1980). **Inflation expectations for the year ahead surged to 6.7% (the highest since 1981, and up from Mar: 5%)** while the 5-year expectations rose to 4.4% (the highest since Jun 1991, and up from 4.1%).
- **Initial jobless claims increased by 4k to 223k in the week ended Apr 4**, with the 4-week average staying put at 223k. **Continuing jobless claims slipped by 43k to 1.85mn** in the week ended Mar 28.

### Europe:

- **Sentix investor confidence in the eurozone plunged to -19.5 in Apr** (Mar: -2.9), with expectations for the six months ahead declining by 33.8 points to -15.8 in Apr.
- **Eurozone retail sales grew by 0.3% mom and 2.3% yoy in Feb** (Jan: 1.8% yoy). The monthly gains indicate sales were up for food, drinks & tobacco and non-food products excluding automotive fuel up by 0.3% mom each.
- **Industrial production in Germany fell by 4% yoy and 1.3% mom in Feb** (Jan: -1.6% yoy and +2% mom). Output of food and energy production fell by 5.3% and 3.3% respectively while construction dropped by 3.2% mom. Separately, **industrial orders stagnated in Feb**, while the Dec-Feb new orders lower than the previous 3 months. Domestic orders were weak (-1.2% mom) while foreign orders ticked up by 0.8%.
- **Exports from Germany grew by 1.8% mom in Feb**, largely given the surge in exports to the US (8.5% mom) while exports to EU nations ticked up by 0.5%. Imports increased by 0.7%, leading to a wider trade surplus to EUR 17.7bn.

- **UK GDP grew by 0.5% in Feb** (previous: 0%) – the fastest monthly pace since Mar 2024. Industrial production and manufacturing rebounded, up by 1.5% and 2.2% respectively while services and construction sectors expanded by 0.3% and 0.4% respectively.

**Asia Pacific:**

- **Inflation in China fell by 0.4% mom and 0.1% yoy in Mar** (Feb: -0.2% mom and -0.7% yoy), the second consecutive month of yoy decline: non-food prices ticked up by 0.2% given increases in education (0.8%), housing (0.1%) and healthcare (0.1%). Core inflation rose by 0.5%, rebounding from the 0.1% drop in Feb.
- **Producer price index in China also declined** in Mar: -2.5% from -2.2% with further declines in cost of production materials (-2.8% from -2.5%) and consumer goods (-1.5% from -1.2%).
- **Current account balance in Japan jumped to a surplus of JPY 4.06trn in Feb** (Jan: deficit of JPY 248.1bn), a record high for a single month, with trade balance moving into a surplus of JPY 712.9bn (with exports up 10.4% while imports fell by 1.9%) and primary income surplus rising to JPY 3.88trn (a record high for Feb).
- **Japan's cash earnings grew by a strong pace of 3.1% yoy in Feb** (Jan: 1.8%) though inflation-adjusted real wages fell 1.2%, the second consecutive monthly decline.
- **Producer price index in Japan inched up by 0.4% mom in Mar** (Feb: 0.2%), the most in 3 months. In yoy terms, PPI grew by 4.2% (Feb: 4.1%), with rising costs across transport equipment (1.8% from 1.7%) and food & beverages (3.1%) among others.
- **The Reserve Bank of India lowered the repo rate by 25bps** for the second consecutive time to 6%. Reverse repo rate was left unchanged at 3.35%. The apex bank **also lowered its growth forecast for the current year** by 20bps to 6.5% and there was a distinct policy shift to accommodative from neutral.
- **Industrial output in India grew by 2.9% yoy in Feb** (Jan: 5.2%), a six-month low, with manufacturing growing by 2.9% (Jan: 5.8%). Cumulative industrial output was up by 4.1% in the Apr-Feb period.

**Bottom line: A rollercoaster of a week - with US tariff pauses (a 90-day pause for all except China, though the baseline 10% continues to apply), increases (to 145% for China) and exemptions (for smartphones and electronics), followed by officials stating on Sunday that the exemptions would be temporary – all leading to increasing trade and investment uncertainty. Business and consumer confidence indicators – such as the S&P PMI readings and the University of Michigan consumer sentiment index - have declined following the tariff uncertainty. US Treasury bills and bonds are losing their “risk free” status given heightened policy uncertainty and related volatility - credibility issues could be severe if this uncertainty drags on for longer. Meanwhile, the ECB meets for the first time after the tariff announcement, and a rate cut is widely expected. A few key data releases to watch this week include US retail sales, UK inflation and wage growth and China's monthly data (GDP, IP, retail sales etc).**

### **Regional Developments**

- **Annual urban inflation in Egypt inched up to 13.6% yoy in Mar** (Feb: 12.8%), the first increase in five months, with a 30.76% yoy surge in fruits and vegetables prices. Also seen were increases in prices of clothing & footwear (23.0% from 22.7%) and housing & utilities (13.0% from 12.9%). Core inflation meanwhile edged down to 9.4% (Feb: 10%). The central bank meets next on Apr 17th, has left rates unchanged for the past seven consecutive meetings.
- Starting Apr 11th, **Egypt increased fuel prices by a range of 11.76% to 14.8% and** except for diesel prices for the electricity and food industries which remain unchanged. The petroleum minister revealed in Oct 2024 that Egypt still spent about EGP 10bn (USD 197.71mn) on fuel subsidies per month, despite multiple fuel price increases.
- **Egypt's trade deficit narrowed to USD 3.42bn in Jan** as exports surged by 20.1% (to USD 4.36bn) while imports were up by 10.1% (to USD 7.78bn). Imports surge was led by natural gas imports (+145.5%) and wheat (+22.5%).
- **Egypt is planning to issue a sovereign Islamic sukuk in Q2 2025**, reported Asharq Business, citing an unnamed government official. In addition to HSBC and Citibank, three Gulf banks have been selected (Dubai Islamic Bank, First Abu Dhabi Bank and Abu Dhabi Islamic Bank) as financial intermediaries and lead advisors.
- **Plans for listing five military-affiliated companies in Egypt have been finalised** by the Cabinet: these include the National Company for Producing and Bottling Water (Safi), Wataniya Petroleum, fuel station operator Chillout, food production company Silo Foods and the National Company for Roads Building and Development. IPOs and listings are expected over the next two years.
- **France committed to extending USD 4.39bn in financing to support Egypt**, covering public and private sectors as well as development grants. According to the CEO of the General Authority for Investment and Free Zones French investments in Egypt have exceeded USD 7bn, across more than 180 companies.
- **Iraq announced that November 11 has been set as the date for a parliamentary election.**
- **Kuwait Oil Company approved a project to boost the production capacity of the Burgan oil field** (world's second largest oilfield) by 10% after its output fell (to around 1.7mn barrels per day from more than 2mn bpd) due to ageing, reported the newspaper *Aseyassah*.
- **Kuwait signed the design contract for the GCC-wide railway project** with Turkish company Proyapi: the advisory period of the KWD 2.5mn consultancy contract is about a year, and the Kuwaiti part of the project is estimated to finish by 2030.
- **Lebanon approved a draft law to reform and restructure the banking sector**, with the legislation prioritizing the protection of depositors, particularly small savers. The Information Minister revealed that a third law to restore fiscal stability is in the pipeline. The banking secrecy law was also passed by government, but **the bank restructuring law remains ineffective in the absence of a law addressing remedying the large banking losses and allocation** between the banks, the central bank and government.

- **Qatar Central Bank's official international reserves and foreign currency liquidity increased** by 3.6% yoy to QAR 256.3bn in Mar. The apex bank's international reserves grew by 4.6% yoy to QAR 197.154bn.
- **Somalia signed a USD 306.5mn debt relief deal with the Arab Monetary Fund** in Kuwait last week.

### **Saudi Arabia Focus**

- **Saudi Arabia PMI edged down to 58.1 in Mar**, easing from Feb's high of 58.4, as new orders eased to 63.2 (Feb: 65.4) and foreign sales grew at a slower pace. Employment growth was close to Feb's 16-month high, hence recording the best quarter for job creation in 12 years.
- **Saudi Arabia discovered 14 oil and natural gas fields with small volumes** in the Eastern Region and Empty Quarter, according to the state news agency. Arabian oil of different grades totalling 8,126 barrels per day was found across 6 fields and 2 reservoirs; the natural gas finds from two fields and 4 reservoirs stood at 80.5mn standard cub feet per day.
- **Industrial production in Saudi Arabia fell by 0.2% yoy in Feb** (Jan: 1.5%) **following seven consecutive months of increases**: oil activities stayed flat (Jan: 0.4%) while manufacturing gains eased (3.2% in Feb vs. 4.3% in Jan). **Non-oil activities grew by 1.5% mom and 3.2% yoy in Feb 2025**. Within manufacturing, the manufacture of electrical devices and food products grew the fastest growing (7.7% and 6.3% respectively).
- The **Saudi Ministry of Industry & Mineral Resources disclosed that 103 new factories were opened in Jan** (attracting an investment of SAR 900mn and creating 1,504 jobs) and **63 new industrial licenses** were issued.
- **Saudi Arabia introduced a 5% real estate transaction tax from Apr 10th**, on all transactions including residential, commercial, and industrial properties and regardless of development status or usage. Exemptions are related to transfers from inheritance, endowments or transfers between family members.
- **More than 154k commercial registrations were issued in Saudi Arabia during the first quarter**, up 48% yoy, taking the total registrations to more than 1.68mn. Data showed an uptick in commercial registrations in e-commerce (+6% yoy to a total 41,322) and cloud computing (+33% yoy to 3728) while about 45% of the total commercial records were issued to institutions owned by women.
- Tourism sector in **Saudi Arabia recorded an 89% yoy surge in licensed tourism hospitality facilities** to 4,225 in 2024. Makkah alone has 1030 facilities (+80% yoy).
- **Aramco signed a 20-year supply deal with US LNG producer NextDecade**, to purchase and supply 1.2mn tonnes per annum of LNG from the Rio Grande facility. Separately, **Aramco signed a venture framework agreement** with Sinopec and Yasref **to expand a petrochemical complex** on the west coast of Saudi Arabia to meet growing demand.
- A new **consultation from Saudi Arabia's Capital Markets Authority regulator is on the introduction of special purpose acquisition companies (SPACs) to Nomu**. This follows recent consultations for reducing investor qualifications.





### UAE Focus

- **The UAE and EU agreed to launch free trade negotiations**, focusing on trade in goods, services, investment and cooperation in strategic sectors (including renewable energy). EU was the UAE's second-largest trading partner, accounting for 8.3% of the UAE's total non-oil trade last year.
- **UAE's gross bank assets grew** by 0.1% mom and 11.0% yoy **to a record AED 4.5623trn in Jan 2025**. The central bank's **total assets surged** by 1.5% mom to a new record AED 909.023bn and **net international reserves jumped** 2.4% mom to AED 869.0bn. **UAE money supply grew by 12.6% in Jan** (Dec: 13.7%).
- **Gross credit disbursed** by the UAE banking sector **grew by 0.2% mom and 9.5% yoy** to AED 2.1863trn in Jan. This was **driven by growth in domestic credit** (6.4% yoy to AED 1.848trn in Jan, and flat in mom terms) **and foreign credit** (1.7% mom and 30.7% yoy to AED 337.9bn). Loans disbursed to business and industrial sector (at AED 853.9bn) accounted for almost 2/3-rds of credit to the private sector.
- **UAE and Congo signed the CEPA last week, with non-oil trade projected to grow to USD 7.2bn by 2032** from USD 3.1bn in 2024. Duties will be eliminated over five years on 99.5% of UAE exports and 98% on exports from Congo.
- **UAE and India signed eight strategic agreements**, to increase cooperations across sectors including infrastructure, healthcare, higher education, maritime services, logistics, and private sector engagement. UAE's non-oil trade with India grew by 20.5% yoy to over AED 240bn in 2024, with India also UAE's top non-oil export destination (13.5% of total, and +75.2% yoy).
- **Bilateral trade between UAE and New Zealand jumped to the equivalent of AED 2.86bn in 2024**, according to the minister of trade for New Zealand, with the last quarter alone standing at around AED 880mn. He also revealed a 60% surge in the services sector as a result of cooperation and direct UAE investments in New Zealand crossed AED 440mn last year.
- **Hotel revenues in the UAE touched AED 45bn in 2024**, up 3% yoy, according to the chairman of the Emirates Tourism Council, as occupancy rates surged to 78% and number of hotels grew to 1251 (16 new hotels opened in 2024). The number of hotel guests ticked up by 10% yoy to almost 31mn and hotel rooms were up 3% to 216,966.
- **Dubai's millionaire population doubled to 81,200 in 2024** compared to a decade ago, according to Henley & Partners and New World Wealth. The city was ranked the sixth fastest growing wealth hubs and climbed to 18th place in the "Top 50 Cities for Millionaires".

### Media Review:

**Lebanon at a crossroads: Reform or decay ahead? Dr. Nasser Saidi's op-ed in The National**  
<https://www.thenationalnews.com/business/economy/2025/04/09/lebanon-reforms-central-bank/>  
<https://www.cnbc.com/video/2025/04/10/lebanonas-banks-have-to-restructure-to-catalyze-nationas-resurrection-fmr-lebanon-minister.html> (Dr. Saidi's CNBC interview)

**UAE-EU trade deal to boost FDI to Emirates amid rising global uncertainties (including Dr. Nasser Saidi's comments)**

<https://www.thenationalnews.com/business/economy/2025/04/11/uae-eu-free-trade-deal/>

**Sterling's Past and the Dollar's Future**

<https://www.project-syndicate.org/commentary/trump-ignores-three-lessons-from-britain-for-preserving-dollar-supremacy-by-barry-eichengreen-2025-04>

**The Chinese goods Americans most rely on, from microwaves to Barbies: FT**

<https://www.ft.com/content/ec96e2ed-5dd6-4c6b-92a0-1b77bf517b36>

**In a world of trade tensions, what do tariffs really do? WTO's Chief Economist**

[https://www.wto.org/english/blogs\\_e/ce\\_ralph\\_ossa\\_e/blog\\_ro\\_11apr25\\_e.htm](https://www.wto.org/english/blogs_e/ce_ralph_ossa_e/blog_ro_11apr25_e.htm)