Daily
Economic Update

Economic Research Department
5 March 2025

US: Trump reiterates his tax cuts, tariffs, and other agenda items in speech to Congress. In an address to Congress, President Trump reiterated his economic and broader policy agenda, including tax cuts and extensions, trade tariffs and reciprocal duties, plus stricter border controls. He also pitched for eliminating the CHIPS act (semiconductor investment-related incentives, worth around $50bn), providing additional tax breaks (interest deductions on auto loans for US-made cars), construction of a new natural gas pipeline, achieving a resolution to the ongoing Russia-Ukraine war, among others. Ambitiously, despite his substantial tax cut plans, he called for balancing the Federal budget “in the near future,” without elaborating further on the matter. He acknowledged that tariffs might cause a little but manageable “disturbance,” seeing them as significant revenue raising measures. Overall, there were no new material takeaways, and key messages were similar to his previous vows. Importantly, prior to his speech, US Commerce Secretary Howard Lutnick, in an interview, hinted at striking mid-way tariff agreements with Canada and Mexico, without providing details, that could be announced as soon as later today. His comments helped trigger a partial relief rally in US equity futures and Asian equities in trading this morning as markets await further clarity.

Eurozone: Unemployment unchanged in January at 6.2%. For the third consecutive month, the unemployment rate in the Eurozone was steady at 6.2% in January, beating consensus estimates of 6.3% and matching December’s downwardly revised figure. This historically low number, driven by 3.5% unemployment in Germany and 6.3% in Italy, marks the lowest unemployment reading in the last 25 years. Coupled with slowing inflation (2.4% in February) and modest Q4 GDP growth (0.1% q/q), the latest unemployment figure will likely strengthen the ECB’s case to cut rates by 25 bps, according to the market consensus, at its policy meeting tomorrow.

China: Beijing targets stable growth of around 5% in 2025 despite looming trade war. The Chinese government announced its 2025 GDP growth target of “around 5%” despite possible negative ramifications from increasing trade frictions with the US. The target was announced at the opening session of the National People’s Congress annual meeting and was in line with the target set in 2024. Meeting that target, however, will be more challenging in the face of higher US tariffs and existing economic headwinds, and the government is unlikely to be able to count on a surprise uptick in exports this year as it did in 2024 to help it achieve its goal. With the authorities making a special point to stimulate domestic consumption through increased fiscal support – partly to mitigate expected tariff-linked pressures on the external front – Beijing raised its budget deficit target to a more than thirty-year high of “around 4%” of GDP from 3% last year. Meanwhile, amid ongoing subdued CPI inflation (and deflation in producer prices), the inflation target was revised down to “around 2%”, the lowest in more than two decades. Lastly, it is worth noting that this year’s parliamentary meetings kicked off as fresh 20% tariffs on Chinese goods from the US came into effect, which spurred retaliatory Chinese tariffs on some US goods imports of up to 15% and restrictions on exports to 15 US-based companies, effective March 10.

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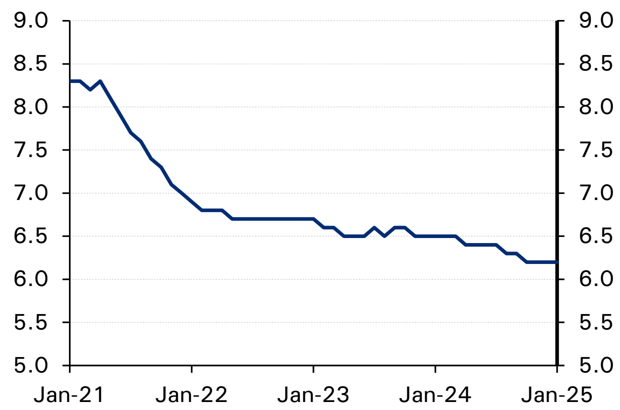
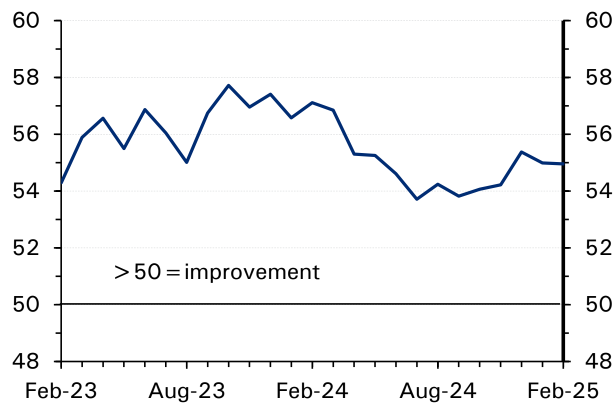
Chart 1: Eurozone unemployment rate



Source: Haver

Chart 2: UAE PMI



Source: S&P Global, Haver

UAE: Non-oil activity remains steady in February, near nine-month high levels. Non-oil private sector activity remained in expansion territory in February, with the PMI unchanged at 55.0 and close to the nine-month high reading of 55.4 recorded in December. Output gains accelerated further above the 60 mark, supported by the slight uptick in export orders but growth in overall new orders softened to its weakest level since October, though still remained robust amid strong business conditions. Growth in payroll numbers was minimal, though, at just above the no-change 50 level. Input prices saw a solid increase in February due to further markups in purchase prices and staff costs, which pushed businesses to increase their selling prices for the second consecutive month. Business expectations over the coming 12 months remained positive in anticipation of stronger economic activity and new business opportunities.

Saudi Arabia: Aramco lowers dividend on weaker earnings. Confirming past statements that future dividends will be performance-linked, Aramco announced a lower expected dividend of around $85 billion for 2025, down 31% from 2024's exceptional dividend of $124 billion. Aside from earnings taking a hit from lower oil prices and production, the lower dividend comes amid increased pressure on Aramco's balance sheet following six consecutive quarters (ending in Q4 2024) of high dividend payouts, which, while helping to generate strong investor demand for the multi-billion dollar secondary public offering in 2024, has begun to exceed free cash flow, pushing the corporate into a net debt position. A reduced dividend commitment should therefore alleviate pressure on Aramco's reserves and debt levels. For the Saudi government, which is still by far the largest shareholder in Aramco, these high dividend payouts have helped to alleviate pressure on the public finances, which had been intensifying amid high Saudi Vision 2030-linked investment spending and lower oil revenues, and which has resulted in recurring fiscal deficits. The authorities expect another deficit in 2025, of $27 billion, with further fiscal shortfalls likely in the medium term. The Aramco announcement, therefore, implies reduced revenues for the public purse and could result in higher sovereign debt issuance: $14 billion worth of bonds has been sold so far in 2025 following record issuance of about $50 billion last year from the government and associated entities.

Egypt: Foreign reserves up by $129mn in February. The central bank's net foreign reserves rose to $47.4 billion by the end of February, an increase of $129 million from January's level. This is the 30th consecutive monthly gain. A more detailed look into the breakdown shows that while FX reserves fell by $297 million to $35.5 billion and special drawing rights by $10 million to $21 million, gold reserves increased by $435 million to $11.9 billion.

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Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,591	0.32	1.83
Bahrain (ASI)	1,980	0.00	-0.29
Dubai (DFMGI)	5,355	0.51	3.80
Egypt (EGX 30)	30,763	-0.73	3.44
GCC (S&P GCC 40)	739	-0.82	2.37
Kuwait (All Share)	8,165	-0.10	10.90
KSA (TASI)	11,932	-1.58	-0.87
Oman (MSM 30)	4,411	-0.31	-3.61
Qatar (QE Index)	10,471	0.07	-0.95
International			
CSI 300	3,885	-0.08	-1.26
DAX	22,327	-3.54	12.14
DJIA	42,521	-1.55	-0.05
Eurostoxx 50	5,387	-2.77	10.04
FTSE 100	8,759	-1.27	7.17
Nikkei 225	37,331	-1.20	-6.43
S&P 500	5,778	-1.22	-1.76

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.63	-2.53	-5.46
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.19	4.94	-25.44
Saudi	5.36	-10.56	-18.31
SOFR	4.31	-0.71	0.46

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2027	4.33	3.00	-41.0
Oman 2027	5.17	6.00	-39.0
Qatar 2026	4.48	3.00	-31.0
Kuwait 2027	4.65	6.00	-32.0
Saudi 2028	4.72	3.00	-36.0
International 10YR			
US Treasury	4.24	8.34	-33.1
German Bund	2.48	-1.15	11.8
UK Gilt	4.53	-3.40	-4.0
Japanese Gvt Bond	1.42	2.00	34.5

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	0.05	0.10
KWD per EUR	0.33	1.36	2.92
USD per EUR	1.06	1.32	2.62
JPY per USD	149.80	0.20	-4.70
USD per GBP	1.28	0.75	2.26
EGP per USD	50.58	-0.04	-0.41

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	71.04	-0.81	-4.82
KEC	73.19	-3.86	-3.43
WTI	68.26	-0.16	-4.82
Gold	2909.6	0.67	10.66

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: LSEG / Haver

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