SHARED PROSPERITY | Page 8

Qatar continues to strengthen position as a global investment hub, says Sheikh Khalifa

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GULF TIMES
BUSINESS

TIES DAMAGED : Page 4

EU races to expand €2tn trade club as US links sour

ICAO approves implementation by Qatar of Doha FIR/UIR Phase Two

The Council of the International Civil Aviation Organisation (ICAO) has approved the implementation of 'Phase Two' by the State of Qatar for the management of the Doha Flight Information Region/Upper Information Region (FIR/UIR) and the Search and Rescue Region (SRR).

This follows the successful implementation of 'Phase One' where Qatar fulfilled all safety and security requirements.

Phase Two, which covers the management of air traffic over international waters north of Qatar, is a critical step toward fully realising the benefits of airspace modernisation. The implementation of Phase Two applies to vertical limits extending from sea level to an unlimited altitude.

By standardising altitude limits, Phase Two will enhance safety, protect the environment, and improve operational efficiency, benefiting both national and regional interests.

This phase also brings numerous operational and environmental advantages, including reduced fuel consumption and emissions, increased capacity, and greater flexibility.

In addition, it will strengthen safety, boost efficiency, improve regional and international connectivity, and reinforce Doha's strategic position as a key global aviation hub. Furthermore, it will enable more efficient operations for airlines.

"We, in the State of Qatar, are proud of the qualitative achievements we have achieved over the past few years, which contributed to reinforcing the country's positioning on the map of global aviation industry and enhancing its effective role in that vital industry," said HE the Minister of Transport Sheikh Mohammed bin Abdullah bin Mohammed al-Thani.

"These achievements have been crowned recently with an ICAO Council's approval to going ahead with implementing Phase Two of the Doha FIR in a significant step toward improving the management of air traffic over international waters north of Qatar and providing more efficient and resilient operations."

"This approval is the culmination of the success over the past two years since the implementation of Phase One began and the State of Qatar has proven its deservedness and compliance with highest safety and efficiency standards, something which strengthened the international community's belief in our technical and operational capabilities."

As Phase Two begins, he said, "We will progress on our ambitious course to create a modern civil aviation system consistent with our national vision and in step with best and highest universal practices in the industry."

Mohamed Faleh al-Hajri, in charge of managing the Qatar Civil Aviation Authority said the ICAO Council's decision adds up to the advanced steps and previous achievements by the State of Qatar since the approval to go ahead with implementing Phase One of Doha FIR, which was a milestone in the history of Qatari civil aviation.

HE the Minister of Transport Sheikh Mohammed bin Abdullah bin Mohammed al-Thani.

In this regard, he added, Qatar has gone a long way in developing its air navigation systems in line with latest global standards and specifications, something that reflects the excellence it has reached it terms of providing air services to the best efficiency levels, let alone its compliance with highest safety, security and sustainability standards.

The QCAA has over recent months implemented a range of operational practices and requirements to prepare for the activation of Phase Two.

These included adopting safety procedures and committing to ICAO standards, ensuring a seamless transition to the next phase without compromising operational safety.

Additionally, infrastructure and technologies have been upgraded, all systems and devices updated, and automation processes enhanced to better handle the ongoing growth in air traffic.

In terms of human resources and training, enough air traffic controllers, technicians, and specialists have been recruited and subjected to intensive training programs and field simulation exercises, in accordance with the requirements of Phase Two.

Al-Kuwari holds talks with French Senate members

HE the Minister of Finance, Ali bin Ahmed al-Kuwari held bilateral meeting with members of the Senate of the French Republic at the headquarters of the Ministry of Finance in Doha yesterday. The French Senate members are currently visiting Qatar.

QNB Group successfully closes $2bn inaugural Asian unsecured syndicated term loan facility

QNB Group, the largest financial institution in the Middle East and Africa, has announced the successful closing of a $2bn unsecured syndicated term loan facility, focused on Asian investors.

QNB Group Chief Executive Officer Abdulla Mubarak al-Khalifa, commented: "This facility has attracted strong interest from major Asian banks, enabling us to further diversify our investor base. The issuance was oversubscribed at competitive all-in pricing, which, despite challenging global market conditions, reaffirms our reputation as a high-quality issuer.

"We view this transaction as a testament to our successful strategy of strengthening our presence as a leading bank in MEASEA while fostering meaningful, long-term relationships."

The $2bn facility with a maturity of five years is the largest ever Asian pure play syndication by a bank from the GCC and has achieved tightest pricing. This successful transaction involved a largely new investor base and underlines QNB's strong credentials and is a part of QNB' strategy to further broaden its relationships worldwide.

Mizuho was the sole co-ordinator, mandated lead arranger and bookrunner.

The successful transaction involved a largely new investor base and underlines QNB's strong credentials and is a part of QNB' strategy to further broaden its relationships worldwide

Malaysia-Qatar 2024 trade up 49% to $1.38bn; global trade jumps 9.1%

By Peter Alagos
Business Reporter

Malaysia's trade volume with Qatar stood at $1.38bn in 2024, registering a substantial 49% increase, according to the Malaysia External Trade Development Corporation (MATRADE).

At the same time, the Southeast Asian nation's global trade in 2024 registered a 9.1% year-on-year (y-o-y) growth, recording a value of $630.46bn, figures provided by MATRADE showed.

Megat Iskandar Ahmad Dassilah, MATRADE's trade commissioner in Dubai, emphasised that Qatar "remains an important trade partner for Malaysia." He said Malaysia's key exports to Qatar include machinery, equipment and parts, petroleum products, processed food, palm oil products, and manufactured metal goods. Malaysia, on the other hand, continues to source crude petroleum, petroleum products, and chemical products from Qatar, he said.

"There are numerous opportunities for collaboration between Malaysian and Qatari businesses, particularly in sectors, such as technology, renewable energy, healthcare, and halal industries. MATRADE, through its office in Doha, remains committed to supporting and assisting businesses from both nations.

"This year, MATRADE will continue to organise numerous trade events, including the world's largest halal event, the Malaysia International Halal Showcase (MIHAS), and the inaugural International Healthcare Week (IHW) 2025. We look forward to greater participation from Qatari companies in these events," Dassilah pointed out.

On the global front, Malaysia's trade performance continued to deliver "outstanding performance" last year, MATRADE reported, noting that exports and imports rebounded in 2024 with trade amounting to $630.46bn or a 9.1% y-o-y increase. Exports rose 5.6% to $330.25bn while imports increased by 13.1% y-o-y to $300.20bn. "This exceptional performance has resulted in a trade surplus of $30.05bn for the 27th consecutive year since 1998," MATRADE stated.

Exports to major trading partners, namely Asean, the US, the EU, and Taiwan increased, with exports to the US and Taiwan reaching "an all-time high." Taiwan officially became Malaysia's fourth largest trading partner, reflecting the strengthening of bilateral trade partnerships and growing trade opportunities, according to MATRADE.

The trade agency noted that free trade agreements (FTAs) have played a pivotal role in providing local businesses with greater access to international markets. Exports to FTA markets expanded this year, reversing the contraction seen in 2023, stated MATRADE.

"Canada was one of those export destinations which recorded growth, driven by higher demand for electrical and electronic (E&E) products while exports to Turkiye soared to a new record high, fuelled by the increased shipments of iron and steel products.

"Diversification strategies targeting emerging markets have also played an equally important role in contributing to export growth, particularly to countries, such as Bangladesh, Costa Rica, Egypt, Nigeria, Angola, Ethiopia, Algeria, Togo, Libya, and notably Kenya, Oman, and Namibia, which rose to a new record level," MATRADE also stated.

In terms of products, export expansion in 2024 was driven by strong performance in both manufactured and agricultural products. This growth was led by increased shipments of machinery, equipment and parts, and processed food, as well as optical and scientific equipment, which had recorded the highest value ever, stated MATRADE.

It also stated that electrical and electronics (E&E) products, palm oil and palm oil-based agriculture products, and the manufacture of metal and rubber products also contributed to the expansion. Additionally, exports of E&E products along with machinery, equipment and parts posted increases of more than $2bn, respectively.

"Despite the challenging global economic landscape, the Ministry of Investment, Trade and Industry (MITI) Malaysia and its trade promotion agency, MATRADE, are committed to strengthening international trade as a cornerstone for sustaining long-term economic growth," MATRADE added.

Megat Iskandar Ahmad Dassilah, MATRADE's trade commissioner in Dubai.

BUSINESS

MoCI undersecretary participates in GCC investment meeting in Kuwait

Mohammed bin Hassan al-Malki, Undersecretary of the Ministry of Commerce and Industry (MoCI), yesterday participated in the third meeting of the Committee of Investment Undersecretaries of the GCC, or Gulf Co-operation Council, States, held in Kuwait. The meeting reviewed the proposed concept for the Second GCC–Central Asia Investment Forum, in addition to the outcomes of the investment working group tasked with developing the committee's internal structure. Discussions were on a range of topics, including co-operation among GCC states and international entities in the field of investment, and the proposal submitted by Kuwait to establish a specialised training centre for foreign investment promotion and introduce a unified licensing system for foreign companies operating in the GCC region.

Egypt set for mild summer start in boost for Europe's liquefied natural gas buying

A mild start to summer weather in Egypt is delaying the need for higher imports of liquefied natural gas, and leaving more of the fuel available for Europe ahead of a crucial stockpiling season.

Average temperatures in the North African country are likely to dip and slash the number of cooling degree days by almost one-third in the first three weeks of April compared with 2024, data from Atmospheric G2 show, reports Bloomberg. Cooler-than-usual weather will curb Egypt's power demand and appetite for LNG. The country turned into a major importer last year from a net exporter previously as declining local gas output and surging demand led to energy shortages and blackouts. This will further loosen the global LNG market that's already weakened by easing consumption in Asia, leaving Europe free to snap up cargoes to fill depleted storage sites.

The European Centre for Medium-Range Weather Forecasts estimates 72 cooling degree days will be recorded in Egypt this year through April 22, lower than the 10-year average. Data show there were about 102 such days in the same period last year. Cooling degree days are used to forecast energy demand by measuring how much a day's average temperature is over 18C.

The shift in the weather in April could be triggered by a southerly jet stream, a high-pressure system and other atmospheric conditions set in motion last month that "loaded the dice in favour of this potent cold northerly flow" of Arctic air, said MetDesk meteorologist Matt Dobson. The milder weather and muted demand likely played a part in gas flows briefly resuming to Egypt's two LNG export plants recently. However, that's likely to be short-term as the country will still need LNG purchases through the summer. It has been beefing up infrastructure and is planning to lease additional floating import terminals.

Buyout firms get creative on Gulf trips in bid for bigger cheques

Bloomberg
Dubai

The giants of private equity have spent years trying to cozy up to Middle Eastern wealth funds to secure massive cheques. US President Donald Trump's burgeoning trade war just made those efforts even more critical — and asset managers have been forced to get creative.

Carlyle Group Inc, for instance, is sending more than half a dozen of its top executives to Abu Dhabi this week to offer training to their counterparts at the emirate's many sovereign wealth funds. BlackRock Inc is starting up a programme to hire more young Saudis and is relocating a bevy of senior investment professionals to the kingdom to help with the effort. Others have been organising dinners and events to honour Eid al-Fitr.

"It's not just about opening an office," said Bhaskar Gupta, the chairman of the Middle East and India boards at Apex Group Ltd, a fund servicing company. "Building meaningful relationships through local customs — like weekend hunting trips, and shared dinners — plays a vital role in establishing trust and long-term partnerships."

Buyout funds have spent years laying the groundwork for their charm offensive after facing steady pressure from Middle East sovereign wealth funds to host more gatherings in the region, set up local offices and bring more people to live and work in the area.

But after Trump's announcement wiped out trillions of dollars from stock markets around the world and caused equity capital markets to snap shut, it's made the Middle East a more important source of liquidity for these asset managers going forward.

Carlyle's workshop this week — organised before Trump announced tariffs — will be focused on different investing strategies including how investors can tap the private equity secondaries market. The event reflects the firm's "ongoing commitment" to proactive engagement with Middle Eastern funds, a spokesperson said.

BlackRock, for its part, launched the BRIM Graduate Development Program after striking a partnership with Saudi Arabia's Public Investment Fund last year. The initiative also includes a slate of training and development programmes.

"We are seeing general partners offering training events as asset managers look to invest more resources in the region," said Drew McKnight, co-CEO of Fortress Investment Group, which counts Abu Dhabi sovereign wealth fund Mubadala Investment Co as its majority owner. "There's a desire from limited partners for companies not to just have a fundraising office."

The $11tn asset manager received approval from Saudi Arabia last year to set up its regional headquarters in Riyadh, as well as a commercial license to operate in Abu Dhabi in November. Global Infrastructure Partners, which was recently acquired by BlackRock and is close to raising roughly $25bn for its latest flagship fund, is opening an office in Doha.

Heading into the year, private equity firms were riding a wave of optimism about what Trump's election would mean for their business. His promises to cut taxes and rip up reams of regulation were expected to be a boon for economic activity and usher in a frenzy of merger activity and initial public offerings.

That would have been good news for buyout funds, who raised 23% less capital last year than in 2023. They've also been patiently awaiting a window to exit many of their long-time investments.

But Trump's raft of tariff announcements in recent weeks has dampened that optimism. As a result, high-profile companies including Klarna Group Plc and Stubhub Holdings Inc have paused their initial public offerings and a slew of private equity firms have shown signs of fundraising struggles.

Carlyle, for instance, recently shook up its leadership in Europe, where it has raised about €1bn ($1.1bn) for Carlyle Europe Partners VI — a fraction of its original goal.

A general view in Riyadh. BlackRock is starting up a programme to hire more young Saudis and is relocating a bevy of senior investment professionals to the kingdom to help with the effort.

Meanwhile, Ardian, one of Europe's largest investment firms, has delayed the planned fundraising for its multibillion flagship fund as it's restructuring its buyout team in an increasingly difficult market for private equity, Bloomberg News reported last week.

The news on tariffs and a move by OPEC+ to boost oil supply has hammered the price of crude — a plunge that could force some countries across the region to pull back on spending.

Still, Gulf sovereign wealth funds are known for stepping in during a downturn: When liquidity evaporated from world markets in 2008, they came in and bought up everything from stakes in western lenders like Citigroup Inc to trophy assets like the Manchester City Football Club and Harrods.

"We think in the context of Donald Trump's tariffs that the Middle East will become a much more important source of liquidity for asset managers," Dasgupta said. "By the end of the year, all of the asset managers will be in Abu Dhabi and Saudi looking to raise money. So, getting in there early will make a real difference."

Bloomberg QuickTake Q&A

Will Republicans hike tax on millionaires to extend Trump cuts?

By Mark Niquette and Jarrell Dillard

US President Donald Trump has made extending the tax cuts introduced by the 2017 Tax Cuts and Jobs Act a top priority this year. On April 10, after weeks of negotiations, Republicans in Congress agreed on the framework of a bill to make them permanent.

To help cover the impact of the cuts on the federal deficit, Republicans are considering a surprising idea that breaks with decades of conservative orthodoxy: raising federal income taxes for millionaires. Some of the party's deficit hard liners say that they're open to a new 40% tax bracket for those earning $1mn or more.

Here's what to know about Trump and his party's plans for tax policy.

Which tax cuts are expiring in 2025?

The Tax Cuts and Jobs Act was a major overhaul of the federal tax code that lowered rates for individuals and companies. While some of the law's corporate provisions are permanent, most of the individual and estate provisions expire at the end of 2025.

Those include increases to the standard deduction, a fixed dollar amount that reduces the income on which a person is taxed; lower income tax rates for most taxpayers; an increase in a tax credit that can be claimed for a dependent child; a deduction for privately held businesses; and a doubling of the amount that an individual can leave to their heirs upon death without incurring federal estate tax.

How can Republicans extend the tax cuts?

Congressional Republicans are hammering out a tax-and-spending bill to realise Trump's domestic policy goals, including extending the tax cuts approved in 2017. The outline of the bill that Republicans agreed on allows for as much as $5.3tn in tax cuts over a decade. House Speaker Mike Johnson has said that he hopes to send the final bill to Trump's desk by late May.

The Congressional Budget Office — which provides non-partisan analysis of US fiscal policy — normally uses what is called a "current law" baseline to measure the impact of legislation. But some Republicans, including Senate Majority Leader John Thune and Senate Budget Committee Chair Lindsey Graham, are planning to use a "current policy" baseline to permanently extend the expiring provisions in the TCJA, which would be an unprecedented move.

Under the "current law" baseline, the expiration of the tax cuts would be reflected in the total cost of the law, adding trillions to the overall price tag. Switching the baseline to "current policy" assumes that the law would remain in place indefinitely, even if it is scheduled to expire. The extension of the tax cuts could then be scored as costing nothing. This, some Republican leaders reason, would make it easier to comply with fiscal constraints in the legislative process and sell the bill to the public.

The Senate parliamentarian, a non-partisan official who interprets the chamber's rules, will determine whether using a "current policy" baseline complies with procedural requirements. That position has been held since 2012 by Elizabeth MacDonough. Her views on the matter are unclear.

Why are Republicans considering raising taxes on millionaires?

Republicans control the Senate and House of Representatives, which means they can pass legislation to extend the tax cuts with votes from their own party members alone. But their majorities in both chambers are slim, so they'll need to convince nearly every Republican, including members of the ultra-conservative House Freedom Caucus, who are wary of adding to the federal deficit, to support the bill.

Even if Republicans can use a "current policy" baseline to measure the deficit impact of the tax cuts, they will still have to offset at least part of the cost.

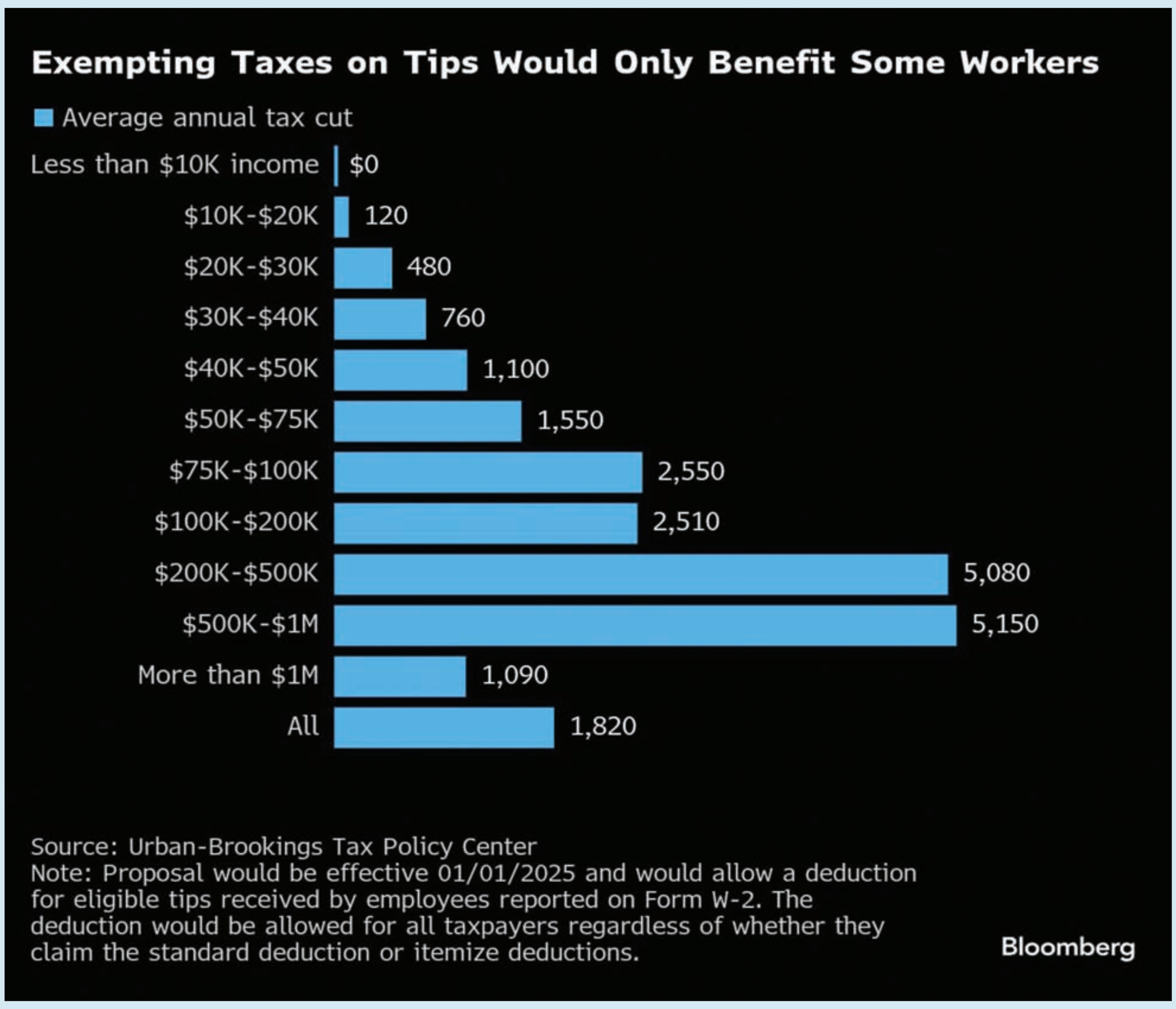
One type of offset is spending cuts. The blueprint Republicans in both chambers agreed to requires only $4bn in cuts to federal spending over a decade — though the party's leaders have sought to reassure hard liners that the final bill will include at least $1.5tn in spending cuts to help pay for the $5.3tn in tax cuts.

Another proposed way to offset the cost of tax cuts is to hike other taxes. House Freedom Caucus Chairman Andy Harris said he is open to the creation of a new 40% tax bracket for those earning $1mn or more. Some Republicans are also considering a proposal to raise the top tax rate, currently set at 37% for incomes greater than $626,350, to 39.6%, the level that was in place before the passage of the TCJA.

Expiring Tax Cuts and Jobs Act Provisions
These provisions will expire at the end of 2025

Provision	Current Law	After Expiration
Income tax brackets	Marginal rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%	Marginal rates: 10%, 15%, 25%, 28%, 33%, 35% and 39.6%
Standard deduction	$15,000 for single filers, $22,500 for head of household filers and $30,000 for joint filers	$8,350 for single filers, $12,250 for head of household filers and $16,700 for joint filers
State and local tax deduction	$10,000 cap for filers who itemize their federal tax returns	$10,000 cap will be removed
Child tax credit	Up to $2,000 per eligible child; income thresholds set to $200,000 for single filers and $400,000 for joint filers	Up to $1,000 per eligible child; income thresholds set at $75,000 for single filers and $110,000 for joint filers
Small business deduction (199A)	20% for qualified business income	Deduction will no longer be available
Estate tax	Almost $14 million exemption, adjusted annually for inflation	Roughly $7 million exemption, adjusted annually for inflation

Source: Congressional Research Service, IRS
Note: This list does not include all expiring provisions
Bloomberg



The proposals are a historical rarity for the party and a sign of how some Republican lawmakers have grown more populist under Trump. Republican leaders such as Johnson and Representative Steve Scalise have downplayed the possibility of raising any taxes.

Who would benefit from extending the 2017 Tax Cuts and Jobs Act?

Households making $450,000 or more would benefit the most from extending the tax cuts, according to analysis from the Urban-Brookings Tax Policy Center.

The top 1% of households would receive a 3.2% tax cut on average, or an average of about $70,000 in 2027, compared to a scenario in which the tax cuts expire. Middle-income households would see only a 1.3% cut in their taxes, or about $1,000 on average, according to the report.

Those estimates do not reflect a scenario in which the top tax income rate increases, as some Republicans have proposed.

What would extending the tax cuts mean for the US economy?

There are several studies on how a TCJA extension would impact economic growth, including reports by the nonpartisan Tax Foundation, the Penn Wharton Budget Model and the Yale Budget Lab. Their numbers vary but conclude, in general, that making all provisions of the TCJA permanent would temporarily boost the growth of gross domestic product — ranging from 0.3% to 0.9% by 2034. But the tax revenue generated from that growth, they said, would only cover a small share of the revenue lost from extending the tax cuts.

Can Trump's tariff plan fund the tax cuts?

White House trade counsellor Peter Navarro suggested tariffs will generate about $6tn to $7tn over 10 years. Treasury Secretary Scott Bessent said tariffs could bring in anywhere from $300bn to $600bn per year.

But most economists project that Trump's tariffs will generate significantly less revenue than the estimated $5.3tn that the Republican tax bill blueprint would cost the federal government in lost revenue over a decade. They anticipate that consumers will balk at higher prices and imports will fall, resulting in the US collecting less in tariff revenue.

Bloomberg Economics estimates that Trump's tariffs will generate around $300bn a year in revenue on average. The nonpartisan Tax Foundation puts the figure at about $2.2tn in revenue over a decade. And the Yale Budget Lab projects $2.4tn over a decade.

Those estimates take into account retaliation from other countries and the effect of higher prices on consumers. They don't account for Trump leveraging the tariffs to extract concessions from trading partners.

According to Bloomberg Economics, as of April 10, the average tariff rate on imports to the US was 26.25%. The rate in 2024 was 2.3%.

What other changes to the tax system does Trump want to make?

Trump campaigned on exempting taxes on tipped wages, overtime pay and Social Security benefits as a way to raise household incomes and win over working-class and retired voters. (The budget framework passed by Congress is a guide for future legislation that does not specifically mention these exemptions.) The Urban-Brookings Tax Policy Center estimates that more than 40% of workers who get tipped wages wouldn't benefit from an exemption because they pay no income tax, and that only 2% of households would benefit from this tax cut.

If tips were excluded from both income and payroll tax, workers who earn them would also get lower Social Security benefits when they retire. And the lost revenue from excluding tips and tax on Social Security benefits would accelerate the depletion of the Medicare and Social Security trust funds.

"While it may seem like exempting tips, Social Security and overtime from taxation also helps struggling taxpayers, many of these proposals are poorly targeted and regressive in their ultimate impact," said Kimberly Clausing, a former Treasury Department official and a professor of tax law at University of California, Los Angeles.

Additionally, a version of the tax bill being drafted by Trump administration officials and other Republicans includes a proposal to increase the federal deduction for state and local taxes — the SALT deduction, for short — to $25,000 for an individual. The SALT deduction, which the TCJA capped at $10,000, allows taxpayers to subtract some of what they pay to their state and local governments from their taxable income.

Trump has also said he wants to lower the corporate tax rate to 15% from 21%, the rate the TCJA established.

What if the tax cuts aren't extended?

Reports by the CBO and Congress's Joint Committee on Taxation suggest that an expiration of the tax cuts would lead to a modest decline in economic growth over the next decade.

The CBO forecasts that extending the tax cuts would have a positive effect initially that dwindles over time due to the drag from the increased deficit. Not renewing the individual income tax provisions would slow the growth of potential GDP in the short term but accelerate it over time.

According to analysis from the Urban-Brookings Tax Policy Center, if the tax cuts approved in 2017 aren't extended, middle-income households won't experience a big difference. Those earning between $65,100 and $116,400 annually would lose less than $100 a month if the tax cuts expired.

Just how big were the 2017 tax cuts?

Trump has long claimed that they were the biggest tax cuts "in history." That's not true if you measure their cost as a percentage of GDP, according to the Committee for a Responsible Federal Budget.

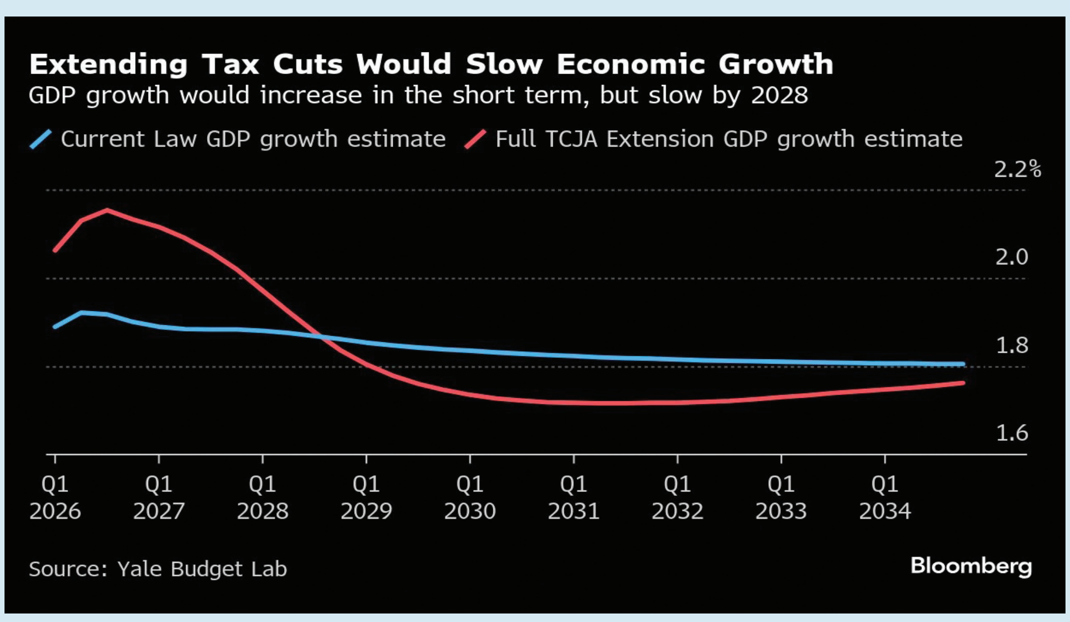
By that measure, the largest tax cut since 1918 was the 1981 tax cut enacted at the beginning of President Ronald Reagan's administration, which cost the federal government revenue equivalent to 2.9% of GDP over four years, an analysis by the organisation shows. The 2017 Trump tax cuts would be the fourth-largest in inflation-adjusted dollars.

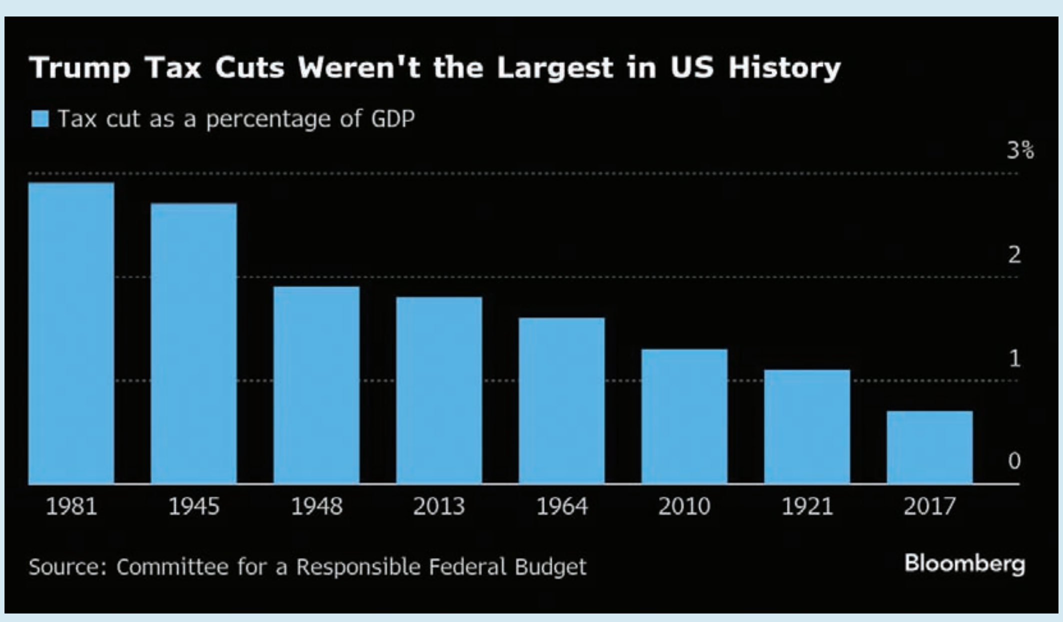
Did the 2017 tax cuts pay for themselves?

When advocates of tax cuts say that they will pay for themselves, they mean the cuts will spur economic growth and give the government a bigger base to tax, thereby increasing overall tax revenue or at least keeping it flat.

Research from the Committee for a Responsible Federal Budget shows federal revenue was higher than projected from 2018 through 2024, but most of that increase was due to outside factors, including higher inflation. The TCJA "meaningfully reduced revenue," according to the report.

"Simply, tax cuts almost never pay for themselves," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "There were no credible estimates that it would pay for itself. There's been no credible indication that they came in, or close to, paying for themselves."





'Dollar moves complicate tariff policy response'

Bloomberg
London

Bank of England (BoE) policymaker Megan Greene said US tariffs will slow growth but the impact on inflation was less clear because the dollar is not behaving as would be expected.

Speaking at the Delphi Economic Forum in Greece on Saturday, Greene said the trade war unleashed by US President Donald Trump would be a "global demand shock" and the tariffs "will impact the economy." But she added that "the implications for inflation are somewhat ambiguous."

Trump has caused wild swings in markets with his volatile policymaking – first raising tariffs across the world, then pausing them on most countries. The dollar has tumbled amid fears for US economic growth.

By targeting China with 145% tariffs, you would normally see "export substitution and trade diversion that tends to be disinflationary" for other countries,


Megan Greene, member of the monetary policy committee of the Bank of England.

Greene said. The question, however, is exchange rates, she said.

"So when you have unilateral tariffs from the US, normally you would expect the dollar to appreciate.

That could actually boost inflation for other countries. As we've seen, the dollar's depreciated and so that could be disinflationary."

"A lot comes down to whether you think that's a structural shift or just a temporary blip. It makes forecasting how central banks should respond to this pretty difficult."

"If you have both growth and inflation going down, that's not an awkward position for a central bank. We know what to do," Greene said. "Then, if you have both growth and inflation going up, we know what to do then too. It's when they're going in opposite directions that you get into trade-off territory, and that's really tricky."

Greene and Swati Dhingra, both external members of the BoE's Monetary Policy Committee, have said tariffs are likely to lower inflation as countries shut out of US markets, such as China, seek alternative destinations by cutting prices.

Deputy Governors Clare Lombardelli and Sarah Breeden have argued it is too early to say what the inflation implications will be, though Breeden has also stressed that what happens to the exchange rate will be a crucial determinant for policymakers.

Greene cautioned against reading too much into this week's surprisingly strong monthly GDP, which rose 0.5% in February, and said a small rebound in inflation would not have been expected to last before the tariffs added a new layer of confusion.

On February's growth reading, she said: "There is a question about whether that really reflects much, given all of the change that we've been experiencing over the past week or two. So it is difficult to know, it's difficult to know kind of where this will land."

"We have seen inflation come down towards our 2% target in the UK, we have a forecast that includes a near-term hump in inflation, but we don't expect that to last.

The labour market has been loosening, but hasn't deteriorated significantly, but it has been easing."

"So generally, we think we're on track to hit our 2% target in the medium term, but tariffs will certainly have an impact on the economy, and how big is still a question. I think it depends what the end state is."

S&P upgrades Italy's rating

Bloomberg
Rome

Italy's rating was upgraded by S&P Global Ratings — the third such plaudit from credit assessors anticipating improvements in the country's public finances.

The company raised the eurozone's third-biggest economy to BBB+, three notches above junk, from BBB, according to a statement issued on Friday. The outlook is stable.

"The upgrade reflects Italy's improved economic, external, and monetary buffers amid rising global headwinds, and the gradual progress it has made in stabilising public finances since the pandemic's onset," S&P said in its assessment.

The decision is another win in Premier Giorgia Meloni's push to rehabilitate Italy after several years when it was often seen as the weakest link in the euro zone.

Her country is also in the waiting room for upgrades, denoted by positive outlooks, at Fitch Ratings, whose assessment is also two steps above junk, and DBRS Morningstar, which scores its debt one notch higher.

"We would raise our ratings if Italy continues to reduce its budget deficit, putting government debt to GDP on a firm downward trajectory, or if potential economic growth sustainably improves above 1% on the back of reforms to tackle Italy's structural economic challenges," S&P said.

Finance Minister Giancarlo Giorgetti welcomed the upgrade saying that it "rewards the seriousness of the Italian government's approach to budget policy" and pledging that "in the general climate of uncertainty, prudence and responsibility will continue to be our course of action."

"I am not surprised, actually I expected" the S&P move, Bank of Italy Governor Fabio Panetta said Saturday in Trento. "The conditions of the Italian economy have changed, the way public accounts are managed have changed."

S&P's abrupt shift in view is all the more significant given mounting headwinds for Italy, which is nursing borrowings in excess of 130% of output while confronting a trade-inflicted hit to growth and pressure to raise defense spending. The need to boost military outlays "means we'll need to make choices," Giorgetti said this week.

He spoke while unveiling updated forecasts that ostensibly show Italy on track to bring its deficit to below the European Union's 3% ceiling next year despite growth likely to be weaker than expected. That outlook doesn't incorporate the impact of potential new spending that could force tough decisions from Meloni's fractious coalition.

Bolstering Italy's defences is likely to intensify his challenge. The country is set to announce plans before the end of June to raise military spending to meet Nato's target of 2% of gross domestic product. At 1.5%, its tally is currently one of the lowest in the alliance.

Investors have so far applauded the budget discipline of the Meloni government. The spread between Italian and German bonds — a measure of risk in the region — remains far lower than when the premier took office in 2022, even though it did increase in the past week amid global trade turmoil.

Last week, Fitch retained its own positive outlook on Italy, citing buoyant tax take. Its own forecasts assume the deficit will get down to 3% as soon as this year. The International Monetary Fund's view published last October suggested far less faith in the Meloni government's ability to fix public finances. Numbers compiled by the Washington lender's officials projected a shortfall well above 3% in 2026.

S&P's view is somewhat in between both those assessments, anticipating a shortfall below that level by the year after next.

"Government debt is still rising due to cash-flow adjustments, although this has slowed each year and should start to decline in 2028," it said. "Although the budget deficit is set to fall below 3% of GDP by 2027, down from 3.4% in 2024 and 7.2% in 2023, government debt is projected to increase to 139% of GDP in 2028."

EU is racing to expand €2tn trade club as US links sour

Bloomberg
Brussels

The European Union (EU) is racing to clinch trade deals with countries around the world in an effort to diversify away from an increasingly protectionist US as officials worry that the transatlantic relationship has been irreversibly damaged.

The bloc's chief trade negotiator, Maros Sefcovic, will travel to Washington today to lobby for a reduction in the tariffs President Donald Trump imposed on €380bn ($432bn) of the bloc's exports. In tandem with the talks, the EU is ramping up efforts to strike free-trade accords elsewhere, since officials think ties with the US won't ever go back to the status quo, according to people familiar with the matter.

The EU already has the largest network of trade agreements in the world, covering some 75 partners and more than €2tn in trade, according to data compiled by the bloc. But diversifying away from the US is no easy task — transatlantic trade in goods and services reached €1.6tn in 2023.

"Europe continues to focus on diversifying its trade partnerships, engaging with countries that account for 87% of global trade and share our commitment to a free and open exchange of goods, services, and ideas," European Commission President Ursula von der Leyen said in a statement, referring to the percentage of worldwide trade that doesn't include the US.

The commission, which handles trade matters for the EU, has in recent weeks been urging capitals to get on board with the bloc's trade agenda and speed up the approval process for accords, said the people, who spoke on the condition of anonymity.

Ursula von der Leyen, European Commission president.

Concluding trade deals and opening up new markets is a key element of the EU's strategy to respond to Trump's tariffs. Efforts to expand the EU's web of agreements stalled in recent years mostly due to objections from member states such as France, which has a powerful agriculture industry.

But Trump's policies have spurred renewed impetus to diversify supply chains and access new markets. In recent months, the EU has moved trade talks forward with the United Arab Emirates, Malaysia, Indonesia, Thailand and India, among others. The disruption has also buoyed conversations between the EU and the UK over a deal to reset post-Brexit relations.

Free-trade agreements account for about 45% of EU trade with outside countries and deals that were awaiting adoption or ratification as of last year would add more than €185 billion worth of trade to the bloc's tally.

In a further pivot to Asia, von der Leyen said on Thursday that the EU will explore closer cooperation with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a trade bloc that stretches from Australia to Canada. Trump pulled out of the partnership's previous iteration in 2017.

New Zealand Prime Minister Christopher Luxon has proposed using the accord as the basis for a wider agreement with the EU on a rules-based trading bloc.

Driving the EU's diversification push is the raft of tariffs Trump has announced since the start of his presidency, which are now hitting most countries. Last week, he announced a 20% "reciprocal" tariff on nearly all the bloc's exports, which he subsequently delayed for 90 days, leaving a new 10% rate in place.

The US has also imposed a 25% levy on EU steel and aluminium exports and a 25% levy on the bloc's cars and some auto parts. Trump has also said he'll announce additional tariffs on lumber, semiconductor chips and pharmaceutical products.

Trump this week boosted the tariff rate on Chinese goods to 145%, raising concern in Europe that Beijing will divert its goods toward the bloc and flood the market with cheap products. In a call held earlier this week with Chinese Premier Li Qiang, von der Leyen discussed setting up a mechanism for tracking possible diversion and possible remedies.

Von der Leyen and European Council President Antonio Costa, who coordinates meetings of EU leaders, will travel to Beijing in July for a summit.

The EU and China have agreed to discuss cooperation in electric-vehicle supply chains and are exploring ways to update a customs cooperation agreement, according to the people.

Some EU member states, including Spain, have argued for closer ties with Beijing — a move that US Treasury Secretary Scott Bessent warned against, saying it "would be like cutting your own throat."

Most capitals remain sceptical of forging deeper relations with China, and French Prime Minister Francois Bayrou on Friday cautioned against turning to Beijing, saying China is trying "to replace all European producers in the world of agriculture and industry."

The largest trade deal the EU is seeking to complete is with the South American Mercosur bloc, which includes Argentina, Brazil, Paraguay and Uruguay. The Mercosur accord seeks to create an integrated market of 780mn consumers in Europe and Latin America.

After more than two decades of negotiations, the two regions reached a political agreement in December for a free-trade pact. Following Trump's new tariffs, Austria said it would ditch its long-time opposition to the deal, bolstering the ratification process.

The accord would aim to boost trade in goods beyond the current volume of about €110bn by reducing tariffs for most EU exports to some of the largest Latin American economies, while opening the European market to more imports including agricultural products. It could also help European carmakers hit by Trump's auto tariffs.

Fed's deepest tariff fear is a price shock that won't fade away

Bloomberg
Washington

If President Donald Trump's tariffs jack up US consumer prices — as pretty much everyone thinks they will, at least for a while — then that's already bad news for inflation-fighters at the Federal Reserve. It could also open the door to something even worse.

What businesses and workers anticipate will happen to prices, economists say, can play a key role in determining what actually does happen. That's why Fed officials always keep a close eye on estimates of future inflation — and the latest ones show cause for concern. The benchmark long-run expectations gauge, which had already climbed to a 30-year high since Trump's election, soared higher still on Friday after his sweeping global tariffs.

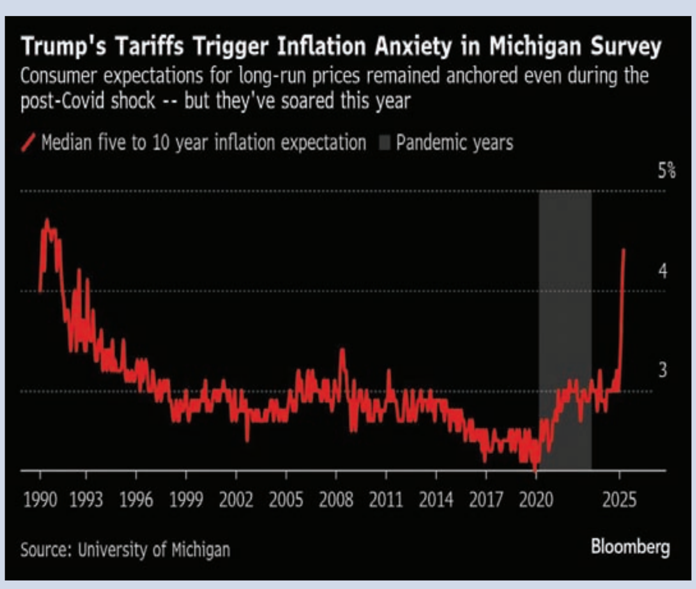
That kind of mindset could help turn a one-time price hit from Trump's trade war into a more persistent inflationary impulse. The risk is all the greater because it's surfacing at a time when American households are still shaken by the post-pandemic price spike – and may not trust the Fed to head off another one. Consumer and business estimates of future inflation open a window into the public's faith in central banks and their ability to tame prices. When that's eroded, especially over the longer run, monetary theory suggests that policy becomes less efficient. In concrete terms, interest rates have to go higher than they'd otherwise need to, until trust is regained.

A sharp rise in long-term expectations would signal a loss of faith in the Fed's ability to bring inflation back to 2%. "That would worry me," says Jeffrey Fuhrer, a former director of research at the Boston Fed who's now with the Brookings Institution.

To be sure, that's not what most surveys are pointing to. But even without an erosion of trust on that scale, a trade war could make the Fed's job harder, Fuhrer says.

If consumers face tariff-led price hikes well above 3% over the next year, they may decide that's the new normal, and build it into their everyday calculations. Workers would demand higher wages while firms adapt their pricing plans.

"Then we have a problem," he says. "And we don't need that problem right now."



The key measures of US inflation as of March stood around 2.5%, far below their 2022 peaks but still stubbornly above-target. Most economists expect a pickup in the coming months, as tariffs make imported goods more expensive.

Consumers in the latest University of Michigan survey are expressing the same concern. They see prices rising 6.7% in the coming year, and at an annual rate of 4.4% over a 5 to 10-year horizon — multi-decade highs in both cases. While some economists question Michigan's methodology, the Conference Board's year-ahead gauge also surged since December.

Other data sets, though, paint a less alarming picture. Market measures such as five- and ten-year breakevens based on Treasury bonds are hovering around the Fed's 2% goal. The latest New York Fed Survey of Consumer Expectations, for February, showed three- and five-year inflation estimates unaffected by trade-war fallout at around 3%. The March survey is due out on Monday.

That's prompted Fed Chair Jerome Powell to say the Michigan results are an "outlier." Still, Powell and his colleagues are watching inflation expectations closely, as they try to map a path through the trade war.

"One of the very important assets that the Federal Reserve has is its credibility, and that is manifested in anchored longer-term inflation expectations," Boston Fed President Susan Collins told Yahoo Finance on Friday. She also said the tariff impact will likely be "more broad-based than many people realise."

Fed officials had already revised growth estimates down, and inflation up, before Trump's tariff announcements this month. Since then a number of them have warned that consumer prices could rise around 4% this year.

It's given policymakers reasons to refrain from rate cuts — even as fears of a slowdown mount — and instead hold borrowing costs steady.

Until the last few years, US inflation had been stable enough for long enough — essentially since the early 1990s — to keep future expectations in check. The price shock that followed the pandemic and the war in Ukraine has changed the picture. It's turned inflation into front-page news, and that's feeding through into the forward-looking gauges.

American consumers "have yet to really recover," says Joseph Brusuelas, chief economist at RSM US LLP. They're responding to inflation surveys "in such a way that speaks to their current mindset — which is, they remain deeply wounded."

Of course, there's no automatic link from expected to actual price rises. That's especially true in the US, where built-in inflation indexing for labour contracts or rents is less common than in many other countries. Some economists have questioned whether price expectations really contain much useful information.

Still, the consensus is that they do – and that's based on research that stretches across history and around the world.

BUSINESS

China March bank lending beats expectations; more stimulus expected

Reuters
Beijing

New bank loans in China rebounded more than expected in March, recovering from a sharp drop the previous month, as policymakers pledge to ramp up stimulus to buttress the world's second-largest economy against an escalating trade war with the US.

Chinese banks extended 3.64tn yuan ($500bn) in new yuan loans in March, according to Reuters calculations based on data released by the People's Bank of China (PBoC) yesterday.

Analysts polled by Reuters had predicted new yuan loans would rise to 3tn yuan last month, compared with a lower-than-expected 1.01tn yuan in February and 3.09tn yuan in the same month last year.

For the first quarter, total new loans rose to 9.78tn yuan from 9.46tn yuan in the same period last year.

"The financial data of March and the first quarter are both significantly better than expected," said Dong Ximiao, chief researcher at Merchants Union Consumer Finance.

Zhou Hao, chief economist at Guotai Junan International, said the stronger than expected lending data could boost confidence in the economy and delay an expected cut in banks' reserve requirement ratio (RRR).

Fiscal policy stimulus aimed at boosting domestic demand could still be the key to counter the impact from the escalating trade war, Zhou said.

Household loans, including mortgages, rose 985.3bn yuan in March, compared with a contraction of 389.1bn yuan in February, according to Reuters calculations based on central bank data. Corporate loans jumped to 2.84tn yuan from 1.04tn yuan.

China is contending with deepening trade frictions sparked by US President Donald Trump's sweeping tariffs on trading partners.

Beijing has showed no sign of backing down, complicating any prospects of a near-term resolution and raising the stakes for a prolonged standoff that could further weigh on exports — one of the few bright spots in China's uneven economy.

The tariffs will put immense pressure on China's exporters and its broader manufacturing sector, particularly when domestic demand remains sluggish and deflationary pressures persist. Consumer and business confidence were already shaky before Trump's re-election in November.

Some analysts, including Zhou Shilei, director of the global financial market department at UOB (China), expect an imminent cut to the RRR.

But Zhou Shilei said the urgency of a rate cut in open market operations is, meanwhile, diminishing after the US excluded from steep tariffs some electronics imported largely from China.

Financial News, a PBoC publication, wrote in a commentary on Sunday that room and strength remain for China's macro policies, and the country would step up countercyclical adjustments according to situational needs and external influences.

In a recent commentary, the state-run People's Daily flagged the potential for further expansion of fiscal deficits, special bonds and special treasury bonds.

The publications were echoing similar language from Premier Li Qiang earlier in the week who was quoted as saying that China had "sufficient reserve of policy tools to hedge against adverse external impacts".

China's outstanding yuan loans rose 7.4% in March from a year earlier, up from a 7.3% pace in February. Analysts had expected growth to remain steady.

Broad M2 money supply grew 7.0% in March on-year, Sunday's central bank data showed, below the 7.1% forecast of analysts polled by Reuters. In February, M2 expanded 7.0%.

The narrower M1 money supply rose 1.6% year-on-year, compared with 0.1% growth in February.

Growth of outstanding total social financing (TSF), a broad measure of credit and liquidity in the economy, rose to 8.4% from 8.2% in February. Acceleration in government bond issuance to boost the economy helped boost growth in TSF, analysts said.

TSF includes off-balance-sheet forms of financing that exist outside the conventional bank lending system, such as initial public offerings, loans from trust companies and bond sales.

Apple India produces $22bn of iPhones in shift from China

■ Apple now makes 20%, or one in five, of its prized iPhones in India

Bloomberg
New Delhi

Apple Inc assembled $22bn worth of iPhones in India in the 12 months ended March, increasing production by nearly 60% over the previous year in a sign of continued diversification away from China.

The Cupertino, California-headquartered company now makes 20%, or one in five, of its prized iPhones in the South Asian country, according to people familiar with the matter who asked not to be identified as the information isn't public. The dollar figure represents the devices' estimated factory gate value, rather than the marked-up retail price.

The ramp-up suggests the iPhone maker and its suppliers are accelerating a pivot to India from China, a process it began when harsh Covid lockdowns hurt production at Apple's largest plant. The bulk of India-made iPhones are assembled at Foxconn Technology Group's factory in southern India. Tata Group's electronics manufacturing arm, which bought Wistron Corp and controls Pegatron Corp's operations, is also a key supplier.

Apple did not respond to a request for comment outside of regular business hours.

Of the total India production, Apple exported 1.5tn rupees ($17.4bn) in iPhones from the region in the fiscal year through March 2025, the nation's technology minister said on April 8.

Shipments of iPhones from India to the US accelerated after President Donald Trump announced his plans for the so-called "reciprocal" tariffs in February, the people said. Apple's average India production and exports surged all through the fiscal year to March.

Apple will increasingly prioritise iPhones from the India supply chain for its US customers, Bloomberg News reported previously.

The Trump administration late Friday exempted electronics goods including smartphones and computers from its reciprocal tariffs. That's good news for companies such as Apple and Nvidia Corp, though the reprieve doesn't appear to extend to Trump's separate 20% duty on China, applied to pressure Beijing to crack down on fentanyl. This also means iPhones made in India will not attract any duties as of now. Barring the exceptions made Friday, Trump's cumulative levies on China remain at 145%, and will likely force companies such as Apple to intensify their supply chain shift.

But with nearly 200 suppliers and an overwhelming reliance on China, moves to other countries could take years to play out. Despite Trump's ambition to have iPhones made in the US, Apple is unlikely to move production there any time soon due to factors including a shortage of facilities and labour needed to produce the devices.

Apple's Chief Executive Officer Tim Cook has often praised China's high-level of skill in making its marquee devices. In 2022, Bloomberg Intelligence estimated it would take eight years to move just 10% of Apple's production capacity out of China.

Apple, Nvidia score relief from US tariffs with exemptions

Bloomberg
Washington

President Donald Trump's administration exempted smartphones, computers and other electronics from its so-called reciprocal tariffs, representing a major reprieve for global technology manufacturers including Apple Inc and Nvidia Corp even if it proves a temporary one.

The exclusions, published late Friday by US Customs and Border Protection, narrow the scope of the levies by excluding the products from Trump's 125% China tariff and his baseline 10% global tariff on nearly all other countries.

The exclusions apply to smartphones, laptop computers, hard drives and computer processors and memory chips as well as flat-screen displays. Those popular consumer electronics items generally aren't made in the US.

The pause will be welcome news to consumers, some of whom rushed to buy new iPhones and other devices amid fears that the tariffs would send prices soaring. It's also a big win for major technology companies that have presented massive US spending pledges for Trump in recent months. Trump's tariffs upended global markets, triggered a selloff in stocks and ignited a rapidly escalating trade war with China.

The move is the first significant softening of any kind in Trump's conflict with China. It was backdated to April 5.

The exemptions cover almost $390bn in US imports based on official US 2024 trade statistics, including more than $101bn from China, according to data compiled by Gerard DiPippo, associate director of the Rand China Research Center.

The biggest category related to China is smartphones.

The US imported smartphones valued at more than $41bn from China in 2024, or about 9% of total imports from China. Also covered are computers and similar devices, of which the US imported more than $36bn in 2024.

Altogether the exemptions cover consumer electronics and semiconductors that accounted for about 22% of US imports from China in 2024, DiPippo said.

"This is a large hole in the US tariff wall that will spare key firms like Apple and consumers of laptops and phones from sticker shock," he said.

"But many other consumer, intermediate, and capital goods from China still face prohibitively high US tariffs. This exemption only covers one segment of the US economy."

Trump on Saturday declined to elaborate on the exemptions but hinted at further developments on Monday.

"I'll give you that answer on Monday. We'll be very specific on Monday," he told reporters on Air Force One. "We're taking in a lot of money; as a country we're taking in a lot of money."

The White House also released a corresponding memo indicating that the exemptions also extend to changes in small-parcel shipping duties. Trump had moved to end the so-called "de minimis" exemption, beginning with China, that generally means parcels worth $800 or below don't face duties.

"President Trump has made it clear America cannot rely on China to manufacturing critical technologies such as semiconductors, chips, smartphones, and laptops," White House Press Secretary Karoline Leavitt said in a statement. "That's why the president has secured trillions of dollars in US investments from the largest tech companies in the world." She said those companies are "hustling to onshore" their manufacturing to the US.

The tariff reprieve may prove fleeting. The exclusions stem from the initial order, which prevented extra tariffs on certain sectors from stacking cumulatively on top of the country-wide rates. The exclusion is a sign that the products may soon be subject to a different tariff, albeit almost surely a lower one for China.

The products that won't be subject to Trump's new tariffs include machines used to make semiconductors. That would be important for Taiwan Semiconductor Manufacturing Co, which has announced a major new investment in the US, as well as other chipmakers.

"All products that are properly classified in these listed provisions will be excluded from the reciprocal tariffs," the notice said.

The move appeared to exclude the products from the 10% global baseline tariff on other countries, including Samsung Electronics Co's home of South Korea.

The tariff reprieve does not extend to a separate Trump levy on China — a 20% duty applied to pressure Beijing to crack down on fentanyl, including the shipment of precursor materials.

Other previously existing levies, including those that predate Trump's current term, also appear unaffected. "The US tech industry has a loud voice and despite initial strong pushback against exemptions within the White House the reality of the situation was finally recognised in the Beltway," Wedbush Securities analyst Daniel Ives said in a research note on Saturday. "There is still clear uncertainty and volatility ahead with these China negotiations."

The original list of tariff exemptions included some semiconductor products — including central processing units known as CPUs.

But those measures did not carve out tech products crucial to AI development including graphics processing units, or GPUs, and the servers that they power. Servers powered by AI chips from companies such as Nvidia and their critical components are primarily manufactured and assembled in Taiwan and Mexico.

Friday's announcement would cover both Taiwanese and Mexican production, in a significant reprieve for companies seeking to build AI infrastructure in the US.

Also crucial are new exemptions on semiconductor manufacturing equipment, made by companies such as ASML Holding NV in the Netherlands and Tokyo Electron Ltd in Japan.

Fed is 'absolutely' ready to intervene in financial markets, says official

AFP
Washington

Susan Collins, president of the Federal Reserve Bank of Boston.

The US Federal Reserve is "absolutely" prepared to intervene to help calm nervous financial markets, a senior central bank official said on Friday, after President Donald Trump's tariff plans roiled Wall Street.

The US president announced sweeping import taxes on dozens of countries on April 2, only to abruptly, temporarily roll many of them back to 10% this week in response to turbulence in the stock and bond markets, while leaving China with new tariffs totalling 145%.

The Fed would "absolutely be prepared" to deploy its various tools to help stabilise the financial markets if the need arose, Boston Fed President Susan Collins told the Financial Times in an interview published on Friday.

Any intervention by the Federal Reserve would depend on "what conditions we were seeing," added Collins, who is one of 12 voting members of the Fed's all-important rate-setting committee this year. "The higher the tariffs are, the more the potential slowdown in growth as well as elevation and inflation that one would expect," Collins said in a separate interview with Yahoo Finance on Friday, adding that she expects inflation to rise "well above" 3% this year, but no "significant" economic downturn.

Since Trump's tariffs came into effect earlier this month, Fed officials have been more outspoken than usual about the effects of the government's plans on inflation and growth. Many have also voiced concerns about long-term inflation expectations, which can cause a vicious cycle of price increases if they are not kept in check.

A widely-referenced consumer sentiment survey published on Friday by the University of Michigan noted a sharp drop in consumer confidence, and flagged another worrying rise in both short-term and longer-term inflation expectations. "Year-ahead inflation expectations surged from 5.0% last month to 6.7% this month, the highest reading since 1981," the survey noted.

"Long-run inflation expectations climbed from 4.1% in March to 4.4% in April, reflecting a particularly large jump among independents," it added.

But for now, the University of Michigan's survey on inflation expectations remains an outlier, with financial market measures of inflation expectation still largely pricing in a long-term path closer to the Fed's 2% target.

In a speech in Hot Springs, Arkansas on Friday, St Louis Fed President Alberto Musalem said "continued vigilance" and "careful monitoring" of the incoming data was needed.

Musalem, a voting member of the Fed's rate-setting committee this year, said that while he still expects a "moderate" pace of economic expansion, the near-term risks were "skewed" toward rising inflation, slower economic growth and a cooler labour market.

"I would be wary of assuming the impact of high tariffs on inflation would be only brief or limited," he said.

On a busy day of speeches from central bank officials, New York Fed President John Williams went further than his colleagues on the bank's rate-setting committee, putting out estimates of how he expects Trump's immigration and tariff policies — and the uncertainty surrounding them — to affect the US economy this year.

"I now expect real GDP growth will slow considerably from last year's pace, likely to somewhat below 1%," he told a conference in Puerto Rico. "With this downshift in the pace of growth… I expect the unemployment rate to rise from its current level of 4.2% to between 4.5 and 5% over the next year," he said.

Williams added that he expected increased tariffs to "boost inflation this year to somewhere between 3.5 and 4%" — well above the bank's long-term target.

Futures traders currently see a roughly 60% chance that the Fed will vote for another pause in rate cuts next month, holding its key lending rate between 4.25 and 4.50%, according to data from CME Group.

Germany seeks strongest EU trade tool to hit back at US tariffs

Bloomberg
Berlin

Germany wants the European Union to consider using its most powerful tool to retaliate against US President Donald Trump's trade war.

"We have to take a close look at the anti-coercion instrument, which are measures that go far beyond tariff policy," including digital services, German Economy Minister Robert Habeck said, referring to a measure that would allow the bloc to target Big Tech companies.

That tool, typically labelled the "bazooka" in the EU's trade arsenal, was established primarily as a deterrent option to avoid coercive economic practices by major trade partners such as China or the US.

The instrument allows for a broad range of options including restricting the operation of third countries' services in the European market, but features a burdensome process designed to facilitate dialogue first and ensure the control of member states.

Over the weekend, France already suggested one response could be regulating the use of data by big American tech platforms. Habeck spoke in Luxembourg before a meeting of EU trade ministers. Comments from his Austrian counterpart chimed with that approach, with Wolfgang Hattmannsdorfer saying that while negotiations are the "top priority," taxes on tech companies would be an option if should such talks were to fail.

Similarly, Spain's Carlos Cuerpo left the door open for such action.

"We need to find the right balance in our response at this point and need again to be cool headed," Cuerpo told Bloomberg Television. "First, it is a message of, of course lines are open, we want to negotiate. But in case we are not able to actually reach that point, we are ready to enter into using our instruments, which go as you know from the tariffs to a wider set of instruments that could also reach other elements, not only goods."

The region's ministers are attempting to narrow their differences over countering Trump's escalating tariff war, which has ravaged global markets.

Poland's Michal Baranowski, who is chairing the meeting, highlighted the need for urgent talks with the US.

"It's very clear that there will be no winners in this confrontation," he said. "So far the approach that we have seen is perhaps a little bit too much shoot first, talk later. I hope that we can switch to negotiations as soon as possible, serious negotiations with the United States because again, the transatlantic economic relationship is the biggest one in the world."

With no sign that the US president might back down, the bloc may explore concessions, even as it works to finalise retaliatory steps to strengthen its hand at the negotiating table and be ready to hit back if talks fail. Part of the problem is that the Trump team doesn't know what it wants, EU trade chief Maros Sefcovic told envoys in a closed-door meeting.

Some European officials are concerned a tit-for-tat trade conflict is unavoidable, and some EU capitals view the deployment of the anti-coercion tool as premature. Lithuanian foreign affairs minister Kestutis Budrys said the bloc mustn't "rush to use it" and Artjoms Ursulskis of Latvia said that services shouldn't be targeted.

Among grounds for such doubts are the view by EU officials and diplomats that the basis is lacking to consider US tariffs as coercion, which would provide the legal grounds to trigger the instrument, people familiar with the matter said.

Treasury yields see biggest weekly jump since 2001 as cash flees

Bloomberg
Washington

The bond-market selloff unleashed by President Donald Trump's trade war sent 10-year Treasury yields to the biggest weekly surge in over two decades as investors pulled back from US assets.

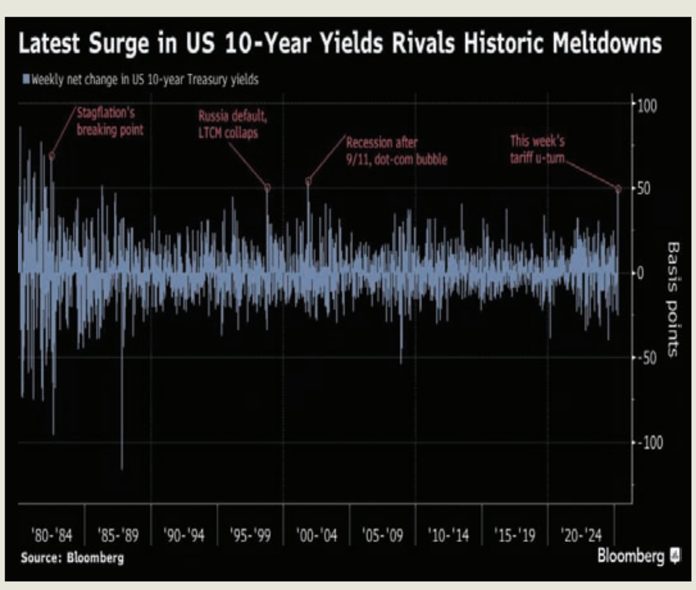
The scale of the move — with the benchmark's rate jumping a half-percentage point over the past five days to 4.49% — threatens to deal another blow to the US economy by pushing up borrowing costs more broadly.

It also cast doubt on Treasuries' status as the world's safe haven as they slid along with the stock market for much of the week, sending investors into other assets like the Swiss franc, gold and the Japanese yen.

Ten-year yields, which are a baseline for the cost of mortgages and corporate loans, continued to march higher on Friday, rising another 6 basis points. That drove it to the largest weekly increase since markets reeled in the aftermath of the 9/11 terrorist attacks. "This is so scary. We are re-defining the risk-free rate of the world," said Bhanu Baweja, chief strategist at UBS Group AG. "If you put volatility in the risk-free rate of the world, it will upend every market."

President Donald Trump's erratic tariff moves have led to wild swings in US government debt over the past week by not only undermining confidence in the economy, but also the direction of US policy and America's standing in the world. That punctured what was once an aura of exceptionalism around US markets, which in recent years drew in cash from around the world as the stock market soared on the back of the economy's consistently surprising strength.

But the outlook shifted dramatically after Trump's latest tariff gambit raised fears on Wall Street that it will send the US into a recession. That — and the unpredictability of Trump's administration — drove investors to pull back from Treasuries and



cast doubt on their perception as the most risk-free securities.

There has been widespread speculation on whether crucial overseas owners — like China — may retaliate against Trump by selling some of their securities, which would continue to put upward pressure on interest rates and the US government's debt bills. Talk has also swirled about blowups in hedge-fund trades and forced unwinding of positions.

"The issue facing the markets is a loss of confidence in US policy," said Kathy Jones, chief fixed-income strategist at Charles Schwab. "The abrupt changes in tariff policy have caused leveraged trades to come undone and sent buyers to the sidelines."

The drop in Treasury prices was accompanied by a sharp slide in the dollar, an indication that overseas investors are pulling back from the US.

Investors also flocked to Europe in debt markets to escape the broader turmoil, leaving German yields largely unchanged in the week while the Treasury market US 10-year debt surged more than 50 basis points. That's the biggest underperformance of Treasuries compared to bunds since at least 1989, according to available data.

"To me, this looks like a buyer's strike in the Treasury market and unloading of risk going into the weekend," said Angelo Manolatos, a rates strategist at Wells Fargo. "Liquidity has been very challenging."

The surge in yields is sharply at odds with the Trump administration's stated goal of pulling down long-term interest rates to provide relief to households and businesses.

Treasury Secretary Scott Bessent had laid out the 10-year yield as a benchmark of Trump's success, predicting it would come down as he reined in the deficit.

Last week, when yields initially dropped as turmoil raced through markets globally, Trump flagged the decline as a sign that "interest rates are down" and reposted a TikTok video that said he was intentionally crashing the stock market to help debt-saddled Americans.

But as the bond selloff intensified this week, Trump called off many of his most punitive tariffs even as he kept escalating his conflict with China, threatening to significantly alter trade between the world's two biggest economies.

It provided only a brief respite for Treasuries, which went on to resume their slide. The 30-year yield also rose sharply over the week, climbing nearly half a percentage point to 4.87%.

The end of an era of global trade

The shock of President Trump's proposed high tariffs, and their sudden suspension, is not going to go away – and the longer-term impacts are likely to be even more profound than those of the short term. We are in a very different economic world

By Fahad Badar

As stock markets fell precipitously following President Donald Trump's announcement on April 2 of high tariff rates for imports to the US from 185 countries, market uncertainty indicators reached levels similar to those of the Covid-19 pandemic and lockdowns.

A week later the tariffs came into force, including an additional 50% on China, taking the tariff rate to 104%. Yet just a few hours later, President Trump announced that most of the higher tariffs would be paused for 90 days, with the exception of China, which was singled out for an even higher tariff, at 125%. China has announced retaliatory tariffs and a defiant approach, declaring it will 'fight to the end'.

Stock markets rose with the announcement of a suspension – although even after the pause, the US tariff level is at the highest for nearly 100 years, at an average effective rate of around 20%. The stock market recovery began before the formal announcement, indicating a level of insider trading. It then fell the following day.

This is a seismic shift in the world economy. President Donald Trump has called an end to the policies of relatively free global trade of the past few decades.

Before critiquing the policy and its likely effects, it is necessary to acknowledge that there are real problems of economic inequality and imbalances that the tariff policy is seeking to redress.

Since 2001 when China entered the World Trade Organisation, it has become a manufacturing powerhouse, and the USA, the largest market, has been the destination of many of its exports. In the early 2000s, under the doctrine of maximising shareholder value, major US corporations outsourced many operations, especially in manufacturing, to low-cost locations, notably China and other east Asian nations.

These developments have been mutually beneficial in aggregate terms, but manufacturing employment fell in the US, and unemployment rose in some formerly industrial regions.

Huge trade and financial imbalances have built up over the years. Borrowing and consumption rose in the US, while lender nations notably China have an export-based economic model. Many people and companies have grown rich, but imbalances and inequalities also grew.

While it is important to understand these issues, it is less obvious that sweeping, high tariffs – and the way in which they have been announced and keep being changed or suspended – will be effective.

A lack of comprehension of how global trade operates is evident. President Trump and his team have the view that a nation running a trade surplus with the US as essentially cheating, and that this balance is akin to a financial loss on a profit-and-loss account. This is not correct. The US would not necessarily be richer if it had a trade surplus with every nation.

It makes sense for each nation to specialise in what they can produce efficiently and effectively, based on their natural resources, skills, infrastructure, business capability and so on, and then trade with each other. Selective tariffs and state subsidies can be used to mitigate the social impact where a competitive advantage by one country has a severe impact on employment in another. That is a quite different approach from the policy of President Trump.

The White House will argue that short-term market turbulence is a price to pay for longer-term gains, and that there will be investment and onshoring of US production as a consequence. In a narrow sense, this may occur but only for some sectors, and the policy disregards other dynamics.

The proposed tariffs cover trade of physical goods, and the policy fails to take into account inter-dependencies or the complexity of real economies. The US has a surplus with many nations in services – for example, management consultancy, investment banking and cloud computing. So if you take a low-wage economy such as Vietnam whose exports are principally in manufacturing – such as making sports shoes for Nike – but with limited purchasing power for high value-added products like Tesla and Boeing aircraft, it is almost inevitable that Vietnam will register a surplus in trading of physical goods with the US. This is not really a problem; it has been to the benefit of both economies. The US deficit in goods with Vietnam is part of the dynamic that has helped the likes of Apple and Nike produce bumper profits, high stock market valuations, and good employment opportunities for many thousands of US citizens, as well as tax revenues for Washington.

If Nike were to onshore its manufacturing, then the price of its shoes would go up, or it may have to hire many immigrant workers – going against another of President Trump's policies – or both. Nike's profit margins would almost certainly fall. There would be a net transfer of low-wage manufacturing jobs from Vietnam to the US, but not necessarily an aggregate increase in employment, spending power and wealth in the States – and more probably a fall. Stock markets collapsed because the business model for many of the world's multinational companies, including giant US companies, has been undermined by the announcement of high and sweeping tariffs. It's not an irrational reaction.

Although some protected industries such as steel manufacture may be able to invest and hire workers under a high-tariff regime, many other sectors will be making redundancies because of increased supply chain costs, and even those who do gain employment may find that every-day items cost a lot more.

Policy-making is unpredictable, causing extreme uncertainty. Just two days before the White House announced suspension of the higher tariff levels and highlighted the importance of negotiating deals, President Trump's senior counsellor for trade and manufacturing, the economist Peter Navarro, had an article in the *Financial Times* stating that: 'This is not a negotiation'.

Businesses thrive on knowing what the rules, and the tax rates, are going to be, so that they can make investment decisions and annual budgeting plans. Uncertainty is recessionary in itself. Also, the approach of threats and inducements undermines trust.

President Trump has yielded to pressure from stock market falls, warnings of recession, some coming from business leaders and from within his own Republican party. Possibly the single biggest factor behind his policy change was the selling of US Treasuries, and consequent rise in yields, making financing its deficits more expensive. For US stocks and bonds to be falling in value simultaneously is unusual, and points to declining confidence in the US.

President Trump is justified to pay attention to those who have not thrived in the era of global trade. There are several problems with his policies: The winners of globalisation have outnumbered the losers, and his policies may not help the losers very much. Moreover, the rules keep changing. The globalisation world order had unsustainable features, but the new world order imposed by the Trump regime – erratic policy-making, high tariff rates, reduced trade flows, tension between the world's powers and brinkmanship – promises to be considerably more unsustainable, and poorer.

■ *The author is a Qatari banker, with many years of experience in the banking sector in senior positions.*

Qatar continues to strengthen its position as a global investment hub: Sheikh Khalifa

Qatar Chamber participated in the Qatari-Indonesian Business Meeting held yesterday in Doha, in the presence of Indonesian president Prabowo Subianto.

The meeting was attended by Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani, second vice-chairman Rashid bin Hamad al-Athba, several of the chamber's board members, the Indonesian delegation, and several Qatari businessmen.

Speaking at the forum, Sheikh Khalifa said Qatar and Indonesia share longstanding and close ties, along with a common vision for sustainable development and shared prosperity.

He noted that bilateral trade between the two nations reached QR4.13bn last year, reflecting a 13.5% growth compared to QR3.64bn in 2023. He said this "underscores Indonesia's importance as a key trade partner for Qatar."

Regarding mutual investments, Sheikh Khalifa said there are numerous successful Qatari investments in Indonesia across various sectors, such as communications, banking, and energy. He said many Indonesian companies are investing in Qatar, operating in a range of sectors either through partnerships with Qatari partners or under full Indonesian ownership.

Sheikh Khalifa also said Qatar continues to strengthen its position as a hub for investment, innovation, and global trade, offering a stable, business-friendly environment, world-class infrastructure, and ambitious development initiatives aligned with Qatar National Vision 2030.

He highlighted the memorandum of understanding (MoU) signed between Qatar Chamber and the Indonesian Chamber of Commerce, emphasising the importance of activating it to further advance bilateral relations between the private sectors of both nations. He added that this will contribute to enhancing economic, investment, and trade cooperation, as well as promoting more frequent visits and meetings between business leaders from both countries.

Indonesian president Prabowo Subianto is received by MoCI Assistant Undersecretary for Industry Affairs and Business Development Saleh Majid al-Khulaifi (left) and Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani (right) during the Qatari-Indonesian Business Meeting held yesterday in Doha.

Such engagements, he noted, will enable both sides to identify and seize joint investment opportunities and explore promising sectors in each nation. Moreover, both countries can take full advantage of the benefits, facilities, and incentives offered by their respective governments to support these efforts.

"Qatar Chamber is fully committed to facilitating trade, joint ventures, and direct investment between Qatari and Indonesian businesses. It encourages the private sectors in both countries to engage actively and build investments and partnerships that will benefit our economies and our peoples," he said. For his part, the chairman of the Indonesia Chamber of Commerce and Industry, Anindya Novyan, lauded Qatar Chamber's efforts to develop cooperation and partnership between the private sectors of both countries. He noted that Indonesia owns tremendous potential and natural and human resources, as well as a variety of investment opportunities in all sectors such as renewable energy, infrastructure, technology, and food security.

In turn, Special Envoy to the President for Climate, Energy and Housing Hashim Djojohadikusumo said Qatar is one of the most important investors in Indonesia, especially in sectors like banks and communication. He welcomed all international investments, highlighting that Indonesia is a safe destination for investment.

US tariff relief lifts QSE as index gains 23 points

By Santhosh V Perumal
Business Reporter

The US-tariff relief continued to have its impact on the Qatar Stock Exchange (QSE), which yesterday gained 23 points on buying interests especially in the industrials, telecom and consumer goods sectors.

The local retail investors turned bullish as the 20-stock Qatar Index rose 0.23% to 10,118.21 points, recovering from an intraday low of 10,094 points.

The Gulf individual investors were seen increasingly net buyers in the main market, whose year-to-date losses truncated to 4.29%.

More than 64% of the traded constituents extended gains to investors in the main bourse, whose capitalisation added QR1.57bn or 0.26% to QR594.7bn on the back of small and microcap segments.

The Gulf individuals were seen net buyers in the main market, which saw as many as 0.02mn exchange traded funds (sponsored by AlRayan Bank and Doha Bank) valued at QR0.07mn change hands across 11 deals.

The Arab institutions were seen net buyers, albeit at lower levels, in the main bourse, whose trade turnover and volumes were on the decline.

The Islamic index was seen outperforming the other indices of the main market, which saw no trading of treasury bills.

The domestic funds continued to be bullish but with lesser intensity in the main bourse, which saw no trading of sovereign bonds.

The Total Return Index rose 0.23%, the All Share Index by 0.17% and the All Islamic Index by 0.39% in the main market.

The industrials sector index gained 0.61%, telecom (0.55%), consumer goods and services (0.3%), real estate (0.19%) and banks and financial services (0.03%); while insurance declined 0.74% and transport 0.04%.

Major gainers in the main bourse included Qatari German Medical Devices, Al Mahhar Holding, Estithmar Holding, Dlala, Baladna, Widam Food, Al Faleh Educational Holding, Industries Qatar, Qamco, QLM, Ezdan, Mazaya Qatar and Vodafone Qatar.

Nevertheless, Aamal Company, Zad Holding, Qatar Insurance, Qatar General Insurance and Reinsurance, United Development Company and Nakilat were among the losers in the main market. In the junior bourse, Techno Q saw its shares depreciate in value.

The Qatari retail investors were net buyers to the tune of QR7.12mn compared with net sellers of QR36.84mn on April 10.

The Gulf institutions' net buying increased noticeably to QR4.71mn against QR1.12mn the previous trading day.

The Gulf individuals turned net buyers to the extent of QR0.98mn compared with net sellers of QR0.43mn last Thursday.

The Arab institutions were net buyers to the tune of QR0.06mn against no major net exposure on April 10.

The foreign individuals' net selling declined substantially to QR8.07mn compared to QR20.61mn the previous trading day.

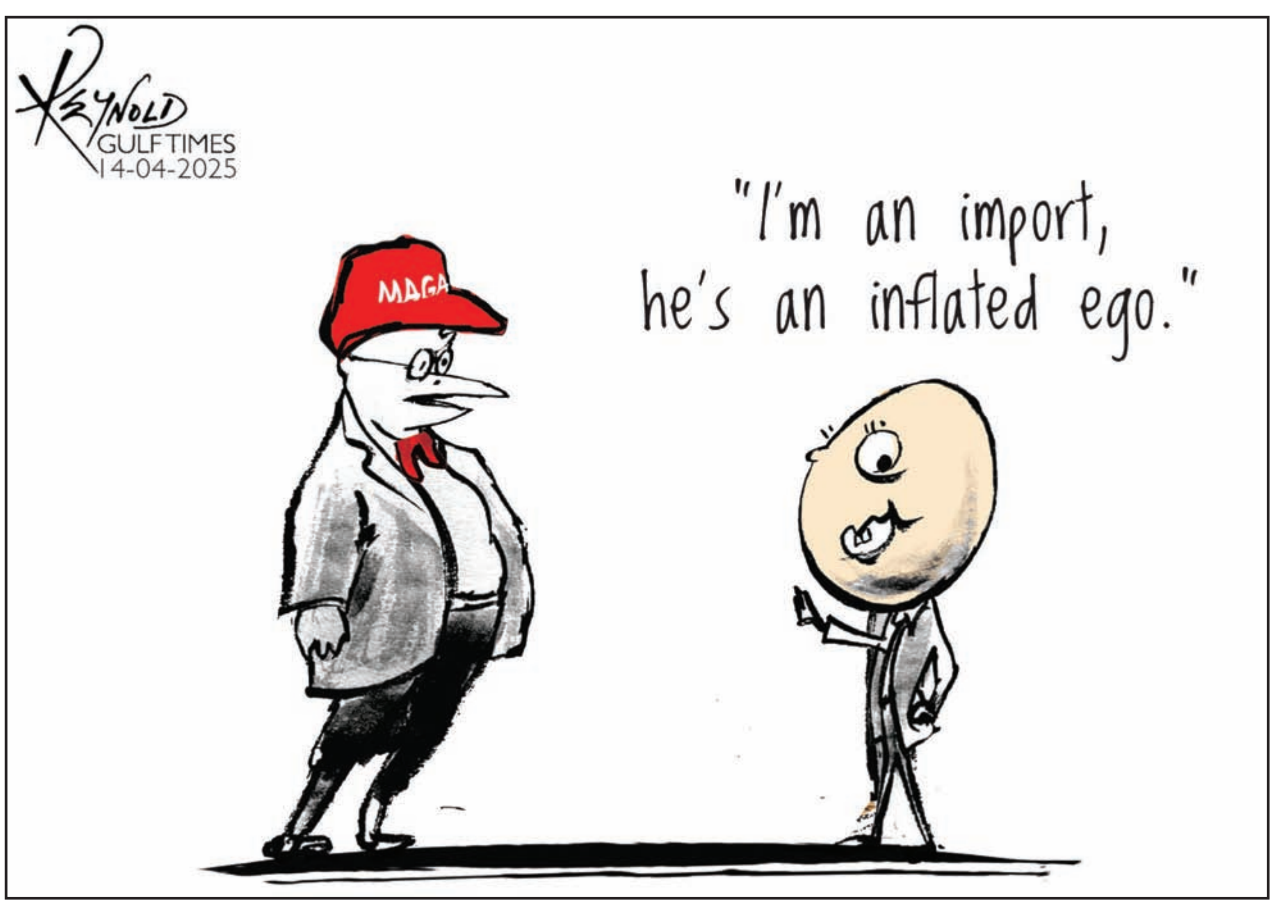
However, the domestic institutions turned net sellers to the extent of QR9.7mn against net buyers of QR7.33mn last Thursday.

The Arab retail investors were net profit takers to the tune of QR1.53mn compared with net buyers of QR3.68mn on April 10.

The foreign institutions' net buying weakened significantly to QR6.43mn against QR45.74mn the previous trading day.

The main market witnessed 53% plunge in trade volumes to 150mn shares, 62% in value to QR265.49mn and 56% in deals to 13,608.

In the junior bourse, trade volumes doubled tanked 25% to 0.03mn equities, value by 20% to QR0.08mn and transactions by 10% to 9.



Sports tourism a vital growth driver for Qatar: PwC

By Santhosh V Perumal
Business Reporter

Sports tourism remains a vital growth driver with FIFA World Cup 2022 generating an estimated $2.3-4.1bn in tourism spending and broadcasting revenue, contributing $1.6-2.4bn to Qatar's gross domestic product (GDP), according to PricewaterhouseCoopers (PwC). "This success has created a positive impact boosting the tourism and hospitality sectors across the region by up to 30%," PwC said, adding the Middle East region's sports market is projected to grow at an "impressive" rate of 8.7% over the next three to five years, outpacing the global average of 7.3%.

This growth (in the Middle East sports sector) will be fuelled by significant investments in premium sports properties and infrastructure, alongside ambitious initiatives to increase grassroots participation, it said, adding "looking ahead, the region's sports sector faces both opportunities and challenges as it balances commercial growth with sustainable development."

Qatar continues to leverage its post-World Cup momentum through strategically bidding for, and hosting, major sporting events such as the FIFA Arab Cup in 2025, 2029 and 2033; FIFA U17 World Cup in 2025 through 2029 and the Web Summit for 2024 through 2028, PwC said.

Highlighting that Qatar's successful hosting of the 2022 FIFA World Cup and Saudi Arabia's selection for the 2034 edition demonstrates the region's capability; the report said the region's position in global sports investment has strengthened significantly. Sovereign wealth funds, including Middle Eastern funds, now lead 24% of global sports investments, it said, adding Qatar Sports Investments' $200mn investment in Monumental Sports, which owns clubs and arenas in the US, reflects a growing focus on international portfolio.

Finding that the region is pioneering new commercial models, notably in emerging sports sectors; it said Qatar's investments in Formula 1, the UAE's development of combat sports, and Saudi Arabia's Esports initiatives demonstrate the breadth of commercial opportunities being pursued. The Middle Eastern sports consumer is highly digitally engaged, with over-the-top (OTT) services like Shahid VIP and beIN Connect revolutionising how fans consume sports content. Innovations from entities like the Qatar-based SponixTech (immersive replays) and Saudi Arabia-based Fanera (fan experience platforms) underscore the region's leadership in digital sports transformation.

Social media is a key driver of fan engagement, with platforms like TikTok, Instagram, and X playing a central role; PwC said penetration rates in the Middle East highlight the widespread use of social platforms, with the UAE at 115%, Saudi Arabia at 96.2% and Qatar at 96.8%.