

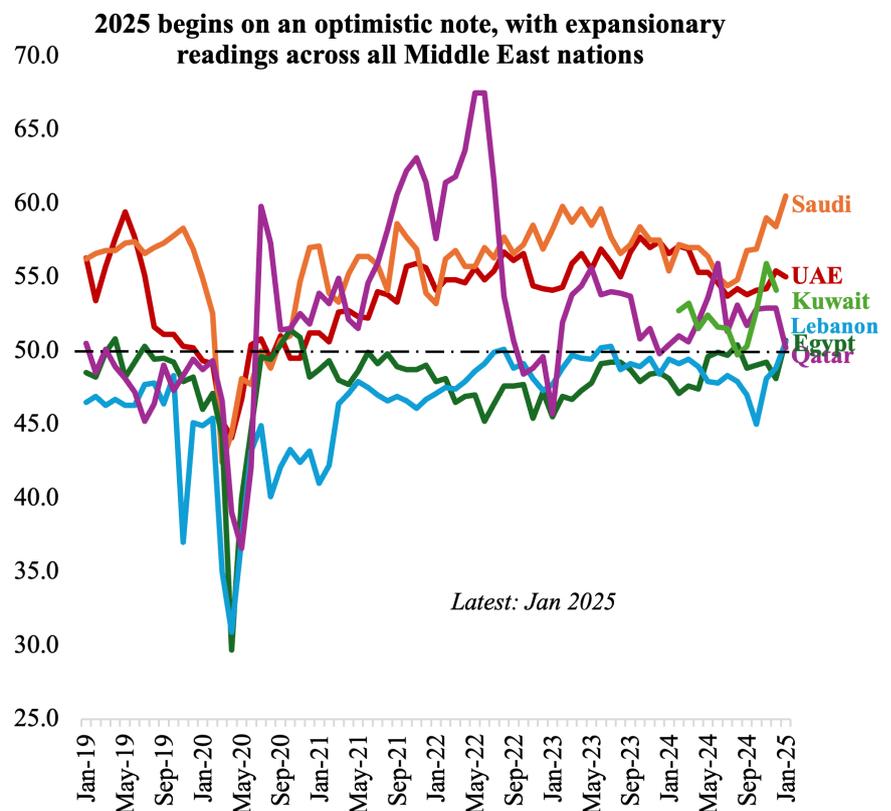
Weekly Insights 7 Feb 2025: Expansionary PMIs in the Middle East; GCC inflation remains low; UAE reports strong trade performance

Middle East PMIs. UAE trade. Dubai GDP. GCC inflation. Kuwait 2025-26 budget.

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1. 2025 begins on an optimistic note: expansionary PMIs across the Middle East

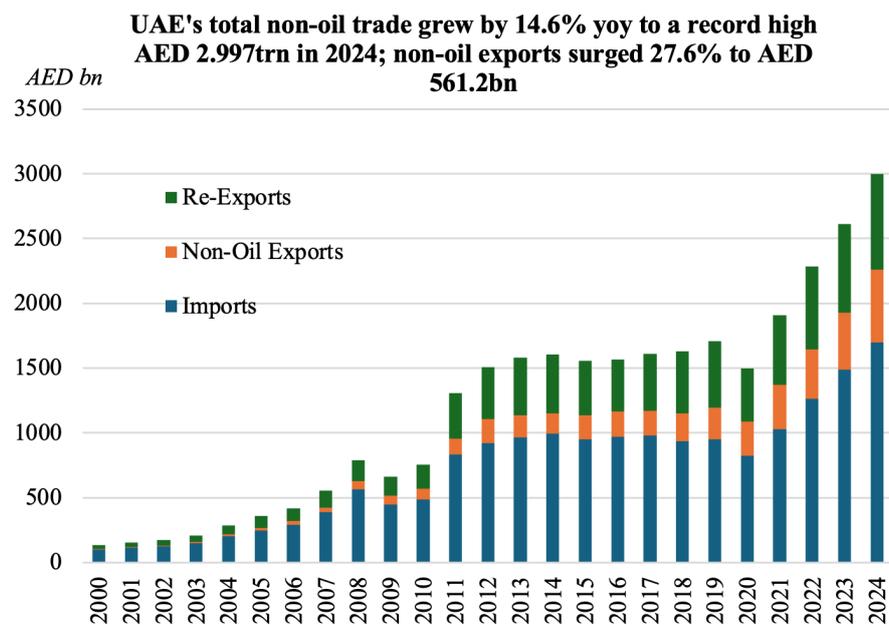


Source: LSEG Workspace. Chart by Nasser Saidi & Associates

- **Though all Middle East nations posted expansionary PMI readings in Jan 2025**, three of them saw headline readings dip from Dec 2024.
- **The biggest moves were seen in Egypt and Lebanon**, both moving from contraction to expansion territory.
- **Egypt's reading was the highest since Nov 2020**, also rising above-50 only in 2 months since (in Aug 2024 & in Jan 2025). In Lebanon, the optimism was supported by the election of a new President & PM while in Egypt, improving economic conditions and falling inflation supported the uptick.
- **Among the GCC, Saudi Arabia PMI gained the most in Jan**, benefitting from strong domestic demand. New orders gained the most since Jun 2011 alongside increases in output and export orders (the most in 1.5 years). A growing client base supported **UAE**, with the country also posting increases in new orders and output. Qatar reported a fall in new businesses – particularly in the construction sector.
- **Employment upticks were registered across the countries:** in Kuwait, the pace of job creation joint-fastest on record and Qatar added more jobs than in any previous period since the survey began in 2017. In UAE, the pace was fastest since Aug (and salaries were noted as increasing) and in Saudi it grew for the 9th month in a row.
- **Cost pressures were different across countries.** Notably, Egypt and Lebanon benefitted from prices falling from earlier highs; UAE also saw input cost inflation ease to a 13-month low. In contrast, Saudi saw input costs rise at the steepest rate in nearly 4.5 years (due to higher material prices and geopolitical tensions).
- **Going forward, a few factors could influence business sentiment:** whether the **ceasefire in Lebanon** will extend beyond mid-Feb and whether a **new government** will be formed in the meantime. **Egypt** is likely to benefit further **if the IMF unveils a new loan package** in the

coming weeks. **Competitive pressure is an oft-repeated word in the GCC** where many firms are not raising selling prices despite higher materials prices in a bid to remain more competitive. For example, even though firms raised selling prices in the UAE, business confidence fell to its lowest level in over two years.

2. UAE non-oil foreign trade hit a record-high AED 2.997trn in 2024

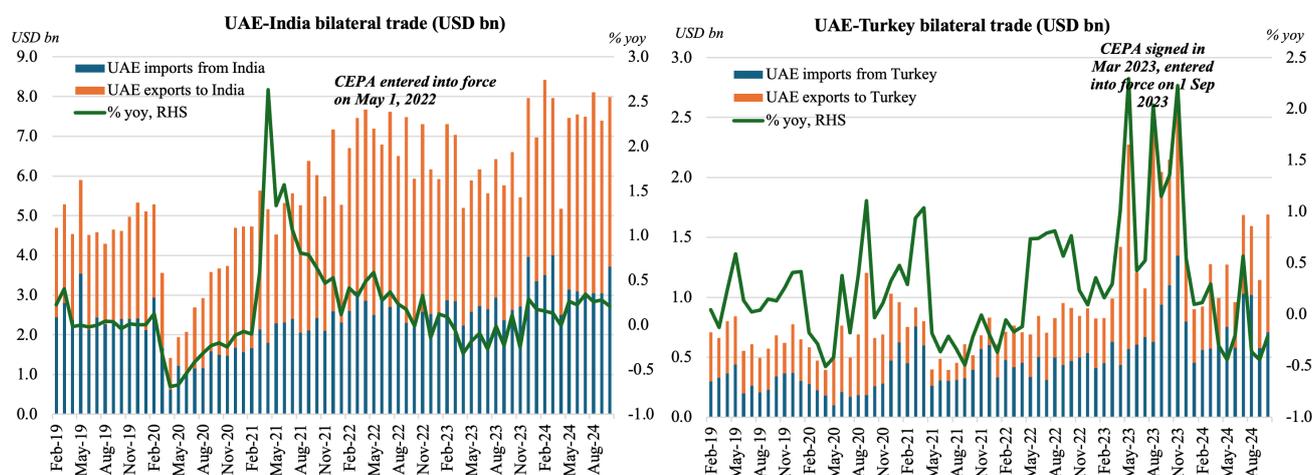


Source: Ministry of Economy, FCSA, Federal Customs Authority

Note: free zone data is included only from 2011

- **UAE's non-oil goods trade increased by 14.6% yoy to a record-high AED 2.997trn in 2024**, thanks to the Comprehensive Economic Partnership Agreements (CEPAs).
- This was supported by the **27.6% surge in non-oil goods exports** (to AED 561.2bn) alongside upticks in **re-exports and imports** by 7.3% and 14.2% respectively (to AED 734.4bn and AED 1700bn).
- **Exports to CEPA partner nations grew by 42.3% yoy to AED 135bn in 2024**, according to the Minister of State for Foreign Trade; this contributed 24% of overall non-oil exports.
- **India and Türkiye were identified as the two leading destinations for non-oil exports** – with the CEPAs ratified in May 2022 and Sep 2023 respectively.

- UAE has signed 17 CEPAs so far (8 in force, others awaiting implementation), with the latest being Kenya, Malaysia & New Zealand. **Other CEPA discussions are in various stages** (negotiations concluded in 7 more).



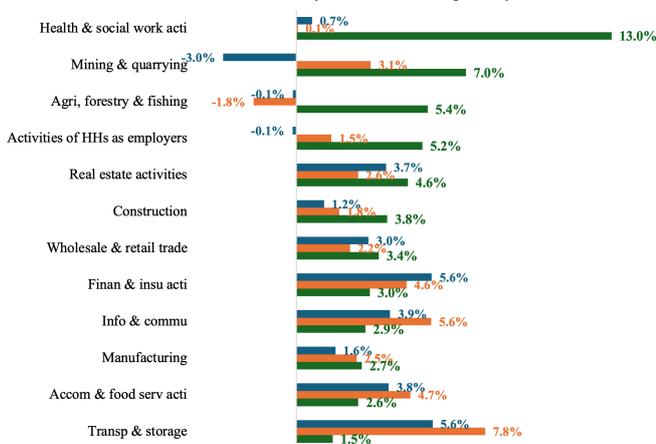
Source: IMF Direction of Trade Statistics. Charts by Nasser Saidi & Associates.

3. Dubai real GDP grew by 2.9% yoy in Q3 2024; growth in Jan-Sep 2024 stood at 3.1%

- **Dubai real GDP grew by 2.9% yoy to AED 108.1bn in Q3 2024**, following growth rates of 3.3% and 3.2% in Q2 and Q1 respectively. In Q3, the fastest growing sectors were health & social work (13% vs 0.1% in Q2), followed by mining & quarrying (7.0% vs 3.1%) and agriculture (rebounding to 5.4% vs Q2's 1.8% drop). **Wholesale & retail trade was the largest contributor to GDP (26.0% of total)**, followed by financial & insurance (10.3%) and transportation & storage (10.1%). Along with manufacturing and real estate activities, these **five sectors accounted for 63.1% of overall GDP**.
- **For the Jan-Sep 2024 period, growth was up by 3.1% to AED 339.4bn; growth was fastest in transportation & storage (5.3%), followed by health & social work (5.2%), financial & insurance activities (4.5%), information & communications (4.1%) and accommodation & food services (3.7%). Real estate & construction sectors, which grew by 3.6% and 2.2% in Jan-Sep, together contributed 14.5% to overall GDP during the period.**

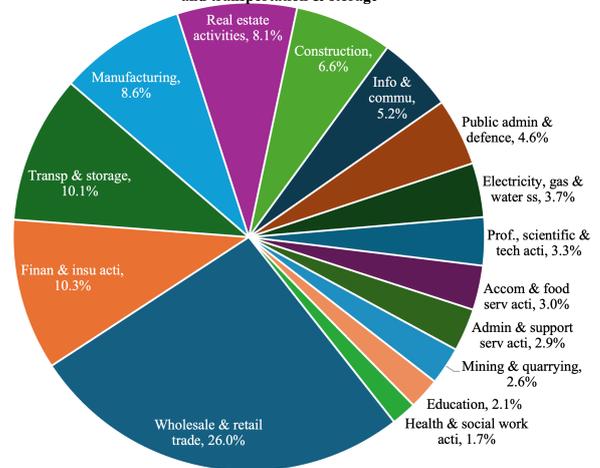
- Using Dubai PMI as a leading indicator, **Q4 growth is likely to be higher than in Q3**. PMI in Dubai rose to an average 54.2 in Q4 (vs 53.5 in Q3).
- **Key sectors where growth will stem from** are finance & insurance (with the financial centres DIFC & ADGM attracting new firms), tourism (Dubai welcomed 16.79mn visitors in Jan-Nov 2024), trade & logistics (the signing of various CEPAs have boosted Dubai's role as a logistics hub) as well as the real estate & construction (real estate market had a record-breaking year in 2024).

Dubai GDP grew by 2.9% yoy to AED 108.1bn in Q3 2024. Health & social work sector grew the fastest (13%), followed by mining & quarrying (7%); real estate & construction increased by 4.6% and 3.8% respectively

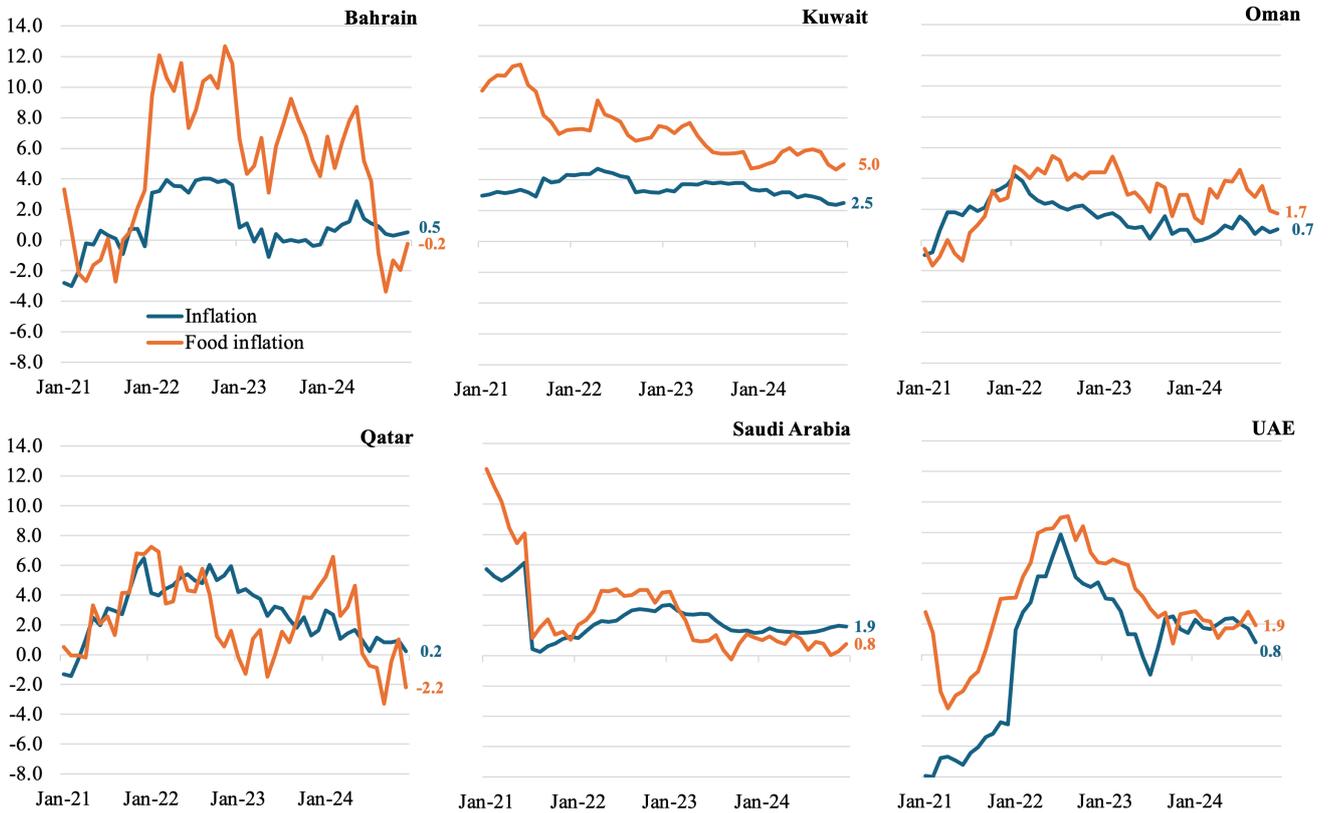


Source: Dubai Statistics Centre. Charts created by Nasser Saidi & Associates.

Top 5 sectors accounted for 63.1% of Dubai's GDP in Q3 2024; wholesale & retail trade sector was the largest contributor, followed by finance & insurance and transportation & storage



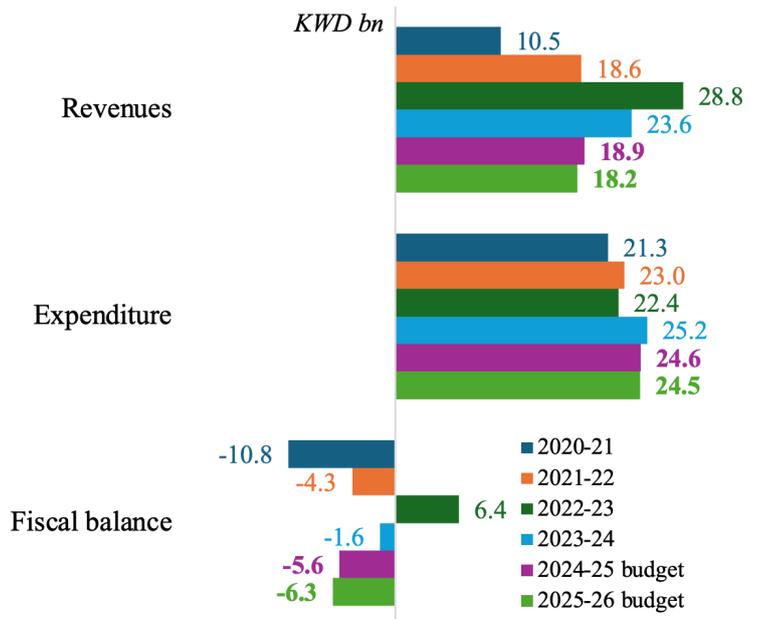
4. GCC headline inflation is relatively low vs MENA peers: Kuwait's 2.5% in Dec was the highest across GCC (much lower than Kuwait's recent high of 4.7% in Apr 2022) vs 18.1% in Lebanon & 24.1% in Egypt. Food inflation higher than headline in 3 of 6 GCC nations; Bahrain & Qatar posted a drop in Dec food prices



Source: LSEG Workspace. Charts by Nasser Saidi & Associates
 Data as of Dec 2024 for all GCC nations except UAE (Sep).

5. Kuwait 2025-26 budget estimates a KWD 6.3bn deficit

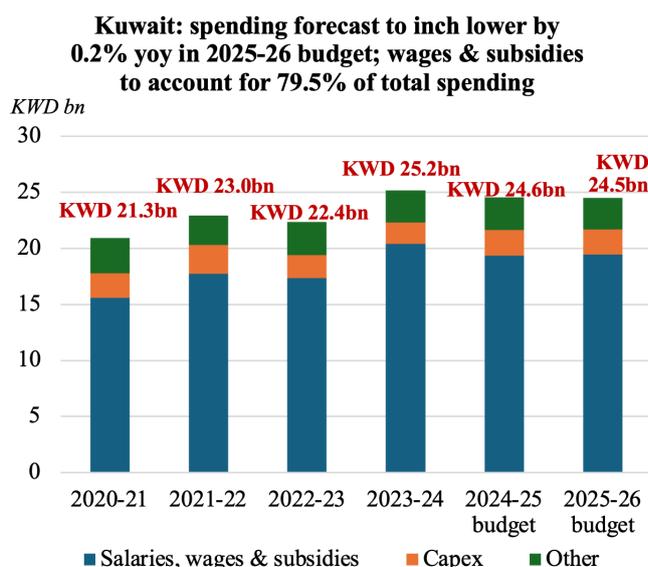
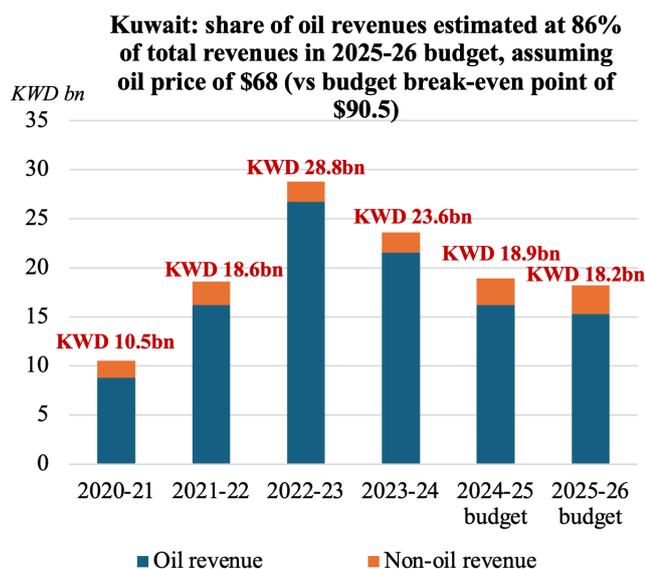
Kuwait's largest fiscal deficit (after Covid-hit 2020-21) in 2025-26 budget



- The 2025-26 budget in Kuwait projects a third consecutive year of deficit: at KWD 6.3bn, it is wider

than the previous budget's KWD 5.6bn and the largest deficit excluding the Covid-hit year of 2020-21. The oil price used is an estimated USD 68 and the breakeven point is an estimated USD 90.5.

- Compared to the 2024-25 budget, **oil revenues are estimated to decline by 5.8%**; non-oil revenues, which accounts for less than 15% of total revenues, posts a slight uptick (8.8%). Overall revenues are down by 3.6% to KWD 18.2bn.
- **Expenditures are projected to edge down by 0.2%** to KWD 24.5bn (compared to the 2023-24 budget), dragged down by capex spending (-2.4% to KWD 2.2bn) while wages & subsidies (share of 79.5% of total spending) inched up by 0.6% to KWD 19.5bn.
- **The Council of Ministers in Kuwait are expected to approve the public debt law soon**, after eight years of gridlock: this will allow the country to re-enter debt markets and raise USD 65bn over the next 5 decades. This move **will support the expansion of infrastructure spending** (the budget includes funding for 124 projects totalling nearly KWD 1.7bn). **Remains to be seen if VAT will be rolled out along with the 15% tax on MNCs.**



Source: Ministry of Finance, Kuwait. Charts by Nasser Saidi & Associates

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