Decline in global growth, rising fiscal deficits & debt worries on the cards amid trade & policy uncertainties: Weekly Insights 25 Apr 2025

IMF growth & inflation forecasts. Saudi foreign trade. Dubai inflation.
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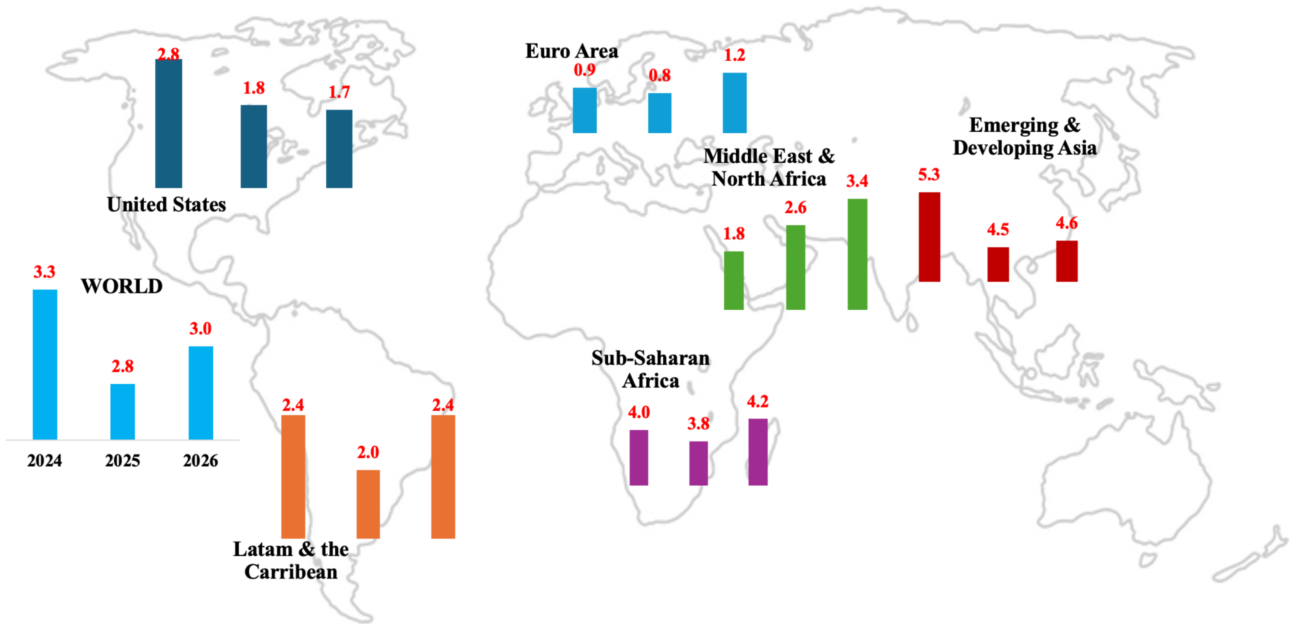
1. Global growth is projected to slow in 2025 & 2026: IMF

- **The IMF forecasts global economic growth to ease to 2.8% in 2025 and 3.0% in 2026**, falling from 2024's 3.3% gain, dragged down by the policy uncertainties emanating from the US tariff hikes. The report also projects trade growth to dip more than output in 2025 (to 1.7%). Growth in **emerging market economies** (EMEs) is **estimated at 3.7% this year**, further edging up to 3.9% in 2026.
- Among major regional groups (chart below), **only the Middle East & North Africa is expected to post gains in economic growth in 2025**, though it is coming off a very subdued growth rate of 1.8% in 2024; it is also 0.9 percentage points off the previous forecast in Jan 2025. According to the IMF, **oil prices are expected to average USD 66.9 per barrel this year** before falling to USD 62.4 in 2026, that would have a negative impact on the less diversified oil producing nations in the region.

- **Global inflation is estimated to decline** to 4.3% in 2025 and 3.6% in 2026. Though inflation has eased in the past year, it is yet to return to pre-pandemic patterns. Imposing tariffs across countries will only add to inflationary pressures – remains to be seen whether these will be temporary or permanent.
- **Major risks to the outlook range from tariffs and trade restrictions** (that could impact trade & investment flows, shipping/ logistics, competitiveness etc) to volatile **financial markets** (impact on refinancing costs, capital flows, forex volatility etc) and **cross-border cooperation challenges** (especially on climate, AI etc) among others.

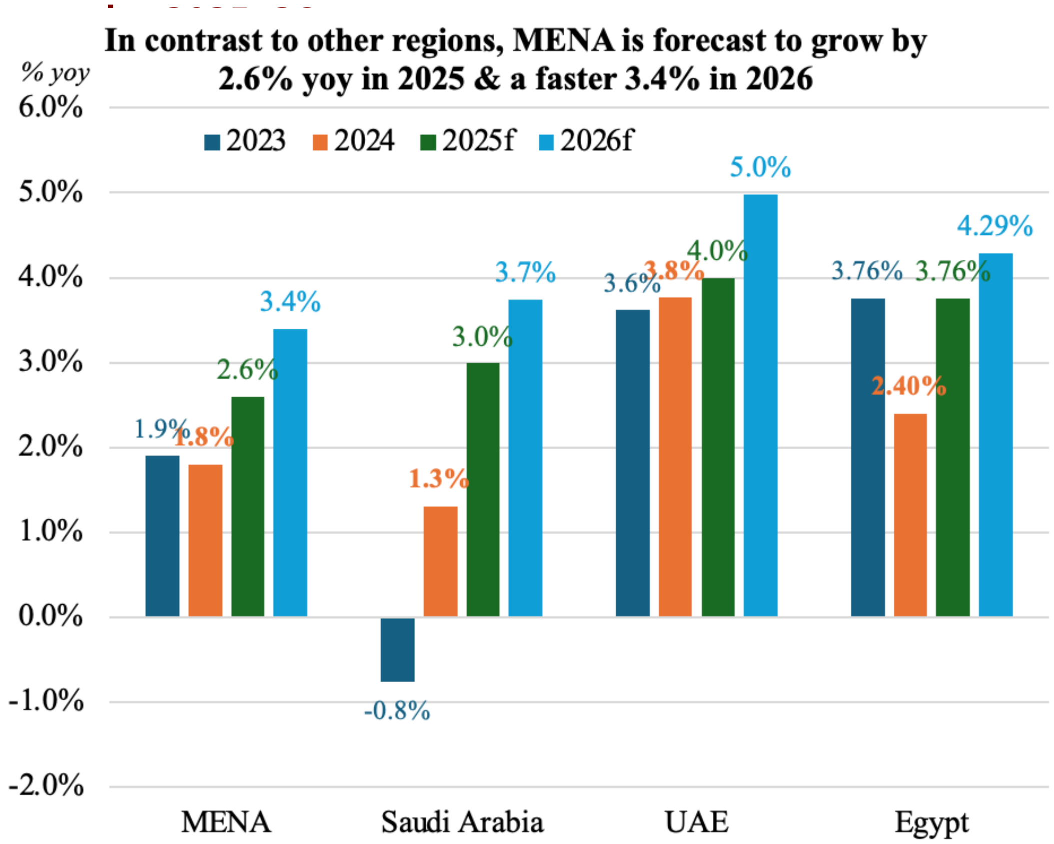
Global economy projected to slow to 2.8% in 2025 (from 3.3% in 2024): IMF



Source: IMF World Economic Outlook, Apr 2025. Chart by Nasser Saidi & Associates

2. MENA growth to edge up to 2.6% in 2025 (2026: 3.4%);

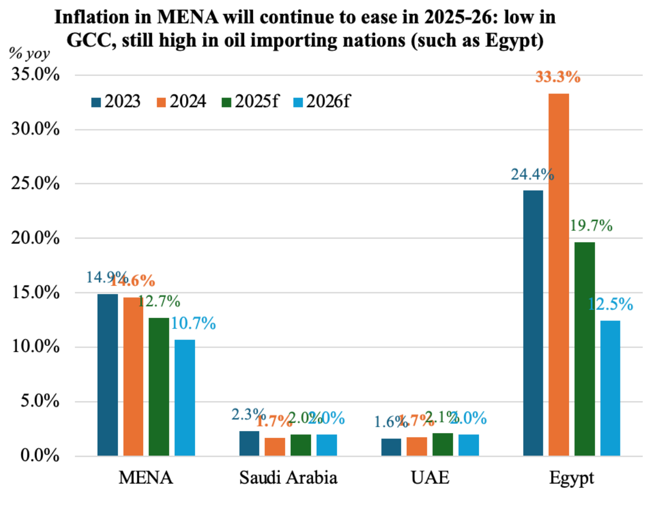
inflation to

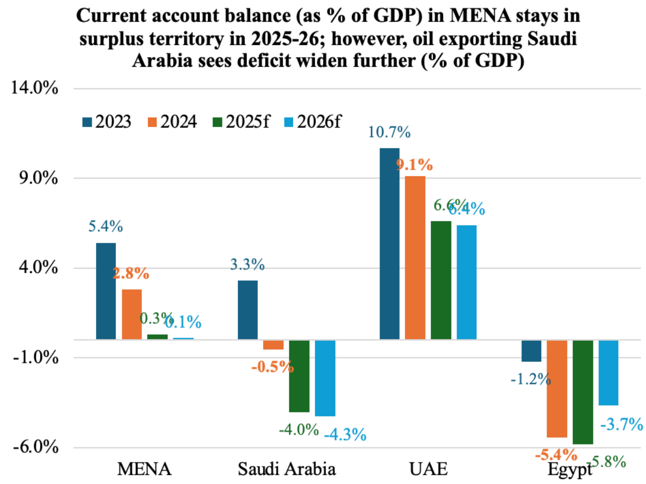


- **IMF forecasts economic growth in MENA to touch 2.6% this year** (2024: 1.8%), revised lower by 0.9 percentage points compared to the Jan update, due to the ongoing trade uncertainty related to tariffs, OPEC+'s gradual oil production resumption and impact of regional conflicts. The GCC is expected to benefit from resilient non-oil growth and diversification.
- **Direct impact of the US tariff hikes** in the MENA region will be limited (10% base rate, aluminium, iron & steel). Entering into new FTAs could enable UAE/ GCC re-route trade via the region. **Indirect impact could result from oil prices** (weaker demand and OPEC+ hikes could lead to lower prices affecting oil exporting nations negatively), **pressure from the weakening dollar, pause in IPOs pipeline** (amid greater market volatility), **increase in financing costs** (affecting interest payments of countries with high debt levels) as well as on the **performance of trade-affected logistics and transport sectors** among others.
- **Inflation is moderating steadily across MENA, though**

divergence continues across GCC's low readings vs still elevated numbers among oil importers. MENA inflation is estimated to be an average 12.7% this year; UAE & Egypt are forecast at 2.1% and 12.5% respectively.

- **Current account balances in MENA post small surplus readings in 2025-26** due to surpluses by oil exporting nations (such as the UAE). **Saudi Arabia stands out with its current account deficit readings**, widening as a result of lower oil export volumes, a surge in overall imports and increased spending on various mega projects (in line with Vision 2030 targets and other deadlines). Current projections see Saudi running current account deficits till 2030.





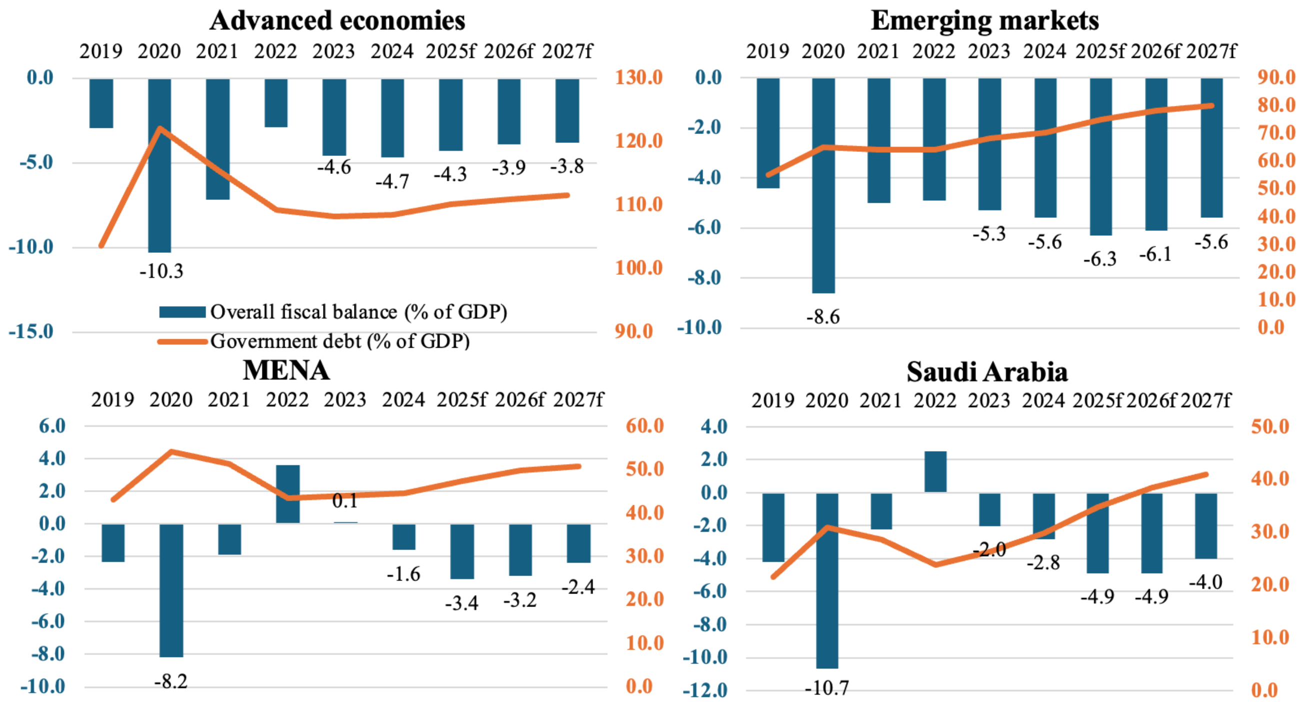
Source: IMF World Economic Outlook, Apr 2025. Charts by Nasser Saidi & Associates

3. Government debt & fiscal deficits worsen thanks to tariffs

- IMF's Fiscal Monitor report projects **global public debt** to increase by 2.8 percentage points (more than twice 2024 estimates) to over 95% of GDP by end-2025, and approach 100% by 2030 (the highest level since WW II and higher than during the pandemic); <u>add geoeconomic uncertainty, and the public debt is estimated to climb by around 4.5% of GDP in the medium-term</u>, according to the report. In the severely adverse scenario, debt could rise to 117% of GDP by 2027.
- **China and US are the main countries driving the increase**

in debt, with fiscal deficit standing at 8.6% of GDP and 6.5% respectively.

- **MENA region's fiscal deficits will continue** (after the balance moved into a deficit in 2024 after a surplus 0.1% of GDP in 2023), with **Saudi Arabia's deficit jumping close to 4.9% in 2025-26** (2024: -2.8%). Wider fiscal deficits also reflect higher interest expenses.
- Trade and tariff uncertainty is likely to spill over into emerging markets and including the MENA region, with an impact via lower oil prices, higher financing costs and shortfalls in foreign aid among others. **Bahrain's public debt as share of GDP is one of the highest** in the region (141.4% in 2025).



Source: IMF Fiscal Monitor, Apr 2025. Charts by Nasser Saidi & Associates

4. Saudi Arabia's exports and imports fell, widening the trade

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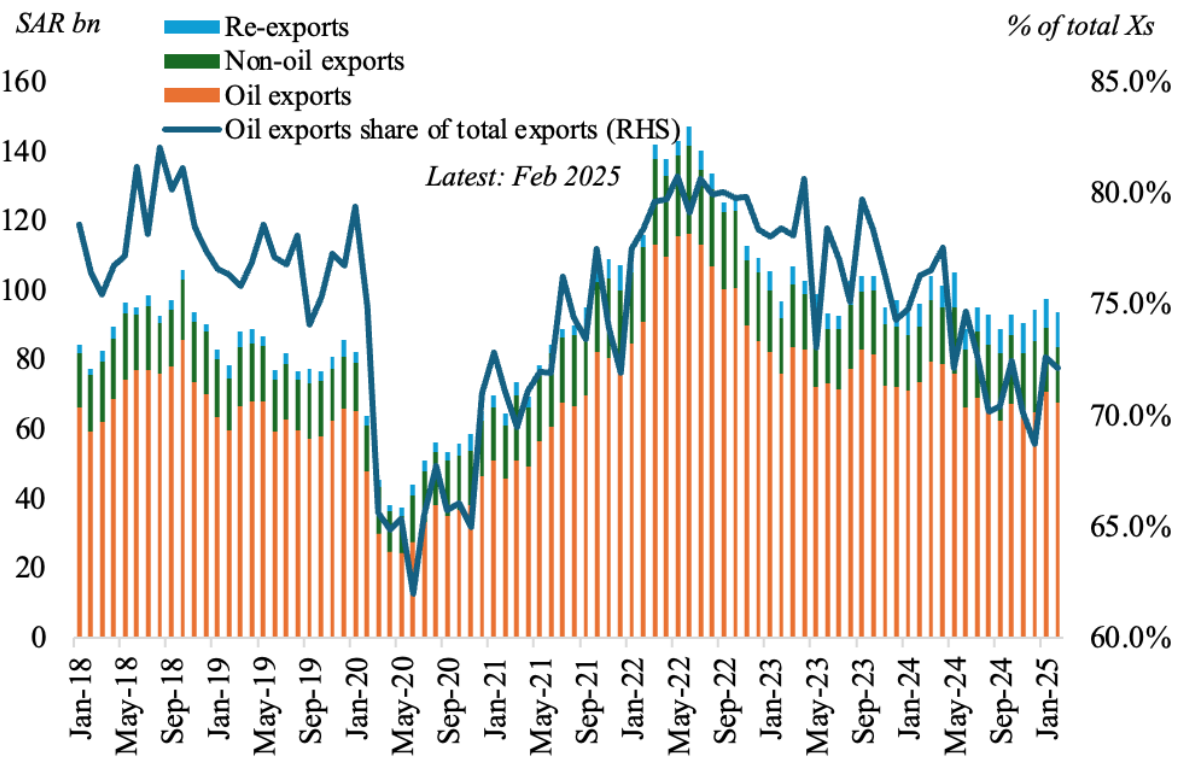
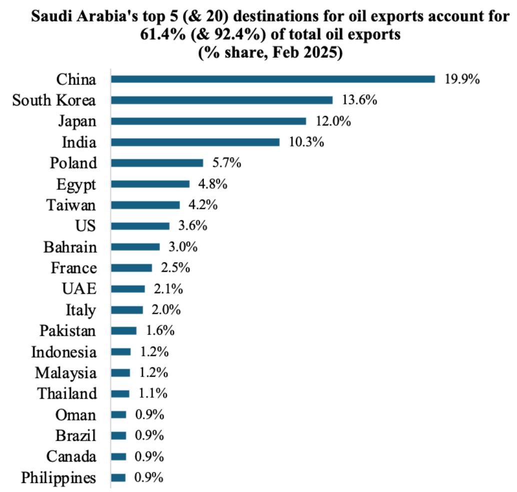
Saudi exports fell by 3.7% mom and 2.6% yoy to SAR 93.7bn in Feb 2025. Oil exports accounted for 72.1% of total exports. Non-oil exports and re-exports grew by 0.7% yoy and 45.9% respectively

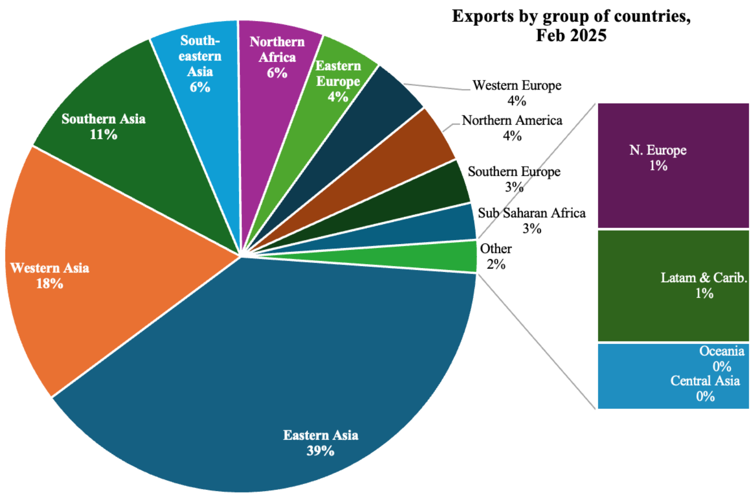


- **Saudi Arabia's overall exports declined by 3.7% mom and 2.6% yoy to SAR 93.7bn** in Feb, dragged down by a sharp drop in oil exports (4.4% mom and 7.9% yoy to SAR 67.6bn). **Share of oil exports to overall exports increased** to 72.1% (Jan: 72.6%).
- **China and South Korea were the top destination for oil exports** in Feb, ahead of Japan. The top 5 nations accounted for 61.4% of total oil exports & top 25 for 96.0% of the total.
- **Exports to Eastern, Western and Southern Asia** together accounted for **just under two-thirds of the total** in Feb. China (16.2% of total), South Korea (10.1%) and UAE (9.8%) topped main export destinations. Egypt and Bahrain were the sixth and tenth largest export destinations in Feb.
- **Non-oil exports** (excluding re-exports) **posted a monthly loss 13.5% in Feb**; however, re-exports rose by 24% mom and 45.9% yoy. **Total non-oil exports** including re-

exports **grew by a 14.3% yoy**.

- **Chemical products was the largest segment of non-oil exports** (20.3%), and UAE the largest destination.
- **Imports fell** by 5.6% yoy and 17.1% mom to SAR 63.2bn in Feb, resulting in a **wider trade surplus** (SAR 30.6bn from Jan's SAR 21.1bn & SAR 29.4bn in Feb 2024).
- **About one-quarter of Saudi imports originated in China**, followed by US (7.3%) and the UAE (6.7%).





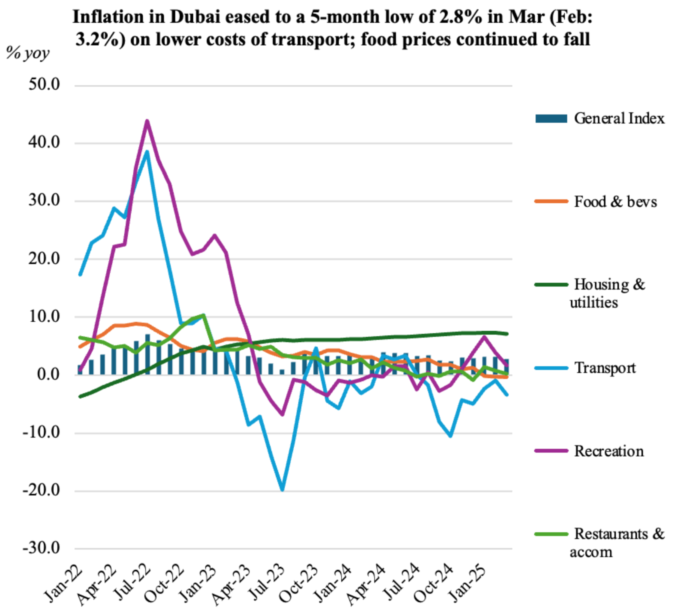
Source: GaStat. Charts by Nasser Saidi & Associates

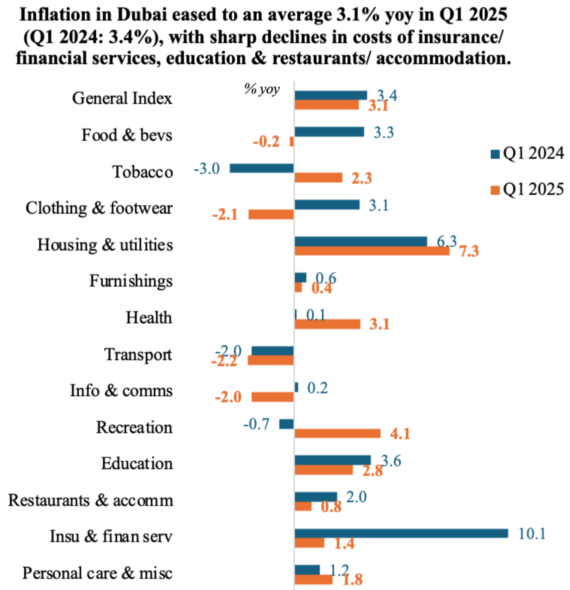
5. Inflation clocked in a 5-month low in Dubai this March; housing costs remain a major driver

- **Inflation in Dubai eased to a 5-month low of 2.8% in Mar** (Feb: 3.2%), clocking in an average of 3.1% in Q1 2025 (vs 3.4% in the same period a year ago), with four of the total 13 categories posting negative readings (these have a weightage of 31.62% in the overall basket).
- **These four categories have continued to post decline in costs for many months**: food and beverages (third consecutive month), clothing & footwear (fifth month in a row), transport (eighth straight month), information & communication (ninth month in a row).
- **In Q1 2025, yoy gains were registered in housing & utilities** (7.3% vs 6.3% in Q1 '24) and health (3.1% vs 0.1%) while recreation costs jumped (4.1% vs -0.7%). Sharper decline was evident in transportation in Q1

(-2.2% vs -2.0%) while **costs turned negative for clothing & footwear** (-2.1% vs 3.1%) **and food & beverages** (-0.2% vs 3.3%). Food and beverages costs decline is in contrast with highs of 8.94% in Jun '22 and a more recent high of 4.2% in Dec '23.

- **Price of insurance & financial services declined the most in Q1 2025:** declining to 1.4% from 10.1% a year ago). The increase in population has been driving demand for houses and education, driving up the uptick in related costs.





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

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