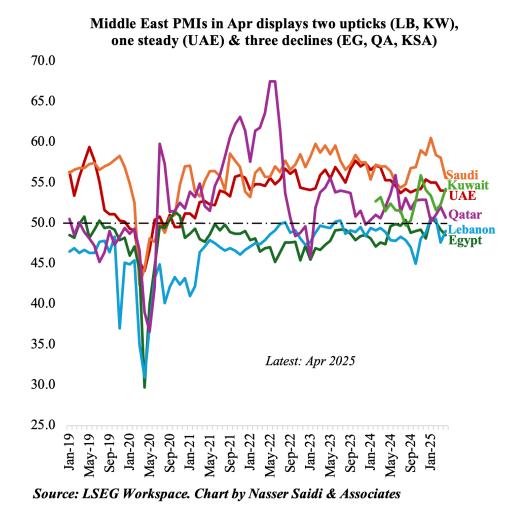
# Robust Tourism offsets PMI Slowdowns, amid Fiscal Strains in Q1 2025: Weekly Insights 9 May 2025

Middle East PMIs. Saudi fiscal deficit. UAE monetary stats. Tourism in Dubai, Qatar & Oman. MEA FDI in 2024. Download a PDF copy of this week's insight piece here.

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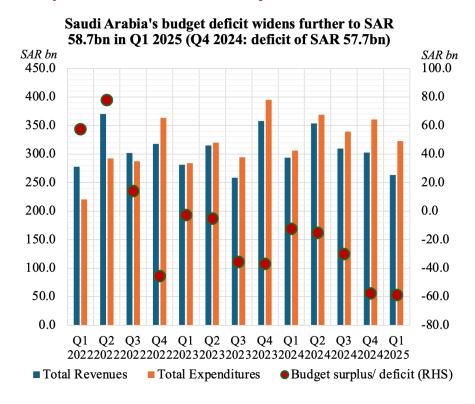
1. PMIs in the Middle East reveal varied economic conditions.
GCC PMI readings stayed in expansionary territory in Apr;

Lebanon and Egypt remain contractionary, Lebanon posted monthly gain

- PMI readings in Saudi Arabia and Qatar declined in Apr. Though Saudi still has the highest reading in the region, both countries saw a fall in new orders (partly due to global uncertainties and partly given competitive pressures). In contrast, UAE's new orders improved (though its headline PMI reading was unchanged from Mar), with a 5-month high rise in international demand. Output rose in Qatar and Kuwait though Qatar's construction sector remained a weak link.
- Labour market was strong in most GCC markets. Employment increased at the fastest pace in 11 months in the UAE, returned to growth in Kuwait, and it was strong also in Saudi Arabia (posting its joint-fastest growth rate in over a decade). In Qatar, there were signs of a cooling, with the rate of job creation the slowest since Aug 2024.
- While input costs are rising driven by higher wages & salaries as well as purchasing costs, output costs are rising at a much slower pace with businesses opting to absorb additional costs to maintain a competitive edge. In Kuwait input costs rose at the sharpest pace in a year (though output charges were up at a much slower pace) while in Qatar, charges levied fell for the ninth month in a row (even while average wages were at the strongest).
- Though Lebanon posted an uptick in headline PMI, business confidence turned pessimistic for the first time since Nov 2024. Export demand declined while sub-50 readings of output & new orders showed improvement. Respondents cited high customs duties and shipping costs driving up input costs (especially imported goods).
- Egypt's decline in PMI can be traced back to declines in output and new orders on persistent weakness in domestic & international demand. Interestingly, though input

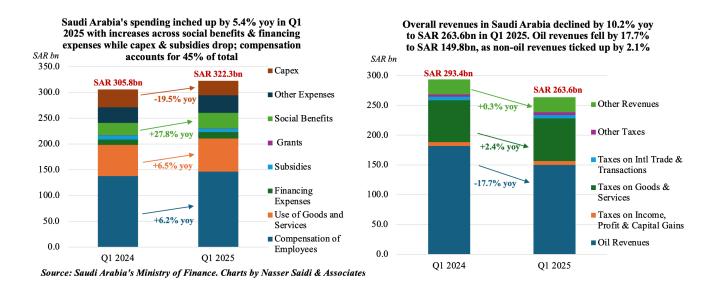
costs rose (given the 15% surge in fuel prices), selling prices were stable after 56 months of inflation.

2. Saudi budget deficit widened in Q1 2025 as oil revenues plunged; speeding up of oil output hikes & additional tax revenues to change this picture later this year

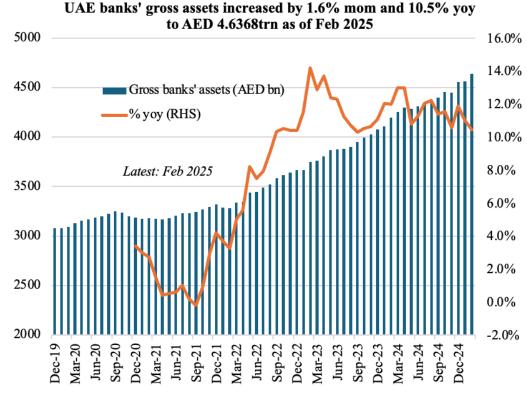


- Saudi fiscal deficit widened to SAR 58.7bn in Q1 2025 (Q4 2024: SAR 57.7bn). The 2025 budget projects fiscal deficit at SAR 101bn (or 2.3% of GDP).
- Overall revenues fell by 10.2% yoy to SAR 263.6bn in Q1, with oil revenues fell by 17.7% (to SAR 149.8bn) given the subdued oil prices and production cuts. Oil revenues accounted for 56.8% of total income in Q1. This will improve with the phasing out of OPEC+ voluntary cuts. The IMF projects fiscal breakeven oil price to decline to USD 92.3 in 2025 vs USD 96.1 in 2024.
- Non-oil revenues grew by 2.1% during the quarter, with taxes accounting for 77.6% of non-oil revenues. Broadening of tax base via the recent White Land Tax hike (to 10% from 2.5% of property value) and VAT amendments will raise tax revenues.
- Overall expenditures rose by 5.4% yoy to SAR 322.3bn in

- Q1. Capex fell by 19.5% to SAR 27.8bn. Compensation of employees, which accounted for 45.3% of total spending, gained the least up by 6.2% to SAR 146.1bn.
- Public debt jumped to SAR 1.329trn in Q1 (+9.3% from end-2024, and 19.08% yoy) of which 60% was domestic debt.

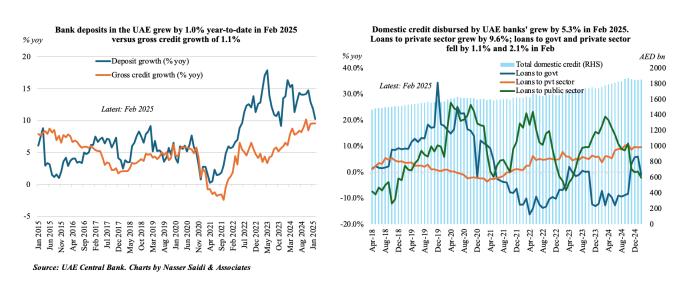


3. UAE banks' deposits & credit grow in Feb, with credit lagging



• UAE's gross bank assets grew by 1.6% mom and 10.5% yoy

- to AED 4.64trn in Feb 2025. The central bank's total assets expanded by 3.3% mom to a new record-high AED 939.0bn in Feb
- Overall UAE banks' deposits grew by 10.2% yoy in Feb 2025, and 1.0% year-to-date thanks to a 9.4% yoy surge in resident deposits (to AED 2.626trn); non-resident deposits (8.7% of total deposits) grew by 19.9% yoy
- Private sector deposits (at AED 1.913trn) accounted for two-thirds of total deposits and 72.9% of total resident deposits; grew by 2.5% mom and 13.9% yoy. Government & GREs saw deposits fall by 3.3% and 2.4% ytd.
- Gross credit growth lagged, up by 9.5% yoy in Feb 2025 and 1.1% ytd. This was driven by growth in domestic credit (0.1% mom and 5.3% yoy to AED 1.85trn) and foreign credit (5.1% mom and 38.2% yoy to AED 355.0bn). Loans to business & industrial sector and individuals accounted for 63.1% and 36.9% of credit extended to the private sector (also, 46.4% and 27.1% of domestic credit).

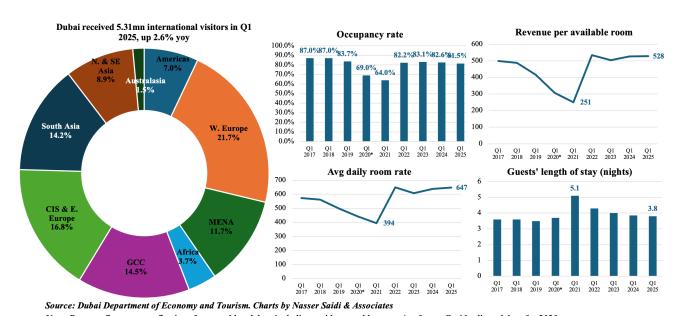


## 4. International visitors to Dubai grew by 2.6% yoy to 5.31mn in Q1 2025

- Dubai welcomed 5.31mn international visitors in Q1, up 2.6% yoy: this strong momentum follows two record-breaking years 2023 & 2024
- Visitor growth was driven by diverse source markets:

Western Europe and CIS & Eastern Europe accounted for the largest shares of visitors at 21.7% and 16.8% during the period (1.15mn and 891k respectively) while the GCC & MENA regions together accounted for 1.39mn visitors (or 26.2% of the total). Visitors from South Asia declined by 13.5% yoy to 752k in Q1 (only 14.2% of visitors).

- Dubai's hotel sector metrics (capacity and occupancy) were strong in Q1: there were 153,721 hotel rooms (+1% yoy) across 832 establishments (flat yoy). Hotel occupancy rate at a strong 81.5% (slightly lower vs 82.6% a year ago); revenue per available room rose to AED 528 (+0.2%) and average daily room rates rose by 1.4% to AED 647 ( both were lower only to Q1 2022's reading of AED 534 and AED 649 respectively).
- Dubai International Airport (DXB) handled 23.4mn passengers in Q1 2025 (after handling a record 92.3mn passengers in 2024). With DXB reaching maximum capacity, the Al Maktoum International Airport (DWC) is expanding: contracts for phase one (AED 1bn+ worth) have been awarded and this phase is scheduled for completion by 2032 this would increase capacity to 150mn passengers.



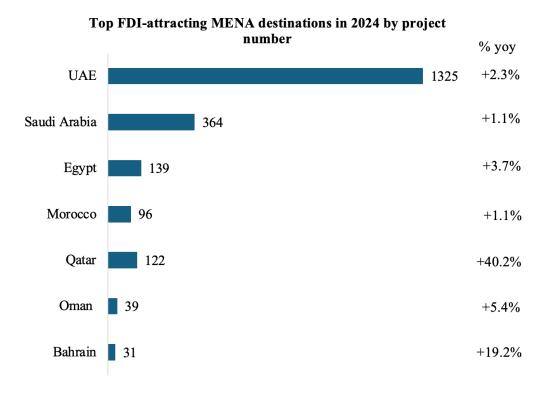
Note: Revenue figures are reflective of reported hotel data including residents and hoppers. \* refers to Covid-adjusted data for 2020.

#### 5. Boost from GCC visitors supports tourism in Qatar & Oman

- The World Travel and Tourism Council expects the **travel** and tourism sector to contribute USD 367bn to the Middle East this year (or 10.4% of the region's GDP). This is up by 7.4% yoy and 24.7% higher vs 2019 levels and despite the regional conflicts. Visitor spending in the region is forecast to accelerate 12.6% to USD 194bn and about 400k additional jobs are to be created this year (to a total 7.7mn).
- Tourism is an integral contributor to economic diversification in the GCC; the proposed GCC unified visa will further strengthen the sector's performance in the near-term.
- Tourists into Qatar declined by 7.0% yoy to 1.5mn tourists in Q1 2025, but supported by the Eid holidays (+26% yoy to 214k visitors during the 8-day period). Visitors from GCC accounted for 36% of the total in Q1, with Europe and Asia & Oceania accounting for 28% and 20% respectively.
- Oman reported a 10% yoy drop in inbound tourists to 329.5k in Feb, with majority of the visitors coming from the GCC (30% of the total) while Europe and Asia nations were also significant (at 30% and 28% respectively). UAE accounted for close to three-fourths of visitors from GCC, while Germany and Italy were the top source nations from Europe (19.4% and 13.4% of total visitors from Europe). In Jan-Feb 2025, Oman welcomed 668.2k visitors (-5.3% yoy).

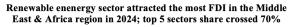
Source: Qatar Tourism, Oman National Centre for Statistics & Information. Charts by Nasser Saidi & Associates.

## 6. FDI in Middle East & Africa region: overall projects number and capital investment dip in 2024

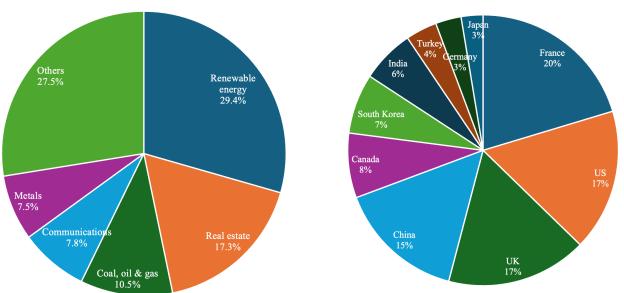


- FDI, measured by number of projects, declined slightly to 2687 in 2024 versus record-high 2699 in 2023, according to fDi Intelligence roughly 15.8% of global projects. Capital investment however plunged by 40.7% to USD 158.3bn, while the top capital investment recipient was the renewables sector.
- UAE and Saudi clocked in the largest number of announced FDI projects in 2024, but Egypt was the most attractive

- in terms of capital investment (USD 54.5bn across 139
  projects).
- While renewable sector was the region's top sector in 2024 by value, real estate sector was back in the limelight. Real estate saw capital investment of USD 27.4bn (+43% yoy) across 110 projects in the MEA region.
- UAE's ADQ and Mubadala Investment Company were among the top 10 investors by capex(USD 25.2bn and USD 15.4bn respectively); Dubai World was 10th largest investor globally by projects (32 in 2024).
- UAE's involvement in major projects across the region shows its commitment to greater regional economic integration: (a) ADQ is creating a new urban community in Egypt's Ras El Hikma; (b) UAE-based H2 Global Energy & Ireland's Amarenco's USD 6bn green hydrogen & green ammonia project in Tunisia; (c) Etihad Railway announced plans for a USD 2.3bn railway project in Jordan.



The top 10 sources of FDI from outside the Middle East & Africa region accounted for 55.6% of the inflow in 2024



Source: The fDi Report 2025, fDi Intelligence, May 2025. Charts by Nasser Saidi & Associates.

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