US-Gulf deals: Energy, Chips, AI, Tech & Defence – Weekly Economic Commentary, 19 May 2025

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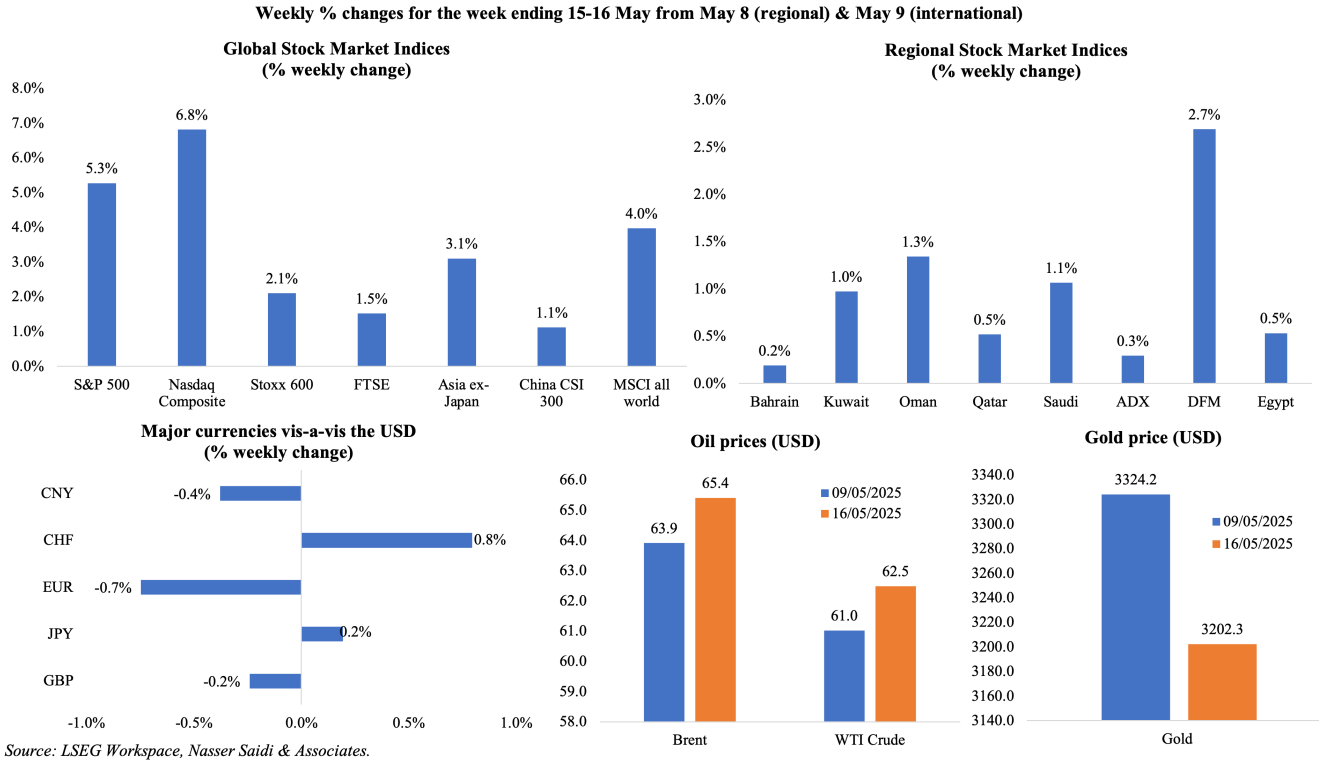
Markets

Global equities markets recovered last week, on the heels of the US-China 90-day truce on trade, also supported by strong earnings (especially in Europe). Trade policy uncertainty remains awaiting EU-US, US-Japan and other potential agreements as well as the outcome of the US-China truce. Regional markets also posted gains, with DFM gaining the most (supported by better-than-expected earnings results). The dollar strengthened in the beginning of the week and ended on a positive note, though it is still down by 2% compared to April 2nd (when "Liberation Day" tariffs were announced); both euro and GBP were lower on the week. Oil prices gained compared to the week before, even as daily movements were quite volatile (with concerns about oversupply given OPEC+ output hike and a potential US-Iran nuclear deal), while gold posted its largest weekly loss (around 4%) since end-Nov.



Source: LSEG Workspace, Nasser Saidi & Associates.

Global Developments

US/Americas:

- **Inflation in the US inched lower to 2.3% yoy in Apr** (Mar: 2.4%), the lowest since Feb 2021, as food and transportation prices slowed (2.8% and 2.5% respectively). Core inflation held steady at 2.8%.
- **Producer price index in the US fell by 0.5% mom in Apr** (Mar: 0%), dragged down by the **decline in cost of services** (-0.7%, the largest drop since Dec 2009); airline fares were down 1.5% and portfolio management fees plunged 6.9%. In yoy terms, PPI eased to 2.4% (from 2.7%) while core PPI eased to 3.1% yoy (Mar: 4.0%).
- **US industrial production was flat in Apr** (Mar: -0.3% mom), with manufacturing down (-0.4%, reversing Mar's 0.4% gain) alongside mining (-0.3% vs +1.1% in Mar) while utilities output accelerated (3.3%).
- **US clocked in a budget surplus USD 258bn in Apr, the first monthly surplus of fiscal year 2025** that started in Oct and the second-largest monthly surplus. The surplus was due to "large individual tax deposits":

income taxes were the largest revenue contributor, USD 537bn, while customs duties rose to USD 15.6bn (more than double USD 6.3bn collected a year ago). On the expenditures side, the largest items were Social Security (USD 132bn), net interest (USD 89bn) and Medicare (USD 82bn).

- **Retail sales inched up by 0.1% mom in Apr** (Mar: 1.7%), as consumers demand was dampened by the introduction of tariffs. Sales at auto dealerships fell (-0.1% after the 5.5% surge as consumers frontloaded vehicle purchases) while receipts at food services & drinking places ticked up by 1.2% (Mar: +3.0%). Sales held steady at 5.2% in yoy terms.
- **NFIB small business optimism index in the US slipped to 95.8 in Apr** (Mar: 97.4) and the uncertainty index (at 92) remained much higher than the historical average (68). The survey also showed that the share of small businesses reporting vacant job openings they were unable to fill dropped in Apr to the lowest since Jan 2021 (34%).
- **NY Empire State manufacturing index slipped to -9.2 in May** (Apr: -8.1): while new orders and shipments turned positive (to 7.0 and 3.5 respectively), supply availability and employment dropped further (-11.4 and -5.1 respectively).
- **Philadelphia Fed manufacturing index improved in May, up to -4.0 from -26.4**: new orders index turned positive (7.5 from -34.2) while shipments fell further (-13.0 from -9.1) alongside price indices surging to the most since Jun 2022.
- **The Michigan consumer sentiment index declined for the fifth straight month**, falling to 50.8 in May (Apr: 52.2), the lowest reading since Jun 2022. **The one- and five-year inflation expectations ticked up to 7.3%** (the highest since Nov 1981, and from 6.5% in Apr) **and 4.6%** (the highest level since Mar 1991, and from Apr's 4.4%) respectively.

- **Housing starts grew by 1.6% mom to 1.361mn in Apr**, with single-family starts falling 2.1% to a 9-month low of 927k. **Building permits fell by 4.7% mom to 1.412mn** in Apr, with permits for single-family housing dropping by 5.1% to 922k. Overall, data seems to indicate housing market weakness in coming months (partly due to higher material costs and rising economic uncertainty tempering demand).
- **Initial jobless claims in the US stood unchanged at 229k in the week ended May 9** and the 4-week average inched up by 3.25k to 230.5k. **Continuing jobless claims increased** by 9k to 1.881mn in the week ended May 2.

Europe:

- **Industrial production in the euro area grew by 2.6% mom and 3.6% yoy in Mar** (Feb: 1.1% mom and 1% yoy). Production of non-durable consumer goods increased at the fastest pace in Mar (15.7% yoy), followed by energy (2.2%) and durable consumer goods (1.1%).
- The **harmonised index of consumer prices in Germany inched down to 2% yoy** in Apr (Mar: 2.3%), the lowest since Sep 2024. Inflation rate in Germany stood at 2.1% in Apr (Mar: 2.2%), with energy prices contributing a downward effect (-5.4%) while food prices and services inflation ticked up (2.8% and 3.9% respectively).
- **Producer price index in Germany eased to 0.8% yoy in Apr** (Mar: 1.3%): higher prices were reported for food, beverages and tobacco (4.6%), non-ferrous ores, non-ferrous metals and non-ferrous semi-finished metal products (21.3%) alongside a dip in wholesale prices of solid fuels and mineral oil products (-8.4%).
- **German ZEW economic sentiment index surged to 25.2 in May** (Apr: -14), supported by optimism about the new government, a stable inflation rate and “some progress in the tariff disputes” though the current situation worsened slightly (-82 from -81.2). **ZEW economic**

sentiment index in the eurozone also increased strongly to 11.6 in May (Apr: -18.5) and the current economic situation index ticked up by 8.5 points to -42.4.

- **In Q1, UK GDP grew by 0.7% qoq and 1.3% yoy** (Q4: 0.1% qoq and 1.5% yoy), with the increase driven by the services sector and an increase in investment alongside a jump in exports (to get ahead of the Trump tariffs). GDP grew by 0.2% mom in Mar (Feb: 0.5%). **Industrial production in the UK fell by 0.7% yoy** (Feb: 0.4%), the sharpest fall since Oct 2024, as manufacturing fell 0.8% (from Feb's 0.5% gain) and mining & quarrying continued its drop (-8.4% from -6.6%).
- **UK unemployment rate ticked up to 4.5%** (from 4.4%), the **highest since the three months to Aug 2021. Average earnings excluding bonus rose by 5.6% yoy in the three months to Mar** (Dec-Feb: 5.9%), the lowest since the Sep-Nov 2024 period, as wages in both the private and public sector slowed (5.6% and 5.5% respectively). **Real wages** (adjusted for inflation) **grew by 1.8%,** the weakest since Feb 2024.
- **UK like-for-like retail sales grew** by 6.8% yoy in Apr (Mar: 0.9%), the fastest pace in more than three years, with both food and non-food sales accelerating sharply (by 8.2% and 6.1% respectively).

Asia Pacific:

- **China's money supply grew by 8% yoy in Apr** (Mar: 7%) while total outstanding yuan loans rose at a record-low pace of 7.2%. **New loans plunged to CNY 280bn** (Mar: CNY 3.64trn), with banks extending a total CNY 10.06trn in Jan-Apr (vs CNY 10.19trn a year ago).
- **Japan's GDP shrank at a 0.7% annualised rate in Q1** (Q4: +2.2%), with exports falling 0.6% qoq and domestic demand up 0.6%. In yoy terms, GDP was up by 1.7%, the fastest growth since Q1 2023 (Q4: 1.3%).
- **Industrial production in Japan grew by 0.2% mom and 1%**

yoy in Mar (prelim: -1.1% mom), supported by chemicals (12.5% from -1.0%), production machinery (7.1% from 8.3%) and transport equipment excluding motor vehicles (6.6% from -9%). Separately, machine tool orders in Japan grew for the seventh consecutive month, up by 7.7% yoy in Apr (Mar: 11.4%). Domestic orders fell by 5.4% (to JPY 34,425) while foreign orders increased by 13.3% (to JPY 95,781).

- **Inflation in India eased to 3.16% in Apr** (Mar: 3.34%), the lowest since Jul 2019, below the RBI's midpoint target of 4%. Food prices rose by 1.78%, the lowest since Oct 2021, while prices were unchanged for housing (3.0%). **Wholesale price inflation slipped to 0.85% in Apr** (Mar: 2.05%), with food prices posting the smallest uptick in 18 months (2.55% from Mar's 4.66%) and manufacturing prices easing to a 3-month low (2.62% from 3.07%).
- **India's trade deficit widened to USD 26.42bn in Apr** (Mar: USD 21.54bn), the highest deficit since Nov 2024, due to a surge in imports (19.1% yoy and 2.2% mom to USD 64.91bn). The growth in imports outweighed exports uptick (9% yoy to USD 38.49bn).

Bottom line: Highlight of last week was the Trump visit to the Gulf region, wherein deals in the energy & tech/ AI front dominated, with a smattering of airplane purchases. Many details are still patchy and the time from headline announcement to implementation might be long. There are some positives from the US-China truce: with the latter issuing rare earths export permits again and US lowering tariffs on small packages (to 30%). The fact remains that it is only a pause and not a finalised deal, which begs the question as to what happens at the end of the 90-days? Already, US retail sales data is showing a slower pace of buying and US companies such as Walmart are warning of rise in prices due to tariffs. This does not bode well for the economy in Q2, also given dampened consumer sentiment survey results. The Fed will be in

a quandary between higher inflation and a slowing economy, potential stagflation on the cards.

Regional Developments

- **President Trump's visit to the Gulf last week highlights the build-up of GCC's "soft power"**– be it the involvement of the UAE, Saudi, Qatar and Oman in leading the negotiations for a ceasefire in Gaza & Ukraine (including release of prisoners), support for the new Syrian government or the ongoing negotiations with Iran. **More than USD 1.4trn in investment pledged by Saudi, Qatar & UAE.** For the US, these deals are a way of countering China's influence in the region.
- **Non-oil exports from Bahrain inched lower** by 0.1% yoy to BHD 1.02bn (USD 2.7bn) **in Q1**, with top 10 nations accounting for more than two-thirds of the export value. Meanwhile, non-oil imports increased by 2.0% yoy to BHD 1.527bn, with Australia, China and the UAE taking the top spots. Overall trade deficit widened to BHD 307mn (Q1 2024: BHD 273mn).
- **Egypt's exports accelerated by 24.1% yoy to USD 4.43bn** in Feb, driven by increase in ready-made garments (30.6%) and petroleum products (12.2%). With imports declining by 1.4% to USD 6.67bn, deficit narrowed to USD 2.33bn vs a deficit of USD 3.28bn in Feb 2024 (-29.1% yoy). Ahead of a meeting between the Presidents of **Egypt and Russia**, it was disclosed that **bilateral trade between the 2 nations increased by more than 30%** to USD 9bn **in 2024**, and rose by a further 80%+ in Jan-Feb.
- The minister of finance disclosed that **Egypt plans to reduce external debt by** USD 1.0-2.0bn during the current fiscal year. The government is also considering new financing instruments (such as sukuk) while raising revenues through tax and customs facilitation packages (about 20 measures in tax and another 30 in customs).
- **Egypt's unemployment rate fell to 6.3% yoy in Q1 2025,**

the lowest-ever reading since records began in 1993. The unemployment rate inched down by 0.1% compared to the previous quarter and fell from 6.7% in Q1 2024. Male and female unemployment rates dipped to 3.6% and 16.4% in Q1 (Q4 2024: 3.9% and 16.6%) while youth unemployment remained concerning (58.6% of the unemployed). Overall labour force grew by 1% qoq to 33.4mn.

- **Remittances into Egypt accelerated by 72.4% yoy to USD 32.6bn in Mar 2024-Feb 2025**. Remittances more than doubled to USD 3bn in the month of Feb (Feb '24: USD 1.3bn).
- **The Suez Canal Authority will provide a 15% discounts on transit fees** for ships with net tonnage of at least 130,000 metric tons to restore traffic in the waterway.
- **Egypt set a public investment ceiling at EGP 1.158trn for the fiscal year 2025-26**, according to the minister of planning, economic development and international cooperation. She also noted that GDP grew by 3.5% and 4.3% for the first and second quarters of 2024-25.
- **Egypt announced three oil and natural gas discoveries** in the Western Desert and the Gulf of Suez. The country approved USD 221mn worth of deals with foreign firms for exploration and extraction. Separately, **Egypt cleared USD 1.2bn in dues to foreign oil companies in May**, as part settlement of its overdue debts. Asharq Business reported, an increase in total arrears to foreign oil companies to USD 7.5bn in May (from USD 6.3bn at start of Apr), citing an unnamed government official.
- **Kuwait plans to invest up to USD 50bn over the next five years to expand oil production capacity** to 3.2mn barrels per day (bpd) according to the deputy chairman of the Kuwait Petroleum Corporation. The plan also includes production of around 2bn cubic feet of gas.
- **China won a contract to build a large solar power plant** at the Shagaya renewable energy complex **in Kuwait**: the completed Shagaya complex is estimated to generate 4,800 megawatts of electricity by 2028 and raise renewables'

share to 26-27%.

- **Credit extended by the banking sector in Oman grew** by 7.4% yoy to OMR 32.9bn by end-Feb, with credit to the private sector up by 6.1% to OMR 27.3bn.
- **Oman's debt capital market surged** by 61.4% yoy **to USD 10.3bn in 2024**, supported by sukuk issuances (124.9% to USD 2.9bn), according to a report from Fitch. This year's issuances have totalled USD 1.5bn in just Q1.
- **Oman plans to invest USD 200mn to expand the area of one of its smallest ports** (Shinas Port) by 40% (to 1.8mn sqm) in a bid to boost Oman's re-export capacities.
- **US and Qatar** agreed on deals that would generate **an "economic exchange" worth at least USD 1.2trn**, including a massive order for up to 210 planes from Boeing (for USD 96bn).
- **Qatar reported a 109.6% yoy increase in FDI projects to 241 in 2024** (2023: 115), with projects in the wholesale & retail trade and administrative & support services accounting for the lions' share (at 77 and 41 respectively). Greenfield projects share was 74% of the total.
- **Saudi Arabia and UAE are among the top 20 holders of US Treasury securities in Mar.** Saudi holdings ticked up by 4.11% mom to USD 131.6bn and UAE holdings fell to USD 104.4bn (from USD 119.9bn in Feb).
- The **US** President **announced a removal of sanctions on Syria** last week during his trip to the Gulf and **met face-to-face Syria's new President, the first such meeting in 25 years**. The lifting of sanctions is expected to revive the economy and attract investments; the Syrian pound has also strengthened on the black market since the announcement (at around 10k pounds to the dollar as of Friday vs close to 50 in pre-war 2011). Following the payment of Syria's outstanding debt (of USD 15.5mn) by Saudi and Qatar, the **World Bank** announced that the country is **eligible for grants related to reconstruction and budget support**. Furthermore, **UAE's DP**

World already announced a **USD 800mn initial deal to develop the Tartus port.**

Saudi Arabia Focus

- **US President Trump secured investment commitments worth USD 600bn during his trip to Saudi Arabia.** A defence deal worth USD 142bn was confirmed, as was deals with a newly launched AI startup firm Humain operating under the PIF (with US firms such as Nvidia, Advanced Micro Devices and Qualcomm Inc) and plans for Saudi firm DataVolt to invest USD 20bn in AI data centres and energy infrastructure in the US among others. Furthermore, the two nations signed a strategic economic partnership covering energy, mining and defence. Separately, Aramco signed 34 agreements worth USD 90bn with US firms and the PIF signed deals with a potential investment of up to USD 11bn (with Franklin Templeton, Neuberger Berman, and BlackRock, all to boost financial markets) – all announced on the sidelines of the Saudi-US Investment Forum.
- **Consumer price inflation in Saudi Arabia held almost steady at 2.32% in Apr**, from Mar's 2.33%. Moderate increases were observed in food & beverages prices (2.2% vs Mar's 2.0%), restaurant & hotels costs (2.0% vs 1.3%) and education (1.3% from 1.1%). Housing costs eased slightly in Mar (6.8% from 6.9%) as **rental costs slowed** (8.1% from 8.2%). **Six major categories (of out 12) clocked in deflationary readings**, of which prices dropped further in clothing & footwear (-1.2% from -0.8%) and transport (-1% from -0.8%) while recreation & culture costs fell (-0.7% vs Mar's 0.3% uptick).
- **Wholesale inflation in Saudi Arabia moved up in Apr** to 2.02% (Mar: 1.53%), due to jumps in agriculture & fishery (4.46% vs 3.58%) and other transportable goods (4.13% from 3.19%); meanwhile deflation continued in

ores & minerals (-1.71% from -1.94%). **Average wholesale prices more than halved in Jan-Apr 2025 vs the same period a year ago**: clocking in 1.49% (vs 3.64%), as "other transportable goods" prices plunged (3.06% vs 8.8%).

- **Industrial production in Saudi Arabia increased by 1.1% mom and 2.0% yoy in Mar** (Feb: 1.7% mom & 0.3% yoy). This was supported by a surge in manufacturing (4.3% mom and 5.9% yoy) while oil activities ticked up moderately (0.1% mom & 0.5% yoy). **In Q1 2025, overall IP gained by 1.1% yoy and manufacturing was up 4.0%** – with the latter driven by gains in chemicals & chemical products (9.0% yoy) and electrical devices (7.2%). **Consistent increase in industrial licenses & relatively high PMI are proxy for future increase in industrial/ mining activity.**
- **Saudi Arabia and China signed 57 agreements worth over SAR 14bn**, with projects across the environment, water, agriculture, fisheries, and livestock sectors.
- **Bilateral trade between the US and Saudi Arabia stood at USD 32.5bn in 2024**, with Saudi exports to the US standing at USD 12.8bn (including USD 3bn in non-oil products). The US is the largest foreign investor in Saudi Arabia, with FDI stock of USD 54bn as of 2023 (or 23% of overall FDI in the country). The PIF, Aramco, Sabic and other major companies have invested an estimated USD 75bn in Saudi FDI stock in the US.
- **Remittances from Saudi Arabia jumped by 29.61% yoy to SAR 15.5bn in Mar,** the highest monthly level in almost nine years.
- **SMEs accounted for 30% of listed companies in Saudi Arabia**, disclosed the CMA Chairman, thanks to the streamlined listing process in the parallel market. Since the launch of Nomu, its index had grown tenfold, its market cap widened to nearly SAR 60bn by end-2024 (more than 26 times) and fourteen companies had successfully moved into the main market.
- **Saudi Arabia's e-commerce sector** has 40,953 businesses

registered by end-2024, reporting a 10% yoy increase. Last week, **Saudi signed an agreement with UNCTAD to measure e-commerce and digital economy**: the country committed USD 1.4mn to support this work.

- **International passenger traffic into Saudi increased** by 14% yoy to 69mn in 2024, with domestic traffic up by 16% to 59mn. Domestic flights ticked up by 12% yoy (to 474k in 2024) while international flights grew by 431k (+10%).

UAE Focus

- **UAE and the US signed agreements totalling upwards of USD 200bn during the US President's trip to the region.** This included a deal to build the biggest AI campus outside the US (to be built by G42), with the two countries signing an AI Acceleration Partnership, USD 14.5bn in airplane orders from Etihad, a rise in value of energy investments in the US (to USD 440bn by 2035), and a deal with Emirates Global Aluminum to develop a USD 4bn smelter project in the US among others.
- **UAE tech firm G42 will partner with a**n Italian startup **iGenius to develop an AI supercomputer in Italy**. This is part of a larger commitment to invest USD 40bn in Italy.
- **UAE and Kazakhstan signed agreements 22 agreements worth USD 5bn+** though no further details were provided.
- **Dubai Holding plans to raise up to AED 1.79bn via an IPO** of its residential real estate investment trust. The firm is offering a stake of 12.5% in the REIT. Separately, Bloomberg reported that **Arabian Construction Company** is planning a domestic listing in H2 2024 and has fired banks for this process.
- **Etihad Rail will begin its high-speed passenger service from next year** – the service can transport up to 400 passengers and can reduce commute time to 30 minutes while adding AED 145bn to UAE's GDP over the next five

decades.

- **The Crown Prince of Dubai approved a AED 2bn housing package** for UAE citizens in Dubai. A total of 1163 housing units are currently under construction.
- **Fitch affirmed a A+ credit rating with stable outlook for Ras Khaimah** given the emirate's resilience and sound fiscal management.

Media Review:

Trump's Gulf tour
https://www.reuters.com/world/middle-east/trumps-gulf-tour-reshapes-middle-east-diplomatic-map-2025-05-18/ – Reuters
https://www.ft.com/content/b27013eb-b076-450b-9dfd-e77822f31d3b – FT

The Future of American Soft Power
https://www.project-syndicate.org/commentary/the-future-of-american-soft-power-by-joseph-s-nye-2025-05

AI Needs More Abundant Power Supplies to Keep Driving Economic Growth
https://www.imf.org/en/Blogs/Articles/2025/05/13/ai-needs-more-abundant-power-supplies-to-keep-driving-economic-growth

Will OpenAI ever make real money?
https://www.economist.com/business/2025/05/15/will-openai-ever-make-real-money

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