

Pivot to the East: ASEAN, China & GCC to Forge a New Economic Axis? Weekly Insights 30 May 2025

ASEAN-GCC-China Summit. Saudi exports fall. Saudi monetary stats. Oman Q1 fiscal deficit.

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1. ASEAN-GCC-China Summit highlights trade opportunities amid headwinds from US tariffs

- The shift in economic geography to the East has been an observable trend through recent decades.
- Amid threat of US tariffs, the ASEAN-GCC-China Summit in Malaysia highlighted the region's potential: a combined GDP of USD 24.9trn & 2.15bn population. But, trade between the bloc represents less than 5% of global trade.
- ASEAN member nations rely on exports to the US & have been hit by tariffs ranging from 10% for Singapore to a high 49% for Cambodia that exports garments & related to the US. The countries have agreed to avoid retaliatory measures.
- ASEAN is China's largest trading partner, with value of total trade reaching USD 982.3bn in 2024 & USD 234bn in Q1 2025. For China, the recent plunge in US trade has been offset by a rise in trade with ASEAN, with the latter accounting for almost 20% of China's exports in Apr, compared to a US share at 10.5%.
- Additionally, trade with ASEAN accounted for about 7.2%

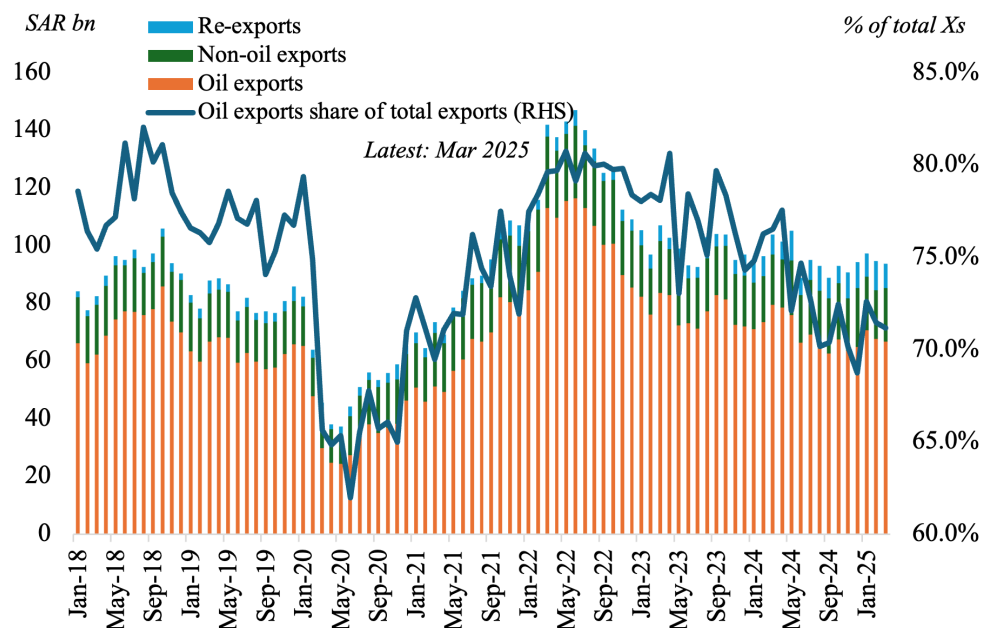
of GCC's overall trade in 2024 while China's share of GCC trade was 15%.

- Trade was a key prong of discussions & potential cooperations: (a) ASEAN has concluded negotiations on upgrading the ASEAN Trade In Goods Agreement; (b) China & ASEAN have fully completed negotiations on the **China-ASEAN Free Trade Area** & aim to sign in Oct; (c) **ASEAN-GCC set to launch FTA negotiations**
- **Bottomline: Immense opportunity from US-China decoupling for GCC/Asia coupling. Need to expand beyond trade**

Trade	Financial Markets	Payment systems
<ul style="list-style-type: none"> • Development of deep, reciprocal regional & bilateral trade agreements that extend beyond goods • Lowering of tariffs and the removal of non-tariff barriers • GCC-ASEAN FTA • GCC-China FTA 	<ul style="list-style-type: none"> • Development, deepening & interlinking of financial markets • GCC financial markets integration • Linking Asian markets with GCC equities markets (Cross-listing, IPOs...) • Financing energy transition, AI, robotics... 	<ul style="list-style-type: none"> • De-risking regional payment systems from the US dollar • USD dominance in trade finance: 82% share in Apr vs 6.15% for CNY & 6.21% for EUR • Linkages will enable growing share of non-dollar trade financing; support digital currency transactions

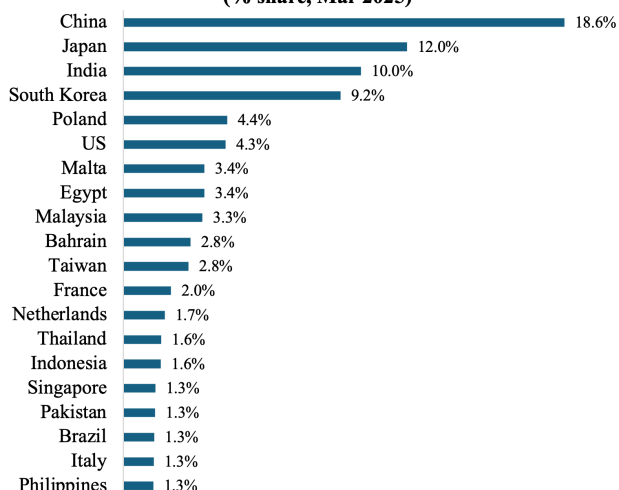
2. Oil exports dragged down Saudi exports in Q1; UAE largest non-oil trade partner

Saudi exports declined by 0.9% mom and 9.8% yoy to SAR 93.8bn in Mar 2025. Oil exports accounted for 71.2% of total exports. Non-oil exports and re-exports grew by 6.7% yoy and 21.0% respectively



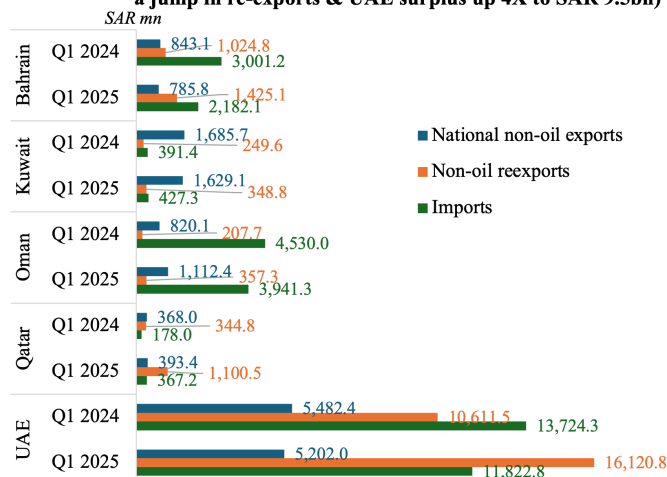
- **Saudi Arabia's overall exports fell by 0.9% mom and 9.8% yoy to SAR 93.8bn** in Mar 2025, with oil exports down by 16.1% yoy while non-oil exports rose 6.7% to SAR 18.6bn and re-exports surged 21.0% to SAR 8.4bn. **Share of oil exports to overall exports slipped to 71.2%** (Feb: 71.5%).
- Compared to a year ago, **non-oil exports grew by 9.0% in Q1 2025** while re-exports surged by 23.7%. **Overall exports however fell by 3.2%**, dragged down by oil exports (-8.4% in Q1 2025).
- **Imports inched up** by 2.3% mom and 0.1% yoy to SAR 74.0bn in Mar 2025. This resulted in a **narrower trade surplus of SAR 19.8bn** – down from Feb's SAR 22.3bn and Mar 2024's SAR 30.1bn.
- **China, Japan and India were the top destination for oil exports** and the top 5 and 25 nations accounted for 54.2% and 93.7% of total oil exports.
- **Chemical products was the largest segment of non-oil exports (25.7%)**, and UAE the largest destination of overall non-oil exports (23.8%).
- Saudi Arabia's **non-oil trade with the GCC** was led by a 55.6% gain in non-oil re-exports & 31.6% in non-oil exports.
- **UAE was the largest non-oil trade partner.**
- **Non-oil trade surplus with UAE jumped more than four-times** to SAR 9.5bn in Mar. Qatar's surplus more than doubled to SAR 1.13bn. **Only Oman reported a deficit (SAR 2.5bn)**, though narrower.

Saudi Arabia's top 5 (& 20) destinations for oil exports account for 54.2% (& 87.8%) of total oil exports (% share, Mar 2025)

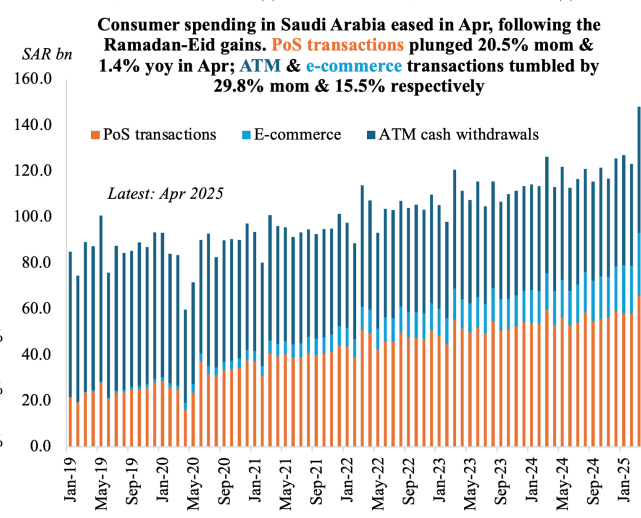
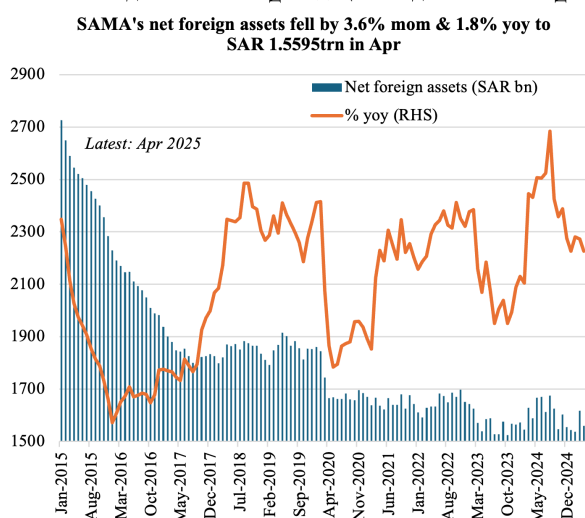
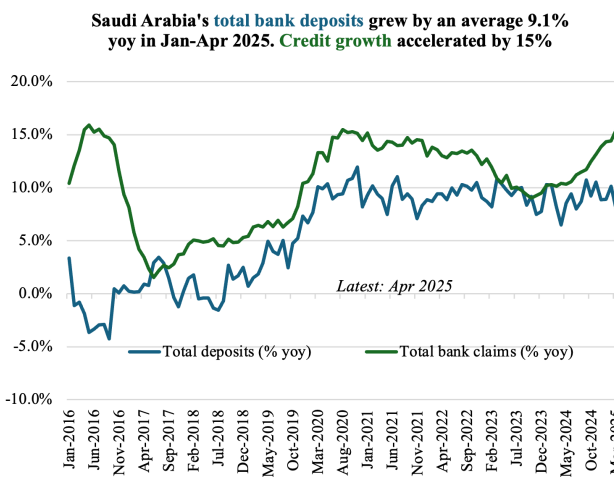
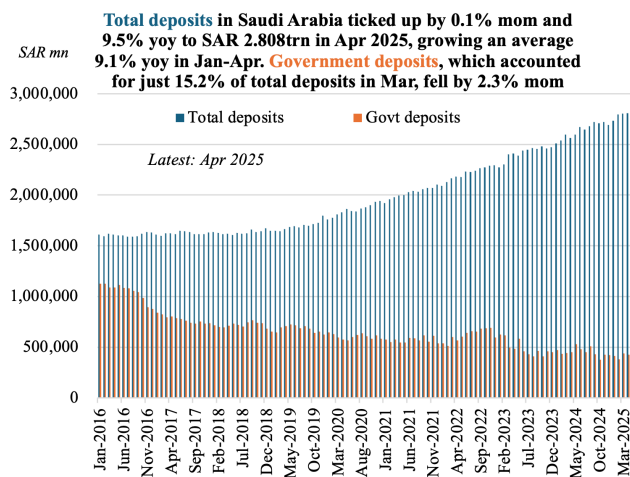


Source: GaStat. Charts by Nasser Saidi & Associates

National non-oil exports to GCC from KSA surged by 31.6% yoy in Q1 2025. Non-oil trade balance moved to a surplus SAR 9.7bn from a deficit SAR 187.3mn in Q1 2024 (driven by a jump in re-exports & UAE surplus up 4X to SAR 9.5bn)



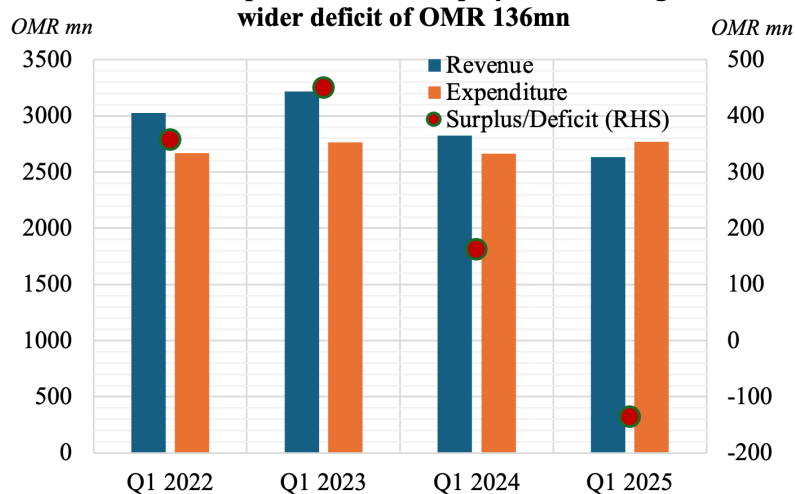
3. Deposit growth in Saudi Arabia averaged 9.1% in Jan-Apr 2025; govt deposits fell 2.3% mom in Apr. As of Apr, credit growth has outpaced deposit growth for 15 months in a row. Net foreign assets slipped in Apr, down 3.6% mom to SAR 1.56trn. Consumer spending declined, following the Ramadan-Eid supported surge



Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

4. Oman clocked in a fiscal deficit of OMR 136mn in Q1 2025; revenues fell by 6.8% yoy

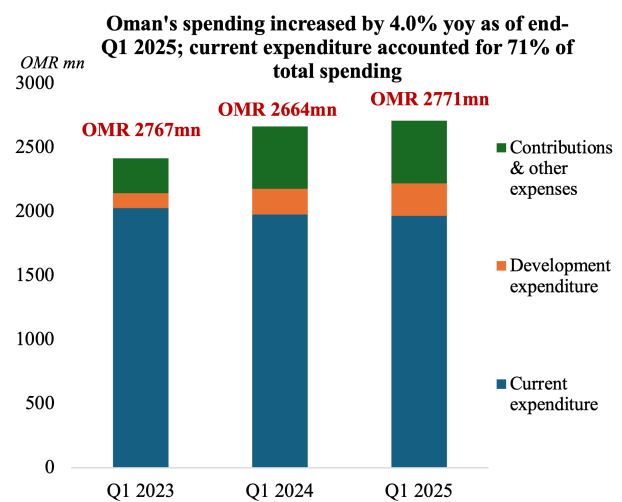
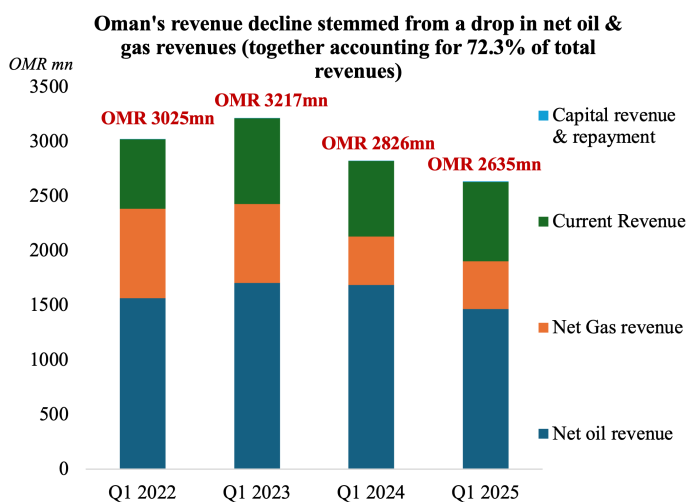
Oman: Revenue fell by 6.8% yoy to OMR 2.6bn in Q1 2025 while expenditure ticked up by 4.0% leading to a wider deficit of OMR 136mn



- Oman posted a budget deficit of OMR 136mn in Q1 2025. Revenues fell by 6.8% yoy to OMR 2.64bn alongside a 4.0% increase in spending (to OMR 8.7bn). Average oil price

fell by 12.1% yoy to USD 73 and average daily oil production fell by 5.8% to 955k barrels per day. The IMF forecasts fiscal breakeven oil price at USD 57 this year.

- There was a **sharp decline in net oil revenues** (-13.0% yoy to OMR 1.47bn) and **net gas revenues** (-1.8% to OMR 436mn). Net O&G together accounted for 72.3% of revenues.
- **Expenditure ticked up by 4.0% in Q1 2025**: though current expenditure edged down slightly (-0.6% yoy to OMR 1.97bn) alongside a 27% surge in development expenditure (to OMR 254mn) while contributions & other expenses edged up by 0.8% yoy to OMR 490mn.
- Oman's government debt stands at USD 37bn (around 35% of GDP). The **government plans to borrow USD 6.4bn this year to balance the budget**. Around USD 1.94bn will be raised from government development bonds & local sovereign sukuk.



Source: Oman's Ministry of Finance. Charts by Nasser Saidi & Associates.

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