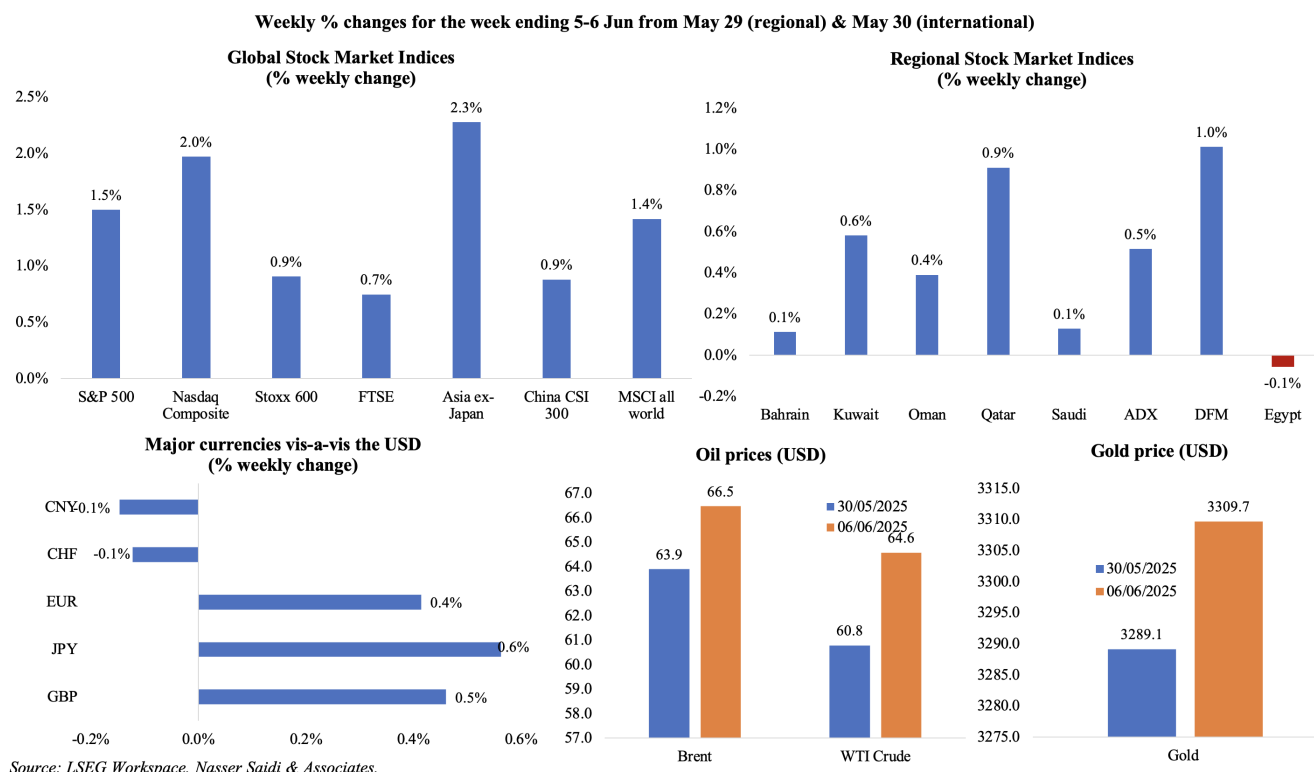


Mixed Economic Signals: Market Gains, Trade Frictions, and Weak Manufacturing – Weekly Economic Commentary, 9 Jun 2025

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Markets

Equities markets were mostly up last week, with US jobs data indicating a resilient labour market though PMI data show weakening. More investors are raising caution about the burgeoning US debt burden given trade tariffs and tax policies within the “big, beautiful” bill. Regional markets posted gains mostly, with the Dubai index hitting the highest level since 2008 (+7% year-to-date). Among currencies, the EUR gained thanks to the ECB’s hawkish rhetoric while the USD extended gains vis-à-vis the JPY. Oil prices ended the week higher, after two consecutive weeks of declines but remained volatile given US trade talks with major trade partners including China. Gold price also moved up by less than a percent to over USD 3,300 per oz.



Global Developments

US/Americas:

- **Non-farm payrolls in the US increased by 139k in May** (Apr: 147k), supported by healthcare (+62k) and leisure & hospitality (48k) while it **fell in the federal government (-22k in May, the highest since 2020, and down by 59k since Jan)**. Average hourly earnings grew by 3.9% yoy while labour force participation rate eased to 62.4%. **Unemployment rate stayed unchanged at 4.2% for the third month in a row.**
- **The US added 37k private jobs in May, down from Apr's 60k:** this was the lowest since Mar 2023. Leisure & hospitality gained the most (+38k) while the professional & business services and education & health services sectors lost the most (17k and 13k respectively).
- **JOLTS job openings unexpectedly increased to 7.391mn in Apr** (Mar: 7.2mn); layoffs posted the biggest uptick in nine months (196k) but it was still a low 1.786mn. **There were 1.03 job openings for every unemployed person.**

- **Initial jobless claims in the US increased by 8k to a 7-month high of 247k** in the week ended May 30 and the 4-week average down by 4.5k to 235k. **Continuing jobless claims slipped** by 3k to 1.904mn in the week ended May 23.
- **The Fed's Beige book showed weakening economic activity, accompanied by rising costs and prices;** respondents also commented uncertainty was delaying hiring across the country.
- **Non-farm productivity in the US fell by 1.5% in Q1** (prelim: -0.8%), posting the first drop since Q2 2022, as output fell (-0.2%) despite an increase in hours worked (+1.3%). Unit labour costs increased by 6.6% in Q1 (revised higher vs the preliminary estimate of 5.7%).
- **US factory orders fell by 3.7% mom in Apr** (Mar: 3.4%) – **the first decline in five months, led by a tumble in transportation equipment (17.1%)** and a 51.5% plunge in commercial aircraft orders. Orders for non-defense capital goods excluding aircraft fell by 1.5%.
- **US goods and services trade deficit narrowed sharply to USD 61.6bn in Apr** (Mar: USD 140.5bn), **the smallest deficit since Sep 2023**, as imports plunged (-16.3% to USD 351bn) alongside a 3% increase in exports (to USD 289.4bn). The largest goods imbalance came with China (USD 19.7bn), followed by the EU (USD 17.9bn) and Vietnam (USD 14.5bn). Goods trade deficit narrowed to USD 87.4bn in Apr (Mar: USD 87.62bn).
- **S&P Global US manufacturing PMI eased to 52 in May** from the preliminary estimate of 52.3, while it is higher than Apr's reading of 50.2. With firms still worried about tariffs and trade policy, new orders increased (as frontloading continued) and output charge inflation was the highest since Nov 2022.
- **ISM manufacturing PMI in the US declined to 48.5 in May** (Apr: 48.7): new orders increased (47.6 from 47.2) as did employment (46.8 vs 46.5) but new export orders dropped sharply (40.1 from 43.1) while prices paid fell

(69.4 vs 69.8). **ISM services PMI contracted in May** (49.9 from Apr's 51.6), the first decline since Jun 2024, as new orders slipped (46.4 from 52.3) and prices paid rose (to 68.7 from 65.1) while employment rose (50.7 from 49).

Europe:

- **The ECB lowered interest rates, for the eighth time in a year, by 25bps to 2.0%**, the lowest level in more than two years. The central bank's hawkish message of being in a "good place" to tackle uncertainties indicated that a pause is getting closer. Markets reacted positively with euro rising to a 6-week high.
- **GDP in the eurozone grew by 0.6% qoq and 1.5% yoy in Q1** (prelim: 0.3% qoq and 1.2% yoy). Household consumption grew by 0.2% alongside flat government spending while gross fixed capital formation and exports increased by 1.8% and 1.9% respectively.
- **Inflation in the eurozone eased to 1.9% in May** (Apr: 2.2%), falling below the ECB's 2% target for the first time in seven months. Core inflation edged lower to 2.3% (from 2.7%) and **services inflation declined to 3.2%**, the lowest reading since Mar 2022.
- **Manufacturing PMI in the eurozone moved to 49.4 in May** (Apr: 49.0), with output rising for the third month in a row (quickest since Mar 2022) and new orders stabilising amid a drop in input costs (the fastest decline in 14 months). **Services PMI fell into a contractionary territory for the first time since Nov 2024**, to 49.7 in May (Apr: 50.1) while both input and output prices stayed higher than long-term averages.
- **Retail sales in the eurozone grew by 0.1% mom in Apr** (Mar: 0.4% mom), thanks to an increase in sales of automotive fuel (1.3% vs Apr's 0.6%) and food & drinks (0.5% from 0.1%). Sales edged lower in Germany (-1.1%) while it grew in Spain (0.7%) and France (0.3%). **In yoy**

terms, sales grew by 2.3%, a 6-month high and versus March's 1.9% gain.

- **Producer price index in the euro area slowed in Apr**, rising by 0.7% yoy compared to March's 1.9% uptick. This was **dragged down by the drop in energy prices** (-0.3% from Mar's +4.0% gain) and ease in intermediate and capital goods (0.4% and 1.6% respectively). In monthly terms, prices declined by 2.2%, the sharpest decline since Apr 2023.
- **Unemployment rate in the EU slowed to 6.2% in Apr**, down from Mar's downwardly revised 6.3%. **German unemployment rate was one of the lowest** (at 3.6%) while Spain and France were among the highest at 10.9% and 7.1% respectively. Youth unemployment rate slowed to a 4-month low of 14.4%.
- **Exports from Germany fell by 1.7% mom in Apr** (Mar: 1.2%), as gains from the frontloading faded, while imports grew by 3.9% (Mar: -1.4%). This narrowed the trade surplus to EUR 14.6bn in Apr (Mar: EUR 21.1bn). **US was the top recipient of German exports** (-10.5% mom to EUR 13bn, the lowest since Oct 2024) while exports to China and UK dropped by 5.9% and 2.1% to EUR 7bn and EUR 6.3bn respectively; exports to other EU nations ticked up 0.9%. **China was top source country for German imports** (-4.1% to EUR 13.9bn).
- **Industrial production in Germany fell by 1.4% mom and 1.8% yoy in Apr**, with production declining the most in pharmaceuticals (-17.7% mom). In contrast, **factory orders grew by 0.6% mom and 4.8% yoy in Apr** (Mar: 3.4% mom and 3.7% yoy) supported by strong demand, indicating a potential rebound in industrial activity. Domestic orders grew by 2.2% mom while non-euro area orders were down 0.9%.
- **Germany's manufacturing PMI slipped to 48.3 in May** (Apr: 48.4), staying below-50 for the 35th month in a row, with output rising supported by export orders alongside a fall in input costs (due to the strong euro, weak

demand and lower oil prices). **Services PMI declined to 47.1 in May** (Apr: 49.0), the sharpest decline since Nov 2022.

- **Manufacturing PMI in the UK grew to 46.4 in May** (Apr: 45.4), with output, new orders, employment and stocks of purchases contracting (though the former two showed signs of improvements), while both input costs and selling price inflation eased.

Asia Pacific:

- **China's Caixin manufacturing PMI unexpectedly dropped to 48.3 in May** (Apr: 50.4), the sharpest fall since Sep 2022 and the first reading below 50 in eight months. This was due to output shrinking for the first time in 19 months alongside a decline in foreign sales (lowest since Jul 2023) and employment continued to fall. **Services PMI rose to 51.1 in May** (Apr: 50.7), supported by new business even as new export orders fell for the first time in 2025.
- **Household spending in Japan fell by 0.1% yoy in Apr** (Mar: 2.1%), the second decline this year. Food expenditures rose by 0.3%, the first increase in eight months. Labour cash earnings grew by 2.3% yoy in Apr and **real wages fell by 1.8%** (falling for the fourth month in a row).
- **Leading economic index in Japan slipped to 103.4 in Apr** (Mar: 107.6), the lowest level since Aug 2020. Coincident index declined to a 5-month low of 115.5 (from 115.8).
- **Japan's manufacturing PMI rose to 49.4 in May** (prelim: 49.0 and Apr: 48.7), with subdued demand conditions leading to further reduction in factory output and lower sales and alongside rates of input cost and output charge inflation slowing to 14- and 47-month lows. **Services PMI moved up moderately to 51** (Apr: 50.8).
- **The Reserve Bank of India lowered the repo rate by 50bps**

to a three-year low of 5.5%, the third cut in a row, while the reverse repo rate was left unchanged by 3.3%. The governor stated that the cut was “imperative to stimulate domestic consumption and investment”.

- **India's manufacturing PMI slipped to 57.6 in May** (Apr: 58.3) as the increase in output and sales slowed though new export orders was among the strongest recorded in three years.
- **South Korea's GDP contracted by 0.2% qoq in Q1**, in line with the preliminary estimate and the first quarterly contraction in nine months. Exports declined by 0.6% qoq and private consumption fell by 0.1% on weak demand while investment in equipment plunged by 3.1%. In yoy terms, GDP was flat.
- **Inflation in South Korea cooled to a 5-month low of 1.9% yoy in May** (Apr: 2.1%) as petrol prices fell 2.3% while service prices increased 2.3% led by a 3.2% rise in dining-out expense. **Core inflation held steady at 2.3%.**
- **Singapore retail sales grew by 0.3% mom and 0.3% yoy in Apr** (Mar: -2.7% mom and 1.3% yoy). This was the second month in a row of yoy growth, with food and beverage sales growing by 1.2% (reversing Mar's 2.7% drop) and online sales accounting for 12.6% of total sales.
- **Manufacturing PMI in Singapore grew to 49.7 in May** (Apr: 49.6), the second consecutive month of sub-50 readings, with new export orders staying expansionary alongside weak employment.

Bottom line: Trade negotiations remain the focal point again – doubling of tariffs on steel and aluminium went into effect last week, and countries were encouraged to submit their best offer on trade negotiations given about a month's time till the end of the pause for majority of tariffs. Negotiations with China were back on track after the conversation between the two Presidents last week, though it remains to be seen what agreements can be hashed out in a short time frame – on the agenda will be Chinese exports of rare earths and China's

access to US products such as computer chips. In the backdrop of trade and tariffs uncertainty, the JP Morgan global manufacturing PMI fell to a 5-month low of 49.6 in May (Apr: 49.8) as the level of incoming new business and new export business declined for the second month in a row. The intermediate input costs will rise due to tariffs, impacting producer prices and eventually CPI, thereby negatively impacting manufacturing and industrial production. With lower inflation rates in the EU, the ECB is unlikely to lower rates further following the recent cut. The Fed – given growing debt and budget deficits – is unlikely to reduce rates. The US inflation reading for May will be carefully watched for the first signs of tariff-driven price hikes. Higher rates for longer are with us along with trade policy high uncertainty.

Regional Developments

- **The annual urban inflation in Egypt increased to 16.8% yoy in May (Apr: 13.9%), as food prices rose (11.0% yoy vs Apr's 6.0%) alongside a jump in housing & utilities costs (14.4% vs Apr's 13.9%) and transport prices (42.1% from 37.4%). On a monthly basis, inflation ticked up by 1.3%, the most in eight months.**
- **Egypt's PMI inched up to 49.5 in May (Apr: 48.5), with a decline in output as firms reported a drop in order book volumes and weak customer demand. Employment fell for the fourth month in a row, and input cost inflation stood at the highest this year driven by higher costs of fuel, cement and paper as well as volatile exchange rates.**
- **Exports from Egypt grew by 20.7% yoy to USD 4.62bn in Mar and imports were down by 10% yoy to USD 7.12bn, helping to narrow trade deficit to USD 2.5bn (-38.6% yoy).**
- **Egypt plans to offer stakes in 11 state-owned companies during the upcoming fiscal year 2025-26 of which five are affiliated with the Armed Forces' National Service**

Projects Organization. It was also revealed that while **private investments accelerated by 35.4% yoy in Q2 of fiscal year 2024-25** (accounting for 53.3% of total investments), public investments fell by 25.7% during the same period.

- **Egypt's net foreign assets fell** by USD 1.5bn to the equivalent of **USD 13.54bn in Apr. Net foreign reserves touched USD 48.52bn in end-May**, from USD 48.143bn at end-Apr. **Remittances into Egypt surged** by 82.7% yoy to USD 26.4bn in the period Jul 2024-Mar 2025; in Jan-Mar 2025, remittances up 86.6% yoy to USD 9.4bn.
- **Shipping through Red Sea has increased** by 60% to 36-37 ships a day from Aug 2024; this is still lower than the average 72-75 ships a day prior to the attacks that started in Nov 2023.
- **Startups investments in Egypt accelerated** by 130% yoy to USD 228mn in Jan-May 2025, according to the Ministerial Group for Entrepreneurship, when about 16 deals were executed. Fintech and proptech accounted for 32% and 32% of total investment volume.
- **PMI in Kuwait edged down to 53.9 in May** (Apr: 54.2), with strong output and new orders sub-indices. Employment was up for the third month in a row, input price inflation accelerated to its highest level since Mar 2024 and output prices rose to the most in almost a year.
- **Kuwait and Qatar signed a double taxation avoidance agreement** last week, enabling the two countries to enhance economic cooperation including in the financial sector.
- **PMI in Lebanon contracted for the third successive month in May**, falling to 48.9 (Apr: 49.0), as output and orders were dragged down by weak demand and high shipping costs in the backdrop of political uncertainty (at the domestic and regional levels).
- **Starlink**, the internet satellite provider, **received an initial approval from Lebanon to start operations** in the

country. As of end-2024, Lebanon had around 5.4 million internet users, roughly 90% of its population.

- The audited financial performance of **Oman's State General Budget for 2024** revealed that **revenues were OMR 12.78bn** (up 16% compared to the budgeted amount) thanks to oil revenues up 26% yoy to OMR 7.45bn and gas revenues up to OMR 1.82bn. Expenditures, at OMR 12.24bn in 2024, was 5% higher than the original allocation; development spending grew by 31% to OMR 1.5bn. This resulted in **an overall fiscal surplus of OMR 540mn at end-2024** versus a projected deficit of OMR 640mn. **Total outstanding debt was reduced to approximately OMR 14.6bn** thanks to public debt repayments to the tune of OMR 660mn last year.
- Of the **more than OMR 2.1bn** was disbursed in subsidies in **Oman last year**, the largest share went to the electricity sector (OMR 565mn) while the petroleum sector received OMR 232mn in fuel subsidies.
- The Central Bank of **Oman issued a regulatory framework**, effective 1st June, **supporting the establishment of digital banks**. More: <https://cbo.gov.om/Pages/DigitalBanking.aspx>
- According to India's minister of commerce and industry, **India and Oman are close to finalising a Free Trade Agreement** after negotiations formally began in Nov 2023. Oman is India's third-largest export destination among the GCC nations.
- **Qatar non-oil private sector PMI stayed expansionary for the 17th month in a row** in May, rising to 50.8 (Apr: 50.7).
- **Qatar posted a QAR 500mn (USD 133.3mn) deficit in Q1 2025** – its first budget deficit in over three years. Revenues were down by 7.5% yoy to QAR 49.4bn, of which non-oil revenues clocked in at QAR 6.9bn. Spending fell by 2.8% yoy to QAR 49.94bn.
- The GCC Secretary General was optimistic that **the single GCC tourist visa could be finalised by end of 2025**.

- **GCC financial markets total market cap fell by 4.4% yoy to USD 4.2trn in 2024**, according to the GCC Statistical Centre. This stands at roughly 3.5% of global market cap.
- **IATA forecasts an increase in net profits of airlines operating in the Middle East to USD 6.2bn this year (2024: USD 6.1bn)**. The region is also expected to generate the **highest net profit per passenger globally**.

Saudi Arabia Focus



- **Saudi Arabia's PMI inched up to 55.8 in May (Apr: 55.6)**, supported by a rebound in new orders (62.5 from 58.6) though new export orders grew at the slowest pace in seven months. Despite high costs, firms lowered selling prices to remain competitive, and overall business optimism for the year ahead jumped to an 18-month high.
- **The IPO of Saudi Arabia's low-cost airline flynas was 3.5 times oversubscribed by retail investors** following an even higher appetite from institutional investors (100X over the mark). Overall, 10.25mn shares were allocated to retail investors, or 20% of the total IPO size.
- The CEO of Saudi Exchange disclosed that **around 15% of the international investors in Saudi Arabia's qualified foreign investor programme were Asian as of end-May**.
- **Two IPOs –Alkhalidi Logistics and Dome International Investment- scheduled for the junior stock market has been declared void** though no reasons were specified for the cancellations.
- **Saudi Aramco completed its USD 5bn three-tranche bond issuance**: this was one of the largest issuances in London this year. The firm also published a new prospectus for sukuk, indicating a new issuance in the pipeline.
- **JP Morgan expects Saudi Arabia to issue USD 12.6bn in**

bonds until end of 2025, following the issuance of USD 14.4bn in Jan-May (largest emerging market issuer this year).

UAE Focus



- **UAE PMI slipped to 53.3 in May (Apr: 54), the lowest reading since Sep 2021**, with the output sub-index at 57.3 (Apr: 59.4) and new order sub-index dropping to a 7-month low of 56.2 (from 56.9). With a modest increase in input costs, companies raised selling prices (albeit marginally) for the fifth month in a row. Dubai's non-oil PMI held steady at 52.9 in May with new orders rising to a 4-month high.
- Reuters reported that **US-UAE agreed to begin bilateral trade negotiations during President Trump's visit to the UAE in May**. This would help UAE's steel and aluminium imports that are currently facing 50% tariffs.
- A survey of 5,700 HSBC clients across 13 countries found that **80% of UAE respondents expect the cost pressures to persist for the rest of the year** and 65% of UAE-based companies noted growing costs and a worsening outlook.
- **Brazil officially removed UAE from list of jurisdictions with preferential tax regimes**: this move is expected to further accelerate trade and investment. The UAE was Brazil's top Arab export destination in 2024, with bilateral trade at USD 4.3bn+.
- **Dubai topped the creative industries cluster FDI again in 2024, according to fDi Markets**, ahead of London and Singapore. Dubai attracted AED 18.86bn (USD 5.13bn, +60% yoy) in capital inflows to 971 creative industries projects (+8% yoy) and generated 23,517 new jobs (+9% yoy).
- **Bilateral trade between Dubai and Thailand expanded by 23% yoy to USD 6.5bn in 2024** while direct Thai investments in the emirate clocked in at USD 626mn over

the past five years, according to the CEO of Dubai Chambers.

- **Italy is the third-largest supplier of jewellery to the UAE** (following India and Turkey): in 2024, overall sales grew by 12% yoy to EUR 1.22bn. In Feb alone, Italian exports of jewellery grew by 24% to EUR 238mn, according to the Italian Trade Agency.

Media Review:

Debt is Higher and Rising Faster in 80 Percent of Global Economy

<https://www.imf.org/en/Blogs/Articles/2025/05/29/debt-is-higher-and-rising-faster-in-80-percent-of-global-economy>

US-UAE multi-billion-dollar AI data campus deal far from finalised: Reuters

<https://www.reuters.com/business/finance/us-uae-multi-billion-dollar-ai-data-campus-deal-far-finalised-sources-say-2025-06-06/>

Syria receives major wave of investments in six months since Assad's fall

<https://www.thenationalnews.com/business/economy/2025/06/07/syria-receives-major-wave-of-investments-in-six-months-since-assads-fall/>

Which universities will be hit hardest by Trump's war on foreign students? It's not the Ivy League

<https://www.economist.com/business/2025/06/03/which-universities-will-be-hit-hardest-by-trumps-war-on-foreign-students>

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