

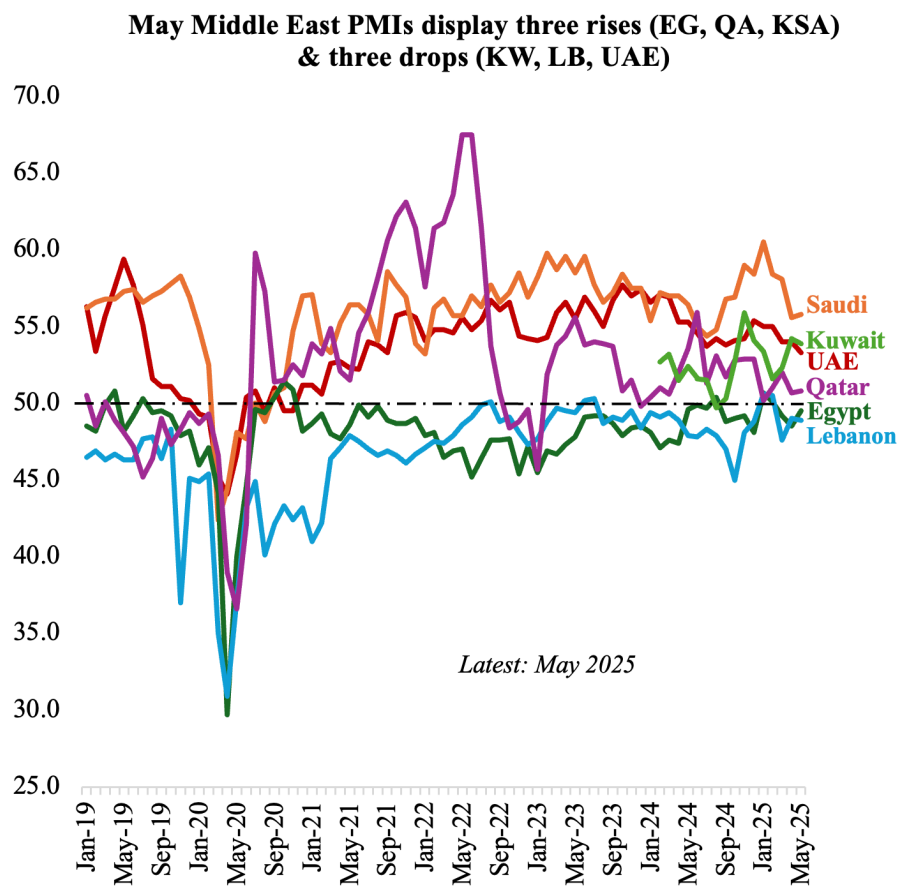
Diverging Macro Trends: Resilient GCC Growth Contrasts with Fragile Levant & North Africa Outlook Weekly Insights 13 Jun 2025

Middle East PMIs. Saudi Q1 GDP, IP. Qatar Q1 fiscal deficit.
Oman 2024 fiscal surplus.

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**Diverging Macro Trends: Resilient GCC Growth Contrasts with
Fragile Levant & North Africa Outlook Weekly Insights 13 Jun
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1. Divergent PMIs ha



Source: LSEG Workspace. Chart by Nasser Saidi & Associates

GCC PMI readings are expansionary; Lebanon & Egypt remain in contraction territory, Lebanon slips as Egypt gains one point

- **Saudi Arabia and Qatar PMIs recovered in May.** Saudi PMI, ahead of its regional peers, was supported by new orders (driven by strong demand & sales + industrial development) while in Qatar, growth was evident in some sectors (wholesale & retail, services) while new orders fell in construction & manufacturing.
- **UAE's PMI** was expansionary, but **fell to the lowest since Sep 2021**, as rate of expansion of new orders and output eased (latter slowest in nearly four years) new orders improved. Kuwait's PMI edged down by 0.3 points to 53.9, despite robust levels of output and new orders.
- **Labour market was strong in most GCC markets.** Rate of job creation was the joint-fastest since series began in **Kuwait** in Sep 2018 and third-highest rate on record in **Qatar** (marginal rise in construction). **Saudi Arabia's**

hiring rate was one of the fastest in over a decade and employment in the **UAE** increased to its highest in a year.

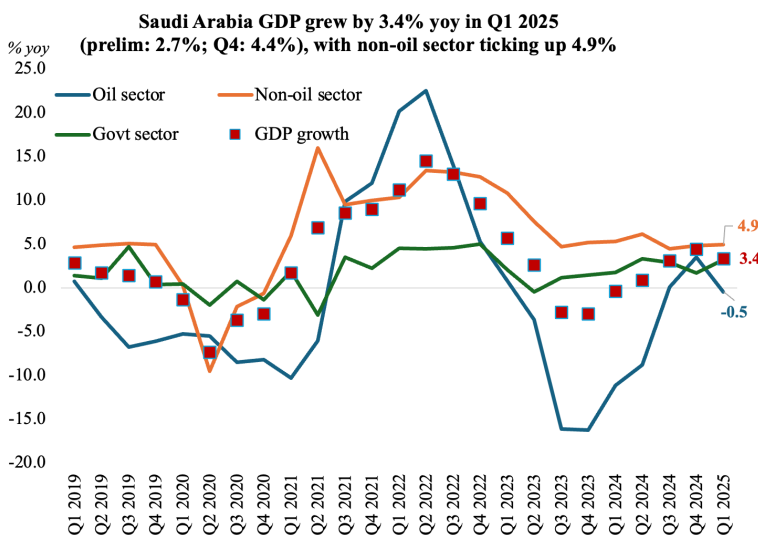
- **Input costs inflation slowed in the UAE to its lowest since Dec 2023**, but other GCC nations reported rising costs driven by higher wages & salaries (e.g. Qatar) and other costs (Kuwait respondents highlighted advertising, transportation etc).
- **Selling prices rose at a much slower pace in Qatar & Saudi** with businesses opting to absorb additional costs to maintain a competitive edge (in the former, prices charged fell for the tenth month in a row). However, in **output price inflation touched an 11-month high in Kuwait** and in the UAE, selling prices rose for the fifth month.
- **Lebanon's drop in PMI** was driven by weak demand and higher costs (that weighed on output & orders). Exports were referred to as a major drawback and international sales contracted amid ongoing domestic & regional uncertainty. **Egypt's slight uptick in PMI** stemmed from milder declines in output and new orders; increases reported in input costs (fastest pace this year) & selling prices (7-month high).

2. Saudi Arabia GDP expands by 3.4% yoy in Q1 2025, higher than preliminary estimate of 2.7%; non-oil sector accelerated by 4.9%

- **GDP in Saudi Arabia expanded by 3.4% yoy in Q1 2025**: while this was higher than the preliminary estimate of 2.7%, it was lower than Q4 2024's 4.4% gain. Growth was fastest in the non-oil sector (4.9% vs prelim 4.2%) even as oil sector contracted (-0.5% vs prelim -1.4%). Government sector growth (3.2% in Q1) was driven partly by increased spending on infrastructure as well as higher capital expenditure.
- **Non-oil sector drove expansion illustrates the growing**

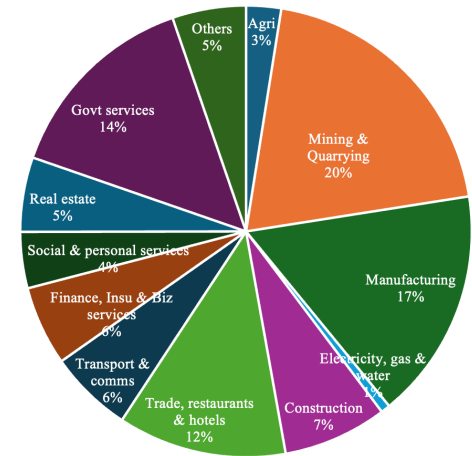
momentum of diversification efforts. Strong performance recorded in trade, restaurants & hotels (8.4% yoy), transport & communication (6.0%) and finance, insurance & business services (5.5%). Oil & gas sector was dragged down by output cuts amid softer global demand (-1.4% in Q1, reversing Q4's 0.6% gain), also lowering contribution to growth.

- **Mining and quarrying sector was the dominant sector in Q1 2025, accounting for one-fifth of overall GDP** while manufacturing had a significant 17% share alongside real estate & construction (12%).
- By expenditure components (at current prices), final consumption expenditure accounted for more than two-thirds of overall GDP in Q4 2024. **Gross fixed capital formation (GFCF) clocked in at SAR 375.7bn in Q1** – both government (5.9% share of GFCF, increased by 10.1% yoy) and non-government (94.1% share, growing by 8.4% yoy).



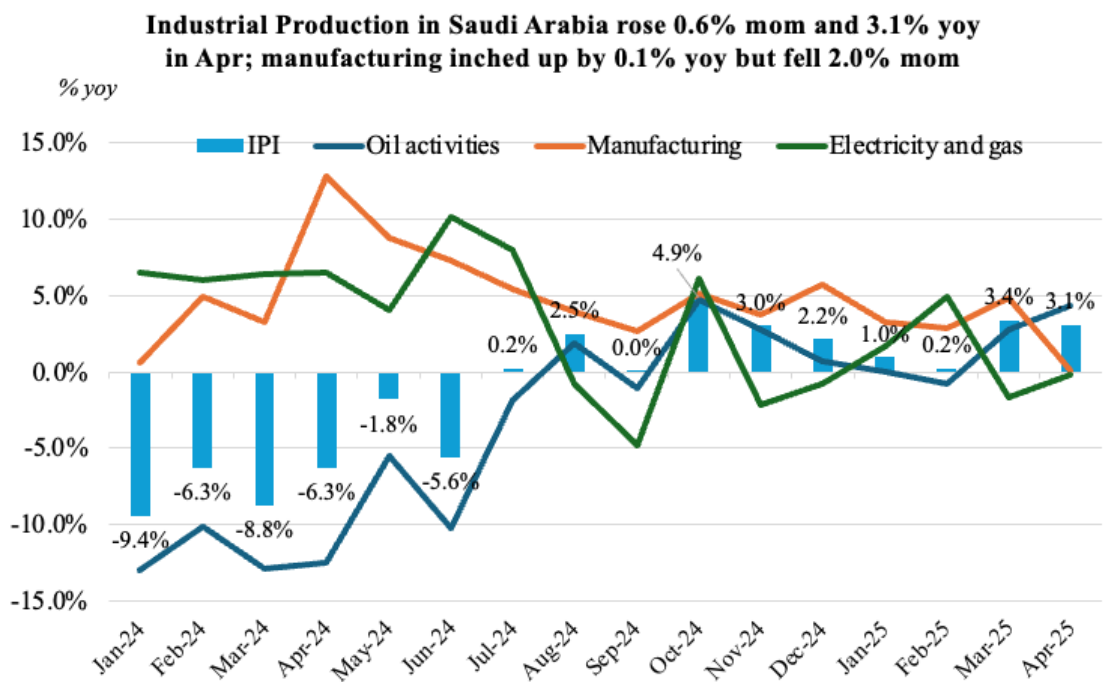
Source: General Authority for Statistics. Charts by Nasser Saidi & Associates.

Share of economic activity in KSA, by sector, Q1 2025



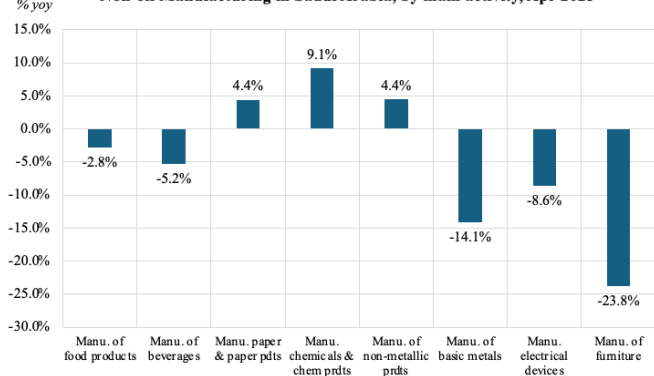
3. Saudi industrial production clocked gains for the tenth

month in a

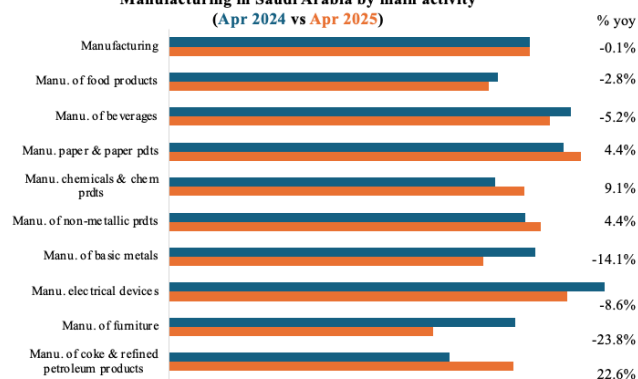


- **Industrial production in Saudi Arabia increased by 0.6% mom and 3.1% yoy in Apr** (from an upwardly revised 2.6% mom and 3.4% yoy in Mar). **Oil activities expanded by 1.6% mom and 4.3% yoy**, as oil production rose to 9.01mn barrels per day (bpd), up from 8.99mn a year ago. Manufacture of coke & refined petroleum products surged by 22.6% yoy and 5.8% mom.
- **Non-oil manufacturing activities** posted a decline of 2.0% mom (though it inched up by 0.1% yoy) in Apr. Within this segment, the manufacture of chemicals & chemical products was the fastest growing (9.1% yoy) followed by non-metallic products (4.43%).
- **Strategic diversification initiatives** (such as “Made in Saudi”) and **investments in non-oil sectors**(such as in green hydrogen, AI, robotics) will support IP growth. The Saudi Ministry of Industry & Mineral Resources disclosed that **90+ new industrial licenses were issued in Apr** (attracting an investment of SAR 2bn+, contributing to the creation of over 1427 jobs); in addition, 21 new mining licenses were issued, reflecting the aim of developing and increasing the contribution of the mining sector.

Non-oil Manufacturing in Saudi Arabia, by main activity, Apr 2025



Manufacturing in Saudi Arabia by main activity (Apr 2024 vs Apr 2025)

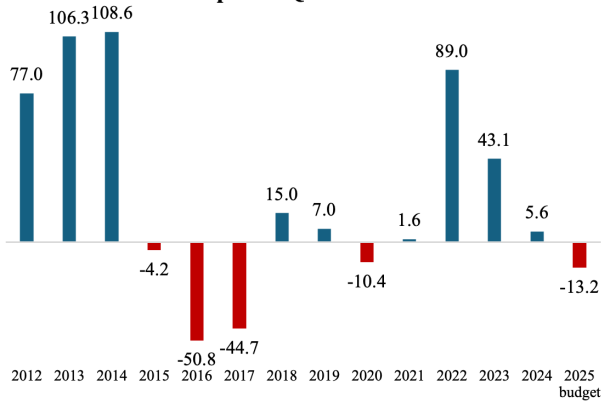


Source: GaStat. Charts by Nasser Saidi & Associates

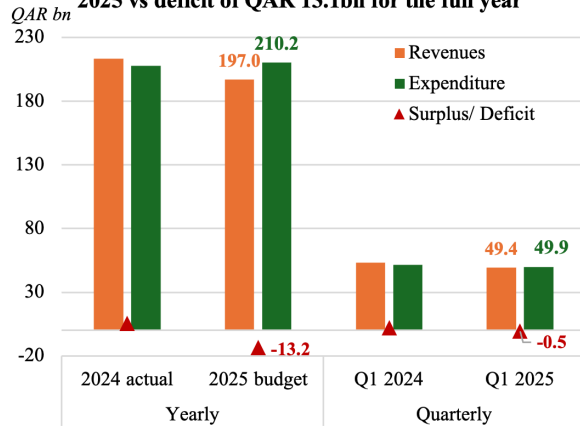
4. Qatar posted a modest fiscal deficit of QAR 0.5bn in Q1 2025; government 2025 budget places full-year deficit at QAR 13.2bn

- **Qatar** fiscal revenues touched QAR 49.4bn in Q1 2025; overall spending of QAR 49.9bn resulted in a **modest budget deficit** of QAR 0.5bn. The **deficit was financed through debt instruments**.
- This compares to the **QAR 13.2bn deficit** for the full year, as estimated in the government's **2025 budget** (released mid-Dec 2024) – following 4 consecutive surplus years.
- **Revenues declined by 7.5% yoy**, dragged down by a 10.1% drop in **oil and gas revenues** (to QAR 42.5bn).
- **Non-oil revenues surged by 13.1%** to QAR 6.9bn – this accounts for a **share of only 14.0% of total revenues**.
- **Total expenditures fell by 2.8% yoy** to QAR 49.9bn in Q1, of which **34% was wages and salaries** while another 26.3% went towards major projects. Only wages posted an increase in yoy terms, up 4.1% while spending on major projects declined by 10.0% to QAR 13.1bn (or 22.1% of the full year 2025 budget estimate).

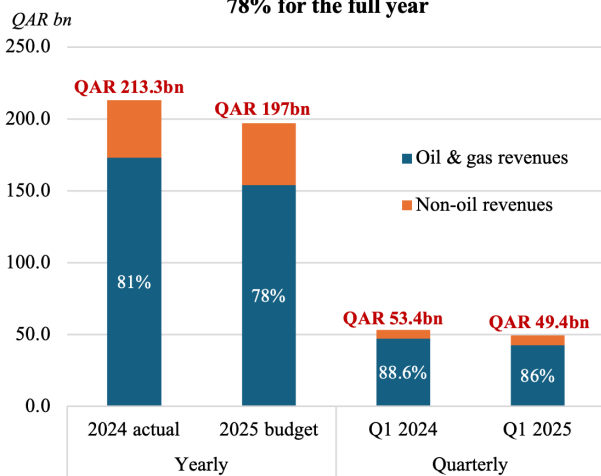
Qatar is forecast to post a deficit of QAR 13.2bn in 2025 following 4 consecutive surplus years; vs actual surplus of QAR 5.6bn in 2024



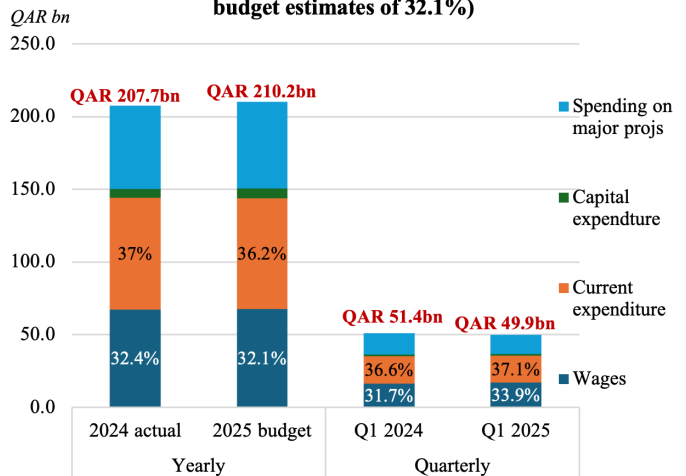
Qatar posted fiscal deficit of QAR 0.5bn in Q1 2025 vs deficit of QAR 13.1bn for the full year



Oil & gas revenues accounted for 86.0% of total revenues in Q1 2025 vs budget estimate at 78% for the full year



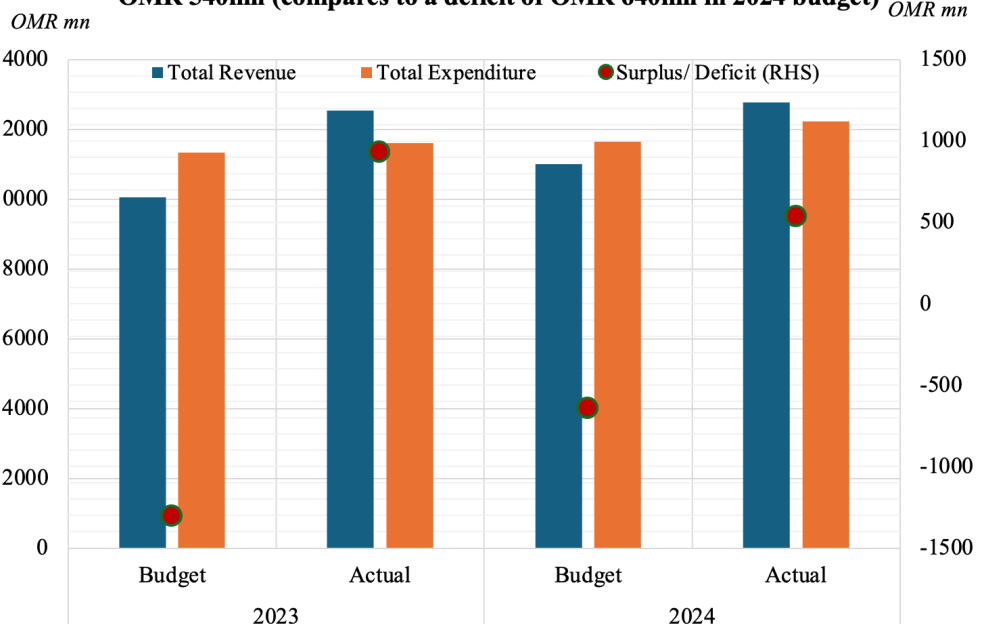
Spending on wages & salaries in Qatar accounted for just over 1/3-rd of overall spending in Q1 2025 (vs 2025 budget estimates of 32.1%)



Source: Qatar Ministry of Finance. Charts by Nasser Saidi & Associates

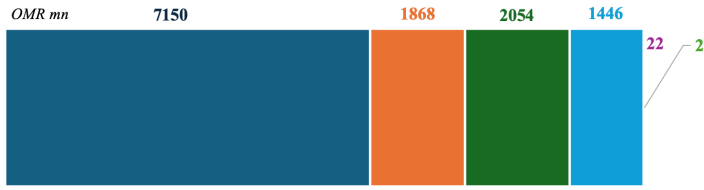
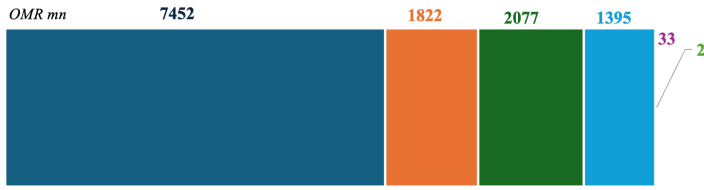
5. Oman's OMR 540mn fiscal surplus in '24

Oman: Fiscal revenue inched up by 1.9% yoy to OMR 12.8bn in 2024, and expenditure grew by a faster 5.5% leading to narrower surplus of OMR 540mn (compares to a deficit of OMR 640mn in 2024 budget)



- **In 2024, Oman recorded a budget surplus of OMR 540mn**, in contrast to the estimated deficit of OMR 640mn in the 2024 budget, due to the higher hydrocarbon revenue. However, this was narrower than 2023's surplus OMR 936mn. Both **revenues and spending grew** in 2024. **Average oil price was flat at \$82** (higher than \$60 in the 2024 budget), average daily oil production was down by 5.1% to 997k bpd.
- **Fiscal revenues grew by 1.9% yoy** to OMR 12.78bn in 2024: net oil revenues grew by 4.2% to OMR 7.5bn (and +26% vs 2024 budget) & net gas revenues fell by 2.5% to OMR 1.8bn. Together, net O&G accounted for almost three-quarters of revenues.
- Among non-hydrocarbon revenues, **tax and fees revenues topped** (59.2% share); within tax & fees, corporate income tax and VAT together accounted for a 61% share.
- **Expenditure increased by 5.5% yoy** to OMR 12.24bn in 2024: current expenditure edged down (-0.2% yoy to OMR 8.5bn, 70% of total spending). Development expenditure and contributions & other expenses surged by 9.9% yoy and 68% respectively to OMR 1.5bn and OMR 2.2bn.
- **Infrastructure and social infrastructure spending** accounted for 44% and 38% of total devt spending in 2024. **Electricity subsidy and social protection system** accounted for the lion's share of contributions & other expenses (48.2%).
- **Oman's public debt stood at OMR 14.6bn by end-2024**, down by OMR 660mn.

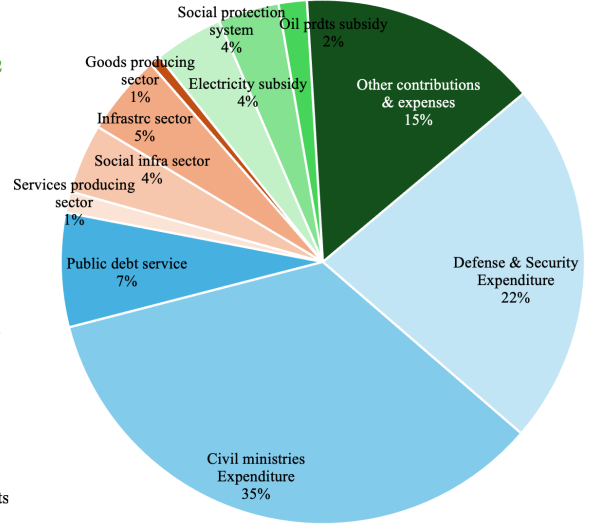
Oman's revenue inched up by 1.9% yoy to OMR 12.8bn in 2024. Net oil revenues accounted for 58% of total & tax revenues stood at 16.3%



■ Net Oil Rev ■ Net Gas Rev ■ Tax & fees rev ■ Non-tax rev ■ Capital rev ■ Capital repayments

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

Oman's total spending grew by 5.5% to OMR 12.24bn in 2024. Current expenditure accounted for 70% of the total



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