

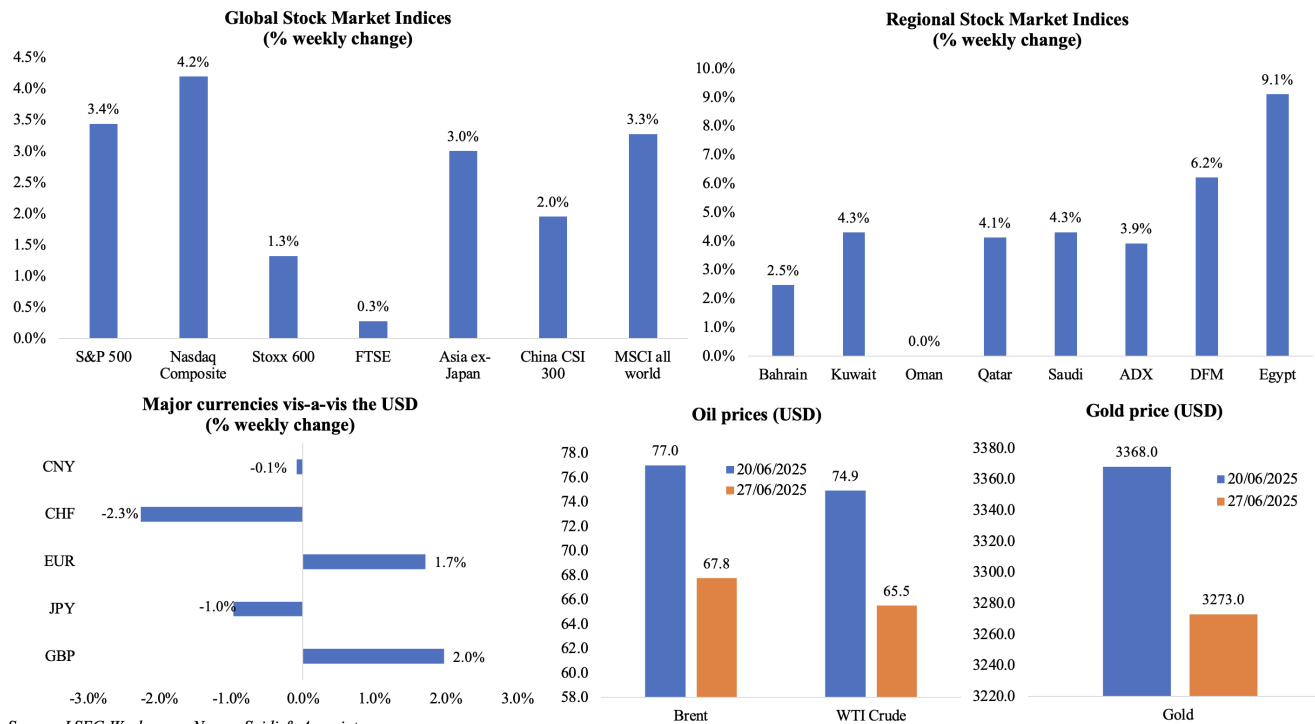
# Easing Geopolitical Tensions (for now) offset by Tariff Uncertainty, Weekly Economic Commentary, 30 Jun 2025

Download a PDF copy of the weekly economic commentary [here](#).

## Markets

Markets recovered last week following the Iran-Israel ceasefire and news related to easing US-China trade tensions. Both the S&P 500 and Nasdaq hit all-time highs also supported by expectations of a Fed rate cut. Regional markets were mostly higher, with Dubai index rising to its highest level in 17 years (and ending 6.2% higher than the week before). The US dollar clocked in the lowest levels in 3.5 years vis-à-vis the euro while later in the week, Trump's comments about ending trade talks with Canada led to gains. Oil prices were down by around 12% from a week ago, the most since Mar 2023, after reports of OPEC+ planned hike in Aug alongside lower risks of supply disruption on the back of the Israel-Iran ceasefire. Gold price fell for the second week in a row, by over 2% last week, as geopolitical risks seemingly eased.

Weekly % changes for the week ending 26-27 Jun from Jun 19 (regional) & Jun 20 (international)



## Global Developments

### US/Americas:

- **The US Senate is currently debating the “One Big Beautiful Bill”:** in its revised form, the proposal is expected to add around USD 3.3trn to total debt (which currently stands at a record USD 36.2trn) and remove health insurance for close to 12mn Americans. An increase in debt will result in higher interest debt service at a time of continued relatively high growth, adding to fiscal pressures and the growing budget deficit.
- **GDP in the US shrank at an annualised 0.5% rate in Q1,** revised down from the previous estimate of a 0.2% drop. This was partly due to the surge in imports (+37.9%, fastest since 2020) ahead of the tariff announcement, slow consumer spending (+0.5%, the slowest since 2020 and from 4% in Q4) and fall in federal government spending (-4.6%, the largest drop since Q1 2022). This quarterly setback stands in contrast to the robust yoy growth of 3.8%.

- **Personal income in the US fell by 0.4% mom in May** (Apr: 0.7%), the first decline since Sep 2021, alongside a **decline in spending** by 0.1% (Apr: +0.2%), partly due to the 50% plunge in motor vehicle sales – together highlighting consumer fragility. The personal savings rate declined to 4.5% in May (Apr: 4.9%).
- **The core PCE price index**, the Fed's preferred inflation indicator, **accelerated in May** – up 2.7% yoy from an upwardly revised 2.6% in May. This is likely to strengthen the case for the Fed to keep interest rates unchanged at the next meeting.
- **US durable goods orders surprised on the upside, growing by 16.4% yoy in May** (Apr: -6.6%), the sharpest increase since Jul 2014, boosted as China & US lowered tariffs on each other's exports. Non-defense capital goods orders excluding aircraft rebounded by 1.7% after tumbling by 1.4% in Apr, signaling resilience in business demand.
- **Goods trade deficit widened to USD 96.6bn in May** (Apr: USD 87.4bn), as exports fell (-5.2% mom to USD 179.2bn) and imports were little changed (USD 275.82bn). Industrial supplies posted the steepest fall in exports (-13.6%) while vehicle exports rose by 3.5%.
- **Current account deficit in the US swelled to USD 450.2bn in Q1** (Q4: USD 312bn), as goods deficit widened (to USD 466bn), services surplus narrowed (to USD 75.4bn from USD 78bn) and primary income moved to a deficit (of USD 7.6bn vs a USD 1.6bn surplus in Q4).
- **S&P Case Shiller home price index grew** by 3.4% yoy in Apr (Mar: 4.1%), the smallest gain since Aug 2023, indicating a moderation in price appreciation.
- **S&P Global US manufacturing PMI held at 52.0 in Jun**, as factory production rose and employment grew at the fastest pace in a year. **Input costs rose (two-thirds of respondents attributing this to tariffs)** to the highest since Jul 2022, and these were passed to consumers.
- **Housing data continues to show divergence. Existing home sales grew** by 0.8% mom to 4.03mn in May, the slowest May

since 2009, with high mortgage rates affecting sales; median home price were up 1.3% yoy to USD 422,800. **New home sales fell** by 13.7% mom (the largest decline since Jun 2022) to a 7-month low 623k in May; new housing inventory was the highest since late 2007. However, **pending home sales unexpectedly grew** by 1.8% mom in May (Apr: -6.3%), hinting at some near-term stabilization in buyer activity (supported by rising wages and job gains).

- **Manufacturing sentiment remained mixed across regional surveys.** **Richmond Fed manufacturing index eased** to -7 in Jun (May: -9), as orders sub-index slipped (-12 from -14) and shipments slowed (-3 from -10). **Chicago Fed national activity index slipped** to -0.28 in May (Apr: -0.25), with personal consumption & housing category and employment related indicators contributions worsened. **Kansas Fed manufacturing activity** provided a bright spot, **surging** to 5 in Jun (May: -10) and the future composite index rose (to 9 vs 5) as firms anticipate an uptick in production and orders over the next six months.
- **Michigan consumer sentiment index inched up to 60.7 in Jun** (prelim: 60.5; May: 52.2). Inflation expectations in one and five-years ahead eased to 5% and 4% respectively (from the preliminary readings of 5.1% and 4.1%).
- **Initial jobless claims in the US declined by 9k to 236k** in the week ended Jun 20 and the 4-week average slipped by 0.75k to 245k. **Continuing jobless claims increased** by 37k to 1.974mn in the week ended Jun 13, the highest total since Nov 6, 2021.

## Europe:

- **Eurozone's flash manufacturing PMI remained unchanged at 49.4 in Jun** and the Composite PMI Output Index was steady at 50.2. New orders stabilised while new exports orders posted a modest decline and employment was

marginally higher. The readings continue to be weighed down by weak external demand, elevated input costs, and cautious inventory management.

- **Economic sentiment indicator in the eurozone eased** to 94 in Jun (May: 94.8), as industry sector saw reduced confidence (-12 from -10.4) as did consumers (-15.3 from -15.1) and retailers (-7.5 from -7.2). The ESI remains well below its long-term average, suggesting a muted growth outlook. **Industrial confidence in the euro area fell** to -12 (from -10.4), given ongoing concerns around order books and production expectations.
- **German Ifo business climate index increased to 88.4 in Jun** (May: 87.5) as expectations rose to 90.7 (vs 89), the most since Apr 2023, while current assessment inched up to 86.2 (vs 86.1). Services sector improved strongly, supported by higher readings of future expectations.
- **Manufacturing PMI in Germany increased to a 34-month high of 49 in Jun** (May: 48.3), thanks to the strongest growth in new orders for more than three years. Services PMI business activity index moved higher to 49.4 (from 47.1 in May). These improvements could support broader domestic demand as the year progresses, especially with strong business optimism among manufacturers (above historical trend level).
- **GfK consumer confidence in Germany remains deeply negative**, worsening to -20.3 in Jul (Jun: -20), as propensity to save rose (13.9, the highest since Apr 2024) alongside weak willingness to buy (-6.2 from -6.4).

## **Asia Pacific:**

- **Tokyo's inflation eased to 3.1% in Jun** (Apr: 3.4%). CPI excluding food and energy eased to 3.1% (May: 3.3%). CPI excluding fresh food declined to 3.1% (from 3.6%) – the first easing since Feb – given a renewal of fuel subsidies and a reduction in water charges.

- **Leading economic index in Japan was revised up to 104.2** in Apr (prelim: 103.4) while the coincident index also moved up to 116 (from 115.5).
- **Unemployment rate in Japan stayed at 2.5% in May:** 1.83mn persons were out of work, and the fourth straight month of decline. About 68.38mn persons were employed (+720k from a month before), the highest since 1953.
- **Japan's retail sales grew by 2.2% yoy in May** (Apr: 3.5%), ticking up for the 38th consecutive month of growth. Large retailer sales grew by 2%, slowing from Apr's 3.3% gain.
- The preliminary reading of **Japan manufacturing PMI inched up to 50.4 in Jun** (May: 49.4), supported by increase in output and quicker uptick in employment amid weaker demand conditions that led to declines in new business and new export sales.
- **India's flash manufacturing PMI ticked up to 58.4 in Jun** (May: 57.6), thanks to a surge in new export orders and a series peak in employment growth while input and output prices rose but at a softer pace.
- **India posted a current account surplus of USD 13.5bn in Jan-Mar 2025** (or 1.3% of GDP), the first surplus in four quarters, according to the central bank. For the full year 2024-25, current account deficit stood at USD 23.3bn, lower than USD 26bn a year ago, partly due to higher net invisibles receipts.
- **Inflation in Singapore eased to 0.8% yoy in May** (Apr: 0.9%), the lowest since Feb 2021, on lower food prices (1.1% from 1.4%) and transport costs (1.7% from 1.8%). Core inflation moved down to 0.6% from a three-month high of 0.7%.
- **Singapore's industrial production grew by 3.9% yoy in May**, slowing from Apr's 5.6% increase, as electronics sector output ticked up by 3.9% (Apr: 14.6%). The biomedical manufacturing sector grew 6.1% yoy, reversing a 1.8% decline in Apr.

**Bottom line:** Even as the geopolitical risks seemed to diminish (relative to the week prior) for the time being, US trade tariffs-related economic uncertainty looms large ahead of the July 9 deadline. A major positive news in this regard was an announcement that the US and China agreed on how to expedite rare earths shipments to the US. A tiff with Canada escalated and President Trump announced on Friday that all negotiations with Canada was being stopped; following this, Canada over the weekend scrapped its planned digital service tax collection (targeting US tech firms, initially in effect from this Monday) and now negotiations are back on. Furthermore, US Treasury Secretary stated that the various trade deals being discussed currently could be done by the Labour Day holiday in early Sep. In this backdrop, flash PMI readings were subdued; US firms attributed steep price increases (input costs & selling prices) to tariffs, while Europe in contrast reported milder inflation rates. Trade tariffs and trade policy uncertainty along with continued geopolitical uncertainty will cloud the growth, capital flows and FDI flows into Q3 and the balance of the year affecting global growth. The US dollar performance in H1 2025 is hence not surprising: it posted a more than 10% drop versus a basket of currencies, the worst start since 1973. Separately, the high volatility of oil prices reinforces the need for conservatism in estimating and forecasting oil revenues and current accounts, and the need for diversifying non-oil government revenue.

### **Regional Developments**

- **Egypt plans to reduce external debt by USD 1-2bn annually**, disclosed the Presidency.
- According to the finance minister, **Egypt's tax revenues surged by 36% over the past 11 months**, partly on increased economic activity and expanded tax base and without the addition of any new taxes; tax facilitation measures resulted in additional declared taxes of EGP 54.76bn. The finance minister confirmed that the **new**

**budget will also not include any tax hikes** and also stated that the first phase of Egypt's property tax relief measures would be implemented in Q1 of the next fiscal year.

- **Remittances into Egypt surged by 77.1% yoy to USD 29.4bn in Jul 2024-Apr 2025**, according to the central bank. In Apr alone, remittances were up by 39% yoy to USD 3.0bn.
- **Egypt's Hurghada International Airport will be opened to the private sector** by end of this year in a bid to modernise its infrastructure and operations. This is part of a national strategy in partnership with the IFC – a new public-private participation model for the country's airports that will target 11 major airports.
- **Mobile phone subscriptions in Egypt increased to 120mn in 2024**; the year also saw a 10% growth in mobile internet usage and the first 5G network license being issued.
- **Kuwait plans to issue conventional and Islamic bonds worth around KWD 2bn** in a bid to finance the 2025-26 budget deficit. Local newspapers reported that local banks had been contacted by the central bank in this matter and that around KWD 500mn worth bonds will target local banks.
- **Nominal GDP in Oman grew by 4.7% yoy to OMR 10.5bn in Q1**, supported by an increase in the services sector (+4.2% to OMR 4.8bn) and within that the wholesale and retail trade sector (+3.3% to OMR 865.6mn).
- **Oman's** minister of commerce, industry and investment promotion disclosed that the **non-oil industrial sector grew by 8.6% yoy to OMR 3.6bn in 2024** (or 10% of GDP). Industrial exports rose to OMR 6.2bn, with the sector attracting OMR 2.5bn in FDI.
- **FDI into Oman grew by 20.6% yoy to OMR 5.23bn in Q1 2025. US was the largest source of FDI**, with a value of OMR 2.86bn in Q1 (+57.7% yoy), followed by UK (+21% to OMR 2.7bn). By sector, oil and gas accounted for the largest share (OMR 4.8bn, or 92% of total).



- **Labour force in Oman stood at 1.81mn workers in Q1**, up by a marginal 0.2% yoy, with the private sector accounting for 77.9% of the total. **Bangladesh, India and Pakistan together accounted for over 80%** of the expat labour in the country.
- **The Oman Investment Authority's assets grew by 6% yoy to OMR 20.4bn** (around 61.3% of OIA's portfolio is invested locally) and clocked in a **record profit of OMR 1.59bn in 2024**. The SWF also transferred OMR 800mn into the national budget. OIA plans to 30 more divestments through 2029 (vs 19 divestments since 2022, including three major IPOs).
- **Revenues from the six airports in Oman increased by 17% yoy to USD 272mn in 2024**, according to the Civil Aviation Authority. About 540k aircrafts (+14% yoy) and over 150k tonnes of cargo (+12%) were handled last year, with 34 airlines operating in the country.
- **Trade volume between Qatar and Saudi Arabia grew by 65% yoy to QAR 4.9bn in 2024**, according to Qatar Chamber.
- **The World Bank last week approved funding of** (a) USD 930mn, to extend and modernise **Iraq's** railways; (b) USD 250mn to reconstruct war-damaged infrastructure in **Lebanon** (as part of a broader USD 1bn recovery and reconstruction initiative called the Lebanon Emergency Assistance Project (LEAP)) and; (c) USD 146mn to **Syria** to restore and improve affordable electricity supply (after the 14 years of war left significant damage on grids and power stations).
- **LNG freight rates jumped to the most in eight months last week**, on the Israel-Iran conflicts and tanker availability. Tensions in the Middle East also send **war-risk insurance premiums** for shipments to the region higher.
- **MENA region attracted USD 27.8bn in renewables financing in the period 2010-2023**, with flows rising by 12%. For the period 2010-23, Egypt was among the top recipients, attracting a cumulative USD 5.9bn in financing, followed

closely by Morocco (USD 5.6bn) In 2023 alone, solar accounted for 40% of the commitments while Turkiye received over half the flows, followed by Tunisia, Morocco and Egypt.

- **The IIF revealed that capital inflows into UAE and Saudi Arabia were higher than outflows in 2024**, for the first time in more than a decade. Flows into the UAE and Saudi are estimated to rise further in 2025, together accounting for almost 75% of total flows across 6 nations (UAE, Saudi Arabia, Egypt, Lebanon, Nigeria and South Africa).
- **UAE and Saudi Arabia are estimated to attract 9800 millionaires** (highest net inflow globally) **and 2400** (fastest growth globally, up from 300 in 2024) respectively **this year**, according to the Henley Private Wealth Migration Report 2025. The report projects that 142k millionaires are expected to relocate globally in 2025.

### **Saudi Arabia Focus**



- **The IMF revised upwards Saudi Arabia's economic growth rate to 3.5% in 2025** (from previous estimate of 3.0%), thanks to "robust domestic demand – including from government-led projects" and the gradual phasing out of the oil production cuts. Non-oil growth is forecast at 3.4% (about 0.8% lower than 2024) and fiscal deficit will peak at 4.3% in 2025 (before declining to 3.3% by 2030, to be financed largely by borrowing). More: <https://www.imf.org/en/News/Articles/2025/06/25/saudi-arabia-concluding-statement-of-the-2025-article-iv-mission>
- **Saudi Arabia's exports fell by 10.9% yoy to SAR 90.3bn in Apr, dragged down by oil exports**. Including re-exports, non-oil exports were up 24.6% to SAR 28.4bn. Imports surged by 18.3%, narrowing the trade surplus to SAR 14.2bn (-61.7%). Chemical industry products

accounted for 26.4% of total non-oil exports and **China was the largest trade partner** (12.6% of exports and 25% of imports). Separately, oil exports accounted for 71.8% of total exports in Q1 2025, Asian nations received 74.6% of Saudi exports, and trade surplus widened to SAR 63bn (+52% qoq).

- **Net FDI inflows into Saudi Arabia touched SAR 22.2bn in Q1 2025**, up 44% yoy though the value was down by 7% qoq. Gross inflows were up 24% yoy to SAR 24bn, again lower by 6% qoq. **FDI outflows were down by 54% yoy to SAR 1.8bn.**
- **Unemployment rate among Saudi citizens fell to 6.3% in Q1 2025** (0.7% from Q4 and 1.3% from Q1 2024), with Saudi female unemployment trickling down to 10.5% (Q4: 11.9%; Q1 2024: 14.2%); the share of women's labour force participation rate also rose to 36.3% (the highest since Q3 2022).
- **Saudi IPOs on the Tadawul exchange raised a combined USD 2.8bn in H1 2025** from 6 offerings, with the flynas listing (that raised USD 1.1bn) leading market activity.
- **The number of point-of-sale transactions in Saudi education sector nearly doubled in the week ended June 21** (+98.1% to 110), alongside a 666% weekly rise to SAR 193.27mn. Overall value of PoS transactions dropped by 1.5% to SAR 10.9bn.
- **Saudi Arabia raised SAR 2.355bn from its sukuk issuances in Jun**, down by 42% from the highest monthly total recorded this year in May (SAR 4.08bn).
- **The second phase of Saudi Arabia's standardized industrial incentives program was launched last week** to attract high-value investment to support factories producing critical goods that are currently imported. Since the initial launch, the program received 118 applications, of which twelve reached the final qualification stage.
- **The value of contracts in Saudi Arabia's health, military, and infrastructure sectors grew by 18.75% to**

**SAR 38bn last year**, according to the Government Spending Report 2024. Infrastructure and transport saw investments total SAR 5.26bn while the education sector was allocated SAR 4.37bn.

- According to JODI statistics, **Saudi crude output ticked up by 0.54% mom to 9mn barrels per day in Apr** while crude exports were up by 7.16% to 6.17mn bpd.
- **Integrating digital technologies effectively will increase Saudi Arabia's industrial productivity by 15 to 25%**, disclosed Aramco's CEO. Digital economy in the country was valued at more than SAR 495bn in 2024, roughly 15% of GDP.
- **Saudi Arabia revised upwards its mineral wealth estimate after geological surveys found new deposits:** Najran's unexploited mineral wealth was valued at SAR 227bn (USD 60bn), up 56.6% from previous estimate (SAR 145bn), according to an assistant to the Saudi minister of industry and mineral wealth.

## **UAE Focus**



- **The UAE central bank's gold reserves grew by 19.3% yoy to AED 27.43bn at end-Mar.**
- **Dubai reported a 7% yoy increase in international travellers to 8.7mn in Jan-May 2025**, with 1.5mn clocked in the month of May. Visitors from Western Europe and GCC accounted for 22% and 15% respectively. Hotel occupancy inched up to 83% (from 81% a year ago) and average daily room rate also rose to AED 620 (+5% yoy).
- According to the World Travel and Tourism Council, **the UAE's travel and tourism sector contributed AED 257.3bn to GDP** (or 13% of the total): this was up 3.2% yoy and 26% higher compared to 2019. **Visitor spending rose by 2.4% yoy to AED 217.3bn in 2024** and is estimated to jump 5% to AED 228.5bn this year.
- **Indian firms were the largest new non-Emirati companies**

**registered in the Dubai Chamber of Commerce in Q1 – Indian firms grew by 4.4% to 4,543 – followed by Pakistani firms (2,154) and Egyptian firms (1,362).**

- **Fitch Ratings affirmed UAE's AA- rating, citing "moderate consolidated government debt, strong net external asset position and high GDP per capita". Abu Dhabi's rating was affirmed at AA with a stable outlook, thanks to fiscal surpluses and low debt levels.**
- **The Gulf Cooperation Council Interconnection Authority (GCCIA)-UAE interconnection expansion project allows to strengthen power connectivity between the GCC and the UAE: the Abu Dhabi Fund for Development and the GCCIA signed loan agreement (to the tune of AED 752mn) to support this expansion.**

#### **Media Review:**

**Dr. Nasser Saidi's interview with BBC World Business Report on Lebanon's road to economic recovery in light of the funding from the World Bank**

<https://www.bbc.co.uk/sounds/play/w3ct75vh> (from 7:00 mins onwards)

**The world is changing, the US market is not**

<https://www.ft.com/content/6d247f2b-0c0c-44e6-b6cc-25b3b9197091>

**Tracking SDG7: The Energy Progress Report 2025**

<https://trackingsdg7.esmap.org/data/files/download-documents/sdg7-report2025-0620-v6-highres.pdf>

**BIS Annual Economic Report**

<https://www.bis.org/publ/arpdf/ar2025e.htm> (webpage)

<https://www.bis.org/publ/arpdf/ar2025e.pdf> (PDF file)

**Powered by:**

