

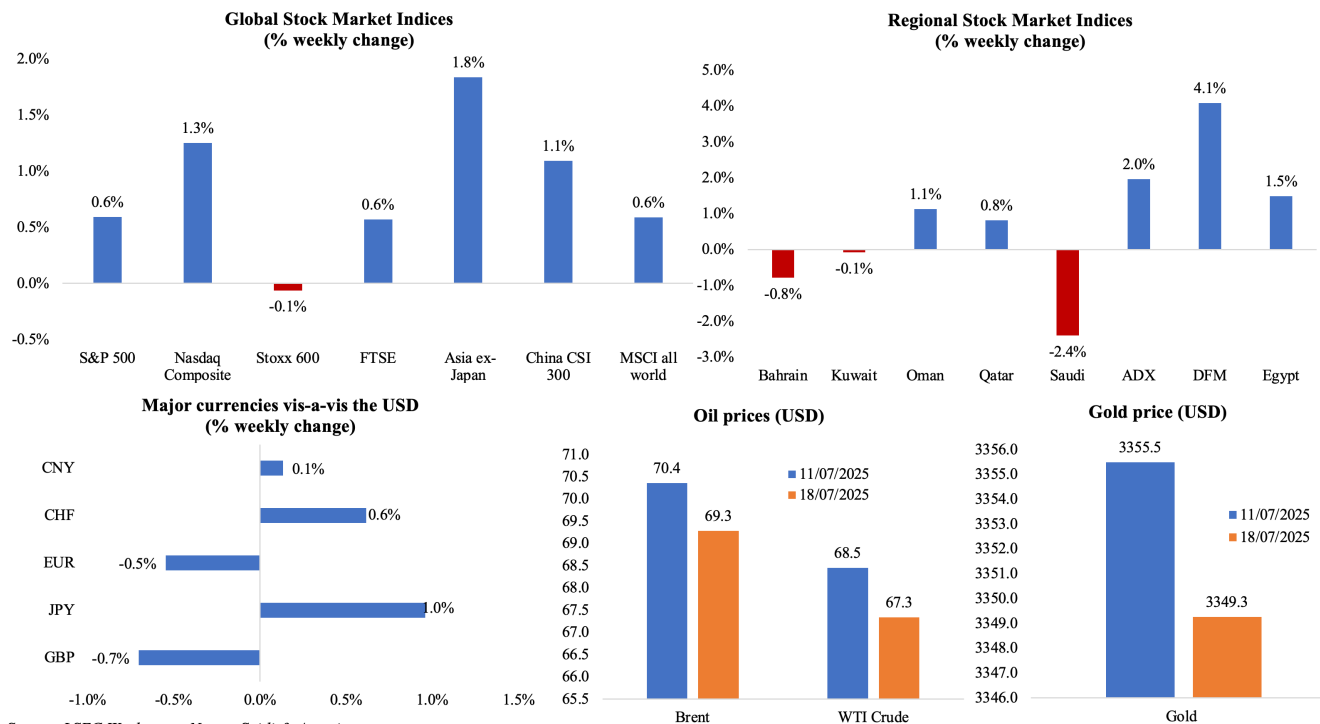
Earnings Soar, Oil Steadies & Emerging Opportunities in MENA, Weekly Economic Commentary, 21 Jul 2025

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Markets

Most major markets posted gains last week, with the S&P 500, Nasdaq and MSCI All country indices touching record highs last Friday, partly due to strong earnings reporting season and despite threats by President Trump of firing Fed Chairman Powell. FTSE100 reached 9000 points for the first time on Tuesday and Stoxx ended the week roughly flat. Regional markets were mixed, with many gaining on a boost from earnings while Saudi Arabia declined by 2.4% and the UAE markets (that were open on Friday) closed much higher on higher oil prices and EU sanctions on Russia (Abu Dhabi and Dubai up by 2.0% and 4.1% respectively). Among currencies, the Japanese yen fell to its weakest vis-à-vis the USD (down to the weakest since Apr 2) and the euro ended lower after news that Trump is considering a minimum tariff of 15-20% on the EU. Oil prices, both Brent and WTI, slipped by about two percent from the week before. Gold price weakened from the week earlier, on a stronger dollar and attractive equity markets.

Weekly % changes for the week ending 17-18 Jul from Jul 10 (regional) & Jul 11 (international)



Global Developments

US/Americas:

- **Inflation in the US increased to 2.7% yoy in Jun** (May: 2.4%), as food prices increased (3.0%) alongside persistent price pressures in services less energy services (3.6%) and housing (4.2%); core inflation inched up to 2.9% (from 2.8%). With inflation still higher than the Fed's 2% target, it is likely to maintain a cautious policy stance in the near-term (traders reduced bets on rate cuts).
- **Producer price index in the US eased to 2.3% yoy in Jun** (May: 2.6%), the lowest since Sep 2024, pointing to moderating cost pressures. Excluding food and energy, prices rose at a slower pace (2.6% yoy from 3.0%) – this was the smallest yoy gain since Jul 2024.
- **US industrial production rebounded in Jun, showing modest recovery.** IP was up by 0.3% mom (May: -0.2%) suggesting a stabilizing manufacturing base (+0.1%) and higher utilities production (+2.8%). Capacity utilisation moved up to 77.6% (from 77.4%), albeit below

its long-run average (of 79.6%). This improvement suggests that while the manufacturing sector remains fragile, it is not contracting significantly.

- **Fed Beige book underscored modest economic expansion:** there were regional differences in activity and price levels, but an underlying tone of cautious optimism among businesses. Businesses reported “modest” to “pronounced” input cost pressures and employment growth was limited. The Fed will likely interpret this as evidence that tight policy is working, but not yet warranting cuts.
- **NY Empire State manufacturing index turned positive in Jul**, to 5.5 from Jun’s -16. This was the **highest reading since Feb**, supported by new orders (-2.0 from -14.2) and shipments (11.5 from -7.2), suggesting improved operating conditions. Future business conditions index increased to 24.1, with firms becoming more optimistic.
- **Philadelphia Fed manufacturing survey surged to 15.9 in Jul** (Jun: -4), the first positive reading in 3 months, driven by increases in shipments (+15.4 to 23.7), new orders (+16 points to 18.4) and employment (+20 to 10.3). Price pressures (both paid & received) also increased.
- **Retail sales in the US grew by 0.6% mom and 3.9% yoy in Jun** (May: -0.9% mom and 3.3% yoy), **reflecting a resilient consumer**. Sales increased by 3.6% to USD 4.2trn in H1, thanks to gains across non-store retail (+6.4%), automotive (+5.1%) and food & beverage stores (2.6%) among others. With inflation ticking upwards and new tariff deadlines approaching, it seems likely that retail performance will moderate.
- **Building permits in the US moved up by 0.2% mom to 1.397mn in Jun**, thanks to multi-family units permits up by 8.1% to an annualised rate of 478k. **Housing starts rebounded, growing 4.6% mom to 1.321mn in Jun**, despite single-family homebuilding falling to an 11-month low (883k units). The modest gains indicate a gradual

adjustment of the housing market to higher interest rates, supported by expectations of a soft landing. Further normalization in mortgage rates could stimulate more activity in H2 2025.

- The preliminary reading of the **University of Michigan consumer sentiment index rose to 61.8 in Jul** (Jun: 60.7): current conditions moved higher to 66.8 (from 64.8) and expectations index rose (58.6 from 58.1). Inflation expectations moderated to the lowest since Feb, with the 1-year ahead figure easing to 4.4% (from 5%) and the 5-year reading at 3.6% (from 4%).
- **Initial jobless claims in the US dropped by 7k to a 3-month low of 221k** in the week ended Jul 11 and the 4-week average slipped by 6k to 229.5k. Initial claims filed by federal government employees climbed to the highest in 7 weeks (up by 158 to 596). **Continuing jobless claims moved up** to 1.956mn in the week ended Jul 4, from 1.954mn the week prior. Overall, the labour market remains tight.

Europe:

- **Industrial production in the eurozone grew by 1.7% mom and 3.7% yoy in May**, with energy production increasing by 3.7% mom and 2.6% yoy and non-durable consumer goods (8.5% mom). Pharmaceutical production expanded by 27.7% mom, a new all-time high (frontloading ahead of potential tariffs), and largely in Ireland.
- **ZEW's economic sentiment index in Germany leapt to 52.7 in Jul** (Jun: 47.5), reflecting optimism around the potential economic stimulus and expectations for a "quick resolution to the US-EU tariff dispute". The current situation indicator also improved, up 12.5 points to 59.5. Economic sentiment index for the euro area inched up to 36.1 (from 35.3). If confidence continues to rise, it may translate into stronger investment and hiring over the coming quarters.

- **German producer price index increased by 0.1% mom in Jun** (the first in seven months), reversing the 0.2% drop the month before. In yoy terms, PPI fell by 1.3% (May: -1.2%), due to lower energy costs (-6.4%) while it increased across non-durable consumer goods (3.6%) and capital goods (1.7%).
- **Inflation in the UK increased unexpectedly to 3.6% yoy in Jun** (May: 3.4%), the highest since Jan 2024, on food & drink prices (4.5%, the highest since Feb 2024) while private rents and services inflation were up by 6.7% and 4.7% respectively. Core CPI rose to 3.7% (from 3.5%) and retail price index increased 0.4% mom and 4.4% yoy (May: 0.2% mom and 4.3% yoy). This complicates the Bank of England's decision at the next policy meeting, after previously calling for a "gradual and careful" easing of interest rates.
- **UK average earnings eased in the three months to May**, up by 5% – slowing from the previous month's gain of 5.3% (excluding bonus) and 5.4% (including bonus). **Unemployment rate inched up to 4.7%** (from 4.6%), the highest rate since Jun 2021. Separately, **vacancies fell to 727k in Jun** – the 36th straight month of decline in the number of jobs advertised by employers. Weakening job market indicators will add to BoE's woes.
- **UK like-for-like retail sales accelerated by 2.7% yoy in Jun** (May: 0.6%), with increased food and non-food sales (up 4.1% and 2.2% respectively).

China:

- **GDP in China grew by 1.1% qoq and 5.2% yoy in Q2** (Q1: 1.2% qoq and 5.4% yoy), supported by an expansion in manufacturing (+6.4%), services (+5.5%) and exports (as firms frontloaded buying – a truce was reached in May, ahead of the tariffs deadline). **Advanced manufacturing products posted significant gains:** production of 3D printing devices were up 43.1% yoy while new energy

vehicles and industrial robots grew by 36.2% and 35.6% respectively. While headline growth remains robust for now, sustaining momentum in H2 will require stronger private sector confidence and policy support to boost weak domestic demand.

- **China's exports grew by 5.8% yoy in Jun** (May: 4.8%), alongside a 1.1% rise in imports (the first uptick since Feb 2025, and from May's -3.4%) resulting in a wider surplus of USD 114.8bn (May: USD 103.2bn). **Outbound shipments to the US surged 32% mom in Jun** following the agreement in May though it declined in yoy terms (-16.1% in Jun). Rare earth exports surged 32% mom and 60.3% yoy in Jun, as did steel (10%+ yoy), automobiles (27.4%) and integrated circuits (25.5%) among others. **In H1 2025**, exports from China grew by 5.9% yoy to USD 1.81trn: exports to the US fell by 10.7% alongside expansions in exports to ASEAN (+13%), EU (+6.9%) and Africa (+21.4%).
- **New loans disbursed in China surged in Jun to CNY 2.24bn – a seasonal surge**, this was triple May's CNY 620bn and higher than Jun 2024's CNY 2.13trn. Outstanding loan growth held steady at 7.1%, recording the lowest levels since 1998 while growth of outstanding total social financing rose to 8.9%, the highest since Feb 2024 (May: 8.7%). **Money supply grew by 8.3%**, the fastest since May 2024, following a 7.9% gain in May.
- **China's industrial production grew by 6.8% in Jun** (May: 5.8%), possibly a reflection of the trade truce with the US. **Retail sales increased by 4.8%**, slowing from the previous month's 6.4% uptick.
- **Fixed asset investment into China grew by 2.8% in H1 2025**, slower than the 3.7% increase clocked in during the Jan-May period. Excluding real estate (that fell by 11.2%), investment rose 6.6%, led by infrastructure (+4.6%) and manufacturing (+7.5%). Weakness in the real estate sector and private manufacturing investment continue to weigh on capital formation.

Asia Pacific:

- **Japan's inflation eased to 3.3% in Jun** (May: 3.5%) while excluding food and energy, prices rose to 3.4% (from 3.3%). **Core inflation** (i.e excluding only fresh food) **moved lower to 3.3%** (from 3.7%) though higher than the BoJ's target of 2% for the 39th month in a row.
- **Industrial production in Japan fell** by 0.1% mom and 2.4% yoy in May (Apr: 0.5% mom and -1.8% yoy). The contraction highlights ongoing weakness in external demand and declines in production of transport equipment excluding motor vehicles (-19.2% vs -4.1% in Apr), electronic parts and devices (-14.8% vs 5.1%), and information & communication electronics equipment (-5.4% vs 11.4%).
- **Exports from Japan fell for the second consecutive month in Jun, down by 0.5% yoy** (May: -1.7%) while imports rose by a small 0.2% (from the 7.7% drop recorded in May). **Trade surplus narrowed** to JPY 153.1bn (from JPY 638.6bn). The slowdown in trade underscores the drag from US (-11.4% yoy, with auto exports plummeting 26.7%), China (-4.7% yoy) and regional electronics demand.
- **Wholesale price inflation in India declined in Jun**, down by 0.13% (May: 0.39%) – this was the first drop since Oct 2023. Food prices fell for the first time since Jun 2023 (-0.26% vs 1.72% in May) and fuel prices were down by 2.65% (May: -2.27%).
- **India's goods trade deficit narrowed to USD 18.78bn in Jun** (May: USD 21.88bn), as imports shrank (-3.71% yoy to USD 53.92bn) while exports posted a marginal dip (-0.06% to USD 35.14bn). Including services trade surplus of USD 15.62bn, resulted in the overall trade deficit (goods & services) narrowed to USD 3.51bn (Jun 2024: USD 7.30bn).
- **Singapore GDP grew by 1.4% qoq and 4.3% yoy in Q2** (Q1: -0.5% qoq and 4.1% yoy), with the rebound attributed to gains in manufacturing (5.5% yoy vs Q1's 4.4%),

construction (4.9% yoy vs Q1's 5.1%; 4.4% qoq from -1.8%) and wholesale & retail trade (4.8% yoy vs Q1's 4.6%).

Bottom line: Tariff news continues to trickle in, with the latest an announcement from President Trump that a trade deal had been reached with Indonesia. It was revealed that tariffs were being reduced to 19% from 32% and would include “full access” for US firms – though the details and exemptions are still being negotiated, according to officials. Separately, FT reported that the US President is pushing for a 15-20% minimum tariff in negotiations with the EU, unhappy with the offers being discussed (including on cars). The ECB meets this week and is widely expected to keep rates unchanged after eight rate cuts in a row. More than the immediate cut, focus will be on the narrative for the months ahead – whether another cut would come in September or later this year. In the US, a slightly higher Jun inflation reading is seen as a reflection of higher tariffs – the broad Fed narrative has not changed much for now, as the economy and job market are strong enough to warrant a “wait and watch” approach.

Regional Developments

- **Bahrain plans to invest more than USD 17bn in the US**, including the purchase of 12 Boeing aircrafts (with an option for 6 more) and 36 GE engines for Gulf Air. US officials also stated that **deals were also expected with Oracle and Cisco**. Furthermore, an interim agreement was signed to **cooperate on the development of civil nuclear energy**.
- The **IMF staff report for the fourth review of Egypt's program highlights mixed progress on structural reforms**, with limited progress in reducing the role of state- and military owned firms. The IMF expects Egypt's **primary balance surplus to reach 4% of GDP in 2025-26**, 0.5% lower than prior commitments, and **external debt to rise to USD 202bn by 2029-30** from USD 162.7bn in 2024-25.

Access the report [here](#).

- **Egypt granted golden licenses for three strategic projects:** one of the projects is Masdar IPH Wind Energy LLC's 200 MW wind energy project, that is estimated to begin operations by end-May 2027.
- **Egypt paid USD 1bn in outstanding dues to foreign oil firms** in the first week of July; remaining debt of close to USD 2.5bn is to be settled by Sep, revealed a senior official to Asharq Business.
- **Revenue from mineral wealth development in Egypt surged by 131% yoy to USD 446mn in 2024-25**, revealed the minister of petroleum and mineral resources. Strong gold and silver output, up 14% to 640k ounces, contributed to this increase.
- **VAT on alcohol and cigarettes was hiked in Egypt and taking effect from Nov:** VAT on cigarettes will rise each year by 12% while VAT on alcohol will be raised by 15% annually for next three years and then the increase will fall back to 12%.
- **Iraq's government inaugurated the rebuilt Mosul International Airport:** it took almost five years to rebuild, and the airport will begin operations "within two months after a specialised company is selected to operate and manage it" according to the PM.
- The CEO of **the Kuwait Stock Exchange** disclosed that the exchange **will restart listing of ETFs, sukuk and bonds in 2025**, after having completed the required IT infrastructure and testing to enable such trading.
- **Kuwait's** ministry of commerce and industry **issued 9,881 new company licenses in Q1 2025**, up 9.4% yoy. Micro and freelance licenses jumped to 1,453 from 1,000 in Q1 2024.
- **Lebanon is facing a water crisis.** A decline in rainfall and pressure on groundwater has led to **historic low water levels at Lebanon's largest reservoir** on the Litani River, reported Reuters. Water levels fell to 45mn cubic meters during the wet season this year, and

pales in comparison to last year's 230mn and annual average of 350mn cubic metres. This will affect negatively agriculture production, domestic water supplies and hydroelectricity.

- **Oman's natural gas reserves ticked up** to 23.3trn cubic feet (tcf) in 2024 from 23 tcf a year ago while oil reserves fell by 3% to 4.8bn barrels by end-2024; average price for Omani crude stood at USD 81 in 2024. **Oman's localisation rate in the oil and gas industry reached 89% last year**, employing 17,900 citizens. State-owned Petroleum Development Oman accounted for 62% of Oman's crude oil and condensate volumes in 2024.
- **The share of renewables in Oman's electricity production more than doubled** to nearly 12% in Jan-May 2025 compared to 5% at end-Dec 2024. Oman is currently tendering five wind power projects with over 1 GW capacity at an investment of OMR 450mn (USD 1.2bn).
- **Hotel revenues in Oman grew by 18.5% yoy** to OMR 128.43mn by end-May, according to NCSI data, driven by an increase in guests (8.6% yoy to 990,240) and higher occupancy rates (58.3% from 50.8% in May 2024). Visitors from Asia grew by 3.8% to 138k while those from the GCC up 13% to 65,998.
- **Qatar** fiscal revenues grew 21.1% qoq to QAR 59.8bn in Q2; overall spending of QAR 59.847bn (+21.4% qoq) resulted in an uptick in **budget deficit** of QAR 757mn. In yoy terms, revenues eased by 0.1%. **Oil and gas revenues fell** by 19.9% qoq to QAR 34.0bn in Q2. Share of total revenues stood at 56.9%. **Non-oil revenues surged** almost four times from Q1 and 37.3% yoy to QAR 25.8bn in Q2. **Total expenditures grew** by 21.4% qoq and 5.7% yoy to QAR 60.6bn in Q2, of which 30% was wages and salaries while another 28.9% went towards major projects.
- **Syria announced an overhaul of its tax reforms** in a bid to raise fiscal revenues, boost transparency and attract foreign investment. As per the new draft (under consultation till July 30th), individuals earning less

than USD 12k annually will be fully exempt from income tax, and corporate tax rates will be tailored according to sector of operation; in addition, digital systems will be introduced to reduce tax evasion and increase compliance.

- US Treasury holdings by **Saudi Arabia** declined by 4.6% mom and 6.3% yoy to USD 127.7bn **in May though it remained the 17th largest global investor. UAE holdings declined** by 8.24% mom to USD 103.6bn but remained the 19th largest holder of US Treasuries (however, in yoy terms, UAE holding were up by 46.3%). **Kuwait gained** by 5.2% mom & 23.4% yoy **to a new record high USD 57.02bn in May** (previous high: USD 54.2bn Apr 2025).
- **Middle East's trade surplus with Japan narrowed** 8% yoy to JPY 382.4bn (USD 2.5bn) in Jun, with exports from the Middle East down by 21.2% while imports from Japan grew by 17.6% (thanks to demand for automobiles and machinery).
- **Saudi Arabia topped venture capital activity in the MENA region in H1 2025**, raising USD 860mn (+116% yoy) from 114 deals (+31% yoy), according to a recent MAGNiTT report. The UAE raised USD 447mn (+84%) from 114 deals (+10%) during H1 2025 while Turkey and Egypt raised USD 226mn and USD 185mn respectively. Fintech accounted for 38% of VC funding in H1.

Saudi Arabia Focus



- **Inflation in Saudi Arabia held almost steady at 2.27% in Jun** (May: 2.22%), as prices eased in food & beverages (1.53% vs May's 1.59%), housing & utilities (6.5% vs 6.8%) and restaurants & hotels (1.64% from 1.8%) while recreation & culture prices edged up (0.05% from -0.58%). Housing costs eased slightly in Mar (6.5% from 6.8%) as **rental costs slowed** (7.6% from 8.1%). **CPI averaged 2.18% in H1 2025** vs 1.61% in H1 2024, with the

increase stemming from food & beverages (1.54% from 1.09%). Housing & utilities remained the highest across all components but eased to an average 7.03% from 8.49% in H1 2024

- **Wholesale prices in Saudi Arabia moved up for the third consecutive month**, to 2.1% in Jun (May: 2.04%), due to upticks in agriculture & fishery (4.38% vs 4.35%) and other transportable goods (4.45% from 4.31%); deflation continued in ores & minerals (-1.13% from -1.46%). **Average wholesale prices more than halved to 1.68% in H1 2025** (vs H1 2024: 3.49%), as prices of “other transportable goods” plunged (3.5% vs 8.53%), in addition to “metal products, machinery & equipment” (-0.28% vs -0.51%) and food products (0.07% vs 2.05%); costs of agriculture & fishery surged (4.22% from -0.17%).
- **The industrial and logistics sector in Saudi Arabia added SAR 986bn to non-oil GDP** in 2024 (or 39% of the total), according to a report from the National Industrial Development and Logistics Program. Employees in the sector crossed 2.43mn, with more than 508k new jobs created last year (of which 81k+ were Saudi nationals).
- **Saudi Arabia announced a new low-cost airline with a fleet of 45 planes** – to be ready by 2030, the flights will operate from and to the King Fahd international airport in Dammam (catering to 24 domestic destinations and 57 international destinations).
- **Saudi Arabia attracted USD 32bn in mining investments** – for projects in iron, phosphate, aluminum, and copper – almost one-third of the aim to attract USD 100bn into the sector by 2030. The vice minister of industry and mineral resources also stated that **the number of exploration firms rose to 132** (60% SMEs and up from just six in 2019) and that mineral exploration spending had quadrupled since 2018, reaching USD 100 per square km, with an annual growth rate of 32%.

- **Saudi Sport Clubs Company's retail IPO was 534% oversubscribed:** 259,690 retail investors placed orders of SAR 248mn at the final offer price of SAR7.5 per share.
- Feasibility studies for **a direct shipping line between Saudi Arabia and Morocco** is expected to be completed by end-2025. The line **will reduce transit time to four days** from four weeks. Bilateral trade clocked in USD 2.9bn in 2024, and Saudi exports to Morocco was USD 2.7bn.
- **Aramco** is in talks with a group led by BlackRock regarding a **Jafurah investment deal:** this is to invest USD 10bn in a pipeline and gas-fired power plants and is expected to be similar to the two "lease and lease-back" deals signed by Aramco in 2021.
- **Saudi Arabia signed deals for five new solar and two new wind power projects** – together, the projects are expected to generate 15k MW (12k MW of solar PV and 3k MW of wind energy), with investments worth USD 8bn. The projects, jointly owned by ACWA Power, Badeel, and SAPCO, are scheduled to begin operations between the H2 2027 and H1 2028.
- **China's BYD plans to add seven showrooms in Saudi by H2 2026:** the company aims to sell more than 5000 vehicles this year in Saudi Arabia.
- Bloomberg reported that **Musk's xAI was in discussions to lease data centre capacity in Saudi Arabia.** One of the firms it is in discussion with is developing a 200MW facility.

UAE Focus



- **UAE's Ministry of Finance launched its 2027-29 budget cycle,** projected to reach AED 900bn (same as the previous four consecutive cycles); it will integrate AI into the process and highlight a performance-based approach. Also disclosed was that **public debt levels**

were stable at AED 62.1bn of Jun 2025 and federal government assets had risen to around AED 464.4bn by end-2024.

- **UAE MoF and FTA announced a change to excise tax on sugar sweetened beverages** – from the current flat rate, it will be revised to a higher tax per litre if sugar content per 100 ml is higher. This will be applicable from the beginning of next year.
- **A consortium of Turkish and Chinese firms developing the AED 20.5bn Dubai Metro Blue Line project has secured green financing from Emirates NBD** (under the “clean transportation” category). No further details were provided.
- **Business licenses issued by the DED in Ras Al Khaimah grew by 17.6% yoy to 1,219 in H1 2025**, with industrial licenses growing the fastest (111%) followed by professional licenses (20%) and commercial licenses (12.6%).
- **Etihad Airways passengers grew by 17% yoy to 10.2mn in H1 2025**, with Jun alone transporting 1.8mn passengers (+16% yoy). The airline is opening new routes – to Medina starting Nov 2025 and 6 others from Mar 2026.
- **Dubai climbed five places to the seventh of most expensive cities globally**, as per the Swiss wealth manager Julius Baer Group, largely a result of higher prices of high-end cars (12.5%) and luxury property (17%+). The list was topped by Singapore, London and Hong Kong.
- **UAE-based Wizz Air announced that it would cease operations from Sep 1st**. This was partly due to challenges with the flights geared turbofan (GTF) engines that resulted in the grounding of almost one-fifth of the fleet.
- **Adnoc Gas signed an agreement with Germany's Securing Energy for Europe (Seife) to supply LNG for three years**. Seife has the discretion to decide on its delivery destinations.

Media Review:

Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world (Dr. Nasser Saidi's oped)

<https://www.agbi.com/opinion/trade/2025/07/tariffs-taco-and-cepas-diverging-trade-paths-in-a-fragmenting-world/>

Syria at the crossroads: From sanctions and collapse to redevelopment and reintegration (Dr. Nasser Saidi's oped)

<https://www.thenationalnews.com/business/economy/2025/07/18/syria-at-the-crossroads-from-sanctions-and-collapse-to-redevelopment-and-reintegration/>

Donald Trump: six months in six charts

<https://www.ft.com/content/bba4bc2f-2619-49a1-b81b-36e82bef768a>

How far off is dollar doom?

<https://www.economist.com/finance-and-economics/2025/07/20/how-far-off-is-dollar-doom>

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