Uncertainty the New Normal: Trade Wars, Ceasefires & Regional Momentum, Weekly Economic Commentary 13 Oct 2025

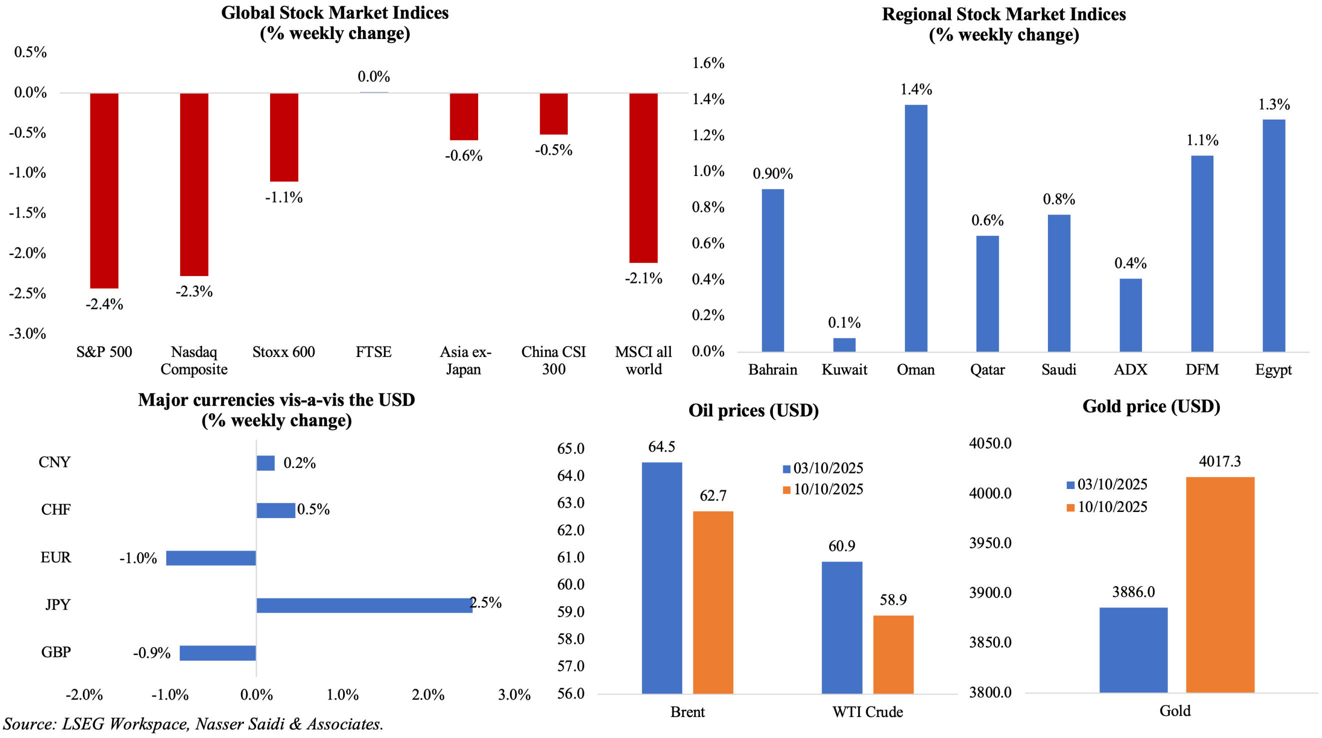
Download a PDF copy of the weekly economic commentary [here](#).

Markets

Major stock markets tumbled last week, after US President Trump threatened to impose 100% tariffs on China after Beijing said it would expand export restrictions on rare earths. US stocks suffered their biggest one-day drop since April while Cboe's Vix, a measure of stock market volatility, jumped to its highest level since June. Regional markets ended on a positive note last week (markets closed before these statements, though it fell when it opened on Sunday). Though the dollar dropped following Trump's statements, it posted a weekly gain; GBP fell to 2-months lows on Friday while JPY and EUR were affected by fiscal concerns. Brent crude and WTO declined following a ceasefire agreement between Israel and Hamas, reducing geopolitical fears that had been impacting supply. Gold prices surged to a record high above USD 4,000 per ounce, with the spike attributed to heightened demand for safe-haven assets amid economic and political tensions. Silver price also rallied to a record-high.

Asian markets slid on Monday despite indications of a reconciliatory tone related to US-China tariff tiffs: CSI300 Index fell 0.5% and MSCI's broadest index of Asia-Pacific shares ex-Japan tumbled 1.5%. European shares opened higher and US stock futures were up more than 1%.

Weekly % changes for the week ending 9-10 Oct from Oct 2 (regional) & Oct 3 (international)



Source: LSEG Workspace, Nasser Saidi & Associates.

Global Developments

US/Americas:

- **US-China trade war fears were reignited last Friday when President Trump threatened to impose 100% tariffs on Chinese imports** (to take effect from Nov 1st). This followed China's move to restrict exports of rare-earth minerals, that are required for tech hardware. This triggered massive declines on the US stock markets: the S&P 500 and Nasdaq posted their worst day since April; the Dow since May. However, on Sun afternoon, President Trump indicated that he might not follow through with the threat, resulting in US stock futures rising.
- **FOMC minutes highlighted that most members were leaning towards further rate cuts in 2025,** but there was no agreement the number of cuts being proposed (two or three). After unanimously backing the first 25bps cut this year on risks to the job market, "a majority of participants also emphasised upside risk to their outlooks for inflation".
- **Michigan consumer sentiment index eased to 55 in Oct**

(Sep: 55.1): though marginal, this reflects a broader trend of persistent consumer pessimism amid elevated prices and geopolitical uncertainty. The current economic conditions subindex rose (61 from 60.4) while the expectations subindex edged down (51.2 from 51.7). The survey's **inflation expectations** continue to highlight concerns about entrenched price pressures: one- and five-year inflation expectations stood at 4.6% (edging down from 4.7%) and 3.7% (unchanged) in Oct.

Europe:

- **Sentix investor confidence in the eurozone improved in Oct**, to -5.4 from -9.2, though remaining in negative territory (still reflecting a broadly cautious outlook). The improved reading likely reflects easing recession fears (expectations index rose to 5.8 from Sep's 0.8), expectations of no further rate cuts, and tentative signs of stabilization in leading indicators.
- **Retail sales in the eurozone grew by 0.1% mom and 1% yoy in Aug** – this was the weakest yoy increase since Jul 2024. Sales of food drinks and tobacco grew by 0.3% mom and 0.1% yoy and sales of automotive fuel was up by 0.4% mom and 0.8% yoy. This tepid growth underscores the cautious behaviour of European consumers amid lingering inflationary pressures and economic uncertainty.
- **German factory orders fell for the fourth month in a row**, by 0.8% mom in Aug (Jul: -2.7%), dragged down by automotives (-6.4%) and pharmaceuticals (-13.5%). Domestic demand supported orders (+4.7%) while foreign demand fell by 4.1% (across both euro and non-euro area, down by 2.9% and 5% respectively). In yoy terms, orders rebounded (+1.5% from -3.3%). Core industrial sectors such as automotive continue to face headwinds, and forward-looking indicators suggest a slow and uneven recovery trajectory.
- **Industrial production in Germany fell by 4.3% mom and**

3.9% yoy in Aug (Jul: 1.3% mom and 1.5% yoy). This was the steepest monthly decline since Mar 2022 and was broad-based across automotives (-18.5% mom), pharmaceuticals (-10.3%) and machinery & equipment manufacturing (-6.2%) among others.

- **German unexpectedly exports fell by 0.5% mom in Aug** (Jul: -0.6%) and imports declined by 1.3% (Jul: -0.1%). The decline in exports reflects subdued global demand, particularly from the US (a 4-year low in Aug, with exports down by 2.5% mom and 20% yoy due to the tariffs) and other EU nations (-2.5% mom). Meanwhile, German exports to non-EU countries and China rose by 2.2% mom and 5.4% respectively. Surplus widened to EUR 17.2bn in Aug as imports fell at a faster pace than exports for the second month in a row (Jul: EUR 16.3bn).

Asia Pacific:

- **Average spending in China during the extended Golden Week holiday** (Oct 1-8 this year) **dipped to a three-year low**, reported Reuters based on government data-based calculations. The Culture and Tourism Ministry disclosed that a total of 888mn trips were made during the holiday (versus 765mn trips over a seven-day break last year) and domestic tourism revenue was up 15% from the same period last year (to CNY 809bn).
- **Japan's household spending grew by 2.3% yoy in Aug** (Jul: 1.4%), rising for the fourth month in a row, thanks to an increase in travel and transportation spending. This modest but welcome sign of improving private consumption stands alongside real wages continuing to lag inflation. **Labour cash earnings grew by 1.5% yoy in Aug**, a marked deceleration from Jul's 4.1% growth. While nominal wages are still rising, the pace remains insufficient to offset inflationary pressures, resulting in continued negative real wage growth (-1.4% yoy in Aug from Jul's 0.2% drop). This dynamic poses a major

headwind to household consumption.

- The preliminary **leading economic index in Japan rose to a 5-month high of 107.4 in Aug** (Jul: 106.1). The **coincident index** meanwhile eased to 113.4 (from 114.1), the **lowest level since Feb 2024**, pointing to rising cost pressures and potential softening in real-time activity, particularly in industrial output and exports.
- **Current account surplus in Japan declined by 4.8% yoy to JPY 3.776trn in Aug**, dragged down by lower returns on foreign investments (primary income account slid 11.5% yoy to JPY4.30trn). Separately, the goods trade balance climbed to surplus of JPY 105.9bn, a sharp reversal from a deficit of JPY 385.6bn in Aug 2024).
- **Producer price index in Japan rose by 0.3% mom and 2.7% yoy in Sep** (Aug: -0.2% mom and 2.7% yoy). Costs were high across most categories including food & beverages (4.7% from Aug's 4.9%) and agricultural goods prices (+30.5% from Aug's 41% surge). Given JPY's persistent depreciation, imported inflation remains a concern for input-heavy industries.

Bottom line: The IMF-World Bank meetings this week are happening in the backdrop of a host of issues. From a positive ceasefire in the Middle East (Gaza-Israel) to political concerns in France (Sebastien Lecornu was reappointed as PM), Japan (the parliament vote to elect Takaichi as the first female PM will be delayed after a coalition partner revoked support given her Abenomics tilt) and the US (a government shutdown affecting data releases). Though the US-China trade turmoil reignited last Friday, matters seem to have eased with no retaliation from China (following Trump's announcement of additional tariffs) and Trump's conciliatory post on Sunday. "Uncertainty is the new normal", stated IMF Chief last week – so fitting, considering what has happened in the span of a few days.

Regional Developments

- The **World Bank forecasts** the Middle East, North Africa, Afghanistan, and Pakistan (**MENAAP**) **region to grow by 2.8 % in 2025** (up from the previous 2.6% estimate), citing stronger-than-expected performance in the GCC and a rebound in non-oil sectors. The upgrade is supported by faster unwinding of oil production cuts and improved outlook among oil-importers via increased private consumption and investment. Growth forecast for 2026 was trimmed, in part due to conflict, lower oil output in Iran and Libya, and regional instability. More: https://www.worldbank.org/en/region/mena/publication/middle-east-north-africa-afghanistan-and-pakistan-economic-update
- **Real GDP in Bahrain grew by 2.5% in Q2** (Q1: 2.7%), supported by a 3.5% gain in non-oil sector activity; the non-oil sector contributed 85.2% to real GDP in Q2. A slight decline in oil production led oil GDP to decline 2.6% (vs Q1's 5.3% expansion). GDP grew by 2.6% in H1, with oil & non-oil GDP up by 1.2% and 2.9% respectively. **Financial & insurance sector remains the cornerstone of Bahrain's non-oil economy: i**t grew by 4.9% in H1, with Q1 recording a stronger growth of 7.5% vs Q2's 2.4%. The sector also accounted for 65% of inward FDI stock in Q2 and contributed most to real GDP in Q2 (17.0%).
- **Egypt's annual urban consumer price inflation slowed to 11.7% yoy in Sep** (Aug: 12%), though food and beverage prices increased by 2.0% mom and 1.4% yoy. This continues a two-year downward trend supported by monetary tightening – with the current trajectory suggesting continued stabilization and further monetary policy adjustments.
- **Egypt is targeting a 20-30% boost in FDI inflows this year** (aiming for up to USD 12bn), according to the minister of investment and foreign trade, by deploying structural reforms around licensing, an integrated digital platform and process streamlining to improve

competitiveness.

- The **World Bank plans to release a second USD 500mn tranche of financial support to Egypt before end of this year**, contingent on adherence to reforms to improve business climate and strengthen the private sector's role. This external support is crucial to bridging financing gaps while the timing and conditions of disbursement will serve as a barometer for reform credibility and fiscal discipline.
- **Egypt's balance of payments showed an overall deficit of USD 502.6mn in Jul–Dec 2024**, given a narrowing current account deficit (-25.9% yoy to USD 15.4bn) and a sharp increase in non-oil trade deficit (USD 37.1bn in H1 of FY 2024-25 from USD 31.9bn a year ago). Net FDI inflows stood at USD 12.2bn while Suez Canal revenues fell by 45.5% yoy to USD 3.6bn.
- Egypt's minister of investment and trade disclosed that **Saudi capital flows into Egypt have reached approximately USD 25bn** spanning multiple sectors, also underscoring GCC countries commitment to help with Egypt's foreign exchange constraints. Going forward, leveraging this capital into productive investments rather than debt-funded consumption will be critical to long-term resilience and growth.
- **S&P Global upgraded Egypt's sovereign rating to 'B'**, citing renewed growth momentum, stronger fiscal prospects and the commitment to a market-determined exchange rate. The outlook was maintained at "stable" while further rating upgrades will depend on continued institutional strengthening, narrowing deficits as well as reduced reliance on Gulf support.
- **Iran announced the discovery of 10 trillion cubic feet of natural gas in the Pazan field**: with an estimated 70% recovery rate, this would potentially add 7 trillion cubic feet to the country's reserves. It would take approximately **40 months before extraction can commence**. Despite holding the world's second-largest natural gas

reserves, Iran faces challenges with domestic consumption and gas flaring.

- **Oman reaffirmed its commitment to introducing a personal income tax in 2028** (on both Omani nationals and expatriates residing for 183 days or more annually), **with a flat rate of 5% on annual income exceeding OMR 42,000**(approximately USD 109,000). This move aims to reduce dependence on oil (which currently accounts for about 72% of state income), diversify government revenue streams and enhance its fiscal resilience.
- **Oil and gas exports accounted for close to two-thirds of Oman's overall exports in Jan-Jul 2025** (63.7% vs 69.7% in Jan-Jul 2024). Overall exports fell by 9.2% yoy to OMR 13.5bn (as oil & gas exports plunged by 17.0% yoy to OMR 8.58bn). Imports increased by 5.5% to OMR 9.9bn – resulting in a narrower trade surplus (OMR 5.43bn in vs OMR 3.56bn in Jan-Jul 2024). Non-oil exports during the year grew by 11.2% yoy to OMR 3.9bn – comprising mainly mineral products (OMR 1.04bn, up by 2.5% yoy, but accounting for 7.7% share of total exports) and base metals & articles (OMR 789mn). **UAE was Oman's largest non-oil trade partner**: non-oil exports to UAE grew by 27.8% yoy to OMR 698mn in Jan-Aug 2025, while re-exports were OMR 394mn (4.5%).
- **Oman reported a 5.0% yoy drop in inbound tourists to 2.56mn in Jan-Aug 2025.**UAE accounted for 30% of overall visitors during this period, while India and Germany were the top source nations from Asia and Europe (16.4% and 2.8% of total visitors). During the summer month of Aug, majority of visitors came from the GCC (56% of the total) while shares of visitors from Europe and Asia & Oceania nations stood at 6.9% and 25% respectively.
- **India and Qatar aim to conclude** free trade agreement (**FTA**) **negotiations by Q3 2026**, according to India's Minister of Commerce and Industry. Bilateral trade stood at over USD 14.15bn in 2024-25 and an FTA could boost this to more than double (USD 30bn).

- **Saudi Arabia led the GCC projects market in Q3, with USD 28.1bn in contract awards**, accounting for over half (51.3%) the region's total. This performance was driven by significant investments in power and infrastructure sectors (a total of USD 9.8bn contracts awarded in Q3), including a USD 853mn road contract and a USD 167mn manufacturing facility in King Abdullah Economic City. Total GCC contract awards fell 27% yoy to USD 54.8bn in Q3.

Saudi Arabia Focus

- **Industrial production in Saudi Arabia grew** by 1.4% mom and 7.1% yoy in Aug. **Oil activities expanded** by 1.7% mom and 8.3% yoy, as crude oil production rose (given the OPEC+ decision to unwind production cuts). Extraction of crude petroleum & natural gas increased by 8.1% yoy, the fifth month of upticks, and after double digit declines in H1 2024. **Non-oil activities** increased by 0.7% mom and 4.4% in Aug – evidence that the industrial expansion is not solely dependent on crude oil extraction. Within manufacturing, the manufacture of non-metallic products was the fastest growing (11.5% yoy) followed by chemicals & chemical products (8.6%).
- **Saudi Arabia's** Capital Market Authority (**CMA**) **invited feedback on the proposal to launch "simplified investment funds"** with lighter regulation and streamlined disclosure and to ease access for non-resident foreign investors. This announcement (similar to the earlier proposal on lowering barriers of entry to foreign investors) will help **deepen Saudi capital markets** under Vision 2030 **and boost foreign inflows**, especially institutional capital.
- **Aramco acquired an additional 22.5% stake in its joint venture Petro Rabigh** (from Sumitomo), raising its total ownership to about 60%, as part of a restructuring plan for the loss-making entity.The deal includes waiver of

USD 1.5bn in shareholder loans and plans for capital injections to shore up balance sheets.

- **Saudi Arabia's PIF sold a dual-tranche green bond issuance** (of EUR 1.65bn) to fund renewable energy, clean transport and sustainable infrastructure projects (including those by PIF subsidiaries). The issuance was oversubscribed, with combined orders of over EUR 9.7bn, reflecting strong global demand and investor confidence in Saudi green financing.
- The **Saudi Cultural Development Fund announced over SAR 3bn** (USD 933mn) in investments to support cultural sectors via new agreements (including establishment of three new funds – a film fund, fashion fund and financing solutions for creative MSMEs). It also announced the launch of a co-lending product worth more than SAR 1bn in partnership with five financial institutions and five new financing products under its Cultural Finance.
- **Riyadh Air is set to launch operations on October 26**, with Riyadh-London Heathrow as the inaugural route. This aligns with Saudi efforts to expand aviation capacity, thereby boosting tourism and connectivity while also tying into infrastructure expansion. The airline, which has 182 aircraft on order and signed partnerships with 10 other airlines, will begin its second route Riyadh-Dubai on receiving its second aircraft.
- **Saudi authorities confirmed that the five-year rental freeze**, in effect in Riyadh until Sep 2030, **will not be extended to other cities**. The freeze locks in rates for both existing and new leases but the challenge ahead is balancing tenant protection with investor incentives.

UAE Focus

- **Dubai introduced aFree Zone Mainland Operating Permit** (costing AED 5,000 for six months) that allows freezone firms to compete in non-regulated sectors (e.g.

tech, consultancy, design, trading) for government tenders and contracts. While businesses that take up the permit can use existing staff for mainland operations, it will need to maintain separate financial records and will be subject to a 9% corporate tax as per the FTA regulations. It is estimated that there will be a 15-20% uptick in cross-jurisdictional business.

- **US Department of Commerce approved the export of Nvidia chips to the UAE** under a bilateral AI agreement signed in May, reported Bloomberg. This will enable the UAE’s push to host large-scale data centres though the first shipment will exclude chips for G42 (which is partnering with OpenAI), highlighting ongoing regulatory and strategic guardrails.
- **ADNOC’s six publicly listed subsidiaries plan will distribute AED 158bn in dividends by 2030**, nearly double what has been cumulatively paid since the first one (ADNOC Distribution) was listed in 2017. ADNOC also announced that ADNOC Distribution, ADNOC Gas, and ADNOC Logistics & Services would join ADNOC Drilling in paying dividends on a quarterly basis.
- **DIFC’s workplace savings plan** (DEWS), which covers 2700+ employers and 74k+ employees, **exceeded USD 1bn in assets under administration**, with USD 340mn in payouts made so far. The initiative, launched in Feb 2020, replaces the traditional gratuity system for end-of-service benefits with a fully funded and professionally managed savings plan.
- **Abu Dhabi’s sovereign fund ADQ has expressed interest in acquiring a stake in SAC**, the operator of Catania Airport in **Sicily**, in a pending privatisation process (sale process has not formally begun). With about 51-66% of SAC to be sold, the asset is valued between EUR500-600mn and the concession estimated to run until 2049, making it a long-duration infrastructure investment. Should this go ahead, it would mark a further push into European infrastructure and strengthen

Gulf-Europe strategic asset flows.

- **DP World, in collaboration with Egypt**'s Elsewedy Industrial Development, **is planning to build a** 16,194 m² & USD 29mn worth **cold storage hub in Al Oula Industrial City** to serve chilled and frozen goods. The facility will link with DP World's broader logistics network, improving efficiency and reducing spoilage, and over time could underpin Egypt's emergence as a regional agro-exports hub and catalyze further cold-chain expansion across North Africa.
- **Aldar Properties announced a shift to cater to the mid-segment and affordable housing in Abu Dhabi**, targeting homes priced between AED 500k and AED 3mn, driven by pent-up demand. The move, revealed by the company's CEO on Bloomberg, is to be accompanied by plans to invest in affordable schools and stores catering to the lower-income families. This strategic pivot should moderate affordability pressures and, if well executed, broaden Aldar's stakeholder base and market resilience.
- **Sales of ultra-luxury homes in Dubai rose in Q3**: about 357 such transactions were recorded till Q3 2025 (up 26% yoy), with the average deal value rising by 23.8% yoy to USD 19.4mn+ in Q3. With 17 transactions priced over USD 25mn (twice the number recorded in Q3 2024), the performance underscores Dubai's appeal to global high-net-worth buyers.
- The **UAE space investments stand around AED 44bn** (or USD 12bn), with **new emphasis on encouraging private-sector participation** (as opposed to the government bearing responsibility), according to the chairman of the UAE Space Agency. Local firms are increasingly active in space applications that use AI and analytics to support urban planning, environmental monitoring and compiling data using satellite imagery.
- First Abu Dhabi Bank (**FAB**) **issued a 3-year, USD 20mn "blue bond" to fund marine and water-resource**

initiatives under the UAE Water Agenda 2036. This follows the first USD 50mn, 5-year instrument issued in Aug, bringing total blue finance issuance to USD 70mn. This signals a nascent trend in Gulf sustainable finance and suggests capital markets will increasingly underwrite water resilience and ecosystem adaptation.

Media Review:

Spending Smarter to Boost Growth
https://www.imf.org/en/Blogs/Articles/2025/10/07/spending-smarter-to-boost-growth

Dubai’s debt deadline: USD 54bn due by end of 2028
https://www.agbi.com/analysis/economy/2025/10/dubais-debt-deadline-54bn-due-by-end-of-2028/

The AI bubble is 17 times the size of the dot-com frenzy and four times the subprime bubble, analyst says
https://www.marketwatch.com/story/the-ai-bubble-is-17-times-the-size-of-the-dot-com-frenzy-this-analyst-argues-046e7c5c

Blackstone, Abu Dhabi’s Lunate team up to invest USD 5bn in Gulf logistics
https://www.reuters.com/world/middle-east/blackstone-abu-dhabis-lunate-team-up-invest-5-billion-gulf-logistics-2025-10-06/

Powered by:

LSEG
DATA & ANALYTICS