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Weekly Insights 9 May 2025

- *PMIs in the Middle East reveal varied economic conditions in Apr*
- *Saudi budget deficit widened in Q1 2025 as oil revenues plunged*
- *UAE banks' deposits & credit grow in Feb though the latter lagged*
- *International visitors to Dubai grew by 2.6% yoy to 5.31mn in Q1 2025*
- *Boost from GCC visitors supports tourism in Qatar & Oman in early-2025*
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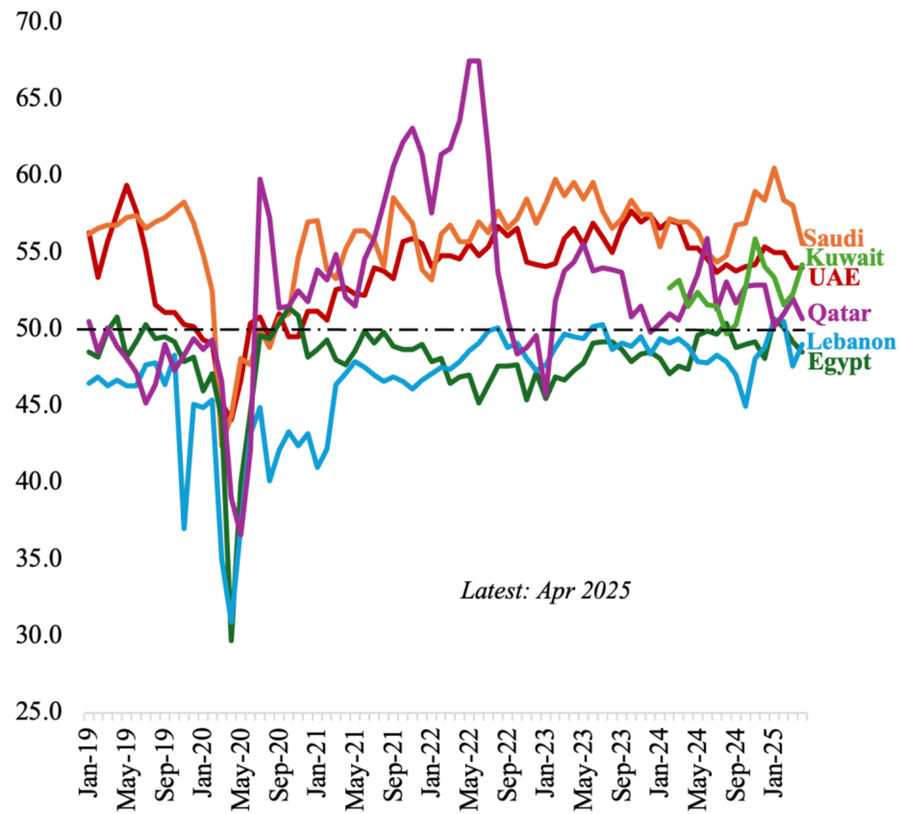
PMIs in the Middle East reveal varied economic conditions

GCC PMI readings stayed in expansionary territory in Apr; Lebanon and Egypt remain contractionary, Lebanon posted monthly gain

- PMI readings in **Saudi Arabia and Qatar declined** in Apr. Though Saudi still has the highest reading in the region, **both countries saw a fall in new orders** (partly due to global uncertainties and partly given competitive pressures). **In contrast, UAE's new orders improved** (though its headline PMI reading was unchanged from Mar), with a 5-month high rise in international demand. Output rose in Qatar and Kuwait though Qatar's construction sector remained a weak link.
- **Labour market was strong in most GCC markets.** Employment increased at the fastest pace in 11 months in the **UAE**, returned to growth in Kuwait, and it was strong also in **Saudi Arabia** (posting its joint-fastest growth rate in over a decade). In Qatar, there were signs of a cooling, with the rate of job creation the slowest since Aug 2024.
- While **input costs are rising** driven by higher wages & salaries as well as purchasing costs, **output costs are rising at a much slower pace with businesses opting to absorb additional costs to maintain a competitive edge.** In Kuwait input costs rose at the sharpest pace in a year (though output charges were up at a much slower pace) while in Qatar, charges levied fell for the ninth month in a row (even while average wages were at the strongest).
- Though **Lebanon posted an uptick in headline PMI**, **business confidence turned pessimistic** for the first time since Nov 2024. Export demand declined while sub-50 readings of output & new orders showed improvement. Respondents cited high customs duties and shipping costs driving up input costs (especially imported goods).
- **Egypt's decline in PMI** can be traced back to declines in output and new orders on **persistent weakness in domestic & international demand**. Interestingly, though input costs rose (given the 15% surge in fuel prices), selling prices were stable after 56 months of inflation.

Middle East PMIs in Apr displays two upticks (LB, KW), one steady (UAE) & three declines (EG, QA, KSA)



Source: LSEG Workspace. Chart by Nasser Saidi & Associates

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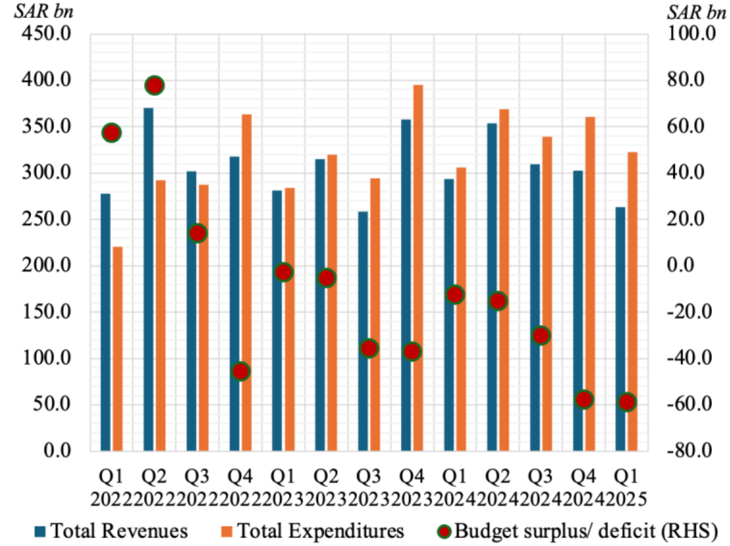
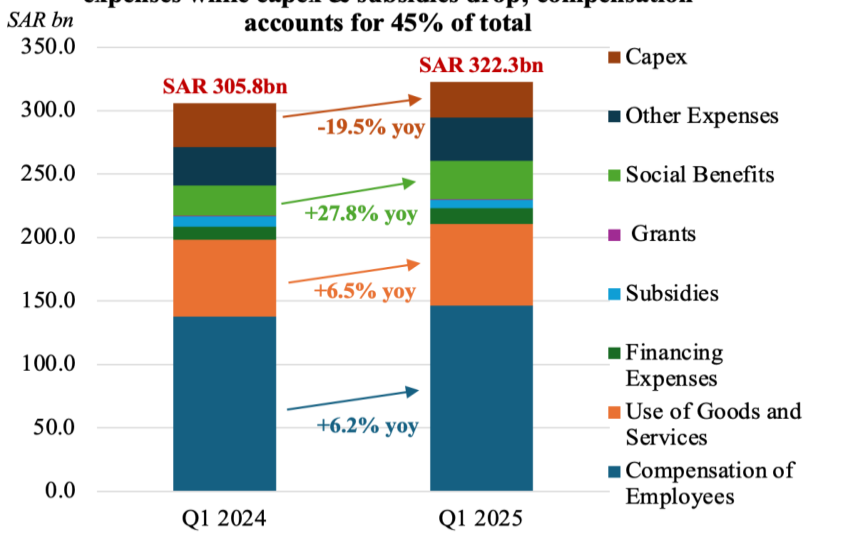
Saudi budget deficit widened in Q1 2025 as oil revenues plunged; speeding up of oil output hikes & additional tax revenues to change this picture later this year

- **Saudi fiscal deficit widened to SAR 58.7bn in Q1 2025** (Q4 2024: SAR 57.7bn). The budget projects fiscal deficit at SAR 101bn (**or 2.3% of GDP**).
- **Overall revenues fell** by 10.2% yoy to SAR 263.6bn in Q1, with oil revenues fell by 17.7% (to SAR 149.8bn) given the subdued oil prices and production cuts. **Oil revenues accounted for 56.8% of total income in Q1. This will improve with the phasing out of OPEC+ voluntary cuts.** The IMF projects **fiscal breakeven oil price** to decline to $92.3 in 2025 vs $96.1 in 2024.
- **Non-oil revenues grew by 2.1%** during the quarter, with taxes accounting for 77.6% of non-oil revenues. **Broadening of tax base** via the recent White Land Tax hike (to 10% from 2.5% of property value) and VAT amendments will raise tax revenues.
- Overall **expenditures rose** by 5.4% yoy **to SAR 322.3bn in Q1.** Capex fell by 19.5% to SAR 27.8bn. **Compensation of employees, which accounted for 45.3% of total spending,** gained the least – up by 6.2% to SAR 146.1bn.
- **Public debt** jumped to SAR 1.329trn in Q1 (+9.3% from end-2024, and 19.08% yoy) of which **60% was domestic debt.**

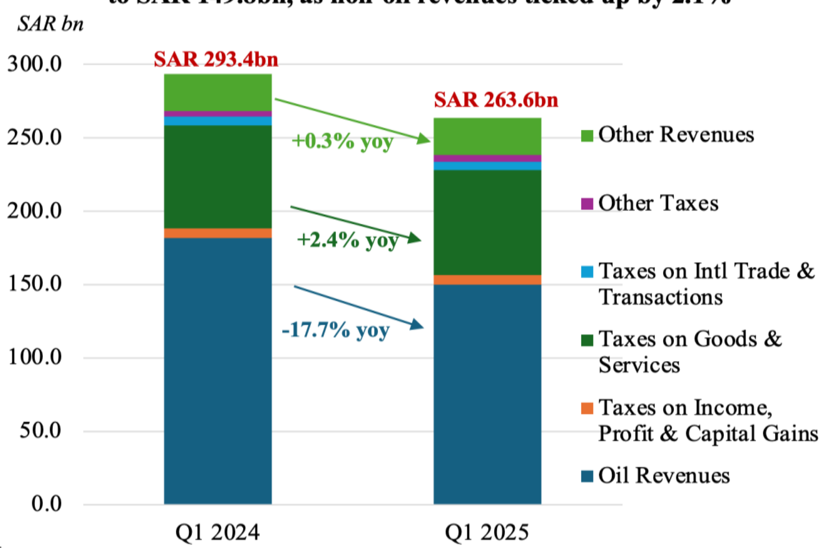
Saudi Arabia's budget deficit widens further to SAR 58.7bn in Q1 2025 (Q4 2024: deficit of SAR 57.7bn)



Saudi Arabia's spending inched up by 5.4% yoy in Q1 2025 with increases across social benefits & financing expenses while capex & subsidies drop; compensation accounts for 45% of total



Overall revenues in Saudi Arabia declined by 10.2% yoy to SAR 263.6bn in Q1 2025. Oil revenues fell by 17.7% to SAR 149.8bn, as non-oil revenues ticked up by 2.1%



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

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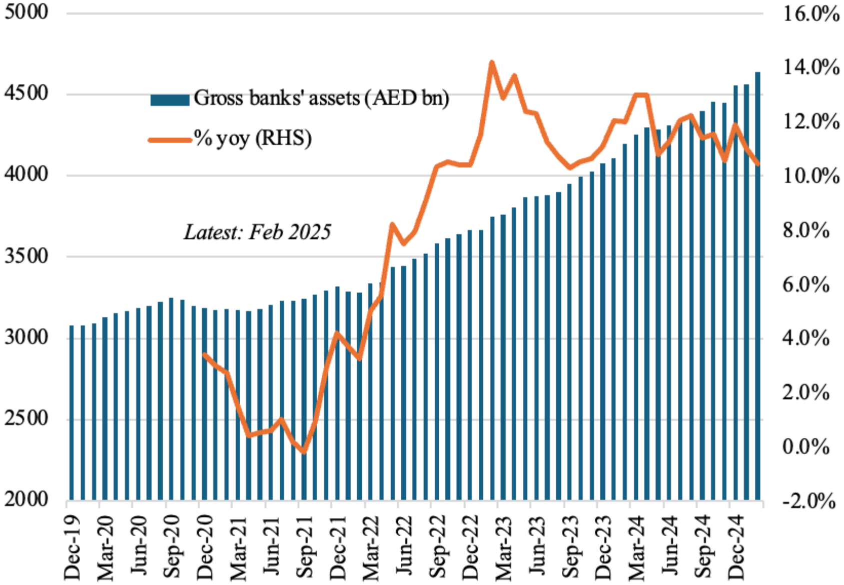
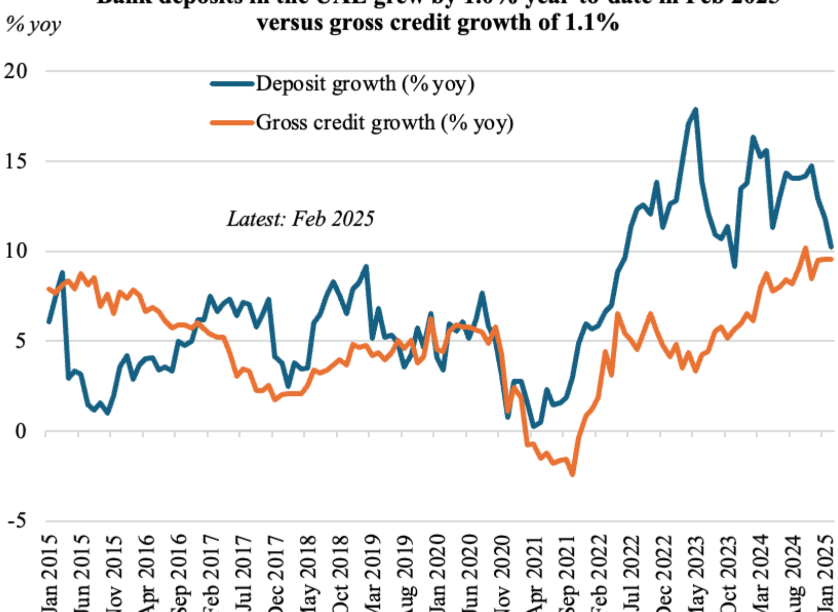
UAE banks' deposits & credit grow in Feb, with credit lagging

UAE banks' gross assets increased by 1.6% mom and 10.5% yoy to AED 4.6368trn as of Feb 2025

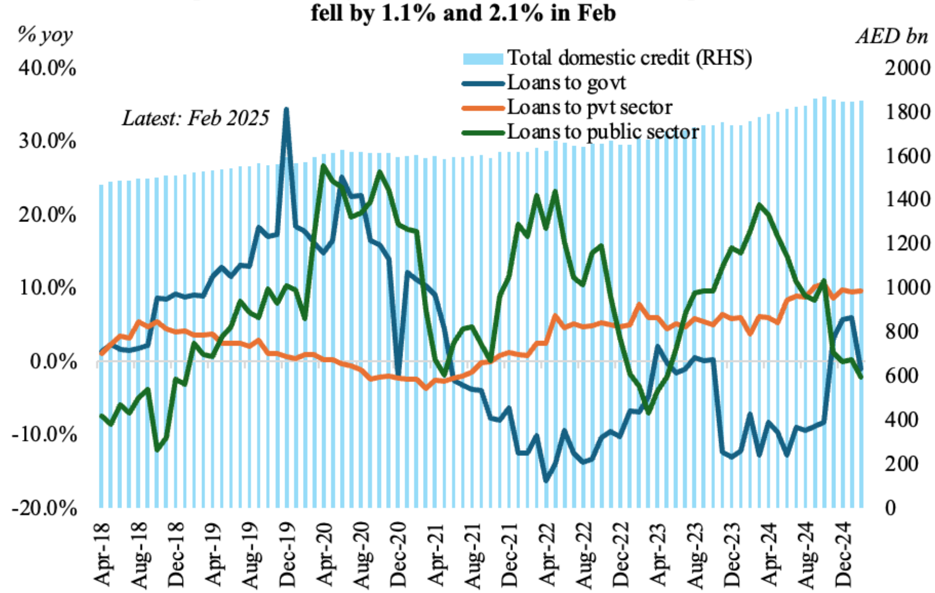


- **UAE's gross bank assets grew by 1.6% mom and 10.5% yoy to AED 4.64trn in Feb 2025**. The central bank's **total assets expanded** by 3.3% mom **to a new record-high** AED 939.0bn in Feb
- Overall UAE **banks' deposits grew** by 10.2% yoy in Feb 2025, and 1.0% year-to-date thanks to a **9.4% yoy surge in resident deposits** (to AED 2.626trn); non-resident deposits (8.7% of total deposits) grew by 19.9% yoy
- **Private sector deposits** (at AED 1.913trn) accounted for two-thirds of total deposits and 72.9% of total resident deposits; grew by 2.5% mom and 13.9% yoy. **Government & GREs** saw deposits fall by 3.3% and 2.4% ytd.
- **Gross credit growth lagged**, up by 9.5% yoy in Feb 2025 and 1.1% ytd. This was **driven by growth in domestic credit** (0.1% mom and 5.3% yoy to AED 1.85trn) **and foreign credit** (5.1% mom and 38.2% yoy to AED 355.0bn). **Loans to business & industrial sector and individuals** accounted for 63.1% and 36.9% of credit extended to the private sector (also, 46.4% and 27.1% of domestic credit).

Bank deposits in the UAE grew by 1.0% year-to-date in Feb 2025 versus gross credit growth of 1.1%



Domestic credit disbursed by UAE banks' grew by 5.3% in Feb 2025. Loans to private sector grew by 9.6%; loans to govt and private sector fell by 1.1% and 2.1% in Feb

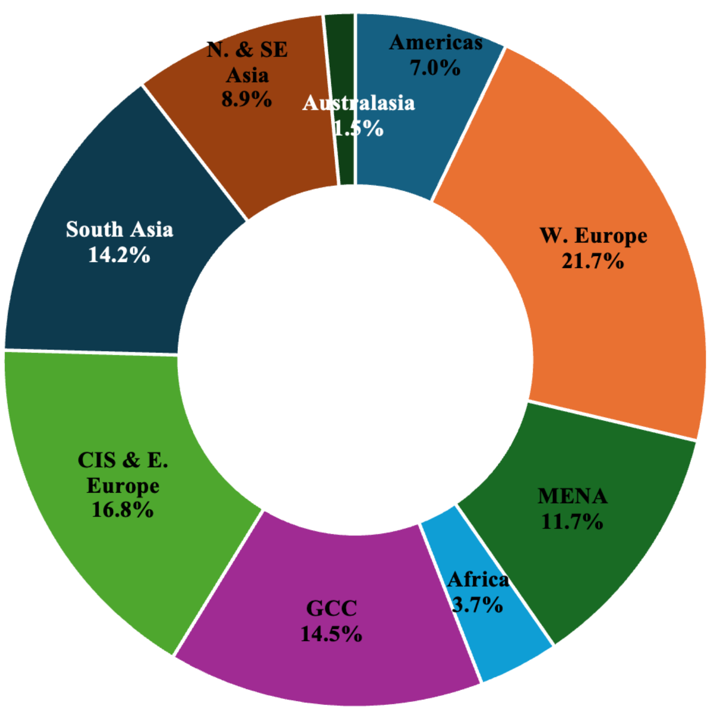


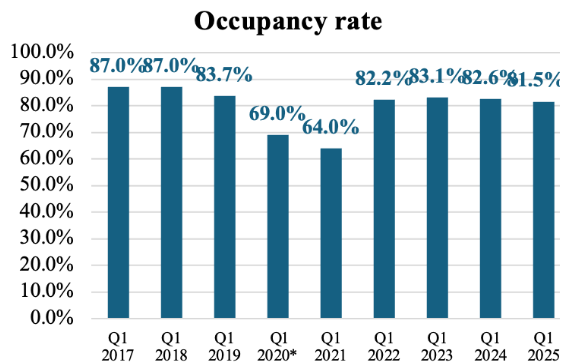
Source: UAE Central Bank. Charts by Nasser Saidi & Associates

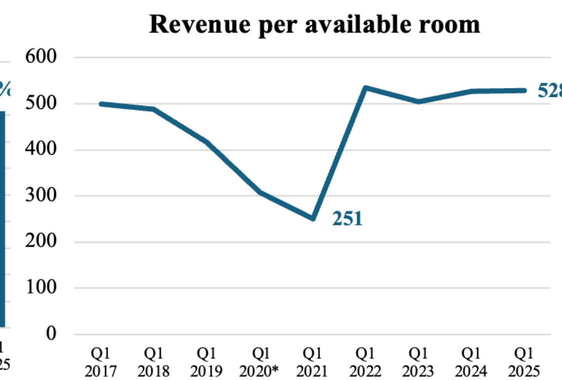
International visitors to Dubai grew by 2.6% yoy to 5.31mn in Q1 2025

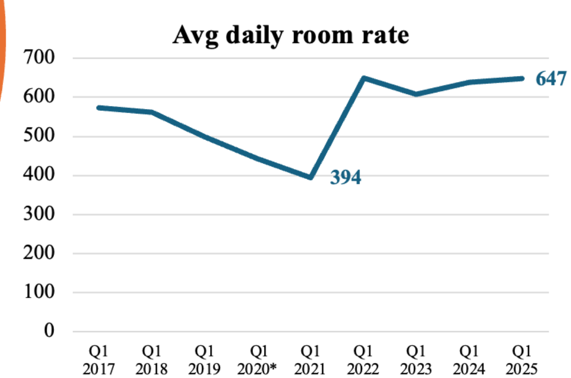
- **Dubai welcomed 5.31mn international visitors in Q1**, up 2.6% yoy: this strong momentum follows two record-breaking years 2023 & 2024
- **Visitor growth was driven by diverse source markets: Western Europe and CIS & Eastern Europe accounted for the largest shares** of visitors at 21.7% and 16.8% during the period (1.15mn and 891k respectively) while the GCC & MENA regions together accounted for 1.39mn visitors (or 26.2% of the total). **Visitors from South Asia declined by 13.5% yoy to 752k in Q1** (only 14.2% of visitors).
- **Dubai's hotel sector metrics** (capacity and occupancy) **were strong in Q1**: there were 153,721 hotel rooms (+1% yoy) across 832 establishments (flat yoy). **Hotel occupancy rate at a strong 81.5%** (slightly lower vs 82.6% a year ago); **revenue per available room rose to AED 528** (+0.2%) and average daily room rates rose by 1.4% to AED 647 (both were lower only to Q1 2022's reading of AED 534 and AED 649 respectively).
- **Dubai International Airport** (DXB) **handled 23.4mn passengers in Q1 2025** (after handling a record 92.3mn passengers in 2024). With DXB reaching maximum capacity, the Al Maktoum International Airport (**DWC**) **is expanding**: contracts for phase one (AED 1bn+ worth) have been awarded and this phase is scheduled for completion by 2032 – this would increase capacity to 150mn passengers.

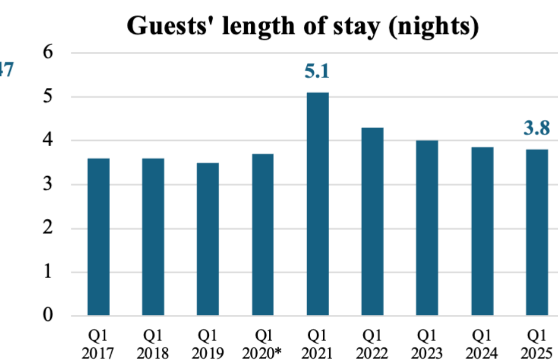
Dubai received 5.31mn international visitors in Q1 2025, up 2.6% yoy











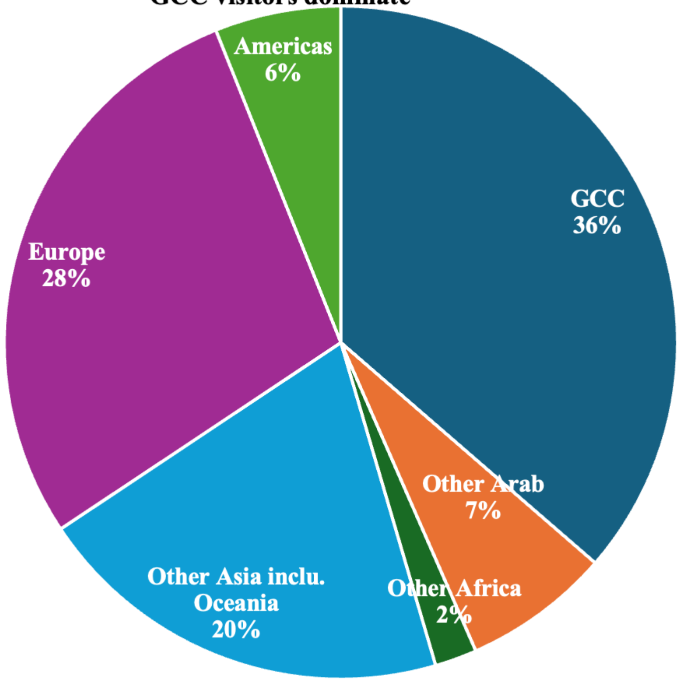
Source: Dubai Department of Economy and Tourism. Charts by Nasser Saidi & Associates

Note: Revenue figures are reflective of reported hotel data including residents and hoppers. * refers to Covid-adjusted data for 2020.

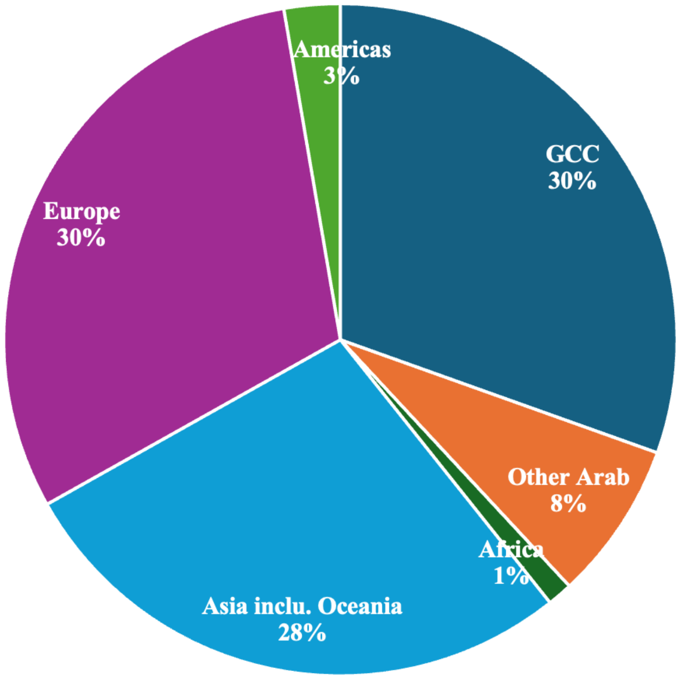
Boost from GCC visitors supports tourism in Qatar & Oman

- The World Travel and Tourism Council expects the **travel and tourism sector to contribute USD 367bn to the Middle East this year** (or 10.4% of the region's GDP). This is up by 7.4% yoy and 24.7% higher vs 2019 levels and despite the regional conflicts. **Visitor spending** in the region is forecast **to accelerate 12.6% to USD 194bn** and about **400k additional jobs** are to be created this year (to a total 7.7mn).
- **Tourism is an integral contributor to economic diversification in the GCC;** the proposed GCC unified visa will further strengthen the sector's performance in the near-term.
- **Tourists into Qatar declined** by 7.0% yoy **to 1.5mn tourists in Q1 2025**, but supported by the Eid holidays (+26% yoy to 214k visitors during the 8-day period). **Visitors from GCC accounted for 36% of the total in Q1**, with Europe and Asia & Oceania accounting for 28% and 20% respectively.
- **Oman reported a 10% yoy drop in inbound tourists to 329.5k in Feb**, with majority of the visitors coming from the GCC (30% of the total) while Europe and Asia nations were also significant (at 30% and 28% respectively). **UAE accounted for close to three-fourths of visitors from GCC**, while **Germany and Italy were the top source nations from Europe** (19.4% and 13.4% of total visitors from Europe). In Jan-Feb 2025, Oman welcomed 668.2k visitors (-5.3% yoy).

Tourists into Qatar edged lower by 7% yoy to 1.5mn in Q1 2025; GCC visitors dominate



Visitor arrivals into Oman declined by 10% yoy to 329.5k in Feb 2025; GCC visitors account for 30% of tourists & UAE accounted for 75% within GCC



Source: Qatar Tourism, Oman National Centre for Statistics & Information. Charts by Nasser Saidi & Associates.

FDI in Middle East & Africa region

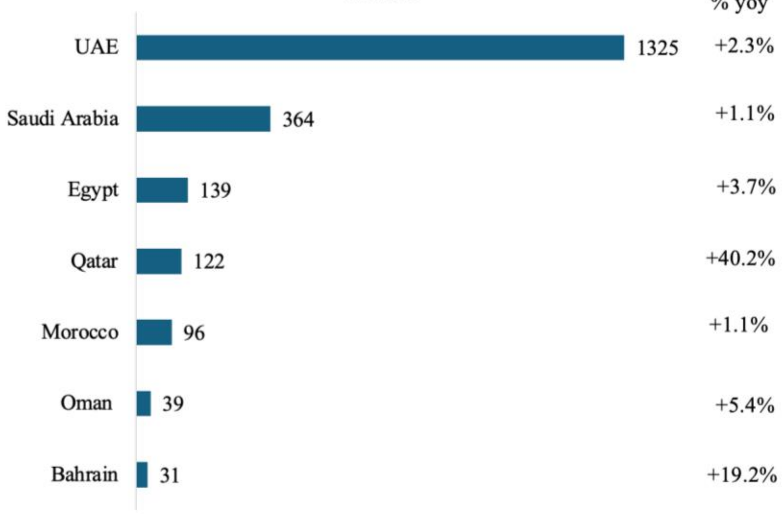
- **FDI, measured by number of projects, declined slightly to 2687 in 2024 vs.** record-high 2699 in 2023, according to fDi Intelligence – roughly 15.8% of global projects. **Capital investment however plunged** by 40.7% to USD **158.3bn**, while the top capital investment recipient was the renewables sector.
- **UAE and Saudi** clocked in the **largest number of announced FDI projects** in 2024, but **Egypt was the most attractive in terms of capital investment** (USD 54.5bn across 139 projects).
- While **renewable sector was the region's top sector in 2024 by value, real estate sector was back in the limelight**. Real estate saw capital investment of USD 27.4bn (+43% yoy) across 110 projects in the MEA region.
- **UAE's ADQ and Mubadala Investment Company were among the top 10 investors by capex** (USD 25.2bn and USD 15.4bn respectively); **Dubai World was 10th largest investor globally by projects** (32 in 2024).
- **UAE's involvement in major projects across the region** shows its **commitment to greater regional economic integration**:

✓ **ADQ is** creating a new urban community in **Egypt**'s Ras El Hikma;

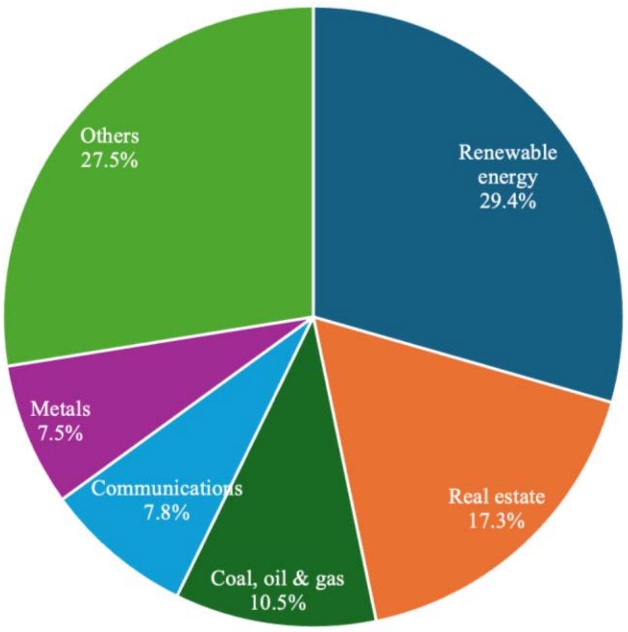
✓ UAE-based **H2 Global Energy** & Ireland's Amarenco's USD 6bn green hydrogen & green ammonia project in **Tunisia**;

✓ **Etihad Railway** announced plans for a USD 2.3bn railway project in **Jordan**

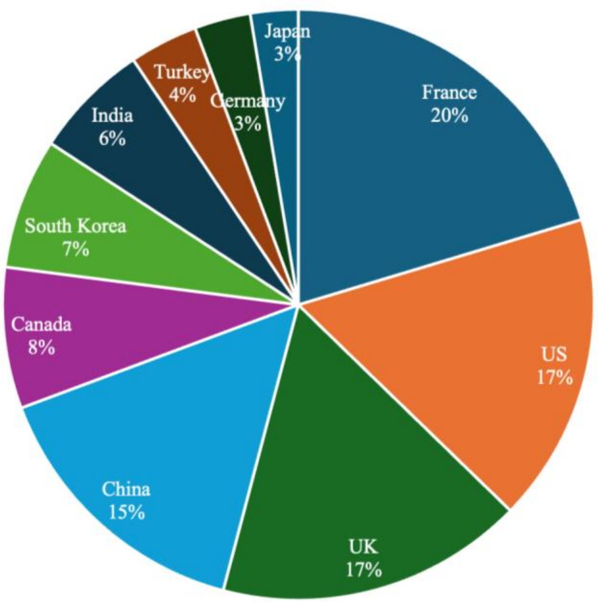
Top FDI-attracting MENA destinations in 2024 by project number



Renewable enenergy sector attracted the most FDI in the Middle East & Africa region in 2024; top 5 sectors share crossed 70%



The top 10 sources of FDI from outside the Middle East & Africa region accounted for 55.6% of the inflow in 2024



Source: The fDi Report 2025, fDi Intelligence, May 2025. Charts by Nasser Saidi & Associates.

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