Trade Surges, Fiscal Realignments & Monetary Easing in MENA

Weekly Insights 29 Aug 2025

- *Saudi Re-exports clock in a record-high in Q2; Non-oil exports surging as logistics capacity grows*
- *Deposit growth in Saudi Arabia averaged 8.9% in Jan-Jul 2025; govt deposits fell to a 5-month low*
- *Kuwait posts a second consecutive year of fiscal deficit of KWD 1.1bn in 2024-25. Fiscal reform & consolidation is a priority*
- *Egypt's interest rate cut & improving growth prospects*

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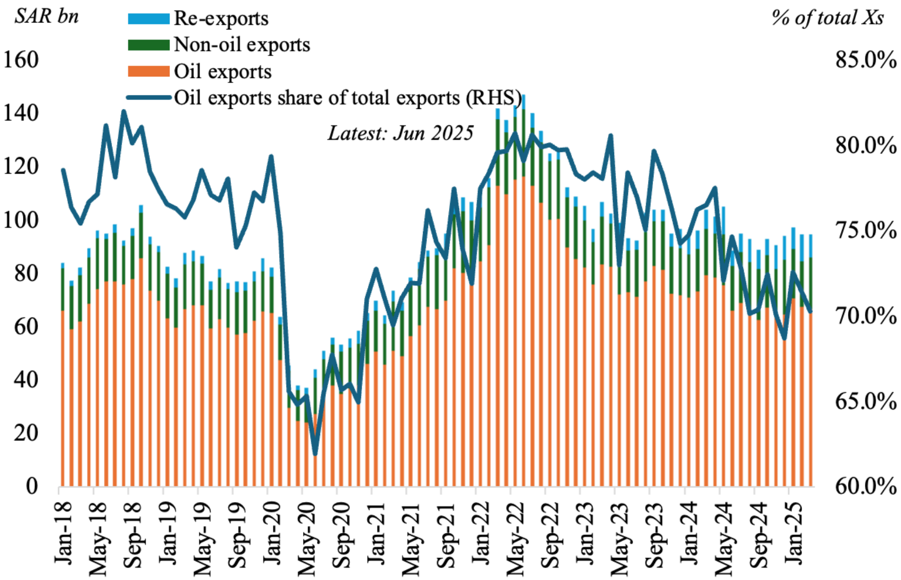
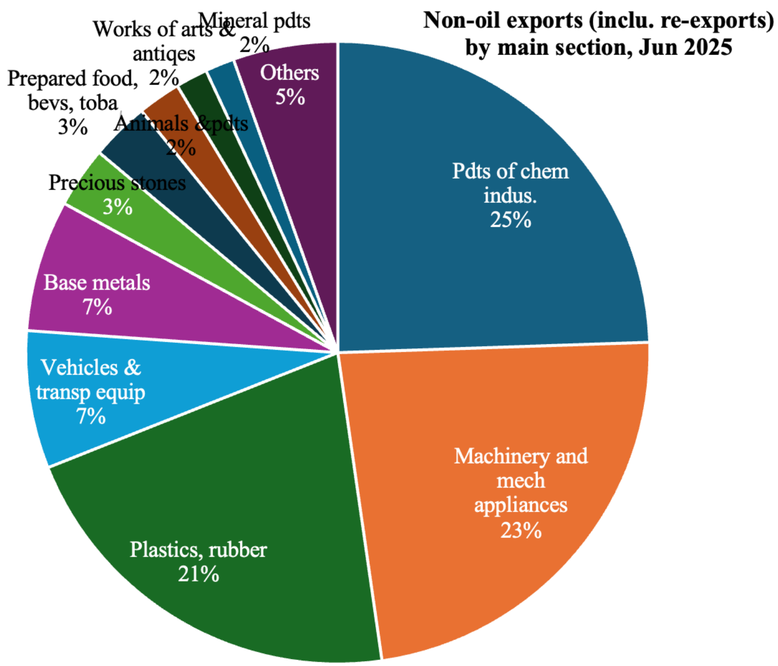
Saudi exports increased by 1.5% mom and 3.7% yoy to SAR 92.1bn in Jun 2025. Oil exports accounted for 70.2% of total exports. Non-oil exports and re-exports grew by 8.4% yoy and 60.2% respectively

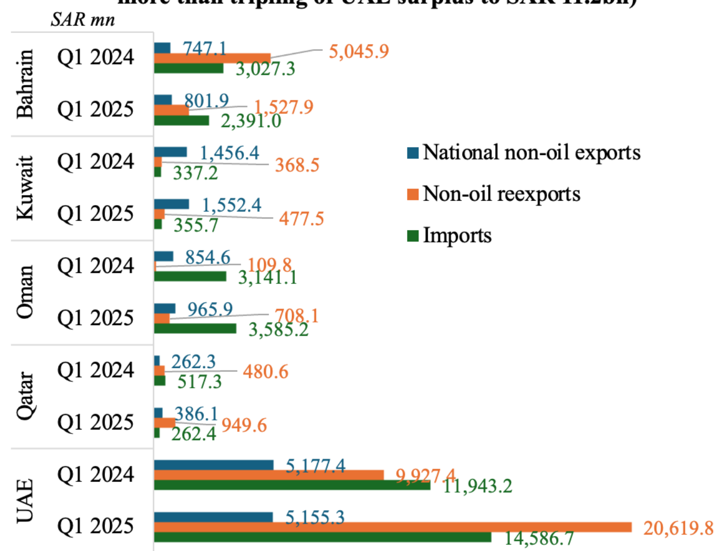


Saudi Re-exports clock in a record-high in Q2; Non-oil exports surging as logistics grows

- **Saudi Arabia's overall exports grew by 1.5% mom and 3.7% yoy to SAR 92.1bn** in Jun 2025, as non-oil exports rose 8.4% yoy to SAR 17.9bn and re-exports surged 60.2% to SAR 9.6bn; oil exports were down by 2.5% yoy but increased 9.0% mom thereby **raising the share of oil exports to overall exports to 70.2%** (May: 65.4%).
- **Re-exports reached a record** SAR 32.76bn in Q2, up 20.9% qoq & 46.2% yoy & **oil exports were the lowest since Q3 2021** (-9.3% qoq & -15.8% yoy).
- **Imports inched up** by 2.3% mom and 0.1% yoy to SAR 74.0bn in Mar 2025. This resulted in a **narrower trade surplus of SAR 19.8bn** – down from Feb's SAR 22.3bn and Mar 2024's SAR 30.1bn.
- **Chemical products was the largest segment of non-oil exports** (24.5%) in Jun, with the top 10 sectors accounting for 95% of non-oil exports.
- **UAE the largest destination of overall non-oil exports** (28.6%), followed by India (9.5%) and China (7.8%); top 15 accounted for 72% of total non-oil exports.



National non-oil exports to GCC from KSA surged by 35.7% yoy in Q2 2025. Non-oil trade surplus more than doubled to SAR 11.96bn in Q2 (driven by a 52% surge in re-exports & more than tripling of UAE surplus to SAR 11.2bn)



- Saudi Arabia's **non-oil trade with the GCC** was led by a 52.4% yoy gain in non-oil re-exports and 4.3% uptick in non-oil exports.
- **UAE was the largest non-oil trade partner**.
- **Non-oil trade surplus with UAE jumped more than three-times** to SAR 11.2bn in Q2. Qatar's surplus surged almost five times to SAR 1.07bn. **Only Oman reported a deficit** (SAR 1.9bn), though narrower than Q2 2024.

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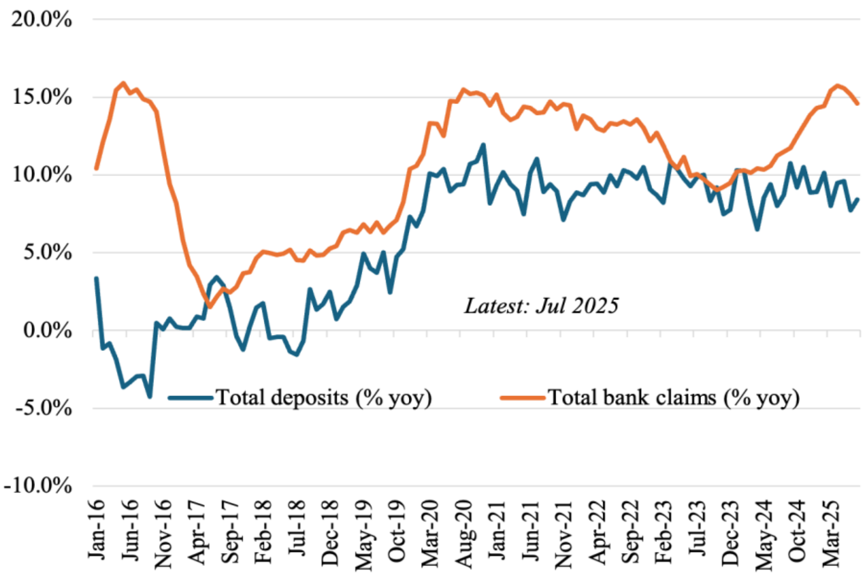
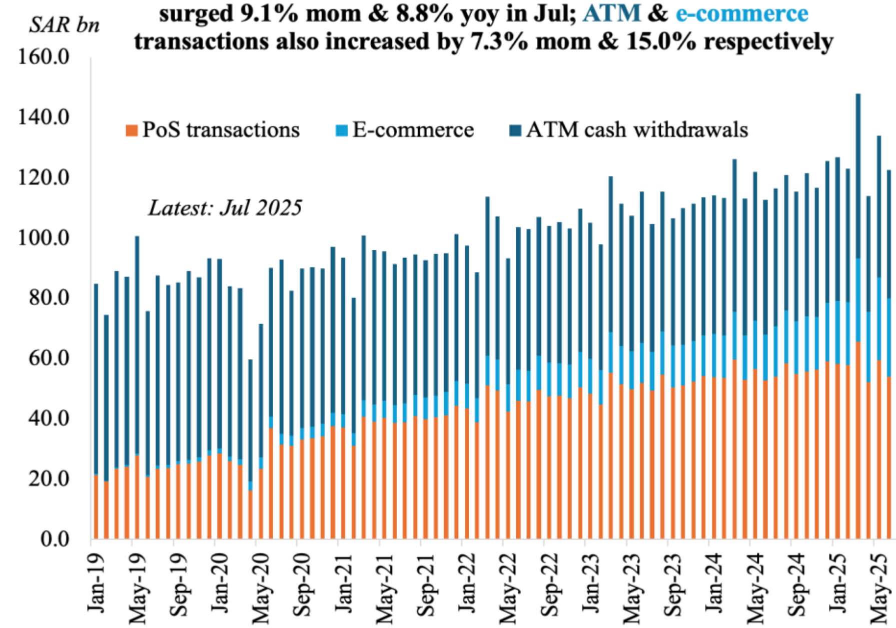
Source: GaStat. Charts by Nasser Saidi & Associates

Deposit growth in Saudi Arabia averaged 8.9% in Jan-Jul 2025; govt deposits fell to a 5-month low. As of Jul, credit growth has outpaced deposit growth for 18 months in a row. Consumer spending inched up from Jun

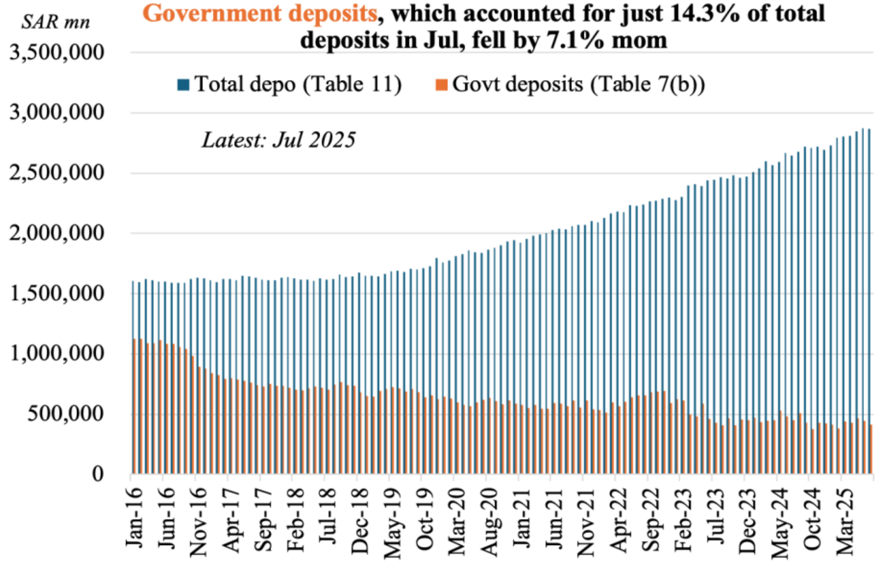
Saudi Arabia's total bank deposits grew by an average 8.9% yoy in Jan-Jul 2025. Credit growth accelerated by 15.0%



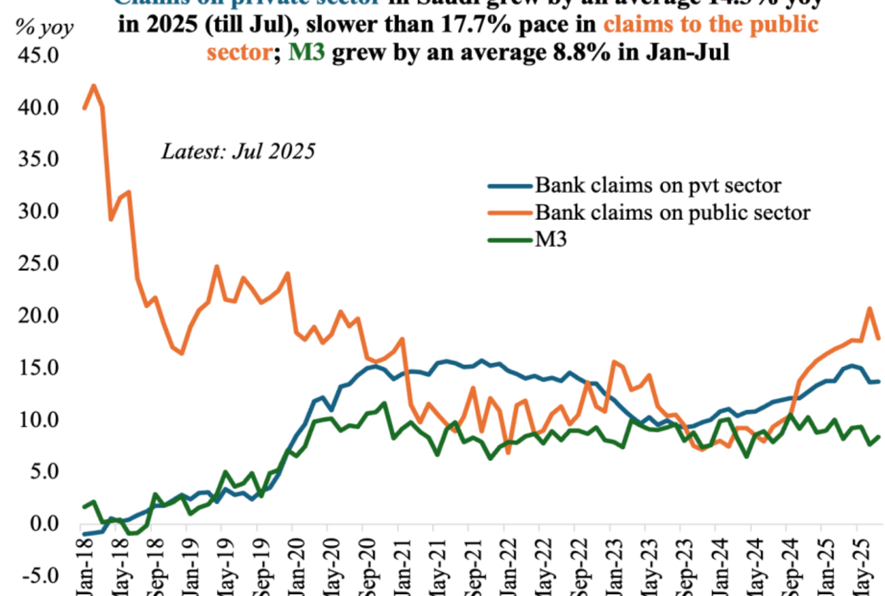
Consumer spending gains in Saudi Arabia: PoS transactions surged 9.1% mom & 8.8% yoy in Jul; ATM & e-commerce transactions also increased by 7.3% mom & 15.0% respectively



Total deposits in Saudi Arabia grew by 8.4% yoy to SAR 2.87trn in Jul 2025, growing an average 8.9% yoy in Jan-Jul. Government deposits, which accounted for just 14.3% of total deposits in Jul, fell by 7.1% mom



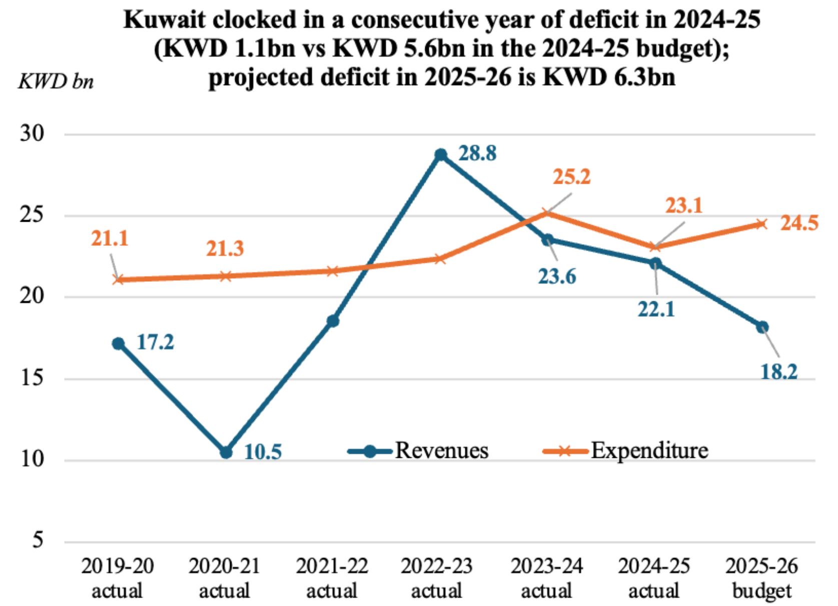
Claims on private sector in Saudi grew by an average 14.3% yoy in 2025 (till Jul), slower than 17.7% pace in claims to the public sector; M3 grew by an average 8.8% in Jan-Jul

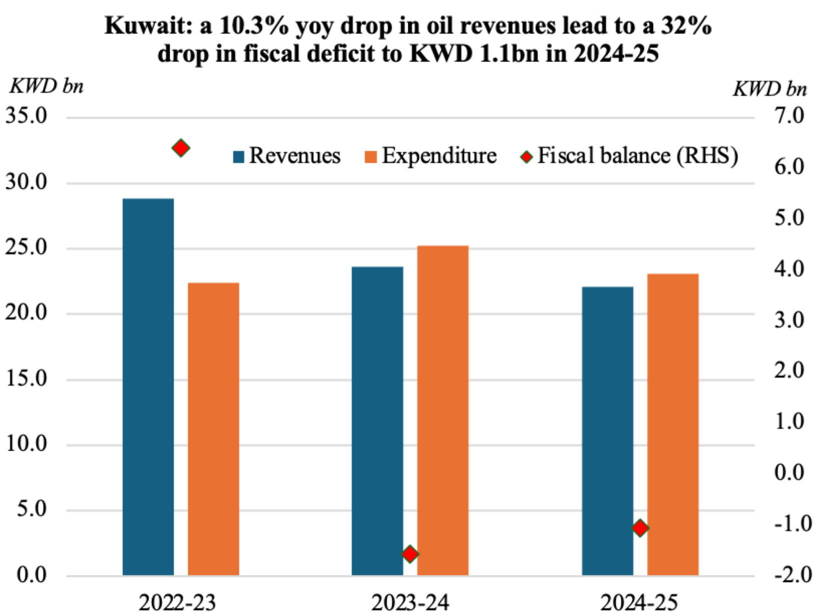


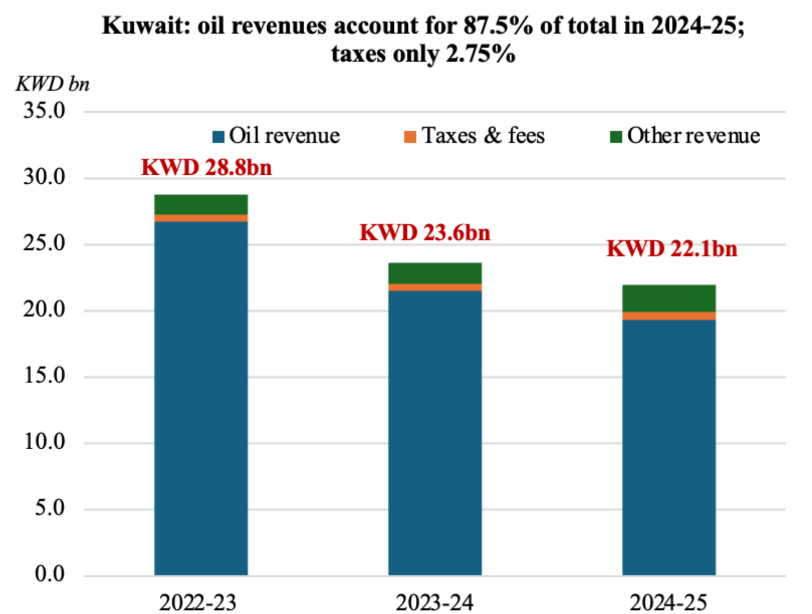
Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

Kuwait posts a second consecutive year of fiscal deficit of KWD 1.1bn in 2024-25 (vs a projected deficit of KWD 5.6bn). Fiscal reform & consolidation is a priority.

- **Kuwait posted a fiscal deficit of KWD 1.1bn in 2024-2025**, one-fifth of the projected deficit of KWD 5.6bn as per the 2024-25 budget and 32% yoy lower than the KWD 1.6bn deficit recorded in 2023-24. This year, budget deficit is projected at KWD 6.3bn.
- **Revenues fell** by 6.6% yoy to KWD 22.1bn **alongside a sharper drop** of 8.3% **in spending** (to KWD 23.1bn). There was a **sharp decline in oil revenues** (-10.3% yoy to KWD 19.3bn) but accounted for **87.5% of revenues**. Taxes, fees and charges accounted for just 2.75% of overall revenues.
- **Expenditure declined by 4.7% in 2024-25**, with wages and salaries moderating slightly. Public spending fell by 8.3% to KWD 23.1bn, thanks to efforts of rationalising spending; spending on goods & services plunged by 28.3% lower to KWD 3.3bn.
- Overall expenditures came in lower, with **implementation of the development plan lagged significantly**: as of Q3 2024-25, only less than one-fourth of the budget allocated for development projects had been disbursed! The new **Public Debt Law** allows the government to issue debt up to KWD 30bn for spending on long-term projects.
- **IMF**: **Fiscal consolidation of about 13% of GDP** should be implemented **at a pace of 1 to 2% of GDP per year to reinforce intergenerational equity**.
- Low-hanging fruit would be to **phase out energy subsidies** and **rationalise public sector wage bill** (which accounts for around 60% of overall spending) in addition to **rolling out VAT and excise taxes.**

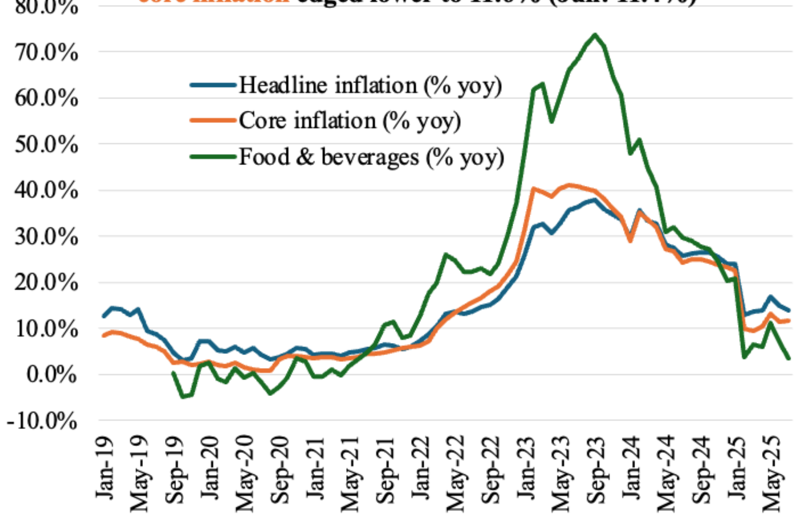




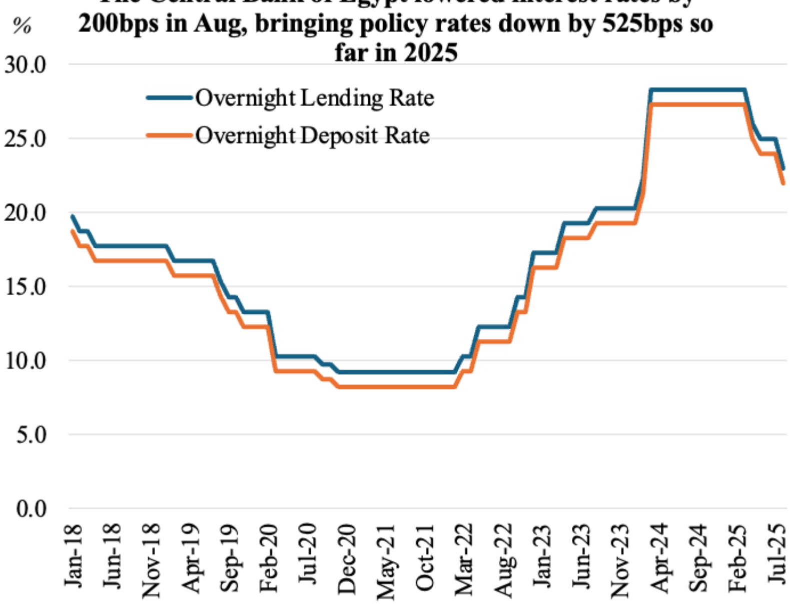


Source: Ministry of Finance, Kuwait. Charts by Nasser Saidi & Associates

Egypt's urban inflation rate eased to 13.9% in Jul (Jun: 14.9%), much lower than the peak 38% in Sep 2023; core inflation edged lower to 11.6% (Jun: 11.4%)



The Central Bank of Egypt lowered interest rates by 200bps in Aug, bringing policy rates down by 525bps so far in 2025



Source: Central Agency for Public Mobilization and Statistics (CAPMAS), Central Bank of Egypt, LSEG Workspace. Charts by Nasser Saidi & Associates

Egypt's 200bps interest rate cut in Aug & improving growth prospects

- The **Central Bank of Egypt lowered interest rates by 200bps** at the meeting yesterday, after unexpectedly pausing at the July meeting.
- **Decline in inflation print** to 13.9% in Jul (Jun: 14.9%), and from a peak of 38% in Sep 2023 will provide the central bank enough leeway to resume its rate cut cycle and aligns with a gradual easing strategy.
- **Expect the bank to further reduce rates to between 19-20% by the end of this year** - facilitated if the international financial environment becomes less volatile (i.e. Fed lowers rate, the ECB maintains or cuts rates, and geopolitical regional risks diminish resulting in a restoration of Suez Canal traffic and revenues). **A potential Fed cut could** lower pressure on Egypt's external financing costs, reduce debt servicing costs, and support investor confidence.
- **Economic growth in Egypt rose to a preliminary 5.4% in Q2 this year** (Q1: 4.8%). An overall boost to the economy has come from multiple avenues: manufacturing (within IPI rose to a record high in May), remittances (surged to a record USD 36.5bn in 2024-25), rise in non-oil exports (including textiles) and increase in tourist arrivals & occupancy rates (higher tourism revenues) among others.
- **Egypt has benefitted from** improved FX liquidity, a strong build-up in international reserves and successful bond issuances in addition to the IMF's prescribed structural reforms (including phasing out of fuel subsidies) and net investment inflows into its strategic sectors. **Reappointment of the central bank governor** will help with continuity of discussions with the IMF including the upcoming 5th & 6th review in the fall this year.
- Furthermore, **ongoing regional support** (especially from the GCC) through joint ventures, sovereign wealth fund investments, and billion-dollar strategic partnerships, **has helped the economy recover and will further improve growth prospects.**

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