

Growth Engines in Gear: PMIs Rise, Investment Grows, and Non-Oil Sectors Lead

Weekly Insights 12 Sep 2025

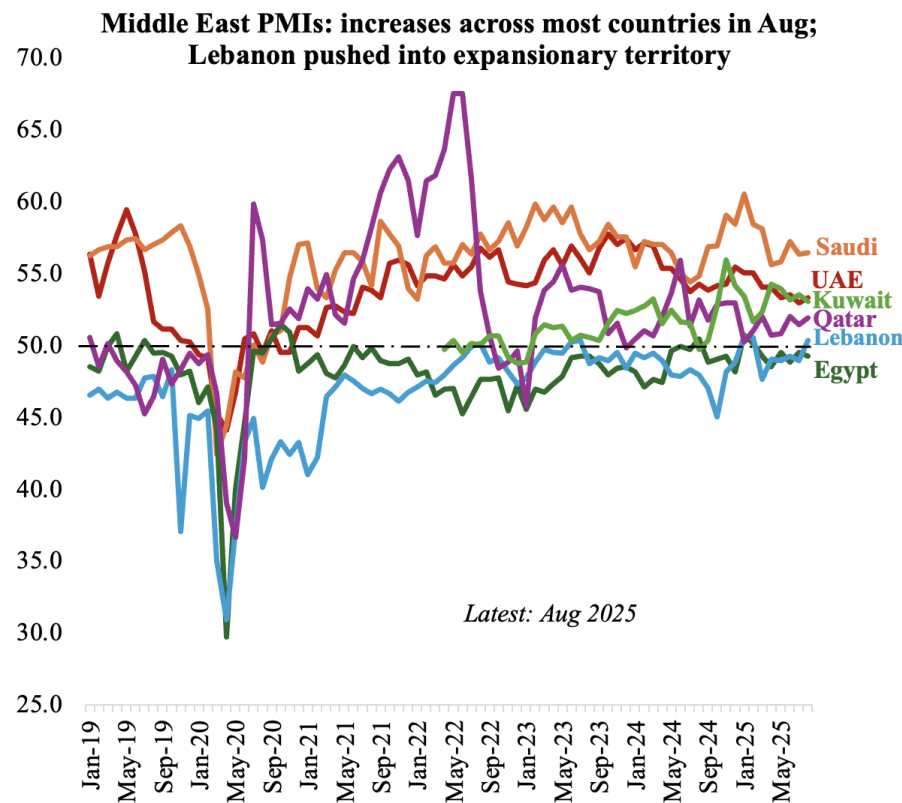
- *Middle East PMIs: Lebanon joins GCC counterparts into expansionary territory in Aug*
- *Saudi Arabia GDP grew by 3.9% yoy in Q2 2025, supported by non-oil activities*
- *Saudi industrial production grew by an average 2.7% in Jan-Jul 2025, driven by non-oil activities*
- *Saudi Arabia's FDI inflows up 24.2% to SAR 119.2bn in 2024*
- *UAE GDP expanded by 4.3% yoy in Q1 2025, with non-oil accounting for more than three-quarters of overall GDP*

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— & ASSOCIATES —

Middle East PMIs: Lebanon joins GCC counterparts into expansionary territory in Aug 2025

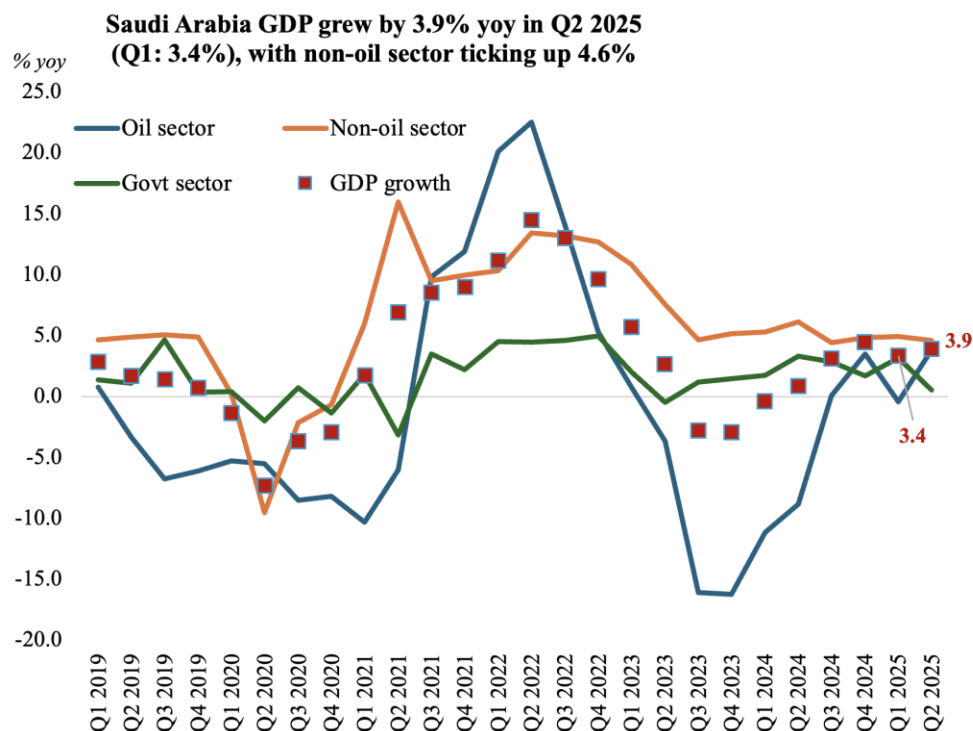
- Non-oil private sector activity in the GCC captured by PMIs stayed **expansionary in Aug**. **Lebanon moved into expansionary territory**, supported by stronger output and new orders (partly a seasonal summer months' effect and partly confidence in government policy action). **Kuwait and Egypt posted slight declines in the headline reading**, to a 6-month low of 53.0 in the former & at 49.2 in the latter.
- **Output growth touched a 6-month high in the UAE** on strong sales and domestic demand, while **new order volumes fell to the lowest level since Jun 2021**, given competitive pressures & SS chain disruptions. In contrast, KSA saw a slight increase in new orders but driven by rise in export sales.
- With **input costs rising** with sharp increase in wage costs reported in UAE; **Saudi** highlighted materials, transport, and technology-related expenses), non-oil firms in **UAE and Saudi modestly raised selling prices**: in the UAE, the rate of increase was among the highest on record and in Saudi it was up for the third month in a row. However, respondents in **Kuwait reported easing inflationary pressure**.
- In **Qatar**, employment growth increased to a record-high and **output prices plunged** at the fastest rate since Dec 2018, raising questions about profitability.
- **Egypt's decline in PMI** resulted from output and new orders declining at a quicker rate while inflation and weak demand dampened sentiment.
- **Looking ahead**, the GCC policymakers should focus on **keeping input cost inflation under control** (energy, wages, logistics – this will help firms obtain new orders; in others (EG, LB), **macroeconomic stabilisation will be key to future gains** – need to stimulate both domestic and external demand.



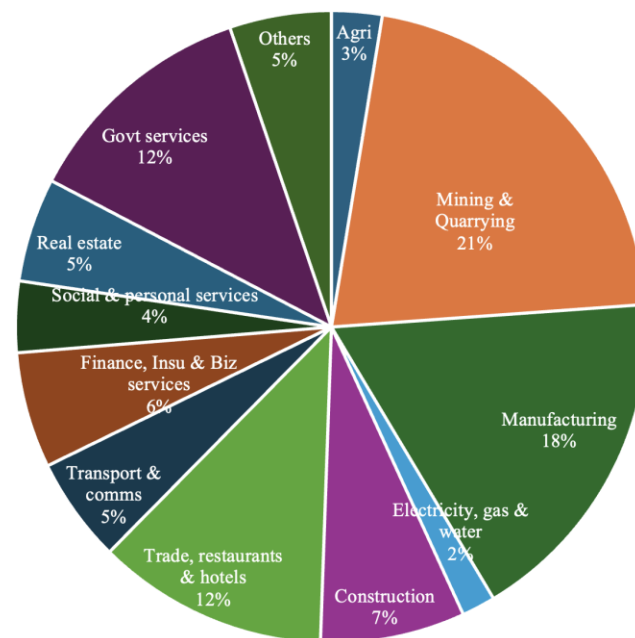
Source: LSEG Workspace. Chart by Nasser Saidi & Associates

Saudi Arabia GDP grew by 3.9% yoy in Q2 2025, supported by non-oil activities; non-oil non-government gross fixed capital formation strong in H1 2025

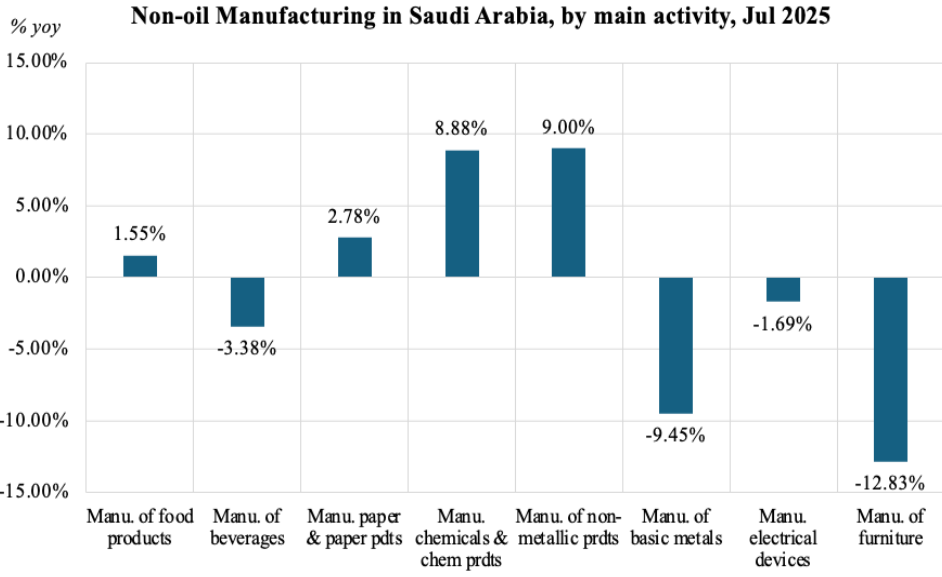
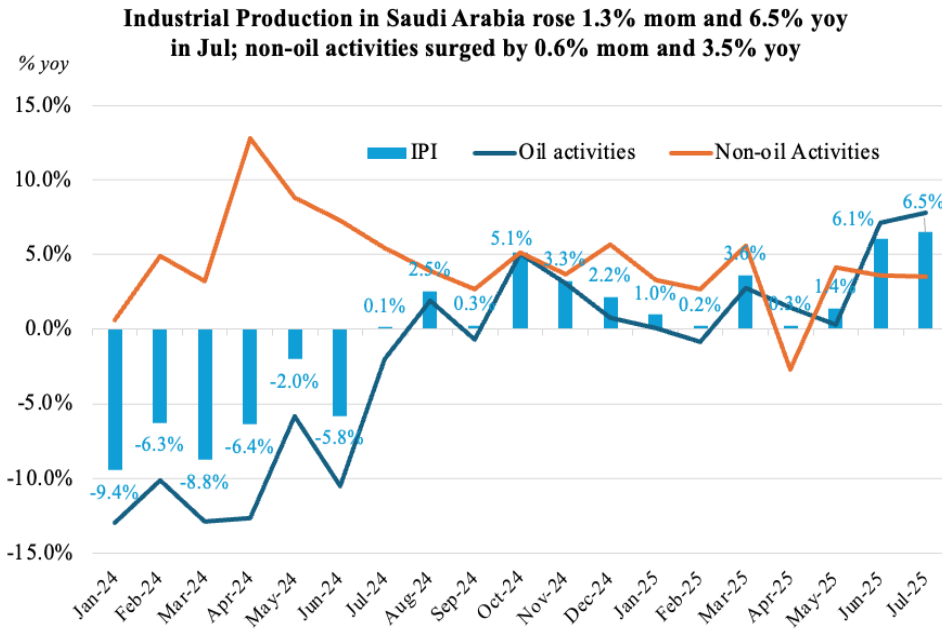
- **Saudi Arabia's real GDP grew by 3.9% in Q2 2025** (in line with preliminary estimates; Q1: 3.4%), supported by non-oil sector activity (4.6%, from Q1's 4.9% gain) while oil sector rebounded (3.8% from Q1's -0.4%). Accelerated unwinding of oil production cuts (548k bpd to be returned to the market in Aug-Sep) will support oil sector activity. The government sector grew by 0.6% in Q2 (Q1: 3.2%).
- **Non-oil sector activity accounted for around 55% of real GDP in Q2**, while government activities were a relatively high 12% alongside a 21% share in mining and quarrying activity. Among non-oil sectors, manufacturing (excluding petroleum refining), trade and hospitality, and construction together accounted for about 30% of total.
- **Nominal GDP grew by 1.1% yoy in H1 2025**, supported by private final consumption expenditure (5.8%). Additionally, **gross fixed capital formation grew by 5.8% yoy in H1**, primarily due to a 6.9% rise in the non-oil non-government sector: this private sector activity bodes well for growth in the coming quarters.
- **Looking ahead**, non-oil sectors (manufacturing, tourism, hospitality, trade) are expected to grow further in line with diversification efforts and supportive policy, while public investment in mega-projects and foreign investment flows are likely to be important levers.



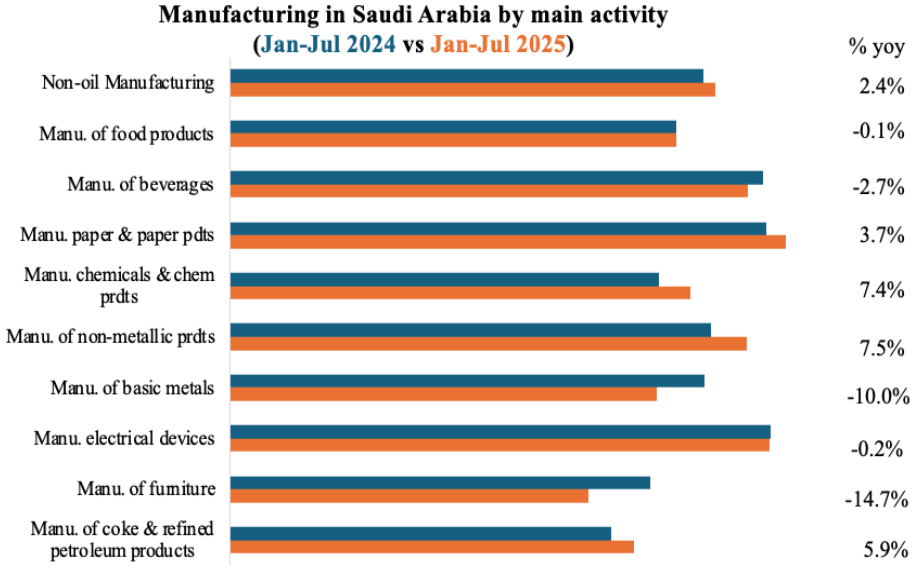
Share of economic activity in KSA, by sector, Q2 2025



Saudi industrial production grew by an average 2.7% in Jan-Jul 2025, driven by non-oil activities

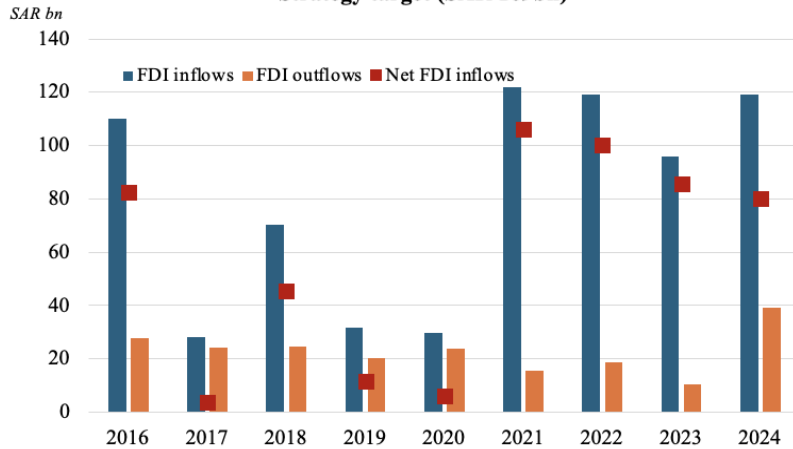


- Industrial production in Saudi Arabia** grew by 1.3% mom and 6.5% yoy in Jul. **Oil activities** expanded by 1.6% mom and 7.8% yoy, as crude oil production rose (given the OPEC+ decision). Manufacture of coke & refined petroleum products surged by 13.8% yoy and 1.0% mom. Extraction of crude petroleum & natural gas increased by 6.5% yoy, the fourth month of upticks, and after double digit declines in H1 2024.
- Non-oil activities** increased by 0.6% mom and 3.5% in Jul. Within manufacturing, the manufacture of non-metallic products was the fastest growing (9.0% yoy) followed by chemicals & chemical products (8.88%).
- In Jan-Jul, **non-oil manufacturing ticked up by 2.4%** alongside a 5.9% gain in the manufacture of coke & refined petroleum products. Under non-oil manufacturing, non-metallic products grew the fastest (7.5%).
- Infrastructure & utilities** (energy, water, waste) **show rising capacity**, highlighting opportunities for sustainable & tech-enhanced investment (e.g. clean energy, water treatment, recycling). **Non-oil industrial growth is positive but modest**; faster growth will require overcoming constraints such as skills shortages, input cost inflation, supply-chain bottlenecks (all of which could lead to greater efficiency & higher productivity).

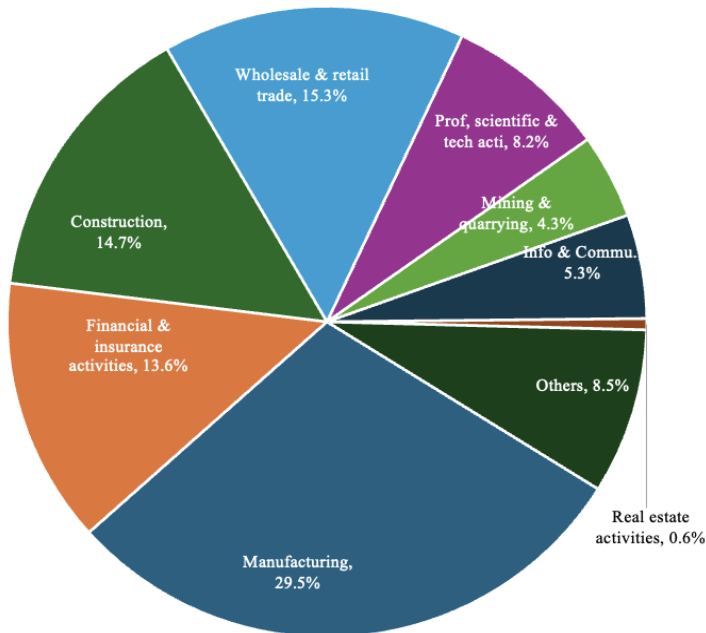


Saudi Arabia's FDI inflows up 24.2% to SAR 119.2bn in 2024

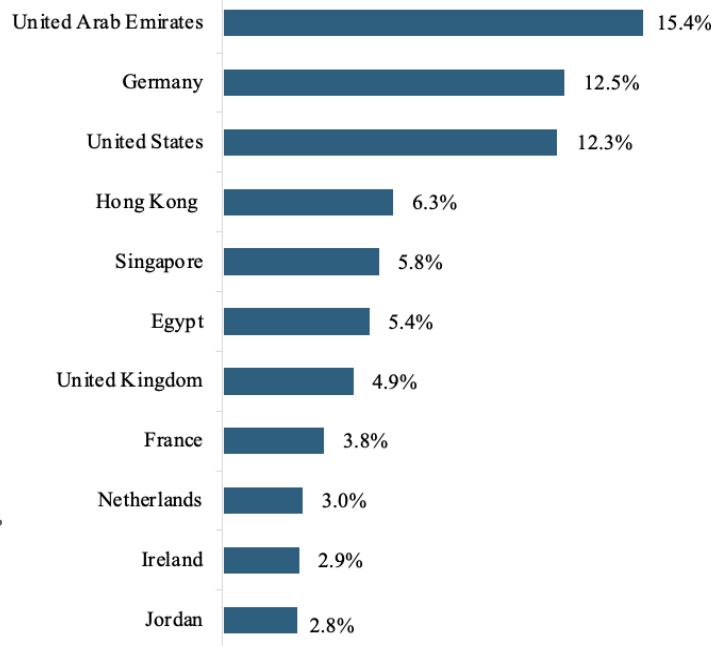
Net FDI inflows into Saudi stood at SAR 80.0bn in 2024; FDI inflow, at SAR 119.17bn, exceeding the National Investment Strategy target (SAR 109bn)



Manufacturing, finance & construction sectors attracted close to 60% of the total FDI inflow into KSA in 2024



FDI inflow into Saudi Arabia by the top 11 countries accounted for 3/4th of total in 2024

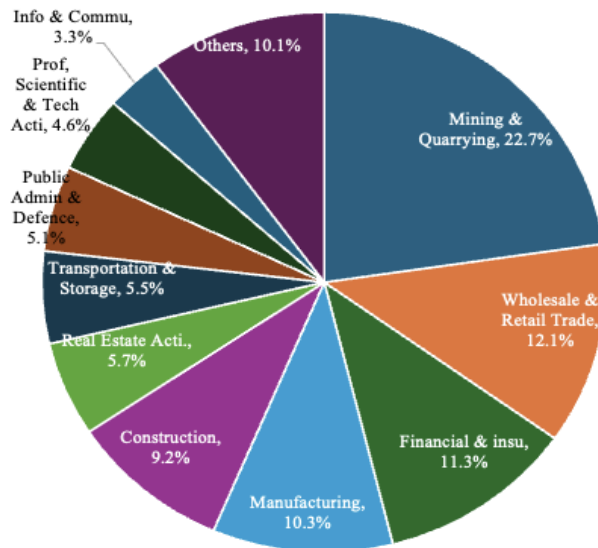


- UAE topped in terms of FDI inflow into KSA in 2024: 15.4% by direct investor country (Source: GaStat). Germany & US were ranked second and third; FDI from Hong Kong and Singapore were 10 and almost 40 times higher vs 2023.
- The increased FDI outflow to foreign ventures (many regional integration projects) notwithstanding, it is **important that domestic investment remains competitive.**

UAE GDP expanded by 4.3% yoy in Q1 2025, with non-oil sector accounting for more than three-quarters of overall GDP

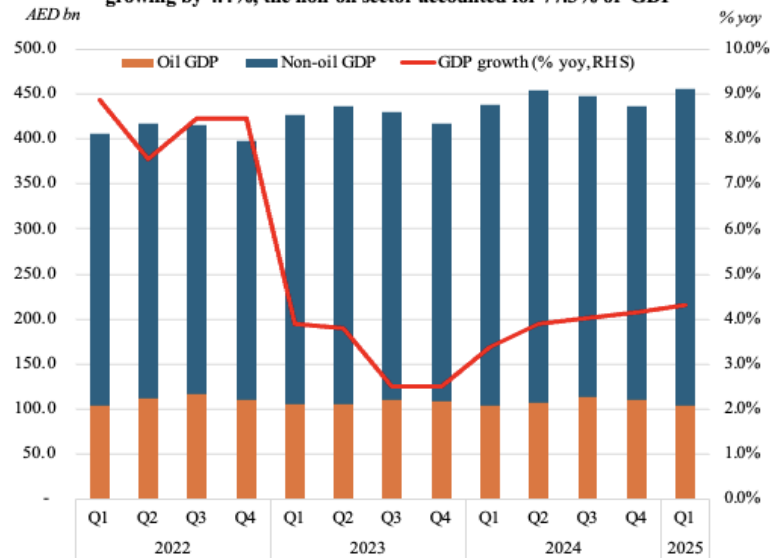
- **Real GDP in the UAE grew 4.3% yoy to AED 455.30bn in Q1 2025**, with non-oil sector activity up by 4.4% (to AED 351.9bn). The **contribution of the non-oil sector clocked in a record 77.3% of the total**.
- **The fastest growing sectors in the UAE were real estate (7.4%), education (7.3%) and construction (6.8%)** – this is not surprising considering the sudden surge in population leading to demand for housing, schools and infrastructure. Others posting high growth rates were professional, scientific & technical activities (4.9%) as well as the oil sector (4.39%) and trade (4.35%).
- **Distribution of GDP** showed the **oil sector accounting for less than 1/4th of GDP (22.7%)**. Among non-oil sectors, wholesale & retail trade (12.1%), financial (11.3%) and manufacturing (10.3%) sectors were the largest (three together contributed one-third of total GDP).
- The **ongoing pace of trade deals and continued FDI inflows** will allow for access to new markets, supply chain integration and being part of the global value chain, at times of global trade and investment uncertainty.
- Words of caution: while **real estate and construction** sectors see an upside from ongoing infrastructure and property demand, the risk of oversupply needs to be monitored closely. **Inflation** is relatively muted for now, but rise in costs of labour, materials and logistics could affect businesses' margins (especially in construction and manufacturing).

Trade, financial & manufacturing sectors were top non-oil sector GDP contributors in Q1 2025

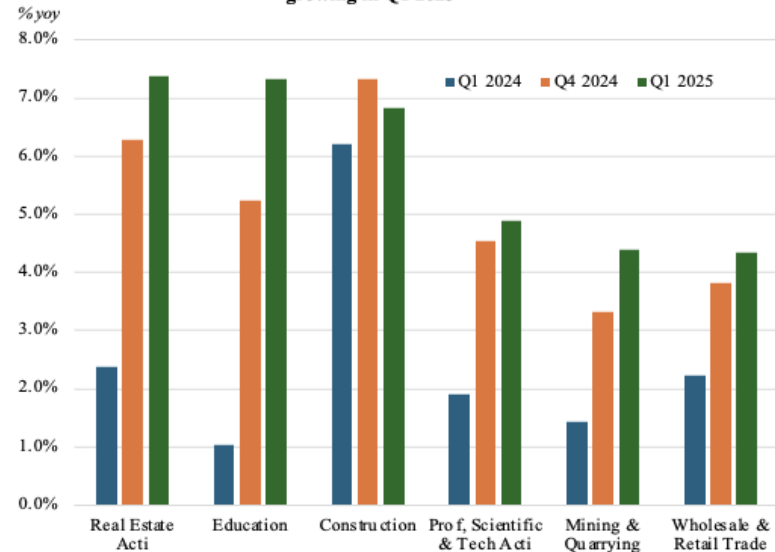


Source: FCSA. Charts by Nasser Saidi & Associates.

UAE GDP expanded by 4.3% yoy in Q1 2025 (Q4 2024: 4.2%); growing by 4.4%, the non-oil sector accounted for 77.3% of GDP



UAE's real estate, education & construction sectors were the fastest growing in Q1 2025



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