

Daily Economic Update

Economic Research Department
3 July 2025

Kuwait: PMI solid in June, with employment component at a record high. The PMI signaled further solid expansion in non-oil private sector activity in June, albeit easing to a three-month low of 53.1 versus 53.9 in May. Growth in output and new orders slowed but remained relatively strong, with the latter registering its lowest monthly reading since February. The continued expansion in output and new orders helped push employment growth to a series record. The latter was also reflected on staffing costs, which also rose at a record pace. Firms' overall input costs, however, expanded at a slower pace, thanks to a softer increase in purchasing prices. Nevertheless, higher costs are starting to be passed onto consumers with the output prices metric gaining for a fourth consecutive month. Businesses maintained a constructive future outlook, with 12-month ahead confidence strengthening for the second month running and rising to the highest since May 2024. Despite the headline PMI softening last month, non-oil private sector activity in H1 2025 registered its best half-yearly performance on record with both the output and new orders components also at series highs.

Saudi Arabia: PMI strengthens in June. The non-oil private sector PMI rose to 57.2 in June from 55.8 in May reflecting a stronger expansion in business activity. This was the highest reading since March and was driven by faster growth in new orders, with growth in export orders also strengthening. Employment saw the sharpest increase since May 2011, with the largest growth recorded in the construction sector. Purchasing activity also grew, which together with the higher staffing allowed a small reduction in work backlogs. Input prices rose sharply, with increases in both purchase prices and staffing costs, leading to a renewed increase in output prices which saw the fastest increase in 18 months after declining in May. The positive survey activity figures for June come despite the survey taking place from 12-20 June, which covers the period of the dramatic escalation in the Israel-Iran conflict, though before the US strike on Iran's nuclear facilities on June 22.

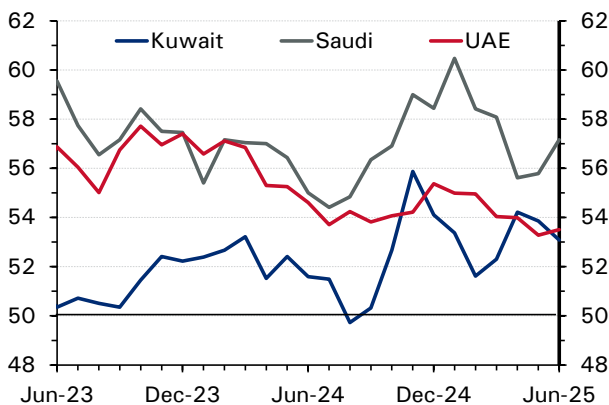
UAE: Non-oil sector activity ticked up in June despite regional tensions. The PMI edged up slightly to 53.5 in June from 53.3 in the previous month, driven by a solid increase in output levels, which rose despite new orders easing to a nearly four-year low. Moreover, employment continued to expand in June, though slightly moderating from the previous month. On the prices front, input costs recorded their slowest increase since July 2023 on higher shipping and raw material prices while output prices logged their first contraction in 2025 due to discounting policies. The outlook for activity over the next 12 months saw a modest increase, though remained below historical trends due to rising worries about the impact of regional tensions on shipping and sales. Meanwhile, the Dubai PMI logged its softest expansion in four years in June (51.8) due to softening new orders and weaker tourism activity, though output activity remained relatively stable compared to May.

Oman: GDP grew by 2.5% in the first quarter. GDP growth accelerated to 2.5% y/y in Q1 2025 from 1.6% the previous quarter, the fastest pace since Q2 2024. The solid expansion was driven mostly by the robust growth of 4.4% in the non-oil sector, while oil GDP saw the eighth consecutive quarter of contraction (-0.4%), albeit the smallest in two years. The growth in non-oil activity was led by the construction, food & accommodation, and telecom sectors, which grew by 9.8%, 11.7%, and 7.8% respectively, with growth in most other sectors also notably strong. The latest GDP data is in line with our expectation that Oman's GDP growth will reach around 3% this year from 0.8% in 2024, supported by continued private sector investment and an expected recovery in hydrocarbon output.

Egypt: Possible delays to fifth tranche of IMF support. The IMF could merge the fifth and sixth reviews of Egypt's \$8 billion support package, which would delay a \$1.2 billion support installment by at least six months, according to media sources. This is due the slower than planned implementation of structural reforms upon which the support package is highly contingent. The IMF on March 11 completed its fourth review of the Extended Fund Facility Arrangement, unlocking a further \$1.2 billion in financing and bringing total withdrawals to \$3.2 billion. The IMF also approved access to \$1.3 billion under the Resilience and Sustainability Facility but re-stressed the need for further structural reforms including the divestment of state assets, allowing the pound to float more freely, and improvements to governance and transparency. An IMF delegation visited Egypt in May and began the fifth review, but the staff report is yet to be released. On Sunday, the Egypt Tax Authority approved limited amendments to the VAT law to broaden the tax base and address market distortions, with the construction sector now subject to the standard VAT instead of the previous 5% schedule tax, as well as higher taxes on tobacco and alcohol, though more impactful measures may be required to unlock the next tranche of IMF support funds. On a related note, the government recently approved an EGP 85 billion (\$1.7 bn) increase to the FY24/25 budget (ending June 2025) to offset to the effects of a weaker EGP and higher interest rates which raised the cost of borrowing.

Chart 1: Kuwait, Saudi and UAE PMIs

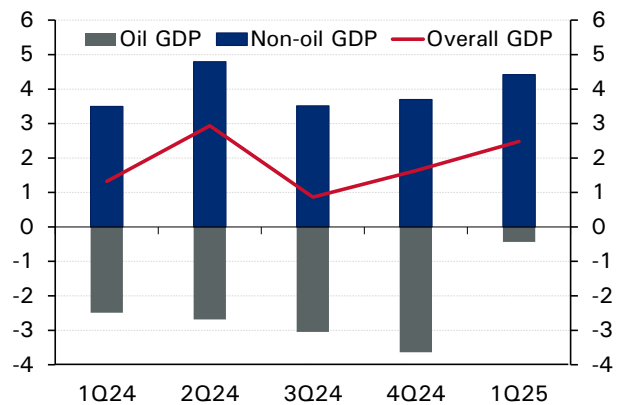
(index, >50=expansion)



Source: S&P Global, Riyad Bank

Chart 2: Oman GDP growth

(% y/y)



Source: Haver, National Center for Statistics and Information (NCSI)

US: Trump announces trade agreement with Vietnam with 20% import tariffs but details still lacking. President Trump announced reaching a trade agreement with Vietnam that would see a flat 20% tariff on imports from Vietnam, while the latter will impose zero tariffs on US goods. However, goods deemed to be transshipped from Vietnam (including minimal final assembly in the country) to the US would be subject to 40% duties to dissuade goods manufactured in other countries (mainly China) to be rerouted through Vietnam. Further details about the agreement are still lacking. During the 'Liberation Day' announcement, Vietnam was hit with 46% duties

that were later reduced to 10% for a 90-day period. In 2024, Vietnam was the US's eighth largest trade partner but fourth in terms of trade deficit. Markets cheered the announcement, with the S&P500 reversing its prior modest intraday loss, closing around 0.5% up d/d yesterday. However, with an impending July 9 deadline when higher tariff rates may be reimposed on most countries, markets may see greater volatility in the days ahead. Meanwhile, the tax and spending bill, passed by the Senate on Tuesday, is still awaiting its fate in the House of Representatives as GOP lawmakers remain divided on some key issues including cuts to Medicaid spending. A vote in the House may take place later today. In data news, based on ADP data, US private sector employment fell by 33K in June from a downwardly revised gain of 29K in May, the first monthly drop since March 2023, potentially indicating early signs of casualty of the US government's chaotic policy roll outs. As a reminder, the official non-farm payroll report for June will be released later today, with markets expecting 110K job gains and a slight pickup in the unemployment rate to 4.3%.

UK: Starmer backs Chancellor Reeves after a U-turn on welfare cuts, but markets jittery. PM Keir Starmer stated last night that Rachael Reeves would continue to be the Chancellor of Exchequer "for many years to come" having initially failed to do so earlier yesterday in a parliamentary session. Reeves was seen visibly emotional in the House of Commons when Starmer made his earlier remarks, which were elusive about her remaining as Chancellor. The development happened following the Labor government's backtracking on its plans to cut some welfare spending related to personal independence payments after pushbacks from own party members that would have helped the government save around £5bn annually by 2029-30. Previously, the Chancellor also had to make another U-turn on proposed cuts to winter fuel support-related spending. Given limited fiscal headroom that would be greatly reduced following the reversals in planned spending cuts, the Chancellor could find it increasingly difficult to keep her self-imposed pledge to meeting day-to-day spending through fiscal revenues. If more spending cuts are rolled back, the government may have to raise taxes yet again, hampering the UK economic outlook. Markets grew more nervous about the developments, with UK 30Y gilt yields rising by over 20 bps and the pound dropping more than 1% against the US dollar at one point yesterday.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,920	-0.09	5.32
Bahrain (ASI)	1,950	0.32	-1.79
Dubai (DFMGI)	5,669	-0.41	9.90
Egypt (EGX 30)	32,820	0.35	10.36
GCC (S&P GCC 40)	728	-0.03	0.87
Kuwait (All Share)	8,381	-0.34	13.83
KSA (TASI)	11,130	0.07	-7.53
Oman (MSM 30)	4,525	0.25	-1.13
Qatar (QE Index)	10,699	0.01	1.21
International			
CSI 300	3,944	0.02	0.22
DAX	23,790	0.49	19.49
DJIA	44,484	-0.02	4.56
Eurostoxx 50	5,319	0.69	8.63
FTSE 100	8,775	-0.12	7.36
Nikkei 225	39,762	-0.56	-0.33
S&P 500	6,227	0.47	5.88
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.64	0.57	-5.27
Kuwait	4.06	0.00	12.50
Qatar	4.65	0.00	-2.50
UAE	4.15	2.99	-29.88
Saudi	5.43	9.93	-10.84
SOFR	4.29	-1.26	-1.93

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: LSEG / Haver

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.11	-1.00	-63.0
Oman 2027	4.73	-1.00	-83.0
Qatar 2026	4.55	-1.00	-24.0
Kuwait 2027	4.42	1.00	-55.0
Saudi 2028	4.42	0.00	-66.0
International 10YR			
US Treasury	4.28	4.11	-29.0
German Bund	2.62	5.10	25.6
UK Gilt	4.61	15.75	4.5
Japanese Gvt Bond	1.42	3.00	34.5
Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	-0.94
KWD per EUR	0.35	-0.54	9.48
USD per EUR	1.18	-0.06	13.96
JPY per USD	143.67	0.17	-8.60
USD per GBP	1.36	-0.79	8.99
EGP per USD	49.30	-0.20	-2.93
Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	69.11	2.98	-7.41
KEC	69.05	0.67	-8.89
WTI	67.45	3.06	-5.95
Gold	3348	0.34	27.34