دبي الإسلامي

ECONOMIC BITES

June 2025
Monthly Updates

Macroeconomic Update

I. Global Markets: All about U.S. policy, politics and protectionism?

Fed walks a policy tightrope: The Beige Book capturing qualitative data on the US economy highlights that "elevated levels of political and economic uncertainty" are prompting both businesses and households adopt a cautious stance in their decision making. This period of uncertainty has slowed hiring, and limited wage growth, as firms weigh the risks posed by tariffs and uncertain federal policies.

In this context, Fed faces the challenge of managing inflation and supporting employment. As per the latest data, unemployment rate held steady at 4.2%, while price increases have been moderate so far. With hiring activity slowing and inflation expectations rising, the Fed must carefully calibrate its policy response to avoid stagflation.

US political tensions spark market reassessment: Media coverage of the Los Angeles anti deportation protests has been relentless, amplifying both domestic and international scrutiny. The economic and financial market implications may be more nuanced:

Domestic investors are likely to interpret this through the lens of their preferred media outlets, with social media misinformation potentially distorting perceptions.

International investors will assess the situation through their own historical experiences with civil unrest, and federal tensions. Increased uncertainty could prompt them to demand a risk premium on US assets.

Investor perceptions influence USD: As the world's reserve currency, the US Dollar's stability is closely tied to several factors including the perceptions of strong judicial and legal system - a fundamental principle that reassures global investors. An anticipated erosion of this could undermine investor confidence.

Deficient details on deal: US and China agreed on a framework to implement their trade deal following two days of intensive negotiations in London in June 2025.

US tariffs on Chinese goods currently stand at 55%, down from a peak of 145% in May 2025, while China maintains a 10% tariff on US imports following their 90-day truce agreement. Lack of details including on trade of sensitive goods does limit transparency crucial for investor confidence.

II. May PMI: Moderation in expansion of non-oil activity in GCC

The UAE's Purchasing Managers' Index (PMI) declined to 53.3 in May from 54.0 in April - the lowest level in nearly four years. This was due to slower rate of growth in new export orders and output levels compared to the prior month. Nonetheless, the UAE's non-oil private sector performance sustained improvement above the 50.0 mark implying economic expansion. Hiring activity was the highest in a year, driving down work backlog to its lowest level in 16 months.

Business optimism dipped to its lowest since January on sentiments surrounding global economic uncertainties.

Initial signs of return in pricing power for firms have become visible - as they continued to raise output prices at a faster pace even as input prices rose at the slowest pace in 17 months.

Table.1: PMI readings for GCC during May 2025

Country	Latest PMI reading	Latest Month	Previous PMI reading	Previous Month	Monthly Change
UAE	53.3	May	54.0	March	-1.30%
KSA	55.8	May	55.6	March	+0.36%
Qatar	50.8	May	50.7	March	+0.20%
Kuwait	53.9	May	54.2	March	-0.55%

Source: S&P Global

For the same period, Saudi Arabia's PMI ticked up to 55.8 (from 55.6), primarily driven by stronger hiring activities as new orders continued to rise specially in the construction sector. In a marked contrast to global trend, business confidence remained robust buoyed by domestic demand conditions. Qatar's PMI also saw a minor uptick from 50.7 in April to 50.8 in May. Acceleration in new orders in the wholesale & retail and service sectors outweighed a decline in total activity. On the other hand, the PMI in Kuwait fell to 53.9 in May from 54.2 in April, reflecting a modest pace of job creation, rising backlogs, and new order growth - although business activity and demand remained strong.

Overall, the PMI trends across the GCC region point towards a more moderated rate of expansion. Even so, the non-oil private sector remains resilient with continued growth driven by strong customer demand and hiring activities.

The PMI is a weighted average of these five indices : New Orders (30%), Output (25%), Employment (20%), Suppliers 'Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers 'Delivery Times Index is inverted so that it moves in a comparable direction to the other indices. A reading above 50 indicates expansion in economicactivity.

Fig 1.:GCC PMI trends for May 2025

UAE	KSA	Kuwait	Qatar
53.3	55.8	53.9	50.8
Reduced 1.30%	Improved 0.36%	Reduced 0.55%	Improved 0.20%

Source: S&P Global

III. CPI trends reveal diverging price trends across the GCC

CPI data for April 2025 highlights varied inflation dynamics across the GCC, with Dubai and Kuwait seeing moderation, Saudi Arabia holding steady, and Bahrain experiencing deflation. Diverging sectoral trends—especially in transport, housing, and food—underscore the region's mixed price pressures amid shifting economic conditions.

Table.2: CPI readings for GCC ending April 2025

Country	Latest CPI reading	Latest Month	Previous CPI reading	Previous Month	Monthly Change	Monthly Change
Dubai	114.19	April	113.86	March	+0.29%	+2.31%
KSA	113.46	April	113.10	March	+0.32%	+2.30%
Kuwait	136.30	April	136.10	March	+0.15%	+2.25%
Bahrain	101.00	April	101.30	March	-0.30%	-0.50%
Oman	106.40	April	105.90	March	+0.47%	+0.90%
Qatar	106.98	March	107.89	February	-0.84%	+0.13%

Source: National sources, Trading Economics

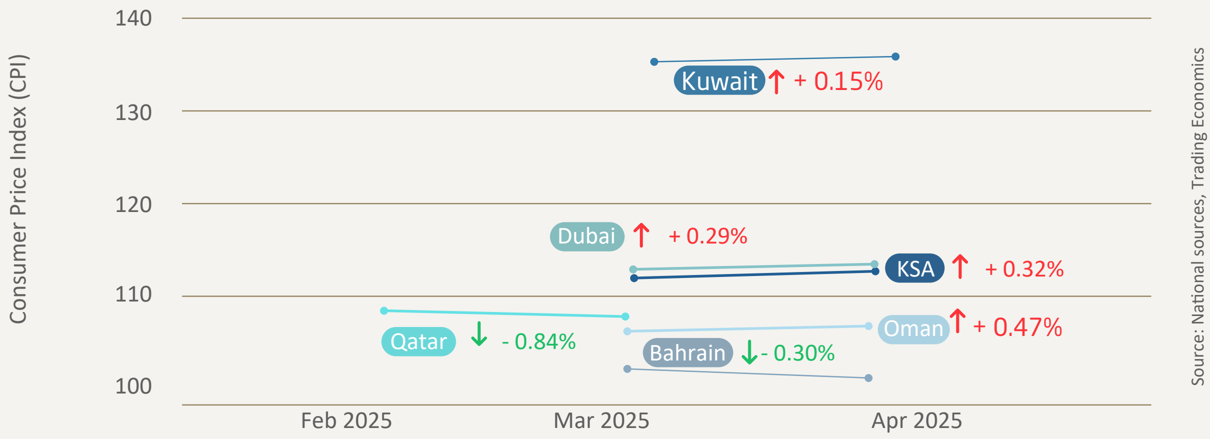
Dubai headline CPI moderates in April: Dubai's headline CPI inflation during April 2025 slowed down to 2.3% y-o-y, down from 2.8% in March as transportation price decline offset the rise in rentals. On a monthly basis, prices rose by 0.3%, due to higher healthcare and education costs (3% and 2.5% increase respectively). Upside risks to headline inflation are from higher import costs, particularly for food, driven by a weaker US Dollar.

Saudi CPI remains steady: The y-o-y CPI inflation for Saudi Arabia remained steady at 2.3% in April 2025 (unchanged from March 2025). Although housing and utility prices soared by 6.8% due to an 11.9% increase in rental prices, the overall inflation was neutralised by price reductions in transport, clothing, and communication. On a m-o-m basis, Saudi registered a record-high CPI of 113.46 - a 0.32% increase from March - with main contributors to April's inflation being price markups for personal goods & services (0.8%), meat and poultry (0.7%), restaurants & hotels (0.7%), and housing & utilities (0.4%).

Bahrain records deflation: In Bahrain, April recorded deflation (-0.5% y-o-y) further down from 0.1% in March 2025 as fall in prices of food, clothing, and furnishing outweighed the rise in prices associated with hotels, restaurants, and health services. Kuwait's annual inflation rate slowed to 2.25% in April 2025, down from 2.41% in March, marking the lowest level since September 2020. Transport costs declined further, falling 1.05% y-o-y offsetting the rise in food and clothing prices. Meanwhile, Oman's annual inflation rate rose to 0.9% in April 2025, up from 0.6% in March, primarily driven by services whereas food, furniture, and household equipment declined. Oman's m-o-m inflation edged up by 0.47% in April due to price hikes in transport and miscellaneous goods & services.

As of writing this report, Qatar's CPI inflation shifted from -0.27% y-o-y in February 2025 to 0.13% in March 2025. The m-o-m change in inflation was recorded at -0.84%, led mainly by easing housing utility prices and transport costs due to lower oil prices.

Fig.2: Latest m-o-m CPI Inflation for GCC relatively moderate in April 2025



IV. Airport Passenger Arrivals maintains momentum in Q1 2025

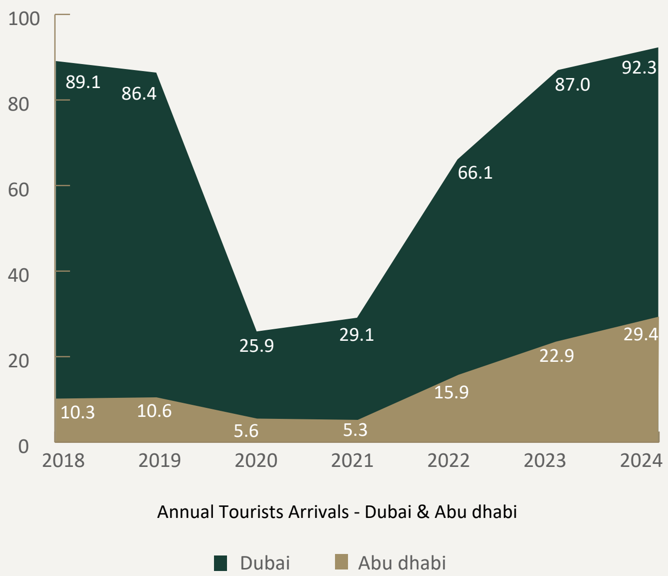
DXB Airport saw 23.4 million passengers in Q1 2025, up 1.5% from Q1 2024, marking another record quarter for DXB. Passenger growth has been driven by Dubai's appeal as a tourism and business hub, expanded airline networks, and a shift toward more direct (non-transit) traffic.

- India, Saudi Arabia, and the UK remain top source markets for arrivals.
- Dubai handled 92.3 million passengers in all of 2024, the highest annual traffic in its history.

Abu Dhabi Airports also witnessed robust and accelerating growth in passenger arrivals, supported by new airline partnerships, expanded routes, and infrastructure enhancements.

- Abu Dhabi's tourist count rose by 16% y-o-y with **5 million international visitors,** primarily from India, China, Russia, the UK, and the US.

Fig.3: International tourist arrivals at Dubai & Abu Dhabi airports



Source: Dubai Airports, Abu Dhabi Airports

V. Dubai Tourism: Hotel Occupancy Rates rise to 81.5% in Q1 2025

Dubai's hotel occupancy rose to 81.5% in Q1 2025, a 7% y-o-y increase driven by a sustained rise in tourism and a busy business events calendar. Leading the performance were Dubai Marina (86%), followed closely by Palm Jumeirah and Oud Mehta (85%), Al Barsha (84%), Bur Dubai (83%), Jumeirah and DWTC (82%), and Deira and Jebel Ali (80%). Luxury hotels dominate, with nearly 70% of new room supply in these categories.

Meanwhile, **Abu Dhabi maintained a strong 79% occupancy**, even during Ramadan.

Key drivers include:

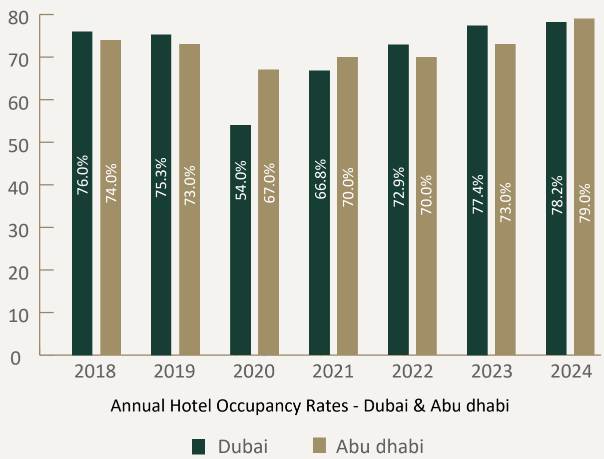
- **Robust visitor arrivals** and a **steady calendar of events** bolster consistent hotel demand.

- **Adaptive Strategies:** During peak summer months, Dubai still manages to attract tourism through smart pricing, indoor attractions (like Dubai Mall and Ski Dubai), and bundled experiences.

- **Policy Alignment:** Pro-business reforms - including investor friendly visa rules, and public-private partnerships for mega-events (like COP28) - position Dubai as a tourist hub.

Tourism is one of the pillars of economic growth, contributing ~12% to Dubai's GDP. The Q1 2025 data highlights Dubai's success in positioning itself as a year-round luxury destination, supported by adaptive policy frameworks and world-class infrastructure.

Fig.4: On the rise: Hotel Occupancy Rates for Dubai & Abu Dhabi



Source: Dubai DET, DCT Abu Dhabi

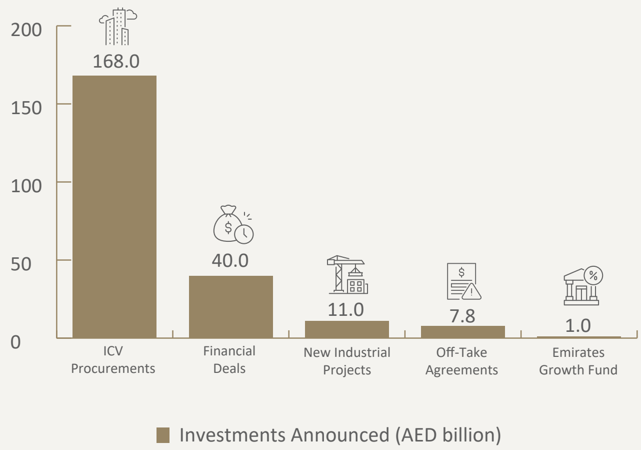
VI. 'Make it in the Emirates' ends on a high note with US$2.99 billion in industrial projects

The fourth edition of the 'Make it in the Emirates' campaign, drew over 122,000 visitors with participation from over 720 entities across key sectors - Aerospace, Defense, Agritech, and Clean Energy. This signals a broadening industrial base that could reduce import dependency and help improve the UAE's persistent negative net exports.

Key economic outcomes of this move include:

- **Setting the stage for GDP growth:** By signing 187 strategic agreements and MOUs for off-take deals and new industrial projects, the GDP will likely have a multiplier effect due to increased domestic production, industrial capacity, and demand for local labour.
- **Potential for export-led growth and inflation buffer:** In the long run, the campaign's focus on local innovation and startup engagement through initiatives like the Global Startup Exchange and Emirates Growth Fund would improve the trade balance by fostering exports of goods and services. The emphasis on local innovation and production could serve as a buffer against imported inflation as well.
- **Inclusive workforce development:** Initiatives like the Industrialists Career Fair and the Emirati Handicrafts Pavilion encourage youth participation, entrepreneurship, and productivity growth. 'Make it in the Emirates' reinforces the UAE's positioning as a forward-looking industrial hub with immense potential to boost talent, GDP, and net exports - all while ensuring the economy sustains self-sufficiency in the years to come.

Fig.5: Key investments announced in the 'Make it in the Emirates' campaign



Source: Zawya

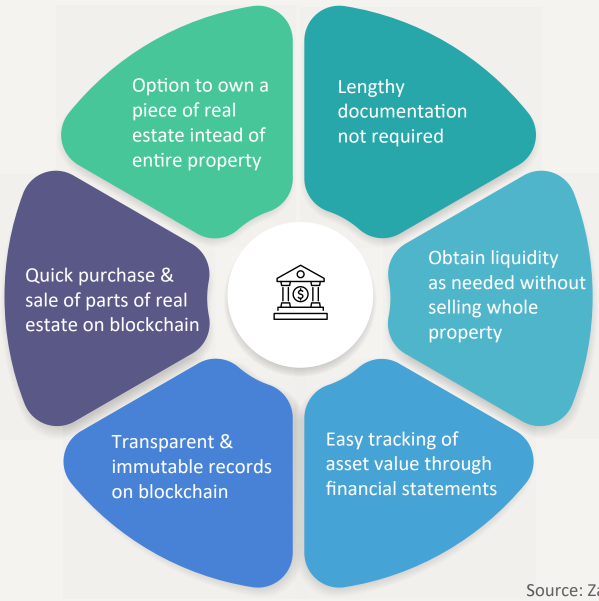
VII. UAE's MAG and MultiBank partner up on the world's largest real estate tokenisation push worth US$3 billion

The UAE real estate developer MAG has launched the world's largest real estate tokenisation initiative in a three-way partnership with digital finance platform MultiBank.io and blockchain firm Mavryk. Valued at US$3 billion, this project converts prime real estate into blockchain-based tokens that allow fractional ownership. The initiative introduces the $MBG token and aims to scale up to US$10 billion in tokenised assets.

Anticipated upswing in GDP and exports: Through fractional property ownership and on-chain trading, the project is expected to ease the integration of traditional real estate with digital finance. This would subsequently increase foreign participation and improve UAE's trade deficit by boosting capital inflows and foreign investment. The tokenisation of real estate could also lead to higher exports in the form of digital platforms, compliance services, and token-related financial products.

Inflationary effects likely limited, but should be monitored: Inflationary pressures are expected to remain low due to focus on investment. However, if there is a significant consumer demand for high-end properties through tokenisation, it could nudge real estate prices higher in premium segments, possibly contributing to sector-specific inflation.

Fig.6: Benefits of real estate ownership via blockchain tokenisation



Source: Zawya

VIII. TAQA to drive over US$10 billion in power investments for Abu Dhabi's data centre growth

The Abu Dhabi National Energy Company (TAQA) has announced plans to invest over AED 37 billion (~US$10.08 billion) to support the growing data centre and AI industry in Abu Dhabi. The move aligns with TAQA's broader strategy to supply clean, reliable, and certified energy to critical infrastructure. The firm has doubled its electricity production capacity and aims to triple it by 2030, with investments totaling AED 75 billion (i.e. US$20.43 billion).

The announcement may lead to various economic gains, such as:

- Economic diversification beyond oil.
- Promotion of sustainable growth.
- Stabilisation of inflation related to energy costs through energy security and stable supply.

Overall, this expansion by TAQA sets a benchmark for clean energy infrastructure while attracting both domestic and foreign investment. This in turn reinforces Abu Dhabi's foundation for resilient long-term growth as a key tech hub in the region.

Fig.7: Overview of TAQA's planned investments and developments in the energy sector

Planned Investments

AED 37 billion
for data and AI centres (2025)

AED 75 billion
by 2030

Electricity Generation

28 Gigawatts
(2019)

58 Gigawatts
(2024)

150 Gigawatts
(2030)

Major Developments

1 GW **Gas Turbine Power Station**

Integrated 5-GW **Solar Energy** & 19-GW Hours **Batter Sytem**

Water Desalination Plants
(1.3 gallons per day)

Source: Zawya

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