ECONOMIC BITES

September 2025
Monthly Updates

Macroeconomic Update

I. Easing into uncertainty: Jobs or Inflation?

Is this a start to a rate cut cycle? The Fed delivered a 25bp rate cut in their September meeting – a move largely priced in by markets. Looking ahead, markets are expecting two more rate cuts. In our view, the Fed will indeed have to be 'data dependent' given that there are many moving parts in economic and trade policy in the US. Tariff policy is ever evolving and therefore its implication on inflation and wider economy is difficult to forecast.

Jobs over inflation: In the Jackson Hole summit, Chair Powell expressed concern about the labour market and warned that the hiring slowdown could quickly translate into higher layoffs. On the labour supply side, tighter immigration policy will likely remove further slack from the market. The Fed would be closely watching out for further developments in this space, to decide on any further rate cuts.

Persistent, profit-led (for now) inflation: US Producer prices were in the negative territory but firms did not pass on lower input costs to the consumers as CPI inflation continued to rise. Headline CPI was well above the Fed comfort rate of 2%. This means that we are beginning to witness 'profit led' inflation – a re-run of what we saw during the COVID crisis. This will likely lead to higher profitability of firms, with earnings surprising on the upside without concurrent impact on wages or hiring activity.

Looking ahead, here are top three themes for the US economy for the rest of 2025:

- Corporate earnings likely to surprise positively without corresponding wage growth.
- Consumer purchasing power continues eroding despite wholesale price declines.
- USD weakens through 2025 and well into 2026.

The above developments will likely create a peculiar economic environment where corporate profitability surges while household finances deteriorate – a dynamic that could impact private consumption the largest contributor to US GDP.

II. August PMI: GCC Non-Oil Activity Remains Resilient Amid Diverging Trends

UAE growth steadies on stronger output: The UAE's non-oil private sector showed resilience in August 2025, with the PMI rising to 53.3 from July's 52.9, reversing a four-month slide. While new orders grew at the slowest pace since mid-2021, business activity strengthened to a six-month high as firms cited project work and local demand as key drivers. Employment edged up, though rising wage pressures pushed input costs to their steepest increase since February, leading companies to raise selling prices at the sharpest rate in five months. Confidence improved to a 10-month high, as firms pointed to stable domestic conditions and robust client relationships.

- Output growth accelerated, offsetting weaker sales momentum.
- Backlogs continued to rise, reflecting capacity pressures across the non-oil economy.

Table.1: PMI Readings for GCC During August 2025

GCC Region	Latest PMI reading	Latest Month	Previous PMI reading	Previous Month	Monthly Change
UAE	53.3	August	52.9	July	+0.76%
KSA	56.4	August	56.3	July	+0.18%
Qatar	51.9	August	51.4	July	+0.97%
Kuwait	53.0	August	53.5	July	-0.93%

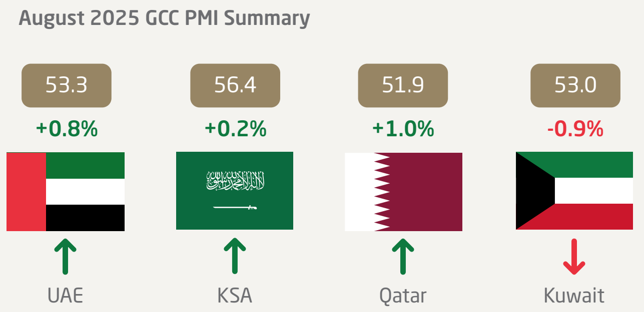
Source: S&P Global

Saudi leads GCC expansion, Qatar strengthens on hiring, Kuwait slows: Saudi Arabia maintained its lead in regional non-oil growth, with the PMI inching up to 56.4 in August from 56.3 in July, supported by solid new business inflows, stronger output, and another month of robust job creation. Qatar's PMI improved to 51.9 from 51.4, as firms reported record employment growth across all major sectors, lifting sentiment despite broadly stable activity and ongoing price pressures.

In contrast, Kuwait's PMI eased to 53.0 from 53.5, the weakest in six months, as softer new order growth weighed on momentum. There was a slowdown in hiring, and sentiment slipped to a half-year low, even as inflationary pressures eased to their weakest since late 2022.

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 economic activity.

Fig.1: GCC PMI Trends During August 2025



Source: S&P Global

III. GCC August 2025 CPI: Rising Rents and Softening Prices

The latest CPI readings for August 2025 show a mixed but generally contained inflation trend across the GCC. Dubai and Saudi Arabia saw moderate gains, driven by persistent housing & utility costs, while Oman recorded a subdued 0.5% rise, reflecting lower food prices and limited overall price increases. The divergence underscores varying domestic demand dynamics as we enter the final quarter of the year.

Table.2: CPI Readings for GCC Region, Ending August 2025

GCC Region	Latest CPI reading	Latest Month	Previous CPI reading	Previous Month	Monthly Change	Y-o-Y Change
UAE (Dubai)	114.91	August	114.78	July	+0.11%	+2.43%
KSA	103.90	August	103.80	July	+0.10%	+2.26%
Oman	106.60	August	107.10	July	-0.47%	+0.47%

Source: National Sources, Trading Economics

Dubai's August headline inflation eased to 2.4% y-o-y (down from 2.9% in July), reflecting a broadbased cooling in prices. Housing & utility costs remained the primary inflation driver with a +6.1% climb (versus +6.4% in July 2025), marking a steady deceleration in the sector's inflationary pressures for both residents and businesses. Transport prices remained in deflation (-3.5%) and food prices dipped slightly (-0.4%) — underscoring softer demand in key consumer segments. On a m-o-m basis, inflation edged up just 0.1%, as modest gains in housing (+0.41%) and recreation (+0.84%) were offset by declines in categories such as miscellaneous goods & services (-1.16%) and restaurants & accommodation (-0.35%).

Looking ahead, we expect transport inflation to continue cool while sectors such as restaurants & accommodation will likely pick up again post the summer lull. We anticipate food inflation to pick up on USD weakness in the coming months.

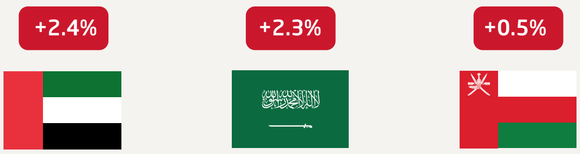
Saudi prices edge higher in August: The Kingdom's CPI inflation rose to 2.3% y-o-y in August 2025 (up from 2.1% in July) as housing-related costs continued to surge. The housing & utilities category went up by +5.8%, driven by a +7.6% climb in residential rents. Prices also moved up for insurance & financial services (+8.1%), personal care & other goods and services (+4.8%), restaurants & hotels (+3.0%), and food & beverages (+1.1%).

On a monthly basis, CPI increased +0.1%, reflecting sustained pressure from housing and select discretionary items. Inflationary pressures are likely to persist for the remainder of 2025 driven by high economic activity.

Oman's CPI Inflation Moderates in August 2025: Oman's annual inflation eased to 0.5% y-o-y in August 2025, on continued strength in miscellaneous goods & services (+6.0%), transport (+2.7%), and restaurants & hotels (+2.5%). In contrast, food and beverage prices dropped by -1.2%, alongside minor declines in the culture & entertainment (-0.2%) and household furnishings (-0.1%) categories, while housing & utilities, communications, and tobacco segments remained unchanged.

Fig.2: Latest CPI Inflation for GCC Relatively Moderate in August 2025 (%, YoY)

August 2025 GCC CPI Inflation



Source: National sources, Trading Economics

IV. Dubai Tourism: A Service Export Powerhouse

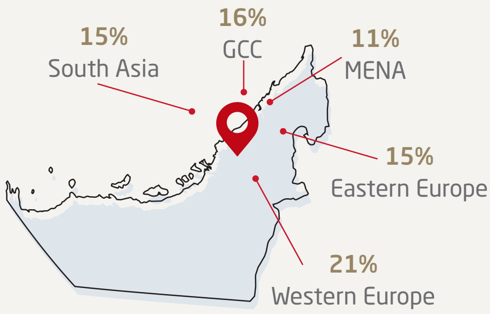
Dubai welcomed 11.17 million overnight visitors during January to July 2025 – a 5% y-o-y increase from 2024 – highlighting the Emirate's resilience and global appeal, with rising tourist inflows strengthening key sectors such as hospitality, transportation, and retail, adding to GDP growth.

- **Hotel performance improved** with average occupancy at 79.1% (up from 77.1% for the same period last year), while Occupied Room Nights (ORN) edged up by +4%, Average Daily Rate (ADR) by +5%, and Revenue Per Available Room (RevPAR) by +7%.
- **The composition of arrivals was broad-based,** with Western Europe contributing the largest share at 21%, followed by the GCC at 16%, South Asia and CIS & Eastern Europe each at 15%, and the MENA region (excluding GCC) at 11%.
- Implications include **stronger revenues and tax contributions**, but also **potential upward pressure on tourism-related inflation**.

Broader impact on economy: With inbound tourism counting as a service export, the surge in visitors also strengthens the UAE's trade balance by boosting net exports. Higher tourist spending feeds into domestic demand across the leisure, retail, and service sectors, which in turn can affect inflation. At the same time, the continued rise in tourist arrivals adds to real GDP growth in the non-oil economy, providing a buffer against external shocks and reinforcing Dubai's diversification agenda.

Fig.4: Breakdown of Dubai's Tourist Arrival Sources

Dubai Tourist Inflows (January - July 2025)



11.17 Million
Overnight Visitors
(+5% YoY)

Source: Dubai DET

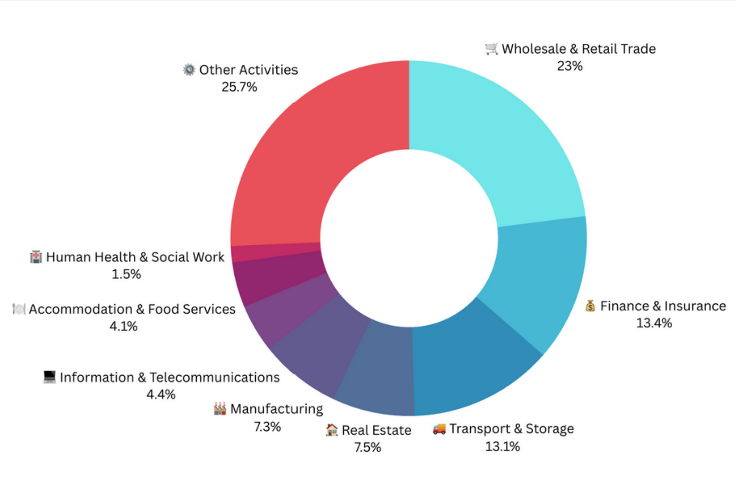
V. Dubai Q1-2025 GDP: Diversified Growth Keeps Economy Strong

Dubai's economy showed resilience in Q1 2025, with GDP reaching AED 119.7B – a 4% rise from 2024. The multi-sectoral growth was driven by strong performances across strategic sectors, reflecting the city's ongoing momentum and diversified economic structure:

- **Health & Social Work** (AED 1.9B, +26%): Driven by rising investment in human capital and public-private partnerships.
- **Real Estate** (AED 9B, +7.8%): Continues to anchor economic stability and attract long-term investment.
- **Finance & Insurance** (AED 16B, +5.9%): Remains a key pillar of growth, supporting capital flows and business activity.
- **Wholesale & Retail Trade** (AED 27.5B, +4.5%): A cornerstone sector fueling consumption, exports, and Dubai's global commerce role.
- **Trade & Transport** (AED 15.7B, +2%): Strengthens logistics and connectivity, bolstering Dubai as a global trade hub.

Dubai's strong performance in key sectors supports broader UAE economic stability by boosting domestic demand and reinforcing net export capabilities, particularly in transport and trade-related services. Millionaire migration along with overall increase in population have buoyed economic activity. We expect this trend of strengthening economic activity to continue as the population of the city continues to climb.

Fig.5: Sector-wise Contribution to Dubai's Q1-2025 GDP



Source: Dubai Statistics Centre

*Other Activities include Agriculture, forestry & fishing (0.1%), Mining & quarrying (2.3%), Electricity, gas & water supply (2.7%), Construction (7.1%), Professional, scientific & technical activities (3.6%), Administrative & support services (3%), Public administration & defense (4.1%), Education (1.8%), Arts, entertainment & recreation (0.1%), Activities of households as employers (0.4%), Other service activities (0.4%)

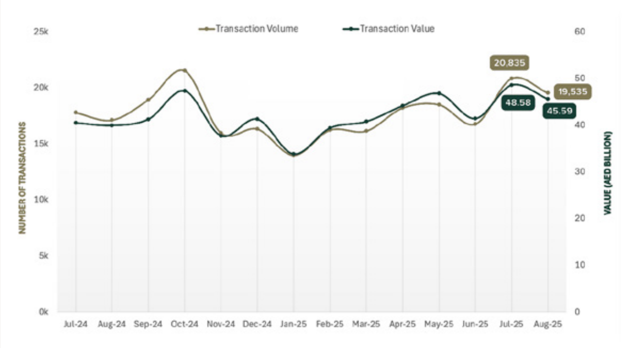
VI. Q1-2025: UAE's Non-Oil Economy Hits Record 77.3% GDP Contribution

The UAE economy grew 3.9% y/y in Q1 2025 vs. 5.0% in Q4 2024. Non-oil GDP contribution reached a new record high of 77.3% for the first time in UAE's history. The non-oil GDP rose to AED 351.9 billion (up 5.3% y-o-y from Q1 2024), highlighting the emirate's success in diversifying beyond hydrocarbons. While investment in infrastructure and tourism continues to underpin demand, the expanding supply in construction and retail is preventing overheating — signaling a healthy, diversified expansion that supports the UAE's 2025 non-oil growth trajectory.

Key engines of growth included human health & social work (+11.6%), manufacturing (+7.7%), construction (+7.0%), financial activities (+7.0%), and real estate (+6.6%). The numbers are reflective of strong project pipelines, robust demand for healthcare and logistics services, and healthy banking sector activity. With the current momentum, our projections for UAE's non-oil GDP for the end of 2025 remain on track, reinforcing confidence in the country's diversification strategy.

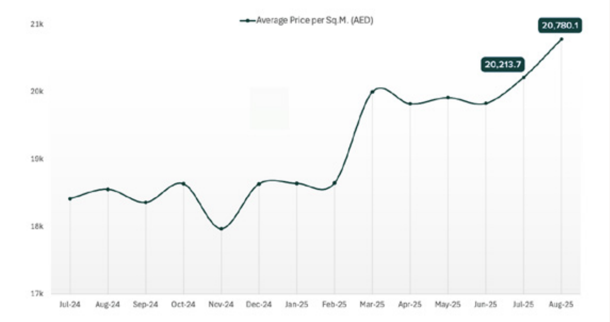
VII. Dubai's Residential Real Estate Market: July-August 2025 Snapshot

Fig.6: Dubai's Residential Real Estate Market Trends: Transaction Volume & Value



Source: Dubai Pulse, Dubai Department of Land

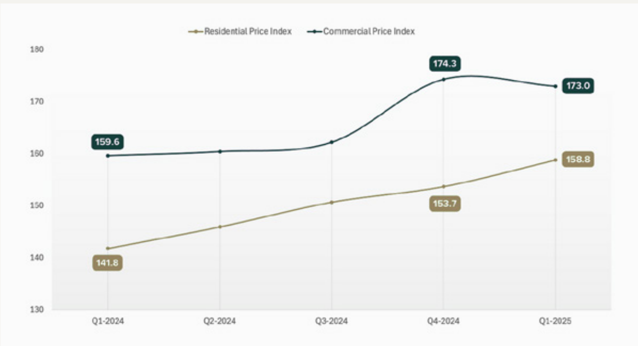
Fig.7: Dubai's Residential Real Estate Market Trends: Average Price per Sq.M. (AED)



Source: Dubai Pulse, Dubai Department of Land

Dubai's residential property market recorded strong momentum in July–August 2025, underscoring real estate's role as a key driver of the emirate's non-oil economy. July transactions hit 20,835 with total values climbing to AED 48.6 billion (up 17% and 20% respectively from July 2024). Average prices rose to AED 20,214 per sq.m (+10% y-o-y), signaling sustained demand despite tighter global financing conditions. Activity eased slightly in August, but remained elevated with 19,535 transactions worth AED 45.6 billion, a 14% annual gain in both volume and value. The average price reached AED 20,780 per sq.m (+12% y-o-y).

Fig.8: Dubai's Residential & Commercial Property Price Index Movements



Source: Dubai Statistics Center

Dubai Property Price Indices Diverge in Q1-2025: During Q1-2025, Dubai's residential property market stayed strong with the General Residential Price Index up 3.3% q-o-q and 12% y-o-y to 158.8 – led by villas (+2.4% q-o-q, +19.7% y-o-y) and flats (+3.8% q-o-q, +8.5% y-o-y). In contrast, commercial property prices slipped, with the General Commercial Price Index down 0.8% q-o-q (though 8.3% higher y-o-y), as the price index for shops and offices eased slightly while hospitality cooled. These figures highlight robust housing demand and investment inflows, while the mild commercial dip suggests post-Expo normalisation. Rising residential prices may boost household wealth but also pose upside risk to housing-related inflation – a key factor for UAE monetary policy watchers.

Growth Catalyst, Inflation Watch: Fueled by strong population growth, large-scale infrastructure projects, and steady foreign investment, Dubai's real estate sector is set to remain a cornerstone of economic expansion through late 2025.

While this momentum is likely to support GDP and construction activity, persistent double-digit price gains could strain housing affordability and add to inflationary pressures.

VIII. Oman's 10-Year Golden Residency: A New Magnet for Gulf Investment

Oman has introduced a 10-year Golden Residency programme aimed at attracting foreign capital and skilled professionals, offering long-term stability for investors and their families. The scheme, part of Oman's Vision 2040 reforms, lowers the minimum investment threshold to RO 200,000 (approximately US$520,000) and provides benefits such as fast-track airport services, property ownership rights, and eligibility for multiple investment routes including company ownership, property purchase, government instruments, listed equities, and bank deposits. The programme also covers spouses, children, and first-degree relatives without age restrictions.

Strategic Initiatives and Investor Support: The launch coincided with the "Sustainable Business Environment" forum in Salalah, which also introduced the "Distinguished Companies" initiative to recognise high-performing Omani firms based on governance, Omanisation rates, revenue, and export performance. Additionally, a new digital service enables the transfer of commercial registration ownership for small firms, highlighting Oman's ongoing push for digital transformation. International marketing efforts will be supported through Alam Al Hijrah, a government-accredited consultancy with a global presence.

Key Highlights:

- Minimum investment for residency reduced to RO 200,000 (~US$520,000).
- Residency covers family and allows property ownership outside tourism complexes.
- Seven investment pathways, including companies, property, instruments, equities, and bank deposits.
- Regional competition could influence UAE capital inflows and talent retention.

Fig.10: Pathways for Obtaining Oman's Golden Visa

1. Company Establishment
2. Property Purchase
3. Government Bonds
4. Listed Equities
5. Bank Deposits
6. Employment-Based Ownership
7. Foreign Investment Law Nomination

Source: Gulf News

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