

# ECONOMIC BITES

November 2025  
Monthly Updates





# Macroeconomic Update

## I. Fed to navigate historic data vacuum

**US Government Shutdown Ends:** In Washington, President Trump has signed a deal to end the record-breaking government shutdown, the longest in US history. The political standoff stemmed from disagreements over healthcare funding and tariffs and left many parts of the federal administration unable to function for 45 days. Courts have ordered that suspended food assistance programs be reinstated, which support 42 million Americans.

**Polymakers navigate without Data:** The long US government closure has caused an unprecedented data blackout. As Chair Powell recently noted, polymakers are "driving through a fog" with few reliable indicators to assess the economy. October's inflation data was never collected, and when reporting resumes, much of the data will be estimated. Beyond policy uncertainty, the lack of dependable information risks creating a negative feedback loop. In the absence of data, anecdote and social media sentiment take over, and pessimism often spreads faster than facts.

**American Consumers Turn Pessimistic:** The University of Michigan's preliminary November index fell 3.3 points to 50.3, one of the lowest levels since 1978. The measure of current conditions plummeted to a historic low of 52.3, reflecting deep worries about job losses, inflation, and the federal shutdown. The expectation of higher unemployment increased for the third month in a row, with consumers estimating a 43% chance that joblessness will rise in the next year. The only positive note came from inflation expectations, which dipped slightly to 3.2%, indicating anchoring of inflationary expectations (one of the key objectives of the Fed).

**Markets Play it Safe as Global Growth Slows:** Meanwhile, the UK economy grew below expectations by 0.1% in Q3, narrowly avoiding contraction. This should reduce immediate pressure on the Bank of England to take action, while broader European data remain limited and weak. As of writing this report, markets responded defensively - gold continued to climb, showing that investors favor safety amid rising political and economic risks.

## II. November PMI: UAE non-oil growth accelerates to highest pace in 2025 as hiring and output expand:

The UAE's non-oil private sector expanded at its fastest pace in nearly a year in November, with the PMI rising to 54.8 from October's 53.8. Stronger market conditions and higher new orders drove a notable increase in output, while firms responded by hiring more staff to meet rising demand. Wage pressures contributed to higher overall business costs, prompting companies to raise selling prices modestly. Optimism about future activity also improved slightly from the previous month, supported by robust sales pipelines and a favourable operating environment.

### Additional highlights:

- Output growth was the joint-fastest in over 18 months (nearly one-third of firms reported higher activity than in October).
- Purchasing activity continued to expand for the third consecutive month, even as overall stock levels fell for the fourth time in five months.
- Backlogs of work increased due to capacity pressures and delays in settling payments from previous projects.

**Table.1: PMI Readings for GCC, Ending November 2025**

GCC Region	Latest PMI reading	Latest Month	Previous PMI reading	Previous Month	Monthly Change
UAE	54.8	November	53.8	October	+1.9%
KSA	58.5	November	60.2	October	-2.8%
Qatar	51.8	November	50.6	October	+2.4%
Kuwait	53.4	November	52.8	October	+1.1%

Source: S&P Global

# CPI | CONSUMER PRICE INDEX

**Saudi leads non-oil sector growth despite easing PMI, Qatar rebounds, Kuwait strengthens:** Saudi Arabia's non-oil private sector continued to expand strongly in November, though the PMI eased to 58.5 from October's 60.2. Output growth accelerated at the fastest pace in ten months, supported by robust new orders and higher staffing levels, while inventory accumulation and input cost pressures moderated. Firms highlighted strong domestic demand and healthy backlogs of work – sustaining business confidence despite the slight slowdown in expansion. Operating expenses rose at the softest pace since March, and future activity expectations remained the strongest in five months. Qatar's PMI rose to 51.8 from 50.6, marking a return to growth in the non-energy private sector, driven by renewed increases in new orders and continued strong hiring. Kuwait's PMI climbed to 53.4 from 52.8, with output and new orders hitting multi-month highs, supported by competitive pricing and marketing strategies, even as input costs and backlogs rose.

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.

**Table.2: Latest CPI Readings for the GCC Region (October 2025)**

GCC Region	Latest CPI reading	Latest Month	Previous CPI reading	Previous Month	MoM Inflation	Y-o-Y Change
Dubai	116.15	October	115.42	September	+0.6%	+3.4%
Saudi Arabia	104.12	October	103.83	September	+0.3%	+2.2%
Qatar	110.41	October	109.43	September	+0.9%	+1.1%
Bahrain	101.70	October	101.70	September	0%	+0.1%
Oman	108.00	October	107.30	September	+0.7%	+1.5%

Source: National Sources, Trading Economics

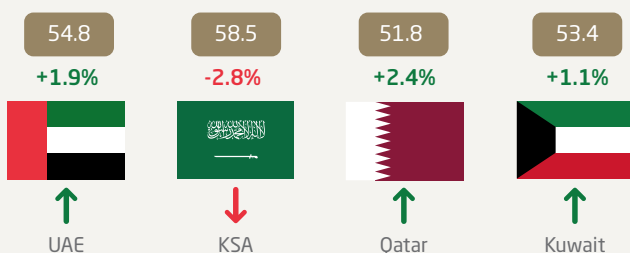
**Dubai's headline inflation in October 2025** climbed to 3.4% year-on-year (up from 2.9% in September) marking the fastest annual price increase since mid-2024. The pickup was supported by stronger transport inflation of +4.2% due to higher petrol prices, alongside firm price gains in recreation & culture (+6.7%) and tobacco (+3.7%). Housing and utilities – while still the largest contributor to overall inflation – continued to cool, easing to +5.5% y-o-y (the lowest level since April 2023) from +5.8% in September and helping offset some of the upward pressure in other categories.

Month-on-month, consumer prices increased +0.6% (slightly above +0.4% in September), reflecting ongoing seasonal demand and firm domestic activity. While a 2.1% increase in transport costs this month reversed last month's minor transport deflation of -0.8%, most of the other CPI components saw only moderate price changes, helping to keep the monthly inflation fairly stable. Looking ahead, inflation is expected to remain contained through Q4-2025 as cooling housing costs and easing fuel prices moderate headline pressure, supporting household purchasing power and maintaining a stable economic backdrop heading into 2026.

**Saudi prices rise moderately in October 2025:** KSA's CPI inflation was recorded at 2.2% y-o-y, unchanged from September 2025. The increase was driven primarily by the housing & utilities sector (+4.5%), largely reflecting a 5.7% rise in actual housing rents. Other categories adding upward pressure included insurance & financial services (+8.2%), miscellaneous goods & services (+5.9%), recreation & culture (+2.4%), transport (+1.6%), food & beverages (+1.5%), and restaurants & accommodation services (+1.1%). On a monthly basis, the overall CPI increased slightly by +0.3% as the effect of increased pricing in miscellaneous goods & services (+1.7%) and food (+0.5%) segments was softened by insignificant changes in the transportation, restaurants & accommodation, education, and insurance & financial services sectors.

**Fig.1: GCC Region: PMI Overview (Month-on-Month)**

November 2025



Source: S&P Global

## III. GCC Inflation Watch: September Signals Stabilization with Pockets of Price Pressure

CPI readings for September 2025 point to a moderate and uneven inflation environment across the GCC. Price momentum across the region remains contained, with soft transport and food costs helping offset rental, services, and miscellaneous category increases – keeping inflation broadly aligned with stable household purchasing power and manageable policy conditions.





**Bahrain inflation at 0% after five consecutive months of deflation:** In September 2025, Bahrain's inflation recorded a 0% y-o-y inflation rate, as upticks in miscellaneous goods & services (+4.2%), restaurants & hotels (+2.2%), and communication (+0.5%) were offset by dropping prices of clothing & footwear (-3.8%), furnishings (-1.9%), and housing & utilities (-1.4%) segments. Qatar's headline inflation rose +1.2% y-o-y and +0.9% m-o-m – the yearly inflation majorly attributed to increasing miscellaneous goods & services (+12.8%), clothing (+2.9%), and education (+2.5%) costs, while restaurants & hotels (-1.5%) and transport (-1.1%) prices saw a decrease. Simultaneously, Oman's inflation edged up +1.1% y-o-y in September 2025, with the highest gains spotted in miscellaneous goods & services (+7.6%), transport (+4.5%), and restaurants & hotels (+2.6%), while housing & utilities and communication prices remained flat.

**Fig.2: Latest CPI Inflation for GCC Relatively Stable in September 2025 (% YoY)**



Source: National sources, Trading Economics

## IV. UAE Unveils Record-Breaking 2026 Budget: A Leap Toward Sustainable Growth

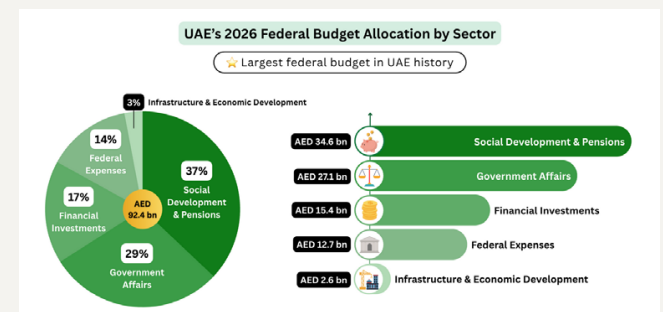
The UAE Cabinet has approved the federal budget for the fiscal year 2026 at AED 92.4 bn, marking a 29% increase from 2025 and the largest in the nation's history. Sheikh Maktoum bin Mohammed highlighted that the budget reflects strong confidence in the UAE's economy and a commitment to sustainable development, with major allocations to education, healthcare, infrastructure, and community services under the "We the UAE 2031" vision. This budget is part of the broader 2022-2026 Federal General Budget Plan totaling AED 347 bn.

**Sectoral Allocation and Development Priorities:** The budget prioritizes social development and pensions (37% of total), government affairs (29%), financial investments (17%), federal expenses (14%), and infrastructure/economic development (3%). Key sectors like education, healthcare, and social services are positioned to directly enhance citizens' quality of life and support economic diversification. Minister of State for Financial Affairs Mohamed bin Hadi Al Hussaini emphasized that the budget balances financial sustainability with growing developmental needs, reinforcing the UAE's position as a stable and competitive economy.

### Economic Impact:

- Record-level budget allocations are expected to boost domestic demand, drive public investment, and support GDP growth.
- Focused spending on social services, education, and healthcare may enhance household purchasing power and human capital development.
- Strategic investments in infrastructure and diversified sectors can strengthen trade, net exports, and long-term economic stability while keeping inflation moderate.

**Fig.3: Breakdown of UAE's 2026 Budget**



Source: UAE Ministry of Finance

## V. Dubai's Growth Engine Roars Ahead: 4.4% GDP Surge Signals a New Economic High in 2025

Dubai's economy expanded by 4.4% y-o-y to AED 241 bn in the H1-2025, led by a solid second-quarter growth of +4.7% (AED 122 bn). Key drivers included trade, real estate, finance, construction, and tourism, reflecting continued diversification under the Dubai Economic Agenda (D33). The health sector surged 20%, construction rose 8.5%, and real estate grew 7% amid a 40% jump in property sales, signaling sustained investor confidence. The data underscores Dubai's ability to convert innovation and policy coordination into tangible economic gains.

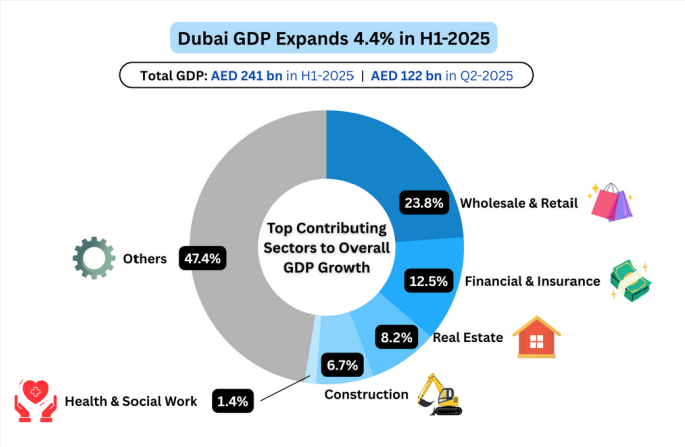
**Diversified Growth to Keep Dubai's Economy on Track:** The broad-based expansion suggests resilient domestic demand, with services and investment-led sectors helping offset external uncertainties. Continued strength in tourism and logistics will likely support net exports, while construction and real estate activity could add mild inflationary pressure in the second half. The ongoing digital transformation under Digital Dubai and data recalibration efforts indicate improved policy precision and long-term competitiveness.



Key Takeaways:

- Health & social work activities noted the highest growth rate of 20% in H1-2025.
- Financial and insurance sector growth soared 6.7%, contributing 12.5% to GDP.
- Wholesale & retail trade remains the largest contributor (23.8% of GDP).
- H2-2025 outlook remains strong as D33 targets are sustainable with innovation-led growth.

Fig.4: Dubai's Economy in Motion: H1-2025 Snapshot



Source: WAM, Gulf News

VI. Saudi Economy Rebounds Sharply as Oil & Non-Oil Sectors Drive 5% GDP Surge

Saudi Arabia's economy accelerated in Q3-2025, with **real GDP up 5% y-o-y** on the back of stronger oil output and solid non-oil activity. Oil GDP rose 8.2% y-o-y as production curbs were relaxed, while non-oil sectors expanded by 4.5% and government services by 1.8%, lifting seasonally-adjusted growth to 1.4% q-o-q. Industrial production data point in the same direction, with the headline index up 9.3% y-o-y in September on double-digit gains in mining and energy supply and mid-single-digit growth in manufacturing, underlining that both hydrocarbon and non-hydrocarbon activity have regained momentum.

This stronger real-sector performance has not yet translated into an improved fiscal position. The **Q3-2025 budget deficit widened to SAR 88.5bn (USD 23.6bn)** as overall revenues fell 13% y-o-y, despite firmer non-oil receipts, and spending rose 6% y-o-y, reflecting the continued roll-out of large-scale public investment programs. The combination of robust headline GDP growth and a deeper deficit underscores Riyadh's current policy choice: maintaining an expansionary fiscal stance to push ahead with Vision 2030 projects, even at the cost of higher borrowing needs if oil prices remain subdued. Over the medium term, the growing weight of the non-oil economy should help reduce volatility, but for now hydrocarbons still dominate the fiscal cycle.

Some of the take-aways from the recent data release are:

- Strong GDP growth is not yet translating into fiscal relief due to oil price softness and elevated public spending.
- Rising deficits may increase sovereign borrowing needs unless oil prices recover or spending is recalibrated.
- The non-oil sector is becoming more structurally important, but not large enough yet to fully buffer fiscal volatility from hydrocarbons.

Fig.5: Saudi Arabia Q3-2025 Economic & Fiscal Overview

Q3-2025 Saudi's Dual-Speed Economy: Output Strength vs Fiscal Strain		
Indicator	Q3-2025	Trend
Real GDP Growth	+5%	▲
Oil GDP	+8.2%	▲
Non-Oil GDP	+4.5%	▲
Fiscal Deficit	SAR 88.5 bn	▼
Spending Growth	+6%	▲
Oil Revenue YoY	-21%	▼

Source: Saudi Gazette, Zawya

VII. GCC Moves Toward a Schengen-Style Framework with UAE-Bahrain Travel Pilot

The GCC has approved a major initiative to streamline travel across member states, beginning with a December pilot between the UAE and Bahrain. The move would allow travelers to complete immigration and security checks only at their point of departure, thus eliminating arrival-airport procedures and substantially reducing transit times. If successful, the system will expand to all six GCC countries, supporting the region's broader push toward seamless mobility – including the upcoming Schengen-style unified GCC visa and the longer-term GCC Rail network planned for 2030.

**How Seamless Mobility Can Boost Gulf Economies:** This initiative is poised to strengthen regional economic integration, with potential positive spillovers for tourism, aviation, and services sectors. Reduced frictions in people movement typically support higher cross-border spending, stronger airline load factors, and increased demand for hospitality and retail. Over time, a unified travel zone could boost non-oil GDP, enhance regional competitiveness, and support net exports of services by attracting more long-haul multi-country visitors.

Fig.6: Comparison of the Current vs New System of GCC Travel Experience

Current vs. New System of GCC Travel Experience	
Current System	New System
Immigration at both airports	Single check at departure
Longer queues	Direct arrival (no checks needed)
Fragmented systems	Faster turnaround
Repeated security checks at destination	Seamless end-to-end travel

Source: The National News





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