



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(DUBAI) CHAPTER NPIO



WEEKLY ECONOMIC NEWSLETTER

BY ICAI DUBAI UAE CHAPTER

ISSUE 15



Weekly Economic Newsletter by ICAI Dubai UAE Chapter (Issue 15)

(For internal circulation to members only)

Week ending Sep 20, 2025

	Current Week	Previous Week	% Change		Current Week	Previous Week	% Change
DFM	6,023.21	6,030.55	-0.12%	USD/INR	88.0900	88.2700	-0.20%
ADX	10,128.14	10,014.15	+1.14%	EUR/USD	1.1742	1.1735	+0.06%
SENSEX	82,626.23	81,904.70	+0.88%	USD/JPY	147.96	147.65	+0.21%
NIFTY	25,327.05	25,114.00	+0.85%	USD/CNY	7.1100	7.1200	-0.14%
DOW	46,315.27	45,834.22	+1.05%	Gold	3,684.85	3,643.50	+1.13%
NASDAQ	22,631.48	22,141.10	+2.21%	US 10-year	4.1310	4.0700	+1.50%
S&P 500	6,664.36	6,584.29	+1.22%	Brent Crude	66.00	66.44	-0.66%

Gulf central banks cut key interest rates following Fed move

- Gulf central banks cut their key interest rates after the Federal Reserve cut U.S. interest rates by 25 basis points for the first time this year.
- The Gulf's oil and gas exporters generally follow the Fed's lead on rate moves as most regional currencies are pegged to the U.S. dollar. Only the Kuwaiti dinar is pegged to a basket of currencies, which includes the U.S. dollar.
- Saudi Arabia, the region's biggest economy, cut its repurchase agreement (repo) rate by 25 bps to 4.75% and its reverse repo rate also by 25 bps to 4.25%.
- The United Arab Emirates' central bank also reduced the base rate applied to its overnight deposit facility by 25 bps to 4.15%, from 4.40%.
- Qatar's central bank reduced its deposit rate by 25 bps to 4.35%, its lending rate by 25 bps to 4.85% and its repo rate by 25 bps to 4.60%.
- Bahrain's central bank also cut its overnight deposit rate by 25 bps to 4.75% from 5%.
- Kuwait cut its discount rate by 25 basis points to 3.75% from 4%.
- The Central Bank of Oman cut its repo rate by 25 basis points to 4.75%.

Saudi's inflation rate rises to 2.3% in August

- According to the data released by the General Authority for Statistics (GASTAT), Saudi Arabia's annual inflation rate rose to 2.3% in August 2025 compared to the same month last year.
- The Consumer Price Index (CPI) or inflation recorded an increase of 0.2% month-on-month basis compared to July 2025.



- This increase was primarily due to a 5.8% increase in housing, water, electricity, gas, and other fuel prices, with the largest increase being in residential rents that stood at 7.6%.
- Other categories also saw notable increases, including food and beverage prices 1.1% and restaurant and accommodation prices 3%. Jewelry and watches prices also rose by 18% in the personal care, social protection, and other goods and services category, which recorded an overall increase of 4.8%.

India's FX reserves rise \$4.7bn to \$703bn

- According to the weekly data released by the Reserve Bank of India (RBI), India's foreign exchange reserves rose by \$4.7 billion to \$703 billion for the week ended 12 September.
- Reserves had previously touched an all-time high of \$705 billion for the week ended 27 September 2024. This is the first time they have crossed \$700 billion since July this year.
- This marks the second consecutive week of growth in reserves. In the previous reporting week, they had climbed by \$4.03 billion to \$698.2 billion.
- The increase came on the back of higher foreign currency assets, which rose by \$2.5 billion during the reporting week, and gold reserves, which gained by \$2.1 billion.

China's economy continues to slow, strengthening case for stimulus

- China's economy continued to slide in August, with all key activity readings falling short of market forecasts once more.
- Retail sales growth of 3.4% year on year marks the lowest level since November 2024.
- Industrial production growth of 5.2%, meanwhile, marked a 12-month low.
- Fixed-asset-investment growth of just 0.5% YoY, year-to-date, is the lowest level since 2020, dragged down by real estate investment and soft private sector investment.
- This deceleration can no longer be simply explained away as a temporary weather-related blip. Growth has been slowing for several months now, with data generally falling short of market forecasts each month.
- A similar story unfolded around the same time last year, when a slowdown in July and August data further dampened sentiment. That was before the People's Bank of China unveiled an easing package in September. A more marked shift toward stimulus overall helped generate a strong bounce back in the fourth quarter of 2024, enabling Chinese growth to end the year at 5%.

BOJ hit pause, dissenting votes hint at incoming rate hikes

- As widely expected, the Bank of Japan maintained its policy rate at 0.5%. However, the surprise came from the fact that two board members dissented, favoring a 25bp hike, which indicates that more hawkish voices are growing within the board.
- The dissenting voters expressed the view that recent price trends indicated the BOJ's price stability target had been largely met and noted an increase in potential upside risks to prices.



- the BOJ noted that inflation expectations have risen moderately, and underlying CPI inflation is generally consistent with the price stability target. We agree with the BOJ's assessment. Recently, headline inflation eased – though mostly due to the energy subsidy program – while core inflation remained above 3%. Firm wage growth is expected to continue, and this is likely to keep inflation floating above 2%.
- At the press conference, Governor Kazuo Ueda showed some confidence in the growth outlook. He continues to highlight high uncertainty, but sees little sign of tariffs having an impact on Japan's economy, and noted that the US-Japan trade deal reduced uncertainty quite meaningfully.
- Regarding inflation, the price trend is still below the goal, but is progressing towards 2%. Ueda also emphasized data-dependent decisions

UK inflation remains sticky putting more questions about the rate cuts

- According to the data released by the Office for National Statistics (ONS), the U.K.'s annual inflation rate was steady at 3.8% in August.
- August core inflation, which excludes more volatile energy, food, alcohol and tobacco prices, rose by an annual 3.6%, down from 3.8% in the twelve months to July.
- Food price inflation climbed for the fifth consecutive month, the ONS noted, with small increases seen across a range of vegetables, cheese and fish items.
- Finance Minister Rachel Reeves commented that she recognized that “families are finding it tough and that for many the economy feels stuck. That’s why I’m determined to bring costs down and support people who are facing higher bills.”
- The central bank cut interest rates in August, taking the key rate from 4.25% to 4%, and saying it would take a “gradual and careful” approach to monetary easing, mindful of inflationary pressures but aware of the need to promote growth and investment. Sticky inflation is restricting the opportunity for a fourth rate by the BOE this year

BOE keeps rates at 4% as further cuts hang in balance

- As widely expected, the Bank of England (BOE) kept its policy rate unchanged at 4% with two widely known dovish members voting for a 25bp cut.
- The Bank's long-standing forward guidance – which simply says further rate cuts will be gradual and cautious – is unchanged.
- And the announcement on quantitative tightening – the reduction in the Bank's holdings of UK government bonds – is set at £70bn for the next 12 months, which was the consensus among investors. That represents a more gradual pace of reduction than what has been seen over the past few years, as bank reserves get closer to their perceived equilibrium level.

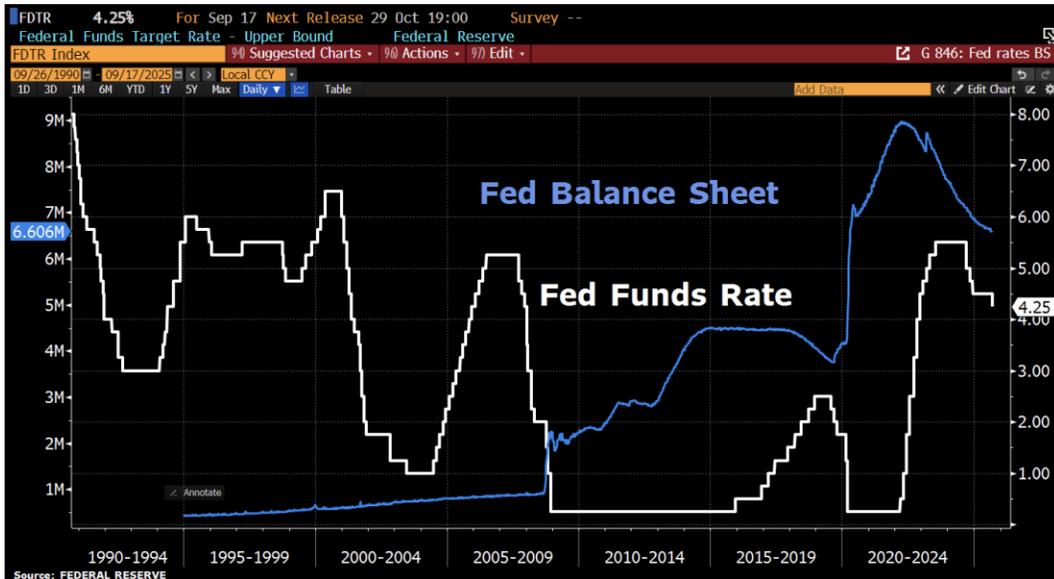


BOC reduces interest rate by 0.25%, not the last rate cut

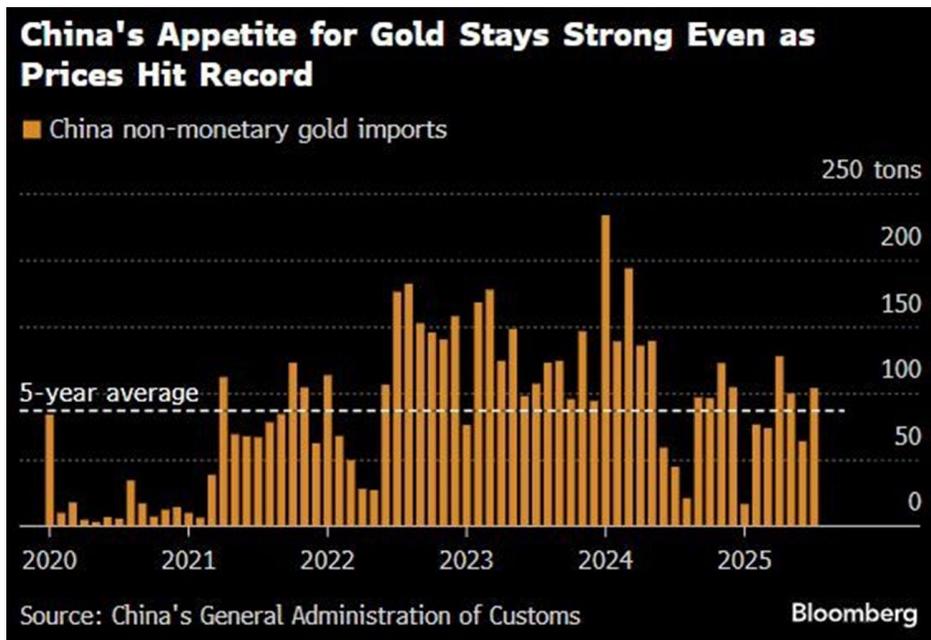
- The Bank of Canada (BOC) delivered a widely expected 25bp rate cut, adding very little in terms of forward guidance.
- With the policy rate at 2.50%, a full 175bp above the Fed's, the BOC may note be not willing to commit to more easing, but the overall assessment of economic and inflation risks suggests this is not the last cut of the cycle.
- On inflation, Governor Tiff Macklem noted that Canada's decision to lift some retaliatory tariffs against the US has reduced price pressure, and that "recent data suggest the upward pressures on underlying inflation have diminished".
- On growth, the picture remains grim, with the BOC outlining the different sectorial negative impact of tariffs today and reporting that many businesses have paused investment plans due to uncertainty
- The jobs market deterioration remains, in our view, the most compelling argument for cutting more at this stage. The BOC is expecting job losses to spill into softer household spending in the coming months, erasing the resilience in consumption numbers seen of late. Crucially, the BoC is highlighting that, aside from "significant" job losses in US trade-sensitive sectors, there has been a considerable slowdown in hiring in other sectors.

US Fed cuts rate by 0.25% and signals just 3 more will be enough

- The Fed lowered its benchmark lending rate a quarter percentage point to 4.00%-4.25%. There was only one dissenter – the recently appointed (temporary) Governor Stephen Miran – who voted for a 50bp cut.
- Chair Powell described the move as a "risk management cut" since, on the face of it, the US appears in pretty decent shape. The economy grew more than 3% in the second quarter, inflation is above target at 3%, unemployment is low at 4.3% and equity markets are at all-time highs.
- In the press release they have dropped "solid" with regard to the jobs market description, which is unsurprising after the recent soft run and major downward revisions to employment data – a point highlighted by Chair Powell in the press conference. It was this that was the main justification for the move, with the FOMC acknowledging that "downside risks to employment have risen... and in light of the shift in the balance of risks" decided to act.



A week gone by – In Charts





Unrealized Gains (Losses) on Investment Securities



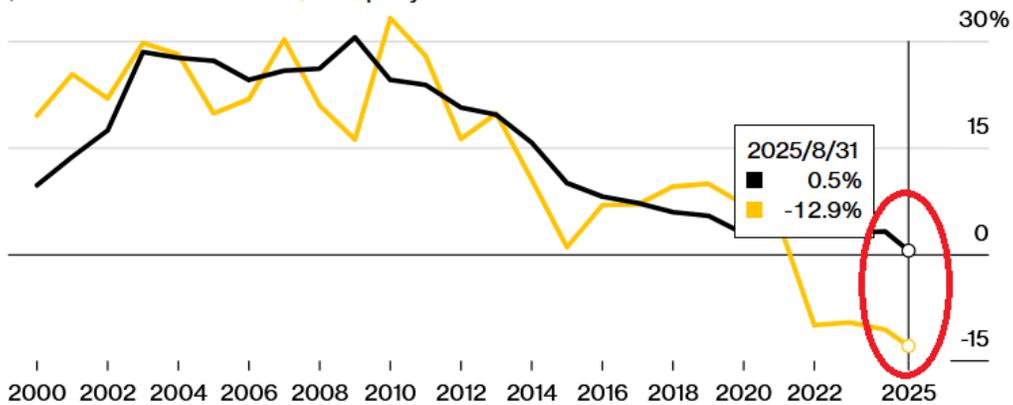
Source: FDIC.

Note: Insured Call Report filers only. Unrealized losses on securities solely reflect the difference between the market value and book value of non-equity securities as of quarter end. This chart does not reflect unrealized gains or losses in other parts of the balance sheet.

Chinese Investment Heads for One of Worst Years on Record

Fixed-asset investment slowdown accelerated in August

Legend: / Fixed-asset investment / Property investment



Source: China's National Bureau of Statistics

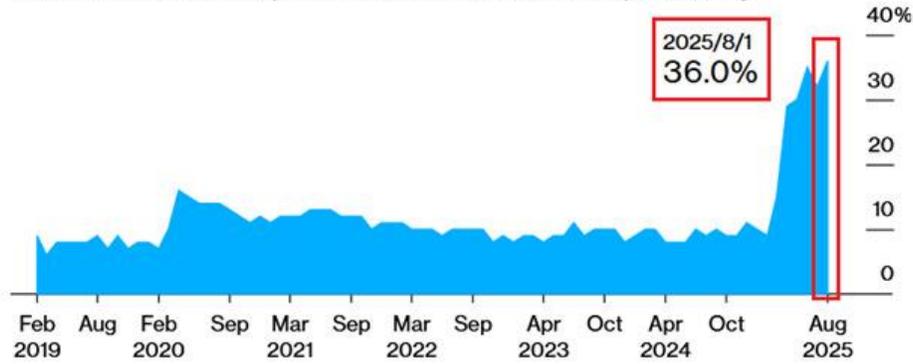
Note: 2025 shows result through August, other years are for full year



Filling in the Blanks on CPI

BLS relying more on imputation technique with less data collection

■ Share of different-cell imputation for commodities & services prices survey



Source: Bureau of Labor Statistics

Note: Data represent share of imputed prices that rely on different cell imputation

What to expect in coming week?

Date	Country / Region	Event	Forecast	Previous
22 nd Sep	China	PBOC 1-y Prime rate PBOC 4-y Prime rate	3.00% 3.50%	3.00% 3.50%
24 th Sep	Australia	CPI YoY	2.9%	2.8%
	Japan	Core CPI YoY	1.9%	2.0%
	US	New Home Sales	651K	652K
25 th Sep	Switzerland	SNB Monetary policy	0.00%	0.00%

Compiled & researched by: CA Shantanu Ghate

Disclaimer: This is not a research report of the UAE (Dubai) Chapter and the views and information contained herein are the personal views of the author. These should not be taken to constitute advice or recommendation. The author & UAE (Dubai) Chapter do not claim it to be accurate nor accept any responsibility for the same.

Source: zawya.com, Bloomberg.com, Investing.com, reuters.com, thehindubusinessline.com, livemint.com, ft.com, cnbc.com, oilprice.com, gulfnews.com, Bloombergquint.com, moneycontrol.com, nikkei.com