



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



WEEKLY ECONOMIC NEWSLETTER

BY ICAI DUBAI UAE CHAPTER

ISSUE 13



Weekly Economic Newsletter by ICAI Dubai UAE Chapter (Issue 13)

(For internal circulation to members only)

Week ending Aug 23, 2025

| | Current Week | Previous Week | % Change | | Current Week | Previous Week | % Change |
|--------------------|--------------|---------------|----------|--------------------|--------------|---------------|----------|
| DFM | 6,125.89 | 6,125.96 | +0.00% | USD/INR | 87.3100 | 87.6500 | -0.39% |
| ADX | 10,208.76 | 10,221.71 | -0.13% | EUR/USD | 1.1721 | 1.1705 | +0.14% |
| SENSEX | 81,306.85 | 80,597.66 | +0.88% | USD/JPY | 146.93 | 147.15 | -0.15% |
| NIFTY | 24,870.10 | 24,631.30 | +0.97% | USD/CNY | 7.1700 | 7.1800 | -0.14% |
| DOW | 45,631.74 | 44,946.12 | +1.53% | Gold | 3,371.75 | 3,335.55 | +1.09% |
| NASDAQ | 21,496.54 | 21,622.98 | -0.58% | US 10-year | 4.2640 | 4.3210 | -1.32% |
| S&P 500 | 6,466.91 | 6,449.80 | +0.27% | Brent Crude | 66.84 | 65.12 | +2.64% |

CBUAE gold reserves rise 26% in Jan-May 2025

- The Central Bank of the United Arab Emirates (CBUAE) increased its gold reserves by 25.899% during the first five months of the year to AED28.933 billion at the end of May, up from AED22.981 billion at the end of December 2024.
- According to the Central Bank's statistical bulletin issued today, the CBUAE's gold holdings rose by 0.49% month-on-month in May, to AED 28.791 billion at the end of April.
- Statistics showed that, for the banking system in the UAE, demand deposits also grew, exceeding AED1.166 trillion by the end of May, compared to AED1.109 trillion at the end of December 2024. Of this total, AED892.577 billion were in local currency and AED274.329 billion in foreign currencies.
- Savings deposits rose to AED359.57 billion at the end of May, up from AED317.48 billion at the end of December 2024. This included AED305.508 billion in local currency and AED54.062 billion in foreign currencies.
- Time deposits exceeded AED1billion for the first time by the end of May, including AED614.854 billion in local currency and AED398.348 billion in foreign currencies.

Bank lending in Oman jumped 8.4%, deposits grew 7.6% in H1

- According to statistics released by the Central Bank of Oman (CBO), total outstanding credit extended by Oman's banking sector, including both conventional and Islamic banks, grew by 8.4% year-on-year to reach RO34.1bn as of June 2025.
- Within this total, bank credit to the private sector increased by 6.6% to RO28bn. Non-financial corporations accounted for the largest share of private sector credit at 45.9% as of the end of June 2025, followed closely by the household sector at 44.2%. Financial corporations received 6.2%, while other sectors made up the remaining 3.7%.



- On the other hand, total deposits in Oman's banking sector grew by 7.6% to reach R033bn as of June 2025, compared with the same period a year earlier.
- Private sector deposits increased by 6% to R021.9bn. The household sector contributed the most to private sector deposits at 49.4%, followed by non-financial corporations at 31%, financial corporations at 17.4%, and other sectors at 2.2%.
- Deposits held with conventional banks grew by 4.7% year-on-year to R025.8bn as of June 2025. Private sector deposits, which represented 66.4% of total deposits with conventional banks, increased by 4% to R017.1bn.

India's PMI surges to 65.2 in August

- According to the data released by the S&P Global, India's flash composite PMI Output Index rose over four points to 65.2 in August from the reading of 61.1 in July.
- With this, India's private sector economy has recorded its fastest growth since the start of survey data in December 2005.
- Both manufacturing and services sectors reported accelerated growth, with services outperforming and registering a fresh survey high in business activity. The services sector spearheaded this growth with HSBC Flash India Services PMI Business Activity Index soaring to a survey high of 65.6 from 60.5 in the last month.
- The HSBC Flash India Manufacturing PMI rose to 59.8 in August from 59.1 in July, its highest reading since January 2008, signaling faster improvement in factory operating conditions.
- Demand conditions strengthened further, with both goods producers and service providers recording sharp increases in new business. Export orders grew at the fastest pace since composite data collection began in 2014, supported by stronger inflows from Asia, the Middle East, Europe and the US.
- Hiring activity continued for the 27th straight month. Overall job creation quickened in August, driven by stronger employment growth in services, which offset a marginal slowdown in manufacturing. Backlogs of work rose only slightly, the slowest increase since May, as firms expanded workforce capacity.

New Zealand delivers a dovish rate cut

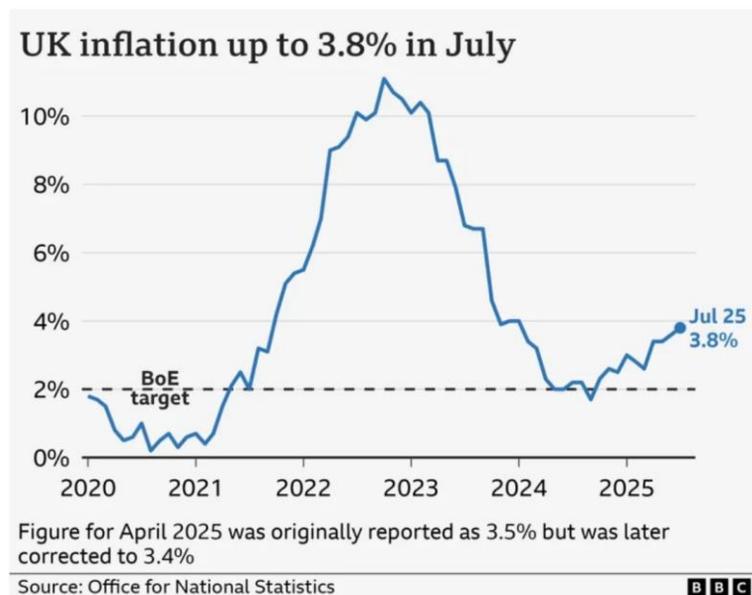
- The Reserve Bank of New Zealand (RBNZ) in its meeting announced a 0.25% cut in its policy rate which is now at 3.00%.
- The RBNZ can be seen as getting more dovish as two of the six members in the committee voted for a 50bp cut.
- Post the meeting, NZD/USD fell 1.1% and the terminal rate for the easing cycle was marked some 20bp lower, close to 2.50%.
- Despite acknowledging that CPI would increase to and possibly breach the top of its 1-3% target range in the next quarter, the RBNZ felt that the spare capacity, both in labor and business, meant that inflation wouldn't stick and would be lower next year.



- The backdrop is that the New Zealand unemployment rate has risen to 5.2% from 3.2% over the last three years.
- The RBNZ also felt that US tariff uncertainty might be reducing the effectiveness of rate cuts, where uncertainty continues to depress business investment.

UK inflation picks up hotter than expected in July at 3.8%

- According to the data released by the Office for National Statistics (ONS), the U.K.'s annual inflation rate hit a hotter-than-expected 3.8% in July. It is now at the highest annual rate since the beginning of last year.



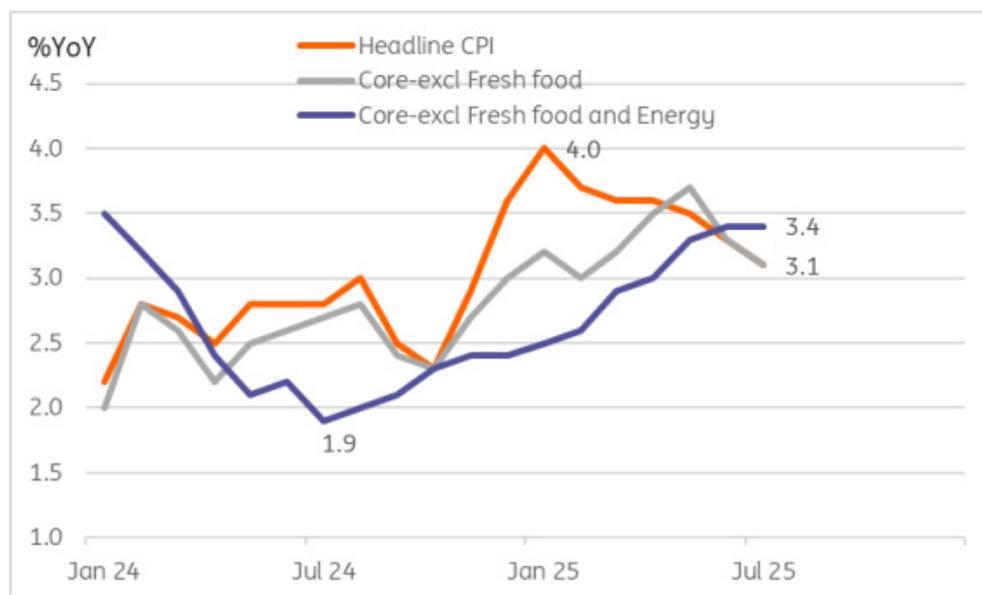
- Economists polled by Reuters had anticipated inflation would reach 3.7% in the twelve months to July, after it picked up to 3.6% in June, exceeding forecasts.
- July core inflation, which excludes more volatile energy, food, alcohol and tobacco prices, rose by an annual 3.8%, up from 3.7% in the twelve months to June.
- The main driver was a hefty increase in air fares, the largest July rise since collection of air fares changed from quarterly to monthly in 2001. This increase was likely due to the timing of this year's school holidays.
- The price of petrol and diesel also increased this month, compared with a drop this time last year. Food price inflation continues to climb, with items such as coffee, fresh orange juice, meat and chocolate seeing the biggest rises.
- Services inflation gained to 5% in July from 4.7% in the previous month. The print is seen as another obstacle in the Bank of England's attempts to tame inflation, as service-focused businesses raise prices to cover the costs of rising wages and the recent hike to National Insurance contributions.



- The higher July reading also diminishes the chance of any further interest rate cut by the Bank of England (BOE) this year.
- The BOE is watching inflation data closely, after forecasting the consumer price index could peak at 4% in September before retreating in the early half of 2026.
- While the BOE was widely expected to trim rates by 25 basis points at the time, traders and economists were keen to see the breakdown of support for the move. In the end, policymakers had to vote twice on the rate cut decision, and a majority of 5-4 opted to cut.
- BOE policy committee members have had to weigh up sticky inflation with a cooling jobs market and lackluster but slightly recovering growth. GDP data out last week showed a surprise 0.3% expansion in the second quarter.

Japanese inflation stays above 3%, raises chances of a rate hike

- Japanese headline inflation eased to 3.1% year-on-year in July (versus 3.3% in June and a market consensus of 3.1%).
- Headline inflation slowed thanks to falling energy and utility prices. Yet, core prices remain sticky and well above 3%.
- Falling energy prices and government subsidies on utilities (-0.2%) and education fees (-5.6%) were the main reasons for the deceleration. Food prices accelerated to 7.6% from the previous month's 7.2%



- Going forward, core inflation is likely to remain above 3% for an extended period, even though headline inflation may fall to a level of 2%.



- This will support the Bank of Japan's (BOJ) policy of normalization. Market expects the BOJ to raise its policy rate in October. The surprisingly robust second-quarter GDP figures demonstrate the economy's resilience despite the headwinds of US tariffs.

Eurozone PMI paints upbeat picture of manufacturing in August

- Eurozone manufacturing data has jumped around in response to US tariffs, particularly concerning pharmaceuticals. Production plunged in June, but the PMI suggests that things are on the up for industry. The manufacturing output PMI jumped from 50.6 to 52.3, which is the highest reading in more than three years.
- The service sector is not yet accelerating. While indicating growth, the services PMI declined from 51 to 50.7. This reveals that domestic demand remains somewhat sluggish, in line with a cautious consumer and uncertainty among businesses around the state of the economy.
- But for both manufacturing and services, new orders are improving. And hiring was also up, mainly for the service sector. These are healthy signs for an economy that has been weak for some time.

Fed Chair Powell pivots to cutting mode

- In the annual Jackson Hole symposium at Wyoming, Fed Chair Jerome Powell indicated that the Fed may potentially cut the policy rate in their next meeting in September. However, he maintained a balanced stance, refraining from definitive commitments about the interest rate cuts.
- Fed Chair Powell also acknowledged the mounting concerns about employment conditions while also emphasizing that inflation risks continue to persist.
- Powell underscored that the jobs market slowdown is bigger than assessed earlier. He, however, added that weaker job growth hasn't created much slack in the labor market. The unemployment rate is still historically low and has been stable for the past year.
- On the other hand, Powell also highlighted that higher tariffs have started to raise the prices of some goods. While the effect of tariffs will accumulate over the coming months, Powell highlighted that there is much uncertainty about whether these price rises will likely significantly raise the risk of an ongoing inflation problem.
- He added that the policy is not on a preset course and that the FOMC members will make their decisions based solely on their assessment of the data and its implication for the economic outlook and the balance of risks.
- This is Powell's last Jackson Hole speech as the US Federal Reserve chairperson. The next meeting of FOMC is scheduled in mid-September.

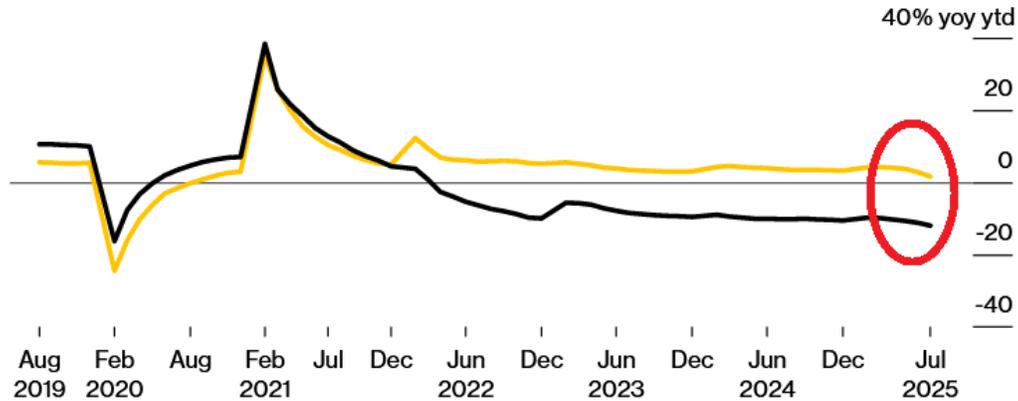


A week gone by - In Charts

China's Investment Push Wanes

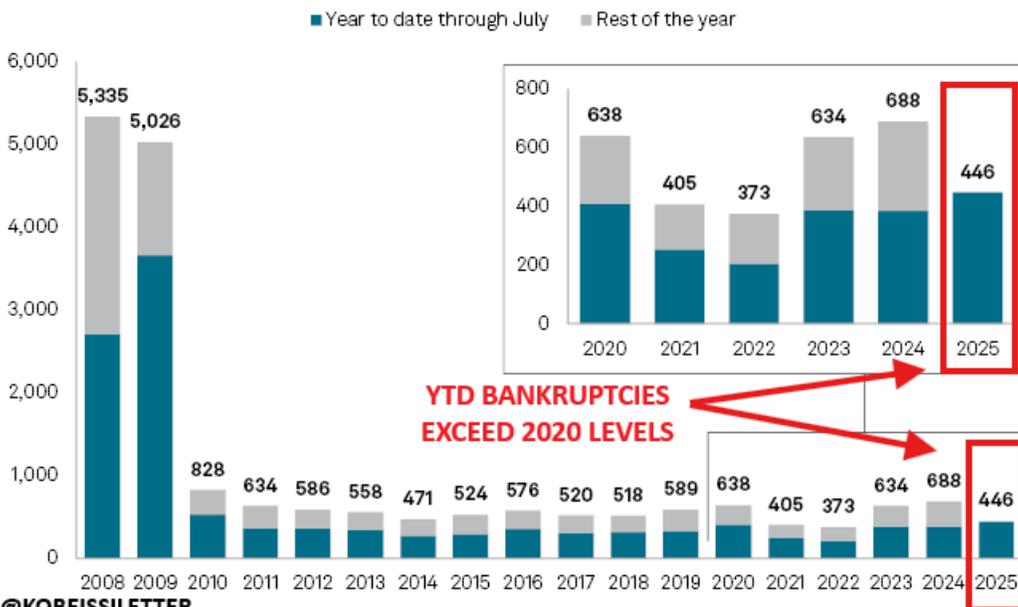
Property dragging with slump deepening to worst in over five years

Property investment Fixed-asset investment



Source: National Bureau of Statistics

US bankruptcy filings by year

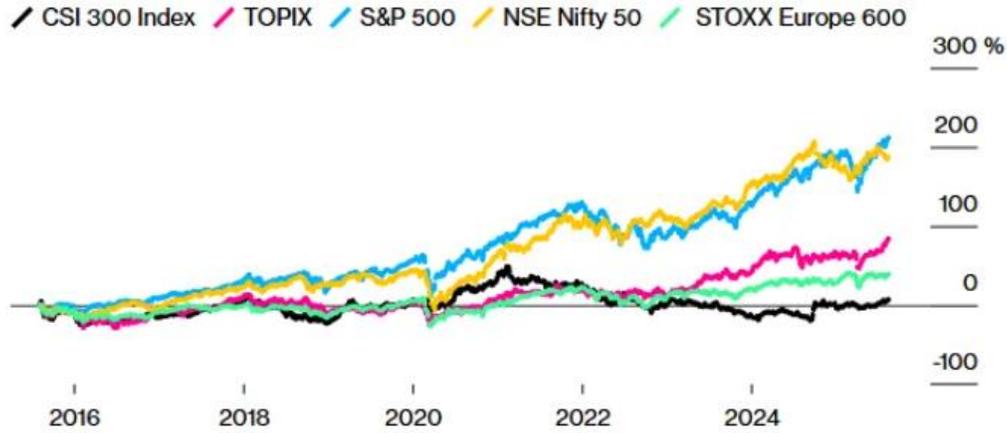


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Includes S&P Global Market Intelligence-covered US companies that announced a bankruptcy between Jan. 1, 2008, and July 31, 2025.



China's Stock Market Has Failed to Deliver



Source: Bloomberg (Shows gains since 2015 August)

What to expect in coming week?

| Date | Country / Region | Event | Forecast | Previous |
|----------------------|------------------|--------------------------|----------|----------|
| 25 th Aug | US | New Home sales | 635K | 627K |
| 26 th Aug | US | CB Consumer Confidence | 96.3 | 97.2 |
| 27 th Aug | Australia | CPI YoY | 2.3% | 1.9% |
| 28 th Aug | US | Prelim GDP QoQ | 3.1% | 3.0% |
| 29 th Aug | US | Core PCE Price Index MoM | 0.3% | 0.3% |

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