



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



WEEKLY ECONOMIC NEWSLETTER

BY ICAI DUBAI UAE CHAPTER

ISSUE 12



Weekly Economic Newsletter by ICAI Dubai UAE Chapter (Issue 12)

(For internal circulation to members only)

Week ending Aug 02, 2025

	Current Week	Previous Week	% Change		Current Week	Previous Week	% Change
DFM	6,111.97	6,150.46	-0.63%	USD/INR	87.2000	86.4600	+0.86%
ADX	10,316.65	10,340.06	-0.23%	EUR/USD	1.1586	1.1740	-1.31%
SENSEX	80,599.91	81,463.09	-1.06%	USD/JPY	147.40	147.65	-0.17%
NIFTY	24,565.35	24,837.00	-1.09%	USD/CNY	7.2000	7.1500	+0.70%
DOW	43,588.58	44,901.92	-2.92%	Gold	3,363.15	3,336.91	+0.79%
NASDAQ	20,650.13	21,108.32	-2.17%	US 10-year	4.2250	4.3920	-3.80%
S&P 500	6,238.01	6,388.64	-2.36%	Brent Crude	67.97	66.47	+2.26%

CBUAE maintains base rate at 4.40%

- The Central Bank of the UAE (CBUAE) has decided to maintain the Base Rate applicable to the Overnight Deposit Facility (ODF) at 4.40%.
- This decision was taken following the US Federal Reserve's announcement to keep the Interest Rate on Reserve Balances (IORB) unchanged.
- The CBUAE has also decided to maintain the interest rate applicable to borrowing short-term liquidity from the CBUAE at 50 basis points above the Base Rate for all standing credit facilities.
- The Base Rate, which is anchored to the US Federal Reserve's IORB, signals the general stance of monetary policy and provides an effective floor for overnight money market interest rates in the UAE.

Saudi Arabia records 3.9% real GDP growth in Q2

- According to the data released by the General Authority for Statistics (GASTAT), Saudi Arabia's real gross domestic product (GDP) grew by 3.9% in the second quarter of 2025 compared to the same period in 2024.
- As per the GASTAT data, non-oil activities recorded the highest growth at 4.7%, followed by oil activities at 3.8% and government activities at 0.6%.
- Seasonally adjusted real GDP rose by 2.1% in Q2 compared to the previous quarter, with oil activities leading the growth at 5.6%. The non-oil activities grew by 1.6%, while government activities declined by 0.8%.



India's manufacturing PMI hits 16-month high in July

- According to data released by S&P Global, India's manufacturing sector grew sharply in July, with the HSBC India Manufacturing Purchasing Managers' Index (PMI) climbing to a 16-month high of 59.1, up from 58.4 in June.
- The improvement was driven by strong gains in new orders and output, though business sentiment and hiring momentum showed signs of weakness.
- The headline PMI, which indicates overall sector health, was driven by a sharp uptick in factory orders—the fastest pace recorded in nearly five years—as firms benefited from strong domestic demand and effective marketing strategies, the report said. Output growth also surged to a 15-month high, particularly in the intermediate goods segment.

India's power consumption increases 2.6% to 153.63 billion units in July

- According to the data released by the government, power consumption in the country grew marginally by 2.6% year-on-year to 153.63 billion units (BU) in July, mainly due to reduced usage of cooling appliances amid heavy downpour in several parts of the country. Power consumption was recorded at 149.65 BU in July, 2024.
- Experts believe the heavy rains across the country due to active monsoon affected the power consumption as well as demand in July.
- The highest supply in a day (peak power demand met) in July dipped slightly to about 220.59 GW last month, from around 226.63 GW in July, 2024.
- Peak power demand had touched an all-time high of about 250 GW in May 2024.

India's net GST revenue rises 1.7% in July

- According to the data released by the government, India's net revenues from goods and services tax (GST) grew by a marginal 1.7% in July to ₹1.68 trillion, thanks largely to a sharp spike in refunds even as gross collections from the indirect tax were up 7.5% at almost ₹ 1.96 lakh crore.
- July's net GST kitty growth marks the slowest pace since last February from when disaggregated data on gross and net GST collections is available. In June, net GST revenues were up 3.3%.
- Net revenues from domestic transactions, in fact, contracted 0.2% in July, even though gross domestic revenues were up 6.7%, as refunds for domestic transactions more than doubled to nearly ₹17,000 crore from under ₹8,000 crore in July 2024.
- GST refunds to exporters grew at a slower pace of 20% and added up to a little over ₹10,000 crore, so net revenues from imports were up 7.5% at ₹42,548 crore. Gross revenues from imports rose 9.7% prior to refunds, to touch nearly ₹53,000 crore.
- In the first four months of financial year 2025-26, net GST revenues are up 8.4% at ₹7.11 trillion, with domestic revenues rising 6.1% to ₹5.6 trillion and import revenues surging 18.1% to almost Rs. 1.51 trillion. Gross GST revenues, before effecting refunds, are up 10.7% to ₹8.18 trillion, while refunds have risen 29% to about ₹1.07 trillion.



China July manufacturing PMI softened as new orders slowed

- China's July official manufacturing purchasing managers' index PMI slowed to 49.3, down from 49.7, to reach a three-month low. The data came in weaker than market expectations.
- The key subindices were down on the month. Production fell to 50.5 from 51.0, though it remained a relative outperformer and was still in expansion territory.
- New orders didn't fare quite as well, falling to 49.4 from 50.2. This is the third month in the last four that new orders have contracted. New export orders also snapped a two-month upswing, dropping to 47.1 from 47.7.
- There were a few minor silver linings in the report as well, with employment (48.0) and ex-factory prices (48.3) both up on the month. Still, both remained in contraction territory.
- There was also a slowdown of the non-manufacturing PMI, down to 50.1 from 50.5, and hitting an eight-month low. The non-manufacturing PMI has remained at neutral or expansionary territory since the start of 2023, but it's come close to falling into contraction a few times.
- New orders (45.7) and export orders (48.8) both slowed in the month and have remained in contraction territory throughout the year to date. This slowdown overshadowed small upticks in employment (45.6) and business sentiment (55.8).

Bank of Japan keeps rate unchanged while hiking inflation outlook

- As widely expected, the Bank of Japan (BOJ) unanimously kept its policy rate unchanged at 0.5%.
- Governor Kazuo Ueda emphasized the data-dependent nature of the policy decision, but a notable upward revision to the inflation outlook increases the likelihood of a rate hike in October.
- Markets had widely anticipated there would be no policy action from the BOJ, and also expected upward revisions to CPI forecasts in its quarterly outlook report.
- The BOJ highlighted significant downside growth risks but raised its FY25 GDP forecast from 0.5% to 0.6%. Although 1Q25 growth was weak, the BOJ appears to view the economy as continuing to recover as trade uncertainty recedes. The central bank also kept the outlook for FY26 and FY27 unchanged at 0.7% and 1.0% growth, respectively, with the BOJ believing no structural damage will be caused by the tariffs.
- Concerning inflation, upward revisions were anticipated due to recent increases in food and service prices. However, the adjustment for FY25 (core inflation from 2.3% to 2.8%) exceeded expectations, and the revised FY26 and FY27 outlook indicates that the Bank of Japan is increasingly convinced that underlying inflationary pressures are persisting.



Bank of Japan's policy rate

The Bank of Japan (BOJ)'s interest rate remained unchanged at 0.5% on July 31.



By Reuters

Bank of Canada left interest rate unchanged, leaves further cuts on the table

- As widely anticipated, the Bank of Canada maintained its policy rate at 2.75% following renewed trade tensions and positive June data.
- Headline CPI increased to 1.9% in June from 1.7%, with employment growth coming in unexpectedly strong at 83k.
- However, the policymakers emphasized a weakened growth outlook. Despite consumer and business surveys reporting improvements, the Canadian economy looks set to have contracted in the second quarter: the BoC's 2Q GDP growth forecast of -1.5% is well below the latest consensus prediction of -0.5%. Amid increasing tariffs, exports to the United States fell, consumer spending weakened, and businesses remained cautious about investment.

Eurozone inflation holds steady at higher than expected 2% in July

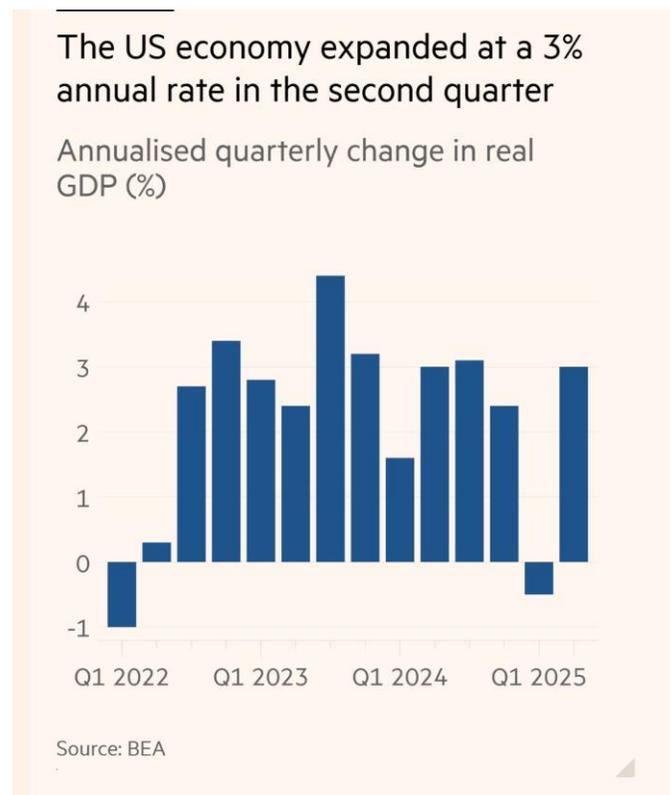
- According to the data released by the statistical agency, Eurostat, Euro zone inflation was unchanged at a higher-than-expected 2% in July
- Economists polled by Reuters had expected the figure to hit 1.9%, after a 2% reading in June.
- The core inflation, which strips out more volatile food, energy, alcohol and tobacco prices, came in at 2.3% in July, the same level as during the previous two months.

US economy grew at 3% in Q2, better than expected

- According to the data released by the Commerce Department, the U.S. economy grew at a much stronger-than-expected pace in the second quarter, powered by a turnaround in the trade balance and renewed consumer strength.



- Gross domestic product, a sum of goods and services activity across the sprawling U.S. economy, jumped 3% for the April through June period, according to figures adjusted for seasonality and inflation.
- Consumer spending rose 1.4% in the second quarter, better than the 0.5% in the prior period. While exports declined 1.8% during the period, imports fell 30.3%, reversing a 37.9% surge in Q1.



US Fed keeps policy rate unchanged, two members vote for a cut

- The Federal Reserve has left monetary policy unchanged with the Fed funds target rate range remaining at 4.25-4.5%.
- Nonetheless, there was dissent. President Trump has been pushing hard for lower interest rates and two of his appointees to the Federal Reserve, Chris Waller and Michelle Bowman, supported that action today, voting for a 25bp rate cut. They both suggested recently that weakness in the jobs market was the big issue for them. However, Fed Chair Powell chose to put himself back on direct collision course with the President by suggesting that it could be viewed that the Fed are “looking through” tariff induced inflation by not hiking rates.
- The rest of the committee seemingly have sympathy with Chair Powell’s position. They believe they have time to wait, especially in light of the recent firmer-than-expected June



jobs report, above consensus GDP print and ongoing uncertainty about how inflationary the President's tariffs will be.

- Chair Powell repeated that while uncertainty remains elevated the US economy is in a "solid" position and that a reasonable base case to assume is that the inflation effect from tariffs is "short-lived". In this environment he suggests a "modestly restrictive" policy stance remains appropriate. When asked about a September rate cut, he, unsurprisingly, refuses to pre-commit given there are two rounds of inflation and jobs data between now and then.

US added 73K jobs in July, far below expectations

- According to the data released by the Bureau of Labor Statistics (BLS), job growth totaled a seasonally adjusted 73,000 for the month, above the June total of 14,000 but below even the meager Dow Jones estimate for a gain of 100,000.
- June and May totals were revised sharply lower, down by a combined 258,000 from previously announced levels. The June total came down from the previously stated 147,000, while the May count fell to just 19,000, revised down by 125,000.
- The unemployment rate rose to 4.2%, in line with the forecast.

Monthly job creation in the U.S.

Jan. 2022–July 2025

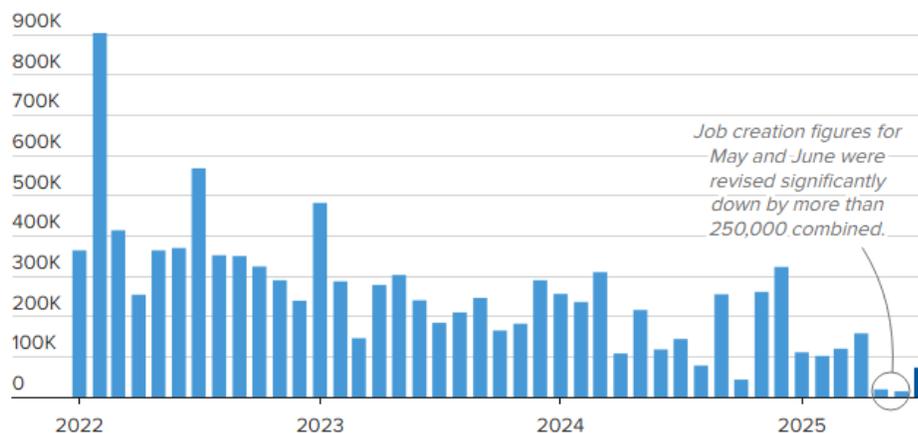


Chart: Gabriel Cortes / CNBC
Source: U.S. Bureau of Labor Statistics via FRED
Data as of Aug. 1, 2025



- There were few signs of strength in the July jobs count, with gains coming primarily from health care, a sector that has continued to show strength in the post-Covid recovery. The group added 55,000 jobs, easily leading the way. Social assistance also contributed 18,000 jobs. The two sectors combined for some 94% of the job growth.



- Retail added nearly 16,000 jobs and the financial sector was up 15,000. However, federal government employment continued to decline, down 12,000 for the month and 84,000 since its January peak, before Elon Musk's Department of Government Efficiency began paring down the jobs rolls. Professional and business services lost 14,000.

U.S. unemployment rate

Jan. 2021–July 2025

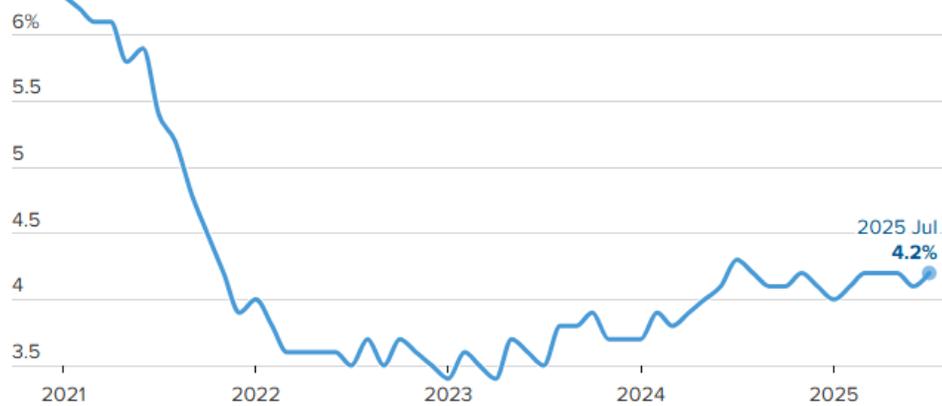


Chart: Gabriel Cortes / CNBC
Source: U.S. Bureau of Labor Statistics
Data as of Aug. 1, 2025



- On wages, average hourly earnings increased 0.3%, meeting the estimate, though the yearly gain of 3.9% was slightly higher than expected.

U.S. wage growth

Year-over-year percent change in average hourly earnings | Jan. 2022–July 2025



Note: All employees on private nonfarm payrolls
Chart: Gabriel Cortes / CNBC
Source: U.S. Bureau of Labor Statistics
Data as of Aug. 1, 2025

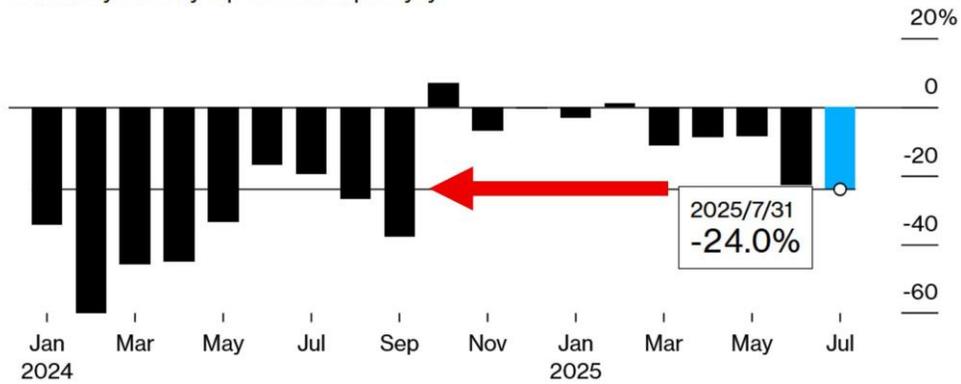




A week gone by - In Charts

China Home Sales Slump Deepens in July

■ Monthly sales by top 100 developers yoy

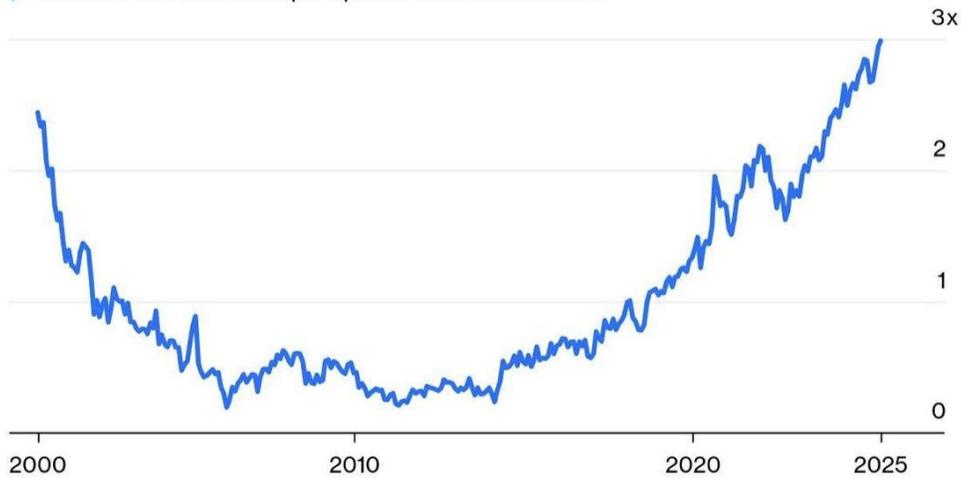


Source: China Real Estate Information Corp., Bloomberg

Small Caps' Unmissable Deep Discount

The premium in large caps' book multiples is the widest in 25 years

▬ Russell 1000 Book Multiple Spread Over Russell 2000



Source: Bloomberg

Bloomberg Opinion



Demand for 40-year Japanese government bonds falls to lowest level since 2011

Bid-to-ask spread



Source: Bloomberg

What to expect in coming week?

Date	Country / Region	Event	Forecast	Previous
4 th Aug	Switzerland	CPI MoM	-0.2%	0.2%
5 th Aug	US	ISM Services PMI	51.5	50.8
6 th Aug	Eurozone	Retail sales MoM	0.4%	-0.7%
7 th Aug	UK	BOE Monetary policy	4.00%	4.25%

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