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(DUBAI) CHAPTER NPIO



WEEKLY ECONOMIC NEWSLETTER

BY ICAI DUBAI UAE CHAPTER

ISSUE 10



Weekly Economic Newsletter by ICAI Dubai UAE Chapter (Issue 10)

(For internal circulation to members only)

Week ending June 21, 2025

	Current Week	Previous Week	% Change		Current Week	Previous Week	% Change
DFM	5,351.60	5,364.69	-0.24%	USD/INR	86.5800	86.2500	+0.38%
ADX	9,513.43	9,564.01	-0.53%	EUR/USD	1.1520	1.1547	-0.23%
SENSEX	82,408.17	81,118.60	+1.59%	USD/JPY	146.10	144.10	+1.39%
NIFTY	25,112.40	24,718.60	+1.59%	USD/CNY	7.1900	7.1700	+0.28%
DOW	42,206.82	42,197.79	+0.02%	Gold	3,368.50	3,433.00	-1.88%
NASDAQ	19,447.41	19,406.83	+0.21%	US 10-year	4.3830	4.4060	-0.52%
S&P 500	5,967.84	5,976.97	-0.15%	Brent Crude	72.40	70.33	+2.94%

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.

Gross banks' assets up by 1.9% to \$1285.1bln in UAE

- The Central Bank of the UAE (CBUAE) announced the increase in money supply aggregate M1 by 0.4%, from AED982.4 billion at the end of February 2025 to AED986.2 billion at the end of March 2025.
- The increase was due to AED5.1 billion growth in currency in circulation outside banks, overriding the AED1.4 billion decrease in monetary deposits.
- The money supply aggregate M2 increased by 3.3%, increasing from AED 2,360.3 billion at the end of February 2025 to AED2,437.7 billion at the end of March 2025. M2 increased because of an elevated M1, and AED73.8 billion increase in Quasi-Monetary Deposits.
- Gross banks' assets, including bankers' acceptances, increased by 1.9% from AED4,632.2 billion at the end of February 2025 to AED4,719.4 billion at the end of March 2025.



- Gross credit increased by 1.6% from AED2,204.3 billion at the end of February 2025 to AED2,240.0 billion at the end of March 2025. Gross credit increased due the combined growth in domestic credit by AED19.5 billion and foreign credit by AED16.2 billion. The growth in domestic credit was due to increases in credit to the; public sector (government-related entities) by 0.2%, private sector by 1.4% and non-banking financial institutions by 1.9%, while credit to the government sector decreased by 0.3%.
- Banks' deposits increased by 2.3%, from AED2,871.5 billion at the end of February 2025 to AED2,936.4 billion at the end of March 2025. The increase in bank deposits was driven by the shared growth in resident deposits by 2.4%, settling at AED2,687.8 billion and in non-resident deposits by 0.4%, reaching AED248.6 billion. Within the resident deposits; government-related entities deposits increased by 4.3%, private sector deposits increased by 3.1% and non-banking financial institutions deposits increased by 5.1%, while deposits to the government sector decreased by 2.3%, by the end of March 2025.

India's net direct tax collection drops 1.39% to Rs. 4.59trl in Apr-June

- According to the data released by the government, India's net direct tax collection so far this fiscal stood at Rs 4.59 trillion, 1.39% lower compared to the mop-up during the corresponding period of last fiscal, as advance tax collections slowed
- Advance tax collection during April 1-June 19, 2025 grew by 3.87% to Rs 1.56 trillion. In the comparable period in 2024, advance tax collection had recorded an annual growth of 27%.
- During April 1-June 19, 2025, corporate tax collection witnessed a slowdown at about Rs 1.73 trillion, a decline of over 5% year on year.
- Non-corporate tax collections, which include mainly personal income tax, however, recorded a slight increase of 0.7% to Rs 2.73 trillion. Securities Transaction Tax (STT) grew 12% to Rs 13,013 crore during the period.
- Overall, the net direct tax collection kitty stood at about Rs 4.59 trillion during April 1-June 19, 2025, registering a 1.39% dip from Rs 4.65 trillion collected in the corresponding period in 2024.
- Refund issuances increased by 58% so far, this fiscal to Rs 86,385 crore.

BOJ holds policy rate steady and plans slow tapering

- The Bank of Japan (BOJ) kept its policy rate at 0.5%, reducing Japanese Government Bond purchases from 400bn yen to 200bn yen starting in April 2026. Governor Kazuo Ueda is cautious about US tariffs and their negative impact on investment and wages, while expressing no immediate concerns about inflation
- The BOJ's decision to keep the policy rate unchanged while reducing JGB purchases reflects a careful approach to managing market expectations.
- The central bank also emphasized that it will maintain flexibility, adapting to any sudden market changes. Governor Ueda noted that a quick tapering may raise market volatility,

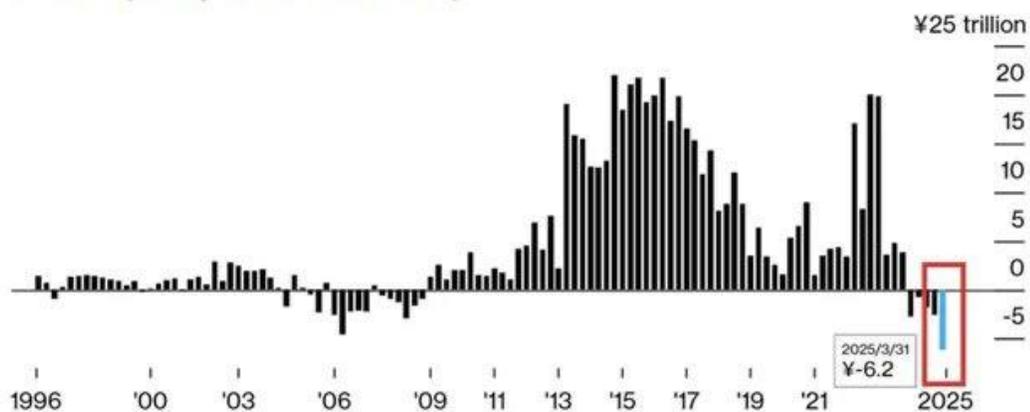


resulting in a negative impact on the economy, and the BOJ seems like it is trying to avoid disrupting the market reaction.

- Since the BOJ's JGB holdings are concentrated in long-term maturities, slower QT is expected to have a greater impact on long-term market rates and less on the policy rate. Governor Ueda has also previously stated that balance sheet reduction should be viewed separately from the policy rate decision.

BOJ Shrinks Bond Holdings at Record Pace

■ Quarterly change in BOJ's bond holdings



Sources: Bloomberg, Bank of Japan

Swiss National Bank cuts key rate to 0%

- As anticipated, the Swiss National Bank (SNB) cut its key rate by 25 basis points to 0% today. This decision follows the release of Swiss inflation figures for May, which showed a return to deflation.
- The consumer price index (CPI) fell by 0.1% year-on-year, deviating from the SNB's inflation target of between 0% and 2%. Since peaking at 3.5% in August 2022, inflation has steadily declined, reaching 0% in April and now moving into negative territory.
- The latest decline is largely attributed to external factors. Global energy prices plummeted in May, causing energy inflation to drop by 8.3%.
- Additionally, the strength of the Swiss franc, which reached its highest level ever in effective terms, significantly reduced the cost of imported goods, which fell by 2.4% year-on-year in May. Given that imports account for 23% of the CPI basket, this has a substantial impact on overall inflation in Switzerland.
- Considering the troubled trade and geopolitical environment, it is unlikely that the Swiss franc will weaken significantly in the coming months, although the SNB hopes that the increase in the interest rate differential between Switzerland and other central banks will



help to limit this appreciation. Its 'safe haven' characteristic, which attracts capital flows during high-risk periods, should keep it strong.

- The press release also states that 'the SNB remains ready to be active on the foreign exchange market if necessary', but does not say much more on the subject. The SNB no longer defines the value of the Swiss franc as 'significantly overvalued' or 'highly valued', as it did during recent periods of negative inflation. This is despite the fact that the Swiss franc reached its highest level ever in the second quarter (in effective terms)



US retail sales fell 0.9% in May, worse than expected

- According to the data released by the Commerce Department, retail sales declined 0.9%, even more than the 0.6% drop expected from the Dow Jones consensus, according to numbers adjusted for seasonality but not inflation. The decline followed a 0.1% loss in April and came at a time of unease over tariffs and geopolitical tensions. Sales rose 3.3% from a year ago.
- Excluding autos, sales fell 0.3%, also worse than the estimate for a gain of 0.1%. Excluding a series of items such as auto dealers, building materials suppliers, gas stations and others, sales increased 0.4%. That reading, known as the control group, is what the department uses when calculating gross domestic product.
- Building materials and garden stores saw sales fall 2.7%, while sliding energy prices pushed gasoline station receipts down 2%. Motor vehicles and parts retailers were off 3.5%, while bars and restaurants saw sales decline 0.9%.



BOE holds rates steady, but a cut is coming soon

- The Bank of England (BOE), kept its key interest rate on hold at 4.25% during its Thursday meeting, with economists expecting the central bank to wait until August before it cuts again.
- Six out of nine of the BOE's monetary policy committee opted to hold rates with three opting for a 25-basis-points cut.
- The BOE in its statement mentioned that, underlying UK GDP [gross domestic product] growth appears to have remained weak, and the labor market has continued to loosen, leading to clearer signs that a margin of slack has opened up over time.
- The central bank warned that “global uncertainty remains elevated” with energy prices rising due to the escalation of the conflict in the Middle East.

US Fed holds rate steady, indicates two cuts this year

- The Federal Reserve kept interest rates steady amid expectations of higher inflation and lower economic growth ahead, and still pointed to two reductions later this year.
- With markets expecting no chance of a central bank move this week, the Federal Open Market Committee kept its key borrowing rate targeted in a range between 4.25%-4.5%, where it has been since December.

U.S. federal funds target rate

July 2000–June 2025



Note: From December 2008 to present, the chart reflects the **midpoint** of the Federal Reserve's target range. The target rate began in 1982.

Shaded areas indicate recessions as defined by the [National Bureau of Economic Research](#).

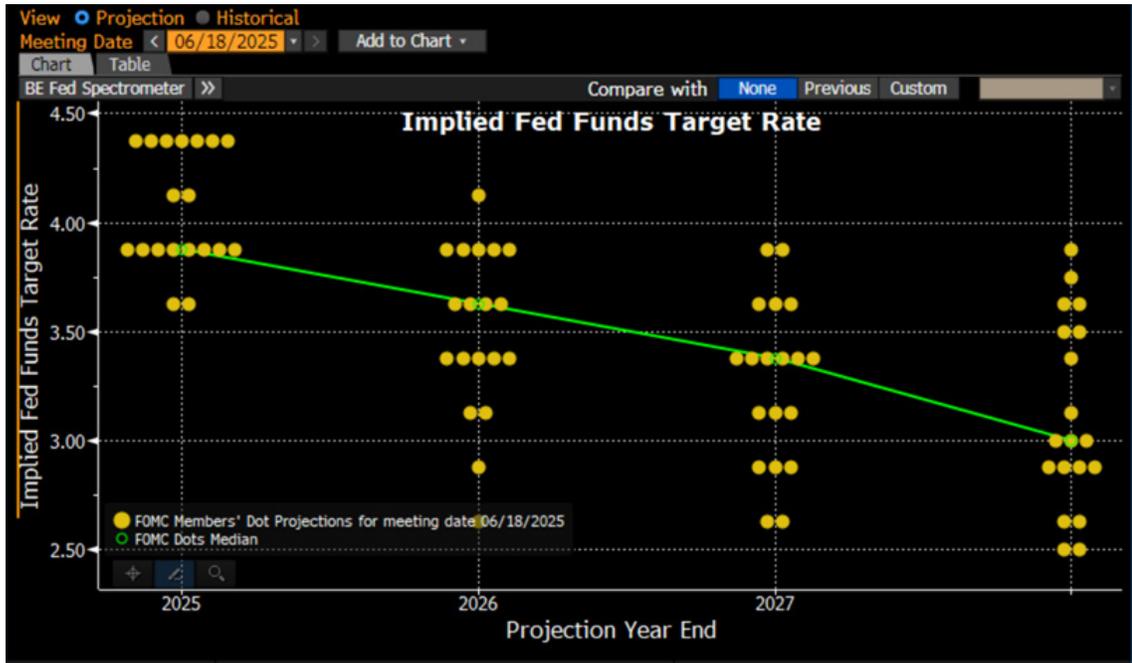
Chart: Gabriel Cortes / CNBC

Source: [Federal Reserve Bank of New York](#)

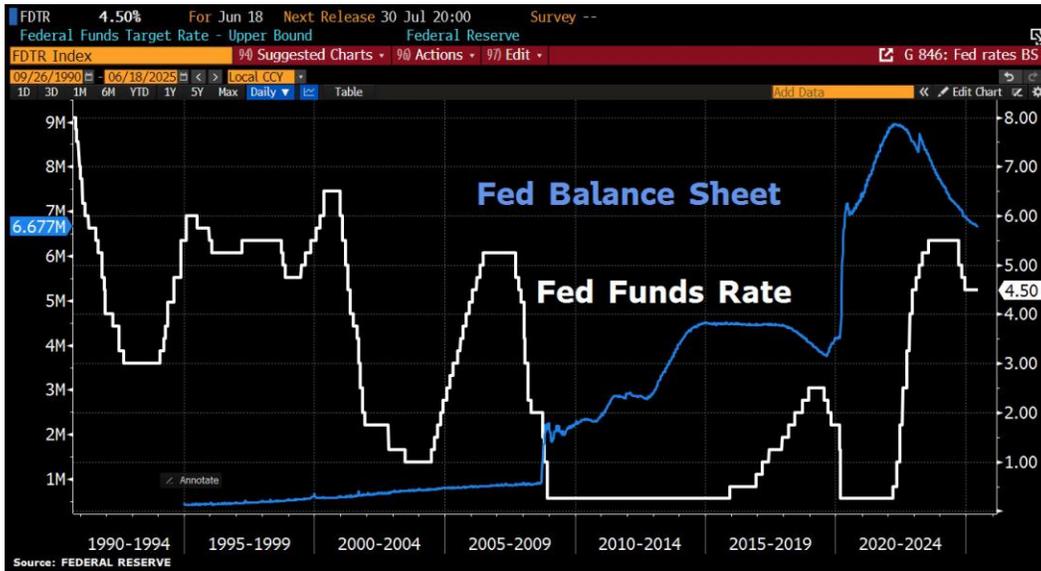
Target rate as of June 18, 2025



- Along with the rate decision, the committee indicated, through its closely watched “dot plot,” that two cuts by the end of 2025 are still on the table. However, it lopped off one reduction for both 2026 and 2027, putting the expected future rate cuts at four, or a full percentage point.



- The plot indicated continued uncertainty from Fed officials about the future of rates. Each dot represents one official's expectations for rates. There was a wide dispersion on the matrix, with an outlook pointing to a fed funds rate around 3.4% in 2027.
- Seven of the 19 participants indicated they wanted no cuts this year, up from four in March. However, the committee approved the policy statement unanimously.
- The revised forecasts from the last update in March represented a decrease of 0.3 percentage point for GDP and an increase of the same amount for the personal consumption expenditures price index. Core PCE, which eliminates food and energy prices, was projected at 3.1%, also 0.3 percentage point higher. The unemployment outlook saw a small revision, up to 4.5%, or 0.1 percentage point higher than March and 0.3 percentage point above the current level.



A week gone by – In Charts

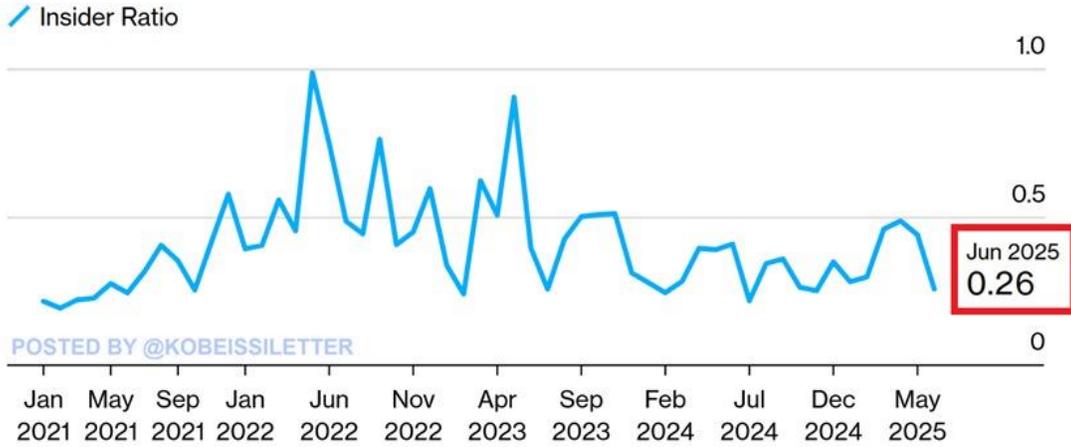
Hedge funds / large speculators building up net short positions in S&P500 futures





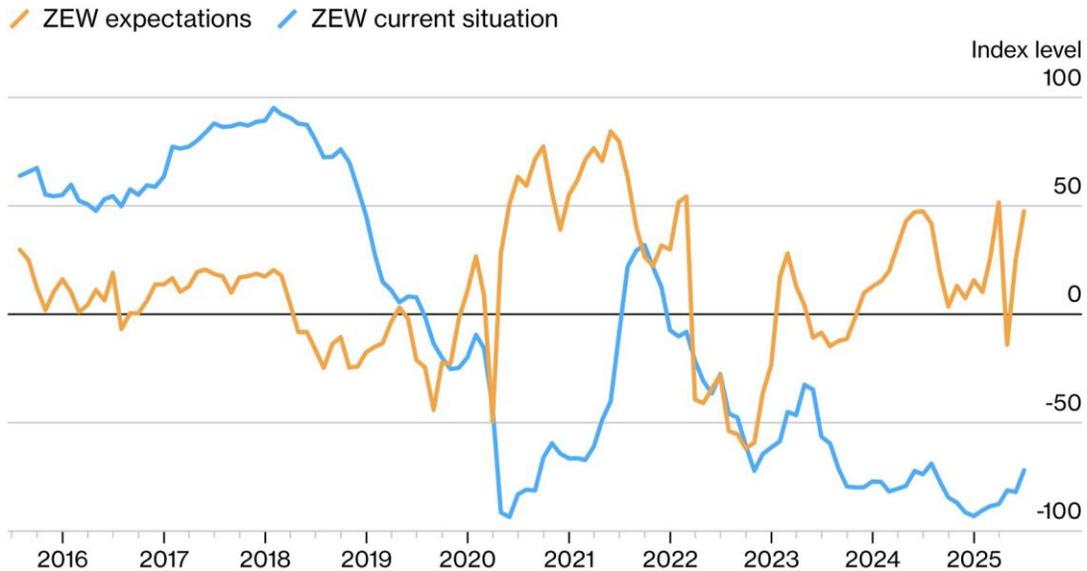
Exit Plan

Corporate insiders are selling shares at the fastest pace since November 2024



Source: Washington Service
Note: Data as of June 11, 2025

German Investor Confidence Surged in June



Source: ZEW



What to expect in coming week?

Date	Country / Region	Event	Forecast	Previous
23 rd Jun	Eurozone	Manufacturing PMI	49.6	49.4
		Services PMI	50.0	49.7
	US	Manufacturing PMI	51.1	52.0
		Services PMI	52.9	53.7
24 th Jun	US	Consumer confidence	99.1	98.0
26 th Jun	US	Final GDP QoQ	-0.2%	-0.2%
		Durable Goods orders	6.8%	-6.3%
27 th Jun	US	Core PCE Price index MoM	0.1%	0.1%

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