

# Kinzletter : Weekly Global Economical and Geopolitical insights

## Global developments: Key Highlights

- **Scott Bessent Eyes October Deadline for Key Trade Deals** : U.S. Treasury Secretary Scott Bessent said major trade agreements with countries including Switzerland and India remain pending, noting India has been "a bit recalcitrant" in talks.
- **Saudi Normalisation with Israel Impossible Without Peace**: Former Saudi intelligence chief Prince Turki Al-Faisal told CNN the kingdom will not normalise ties with Israel under current conditions, citing the Arab Peace Initiative and stressing that peace, based on UN resolutions and international law, must come first.
- **Egypt, Qatar and Turkey Present Gaza Ceasefire Plan to Hamas**: Egypt, Qatar, and Turkey proposed a Gaza ceasefire with a full hostage-prisoner swap, Israeli withdrawal under Arab-American oversight, and Hamas halting military activity for disarmament talks, but Israel insists on Hamas's full disarmament and all hostages' release before agreeing.
- **Syria Seeks Regional Cooperation Amid UN-Reported War Crimes and Idlib Blast**: Syria reports talks with Jordan and the US on regional stability, while a UN probe finds likely war crimes by government and loyalist forces in March sectarian violence that killed 1,400, and a blast in Idlib kills four.



## Global Economic development

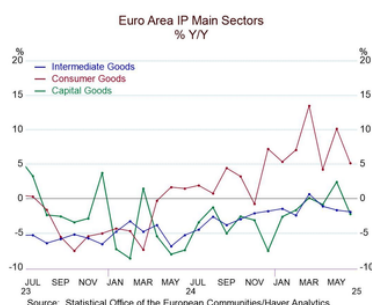
The **global economy** in mid-2025 is showing a **mixed** but interconnected picture, with resilience in some regions offset by **inflationary pressures**, **structural challenges**, and **uneven growth trajectories**. In the **United States**, the **S&P 500** and **Dow Jones** hit record highs, buoyed by **strong retail sales** and **corporate gains**, even as hotter-than-expected **producer price inflation**—driven by higher goods and services costs linked to tariffs—posed challenges for the **Federal Reserve's rate-cut expectations**. **China** faces slowing **industrial output**, **weak retail sales**, and a **prolonged property slump** despite a temporary export boost from **tariff pauses**. In **Europe**, growth nearly stalled in Q2 at 0.1% , with **Germany** and **Italy** contracting, though pockets of strength in **Spain**, **Portugal**, and **Eastern Europe**, alongside long-term investment plans, offer **cautious optimism** despite structural headwinds such as **high energy costs** and **weak productivity**. **India's sovereign rating** upgrade to **BBB** reflects robust expansion, fiscal discipline, and infrastructure momentum, while **Africa's Finance Corporation** reports over **\$50 billion** added to **GDP** through renewable energy, transport, and digital inclusion projects. Overall, the **global economy** is navigating **inflationary shocks** and **uneven growth** but retains **significant opportunities** for **reform**, **investment**, and **sustainable expansion**.

### Saudi Arabia's PIF cuts \$8bn from the valuation of key megaprojects.

- **\$8bn Giga Project Valuation Cut**: Saudi Arabia's Public Investment Fund (PIF) reduced the value of its domestic giga projects, including the \$500bn Neom, to \$56bn at end-2024 — a 12.4% drop from 2023. The \$8bn markdown was linked to budget overruns, operational changes, and global market pressures, which the fund views as part of the long-term build-out.
- **Oil Price Impact & Project Delays**: With oil still providing over 60% of state revenue, weaker prices have tightened spending, prompting a reassessment of major developments. Parts of Neom face delays, scaling back, or phased rollout due to its vast scale, remote location, and high costs.
- **Shift to Domestic Focus**: Despite the write-down, PIF's assets grew 19% to \$913bn in 2024, helped by raising its Aramco stake to 16% via a government transfer. Aramco's share price is down over 14% this year with lower dividends. International holdings fell from 20% to 17%, reflecting a stronger focus on domestic projects under Vision 2030.

### Trump scraps Biden-era order aimed at boosting competition in the US economy.

- **Revocation of Biden's 2021 Competition Order**: President Trump repealed Biden's executive order designed to curb anti-competitive practices across sectors like agriculture, pharmaceuticals, and labor, replacing it with an "America First antitrust" approach focused on free markets.
- **Regulatory Rollback & Antitrust Shift**: The Justice Department is streamlining merger reviews under the Hart-Scott-Rodino Act and reintroducing targeted consent decrees, moving away from what it calls Biden's "overly prescriptive" regulatory framework.
- **Consumer Protection Cuts**: Trump has targeted the Consumer Financial Protection Bureau, planning to slash its workforce by 90%, a move critics say has cost Americans at least \$18bn in higher fees and lost compensation from corporate misconduct cases.



## CHART OF THE WEEK

The **European Monetary Union's industrial sector** shows **mixed signals**, with consumer goods the only real support for otherwise **weak output**. Since Q2 2024, they have led **industrial activity** but not enough to lift overall production. In June, output fell 1.3% and manufacturing 1.6%, with steep drops in **consumer goods (-4.3%)**, **capital goods (-2.2%)**, and **intermediate goods (-0.2%)**. Year-on-year, **industrial production excluding construction** rose **0.5%**, but three-month trends show sharp declines as **post-tariff stockpiles** unwind. **Consumer goods** remain strong **(+5.1%)**, driven by **nondurables**, while **intermediate (-1.9%)** and **capital goods (-2.2%)** stay **weak**. This **resilience** masks a **broad slowdown** that could deepen if **trends** persist. **Source : Statistical Office of European Communities/ Haver Analytics**



## ***Netanyahu's expansionist vision riles the Arab world.***

- **EI Settlement to Block Palestinian Statehood:** Israeli Finance Minister Bezalel Smotrich unveiled plans for 3,500 housing units in EI, east of Jerusalem, which would split the West Bank and “bury” the two-state solution; analysts say the entire Israeli government tacitly supports it.
- **Broad Condemnation:** The UN, Palestinian Authority, rights groups, and Arab states, including Qatar and Egypt, slammed the plan as illegal and destabilising, as France, the UK, and Canada move to recognise Palestinian statehood at the UN in September.
- **Netanyahu's 'Greater Israel' Vision:** PM Benjamin Netanyahu reaffirmed his “historic and spiritual” mission for a Greater Israel encompassing occupied Palestinian territories and parts of neighbouring Arab states.



## ***Trump says Ukraine war talks with Putin yielded no deal but were “very productive”.***

- **No Ceasefire Agreement:** Despite three hours of talks in Alaska, Trump and Putin announced no breakthrough or pause in Russia's war on Ukraine, though they called the meeting “productive.”
- **Geopolitical Maneuvering:** Trump hinted at delaying tariffs on China and suggested a possible future meeting involving Zelenskiy, while Putin framed the summit as progress and reiterated Russia's conditions for long-term peace.
- **Ukraine's Concerns Unaddressed:** Zelenskiy and European allies, excluded from the summit, worried Trump might concede to Russia; Kyiv insisted only Russia taking concrete steps could open the path to a “just peace.”

## **Other Geopolitical developments**

### ***Iran turns to China to rebuild missile program, raising Israeli concerns.***

- **Iran Rebuilding Missile Capabilities:** After the June 12-day war with Israel, Iran is focusing on restoring its missile and aerial defense systems, increasingly relying on its own capabilities after setbacks to its proxies and missile program.
- **China-Iran Cooperation:** Western and European intelligence agencies report closer military collaboration between Iran and China, including potential assistance in rebuilding Iran's missile arsenal, though Beijing has not formally confirmed weapons transfers.
- **Israeli Security Concerns:** Israel views the cooperation as a strategic threat, with military officials ready to take action to prevent Iran from restoring missile capabilities, while diplomatic channels have conveyed Israeli concerns to China.

### ***Germany and allies to deliver large military aid package to Ukraine via new NATO supply route.***

- **\$500M Aid via NATO Supply Line:** Germany and select Western allies will send up to \$500 million in military aid to Ukraine through a new NATO-coordinated delivery route, focusing on critical air defense systems to counter ongoing Russian airstrikes.
- **Broad Allied Contributions:** The effort follows recent pledges from the Netherlands, Sweden, Denmark, and Norway, which include air defenses, anti-tank weapons, ammunition, and spare parts worth hundreds of millions of dollars.
- **Germany's Ongoing Support:** Since February 2022, Germany has provided or pledged about €40 billion (\$47 billion) in military aid to Ukraine, making it one of Kyiv's largest backers.





## ***Oil drops as weak Chinese and US economic data spark fuel demand worries .***

- **Oil Prices Slip on Weak Economic Signals:** Brent crude fell 0.58% to \$66.45 and WTI dropped 0.66% to \$63.54 as sluggish Chinese factory output, slower retail sales, and soft U.S. economic data stoked concerns over global fuel demand.
- **Surplus Forecast Adds Pressure:** Bank of America projects an average surplus of 890,000 bpd from July 2025 to June 2026, citing rising OPEC+ supply, echoing IEA warnings of a “bloated” market outlook.
- **Geopolitical Watch: Investors eye the Trump:** Putin meeting in Alaska, where a potential Ukraine ceasefire could lead to eased sanctions on Russian oil exports.



## ***Diverging oil market outlook : OPEC VS IEA.***

- **OPEC’s Bullish Outlook:** OPEC raised its 2026 oil demand growth forecast to 1.38 million bpd (from 1.28 million), citing stronger economic activity, and expects global consumption to reach 106.52 million bpd. The group sees non-OPEC+ supply rising more modestly—800,000 bpd in 2025 and 600,000 bpd in 2026—and remains confident seasonal demand can absorb added output.
- **IEA’s Bearish View:** Projects just 700,000 bpd demand growth to 104.4 million bpd, warning of a 2.96 million bpd surplus next year amid strong OPEC+ and non-OPEC+ output.
- **Supply Drivers Diverge:** While OPEC expects Brazil to lead non-OPEC+ production growth in 2026 (+160,000 bpd), the IEA sees overall non-OPEC+ supply expanding faster—+1 million bpd next year—driven by the U.S., Canada, Brazil, Argentina, and Guyana, adding pressure to an already oversupplied market.

## **Recommended readings**

### ***What Would a Ceasefire in Ukraine Look Like? (Source : CSIS)***

- **High Risk Without Enforcement:** Historical trends and Russia’s track record show that ceasefires in Ukraine are highly likely to fail unless backed by robust international monitoring, security guarantees, and rapid-response capabilities across land, air, and maritime fronts.
- **Multi domain Monitoring Architecture:** A durable ceasefire must include enforced buffer zones, integrated air defense, maritime safety corridors, cyber and satellite protections, and real-time verification systems to close gaps Russia has previously exploited.
- **Economic and Strategic Deterrence:** Pair the truce with pre approved sanctions triggers, restrictions on war-critical imports, and strengthened allied defense industrial capacity to impose sustained costs on Moscow and deter renewed aggression.

### ***Countdown to BRICS 2026: The India-Africa-UAE Trilateral.(Source: ORF)***

- **Transformational Potential:** Harness India’s tech expertise and scale, the UAE’s capital strength and world-class logistics network, and Africa’s youthful demographics and growing markets to move beyond trade volume metrics toward co-developed technologies, shared intellectual property, and cross-sector entrepreneurship that can reshape the South-South growth narrative.
- **Core Pillars:** Build the IAU on three strong foundations: (1) Industrial & Technological Cooperation spanning agri-tech, clean energy, fintech, advanced manufacturing, and digital innovation; (2) Investment & Financing Collaboration through linked financial hubs, a joint innovation fund, and integrated cross-border payment systems; and (3) Research, Vocational & Academic Partnerships to strengthen talent pipelines, upgrade workforce readiness, and deepen people-to-people ties.
- **Strategic Timing:** Launch the IAU at India’s 2026 BRICS Summit, leveraging Afro-Asian economic momentum, AU’s G20 inclusion, and plurilateral cooperation to build resilient South-South ties.