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Weekly Money Market Report

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>NBK Treasury
+965 22216603
tsd_list@nbk.com

Mixed Services and Manufacturing Data, Firm Inflation, & Increased Safe Haven Demand

Highlights

- *US manufacturing PMI at 52.0, services drops to 53.9.*
- *US PCE at 2.7% y/y, core PCE at unchanged 2.9%.*
- *Eurozone services PMI at 51.4, Manufacturing at 49.5.*
- *UK services PMI at 51.9, Manufacturing slips to 46.2.*
- *Australia's inflation rises to 3.0%, from 2.8% previously.*

Market Commentary

Global markets traded mixed as PMIs painted a divergent picture: Eurozone services strengthened while manufacturing slipped back into contraction, and the UK showed broad weakness across both sectors. In the US, services eased to 53.9 and manufacturing to 52, though housing demand surprised with a 20.5% surge in new home sales. Inflation stayed in focus as PCE rose 0.3% m/m, lifting annual headline to 2.7% with core steady at 2.9%. The SNB held rates at 0% amid subdued inflation and slowing growth, while gold surged to a fresh record above $3,750, supported by safe-haven demand and Fed rate-cut bets.

United States

US Manufacturing Momentum Softens Amid Tariff Pressures

The US Manufacturing PMI eased slightly to 52 in September from 53 in August, in line with forecasts. Output continued to expand for a fourth month but at a much softer pace compared to August's 39-month high. New orders rose for the ninth straight month, though growth remained marginal, partly due to export losses from tariffs. Firms struggled with high input prices, which stayed among the highest since the pandemic, while competition and weak demand limited their ability to pass costs on to customers. Business confidence improved to a three-month high, though it remained below the long-run survey average.

US Services Expansion Slows to Softest pace Since June

The US Services PMI dropped to 53.9 in September from 54.5 in August, broadly matching expectations of 54. This marked the slowest pace of growth since June, as new orders recorded only the smallest gain in three months. Weak domestic demand offset signs of stronger export activity, while firms faced difficulties in filling vacant positions. Input costs rose sharply, registering the second-highest inflation reading in 27 months, though weaker demand expectations limited the extent to which these costs were passed to consumers. Despite near-term challenges, business sentiment improved, reaching its highest level since May.

US PCE Holds Firm, Headline Accelerated to 2.7%

The US PCE price index rose 0.3% month-on-month in August 2025, accelerating from a 0.2% increase in July and matching expectations. Goods prices inched up 0.1%, reversing the prior month's decline, while services costs rose 0.3% for the second straight month. Core PCE, excluding food and energy, advanced 0.2%, unchanged from July. Food prices climbed 0.5%, while energy costs rebounded 0.8% after a sharp drop in July. On an annual basis, headline PCE inflation edged higher to 2.7%, the strongest in six months, up from 2.6% in the prior two months. Meanwhile, core PCE inflation held steady at 2.9%. Both headline and core measures came in line with forecasts, underscoring a steady inflation environment.

Housing Market Surges with Strongest Sales Since 2022

U.S. new home sales jumped sharply in August, rising 20.5% to an annualized rate of 800,000 units, the fastest pace since early 2022 and well ahead of forecasts, according to the Census Bureau. The rebound was driven largely by aggressive builder discounts and incentives, such as mortgage rate buydowns and covering closing costs, aimed at clearing an oversupply of newly built homes. Easing borrowing costs in anticipation of a Federal Reserve rate cut also helped support demand. Still, new homes account for only about 14% of overall housing sales, and the broader market remains subdued as affordability challenges continue to deter many buyers.

The US Dollar index closed the week at 89.152.

Europe

Eurozone Services PMI Strengthens in September

The Eurozone Services PMI rose to 51.4 in September 2025, up from 50.5 in August and above market expectations. This marked the strongest expansion in business activity so far this year, supported by an improvement in new orders. Employment continued to grow, though at its slowest pace in seven months, while firms reduced backlogs at the fastest rate in three months. On the price side, input cost inflation remained elevated but moderated, while output charges grew at a steadier pace, signaling some easing of inflationary pressures. Business confidence remained broadly stable, with firms holding a constructive outlook despite softer external demand.

Manufacturing PMI Returns to Contraction, Orders Drop Sharply

The Eurozone Manufacturing PMI fell back into contraction, dropping to 49.5 in September from August's 50.7, which had been a 38-month high. The decline reflected renewed weakness in new orders, which recorded their sharpest drop since February. Output growth slowed to only a marginal pace, and employment fell further, extending the job-cutting trend in the sector. Input costs decreased for the first time in three months, alongside a decline in output prices. Business confidence weakened further, hitting its lowest point of the year, underlining persistent headwinds for the manufacturing sector.

The EUR/USD currency pair closed the week at 1.1701.

SNB Monetary Policy Assessment

In the latest monetary policy assessment. Policymakers reaffirmed readiness to intervene in FX markets if needed, while noting that inflation remains subdued, inching up to 0.2% in August from -0.1% in May. The SNB projects inflation at 0.2% for 2025, 0.5% in 2026, and 0.7% in 2027, assuming rates remain unchanged. Growth has slowed globally, pressured by US tariffs and uncertainty, with Switzerland's GDP expanding just 0.5% in Q2 after a stronger Q1 led by pharmaceutical exports. Exports and investment in machinery and watchmaking are expected to weaken under higher tariffs, though services remain resilient. The SNB forecasts GDP growth of 1–1.5% in 2025 before slipping below 1% in 2026, with unemployment likely to rise further.

The USD/CHF currency pair closed the week at 0.7975.

United Kingdom

UK Services Activity Slows as Cost Pressure Persists

The UK Services PMI slipped to 51.9 in September 2025 from 54.2 in August, falling short of expectations of 53.5. The slowdown pointed to weaker business and consumer spending amid subdued economic conditions and geopolitical uncertainty. Firms reported steep rises in operating costs, largely driven by wage pressures and higher payroll costs passed on by suppliers. Rising energy bills, food, and technology costs also added to inflationary pressures, with service providers raising their own prices accordingly. Business confidence deteriorated, reflecting tighter client budgets and greater uncertainty across the sector.

UK Factory Sector Contracts at the Fastest Pace Since March

The UK Manufacturing PMI declined to 46.2 in September from 47.0 in August, undershooting forecasts of 47.1. This represented the steepest contraction in the sector since April, with output shrinking at its fastest pace since March. Survey respondents noted weaker domestic and export orders, compounded by disruptions in the automotive supply chain due to stoppages at Jaguar Land Rover. Employment fell further, while factory gate inflation eased to its lowest level since December 2024, highlighting competitive price pressures. Despite the downturn, business confidence rose to its highest since February, supported by increased investment and hopes of order book recovery.

The GBP/USD currency pair closed the week at 1.3400.

Asia-Pacific

Australia's Inflation Jumps to 3.0%, Highest in Over a Year

Australia's monthly consumer price index accelerated to 3.0% y/y in August, up from 2.8% in July and slightly above market forecasts of 2.9%. Despite the rise, inflation remained within the RBA's 2-3% target range, though it marked the highest print since July 2024. The surge was driven primarily by housing costs, which jumped to 4.5%, a 14-month high, largely due to a 24.6% spike in electricity prices following a phase-out of state government rebates. Additional upward pressure came from clothing (0.4% vs -1.0%) after months of decline. Food inflation held steady at 3.0%. Meanwhile, trimmed mean inflation eased to 2.6% from 2.7%, but core inflation climbed to 3.4%, its highest level in over a year.

The AUD/USD currency pair closed the week at 0.6546.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30490.

Rates – 28th September 2025

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1744	1.1645	1.1819	1.1701	1.1500	1.1800	1.1735
GBP	1.3467	1.3321	1.3536	1.3400	1.3200	1.3500	1.3406
JPY	147.89	147.44	149.95	149.49	147.00	150.30	148.16
CHF	0.7942	0.7906	0.8013	0.7975	0.7900	0.8050	0.7895