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The Edge Economic & Market Update

GCC Economic Snapshot

May 6, 2025

GCC Economic Snapshot

Growth: The six GCC economies experienced a marked slowdown in 2023 due to oil output cuts, but growth is set to diverge in 2024 and rebound in 2025. According to the World Bank, the GCC region grew only about 1% in 2023, but is expected to accelerate to ~3.6% in 2024 and 3.7% in 2025. The IMF's latest projections (April 2025) likewise show a pickup, albeit with some downward revisions due to the global trade war.

Saudi Arabia: After booming 7.5% in 2022, Saudi growth turned slightly negative in 2023 (around –0.8%) as the Kingdom voluntarily cut oil output by over 1 million bpd in the second half. Non-oil growth remained robust (~3.8% in 2023) but couldn't fully offset the oil drag. For 2024, Saudi GDP is forecast at around +2.8% with a partial restoration of oil production. In 2025, growth is expected at ~3.0% (IMF revised this down from 3.3% amid global risks), assuming OPEC+ cuts end and Saudi output rises, plus continued momentum in non-oil sectors (e.g. tourism, manufacturing). Saudi Arabia's medium-term outlook remains strong – the IMF sees growth accelerating to 3.7% in 2026– supported by its Vision 2030 investments, though much will depend on oil market dynamics and the outcome of the U.S.–China trade dispute.

United Arab Emirates: The UAE achieved approx +3.6% growth in 2023, driven by vibrant non-oil activity (especially in Dubai's travel, real estate, and finance sectors). Its oil GDP was flat to slightly down in 2023 due to OPEC quotas. For 2024, the IMF projects +3.7% growth and an uptick to +5% in 2025. Abu Dhabi's oil output increases and Dubai's post-pandemic boom (Expo legacy projects, trade and tourism gains) underpin this outlook. The UAE benefits from being the most diversified Gulf economy – non-oil sectors contribute over 70% of GDP. Inflation remains low (~2-3%), and the UAE is expected to be the GCC's growth leader in 2025. Downside risks include a global slowdown hurting trade or declines in real estate prices, but overall, the UAE's economy is set to post its fastest growth in three years in 2024-25.

Qatar: Qatar's growth moderated to +1.2% in 2023 after a 4.2% jump in 2022 (boosted by the FIFA World Cup in 2022). LNG production was steady in 2023, so growth came mainly from non-oil sectors which cooled post-World Cup in 2022. For 2024, estimated around +1.7% growth, rising to around +2.4% in 2025. Qatar is in an investment phase, expanding its North Field gas production capacity,

GCC Economic Snapshot (Continued)

but the new output will mostly come on line from 2026 onward. Thus, near-term growth is relatively modest compared to peers. Nonetheless, Qatar will continue running large fiscal and external surpluses thanks to high LNG prices locked in by long-term contracts. The main variables for Qatar are the pace of global LNG demand and the progress of its massive expansion projects. Its public sector is driving growth via infrastructure and the LNG buildout, while private sector activity provides incremental gains.

Oman: Oman managed about +1.2% growth in 2023, as gains in non-oil sectors offset some oil output declines. Oman is not an OPEC member but aligned with OPEC+ cuts; its oil production fell slightly in 2023. For 2024, growth is expected at around +1.2%, rising to +2.6% in 2025. Oman's outlook is improving thanks to higher natural gas output, recovery in tourism, and its economic reform program under Vision 2040. The government's fiscal reforms (subsidy cuts, VAT introduction) have eased debt pressures, allowing more spending on investment. S&P recently upgraded Oman's credit rating as public debt fell and the budget moved to surplus on past oil windfalls. Still, Oman remains vulnerable with one of the smallest buffers in the GCC – hence growth is relatively subdued. If oil prices stay low, Oman might revisit austerity measures, but if prices recover or if downstream projects boost output, growth could surprise on the upside.

Bahrain: Bahrain grew by around +2.5–2.6% in 2023, and is forecast at ~3.0–3.5% in 2024, then ~2.8% in 2025. Bahrain's expansion is largely driven by non-oil activity (financial services, manufacturing, tourism via the new Saudi causeway), as its oil production is minimal and even declined due to maintenance at the Abu Sa'afa field. The government's Fiscal Balance Program, backed by GCC aid, has curbed spending to reduce the deficit, but public debt remains high. S&P recently downgraded Bahrain's outlook to negative. This highlights that while Bahrain's real economy is growing steadily, its financial position is weak. The planned rollout of VAT and other reforms are crucial to keep Bahrain's economy stable. For 2025, Bahrain's growth of ~2.8% will be underpinned by ongoing infrastructure projects and a recovery in aluminum production, but constrained by necessary fiscal consolidation. Bahrain is the most exposed GCC country to global interest rate shocks and investor sentiment, so maintaining growth will require navigating those challenges.

Sources: IMF & World Bank

Kuwait, GCC, and Global Insights

Executive Summary

Kuwait's economy is poised to exit a two-year oil-led downturn and grow again in 2025, yet the backdrop has become significantly more challenging with recent Global Events.
Oil-price shock: Kuwait Export Crude averaged about USD 73/bbl YTD, but the spot price plunged to USD 59.94/bbl on May 6, 2025 - its lowest since mid-2021. Should prices remain in the low-60s, the headline fiscal and current-account surpluses embedded in the IMF's December 2024 baseline would erode by 3-4 pp of GDP.
Domestic balance-sheet strength: General-government surpluses and the Future Generations Fund still provide a deep buffer, but the central-government budget is now expected to post a wider deficit near 10 % of GDP if oil averages below US $70 this year, increasing reliance on the new Public-Debt Law.

GCC recalibration. Early data for 2024/2025 show the region already recovering: UAE GDP up +4 %, Saudi non-oil activity +4 %, Qatar steady at 2 % range, while Oman and Bahrain hover around 2–3 %. With OPEC+ supply returning from Q2 2025, the bloc should average ~3 ½ % growth in 2025, but the oil-price dip trims revenue and could delay capex in the more oil-dependent states.

Global outlook softens further. The IMF's April 2025 WEO (World Economic Update) pegs world GDP growth at 3.3 % for 2024 and 2.8 % for 2025, citing higher real rates, renewed US-China trade frictions and slow European growth. Energy spot-price volatility and Red-Sea shipping disruptions also add downside risk.

Bottom line: Kuwait still enters 2025 with formidable buffers, but the sudden oil-price slide underscores the urgency of diversifying revenue, accelerating megaproject execution and deepening private-sector reforms. Region-wide, the GCC growth pulse is improving, yet fiscal space is tightening again—making coordination on spending efficiency and non-oil diversification an immediate priority.

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