THE EDGE
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The Edge Economic & Market Update

Kuwait, GCC, and Global Insights
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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.

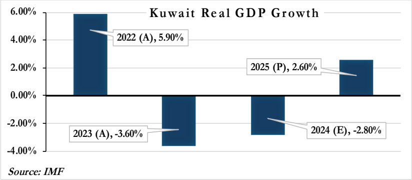
GCC recalibration. Early data for 2024/2025 show the region already recovering: UAE GDP up +4 %, Saudi non-oil activity +4 %, Qatar steady at 2 % range, while Oman and Bahrain hover around 2–3 %. With OPEC+ supply returning from Q2 2025, the bloc should average ~3 ½ % growth in 2025, but the oil-price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

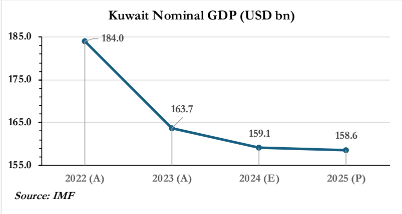
Bottom line: Kuwait still enters 2025 with formidable buffers, but the sudden oil-price slide underscores the urgency of diversifying revenue, accelerating megaproject execution and deepening private-sector reforms. Region-wide, the GCC growth pulse is improving, yet fiscal space is tightening again—making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

Kuwait Macroeconomic Overview

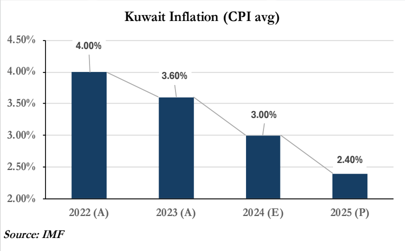
Kuwait's economy contracted over the past two years due to oil production cuts, but a tentative recovery is on the horizon. **Real GDP** grew by a strong +5.9% in 2022, then shrank by 3.6% in 2023 as OPEC+ quotas slashed oil output (The oil sector fell 4.3% in 2023 while non-oil GDP dipped 1.0%), reflecting lower refining activity. Another contraction of around 2.8% is expected in 2024 with additional oil cuts, before growth resumes at +2.6% in 2025 as production curbs are lifted.



Nominal GDP has accordingly declined from about $184 billion in 2022 to $164 billion in 2023 and is forecast at around $159 billion in 2024 and 2025.



Inflation, which averaged 4.0% in 2022, eased to 3.6% in 2023 and is projected to moderate further to 3.0% in 2024 and 2.4% in 2025 amid subsiding import costs.



Kuwait's **fiscal and external balances** remain sturdy but have weakened from previous highs. The current account surplus has narrowed from 34.3% of GDP in 2022 to 31.4% in 2023, and is estimated and projected to decline to the 27% to 22% range by 2024 and 2025 respectively as oil export earnings fall as indicated by the IMF in Dec 2024, yet actual figures for 2025 might be slightly more pressured given recent events.

Kuwait Macroeconomic Overview (Continued)

Lower oil revenues pushed the **budgetary central government** from a 7.2% of GDP surplus in 2022 to a 5.8% of GDP deficit in 2024 and is projected to reach around 7.9% of GDP deficit by 2025. However, when investment income from Kuwait's sovereign fund is included, the general government balance remained in a huge surplus of +29.9% of GDP in 2023, down slightly from +30.4% in 2022.

As **oil prices** drop, the IMF projects the central government deficit to widen to ~6.6% of GDP in FY2024/25 (while the general government surplus falls toward +24% of GDP). Kuwait's public finances thus hinge on oil: every USD 10 change in oil price swings the budget by several billion dinars.

With Kuwait's export crude averaging about USD 97/bbl in FY2022/23 and USD 85/bbl in FY2023/24, the recent plunge to ~$60 in May 2025 is a significant shock.

Worth noting that Kuwait Export Crude spot price plunged to USD 59.94/bbl on 6 May 2025 -its lowest since mid-2021.

Fortunately, Kuwait has ample buffers (foreign reserves cover 9+ months of imports) and minimal debt.

Yet the risks from volatile oil markets to global slowdown are "skewed to the downside", reinforcing the need for fiscal consolidation and diversification.

Sources: IMF and Kuwait Official sources.

Kuwait Financial Market

Kuwait's stock market has started 2025 on a strong note, outperforming its GCC peers during Q1 2025 and YTD April 2025.

As of end-April 2025, the All-Share Index is up about +8.1% YTD despite a 1.4% pullback in April amid global market jitters.

Overall market sentiment in Kuwait has been relatively resilient, supported by robust local earnings and liquidity, even as rising U.S. trade tariffs and lower oil prices have weighed on the region.

Banks dominate with ~63% of total market cap followed by financial services, telecoms, and real estate. Kuwait's equity market capitalization stands near KD 48 billion (~$158 billion) in 2025, equivalent to roughly 100% of GDP.

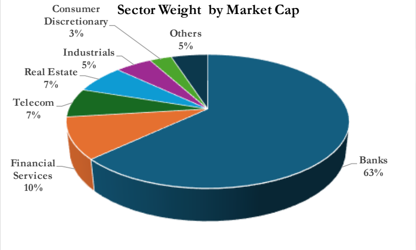


Figure: Sector weight by market capitalization on Boursa Kuwait (April 2025).

The top 10 listed companies – eight of which are banks – have a combined market value of around KD 33 billion (69% of the market).

As of date of report, KFH and NBK remain the two largest firms, with market caps of roughly KD 13.4 billion and KD 8.3 billion respectively. Other top companies include Boubyan Bank (~KD 3.0bn), Zain (~KD 2.0bn), and Gulf Bank (~KD 1.35bn).

The dominance of banks (many of which benefited from rising interest rates in 2023-24) has buoyed the market, but also poses a risk if credit conditions tighten.

Looking ahead, investors are watching for catalysts including potential interest rate cuts (which could improve equity valuations), government project spending, and any progress on stalled economic reforms.

Kuwait's inclusion in emerging market indices and its relatively high dividend yields continue to attract regional investors, but further diversification of the market remains a long-term goal.

Kuwait Real Estate

Kuwait's real estate sector is on the mend, with both sales and prices showing signs of recovery following a sluggish performance in 2023. In Q4 2024, real estate sales jumped by 28% QoQ, reaching KD 1.08 billion – the highest quarterly sales in the recent past.

Residential properties: Sales reached KD 456 million in Q4 2024, the strongest in two years. Transaction volumes have risen for two consecutive quarters, especially in more affordable areas (e.g. 38% of Q4 deals were in Al-Ahmadi governorate). After a period of softening, home prices showed a modest quarterly gain in Q4 as buyer sentiment improved. Nonetheless, residential sales in 2024 were still about 45% below their 2021 peak, reflecting the earlier cooldown from pandemic-era highs. High valuations and past speculative curbs (e.g. stricter power-of-attorney rules and upcoming taxes on idle land) have kept this segment's recovery more muted.

Investment properties: This segment has led the revival. Investment property sales jumped to KD 433 million in Q4 – highest level even before Covid pandemic– fueled by higher rental yields and demand for expatriate housing. Kuwait's tightening of overcrowding rules in mid-2024 (after a fire incident) created a shortage of low-cost rentals, benefiting landlords and boosting investor appetite. Higher demand drove investment property prices up ~2.8% y/y in Q4, despite that overall property prices were down 3% y/y.

Commercial properties: After a dip in Q3, the commercial sector regained momentum with KD 193 million in Q4 sales led by several large deals that drove the recovery, particularly big-ticket sales in Hawalli and Al-Ahmadi governorates. While Q4 commercial sales were below the record KD 294 million seen in Q2 2024, investor interest remains solid for quality assets. Strong demand for warehouses, offices, and retail space – supported by Kuwait's post-pandemic business recovery – has helped stabilize commercial property prices. However, this segment can be lumpy; a few major transactions (or lack thereof) swing the figures each quarter.

Prices: Kuwait's overall real estate prices fell by around 3% in 2024, after a slight 0.5% uptick in 2023. However, the prices began rising again in late 2024.

Kuwait Real Estate (Continued)

Government housing projects: The public sector is boosting efforts to address Kuwait's housing shortage. After distributing a record number of plots in 2021–22, the Public Authority for Housing Welfare (PAHW) paused new housing plot distributions in mid-2024 pending a new strategy and the passage of a Real Estate Finance Law. As a result, the waiting list of citizens for homes swelled to almost 100 thousands of applications by Oct 2024.

To tackle this, Kuwait has accelerated several mega-projects/initiatives:

New Cities: Construction is progressing on Al-Mutlaa City, South Saad Al-Abdullah, and South Sabah Al-Ahmad – three large "new city" developments that will provide tens of thousands of housing units. Key infrastructure contracts (roads, electrical substations, etc.) have been awarded.

"For Those Who Sold" housing: In May 2025, PAHW announced it is preparing to deliver homes in East Sabah Al-Ahmad by late 2025 under the "For Those Who Sold Their Home" program. Power infrastructure is being energized by Q4 2025, after which thousands of completed houses will be handed over to eligible citizens who previously gave up their subsidized homes.

Housing finance reforms: Kuwait is expected to approve a Real Estate Finance Law in 2025 aimed at boosting homeownership. Proposed measures include raising the ceilings on housing loans – local banks could lend up to KWD 130,000 (at 2% above CBK discount rate) over the government's credit bank would provide an additional KWD 70,000 interest-free. Additionally, loan tenors for commercial real estate may be extended from 15 to 25 years, and the debt-to-income limit for borrowers eased from 40% to 50%. These steps, alongside earlier residency law changes (offering 10–15 year residency permits for property owners and investors) and a draft law to allow greater foreign real estate ownership, could significantly stimulate demand in the residential and investment segments. On the flip side, a new "white land" tax on unused residential plots (effective January 2026) will pressure landowners to develop or sell, which could increase land supply and temper price rises.

Outlook: The real estate sector's outlook for 2025 is cautiously optimistic. Legislative reforms, if enacted, would be game-changers. The main risks are macroeconomic – if Kuwait's GDP growth disappoints or oil prices stay low, real estate sentiment may weaken again. On balance, however, Kuwait's real estate is in recovery mode in spring 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

Global and Geopolitical Outlook

The global economic environment in 2025 is one of cautious moderation, with the IMF projecting world output growth to slow from 3.2% in 2024 to 2.8% in 2025.

Major economies are grappling with tighter monetary policy and fallout from a severe U.S.–China trade war. In early 2025, the U.S. administration dramatically escalated trade tensions, imposing punitive tariffs of up to 145% on most Chinese goods, to which China retaliated with 125% tariffs on U.S. Furthermore, the U.S. enacted a blanket 10% tariff on imports from nearly all countries (including GCC nations) from April 5, 2025. These protectionist moves have strained global supply chains, dampened business confidence, and prompted the IMF to cut global growth forecasts by about 0.4 percentage points.

Notably, the IMF said that absent the trade war, global growth in 2025 would have been around 3.2% instead of the 2.8% now expected. A truce is being sought – by late April, the U.S. and China agreed to a 90-day pause on further tariff escalations to negotiate terms – but uncertainty remains high.

Oil demand and prices: The cooler global growth and trade frictions are directly impacting oil demand, a critical factor for the GCC. The IMF trimmed its 2025 oil demand outlook and oil prices have slid as investors foresee a potential glut if the global economy softens. As mentioned, Kuwait's crude price fell below $60, and the OPEC basket dropped to ~$61.8 in May 2025, levels not seen since 2021. In addition to demand concerns, geopolitical pressures are at play: the U.S. President has publicly called on oil producers to increase output and cut prices, aiming to curb inflation and aid the global economy. This has put the GCC in a delicate spot – balancing their own revenue needs against political pressure for cheaper oil. OPEC+ initially planned to start raising production in late 2024, but postponed until April 2025 due to market conditions. Now, with global demand uncertain, OPEC+ is cautiously resuming output increases. For example, Kuwait's quota is set to rise slightly to 2.443 million bpd from May 2025 (up from 2.428 million). If the trade war de-escalates and global demand surprises positively, oil prices could stabilize or recover in the second half. However, most forecasts see oil markets remaining under pressure, which implies GCC fiscal and external surpluses will shrink in 2025.

Global and Geopolitical Outlook (Continued)

Monetary policy & finance: Globally, inflation has been easing, allowing central banks to halt interest rate hikes. The U.S. Federal Reserve is expected to keep rates high through mid-2025 and possibly begin cutting by late 2025 if inflation falls to target. GCC currencies, being dollar-pegged (Except KWD), have mirrored U.S. rate hikes – raising borrowing costs across the Gulf. High rates in 2023–24 cooled some economic activity (e.g. housing demand in places like Dubai and Kuwait). Now, the prospect of eventual cuts in 2025 is a welcome development for GCC financial conditions. Indeed, lower global rates would reduce Gulf governments' debt service costs and spur private credit growth. Still, GCC policymakers remain vigilant: the banking sector in the region is well-capitalized, and no major contagion from recent global banking stress (e.g. U.S. regional bank failures) has been observed. A risk to watch is global risk aversion – if emerging markets see outflows due to the trade war or other shocks, it could tighten liquidity. But so far, GCC bonds and equities have held up, partly because high oil buffers and dollar pegs make them a relative safe haven within Emerging Markets.

Regional geopolitics: Within the Middle East, geopolitical risks persist but with no new crises at present. The détente between Saudi Arabia and Iran (resumed diplomatic ties) has improved the regional climate. The Yemen conflict de-escalation has also reduced security risks for GCC. However, any flare-up (involving Iran's nuclear issue or elsewhere) could quickly affect oil supply routes and prices – a perennial wildcard for the outlook. On the trade front, the GCC states are hastening efforts to sign free trade agreements (e.g. GCC-UK FTA under negotiation) to mitigate the impact of protectionism. Additionally, Saudi Arabia and the UAE are investing in supply chain logistics and manufacturing to capitalize on any shifts (like "China+1" diversification of production). These strategic moves could, over time, make the GCC less dependent on oil and more integrated in global trade of goods and services.

Sources: IMF, World Bank, OPEC, KPC, Global Finance and news reports for geopolitical context.

Summary

In summary, the global backdrop for 2025 is mixed: slower growth and trade disputes are headwinds for the oil-dependent GCC, likely keeping oil prices moderate and testing fiscal resilience. Yet the GCC's ongoing economic transformations, huge sovereign wealth buffers, and intra-regional initiatives (like the recent agreement to integrate power grids and digital economies) provide tailwinds that could help the region weather the storm. Kuwait and the GCC enter mid-2025 with cautious optimism – recovering domestically, but keeping an eye on global currents that could shape their economic trajectory. GCC countries are expected to remain agile – adjusting oil output, reform pacing, and budgets – as global conditions evolve. The current environment underscores the importance of diversification and structural reforms championed in each GCC national vision to reduce vulnerability to global economic swings and geopolitical shocks.

Final Note: This report provides a comprehensive snapshot as of May 2025. It includes detailed macroeconomic figures and charts to support further analysis. The data are drawn from official sources such as the IMF, World Bank, Governmental authorities, Boursa Kuwait, and other reputable outlets to ensure accuracy and timeliness. As the year progresses, these indicators should be monitored for deviations, especially given the fluid global situation.

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