The Edge Economic Update

Monthly Economic Report

Kuwait, the GCC, and Global

June 4, 2025

Executive Summary

Kuwait's economy is rebounding in 2025 following last year's contraction, supported by the gradual easing of OPEC+ oil production cuts and renewed momentum in government reforms and project implementation. The IMF projects real GDP growth of 1.9% for Kuwait in 2025, after a decline of 2.8% in 2024. Oil production remains the backbone of the economy at 2.54 million barrels per day (IEA, April 2025), though lower global oil prices—Kuwaiti crude closed May at $63.61/bbl—are weighing on fiscal revenues. As a result, Kuwait's fiscal deficit is forecast to widen to 13.5% of GDP in 2025, despite ongoing spending discipline, though the country's substantial sovereign wealth buffers and low debt levels provide resilience. Inflation has eased significantly, with annual CPI growth dropping to 2.3% in April 2025—the lowest since 2020—providing relief for consumers. The Central Bank of Kuwait's discount rate remains at 4.00%, in line with U.S. monetary policy. New policy frameworks, including the Financing and Liquidity Law (enabling up to $98 billion in borrowing over 50 years) and an upcoming Mortgage Law, are set to enhance liquidity and accelerate key infrastructure and housing projects. The government is also driving capital market development, with the All Share Index gaining 10.2% year-to-date in May and new sectoral consolidation in banking underway.

Across **the GCC**, growth is recovering with overall regional GDP projected at 3.0% in 2025. Saudi Arabia faces slightly higher inflation and rising external debt, while the UAE and Qatar benefit from large-scale investment agreements and resilient fiscal positions. GCC stock markets are showing mixed performance, with Kuwait outperforming regional peers.

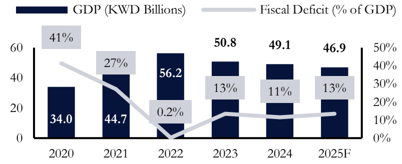
Globally, the economic environment in 2025 is characterized by slowing growth, moderating inflation, and persistent trade and geopolitical tensions. The IMF forecasts world GDP growth at 2.8% in 2025, revised down from previous estimates due to tighter monetary policy and new rounds of U.S.-China tariffs. Advanced economies face the slowest growth in years—1.8% in the U.S., 0.8% in the Eurozone, and 4.0% in China—while inflation is easing but remains above central bank targets in several regions. Trade policy uncertainty, supply chain realignment, and geopolitical risks continue to weigh on global sentiment. Despite these challenges, lower inflation and easing monetary conditions provide some relief for businesses and consumers, and ongoing investment in renewable energy and technology supports long-term growth prospects.

Overall, Kuwait and the GCC are benefitting from easing inflation, active policy reforms, and ongoing diversification efforts, but volatility in global oil prices and international economic uncertainty remain key risks.

Kuwait Macroeconomic Overview

Modest Economic Recovery Amidst Crude Volatility

Kuwait's economy is expected to rebound in 2025 post a contraction in 2024. The IMF projects **Real GDP** growth of around **1.9% in 2025**, following an estimated decline in 2024 by 2.8%, due to OPEC+ oil production cuts and softer oil prices. This rebound is likely to be supported by the gradual easing of OPEC+ output crude oil production restrictions and renewed momentum in project implementation and economic reforms. Oil production remains the cornerstone of Kuwait's economy – ~2.54 million barrels per day (IEA April '25 estimates) – but lower global oil prices (Kuwaiti crude ~$63.61/bbl May 30) are likely to continue weighing on revenues.

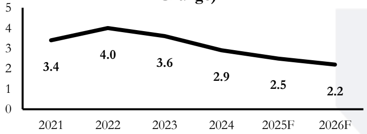


Source: CSB Kuwait, IMF

The government's fiscal stance reflects this: higher oil earnings in 2022–23 had **shrunk deficits to 0.2% of GDP**, but lower oil income is set to widen the fiscal deficit again in 2025 despite continued spending discipline. While both oil and non-oil GDP are projected to grow, the **fiscal deficit is estimated to reach 13.5% of the GDP in 2025**. Nonetheless, Kuwait's substantial sovereign wealth buffers and low debt provide fiscal resilience.

Inflation has eased significantly, providing relief to consumers with annual CPI growth slowing to 2.3% in April 2025, the lowest since 2020, down from ~3.2% in April 2024. Price pressures have moderated across food and housing categories, resulting in IMF estimates now pointing towards a further decline in CPI to 2.5% on average in 2025 and 2.2% in 2026.

Kuwait Consumer Price Index (Y/Y % Change)



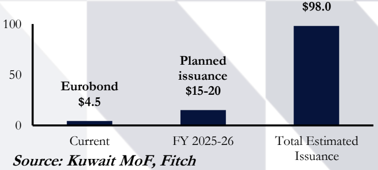
Source: IMF

This will allow the Central Bank of Kuwait (CBK) to maintain a steady monetary policy. **The CBK's discount rate remains at 4.00%** (after a 25 -bps cut in Sept 2024). With the Kuwaiti dinar pegged to a USD-dominated basket, domestic rates have largely tracked U.S. moves. The benign inflation outlook (IMF forecasts 2.5% average inflation in 2025) and a more dovish U.S. Fed stance suggest the CBK has room to hold or even ease rates to support growth.

Policy Reforms Underway

Despite sweeping tariffs introduction by **the US on the GCC of 10%,** Kuwait's trade exposure to the US is relatively low. In 2024, US imports from Kuwait accounted for **0.06% of total US imports** (including crude oil imports). Against this backdrop, Kuwait's government is introducing policy reforms to improve the regulatory framework of the economy and ease capital flows into the country to support the ongoing and future infrastructure projects and other targeted investments.

Kuwait Sovereign Debt (USD Billion)



Source: Kuwait MoF, Fitch

Among these is the **Financing and Liquidity Law** implemented in March 2025. The law has set in place a legal framework for borrowing up to USD 98 billion over a span of 50 years. As a part of the plans to raise between USD 10-20 billion in FY 2025-26. Close to USD 7.6 billion of this capital raise will be used for funding infrastructure projects over the course of the fiscal year.

Kuwait Macroeconomic Overview (Continued)

Another law that is in the final stages of development is the **Mortgage Law**, which will introduce measures to accelerate housing project delivery, aiming to tackle a backlog of over 100,000 applications for government housing.

Kuwait is also reinvigorating its development plans under Vision 2035 – including public-private partnership (PPP) projects in power and renewable energy – to diversify the economy.

Crude Oil Revenues & Renewable Energy Targets

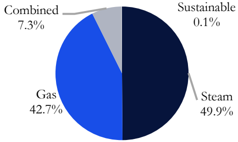
Kuwait's oil sector output is informed by the OPEC+ policy. The country has adhered to production cuts aimed at stabilizing prices amid a global supply glut. Consequently, oil GDP was a drag on growth in 2023–24. Year to date, Kuwait has cautiously raised output subject to market conditions with the latest increase being announced on May 31. Kuwait's crude production in **July 2025 will increase to 2.488 mbpd**. The production increases being brought forward so far this year, have been faster than earlier estimates.

With the US trade policy adding to the uncertainty in global demand for crude, the realization of crude oil revenues will be a key trend to monitor. Earlier in 2025, the budget for FY 2025-26 estimated a 5.7% decline in oil revenues for the year with an average oil price of USD 68/bbl. With excess supply and slowing crude demand, the required breakeven oil price for Kuwait is likely to be higher to bridge the deficits.

Despite energy transition being a key component of the national strategy, New Kuwait 2035, the country is also investing in its downstream and petrochemicals, to expand production capacities to 4 mbpd of crude and 14.5 mtpa of petrochemicals by 2040. The discovery of a new oil reserve in the North Wafra Wara-Burgan field of the Neutral zone between Kuwait and Saudi Arabia will further add to the country's oil production capacity.

Erstwhile, Kuwait's investments in renewable energy projects have increased substantially. Notably, tenders for the Dibdibah–Shagaya solar projects (1.6 GW combined) are slated for the second half of 2025 while the Shaqaya Renewable Energy Complex tender was awarded in May.

Electrical Capacity Distribution by Source



Source: Ministry of Electricity & Water

These projects will help alleviate Kuwait's power shortages (which had led to some rationing) and reduce long-term oil consumption domestically, with a target of 15% of electricity generation from renewables by 2030.

Sources: IMF, Fitch, Bloomberg, Kuwait Official sources

Kuwait: Financial Market

Kuwait's capital market continued to outperform compared to its GCC counterparts in May, ending the month with 1.9% gains. On a YTD basis, the **Kuwait All Share Index has gained 10.2%**, Kuwait led the GCC region in stock market performance, while Saudi Arabia saw the largest decline. Most GCC markets were either modestly positive or nearly flat May YTD. All figures are in local currency terms.

Country	Index (Benchmark)	YTD % Change
Kuwait	All Share Index	**+10.2%**
UAE (Dubai)	DFM General Index	**+6.5%**
UAE (Abu Dhabi)	ADX General Index	**+2.9%**
Qatar	QE Index	**–1.0%**
Oman	MSX 30 Index	**–0.3%**
Bahrain	All Share Index	**–3.3%**
Saudi Arabia	TASI	**–8.7%**

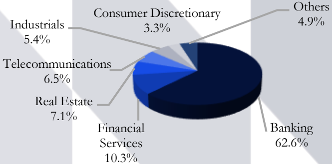
Kuwait's performance reflect improved investor sentiment and strong corporate earnings with the Kuwait All Share Index closing above 8,112 in May. One of the key drivers leading these gains was the banking sector, which is observing a sustained trend of consolidation thus, reducing the number of operational banks in the country.

Following the 2024 merger of KFH and AUB Kuwait, another significant consolidation may be on the horizon. Warba Bank's recent acquisition of a 32.75% indirect stake in Gulf Bank has set the stage for potential merger discussions between the two institutions. If completed, the combined entity would command approximately KWD 13 billion in assets and operate more than 60 branches across Kuwait (Expected to be reduced post merger –if any).
The dominance of the banking sector has been supported by the sustained increase in credit disbursement, with total credit facilities on residents reaching KWD 50.2 billion in March 2025, a 4.4% y/y growth.
Rising global trade uncertainties are likely to influence consumption trends in Kuwait, prompting close monitoring by the Central Bank of Kuwait. The Bank's policy decisions in response to these shifts will play a pivotal role in shaping the banking sector's outlook and its ability to support continued economic growth.

The telecommunications sector registered gains driven by robust Q1 2025 results from Zain. The company registered a 15% y/y revenue growth and a 66% y/y growth in net profits. Zain's earnings have been supported by a robust customer base which increased by 20% to reach 50.7 million and higher data usage.

With various initiatives being introduced for capital market development, Kuwait's market capitalization has risen to ~KWD 49 billion, equivalent to ~103% of GDP. The sectoral distribution of Kuwait's market saw minor shifts compared to May as the banking and real estate sectors' weight declined marginally compared to gains in the telecommunication sector.

Sector Weight by Market Cap



Source: Boursa Kuwait

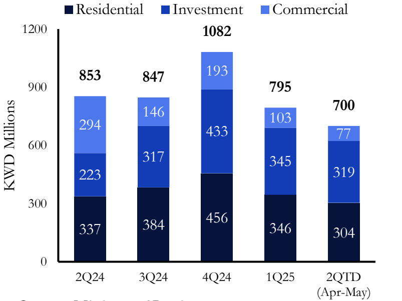
Further, as regulatory reforms continue, Kuwait's markets are well positioned to attract foreign inflows with improvement in investor sentiment. Kuwait's reclassification to developed market status by JP Morgan & Chase further supports the favorable market outlook. However, going forward, softer oil prices and global volatility pose risks, but the recent affirmations by Fitch and S&P of Kuwait's sovereign credit rating and solid corporate fundamentals will provide support to the markets.

Sources: Boursa Kuwait, Stock Exchanges in GCC, Bloomberg, Company Press Releases

Kuwait: Real Estate

Kuwait's real estate sector registered a significant uptick in transactions in Q2 (Apr-May 2025). **Property sales** are on track to outperform Q1 2025, **with KWD 700 million** in total sales already registered over a span of **1,049 transactions**.

Kuwait Real Estate Transactions



Source: Ministry of Justice

Compared to Jan-Feb in Q1 2025, **Residential sales** increased by 24.5% between quarters. Erstwhile, compared to the same period last year, residential sales grew by 32.2%. On average, the unit price per residential property has declined to **~KWD 395,000** compared ~KWD 466,000 last year resulting in a higher volume of transactions. The average per unit price in Q1 2025 was ~KWD 397,000, signaling the stabilization of residential property prices. This suggests the housing market's correction is bottoming out, likely aided by prospects of the new housing law and possible interest rate cuts, which could drive lending in the sector. Bank lending to the real estate sector is rising (+6.4% YoY in March), and new housing projects (e.g. 6,455 affordable homes under construction by PAHW) should support real estate activity.

Demand for **Investment properties** continues to increase with 247 transactions finalized in Apr-May 2025 compared to 232 in Q1 2025 and 168 in Apr-May 2024. The preference for income generating assets has driven the average investment property price to **~KWD 1.29 million** compared to ~KWD 689,000 in Apr-May 2024. As a result, investment property sales inched up by 20.3% compared to the first two months in Q1 2025.

However, **Commercial property** sales continued to decline, with a 27.5% fall compared to the first two months in Q1 2025. High value deals have stagnated resulting in a fall in volume of commercial sales and reducing the average commercial property price to **~KWD 2.8 million** from ~KWD 6.6 million in Apr-May 2024. However, demand for warehouses, offices, and retail space, is likely to drive sales.

The residential sector will be the key driving factor for Kuwait's real estate sector as regulatory reforms improve lending prospects. However, concerns over the stability of the construction industry owing to the turbulence in the steel industry, higher risk associated with capital flows due to trade uncertainties, require a cautious approach towards the sector due to the systemic nature of the headwinds.

Sources: Kuwait Ministry of Justice, Official Sources, Company Press Releases

Kuwait: Sectoral Trends and Key Indicators

Consumer and Retail:

Kuwait's consumer sector remains a bright spot. Easing inflation and recovering employment have bolstered household spending.

Retailers report healthy demand, especially in food and electronics, and shopping mall footfall has improved from last year. New store openings by international brands in Kuwait City signal confidence in the retail market's growth.

Automotive sales are surging as well: Kuwait's vehicle market expanded **14% in Q1 2025** (year-on-year), one of the strongest upticks in the region. Notably, the electric vehicle (EV) segment more than doubled (+113% YoY in sales), though from a small base. Luxury automotive brands saw particularly high growth – for instance, Lexus significantly boosted EV sales, closing in on Toyota's lead in the EV category. The introduction of new models and improved inventory (after past supply-chain issues) have supported auto sales. This upswing in car sales is indicative of rising consumer confidence and pent-up demand for big-ticket purchases.

The retail and auto sector outlook is positive, provided consumer confidence holds. Any public sector wage hikes or bonus payouts (sometimes seen in Kuwait) could further spur spending, whereas higher interest rates or subsidy cuts pose risks. For now, retail price inflation is modest, so real incomes are growing.

Telecommunications and Technology:

Kuwait's telecom sector is mature but still delivering growth via data services and regional expansion.

Zain Group, which is headquartered in Kuwait and a major regional operator, posted record results in Q1 2025 as mentioned, with revenue growth across Kuwait, KSA, and Iraq markets. In Kuwait alone, Zain's subscriber base and data usage have risen, supported by nationwide 5G coverage and new digital services.
The telecom regulator's push for improved quality of service has led to continued network investments by operators.

Additionally, Kuwait is focusing on tech and startups as part of diversification – the government expanded funding for the National Fund for SME Development and launched a "Digital Economy Strategy 2025." E-commerce and fintech are growth areas: KNET reports online transactions in Kuwait grew by ~20% YoY, and telecoms are partnering with fintech firms to offer mobile payment solutions.

The outlook for telecom is stable; revenue growth will come from value-added services since mobile penetration is already over 150%. Meanwhile, the IT sector benefits from public investments in digital government and cybersecurity (an area of emphasis in 2025's budget).

Manufacturing and Trade:

Kuwaiti manufacturing (outside oil refining) is relatively small, but segments like building materials, petrochemicals, and food processing have shown incremental growth.

Petrochemical output has faced headwinds from lower global prices, but Kuwait's Equate and PIC have maintained steady exports.

Trade with key partners remains robust – notably, non-oil trade with the U.S. reached $4.1 billion in 2024, and trade with Asia (China, India, Japan) continues to account for the largest share of Kuwaiti exports (mainly oil). Kuwait is working on trade facilitation; it ratified the GCC-China free trade agreement this year and is exploring a trade pact with the UK.

Logistics firms like Agility and KGL are expanding warehousing capacity, indicating optimism about trade volumes. In summary, the trading sector – both internal wholesale trade and external trade flows – is positioned for modest growth, tempered by the dip in oil export earnings.

The current account surplus remains elevated (about 17% of GDP in 2023) and is expected to stay in double digits in 2025, though it may narrow if oil prices remain soft. Kuwait's substantial surplus and foreign reserves support the stability of its exchange rate regime—basket of currencies—and bolster the country's import capacity, contributing to a stable trading environment.

GCC Economic Snapshot

Subdued oil production was the primary factor which led to a decline in the **Real GDP** growth of the GCC in 2023-24. As per IMF REO estimates, and the OPEC+ production increase announcements in H1 2025 being the trigger, GCC's overall GDP growth is projected to be **3.0% in 2025 and 4.1% in 2026.**

Saudi Arabia: The kingdom registered a slight uptick in **inflation to 2.3% y/y** in April 2025, primarily due to an increase in the prices of housing, water, electricity, gas, and other fuels by 6.8%, food and beverages by 2.2%, and personal goods and services by 3.5%. Housing prices increased due to an 11.9% rise in apartment rental prices. This growth had a substantial effect on the overall annual inflation rate for April 2025 due to the section's weight, which amounted to 25.5%. Food and beverage prices increased due to a 9.4% rise in vegetable prices. The inflation uptick is likely a result of the trade uncertainties due to the US-China trade conflict. Given the restricted global trade scenario, stakeholders can expect a revision in IMF's CPI estimates for 2025 for Saudi Arabia to be revised in upcoming releases.

Similarly, Saudi Arabia's external debt reached SAR 1,398.9 billion (USD 372.6 billion) in Q4 2024, a 24.9% y/y increase. This increase is in response to the revenue decline resulting from oil production cuts and a decline in crude oil prices. The government continues to target capital expenditures for diversification of the economy, which requires substantial funding.

In May 2025, the kingdom signed a USD 600 billion investment commitment with the United States which includes investments in AI infrastructure, technology exchange, infrastructure projects, healthcare, transport. The agreement also includes a USD 142 billion defense deal with the US providing Saudi Arabia with state-of-the-art warfighting equipment and services from over a dozen US defense firms.

The continued expenditure will likely drive an increase in external debt. However, as oil revenues recover, the kingdom's fiscal position will likely improve further.

United Arab Emirates: The Emirates registered a decline in **inflation by 1.1% y/y** in March 2025, primarily resulting from a decline in furniture & household goods prices by 1.8% y/y, and a decline in transportation prices by 4.6% y/y. These were offset by a steep rise in insurance and financial services rates, which registered a 5.8% y/y increase. UAE presents a diverging trend compared to Saudi Arabia. The decline is correlated to the fall in crude oil prices globally, which allowed for higher disposable income to be available to residents.

In May 2025, UAE extended an investment commitment with the United States to USD 2 trillion which includes investments in AI infrastructure, technology exchange, among others. In a landmark agreement, the countries signed a 10-year USD 1.4 trillion investment framework in March 2025 which includes the UAE committing to invest in data centers, AI infrastructure, semiconductors, energy, quantum computing, biotechnology, and manufacturing. As per S&P Global estimates, UAE is set to issue ~USD 18 billion in total debt in 2025 off which ~55% will be used or refinancing or to roll over of maturing debt. The remaining funds will be leveraged for infrastructure projects including those related to tourism. Combined with the prudent fiscal policy and the country's status as a haven for investment capital, UAE's economy remains robust and poised for further growth.

Qatar: Qatar registered a **0.1% y/y decline in inflation** in March 2025, primarily due to a decline of 5.0% y/y in water, housing, electricity & fuel prices, and a 0.8% y/y decline in transport prices, which were offset by a 0.6% y/y increase in food and beverages prices. Qatar shows a trend similar to UAE as easing fuel price drive up the availability of disposable income to residents.

In May 2025, Qatar signed a USD 1.2 trillion economic commitment with the United States which includes a USD 96 billion order from Qatar Airways for procuring up to 210 American-made Boeing 787 Dreamliner and 777X aircraft powered by GE Aerospace engines; a USD 1 billion joint venture agreement for the development of quantum technologies, among others.

Furthermore, planned LNG capacity expansions over the next few years to 127 mtpa will eventually drive revenues which will be leveraged for further investments in the economy. Thus, positioning the country for long-term growth.

GCC Economic Snapshot (Continued)

Oman: Oman registered a slight increase in inflation with a **a 0.6% y/y increase in March 2025**, primarily due to an increase in transport prices by 1.7% y/y, and clothing & footwear prices by 0.5% y/y, which were offset by a 0.7% y/y decline in food & beverages prices.

As of June 2025, IMF has revised its GDP growth estimates upwards by 1bps each for Oman to 2.4% in 2025 and 3.7% in 2026. This revision is driven by the phase-out of OPEC+ production cuts and robust non-hydrocarbon growth, accompanied by ongoing investments in logistics, manufacturing, renewable energy, and tourism.

Furthermore, in April 2025, S&P Global affirmed Oman's BBB- long-term issuer rating with a stable outlook citing improvements in reducing fiscal deficits and the strengthening of the country's financial resilience. As per S&P Global estimates, Oman is likely to register a fiscal surplus of 1.3% of GDP on average between 2025-28. Ongoing measures towards diversification away from oil are expected to further boost the country's GDP growth.

Bahrain: Bahrain's inflation declined by 0.5% y/y in April 2025, primarily due to a decline in prices across three key categories – housing, water, electricity & fuel prices declined by 2.0% y/y, food & beverages prices declined by 4.2% y/y, and recreation & culture prices declined 9.8% y/y. These were offset by a 2.5% y/y increase in transport prices, a 3.4% y/y increase in communication prices, and a 5.9% increase in healthcare prices.

In April 2025, S&P Global revised its outlook for Bahrain to negative from stable, while affirming a B+ long-term issuer rating. The agency cited lower oil prices, risks to funding costs amid market volatility, and higher social spending driving fiscal deficits upwards as the key factor for the downward revision.

As per S&P estimates, Bahrain's fiscal deficit will widen to about 7.0% of GDP in 2025, compared with 5.2% in 2024. Further, gross general government debt is projected to reach 144% of GDP by 2028, compared to 130% of GDP in 2024 while, foreign currency reserves are expected to decline to USD 3-3.5 billion owing to higher external financing requirements. As a result, the country's GDP growth is likely to decline in short-term as government works towards introducing fiscal reforms.

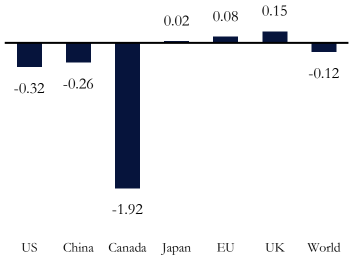
Sources: IMF, S&P Global, Fitch, GCC Official Sources

Global & Geopolitical Outlook

The global economy in mid-2025 finds itself at a critical juncture, marked by cooling growth, receding inflation, and shifting policy priorities. After the strong post-pandemic rebound and the inflation surge of 2021–22, many major economies have slowed under the weight of tighter monetary policy and, recently, rising trade tensions.

The fallout of the US-China trade conflict continues to dampen growth prospects, creating a restricted global trade scenario which is more focused on trade protectionism. As per The Budget Lab (Yale) long-term estimates, Canada will bear the brunt of the US tariffs while, the outlook for China, EU and the UK has improved slightly, as the nations enter trade talks with the US.

Long-Term Tariffs Impact on Real GDP (%)



Source: The Budget Lab

In the near-term, **world output growth is projected to fall to 2.8% in 2025** (IMF World Economic Outlook April 2025), a downgrade from the 3.3% forecast made just a few months prior. This downgrade reflects several factors: the impact of new U.S. tariff measures, persistent inflation, and the lagged effects of interest rate hikes in 2022–24. Below we highlight the outlook for key regions and economies – with emphasis on the United States, China, the European Union, and the broader MENA region – and discuss major themes such as trade flows, central bank policies, and structural developments shaping the global economy:

United States: IMF revised its growth forecasts for the US downwards from 2.7% to 1.8% citing a confluence of drags on activity. Chief among these drags is the escalation of trade tensions: in April 2025, the US administration announced sweeping tariffs on imported goods – raising average U.S. tariff levels to the highest in a century. Tariffs up to 145% were placed on many Chinese goods, and a universal 10% tariff on imports from most other countries (with some higher rates temporarily suspended) was introduced. These protectionist measures, aimed at boosting domestic manufacturing, are expected to dampen US growth by disrupting supply chains and increasing costs. The IMF notes that trade policy uncertainty is a "major factor" behind its U.S. growth downgrade, as businesses may defer investments amidst unsettled trade rules.

Average Effective Tariff Increase (%)

	Pre-Substitution	Post-Substitution
China	1.2	0.7
Canada	1.4	1.8
Mexico	2.0	2.3
Rest of the World	8.1	8.2
Total	12.7	12.9

The resulting impact on the US economy shows that, considering the supply chain shifts that might result from the increase in tariffs namely – a transition to other sources of imports as consumers and businesses try to establish alternatives – will lead to an **effective increase in tariffs of 12.9% for the US** (The Budget Lab estimates June 2025). As a result, inflation may persist for longer, lingering around 3%.

Combined with the prolonged impact of the Federal Reserve's monetary tightening measures in 2022-23, the likelihood of recession has increased with IMF estimating a **40% probability** of recession in 2025 compared to its previous estimate of 25% probability.

Global & Geopolitical Outlook (Continued)

China: China's economy in 2025 is navigating a challenging rebalancing act, with growth moderating after the rapid post-COVID rebound. The IMF projects China's **GDP to grow about 4.0% in 2025, a downgrade from earlier forecasts of 4.6%**. This pace is a far cry from the 6%+ rates China enjoyed in the past decade, reflecting both structural and cyclical factors. Structurally, China's working-age population is shrinking, productivity gains are slower, and the country is transitioning from investment-led growth to a more mature, consumption-driven economy. Cyclically, China faces the tail end of a property downturn, high local government debt, and now external pressures from increased US tariffs.

China's is poised for continued moderate growth, below the levels seen in the past two decades. Upside could come from a stronger consumption rebound – if, for example, the government undertakes more direct stimulus like issuing consumption vouchers or cutting personal income taxes for middle-class households, it could unleash spending. So far, Beijing has been cautious on big stimulus, wary of re-leveraging and structural imbalances. Downside risks include a worsening housing downturn or a financial scare in the under-regulated shadow banking sector. Externally, an intensification of the tech/trade war or a geopolitical crisis could severely hit confidence and trade flows.

In summary, China in 2025 is growing below potential, in a delicate balancing act: supporting the economy enough to avoid a hard landing, while trying to address longer-term issues of debt and productivity. Its economic heft remains enormous – China will account for around one-third of global growth this year – but its era of supercharged expansion is ending. How China manages this transition will be pivotal for the global outlook, especially for commodity exporters and regional trade partners that rely on Chinese demand.

European Union (EU): Europe's economy has entered a soft patch in 2025, struggling with low growth and still-elevated core inflation. The Euro Area is experiencing stagnation: **the IMF forecasts euro area growth at only 0.8% in 2025**, down from an estimated 0.9% in 2024. The weak outlook can be attributed to a multitude of factors:

The Russia-Ukraine conflict triggered an energy crisis across the region that forced supply chain diversification amidst high energy prices driving down demand. The aggressive monetary stance by the European Central Bank (ECB) have managed to wrangle the runaway inflation down to around 2% in May 2025. While the ECB has reduced thrice so far this year, estimates suggest, that the bank might halt further interest rate decisions once the interest rates are down to 2%. The bank is battling two opposing scenarios – 1) muted wage growth, easing energy prices, strong Euro, and slow economic growth vs., 2) high geopolitical uncertainties, trade issues, and a realignment of supply chains.

Potentially, the ECB could target to retain rates at a neutral level, where they neither drive economic growth, nor hamper it. With the potential price increase a highly likely scenario, the EU could remain exposed to higher inflation, requiring longer high rates, which would further suppress growth and possibly strain financial stability. Furthermore, energy requirements remain an ongoing concern with volatile energy prices exacerbating the situation. Europe will likely remain in a low-growth, disinflationary phase in 2025 – even as policymakers calibrate towards improving the region's long-term competitiveness.

Middle East & North Africa (MENA): The MENA region's economic situation in 2025 is mixed, reflecting the divergence between oil-exporting countries (largely the GCC, discussed above) and oil-importing countries. The IMF's outlook for the Middle East and Central Asia region (which includes MENA) sees growth of 3.0% in 2025, revised down from 3.6%.

Oil exporters have surpluses to invest but are growing slower due to lower demand amidst price volatility. Oil importers have potential to grow faster if reforms take hold but are constrained by debt and inflation. The IMF's medium-term projections show MENA growth improving in later years if global conditions stabilize. Key swing factors include oil prices, global interest rates, and regional stability. A reconstruction boom – if conflicts like Yemen or Libya fully resolve, could spur growth in those countries and benefit neighbors via contracts and exports.

Global & Geopolitical Outlook (Continued)

Conversely, a failure to implement reforms in countries like Egypt or Pakistan (Pakistan often considered part of broader Middle East discussions) could lead to financial crises with spillovers.

In conclusion, the global economy of June 2025 is one of slower growth, easing inflation, but rising fragmentation. Geopolitical shifts – especially the U.S.-China trade rift – are redefining trade patterns and prompting many countries to emphasize self-reliance and regional partnerships. Central banks are approaching a pivot from synchronized tightening to a more diverse stance: China easing, the Fed on hold (potentially cutting if recession looms), the ECB cautious, and emerging markets mixed. Energy markets have seen big swings: oil producers are managing supply to navigate the price trough, while consumers benefit from cheaper energy than a year ago, aiding disinflation. The drive toward clean energy continues unabated – investments in renewables globally hit record levels in 2024 and continue high in 2025, and EV adoption is accelerating (EVs projected to be 25% of global car sales in 2025, up from 18% in 2023).

A noteworthy structural development is the emergence of "multi-polar" economic blocs. U.S.-led and China-led spheres are becoming more defined, with trade and investment increasingly flowing within blocs (e.g., U.S. with EU and allies, China with BRICS and Global South). This evolution carries both opportunities (new markets, South-South cooperation) and risks (efficiency losses from fragmented supply chains). Institutions like the IMF are warning that "the global economic system that operated for 80 years is being reset". For businesses and policymakers, this means higher uncertainty but also impetus to bolster domestic resilience.

Global growth in 2025 (2.8%) is expected to be the slowest in years, but a tentative pickup to ~3.0% in 2026 is on the horizon if monetary policy eases and recent shocks fade. Inflation is coming down – in advanced economies to ~2.4% on average in 2025 – relieving pressure on household incomes. Unemployment rates in many countries might rise somewhat (especially in the U.S. and Europe) but are generally low by historical comparison. Trade growth lagging output is a concern, reflecting protectionism and sluggish demand for goods. The need for international cooperation is greater than ever to address challenges like debt distress in developing nations (over 50 countries need debt restructuring), climate change (2025 is set to be one of the hottest years on record, underscoring urgency after the COP28 agreements), and ensuring inclusive growth (global inequality widened post-pandemic).

Sources: IMF, World Bank, OPEC, Global finance and news reports for geopolitical context

Conclusion

Kuwait's economy is showing clear signs of recovery in 2025, underpinned by policy reforms, easing inflation, and renewed project momentum. Real GDP is forecast to grow by 1.9%, supported by the gradual lifting of OPEC+ oil production cuts and sustained government investment. Despite the pressure from lower oil prices and a projected fiscal deficit of 13.5% of GDP, Kuwait's strong sovereign wealth reserves and prudent financial management ensure continued resilience. The financial sector and capital markets remain robust, with notable gains in banking and telecommunications, while the real estate market shows early signs of stabilization as new housing and liquidity laws take effect.

Across the GCC, economic growth is accelerating as oil production normalizes and non-oil sectors expand. Regional GDP is projected to rise by 3.0% in 2025, with Saudi Arabia and the UAE leading major investment and diversification initiatives. Fiscal reforms and international investment agreements are supporting broader economic stability, though the region remains exposed to oil price volatility and global market shifts.

On the global stage, the economic environment in 2025 is shaped by slower growth, persistent trade tensions, and moderating inflation. The IMF expects world GDP growth of 2.8% this year, with advanced economies facing historically low expansion rates and emerging markets navigating heightened uncertainty. While inflation is declining in many regions, geopolitical risks and supply chain realignments continue to impact global trade and sentiment. Nevertheless, increased investment in renewable energy, technology, and infrastructure is laying the groundwork for future resilience and growth.

Overall, Kuwait and the GCC are positioned to benefit from ongoing reforms and diversification efforts, but must remain vigilant to external shocks and global economic trends. Strategic policy implementation, fiscal discipline, and adaptation to global changes will be crucial for sustaining growth and stability in the period ahead.

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