The Edge Economic Update

Macroeconomic & Market Outlook

Kuwait, the GCC, and Global

October 2025

Kuwait, GCC, & Global Economic Insights

Executive Summary

Kuwait: After two consecutive years of recession, Kuwait is set for a modest recovery in 2025. Real GDP is projected to grow by 2.3%, supported by easing OPEC+ output cuts, non-oil infrastructure projects, and a rebound in oil GDP. Inflation remains among the lowest in the region at ~2.3%, while private-sector credit growth is accelerating. The fiscal deficit persists, projected near 13% of GDP in FY2025/26, though a new public-debt law enacted in March 2025 has enabled Kuwait to re-enter global markets. Recent issuances included US$11.25 billion in international bonds and KD 1.8 billion in domestic debt, providing liquidity while preserving sovereign wealth buffers. Despite progress, structural challenges remain—particularly high reliance on oil revenues, a dominant public wage bill, and slow diversification. Vision 2035 reforms and legal modernization efforts are underway, but implementation will be key.

GCC: The GCC economies are poised for stronger growth in 2025, with the World Bank projecting aggregate expansion of 3.2%, up from only 1% in 2024. Saudi Arabia, the UAE, Qatar, Oman, and Bahrain are all expected to accelerate as oil production rises and non-oil activity remains resilient. Inflation remains low across the bloc, generally in the 1–2% range, thanks to strong U.S. dollar pegs and subsidies. Fiscal positions diverge: Bahrain carries the highest debt burden (≈127% of GDP), while the UAE and Qatar sustain surpluses with moderate debt ratios. Saudi Arabia's fiscal outlook is shaped by Vision 2030 investments, while Oman continues to reap the benefits of fiscal consolidation. Kuwait stands out with near-zero debt but has begun tapping markets under its new debt law. Collectively, the GCC retains substantial financial buffers, but "smart spending" and diversification will determine long-term resilience.

Global Context: Globally, growth is moderating. The IMF forecasts 3.0% growth in 2025, with emerging Asia leading and advanced economies slowing. The U.S. remains resilient, growing around 1.9%, while the Euro Area lags at 1.0%. China's deceleration continues, with growth projected at 4.8% amid property-sector strains. Inflation is easing worldwide, allowing major central banks to pause or cut rates, though risks remain from energy prices and geopolitics. Oil markets are expected to stay volatile but range-bound around $70–80 per barrel, sufficient for most GCC budgets but below Kuwait's higher breakeven levels.

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Kuwait: Recovery Amid Oil Constraints and Reform Efforts

Growth and Oil Sector: After two years of recession, Kuwait's economy is returning to growth in 2025. Real GDP contracted an estimated -2.9% in 2024 (following -3.6% in 2023) due to OPEC+ oil production cuts, but is forecast to rebound ~2.3% in 2025 as output curbs are unwound. Oil GDP fell sharply last year (-4.2%) but non-oil sectors grew modestly (+1.9%), supported by major infrastructure projects (e.g. Mubarak Al-Kabeer Port, Silk City) that helped cushion the downturn. As oil production gradually rises from mid-2025, the hydrocarbon sector will return to growth (+2.9% expected in 2025) and bolster overall GDP. However, oil prices remain a wildcard – Brent briefly spiked above $70 in mid-2025 amid Gulf tensions but slid to the mid-$60s by August, well below Kuwait's fiscal break-even (estimated $90+ per barrel). This underscores Kuwait's continued vulnerability to oil market swings, reinforcing the urgency of diversification.

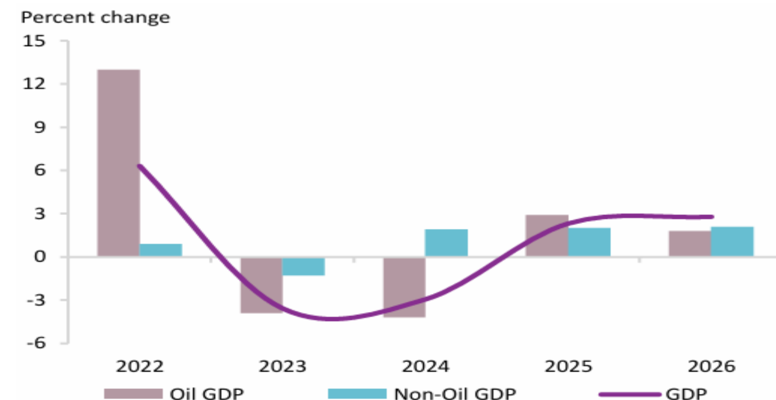


Illustration: Kuwait's Annual real GDP growth (2002-2026)

Fiscal Balance and Public Finances: Kuwait's fiscal position improved in the short term but underlying challenges persist. After a one-off oil-fueled surplus in FY2021/22, the budget returned to deficit as oil prices normalized. FY2024/25 saw a much smaller deficit (~2% of GDP) than initially feared, thanks to higher oil revenue (oil averaged ~$75 vs $70 assumed) and 20% spending cuts across government agencies. Nevertheless, FY2025/26 is budgeted to swing back to a large deficit (~13% of GDP) assuming $68 oil. Public wage and subsidy bills still dominate (nearly 80% of spending), leaving little fiscal space. Kuwait's fiscal breakeven oil price remains far above current levels, so sustained fiscal reform is critical. Encouragingly, non-oil revenues are set to rise (~9% in the new budget via fee hikes and better collection), and authorities aim to introduce tax measures (VAT, corporate tax) and rationalize subsidies to narrow the structural deficit. Kuwait's debt remains extremely low (≈ 0.5% of GDP in 2024) but is beginning to rise. Kuwait passed a new public-debt law in March 2025 which sets a ceiling of 30 billion Kuwaiti dinars (about US $98 billion) and allows borrowing instruments with maturities up to 50 years. As part of that framework, in October 2025 Kuwait issued its first large international dollar-bond offering since 2017: US$11.25 billion across three tranches (3-year, 5-year, 10-year) to tap global

debt markets. On the domestic front, Kuwait also raised KD 1.8 billion in local public-debt issuance under its new "Financing & Liquidity Law" by late September 2025, aiming for a KD 2 billion local borrowing target in 2025-26. For the fiscal year 2025-26 (which began 1 April), the government plans borrowing in the range of KD 3-6 billion (≈ US$10-20 billion) to cover the fiscal gap and finance development projects. The new debt law and fiscal rules would help finance deficits more sustainably and preserve Kuwait's large sovereign wealth assets (the Future Generations Fund exceeds 500% of GDP).

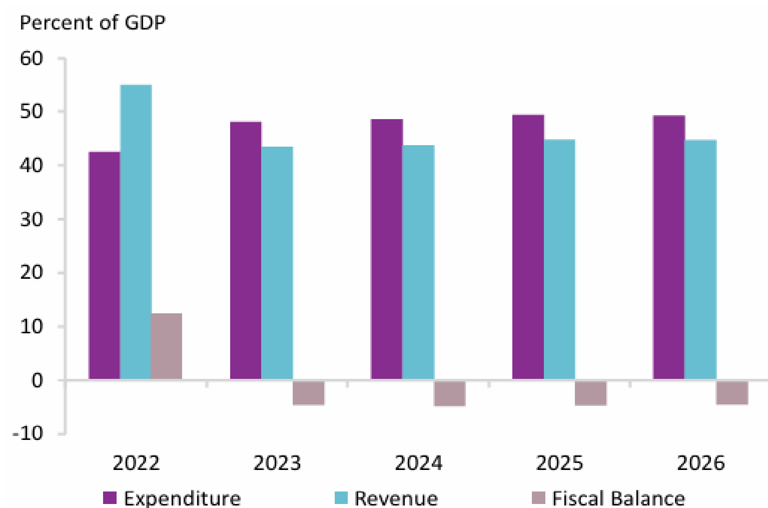


Illustration: Kuwait's Fiscal balance (2022-2026)

External Position: Kuwait continues to run one of the world's highest current account surpluses, despite recent narrowing. In 2024 the surplus was about 23.8% of GDP (down from 26% in 2023) as lower oil prices cut export revenues. With oil production picking up, the surplus is expected to stabilize around 24% of GDP in 2025. Official reserves remain healthy (covering ~11 months of imports) and the dinar's currency basket peg has kept external stability. Non-oil exports jumped nearly 20% in 2024, but still comprise only ~9% of total exports, highlighting the heavy reliance on hydrocarbons. Attracting more foreign direct investment (FDI) is a priority – FDI inflows remain subdued due to structural barriers, although recent steps like easing property ownership rules for investors are intended to improve the climate.

Inflation and Monetary Policy: Kuwait has experienced benign inflation compared to global trends. Headline CPI peaked around 4.0% in 2022 and eased to 3.0% in 2024, and as of mid-2025 inflation is running ~2.3% year-on-year – among the lowest in the region. Price pressures moderated as import costs stayed in check (the dinar's peg to a dollar-heavy basket helped contain imported inflation) and domestic fuel, electricity and food subsidies buffered consumers. With inflation back in the low-2% range, the Central Bank of Kuwait halted its tightening cycle in 2024. After raising its benchmark rate from 1.5% to ~4.0% during 2022–23 in tandem with the U.S. Federal Reserve, the CBK has kept rates on hold through 2024–25. Monetary policy has thus shifted to a neutral stance, balancing inflation control with supporting credit growth. Notably, private-sector credit has accelerated – overall bank lending grew ~6.5% year-on-year by mid-2025, the fastest pace since 2021. Ample liquidity and expectations that global interest

rates have peaked are encouraging borrowing and investment. Going forward, policy rates are expected to closely track global moves, with room to ease in 2025 if disinflation continues globally.

Employment and Reform Progress: Kuwait's labor market is gradually improving in tandem with the non-oil recovery. Employment is projected to grow about 2% in 2025, led by female employment (+2.4%) as private sector activity picks up. The unemployment rate remains very low at ~2.1%, though joblessness among youth is much higher (~15%) and particularly acute for young women (over 28%). These disparities point to the need for continued labor market reforms and private-sector job creation for nationals. On the reform front, Kuwait is advancing a broad Vision 2035 agenda aimed at diversifying the economy and modernizing governance. About 983 laws are under review – by end-2024 roughly 25% had been updated – covering judicial reforms, foreign investment, taxation, digitalization and more. For example, draft legislation will establish specialized economic courts to speed up commercial dispute resolution and improve the investment climate. Such legal and business environment reforms, alongside efforts to develop mega-project zones (e.g. Northern Economic Zone) and enable more private participation, are critical to foster a private sector–led growth model. The government is also taking steps toward fiscal reforms (introducing excise taxes, considering VAT) and has implemented a modest public wage increase of only 0.8% in 2025 – the smallest in decades – signaling intent to contain the public payroll. While progress has been incremental, these reforms aim to address Kuwait's structural challenges and reduce dependence on oil over the long run.

Risks: Downside risks to Kuwait's outlook remain elevated, given its heavy reliance on hydrocarbons. A significant drop in global oil demand or prices – whether due to a sharper global slowdown or shifts in OPEC+ policy – would quickly widen the fiscal deficit and cut export revenues. Regional geopolitical tensions also pose risks, as heightened security concerns could deter investment and consumer confidence. On the domestic front, delays in implementing reforms or diversifying the economy would leave Kuwait more exposed to external shocks. That said, Kuwait's substantial sovereign assets (estimated at 500%+ of GDP) provide a formidable buffer and investor confidence backstop. Maintaining momentum on reforms – especially fiscal consolidation, the new debt law, and private-sector development under Vision 2035 – will be vital to strengthen resilience and sustain growth in the face of future oil market volatility.

Kuwait, GCC, & Global Economic Insights

Recent history and projections	2022	2023	2024	2025e	2026f	2027f
Real GDP growth, at constant market prices	6.3	-3.6	-2.9	2.3	2.8	2.7
Private consumption	1.8	1.1	2.8	2.6	2.5	2.5
Government consumption	3.9	1.2	1.4	2.6	2.6	2.8
Gross fixed capital investment	2.2	0.6	3.8	2.4	2.6	2.6
Exports, goods and services	12.0	-3.6	-5.4	2.4	3.0	2.7
Imports, goods and services	6.3	5.7	4.8	2.9	2.6	2.6
Real GDP growth, at constant factor prices	6.3	-3.6	-2.8	2.4	2.7	2.7
Agriculture	1.1	0.1	0.3	1.2	1.2	1.2
Industry	7.9	0.1	-2.1	2.5	2.5	2.3
Services	4.2	-8.8	-3.8	2.2	3.1	3.4
Employment rate (% of working-age population, 15 years+)	72.7	72.5	72.2	72.2	72.2	72.2
Inflation (consumer price index)	4.0	3.6	3.0	2.6	2.3	2.1
Current account balance (% of GDP)	32.4	26.2	23.8	23.9	23.1	22.4
Net foreign direct investment inflow (% of GDP)	-2.0	-2.2	-2.0	-2.3	-2.4	-2.4
Fiscal balance (% of GDP)[1]	12.5	-4.6	-4.8	-4.7	-4.5	-4.0
Revenues (% of GDP)	55.0	43.5	43.8	44.8	44.8	45.0
Debt (% of GDP)[1]	2.3	12.7	0.5	10.3	11.0	12.0
GHG emissions growth (mtCO2e)	4.1	2.0	1.6	2.8	4.7	5.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

Illustration: The table above presents Kuwait's recent history and projections (2022–2027) based on the World Bank's October 2025 Macro Poverty Outlook. It highlights the rebound expected in real GDP growth to 2.3% in 2025 after two consecutive years of contraction, supported by rising investment and a recovery in exports. The current account balance remains exceptionally strong (above 20% of GDP), while the fiscal balance stays in deficit despite modest revenue gains. Debt levels are projected to rise slightly but remain among the lowest globally, reflecting Kuwait's unique fiscal structure. Inflation is expected to stabilize at ~2.3% in 2025, one of the lowest in the region.

GCC Economic Performance

Growth Outlook: The GCC economies are set for a broad-based upswing in 2025 after a sluggish 2024. The World Bank projects aggregate GCC growth to rise to 3.2% in 2025 (from around 1.0% in 2024) and further to 4.5% in 2026. This improved outlook is driven by the expected rollback of OPEC+ oil production cuts – boosting oil GDP – alongside robust expansion in non-oil sectors. Nearly all GCC countries should see faster growth next year: for example, Saudi Arabia's real GDP is forecast to rebound from ~0–2% in 2024 to around 3–4% in 2025, as oil output recovers and megaproject investment continues. The UAE is expected to remain one of the top performers, sustaining ~4.8% growth in 2025 on the back of thriving non-oil activity (e.g. tourism, finance, real estate). Qatar is on a steadier trajectory of about 2.5–3% growth, with the massive LNG expansion boosting the medium-term outlook beyond 2025. Oman and Bahrain are set for moderate growth of roughly 3%+ in 2025 as well, supported by higher investment and, in Oman's case, continued benefits from earlier fiscal reforms and gas projects. Overall, as oil production gradually rises and domestic demand stays resilient, the GCC should contribute positively to global growth in 2025.

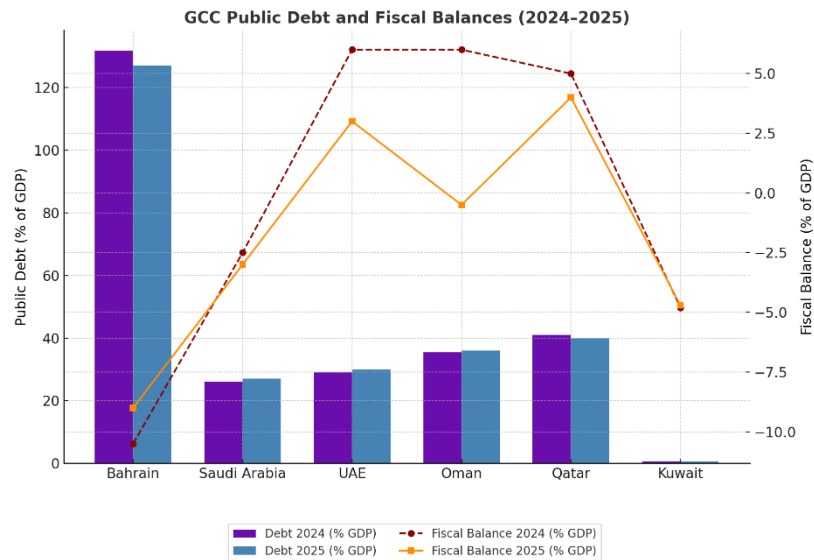
Inflation: Inflation across the GCC remains low to moderate, well below global averages. Several members are seeing sub-2% inflation thanks to dollar pegs and subsidies. For instance, Oman's inflation is running under 1% (just 0.6% in 2024 and projected 1.4% in 2025), one of the lowest rates worldwide. Bahrain and UAE have also contained price growth – Bahrain's CPI was ~0.9% in 2024, while UAE inflation is about 1.8% in 2024 and 2.1% in 2025 on average. Saudi Arabia has seen a slight pickup in prices (from 2.1% in 2024 to a forecast ~2.3% in 2025) as domestic demand strengthened. Kuwait (2.3% mid-2025) and Qatar (~1.1% in 2024) are also in the low single digits. Governments' continuing fuel and food subsidies, along with the strong U.S. dollar (to which most GCC currencies are pegged), have kept imported inflation low. With global inflation easing, GCC central banks have generally paused interest rate hikes, mirroring the U.S. Federal Reserve. This benign inflation environment provides space for authorities to maintain accommodative credit conditions to spur investment, as long as pegs and fiscal support keep inflation expectations anchored.

Fiscal Balances and Public Debt: Public debt levels in the GCC vary widely, reflecting differing fiscal trajectories: - Bahrain carries the heaviest debt burden – about 131.8% of GDP in 2024 – after years of large deficits. Bahrain recorded a 10.5% of GDP fiscal deficit in 2024 and, despite consolidation under its Fiscal Balance Program, is still running deficits requiring debt financing. Its debt ratio is projected to decline slightly (to ~127% in 2025) with higher oil prices and reform measures, but remains a key vulnerability. - Saudi Arabia by contrast has relatively low debt (≈26% of GDP in 2024), though it has risen from ~21% in 2022 as the Kingdom tapped markets to fund its giga-project investments. Saudi ran a small budget deficit (~2.5% of GDP) in 2024 with oil revenues down. For 2025, the IMF expects a continued modest deficit (~3% of GDP). Given over $400 billion in FX reserves, Saudi Arabia's

fiscal position is solid, but spending pressures (Vision 2030 projects) are keeping debt on a gradual upward path. - United Arab Emirates has a moderate debt ratio (~28–30% of GDP). The UAE maintained a fiscal surplus of about 6% of GDP in 2024 thanks to high oil receipts and controlled spending. With oil prices off their peaks, the surplus may shrink, but UAE debt is expected to stay around 30% of GDP in 2025 – comfortable by global standards. - Oman achieved a dramatic fiscal turnaround in recent years – from debt above 60% of GDP in 2020 down to 35.5% in 2024 – through spending cuts and new revenue measures. Oman posted a surplus (~6% of GDP) in 2024, though lower oil prices are pushing it back to a near-balanced budget (0.5% deficit in 2025). Debt is stabilizing ~36% of GDP, and Oman's robust reform efforts under Vision 2040 aim to keep it on a sustainable path. - Qatar's government debt stands around 41% of GDP (2024), having fallen from ~60% in 2020. Qatar enjoys sizable fiscal surpluses (est. 4–5% of GDP in 2024) and its debt is forecast to edge down further as high LNG revenues bolster the budget. With the North Field Expansion underway, Qatar's public finances are strong; its 2025 deficit/surplus will depend on capital spending profile, but debt should remain ~40% of GDP. Kuwait's debt remains extremely low (≈ 0.5% of GDP in 2024) but is beginning to rise. Kuwait passed a new public-debt law in March 2025 which sets a ceiling of 30 billion Kuwaiti dinars (about US $98 billion) and allows borrowing instruments with maturities up to 50 years. As part of that framework, in October 2025 Kuwait issued its first large international dollar-bond offering since 2017: US$11.25 billion across three tranches (3-year, 5-year, 10-year) to tap global debt markets. On the domestic front, Kuwait also raised KD 1.8 billion in local public-debt issuance under its new "Financing & Liquidity Law" by late September 2025, aiming for a KD 2 billion local borrowing target in 2025-26. For the fiscal year 2025-26 (which began 1 April), the government plans borrowing in the range of KD 3-6 billion (≈ US$10-20 billion) to cover the fiscal gap and finance development projects.

Current Account Balances: The external accounts of GCC countries remain broadly in surplus, benefiting from hydrocarbons exports, though surpluses have narrowed with lower oil prices: - Qatar has the largest external surplus relative to GDP. In 2024 Qatar's current account surplus was about 17.4% of GDP, and it is projected around 10.5% of GDP in 2025 as energy prices moderate. LNG export growth and relatively low import ratios underpin Qatar's hefty surplus. - UAE consistently runs sizable surpluses – ~7.8% of GDP in 2024, expected near 7% in 2025– thanks to diversified export revenues (oil, aluminum, services) and its status as a regional trade hub. High oil output and recovering tourism have kept UAE's external accounts healthy. - Saudi Arabia's surplus has essentially vanished with the oil output cuts. After a 12% of GDP surplus in 2022, Saudi's current account fell to only 2.9% of GDP in 2023 and slipped into a slight deficit (~0.5% of GDP) in 2024. With production rising again, Saudi's external balance should improve; the IMF forecasts a roughly breakeven external balance (-0.3% of GDP) in 2025. In other words, Saudi Arabia's export revenues at $75–80 oil just cover its import bill and outward transfers, a contrast to its double-digit surpluses of the oil boom. - Oman and Bahrain have smaller surpluses. Oman's current account was about 2.2% of GDP in 2024, and declining to a projected 0.8% in 2025 as oil earnings soften. Bahrain managed a 4.8% of GDP surplus in 2024 (helped

by refinery exports and regional aid inflows), and is expected to retain a ~4% surplus in 2025. Both countries have improved their external balances compared to deficits pre-2021, easing pressure on their pegs. - Kuwait continues to post very large surpluses (~24% of GDP) as noted, reflecting its role as a major oil exporter with limited imports. Its external surplus is the primary source of accumulation for the sovereign wealth fund.



Sources: World Bank, IMF (October 2025); Reuters; Times Kuwait; Arab News.

Illustration: This chart illustrates public debt levels and fiscal balances across the GCC for 2024–2025. Bahrain continues to stand out with the highest debt burden in the region, exceeding 125% of GDP, while still posting fiscal deficits despite reform efforts. Saudi Arabia maintains relatively low debt (~26–27% of GDP), though fiscal balances remain slightly negative as Vision 2030 investments continue. The UAE sustains fiscal surpluses with debt around 30% of GDP, supported by diversified revenues. Oman's fiscal reforms have brought debt down to ~35–36% of GDP, though fiscal balances are narrowing with lower oil prices. Qatar continues to enjoy strong fiscal surpluses, maintaining debt around 40% of GDP, underpinned by LNG revenues. Kuwait remains a unique case, with public debt among the lowest globally (~0.5% of GDP in 2024, ~0.6% in 2025). However, under its newly enacted Financing & Liquidity Law (2025), Kuwait has already issued KD 1.8 billion (≈ USD 5.8 billion) in debt domestically and USD 11.25 Billion internationally.

In summary, the GCC enters 2025 with growth set to accelerate and inflation well under control. Higher oil production and resilient non-oil activity are boosting growth, while U.S. dollar pegs and subsidy policies keep inflation low. Fiscal and external metrics differ across the bloc – some (UAE, Qatar) are in strong surplus positions, while others (Bahrain, Saudi to a degree) face deficits or high debt – but overall the GCC's financial buffers are substantial. Key issues to watch will be fiscal reforms and diversification efforts, as GCC governments capitalize on the growth rebound to solidify their long-term fiscal sustainability. The need for "smart spending" (efficient investment and controlling recurrent costs) is a common theme as the Gulf states aim to balance development goals with prudent finances.

Global Context

Global Growth Trends: The world economy is experiencing a tentative slowdown as it exits the post-pandemic rebound and faces new headwinds. The IMF's latest outlook (October 2025) pegs global GDP growth at ~3.0% in 2025, slightly lower than 2023–24, with a mild pickup to 3.1% in 2026. Emerging markets are generally growing faster than advanced economies – e.g. Emerging Asia is projected around 5% – while advanced economies average closer to 1–2% growth. The United States has proven resilient: after 2.5–3% growth in 2023, US growth is forecast around 1.9% in 2025 (avoiding recession but cooling from 2024's pace). The Euro Area has slowed sharply due to high energy costs and monetary tightening – growth is expected at only ~1.0% in 2025 after less than 1% in 2024. Within Europe, some economies (Germany, Italy) flirted with recession in 2024, whereas others (Spain) saw slightly stronger activity; but broadly the region is in low gear. China's economy is decelerating as well: China's growth is projected at 4.8% in 2025, down from 5% in 2024 and earlier highs. China's post-Covid recovery has been uneven, hampered by a property sector downturn and subdued domestic demand. Meanwhile, Middle East and Central Asia region growth is forecast around 3.4% in 2025, an uptick from 2.4% in 2024 as oil producers rebound (this regional average includes GCC countries). Overall, global growth "held steady" in the first half of 2025 but there are now signs of a broad slowdown emerging as high interest rates and geopolitical uncertainties weigh on activity.

Inflation and Monetary Policy: Global inflation is gradually declining from the peaks of 2022, but the picture remains mixed across countries. Headline inflation has fallen significantly in the U.S. and Eurozone, yet remains above central bank targets. In the U.S., inflation has come down from ~9% in 2022 to around 4% in mid-2025, but core price pressures persist partly due to tariff-related costs – the IMF notes U.S. firms have absorbed some higher import tariffs, limiting consumer price pass-through so far. U.S. inflation is expected to continue easing toward the Fed's 2% goal, and with the labor market softening, the IMF viewed the Federal Reserve's September 2025 interest rate cut as appropriate. (This marked a pivot after the Fed had held rates at a 22-year high ~5.5% through early 2025.) In contrast, inflation in the UK and parts of Europe has been more stubborn – Britain saw headline CPI ~6–7% in 2025 Q3, among the highest in advanced economies. The Bank of England raised rates to 5.25% by mid-2025, and while UK inflation is on a downward path from double-digits in 2022, it remains elevated due to wage growth and energy costs. The European Central Bank similarly pushed its policy rate to 4% in 2024, and only by late 2025 with Euro-area inflation dropping toward ~3% is the ECB expected to pause or consider slight easing. In emerging markets, many central banks that tightened early (such as in Latin America) have started cutting rates as inflation recedes. Notably, China is seeing very low inflation – even periods of outright deflation – reflecting weak demand; "very muted" price pressures in China are a stark contrast to the high inflation elsewhere. Globally, the IMF expects consumer inflation

to fall from 6.5% in 2023 to about 4.2% in 2025, moving closer to pre-pandemic norms. This global disinflation trend, if sustained, will allow major central banks to maintain or cut rates, easing financial conditions for borrowers. However, the risks are two-sided: oil or food supply shocks, or geopolitical flare-ups, could reignite price pressures, while over-tightening could choke growth. Monetary policymakers are thus navigating a delicate balance as they "keep a close watch" on incoming data and potential inflationary upsides.

Oil Market Outlook: The global oil demand–supply outlook is a critical factor for Kuwait and its neighbors. So far in 2025, oil markets have been volatile but generally soft. Concerns about slowing global growth (especially in China) have curbed demand expectations, keeping prices in check. Brent crude averaged in the mid-$70s per barrel in early 2025 before dipping to the low $60s in Q2 on recession fears. A brief geopolitical flare-up in the Gulf sent prices above $70 in June, but this was short-lived. OPEC+ producers have been actively managing supply to stabilize prices. Saudi Arabia and Russia implemented additional voluntary production cuts over summer 2025, and OPEC+ in its October meeting indicated it will only gradually restore output into 2026. These actions have helped put a floor under oil prices around the high-$70s by fall 2025. Looking ahead, most forecasts see oil demand growing modestly in 2025 (by roughly +1 million barrels per day) as aviation and travel continue recovering and Asian economies expand. On the supply side, non-OPEC sources (U.S. shale, etc.) are increasing only cautiously due to capital discipline. Thus, the baseline outlook is for oil prices to trade in a moderate range ($70–80) – sufficient for GCC budgets like Saudi's (estimated breakeven ~$75) but below what high-cost producers (or high-spending exporters like Kuwait) ideally need. Risks to oil are skewed to the downside: a sharper global slowdown or weaker Chinese demand would directly hit oil consumption, potentially pushing prices down and straining GCC export revenues. On the other hand, any escalation of geopolitical conflicts (in the Middle East or elsewhere) could disrupt supply and spur price spikes. For the Gulf states, this uncertainty reinforces the importance of rebuilding fiscal buffers when prices are favorable and accelerating diversification to mitigate future oil shocks. Kuwait, for example, faces a scenario where long-term global shifts (energy transition policies, EV adoption) could dampen oil demand growth significantly beyond this decade – making its Vision 2035 reforms to develop the non-oil economy all the more urgent.

Policy Shifts and Implications: Several global policy trends are particularly relevant for Kuwait and the GCC: - Peak Global Interest Rates: With inflation easing, the era of synchronized monetary tightening is ending. The U.S. Fed is likely done raising rates, and markets anticipate rate cuts in 2024–25 if inflation convincingly falls to ~2%. This is positive for GCC economies, which peg to the dollar – *e.g.* Kuwait's and Saudi's central banks will be able to follow the Fed in lowering rates, reducing borrowing costs for governments and businesses. Lower global rates would also support oil prices via a weaker USD and improved global growth sentiment. However, central banks will remain cautious until inflation is truly subdued. - Fiscal Adjustments in Major Economies: High public debt in advanced economies is prompting discussions of fiscal consolidation. The United States narrowly avoided a government shutdown in late 2025 and will likely resume

budget tightening in coming years. In Europe, the return of EU fiscal rules in 2024 means gradual deficit reduction. While these adjustments can slow domestic demand (dampening import growth from the Gulf), they also *relieve upward pressure on global interest rates*. For Gulf sovereign investors, more disciplined fiscal policies abroad could reduce risks to the value of their U.S. and European assets. - China's Economic Shifts: China's economic management is in flux as authorities grapple with a property slump and deflationary pressures. Beijing has eased policy (rate cuts, bank reserve reductions) to stimulate growth, but with mixed results. For Gulf oil exporters, China's trajectory is critical – it's a top oil consumer and trade partner. A successful stabilization (through stimulus and reforms) that keeps China on a 4–5% growth path would support oil demand. Conversely, if China's slowdown deepens or it adopts a more inward, self-sufficient model, GCC export revenues and investment flows (like Chinese FDI in Gulf infrastructure) could be adversely affected. So far, weak Chinese import demand has been a factor in softer oil prices, as noted by the IMF. Gulf policymakers will watch China's policy steps (e.g. property sector support, consumer stimulus) closely in calibrating their own fiscal plans and oil output levels. - Global Trade and Geopolitics: Heightened trade tensions – such as new U.S.–China tariffs or export controls – present a downside risk to the global outlook. The IMF observed that recent U.S. tariffs' direct inflation impact has been muted (firms absorbed costs), but prolonged or escalating tariffs could undermine global trade volumes. Kuwait and GCC countries, while not directly involved in those disputes, are exposed via second-order effects on global growth and investment flows. On geopolitics, conflicts in regions like Ukraine and the Middle East continue to inject uncertainty into commodity markets and investor sentiment. Thus far, the GCC has navigated these challenges relatively well – for instance, Gulf financial markets have been resilient to external volatility, buoyed by ample liquidity and strong fundamentals. Nevertheless, any major escalation that impacts global shipping routes, energy supply chains, or capital flows could reverberate in the Gulf. The recent Israel-Gaza conflict in late 2025, for example, is being monitored for potential spillovers to oil transits and regional investment climate (though at this report's publication, the economic impact on GCC has been limited).

Outlook for Kuwait and GCC in Global Context: In summary, Kuwait and its Gulf neighbors enter 2025 in a relatively strong position but must navigate a less buoyant global environment. Global growth is slowing, which could cap oil demand and price gains, keeping GCC export revenues below the windfalls of 2022. At the same time, global inflation's decline and a likely peak in interest rates provide relief – easing external financing costs and sustaining the low inflation environment in the Gulf. For Kuwait, a key takeaway is the importance of building fiscal resilience now. The country still enjoys a sizeable current account surplus and has benefited from the post-pandemic oil upswing, but the global direction is toward cleaner energy and moderate growth. The risks of oil price volatility remain the paramount concern for Kuwait's budget and the wider GCC (the IMF explicitly warns that further oil price declines would pose major risks to Saudi and others). Accordingly, Kuwait should continue pressing ahead with its diversification and fiscal reform agenda – including passing the debt law, introducing non-oil revenue measures, and rationalizing subsidies – to prepare for a future where external support from oil

is less assured. Kuwait's large sovereign wealth assets give it a window of opportunity to implement gradual but steady reforms without crisis pressures, a luxury that some other emerging economies lack. Utilizing that opportunity wisely (the "smart spending" and investment in human capital and infrastructure) will determine how well Kuwait weathers the global shifts in the years ahead. The GCC as a whole has shown that it can achieve solid growth even in a moderating global cycle by leveraging domestic strengths (investment programs, tourism, logistics). If global conditions stay reasonably stable – no major recessions or price shocks – Kuwait and its Gulf peers are poised for a year of recovery and expansion in 2025, underpinned by prudent policies and the tailwind of increased oil output. But they will do so with one eye on the horizon, cognizant that the global context is changing and that long-term prosperity will hinge on reforms that reduce dependence on the one commodity that has so far defined their fortunes.

Final Note:

This report provides a comprehensive snapshot as of October 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, 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.

Sources & Links:

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