

Event Update - IMF Releases Regional Economic Outlook

May-2025

Unresolved conflict, tariffs and lower oil output expected to suppress economic activity

In its latest Regional Economic Outlook for the MENA region, the IMF has once again downgraded its growth forecast for both the MENA and GCC regions. This revision reflects the broader global economic impact stemming from a series of recently enacted tariff measures by the United States, as well as retaliatory actions by its trading partners. These developments, including both announced and implemented measures, culminated in the imposition of near-comprehensive US tariffs as of April 2, pushing applied tariff rates to levels not seen in over a century. For the MENA region as a whole, the IMF reduced its growth forecast for 2025 by 140 (bps), bringing it down to 2.6%, and lowered its 2026 projection to 3.4%. The IMF also emphasized that ongoing conflicts, localized political instability, and heightened climate vulnerability are continuing to weigh on economic activity across the region throughout 2025. Although the direct impact of US tariffs is expected to be limited—due to hydrocarbon exemptions and the relatively small volume of trade between the MENA region and the US, the IMF highlighted the potential for more substantial indirect effects.

For oil-exporting countries in the region, the IMF cautioned that fiscal and external balances may worsen, driven largely by continued weakness in oil prices. In 2024, the MENA region registered a growth rate of 1.8%, following a 30-bps downward revision from October-2024 Regional Economic Outlook. This adjustment was attributed to disruptions related to regional conflicts in certain oil-importing nations, as well as the ongoing implementation of voluntary oil production cuts by OPEC+ members in the region. Regarding the GCC countries, the IMF noted that while robust non-oil sector activity—supported by economic diversification initiatives—provided a degree of resilience, its impact was largely neutralized by oil production curbs. Nevertheless, the IMF suggested that stronger growth may materialize in 2025, contingent on a recovery in oil output, the stabilization of conflict-driven disruptions, and continued advancement on structural reforms. Still, the IMF revised its 2025 growth outlook for the GCC downward, citing a weaker global economic environment as the primary driver.

The IMF downgraded the GCC's GDP growth forecast for 2025 by 120 bps from its October-2024 estimate, bringing it to 3.0%, while its 2026 forecast was revised down by 40 bps to 4.1%. At the same time, the IMF projected that inflation would continue to ease across the MENA region in 2025, with a particularly notable decline anticipated within the GCC. All GCC countries saw downward revisions in their GDP growth forecasts between the October-2024 and April-2025 outlooks—except for Qatar, which received a 50 bps upgrade, raising its 2025 forecast to 2.4% from a previous estimate of 1.9%.

Country/Regions	May-2025 Updated Forecasts					IMF Revisions	
Real GDP Growth	2022	2023	2024	2025e	2026e	2025e	2026e
Bahrain	6.2%	3.9%	2.8%	2.8%	3.0%	-0.4%	0.1%
Oil GDP	-1.5%	-2.0%	-2.3%	-2.1%	-1.1%	-2.1%	N/A
Non-oil GDP	7.9%	5.0%	3.7%	3.6%	3.7%	-0.1%	N/A
Kuwait	5.9%	-3.6%	-2.8%	1.9%	3.1%	-1.4%	0.6%
Oil GDP	12.1%	-4.3%	-6.8%	1.3%	3.4%	-2.7%	N/A
Non-oil GDP	-0.1%	-2.9%	1.4%	2.4%	2.8%	0.0%	N/A
Oman	8.0%	1.2%	1.7%	2.3%	3.6%	-0.8%	-0.8%
Oil GDP	8.7%	-0.1%	-2.2%	0.2%	3.5%	-2.2%	N/A
Non-oil GDP	7.7%	1.8%	3.6%	3.3%	3.7%	-0.1%	N/A
Qatar	4.2%	1.4%	2.4%	2.4%	5.6%	0.5%	-0.2%
Oil GDP	1.7%	0.6%	0.6%	1.7%	10.7%	0.2%	N/A
Non-oil GDP	5.7%	1.8%	3.4%	2.8%	2.8%	0.7%	N/A
Saudi Arabia	7.5%	-0.8%	1.3%	3.0%	3.7%	-1.6%	-0.7%
Oil GDP	15.0%	-9.0%	-4.5%	2.0%	5.0%	-3.0%	N/A
Non-oil GDP	5.3%	3.8%	3.9%	3.1%	3.3%	-1.3%	N/A
United Arab Emirates	7.5%	3.6%	3.8%	4.0%	5.0%	-1.1%	-0.1%
Oil GDP	8.5%	-3.1%	1.0%	2.2%	6.2%	-4.5%	N/A
Non-oil GDP	7.1%	6.2%	4.7%	4.6%	4.6%	0.1%	N/A
GCC Real GDP Growth	7.1%	0.4%	1.7%	3.0%	4.1%	-1.2%	-0.4%
Oil GDP	11.4%	-5.9%	-2.8%	1.7%	5.4%	-3.0%	N/A
Non-oil GDP	5.6%	3.6%	3.8%	3.4%	3.5%	-0.6%	N/A
MENA Real GDP Growth	5.5%	2.1%	1.8%	2.6%	3.4%	-1.4%	-0.8%

Sources : IMF REO May-2025

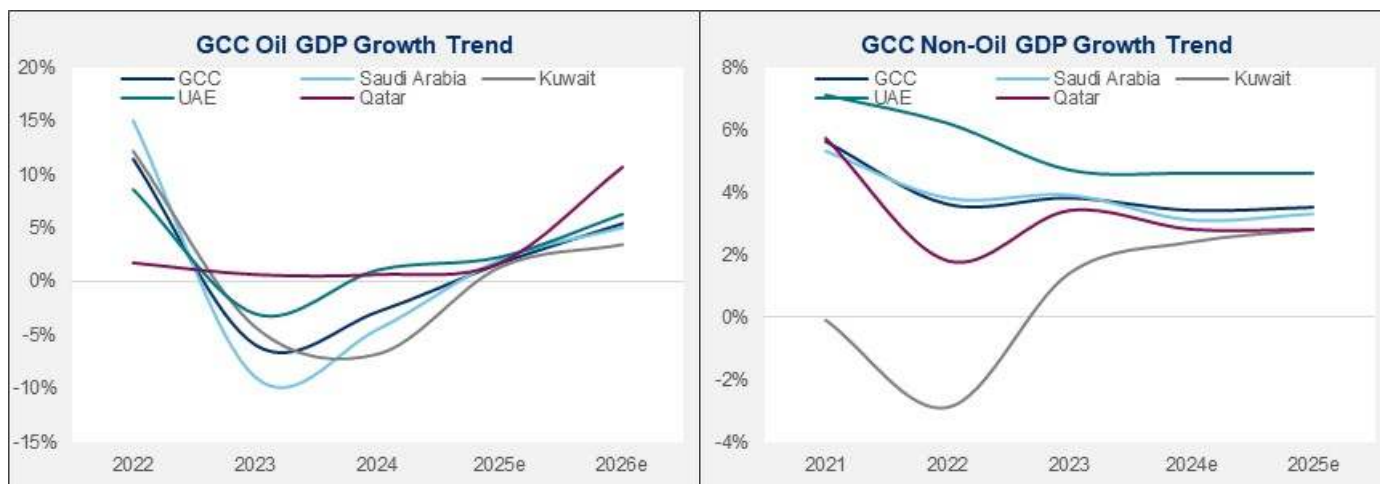
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The UAE is projected to lead GCC growth in 2025, with a forecasted GDP expansion of 4.0%, despite a 110 bps downward revision from the October-2024 forecast. Saudi Arabia follows with the second-highest projected growth at 3.0% for 2025, although it experienced a 160 bps downgrade. Similarly, Kuwait's GDP growth forecast for 2025 was revised down to 1.9%, marking a 140 bps reduction from the earlier October-2024 projection

GCC Oil GDP Growth Significantly Reduced; Non-Oil GDP Growth Marginally Downgraded.

Real oil GDP in the GCC is now projected to grow by 1.7% in 2025, following a contraction of 2.8% in 2024. The headline forecast for oil GDP in 2025 was cut by 300 basis points, driven by expectations that voluntary oil production cuts will remain in effect through the end of 2025.



Source : IMF REO May-2025

This adjustment aligns with OPEC's recent downward revision to global oil demand growth, which reflects rising trade tensions and weaker macroeconomic indicators. OPEC now anticipates global demand to increase by 1.3 million barrels per day (bpd) in 2025, down from its previous estimate by 150,000 bpd. Similarly, the 2026 forecast was revised down to 1.28 million bpd. Nonetheless, GCC oil GDP is expected to rebound strongly in 2026, with growth projected to average 5.4%, as a recovery in global oil demand is anticipated to allow for a gradual increase in production before the phase-out of current voluntary cuts by year-end 2026.

Crude Oil Production (mb/d)	2023	2024	2025e	2026e
Saudi Arabia	9.60	9.00	9.20	9.80
UAE	3.00	2.90	3.00	3.30
Kuwait	2.60	2.40	2.40	2.50
Oman	1.00	1.00	1.00	1.00
Qatar	0.60	0.60	0.60	0.60
Bahrain	0.20	0.20	0.20	0.20
GCC	17.00	16.10	16.40	17.40

Source : IMF REO May-2025

The IMF downgraded oil GDP growth projections for all GCC countries, except Qatar, which saw its forecast revised up by 20 bps to 1.7% for 2025. Bahrain is the only GCC member expected to experience a contraction in oil GDP in both 2025 (-2.1%) and 2026 (-1.1%). For the remaining five GCC nations, oil GDP is anticipated to grow over both years, with the UAE leading in 2025 at +2.2%, followed by Saudi Arabia (+2.0%), Qatar (+1.7%), Kuwait (+1.3%), and Oman (+0.2%).

Regarding non-oil economic activity, the GCC is expected to post a healthy 3.4% growth in 2025, despite a 60 bps downward revision, and a further 3.5% in 2026. The resilience in non-oil GDP growth reflects the continued momentum of diversification and structural reform programs, which have been sustained even as oil and energy revenues declined. The IMF projects that the UAE will continue to lead non-oil GDP growth among GCC countries in 2025 at 4.6%, followed by Bahrain at 3.6% and Oman at 3.3%.

Subdued Inflation Trends Persist Across the GCC

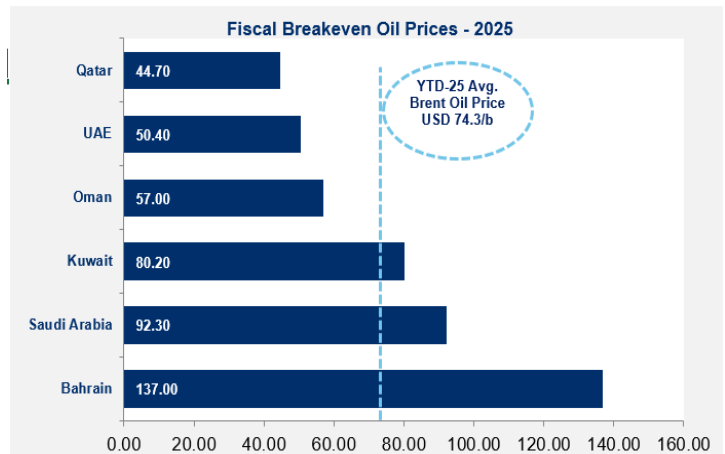
Global headline inflation is forecasted to decline to 4.3% in 2025 and to further ease to 3.6% by 2026. In Advanced Economies, inflation is projected to return to target, reaching 2.2% by 2026. Meanwhile, in Emerging Markets and Developing Economies, inflation is expected to fall to 4.6% during the same period. The elevated global inflation forecast for 2025 is mainly attributed to the inflationary impact of newly implemented tariff measures. Specifically, inflation projections for Advanced Economies in 2025 have been revised upward by 40 basis points. For GCC oil-exporting economies, inflation is expected to remain well-contained, staying below the 2% threshold in both 2025 and 2026, with headline rates forecasted at 1.9% for both years. This marks a slight increase from the 1.6% inflation rate recorded in 2024.

In contrast, among oil-importing MENA countries, inflation moderation has primarily resulted from falling food prices. However, inflation pressures remain elevated in some countries due to ongoing geopolitical conflicts and currency depreciation, keeping inflation rates above long-term averages. The MENA region's headline inflation is forecasted to decline from 14.6% in 2024 to 12.7% in 2025 and further drop to 10.7% in 2026.

Oil Revenues Expected to Remain Subdued Through 2025

Oil prices are likely to face continued downward pressure in 2025 amid a slightly oversupplied global market. The IMF projects that global oil demand in 2025 will fall short of earlier expectations, primarily due to escalating policy uncertainty, subdued economic momentum, and mounting trade tensions. Risks flagged by the IMF include the introduction of new tariffs and unforeseen shifts in the OPEC+ production adjustment schedule.

Given the anticipated continuation of voluntary production cuts and weaker oil demand, oil revenues for GCC and other MENA oil-exporting countries are expected to remain under pressure through 2025. The average Brent crude spot price for initial April-2025 is projected to be around USD 74.3 per barrel. When compared with this benchmark, the fiscal breakeven oil price is expected to exceed the projected average for three of the six GCC countries. Bahrain is forecasted to face the highest breakeven price at USD 137/b, while Qatar remains the most fiscally resilient with the lowest breakeven price at USD 44.7/b.



Source : IMF REO May-2025, EIA, Kamco Invest Research

GCC oil production is projected to rise marginally by 1.9% in 2025, reaching 16.4 million barrels per day (mb/d). This increase follows two consecutive years of output declines in 2023 and 2024, and will be supported by the phased return of 2.2 mb/d of voluntarily curtailed production starting April-2025. The IMF expects total GCC oil production to rise further to 17.4 mb/d in 2026, assuming improved market conditions and higher demand.

Fiscal Balance Expected to Move Into Deficit

On the fiscal front, the IMF now anticipates the GCC region will move into a slight fiscal deficit in both 2025 and 2026. The previously projected surplus of 1.5% of GDP in 2024 is expected to shift to a deficit of -0.2% of GDP in both 2025 and 2026. These adjustments are driven by weaker oil revenues and persistent global uncertainties. A similar trend is projected for the broader MENA region. The IMF revised its 2025 fiscal deficit forecast from -2.0% of GDP (October-2024) to -3.4% of GDP, reflecting mounting expenditure pressures and lower fiscal revenues. The deficit is expected to moderate slightly to -3.2% in 2026. Current account surpluses are also expected to narrow across the GCC. For 2025, the region's surplus has been revised down to USD 51.7 billion, from a previous October-2024 estimate of USD 98.3 billion. A further decline is anticipated in 2026, with the current account balance projected at USD 41.8 billion. This narrowing reflects reduced oil export receipts and the potential indirect effects of lower oil prices and extended production cuts on broader economic performance.

General Government Fiscal Balance	Actual			Projections	
Percent of GDP	2022	2023	2024	2025e	2026e
Bahrain	-5.1%	-8.5%	-10.7%	-10.4%	-11.1%
Kuwait	28.2%	26.3%	21.6%	23.6%	23.0%
Oman	10.5%	6.9%	6.3%	1.2%	1.1%
Qatar	10.4%	5.5%	0.7%	0.0%	1.1%
Saudi Arabia	2.5%	-2.0%	-2.8%	-4.9%	-4.9%
United Arab Emirates	10.0%	5.9%	4.8%	2.9%	2.9%
GCC	7.5%	3.2%	1.5%	-0.2%	-0.2%
MENA	3.4%	0.0%	-1.6%	-3.4%	-3.2%
Arab World	4.1%	0.4%	-1.3%	-3.2%	-3.0%

Source : IMF REO May-2025

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