GCC Budget Update

May-2025

Oil production cuts widen GCC fiscal deficit for 2025...

The latest budget statements from GCC governments for 2025 have indicated lower spending and continued pressure on revenues. The aggregate budgeted expenditure in the GCC during the current fiscal year is estimated to reach USD 545.3 Bn, which is lower than last year's levels which stood at USD 554.9 Bn. On the other hand, budgeted revenues are expected to reach USD 488.4 Bn, a 3.1% decline from the USD 504.1 Bn recorded in 2024. The decline mainly reflects oil output cuts implemented by GCC OPEC producers. As per the budget statement from most GCC governments, revenues are based on a crude oil price of around USD 60/b, although Saudi Arabia, UAE and Bahrain did not disclose the oil price for their respective federal budgets. Based on the budgeted figures, the aggregate fiscal deficit for the GCC countries is expected to reach USD 56.9 Bn in 2025 as compared to a deficit of USD 50.8 Bn last year, .

GCC governments have generally announced their intention to implement expansionary budgets, with a focus on health care, education, and infrastructure. They have also outlined plans for substantial investments in large-scale infrastructure and construction projects. At the same time, main focus has been given to re-alignment of non-oil sectors in the economy and its contribution going forward.

At the country level, Saudi Arabia is expected to account for around 65.5% of the aggregate budgeted revenues during the year in the GCC. Kuwait and Qatar are expected to follow at 12.2% and 10.9%, respectively. In terms of spending, Saudi Arabia is expected to account for 63.6% of the aggregate expenditure in the GCC this year. Meanwhile, the overall GCC project market index for upcoming contracts as of April-2025 reached USD 1.54 Trillion, according to MEED Projects. Saudi Arabia comprised the lion's share of upcoming GCC projects at 52.1% or USD 801.2 Bn followed by the UAE which has USD 312.3 Bn and Oman with estimated upcoming projects at USD 169.9 Bn.

As a key driver of revenues for the GCC governments, crude oil prices remained elevated at the start of the year reaching over USD 80/b levels buoyed by expectations of a global demand revival. However, prices trended downwards consistently since the second half of January-2025 to reach below USD 60/b during April-2025 after the US announced tariffs on China and other trading partners. Crude oil has averaged at around USD 71.0 per barrel so far this year but estimates of lower prices for the remainder of the year is expected to lower the average to around USD 69.6 per barrel for the full year. The latest forecasts of oil demand growth were slashed by both the OPEC and the IEA to reflect escalating trade tensions and deteriorating outlook for the global economy. The IEA lowered its oil demand forecast for 2025 by 0.3 mb/d from its previous forecast to a growth of 0.73 mb/d. The forecast for growth in 2026 was also lowered to 0.69 mb/d by the agency. OPEC forecasts for oil demand for 2025 was lowered marginally by 0.15 mb/d from its previous forecast to a growth of 1.28 mb/d reflecting actual data for Q1-2025 as well as expected impact of the tariffs on demand for the rest of the year. In terms of budget balance, UAE is budgeted to breakeven, while the rest of the GCC countries are expected to report deficits this year. It is expected that the actual deficit in 2025 may be significantly lower than the budgeted deficit due to the conservative estimate of budgeted oil prices.

GCC Budget - 2025 (USD Bn)

	Kuwait	Saudi Arabia	Qatar	Oman	UAE - Federal	Bahrain	GCC	YoY
Revenue	59.4	319.7	53.2	29.1	19.3	7.7	488.4	(3.1%)
Oil & Gas Revenue	49.9	NA	41.6	19.8	NA	4.0	NA	NA
Non - Oil Revenue	9.5	NA	11.6	NA	NA	3.8	NA	NA
Expenditure	80.0	347.0	56.8	30.7	19.3	11.6	545.3	(1.7%)
Surplus/Deficit	(20.6)	(27.3)	(3.6)	(1.6)	0.0	(3.9)	(56.9)	(1.4%)
Budgeted Oil Price	68	NA	60	60	NA	NA		
Oil Revenue / Total Revenue	84.0%	NA	78.2%	68.0%	NA	51.0%		
Non Oil Revenue / Total Revenue	16.0%	NA	21.8%	NA	NA	49.0%		
Revenue / Total GCC Revenue	12.2%	65.5%	10.9%	6.0%	4.0%	1.6%		
Expenditure/ Total GCC Expenditui	14.7%	63.6%	10.4%	5.6%	3.5%	2.1%		
Nominal GDP (USD Bn) - IMF	153.1	1,083.7	222.8	104.4	548.6	47.8		
Budget Surplus/Deficit % of Nominal GDP	(13.4%)	(2.5%)	(1.6%)	(1.5%)	0.0%	(8.1%)		

Sources : Respective country MOF website, IMF, Kamco Invest Research
Note: Fiscal year for Kuwait is from April to March.

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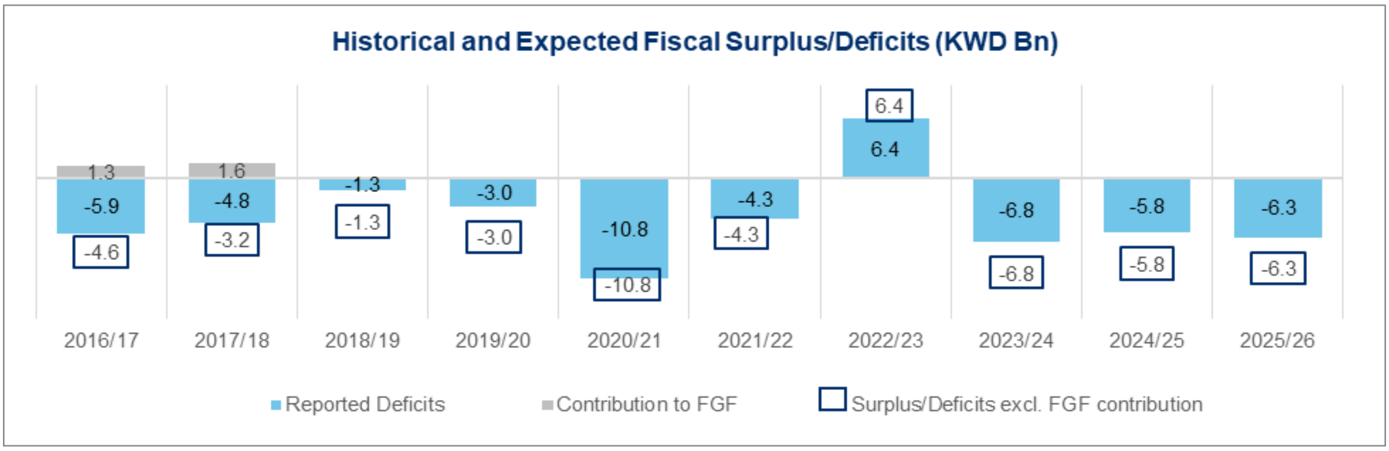
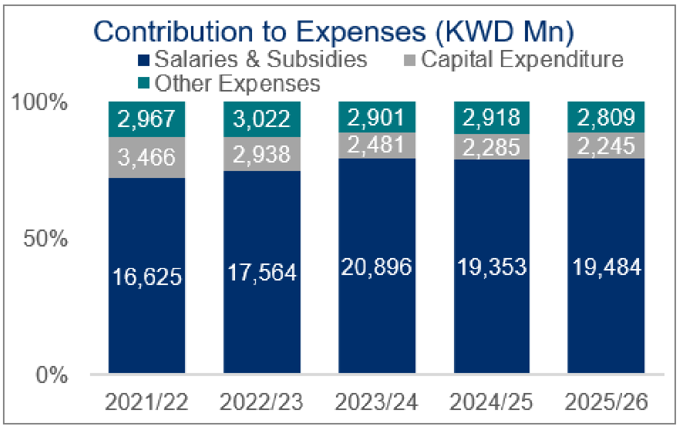
Kuwait

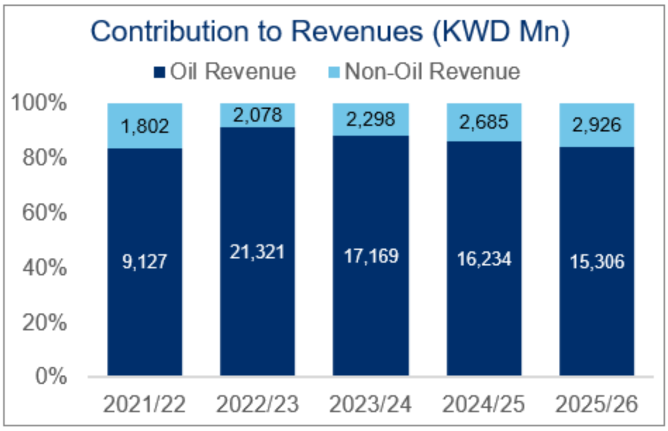
Kuwait's Ministry of Finance unveiled the draft budget for 2025/2026 with a 11.9% increase in forecasted deficits at KWD 6.3 Bn (USD 20.60 Bn) as compared to an estimated deficit of KWD 5.6 Bn (USD 18.22 Bn) for the fiscal year 2024/2025. The budget snapshot came in line with the bulk of the GCC economies that are also expected to report deficit.



Sources : MOF-Kuwait, Kamco Invest Research

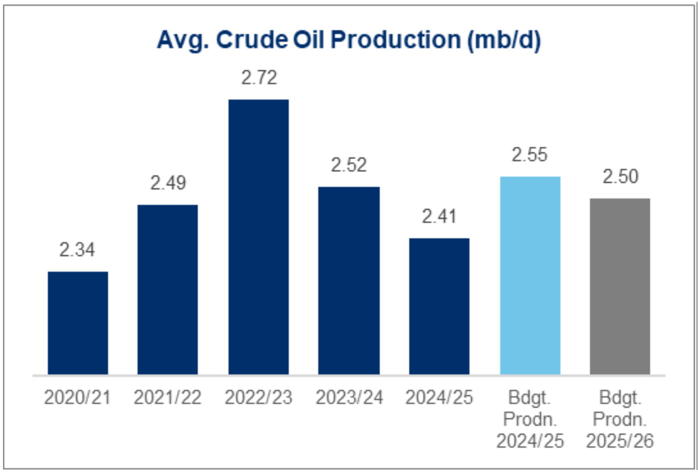
According to the budget document, revenue is expected to reach KWD 18.2 Bn (USD 59.4 Bn) during the fiscal year 2025/2026 as compared to KWD 18.9 Bn estimated for the fiscal year 2024/2025, down by 3.6%. The revenues are calculated with a budgeted crude oil price of USD 68/b, and the volume of production is 2.500 million / barrel per day. This could mean that the actual revenues could be slightly higher as oil price is expected to average at a slightly higher level while oil production is expected to be around the budgeted level. Brent crude averaged at USD 65.3/b since the start of the current fiscal year (2025/2026), while Kuwait crude oil and OPEC crude basket averaged at USD 67.5/b and USD 66.9/b, respectively, according to EIA and Bloomberg.

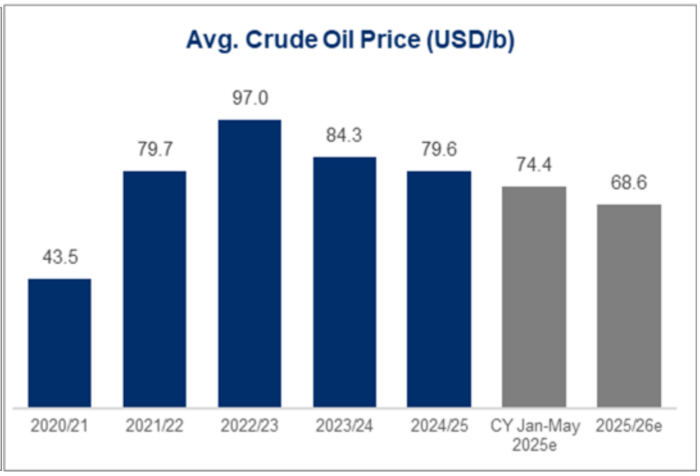




Sources : MOF - Kuwait , Kamco Invest Research.

In terms of revenues, crude oil will continue to account for the bulk of the budgeted revenues in the fiscal year 2025/2026. However, the share of oil revenues to total revenues is expected to decline from 85.8% estimated for fiscal year 2024/2025 to 84.0% budgeted for the fiscal year 2025/2026, according to data from Kuwait's Ministry of Finance. This would imply non-oil revenue share of 16.0% for the fiscal year 2025/2026 as compared to 14.2% estimated for the previous fiscal year. The estimates for 2025/26 clearly shows the impact of oil prices on states finances. Total revenues during 2025/2026 are expected to decline by 3.6% to KWD 18.2 Bn solely led by 5.7% expected decline in oil revenues, whereas non-oil revenues are estimated to increase by 9.0% to KWD 2.9 Bn from KWD 2.7 Bn during the previous fiscal year. Oil revenues are expected to come in at KWD 15.3 Bn vs. KWD 16.2 Bn in 2024/25 mainly due to the decline in oil prices during the year coupled with curbs on production as part of the OPEC+ agreement. Crude oil production in Kuwait stood at 2.41 mb/d during April-2025 . Based on the expected revenues and expenditure, the state would require a breakeven oil price of USD 90.5/b to balance the budget, according to Ministry of Finance. Based on the recent IMF data, the fiscal break even price of oil is expected to be USD 80.2/b for 2025 and USD 76.7/b for 2026.





Sources : Bloomberg , OPEC, Kuwait MoF

Higher oil price is required to offset lower projected production

The budget for 2025/2026 is based on an oil price of USD 68/b which is less than the oil price quoted in the budget for fiscal year 2024/2025. Based on the expected revenues and expenditure, the state would require a breakeven oil price of USD 90.5/b to balance the budget, according to Ministry of Finance. Kuwait crude grade averaged at USD 79.4/b during the last fiscal year (Apr-2024-Mar 2025) which is significantly above the budget price of crude for the year. As a result, oil revenue for the last year is expected to be higher than the budgeted revenues. In terms of crude oil production, the 2025/26 budget is based on an oil production of 2.5 mb/d as against current production level of 2.4 mb/d, based on direct communication data in OPEC's monthly oil market report. OPEC+ agreed earlier to speed up oil production increases for a second straight month in June, adding 411,000 barrels per day.

Projects market in Kuwait

Total yearly projects awarded in Kuwait during 2024 reached the highest level in six years to reach USD 9.5 Bn vs. USD 6.3 Bn in 2023. Kuwait witnessed nearly 50% y-o-y gain in the value of contracts awarded during 2024, the biggest y-o-y percentage growth in aggregate contracts awarded among the GCC countries during the year. Growth in Kuwait's contract awards was mainly driven by infrastructure investment which are one of the key pillars in Kuwait's Vision 2035 plan led by projects to modernize the Oil, Power and Construction sectors. Aggregate value of projects awarded in the Construction sector jumped more than six times to reach USD 4.0 Bn in 2024 against USD 644 Mn in 2023 mainly fueling the robust growth in overall contracts awarded during the year.

Some of the notable projects awarded in the country during the year include the USD 142 Mn Kuwait substation contract awarded to the Kuwait branch of Saudi Arabia's National Contracting Company (NCC) to build 10 power substations in Sabah Al-Ahmad City.

Total yearly projects awarded in Kuwait during Q1-2025 surged nearly 200% to USD 1.4 Bn, compared to USD 459 Mn in Q1-2024. Kuwait registered the highest y-o-y percentage growth in total contracts awarded among GCC countries in Q1-2025. The rise in Kuwait's contract awards was primarily fueled by infrastructure investments, a key component of Kuwait's Vision 2035 plan, with major initiatives targeting modernization in the Oil, Power, and Transport sectors.

Saudi Arabia

Saudi Arabia's budgeted revenue for fiscal year 2025 is estimated at SAR 1.18 Trillion (USD 319.7 Bn), compared to SAR 1.23 Trillion (USD 333.3 Bn) estimated for the previous fiscal year, down by 3.7%. Total expenditure is expected to be SAR 1.28 Trillion for 2025 compared to SAR 1.34 Trillion in 2024 leading to an expected deficit of SAR 101 Bn (USD 27.3 Bn). The Saudi budget statement did not include the official price of crude oil used to calculate oil revenues.

The reported figures align with the ministry's pre-budget statement from September-2024, demonstrating a 4% fall in revenues, a 4% cut in expenditures, and a 12% lower deficit compared to the latest estimates for FY-2024. The Finance Ministry has projected that Saudi Arabia's Real GDP will grow by 4.6% in 2025, an increase from the estimated 0.8% for 2024. This growth is anticipated to be fueled by an upsurge in non-oil sector activities. The budget for the fiscal year 2025 emphasizes the importance of sustaining vital services for citizens and residents, while also expediting expenditures on critical projects and sectors.

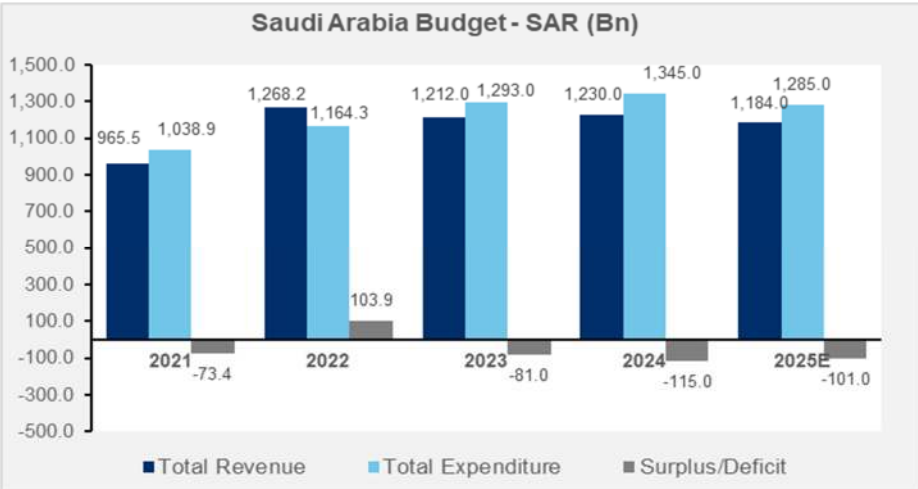
During a cabinet meeting, the government emphasized the crucial importance of Saudi Arabia's sovereign wealth funds, namely the Public Investment Fund and the National Development Fund, in fostering economic stability and realizing the goals of Vision 2030.

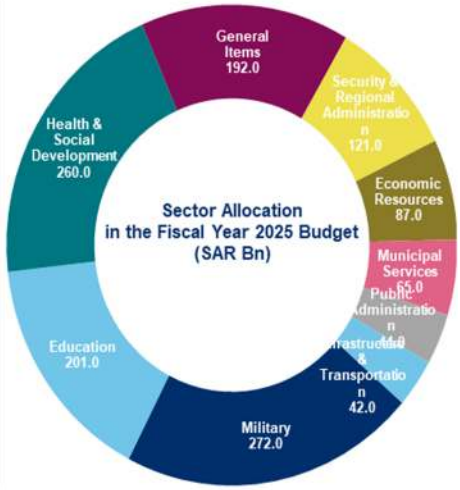
The government emphasized that these funds are essential for diversifying the economy and supporting long-term investments. The key objectives are to enhance the private sector's contribution to the GDP, increase the share of foreign investment, and stimulate the growth of non-oil exports.

Breakdown of projected revenues and expenditures

The ministry anticipates tax revenue to reach SAR 379 Bn in 2025, which will constitute approximately 32% of the overall revenues. This figure indicates a 4% rise from the estimates for 2024. A significant portion of these taxes, amounting to 77%, are derived from goods and services. The observed growth is a result of continuous improvements in economic activity, the progressive development of tax administration, and upgraded collection strategies, which have collectively resulted in a rise in total tax revenues.

In terms of sector-specific expenditures, the largest share was allotted to the military sector at SAR 272 Bn, which represents a 5% increase from the estimates for 2024. The health and social development sector follow closely, with a budget of SAR 260 Bn, representing a 20.25% share. Furthermore, general items are set to receive SAR 192 Bn, which is 14.95% of the total expenditures planned for 2025. Moody's has improved Saudi Arabia's credit rating to "Aa3" from "A1," underscoring the country's efforts to diversify its economy beyond reliance on oil. In September-2024, S&P elevated the outlook for Saudi Arabia to positive, driven by impressive growth in the non-oil economy.





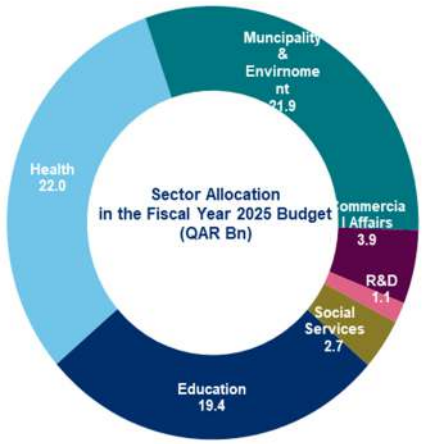
Sources : MOF-Saudi Arabia, Kamco Invest Research

The average oil production in the Kingdom stood at 8.95 million barrels per day (Mn/bpd) during 2024 as per data from JODI vs. a production of 9.6 Mn/bd during 2023. During 2025, production averaged at 8.96 Mn/bd during the first four months of 2025, as per direct communication or the OPEC's latest monthly report. Saudi Arabia recorded a deficit of SAR 58.7 Bn (USD 15.65 Bn) in the Q1-2025. Total revenues reached SAR 263.61 Bn, marking a 10.2% decline compared to the same period last year. The drop is primarily attributed to reduced oil revenues, which fell 17.7% year on year to SAR 149.81 Bn. In contrast, non-oil revenues continued to grow modestly, rising 2.06% to SAR 113.81 Bn.

Qatar

The budgeted revenue for fiscal year 2025 is estimated at QAR 197 Bn (USD 53.2 Bn), representing a decrease of 2.5% compared to the previous fiscal year. The budget is based on an oil price assumption of USD 60 per barrel for 2025 consistent with the previous year's estimate. Spending is expected to total QAR 210.2 Bn (USD 56.8 Bn), up by 4.6 % compared to the previous year. According to the ministry of finance, the projected deficit of QAR 13.2 Bn is expected to be addressed through a combination of domestic and external debt instruments. Salary and wage allocation increased by QAR 3.5 Bn, or 5.5%, from 2024 to reach QAR 67.5 Bn in the 2025 budget. A total of QAR 41.4 Bn has been allocated to the healthcare and education sectors, making up roughly 20% of the total budget.

This significant amount underscores Qatar's ongoing prioritization of human capital development and the improvement of public service sectors. Allocations for secondary capital expenditures and current expenditures grew by 7.7% and 6.3% compared to 2024. There was a modest rise of 1.4% in major capital expenditure to facilitate the continuation of development projects.



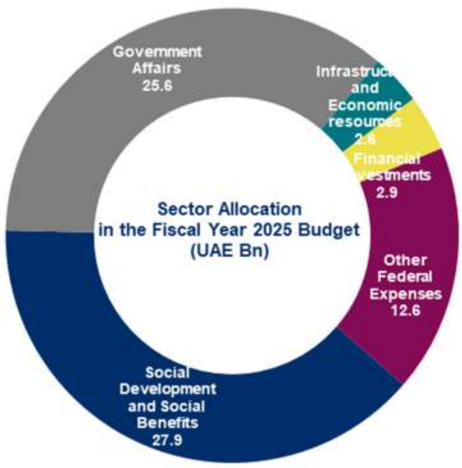
Sources : MOF-Qatar, Kamco Invest Research.

The budget shows total oil and gas revenues for 2025 at QAR 154 Bn compared to QAR 159 Bn in 2024, down by 3.1%, indicating the estimates of non-oil revenues for 2025 amounting to QAR 43 Bn, unchanged from 2024. According to the Ministry of Finance, substantial financial support will be directed towards strategic sectors, with specific allocations designated for trade and industry, research and innovation, tourism, digital transformation, and information technology. These investments are intended to enhance Qatar's initiatives for economic diversification and promote sustainable development across various sectors.

UAE

The UAE government approved Federal Budget 2025 with total estimated expenditure of AED 71.5 Bn up by 11.6%, and estimated revenues of AED 71.5 Bn up by 8.8% compared to the 2024 fiscal year. In the 2025 budget, allocations have been made to critical sectors such as social development and pensions, governmental affairs, infrastructure and economic issues, and financial investments, along with other federal spending. The lion's share of the budget, AED 27.9 Bn or 39% of the total, is dedicated to social development and social benefits sector. Similarly, AED 25.6 Bn is allocated for Government Affairs sector, totaling 36% of the overall budget and AED 2.6 Bn or 4% is earmarked for the Infrastructure and Economic resources.

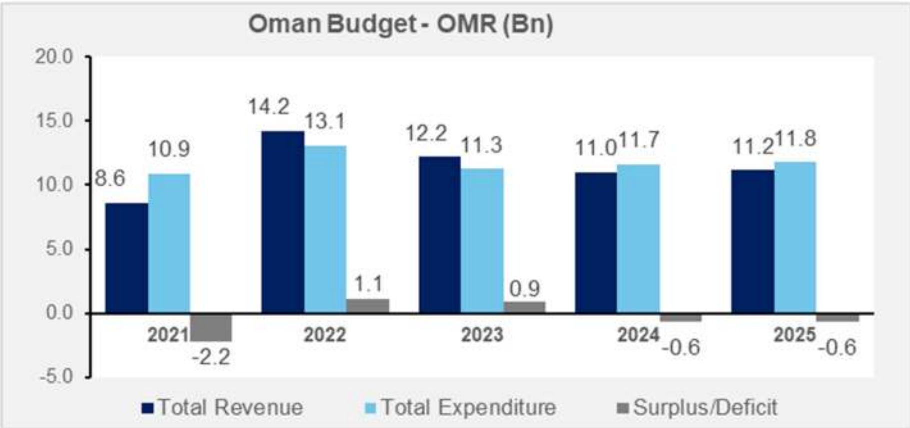
In addition, AED 2.9 Bn or 4% was allocated to the Financial Investments sector and AED 12.6 Bn or 18% was allocated to other Federal expenses. The budget highlights the resilience of the UAE economy and its capability to secure the necessary funding for vital developmental, economic, and social projects. A substantial portion of the budget is earmarked for sectors such as education, health, and social welfare, further solidifying the UAE's role as a leader in enhancing the quality of life.

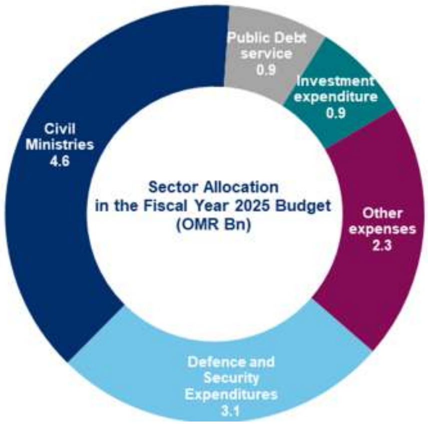


Sources : MOF-UAE, Kamco Invest Research

Oman

Oman announced its 2025 budget with a fiscal deficit of OMR 620 Mn (USD 1.6 Bn). The 2025 budget shows revenues of OMR 11.18 Bn marking a 1.5% gain from the budgeted revenues for 2024, and expenditures of OMR 11.80 Bn, up by 1.3% compared to the previous year's budget. The budget for 2025 is based on a crude oil price of USD 60 per barrel and an average daily crude oil production of over 1 Mn barrels. The government has announced that around OMR 5 Bn, representing 42% of the total public expenditure, has been designated for social and fundamental sectors. This allocation comprises 39% for education, 28% for social security, and 24% for healthcare.



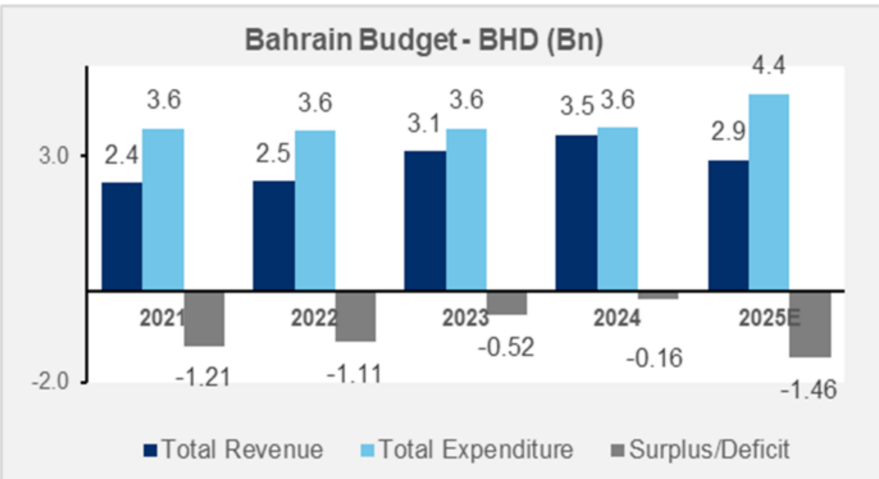


Sources : MOF-Oman , Kamco Invest Research.

The minister emphasized that OMR 557 Mn has been set aside for social protection initiatives, while OMR 1.14 Bn is dedicated to development projects that are expected to have a substantial economic impact. The Budget for Oman in 2025 is structured to be balanced, emphasizing growth and diversification while maintaining fiscal responsibility. The successful execution of this budget will be shaped by a range of complex global economic and geopolitical factors. Essential to its success are the adaptability in its implementation and the ongoing assessment of international trends and external challenges. One of the budget's principal aims is to align with the financial framework of the 10th five-year plan. The main objectives for the 2025 budget include establishing financial stability, executing developmental plans, supporting urban movements, and maintaining government subsidies for utilities, food, and other services.

Bahrain

Bahrain government approved the Budget Plan for fiscal years 2025-2026. The government approved budget for 2025 with total estimated expenditure of BHD 4.4 Bn up by 20.6%, and estimated revenues of BHD 2.9 Bn down by 15.7% compared to the 2024 fiscal year. Bahrain is expected to post a deficit of BHD 1.5 Bn (USD 3.9 Bn) in 2025. The Government has projected the expenditure to be BHD 81.1 Mn for Housing and Community Amenities Sector, BHD 91.7 Mn for General Public Services Sector, BHD 70.6 Mn for Economic Affairs and Infrastructure Sector, BHD 8.0 Mn for Youth Culture and Media Sector, BHD 7.4 Mn for Public Order and Safety Sector, BHD 11.0 Mn for Education Sector, BHD 2.4 Mn for Health Care Sector, and BHD 1.9 Mn for Defence Sector.



Sources : MOF-Bahrain, Kamco Invest Research.

For 2026, total expenditure is projected at BHD 4.5 Bn, with estimated revenues of BHD 3.5 Bn, leading to a projected deficit of BHD 1.1 Bn. Oil revenues are anticipated to reach BHD 1.6 Bn, while non-oil revenues are expected to total BHD 1.8 Bn. Bahrain's government and legislators have finalized an eight-point agreement on the 2025–2026 national budget, keeping VAT rates steady while raising selective taxes on items such as energy drinks and tobacco.

The budget emphasizes social support and development, including the continuation of cost-of-living allowances for pensioners, BHD 800 Mn allocated for housing projects representing the largest budget in the country's history for this sector, as reported by Bahrain News Agency (BNA) , and BHD 688 Mn invested in healthcare. Education reforms will feature curriculum enhancements and expanded services. Infrastructure development will include the construction of new schools, road upgrades, and improvements to sewage systems. Additionally, the budget outlines measures to reduce the fiscal deficit, aiming to balance financial stability with economic growth and social welfare.

According to the preliminary data released by the Information and eGovernment Authority Bahrain's real GDP grew by 2.6% in 2024 to reach BHD 15.13 Bn. This increase was driven by non-oil activities, which grew by 3.8% or BHD 13.0 Bn. Conversely, oil activities declined by 4.0%, amounting to BHD 2.1 Bn. According to the Ministry of Finance and National Economy projections, Bahrain's real GDP is expected to grow by 2.7% in 2025, driven by a 3.4% growth in non-oil activities.

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