Event Update - IMF Releases Regional Economic Outlook

October-2025

OPEC+ Voluntary Cut Unwind Drives Higher GCC GDP Outlook.

Economies across the MENA region showcased strong resilience in 2025, despite a year marked by tariffs, geopolitical tensions and conflict. In its latest Regional Economic Outlook for the region, the IMF revised its estimates for GCC real GDP growth in 2025 by 90 bps to 3.9% and by 20 bps to 4.3% for 2026, reversing the downgrade penciled in May-2025. Moreover, the IMF revised up its GCC oil GDP outlook for 2025 by 250 bps to 4.2%, and for 2026 by 50 bps to 5.9%. Similarly, GCC non-oil GDP received a 40-bps upward revision to 3.8% in 2025 and a 10-bps upward revision to 3.6% in 2026. All six GCC countries received an upward revision to 2025 real GDP growth expectations from the IMF, while five of the six also saw upgrades to their 2026 real GDP growth. The UAE's real GDP growth for 2026 remained unchanged at 5%. The IMF's improved outlook for the region's economic prospects for both the current year and next year reflects the region's avoidance of direct fallout from US tariffs and global trade disruptions, alongside a limited transmission of geopolitical tensions into domestic economies. GCC growth remained robust during the first half of 2025, underpinned by firm domestic demand partly driven by ongoing diversification projects and a rebound in energy production. For the broader MENA region, the IMF raised its 2025 growth forecast by 70 bps to 3.3% and its 2026 forecast by 30 bps to 3.7%, highlighting broad-based resilience supported mainly by declining food and energy prices.

For the region's oil exporters, the IMF expects gains from higher oil output following the relaxation of OPEC+ production cuts. In contrast, MENA oil importers are set to benefit from lower-than-expected energy prices, strong remittance inflows, and a further uplift from tourism.

Meanwhile, in the wider global economy, growth is revised up for 2025 but is still projected to remain below pre-tariff baselines, as tariffs continue to weigh on activity. Furthermore, the IMF's medium-term projections anticipate solid growth for the MENAP region, while the wider CCA region is expected to slow. Risks to the regional outlook remain tilted to the downside, as lagged effects from global uncertainty could still adversely impact domestic economies. A further material risk is a sudden tightening in global financial conditions; for example, a sharp downward repricing of equities could erode household wealth and dampen consumption across the region.

The UAE is projected to lead GCC growth in 2025, with forecast GDP expansion of 4.8% following an 80-bps upward revision from the May-2025 forecast. Saudi Arabia is set to record the second-highest growth at 4.0% in 2025, after a 100-bps upgrade. Similarly, Kuwait's 2025 GDP growth forecast was revised up to 2.6%, after a 70 bps increase from the earlier May-2025 projection.

Country/Regions	October-2025 Updated Forecasts					IMF Revisions	
Real GDP Growth	2022	2023	2024	2025e	2026e	2025e	2026e
Bahrain	**6.2%**	**3.9%**	**2.6%**	**2.9%**	**3.3%**	**0.1%**	**0.3%**
Oil GDP	-1.5%	-2.0%	-4.0%	0.0%	1.8%	2.1%	2.9%
Non-oil GDP	7.9%	5.0%	3.8%	3.4%	3.6%	-0.2%	-0.1%
Kuwait	**6.8%**	**-1.7%**	**-2.6%**	**2.6%**	**3.9%**	**0.7%**	**0.8%**
Oil GDP	12.1%	-4.2%	-6.9%	2.4%	5.4%	1.1%	2.0%
Non-oil GDP	1.6%	1.0%	1.8%	2.7%	2.6%	0.3%	-0.2%
Oman	**8.0%**	**1.2%**	**1.7%**	**2.9%**	**4.0%**	**0.6%**	**0.4%**
Oil GDP	8.7%	-0.1%	-2.2%	1.3%	4.7%	1.1%	1.2%
Non-oil GDP	7.7%	1.8%	3.6%	3.6%	3.7%	0.3%	0.0%
Qatar	**4.2%**	**1.5%**	**2.4%**	**2.9%**	**6.1%**	**0.5%**	**0.5%**
Oil GDP	1.7%	0.6%	0.6%	0.1%	12.1%	-1.6%	1.4%
Non-oil GDP	5.7%	2.1%	3.4%	4.4%	2.8%	1.6%	0.0%
Saudi Arabia	**12.0%**	**0.5%**	**2.0%**	**4.0%**	**4.0%**	**1.0%**	**0.3%**
Oil GDP	15.0%	-9.0%	-4.4%	5.0%	5.2%	3.0%	0.2%
Non-oil GDP	10.9%	5.8%	4.5%	3.7%	3.5%	0.6%	0.2%
United Arab Emirates	**7.5%**	**4.3%**	**4.0%**	**4.8%**	**5.0%**	**0.8%**	**0.0%**
Oil GDP	8.9%	-3.0%	1.0%	5.3%	6.3%	3.1%	0.1%
Non-oil GDP	7.0%	7.0%	5.0%	4.6%	4.6%	0.0%	0.0%
GCC Real GDP Growth	**9.8%**	**1.3%**	**2.2%**	**3.9%**	**4.3%**	0.9%	**0.2%**
Oil GDP	11.8%	-6.1%	-2.9%	4.2%	5.9%	2.5%	0.5%
Non-oil GDP	8.9%	5.2%	4.3%	3.8%	3.6%	0.4%	0.1%
MENA Real GDP Growth	**6.7%**	**2.5%**	**2.1%**	**3.3%**	**3.7%**	**0.7%**	**0.3%**

Sources : IMF REO October-2025

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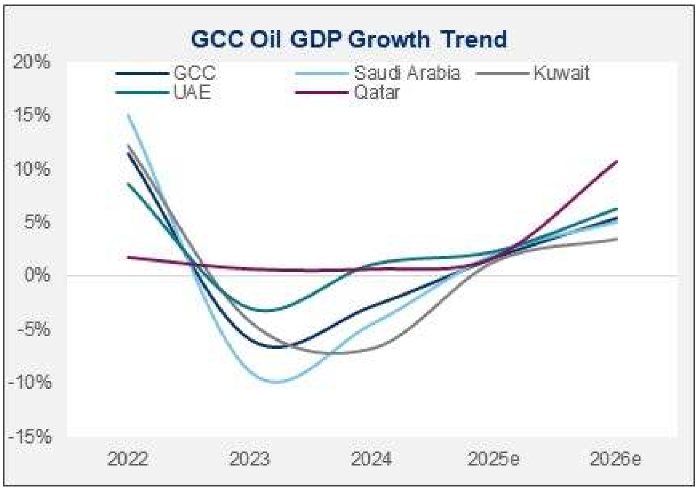
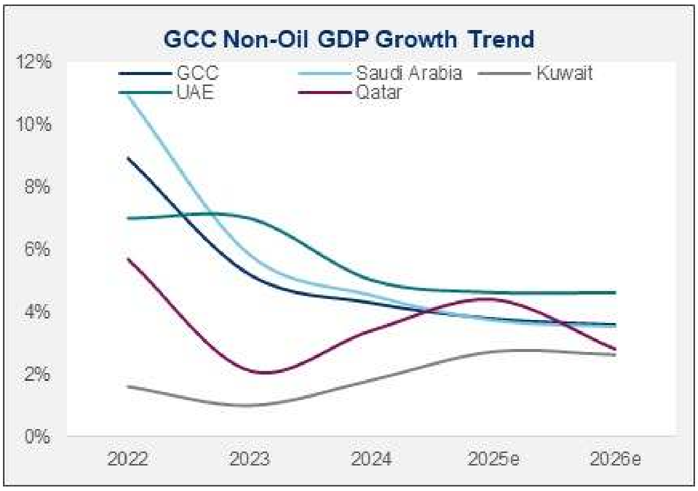
Real Oil GDP Rises as Voluntary Cuts Are Unwound

Real GDP in the GCC is currently projected to grow by 3.9% in 2025, following a growth of 2.2% in 2024. The headline forecast for oil GDP in 2025 was revised up to 250 basis points to 4.2% as compared to 1.7% in May-2025 forecast, driven by the earlier than expected unwinding of OPEC+ production cuts which were expected to remain in effect through the end of 2025. Oil production has accelerated in 2025 as OPEC+ countries fully removed the 2.2 mb/d voluntary cuts that were first established in November-2023. The removal of oil production voluntary cuts resulted in an estimated increase of 968,000 b/d of GCC oil production during the period between February-2025 to June-2025. Moreover, GCC oil production recorded 158,000 b/d increase during the period between June-2025 and August-2025. In contrast, oil production in MENAP and non-GCC countries remained unchanged during the period because of multiple reasons mainly led by the impact of ongoing conflicts and international sanctions.





Source : IMF REO October-2025

However, there is the risk that a faster resumption of oil production among OPEC+ members coupled with a weaker than expected global demand might lead to an oversupply of oil which may exert a downward push on oil prices forcing it to be below the line. This scenario is poised to negatively impact the fiscal and external positions of oil exporters in the region. On the other hand, the IMF projects that an escalation of geopolitical tensions in the region such as the levying of additional energy exports sanctions on Russia or Iran might put an upward pressure on global energy prices, improving economic prospects for oil exporters in the region while putting a cloudy economic growth prospect for oil importers in the region.

Regarding non-oil economic activity, the GCC is expected to post a healthy 3.8% growth in 2025, after a 40-bps upward revision, and a further 3.6% 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, and which will not benefit from the unwinding of the voluntary production cuts. The IMF projects that the UAE will continue to lead non-oil GDP growth among GCC countries in 2025 at 4.6%, followed by Qatar at 4.4% and Saudi Arabia at 3.7%.

Subdued Inflation Trends Remain Across the GCC

Inflation across most MENA countries is expected to ease during 2025 and 2026, primarily driven by lower expected energy prices alongside tightening of fiscal stances. Additional factors such as the front loading of consumption and investment in anticipation of tariff increases, as well as trade diversion through third countries may also have contributed to the overall easement of inflation in the MENA region. Similarly, global inflation is expected to fall to 4.2% in 2025 and 3.7% in 2026, remaining above target in the United States yet staying subdued in most other regions. The resilience of US inflation was mainly attributable to temporary factors, including investment and inventory-management strategies, together with the front loading of trade and investment undertaken by firms.

Moreover, inflation in the GCC region is projected to remain stable and moderately under or at the 2% target for 2025 and 2026. Likewise, the IMF expects inflation in MENA oil importers to remain low in several countries such as Jordan, while in other countries such as Egypt, inflation is expected to decline from its accustomed higher levels as the effects of earlier currency depreciation and energy-price increases fade. GCC inflation is projected to rise moderately from 0.6% in 2024 to 1.7% in 2025 and 2% in 2026, remaining below the central-bank target of 2% over the entire forecast horizon. However, in the wider world, persistently elevated tariffs may prompt central banks to adopt tighter and more restrictive monetary stances, which might translate into higher funding costs in MENA economies. This, in turn, could inadvertently lift inflationary pressures across the region despite current disinflation forces.

In Advanced Economies, inflation is projected to return to target, reaching 2.2% by 2026. Meanwhile, in the Middle East and Central Asia, inflation is expected to fall to 10.9% in 2025, down from 14% in 2024. In comparison, inflation in the MENA region is projected to fall to 11.3% in 2025, down from 12.9% in 2024. In contrast, among oil-importing MENA countries, inflation is expected to drop steeply from 19.5% in 2024 to 9.7% in 2025 and 9.4% in 2026, primarily due to lower food and energy prices. However, inflation pressures remain elevated in some countries owing to ongoing geopolitical conflicts and currency depreciation, keeping inflation above long-term averages.

Oil Revenues Expected to Remain Subdued Through 2025

Aside from temporary spikes tied to geopolitical events in the region, oil prices stayed within the USD 60 per barrel to USD 70 per barrel range in 2025. The IMF notes that risks around oil prices are relatively balanced, projecting an average of USD 69 per barrel in 2025, easing to USD 66 per barrel in 2026. The IMF also emphasizes that its projected prices for 2025 and 2026 sit well below the USD 79 per barrel average recorded in 2024. Nevertheless, the IMF cautions that a faster rebound in oil production among OPEC+ members, combined with weaker-than-expected global demand, could trigger oversupply and exert downward pressure on prices. If prices slip below the baseline, fiscal and external positions of oil-exporting economies could be adversely affected. Conversely, an escalation of regional geopolitical tensions including potential additional sanctions on Russian and Iranian energy exports that could lift prices. While such an outcome would improve prospects for regional oil exporters, it could pose economic challenges for oil-importing countries, particularly those with high fuel subsidies, heavy reliance on imported fuel, and relatively high energy intensity of GDP. In that case, inflation dynamics and account balances would diverge across MENA, complicating monetary policy calibration and budget planning in 2025 and 2026.

Fiscal Balance Expectation to Move into Deficit Reversed

On the fiscal front, the IMF has reversed its expectation that the GCC will slip into a slight fiscal deficit in both 2025 and 2026. Previously, a deficit of 0.2% of GDP was projected for 2025 and 2026; this has now been overturned, with the IMF penciling a surplus of 0.8% of GDP in 2025 and 0.9% of GDP in 2026 for the GCC. Conversely, the IMF expects the wider MENA region's fiscal balance to remain in deficit, albeit smaller than the gap projected in May-2025. It revised its 3.4% and 3.6% of GDP deficits for 2025 and 2026 to a uniform deficit of 2.6% of GDP for both years, respectively.

General Government Fiscal Balance	Actual			Projections	
Percent of GDP	2022	2023	2024	2025e	2026e
Bahrain	-6.0%	-9.7%	-10.6%	-10.7%	-9.9%
Kuwait	30.0%	28.2%	23.8%	26.8%	26.5%
Oman	10.5%	6.9%	3.3%	0.4%	1.0%
Qatar	10.4%	5.6%	0.7%	-0.3%	1.3%
Saudi Arabia	2.2%	-1.8%	-2.5%	-3.7%	-3.7%
United Arab Emirates	9.8%	5.8%	6.4%	5.1%	4.8%
GCC	**7.1%**	**3.1%**	**1.8%**	**0.8%**	**0.9%**
MENA	**3.4%**	**0.2%**	**-1.9%**	**-2.6%**	**-2.6%**

Source : IMF REO October-2025

Current account surpluses have also been revised up across the GCC. For 2025, the region's surplus is now estimated at 4.9% of GDP, compared with 2.4% of GDP in the May-2025 forecast. The IMF also penciled a further upward revision to the GCC current account balance for 2026 to 4.3% of GDP, versus 1.9% of GDP in the earlier May-2025 outlook. Kuwait is expected to maintain the GCC's highest current account surplus at 26.5% of GDP in 2025, followed by the UAE at 13.2% of GDP over the same period. These shifts reflect expected firmer oil receipts and contain spending.

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