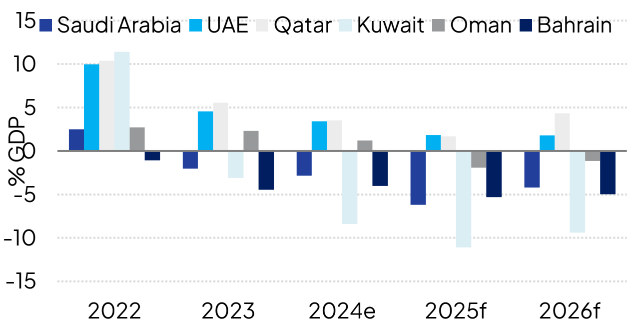
بنك الإمارات دبي الوطني
Emirates NBD

GCC fiscal outlook, April 2025

April 28 2025 – Economics

Lower oil prices will drag on budget balances across the GCC. Our new forecast of an average USD 68/b this year is below our weighted average fiscal breakeven oil price of USD 74/b across the GCC (excluding Qatar) meaning that the bulk of the bloc's economies will see wider budget deficits this year than we had previously envisaged: we now see a weighted average budget deficit equivalent to 3.6% of GDP this year, compared with an estimated shortfall of just 1% of GDP in 2024.

GCC budget balances



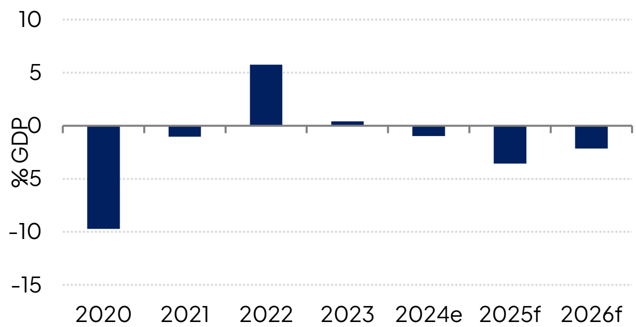
Source: Haver Analytics, Emirates NBD Research

Despite the extra pressure on budgets, the negative impact on non-oil growth will be relatively limited in the near term at least, with regional economies benefitting from investment programmes related to diversification strategies. The current downward pressure on oil prices highlights the importance of these investment plans and of the ongoing efforts to widen the tax base through the introduction of VAT and CIT in recent years. Moreover, with debt levels low throughout the bloc, there remains substantial room to cover budget deficits through borrowing.

UAE

The UAE will still record a budget surplus in 2025, but a smaller one than we had previously forecast prior to our revised oil price outlook. We now forecast a surplus equivalent to 1.8% of GDP this year, compared with our previous projection of 2.7%. This is a smaller budget surplus than we estimate for last year (3.4%) though it should be noted that we are still waiting on full-year 2024 consolidated budget and national accounts figures for the UAE.

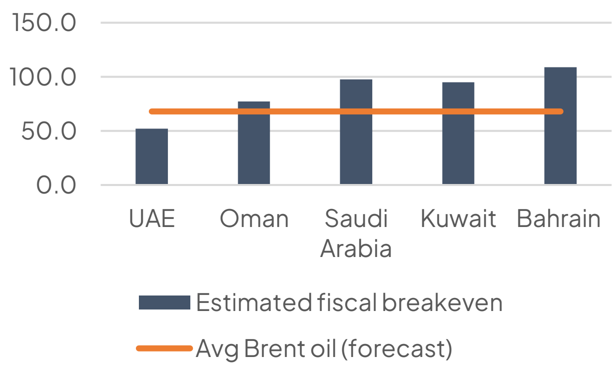
Weighted average GCC budget balance



Source: Bloomberg, Emirates NBD Research

The UAE's Federal General Budget Annual Report was published in February, estimating revenues at AED 65.7bn in 2024 while expenditures hit AED 64.1bn, leaving a surplus of AED 1.6bn. The UAE cabinet has approved the 2025 federal budget at AED 71.5bn in revenues and AED 71.5bn in expenditure, signalling an 11.5% rise in spending. The Federal budget plan tends to aim for a balanced budget, and it accounts for a fairly small proportion of total spending in the country given that the individual emirates have their own budgets, but it can be a useful pointer for general government spending intentions and the expansion of both revenue collection and spending.

GCC breakeven oil prices, USD/b

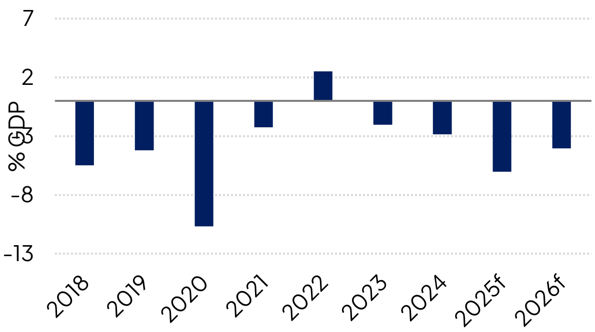


Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

For Saudi Arabia we now forecast a budget shortfall equivalent to 6.0% of GDP, or SAR 251bn (USD 66.9bn), up from 5.2% previously and compared with the official projection of a 2.3% deficit. This would mark the largest budget shortfall for the country since 2020, with the combination of lower oil prices (we estimate Saudi Arabia's breakeven point at USD 97.5/b) and sustained production curbs weighing on revenues while budget spending continues to rise.

Saudi Arabia budget balance, % GDP



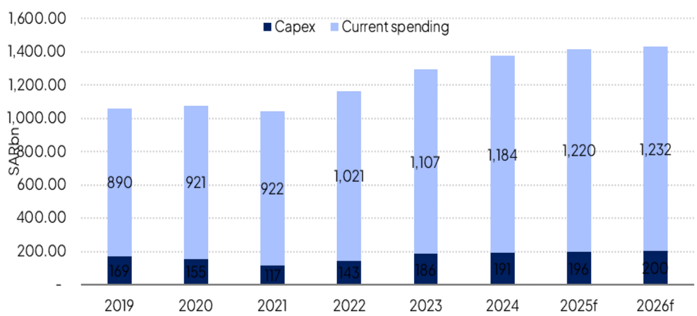
Source: Haver Analytics, Emirates NBD Research

We forecast total revenues of SAR 1,164bn this year, down from SAR 1,259bn in 2024. This compares with the official projection of SAR 1,184bn as oil revenues will be lower than previously anticipated even as we expect robust growth in non-oil revenues once again. Actual revenues exceeded the budgeted figure by 7.4% last year, though this would have been supported by the government's share of the ARAMCO dividend which was maintained at SAR 465bn last year while the company projection for 2025 is just SAR 320bn.

In terms of expenditure, we forecast total spending at SAR 1,415bn this year, which is higher than the government prediction of SAR 1,285bn but only by 19.5%, while the average overshoot over the previous two years was nearly 30%. As such, the risks to our outlook for the budget balance are likely weighted predominately to the downside, even as the official projections expect spending this year to be lower than in 2024. The bulk of budgeted spending continues to go towards current expenditure, at around 86% of the total, with much of the big project spending financed through other channels, such as the Public Investment Fund. So while there has been talk about a recalibration of big project spending, the effect of this on the budget balance would be less pronounced than it might otherwise have been were all this spending being channeled through the government budget. In any case, the likelihood remains that project spending will remain high through the coming years with a reprioritisation of spending between different projects more likely than any wider rollback.

The wider budget deficit will likely entail more public borrowing from Saudi Arabia and the country has already been the largest emerging market issuer of debt so far this year, just as it was in 2024. Saudi Arabia started 2025 off with a USD 12bn international issuance in January and the National Debt Management Centre has outlined that a reliance on borrowing is likely to continue through the next several years. This has seen the debt/GDP ratio tick up to 29.9% of GDP last year, from a recent low of 23.8% in 2022 and just 1.5% in 2014. This is still comparatively low by international standards, however, and there remains room for further borrowing.

Current spending bulk of budget



Source: Haver Analytics, Emirates NBD Research

Kuwait

We expect that Kuwait will have the largest budget deficit in the GCC this year, forecasting a shortfall equivalent to 11.1% of GDP, from an estimated 8.4% deficit in 2024. Our 2025 outlook is revised wider from our previous projection of 9.6% and our new expectation of KWD 6.3bn means we are now in line with the official government budget projections published in February. The Kuwaiti budget is often conservative in its oil price projection, and the 2025 issue was predicated on an average USD 68/b, in line with our revised forecast. However, the breakeven price required is much higher at around USD 95/b according to our estimates.

The biggest recent development on Kuwait's fiscal front is the passing of a draft decree by the cabinet in March that could see new debt issued for the first time in eight years. Political grid lock had held up the new debt law's passing for years, with successive budget deficits covered by drawing down on still ample reserves. However, the impetus to invest in longer-term diversification projects with this money has been lacking. As such the draft decree could see even wider deficits going forward, though this would be aimed at supporting economic development in line with the Kuwait Vision 2035 programme.

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