

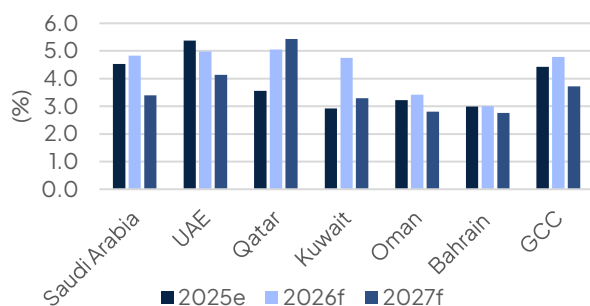
GCC: Growth set to strengthen in 2026 as hydrocarbons production picks up

18 December 2025 – Economics

- GCC growth will strengthen in 2026, led by faster expansion in hydrocarbons; non-oil growth will remain solid but slow slightly.
- Non-oil activity will be supported by population growth, new industries, and public investment; inflation will stay soft, while monetary policy will loosen.
- Hydrocarbons sector growth will accelerate, offsetting in part lower oil prices; fiscal balances will be mixed, with surpluses in UAE and Qatar, but deficits persist elsewhere.

The GCC economies will see stronger growth on aggregate next year, with almost all of the six economies that constitute the bloc set to see a faster expansion than we estimate for 2025. This will be driven by an anticipated acceleration in hydrocarbons activity, while non-oil growth will remain strong, albeit slowing from recent levels. Non-oil growth will be supported by growing populations, the expansion of new industries, and high levels of public investment. Lower oil prices will keep pressure on budgets, but this will be offset in part by higher production levels, and the regional governments remain committed to their various development agendas.

Headline growth to strengthen next year



Source: Haver Analytics, Emirates NBD Research. GCC = weighted average

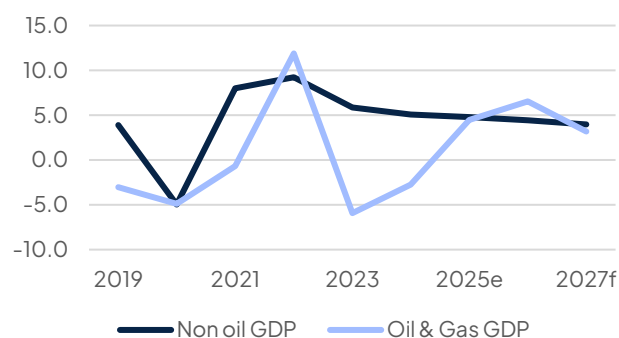
Modest slowdown in non-oil GDP growth

Our broad expectation for non-oil activity in 2026 is that there will be a modest slowdown across the bloc, but this is largely on the back of base effects following several years of higher-than-average growth coming out of the Covid-19 pandemic. The conditions that have supported growth through the past year are set to continue, with the global environment arguably set to be more conducive to stimulating economic activity than we saw in 2025. We forecast weighted average non-oil growth of 4.4% in 2026, down from an estimated 4.8% in

2025, with the UAE, Saudi Arabia, and Qatar set to be the outperformers once again.

We are heading into 2026 with some solid momentum behind the non-oil economies in the GCC. PMI surveys for the region have been coming in comfortably above the neutral line through the final months of 2025, with solid growth in new orders also pointing to a strong pipeline of work that should be maintained into 2026. The PMIs for Kuwait, Qatar, and the UAE all strengthened in November compared with the previous month, and while the index for Saudi Arabia did soften slightly from October's reading, at 58.5 it remains very high and indicative of strong growth in the non-oil private sector.

Hydrocarbons growth will outpace non-oil in 2026



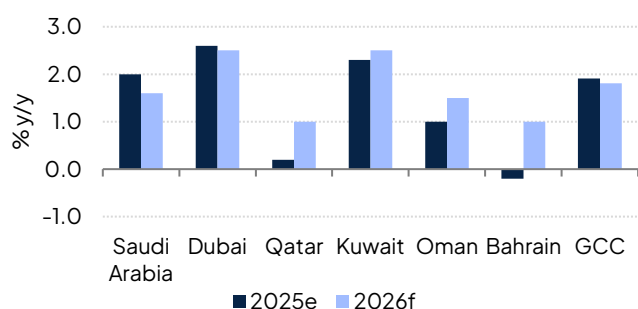
Source: Bloomberg, Emirates NBD Research

Another common factor in the recent surveys was that businesses have only been raising their prices charged to customers at a sedate rate, which will help inflation in the bloc remain soft next year and provide a tailwind to consumer activity. Headline CPI inflation slowed in both Saudi Arabia and Dubai in November, and while there was a modest pick-up in the same month in Qatar and Oman, it remains at low levels. We estimate a weighted average inflation rate of 1.9% in 2025, the same pace as in 2024, and forecast a modestly slower pace of 1.8% next year.



Lower oil prices, slowing housing inflation in the largest economies, and a less pronounced depreciation of the dollar should all keep inflation down. The GCC is also set to benefit from easing monetary policy – we forecast that the US Federal Reserve will cut its benchmark Fed funds rate by a cumulative 75bps next year, which will likely be followed by the regional central banks given the currency pegs in place mean that they tend to move in tandem. This should lower borrowing costs throughout the bloc, providing a further spur to activity.

Inflationary pressures will remain soft



Source: Haver Analytics, Emirates NBD Research

Otherwise, we expect that a continuation of economic reforms in the bloc will continue to boost private sector activity. Diversification efforts have been progressing at differing paces throughout the bloc over the past 10 years, but there has been a renewed impetus in some countries in recent months, not least Kuwait where a new privatisation push was started in November 2025, while Oman's efforts at improving the labour market and advance digital transformation have been noted by the IMF. These GCC-wide efforts should encourage greater inflows of FDI into the region over the coming years and continue to entice the inflows of new workers that have helped boost populations and economic growth over the recent period.

Hydrocarbons economies will enjoy stronger growth

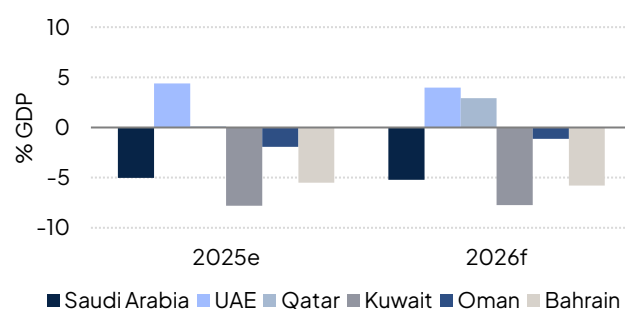
While there will be a modest slowdown in non-hydrocarbons activity next year, we anticipate that growth in the hydrocarbons sector, which still accounts for nearly 30% of the GCC economy, will accelerate and expand by 6.5%. This would be the fastest rate of growth since 2022 when the region benefited from the post-Covid surge in demand for oil and compares with an estimated 4.5% growth in 2025.

The surge in growth does not reflect a particular rise in forecast global demand next year, with growth expected to be sluggish at best, but rather in large part a change in strategy from OPEC+ that has seen it pivot to target market share rather than pricing. This will boost Saudi Arabia's oil GDP in particular, where we forecast growth of 8.0% next year, while Kuwait will pick up to 6.0%, from an estimated 3.5% in 2025. Bahrain is not a member of OPEC+ but should benefit from the Bapco modernisation programme, introduced in late 2024 and expected to boost activity. The other major factor that will underpin hydrocarbons GDP growth next year is the anticipated launch of the North Field gas expansion in Qatar, which is expected to come online around the middle of 2026. We forecast Qatar's hydrocarbons growth at 7.0% next year and 8.0% in 2027.

Fiscal balances mixed

With the oil demand outlook soft, and production ramping up not only from the region but from the rest of OPEC+ and non-OPEC producers also, we forecast that oil prices will decline in 2026. We forecast an average Brent price of USD 60/b, compared with around USD 68/b in 2025. And while increased production will mitigate the impact of this, especially in Saudi Arabia given our expectation of a significant ramp-up there, the upshot is that fiscal balances will remain under pressure in 2026. On the aggregate weighted average level, we forecast a budget deficit comparable to 2.3% of GDP, broadly in line with our estimate for 2025 (2.4%).

Most GCC budgets will remain in deficit



Source: Haver Analytics, Emirates NBD Research

Deficits are far from uniform, however, and we expect surpluses in both the UAE and Qatar. In Oman, we expect a narrower budget deficit next year as the government continues to implement



بنك الإمارات دبي الوطني
Emirates NBD

fiscal consolidation measures, with the country set to be the first in the GCC with income tax from 2028 onwards, albeit in a limited capacity and impacting high earners only. Saudi Arabia's budget deficit will remain around 5.0% of GDP.

Daniel Richards, Senior Economist
danielricha@emiratesnbd.com



Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.