



Global Pulse | Monthly View

2027 oil output surge to boost UAE, KSA headline growth

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- UAE 2026 oil production will be slightly higher than last year, following a rapid rebound in production from spring lows.
- Higher oil prices will offset a drop in Saudi production this year, leaving oil revenues higher than 2025 levels.
- Increases in UAE and Saudi oil output next year should offset oil-price declines, leaving 2027 oil revenues in both countries higher than this year's.
- Outsized expansions in 2027 oil GDP in the UAE and Saudi Arabia will add at least five percentage points to headline growth for both countries.

Higher oil prices have cushioned disruptions to production and export capacity for the UAE and Saudi Arabia, leading to an increase in hydrocarbon revenues in both countries. We expect production increases next year will more than offset a moderation in oil prices, and hence hydrocarbon income will increase further in 2027.

Distortions in oil production and exports due to the regional conflict this year will have outsized impact on Saudi and UAE economic variables—some of which are counterintuitive. We anticipate a rise in the Kingdom's total oil revenues this year, but real oil GDP will likely post a double-digit decline. The reason is that real oil GDP closely tracks barrels of oil produced—a number with no obvious economic meaning—whereas fiscal and external balances depend on actual oil revenues.

We have pencilled in a slight full-year increase in UAE oil production this year following a strong rebound in output over the summer. In the absence of an oil-related drag, 2026 headline growth in the UAE will likely be positive.

We anticipate oil production will increase by more than one-fourth in Saudi Arabia next year and by nearly 40% in the UAE. Hydrocarbons only account for about one-fifth of total activity in the two countries, but large increases in real oil output mean headline GDP growth figures may be considerably higher than the expansions we expect in non-oil output.

Elevated geopolitical uncertainty increases the range of plausible paths for oil prices and regional output, widening the confidence intervals around our forecasts. We expect Brent to remain elevated through the rest of 2026 and have pencilled in a year-end level around \$100/b and a full-year average of \$91/b, about one-third higher than in 2025. We anticipate a moderation in prices next year and have assumed that Brent will decline to \$73/b by end-2027.

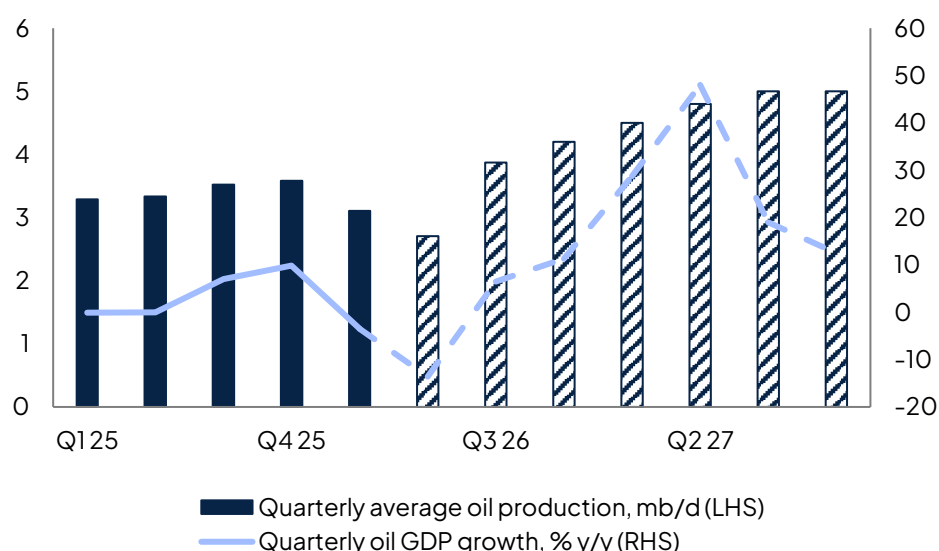


UAE: Full-year output to climb after rapid recovery

A rapid recovery in UAE crude production following a conflict-induced slump should push output this year higher than in 2025. We forecast real hydrocarbon GDP growth of nearly 1% this year, with the second-half rebound broadly offsetting a temporary decline in the spring. In 2027, we expect oil GDP to accelerate sharply as authorities ramp up production without the constraint of OPEC quotas.

We estimate that real oil GDP contracted by 13.6% year on year in the second quarter, with oil production down 18.9%. The subsequent recovery has been swift, with output rising from 2.1mb/d in May to 3.8mb/d in June and holding at that level through August. We anticipate production will grow 9.9% in the third quarter from a year ago, leading to oil GDP growth of 6.5%.

UAE oil production and GDP growth



Note: Dashed boxes and lines indicate forecasts

Source: OPEC, Haver Analytics, Emirates NBD Research.

The recovery should extend into the fourth quarter, with output rising to 4.3mb/d by year-end. Real oil GDP would then grow 11.3% in the final three months of the year, with full-year oil GDP growth at 0.8%.

We expect the UAE will continue increasing oil production next year, reaching 5.0mb/d by July and sustaining that level through the rest of the year. This implies a 39% annual increase in crude production and hydrocarbon GDP growth of 25.1%, which would add roughly five percentage points to the headline growth figure.

The mechanical pass-through from oil prices and production to UAE non-oil growth is limited by the economy's diversification, though the link is stronger in Abu Dhabi than in Dubai. Higher revenue should still support domestic liquidity, government-linked investment and confidence over the medium



term, even if the effect on private-sector activity is less direct than in Saudi Arabia.

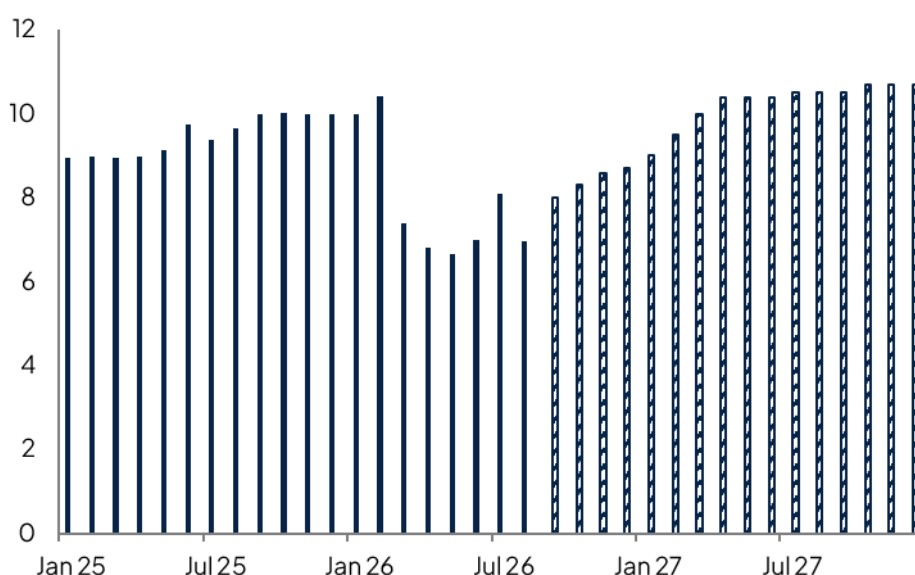
Stronger crude production and higher prices should lift export receipts and widen the current-account surplus, further increasing the UAE's stockpile of foreign assets. We now anticipate the UAE will run a fiscal surplus of 5.6% of GDP in 2026. The projected increase in production next year should more than offset a softening in prices, further raising the budget surplus to nearly 7% of GDP, which would be the largest since 2022.

Saudi Arabia: Higher prices offset lower output

Saudi Arabia faces a clear real GDP drag from lower oil production in 2026, as the oil component of GDP is driven primarily by physical crude output. The sharp fall in volumes in the second quarter therefore translated into a near-25% year-on-year contraction in real oil GDP. With production still around 30% below pre-conflict levels at the start of the third quarter, hydrocarbons are likely to weigh on headline growth this year.

We expect production to recover gradually over the remainder of the year, reaching 8.7mb/d by December. Even so, annual crude output would still be around 15% lower than in 2025. Volumes should normalise through 2027, with output rising to 10.7mb/d by the start of the fourth quarter. This implies a rebound in oil GDP of about 28% next year, which would lift headline GDP by more than six percentage points.

Saudi oil production volumes, mb/d



Note: Dashed columns indicate forecasts
Source: Bloomberg, Emirates NBD Research.

The distinction between production and exports is important. The conflict has disrupted the Gulf's main export route through the Strait of Hormuz, but Saudi Arabia has been able to reroute significant crude volumes through the East-



West pipeline to Yanbu. Estimates suggest up to 7mb/d can flow through the pipeline, of which authorities were exporting around 4mb/d over the summer, with the remainder used domestically or added to inventories.

Damage to the East-West pipeline from an early-September drone attack has disrupted those oil flows. Further attacks on the pipeline, or on vessels exiting the Red Sea via Bab el-Mandeb, present downside risks to Saudi export capacity.

Elevated crude and refined-product prices should offset weaker volumes, leaving export revenue from crude oil and products slightly higher than in 2025. Higher prices should also boost government revenue, with oil-related transfers from Aramco to the central government likely to rise in 2026.

Stronger hydrocarbon revenue reduces the immediate need for spending restraint. Government oil revenues in the first half of 2026 were 9% higher than a year ago, including a 22% year-on-year increase in the second quarter. Authorities raised fiscal spending by 15% in the first six months of 2026, consistent with that support. Higher revenue should also boost public-sector deposits and increase banking-system liquidity. Stronger government spending—particularly on capital expenditure—should also increase private-sector credit demand.

The Public Investment Fund, which owns 16% of Aramco, should also continue to receive a stable stream of base dividends this year, supporting spending on key infrastructure projects.



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