INTERNATIONAL MONETARY FUND

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GULF COOPERATION COUNCIL (GCC)— ENHANCING RESILIENCE TO GLOBAL SHOCKS: ECONOMIC PROSPECTS AND POLICY CHALLENGES FOR THE GCC COUNTRIES

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Gulf Cooperation Council

Enhancing Resilience to Global Shocks: Economic Prospects and Policy Challenges for the GCC Countries (2025)

Prepared by Staff of the International Monetary Fund

INTERNATIONAL MONETARY FUND

EXECUTIVE SUMMARY[1]

Despite the challenging external environment, the GCC economies have been resilient. Non-hydrocarbon activity has remained robust amid strong domestic demand supported by the reform momentum, limited spillovers from regional, as well as the modest direct impact of higher U.S. tariffs given the exemption of energy products and limited trade ties with the U.S. While external balances narrowed amid oil production cuts and robust imports, the external positions remain overall strong.

The economic outlook remains favorable but risks are tilted to the downside amidst elevated global uncertainty. Economic activity will be supported by the unwinding of oil production cuts, the expansion of natural gas production, and strong reform and project implementation facilitated by ample policy buffers. External buffers would remain comfortable despite narrower current account balances driven by higher imports. The near-term risks to the outlook are tilted to the downside, as oil prices could decline and financial conditions tighten amid high uncertainty. Over the medium term, ongoing global structural shifts pose two-sided risks for the GCC economies.

Amid elevated global uncertainty and commodity price volatility, policies need to focus on building resilience and accelerating economic diversification irrespective of oil prices.

Fiscal policy. The challenge for fiscal policy is to balance the objectives of countercyclical stabilization, intergenerational equity, and economic diversification, while managing fiscal risks through contingency planning.

- In the *near term*, the mildly contractionary fiscal stance is broadly appropriate given the need to secure intergenerational equity, and no additional fiscal consolidation is needed in response to lower oil prices given ample policy buffers and the prioritization of public investment.
- Over the *medium to long term*, further fiscal consolidation—of about 6 to 18 percent of non-oil GDP—will be needed in Bahrain, Kuwait, Oman and Saudi Arabia, with its size calibrated to achieve intergenerational equity and its composition focused on mobilizing non-hydrocarbon revenue and phasing out energy subsidies while preserving high priority capital spending needed to support economic diversification. Consolidation efforts should be calibrated to country-specific circumstances and supported by public financial management reforms, including the adoption of credible medium-term fiscal frameworks and appropriate fiscal rules, enhanced risk monitoring, and consolidated sovereign asset-liability management frameworks.

Monetary policy. The current monetary policy frameworks—consistent with the currency pegs—have served the GCC well and should be maintained. The policy priority is to strengthen

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monetary policy transmission, including by enhancing liquidity management frameworks and deepening financial markets.

Financial stability. The banking system is on a strong footing. Amid high global uncertainty and commodity price volatility, macroprudential policy should continue to proactively manage systemic risk, while financial regulation and supervision should keep evolving with international standards.

Structural policies. Further progress on economic diversification is challenged by elevated global uncertainty that could affect the region through volatile oil prices, lower global growth, tighter global financial conditions, and lower private sector investments (including FDI). Against this backdrop, accelerating and prioritizing reforms irrespective of oil prices will support the transition to a new growth model and enhance resilience in a shock-prone world, with a focus on productivity-enhancing reforms, the deepening of domestic financial markets, and increased trade and financial integration.

- **Enabling environment.** The *business climate* has improved significantly. Nonetheless, where gaps remain, further progress can be achieved, including through the streamlining and cost reduction of administrative procedures, the enhancement of the rule of law, and an increase in the transparency of public procurements. Similarly, while several policy initiatives have improved *labor market* outcomes, including female labor force participation (FLFP), further progress is needed to address the wage gap between the public and private sectors, enhance mobility for expatriate workers, increase FLFP, and address the skill mismatch. Given its potential to boost productivity, leveraging *digitalization and AI* remains a priority, with policies avoiding overregulation to support innovation, enhancing the ability of workers to adapt to new technologies, and strengthening social safety nets to protect displaced workers.
- **Deepening of domestic financial markets.** Deeper financial markets could help mobilize long-term capital for investments, thereby increasing the resilience of diversification strategies in the context of high uncertainty. In the GCC, there is scope to increase the depth of private sector credit (especially for SMEs) and local currency bond markets. Credit markets would benefit from prudent fiscal policies and debt management strategies to increase credit supply to the private sector, higher competition, enhanced quality and coverage of credit information systems, streamlined insolvency procedures, and improved financial literacy. Also, local bond markets could be supported by the elimination of structural impediments (e.g., low private savings, low liquidity) and market infrastructure gaps (e.g., settlement systems), as well as enhanced issuance strategies.
- **Trade and financial integration.** Fostering new and more diverse international economic relationships can help mitigate the impact of trade uncertainty. Against this backdrop, intra- and interregional trade could benefit from streamlining non-tariff barriers and other impediments (e.g., local content requirements), including in the context of trade agreements at country- and GCC-level, as well as reducing tariffs and eliminating other impediments to trade (e.g., infrastructure) in partner countries and regions. In this regard, continued investments by the GCC in partner regions could help enhance trade with them. In addition, financial integration could be supported by an enabling environment, including by further relaxing restrictions on foreign investment.

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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

A. Global Economy in Flux, Prospects Remain Dim

Global growth is projected to decelerate in 2025 and 2026 on the back of elevated global uncertainty and tariffs. Although the pause on higher U.S. tariffs announced in May was followed by some stabilization in global financial conditions, persistent uncertainty around global trade continues to weigh on economic activity and expose financial markets to a sudden shift in sentiment. Risks to the global outlook are tilted to the downside.

1. **Global growth is set to decelerate amid trade-related uncertainty** (Figure 1). While major shifts in global trade policy have been associated with a spike in global uncertainty in early-2025, higher tariff announcements were followed by several trade deals between the U.S. and its trading partners and the world economy was resilient in the first half of 2025 on the back of the frontloading of trade and investment, inventory management strategies, and the rerouting of trade. Nonetheless, uncertainty continues to mount, including related to trade tensions, and effective tariff rates remain high, with a potentially increasing economic impact over time as tariffs are gradually passed on to customers by firms. Against this backdrop, global growth is projected to decelerate slightly from 3.3 percent in 2024 to 3.1 percent in 2026, which also corresponds to a cumulative downgrade of 0.2 percentage points by 2026 relative to the October 2024 WEO. In the Middle East and North Africa, growth is expected to accelerate from 2.6 percent in 2024 to 3.5 percent in 2025 and 3.8 percent in 2026, supported by the unwinding of oil production cuts and the dissipating impact of conflicts in the region. Global inflation is projected to fall to 4.2 percent in 2025 and 3.7 percent in 2026 on the back of declining commodity prices and the global growth slowdown.

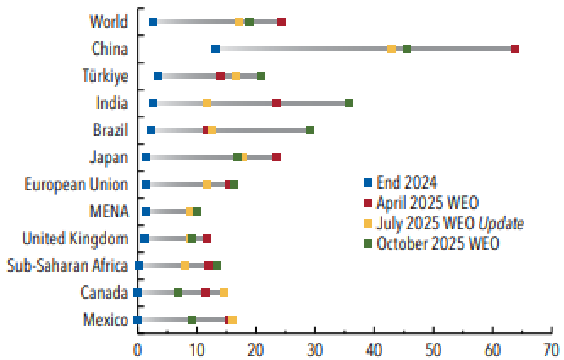
2. **Risks to the outlook are tilted to the downside.** On the downside, growth could be further constrained by a higher-than-expected impact of prolonged policy uncertainty and further protectionism. Geopolitical tensions could be associated with disruptions in global supply chains and an increase in commodity price volatility. Global financial conditions could tighten amid larger fiscal deficits and increased risk (e.g., triggered by disappointing productivity gains related to AI). On the upside, global growth could be supported by the resolution of trade tensions through the establishment of a predictable framework and a decline in tariffs.

3. **Global financial conditions are accommodative but remain vulnerable to sudden shifts in market sentiment amid high uncertainty** (Figure 1). Following a spike in financial market volatility on the back of elevated economic and trade uncertainty in early-2025, global financial conditions eased, with a rebound in equity markets, a narrowing in spreads, and the weaker U.S. dollar. However, given the slowdown in global growth and continued trade and geopolitical uncertainty, valuations of risk assets appear stretched. An abrupt repricing of risk assets could be amplified by increasing vulnerabilities in the financial system, including related to pressure from wider fiscal deficits, the sovereign-bank nexus, and the interconnectedness between banks and non-bank financial intermediaries. Against this backdrop, global financial stability risks remain elevated.

Figure 1. Global Landscape

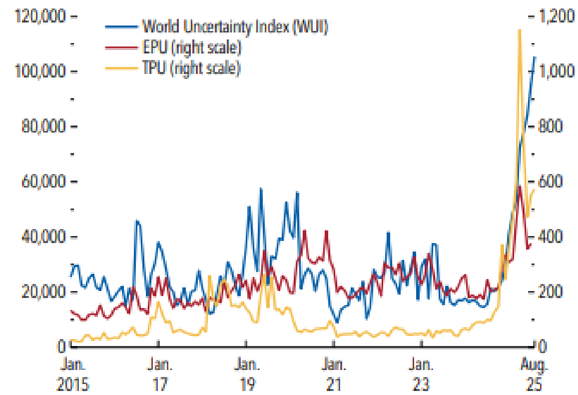
As U.S. effective tariff rates remain well above their 2024-level…

U.S. Effective Tariff Rates by Country
(Percentage)



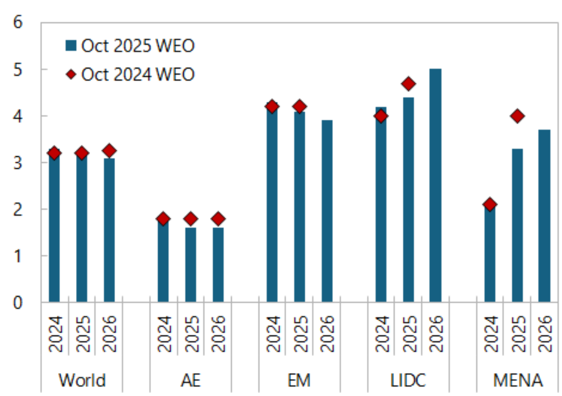
…and uncertainty remains elevated…

Overall, Economic Policy, and Trade Policy Uncertainty (Index)



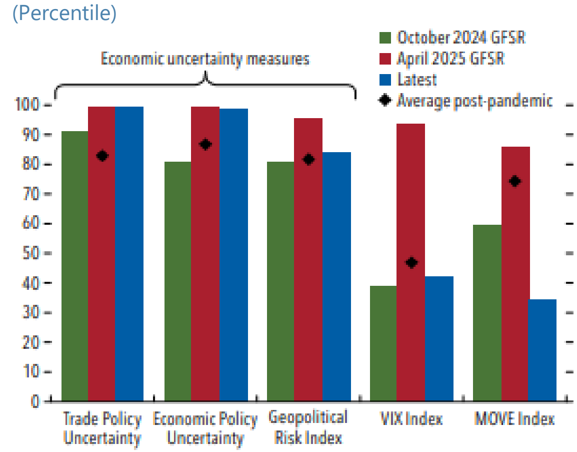
…world output growth is set to decelerate…

Real GDP Growth
(Percentage, y/y)



…while financial market conditions have eased, indicating some decoupling from the uncertain environment.

Economic Uncertainty and Financial Volatility
(Percentile)



Sources: IMF, 2025, World Economic Outlook – Global Economy in Flux, Prospects Remain Dim, October 2025; IMF, 2025, Global Financial Stability Report – Shifting Ground beneath the Calm, October 2025; IMF Staff calculations.

B. Recent Developments

Real Sector Developments

While hydrocarbon activity continued to weigh on economic activity amid the OPEC+ voluntary production cuts in 2024, the non-hydrocarbon economy remained robust, supported by domestic demand amid strong project and reform implementation despite the challenging regional context. So far, in 2025, the region continues to demonstrate resilience notwithstanding some temporary deceleration in the context of major global headwinds. Inflation has been broadly contained.

4. In 2024, the hydrocarbon sector continued to be a drag on growth, albeit to a different extent across the GCC (Figure 2). Real GDP growth accelerated from 1.6 percent in 2023 to 1.7 percent in 2024 on average in the GCC, ranging from -2.6 percent in Kuwait to 4 percent in the UAE, with cross-country differences largely due to hydrocarbon sector. Specifically, although the OPEC+ and voluntary production cuts continued to weigh on activity, hydrocarbon growth turned positive in the UAE (1 percent from -3 percent in 2023) and stayed negative, albeit to a significantly lower extent, in Saudi Arabia (-4.4 percent from -9 percent in 2023) due to the 'favorable' base effect. At the same time, the decline in hydrocarbon output accelerated in Bahrain amid the prolonged maintenance of the offshore Abu Sa'fah oilfield, as well as in Oman and Kuwait on the back of additional production cuts.

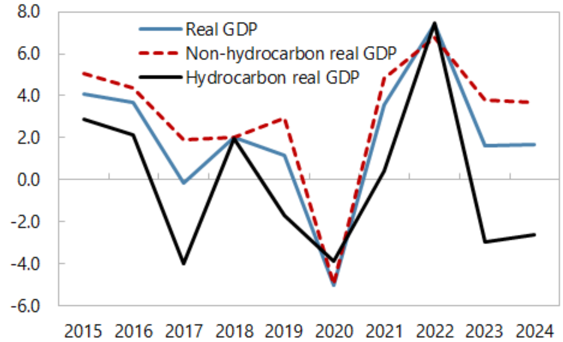
5. Non-hydrocarbon economic activity was bolstered by strong domestic demand amid diversification efforts (Figure 2). The non-hydrocarbon economy remained the main engine of growth, growing at 3.7 percent in 2024 on average in the GCC, ranging from 1.8 percent in Kuwait to 5 percent in the UAE. Non-hydrocarbon output continued to benefit from strong diversification efforts and project implementation as evidenced by robust domestic demand (+4.6 percent year-on-year on average). Nonetheless, the composition of the latter shifted from investment (4.4 percent year-on-year growth, down from a high base of 13.7 percent in 2023) toward private consumption amid low unemployment and robust credit growth (+5.6 percent, up from 5.1 percent in 2023). Investment continued to be concentrated in the non-hydrocarbon sector. In Saudi Arabia, for example, non-hydrocarbon investments (including government investment) have been in the range of 85-90 percent of total gross capital formation. With limited spillovers from tensions in the Red Sea and conflicts elsewhere in the region, non-hydrocarbon exports also showed robust performance, especially in the tourism sector with double-digit growth in Qatar, Saudi Arabia, and the UAE (Figure 2). In Qatar, for example, tourist arrivals during the 2024 Asian Cup (January-February) exceeded even those during the 2022 World Cup, while in Saudi Arabia, hospitality-related sectors witnessed the fastest sectoral growth. This momentum in tourism and private consumption was also reflected in the strong performance of services, particularly wholesale and retail trade, hotels, and restaurants.

Figure 2. Real Sector Developments, 2024

In 2024, production cuts continued to weigh on growth, while non-hydrocarbon growth remained robust…

GCC: Real GDP Growth

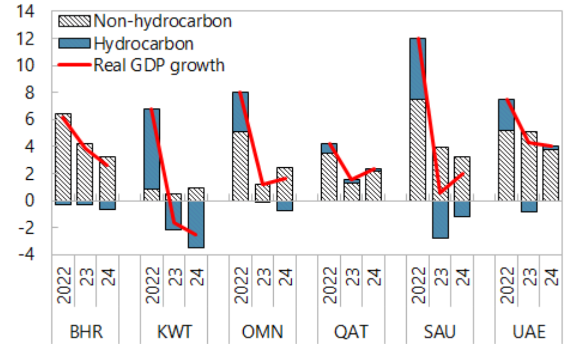
(Percentage, YoY, unweighted average)



…continuing to be the main engine of growth, albeit to a different extent across the GCC.

Real Hydrocarbon and Non-Hydrocarbon GDP

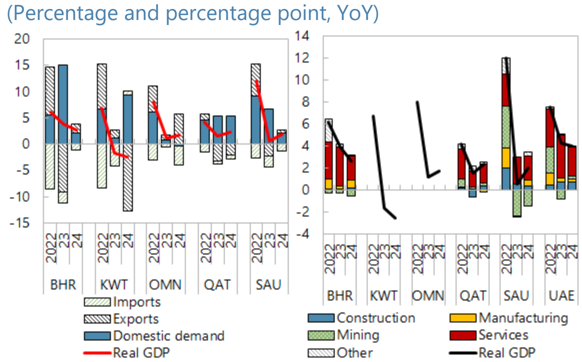
(Percentage and percentage point, YoY)



Domestic demand remained robust contributing to the strong performance of service sectors…

Real GDP: Composition of Growth

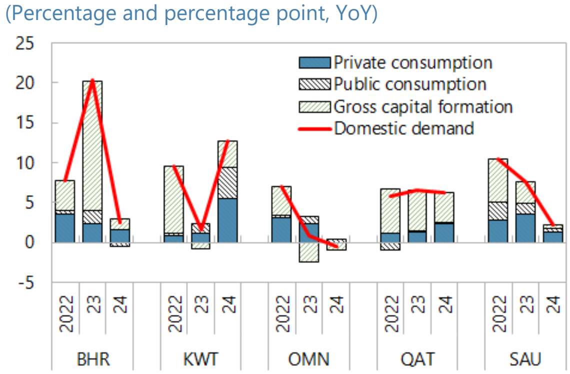
(Percentage and percentage point, YoY)



…in the context of strong private consumption, while investment growth decelerated in most GCC countries.

Domestic Demand: Composition of Growth

(Percentage and percentage point, YoY)



Note: Following the revision of the historical GDP data in the UAE, the breakdown of GDP by expenditure was not available as of the cut-off date for the preparation of the note.
Sources: IMF WEO, IMF staff.

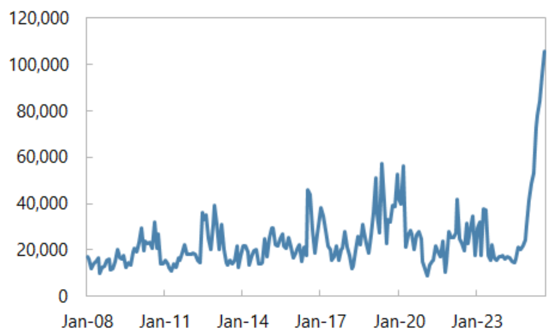
6. **So far in 2025, the GCC economies have continued to demonstrate resilience in a challenging environment** (Figure 3 and Annex I). The escalating trade tensions had a modest direct impact on the GCC, given the exemption of energy products from U.S. tariffs and limited trade ties with the U.S. in most GCC countries (Box 1). Nonetheless, the GCC economies were indirectly affected by elevated global and regional uncertainty, as indicated by some temporary capital outflow pressures amid trade tensions in January and April and a short-lived decline in the non-oil private sector PMI (albeit remaining in expansion territory and exceeding AEs and EMs). Despite the complicated regional context, tourist arrivals remained strong in the GCC, albeit to a different extent across countries, with Saudi Arabia and the UAE driving the sector's strong performance. Finally, although export volumes have been relatively low compared with recent years, reflecting oil production cuts, the unwinding of the latter started in April at an accelerated rate.[2]

[2] The accelerated pace was announced by OPEC in April, May, and July.

Figure 3. Economies Amid Heightened Uncertainty, 2025

As uncertainty increased in late-2024 and early-2025…

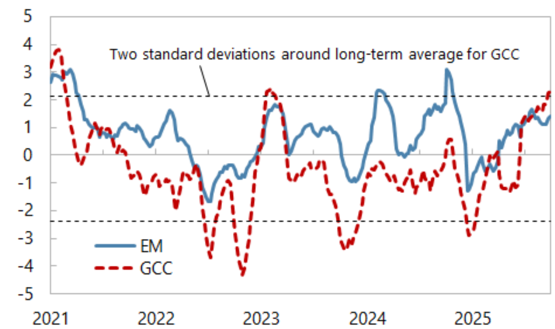
World Uncertainty Index



…the GCC faced some temporary capital outflow pressures followed by a quick rebound…

Net Portfolio Inflows in the GCC and EMs

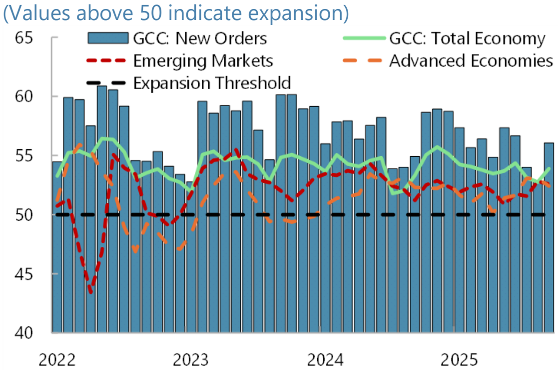
(8-week rolling sum in percentage of AUM)



…and the non-oil private sector outlook recorded a short-lived weakening but remained positive.

Purchasing Manager Index 1/

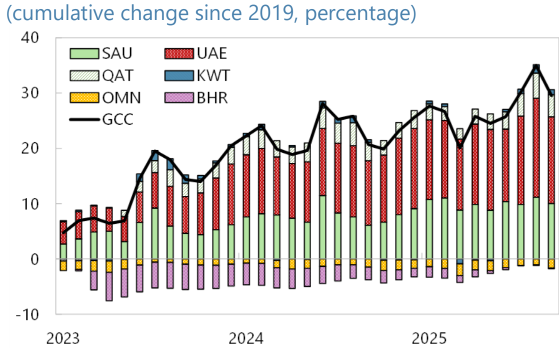
(Values above 50 indicate expansion)



International flight arrivals remained strong at the GCC level, albeit to a different extent across countries.

International Flight Arrivals

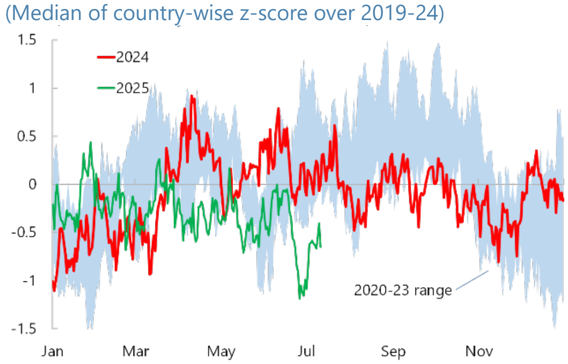
(cumulative change since 2019, percentage)



Exports from major GCC ports have been relatively modest, reflecting oil production cuts….

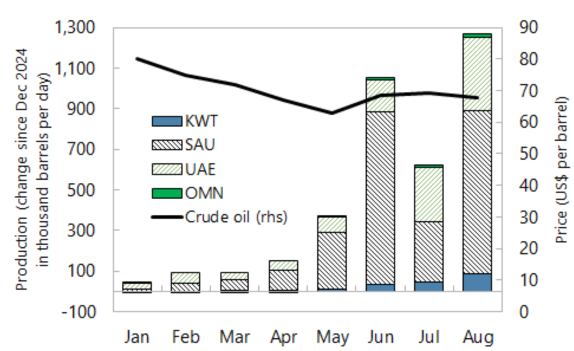
Export Volumes from Major GCC Ports

(Median of country-wise z-score over 2019-24)



…which started being unwound in April, while oil prices declined in Q2-2025.

Oil Production and Prices



1/ The GCC figures indicate the average for Kuwait, Qatar, Saudi Arabia, and the UAE.
Sources: Ahir, Bloom, and Furceri (2022); EPFR; PortWatch; Haver; FlightRadar; JODI (Haver); World Bank "Pink Sheet" Data; IMF staff.

Box 1. Global Trade Policy Changes and the GCC

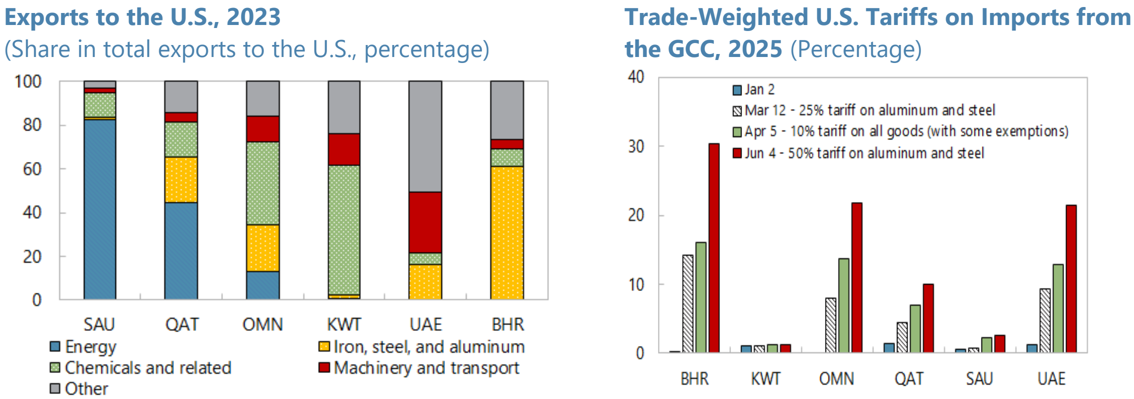
Tariff announcements by the U.S. affected the GCC countries to a modest extent. While direct impacts on trade with the U.S. are relatively higher in Bahrain, Oman, and the UAE given the higher shares of aluminum in their total exports to the U.S., the overall economic impact is contained by the moderate trade ties with the U.S. across the GCC. 1/

Tariff announcements affected trade between the U.S. and the GCC to a different extent across goods. Specifically, all exemptions to the 25 percent tariff on U.S. steel imports were removed and the tariff rate on aluminum was raised from 10 to 25 percent in mid-March, and rates were further increased to 50 percent in early-June. In addition, the introduction of the US Fair and Reciprocal Plan on April 2 implied a 10 percent tariff rate on imports from the GCC countries, with exemptions applied to 'critical' goods, including energy and certain minerals.

Box 1. Figure 1. Exports of Goods to the U.S.

The composition of exports to the U.S. differs across GCC countries…

…resulting in different effective tariff rates.



Source: UN Comtrade, WTO-IMF Tariff Tracker, Staff calculations.

Effective U.S. tariff rates have been affected by the composition of exports, leading to large differences across GCC countries (Box Figure 1). In Kuwait and Saudi Arabia, the relatively high importance of goods that are exempt from tariffs (e.g., energy and certain minerals in the chemical industry) resulted in a modest effective tariff rate. At the same time, the non-negligible shares of aluminum in exports resulted in spikes in the effective rates in Bahrain, Oman, and the UAE following the tariff hikes in March and June, with rates reaching around 30 percent in Bahrain. Finally, in Qatar, the effective tariff rate increased gradually as the impact of the high tariff on aluminum exports was partially offset by exempted energy exports.

Against this backdrop, the direct impact on trade with the U.S. is relatively low in most GCC countries (Box Figure 2 left panel). Reflecting the strength of their trade ties, the estimated potential change in bilateral trade with the U.S. varies across the GCC: bilateral goods exports to the U.S. could decrease at double-digit rates in Bahrain, Oman, and the UAE (10-15 percent in the near term and 20-30 percent in the long term), while the estimated declines are modest in Kuwait, Qatar, and Saudi Arabia (0-6 percent in the near-and long term) (Box Figure 2. left panel).

1/ In addition to the direct impact, the region could also be affected by the broader implications of rising trade tensions, with protectionist measures and retaliatory actions weighing on global growth, trade, and foreign direct investment, lowering commodity prices, and further tightening global financial conditions. Moreover, in light of the relatively low tariffs in the GCC compared with other trading partners of the U.S., the GCC could benefit from some trade rerouting.

Box 1. Global Trade Policy Changes and the GCC (concluded)

Moreover, the direct impact on the GCC economies of higher tariffs is further moderated by the relatively modest trade relations with the United States (Box Figure 2 right panel). Specifically, the share of exports to the U.S. in total exports of goods amounted to 0-2 percent in Kuwait, Oman, Qatar, and the UAE, close to 5 percent in Saudi Arabia, and around 8 percent in Bahrain in 2023. Also, goods exports to the U.S. amounted to only 1.4 percent of GDP on average in the GCC, ranging from close to zero in Kuwait to 2.6 percent of GDP in the UAE.

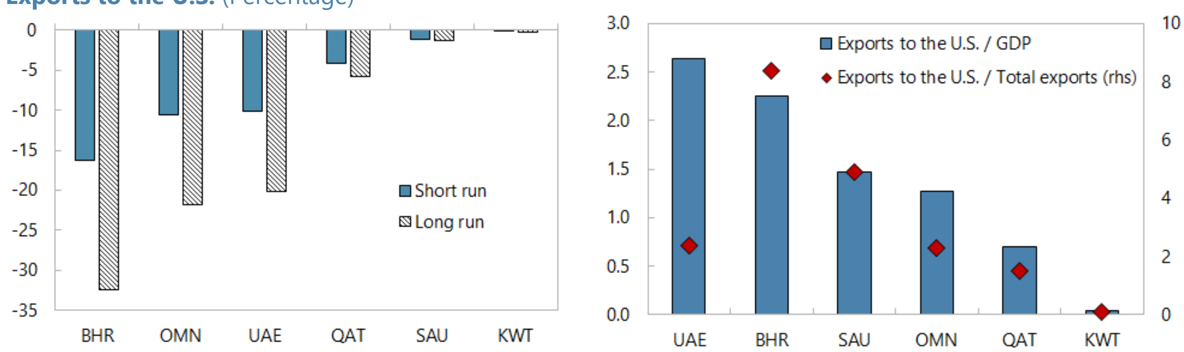
Box 1. Figure 2. Economic Impact of Tariff Increases

The change in exports to the U.S. varies across the GCC reflecting their trade ties…

Estimated Impact of Higher Tariffs on Goods Exports to the U.S. (Percentage)

…while the overall impact on GDP is contained by the relatively modest trade ties with the U.S..

Exports of Goods to the U.S., 2023 (Percentage)



Note: The bars on the left chart represent the direct (partial equilibrium) impact of the announced U.S. tariffs. Changes in bilateral trade flows are based on short- and long-run elasticities from Boehm, Levchenko and Pandalai-Nayar (2023). Given that the model does not differentiate between steel and aluminum and the literature suggests a lower price elasticity of demand in the case of the latter, the estimates on the chart can be considered an upper bound of the potential impact on exports.

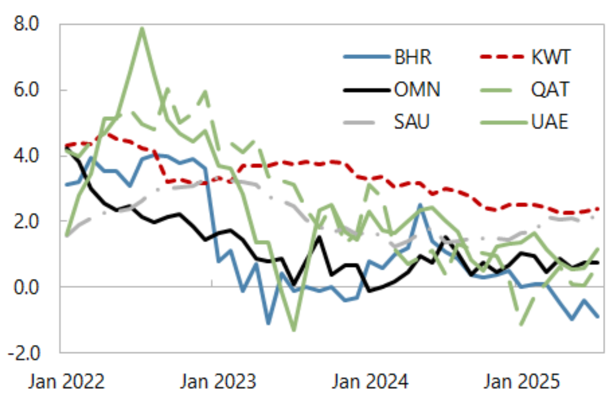
Sources: UN Comtrade, Staff calculations.

7. **Inflation has been contained, supported by the exchange rate peg, the broadly neutral output gap, and regulated prices** (Figure 4). On average, headline inflation decelerated to 1.5 percent in 2024 and has remained contained at around 1 percent on average in the first seven months of 2025. Tradable inflation has been hovering around 1 percent as subsidies and caps on prices were maintained in most countries, commodity prices have moderated, and the exchange rate pegs helped contain imported inflation. Nontradable inflation fell to less than 1 percent in 2025, supported by the broadly neutral output gap amid appropriately tight monetary policy. Nonetheless, there was some variation across countries, with nontradable inflation having started to moderate in Saudi Arabia (mostly driven by rental prices), and tradable prices (food, beverages, clothing, and household goods) increasing at a relatively high rate in Kuwait.

Figure 4. Price Developments

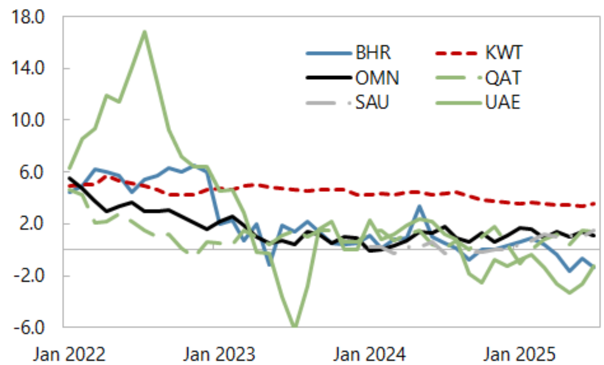
Headline inflation has stabilized at close to or below 2 percent across the GCC…

Headline Inflation
(Percentage, YoY)



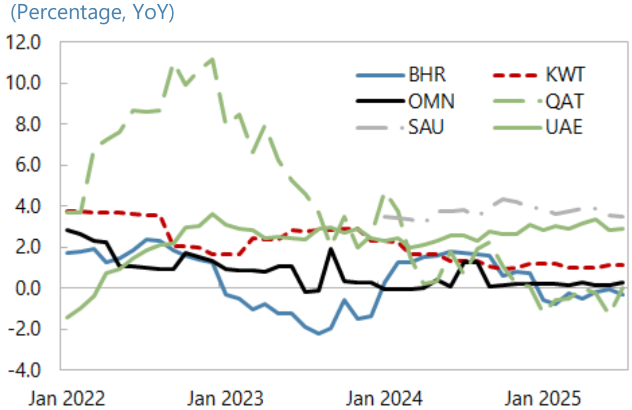
…as tradable inflation has been muted over the past two years…

Tradable Inflation
(Percentage, YoY)



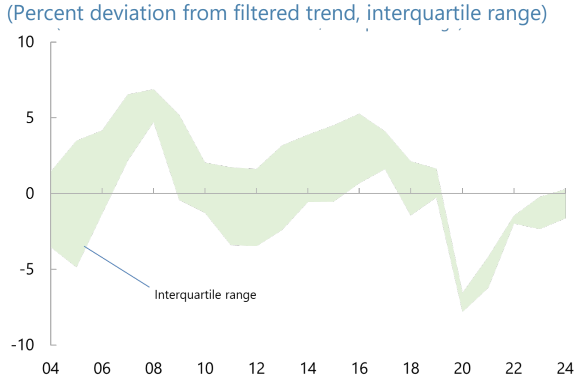
…and non-tradable inflation also stabilized at a low level in most countries…

Non-Tradable Inflation
(Percentage, YoY)



…against the backdrop of the broadly neutral output gap.

GCC: Non-Hydrocarbon Economic Cycle
(Percent deviation from filtered trend, interquartile range)



Sources: IMF WEO, IMF staff.

Fiscal Developments

Fiscal discipline has been maintained in the GCC, and the stance of fiscal policy has become contractionary. Fiscal balances have been stable despite declining oil prices, supported by continued efforts to contain government expenditures and mobilize non-hydrocarbon revenues.

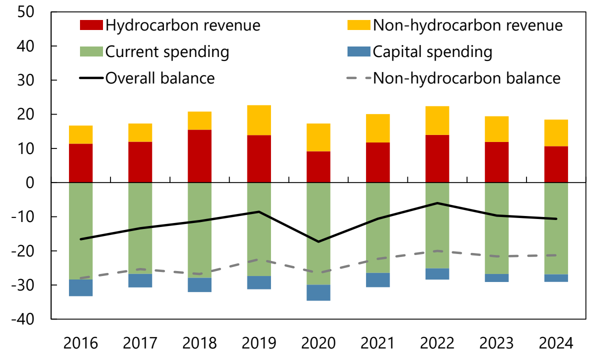
8. Fiscal balances have been broadly stable across the GCC recently, but vary widely in their level and composition (Figure 5). Since 2023, general government fiscal balances as shares of GDP have exhibited subdued volatility at the annual frequency, in parallel with macroeconomic fundamentals. This period of relative stability follows the surges in fiscal balances across the GCC in 2022, driven by the oil price spike associated with the resolution of the pandemic and outbreak of the war in Ukraine. Since 2023, Oman, Qatar and the UAE have been running moderate fiscal surpluses despite declining oil prices, while Saudi Arabia has been running moderate fiscal deficits amid continued strong project implementation. In contrast, Kuwait has been running substantial fiscal surpluses, while Bahrain has been running substantial fiscal deficits. This wide variation in fiscal performance is largely explained by differences in hydrocarbon revenues, which have been highest in Kuwait and lowest in Bahrain. Abstracting from this volatile revenue source, non-hydrocarbon fiscal balances have been broadly stable or gradually improving across the GCC recently, reflecting fiscal consolidation efforts.

9. Government expenditures have been contained recently, while non-hydrocarbon revenues have been mobilized (Figure 5). Current expenditures of the general government have remained roughly constant or increased moderately as shares of GDP in the GCC since 2023. The exception is the UAE, where current expenditures fell moderately as a share of GDP. Capital expenditures of the general government have remained roughly constant as shares of GDP over this period, except in Kuwait where they increased significantly, and in Qatar where they moderated. Meanwhile, significant non-hydrocarbon revenue mobilization has been achieved by Kuwait and Saudi Arabia, primarily reflecting non-hydrocarbon tax base expansions and revenue collection efficiency improvements, including through digitalization.

Figure 5. General Government Fiscal Balance 1/

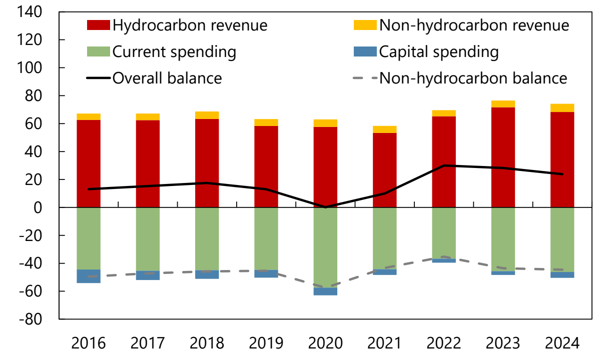
Fiscal balances have been broadly stable, with expenditures contained and non-hydrocarbon revenues mobilized.

Bahrain
(Percent of GDP)



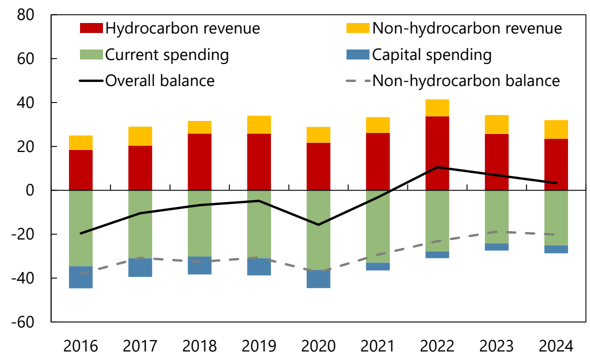
Sources: IMF October 2025 WEO.

Kuwait
(Percent of GDP)



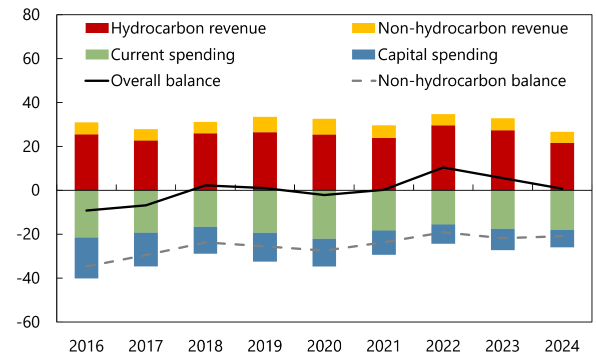
Sources: IMF October 2025 WEO.

Oman
(Percent of GDP)



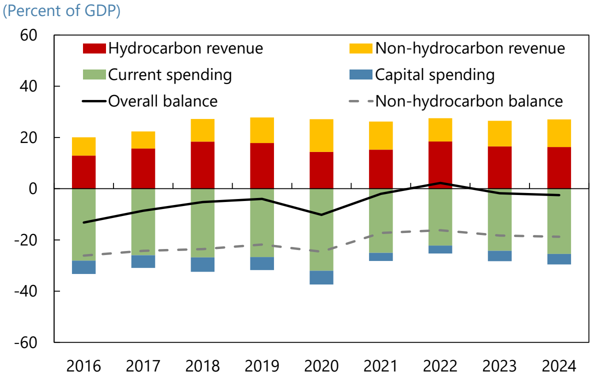
Sources: IMF October 2025 WEO.

Qatar
(Percent of GDP)



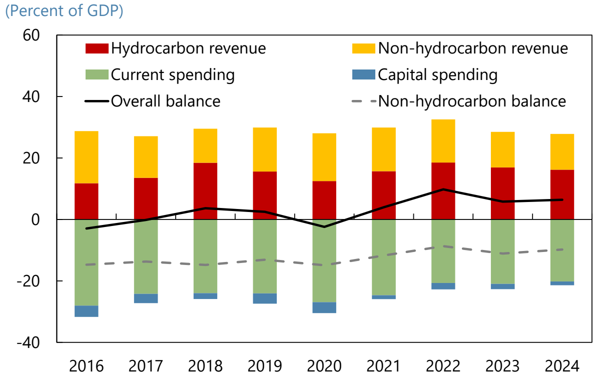
Sources: IMF October 2025 WEO.

Saudi Arabia
(Percent of GDP)



Sources: IMF October 2025 WEO.

United Arab Emirates
(Percent of GDP)



Sources: IMF October 2025 WEO.

1/ Fiscal balance in WEO: i) covers general government for Kuwait and UAE, versus central government for Bahrain, Oman, Qatar and Saudi Arabia; ii) is defined differently from that in Budget for Bahrain and Kuwait; and iii) includes SWF investment income for Kuwait and Oman only.

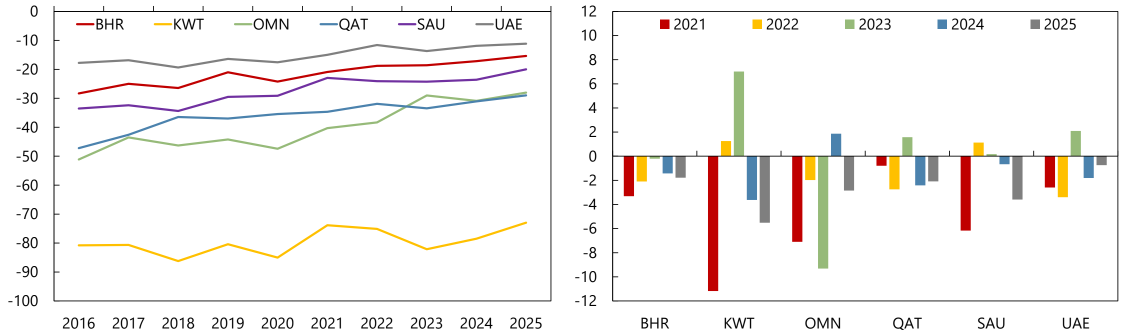
10. The stance of fiscal policy has become contractionary in the GCC (Figure 6). The fiscal impulse—as measured by the change in the non-hydrocarbon primary fiscal deficit of the general government in percent of non-hydrocarbon GDP—is estimated to be negative across the GCC in

2025, with fiscal consolidation constraining robust non-hydrocarbon growth to varying degrees. The exception is the UAE where the fiscal impulse is estimated to be approximately zero, while the caveat is that rising domestic investment by SWFs and GREs more broadly continue to support non-hydrocarbon growth in the region.

Figure 6. Non-Hydrocarbon Primary Fiscal Balance and General Government Fiscal Impulse

The stance of fiscal policy has generally become contractionary.

Non-Hydrocarbon Primary Fiscal Balance (Percent of Non-Hydrocarbon GDP) — **General Government Fiscal Impulse /1** (Percentage Points of Non-Hydrocarbon GDP)



Sources: IMF October 2025 WEO. Sources: IMF October 2025 WEO.

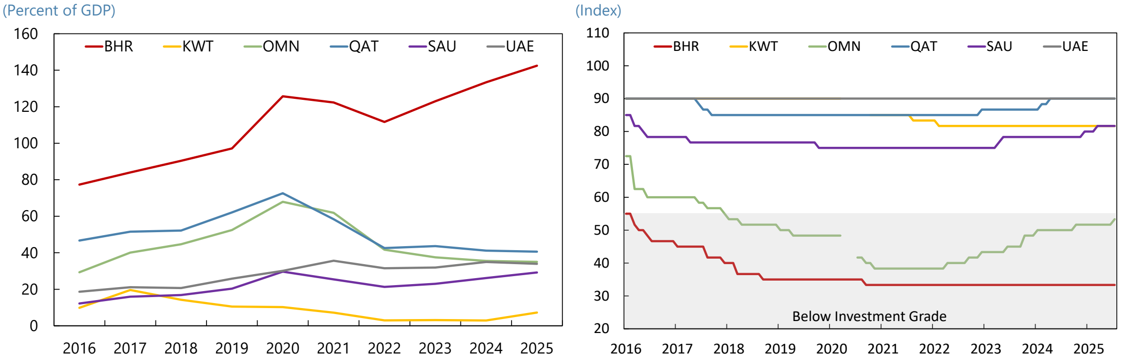
1/ Change in general government non-hydrocarbon primary fiscal deficit in percent of non-hydrocarbon GDP. Presents IMF staff projections for 2025.

11. Government debt generally remains low in the GCC, supporting investment grade sovereign credit ratings (Figure 7). General government gross debt remains contained at or below a low level in the GCC countries, except in Bahrain where it has steadily risen to an elevated level. On average across the major credit rating agencies, sovereign credit ratings have improved since the pandemic in Oman, Qatar and Saudi Arabia. They are now well above the investment grade threshold in Kuwait, Qatar, Saudi Arabia and the UAE, and have reached this threshold in Oman with two of the three major agencies.

Figure 7. General Government Gross Debt and Average Sovereign Credit Ratings

Government debt generally remains low, supporting investment grade sovereign credit ratings.

General Government Gross Debt (Percent of GDP) — **Average Sovereign Credit Ratings 1/** (Index)



Sources: IMF October 2025 WEO. Sources: Bloomberg.

1/ Average of sovereign credit ratings from Fitch, Moody's and Standard & Poor's, each converted into a comparable index where 100 = best and 0 = worst.

Monetary and Financial Sector Developments

Monetary policy has supported exchange rate pegs in the GCC, and its stance remains restrictive. Financial stability has been maintained, underpinned by prudent financial regulation and supervision. Looser financial conditions are stimulating bank and capital market based financial intermediation.

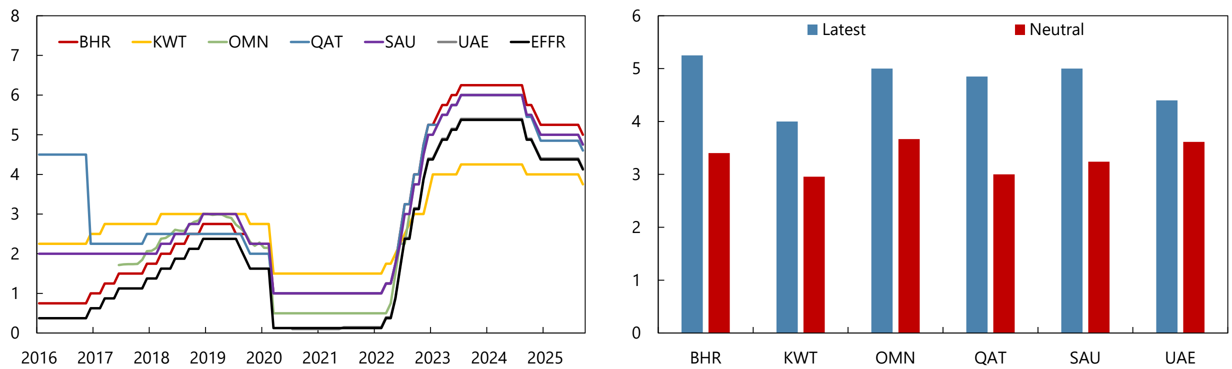
12. **Monetary policy in the GCC has continued to track the US Federal Reserve (Fed), consistent with maintaining exchange rate pegs** (Figure 8). Mirroring the cumulative 125 basis points of policy interest rate cuts by the Fed since its monetary easing cycle began in September 2024, 125 basis points of rate cuts were also implemented in Bahrain, Oman, Saudi Arabia and the UAE, while 140 basis points of rate cuts occurred in Qatar. The exception is Kuwait, where only 50 basis points of policy interest rate cuts have been implemented since September 2024, reflecting its exchange rate peg to an undisclosed basket of currencies, unlike the other GCC countries which peg to the US dollar.

Figure 8. Policy Interest Rates

Monetary policy has continued to track the Fed, and its stance remains restrictive.

Policy Interest Rates versus Effective Fed Funds Rate 1/ (Percent)

Policy Interest Rates versus Neutral Rates 2/ (Percent)



Sources: Haver Analytics.

Sources: Haver Analytics; IMF October 2025 WEO; IMF staff estimates.

1/ End-of-period central bank policy interest rates.

2/ Estimated neutral policy interest rates.

13. **The stance of monetary policy remains restrictive across the GCC** (Figure 8). Despite monetary easing since September 2024, policy interest rates remain above their estimated neutral levels, imparting disinflationary impetus to the economy. The variation in estimated neutral rates across the GCC countries primarily reflects differences in their estimated potential non-hydrocarbon growth rates.[3] These estimates are subject to considerable uncertainty.

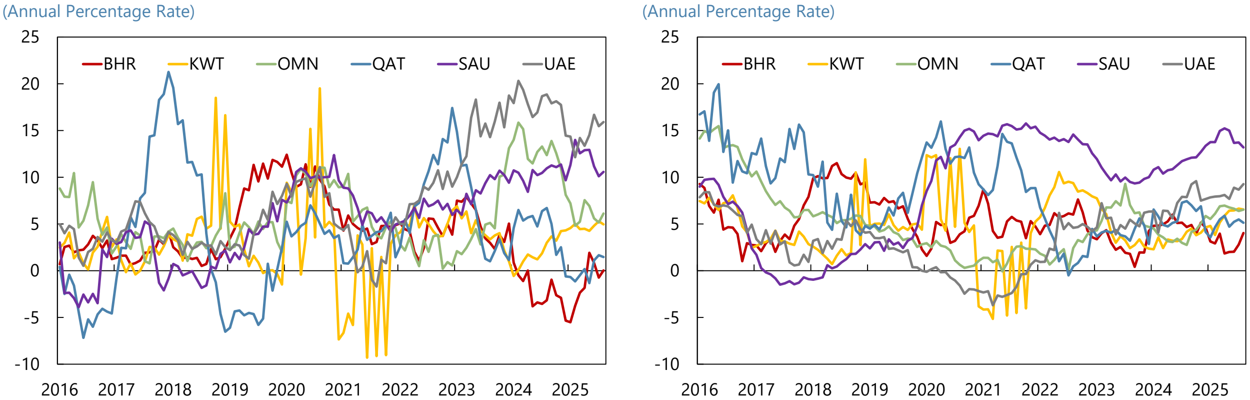
[3] The neutral policy interest rate i^* is estimated based on a calibrated New Keynesian model by $i^* = \bar{\iota} + \frac{1}{\sigma}\frac{E_t\hat{g}^*_{t+1} - \alpha\hat{g}^*_t}{1-\alpha}$, where $\bar{\iota}$ is the sample average policy interest rate, while $E_t\hat{g}^*_{t+1}$ and $\hat{g}^*_t$ are the projected and contemporaneous deviations of estimated potential non-hydrocarbon growth from its sample average. The habit persistence in consumption parameter α is calibrated to 0.5, while the intertemporal elasticity of substitution parameter σ is calibrated to 2.0.

14. Money and credit growth have generally been picking up in the GCC (Figure 9). Growth in broad money, and in bank credit to the nonfinancial private sector, generally increased across the GCC in 2024, with this upwards momentum carried into 2025. These broad-based money and credit expansions reflect robust non-hydrocarbon growth, as well as looser financial conditions given monetary policy easing. Bank credit growth is strong in Saudi Arabia, where growth in personal and corporate loans has outpaced growth in deposits, raising the reliance of the banking system on other funding sources, including short-term foreign currency wholesale funding.

Figure 9. Money and Credit Growth

Money and credit growth have generally been picking up.

Money Growth 1/ (Annual Percentage Rate) | **Credit Growth 2/** (Annual Percentage Rate)



Sources: Haver Analytics. | Sources: Haver Analytics.

1/ M2 broad monetary aggregate.

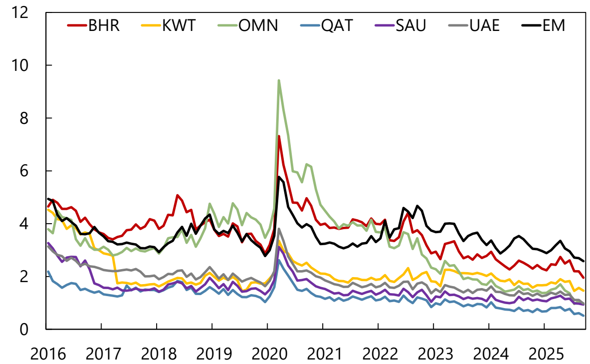
2/ Domestic bank credit to domestic nonfinancial private sector.

15. Bond spreads across the GCC have remained below the EM benchmark recently, while stock indices have roughly matched the EM benchmark (Figure 10). Bond and equity markets in the GCC have been resilient to the multiple episodes of heightened global economic uncertainty that have occurred this year (Annex I). The spreads between the yields on GCC bonds and US Treasuries have steadily narrowed since the pandemic, and have all remained below the EM benchmark since March 2022 (Annex II). This reflects the relatively low credit risk of GCC sovereign, quasi-sovereign and corporate debt issuers. Following a period of stock market overperformance associated with the oil price spike in 2022, stock indices have roughly tracked the EM benchmark, which has delivered strong returns. This performance has been achieved despite declining oil prices and the heavy weighting of oil companies in some GCC stock indices. In 2025, initial public offerings remain concentrated in Saudi Arabia (22 transactions of US$152 million average size) and the UAE (5 transactions of US$343 million average size).

Figure 10. Bond Spreads and Stock Indexes

Bond spreads have remained below the EM benchmark, while stock indices have roughly matched it.

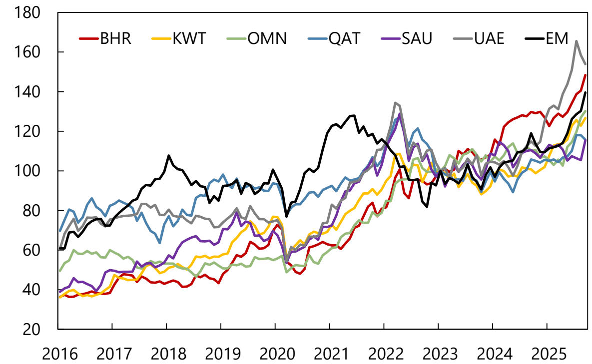
Bond Spreads versus EM Benchmark 1/
(Percentage Points)



Sources: Bloomberg.

1/ End-of-period JP Morgan MECI or EMBIG bond spreads.

Stock Indices versus EM Benchmark 2/
(January 2023 = 100)



Sources: Haver Analytics.

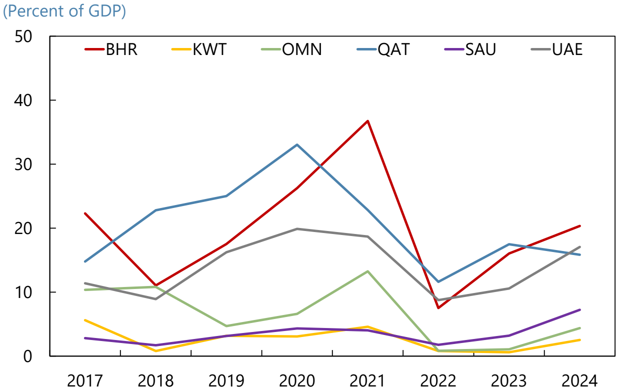
2/ End-of-period MSCI stock indices with net dividends in US dollars.

16. External debt issuance picked up in the GCC (Figure 11). In 2024, all GCC countries raised their gross external debt issuance as a share of GDP, except for Qatar. Financial corporations generally accounted for the largest share of this gross external debt issuance, followed by nonfinancial corporations and the general government. External sovereign debt was issued by Bahrain, Qatar, Saudi Arabia and the UAE, in part reflecting their strategies to finance infrastructure development projects associated with their structural reform programs, while diversifying their funding sources or developing their yield curves. In 2024, Saudi Arabia was the largest emerging market dollar debt issuer in the world.

Figure 11. Gross External Debt Issuance and Initial Public Offerings

External debt issuance picked up, while initial public offerings remain concentrated.

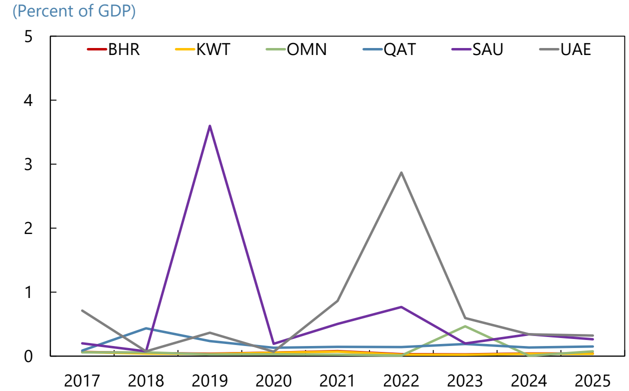
Gross External Debt Issuance /1
(Percent of GDP)



Sources: BIS; IMF October 2025 WEO; IMF staff calculations.

1/ All issuers in all currencies by nationality.

Initial Public Offerings /2
(Percent of GDP)



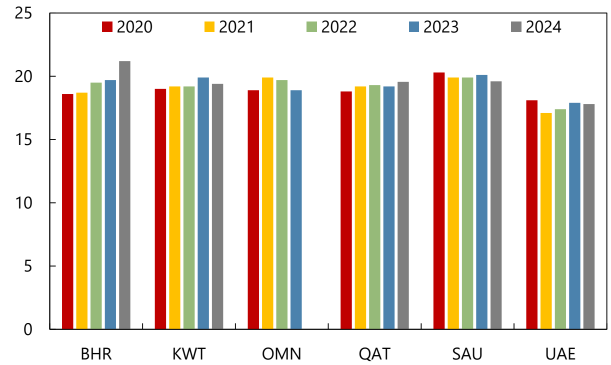
Sources: Statista; IMF October 2025 WEO; IMF staff calculations.

2/ Transaction value.

Figure 12. Financial Soundness Indicators for the Banking System

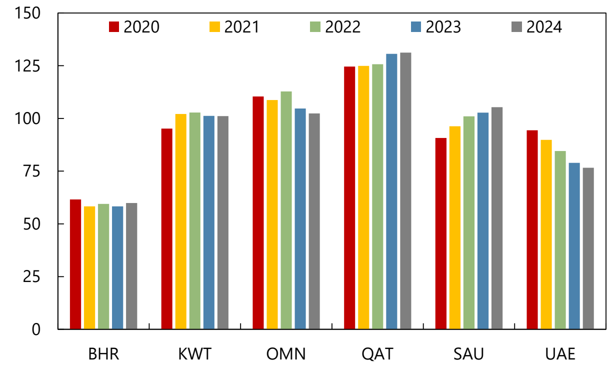
Banking systems generally remain well-capitalized, liquid and profitable, with nonperforming loans contained.

Regulatory Capital to Risk-Weighted Assets
(Percent)



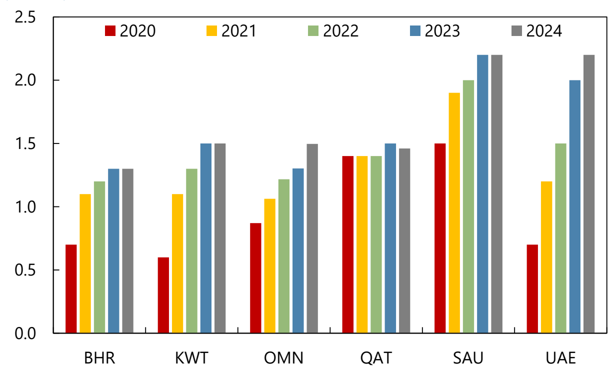
Sources: Haver Analytics.

Loans to Deposits 1/
(Percent)



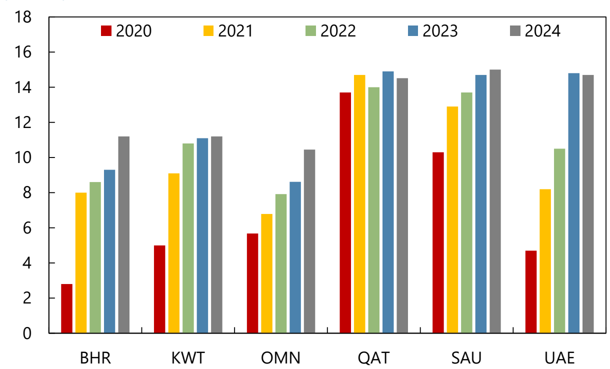
Sources: Haver Analytics; GCC authorities; IMF staff calculations.

Return on Assets
(Percent)



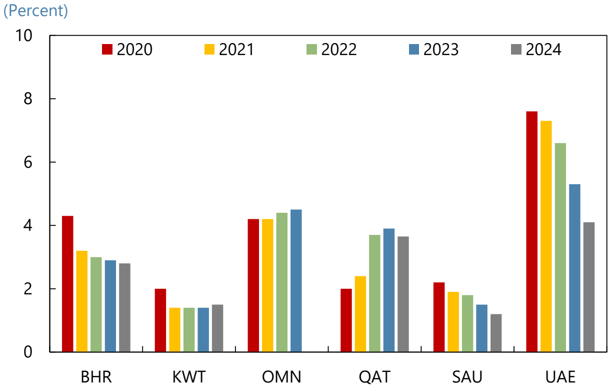
Sources: Haver Analytics; GCC authorities.

Return on Equity
(Percent)



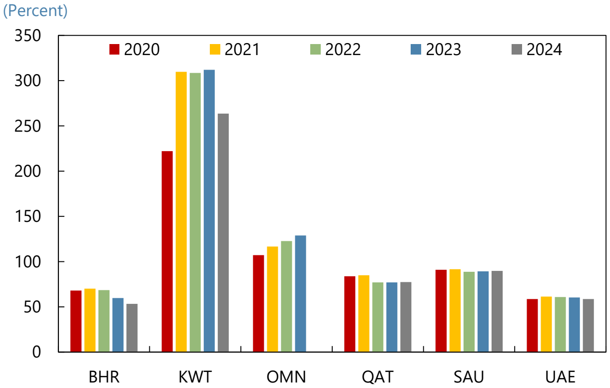
Sources: Haver Analytics; GCC authorities.

Nonperforming Loans to Total Gross Loans
(Percent)



Sources: Haver Analytics.

Provisions to Nonperforming Loans
(Percent)



Sources: Haver Analytics; IMF staff calculations.

1/ Coverage varies across GCC countries: retail loans to deposits for Bahrain; commercial bank loans to deposits for Qatar and Saudi Arabia; and credit to deposits for Kuwait, Oman and the UAE.

17. Banking systems across the GCC generally remain well-capitalized, liquid and profitable, while nonperforming loans mostly remain low and well-provisioned for (Figure 12). In recent years, capital adequacy ratios have remained strong and stable across GCC banking systems, well above prudent regulatory requirements. Bank loans have been covered by deposit funding in most GCC countries, with Saudi Arabia becoming more reliant on other sources of funding. Bank profitability has rebounded from its pandemic lows across the GCC. Nonperforming loans are generally low and well-provisioned for in the GCC countries, with loan impairments in the UAE having moderated, and loan provisions in Kuwait remaining very strong.

External Sector Developments

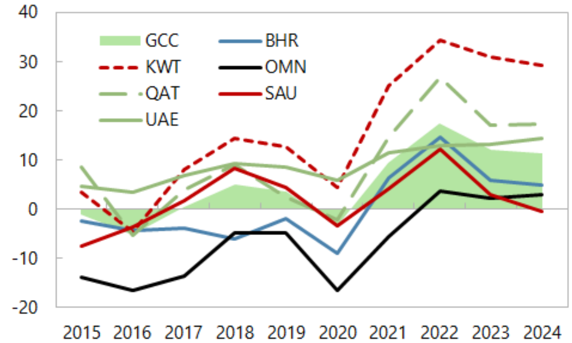
Current account balances narrowed amid oil production cuts and robust imports on the back of strong domestic demand in 2024. FDI inflows accelerated in some countries and portfolio flows were boosted by large bond issuances. At the same time, the GCC continued to make large investments abroad, albeit to a different extent across countries.

18. Current account balances narrowed further in 2024 amid the less supportive hydrocarbon environment and robust investment-driven imports, notwithstanding some differences across countries (Figure 13). On average, the GCC current account surplus declined to 11.4 percent of GDP in 2024 from 12.1 percent of GDP in 2023, with the current account surplus switching to a deficit of 0.5 percent of GDP in Saudi Arabia. This was largely driven by the worsening hydrocarbon trade balance amid production cuts. In addition, the non-hydrocarbon trade deficit remained elevated on the back of strong consumption- and investment-related imports. Specifically, imports of goods and services amounted to 56.3 percent of GDP in the GCC in 2024, up from an average of 49.7 percent of GDP over the previous 10 years. In Saudi Arabia, the external balance was also affected by the double-digit growth in remittance outflows supported by an increase in expatriate labor amid strong economic activity and the digitalization of transfer platforms, while in Bahrain rising interest payments on public debt led to a deterioration in the balance on income. At the same time, the strong performance of the tourism sector continued to support the current account balance in Qatar, Saudi Arabia, and the UAE.

Figure 13. Current Account Balance

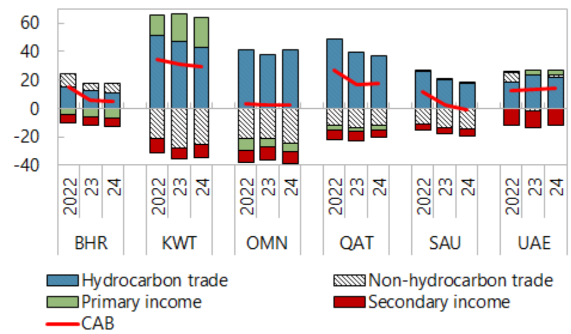
Current account balances narrowed further in most GCC countries in 2024…

Current Account Balance
(Percentage of GDP)



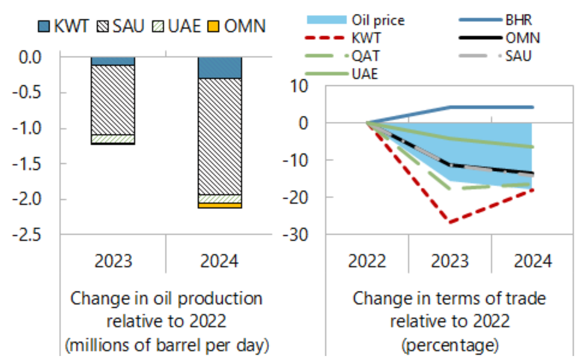
…driven by worsening hydro- and non-hydrocarbon balances…

Current Account Balance
(Percentage of GDP)



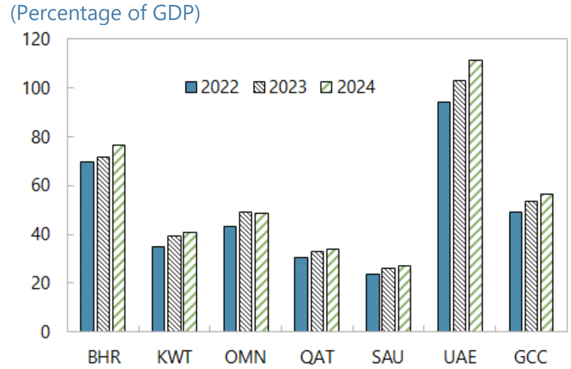
…against the backdrop of oil production cuts and deteriorating terms of trade amid falling oil prices…

Oil Production and Terms of Trade



…as well as strong investment-related imports.

Imports of Goods and Services
(Percentage of GDP)



Sources: IMF WEO, JODI (Haver), World Bank "Pink Sheet" Data, IMF staff.

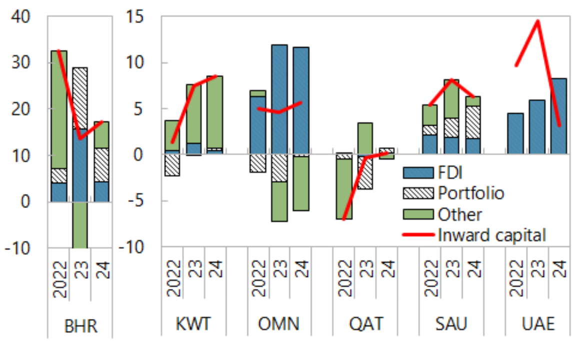
19. **The GCC continued to accumulate sizeable external assets against the backdrop of current account surpluses and capital inflows** (Figure 14). Inward capital flows reached close to 7 percent of GDP in 2024. Amid the favorable business environment and diversification efforts, inward foreign direct investment (FDI) remained high and/or accelerated in some countries (most notably Oman and the UAE). In addition, portfolio inflows were supported by bond issuances by sovereigns, energy companies, sovereign wealth funds (SWFs), and banks (e.g., Saudi Arabia became the 8th largest source of Additional Tier 1 bond supply globally in 2024 and the 2nd in 2025, and the largest dollar-denominated Sukuk issuer globally in 2024), as well as the large number of initial public offerings. Against the backdrop of current account surpluses and capital inflows, the GCC countries continued to acquire foreign assets, including in the form of (i) foreign investments by SWFs and others; (ii) financial support to sovereigns, including the announced investments of US$35 billion by the UAE in Egypt, and the extension of deposits of US$3 billion by Saudi Arabia in Pakistan; and (iii) reserve accumulation, especially in the UAE. In Saudi Arabia, the emergence of

current account deficits was accompanied by a moderation in the acquisition of foreign assets and drawdown on some currency deposits held abroad.

Figure 14. Capital Flows and External Buffers

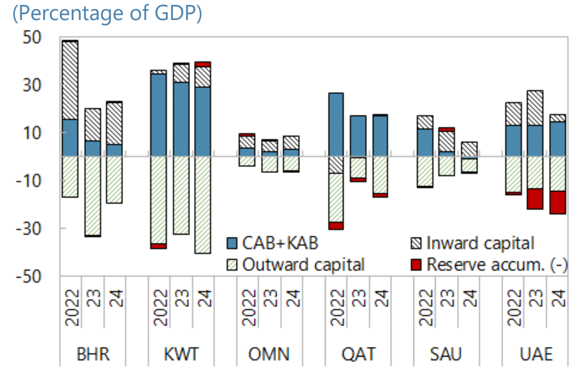
Most GCC countries continued to witness large capital inflows…

Inward Capital Flows
(Percentage of GDP)



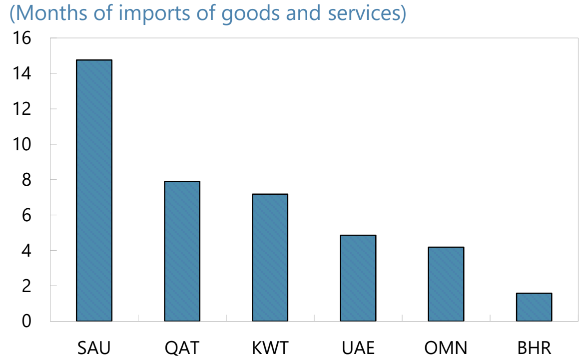
…that – combined with current account surpluses – financed large foreign investments and reserve accumulation.

Balance of Payments
(Percentage of GDP)



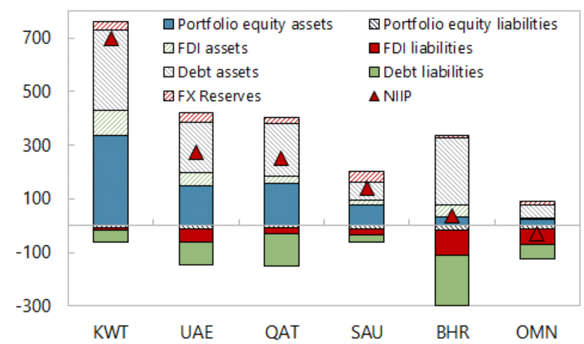
Notwithstanding differences across the GCC, gross international reserves remain ample…

Gross International Reserves, 2024
(Months of imports of goods and services)



…and external buffers are also boosted by other foreign assets.

Net International Investment Position, 2023
(Percentage of GDP)



Note: Given the relatively high share of re-exports in total imports, the reserve coverage ratio calculated on the basis of total imports could understate external buffers in some countries.

Sources: IMF WEO, Milesi-Ferretti, Gian Maria, 2024, "The External Wealth of Nations Database," The Brookings Institution (based on Lane, Philip R. and Gian Maria Milesi-Ferretti, 2018, "The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis," IMF Economic Review 66, 189-222.), IMF staff.

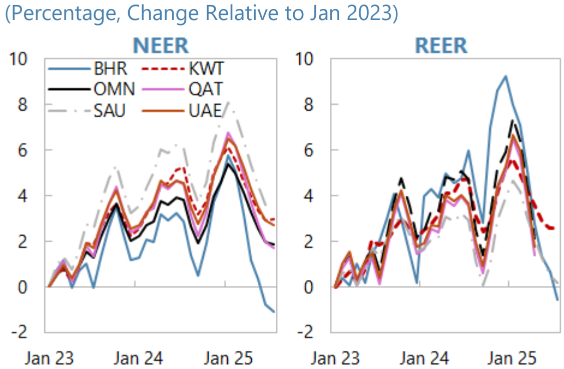
20. The assessment of the external position varies across the GCC, while external balance sheets remain strong in general (Figure 14). Compared with the level implied by medium-term fundamentals and desirable policies, the external position is assessed to be stronger in Qatar, broadly in line in Saudi Arabia, Oman, and the UAE, and weaker in Bahrain and Kuwait. In the latter countries, the saving-investment balance converges towards the level implied by medium-term fundamentals and policies on the back of the implementation of medium-term fiscal consolidation and economic diversification plans. External buffers are ample across the GCC. Gross international investment assets range from about 90 percent of GDP in Bahrain to around 760 percent of GDP in Kuwait as of 2023. Also, official reserves remain generally adequate according to standard IMF metrics. In Bahrain, reserves remained below the typical norm of 3 months of imports at the end of 2024. Moreover, external buffers are even higher across the GCC considering other external assets, including those held by SWFs.

21. Real effective exchange rates appreciated modestly in most GCC countries in 2024 (Figure 15). The nominal effective exchange rate (NEER) continued to appreciate across the GCC (by 2.1 percent on average) in 2024, reflecting the strength of the dollar. Given the negative inflation differential, however, this translated into either modest appreciation (Saudi Arabia) or depreciation (Bahrain) of the real effective exchange rate (REER). In early-2025, the REER depreciation was driven by the combination of the continued negative inflation differential and the depreciation of the NEER resulting from a weaker U.S. dollar.

Figure 15. Effective Exchange Rates

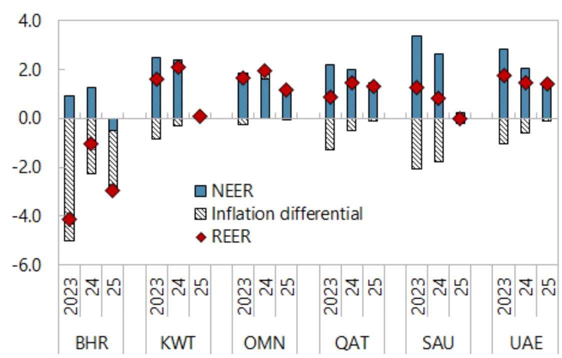
In 2024, the REER recorded either modest appreciation or depreciation despite the strengthening of the NEER…

Nominal and Real Effective Exchange Rates
(Percentage, Change Relative to Jan 2023)



…as the inflation differential continued to be negative.

Composition of Real Effective Exchange Rate
(Percentage, YoY)



Note: The REER data and their decomposition span until April 2025 for Oman, Qatar, and the UAE, and July 2025 for Bahrain, Kuwait, and Saudi Arabia.
Sources: IMF WEO, IMF staff.

C. Outlook and Risks

In the near term, the external environment has become more challenging in the context of elevated global uncertainty and lower oil prices. Nonetheless, the economic outlook in the GCC remains favorable, as (i) trade-related uncertainty has a modest direct impact on the region; (ii) policy buffers help maintain strong project implementation; and (iii) oil production cuts are unwound. Over the medium term, growth will be supported by the robust performance of the non-hydrocarbon economy amid diversification efforts and the expansion of oil and natural gas production and export capacities. Although external balances will decline on the back of strong investment-driven imports and lower oil *prices, buffers remain ample in most countries. The risks to the near-term GCC economic outlook are tilted to the downside, while ongoing global structural shifts pose two-sided risks over the medium term.*

22. Overall activity will be supported by the unwinding of oil production cuts and the expansion of natural gas production (Figure 16). GCC output growth is projected to accelerate from 1.7 percent in 2024 to 3.3 percent on average in 2025 as hydrocarbon growth becomes positive owing to the unwinding of production cuts. Specifically, the third tranche of the additional voluntary production cuts of around 1.3 million barrels a day by Kuwait, Oman, Saudi Arabia, and the UAE (out of total cuts of 2.2 million announced in November 2023) has been fully reversed by September, and the unwinding of the second tranche of cuts of around 0.8 million barrels by the GCC countries (out of total cuts of about 1.7 million barrels announced in April 2023) started in October, resulting in hydrocarbon growth of 2.4 percent on average in the GCC.[4] In 2026, hydrocarbon growth will accelerate further to 5.9 percent on average, ranging from 1.8 percent in Bahrain to 12.1 percent in Qatar, on the back of the continued phase-out of production cuts and the expansion of oil and natural gas production capacities (e.g., the North Field LNG production expansion in Qatar; increased oil production and refinery capacities and the completion of the Ruwais LNG plant in the UAE). Over the medium term, hydrocarbon growth is expected to be around 2 percent on average, including supported by ongoing exploration and development activities (e.g., Al-Nokhatha and Al-Jlaiaa fields in Kuwait).

23. Notwithstanding high global uncertainty and less supportive oil prices, the non-hydrocarbon economy will remain strong (Figure 16). Compared to last October WEO projections, the near-term outlook is characterized by a more challenging external environment in the context of elevated global uncertainty, including related to commodity prices. In 2025 and 2026, for example, oil price assumptions have been lowered by 5.4 and 6.3 percent, respectively relative to the October 2024 WEO. Nonetheless, non-hydrocarbon activity will remain robust as (i) the direct impact of changes in global trade policies is limited (Box 1); and (ii) domestic demand will be supported by continued strong project implementation, including by the central government and sovereign wealth funds, with policy buffers and borrowing offsetting the impact of lower oil prices as needed. In addition, activity will be supported by idiosyncratic factors (e.g., the hosting of large-scale international events such the AFC Asian Cup in 2027, the Asian Winter Games in 2029, the World Expo in 2030, and the World Cup in 2034 in Saudi Arabia). Reflecting such country-specific factors and the different pace of reform implementation, non-hydrocarbon growth will differ across GCC countries, ranging from around 2.5 percent in Kuwait and Qatar to 3.5-4 percent in Bahrain, Oman, and Saudi Arabia, and 4.5 percent in the UAE over the medium term, implying a broadly unchanged outlook from the October 2024 WEO.

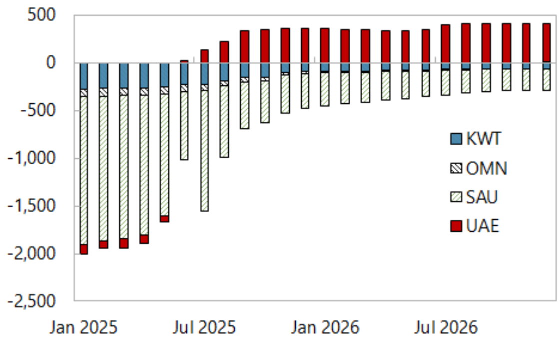
[4] The first tranche of cuts, announced in October 2022, is still in place. It amounts to 2 million barrels per day of which Bahrain, Kuwait, Oman, Saudi Arabia, and the UAE account for close to 0.9 million barrels.

Figure 16. Oil Assumptions and Growth Outlook

As the additional voluntary production cuts are gradually unwound...

Oil Production

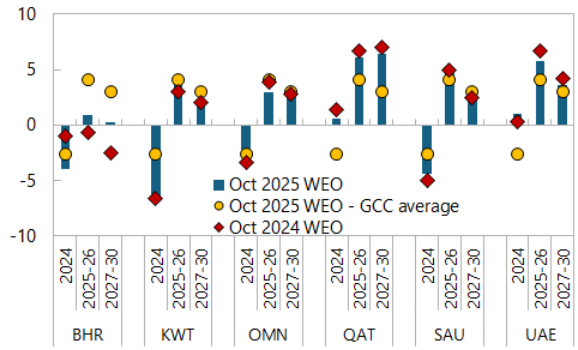
(Thousand barrels per day, change since April 2023)



...hydrocarbon output, also supported by the expansion of natural gas production, is picking up.

Real Hydrocarbon Growth

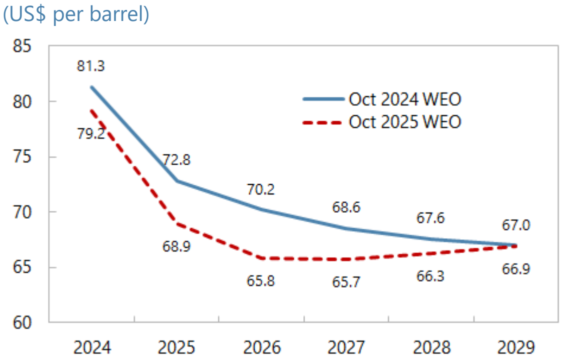
(Percentage, YoY)



Although the outlook for oil prices has been downgraded...

Oil Price Assumptions

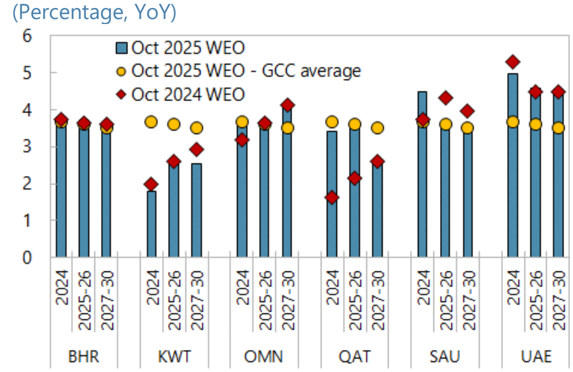
(US$ per barrel)



...non-hydrocarbon growth is expected to remain robust on the back of strong project implementation.

Real Non-Hydrocarbon Growth

(Percentage, YoY)



Note: The additional voluntary production cuts refer to cuts of 1.65 and 2.2 million barrels per day announced by eight OPEC+ countries, including Kuwait, Oman, Saudi Arabia, and the UAE in April and November 2023, respectively.

Sources: IMF WEO, Staff calculations.

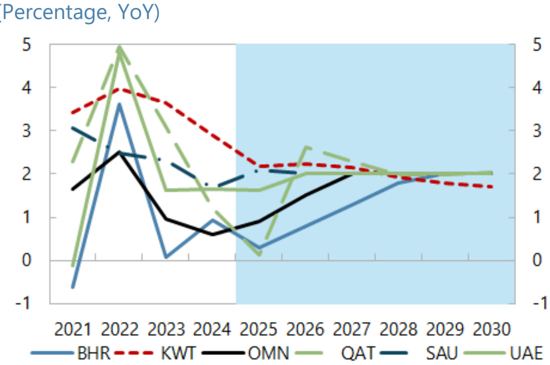
24. Inflation is expected to stabilize at around 2 percent over the medium term (Figure 17). In 2025-26, headline inflation is expected to be below 2 percent in Bahrain, Oman, and Qatar, close to 2 percent in Saudi Arabia, and the UAE, and slightly above 2 percent in Kuwait. Over the medium term, headline inflation will broadly stabilize at 2 percent, consistent with medium-term inflation in the U.S., supported by the exchange rate pegs, policy discipline, and the elastic supply of expatriate workers. In Kuwait, the moderation in inflation will also be supported by the closing of the non-oil output gap.

25. External balances are expected to narrow but remain strong, with cross-country differences partly reflecting the pace and size of investments (Figure 17). On average, the GCC current account surplus is expected to narrow from 11.4 percent of GDP in 2024 to 8.5 percent of GDP in 2025 and to gradually decline towards 7 percent of GDP over the medium term amid diversification efforts and a slight deterioration in the hydrocarbon balance, albeit to a different extent across countries. In Bahrain, the current account surplus will gradually decline over the projection horizon, reflecting continuing deterioration in the income balance. In Oman and Saudi Arabia, the current account balance will record a deficit, including related to strong project implementation in Saudi Arabia over the projection horizon, as well as to lower energy prices and softer growth in non-hydrocarbon exports in Oman in the near term. Deficits will be financed through buffers, more modest accumulation of foreign assets, and higher external borrowing. At the same time, the current account surplus will remain in double-digits in Qatar, Kuwait, and the UAE, notwithstanding a deterioration in the latter two. External buffers are expected to remain ample across the GCC.

Figure 17. Inflation and External Outlook

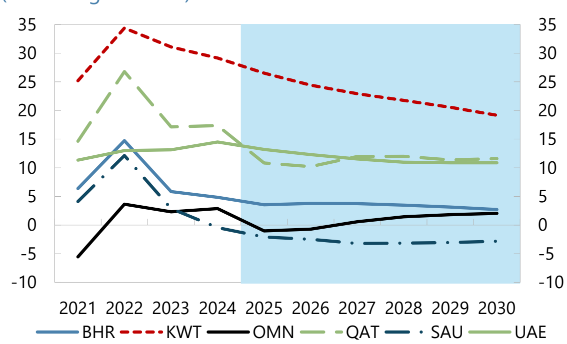
Following some divergence in the near term, headline inflation will stabilize around 2 percent across the GCC.

Headline Inflation
(Percentage, YoY)



Current account balances will narrow but external buffers will remain strong.

Current Account Balance
(Percentage of GDP)



Sources: IMF WEO, IMF staff.

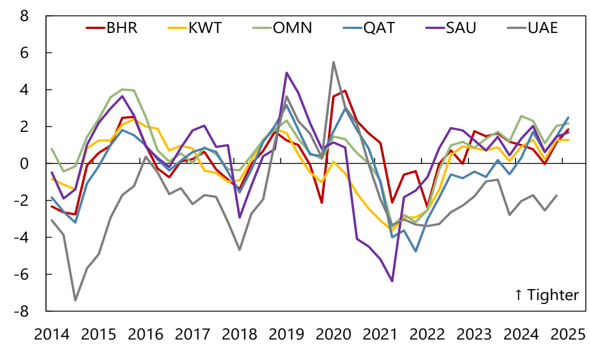
26. The risks to the short-run GCC economic outlook are tilted to the downside. Weaker oil demand—driven by heightened economic uncertainty, an escalation of global trade tensions, financial instability, or deepening geoeconomic fragmentation—could impact oil prices and revenues. This downside risk could be compounded by an oil supply glut, possibly driven by the unwinding of OPEC+ production cuts. Other downside risks include heightened geopolitical tensions (including from regional conflicts that could potentially disrupt shipping through the Strait of Hormuz), tighter global financial conditions from delayed monetary easing in the US in response to renewed inflationary pressure, imported inflationary pressure from further depreciation of the US dollar, and decelerated structural reforms accompanied by slower infrastructure project implementation. The main upside risk is higher oil prices, which could arise from a global growth upturn or intensified geopolitical tensions. Other upside risks include accelerated structural reforms and associated infrastructure project implementation to diversify the GCC economies away from hydrocarbon production, as well as looser global financial conditions from faster monetary policy easing in the US.

27. Downside risks to non-hydrocarbon growth range from normal to moderately elevated across the GCC, reflecting neutral to moderately tight financial conditions (Figure 18). While monetary policy easing by the Fed since September 2024 temporarily loosened financial conditions in the GCC, they remain moderately tight relative to their long run average, largely reflecting the still restrictive stance of monetary policy. The exception is the UAE, where financial conditions are moderately loose. These neutral to moderately tight financial conditions imply normal to moderately elevated downside risks to non-hydrocarbon growth across the GCC at the short run horizon, as measured by non-hydrocarbon growth at risk estimates.

Figure 18. Financial Conditions Index and Non-Hydrocarbon Growth at Risk

Normal to moderately elevated non-hydrocarbon growth at risk reflects neutral to moderately tight financial conditions.

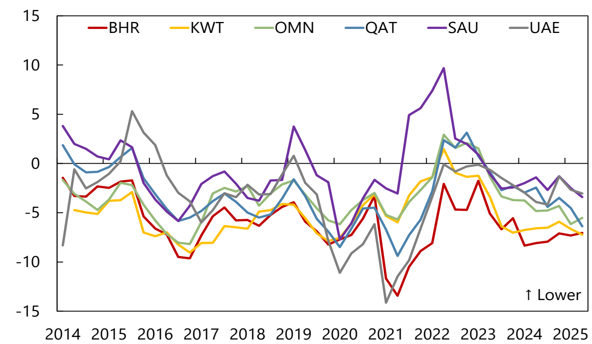
Financial Conditions Index 1/
(Percent)



Sources: Bloomberg; Haver Analytics; IMF staff estimates.

1/ Normalized estimated linear combination of real MECI bond yield, real MSCI stock return and real effective exchange rate return from an unbalanced fixed-effects panel regression of non-hydrocarbon growth on one-year lagged non-hydrocarbon growth and financial variables.

Non-Hydrocarbon Growth at Risk 2/
(Percent)



Sources: Bloomberg; Haver Analytics; IMF staff estimates.

2/ Estimated 0.05 quantile from an unbalanced fixed-effects panel quantile regression of non-hydrocarbon growth on one-year lagged non-hydrocarbon growth and financial conditions index.

28. Under a downside risk scenario with lower oil prices, non-hydrocarbon GDP growth would weaken across the GCC, while the fiscal and external balances would deteriorate (Annex III). A temporary fall in oil prices—to $40 per barrel in 2026 that gradually reverts back to baseline—is estimated to reduce GCC non-hydrocarbon GDP growth by 1.3 percentage points, after which this contractionary effect dissipates. The macroeconomic impact on the GCC of temporarily lower oil prices would be concentrated on the fiscal and current account balances, which are estimated to fall by 6.3 and 6.9 percent of GDP below baseline in 2026, respectively. These simulation results vary widely across the GCC countries, primarily reflecting differences in their exposure to oil price volatility, calling for fiscal contingency planning (e.g., delaying some non-essential capital spending) and further economic diversification to mitigate this key risk.

29. Over the medium term, the GCC economic outlook is subject to two-sided risks associated with ongoing global structural shifts. The global energy transition could raise or lower hydrocarbon prices as the world pursues a net zero emissions target. This will depend on the balance between global hydrocarbon supply (which could be constrained by underinvestment in extraction capacity during the transition) and demand (which will eventually fall as consumption shifts towards renewable energy sources). However the global energy transition unfolds, the GCC countries have an advantage over their competitors arising from their relatively low carbon-intensity and cost of hydrocarbon production. Moreover, there are several ongoing initiatives in the GCC to reap benefits associated with the energy transition, including related to renewable energy, clean hydrogen, and carbon capture. The global fragmentation of trade and supply chains also poses two-sided risks to the outlook, with the GCC economies likely to benefit from trade diversion given their relatively low import restrictions, but heavily exposed to lower global potential growth given their hydrocarbon export dependence. Finally, the implementation of structural reforms to diversify the GCC economies away from hydrocarbon production and the adoption of AI technologies should boost potential growth but could also pose new risks.

POLICIES FOR DIGITAL, GREEN, AND SUSTAINABLE GROWTH

Amid high global uncertainty, policy priorities include: (i) calibrating fiscal policy to balance intergenerational equity with countercyclical stabilization and public investments supporting the broad reform agenda; (ii) enhancing monetary transmission; (iii) safeguarding financial stability through the proactive management of systemic risk; and (iv) accelerating and prioritizing reforms to support the transition to a new, more diversified growth model and enhance resilience in the shock-prone world.

A. Fiscal Policy to Achieve Sustainability while Supporting Growth

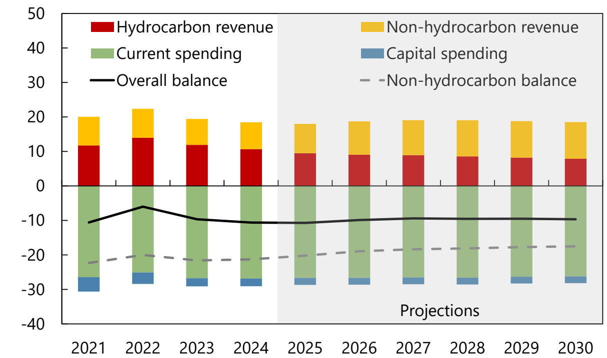
In the context of high global uncertainty and lower oil prices, the challenge for fiscal policy in the GCC is to balance the objectives of countercyclical stabilization, intergenerational equity and economic diversification, while managing fiscal risks through contingency planning. In the near term, fiscal policy should remain mildly contractionary, through gradual fiscal consolidation to augment fiscal buffers, while prioritizing public investment to promote economic diversification. Over the medium to long term, the size of fiscal adjustment should be calibrated to secure intergenerational equity, while its composition should evolve to support economic diversification.

30. Fiscal balances are projected to remain broadly stable across the GCC over the medium term, despite generally declining hydrocarbon revenue amid lower oil prices (Figure 19). In Bahrain, the substantial fiscal deficit of the general government will gradually fall as a share of GDP, with declining hydrocarbon revenue more than offset by non-hydrocarbon revenue mobilization (mainly from introducing the global minimum CIT on large multinational corporations) and expenditure rationalization. In Kuwait, the substantial fiscal surplus will gradually fall as a share of GDP, reflecting declining hydrocarbon revenue. In Oman, the moderate fiscal surplus will gradually rise as a share of GDP, with declining hydrocarbon revenue more than offset by current expenditure rationalization. In Qatar, the moderate fiscal surplus will gradually rise as a share of GDP, reflecting increasing hydrocarbon revenue on the back of higher gas production, reinforced by expenditure rationalization. In Saudi Arabia, the fiscal deficit will remain broadly stable as a share of GDP, with declining hydrocarbon revenue offset by current expenditure rationalization, concentrated on the public sector wage bill. In the UAE, the moderate fiscal surplus will remain roughly constant as a share of GDP, with declining hydrocarbon revenue offset by non-hydrocarbon revenue mobilization.

Figure 19. Projected General Government Fiscal Balance 1/

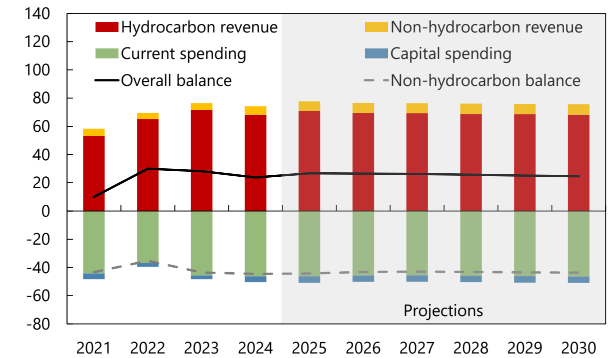
Fiscal balances are projected to remain broadly stable despite generally declining hydrocarbon revenue.

Bahrain
(Percent of GDP)



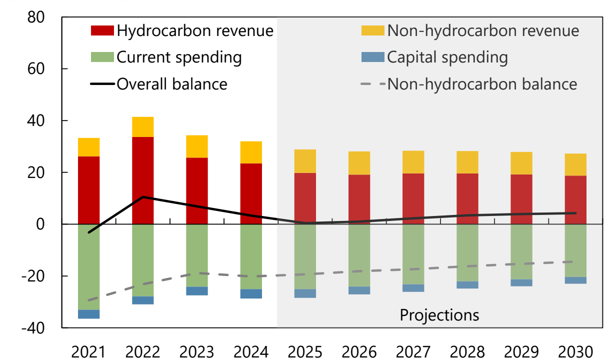
Sources: IMF October 2025 WEO.

Kuwait
(Percent of GDP)



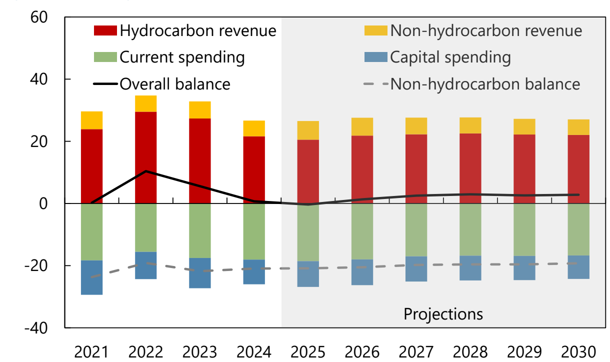
Sources: IMF October 2025 WEO.

Oman
(Percent of GDP)



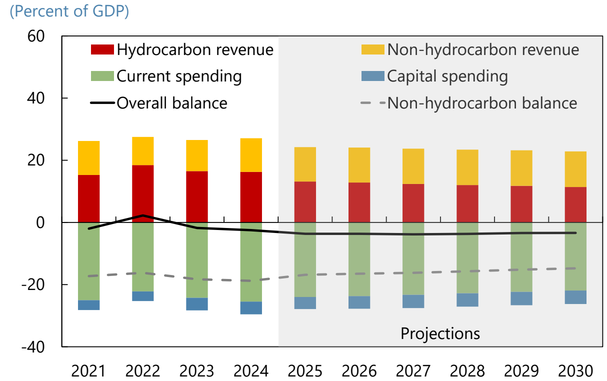
Sources: IMF October 2025 WEO.

Qatar
(Percent of GDP)



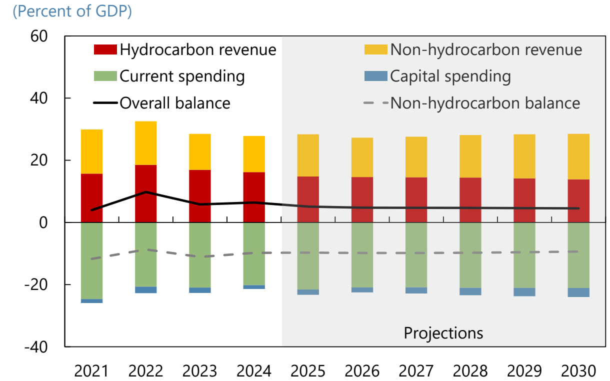
Sources: IMF October 2025 WEO.

Saudi Arabia
(Percent of GDP)



Sources: IMF October 2025 WEO.

United Arab Emirates
(Percent of GDP)



Sources: IMF October 2025 WEO.

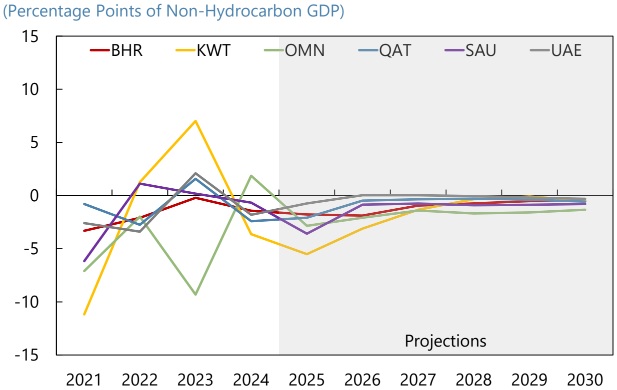
1/ Fiscal balance in WEO: i) covers general government for Kuwait and UAE, versus central government for Bahrain, Oman, Qatar and Saudi Arabia; ii) is defined differently from that in Budget for Bahrain and Kuwait; and iii) includes SWF investment income for Kuwait and Oman only.

31. Fiscal policy is projected to remain contractionary in the GCC countries over the medium term, and has become more countercyclical over time (Figure 20). Under the baseline, the negative fiscal impulse of the general government is generally projected to decline towards zero across the GCC, with gradual fiscal consolidation exerting a diminishing drag on robust non-hydrocarbon growth. In 2025, the planned gradual fiscal consolidation at the general government level is appropriate on average across the GCC countries despite lower oil prices, given the need to build up fiscal buffers to secure intergenerational equity. No additional fiscal consolidation beyond what is projected under the baseline is warranted on average across the GCC countries in 2025, given lower oil prices and existing fiscal buffers. Meanwhile, at the broader public sector level, increasing domestic investment by SWFs is expected to continue supporting non-hydrocarbon growth.

Figure 20. General Government Fiscal Impulse and Fiscal Policy Cyclicality

Fiscal policy is projected to remain contractionary and has become more countercyclical.

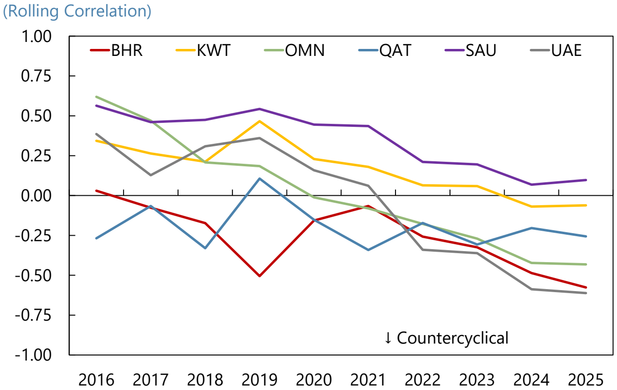
General Government Fiscal Impulse /1
(Percentage Points of Non-Hydrocarbon GDP)



Sources: IMF October 2025 WEO.

1/ Change in general government non-hydrocarbon primary fiscal deficit in percent of non-hydrocarbon GDP.

Fiscal Policy Cyclicality /2
(Rolling Correlation)



Sources: IMF October 2025 WEO.

2/ Rolling correlation between general government fiscal impulse and real price of oil over centered 11 year window.

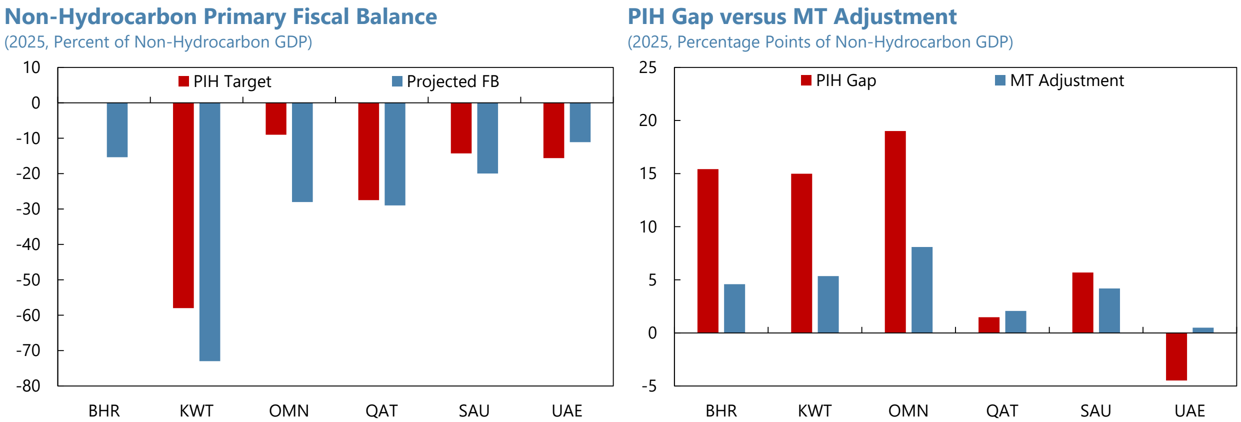
32. However, further fiscal consolidation will be needed in most GCC countries over the medium to long run to secure intergenerational equity (Figure 21). Using a harmonized methodology with country-specific assumptions, non-hydrocarbon primary fiscal balances currently fall short of their PIH targets by 6 to 19 percentage points of non-hydrocarbon GDP in Bahrain, Kuwait, Oman and Saudi Arabia.[5] The PIH gaps for these GCC countries all exceed the medium-term fiscal adjustments projected under the baseline. In contrast, the non-hydrocarbon primary fiscal balance is broadly in line with the PIH target in Qatar and exceeds it in the UAE. While estimates of these PIH targets are subject to considerable uncertainty, this analysis indicates that given proven hydrocarbon reserves, most GCC countries will need to undertake further fiscal consolidation over

[5] Given the modest level of government debt across the GCC (except for Bahrain), the size and pace of fiscal consolidation over the medium to long run is assessed primarily with respect to intergenerational equity.

the medium to long run to equitably distribute hydrocarbon wealth across current and future generations, accounting for population growth.

Figure 21. Intergenerational Equity Analysis of Fiscal Policy 1/

Further fiscal consolidation will be needed in most GCC countries to secure intergenerational equity.



Sources: IMF October 2025 WEO; 2025 Global SWF Ranking; IMF staff estimates. Sources: IMF October 2025 WEO; 2025 Global SWF Ranking; IMF staff estimates.

1/ Consumption-based fiscal sustainability approach for large exporters of exhaustible commodities, using a constant real per capita annuity target. Medium-term fiscal adjustment is measured by projected change in general government non-hydrocarbon primary fiscal balance in percent of non-hydrocarbon GDP from 2025 to 2030.

33. **Shifts in the composition of government expenditures are warranted in some GCC countries to promote economic diversification over the medium to long run** (Figure 22). Expenditure policy reforms to rationalize the public sector wage bill are being undertaken (Saudi Arabia) or needed (Kuwait, Oman), through restraining public sector wage increases or net hiring. Better aligning wages and working conditions across the public and private sectors remains a priority throughout the GCC to help address labor market duality and promote economic diversification. Despite declining global energy prices, energy subsidies remain substantial across the GCC, and should be phased out by gradually raising the retail prices of fuel towards international prices, and electricity and water prices towards their cost-recovery levels, while providing targeted transfers to vulnerable groups. While the quantity and quality of infrastructure in the GCC is generally on par with or surpasses G20 benchmarks (except in Kuwait), administering more public investment projects on-budget would enhance fiscal transparency. Finally, public expenditure reviews should be undertaken regularly to ensure spending efficiency.

Figure 22. Expenditure Policy Indicators

Some shifts in the composition of government expenditures are warranted to promote economic diversification.

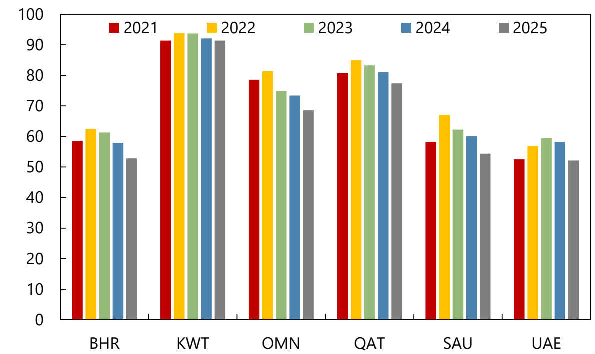
1/ Infrastructure quality is measured by global index where 100 = best and 0 = worst. Public capital stock data is unavailable for Qatar.

34. There is substantial scope to further mobilize non-hydrocarbon revenue in the GCC (Figure 23). In recent years, most of the GCC countries have implemented a range of tax reforms, by introducing the GCC-wide VAT and excise tax, as well as the new 15 percent global minimum CIT on large multinational corporations. However, tax rates in the GCC remain below G20 averages. Moreover, the hydrocarbon share of government revenue remains elevated across the GCC, calling for continued non-hydrocarbon revenue mobilization to reduce dependence on volatile hydrocarbon revenue, particularly in Kuwait and to a lesser extent Qatar. Indeed, the GCC-wide VAT has yet to be introduced in Kuwait and Qatar, while the GCC-wide excise tax has yet to be levied on unhealthy products in Kuwait. Furthermore, there is substantial scope to raise the CIT on domestic corporations in Bahrain, Kuwait, Qatar and Saudi Arabia. Finally, the GCC countries could make their tax systems more progressive by introducing a PIT on high-income individuals, following the commitment by Oman to do so in January 2028, or property taxes. In advance of these tax reforms, the necessary revenue administration capacity should continue to be built up to ensure their smooth and effective implementation. Revenue administration reform priorities include introducing e-invoicing—which has already been introduced in Saudi Arabia and is scheduled to be rolled out in the UAE starting in 2026—and risk-based audits.

Figure 23. Tax Policy Indicators

There is substantial scope to further mobilize non-hydrocarbon revenue.

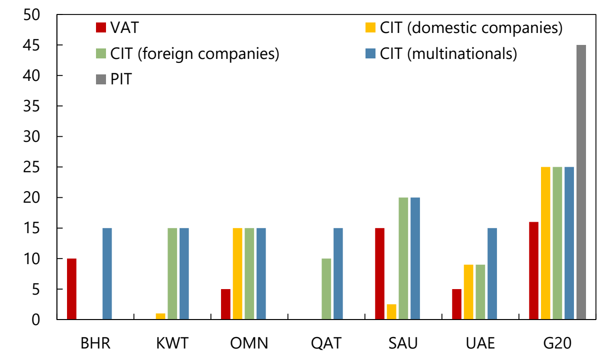
Hydrocarbon Share of Government Revenue 1/
(Percent)



Sources: IMF October 2025 MCD REO; IMF staff estimates.

1/ Includes CIT on hydrocarbon extraction companies and profit transfers from hydrocarbon extraction SOEs. Also includes SWF investment income for Kuwait.

Current Tax Rates 2/
(Percent)



Sources: PWC Worldwide Tax Summaries; IMF staff calculations.

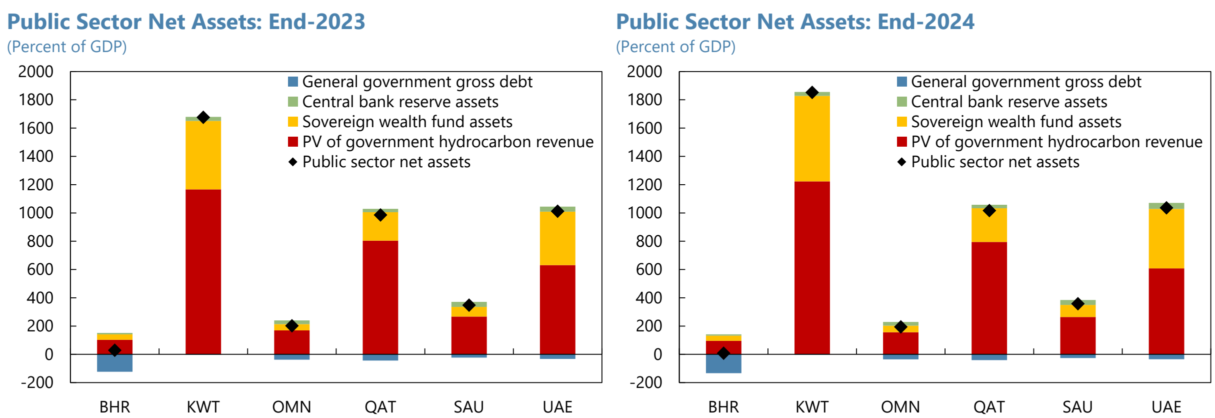
2/ Median tax rates for G20.

35. Gradual fiscal consolidation should be supported by PFM reforms to strengthen medium-term budget planning and execution. A priority for all GCC countries is to introduce or further develop their medium-term fiscal framework—including a fiscal rules framework and fiscal risk statement—underpinned by a medium-term macroeconomic framework. This would help align government budgets with achieving fiscal policy objectives over the short to medium run, while strengthening fiscal risk management through contingency planning amid volatile hydrocarbon revenues. The fiscal rules framework should be designed to balance the fiscal policy objectives of countercyclical stabilization and intergenerational equity while ensuring public debt sustainability. The fiscal risk statement should assess the impacts on the fiscal balance and public debt of key shocks to the medium-term macroeconomic framework—including to the assumed paths of hydrocarbon prices and production—to support the management of these public finance risks through the accumulation of adequate fiscal buffers (Annex III). Important steps in this direction were recently taken by Oman, Qatar and Saudi Arabia with the introduction of multi-year fiscal frameworks. In addition, Saudi Arabia has started producing a fiscal risk statement but does not publish it. Finally, public investment management assessments—accompanied by implementation roadmaps and robust monitoring of follow-up measures—could be undertaken periodically to ensure best practice in infrastructure governance while closing persistent implementation gaps.

36. The quasi-fiscal activities of SWFs across the GCC call for the development of sovereign asset-liability management frameworks to safeguard public sector balance sheets (Figure 24). In the GCC countries, SWFs invest oil revenues not needed to finance the budget to manage government liquidity or provision for future generations, primarily in foreign assets, but also in domestic corporations or infrastructure development projects to an increasing extent. Assessments of intergenerational equity and public debt sustainability therefore hinge on the size and composition of SWF assets. Despite some progress, publicly available data on SWF assets are incomplete across the GCC. To enhance fiscal transparency and accountability—while laying the foundations for developing sovereign asset-liability management frameworks to safeguard public sector balance sheets—the GCC countries should fully disclose data on SWF assets. They should also expand the coverage of the fiscal accounts statistics to encompass additional public sector entities, including SWFs and SOEs where appropriate.

Figure 24. Partial Public Sector Balance Sheets

Stong public sector balance sheets are supported by large hydrocarbon reserves and SWF assets.



Sources: IMF October 2025 WEO; 2024 Global SWF Ranking; IMF staff estimates.

Sources: IMF October 2025 WEO; 2025 Global SWF Ranking; IMF staff estimates.

B. Monetary and Financial Sector Policies to Enhance Monetary Transmission and Maintain Financial Stability

The exchange rate pegs continue to serve the GCC economies well, but targeted measures to strengthen monetary policy transmission mechanisms are warranted. To maintain financial stability amid high global uncertainty and lower oil prices, macroprudential policy should continue to proactively manage systemic risk, while financial regulation and supervision should keep evolving with international standards.

37. The exchange rate pegs in the GCC remain appropriate nominal anchors for monetary policy. They have helped support macroeconomic and financial stability across the GCC for many years. In particular, the GCC economies have long experienced relatively low and stable inflation, including in the face of the global inflation surge that accompanied the resolution of the pandemic and outbreak of the Ukraine war. These exchange rate pegs have also helped support the global safe haven status enjoyed by the GCC, which has lowered and stabilized financing costs for households, firms and governments. Sustaining this successful monetary policy track record requires preserving central bank independence.[6] Ongoing structural reforms in the GCC countries to promote economic diversification away from hydrocarbon extraction will help strengthen their external positions and support their exchange rate pegs, by enhancing the external competitiveness of the non-hydrocarbon sector. Fiscal consolidation to reinforce intergenerational equity will further help strengthen their external positions and support their exchange rate pegs.

38. Monetary policy in the GCC countries should continue to follow the lead of major central banks, consistent with maintaining their exchange rate pegs. For most GCC countries, maintaining their peg to the US dollar entails matching policy interest rate changes by the Fed. The exception is Kuwait, where the exchange rate peg to an undisclosed basket of currencies grants it some monetary policy autonomy with which to pursue macroeconomic stabilization objectives, while tracking policy interest rate changes by the Fed and other major central banks.

39. There is scope to strengthen monetary policy transmission mechanisms across the GCC. Liquidity management frameworks could be further developed by refining standing facilities, expanding liquidity management toolkits, or improving liquidity forecasting frameworks at central banks, which would more closely align interbank rates with the policy rate. Furthermore, deepening the domestic sovereign debt market would promote the deepening of the interbank market by providing collateral for secured interbank lending. It would also help develop the yield curve as a reference for efficiently pricing bank loans at different maturities, and as a benchmark for private bond issuance. This is especially needed in Kuwait, where government debt issuance was recently resumed following an almost decade long pause, facilitated by the enactment of a new public debt law in March 2025. Finally, phasing out bank lending rate caps in those GCC countries where they exist would support the efficient pricing of default risk while expanding access to credit to riskier borrowers.

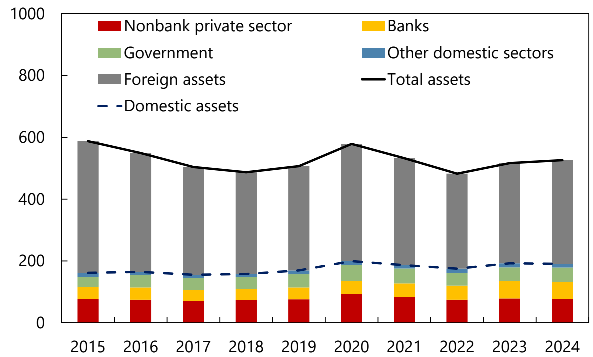
40. Banking systems vary substantially across the GCC with respect to the size and composition of their asset exposures, giving rise to different systemic risk profiles (Figure 25). Measured in terms of total assets in percent of GDP, these banking systems range from small in Oman and Saudi Arabia, to medium-sized in Kuwait, Qatar and the UAE, to large in Bahrain. All of the GCC banking systems hold significant domestic sovereign debt—except in Kuwait—which together with public sector deposits give rise to the sovereign-bank nexus. All of these banking systems also hold significant foreign assets—especially in Bahrain where they far exceed domestic assets—exposing them to cross-border credit risks and potentially foreign currency wholesale funding risks. The size and composition of the asset exposures of all GCC banking systems have been broadly stable recently.

[6] For a detailed discussion on central bank independence, see IMF, Central Bank Independence and Monetary Policy Effectiveness in the Middle East, Central Asia and Caucasus, forthcoming.

Figure 25. Asset Exposures of the Banking System

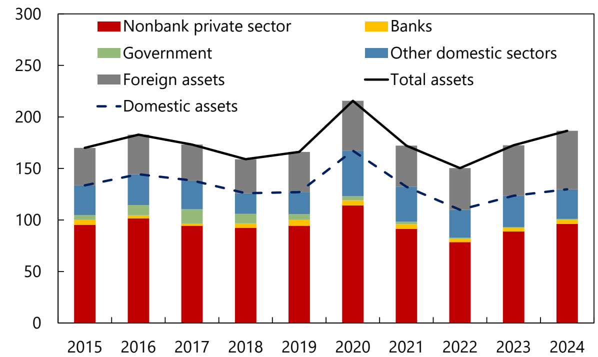
Banking systems vary substantially with respect to the size and composition of their asset exposures.

Bahrain
(Percent of GDP)



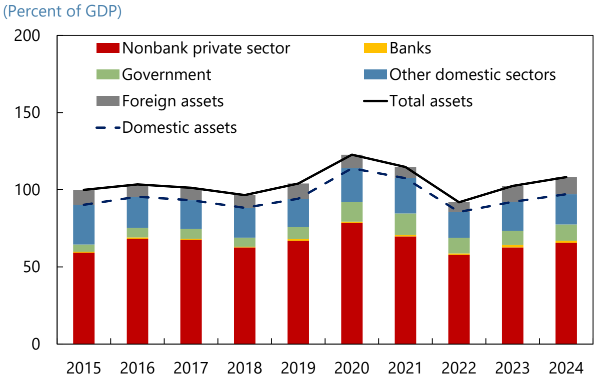
Sources: Haver Analytics; IMF staff calculations.

Kuwait
(Percent of GDP)



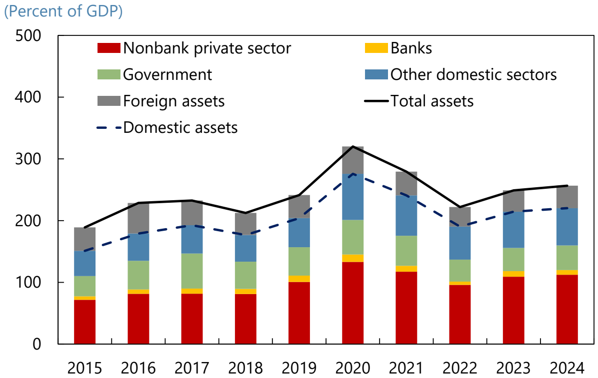
Sources: Haver Analytics; IMF staff calculations.

Oman
(Percent of GDP)



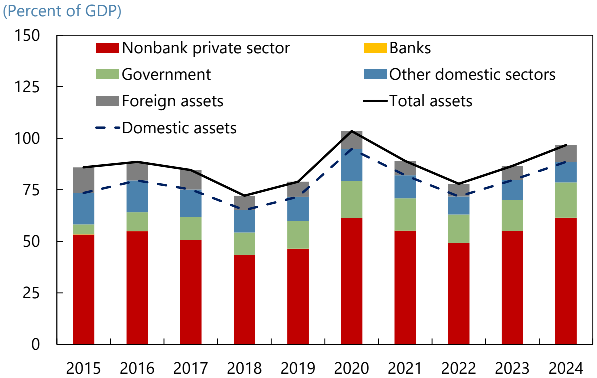
Sources: Haver Analytics; IMF staff calculations.

Qatar
(Percent of GDP)



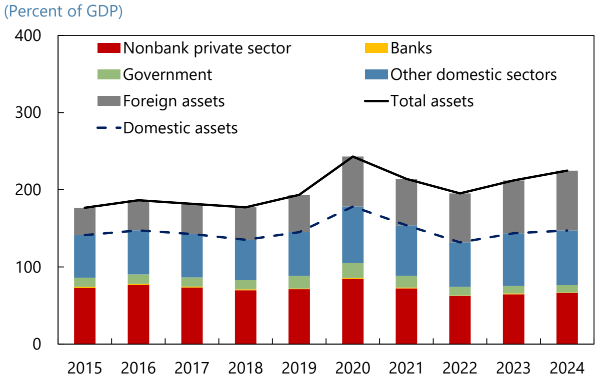
Sources: Haver Analytics; IMF staff calculations.

Saudi Arabia
(Percent of GDP)



Sources: Haver Analytics; IMF staff calculations.

United Arab Emirates
(Percent of GDP)



Sources: Haver Analytics; IMF staff calculations.

41. **Macroprudential policy in the GCC countries should continue to proactively manage systemic risk.** Estimated bank credit gaps currently generally lie within the -10 to +10 percent range in the GCC (Figure 26). Given their positions near the midpoint of the credit cycle, the macroprudential policy authorities in the GCC should consider gradually raising the CCyB to a positive neutral level of around 1.0 percent, possibly while adjusting the composition of the capital

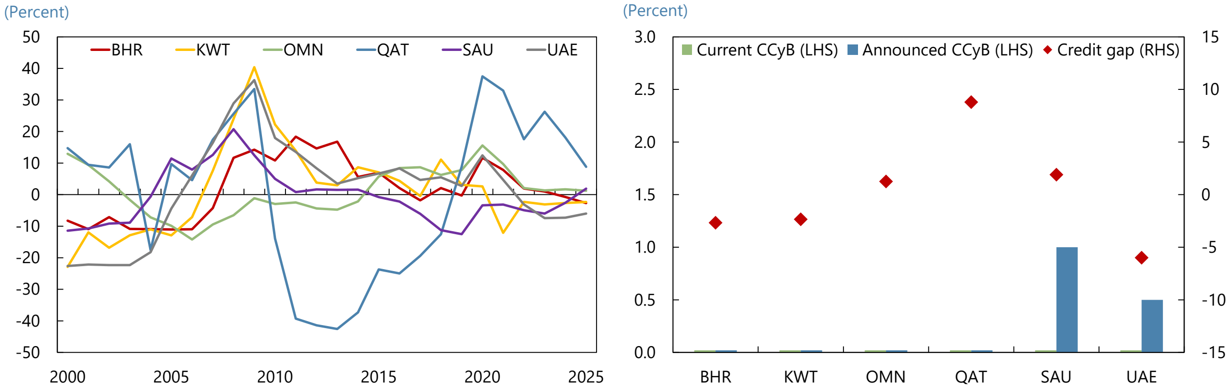
stack to leave overall capital requirements unchanged. Towards this end, Saudi Arabia announced an increase in its CCyB requirement to 1.0 percent effective in May 2026, given sustained strong growth in bank credit to the nonfinancial private sector that has outpaced deposit growth. The UAE also announced an increase in its CCyB requirement, to 0.5 percent effective in January 2026. The macroprudential policy authorities should also factor into their CCyB calibration the results of bank stress tests designed to examine resilience under a variety of severe but plausible adverse macrofinancial scenarios, as well as other relevant indicators of systemic risk such as real estate price gaps. In cases where residential or commercial real estate price indexes are not available, the statistical authorities should prioritize their compilation. Finally, borrower-related systemic risk should be proactively managed by tightening existing macroprudential tools where appropriate, including the loan-to-value and debt-service-to-income ratio limits on bank lending.

Figure 26. Credit Gap and Countercyclical Capital Buffer

Credit cycles are near their midpoint, calling for a positive neutral CCyB.

Credit Gap /1
(Percent)

Countercyclical Capital Buffer
(Percent)



Sources: IMF October 2025 MCD REO; IMF staff estimates.

Sources: IMF October 2025 MCD REO; IMF staff estimates.

1/ Domestic bank credit to domestic private sector in percent of non-hydrocarbon GDP, detrended using an HP filter with a smoothing parameter of 25,000.

42. **There remains scope to broaden the coverage of macroprudential policy toolkits across the GCC, to varying degrees across jurisdictions** (Table 1). With respect to banks, the reform priorities include introducing macroprudential tools to mitigate systemic risk arising from commercial real estate, sovereign and cross-border credit exposures, as well as reliance on foreign funding (including short-term external wholesale funding), as needed. For example, foreign funding-related systemic risk should be mitigated by introducing foreign currency denominated liquidity coverage ratio requirements and net open foreign exchange position limits in jurisdictions where they are absent. Macroprudential tools to mitigate systemic risk arising from nonbank financial institutions are less prevalent in GCC countries, commensurate with their primarily bank-based financial systems, and should be introduced as nonbank financial intermediation develops further. Greater harmonization across the GCC of financial regulation—especially of macroprudential policy measures targeting cross-border financial flows—would support regional financial integration and economic development.

Table 1. GCC: Macroprudential Policy Toolkit 1/

There remains scope to broaden the coverage of macroprudential policy toolkits to mitigate systemic risk.

	BHR	KWT	OMN	QAT	SAU	UAE
Broad-Based Tools Applied to the Banking Sector						
Countercyclical capital buffer 2/	Yes	Yes	Yes	Yes	Yes	Yes
Capital conservation buffer	N/A	Yes	Yes	Yes	Yes	Yes
Limit on leverage ratio	Yes	Yes	Yes	Yes	Yes	Yes
Forward-looking loan loss provisioning requirement	Yes	Yes	Yes	Yes	Yes	Yes
Household Sector Tools						
Household sector capital requirements	N/A	Yes	Yes	No	No	No
Cap on loan-to-value ratio	No	Yes	Yes	Yes	Yes	Yes
Cap on loan-to-income ratio	N/A	Yes	No	Yes	Yes	Yes
Cap on debt-service-to-income ratio	Yes	Yes	Yes	Yes	Yes	Yes
Limit on amortization periods	N/A	Yes	Yes	No	No	Yes
Exposure caps on household credit	N/A	Yes	No	No	Yes	No
Corporate Sector Tools						
Corporate sector capital requirements	Yes	Yes	No	No	No	Yes
Cap on loan-to-value ratio for commercial real estate	N/A	No	No	No	No	No
Cap on debt-service coverage ratio for commercial real estate	N/A	No	No	No	No	No
Exposure caps on corporate credit	N/A	Yes	No	Yes	Yes	No
Liquidity Tools Applied to the Banking Sector						
Liquidity coverage ratio	Yes	Yes	Yes	Yes	Yes	Yes
Net stable funding ratio	Yes	Yes	Yes	Yes	Yes	Yes
Loan-to-deposit ratio	Yes	Yes	Yes	Yes	Yes	Yes
Limits on foreign exchange positions	N/A	Yes	Yes	Yes	No	No
Tools to Address Systemic Risk in the Nonbank Sector						
Asset management industry	Yes	No	No	No	Yes	No
Insurance companies	N/A	No	No	No	Yes	Yes
Pension funds	N/A	No	No	No	No	No
Central counterparty clearing	Yes	No	No	No	No	No
Securities lending market	Yes	No	No	No	Yes	No
Tools to Address Other Sources of Systemic Risk						
Capital surcharges for systemically important institutions	Yes	Yes	Yes	Yes	Yes	Yes
Measures to mitigate risks from sovereign exposures	Yes	Yes	Yes	No	Yes	No
Measures to mitigate risks from cross-border exposures	N/A	No	Yes	No	Yes	No
Measures to mitigate risks from crypto asset exposures	Yes	Yes	Yes	Yes	Yes	Yes

Sources: 2023 IMF Macroprudential Policy Survey database.

1/ Yes = ■; No = ■; N/A = ■.
2/ Reports existence of tool, not activation status.

Note: As the table is based on the 2023 MaPP database, it may not reflect changes in the macroprudential policy toolkit implemented in 2024 and 2025.

43. **Financial regulation and supervision in the GCC countries should continue to evolve with international standards as financial innovation proceeds.** All of the GCC countries have adopted the Basel III capital and liquidity requirements for banks, as well as the IFRS 9 accounting standard. However, they have not all fully implemented the Basel III endgame requirements, and should do so expeditiously where needed. Furthermore, the rapid growth in fintech across the GCC calls for the continued application of financial regulation proportionate to the size, complexity, and risk profiles of firms operating in this sector. Finally, the GCC authorities should continue to refine their deposit insurance, emergency liquidity assistance and bank resolution frameworks as appropriate, guided by international best practice and drawing on IMF CD support as needed.

44. **In recent years, the GCC countries have made significant progress with strengthening their AML/CFT frameworks, but challenges remain.** They have responded proactively to FATF mutual evaluation reports by implementing regulatory reforms and investing in supervisory capacity. To address identified AML/CFT deficiencies, the UAE implemented major reforms that led to its removal from the FATF "grey list" in February 2024. To address AML/CFT enforcement

challenges arising from their large and growing volumes of cross-border financial flows, the GCC countries should continue to enhance their supervisory capacity, including by promoting cross-border supervisory cooperation.

45. While the emergence of AI poses financial stability risks, this new technology could be harnessed to enhance financial supervision in the GCC (Annex IV). The widespread adoption of AI in the financial system could raise asset price correlations in capital markets and operational risks in banks. On the other hand, financial supervisors could leverage AI tools to boost the targeting and efficiency of risk-based prudential oversight.

C. Structural Policies to Support Diversification and Enhance Resilience Amid High Uncertainty

While the GCC countries have made significant progress on economic diversification, further advances are challenged by some structural factors, heightened global uncertainty, and commodity price volatility. Against this backdrop, accelerating and prioritizing reforms is key irrespective of oil prices to support the transition to a new, more diversified growth model and enhance resilience in the shock-prone world through a focus on productivity-enhancing reforms, the deepening of domestic financial markets, and increased trade and financial integration.

46. The GCC countries have continued to make progress towards their medium-term objectives (Figure 27). Amid the reform momentum, output and external trade have become more diversified, thereby narrowing the gap vis-à-vis advanced economies and emerging markets (EMs). The GCC also shows solid performance on several sustainable development goals (SDGs), either thanks to the favorable initial conditions (e.g., SDGs on inequality, poverty, health, and education) or the significant improvement over the past few years (e.g., SDGs on industry, innovation, and infrastructure; gender equality).

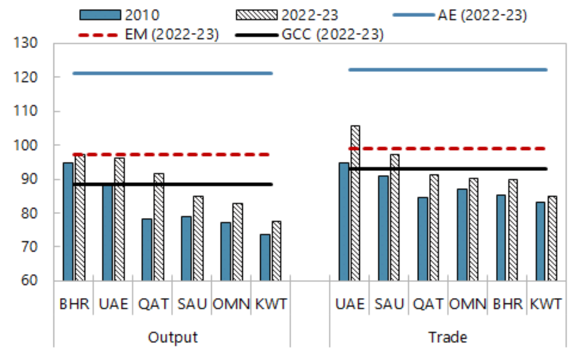
47. Nonetheless, developments have been uneven across countries and further progress is challenged by some structural factors (Figure 27). Notwithstanding the major progress, most GCC countries continue to lag EMs in terms of the degree of economic diversification. Also, the distance to EMs shows large heterogeneity across the GCC, with Bahrain, Saudi Arabia, and the UAE relatively close to the EM average in terms of either output or trade diversification, and Kuwait demonstrating relatively modest progress and a lower degree of diversification. Similarly, despite the remarkable overall progress on SDGs, continued efforts are needed to achieve several goals, especially those related to climate action, gender equality, and clean water and sanitation. Finally, further progress continues to be challenged by stagnant productivity growth, relatively modest inward FDI, and labor market segmentation.[7]

[7] IMF, 2024, Gulf Cooperation Council: Pursuing Visions Amid Geopolitical Turbulence: Economic Prospects and Policy Challenges for the GCC Countries, December 2024

Figure 27. Economic Diversification, SDGs, and Structural Reforms

The GCC has increased output and trade diversification, but still lags EMs.

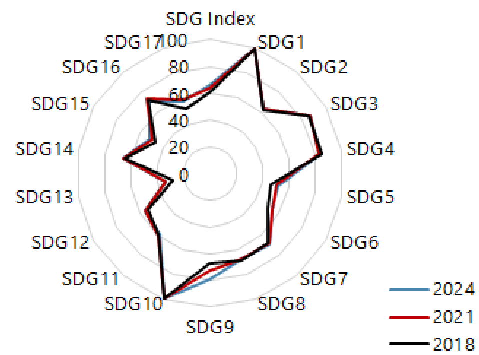
Economic Diversification Index (EDI) 1/



The GCC countries have also made progress towards the SDGs, albeit to a different extent across goals.

GCC: Sustainable Development Goals 2/

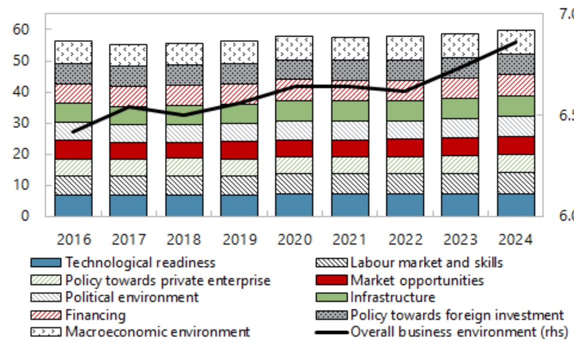
(Index 0-100)



The business environment has improved due to the continuous implementation of structural reforms…

GCC: Evolution of Structural Reforms

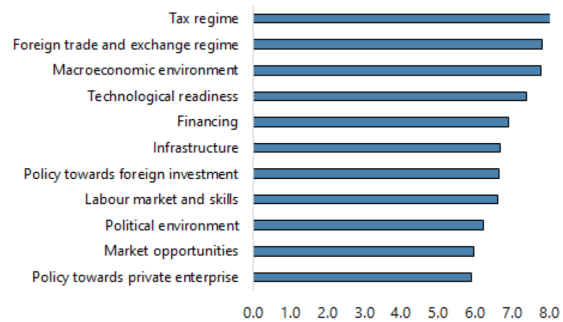
(Index 0-90 (LHS) and 0-10 (RHS))



…albeit to a different extent across areas of reforms.

Business Environment, 2024

(Index 0-10, higher value=better business climate)



1/ For a description of the EDI, see the note on the methodology.

2/ SDG1, No poverty; SDG2, Zero Hunger; SDG3, Good Health and Well-Being; SDG4, Quality Education; SDG5, Gender Equality, SGD6, Clean Water and Sanitations; SDG7, Clean and Affordable Energy; SDG8, Decent Work and Economic Growth; SDG9, Industry, Innovation and Infrastructure; SDG10, Reduced Inequalities, SDG11, Sustainable Cities and Communities; SDG12, Sustainable Consumption; SDG13, Climate Action; SDG14, Life below Water; SDG15, Life on Land; SDG16, Peace Justice and Strong Institutions; SDG17, Partnerships for the Goals.

Sources: Prasad A., Subramani K., Refass S., Saidi N., Salem F., Shepherd B., Global Economic Diversification Index 2025. Dubai: Mohammed bin Rashid School of Government (available at www.EconomicDiversification.com); World Bank; Economist Intelligence Unit; IMF staff calculations.

48. The transition to a new growth model is also challenged by elevated global uncertainty and commodity price volatility, reinforcing the urgency to accelerate reforms in key areas. Specifically, the uncertain environment is affecting the region through several potential channels, including the increased volatility of oil prices, lower global growth, tighter global financial conditions, and lower private sector investments (including FDI) amid weak confidence (Annex I). Against this backdrop, accelerating the reform momentum will be crucial, with a focus on policies with the potential to boost productivity. Specifically, policy priorities include the following main areas:

- **Business environment.** As a result of the strong reform momentum, the business climate has improved in the last few years, with five GCC countries ranked in the 30 most competitive countries (UAE: 5th, Qatar: 9th, Saudi Arabia: 17th, Bahrain: 22nd, Oman: 28th).[8] In addition, recent and ongoing policy initiatives aim to create a more predictable, streamlined, and transparent business environment for domestic and foreign investors, including through new regulations such as the updated investment law, the new civil code, the Commercial Registration Law, and the new Saudi Center for Commercial Arbitration rules and court (Saudi Arabia); the digitalization of the public service delivery framework (Kuwait); or the comprehensive legislative overhaul under the "UAE Legislation" platform, the recent Federal Law on PPPs, and the strengthening of intellectual property rights laws (UAE). Nonetheless, where gaps remain, further progress can be achieved through the streamlining and cost reduction of administrative procedures, the enhancement of the rule of law, and an increase in the transparency of public procurements.
- **Labor markets and human capital** (Figure 28). In recent years, policy initiatives have focused on supporting the employment of nationals in the private sector and further improving female labor force participation (FLFP), including by containing wages and employment in the public sector, aligning nationals' skills with labor market needs, and preventing discrimination.[9] As a result, some GCC countries have recorded strong employment growth, including in the private sector (Oman, Saudi Arabia) and among female labor force (Kuwait, Saudi Arabia) in recent years, and the unemployment rate has been low across the GCC. Nonetheless, the growth of employment has been uneven across countries and labor markets remain largely segmented, with expatriate workers continuing to constitute the bulk of private sector employment, ranging from around ¾ to 99 percent. Against this backdrop, further progress is needed to address the wage gap between the public and private sectors, enhance mobility for expatriate workers, increase FLFP, and address the skill mismatch through education and training. In this regard, labor market outcomes could be improved by some recently-introduced initiatives, including the February 2025 Labor Law amendments, the Labor Market Strategy 2025-2030, and the National Skills Strategy in Saudi Arabia.

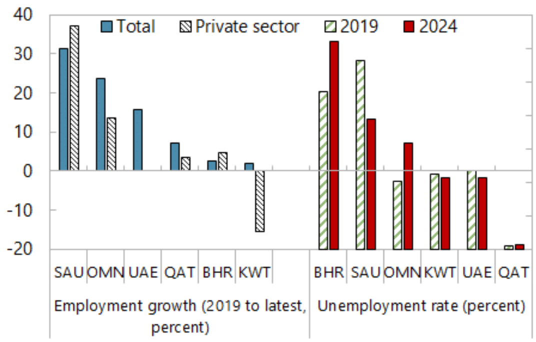
[8] IMD World Competitiveness Ranking 2025

[9] IMF, 2024, Gulf Cooperation Council: Pursuing Visions Amid Geopolitical Turbulence: Economic Prospects and Policy Challenges for the GCC Countries, December 2024

Figure 28. Labor Market Developments

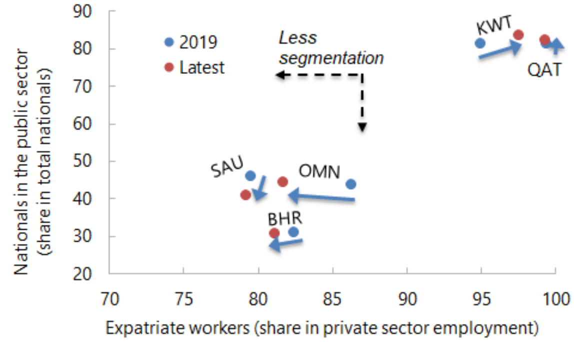
A few GCC countries have recorded strong employment growth, and unemployment has been modest…

Employment and Unemployment
(Percentage)



…but the labor market remains largely segmented across the region.

Labor Market Segmentation
(Percentage)



Sources: IMF staff calculations.

- **Digitalization and AI** (Figure 29 and Annex IV). Leveraging digitalization as an engine of diversification strategies plays an important role across the GCC, with several GCC countries having set numerical targets for the contribution of the digital economy to overall economic activity.[10] In general, the GCC is well-positioned to leverage digitalization, with most countries close to or on par with advanced economies as indicated by the Enhanced Digital Access Index (EDAI), especially in terms of digital infrastructure and affordability. Similar to digitalization, the GCC's AI preparedness exceeds that of an average EM, supported by rapid advances in AI investments (including by SWFs), R&D (e.g., initiatives with universities and research centers, and investments in GenAI foundational models), and talent (including the attraction of AI skills from abroad). As such, AI has the potential to enhance labor productivity and boost value added in the economy. In Saudi Arabia, for example, labor productivity can increase by 5 percent over the medium term.[11] Also, in the GCC, non-oil GDP could be boosted by 1.7-2.8 percent, with some differences across sectors.[12] At the same time, AI could also lead to potential disruptions in the labor market. In Qatar, for example, 37 percent of the labor force is exposed to AI, although 75 percent of these jobs also have high complementarity with AI.[13] Against this backdrop, policies should focus on balancing opportunities and risks associated with digitalization and AI (e.g., by avoiding overregulation to support innovation), enhance the ability of workers to adapt to new technologies through education and training, strengthening social safety nets to protect displaced workers, and enhancing the availability of data.[14] Moreover, knowledge transfer and FDI could be facilitated by technology partnerships such as

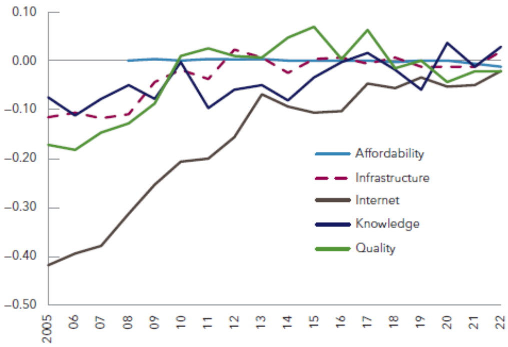
[10] In the UAE, for example, the digital economy is targeted to constitute one fifth of non-oil GDP by 2032.
[11] IMF, Saudi Arabia: 2024 Article IV Consultation.
[12] McKinsey (2024).
[13] Yuan, Tongfang, 2025, Artificial Intelligence in Qatar: Assessing the Potential Economic Impacts, SIP/2025/018
[14] See Annex IV and IMF (2025) for a detailed analysis on AI and digital transformation, respectively.

those with Microsoft and Google Cloud in Kuwait, Blue Owl Capital in Qatar, Humain and Nvidia in Saudi Arabia, or the US-UAE AI accelerated partnership.

Figure 29. Digitalization and Artificial Intelligence

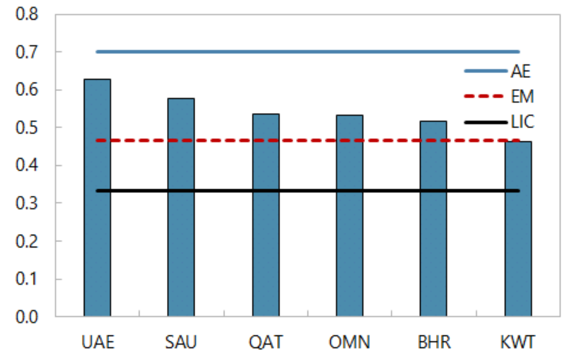
The GCC has closed the gap with AEs, albeit to a different extent across dimensions of digitalization…

GCC's EDAI Gap with AE by Subindex
(GCC average minus AE average)



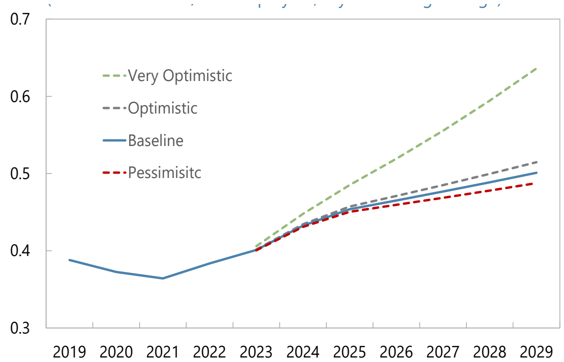
…and is close to advanced economies in terms of some components of AI preparedness.

AI Preparedness Index, 2023
(Index 0-1)



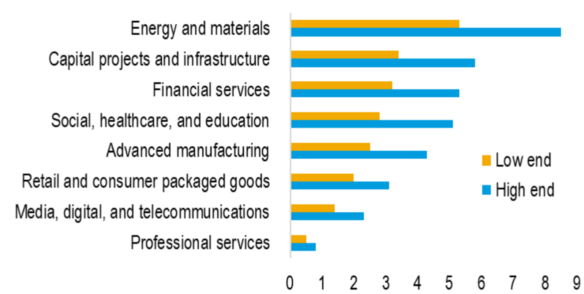
AI has a large potential to boost labor productivity…

Saudi Arabia: Labor Productivity
(Gross Value Added/Number of Employees, 4-year moving average)



…and value added in the economy.

GCC: Potential Annual Value-Added Impact from Generative AI (US$ billions)



Sources: IMF, 2025, Digital Transformation in the Gulf Cooperation Council Economies, Departmental Paper, Middle East and Central Asia Department; IMF AI Preparedness Index (Cazzaniga et al. 2024); IMF, Saudi Arabia: 2024 Article IV Consultation; and McKinsey (2024); IMF staff calculations.

49. **Deeper domestic financial markets would unlock financing for the Vision reforms and enhance resilience to global uncertainty** (Figure 30 and Annex V). High volatility in oil prices and external shocks have highlighted the importance of boosting the contribution of the non-hydrocarbon sector to growth and switching the engine of growth from the public to the private sector. In this regard, a key challenge remains to secure sufficient long-term capital for investments that could be mitigated by deeper financial markets. Deeper domestic financial markets would also enhance resilience to external shocks. Indeed, recent staff analysis found more stable bond yields and market liquidity during periods of stress in emerging markets and developing countries with a

higher share of local currency debt and more diverse investor bases.[15] In the GCC, there is scope to expand the depth of credit and bond markets:

- **Private sector credit market.** The private sector credit/GDP ratio in the GCC is broadly in line with that in advanced economies. The composition of banking sector assets, however, reveals a stronger sovereign-bank nexus in the GCC, suggesting the scope to increase the depth of credit markets for the private sector, especially SMEs.[16] Indeed, SMEs often face challenges to access bank credit as banks tend to prioritize lending to government-related entities and households. In addition, the need to finance large-scale projects could lead to liquidity constraints in the banking sector. Against this backdrop, financial deepening could be further promoted by a careful recalibration of lending standards to increased bank lending to SMEs, prudent fiscal policies and debt management strategies to increase credit supply to the private sector, higher competition, enhanced quality and coverage of credit information systems, streamlined insolvency procedures allowing for the possibility of a fresh start, and improved financial literacy.
- **Stock markets.** At the GCC level, the depth of equity markets is uneven, with large differences across countries, with relatively shallow market in Oman and well-developed markets in Saudi Arabia and the UAE. In the latter two countries, market capitalization is supported by the listing of oil companies, as well as good market infrastructure and large investor base, including retail investors. Further deepening could benefit from upgraded market infrastructure (e.g., the strengthening of interbank, repos, and derivatives markets to attract investors and enhance liquidity) and better representation of foreign investors (e.g., in terms of investment decisions in listed firms).
- **Bond markets.** GCC bond markets are dominated by foreign currency-denominated bonds that accounted for 85 percent of all outstanding bonds in 2024 (excluding short term treasury bills). While the local bond market has also increased significantly in recent years and its development is further supported by recent initiatives (e.g., the enactment of the new Public Debt Law in Kuwait in March 2025 and the introduction of over-the-counter settlement in Saudi Arabia in May 2025), it has remained relatively modest and varied significantly across countries. Against this backdrop, there is major scope to develop the local bond market, including through the elimination of structural impediments such as low private savings (for example, as in KSA through retail savings bonds) and the absence of secondary trading in some countries, as well as low liquidity amid the dominance of buy-and-hold investors and the limited presence of institutional investors. In addition, deepening could be supported by addressing market infrastructure gaps (e.g., settlement system), executing predictable bond issuances, and enhancing issuance strategies (e.g., regular domestic auctions).

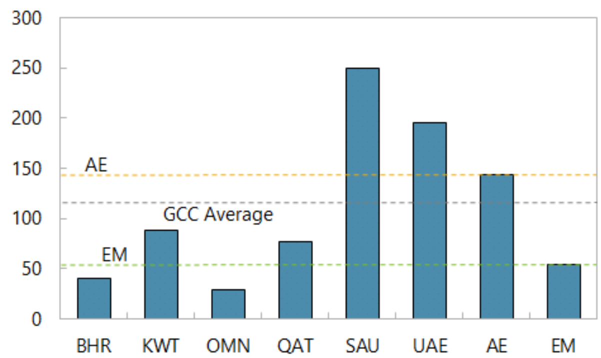
[15] IMF, 2025, Global Shocks, Local Markets: The Changing Landscape of Emerging Market Sovereign Debt, Chapter 3 in Global Financial Stability Report – Shifting Ground beneath the Calm, October 2025

[16] In Oman and Saudi Arabia, for example, SMEs employ over three-quarters and 60 percent of the private sector workforce, respectively. Similarly, SMEs account for 94 percent of companies operating in the UAE and 63 percent of non-hydrocarbon GDP.

Figure 30. Domestic Financial Markets

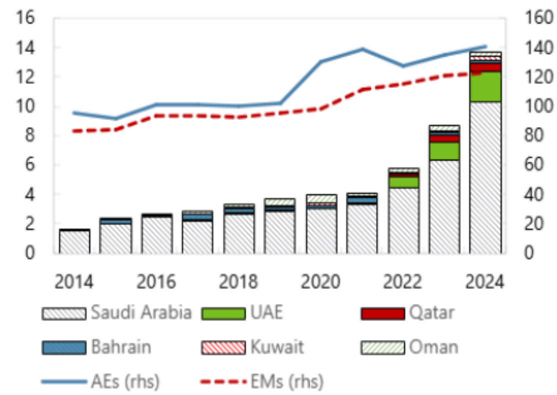
Stock market capitalization is higher than in EMs but is uneven across countries and economic sectors.

Stock Market Capitalization, 2024
(Percentage of GDP)



The GCC lags behind in terms of the size of local bond markets.

Total Outstanding Local Currency-Denominated Bonds
(Percent of GDP)



Sources: IMF staff calculations.

50. In an uncertain global environment, resilience would also benefit from increased trade and financial integration (Figure 31). Fostering new and more diverse international economic relationships can help mitigate the impact of trade uncertainty and geoeconomic fragmentation.[17] The strengthening of interregional trade relations, including with Africa, the Caucasus and Central Asia, Europe, and India, can also reduce the exposure to regional uncertainty shocks. In addition, increased financial integration can bolster resilience by diversifying the financing sources and advancing the diversification agenda through improved access to technology and know-how. Against this backdrop, it remains key to further enhance trade and financial integration:

- **Trade integration.** While non-hydrocarbon imports have picked up amid strong investments to support the diversification agenda across the GCC, non-hydrocarbon exports show large differences, ranging from 5-7 percent of GDP in Kuwait, Qatar, and Saudi Arabia to 20-26 percent of GDP in Bahrain and Oman and over 60 percent of GDP in the UAE (Figure). Indeed, the GCC continues to lag other major economic blocs in terms of *intra-regional trade* integration,[18] and *inter-regional trade* also remains moderate despite efforts to enhance trade ties with various regions, including Africa and the Caucasus and Central Asia (CCA), as well as Europe and India in the context of the IMEC corridor (Figure 31 and Annex VI). Against this backdrop, the streamlining of non-tariff barriers and other impediments (for example, local content requirements, bottlenecks in logistics and trade financing, unified GCC visa for tourists and businesspeople), including in the context of trade agreements at country- and GCC-level

[17] IMF, 2024, Regional Economic Outlook: Middle East and Central Asia, April 2024

[18] IMF, 2024, Gulf Cooperation Council: Pursuing Visions Amid Geopolitical Turbulence: Economic Prospects and Policy Challenges for the GCC Countries, December 2024

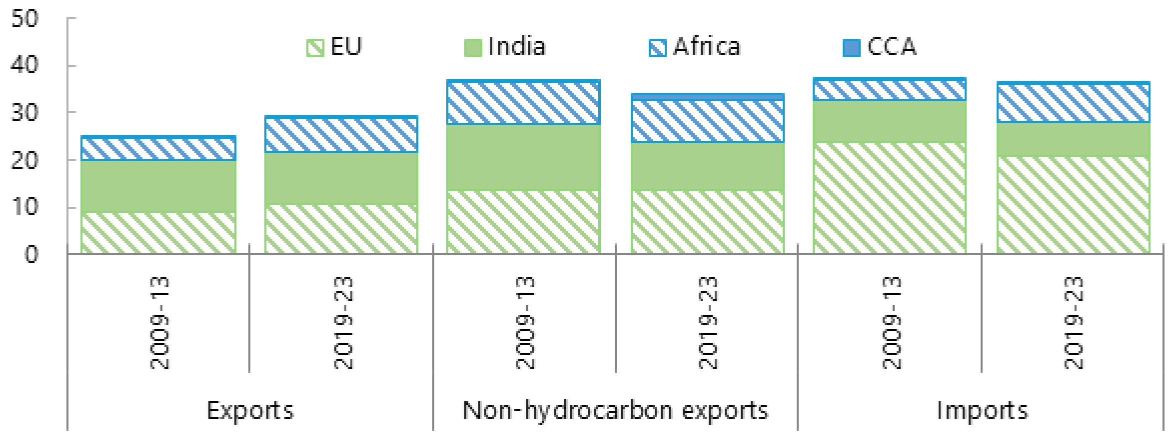
(e.g., ongoing negotiations on the India-Oman FTA), could further expand trade within and outside the GCC, including through value chain integration. Also, inter-regional trade could be supported by a reduction in tariffs and the elimination of other impediments to trade (e.g., in terms of infrastructure) in partner countries and regions (e.g., Africa, CCA).

Figure 31. Trade and Financial Integration

For the GCC the EU and India are important export destinations, followed by Africa, representing 30–40 percent of total, while the EU stands out as import origin.

GCC Trade of Goods and Services by Partner

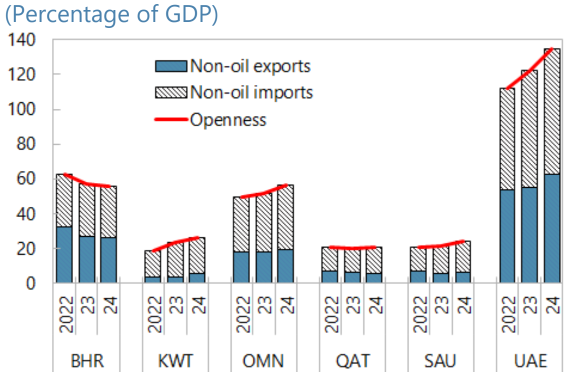
(Percent of total)



Most GCC countries have recorded relatively modest non-hydrocarbon exports...

Non-Hydrocarbon Trade of Goods

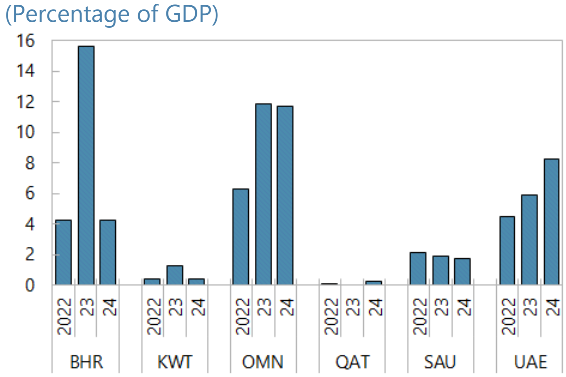
(Percentage of GDP)



...and inward FDI, with Bahrain, Oman, and the UAE leading the region on both indicators.

Inward FDI

(Percentage of GDP)



Sources: IMF WEO; IMF staff calculations.

- **Financial integration.** While the GCC countries have tapped into international bond markets in recent years, other types of capital inflows, especially FDI, have remained relatively modest, with a few exceptions (Bahrain, Oman, the UAE) (Figure 31). Nonetheless, the attractiveness of the region could benefit from several recent and ongoing initiatives of the GCC authorities, including the general improvement in the business environment, relaxed restrictions on foreign investments (Bahrain, Kuwait, Qatar, Saudi Arabia, the UAE), , and dedicated agencies and programs (e.g., National Program for Investment and Export Development in Oman, Future Fund Oman, Ministry of Investment in the UAE, Kuwait Direct Investment Promotion Authority). In addition to capital inflows, international financial integration will also benefit from continued investments by the GCC countries abroad (Annex VI), with potential benefits for medium-term growth. Outward FDI, for example, can boost growth through technology transfer[19] and the elimination of impediments to trade in key current and prospective trade partners, including Africa and the CCA (Annex VI).

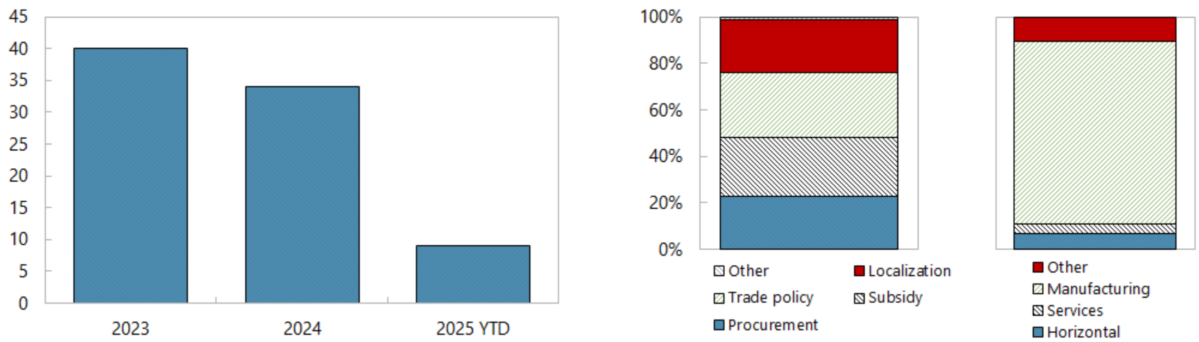
Figure 32. Industrial Policies 1/

More than 80 IP measures have been documented over the past three years…

GCC: Industrial Policies, 2023-25
(Number of measures)

…largely taking the form of trade policy and subsidies, with a focus on the manufacturing sector.

GCC: Composition of Industrial Policies, 2023-25
(Share in total, percentage)



1/ The database covers Qatar, Saudi Arabia, and the United Arab Emirates, as well as GCC-level policies.
Sources: NIPO database; IMF staff calculations.

51. Industrial policies should continue to be part of a broad reform agenda (Figure 32). More than 80 industrial policy (IP) measures have been documented in the GCC over the last three years, with the overwhelming majority targeting the manufacturing sector.[20] While IP could contribute to economic diversification, they should complement and not substitute for structural reforms, and it remains critical to target market and capability failures, minimize risks/distortions, and ensure compliance with the World Trade Organization (WTO) rules. As such, the design and deployment of IPs should include rigorous calibration and monitoring, cost-benefit analysis, clear exit criteria, sunset clauses, and integration into the broader reform agenda, as well as avoid discriminatory provisions, such as local content requirements in government contracts. Also, to

[19] IMF, 2024, Gulf Cooperation Council: Pursuing Visions Amid Geopolitical Turbulence: Economic Prospects and Policy Challenges for the GCC Countries, December 2024

[20] The measures largely took the form of subsidies (e.g., USD150 million investment by Saudi Venture Capital in Global Ventures III fund to support technology startups), procurement and localization rules (e.g., expansion of the mandatory list by the Saudi Local Content and Government Procurement Authority), and trade policies, with a focus on export incentives such as trade finance in the case of the latter (e.g., strategic partnership between the Abu Dhabi Exports Office and the Emirates Development Bank on export financing of AED1 billion for the manufacturing sector). Targeted interventions have also included increasing investments in the domestic economy by sovereign wealth funds (SWFs) and other public sector entities. In Saudi Arabia, for example, the Public Investment Fund is expected to invest at least $40 billion annually in the coming years.

maximize the benefits associated with IP, policies should focus on the diversification of exports, especially in sectors with high value-added. Finally, interventions by SWFs and public entities should prioritize the crowding-in of private sector investment by focusing on sectors with limited private sector participation or market failures.

52. While data remain broadly adequate for surveillance, further data improvements are needed (Table 2 and Annex VII). Data quality and coverage have improved in recent years on the back of strong efforts, resulting in enhanced national accounts and FDI statistics (Saudi Arabia), partial updates to national accounts (Bahrain, Kuwait), updated CPI weights (the UAE), and enhanced institutional framework to produce statistics (Bahrain, Oman, Qatar). The GCC countries are also advancing through the IMF's Data Standards Initiative in order to enhance data transparency and accountability, as well as the G20 Data Gaps Initiative, including through statistical innovation. Nonetheless, progress is uneven across countries. Saudi Arabia, for example, is the only GCC country that has subscribed to the Special Data Dissemination Standard (SDDS) and expressed commitment towards moving to SDDS Plus. Also, there remain major data gaps, especially related to the coverage and granularity of external sector and government finance statistics.

Table 2. Selected Economic Data Reporting Metrics by Country/Region

	Individual GCC Country						Regional Medians			
	Bahrain	**Kuwait**	**Oman**	**Qatar**	**Saudi Arabia**	**UAE**	**GCC**	**SDDS**	**LAC-5-EM**	**ASEAN-5-EM**
External Debt Categories (Reported to World Bank	Not reported	Not reported	Not reported	Not reported	Fully reported	Not reported	**Not reported**	Fully reported	Fully reported	Fully reported
Government Operations Coverage	Budgetary Central Govt	Budgetary Central Govt	Budgetary Central Govt	Budgetary Central Govt	Central Govt	General Govt	**Budgetary Central Govt**	General Govt	General Govt/Public Sector	General Govt
Quarterly GDP by Expenditure Availability	Quarterly GDP	Annual Expenditure	Annual Expenditure	No Expenditure GDP	Quarterly GDP	Annual Expenditure	**Annual Expenditure**	Quarterly GDP	Quarterly GDP	Quarterly GDP
Core CPI Availability	Available	Not available	Not available	Available	Available	Not available	**Not available**	Available	Available	Available

Source: National Authorities and IMF staff calculations.
Note: QEDS: Quarterly External Debt Statistics; LAC-5-EM: Latin America & Caribbean 5 Emerging Markets (Brazil, Chile, Colombia, Mexico, Peru); ASEAN-5-EM: Association of Southeast Asian Nations 5 Emerging Markets (Indonesia, Malaysia, Philippines, Thailand, Vietnam).

CONCLUDING REMARKS

53. Despite the challenging global environment, the economic outlook for the GCC remains favorable. In the near term, the impact of elevated global uncertainty and low oil prices on economic activity will be mitigated by limited non-hydrocarbon trade ties with the U.S., continued strong project implementation facilitated by ample buffers, and the unwinding of oil production cuts. Over the medium term, growth will be supported by the robust performance of the non-hydrocarbon economy amid diversification efforts and the expansion of oil and natural gas production and export capacities. The external sector will remain strong, notwithstanding a gradual decline in balances on the back of strong investments. The risks to the near-term GCC economic outlook are to the downside, while ongoing global structural shifts pose two-sided risks over the medium term.

54. The GCC should continue to ensure stability and sustainability, as well as accelerate reform implementation to advance economic diversification and enhance resilience in the uncertain global environment.

- In the *near term*, fiscal policy should remain mildly contractionary; monetary policy should focus on enhancing transmission; and financial sector policies should continue to proactively manage systemic risk.

- In the *medium term*, fiscal consolidation, with a focus on non-hydrocarbon revenue mobilization and subsidy reform, is needed to ensure intergenerational equity and to create space for investments consistent with the broad reform agenda. This should be supported by PFM reforms, including the adoption of appropriate fiscal rules and credible medium-term fiscal frameworks, enhanced risk monitoring, and consolidated sovereign asset-liability management frameworks. Finally, accelerating and prioritizing reforms will support the transition to the new growth model and enhance resilience to high global uncertainty, with a focus on productivity-enhancing reforms, the deepening of domestic financial markets, and increased trade and financial integration.

55. Further strengthening of the IMF-GCC collaboration would complement the member states' effort to bolster macroeconomic stability and resilience. The collaboration between the GCC and the IMF has strengthened, and the IMF country teams and experts, including in the IMF Regional Office in Riyadh and the Center for Economics and Finance (CEF) in Kuwait, stand ready to further support the GCC member states' reforms, through surveillance, analytical work, and capacity development. For the broader MENA region, the GCC member states have played an important role in supporting regional macroeconomic stability, complementing a range of work by the IMF. Amid multiple global headwinds and regional conflicts, enhancing cooperation between the IMF and the GCC countries is critical to reinforce the region's macroeconomic stability and support the recovery in the Middle East's conflict-affected economies.

Table 3. GCC: Annual Indicators: Real Sector

	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Projections					
	Real GDP growth (% yoy)								
Bahrain	6.2	3.9	2.6	2.9	3.3	3.3	3.1	3.2	3.2
Kuwait	6.8	-1.7	-2.6	2.6	3.9	2.3	2.3	2.2	2.3
Oman	8.0	1.2	1.7	2.9	4.0	3.7	4.1	3.8	3.6
Qatar	4.2	1.5	2.4	2.9	6.1	7.8	3.5	1.6	3.4
Saudi Arabia	12.0	0.5	2.0	4.0	4.0	3.2	3.3	3.3	3.3
United Arab Emirates	7.5	4.3	4.0	4.8	5.0	4.7	4.4	4.3	3.9
GCC average	*7.4*	*1.6*	*1.7*	*3.3*	*4.4*	*4.2*	*3.4*	*3.1*	*3.3*
	Hydrocarbon real GDP growth (% yoy)								
Bahrain	-1.5	-2.0	-3.3	0.0	1.8	2.2	-0.4	-0.4	-0.4
Kuwait	12.1	-4.2	-6.9	2.4	5.4	2.0	2.0	2.0	2.0
Oman	8.7	-0.1	-2.2	1.3	4.7	3.2	3.8	3.0	2.1
Qatar	1.7	0.6	0.6	0.1	12.1	16.2	4.9	0.2	4.5
Saudi Arabia	15.0	-9.0	-4.4	5.0	5.2	1.7	2.5	2.6	2.7
United Arab Emirates	8.9	-3.0	1.0	5.3	6.3	5.1	3.9	3.5	1.9
GCC average	*7.5*	*-3.0*	*-2.5*	*2.4*	*5.9*	*5.1*	*2.8*	*1.8*	*2.2*
	Non-Hydrocarbon real GDP growth (% yoy)								
Bahrain	7.9	5.0	3.7	3.4	3.6	3.5	3.6	3.7	3.8
Kuwait	1.6	1.0	1.8	2.7	2.6	2.6	2.5	2.5	2.5
Oman	7.7	1.8	3.6	3.6	3.7	4.0	4.2	4.2	4.2
Qatar	5.7	2.1	3.4	4.4	2.8	2.8	2.6	2.6	2.6
Saudi Arabia	10.9	5.8	4.5	3.7	3.5	3.8	3.6	3.5	3.5
United Arab Emirates	7.0	7.0	5.0	4.6	4.6	4.6	4.6	4.5	4.5
GCC average	*6.8*	*3.8*	*3.7*	*3.7*	*3.5*	*3.5*	*3.5*	*3.5*	*3.5*
	Inflation (% yoy)								
Bahrain	3.6	0.1	0.9	0.3	0.8	1.3	1.8	2.0	2.0
Kuwait	4.0	3.6	2.9	2.2	2.2	2.1	1.9	1.8	1.7
Oman	2.5	1.0	0.6	0.9	1.5	2.0	2.0	2.0	2.0
Qatar	5.0	3.1	1.2	0.1	2.6	2.3	2.0	2.0	2.0
Saudi Arabia	2.5	2.3	1.7	2.1	2.0	2.0	2.0	2.0	2.0
United Arab Emirates	4.8	1.6	1.7	1.6	2.0	2.0	2.0	2.0	2.0
GCC average	*3.7*	*2.0*	*1.5*	*1.2*	*1.9*	*2.0*	*2.0*	*2.0*	*2.0*
	Population growth (%)								
Bahrain	1.4	3.4	0.7	2.0	2.0	2.0	2.0	2.0	2.0
Kuwait	9.3	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Oman	9.9	4.7	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Qatar	6.7	4.5	1.0	0.5	0.5	0.5	0.5	0.5	0.5
Saudi Arabia	4.5	4.7	4.7	2.0	2.0	2.0	2.0	2.0	2.0
United Arab Emirates	4.3	3.8	5.7	0.8	0.7	0.7	0.7	0.7	0.6
GCC average	*6.0*	*3.9*	*2.9*	*1.7*	*1.7*	*1.7*	*1.7*	*1.7*	*1.7*

Sources: Haver, WEO, IMF staff.

Table 4. GCC: Annual Indicators: Fiscal and External Sectors

	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Projections					
Overall fiscal balance (% GDP)									
Bahrain	-6.0	-9.7	-10.6	-10.7	-9.9	-9.4	-9.5	-9.5	-9.7
Kuwait	30.0	28.2	23.8	26.8	26.5	26.2	25.7	25.1	24.7
Oman	10.5	6.9	3.3	0.4	1.0	2.3	3.4	3.9	4.3
Qatar	10.4	5.6	0.7	-0.3	1.3	2.5	2.9	2.6	2.8
Saudi Arabia	2.2	-1.8	-2.5	-3.7	-3.7	-3.8	-3.7	-3.4	-3.4
United Arab Emirates	9.8	5.8	6.4	5.1	4.8	4.7	4.7	4.6	4.5
GCC average	*9.5*	*5.8*	*3.5*	*2.9*	*3.3*	*3.7*	*3.9*	*3.9*	*3.9*
Non-hydrocarbon primary balance (% non-hydrocarbon GDP)									
Bahrain	-18.8	-18.6	-17.0	-15.7	-13.0	-12.1	-11.2	-10.6	-10.0
Kuwait	-79.6	-85.2	-82.3	-78.4	-74.7	-72.5	-71.1	-70.1	-69.1
Oman	-31.7	-29.0	-30.9	-27.1	-25.7	-24.3	-22.6	-20.8	-19.4
Qatar	-31.9	-33.5	-31.1	-29.0	-28.5	-28.1	-27.9	-27.5	-26.9
Saudi Arabia	-25.3	-25.4	-24.7	-21.1	-20.3	-19.5	-18.6	-17.7	-17.0
United Arab Emirates	-17.5	-15.6	-14.1	-13.8	-13.3	-13.1	-12.9	-12.9	-12.8
GCC average	*-34.1*	*-34.5*	*-33.3*	*-30.8*	*-29.2*	*-28.3*	*-27.4*	*-26.6*	*-25.9*
Public debt (% of GDP)									
Bahrain	112	123	133	142	146	150	153	155	157
Kuwait	3	3	3	7	11	15	19	24	24
Oman	42	37	36	35	33	31	30	29	29
Qatar	43	44	41	41	39	37	36	36	35
Saudi Arabia	21	23	26	29	32	34	37	39	41
United Arab Emirates	32	32	35	34	32	30	29	27	27
GCC average	*41.9*	*43.7*	*45.7*	*48.1*	*48.8*	*49.6*	*50.5*	*51.6*	*52.1*
Current account balance (% GDP)									
Bahrain	14.7	5.8	4.8	3.5	3.8	3.7	3.5	3.1	2.7
Kuwait	34.4	31.1	29.1	26.5	24.4	22.9	21.8	20.5	19.2
Oman	3.7	2.3	2.9	-1.0	-0.7	0.6	1.5	1.8	2.0
Qatar	26.8	17.1	17.4	10.8	10.2	12.0	12.0	11.4	11.6
Saudi Arabia	12.1	2.9	-0.5	-2.1	-2.5	-3.2	-3.1	-3.0	-2.8
United Arab Emirates	13.0	13.1	14.5	13.2	12.3	11.5	11.0	10.9	10.9
GCC average	*17.4*	*12.1*	*11.4*	*8.5*	*7.9*	*7.9*	*7.8*	*7.4*	*7.3*
Central bank reserves (U$ billion)									
Bahrain	4.5	4.8	4.6	4.3	4.5	4.5	4.6	5.3	5.5
Kuwait	48.2	47.6	44.4	48.4	52.4	56.1	60.4	65.3	70.7
Oman	17.6	17.5	18.4	18.0	17.8	18.2	19.3	20.6	22.2
Qatar	47.4	51.5	53.9	55.3	57.7	60.9	64.0	67.1	70.3
Saudi Arabia	459.9	436.9	437.2	434.9	442.6	445.1	451.5	461.7	478.5
United Arab Emirates	138.4	189.5	238.2	270.0	297.0	325.3	350.0	371.1	385.8
GCC average	*119.3*	*124.6*	*132.8*	*138.5*	*145.3*	*151.7*	*158.3*	*165.2*	*172.2*

Sources: Haver, WEO, IMF staff.
Note: Fiscal data are for central government, except general government for the UAE. For Bahrain, fiscal balance estimates rely on total financing flows (including changes in central bank claims on the government) and tend to be lower than those by subtracting budget expenditures from budget revenues (accordingly, government debt includes central bank claims on government).

Table 5. GCC: Quarterly Indicators: Real and External Sectors

	2022				2023				2024				2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Real GDP growth (% yoy)												
Bahrain	7.1	8.5	4.4	4.8	2.2	2.2	4.0	6.9	3.1	1.0	2.9	3.4	2.7
Kuwait	9.4	7.8	6.8	3.4	1.7	-1.5	-3.0	-3.7	-3.4	-2.2	-3.9	-0.7	1.0
Oman	5.7	9.9	9.2	7.3	3.4	-0.7	2.4	0.7	0.9	2.1	1.4	2.0	2.4
Qatar	2.1	4.0	4.4	6.1	4.8	4.4	0.9	-3.6	0.8	1.5	2.0	6.1	4.9
Saudi Arabia	11.2	14.5	13.0	9.6	5.7	2.6	-2.8	-2.9	-0.4	0.8	3.1	4.4	3.4
United Arab Emirates	8.6	7.7	8.4	5.2	4.8	4.5	3.2	4.7	2.8	3.9	4.3	5.0	3.9
GCC average	*7.4*	*8.7*	*7.7*	*6.1*	*3.8*	*1.9*	*0.8*	*0.4*	*0.7*	*1.2*	*1.6*	*3.4*	*3.0*
	Hydrocarbon real GDP growth (% yoy)												
Bahrain	-4.6	-2.1	0.8	-0.3	-5.6	2.2	-6.1	1.4	4.1	-5.8	-7.2	-3.4	5.3
Kuwait	12.2	14.3	14.4	7.7	2.6	-3.7	-8.8	-6.3	-9.8	-6.8	-5.3	-5.7	-0.3
Oman	5.8	10.2	10.3	8.2	4.3	-0.6	-1.4	-1.7	-2.3	-2.4	-2.8	-3.4	-1.5
Qatar	-1.6	1.2	2.7	4.8	4.2	1.5	2.7	-5.9	1.5	-2.6	-2.3	6.2	1.0
Saudi Arabia	20.1	22.5	14.0	5.3	0.8	-3.7	-16.1	-16.2	-11.1	-8.8	0.1	3.5	-0.4
United Arab Emirates	6.2	11.6	11.8	5.9	1.3	-5.2	-5.7	-2.2	-0.9	0.9	2.5	1.5	-0.6
GCC average	*6.4*	*9.6*	*9.0*	*5.3*	*1.3*	*-1.6*	*-5.9*	*-5.1*	*-3.1*	*-4.3*	*-2.5*	*-0.2*	*0.6*
	Non-Hydrocarbon real GDP growth (% yoy)												
Bahrain	9.6	10.9	5.2	5.9	3.7	2.2	6.2	7.9	3.0	2.4	4.8	4.6	2.2
Kuwait	6.9	1.5	-0.9	-0.6	0.8	0.8	3.8	-1.0	3.0	2.5	-2.5	4.0	2.0
Oman	6.0	9.3	8.9	6.0	3.5	-0.1	3.4	2.4	2.3	4.1	3.5	4.0	4.5
Qatar	4.5	5.9	5.5	6.9	5.2	6.2	-0.2	-2.3	0.5	3.9	4.5	6.1	7.3
Saudi Arabia	10.3	13.4	13.2	12.7	10.8	7.5	4.7	5.2	5.3	6.1	4.4	4.8	4.9
United Arab Emirates	9.5	6.4	7.2	5.0	6.0	8.1	6.7	7.4	4.1	4.9	4.9	6.2	5.3
GCC average	*7.8*	*7.9*	*6.5*	*6.0*	*5.0*	*4.1*	*4.1*	*3.3*	*3.0*	*4.0*	*3.3*	*4.9*	*4.4*
	Inflation (% yoy)												
Bahrain	3.4	3.4	4.0	3.8	0.6	0.0	-0.1	-0.2	0.8	1.7	0.8	0.4	0.1
Kuwait	4.3	4.5	3.9	3.2	3.4	3.7	3.8	3.7	3.2	3.1	2.9	2.4	2.5
Oman	3.7	2.5	2.1	1.8	1.6	0.8	0.8	0.6	0.0	0.7	1.0	0.6	0.8
Qatar	4.2	5.1	5.3	5.4	4.2	3.7	2.4	1.8	2.3	0.9	1.0	0.7	-0.4
Saudi Arabia	1.8	2.3	2.9	3.1	3.3	2.8	2.1	1.7	1.5	1.6	1.4	1.5	1.8
United Arab Emirates	2.6	5.6	6.5	4.6	3.4	0.8	0.5	1.9	1.9	2.3	1.5	1.0	1.4
GCC average	*3.3*	*3.9*	*4.1*	*3.7*	*2.8*	*2.0*	*1.6*	*1.6*	*1.6*	*1.7*	*1.4*	*1.1*	*1.0*
	Current account balance (% of rolling quarterly GDP)												
Bahrain	14.3	16.4	14.0	14.2	5.5	5.1	7.5	5.4	4.8	5.8	3.4	5.3	7.5
Kuwait	28.9	36.8	37.0	34.5	25.8	34.9	32.4	31.4	27.4	33.0	31.0	25.2	31.0
Oman	...	...	...	...	...	...	...	...	...	...	...	...	...
Qatar	19.0	29.1	30.1	28.0	22.0	15.0	17.1	13.0	17.3	21.3	18.0	12.9	15.8
Saudi Arabia	14.3	13.0	14.7	6.5	5.0	4.0	1.6	1.0	3.0	1.4	-2.6	-2.7	0.1
United Arab Emirates	...	...	...	...	...	...	...	...	...	...	...	...	...
GCC average	*19.1*	*23.8*	*23.9*	*20.8*	*14.6*	*14.7*	*14.6*	*12.7*	*13.1*	*15.3*	*12.5*	*10.2*	*13.6*

Sources: Haver, WEO, IMF staff.

Annex I. Global Uncertainty: Implications for the GCC

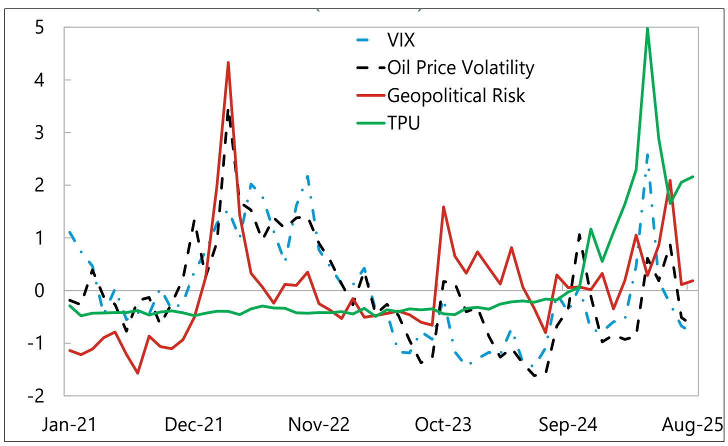
The GCC has demonstrated resilience to heightened global uncertainty, with sensitivities concentrated among a few countries and financial instruments. Uncertainty-related shocks have statistically significant but moderate estimated impacts on bond and equity markets, primarily transmitted through global financial volatility. The effects on bond and equity flows vary across GCC countries and relative to EM composite indices. Trade in goods and tourism exhibit more selective, country-specific responses to global uncertainty.

1. **Higher uncertainty can adversely affect economic activity, with transmission occurring through financial markets, portfolio flows, and trade in goods and services.** Financial markets transmit uncertainty and volatility-related shocks almost instantaneously through bond yields, credit default swap (CDS) spreads, and stock market returns. Other channels, such as investment flows and trade in goods and services, propagate shocks more gradually, reflecting structural factors and adjustment lags. Multiple episodes of heightened global economic uncertainty have occurred this year.

2. **The GCC has demonstrated resilience to heightened global uncertainty.** Sensitivities are concentrated among selected countries and financial instruments. The significance and magnitude of the impacts differ depending on the type of uncertainty and the transmission channel.

Annex I. Figure 1. Policy Uncertainty Indices

(Z-Scores)



Source: Caldara Iacoviello (2022), World Uncertainty Index (2025), CBOE.

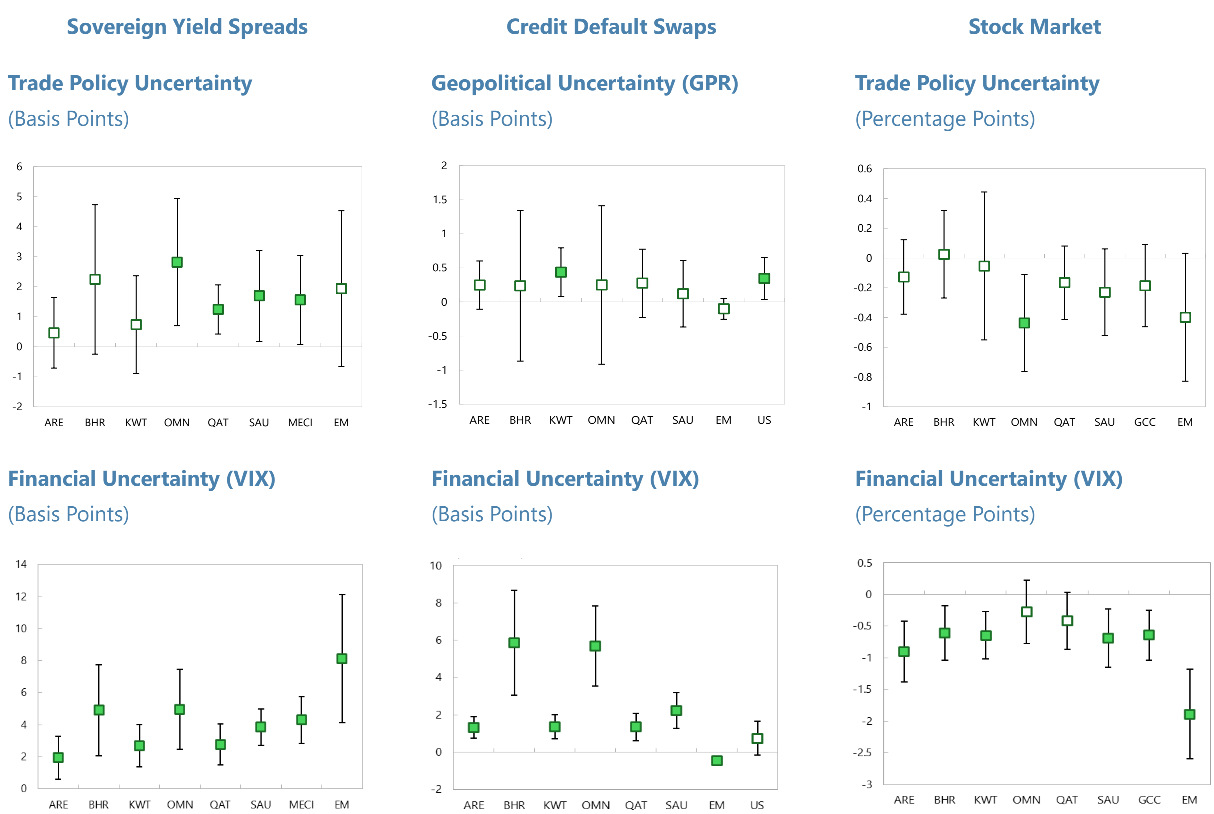
3. **This analysis focuses on the effects of trade, geopolitical, and financial market uncertainty.** The Trade Policy Uncertainty (TPU) index of Caldara et al. (2020) measures the share of news articles discussing uncertainty about trade policy, and is highly correlated with other uncertainty indices such as the Global Economic Policy Uncertainty and World Uncertainty indices (Figure 1). Higher uncertainty tends to coincide with spikes in measures of risk, especially tail risk. The Geopolitical Risk (GPR) index of Caldara and Iacoviello (2021) measures adverse geopolitical events based on newspaper coverage of geopolitical tensions. Financial market uncertainty is proxied by the VIX (30-day option-implied volatility of the S&P 500 index), which measures investors' expectations of stock market volatility and is commonly used to gauge global risk aversion.

- *Local projections are used to estimate the impacts of one-standard-deviation increases in each uncertainty measure*. For financial variables, the estimates capture five-day cumulative impacts, based on daily data from January 2021 to July 2025. For trade variables, the estimates capture three-month cumulative effects, based on monthly data on exports or imports from January 1990 to May 2025, and on tourism revenues from January 2019 to May 2025.

4. Uncertainty-related shocks have statistically significant but moderate effects on GCC bond and equity markets, primarily transmitted via global financial market volatility (Figure 2). VIX shocks have the largest impacts on GCC asset prices among the uncertainty shocks under consideration. The GCC countries outperform the EM composite indices for sovereign yield spreads and stock market returns but have more sensitive CDS spreads. The GPR and TPU shocks have only limited country-specific effects.

- *Sovereign yield spreads are the most sensitive to VIX shocks, although the GCC countries exhibit greater resilience compared to the composite EM and Middle East indices.* TPU shocks have some statistically significant effects on Saudi Arabia, Oman and Qatar, although these effects are modest in size. In contrast, GPR shocks do not have statistically significant effects.

Annex I. Figure 2. GCC Financial Markets



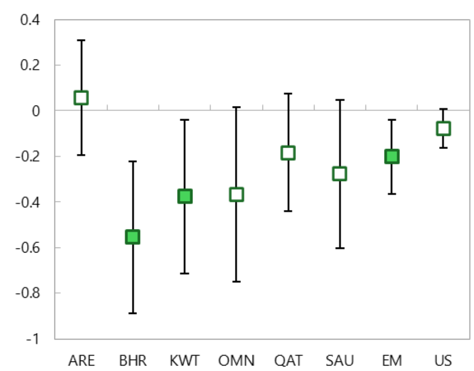
Note: Filled Boxes Indicate Statistical Significance, Whiskers Indicate the 95% Confidence Interval. Estimates are for five-day cumulative impacts.
Source: Haver Analytics, IMF Staff Calculations.

- CDS spreads in the GCC rise in response to VIX shocks, with stronger reactions compared to the EM composite. Differences in the reactions of CDS versus sovereign yield spreads to the same shocks can be explained by structural differences between the two markets, including their liquidity and the composition of their investor bases, in addition to movements in U.S. Treasury yields. The higher estimated beta of sovereign yield spreads versus CDS spreads with respect to the VIX is consistent with the empirical literature on the excess sovereign bond premium. GPR shocks only have statistically significant effects for Kuwait, while TPU shocks do not have significant effects.
- Stock returns in the GCC are also sensitive to VIX shocks, although less than the EM composite. Stock returns in Oman react significantly to TPU shocks, unlike for other GCC countries and the EM index.

Annex I. Figure 3. GCC: Financial Flows

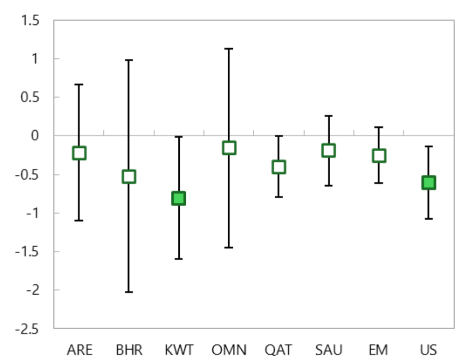
Equity Flows

Geopolitical Uncertainty (GPR)
(Percentage Point Increase in End Asset Allocation)

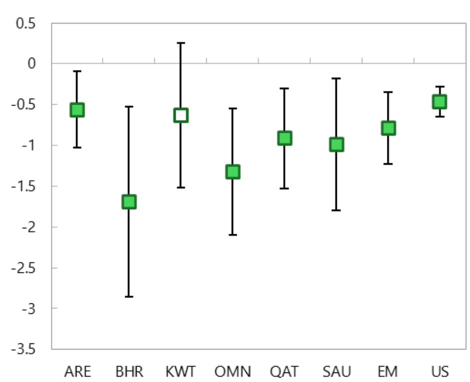


Equity Flows

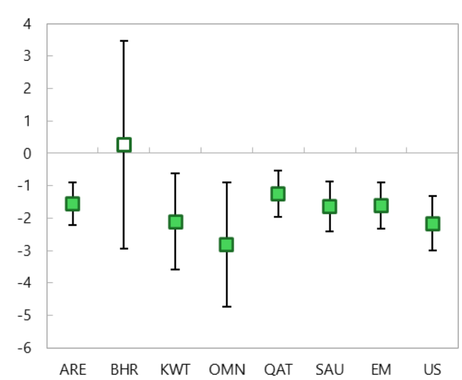
Trade Policy Uncertainty
(Percentage Point Increase in End Asset Allocation)



Financial Uncertainty (VIX)
(Percentage Point Increase in End Asset Allocation)



Financial Uncertainty (VIX)
(Percentage Point Increase in End Asset Allocation)



Note: Filled Boxes Indicate Statistical Significance, Whiskers Indicate the 95% Confidence Interval. Estimates are for five-day cumulative impacts.
Source: Haver Analytics, IMF Staff Calculations.

5. The reactions of financial flows to uncertainty-related shocks vary in strength and significance across the GCC (Figure 3). Bond and equity flows decline in response to VIX shocks in all GCC countries except for Kuwait (bond flows) and Bahrain (equity flows), with varying impacts relative to the EM composite. On the other hand, bond and equity flows in Kuwait exhibit statistically significant responses to TPU and GPR shocks, while bond flows in Bahrain are sensitive to TPU shocks.

6. Trade flows and tourism revenues exhibit more selective, country-specific reactions to global uncertainty shocks (Figure 4). Export and tourism revenues are sensitive to GPR and TPU shocks in some GCC countries. In contrast, the effects on import expenditures are not statistically significant in any GCC country. Given that uncertainty shocks operate with lags, these estimates may not fully capture the most recent episodes of heightened global uncertainty, and may therefore underestimate their effects.

Annex I. Figure 4. GCC: Trade and Tourism

Note: Filled Boxes Indicate Statistical Significance, Whiskers Indicate the 95% Confidence Interval. Estimates are for Three Month Cumulative Impacts.
Source: Haver Analytics, IMF Staff Calculations.

7. Overall, the GCC economies have demonstrated resilience to global uncertainty shocks, indicating limited pass-through to domestic economic activity. Continued economic diversification would further mitigate spillovers from surges in global uncertainty and reinforce investors' perception of the region as a "safe haven".

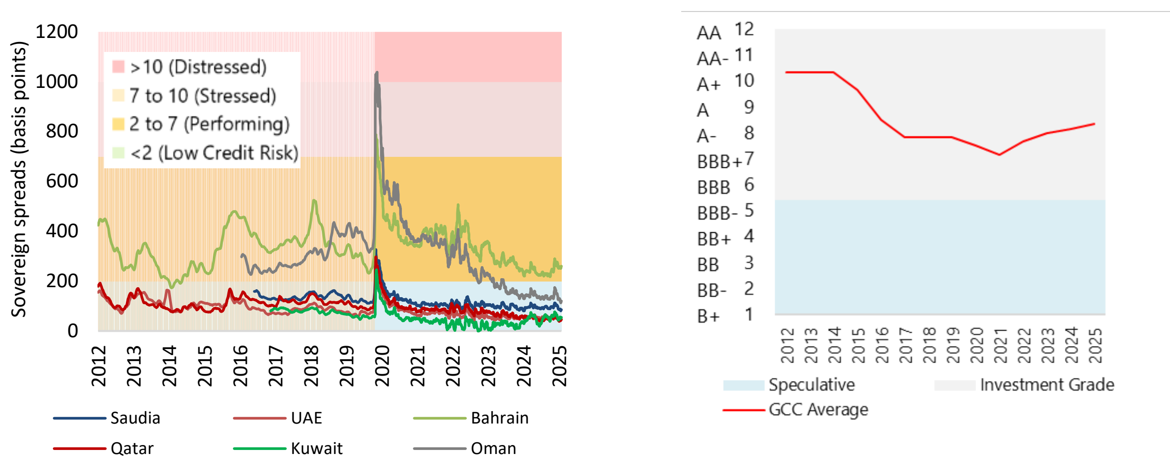
Annex II. Drivers of GCC Sovereign Spreads

This annex examines recent trends in and drivers of GCC sovereign spreads. Empirical analysis indicates that global factors, such as oil prices and global uncertainty, have been the primary drivers of sovereign spreads in the region. A supportive domestic environment—characterized by fiscal discipline, structural reform implementation and macroeconomic stability—tends to reduce sovereign spreads.

1. Sovereign spreads in the GCC have remained broadly stable over the past decade (Figure 1). In most GCC countries, government bond spreads have remained below 200 basis points recently, indicating low perceived credit risk. This reflects strong investor confidence and broadly stable macroeconomic fundamentals. Sovereign spreads have been consistently low in Kuwait, Qatar, Saudi Arabia and the UAE, anchored by robust credit ratings. In contrast, they surged in Bahrain and Oman during pandemic, driven by the oil price crash amid the abrupt halt in global economic activity, entering stressed and distressed territory respectively. Since then, both sovereign spreads fell substantially, returning to the "performing" and "low risk" categories respectively. Overall, the GCC region presents a strong and broadly stable credit risk profile on average.

Annex II. Figure 1. Evolution of GCC Sovereign Spreads

Perceived GCC sovereign credit risk is low. *The GCC has an investment grade sovereign rating.*



Sources: Bloomberg; Haver Analytics; S&P Issuer credit ratings.

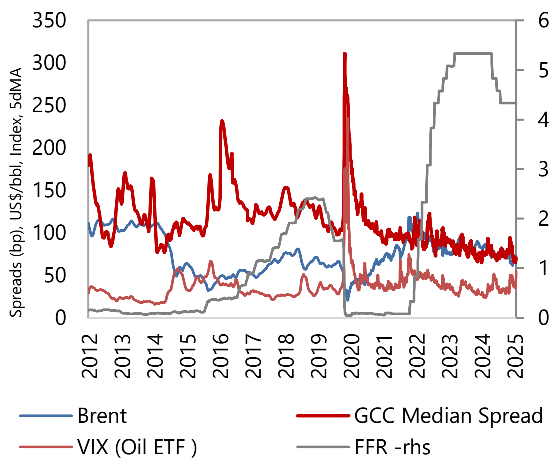
2. Global factors have been the main drivers of sovereign spreads in the GCC recently (Figure 2).[1] Oil price fluctuations impact investor confidence in the GCC economies and their sovereign spreads. At the same time, global financial market volatility is strongly correlated with these sovereign spreads, highlighting the sensitivity of the GCC economies to shifts in external conditions. Despite these sensitivities, global interest rates—proxied by the effective federal funds

[1]Empirical evidence indicates that global factors explain more variation in GCC sovereign spreads than domestic factors (Naifar, 2020).

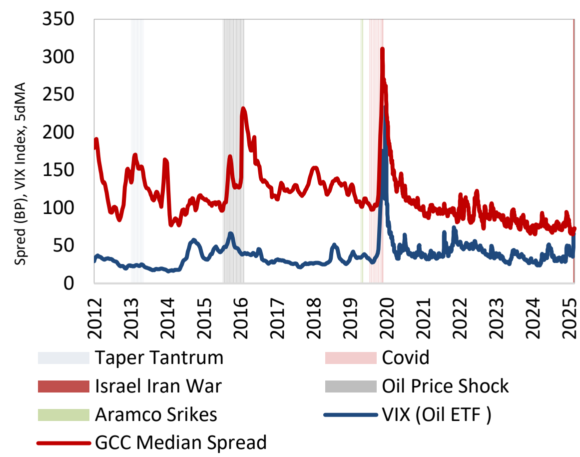
rate—do not appear to comove with GCC sovereign spreads. For example, the aggressive policy rate hikes by the Federal Reserve in 2022 were not associated with higher GCC sovereign spreads. This may have reflected abundant liquidity from high oil revenues, which could have offset the effects of tighter monetary policy. Finally, regional conflicts and diplomatic rifts have had limited and short-lived impacts on GCC sovereign spreads.

Annex II. Figure 2. GCC Sovereign Spreads and Global Factors

GCC sovereign spreads and oil prices comove inversely.



GCC sovereign spreads react to external shocks.

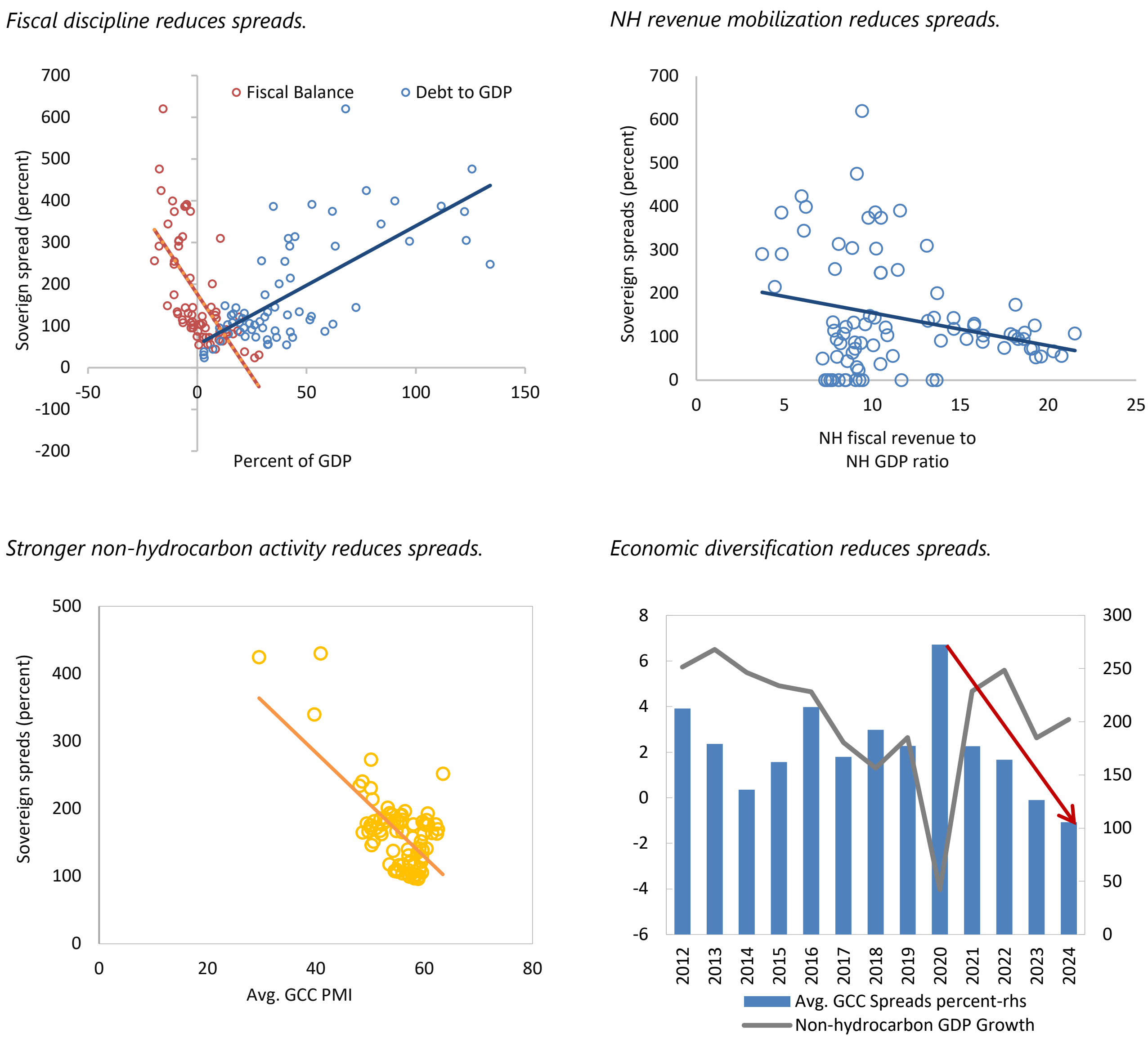


Sources: Bloomberg; Haver Analytics; IMF staff calculations.

3. Domestic fiscal policy developments and structural reforms have also been important drivers of GCC sovereign spreads (Figure 3). Public debt accumulation and persistent budget deficits can undermine investor confidence, resulting in elevated sovereign spreads. Regression analysis indicates that on average across the GCC over the period 2012 through 2024, a 1 percent of GDP increase in public debt is associated with a 3 basis point increase in the sovereign spread, while fiscal consolidation of 1 percent of GDP is associated with an 8 basis point reduction in it. But these estimates mask substantial heterogeneity across countries. While the sovereign spread has increased alongside public debt in Bahrain, recent fiscal reforms in Oman have coincided with a reduction in it. In addition, the implementation of structural reforms to promote economic diversification has been associated with reductions in sovereign spreads across the GCC.

4. Empirical analysis indicates that global factors have raised GCC sovereign spreads recently, whereas domestic factors have reduced them (Figure 4). Regression analysis indicates that external factors, such as oil prices and global uncertainty, have been major drivers of sovereign spreads in the GCC countries. It also suggests that a supportive domestic environment—characterized by fiscal discipline, structural reform implementation and macroeconomic stability—is associated with narrower sovereign spreads.

Annex II. Figure 3. GCC Sovereign Spreads and Domestic Factors

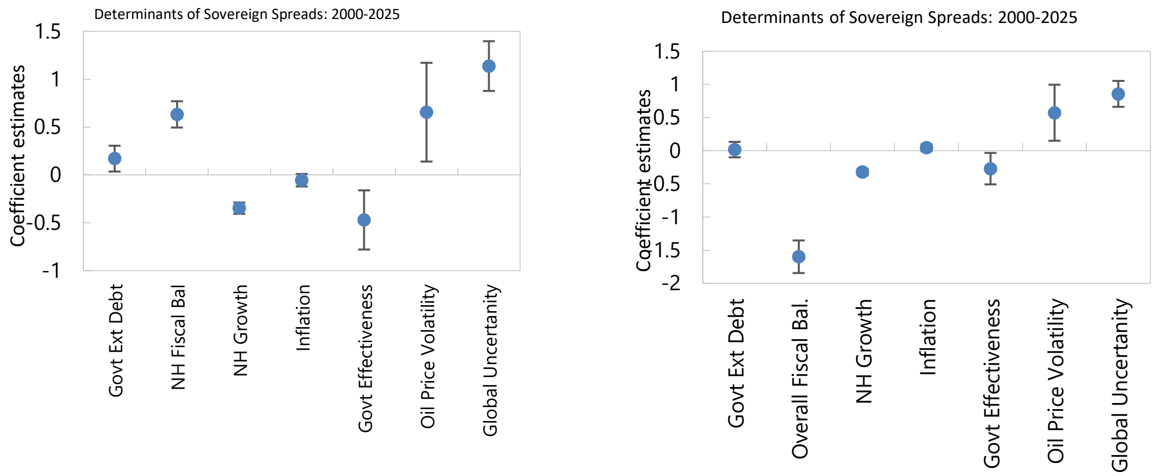


Sources: Bloomberg; Haver Analytics; April 2025 IMF MCD REO; IMF staff calculations.

5. **A continued focus on improving the domestic economic environment is crucial for reducing sovereign spreads and promoting private investment.** To further reduce sovereign spreads, it is essential to maintain sound macroeconomic policies, in particular through prudent fiscal management alongside structural reforms to promote economic diversification. This will also stimulate private investment and boost resilience to external shocks.

Annex II. Figure 4. Determinants of GCC Sovereign Spreads

An improved domestic environment reduces sovereign spreads, while more volatile external conditions raise them.



Sources: Haver Analytics; IMF staff estimates.

Notes: Based on a panel fixed effects regression, with dummy variables to control for the effects of the pandemic and oil price shocks. Government effectiveness is measured by an index of institutional quality, while global uncertainty is proxied by the VIX.

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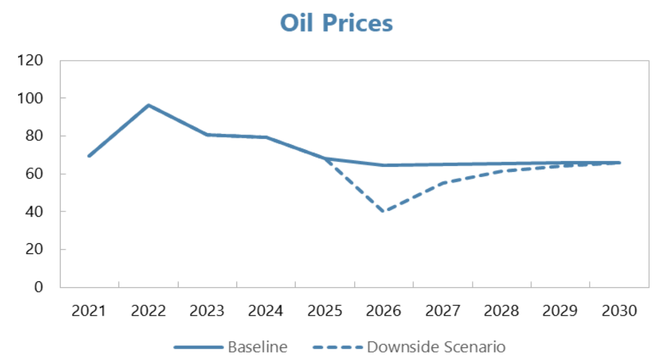
Naifar, N. (2020), "What Explains the Sovereign Credit Default Swap Spreads Changes in the GCC Region?", Journal of Risk and Financial Management, 13, 245.

Annex III. GCC Economic Outlook: Sensitivity to a Decrease in Oil Prices

This annex simulates the macroeconomic effects on the GCC of a temporary negative oil price shock. While non-hydrocarbon GDP growth declines, the main impact is a sharp deterioration of the fiscal and external balances, which fall by 6 to 7 percent of GDP due to lower oil revenues. To mitigate the impacts of such a shock, the partial use of fiscal buffers could be considered along with accelerated non-oil revenue mobilization.

1. **We consider a sensitivity analysis featuring a temporary drop in oil prices.** Oil prices are assumed to fall to $40 per barrel in 2026, before gradually reverting to their baseline level of $65.9 per barrel by 2030 (Figure 1). This shock corresponds to an oil price reduction of 38 percent below baseline in 2026 — roughly half their plunge at the onset of the Global Financial Crisis. For simplicity, the sensitivity test assumes that oil production and hydrocarbon GDP remain at their baseline levels (based on the July 2025 WEO Update). As a simplification that does not entail a comprehensive scenario analysis, sovereign spreads and trading partner growth rates are also held at their baseline levels. Finally, the sensitivity test abstracts from active policy responses by the GCC countries and is based on a bottom-up approach from current country desk macroeconomic frameworks.

Annex III. Figure 1. GCC: Oil Price Shock

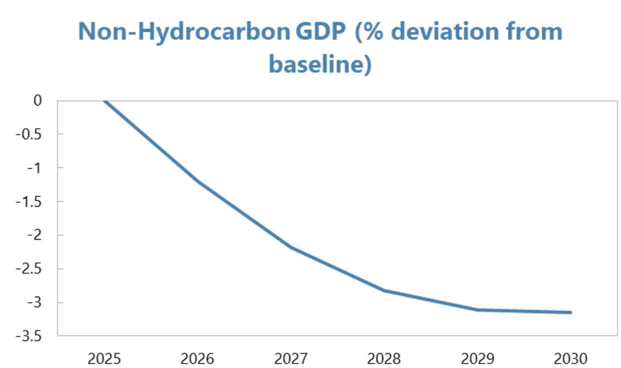


Source: IMF staff calculations.

2. **The simulated macroeconomic impact of temporarily lower oil prices on the GCC is substantial (Figure 4):**

- Non-hydrocarbon GDP growth would fall to 2.4 percent in 2026 and 2.8 percent in 2027 (a reduction of 1.3 percentage points below baseline in 2026 and 1.0 percentage point in 2027) due to lower real income and weaker sentiment. As the oil price shock dissipates, non-hydrocarbon GDP growth gradually reverts to its baseline level of 3.6 percent by 2030, this growth impact being mitigated by the execution of existing fiscal plans

Annex III. Figure 2. GCC: Non-Hydrocarbon GDP



Source: IMF staff estimates.

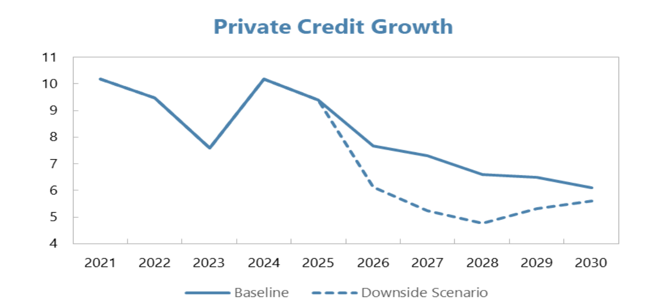
by the different GCC country authorities. The level of real non-hydrocarbon GDP drops by around 3 percent below baseline in the medium term (Figure 2).

- CPI inflation falls from 2.1 percent in 2026 and 2027 under the baseline to 1.6 and 1.7 percent, respectively. This reflects the combined effect of the decline in oil prices on transportation costs, and the moderate reduction in economic activity. The CPI inflation rate returns to its baseline level of 2.0 percent by 2030.

- The overall fiscal deficit rises significantly, to 8.0 percent of GDP in 2026 and 4.2 percent in 2027, from 1.7 percent of GDP in 2026 and 1.3 percent of GDP in 2027 under the baseline, mainly reflecting lower government oil revenues. Together with oil prices, the fiscal deficit returns to its baseline level of around 1 percent of GDP by 2030. Government debt increases to 48 percent of GDP over the medium term, versus its baseline level of about 40 percent of GDP in 2030, assuming no drawdown of fiscal buffers. This 8 percent of GDP increase in government debt is driven by the combination of a temporarily higher fiscal deficit and permanently lower nominal GDP.

- The current account balance swings to a deficit of 4.5 percent of GDP in 2026 and 0.3 percent of GDP in 2027, from a surplus of 2.4 percent of GDP in 2026 and 2.1 percent of GDP in 2027 under the baseline, before reverting to its baseline level of around a 2 percent of GDP surplus in the medium term. As a result, FX reserve coverage declines, from 10.7 months of imports under the baseline in 2026 to 9.8 months, and from 10.3 months of imports in 2027 to 9.3 months.

Annex III. Figure 3. GCC: Private Credit



Source: IMF staff estimates.

- Private credit growth falls by 1.6 percentage points in 2026 and 2.1 percentage points in 2027 relative to the baseline. This reflects weaker economic activity, suppressed confidence, and lower banking system liquidity.

3. The macroeconomic impact of the fall in oil prices varies widely across the GCC countries (Figure 5). The simulation results for the GCC aggregate mask substantial dispersion across countries in their macroeconomic responses to the oil price shock, as evidenced by the highest and lowest country-specific deviations from baseline each year:

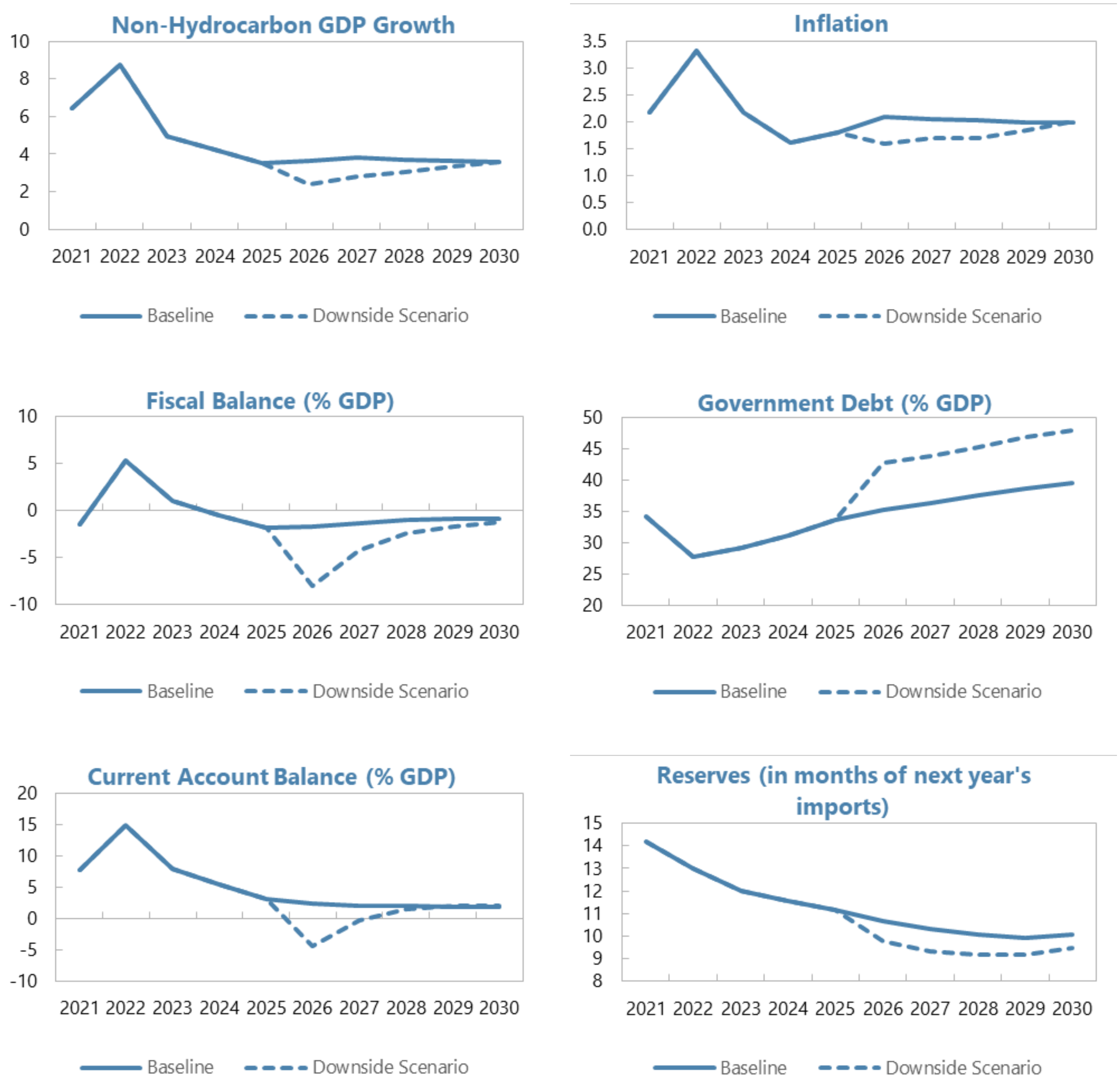
- The reduction in non-hydrocarbon GDP growth in 2026 ranges from 0.5 percentage points to 1.7 percentage points—versus 1.3 percentage points for the GCC aggregate—while in 2027 the largest country-specific deviation from the baseline is 2.9 percentage points. The wide variation across the GCC countries in the responses of non-hydrocarbon GDP growth to the oil price shock primarily reflects differences in the size of the oil sector and the degree of economic diversification.

- The response of CPI inflation ranges from a decline of 3.9 percentage points below baseline in 2026 when oil prices fall by $24 per barrel, to an increase of 3.4 percentage points above baseline in 2027 when oil prices start reverting to their baseline level. Differences in the CPI inflation response across countries may be attributed to variation in the economic importance of the transportation sector, the oil intensity of production in other sectors, the prevalence of fuel subsidies and administered prices, and the severity of the decline in economic activity.
- The fiscal balance deteriorates sharply in all countries, with its reduction ranging from 5.5 to 8.2 percent of GDP in 2026. The impact on government debt varies substantially across countries, ranging from almost zero in Kuwait which starts with very low debt under the baseline, to up to a 40 percent of GDP increase above baseline in Bahrain in the medium term. This variation reflects the dependence of the government budget on oil revenues, differences in the decline in nominal GDP, and the initial level of government debt outstanding.
- The fall in the current account balance in 2026 ranges from 4.6 to 13.5 percent of GDP below baseline, primarily depending on the oil share of exports.

4. If faced with this large but temporary oil price shock, the authorities could consider:

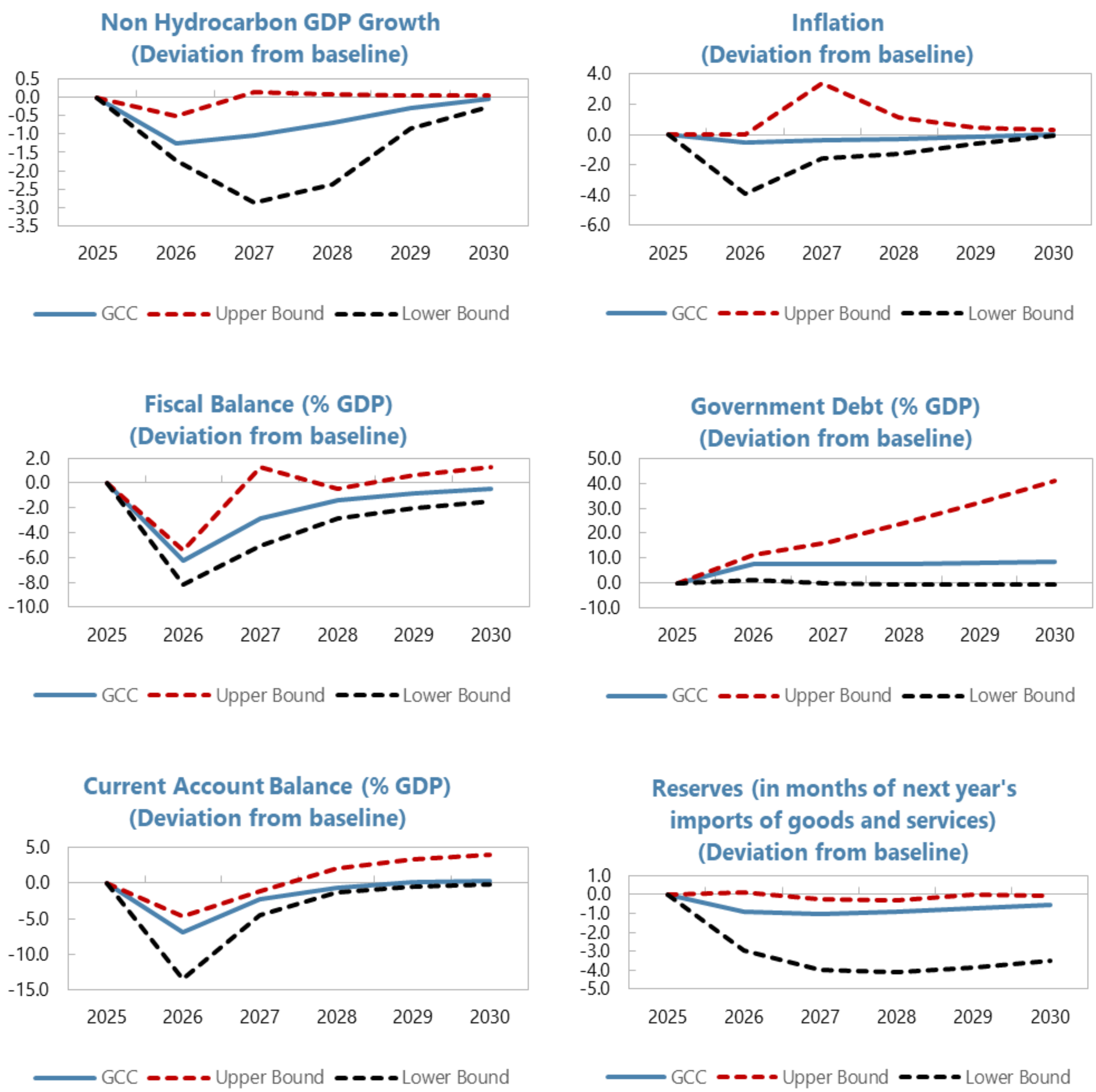
- Using fiscal buffers to mitigate its economic impact and support the recovery.
- Accelerating non-oil revenue mobilization to reduce the impact on the fiscal deficit over the medium term with tax reforms (CIT, VAT, etc.).
- Rationalizing subsidies (fuel, electricity, etc.) and social benefits while maintaining targeted support to low-income and vulnerable households.
- Delaying some non-essential capital spending at the central government level, while preserving priority development projects.
- Divesting foreign assets by SWFs, through repatriation of FX deposits or less FX asset accumulation abroad, to support FX reserves.

Annex III. Figure 4. GCC: Downside Oil Price Scenario



Source: IMF staff estimates.

Annex III. Figure 5. GCC: Downside Oil Price Scenario (Bounds) 1/



Source: IMF staff estimates.

1/ The upper and lower bounds show the highest and lowest deviations from baseline among the GCC countries each year.

Annex IV. AI: Implications for Growth, Labor Markets, Public Finances, and the Financial Sector

Artificial Intelligence (AI) has the potential to transform economies, with major implications for productivity, labor markets, and the functioning of the public sector. As the GCC countries are actively pursuing national strategies on AI, facilitating rapid advances in AI investments, R&D, and talent, they are well-positioned to harness the associated benefits. In order to fully reap benefits and minimize the risk of potential distortions, policy priorities should include enhancing the ability of workers to adapt to new technologies through education and training, putting in place social safety nets to support displaced workers, enhancing the availability of data, and creating a regulatory framework that mitigates risks but does not discourage innovation.

1. **Artificial Intelligence (AI), including Generative AI (GenAI), has the potential to transform economies**, cutting across sectors ranging from energy and manufacturing to retail, financial services, logistics, health, and education. AI promises to enhance the productivity of existing industries and spur the creation of new jobs and sectors, but it also introduces potential disruptions in the labor market. It also has significant implications for government operations and public finance. This annex takes stock of where Gulf Cooperation Council (GCC) countries stand on AI adoption and offers recommendations to further enhance their preparedness.[1]

National Strategies and Rapid Advances in AI Adoption

2. **The GCC countries are actively pursuing national strategies on AI.** Governments in the GCC region have moved quickly to introduce national strategies on AI and advanced technologies and invest in related infrastructure such as supercomputers and data centers. Saudi Arabia's National Strategy for Data & AI and the UAE's Strategy for Artificial Intelligence 2031 outline a comprehensive roadmap for AI development and adoption, with the goal of becoming a global leader. Saudi Arabia is undertaking major efforts, with its national AI strategy aiming to attract US$20 billion in investment, train 20,000 data and AI experts, and establish 300 active AI startups. The UAE has emerged as a hub for AI and digital innovation, with Abu Dhabi's AI firm G42 partnering with OpenAI and attracting large investments from Microsoft. Other GCC countries have also laid out their national AI strategies, building on their digital economy initiatives and broader, long-term national visions. Highlighting the importance of AI regulation and ethics, some have also developed principles or guidelines for the ethical use of AI.

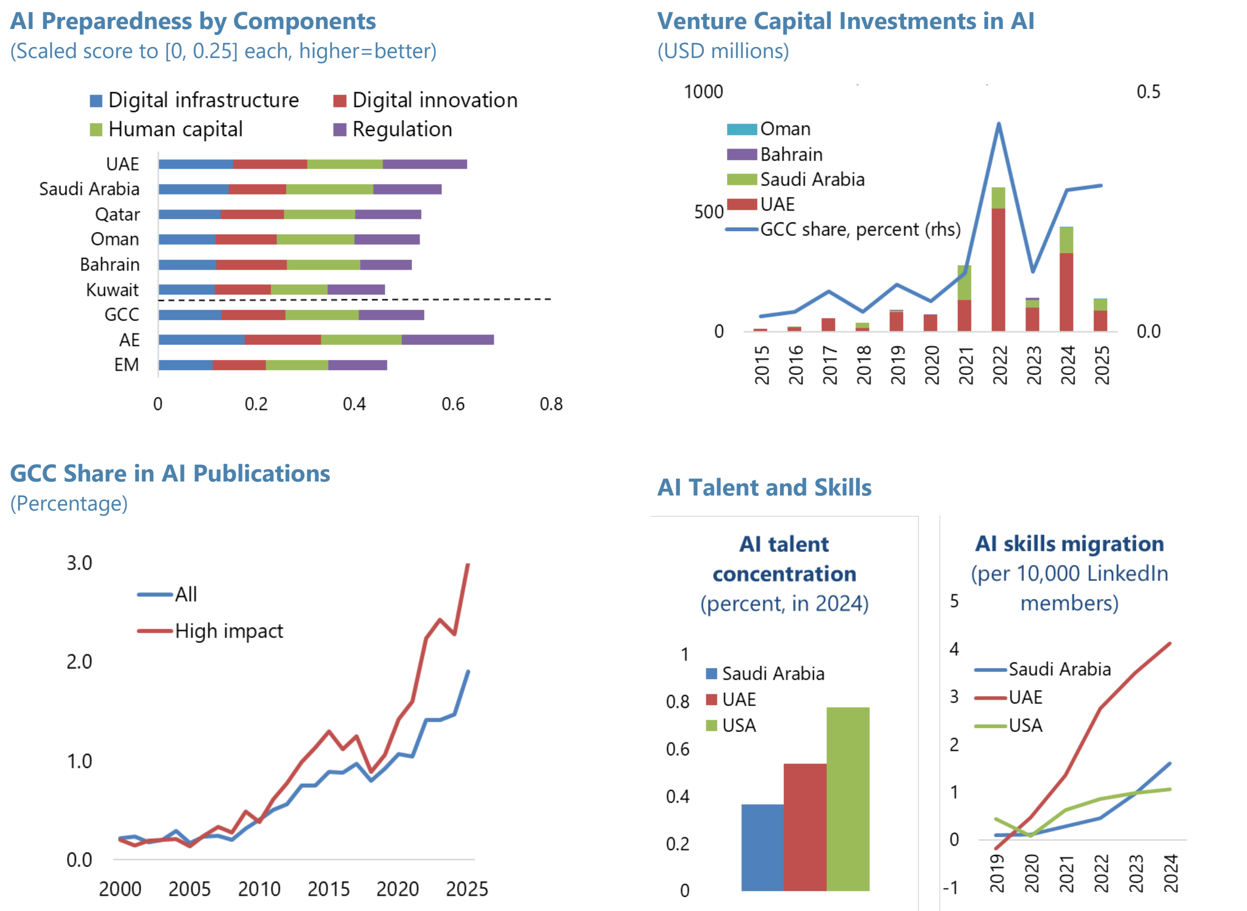
3. **The GCC countries are generally well-positioned to harness the benefits of AI.** A composite index to measure AI preparedness (covering infrastructure, innovation, human capital, and regulation) suggests that GCC countries are generally above the emerging markets average, but below advanced economies (Figure 1), though data lags relative to the rapid advances in AI

[1] AI involves creating systems that perform tasks requiring human-like intelligence, using algorithms for data analysis. GenAI are systems that produce original outputs and learn from interactions.

adoption mean that some GCC countries may have advanced more than what the index suggests in such areas as digital connectivity.[2]

4. **The GCC region is making rapid advances in AI investments, R&D and talent** (Figure 1). Venture capital investments in AI have grown rapidly, reaching about $1.6 billion since 2021. The GCC governments are also leveraging their sovereign wealth funds for investment in AI infrastructure, core technologies, and applications. For instance, in 2024, the UAE's Mubadala and G42 launched MGX, an AI-focused investment fund with the goal of managing $100 billion in assets. At the same time, the number of AI publications from GCC countries grew rapidly, to nearly 1,000 in 2023, while the GCC's share in global AI publications reached 3 percent in the first half of 2025. Several GCC countries are encouraging AI research and innovation through initiatives with universities, research centers, and the private sector. Some are investing heavily in GenAI

Annex IV. Figure 1. GCC: Select AI Indicators



Sources: IMF AI Preparedness Index (AIPI); OECD.AI, data from Preqin, OpenAlex, LinkedIn Economic Graph (accessed: July 21, 2025); and IMF staff calculations.

[2] The Global System for Mobile Association (GSMA) projects that by 2030, average 5G adoption in the GCC states could reach 95 percent, higher than developed Asia and North America.

foundational models, such as open-source large language models Falcon and Jais. According to LinkedIn data, the UAE and Saudi Arabia are attracting AI skills from abroad at a faster pace than the United States, although they currently lag the US on AI talent concentration. In the UAE and Saudi Arabia, 74 percent and 68 percent of workers respectively said they use GenAI in some capacity at least once a week (Studer, 2024).

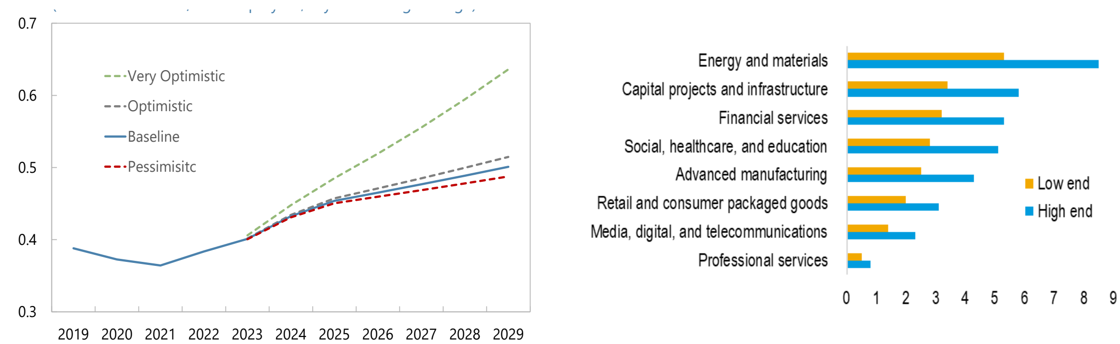
Implications for Growth and Labor Market

5. **AI promises to enhance the productivity of existing industries and spur the creation of new jobs and sectors, but it also introduces potential disruptions in the labor market.** Various firm-level studies show AI could raise annual labor productivity growth by 2–3 percentage points in sectors such as manufacturing, finance, and healthcare, with some studies showing nearly 7 percentage points (Gopinath, 2023). For Saudi Arabia, IMF (2024) estimates that labor productivity—defined as the ratio of value added to the number of workers—could rise by about 5 percent more in the medium term from AI adoption based on conservative assumptions, but significantly more in optimistic scenarios (Figure 2).[3] Similarly, industry estimates suggest that AI could make significant contributions to the GCC's region's economic growth. McKinsey (2024) estimates that in the GCC, the application of gen AI to 63 use cases could generate between USD 21 and 35 billion a year, on top of the USD 150 billion that other AI technologies could deliver. This would be about 1.7 to 2.8 percent of annual non-oil GDP in the GCC economies today. By sector, the

Annex IV. Figure 2. AI: Potential Impact on Labor Productivity and Value-Added

Saudi Arabia: Labor Productivity
(Gross Value Added/Number of Employees, 4-year moving average)

GCC: Potential Annual Value-Added Impact from Generative AI (USD billions)



Sources: IMF, Saudi Arabia: 2024 Article IV Consultation; and McKinsey (2024).

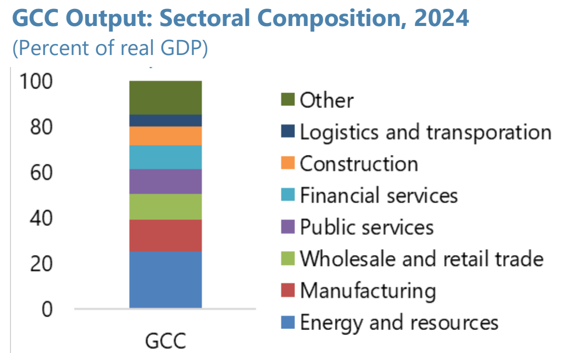
[3] We use sectoral employment and value-added data to construct labor productivity trends across sectors, then correlate this with global benchmarks on AI's contribution to productivity to infer potential productivity enhancements attributable to AI. In the Baseline Scenario, the impact of AI is distributed across sectors, with the greatest productivity enhancements allocated to sectors employing a higher proportion of cognitive workers (e.g., services) and more modest gains attributed to sectors with a lower concentration of such workers (e.g., agriculture). While these estimates are based on extrapolations from AI meta-analysis and high uncertainty remain (Acemoglu, 2024), they provide a useful starting point for understanding the potential of AI to enhance labor productivity.

value potential is the biggest by far in the energy sector, where annual gains of between $5 billion and $8 billion are possible, followed by capital projects and infrastructure and financial services.

6. **The adoption of AI is expected to generate substantial economic dividends across various sectors**. In the energy sector, which accounts for more than a quarter of GCC's GDP, AI can help optimize resource exploration and pricing, while supporting sustainable production and distribution through AI-powered solutions such as smart grids (Figure 3). There are also significant gains expected in the financial sector. In the banking sector, for example, AI is already being used to enhance productivity by speeding up and automating many current tasks. AI applications could also become more prominent in fintech business models. Saudi Arabia recently saw two fintech unicorns (startups valued at over $1 billion)—Tabby and Tamara, shopping and payment platforms—while venture capital investments in fintech firms in MENA increased tenfold between 2015 and 2023, with GCC accounting for the bulk (WEF, 2024).

7. **At the same time, there are also potential major challenges in the jobs market.** Globally, about 40 percent of jobs are estimated to be susceptible to AI-related changes, with significant risks of displacement in advanced economies (Cazzaniga and others, 2024). AEs face greater risks from AI—about 60 percent of jobs may be impacted—but also more opportunities to leverage its benefits—compared with emerging market and developing economies. In emerging markets and low-income countries, AI exposure is expected to be 40 percent and 26 percent, respectively. In Qatar, for example, the AI exposure of 37 percent is comparable to the EM average, with 75 percent of jobs with high exposure also exhibiting high complementarity (Yuan 2025). For Saudi Arabia, Oliver Wyman (2024) estimates that an average of 150,000 jobs will be impacted by 2030, led by occupations such as retail sales agents, general office clerks, finance professionals, and marketing and public relations professionals.

Annex IV. Figure 3. AI: Potential Impact on Labor Productivity and Value-Added



Sources: Staff calculations.

Implications for Government Operations and Public Finance

8. **GCC economies have made notable progress on government digitalization** (Bi and others, 2025). On the GovTech Maturity Index, most GCC countries—led by Saudi Arabia and the UAE—now surpass the average advanced economy (Figure 4). The UN's E-Government Development Index also shows that the GCC, on average, is on par with advanced economies. At the same time, there is room for improvement in some GCC countries in certain dimensions. For instance, Kuwait and Oman lag on core government systems (such as government cloud, interoperability framework, and other platforms that enable whole-of-government approach).

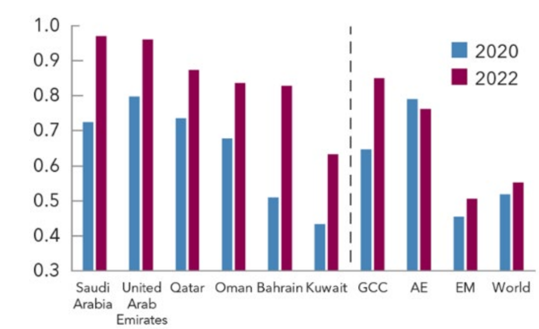
Bahrain, Kuwait, and Qatar could further enhance digital citizen engagement (such as public participation platforms to provide feedback, and open data and open government portals).

9. AI adoption is increasing in revenue administration (Cantens and Tourpe, 2025). Tax authorities are beginning to experiment with GenAI to enhance communication with taxpayers, as seen in Singapore, where a virtual assistant has halved call-center inquiries, and in France, where AI drafts responses for civil servants. While GenAI has the potential to bridge knowledge gaps between administrations and taxpayers, it also presents challenges, including data quality, ethics, and privacy concerns. Effective implementation of GenAI requires strong leadership, ethical frameworks, and careful oversight to ensure trust and accuracy in tax administration, ultimately fostering a more transparent relationship between tax authorities and taxpayers.

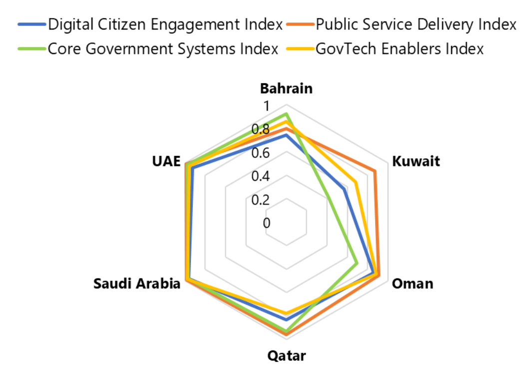
10. More broadly, AI is transforming public financial management by enhancing the government's data analysis and forecasting capabilities, optimizing public spending, automating repetitive tasks, and improving stakeholder engagement (OECD, 2025). Through advanced data analytics, AI enables more accurate macroeconomic forecasting and budget planning, allowing governments to make better-informed financial decisions. For instance, AI can identify specific demographics or regions that may benefit most from targeted spending. Additionally, AI-driven tools, such as chatbots, facilitate communication with citizens and streamline processes, contributing to increased efficiency and effectiveness in financial operations. However, as in tax administration, the successful integration of AI in PFM requires addressing challenges related to data quality, system upgrades, and the establishment of clear standards and accountability measures. AI's "black box" nature raises concerns about fiscal transparency.

Annex IV. Figure 4. GCC: Digital Government

GovTech Maturity Index
(Index: 0-1, 1 = highest maturity of digital government)



GCC: GovTech Maturity Index Subdimensions, 2022



Sources: World Bank; and IMF staff calculations.

Policy Considerations

11. While productivity gains from AI are expected, harnessing the advantages of AI will depend on countries' preparedness, including the ability of workers to adapt to this new

technology. Labor market outcomes will depend on not only the employment structure but also policy measures to develop local AI talent through education, training, and lifelong learning initiatives. Savings from efficiency gains from AI applications, for instance, could be channeled to support AI education and training initiatives, preparing future generations for technological advancements and offering continuous training for existing workers. Addressing the risk of job displacement is also crucial, including by strengthening social safety nets to support displaced workers during the transition.

12. The speed and success of AI adoption are also contingent on the availability of data and a regulatory framework which mitigates risks but does not stifle innovation. In the absence of robust and comprehensive data, AI systems are hampered in their ability to develop generalizable knowledge tailored to GCC country circumstances. Regulatory frameworks should be enhanced to mitigate cybersecurity risks as well, which will increase with widespread use of AI. Fostering an enabling environment for the private sector and start-ups and enhanced collaboration between academia and industry will be important for deeper AI adoption and innovation. At the same time, GCC countries could deepen regional cooperation in AI and other advanced technologies. By pooling resources and talent, GCC countries can increase their market size, and become more efficient and competitive.

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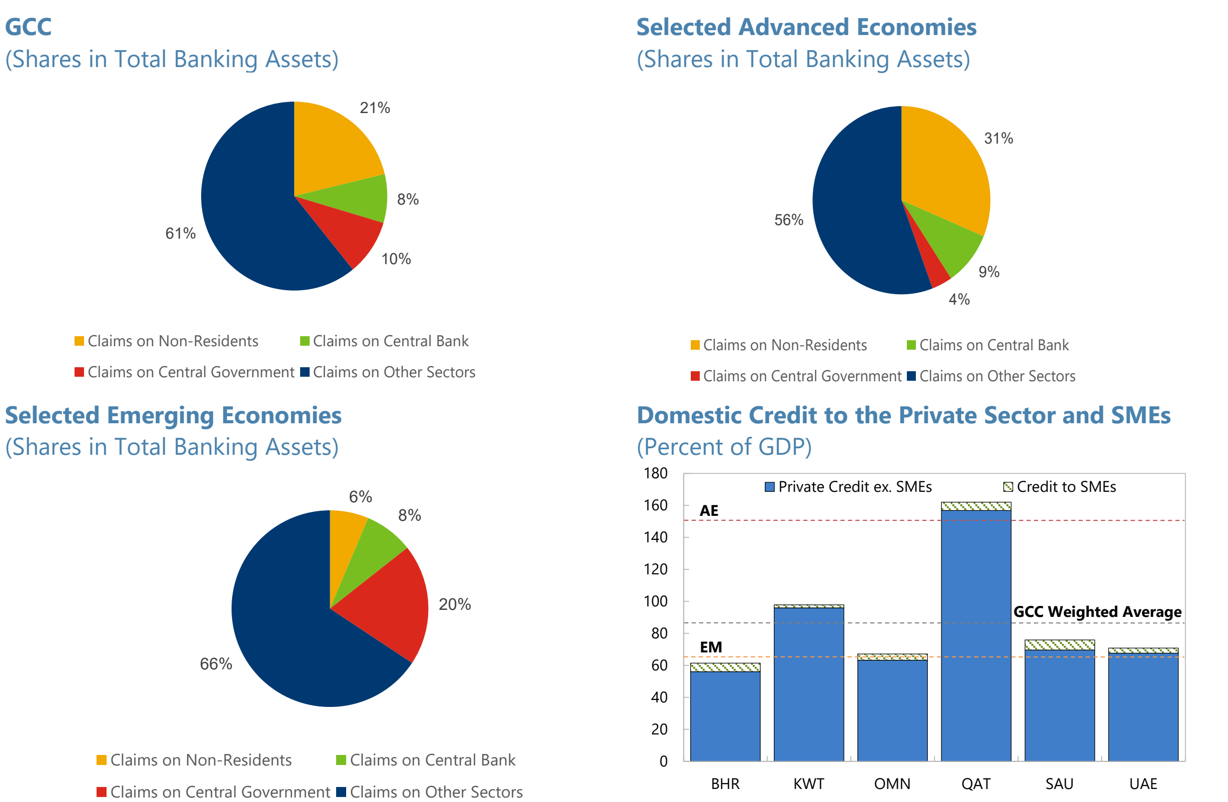
Annex V. Deepening Domestic Financial Markets in the GCC

Empirical analysis confirms that well-developed domestic financial markets are vital for advancing economic diversification. Against this backdrop, this Annex identifies key constraints to financial sector deepening in the GCC, highlighting significant potential to expand domestic credit to the private sector, equity, and especially local currency bond markets.

Private Sector Credit Markets

1. **There is scope to increase private sector credit, especially to small- and medium-sized enterprises** (Figure 1). Notwithstanding considerable variations across GCC countries, domestic credit to the private sector remains lower on average in the GCC than in advanced economies (AEs) but exceeds that of emerging markets (EMs). Specifically, credit to the private sector averaged 81 percent of GDP in the GCC in 2024 compared to 152 percent and 67 percent of GDP in AEs and EMs, respectively. Within the GCC, Qatar and Kuwait have the highest levels of credit at 159 and 97 percent of GDP, respectively. Lending to SMEs also remains relatively low in the GCC (4 percent of total commercial bank loans vs 33.5 percent in EMs), potentially reflecting banks' cautious approach vis-à-vis these firms (e.g., related to high perceived risks, limited credit information, and

Annex V. Figure 1. Banking System Total Assets, 2024



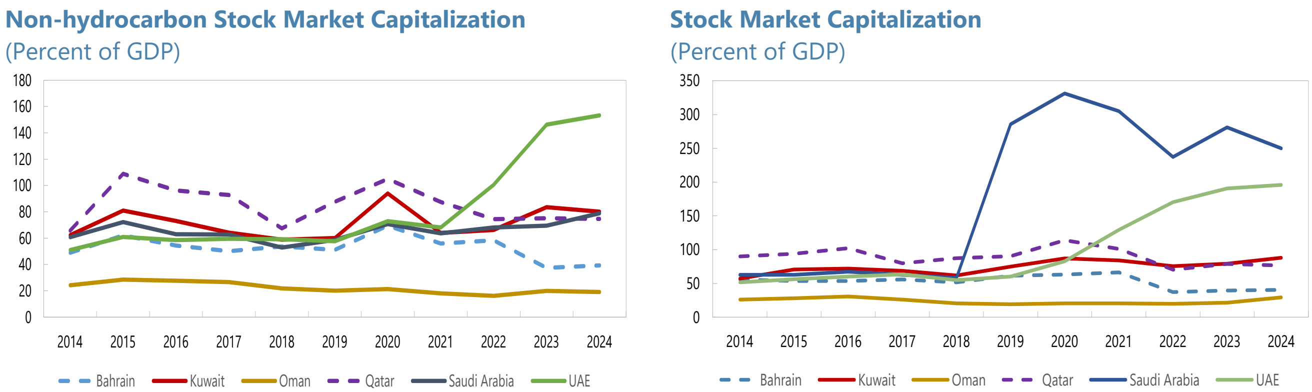
Sources: Haver, National Authorities, IMF World Economic Outlook.
Selected Advanced Economies: Australia, Denmark, Euro Area, Hong Kong, Japan, Korea, New Zealand, Norway, Singapore, Sweden, United Kingdom, United States.
Selected Emerging Economies: China, Brazil, India, Indonesia, Mexico, Poland, Russia, South Africa and Turkey.

limited collateral among other factors), as well as crowding-out in the context of the relatively high share of claims on the government in total banking assets.

Stock Markets

2. Stock market capitalization has increased over the past decade, but growth has been uneven across countries and sectors, indicating the scope for further deepening (Figure 2)**.** Total GCC stock market capitalization has almost doubled to 113 percent of GDP over the past ten years-a level that remains below that of AEs (144 percent of GDP) but exceeds that of EMs (54 percent of GDP). Nonetheless, there are large differences across the GCC, with stock market capitalization ranging from around 29-41 percent of GDP in Oman and Bahrain to close to 200 percent of GDP in the UAE and 250 percent of GDP in Saudi Arabia. Moreover, in the latter two countries, the listing of Saudi Aramco in 2019 and ADNOC in 2021 had a large contribution to the increase in market capitalization that also benefited from successful initial public offerings (IPOs) in the non-hydrocarbon sector and changes in the regulatory environment, including the relaxation of restrictions on foreign investor participation.[1]

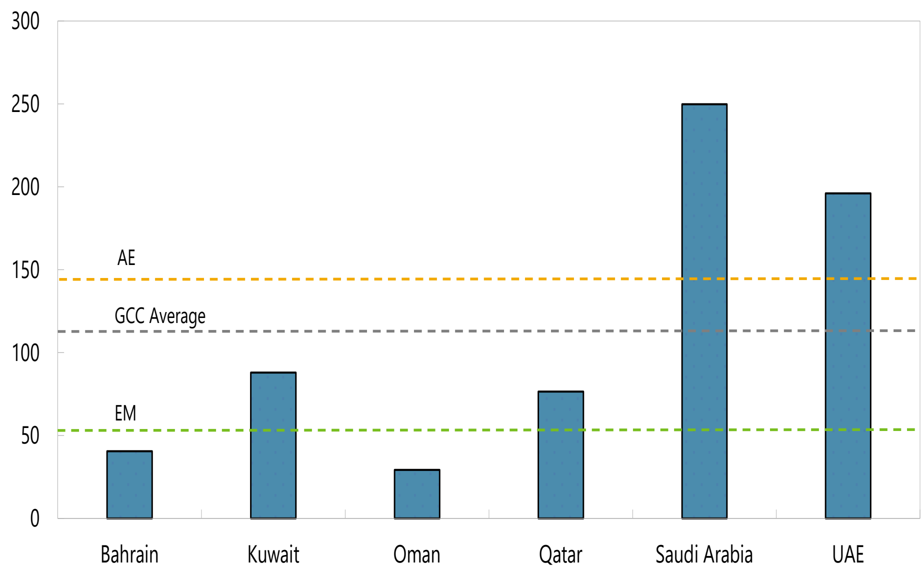
Annex V. Figure 2. GCC: Stock Market Capitalization



[1] Excluding Saudi Aramco, Saudi Arabia's 2024 market capitalization is estimated at 83 percent of GDP.

Annex V. Figure 2. GCC: Stock Market Capitalization (continued)

Stock Market Capitalization, 2024
(Percent of GDP)



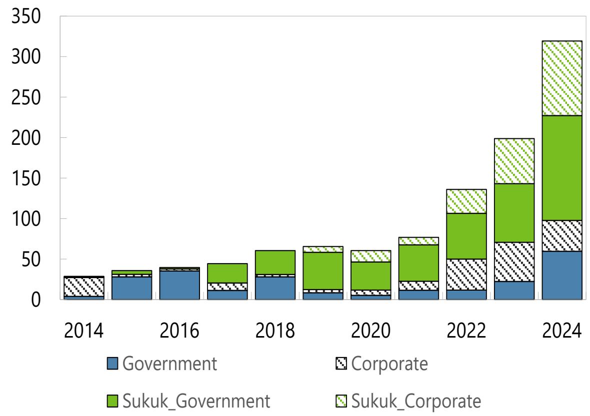
Sources: Bloomberg, IMF World Economic Outlook, IMF International Financial Statistics, Authorities' data and staff calculations.
Selected Advanced Economies: Australia, Denmark, Euro Area, Hong Kong, Japan, Korea, New Zealand, Norway, Singapore, Sweden, United Kingdom, United States.
Selected Emerging Economies: China, Brazil, India, Indonesia, Mexico, Poland, Russia, South Africa and Turkey.

Local Bond Markets

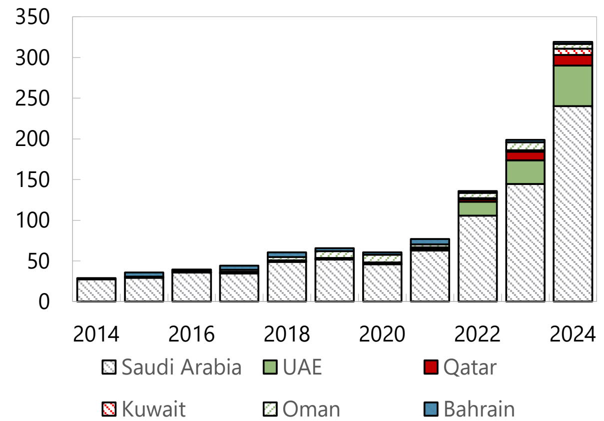
3. Activity in local currency bond markets has increased substantially, but further progress can be made (Figure 3). The local currency bond market nearly tripled between 2017 and 2024, driven mainly by Saudi Arabia. Nonetheless, bond markets continue to be dominated by foreign currency-denominated securities, with outstanding local currency bonds amounting to less than 15 percent of GDP, substantially lagging AEs and EMs. According of staff analysis, outstanding local currency bonds are estimated to be on average 21 percentage points of GDP below their respective benchmarks, with Saudi Arabia closer to its potential compared to other GCC countries. As regards the type of securities, Sukuk bonds dominate the market, with Saudi Arabia accounting for about 50 percent of total issuances, reflecting the authorities' commitment to developing the market. Finally, maturities have lengthened, typically ranging from 4 to 10 years, with 67 percent of Saudi Sukuk maturing beyond 10 years. While longer maturities reflect investor confidence, the insufficient supply of short-term securities limits the development of a comprehensive yield curve and often constrains the interest of non-resident investors, who often seek a wider range of maturities.

Annex V. Figure 3. GCC: Total Outstanding Local Currency-Denominated Bonds

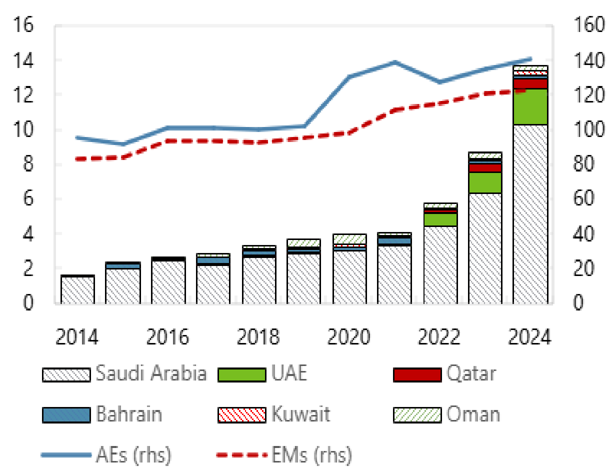
GCC: Total Outstanding Local Currency-Denominated Bonds
(USD billion)



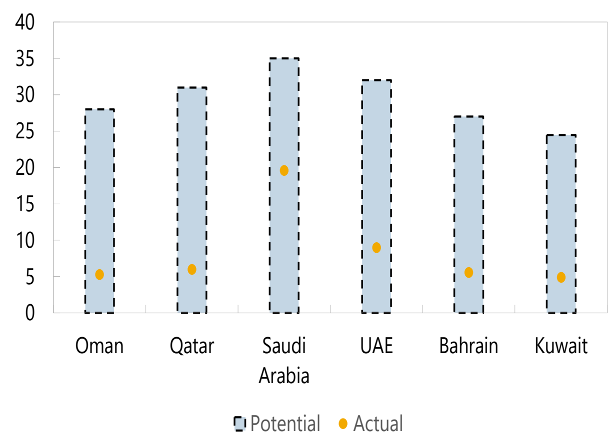
GCC: Total Outstanding Local Currency-denominated Bonds by Country
(USD billion)



Total Outstanding Local Currency-Denominated Bonds
(Percent of GDP)



GCC Potential vs Actual Local Bond Market Size
(Percent of GDP)



Sources: BIS, Bloomberg; IMF Staff calculations, IMF International Financial Statistics, IMF World Economic Outlook, Authorities' data and staff calculations.

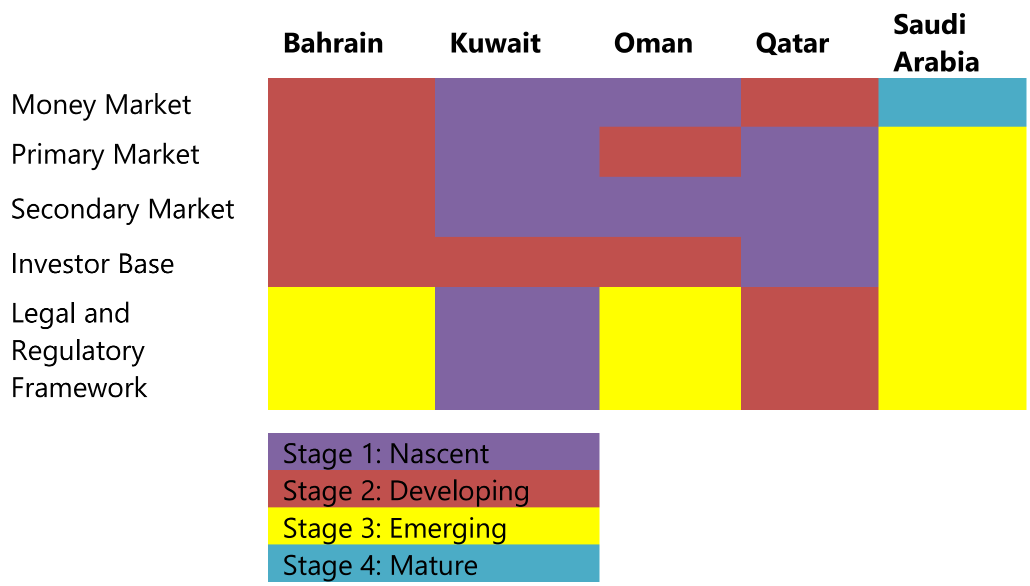
4. A survey conducted by staff of GCC authorities highlights key impediments to further progress and ongoing initiatives for each market segment (Figure 4).[2] Saudi Arabia's market is relatively more developed compared to other countries, as it is the only GCC country where all the elements are perceived by the authorities to be at the emerging and developed stages. Key findings for each market segment include:

- Money markets have remained broadly underdeveloped, except in Saudi Arabia, preventing the absorption of excess liquidity and the effective transmission of pricing signals from short-term instruments to broader yield curves. Although there has been progress in advancing monetary policy frameworks—for instance in Bahrain, Oman, Qatar, and Saudi Arabia—there is room to further develop interbank markets and repo transactions for both government and corporate bonds, along with establishing robust legal frameworks to support repurchase transactions, which remain nascent across most markets in the GCC (except for Saudi Arabia).
- Primary markets are still developing, with some progress in establishing benchmark bonds and yield curves. While maturities have lengthened in most countries except for Kuwait's, short term maturities remain few and irregular across all countries in the region, affecting the development of comprehensive and reliable yield curves. Limited use of auction systems and lack of publicly available issuance plans in most countries—except for Saudi Arabia (where the auction system is quite advanced) and for Oman—hinder competitive pricing and transparency.
- Secondary markets are in their early stages but have the potential to grow as other market segments advance. Efforts are underway to improve market depth, liquidity, and transparency by providing access to trading information. Recent initiatives, such as developing primary dealer frameworks in Qatar, Oman, and Saudi Arabia; and enhancing market infrastructure with electronic trading platforms in Kuwait, are expected to bolster secondary market activity.
- The investor base is small but growing, largely supported by the banking sector. There is potential to expand the investor base by including more non-bank participants, with Saudi Arabia, Qatar and Kuwait focusing on strengthening domestic institutional investors like developing public pension systems to boost national savings. Saudi Arabia, Qatar and Bahrain are promoting collective investment schemes to encourage retail participation.
- Legal and regulatory frameworks are being enhanced to develop local currency bond markets, prioritizing transparency and enforceability to attract diverse investors and strengthen market confidence. Saudi Arabia spearheads initiatives to align local regulations with international standards. Efforts to refine debt management strategies and optimize issuance calendars are ongoing across the region, including recent initiatives for Kuwait to adopt a formal debt

[2] In mid-2025, staff surveyed authorities on local bond market development in GCC countries. Using a framework developed by the IMF and the World Bank, staff sought GCC country authorities' views on the development of the bond markets' major components: money market, primary market, secondary market, investor base, and legal and regulatory framework. For the framework, see IMF and World Bank (2021).

management strategy. However, making these resources publicly accessible would further increase predictability and enhance investor participation.

Annex V. Figure 4. Heat Map of Building Block Scores by Country 1/



Source: GCC Country Authorities and staff calculations.
1/ Data for the UAE not available.

Conclusions

5. There is scope to increase financial depth in GCC countries, including through targeted measures. Measures of financial depth for key financial indicators (private credit growth, stock market capitalization and local bond market size) show that GCC financial depth is below potential, particularly for the local bond market. These findings underscore the need to develop and deepen all financial market segments in each GCC country. More financial depth can be achieved through a combination of targeted measures, including carefully calibrated changes in regulation, upgrading market infrastructure, and broadening the investors' base in stock and bond markets.

6. Deeper financial integration would also benefit the region. It could support diversification by lowering transaction costs, and improving cross-border capital allocation. Harmonizing regulations and coordinated supervision across GCC countries would be an important step toward greater regional financial integration. This would require achieving consensus among GCC country authorities on pursuing greater regional financial integration.

References

IMF and World Bank, 2021. Developing Government Local Currency Bond Markets, Guidance Notes 2021/001. Washington DC: International Monetary Fund.

Annex VI. Expanding Horizons: Boosting GCC International Trade and FDI Through Regional Corridors[1]

To support ongoing national visions and economic diversification, in recent years the GCC has intensified efforts to strengthen trade and investment ties with various regions, including Africa and the Caucasus and Central Asia (CCA), as well as Europe and India in the context of the IMEC corridor. However, inter-regional trade and investments have generally remained limited. Further improvement could be supported by (i) a reduction in tariffs in the GCC's trade partners; (ii) the streamlining of non-tariff barriers; and (iii) the elimination of impediments in partner countries and regions (e.g., in terms of infrastructure) potentially supported by GCC investments.

Introduction

1. **Expanding international trade and foreign direct investment (FDI) has become a strategic priority for GCC countries**. The Gulf Cooperation Council (GCC) countries are increasingly seeking to diversify their economies and strengthen long-term resilience by expanding international trade beyond traditional partners. Leveraging their strategic geographic location, world-class infrastructure, and logistics capabilities, the GCC is well-positioned to serve as a vital global trade hub. In this context, bolstering trade ties with fast-growing regions such as Africa and the Caucasus and Central Asia (CCA), and engaging in emerging corridors including the India–Middle East–Europe Economic Corridor (IMEC), represent key opportunities to enhance supply chain connectivity, stimulate private sector development, create jobs, and foster long-term growth. Pursuing these economic and trade partnerships has the potential to support ongoing national visions and regional integration agendas focused on economic diversification, industrial development, and sustainable growth.

2. **Against this backdrop, the GCC has intensified its efforts to deepen economic and trade ties with various regions**. Recent years have witnessed a renewed emphasis by the GCC on trade, investment facilitation, and infrastructure cooperation with other regions, including Africa and CCA, underscored by high-level summits and bilateral agreements (e.g., Saudi Arabia–Africa summit 2023; Kenya–UAE CEPA, 2025, and GCC–Central Asia Summit 2023). The IMEC corridor, launched at the 2023 G20 summit, presents a further opportunity to deepen GCC connectivity with South Asia and Europe, enhancing both east- and westward trade integration. The rest of the annex reviews the state of inter-regional trade and FDI, as well as both facilitators of and impediments to trade in the GCC and key regions.

Trade Dynamics

3. **Trade openness is relatively high in key trading blocs, especially in the GCC** (Figure 1). Measured by exports and imports of non-hydrocarbon goods and services as a share of non-hydrocarbon GDP, trade openness in trading blocs such as the GCC, the EU, Africa, and CCA is above

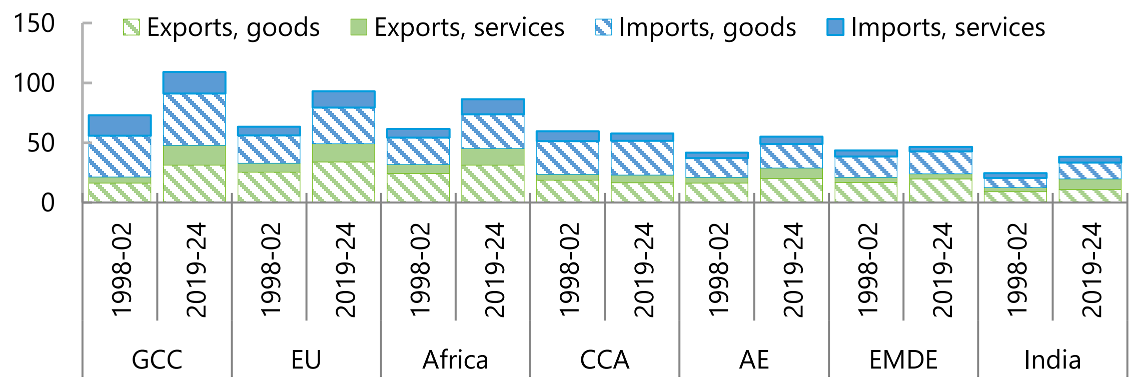
[1] The parts of the annex covering the GCC-CCA relations are partly based on IMF, 2025, Strengthening Economic Cooperation Between Countries of the Gulf Cooperation Council and the Caucasus and Central Asia, forthcoming

AE and EMDE averages. The GCC's trade openness is the highest in the sample, having risen by around 35 percentage points to 110 percent of non-hydrocarbon GDP between 2019–24. Trade openness rose by 25–30 percentage points to around 90 percent in Africa and the EU, ahead of 40–60 percent in CCA and India —their potential room for expansion also presents the GCC countries an opportunity to expand their trade activities with these regions. The GCC's composition is tilted towards overall trade of services (31½ percent of total), especially imports (16½ percent of total), leaving non-hydrocarbon goods exports room for enhancement.

Annex VI. Figure 1. Exports and Imports of Non-hydrocarbon Goods and Services 1/

(Percent of Non-hydrocarbon GDP)

The GCC' trade openness based on non-hydrocarbon activity rose to the highest level among key trade areas and country groups.



Sources: IMF WEO and IMF staff calculations.

1/ AE = Advanced economies, EMDE = Emerging and developing economies, CCA = the Caucasus and central Asia, Africa = Norther and sub-Saharan Africa. Country constituencies follow the IMF definition. Sorted according to 2019-24 total.

4. The GCC's export structure is concentrated in minerals, while the import mix is more diversified. The area's share of minerals exports in total was close to 60 percent (around 70 percent when the UAE is excluded). Minerals exports are also important in the CCA and Africa. Of total non-hydrocarbon exports, services are the most important category, followed by metals and chemicals/plastics, in the GCC. Services exports stand out in India and the EU where exports of machinery/electronics, which tend to come with relatively high economic complexity,[2] also constitute a relatively large share. The GCC's import composition is more evenly distributed, led by services, machinery/electronics, and metals. India stands out as having a relatively large share of minerals imports.

[2] Economic complexity is the diversification and sophistication of a country's productive structure, particularly its exports.

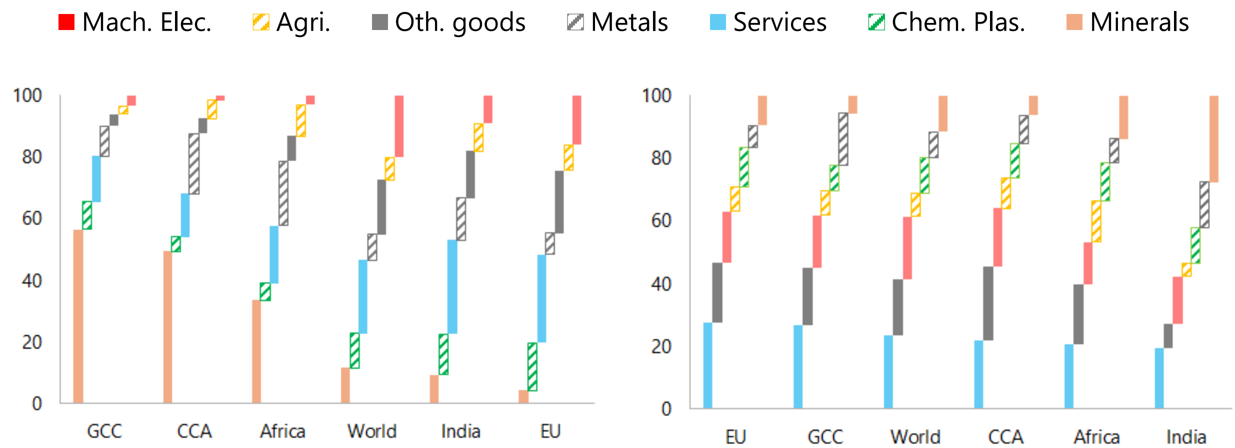
Annex VI. Figure 2. Exports and Imports by Sector 1/

(Percent of total)

For the GCC, aside from minerals and chemical/plastics, services are relatively an important export category…

…while key imports include services, machinery, electronics, and metals.

Exports | **Imports**



Sources: CEPII BACI Database, OECD-WTO BaTIS, and IMF staff calculations.

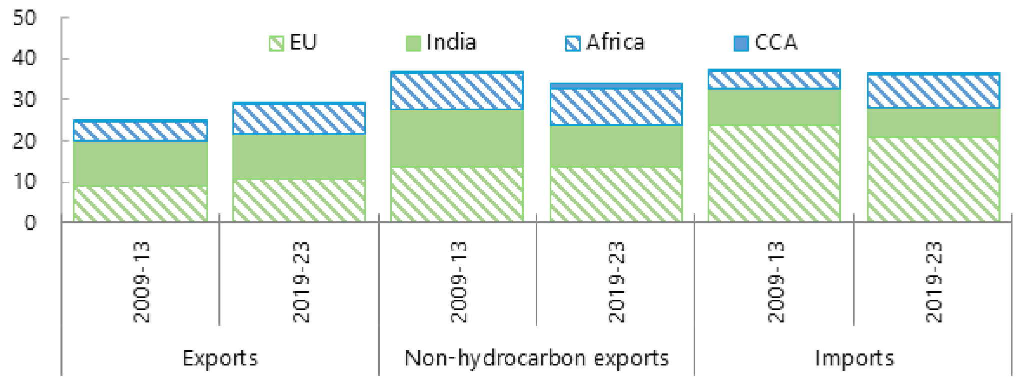
1/ 2019-23 average. Sorted according to minerals exports.

5. GCC trade with Africa and the CCA remains relatively low and dominated by Saudi Arabia and the UAE. Trade between the GCC and Africa more than doubled over the past few years, exceeding $100 billion, but remains relatively low, representing 7–9 percent of the total. GCC countries export to Africa almost twice as much as they import from it. GCC-CCA trade is lower, with GCC exports representing ½ percent of total exports and around 1 percent of non-hydrocarbon exports. GCC's trade with Africa and the CCA is dominated by Saudi Arabia and the UAE. Together, the UAE and Saudi Arabia make up more than 80 percent of GCC exports to Africa, while the UAE on its own accounts for nearly 90 percent of the GCC's imports from Africa. Trade with the CCA is even more concentrated, with the UAE representing more than 90 percent of the GCC's exports to and imports from the CCA. This likely reflects the UAE's role as a logistics and transportation hub, but also its active trade and investment policy towards Africa and some CCA countries (Comprehensive Economic Partnership Agreement with Azerbaijan, Georgia, and the Eurasian Economic Union, including Armenia, Kazakhstan, and the Kyrgyz Republic). On Africa's side, more than half of trade with the GCC is concentrated in ten countries, with Egypt, South Africa, and Sudan taking the lion's share.

Annex VI. Figure 3. GCC Trade of Goods and Services by Partner /1

(Percent of total)

For the GCC the EU and India are important export destinations, followed by Africa, representing 30–40 percent of total, while the EU stands out as import origin.



Sources: CEPII BACI Database, OECD-WTO BaTIS, and IMF staff calculations.

1/ Sorted according to average across 3 categories and 2 periods.

6. GCC's imports from Africa are diverse. They are driven by natural resource needs, food security concerns, and expanding construction and industrial sectors. Key imports include precious metals – gold and diamond – and stones, particularly by the UAE from Ghana, South Africa, Botswana, and the Democratic Republic of Congo (DRC), and agricultural products such as coffee, tea, meat, and fresh produce by Bahrain, Saudi Arabia, Oman, and Qatar, mainly from Ethiopia, Kenya, and Sudan. The region also imports industrial minerals and metals, including copper, cobalt, and iron ore from Guinea, South Africa, and Zambia to support manufacturing and energy sectors. The construction boom in the GCC also fuels demand for granite, marble, and timber from Angola, Gabon, and Zimbabwe. In line with its comparative advantage, the CCA exports mostly stones and metals to the GCC.

7. Trade with the EU and India is relatively high, with the IMEC corridor offering a significant opportunity for GCC countries to diversify their exports. GCC trade with the EU and India is already relatively high, but it is mostly driven by imports and GCC exports are dominated by minerals. Trade agreements would help boost trade, including the ongoing negotiations on a bilateral free trade agreement between the EU and the UAE that started in mid-2025, the first potential comprehensive EU trade deal in the Gulf region. Some of its focus includes reducing tariffs on goods, facilitating services/digital trade and investment flows, and promoting trade in strategic sectors (renewable energy, green hydrogen and critical raw materials). A free trade talk between the GCC and India is set to start in 2025. In addition, diversifying the production base into non-hydrocarbon tradables and higher value-added services will be key to catalyze this emerging trade corridor to increase nonhydrocarbon exports and improve nonhydrocarbon trade balances.

FDI Dynamics

8. Capital flows between the GCC and CCA remain limited with promising signs of emerging activity. GCC investment stock in the CCA represents 0.5 percent of the CCA's GDP. It encompasses strategic investments, including in hydrocarbon and renewable energy, infrastructure, real estate, and financial services. Kuwait, Qatar, and Saudi Arabia have made significant investments in hydrocarbon exploration and production in the CCA. CCA countries have also invested in the GCC countries but in very small amounts. Kazakhstan's sovereign wealth fund invested in the energy, infrastructure, and banking sectors in the GCC; Azerbaijan's State Oil Company (SOCAR) invested in oil exploration and refining partnerships; and private investors from Azerbaijan, Kazakhstan, and Uzbekistan have made significant real estate investments in the GCC.

9. GCC-Africa FDI primarily flows from the GCC to Africa and is concentrated among a few countries. Cumulative FDI over the past decade amounts to nearly $100 billion, with the UAE representing more than half of the total investments.[3] These investments are driven by a combination of Africa's natural resource wealth, growing consumer markets, and the GCC's effort to diversify its economic base beyond hydrocarbons. Egypt is by far the largest recipient of FDI from the GCC, while Morocco, Algeria, Nigeria, and South Africa are among the top five destinations. FDI is directed particularly towards construction, energy (including renewables), transportation and warehousing, and agriculture sectors.

10. The EU is a large provider of FDI to the GCC states. Derived data from the Coordinated Direct Investment Survey suggest that in 2023, more than 40 percent of total inward FDI stock in the GCC (and up to 80 percent of total for some individual GCC states) originated from the EU.[4] The UAE was the single most important destination (nearly 70 percent), followed by Saudi Arabia (20 percent). FDI commitment data suggest nearly ½ of total FDI stock from the EU might have been in the hydrocarbon sector, and 10–20 percent in chemicals. Hospitality, business services, and renewables might have altogether represented 1/5 of total. This points to the need for the GCC countries to intensify efforts to increase FDI inflows to nonhydrocarbon sectors and support economic diversification. Inward FDI stock originated from India to the GCC was about 1 percent of total. The GCC states represented 1–2 percent of total inward FDI in the EU and India.

Trade and Enabling Environment

11. Tariffs imposed by the GCC on its imports are below those applied by other regions on their imports from the GCC (Figure 4). The GCC's tariffs on imports are up to 5 percent and relatively even across origin country groups. The EU's tariffs are also around 5 percent in the case of imports from the GCC but show great variation across other origins. Tariffs vis-à-vis the GCC are

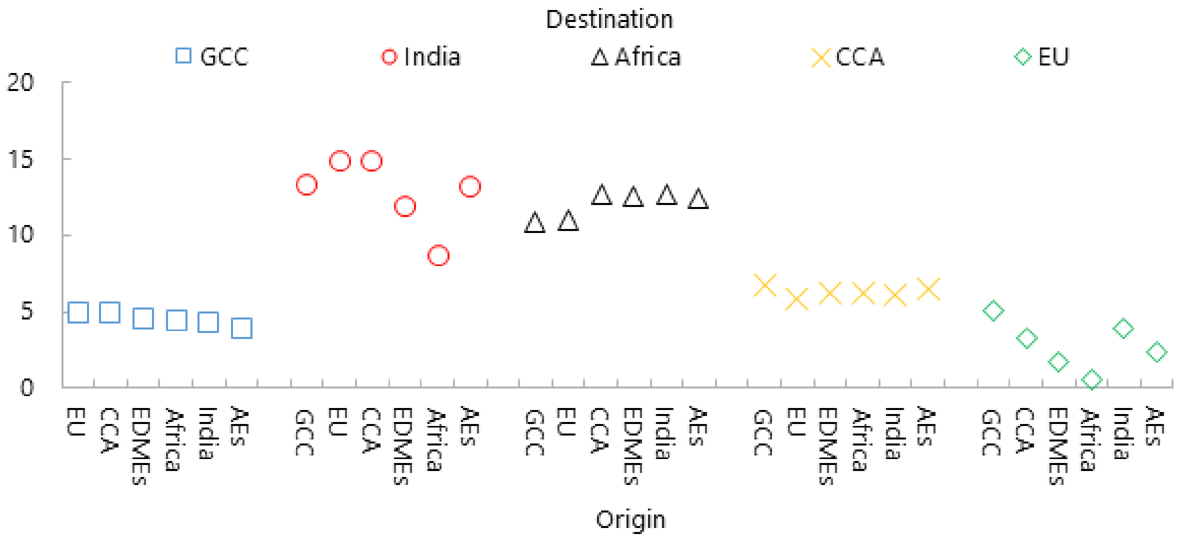
[3] Afrieximbank, 2024, Rising Gulf Investments in Africa: Unlocking Opportunities and Navigating Challenges, Afrieximbank Research, Flashnote, December 2024

[4] The CDIS-reported total of inward FDI stock for US$166 billion originated from selected EU states (data not available for some EU states) is below the total EU outward FDI stock in the GCC region of €235.9 billion reported by the EU.

higher in the CCA (above 5 percent), Africa (above 10 percent) and India (13 percent), with the latter also applying differential rates across regions (e.g., below 10 percent for Africa). A reduction in tariffs by some of the destination country groups would support further expansion of trade through these corridors.

Annex VI. Figure 4. Import Tariffs Imposed on Goods in Destination Country by Origin 1/
(Percent)

Average tariffs on imports are low in the GCC, comparable to the EU; they are relatively high in India and Africa.



Sources: MACMap-H56 Database (Guimbard et al., 2012) and IMF staff calculations.

1/ Simple averages in 2022. Sorted according to origin countries for the GCC. Destination countries aside from the GCC are sorted according to average rate.

12. The streamlining of non-tariff barriers (NTBs), varying across regions and by the type of measure, could also support trade. Broadly defined, NTBs are policy measures, other than custom tariffs, that can potentially have an impact on trade either through quantities, prices, or both. In general, NTBs are more prevalent on imports than exports. For imports, they include sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), and other types of measures. In the GCC, the number of NTBs is significant across all categories (Figure 5); however, perception-based indicators suggest relatively moderate NTBs (Figure 6). In terms of the number of measures, India and the CCA sometimes impose NTBs comparable to the GCC, while Africa has relatively modest NTBs.

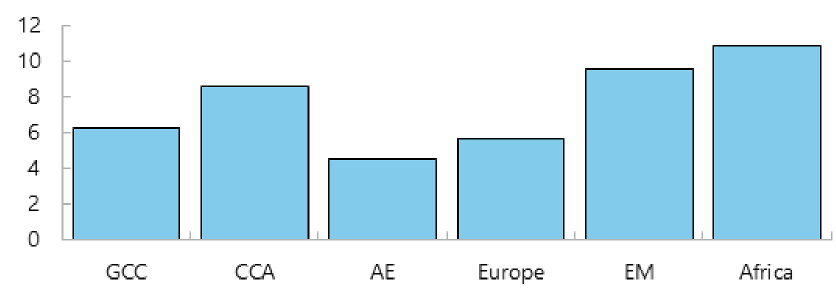
Annex VI. Figure 5. Selected Non-Tariff Barriers on Goods by Importing Country 1/
(Median number in '1000)

NTB counts are relatively high in the GCC, so are in India and CCA; they are low in Africa and EMDE.

Sources: UNCTAD TRAINS Database and IMF staff calculations.
1/ 2023 or latest. Median number of bilateral NTBs and NTB applied to all countries. NTBs are sorted according to frequency for the GCC and countries according to average frequency.

Annex VI. Figure 6. Indicator of Non-Tariff Barriers
(Index value, 2021)

The perceived impact of non-tariff barriers in the GCC is more moderate than implied by the high counts.



Sources: Fraser Institute Economic Freedom Index and April 2024 Regional Economic Outlook for the Middle East and Central Asia.

13. **While the GCC excels in a range of trade facilitators such as infrastructure, further improvement is needed in other regions to boost trade** (Figure 7). Logistic quality in the GCC and India is broadly comparable to AEs, with the UAE ranking ahead of the other GCC states. While Africa and the CCA have less favorable logistics quality, efforts are underway by the CCA countries and their partners to improve infrastructure and logistics, thereby facilitating trade.[5] In this regard,

[5] They are developing further multimodal transport infrastructure including the East-West Trans-Caspian Corridor from China to Europe and the North-South corridor from Russia to India via Central Asia and Iran. Azerbaijan, Kazakhstan, Kyrgyz Republic, Uzbekistan and Türkiye have ratified an agreement to create a simplified customs corridor.

GCC investments in critical areas could also help enhance inter-regional trade. The GCC also stands out as having low external account restrictions (second panel), similar to the EU and AEs. By contrast, India, Africa, and the CCA have more restrictions, suggesting room for boosting international trade, including with the GCC. The GCC's advanced digital infrastructure, comparable to the EU, is another strength. While the CCA also performs well on this aspect, Africa is lagging behind. Finally, data point to a further upside in international trade by improving governance, especially for countries in Africa and the CCA.[6]

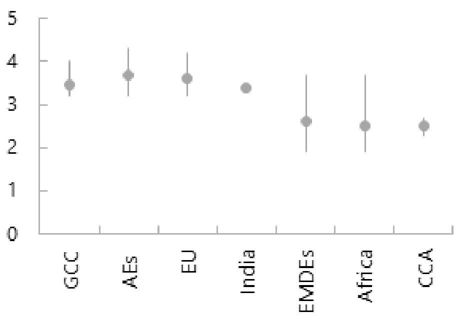
Annex VI. Figure 7. Indicators of Trade Enabling Environment

(Percent of total)

In the GCC, high quality logistic infrastructure would facilitate international trade…

Logistics performance 1/

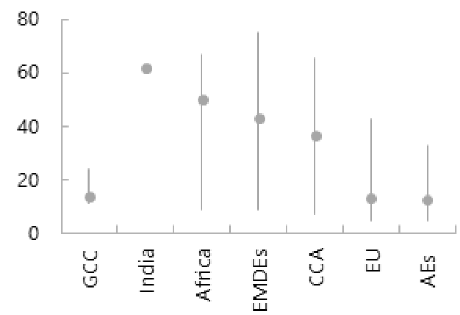
(Between 0 and 5, median and min-max range)



…restrictions that would hinder trade are low…

Restrictions on exchange, trade, and transfers 2/

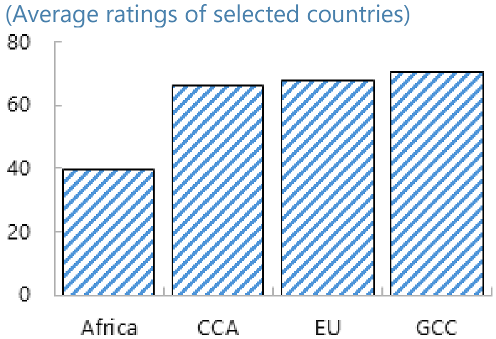
(Number of measures)



…digital competitiveness is high…

Digital competitiveness 3/

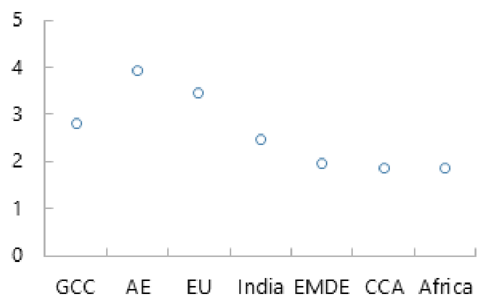
(Average ratings of selected countries)



…while governance may have room for enhancement.

Governance performance 4/

(Between 0 and 5)



Sources: IMD 2024 Digital Competitiveness Database, IMF AREAER database, World Bank's WGI and Logistics Performance Index, and IMF staff calculations.

1/ 2023 or latest. Sorted according to median value aside from the GCC.

2/ 2022. Aggregate measure of trade restrictions based on the unweighted sum of IMF's AREAER binary variables related to (i) exchange measures; (ii) arrangements for payments and receipts; (iii) imports and imports payments; (iv) exports and exports proceeds, and (v) payment and proceeds from invisible transfers and current transfers. Sorted according to median value aside from the GCC.

3/ 2024. Africa = Botswana, Ghana, Nigeria, South Africa. CCA = Kazakhstan. GCC excludes Oman. EU excludes Malta.

4/ 2018-22 average. A composite of the rule of law, government effectiveness, control of corruption, and regulatory quality indices, all of which were normalized by adding 2.5 to the original values.

[6] African countries score generally low across the four categories, while the CCA countries have more room for improvement in rule of law and control of corruption.

Annex VII. Data Quality in the GCC

The GCC region demonstrates significant momentum toward enhanced data quality and transparency through coordinated capacity development and international standards advancement, the establishment of new statistical coordination mechanisms, and substantial digital infrastructure modernization initiatives including Government Financial Management Information Systems and enhanced data collection platforms. However, critical regional weaknesses remain centered on the coverage and granularity of external sector statistics, hamper comprehensive economic analysis, alongside government finance statistics that typically exclude major government-related entities and lack quarterly reporting frameworks, representing priority areas for continued capacity development efforts.

Overview: Regional Progress and Data Standing

1. Data in the GCC is broadly adequate for surveillance purposes, although Kuwait faces more significant data gaps that somewhat hamper surveillance effectiveness.[1] The region as a whole provides adequate data for surveillance, as well as remains committed to advance through the IMF Data Standards Initiatives and enhance data quality for surveillance. Most GCC countries have strengthened their statistical systems in recent years—improving coverage, timeliness, and alignment with international standards:

- **Saudi Arabia** has enhanced national accounts with a new chain-linking and rebasing methodology aligned with international best standards.
- The **UAE** has improved publication timeliness and enhanced central bank's capacity for compiling external sector data.
- **Oman** has significantly strengthened coordination between government entities and its national statistical institute.
- **Qatar** established a new National Planning Council[2] and expanded its FDI survey coverage.
- **Bahrain** established a National Taskforce for Information and Population in mid-2023, and launched its National Summary Data Page in 2024.
- By contrast, **Kuwait**'s progress has been more limited, with notable shortcomings in the granularity of national accounts and the coverage of government finance and external sector statistics.

2. GCC countries are advancing through the IMF's Data Standards Initiatives (DSI)[3], but significant gaps still require coordinated capacity development efforts (Figure 1). While GCC countries have shown a strong collective commitment to enhancing data transparency and

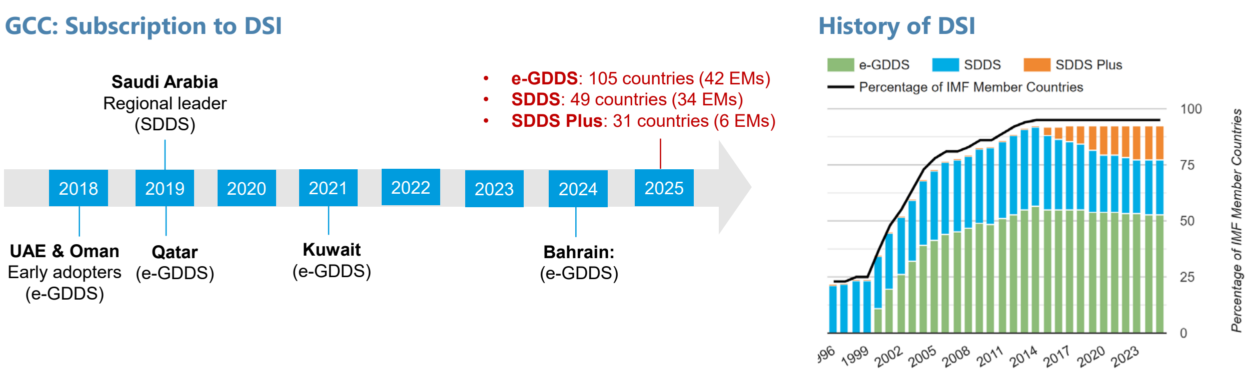
[1] Please refer to the Data Adequacy Assessment in each country's Article IV staff report for detailed information on country-specific data adequacy ratings and assessments.

[2] Qatar's new National Statistics Center is under the National Planning Council, replacing the Planning and Statistics Authority.

[3] See IMF Standards for Data Dissemination.

accountability, progress on the DSIs remains uneven across the region. Saudi Arabia stands as the regional leader, having subscribed to the Special Data Dissemination Standard (SDDS) in 2019. It served as a peer-learning example during the recent workshop held in Riyadh and expressed commitment towards SDDS Plus[4]. The remaining five countries currently participate in the Enhanced General Data Dissemination System (e-GDDS) with operational National Summary Data Pages launched at different stages: UAE and Oman were early adopters in 2018, followed by Qatar (2019), Kuwait (2021), and most recently Bahrain (2024). Bahrain and the UAE have expressed the strongest commitment to SDDS subscription and enhanced transparency, actively working to close identified data gaps with the support of IMF technical assistance. Kuwait, Oman, and Qatar are enhancing their engagement with the IMF country teams and the Statistics Department to improve current dissemination performance and transparency standards. However, all countries except Saudi Arabia face significant challenges in periodicity and timeliness to support timely decision-making, particularly in areas such as production indices, labor statistics, and fiscal statistics, while several external sector statistics have yet to be compiled and disseminated.

Annex VII. Figure 1. Status of IMF Data Standards Initiatives (DSI)



Source: IMF staff calculations.

Note: By 2025, 95 percent of IMF member countries have subscribed to DSI. See more in IMF-Dissemination Standards Bulletin Board.

3. As a G20 member, Saudi Arabia has positioned itself at the frontier of statistical innovation, making notable progress under the G20 Data Gaps Initiative. Saudi Arabia has launched a series of initiatives aimed at closing key data gaps. *Climate-related statistics* are a core focus, and the authorities are actively developing energy accounts for power generation, carbon footprints of FDI, and climate finance through a comprehensive Green Financing Framework. However, certain areas (e.g., climate-impacting government subsidies) have been designated as non-immediate priorities due to current resources constraints. *Digital statistics* represent another area of significant progress. The Saudi Central Bank (SAMA) is developing specialized Prudential Returns to capture fintech credit data

[4] The May 2025 IMF workshop brought together 40 senior officials from central banks, ministries of finance, and statistical agencies to develop country-specific roadmaps for SDDS transition, reflecting the region's coordinated commitment to statistical transparency and capacity building.

and is collecting e-wallet and mobile banking transaction data based on IMF guidance. Virtual currencies remain prohibited, pending the development of a comprehensive regulatory framework for virtual assets. *Household distribution statistics* have also seen major improvement. The General Authority for Statistics (GASTAT) launched a new Household Income and Expenditure Survey in 2025, expanding the sample size by nearly five times of the previous round.

Main Data Gaps by Sector

4. External sector statistics represent the most challenging area across the GCC region, with fundamental gaps in Balance of Payments (BOP), International Investment Position (IIP) and External Debt coverage, and the exclusion of sovereign wealth funds (SWF) that prevent comprehensive external stability assessment (Figure 2). The most critical regional weakness is the systematic exclusion or inadequate reporting of SWF assets. For example, Kuwait's KIA omission from the IIP creates stock-flow inconsistencies with BOP data; Qatar reports partial IIP without SWF, and the UAE does not provide IIP data at all. Limited participation in key international surveys compounds these problems, with many countries failing to report Direct Investment Positions by Counterpart Economy (DIP, formerly CDIS) and Portfolio Investment Positions by Counterpart Economy (PIP, formerly CPIS) data that would enable cross-validation of financial account information.[5] Highly aggregated financial account data across multiple countries prevents detailed analysis of capital flows by sector and instrument, while some countries like Bahrain exhibit persistent large net errors and omissions of 4 percent of GDP, and others such as Oman only provides external sector data on an annual basis with significant delays. These limitations fundamentally constrain the region's capacity for real-time external sector monitoring and assessment of external vulnerabilities.

5. Government finance statistics across the GCC region exhibit severe institutional coverage limitations, fundamentally hampering comprehensive fiscal analysis. The most critical regional weakness is the systematic exclusion of SWFs and state-owned enterprises (SOEs) from fiscal reporting. Institutional coverage of GCC countries generally remains restricted to budgetary central government operations, missing broader public sector activities including SWFs, SOEs, social security funds and government guarantees, while large unexplained stock-flow adjustments affect several countries. In contrast, GCC's regional comparators (e.g., SDDS countries, LAC-5 EMs, and ASEAN-5 EMs) generally report general government operations (Table 1). Additionally, the absence of quarterly fiscal reporting in multiple GCC countries, combined with significant delays in annual accounts and insufficient debt granularity— where different instruments are inappropriately aggregated—severely constrains timely fiscal surveillance and debt sustainability analysis across the region.

6. National Accounts data across the GCC region exhibit timeliness and granularity issues, hampering comprehensive economic analysis and cross-country comparability. Although most GCC countries (except the UAE) publish quarterly supply-side GDP with one-quarter

[5] See DIP and PIP.

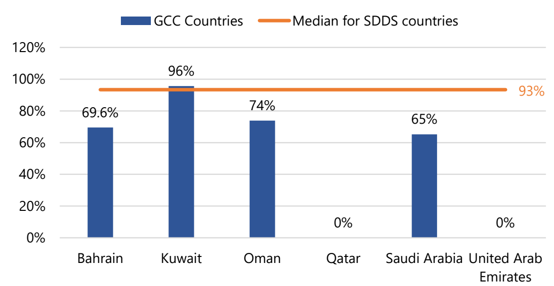
lag, broadly on par with the SDDS median (Figure 2), there is a widespread issue regarding the lack of timely expenditure-side GDP decomposition—particularly compared with the regional peers (Table 1). Kuwait misses this breakdown entirely for 2023, Qatar's latest constant prices data date back to 2018, and Oman does not produce quarterly expenditure breakdowns at all. Publication delays vary substantially, from moderate lags of 4-5 months in Bahrain to multi-year delays in Kuwait post-pandemic. Effective economic analysis requires current and timely GDP data, as outdated statistics severely undermine the ability to assess real-time economic conditions. Additionally, inadequate explanations of data revisions confound economic surveillance and policymaking, which are further exacerbated by limited sectoral details—particularly the absence of distinctions between public and private investment, distinctions between oil and non-oil investment, alongside persistent inter-sectoral inconsistencies between national accounts and fiscal statistics in several GCC countries.

7. Monetary and financial statistics across the GCC region show universal gaps in coverage of non-bank financial sector (NBFI) and Financial Soundness Indicators (FSI), constraining comprehensive financial stability assessment. The most prominent data gap is the absence or limited availability of NBFIs data on insurance companies, investment funds, and other financial institutions, impeding comprehensive analysis of financial system risks and interconnectedness. FSIs present another universal challenge, with incomplete coverage of core FSIs for deposit-takers and balance sheet and income statement FSIs universally absent. Several countries continue to rely on non-standardized reporting forms rather than IMF Standardized Report Forms, while missing critical market data such as bank lending rates and real estate financing information that are essential for accurate assessments of financial conditions and effective monetary policy transmission.

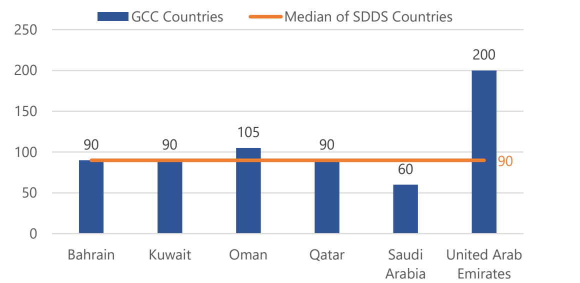
8. Price statistics show relatively strong regional performance, but the outdated CPI weights undermine the quality of inflation analysis. The most significant widespread weakness is outdated CPI weights, with several countries using baskets from 2013-2020 that no longer reflect current consumption patterns, thus undermining the accuracy of inflation measurement for monetary policymaking. The absence of real estate and property price indices in Bahrain and Kuwait compounds these challenges, particularly problematic given the importance of housing costs and active property markets in these countries. In the same line, Qatar's daily property transaction data could benefit from greater consistency to strengthen analytical reliability. Additionally, consistency between CPI inflation and the GDP consumption deflator needs improvement since all GCC countries' correlations (from -0.56 to +0.7) are below the SDDS countries' median of 0.8. Finally, the timeliness of CPI data varies across the GCC, with the UAE recording a relatively long publication lag.

Annex VII. Figure 2. Selected Comparison with SDDS Median

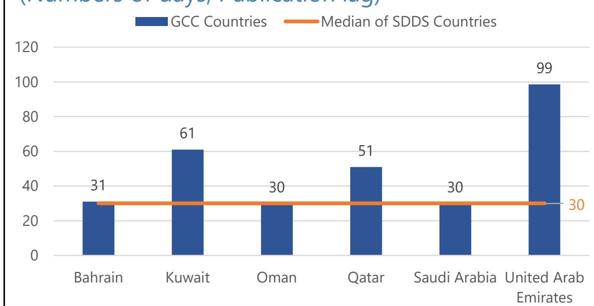
Coverage of IIP
(Percentage of IIP Items)



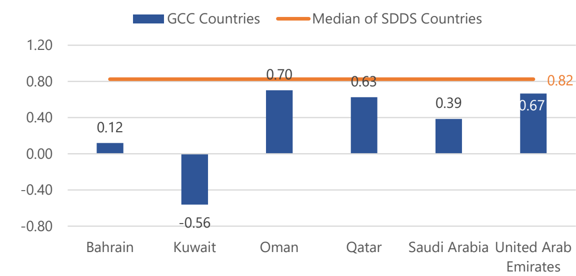
Timeliness of Quarterly GDP Publication
(Numbers of days, Publication lag of supply-side GDP)



Timeliness of CPI
(Numbers of days, Publication lag)



Correlation between CPI Inflation and GDP Consumption Deflator
(-1 to 1 scale)



Source: National authorities and IMF staff calculations.

Note: (1) Coverage of IIP is calculated based on authorities' data reported to the IMF. Oman's chart data refer to 2023, while the data of other countries refer to 2024.
(2) Saudi Arabia authority (GASTAT) publishes flash estimates of quarterly GDP with a 30-day lag and the actual official data with a 68-day lag. UAE's quarterly GDP publication lag varies by emirates.

Annex VII. Table 1. Selected Economic Data Reporting Metrics by Country/Region

	Individual GCC Country						Regional Medians			
	Bahrain	**Kuwait**	**Oman**	**Qatar**	**Saudi Arabia**	**UAE**	**GCC**	**SDDS**	**LAC-5-EM**	**ASEAN-5-EM**
External Debt Categories (Reported to World Bank	Not reported	Not reported	Not reported	Not reported	Fully reported	Not reported	**Not reported**	Fully reported	Fully reported	Fully reported
Government Operations Coverage	Budgetary Central Govt	Budgetary Central Govt	Budgetary Central Govt	Budgetary Central Govt	Central Govt	General Govt	**Budgetary Central Govt**	General Govt	General Govt/Public Sector	General Govt
Quarterly GDP by Expenditure Availability	Quarterly GDP	Annual Expenditure	Annual Expenditure	No Expenditure GDP	Quarterly GDP	Annual Expenditure	**Annual Expenditure**	Quarterly GDP	Quarterly GDP	Quarterly GDP
Core CPI Availability	Available	Not available	Not available	Available	Available	Not available	**Not available**	Available	Available	Available

Source: National Authorities and IMF staff calculations.

Note: QEDS: Quarterly External Debt Statistics; LAC-5-EM: Latin America & Caribbean 5 Emerging Markets (Brazil, Chile, Colombia, Mexico, Peru); ASEAN-5-EM: Association of Southeast Asian Nations 5 Emerging Markets (Indonesia, Malaysia, Philippines, Thailand, Vietnam).

Policy Advice

9. To effectively support economic surveillance in the GCC region and the reforms aimed at boosting non-oil economies, improving data quality should be prioritized through several measures:

- *External Sector Statistics:* Improve the coverage and granularity of BOP, IIP and External Debt data, including the inclusion of SWF, and enhance countries' participation in key surveys (e.g. DIP, PIP) to help identify and mitigate external vulnerabilities. This is particularly critical for GCC economies given their large SWF, significant cross-border capital flows, and ongoing economic diversification efforts that require accurate external sector monitoring to manage oil-related vulnerabilities and attract sustainable foreign investment.

- *Government Finance Statistics:* Broaden the institutional coverage to include comprehensive reporting on government-related entities including SWF and SOE, enabling improved assessment of fiscal risks and state influence on economic activities. GCC countries should work toward establishing regular quarterly fiscal reporting frameworks aligned with the GFSM 2014 to enhance timeliness and surveillance capabilities, while addressing large unexplained stock-flow adjustments and improving transparency of contingent liabilities including government guarantees and public-private partnerships.

- *National Accounts and Prices:* Establish timely and comprehensive national accounts frameworks with regular publication schedules and adequate revision explanations and expand expenditure-side GDP data coverage with a clear distinction between public and private investment, as well as between oil and non-oil sectors. Unify definitions of hydrocarbon GDP (e.g., classification of oil refining activities) to ensure consistency and enhance comparability in tracking non-oil GDP targets. GCC countries could benefit from strengthening inter-agency coordination mechanisms between government entities and statistical institutes to support improved data-sharing procedures. Countries with outdated CPI weights should prioritize updating consumption baskets to reflect current spending patterns.

- *Monetary and Financial Statistics:* GCC countries should prioritize the development of comprehensive Financial Soundness Indicators frameworks with regular quarterly reporting to the IMF. Countries should also expand non-bank financial sector data collection to include insurance companies, investment funds, and other financial institutions currently missing from financial statistics, while working toward standardized reporting forms alignment across the region.

- *Data Standards Initiatives:* Subscribing to the IMF's SDDS—and advancing to SDDS Plus in the case of Saudi Arabia—can signal commitment to transparency and economic governance, potentially lowering sovereign spreads and borrowing costs[6]. Bahrain and the UAE should prioritize closing identified data gaps to achieve SDDS subscription while Oman, Kuwait, and

[6] See "Improving Sovereign Financing Conditions Through Data Transparency", 2022, IMF Working Paper.

Qatar would benefit from further enhancing their engagement with the Statistics Department to improve current e-GDDS dissemination performance while preparing for eventual SDDS transition through systematic capacity building efforts.