

UAE & Saudi Arabia: forecast update June 2025

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UAE

	2022	2023	2024e	2025f	2026f
Nominal GDP USD bn	503.1	514.5	536.7	556.2	581.3
Real GDP %	7.5	3.6	4.0	4.8	4.6
Current Account % GDP	7.7	7.9	9.1	8.1	9.0
Budget Balance % GDP	10.0	4.5	3.4	1.8	1.8
Dubai CPI %	4.7	3.3	3.3	2.5	2.5

GDP

[We forecast real GDP growth of 4.8% this year](#), following a 4.0% expansion in 2024. The acceleration will be driven by a pick-up in activity in the hydrocarbons sector given adjusted baseline targets and a change of strategy from OPEC+, and we forecast oil growth of 5.0%, up from just short of 1.0% last year. We anticipate a modest slowdown in non-oil growth to a still robust 4.7%, from 5.0% in 2024, with Abu Dhabi likely growing at a faster pace than Dubai once again. Transport & storage, construction, and financial services are likely to remain key growth drivers across the emirates. In 2026 we forecast GDP growth of 4.6%.

Current account balance

We forecast a current account surplus equivalent to 8.1% of GDP, down from 9.1% last year. The modest fall is on the back of lower oil prices which we forecast at an average USD 68/b in 2025, from USD 80/b in 2024. As a result, we expect a pick-up in the current account balance to 9.0% of GDP in 2026 as both oil production and global oil prices are likely to be higher.

Budget balance

We forecast a fiscal surplus of 1.8% of GDP in the UAE this year, down from 3.4% in 2024, as lower oil prices constrain revenue. This will be the fifth straight year of surplus: since 2017 there has only been a deficit in 2020, in the midst of the Covid-19 pandemic. In Dubai, the government committed to an expansionary budget of AED 86.3bn in 2025, marking a 9% expansion on the AED 79.1bn that was allocated for 2024, with the government projecting a surplus equivalent to 4% of GDP.

Dubai CPI inflation

We forecast an average monthly CPI inflation rate of 2.5% y/y in Dubai this year, which would mark the slowest pace of price growth since 2021. Annual inflation over the first five months of the year has averaged 2.8%, moderately higher than our full-year forecast. However, most components of the basket continue to show only moderate price growth and we anticipate that inflation should be maintained around current levels through the rest of the year, a slowdown from the 3.2% pace seen at the start of 2025.

Saudi Arabia

	2022	2023	2024	2025f	2026f
Nominal GDP USD bn	1108.6	1067.6	1085.4	1115.2	1165.8
Real GDP %	7.5	-0.8	1.3	3.6	4.1
Current Account % GDP	13.6	3.3	-0.9	-3.9	-2.5
Budget Balance % GDP	2.5	-2.0	-2.8	-5.9	-4.0
CPI %	2.5	2.3	1.7	2.0	2.3

GDP

We forecast real GDP growth of 3.6% this year, up from 1.3% in 2024. A more rapid easing of voluntary oil production curbs than previously indicated will see oil GDP grow by 3.5% according to our forecasts, compared with a 4.5% contraction in 2024. Meanwhile, the outlook for the non-oil sector remains strong and we project a modest acceleration in growth to 4.5%, from 4.3% last year. Non-oil growth in Q1 hit 4.9%, and timely indicators such as consumer spending and the Riyadh Bank PMI survey point towards a private

sector that is in good health, while government-led project spending remains supportive. In 2026 we forecast growth of 4.1%.

Current account balance

We forecast that Saudi Arabia's current account deficit will widen to 3.9% of GDP in 2025, which would mark the largest since 2015. Lower oil prices – we forecast an average of USD 68/b this year, from USD 80/b in 2024 – and high levels of imports as the government moves forward with its Vision 2030 development programme will weigh on the trade balance. We forecast it will more than halve to a surplus of USD 41.0bn, from USD 86.5bn in 2024. A positive is the services balance where the deficit is narrowing, boosted by strong growth in travel receipts. In 2026 we expect a narrower current account deficit of 2.5% as oil production ramps up. The government is looking to boost FDI inflows but in 2024 these fell to a three-year low.

Budget balance

[Saudi Arabia's budget deficit will widen to 5.9% of GDP in 2025 according to our forecasts, from 2.8% in 2024.](#) This is wider than the official 2.3% forecast. We expect that the lower oil price environment and residual production curbs will weigh on revenue, while budget spending continues to rise. While there have been headlines around recalibration of major projects, there remain huge levels of spending in progress as part of the Vision 2030 development programme. With increased production and a moderately higher oil price projected for 2026, we forecast that the budget deficit will narrow to 4.0% of GDP next year. The government has indicated its commitment to its spending, acknowledging that there will be several years of deficits ahead and issuing significant amounts of debt in January.

CPI inflation

[We forecast an average CPI inflation rate of 2.0% this year, from 1.7% in 2024.](#) Inflation in Saudi Arabia eased modestly in May to 2.2% year/year, down from 2.3% for the previous two months. As has been the case for multiple months, housing is the primary contributor to inflation in the kingdom's economy with the housing and utilities component of inflation increasing by 6.8%. Hospitality and food prices were also higher last month along with personal goods. Most other categories in the Saudi inflation basket though remain in outright deflation. So far in 2025, inflation has recorded an average of about 2.2%.

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