



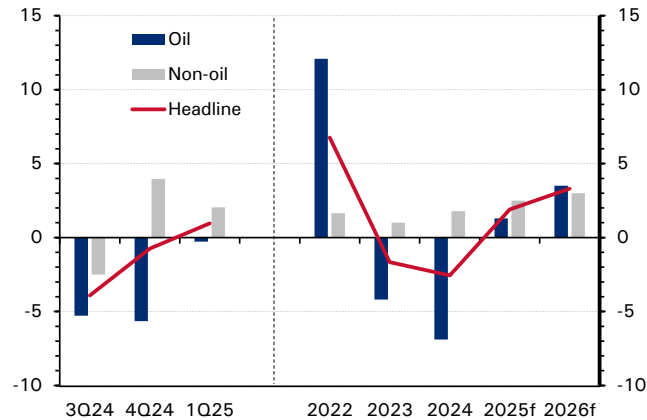
Kuwait: GDP returns to growth in Q1 2025 as impact of oil output cuts fades

Preliminary official figures show GDP expanding 1% y/y in Q1 2025 following seven consecutive quarters of contraction, helped by a less severe downturn in oil output. With the negative effects of earlier voluntary oil production cuts beginning to fade, oil GDP recorded only a marginal decline, the softest since Q2 2023. Growth in non-oil activity remained positive though eased, weighed by a moderation in the manufacturing, real estate, and transport sectors. The near-term outlook for GDP is one of positive growth, lifted by rising oil production after Kuwait started to restore 135 kb/d of oil output cuts between April and September 2025, while the non-oil sector should also register further steady gains.

Non-oil GDP growth softens in Q1 2025 after strong performance in Q4 2024

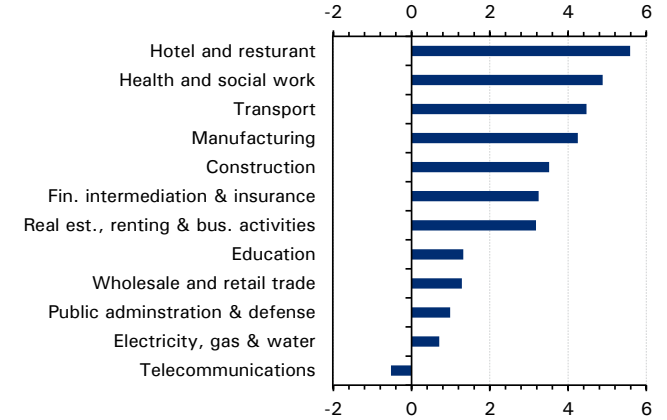
Growth in the non-oil sector weakened in Q1 2025, slowing to 2% y/y compared to 4% recorded in the prior quarter. (Chart 1.) The softer expansion in non-oil activity reflected, among other things, a moderation in the manufacturing sector, where activity grew at a still-solid 4.3% despite a decline in refined petroleum products output but slowed notably from the 12.2% reading registered in Q4 2024. Growth in other sectors including real estate, wholesale & retail trade, transport, and education also slowed. Offsetting the slowdown was stronger expansion in the non-oil economy's largest segments: public administration and defense as well as financial intermediation and insurance, which grew 1% and 3.2% y/y, respectively. (Chart 2.)

Chart 1: Real GDP growth (% y/y)



Source: CSB, Haver, NBK estimates; *preliminary figures

Chart 2: Growth at sub-sector level (1Q25) (% y/y)



Source: CSB, Haver

Oil sector logs marginal contraction, set to return to growth in Q2

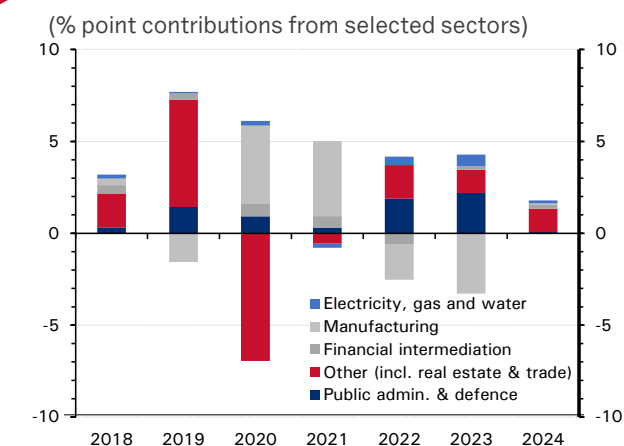
The contraction in oil GDP eased significantly to -0.3% y/y from -5.7% y/y in Q4 2024, registering the softest rate of decline since Kuwait embarked on cutting oil production in Q2 2023 after participating in the voluntary cuts scheme with 7 other OPEC+ members. (Chart 4.) Kuwait's oil production averaged 2.415 mb/d in Q1 2025, a 0.7% decline from the same quarter last year, according to OPEC secondary sources. However, oil sector fortunes are set to shift in Q2 2025 and thereafter, after the OPEC-8 member alliance started unwinding the 2.2 mb/d voluntary cut tranche in April 2025. Originally planned to be unwound over the course of 18 months, OPEC+ has accelerated the pace of supply hikes with output now on a path to be fully restored in September, a full year ahead of schedule. For Kuwait, crude production rose by 0.5% q/q in Q2 to 2.426 mb/d and is set to accelerate further to average 2.533 mb/d in H2 2025. With the oil market so far able to absorb the additional OPEC and global supply and oil prices currently holding near \$70/bbl, an upside risk to our oil sector outlook involves the potential unwinding of the outstanding OPEC-8 voluntary cuts (1.66 mb/d), of which Kuwait's share is 128 kb/d.

Growth heading back into positive territory in 2025

Growth in total GDP is set to remain on a positive trajectory in the near term, buoyed by further steady expansion in non-oil economic activity and increased oil production. Non-oil GDP is set to benefit from the government's reform drive which includes the recent passing of the debt law that could catalyze the implementation of key development projects and the potential approval of the 'mortgage' law later in 2025, which could spur higher household borrowing and consumer spending. Economic indicators for Q2 2025 pointed to a healthy pace of non-oil economic activity. The key 'output' and 'new orders' balances in the non-oil private sector PMI gauge both averaged a very robust 57+ in Q2 2025, real estate activity continued to expand at a robust pace with earlier price falls in the residential sector abating, while credit growth stood at a healthy 5.5% y/y in May, and could benefit in coming months if interest rates are reduced further.

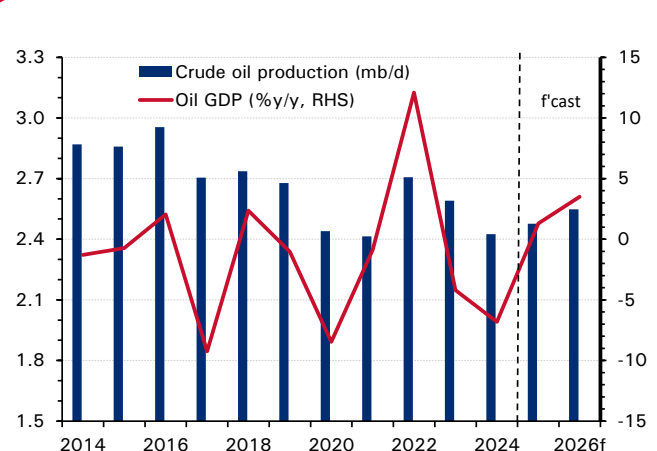
Nonetheless, there are also downside risks to the outlook. Local consumer spending growth (according to central bank card transactions data) turned negative in Q1 2025, extending the weakening trend now observed for more than a year. The government's ongoing fiscal consolidation push will also weigh on wage and job growth. Overall, we see GDP growing 1.9% this year, boosted by expansions in both the oil and non-oil sectors of 1.2% and 2.5%, respectively. ■

Chart 3: Contribution to non-oil growth



Source: CSB, Haver

Chart 4: Oil production and oil GDP



Source: CSB, JODI, OPEC, NBK estimates

Head Office**Kuwait**

National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2222 2011
Fax: +965 2229 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network**Bahrain**

National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates

National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia

National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Lebanon

National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt

National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America

National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom

National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

France

National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore

National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China

National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Wealth**Kuwait (Headquarters)**

NBK Wealth
34h Floor, NBK Tower
Jaber Al-Mubarak & Shuhada'a street
Block 7, Plot 6, Sharq Area
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates

Gate District
Precinct Building 4, Floor 7
Office Unit 3
Dubai International Financial Center
(DIFC)
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2804

Saudi Arabia

AlMohammadiyah District
Daman Building 3rd Floor
P.O. Box. 75144
Riyadh 11578,
Kingdom of Saudi Arabia
Tel: +966 11277 7120
Fax: +966 11277 7649

Switzerland

Rue de la Corraterie 5
P.O. Box. 3271
1211 Geneva 3
Switzerland
Tel: +41 22 319 0202

United Kingdom

13 George Street
W1U 3QJ
London
Tel: +44 20 7224 2277