Non-Oil Expansion, Fiscal Adjustments & Air Connectivity Lift Middle East Prospects

Weekly Insights 5 Dec 2025

- *Non-oil sector expansion in the Middle East, including in Egypt*
- *Saudi Arabia's expansionary 2026 budget, with a sharper focus on efficiency & outcome*
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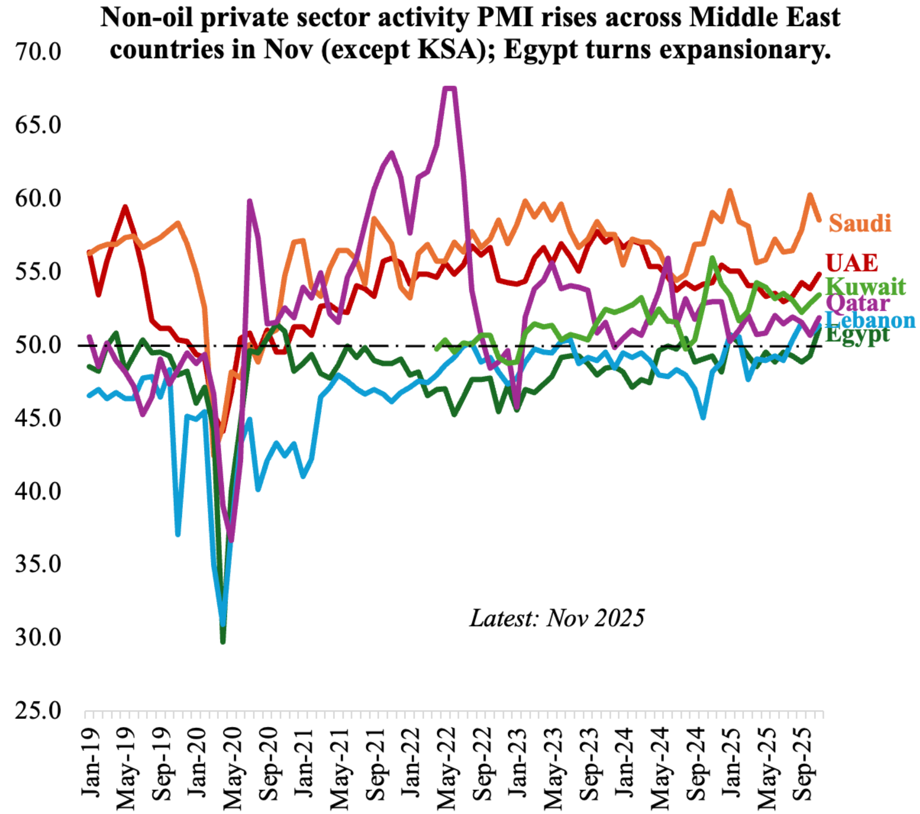
Non-oil sector expansion in the Middle East, including in Egypt

- **PMIs across the Middle East were expansionary in Nov**, with only Saudi recording a slight drop from Oct's multi-year high. Egypt recorded the first expansion since Feb, and the highest since Oct 2020 (suggesting improving domestic and external demand), while the UAE's reading rose to a 9-month high. Most countries reported broad-based gains - across output, new orders and employment.
- **Improvement in new orders is a positive sign**: Qatar posted the first increase in 6 months on increased demand while in Egypt it grew after 8 months of decline. In Lebanon, it was at a joint-survey record and even where new orders eased in Saudi, the fall was to 64.6 (Oct: 68.1). Competitive pricing seems to be a common theme, and Kuwait also reported aggressive marketing efforts.
- **Employment in the UAE reached an 18-month high** while in Qatar, job creation was fifth highest in the survey's history with hiring up for sales, marketing, operations and new projects. **In Saudi & Lebanon it moderated**: in KSA from Oct's quickest pace of hiring since Nov 2009 and in Lebanon, from the fastest pace in 12+ years.
- Alongside employment, **wage inflation continues to be strong**: near historical highs in Saudi while in the UAE, it contributed to the sharpest increase in input costs in 14 months .
- The **12-month ahead outlook was very positive in Kuwait**: it rose for the third month in a row to the highest level in 18 months. **In Lebanon** however this reading stood at 40.1, **very pessimistic** for the sixth consecutive month, as security concerns grew.
- While **Egypt**'s rebound is encouraging, its sustainable growth will likely depend on stability in import costs, currency, consumer demand, and external financing. Strong private-sector PMIs in the **GCC** reflect the promise in sectors such as construction, logistics, services, real-estate and non-oil trade. However, input-cost inflation and rising wages signal a potential margin squeeze and if sustained, it could affect growth momentum (e.g. new projects, employment).



Source: S&P Global, LSEG Workspace. Chart by Nasser Saidi & Associates

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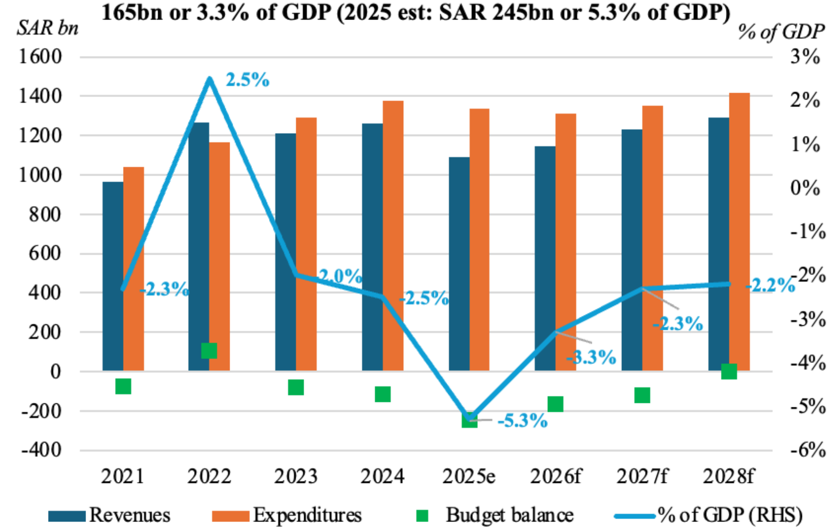
Saudi Arabia's expansionary 2026 budget, with a sharper focus on efficiency & outcome, features a narrower deficit vs 2025 estimates

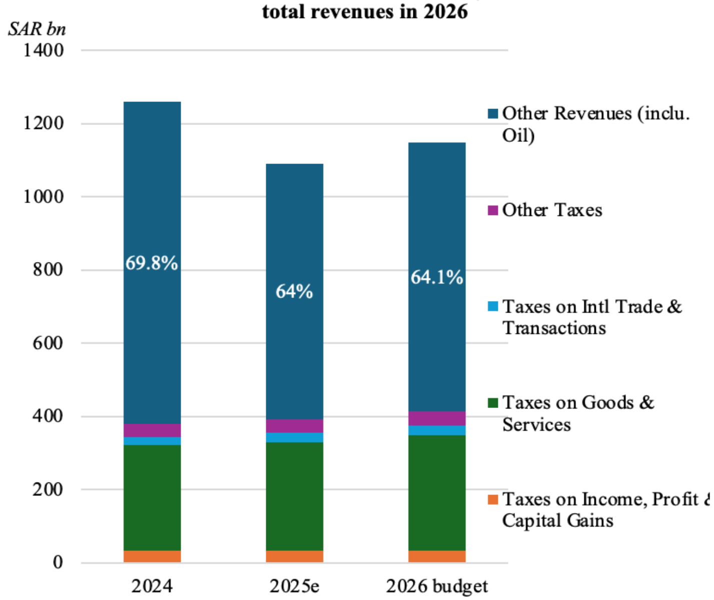
- **Saudi fiscal deficit is projected at SAR 165bn in the 2026 budget** versus an estimated SAR 245bn in 2025 (but higher than SAR 101bn as per the 2025 budget).
- **Overall revenues are forecast to touch SAR 1147bn in 2026 budget:** this is 3.1% lower than the 2025 budget but 5.1% higher than the 2025 full-year estimate. **Oil revenues share is estimated at almost 2/3-rd of total revenues next year** (vs 70% in 2024 and an estimated 64% in 2025). Tax revenues are expected to increase by 4.8% (compared to the 2025 estimate), also supported by the **broadening of tax base** (e.g. White Land Tax hike & VAT amendments).
- **Total expenditures are projected to rise to SAR 1313bn in 2026** (up 2.2% vs 2025 budget & down by 1.7% vs 2025 estimates), with capex and compensation of employees accounting for 12.3% and 44.5% respectively of total spending. **Capex has declined by 5.5% versus 2025 estimates**, partly due to various project completions. More of the spending is directed toward infrastructure upkeep, essential public services (health, education) and improving quality-of-life indicators.
- **Public debt will amount to approximately SAR 1622bn** (32.7% of GDP) in 2026.

Saudi Arabia forecasts a narrower fiscal deficit in 2026, at SAR 165bn or 3.3% of GDP (2025 est: SAR 245bn or 5.3% of GDP)

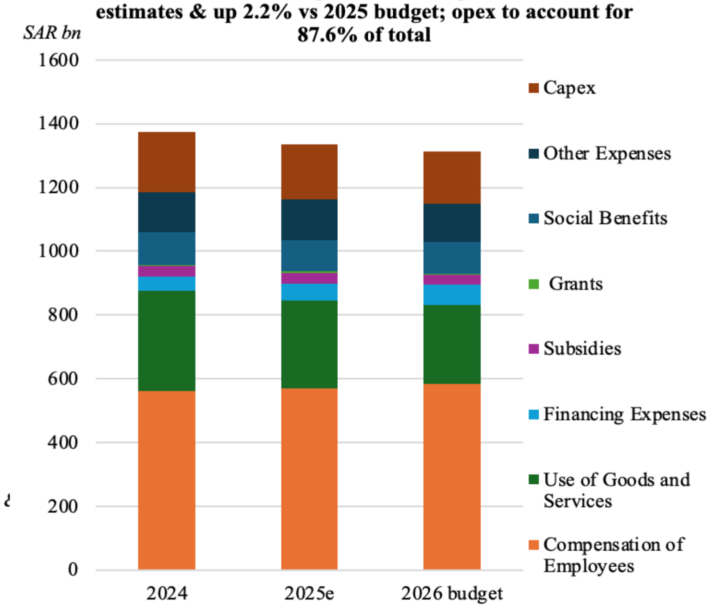


Source: Ministry of Finance, Saudi Arabia. Charts by Nasser Saidi & Associates.

Share of tax revenue in Saudi Arabia budgeted to be 36% of total revenues in 2026



Saudi Arabia's 2024 expenditure to slip by 1.7% vs 2025 estimates & up 2.2% vs 2025 budget; opex to account for 87.6% of total



Source: Ministry of Finance, Saudi Arabia. Charts by Nasser Saidi & Associates.

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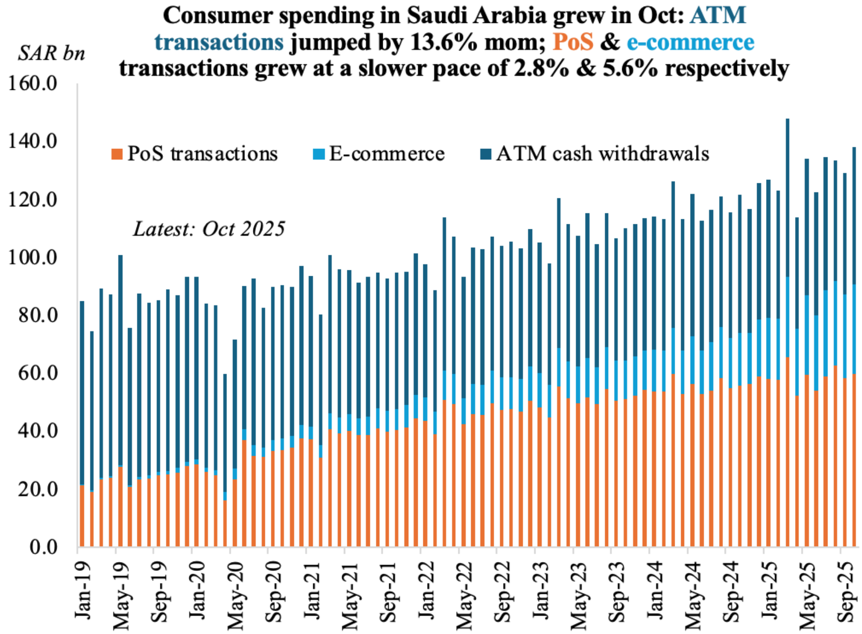
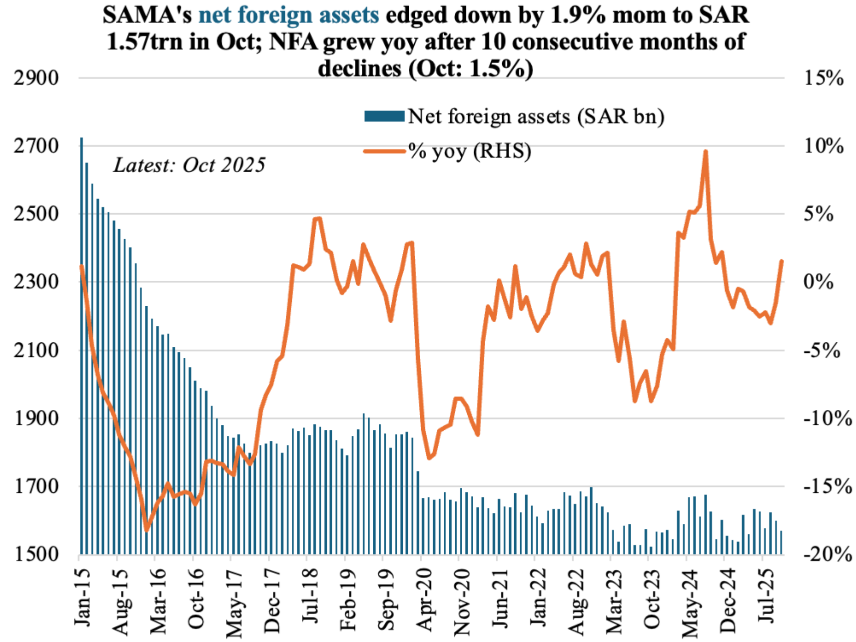
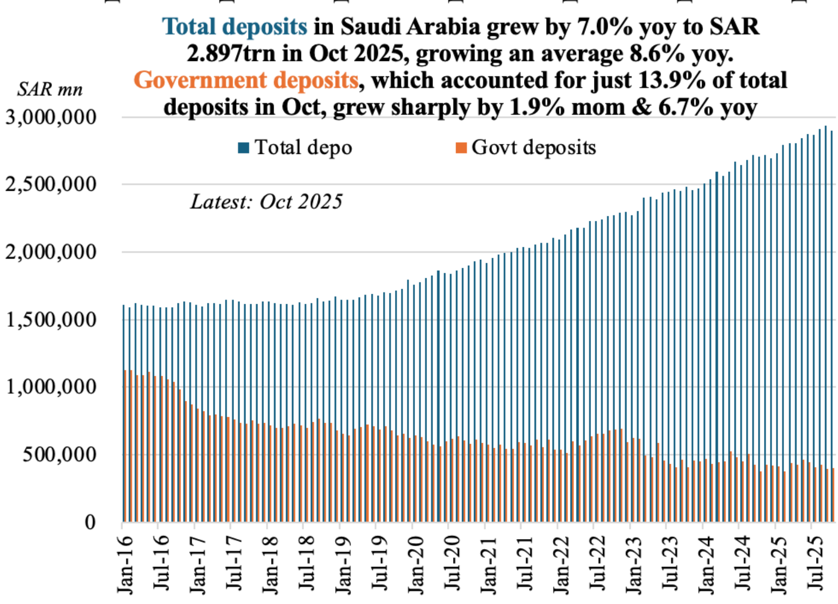
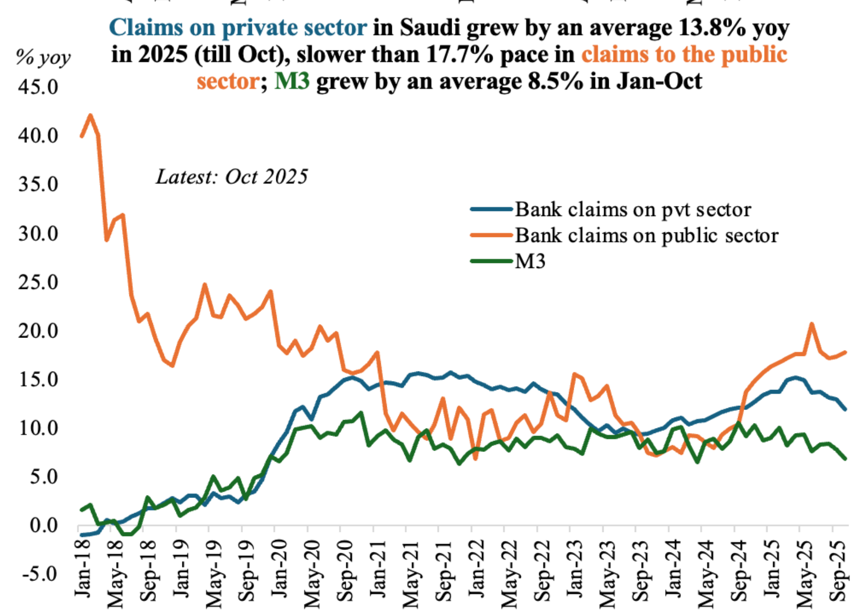
Money supply expansion in Saudi Arabia - a sign of robust liquidity & supports consumer demand. Pace of credit growth is healthy (12.0% yoy in Oct & 13.8% avg in 2025) & has outpaced deposit growth (averaged 8.6% in Jan-Oct) for 21 straight months. Slight drop in NFAs notwithstanding, the scale of reserves remains comfortable.









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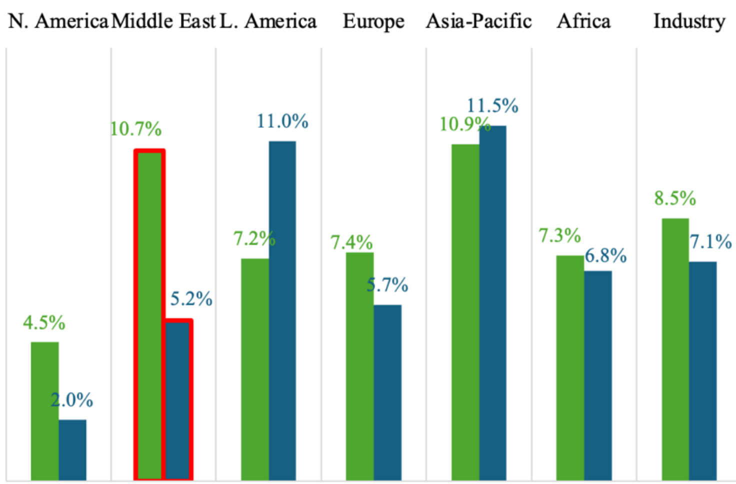
Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

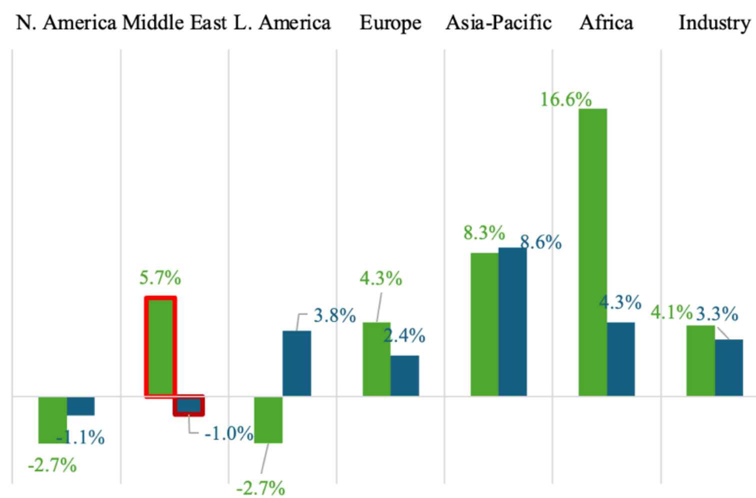
Middle East stands out with above-global average performance in air passengers & cargo for Oct, underscoring the region's resilience & global connectivity role

- **International** revenue passenger-kilometers (**RPKs**) growth in Oct (8.5% yoy) was driven by the Asia-Pacific region (10.9%) while the Middle East airlines experience was among the strongest (10.7%, partly due to its low base a year ago). **Year-to-date gains in the Middle East was slightly muted** (5.2% during the year vs industry average of 7.1%), underscoring the impact from ongoing regional conflicts.
- **Air cargo demand remained relatively resilient:** cargo tonne-kms (CTKs) grew by 4.1% yoy in Oct, posting the eighth straight month of growth, and was up 3.3% year-to-date. **Middle East carriers grew by 5.7% in Oct** (the highest growth registered by the region this year; Sep: 0.5%) but was down by 1.0% so far this year. **Cargo capacity in the region rose even more**: at 10.0% yoy, it was the strongest in 2025 and one of the largest capacity expansions among all regions. Interestingly, **the Middle East–Asia cargo corridor** saw the **eighth consecutive month of growth** (11.5%, more than doubling growth in Sep) and the Middle East-Europe trade route posted a slight growth (0.1%, only the second month with positive growth this year).
- **IATA expects seat capacity increases in Nov** and in Dec, which could reinforce passenger growth. Tourism, business travel, MICE (meetings/conferences) and transit travel could see renewed momentum during the end-of-the- year holiday season, also helpful for non-oil diversification strategies. With global trade and supply-chain diversification set to continue, cargo volumes are likely to keep increasing. **Various airlines' orders for additional aircraft during the Dubai Air Show in Nov** (such as Emirates, Riyadh Air, Saudia Group) with deliveries through 2030s will add to rising capacities in the years to come.

Growth in International Revenue Passenger-Kms (RPKs)
(% chng in Oct 2025 % yoy & % year-to-date)



Growth in Total Cargo Tonne-Kms (CTKs)
(% chng in Oct 2025 % yoy & % year-to-date)



Source: IATA, Air Passenger & Cargo Market Analysis (issued 28 Nov 2025)

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