GCC Growth Driven by Boom in Tourism & Aviation

Weekly Insights
27 Feb 2026

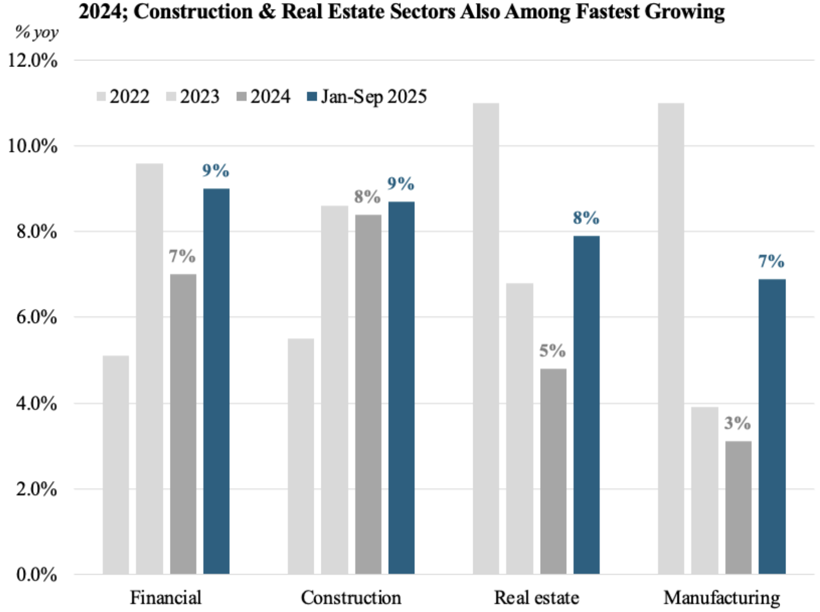
- *UAE GDP expanded by 5.1% yoy in Jan-Sep 2025*
- *Total reserve assets in Saudi surged to SAR 1.78trn in Jan 2026, the most since Apr 2020*
- *Saudi Arabia deficit in 2025 more than doubled to SAR 276.*
- *Middle East airlines strong 2025 performance; to continue into 2026*
- *Middle East international tourist arrivals surged 39% in 2025 vs 2019*

NASSER SAIDI
& ASSOCIATES

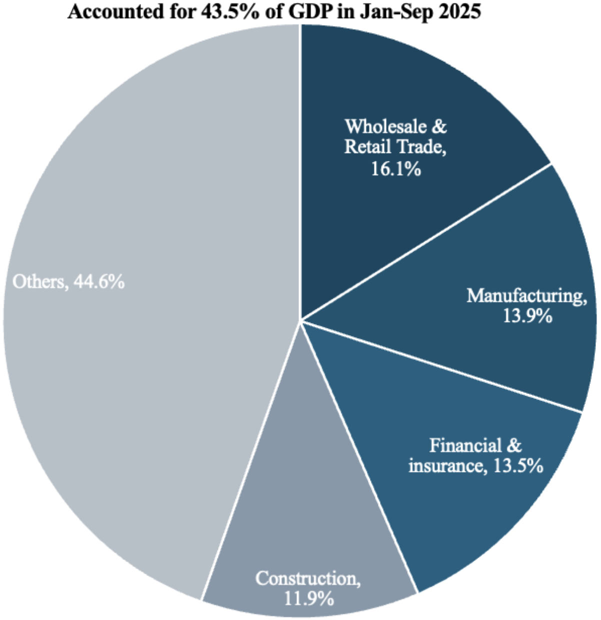
UAE GDP expanded by 5.1% yoy in Jan-Sep 2025, with non-oil sector growing at a faster 6.1% pace

- **UAE's real GDP expanded by 5.1% yoy to approximately AED 1.4trn in Jan-Sep 2025**, thanks to a 6.1% surge in non-oil sector (to over AED 1trn).
- Growth is now more broad-based, with the **largest growth rate clocked in by financial & insurance** (+9%), followed closely by construction (8.7%) and real estate (7.9%). The **financial sector** has benefitted from the performance of its financial centres DIFC and ADGM as well as the seamless integration of fintech. **Manufacturing** also showed resilience, growing by 6.9% and contributing nearly 14% to the non-oil economy, reflecting the success of the "Operation 300bn" industrial strategy.
- **Services-led diversification is also reaping benefits**: Dubai welcomed 13.95mn international visitors in Jan-Sep 2025 (5.0% yoy) while combined passenger traffic during the period at UAE's major airports (Abu Dhabi Airports, Dubai International and Sharjah) crossed 108.6mn. These **correlate with the 16.1% contribution of the wholesale & retail sector** to total non-oil GDP.
- The strong non-oil performance and supportive policy landscape (in addition to the uptick in oil production) will enable **growth to remain robust at around 5.5% for full-year 2025**. With the "We the UAE 2031" vision targeting AED 3trn GDP, the focus is shifting toward digital infrastructure as well as AI-led initiatives - to maintain this growth trajectory.

UAE's Financial & Manufacturing Sectors Recover in Jan-Sep 2025 vs 2024; Construction & Real Estate Sectors Also Among Fastest Growing



Top Three Non-oil Sectors - Trade, Manufacturing & Financial - Accounted for 43.5% of GDP in Jan-Sep 2025



Source: FCSA, WAM. Charts by Nasser Saidi & Associates.

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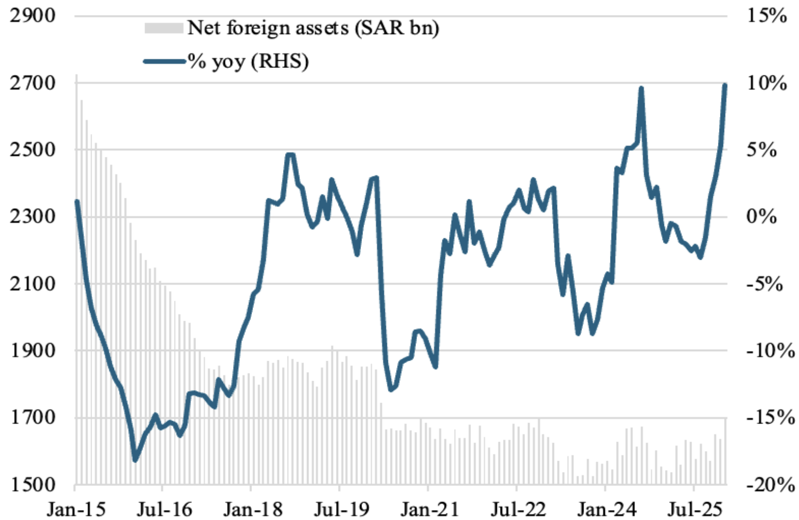
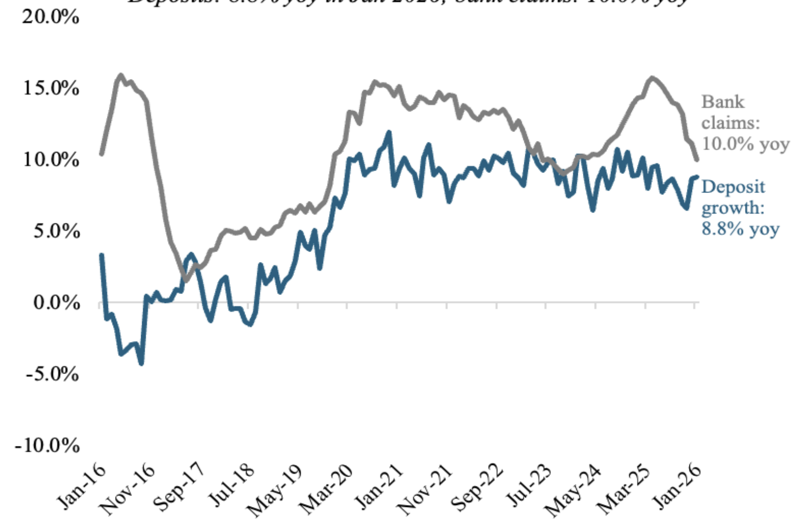
Total reserve assets in Saudi surged to SAR 1.78trn in Jan 2026, the most since Apr 2020; NFA grew to SAR 1.696trn. M3 accelerated, driven by a rise in demand deposits & bank credit; GRE deposits will continue to be a sticky funding source. Private sector credit growth is resilient; mortgage boom has normalised.

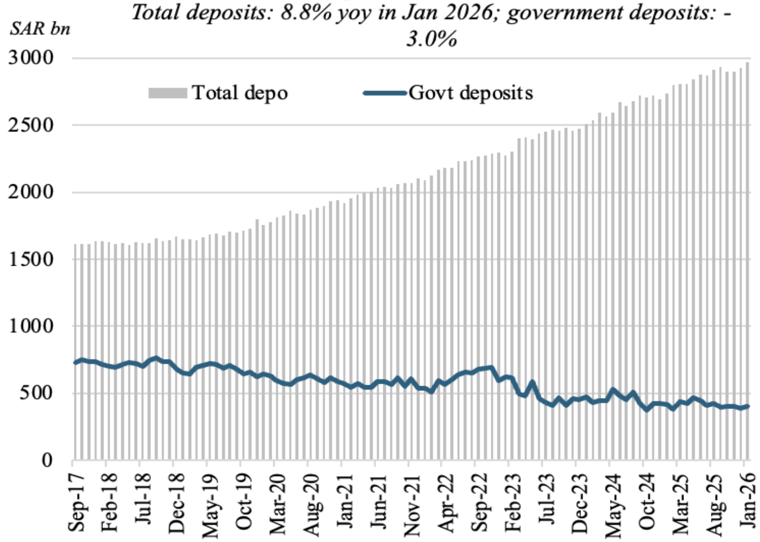
SAMA Net Foreign Assets Rose to SAR 1.696tn in Jan 2026
month-on-month: +3.6%; year-on-year: +9.9%



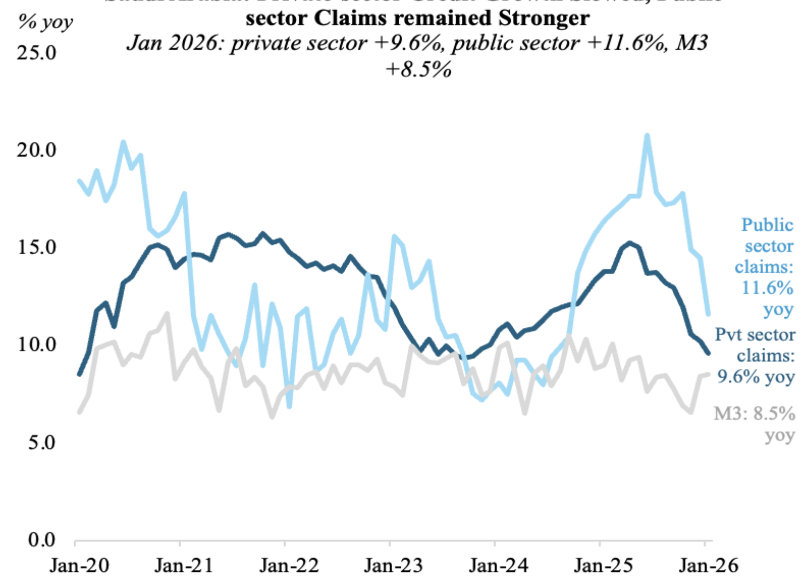
Saudi Arabia: Deposits Growing at a Slower Pace than Credit; but the Gap is Narrowing
Deposits: 8.8% yoy in Jan 2026; bank claims: 10.0% yoy



Saudi Arabia: Deposits Continue to Rise, while Government Deposits remain Weak
Total deposits: 8.8% yoy in Jan 2026; government deposits: -3.0%



Saudi Arabia: Private-sector Credit Growth Slowed, Public-sector Claims remained Stronger
Jan 2026: private sector +9.6%, public sector +11.6%, M3 +8.5%



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

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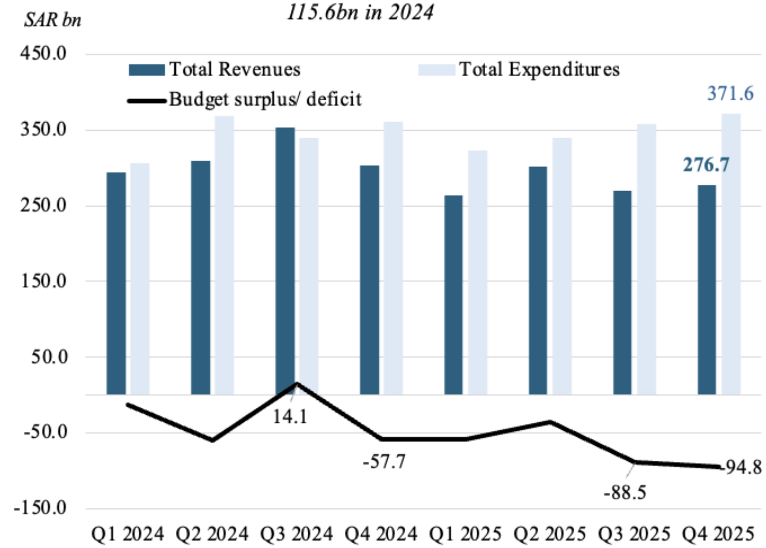
Saudi Arabia deficit in 2025 more than doubled to SAR 276.6bn, as spending inched up by 1.0% amid a 20% plunge in oil revenues

- **Saudi Arabia recorded a budget deficit of SAR 276.6bn for the full year 2025, more than double the shortfall in 2024**. This exceeded budget forecasts and was driven by a 1% increase in total expenditure to SAR 1.39trn.
- **Non-oil revenues** reached SAR 505.3bn in 2025, accounting for a **historic 45.45% of total government income** (supported by a 2.2% jump in tax revenues to SAR 388.9bn). Oil revenues comprised 54.55% of total receipts despite falling about 20% yoy, highlighting the challenge and **gradual progress of revenue diversification.**
- **Human capital and social stability received the lion's share of spending in 2025** (35.4% of total). Notably, capex surged 18% in Q4 alone, as infrastructure works accelerated ahead of upcoming major events such as Expo 2030.
- **Will Saudi meet its 2026 budget deficit goals? Unlikely. Why? One**, in the current uncertain & volatile geopolitical & economic environment, any drop in oil prices towards the USD 60 mark will push deficit higher, leading to further sovereign debt issuance or a drawdown from reserves. **Two**, spending is unlikely to face meaningful cuts given fixed deadlines of events such as Expo 2030 and the 2034 World Cup.
- **What needs to be done? Improve efficiency.** This means **optimising tax collection** (improve compliance, better enforcement); rationalising **untargeted energy subsidies**; tighter **prioritisation of capital projects**; implementing **performance-based budgeting** for government entities; & **reduce** the SAR 574bn **public wage bill** (the largest recurrent expense).

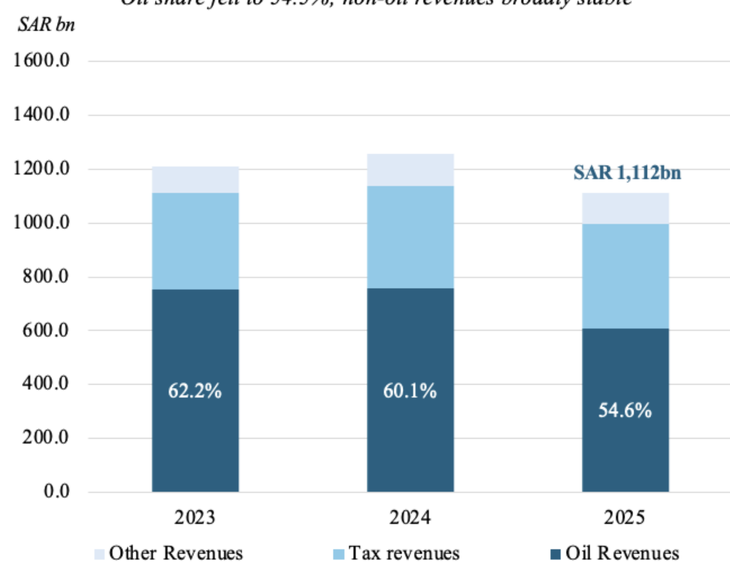
Saudi Arabia: Fiscal Deficit Widened in Q4 2025

Q4 deficit SAR 94.8bn; 2025 deficit SAR 276.6bn vs SAR 115.6bn in 2024



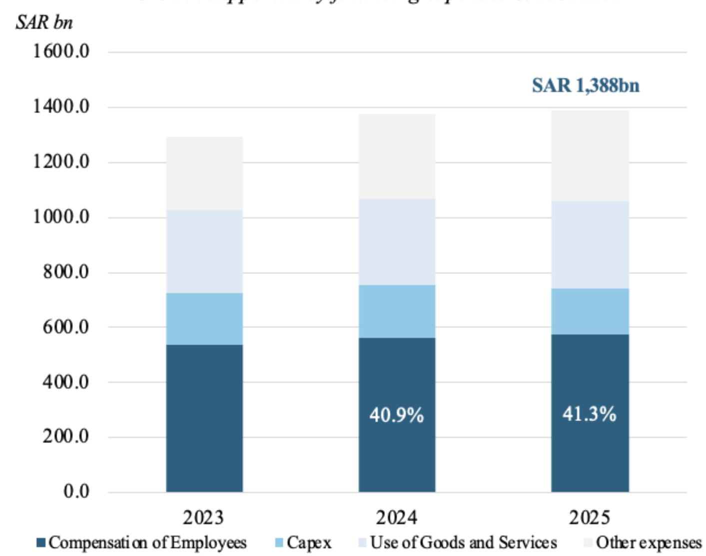
Saudi: Lower Oil Receipts Drove Revenue Decline in '25

Oil share fell to 54.5%; non-oil revenues broadly stable



Saudi Fiscal Spending Grew; Compensation 41% of Total

Growth supported by financing expenses & subsidies

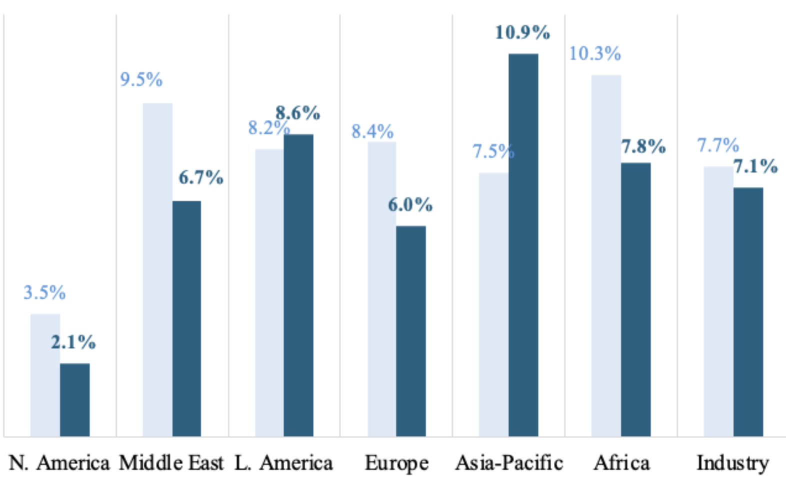


Source: Saudi Arabia's Ministry of Finance. Charts by Nasser Saidi & Associates

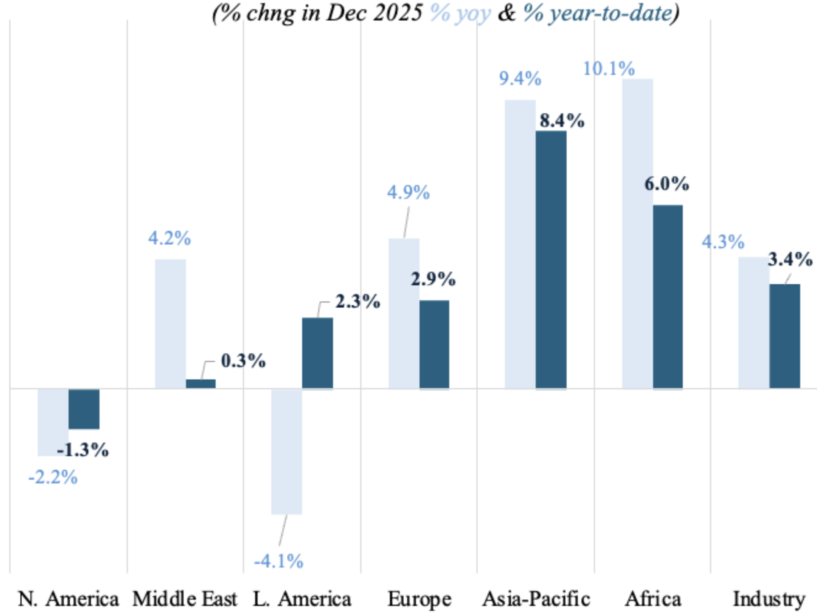
Middle East airlines strong 2025 performance; to continue into 2026

- **Full-year 2025 global air passenger demand** (RPK) **climbed 5.3% yoy**, with international travel (7.1%) outpacing domestic traffic growth (2.4%). **Middle Eastern carriers reported a 6.7% year-to-date (ytd) rise in Dec**, while Asia-Pacific saw higher volume growth (10.9%).
- **Global air cargo demand** (measured in cargo tonne-kilometres) **grew by 3.4% ytd in 2025** (reaching record volumes in late Q4), defying pessimistic trade outlooks. Asia-Pacific and African carriers led cargo growth (8.4% and 6.0% respectively) whereas **Middle East carriers posted a modest 0.3% rise in cargo demand** (albeit with capacity increases and stronger performances later in 2025).
- **2025 was a year of regional contrast. North America** saw a contraction in domestic passengers (-0.6% ytd in Dec) and the only regional decline in air cargo (-1.3%), largely due to uncertain US tariff policies. On the other hand, **Africa** emerged on top reporting a 9.4% spike in overall passenger demand. The **Middle East-Asia cargo corridor expanded by 9.5% yoy in Dec**, reflecting the South-South pivot (the strongest after Europe-Asia corridor's 12.2% growth).
- The **Middle East is set to continue its robust performance in 2026**, with a projected 6.1% passenger growth outpacing capacity expansion (5.4%). It is also expected to be the most profitable region, with a projected net margin of 9.3% in 2026, more than double the global average of 3.9% (anchored by the performance of GCC hubs - UAE, Saudi Arabia & Qatar). The **region's massive airport expansions** (e.g. King Salman International, DXB/DWC) can absorb the growth.

Passenger Traffic Growth Remains Strongest in Asia-Pacific & Middle East
Growth in International Revenue Passenger-Kms (RPKs)
(% chng in Dec 2025 % yoy & % year-to-date)



Air Cargo Growth Moderates; Africa & Asia-Pacific Lead
Growth in Total Cargo Tonne-Kms (CTKs)
(% chng in Dec 2025 % yoy & % year-to-date)



Source: IATA, Air Passenger & Cargo Market Analysis (issued Jan 2026)

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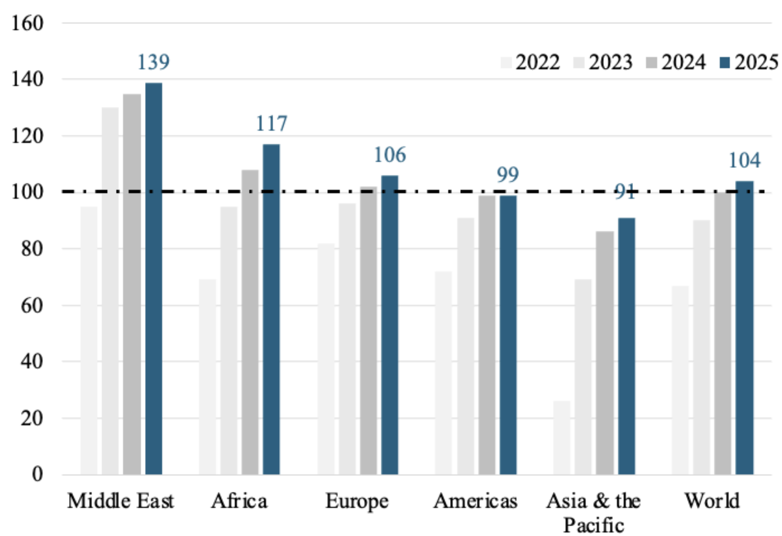
Middle East international tourist arrivals surged 39% in 2025 vs 2019: most destinations cross pre-pandemic levels

- According to UN WTO, **international tourist arrivals grew to a new record 1.52bn in 2025,** fully recovering to pre-pandemic levels and marking a 4% increase over the 2019 baseline. While Europe remained the most visited region (793mn), its growth stood at 6% above 2019 levels, contrasting with the much higher expansions clocked in emerging markets.
- The **Asia-Pacific region continued its steady climb**, reaching 91% of its pre-pandemic volume in 2025. Conversely, Africa saw a robust recovery, with arrivals 17% higher than in 2019, driven by strong demand for North African destinations like Morocco and Tunisia.
- **Middle East was the clear global leader, with international arrivals surging 39% above 2019 levels** (close to 100mn visitors). This **exceptional performance was anchored by the GCC**, which have successfully utilized mega-events and simplified visa regimes to transform from being just transit hubs. Tourism's contribution to GDP in the Middle East outpaced global averages, reflecting high-spending traveller patterns and success of diversification strategies. Kuwait, Saudi Arabia and Morocco were also among the global best-performing destinations by earnings in Jan-Nov 2025.
- Looking ahead, **the Middle East is projected to maintain its lead as regional connectivity improves** (as the GCC Unified Tourist Visa launches) and new giga-projects (such as the Red Sea Project) begin to scale their commercial operations. This **will support spillovers** into hospitality, retail, cultural and creative sectors.

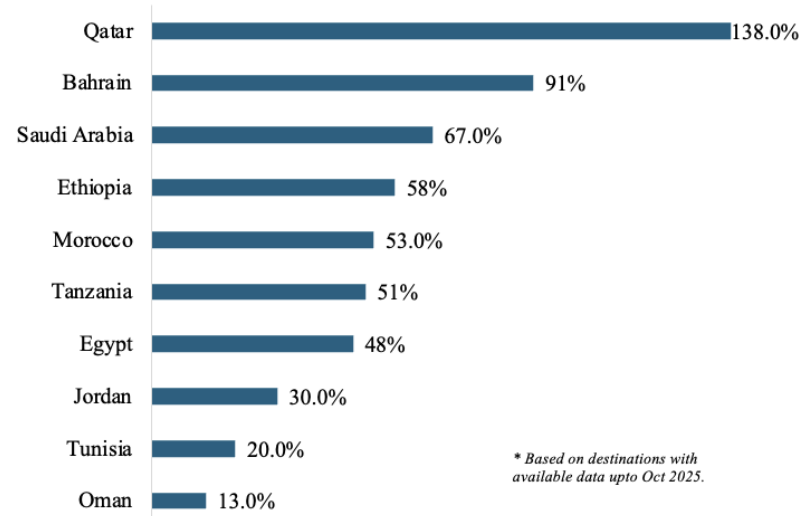
Middle East Leads Global Tourism Recovery, Exceeding Pre-Pandemic Levels by 39% in 2025

Growth in International Tourist Arrivals, 2019 = 100



All Top-performing Destinations in Middle East & Africa Exceed Pre-pandemic Levels; GCC Lead the Rebound

Best performing destinations, % change vs 2019*



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Source: UNWTO World Tourism Barometer (Jan 2026). Charts created by Nasser Saidi & Associates.

Prepared by:

Dr. Nasser Saidi
Founder & President
nsaidi@nassersaidi.com

Aathira Prasad
Director, Macroeconomics
aathira@nassersaidi.com

NASSER SAIDI
& ASSOCIATES