PUBLIC

Economic Insight

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Kuwait: GDP returned to growth in 2025, though non-oil GDP ended year on weaker note

Preliminary official estimates show GDP growth easing to 2.4% in Q4 2025, due to a contraction in non-oil GDP linked to reduced manufacturing and refining activity. Meanwhile, oil GDP growth accelerated for the third consecutive quarter, as OPEC+ continued to hike crude oil production quotas. For 2025 as a whole, total GDP grew by 2.7%, reversing two years of decline to put in the best performance since 2022, helped by the normalizing oil sector performance. Prospects for the 2026, however, are challenged by the onset of the US-Iran war, which has brought oil sector activity to a virtual standstill.

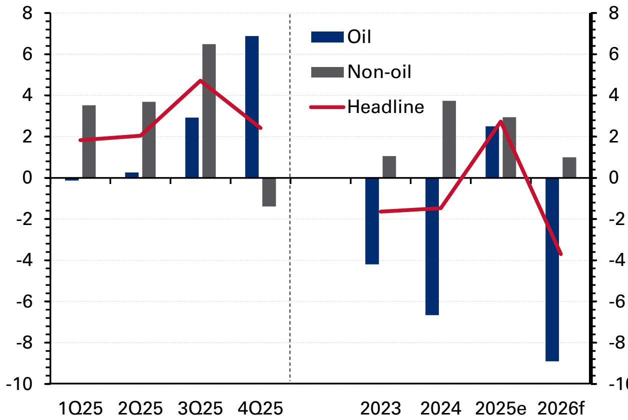
Oil sector GDP in Q4 expands at the fastest rate since 2022

Oil GDP expanded by 6.9% y/y in Q4 2025, a third consecutive quarter of positive growth and the fastest in two years. (Chart 1.) Oil output had been constrained in recent years by Kuwait's participation in OPEC+ production cuts since Q4 2022 through to Q1 2025, after which the oil producers' group entered the current cycle of raising output at an accelerated pace. Kuwait's crude oil production reached 2.58 mb/d by end-2025, which resulted in an annual average of 2.47 mb/d, a rise of 2.4% y/y. (Chart 2.)

The outbreak of hostilities between the US/Israel and Iran in late February and the effective closure of the Strait of Hormuz by the Iranians in response has brought activity in Kuwait's oil sector to a virtual standstill. Disruptions to shipments through the Strait have led oil exports to halt, causing inventories to fill, and oil production to be reduced to levels sufficient to cover domestic demand only. Indeed, according to OPEC secondary sources, Kuwait's oil production fell to 1.21 mb/d in March, with April's figures likely lower. OPEC+, though, continues to raise output quotas, with Kuwait's production target increased to 2.63 mb/d for June. While production remains shut-in, this is then largely symbolic, but useful as a statement of intent.

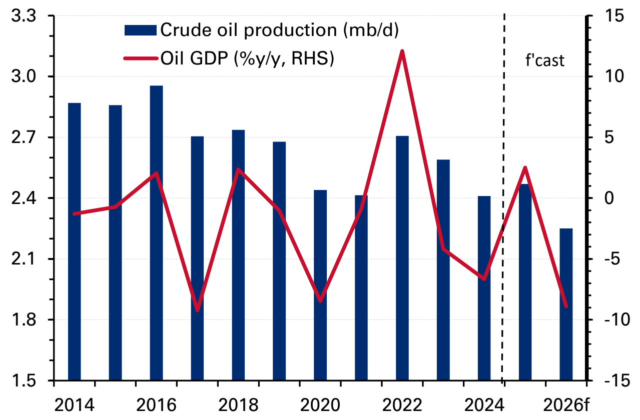
Chart 1: Real GDP growth

(% y/y)



Source: CSB, Haver

Chart 2: Oil production and oil GDP



Source: CSB, OPEC, NBK forecasts

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Non-oil economy shrinks in Q4, but solid performance recorded in 2025

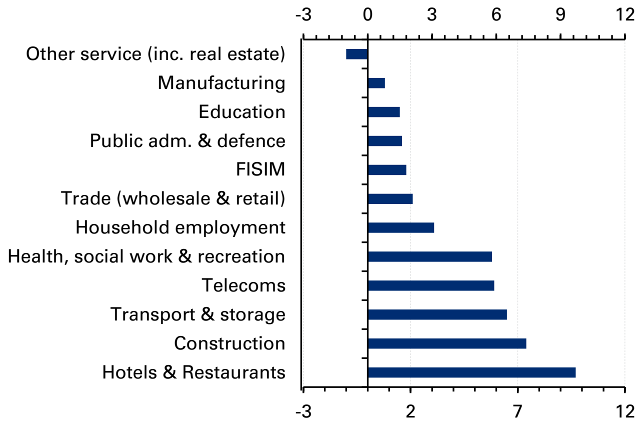
Non-oil GDP fell 1.4% y/y in Q4 2025, sharply deteriorating from Q3's multi-year high reading of 6.5% amid a broad-based sectoral slowdown and pronounced contraction in the manufacturing sector (-9.8% y/y). Excluding manufacturing, non-oil growth was roughly flat, with notable decelerations in annual growth in hotels & restaurants, telecommunications, real estate, and construction – sectors that had driven growth in the previous quarter. On a quarterly basis, the non-oil economy grew 6.7%, sharply underperforming the seasonal increase usually observed in this quarter (which has averaged 11.9% q/q over the last ten years), with output surging in construction (+29% q/q), but declining sharply in electricity and gas (-39%) and, unexpectedly, in real estate (-2% q/q). On a full year basis, non-oil GDP grew by 2.9% in 2025, down from 3.7% in 2024. At the sector level, public administration (+1.6%), financial intermediation (+1.5%), and manufacturing (+0.8%) recorded the sharpest slowdowns, while hotels & restaurants (+9.7% y/y), construction (+7.4%) and transport & storage (+5.9%) led with the strongest gains. (Chart 3.)

GDP growth returns to positive territory in 2025, though fortunes expected to sour in 2026

Total GDP rose 2.4% y/y in Q4 2025, helped by the outperformance of oil output but it was nevertheless a deceleration from 4.7% in the previous quarter amid a slide in non-oil economy activity. Overall economic growth stood at 2.7% last year, reversing a two-year dip into contraction territory, helped by a recovery in oil output and positive – albeit weaker – non-oil activity. Economic performance is expected to suffer in 2026 as the closure of the Strait of Hormuz due to the US-Iran war leads to oil production shut-ins. In our base case, under which the conflict ends around Q2 of this year, we expect oil production to average 1 mb/d between March-May 2026, leading to at least a 9% contraction this year. The non-oil economy is also expected to grow much more slowly this year, by about 1%, as supply chains are disrupted from the near cessation of maritime shipping activity and heightened uncertainty. Nonetheless, the government is seen exerting a stabilizing role in the economy with liquidity buffers robust. Prospects for 2027 are better. Oil production is expected to surge once shipping activity normalizes, helped by the expectation that OPEC+ will continue to accelerate the unwinding of supply cuts. A solid rebound is also expected for the non-oil economy, buoyed by an acceleration in project activity and the recovery in consumer and business confidence. ■

Chart 3: Non-oil growth at sub-sector level (2025)

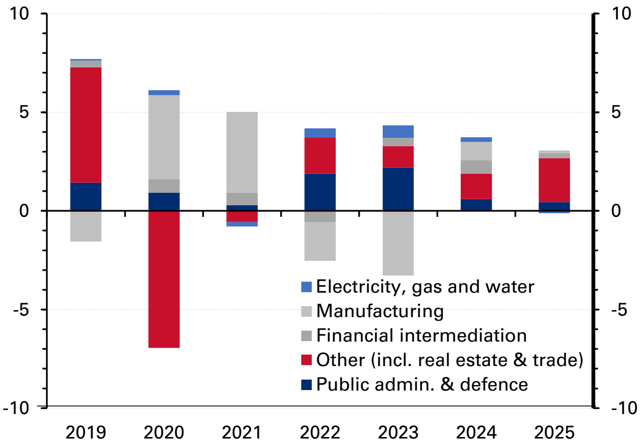
(% y/y)



Source: CSB, NBK calculations

Chart 4: Contribution to non-oil growth in 2025

(% point contributions to y/y growth)



Source: CSB, NBK calculations

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