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# Anticipating New Realities

2026

MENA Outlook



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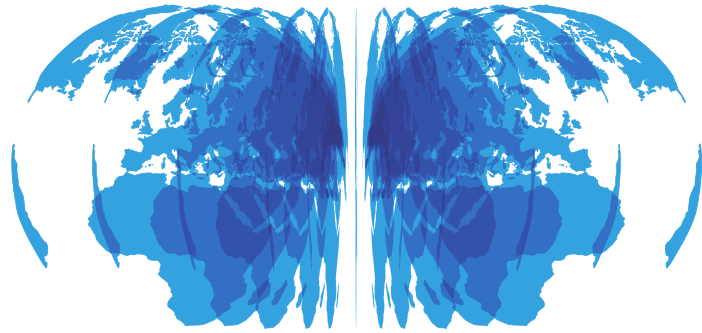
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# 2026 Global Outlook

## A Slowing World, A Higher-Stakes Macro Cycle



Global growth expectations have weakened sharply as tariff escalations and policy uncertainty reshape the macro landscape. The IMF now projects **global growth at 2.8% in 2025 and 3% in 2026**, down from earlier estimates of **3.3% for both years**.

The largest downgrades were unsurprisingly concentrated in the US and China, with US growth cut to 1.8% and China to 4% in 2025. Europe, the UK, and Japan also face softer trajectories, reflecting broad-based pressure across advanced markets.

In the US, recession risks have risen meaningfully. A reinstatement of suspended “reciprocal” tariffs could tip the balance, amplifying stagflation risks and tightening financial conditions.

China, meanwhile, confronts direct pressure from the tariff war, making policy support essential to defend its “around 5%” growth target. The evolution of US tariff policy remains the key swing factor in the global outlook; negotiations are expected to be difficult, with any positive development likely to prompt short-term market relief.

Inflation dynamics remain mixed: US tariffs are inflationary, but weaker activity and softer oil prices exert a deflationary pull. The Fed has signaled caution, with our base case expecting no more than 50 bps of cuts in 2025, and deeper easing only in 2026 if inflation convincingly moderates.

Brent oil is forecast to average around \$51 to \$63 per barrel in 2026, driven by concerns of over-supply. Some expectations are even forecasting that prices will fall into the low \$50s or even lower by late 2026.

For Gulf producers, this means softer prices but stronger hydrocarbon GDP as production rises. Upside risks persist, including Middle East tensions, tighter sanctions on Iran, and a more resilient global economy.



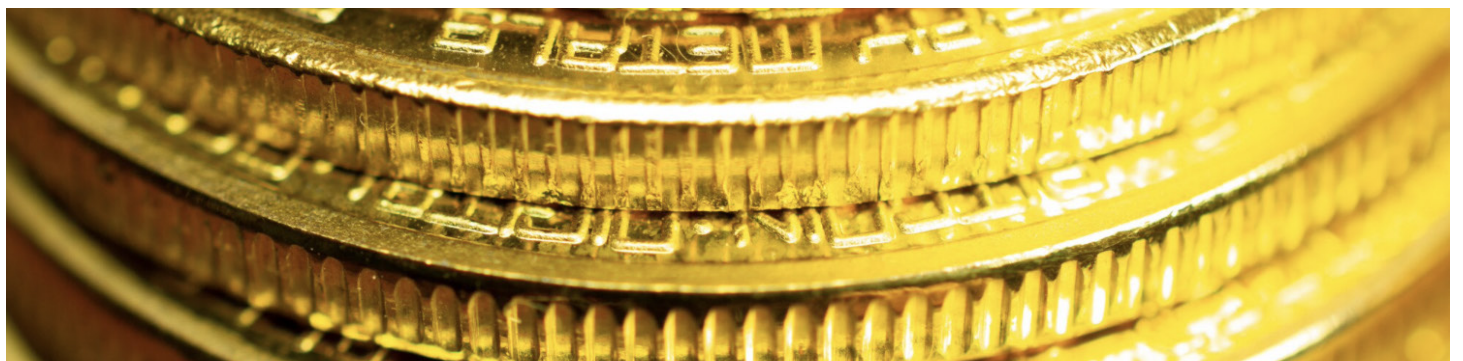
# Global Themes Not to Miss

## | Can commodities rally in 2026?

The global outlook for 2026 reflects a more balanced commodities landscape, shaped by moderating inflation, a softer US dollar, and transitioning monetary policies across major economies. Oil markets are expected to trade within a narrower range, supported by disciplined OPEC+ supply management and improving demand conditions as Europe stabilizes and Asia accelerates modestly. **According to Fitch Ratings' latest projections, Brent crude is forecast to average USD 63/bbl in 2026, down from USD 69/bbl in 2025, while WTI should settle near USD 58/bbl.**



These revisions reflect market rebalancing rather than fundamental weakness—a level sufficient to sustain fiscal buffers across GCC exporters, even as policymakers increasingly rely on non-oil revenue mobilization. For Saudi Arabia and its regional peers, this price band supports continued investment-heavy strategies without triggering aggressive expenditure cuts. Natural gas projections show Henry Hub at USD 3.50/mcf and Europe's TTF benchmark around USD 9.00/mcf in 2026, reflecting ongoing diversification from Russian pipeline gas while building LNG import capacity.



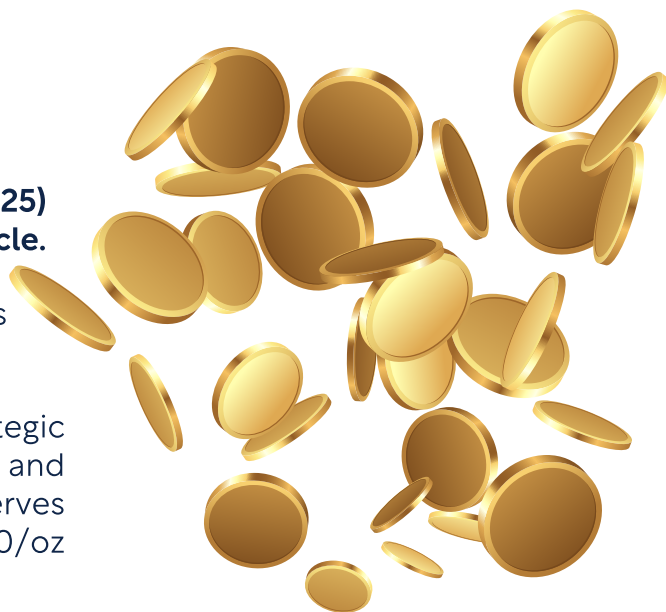
**Gold, meanwhile, remains a standout asset heading into 2026.** After a record-breaking rally in 2024-25, structural drivers remain firmly intact: lower real rates, persistent geopolitical risk, and strong central bank accumulation—with sovereign buyers expected to purchase nearly 900 tons through 2026.

## | Can commodities rally in 2026?

**We're currently transitioning from Phase 2 (2024-2025) to Phase 3 (2025-2026) of a multi-year gold bull cycle.**

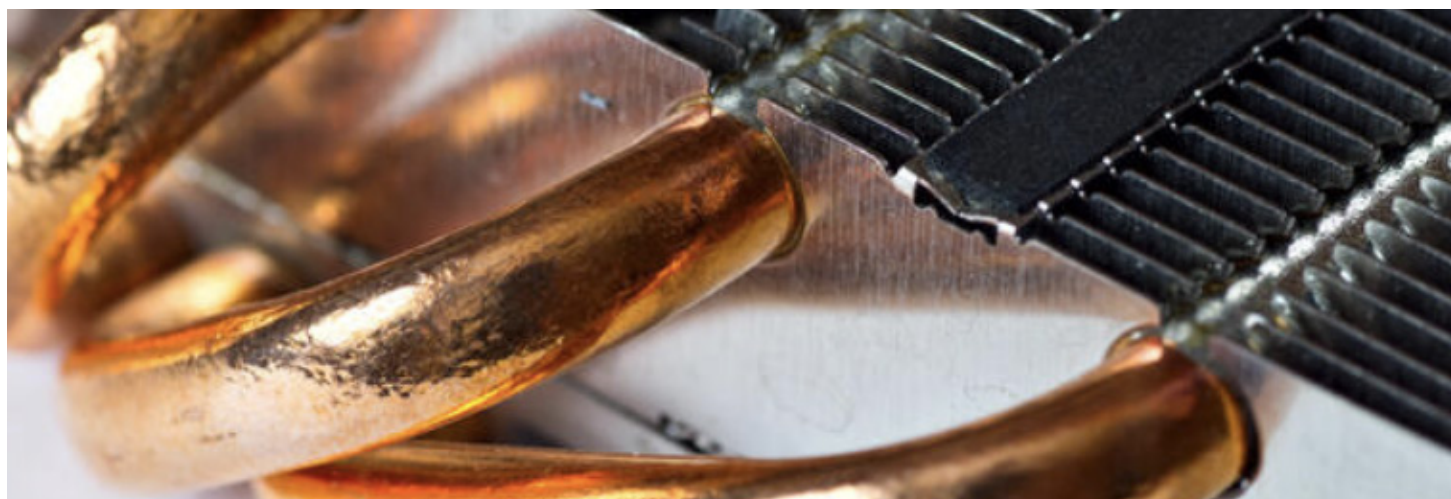
**Phase 2** saw the return of ETF investors after 3.5 years of de-stocking, solidifying support at USD 3,000/oz.

**Phase 3** represents global debasement trade—strategic reallocation to gold, demand for liquid alternatives, and diversification away from dollar-dominated reserves which could drive prices toward the USD 5,000-5,500/oz baseline.



With the Fed's easing cycle gradually unfolding and global fiscal deficits widening, gold is positioned to continue its ascent, reinforcing its position as a core hedge in multi-asset portfolios. Unlike cyclical commodities, gold's limited industrial exposure insulates it from macro slowdowns, enabling it to retain momentum even under weaker global growth.

**Beyond oil and gold, metals such as copper and aluminum stand to benefit from tightening supply conditions and accelerating structural demand from energy transition infrastructure, Evs., and AI-driven data center expansion.**



These markets remain undersupplied heading into 2026, with inventories at multi-year lows and project pipelines struggling to keep pace with rising consumption. As portfolios adjust to a world where geopolitics, climate policy, and electrification shape the investment landscape, commodities are re-emerging as a strategic allocation—less for tactical inflation hedging and more for durable exposure to multi-year structural themes.

## | The Great Monetary Pivot: Tightening to Easing

**2026 marks the next stage of the global monetary reset as major central banks near the conclusion of their easing cycles following one of the most intense tightening phases in decades.** Although the pace of rate reductions is slowing, the transition to structurally lower policy rates is influencing financial conditions, capital flows, and regional growth outlooks especially for emerging markets and energy exporters.

### Global Central Bank Outlook:

- **U.S. Federal Reserve:** The Fed is anticipated to move rates toward a neutral 3.25% in 2026 as inflation eases and the labor market shows signs of weakness. A possible shift to a more dovish chair in May could increase the likelihood of additional rate cuts.
- **European Central Bank (ECB):** The ECB is essentially finished with easing and is expected to maintain rates unless inflation falls significantly below target. Only a notable downside inflation surprise might prompt one or two minor cuts in early 2026.
- **Bank of England (BoE):** The BoE remains divided, but declining wage growth and easing inflation support a final series of cuts in early 2026. Rates are projected to gradually decline as the UK aligns with global disinflation trends.
- **Bank of Japan (BoJ):** Japan will continue its gradual normalization, with policy rates expected to reach approximately 1.0% by the end of 2026. Stable wages and 2% core inflation justify further measured increases.
- **People's Bank of China (PBoC):** The PBoC is expected to continue easing, with 20 basis points in policy rate cuts and 100 basis points in reserve requirement ratio reductions forecasted for 2026. Policy support is necessary as economic momentum slows and confidence remains fragile.



## | The Great Monetary Pivot: Tightening to Easing

For the GCC, the 2026 rate path—imported from the Federal Reserve due to currency pegs—is set to play a central role in shaping liquidity conditions and investment cycles. As policy rates gradually move toward a lower global equilibrium, the region is expected to see improved funding conditions for sovereigns and corporates, supporting ongoing diversification programs, large-scale infrastructure execution, and renewed private-sector lending momentum.

**In Saudi Arabia**, the easing environment will help alleviate one of the key constraints of 2025–2026: tight banking liquidity linked to rapid credit expansion under Vision 2030. Lower rates should unlock refinancing waves, reduce debt servicing costs, and stimulate sukuk and bond issuance at more attractive spreads. Equity markets are also poised to benefit from rising risk appetite as growth visibility improves and funding pressures ease across the non-oil economy.



**Egypt** similarly stands to gain from the global shift toward monetary easing, with the Central Bank expected to cut rates by 300–500 bps from the current 21.50%. As inflation trends downward into the mid-teens by early 2025 on the back of base effects and more stable FX dynamics, lower borrowing costs will revive credit creation, expand consumer demand, and support corporate investment.



**Bottom line:** The global transition toward structurally lower policy rates marks a decisive inflection point for the region. For the GCC and Egypt, the easing cycle is set to act as a key growth enabler—unlocking liquidity, accelerating investment plans, and balancing global uncertainty with expanding domestic opportunities in 2026.

## | US-China Decoupling & Technology Sovereignty Race

**The world's two largest economies are accelerating into a full tech decoupling** — no longer simple commercial rivalry, but a structural race for control over data, semiconductors, AI, and critical minerals.

The U.S. is tightening export controls on advanced chips, restricting outbound investment, and building defensive alliances across Japan, South Korea, and Europe, while reshoring manufacturing under the CHIPS Act.



China is doubling down on self-sufficiency: expanding domestic fabs, securing rare-earth supply chains, and scaling state-backed AI and quantum programs to reduce exposure to Western choke points. And in trade, Beijing has strategically used leverage where it matters especially soybeans, where China represents about 60% of U.S. demand, giving it real influence in past tariff disputes.

But the decoupling isn't just technological — it's human capital. Trump's suspension of new H-1B visa issuances disrupted the main pathway for Indian tech talent into the U.S., redirecting thousands toward alternative hubs like the GCC and China. This shift is reshaping global talent flows and reinforcing Asia and the Gulf as rising innovation centers.

**This isn't a geopolitical storyline anymore —  
It is the new operating system of the global economy.**

And heading into 2026, the key question is whether global supply chains can adapt quickly enough or whether fragmentation will mean higher costs, slower innovation, and a world split into competing technological spheres.



## Geopolitical Fragmentation & Realignment

The year 2026 marks the establishment of fragmentation as the global norm, with major powers realigning into three primary blocs: a US-led Western alliance, a more assertive China–Russia partnership, and a progressively coordinated Global South. This transformation is altering commodity flows, energy security, and supply chain structures, while tariffs, technological restrictions, and militarized logistics accelerate a trend toward regional self-reliance.

Within this divided landscape, regions such as the Middle East, Africa, and Southeast Asia have become pivotal swing areas—neutral strategic hubs attracting investment, broadening alliances, and negotiating from positions of genuine influence.

The attack on Qatar, which temporarily disrupted LNG export routes and forced emergency maritime rerouting, highlighted the fragility of global energy security. Markets responded swiftly: gas futures surged, insurers increased risk premiums, and Gulf states enhanced coordination to prevent further escalation. This incident reinforced the view that minor disruptions in the region can now have widespread systemic effects, strengthening the connection between Gulf stability and global economic resilience.



**Amid these challenges, Egypt’s diplomatic initiative in Sharm El-Sheikh stood out as a crucial stabilizing development.** By involving President Trump in a direct regional dialogue at a time when conflicts in Gaza, Lebanon, and beyond threatened to expand, Egypt reaffirmed its role as a key mediator rather than a passive observer. The meeting demonstrated that breaking cycles of conflict requires a coordinated framework engaging regional powers and Washington, showcasing Egypt’s skill in turning fragmentation into diplomatic advantage.

Looking ahead, the central strategic question for 2026 is no longer “Who holds power?” but “**Who adapts most quickly to the new global order?**”. Nations that develop resilient supply chains, transform economic strength into institutional influence, and utilize neutrality—as Egypt has—will shape the decade ahead. Meanwhile, those who resist shifting from traditional alliances risk marginalization in a world defined by competing blocs, regional centers, and a fluid, contested understanding of stability.

### | Energy Transition Paradox: Peak Oil Demand vs. Hydrocarbon Investment

**Saudi Arabia and the UAE are navigating a shared paradox:** accelerating investment in hydrocarbons at the very moment global discourse shifts toward peak oil demand. Riyadh is doubling down on upstream expansion to secure market share before demand plateaus, while the UAE leverages ADNOC's agility to monetize barrels early and recycle revenues into clean-energy leadership.



Within this strategy, **OPEC+ remains the central coordinating mechanism** — one of the world's last effective economic cartels. Its managed cuts, quota negotiations, and supply discipline allow Gulf producers to stabilize prices, stretch the revenue window, and choreograph the pace of the global energy transition. Saudi Arabia's deeper voluntary cuts and the UAE's push for higher baselines reflect two distinct approaches to shaping OPEC+ strategy in a world edging toward slower demand growth.

Both states recognize that oil revenues remain the fiscal backbone enabling their long-term diversification agendas — yet both are racing to future-proof their economies through hydrogen, renewables, petrochemicals, and carbon capture. The paradox is clear: to finance the transition away from hydrocarbons, they must first extract maximum value from hydrocarbons.

Which model prevails — **Saudi scale or UAE speed** — will influence not only the region's competitive landscape, but also the evolution of OPEC+ as it shifts from a price-setting cartel to a steward of orderly decline in the hydrocarbon era.

## | Saudi–U.S.: A New Industrial Alliance in the Making

**Saudi Arabia’s latest visit to Washington wasn’t diplomacy — it was a power play.** The Crown Prince arrived with a blueprint to pull the Kingdom out of the “oil supplier” frame and anchor it inside the world’s next industrial Supercycle. The result? A sweep of MoUs on hydrogen, clean fuels, critical minerals, and petrochemical expansion that tied Saudi and U.S. supply chains together just as global fragmentation accelerates. Riyadh is extracting maximum value from today’s barrels to bankroll tomorrow’s economy, while Washington quietly secures an energy partner that can still scale — something no one else can offer in 2026.



**But the real pivot was tech — and it was intentional.** This trip effectively launched the Saudi–U.S. AI corridor, with agreements spanning data centers, compute clusters, chip assembly, and model-development partnerships wired directly into NEOM and Vision 2030 zones. The message was unmistakable: Saudi Arabia doesn’t just want access to the AI boom — it wants equity in the infrastructure that powers it. At a time when compute has become geopolitical currency, Riyadh positioned itself not as a customer, but as a co-issuer.



Defense and investment deals added the architecture around it. Localizing advanced systems, scaling joint manufacturing, and channeling PIF capital into U.S. clean tech and mobility shifted the partnership’s center of gravity. This is no longer the old oil-for-security contract; it’s a production alliance, a technology alliance, and increasingly, an interdependence alliance. **The takeaway for 2026: Saudi Arabia and the U.S. didn’t just sign MoUs — they rewired their strategic futures, moving from transactional alignment to industrial co-ownership in energy, AI, and defense.**

### | The AI Infrastructure Arms Race: Gulf States as Technology Sovereignty Hubs

The UAE and Saudi Arabia are accelerating an unprecedented AI infrastructure race, each aiming to become the region's sovereign compute powerhouse. The UAE has already committed **over USD 100 billion** to AI and digital economy initiatives, including G42's partnership with Microsoft and the construction of Ettifaq's 1+ gigawatt hyperscale data centers. Abu Dhabi currently controls one of the world's largest private GPU inventories through G42—estimated at **over 3,000+ Nvidia H100/H200-class GPUs**, with multi-billion-dollar expansion plans underway.

Meanwhile, **Saudi Arabia is scaling even faster**: the Kingdom earmarked **USD 40 billion** for an AI megafund via the PIF, built to rival leading global tech investment vehicles. NEOM's planned cognitive cities will require **over 20 GW of data-center capacity**, and the country is in active talks to acquire **hundreds of thousands of Nvidia Blackwell GPUs** to support a national AI cloud. In 2024 alone, Saudi Arabia allocated **USD 1 billion** to build its sovereign LLM ecosystem and deploy compute clusters across KAUST and Riyadh's Digital City.



As both states push toward AI sovereignty, the competitive frontier is shifting from talent and policy to raw compute scale, GPU access, and hyperscaler alignment. The UAE currently leads in regulatory flexibility and time-to-market, while Saudi Arabia dominates in capital firepower and scale of ambition.

**The defining question for 2026 is clear: Which Gulf state will convert its AI infrastructure buildout into a globally exportable technological ecosystem and which will merely accumulate GPUs without unlocking economic multipliers?**

## | The AI Bubble Bursting?

AI entered 2026 with record profits for Big Tech and GPU makers, even as large parts of the startup ecosystem began to crack under weak revenues, failed pilots, and inflated valuations. Altman's warning of an "AI bubble," Thiel's Nvidia exit, and Burry's short positions all signaled that hype was colliding with operational reality. Yet this moment is bigger than a simple bubble: it reflects a convergence of financial excess, short-term capability overestimation, and the largest digital infrastructure buildout since the early internet.

**The financial bubble is real** — capital flooded into pre-revenue startups and speculative software plays — but the underlying technology is structurally underpriced. Markets overshoot on what AI can deliver in the next two years while seriously underestimating what agentic systems, cognitive automation, and sovereign AI architectures will unlock over the next decade. At the same time, the part of AI that is not a bubble is the physical layer: hyperscale's committing USD 200+ bn to GPUs, data centers, and sovereign compute frameworks across the Gulf, Europe, and Asia.



Even if valuations compress, the infrastructure remains — and compounds. **The real question for 2026 is not whether AI is in a bubble — parts of it clearly are — but where value will consolidate.**

Infrastructure providers and firms delivering real productivity gains will endure; narrative-driven startups will not. AI has become the global economy's new outlet for surplus capital in a world of trade barriers, fragmentation, and shrinking reinvestment opportunities.

The strategic risk isn't overbuilding — it's assuming AI's momentum will fade. Industries won't face a single AI moment; they'll face a cascade of irreversible shifts. The winners are those building capabilities now... before the next disruption chooses for them.



**UAE**  
**The New AI DNA**



# UAE: When Oil Recovery Meets Digital Acceleration

The UAE is entering a rare convergence phase, where two engines of growth—a strong oil rebound and a rapidly scaling digital AI ecosystem—are accelerating at the same time. After OPEC+ cuts pulled oil GDP down by 0.8% in 2023, the sector is now set for a sharp turnaround, expanding **7.3% in 2025 and 6.5% in 2026 as voluntary cuts unwind** and the UAE secures an additional 0.3 mbpd in production quota.



Crucially, this oil recovery is unfolding alongside a steady 4.5–4.6% non-oil expansion, powered by the UAE's transition toward a knowledge economy centered on AI, advanced financial services, and high-value tourism. **By 2026, non-oil sectors will account for 75% of GDP**, up from 70% in 2022—a structural shift that is both deliberate and durable.

Macro fundamentals remain exceptionally strong. Fiscal surpluses are holding near 4% of GDP even as oil prices normalize to \$62–67/bbl., the current account surplus stabilizes around 6.5%, and public debt is projected to fall from 31.2% to 27% by 2027.

The real inflection point, however, is the UAE's AI supercycle: more than \$600 billion committed to digital and compute infrastructure through 2029—anchored by Microsoft's \$15.2B investment, the \$500B Stargate Project, and the \$100B MGX AI Fund.

With 200 MW of capacity coming online by 2026 and a 1 GW AI campus in the pipeline, the UAE is positioning itself as the Global South's premier AI hub. Inflation remains anchored—2.0–2.2%—providing a stable environment for this dual-engine expansion. The UAE is no longer choosing between oil and diversification. It is scaling both simultaneously and rewriting its long-term growth trajectory in the process.



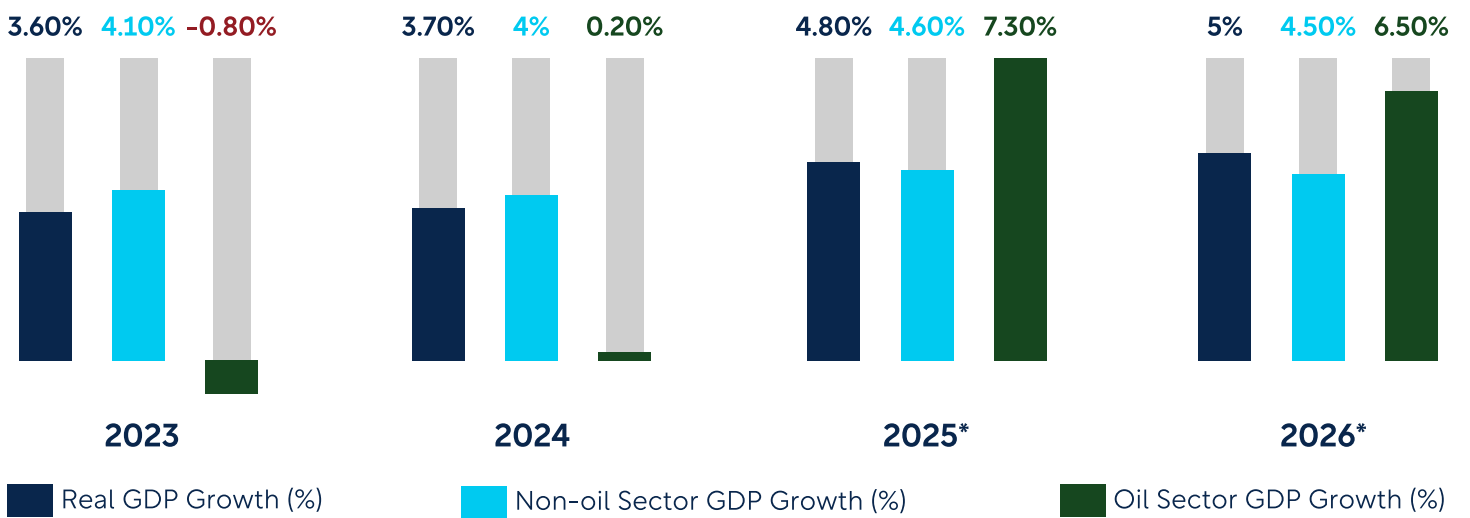


# UAE: When Oil Recovery Meets Digital Acceleration

The UAE’s outlook for 2026 remains broadly positive despite rising global headwinds, with GDP growth expected to average 4.2% as higher oil production and still-solid non-oil activity support momentum.

Tourism, population inflows, infrastructure spending, and real estate pipelines continue to anchor domestic demand, while ongoing diversification efforts – including logistics, finance, renewable energy, and advanced manufacturing – reinforce the UAE’s competitiveness. The National Investment Strategy, targeting a doubling of FDI inflows by 2031, highlights the country’s long-term ambition.

## Real GDP Growth Decomposition



However, the external environment presents meaningful challenges. Slower global growth, weaker trade, tighter financing conditions, and US tariffs on aluminum and steel could weigh on the UAE’s non-oil exports. Real estate activity is set to moderate as supply increases and interest rates remain relatively high. Lower oil prices will narrow the fiscal surplus toward 4% of GDP, even as sovereign wealth buffers remain exceptionally strong. Despite these pressures, the oil sector is poised for a sharp recovery as OPEC+ unwinds voluntary cuts and ADNOC ramps up production capacity. The UAE’s trajectory hinges on balancing resilience with disciplined diversification.

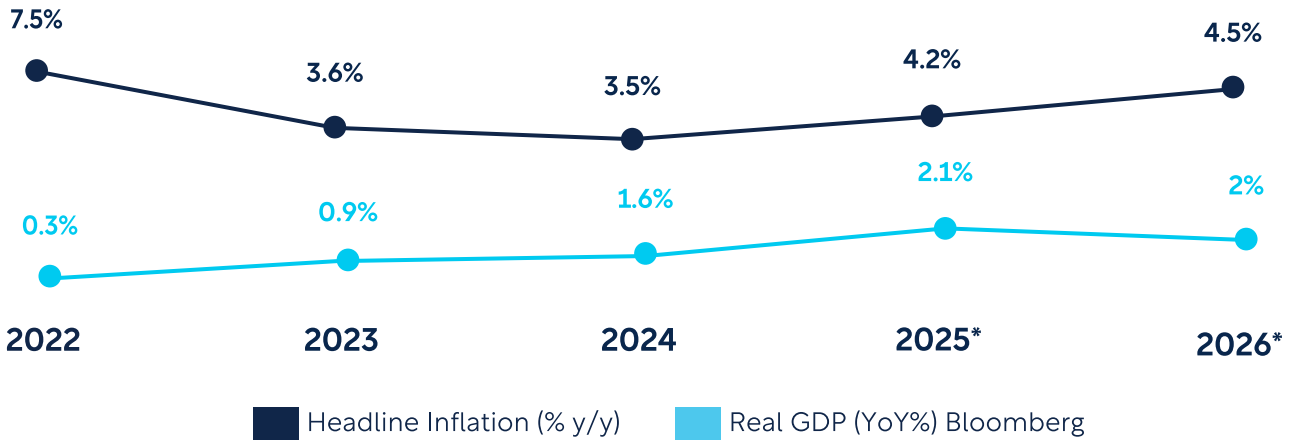
**The key question is whether the country can sustain strong non-oil momentum amid a softer global backdrop – and whether its structural investments can offset the drag from trade and external risks.**



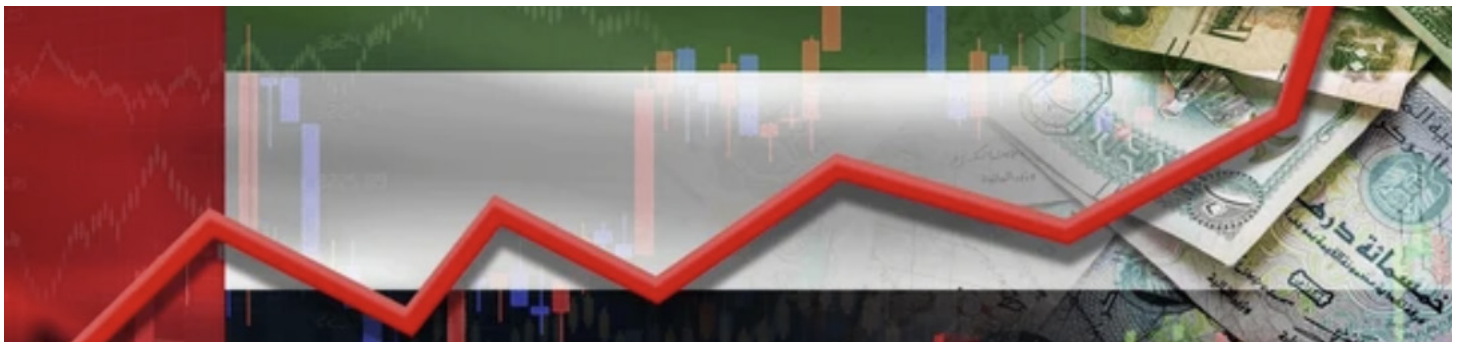
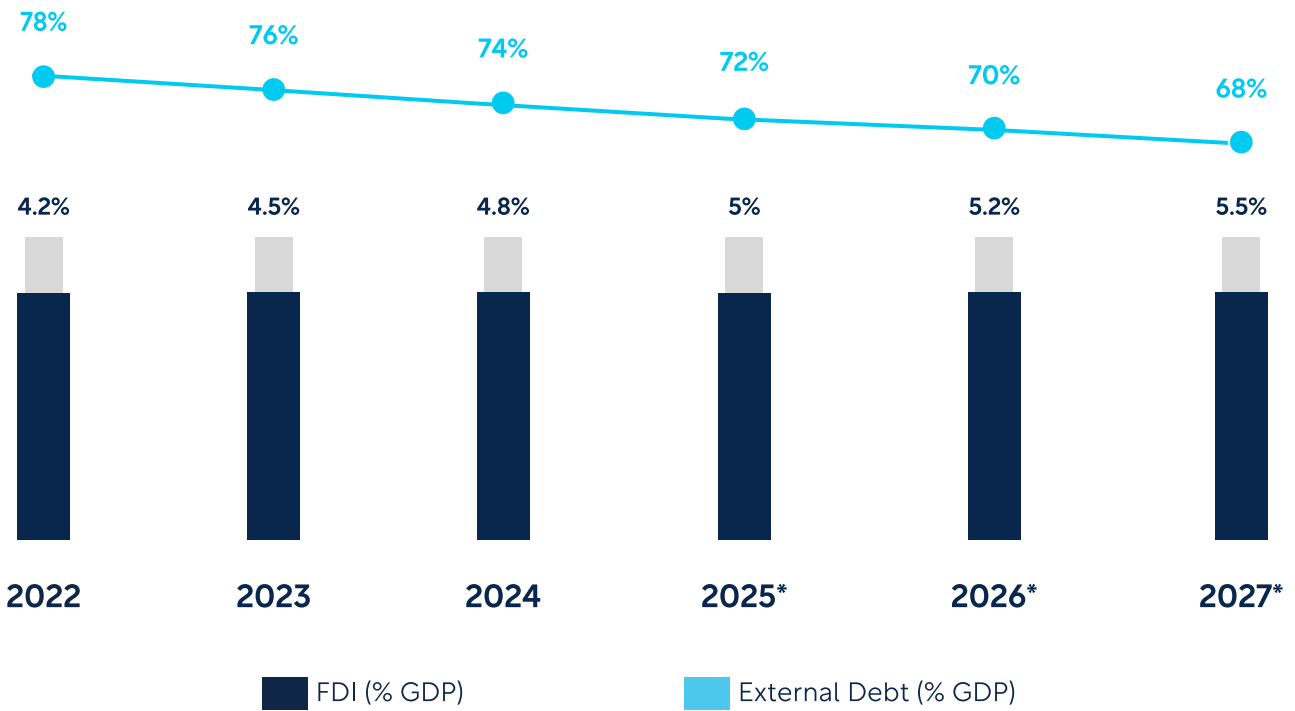


# UAE: When Oil Recovery Meets Digital Acceleration

## Real GDP Growth vs. Inflation (%)



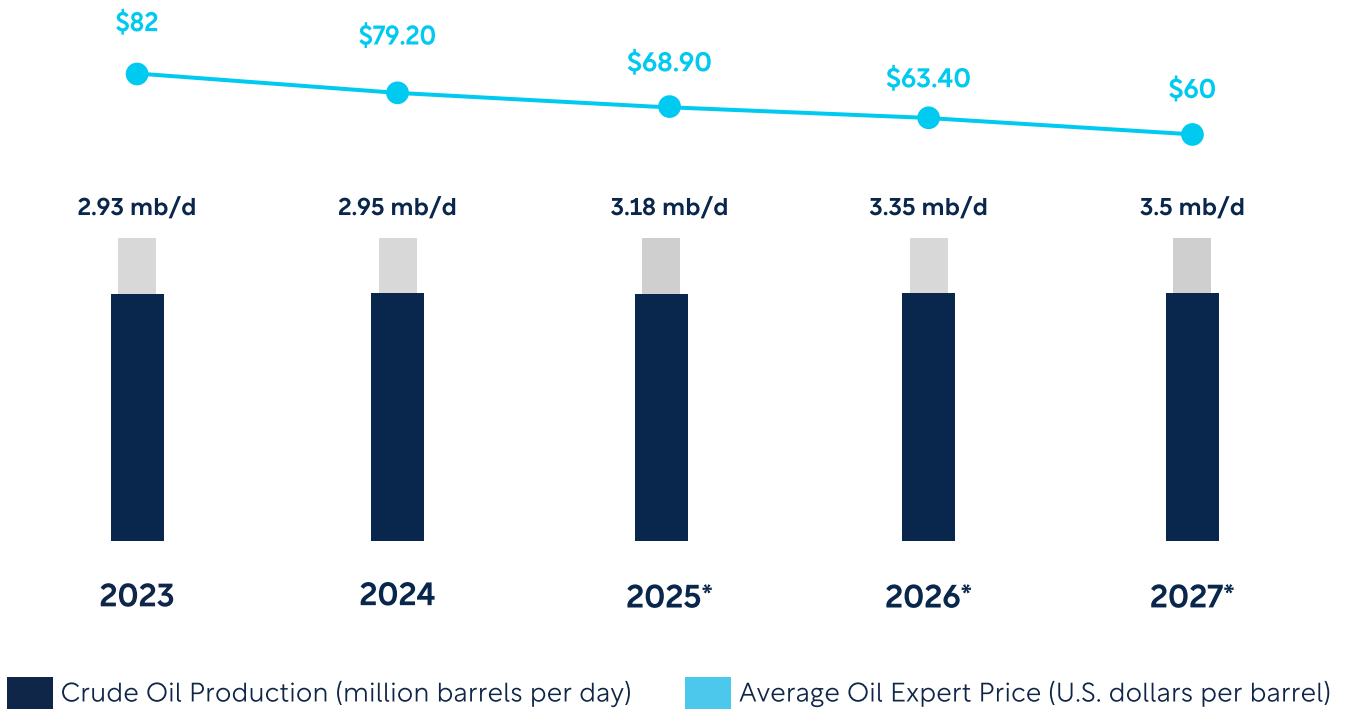
## Improving External Position: Rising FDI, Falling Debt





# UAE: When Oil Recovery Meets Digital Acceleration

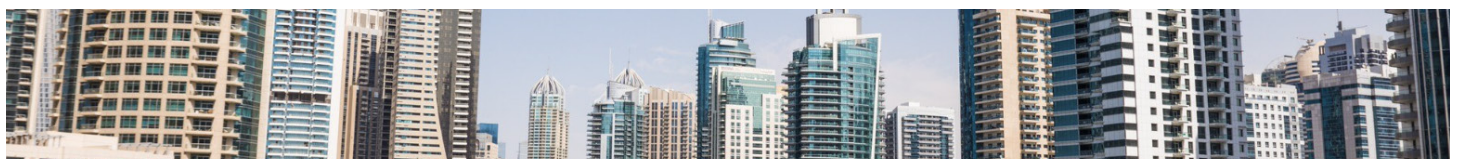
## Oil Market Dynamics: Production vs. Prices



The UAE’s 2026 outlook reflects a rare dual-engine story: a steady recovery in oil activity alongside one of the fastest-growing AI and digital infrastructure buildouts globally. With fiscal and external surpluses remaining firmly in positive territory—even as oil prices moderate—the country is leveraging its strong balance sheet to fund a long-term technological shift.

**What truly differentiates the UAE is the scale and speed of its AI commitments.** Between Microsoft’s USD 15.2 billion multi-year investment, the USD 100 billion MGX AI Fund, and the USD 500 billion Stargate Project, the UAE is positioning itself as the computational capital of the Global South. Government-led digital strategies—covering AI-enabled public services, digital identity, cybersecurity, and next-generation cloud infrastructure—are accelerating adoption across finance, logistics, and industry. With expected annual AI investment growth of 17% and major projects such as the Abu Dhabi AI Campus coming online, the UAE is transforming its economic model from diversification into digitization.

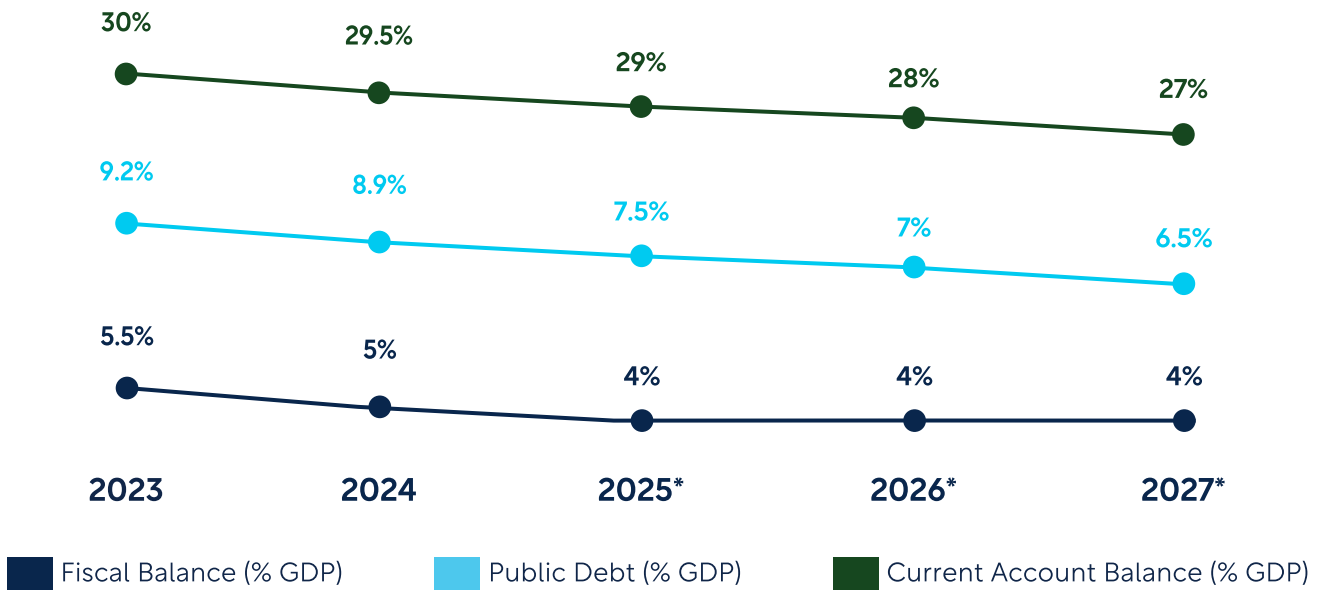
**The core question now is whether the UAE can convert this unprecedented wave of AI and digital investment into sustained productivity gains—and ultimately cement its position as the region’s leading tech-driven economy.**





# UAE: When Oil Recovery Meets Digital Acceleration

## Fiscal & External Twin Surpluses



AI Investment Category	Amount	Notes
Microsoft UAE Investment (2023-2029)	USD 15.2 Billion	Total commitment through 2029
Microsoft Investment (2023-2025)	USD 7.3 Billion	Includes \$1.5B G42 equity + \$4.6B data centers
Microsoft Investment (2026-2029)	USD 7.9 Billion	Includes \$5.5B capital expenses
MGX AI Fund (Total AUM Target)	USD 100 Billion	Launched with BlackRock, Microsoft, Global Infrastructure Partners
Stargate Project (Total)	USD 500 Billion	Partnership with OpenAI, G42, Oracle, Microsoft
Abu Dhabi Gov Digital Strategy (2025-2027)	AED 13 Billion	Investment in AI-powered government services
Abu Dhabi AI Campus (Initial Phase)	200 MW by 2026	100,000 NVIDIA chips in first phase
UAE ICT & Internet Infrastructure FDI (2020-2025)	USD 4.64 Billion	Greenfield FDI in ICT infrastructure
Estimated Annual AI Investment Growth	17% CAGR	Based on UAE AI market growth projections

A nighttime photograph of a cityscape in Saudi Arabia, featuring the Kingdom Tower (Jeddah Tower) as the central focus. The tower is illuminated with warm lights, and its distinctive golden archway is prominent. The surrounding city is lit up with various colors, creating a vibrant urban scene. The image is framed by dark blue geometric shapes, including a large triangle on the left and a curved shape at the top.

**Saudi Arabia**  
**Deficits by Design**  
**The Kingdom's**  
**Calculated Bet on Scale**



## Saudi Arabia: Deficits by Design

**Saudi Arabia enters 2026 in full execution mode.** As OPEC+’s cuts gradually unwind, oil output stabilizes and non-oil growth remains strong at 4%+, driven by giga-projects, tourism, logistics and infrastructure investment under Vision 2030.

However, elevated spending and import-heavy project pipelines are keeping both the fiscal and current account balances in deficit marking a clear twin-deficit phase tied to the Kingdom’s transformation agenda.



This is a strategic deficit, not a structural weakness. With manageable debt, deep sovereign buffers, strong FDI and PIF-backed funding, Saudi Arabia is deliberately trading short-term balance sheet comfort for long-term economic diversification.

**For investors, the opportunity lies in Vision 2030-linked sectors – construction, tourism, banking, fintech, logistics and entertainment – where state-backed demand provides scale, visibility and long-duration growth.**





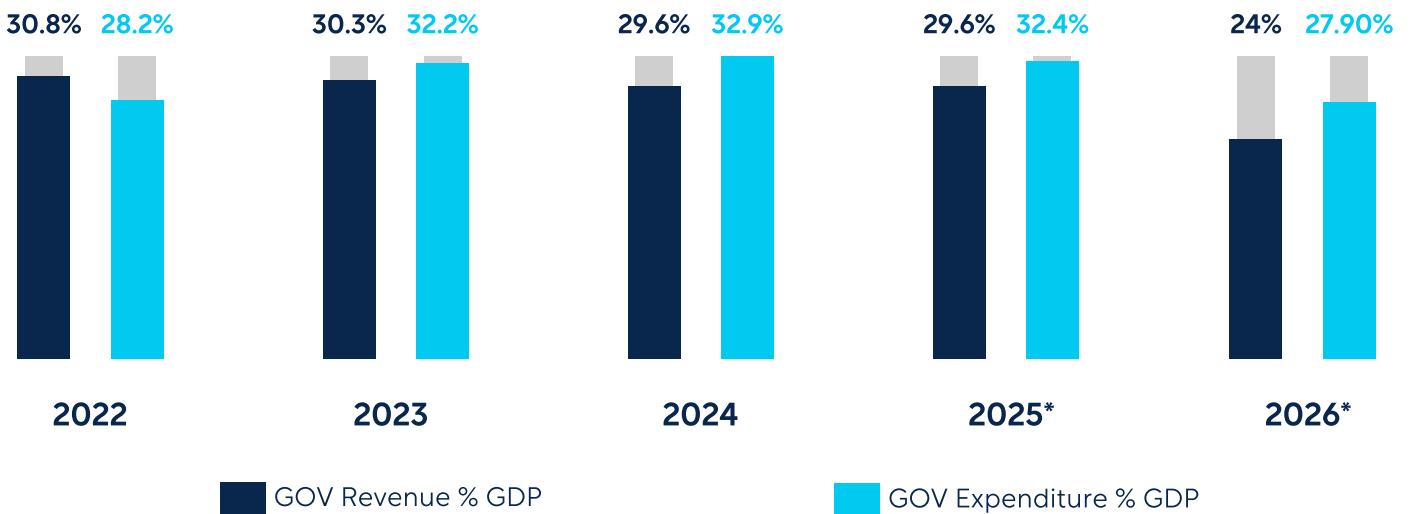
# Saudi Arabia: Deficits by Design

Saudi Arabia's economy is set for solid momentum in 2026, supported by recovering oil output and sustained strength in non-oil sectors. With real GDP expected to grow around 4%, the Kingdom continues to advance its diversification agenda under Vision 2030, driven by strong private-sector activity, rising tourism flows, and ongoing investment in logistics, manufacturing, and services. Looser monetary conditions, alongside structural reforms to improve the business environment, support credit expansion and domestic demand.

However, the outlook remains sensitive to oil market dynamics. Lower crude prices and normalized Aramco dividends are expected to widen the fiscal deficit to around 4% of GDP, despite rising non-oil revenues and continued progress on tax and regulatory reforms.

Inflation is set to remain contained near 2%, but fiscal pressures and elevated capital spending could test the balance between development goals and financial discipline. **Public debt is projected to rise toward 35% of GDP by 2026**, though credit ratings upgrades reflect continued confidence in Saudi Arabia's reform path. Saudi Arabia's trajectory hinges on maintaining its non-oil growth engine while navigating a softer global environment.

## Government Revenues vs. Expenditures



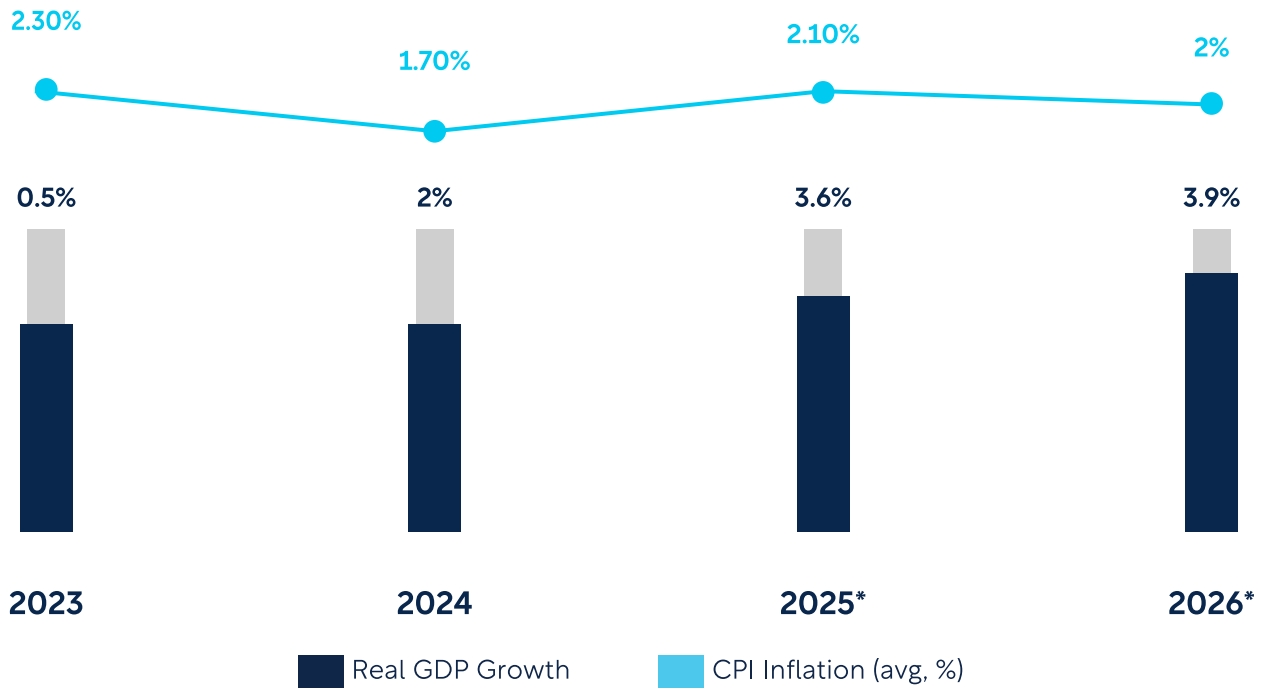
The key question is: can the Kingdom sustain its investment-led transformation in a period of weaker oil revenues and heightened global uncertainty, or will external pressures challenge the pace of Vision 2030 execution?



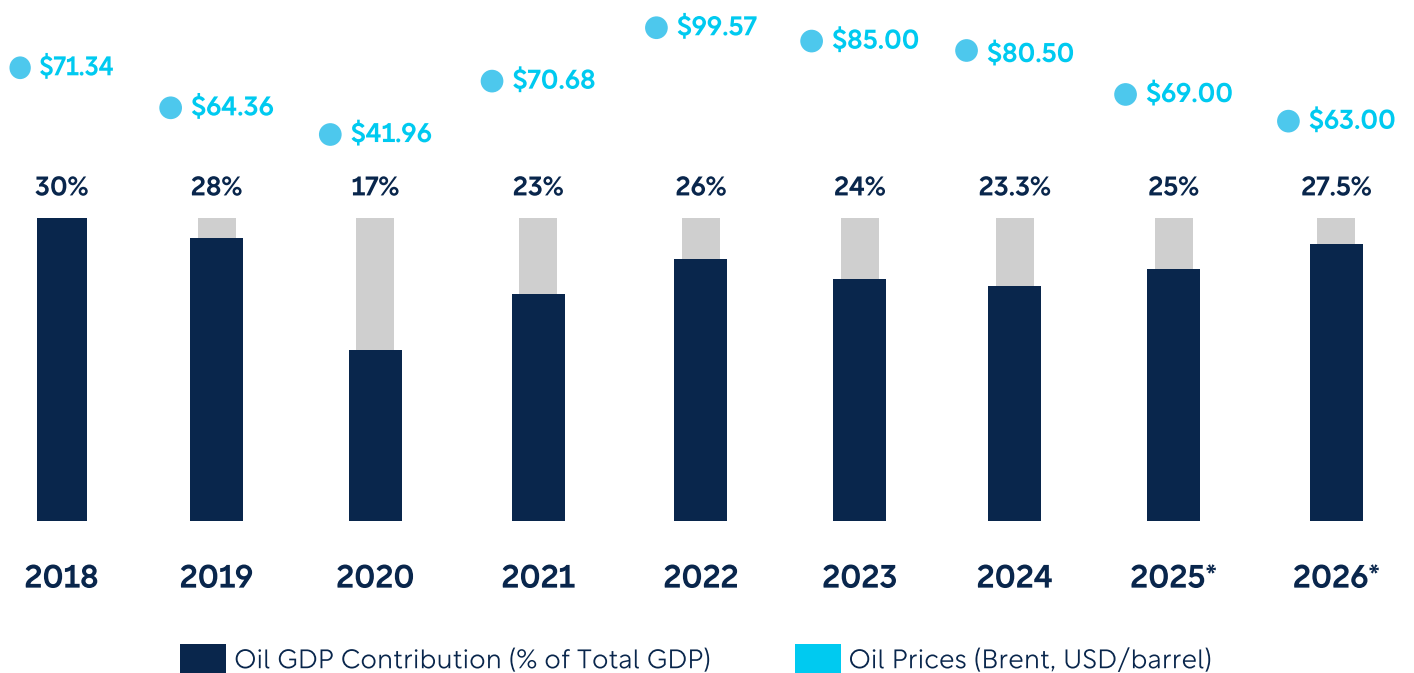


# Saudi Arabia: Deficits by Design

## Real GDP Growth (%) vs. CPI Inflation



## Oil Prices vs. Oil Contribution





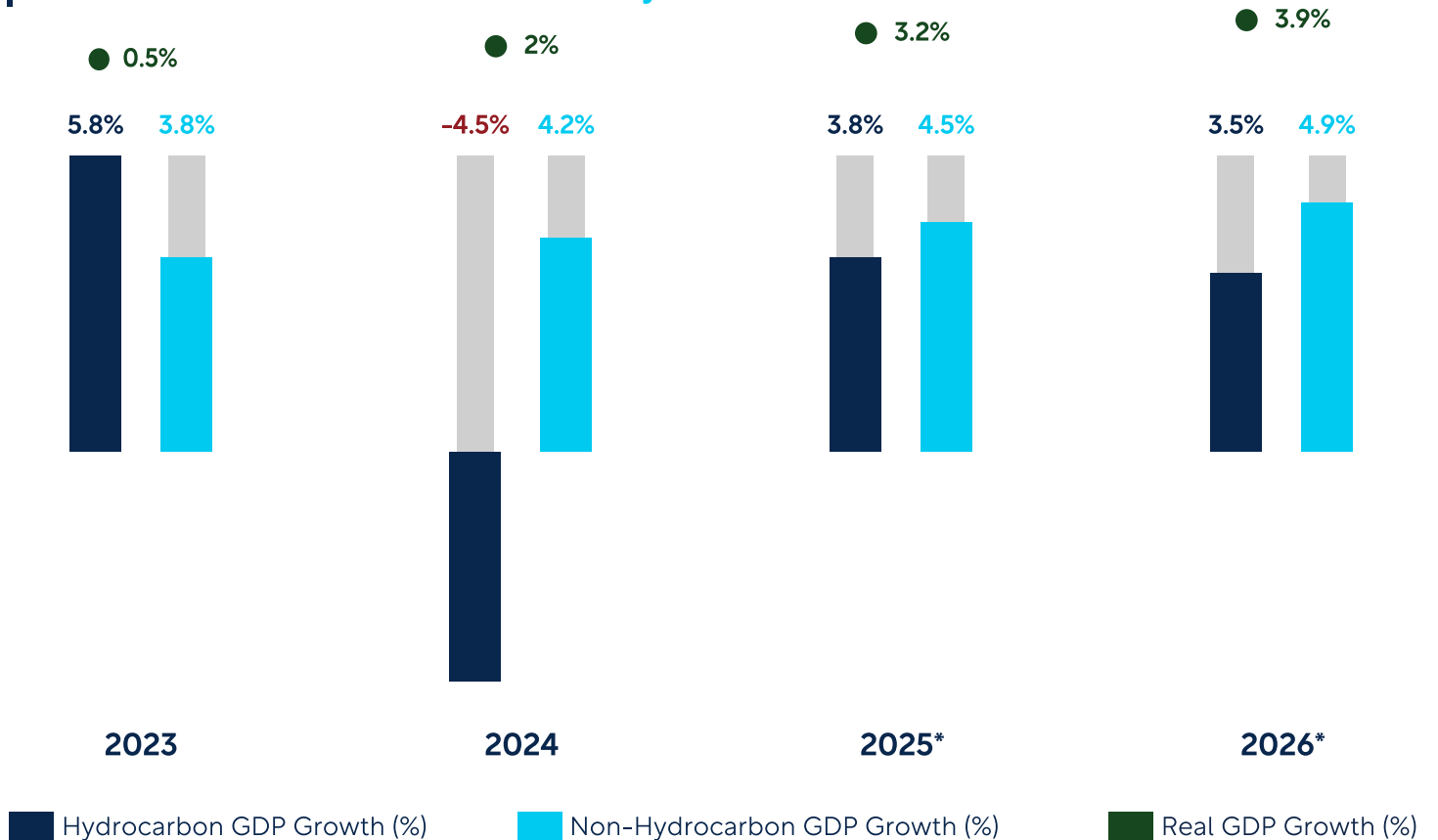
# Saudi Arabia: Deficits by Design

Saudi Arabia enters 2026 navigating a carefully managed slowdown—“deficits by design”—as the Kingdom balances oil cuts, fiscal discipline, and the structural demands of Vision 2030. Growth remains overwhelmingly powered by non-oil sectors, which continue to expand at 4–5% annually, cushioning the drag from prolonged hydrocarbon output restraint. Meanwhile, public and external debt ratios stay contained in the low-30% range, supported by deep domestic liquidity and anchored investor confidence. Even with rising fiscal demands, reserves remain comfortably above 13 months of import cover—off their 2024 peak but still signaling strong external buffers.

Oil production is expected to gradually normalize from 9–9.6 mb/d toward 10 mb/d by 2026, though export prices moderate into the mid-\$60s as global supply stabilizes. The overall picture is a deliberate macro stance: Saudi Arabia is trading short-term hydrocarbon revenue for long-term diversification gains, using balance-sheet strength to fund transformation while preserving external resilience.



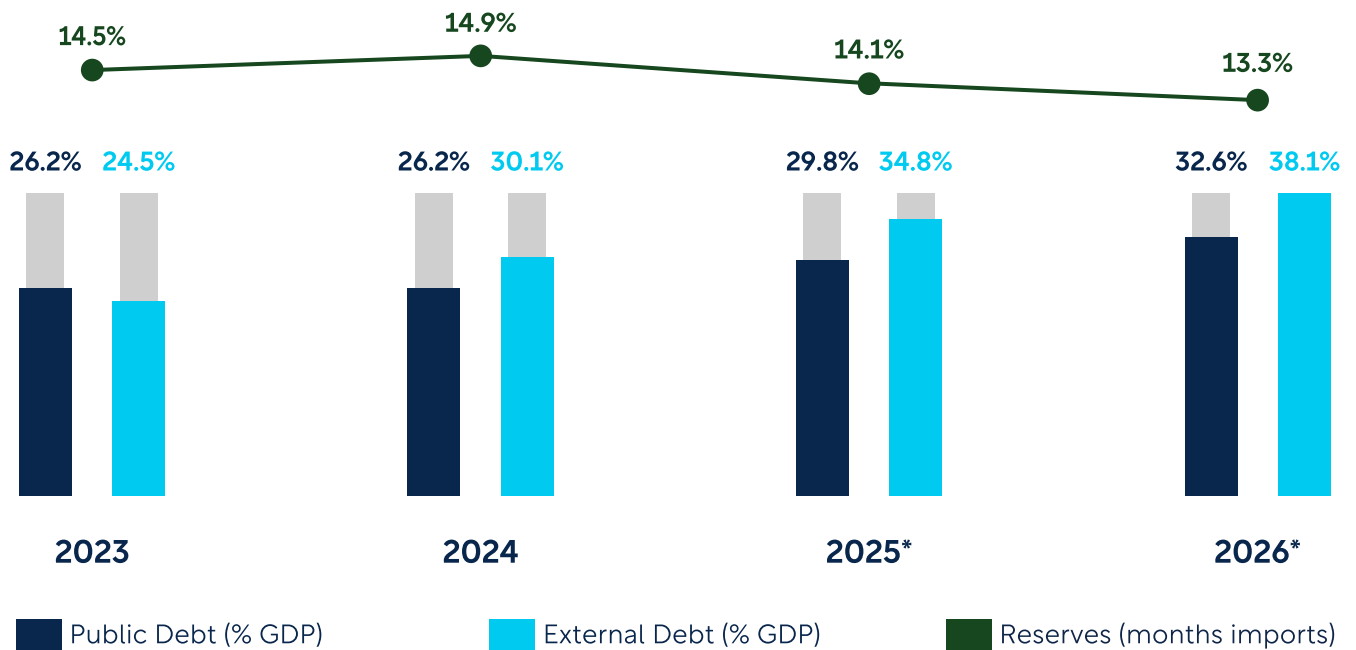
## Hydrocarbon, Non-Hydrocarbon, and Real GDP Growth (%): Sectoral Contributions to the Economy



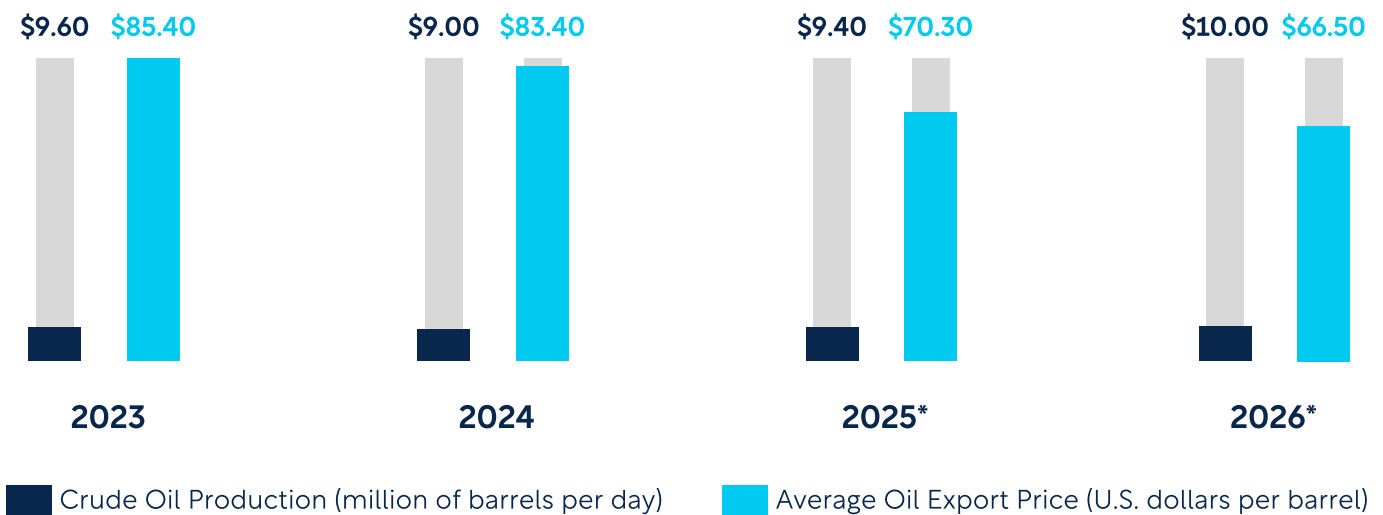


# Saudi Arabia: Deficits by Design

## External Vulnerability Indicators: Debt vs. Reserves



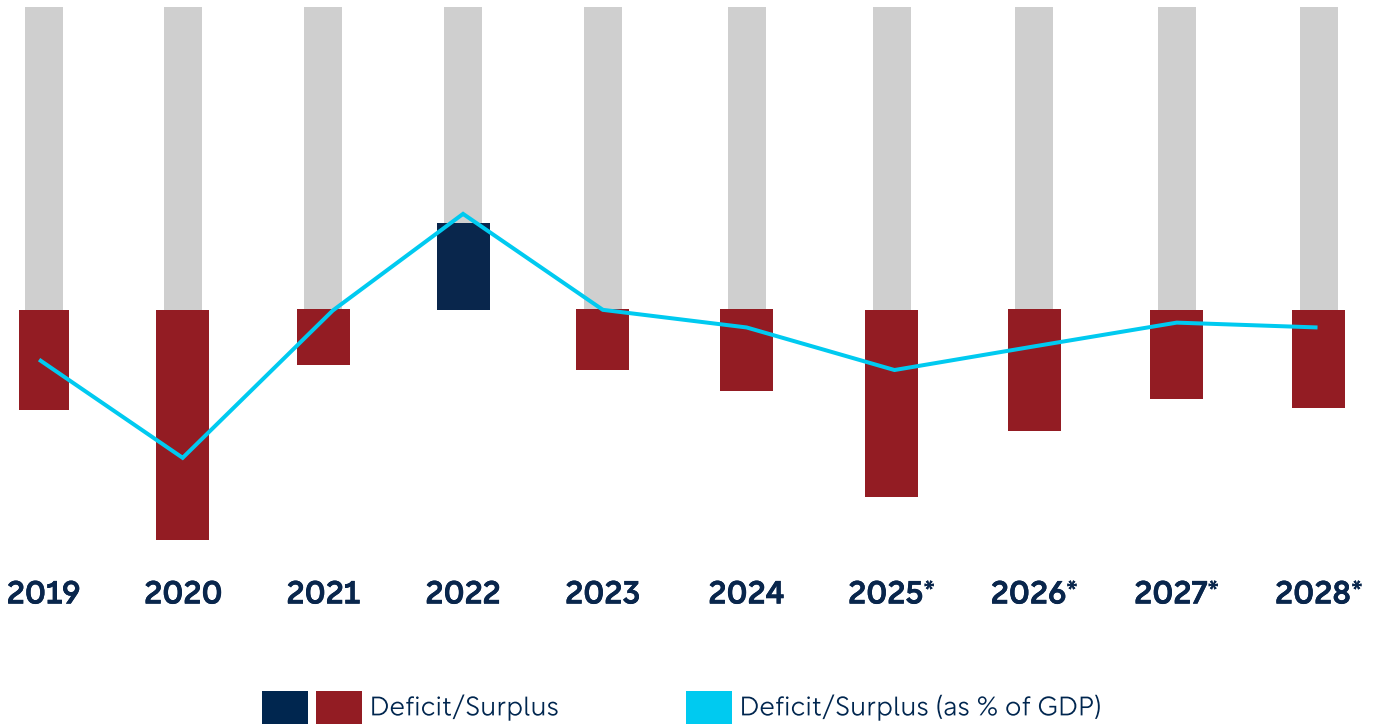
## Crude Oil Production vs. Average Export Price



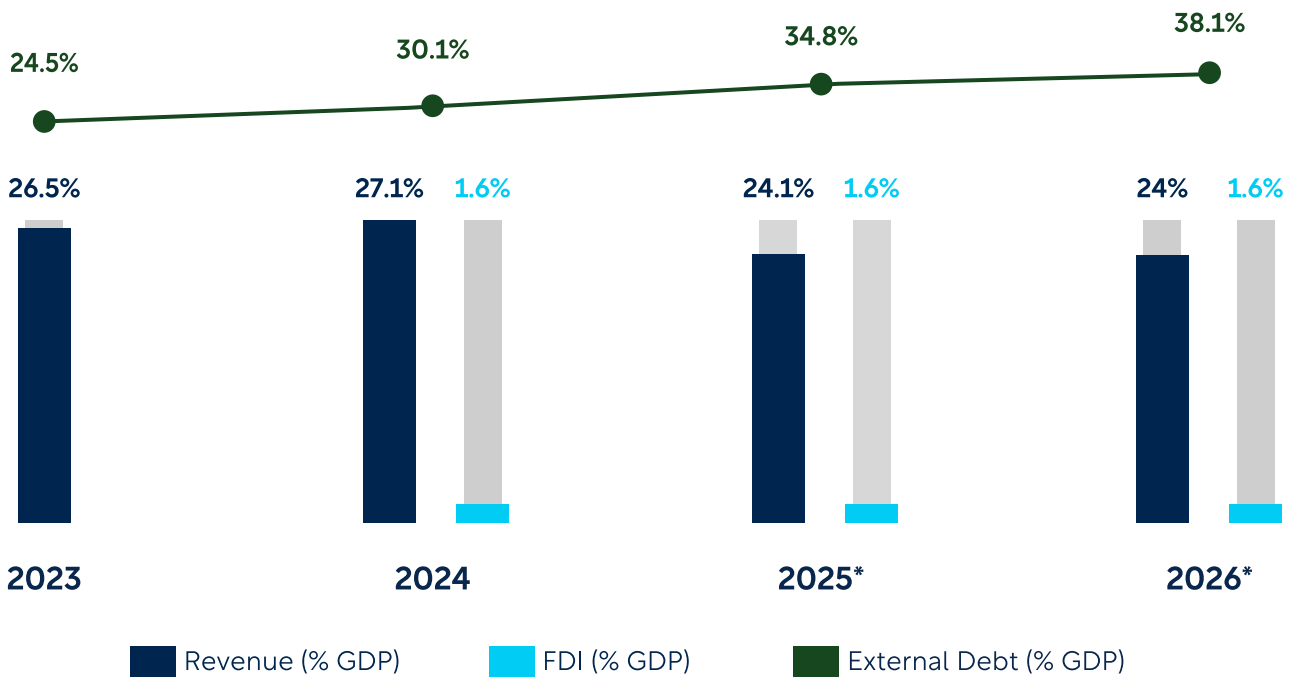


# Saudi Arabia: Deficits by Design

## Budget Deficit/Surplus



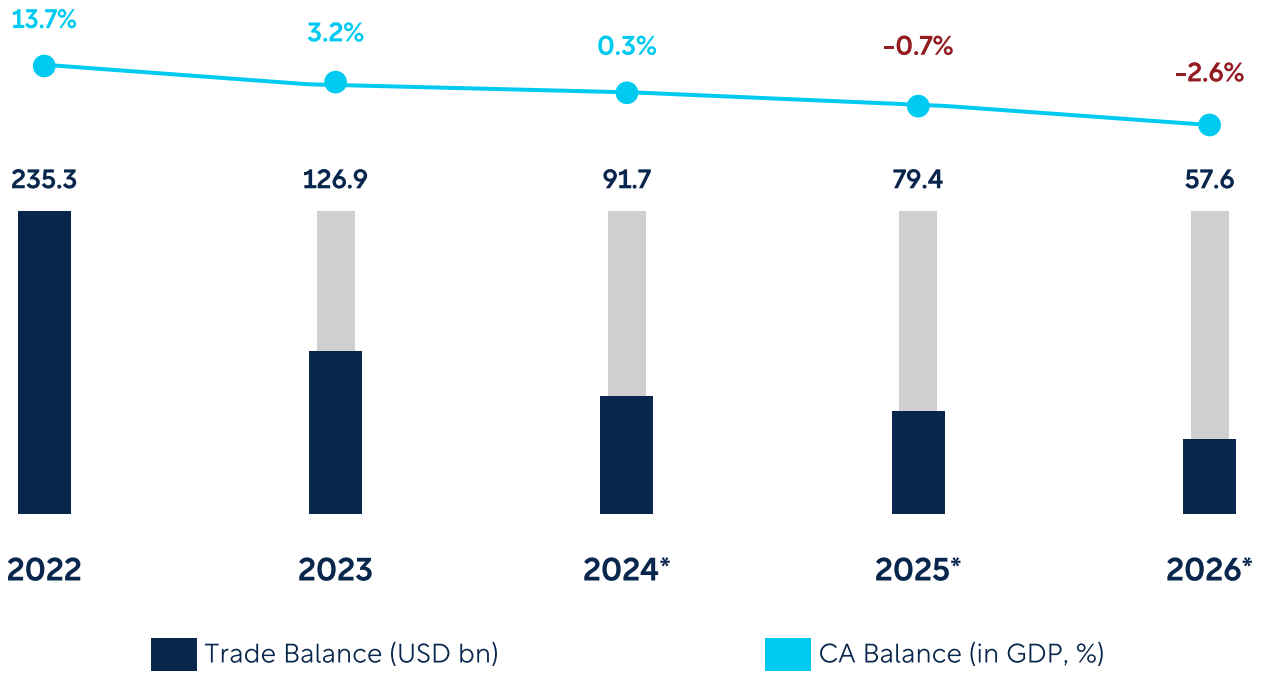
## Fiscal Capacity vs. External Leverage





# Saudi Arabia: Deficits by Design

## The Return of Twin Deficits



The image features a photograph of a mosque's architecture, specifically a minaret and a large archway. The minaret is a tall, cylindrical structure with a series of arched windows near the top. The archway is a large, pointed structure with intricate carvings and Arabic calligraphy. The entire scene is set against a clear blue sky. The image is overlaid with a dark blue geometric design consisting of several overlapping shapes, including a large triangle on the left and a curved shape at the bottom. The text "Oman Reform-Driven Resilience" is written in white and light blue on the dark blue background.

Oman  
**Reform-Driven  
Resilience**



# Oman: Discipline, Diversification, Delivery

**Oman enters 2026 with its strongest macroeconomic position in a decade**, as years of disciplined reforms begin to significantly influence its growth trajectory. Non-oil GDP is projected to grow over 3% in both 2025 and 2026, driven by private-sector investments in construction, manufacturing, logistics, wholesale trade, and a steadily expanding tourism sector. The hydrocarbon industry is set to recover as OPEC+ rolls back voluntary production cuts, boosting oil GDP by 2.5% in 2025 and 3.7% in 2026—resulting in overall growth that comfortably surpasses Oman’s long-term average.

With a fiscal breakeven oil price of approximately USD 62–65 per barrel—among the lowest in the region—lower oil prices present limited downside risk, enabling a positive fiscal balance and supporting Oman’s progression toward investment-grade credit ratings.



The benefits of structural reforms are becoming increasingly apparent. The deleveraging of state-owned enterprises has lowered government-related entity (GRE) debt by nearly 10% of GDP over three years, enhancing macroeconomic stability and boosting investor confidence.

Foreign reserves remain stable, while the forthcoming 11th Five-Year Plan (2026–2030) emphasizes deeper diversification through key sectors like logistics, manufacturing, and tourism. New policies—including long-term residency programs and a proposed 5% personal income tax on high earners starting in 2028—are designed to expand the revenue base and reinforce fiscal sustainability.





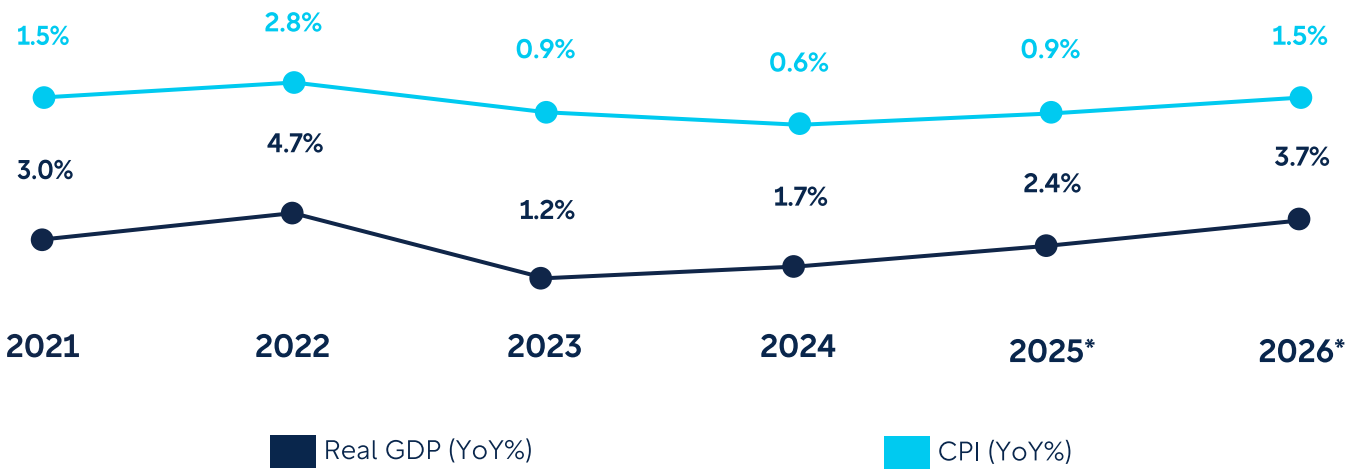
# Oman: Discipline, Diversification, Delivery

Oman's economy is set for a steady acceleration heading into 2026, with growth rising to 4.0% on the back of resilient non-hydrocarbon activity and a sharp pickup in oil and gas output as OPEC+ unwinds supply cuts. Construction, manufacturing, trade, and tourism continue to anchor non-oil momentum, while the hydrocarbon sector benefits from higher production volumes. Inflation remains one of the lowest in the region—projected at just 1.3% in 2026—thanks to the currency peg and stable food and energy prices, preserving household purchasing power.

Fiscal pressures, however, are re-emerging. Softer oil prices and lower hydrocarbon receipts are expected to shift the fiscal position from a small surplus in 2024 to a 1.6% deficit in 2026, even as years of consolidation and debt repayment have strengthened Oman's macro foundation and supported its investment-grade rating upgrade.

Public debt is projected to edge up to 37.5% of GDP in 2026, though buffers remain adequate with reserves covering nearly four months of imports. Structural reforms—including the new 10-year Golden Residency program and the planned personal income tax on high earners—signal Oman's commitment to diversification and long-term fiscal sustainability.

## CPI vs. Real GDP



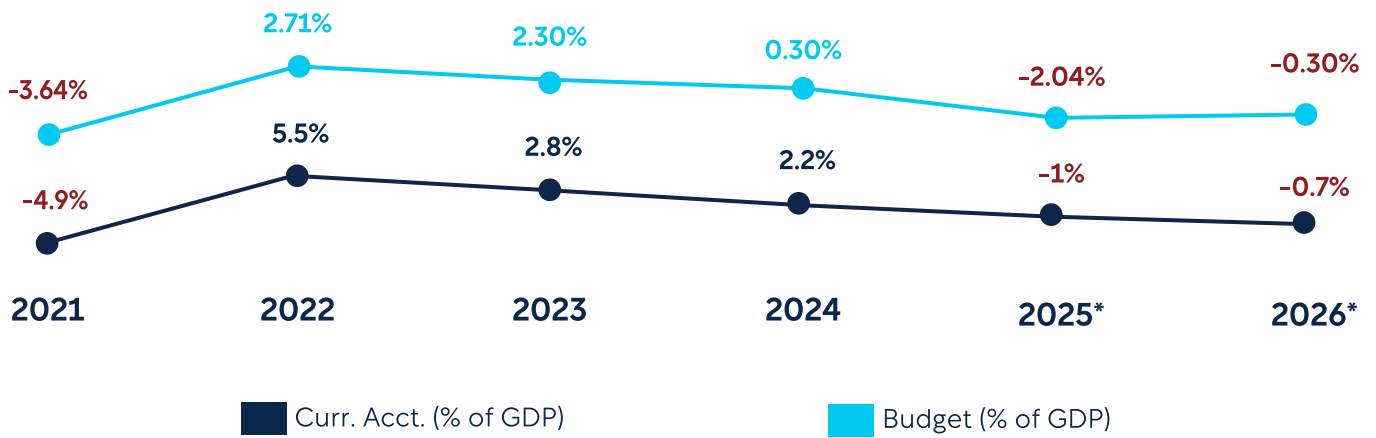
The central question for 2026 is clear: can Oman maintain its reform-driven resilience and accelerate diversification fast enough to reduce its reliance on hydrocarbons, or will renewed volatility in global energy markets test the limits of the country's fiscal and external buffers?



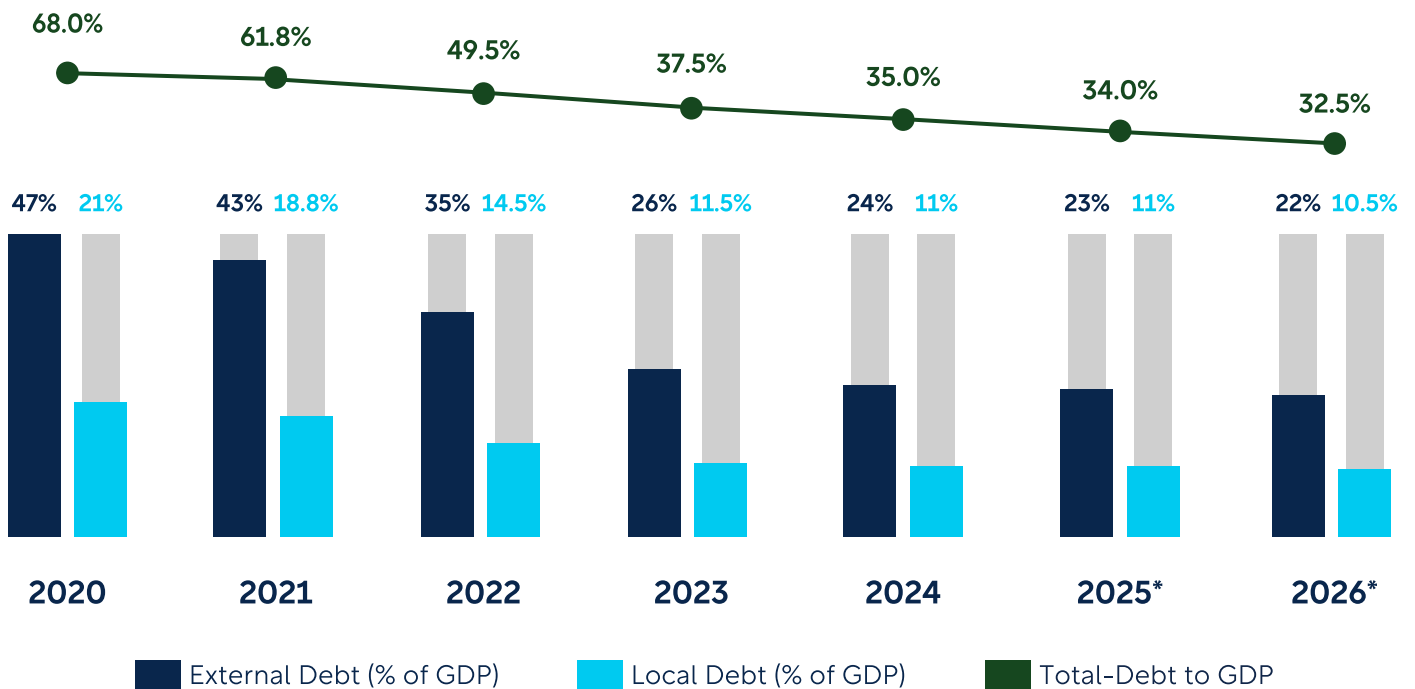


# Oman: Discipline, Diversification, Delivery

## A Fiscal Perspective: Current Account (% of GDP) vs. Budget (% of GDP)



## Debt Profile: External, Local, and Total Debt to GDP



The background image shows the interior of a modern Egyptian museum. A large, light-colored stone statue of a pharaoh wearing a nemes is the central focus. The statue is intricately carved with hieroglyphs. The surrounding architecture features a grid-like ceiling and walls with a textured, golden-brown pattern. The lighting is dramatic, highlighting the statue and the architectural details.

# **Egypt From Stabilization to Prospect Growth**

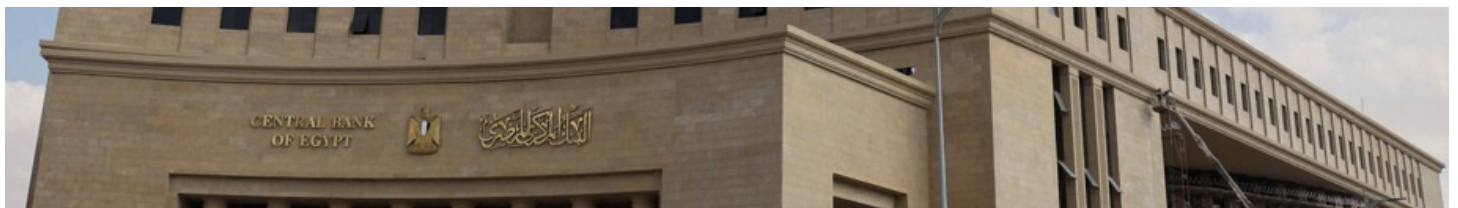


# Egypt: From Stabilization to Prospect Growth

**Egypt is reaching a pivotal moment, moving firmly from managing a crisis toward stabilization and the initial phases of structural recovery.** After currency liberalization and the expansion of the IMF program, external buffers are strengthening, foreign exchange liquidity is improving, and confidence is gradually returning.

**Real GDP growth is expected to increase to 4.2–4.5%**, driven by a resurgence in private-sector activity, a recovery in tourism and gas exports, and growing investment inflows. Inflation is clearly trending downward, moving toward the mid-teens, which allows for a cautious, data-driven monetary easing cycle while preserving attractive real yields.

From an investment standpoint, Egypt offers a significant re-rating opportunity. Equities remain **deeply undervalued at 5.8x forward P/E** relative to emerging market peers, while local bonds provide **8–10% real yields** as disinflation progresses. Foreign direct investment inflows, supported by major deals like Ras El-Hekma, are enhancing the quality of external financing and reducing dependence on short-term debt. Concurrently, fiscal consolidation efforts—through subsidy reforms, improved tax collection, and SOE monetization—are helping to reduce the deficit and stabilize debt dynamics.



Risks persist, especially concerning reform implementation, privatization schedules, and regional geopolitical uncertainties. Nevertheless, with backing from the IMF framework and renewed support from the GCC, Egypt is steadily restoring credibility. The outlook has shifted from mere survival to selective opportunity: focused exposure to sectors benefiting from hard-currency earnings, tourism, and short-to-medium local duration presents attractive potential for investors willing to engage early in Egypt's normalization process.





## Egypt: From Stabilization to Prospect Growth

**Egypt enters 2026 with a stronger commitment to FX flexibility, tighter fiscal discipline, and a more credible policy mix following the 2024–25 reset.** The shift to a market-driven FX regime has become more embedded, supported by rising banking sector net foreign assets, continued IMF engagement, and a sharp decline in inflation from its 2025 peak. With policy rates now heading toward the low-20s and expected to fall further as inflation decelerates into the low-teens, the monetary easing cycle is set to revive credit, capex, and private-sector hiring after years of suppressed activity. Government reforms—spanning taxation, customs, and the business environment—have helped stabilize expectations, while GCC partners remain pivotal in narrowing Egypt’s external financing gap.



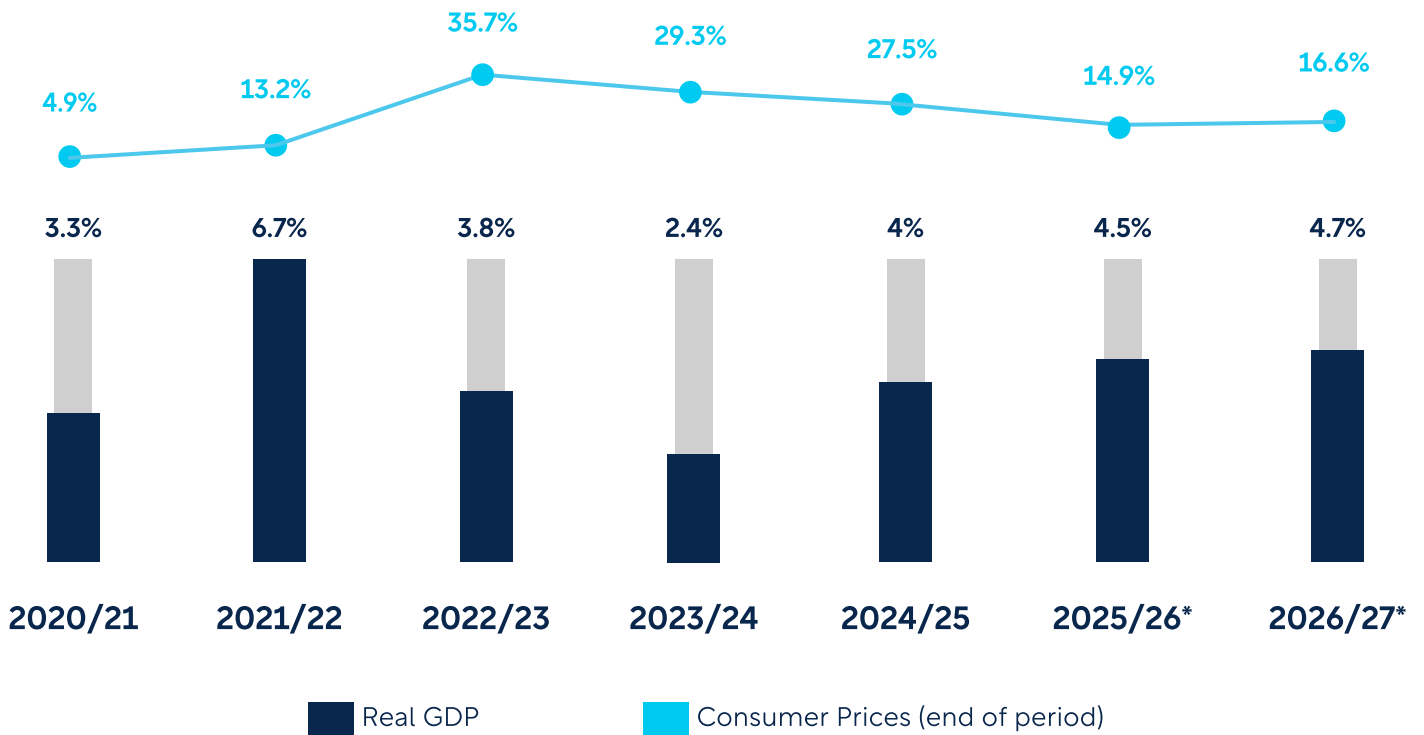
Following the UAE’s landmark investments and Qatar’s renewed commitments, we expect Gulf inflows to cover a projected USD 8–10bn annual gap through 2026–27, easing Eurobond maturities and anchoring investor confidence. Lower global oil prices and improved logistics after Red Sea disruptions offer mixed effects—pressure on Suez revenues but relief through cheaper imports—yet overall, the policy reset positions Egypt for a gradual return to macro stability, a more predictable FX path, and a slow but credible rebuilding of investor trust.



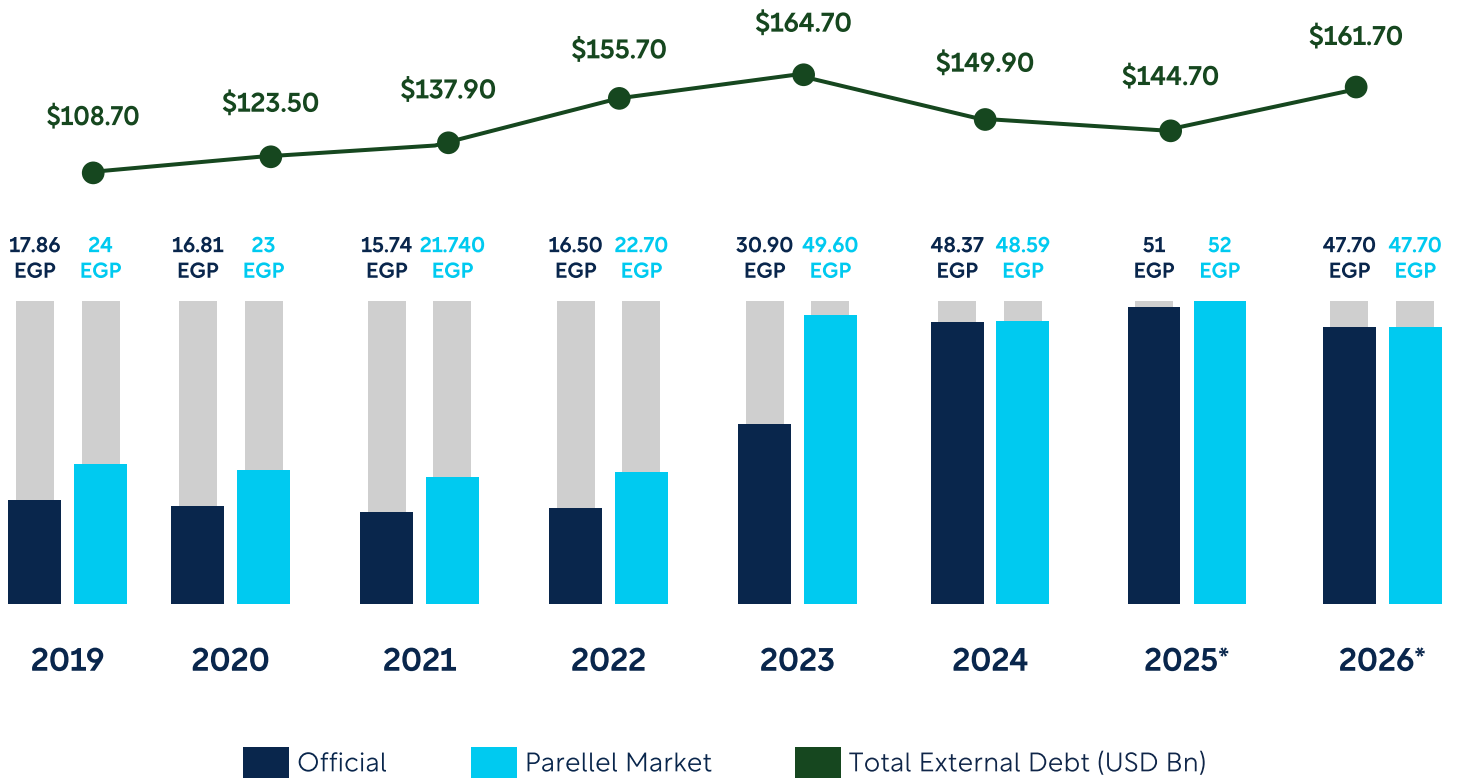


# Egypt: From Stabilization to Prospect Growth

## Real GDP vs. Inflation



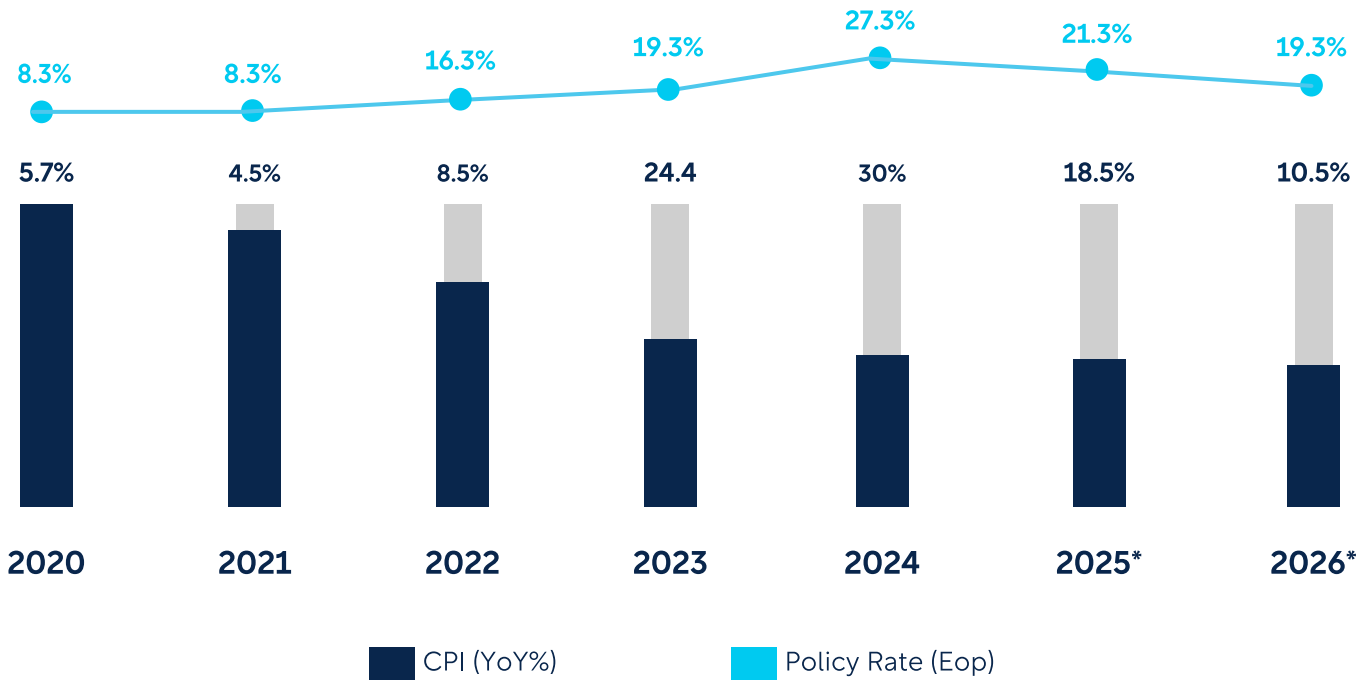
## EGP Currency vs. External Debt



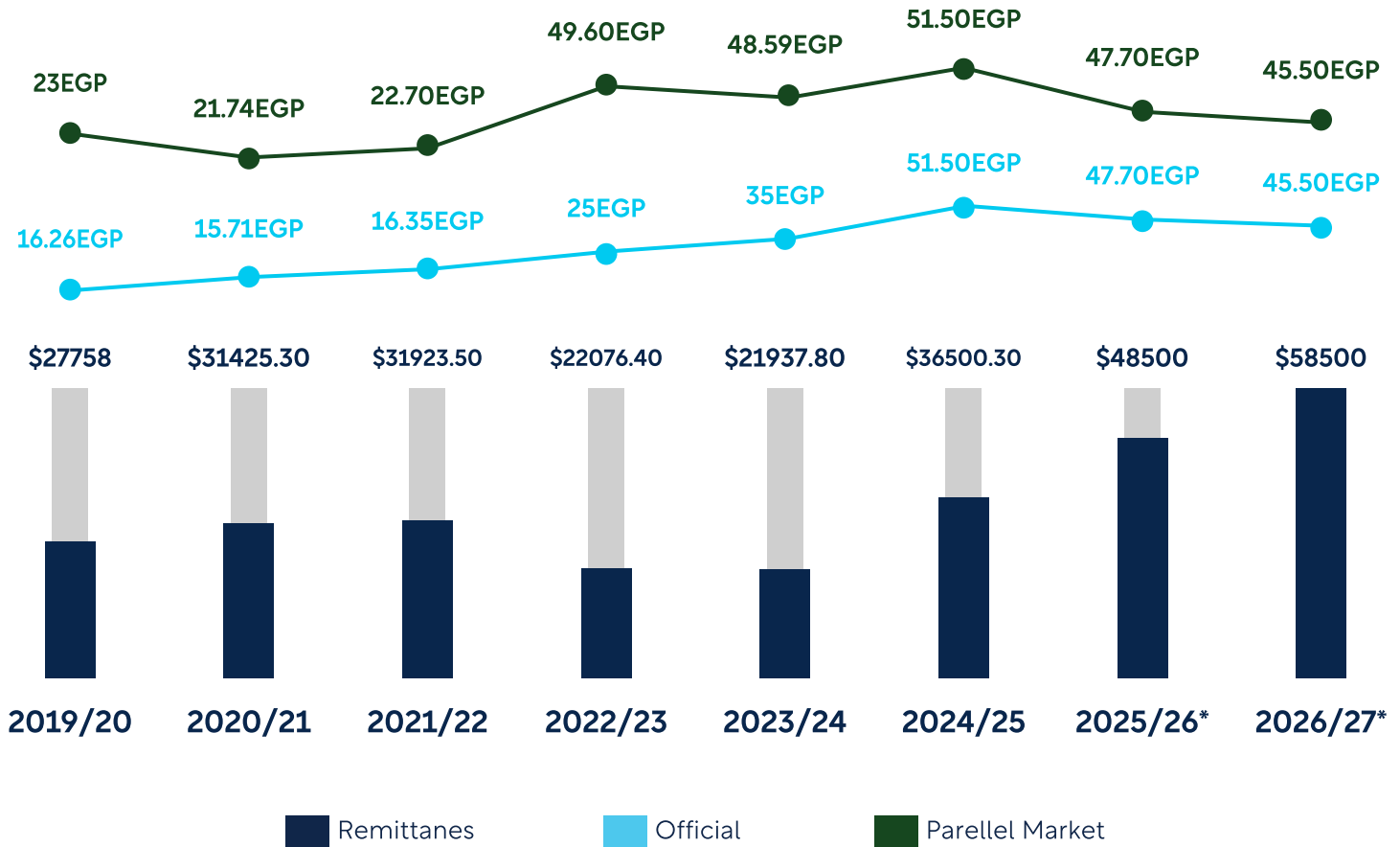


# Egypt: From Stabilization to Prospect Growth

## Inflation and Policy Interest Rates (%)



## Remittances vs. EGP Currency





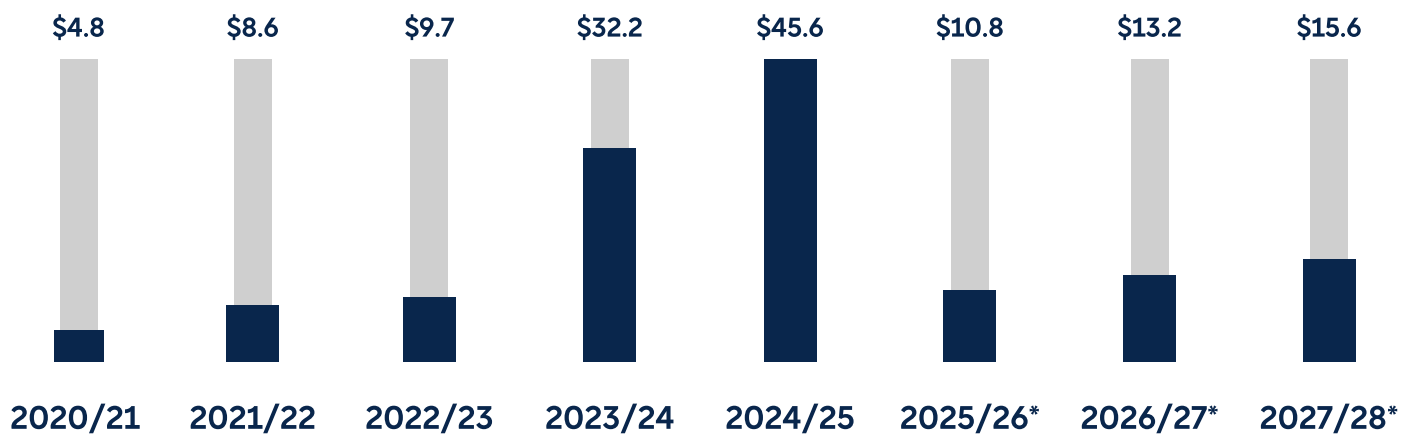
# Egypt: From Stabilization to Prospect Growth

Foreign direct investment captures Egypt’s shifting confidence cycle. After bottoming out at \$4.8bn in 2020/21, inflows rebounded sharply, peaking at \$45.6bn in 2023/24 on the back of landmark deals such as Ras El-Hekma, before normalising to the \$10–16bn range. At the same time, Egypt’s total public debt, which peaked at 95.9% of GDP in 2022/23, is projected to decline to 86.6% by 2026/27, with a gradual rebalancing from domestic toward external borrowing. While this eases pressure on the local banking system, it also increases sensitivity to FX stability, reinforcing the importance of disciplined exchange-rate management.

The current account initially widens as import demand and investment-related outflows rise, but this deterioration is increasingly covered by FDI rather than debt – signalling a healthier external financing mix. Meanwhile, exports have begun to recover as a share of GDP, supported by a more competitive currency and stronger tourism and commodity-related inflows, while imports remain compressed as domestic demand adjusts and FX controls remain tight.

**Together, these dynamics point to a gradual but meaningful rebalancing of Egypt’s external position, shifting from crisis-driven volatility toward a more sustainable, investment-led trajectory** – with execution consistency now the critical differentiator between structural recovery and another cyclical rebound.

## Foreign Direct Investment



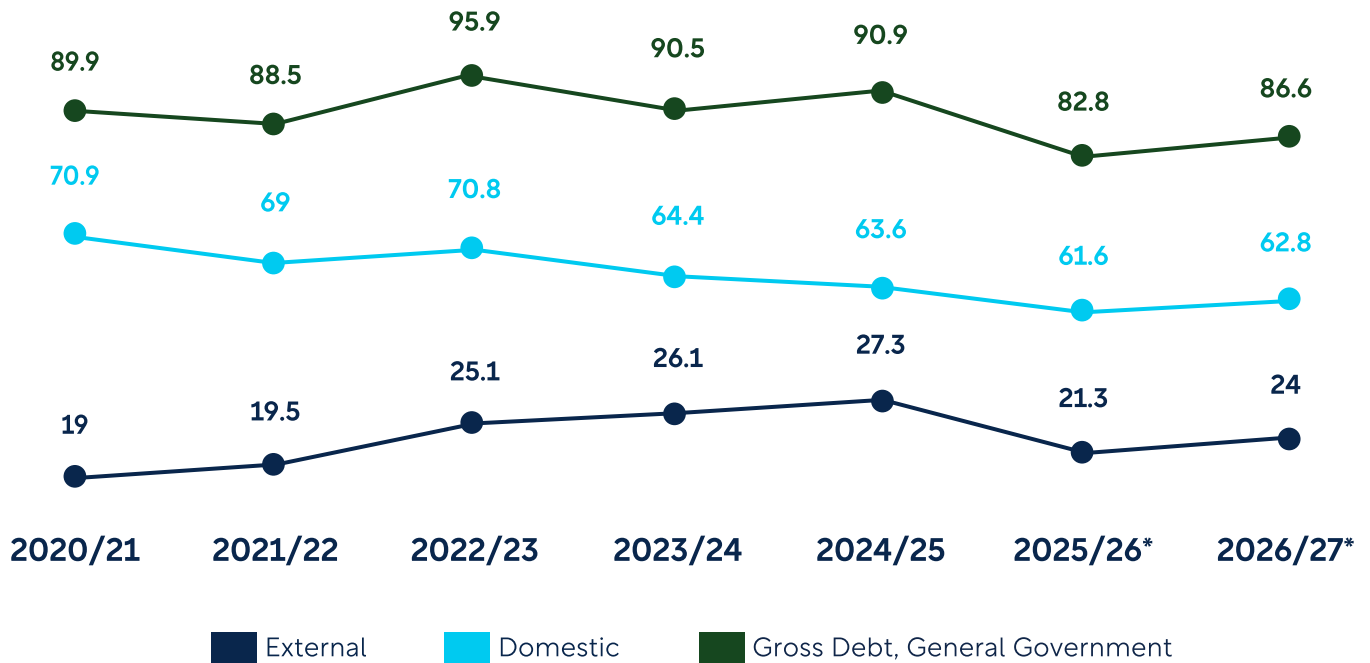
Foreign Direct Investment (net, in billions of US\$)



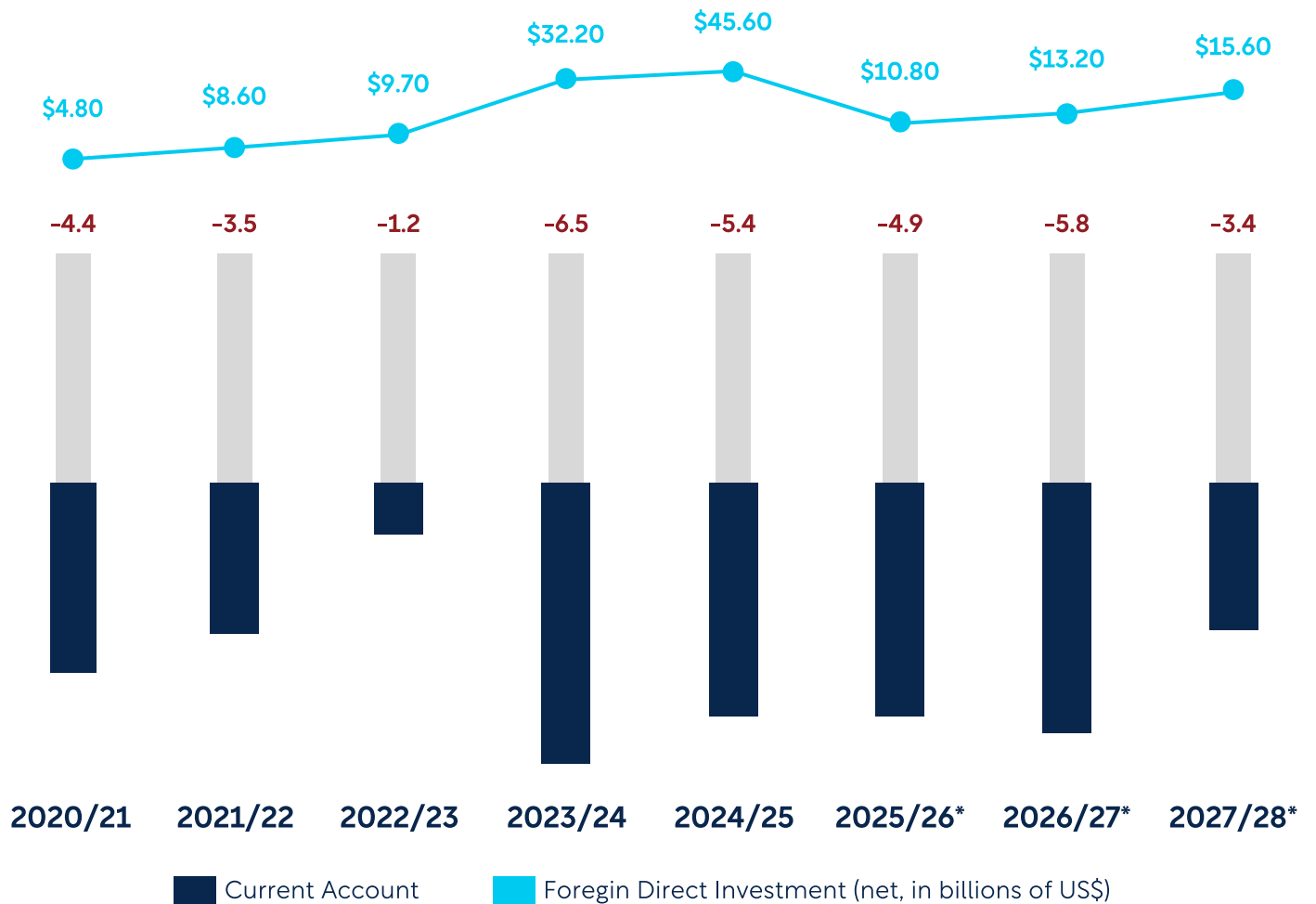


# Egypt: From Stabilization to Prospect Growth

## Egypt's Public Debt: Domestic vs. External Dynamics



## Current Account vs. FDI

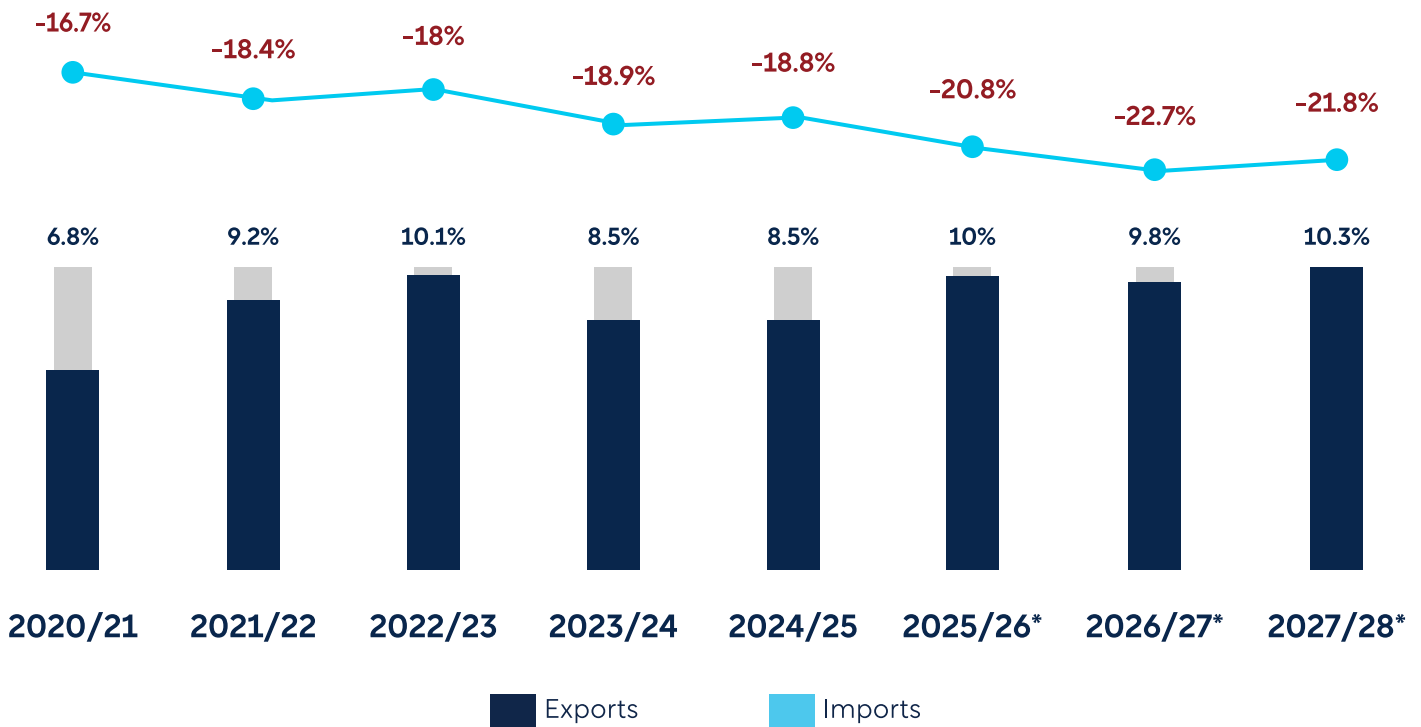


Source: MOF, CBE, IMF  
 (\*) 2025, 2026, 2027 & 2028 Estimated



# Egypt: From Stabilization to Prospect Growth

## Imports vs. Exports % of GDP



Egypt’s external financing dynamics remain under pressure in the near term, with the financing gap widening through 2025/26–2026/27 before easing in 2027/28. This reflects persistent FX demand from debt servicing, imports, and reform-related outflows during the adjustment phase. Nonetheless, the composition of financing is gradually improving. Other prospective funding sources—primarily FDI, privatization proceeds, and strategic investments—begin to outweigh reliance on external facilities, signaling a shift toward more sustainable, non-debt inflows.

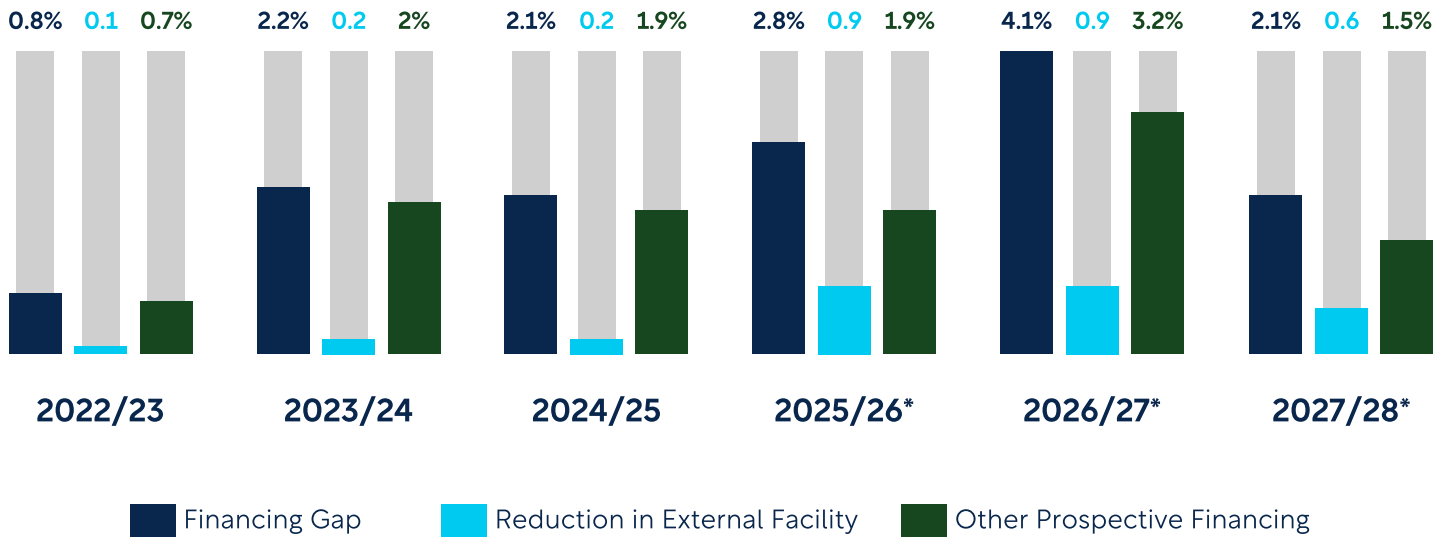
While the near-term peak in the gap highlights ongoing vulnerability, the trajectory beyond 2026/27 points to stabilisation and increasing self-sufficiency, conditional on continued reform execution, asset monetisation, and the maintenance of investor confidence under the IMF framework. The chart ultimately reinforces a familiar theme in Egypt’s outlook: pressure first, balance later—with the path to sustainability now clearer, but still dependent on disciplined delivery and timely external inflows.





# Egypt: From Stabilization to Prospect Growth

## Egypt's External Financing Gap & Sources





# Morocco Manufacturing Supercycle



## Morocco: Reshoring Wins, Climate Risks

**Morocco's 2026 outlook reflects a gradually normalizing economy**, supported by recovering agriculture, resilient manufacturing exports, and the continued rollout of climate and structural reforms under the IMF's RSF program.

**Growth is projected near 3.7%, driven by solid performance in automotive and aerospace industries and improving investment sentiment as RSF-linked reforms accelerate renewable-energy deployment and water-management projects.** Inflation remains subdued—hovering near 2%—allowing Bank Al-Maghrib to maintain its cautious easing stance while safeguarding credibility. However, external pressures persist: the current account deficit remains elevated as energy and capital-goods imports rise, reserves hover near **5 months of imports**, and public debt stabilizes around **67–68% of GDP**.



The IMF underscores that Morocco's medium-term prospects hinge on sustaining reform momentum—particularly in SOE governance, climate resilience, and labor-market participation to lift potential growth and reduce vulnerabilities to drought and external shocks.

**The central question for 2026 is whether Morocco can translate its industrial and climate-reform gains into a more durable, shock-resilient growth path while containing external and fiscal pressures.**

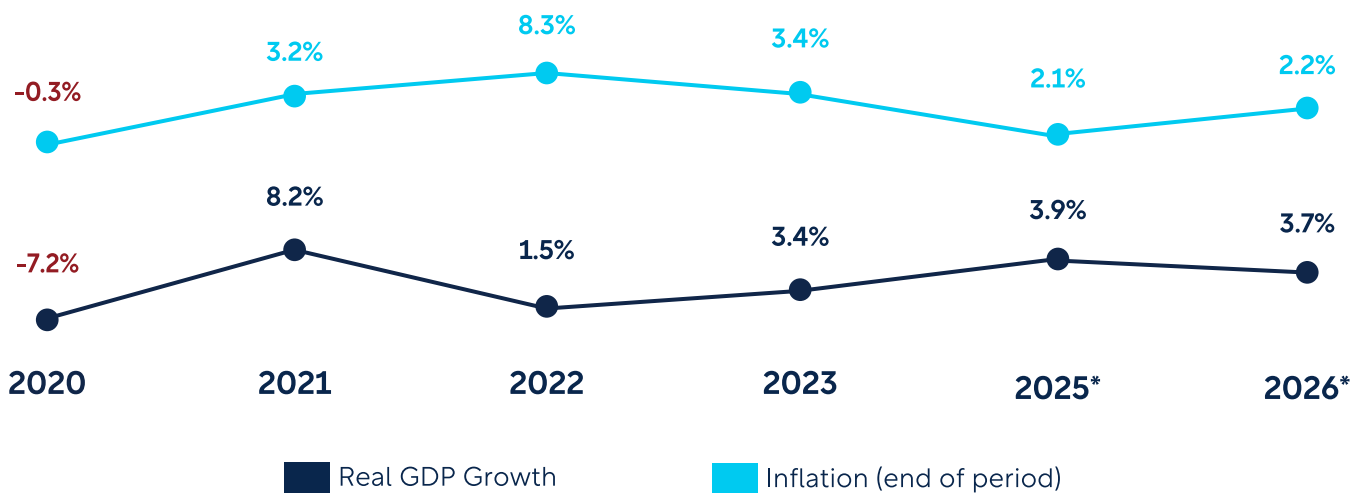


# Morocco: Reshoring Wins, Climate Risks

The Bank of Maghrib enters 2026 firmly in an easing cycle, maintaining its benchmark rate at 2.25% after a measured rate cut in 2024. With inflation remaining contained, the central bank has opted for a conservative and steady approach—supporting credit conditions while avoiding premature tightening amid external uncertainties. Inflation is projected to remain moderate, rising from around 1% in 2025 to 1.9% in 2026, giving policymakers room to prioritize growth without jeopardizing price stability.



## Balancing Growth and Prices: Real GDP (%) vs. Inflation Rate (%)



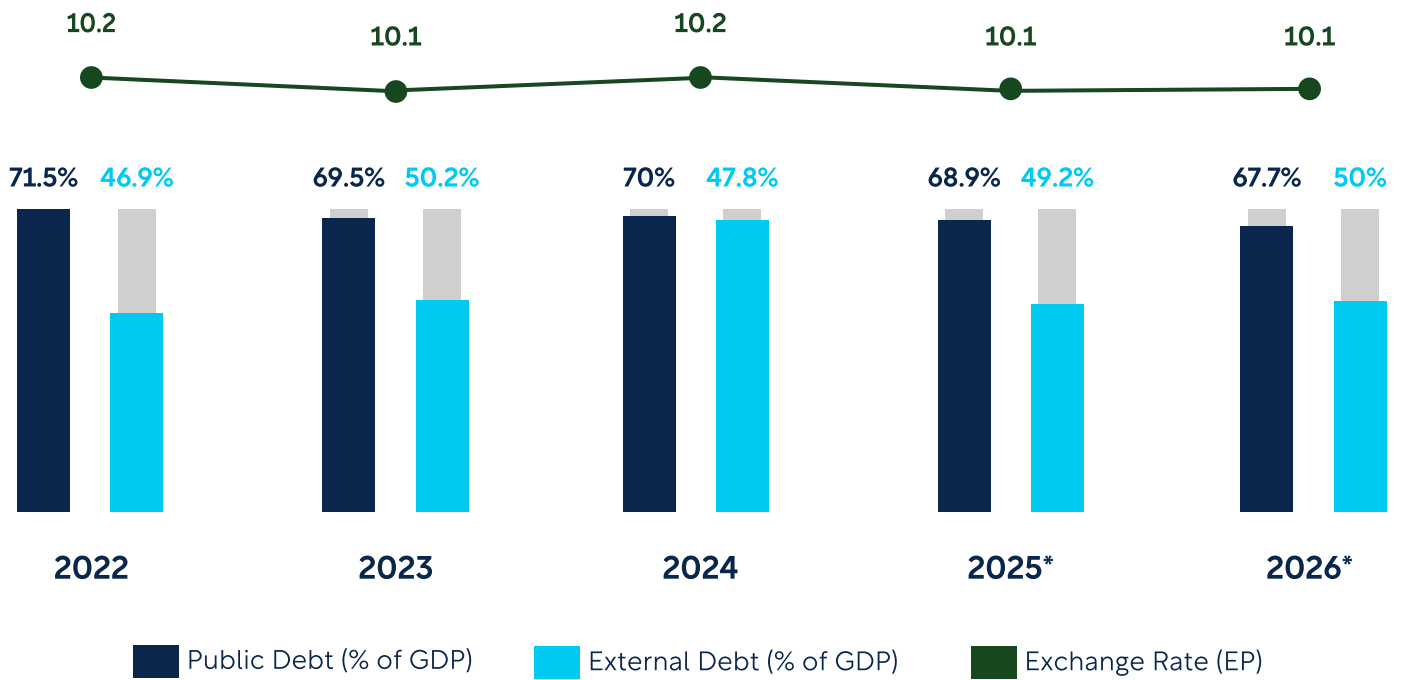
As Morocco navigates a delicate balance between supporting domestic demand, managing external pressures, and sustaining industrial momentum, the key question becomes: can the Bank of Maghrib’s cautious easing stance unlock stronger growth without reigniting inflation or external vulnerabilities?



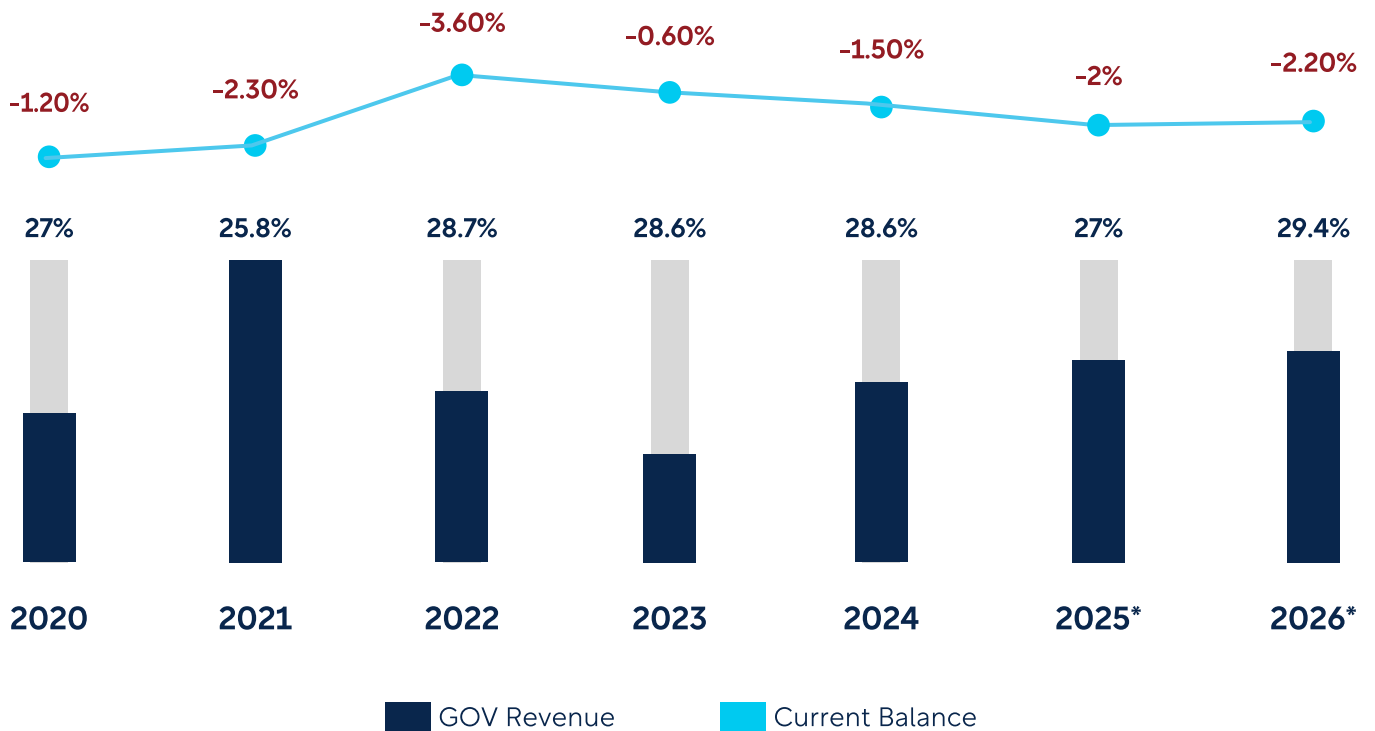


# Morocco: Reshoring Wins, Climate Risks

## Debt Profile: External, Local, vs. Exchange Rate



## Tracking Fiscal Health: Government Revenue vs. Current Balance





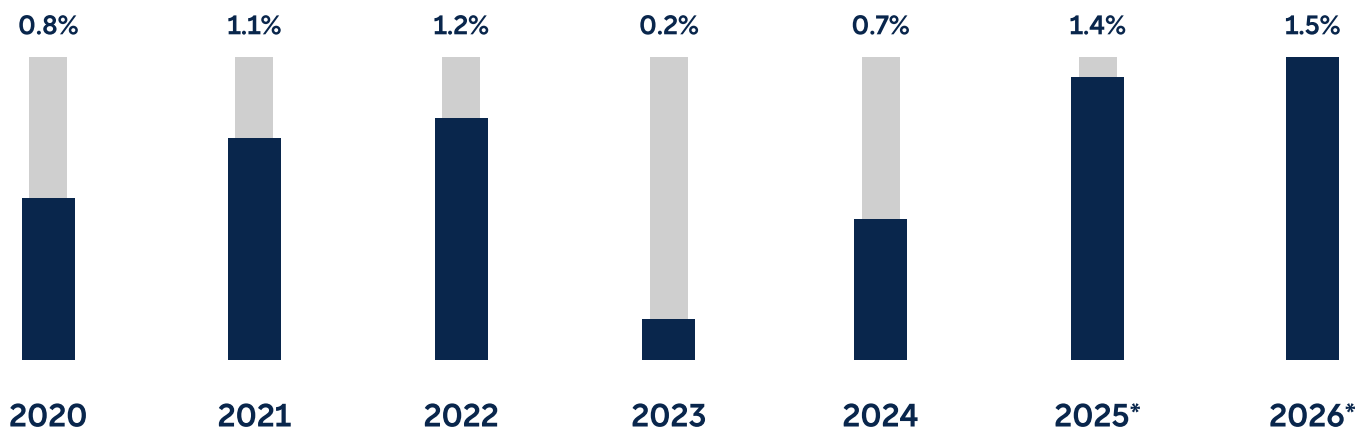
# Morocco: Reshoring Wins, Climate Risks

Morocco's external and monetary dynamics in 2026 illustrate an economy juggling resilience with structural pressure points. FDI inflows remain stable and continue to support Morocco's industrial ambitions, particularly in automotive and EV-battery supply chains.

However, the merchandise trade deficit remains wide, reflecting capital-goods imports tied to Morocco's industrial expansion, alongside persistent reliance on energy and food imports due to recurrent drought cycles. Export performance is improving but still insufficient to offset structurally high import demand.



## FDI (% GDP)



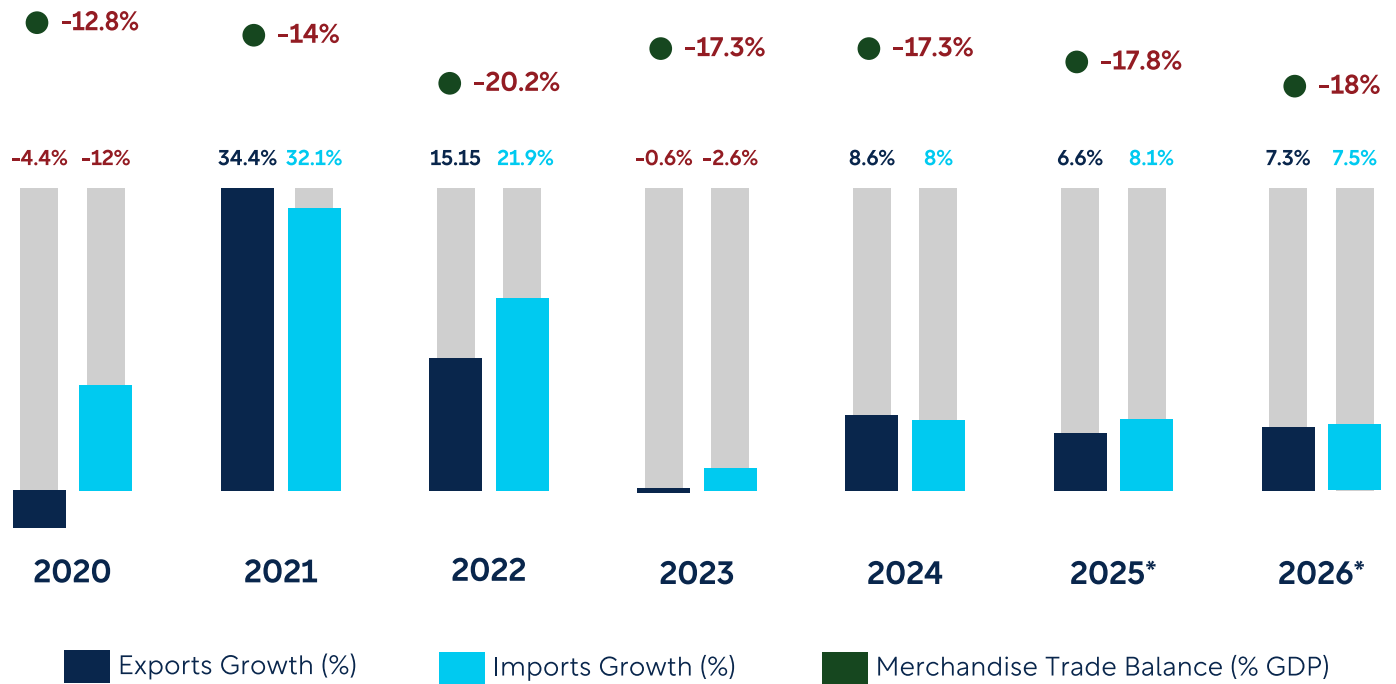
As Morocco accelerates its shift toward higher-value manufacturing and green-energy industries, the key question is: can the country strengthen its external position fast enough to sustain growth without increasing dependence on external financing?



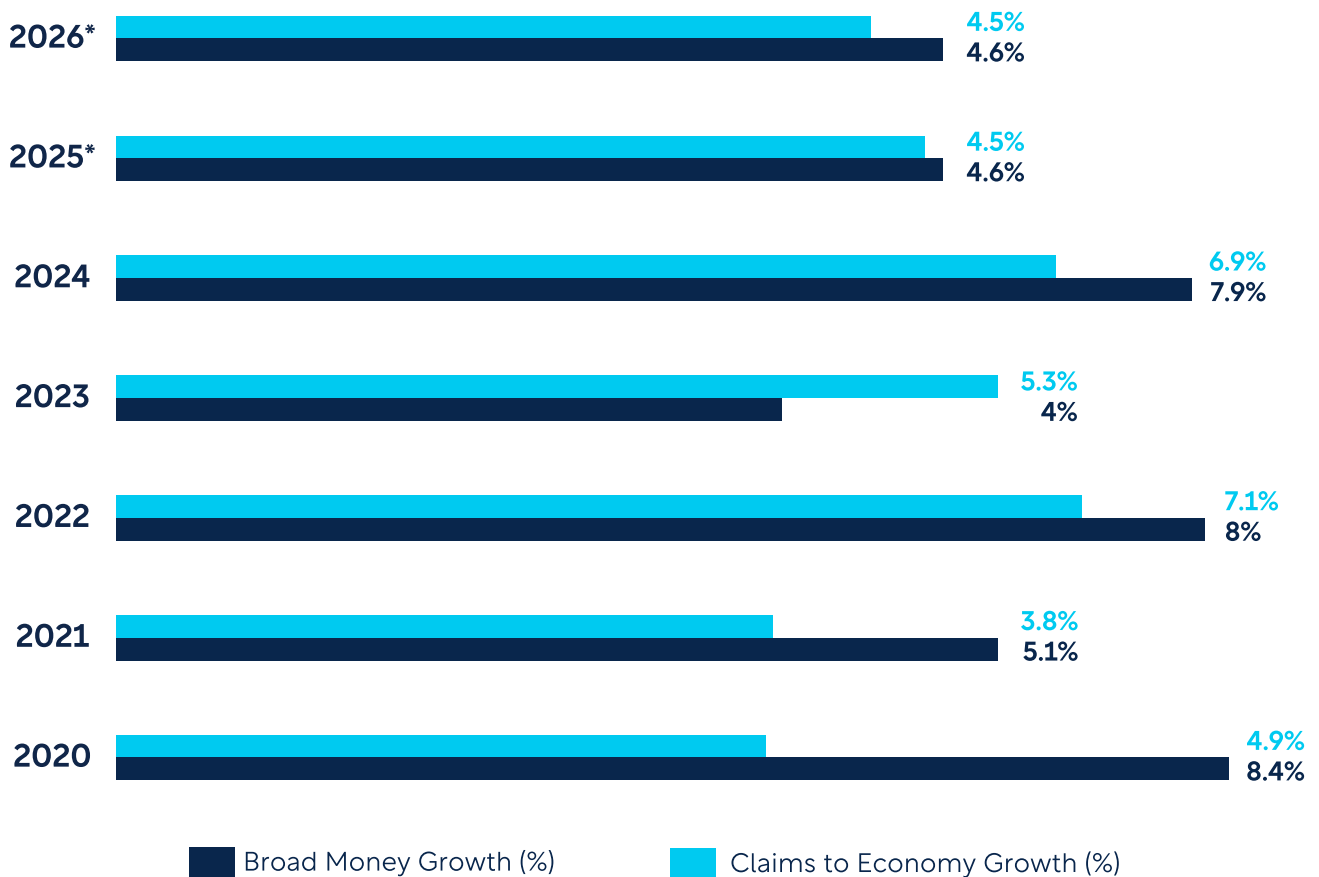


# Morocco: Reshoring Wins, Climate Risks

## Exports vs. Imports Growth (USD) vs. Merchandise Trade Balance (% of GDP)



## Broad Money Growth vs. Credit to Economy





**Qatar**  
**The Next Global**  
**LNG Hub**



# Qatar: Diversification Today, LNG Boom Tomorrow

**Qatar's reform-driven momentum strengthens the non-hydrocarbon outlook heading into 2026.** GDP growth is projected to accelerate from 2.7% in 2025 to 3.2% in 2026, with the non-oil economy leading the expansion at 3.7%. Trade and services remain the core engines, supported by a steady rebound in tourism—higher arrivals, rising occupancy rates, and a robust events pipeline building on the country's FIFA-era infrastructure.

The Third National Development Strategy (NDS3) adds further lift, shifting growth toward private-sector clusters in manufacturing, logistics, and tourism, while LNG sector investments continue to generate wide spillovers. Easing monetary conditions and lower financing costs should boost consumption and private credit through 2026.



Hydrocarbon growth remains more measured at 2.2% as the North Field East expansion pipeline faces a slower rollout, with meaningful LNG capacity gains expected only in H2 2026 and accelerating sharply thereafter—lifting output by 63% to 127 mtpa by 2028. Inflation stays exceptionally low: just 0.4% in 2025 amid rental and transport deflation, rising to a still-contained 1.4% in 2026. Fiscal performance will temporarily dip into a small deficit of under 1% of GDP in 2025–2026 as spending rises and energy receipts soften, but stronger LNG output from 2027 should restore surpluses. Public debt continues trending downward toward 38.4% of GDP, anchored by solid nominal growth and prudent fiscal management.

Key risks stem from weaker global energy prices, geopolitical flare-ups, and delays in LNG execution, though Qatar's large sovereign buffers, NDS reforms, and strong delivery record provide substantial resilience.





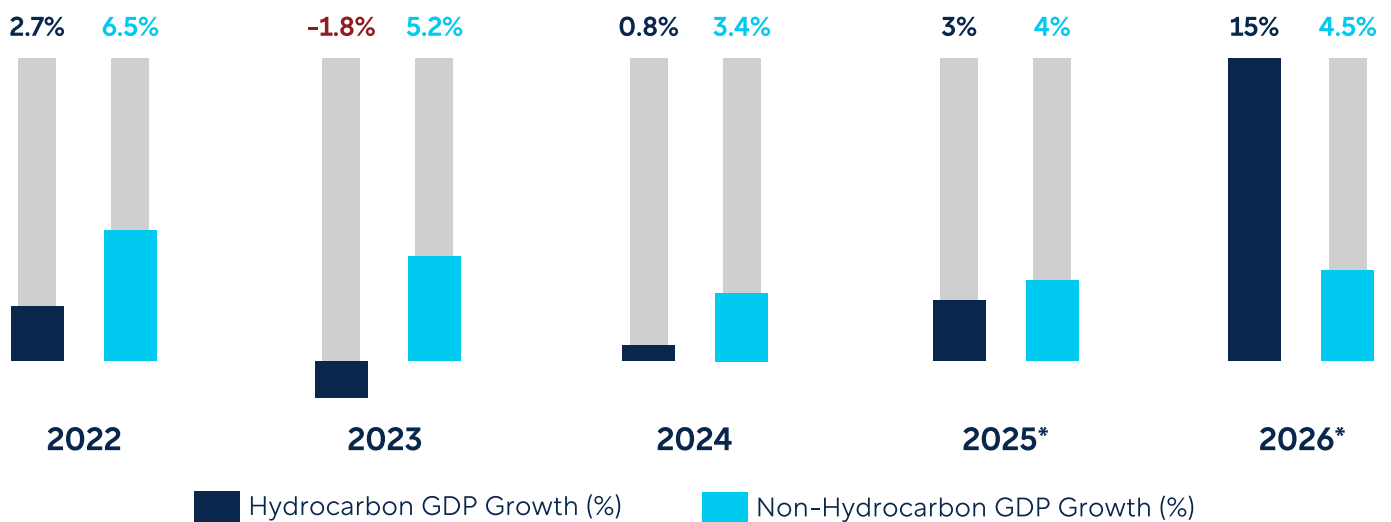
# Qatar: Diversification Today, LNG Boom Tomorrow

Qatar's economy is set to maintain steady momentum in 2026, supported by rising non-hydrocarbon activity and its continued dominance in LNG markets. Expansion under the North Field projects strengthens Qatar's position as a global energy anchor, while the Third National Development Strategy accelerates investment in manufacturing, logistics, tourism, and financial services. Easing borrowing costs and solid private-sector credit growth add further support, helping domestic demand recover as inflation remains one of the lowest in the region.

Yet vulnerabilities persist. The hydrocarbon sector is expected to grow only modestly in 2026 as new LNG capacity comes online later than originally planned, while weaker global growth and softer energy prices could weigh on export receipts.

Domestically, the challenge lies in balancing higher expenditures with temporarily softer revenues, pushing public finances into a small and likely short-lived deficit. Elevated geopolitical risks and uncertainty around global LNG competition also present headwinds. Qatar's trajectory for 2026—and beyond—hinges on its ability to translate its LNG expansion and reform momentum into a broader, more resilient growth model.

## Hydrocarbon vs. Non-Hydrocarbon GDP Growth (%): Sectoral Contributions to Economic Performance



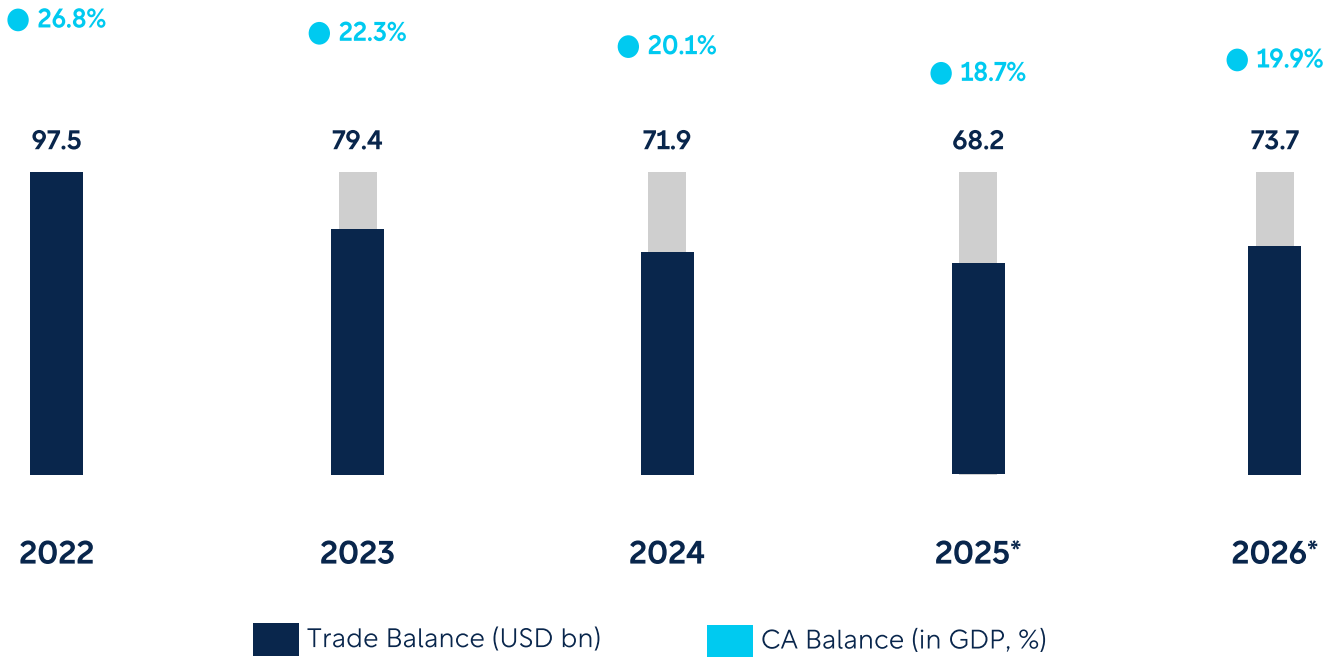
The key question is: can Qatar sustain its energy leadership while accelerating diversification fast enough to secure its position as one of the Gulf's most balanced and competitive economies?



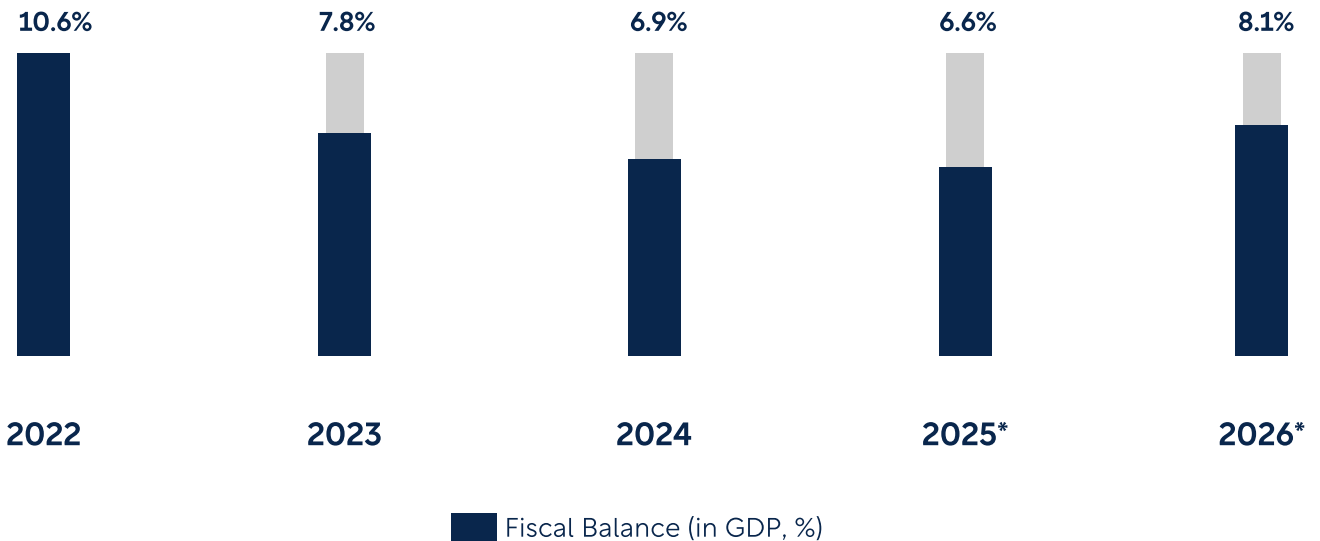


# Qatar: Diversification Today, LNG Boom Tomorrow

## Trade Balance vs. Current Account



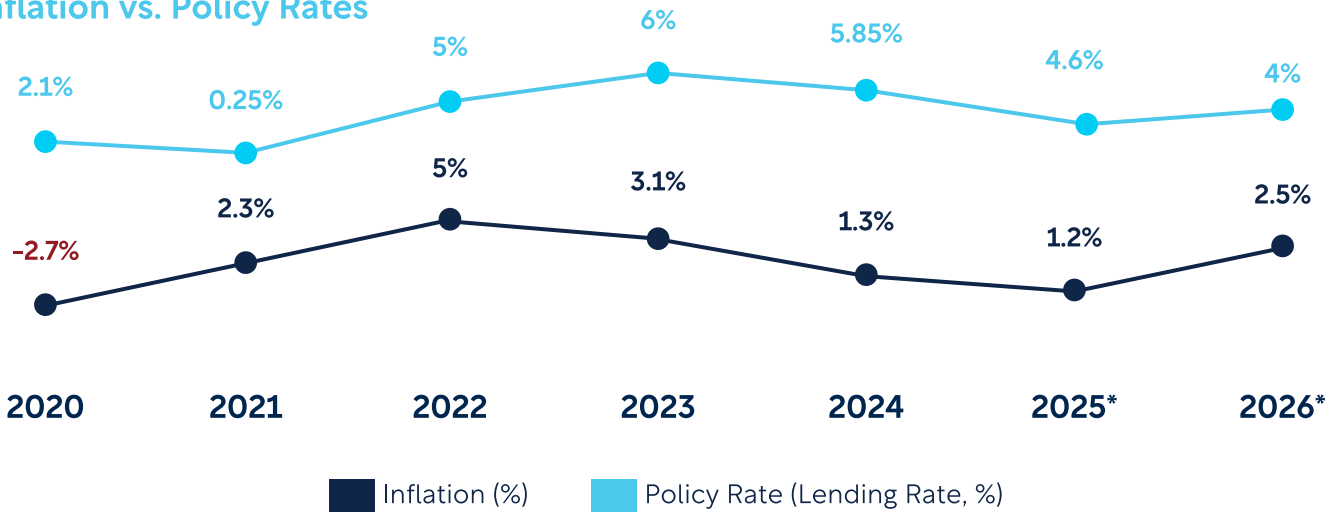
## Fiscal Balance (in GDP, %)



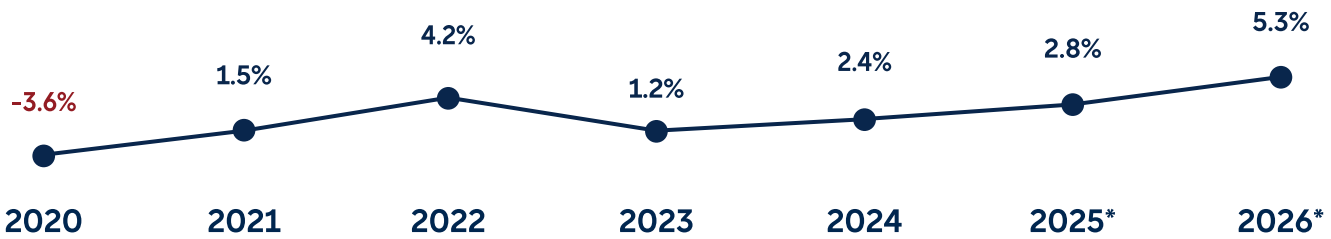


# Qatar: Diversification Today, LNG Boom Tomorrow

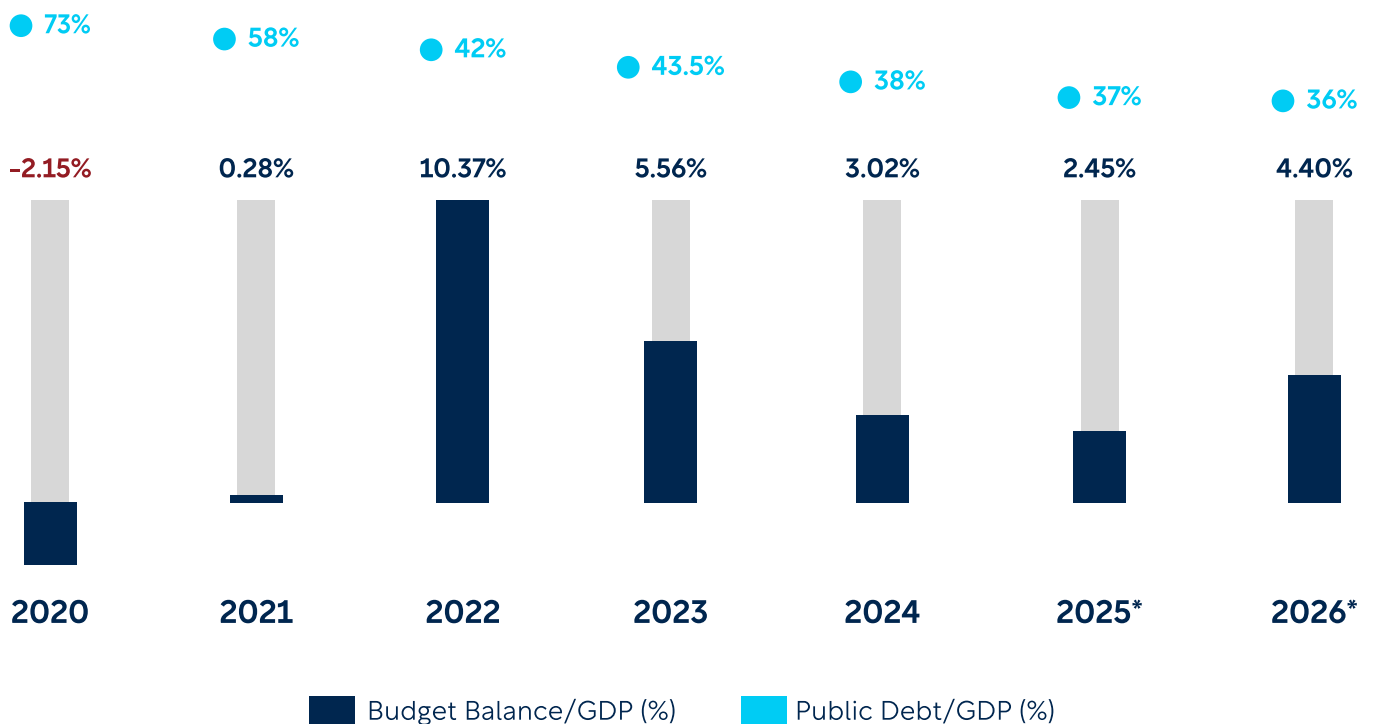
## Inflation vs. Policy Rates



## Real GDP Growth (%)



## Fiscal Dynamics: Budget Balance and Public Debt as % of GDP



The background of the slide features a photograph of ancient stone architecture, including several tall columns and a large archway, set against a clear blue sky. The image is framed by dark blue, semi-transparent geometric shapes that create a modern, layered effect.

# **Stability as a Strategy: Jordan's Shift from Resilience to Cautious Expansion**



## Jordan: Stability as a Strategy

**Jordan's economy continued to hold its ground through 2025, sustaining momentum in a region still defined by volatility and global uncertainty.** Real GDP expanded by 2.8% in Q2, keeping the Kingdom on a measured upward path toward a projected 2.9% in 2026. The shift is subtle but meaningful: Jordan is gradually moving from a defensive, stability-first stance to a phase of cautious expansion.

This trajectory reflects disciplined policy coordination, broader sectoral contributions, and a continued commitment to fiscal and structural reforms under the IMF program—providing the macro anchor needed to navigate an unpredictable regional landscape.

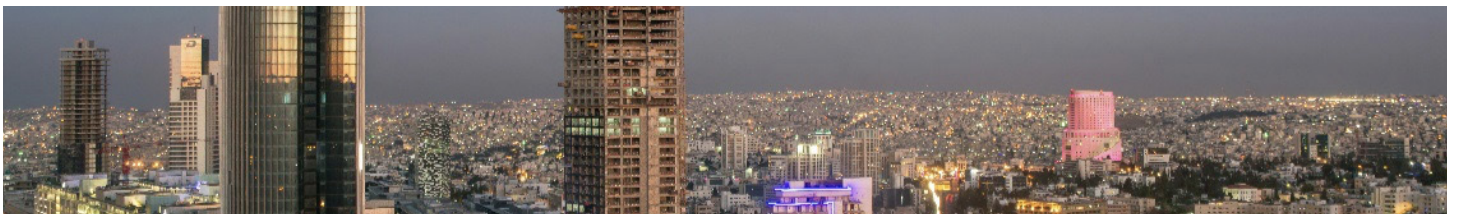
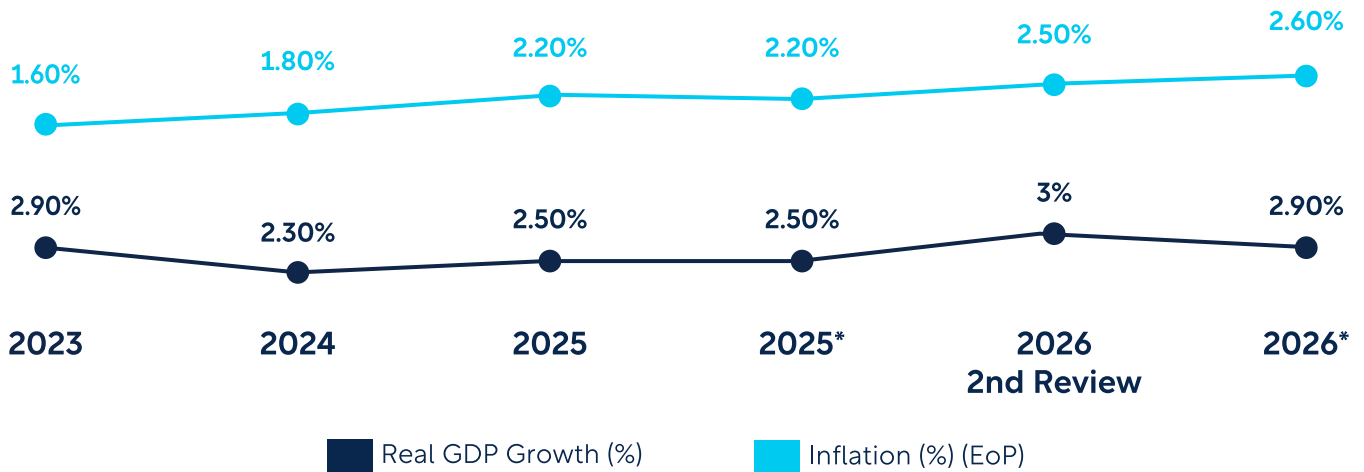




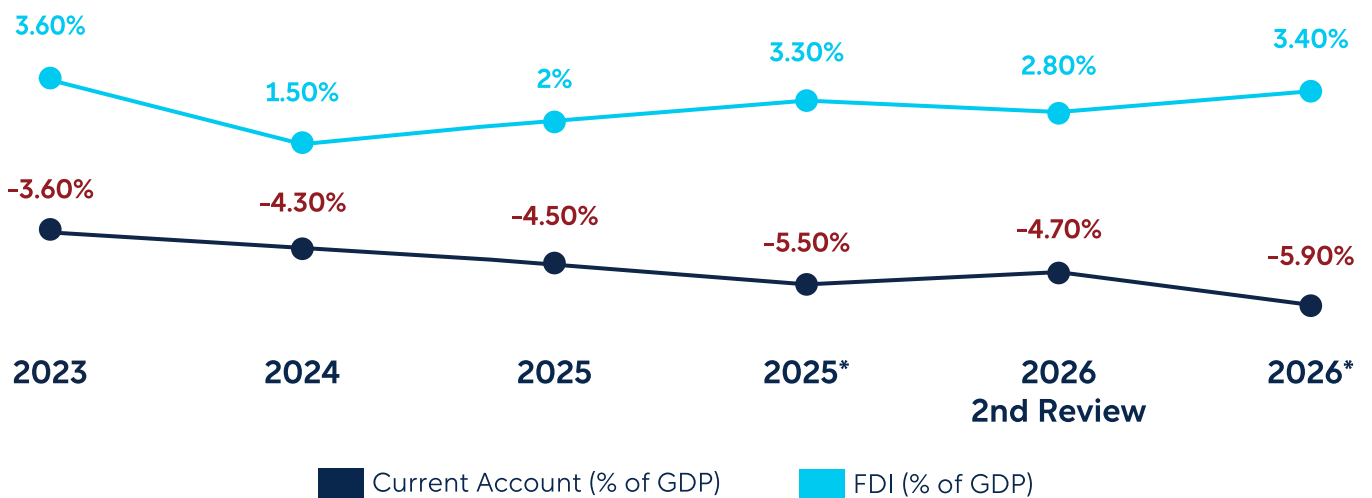
# Jordan: Stability as a Strategy

Jordan's economy in 2026 is projected to experience steady, stability-driven growth, supported by strong sectors like tourism, pharmaceuticals, and ICT, along with the early effects of major infrastructure projects such as the National Carrier and municipal development initiatives. Tourism continues to be a vital source of foreign exchange, benefiting from regional demand recovery and Jordan's reputation as a safe, culturally rich destination. Progress in business reforms and IMF-supported structural changes is gradually restoring investor confidence and attracting steady foreign direct investment.

## Real GDP Growth vs. Inflation (%)



## External Sector Performance (2023-2026)



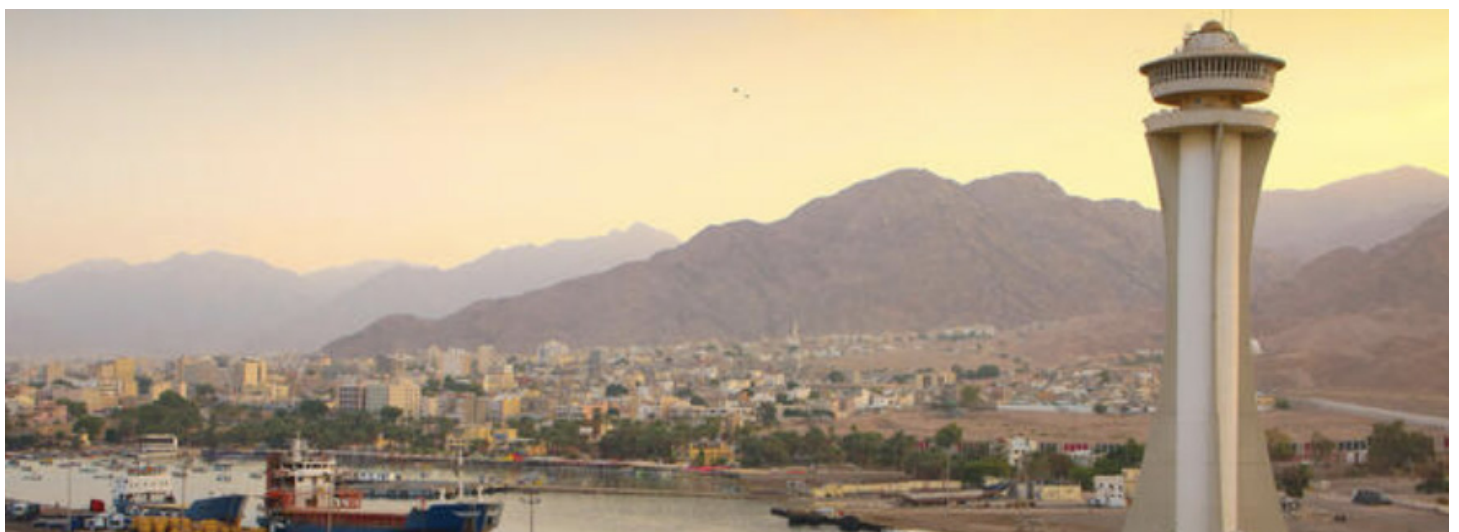
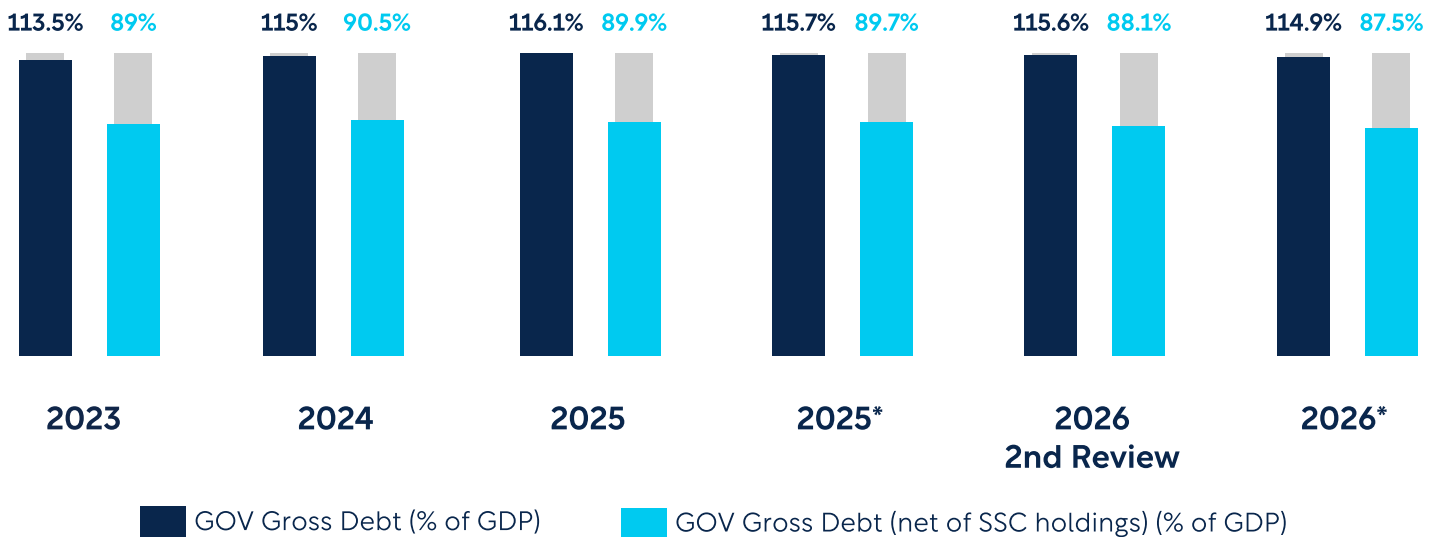


# Jordan: Stability as a Strategy

Nonetheless, challenges remain. High public debt and ongoing fiscal deficits restrict fiscal flexibility and limit government investment capacity. Rising energy costs, vulnerability to external shocks, and regional geopolitical tensions pressure fiscal and external balances. Structural unemployment, especially among youth, weighs on domestic demand and exacerbates social and economic vulnerabilities.

Jordan’s 2026 outlook depends on effectively balancing fiscal consolidation with growth. **The key challenge is transitioning from resilience to sustainable, investment-driven expansion.** Achieving this will require accelerating reforms, enhancing productivity, and increasing private sector involvement to reduce dependence on external support and position Jordan as a regional center for trade, services, and innovation.

## Fiscal Dynamics: Budget Balance (% of GDP)

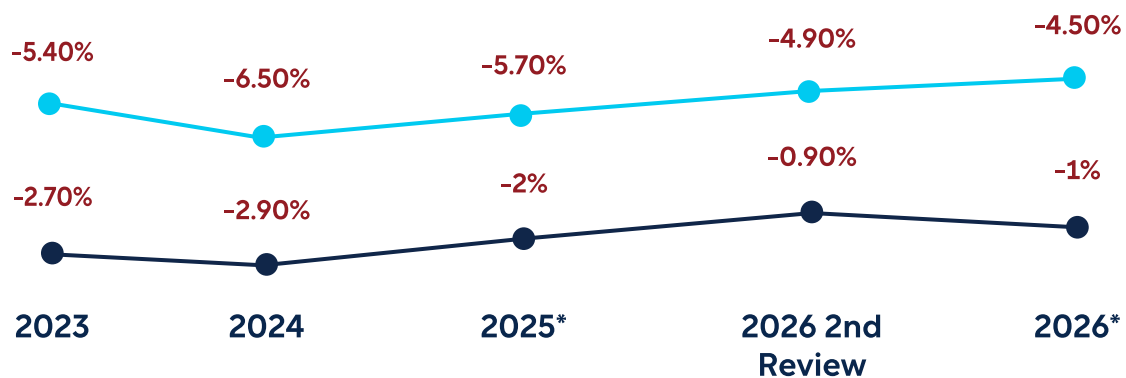




# Jordan: Stability as a Strategy

**Jordan's economic story in 2026 is not about acceleration — it is about controlled endurance.** While the Kingdom shares many of the same structural pressures as Egypt and Lebanon, including high debt, persistent trade deficits, reliance on imports and a currency peg, it has successfully avoided systemic crisis through consistent external backing and disciplined macro management. Nearly USD 0.5 bn in annual IMF support since 1989, alongside over USD 21 bn in Gulf aid and more than USD 1.45 bn in direct U.S. support through 2029, acts as a form of economic “rent” — stabilizing Jordan's balance of payments without fundamentally altering its structural limitations.

## Government Balance (% of GDP)



■ Overall Central Gov. Balance (% of GDP) ■ Primary Gov. Balance (exc. grants, NEPCO, WAJ) (% of GDP)

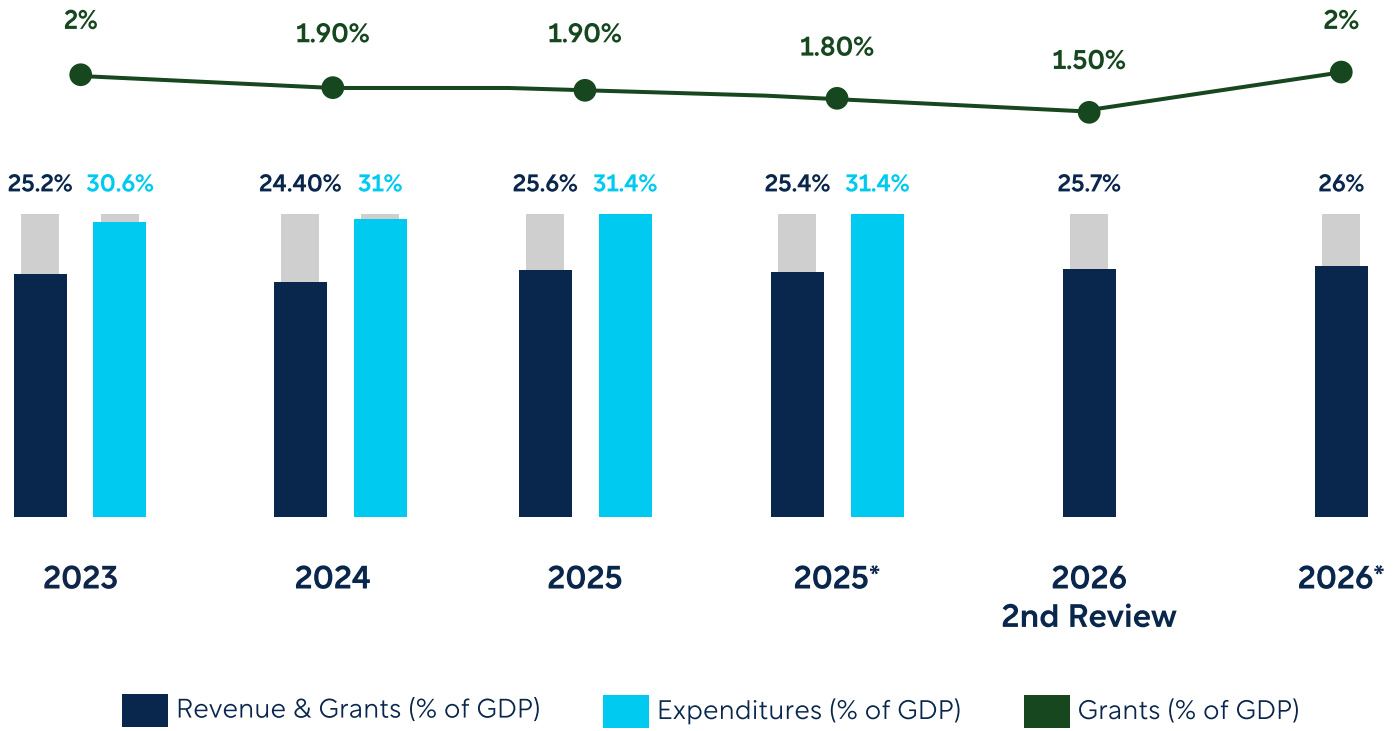
This external support is now translating into gradual fiscal improvement. The primary balance continues to strengthen, and the overall deficit narrows toward 4.5% of GDP by 2026, while revenues remain resilient at c.26% of GDP and expenditures show increasing discipline. However, with grants slowly declining and debt service absorbing a significant portion of spending, Jordan's true challenge is moving from stability financed by allies to stability earned through productivity. The Kingdom's strategic value is preserved through resilience — but unlocking long-term growth will require deeper private-sector expansion, export competitiveness, and reduced reliance on external lifelines.





# Jordan: Stability as a Strategy

## Revenue and Expenditure Composition (2023-2026)



# A World That No Longer Waits

**2026 is not about recovery, and it is not about collapse. It is about adaptation.** The global economy has entered a phase where uncertainty is not a shock — it is the baseline. Lower interest rates offer breathing room, but they do not reverse fragmentation, trade controls, or geopolitical recalibration. Capital is no longer chasing growth narratives; it is pricing resilience, credibility, and strategic positioning.

Across the GCC, policymakers are not reacting to this shift — they are leaning into it.

Saudi Arabia’s “deficits by design” reflect a conscious choice to convert financial strength into long-term scale and industrial depth. The UAE is compressing timelines, monetizing agility to secure leadership in AI, finance, and logistics. Qatar is absorbing short-term volatility to lock in structural LNG dominance, while Oman’s reform story continues to translate into credibility. Egypt, after years of adjustment, is moving from stabilization toward selectivity — supported by FX reform, Gulf capital, and improving external buffers. Different models, same logic: spend with intent, not urgency.

The real divide heading into the next decade will not be between high-growth and low-growth economies. It will be between those that build early under uncertainty and those that wait for clarity that never comes.

In a world shaped by blocs rather than globalization, the premium will go to economies that can convert balance-sheet strength, geopolitical relevance, and institutional discipline into durable advantage.

**This is no longer about timing the cycle —  
It is about positioning for the map that is already being drawn.**

