Economic Divergences in the Middle East: Insights from Goldman Sachs' CEEMEA Report

BLOMINVEST BANK S.A.L.

September 17, 2025

Contact Information

Jana Boumatar

jana.boumatar@blominvestbank.com

The September 2025 *CEEMEA Economics Analyst* report by Goldman Sachs provides an in-depth assessment of economic prospects across Central and Eastern Europe, the Middle East, and Africa (CEEMEA), at a time when global trade frictions and heightened U.S. tariff policies are reshaping regional dynamics. The report highlights how rising protectionism, currency movements, and shifts in inflationary pressures are affecting both growth potential and policy trajectories. Within this broad context, Goldman Sachs draws attention to several key economies in the Middle East and North Africa, including the Gulf Cooperation Council (GCC) states, Egypt, and Lebanon, offering insight into their growth outlooks, inflation trends, and reform progress.

The GCC region continues to navigate fiscal pressures arising from lower oil revenues. Saudi Arabia's budget deficit widened sharply in the first half of 2025, reaching US$24.9 billion compared to just US$7.4 billion a year earlier, due to a 25% decline in oil revenues. Despite this, Goldman Sachs notes that financing remains manageable, with the Kingdom relying on both domestic and international borrowing. However, uncertainties linger over the financing of ambitious Vision 2030 "Giga projects," as reports suggest potential scaling back of the original US$1 trillion investment target.

Across the GCC, broader risks stem from U.S. tariff-induced global economic uncertainty and regional geopolitics, particularly tensions between Israel and Iran. Yet, despite fiscal strains, non-oil activity in Saudi Arabia remains robust, growing above 5% year-on-year, highlighting a degree of resilience.

To better illustrate the regional growth outlook, Goldman Sachs provides GDP forecasts for 2025 and 2026, benchmarked against potential growth levels.

GDP (% YoY)			
Country	**2025**	**2026**	**Potential Growth**
Egypt	4.5	4.7	6.1
Lebanon	2.3	3.9	4.7
Bahrain	2.2	2.2	3.0
Kuwait	4.4	1.5	1.7
Oman	1.4	1.4	1.4
Qatar	2.1	5.5	1.0
Saudi Arabia	4.5	3.7	2.7
UAE	4.6	4.6	2.3

Source: Goldman Sachs Global Investment Research, Bloomberg, FocusEconomics

In Egypt, the Central Bank's aggressive 200 basis-point rate cut in August 2025 underscored a shift from excessively tight monetary policy. Real policy rates had hovered around 12% before the cut, but remain comparatively high even after easing. Goldman Sachs anticipates an additional 800 basis points of cuts through the end of 2026, consistent with its view that Egypt's currency is well-supported by last year's devaluation and solid external financing buffers.

The IMF programme remains central to Egypt's outlook. While performance on most criteria has been positive, privatization efforts have lagged, and the coming reviews will test the government's credibility. Inflation risks remain, particularly from further administered price adjustments, but the medium-term trajectory points to disinflation - from 14.2% in 2025 to 10.9% in 2026.

Lebanon emerges as one of the most complex cases in the report. On the one hand, cautious optimism stems from reforms under Prime Minister Nawaf Salam's government, notably the passage of the Bank Secrecy and Bank Restructuring Laws. Goldman Sachs interprets these as credible steps towards regaining investor confidence and progressing toward an IMF deal, estimating potential debt recovery values at 25 cents on the dollar in the event of successful restructuring.

Yet, formidable challenges persist. The most pressing is the "Gap Law," which must address the banking system's estimated US$60 billion shortfall. The political economy of loss distribution between the Banque du Liban, the state, depositors, and shareholders remains highly contentious, stalling meaningful consensus. Without resolution, restructuring efforts risk paralysis.

A second, even more politically sensitive hurdle is the government's pledge to disarm Hezbollah. Goldman Sachs stresses that while a military solution is unrealistic, a framework of political and economic incentives, potentially supported by the U.S. and GCC, is under consideration. Nevertheless, Hezbollah's refusal to engage, citing continued Israeli occupation and raids, underscores the difficulty of implementing such a strategy. Goldman Sachs concludes that disarmament is a necessary precondition for international financial support, and thus central to unlocking an IMF programme and eventual debt resolution.

The economic reconstruction burden adds further weight. Damage from the Israel-Lebanon conflict (US$3.4 billion), the 2020 Beirut port explosion (US$4.6 billion), and prior infrastructure deficits leave financing needs of around US$15 billion. The expectation is that GCC financial support, alongside multilateral funding, will be critical in addressing these gaps.

On the macroeconomic side, Goldman Sachs forecasts modest GDP growth - 2.3% in 2025, rising to 3.9% in 2026, below potential growth of 4.7% - alongside persistently high inflation, projected at 14.7% in 2025 and 15% in 2026. This combination of subdued growth and persistently high inflation highlights Lebanon's structural fragility: while reforms signal progress, debt restructuring, political stabilization, and reconstruction financing remain the ultimate determinants of recovery.

Goldman Sachs' inflation forecasts further underscores Lebanon's structural fragility. While GCC economies are projected to sustain price stability, and Egypt is expected to gradually reduce inflation, Lebanon remains an outlier with persistently high double digit inflation.

CPI (% YoY)			
Country	**2025**	**2026**	**Medium-Run Assumption**
Egypt	14.2	10.9	10.0
Lebanon	14.7	15.0	10.3
Bahrain	-0.3	-0.4	2.0
Kuwait	2.4	2.0	2
Oman	0.8	1.0	1.2
Qatar	0.3	2.2	0.8
Saudi Arabia	2.2	2.0	1.8
UAE	1.8	2.1	2.1

Source: Goldman Sachs Global Investment Research, Bloomberg, FocusEconomics

In conclusion, Goldman Sachs' outlook situates Lebanon within a broader regional context marked by trade shocks, monetary easing, and fiscal recalibration. While GCC states can lean on hydrocarbon revenues and Egypt is advancing cautiously with IMF support, Lebanon faces a more existential challenge. The country's trajectory hinges on resolving its banking crisis, achieving political consensus on Hezbollah, and mobilizing international support for reconstruction. Without progress on these fronts, the reform momentum achieved so far may prove insufficient to stabilize the economy. Thus, Lebanon faces a fragile recovery.

For your Queries:
BLOMINVEST BANK s.a.l.

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Jana Boumatar

jana.boumatar@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com