April 2021

Economic Outlook: GCC & Egypt

2021-2023

National Bank of Kuwait
Economic Research Department

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GCC & Egypt Outlook

The world is still struggling with the COVID-19 pandemic for more than a year after it first struck. While risks remain, a way out of this health and humanitarian crisis looks more promising now. With ongoing vaccination programs, we see a modest economic recovery in the GCC over 2021-23 but not to levels that would create sufficient employment opportunities, or address stressed public finances. Once the virus is contained, attention needs to shift to the same long-standing reform priorities that aim to free the region from the "oil trap". Authorities need to focus on medium-term fiscal sustainability, education and labor market reforms, and more important on making the private sector the locomotive of economic growth.

International setting

The world is still reeling from the pandemic since it emerged early last year. Delays in recognizing the severity of the problem and less than ideal international coordination have caused the virus to linger much longer than had been expected. But hopes are rising that beating the virus seems now closer. After a slow start, the US accelerated its vaccination program early this year, while progress in Europe has been uneven with the UK in the lead while others are trailing amid a third wave of infections and renewed restrictions (France, Italy). Vast vaccination discrepancies between developed and developing countries are also complicating factors: it is not fully over anywhere until it is over everywhere.

With more vigorous vaccination programs and strong policy support, the IMF revised its growth projections upward for most economies. For 2021, global growth is now projected at 6%, with the US and China sprinting to 6.4% and 8.4%, respectively. The Euro area will rebound at a slower pace (4.4%), while emerging and developing economies will likely fare better at 6.7%.

With massive fiscal support in much of the developed world (spend whatever it takes) and less so in emerging and developing countries (spend whatever they can afford), post-pandemic, the world could face two main challenges: soaring public debt, and a likely return of inflation. A sooner-than-expected tightening of monetary policy prompted by a sudden rise in inflation could derail the growth momentum and rattle financial markets, which have been riding high on the Fed's repeated promises to keep monetary policy loose until actual data suggest otherwise. A possible rise in interest rates will hit emerging markets especially hard, fueling capital flight and higher debt service costs.

GCC countries to witness modest recovery this year

GCC countries' responses to the pandemic were more of a monetary nature. Yet, with lower output and somewhat higher spending, the public debt-to-GDP ratio could reach 40% in 2020 (from 29% in 2019). We estimate GCC growth at 1.5% this year, weighed down by lower oil production, then averaging 3.5% in 2022-23. The fiscal and external positions will also improve.

Medium-term policy priorities

While the public indebtedness has risen somewhat in the GCC, unlike many other emerging markets, it remains manageable (or very low e.g. Kuwait), backed by large financial buffers except for Bahrain and Oman. A rise in US interest rates would trigger a similar response in most GCC countries, affecting adversely private sector credit demand, though this will likely be limited given the observed low sensitivity of credit demand to interest rates. So on both challenges, the region could emerge with little residual scarring from the pandemic especially if higher global growth spurs oil demand, at least in the short term.

However, the pandemic has interrupted ongoing adjustment programs and delayed the start of new ones, but in both cases, more adjustment will be needed to compensate for the time lost. Post-Covid, countries will have to redirect their energy and efforts to the same pre-pandemic long-standing issues: boosting private sector activity to free themselves from the "oil trap" while keeping macroeconomic conditions sound. Analysts may differ as to when the demand for oil will peak, but few disagree that it eventually will. The push for cleaner energy and a greener environment has moved on to the point of no return.

An eventual decline in oil revenues will pressure public finances and squeeze existing financial buffers, much sooner for some countries than others. Fiscal adjustment is needed to redress public finances and reduce post-oil intergenerational inequity, for which sovereign wealth funds were created in the first place. The nature of the adjustment requires time and perseverance, hence the need to start early and plan long term.

Private sector growth remains one of the best means to boost growth, relieve fiscal pressures, contain debt and create much-needed jobs for the millions of new entrants into the labor force. Some countries have gone a long way in this direction (KSA, UAE), but all could still benefit by pushing the reform agenda further. The education system should adapt to a more automated world to close the skills mismatch between what the private sector needs and what the educational institutions produce. Recalibrating wages and incentives toward more favorable conditions in the private sector will also help. And so will opening up further the economies to foreign investment by creating a level playing field and improving the overall business environment. In this context, labor market reforms auspicious to private sector growth should be pursued, while nationalization of the labor force should proceed cautiously to avoid any relapse in productivity and growth.

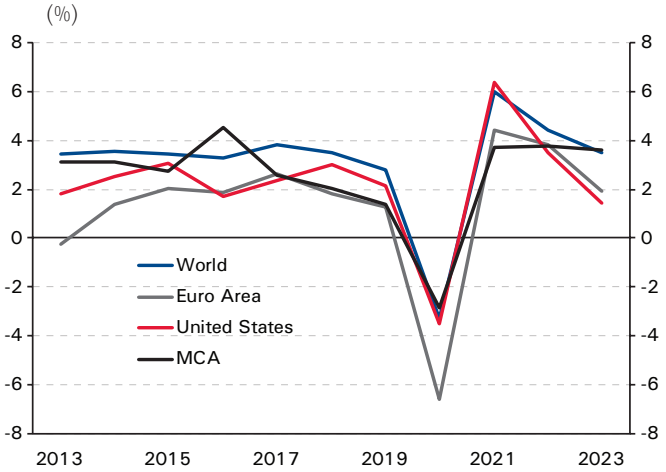
As for Egypt, it has shown some resilience in the face of the pandemic supported by stronger macroeconomic foundations and is expected to grow at a healthy 5.5% next year. However, there is a need to keep the public debt under watch as it is approaching perilous territory. Structural reforms aimed at raising the share of the private sector in economic activity should help growth, create jobs and reduce poverty.

GCC key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ trillion	1.6	1.4	1.6	1.6	1.7
Real GDP	% y/y	0.6	-5.2	1.5	3.7	3.4
- Oil	% y/y	-1.5	-6.6	-0.8	5.1	3.8
- Non-oil	% y/y	2.1	-4.2	2.9	3.0	3.2
Inflation	% y/y	-1.0	0.7	1.6	1.6	1.7
Fiscal balance	% of GDP	-3.6	-10.9	-4.9	-2.8	-2.1
Current account bal.	% of GDP	5.5	-2.4	1.6	2.3	2.7
Public debt	% of GDP	29.0	39.4	41.1	42.2	42.2

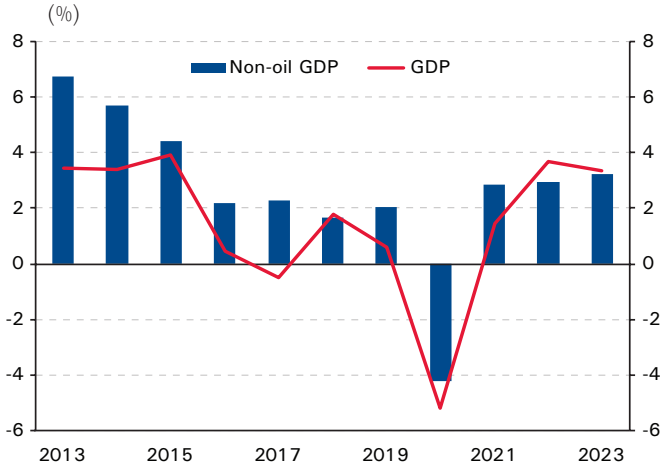
Source: Official sources, NBK estimates

Chart 1: International GDP



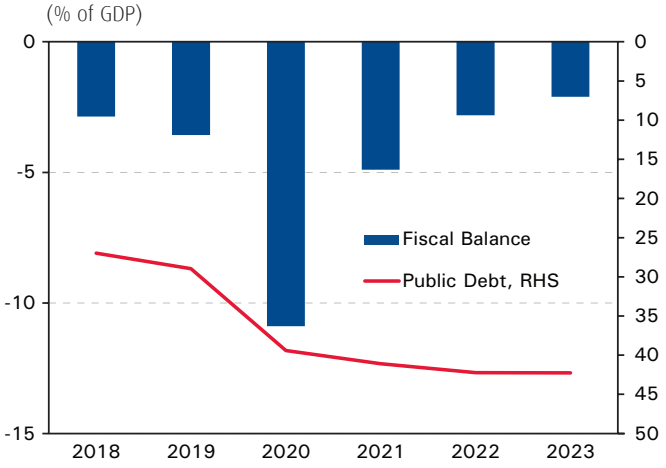
Source: International Monetary Fund, WEO October 2020

Chart 2: GCC real GDP



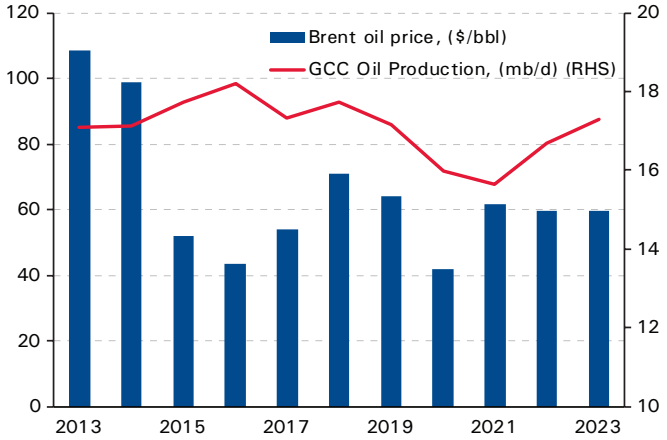
Source: Official sources, NBK estimates

Chart 3: GCC fiscal balance



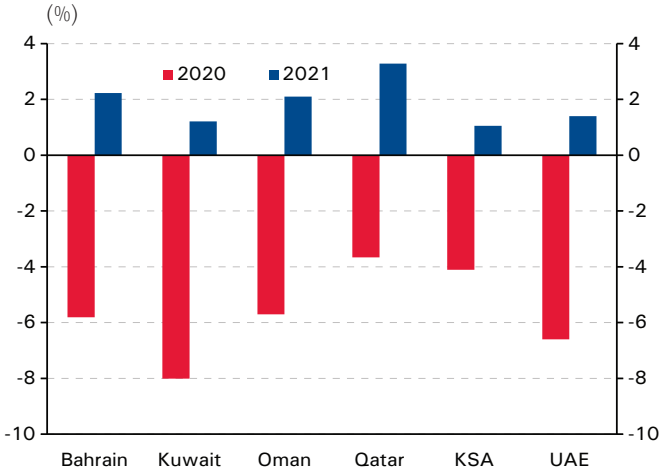
Source: Official sources, NBK estimates

Chart 4: Brent oil price & GCC oil production



Source: EIA, OPEC, NBK estimates

Chart 5: GCC GDP growth by country



Source: OPEC, NBK estimates

Bahrain

The economy will see a return to moderate growth this year at around 2%, with the ease in restrictions helped by a rapid vaccination rollout. The fiscal deficit is expected to narrow, reaching 7.2% of GDP in 2021 while averaging 4% of GDP in 2022-23, down from an estimated 13% in 2020. Debt levels will remain above 100% of GDP during the forecast period, making fiscal adjustment a priority once the impact of the crisis subsides, including a medium-term goal of balancing the budget which should help put debt on a downward path. Meanwhile, inflation will pick up but only to about 1% in 2021 mainly due to sluggish real estate rents.

Gradual post-pandemic recovery

Economic recovery is expected to be gradual with GDP up 2% in 2021, then a stronger 3.9% on average over the medium term. (Chart 1.) Our outlook reflects the expected recovery in the non-oil sector, which contracted by 7.1% in 2020 led by falls in the hospitality, telecommunications and transportation sectors. Non-oil growth is seen at 3.6% in 2021 assisted by rapid vaccine deployment – which stood at around one-quarter of the population by mid-March and could reach above the 60% threshold by the end of August as Bahrain ranked as one of the top performers on vaccination rollout. Moreover, the expansion of Bapco's oil refining capacity (expected completion in 2022) could help lift non-oil growth to around 3.3% over the medium term. However, the recovery in the hospitality sector (around 7% of GDP) to pre-crisis levels could be delayed to beyond 2023 as it hinges more on the global path of the pandemic and unwinding lockdowns.

Oil GDP is expected to fall by 4.4% in 2021 following the estimated rise of 2.9% in 2020. The decline reflects the anticipated fall in oil production by 5.9% on average in 2021 to 175,000 b/d due to the OPEC+ agreement. Over the medium term, oil production is likely to increase to around 200,000 b/d in 2023, while gas output is estimated to grow by 5% annually, reflecting the gradual pickup in global energy demand with the development of the Khalij al Bahrain field and gas reservoirs.

Modest inflation over the medium term

Monetary policy will remain accommodative over the medium term; with interest rates typically tend to move in line with the US policy rates given the pegged exchange rate regime. Inflation was negative at -2.3% in 2020 but could increase moderately in 2021 due to weaknesses in real estate after the fall in expat population by 2.9% in 2020. Government stimulus that have supported the economy so far could be gradually withdrawn in 2022. Inflation could increase mildly over 2022-23 at 1.2%, up from -2.3% in 2020 (Chart 2.). In addition, the loan installment deferment (until June 2021) will provide some support to domestic demand this year. Retail banks' credit to the private sector could rise by 3.6% during 2021-23, boosted by economic recovery and government support policies (Chart 3).

Fiscal reforms to help lower the debt ratio

The dual shock of Covid-19 and the plunge in oil prices worsened the fiscal position with the deficit estimated at 13% of GDP in 2020. The government fiscal and monetary packages estimated at BHD 4.5 billion, or 34% of GDP (BHD 3.7 billion of which for raising the central bank loan facilities, allowing instalments to be deferred and credit to be extended) while the rest include salary payments for Bahrainis, waiving utility bills and municipality fees. These measures are expected to increase spending by BHD 0.9 billion compared to 2020 budget. However, the so-far high rate of vaccination deployment could allow economic support measures to be withdrawn faster. The budget for 2021-22 is estimating a deficit of $3.2 (around 9% of GDP) billion on slightly lower recurrent spending while increasing capital spending by 35% to $0.7 billion. However, we expect the deficit to decline to around 7.2% of GDP in 2021, and to an average of 4% of GDP in 2022-23 on higher oil revenues and non-oil economic recovery (Chart 4.).

Public debt is estimated at 112% GDP in 2020 and will stay above 100% over 2022-23. The government was successful in retaining market access with a total of $5.5 billion in medium and long-term bonds and Sukuk in 2020 at favorable pricing at yields ranging from 3.95-7.38% given Bahrain's non-investment credit rating. Nevertheless, we expect an easing in financing needs due to the government's commitment under the $10 billion aid package from some GCC neighbors in 2018 to consolidate its budget, though the target of balancing the budget by 2022 is no longer feasible.

Foreign reserves could recover over the medium term

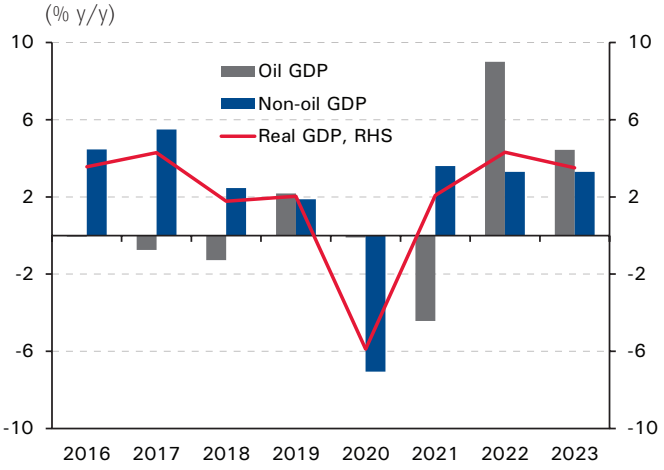
Higher oil prices are expected to decrease the current account deficit to around 3.8% of GDP over the forecast period, up from 9.6% in 2020, with non-oil exports rising alongside the rebound in the non-oil economy. This will help to replenish central bank foreign reserves, which stood $2 billion (less than 3 months of imports) in December 2020 (Chart 5). Medium-term risks to the economy include a slower economic recovery linked to virus pressures, inadequate fiscal adjustment and possible changes in the credit profile rating, making medium-term debt sustainability harder to achieve.

Bahrain Key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ billion	39	35	36	39	42
Real GDP	% y/y	1.9	-5.8	2.1	4.3	3.5
- Oil	% y/y	2.2	-0.1	-4.4	9.0	4.4
- Non-oil	% y/y	1.9	-7.1	3.6	3.3	3.3
Budget balance	% of GDP	-4.7	-12.8	-7.2	-4.4	-3.5
Current account	% of GDP	-2.1	-9.4	-3.5	-4.1	-3.8
Headline inflation	% y/y	1.0	-2.3	0.9	1.0	1.4
Public Debt	% of GDP	93.6	111.3	111.9	106.9	102.1

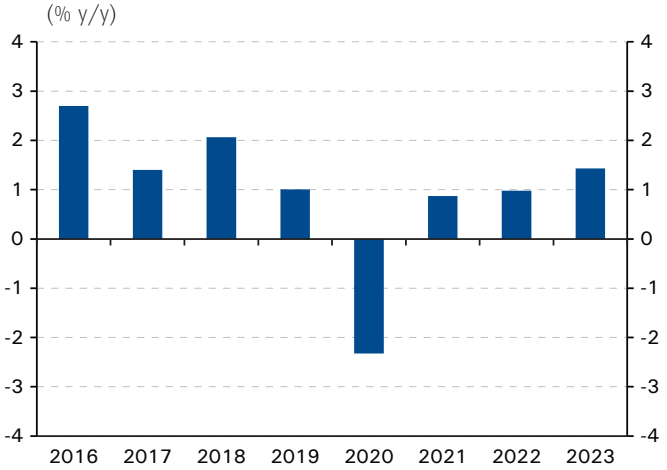
Source: Official sources, NBK estimates

Chart 1: Real GDP



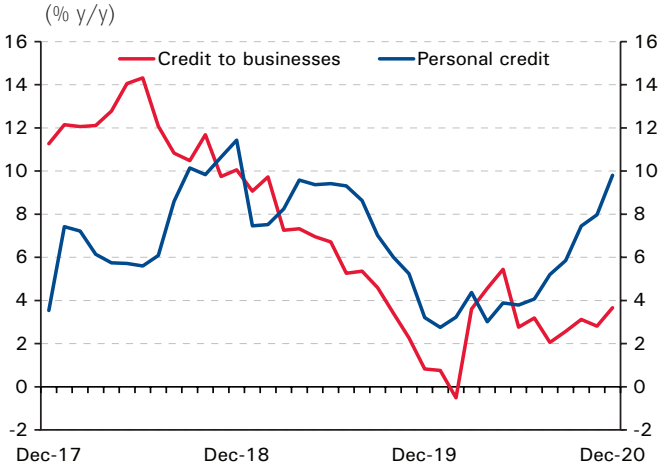
Source: Information & e-government Authority, NBK estimates

Chart 2: Headline inflation



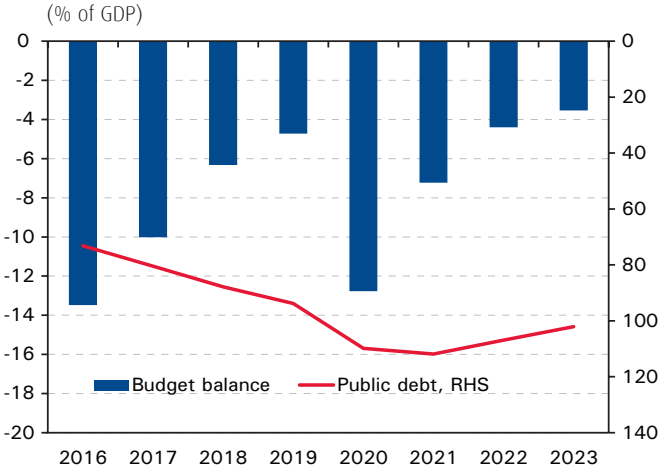
Source: Information & e-government Authority, NBK estimates

Chart 3: Credit to businesses & personal credit



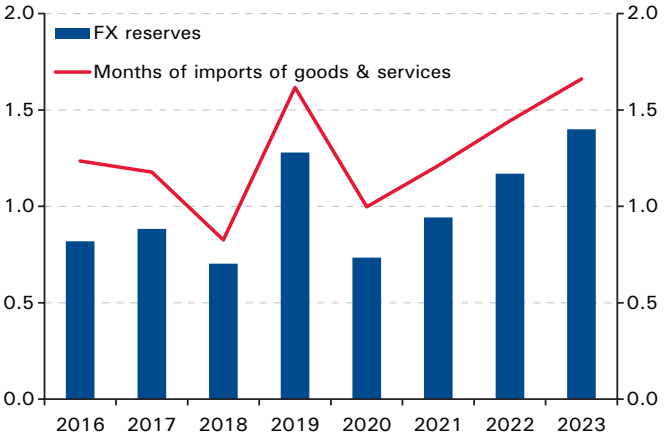
Source: Central bank of Bahrain, NBK estimates

Chart 4: Budget balance and public debt



Source: Ministry of finance, NBK estimates

Chart 5: Central bank foreign reserves



Source: Central Bank of Bahrain, NBK estimates

Kuwait

Economic growth is slowly returning following last year's pandemic-linked contraction, with private and government consumption as well a higher oil price driving the rebound. Fiscal sustainability is in the spotlight amid a sixth consecutive and record fiscal deficit in FY20/21 and liquidity constraints made more acute by the absence of a debt law. Higher oil prices could provide fiscal space with which to enact macroeconomic and structural reforms, though this will require closer executive-legislative cooperation.

Economic activity recovering from pandemic-hit 2020

Kuwait's economy is slowly emerging from the economic dislocation caused by the coronavirus pandemic in 2020. GDP fell by an estimated 8% last year—the steepest decline in output since the 2009 financial crisis—as businesses were shuttered, staffing levels cut, projects halted and incomes pressured amid a precipitous drop in oil prices. (Chart 1.) Pandemic-related policy support, especially for SMEs, was also limited and centered mainly on debt repayment.

Growth prospects have improved with the lifting (until recently) of most restrictions. Consumer sentiment is more upbeat, and pent-up demand has boosted consumer spending growth, which stood at 20% y/y in February (KNet data). Bank credit to households is increasing at the fastest pace since mid-2018. (Chart 2.) After a lackluster 2020, the projects market should gain a little more traction over the forecast period, helped by greater private sector buy-in. Though the re-imposition of a partial curfew in March and the uncertain pace of vaccinations will be worth watching, non-oil growth should recover to about 4% this year before normalizing at 2.5% in 2022.

Oil GDP (in its broadest definition) should rise by 1% this year and by 7% in 2022 as crude oil production increases in line with the easing of OPEC+ cuts and the full commissioning of the Clean Fuels and New Refinery Projects, which should double Kuwait's refining capacity. Gains in both Jurassic light and Lower Fars heavy crude output will help offset some of the decline in production capacity due to the ageing Burgan field. (Chart 3.)

Fiscal sustainability in the spotlight amid tighter liquidity

Last year's twin Covid-19 and oil price shocks led to a record and sixth consecutive fiscal deficit of KD8.9bn (28% of GDP). Financing the deficit and achieving fiscal sustainability has taken on greater urgency following the near depletion of the General Reserve Fund (GRF), the inaccessibility of the Reserve Fund for Future Generations (RFFG), Kuwait's sovereign wealth fund (SWF), and the absence of parliamentary approval for a new debt law. While the authorities have been able to buy themselves some time through cuts in capex, asset swaps between the GRF and the RFFG and moves to reschedule more than $20bn in accrued dividends with state oil company KPC, systemic fiscal reforms are imperative.

The government unveiled an expansionary budget for FY2021-22 that sees spending rising by 7% y/y (budget-on-budget), revenues by 45% and the deficit widening to KD12.1bn. We see the deficit narrowing, however, to KD6-7bn (17% of GDP) this year and further to 10% of GDP by 2023 due to a combination of spending restraint and greater oil revenues thanks to higher oil prices. (Chart 4.) Tapping new non-oil revenue sources, however, appears limited to possible excise duties and the VAT.

We do believe that the debt law will pass this year, which should alleviate some of the liquidity pressures. There is also an economic case for deficit financing via debt issuance rather than reserve drawdowns in the current low interest rate environment. Moreover, public debt, at KD3.8bn (12% of GDP) at end-2020, is the lowest in the region so there is ample scope.

The current account looks to have performed better than expected in 2020, benefitting from higher investment income and a rebound in oil export revenues to register a surplus of 4% of GDP. Foreign reserve assets at CBK were stable at $47.5bn (42% of GDP) at end-2020, providing more than 12 months of import cover. Financial buffers are substantial with more than $550bn of assets held by the aforementioned SWF.

Inflation rising on rebounding consumer demand

Inflation almost doubled in 2020 to 2.1% due to pandemic-linked supply-chain issues, higher international food prices and pent-up consumer demand after lockdown measures were eased last summer. Expatriate departures and income impairments during the pandemic have not materially affected residential rents in the CPI index. Inflation will remain low, but could reach 3% in 2022 as the economy recovers and assuming a possible rollout of a 5% VAT in 2022-23. (Chart 5.) Monetary policy is likely to remain accommodative over the forecast period (the discount rate was cut by 1.25%, to 1.5% last year in March) in line with a dovish US Fed policy stance.

Oil dependence and policy stasis the main risk factors

Acute sensitivity to oil prices (almost 90% of export and fiscal revenues are oil-derived) and the absence of systemic economic reforms due to legislative impasse are the primary risks weighing on the outlook. A medium-term fiscal framework in the context of a comprehensive economic plan is needed to attain fiscal sustainability and maintain Kuwait's good standing with credit rating agencies and investors. While relations between the new parliament and the government are currently strained, stronger collaboration can expedite Kuwait's diversification agenda.

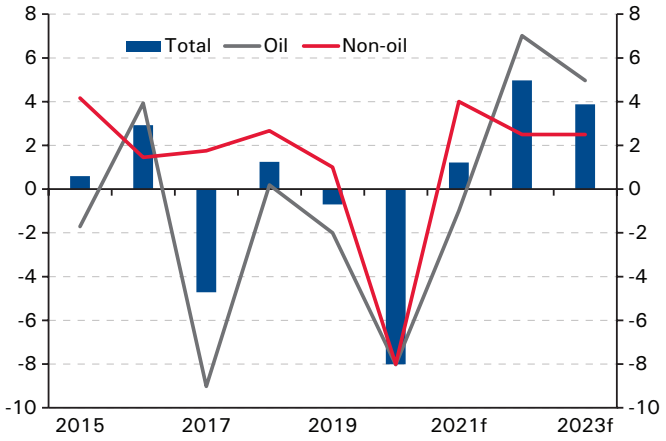
Kuwait key economic indicators

		2019	2020f	2021f	2022f	2023f
Nominal GDP	$ billion	136	104	124	132	140
Real GDP	% y/y	-0.7	-8.0	1.2	5.0	3.9
- Oil*	% y/y	-2.0	-8.0	-1.0	7.0	5.0
- Non-oil	% y/y	1.0	-8.0	4.0	2.5	2.5
Budget balance (FY)	% of GDP	-9.5	-28.0	-17.0	-12.0	-10.0
Current act. balance	% of GDP	16.3	4.0	13.0	13.0	13.0
Inflation	% y/y	1.1	2.1	2.5	3.0	3.0
Public Debt	% of GDP	10.0	11.8	17.8	24.3	30.0

Source: Official sources, NBK estimates * Includes refining

Chart 1: Real GDP

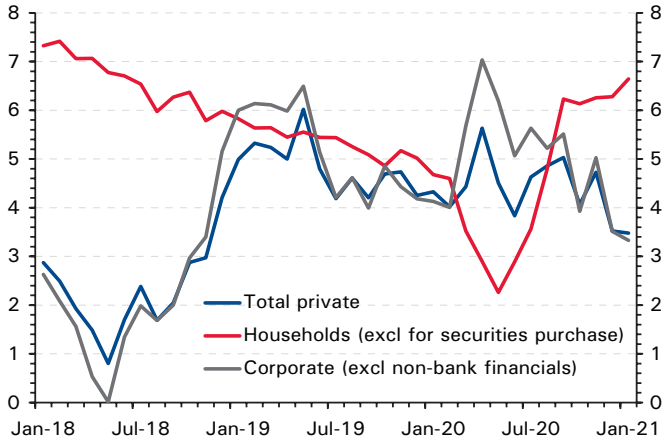
(% y/y)



Source: Central Statistical Bureau (CSB), NBK forecasts

Chart 2: Private credit to residents

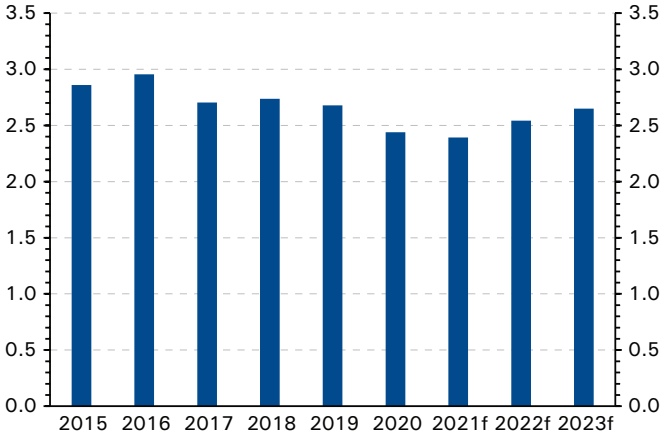
(% y/y)



Source: Central Bank of Kuwait

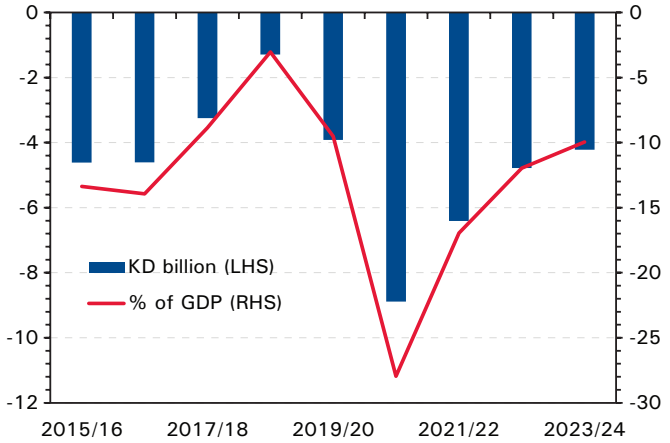
Chart 3: Crude oil production

(million barrels per day, mb/d)



Source: OPEC, NBK forecasts

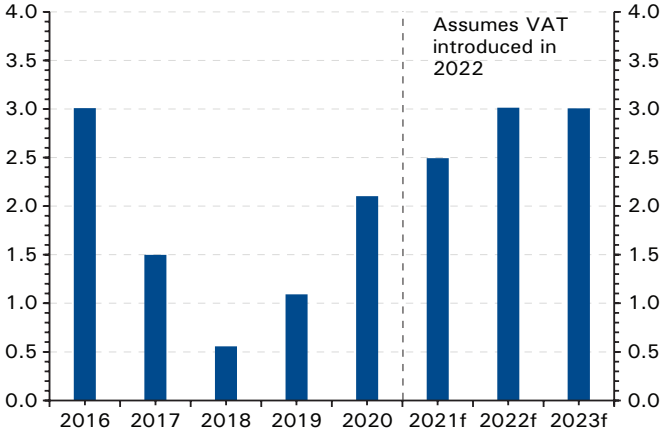
Chart 4: Fiscal balance



Source: Kuwait Ministry of Finance (MOF), CSB, NBK forecasts

Chart 5: Inflation

(% y/y, annual average)



Source: CSB, NBK forecasts

Oman

The economy should recover this year after a difficult 2020. Oil and non-oil growth are projected to rebound with the latter averaging 2.4% over the forecast period. The fiscal balance will remain in deficit, but narrow over the medium term, and public debt is likely to remain elevated at just above 80% of GDP in 2023. Weak fiscal and external positions will remain vulnerabilities amid high exposure to oil price volatility.

Pro-growth reforms to support economy

Despite the authorities' rapid response, the spread of COVID-19 took a heavy toll on Oman's economy in 2020, especially when coupled with sharp declines in oil prices. Real GDP growth is expected to have contracted around 6% in 2020, and to rebound to above 2% in 2021. Over 2022-23, growth will average around 3% supported by the government's development and diversification drive. (Chart 1.)

Oman's oil output will remain capped under the OPEC+ production cut deal, but the ongoing expansion in gas production capacity will more than compensate. Hydrocarbon GDP may have fallen 2.5% in 2020, a softer contraction than in the non-oil sector, due to robust condensate production, not covered by the OPEC+ agreement. Looking ahead, oil GDP is expected to increase 2.0% in 2021 and average 4.6% in 2022-23. The government's firm commitment to its diversification strategy is likely to support non-oil growth going forward, especially in the tourism and manufacturing sectors. The non-oil economy will likely recover from 2020's drop of around 8%, to expand by 2.2% in 2021, and to average 2.5% in the next couple of years.

Structural reforms are underway to promote economic diversification and job creation for Omanis. Oman has rolled out several mandates in line with the Vision 2040, including restructuring public administration, when last year ten ministries were merged into five and five councils were abolished. Additionally, there have been steps to improve the labor market through the Omanisation scheme, which, according to the Ministry of Labor is aiming to employ 85% of Omani job seekers (unemployed) by 2022. Some 232,000 expats (12%) left the country in 2020 and expat employment fell 16%.

Inflation to gather pace on Value Added Tax (VAT)

Consumer price inflation was slightly negative in 2020, reaching -0.8% on the back of easing demand conditions. Inflation is expected to pick up in 2021, reflecting the introduction of a 5% VAT in April 2021, partial economic recovery, and the rise in international food prices. The initial impact of domestic factors will likely subside, however, a year later. Nonetheless, inflation should hold steady (albeit muted) averaging 2.3% through 2022-23, supported by increased economic activity. (Chart 2.)

Fiscal deficit to be financed partly by more debt issuance

Faced with mounting deficits and rising public debt, exacerbated lately by the dual shocks of the pandemic and falling oil prices, Oman has taken on a re-invigorated push towards reinforcing fiscal stability with its implementation of the Medium-Term Fiscal Plan (MTF) to address rising fiscal vulnerabilities. The goals outlined in the MTF contain key revenue generating measures, including VAT (April 16 2021) and a possible personal income tax on high-income earners (2022). Oman's budget deficit is estimated to have widened to 15% of GDP in 2020 from 5.4% in 2019, but is expected to narrow this year to around 11% of GDP due to the accelerated pace of reforms.

Persistently high deficits caused public debt to rise to an estimated 80% of GDP in 2020 from 60% in 2019, not least because of the pandemic. (Chart 3.) Oman returned to the debt market in January, selling $3.25 billion in a three-part offering. The increasing debt level is forecast to push up debt servicing costs to 4.4% of GDP in 2021 from 3.6% in 2020, offsetting part of the additional non-oil revenue and adding pressures on the fiscal position. At the same time however, higher debt helps slow down the withdrawal from the sovereign wealth fund, whose assets are estimated at $18 billion, around 25% of GDP.

The current account deficit is likely to widen to around 9% of GDP in 2020 due to lower oil exports and then average 6% over the forecast period. Central bank foreign reserves reached their lowest level since 2018 in December at $14.9 billion but rebounded in January to $18 billion due to sovereign bond issuances earlier this year, providing around eleven months of import cover.

Banks perform well, although liquidity remains tight

The banking sector continued to perform well, thanks to the authorities' measures to encourage lending during the pandemic, by including interest-free emergency loans to assist entrepreneurs in certain sectors. Credit growth edged higher to 3.4% y/y in January, reflecting mainly an increase in public sector borrowing (+28% y/y), the need for which was boosted by lower oil revenues. Lending growth is expected to remain reasonable, although could decelerate as the boost from the government borrowing and recent credit measures fade.

Economic outlook encouraging despite downside risks

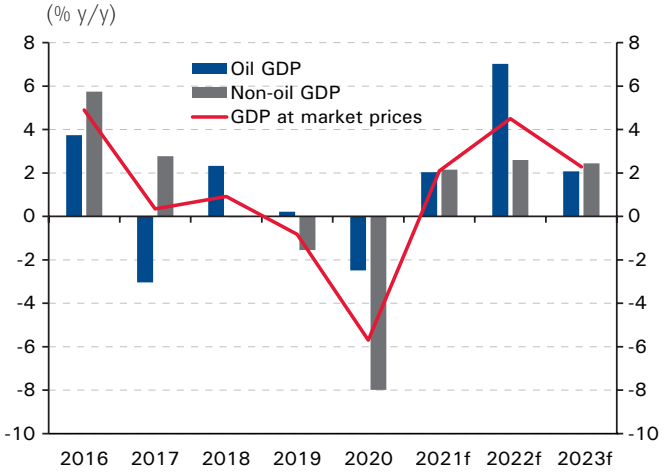
Downside risks to Oman's outlook stem mainly from continued budget deficits and the accumulation of public debt, which could further affect its credit standing and investor sentiment. Additionally, a recently re-imposed partial curfew and the uncertain roll out of vaccinations will be worth watching. However, the recent introduction of fiscal measures, including the VAT this year, reflects the government's commitment to proceed with reforms that will move Oman closer to fiscal sustainability.

Oman key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ billion	76.2	61.5	71.4	74.5	77.8
Real GDP	% y/y	-0.9	-5.7	2.1	4.5	2.3
- Oil	% y/y	0.2	-2.5	2.0	7.0	2.1
- Non-oil	% y/y	-1.7	-8.0	2.2	2.6	2.4
Inflation	% y/y	0.1	-0.8	2.8	2.1	2.5
Budget balance	% of GDP	-9.0	-15.1	-11.0	-7.9	-6.4
Current account	% of GDP	-5.4	-9.3	-7.2	-6.0	-5.3
Public debt	% of GDP	61.2	86.6	84.4	82.3	80.2

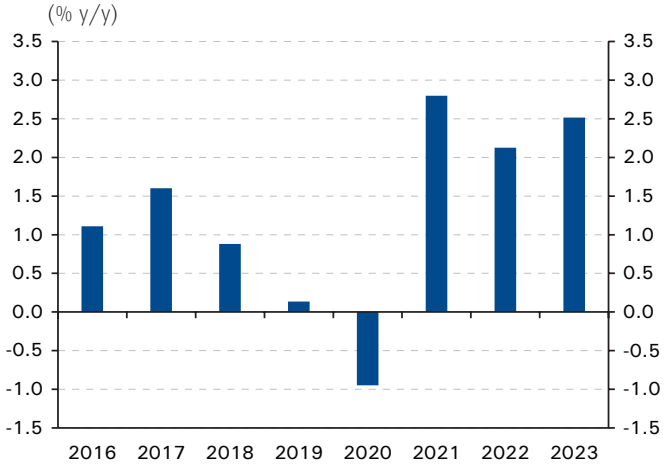
Source: Official sources, NBK estimates

Chart 1: Real GDP growth



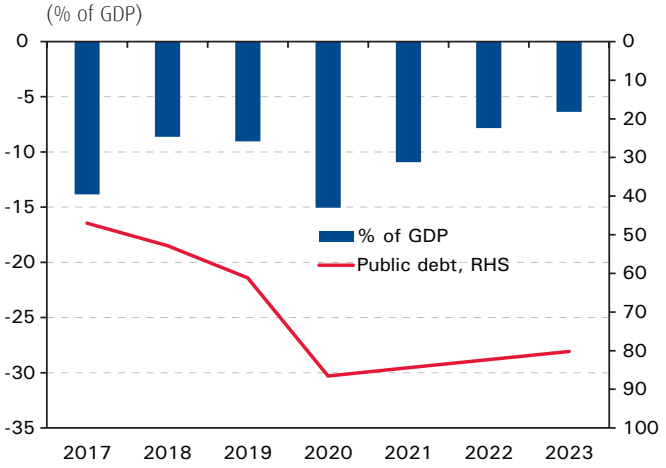
Source: Refinitiv / NBK estimates

Chart 2: Inflation



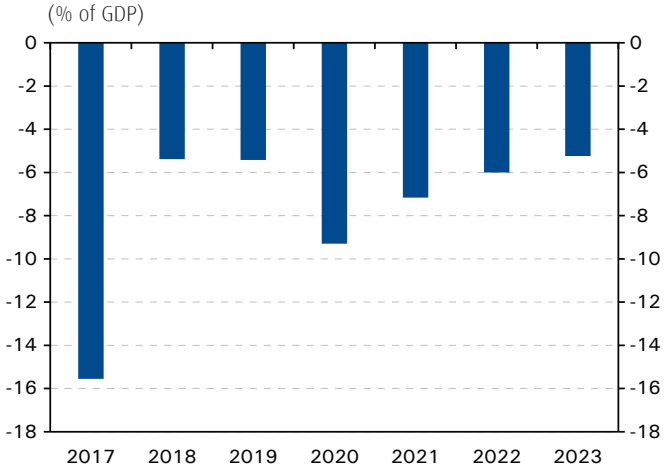
Source: Refinitiv / NBK estimates

Chart 3: Fiscal balance & public debt



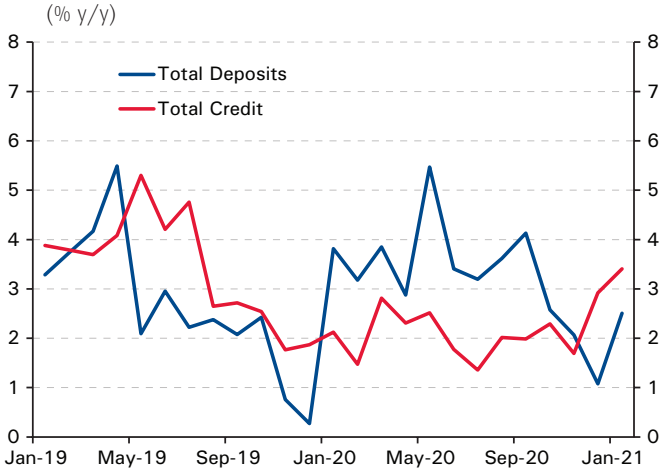
Source: Refinitiv / NBK estimates

Chart 4: Current account balance



Source: Refinitiv / NBK estimates

Chart 5: Private bank credit and deposits



Source: Central Bank of Oman

Qatar

Following an estimated contraction of 3.7% in 2020, GDP is expected to grow by 3.3% this year, mostly on higher non-oil activity ahead of the 2022 World Cup and as sentiment and demand improve with vaccine rollout progress and easing restrictions. The economic downturn led to a wider fiscal deficit of 4.2% in 2020, but this should narrow over the forecast period in line with improved economic activity and consolidation efforts.

Economy expected to return to growth in 2021

The pandemic weighed heavily on both oil and non-oil activity in 2020. Output is estimated to have contracted by 3.7% with non-oil GDP falling by a steeper 4.5% as lockdowns and mobility restrictions adversely affected business activity and the labor market, while oil GDP is expected to have contracted by 2.3% on lower oil and LNG output. Looking ahead, non-oil growth is forecast to rebound this year to 4%, boosted by the FIFA 2022 World Cup preparations; business activity, mainly related to services, travel, and tourism, should pick up as the vaccination drive progresses (about 21% of population at end-March) and as travel restrictions ease. The ending of the 3-year diplomatic rift with Saudi Arabia and the UAE will have helped. Oil sector activity will benefit from an expected, albeit modest, increase in crude oil production (+0.9% to 0.6 mb/d) in 2021, and more sizeable output gains in natural gas production (+2.1%), with the full commissioning of the long-awaited $10bn Barzan gas production facility. We expect headline growth of 3.3% in 2021, moderating to an average of 2.9% through 2023.

Inflation to rise on higher demand and commodity prices

Consumer prices fell 2.6% in 2020 due to an economic downturn that saw expat wages lowered, employment adversely affected and domestic demand impaired, with housing deflation being the largest drag (-5% y/y). This year, inflation could pick-up to 0.9% on the back of higher global commodity prices and rebounding consumer demand. The increase in minimum wages by 25% last August to QR1000 ($275), will not likely have any noticeable impact on inflation given that minimum wages are paid mainly to low skilled labor with minimum purchasing power.

Small fiscal deficit expected in 2021

A swift government policy response helped soften the pandemic's impact on the non-oil sector. This centered on a QR75 billion stimulus package amounting to 14% of GDP. The monetary component included a zero-repo facility (QR50bn to maintain banking system liquidity, lowered policy interest rate, and a credit guarantee scheme by the Qatar Development Bank (QR 5 bn) to ensure the continuity of private sector payrolls and rents. On the fiscal side, the government injected an additional QR 10 billion into the capital market, deferred loan payments and utility bills, extended the FY19/20 tax-return deadline by two months and waived customs duties on food and medical items for 6-months starting in March 2020. The government also moved to lower its expenditures, cutting the public sector expatriate wage bill by 30% last year, as well as rationalizing non-essential public spending. However the fiscal support coupled with reduced hydrocarbon revenues and lower corporate tax receipts, widened the fiscal deficit to reach an expected 4.2% of GDP in 2020, but should narrow to 0.7% of GDP this year before turning to a modest surplus of 0.5%, likely by 2023.

Public debt expected to gradually decline to 2023

The authorities continue to tap both local and international debt markets to finance the deficit, with the issuance of $10bn in Eurobonds in 2020 (4.4x oversubscribed). While the need for financing will ease in 2021 due to lower expected capital spending and a pick-up in LNG output, the need to refinance some of its debt ($3.5bn is maturing in June), favorable borrowing costs and returns on invested assets should lead to continued debt issuance in 2021. Government debt is expected to have reached a high of 57% of GDP in 2020 (ex. GREs) but should decline to 50% by 2023 on fiscal consolidation plans (possible VAT, higher gas output, rationalized spending). Despite rising debt, Qatar's credit standing remains robust (AA- by Fitch; Aa3 by Moody's), backed by large external assets and reserves, and a good track record of effective policy-making.

Persistent Covid and LNG competition the main risks

Given its heavy dependence on LNG exports, downside risks to the outlook come from delayed containment of the pandemic and a possible weaker recovery in Qatar's main export countries. Over the medium term, increased competition from other LNG exporters (Australia and the US) may pressure prices, but with its lowest cost base and LNG expansion plans, Qatar is well placed to compete. Domestic risks stem mainly from a slow recovery in the labor market (expat jobs, wages, population) and a lingering pandemic. Improved relations with neighbors Saudi and the UAE would be beneficial as it saves on transportation and aviation costs and could open the door for more trade with neighboring countries.

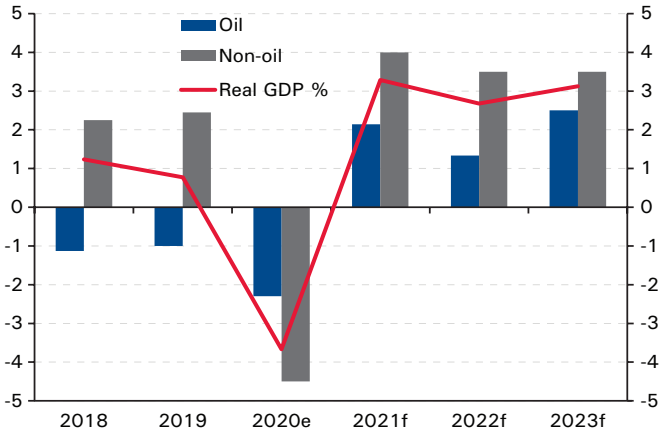
Qatar key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ billion	176	147	158	164	171
Real GDP	% y/y	0.8	-3.7	3.3	2.7	3.1
- Oil	% y/y	-1.0	-2.3	2.1	1.3	2.5
- Non-oil	% y/y	2.4	-4.5	4.0	3.5	3.5
Inflation	% y/y	-0.9	-2.6	3.9	1.2	1.3
Fiscal balance	% of GDP	1.0	-4.2	-0.8	-0.2	0.3
Public debt	% of GDP	43.9	56.7	53.6	51.8	49.8
Current account bal.	% of GDP	2.4	-5.0	-0.4	0.7	0.9

Source: Official sources, NBK estimates

Chart 1: Real GDP growth

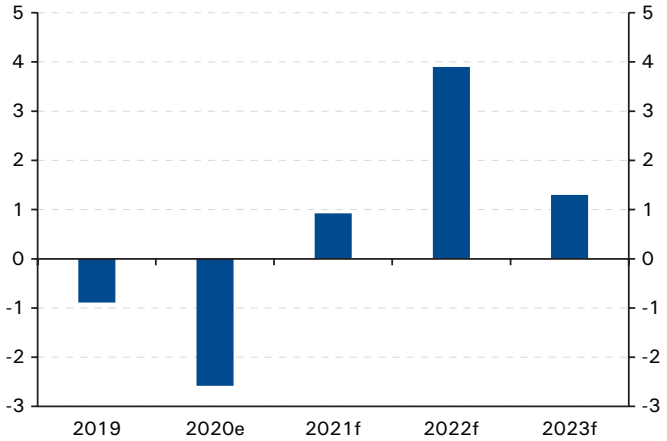
(% y/y)



Source: Planning & Statistics Authority (PSA), NBK estimates

Chart 2: Consumer price inflation

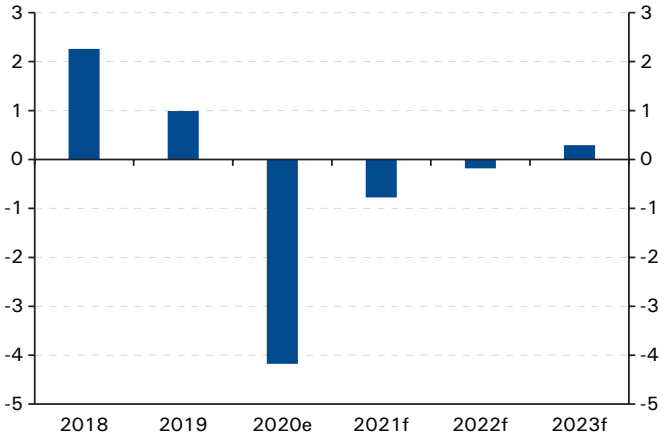
(% y/y)



Source: Planning & Statistics Authority (PSA), NBK estimates

Chart 3: Fiscal balance

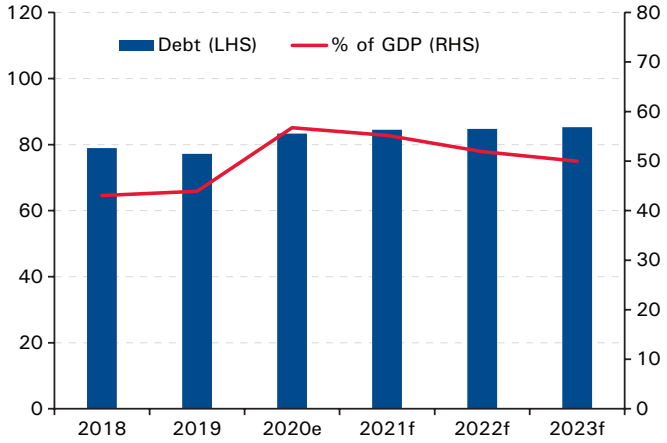
(% of GDP)



Source: Qatar Ministry of Finance, NBK estimates

Chart 4: Government debt (gross)

($ billion)



Source: Qatar Central Bank (QCB), NBK estimates

Chart 5: Official foreign reserves

($ billion)

Source: Qatar Central Bank

Saudi Arabia

Saudi Arabia's quick response to the pandemic and its strong reform momentum lessened the impact of COVID-19, auguring well for the country's future. Reforms span a wide array of aspects including labor, legal/judicial, banking/financial, privatization, and competition, among others. A program has been launched recently (Shareek) to incentivize the largest Saudi companies to invest SAR 5 trillion in the economy by 2030, in addition to SAR 4 trillion from a soon-to-be announced national investment strategy. After it held up relatively well last year, we forecast non-oil growth at 2.2% in 2021, before strengthening to an average of 2.9% in 2022-2023. The recovery is expected to be gradual and it may take until the first half of 2022 for all the lost private-sector output in 2020 to be recouped. The fiscal deficit is expected to shrink in 2021 (to 4% of GDP) as revenues rebound and spending is reduced following the pandemic-related overshoot in 2020.

Growth to rebound after a better-than-expected 2020

The Saudi non-oil economy contracted by 2.3% in 2020, which is less than originally expected and a smaller drop than its GCC peers. In our view, the relatively limited contraction was due to 1) a timely and well-targeted fiscal/monetary stimulus, 2) relatively robust performance by the non-oil government sector, which contracted by a limited 0.5% versus 3.1% for the private sector and 3) generally successful control of the Covid-19 spread (Chart 5). Given the movement and travel restrictions that were imposed in 2020, the transport sector was the hardest hit (-6%), while the financial sector, including banks, was the most resilient, as it expanded by 0.8% supported by mortgages.

For 2021, the recovery is expected to be gradual given ongoing uncertainty regarding the pandemic and when the full normalcy of business activities will be resumed. The vaccination campaign in KSA has picked up recently with more than 6.5 mn (19% of the population) inoculations administered. After the pandemic-related government spending overshoot in 2020, we forecast a decrease in spending in 2021, due to fiscal consolidation needs, putting some pressure on non-oil growth. Given all that, we expect that it may take until the first half of 2022 for all the lost private-sector output in 2020 to be recouped, with non-oil growth estimated at 2.2% in 2021 then strengthening to an average of 2.9% in 2022-23. Important reforms and PIF's commitment to invest at least SAR 150 billion annually in 2021-2025 (versus an estimated average of SAR 77 billion in 2019-2020) in the local economy underpin this accelerating growth.

As for the oil sector, KSA is playing a leading role within OPEC+ and is shouldering a lot of the burden to rebalance the market, cutting its production vloluntarily to prevent a sharp fall in oil prices. As such, the oil sector in 2019 and 2020 contracted 3.6% and 6.7%, respectively, and is expected to contract again in 2021, given KSA's additional 1mb/d voluntary production cut. Annual oil production may start increasing in 2022 and we forecast oil GDP to grow by an average of 4% in 2022-23 after a 0.7% drop in 2021. All in all, total GDP is expected to grow by an average of 3.4% in 2022-23, after a 1.1% projected expansion in 2021, which is held back by the oil production cuts.

Following the tripling of VAT in July 2020, inflation increased to 3.4% in 2020, and will likely decelerate to 2.8% this year, before normalizing to 2% in 2022-2023. As for credit, growth accelerated to 15% in 2020, almost double the 2019 expansion, supported by soaring mortgage lending (+59%). Growth in corporate and personal non-mortgage credit also picked up nicely in 2020 to stand at 6.9% and 8.8%, respectively. Driven by project awards, rebounding non-oil growth, and ongoing solid mortgage expansion, we expect credit growth to remain strong at 11% in 2021, softening to an average of 9% in 2022-2023.

Fiscal deficit to markedly shrink in 2021

The fiscal position came under pressure in 2020 given lower oil prices and production, as well as higher pandemic-related spending, resulting in a deficit of 11.2% of GDP. However, the deficit would have been much wider had it not been for the following important factors. First, the government tripled the VAT and rationalized spending allocations, including discontinuing the cost of living allowances and cutting capital spending. Second, while oil exports decreased considerably due to drop in both prices and production, there was a material increase in the transfer ratio (fiscal oil revenues/oil exports), reaching 90.6% in 2020 (79% in 2019), mainly due to Aramco's $75 billion annual dividend pledge. Third, material non-oil revenue one-offs were recorded (including SAR 15-25 billion dividend from the PIF) . Going forward, given the increase in oil prices and the government's unwavering commitment to continue expanding non-oil revenues (including VAT's full-year impact) and rationalizing spending in line with Vision 2030, we forecast a steep improvement in the deficit to around 4% of GDP in 2021, shrinking further to 2.5% by 2023. Accordingly, and supported also by higher nominal GDP, we see only a limited increase in the debt/GDP ratio going forward, reaching 34% by 2023, way below the 50% self-imposed cap.

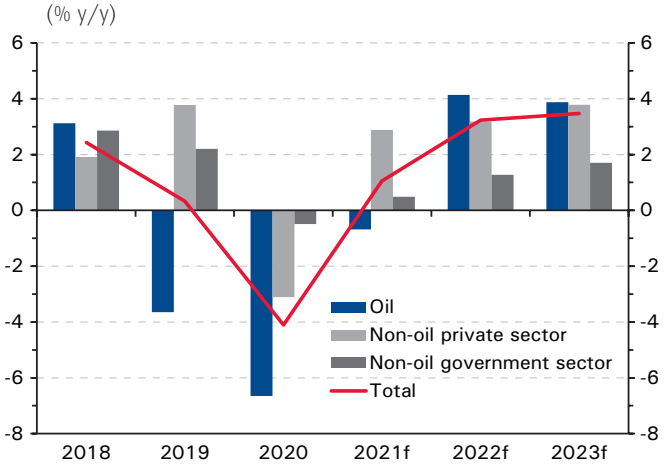
The current account is forecast to have turned negative (-2%) in 2020, improving modestly thereafter driven by higher exports. Finally, the reform momentum is very positive and is a main reason for the country's favorable outlook. The ongoing economic/structural reforms (including labor, legal, and business environment) have the potential to unlock significant growth in non-oil output and revenue, thereby diversifying the economy away from oil, a main pillar of Vision 2030. Reforms are expected to improve efficiency, boost productivity, attract FDI, and increase employment. However, safeguarding the oil market's balance until the non-oil sector contributes significantly to economic activity remains a key challenge to the outlook.

Saudi Arabia key economic indicators

		2019	2020	2021f	2022f	2023f
Nominal GDP	$ billion	793	700	795	823	863
Real GDP	% y/y	0.3	-4.1	1.1	3.2	3.5
- Oil	% y/y	-3.6	-6.7	-0.7	4.1	3.9
- Non-oil	% y/y	3.3	-2.3	2.2	2.6	3.2
Inflation	% y/y	-1.2	3.4	2.8	2.0	2.0
Fiscal balance	% of GDP	-4.5	-11.2	-4.0	-3.1	-2.5
Government debt	% of GDP	22.8	32.5	31.4	33.0	34.0
Current account bal.	% of GDP	4.8	-1.6	1.6	1.4	1.3

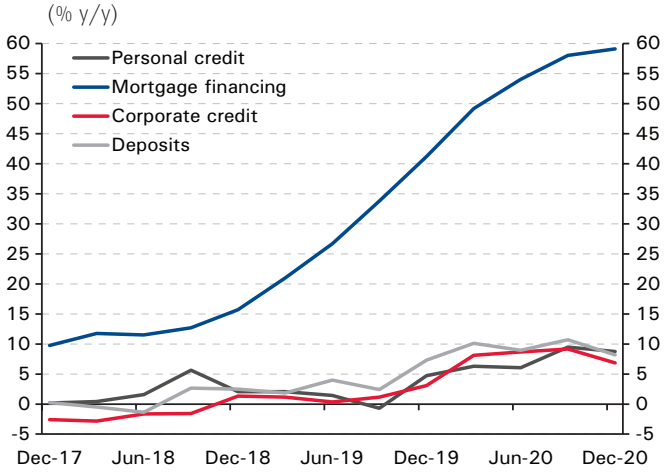
Source: National authorities, NBK forecasts

Chart 1: Real GDP



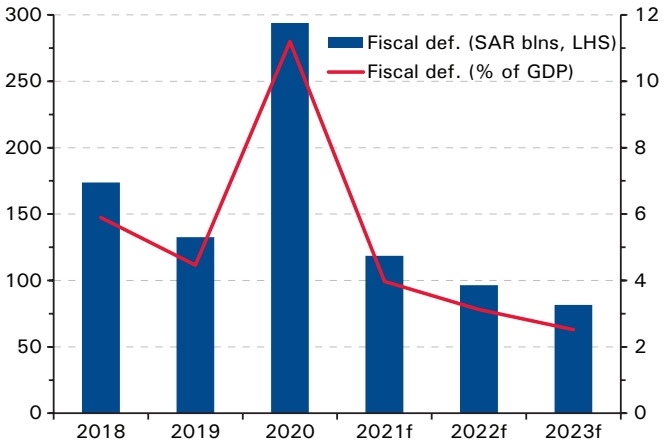
Source: General Authority for Statistics (GASTAT), NBK forecasts

Chart 2: Growth in credit components and deposits



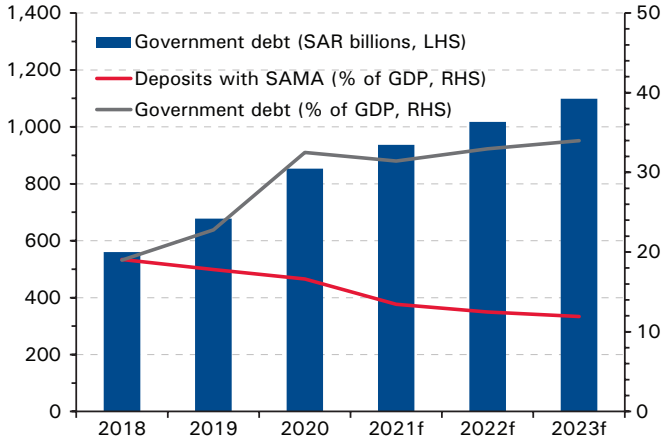
Source: SAMA

Chart 3: Fiscal deficit



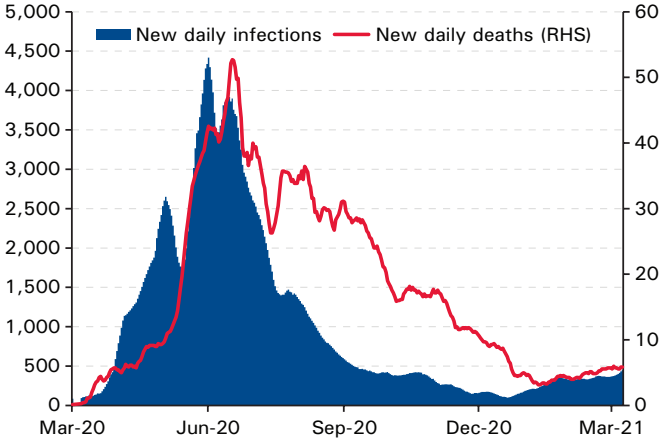
Source: Ministry of Finance, NBK forecasts

Chart 4: Government debt and deposits with SAMA



Source: GASTAT, Ministry of Finance, SAMA, NBK forecasts

Chart 5: Daily infections and deaths (1-week moving av.)



Source: Ministry of Health, Our World in Data

UAE

Economic activity is estimated to have contracted 6.6% in 2020, but should see a solid recovery going forward helped by successful vaccine deployment, proactive government support measures and the recovery in global energy demand. The rapid pace of structural reforms continues to underpin the positive long-term economic outlook. Meanwhile, fiscal and external balances are forecast to return to surplus over the medium term so long as oil prices, tourism and trade recover. Low interest rates and the broader recovery in the non-oil sector will provide support to domestic credit.

Rapid vaccine rollout to underpin economic recovery

Economic activity is estimated to have declined by 6.6% in 2020, reflecting a drop in both non-oil GDP (roughly 70% of total GDP) by -5.1% on COVID-19 fallout and the oil sector by -8.5% due to OPEC+ production cuts. (Chart 1). Total GDP contracted in 1H20 by 3.9% y/y as non-oil GDP fell by 6.0%, at a time where movement restrictions and health-related closures were more prevalent, hurting the hospitality, transportation, and wholesale and retail trade sectors (about 30% of GDP).

The UAE has done extremely well on vaccinations, standing among the best worldwide performers while avoiding strict closures and curfews. Vaccination deployment, with more than half of the population (52%) covered by mid-March, boosts re-opening and reduces pressures on key sectors. As such, the recovery in 2021 could come from a rebound in the tourism and hospitality sector, although the extent of this recovery hinges on global recovery. Non-oil GDP is expected to grow 3.3% in 2021 and 3.5% over the medium term, on average, benefiting from Expo 2020 and the recovery in global demand. Oil GDP could decline 2.9% in 2021 as oil production is expected to reach 2.7 mb/d due to the OPEC+ agreement. In the medium term, oil GDP could grow by 5% as output cuts are eased and refining capacity are expanded (Ruwais and Jebel Ali refinery upgrades and BPGIC's Phase 3), adding about 1.2 mb/d to refining capacity.

Recovery and loose monetary policy should translate into higher credit growth

Monetary policy is expected to remain accommodative over 2021-23 in tandem with Fed policy, given the Dirham peg to the US dollar. This should also help a return to positive growth for private sector credit of 3.5% in 2021, after a decline of 2.2% in 2020. (Chart 4.) Total domestic credit is expected to grow by around 4.0% over the medium term, supported by credit demand from government-related firms, the stabilization in the real estate market, and the broader recovery in the non-oil sector.

With modest increase in demand in 2021 and possible further decline in expat population and with it a fall in rents (34% weight in CPI basket), consumer price inflation could remain slightly negative (-0.5%), compared with -2.1% in 2020. The fall in housing rents could start bottoming out this year, then gradually pick-up in 2022-23 as real estate oversupply issues ease. Inflation is projected to hover around 1% over the medium term. (Chart 2.)

Fiscal and external balances seen returning to surplus

Large government stimulus packages with lower oil prices pushed the fiscal deficit to an estimated 7.1% of GDP in 2020. The fiscal and monetary support worth a combined 18% of GDP have helped in alleviating some of the pressures on the economy. Some of these measures aimed at reducing business costs through lowering/waiving fees, as well as supporting SMEs. The deficit, still reasonable by regional standards, should narrow to 3.3% of GDP in 2021 as spending is expected to fall across emirates by at least 5% on lower budgeted outlays by both federal and local governments. Based on a recovery in oil prices to $60/bbl, the deficit could record a small surplus of 1% of GDP by 2022. (Chart 5.)

Benefiting from low interest rates globally and a strong credit standing, UAE issued more debt in 2020 than before to finance the fiscal deficit. Abu Dhabi had the lion's share at $15.1 billion benefiting from its extremely strong credit profile, while the Emirates of Dubai and Sharjah also issued around $2.0 billion. Yields for these bonds ranged from 0.75% to 4.0% with maturities from 3-50 years. Yet, the public debt to GDP (excl. GREs) remains relatively low at estimated 38%, and is susceptible to decline in 2022-23 as the government benefits from expected oil prices and higher growth with the fiscal position returning to surplus in 2022-23. These same factors and expected pick up in external demand could lead to a recovery in tourism and should return the external current account to balance in 2021 and surplus in the following two years, after registering a deficit of -2.8% of GDP in 2020.

Positive outlook though uncertain

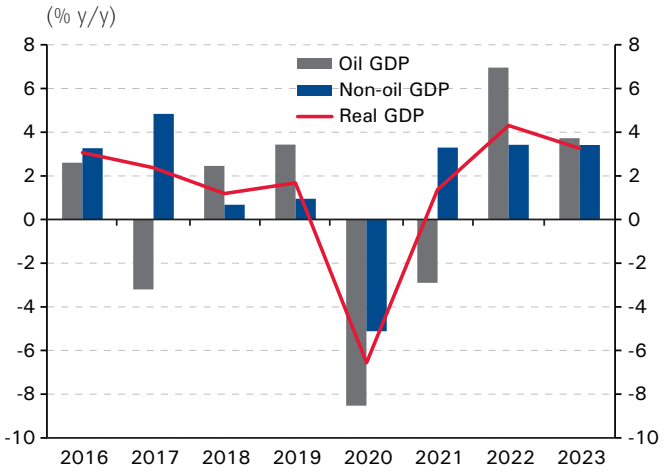
The UAE's status as an international hub for trade, travel and tourism mean that it would stand to benefit from a rapid global economic recovery. A successful Expo 2020 along with continued policy agility that responds to developments in a timely manner could have a lasting positive impact on the economy and increase its resilience. On the downside, a possible reversal of US monetary policy sooner than expected due to inflation concerns in addition to slow global growth along with renewed weakness in oil prices and lingering government-related entity contingent liabilities could hinder growth prospects.

UAE key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ billion	421	353	386	386	413
Real GDP	% y/y	1.7	-6.6	1.4	4.3	3.3
- Oil	% y/y	3.4	-8.5	-2.9	7.0	3.7
- Non-oil	% y/y	1.0	-5.1	3.3	3.4	3.4
Budget balance	% of GDP	-0.8	-7.1	-3.3	1.0	1.4
Current act. Balance	% of GDP	7.1	-2.8	0.9	3.4	5.0
Headline inflation	% y/y	-1.9	-2.0	-0.5	0.6	0.7
Public Debt	% of GDP	28.7	38.5	49.4	50.1	47.9

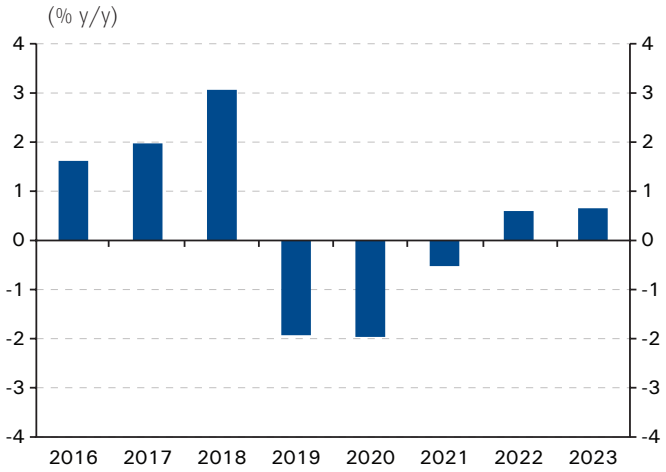
Source: Official sources, NBK estimates

Chart 1: Real GDP



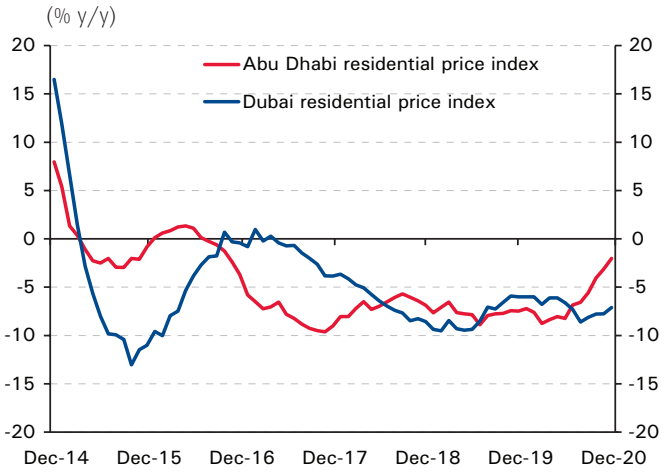
Source: UAE Federal Competitiveness & Statistics Authority, NBK estimates

Chart 2: Headline inflation



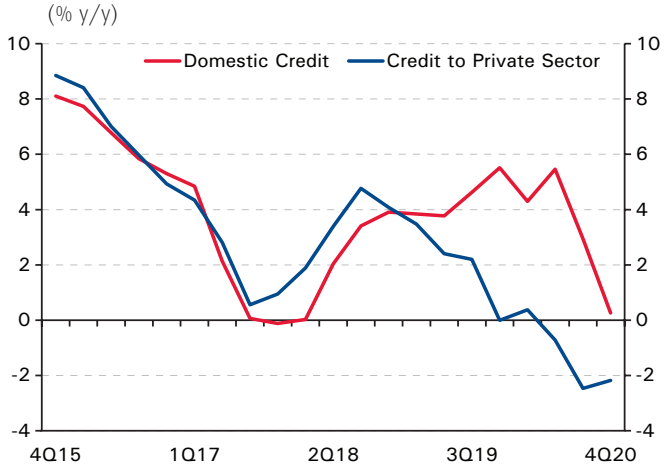
Source: UAE Federal Competitiveness & Statistics Authority, NBK estimates

Chart 3: Abu Dhabi and Dubai residential property prices



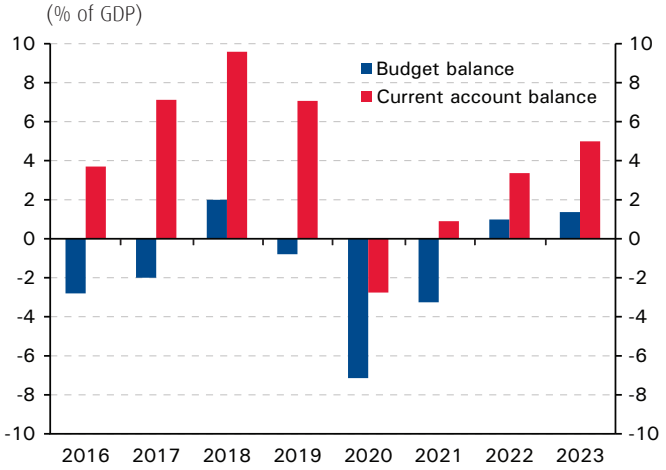
Source: REIDIN

Chart 4: Domestic and Private Sector Credit



Source: Central Bank of UAE, NBK estimates

Chart 5: Current Account and Budget Balances



Source: Ministry of finance, Central Bank of UAE, IMF, NBK forecasts

Egypt

Egypt showed resilience during the Covid-19 crisis, supported by early lockdown policies and public health response, as well as the implementation of important fiscal and monetary measures. The economic recovery remains broadly on track. Fiscal and external deficits continue to improve, while inflation remains below target. Risks include the strength of the global recovery, progress of the vaccination campaign and the ability to forge ahead with more reforms especially on the structural front to bolster private sector activity.

Economic recovery on the horizon

The gradual reopening of businesses and activities in 2H20, as lockdown restrictions eased, saw economic growth accelerate to 2% y/y in Q2 of FY20/21 (Oct – Dec) from 0.7% a quarter earlier, pushing the average growth rate to about 1.4% in the first half of the current fiscal year. Still, despite this promising trend, uncertainties over global growth and progress of the domestic vaccination campaign could weigh yet on the recovery, especially the important tourism sector. We forecast growth of 2.5% in FY20/21 after 3.6% a year earlier. We expect growth to recover to around 5% over the medium term, benefitting from the authorities' commitment to reforms and available IMF support, if needed.

Fiscal position remains on an improving trend

The government efforts to consolidate the budgetary position continued apace during a difficult year. The deficit reached about 4.4% of GDP during the first seven months of FY20/21 (Jul – Jan), against 4.6% during the same period a year ago, achieving a primary surplus of 0.5% of GDP. For the fiscal year as a whole, the deficit is expected to shrink to 7% of GDP from 7.9% in FY19/20 and to stabilize around 6.5% over the medium term, supported by increasing revenues through the modernization of the tax systems, and rationalizing spending. However, the recently announced increase in public salaries and the hike in the minimum wage by 20%, while warranted, may add $2.4 billion to the year's budget and put the fiscal position under pressure.

The projected deficits are expected to be financed by borrowing. Given the still prevailing low global interest rates, we forecast more external over domestic borrowing in the coming year to reduce interest costs. The revised budget of FY20/21 projects a slight increase in the public debt-to-GDP ratio to 82.7% (up from 82.5% in FY19/20), but should decline to 77.5% in FY21/22. These appear ambitious targets, especially if the pandemic lingers for much longer.

External sector is still under pandemic pressure

With key sectors affected by the pandemic, the current account deficit widened to $2.8 billion (2.7% of GDP) in the first quarter of FY20/21 (Jul-Sep) from $1.4 billion (1.5% of GDP) a year earlier. The deficit could reach 4.0% of GDP in FY20/21 overall, before improving to around 2.5% in coming years on possible recovery of tourism, trade and gas prices.

Foreign reserves increased from its lowest level of $36 billion in May to $40.2 billion in February (about eight months of imports), thanks to increasing capital inflows. Also, Egypt should receive soon the third tranche of the loan that is worth $1.6 billion, as part of the $5.2 billion IMF loan. Thus, we believe that foreign reserves will recover to their pre-pandemic level of $45.5 billion in the next few years, given efforts to continue with reforms and the still relatively attractive real interest rates.

Lower inflation supports accommodative monetary policy

Despite the recent rise in commodity and energy prices and the potential pick-up in demand as economic activity recovers, we expect inflation to remain under control. Urban inflation averaged 5.1% in 2020, the lowest since 2005, and continued its downward trend to 4.5% in February 2021, supported by government efforts to avoid food shortages. Continued reforms and improved economic fundamentals should help reduce the pass-through of a possible acceleration in foreign inflation to domestic prices through exchange rate relative stability.

Although inflation remains below target (7% ±2%), the Central Bank of Egypt (CBE) kept its policy rates unchanged during its first two meetings of 2021. This was likely motivated by the need to maintain relatively high interest rates to support capital inflows and avoid any sudden reversals. However, the CBE still has some room to continue cautiously loosening monetary policy to support economic recovery and minimize debt servicing costs.

Healthy banking sector as credit growth accelerates

The banking sector has remained resilient with robust credit growth, helped by a gradual reduction in interest rates and authorities' efforts to encourage lending to SMEs. The CBE also launched an EGP 100 billion mortgage finance initiative, targeting low and middle-income homebuyers, with repayment periods up to 30 years. Domestic credit growth rose sharply to 23% in December from 7.6% a year ago. We forecast credit to remain high in the next couple of years but to decelerate afterward when the effect of credit-boosting measures fades.

Challenges remain to sustain strong growth

Egypt has made significant efforts to achieve macroeconomic stability, which resulted in some resilience to the pandemic's fallout. However, several challenges remain. The authorities will need to focus on improving the business environment and making the private sector the primary driver of economic growth. Achieving inclusive economic growth will help in poverty reduction and in creating the jobs needed to accommodate the large number of Egyptians entering the labor force.

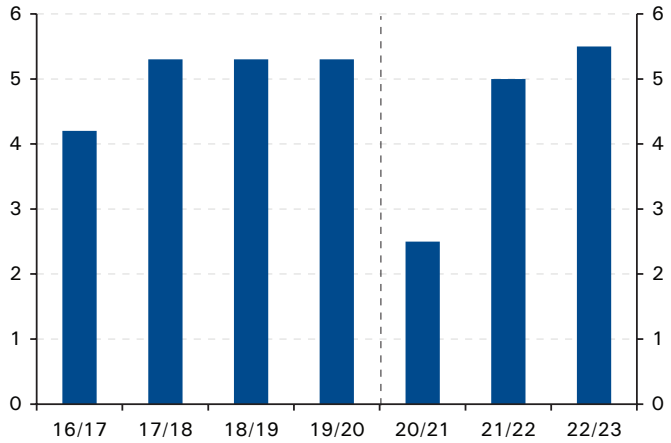
Egypt key economic indicators

		FY19/20	FY20/21	FY21/22	FY22/23
Nominal GDP	$ billion	331	354	386	428
Real GDP	% y/y	3.6	2.5	5.0	5.5
Fiscal balance	% of GDP	-7.9	-7.0	-6.5	-6.5
Public debt	% of GDP	82.5	83.0	80.0	75.0
Inflation	% y/y	5.7	4.2	4.3	5.2
Current account	% of GDP	-4.5	-4.0	-2.9	-2.0

Source: Official sources, NBK estimates

Chart 1: Real GDP

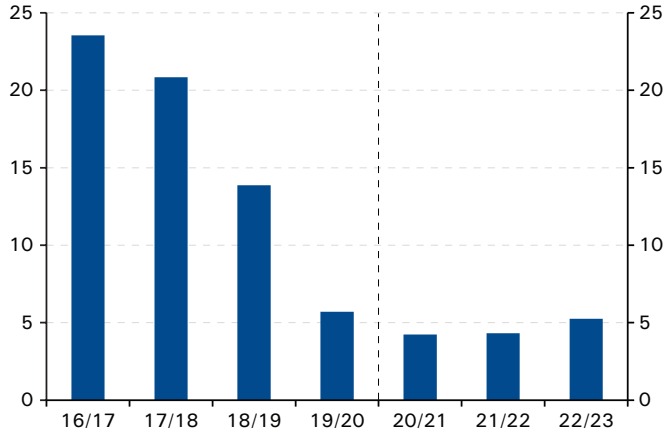
(% y/y)



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 2: Inflation

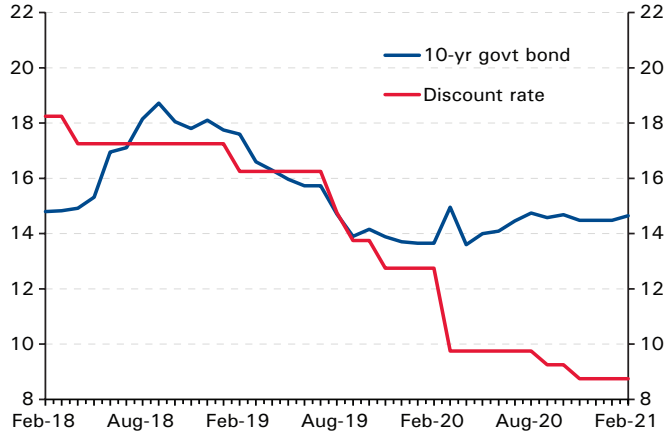
(% y/y)



Source: Capmas, Central Bank of Egypt, NBK estimates

Chart 3: Interest rates

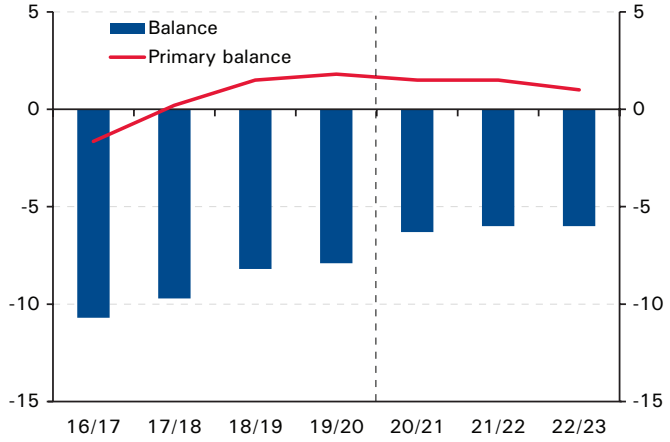
(%)



Source: Refinitiv / Central Bank of Egypt

Chart 4: Fiscal balance

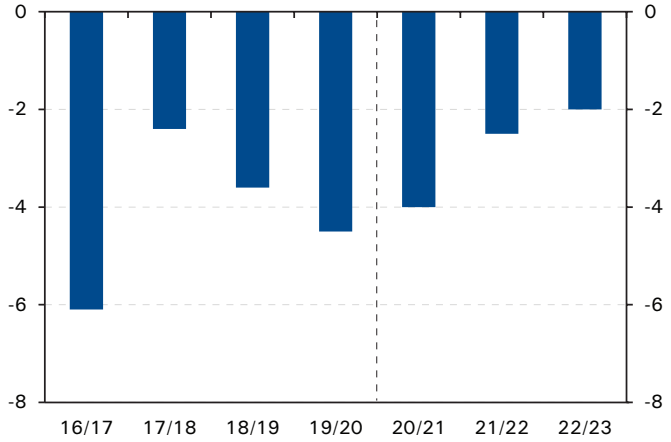
(% of GDP)



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 5: Current account balance

(% of GDP)



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Regional economic data and forecasts

	Unit	2017	2018	2019	2020f	2021f	2022f	2023f
Bahrain								
Nominal GDP	USD bn	35.4	37.7	38.6	34.5	36.2	38.7	41.6
Real GDP	% y/y	3.8	2.0	1.9	-5.8	2.1	4.3	3.5
Oil sector	% y/y	-0.7	-1.3	2.2	-0.1	-4.4	9.0	4.4
Non-oil sector	% y/y	4.9	2.7	1.9	-7.1	3.6	3.3	3.3
Budget balance	% of GDP	-10.0	-6.3	-4.7	-12.8	-7.2	-4.4	-3.5
Current account balance	% of GDP	-4.5	-6.5	-2.1	-9.4	-3.5	-4.1	-3.8
Inflation	% y/y	1.4	2.1	1.0	-2.3	0.9	1.0	1.4
Kuwait								
Nominal GDP	USD bn	120.7	140.6	135.7	103.6	124.3	131.6	139.5
Real GDP	% y/y	-4.7	1.2	-0.7	-8.0	1.2	5.0	3.9
Oil sector	% y/y	-9.0	0.2	-2.0	-8.0	-1.0	7.0	5.0
Non-oil sector	% y/y	1.7	2.7	1.0	-8.0	4.0	2.5	2.5
Budget balance	% of GDP	-8.9	-3.0	-9.5	-28.0	-17.0	-12.0	-10.0
Current account balance	% of GDP	8.0	14.1	16.3	4.0	13.0	13.0	13.0
Inflation	% y/y	1.5	0.6	1.1	2.1	2.5	3.0	3.0
Oman								
Nominal GDP	USD bn	70.5	79.7	76.2	61.5	71.4	74.5	77.8
Real GDP	% y/y	0.3	1.0	-0.9	-5.7	2.1	4.5	2.3
Oil sector	% y/y	-3.0	2.3	0.2	-2.5	2.0	7.0	2.1
Non-oil sector	% y/y	2.8	0.1	-1.7	-8.0	2.2	2.6	2.4
Budget balance	% of GDP	-13.9	-8.6	-9.0	-15.1	-11.0	-7.9	-6.4
Current account balance	% of GDP	-15.2	-5.4	-5.4	-9.3	-7.2	-6.0	-5.3
Inflation	% y/y	1.6	0.9	0.1	-0.8	2.8	2.1	2.5
Qatar								
Nominal GDP	USD bn	166.9	183.3	175.8	146.8	157.6	163.8	171.1
Real GDP	% y/y	-3.1	1.2	0.8	-3.7	3.3	2.7	3.1
Oil sector	% y/y	-4.0	-1.1	-1.0	-2.3	2.1	1.3	2.5
Non-oil sector	% y/y	-0.9	2.2	2.4	-4.5	4.0	3.5	3.5
Budget balance	% of GDP	-6.5	2.3	1.0	-4.2	-0.8	-0.2	0.3
Current account balance	% of GDP	3.7	9.1	2.4	-5.0	-0.4	0.7	0.9
Inflation	% y/y	0.4	0.1	-0.9	-2.6	3.9	1.2	1.3
Saudi Arabia								
Nominal GDP	USD bn	686.5	786.5	793.0	700.1	795.4	823.1	862.7
Real GDP	% y/y	-0.8	2.4	0.3	-4.1	1.1	3.2	3.5
Oil sector	% y/y	-3.2	3.1	-3.6	-6.7	-0.7	4.1	3.9
Non-oil sector	% y/y	1.2	2.2	3.3	-2.3	2.2	2.6	3.2
Budget balance	% of GDP	-8.2	-5.9	-4.5	-11.2	-4.0	-3.1	-2.5
Current account balance	% of GDP	1.5	9.2	4.8	-1.6	1.6	1.4	1.3
Inflation	% y/y	-0.8	2.5	-1.2	3.4	2.8	2.0	2.0
UAE								
Nominal GDP	USD bn	385.9	422.5	421.4	352.6	385.7	386.2	412.9
Real GDP	% y/y	2.4	1.2	1.7	-6.6	1.4	4.3	3.3
Oil sector	% y/y	-3.2	2.5	3.4	-8.5	-2.9	7.0	3.7
Non-oil sector	% y/y	4.8	0.7	1.0	-5.1	3.3	3.4	3.4
Budget balance	% of GDP	-1.4	2.0	-0.8	-7.1	-3.3	1.0	1.4
Current account balance	% of GDP	7.1	9.6	7.1	-2.8	0.9	3.4	5.0
Inflation	% y/y	2.0	3.1	-1.9	-2.0	-0.5	0.6	0.7
Egypt (fiscal year)								
Nominal GDP	USD bn	235.4	250.9	303.2	331.4	353.6	386.5	427.8
Real GDP	% y/y	4.2	5.3	5.6	3.6	2.5	5.0	5.5
Budget balance	% of GDP	-10.7	-9.7	-8.2	-7.9	-7.0	-6.5	-6.5
Current account balance	% of GDP	-6.1	-2.4	-3.6	-4.5	-4.0	-2.9	-2.0
Inflation	% y/y	23.5	20.8	13.9	5.7	4.2	4.3	5.2

International data

	Unit	2017	2018	2019	2020f	2021f	2022f	2023f
Brent crude oil spot price (year average)	$ p/b	54.9	71.5	64.3	42.0	62.0	60.0	60.0
CRB commodity price index*	Index	428.6	437.6	424.94	363.4	-	-	-
Eur/USD*	1$ = €	0.833	0.872	0.894	0.872	-	-	-
US Fed Fund Rate	%	1.5	2.5	1.75	0.25	-	-	-
MSCI World stock market index*	Index	2,103	1,884	2358	2367.3	-	-	-
MENA real GDP (IMF/NBK)	% y/y	2.0	1.2	0.8	-3.4	4.0	3.7	-
World real GDP (IMF)	% y/y	3.8	3.5	2.8	-3.3	6.0	4.4	-

Source: Thomson Reuters Datastream, official sources, IMF, NBK estimates; * Latest available data

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