November 2021

Economic Outlook: GCC & Egypt

2021-2024

National Bank of Kuwait
Economic Research Department

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With restrictions on movement and travel being lifted across a range of countries, global pandemic pressures finally appear to be easing and while dangers persist, the rebound in world growth is expected to continue next year. The recovery in the GCC region is benefitting from a rise in oil prices, which will cut the aggregate fiscal deficit sharply this year, although lower oil prices are expected in 2022. Risks include renewed virus pressures, much lower oil prices, delays in fiscal reforms in more vulnerable countries and global financial turbulence as a result of tighter US monetary policy. Meanwhile, growing urgency surrounding the global energy transition is adding weight to the need for domestic economic restructuring policies to reduce oil dependency.

The rebound in the global economy should continue in 2022

Heading towards 2022, global pandemic pressures appear to be moderating, with new infections by early November dropping to around half their April peak and restrictions on travel and movement in various countries substantially lifted, all helped by improving vaccine availability. It is still too early to say that we are out of the woods altogether (new cases in Europe for example have recently risen alarmingly), but so long as vaccines remain effective against potential new variants, a return to the severe restrictions that hammered the world economy in 2020 seems unlikely. Global growth is bouncing back more or less in line with earlier expectations: the IMF forecasts world GDP growth at 5.9% in 2021 easing to 4.9% in 2022. Advanced economies will return to their pre-pandemic output paths by 2022, though in developing countries a full recovery will take longer, reflecting both weaker vaccine access and less policy space to support economic growth.

A new set of challenges, however, has emerged as a legacy of the pandemic era: rebounding demand is meeting with supply chain disruptions (partly triggered by economic reconfiguration and labor shortages), pushing inflation higher and threatening to undermine the recovery. This is particularly so in the US, where inflation has been above 5% for months. The Federal Reserve now admits that 'transitory' price pressures may last for longer than previously expected, will start winding down its QE program in November and perhaps raise interest rates in 2H22. Yet it must find a delicate balance: overly-aggressive tightening risks choking-off the recovery, especially given high debt levels and stretched financial market valuations; but delay could let inflationary pressures escalate or spread, ultimately requiring a more abrupt policy response later on. In the Eurozone, where the recovery is slightly less advanced, these pressures are present but less acute and policy tightening is set to proceed more slowly.

Meanwhile, a mix of rebounding global demand and OPEC+ supply management has seen oil prices stage a remarkable recovery, pushing Brent back above $80/bbl in October. While the market is currently facing a supply deficit, gradual scheduled output increases by OPEC+ over coming months should restore market balance by 1H22 and set the stage for lower prices next year. Still, the risks to our fairly conservative (year average) price forecasts of $68 in 2021 and $63 in 2022 appear to be on the upside.

Higher oil prices offer a boost to Gulf region's recovery

The stronger oil market has provided a helpful tailwind for the Gulf region as it too emerges from the pandemic. Higher oil prices in combination with spending restraint and other consolidation measures are set to cut the aggregate fiscal deficit sharply this year to just 2.6% of GDP from 10.4% in 2020, lowering both the region's borrowing needs and the drawdown of government reserves. Rising oil production will meanwhile help lift GDP growth to 3.6% on average in 2022-24 from 2.1% this year.

The recovery will be led by the region's largest economy Saudi Arabia, which will be the first country to reach pre-pandemic levels of non-oil activity backed by an aggressive reform drive aimed at boosting investment, developing new industries and putting the country on the map as a hub for regional businesses. In the UAE, activity is getting a boost from improving travel and tourism including due to Expo 2020, while Dubai's property market is showing tentative signs of recovery. Bahrain and Oman are looking to get crucial fiscal deficit-reduction programs – interrupted by Covid – back on track, which will help sustain good access to international capital markets. In Kuwait, higher oil prices are easing short-term liquidity pressures facing the government, and it is hoped that improved government-parliament relations can unlock much-needed reforms to address the longer-term fiscal sustainability issue and upgrade the underlying growth outlook.

Despite the generally firming regional economic backdrop, various downside risks are on the horizon. Renewed virus pressures would set back global growth and impact the Gulf region's recovery. A sharp drop in oil prices (beyond that which we expect) would see fiscal positions weaken again, requiring further consolidation that might jeopardize the economic outlook. Delays in fiscal reforms in more vulnerable countries could affect confidence in their adjustment capacity, causing market concern – especially if it coincided with tougher global financial conditions caused by Fed policy tightening. Finally, growing urgency over policies to tackle climate change could accelerate the global energy transition (driving down the price of oil), and also require a faster pace of domestic economic restructuring. Both Saudi Arabia and the UAE now have net zero carbon emission targets for 2060 and 2050 respectively, and other Gulf countries are likely to follow.

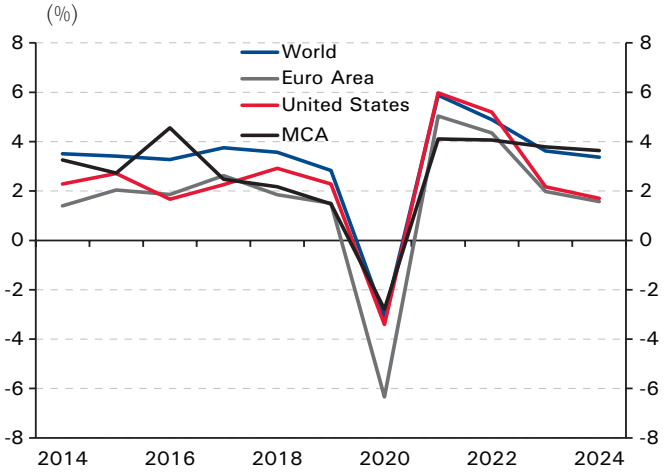
In Egypt, the economic recovery is on track with GDP growth expected at around 5% over the next few years and the fiscal deficit narrowing amid slower growth in debt servicing costs. The authorities are aiming to build on the successful economic reforms of previous years that have brought inflation down and seen the pound remain impressively stable. But crucial challenges persist, including reducing the government's role in the economy and making the business environment more conducive to investment.

GCC key economic indicators

		2020	2021e	2022f	2023f	2024f
Nominal GDP	$ trillion	1.4	1.6	1.7	1.8	1.8
Real GDP	% y/y	-4.9	2.1	4.5	3.4	2.8
- Oil	% y/y	-6.2	0.1	5.8	3.2	2.1
- Non-oil	% y/y	-4.4	3.4	3.7	3.5	3.3
Inflation	% y/y	0.7	1.7	1.4	1.8	1.8
Fiscal balance	% of GDP	-10.4	-2.6	-2.3	-1.6	-1.0
Current acc. bal.	% of GDP	0.6	7.4	6.4	5.7	5.8

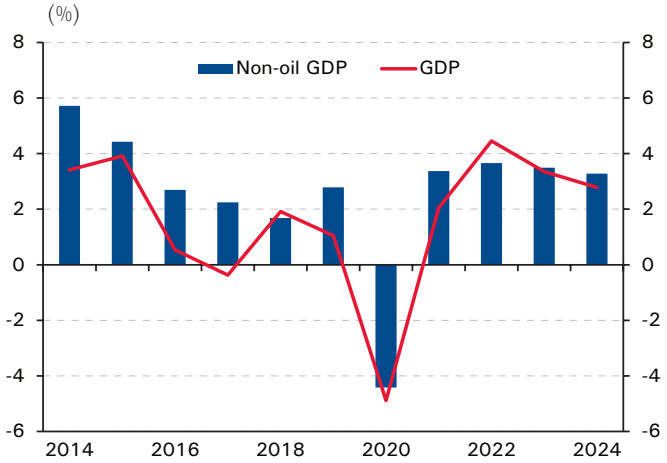
Source: Official sources, NBK estimates

Chart 1: International GDP



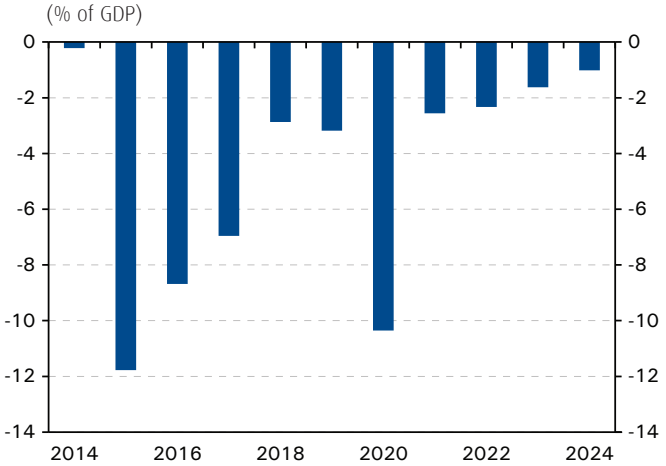
Source: International Monetary Fund, WEO October 2021

Chart 2: GCC real GDP



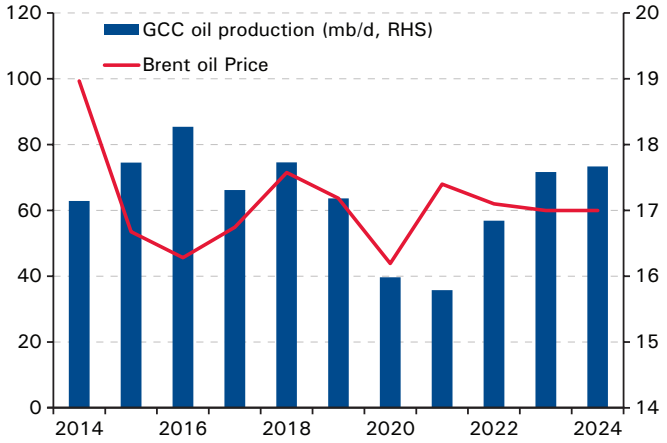
Source: Official sources, NBK estimates

Chart 3: GCC fiscal balance



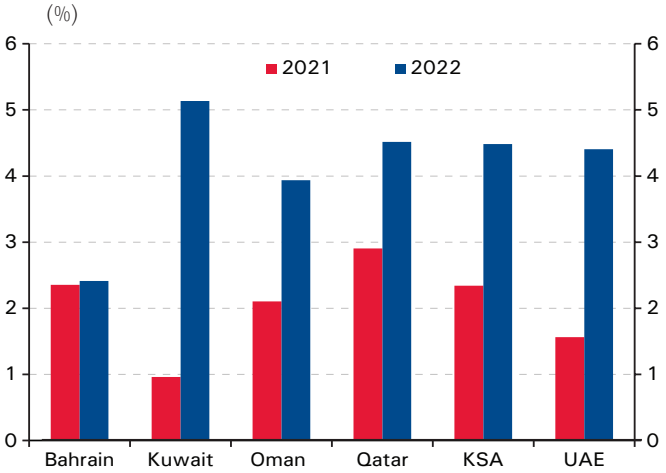
Source: Official sources, NBK estimates

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

Growth is seen picking up to 3.0% in 2021 as virus pressures fade and tourism and service industries recover, then average 3% in 2022-24 helped by oil & gas expansion projects and GCC-funded infrastructure schemes. The goal under the FBP of balancing the budget was delayed due to Covid, but fiscal consolidation efforts are well underway including cuts in spending and potentially a hike in VAT in 2022. Continued progress in this area will help sustain good access to international capital markets and could also unlock further GCC assistance.

Return to decent growth expected as pandemic eases

The economic recovery is proceeding apace, and higher oil prices are providing a welcome boost to government revenues as the government looks to get its crucial Fiscal Balance Program (FBP) back on track post-pandemic. After contracting 7.1% last year, non-oil GDP rose a reported 2.2% y/y in 1H21, and we forecast a further improvement to 3.1% for 2021 as a whole given successful vaccine deployment (more than 60% of the population fully vaccinated), an easing of health restrictions locally and in the GCC, a recovery in the tourism and service sectors, higher oil prices, and progress on infrastructure projects financed by the GCC Development Fund. (Chart 1.)

Meanwhile, the hydrocarbon sector contracted by -0.1% last year with oil output relatively stable at 0.194mb/d (holding up better than other participants in the OPEC+ agreement) and natural gas output edging down 0.4% to 610 bcf. Overall GDP growth could average around 3% in 2022-24 from 2.5% in 2021 and -5.8% in 2020, with oil and gas projects (including Bapco's refinery modernization and development of the Khaleej al Bahrain shale field) contributing despite the sector's relatively modest share of GDP (around 18%).

Fiscal deficit falls sharply, but more consolidation needed

A pandemic-related plunge in revenues (-28%) and higher spending (+5%) pushed the fiscal deficit to 12.9% of GDP in 2020 from 4.7% in 2019, and necessitated a delay to the goal of balancing the budget to 2024 from 2022 targeted under the original FBP. The deficit is already set to fall sharply this year to 5.8% of GDP thanks to much higher oil prices, and despite the extension of stimulus measures such as the salary support program, which will push up spending. But the need for fiscal adjustment remains. Priorities will include further cuts in public spending while increasing its efficiency, and boosting non-oil revenues by raising utility charges. In addition, a doubling of VAT to 10% is expected from 2022. Together with higher oil prices than last year, this should reduce the deficit to an average of 3.1% in 2022-24 (Chart 2). However, delays in reforms and the persistence of off-budget spending are risks to the fiscal outlook.

The accumulated fiscal deficits have pushed public debt levels from around 30% of GDP in 2010 to 94% in 2019, and further to 116% last year. Despite measures to reduce the deficit, public debt is likely to remain above 100% during the forecast period. Credit agencies Moody's and S&P both assigned the government's sovereign rating a negative outlook earlier this year reflecting the scale of the debt challenge including high debt servicing costs. Nevertheless, the country was able to tap international markets by issuing $2.5 billion of conventional bonds in the first three quarters of 2021, albeit at yields of up to 6.25% (30-year maturity). Successful progress on the FBP could also unlock further project-related funds from GCC neighbors.

Inflation low, but to rise if VAT is hiked in 2022

Having been negative since early 2020, consumer price inflation returned to positive territory in June 2021 as the economy improved and deflation in various key sectors including food, clothing and hospitality faded. Housing rents declined by 2.0% y/y in 7M20 though have also now started to edge higher. The outlook for inflation depends partly upon VAT, which if increased next year as mooted could lift inflation to around 3% on average in 2022, after which it should fall back. (Chart 3.) Monetary policy will remain accommodative but with a possibility of interest rate hikes in late 2022, given that policy rates are guided by the dollar peg and usually follow moves by the US Fed. Retail banks' credit, which has been supported by the loan deferral program that is due to expire at the end of 2021, stood at 5.4% y/y in August and could increase by an average of around 4% in 2022-24. (Chart 4.)

External position improved, but import coverage low

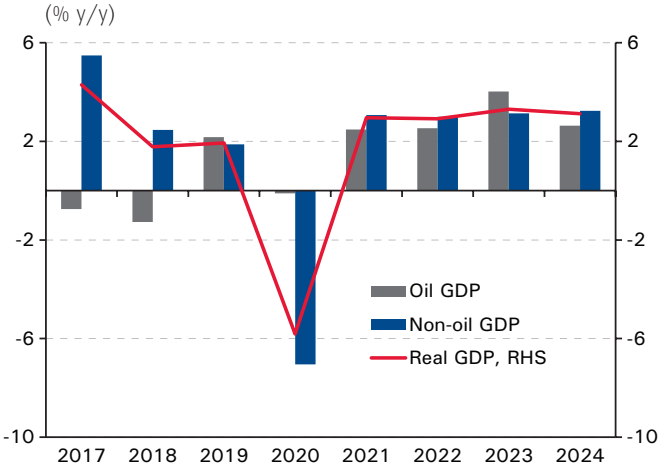
The current account deficit widened to 9.3% of GDP in 2020 from 2% in 2019, but will improve sharply this year on higher oil prices and the gradual revival of tourism. We expect it to remain below 5% of GDP over the forecast horizon, based upon oil prices not falling below $60/bbl. The central bank's foreign reserves stood at $3.7 billion in August 2021, providing a coverage ratio for imports of below three months. (Chart 5.) Over the medium term, reserves could be strengthened by recovering tourism, further debt issuance, and strong GCC backing. Main risks to Bahrain's outlook revolve around the pace of the economic recovery (including due to Covid or slowing global growth), the low credit rating, high public debt levels, and delays to the fiscal consolidation program.

Bahrain Key economic indicators

		2020	2021e	2022f	2023f	2024f
Nominal GDP	$ billion	35	37	39	41	43
Real GDP	% y/y	-5.8	3.0	2.9	3.3	3.1
- Oil	% y/y	-0.1	2.5	2.5	4.0	2.6
- Non-oil	% y/y	-7.1	3.1	3.0	3.1	3.2
Budget balance	% of GDP	-12.9	-5.8	-4.9	-3.2	-1.2
Current account	% of GDP	-9.4	-2.2	-4.1	-3.9	-3.6
Headline inflation	% y/y	-2.3	-0.2	3.1	1.2	1.4

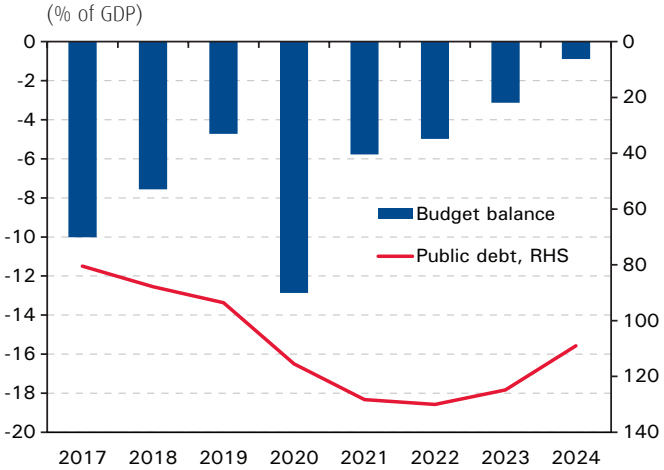
Source: Official sources, NBK estimates

Chart 1: Real GDP



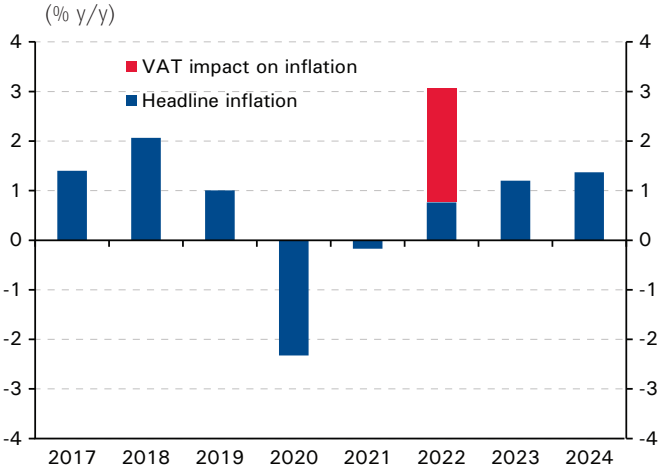
Source: Information & e-government Authority, NBK estimates

Chart 2: Budget balance and public debt



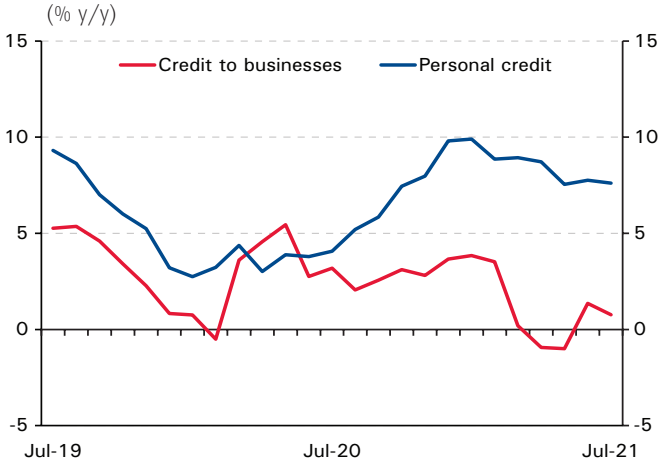
Source: MOF, Information & e-government Authority, NBK estimates

Chart 3: Headline inflation



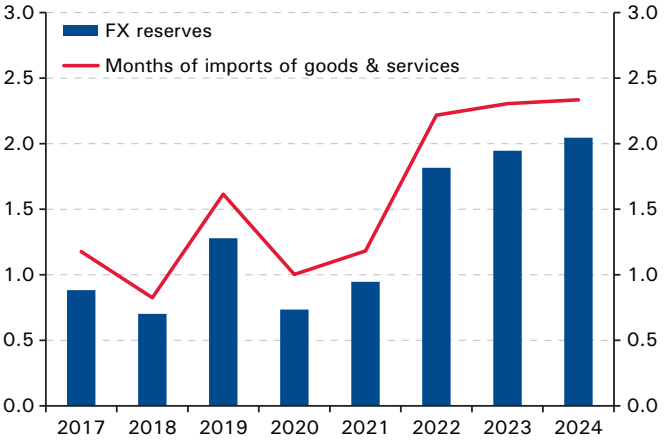
Source: Information & e-government Authority, NBK estimates s

Chart 4: Retail banks personal and business credit



Source: Central Bank of Bahrain, NBK estimates

Chart 5: Central bank foreign reserves



Source: Central Bank of Bahrain, NBK estimates

Kuwait

Kuwait's economy is gradually emerging from the pandemic, with consumption leading the rebound amid markedly higher oil prices. Oil production is increasing steadily as per the OPEC+ schedule, providing a welcome boost to oil GDP. Corporate activity and employment growth is a notable soft spot, though. Following a succession of fiscal deficits, the near-depletion of liquid assets in the GRF has heightened liquidity risks, but also focused policymakers' minds on fiscal sustainability and macroeconomic reforms.

Private consumption has led the economic rebound...

Kuwait's economy is slowly recovering from last year's pandemic, a year that was characterized by severe curtailments in private consumption and government investment spending, business closures, expatriate layoffs and a sharp fall in oil prices. GDP contracted by 8.9%, the steepest decline since 2009, with the oil and non-oil sectors both shrinking by about 8.9% amid deep OPEC+ oil output cuts, curfews and limited fiscal policy support. (Chart 1.) Growth prospects have improved, however, underpinned by higher oil prices and a successful vaccine rollout. Domestic demand has led the recovery, with the most recent data releases showing robust growth in consumer spending (Knet; +23% y/y) and household credit (+11% y/y). (Chart 2.) Project activity is also slated to accelerate as the government prioritizes major road, hospital and airport infrastructure projects.

...while private sector business activity has lagged

Corporate activity has lagged, though, weighed down by the uncertain business, regulatory and political environment. Reflecting the challenging landscape, credit growth to businesses in 2021 has been lackluster (+0.3% y/y in September). The labor market has also been in flux, following the departure of thousands of mainly low-skilled expatriates during the pandemic, while the employment of nationals in the private sector has retreated from 2019 levels (-2.7% to 62,296 in 1H21). The authorities will be keen to reverse this trend; they also envisage greater business participation in the development plan.

OPEC+ cuts unwinding, refining gains to boost growth

The OPEC+ decision to ease output cuts to satisfy rising global oil demand will allow Kuwait to lift crude production and boost oil sector GDP, probably by about 4.4% y/y on average in 2022-24. Oil producers will be mindful of oversupplying the market, so output gains will be moderate. (Chart 3.) The full commissioning of the Clean Fuels and Al-Zour refinery projects, which will have effectively doubled Kuwait's refining capacity, will lead to incrementally higher output of more valuable refined products over the forecast period—boosting non-oil GDP (under which they are recorded in the national accounts) by about 0.9% pts to 3.2% on average. Headline GDP growth should average 3.9%.

Inflation up on supply chain woes and rising food prices

Inflation nearly doubled to 2.1% in 2020 on the back of supply-chain pressures, higher international food prices and pent-up consumer demand. (Chart 4.) Inflation could average 2.6% this year before slowing in 2022. A VAT of 5% could be introduced in 2023, which will lead to a spike in prices that year. Monetary policy will remain accommodative but tighten slightly over the forecast period as the US Fed slowly lifts interest rates.

A record fiscal deficit in 2020, spending restraint likely

The twin shocks of Covid-19 and low oil prices caused Kuwait's fiscal deficit, its 6th in a row, to swell to a record KD10.8bn (33% of GDP) in FY20/21. (Chart 5.) Revenues declined sharply (-39% to KD10.5bn), while expenditures grew marginally (+0.7% to KD21.2bn). Cutbacks in capital spending helped offset some other outlay increases—mainly Covid-related. Looking ahead, while the FY21/22 budget is expansionary, we see spending restraint as more probable. The government appears serious in looking for cost-efficiencies, with a flurry of reports on deliberations over ministry budget cuts, fee increases, and even subsidy cuts. A large restructuring of the public sector was also recently proposed. Our base case view sees the most politically sensitive reforms taking time to materialize, but some non-oil revenue augmentation, limited initially to excise duties and VAT (worth up to 1.5% of GDP), is projected by 2023. We expect the fiscal deficit to halve this year to around KD4.2bn (10.3% of GDP), before narrowing further to 9.5% of GDP by 2024.

Higher liquidity risk forces focus on fiscal sustainability

In an era of fiscal deficits, financing has become the critical issue for policymakers, especially given the near depletion of the General Reserve Fund (GRF) and the absence of debt issuance (due to legislative impasse). Near-term liquidity risks have risen and so has the imperative of a comprehensive deficit-financing strategy, as cited by S&P in its July downgrade of Kuwait's credit rating to A+ (still solid investment grade). Asset swaps with the massive Future Generations Fund and accrued dividends restructuring with KPC have, along with higher oil prices, helped inject liquidity to the GRF. These are only stop-gaps, though. Kuwait also has a $3.5bn Eurobond maturing in early 2022. Ultimately, we do expect a new debt law to be approved over the coming months.

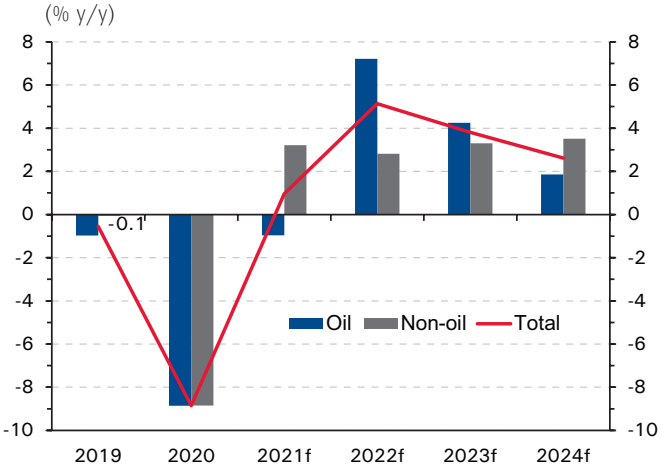
With around $700bn in SWF assets (KIA) and very low public debt (12% of GDP), Kuwait easily has the financial resources needed to meet its obligations, but also, it is hoped, the space to gradually phase-in the structural reforms needed to reconfigure the economy, boost the role of the private sector and navigate the global energy transition away from fossil fuels.

Kuwait key economic indicators

		2020e	2021f	2022f	2023f	2024f
Nominal GDP	$ billion	106	129	134	140	145
Real GDP	% y/y	-8.9	1.0	5.1	3.8	2.6
- Oil sector*	% y/y	-8.9	-1.0	7.2	4.2	1.9
- Non-oil sector*	% y/y	-8.8	3.2	2.8	3.3	3.5
Budget bal. (FY)	% of GDP	-33.2	-10.3	-14.2	-11.4	-9.5
Current act. bal.	% of GDP	21.1	26.3	23.4	22.5	23.1
Inflation	% y/y	2.1	2.6	2.1	3.8	1.9

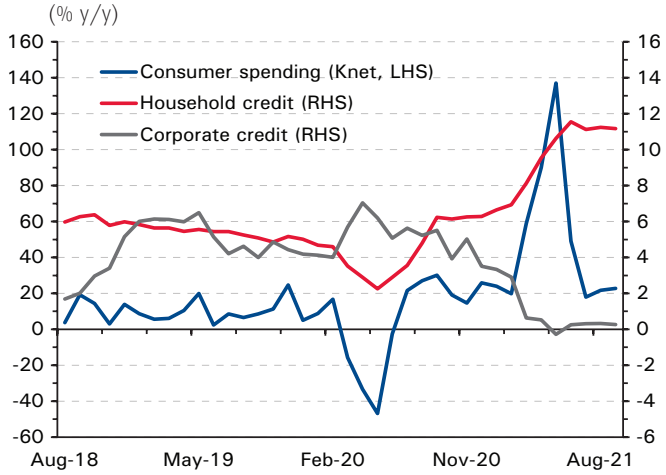
Source: Official sources, NBK forecasts * Includes refining

Chart 1: Real GDP



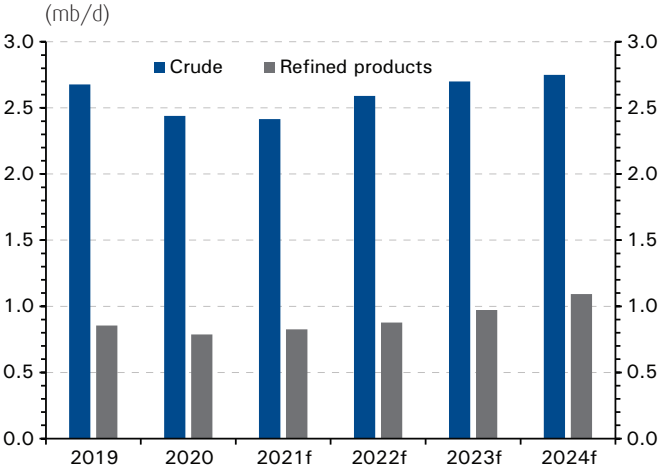
Source: Central Statistical Bureau (CSB), NBK forecasts

Chart 2: Household spending and household credit



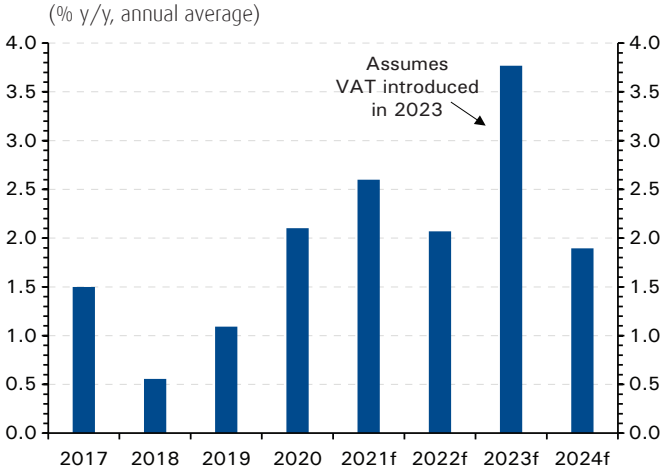
Source: Knet, Central Bank of Kuwait (CBK)

Chart 3: Crude oil and refined products output



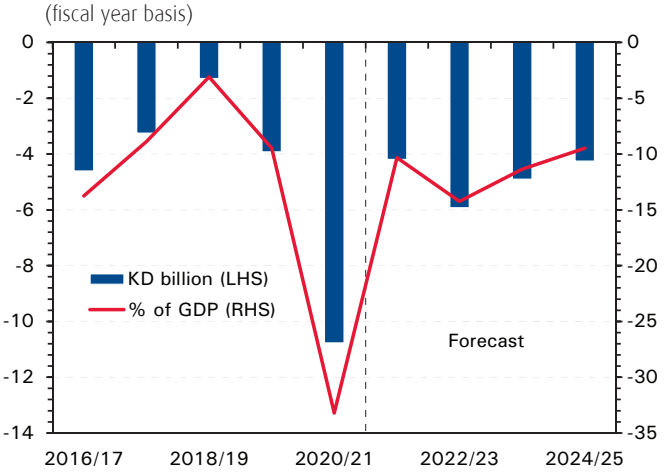
Source: JODI, NBK forecasts

Chart 4: Inflation



Source: CSB, NBK forecasts

Chart 5: Fiscal balance



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

Oman

After a tough 2020, the outlook for Oman's economy now looks more promising. Oil and non-oil activity are recovering, with the latter potentially reaching above 3% over the medium term helped by wide-ranging reforms linked to the Vision 2040 agenda. Frontloaded fiscal reforms including VAT and cuts in spending will reduce the fiscal deficit to 0.5% of GDP by 2024. Downside risks include renewed pandemic pressures, a drop in energy prices and a stalling of the government's reform program.

Growth to pick up steadily as reform program accelerates

After a very difficult 2020, the outlook for Oman's economy is improving, with GDP growth expected to rebound to 2.1% in 2021 and to 3.1% on average in 2022-24, on a combination of higher oil and gas output as well as the government's wide-ranging structural reform program. (Chart 1.) Short-term headwinds are expected, however, from the large fiscal consolidation being implemented this year to address the deficit.

In the energy sector, the further unwinding of OPEC+ supply cuts from August should see Oman's crude production increase by about 8 kb/d per month to a year-average of 759 kb/d (-0.4% y/y). A boost in natural gas production (associated and non-associated), helped by output gains in the key Ghazeer and Khazzan fields, and resulting increases in condensate volumes will more than compensate for this year's overall decrease oil output. Hydrocarbon sector GDP is forecast to grow by 2.8% in 2021 and by 3.6% on average in 2022-2024.

Non-oil activity, meanwhile, has benefitted from a post-Covid bounce (a travel ban was lifted in September for vaccinated individuals), which together with the government's strong commitment to reform and diversification (under both Vision 2040 and the new five-year plan running 2021-25), has provided for a more constructive outlook. After falling by an estimated 4.4% last year, non-oil GDP is forecast to rise 1.6% in 2021 as domestic and external demand start to recover.

In the medium term, non-oil growth should pick up to above 3% by 2024 as the benefits of the structural reform program start to materialize more fully. As well as stabilizing the public finances (see below), measures include boosting labor market flexibility, private sector jobs and female participation, which should lift productivity, reforming state-owned firms (eventually leading to privatization) and improving the business climate. Targeted sectors for development include hi-tech industry, agriculture, transport, logistics and tourism, with an additional focus on green initiatives. Moreover, the $7 billion 230,000 bpd Duqm refinery (more than 80% complete) will attract significant new investment in ancillary activities and surrounding infrastructure.

Fiscal deficit to narrow sharply on early consolidation

Faced with a sharp widening of the deficit last year, the government rolled out the Medium Term Fiscal Plan in 2020 to restore fiscal stability and balance the budget by 2025. As well as VAT, measures already implemented include cuts to utility subsidies and capital outlays as well as reductions in the public sector wage bill (though social safety nets will be expanded and better targeted to support vulnerable Omanis). The introduction of personal income tax is also being considered. These measures, together with higher oil prices, helped narrow the deficit sharply by 46% y/y to a pro-rated 5% of GDP by August. We expect the deficit to shrink further to 3.6% by year-end from 10.5% in 2020.

While such a sharp near-term fiscal adjustment carries risks to economic growth, it has already yielded some dividends: S&P and Moody's both upgraded their outlooks on Oman, and the government could even be on track for its first rating upgrade since 2007. Fiscal consolidation and broader reforms would also help to reverse the increase in public debt (to 80% of GDP in 2020 from 5% in 2014) due to both domestic and external debt issuance, potentially bringing it down to 73% of GDP by 2024.

Meanwhile, consumer prices fell 0.9% in 2020 (average) but are forecast to rise 1.5% this year following the introduction of a 5% Value Added Tax (VAT) in April and amid increasing demand and international food prices. As the initial impact of VAT fades though, inflation should slow to 1.4% on average in 2022-24.

External position to strengthen over the medium term

The current account deficit widened to 12% of GDP in 2020 from 5.5% in 2019, on the back of lower oil exports. It should, however, narrow to 1.0% of GDP by 2024 helped by higher oil prices and as the government's diversification and Omanization drive supports manufacturing exports and reductions in remittances, respectively. Currently elevated energy prices are behind much of the recent improvement in the external balance. Backed by $35 billion in foreign assets (including $18 billion in SWF assets), the long-standing peg to the US dollar has anchored prices and financial stability. According to a recent IMF report, the authorities would be open to a more flexible exchange rate in the long term as the importance of the non-hydrocarbon tradable sector increases under the diversification agenda.

Successful reform program would boost growth, cut risks

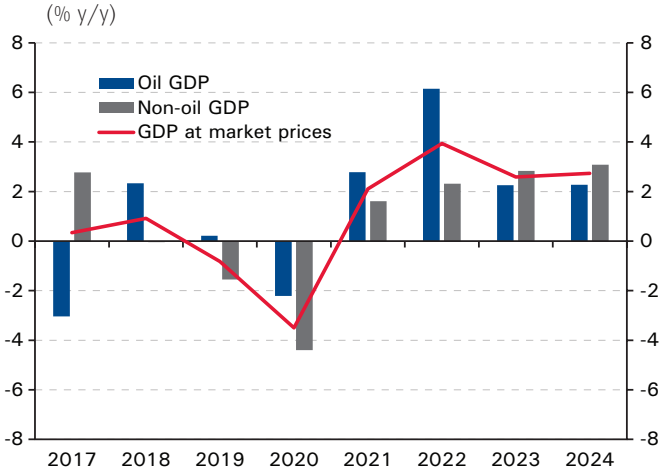
Higher oil prices and the accelerated pace of reforms are expected to boost non-oil growth and cut Oman's long-standing twin fiscal and external deficits sharply by 2024, reducing economic vulnerabilities. However, a drop in energy prices could upend progress, with negative spillovers across the economy. Renewed pandemic-linked demand weakness is also a risk, as is the sizeable and rapid fiscal adjustment, which will affect near-term growth. The reforms themselves could also meet with resistance and have to be scaled back or slowed down.

Oman key economic indicators

		2020	2021f	2022f	2023f	2024f
Nominal GDP	$ billion	72.0	80.8	81.8	84.1	86.6
Real GDP	% y/y	-3.5	2.1	3.9	2.6	2.7
- Oil	% y/y	-2.2	2.8	6.1	2.3	2.3
- Non-oil	% y/y	-4.4	1.6	2.3	2.8	3.1
Inflation	% y/y	-0.9	1.5	1.9	1.2	1.2
Budget balance	% of GDP	-10.5	-3.6	-2.5	-1.0	-0.5
Current account	% of GDP	-12.0	-7.3	-4.3	-2.2	-1.0
Public debt	% of GDP	86.1	83.1	79.3	77.3	73.1

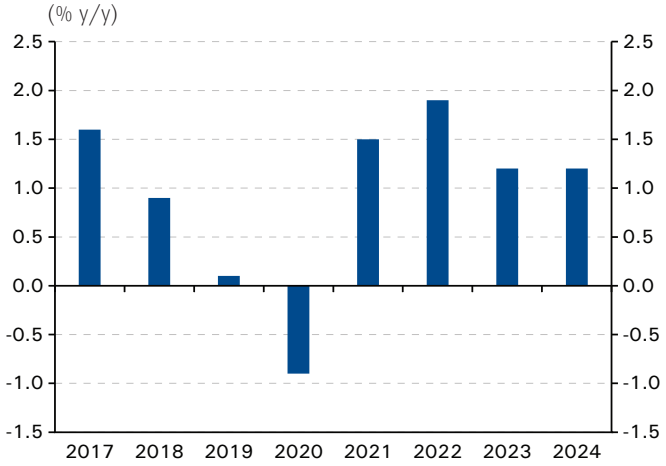
Source: Official sources, NBK estimates

Chart 1: Real GDP



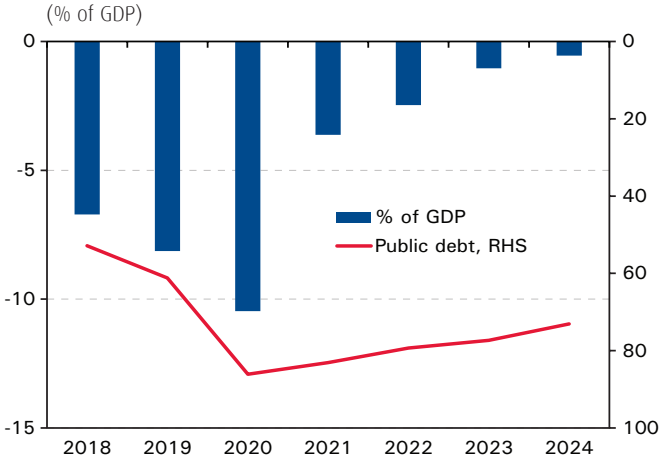
Source: Refinitiv / NBK estimates

Chart 2: Inflation



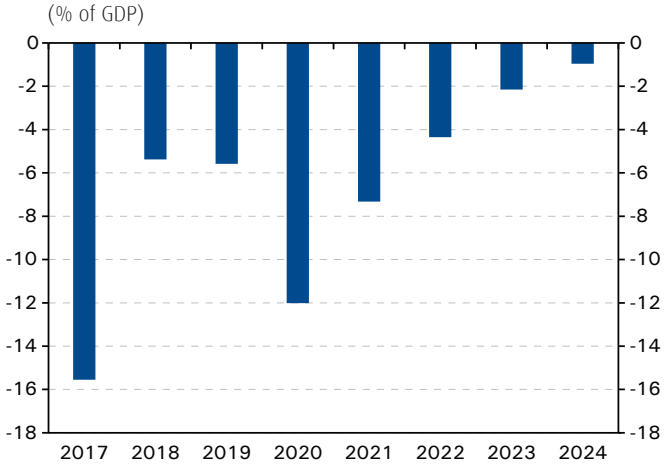
Source: Refinitiv / NBK estimates

Chart 3: Fiscal balance & public debt



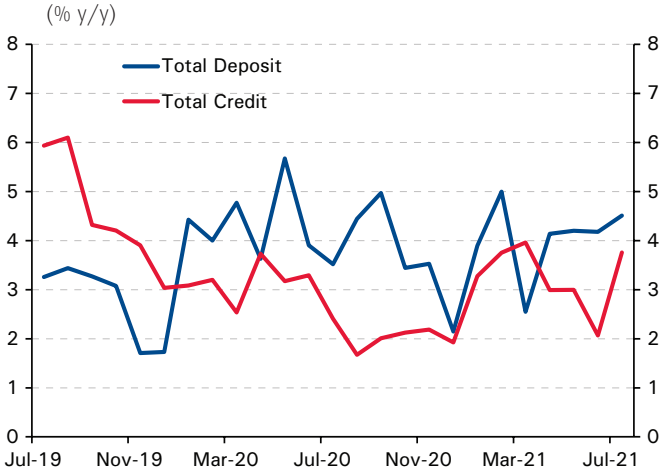
Source: Refinitiv / NBK estimates

Chart 4: Current account balance



Source: Refinitiv / NBK estimates

Chart 5: Bank credit and deposit growth



Source: Haver Analytics

Qatar

Following a contraction of 3.6% in 2020, GDP is expected to grow by 2.7% this year, largely on recovering non-hydrocarbon sector output amid the easing of travel restrictions and improving business activity. Non-oil activity should benefit further in 2022 from the World Cup, and further out by investments under the economic diversification agenda. Higher gas prices, coupled with fiscal consolidation, should see the public finances return to surplus in 2021. Exposure to volatile energy prices and high debt levels are longer-term downside risks to the outlook, though improved neighborly relations are a positive.

Economy to return to growth in 2021

After last year's pandemic-linked contraction of 3.6%, Qatar's economy is expected to grow by 2.7% in 2021 and by 2.8% on average in 2022-24. Having eased business and mobility restrictions since mid-2021, the recovery in consumer sentiment and business activity is gaining traction and driving non-hydrocarbon sector growth. The PMI reached 58.2 in August, the second highest reading on record, and consumer spending is expected to rebound by an estimated 5% in 2021 (-8.5% in 2020). Services, such as travel, transport and tourism, will lead the non-oil recovery and especially in 2022, when Qatar's hosting of the FIFA World Cup will boost tourism and travel receipts (an estimated 1.2 million visitors are expected, around 50% of the current population). Growth in the hydrocarbon sector will gain from slightly higher oil production and, in nominal terms, elevated oil and LNG prices in line with stronger global economic and energy demand.

Medium-term growth is also underpinned by Qatar's Vision 2030 development plan. It includes large investments to boost gas production (LNG output to rise by 40% from 77 mtpa to 110 mtpa by 2026 in the first phase), and a further push for diversification through investment in infrastructure and strategic sectors including manufacturing, finance, tourism and ICT.

Inflation returns on higher demand and commodity prices

Consumer prices fell 2.6% in 2020 due to the economic downturn, including renewed downward pressure on housing rents which fell 4.5% y/y. (Excluding housing, inflation was -2%.) Recovering consumer demand and higher global commodity, food and transportation costs had pushed inflation back up to +2.7% by September 2021, though weak housing rents continue to weigh. The Qatari authorities have already reinstated food and medical customs duties, while monetary policy is expected to remain loose (the key interest rate was cut to a 15-year low of 2.5% in 2020). We expect inflation to average 2% in 2021, rising to 2.3% on average in 2022-24.

Fiscal balance to return to surplus on higher revenues

A sizeable support package, coupled with reduced hydrocarbon revenues and lower corporate tax receipts led to a modest fiscal deficit (2.1% of GDP) in 2020. Stimulus measures included QR75 billion (12% of GDP) of funds for the private sector, QR10 billion injected into the Qatar Stock Exchange, and the suspension of utilities fees and customs duties on food and medical items for a 6-month period (ending September 2020). In 2021, a surplus of 5.8% of GDP is expected, mainly on the back of increased oil and gas receipts due to higher energy prices. Fiscal restraint will be exercised in the near term as the authorities aim to consolidate the finances, lower the public sector wage bill (expat government employee wages were already cut by 30% in 2020) and reduce discretionary spending. Capital expenditure is also likely to decline this year as major World Cup-related projects are completed, and further out, VAT could be introduced by 2023, bolstering public revenues. The government is expected to resume an expansionary budget once fiscal pressures subside in order to meet its ambitious economic development goals.

Public debt may gradually decline on lower financing needs

Qatar Petroleum made the largest emerging market debt offering so far this year with its $12.5 billion bond sale to finance the North Field gas expansion. Low interest rates and strong investor demand for GCC debt should lead to continued debt issuance, albeit at a slower pace due to an improving fiscal position. Moreover, decent economic growth coupled with higher hydrocarbon receipts should see public debt ease gradually over the medium term. Qatar's credit standing remains robust (AA- by Fitch), backed by large external reserves and a good track record of effective policy-making.

Covid uncertainty and LNG competition the main risks

Given its reliance on LNG exports, downside risks to the outlook stem mainly from exposure to volatile gas prices, which could soften on weaker energy demand and/or oversupply. However, the current narrative is one of supply shortage, with international gas prices surging. With the lowest cost base in the industry, Qatar is well-placed to compete on price with international LNG players. Domestic risks stem mainly from a slower-than-expected economic recovery, Qatar's relatively high public debt levels, and continued pandemic uncertainty. Improved neighborly relations are positive for the economy and regional security.

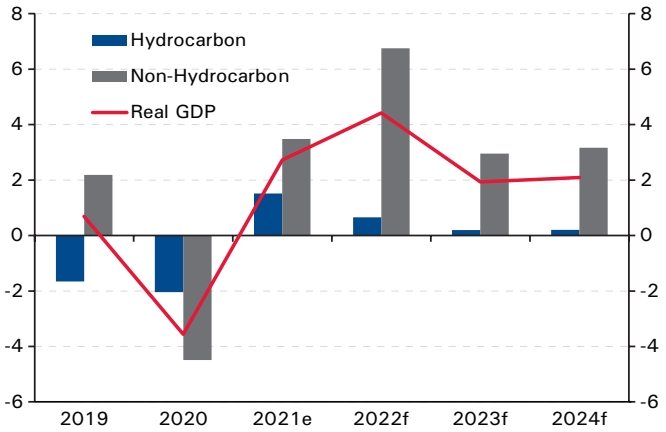
Qatar key economic indicators

		2020	2021e	2022f	2023f	2024f
Nominal GDP	$ billion	142	162	167	173	180
Real GDP	% y/y	-3.6	2.7	4.4	1.9	2.1
- Oil	% y/y	-2.0	1.5	0.7	0.2	0.2
- Non-oil	% y/y	-4.5	3.5	6.7	3.0	3.2
Inflation	% y/y	-2.7	2.0	3.0	2.0	2.0
Fiscal balance	% of GDP	-2.1	5.8	3.5	1.2	0.8
Public debt	% of GDP	70	55	50	47	44
Current acc. bal.	% of GDP	-2.5	4.0	0.8	0.5	2.0

Source: Official sources, NBK estimates

Chart 1: Real GDP growth

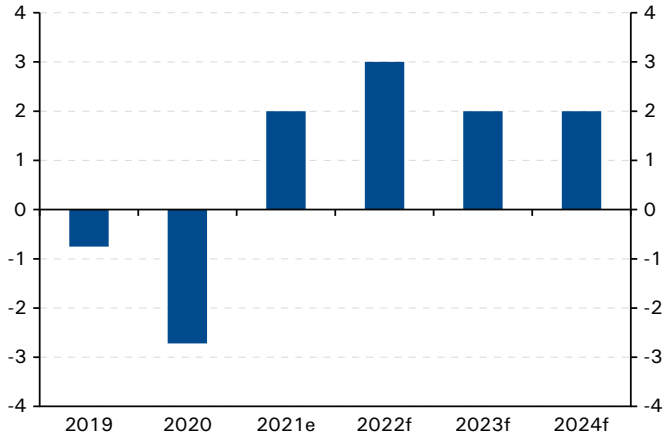
(% y/y; constant prices = 2018)



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

Chart 2: Consumer price inflation

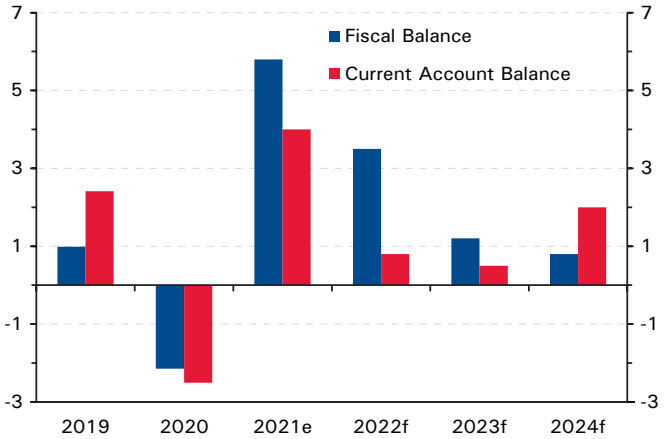
(% y/y; Base year = 2018)



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

Chart 3: Fiscal balance

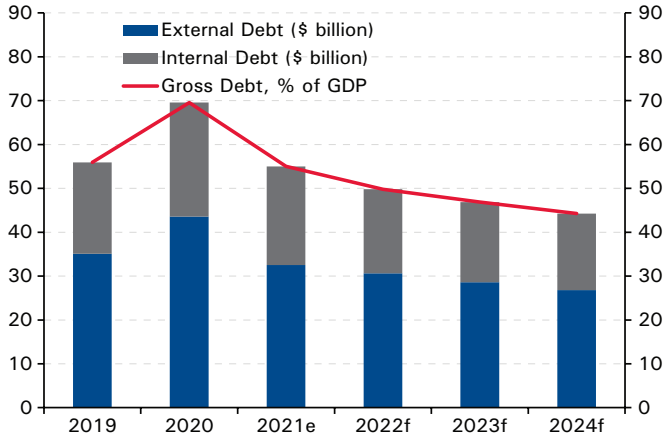
(% of GDP)



Source: Qatar Ministry of Finance, NBK estimates

Chart 4: Government debt (gross)

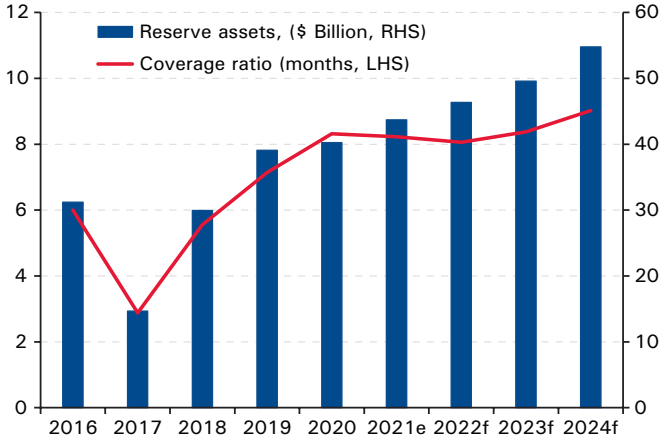
($ billion excl. GREs)



Source: IIF, NBK estimates

Chart 5: Official foreign reserves

($ billion)



Source: Qatar Central Bank, NBK estimates

Saudi Arabia

Effective policymaking and the unabated economic/structural reform momentum led to a relatively fast recovery in the non-oil economy, which grew 5.4% y/y in 1H2021, exceeding pre-pandemic levels. Some of the recent reforms and important policy initiatives included areas such as public procurement, transport/logistics, FinTech, personal data protection, education, and several societal matters. We forecast non-oil growth to soften in 2H2021, but still finishing the year at a strong 3.9%, followed by an average of 3.3% in 2022-2024. While the oil sector has been a drag on GDP growth since in 2019, it is expected to support growth starting in 2H2021 given increased oil production as per the OPEC+ agreement. The fiscal deficit narrowed sharply so far this year and we project it at a limited 1.8% of GDP next year, given higher oil production and the government's unwavering commitment to continue expanding non-oil revenues and rationalize spending.

Non-oil growth to soften in 2H2021 after a strong rebound in H1

The non-oil economy recovered relatively fast, increasing by 5.4% y/y in 1H2021 (2% higher than pre-pandemic levels of 1H2019), following a 2.3% contraction in 2020. This recovery was mostly driven by the private sector (+7.5% in H1), while the less-pandemic-impacted government sector was up by 0.8%. A successful vaccination rollout (62%+ of the population fully vaccinated) supported this fast recovery. The manufacturing sector saw the highest growth rate of 11.9% helped by several initiatives taken to develop that sector, in line with Vision 2030.

Nevertheless, the recovery lost some momentum in 2Q2021 with non-oil output falling by a relatively steep 8% q/q, partly driven by seasonal factors as can be seen historically. While we expect the recovery to continue in 2H2021, we are forecasting lower y/y growth rates than in 1H2021. Base effects is one reason for that (given the pandemic-induced plunge in 2Q2020), but also several indicators (such as consumer spending, credit growth, cement sales, etc.) are pointing to a more gradual recovery going forward. Given all that, we forecast non-oil growth at 3.9% in 2021, then averaging a slightly lower 3.3% in 2022-24. Effective policymaking, ongoing reforms, Shareek program-induced capital spending, and the 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 relatively robust growth outlook. Reflecting that, the stock market is up by around 36% YTD, reaching levels unseen since more than 10 years.

As for the oil sector, KSA has been playing a leading role within OPEC+ to rebalance the global market, and much of the success in terms of that can be attributed to the Kingdom's effective strategy. While the oil sector has been a drag on GDP growth since 2019, it is expected to support growth starting in 2H2021 given higher oil production as per the OPEC+ agreement, and we forecast oil GDP to grow by an average of 4.2% in 2022-24 after a flat performance this year. All in all, total GDP is expected to grow by an average of 3.7% in 2022-24, after a softer 2.3% projected expansion in 2021 that is being held back by the oil sector. Following the tripling of VAT, inflation increased to 3.4% in 2020, and will likely decelerate to around 3% this year, before normalizing to 2% in 2022-24. As for credit, growth strengthened to 16.1% y/y through September from a very solid 15% in 2020, as higher growth in personal non-mortgage credit more than compensated the slower growth in mortgage lending.

Fiscal position on a sustainable footing

Following the pandemic-induced deterioration in 2020, the fiscal position improved sharply in 9M2021 on soaring non-oil revenues, higher oil prices, and spending restraint. Revenues increased by 29% y/y in 9M2021 as oil revenues were up 25% on higher oil prices, while non-oil revenues grew by 33% driven by higher tax receipts. In contrast, expenditures inched down 3% in 9M2021 as current spending was flat, while capital spending was cut by 29%. The fiscal deficit dropped to less than 0.5% of GDP in 9M2021, down from 11.2% in 2020. However, given seasonal spending patterns (spending highest in Q4) and the fact that 4Q2020 likely included material non-oil revenue one-offs that will be difficult to sustain in the same magnitude this year, we forecast the deficit to stand at around 2.8% for the full year. Looking ahead, given the increase in oil production and the government's unwavering commitment to continue expanding non-oil revenues and rationalizing spending in line with Vision 2030, we forecast a steady and gradual improvement in the deficit to less than 1% of GDP in 2024. Accordingly, we see the debt/GDP ratio staying below 32% through 2024, significantly lower than the 50% self-imposed cap.

After a slight dip in to the red in 2020 (-2.8% of GDP), we forecast the current account to return to surplus of around 4% in 2021 on higher oil prices and a strong rebound in non-oil exports. The latter exceeded pre-pandemic levels in 1H2021 (10% above 1H2019), hitting an all-time monthly high in June. Moreover, FDI soared to $13.8bn in Q2, nearly matching the combined flows for the last three years. The improving balance of payments trends can be seen in SAMA's reserve assets, which have increased by 3% YTD through September (after dropping 9% in 2020) to stand at $465 billion (56% of 2021F GDP).

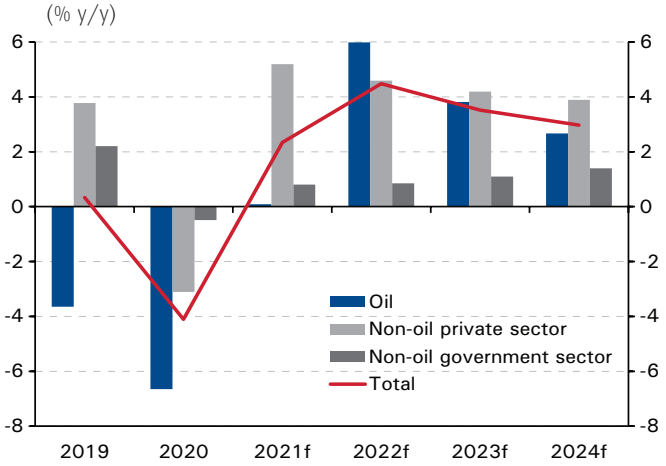
Effective policymaking and the reform momentum are the key drivers for the country's favorable outlook. Some of the recent reforms/important policy initiatives included the areas of public procurement, transport/logistics, FinTech, personal data protection, education, and several societal matters. Higher-than-forecast oil prices is the main upside risk to our forecast, while slower-than-projected momentum in terms of non-oil growth and weaker-than-expected oil production given KSA's leading role within OPEC+, are the main downside risks.

Saudi Arabia key economic indicators

		2020	2021f	2022f	2023f	2024f
Nominal GDP	$ billion	700	830	856	885	925
Real GDP	% y/y	-4.1	2.3	4.5	3.5	3.0
- Oil	% y/y	-6.7	0.1	6.0	3.8	2.7
- Non-oil	% y/y	-2.3	3.9	3.5	3.3	3.2
Inflation (average)	% y/y	3.4	3.0	2.0	2.0	2.0
Fiscal balance	% of GDP	-11.2	-2.8	-1.8	-1.0	-0.7
Government debt	% of GDP	32.5	30.1	31.0	31.0	30.4
Current acc. bal.	% of GDP	-3.1	4.4	3.9	3.7	3.8

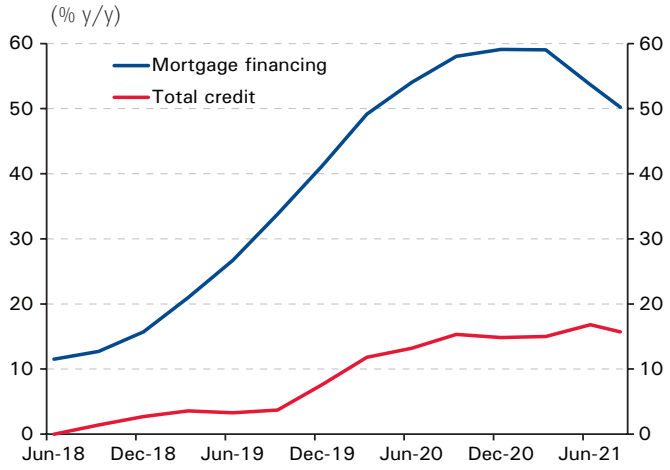
Source: National authorities, NBK forecasts

Chart 1: Real GDP



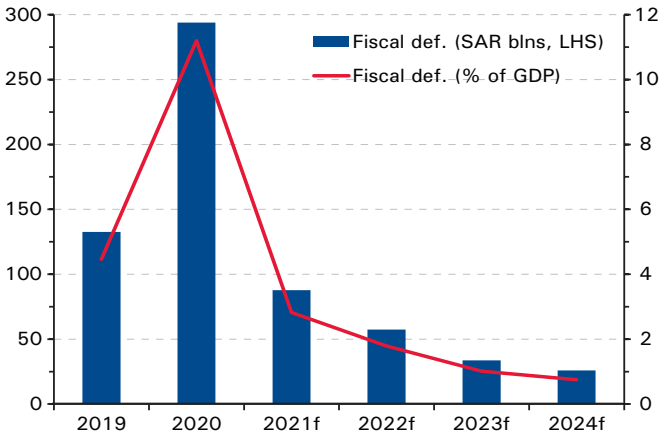
Source: General Authority for Statistics (GASTAT), NBK forecasts

Chart 2: Credit growth



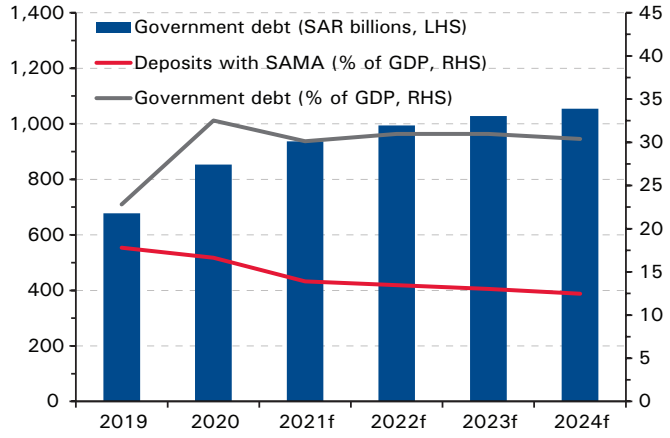
Source: SAMA

Chart 3: Fiscal deficit



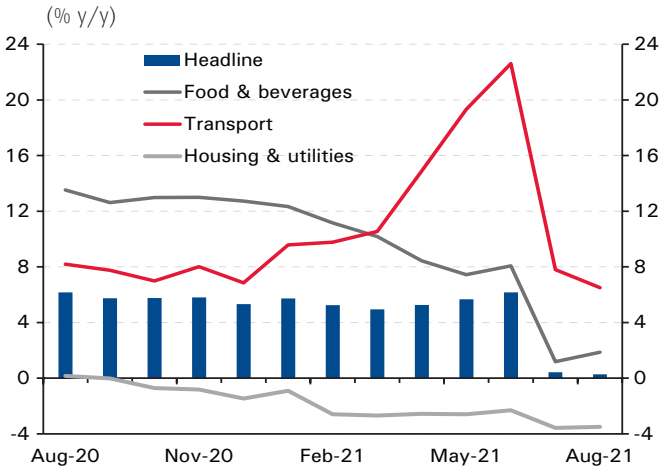
Source: Ministry of Finance, NBK forecasts

Chart 4: Government debt and deposits with SAMA



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

Chart 5: CPI inflation



Source: GASTAT

UAE

The economy now looks on a solid recovery path amid easing pandemic pressures, higher oil prices, improving tourism and further government reform policies to attract skilled labor and boost foreign investment. GDP is seen rising 1.6% in 2021, then averaging 3.4% in 2022-24, also helped by recovering oil output. The fiscal deficit is forecast to shrink to 2.4% of GDP in 2021 and funding options have widened with the federal government's debut bond issuance. Downside risks to the outlook include resurgent pandemic pressures and GRE debt repayment challenges, especially if global financial conditions tighten abruptly.

Economy recovering on higher oil output, tourism upturn

The UAE's highly globally integrated economy took a sizeable hit last year from the weak global oil market, business closures and suspensions to travel and tourism. But it now looks to be on a solid recovery path aided by easing Covid pressures and very high vaccine penetration, energetic government support and reform policies, a real estate upturn, and sharply higher oil prices. The commencement in October of the delayed Expo 2020 is also providing a welcome boost to tourism and commercial activity. In the oil sector, with OPEC+ easing its supply cuts, UAE crude output is increasing monthly. Oil GDP should expand by 7.6% in 2022, and then post more moderate annual gains of around 2% on average in 2023-24. From 2024 onwards, the huge expansion projects of Upper Zakum ($22 billion) and Hail & Ghasha ($15 billion) will bring additional crude and natural gas volumes, respectively, while the completion of the Ruwais refinery ($20 billion) should result in a sizeable increase in ADNOC's refining capacity in 2024-25.

On the non-oil side, the PMI activity gauge has trended higher through 2021 and averaged 53.7 in 3Q21, with firms reporting higher demand and greater work backlogs. Non-oil GDP growth of 2.8% is expected this year, picking up to 3.2% on average in 2022-24 as the recovery strengthens, tourism picks up and the government presses on with reforms in an increasingly competitive regional economic environment. Among the initiatives announced recently are plans to attract $150 billion in FDI (especially in technology sectors) over 9 years, agreements to boost trade with key global markets and new visa and residency schemes to help businesses and attract skilled foreign labor. Real GDP is forecast to rise by 1.6% in 2021 and then by 3.4% on average in 2022-24. (Chart 1.)

Inflation ticking up slowly; real estate prices recovering

After more than two years of deflation, consumer prices are now ticking up (+0.6% y/y in August), amid improving domestic demand and higher energy prices. However, the housing component (mostly rents) remains weak, despite signs of recovery in the residential property market. After a forecast decline of 0.2% on average in 2021, inflation is expected to rise gradually, reaching 1.6% by 2024, with some upside risks if rents recover more quickly. (Chart 2.) Residential property prices in Dubai have also started to rise (2.1% y/y in 2Q21) after a multi-year decline, which could signal a potential turning point for the sector. (Chart 3.) The turnaround has been supported by government initiatives to regulate supply and boost demand by making it easier to secure financing (e.g. lower mortgage rates, bank lending and developer incentives), as well as more broadly a structural shift in work practices in favor of remote working.

Fiscal position improving following pandemic shock

In common with its GCC neighbors, the UAE's public finances deteriorated in 2020 due to the pandemic, shifting from a 0.6% of GDP surplus in 2019 to a 5% deficit (including ADNOC profits, SWF investment income and some transfers). Revenues dropped by 23%, while spending fell 8.5% (despite a rise in subsidies to support growth). In 1H21, the budget registered a surplus of AED29.4 billion (4% of annualized GDP), helped mainly by a sharp reported drop in capital spending and a rise in revenues. However, assuming that capital spending rebounds in H2, a move back into deficit could be expected. For 2021 as a whole, we expect much reduced deficit of 2.4% of GDP, improving to a small surplus of 0.4% of GDP by 2024 in line with fiscal consolidation efforts. The 5-year federal budget (which covers mostly health, education and some infrastructure) for 2022-26 was set at AED290 billion, up 3.7% on allocations for 2017-21.

Funding of the deficit is supported by the government's enormous sovereign wealth fund reserves managed by ADIA and Mubadala and worth an estimated $1.1 trillion, but also by debt issuance, especially with interest rates low. The federal government issued debut (10-40 year) bonds worth $4 billion in October 2021, backed by a high AA/Aa2 investment grade rating. Government debt could fall slightly from 38% of GDP in 2020 to 35% of GDP in 2024, though this excludes GRE-related debt which on some estimates may be up to 30% of GDP.

Outlook and risks

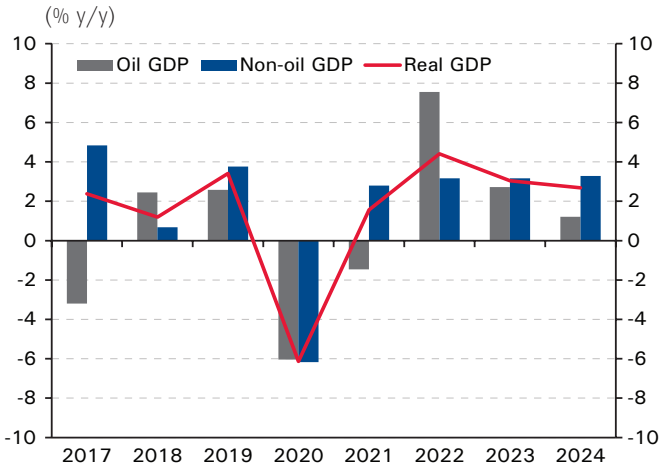
The UAE's large hydrocarbon resources, huge SWF assets, strong competitiveness ranking and effective policymaking continue to provide for a very positive overall long-term economic outlook. Main near-term downside risks include resurgent pandemic pressures, weaker oil prices and debt repayment challenges faced by GREs especially if global financial conditions were to tighten abruptly. On the upside, a more rapid global recovery from Covid in 2022 could see UAE trade and tourism improve more quickly.

UAE key economic indicators

		2020	2021e	2022f	2023f	2024f
Nominal GDP	$ billion	359	405	415	425	439
Real GDP	% y/y	-6.1	1.6	4.4	3.0	2.7
- Oil	% y/y	-6.0	-1.5	7.6	2.7	1.2
- Non-oil	% y/y	-6.2	2.8	3.2	3.2	3.3
Budget balance	% of GDP	-5.0	-2.4	-1.6	-0.8	0.4
Public Debt*	% of GDP	37.8	36.0	36.7	36.7	35.2
Current acc. bal.	% y/y	5.9	12.7	11.4	9.1	8.0
Headline inflation	% of GDP	-1.9	-0.2	0.3	0.9	1.6

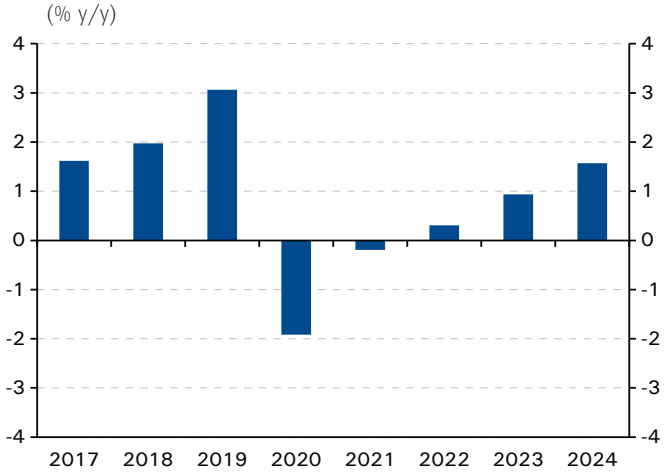
Source: Official sources, NBK estimates

Chart 1: Real GDP



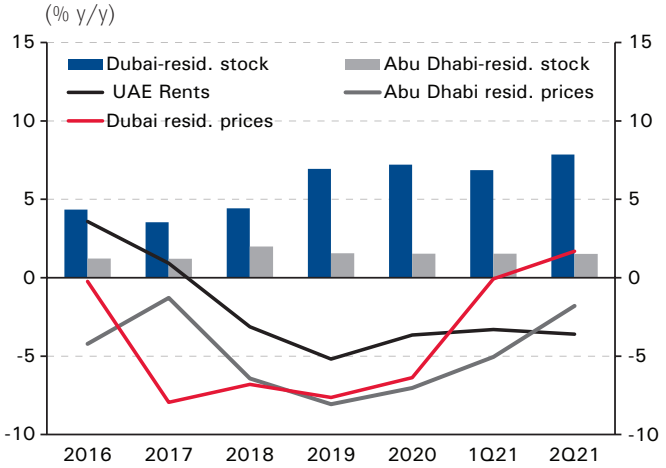
Source: Federal Competitiveness & Statistics Centre (FCSC), NBK estimates

Chart 2: Headline inflation



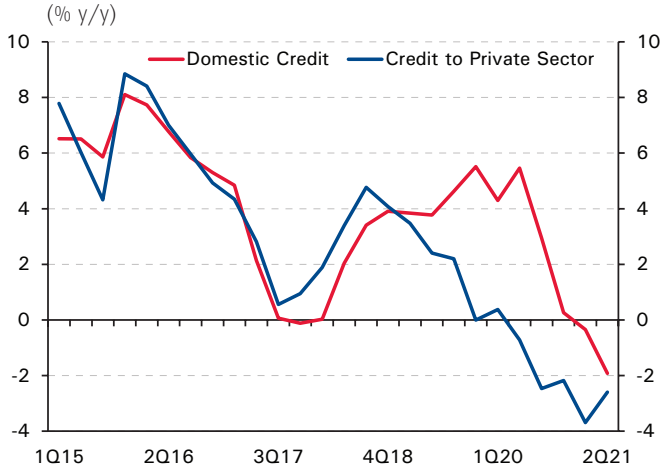
Source: Federal Competitiveness & Statistics Centre (FCSC), NBK estimates

Chart 3: Abu Dhabi and Dubai residential market



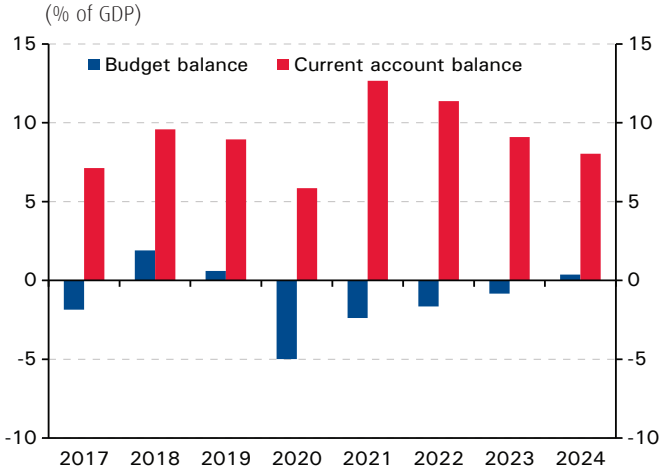
Source: FCSC, REIDIN, JLL

Chart 4: Domestic and Private Sector Credit



Source: Central Bank of UAE, NBK estimates

Chart 5: Current Account and Budget Balance*



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

*Fiscal deficit include ADNOC profits & investment income and other transfers

Egypt

Egypt's post-pandemic economic recovery is broadly on track, with growth seen averaging a solid 5% or so over the next few years. The fiscal deficit continues to narrow, benefitting from spending control and slower growth in debt-servicing costs. However, the external sector is still under pandemic-related pressure, with tourism having been hard hit. In the near term, uncertainty over the global economic recovery and potential new waves of virus cases are the main downside risks to the outlook, while Fed policy tightening could affect capital flows to emerging markets in general. The continued appetite and capacity to pursue ambitious structural reforms to bolster private sector activity will be critical for success in the long term.

The economic recovery is gaining momentum

With lockdown restrictions easing over the summer and businesses gradually reopening, economic growth has continued to recover. GDP growth accelerated to 7.7% y/y in 2Q21 (the final quarter of FY20/21) – albeit boosted by a base effect after weakness a year earlier – from 2.0% in 1Q21. This pushed growth to 3.3% during FY20/21 from 3.6% in FY19/20. However, the tourism sector (worth about 12% of GDP in 2019) is likely to remain under pressure due to continued international travel disruptions. We expect growth to recover to around 5.0% over the medium term based upon the authorities' continued commitment to crucial economic reforms, and assuming no major slowdown in the global economic recovery including due to the emergence of more contagious coronavirus strains.

Fiscal deficit narrows despite pandemic pressures

Despite huge pandemic pressures, the government still managed to trim the fiscal deficit again last year, helped by improved spending control and slower growth in debt service costs. The deficit narrowed to 7.4% of GDP in FY20/21 from 8.0% a year before, with the rise in revenues (+12% y/y) outpacing growth in spending (+9%). The primary balance (i.e. excluding interest payments) reached a surplus of 1.4% of GDP. As the economy recovers and the government pursues its debt restructuring strategies (including diversifying the debt structure and extending the average debt maturity), the overall budget deficit could narrow to 7.0% of GDP in FY21/22 and further to about 6.0% by FY23/24. This will help public debt decline to about 86% of GDP by the end of June 2022 and further in the medium term. Given prevailing low global interest rates and previous successful debt issues, the government is likely to utilize external borrowing to finance a major part of these projected deficits.

Drop in tourism revenue weighs on the external sector

Despite the gradual recovery of Egypt's external position, the current account is still under pressure as subdued international travel weighs on the tourism sector, the main source of foreign currency earnings. In fact, the drop in tourism revenues in FY20/21 (-50.7% to $4.9 billion) contributed to a widening of the current account deficit to $18.4 billion (4.6% of GDP) from $11.2 billion (3.1% of GDP) in the previous fiscal year. We expect the deficit to narrow to an average of 2.5% in future years on a recovery in tourism and trade. On the financial side, the recent acceleration of capital inflows combined with IMF support ($5.2 billion Stand-By Arrangement, Covid emergency financial assistance of $2.7 billion and $2.8 billion from an SDR allocation) and foreign borrowing have more than offset the increase in the current account deficit. This has helped the pound remain broadly stable against the US dollar at an average of EGP15.7/US$1 so far this year. Meanwhile, after dropping to a pandemic low of $36.0 billion in May 2020, net foreign reserves had recovered to $40.8 billion in September 2021, further supporting the external picture.

Monetary policy on hold amid moderate inflation

Amid rising commodity and energy prices, inflation accelerated to 6.6% y/y in September (4.5% in 1H21). Over coming months, the late-July increase in fuel prices and a potential rise in prices for subsidized bread could push up the headline rate. Still, inflation should remain under control in FY21/22, averaging about 5.8% compared to 4.5% in FY20/21, much lower than in the past, and still towards the lower end of the CBE's target range of 7% ±2%. So far in 2021, the central bank has kept its policy rates unchanged at relatively high levels (8.25-9.25%). A fresh rate cut to support the economy and lower debt financing costs now looks less likely than before, with the bank mindful of the need to avoid triggering capital outflows, especially as the US Fed starts to taper its asset purchases.

Credit growth is robust but beginning to moderate

Banking system liquidity and depositor confidence continue to improve, helped by the central bank's response during the pandemic. Domestic credit recorded double-digit growth of 11.0% y/y in July, though the pace has slowed from recent highs as the boost from earlier government measures to encourage lending during the pandemic has started to fade. Looking ahead, credit growth is expected to remain solid, supported by the economic recovery and by the clear guidance provided by a stable and consistent monetary policy.

Continued commitment to reforms is critical for success

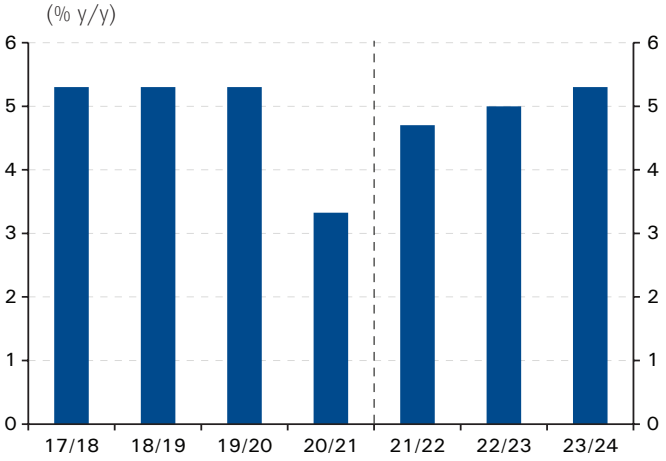
Despite tremendous efforts over the past years to achieve macroeconomic stability and boost economic growth, Egypt is still facing several challenges in an uncertain global environment. The scale and longevity of the pandemic remain the main risks in the short-to-medium term, while Fed policy tightening could affect capital flows to emerging markets in general. In the long run, there is a risk that reform fatigue could set in before the most challenging structural issues are tackled, including reducing the government's role in the economy, containing population growth and making the business environment more conducive to investment. While these are ambitious, they are also critical for success.

Egypt key economic indicators

		FY20/21	FY21/22	FY22/23	FY23/24
Nominal GDP	$ billion	356	393	437	486
Real GDP	% y/y	3.3	4.7	5.0	5.3
Fiscal balance	% of GDP	-7.4	-7.0	-6.5	-6.0
Public debt	% of GDP	90.6	86.0	80.0	73.0
Inflation	% y/y	4.5	5.8	6.2	6.0
Current account	% of GDP	-3.7	-3.0	-2.5	-2.3

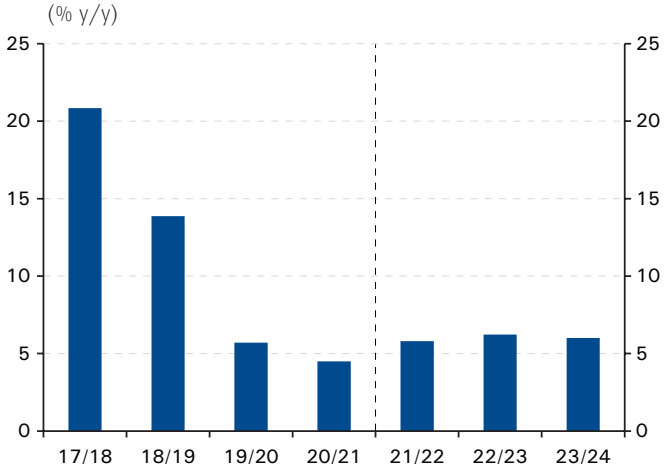
Source: Official sources, NBK estimates

Chart 1: Real GDP



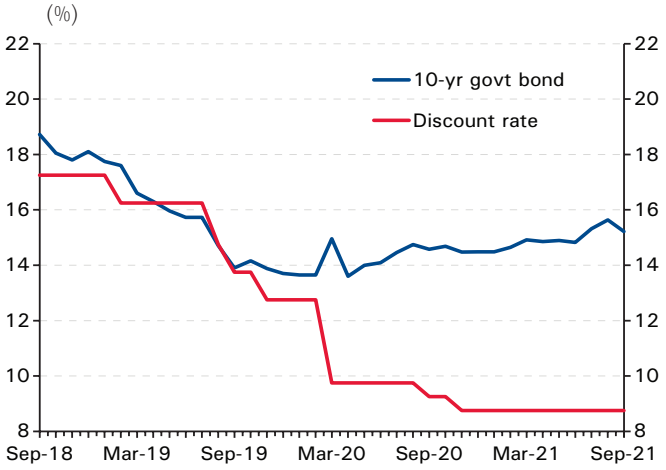
Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 2: Inflation



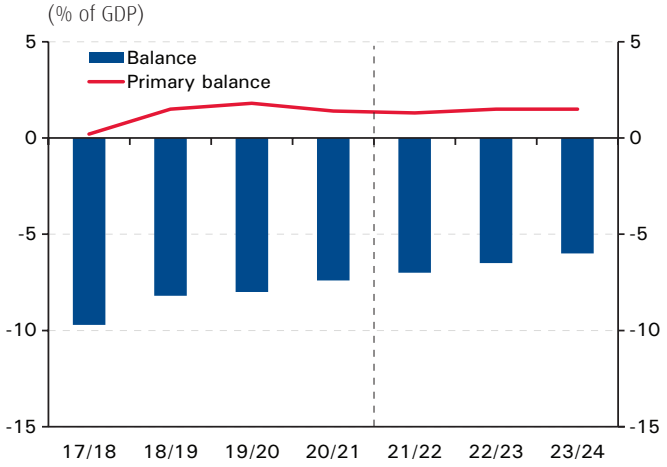
Source: Capmas, Central Bank of Egypt, NBK estimates

Chart 3: Interest rates



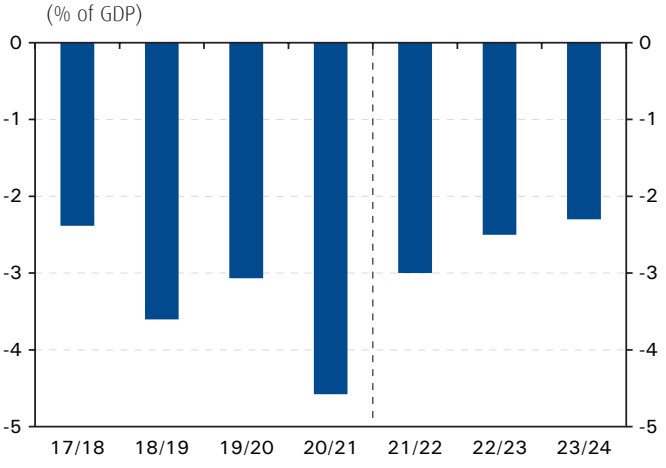
Source: Refinitiv / Central Bank of Egypt

Chart 4: Fiscal balance



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 5: Current account balance



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Regional economic data and forecasts

	Unit	2018	2019	2020	2021f	2022f	2023f	2024f
Bahrain								
Nominal GDP	USD bn	37.7	38.6	34.5	37.0	38.6	41.0	43.1
Real GDP	% y/y	2.0	2.3	2.3	2.4	2.4	2.5	2.6
Hydrocarbon sector	% y/y	-1.3	1.9	-7.1	3.1	3.0	3.1	3.2
Non-hydrocarbon sector	% y/y	2.7	1.9	-7.1	3.1	3.0	3.1	3.2
Budget balance	% of GDP	-6.3	-4.7	-12.9	-5.8	-5.0	-3.1	-0.9
Current account balance	% of GDP	-6.5	-2.1	-9.4	-2.2	-4.1	-3.9	-3.6
Inflation	% y/y	2.1	1.0	-2.3	-0.2	3.1	1.2	1.4
Kuwait								
Nominal GDP	USD bn	140.6	136.2	105.8	129.8	132.8	140.6	146.1
Real GDP	% y/y	1.2	-0.6	-8.9	1.0	5.1	3.8	2.6
Hydrocarbon sector	% y/y	0.2	-1.0	-8.9	-1.0	7.2	4.2	1.9
Non-hydrocarbon sector	% y/y	2.7	-0.1	-8.8	3.2	2.8	3.3	3.5
Budget balance	% of GDP	-3.0	-9.5	-33.2	-10.5	-14.5	-11.4	-9.5
Current account balance	% of GDP	14.1	24.5	21.1	26.9	23.9	22.5	23.1
Inflation	% y/y	0.6	1.1	2.1	2.6	2.1	3.8	1.9
Oman								
Nominal GDP	USD bn	79.7	76.2	72.0	80.8	81.8	84.1	86.6
Real GDP	% y/y	1.0	-0.9	-3.5	2.1	3.9	2.6	2.7
Hydrocarbon sector	% y/y	2.3	0.2	-2.2	2.8	6.1	2.3	2.3
Non-hydrocarbon sector	% y/y	0.1	-1.7	-4.4	1.6	2.3	2.8	3.1
Budget balance	% of GDP	-8.6	-8.1	-10.5	-3.6	-2.5	-1.0	-0.5
Current account balance	% of GDP	-5.4	-5.6	-12.0	-7.3	-4.3	-2.2	-1.0
Inflation	% y/y	0.9	0.1	-0.9	1.5	1.9	1.2	1.2
Qatar								
Nominal GDP	USD bn	191.4	176.4	144.4	165.2	170.5	176.5	183.5
Real GDP	% y/y	1.5	0.7	-3.6	2.9	4.5	3.6	2.4
Hydrocarbon sector	% y/y	-0.3	-1.7	-2.0	1.5	0.7	0.2	0.2
Non-hydrocarbon sector	% y/y	3.2	2.2	-4.5	3.8	6.9	5.5	3.5
Budget balance	% of GDP	2.2	1.0	-2.1	5.8	3.5	1.2	0.8
Current account balance	% of GDP	8.7	2.4	-2.5	4.0	0.8	0.5	2.0
Inflation	% y/y	0.3	-0.8	-2.7	2.1	1.4	1.5	1.8
Saudi Arabia								
Nominal GDP	USD bn	786.5	793.0	700.1	829.6	856.2	885.3	924.7
Real GDP	% y/y	2.4	0.3	-4.1	2.3	4.5	3.5	3.0
Hydrocarbon sector	% y/y	3.1	-3.6	-6.7	0.1	6.0	3.8	2.7
Non-hydrocarbon sector	% y/y	2.2	3.3	-2.3	3.9	3.5	3.3	3.2
Budget balance	% of GDP	-5.9	-4.5	-11.2	-2.8	-1.8	-1.0	-0.7
Current account balance	% of GDP	9.2	4.8	-2.8	4.4	3.9	3.7	3.8
Inflation	% y/y	2.5	-1.2	3.4	3.0	2.0	2.0	2.0
UAE								
Nominal GDP	USD bn	422.5	417.5	359.1	404.7	415.1	425.0	438.9
Real GDP	% y/y	1.2	3.4	-6.1	1.6	4.4	3.0	2.7
Hydrocarbon sector	% y/y	2.5	2.6	-6.0	-1.5	7.6	2.7	1.2
Non-hydrocarbon sector	% y/y	0.7	3.8	-6.2	2.8	3.2	3.2	3.3
Budget balance	% of GDP	2.0	0.6	-5.0	-2.4	-1.6	-0.8	0.4
Current account balance	% of GDP	9.6	8.9	5.9	12.7	11.4	9.1	8.0
Inflation	% y/y	3.1	-1.9	-2.1	-0.2	0.3	0.9	1.6
Egypt (fiscal year)								
Nominal GDP	USD bn	250.9	303.2	331.4	357.2	394.8	439.0	488.6
Real GDP	% y/y	5.3	5.6	3.6	3.3	4.7	5.0	5.3
Budget balance	% of GDP	-9.7	-8.2	-8.0	-7.4	-7.0	-6.5	-6.2
Current account balance	% of GDP	-2.4	-3.6	-3.1	-3.7	-3.0	-2.5	-2.3
Inflation	% y/y	20.8	13.9	5.7	4.5	5.8	6.2	6.0

International data

	Unit	2018	2019	2020	2021f	2022f	2023f	2024f
Brent crude oil spot price (year average)	$ p/b	71.5	63.7	43.9	68.00	63.00	60.00	60.00
Rogers International Commodity Index	Index	2,194.3	2,454.4	2,265.6	---	---	---	---
Eur/USD	1$ = €	0.9	0.9	0.8	---	---	---	---
US Fed Fund Rate	%	2.5	1.8	0.3	---	---	---	---
MSCI World stock market index	Index	1,883.9	2,358.5	2,690.0	---	---	---	---
MENA* real GDP (IMF)	% y/y	2.2	1.5	-2.8	4.1	4.1	3.8	3.6
World real GDP (IMF)	% y/y	3.6	2.8	-3.1	5.9	4.9	3.6	3.4

Source: Thomson Reuters Datastream, official sources, IMF, NBK estimates; * Middle East and Central Asia

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