November 2020

Economic Outlook: GCC & Egypt

2020-2023

National Bank of Kuwait
Economic Research Department

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GCC & Egypt Outlook

The year 2020 has been dominated by the coronavirus pandemic, which has inflicted terrible human suffering and heavy economic damage. GCC countries were especially hit hard hit due to the amplified shock stemming from the impact of the pandemic on oil demand and oil prices. The region is now facing tough policy choices. Fiscal support is still needed to fight persistent and rising infections, already showing up in Europe and the US. But from a medium-term perspective, governments should aim to achieve fiscal and external sector sustainability in the likely scenario of low oil prices. It is because of the heavy dependence on oil receipts that the magnitude of adjustment required will have to be so large.

The international setting

The year 2020 is an exceptionally unsettling year. COVID-19 has already claimed more than 1.2 million lives and inflicted heavy damage on the world economy. Still the virus shows no sign of relenting, as autumn infections soar in Europe and the US, triggering another round of painful restrictions that would likely extend to other countries and heap further pressure on already depressed global economic activity.

The global economy is expected to shrink by 4.4% this year, with the US and Europe hardest hit (contracting by 4.3% and 8.3%, respectively) according to recent IMF projections. Emerging and developing economies should fair slightly better, contracting 3.3%, while China, where it all started, is the only major country expected to grow 2% this year. China, in combatting the virus, early on adopted stricter and harsher measures than any other country. It may have suffered more initially but this proved to be beneficial for its recovery.

The world responded swiftly to the pandemic, injecting an estimated $12 trillion to mitigate the impact of the virus. More support is still needed especially with the resurgence of infections. Even the IMF—hitherto well-known for its economic orthodoxy—is calling for more public investment; it is arguing that countries need not be too concerned with debt but should take advantage of the historically low interest rates.

GCC countries hit hard by the pandemic

The impact of the pandemic fell disproportionately on the GCC region. In addition to the impact of the virus-containment restrictions on non-oil activity, the drop in oil production mandated by OPEC+, which is aimed at redressing the supply-demand imbalance, pushed GCC oil sectors into deep contraction. We estimate aggregate real GDP growth in the region to decline by 5% this year and to rebound to an average of 3% over the next three years.

Regional governments have rallied to the rescue, albeit to varying degrees, adopting stimulus packages that have lessened the impact of the virus. But fiscal and external current account balances worsened, reaching -13% of GDP and -4.5% of GDP, respectively, in 2020. In 2021-23, fiscal deficits should improve to -5% of GDP while external accounts should record a surplus of 1% of GDP on average. Faced with a deterioration in their public finances, governments introduced measures aimed at cutting spending and delaying the execution of some projects, while revenue measures were absent except for Saudi Arabia, where, notably, the VAT rate was tripled.

A highly uncertain and risk-laden outlook

The resurgence in coronavirus infections is a major risk to the regional outlook, affecting both the non-oil and oil sectors. Covid-19 accelerated the transition away from fossil fuels to cleaner, renewable energies, as the pandemic changes the way people work and travel, thereby reducing the demand for oil, and as the push for climate change gains traction among all countries including China, the largest oil importer in the world. While some, such as energy major BP, believe that peak oil demand was reached in 2019, the International Energy Agency (IEA) expects demand to continue to rise, but plateau within 10 years, or by 2060 according to more optimistic OPEC. Regardless of these diverging views, oil demand will eventually be on a downward trend.

For now, GCC governments should provide more fiscal support to protect lives now and more livelihoods in the future. But public spending should be well-targeted, however, and focus on investment that could spur (higher multiplier) private sector activity. Financing additional spending could rely more on debt issuance and less on reserves, given the region's low debt level and the low interest rate environment, as the risks from new debt does not compare to the long run cost of doing nothing.

In the medium term, GCC countries should err on the side of caution and plan on the basis of the worst case scenario for oil. Post-pandemic, governments would need to shift their attention to redressing the growing fiscal imbalances by increasing non-oil revenues and rationalizing spending. Structural reforms aimed at boosting private sector activity and employment are essential to diversify the economic base. As for Egypt, it managed to escape recession in 2020, and with the authorities' commitment, reforms will be back on track to solidify macroeconomic stability and undertake much needed structural reforms to make the private sector the main driver of growth.

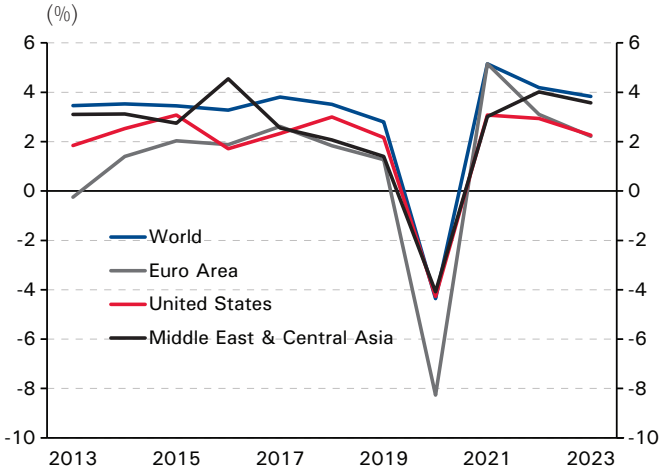
Fortunately, most GCC countries have abundant financial resources that would allow for gradual adjustment (Bahrain and Oman are facing a more difficult situation), minimizing the pain in the process. Still, given the heavy dependence on oil, the magnitude of adjustment is large and the challenge is daunting, especially for countries with limited fiscal space and lower financial buffers. But the earlier countries embark on the reform path, the easier the transition.

GCC key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ trn	1.6	1.4	1.5	1.6	1.7
Real GDP	% y/y	0.5	-5.0	2.4	3.4	3.1
- Oil	% y/y	-1.6	-6.4	2.1	4.2	3.2
- Non-oil	% y/y	2.0	-4.0	2.6	2.9	3.1
Inflation	% y/y	-1.0	0.9	2.1	2.0	1.7
Fiscal balance	% of GDP	-3.5	-12.9	-6.9	-4.8	-3.6
Current account bal.	% of GDP	5.5	-4.4	-1.0	1.9	2.3

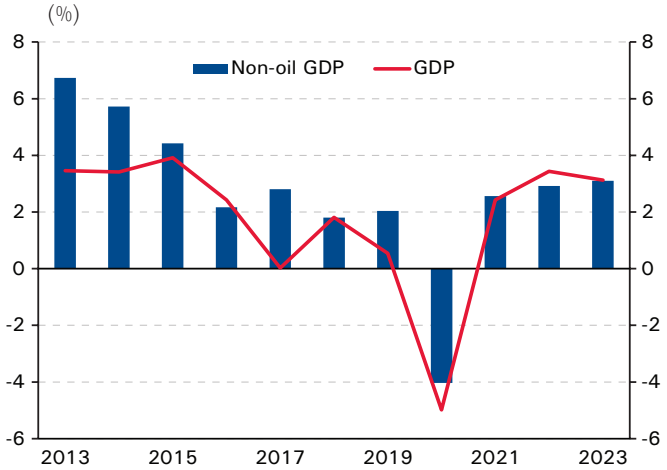
Source: Official sources, NBK estimates

Chart 1: International GDP



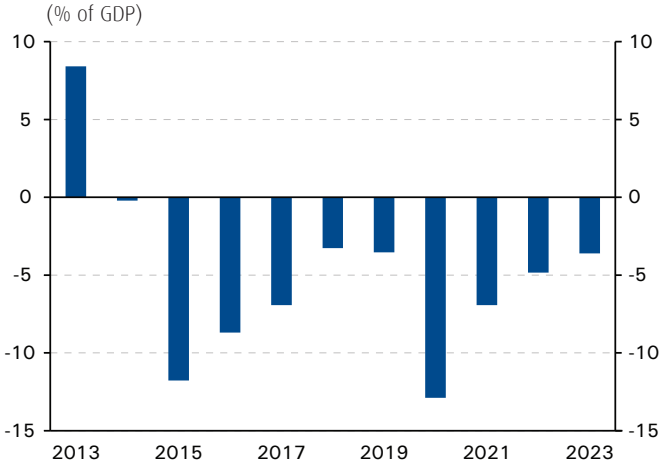
Source: International Monetary Fund, WEO October 2020

Chart 2: GCC real GDP



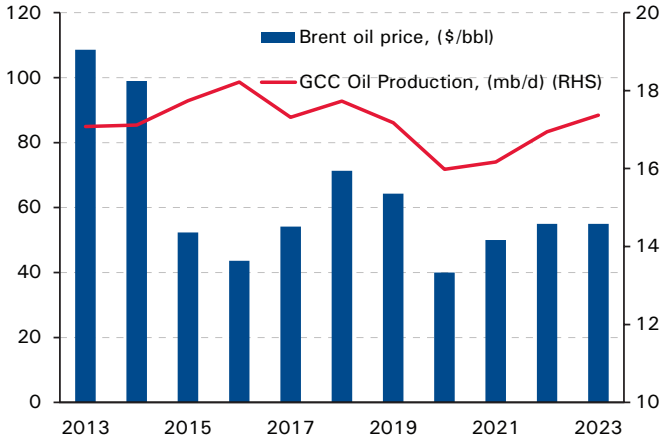
Source: Official sources, NBK estimates

Chart 3: GCC fiscal balance



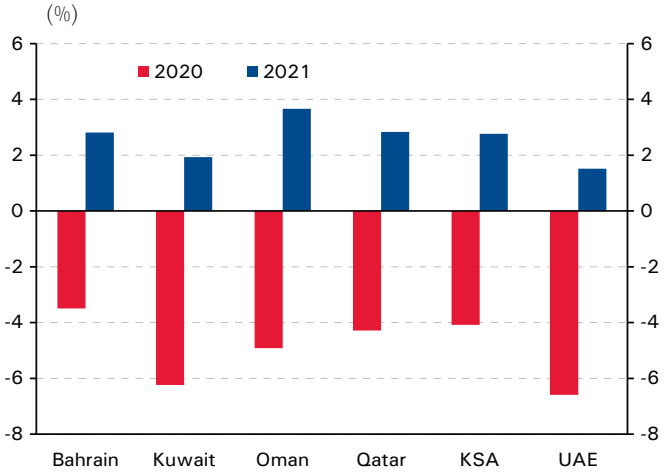
Source: Official sources, NBK estimates

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 contract in 2020 by 3.6% due to the fallout from COVID-19 pandemic and associated containment measures. Growth will pick up in 2021-23 with the ease in restrictions and stronger demand, while headline inflation is expected to remain subdued due to sluggish domestic demand. The fiscal deficit is seen widening in 2020 to 12.5% of GDP and averaging 5.3% over 2021-23 with debt levels above 100% of GDP. Accommodative monetary policy will help increase private sector demand for credit. The current account deficit to widen on the back of moderate oil prices, adding pressures on the Kingdom's foreign reserves.

Sharp contraction with a healthy recovery

Economic activity is expected to contract 3.6% in 2020 due to pandemic-related restrictions and lower oil output. Non-oil GDP is forecast to decline by 4.2% in 2020 amid large-scale containment efforts started by the mid of March with virus recovery rates significantly higher than the global average. Service sector companies are facing challenges from travel restrictions and low consumer sentiment. The tourism sector is projected to sustain sizable losses as international tourists will fall by over 40% in 2020, while the industrial sector will suffer from slackening global demand among downstream consumers. In the medium term, non-oil GDP is likely to grow by 3.3% over 2021-23 (Chart 1). The recovery of the non-oil sector will hinge on several factors, including the pace of recovery in tourism activities as well as raw materials demand.

On the other hand, oil GDP is anticipated to decline slightly by 0.2% in 2020, due to the participation in OPEC+ oil production cuts and the low demand for crude oil and natural gas. However, oil and gas production is projected to increase during 2021-23 to reflect the gradual pickup in global energy demand as well as the increase in the Kingdom's refining capacity.

Inflation to remain subdued

Inflation is expected to be negative at -1.9% in 2020 on the back of weaker spending trends, job losses, and the departure of foreign workers. Softness in housing rents will continue to exert downward pressure on inflation, declining by 3.7% y/y during the first eight months of 2020, while food prices are anticipated to remain broadly stable at 3% in 2020. Inflation would likely hover around the 1% mark in 2021-23 (Chart 2).

On monetary policy, the central bank cut to key interest rates by 0.75% in March together with loan repayment postponement will provide some support to personal and business credit demand. Retail credit to the private sector (businesses and personal credit) would grow by 4.3% in 2020, boosted by the government stimulus measures to support businesses and individuals, before averaging 3.2% in 2021-23 (Chart 3), supporting consumption and private investments.

Fiscal deficit to widen on lower oil revenues

Fiscal consolidation under the Fiscal Balance Program (FBP) have helped in reducing the deficit from 6.3% of GDP in 2018 to 4.7% in 2019. However, the fallout from COVID-19 and the steep decline in hydrocarbon revenues will widen the deficit to 12.5% of GDP in 2020. Revenues will likely to decline by around 27% in 2020, based on an average oil price of $40. On the other hand, total spending could still increase by around 5%, given the difficulty in achieving the proposed reduction in spending given the high share of recurrent spending (over 50% of total spending) and the need to maintain fiscal stimulus despite the rescheduling of a number of development projects.

The repercussions of the pandemic will add pressures on the expenditure side as the stimulus package of BHD 4.5 billion, or 35% of GDP, covers private sector salary payments of Bahrainis and utility bills until the end of 2020. Further out, the deficit is projected to average 5.3% of GDP over 2021-23 (Chart 4), implying a longer time horizon to balance the budget than the 2022 envisaged in the FBP.

Public debt will remain high, reaching 107% of GDP in 2020, and staying above 100% over the forecast period. Despite the recent downgrades to credit ratings, Bahrain retained market access with a total of $5.5 billion in medium and long-term bonds and Sukuk was successfully issued in 2020 with relatively favorable pricing at yields ranging from 3.9%-5.6%. Furthermore, historically low US yields and a strong investor demand for GCC debt has led to a tighter spread between the US 5-year treasury and Bahraini medium-term bonds (3.34%).

Foreign reserves could recover over the medium term

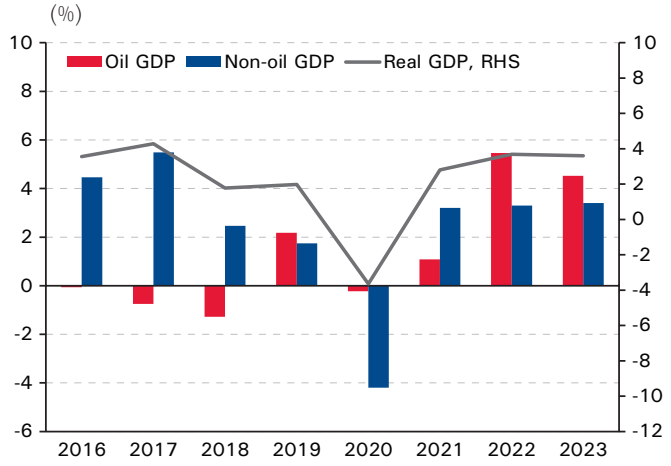
The current account deficit will widen to reach 5.0% of GDP in 2020 from 2.1% in 2019, and an average of 1.1% in 2021-23. Lower oil and services' exports will outweigh the impact of declining imports and worker remittances. The central bank's foreign reserves, which fell to $1.6 billion in June (less than 3 months of imports), are expected to be rebuilt gradually over the medium term with further debt issuance and the continued strong financial backing from GCC partners (Chart 5). Key risks to Bahrain's economy stems from prolonged impact of COVID-19, worsening credit profile, and inadequate fiscal adjustment, all of which would affect medium-term debt sustainability.

GCC key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ billion	39	35	37	39	42
Real GDP	% y/y	2.0	-3.6	2.8	3.7	3.6
- Oil	% y/y	2.2	-0.2	1.1	5.5	4.5
- Non-oil	% y/y	1.7	-4.2	3.2	3.3	3.4
Budget balance	% of GDP	-4.7	-12.5	-7.3	-4.8	-3.8
Current account	% of GDP	-2.1	-5.0	-1.5	-0.9	-0.5
Headline inflation	% y/y	1.0	-1.9	0.5	1.2	1.3

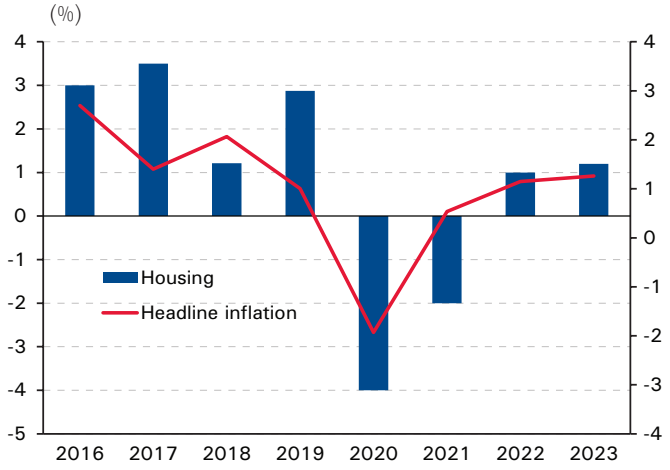
Source: Official sources, NBK estimates

Chart 1: Real GDP



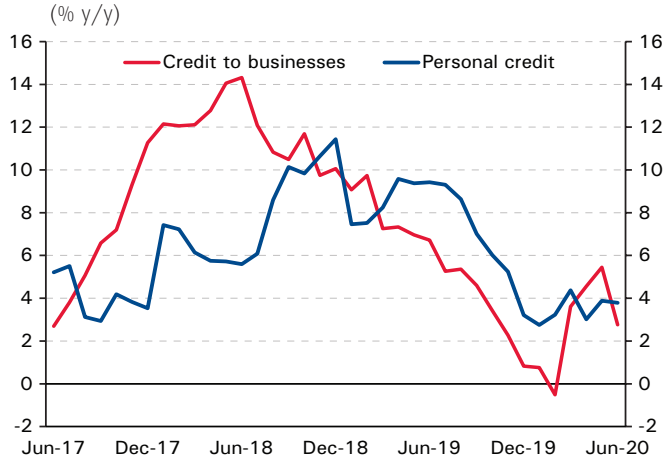
Source: Information & e-government Authority, NBK estimates

Chart 2: Headline inflation



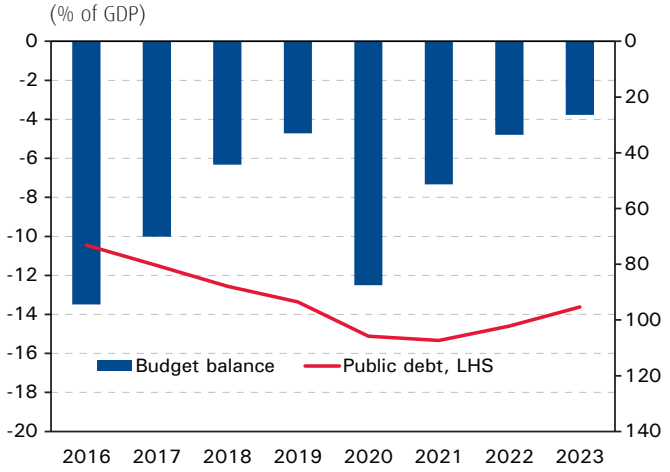
Source: Information & e-government Authority, NBK estimates

Chart 3: Credit to businesses & personal credit



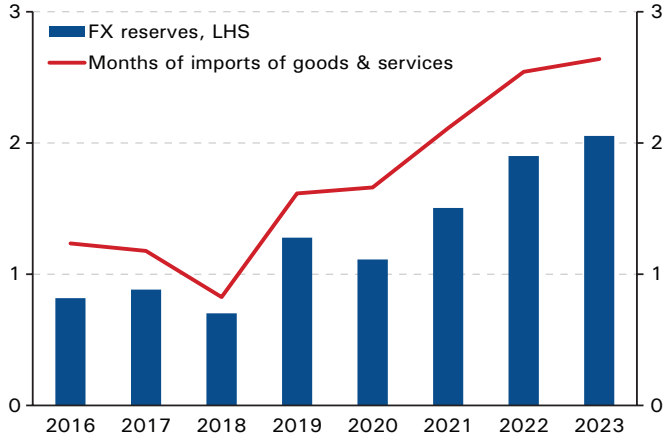
Source: Central bank of Bahrain, NBK estimates

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

The economy is undergoing a partial recovery from the virus-linked lockdowns, though low oil prices and stubbornly high virus cases are tempering hopes of a stronger rebound. Non-oil growth could reach 3% in 2021 then ease slightly amid consolidation measures to reduce the fiscal deficit. We expect the government's near-term liquidity challenge to be overcome but reform of the public finances has become vital to reduce vulnerabilities and stem the drain on public funds. On the upside, fiscal pressures and sluggish economic growth could trigger a faster pace of reform in the post-election period.

Economy to rebound in 2021 as fiscal squeeze looms

The economy is undergoing a partial recovery from the virus-linked lockdowns and business closures triggered in March. While most of these restrictions had been lifted by mid-August and some economic indicators had rebounded, a combination of stubbornly high virus cases, low oil prices, the fading of temporary policy support measures (particularly debt repayment deferrals) and worries over the government's deficit-financing abilities are tempering hopes of a strong recovery. After an expected 4% drop this year, non-oil GDP is seen rising 3% in 2021 and slightly less thereafter as growth conditions normalize and fiscal consolidation measures are pushed through to reduce the deficit. As well as tackling the budget, the new parliament (elections are scheduled for November or December 2020) is likely to make gradual progress on reforms underpinning the Vision 2035 program to improve the business climate and diversify the economy.

Oil output was cut to a 16-year low of 2.09 million b/d in June due to OPEC policy, but has since edged up and is projected to rise further next year in line with OPEC's quota schedule. (Chart 2.) Alongside rising crude output, oil sector GDP (under its broad definition) should get an additional boost in 2021-23 from extra output of refined products as the Clean Fuels and Al Zour refinery projects come onstream, which once complete will see refining capacity almost double. State oil company Kuwait Petroleum Company also faces austerity measures, seeking cuts of 25% or KD7 billion to its five-year capital spending budget. However these cuts will not be an impediment to a recovery in oil output given the spare capacity created by recent cuts. Oil GDP could rise 1% in 2021 then average 6-7% in 2022-23, pushing total GDP growth from 2% in 2021 to nearly 5% in 2022 and 2023.

Deficit financing issues now at the forefront

The challenge of addressing the fiscal deficit has become more acute following the drop in oil prices since March. The deficit is seen rising to 33% of GDP in FY20/21, from 9.5% of GDP last year, before narrowing to 10% of GDP by FY23/24 assuming that spending is trimmed by around 10% and that oil prices stabilize at around $55/bbl. (Chart 3.) Our assumption is that the bulk of the non-oil fiscal adjustment comes from spending cuts in the near term (5% per year this year and next) – especially fuel costs and capital spending. Further out, some new revenue-raising measures are expected of which excise duties (assumed in 2021) and VAT (2022) are most likely. But a more comprehensive approach to fiscal sustainability is desirable including a medium-term framework for spending, requiring a political consensus that has been tough-to-achieve so far.

Financing the deficit has become an urgent issue given the steady depletion of the General Reserve Fund (GRF), the inaccessibility of the much larger Future Generations Fund and the prohibition on issuing new debt since 2017, pending parliamentary approval. Assuming that a debt law is approved soon and given the slowly improving deficit projection, net issuance of KD3 billion per year from next year would push public debt up to 31% of GDP by FY23/24 which is still low by international standards, and sustain the GRF at much-reduced levels. This would provide a path to longer-term sustainability, providing that serious reforms were forthcoming. Meanwhile, the external current account outlook is more robust, despite a slip into deficit this year for only the second time on record.

Inflation to remain low despite recent rise

Inflation remains low but has been pushed up moderately by the Covid-19 pandemic due in particular to rising food prices but also stronger 'core' pressures, perhaps linked to supply chain issues and a post-lockdown bounce in consumer spending. We expect these factors to ease off a little next year, softening average inflation to 1.5% from 1.8% in 2020 despite recovering economic growth. (Chart 4.) Weaker housing rents are a downside risk to the outlook, while the possible implementation of VAT in 2022 would temporarily push inflation up. Meanwhile, credit growth stood at 4.6% y/y in July and has held up well given the severe disruptions to activity, supported by emergency credit lines and the debt repayment holiday. (Chart 5.) The policy discount rate was cut by 1.25%, to 1.5% in March and could be on hold through the forecast period given recent dovish signals from the US Fed and no change in the foreign exchange regime.

Risks include sustained fiscal deficit, slow job creation

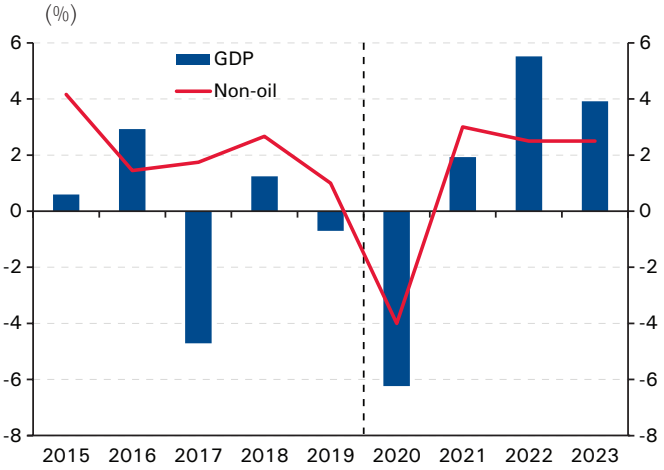
We expect the government's near-term liquidity challenge to be overcome but nevertheless reform of the public finances has become vital to reduce vulnerabilities and stem the drain on public funds. The slow pace of economic reform and job creation are also concerns, as is the impact on business and competitiveness of labor market developments. On the upside, fiscal pressures and sluggish economic growth could trigger a faster pace of reform in the post-election period.

Key economic indicators

		2019	2020f	2021f	2022f	2023f
Nominal GDP	$ bn	136	105	116	128	135
Real GDP	% y/y	-0.7	-6.2	1.9	5.5	3.9
- Oil	% y/y	-2.0	-8.0	1.0	8.0	5.0
- Non-oil	% y/y	1.0	-4.0	3.0	2.5	2.5
Budget balance	% of GDP	-9.5	-33.0	-20.0	-12.0	-10.0
Current act. balance	% of GDP	16.3	-2.0	3.0	7.0	7.0
Inflation	% y/y	1.1	1.8	1.5	4.0	2.0

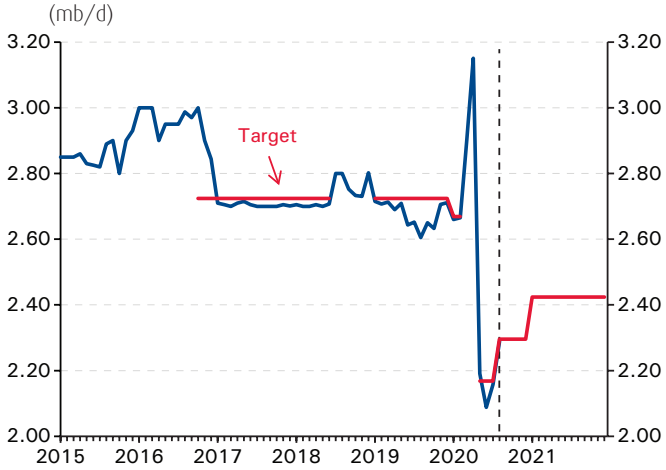
Source: Official sources, NBK estimates * Includes refining

Chart 1: Real GDP



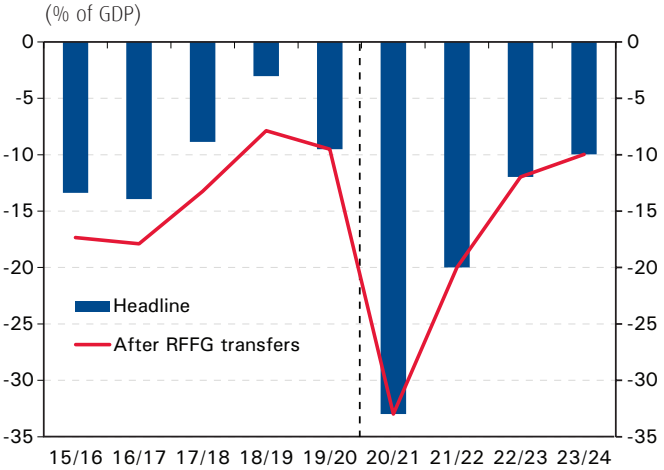
Source: Central Statistical Bureau / NBK forecasts

Chart 2: Crude oil production



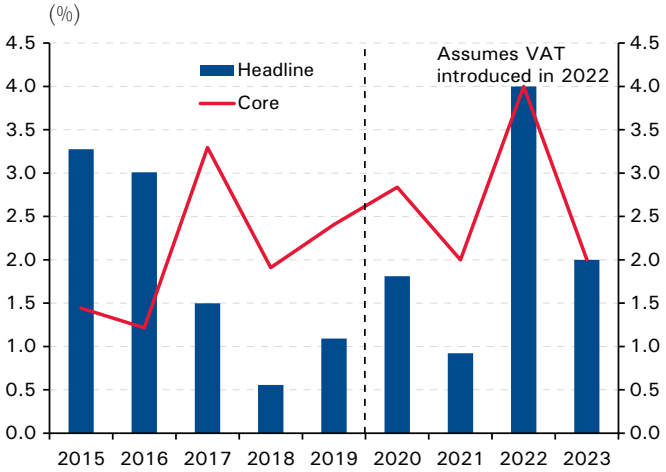
Source: JODI, NBK forecasts

Chart 3: Fiscal balance



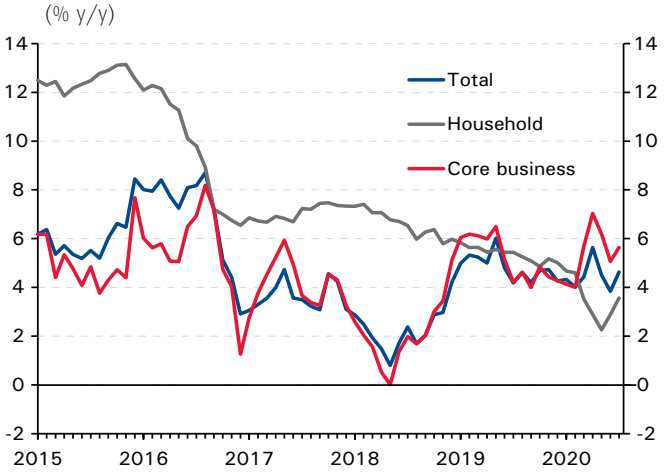
Source: Ministry of Finance / NBK forecasts

Chart 4: Inflation



Source: Central Statistical Bureau, NBK forecasts

Chart 5: Bank credit



Source: Central Bank of Kuwait, NBK

Oman

The economy should recover next year after a coronavirus-impacted 2020. Oil and non-oil activity are expected to rebound, with the latter averaging around 3% over the forecast period. Oman's fiscal balance will likely remain in deficit without concerted fiscal consolidation and reform, leading to a rise in public debt to more than 93% of GDP by 2023. A worsening fiscal position, foreign reserve pressures and high sensitivity to oil price fluctuations remain the key risks to the outlook.

Growth-boosting reforms to support economy

The combined shock of low oil prices and the Covid-19 pandemic is expected to push down headline real GDP growth to -5.0% in 2020. However, activity should rebound sharply to around 3.7% in 2021 and then average around 3.2% over 2022-23 on the back of higher gas output and infrastructure spending. (Chart 1.)

While the Sultanate's oil output will remain compliant with OPEC+ production cut agreement, the ongoing expansion in gas production capacity should more than compensate, especially following recent non-associated natural gas discoveries and partnerships with international energy firms. As a result, we see real oil GDP growth averaging 3.9% during 2021-2023.

Oman's non-oil economy, meanwhile, should recover from 2020's pandemic-induced contraction of 4.5% and expand by 3.2% in 2021 before moderating slightly to 3.0% over the next two years. In March, the government injected $20.8 billion worth of fiscal stimulus in the economy and additional measures, which included a further extension to the existing loan deferment scheme, were rolled out in September. Growth will be driven by the authority's ambitious "Vision 2040" diversification plan, which seeks to realize further development gains in the tourism and manufacturing sectors.

Inflation to gather pace on Value Added Tax (VAT)

Inflation is likely to remain muted over the next six months due to relatively subdued domestic demand, food price and housing cost inflation. However, with the expected introduction of VAT in April 2021 at a rate of 5%, we could see inflation jump to 2.5% that year, before moderating in 2022. (Chart 2.)

Fiscal and external sector woes likely to persist

Despite some fiscal adjustments implemented over the last few months, such as a 10% cut to expected government spending in April and an additional 5% cut in May, intended to offset some of the expected revenue losses, the fiscal deficit is projected to remain relatively high over the next three years. Oil revenues, which account for around 70% of government income, should improve though as oil prices are expected to firm up over the forecast period. Non-oil revenues should benefit from a boost in diversification efforts and the VAT in 2021. The government is expected to roll out a medium-term adjustment program, which includes accelerating the initiatives outlined in the National Program for Fiscal Balance "Tawazun". Without significant fiscal reforms, though, the deficit will remain high averaging at 11.3% of GDP in 2020-23. (Chart 3.) The current account deficit is estimated at 15.5% of GDP in 2020, but should narrow to 7.5% of GDP by 2023 on improving oil and LNG export revenues. (Chart 4.)

Debt issuances to finance deficit

With budget deficits expected over the forecast period and official foreign reserves under pressure—down nearly 2% (ytd) through July this year to $16.3bn (providing around ten months of import cover)—the government has turned to the debt markets for financing. Local development bonds worth $1.43mn have already been issued and a $2bn bridge loan has been secured. In September, the government issued $520mn worth of sukuk with an annual yield of 5.25% and a six-year maturity. However, borrowing is getting more costly, with Oman rated below investment grade, and following a spate of further sovereign downgrades and negative outlooks this year by S&P (B+), Moody's (Ba3) and Fitch (BB-). Public debt is forecast to rise to a high of 93% of GDP by 2023. (See Chart 3.)

Liquidity conditions to remain tight

Liquidity conditions in Oman are likely to remain constrained over the medium term, as government deposit growth is expected to remain weak (-12.3% y/y in July) due to lower oil receipts. July data showed that total deposit growth held steady at 3.2% y/y, supported by growth in private deposits (10.9% y/y) , representing more than 70% of total deposits. Meanwhile, credit growth has moderated, slowing to 1.4% y/y, mainly on account of public sector borrowing as private credit was down 0.3% y/y. (Chart 5.)

Fiscal sustainability and non-oil diversification are key challenges in an era of lower energy prices

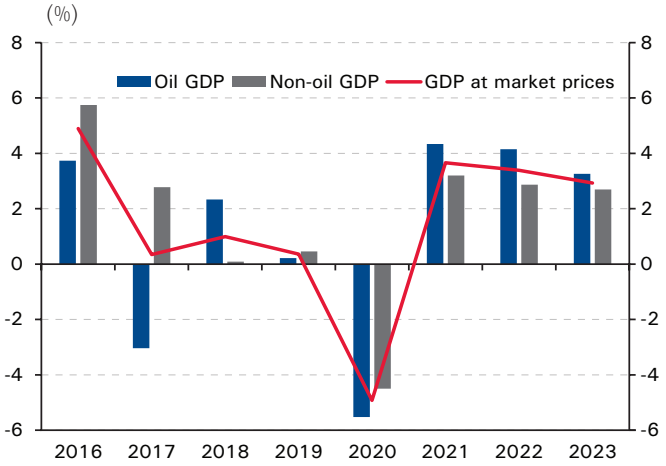
Economic growth should return to Oman next year after a difficult 2020. However, persistently elevated budget deficits, soaring public debt levels and a weaker external position are key challenges that Oman will need to manage. Access to financing against a backdrop of lower oil and gas revenues will be needed. Expenditure rationalization is therefore urgently required, as is revenue raising including VAT and a re-invigorated privatization push. Yet, growth-enhancing capital expenditure projects will also be key, especially in the tourism and manufacturing sectors, which have been identified as longer-term drivers of revenue diversification and economic growth.

Key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ bn	76.2	62.6	68.4	72.9	76.8
Real GDP	% y/y	0.4	-4.9	3.7	3.4	2.9
- Oil	% y/y	0.2	-5.5	4.3	4.1	3.3
- Non-oil	% y/y	0.5	-4.5	3.2	2.9	2.7
Inflation	% y/y	0.1	-0.8	2.5	1.5	1.5
Budget balance	% of GDP	-9.0	-16.1	-11.8	-8.7	-8.5
Current account	% of GDP	-5.4	-15.5	-10.2	-7.9	-7.5
Public debt	% of GDP	61.2	86.6	88.7	91.1	93.4

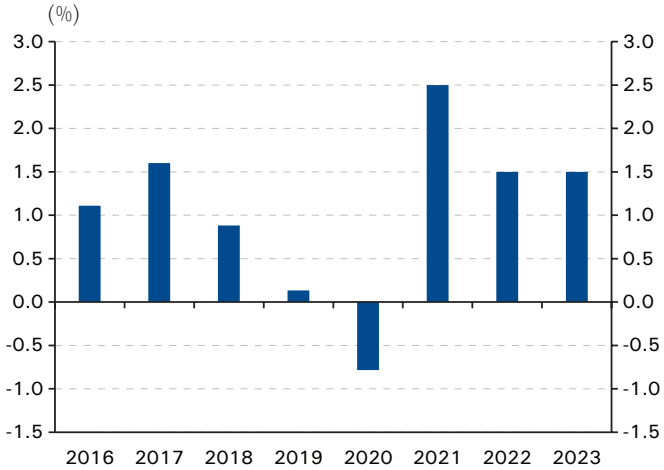
Source: Official sources, NBK estimates

Chart 1: Real GDP growth



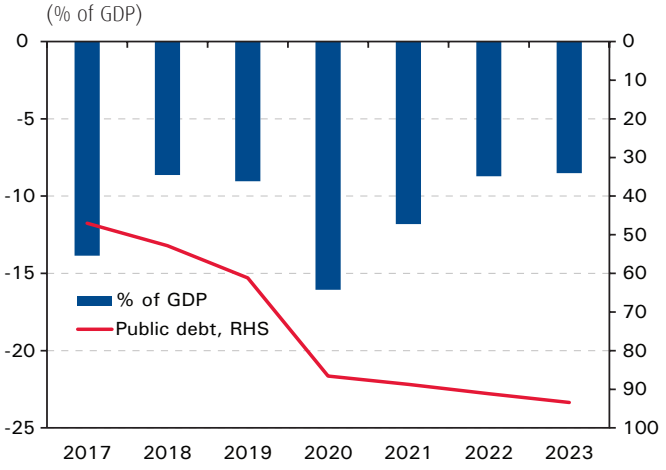
Source: Refinitiv / NBK estimates

Chart 2: Inflation



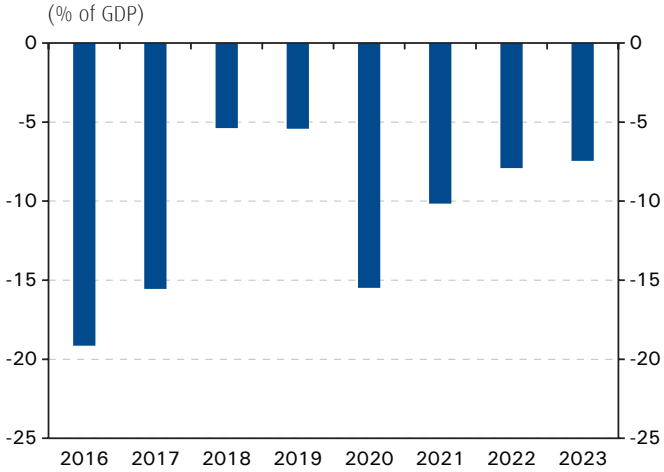
Source: Refinitiv / NBK estimates

Chart 3: Fiscal balance & public debt



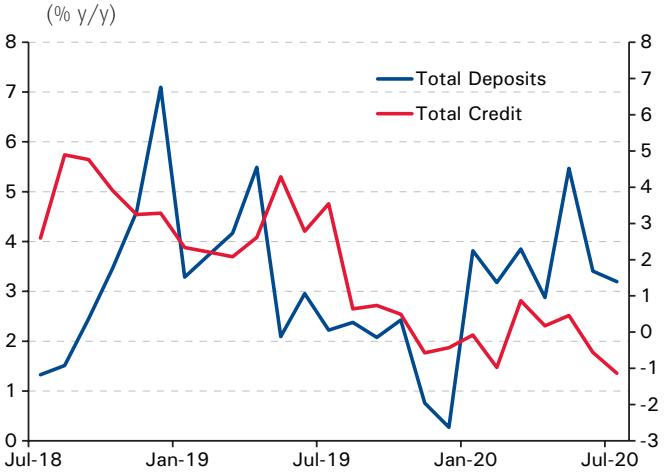
Source: Refinitiv / NBK estimates

Chart 4: Current account balance



Source: Refinitiv / NBK estimates

Chart 5: Private bank credit and deposits



Source: Central Bank of Oman

Qatar

The economy will likely contract this year due to the negative effect of the coronavirus pandemic on consumer activity and investment, though the government stepped in with a mitigation package. Public finances will swing back into deficit due to the precipitous drop in energy prices. Looking ahead, an uptick in oil & gas prices, fiscal consolidation and expectations of an increase in activity ahead of the World Cup allied to ample fiscal buffers should see the economy on a sounder footing.

Covid-19 forces sharp economic contraction in 2020

Qatar's economy is expected to contract by 4.3% this year, a second consecutive annual decline, led by a sharp drop in non-oil sector output (-5.4%) due to the lockdown restrictions imposed to stem the spread of the coronavirus pandemic (Chart 1.) All sectors were affected, from retail and education to finance and transportation. The government stepped in to mitigate the Covid fallout, announcing a $23.5 billion stimulus package (15.5% of GDP) that consisted of central bank liquidity injections, suspensions of fees and taxes by the government, loans and guarantees to businesses from the Qatar Development Bank and investments by government entities. Qatar's oil and gas activity has also been hit this year, and could decline 3.0% on the back of depressed global energy demand.

Recovery expected in 2021 ahead of FIFA World Cup 2022

The World Cup 2022 will be the focal point around which the economic recovery is expected to take place. While associated infrastructure, such as the transportation network have largely been completed, non-oil economic activity will rebound over the forecast period, averaging 3.0 % as preparations intensify. While gains are expected in the construction and wholesale/retail trade sectors, services will also receive a much-needed boost from travel, tourism and transportation activity. Hydrocarbon sector output will see some gains from the full commissioning of the long-awaited $10bn Barzan gas production facility. This should also boost condensates and natural gas liquid (NGL) volumes, but the most significant contribution will come between 2024 and 2027, when Qatar Petroleum (QP) raises LNG output by 64%, from 77 mtpa to 126 mtpa.

Inflationary impulses subdued, VAT may be likely in 2022

The coronavirus pandemic exacerbated what was already a relatively subdued inflationary environment, dominated by deflation due to oversupply and weak expatriate demand in the housing rents component of the consumption basket (21% weight). Looking ahead, consumer prices will tick up in line with economic activity and the arrival of the World Cup, and there is a possibility that the authorities may introduce the 5% VAT during the forecast period, although there has been no confirmation yet. In our base case, 2022 could be the most likely time, in which case inflation may spike to 3.7%. (Chart 2.)

Fiscal deficits and consolidation expected to 2022

The precipitous drop in energy prices coupled with the expected drop in corporate tax revenues this year should see Qatar's fiscal balance swing back into a deficit, equal to 6.2% of GDP, after two consecutive years of surpluses. (Chart 3.) The government announced spending cuts in March and June, such as reductions in public sector expatriate wages as well as rationalization of ministries' non-essential spending—to partly mitigate the negative economic effects of the pandemic. However, Qatar has some fiscal flexibility to undertake sizeable spending cuts without crimping domestic demand, given the large share of capital spending in the budget (45%). Much of this is discretionary, while a large portion of World Cup spending has already been committed. Even with the cutbacks, though, public finances are not expected to swing into surplus until 2023 (0.6% of GDP).

Debt rising but foreign assets remain ample

The authorities continue to tap both local and international debt markets to help finance the deficit. Qatar raised $10 billion in a heavily oversubscribed Eurobond sale in April. Government debt, therefore, continues to rise, and could reach a high of 78% of GDP this year before falling back down to around 50% of GDP by 2023. (Chart 4.) But the country's large foreign assets, $40 billion worth of official reserves at the central bank and around $300 billion in its sovereign wealth fund, provide it with ample fiscal and external sector buffers. (Chart 5.) Qatar continues to enjoy a top tier credit rating (e.g. Aa3 by Moody's) in recognition of its fiscal strengths, high per capita income and policymaking stability.

Depressed energy prices the major downside outlook risk

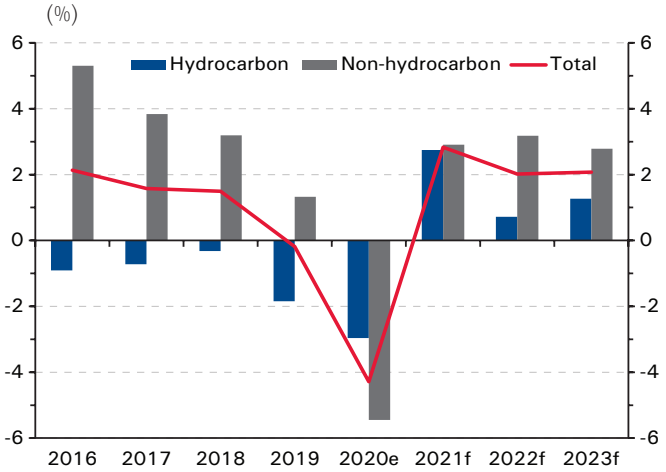
A recovery in energy prices is central to the outlook since oil and gas exports constitute more than 75% of total budget revenues. With LNG prices currently at multi-year lows and with supplies rising from rivals Australia and the US, Qatar has found itself having to compete aggressively on price as traded volumes move away from longer-term oil-indexed contracts and towards spot prices. Also feeding into price pressures would be a second Covid-19 wave, which is looking increasingly. This could delay the global and domestic economic recovery.

Key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	$ bn	183	152	167	176	181
Real GDP	% y/y	-0.2	-4.3	2.8	2.0	2.1
- Oil	% y/y	-1.8	-3.0	2.7	0.7	1.3
- Non-oil	% y/y	1.3	-5.4	2.9	3.2	2.8
Inflation	% y/y	-0.9	-1.3	1.5	3.7	2.1
Fiscal balance	% of GDP	1.1	-6.2	-1.7	-0.8	0.6
Public debt	% of GDP	61.1	78.4	67.0	59.0	50.7
Current account bal.	% of GDP	3.0	-7.1	-5.5	1.9	1.8

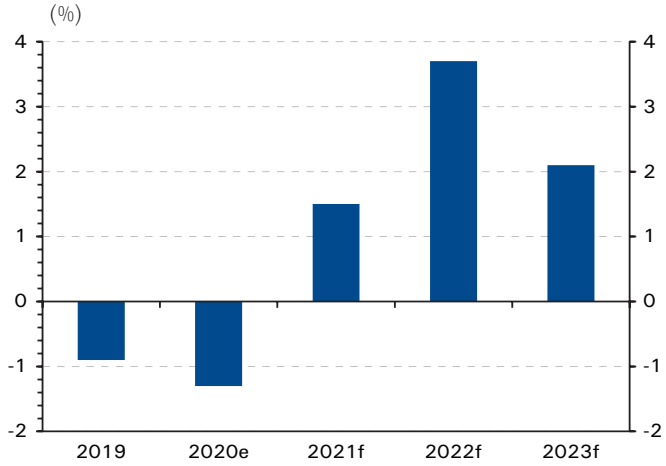
Source: Official sources, NBK estimates

Chart 1: Real GDP growth



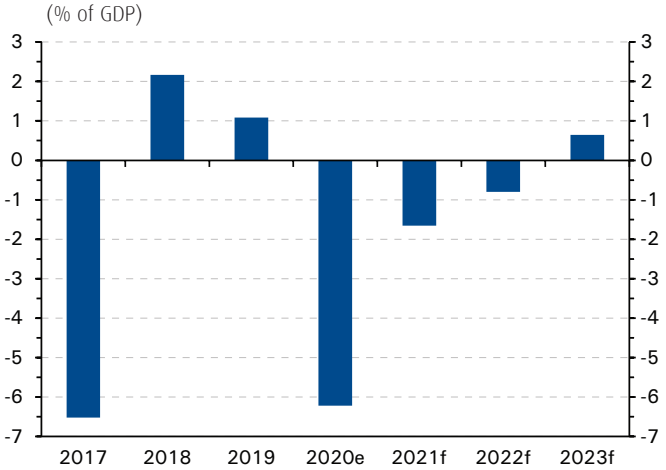
Source: Planning & Statistics Authority (PSA), NBK estimates

Chart 2: Consumer price inflation



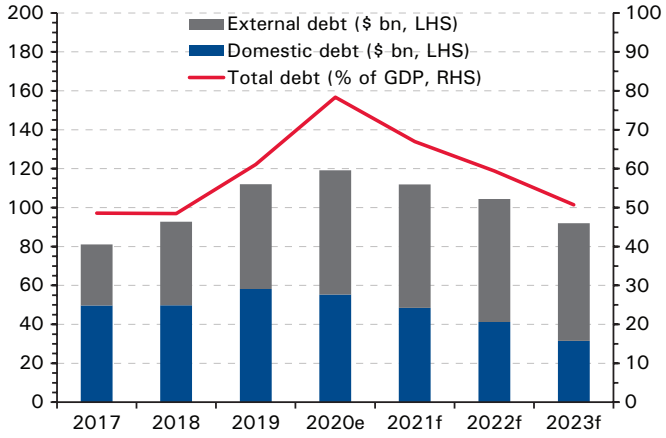
Source: Planning & Statistics Authority (PSA), NBK estimates

Chart 3: Fiscal balance



Source: Qatar Central Bank (QCB), NBK estimates

Chart 4: Government debt (gross)



Source: Qatar Central Bank (QCB), NBK estimates

Chart 5: Official foreign reserves

Source: Qatar Central Bank

Saudi Arabia

We forecast non-oil growth to drop by 2.6% in 2020 before rebounding to 2% in 2021 with GDP growth at -4.1% this year and +2.8% next year given that the oil sector should start supporting growth in 2021. The recovery is expected to be gradual with an elevated level of uncertainty and it may take until the second half of 2022 for all the lost private-sector output in 2020 to be recouped. The fiscal deficit is expected to drop to 7% of GDP in 2021, significantly better than the 12.6% projected this year as revenues increase while spending is reduced. The main downside risk is related to Covid-19, especially if the containment of the virus and/or deployment of a vaccine in the region is considerably delayed. Oil prices are also a downside risk if the demand remains depressed and supply is not contained by OPEC+.

Both oil and non-oil sectors to support the recovery in 2021

In a quarter that is expected to be the worst in 2020 given the lockdown, the non-oil sector contracted by 8.2% y/y in Q2, resulting in a 3.2% fall in 1H2020. Unsurprisingly, the private sector was impacted (-10% y/y in Q2) much more than the government sector (-3.5%). The retail and hospitality sector was the hardest hit as it contracted by 18.3% in Q2, while the finance sector was the most resilient, inching down only 0.3%. More than 64,000 private-sector jobs were lost during Q2 and the unemployment rate among Saudis jumped from 11.8% in Q1 to 15.4%. High frequency data indicate a sequential improvement in output starting in Q3, but possibly still contracting annually, resulting in a 2.6% decrease in non-oil GDP in 2020. This limited projected contraction is mainly due to a resilient government sector while the private sector is forecast to shrink by 3.9%.

For 2021, the recovery is expected to be gradual given an elevated level of uncertainty regarding the virus containment and/or availability of a vaccine, as well as low oil prices, key factors in the sustainability of any future recovery. While the infection numbers in KSA have decreased sharply since June, there is a high risk (as seen in many countries globally) for cases to increase again after resuming normal economic activities and/or opening the border for international travel. As for the vaccine, despite the positive developments, it is unlikely that a wide-scale deployment in the region can occur in 1H2021 even if a vaccine is approved in early 2021. The economic risk of increasing infection numbers in the future does not manifest itself strictly in possible resumed lockdowns, but also in consumer and business confidence and thereby in private-sector spending and investment, while government expenditure is likely to remain in check given the ongoing need for fiscal adjustment.

Moreover, the tripling of the VAT in July 2020 will likely have ripple effects on consumption growth in 2021. Given all that, we expect that it may take until the second half of 2022 for all the lost private-sector output in 2020 to be recouped, and we forecast non-oil growth of 2% in 2021 and an average of 3% in 2022-23. As for the oil sector, it was a drag on growth in 2019 and 1H2020, falling 3.6% and 4.9%, respectively, given the OPEC+ agreement. Oil production is expected to increase as OPEC+ cuts are rolled back and we forecast oil GDP to grow by an average of 3.4% in 2021-23 after a 6.1% projected drop in 2020. However, with the sustained pressure on oil prices emanating from depressed demand partly due to a second wave of the virus in some countries, OPEC+ could resort again to limit supply in order to balance the oil market casting doubts on the oil GDP growth. All in all, overall GDP is expected to grow by an average of 3% in 2021-23 following a 4.1% expected drop this year, compared to the government's estimate of a 3.8% decrease.

Following the tripling of VAT, inflation jumped to 5.7% in September, and average inflation is projected to remain elevated at 3.7% this year and 3.9% in 2021, before normalizing at 2% thereafter. As for credit, growth has been powering ahead to reach 10% year-to-date in August supported by mortgages. Corporate credit growth picked up to around 7% YTD, but with more than 75% of that increase occurring in Q1, before the lockdowns and other pandemic-related restrictions were imposed. We expect credit growth of 13% in 2020, softening to a still-strong 9% in 2021. Recently, the government scrapped the 15% VAT on real estate transactions, replacing it with a 5% sales tax, in an effort to continue supporting the sector.

Budget and external positions expected to improve in 2021

The fiscal position came under pressure in 1H2020 as revenues dropped by 36% and spending decreased 8% resulting in a deficit of SAR 143 billion. The government took appropriate measures to deal with its finances as it tripled the VAT, increased customs, and discontinued the cost of living allowances. The deficit is forecast to reach 12.6% of GDP in 2020 slightly steeper than the 12% projected in the 2021 pre-budget. In line with that pre-budget, with higher revenues and lower spending in 2021, the deficit is expected to drop to 7% of GDP. In 2022-23, broadly flat spending coupled with higher revenues is expected to result in a deficit of 3.4% in 2023. Accordingly, the debt/GDP ratio will likely reach around 37% in 2023, still way below the 50% cap.

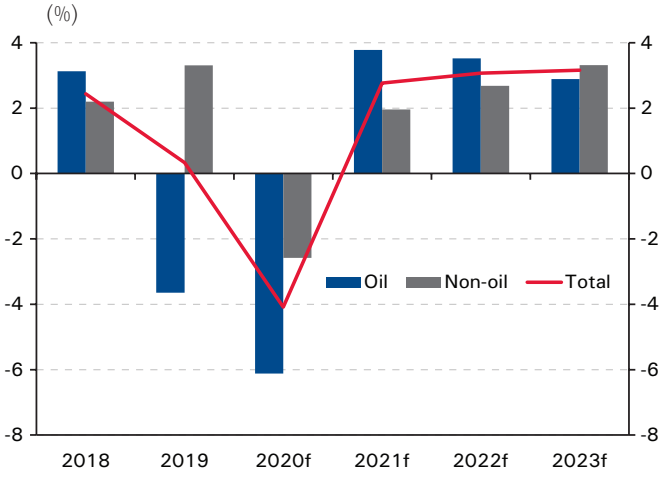
The current account is forecast to turn negative in 2020, improving modestly thereafter driven by higher exports. Main downside risks to our outlook are related to Covid-19 esp. if the vaccine deployment in the region is delayed and to oil prices that may turn out to be lower-than-expected if the demand falls short of supply and in the absence of new OPEC+ production cuts.

Key economic indicators

		2019	2020	2021f	2022f	2023f
Nominal GDP	$ bn	793	704	773	826	865
Real GDP	% y/y	0.3	-4.1	2.8	3.1	3.2
- Oil	% y/y	-3.6	-6.1	3.8	3.5	2.9
- Non-oil	% y/y	3.3	-2.6	2.0	2.7	3.3
Inflation	% y/y	-1.2	3.7	3.9	2.0	2.0
Fiscal balance	% of GDP	-4.5	-12.6	-7.0	-5.1	-3.4
Public debt	% of GDP	22.8	32.4	33.7	35.7	37.5
Current account bal.	% of GDP	4.8	-3.3	0.1	1.5	1.5
Credit growth	% y/y	7.6	13.0	9.0	7.5	6.0

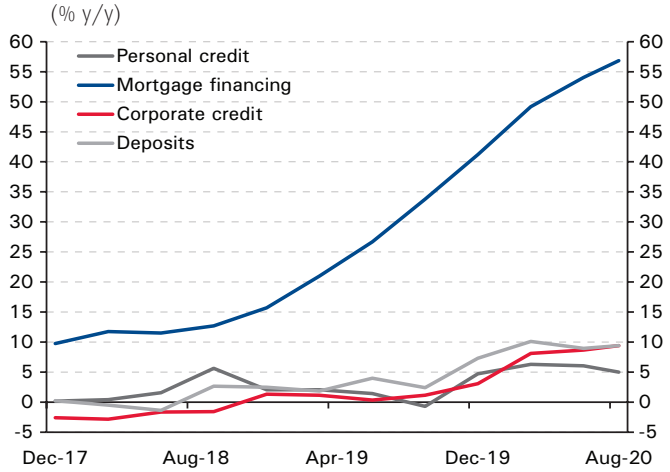
Source: Official sources, NBK estimates

Chart 1: Real GDP



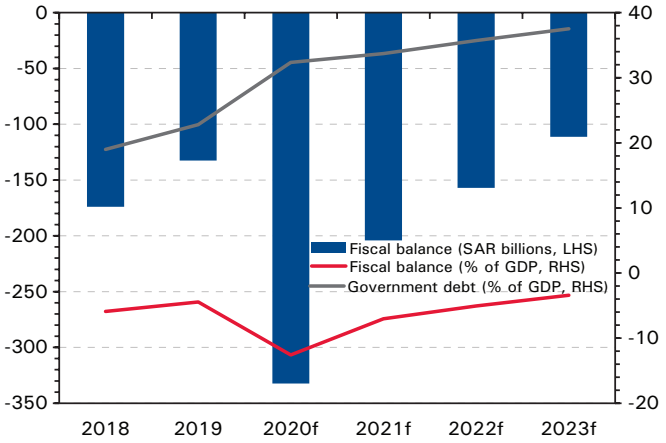
Source: General Authority for Statistics (GASTAT), NBK estimates

Chart 2: Growth in credit* components and deposits



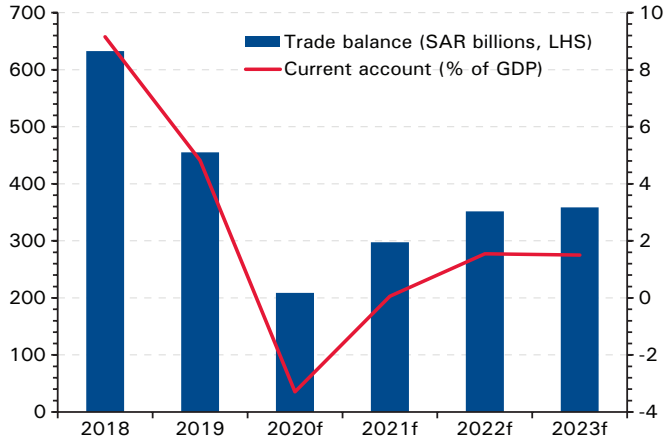
Source: SAMA *July and August 2020 are estimates

Chart 3: Fiscal balance and government debt



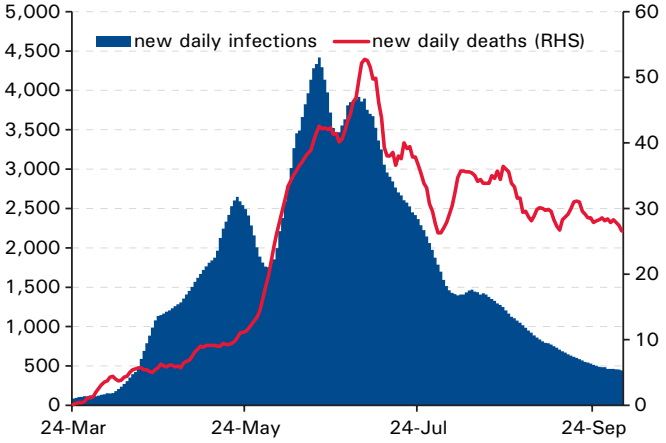
Source: Ministry of Finance, NBK estimates

Chart 4: Current account balance



Source: GASTAT, SAMA, NBK estimates

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



Source: Ministry of Health

UAE

Economic activity is forecast to contract 6.6% in 2020 due to depressed global demand and pandemic-related restrictions. GDP is set to bounce back during 2021-23 by 3.0%, per year on average, as the economy recovers. Inflation will continue to decline in 2020 by 1.7% with a soft rebound of 1% in 2021-23. The fiscal balance will likely register a large deficit of 9.8% of GDP before stabilizing at 3.3% of GDP, on average, in 2021-23. Stimulus measures will mitigate the impact of the pandemic on the most affected sectors. However, uncertainty regarding the path of the pandemic and low oil prices could dampen the economic recovery.

Severe contraction with moderate recovery

Despite the opening-up of the economy in 2H20 and early success in containing the first wave of the virus, economic activity will still take a heavy hit in 2020 overall. GDP is expected to fall by 6.6% with a moderate recovery in 2021-23 at 3.0%, on average. (Chart 1.) The OPEC+ agreement will result in a fall in UAE oil output from 3.1 mb/d in 2019 to 2.7 mb/d in 2020, but with an expected increase in refining capacity, oil GDP is projected to decline 8.7%. In the medium term, oil GDP is set to recover at a steady pace of 2.5% on average in 2021-23 as production cuts are reversed.

The non-oil economy will suffer a sharp contraction of 5.6% in 2020, before reaching average growth of 3.1% in 2021-23. Wholesale and retail trade has been one of the most affected sectors due to mall closures and health restrictions, while the slump in oil prices has caused a slowdown in the construction sector due to lower investments, particularly on government-funded projects. In addition, reopening the country for tourists early July could ease COVID-19 impact, but it will not fully compensate for tourism sector losses as inbound tourists could decline by more than 40% in 2020. The postponement of EXPO 2020 to 2021 could support the recovery next year.

Inflation will pick-up only gradually in 2021

Weakness in domestic demand will bear down on inflationary pressures. In addition, housing rents (34% of the CPI basket) will continue to inch downward, while subdued fuel prices could increase deflationary pressures; inflation is projected to be negative at -1.7% in 2020 before averaging a still-modest 1% in 2021-23. Residential real estate prices will continue their negative trends, with prices in Abu Dhabi and Dubai falling by 7.7% and 6.7% y/y in 8M2020. (Chart 3.) Declining rents will reduce investor sentiment but oversupply may continue to complete some unfinished projects, weighing on prices in the medium term and pressuring developers' profit margins. Lower asset values could also affect banks' loan portfolios.

The cut in policy interest rates by a cumulative 125 bps in March should provide more support to the private sector credit demand, while lowering debt service burdens. Domestic credit could grow by 3.1% in 2020, supported by public sector credit demand, while private sector demand will likely decline. (Chart 4.)

Government response will alleviate some pressures

Fiscal and monetary stimulus packages, which totaled 17.5% of GDP, could mitigate the crisis impact on the economy. The central bank stimulus package of AED 256 billion included AED 50 billion in zero cost funding support, which provided relief measures and loan restructuring for 300,000 individuals, close to 10,000 SMEs, and around 1,500 private firms. In addition, multiple federal and local initiatives reduced or waived several administrative fees, while allocating 15% of government procurements and contracts to SMEs to stimulate growth for small businesses. Moreover, Dubai's relief packages, which included financial support for the hospitality, construction and education sectors, totaled AED 6.3 billion since the onset of Covid-19, while Abu Dhabi introduced multiple initiatives including the allocation of AED 5 billion for water and electricity subsidies for citizens, commercial, and industrial sectors.

Deteriorating fiscal and external positions

The fiscal stance is expected to deteriorate in 2020, as the federal and local governments announced expansionary budgets. Low oil production, prices, and government-revenue stimulus measures will reduce total revenues by 35% in 2020, reaching around 2015 levels. On the other hand, total spending is likely to edge up 2.3%, with a rise in current spending outweighing capital spending cuts. Announcements of major current spending cuts could be hard to achieve due to rigid (recurrent) components that are difficult to adjust. The fiscal deficit would widen to 9.8% of GDP in 2020, before averaging 3.3% in 2021-23. (Chart 5.) Similarly, the current account will weaken in 2020 on lower energy prices, recording a deficit of 4.2% of GDP, despite lower imports and workers' remittances, but is projected to be in surplus of 2.3% of GDP in 2021-23, on average.

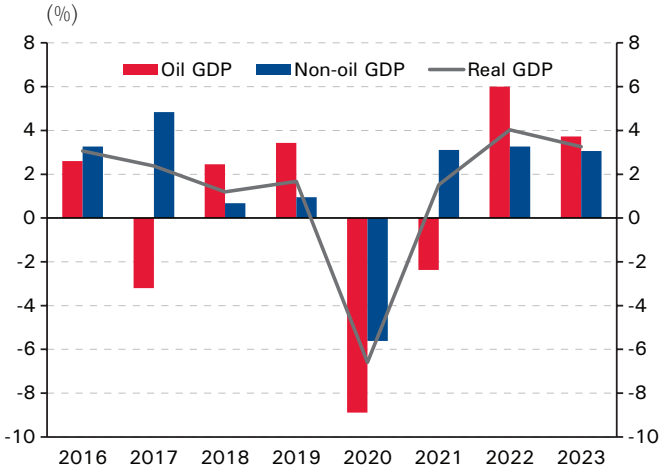
Low oil prices, possible production cuts by OPEC+, uncertainty over the pandemic's duration, and increasing GRE debt are key risks to the outlook. Despite being more diversified than GCC peers, the virus fallout and oil price shock have weighed heavily on the labor market, leading to large exodus of foreign labor that could have an impact on the resumption of economic activity. However, the UAE has embraced policy-setting flexibility including on labor policy and that should allow for a quick recovery once the pandemic is under control.

Key economic indicators

		2019	2020e	2021f	2022f	2023f
Nominal GDP	y/y %	421	349	369	386	404
Real GDP	y/y %	1.7	-6.6	1.5	4.0	3.3
Oil sector -	y/y %	3.4	-8.9	-2.4	6.0	3.7
Non-oil sector -	y/y %	1.0	-5.6	3.1	3.3	3.1
Budget balance	of GDP %	-0.8	-9.8	-4.0	-3.1	-2.8
Current act. Balance	of GDP %	7.1	-4.2	-0.8	3.0	4.7
Headline inflation	y/y %	-1.9	-1.7	0.4	1.0	1.2

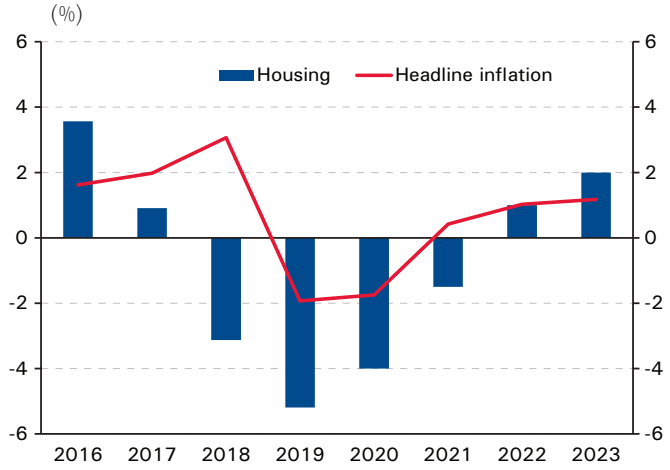
Source: Official sources, NBK estimates

Chart 1: Real GDP



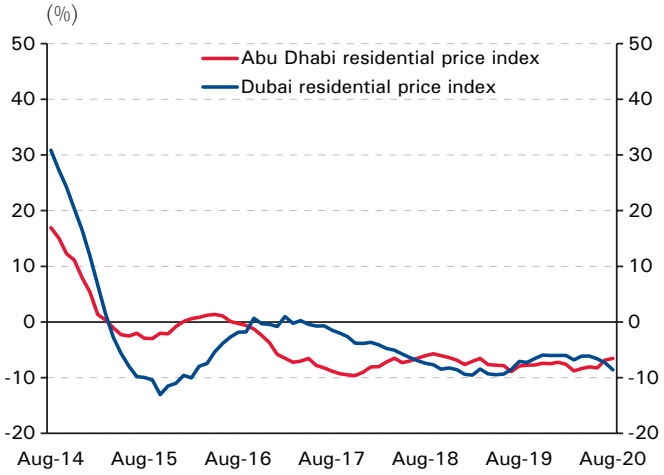
Source: UAE Federal Competitiveness & Statistics Authority, NBK estimates

Chart 2: Headline inflation



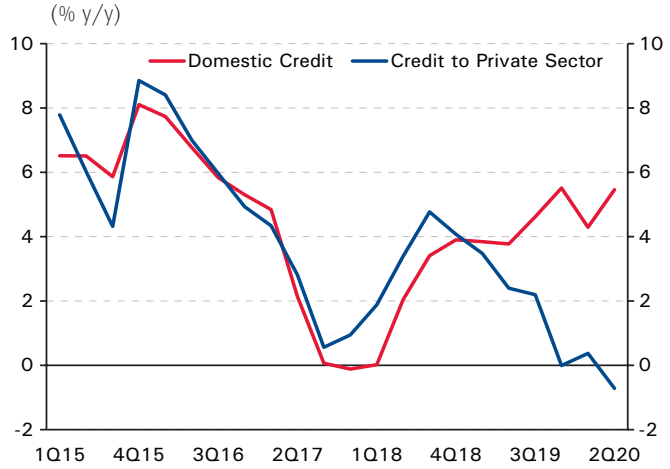
Source: UAE Federal Competitiveness & Statistics Authority, NBK estimates

Chart 3: Abu Dhabi and Dubai residential property prices



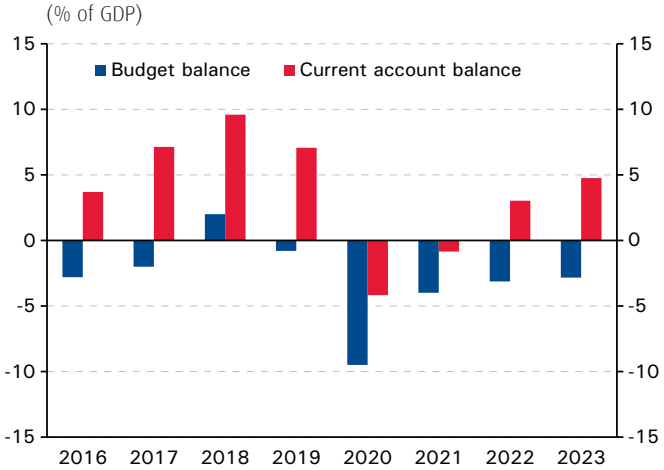
Source: REIDIN

Chart 4: Domestic and Private Sector Credit



Source: Central Bank of UAE, NBK estimates

Chart 5: Current Account and Budget Balance



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

Egypt

The pandemic has disrupted somewhat Egypt's reform efforts for now, due to a drop in tourism receipts, gas production and Suez Canal revenues, as well as a slowdown in remittances and private investment. Fiscal and external deficits are also expected to widen. With the authorities' commitment to reform and IMF continuous support, Egypt will be back on its reform path and achieve its originally set targets once the pandemic is contained. However, risks related to the scale and longevity of the pandemic and to the outlook of the energy sector remain.

Egyptian economy on the right path

Despite the negative impact of the coronavirus pandemic, preliminary figures show that real GDP grew by 3.5% in FY19/20 (very good rates by current international standards), down from 5.6% in the previous fiscal year. However, since many sectors, especially tourism and aviation, will remain under severe pressure, we forecast growth to be between 2.5%-3% in FY20/21, but could be lower if the pandemic crisis continues in the second half of the current fiscal year (July-June). For the coming couple of years, we expect growth to recover to around 5% and to be maintained at about this rate over the medium term, betting on a continuous improvement in the business environment.

While we think that the pandemic slowed Egypt's reform efforts, we also believe the authorities' committment to reforms and a renewed IMF support will strengthen the ongoing fiscal consolidation efforts and provide the necessary additional external financial resources.

Fiscal position is under pressure

Egypt's fiscal deficit increased slightly from 8.2% of GDP in FY2018/19 to 8.4% of GDP in FY2019/20, due to lower revenues and the unexpected increase in spending on health care, as well as the adoption of the economic stimulus package. For FY20/21, Egypt approved the largest budget in the country's history, at around EGP 2.2 trillion ($137 billion), driven mainly by an increase in spending on health and education. The government estimated that the budget deficit will likely increase to 7.8% of GDP in the current fiscal year, against April's estimate of 6.2% and a pre-pandemic target of 5%.

The larger than expected budget deficits will push Egypt's public debt to higher levels. This will put more pressure on an already onerous debt servicing cost, while forcing Egypt to continue borrowing on international debt markets. However, the government is still aiming to reduce the public debt-to-GDP ratio to 82.7% and 77.5% in the current fiscal year and next, respectively. These targets are ambitious, especially if the pandemic lasts much longer.

COVID-19 to weaken the external sector

The external position worsened further as the pandemic added more pressures on Egypt's sources of foreign currency. Tourism collapsed, gas prices plunged, Suez Canal revenues fell and worker remittances have declined, given that thousands of Egyptians working abroad have lost their jobs. Egypt's current account deficit could reach 4.0% of GDP in FY20/21, before improving to a deficit of around 2%-2.5% of GDP in the coming years, as the global economy recovers and with it remittances, tourism, and gas prices.

In this context, Egypt's foreign reserves sharply dropped from a record of $45.5 billion in February to $36.0 billion in May, before bouncing back to reach $38.4 billion in August. We believe that foreign reserves will recover to its pre-pandemic level in the next few years, given the anticipated improvement in investors' sentiment and Egypt's efforts to continue on its reform path and secure more financial buffers.

Slowing inflation supports a monetary policy easing

Despite July's energy price increase, Egypt's urban inflation is likely to average 5% so far this year, the lowest since 2005, as weak demand and lower oil prices weigh on consumer prices. We expect inflation to rise slightly in the coming years as demand starts to pick up amid lockdown restrictions easing. However, these projections, are subject to uncertainty related to movements in the oil price, the exchange rate, and food price volatility, which has a large weight in the consumer basket.

An inflation rate well below the target of 9% (±3%) creates a dilemma for the Central Bank of Egypt (CBE). In fact, keeping interest rates high attracts more portfolio investments, while lowering them supports the recovery of economic activity amid COVID-19 pandemic. Given that the real interest rate in Egypt remains attractive compared to other emerging markets, the CBE may consider lowering interest rates further before the end of 2020 to boost economic growth, and to continue cautiously its monetary policy loosening.

Challenges remain to attenuate the COVID-19 fallout

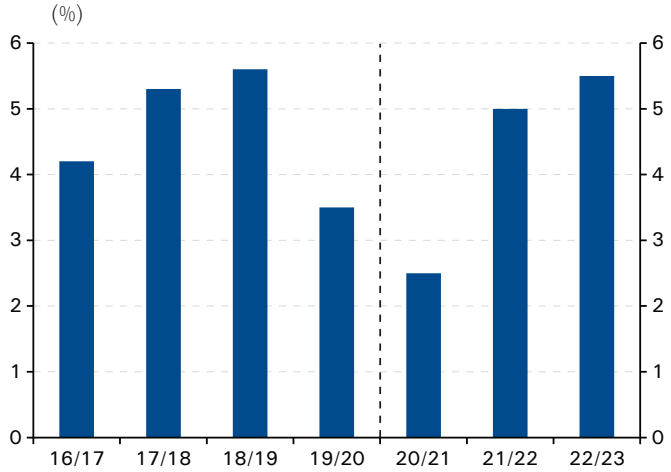
Egypt has made tremendous efforts over the past four years to achieve macroeconomic stability and boost economic growth. And it has done well. However, and like any other emerging market, Egypt is facing several challenges in a highly uncertain outlook. The scale and longevity of the pandemic remain risks factor, as the expected recovery in the rest of the world casting doubt on the outlook. Once the pandemic is contained, attention needs to focus on redressing any re-emerging macroeconomic imbalances and pushing ahead with structural reforms that would put the private sector in the drive seat. Structural and macroeconomic policies should aim at making economic growth inclusive and at creating jobs and reducing poverty.

Key economic indicators

		FY19/20	FY20/21	FY21/22	FY22/23
Nominal GDP	$ billion	331	357	396	445
Real GDP	% y/y	3.5	2.5	5.0	5.5
Fiscal balance	% of GDP	-8.4	-9.0	-7.7	-7.5
Public debt	% of GDP	98	102	95	90
Inflation	% y/y	5.7	5.2	6.0	7.0
Current account	% of GDP	-4.5	-4.0	-2.5	-2.0

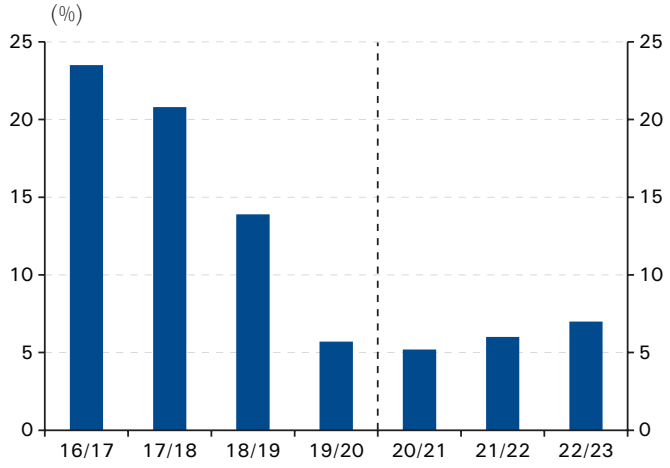
Source: Official sources, NBK estimates

Chart 1: Real GDP



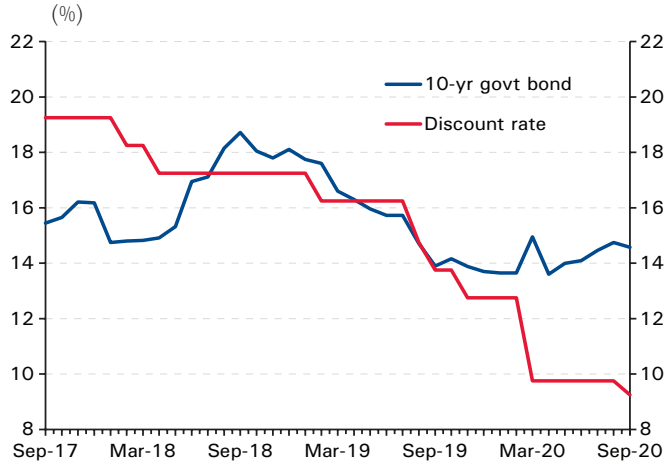
Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 2: Inflation



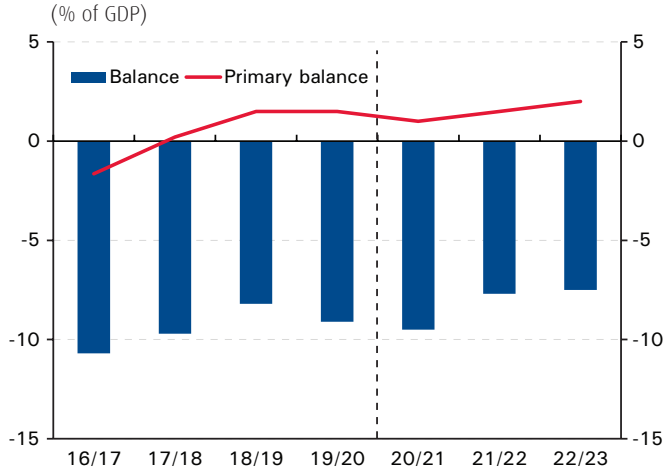
Source: Capmas, Central Bank of Egypt, NBK estimates

Chart 3: Interest rates



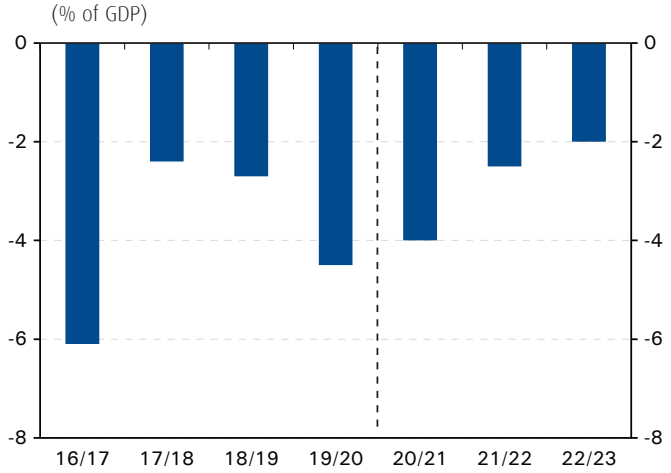
Source: Refinitiv / Central Bank of Egypt

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	2017	2018	2019	2020f	2021f	2022f	2023f
Bahrain								
Nominal GDP	USD bn	35.3	37.7	38.6	34.9	36.8	39.5	42.3
Real GDP	% y/y	3.8	2.0	1.8	-3.5	2.8	3.7	3.6
Oil sector	% y/y	-0.7	-1.3	2.2	-0.2	1.1	5.5	4.5
Non-oil sector	% y/y	4.9	2.7	1.7	-4.2	3.2	3.3	3.4
Budget balance	% of GDP	-10.0	-6.3	-4.7	-12.5	-7.3	-4.8	-3.8
Current account balance	% of GDP	-4.5	-6.5	-2.1	-4.9	-1.5	-0.9	-0.5
Inflation	% y/y	1.4	2.1	1.0	-1.9	0.5	1.2	1.3
Kuwait								
Nominal GDP	USD bn	120.7	140.6	135.7	105.2	116.5	128.1	135.2
Real GDP	% y/y	-4.7	1.2	-0.7	-6.2	1.9	5.5	3.9
Oil sector	% y/y	-9.0	0.2	-2.0	-8.0	1.0	8.0	5.0
Non-oil sector	% y/y	2.6	2.7	1.0	-4.0	3.0	2.5	2.5
Budget balance	% of GDP	-8.9	-3.0	-9.5	-33.0	-20.0	-12.0	-10.0
Current account balance	% of GDP	8.0	14.1	16.3	-2.0	3.0	7.0	7.0
Inflation	% y/y	1.5	0.6	1.1	1.5	1.5	4.0	2.0
Oman								
Nominal GDP	USD bn	70.7	79.7	76.2	62.6	68.4	72.9	76.8
Real GDP	% y/y	0.3	1.0	0.4	-4.9	3.7	3.4	2.9
Oil sector	% y/y	-3.0	2.3	0.2	-5.5	4.3	4.1	3.3
Non-oil sector	% y/y	3.3	0.1	0.5	-4.5	3.2	2.9	2.7
Budget balance	% of GDP	-13.8	-8.6	-9.0	-16.1	-11.9	-8.7	-8.5
Current account balance	% of GDP	-15.2	-5.4	-5.4	-15.5	-10.2	-7.9	-7.5
Inflation	% y/y	1.6	0.9	0.1	-0.8	2.5	1.5	1.5
Qatar								
Nominal GDP	USD bn	166.9	191.4	183.5	152.0	167.1	175.7	181.2
Real GDP	% y/y	1.6	1.5	-0.2	-4.3	2.8	2.0	2.1
Oil sector	% y/y	-0.7	-0.3	-1.8	-3.0	2.7	0.7	1.3
Non-oil sector	% y/y	3.8	3.2	1.3	-5.4	2.9	3.2	2.8
Budget balance	% of GDP	-6.5	2.2	1.1	-6.2	-1.7	-0.8	0.6
Current account balance	% of GDP	3.7	8.7	3.0	-7.1	-5.5	1.9	1.8
Inflation	% y/y	0.4	0.3	-0.9	-1.3	1.5	3.7	2.1
Saudi Arabia								
Nominal GDP	USD bn	686.5	786.5	793.0	703.7	772.7	826.5	865.3
Real GDP	% y/y	-0.9	2.4	0.3	-4.1	2.8	3.1	3.2
Oil sector	% y/y	-3.2	3.1	-3.6	-6.1	3.8	3.5	2.9
Non-oil sector	% y/y	1.1	2.2	3.3	-2.6	2.0	2.7	3.3
Budget balance	% of GDP	-8.2	-5.9	-4.5	-12.6	-7.0	-5.1	-3.4
Current account balance	% of GDP	-0.4	9.2	4.8	-3.3	0.1	1.5	1.5
Inflation	% y/y	-0.8	2.5	-1.2	3.7	3.9	2.0	2.0
UAE								
Nominal GDP	USD bn	378.0	422.5	421.4	348.5	368.7	385.6	404.2
Real GDP	% y/y	0.5	1.2	1.7	-6.6	1.5	4.0	3.3
Oil sector	% y/y	-2.8	2.5	3.4	-8.9	-2.4	6.0	3.7
Non-oil sector	% y/y	1.9	0.7	1.0	-5.6	3.1	3.3	3.1
Budget balance	% of GDP	-1.7	2.0	-0.8	-9.8	-4.0	-3.1	-2.8
Current account balance	% of GDP	7.3	9.6	7.1	-4.2	-0.8	3.0	4.7
Inflation	% y/y	2.0	3.1	-1.9	-1.7	0.4	1.0	1.2
Egypt (fiscal year)								
Nominal GDP	USD bn	251.0	250.9	303.2	331.1	356.6	395.8	445.3
Real GDP	% y/y	4.2	5.3	5.6	3.5	2.5	5.0	5.5
Budget balance	% of GDP	-10.7	-9.7	-8.2	-8.4	-9.0	-7.7	-7.5
Current account balance	% of GDP	-6.1	-2.4	-2.7	-4.5	-4.0	-2.5	-2.0
Inflation	% y/y	23.5	20.8	13.9	5.7	5.2	6.0	7.0

International data

	Unit	2017	2018	2019	2020f	2021f	2022f	2023f
Brent crude oil spot price (year average)	$ p/b	54.9	71.5	64.0	40.0	50.0	55.0	55.0
CRB commodity price index*	Index	432.5	409.2	401.6	394.8	-	-	-
Eur/USD*	1$ = €	0.833	0.872	0.892	0.884	-	-	-
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	-5.0	3.2	-	-
World real GDP (IMF)	% y/y	3.8	3.5	2.8	-4.4	5.2	-	-

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

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