May 2022

Economic Outlook: GCC & Egypt

2022-2023

National Bank of Kuwait
Economic Research Department

Economic Outlook: GCC & Egypt

2022-2023

May 2022

GCC & Egypt Outlook

Although Covid-19 strains have faded across most countries, global growth remains under pressure, with the Ukraine war causing a commodity price shock and threatening recession in Europe, while key central banks grapple with generation-high inflation. The outlook for the GCC region by contrast has been strengthened by spiking oil prices, with growth at an 11-year high in 2022 and all countries registering fiscal surpluses. Key downside risks include a sharp pullback in oil prices, global financial instability caused by rising interest rates, and fallout from high non-energy commodity prices. Upside risks include a prolonged spell of high oil prices, and rapid progress on economic reforms that boost growth potential and ease worries about the impact of the global energy transition.

Global growth pressured by Ukraine war, tighter policy

A recovery from the more than two-year Covid-19 pandemic finally appears to be in sight in most parts of the world, providing the main tailwind for global economic growth of 3.6% this year according to the IMF, close to its historic average if down from last year's pandemic-rebound induced 6.1%. However, the real picture is of growth under pressure. The Russia-Ukraine war looks set to endure, which, aside from the human cost, has generated a commodity price shock that is being felt especially in poorer countries, a threat of recession across Europe and escalating geopolitical tensions much further afield. Meanwhile, China's growth has slowed sharply due to the authorities' tough anti-Covid lockdowns, with which they may persevere. These two developments have heaped more pressure on global supply chains already struggling from the post-pandemic rebound in spending and labor shortages, further disrupting business output.

Moreover, major central banks in developed countries – having resorted to ultra-loose monetary policy to support growth during the pandemic – are now confronting a serious inflation threat for the first time in decades. The US Federal Reserve delayed policy tightening last year to support economic growth, but now faces inflation of above 8%; it is set to hike interest rates from near-zero last year to nearly 3% by year-end and start reversing its enormous QE program in the summer. Tighter monetary policy will weigh on the US economy (including via weaker asset prices and the stronger US dollar), although we believe a recession can still be avoided. In Europe, the European Central Bank faces a similar challenge, but is likely to tighten policy more slowly given the grave risk to Eurozone economic growth from the Ukraine war (including from a proposed EU ban on imports of Russian oil). While some of the current pressures on the world economy should ease next year (including supply chain pressures and inflation), global growth is unlikely to pick-up much if at all.

Brent crude oil prices remain on a broad upward path, at $100-115/bbl in April/May, despite falling from their March highs. Our relatively conservative Brent price projection is $100 this year and $85 in 2023, but we see the near-term risks as skewed towards the upside. While slowing world growth would hurt oil demand, the upside price risks from supply weakness appear greater. These include lower Russian output and, crucially, the reluctance or inability of other OPEC+ members to raise production more quickly to compensate. This reflects complexities in securing agreement across the group, limited spare capacity, and a belief that the market will soon cool due to the supply hikes already planned.

Gulf economies benefit from oil price strength

In contrast to its global ramifications, the oil shock has significantly improved the economic outlook for the oil-exporting GCC region. Fiscal balances for all six Gulf countries will be in surplus this year, cutting the need for active consolidation steps in some countries that would weigh on activity. GDP growth itself will accelerate to a more than decade high of 6.4%, and could be stronger still if oil output increases beyond what is planned by OPEC+. Meanwhile, GCC stock markets have easily outperformed major benchmarks amid this year's global sell-off, and regional debt is likely to remain well-supported by high oil prices and reduced issuance. Inflation is rising, too, but should remain low compared to current rates in advanced economies due to a combination of price controls, less frothy housing markets and currency pegs to a strengthening US dollar that are keeping import prices down. While we expect oil prices (and oil production growth) to soften in 2023, underlying economic performance in the GCC should remain solid. On average, Kuwait could be the region's fastest growing country in 2022-23 as oil output rebounds. But in terms of non-oil growth, Qatar is seen outperforming, helped by the expected huge influx of visitors to the FIFA World Cup later this year.

This positive outlook for the Gulf is balanced by risks to the outlook, which in our view are skewed more to the downside. A broadening or worsening of the war in Ukraine could tip the global economy into recession, pushing oil prices down sharply even if oil supply remains constrained, hitting regional growth and fiscal balances. Tightening monetary policy could also weaken the global economy and trigger financial instability. And while the Gulf region benefits from high energy prices, further rises in non-energy commodity prices including food could hurt growth and spark worries about regional economic security. Meanwhile, an escalation in regional geopolitical tensions and slow progress on climate change measures could cause investor sentiment towards the region to deteriorate. Major upside risks are a prolonged spell of high energy prices and faster-than-expected progress on economic reforms that boost long-term growth and reduce the risks associated with the world's transition to a post-fossil fuel era.

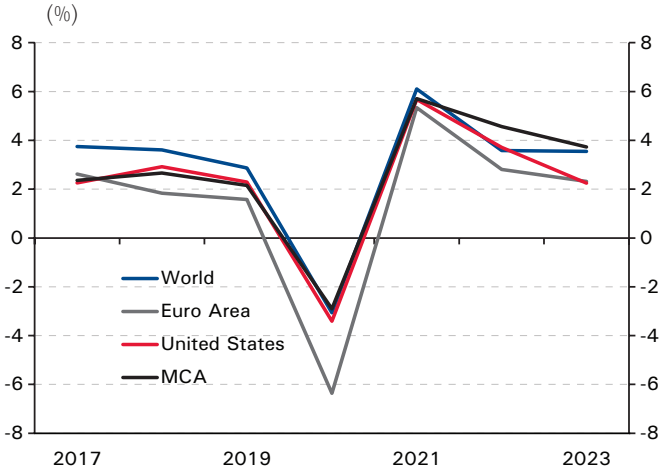
In Egypt, Ukraine war fallout and March's sudden currency devaluation has pushed up prices and caused the central bank to tighten monetary policy sharply, severely hitting near-term growth prospects. However, financial support from Gulf countries and the IMF should help the economy through the crisis, and absent further shocks and so long as the government remains committed to economic reforms, growth should recover next year.

GCC key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ trillion	1.4	1.7	2.0	2.0
Real GDP	% y/y	-5.0	2.9	6.4	3.4
- Oil	% y/y	-5.9	-0.1	11.1	3.5
- Non-oil	% y/y	-4.4	4.7	3.7	3.4
Inflation (avg.)	% y/y	0.7	1.9	2.8	2.4
Fiscal balance	% of GDP	-10.0	-1.1	7.1	5.0
Current acc. bal.	% of GDP	2.7	14.8	21.8	16.6

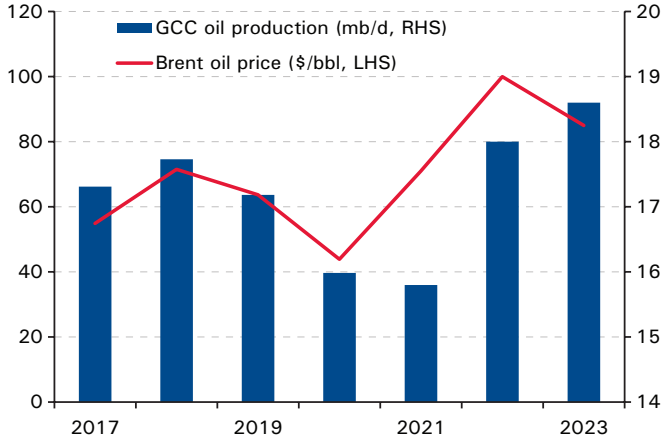
Source: Official sources, NBK estimates

Chart 1: International GDP



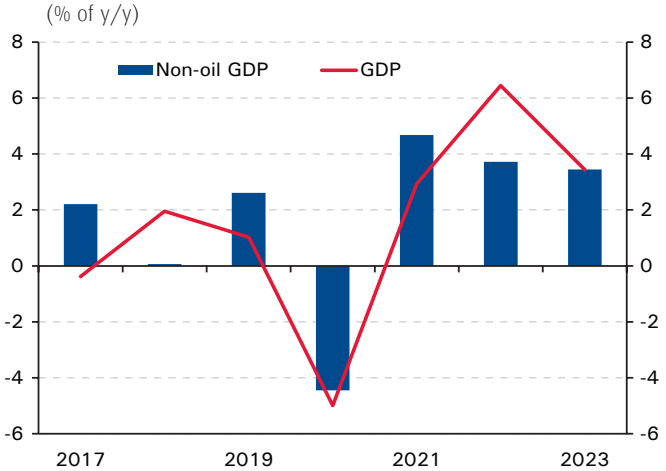
Source: International Monetary Fund, WEO October 2021

Chart 2: Brent oil price & GCC oil production



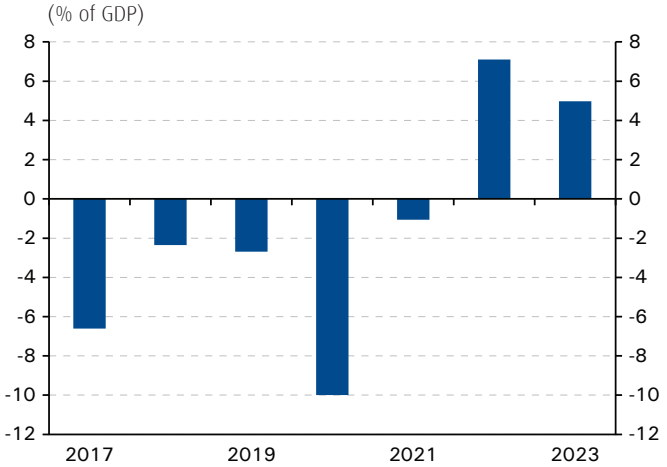
Source: EIA, OPEC, NBK estimates and forecasts; oil price is year average

Chart 3: GCC GDP



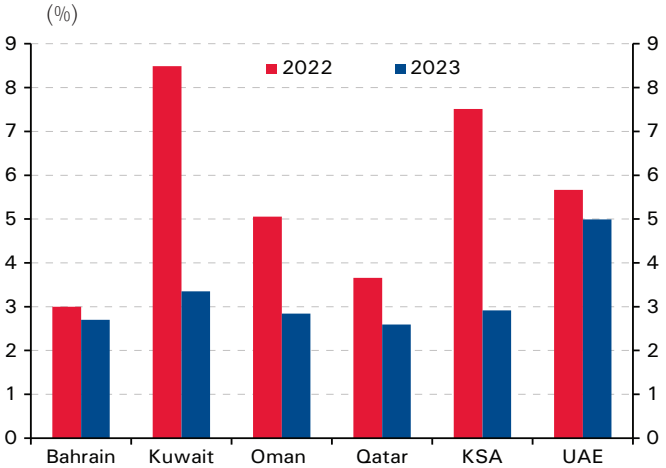
Source: Official sources, NBK estimates and forecasts

Chart 4: GCC fiscal balance



Source: Official sources, NBK estimates and forecasts

Chart 5: GCC GDP growth by country



Source: NBK estimates and forecasts

Bahrain

Higher oil prices, a post-pandemic rebound, ongoing aid from GCC neighbors and rising oil output will push growth to 3% in 2022, leaving GDP above pre-pandemic levels. The government announced an ambitious $30bn reform and development plan in late 2021 which, if implemented, will underpin the medium-term outlook. The fiscal balance should swing back in to surplus this year, beating the target of achieving balance by 2024, though high debt levels remain a concern. Risks include a fall back in oil prices or incomplete implementation of FBP goals, while successful reform execution could lift economic growth and the credit rating.

Higher oil prices should underpin Bahrain's economic recovery, which was already making progress amid fading pandemic pressures, the adoption of a comprehensive reform program and ongoing financial support from GCC neighbors. After growing 2.2% last year, GDP is forecast up 3.0% in 2022, which would see output exceed pre-pandemic levels. (Chart 1.) Although Bahrain is one of the Gulf region's most diversified economies, it could benefit even more than others from higher oil revenues given its particular financial vulnerabilities that the reform program aims to address. Indeed, the government could record its first fiscal surplus in 14 years in 2022, beating its (pandemic-delayed) target of balancing the budget by 2024.

Reform program to drive medium-term growth outlookd

Non-oil growth is forecast at 3% in 2022 – slightly better than last year – with Covid-related restrictions largely lifted through 1Q22 and not re-imposed in our baseline forecast. The tourism and hospitality segments should also continue to recover, while the important financial sector (20% of non-oil GDP) will benefit from stronger activity and higher interest rates. This should help offset the drag on activity from fiscal consolidation measures. Meanwhile, the hydrocarbon sector is projected to expand slightly in accordance with OPEC+ planned output hikes. The sector is forecast to grow by 3.6% in 2022 as crude production is lifted from 193 kb/d to 200kb/d.

Longer-term prospects center around the government's $30 billion multi-year Economic Recovery Plan announced late last year. It includes the building of five offshore cities, expanded infrastructure and trade routes, the creation of 20,000 jobs annually for citizens by 2024, regulatory reforms to help attract $2.5 billion of FDI by 2023, and growth in targeted sectors including tourism, logistics, finance and IT. If successful, the plan would significantly boost growth prospects. It also incorporates the expansion in state-owned Bapco's refining capacity (expected 2H2024) by 42% to 380 kb/d and a rise in shale oil output from the recently-discovered Khaleej Al-Bahrain field. The government has also set a target of net zero carbon emissions by 2060, including through use of carbon capture technology.

Inflation to increase on higher food prices and new taxes

Inflation jumped to a six-year high of 3.2% y/y in February 2022, driven mostly by the doubling of VAT to 10% from January 2022. A combination of this, recovering demand, and higher global commodity prices will push inflation to a still-moderate 3.0% on average in 2022-23. (Chart 2.) Interest rates were hiked 25bps in March 2022 in line with US policy rates and further substantial tightening is expected this year, which may help cap inflationary pressures. Meanwhile, retail banks' credit rose 4.8% y/y in February 2022, and will be supported by the extension of the deferral of loan installments until June 2022. (Chart 3.)

Fiscal balance on the horizon as oil prices surge

The government's revised targets under the Fiscal Balance Program (FBP) were based on a projected oil price of $60/bbl in 2022-24, which now looks too pessimistic. We see the budget swinging from a deficit of 3.7% of GDP in 2021 (government definition) to a small surplus this year and next. As well as the jump in oil revenues, non-oil receipts will be boosted to around 6.2% of GDP in 2022-23 (3.4% in 2018) by the impact of higher VAT and enhanced revenue collection. The government also looks set to stick with FBP initiatives of rationalizing spending including reducing manpower and streamlining subsidies, reinforcing its commitment to reform. It is targeting spending of 20% of GDP by 2024, down from a recent peak of 28.7% in 2020.

These steps have helped to stabilize the country's credit rating (S&P: B+, Fitch: B+), albeit at below investment grade level. High government debt levels remain a concern, especially amid rising global interest rates and relatively limited assets in the sovereign wealth fund (43% of GDP). Still, given the improving fiscal position and higher GDP base, the government's aim of stabilizing then reducing debt to GDP from 115% in 2020 now looks very achievable. Ongoing progress on FBP-related reforms will trigger further disbursements of the $10 billion aid program from Gulf neighbors agreed in 2018, supporting liquidity.

Current account surpluses, reserves improving

Meanwhile, there has also been a major improvement in the external position, with the current account recording its first surplus in seven years last year at 6.7% of GDP, driven by a surge in aluminum and iron exports and a recovery of inbound tourism. Overall, we expect the current account to remain in comfortable surplus during the forecast period. This will help replenish the central bank's foreign reserves which stood at $4.3 billion in February 2022 (less than three months of imports), and improve resilience against any further external shocks.

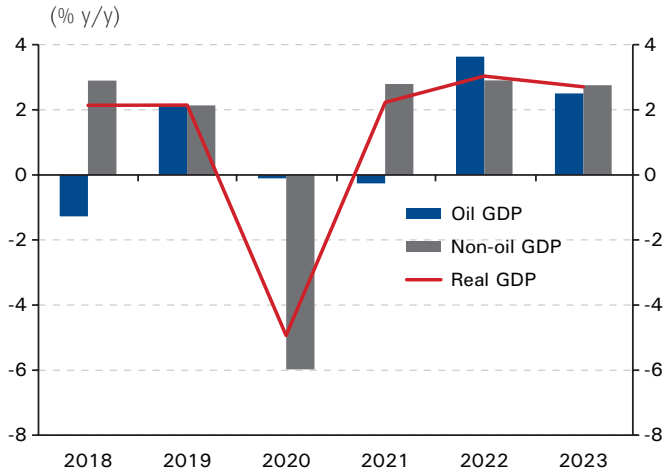
The main risks to the outlook are a sudden fall back in oil prices, which would reverse the recent improvement in the fiscal and external positions, and incomplete implementation of FBP goals in light of any social or political pushback. Higher interest rates could also worsen public sector debt dynamics. On the other side, higher oil prices or rapid and successful reform execution could improve non-oil growth and the government's credit rating.

Bahrain Key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ billion	34.7	38.9	42.5	42.3
Real GDP	% y/y	-4.9	2.2	3.0	2.7
- Oil	% y/y	-0.1	-0.3	3.6	2.5
- Non-oil	% y/y	-6.0	2.8	3.0	2.8
Inflation (average)	(% y/y)	-2.3	-0.6	3.2	2.8
Fiscal balance	(% of GDP)	-12.8	-3.7	2.5	0.7
Government debt	(% of GDP)	114.5	113.6	110.5	108.7
Current account	(% of GDP)	-9.3	6.7	7.6	6.7

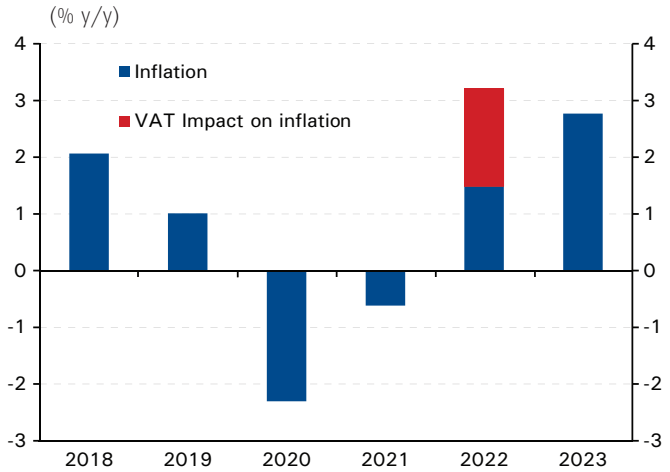
Source: Official sources, NBK estimates

Chart 1: Real GDP



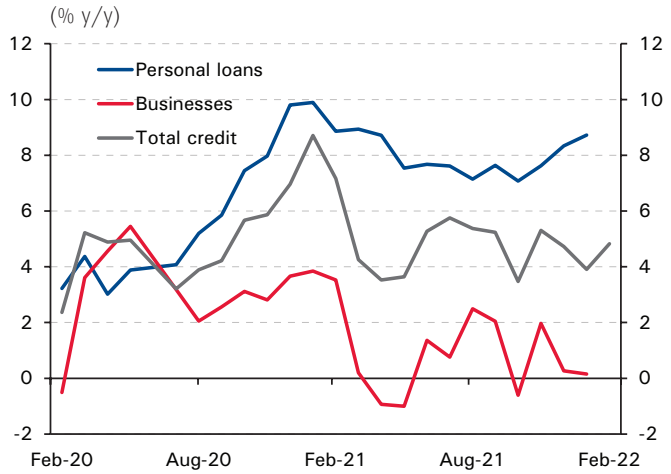
Source: Information & e-government Authority, NBK estimates

Chart 2: Headline inflation



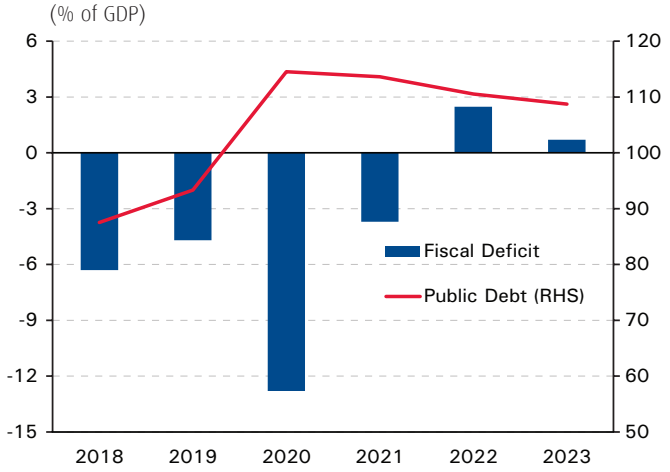
Source: Information & e-government Authority, NBK estimates

Chart 3: Retail banks personal and business credit



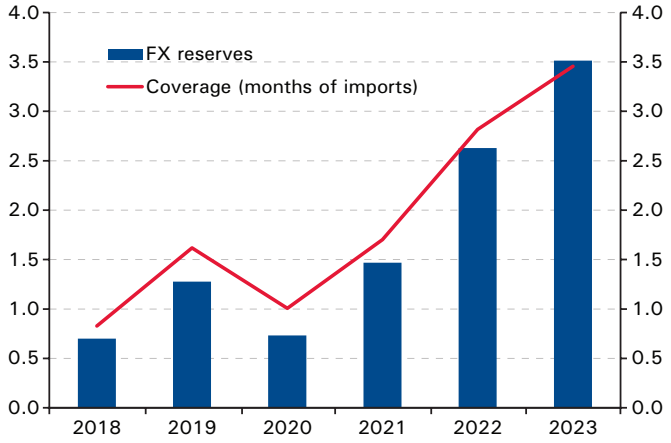
Source: Information & e-government Authority

Chart 4: Budget balance and public debt



Source: Central Bank of Bahrain, NBK estimates

Chart 5: Central bank foreign reserves



Source: Central Bank of Bahrain, NBK estimates

Kuwait

Economic growth will spike this year, spearheaded by robust consumer spending and, in particular, recovering oil production. High oil prices will provide substantial support for the economy given its oil dependency. A large fiscal surplus – the first since 2014 – is expected this year, helping to alleviate recent government liquidity constraints. Risks to the outlook include acute sensitivity to volatile oil prices, rising global economic headwinds and persistent legislative impasse that has impeded reforms critical to fiscal sustainability, economic diversification and the post-fossil fuel energy transition.

Growth to spike in 2022, erasing pandemic losses

Economic growth continues to gain traction amid a post-pandemic rebound of buoyant private consumption, strong real estate activity, surging oil prices and increasing oil production. GDP should be almost back at pre-pandemic levels in real terms by the end of the year, growing by 8.5%. (Chart 1.) Proceeds from high oil prices should help sustain Kuwait's growth amid a more challenging global economic backdrop due to war, high inflation, tighter monetary policy and persistent Covid-19 pressures in some countries, notably China.

In the non-oil sector, consumer spending (+36% in 2021 in Knet data) and real estate sales (+65% to a seven-year high) are expected to remain strong. (Chart 2.) Consumption has also been facilitated by expanding domestic credit (+6.3% in 2021), which has continued to increase beyond the expiry of the loan repayment holiday for nationals in 4Q21. Corporate lending, having lagged household credit growth, is finally accelerating, which bodes well for stronger investment over the forecast period, even while government-sponsored project activity has been slow to take off. The authorities are believed to be working on a new strategic plan to drive medium-to-long-term non-oil growth, with a special focus on an expanded role for the private sector. But political disputes between the government and parliament continue to impede effective implementation of reforms and the Vision 2035 development program for now.

Non-oil activity will also be boosted by refining sector gains, as KNPC begins to utilize the 1.4 mb/d of refining capacity from the Clean Fuels and Al-Zour New Refinery projects. We expect non-oil GDP growth to average 3.6% in 2022-23, slightly above estimated 2021 levels. Oil production, meanwhile, is gradually increasing as per the OPEC+ schedule. For Kuwait, output should rise by 300 kb/d to 2.72 mb/d (average) in 2022. Oil GDP growth should reach 12.8% before slowing to 3.1% in 2023.

Strong demand, supply shortages drive inflation higher

Pandemic-era supply chain disruptions and robust consumer demand continue to drive consumer prices higher in Kuwait. Inflation reached a 10-year high of 3.4% in 2021 and is likely to exceed 4% this year on the extreme inflationary impact of the Russia-Ukraine crisis. (Chart 3.) Moreover, after five years of deflation, rental costs are ticking up as landlords look to recoup higher construction costs and as demand in the mid-level expatriate rental market stabilizes.

Tighter monetary policy, borrowing costs on the rise

The Central Bank of Kuwait (CBK), following the US Fed, tightened its main policy rate, the discount rate, by 25 bps to 1.75% in March. Further hikes are expected, but the flexibility offered by the currency basket peg means that the CBK need not follow the Fed one-for-one. Borrowing costs will therefore rise, though credit demand is unlikely to weaken dramatically.

A first fiscal surplus in 8 years, easing liquidity constraints

The government should post its first budget surplus since 2014 this year (FY22/23), at 8.6% of GDP (before FGF transfers), on the back of significantly greater oil revenues and restrained spending growth—up from a similar sized deficit in FY21/22. (Chart 4.) The fiscal turnaround offers in principle space for policy loosening. But while spending may rise rather than fall as per the 5% cut outlined in the draft budget, the government is likely to prefer relative spending control going forward, not least to mitigate risks in case oil prices fall back. Meanwhile, the surge in oil prices to far above the budget break-even level ($79/bbl in FY22/23) has improved liquidity, and future surpluses will help recapitalize the near-depleted General Reserve Fund. We still expect the debt law to be approved this year, which will enable the government to return to the funding market, further improving its own financing position, while keeping public debt (below 5% of GDP) extremely low by global standards. External buffers are very strong, with $46bn in CBK reserves and around $700bn in assets held by the Kuwait Investment Authority.

Rising global headwinds, reform absence risks

In the near term, Kuwait should benefit strongly from the oil windfall. But key risks include a deterioration in the global economic outlook, which could send oil prices lower and result in weaker trade and fiscal balances, and economic growth. More critically, continued legislative impasse and government resignations will further delay much-needed economic reforms, constraining growth prospects and potentially affecting the country's credit rating even if oil prices remain high. Reforms must address deficit financing capabilities, unsustainable expenditure growth, untapped non-oil revenue streams, limited private sector development and employment of nationals, skilled labor shortages and housing supply bottlenecks. (Chart 5.) Tackling these would lessen the economy's oil-dependence and leave Kuwait in a better position to thrive in a post-fossil fuel, carbon-neutral energy world.

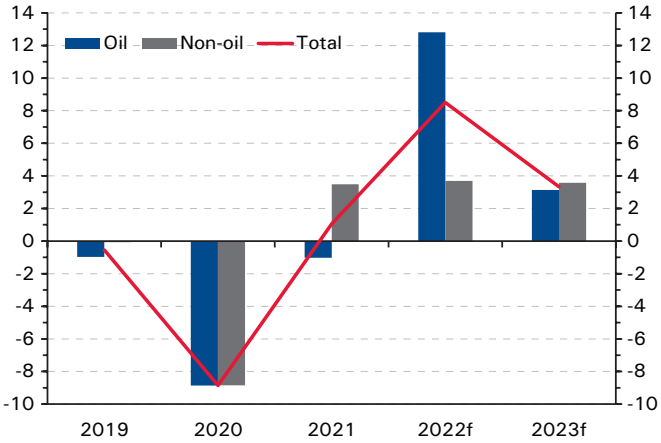
Kuwait key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ billion	106	136	176	170
Real GDP	% y/y	-8.9	1.1	8.5	3.3
- Oil sector	% y/y	-8.9	-1.0	12.8	3.1
- Non-oil sector*	% y/y	-8.8	3.5	3.7	3.6
Budget bal. (FY)	% of GDP	-33.9	-8.5	8.8	2.3
Current act. bal.	% of GDP	21.1	18.6	32.1	25.4
Inflation (avg)	% y/y	2.1	3.4	4.3	3.1

Source: Official sources, NBK forecasts; * Includes refining

Chart 1: Real GDP

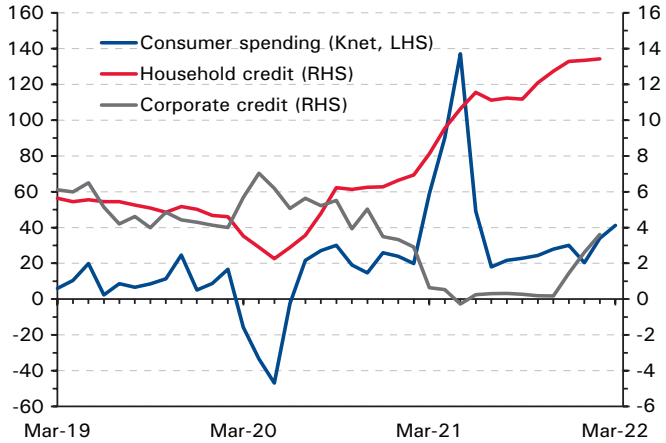
(% y/y)



Source: Central Statistical Bureau (CSB), NBK forecasts

Chart 2: Consumer spending and private credit growth

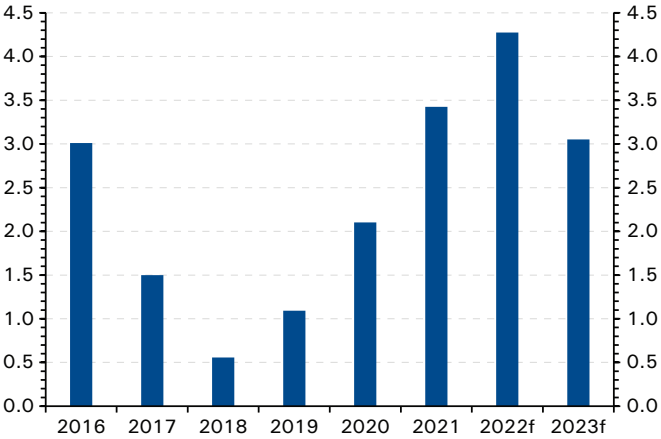
(% y/y)



Source: Knet, Central Bank of Kuwait (CBK)

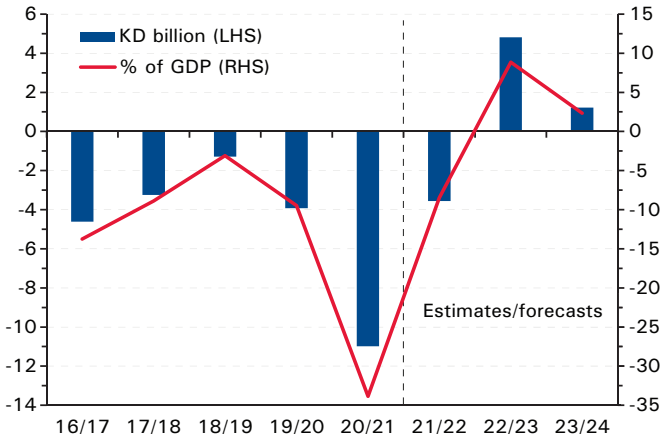
Chart 3: Inflation

(% y/y, avg.)



Source: CSB, NBK forecasts

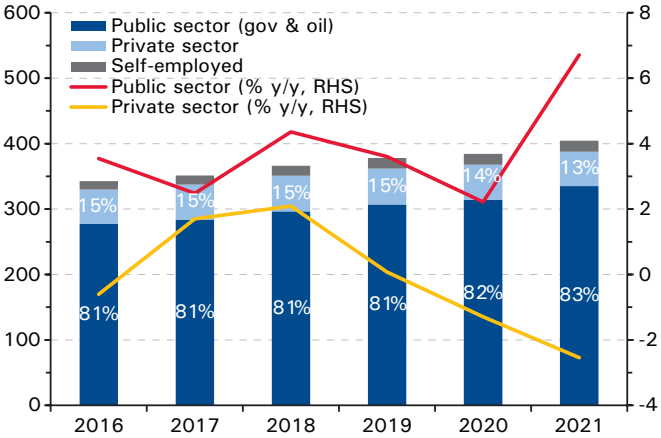
Chart 4: Fiscal balance



Source: Kuwait Ministry of Finance (MOF), NBK forecasts; fiscal year basis

Chart 5: Kuwaiti employment trends

('000', share of Kuwaiti employment labelled within chart)



Source: Public Institute for Social Security (PIFSS); end-Dec data

Oman

The economic outlook has improved thanks to fading pandemic pressures, higher energy prices, increased oil and gas output and implementation of the government's broad-based structural reform program. Non-oil growth could average 3% in the medium term on a slew of initiatives tied to the Vision 2040 plan, while the fiscal balance will return to surplus this year. Sensitivity to volatile energy prices, potential slippage in the fiscal adjustment process, rising inflation and monetary policy tightening are risks to growth.

Growth to pick-up on surging energy prices

Expanding oil and gas production, surging energy prices and the government's wide-ranging structural reform program, are bolstering the economic outlook. GDP growth is estimated to have increased by 3.0% in 2021, and should accelerate by 4.0% on average in 2022-23. (Chart 1.)

In the energy sector, crude oil production is expected to rise by 14% to about 1.1 mb/d in 2022 (0.97 mb/d in 2021), the highest in over a decade, as Oman, in tandem with other OPEC+ members fully unwinds its pandemic-era production cuts this year. Natural gas output is also increasing, boosted by new volumes from BP Oman's Block 61 project (where production has increased by 0.5 bcf/d to 1.5 bcf/d) and the Mabrouk project in central Oman. Hydrocarbon GDP should rise by 8.6%.

Non-oil sector activity, meanwhile, is improving and is expected to average almost 3% over 2022-2023, supported by the government's structural reforms and diversification initiatives as per the new five-year plan (2021-25), that is under the auspices of the Vision 2040 strategy. The plan calls for boosting labor market flexibility, private sector employment and improving the investment climate. The Oman Investment Authority identified tourism and logistics, manufacturing, transport, agriculture and hi-tech industrials (with a special focus on green technologies) as sectors ripe for investment. In addition, the Muscat Stock Exchange has recently moved to raise foreign ownership limits to 100%. The authorities are targeting non-oil growth rates of 2.5% per annum over the long term, with the sector's share of GDP to rise from the current 61% of GDP to 90% by 2040.

Demand and supply factors pushing inflation higher

Meanwhile, consumer prices rose by 1.5% y/y in 2021, still low but the fastest pace since 2017, on rebounding domestic demand, supply chain constraints and VAT, which was implemented in April 2021 at 5%. Inflation is likely to accelerate further in 2022, to 3.0%, on higher global food and commodity prices as well as strong domestic consumption.

The fiscal balance should shift into surplus in 2022

The public finances are improving thanks to higher oil and gas revenues as well as non-oil revenues, such as VAT. Following last year's estimated fiscal deficit of 5% of GDP (down from 15.5% in 2020), we project that the Sultanate could record its first fiscal surplus since 2008 this year, at 8.4% of GDP. A cumulative surplus of $927 million was recorded at the end of 1Q22, a marked improvement on the deficit of $2.0 billion in the same period last year. While expenditures were up 3.8% y/y year-to-date, we do expect the authorities to exercise some spending restraint and try to only match 2021 realized spending (although this still implies an increase on 2022 budget allocations of OR12.1 billion). The 2022 budget penciled in a 20% increase in development spending to OR1.1 billion ($2.9 billion), some of which will be allocated on high profile projects such as the Yeti Sustainable City and Port Sultan Qaboos Waterfront project in Muttrah. The authorities intend to use any surpluses generated to bring down public debt levels to just under 50% of GDP by 2023 (from 80% of GDP in 2020).

The government recently received its first sovereign credit rating upgrade in eleven years, by rating agency S&P, which cited the improving fiscal and macroeconomic picture. This bodes well for the Sultanate's borrowing capacity, and indeed the government is reported to have raised $4 billion in debt from regional and international lenders in April to be used for general sovereign financing and refinancing. The Ministry of Finance also expects to pay back some OR2.9 billion ($7.4 billion) in loans by the end of April 2022 as part of its public debt management strategy.

External and foreign reserves positions improving

The external current account balance should benefit from the improvement in terms of trade made possible by higher energy prices and move from a deficit of 2.8% of GDP in 2021 to a surplus of 9.6% of GDP in 2022. The external account will likely remain in surplus over the medium term. This will help Oman rebuild its foreign reserves, which, as of February 2022, stood at almost $20 billion (19% of GDP) – a near five-year high.

Economic outlook encouraging, despite risks

Against a background of elevated energy prices, the economic outlook is encouraging—and more so if Oman pushes through with its ambitious program of structural reforms. That said, there are risks to the outlook. The recent improvement in Oman's fiscal position could slow the pace of reforms, causing vulnerabilities if oil prices fall back. The authorities will also need to improve the flexibility of the labor market and promote greater employment of nationals in the private sector (where expatriates outnumber Omanis five to one). In common with other oil and gas exporters, Oman's economy is still tied to volatile energy prices and the private sector is in need of broadening and deepening through reform and investment. Rising inflationary pressures – which could squeeze consumer incomes and raise business costs – and likely monetary tightening by the Central Bank of Oman are also potential headwinds that will need to be managed.

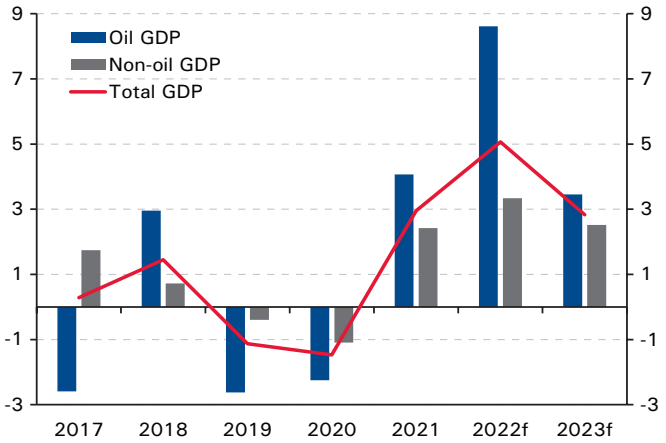
Oman key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ billion	73.9	85.8	102.5	100
Real GDP	% y/y	-2.8	3.0	5.1	2.8
- Oil	% y/y	-2.3	4.1	8.6	3.5
- Non-oil	% y/y	-3.2	2.4	3.3	2.5
Inflation	% y/y	-0.9	1.5	3.0	2.0
Budget balance	% of GDP	-15.5	-5.2	8.4	5.0
Current account	% of GDP	-11.7	-2.8	9.6	5.7
Public debt	% of GDP	78.4	64.8	51.7	49.0

Source: Official sources, Haver, NBK estimates

Chart 1: Real GDP

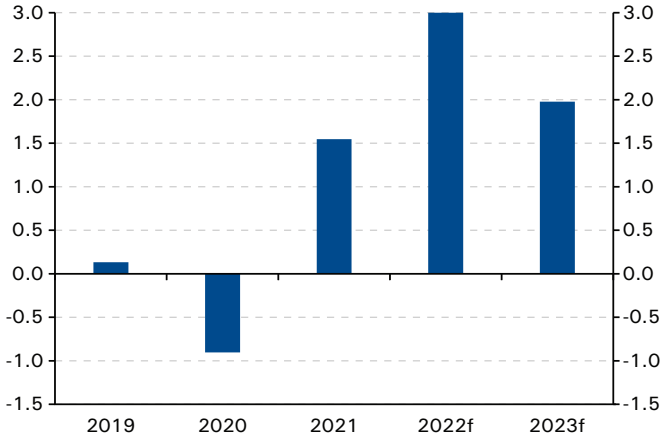
(% y/y)



Source: Haver / NBK estimates

Chart 2: Inflation

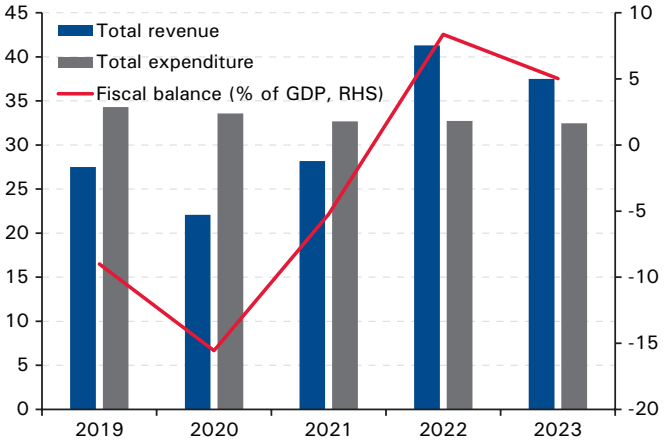
(% y/y, average)



Source: Haver / NBK estimates

Chart 3: Fiscal balance

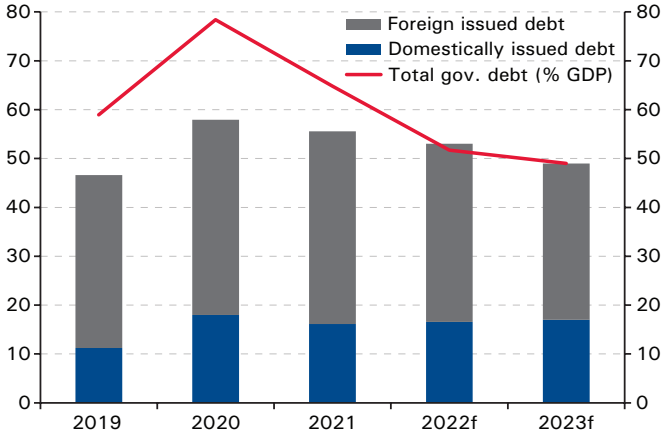
($ billion, % of GDP)



Source: Haver / NBK estimates

Chart 4: Central government debt

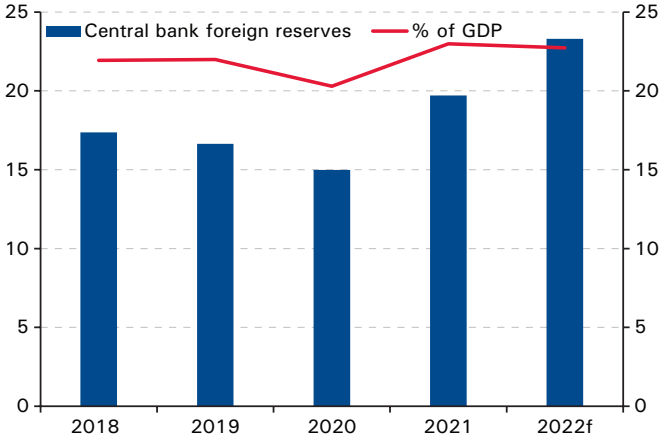
($ billion)



Source: IIF/ NBK estimates

Chart 5: Central bank foreign reserves

($ billion)



Source: Refinitiv

Qatar

After a gain of 1.5% in 2021, economic growth should accelerate to 3.7% in 2022 on strong non-hydrocarbon activity helped by the FIFA World Cup, which could attract some 1.5 million visitors towards year-end. The positive medium-term outlook is underpinned by Vision 2030 investments including in further LNG expansion. Higher gas prices will see a wider fiscal surplus in 2022, though more emphasis on fiscal restraint is also expected going forward. Exposure to volatile energy prices, tighter global financial conditions and a flare up in regional geopolitical tensions are downside risks to the outlook.

Growth to accelerate in 2022 on robust private sector activity

Qatar's economy returned to growth in 2021, with GDP up 1.5%, on stronger consumer demand and lessening Covid-19 disruptions. The swift recovery was underpinned by government support measures (a $21 billion stimulus package followed by a rapid vaccination rollout) and higher energy prices. Growth is expected to accelerate to 3.7% in 2022 as the non-oil sector expands 5.5% amid a boost to the travel, hospitality, logistics and business support sectors from the FIFA World Cup. The event could attract around 1.5 million visitors in November-December, equivalent to 50% of the country's population of almost 3 million.

Improved private sector activity was evident in the purchasing managers' index survey reading for April, which reached an all-time high of 63.6 led by reportedly strong conditions in the construction sector and rising work backlogs. Robust and broad-based credit growth of 11% in 2021 also points to an expanding private sector, while activity in the real estate market has shown signs of recovery after several years of decline: the Qatar Central Bank's (QCB) real estate price index gained 2.6% y/y in March 2022. Underpinning the medium-term outlook for the non-oil economy is the government's ambitious Vison 2030 program of large infrastructure investments in strategic sectors such as manufacturing, finance, and tourism. While some $30 billion in natural gas-related projects are planned, we do not expect to see major output gains until the first phase of the North Field gas expansion project is complete in 2026, which should deliver a 43% increase in LNG volumes to 110 mtpa and bolster Qatar's position as the leading global LNG exporter.

Inflation up on higher demand and commodity pricess

Pandemic-linked supply chain disruptions and surging global commodity prices are spilling over into domestic prices. CPI inflation hit a 13-year high of 6.5% in December before easing to 4.4% in March. Price rises in the foods, transport, and recreation sectors provided the main inflationary impulse, but housing and utility prices also increased in February and March after a prolonged period of deflation. We expect inflation to average 3.1% in 2022, up from 2.3% in 2021. The QCB, following the US Fed's lead, has raised its overnight repo rate twice this year by a total of 75 bps to 1.75% and its key lending rate by 25 bps to 2.75%. Persistently high inflation would likely justify further tightening in 2022, and we expect the QCB to move mostly in parallel with the US Fed.

Higher hydrocarbon receipts to boost fiscal position

Higher energy prices should see the budget surplus widen to 12.8% of GDP this year from 0.2% of GDP in 2021. The Ministry of Finance announced a moderately expansionary budget for FY22/23, raising spending by 5% on higher capital and current expenditure outlays compared to the previous budget, as it looks to strike a balance between greater fiscal restraint going forward and supporting economic growth and development objectives. Realized revenues are likely to be substantially higher than budget approximations, which are based on a conservative oil price of $55/bbl. The economic recovery would allow the government to unwind the remainder of its Covid support measures, including the blanket loan moratorium. Furthermore, it is possible that VAT could be implemented in 2023, supporting public revenues further, though the timeline remains uncertain.

Public debt should decline on lower financing needs

Previously strong debt issuance ($18.6 billion in bonds and sukuk in 2021) could moderate in 2022 with little need for deficit financing and amid a rising interest rate environment. However, Qatar will still likely make sizeable debt issuances over the medium term to finance its gas expansion plans. A solid economic growth outlook, coupled with higher hydrocarbon receipts, should see the public debt ratio ease over the medium term. Gross central government debt (excluding GREs) is expected to fall to 47% of GDP in 2022 from 55% in 2021. Qatar's credit standing remains robust (AA- by Fitch), backed by large external reserves and a good track record of effective policy-making.

Risks include energy price volatility, weaker global growth

Downside risks to the outlook largely center on energy market volatility, further Covid-19 outbreaks and tighter global financial conditions. The risk of a global recession amid aggressive Fed policy tightening could weaken the energy demand outlook. Regional geopolitical tensions could also spike should a new nuclear agreement with Iran fail to materialize. Finally, a World Cup that disappoints in terms of turnout and economic contribution could dent investor confidence.

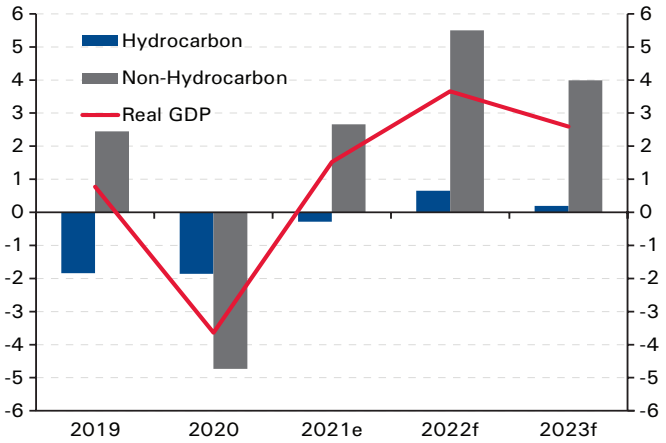
Qatar key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ billion	142	176	191	186
Real GDP	% y/y	-3.6	1.5	3.7	2.6
- Oil	% y/y	-2.0	-0.3	0.7	0.2
- Non-oil	% y/y	-4.5	2.7	5.5	4.0
Inflation	% y/y	-2.7	2.3	3.5	2.4
Fiscal balance	% of GDP	-2.1	0.2	12.8	7.8
Public debt	% of GDP	69.6	55.4	47.0	45.5
Current acc. bal.	% of GDP	-2.5	14.6	14.0	8.1

Source: Official sources, NBK estimates

Chart 1: Real GDP growth

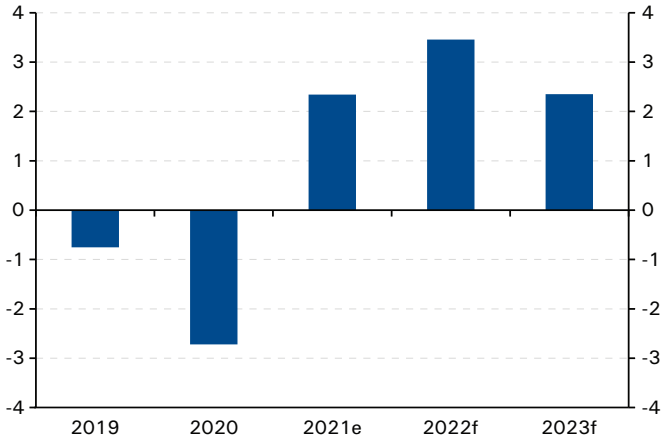
(% y/y)



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

Chart 2: Consumer price inflation

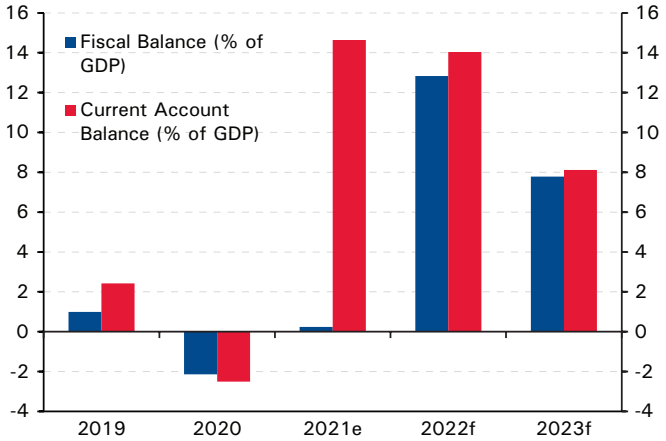
(% y/y average)



Source: PSA, NBK estimates

Chart 3: Fiscal balance

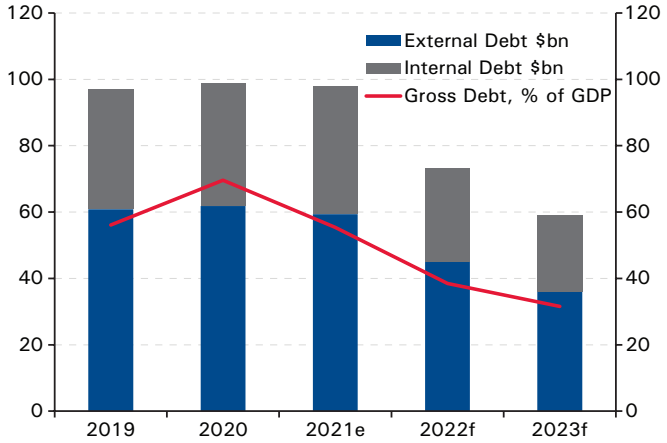
(% of GDP)



Source: Qatar Ministry of Finance, NBK estimates

Chart 4: Government debt (gross)

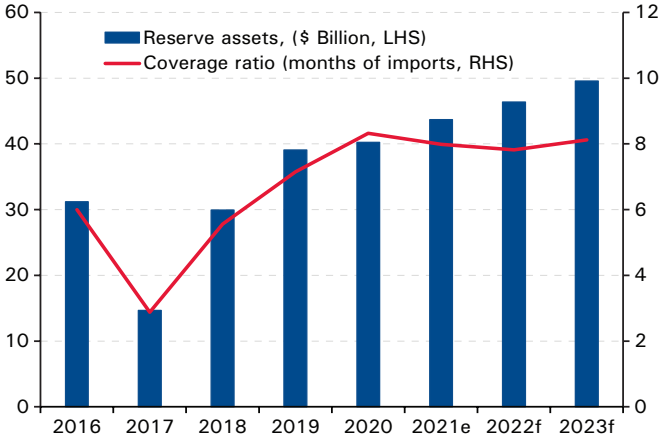
(excluding GREs)



Source: IIF, NBK estimates

Chart 5: Official foreign reserves

($ billion)



Source: QCB, NBK estimates

Saudi Arabia

The non-oil economy maintained its momentum in the latter part of 2021 to expand by 4.9% for the full year, more than recouping all the lost output in 2020. We expect the strong momentum to continue this year and several indicators are indeed reflecting that. We forecast non-oil growth at 3.5% in 2022, while higher oil production should push oil GDP to expand by around 14% leading to a projected 7.5% overall growth. We forecast budget surpluses throughout the forecast horizon given elevated oil prices, higher oil production, further increases in non-oil revenues, and the government's commitment for spending rationalization in line with Vision 2030. The high volatility in oil prices (and less visibility on the outlook) in the context of the Russia-Ukraine war and a weakening global economic backdrop is a main downside risk. In contrast, higher-than-forecast non-oil growth, supported in part by the elevated oil prices and the expected recording of budget surpluses for example, is a main upside risk.

Solid non-oil growth momentum to be sustained

The non-oil economy maintained its momentum in the latter part of 2021 to expand by 4.9% for the full year, more than recouping all the lost output in 2020 given the Covid-induced contraction (-2.5%) that year. The recovery was driven by the private sector (+6.2% in 2021), while the less-pandemic-impacted government sector was up by 1.9%. KSA was ranked among the best countries globally in terms of dealing with the virus, including rolling out a successful vaccination campaign, which supported the fast economic recovery. Manufacturing saw the highest growth rate of 9.5% in 2021 helped by several initiatives taken to develop that sector, in line with Vision 2030.

We expect the strong momentum to continue this year and several indicators are indeed reflecting that. Consumer spending remains solid with the value of POS transactions up around 20% y/y through mid-May. New letters of credit opened for building material and machinery (a proxy for private-sector capital spending) have soared by 62% y/y in 1Q22, though from a depressed level last year. Credit growth continues to be robust, running at around 15% y/y as higher growth in personal non-mortgage credit is compensating the softer growth in mortgage lending. The latter, while beyond peak-growth, is still expanding at very high rates with the latest numbers indicating around 34% y/y growth through March, while PMI levels remain robust (latest at 55.7). Given all that, we forecast non-oil growth to average around 3.5% in 2022-23. Effective policymaking and the ongoing reforms continue to underpin this robust growth outlook. Reflecting that, the stock market continues to be robust, up around 14% YTD (benefiting from higher oil prices given the Russia-Ukraine war), following a 30% gain in 2021.

As for the oil sector, KSA continues to play 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. In all cases, oil production should increase sharply in 2022, pushing oil GDP to grow by around 14% this year, before normalizing to 2.3% in 2023. All in all, total GDP is expected to grow by 2.9% in 2023, after a much sharper 7.5% projected expansion this year, fueled by the oil sector.

Inflation to edge up; unemployment lowest in 12 years

After bottoming out in August 2021 at 0.3% y/y, inflation has crept higher to stand at 2.3% in April and is projected to average 2.5% in 2022 given elevated energy and food prices (food/beverages have a nearly 19% weight in the CPI basket) and expected incremental price pressures in housing rentals. Things are more favorable in terms of the unemployment rate among Saudis, which dropped to 11% in 4Q2021 (and will likely continue decreasing), the lowest rate in around 12 years on the back of solid non-oil growth and steady Saudization initiatives.

Budget surpluses are expected over the forecast horizon

Following the pandemic-induced deterioration in 2020, the fiscal position improved sharply in 2021 on increasing non-oil revenues, higher oil prices, and lower spending. Revenues increased by 23% in 2021 as oil revenues surged 36%, while non-oil revenues grew by 9% on higher tax receipts. In contrast, expenditures decreased by 3% as capital spending was cut by 24% and current spending was flat. The fiscal deficit dropped to 2.3% of GDP, down from 11.1% in 2020. Looking ahead, given elevated oil prices, higher oil production, an ongoing increase in non-oil revenues given solid non-oil growth, and the government's commitment for spending rationalization in line with Vision 2030, we forecast budget surpluses in the forecast horizon, standing at around 6% in 2022 and softening to around 4.5% in 2023. We think surpluses will be mostly used to beef up government deposits at SAMA rather than reduce debt levels, and accordingly we forecast the debt/GDP ratio to stabilize at around a relatively low 25%, down from 30% in 2021.

Current account to be comfortably in positive territory

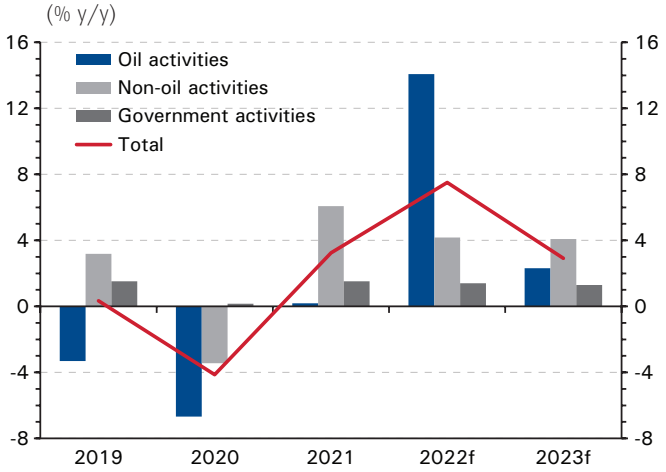
After a slight dip in to the red in 2020 (-3.2% of GDP), the current account returned to surplus (6.7%) in 2021 on a sharp rebound in non-oil exports and higher oil prices. The former soared by 35% in 2021 (mainly driven by chemical and plastic products) to reach the highest annual level on record. We project the current account to remain comfortably in surplus over the forecast horizon on elevated oil prices and increasing non-oil exports. The high volatility in oil prices, in the context of the Russia-Ukraine war and a weakening global economic backdrop, is a main downside risk. In contrast, higher-than-forecast non-oil growth, supported in part by elevated oil prices and the recording of budget surpluses for example, is a main upside risk.

Saudi Arabia key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ billion	703	834	1,018	1,000
Real GDP	% y/y	-4.1	3.2	7.5	2.9
- Oil	% y/y	-6.7	0.2	14.1	2.3
- Non-oil	% y/y	-2.5	4.9	3.5	3.4
Inflation (average)	% y/y	3.4	3.1	2.5	2.3
Fiscal balance	% of GDP	-11.1	-2.3	6.1	4.4
Government debt	% of GDP	32.4	30.0	24.6	25.0
Current acc. bal.	% of GDP	-3.2	6.7	15.2	10.7

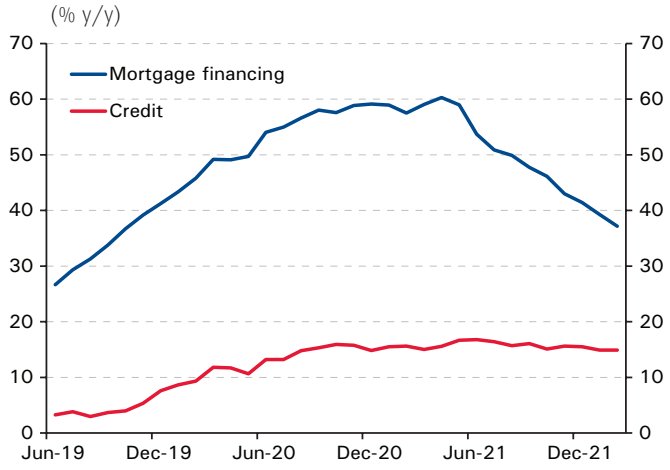
Source: National authorities, NBK forecasts

Chart 1: Real GDP



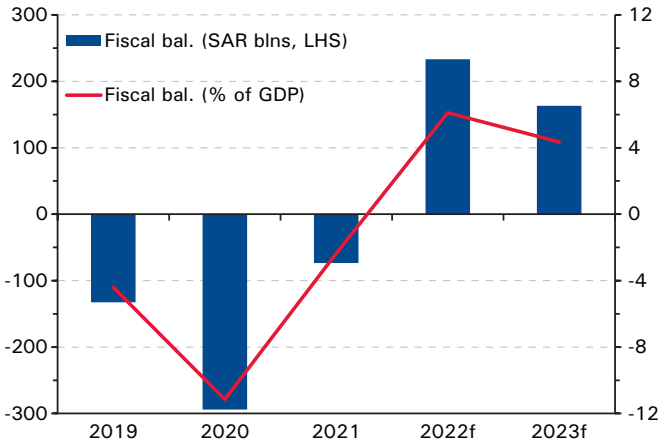
Source: General Authority for Statistics (GASTAT), NBK forecasts

Chart 2: Credit growth



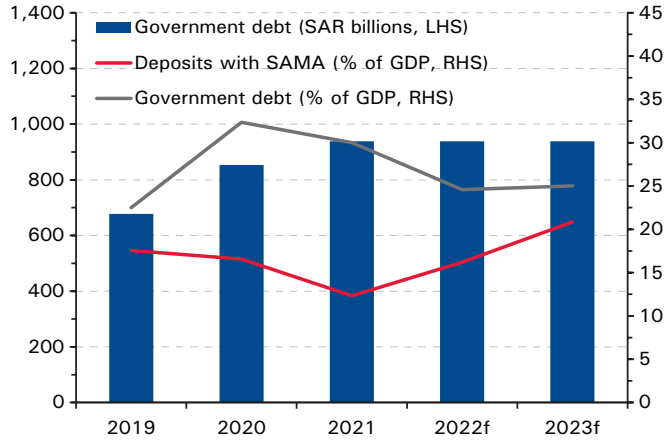
Source: SAMA

Chart 3: Fiscal balance



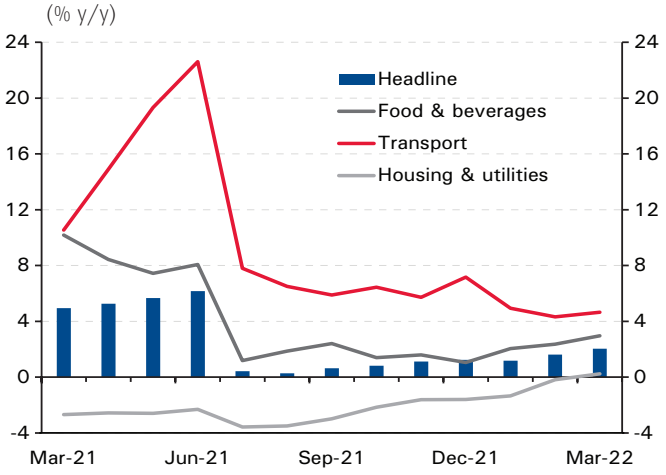
Source: Ministry of Finance, NBK forecasts

Chart 4: Government debt and deposits with SAMA



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

Chart 5: CPI inflation



Source: GASTAT

UAE

Economic growth should average above 5% in 2022-23 on rising oil output, post-pandemic normalization in business conditions, improving tourism and real estate and further government initiatives to support investment and promote the UAE's international competitiveness. The fiscal balance held up relatively well during Covid and a second consecutive surplus is expected in 2022, given high oil prices, adding more strength to financial buffers. Downside risks to the outlook include a deterioration in the global economy, volatile regional geopolitics, tightening financial conditions and prolonged currency strength affecting trade and investment flows.

Robust growth as oil output rises, pandemic fades

Economic growth is forecast at a robust 5.3% on average over 2022-23, higher than the 3.8% in 2021. (Chart 1.) Oil sector GDP will lead the way, increasing by around 10% per year on higher oil output projected at 3.3 mb/d by end-2023 helped by the unwinding of OPEC+ production cuts. Huge investment by state-owned ADNOC ($127 billion) over the next five years will underpin sector expansion including a rise in oil production capacity to 5 mb/d. Projects coming online over the forecast period include the Bab integrated facilities expansion (450 kb/d), Bu-Hasa field development project (550 kb/d), and Integrated Gas Development Expansion Phase II (245 mcf/d).

The outlook for the non-oil sector is broadly positive, with growth of 3.5% on average in 2022-23 amid fading pandemic pressures and an improvement in tourism-related and real estate activities. The purchasing manager index activity gauge remained at a solid level in April (54.6), albeit slightly below pre-pandemic levels and with near-stagnant hiring conditions as businesses trim costs amid rising fuel and material prices. Direct exposures to Russia and Ukraine are limited (about 1% of UAE total trade, 7% of total tourists), but a prolonged or more intense war could weigh more on economic conditions given the UAE's status as an international trade and business hub.

The government's so far successful, investment, diversification-centered policy approach continues to underpin the medium-term outlook, including programs such as the 'Projects of the 50', Green Agenda 2030, and 2050 Energy Strategy. These initiatives aim at accelerating the economy's transformation via stronger private sector growth, attracting foreign investment of $150 billion over the next 10 years, promoting digitization and a shift towards a low-carbon future. Growing economic competition with Gulf neighbors will keep up the pressure on the authorities to preserve the country's status as the region's leading trade and investment hub, reflected in openness to foreign investors, keenness to attract skilled labor and pro-business legislation such as the recent commercial companies' law and measures to support intellectual property rights and trademark protection.

Inflation to rise, gradual property market recovery

From just 0.2% on average in 2021, inflation could to rise to around 2.5% per year over 2022-23 on supply chain disruptions, high food and fuel prices, and the recovery in the housing rentals sector. (Chart 2.) Higher policy interest rates – in line with expected moves by the US Fed – could help in absorbing some of these pressures. Tightening financial conditions and the conclusion of loan deferral program in December 2021, could weigh on the expected improvement in private sector credit growth, which remained soft in February at just 1% y/y. (Chart 3.) Meanwhile, residential property prices started to see significant rises in 2H21 (+7.9% y/y in Dubai, +1.8% in Abu Dhabi) after a multi-year slump. (Chart 4.) Despite higher interest rates, the market should continue to recover, but at a moderate pace on strong expected supply of new units. A range of measures are also in place to entice demand, including the allocation of AED12 billion to provide housing loans.

Fiscal and external sectors benefit from oil price surge

The public finances proved comparatively resilient through Covid helped by less dependence on volatile oil revenues (41% of total revenues) versus GCC peers. The fiscal balance swung back to surplus in 2021 and expected to strengthen further in 2022-23 boosted by higher oil prices, solid economic activity and the implementation of 9% federal tax on corporate earnings for the first time after June 2023. Expenditures could see a moderate rise on higher capital spending to support government-led initiatives and subsidies. Surpluses of around 8% of GDP are forecast in 2022 and 2023, excluding government investment income. (Chart 5). The government's broader financial position remains very strong, with a high AA/Aa2 investment-grade credit rating and sovereign wealth funds' assets of an estimated $981 billion, or more than 200% of GDP. The Dubai government in April set up a debt management office to improve transparency and manage ongoing financing needs, though it is unclear if this will extend to any indebted GREs that encounter issues as global financial conditions tighten. Meanwhile, the external position remains strong, with current account surpluses seen above 30% of GDP on higher exports of aluminum, copper, iron and steel products, as well as higher oil prices.

Outlook and risks

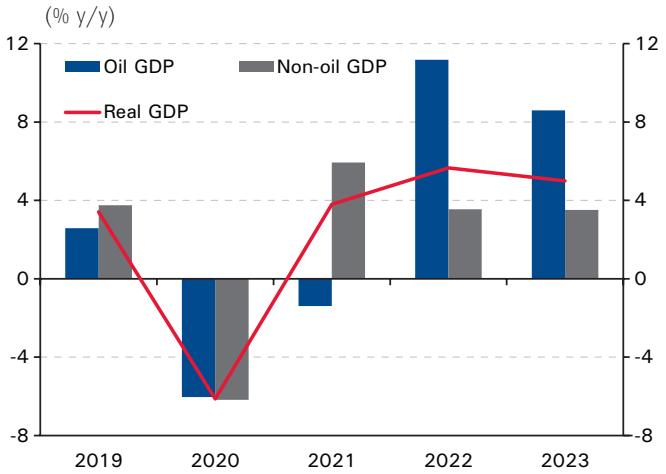
Given the UAE's globally integrated economy, risks to the outlook include a deterioration in global trade, tourism, investment and capital flows due to monetary policy tightening or the war in Ukraine, and a flare up in regional geopolitical tensions linked to Iran. However, the latter two scenarios would likely push up oil prices, providing some offsetting support to the upside. Also, prolonged currency strength (due to a strong dollar) could affect competitiveness and inward investment flows.

UAE key economic indicators

		2020	2021e	2022f	2023f
Nominal GDP	$ billion	359	417	491	493
Real GDP	% y/y	-6.1	3.8	5.7	4.9
- Oil sector	% y/y	-6.0	-1.4	11.2	8.6
- Non-oil sector	% y/y	-6.2	5.9	3.5	3.4
Headline inflation	% of GDP	-2.1	0.2	2.5	2.4
Budget Balance	% of GDP	-2.4	4.5	8.2	8.0
Current acc. bal.	% y/y	15.0	33.0	37.3	31.0

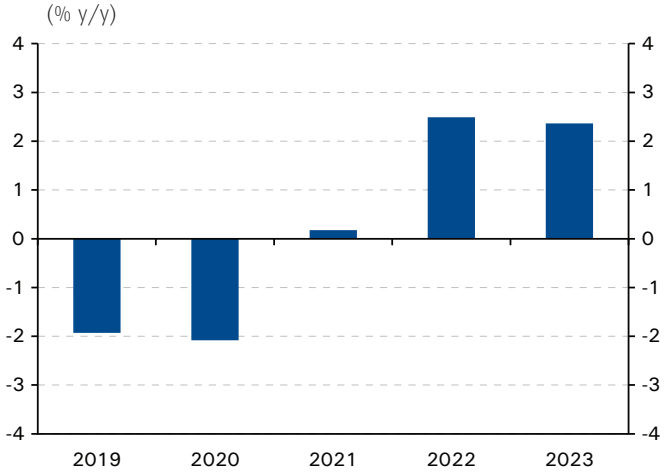
Source: Official sources, NBK estimates

Chart 1: Real GDP



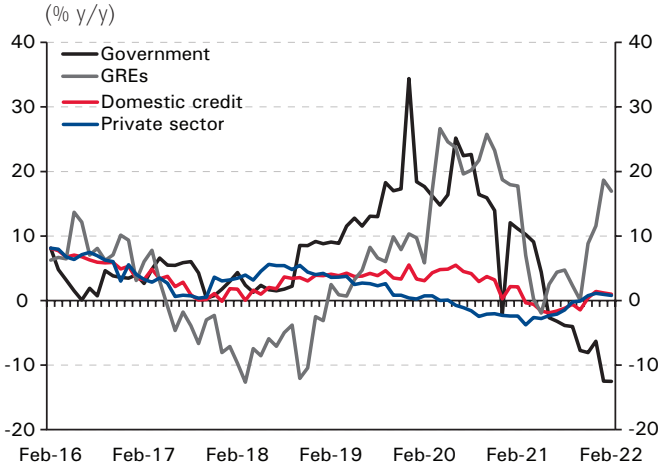
Source: Federal Competitiveness & Statistics Centre (FCSC), NBK estimates

Chart 2: Headline inflation



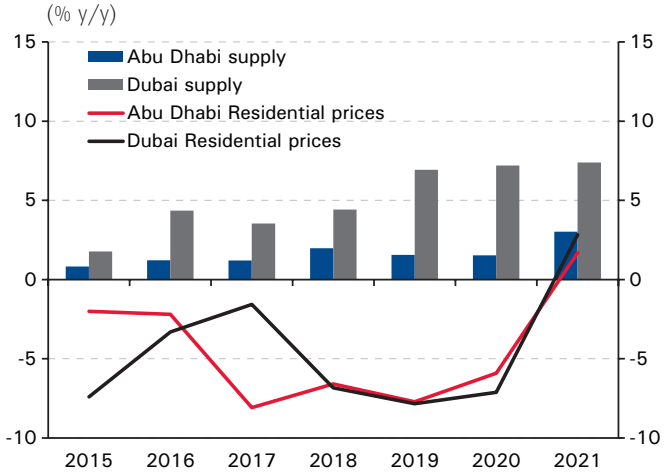
Source: Federal Competitiveness & Statistics Centre (FCSC), NBK estimates

Chart 3: Bank credit growth



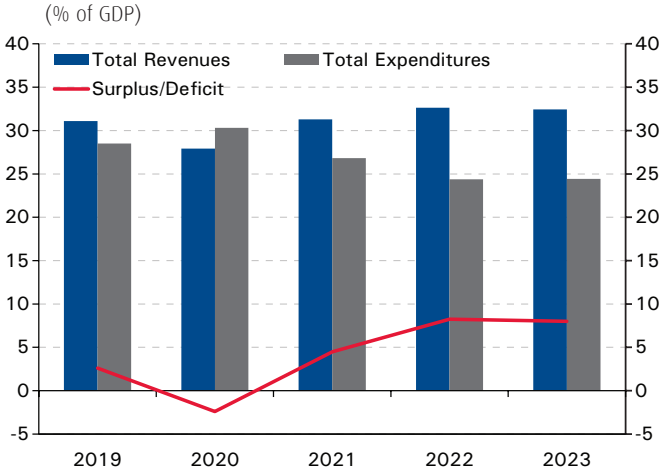
Source: Central Bank of UAE

Chart 4: Abu Dhabi and Dubai residential market



Source: Bank of International Settlements, JLL, NBK estimates

Chart 5: Fiscal balance



Source: Ministry of finance, NBK forecasts

Egypt

The Ukraine war has hit Egypt hard, triggering a currency devaluation and higher prices, and growth is likely to slow over coming quarters. However, a steep contraction should be avoided, helped by external assistance as well as increased economic resilience thanks to earlier reforms. The fiscal deficit and high public debt levels are concerns, though both should decline over the medium term. Risks to the outlook include a prolonged war in Ukraine that affects inflation and tourism in Egypt, aggressive Fed policy tightening that affects capital flows to emerging markets, and delays in implementing critical reforms to bolster private sector activity and investment.

Devaluation, Ukraine war to slow growth

Prospects for a continued, steady post-pandemic economic recovery have been cast into doubt by a combination of the Ukraine war and sudden currency devaluation in March, which will push up prices, hit consumer spending and investment, reduce tourism and widen the fiscal and external deficits. We expect growth to be significantly reduced over coming quarters, slowing from a pandemic rebound-driven high of 8.3% y/y in 4Q21 to around 3% in 3Q22. Still, we expect a deep recession to be avoided. The economy's resilience has improved since the reform program that began 2017 – FX reserve levels are higher, inflation is well down from its highs and the fiscal deficit has narrowed – and the scale of the devaluation in the pound to date (15%) is much smaller than in 2016. Meanwhile, GCC countries have rallied to support Egypt with $22 billion in investment and funding pledged and a new IMF program (perhaps worth $7 billion) also looks likely. We expect growth to start recovering by the end of 2022 reverting to its pre-pandemic trend of around 4% by early 2023, assuming no major deterioration in the global economic picture and that the government remains committed to the economic reform process that slowed during the pandemic.

Fiscal deficit to widen on lower growth, higher interest bill

The above pressures will also interrupt the trend improvement in the fiscal deficit of recent years – albeit likely temporarily. Despite Covid, the deficit narrowed to 7.2% of GDP in FY20/21 thanks to cuts in the interest bill (due to lower interest rates). The deficit will widen again this year to 8.6% of GDP given fresh pressures on economic growth and spending, including from higher inflation and rising interest rates. Indeed, growth in spending (12% y/y) already exceeded revenues (9%) in February 2022. However, the deficit should be more stable in FY22/23 as commodity prices ease and the economy starts to recover.

Public debt stood at 87% of GDP in June 2020 and the devaluation will have increased external debt levels by around 3% of GDP in local currency terms. We expect the debt ratio to drift down over time, given high nominal GDP growth and the government's commitment to cut the fiscal deficit. This, together with a combination of higher interest rates, a solid FX reserve cushion, a more competitive exchange rate and external backing from the IMF should help underpin access to capital markets. However, relatively high debt levels and the large interest bill (which absorbs some 38% of all government spending) will constrain the government's ability to redirect funds to priority causes including infrastructure and poverty alleviation.

Drop in tourism revenue weighs on the external sector

The external position has been under pressure on a mix of the hit to tourism from Covid and the (previously) overvalued exchange rate. The current account deficit widened to 1.1% of GDP in FY20/21 amid a 51% plunge in export receipts from travel – previously worth around one-fifth of all trade income. This year the deficit will reach 2.9% of GDP with three additional factors weighing: depressed tourism due to the Ukraine war (Russia and Ukraine accounted for more than 30% of pre-crisis tourism to Egypt), plus the impact of both higher commodity prices and the cheaper currency on the import bill. A narrower deficit is expected in FY22/23 on import compression, an easing in commodity prices and improving tourism and trade supported by the cheaper pound.

The pound has been relatively steady at around EGP18.5/$1 since its March drop. The currency looks better supported at this level, though some uncertainty surrounds the outlook. Futures markets suggest the pound could ease further over the coming year and the IMF may emphasize the need for currency flexibility as part of any deal. The central bank's net foreign reserves fell nearly 10% in March at the peak of the external pressures, but at $37 billion remain more than double pre-2016 levels and comfortably enough to finance external debt maturities of $7 billion this year.

Rising interest rates to help dampen inflationary pressures

Inflation accelerated to a near-three year high of 13.1% y/y in April driven in particular by rising food costs (+26%) which are one-third of the CPI basket. We see inflation rising further over coming months on both high commodity prices and pass through from the weaker pound, peaking potentially above 15% in 3Q22 before falling back to within the central bank's current 5-9% target range mid-next year, helped also by tighter monetary policy. The bank raised the policy rate by 100 bps in March and at least a further 200 bps of hikes is expected this year.

In terms of risks, while pandemic concerns are fading, Egypt's economy would be hit by a prolonged war in Ukraine – which could jeopardize the external position – and by higher or more persistent inflation, which would worsen consumer incomes and economic growth and require even tighter monetary policy. Meanwhile, aggressive Fed policy tightening could hit inflows to emerging markets in general, causing financial volatility. Moreover, the weaker economy could further delay progress on the government's reform agenda, including key infrastructure projects, reducing public debt and increasing FDI. These remain critical to sustaining strong rates of growth over the longer term.

Egypt key economic indicators

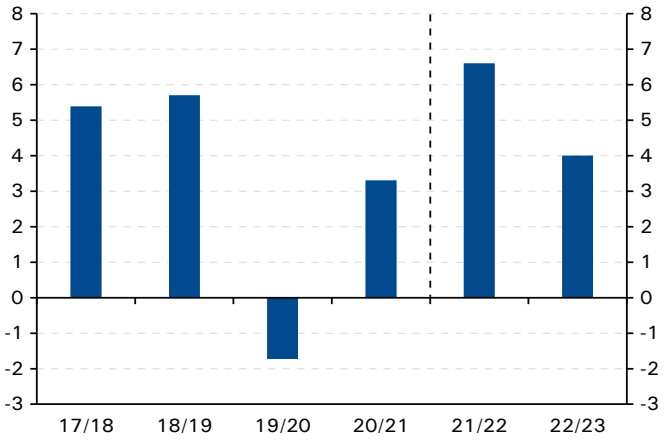
(year averages unless stated)

		FY20/21	FY21/22	FY22/23
Nominal GDP	$ billion	394	421	455
Real GDP	% y/y	3.3	6.6	4.0
Fiscal balance	% of GDP	-7.2	-8.6	-8.8
Public debt (eop)	% of GDP	90.6	86.0	80.0
Inflation	% y/y	4.5	8.3	10.8
Current account	% of GDP	-1.1	-2.9	-2.7

Source: Official sources, NBK estimates

Chart 1: Real GDP

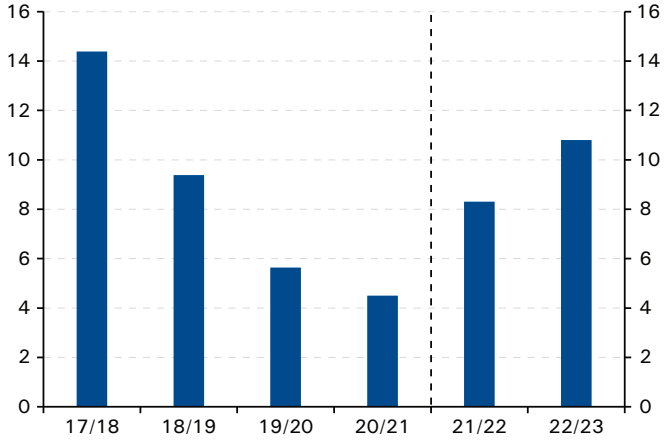
(% y/y)



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 2: Inflation

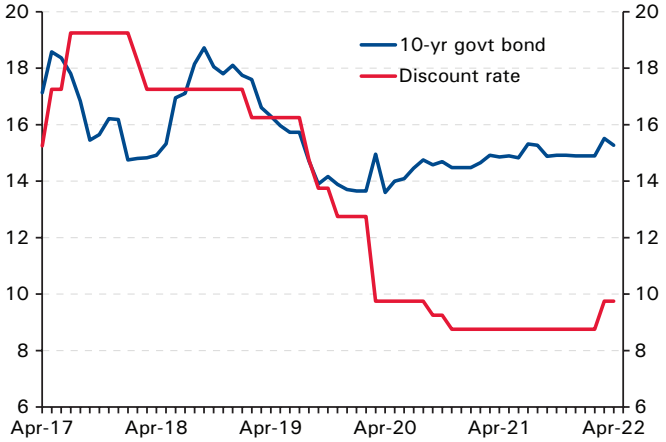
(% y/y)



Source: Capmas, Central Bank of Egypt, NBK estimates

Chart 3: Interest rates

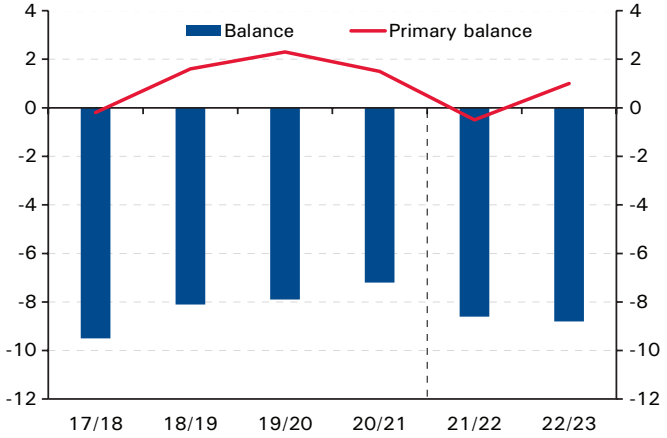
(%)



Source: Refinitiv / Central Bank of Egypt

Chart 4: Fiscal balance

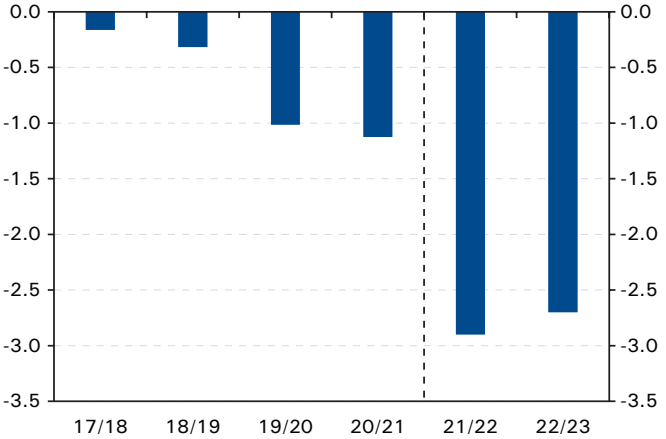
(% of GDP)



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Chart 5: Current account balance

(% of GDP)



Source: Refinitiv / Central Bank of Egypt, NBK estimates

Regional economic data and forecasts

	Unit	2017	2018	2019	2020	2021e	2022f	2023f
Bahrain								
Nominal GDP	USD bn	35.3	37.7	38.6	34.7	38.9	42.5	42.3
Real GDP	% y/y	3.8	2.2	2.3	-4.9	2.2	3.0	2.7
Hydrocarbon sector	% y/y	-0.7	-1.3	2.2	-0.1	-0.3	3.6	2.5
Non-hydrocarbon sector	% y/y	4.9	2.9	2.1	-6.0	2.8	3.0	2.8
Budget balance	% of GDP	-10.0	-6.3	-4.7	-12.8	-3.7	2.5	0.7
Current account balance	% of GDP	-4.5	-6.5	-2.1	-9.3	6.7	7.6	6.7
Inflation	% y/y	1.4	2.1	1.0	-2.3	-0.6	3.2	2.8
Kuwait								
Nominal GDP	USD bn	120.7	138.1	136.2	105.8	136.6	176.4	169.6
Real GDP	% y/y	-4.7	2.4	-0.6	-8.9	1.1	8.5	3.4
Hydrocarbon sector	% y/y	-9.0	2.4	-1.0	-8.9	-1.0	12.8	3.2
Non-hydrocarbon sector	% y/y	2.6	2.5	-0.1	-8.8	3.5	3.7	3.6
Budget balance	% of GDP	-8.9	-3.1	-9.5	-33.9	-8.5	8.8	2.3
Current account balance	% of GDP	8.0	14.4	24.5	21.1	19.2	32.9	26.1
Inflation	% y/y	1.5	0.6	1.1	2.1	3.4	4.3	3.1
Oman								
Nominal GDP	USD bn	70.7	86.3	83.4	73.9	85.8	102.5	100.2
Real GDP	% y/y	0.3	1.4	-1.1	-2.9	3.0	5.1	2.8
Hydrocarbon sector	% y/y	-3.0	3.0	-2.6	-2.3	4.1	8.6	3.5
Non-hydrocarbon sector	% y/y	3.3	0.7	-0.4	-3.2	2.4	3.3	2.5
Budget balance	% of GDP	-13.8	-8.0	-8.2	-15.5	-5.2	8.4	5.0
Current account balance	% of GDP	-15.2	-5.0	-5.1	-11.7	-2.8	9.6	5.7
Inflation	% y/y	1.6	0.9	0.1	-0.9	1.5	3.0	2.0
Qatar								
Nominal GDP	USD bn	166.9	183.3	172.8	141.9	176.5	190.5	186.3
Real GDP	% y/y	1.6	1.2	0.7	-3.6	1.5	3.7	2.6
Hydrocarbon sector	% y/y	-0.7	-0.3	-1.7	-2.0	-0.3	0.7	0.2
Non-hydrocarbon sector	% y/y	3.8	2.2	2.2	-4.5	2.7	5.5	4.0
Budget balance	% of GDP	-6.5	2.3	1.0	-2.1	0.2	12.8	7.8
Current account balance	% of GDP	3.7	9.1	2.4	-2.1	14.6	14.0	8.1
Inflation	% y/y	0.4	0.3	-0.8	-2.7	2.3	3.5	2.4
Saudi Arabia								
Nominal GDP	USD bn	686.5	816.6	803.6	703.4	833.5	1017.9	999.9
Real GDP	% y/y	-0.9	2.5	0.3	-4.1	3.2	7.5	2.9
Hydrocarbon sector	% y/y	-3.2	2.3	-3.3	-6.7	0.2	14.1	2.3
Non-hydrocarbon sector	% y/y	1.1	-1.6	2.8	-2.5	4.9	3.5	3.4
Budget balance	% of GDP	-8.2	-5.7	-4.4	-11.1	-2.3	6.1	4.4
Current account balance	% of GDP	-0.4	8.8	4.8	-3.2	6.7	15.2	10.7
Inflation	% y/y	-0.8	2.5	-2.1	3.4	3.1	2.5	2.3
UAE								
Nominal GDP	USD bn	378.0	422.5	417.5	359.1	417.4	491.4	494.2
Real GDP	% y/y	0.5	1.2	3.4	-6.1	3.8	5.7	5.0
Hydrocarbon sector	% y/y	-2.8	2.5	2.6	-6.0	-1.4	11.2	8.6
Non-hydrocarbon sector	% y/y	1.9	0.7	3.8	-6.2	5.9	3.6	3.5
Budget balance	% of GDP	-1.7	2.0	2.6	-2.4	4.5	8.2	8.0
Current account balance	% of GDP	7.3	9.6	8.9	15.0	33.0	37.2	30.9
Inflation	% y/y	2.0	3.1	-1.9	-2.1	0.2	2.5	2.4
Egypt (fiscal year)								
Nominal GDP	USD bn	333.1	309.6	324.4	367.2	394.0	421.0	455.0
Real GDP	% y/y	4.1	5.3	5.6	3.7	3.3	6.6	4.0
Budget balance	% of GDP	-11.0	-9.7	-8.1	-8.0	-7.2	-8.6	-8.8
Current account balance	% of GDP	-4.5	-2.0	-3.2	-3.0	-1.1	-2.9	-2.7
Inflation	% y/y	23.3	21.5	13.8	5.7	4.5	8.3	10.8

International data

	Unit	2017	2018	2019	2020	2021e	2022f	2023f
Brent crude oil spot price (year average)	$ p/b	54.9	71.5	63.7	43.9	71.0	100	85
Rogers International Commodity Index*	Index	2,415.9	2,194.3	2,454.4	2,265.6	3,196.8	---	---
Eur/USD*	1$ = €	0.83	0.87	0.89	0.82	0.85	---	---
US Fed Fund Rate*	%	1.50	2.50	1.75	0.25	0.25	---	---
MSCI World stock market index*	Index	2,103.4	1,883.9	2,358.5	2,690.0	3,231.7	---	---
MENA** real GDP (IMF)	% y/y	1.9	1.4	1.7	-3.3	5.8	5.0	3.6
World real GDP (IMF)	% y/y	3.8	3.6	2.9	-3.1	6.1	3.6	3.6

Source: Refinitiv, Haver, official sources, IMF, NBK estimates; * end of period; ** Middle East, North Africa

Head Office

Kuwait
National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAK
Bahrain Branch
GB Corp Tower, Block 346
Road 4626, Building 1411
P.O.Box 5290
Manama, Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

Saudi Arabia
National Bank of Kuwait SAK
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building
Justinien Street
P.O. Box 11-5727, Riyad El Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center
First Sector 5th Settlement
New Cairo
Egypt
P.O Box 229 Cairo 11835
Tel: + 20 2 26149300
Fax: + 20 2 26133978

United Arab Emirates
National Bank of Kuwait SAK
Dubai Branch,
Latifa Tower
Sheikh Zayed Road
P.O. Box. 9293
Dubai UAE
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAK
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom Road (Old Airport
Road), P.O. Box 113567
Abu Dhabi, U.A.E
Tel: +971 2 4199555
Fax: +971 2 2222477

United States of America
National Bank of Kuwait SAK
New York Branch
299 Park Avenue
New York 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

France
National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris, France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office, 13 George Street
London W1U 3QJ
United Kingdom
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

China
National Bank of Kuwait SAKP
Suite 1501-1502,
AZIA Center 1233
Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 8036 0800
Fax: +86 21 8036 0801

Singapore
National Bank of Kuwait SAK
Singapore Branch
9 Raffles Place # 24-02
Republic Plaza,
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

Associates
Turkey
Turkish Bank
Valikonagi Avenue No. 1
P.O. Box 34371
Nisantasi, Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353

NBK Capital

Kuwait
NBK Capital
34h Floor, NBK Tower
Shuhada'a Street, Sharq
P.O. Box 4950, Safat 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial
Center, Sheikh Zayed Road
P.O. Box 506506, Dubai, UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805