

Event Update - IMF Releases Regional Economic Outlook

April-2024

Ongoing conflict and lower oil output dampen MENA economic activity

In its latest regional economic outlook for the MENA region, the IMF revised down its growth forecast for both the MENA region as well as the GCC region despite resilient global economic activity and easing of inflationary pressures. The IMF underlined the impact of the ongoing conflicts in the region including the shipping disruptions as well as the effect of lower oil production on the economies of energy exporters. In terms of global economic recovery, the IMF noted that the global economic activity has been resilient during the past two years despite the tightening of monetary policies as favorable demand and supply developments sustained growth in several of the global major economies.

GDP growth in the MENA region is revised down by 70 bps for 2024 from the IMF's earlier October-2023 forecast and is expected to average 2.7% in 2024 and 4.2% in 2025. Similarly, GCC GDP growth forecast for 2024 witnessed 130 bps cut from the IMF's previous forecast and is expected to average 2.4% and 4.9% in 2024 and 2025 respectively. The greater rate downgrade reflects lower hydrocarbon production, persistent tight monetary policy and the uncertainty caused by the ongoing conflicts in the region. On the other hand, the IMF expects growth in both the MENA and GCC region to strengthen next year as the impact of current uncertainty caused by the conflicts in the region and oil production cuts dissipate. In contrast, the IMF upgraded global growth projection by 30 bps from the October-2023 World Economic Outlook forecast to 3.2% for 2024 and also penciled 3.2% growth for 2025.

All GCC countries witnessed downgrades in their GDP growth forecasts for 2024 vs. October-2023 forecast except for Bahrain which maintained its previous 3.6% GDP forecast topping the table as the highest forecasted growth in the region. The UAE followed with the second largest GDP growth forecast for 2024 at 3.5% despite witnessing a 50 bps downgrade from the previous forecast. Similarly, Saudi Arabia GDP growth was penciled at 2.6% for 2024 witnessing a downward revision of 140 bps from its previous forecast as voluntary oil production cuts weigh on the Kingdom's economy for the near future. **The IMF warned that the uncertainty of current ongoing conflicts in the region, especially, the war on Gaza, and the probable spillover effect it could have on neighboring states of the region citing the disruption in the Red Sea as a good example of the possible expansion of the conflict into other countries of the region.**

Country/Regions	April-2024 Updated Forecasts					IMF Revisions	
Real GDP Growth	2021	2022	2023	2024e	2025e	2024e	2025e
Bahrain	2.6%	4.9%	2.6%	3.6%	3.2%	0.0%	0.0%
Oil GDP	-0.3%	-1.4%	-1.2%	1.4%	-2.8%	1.3%	N/A
Non-oil GDP	3.2%	6.3%	3.4%	4.0%	4.3%	-0.3%	N/A
Kuwait	1.7%	6.1%	-2.2%	-1.4%	3.8%	-5.0%	-0.3%
Oil GDP	-0.9%	12.1%	-4.3%	-4.3%	4.8%	-7.6%	N/A
Non-oil GDP	6.6%	1.1%	0.8%	2.0%	2.5%	-1.5%	N/A
Oman	3.1%	4.3%	1.3%	1.2%	3.1%	-1.5%	0.1%
Oil GDP	5.2%	9.6%	0.0%	-0.9%	2.9%	-3.8%	N/A
Non-oil GDP	1.9%	1.2%	2.1%	2.5%	3.2%	0.0%	N/A
Qatar	1.6%	4.2%	1.6%	2.0%	2.0%	-0.2%	-1.7%
Oil GDP	-0.3%	1.7%	2.6%	2.0%	1.5%	0.4%	N/A
Non-oil GDP	2.8%	5.7%	1.0%	2.0%	2.3%	-0.5%	N/A
Saudi Arabia*	5.1%	7.5%	-0.8%	2.6%	6.0%	-1.4%	1.8%
Oil GDP	1.2%	15.0%	-9.0%	-2.4%	8.1%	-5.6%	N/A
Non-oil GDP	5.6%	5.3%	3.8%	3.9%	5.3%	-0.5%	N/A
United Arab Emirates	4.4%	7.9%	3.4%	3.5%	4.2%	-0.5%	0.0%
Oil GDP	-1.1%	9.5%	-3.4%	1.8%	4.1%	-2.0%	N/A
Non-oil GDP	6.5%	7.2%	6.0%	4.1%	4.2%	0.0%	N/A
GCC Real GDP Growth	4.3%	7.0%	0.4%	2.4%	4.9%	-1.3%	N/A
Oil GDP	0.6%	11.9%	-5.9%	-1.1%	6.0%	-4.2%	N/A
Non-oil GDP	5.4%	5.3%	3.8%	3.6%	4.5%	-0.4%	N/A
MENA Real GDP Growth	4.3%	5.2%	1.9%	2.7%	4.2%	-0.7%	N/A

Sources : IMF REO April-2024

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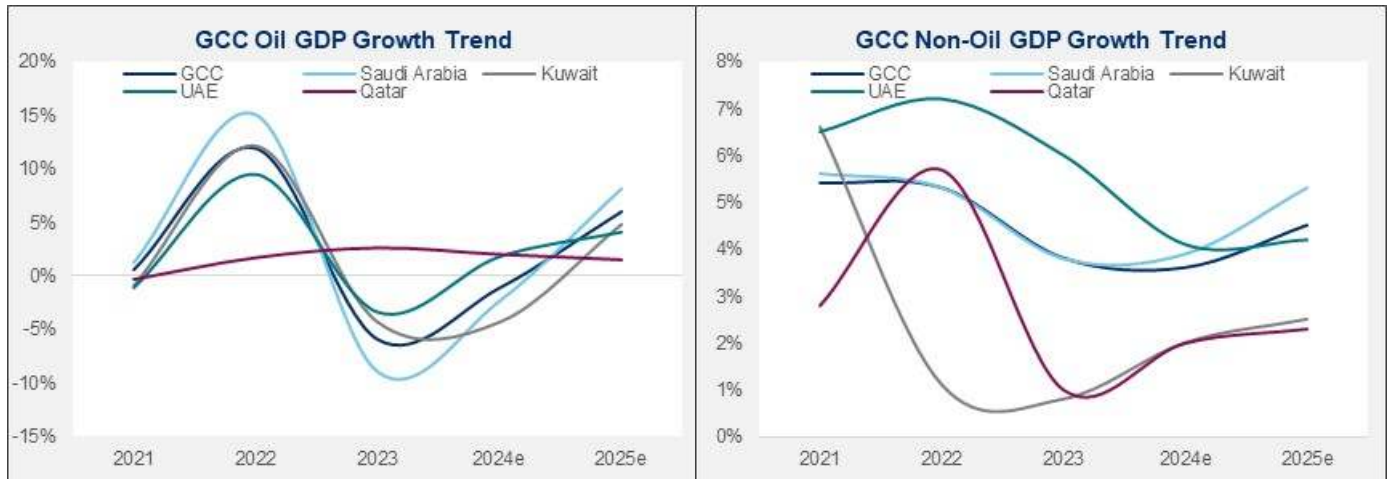
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GCC oil GDP growth slashed; non-oil GDP growth revised up marginally.

GCC real oil GDP growth is expected to contract by 1.1% in 2024 after a 5.9% contraction in 2023. Headline GCC oil GDP forecast for 2024 was lowered by 420 bps, due to the expectation that the voluntary oil production cuts will remain intact during the year. However, growth in GCC real oil GDP is expected to bounce back in 2025 and is projected to average 6.0% during 2025 as oil production increases in the region take effect. Three out of six of the GCC member countries are expected to witness contractions in their oil GDP growth during 2024; namely Saudi Arabia (-2.4%), Kuwait (-4.3%) and Oman (-0.9%).



Source : IMF REO Apr-2024

Comparatively, Qatar is expected to lead in terms of real oil GDP growth at 2.0% in 2024 followed by the UAE at 1.8% and Bahrain at 1.4%. GCC oil GDP growth is expected to recover in 2025 led by Saudi Arabia which is expected to witness 8.1% real oil GDP expansion in 2025 followed by the Kuwait (+4.8%) and the UAE (+4.1%).

In terms of non-oil GDP activity, the GCC region is expected to witness a relatively higher growth rate of 3.6% in 2024 despite registering a 40 bps growth rate downward revision followed by 4.5% expected growth rate in 2025. Ongoing ambitious plans to diversify the economies of the region are currently having the expected positive effect by bolstering growth in the region's non-oil economy. The IMF expects the UAE to lead in terms of non-oil GDP growth in the GCC region in 2024 at 4.1% followed by Bahrain (+4.0%) and Saudi Arabia (+3.9%).

Crude Oil Production (mb/d)	2022	2023	2024e	2025e
Saudi Arabia	10.60	9.60	9.30	10.30
UAE	3.10	3.00	3.00	3.20
Kuwait	2.70	2.60	2.50	2.60
Oman	1.10	1.00	1.00	1.10
Qatar	0.60	0.60	0.60	0.60
Bahrain	0.20	0.20	0.20	0.20
GCC	18.20	17.00	16.50	17.90

Source : IMF REO Apr-2024

GCC inflation continues to remain subdued as commodity prices remain moderate...

Inflationary pressures have been easing in many of the MENA economies including the GCC as real and headline inflation have taken a downward trajectory path in 2023 mainly because of the impact of a combination of monetary tightening policies and relatively lower commodity prices. For many of the oil exporting countries monthly sequential core and headline inflation have declined significantly to levels that are close to historical averages. On the other hand, inflation has endured and remained continual in some of the economies of the MENA region. The persistent high inflation in certain economies of the region reflected structural concerns including food import shortages, accommodative fiscal and monetary policies, and foreign exchange shortages in certain states.

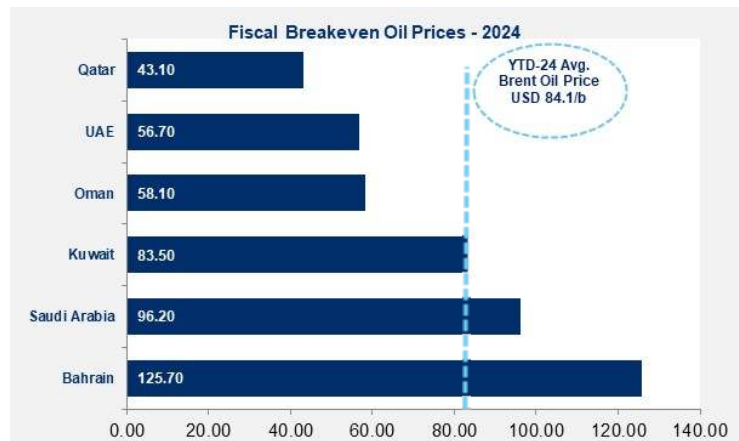
There are fears that the current ongoing conflicts in the region such as the war on Gaza might exacerbate inflationary pressures on the oil and food importing countries in the broader MENA region as they face disruption and higher prices in their imports. Higher shipping costs and reduced trade have been the effect the Red Sea disruption has had on global trade so far. For countries that significantly rely on the Red Sea trade such as Egypt, the Red Sea disruption has been dire for economic activity in the country. Global trade through the Suez Canal more than halved from 38 million metric tons to 16 million tons between November-2023 till the end of February-2024 due to ship attacks in the Bab el-Mandeb. In context, it is estimated that that between 12% to 15% of global trade per year passes through the Suez Canal

In terms of global inflationary outlook, inflationary pressures have been easing worldwide as global headline inflation is projected to drop to an annual average of 5.9% in 2024 and 4.5% in 2025 led by advanced economies which are expected to hit their inflationary targets earlier before emerging market and developing economies.

For the GCC, headline inflation is expected to remain significantly lower as compared to global trends especially the larger MENA region. GCC headline inflation is expected to be unchanged at 2.2% in 2024 but decline to 2.1% in 2025 while MENA headline inflation is forecasted to witness a marginal decline from 16% in 2023 to 15.4% in 2024 followed by a further drop to 12.4% in 2025. On the other hand, GCC core inflation is expected to increase from 0.5% in 2023 to 1.6% in 2024 and witness further increase to 2.0% in 2025.

Oil revenues expected to stay low in 2024

The decrease in oil revenues in 2023 due to the voluntary production cuts weighed on GCC and other MENA oil exporters economic activity. As a result, there has been a significant increase in fiscal breakeven oil prices for all the GCC countries barring Qatar for 2024. When compared to average Brent spot crude oil price for 2024, the fiscal breakeven oil price is expected to be below the average oil price for the year (USD 84.1 per barrel) for four out of six GCC countries. The 2024 fiscal breakeven price is expected to be the highest in the case of Bahrain at USD 125.7/b while Qatar continues to show the lowest price of USD 43.1/b. GCC oil production is expected to decline for the second consecutive year in 2024 due to the continuing voluntary oil production cuts by GCC member states but is expected to recover in 2025. According to IMF estimates, total GCC crude oil production is expected to decline from 17 mb/d in 2023 to 16.5 mb/d in 2024 followed by 17.9 mb/d in 2025.



Source : IMF REO Apr-2024, EIA, Kamco Invest Research

Oil revenues for GCC and MENA energy exporters are expected to recover from July this year. According to the IMF, OPEC member states will increase their oil put from July-2024 and a full reversal of oil production cuts will be achieved by member states by the start of 2025.

Fiscal surplus expectations revised downwards versus previous expectations...

On the fiscal front, the IMF continues to forecast fiscal surpluses for the GCC region in 2024 and 2025. However, the projected surplus as a percentage of GDP has been downgraded. The IMF now expects a fiscal surplus of 2.3% of GDP for the GCC region in 2024 as compared to its previous surplus of 3.4% made in 2023.

General Government Fiscal Balance	Average	Actual			Projections	
Percent of GDP	2000–20	2021	2022	2023	2024e	2025e
Bahrain	-5.4%	-11.0%	-5.4%	-8.3%	-6.9%	-7.6%
Kuwait	26.7%	8.9%	30.6%	29.4%	27.3%	28.1%
Oman	1.5%	-3.1%	10.1%	5.9%	3.7%	3.6%
Qatar	7.1%	1.3%	4.3%	13.5%	10.8%	10.1%
Saudi Arabia	2.4%	-2.2%	2.5%	-2.0%	-2.8%	-1.6%
United Arab Emirates	4.9%	4.0%	9.9%	6.3%	4.5%	4.0%
GCC	5.2%	0.2%	7.6%	3.4%	2.3%	2.7%
MENA	1.1%	-1.8%	3.6%	0.5%	-1.5%	-1.1%
Arab World	1.7%	-1.7%	4.3%	0.8%	-1.3%	-0.8%

Source : IMF REO April-2024

Similarly, the fiscal deficit forecast for the broader MENA region was also revised down from an October-2023 estimate 1.3% of GDP in 2024 to 1.5% of GDP. Moreover, the IMF expects the MENA region's fiscal deficit to decelerate to 1.1% of GDP in 2025. The current account surplus for the GCC region in 2024 has also been revised down to USD 138.9 Bn as compared to previous estimate of USD 194.7 Bn. Moreover, the surplus is expected to decline a bit further in 2025 and reach USD 113.8 Bn. The decline in the GCC current account balance mainly reflects the impact of voluntary oil production cuts made by oil exporting GCC countries.

Saudi Arabia's current account balance is projected to witness steep contraction from USD 42.1 Bn in 2023 to a mere USD 5.3 Bn in 2024 reflecting the expected continuing voluntary oil production cuts in the Kingdom. In terms of individual countries in the GCC, there was only one upward revision on many GCC countries made by the IMF mainly reflecting the significant increase in oil prices of around 30% during Q3-2023. Kuwait realized USD 53.0 Bn in its current account balance in 2023 beating earlier IMF expectations of USD 48.4 Bn.

Saudi Arabia which was expected to witness a fiscal deficit of 0.3%% of GDP in 2023 in the previous forecast has now recorded 2% deficit during that year. The Kingdom's deficit is projected to reach 2.8% and 1.6% in 2024 and 2025 respectively. Kuwait is expected to post the biggest fiscal surplus of 27.3% this year (vs. 29.4% in actual surplus recorded in 2023) followed by a slightly higher surplus of 28.1% next year. The IMF forecasts Bahrain to record 6.9% fiscal deficit in 2024, the biggest among the GCC countries, and 7.6% of fiscal deficit in 2025. Only Saudi Arabia and Bahrain are expected to record fiscal deficits in 2024 and 2025. The forecast for Qatar continues to show the second-biggest fiscal surplus of 10.1% of GDP in 2025 after Kuwait.

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