Event Update - IMF Releases Regional Economic Outlook

October-2024

Expanding conflict and lower oil output suppress MENA economic activity

In its latest regional economic outlook for the MENA region, the IMF has once again revised down its growth forecast for both the MENA region as well as the GCC region due to existing and growing challenges such as geoeconomic fragmentation and climate crisis. Moreover, ongoing conflicts in the MENA region, namely the war on Gaza and Lebanon have also added to the regions growing challenges as they cause massive human suffering, economic damage and intensified uncertainty. Moreover, new trade patterns have emerged because of the region's growing challenges.

GDP growth in the MENA region is revised down by 60 bps for 2024 from the IMF's earlier April-2024 forecast and is expected to average 2.1% in 2024 and 4.0% in 2025. Similarly, GCC GDP growth forecast for 2024 witnessed 60 bps cut from the IMF's previous forecast and is forecast to average 1.8% and 4.2% in 2024 and 2025 respectively. The continuous rate reduction reflects the impact of existing and the expected continuation of OPEC+ oil production cuts have had on the GCC economies coupled with the ongoing no end in sight conflicts in the MENA region. However, despite the growing economic challenges GCC countries have continued implementing their respective economic reform projects leading to an increased economic activity in the region's non-oil sector. The IMF expects GCC non-oil GDP to grow from 3.6% in 2023 to 3.7% and 4.0% in 2024 and 2025, respectively.

All GCC countries witnessed downgrades in their GDP growth forecasts for 2024 vs. April-2024 forecast except for the UAE which witnessed 50 bps upgrade from its previous 3.5% real GDP forecast topping the table as the highest forecasted growth in the region at 4.0% in 2024. Bahrain followed with the second largest GDP growth forecast for 2024 at 3.0% despite witnessing a 60-bps downgrade from the April-2024 forecast. Similarly, Saudi Arabia's GDP growth was lowered to 1.5% for 2024 witnessing a downward revision of 110 bps from its previous forecast in April-2024 while the downward revision was 20 bps as compared to July-2024 forecast, as voluntary oil production cuts weigh on the Kingdom's economy for the near future. In context, in Saudi Arabia, Qatar and Kuwait nearly 90% of total goods and commodity exports remained oil and its related goods. The IMF underlined that the effect of the heightened uncertainty of current ongoing conflicts in the region, especially, the war on Gaza and Lebanon, and the probable spillover effect it could have on neighboring states of the region which has already caused new trading patterns on the economies of the GCC.

Country/Regions	October-2024 Updated Forecasts					IMF Revisions	
Real GDP Growth	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2024e**	**2025e**
Bahrain	**4.4%**	**6.0%**	**3.0%**	**3.0%**	**3.2%**	**-0.6%**	**0.0%**
Oil GDP	-0.3%	-1.4%	-2.5%	-1.0%	0.0%	-2.4%	2.8%
Non-oil GDP	5.4%	7.5%	4.0%	3.8%	3.7%	-0.2%	**-0.6%**
Kuwait	**2.3%**	**5.9%**	**-3.6%**	**-2.7%**	**3.3%**	**-1.3%**	**-0.5%**
Oil GDP	-0.9%	12.1%	-4.3%	-6.6%	4.0%	-2.3%	-0.8%
Non-oil GDP	5.8%	-0.3%	-1.0%	2.0%	2.4%	0.0%	**-0.1%**
Oman	**2.6%**	**9.6%**	**1.3%**	**1.0%**	**3.1%**	**-0.2%**	**0.0%**
Oil GDP	3.2%	10.2%	0.3%	-3.4%	2.4%	-2.5%	-0.5%
Non-oil GDP	2.3%	9.3%	1.8%	3.2%	3.4%	0.7%	0.2%
Qatar	**1.6%**	**4.2%**	**1.2%**	**1.5%**	**1.9%**	**-0.5%**	**-0.1%**
Oil GDP	-0.3%	1.7%	1.4%	1.4%	1.5%	-0.6%	0.0%
Non-oil GDP	2.8%	5.7%	1.1%	1.6%	2.1%	-0.4%	-0.2%
Saudi Arabia	**5.1%**	**7.5%**	**-0.8%**	**1.5%**	**4.6%**	**-1.1%**	**-1.4%**
Oil GDP	1.2%	15.0%	-9.0%	-5.0%	5.0%	-2.6%	-3.1%
Non-oil GDP	5.6%	5.3%	3.8%	3.7%	4.4%	-0.2%	-0.9%
United Arab Emirates	**4.4%**	**7.5%**	**3.6%**	**4.0%**	**5.1%**	**0.5%**	**0.9%**
Oil GDP	-1.1%	8.5%	-3.1%	0.3%	6.7%	-1.5%	2.6%
Non-oil GDP	6.5%	7.1%	6.2%	5.3%	4.5%	1.2%	0.3%
GCC Real GDP Growth	**4.2%**	**7.2%**	**0.4%**	**1.8%**	**4.2%**	-0.6%	**-0.7%**
Oil GDP	0.5%	11.5%	-5.8%	-3.2%	4.7%	-2.1%	-1.3%
Non-oil GDP	5.4%	5.6%	3.6%	3.7%	4.0%	0.1%	-0.5%
MENA Real GDP Growth	**4.2%**	**5.5%**	**1.9%**	**2.1%**	**4.0%**	**-0.6%**	**-0.2%**

Sources : IMF REO October-2024

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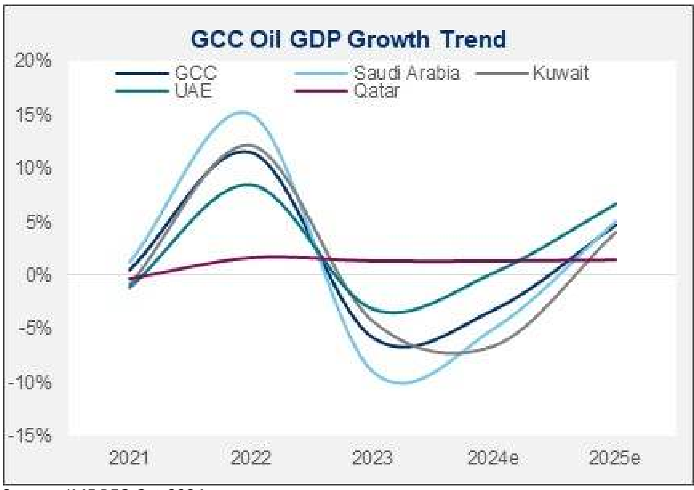
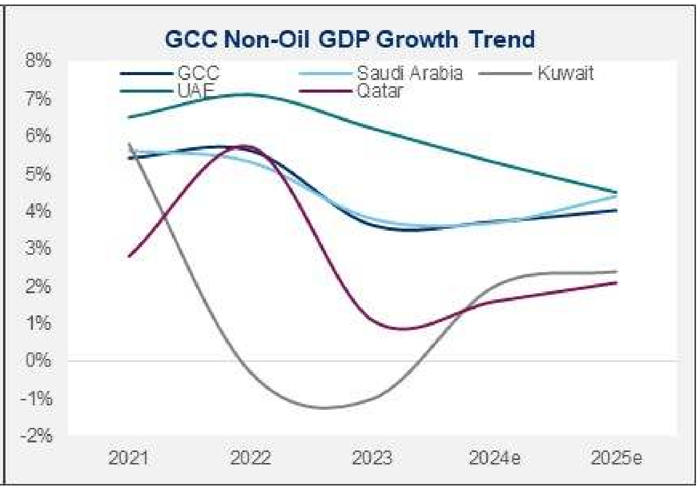
GCC oil GDP growth slashed; non-oil GDP growth revised up marginally.

GCC real oil GDP growth is expected to contract by 3.2% in 2024 after a 5.8% contraction in 2023. Headline GCC oil GDP forecast for 2024 was lowered by 210 bps, due to the expectation that the voluntary oil production cuts will remain intact until the end of 2025. OPEC+ have lowered their world oil demand forecast for 2024 and 2025 for three consecutive months.

However, growth in GCC real oil GDP is expected to bounce back in 2025 and is projected to average 4.7% during 2025 (130 bps lower than the IMF's April-2024 forecast) as oil production increases in the region take effect.





Source : IMF REO Oct-2024

Four out of six of the GCC member countries are expected to witness contractions in their oil GDP growth during 2024; namely Saudi Arabia (-5.0%), Kuwait (-6.6%), Oman (-3.4%) and Bahrain (-1.0%). Comparatively, Qatar is expected to lead in terms of real oil GDP growth at 1.4% in 2024 followed by the UAE at 0.3%. GCC oil GDP growth is expected to recover in 2025 led by the UAE which is expected to witness 6.7% real oil GDP expansion in 2025 followed by the Saudi Arabia (+5.0%) and the Kuwait (+4.0%).

Crude Oil Production (mb/d)	2022	2023	2024e	2025e
Saudi Arabia	10.60	9.60	9.00	9.60
UAE	3.10	3.00	2.90	3.20
Kuwait	2.70	2.60	2.40	2.50
Oman	1.10	1.00	1.00	1.00
Qatar	0.60	0.60	0.60	0.60
Bahrain	0.20	0.20	0.20	0.20
GCC	**18.20**	**17.00**	**16.10**	**17.10**

Source : IMF REO Oct-2024

In terms of non-oil GDP activity, the GCC region is expected to witness a relatively higher growth rate of 3.7% in 2024 supported by a 10-bps growth rate upward revision followed by 4.0% expected growth rate in 2025. Despite a significant reduction in oil and energy export revenues the GCC countries continue to maintain their economic diversification and reform projects which underpin the expected growth of 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 5.3% followed by Bahrain (+3.8%) and Saudi Arabia (+3.7%).

GCC inflation continues to remain subdued

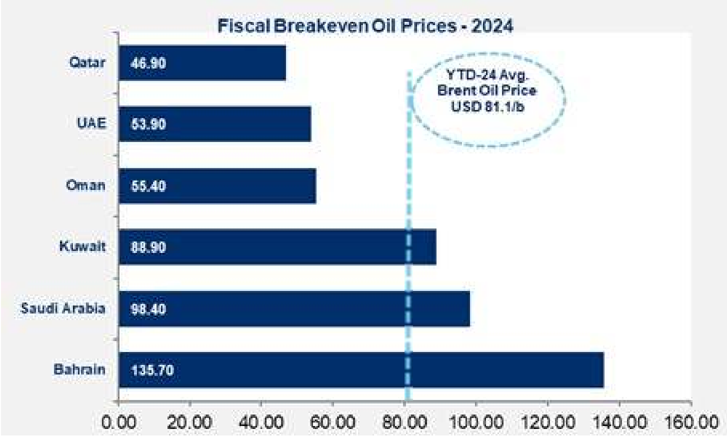
Global headline inflation is expected to continue to decrease gradually from 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025. However, the rate of decline in headline inflation is expected to be different for the different regions in the world with advanced economies poised to witness faster inflation decline as compared to emerging markets and developing economies. The decline of global inflation was supported by lower oil prices coupled with a faster than expected decrease of global food commodity prices. For the oil exporting countries in the region, especially the GCC, inflation remains subdued during 2024 with almost all the GCC countries witnessing inflation rates of under or near 2%. Comparatively, inflation in the wider MENA regions is expected to remain in double digits till 2025.

Currently ongoing conflicts such as the war on Gaza and Lebanon have exacerbated heightening uncertainty, disrupting trade routes and displacing people from their dwellings. The volume of container shipping that passed through the Suez Canal was over 70% below the pre-conflict levels as most of the trade has been re-routed around the bottom of Africa in the Cape of Good Hope. In addition, due to the ongoing war in the MENA region, tourism activity has been severely disrupted in some countries which severely curtailed their foreign currency access, depreciating their currency and putting upward pressure on imports. Moreover, the cost of human lives and the destruction of key infrastructure by the war on Gaza and Lebanon was also another cause for elevated inflation rate in the wider MENA region.

For the GCC, headline inflation is expected to decline and remain significantly lower in line with global trends. GCC headline inflation is expected to decline from 2.2% in 2023 to 1.8% in 2024 and 1.9% 2025. Comparatively, MENA headline inflation is forecasted to witness a marginal decline from 15.0% in 2023 to 14.8% in 2024 followed by a further drop to 11.6% in 2025. On the other hand, GCC core inflation is expected to increase marginally from 0.6% in 2023 to 0.8% in 2024 and witness further increase to 1.8% in 2025.

Oil revenues expected to stay low in 2024 and 2025

The decrease in oil revenues in 2023 and in 2024 due to the voluntary production cuts coupled with lower than expected oil demand continued to weigh on GCC and other MENA oil exporters economic activity. As a result, there has been another increase in fiscal breakeven oil prices for all the GCC countries barring Oman and the UAE 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 81.1 per barrel) for three out of six GCC countries. The 2024 fiscal breakeven price is expected to be the highest in the case of Bahrain at USD 135.7/b while Qatar continues to show the lowest price of USD 46.9/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 16.1 mb/d in 2024 followed by 17.1 mb/d in 2025. The combination of reduced oil revenues due to subdued oil prices and continued oil production cuts is expected to put pressure on economic activity to MENA oil exporting countries.



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

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 GCC fiscal surplus to decline from 3.2% of GDP in 2023 to 1.8% of GDP in 2024 and 1.4% of GDP in 2025.

General Government Fiscal Balance	Average	Actual			Projections	
Percent of GDP	2000–20	2021	2022	2023	2024e	2025e
Bahrain	-10.6%	-10.6%	-5.1%	-10.6%	-7.7%	-7.3%
Kuwait	26.7%	8.5%	30.4%	29.9%	25.6%	25.3%
Oman	1.5%	-3.2%	10.3%	6.7%	5.0%	2.5%
Qatar	7.1%	0.2%	10.4%	5.6%	2.0%	2.1%
Saudi Arabia	2.4%	-2.2%	2.5%	-2.0%	-3.0%	-3.4%
United Arab Emirates	4.9%	4.0%	10.0%	5.0%	4.8%	4.4%
GCC	**5.3%**	**0.2%**	**7.7%**	**3.2%**	**1.8%**	**1.4%**
MENA	**1.1%**	**-1.9%**	**3.5%**	**0.2%**	**-1.7%**	**-2.0%**
Arab World	**1.8%**	**-1.7%**	**4.2%**	**0.5%**	**-1.6%**	**-1.8%**

Source : IMF REO Oct-2024

Similarly, the fiscal deficit forecast for the broader MENA region was also revised down from an April-2024 estimate 1.5% of GDP in 2024 to -1.7% of GDP. The IMF expects the MENA region’s fiscal deficit to decline to -2.0% of GDP in 2025. The current account surplus for the GCC region in 2024 has also been revised down to USD 132.7 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 98.3 Bn. The decline in the GCC current account balance mainly reflects the impact of subdued oil prices and voluntary oil production cuts made by oil exporting GCC countries. Saudi Arabia’s current account balance is projected to witness steep contraction from USD 36.5 Bn in 2023 to a mere USD 4.3 Bn in 2024 reflecting the expected continuing voluntary oil production cuts in the Kingdom and subdued oil demand during 2024. In terms of overall GCC current account balance forecast, all six GCC current account balances are expected to witness declines from 2023 to 2024. Kuwait realized USD 51.4 Bn in its current account balance in 2023 which is expected to drop to USD 45.7 Bn in 2024 and witness a further decline to USD 38.3 Bn in 2025.

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