



The GCC Facts & Figures 2020

The purpose of this presentation is to provide our readers with a very simple economic and market overview of the GCC region.

A quick reference tool, a snapshot of sorts, that contains basic, but key information about the region.
The analysis covers the following topics:



A macro economic snapshot of the GCC region

Our current outlook on oil

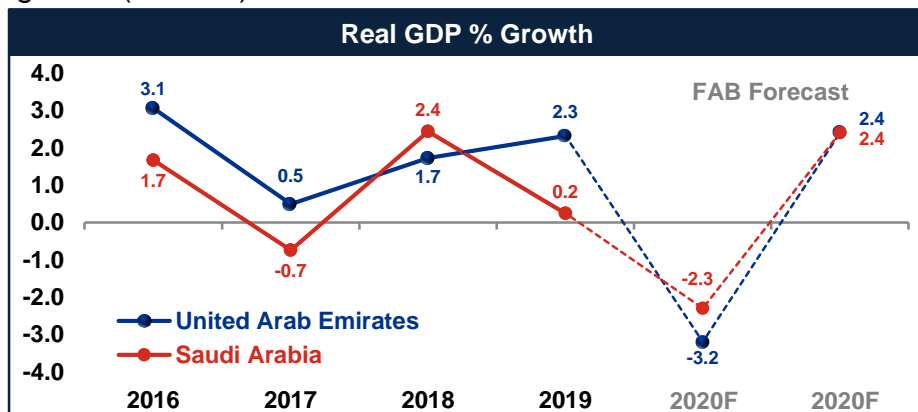
FAB's GCC FX & Rates market capabilities

Economic Outlook



GCC has not been immune to the hiatus in global growth from the COVID-19 pandemic

- Since its establishment in May 1981, and until the COVID-19 global pandemic, the Gulf Cooperation Council – Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman – had posted strong annual growth and fiscal surpluses.
- Per capita income has historically equaled and in some cases exceeded the levels of the G10 nations.
- But COVID-19 and the associated socio-economic lockdowns has turned 2020 regional growth dynamics around by 180 degrees. From low, but positive economic growth as we entered 2020, this year is now expected to be marked by recession across the GCC region for FY2020 as a whole.
- We forecast UAE's economy to contract by -3.2% in 2020 and KSA to contract by -2.3%, before both returning to positive growth (c+2.4%) in 2021.
- Efforts over recent years to diversify economies away from petrochemical revenues, through the development of a world-class hospitality & services sector, has exacerbated the economic hit as air travel has been restricted, population growth has reversed and retail activity has been seriously constricted by social-distancing measures.
- As global economic growth has slowed, GCC oil-producing economies have experienced the double whammy of sharply lower oil prices and dealing with the spread of COVID-19.
- Government stimulus packages in response to coronavirus will have negatively impacted GCC members' fiscal balances. From balanced budget aspirations at the start of the year, most economies will now be back in deficit for FY2020. Weak oil prices will also push current account balances back into deficit this year.
- We are optimistic though that the global economy will stabilize and begin to recover during H2 2020 and gain further positive traction in 2021.
- The UAE remains the most diversified economy in the region and should benefit sharply from a global macro recovery and resumption of tourism activity.
- Diversification is also now a key theme in all six GCC countries particularly Saudi Arabia, which has embarked on a massive economic and social reform program called 'Vision 2030'.



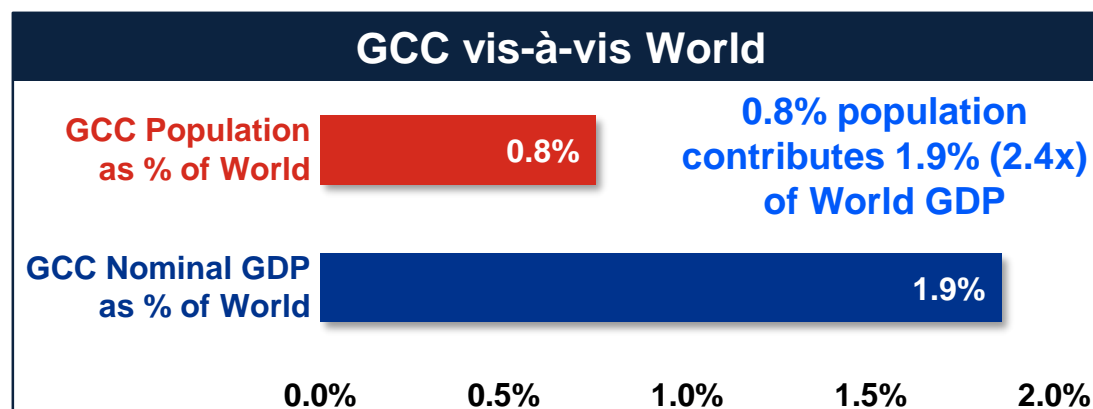
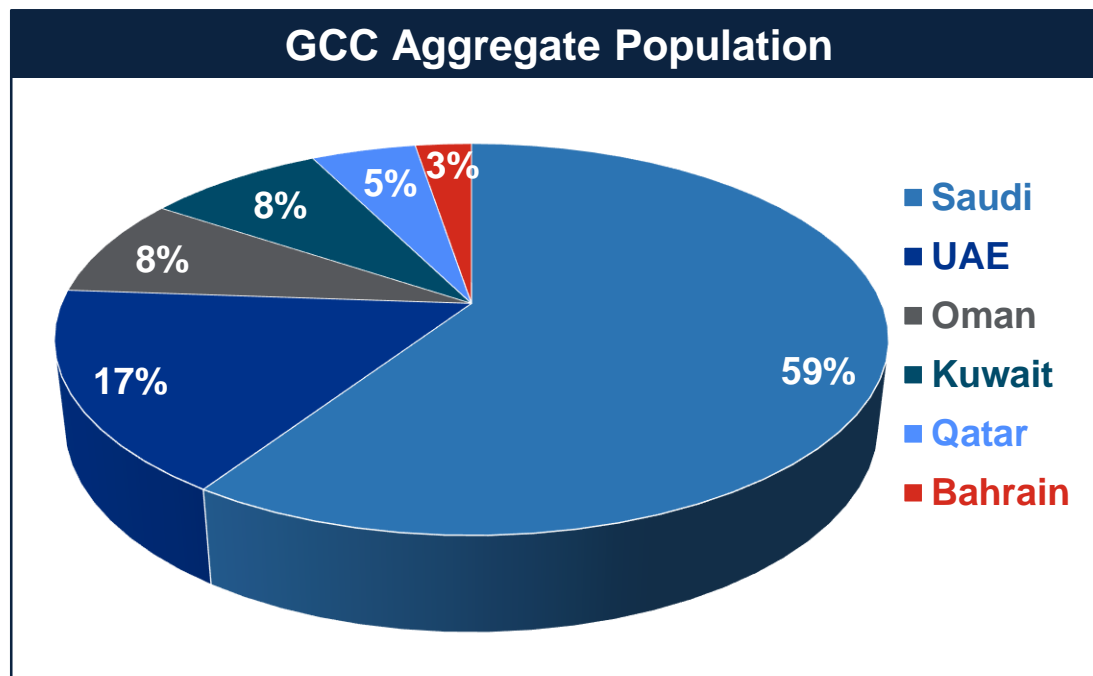
Source: FAB/IIF



Rebound in growth albeit at a slower pace

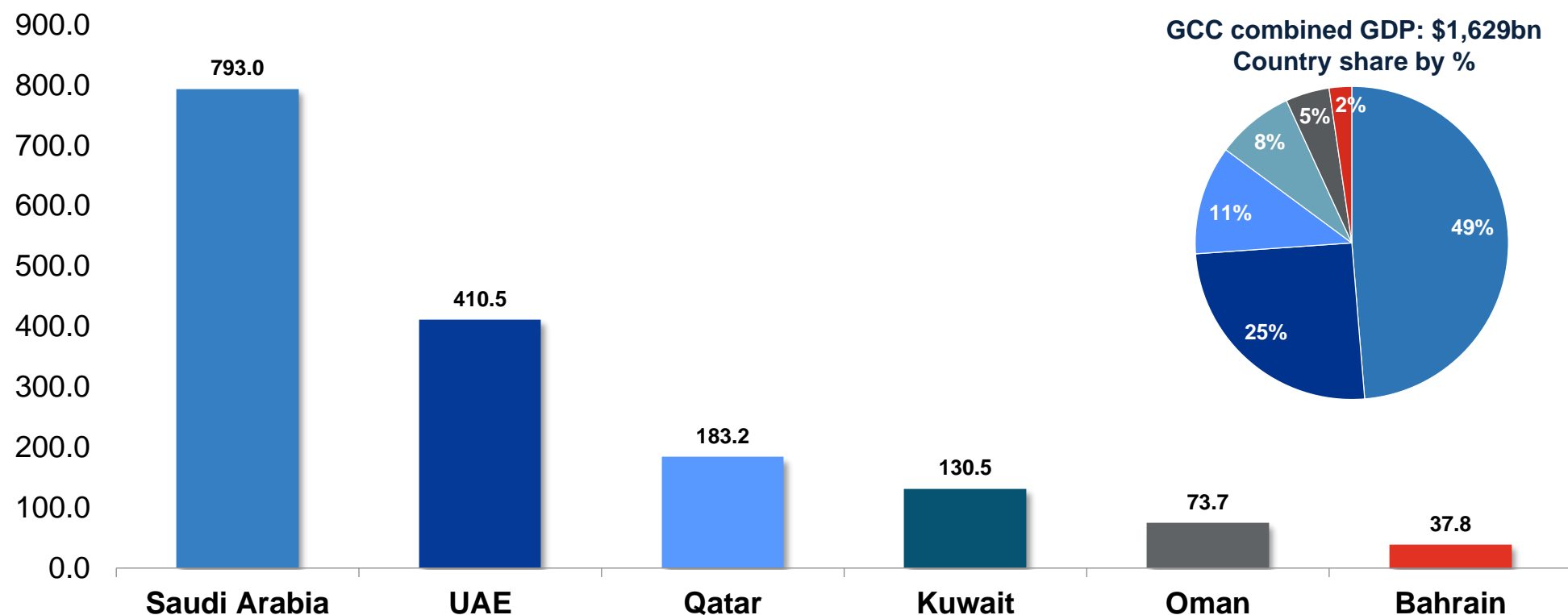
- Central banks and governments have responded aggressively to the coronavirus pandemic with a plethora of monetary and fiscal stimuli and rescue packages. As COVID-19 is perceived to be contained the regional GCC economies should be primed to rebound.
- From recession in 2020, with the point of maximum compression seen in April, we expect GCC economies to recover in the coming months and register a return to economic expansion in 2021.
- IMF reported net GCC GDP growth of 0.5% in 2019, and forecasts a contraction across the region in aggregate this year of -7.1%, the weakest on record, although this is expected to rebound to 2.1% in 2021
- Inflation moderated in 2019, but has slowed sharply this year in line with the global recession to around +1.3%. We anticipate a pick up in GCC inflation next year to +2.8%.
- The recent stabilization in oil prices as a primary result of OPEC/OPEC+ production cut agreements, will support economic recovery amongst GCC member states over the coming 12 months.
- A reduction in red tape and the introduction of more investor friendly regulations; eg: long-term residency visas, 100% foreign ownership laws etc. should help to boost the private sector
- The five GCC currency pegs to the USD are expected to remain in place in the near to medium-term as central banks continue to track FED moves (Kuwait uses a basket regime). We calculate adequate reserves to cushion any near-term pressures on the pegs.
- Structural reforms need to continue to focus on: economic diversification, private sector development, and labor market and fiscal reforms including pensions
- The GCC nations are adapting to changing global economic conditions, but numerous challenges remain, such as a still high dependence on energy sector related revenues in most states, and the ongoing reliance on the government sector to drive growth. Deeper private sector involvement must continue to be encouraged, whilst the public sector needs to become more efficient and transparent.

GCC Population - How do the Countries Compare?

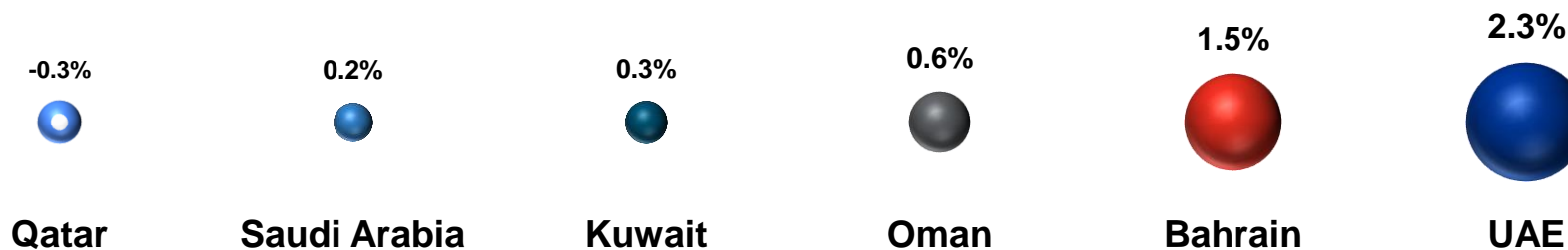


GDP – Who Generates the Lion's Share?

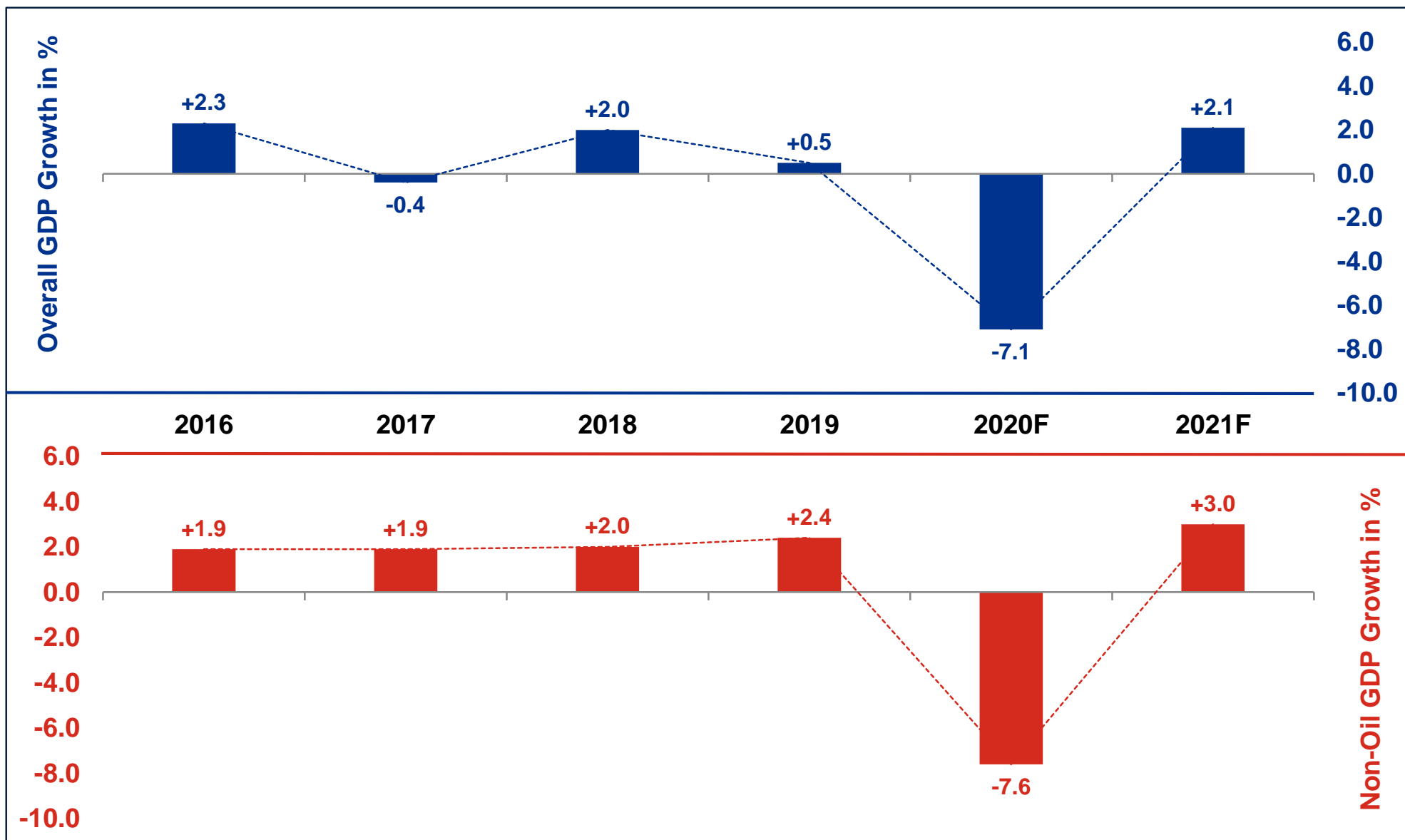
2019 Nominal GDP in US\$ billion



2019 Real GDP Growth (y-o-y % change)

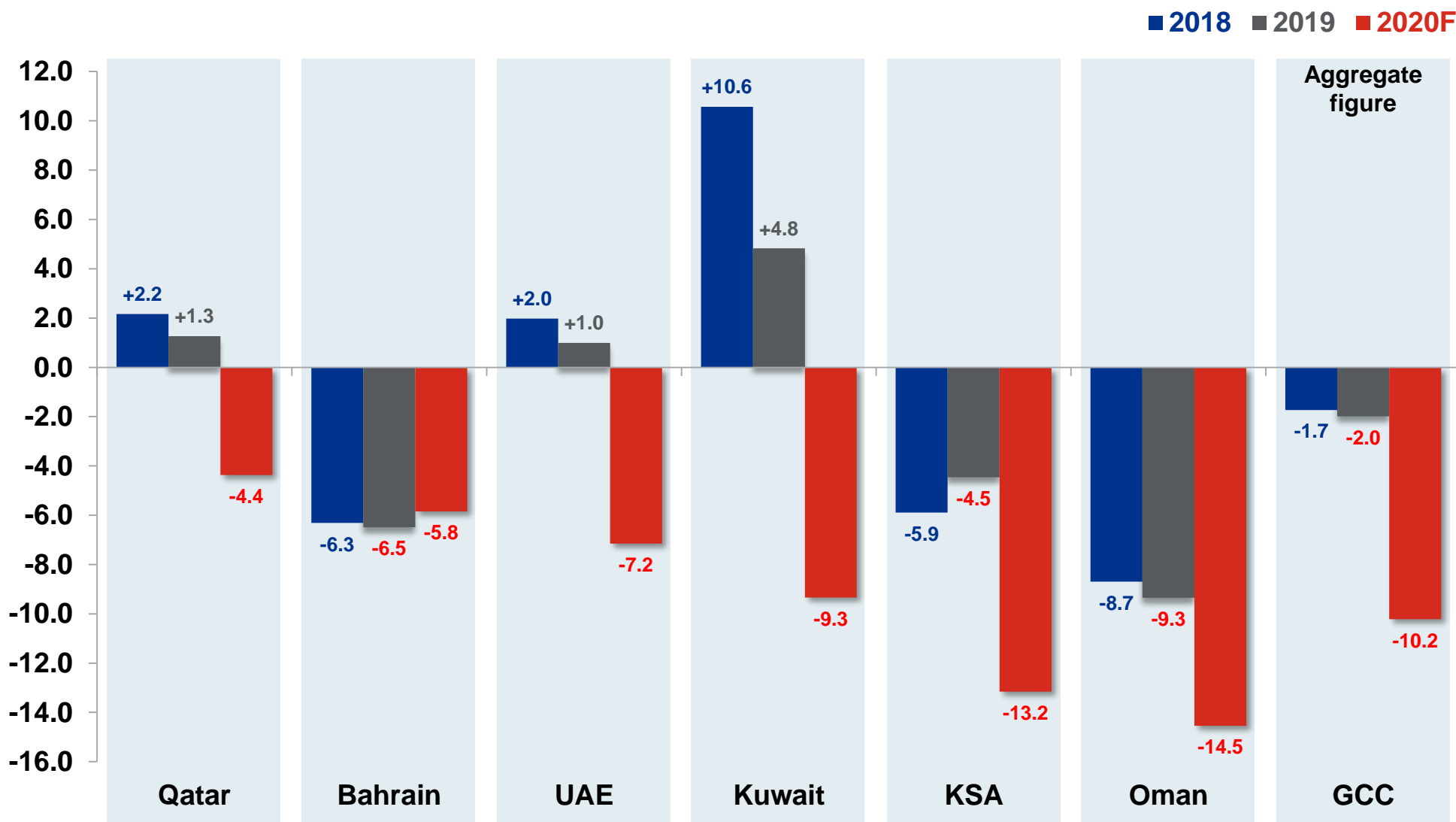


GCC GDP Growth Trend (IMF figures and forecast)















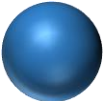
















Recovery in fiscal gaps reversed by COVID-19

Budget Deficit (-) / Surplus (+) as a % of GDP

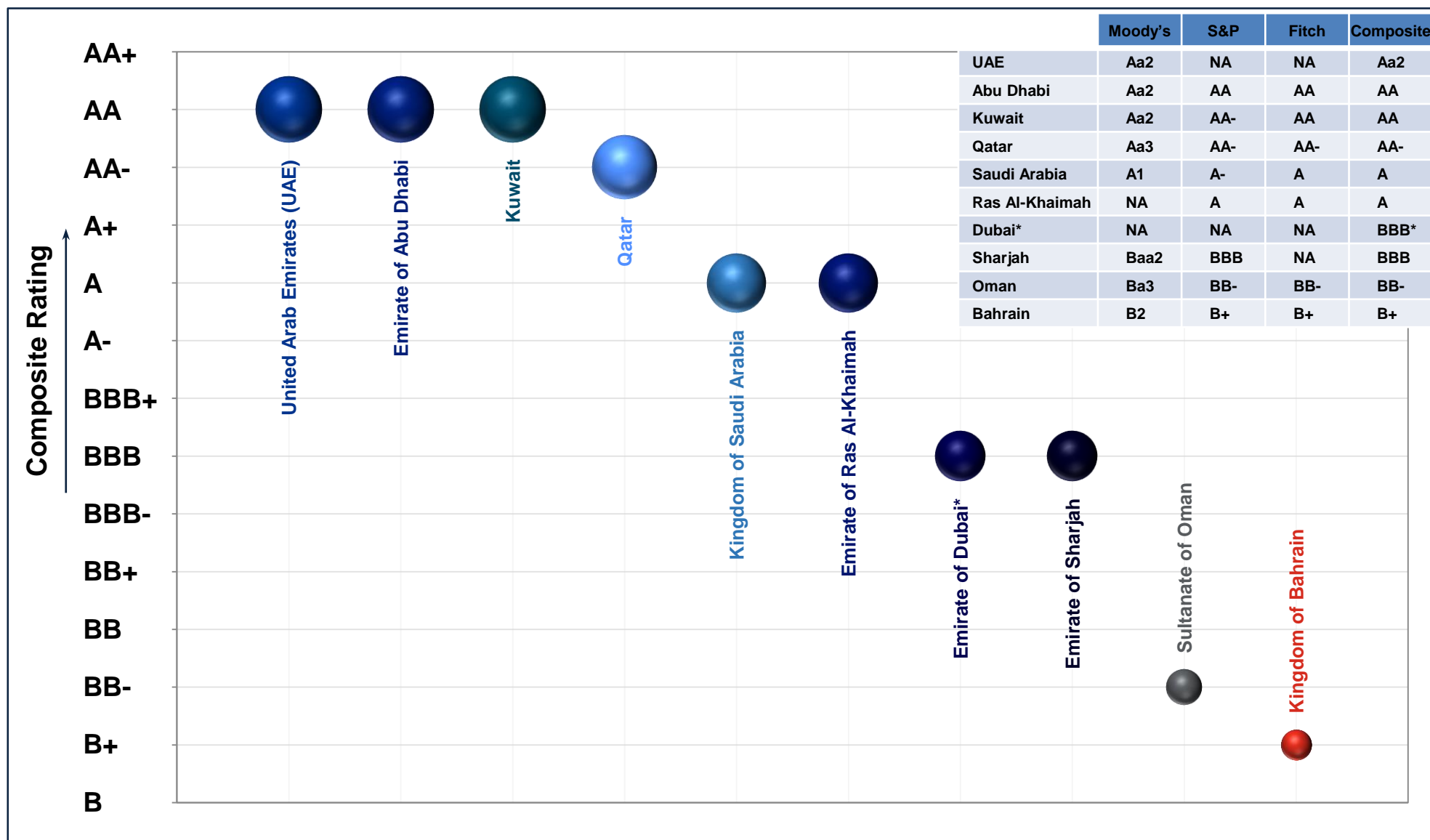


Key Fiscal Data Points (2020 Forecast*)

	Kuwait	UAE	Saudi Arabia	Qatar	Oman	Bahrain
General Govt. debt as % of GDP	 18.2	 26.0	 34.1	 50.9	 81.6	 111.9
Total External Debt as % of GDP	 67.1	 86.4	 37.6	 144.2	 87.6	 222.0
Fx Reserves covering months of imports	 8.1	 7.6	 29.3	 6.0	 3.9	 1.3
Foreign assets as % of GDP	 541.6	 233.5	 123.2	 224.2	 52.7	NA
Fiscal Deficit as % of GDP	 -9.3	 -7.2	 -13.2	 -4.4	 -14.5	 -5.8

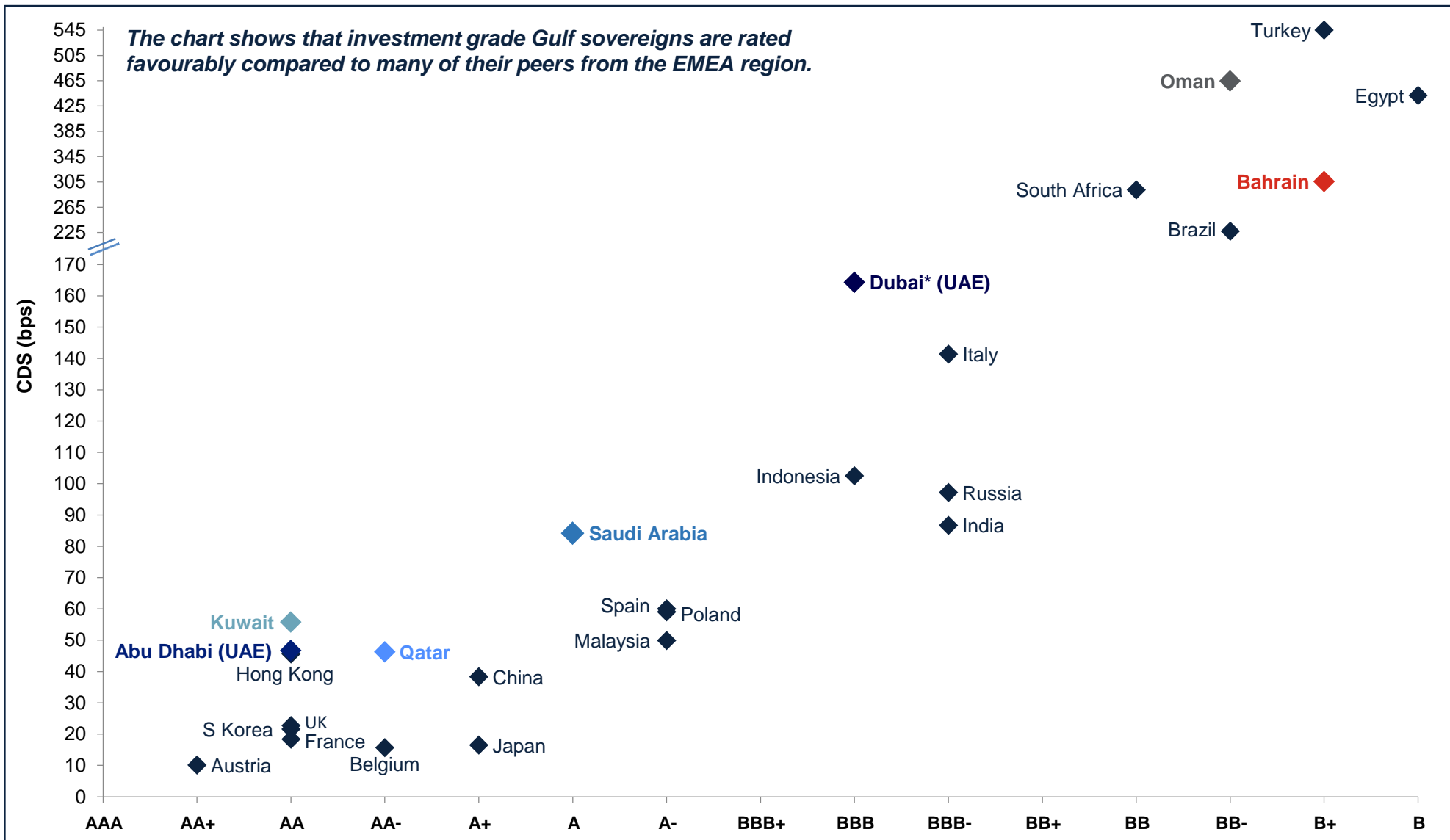
Note: *Institute of International Finance (IIF) forecast as per its May 2020 update; Source: IIF/FAB

GCC Sovereigns credit ratings



Notes: The ratings mentioned here are composite credit rating for each issuer. Please see appendix for the methodology of calculating composite credit rating; * Dubai is not rated by any rating agency and we have assigned a proxy rating of 'BBB' based on its fundamentals with a relative comparison to Emirate of Sharjah (Baa2/BBB) and Dubai GREs like DEWA (Baa2); and DP World (Baa3/BBB-); Source: Bloomberg/FAB

GCC Sovereign Credit Ratings and CDS Spreads versus Peers



Notes: * X-axis represents the composite rating (please refer Appendix for calculation method); Dubai is not rated by any rating agency and we have assigned a proxy rating of 'BBB' based on its fundamentals with a relative comparison to Emirate of Sharjah (Baa2/BBB) and Dubai GREs like DEWA (Baa2); and DP World (Baa3/BBB-); The ratings have been arranged from higher to lower starting from 'AA', followed by 'AA-' and so on; CDS levels are for 19th August 2020; Source: Bloomberg

Crude Market Outlook

COVID-19, Shale & Geopolitics

- 2020 has been one of the most volatile years for the crude oil market on record. The oil price war and the rapid spread of COVID-19 during Q1 and Q2 also saw WTI enter negative territory for the very first time.
- Since then demand has slowly begun to return and optimism is growing that a vaccine will be released sooner than later. However a sharp rise in coronavirus infections across the US, in June & July, as well as more localized outbreaks in Europe & Asia remains a concern. This combined with the still large surplus of crude inventories across the globe and tapering of the OPEC+ output quotas from August means any further significant gains from the current US\$40-45 area is unlikely in the short-term.

	2020 Fiscal Break-Even*
Bahrain	92 US\$
Oman	82 US\$
Saudi Arabia	79 US\$
UAE	68 US\$
Kuwait	59 US\$
Qatar	49 US\$

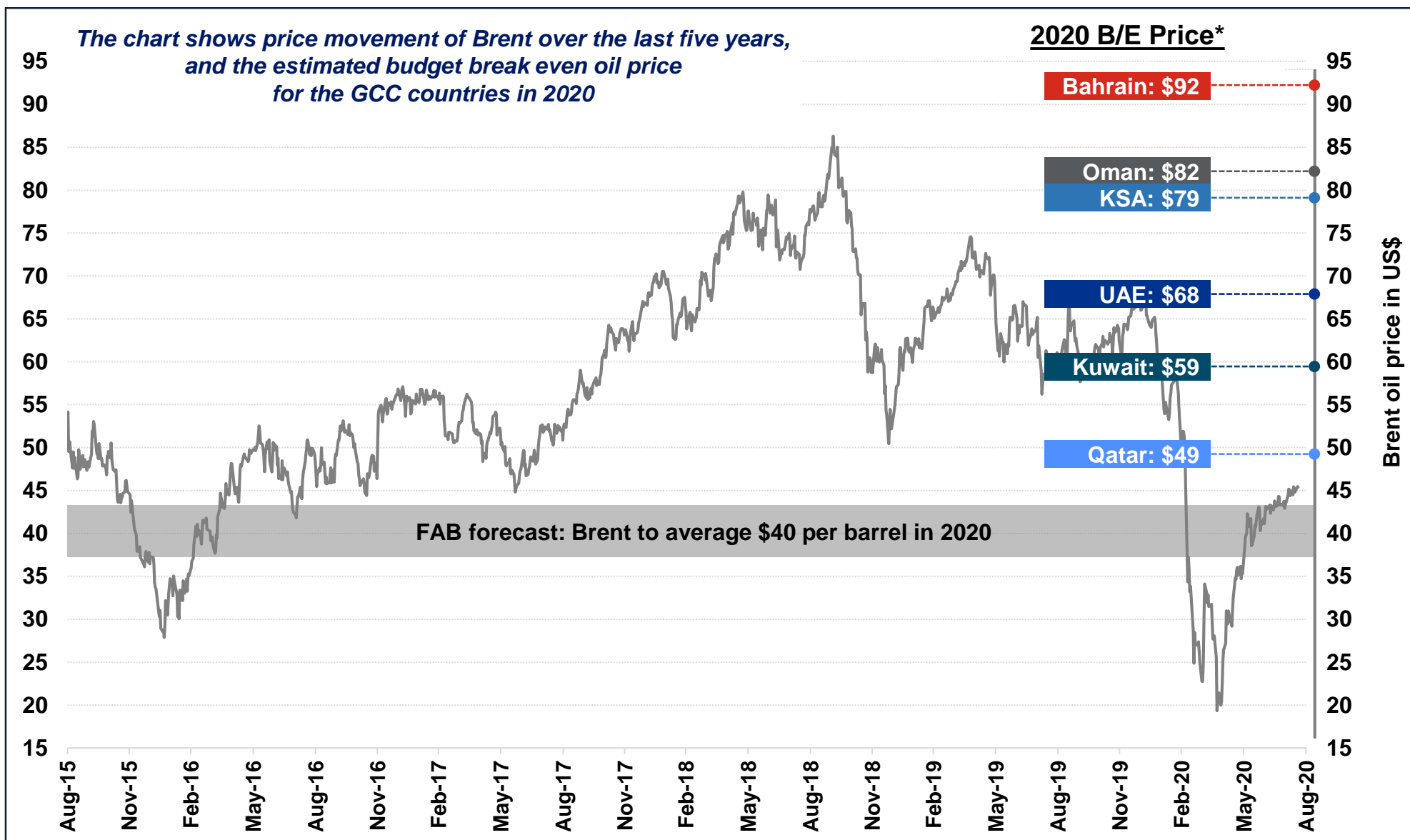
Note: * FAB estimates; Sources: IMF/IIF/PWC/FAB

the industry. The number of active oil rigs in the US fell to just 176 in the first week of August this year from 799 at the same time in 2019, whilst overall US production fell by 2.60 mio bpd since touching the record high of 13.20 mio bpd in February 2020.

- On the geopolitical front there are a series of ongoing risks within the region and elsewhere which we feel have not as yet been priced in by the market. For example; In Iraq, proxy actions by Iranian linked militia groups continues to undermine stability in OPECs second largest producer which is still struggling to cope with much lower revenues and rebuild its economy. In Iran itself, economic contraction continues driven by a low oil price, US sanctions and the worst COVID-19 infection rate in the region. All this could encourage Tehran to increase its confrontational stance with the US and its allies in order to deflect from its troubles at home.
- In terms of forecasts, and taking into account all of the above we observe that the global economy will continue to slowly recover during Q3 & Q4 this year, and this U-shaped recovery should begin to gather pace during 2021. In turn this will boost the consumption of crude and help bring the supply/demand dynamic back into balance in the months to come. As such we have retained our current expectations for Brent to average US\$40 a barrel this year, rising to US\$58 in 2021 and US\$70 in 2022.

2020 Budget Break-Even Oil Prices (US\$)

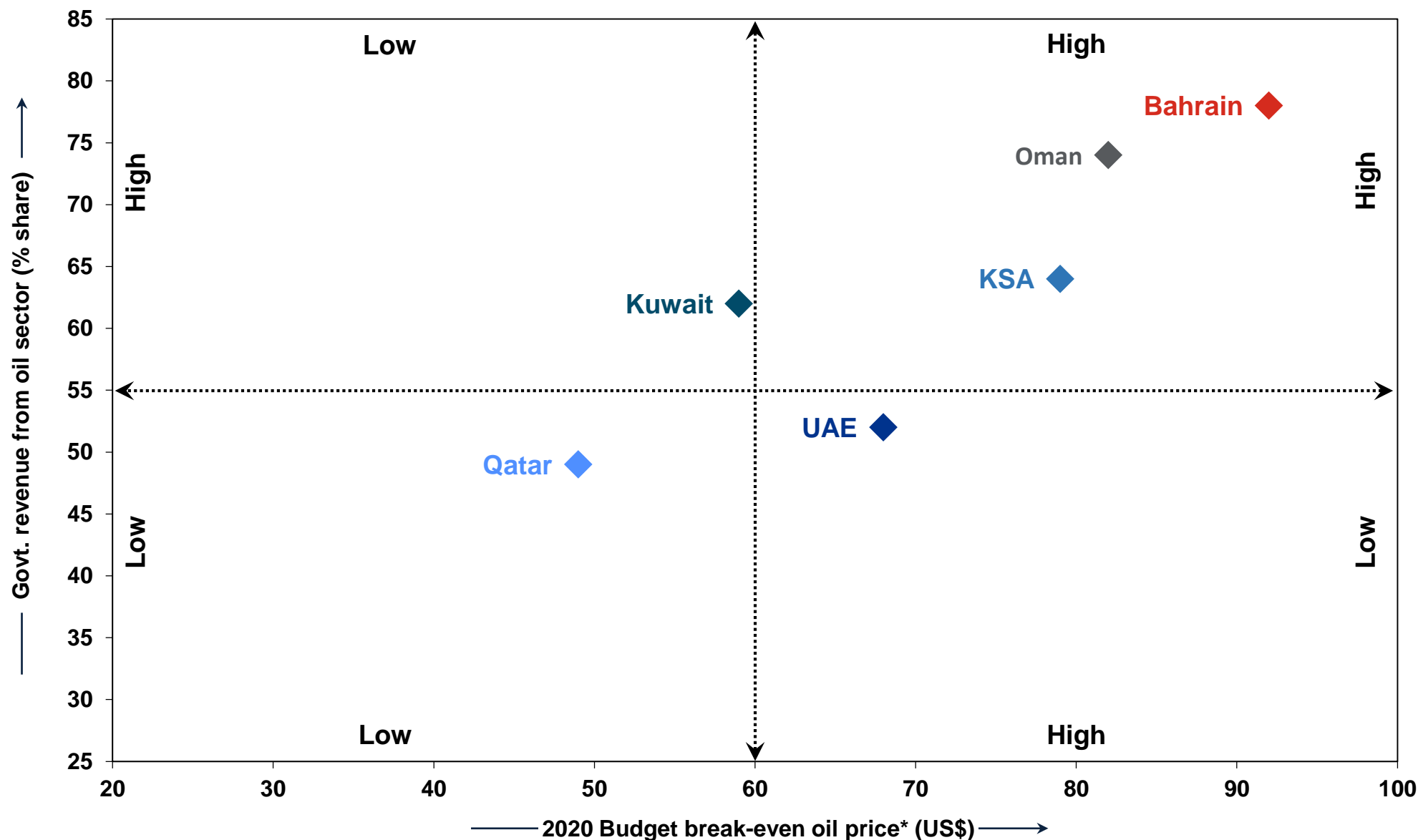
The chart shows price movement of Brent over the last five years, and the estimated budget break even oil price for the GCC countries in 2020



Note: * FAB estimates; Source: IIF/FAB

Govt. Dependency on Oil Revenues

(% of govt. revenue from oil vs oil B/E price)



Note: * FAB estimates; Source: IIF/FAB

GCC Foreign Exchange & Rate Markets

FAB GM's GCC Capabilities:

	FX Regime	FX Spot	FX Forwards	IRS/CRS	FX Options	FX Market liquidity
AED	US\$ Peg since 1980	Fully convertible	Up to 10Y	Up to 10Y	On request	Average deal size US\$25-50 mio
SAR	US\$ Peg since 1986	Fully convertible	Up to 10Y	Up to 10Y	On request	Average deal size US\$25-50 mio
KWD	Basket since 1975	Fully convertible	Up to 5Y	Fixed KWD leg vs US\$	On request	Average deal size US\$25-50 mio
OMR	US\$ Peg since 1986	Fully convertible	Up to 5Y	Fixed OMR leg vs US\$	--	Average deal size US\$10-25 mio
BHD	US\$ Peg since 1980	Fully convertible	Up to 5Y	Fixed BHD leg vs US\$	--	Average deal size US\$10-25 mio

Source: FAB

GCC Economic Snapshot – the key numbers*

Indicators	UAE			Saudi			Kuwait			Qatar			Oman			Bahrain		
	2018	2019	2020F	2018	2019	2020F	2018	2019	2020F	2018	2019	2020F	2018	2019	2020F	2018	2019	2020F
Nominal GDP (US\$ Billion)	418.2	410.5	351.1	786.5	793.0	650.9	140.7	130.5	107.5	191.4	183.2	151.5	79.3	73.7	64.7	37.7	37.8	34.6
Real GDP (% change y-o-y)	1.7	2.3	-4.6	2.4	0.2	-3.5	1.2	0.3	-3.9	1.5	-0.3	-3.8	1.8	0.6	-5.1	1.7	1.5	-5.2
Per Capita GDP (US\$ Thousand)	43.7	42.4	35.9	23.3	23.1	18.8	30.4	27.6	22.1	68.8	64.7	53.5	17.1	15.5	13.2	25.1	24.8	22.1
P. Capita Real GDP % change y-o-y	0.6	1.3	-5.5	0.6	-1.4	-4.5	-1.4	-2.2	-6.3	-0.7	-2.1	-3.8	-0.2	-1.5	-8.4	1.5	0.0	-7.7
Nominal GDP from oil sector (% share)	30.0	30.8	30.7	39.8	38.2	37.4	47.4	46.2	44.8	47.6	46.8	47.2	40.8	40.7	41.0	18.6	18.5	19.3
Gov. Revenue from oil sector (% share)	53	52	44	67	64	51	70	62	58	56	49	41	78	74	68	82	78	75
Inflation (% change y-o-y)	3.1	-1.9	-1.6	2.5	-2.1	1.2	0.6	1.1	0.7	0.3	-0.7	-1.6	0.9	0.1	0.5	2.1	1.0	2.5
Budget Balance as % GDP	2.0	1.0	-7.2	-5.9	-4.5	-13.2	10.6	4.8	-9.3	2.2	1.3	-4.4	-8.7	-9.3	-14.5	-6.3	-6.5	-5.8
Net Foreign Assets in US\$ billion	113.8	131.8	124.3	521.8	512.8	456.5	60.0	64.7	55.5	-25.0	-43.0	-56.0	13.4	12.9	7.4	-1.1	0.7	0.1
Govt. Debt as % of GDP	21.5	23.0	26.0	19.0	22.8	34.1	13.9	12.7	18.2	39.9	40.7	50.9	51.6	61.4	81.6	89.8	97.9	111.9
Total External Debt as % of GDP	67.1	72.2	86.4	23.7	26.7	37.6	41.5	48.0	67.1	101.6	122.9	144.2	60.2	73.2	87.6	186.5	202.5	222.0
Foreign Direct Inv. (FDI) in US\$ billion	10.4	13.8	11.0	4.2	4.6	4.3	0.3	0.3	0.3	-2.2	-2.8	-2.5	6.3	3.5	2.1	1.5	1.1	0.8
Fx Reserves in US\$ billion	99.2	107.3	99.8	496.2	499.1	446.5	37.0	41.3	34.3	29.1	37.7	33.9	17.4	15.9	11.2	1.9	3.5	2.9

Note: * As estimated by Institute of International Finance (IIF) in its May 2020 update; Source: IIF/FAB

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