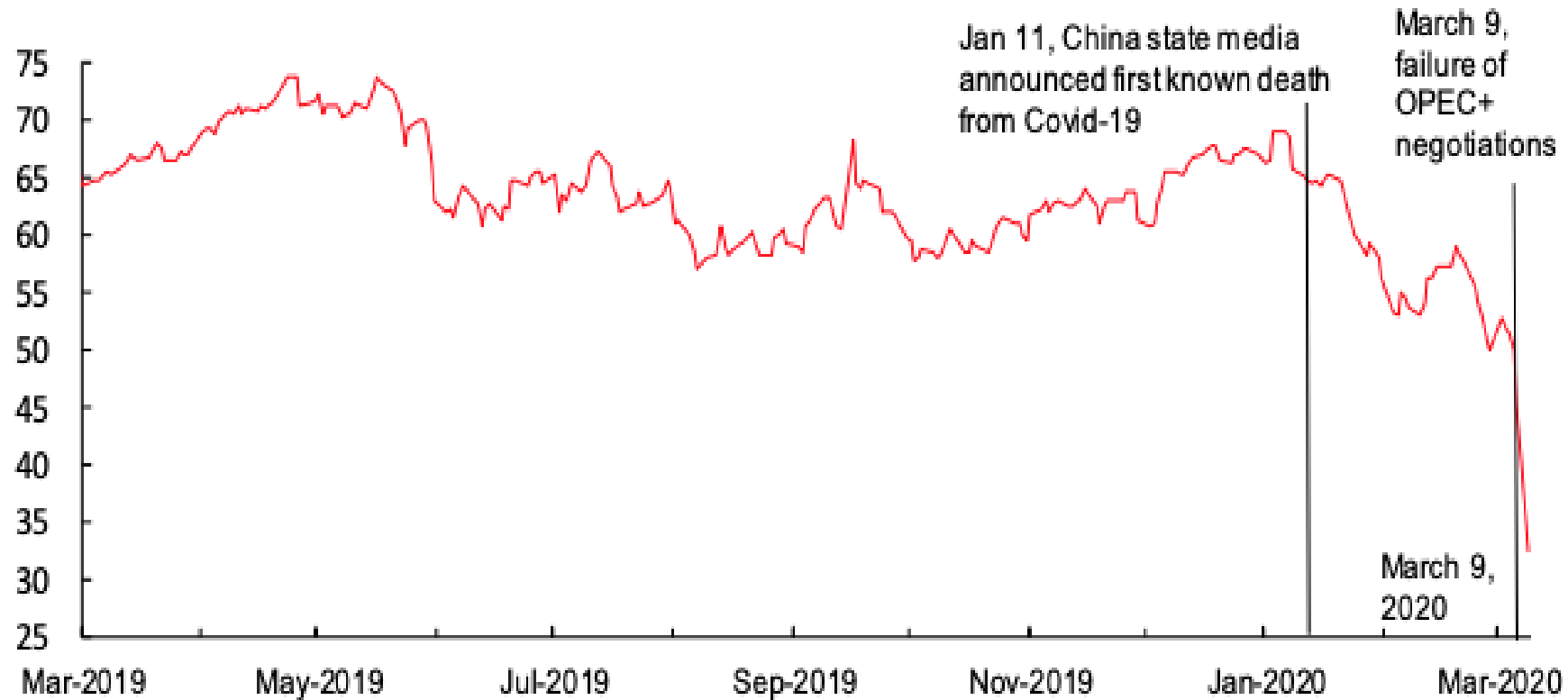


The gulf economies post COVID-19

Dr. John Sfakianakis
University of Cambridge & Chatham House

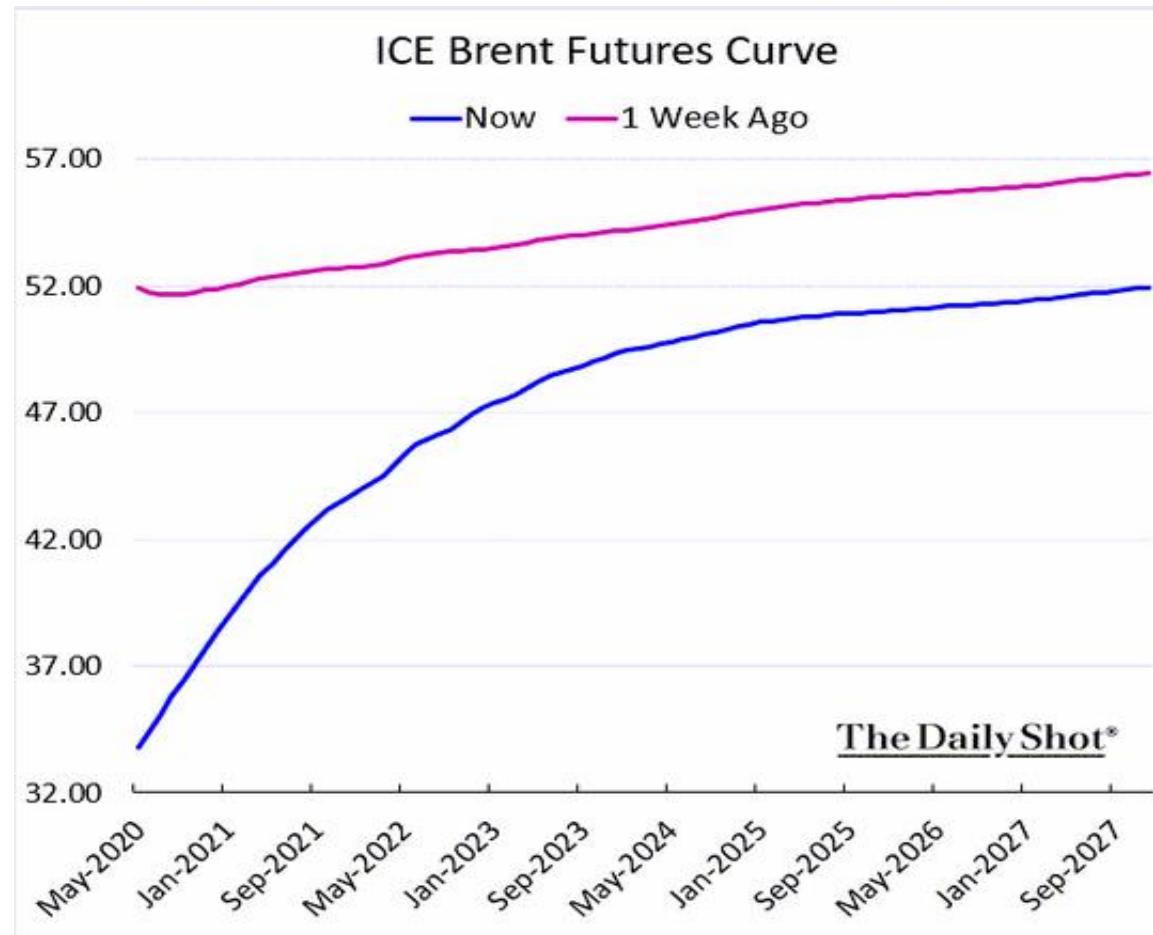
Oil is down but when does it recover?

Brent Oil Price



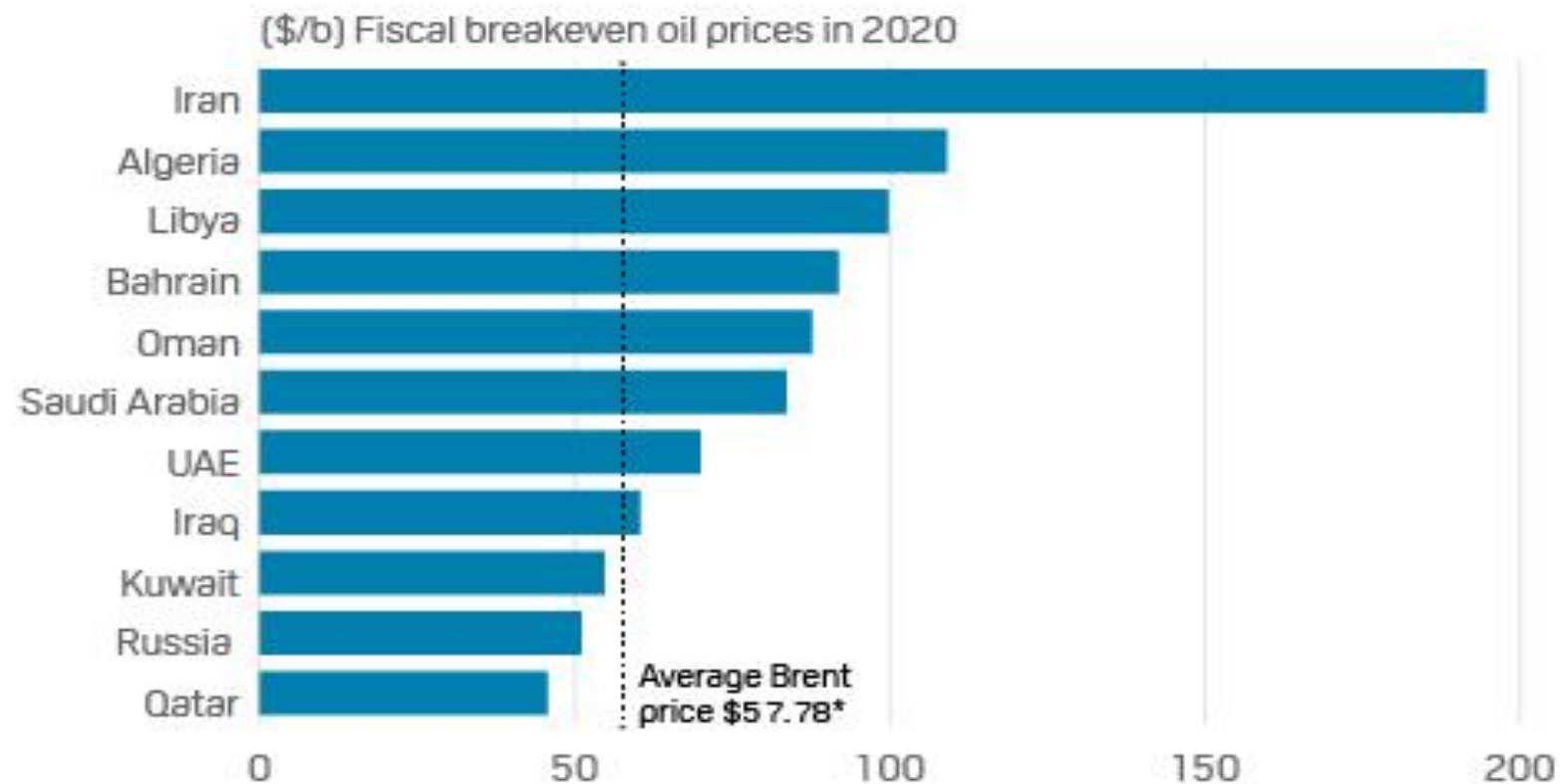
Source: Bloomberg, L.P.

Futures indicate Brent will hit \$50 in 2027



Fiscal exposure to oil is high

RUSSIA MORE RESILIENT TO CHEAPER OIL



*average as of March 10, 2020.

Source: IMF, S&P Global Ratings

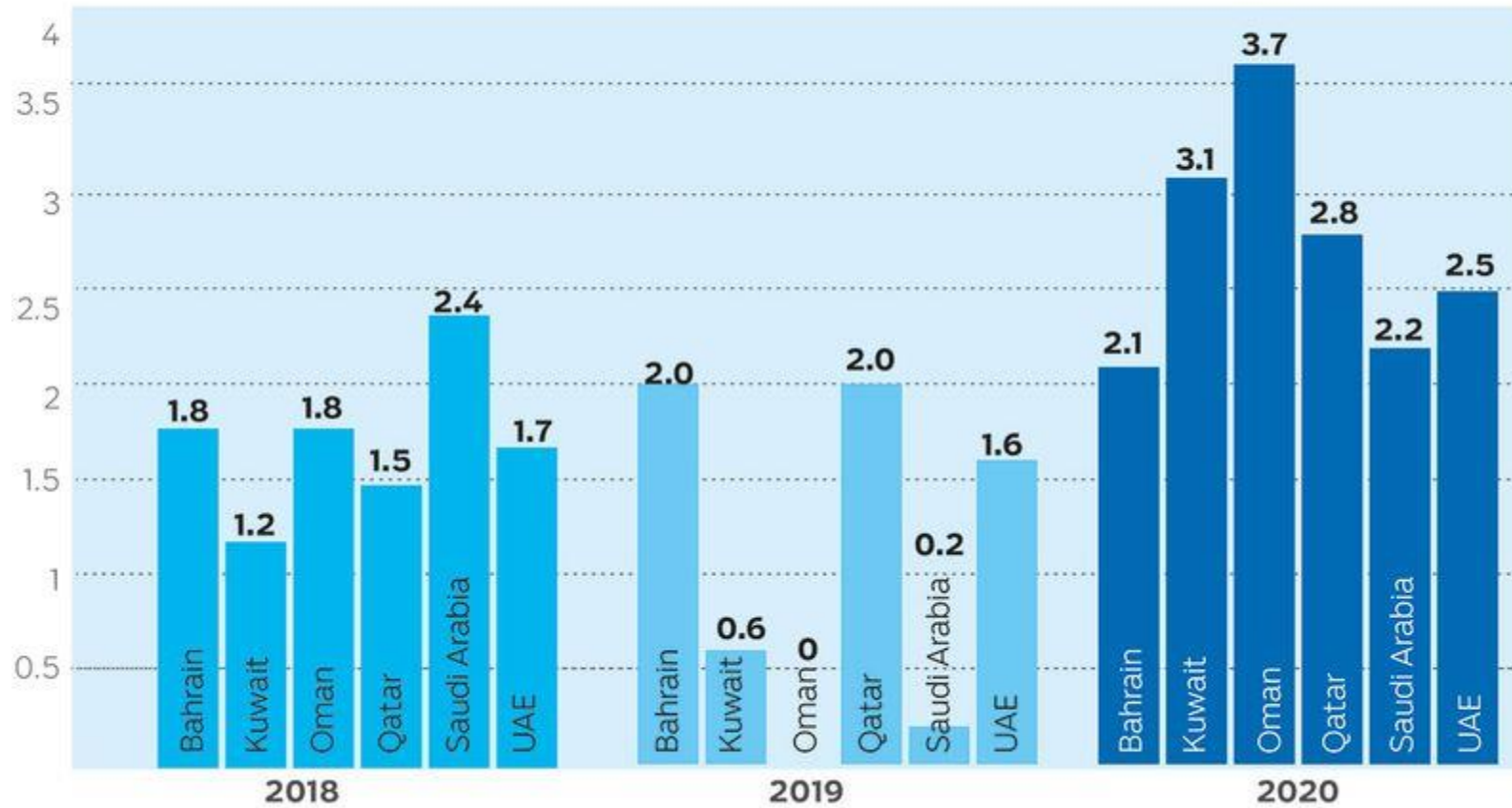
Most Gulf oil exporters are relatively better than most oil exporters

TABLE 1: OPEC+ Already Weakened before Covid-19 Crisis

	Fiscal balance, % of GDP (avg.)		Current account balance, % of GDP (avg.)		Gross debt, % of GDP
	2000-14	2015-19	2000-14	2015-19	2019 est.
Algeria	3.4	-9.6	11.4	-13.7	46.1
Angola	1.2	-2.2	5.0	-1.4	95.0
Congo Republic	6.4	-7.5	6.3	-22.0	78.5
Eq. Guinea	6.1	-5.4	-7.6	-9.3	45.4
Gabon	6.0	-1.2	13.9	-4.4	56.4
Iran	1.8	-2.5	4.8	1.9	30.7
Iraq	-3.0	-4.6	-0.3	-1.9	51.1
Kazakhstan	3.6	-2.4	-0.6	-2.7	20.8
Kuwait	28.5	5.5	33.3	5.9	15.2
Nigeria	0.7	-4.5	7.2	0.3	29.8
Oman	8.0	-13.2	8.9	-12.6	59.9
Qatar	10.5	1.7	21.0	4.3	53.2
Russia	1.9	-0.9	6.7	4.3	16.5
Saudi Arabia	7.3	-10.9	16.3	0.5	23.2
UAE	7.3	-1.4	10.6	6.8	20.1
Venezuela	-4.1	-17.2	7.3	2.6	N/A

Source: IMF World Economic Outlook, Oct. 2019;
estimates for 2019

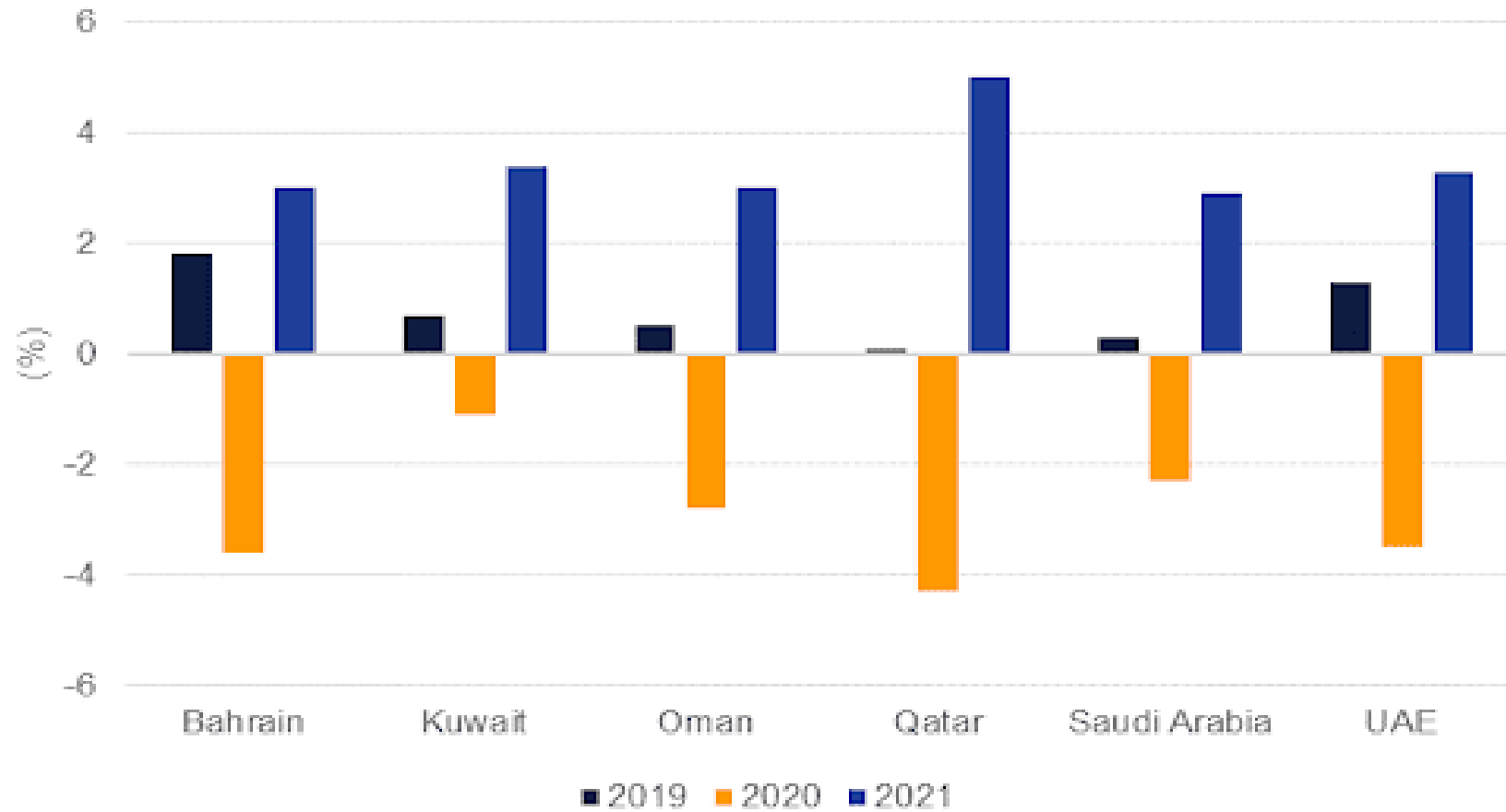
GCC REAL GDP GROWTH OUTLOOK



Source: 2019 World Economic Outlook, IMF

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GCC economies & Covid-19



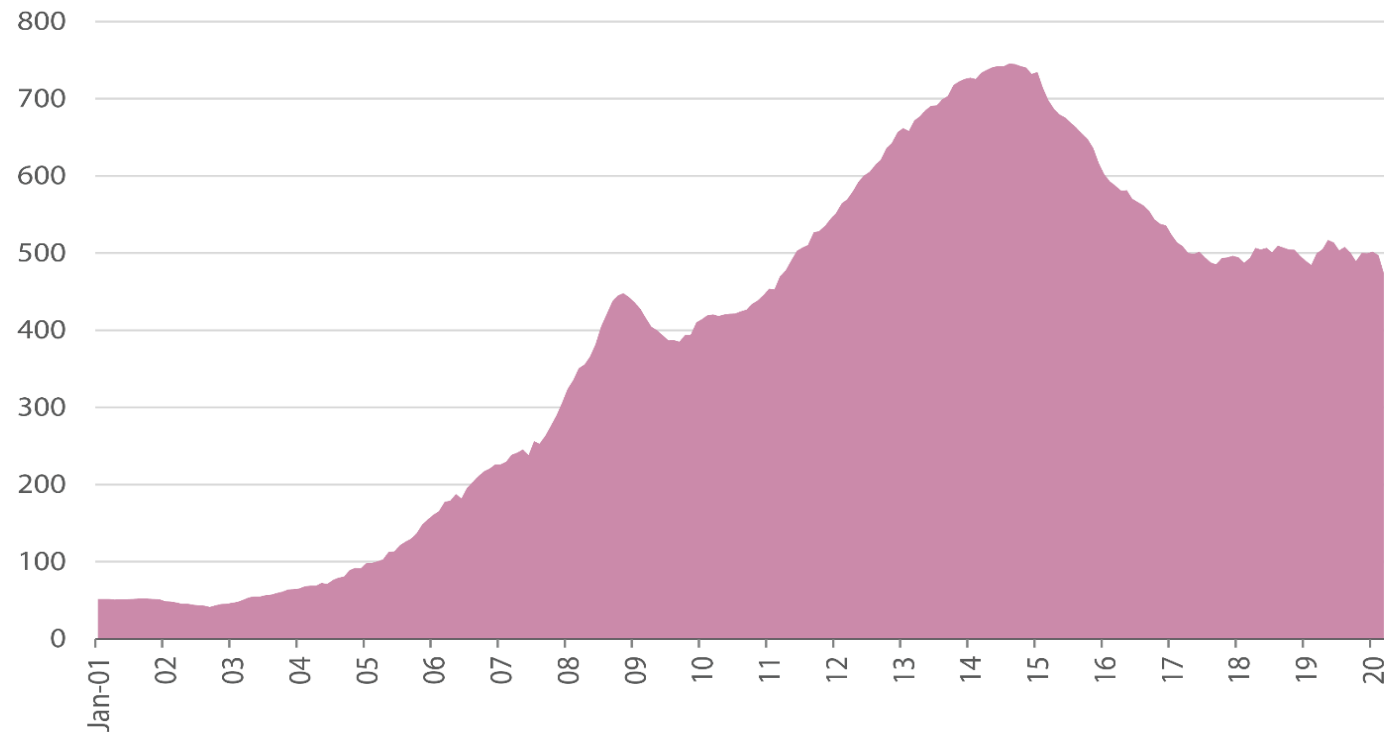
Gulf exporters are impacted more than oil importers but recover faster

MENAP – Key Indicators			
	2019	2020	2021
Real GDP Growth (percent change)			
MENAP	0.7	-3.1	3.9
Oil exporters	-0.8	-4.2	4.7
of which: GCC	0.6	-2.7	3.3
Oil importers	3.5	-1.0	2.5
Non-oil GDP¹ Growth (percent change)			
MENAP oil exporters	1.8	-5.0	3.9
of which: GCC	2.4	-4.3	3.2
Fiscal Balance (percent of GDP)			
MENAP	-4.1	-10.8	-8.6
Oil exporters	-3.0	-11.8	-9.2
of which: GCC	-2.1	-10.4	-8.1
Oil importers	-7.3	-8.5	-7.0
Non-Oil Fiscal Balance (percent of non-oil GDP)			
MENAP oil exporters	-30.4	-31.2	-27.5
of which: GCC	-34.9	-34.4	-30.6
Current Account (percent of GDP)			
MENAP	0.6	-5.5	-4.5
Oil exporters	2.7	-5.8	-4.5
of which: GCC	5.6	-3.1	-2.1
Oil importers	-5.4	-4.9	-4.4
¹ Excludes Libya due to non-availability of non-oil GDP data.			

Plenty foreign assets but fewer since 2015 crisis

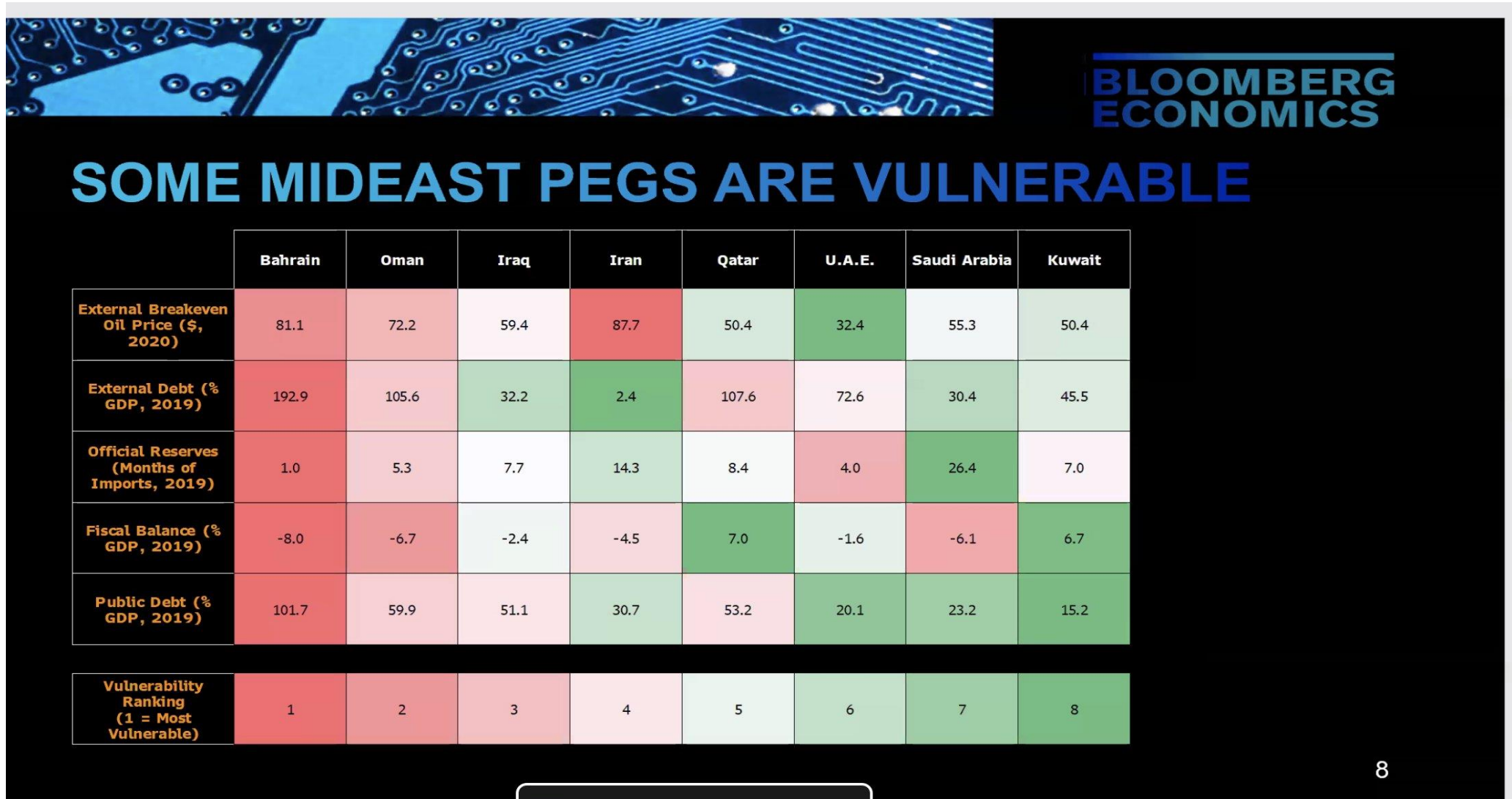
Saudi Arabia: Total Reserve Assets

billion USD

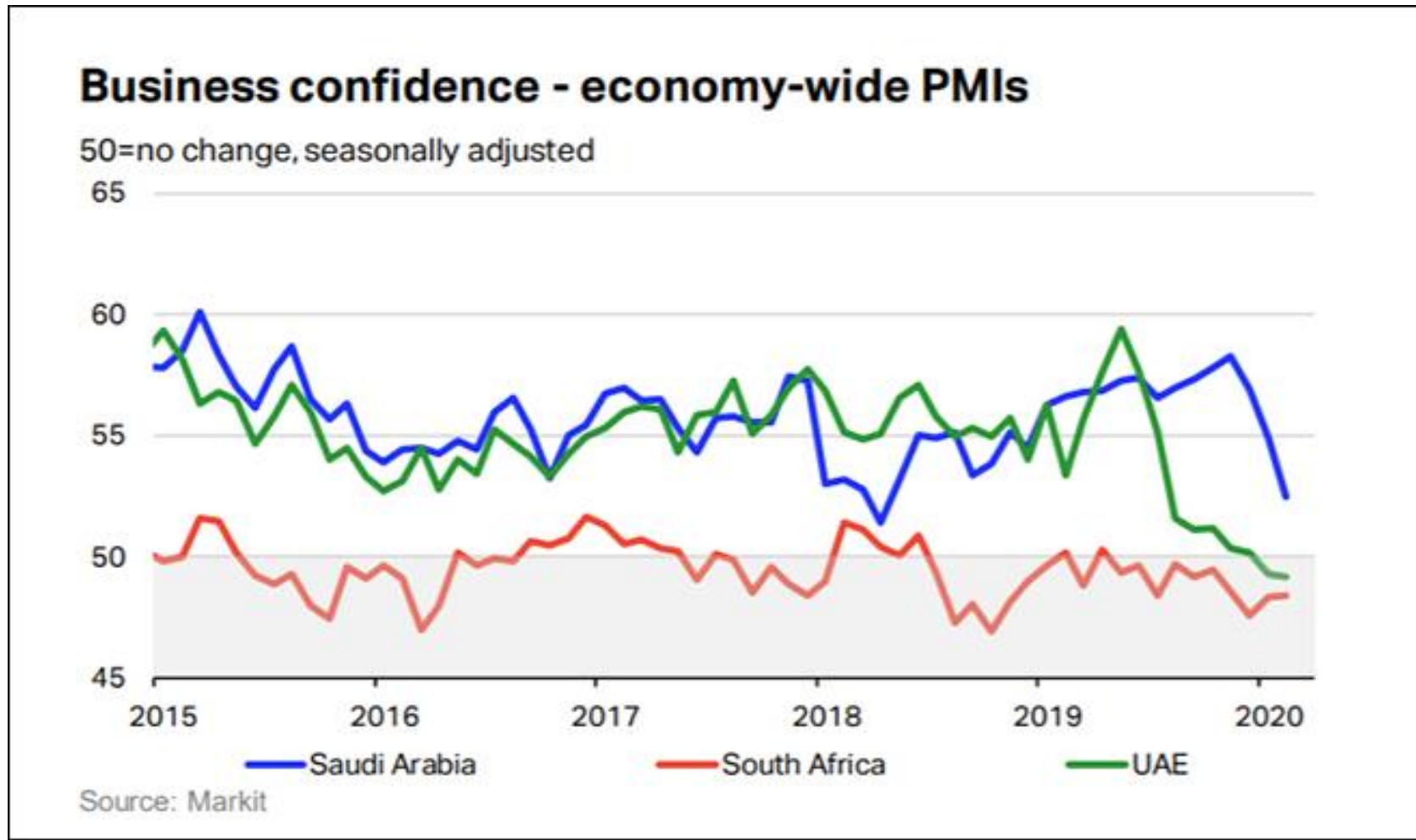


Source: Saudi Arabia Monetary Authority, "Monthly Statistics," data, April 28, 2020,
<http://www.sama.gov.sa/en-US/EconomicReports/Pages/MonthlyStatistics.aspx>.

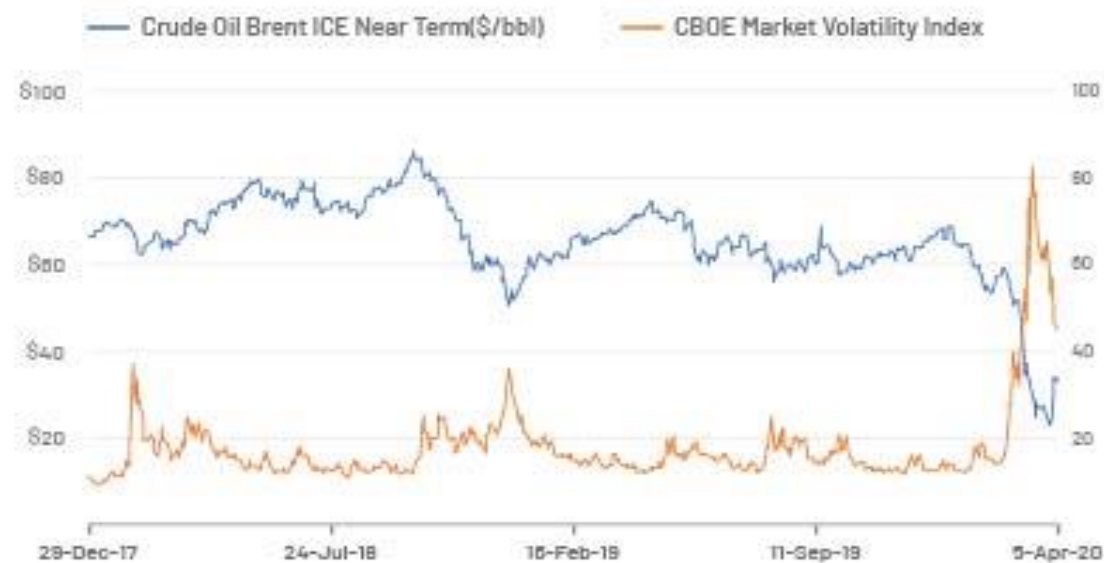
Bahrain and Oman are the most vulnerable



Falling confidence for GCC's largest economies



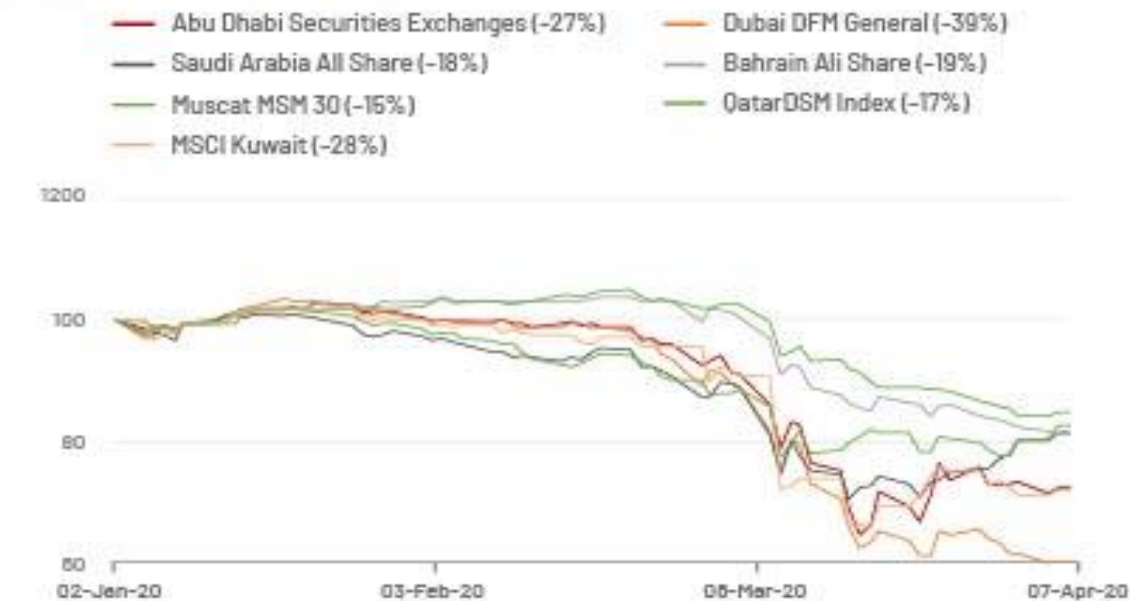
Rising volatility with declining oil prices



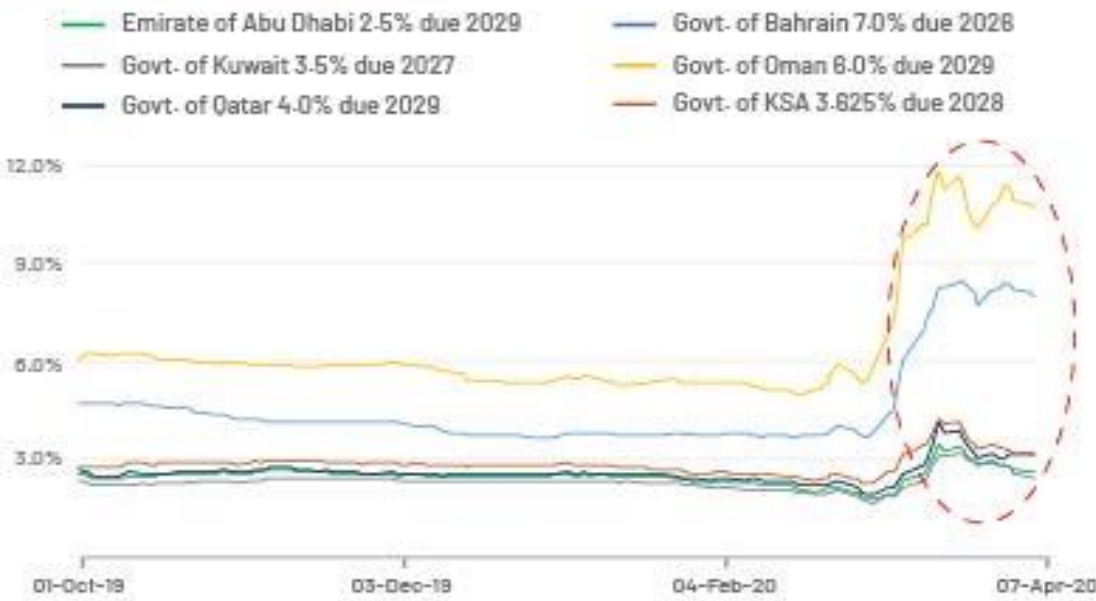
Significant widening of spreads



Fall in the equity markets



Rise in 10-yr government yield



What can Oman do?

Three challenges: Debt, deficit, currency. Fix deficit, don't rely on too much debt, think about currency based on a) oil view; b) country's economic diversification;

Size up the cost of a 2-4 year strategy that is broken into:

A) Short term: Budget rationalization

B) Long term: Work now with the private sector, incentives to hire nationals in private sector, infrastructure investment, solar, tourism, services

Thank you