

**Global growth forecasts lowered for 2018 & 2019:** IMF lowered global growth forecasts in its latest World Economic Outlook (WEO) by 20bps each for 2018 and 2019 after leaving them unchanged in July-18. The revised global GDP growth estimates came in 3.7% each for 2018 and 2019. The downward revision was ascribed to lower economic activity witnessed in some advanced economies in H1-18, the impact from negative trade policy measures, and a weaker outlook for some key emerging market and developing economies. As a result, the real GDP growth of Emerging Market and Developing Economies was revised downwards by 20 bps for 2018 (4.7%) and 40 bps for 2019 (4.7%) from IMF's July-18 WEO. On the other hand, growth estimates for Advanced Economies was retained for 2018 but lowered by 10 bps for 2019 (2.1%).

**MENA growth forecasts revised downwards; GCC growth raised for 2018 & 2019:** GDP growth for the MENA region was slashed by the IMF for 2018 by -120 bps and for 2019 by -130 bps as compared to the Jul-18 estimates to 2.0% and 2.5%, respectively. The lower growth estimates by the IMF reflects lower growth outside the GCC, and for commodity importers in the region. In the GCC, Saudi Arabia's GDP growth was raised for 2018 and 2019 to 2.2% (+30 bps) and 2.4% (+50 bps), respectively. Higher growth is expected to be driven by a pick-up in non-oil economic activity and projected increase in oil production in 2019. Growth estimate for Kuwait for 2018 was raised by 100 bps to 2.3%, while Bahrain (3.2%) and UAE (2.9%) are expected to grow the fastest in the region this year. Outside the GCC, Egypt is expected to clock a real GDP growth of 5.3% in 2018 and 5.5% in 2019, up from 4.2% in 2017, driven by a recovery in tourism, pickup in natural gas production and improved confidence indicators.

**Higher oil prices to keep fiscal consolidation efforts upbeat:** The IMF also expects current account balances for the GCC to improve over 2018 and 2019 for all countries from May-18 forecasts, as all major oil exporters in the region are expected to record positive current account balances. Kuwait is expected to have the highest current account surplus in GDP terms for 2018 and 2019, at 11.3% (+550 bps) and 11.0% (+740 bps). KAMCO Research remains positive on the ongoing progress of the GCC region's transformation and diversification efforts to boost the non-oil sector and driving private sector growth. Current oil prices are supportive and monetary policy remains accommodative for the advancement towards medium term objectives set by individual GCC countries.

IMF Estimates	Current Estimates		Revisions by IMF		Previous Estimates	
	Oct-18		2018 F	2019 F	Apr-18/Jul-18	
Real GDP Growth - Global	2018 F	2019 F	2018 F	2019 F	2018 F	2019 F
<i>Percentage</i>						
US	2.9%	2.5%	0.0%	-0.2%	2.9%	2.7%
UK	1.4%	1.5%	0.0%	0.0%	1.4%	1.5%
Euro Area	2.0%	1.9%	-0.2%	0.0%	2.2%	1.9%
<b>Advanced Economies</b>	<b>2.4%</b>	<b>2.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>2.4%</b>	<b>2.2%</b>
<b>Emerging Economies</b>	<b>4.7%</b>	<b>4.7%</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>4.9%</b>	<b>5.1%</b>
<b>Global Real GDP</b>	<b>3.7%</b>	<b>3.7%</b>	<b>-0.2%</b>	<b>-0.2%</b>	<b>3.9%</b>	<b>3.9%</b>
Real GDP Growth - GCC & MENA	2018 F	2019 F	2018 F	2019 F	2018 F	2019 F
<i>Percentage</i>						
Saudi Arabia	2.2%	2.4%	0.3%	0.5%	1.9%	1.9%
United Arab Emirates	2.9%	3.7%	0.9%	0.7%	2.0%	3.0%
Qatar	2.7%	2.8%	0.1%	0.1%	2.6%	2.7%
Kuwait	2.3%	4.1%	1.0%	0.3%	1.3%	3.8%
Oman	1.9%	5.0%	-0.2%	0.8%	2.1%	4.2%
Bahrain	3.2%	2.6%	0.2%	0.3%	3.0%	2.3%
<b>Real GDP Growth for MENA</b>	<b>2.0%</b>	<b>2.5%</b>	<b>-1.2%</b>	<b>-1.3%</b>	<b>3.2%</b>	<b>3.8%</b>

Source: IMF WEO October 2018, KAMCO Research

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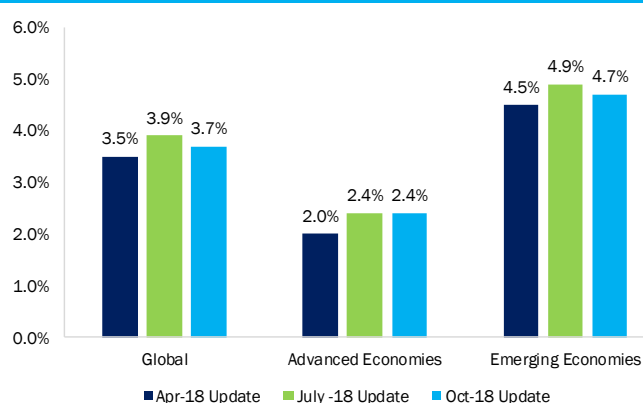
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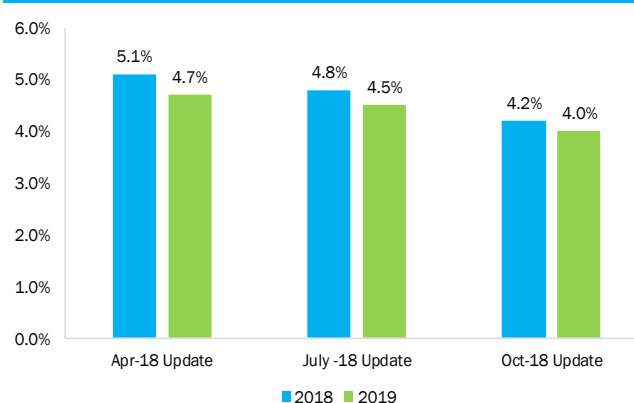
### Regional growth revised downwards; World trade forecasts lowered

Growth for Advanced Economies was lowered by the IMF for 2019, as estimates for certain Euro Area countries such as Germany and France were lowered to 1.9% (-20 bps) and 1.6% (-10 bps), respectively. US real GDP growth was also revised downwards by 10 bps on concerns of the impact of recent trade measures. The IMF expects the benefits of the fiscal stimulus to unwind from 2020 and lead to marginally lower growth from 2020 onwards. In Emerging Asia, China's real GDP growth for 2019 was revised downwards by 20 bps to 6.2%, as the agency expects growth to be impacted negatively by recent tariff actions. India's real GDP was also lowered for 2019 to 7.4% (-10 bps) in 2019, mainly from impact of the recent increase in oil prices and tightening global financial conditions. Further the agency mentioned that downside risks to global growth forecasts are becoming more pronounced, such as rising trade related risks, a reversal of capital flows to emerging market economies with weaker fundamentals, and faster-than-anticipated monetary policy tightening in Advanced Economies. Global trade volume forecasts were revised downwards for 2018 and 2019 to 4.2% (-60 bps) and 4.0% (-50 bps) as per the IMF, mainly driven by the tariff war between the US and China, uncertainty over renegotiation from NAFTA free trade agreement, and concerns over the economic arrangements between the UK and the rest of Europe. As a result, both export and import trade volume growth for Advanced Economies and Emerging Market & Developing Economies were forecasted to be lower over 2018 and 2019.

#### Global & Regional Growth Scenarios-2018



#### World Trade Volumes Forecasts (2018 & 2019)



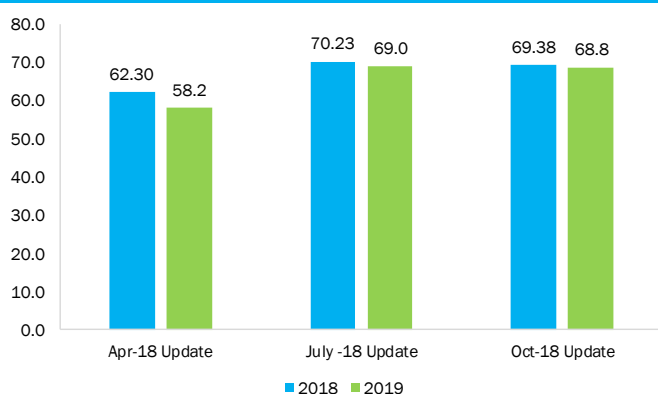
Source: IMF WEO October 2018, KAMCO Research

Source: IMF WEO October 2018, KAMCO Research

### GCC inflation expectations lower from stronger USD

Inflation forecasts for the MENA region were raised to 11.8% and 10.6% respectively for 2018 and 2019, which in our view reflects higher oil and commodity prices for oil importers. This is also evident from inflation forecasts for GCC countries, that was revised downwards, but remains positive over the forecast period. Lower inflation is ascribed to stronger USD in our view, as most of the GCC currencies are pegged to the USD.

#### Oil price forecasts 2018 & 2019 (USD/bbl)



#### GCC & MENA inflation trends -2018 & 2019

IMF Estimates	Current Estimates		Revisions by IMF		Previous Estimates	
	Oct-18		2018 F	2019 F	Apr-18/Jul-18	
Inflation	2018 F	2019 F			2018 F	2019 F
<b>Percentage</b>						
Saudi Arabia	2.6%	2.0%	-1.1%	0.0%	3.7%	2.0%
UAE	3.5%	1.9%	-0.7%	-0.6%	4.2%	2.5%
Qatar	3.7%	3.5%	-0.2%	0.0%	3.9%	3.5%
Kuwait	0.8%	3.0%	-1.7%	-0.7%	2.5%	3.7%
Oman	1.5%	3.2%	-1.0%	-0.3%	2.5%	3.5%
Bahrain	3.0%	4.8%	0.1%	-0.1%	2.9%	4.9%
<b>Inflation in MENA</b>	<b>11.8%</b>	<b>10.6%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>8.7%</b>	<b>7.1%</b>

Source: IMF WEO October 2018, KAMCO Research

Source: IMF WEO October 2018, KAMCO Research

### GCC growth guidance for 2019 to focus on early cues from OPEC+ agreement

Oil prices in 2018 have stayed well above IMF's oil price average for 2017 of USD 52.81/bbl. Latest forecasts based on oil futures by the IMF are estimated at USD 69.38/bbl for 2018 and USD 68.76/bbl for 2019, while oil market participants are likely to focus on early cues of the nature of the OPEC+ agreement in 2019. Going into 2019, KAMCO Research believes that, oil prices stabilizing at current levels would be crucial for the GCC to keep GDP growth intact and for the region to maintain its favorable balance of payments and fiscal maneuverability.

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