

IMF raises GCC growth for 2018 and 2019 on higher oil-GDP growth

After releasing headline estimates for individual GCC countries in its Oct-18 WEO, the IMF released detailed forecasts for the GCC region, in its Regional Economic Outlook for the Middle East & Central Asia. The IMF forecasts real GDP for the GCC region to grow by 2.4% in 2018 and 3.0% in 2019, as growth estimates for 2018 and 2019 was revised higher by 60bps and 50bps from May-18 forecasts. Main driver for the upward revision of growth was oil-GDP growth, as oil-GDP in the region is forecasted to grow at 2.1% (+140bps) and 3.1% (+90bps) in 2018 and 2019, respectively, after receding by 3.2% in 2017. Within the region, Saudi Arabia's oil-GDP growth was pushed up by 130 bps and 110 bps for 2018 (+2.9%) and 2019 (3.1%). For 2018, UAE (+290 bps) and Kuwait (+140 bps) oil-GDP growth witnessed highest upward revisions, while for 2019, Oman's oil-GDP growth at 7.5% y-o-y (+260 bps) is expect to come in quicker than the rest of the GCC.

Non-oil GDP growth for 2018 left unchanged; 2019 forecast raised by 20 bps

Non-oil GDP growth the GCC for 2018 was left unchanged at 2.7%, while the corresponding 2019 estimate was raised by 20 bps to 2.9%. Non-oil GDP growth for the region for 2018 and 2019 are supported by the implementation of public investment projects, like the five-year development plan in Kuwait, Qatar's infrastructure investment projects ahead of the FIFA 2022 World Cup and ongoing preparations for Expo 2020 in the UAE. Further, most countries within the region barring Oman witnessed upward revisions to non-oil GDP growth estimates, while Saudi Arabia's non-oil activity growth was left unchanged.

2019 oil-GDP forecasts aggressive in our view; fiscal rebalancing should continue

As oil prices are down more than 20% from the highs of the year, the market expects OPEC+ countries to decide in Dec-18 on continuing oil production cuts in order to support oil prices. KAMCO Research expects IMF's real oil-GDP estimates for the GCC in 2019 to be too optimistic, as the forecast for 2019 currently factors in an oil production growth of 0.58 mb/d from 2018, leaving potential for downward revisions. However, we expect the GCC to continue its fiscal rebalancing, and diversification efforts to boost the non-oil economy and private sector growth.

Real GDP Growth	Actual		Projections		IMF Revisions	
	2016	2017	2018	2019	2018	2019
Percentage Growth						
Bahrain	3.5%	3.8%	3.2%	2.6%	0.2%	0.3%
Oil GDP	-0.1%	-0.7%	0.3%	0.2%	0.0%	0.2%
Non-oil GDP	4.3%	4.8%	3.9%	3.1%	0.3%	0.3%
Kuwait	2.2%	-3.3%	2.3%	4.1%	1.1%	0.2%
Oil GDP	2.3%	-7.8%	1.4%	4.5%	1.4%	0.0%
Non-oil GDP	2.0%	3.2%	3.5%	3.5%	0.5%	0.5%
Oman	5.0%	-0.9%	1.9%	5.0%	-0.2%	0.9%
Oil GDP	3.6%	-2.5%	1.7%	7.5%	0.7%	2.6%
Non-oil GDP	6.2%	0.5%	2.0%	3.0%	-1.0%	-0.5%
Qatar	2.1%	1.6%	2.7%	2.8%	0.1%	0.1%
Oil GDP	-0.9%	-0.7%	1.0%	1.2%	0.0%	0.0%
Non-oil GDP	5.3%	3.8%	4.3%	4.3%	0.2%	0.2%
Saudi Arabia*	1.7%	-0.9%	2.2%	2.4%	0.3%	0.5%
Oil GDP	3.6%	-3.1%	2.2%	2.8%	1.3%	1.1%
Non-oil GDP	0.2%	1.1%	2.3%	2.1%	0.0%	0.0%
United Arab Emirates	3.0%	0.8%	2.9%	3.7%	0.9%	0.6%
Oil GDP	2.6%	-3.0%	2.9%	3.1%	2.9%	0.7%
Non-oil GDP	3.2%	2.5%	2.9%	3.9%	0.1%	0.6%
GCC Real GDP Growth	2.3%	-0.4%	2.4%	3.0%	0.6%	0.5%
Oil GDP	2.8%	-3.2%	2.1%	3.1%	1.4%	0.9%
Non-oil GDP	1.9%	1.9%	2.7%	2.9%	0.0%	0.2%
MENA Real GDP Growth	5.2%	1.8%	2.0%	2.5%	-1.2%	-1.1%

Source: IMF REO - Nov 2018, KAMCO Research, *Saudi Arabia Revision is from Jul-18

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GCC Oil Production					GCC Oil Exports				
Crude Oil Production	Actual		Projections		Crude Oil Exports	Actual		Projections	
	2016	2017	2018	2019		2016	2017	2018	2019
<i>Millions of barrels per day</i>					<i>Millions of barrels per day</i>				
Saudi Arabia	10.46	9.95	10.22	10.47	Bahrain	0.15	0.15	0.15	0.15
Kuwait	2.95	2.71	2.75	2.87	Kuwait	2.01	1.71	1.70	1.78
UAE	3.03	2.93	3.02	3.13	Oman	0.88	0.81	0.80	0.89
Oman	1.01	0.97	0.98	1.06	Qatar	0.57	0.54	0.54	0.54
Qatar	0.65	0.61	0.61	0.62	Saudi Arabia	7.48	6.97	7.02	7.17
Bahrain	0.20	0.20	0.20	0.20	United Arab Emirates	2.44	2.40	2.35	2.70
GCC	18.30	17.37	17.77	18.35	GCC	13.54	12.57	12.56	13.24

Source: IMF REO Nov-2018

Source: IMF REO Nov-2018

IMF's oil production target for 2019 likely to be revised lower post OPEC+ meeting in Vienna

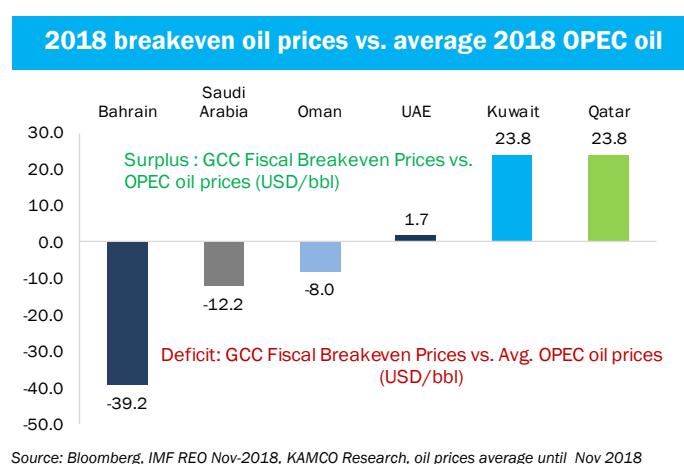
The oil production estimate for the GCC was raised by the IMF for 2018, ascribed to the production increase from Saudi Arabia (+166 tb/d), UAE (+87 tb/d) and Kuwait (+39 tb/d) in 2018, as the OPEC+ increased production since Jun-18. Production for 2018 is now expected to be 17.77 mb/d, from the May-18 estimate of 17.47 mb/d. The production estimate for 2019 (18.35 mb/d) represents an increase compared to the 2018, and IMF's May-18 estimate of 17.83 mb/d. We do see the possibility of downward revisions to IMF's 2019 oil output estimate for the GCC region, given that the market expects the OPEC+ meeting in Vienna next month to result in an extension of production cuts into 2019. Separately, GCC oil exports also followed a similar trend and were pushed up as compared to in May-18 estimates. Oil exports from the region were raised from 12.55 mb/d to 12.56 mb/d for 2018. The export estimate for 2019 was increased from 12.93 mb/d to 13.24 mb/d, likely considering the higher production volumes.

Qatar and Kuwait fiscal breakeven oil prices remain below average oil prices

In terms of the breakeven oil prices for 2018, based on average oil prices seen in 2018 YTD (USD 71.2/bbl), barring Qatar and Kuwait, and UAE to a lesser extent, other GCC countries have a higher breakeven oil prices. As per our analysis of IMF data for 2018, the spread between average oil prices and budgeted breakeven oil prices is estimated to be largest for Bahrain and Saudi Arabia at around USD 39/bbl and USD 12/bbl, respectively. Qatar and Kuwait have lower breakeven oil prices when compared to average oil prices YTD, and possess a cushion of around USD 23.8/bbl each to balance their 2018 fiscal budgets currently, according to our estimates. Nevertheless, barring the UAE, all breakeven oil prices were brought down for 2019 as compared to May-18 estimates, which shows the impact of prior initiatives implemented so far and the ongoing focus on fiscal prudence and expenditure optimization by GCC countries.

GCC- Fiscal Breakeven Oil Prices				
Breakeven Oil Prices	Actual		Projections	
	2016	2017	2018	2019
<i>USD per barrel</i>				
Bahrain	105.7	112.6	110.4	108.1
Kuwait	43.0	43.6	47.4	47.4
Oman	101.1	89.0	79.2	70.4
Qatar	53.5	49.1	47.4	44.0
Saudi Arabia	96.4	83.7	83.4	73.3
UAE	51.1	60.7	69.5	67.4

Source: IMF REO Nov-2018



Oil prices will determine the strength of ongoing fiscal and current account balance recovery in 2019

Fiscal breakeven oil prices published by the IMF for 2019 for all GCC countries remain below their corresponding 2018 estimates, which does offer flexibility in choosing a more balanced fiscal stance, in our view. Nevertheless in 2019, stable oil prices 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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