17 October 2016

MENA Quarterly Q4 2016

1 mins read

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Oil prices have received support from OPEC's surprise agreement at the end of September to cut production in an effort to hasten the rebalancing of oil markets. But in the wake of OPEC's announcement, we would argue there isn't enough in the deal so far to mean a radical revision to the outlook for oil.

Economic activity in the GCC was relatively robust over the third quarter, with evidence of expansion in both the oil and non-oil sectors. However, additional fiscal tightening in Saudi Arabia and the likely impact on consumption and investment has led us to revise our 2016 and 2017 growth forecasts down to 1.4% and 1.8% respectively. In contrast, we have upgrade our 2016 growth forecast for Kuwait on the back of improved budget execution, particularly on infrastructure.

Growth in the UAE likely gained momentum in Q3, with oil production rising 5.5% q/q and the PMI pointing to faster non-oil growth as well. However, increased output and new order growth has come on the back of significant price discounting, suggesting that margins remain under pressure, and employment has remained flat.

Outside of the GCC, the third quarter of 2016 saw little in the way of positive data released that could suggest the region's economic recovery is close to starting. High frequency indicators such as monthly Purchasing Managers' Indices pointed to ongoing weakness in private sector activity. As a result of declining tourist arrivals and slowing remittance inflows from the GCC, current account deficits have also widened, while inward investment has dropped.

The biggest question confronting the outlook for the Egyptian economy remains the timing and magnitude of a potential devaluation of the EGP. The fact that this was also the main source of uncertainty when our previous Quarterly Outlook went to print in July highlights how reform momentum has not proceeded as fast as many had initially hoped for.

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