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**Economic Outlook
for Arab Countries**

**الآفاق الاقتصادية
للدول العربية**

**بحوث ضمان
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Algeria

Weak Algerian Growth Outlook to Persist Into 2021

- Real GDP growth forecast for Algeria's in 2021 has revised down from 4.0% to 3.4%, after an estimated contraction of 8.5% in 2020.
- Net exports will benefit from continued government restrictions and a weak Algerian dinar dampening import growth which will mitigate the impact of weak export growth
- Algeria's current account deficit forecast revised, to narrow to 7.4% of GDP in 2021, from 8.1% previously.
- This revision primarily reflects a narrower goods trade deficit, because of a substantial increase in hydrocarbon exports alongside slow growth in imports.
- The current account balance set to remain in deficit over the coming decade, we believe that the Algerian authorities will be forced to change track on their aversion to foreign direct investment and borrowing.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Relatively low levels of public and external debt. – The country's growing population implies scope for more consumer spending and higher tax revenues over the long term. <p>Opportunities:</p> <ul style="list-style-type: none"> – The government continues to prioritise investments in the oil and gas sector, though Covid-19 threatens this outlook. – While Algiers imposes high average tariff rates, its renewed efforts to join the World Trade Organization are likely to see the average rate fall 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Dependence on hydrocarbon exports means growth, exports and government revenue remain highly vulnerable to shifts in world energy prices. – Measures undertaken by the government to ease public discontent, including public sector pay rises, more generous subsidies, and transfer payments to the unemployed, have put greater pressure on the fiscal budget. <p>Threats:</p> <ul style="list-style-type: none"> – Algeria's Association Agreement with the EU has resulted in a rise in imports without a corresponding rise in Algerian exports to the common area. Negotiations are underway to correct this imbalance but have stalled thus far. – The slump in Algerian oil production, amid lower oil prices than in the pre-2014 era, presents significant risks to economic growth and fiscal stability, particularly due to the 2020 global recession. – Ongoing cuts to public spending will impact investment activity across segments such as transportation, power, and energy.
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Macroeconomic Indicators (Algeria 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	151.5	158.7	180.9	194.5	209.0	221.1
Nominal GDP, EURbn	132.9	126.9	143.6	153.2	165.9	176.9
Real GDP growth, % y-o-y	-8.5	3.4	2.4	2.3	1.8	1.9
GDP per capita, USD	3,454	3,556	3,989	4,223	4,472	4,665
GDP per capita, EUR	3,030	2,845	3,166	3,325	3,549	3,732
Population, mn	43.85	44.62	45.35	46.05	46.73	47.39
Consumer price inflation, % y-o-y, ave	2.4	4.6	6.3	6.8	6.5	6.0
Lending rate, %, ave	8.0	8.0	8.0	8.0	8.0	8.0
Central bank policy rate, % eop	3.00	3.00	3.50	4.00	4.50	4.50
Private final consumption, % of GDP	44.7	42.4	41.8	42.0	42.3	42.6
Private final consumption, real growth % y-o-y	-6.0	0.5	3.0	3.5	3.5	3.5
Government final consumption, % of GDP	18.3	18.1	17.8	17.7	17.5	17.4
Government final consumption, real growth % y-o-y	-6.0	5.0	2.5	2.5	2.0	2.0
Fixed capital formation, % of GDP	41.5	39.3	39.1	38.8	38.1	37.4
Fixed capital formation, real growth % y-o-y	-8.0	0.5	4.0	2.0	1.0	1.0
Exchange rate DZD/USD, ave	126.78	134.00	130.50	133.50	136.00	140.00
Exchange rate DZD/EUR, ave	144.48	167.50	164.43	169.55	171.36	175.00
Goods and services exports, USDbn	28.2	36.1	37.3	36.8	36.9	36.7
Goods and services imports, USDbn	46.1	47.2	47.7	47.5	47.3	46.7
Balance of trade in goods and services, USDbn	-18.0	-11.2	-10.4	-10.7	-10.4	-10.1
Balance of trade in goods and services, % of GDP	-11.9	-7.0	-5.8	-5.5	-5.0	-4.5
Current account balance, USDbn	-18.8	-11.8	-11.1	-11.3	-11.1	-10.7
Current account balance, % of GDP	-12.4	-7.4	-6.2	-5.8	-5.3	-4.8
Foreign reserves ex gold, USDbn	46.9	35.6	32.4	29.5	26.8	24.4
Import cover, months	15.0	11.2	10.1	9.3	8.5	7.9
Budget balance, USDbn	-17.5	-15.7	-15.3	-15.6	-16.6	-17.4
Budget balance, % of GDP	-11.5	-9.9	-8.5	-8.0	-7.9	-7.9

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Bahrain

Growth Outlook Brighter for H221 And H122

- Bahrain's economy will expand by 3.3% in 2021 despite a Q1-21 contraction of 2.1% y-o-y.
- Private consumption will be the main driver of growth, as the easing of pandemic-related restrictions will boost household consumption.
- Net exports, meanwhile, will take longer to recover given the expected contraction in hydrocarbon production.
- Growth momentum will likely persist in H1-22 as the recovery continues to make progress. We forecast growth of 3.0% in 2022.
- The current account deficit forecast revised down in 2021 from 3.6% of GDP to 3.2% on the back of our Oil& Gas team's upward revision to the annual average oil price forecast to USD70.0 per barrel.
- For 2022, we project a slight widening in the deficit to 3.8% as oil prices dip and goods and services imports post greater gains.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Bahrain's economy is more diversified than those of its Gulf peers. – Bahrain is a regional financial hub, with a well-developed banking sector and a growing Islamic finance and fintech industry. – Bahrain's economy benefits from the resilience of the non-oil industry, especially the construction sector. <p>Opportunities:</p> <ul style="list-style-type: none"> – Investor-friendly reforms, such as loosened visa and foreign ownership rules, and new competition and bankruptcy laws, should help the economy stay competitive. – Financial support from the rest of the GCC Development Fund will drive investment in infrastructure over the coming years. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Lower-for-longer oil prices are a major constraint to growth, given the government's dependence on hydrocarbons for more than 75% of its revenue. In turn, non-oil economic activity relies strongly on public spending. – Public finances are only partially transparent, due to the persistence of opaque 'extra-budgetary transactions', and there are concerns about growing government debt. – Political instability has negatively impacted Bahrain's economy in recent years <p>Threats:</p> <ul style="list-style-type: none"> – Bahrain's political deadlock seems set to continue, offering a key downside risk to economic growth. – The weak state of public finances implies a future need to raise taxes and fees on local firms, which would weigh on the country's business climate.
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Macroeconomic Indicators (Bahrain 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	34.6	38.0	39.8	41.5	43.6	45.5
Nominal GDP, EURbn	30.3	31.4	32.4	32.7	34.6	36.4
Real GDP growth, %y-o-y	-5.1	3.3	3.0	1.8	2.8	3.0
GDP per capita, USD	20,313	21,746	22,323	22,890	23,742	24,409
GDP per capita, EUR	17,824	17,972	18,148	18,023	18,843	19,527
Population, mn	1.70	1.75	1.78	1.81	1.84	1.87
Consumer price inflation, %y-o-y, ave	-2.3	0.5	1.9	1.7	1.8	1.8
Lending rate, %, ave	5.0	5.0	5.0	5.0	5.0	5.0
Central bank policy rate, % eop	1.00	1.00	1.00	1.25	1.75	2.00
Private final consumption, % of GDP	41.2	39.0	39.1	39.1	38.8	39.0
Private final consumption, real growth %y-o-y	-5.0	3.8	3.0	2.3	2.7	3.0
Government final consumption, % of GDP	17.0	15.4	15.1	14.9	14.7	14.5
Government final consumption, real growth %y-o-y	-1.0	-0.5	0.5	1.5	1.5	1.5
Fixed capital formation, % of GDP	31.5	29.9	30.6	31.0	31.0	31.5
Fixed capital formation, real growth %y-o-y	-4.0	2.0	4.5	4.0	4.0	4.0
Exchange rate BHD/USD, ave	0.38	0.38	0.38	0.38	0.38	0.38
Exchange rate BHD/EUR, ave	0.43	0.45	0.46	0.48	0.47	0.47
Budget balance, USDbn	-4.4	-2.3	-1.8	-1.7	-1.3	-1.3
Budget balance, % of GDP	-12.9	-5.9	-4.5	-4.0	-3.0	-2.9
Goods and services exports, USDbn	25.2	29.1	30.7	31.8	33.3	34.3
Goods and services imports, USDbn	23.2	25.0	26.6	27.6	28.7	29.9
Balance of trade in goods and services, USDbn	1.9	4.2	4.1	4.2	4.5	4.4
Balance of trade in goods and services, % of GDP	5.6	11.0	10.4	10.0	10.3	9.7
Current account balance, USDbn	-3.2	-1.2	-1.5	-1.6	-1.4	-1.7
Current account balance, % of GDP	-9.4	-3.2	-3.8	-3.9	-3.2	-3.7
Foreign reserves ex gold, USDbn	2.0	4.5	4.3	4.1	3.9	3.7
Import cover, months	1.0	2.2	1.9	1.8	1.6	1.5

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Egypt

Strong Growth Prospects, But Risks Persist

- We foresee a strong rebound ahead for the Egyptian economy, with real GDP growth of 5.0% in FY2021/22 and 5.5% in FY2022/23.
- Private consumption and fixed investment will be the main drivers of growth, while a rebound in goods exports and a gradual recovery in tourism activity mean that net exports will act as less of a drag on the economy than in FY2020/21
- Risks to the outlook are skewed to the downside as a slower-than-expected vaccination campaign could leave Egypt vulnerable to a new surge in Covid-19 cases, forcing the government to tighten restrictions on movement.
- Egypt's current account deficit is expected to narrow to 3.1% of GDP in FY2021/22 (July 2021-June 2022) and 3.0% of GDP in FY2022/23 from 3.9% in FY2020/21.
- The narrowing of the deficit will primarily be driven by a gradual recovery in the tourism sector, resilient remittance inflows and supportive trade dynamics
- We expect a mix of portfolio and foreign investment to finance the current account deficit, in addition to funding from the IMF.

Economic SWOT

Strengths:	Weaknesses:
<ul style="list-style-type: none"> – Low wages in global terms are an advantage for foreign investors, particularly for those wishing to use Egypt as a base for export-orientated manufacturing. – With a population of nearly 100mn, Egypt is the largest market in the Arab world. – Robust support from Saudi Arabia and the UAE has helped Egypt push through economic difficulty and will remain a boon to the economy. <p>Opportunities:</p> <ul style="list-style-type: none"> – A weak business environment coupled with a large population means that structural reforms could unlock vast untapped economic potential. – The hydrocarbon sector exhibits good potential for further development. – Stabilising macroeconomic conditions may increasingly help attract foreign direct investment to the country's non-hydrocarbon sectors, at least once the Covid-19 crisis fades. 	<ul style="list-style-type: none"> – Egypt still has a large fiscal deficit, which will take time to narrow due to high debt servicing costs. – Manufacturers rely heavily on imported materials and generally produce low value-added goods, meaning that non-hydrocarbon net exports are still struggling to take off. – Corruption and bureaucracy levels are reportedly still high. <p>Threats:</p> <ul style="list-style-type: none"> – Renewed popular unrest and militant attacks, while less likely now than a few years ago, would damage the all-important tourism sector and shake investor confidence. – A fresh rise in Covid-19 cases - and resulting tighter lockdown measures - could derail the economic recovery that we expect.

Macroeconomic Indicators (Egypt 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	369.3	406.2	444.7	476.6	541.3	589.8
Nominal GDP, EURbn	324.0	335.7	361.6	387.5	440.1	475.6
Real GDP growth, % y-o-y	3.6	3.0	5.0	5.5	4.4	4.0
GDP per capita, USD	3,608	3,895	4,189	4,411	4,925	5,278
GDP per capita, EUR	3,165	3,219	3,406	3,586	4,004	4,257
Population, mn	102.33	104.26	106.16	108.03	109.89	111.73
Unemployment, % of labour force, eop	8.0	7.5	7.0	6.8	6.7	6.7
Consumer price inflation, % y-o-y, ave	5.1	5.1	6.6	6.1	5.9	5.7
Lending rate, %, ave	11.3	9.3	9.3	9.3	9.1	8.9
Central bank policy rate, % eop	9.25	9.25	9.25	9.25	9.00	8.75
Private final consumption, % of GDP	85.8	88.4	87.8	87.1	86.3	85.8
Private final consumption, real growth % y-o-y	7.3	7.1	4.9	4.9	4.0	4.0
Government final consumption, % of GDP	8.0	8.0	7.8	7.6	7.5	7.4
Government final consumption, real growth % y-o-y	6.7	4.0	3.0	3.0	4.0	3.0
Fixed capital formation, % of GDP	13.7	12.0	12.1	12.9	13.3	13.7
Fixed capital formation, real growth % y-o-y	-20.9	-11.0	6.0	11.5	7.0	7.0
Exchange rate EGP/USD, ave	15.76	15.65	16.10	16.85	16.50	16.74
Exchange rate EGP/EUR, ave	17.97	18.94	19.80	20.73	20.29	20.76
Goods and services exports, USDbn	47.7	42.2	47.9	50.6	53.2	56.0
Goods and services imports, USDbn	75.2	76.6	82.0	86.7	91.3	96.5
Balance of trade in goods and services, USDbn	-27.5	-34.3	-34.2	-36.1	-38.1	-40.5
Balance of trade in goods and services, % of GDP	-7.4	-8.5	-7.7	-7.6	-7.0	-6.9
Current account balance, USDbn	-11.2	-15.9	-13.8	-14.4	-15.2	-16.3
Current account balance, % of GDP	-3.0	-3.9	-3.1	-3.0	-2.8	-2.8
Foreign reserves ex gold, USDbn	34.1	36.2	38.4	39.5	40.8	41.6
Import cover, months	5.4	5.7	5.6	5.5	5.4	5.2
Budget balance, USDbn	-29.2	-30.1	-27.8	-27.6	-29.3	-28.8
Budget balance, % of GDP	-7.9	-7.4	-6.3	-5.8	-5.4	-4.9

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Iraq

Iraqi Growth Outlook to Remain Below MENA Average In 2022 Despite Improvement

- Real GDP will return to growth of 1.2% in 2021 after an estimated 11.1% contraction in 2020, on the back of net export gains.
- Moving forward, we revised our 2022 real GDP growth forecast downward from 6.9% to 3.7%. We now expect lower-than-anticipated capital spending by the government and higher political instability, which will weigh on fixed capital formation.
- At the same time, despite progress with the vaccination campaign, we expect the authorities will lift restrictions only gradually. This will cap the rise in consumer and business sentiment, easing private consumption's growth.
- Risks are skewed to the upside, as sustained oil gains could push the new government to loosen its fiscal restraints and increase capital investments.
- Iraq will register a current account surplus of 12.6% of GDP in 2021, marking a noticeable rebound from the 3.7% deficit in 2020. This will be due to a strong rebound in hydrocarbon exports, buoyed by higher prices, and the loosening of OPEC+ supply cuts.
- In 2022, Iraq will maintain a sizeable current account surplus, even though we expect it will narrow marginally due to a rebound in demand for foreign goods on the back of a pickup in economic activity.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Iraq has among the largest proven oil reserves and proven gas deposits in the world. – Growth potential for infrastructure and telecoms is high given the low base and strong demographics. <p>Opportunities:</p> <ul style="list-style-type: none"> – The government is seeking foreign investment for many different types of infrastructure projects. – Iraq has received strong investment pledges to support reconstruction, which will help bolster Fixed investment in the quarters ahead. – The December 2020 currency devaluation will help shore up public finances in the near term and stimulate domestic production in the coming years. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Government employees have little experience of an open economy, and technical expertise is limited. – After a decade of fighting in the country and underinvestment, non-oil sector infrastructure is decrepit. – The elevated need for foreign investments leaves Iraq vulnerable to foreign powers' influence. – High levels of operation and political risk will deter much needed foreign investments. <p>Threats:</p> <ul style="list-style-type: none"> – A failure to address the country's structural fiscal and external vulnerabilities could lead to a disorderly rebalancing. – Persistent sectarian divides across ethnic and religious lines could limit the enforcement of structural reforms. – US-Iran tensions make foreign assets in Iraq a target for military strikes.
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Macroeconomic Indicators (Iraq 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	169.3	172.9	178.2	184.4	194.9	206.2
Nominal GDP, EURbn	148.6	142.9	144.9	145.2	154.7	164.9
Real GDP growth, % y-o-y	-11.1	1.2	3.7	0.7	1.5	1.4
GDP per capita, USD	4,210	4,198	4,226	4,272	4,411	4,562
GDP per capita, EUR	3,694	3,469	3,436	3,364	3,501	3,649
Population, mn	40.22	41.18	42.16	43.17	44.18	45.19
Unemployment, % of labour force, eop	23.5	22.5	22.3	21.8	22.3	21.8
Consumer price inflation, % y-o-y, ave	0.6	6.5	2.0	1.5	3.0	3.0
Lending rate, %, ave	8.0	8.0	8.0	8.5	9.0	9.0
Central bank policy rate, % eop	4.00	4.00	4.00	5.00	5.00	5.00
Private final consumption, % of GDP	61.2	51.2	52.9	55.4	55.6	56.3
Private final consumption, real growth % y-o-y	-7.8	-2.5	5.5	6.8	3.0	4.0
Government final consumption, % of GDP	23.9	21.2	21.6	22.0	22.3	22.6
Government final consumption, real growth % y-o-y	5.0	3.2	3.2	4.0	4.0	4.0
Fixed capital formation, % of GDP	17.3	13.8	13.8	13.9	13.3	12.8
Fixed capital formation, real growth % y-o-y	-11.0	-2.0	4.8	6.0	3.5	3.5
Exchange rate IQD/USD, ave	1,192.00	1,450.00	1,450.00	1,450.00	1,450.00	1,450.00
Exchange rate IQD/EUR, ave	1,358.44	1,754.50	1,783.50	1,841.50	1,827.00	1,812.50
Goods and services exports, USDbn	50.6	71.3	77.3	80.3	85.4	89.3
Goods and services imports, USDbn	54.7	47.3	56.5	64.3	68.5	72.2
Balance of trade in goods and services, USDbn	-4.1	24.0	20.8	16.0	17.0	17.0
Balance of trade in goods and services, % of GDP	-2.4	13.9	11.7	8.7	8.7	8.3
Current account balance, USDbn	-6.2	21.8	18.6	13.8	14.8	14.8
Current account balance, % of GDP	-3.7	12.6	10.5	7.5	7.6	7.2
Foreign reserves ex gold, USDbn	53.6	68.8	66.8	71.5	78.6	86.5
Import cover, months	11.8	17.5	14.2	13.3	13.8	14.4
Budget balance, USDbn	-10.8	1.3	2.9	4.1	5.7	7.7
Budget balance, % of GDP	-6.4	0.7	1.6	2.2	2.9	3.7

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Jordan

Jordanian Economic Recovery to Gather Momentum in Coming Quarters

- Jordan's economy will expand by 3.0% in 2021, after a 1.6% contraction in 2020.
- The economic recovery will gather pace in the second half of 2021 as policy makers begin to reopen the economy and export receipts are boosted by tourists returning to the country.
- We are expecting a further acceleration in real GDP growth in 2022, to 3.8%, as the rebound in exports gathers momentum. The economy will, however, be held back by tighter fiscal policy.
- Jordan's budget deficit will narrow from 6.7% of GDP in 2020 to 5.3% of GDP in 2021. A 1.4% of GDP fiscal stimulus package won't be enough to offset a marked improvement in revenues amid an economic recovery.
- Fiscal consolidation efforts will be stepped up in 2022 as policymakers trim the public sector wage bill and one-off health and social spending measures to combat the Covid-19 pandemic are pared back. We see the budget deficit narrowing to 4.0% of GDP in 2022.
- The government debt-to-GDP ratio is likely to rise from 105.7% to 107.0% between 2020 and 2021, before edging down to 104.5% by end-2022. While this is high by EM standards, low debt servicing costs will continue to mitigate fiscal risks.

Economic SWOT

Strengths:	Weaknesses:
<ul style="list-style-type: none"> – When compared with several of its neighbors, Jordan is viewed as relatively stable. This augurs well for long-term trade and investment opportunities. – Substantial investment in the energy sector will allow the country to gradually move away from its overreliance on oil and gas imports. 	<ul style="list-style-type: none"> – Unemployment and poverty still remain key problems. Government promises of an improved welfare system and job creation have proven slow to materialise. – Jordan has few natural resources; phosphates and potash are its only significant mineral deposits. Water resources are also limited.
Opportunities:	Threats:
<ul style="list-style-type: none"> – While Jordan does not have any conventional oilfields, UN statistics suggest it has more than 5bn tonnes of oil shale resources, equivalent to 34bn barrels of crude oil. – Perceptions of the country as a haven in a turbulent region will benefit the tourism industry. – The signing of a Free Trade Agreement with the EU will create opportunities for Jordanian exporters. 	<ul style="list-style-type: none"> – Jordan's lack of conventional oil reserves means that its trade dynamics are vulnerable to fluctuating global oil prices. – A collapse in oil prices, while a boon to imports, would impact growth in the Gulf Cooperation Council (GCC) and could thus lead to a sharp decrease in inward investment, remittances and export demand. – While US and GCC support is not under immediate threat, budgetary reliance on foreign aid leaves the country vulnerable to dynamics beyond its control.

Macroeconomic Indicators (Jordan 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	43.7	44.5	47.3	50.0	52.6	55.5
Nominal GDP, EURbn	38.3	36.8	38.5	39.3	41.8	44.4
Real GDP growth, %y-o-y	-1.6	3.0	3.8	2.9	2.8	2.8
GDP per capita, USD	5,615	5,580	5,788	5,960	6,125	6,297
GDP per capita, EUR	4,927	4,611	4,706	4,692	4,861	5,038
Population, mn	10.20	10.27	10.30	10.31	10.32	10.34
Unemployment, % of labour force, eop	13.8	12.8	11.5	11.0	10.9	10.4
Consumer price inflation, %y-o-y, ave	0.3	2.5	2.7	2.6	2.6	2.6
Lending rate, %, ave	8.0	8.0	8.0	8.0	8.0	8.0
Central bank policy rate, % eop	3.50	3.75	4.00	4.50	4.50	5.00
Private final consumption, % of GDP	80.2	83.7	82.8	82.5	82.4	82.2
Private final consumption, real growth %y-o-y	-4.5	3.8	2.5	2.6	2.6	2.5
Government final consumption, % of GDP	15.7	16.0	15.2	15.2	15.1	15.1
Government final consumption, real growth %y-o-y	2.0	1.6	-2.0	2.8	2.7	2.6
Fixed capital formation, % of GDP	17.2	17.9	18.0	18.0	18.1	18.1
Fixed capital formation, real growth %y-o-y	-6.0	3.5	3.8	3.3	3.0	3.0
Exchange rate JOD/USD, ave	0.71	0.71	0.71	0.71	0.71	0.71
Exchange rate JOD/EUR, ave	0.81	0.86	0.87	0.90	0.89	0.89
Budget balance, USDbn	-2.9	-2.3	-1.9	-1.5	-1.1	-0.7
Budget balance, % of GDP	-6.7	-5.3	-4.0	-3.1	-2.0	-1.3
Goods and services exports, USDbn	10.4	13.3	15.8	16.6	17.4	18.1
Goods and services imports, USDbn	18.2	21.0	23.2	24.3	25.4	26.5
Balance of trade in goods and services, USDbn	-7.8	-7.7	-7.4	-7.7	-8.1	-8.4
Balance of trade in goods and services, % of GDP	-18.0	-17.4	-15.6	-15.4	-15.3	-15.1
Current account balance, USDbn	-3.5	-3.0	-2.5	-2.7	-2.9	-3.1
Current account balance, % of GDP	-8.0	-6.8	-5.4	-5.4	-5.5	-5.6
Foreign reserves ex gold, USDbn	12.3	12.8	13.5	14.3	15.1	15.9
Import cover, months	8.1	7.3	7.0	7.1	7.1	7.2

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Kuwait

Kuwait's Economy Set for Slow Recovery

- Kuwait's economy contracted by 10.5% in 2020, and that it will only expand by 2.7% in 2021 and 3.4% in 2022.
- Indeed, the economy will not regain its pre-crisis level of output until 2024. The longer-term outlook for Kuwait's economy is poor.
- Export growth, which has been a key driver of economic expansion, will slow over the coming years as oil production stabilises. Without a significant diversification drive, the country's trend growth will slow significantly in the 2020s.
- After running a small deficit equivalent to 1.0% of GDP in 2020, Kuwait's current account will return to a surplus worth 10.2% of GDP in 2021. This will be primarily due to higher oil prices.
- Over the coming years, however, we expect that the surplus will gradually ease as oil prices stabilise and production growth slows.
- Even so, Kuwait's significant foreign currency assets mean that the country's overall balance of payments position poses little threat to the economy.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Kuwait's enormous financial buffers in the form of a sovereign wealth fund - the Kuwait Investment Authority. The IMF estimates that the assets in the Future Generations Fund, the more illiquid fund, are equivalent to USD 414.1bn (387% of GDP) in 2020/21. <p>Opportunities:</p> <ul style="list-style-type: none"> – Kuwait will remain an attractive staging point for companies and businessmen with dealings in Iraq. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Oil accounts for roughly half of GDP and more than 89.0% of both total export earnings and government revenue, leaving Kuwait vulnerable to external shocks, especially in relation to world oil prices. – Kuwait's operational environment, characterised by red tape and bureaucracy, will continue to threaten private sector development. – Kuwait has been unable to issue debt since Q317 as the public debt law is yet to be passed by parliament. The cabinet may have to access the larger Future Generations Fund to fund the deficit. <p>Threats:</p> <ul style="list-style-type: none"> – Any significant flare-up in regional tensions beyond current levels could raise debt servicing costs once Kuwait issues more Eurobonds, after the public debt law is passed.
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Macroeconomic Indicators (Kuwait 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	109.1	123.6	129.9	134.9	139.9	145.6
Nominal GDP, EURbn	95.8	102.2	105.6	106.2	111.0	116.5
Real GDP growth, % y-o-y	-10.5	2.7	3.4	3.6	2.7	1.3
GDP per capita, USD	25,557	28,564	29,645	30,470	31,266	32,226
GDP per capita, EUR	22,425	23,607	24,102	23,992	24,814	25,781
Population, mn	4.27	4.33	4.38	4.43	4.47	4.52
Consumer price inflation, % y-o-y, ave	2.1	2.5	2.5	1.5	1.5	1.5
Lending rate, %, ave	5.3	6.3	6.8	6.8	6.8	6.8
Central bank policy rate, % eop	1.50	1.50	1.50	1.75	2.00	2.50
Private final consumption, % of GDP	46.3	43.3	43.1	42.5	42.4	42.4
Private final consumption, real growth % y-o-y	-19.7	8.0	2.0	1.0	2.0	2.5
Government final consumption, % of GDP	29.6	26.9	26.8	26.7	26.6	26.5
Government final consumption, real growth % y-o-y	-10.0	5.0	2.0	2.0	2.0	2.0
Fixed capital formation, % of GDP	22.7	21.4	21.3	21.3	21.2	21.1
Fixed capital formation, real growth % y-o-y	-15.0	9.0	2.0	2.0	2.0	2.0
Exchange rate KWD/USD, ave	0.31	0.32	0.32	0.32	0.32	0.32
Exchange rate KWD/EUR, ave	0.35	0.39	0.39	0.41	0.40	0.40
Goods and services exports, USDbn	47.2	70.2	76.7	83.0	87.6	92.4
Goods and services imports, USDbn	46.4	60.5	65.9	70.8	74.8	78.6
Balance of trade in goods and services, USDbn	0.8	9.7	10.7	12.2	12.8	13.8
Balance of trade in goods and services, % of GDP	0.7	7.8	8.3	9.0	9.2	9.5
Current account balance, USDbn	-1.1	12.6	13.9	15.5	15.6	15.8
Current account balance, % of GDP	-1.0	10.2	10.7	11.5	11.1	10.9
Foreign reserves ex gold, USDbn	45.5	47.3	49.9	52.9	56.1	59.5
Import cover, months	11.8	9.4	9.1	9.0	9.0	9.1
Budget balance, USDbn	-26.7	-17.9	-12.7	-10.0	-7.2	-4.4
Budget balance, % of GDP	-24.4	-14.5	-9.8	-7.4	-5.2	-3.0

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Lebanon

Lebanon's Real GDP Shifts to Growth In 2022 On Base Effects Amid Limited Reforms

- Lebanon's GDP will contract by 8.5% in real terms in 2021, due to worsening economic conditions and soaring inflation. We previously expected a 6.1% contraction.
- Almost all GDP components are expected to drag on headline growth in 2021. Net exports will be the only exception due to the collapse in domestic demand and a revival in the tourism sector.
- We forecast that real GDP will expand by 6.2% in 2022, largely due to base effects. We believe that Lebanon will be forced to negotiate with the IMF over a rescue package in H222, as Banque du Liban's useable foreign currency reserves will be depleted.
- We expect the Lebanese government to post sizeable deficits over the next decade. A more significant reduction of the deficit will only be possible if structural reforms are adopted, especially to reduce the public sector wage bill. Given the fragmentation of Lebanon's political life, this will prove challenging. This will continue to weigh on public finances unless a major reform program is forthcoming.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Lebanon's large and wealthy diaspora provides the country with a reliable source of inward capital flows and investment, which currently helps support household spending. <p>Opportunities:</p> <ul style="list-style-type: none"> – Improving non-oil economic conditions in the Gulf post 2020-2021 could have a positive impact on tourism receipts and remittances and increase the hiring of Lebanese. – The government may be able to draw on a large commitment of aid and investments to improve its crumbling infrastructure network if it embarks on fiscal reform. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – The Lebanese government has been in default since March 2020, which constrains its access to external funding. – The country runs a large trade deficit, albeit narrowing because of the prevailing crisis, and is heavily reliant on remittances in order to fund its external deficit amid restricted access to capital markets and the ongoing financial crisis. – Lebanon's business environment remains weak, suffering from high levels of perceived corruption, burdensome procedures, weak infrastructure and shortages of basic services. – The 2020 port of Beirut explosion caused serious damage to critical infrastructure. – The political elite is divided, discredited and unpopular. They will struggle to form consensus on reforms and begin the process of rebuilding the economy <p>Threats:</p> <ul style="list-style-type: none"> – Tourism, a hugely important sector to the economy, is particularly sensitive to perceptions of risk, and tourist inflows will remain weak as long as the political situation is unstable and Covid-19 remains a threat.
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Macroeconomic Indicators (Lebanon 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	24.4	23.8	31.6	45.4	55.9	64.8
Nominal GDP, EURbn	21.4	19.6	25.7	35.7	44.4	51.9
Real GDP growth, %y-o-y	-26.1	-8.5	6.2	4.4	3.8	3.6
GDP per capita, USD	3,574	3,510	4,728	6,893	8,619	10,135
GDP per capita, EUR	3,136	2,901	3,844	5,427	6,840	8,108
Population, mn	6.83	6.77	6.68	6.59	6.49	6.40
Consumer price inflation, %y-o-y, ave	84.9	138.1	167.9	40.0	20.0	13.0
Lending rate, %, ave	8.4	9.4	11.0	11.0	11.0	11.0
Central bank policy rate, % eop	10.00	10.00	10.00	10.00	10.00	10.00
Private final consumption, % of GDP	102.8	101.6	101.7	101.4	101.2	101.1
Private final consumption, real growth %y-o-y	-17.5	-11.5	6.5	4.0	3.5	3.5
Government final consumption, % of GDP	11.4	11.6	11.5	11.5	11.4	11.3
Government final consumption, real growth %y-o-y	-50.0	-5.0	5.0	4.0	3.0	2.5
Fixed capital formation, % of GDP	7.0	7.0	7.2	7.4	7.6	7.6
Fixed capital formation, real growth %y-o-y	-65.0	-9.0	15.0	8.0	6.0	4.0
Exchange rate LBP/USD, ave	4,943.75	11,643.62	24,000.00	24,125.00	24,250.00	24,375.00
Exchange rate LBP/EUR, ave	5,634.06	14,088.78	29,520.00	30,638.75	30,555.00	30,468.75
Budget balance, USDbn	-0.8	-1.2	-2.2	-3.6	-3.9	-3.9
Budget balance, % of GDP	-3.4	-5.0	-7.0	-8.0	-7.0	-6.0
Goods and services exports, USDbn	9.7	7.8	8.8	10.2	11.2	12.2
Goods and services imports, USDbn	15.5	13.5	14.0	16.6	18.9	20.6
Balance of trade in goods and services, USDbn	-5.8	-5.7	-5.2	-6.4	-7.6	-8.4
Balance of trade in goods and services, % of GDP	-23.8	-23.8	-16.3	-14.2	-13.7	-13.0
Current account balance, USDbn	-3.1	-2.9	-2.1	-3.0	-3.9	-4.3
Current account balance, % of GDP	-12.6	-12.3	-6.6	-6.7	-7.0	-6.6
Foreign reserves ex gold, USDbn	18.6	13.0	12.8	13.0	13.3	13.5
Import cover, months	14.4	11.6	11.0	9.4	8.4	7.9

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Libya

Libyan Economy Set to Strengthen Further in 2022 From A Low Base

- Real GDP growth of 42.0% in 2021 in Libya, up from an estimated 36.4% contraction in 2020.
- Higher growth will be driven by favorable base effects, as well as higher oil production and revenues amid the ongoing cease fire.
- We then forecast real GDP growth of 4.6% in 2022, as energy production increases further and Covid-19 headwinds subside.
- Nevertheless, risks to Libya's economic outlook are tilted to the downside, with a disorderly outcome to the planned December 2021 presidential and parliamentary elections threatening a rise in political instability in 2022.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Substantial hydrocarbon reserves. – Sizable sovereign wealth fund assets (although these are currently under sanctions). <p>Opportunities:</p> <ul style="list-style-type: none"> – Should the political situation improve, transport and utility infrastructure would be two of the key growth areas over the coming decade given the scale of reconstruction needs. – Hydrocarbon sector investment would also be likely to flow in, helping to expand output. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – A significant amount of productive capacity has been lost, and it will take many years for the economy to return to levels seen prior to 2011. – Huge investment is needed across infrastructure given the damage caused by the ongoing conflict. <p>Threats:</p> <ul style="list-style-type: none"> – Risks of a prolonged, full-blown civil war persist - the consequences of which could lead to economic collapse. – Lower-for-longer oil prices would reduce Libyan foreign currency earnings and fiscal revenue.
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Macroeconomic Indicators (Libya 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	11.9	6.6	7.5	8.1	8.8	9.6
Nominal GDP, EURbn	10.4	5.5	6.1	6.6	7.1	7.7
Real GDP growth, %y-o-y	-36.4	42.0	4.6	2.1	2.9	4.0
GDP per capita, USD	1,725	954	1,071	1,136	1,220	1,319
GDP per capita, EUR	1,513	788	870	924	991	1,064
Population, mn	6.87	6.96	7.04	7.12	7.19	7.27
Consumer price inflation, %y-o-y, ave	12.0	15.0	18.0	3.5	3.0	4.0
Lending rate, %, ave	6.0	6.0	6.0	6.0	6.0	6.0
Central bank policy rate, % eop	3.00	3.00	3.00	3.00	3.00	3.00
Private final consumption, % of GDP	56.9	50.0	54.1	55.2	55.2	55.1
Private final consumption, real growth %y-o-y	-15.0	8.0	5.0	6.0	5.5	5.0
Government final consumption, % of GDP	65.7	61.0	66.6	67.3	67.0	66.8
Government final consumption, real growth %y-o-y	-30.0	15.0	6.0	5.0	5.0	5.0
Fixed capital formation, % of GDP	42.0	42.0	46.6	48.8	50.0	50.3
Fixed capital formation, real growth %y-o-y	-50.0	25.0	8.0	8.8	8.0	6.0
Exchange rate LYD/USD, ave	1.80	4.50	4.50	4.50	4.50	4.50
Exchange rate LYD/EUR, ave	2.05	5.45	5.54	5.54	5.54	5.58
Goods and services exports, USDbn	14.9	26.8	27.6	28.4	29.2	30.0
Goods and services imports, USDbn	24.1	27.1	28.0	28.8	29.5	30.2
Balance of trade in goods and services, USDbn	-9.2	-0.4	-0.4	-0.4	-0.3	-0.2
Balance of trade in goods and services, % of GDP	-77.5	-5.3	-5.6	-5.5	-3.5	-2.1
Current account balance, USDbn	-9.1	0.3	-0.3	-0.4	-0.3	-0.3
Current account balance, % of GDP	-76.8	4.4	-4.4	-5.0	-3.7	-2.9
Foreign reserves ex gold, USDbn	53.7	51.5	49.4	48.0	46.5	45.1
Import cover, months	26.7	22.8	21.2	20.0	18.9	17.9
Budget balance, USDbn	-6.4	-1.2	-0.7	-0.6	-0.6	-0.6
Budget balance, % of GDP	-54.4	-18.1	-9.6	-7.4	-7.0	-6.6

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Morocco

Moroccan Recovery to Gain Pace in H2-21

- Morocco's economic recovery will continue to gain steam in the coming quarters, after a stronger than expected rebound in growth in Q121.
- We forecast real GDP to expand by 5.0% in 2021 against a previous forecast of 4.8%.
- The gradual lifting of strict mobility restrictions on the back of a fast vaccine rollout will offer tailwinds to private consumption. At the same time, supportive fiscal policy and improving investor sentiment will drive a strong rebound in fixed capital formation.
- In 2022, we expect a new fiscal reform to tame the pace of private and government consumption growth, while supporting new investment. We thus forecast real GDP will expand by 3.1%, below Bloomberg consensus of 3.4%.
- Morocco's current account deficit will widen from 1.4% of GDP to 2.4%. This is slightly more optimistic than our initial forecast of 2.7% of GDP, as a result of a stronger-than-expected rebound in goods exports and foreign remittances.
- After only a modest pick-up in 2021, tourism receipts will bounce back in 2022, shrinking Morocco's current account deficit to a 15-year low 1.3% of GDP.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – A low base (GDP per capita is estimated at around USD3,000) and strong growth potential in the tourism, renewable energy and export-oriented manufacturing industries are making the economy an increasingly attractive destination for foreign investment. – The central bank has proved relatively effective at tackling inflation despite the limited monetary policy tools at its disposal. – Morocco retains the confidence of international lenders. <p>Opportunities:</p> <ul style="list-style-type: none"> – Increased trade integration with Sub-Saharan Africa could open new markets for Moroccan manufacturers and mitigate risks from its current reliance on a stagnating Europe. – The banking system remains relatively underdeveloped, which could see financial institutions from more developed economies enter the market over the coming years. – Political will to push ahead with business environment reforms is strong, which will aid investment inflows. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Dependence on the agricultural sector means that growth remains prone to volatile swings in accordance with unpredictable weather patterns. – Reliance on Europe as the main destination for exports means that Morocco is heavily exposed to any deterioration in economic conditions in the eurozone. <p>Threats:</p> <ul style="list-style-type: none"> – The low quality of Morocco's education system could result in shortages of qualified workers, posing a risk to the country's ambition to become a manufacturing hub. – A resurgence in social unrest would tarnish the country's image as a relative regional haven for foreign investment.
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Macroeconomic Indicators (Morocco 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	123.0	123.6	129.9	138.0	148.9	164.6
Nominal GDP, EURbn	107.9	102.2	105.6	112.2	121.1	132.8
Real GDP growth, % y-o-y	-7.1	5.0	3.1	3.2	3.8	3.6
GDP per capita, USD	3,332	3,310	3,439	3,612	3,856	4,219
GDP per capita, EUR	2,923	2,735	2,796	2,936	3,135	3,403
Population, mn	36.91	37.34	37.77	38.19	38.61	39.01
Unemployment, % of labour force, eop	12.2	11.2	9.7	8.9	9.5	8.7
Consumer price inflation, % y-o-y, ave	0.7	1.5	1.4	1.2	1.4	1.8
Central bank policy rate, % eop	1.50	1.50	1.50	1.75	2.00	2.25
Private final consumption, % of GDP	51.6	56.1	55.4	54.4	52.3	49.4
Private final consumption, real growth % y-o-y	-8.7	5.5	3.4	3.0	3.0	3.0
Government final consumption, % of GDP	19.9	20.3	19.3	18.7	17.9	16.8
Government final consumption, real growth % y-o-y	4.4	-1.0	-0.5	1.5	2.5	2.5
Fixed capital formation, % of GDP	24.4	25.9	25.0	24.3	23.7	22.1
Fixed capital formation, real growth % y-o-y	-8.6	6.2	3.8	5.0	7.0	5.0
Exchange rate MAD/USD, ave	9.50	9.31	9.39	9.40	9.46	9.50
Exchange rate MAD/EUR, ave	10.83	11.27	11.55	11.56	11.64	11.78
Goods and services exports, USDbn	37.4	42.0	46.1	48.4	50.3	52.6
Goods and services imports, USDbn	46.2	53.4	56.8	59.5	62.1	64.7
Balance of trade in goods and services, USDbn	-8.8	-11.5	-10.6	-11.2	-11.8	-12.1
Balance of trade in goods and services, % of GDP	-7.1	-9.3	-8.2	-8.1	-7.9	-7.3
Current account balance, USDbn	-1.7	-2.9	-1.7	-1.9	-2.2	-2.2
Current account balance, % of GDP	-1.4	-2.4	-1.3	-1.4	-1.5	-1.3
Foreign reserves ex gold, USDbn	34.6	32.0	30.7	29.8	28.9	28.0
Import cover, months	9.4	7.5	6.5	6.0	5.5	5.1
Budget balance, USDbn	-8.7	-8.1	-6.1	-5.2	-5.1	-5.0
Budget balance, % of GDP	-7.1	-6.6	-4.7	-3.8	-3.4	-3.1

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Oman

Oil And Gas Sector to Fuel Omani Economic Recovery in 2021

- We expect that real GDP growth of 4.2% in Oman in 2022, up from forecast growth of 2.4% in 2021.
- Rising exports on the back of recovering oil and gas production will be the main engine of growth.
- Higher hydrocarbon production and prices will also support government revenues, reducing the extent to which fiscal consolidation efforts weigh on headline growth.
- Private consumption will also recover as falling inflation and the removal of remaining Covid-19 restrictions will boost real incomes, though we note that household spending will face some headwinds from the government's efforts to cut the public sector wage bill.
- We expect the government debt level to decline from 77.0% of GDP in 2020 to 68.7% of GDP by 2022, reflecting narrower fiscal deficits and rising nominal GDP.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – As one of the smaller Gulf oil producers, Oman has had to diversify its economy earlier than most. – A wealth of historical sites, and a leaning toward conservation rather than modernization in contrast to some Gulf neighbours, provides a good basis for tourism expansion. <p>Opportunities:</p> <ul style="list-style-type: none"> – Gas production offers the potential to at least partially offset the decline of the oil industry. – Major tourism investments aim to attract visits from the rising numbers of tourists travelling to and within the Middle East and North Africa region. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – At current output levels, known oil reserves will be exhausted within 15 years. – Hydrocarbon's dependence leaves the economy exposed to energy price shocks. – Oman has low financial buffers compared to the rest of the Gulf Cooperation Council, and is vulnerable to pressure on the currency <p>Threats:</p> <ul style="list-style-type: none"> – Persistently large twin deficits will keep public borrowing costs elevated, and will put the government at increasing risk of having to seek external aid over the long term. – Failure to adequately reform public finances may mean the government cannot access international capital markets at palatable interest rates, which would send a strongly negative signal to investors and threaten the currency peg.
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Macroeconomic Indicators (Oman 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	66.5	79.2	83.0	86.1	89.0	92.1
Nominal GDP, EURbn	58.4	65.4	67.5	67.8	70.6	73.7
Real GDP growth, %y-o-y	-3.0	2.4	4.2	3.1	3.1	3.2
GDP per capita, USD	13,029	15,157	15,584	15,913	16,196	16,528
GDP per capita, EUR	11,433	12,526	12,670	12,530	12,854	13,222
Population, mn	5.11	5.22	5.32	5.41	5.49	5.57
Consumer price inflation, %y-o-y, ave	-0.9	1.5	0.5	0.4	0.5	0.9
Lending rate, %, ave	4.8	4.8	4.8	4.8	4.8	4.8
Central bank policy rate, % eop	0.50	0.50	0.50	0.75	1.25	1.50
Private final consumption, % of GDP	45.4	39.5	38.8	38.6	38.7	38.8
Private final consumption, real growth %y-o-y	-1.5	2.0	2.5	3.0	3.0	3.0
Government final consumption, % of GDP	27.4	23.6	23.3	23.2	23.2	23.3
Government final consumption, real growth %y-o-y	-2.0	1.0	3.0	3.0	3.0	3.0
Fixed capital formation, % of GDP	22.4	19.2	18.8	19.5	20.4	21.2
Fixed capital formation, real growth %y-o-y	-5.0	2.0	3.0	8.0	8.0	8.0
Exchange rate OMR/USD, ave	0.38	0.38	0.38	0.38	0.38	0.38
Exchange rate OMR/EUR, ave	0.44	0.47	0.47	0.49	0.49	0.48
Goods and services exports, USDbn	35.4	47.7	50.7	52.0	52.7	53.4
Goods and services imports, USDbn	42.6	46.0	49.9	54.2	59.0	64.2
Balance of trade in goods and services, USDbn	-9.3	-6.9	-8.0	-9.5	-12.0	-14.6
Balance of trade in goods and services, % of GDP	-14.4	-9.8	-10.6	-12.0	-14.4	-16.6
Current account balance, USDbn	-9.4	1.3	2.4	2.4	1.5	0.4
Current account balance, % of GDP	-14.2	1.7	2.9	2.8	1.7	0.4
Foreign reserves ex gold, USDbn	16.3	16.2	16.4	16.9	17.6	19.0
Import cover, months	4.6	4.2	3.9	3.7	3.6	3.5
Budget balance, USDbn	-11.5	-4.2	-2.2	-1.4	-1.3	-1.7
Budget balance, % of GDP	-17.3	-5.3	-2.7	-1.6	-1.5	-1.8

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Qatar

Qatar Growth to Accelerate in H2-21 Amidst Rising Risks

- Qatar's real GDP growth forecast it remain for 3.8% in 2021, This is despite the country posting a 2.5% real GDP contraction in Q121.
- A strong rebound in public and private investment will drive Qatar's post-pandemic recovery, while the gradual lifting of mobility restrictions, on the back of a fast vaccine rollout, will add further tailwinds to Qatar's growth outlook.
- In 2022, a steady increase in gas exports, high energy prices and tourism for the FIFA World Cup will boost headline growth to 4.1%.
- Qatar will post a current account surplus of 3.3% of GDP on the back of strong hydrocarbon gains.
- In 2022, a strong surge in tourists attending the FIFA World Cup will widen Qatar's current account surplus to 4.1% of GDP, above the pre-pandemic five-year average of 3.6%.
- We see limited risks to Qatar's external position over the medium term, as persistent current account surpluses, rising foreign reserves and sizeable sovereign wealth fund assets will ensure adequate funding to the country's external debt

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – A significant endowment of natural gas, as well as sizeable oil reserves. – A small population means per capita GDP is high. – Good credit ratings allow the country to borrow internationally at low rates. <p>Opportunities:</p> <ul style="list-style-type: none"> – Recent reforms to visa and foreign ownership regulations could encourage foreign investment and boost non-hydrocarbon private sector activity. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Dependence on hydrocarbons leaves fiscal and external dynamics vulnerable to shifts in prices. <p>Threats:</p> <ul style="list-style-type: none"> – Should demand for new sources of energy rise faster than gas, Qatar's aggressive gas pricing strategy could backfire. – Should diversification efforts fail, then Qatar's vulnerability to hydrocarbon price fluctuations would increase over time.
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Macroeconomic Indicators (Qatar 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	148.5	168.8	175.8	178.4	190.2	204.3
Nominal GDP, EURbn	130.3	139.5	142.9	140.5	151.0	163.4
Real GDP growth, % y-o-y	-3.6	3.8	4.1	-0.2	0.6	3.5
GDP per capita, USD	51,540	57,590	59,003	58,904	61,828	65,430
GDP per capita, EUR	45,225	47,595	47,970	46,381	49,070	52,344
Population, mn	2.88	2.93	2.98	3.03	3.08	3.12
Consumer price inflation, % y-o-y, ave	-2.7	1.4	2.8	-1.8	1.0	1.0
Lending rate, %, ave	7.8	7.5	7.5	7.5	7.5	7.5
Central bank policy rate, % eop	2.50	2.50	2.50	2.75	3.25	3.50
Private final consumption, % of GDP	26.8	25.2	26.9	27.2	26.8	26.2
Private final consumption, real growth % y-o-y	-7.5	5.5	8.0	4.5	4.0	4.0
Government final consumption, % of GDP	21.4	19.7	20.3	20.5	19.9	19.1
Government final consumption, real growth % y-o-y	4.2	3.4	4.5	4.0	2.5	2.0
Fixed capital formation, % of GDP	44.8	41.7	38.9	38.0	36.9	36.5
Fixed capital formation, real growth % y-o-y	-19.5	8.0	-3.0	-1.0	3.5	6.0
Exchange rate QAR/USD, ave	3.64	3.64	3.64	3.64	3.64	3.64
Exchange rate QAR/EUR, ave	4.15	4.41	4.48	4.62	4.59	4.55
Budget balance, USDbn	-3.1	6.8	10.8	11.2	11.4	12.3
Budget balance, % of GDP	-2.1	4.0	6.1	6.3	6.0	6.0
Goods and services exports, USDbn	70.9	91.4	99.4	100.7	108.1	116.8
Goods and services imports, USDbn	60.5	68.8	75.0	75.1	76.9	79.5
Balance of trade in goods and services, USDbn	10.4	22.5	24.4	25.6	31.2	37.3
Balance of trade in goods and services, % of GDP	7.0	13.4	13.9	14.4	16.4	18.2
Current account balance, USDbn	-5.1	5.6	7.2	8.6	13.8	19.8
Current account balance, % of GDP	-3.4	3.3	4.1	4.8	7.3	9.7
Foreign reserves ex gold, USDbn	40.8	42.7	45.2	46.6	47.0	47.5
Import cover, months	8.1	7.4	7.2	7.4	7.3	7.2

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Saudi Arabia

Saudi Growth Outlook Brightens as Energy Prices Rise

- After a 4.1% contraction in 2020, we forecast that the Saudi economy will expand by 3.0% in 2021, Private consumption will lead the recovery, benefitting from a fast vaccine rollout and higher energy prices.
- This, in turn, will support private investment which we believe will offset declines in public capital expenditure.
- OPEC+ supply restrictions in the first half of the year will mean that net exports will, as a whole, cap growth gains in the near term.
- Saudi Arabia current account surplus forecast in 2021 revised from 1.5% of GDP to 2.5% on the back of stronger-than-expected oil price gains.
- That said, the services trade deficit will widen, capping the size of the current account surplus.
- Finally, we highlight minimal risks to the riyal's dollar peg thanks to large central bank and sovereign wealth fund assets.

Economic SWOT

Strengths:	Weaknesses:
<ul style="list-style-type: none"> – As the main OPEC producer, Saudi Arabia is in a strong position within the cartel. – The oil price boom of the 2000's boosted growth in the non-oil sector and infrastructure is now improved. – A large and growing local population means solid domestic demand for goods, services, and infrastructure. 	<ul style="list-style-type: none"> – Dependence on oil means growth, exports and government spending remain highly vulnerable to shifts in world oil prices. Eventual slumps will lead to weaker growth and a more challenging macroeconomic environment. – The private sector is dependent on expatriate labour, reflecting a shortage of marketable skills and a high unemployment rate among Saudi nationals. – The corporate sector will face pressures on margins over the next few years, due to higher costs and relatively weaker demand.
Opportunities:	Threats:
<ul style="list-style-type: none"> – King Salman and his influential son Mohammed have shown greater willingness to grapple with economic reforms, restructuring the country's economy, administrative apparatus and pushing through fiscal consolidation measures. – The kingdom will open up for foreign investment, which will enable capital to flow into the country 	<ul style="list-style-type: none"> – Any attacks on oil facilities could lead to a disruption of output, which would be highly detrimental to the overall economy, given the country's reliance on the sector. – Perceptions of elevated political and security risks deter some investors and add to the costs of insurance.

Macroeconomic Indicators (Saudi Arabia 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	700.1	799.5	843.4	857.7	901.3	945.5
Nominal GDP, EURbn	614.3	650.0	669.3	675.3	715.3	756.4
Real GDP growth, % y-o-y	-4.1	3.0	5.6	2.2	2.6	2.3
GDP per capita, USD	20,110	22,621	23,528	23,608	24,493	25,381
GDP per capita, EUR	17,646	18,391	18,673	18,589	19,438	20,305
Population, mn	34.81	35.34	35.84	36.33	36.80	37.25
Unemployment, % of labour force, eop	6.4	6.3	6.3	6.4	6.4	6.5
Consumer price inflation, % y-o-y, ave	3.5	3.7	1.2	-1.0	1.9	1.9
Lending rate, %, ave	8.0	8.0	8.0	8.0	8.0	8.0
Central bank policy rate, % eop	0.50	0.50	0.50	0.75	1.25	1.50
Private final consumption, % of GDP	43.0	41.6	41.3	41.3	40.9	40.7
Private final consumption, real growth % y-o-y	-6.4	6.8	3.5	2.6	2.4	2.4
Government final consumption, % of GDP	28.5	26.5	25.9	25.8	25.6	25.5
Government final consumption, real growth % y-o-y	4.2	2.3	1.9	2.2	2.5	2.6
Fixed capital formation, % of GDP	22.7	22.4	22.8	23.1	23.4	23.8
Fixed capital formation, real growth % y-o-y	-13.5	9.0	6.0	4.0	4.5	4.7
Exchange rate SAR/USD, ave	3.75	3.75	3.75	3.75	3.75	3.75
Exchange rate SAR/EUR, ave	4.27	4.61	4.73	4.76	4.73	4.69
Goods and services exports, USDbn	184.1	263.0	288.2	303.0	317.0	328.7
Goods and services imports, USDbn	179.8	212.5	228.0	241.0	248.3	255.3
Balance of trade in goods and services, USDbn	4.3	50.5	60.2	62.0	68.7	73.4
Balance of trade in goods and services, % of GDP	0.6	6.3	7.1	7.2	7.6	7.8
Current account balance, USDbn	-19.6	20.0	27.0	27.5	33.1	36.8
Current account balance, % of GDP	-2.8	2.5	3.2	3.2	3.7	3.9
Foreign reserves ex gold, USDbn	453.3	457.8	471.5	485.7	490.5	495.4
Import cover, months	30.3	25.9	24.8	24.2	23.7	23.3
Budget balance, USDbn	-83.2	-20.1	-5.4	-4.9	0.2	1.9
Budget balance, % of GDP	-11.9	-2.5	-0.6	-0.6	0.0	0.2

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Sudan

- Sudanese Economy to Barely Expand in 2021
- Sudan's real GDP growth forecast for 2021 have revised down from 0.8% to 0.6%, reflecting the negative impact of soaring domestic prices.
- Private consumption will remain weak in 2021, as inflation dampens purchasing power and Covid-19 restrictions hamper the recovery in consumer and business activity.
- Improving relations with foreign creditors will provide modest tailwinds to investment, although net exports will have a neutral impact on growth.
- We forecast that real GDP growth will accelerate to 1.8% in 2022, remaining below the country's 2010-19 average of 4.3%.
- Sudanese External Position will depend largely on Foreign Investments.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – Sudan has untapped mineral and agricultural resources which could be exploited by foreign investors in the coming years, adding tailwinds to growth. – Strong trade and investment links with the Gulf and China will continue to improve Sudan's fortunes. <p>Opportunities:</p> <ul style="list-style-type: none"> – Sudan's removal from the US's State Sponsors of Terrorism list in December 2020 will likely see investor interest in the country pick up again in the long term. – This, combined with the removal of US sanctions on trade and financial transactions with Sudan in October 2017, should boost Sudan's access to US imports, with a positive impact on transport infrastructure. Twenty years of inability to order spare train parts has left the country's rail infrastructure in decline and addressing this could see improvements in logistics. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Sudan and have limited scope of state and healthcare facilities to provide large-scale Covid-19 vaccination programmes and thus prevent renewed outbreaks of the disease. – Sudan suffers from a very weak operating environment, with poor infrastructure and challenging regulation likely to deter investors. – Economic policymaking in Sudan will remain in a state of flux following the overthrow of President Omar al-Bashir and the protracted and complex transition process. <p>Threats:</p> <ul style="list-style-type: none"> – The country' dependence on exports such as oil and gold means that lower commodity prices exert pressure on fiscal revenues and their current account balance. – Delays to the transition processes could starve the economies of much-needed foreign capital and result in much weaker economic growth.
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Macroeconomic Indicators (Sudan 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	65.7	41.5	98.1	149.0	203.5	255.7
Nominal GDP, EURbn	57.6	33.2	77.9	119.2	164.2	206.2
Real GDP growth, % y-o-y	-7.0	0.6	1.8	2.6	2.9	3.4
GDP per capita, USD	1,497	922	2,133	3,164	4,221	5,180
GDP per capita, EUR	1,314	738	1,693	2,531	3,404	4,177
Population, mn	43.85	44.91	45.99	47.10	48.22	49.35
Consumer price inflation, % y-o-y, ave	146.2	370.0	122.5	46.2	32.0	21.0
Private final consumption, % of GDP	91.2	98.4	93.8	92.5	91.8	91.2
Private final consumption, real growth % y-o-y	-7.9	0.6	1.4	2.4	2.7	3.2
Government final consumption, % of GDP	8.7	9.4	9.1	9.0	8.9	8.9
Government final consumption, real growth % y-o-y	-2.1	0.7	3.0	3.0	3.0	3.5
Fixed capital formation, % of GDP	6.8	2.1	1.3	1.3	1.3	1.5
Fixed capital formation, real growth % y-o-y	-6.0	1.0	3.0	3.5	3.8	4.1
Exchange rate SDG/USD, ave	54.00	375.00	375.00	375.00	375.00	375.00
Exchange rate SDG/EUR, ave	61.54	468.75	472.50	468.75	465.00	465.00
Goods and services exports, USDbn	4.9	5.4	5.7	6.0	6.4	6.8
Goods and services imports, USDbn	9.3	9.5	9.8	10.2	10.6	11.1
Balance of trade in goods and services, USDbn	-4.4	-4.1	-4.1	-4.1	-4.2	-4.3
Balance of trade in goods and services, % of GDP	-6.7	-9.9	-4.2	-2.8	-2.0	-1.7
Current account balance, USDbn	-4.8	-4.5	-4.5	-4.6	-4.7	-4.8
Current account balance, % of GDP	-7.3	-10.9	-4.6	-3.1	-2.3	-1.9
Foreign reserves ex gold, USDbn	0.2	0.2	0.2	0.2	0.2	0.2
Import cover, months	0.2	0.2	0.2	0.2	0.2	0.2
Budget balance, USDbn	-5.1	-1.1	-1.8	-2.2	-3.3	-3.8
Budget balance, % of GDP	-7.8	-2.7	-1.8	-1.5	-1.6	-1.5

e/f = estimate/forecast. Source: National sources, Fitch Solutions

Tunisia

Tunisia To Endure More Economic Pain in Second Half Of 2021

- We expect that the Tunisian economic recovery will remain weak over the remainder of 2021 as a resurgence in Covid-19 cases holds back economic activity and global travel restrictions weigh on the tourism sector.
- Following an 8.8% drop in output in 2020, we forecast real GDP growth of just 2.5% in 2021.
- The recovery should gain traction in 2022 as the Covid-19 vaccination drive is ramped up - allowing policymakers to loosen strict restrictions designed to stem the spread of the virus - and global tourism recovers.
- Tunisia will remain heavily reliant on external financing over the coming decades, owing to persistent current account imbalances that will be widened further by the Covid-19 shock. The country has traditionally been a net debtor to the rest of the world, with a Net International Investment Position averaging a negative 105.6% of GDP over the past decade.
- Owing to persistent current account deficits over the next decade, and foreign investment insufficient to plug the gap, we expect Tunisia's external debt to keep growing rapidly over the next few years, before gradually stabilizing. Following a sharp increase in 2020, we expect external debt to rise up towards 150% of GDP by the middle of the coming decade, up from 83.9% in 2018.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – The economy is relatively well diversified, with strong services, agriculture, and manufacturing industries. – High human capital development and proximity to European markets will attract foreign investment in the long run. <p>Opportunities:</p> <ul style="list-style-type: none"> – Tourism could yet become a greater source of long-term growth if security conditions stay persistently stable for several years and sufficient foreign investment materialises. – Further reforms made with the assistance of the IMF could help improve foreign investor confidence in the economy. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – Exports are heavily concentrated on European countries where growth prospects are relatively weak, particularly following the Covid-19 pandemic. – The country's commercial and industrial bases are on the coast, and the interior has been less developed. – Unemployment remains significantly higher than other North African countries, particularly among the younger population. <p>Threats:</p> <ul style="list-style-type: none"> – Tourism, a hugely important sector to the economy, is particularly sensitive to perceptions of risk, and tourist inflows will remain weak as long as the political situation is unstable and Covid-19 remains a threat.
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Macroeconomic Indicators (Tunisia 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	42.5	46.3	48.3	48.6	50.0	51.7
Nominal GDP, EURbn	37.3	37.6	38.3	38.3	39.7	41.4
Real GDP growth, %y-o-y	-8.8	2.5	4.3	3.0	2.9	2.2
GDP per capita, USD	3,597	3,876	4,010	3,998	4,079	4,189
GDP per capita, EUR	3,156	3,151	3,182	3,148	3,237	3,351
Population, mn	11.82	11.94	12.05	12.15	12.25	12.35
Unemployment, % of labour force, eop	20.0	18.0	15.7	15.0	15.0	14.0
Consumer price inflation, %y-o-y, ave	5.7	5.7	4.8	5.0	4.5	4.0
Central bank policy rate, % eop	6.25	6.25	6.25	6.50	7.00	7.25
Private final consumption, % of GDP	75.2	76.1	76.3	75.9	75.7	75.2
Private final consumption, real growth %y-o-y	-9.0	4.0	4.3	2.9	3.0	2.0
Government final consumption, % of GDP	18.9	18.9	18.0	17.6	17.5	17.5
Government final consumption, real growth %y-o-y	3.0	2.5	-1.0	1.0	2.5	2.5
Fixed capital formation, % of GDP	14.6	15.2	16.3	16.4	16.5	16.7
Fixed capital formation, real growth %y-o-y	-13.0	6.8	12.0	4.0	4.0	4.0
Exchange rate TND/USD, ave	2.81	2.80	2.92	3.15	3.30	3.40
Exchange rate TND/EUR, ave	3.21	3.44	3.68	4.00	4.16	4.25
Budget balance, USDbn	-4.5	-3.7	-2.9	-2.7	-2.6	-2.6
Budget balance, % of GDP	-10.6	-8.0	-5.9	-5.5	-5.3	-5.1
Goods and services exports, USDbn	16.2	19.5	19.3	18.8	18.8	19.2
Goods and services imports, USDbn	19.8	23.2	24.3	23.4	23.5	23.9
Balance of trade in goods and services, USDbn	-3.6	-3.7	-5.0	-4.6	-4.7	-4.7
Balance of trade in goods and services, % of GDP	-8.4	-8.0	-10.3	-9.6	-9.4	-9.1
Current account balance, USDbn	-2.7	-3.7	-4.1	-3.7	-3.8	-3.8
Current account balance, % of GDP	-6.3	-7.9	-8.4	-7.7	-7.6	-7.4
Foreign reserves ex gold, USDbn	9.0	8.1	7.9	7.9	7.9	7.9
Import cover, months	5.5	4.2	3.9	4.0	4.0	4.0

e/f = estimate/forecast. Source: National sources, Fitch Solutions

UAE

Expo And Vaccine Efforts to Drive Dubai's Economic Recovery

- We expect real GDP in Dubai to grow by a robust 4.7% in 2021, largely due to a gradual recovery in the tourism sector and stronger domestic demand.
- However, this 2021 growth forecast represents a modest downward revision from our prior projection of 4.9%, as we believe that the delta variant will cause some headwinds to the country's economic revival.
- In 2022, we expect Dubai's economy to continue recovering, but at a slower pace due to fading base effects, with real GDP growth coming at 3.5%.
- We forecast the UAE's current account surplus to increase from 5.8% of GDP in 2020 to 7.7% of GDP in 2021 and 7.9% of GDP in 2022, this forecast is based on our expectation for a gradual recovery in services and goods exports, as Expo 2020 Dubai drives a revival in the tourism sector, the recovery in the global economy supports non-hydrocarbon exports, and elevated oil prices and higher output bolster hydrocarbon export receipts.

Economic SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> – The UAE has one of the most liberal trade and investment regimes in the Gulf and attracts strong capital flows both from the region and outside it. – In common with most GCC states, there is a high number of skilled and unskilled expatriate workers at all levels of the economy, making up for an otherwise small workforce. – The UAE- more specifically, the oil-producing emirate Abu Dhabi - is progressively diversifying its economy and has reduced its vulnerability to oil price movements compared to other Gulf states. – The country's immense sovereign wealth fund assets afford the government with significant latitude in economic policy decisions <p>Opportunities:</p> <ul style="list-style-type: none"> – Economic diversification into tourism, financial services and high-tech industries may offer further protection against volatile oil prices. – More advantageous visa regulations may help establish the UAE as a permanent destination for skilled expatriates. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> – The UAE's currency is pegged to the dollar, giving the country minimal control over monetary policy and reducing its ability to tackle inflationary pressure or to stimulate growth by non-fiscal means. – Volatility in the region means the UAE's risk profile is to some extent affected by events elsewhere. Concerns about potential tensions with Iran could negatively affect investor perceptions. – Maturing resources and forecast low prices will mean that oil, traditionally the chief source of fiscal revenue, will contribute less to revenue growth over the coming years. <p>Threats:</p> <ul style="list-style-type: none"> – The ongoing weakness in oil prices may prompt the government to ease up on fiscal stimulus measures and/or introduce new taxes, potentially damaging economic confidence. – Another escalation of tensions with Iran could weigh on investor perceptions across the GCC, negatively affecting the Emirati economy.
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Macroeconomic Indicators (UAE 2020-2025)

Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	358.9	400.1	420.0	444.1	468.4	491.9
Nominal GDP, EURbn	314.9	330.6	341.4	349.7	371.7	393.5
Real GDP growth, %y-o-y	-6.1	3.7	4.1	3.6	3.4	3.5
GDP per capita, USD	36,284	40,041	41,655	43,690	45,716	47,647
GDP per capita, EUR	31,838	33,091	33,866	34,402	36,283	38,118
Population, mn	9.89	9.99	10.08	10.17	10.25	10.32
Consumer price inflation, %y-o-y, ave	-2.1	0.4	1.7	2.0	2.1	1.8
Lending rate, %, ave	2.8	2.8	2.8	2.8	2.8	2.8
Central bank policy rate, % eop	0.75	0.75	0.75	1.00	1.50	1.75
Private final consumption, % of GDP	39.1	36.5	36.6	36.3	36.1	35.8
Private final consumption, real growth %y-o-y	-12.5	3.5	3.5	3.0	2.5	2.5
Government final consumption, % of GDP	14.1	12.7	12.2	12.0	11.9	11.7
Government final consumption, real growth %y-o-y	0.7	0.0	-0.5	2.0	2.0	2.0
Fixed capital formation, % of GDP	19.7	20.3	20.3	20.0	19.7	19.2
Fixed capital formation, real growth %y-o-y	5.8	4.5	5.0	5.0	4.0	4.0
Exchange rate AED/USD, ave	3.67	3.67	3.67	3.67	3.67	3.67
Exchange rate AED/EUR, ave	4.19	4.44	4.51	4.66	4.62	4.59
Goods and services exports, USDbn	335.2	398.7	410.9	431.3	453.3	476.8
Goods and services imports, USDbn	270.3	314.1	320.1	331.4	343.1	355.3
Balance of trade in goods and services, USDbn	64.9	84.7	90.8	99.9	110.2	121.5
Balance of trade in goods and services, % of GDP	18.1	21.2	21.6	22.5	23.5	24.7
Current account balance, USDbn	21.0	30.6	33.0	39.2	46.5	54.0
Current account balance, % of GDP	5.8	7.7	7.9	8.8	9.9	11.0
Foreign reserves ex gold, USDbn	105.7	112.1	118.8	125.9	133.5	141.5
Import cover, months	6.1	5.2	5.4	5.4	5.4	5.5
Budget balance, USDbn	-9.0	24.3	22.2	24.4	29.7	33.7
Budget balance, % of GDP	-2.5	6.1	5.3	5.5	6.4	6.8

e/f = estimate/forecast. Source: National sources, Fitch Solutions