

BANKING ON KNOWLEDGE

IMF outlook acknowledges Qatar's diversification story

By Dr R Seetharaman

The IMF's October 2014 economic outlook has stated that activity in the Gulf Co-operation Council (GCC) economies accelerated slightly in the second half of 2013 and into 2014, driven by higher oil production and government spending.

In the GCC countries, growth is projected to average about 4.5% in 2014-15, with non-oil GDP growing by 6% and oil GDP rising by 1%. Inflation is expected to remain contained in most countries, particularly in the GCC, in light of the softening global food prices and pegged exchange rates. The overall fiscal balance of the GCC countries is projected to decline from 2% of GDP in 2014 to 1% in 2015.

Saudi Arabia is expected to grow by



4.6% in 2014 and 4.5% in 2015 respectively, according to the IMF's October 2014 economic outlook. The non-oil private sector as well as state spending will enable Saudi Arabia to improve its economic growth this year. The Kingdom is expected to have an annual inflation of 2.9% in 2014, according to the IMF

outlook. The inflation rate in Saudi Arabia was at 2.80% in August 2014.

The UAE is expected to grow by 4.3% in 2014 and 4.5% in 2015 respectively according to the IMF's October 2014 economic outlook. The UAE's economy remains solid on the back of both the hydrocarbon and non-hydrocarbon sectors. Its diversification policy constitutes an important pillar of the economic performance. Dubai has taken the lead in diversification and has established itself as a service economy and a centre for finance, real estate, tourism and logistics.

The contribution of the hydrocarbon sector to Abu Dhabi's GDP was at 51.4% in 2013. Abu Dhabi's non-oil economy grew at a compound rate of 6.9% a year in the five years to 2012 and lifted the share of the emirate's economy unrelated to hydrocarbons to 48%.



Qatar is expected to grow by 6.5% in 2014 and 7.7% in 2015 respectively, according to the IMF's October 2014 economic outlook. In the last forecast from the General Secretariat for Development Planning, Qatar had indicated that its economy is likely to grow 6.3% this year and reach 7.8% in 2015. Brisk, double-digit expansion in the non-oil & gas economy is also expected in 2014 and 2015.

Qatar's economic growth picked up slightly to 5.7% on an annual basis in the second quarter of this year as robust non-oil activity outweighed a decline in the hydrocarbon sector. The above

economic trends indicate that the recent IMF outlook acknowledges the fact that Qatar's non-hydrocarbon diversification is going to be the driver of its economic growth. Qatar is expected to have an annual inflation of 3.4% in 2014, according to the IMF outlook. Qatar's inflation surged to 3.8% in August 2014 on rising rents and food prices.

According to the IMF's October 2014 economic outlook, Kuwait is expected to grow by 1.4% in 2014 and 1.8% in 2015 respectively, Oman is expected to grow by 3.4% both in 2014 and 2015 respectively, whereas Bahrain is expected to grow by

3.9% in 2014 and 2.9% in 2015 respectively.

GCC GDP at current prices is expected to grow by 3.7% in 2014 to \$1.7tn.

GCC current account balance as a percentage of the GDP at current prices is expected to be close to 18% for 2014. The GDP at current prices for Saudi Arabia, the UAE, Kuwait, Oman, Qatar and Bahrain in 2014 is expected to be close to \$778bn, \$416bn, \$179bn, \$80bn, \$212bn and \$34bn respectively. The current account balance as a percentage of the GDP at current prices for Saudi Arabia, the UAE, Kuwait, Oman, Qatar and Bahrain in 2014 is expected to be close to 15%, 11%, 41%, 10%, 27% and 7% respectively.

● Dr R Seetharaman is the Group CEO of Doha Bank. The views expressed are his own.