
Rays of recovery - Gulf economies to rebound next year - Survey

Monday, 22 Jun, 2009

Bloomberg reported that Gulf Arab economies will rebound next year with all recording positive growth as regional inflation slows.

According to a survey, the fastest expansion in the region will be recorded by Qatar, the world's largest liquefied natural gas exporter, which will post 15% growth next year, according to the median estimate of 6 economists contacted by Bloomberg News between May 21st and June 11th and the International Monetary Fund.

Arab Gulf states have been using savings to help cushion the impact of the worst global recession since World War II. Qatar, Bahrain, the United Arab Emirates and Oman also have either issued sovereign bonds or are looking to float bonds to fund expansionary spending and support companies.

The 6 Gulf Cooperation Council states hold 40% of global oil reserves and are benefiting from a recovery in prices. Crude prices fell more than 75% from July's intraday record of USD 147.27 a barrel to a low of USD 33.87 on December 19th. Crude oil now trades at about USD 70 a barrel and the countries are luring fresh capital from abroad.

According to the median estimate of the survey, Saudi Arabia, the world's largest oil exporter will record 4.7% economic growth next year after the economy shrinks 0.9% this year.

According to the forecasts, the economies of Oman, Bahrain and Qatar will be the only to grow this year in the GCC while Saudi Arabia, Kuwait and the UAE face contractions. Inflation is expected to slow across the GCC after reaching above 10% in 5 of the 6 GCC countries last year. EFG-Hermes SAE and the National Bank of Abu Dhabi PJSC are predicting deflation in the UAE where the median inflation estimate stands at 2% this year and 3% next year.

Saudi Arabia, Qatar, Oman and Kuwait will see inflation of 5% or above this year. Real estate prices across the region have dropped as the global credit crunch set in.

The dollar, to which all the GCC countries are pegged bar Kuwait has also strengthened, easing the costs of imports. The drop in global commodity prices has also brought down the cost of food in the region. Economists from EFG-Hermes SAE, Samba Financial Group, Jadwa Investment Company, Standard & Poor's, National Bank of Abu Dhabi PJSC, Standard Chartered Plc took part in the survey which includes data from the IMF Web site.

(Sourced from Bloomberg)

For more news visit at www.steelguru.com