



GULF ECONOMIC UPDATE:

COVID-19 Pandemic and the Road to Diversification

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According to the research report published by the World Bank, with recent progress made with the rollout of the COVID-19 vaccine globally and with the revival of production and trade worldwide, the prospects for an economic recovery are firmer now than at the end of last year.

Although downside risks remain, the forecast stands for an aggregate GCC economic turnaround of 2.2% in 2021 with the outcomes ranging from 1.2 percent for the UAE to 2.4 percent for Kuwait and Saudi Arabia and an annual average growth of 3.3% in 2022-23.

GCC Forecast Summary (Annual Percentage Change)

Economy	2019	2020e	2021f	2022f	2023f
Bahrain	2.0	-5.1	3.3	3.2	3.2
Kuwait	0.4	-5.4	2.4	3.6	2.8
Oman	-0.8	-6.3	2.5	6.5	4.2
Qatar	0.8	-3.7	3.0	4.1	4.5
Saudi Arabia	0.3	-4.1	2.4	3.3	3.2
United Arab Emirates	1.7	-6.1	1.2	2.5	2.5

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Oil exports and gas for domestic use will continue to drive Kuwait's growth dynamics during the forecast period. It remains vital for GCC countries to diversify their economies, the World Bank said, as **oil revenues account for over 70% of total government revenues in most GCC countries.**

Diversification not only entails diversifying production structure as income rises but also extends to diversifying export product baskets and markets. All GCC countries have increased their types of products and number of markets.

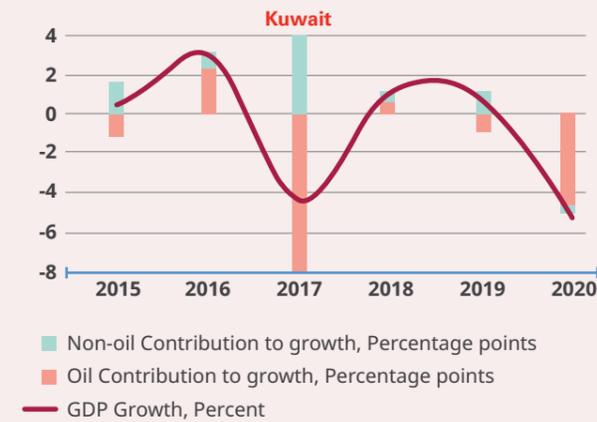
While the UAE has made the most progress in increasing nonhydrocarbon exports in percentage terms of GDP, Bahrain and Oman have made similar advances but to a lower extent. **Diversification of exports has not changed significantly in Kuwait.**



Diversification of Exports, No of Products



GDP Growth, Oil Contribution to Growth, & Non-Oil Contribution to Growth



Fiscal deficits are projected to persist for most countries over the forecast period. However, The three countries with the largest deficits in 2020 - Kuwait, Bahrain, and Oman - are projected to remain in deficit throughout 2021-23, but at narrower ratios to GDP in 2023 than during the economic downturn in 2020.

According to the report, Kuwait posted the GCC's largest headline fiscal deficit in 2020, at 26 percent of GDP.

Countries with Largest Deficits in 2020

