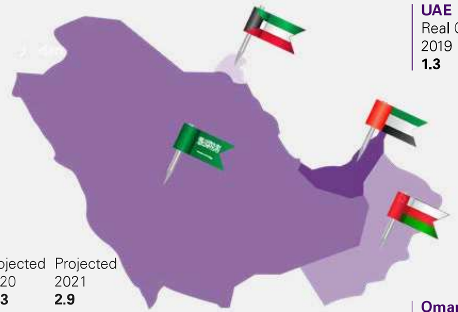
REGIONAL OUTLOOK

In the Gulf, revised real GDP growth projections show decline across all markets for 2020, with a likely resurgence in 2021. Economic revival is, however, dependent upon a number of factors, including when and how restrictions are lifted and general sentiment among travelers as these will directly affect the real estate and hospitality sectors.

Real GDP growth projections (April 2020)

Kuwait
Real GDP 2019 **0.7** | Projected 2020 **-1.1** | Projected 2021 **3.4**

UAE
Real GDP 2019 **1.3** | Projected 2020 **-3.5** | Projected 2021 **3.3**



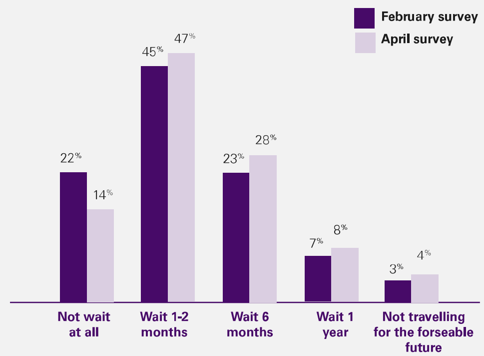
KSA
Real GDP 2019 **0.3** | Projected 2020 **-2.3** | Projected 2021 **2.9**

Oman
Real GDP 2019 **0.5** | Projected 2020 **-2.8** | Projected 2021 **3.0**

Note: As of 30 June, the IMF revised its GDP forecast for the GCC, predicting a 7.6% contraction for 2020. This is compared with April's forecast of a 2.7% downtick in the region.

Source: World Economic Outlook, The Great Lockdown, IMF (April 2020)

Returning to travel after containment announcement



Source: International Air Transport Association (IATA) April 2020 survey

Globally, air traffic fell 90% due to widespread lockdowns and border closures[1] and tourism numbers are expected to decrease by 60-80% in 2020.[2] According to an International Air Transport Association (IATA) survey, 40% of potential passengers do not plan to travel for at least six months (as of April 2020). In the UAE, this could have a significant impact on the economy, as aviation and tourism accounts for 13% of GDP.[3] At the date of publication, Dubai plans to reopen to tourists by July, and health precautions will be central to the government's phased approach.

Fluctuations in oil prices and economic indicators

A plunge in global oil prices is exacerbating the economic strain – particularly among members of the Gulf Cooperation Council (GCC). Given a certain dependency on oil in the region, fluctuations in supply and demand are a major concern. Prices plummeted due to falling global demand and rising supply, which in turn triggered a breakdown of the OPEC+ agreement in March 2020. As oil exports may decline by more than USD 250 billion, budget deficits could exceed 10% of GDP in countries across the region.[4]

Brent crude oil price (USD)

Source: Macrotrends

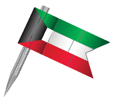
Fiscal breakeven oil prices (USD per barrel)

UAE

			Projections	
2017	2018	2019	2020	2021
Fiscal breakdown oil price[2]				
62	**64.1**	**67.1**	**69.1**	**60.6**

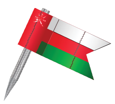
KSA

			Projections	
2017	2018	2019	2020	2021
Fiscal breakdown oil price[2]				
83.7	**88.6**	**82.6**	**76.1**	**66.0**



Kuwait[1]

			Projections	
2017	2018	2019	2020	2021
Fiscal breakdown oil price[2]				
45.7	**53.6**	**52.6**	**61.1**	**60.3**



Oman

			Projections	
2017	2018	2019	2020	2021
Fiscal breakdown oil price[2]				
96.9	**96.7**	**92.8**	**86.8**	**79.8**

1. Kuwait's fiscal breakeven oil price in before compulsory 10 percent revenue transfer to the Future Generations Fund including investment outcome.
2. The oil price at which the fiscal balance is zero

Source: IMF

Stimulus measures

Businesses affected by Covid-19 face issues linked to cash flow, profitability and ultimately continuity. Government and regulatory bodies, including the Central Bank of the United Arab Emirates (CBUAE) and the Government of Dubai, have rolled out stimulus packages with the intention of optimizing costs, supporting businesses and demonstrating a sense of solidarity.[5]

The Emirate of Dubai

The Government of Dubai's economic stimulus package (AED 1.5 billion) seeks to enhance liquidity and cushion the potential impact of the current economic situation. As of May 2020, the package included various initiatives aimed at reducing the cost of doing business and simplifying procedures – especially in the commercial, retail, external trade, tourism and energy sectors.

Actions include:

- 10% reduction in water and electricity bills, including those charged in the residential, commercial and industrial sectors, for a period of three months
- Reduction of municipality fees imposed on sales at hotels by 50% for 90 days
- A refund of 20% on customs fees imposed on imported products sold locally in Dubai markets
- Commercial licenses can be renewed without mandatory renewal of lease contracts
- Municipality fees imposed on sales at hotels are reduced from 7% to 3.5%
- Companies are exempt from fees charged for postponement and cancellation of tourism and sports events scheduled for the year 2020
- Freeze on fees for the rating of hotels
- Halt to fees charged for the sale of tickets, issuance of permits and other government fees related to entertainment and business events
- Companies will be exempted from permits for new sales and offers
- Cancelation of the 25% down payment required for requesting installment-based payment of government fees

The Central Bank of the United Arab Emirates

The CBUAE's economic stimulus package (AED 256 billion) includes measures that aim to help the real estate and hospitality sectors (among others):

- AED 50 billion from the Central Bank's funds through collateralized loans at zero cost to all banks operating in the UAE
- AED 50 billion of funds freed up from banks' capital buffers. Banks can use the funding to grant temporary relief to private sector corporate customers and retail clients for a period of up to six months
- Reducing the amount of capital banks have to hold for their loans to small and medium-sized enterprises (SMEs) from 50% to 25%
- Increasing the loan-to-value (LTV) ratios applicable to mortgage loans for first-time home buyers by 5 percentage points. Currently LTVs stand at 75% for non-UAE nationals and 80% for UAE nationals
- Increasing the maximum exposure that banks can have to the real estate sector from 20% to 30%, contingent on holding more capital