

## **GCC To Witness Marginal Economic Growth In 2019**

The GCC is expected to see a marginal economic growth of 2.3% in 2019—0.3 percentage points up compared to the previous year, according to ICAEW's latest Economic Insight report.

The report reveals that renewed OPEC-plus oil production cuts and lower oil prices, which limit the oil sector's contribution to overall growth in 2019, will mean that the main source of growth will come from the non-oil sector.

Despite the strong drive in recent years by GCC authorities to diversify their economies, oil continues to play a dominant role, constituting up to 46% of total GDP.

Major oil producers reached a deal in late 2018 to cut oil production by 1.2 million barrels per day for the first six months of 2019. OPEC members will reduce their output by 800,000 bpd, while Russia and the allied producers will contribute a 400,000bpd reduction. As such, the oil sector is expected to be dampened by lower prices, forecast at \$64pb in 2019, down by \$7pb from the average in 2018.

"Recent oil market volatility highlights the region's need for continued diversification efforts, including fiscal and structural reforms. GCC governments will have to play an ever-growing role in stimulating economic growth in 2019," said Mohamed Bardastani, ICAEW Economic Advisor and Senior Economist for the Middle East at Oxford Economics.

The non-oil sector in the GCC is expected to be the primary engine of growth in 2019, supported by higher government spending on continued reforms and project spending, notably in the UAE and Saudi Arabia.

Activity in the UAE is set to accelerate to 2.2% in 2019, up from an estimated 1.7% in 2018. The growth will be led by the pick-up in non-oil activity, rising public spending at the federal and emirate levels, along with higher investment ahead of Expo 2020 and continued regional economic recovery.

The UAE's oil sector is forecast to grow by around 2.5% in 2019, marking its fastest growth rate in three years, while the non-oil sector is expected to accelerate from an estimated 1.3% in 2018 to 2.1% in 2019, supported by expansionary budgets and various pro-growth government initiatives, notably in Abu Dhabi and Dubai, which collectively account for an estimated 90% of the UAE's GDP.

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