MARCH 2021

COFACE ECONOMIC PUBLICATIONS

PANORAMA

Middle East & Africa: volatile oil prices lead to varying effects on producing countries, including diversification

The COVID-19 pandemic's negative impact on global GDP growth and trade volumes caused a sharp decline in oil prices. After falling to USD 15 in mid-April, Brent crude prices recovered to an average of USD 41.7 for the year 2020 vs. USD 64.3 in 2019. Coface expects oil prices to remain volatile in the upcoming quarters, with an average forecast for 2021 of USD 60 per barrel at the time of writing. This temporary plunge in prices has affected Middle-Eastern and African oil exporters differently, in line with their national output's dependence on oil, as well as their fiscal strength and international reserves. Countries like Oman, Iran, Angola, Congo, and Equatorial Guinea have a higher degree of oil dependence in terms of GDP. Bahrain, Algeria, Chad, and Nigeria have a smaller share of their national output depending on the hydrocarbon sector, but are highly dependent on oil in terms of exports and fiscal revenues. Therefore, both categories face a higher risk of economic disruption due to volatile energy prices. Countries with higher international reserves and strong financial buffers (Saudi Arabia, Abu Dhabi, Kuwait and Qatar – Algeria and Libya are exceptions, as their buffers are used to mop up deficits (Algeria) or have been frozen by the UN (Libya) – may dispose of stronger fiscal firepower. However, their deteriorated financial situation (wider budget deficit and higher government debt) will refrain them. Moreover, investments in oil & gas have been deferred or have seen their realisation slowed. Consequently, these countries are increasingly interested in investing into activities away from oil. Renewables can therefore represent an important source of diversification for them (United Arab Emirates, Saudi Arabia), alongside classic tourism, finance, transport and construction (Qatar, United Arab Emirates), agriculture, forestry and other extractive activities (Cameroon, Chad, Congo, Gabon).

ALL OTHER GROUP PANORAMAS ARE AVAILABLE ON
www.coface.com/Economic-Studies-and-Country-Risks

coface FOR TRADE