

Combined GCC economy will top \$2tr by 2020

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The economies of the six Gulf Cooperation Council (GCC) countries will reach an aggregate \$2trillion (Dh7.3 trillion) by 2020, according to a new report by the Economist Intelligence Unit (EIU)

Another point the report raises is that monetary union between five of the GCC members will most likely not meet the scheduled deadline of 2010, and only be in place by 2020. Oman has opted out of the monetary union, insisting on pursuing an independent monetary and economic policy.

The EIU's long-term forecasts predict that by 2020 a quarter of the world's oil supplies as well as an increasing proportion of petrochemicals, metals and plastics will be supplied by the GCC region, and investors and regional sovereign wealth funds will increasingly focus on the emerging economies of Asia and Africa.

"Our report demonstrates the growing development of the GCC as an economic and trading hub," says Jane Kinninmont, an editor and economist at the Economist Intelligence Unit and author of the report. "However, there will be challenges for the region to overcome, including increasing global competition for migrant labour as the world's population ages. The fortunes of member states could diverge as some states diversify their economies faster than others and as some face declining oil and gas production; further economic integration will require strong political will."

The impact of the global financial crisis is being felt across the GCC, and GDP growth forecasts for the region have been lowered in line with falling oil prices. In the UAE, GDP growth is widely expected to be in the lower single digits in 2009, with exposed sectors such as real estate and related industries undergoing a painful price adjustment and banks feeling a liquidity pinch.

At the same time, over the longer term, the Gulf Region is expected to emerge as a strong force in the global economy. According to the EIU report, the GCC's share of the world economy is expected to grow steadily between now and 2020.

"As the report shows, the shift in the global economy will be eastwards with the GCC's share of world GDP growing by just over 1 percent in 2000 to 1.7 percent by 2020.

"The GCC's potential in terms of a young demographic and a burgeoning energy and manufacturing industry, should help sustain its strong growth," said David Butter, regional director for Middle East and North Africa at the EIU.