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GCC Economic Growth Expected to Slow to 2.5% in 2023

Non-communicable diseases pose a growing threat to public health and economic performance in the GCC, new World Bank report says

DUBAI, May 17, 2023 — The economies of the Gulf Cooperation Council (GCC) are projected to grow at a slower pace in 2023 compared to the previous year, in the face of lower oil and gas earnings and a global economic slowdown, according to the **new World Bank Gulf Economic Update (GEU)**. The GCC is expected to grow by 2.5% in 2023 and 3.2% in 2024. This compares to the region's remarkable GDP growth of 7.3% in 2022, which was fueled by a strong increase in oil production for most of that year.

The weaker performance is driven primarily by lower hydrocarbon GDP, which is expected to contract by 1.3% in 2023 after the OPEC+ April 2023 production cut announcement and the global economic slowdown. However, robust growth in the non-oil sectors, which is anticipated to reach 4.6% in 2023, will dampen the shortfall in hydrocarbon activities, driven primarily by private consumption, fixed investments, and looser fiscal policy in response to 2023's relatively high oil revenues.

Improvement to the business climate and competitiveness, and the overall improvements in female labor force participation in the GCC countries, especially in Saudi Arabia, have all paid off, though further diversification efforts are still needed and is underway.

This issue of the GEU, titled "The Health and Economic Burden of Non-Communicable Diseases in the GCC" focuses on how non-communicable diseases (NCDs) have become the leading cause of mortality and morbidity, accounting for close to 75% of all deaths and disability in the region. Of these deaths and disability, more than 80% are attributed to just four main NCD categories: cardiovascular diseases, diabetes, cancer, and respiratory diseases.

The report also highlights the substantial cost of NCDs to the economies of the GCC countries. A recent study published in the Journal of Medical Economics, a collaborative effort between experts at the World Bank and key stakeholders from across the GCC, estimated the direct medical costs of seven major NCDs to be around $16.7 billion in 2019 alone. The same study found that NCDs also impose substantial indirect costs to their economies, through the adverse impact on human capital. The losses to workforce productivity alone cost the GCC economies more than $ 80 billion in 2019. With an aging population, and with it the prevalence of NCDs, these costs are only expected to grow in the future.

Addressing the health and economic burden of NCDs in the region requires addressing the underlying risk factors that cause NCDs in the first place. Central to those risk factors are the modifiable behavioral risk factors such as unhealthy diet, lack of physical exercise, and the use of tobacco and sugar products. Environmental risk factors such as air pollution are also important. Air pollution levels in the GCC are currently far above OECD averages.

"*Many of the GCC countries have already taken impressive steps to address such risk factors, including taxing tobacco products and sugary drinks, restricting or banning the advertisement, promotion or sponsorship of tobacco, and reducing the amount of salt* *their costs in the future*." said **Issam Abousleiman, World Bank Regional Director for the GCC**.

The report emphasizes that to effectively address the health and economic burden of NCDs requires a whole of government approach, a strategic focus on prevention, the targeting of the young and adolescents, and the development and implementation of evidence informed and contextually relevant multi sectoral interventions. Government agencies need to work together now to minimize the future threat of NCDs.

GCC Country Outlooks

Bahrain: Bahrain's economic outlook hangs on oil market prospects and the results of the accelerated implementation of its structural reforms' agenda under the revised Fiscal Balance Program. Growth is projected to moderate to 2.7% in 2023 before averaging 3.2% during 2024-25 as fiscal adjustments continue. Growth in the hydrocarbon sector is expected to contract by 0.5% in 2023 while the non-hydrocarbon sectors will continue expanding by 3.5% supported by the recovery in the tourism and service sectors and the continuation of infrastructure projects.

Kuwait: Economic growth is expected to slow to 1.3% in 2023 in response to a more cautious OPEC+ production approach and sluggish global economic activity. The Oil sector is anticipated to contract by 2.2% in 2023 despite the newly established Al Zour refinery. Kuwait's non-oil sectors are anticipated to grow by 4.4% in 2023 driven primarily by private consumption. Policy uncertainty caused by political deadlock is expected to undermine the implementation of new infrastructure projects.

Oman: Oman's economy is forecast to continue to grow, but at a slower pace, driven primarily by accelerated implementation of structural reforms under Vision 2040. Overall growth is projected to moderate to 1.5% in 2023 reflecting softening global demand. Accordingly, the hydrocarbon sector is anticipated to contract by 3.3% reflecting OPEC+ recent production cuts while the non-oil economy is projected to continue its recovery trajectory by growing 3.1% in 2023 supported by frontloading of

Qatar: Real GDP is estimated to slow down to 3.3% in 2023 after the strong performance registered in 2022, with the hydrocarbon sector expanding by 0.8%. The North Field expansion project is expected to boost the hydrocarbon sector in the medium term once the field enters commercial operation. Meanwhile, robust growth is anticipated during this year in the non-hydrocarbon sectors, reaching 4.3%, driven by private and public consumption.

Saudi Arabia: Following a stellar GDP expansion of 8.7% in 2022, economic growth is projected to decelerate to 2.2% in 2023. A fall in oil production – as Saudi Arabia abides by OPEC+ agreed production cuts – will contract oil sector GDP by 2%. However, with oil prices remaining at relatively high levels, loose fiscal policy and robust private credit growth are expected to cushion the contraction in the oil sector. As a result, non-oil sectors are anticipated to grow by 4.7% in 2023.

United Arab Emirates: Economic growth in 2023 is expected to slow compared to 2022 due to a decline in global economic activity, contraction in oil production, and tightening financial conditions. Accordingly, real GDP is projected to grow by 2.8% in 2023 to reflect a decline in oil activity growth of 2.5% while a strong non-oil sector growth of 4.8% will soften the contraction in oil activities, driven by robust domestic demand, particularly in the tourism, real estate, construction, transportation, and manufacturing sectors.

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