



MENA ECONOMICS WEEKLY

Ras el Hekma deal, Qatar's LNG expansion boost

Even with Ras el Hekma deal, Egypt needs the IMF

Headlines in the past week have been dominated by Egypt's deal to sell the Ras el Hekma project to the Abu Dhabi sovereign wealth fund, ADQ, to provide crucial foreign currency inflows. But, even with this investment, Egypt still needs the IMF or risk going back to square one on the path of economic reforms.

We looked in more detail at the deal [here](#). In short, ADQ has purchased the development rights to Ras el Hekma for \$24bn and will invest an extra \$11bn into the project from existing deposits of the UAE at the Central Bank of Egypt. The net result is an inflow of \$24bn in direct investment, some of which President al-Sisi has said has already been received with another tranche due tomorrow.

The market reaction to the deal has been very positive. Sovereign dollar bond spreads have narrowed by 200bp since the deal was announced, to ~650bp, and are at their lowest levels since late-2021. And the Egyptian pound has appreciated by 25% against the dollar back to 51/\$ on the parallel market as hopes that these inflows will help to ease the severe FX liquidity crunch in the economy.

Even before the Ras el Hekma deal, investor sentiment towards Egypt had improved in recent months on the back of hopes that a new IMF deal will soon be secured. But there have been suggestions that the UAE's support reduces the need for a deal with the Fund. The Gulf states have stepped in previously to support Egypt with financing. Following the ousting of President Morsi in 2013 they provided \$23bn in financial aid and in [March 2022](#), Saudi Arabia, Qatar, the UAE, and their respective sovereign wealth funds, pledged another \$22bn in support. The latter instance likely played a part as to why negotiations with the IMF, which had started that month, took until [October](#) to reach a staff level agreement. Ultimately, though, Egypt still needed the IMF support and we think this time is no

different given the extensive negotiations that have taken place and the inherent need for Egyptian authorities to shift towards more orthodox policymaking in order to [bolster Egypt's long term prospects](#). That said, the size of the currency adjustment may now be smaller and the conditions attached to the IMF deal less stringent than would have been without the Ras el Hekma deal.

Qatar storming toward global LNG leader

After discovering new gas reserves, QatarEnergy – the state-owned LNG producer – has [announced](#) a fresh expansion to output capacity this decade that sets up Qatar's economy for a period of rapid growth.

The new discovery will increase Qatar's reserves by 14% to two *quadrillion* cubic feet, boosting output capacity by 16mn tonnes per annum (mtpa). On top of the already announced discoveries from the [North Field](#), which will start to come online in Q4 2025 and be completed by 2027, LNG output capacity will rise from 77mtpa to 142mtpa – an 85% increase.

All else equal, the sheer surge in output will boost Qatar's GDP by a third and would equate to an implied growth rate of 4.5% per annum until 2030. What's more, there are likely to be an indirect boost the non-hydrocarbon sector as stronger government hydrocarbon revenues are used to sustain a supportive fiscal policy.

The bigger picture is that Qatar is clearly capitalising on a backdrop of Russia's gas supply being turned off and the US suspending new LNG projects, leaving the door open for it to become the largest global producer and exporter and capture market share. All told, this sets up Qatar to become the best performing Gulf economy over the second half of this decade and early 2030s.








The week ahead

February's batch of PMIs are likely to show that the Gulf's non-hydrocarbon sectors continued to perform strongly.



























Economic Diary and Forecasts

Upcoming Events and Data Releases

Date	Country	Release/Indicator/Event	Time (GMT)	Time (GST)	Previous*	Median*	CE Forecasts*
Fri 1 st	-	No Significant Data or Events Scheduled	-	-	-	-	-
Sat 2 nd	-	No Significant Data or Events Scheduled	-	-	-	-	-
Sun 3 rd	-	No Significant Data or Events Scheduled	-	-	-	-	-
Mon 4 th	-	No Significant Data or Events Scheduled	-	-	-	-	-
Tue 5 th	 Sau	Whole Economy PMI (Feb.)	04.15	08.15	55.4	-	-
	 UAE	Whole Economy PMI (Feb.)	04.15	08.15	56.6	-	-
	 Egy	Whole Economy PMI (Feb.)	05.15	09.15	48.1	-	-
	 Leb	Whole Economy PMI (Feb.)	09.00	13.00	49.4	-	-
Wed 6 th	 Qat	Whole Economy PMI (Feb.)	09.00	13.00	50.4	-	-
	 Egy	Foreign Exchange Reserves (Feb.)	-	-	+\$35.3bn	-	-
	 Tun	Consumer Prices (Feb.)	-	-	+0.6%(+7.8%)	-	+0.1% (+7.5%)
Thu 7 th	-	No Significant Data or Events Scheduled	-	-	-	-	-

Selected future data releases and events

10 th Mar	 Sau	GDP (Q4, q/q(y/y))	06.00	10.00	(-4.4%)	-	-
	 Sau	Industrial Production (Jan.)	06.00	10.00	(-10.5%)	-	-
	 Egy	Consumer Prices (Feb.)	-	-	+1.6%(+29.8%)	-	-
	 Egy	Core Consumer Prices (Feb.)	-	-	(+29.0%)	-	-
12 th Mar	 Oma	Private Sector Credit (Jan.)	-	-	(+2.5%)	-	-
	 OPEC	Monthly Oil Market Report	-	-	-	-	-
14 th Mar	 Sau	Consumer Prices (Feb.)	12.00	16.00	+0.3%(+1.6%)	-	-
15 th Mar	 Jor	Consumer Prices (Feb.)	-	-	-	-	-
18 th Mar	 Qat	Consumer Prices (Feb.)	-	-	-1.3%(+3.0%)	-	-
19 th Mar	 Mor	Interest Rate Announcement	13.00	17.00	3.00%	-	-
20 th Mar	 Kuw	Consumer Prices (Feb.)	-	-	+0.2%(+3.3%)	-	-
	 Oma	Consumer Prices (Feb.)	-	-	-0.2%(-0.1%)	-	-
21 st Mar	 Leb	Consumer Prices (Feb.)	-	-	(+177.3%)	-	-
	 Qat	Private Sector Credit (Feb.)	-	-	(+6.5%)	-	-
22 nd Mar	 Mor	Consumer Prices (Feb.)	-	-	(+2.3%)	-	-
	 Jor	Industrial Production (Jan.)	-	-	(+1.2%)	-	-
26 th Mar	 Sau	Balance of Payments (Jan., SAR)	06.00	10.00	+38.2bn	-	-
	 Kuw	Private Sector Credit (Feb.)	-	-	-	-	-
27 th Mar	 Qat	GDP (Q3, q/q(y/y))	-	-	+0.5%(+1.0%)	-	-
	 Qat	GDP (Q4, q/q(y/y))	-	-	-	-	-
	 Bah	Consumer Prices (Feb.)	-	-	-	-	-
	 Bah	GDP (Q4, q/q(y/y))	-	-	-2.4%(+2.5%)	-	-
28 th Mar	 Egy	Interest Rate Announcement	-	-	21.25%	-	-
	 Sau	Private Sector Credit (Feb.)	-	-	-	-	-

*m/m(y/y) unless otherwise stated. Sources: Bloomberg, Refinitiv, Capital Economics



Main Economic & Market Forecasts

Table 1: Central Bank Policy Rates

Policy Rate		Latest (29 th Feb.)	Last Change	Next Change	Forecasts	
					End 2024	End 2025
Saudi Arabia	Reverse Repo Rate	5.50	Up 25bp (Jul. '23)	Down 25bp (Q2 '24)	4.50	3.50
Egypt	O/N Deposit Rate	21.25	Up 200bp (Feb. '24)	Up 300bp (Q1 '24)	24.25	13.25
UAE	Repo Rate	5.40	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	4.40	3.40
Algeria	Discount Rate	7.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	6.25	5.25
Qatar	Deposit Rate	5.75	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	4.75	3.75
Kuwait	Discount Rate	4.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	3.25	2.25
Morocco	Key Rate	3.00	Up 50bp (Mar. '23)	Down 25bp (Q3 '24)	2.25	1.75
Oman	O/N Repo rate	5.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	4.25	3.25
Tunisia	BCT Key Rate	8.00	Up 75bp (Jan. '23)	Up 200bp (H2 '24)	12.00	12.00
Jordan	Policy Rate	7.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	6.25	5.25
Bahrain	1-Wk deposit facil.	6.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	5.25	4.25

Sources: Refinitiv, Capital Economics

Table 2: Currencies and Stock Markets

	Currency	Latest (29 th Feb.)	Forecasts		Stock Market	Latest (29 th Feb.)	Forecasts	
			End 2024	End 2025			End 2024	End 2025
Saudi Arabia	SAR/USD	3.7501	3.7500	3.7500	TASI	12,616	12,500	13,900
Egypt	EGP/USD	30.75	50.00	50.00	EGX30	28,762	26,800	27,300
UAE	AED/USD	3.6728	3.6725	3.6725	DFMGI	4,276	4,570	5,130
Algeria	DZD/USD	134.1	145.0	160.0	-			
Qatar	QAR/USD	3.6455	3.6400	3.6400	QSI	10,475	11,000	12,000
Kuwait	KWD/USD	0.3074	0.3040	0.3040	BKA	7,415	5,230	5,575
Morocco	MAD/EUR	10.93	11.25	11.35	MASI	13,125	11,550	11,800
Oman	OMR/USD	0.3849	0.3845	0.3845	MSX30	4,524	5,250	5,750
Tunisia	TND/EUR	3.37	4.75	5.00	TUNINDEX	8,625	10,550	11,550
Jordan	JOD/USD	0.71	0.71	0.71	AMGNRLX	2,462	2,400	3,050
Lebanon	LBP/USD	15,000	15,000	15,000	BLSI	1,759	1,100	1,400
Bahrain	BHD/USD	0.3761	0.3761	0.3761	BAX	2,005	2,050	2,250

Sources: Refinitiv, Capital Economics

Table 3: GDP and Consumer Prices

	Share of World ¹	GDP ²					Consumer Prices ²				
		2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Saudi Arabia	1.3	3.9	8.7	-0.9	1.3	6.5	3.1	2.5	2.3	1.5	1.5
Egypt	1.0	7.2	4.2	3.5	2.5	4.5	5.2	14.0	33.8	16.5	7.5
UAE	0.5	4.4	7.9	2.0	3.0	5.8	-0.1	4.8	1.8	1.3	0.3
Algeria	0.4	3.4	3.2	2.5	1.0	2.0	7.2	9.3	11.3	4.5	5.0
Morocco	0.2	8.0	1.3	1.3	2.8	3.8	1.4	6.6	6.1	1.5	1.8
Qatar	0.2	1.8	4.3	-0.3	1.5	4.8	2.3	5.0	2.9	1.5	1.3
Kuwait	0.2	1.5	9.8	-0.5	0.0	10.0	3.4	4.0	3.6	2.8	2.8
Oman	0.1	3.1	4.3	-0.3	2.8	4.8	1.5	2.8	1.0	1.0	1.0
Tunisia	0.1	4.4	2.4	0.4	0.5	1.3	5.7	8.3	9.3	6.8	6.0
Jordan	0.1	2.2	2.7	2.5	2.0	1.5	1.3	4.2	2.1	1.5	2.0
Bahrain	0.1	2.7	4.9	2.0	3.0	3.5	-0.6	3.6	0.1	0.8	1.5
Lebanon	0.02	-14.5	-6.8	-1.5	0.0	0.3	154.8	171.2	222.4	45.0	19.8
MENA³	4.1	4.6	5.9	0.9	1.9	5.1	3.4	6.8	10.9	5.5	3.3

Sources: CEIC, Refinitiv, Capital Economics. 1) %, 2022, in PPP terms. 2) % y/y annual average. 3) Regional inflation excludes Lebanon.



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