Gulf Arab economies will perform 2012 better than expected: experts

DUBAI, April 9 (Xinhua) -- The oil-rich Gulf states not only benefited from higher-than-expected oil prices in the first quarter of 2012, but their growth prospects are also worth being upgraded as they advance in the non-oil sectors, economists in Dubai and Riyadh said Monday.

The six GCC member states, Saudi Arabia, Kuwait, United Arab Emirates (UAE), Qatar, Bahrain and Oman, benefited from the high oil prices with their budget revenues and accumulated reserves being boosted, said Tim Fox, chief economist at Dubai-based bank Emirates NBD in his quarter report on GCC.

Brent crude has averaged 120 U.S. dollars per barrel so far in 2012 due to ongoing tensions between Western powers and Iran over its nuclear enrichment program.

Fox said that "Current high oil prices are reflecting geopolitical risks rather than an actual shortage."

Paul Gamble, head of research at Jadwa Investment in Riyadh, agreed with Fox. In his monthly economic update released Monday, Gamble said that oil markets have been tight so far this year, with prices and Saudi production above expectations. "We have revised up our forecasts for both, meaning that oil revenues will be at a record level in 2012."

Meanwhile, the UAE pushes ahead in the non-oil sector, with recently approved infrastructure projects and spending, he said, " Dubai continues to benefit from tourism, and recent data suggests real estate prices may have bottomed."

Following its recent annual mission to the UAE, the IMF has revised up its estimate of 2011 real GDP growth to 4.9 percent from 3.3 percent.

On the GCC's largest economy Saudi Arabia, Fox said that "the risks to our Saudi GDP growth forecast for 2012 are on the upside, as oil production has increased in Q1 and domestic demand is strong." He expects Saudi Arabia to grow by 3.8 percent in 2012, down from 6.8 percent last year.

Positive developments in the finance sector are visible in Qatar. Qatar's bank loan growth was 5.3 percent up month-on-month, and 30.3 percent higher year-on-year in February. Public sector credit surged 13 percent month-on-month and 58 percent year-on- year in March, as government institutions increased borrowing, Fox mentioned.

The flip-side of the coin is that GCC became more vulnerable to negative oil price, the economist added.

Gamble also pointed out the role of the emerging markets on oil, besides geopolitical risks. "There are reports that China, India and other Asian countries are adding to their strategic reserves, which is putting more pressure on demand."

Despite the drop in Iranian output, the total OPEC supply is estimated at 31.2 million barrels per day in March, Gamble said, " This is the highest OPEC output since October 2008 and 9 percent higher than in March 2011."