

# The Conference Board Economy Watch

## Global Oil and the Gulf Region - What Lies Ahead?

December 9, 2020



# This month we'll be exploring our economic outlook, global oil markets and the Gulf Region

## Key Topics:

- Discover how the US and global economy are recovering amid a second wave of infections
- Receive expert analysis on the drivers of oil price fluctuations as the pandemic saps demand and governments consider climate change
- Receive expert analysis on the future of oil prices as the pandemic saps demand and governments consider climate change
- Learn about how the Gulf Region is responding to oil price pressures and what obstacles they face



# Today's Presenters



**Erik Lundh**  
(Moderator)  
Senior Economist  
*The Conference Board*



**Sarah Fowler**  
Analyst, International  
Economy  
*Oxford Analytica*



**Klaas de Vries**  
Economist  
*The Conference Board*



**Hiba Itani**  
Senior Economist, Gulf  
Center for Economics and  
Business Research  
*The Conference Board*



# US Economic Outlook

# US short-term outlook: key assumptions

## 1. Base Case Scenario

- ✓ New cases of COVID-19 rise in 4Q20 / 1Q21 resulting in intermittent localized lockdowns
- ✓ Limited improvement in labor markets and consumption through the end of 2020 / early 2021
- ✓ US Government implements limited stimulus in late 1Q21 and early 2Q21
- ✓ Vaccine approved in 4Q20; inoculations begin immediately but are not broadly available until 2Q20
- ✓ US political transition does not result in a hit to consumer or business confidence

## 2. Upside Scenario

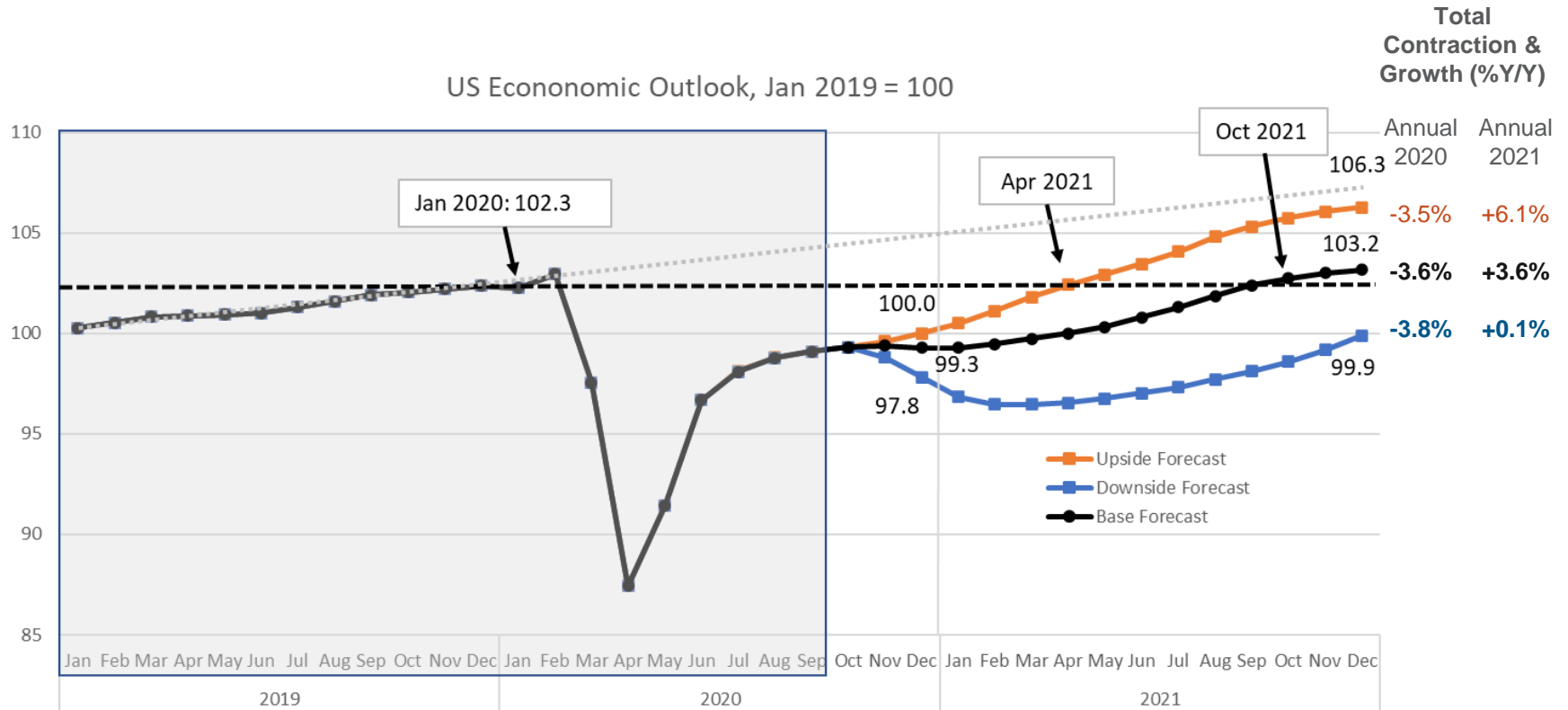
- ✓ New cases of COVID-19 level off in 4Q20 / 1Q21 and do not require any lockdowns
- ✓ Meaningful improvements in unemployment are made and consumption continues to rebound
- ✓ The US Government implements large stimulus in 1Q21
- ✓ COVID-19 vaccine approved in 4Q20 and is broad accessibility in early 2021
- ✓ US political transition does not result in a hit to consumer or business confidence

## 3. Downside Scenario

- ✓ New cases of COVID-19 rise precipitously in 4Q20 / 1Q21 resulting in broad lockdowns
- ✓ Unemployment deteriorates and consumption growth begins to contract again
- ✓ The US Government institutes no additional stimulus in 2021
- ✓ No COVID-19 vaccine approved near-term and not broadly available until later in 2021
- ✓ US political transition highly disruptive and hurts consumer and business confidence



# US short-term outlook: Three scenarios possible, but our base case (black) points to a renewed strength in H1 2021



Source: The Conference Board



We expected a lull in the recovery over the winter (4Q20 & 1Q21) before the economy reaccelerates in 2Q21

	2019		2020						2021						2019	2020	2021
	1st half	2nd half	I Q*	II Q*	1st half	III Q*	IV Q	2nd half	I Q	II Q	1st half	III Q	IV Q	2nd half			
Real GDP	2.2	2.5	-5.0	-31.4	-18.2	33.1	2.8	17.9	0.7	3.5	2.1	6.0	4.5	5.3	2.2	-3.6	3.6
Real consumer spending	2.8	2.1	-6.9	-33.2	-20.0	40.6	2.3	21.5	1.0	3.9	2.5	7.1	4.9	6.0	2.4	-3.9	4.3
Residential investment	-1.9	5.2	19.0	-35.5	-8.3	62.3	15.0	38.6	7.0	6.0	6.5	5.0	5.0	5.0	-1.7	4.8	9.9
Nonresidential investment	2.1	0.8	-6.7	-27.2	-16.9	21.8	6.1	14.0	3.5	3.7	3.6	4.5	4.8	4.6	2.9	-4.5	4.0
Inventory change (bln '09\$)	75.6	21.5	-80.9	-287.0	-184.0	-4.3	10.0	2.9	0.0	5.0	2.5	16.0	16.0	16.0	48.5	-90.6	100.0
Total gov't spending	3.8	2.3	1.3	2.5	1.9	-4.9	1.0	-1.9	0.5	1.0	0.8	1.5	2.4	2.0	2.3	1.2	0.4
Exports	-1.3	2.1	-9.5	-64.4	-36.9	60.5	8.6	34.6	3.0	5.1	4.0	7.1	5.1	6.1	-0.1	-13.5	3.5
Imports	-0.2	-3.5	-15.0	-54.1	-34.5	93.1	10.1	51.6	5.6	5.1	5.3	6.1	4.5	5.3	1.1	-10.3	8.5
Unemployment rate	3.8	3.6	3.8	13.0	8.4	8.8	6.8	7.8	6.7	6.4	6.5	5.7	5.2	5.4	3.7	8.1	6.0
CPI inflation	2.0	2.1	1.2	-3.5	-1.2	5.2	2.0	3.6	1.0	1.4	1.2	1.4	1.4	1.4	1.8	1.2	1.6

Source: The Conference Board

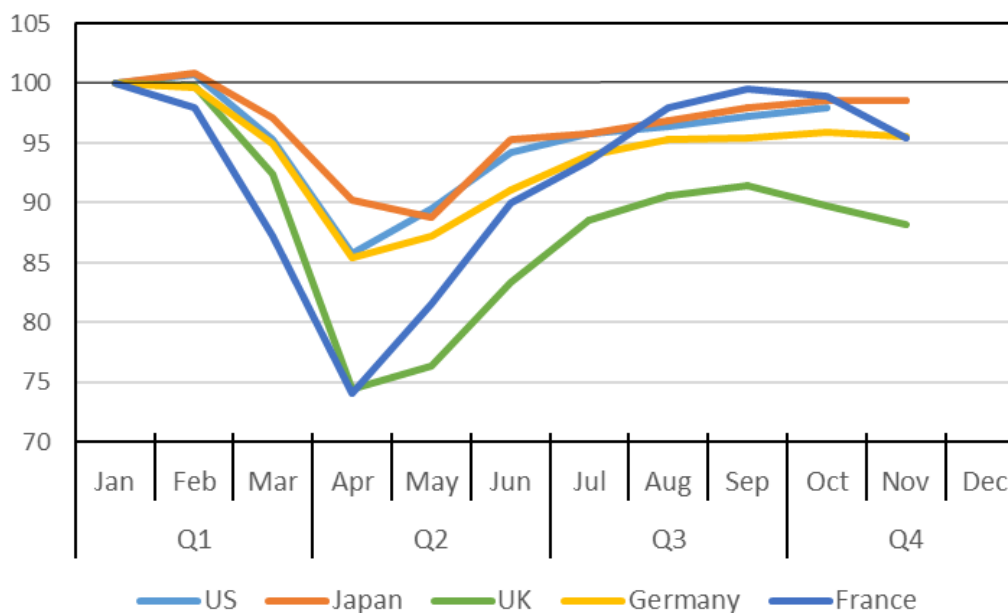


# Global Economic Outlook



# Fall lockdown weighing on activity in Europe, while Japan and US continue their recovery path

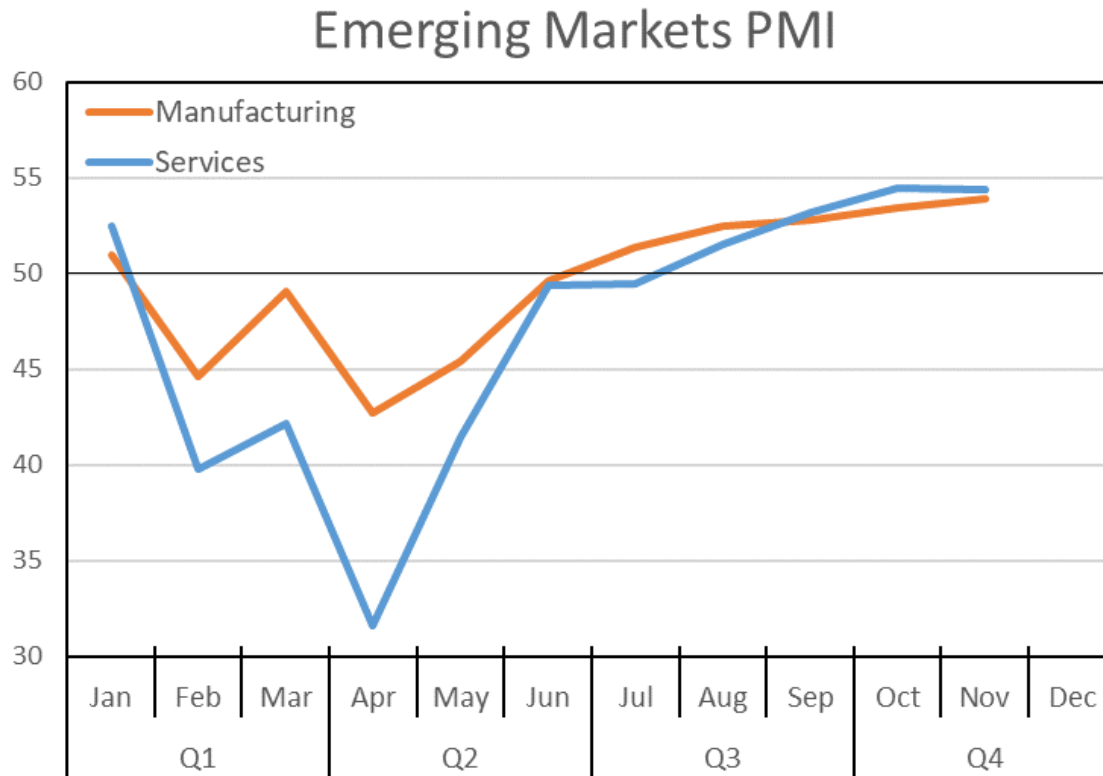
Mature economies: Monthly GDP  
(index January 2020=100)



Notes: October and November data for Japan and European countries are estimated by the Conference Board  
Sources: Own calculations using US monthly GDP data from IHS Markit, UK data sourced from ONS, Japan data sourced from JCER and German and France are based on own estimates.



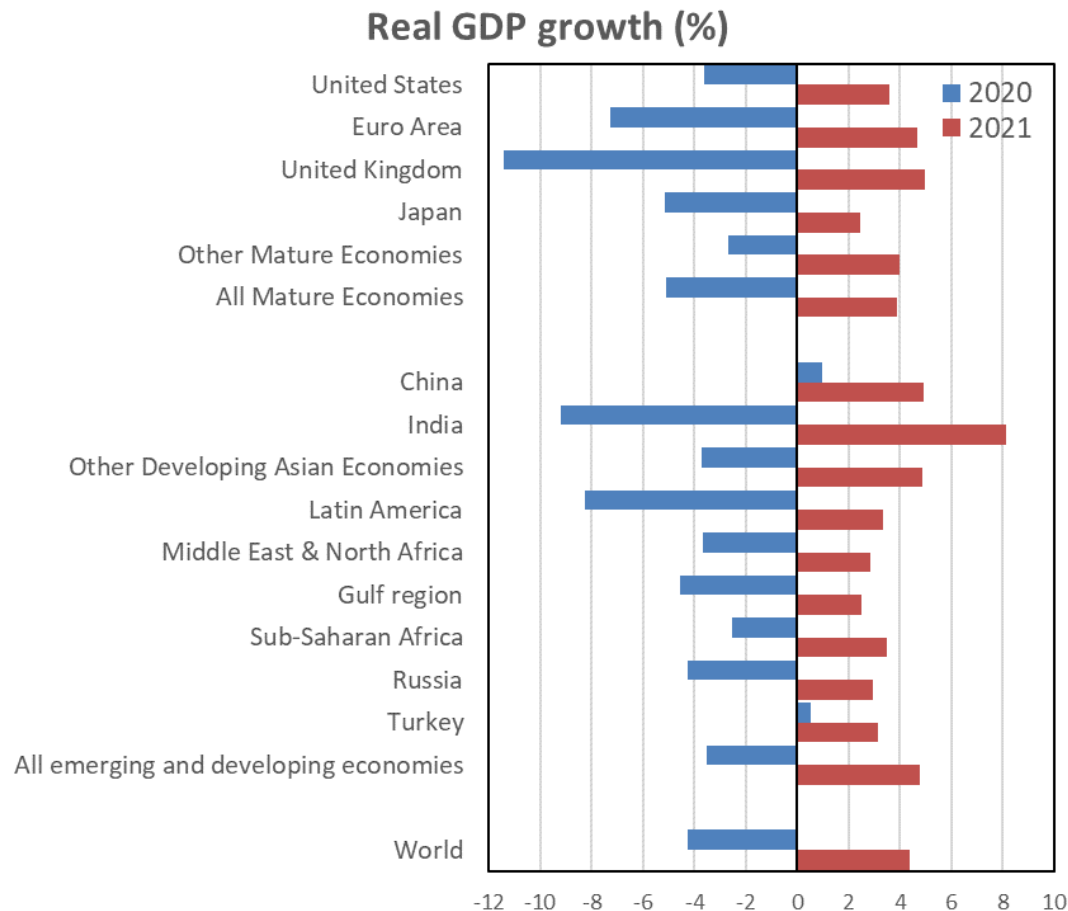
# Emerging markets activity indicators firmly in positive territory



Source: IHS Markit, retrieved through Haver analytics



# After a weak Q1, growth should pick up in the rest of 2021 as vaccination supports return to normalcy

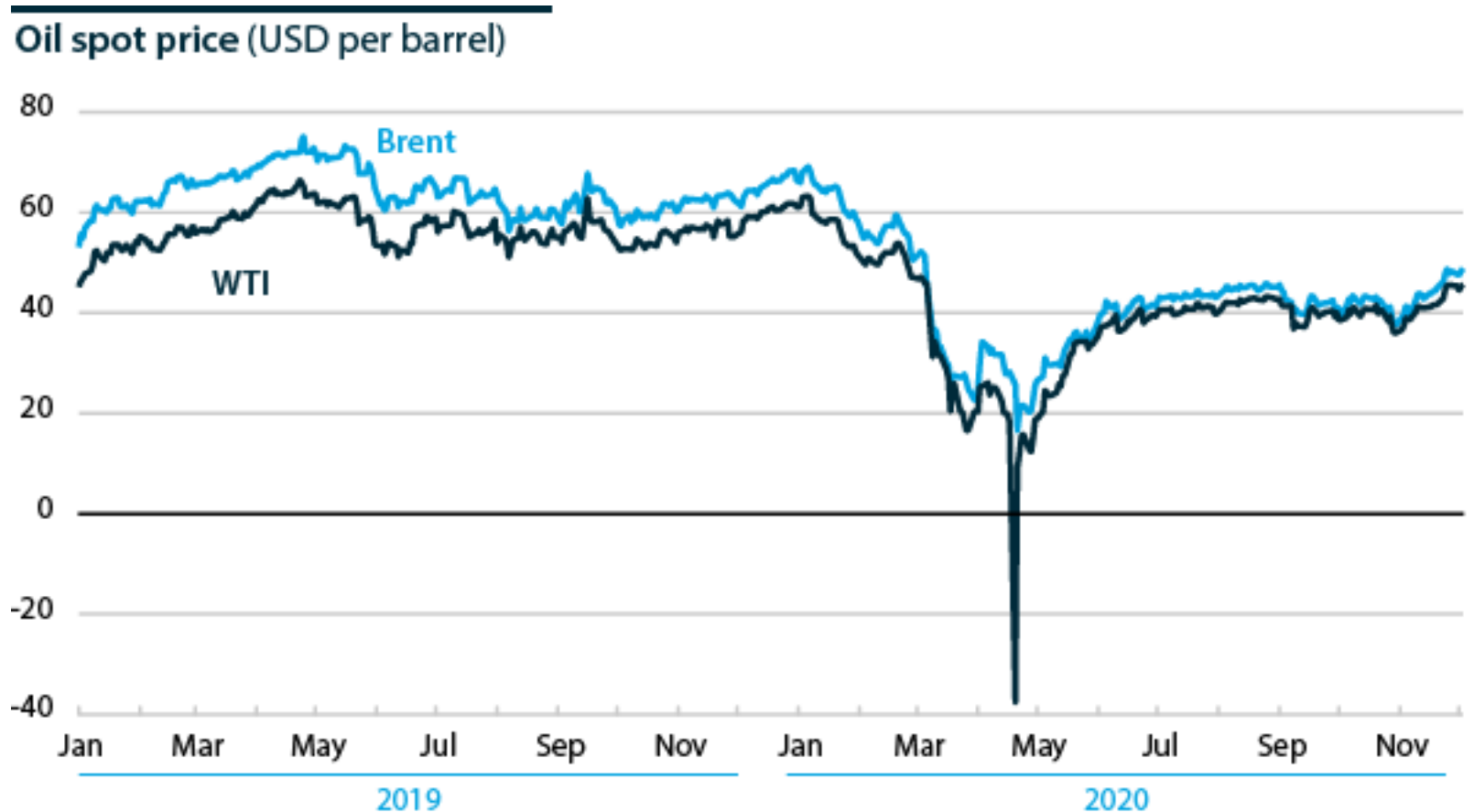


Source: The Conference Board Global Economic Outlook 2021 (December 2020)



# Global Oil Outlook

Oil prices have been well supported recently in a range of \$35-\$50

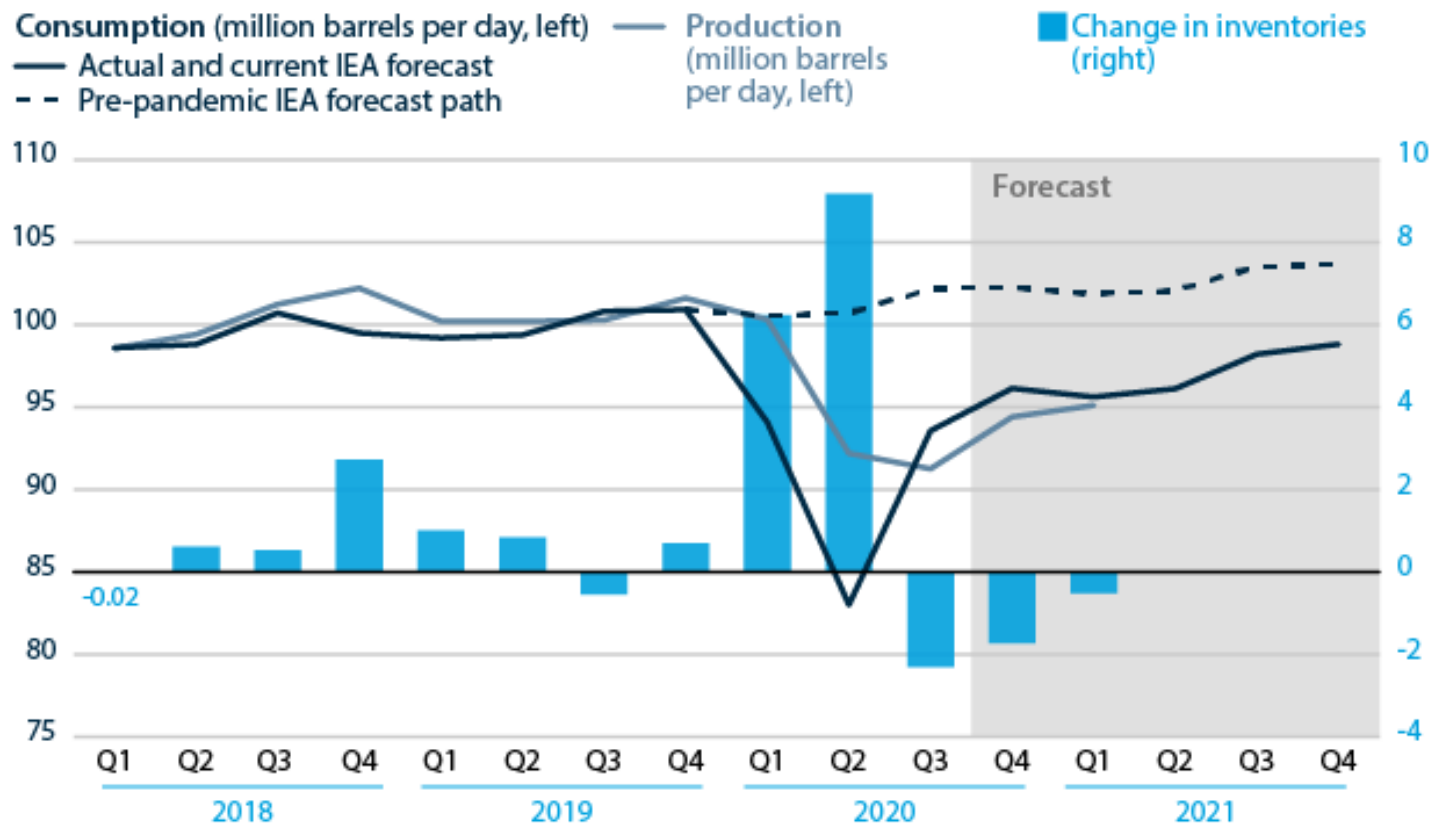


Source: Thomson Reuters Datastream



# Supply and demand are gradually coming back to 'normal' conditions, with inventories gradually easing

**World oil consumption and production (million barrels per day)**

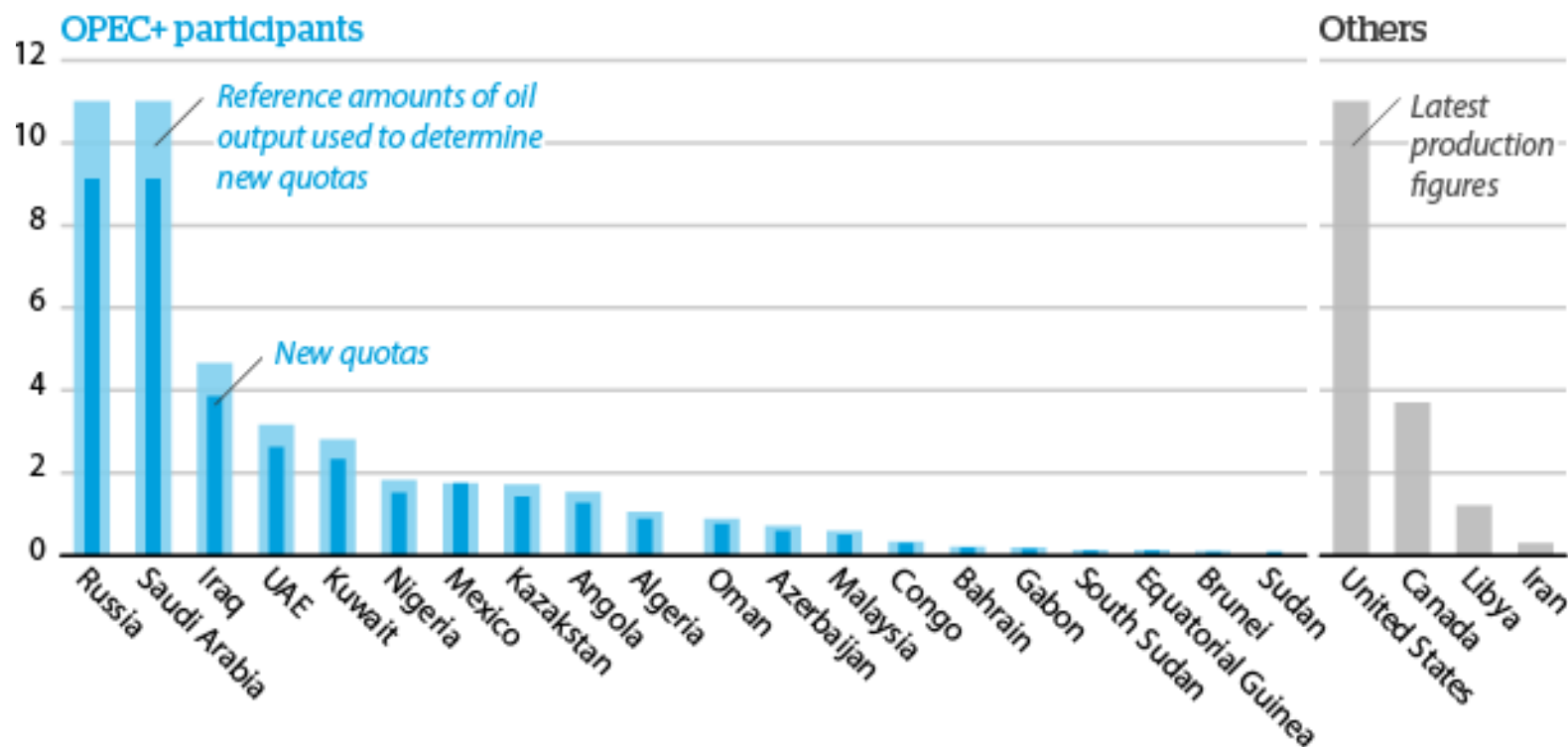


Sources : IEA, OPEC, Oxford Analytica



# OPEC+ has agreed to adjust its output monthly, but tensions between members will persist

Major oil producers' reference output and January 2021 quotas (million barrels per day)

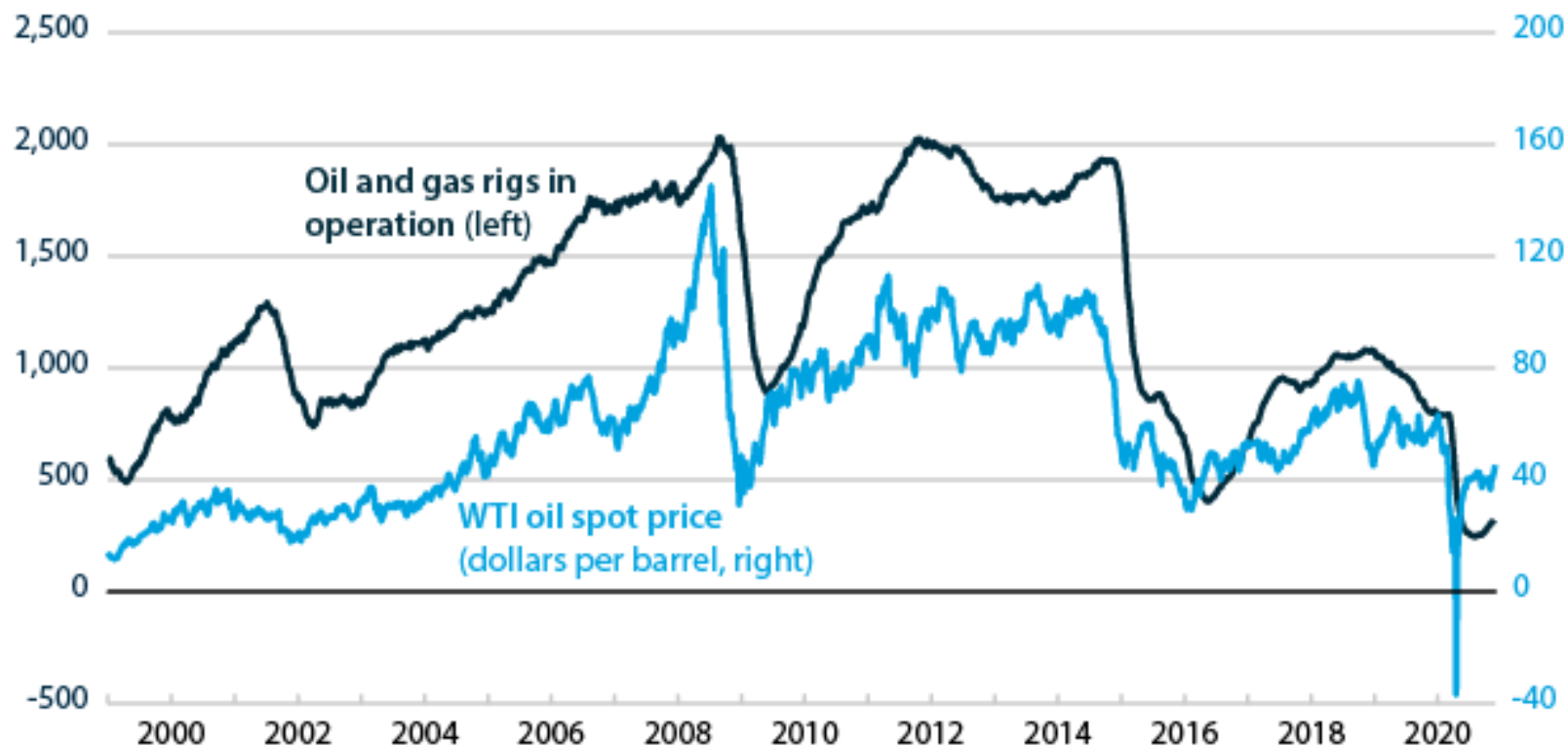


Source: OPEC+, Oxford Analytica



## US oil and gas rigs in operation have fallen this year but the number is now modestly picking up

**WTI oil price and US oil and gas rig count**



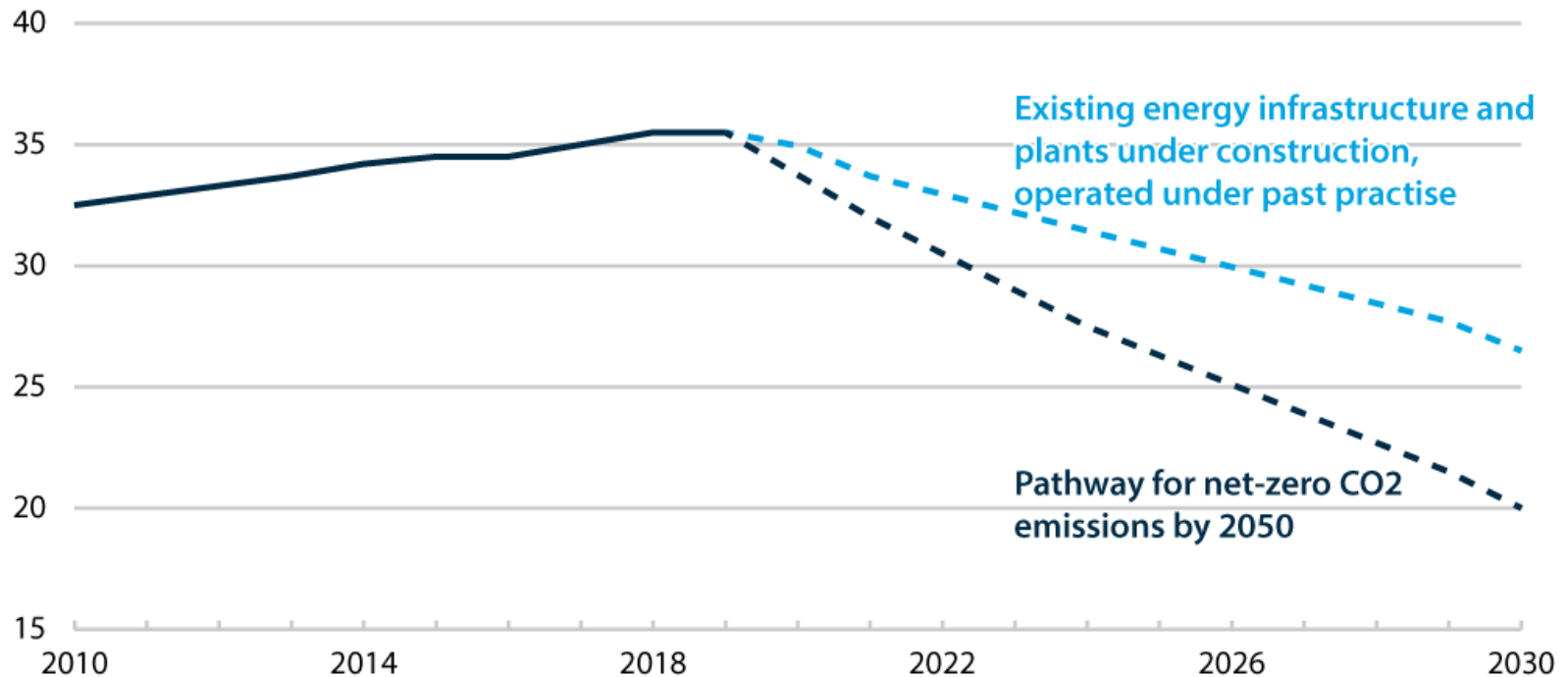
Sources: EIA, Thomson Reuters Datastream





# IEA energy transition estimates imply that under current policy plans, climate change targets will not be met

**CO2 emissions from energy infrastructure in use and in plants under construction (gigatonnes)**

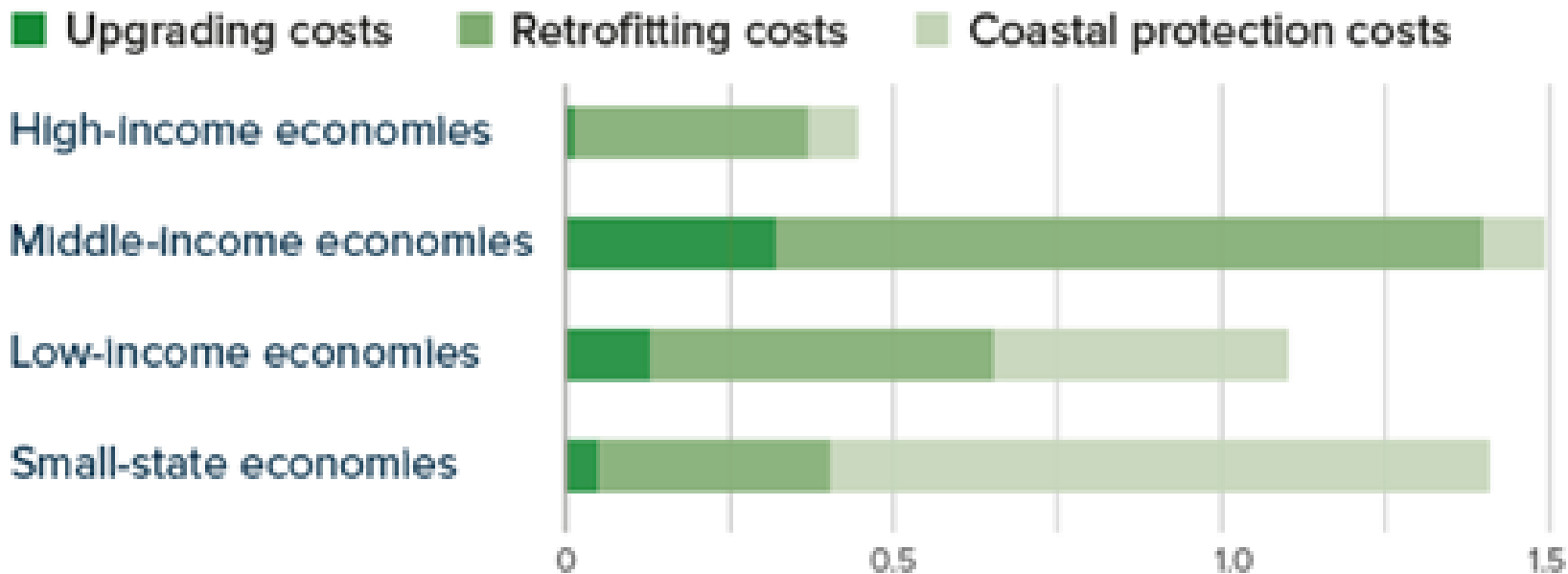


Source: International Energy Agency World Energy Outlook, 2020



# Climate change protection spending needs are high, especially for emerging markets

Annual cost of investments into physical infrastructure needed to mitigate climate change impacts, % of GDP

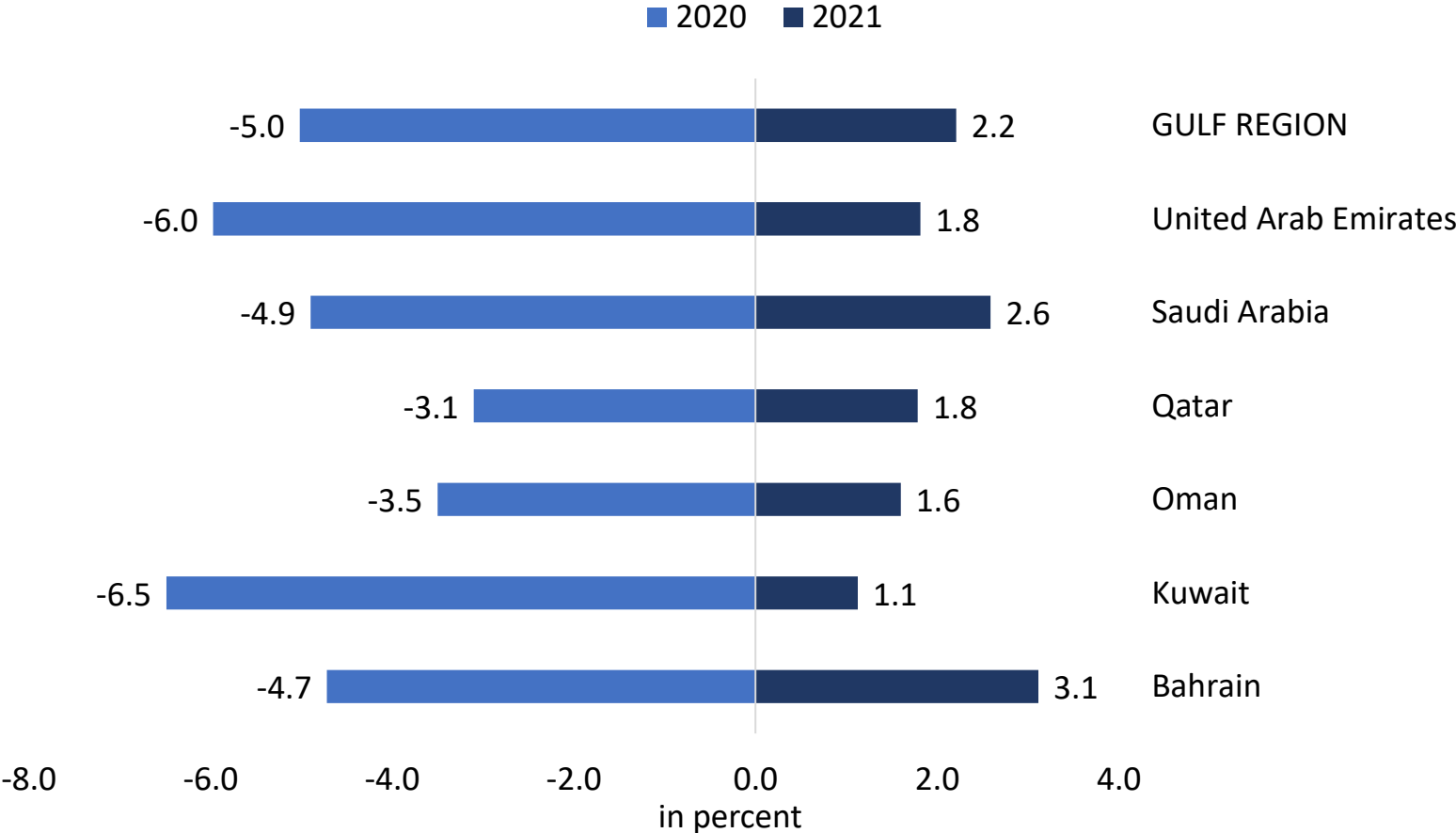


Source: IMF Fiscal Monitor, October 2020, Oxford Analytica



# The Gulf Region

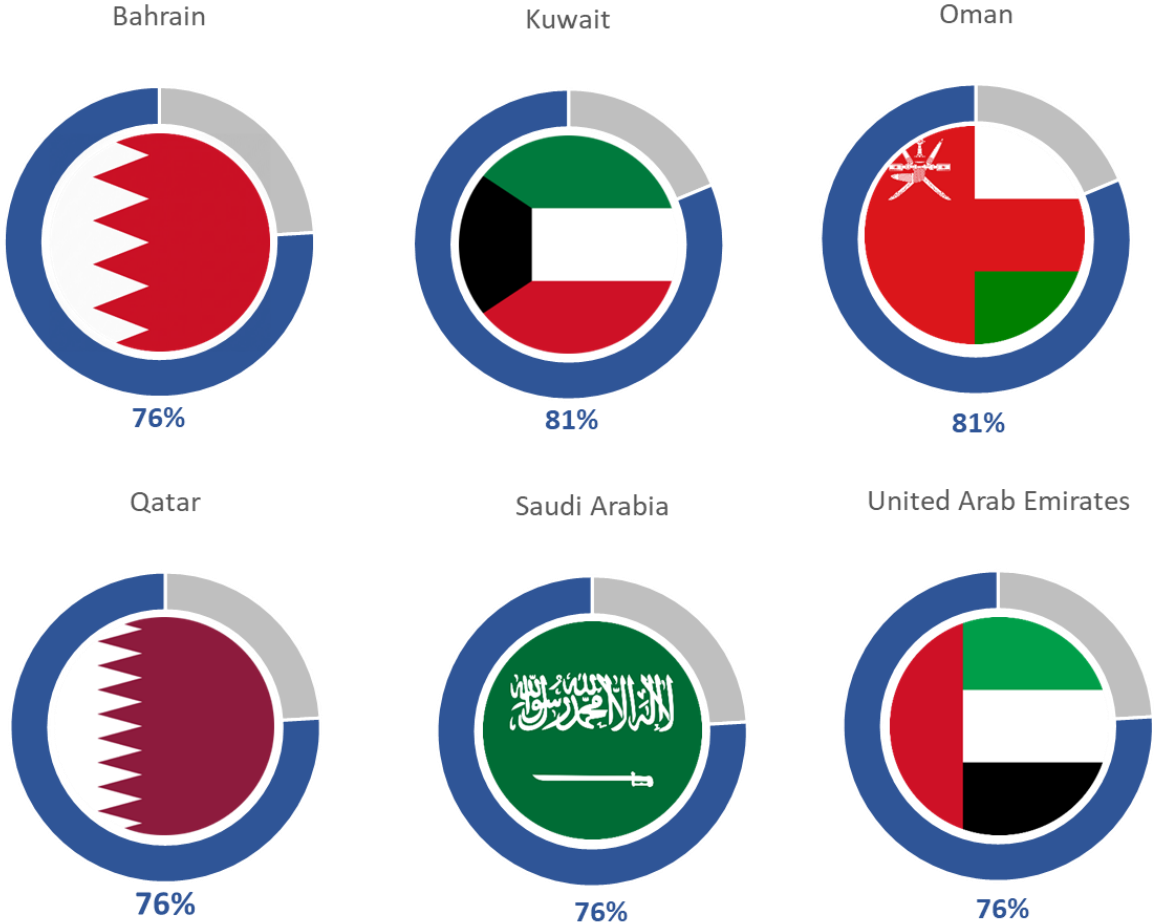
# Sharp contraction in the Gulf countries' economies in 2021 as a result of the oil supply and COVID-19 demand shocks



Source: The Conference Board



# Gulf labor force dominated by expatriate labor, with high concentration in the private sector



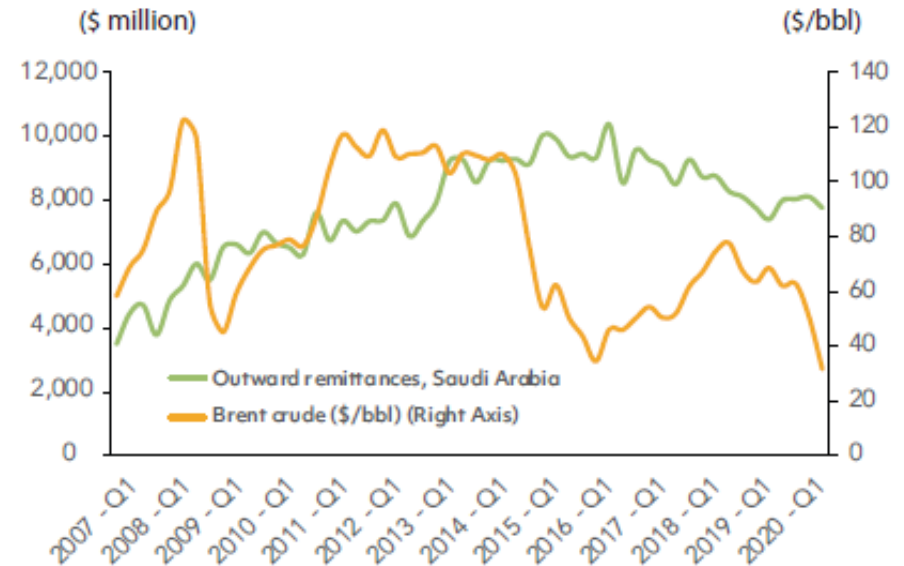
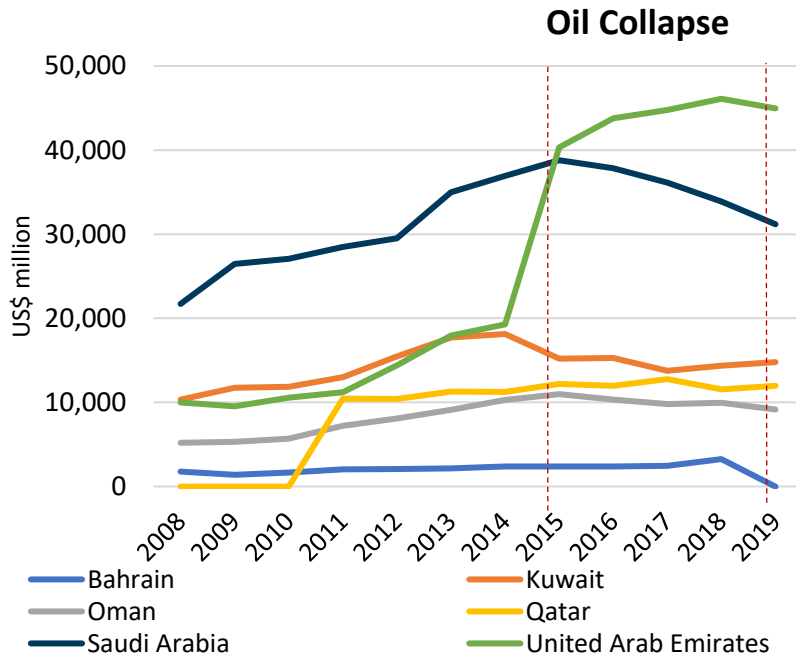
Source: National Sources



# Remittances have stabilized or on a declining trend since the 2015 oil collapse and are expected to decline by 21% as a result of COVID-19

High correlation between outward remittances from the Gulf and oil prices

Outward Remittances from KSA decline in tandem with low oil prices



Source: World Bank

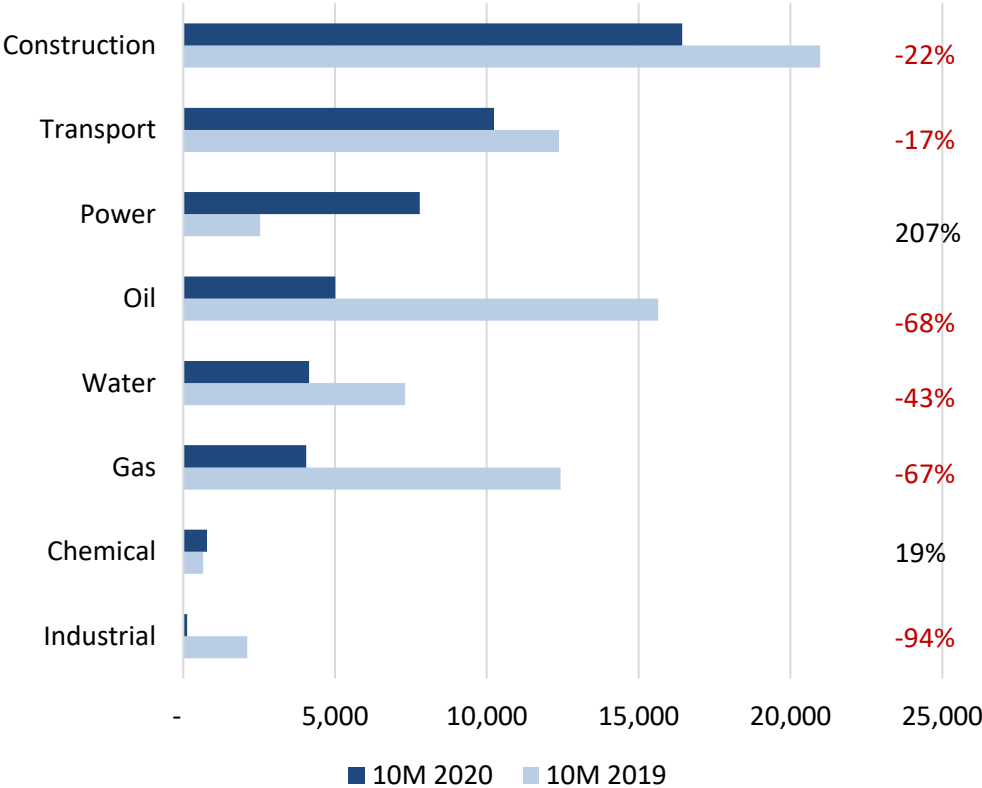


# Gulf governments defer nonessential projects

Despite the pickup in projects activities, the cumulative value of projects awarded for the 10 months of 2020 is 27% lower than for the same period last year.

Construction, Transport and Power grabbed the most awards in the first 10 months of 2020 compared to the same period last year while the oil sector witnessed a 68% decline.

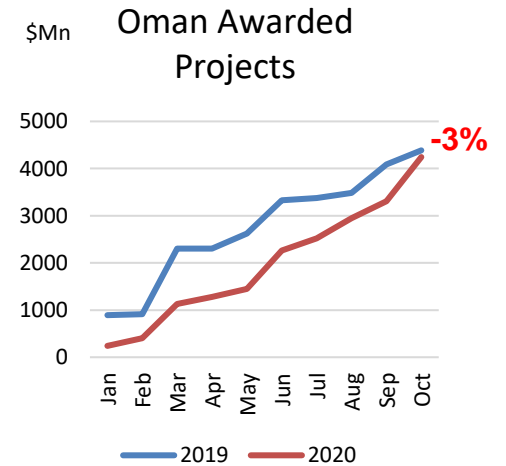
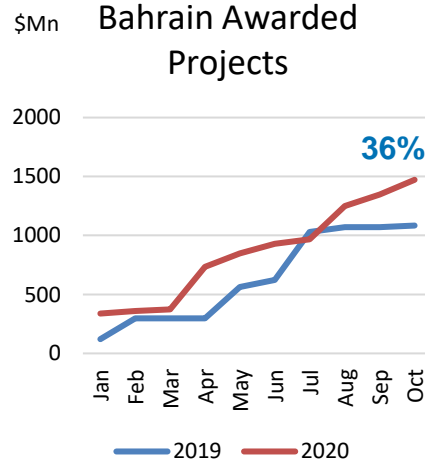
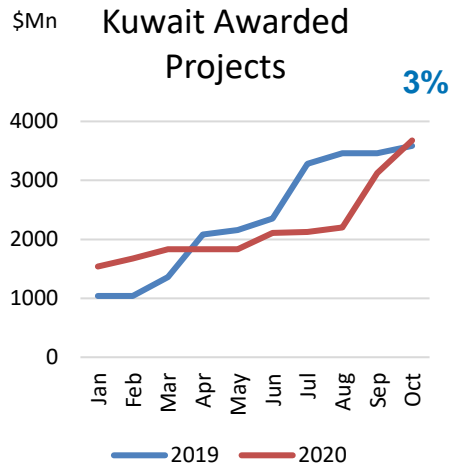
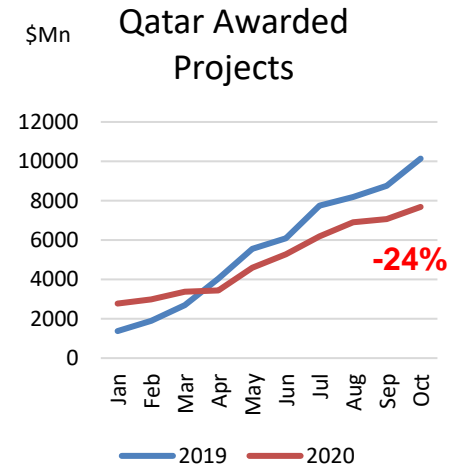
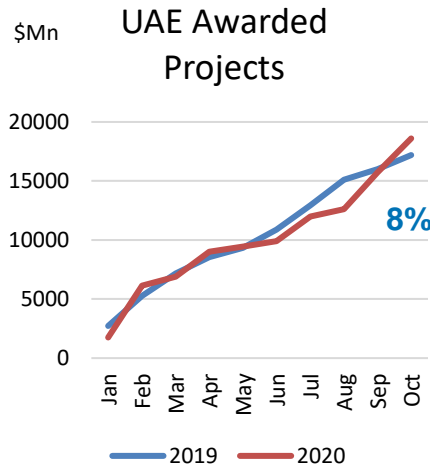
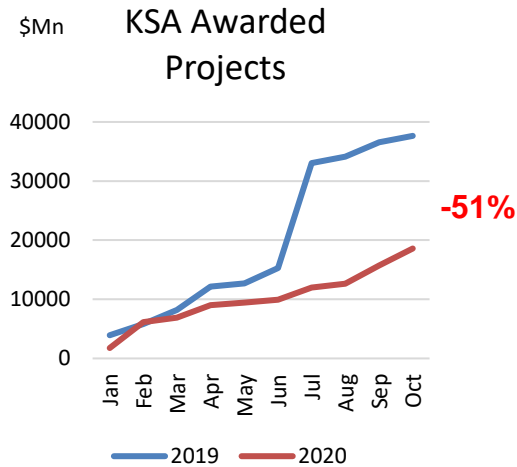
Gulf contracts awarded by sector (\$Mn)



Source: MEED



# Projects awarded during the first 10 months of 2019 vs 2020

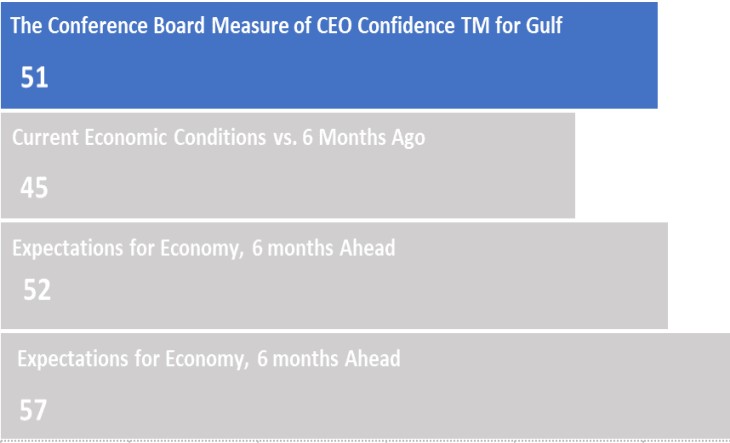


Source: MEED



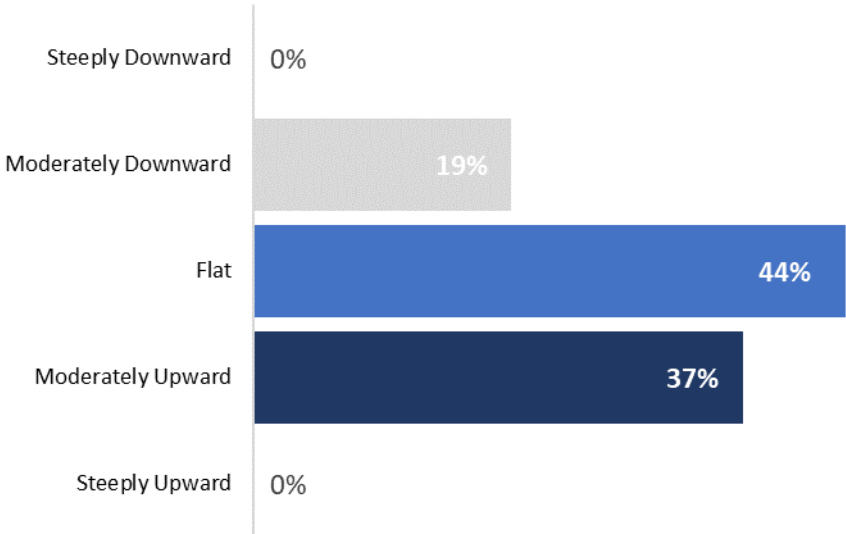


# CEO Confidence Index for the Gulf reveals cautious optimism



**CEO overall confidence at 51, indicating a moderate CEO confidence in the economy. This is notably lower than EU measure of 61.**

**Almost half of the CEOs in the Gulf see the trajectory of oil prices as flat during the next 6 months compared to now**

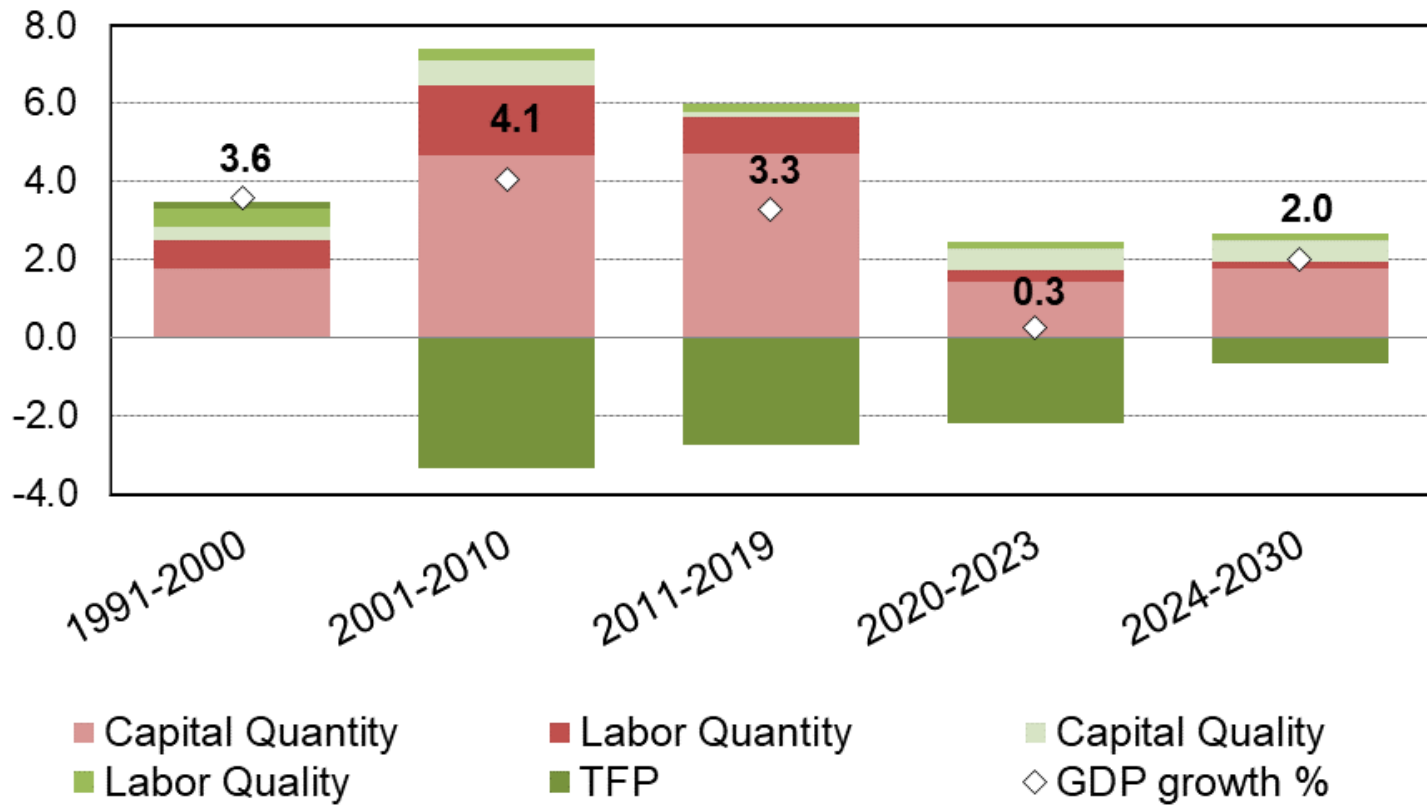


Source: The Conference Board



# Acceleration in digital transformation and capital to drive the region's growth in 2020s

## Gulf Region



Source: The Conference Board



# *The Conference Board Economy Watch<sup>®</sup> series*

- Monthly webcast series focusing on topics in the fields of economic, labor market, and demographic analysis
- Three short quarterly videos delivering the latest economic insights on the U.S., Europe and Emerging Markets.
- [Economic View publications](#) in an accessible chart format on each of these three key regions.
- An [overview of The Conference Board's monthly indicators](#) including the *Consumer Confidence Index<sup>®</sup>*, *The Conference Board Leading Economic Index<sup>®</sup>* for the U.S. and the U.S. economic forecast



# Did you enjoy this webcast? Please register for our 2021 Economy Watch Series

**Series host:**



**Erik Lundh**

Senior Economist

*The Conference Board*

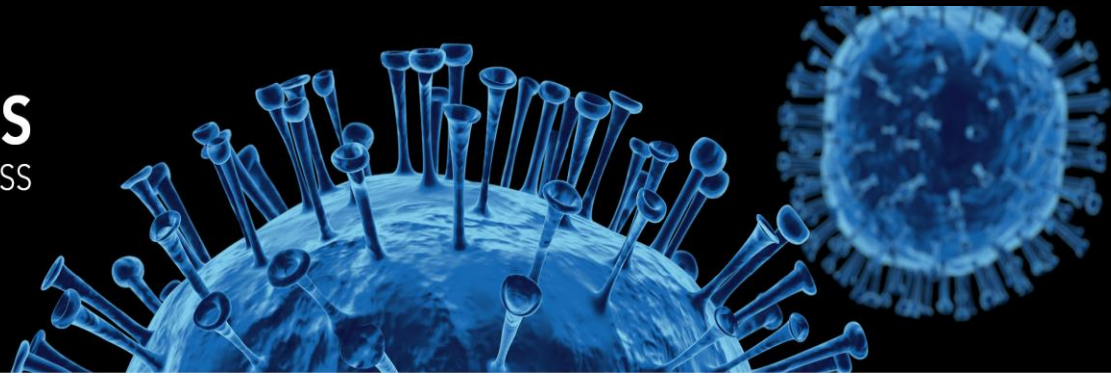
Join us in 2021 as we continue to focus on topics in the fields of economic, labor market, and demographic analysis. This series is designed to help senior executives understand changing business and economic conditions worldwide so that they can continue to improve their strategic decision-making.

**Series registration for our 2021 season will be available soon!**

For more information, check our website at  
[www.conference-board.org/webcasts/economy-watch](http://www.conference-board.org/webcasts/economy-watch).



COVID-19  
**CORONAVIRUS**  
IMPLICATIONS FOR BUSINESS



## Want to hear more about this topic and how the spread of COVID-19 will impact business and the global economy?

The Conference Board has gathered insights and learnings from our thought leaders and member network which we hope will be helpful as you formulate, implement and manage your own crisis response.

Explore all of these resources on our website at <https://www.conference-board.org/COVID-19>.





## Indications

A podcast series brought to you by  
The Conference Board Economics,  
Strategy & Finance Center

**The Conference Board Indications** podcast series helps senior executives understand changing business and economic conditions worldwide by offering concise, insightful perspectives on overall economic activity, consumer and CEO confidence, labor market and demographic trends, and productivity.

Click [here](#) for a complete listing of all of our Indications podcasts or check out our entire podcast lineup at [www.conference-board.org/podcasts](http://www.conference-board.org/podcasts)



# Feedback? Suggestions? How Can We Help You?

Thanks for being with us; be sure to tell your colleagues about next month's webcast

Do you have suggestions for future topics? Please feel free to contact Erik Lundh at: [Erik.Lundh@conference-board.org](mailto:Erik.Lundh@conference-board.org)

And remember to [Sign up](#) for 2021 Email Reminders once new series registration becomes available

