

Bucharest, 17 March, 2021

Diversification is one of the many effects of oil price volatility on Middle Eastern and African oil producers

Study on the impact of oil price volatility in the Middle East and Africa

The COVID-19 pandemic's negative impact on global GDP growth and global trade volumes has caused a sharp drop in oil prices in the spring of 2020. This price drop, even if temporary, has affected Middle Eastern and African oil exporters differently, in line with their national output's dependence on oil, as well as their fiscal strength and international reserves. Although Coface expects oil prices to average USD 60 per barrel in 2021, their volatility will remain a challenge for producing countries. In addition, the fiscal situation of these countries has deteriorated durably. Under these circumstances, the economic diversification - especially towards renewable energy sources - has become even more important.

- After falling below USD 15 in mid-April, Brent crude prices recovered to an average of USD 41.7 for the year 2020 vs. USD 64.3 in 2019. In 2021, it is expected to average USD 60 in 2021.
- Countries like Oman, Iran, Angola, Congo and Equatorial Guinea have a higher degree of oil dependence in terms of GDP
- The Middle East holds nearly half of the global proven oil reserves and 65% of OPEC proven oil reserves. Despite the implementation of diversification programs, most of the Middle-Eastern countries remain dependent on oil revenues in terms of exports, fiscal revenues and GDP. Despite a recovery in oil prices in 2021, the public accounts of these countries will remain in deficit in 2021, while their debt-to-GDP ratio will be higher.
- In the Gulf region, hydrocarbon revenues represent between 50% and 80% of total fiscal revenues, and between 20% and 90% of total exports. Between 20% and 50% of national output still depends on the hydrocarbon sector.
- While a few countries stand out, Africa does not weigh much in the global oil & gas (O&G) industry. It accounts for 7.2% and 7.5% of the world's known oil and gas reserves, 8.9% and 6% of production, 10.2% and 9.1% of exports, and 4.2% and 3.8% of consumption.
- 75 % of produced crude oil is exported and all but four countries (Algeria, Côte d'Ivoire, Congo and Niger) are net importers of petroleum products.
- While twenty African countries produce O&G, five of them account for over 80% of continental production: Algeria, Angola, Nigeria, Egypt and Libya (in normal times for the latter country, as output and exports were put on hold during most of 2020).
- The growth differential between 2019 and 2020 will be significant in countries where oil & gas has a major role in the economy, such Algeria (95% of exports, 52% of government revenues and 25% of GDP), Chad (59%, 30%, and 13%, respectively), Congo (80%, 63%, and 61%) and Nigeria (90%, 55%, and 8%).
- Multiple investment projects in hydrocarbons have been postponed, while the implementation of others has been delayed. However, in general, they are not being called into question, especially in gas, which is considered a step towards renewable energy.
- For some countries, Renewables represent an important source of diversification (United Arab Emirates, Saudi Arabia), alongside tourism, finance, transport and construction (Qatar,



P R E S S R E L E A S E

United Arab Emirates), agriculture, forestry and other extractive activities (Cameroon, Chad, Congo, Gabon).

- Foreign investors in or outside traditional or renewable energy will be sensitive to the quality of business environment, which is problematic in several countries.

MEDIA CONTACT

Diana Oros – T +40/374 670 886 – diana.oros@coface.com

Coface: for trade

With over 70 years of experience and the most extensive international network, Coface is a leader in trade credit insurance and adjacent specialty services, including Factoring, Debt Collection, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2019, Coface employed ~4,250 people and registered a turnover of €1.5 billion.

www.coface.com

COFACE SA. is listed on Compartment A of Euronext Paris.
ISIN Code: FR0010667147 / Mnemonic: COFA

