

US government shutdown not to impact Gulf economies: Comments in Gulf News, 1 Oct 2013

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The partial shutdown of the US government will not have an impact on Gulf economies until after October 17, depending on the US debt default decision, according to economists.

“The global impact is expected to be limited given that – I assume – the damage from the shutdown will be contained and temporary,” Giyas Gokkent, group chief economist at National Bank of Abu Dhabi (NBAD), told Gulf News.

On the impact of the partial shutdown on the Gulf economies, Marios Maratheftis, global head of macro research at Standard Chartered Bank, said, “there is no impact right now. We will see what will happen to the debt ceiling.”

He added that if there is no agreement on raising the debt ceiling by October 17, “things will get serious”, and that between 10 days and two weeks after that, “the Treasury will run out of cash quickly”.

Maratheftis further warned that if the US defaults on its debt, “markets all over the world will take it badly; energy and equity prices will be affected as well as the appetite to buy bonds”.

Echoing similar views, Nasser Saidi, president of Nasser Saidi and Associates, said that it is highly probable that a political compromise will be found in the coming week as the US has no choice but to raise its debt ceiling. “We should not expect a default of the Federal government on its obligations. In particular the GCC (Gulf Cooperation Council) countries that are major investors in US government debt will not be affected,” he said.

Gokkent further said that if the US defaults, there would be

an impact on US credit ratings, oil prices and borrowing costs in the Gulf.

"Rating agencies would downgrade US credit ratings in the event of default; oil prices will decline if there is slower growth in the US which would adversely affect fiscal and external balances in regional economies, [and] the cost of borrowing for households and companies would rise and dampen non-oil activity," he said.

Also, entities, which hold dollar-denominated securities due to the exchange rate peg, including US government securities, could be directly affected by default, he said.

Also likely to be impacted are the UAE's trade and tourism sectors, according to Saidi. "Trade and tourism sectors might take a hit the longer the impasse continues," he said, adding that the UAE accounted for around 32.5 per cent of the US's total trade with the GCC in the first half of 2013.

Asked if the shutdown will have an impact on American expatriates in the UAE, Saidi said: "US expats in UAE are not likely to be affected in any significant way."

The US began a government shutdown early Tuesday for the first time in 17 years as Congress missed a deadline to pass the spending bill.