المركز الإحصائي
لدول مجلس التعاون لدول الخليج العربية
GCC-STAT

FEATURES AND PROSPECTS OF ECONOMIC PERFORMANCE IN THE GCC FOR THE ARAB STATES OF THE GULF

2023

SEPTEMBER 2024

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All correspondence is directed to:
GCC Statistical Centre (GCC-STAT)
P.O. Box 840, Muscat-Sultanate of Oman
24346499 968 +Tel:
24343228 968 +Fax:
Email: info@gccstat.org
Website: www.gccstat.org

His Excellency Jasem Al Budaiwi

Secretary General of the Cooperation Council for the Arab states of the Gulf

Secretary-General's speech For the Cooperation Council for the Arab states of the Gulf

"Guidance from Their Majesties and Highnesses, the leaders of the GCC states (may God protect them), always focuses on strengthening diligent and continuous efforts to advance the progress of the Cooperation Council, to achieve many joint Gulf achievements and projects, and to benefit from these achievements in serving the GCC countries and their people. In its 44th session, the Supreme Council directed the relevant authorities in member states, the General Secretariat, and ministerial and technical committees to double their efforts to complete the requirements of the customs union, finalize the establishment of the Gulf common market in accordance with previous Council resolutions, and accelerate the achievement of economic unity among the GCC states.

The challenges resulting from global economic trends amidst current political crises, which impact the economies of the GCC countries due to their openness to the world, highlight the importance of responding to these challenges and taking all necessary measures to address and mitigate their effects. The GCC states have demonstrated, in the most difficult circumstances, their ability to overcome various challenges, thanks to God and the wise policies they have adopted to overcome hardships and dangers.

Despite all these challenges, forecasts indicate that the economy of the Gulf Cooperation Council (GCC) will grow at a rate exceeding that of major global economies by 2025. It is emphasized that the non-oil sectors will lead this growth. This comes amid the economic challenges facing many countries worldwide, and the expansion in the GCC region has become a focal point for all countries globally and a qualitative leap. This is due to the promising future economic and trade opportunities in our countries on the one hand, and the region's rapid economic growth and business-friendly environment, along with government initiatives encouraging entrepreneurs and investors, on the other."

Excerpts from the Speech of His Excellency the Secretary General

At the Sixth Meeting of the Permanent Preparatory Committee at the Ministerial Level of the Economic and Development Affairs Authority
Sunday: 10 Rabi' al-Thani 1446 AH, corresponding to 13 October 2024, Doha - State of Qatar

Her Excellency Intisar Abdullah Al Wahaibi

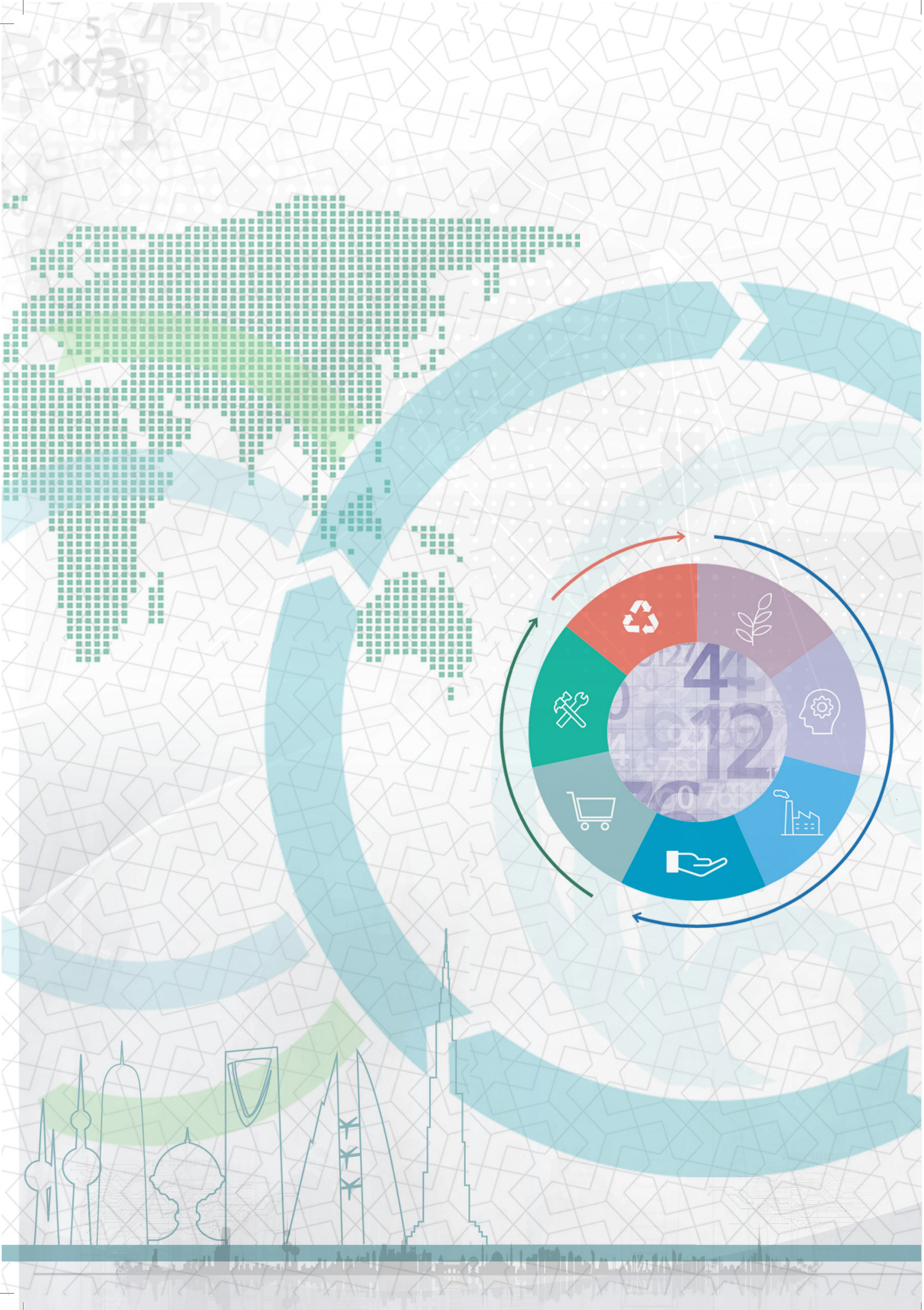
Director General, Statistical Center for the Cooperation Council for the Arab states of the Gulf

Director General speech
Statistical Center for the Cooperation Council for the Arab states of the Gulf

The Statistical Center for the Cooperation Council for the Arab states of the Gulf is pleased to issue a report on the Features and Prospects of the Economic Performance of the GCC countries for the year 2023. The report first discussed global macroeconomic developments during 2023, and then the performance of the GCC in terms of economic growth and inflation rates. In addition to discussing developments in the GCC stock markets such as market values of the capital markets in the member states, as well as the performance indicators of these markets, and the composite index of the Cooperation Council.

The report also reviewed monetary developments such as changes in the supply of cash and net foreign assets at the Gulf central banks and presented developments in commercial banks in the GCC. Specifically, the change in the assets of commercial banks operating in the Gulf banking sector, total bank deposits, and loan portfolios for the private sector, which are the main pillar of financing economic activity.

Finally, the report includes an overview of the international and intra-GCC trade movement, the movement of foreign direct investment, remittances of expatriate workers, and the situation of the workforce in the GCC countries.



Contents

List of Figure

List of Table

Executive Summary

- The International Monetary Fund (IMF) estimates that global GDP at constant prices will grow by 3.2% in 2023, and the Fund expects global growth to stabilize at 3.2% in 2024 and 2025.

- Global inflation declined to 6.8% in 2023 from 8.7% in 2022 and expected to continue this downward trend to reach 5.9% in 2024 and 4.5% in 2025.

- The GCC real GDP grew by 0.5%, due to a 3.3% increase in the non-oil sector, compared to -4.8% decline in the oil sector due to oil production cuts by OPEC+.

- The GCC Statistical Center forecasts that the GCC economy will grow by 3.7% in 2024 and 4.5% in 2025, with the expected growth due to increased oil production in several member states.

- The average GDP per capita at current prices at the GCC level in 2023 amounted to about 36.7 thousand US dollars.

- The consumer price inflation rate in the GCC in 2023 amounted to about 2.2%, lower than the inflation rate recorded in 2022, which amounted to 3.1%.

- The average forecasts of the GCC Statistical Center indicate that inflation rates in the GCC will stabilize at 2.4%, 2.6%, and 2.1% during the years 2024, 2025, and 2026, respectively.

- The GCC Composite Index increased by 8.0% in 2023, and the total market value of the GCC financial markets reached 4.4 trillion US dollars, a growth of 11.8% compared to 2022.

- Total government revenues of the GCC amounted to 641 billion US dollars in 2023, and total government spending amounted to 639 billion US dollars, with current spending accounting for 85% of total expenditure. The GCC government finances achieved a surplus of about 2 billion US dollars.

1,691.8
billion US dollars
Real GDP in GCC Countries

- The total value of the broad money supply (M2) in the GCC amounted to about 1,612 billion US dollars by the end of 2023, an increase of 10.5% compared to its value at the end of 2022.

- The total foreign reserve assets of the GCC continued to grow, reaching approximately 747.7 billion US dollars by the end of 2023, an increase of 4.4% compared to the previous year.

- The total assets of commercial banks operating in the GCC grew 8.1% in 2023 to reach 3,207 billion US dollars.

- Total bank deposits at commercial banks operating in the GCC amounted to about 1,905 billion US dollars by the end of 2023, an increase of 8.1% compared to their size at the end of 2022.

- The total balance of loans provided by commercial banks operating in the GCC by the end of 2023 recorded an increase of 6.2% and amounted to about 1,870 billion US dollars.

- Capital adequacy ratios in the GCC countries continued to exceed the regulatory minimum by a large margin, ranging between 17.9% in the United Arab Emirates and 21.5% in the Kingdom of Bahrain.

- The growth in the profitability of the Gulf banking sector in 2023 ranged between 7.7% in the Sultanate of Oman and 55.3% in the United Arab Emirates, as the sector's profitability exceeded pre-Covid-19 levels.

- The total balance of foreign direct investment in the GCC countries amounted to 649.0 billion US dollars by the end of 2022, an increase of 6.4% over the previous year. Intra-GCC investment accounted for about 18.1% of the total balance.

- The size of the assets of sovereign wealth funds in the GCC countries amounted to about 4.4 trillion US dollars by 2023, and these funds represent 34.1% of the total assets of the 100 largest sovereign wealth funds in the world.

- The total commodity exports of the GCC bloc (excluding intra-exports) in 2023 amounted to about 823.1 billion US dollars, a decrease of -14.5% compared to the value of these exports in the previous year.

- The total commodity imports of the GCC bloc (excluding intra-imports) in 2023 increased by 13.4% compared to the value of these imports in the previous year, reaching about 659.3 billion US dollars.

- The GCC bloc achieved a surplus in the trade balance of goods in 2023 estimated at about 164 billion US dollars.

- The total remittances of workers in the GCC abroad in 2023 amounted to about 131.5 billion US dollars, down by half a billion US dollars from 2022, by -0.4%.

- The total number of workers in the GCC countries in 2023 witnessed an increase of 5.0%, reaching about 31.8 million workers.

I.

Global Economic Developments

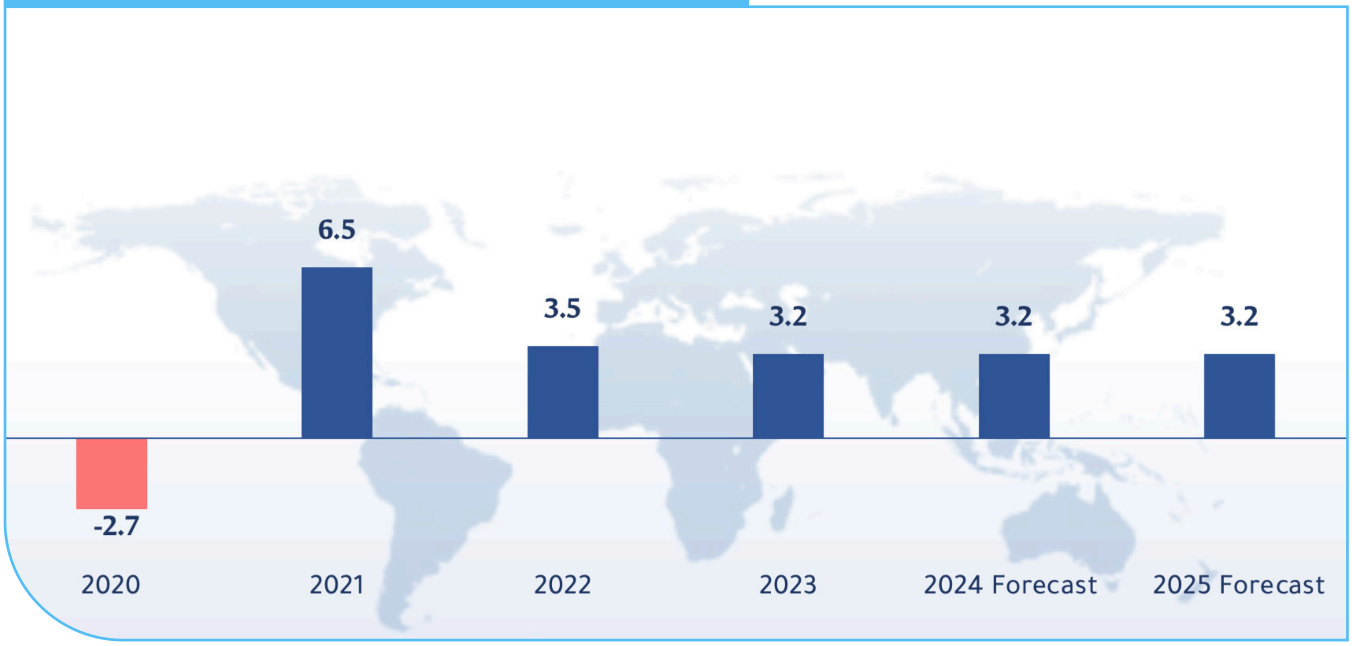
1.1: Global Gross Domestic Product (GDP)

In 2023, the global economy experienced a slower growth rate compared to 2022, falling short of the 3.8% average for the period from 2000 to 2019. The International Monetary Fund (IMF) estimates that global GDP, at constant prices, grew by 3.2% in 2023, following a 3.5% increase in 2022. This slowdown in global growth is attributed to contractionary monetary policies adopted by central banks to address inflationary pressures, reduced consumption and investment due to rising interest rates, and diminished financial support in some productive sectors.

The IMF forecasts that global economic growth will stabilize at 3.2% in both 2024 and 2025 (Figure 1). As inflation generally recedes, it is expected that central banks will gradually ease their tightening monetary policies to revive productive sectors and ensure financial stability.

These forecasts are surrounded by a degree of uncertainty, including risks related to the continuation and escalation of the Russian-Ukrainian conflict and rising food and energy prices, which could have a more significant negative impact on global growth prospects. Additionally, there are concerns regarding public debt, particularly in emerging market economies.

Figure 1: Global GDP Growth Rate (%), 2020-2025



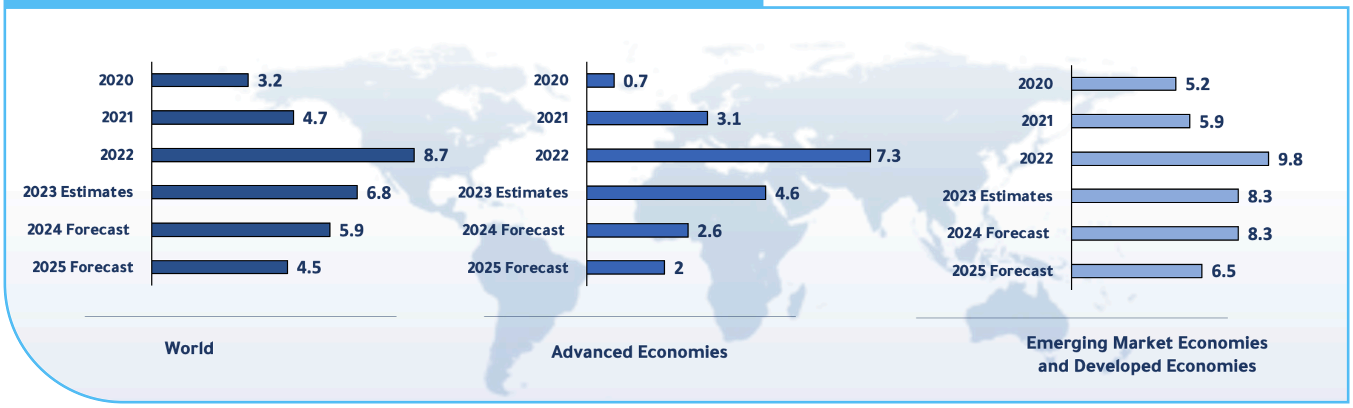
Data Source: World Economic Outlook, International Monetary Fund (April 2024).

2.1: Global Inflation

The International Monetary Fund (IMF) statistics indicate that the global inflation rate decreased to 6.8% in 2023, down from approximately 8.7% in 2022. This reduction is attributed to the continued tightening of monetary policies by central banks around the world, with interest rates reaching their highest levels in 17 years. The decline in energy prices in 2023 and the slowdown in consumption and investment due to higher interest rates also contributed to this decrease.

The IMF also forecasts a continued slowdown in the global inflation rate, projecting it to fall to 5.9% in 2024 and 4.5% in 2025. However, the expected inflation rates for 2023 and 2024 remain significantly above the targets set by most central banks. Overall, it is anticipated that the annual average inflation rate will decline for about 80% of the world's economies in 2024 (see Figure 2). Core inflation is also expected to decrease gradually. Additionally, the Food and Agriculture Organization (FAO) predicts a gradual decline in its global food price index in 2024, supported by improvements in supply chains.

Figure 2: Global Inflation Rates (%), 2019-2025



Data Source: World Economic Outlook, International Monetary Fund (April 2024).

3.1: Global Energy Prices

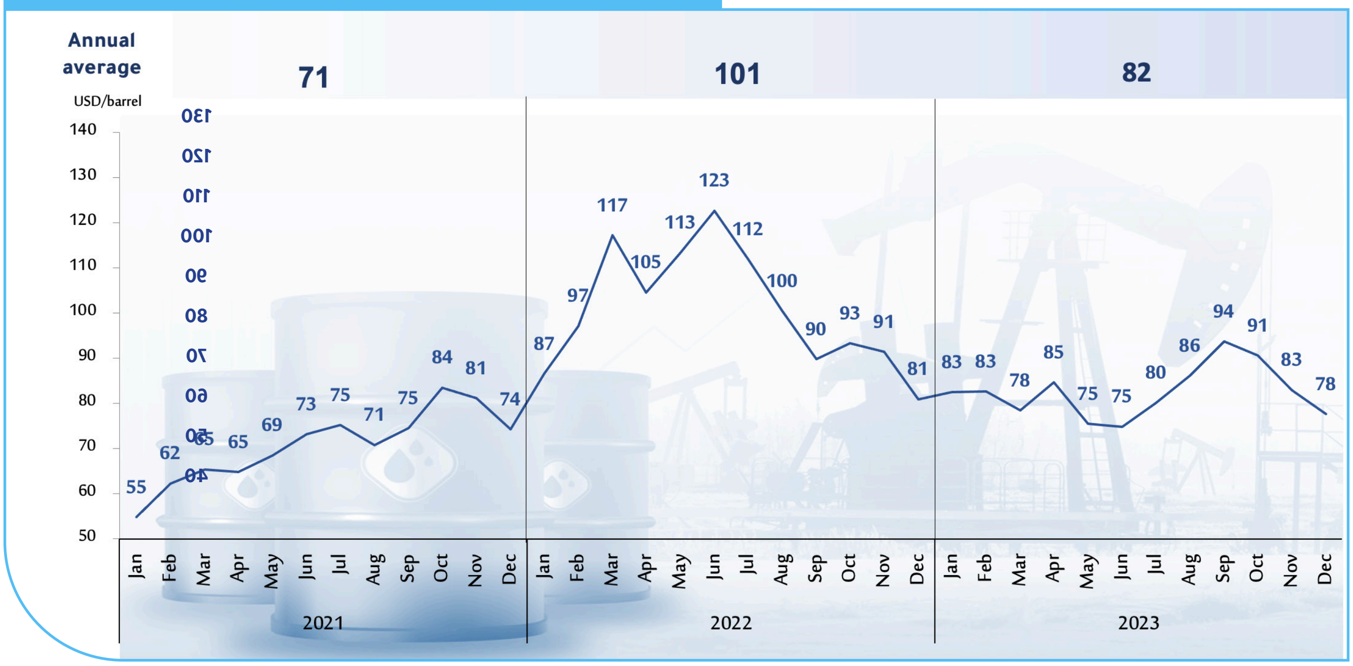
Global oil prices are expected to remain unstable in the near term due to increased uncertainty regarding supply and demand factors affecting the global crude oil and natural gas market. Energy prices have significantly decreased from their high levels in 2022, following the accumulation of gas inventories in Europe and India, reduced demand in China, and increased oil production from non-OPEC sources. The average price of Brent crude oil fell to USD 82 per barrel in 2023, down from the substantial increase seen in 2022, where the average price was about USD 101 per barrel compared to USD 71 per barrel in 2021 (see Figure 3).

Despite the slowdown in global growth in advanced and emerging economies during 2023-2024, many global institutions and research centers have recently raised their oil price forecasts for the remainder of 2023, while maintaining similar levels for 2024. This adjustment is based on the continued voluntary production cuts by OPEC+ members to balance the market and expectations of improved demand in Asia. Additionally, global oil inventories are expected to decline in the short term, which may exert upward pressure on oil prices.

Bloomberg Consensus (as of July 2024) predicts that the average price of Brent crude will be USD 85 per barrel in 2024, USD 82 per barrel in 2025, and USD 81 per barrel during 2026-2027. The Energy Information Administration (EIA) forecasts that the average spot price for Brent crude will be USD 84.46 per barrel in 2024 and USD 82.22 per barrel in 2025.

The price of crude oil is a crucial determinant of the economic growth of the GCC, as it directly impacts investor confidence, government spending levels, consumption, and domestic liquidity.

Figure 3: Average Brent Oil Price, 2021- 2023



Data Source: US Energy Information Administration

Natural gas prices in global markets in 2023 saw a similar pattern to that witnessed by the oil markets, where they fell sharply and the average price of American natural gas (Henry Hub) reached about 2.5 US dollars per million British thermal units (mmBtu) in 2023, compared to 6.4 US dollars in 2022 (Figure 4).

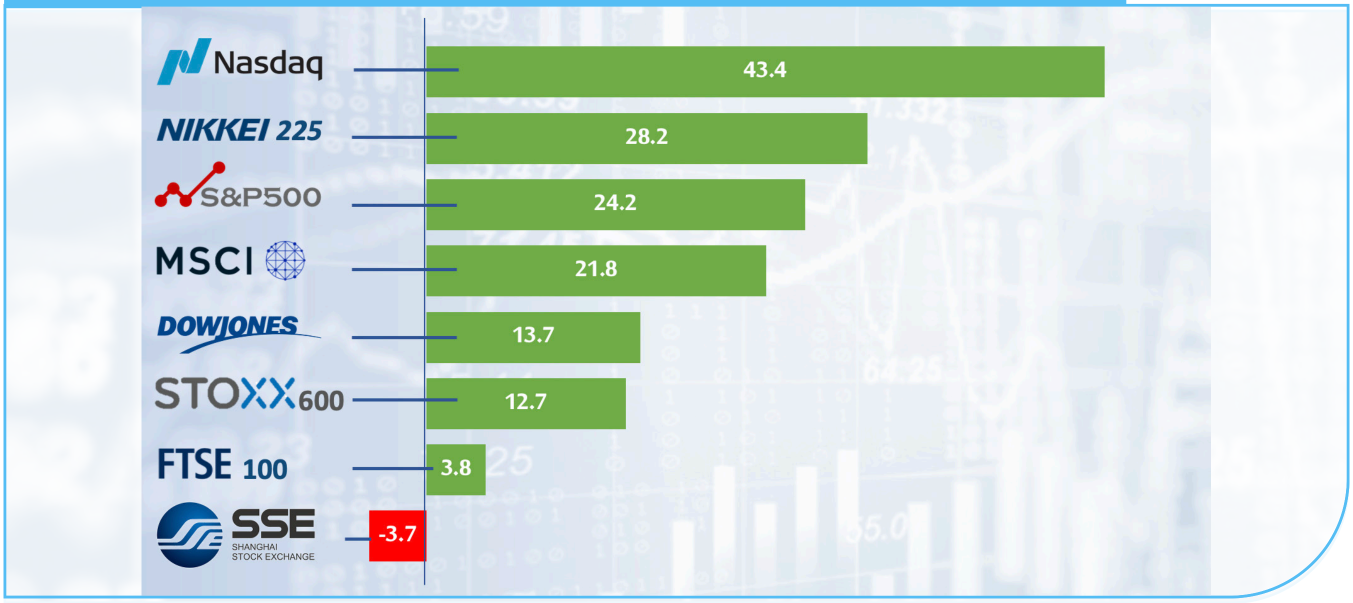
Figure 4: Natural Gas Price (USD/mmBtu), 2021- 2023

Data Source: US Energy Information Administration

4.1: Performance Of Global Financial Markets

In terms of stock movements, the year 2023 was the best in years for the performance of the major global financial markets, specifically the US. As the US stock index (S & P 500) recorded annual gains of about 24.2%, the Nasdaq Composite Index rose by 43.4% this year. The Dow Jones Industrial Index rose to 13.7%, European stocks (Stoxx 600) ended the year 2023 with annual gains of 12.7%, and the gains of the Japanese Nikkei 225 index 28.2%. The UK FTSE 100 index also rose to end the year with a gain of 3.8% but lagged behind most global indices. While the Shanghai index recorded losses of -3.7%, (Figure 5).

Figure 5: Performance of the Global Capital Markets General Index (%), 2023



Data Source: https://finance.yahoo.com/

5.1: Developments In Monetary Policy And Global Interest Rates

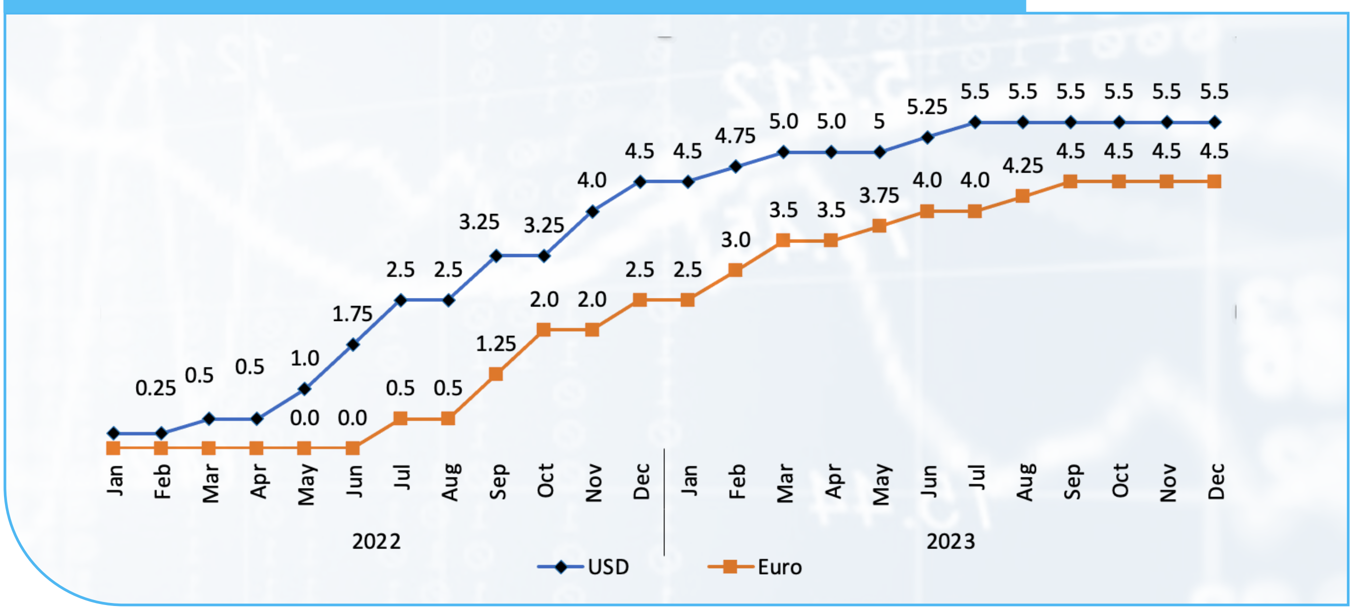
The global economy faced many challenges during the years 2022 and 2023, most notably the escalation of global inflation rates to unprecedented levels, which led monetary policy makers to work with the interest rate mechanism to absorb high inflation. As the US Reserve Bank continued to raise interest rates on the dollar for four times in 2023, the interest rate was raised from 4.5% in December 2022 to reach 5.5% by the end of July 2023, and did not raise interest rates during the subsequent period of 2023, against the background of low inflation rates. In addition, the European Central Bank raised interest rates to 4.5% in December 2023 compared to 2.5% at the beginning of the year, but then began to send signals that it may be preparing to cut them as inflation continues to decline in the Eurozone (Figure 6).

It is worth noting that the increase in interest rates in the form witnessed in 2022 and 2023 would increase the cost of servicing public debt with the ensuing negative effects on the deficits in the general budget of countries with high public debt rates, which in turn leads to a slowdown in economic growth.

Forecasts suggest that major central banks are likely to halt further interest rate hikes soon, marking the end of the most significant tightening cycles by central banks in decades aimed at curbing inflation and reducing excess liquidity in the markets, which expanded during the COVID-19 pandemic. In the United States, the Federal Reserve is expected to pause interest rate hikes temporarily at a rate of 5.5% and begin reducing rates starting in the first quarter of 2024, with gradual cuts in the subsequent years. Similarly, in the Eurozone, the European Central Bank is anticipated to pause rate hikes at 4.5% and start lowering rates from the second quarter of 2024.

However, there remains a possibility that interest rates may be maintained at current levels or even raised further during 2023-2024, given that inflation levels are still significantly above the targets set by most central banks. With core inflation persisting, major central banks have indicated that they may need to extend the period of monetary tightening to break the cycle of rising prices, which leads to increased wages and inflation expectations, consequently driving prices even higher.

Figure 6: interest rates (%) on the US dollar and the euro 2022-2023



Source: tradingeconomics.com

2.

Macro-Economic Performance in the GCC

2.1 GDP performance

According to data from the Gulf Statistical Center, the real GDP (2010=100) for the Gulf Cooperation Council (GCC) countries reached USD 1,691.8 billion in 2023, reflecting a growth rate of 0.5% compared to USD 1,683.2 billion in 2022. The non-oil sector saw a growth of 3.3%, while the oil sector's contribution declined by 4.8% due to successive production cuts by the OPEC+ group, (Figure 7).

In terms of major economic activities, the GCC countries experienced significant growth in several sectors due to government policies supporting economic diversification and improved general economic conditions. The transportation and storage sector achieved the highest growth rate in 2023 at 9.0%, followed by the financial activities sector with a growth rate of 7.1%, and the real estate sector with a growth rate of 5.8%. The wholesale and retail trade, agriculture, forestry, and fishing sectors saw growth rates of 4.6% and 4.1%, respectively. Conversely, the mining and quarrying sector contracted by 5.2% during 2023.

Forecasts from the Gulf Statistical Center indicate that the GCC economy is expected to grow by 3.7% in 2024, representing a significant improvement from the low growth rate of 0.5% in 2023. The center anticipates continued growth at a higher rate in 2025, reaching 4.5% based on average expectations, with growth stabilizing at 3.5% in 2026. This anticipated growth is attributed to increased oil production in several GCC countries, particularly as OPEC+ gradually eases production quotas in the second half of 2024, along with the completion of new gas field developments in the region. Additionally, accelerated recovery in sectors related to transportation, tourism, and infrastructure projects, supported by expansionary fiscal policies, is expected to drive growth. The non-oil sector is also projected to continue expanding robustly in the medium term.

However, several risks could threaten this projected growth in 2024 and 2025. These include the potential decline in oil prices due to a resolution of the Russian-Ukrainian conflict or any other factors leading to a significant and unexpected increase in crude oil production. Additionally, the global growth slowdown caused by persistent high interest rates aimed at curbing inflation—especially in the United States, the European Union, the United Kingdom, and Japan—poses a substantial challenge. Furthermore, domestic food and consumer goods production in GCC countries might be impacted by rising raw material costs, increased shipping and storage expenses, and disruptions in supply chains.

Figure 7: Growth Rate of GCC GDP at Constant Prices (%), 2014-2026

Source: GCC-STAT. September 2024

2.1.1 Non-Oil Sector

Conversely, preliminary data from the Gulf Statistical Center indicate that the average growth rate of the non-oil sector in the GCC, in constant prices, was 3.3% in 2023, down from 5.3% in 2022. This decline is attributed to delays in the implementation of certain investment projects in the non-hydrocarbon sectors, (Figure 8).

The Gulf Statistical Center forecasts an improvement in the growth of the non-oil sector in the GCC in 2024, with an expected rate of 4.5%, and this growth is anticipated to be sustained in 2025 and 2026. Accelerated activity is expected in the private sector, particularly in tourism, transportation, storage, and retail. Infrastructure projects in GCC countries will further support growth in related sectors and stimulate private sector development.

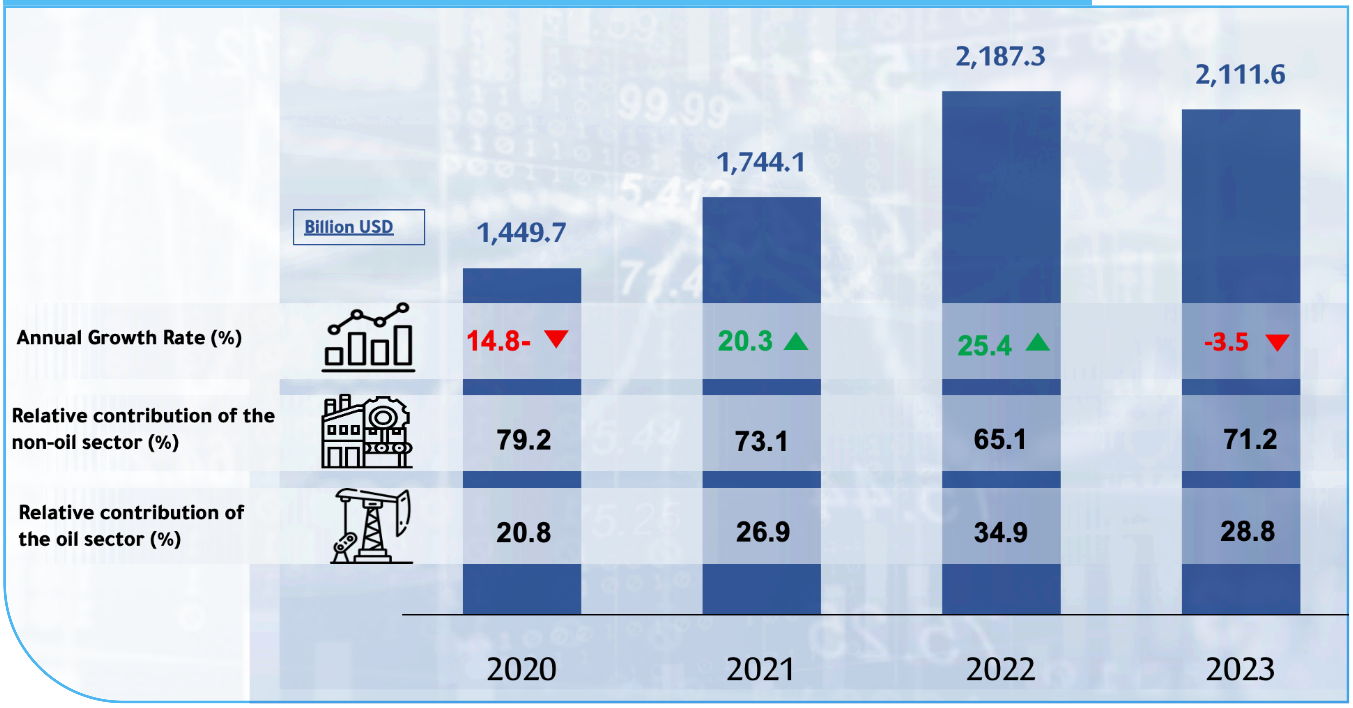
As GCC countries continue to implement economic diversification strategies, notable growth is expected in several key sectors from 2024 to 2026. Among the most prominent sectors is renewable energy, where GCC countries are investing in solar, green hydrogen, and wind energy projects to reduce reliance on oil and gas and promote environmental sustainability. The technology and innovation sector are also expected to advance significantly, with expanded digital transformation plans and increased use of advanced technologies such as artificial intelligence. Additionally, the manufacturing sector is projected to grow due to substantial investments, particularly in petrochemicals, automotive production, and food industries, contributing to income diversification and reduced reliance on imports. The growth pace in the transportation and storage sector will continue as several infrastructure projects in this vital sector are completed

Figure 8: Growth Rate of GCC Non-oil GDP at Constant Prices (%), 2014-2026

Source: GCC-STAT. September 2024

According to preliminary estimates, the nominal GDP decreased by 3.5% to reach USD 2,111.6 billion USD in 2023, compared to an annual growth rate of 25.4% in 2022, The contribution of the oil sector to nominal GDP was 28.8% in 2023, amounting to 608.8 billion USD. In contrast, the non-oil sector contributed 71.2%, with a value of approximately 1,502.8 billion USD for the same year, (Figure 9).

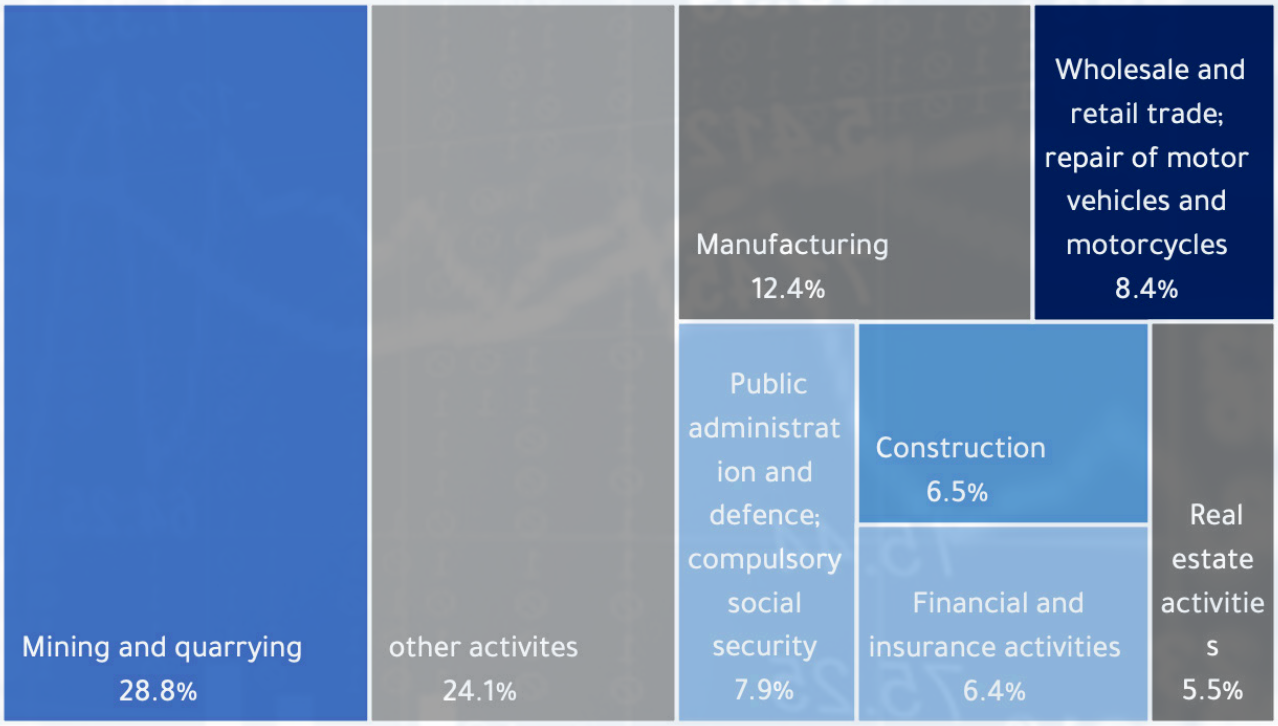
Figure 9: GCC GDP at current Prices with Growth Rate and Oil & Non-oil sectors contribution (%), 2020-2023



Source: GCC-STAT. September 2024

In terms of key economic activities within the non-oil sector, manufacturing activities contributed 12.4% to the current GDP of the GCC in 2023, making them the largest contributor within this sector, with a value added of approximately USD 261 billion. Wholesale and retail trade activities ranked second, contributing 8.4% to the current GDP, with the value-added rising from USD 165.5 billion in 2022 to USD 178.1 billion in 2023. Public administration and defense contributed 7.9% to the GDP, while construction, financial and insurance activities, and real estate activities contributed 6.5%, 6.4%, and 5.5%, respectively, to the GDP in 2023 (Figure 10).

Figure 10: Relative contribution of economic activities to GDP at current prices for the GCC, 2023



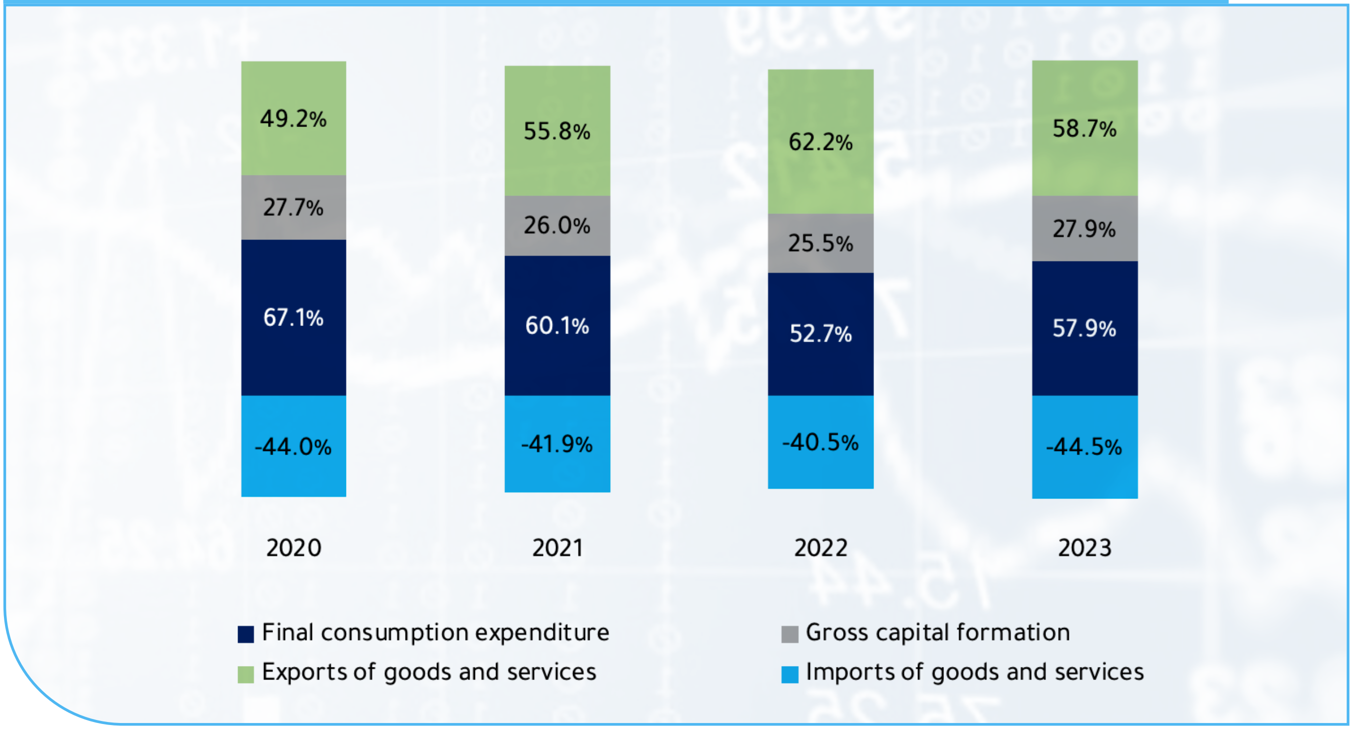
Source: GCC-STAT. September 2024

In 2023, all components of expenditure on the current GDP experienced positive growth rates, except for exports of goods and services, which decreased by 9%.

Final consumption expenditure, both public and private, accounted for 57.9% of the current GDP in 2023, totaling USD 1,222.6 billion compared to USD 1,152.6 billion in 2022, reflecting a growth rate of 6.1%. Regarding gross capital formation, it grew by 5.6% in 2023, reaching USD 589.7 billion compared to USD 558.6 billion in 2022, contributing 27.9% to the GCC's GDP in 2018 (Figure 11).

The value of imports of goods and services increased by 6.1% in 2023, reaching USD 939.2 billion compared to USD 885.1 billion in 2022. In contrast, the value of exports of goods and services declined by 9%, amounting to USD 1,238.5 billion.

Figure 11: Relative contribution (%) of expenditure components to GDP at current prices for the GCC, 2020-2023

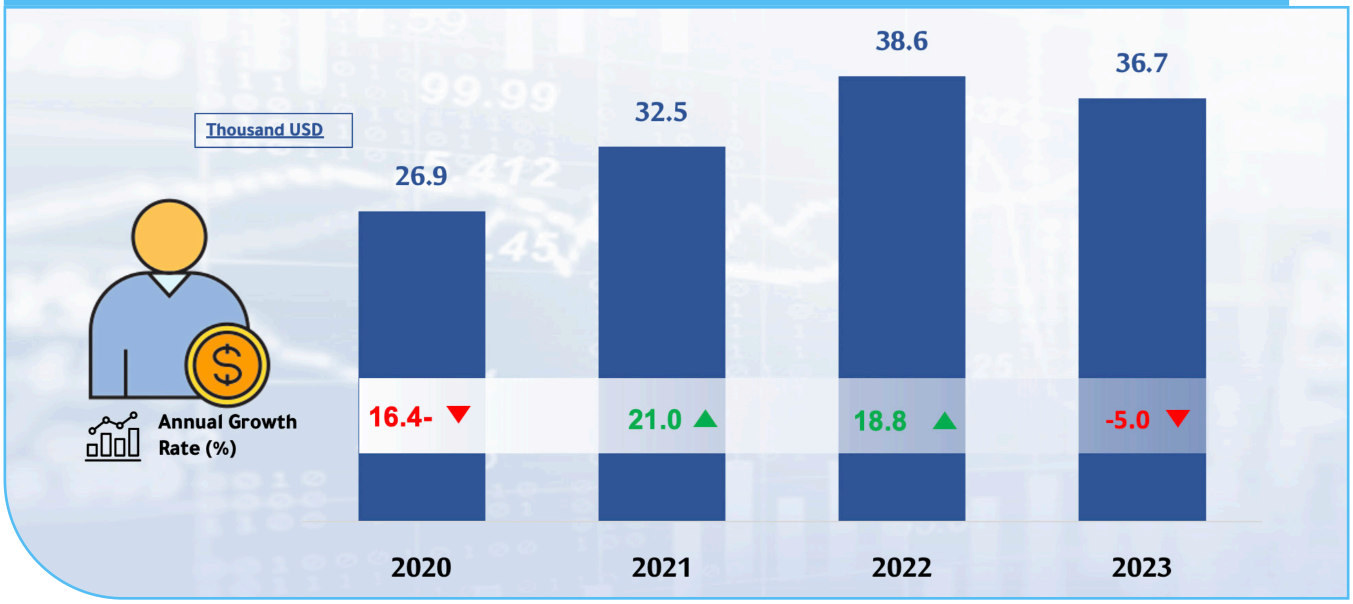


Source: GCC-STAT. September 2024

2.1.2 GDP Per Capita

The GDP per capita at current prices across the GCC experienced a decline of 5% in 2023, reaching USD 36,700 compared to USD 38,600 in 2022 (Figure 12).

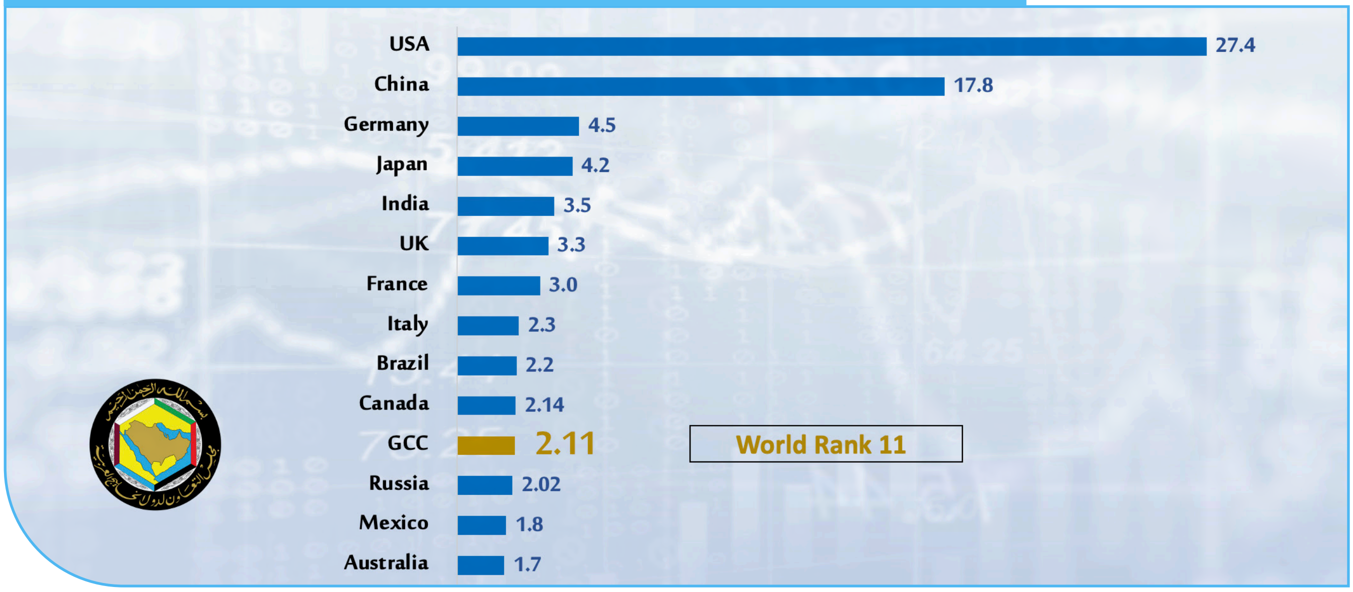
Figure 12: Average GDP per capita at current prices and its annual growth rate for the GCC, 2020-2023



Source: GCC-STAT. September 2024

Globally, the GCC's current GDP contributed 2% of the total global GDP, which amounted to USD 105.4 trillion in 2023, ranking it eleventh worldwide in this indicator. Within the Arab world, the GCC contributed approximately 60.5% of the total Arab GDP, which was USD 3.5 trillion[1] (Figure 13).

Figure 13: World ranking of GDP at current prices (USD trillion), 2023



Source: GCC-STAT, World Bank, September 2024

According to the World Bank's income classification, all GCC countries are classified as high-income nations[2]. Despite the decline in average GDP per capita at current prices in the GCC in 2023, these countries still rank among the highest globally in this indicator. While the global average GDP per capita was approximately USD 13,100 in 2023, the average GDP per capita in GCC countries was about three times this average, reaching USD 36,700.

2.2: Consumer Price Inflation Rate

The consumer price inflation rate in the GCC was 2.2% in 2023, down from 3.1% in 2022 (Figure 14). This decline in inflation in 2023 was supported by improvements in supply chains, a decrease in crude oil prices, lower global food prices, and a strengthening of the U.S. dollar against major currencies (as GCC currencies are pegged to the U.S. dollar). Additionally, some GCC countries intervened to support essential products or services.

1. World Bank, August 2024.
2. According to the World Bank's new income classification, high-income countries are those where the gross national income per capita exceeds $12,055.

The center's average forecasts indicate that inflation rates in the GCC will stabilize at 2.4%, 2.6%, and 2.1% for the years 2024-2026 (Figure 16). Risks that could increase inflationary pressures on consumer prices include rising costs of imported raw materials, increased consumption and public spending across the GCC due to higher employment rates, rising wages, and improved household incomes. Additionally, monetary policies in the United States, the European Union, the United Kingdom, and Japan aimed at keeping interest rates high to curb inflationary pressures could contribute to higher borrowing costs, thus potentially driving up consumer prices overall.

Figure 14: GCC General Inflation Rate and Forecasts (%), 2014-2026

Source: GCC-STAT. September 2024

3.

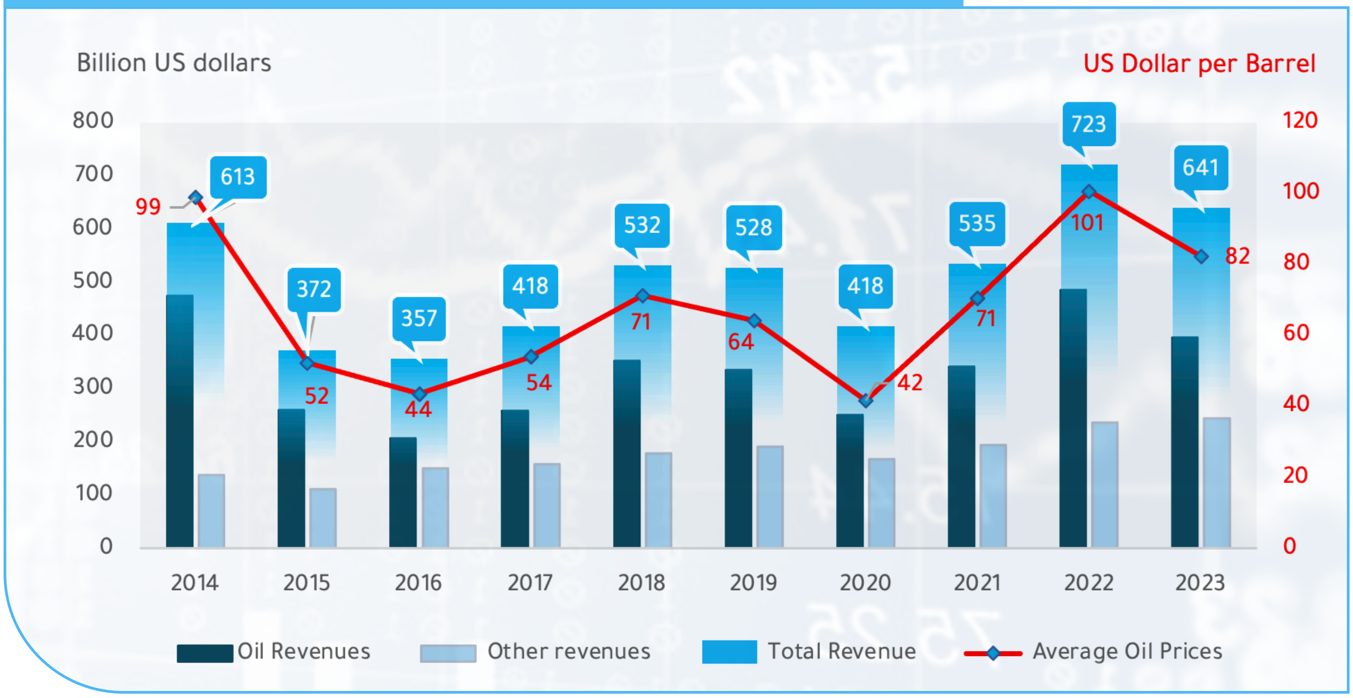
Government Finances in the GCC

1.3: Government Revenues

Over the past three years, total government revenues in the GCC have seen a significant improvement, reaching pre-COVID-19 levels. This increase has been supported by economic recovery and rising global demand for oil. Government revenues in the GCC are directly influenced by global oil price movements, with oil revenues constituting a major portion of the financial resources for GCC countries. The share of oil revenues in total government revenues for the years 2021, 2022, and 2023 was 64%, 67%, and 62%, respectively (Figure 15).

It is expected that government revenues will remain relatively stable in 2024 and 2025, with oil prices maintaining moderate to high levels. Notably, all GCC countries adopt a cautious approach in calculating the breakeven oil price for budget estimation to avoid international economic fluctuations and volatility in global oil prices. This strategy has helped mitigate pressures on the fiscal balance.

Figure 15: GCC Government Revenues and oil price, 2014-2023

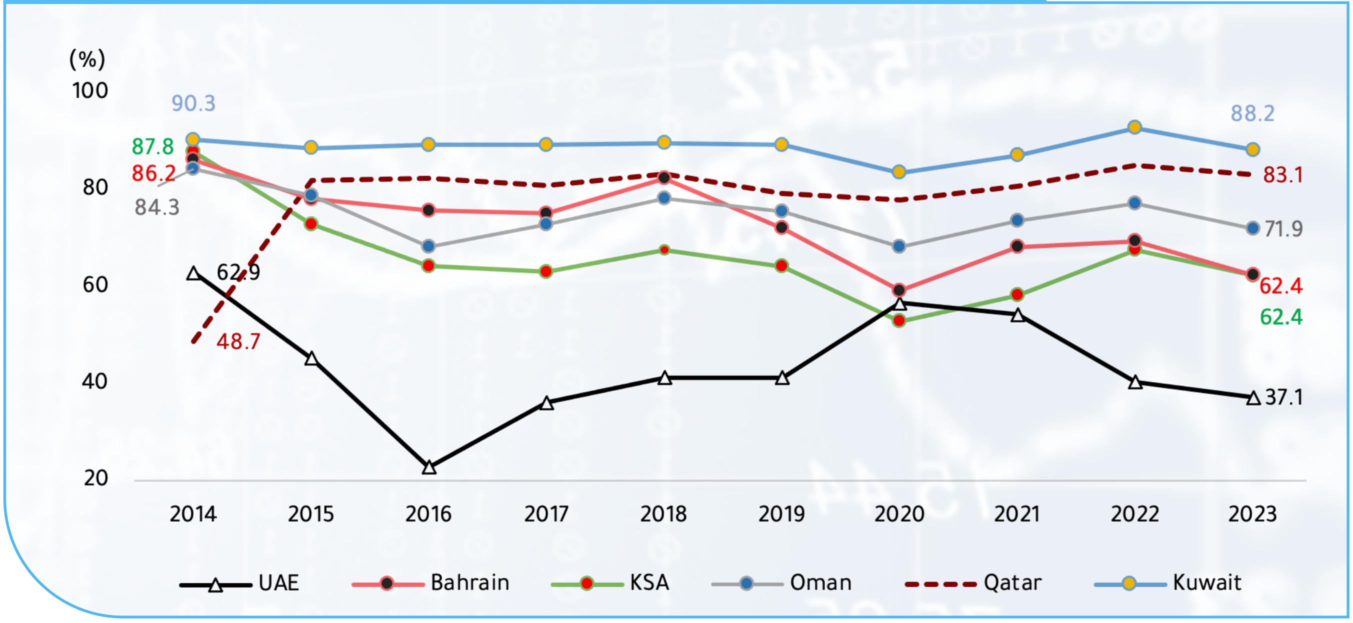


Source: GCC-STAT. September 2024

Among the GCC member states, the contribution of oil revenues to total government revenues has varied, though it continues to play a significant role in the public finances of these countries. In Kuwait, oil revenues constituted approximately 88.2% of total government revenues in 2023. In contrast, the contribution of oil revenues was about 37.1% of total government revenues in the United Arab Emirates for the same year.

It is noteworthy that the share of oil revenues in total government revenues has significantly decreased in most GCC countries over recent years, particularly in Bahrain, the UAE, and Saudi Arabia. Conversely, Kuwait has maintained relatively stable percentages over the past decade. Additionally, Qatar has seen a significant increase in the contribution of the oil sector since 2015 (Figure 16).

Figure 16: Contribution of oil revenues to total government revenues in the GCC countries, 2014-2023

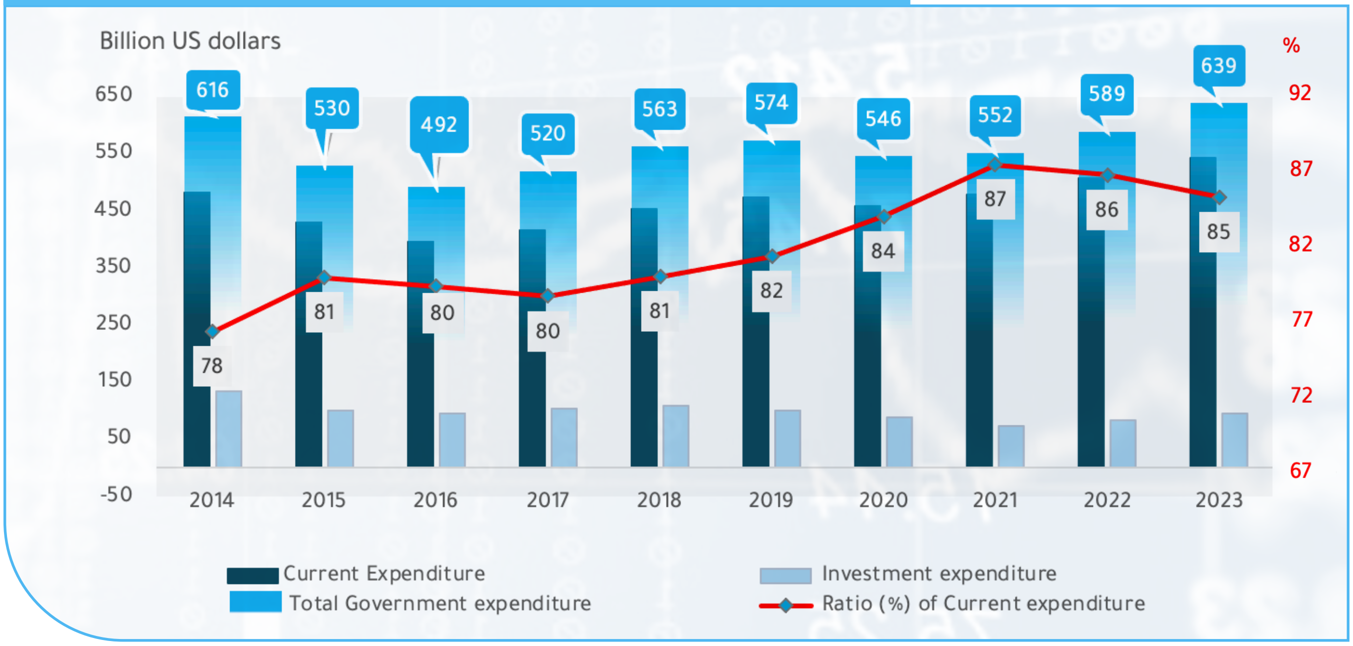


Source: GCC-STAT. September 2024

2.3: Government Expenditure

Total government spending in the GCC has followed a pattern similar to that of government revenues, with governments in the region continuing to increase their expenditures over the past decade. In 2023, total government spending within the GCC reached its highest level, amounting to approximately USD 639 billion. Of this total, current expenditures accounted for 85% of the overall government spending in the GCC in recent years, while investment spending comprised the remaining portion (Figure 17).

Figure 17: Total GCC government expenditure, 2014 - 2023

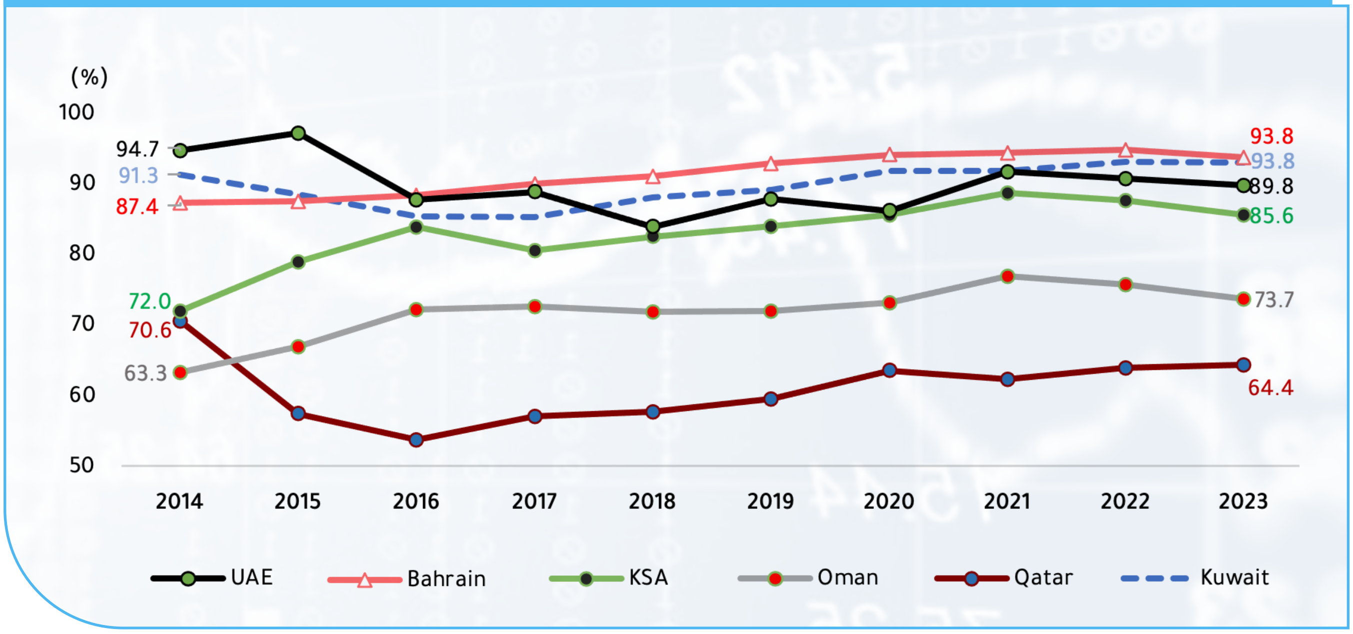


Source: GCC-STAT. September 2024

Among the GCC member states, current spending constitutes the largest portion of total government expenditure. In 2023, Bahrain and Kuwait had the highest proportions of current spending, at approximately 93.8% and 93.1% respectively. In contrast, Qatar had the lowest proportion of current spending among the GCC countries for the same period, at 64.4% (Figure 18).

It is anticipated that GCC countries will seek to increase current spending to boost market confidence and stimulate growth in household consumption. Public spending, particularly current expenditure, is a critical determinant of short-term economic growth in the GCC, as household and private sector activities heavily rely on government services and projects. Furthermore, forecasts indicate an increase in capital and investment spending to complete infrastructure projects and stimulate growth in certain economic sectors, aiming to implement strategic development plans.

Figure 18: Contribution of current expenditure to the total in the GCC countries, 2014-2023



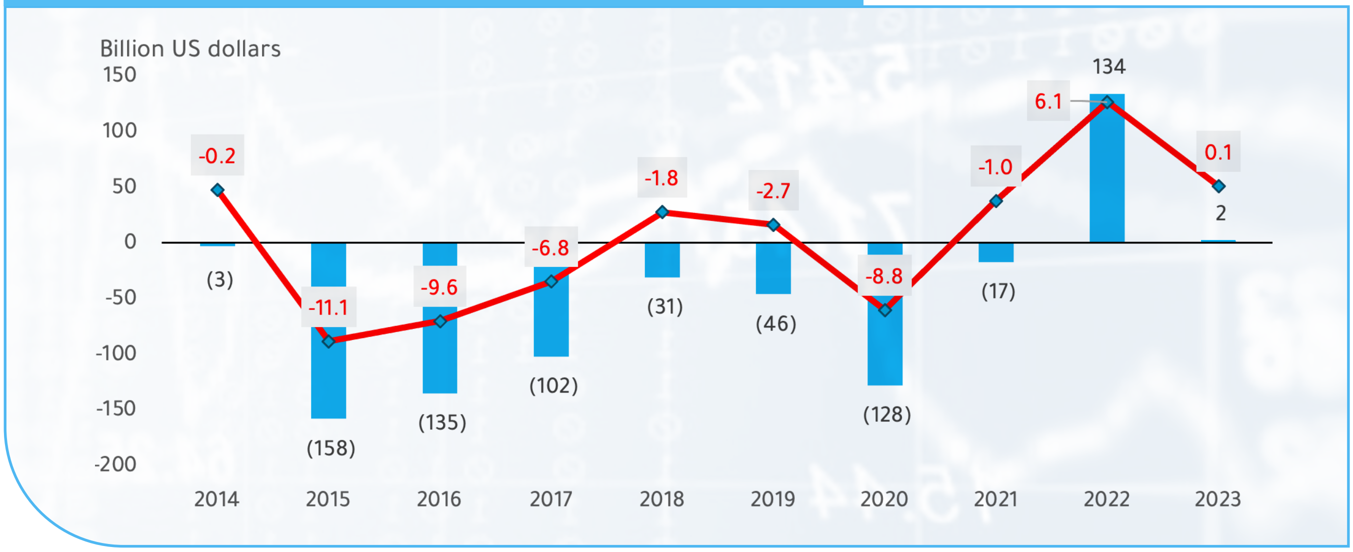
Source: GCC-STAT. September 2024

3.3: Government Budget Deficit or Surplus

Between 2014 and 2021, GCC government finances experienced a significant deficit. The highest deficit over the past decade was recorded in 2015, amounting to 158 billion USD, representing -11.1% of the GCC's GDP (current prices). Additionally, in 2020, there was a deficit of approximately 128 billion USD, equating to -8.8% of GDP.

In contrast, due to economic recovery, increased global oil demand, and GCC countries' policies on fiscal management and expenditure rationalization, a notable fiscal surplus was recorded in 2022. The surplus reached approximately 134 billion USD, which was 6.1% of GDP. This was followed by a smaller surplus of around 2 billion USD in 2023 (Figure 19).

Figure 19: GCC government deficit or surplus, 2014-2023



Source: GCC-STAT. September 2024

During the period from 2015 to 2021, most GCC member states experienced significant government deficits due to the decline in oil revenues across all countries. However, 2022 marked the best fiscal performance for GCC governments, with all countries except Bahrain recording fiscal surpluses. These surpluses ranged from 3.0 billion USD in Oman to 58.8 billion USD in the United Arab Emirates.

In 2023, three GCC countries reported fiscal surpluses. The highest surplus was recorded in the United Arab Emirates at 32.8 billion USD, followed by Qatar and Oman with surpluses of approximately 11.9 billion USD and 2.4 billion USD, respectively. Conversely, other countries experienced deficits ranging from 1.4 billion USD in Bahrain to 22.2 billion USD in Kuwait (Table 1).

It is expected that some GCC countries will see an increase in fiscal surpluses in 2024 due to improved revenues and expenditure control, which will enhance fiscal sustainability. Additionally, non-oil revenues have increased in many GCC countries, contributing to improved fiscal balances. By 2025, most GCC countries are expected to achieve government surpluses if oil prices remain high, coupled with continued expenditure control and improved non-oil revenues.

Table 1: GCC government deficit or surplus (Billion USD), 2014-2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
UAE	(9.6)	(23.0)	(4.6)	(0.8)	24.4	9.8	4.0	22.2	58.8	32.8
Bahrain	(1.2)	(4.0)	(4.3)	(3.6)	(2.4)	(1.8)	(4.4)	(2.5)	(0.5)	(1.4)
KSA	(26.8)	(103.6)	(83.0)	(62.6)	(46.4)	(35.4)	(78.4)	(19.6)	27.7	(21.6)
Oman	(2.8)	(12.0)	(13.8)	(9.8)	(6.9)	(6.8)	(11.5)	(3.2)	3.0	2.4
Qatar	25.3	(0.5)	(14.0)	(13.7)	4.1	1.9	(2.9)	0.4	24.5	11.9
Kuwait	12.2	(15.3)	(15.2)	(10.8)	(4.2)	(12.9)	(35.3)	(14.4)	21.0	(22.2)

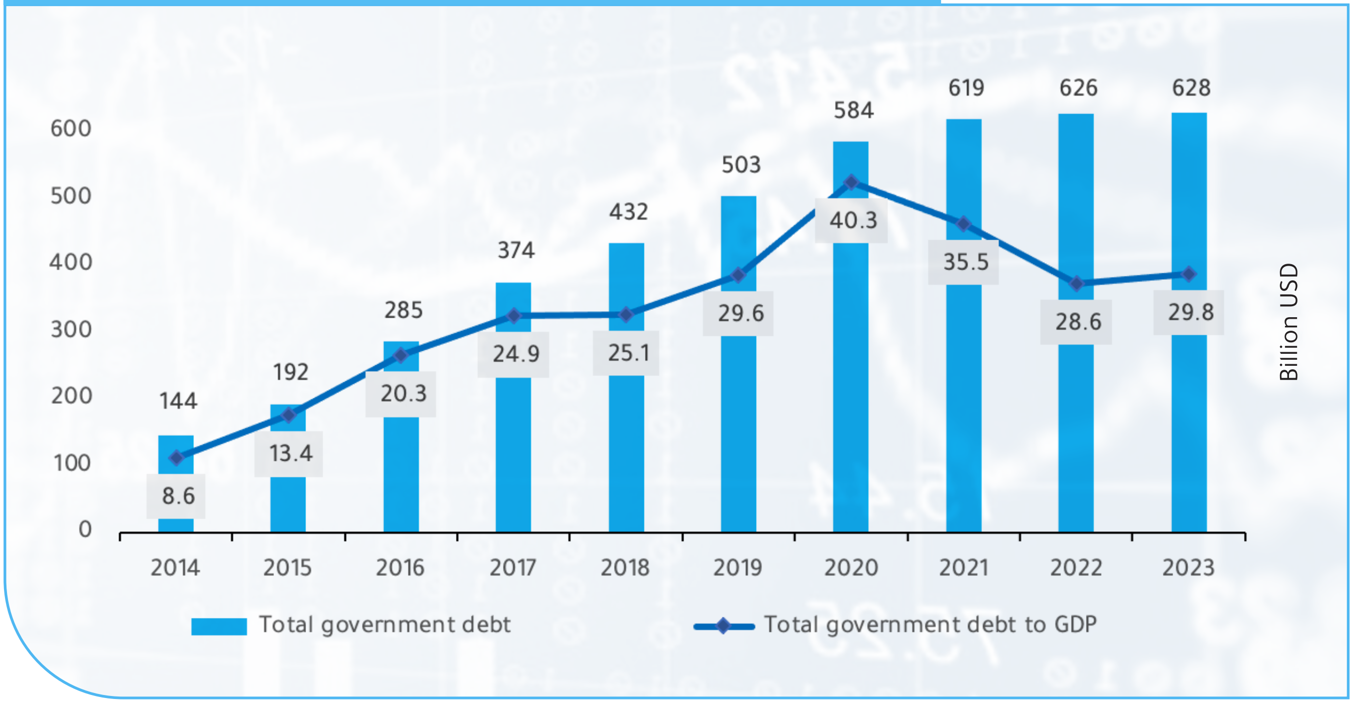
Source: GCC-STAT. September 2024

4.3: Government Debt

According to estimates from the GCC Statistical Center and data from the International Monetary Fund, the size of government debt in the GCC countries has increased significantly over the past decade. In 2023, the total government debt reached approximately 628 billion USD, up from about 144 billion USD in 2014. During this period, the debt-to-GDP ratio of the GCC countries also rose, peaking at 40.3% in 2020. However, this ratio declined in subsequent years and stood at approximately 29.8% in 2023 (Figure 20).

It is anticipated that the public debt will stabilize at around 28% of GDP for the GCC countries during the 2024-2025 period. Concurrently, efforts to reform budgetary practices by improving the efficiency of public spending and implementing growth stimulation programs in non-oil sectors are expected to balance the objectives of maintaining economic growth and ensuring the sustainability of public spending.

Figure 20: Government debt to GDP in the GCC, 2014-2023

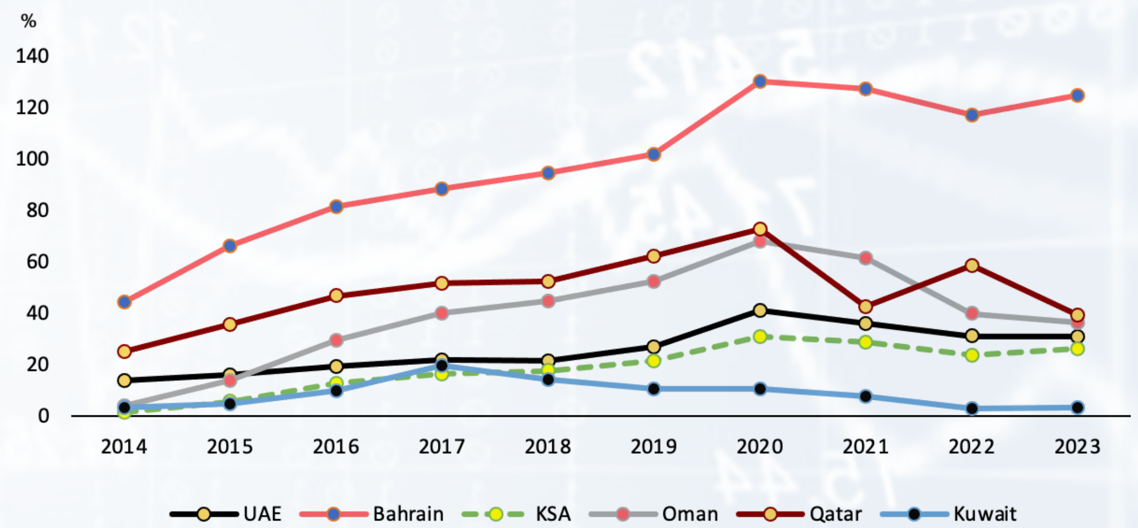


Source: GCC-STAT. September 2024

In recent years, GCC governments have undertaken significant financial reforms aimed at ensuring long-term economic growth. These reforms have focused on diversifying revenue sources by enhancing non-oil revenues, such as fees and taxes. As a result, there has been an increase in total government revenues. Thanks to these efforts, some GCC countries have achieved fiscal surpluses. A portion of these surpluses has been directed towards repaying a part of their debt ahead of schedule, contributing to the financial sustainability that these countries are targeting.

According to estimates and available data, Figure 21 illustrates a general decline in the ratio of government debt to GDP across the GCC countries over the past four years.

Figure 21: Government debt to GDP ratio in GCC countries, 2014-2023



Source: GCC-STAT. September 2024

5.3: Financial Risks and Credit Ratings

Financial risks appear to be low in the near term, with expectations of stable or declining interest rates both locally and globally. Credit rating agencies such as Standard & Poor's (S&P), Fitch, and Moody's have reported improvements in the sovereign bond ratings of GCC countries in 2023, with projections indicating increased credit attractiveness for the region. This improvement will allow GCC countries to potentially reschedule their public debts at lower financial costs.

The credit ratings of GCC countries vary across these agencies but generally fall within a moderate to high investment-grade range, reflecting strong creditworthiness. This classification indicates that GCC governments have a good capacity to meet their financial obligations with very low risk of default (Table 2).

As a result, GCC countries are expected to maintain relatively stable financial prospects in the coming years, with forecasts suggesting gradual government surpluses and increased non-oil revenues. This will enhance the sustainability of national economies and contribute to reducing public debt over the medium term.

Table 2: Credit Rating (Long-Term) of GCC Countries, 2024

	Moody's	FitchRatings	STANDARD &POOR'S
UAE	Aa2	AA-	AA/A-1+
Bahrain	B2	B+	B+
KSA	A1	A+	A/A-1
Oman	A1 negative	BB+	A- (stable)
Qatar	AA2	AA	AA
Kuwait	A1	AA-	A+

Source: GCC-STAT. September 2024


29.79
22.10
18.75
18.07
25.01
30.12
07.28

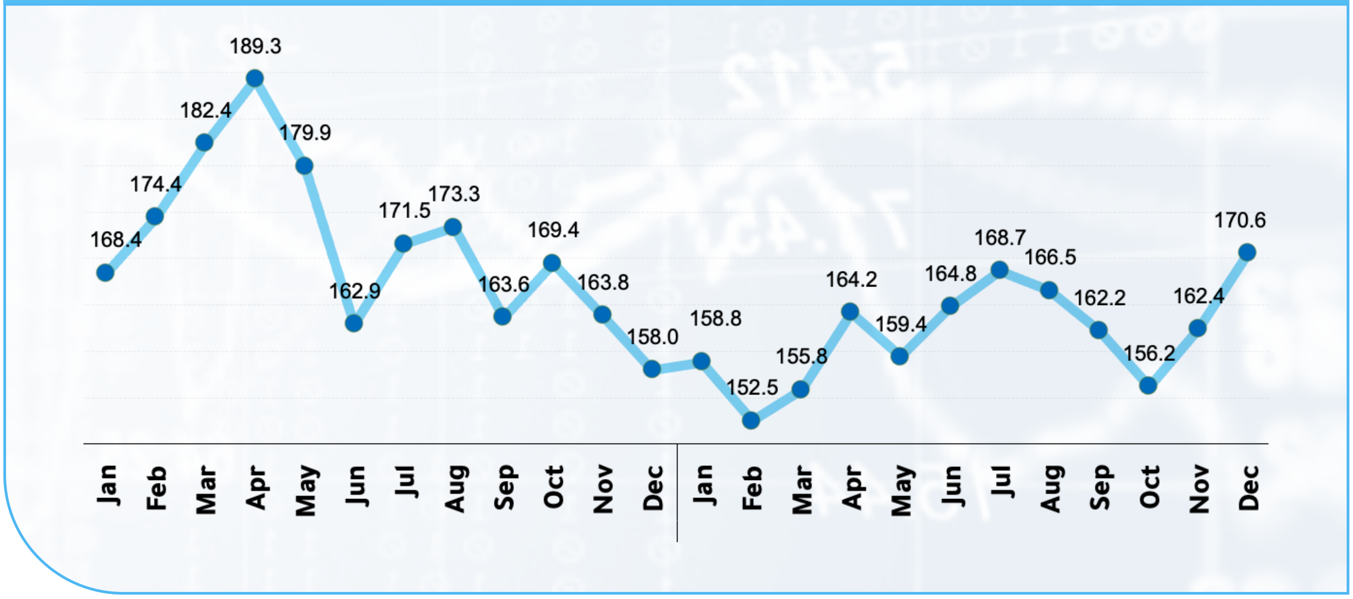
4.

Performance of GCC Financial Markets

4.1 Composite General Index of GCC Financial Markets

The general index of capital markets in the GCC, a composite index that measures the performance of the Gulf stock markets, increased to 170.6 points at the end of 2023, compared to 158.0 points at the end of 2022, with a remarkable growth rate of 8.0%. In February 2023, the composite index recorded its lowest point when it fell to 152.5 points before rising again to record its highest point by the end of December 2023 (Figure 22).

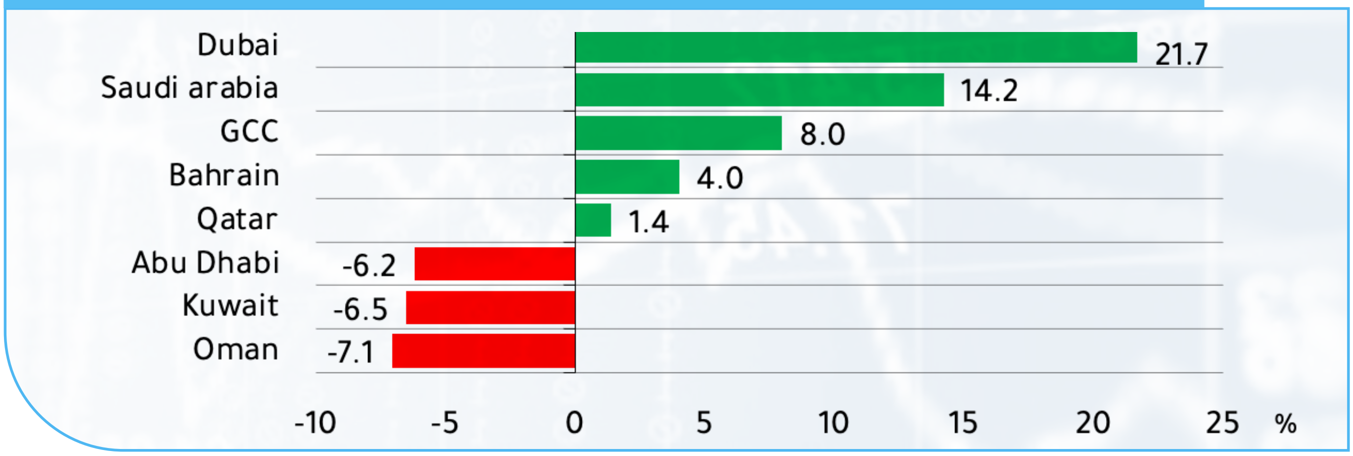
Figure 22: GCC General Composite Performance Index (point) of Capital Markets, Jan 2022-Dec 2023



Source: GCC-STAT. September 2024

The positive performance of the general composite index of the Gulf Capital Markets was due to the growth of the performance of the Saudi Exchange by 14.2%, which constitutes about 68.5% of the total market value of the GCC capital markets. The Dubai Financial Market also recorded growth of 21.7%, and the Bahrain Bourse and Qatar Stock Exchange recorded gains of 4.0% and 1.4%, respectively. The overall performance of the Abu Dhabi Securities Exchange, Kuwait Stock Exchange and Muscat Stock Exchange declined by -6.2%, -6.5% and -7.1%, respectively (Figure 23).

Figure 23: Performance of General Index of GCC Stock Markets (%), 2023

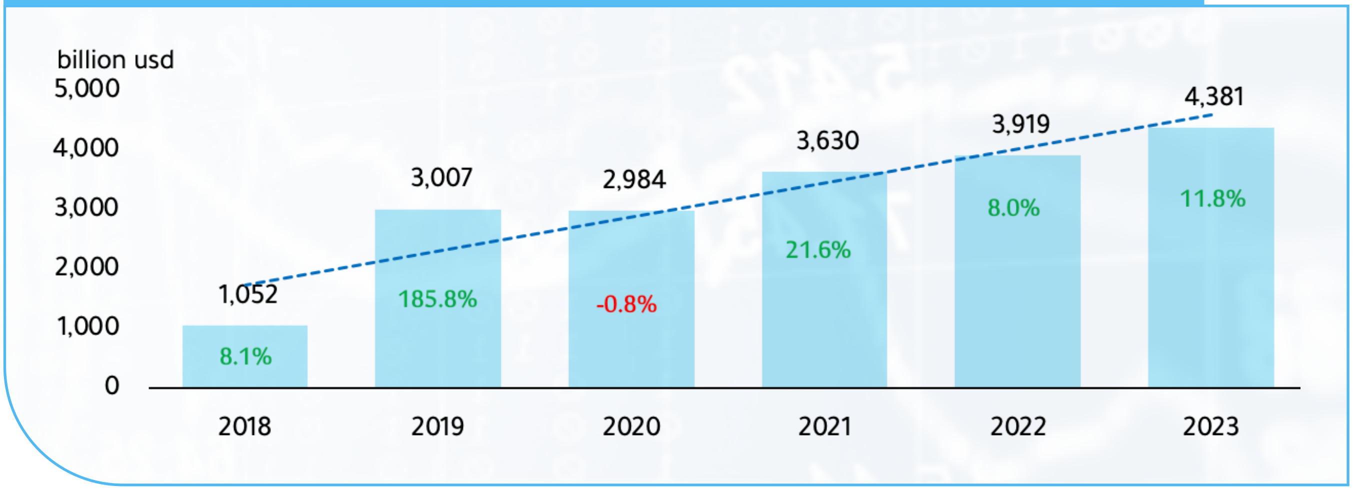


Source: GCC-STAT. September 2024

4.2 Market Capitalization of GCC Financial Markets

The total market value of the Gulf Capital Markets reached about 4.4 trillion US dollars by the end of 2023, with a growth of 11.8% compared to the market value by the end of 2022 (Figure 24). The total market value represents 200% of the GCC GDP, and this total has doubled over the past five years.

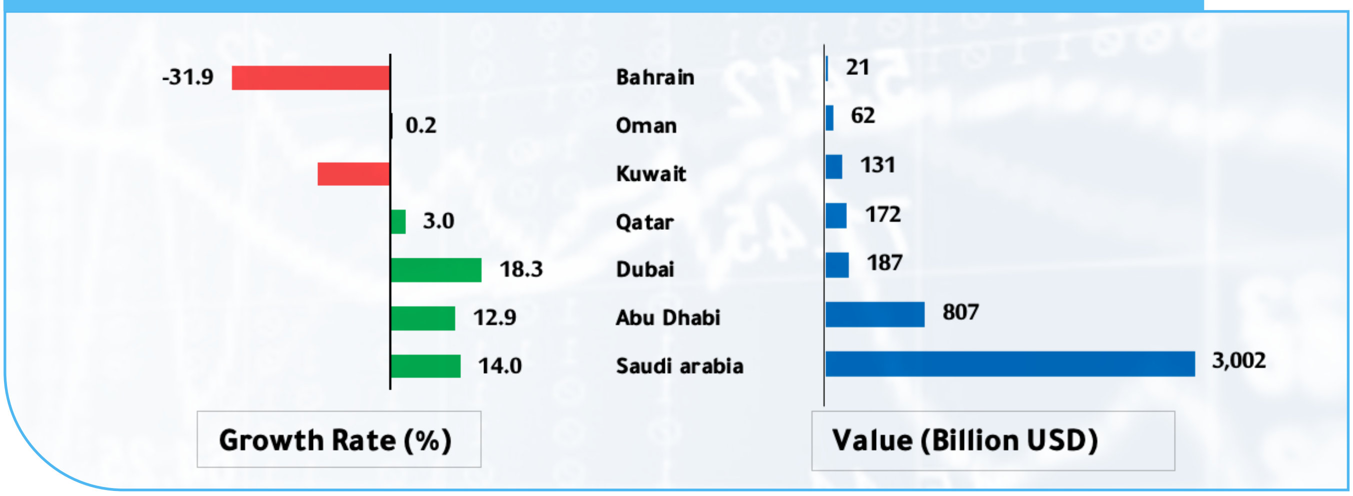
Figure 24: Total Market Capitalization of the Gulf Capital Markets, 2018-2023



Source: GCC-STAT. September 2024

The increase in the total market capitalization of the GCC capital markets is due to the increase in the market values of most markets by the end of 2023 and significantly compared with the market values by the end of 2022. Whereby the market value of the Dubai Financial Market increased by about 18.3%, the market value of the Saudi Exchange by about 14.0%, the market value of the Abu Dhabi Securities Exchange by about 12.9%, and the market value of the Qatar Stock Exchange by about 3.0%. On the contrary, the market capitalization in both Bahrain Bourse decreased by 31.9%, and Bourse Kuwait by 14.6%. The market capitalization of the Saudi Exchange accounted for about 68.5% of the total market capitalization of the GCC markets at the end of 2023, followed by the market capitalization of the Abu Dhabi Securities Exchange at about 18.4%, while the contribution of other markets combined amounted to about 13.1%. (Figure 25).

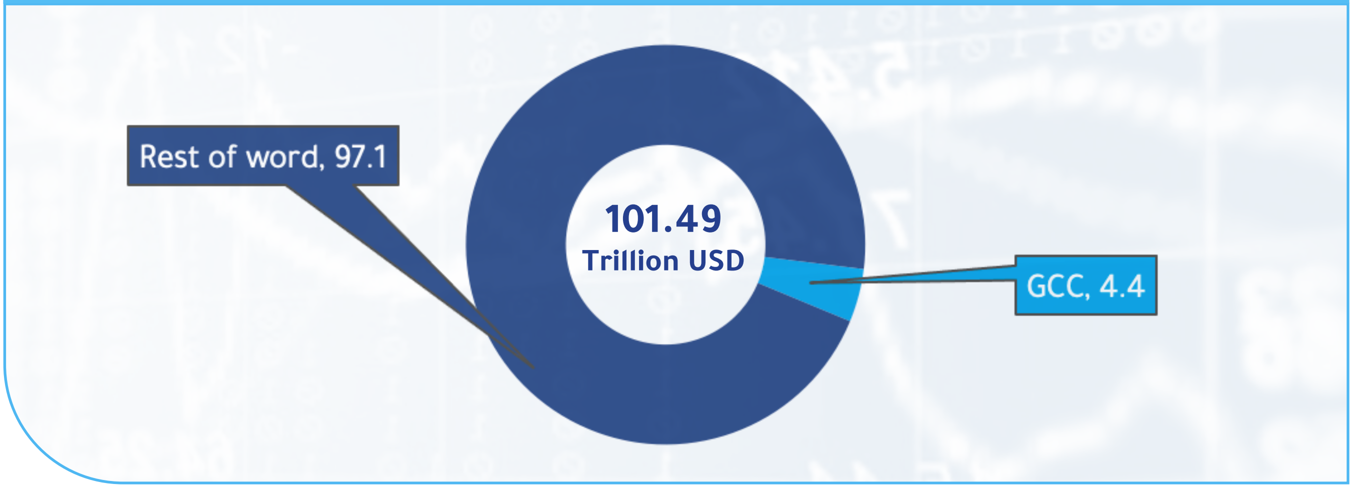
Figure 25: Market Capitalization of the Gulf Capital Markets, 2023



Source: GCC-STAT. September 2024

According to the estimates of the World Federation of Exchanges, the market capitalization of all global capital markets is 101.49 trillion US dollars, and therefore the market capitalization of the Gulf Capital Markets, amounting to 4.38 trillion US dollars, represents 4.3% of the total market capitalization of Global Capital Markets in 2023 (figure 26).

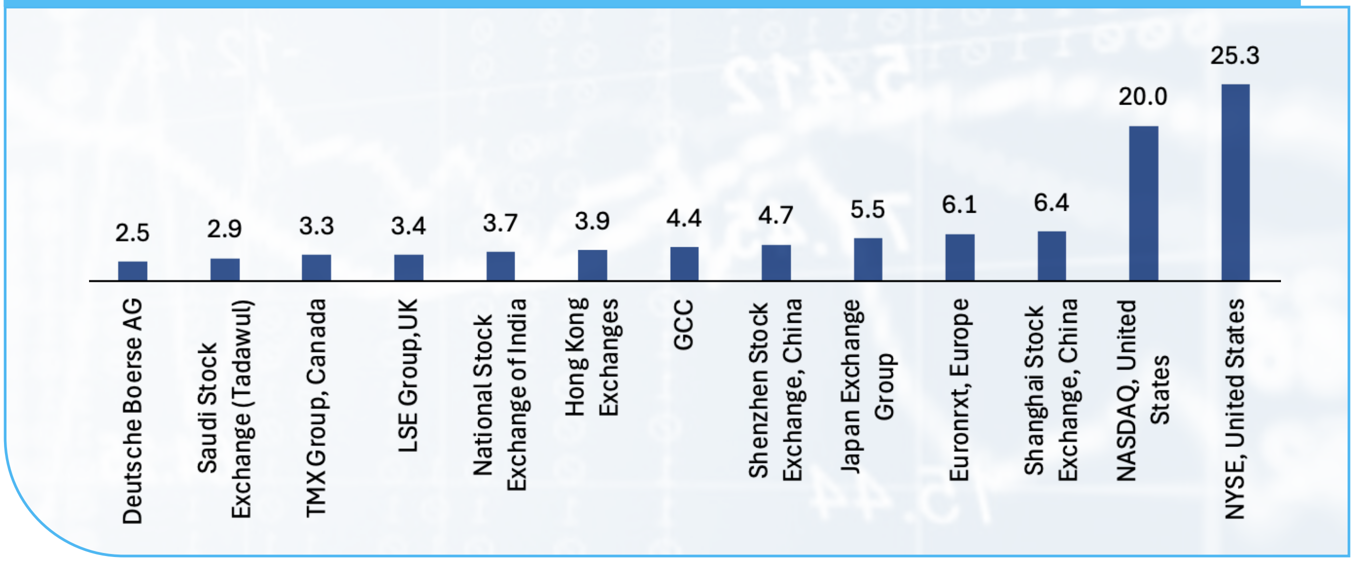
Figure 26: Global Market Capitalization of Global Financial Markets in Trillion US dollars, 2023



Source: GCC-STAT. September 2024

The market capitalization of the Gulf Capital Markets ranked seventh globally by the end of 2023. Founded in 1817, the New York Stock Exchange (NYSE) is the largest and most important Stock Exchange in the world with a market value of 25.3 trillion US dollars. The Nasdaq Stock Exchange "NASDAQ" or the "National Association of Securities Dealers Automated Quotations" ranks second globally in terms of market capitalization at about 20.0 trillion US dollars and is also based in New York and was founded in 1971. Then comes the Shanghai Stock Exchange as the third largest stock exchange in the world with a market value of 6.4 trillion US dollars, followed by the European Euronext stock exchange with a market value of 6.1 trillion US dollars, which is the oldest operating Stock Exchange in the world as it was founded in 1602 (figure 27).

Figure 27: Ranking of the Largest Global Stock Exchanges by Market Capitalization in Trillion US Dollars, 2023

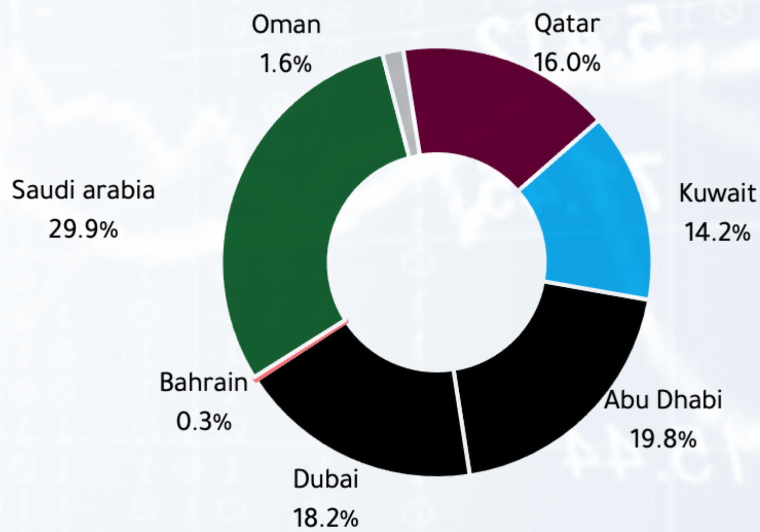


Source: GCC-STAT. September 2024

3.4: Trading Volume and Value

In terms of trading volume, the year 2023 witnessed the circulation of 278 billion shares in the Gulf Capital Markets, registering a growth of 9.7% compared to the previous year. The number of shares traded on the Saudi Exchange accounted for about 29.9% of the total number of shares traded in the GCC during 2023, followed by those traded on the Abu Dhabi Securities Exchange by about 19.8%, the Dubai Financial Market by about 18.2%, and the Qatar Stock Exchange by about 16.0% (Figure 28).

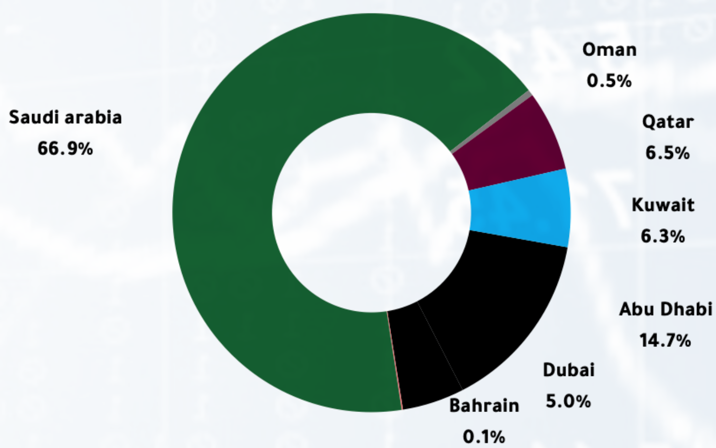
Figure 28: The Relative Contribution of the Number of Shares Traded in the Gulf financial Markets, 2023



Source: GCC-STAT. September 2024

The value of shares traded in 2023 amounted to 531.4 billion US dollars, compared to 678.4 billion US dollars in 2022, a decline of -21.7%, and the average daily trading value was about 2.1 billion USD dollars. The value of shares traded in the Saudi Exchange alone accounted for 66.9% of the total turnover in the Gulf Capital Markets during 2023, followed by the Abu Dhabi Securities Exchange by 14.7%, while the contribution of other markets combined amounted to about 18.4% (Figure 29).

Figure 29: The Relative Contribution of the Value of Shares Traded in the Gulf financial Markets, 2023



Source: GCC-STAT. September 2024


2023
2021
2019
2022
2020
2018

5.

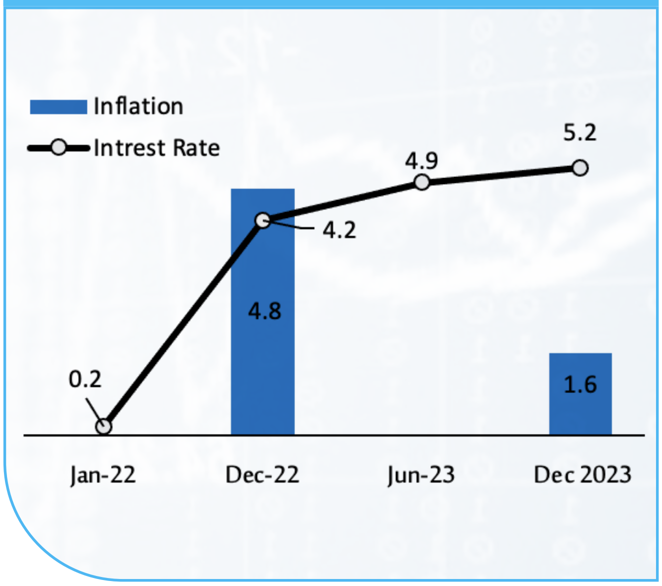
Monetary and Banking Developments in the GCC

5.1 Developments in Monetary Policy and Interest Rates in GCC Countries

In light of the GCC countries adopting a fixed exchange rate policy for their currencies in US dollars (with the exception of Kuwait[3]), and in order to enhance financial and monetary stability in the markets of these countries, the Gulf central banks have responded to the changes in the monetary policy of the US Reserve Bank over the past period, as they continued to raise interest rates in line with the US Reserve Bank raising interest rates on the US dollar since early 2022, despite the relatively low inflation rates in the GCC countries compared to global rates. The Gulf inflation rate reached 2.2% in 2023, while the global inflation rate came at about 6.8% in the same period, according to IMF estimates.

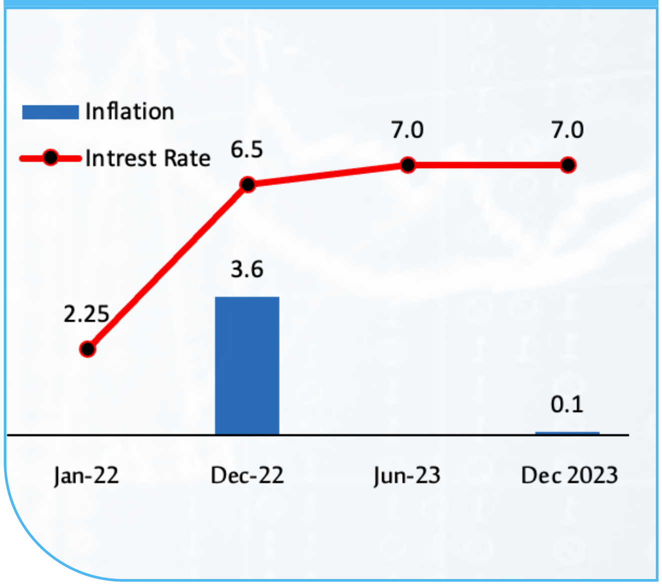
It is worth noting that the interest rate hikes planned by the Gulf central banks in 2023 came at a Lowest level than those approved by them in 2022. As the Central Bank of the UAE raised the interest rate on overnight interbank lending in stages until it reached 5.2% in December 2023 compared to 4.2% in December 2022 and just 0.2% in January 2022, and the inflation rate in the UAE witnessed a decline from 4.8% in 2022 to 1.6% in 2023 (Figure 30). The Central Bank of Bahrain used the repurchase agreement (repo) rate and continued to raise it to reach 7.0% by the end of December 2023, and simultaneously, the inflation rate in the Kingdom of Bahrain decreased from 3.6% in 2022 to 0.1% in 2023 (Figure 31).

Figure 30: UAE, Interest on Overnight Interbank Lending Rate



Source: GCC-STAT. September 2024

Figure 31: Bahrain, Interest Rate "Repurchase Agreement (Repo)"

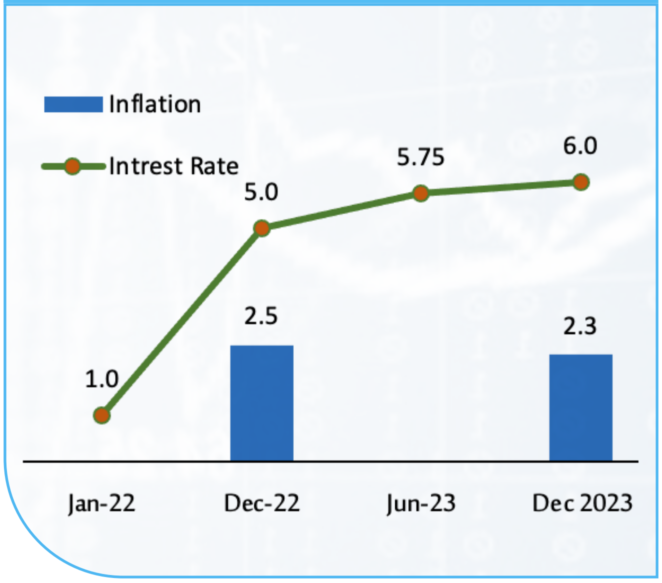


Source: GCC-STAT. September 2024

The Saudi Central Bank also raised the repurchase agreement (repo) rate to 6.0% in December 2023, up from 5.0% in December 2022 and just 1.0% in January 2022, and the inflation rate in the Kingdom of Saudi Arabia reached 2.3% in 2023, slightly down from the rate of 2022 (Figure 32). The Central Bank of Oman also raised the repurchase agreement (repo) rate to 6.0% in December 2023, compared to 4.774% in December 2022 and only 0.5% in January 2022, and the inflation rate in Oman decreased from 2.5% in 2022 to 0.9% in 2023 (figure 33).

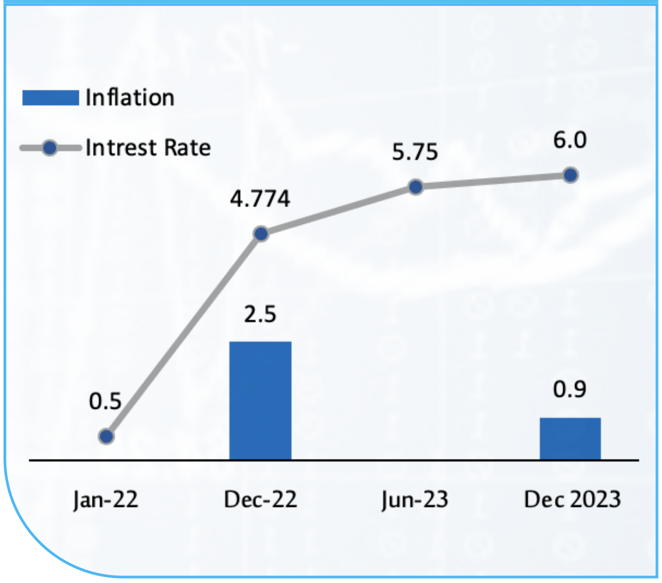
3. Starting from May 20, 2007, under Decree No. 2007/147, the exchange rate of the Kuwaiti Dinar was re-linked to a non-disclosed and weighted basket of global currencies from Kuwait's main trading and financial partners.

Figure 32: KSA, interest rate "repurchase agreement (repo)"



Source: GCC-STAT. September 2024

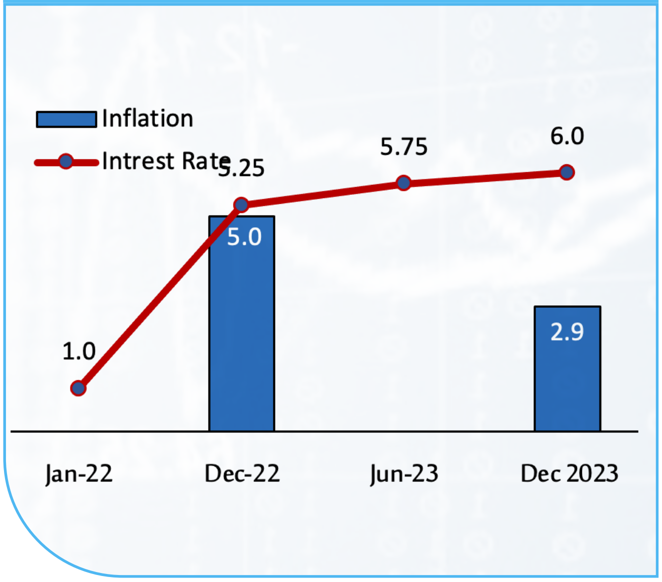
Figure 33: Oman, interest rate "repurchase agreement (repo)"



Source: GCC-STAT. September 2024

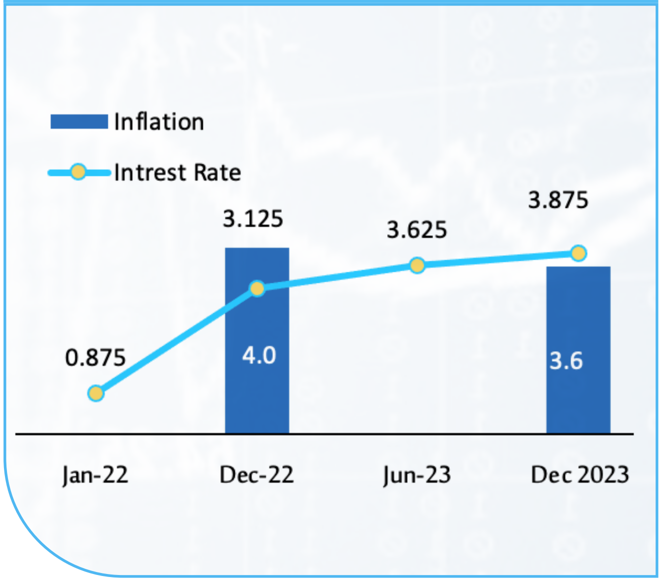
The Qatar Central Bank raised the repo rate to 6.0% at the end of 2023 compared to 5.25% at the end of the previous year, and the inflation rate in the State of Qatar has decreased from 5.0% in 2022 to 2.9% in 2023 (Figure 34). The Central Bank of Kuwait also raised the repurchase agreement (repo) to reach 3.875% in December 2023, up from 3.125% in December 2022, and the inflation rate in the State of Kuwait in 2023 was about 3.6%, up from 4.0% in 2022 (figure No. 35).

Figure 34: Qatar, interest rate "repurchase agreement (repo)



Source: GCC-STAT. September 2024

Figure 35: Kuwait, interest rate "repurchase agreement (repo)

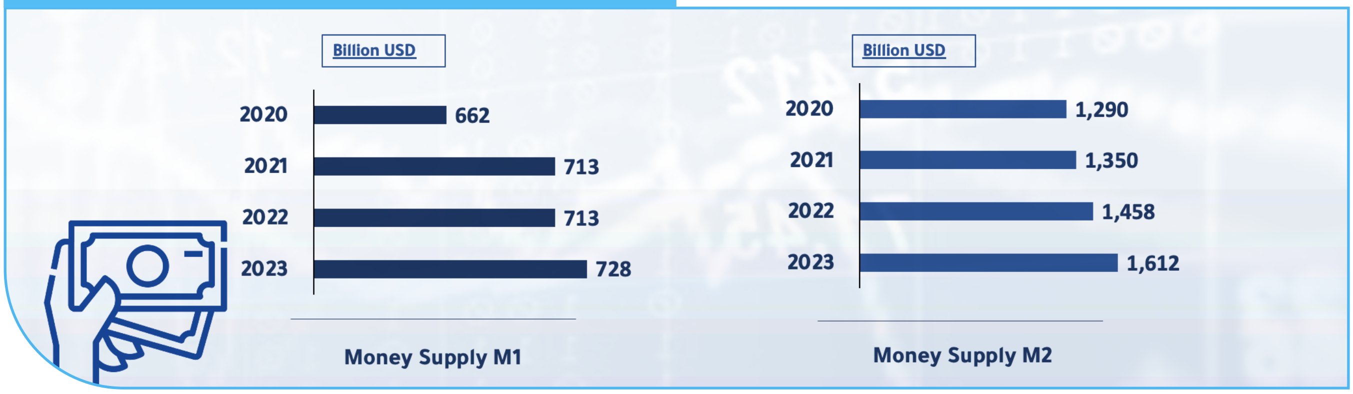


Source: GCC-STAT. September 2024

5.2 Money Supply in the GCC

The total money supply in the narrow sense (M1) in the GCC by the end of 2023 amounted to about 728 billion US dollars, an increase of 2.0% compared to its value by the end of 2022. While the value of the money supply in the broad sense (M2) by the end of 2023 amounted to about 1,612 billion US dollars, an increase of 10.5% compared to its value by the end of 2022 (figure No. 36).

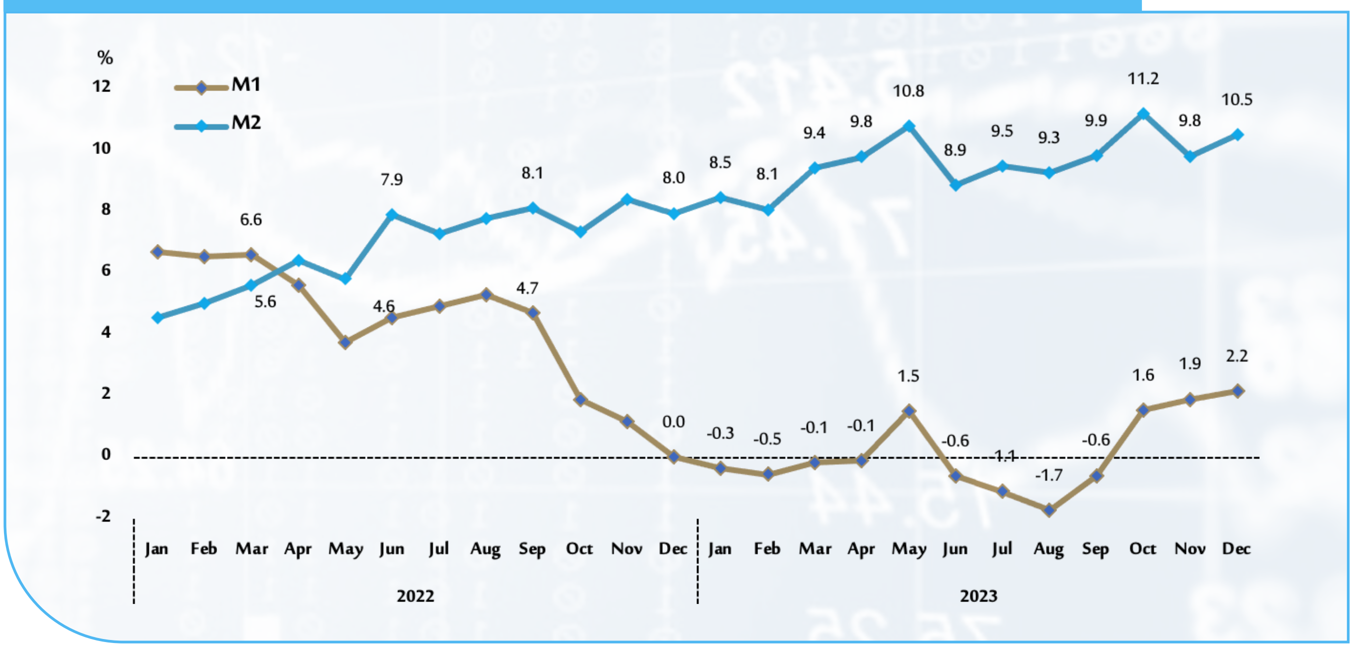
Figure 36: GCC Money Supply, 2020-2023



Source: GCC-STAT. September 2024

With regard to monthly growth rates, it is shown through (Figure 37) that the M2 money supply continued to record positive growth rates during 2023 at a higher pace than the growth rates recorded in the similar months of 2022, while the M1 money supply witnessed a decline during the months of 2023 compared to the previous year, with the exception of the last quarter of 2023, which recorded positive growth rates.

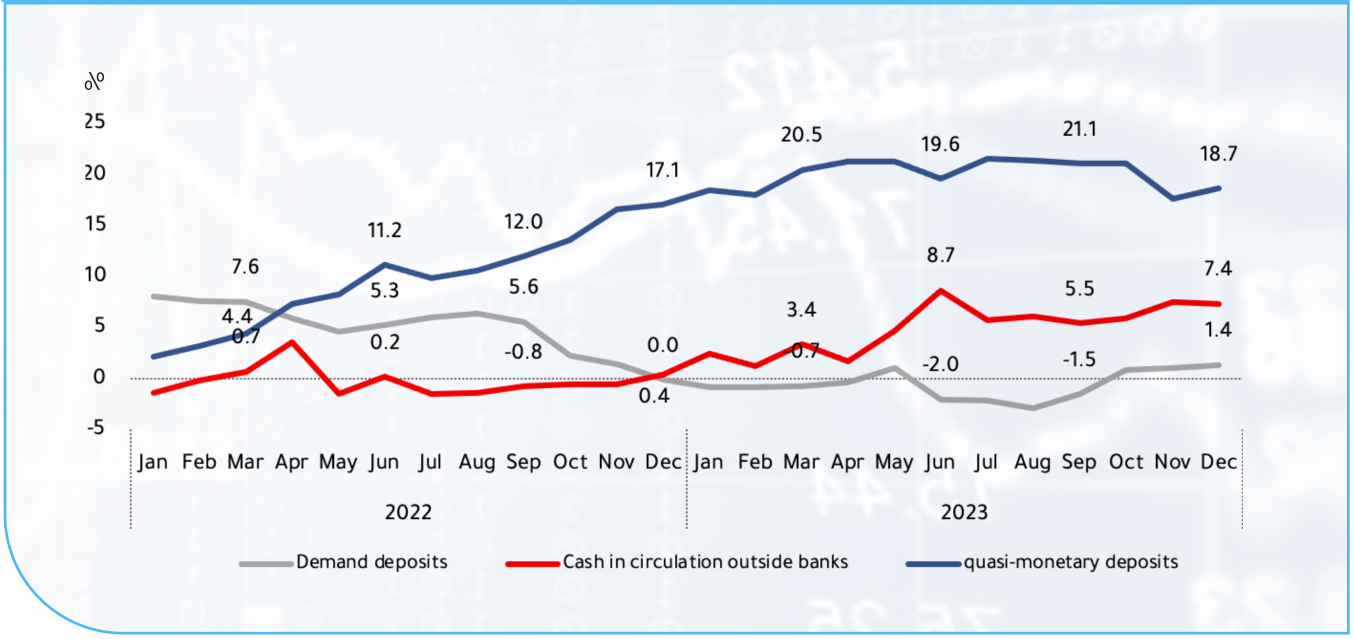
Figure 37: Annual Growth Rate (%) of GCC Money Supply, Jan 2022 - Dec 2023



Source: GCC-STAT. September 2024

As for the components of the money supply, demand deposits witnessed a decline during most of the months of 2023 compared to the previous year, except for the last quarter of 2023. While cash in circulation outside banks witnessed significant growth during the same period and reached 7.4% by the end of the year. This led to an increase in the M1 cash supply, which consists of these two indicators in the GCC by the end of 2023. As for the significant growth recorded in the cash supply M2, which consists of the cash supply M1 and semi-cash deposits (savings and term deposits), it was the result of an increase in these deposits during the year 2023 by 18.7% compared to the previous year (figure 38).

Figure 38: Annual Growth Rate (%) of GCC Money Supply (M2) Component, Jan 2022 - Dec 2023



Source: GCC-STAT. September 2024

The slowdown in the growth of demand deposits and the increase in semi-cash deposits (savings and term deposits) of this size may be the result of depositors switching to term accounts (time deposits) instead of holding liquid financial assets to take advantage of interest rates that rose in 2022 and 2023. This comes as the central banks of the GCC countries have raised interest rates significantly during this period in line with the monetary policy followed by the US Reserve Bank by raising interest rates several times to maintain the inflation rate.

5.3 Narrow Money Supply (M1) by GCC Countries

At the level of GCC member countries, the narrow money supply (M1) showed a decline in four countries by the end of 2023. The percentage decrease was -13.4% in Qatar, -8.1% in Kuwait, -7.5% in Bahrain, and -0.3% in Saudi Arabia. This decline was attributed to a reduction in demand deposits (demand deposits) in these countries during the same period. In contrast, the M1 money supply in the United Arab Emirates continued to grow in 2023, with an increase of 12.4% compared to the previous year. This growth was supported by a rise in demand for deposits and currency outside banks by 12.1% and 14.8%, respectively. Similarly, in Oman, M1 showed a growth of 6.6% in 2023, driven by a 9.3% increase in demand deposits during the same period, (Table 3).

Table 3: Growth Rate of GCC Money Supply (M1) Components (%), Dec2022-Dec2023

	Money Supply (M1)		Demand deposits		Cash in circulation outside banks	
	2022	2023	2022	2023	2022	2023
UAE	5.1	12.4 ▲	4.6	12.1 ▲	8.3	14.8 ▲
Bahrain	-5.0	-7.5 ▲	-4.1	-10.0 ▲	-9.2	5.0 ▲
KSA	-2.3	-0.3 ▲	-2.3	-1.2 ▲	-2.2	6.0 ▲
Oman	-2.4	6.6 ▼	-1.7	9.3 ▼	-4.9	-2.7 ▼
Qatar	8.4	-13.4 ▼	8.8	-14.2 ▼	4.4	-4.0 ▼
Kuwait	-5.8	-8.1 ▼	-5.6	-9.1 ▼	-7.0	-1.9 ▼
GCC	0.0	2.2 ▲	0.0	1.4 ▲	0.4	7.4 ▲

Source: GCC-STAT. September 2024

5.4 Broad Money Supply (M2) by GCC Countries

In 2023, the broad money supply (M2) showed growth in all GCC member countries compared to the previous year. The United Arab Emirates recorded the highest growth rate at approximately 18.8%, followed by Oman at 13.0%, and Saudi Arabia at 9.4%. This increase was attributed to the rise in quasi- Monetary deposits during the same period across all countries, demand deposits during the same period.

In Saudi Arabia, quasi-money deposits grew by 32.0%, in UAE by 23.6%, and in Oman by 15.5%. Growth in quasi- Monetary deposits in other countries ranged from 4.4% in Kuwait to 8.6% in Bahrain during the same period, (Table 4).

Table 4: Growth Rate of GCC Money Supply (M2) Components (%), Dec2022-Dec2023

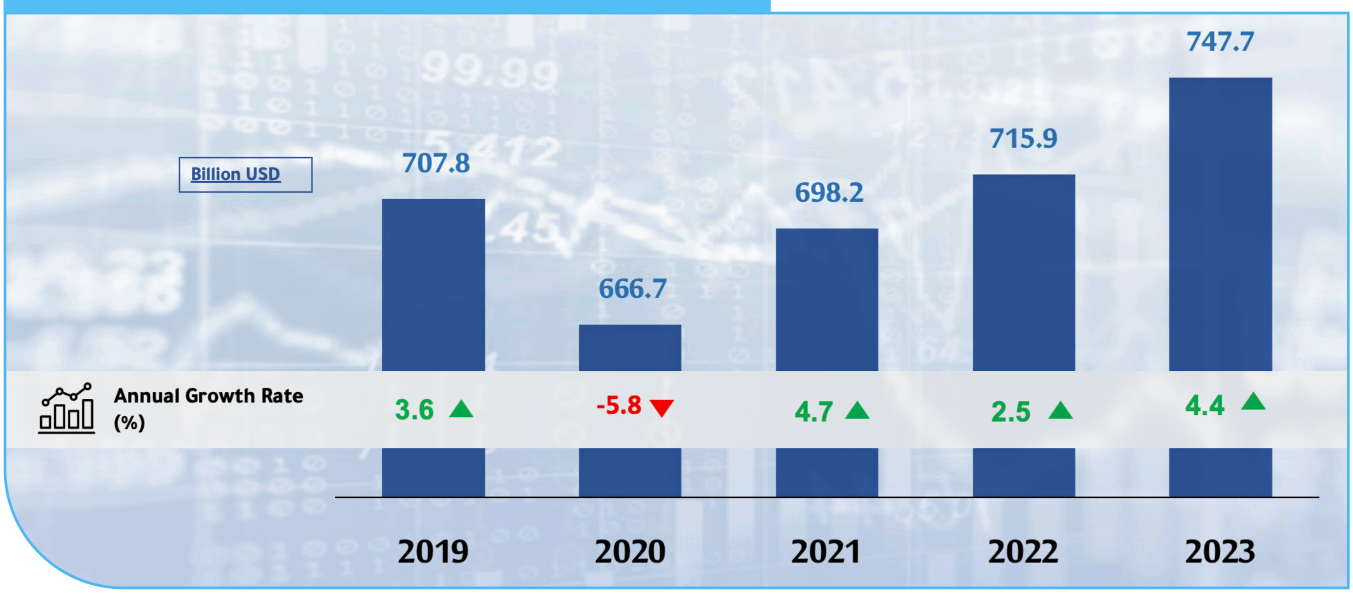
	Money Supply (M2)		Quasi-Monetary deposits	
	2022	2023	2022	2023
UAE	9.0	18.8 ▲	12.2	23.6 ▲
Bahrain	3.9	5.0 ▲	12.6	8.6 ▲
KSA	6.0	9.4 ▲	32.2	32.0 ▲
Oman	0.6	13.0 ▲	1.8	15.5 ▲
Qatar	17.4	1.1 ▲	20.3	5.4 ▲
Kuwait	5.3	0.7 ▲	10.9	4.4 ▲
GCC	8.0	10.5 ▲	17.1	18.7 ▲

Source: GCC-STAT. September 2024

5.5 Foreign Reserve Assets of the GCC

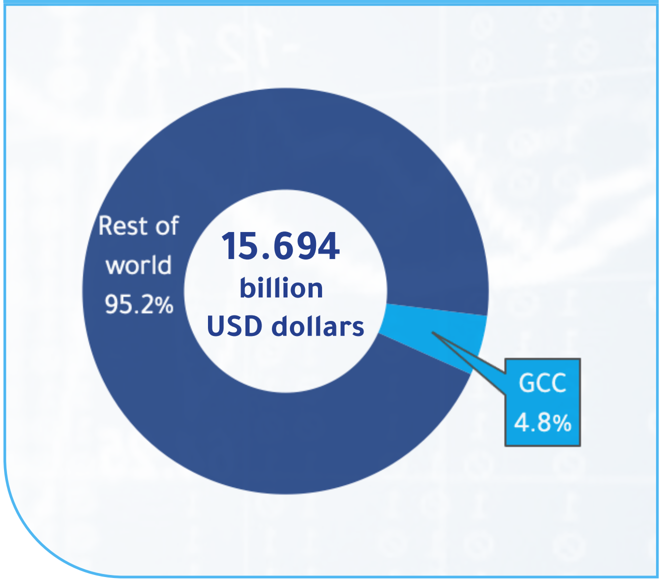
The total foreign reserve assets of the GCC continued to grow for the third consecutive year, reaching approximately USD 747.7 billion by the end of 2023, with a growth rate of 4.4% compared to the previous year (figure 39). This growth is due to the increase in oil revenues, where the average price of a barrel of Brent crude during the year 2023 reached about 82 US dollars, which in turn constitutes the largest share of the financial resources of the GCC countries, as well because of the high prices of financial assets in the global markets.

Figure 39: GCC Foreign Reserve Assets, 2019-2023



Source: GCC-STAT. September 2024

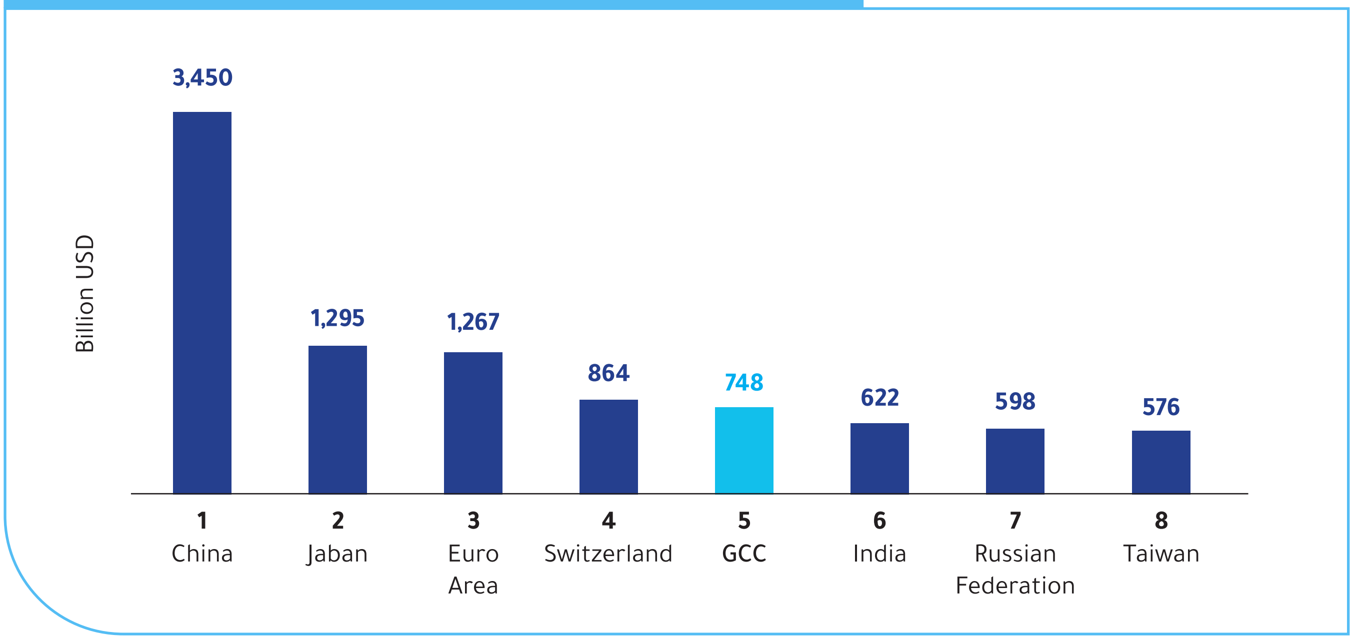
Figure 41: Global total foreign reserve assets, billion US dollars



Data Source: International Monetary Fund (April 2024).

According to the International Monetary Fund, the volume of foreign reserve assets globally is 15,694 billion US dollars, as such, the total foreign reserve assets of the GCC accounted for 4.8% of the global total in 2023 (figure 40). The GCC ranked fifth globally after China, Japan, the European Union and Switzerland in terms of the volume of international reserve assets (figure No. 41).

Figure 40: Global ranking in foreign reserve assets, 2023



Source: GCC-STAT. September 2024

Foreign reserve assets include monetary gold, Special Drawing Rights, reserves with the International Monetary Fund, foreign exchange, in addition to deposits and securities investments abroad. Foreign reserve assets are a key measure of

a country's ability to cover imports, enhance confidence in the country's monetary policy, support the stability of the national currency exchange rate, and absorb economic shocks in general, whether local or global.

Since the strength of the foreign reserve of countries is measured by the number of months in which it covers the volume of imports, the coverage of the total foreign reserve assets of the GCC is equivalent to the total of its commodity imports for about 15 months in 2022 (figure 42), which is three times higher than the global average set by the International Monetary Fund of 3 to 6 months.

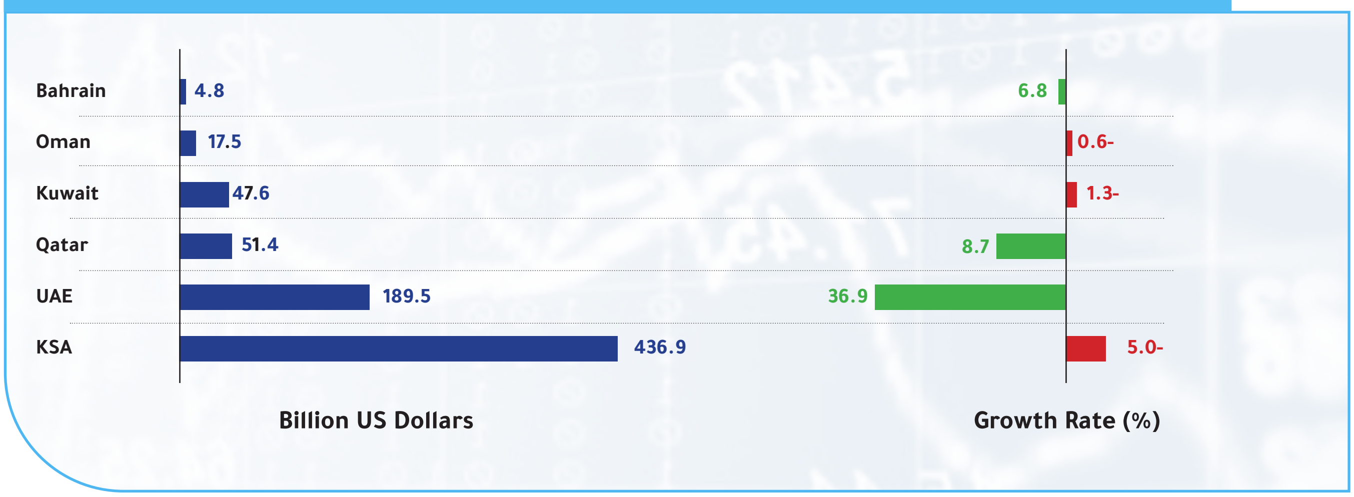
Figure 42: Coverage of Total Foreign Reserve Assets in the GCC for Total Commodity Imports, 2015-2023

Source: GCC-STAT. September 2024

At the level of member states, the volume of foreign reserve assets increased by the end of 2023 compared to the previous year in the United Arab Emirates by 36.9%, in Qatar by 8.7% and in Bahrain by 6.8%. On the contrary, the volume of these assets decreased in the Kingdom of Saudi Arabia by -5.0%, in Kuwait by -1.3%, and in Oman by -0.6% in the same period (figure 43).

Foreign reserve assets in the Kingdom of Saudi Arabia accounted for 58.4% of the total assets of the GCC, followed by the United Arab Emirates by about 25.3%, while the share of other member states combined amounted to about 16.3%.

Figure 43: Foreign Reserve Assets of the GCC Countries, 2023

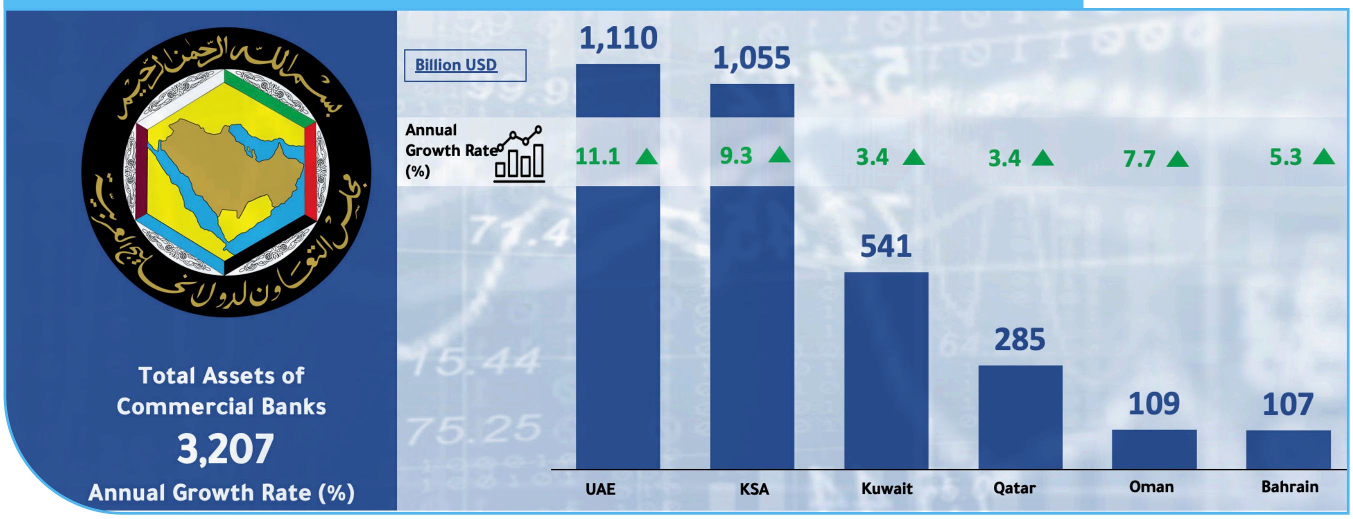


Source: GCC-STAT. September 2024

5.6 Assets of Commercial Banks Operating in the GCC

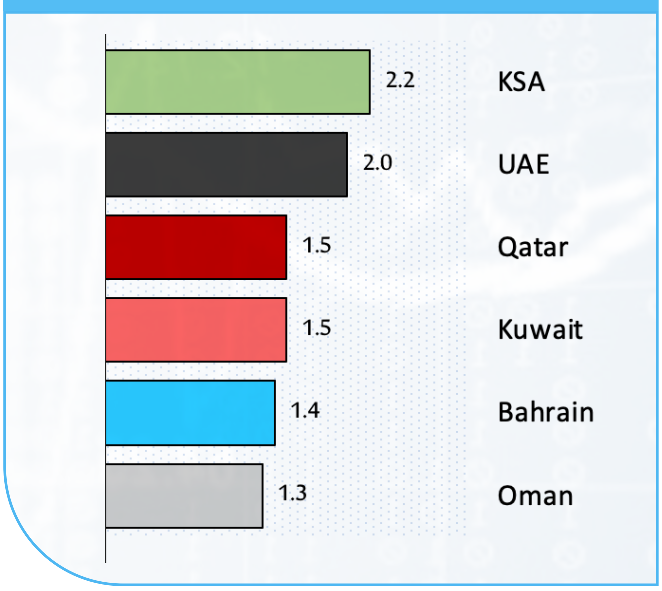
The total assets of commercial banks operating in the GCC amounted to about 3,207 billion US dollars by the end of 2023, an increase of 8.1% compared to the volume of assets by the end of 2022. The assets of commercial banks operating in the UAE recorded the highest growth rate at 11.1%, followed by the assets of commercial banks operating in Saudi Arabia at 9.3%, while the growth rates in other countries were lower than the growth rate of the council as a whole (figure 44). The United Arab Emirates and Saudi Arabia accounted for the largest share of total banking assets in commercial banks in the GCC at 34.6% and 32.9%, respectively, followed by Qatar at about 16.9%, while the share of other member states combined amounted to about 15.6%.

Figure 44: Total Assets of Commercial Banks Operating in the GCC, 2023



Source: GCC-STAT. September 2024

Figure 45: Rate of Return on Assest (ROA), 2023



Source: GCC-STAT. September 2024

Commercial banks operating in Saudi Arabia achieved the highest rate of return on assets (ROA) at the GCC level during 2023 by about 2.2%, followed by commercial banks operating in the United Arab Emirates by about 2.0%, and then the recorded return in Qatar and Kuwait by about 1.5% each. The rate of return on assets in Bahrain and the Sultanate of Oman was 1.4% and 1.3%, respectively. The rate of return on assets measures the extent to which the sector can make profits from the assets invested in it or how effectively the available resources are used (Figure 45).

5.7 Total Deposits in Commercial Banks Operating in the GCC

The total bank deposits with commercial banks operating in the GCC by the end of 2023 amounted to about 1,905 billion US dollars, an increase of 8.1% compared to the volume by the end of 2022. The United Arab Emirates achieved the highest growth rates by about 13.5%, followed by the Sultanate of Oman by about 12.3%, then the Kingdom of Saudi Arabia by 7.8%, and bank deposits in both the Kingdom of Bahrain and the State of Kuwait increased by 6.3% and 3.6%, respectively, and on the contrary, the volume of bank deposits in the State of Qatar decreased by -1.3% in the same period.

Bank deposits in the United Arab Emirates accounted for about 36.0% of the total bank deposits in the GCC, followed by bank deposits in Saudi Arabia by about 34.6%, Qatar by about 14.2%, while the share of the other three countries combined amounted to about 15.1% (Table 5).

Table 5: Total deposits in commercial banks operating in the GCC, 2022-2023

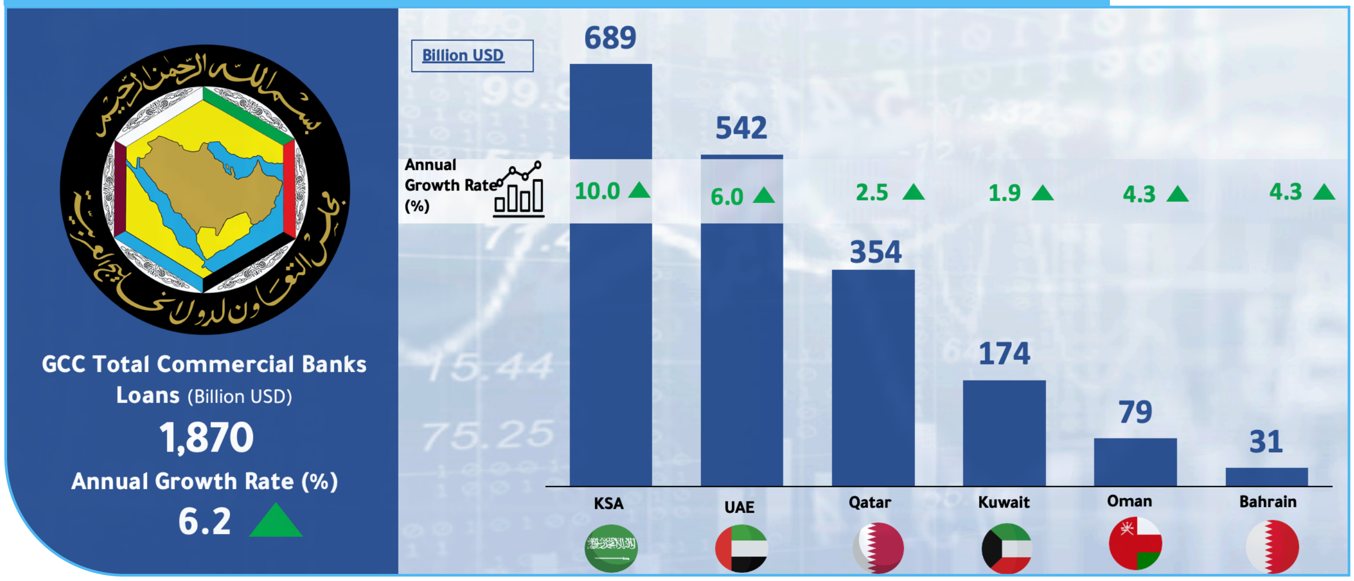
Relative Share (%)	Growth Rate (%)	2023	2022	
2.8	6.3	53.7	50.5	Bahrain
4.0	12.3	75.7	67.4	Oman
8.3	3.6	158.6	153.2	Kuwait
14.2	-1.3	270.9	274.5	Qatar
34.6	7.8	659.6	612.1	KSA
36.0	13.5	686.7	605.1	UAE
100.0	8.1	1,905.2	1,762.8	GCC

Source: GCC-STAT. September 2024

5.8 Total Loans Provided by Commercial Banks Operating in the GCC

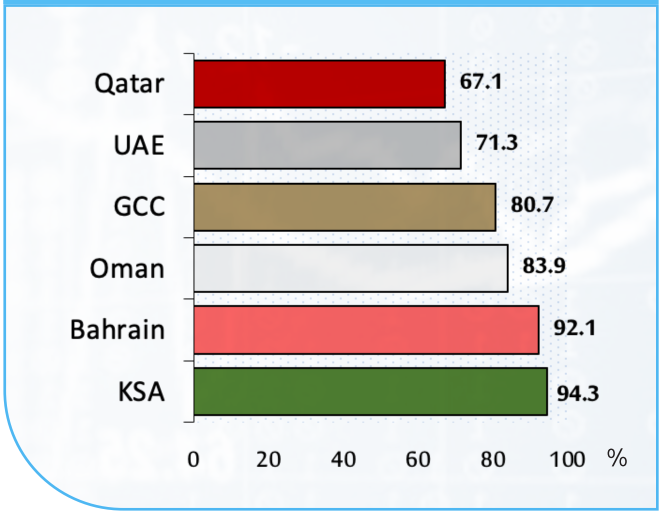
The total balance of loans provided by commercial banks operating in the GCC by the end of 2023 amounted to about 1,870 billion US dollars, an increase of 6.2% compared to the volume by the end of 2022. All countries recorded a growth of total loans by the end of 2023, ranging from 1.9% in the State of Kuwait to 10.0% in the Kingdom of Saudi Arabia (figure 46).

Figure 46: Loans from Commercial Banks Operating in GCC Countries, 2023



Source: GCC-STAT. September 2024

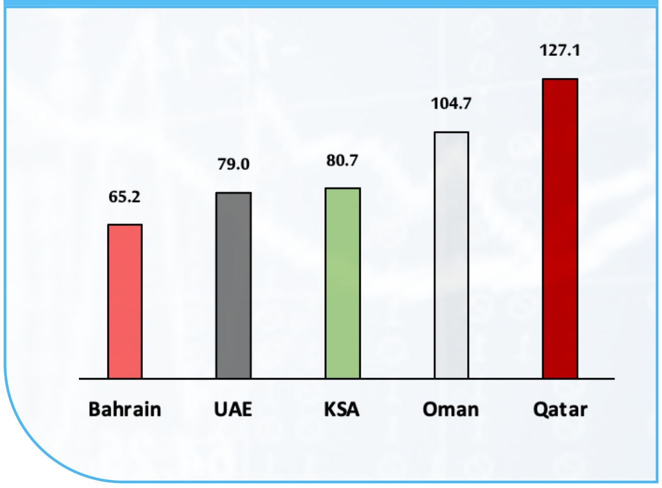
Figure 47: Percentage (%) of the private sector loans, 2023



Source: GCC-STAT. September 2024

The proportion of loans directed to the private sector of the total loans was about 94.3% in the Kingdom of Saudi Arabia, 92.1% in the Kingdom of Bahrain, 83.9% in the Sultanate of Oman, and the percentage in the United Arab Emirates and Qatar was about 71.3% and 67.1%, respectively. At the level of the GCC bloc, the proportion of loans directed to the private sector was about 80.7% (figure 47).

Figure 48: Loan to Deposit Ratio (%) in the GCC Countries, 2023*



Source: GCC-STAT. September 2024

*Data of the State of Kuwait is not available.

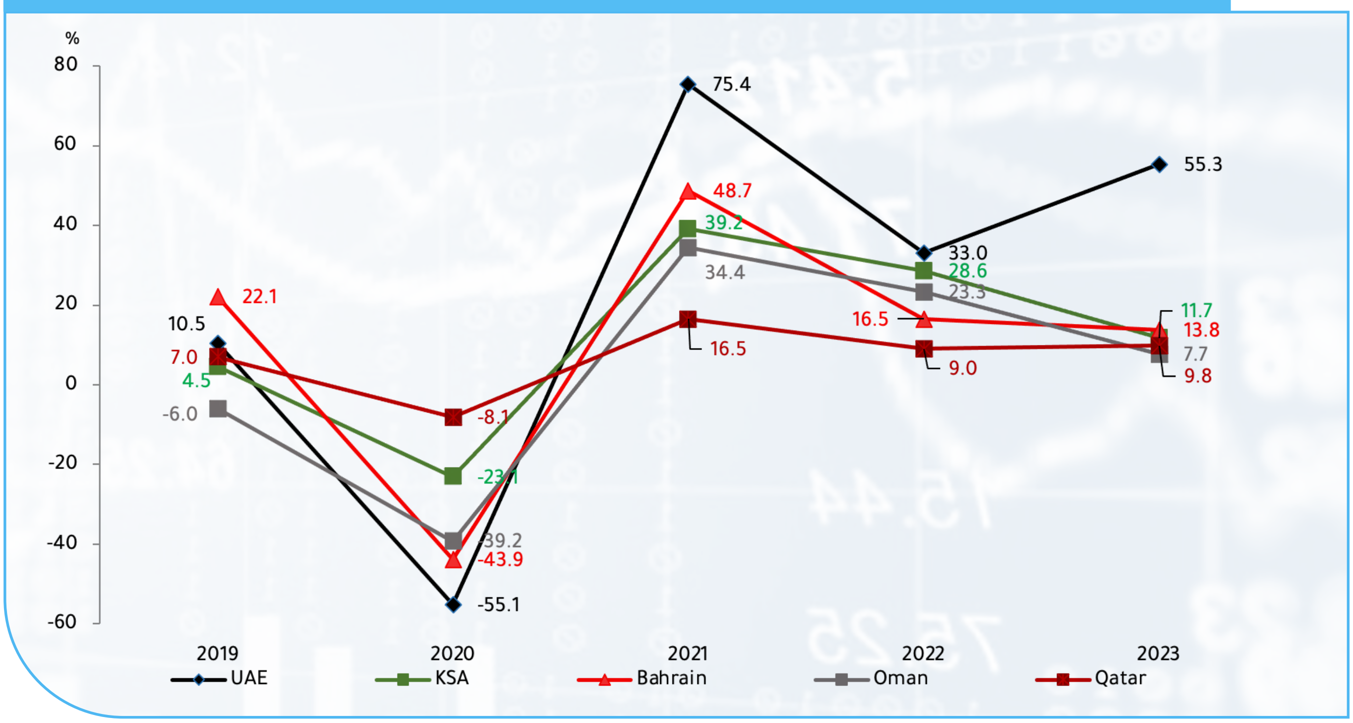
5.9 Loan-to-Deposit Ratio in GCC Countries

The ratio of loans to deposits varies significantly among the GCC countries, whereby the end of 2023, this percentage reached about 127.1% in the State of Qatar, which is the highest among the GCC countries. Followed by the percentage recorded in the Sultanate of Oman at about 104.7%, while this percentage is 65.2% in the Kingdom of Bahrain, 80.7% and 79.0% in the Kingdom of Saudi Arabia and the United Arab Emirates, respectively. Of course, high rates contribute to an increase in the money supply in the markets (figure 48).

5.10 Non-Performing Loan Ratio in GCC Countries

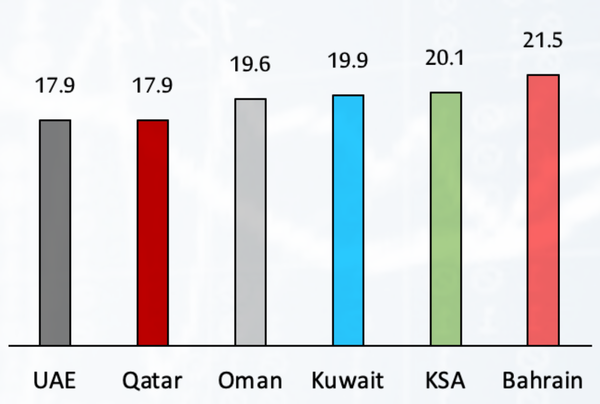
The ratios of non-performing loans to total loans also varied among the GCC countries. During the year 2023, this percentage in the United Arab Emirates declined significantly compared to the previous year. Additionally, the percentage declined in the Kingdom of Saudi Arabia and the State of Kuwait, while the percentage stabilized somewhat as it is in the Kingdom of Bahrain and the Sultanate of Oman, while in the State of Qatar witnessed a slight increase in the percentage of non-performing loans during the year 2023. The United Arab Emirates recorded the highest percentage of non-performing loans at the level of the GCC countries of total loans by about 5.3% by the end of the year 2023, while the State of Kuwait is witnessing the lowest default rates in general, and (figure 49).

Figure 49: Non-performing loans ratio in GCC countries, 2021-2023



Source: GCC-STAT. September 2024

Figure 50: Capital adequacy ratio in GCC countries, 2023



Source: GCC-STAT. September 2024

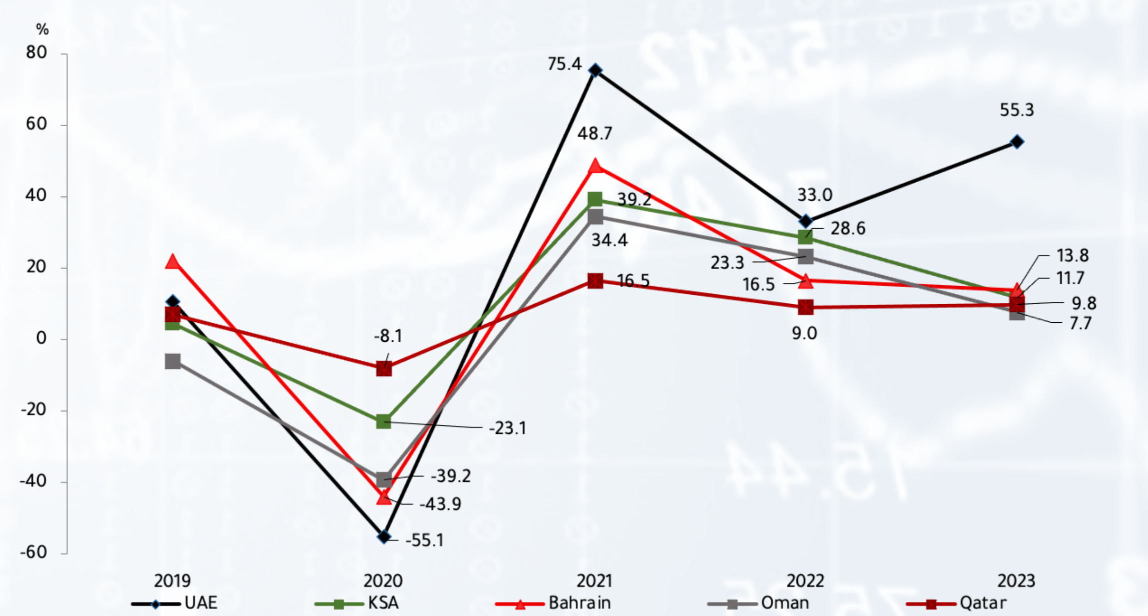
5.11 Capital Adequacy Ratio in GCC Countries

The capital adequacy ratios in the GCC countries continued to exceed the regulatory minimum by a significant margin, ranging from 17.9% in the United Arab Emirates to 21.5% in the Kingdom of Bahrain. It is worth noting that according to the requirements of the "Basel 3" Committee, the regulatory minimum capital adequacy ratio that banks must maintain is 8% (Figure No. 50).

5.12 Net Profits of Commercial Banks Operating in GCC Countries

The net profits of commercial banks operating in the GCC countries have witnessed remarkable growth over the past three years, and the profitability of the Gulf banking sector has exceeded pre-covid-19 levels. According to the available data for the year 2023, commercial banks operating in the United Arab Emirates witnessed a net profit growth of 55.3% compared to the previous year. In addition, the profits of commercial banks operating in the Kingdom of Bahrain recorded a growth of 13.8%, while the profits of commercial banks operating in the Kingdom of Saudi Arabia achieved a growth of 11.7%, and the profits of commercial banks operating in the State of Qatar and the Sultanate of Oman increased by 9.8% and 7.7%, respectively, (figure 51).

Figure 51: Annual growth rate of net profits of commercial banks operating in the GCC countries, 2019-2023*



Source: GCC-STAT. September 2024
*Data of the State of Kuwait is not available.

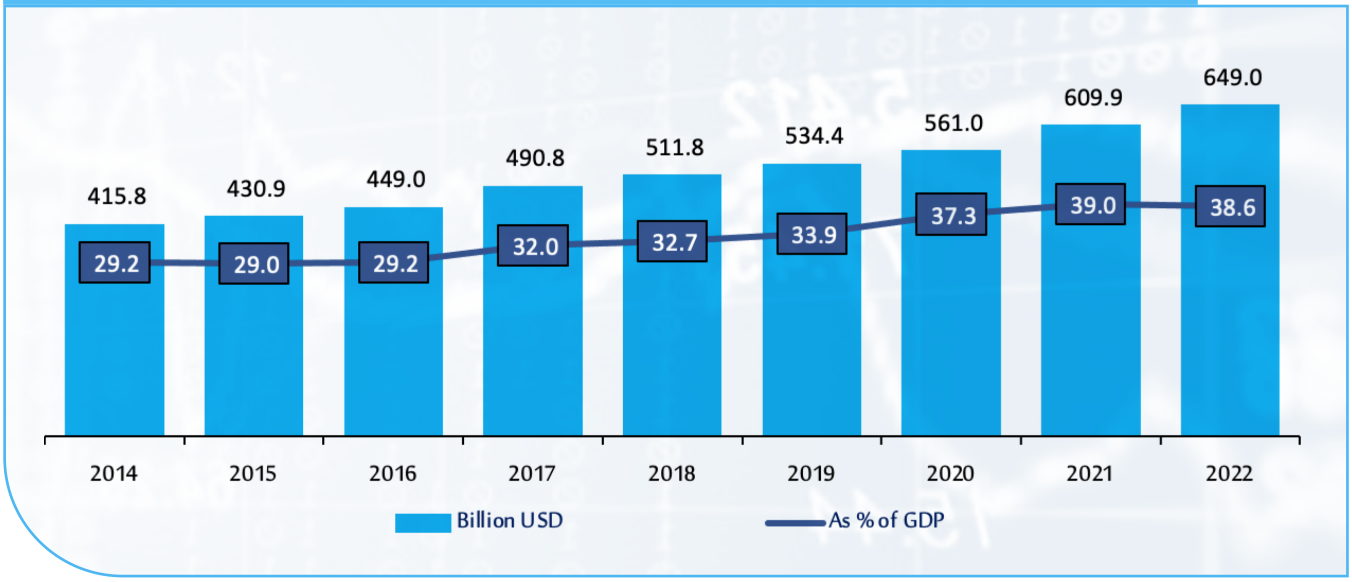
6.

Foreign Direct Investment and Sovereign Wealth Funds in the GCC

6.1 Foreign Direct Investment in the GCC

The total balance of incoming foreign direct investment to the GCC countries amounted to about 649.0 billion US dollars by the end of 2022, an increase of 6.4% compared to the balance at the end of the previous year (figure 52). The percentage of foreign direct investment of the GCC from the GDP of the GCC is about 38.6%, and this percentage is higher than the percentage of the Group of Twenty (G20), which represents the twenty largest economies in the world, amounting to 32.9%, and less than the global percentage of 44.3%. The total balance of foreign direct investment received to the GCC countries accounted for 1.44% of the total foreign direct investment received in the world.

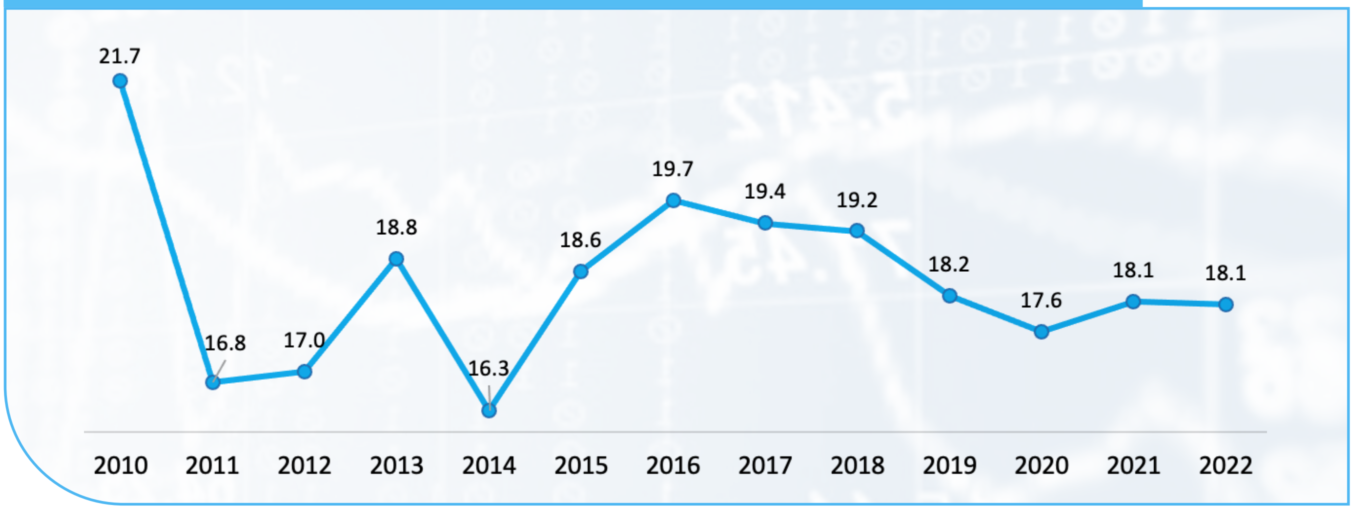
Figure 52: Foreign Direct Investment in the GCC, 2014-2022



Source: GCC-STAT. September 2024

It is worth mentioning that by the end of 2022, intra-GCC investment accounted for about 18.1% of the total stock of foreign direct investment in the GCC, noting that this percentage has recorded a decline over the past decade, reaching 16.3% in 2016, up from about 21.7% at the end of 2010 (figure 53).

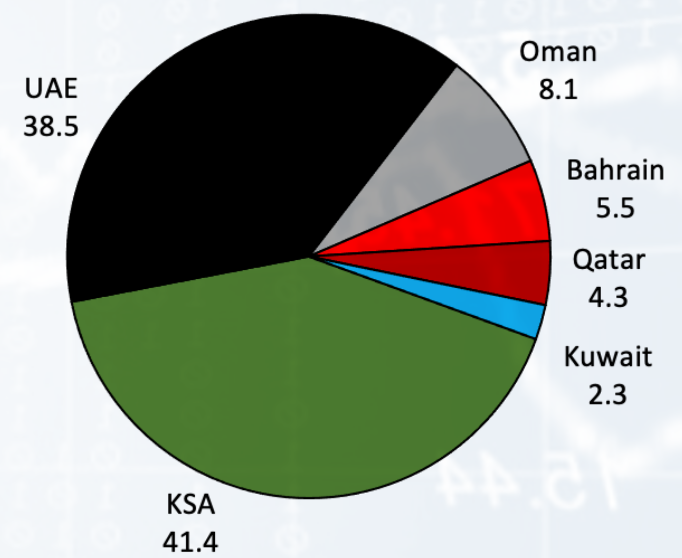
Figure 53: Percentage (%) of Intra-GCC Foreign Direct Investment, 2010-2022



Source: GCC-STAT. September 2024

As for the distribution of foreign direct investment coming to the GCC in 2022, the Kingdom of Saudi Arabia was the most attracted to it, represented by 41.4% of the total, followed by the United Arab Emirates by 38.5%, then the Sultanate of Oman by 8.1%, while the share of other countries combined was about 12.1% (figure 54).

Figure 54: Relative distribution of foreign direct investment inflows to GCC countries, 2022

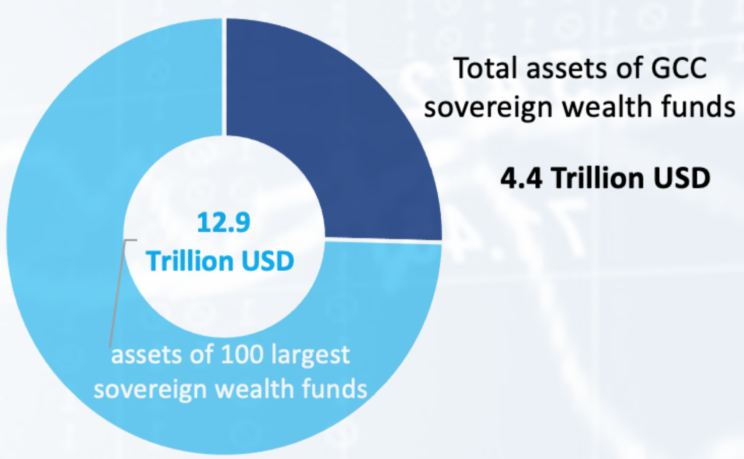


Source: GCC-STAT. September 2024

6.2 Sovereign Wealth Funds in the GCC

As of 2023, the total assets of sovereign wealth funds in the GCC countries amounted to USD 4.4 trillion, according to the Sovereign Wealth Fund Institute (SWFI), which updates and studies global government and sovereign fund investment data. The assets of Gulf sovereign wealth funds represent 34.1% of the total assets of the top 100 sovereign wealth funds worldwide, which is USD 12.9 trillion (Figure 55).

Figure 55: Total assets of the world's 100 largest sovereign wealth funds 2023



Source: Sovereign Wealth Fund Institute (SWFI).

On the level of member states, the Abu Dhabi Investment Authority in the UAE is the largest sovereign fund in the Gulf, with assets totaling USD 993 billion. It ranks fourth globally, after the Norwegian Government Pension Fund Global, which is first globally with assets of USD 1,756 billion, the China Investment Corporation (CIC), which is second globally with assets of USD 1,350 billion, and the State Administration of Foreign Exchange (SAFE) of China, which is third globally with assets of USD 1,090 billion. The Kuwait Investment Authority, which is the oldest sovereign fund in the world, ranks second in the Gulf and fifth globally, with assets amounting to USD 980 billion. Following it, the Saudi Public Investment Fund ranks third in the Gulf and sixth globally, with assets of USD 766 billion. The Qatar Investment Authority ranks fourth in the Gulf and eighth globally, with assets of USD 526 billion (Table 6).

It is worth noting that sovereign wealth funds are investment funds established by governments to achieve declared economic goals or underlying political and security objectives. These funds hold financial and non-financial assets and manage them according to investment strategies. Their sources of funding vary, including surpluses from balance of payments, foreign exchange reserves, privatization revenues, budget surpluses, or revenues from commodity exports.

Table 6: Sovereign Wealth Funds in GCC Countries, 2023

Country	Establishment Date	sovereign wealth funds	Assets (USD Billion)	As % of Total GCC	International ranking
UAE	1976	Abu Dhabi Investment Authority	993	22.7	4
	2002	Mubadala Investment Company	303	6.9	12
	2006	Investment Corporation of Dubai	360	8.2	11
	2007	Emirates Investment Authority	87	2.0	21
	2008	Sharjah Asset Management	10	0.2	73
	2018	Abu Dhabi Development Holding Company	196	4.5	15
	2023	Dubai Investment Fund	80	1.8	23
Bahrain	2006	Mumtalakat Holding Company	18	0.4	40
KSA	1971	Saudi Public Investment Fund	766	17.5	6
Oman	1980	Oman Investment Authority	50	1.1	30
Qatar	2005	Qatar Investment Authority	526	12.0	8
Kuwait	1953	Public Investment Authority	980	22.4	5
GCC			**4,368**	**100**	**1**

Source: GCC Stat, Sovereign Wealth Fund Institute (SWFI)

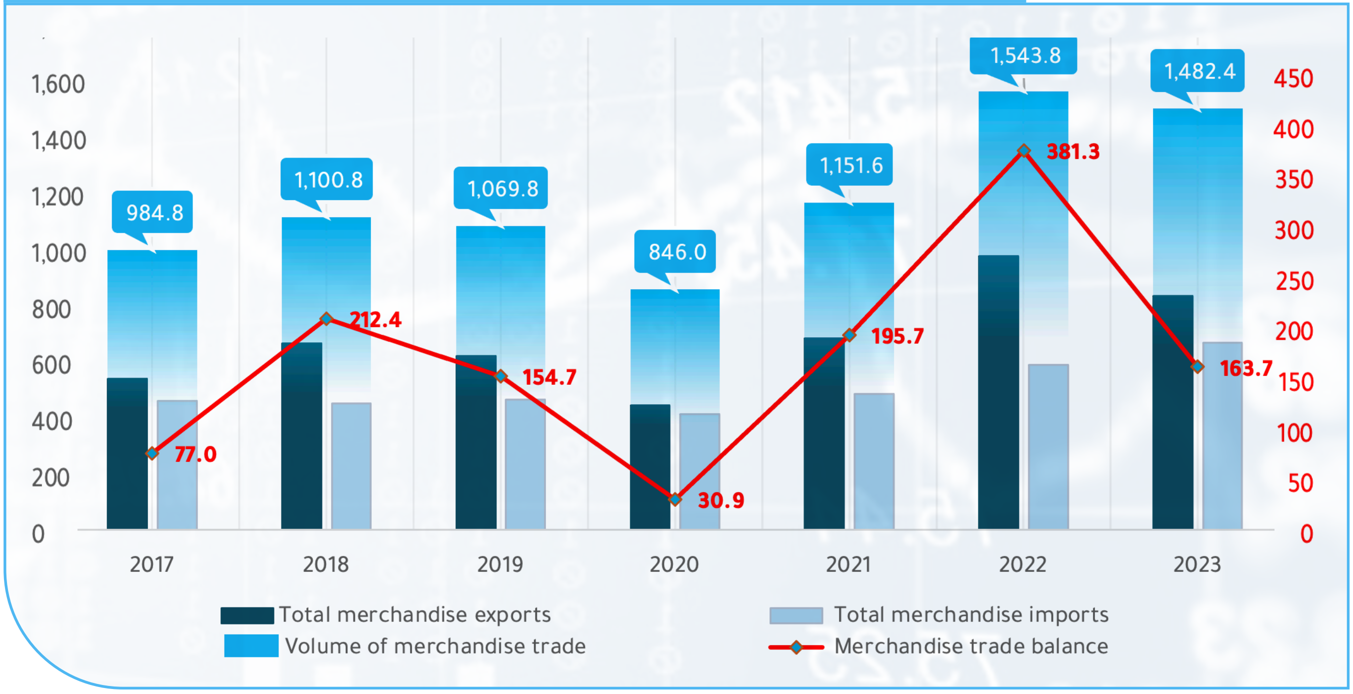
7.

Foreign Trade

7.1 External Merchandise Trade of GCC Countries Excluding Intra-GCC Trade

The GCC's foreign merchandise trade (excluding intra-GCC trade) declined by -4.0% in 2023, following a significant increase of 34.1% in 2022 due to the repercussions of the Russian-Ukrainian war and the rise in global oil prices. The GCC's total merchandise exports in 2023 amounted to about $823.1 billion, a decrease of -14.5% compared to the value of these exports in the previous year. Meanwhile, the GCC's total merchandise imports increased by 13.4% in 2023 to about $659.3 billion. However, the GCC continued to achieve a surplus in the merchandise trade balance, which amounted to about $164 billion in 2023 (Figure 56). The GCC's surplus in merchandise trade in 2023 amounted to about 7.8% of the GCC's GDP, after it was 17.4% of GDP in the previous year.

Figure 56: Foreign Merchandise Trade of the GCC Countries exluding Intra-Trade (Billion US dollars), 2017-2023



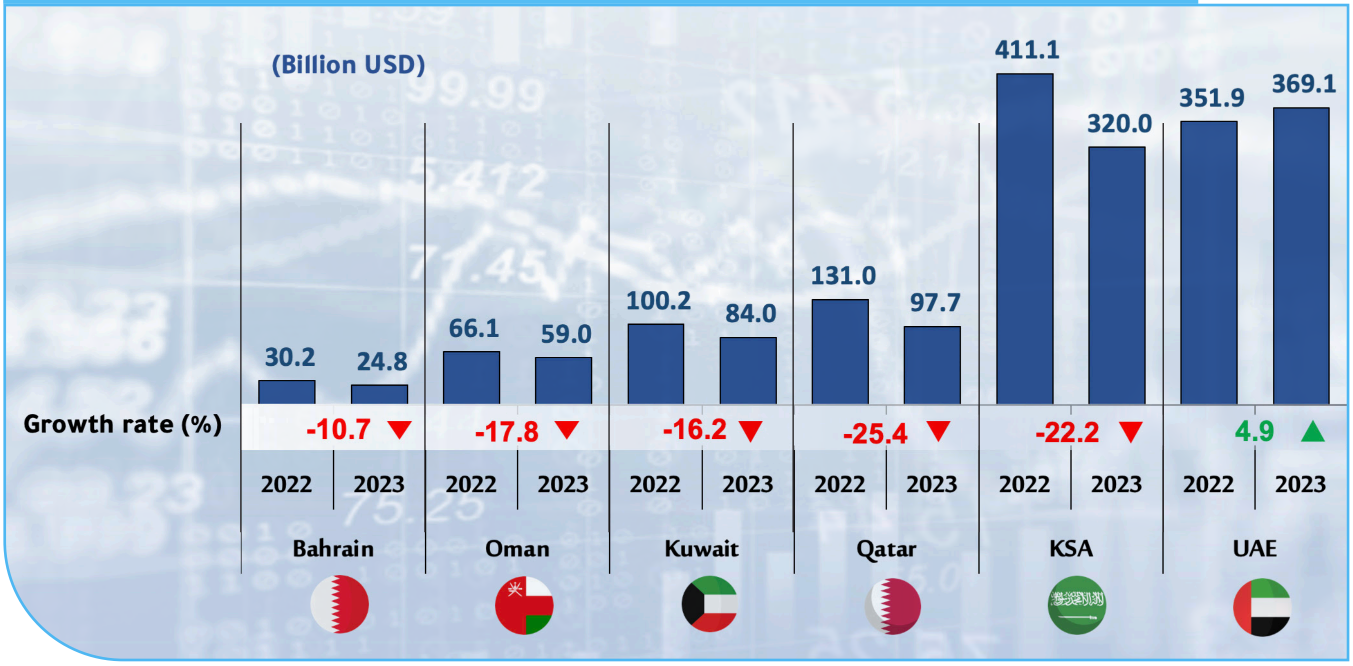
Source: GCC-STAT. September 2024

7.2 Merchandise Exports by GCC Countries (Including Intra-GCC Exports)

Regarding the member states, the value of merchandise exports declined significantly across all GCC countries in 2023, except for the United Arab Emirates, compared to 2022. The decline ranged from -10.7% in Oman to -25.4% in Qatar. The United Arab Emirates led the GCC with a 4.9% increase in merchandise exports in 2023, reaching approximately USD 369.1 billion. This was followed by Saudi Arabia with merchandise exports valued at around USD 320.0 billion, and Qatar with exports amounting to USD 97.7 billion (Figure 57).

The decline in merchandise export values across the GCC countries in 2023 is largely attributed to the decrease in the value of oil and gas exports due to falling prices in global markets. Oil and gas constitute a significant portion of total merchandise exports. The average price of Brent crude oil fell to USD 82 per barrel in 2023, following the substantial increase in oil prices in 2022, where the average price of Brent crude was around USD 101 per barrel.

Figure 57: Exports of Goods in the GCC countries (Billion US dollars), 2022-2023

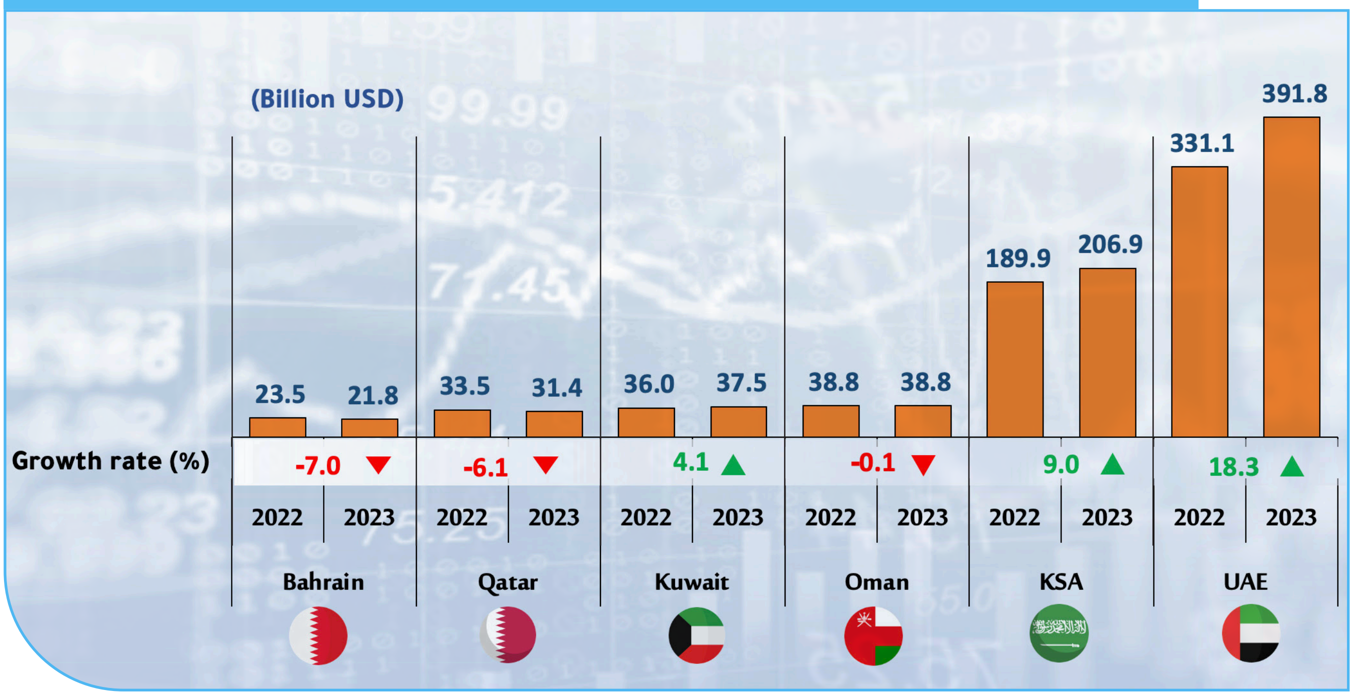


Source: GCC-STAT. September 2024

7.3 Merchandise Imports by GCC Countries (Including Intra-GCC Trade)

Regarding the value of merchandise imports by GCC countries in 2023, the United Arab Emirates, Saudi Arabia, and Kuwait recorded increases in their merchandise import values, with growth rates of 18.3%, 9.0%, and 4.1%, respectively, compared to 2022. In contrast, merchandise import values decreased in Bahrain by -7.0%, in Qatar by -6.1%, and in Oman by -0.1%. The United Arab Emirates ranked first in the GCC with merchandise imports valued at approximately USD 391.8 billion, followed by Saudi Arabia with imports worth about USD 206.9 billion, and Oman with merchandise imports amounting to USD 38.8 billion (Figure 58).

Figure 58: Imports of Goods in the GCC countries (Billion US dollars), 2022-2023

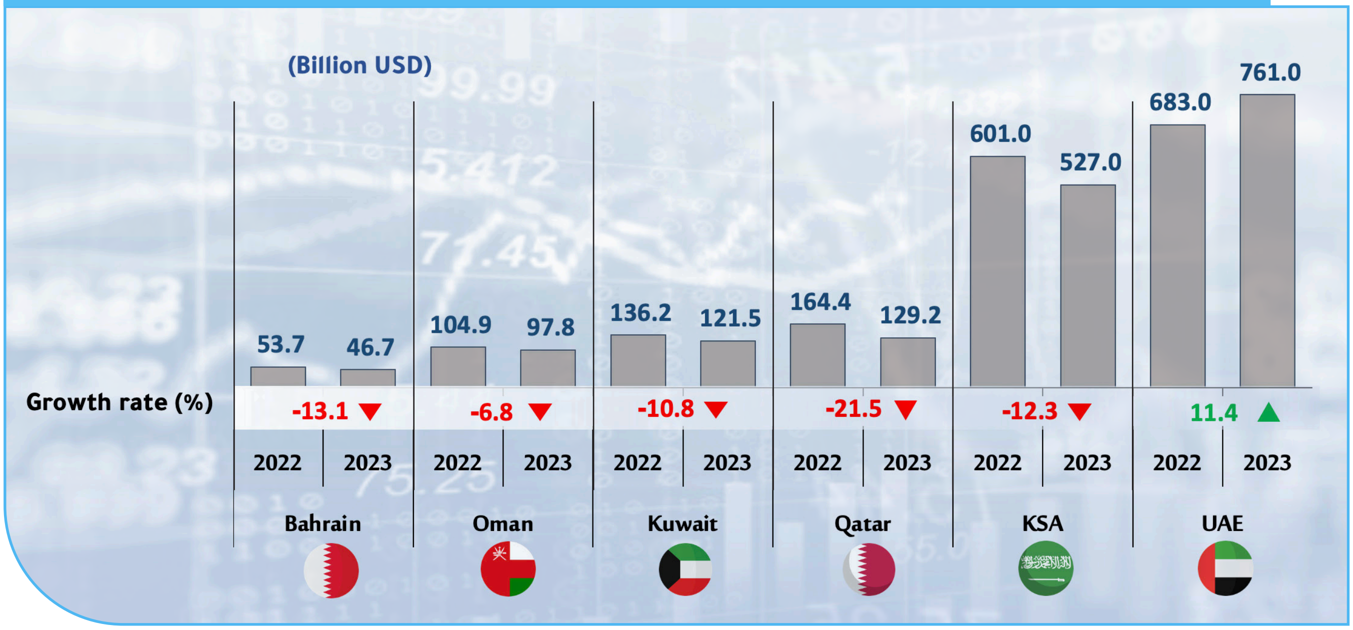


Source: GCC-STAT. September 2024

7.4 Volume of Merchandise Trade by GCC Countries (Including Intra-GCC Trade)

The decline in the value of total merchandise exports in most GCC countries, combined with the decrease in the value of total merchandise imports in some countries, contributed to a reduction in the volume of merchandise trade in all member states in 2023 compared to the previous year, except for the United Arab Emirates, where the volume of merchandise trade increased by 11.4%. The decrease in trade volume in the other countries ranged between -6.0% and -21.5% (Figure 59).

Figure 59: Trade Exchange in Goods in the GCC countries (Billion US dollars), 2022-2023

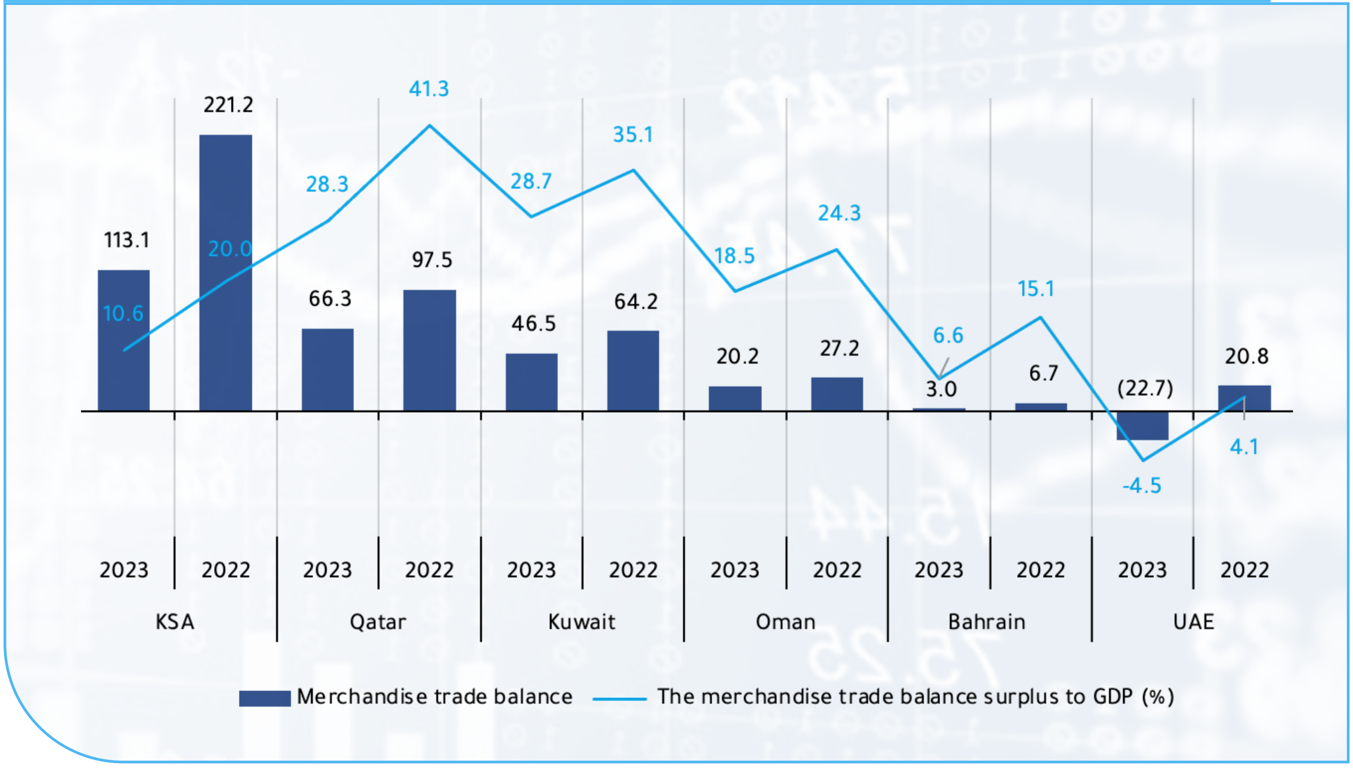


Source: GCC-STAT. September 2024

7.5 Trade Balance by GCC Countries (Including Intra-GCC Trade)

In 2023, all GCC countries recorded a surplus in the merchandise trade balance except for the United Arab Emirates. The highest surplus value was recorded in Saudi Arabia, amounting to 113.1 billion USD, which represented 10.6% of the Gross Domestic Product (GDP) at current prices. This was followed by a surplus in the merchandise trade balance in Qatar of approximately 66.3 billion USD, accounting for 28.3% of the GDP. Additionally, Kuwait, Oman, and Bahrain each achieved a surplus in the merchandise trade balance, with surpluses representing 28.7%, 18.5%, and 6.6% of their respective GDPs. Meanwhile, the UAE recorded a trade deficit of 22.7 billion USD, which was -4.5% of its GDP (Figure 60).

Figure 60: Merchandise Trade Balance in GCC Countries (Billion US dollars), 2022-2023



Source: GCC-STAT. September 2024

7.6: Trade Openness Index by GCC Countries

GCC countries are characterized by high levels of trade openness, with their trade-to-GDP ratios being generally high. According to the latest data from the International Monetary Fund (IMF) on global development indicators, the trade openness index for the United Arab Emirates is approximately 166.6%, followed by Bahrain with an index of about 159.9%. In contrast, Saudi Arabia's trade openness index is around 62.1%, (Figure 61)

Figure 61: Trade openness index (%), 2023

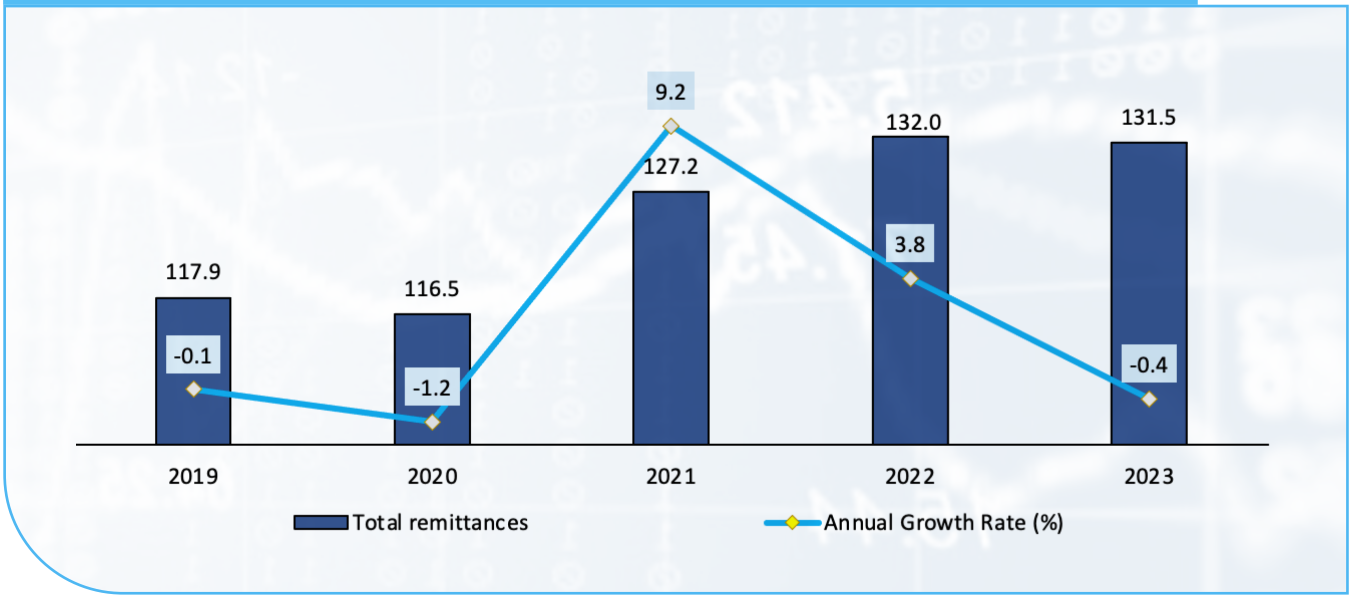
Source: World Development Indicators, International Monetary Fund, April 2024.

8.

Remittances from GCC Workers Abroad

In 2023, the total remittances sent by workers from the GCC countries amounted to approximately USD 131.5 billion, representing a decrease of USD 0.5 billion from 2022, or a reduction of 0.4%. This follows a significant increase observed in the previous two years, with growth rates of 9.2% in 2021 and 3.8% in 2022, (figure 62).

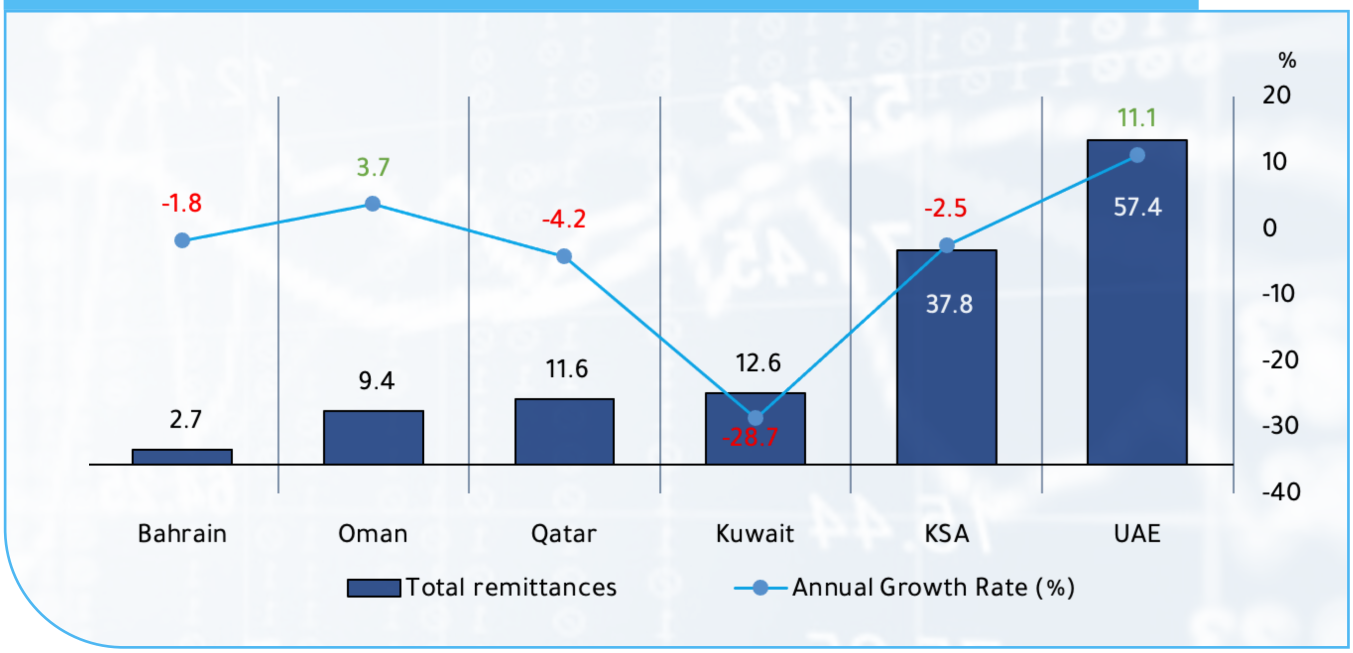
Figure 62: GCC workers' remittances abroad (Billion US dollars), 2019-2023



Source: GCC-STAT. September 2024

The decrease in the volume of remittances of GCC employees abroad in 2023 comes as a result of its decline in most member states, ranging from -1.8% in the Sultanate of Oman to -28.7% in the State of Kuwait. While the volume of remittances of workers abroad in the UAE and Oman grew by 11.1% and 3.7%, respectively, in the same period. It is worth mentioning that remittances of workers from the UAE constitute the highest percentage of the total GCC, at 43.7%. Followed by Saudi Arabia with 28.7%, while the rest of the countries combined accounted for 27.6%, (figure 63).

Figure 63: Remittances of GCC Workers Abroad (Billion US dollars), 2023

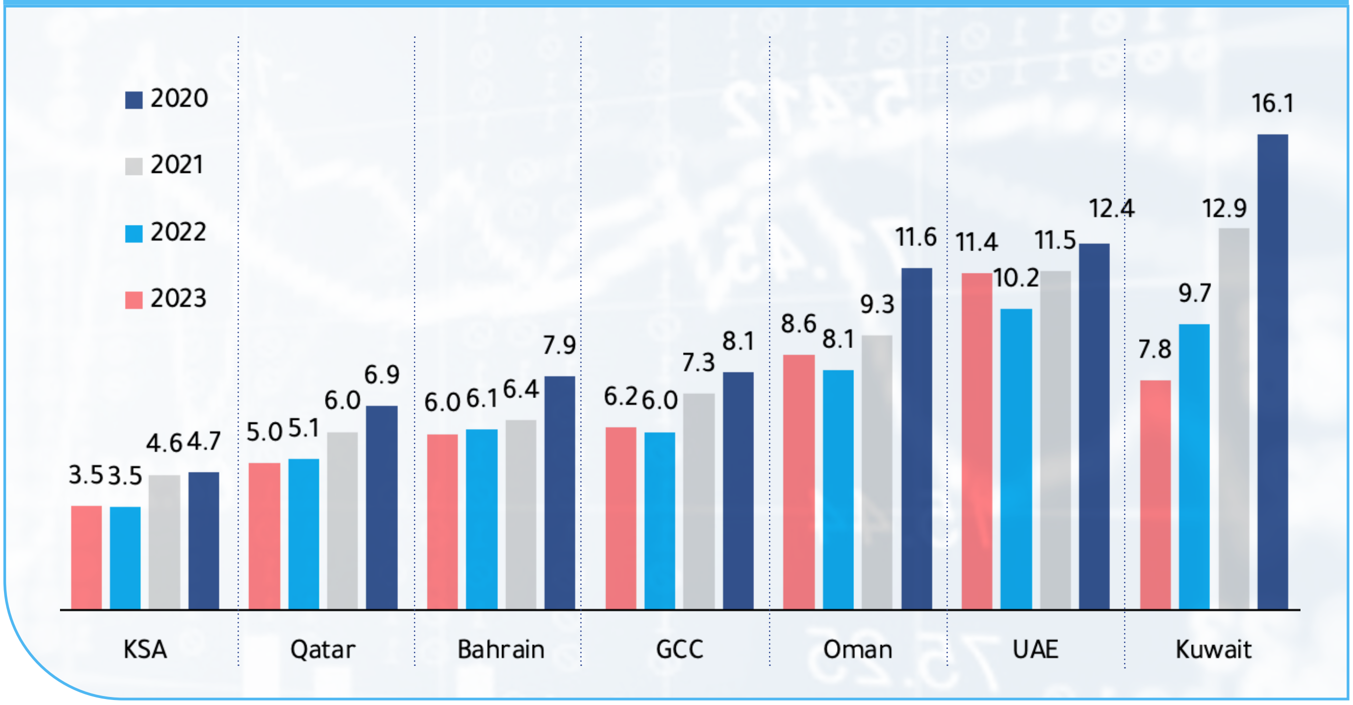


Source: GCC-STAT. September 2024

according to estimates from the Gulf Statistical Center, Figure 64 illustrates a positive trend in the economies of the GCC countries regarding the decrease in the proportion of remittances to GDP from 2020 to 2023. Despite the increase in total remittances sent abroad in 2021 and 2022, the share of these remittances in the GCC's GDP (at current prices) declined from 8.1% in 2020 to 6.0% in 2022, with a slight increase to 6.2% in 2023.

At the level of member states, the percentage of workers' remittances to GDP in 2023 in the United Arab Emirates amounted to about 11.4%, in the Sultanate of Oman by 8.6%, in the State of Kuwait by 7.8%, and by 6.0%, 5.0% and 3.5% in the Kingdom of Bahrain and the State of Qatar, respectively. The Kingdom of Saudi Arabia recorded the lowest percentage of workers' remittances to GDP in 2023, at about 3.5%.

Figure 64: The Ratio (%) of Workers' Remittances to GDP (at current prices), 2020-2023



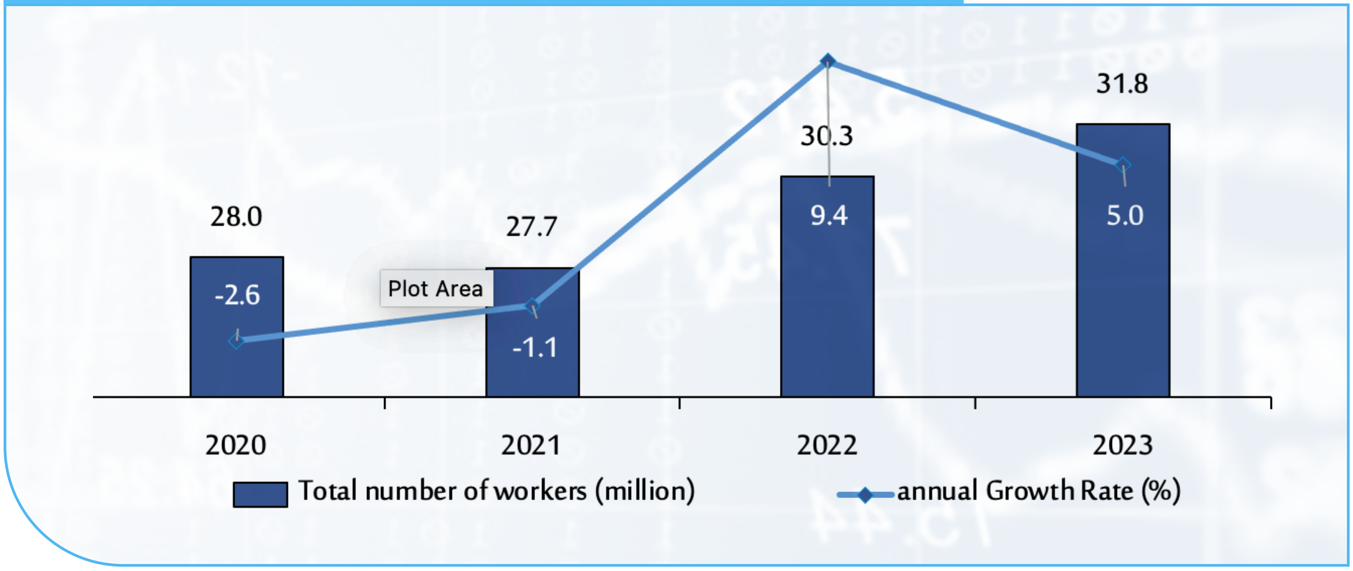
Source: GCC Statistical Center, June 2024


+1%
+3%
+4%

9.
Labor Force

The total number of workers in the GCC countries[4] reached approximately 31.8 million in 2023, marking an increase of 5.0% compared to 2022, which experienced a growth rate of 9.4% (Figure 65).

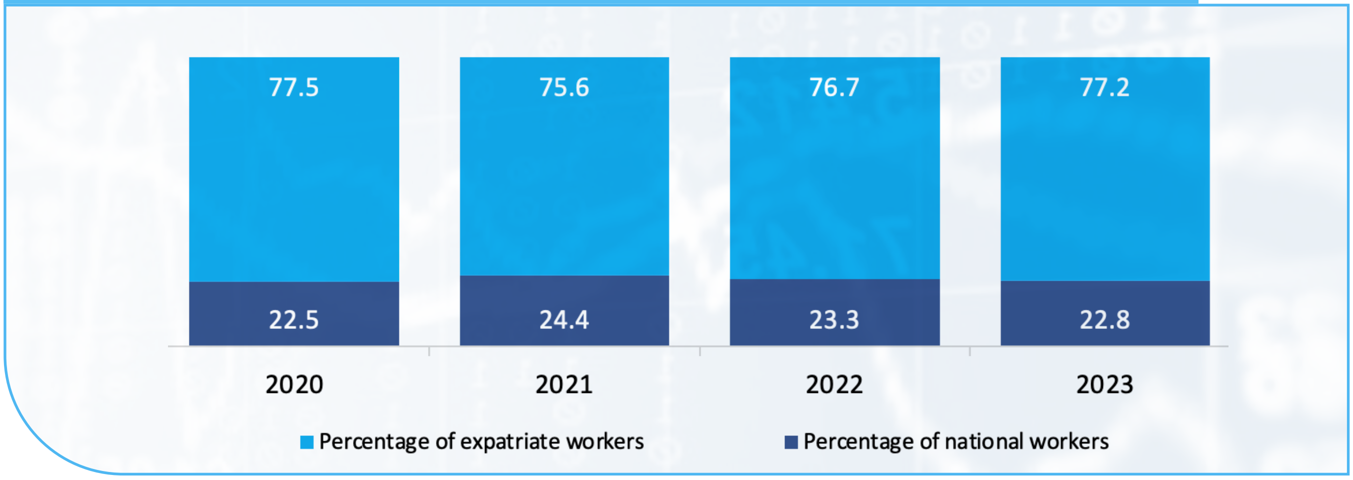
Figure 65: Number of Workers in the GCC (Million), 2020 - 2023



Source: GCC-STAT. September 2024

The proportion of national workers to the total workforce remains relatively low compared to the proportion of expatriate workers[5]. It was approximately 24.4% in 2021, decreased to about 23.3% in 2022, and further declined to 22.8% in 2023. This trend indicates that the desired rates of localization have not been achieved (Figure 66).

Figure 66: Distribution (%) of Workforce by Nationality in the GCC, 2017-2023

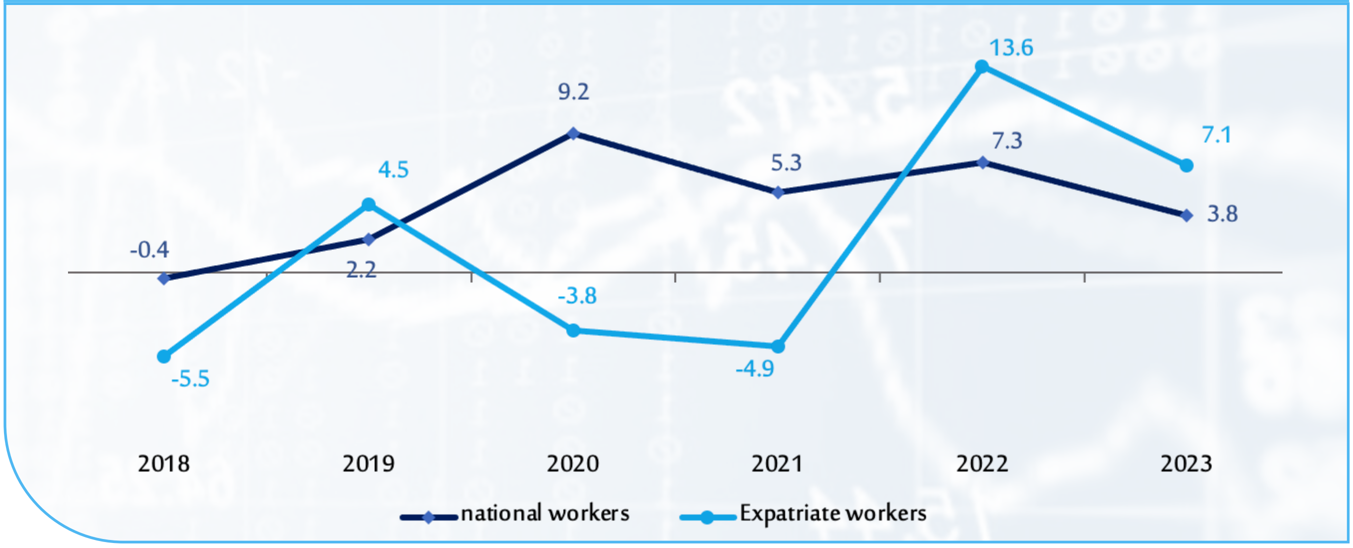


Source: GCC-STAT. September 2024

4. Data for the United Arab Emirates from the International Labor Organization.
5. Data for the United Arab Emirates is not included due to unavailability by nationality.

Despite the low percentage of national workers compared to expatriate workers within the Gulf Co-operation Council (GCC), there has been a positive trend across the GCC towards increasing the proportion of national workforce over the past five years. In 2023, the growth rate of national workers rose by 3.8%, following a 7.3% increase in 2022. Conversely, the total number of expatriate workers increased by 13.6% in 2022 and by 7.1% in 2023, after a decline of -3.8% in 2020 and -4.9% in 2021 due to the impact of the COVID-19 pandemic (Figure 67).

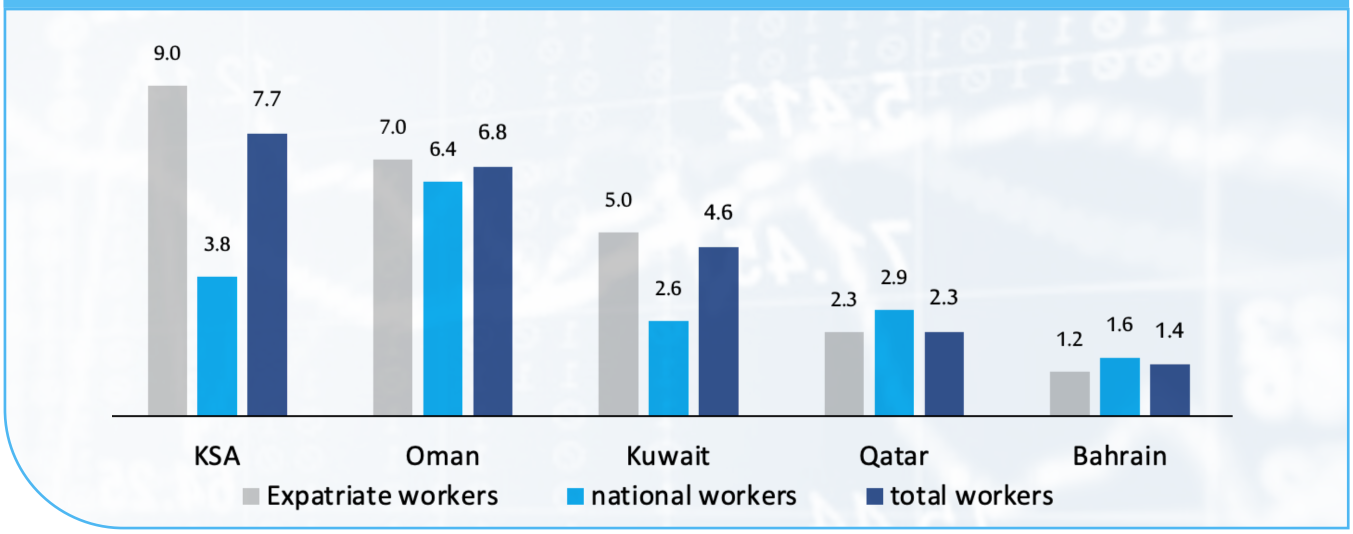
Figure 67: Annual Growth Rate (%) of workers number by nationality in GCC, 2017-2023



Source: GCC-STAT. September 2024

The Kingdom of Saudi Arabia recorded the highest growth rate in the total number of workers in 2023 among the member states, at 7.7%. It was followed by Oman with a growth rate of 6.8%, and Kuwait with 4.6%. Qatar and Bahrain also saw growth in the total number of workers in 2023, with rates of 2.3% and 1.4%, respectively. Notably, the growth rate of expatriate workers exceeded that of national workers in all countries except Bahrain and Qatar (Figure 68).

Figure 68: Percentage Change (%) in The Number of Workers in The GCC Countries, 2023[6]



Source: GCC-STAT. September 2024

6. The data for the United Arab Emirates is not included due to the lack of availability by nationality.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