



تقرير موجز

ملامح وآفاق الأداء الاقتصادي

2023 لمجلس التعاون
لدول الخليج العربية

SUMMARY REPORT

FEATURES AND OUTLOOK OF ECONOMIC PERFORMANCE OF THE GCC COUNTRIES

2023



Various indicators indicate that the GCC economies enjoy strong foundations and positive prospects, supported by economic diversification efforts to develop promising sectors, enhance financial sustainability, and attract strategic investments. Despite challenges and unstable global conditions, the Gulf economies are expected to continue to grow at a steady pace in the medium term, strengthening their position as regional and global economic powers.





Global Economic Developments

In 2023, the global economy witnessed a slowdown in growth compared to 2022, as International Monetary Fund estimates indicate global GDP growth at constant prices of 3.2%, which is lower than the annual average for the period 2019-2000. This slowdown is attributed to the contractionary monetary policies adopted by central banks to address inflationary pressures, slow consumption and investment in light of rising interest rates, and reduced financial support in some productive sectors. The Fund expects global growth to stabilize at 3.2% in 2024 and 2025, (Figure 1).

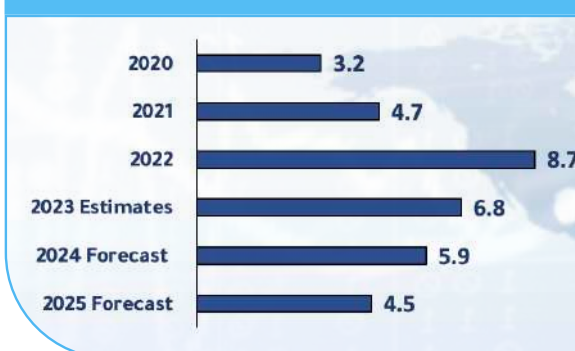
Figure 1: Global GDP Growth Rate (%), 2020-2025



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

The global inflation rate also decreased to 6.8% in the year 2023 from 8.7% in the year 2022, and it is expected to continue this downward trend to reach 5.9% in the year 2024 and 4.5% in the year 2025, (Figure 2). Likewise, energy prices declined significantly in the year 2023, as the average price of a barrel of Brent crude fell to 82 US dollars after reaching about 101 US dollars in the year 2022. Expectations are that the major central banks will stop raising interest rates of 2022 and 2023 in 2024, to put an end to the largest cycles of monetary policy tightening to curb inflation.

Figure 2: Global Inflation Rates (%), 2020-2025



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

The year 2023 was the highest performing year in the major global financial markets, specifically the American ones, as the US stock index (S&P 500) recorded annual gains of about 24.2%, and the Nasdaq index rose by 43.4% this year, while the Dow Jones Industrial Average rose by 13.7%. European stocks (Stoxx 600) concluded the year 2023 with annual gains of 12.7%, and the gains of the Japanese Nikkei 225 index reached about 28.2%. In contrast, the Shanghai index recorded losses of -3.7%, (Figure 3).

Figure 3: Performance of the Global Stock Markets General Index (%), 2023



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

Gulf economic developments

In the year 2023, the GDP at constant prices of the Gulf Cooperation Council block reached 1,691.8 billion US dollars, recording a growth of 0.5% compared to the year 2022, (Figure 4). This growth was driven by a 3.3% growth in the non-oil sector, compared to a -4.8% contraction in the oil sector due to OPEC+ oil production cuts. The transportation, storage, financial and real estate sectors witnessed the highest growth rates, while the mining and quarrying sector declined. The Gulf Statistical Center's expectations indicate that the GCC economy will achieve growth by 3.7% in the year 2024, and by 4.5% in the year 2025, thanks to the increase in oil production and economic diversification in non-oil sectors, supported by stimulating policies in public finances.

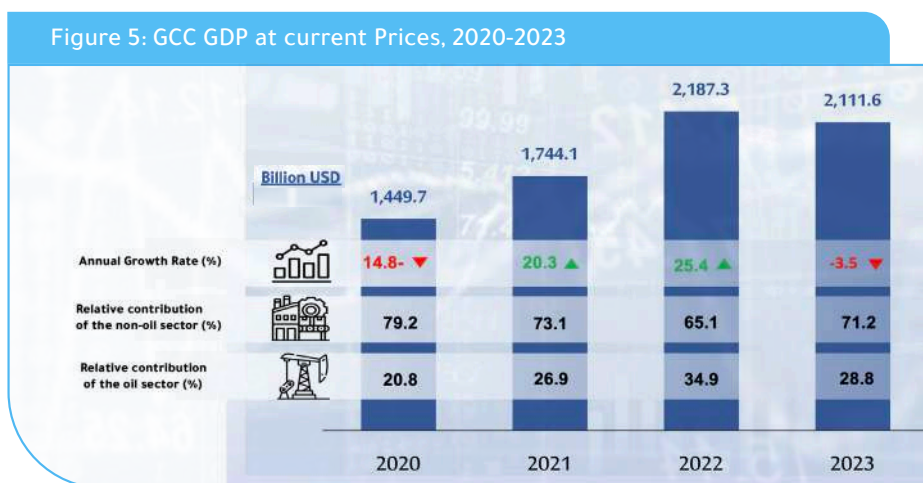
Figure 4: Growth Rate of GCC GDP at Constant Prices (%), 2014-2026



Source: GCC-STAT. September 2024

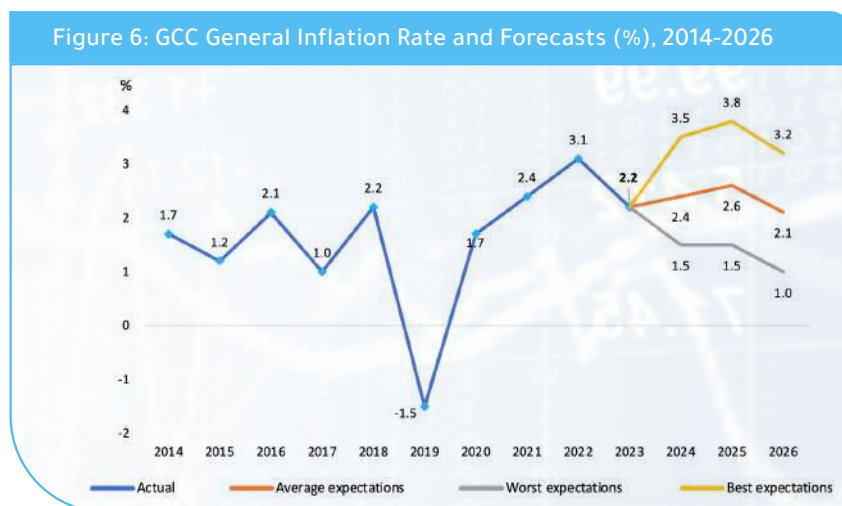


According to preliminary estimates, the data indicate a decline in the GDP of the Gulf Cooperation Council at current prices by -3.5% to reach 2,112 billion US dollars in the year 2023, and the contribution of the oil sector to the GDP at current prices reached 28.8%, with a value of 609 billion US dollars, compared to The contribution of the non-oil sector was 71.2%, with a value of 1,503 billion US dollars. The average per capita share of the GDP at current prices at the GCC level in 2023 amounted to about 36.7 thousand US dollars, (Figure 5).



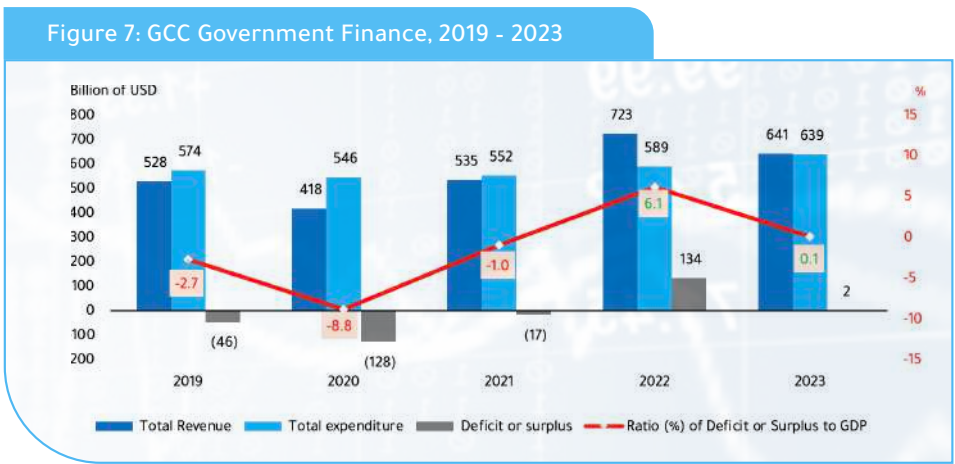
Source: GCC-STAT. September 2024

The rate of inflation in consumer prices in the Gulf Cooperation Council in 2023 was about 2.2%, lower than the rate recorded in 2022, which was 3.1%. The decline in inflation in 2023 was supported by the improvement in supply chains, the decline in crude oil prices, and the decline in global food prices. The average forecasts prepared by the center indicate that inflation rates in the GCC will stabilize at rates of 2.4%, 2.6%, and 2.1% during the years 2024-2026, (Figure 6).



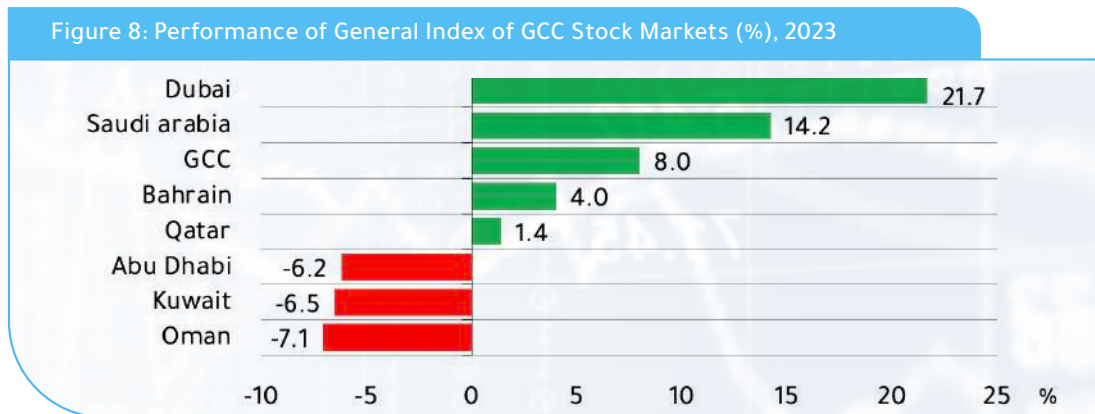
Source: GCC-STAT. September 2024

Government revenues in the Gulf Cooperation Council countries have witnessed remarkable growth over the past three years, exceeding pre-COVID-19 pandemic levels, supported by the global economic recovery. Government spending rose to reach 639 billion US dollars in 2023, with a growth rate of 8.5%. Despite the fiscal deficit recorded during the period 2014-2021, the year 2022 witnessed the recording of a significant financial surplus in the GCC government finances estimated at 134 billion US dollars, or 6.1% of GDP, followed by a surplus of about 2 billion US dollars in 2023. The public debt of the GCC bloc is expected to stabilize at 28% of GDP during the period 2024-2025, with improved credit ratings and increased non-oil revenues for member states, which enhances financial sustainability, (Figure 7).



Source: GCC-STAT. September 2024

In the financial markets, the general composite index for the Gulf financial markets increased by 8.0% in the year 2023, supported by the growth of the Saudi financial market by 14.2% and the Dubai Financial Market by 21.7%. In contrast, Abu Dhabi, Kuwait and Muscat markets witnessed a decline in their performance, (Figure 8). The total market value of the Gulf financial markets reached 4.4 trillion US dollars, with a growth of 11.8% compared to 2022, which reflects the increasing global interest in investments in the region.



Source: GCC-STAT. September 2024

In line with the policies of the US Federal Reserve Bank, central banks in the Gulf Cooperation Council countries raised interest rates throughout the year 2023. However, inflation rates in the GCC countries remain below the global average, recording 3.4% compared to 6.8% globally.

The total value of the broad money supply (M2) in the GCC by the end of the year 2023 amounted to about 1,612 billion US dollars, an increase of 10.5% compared to the previous year. This growth is attributed to the increase in quasi-monetary deposits (savings and time deposits) by 18.7%. This is a result of depositors shifting to time deposits rather than holding liquid financial assets to benefit from high interest rates.

While the total foreign reserve assets of the Gulf Cooperation Council continued to grow, reaching by the end of the year 2023 approximately 747.7 billion US dollars, increased by 4.4% compared to the previous year, (Figure 9). The GCC ranked fifth in the world in terms of the size of international reserve assets after China, Japan, the European Union and Switzerland, constituting 4.8% of the global total.

Figure 9: GCC Foreign Reserve Assets, 2019-2023

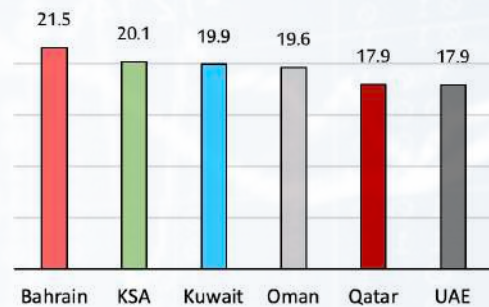


Source: GCC-STAT. September 2024

The GCC banking sector witnessed an overall improvement in 2023, with total assets of commercial banks operating in the GCC increasing by 8.1% in 2023 compared to the previous year to reach 3,207 billion US dollars. Total bank deposits at commercial banks operating in the GCC amounted to 1,905 billion US dollars, an increase of 8.1%, while the total balance of loans provided by commercial banks operating in the GCC increased by 6.2% to reach 1,870 billion US dollars.

In terms of sector performance, capital adequacy ratios in GCC countries-maintained levels well above the regulatory minimum (8.5%), ranging from 17.9% in the UAE to 21.5% in the Kingdom of Bahrain, (Figure 10). The profitability growth of the Gulf banking sector in 2023 ranged from 7.7% in the Sultanate of Oman to 55.3% in the UAE, with the sector’s profitability exceeding pre-Covid-19 levels.

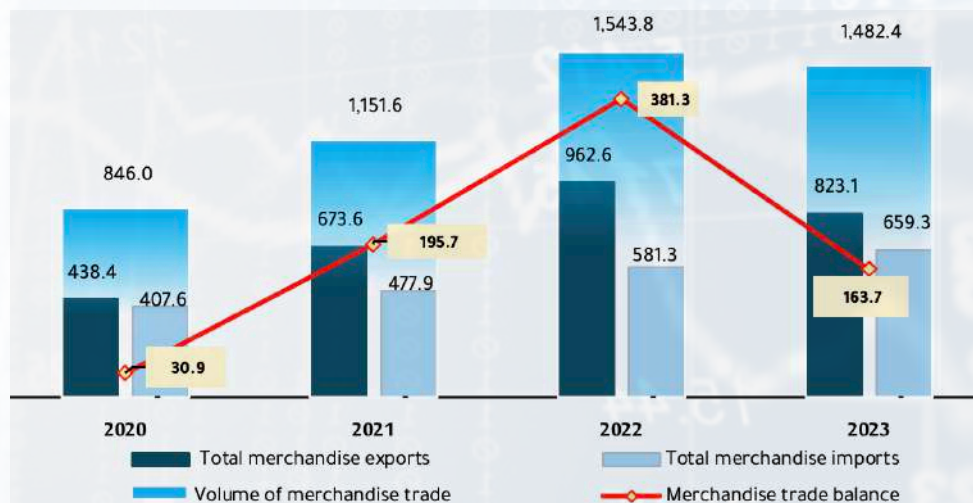
Figure 10: Capital adequacy ratio in GCC countries, 2023



Source: GCC-STAT. September 2024

In the field of foreign trade, the volume of GCC commodity trade (excluding intra-trade) amounted to 1,482.4 billion US dollars, with decrease of -4.0% compared to previous year.. The total GCC commodity exports amounted to about 823.1 billion US dollars, down by -14.5%, while the total GCC commodity imports increased by 13.4% to about 659.3 billion US dollars. However, the GCC bloc continued to achieve a surplus in the commodity trade balance, which amounted to about 164 billion US dollars in 2023, (Figure 11). This surplus constituted about 7.8% of the Council’s GDP.

Figure 11: Foreign Merchandise Trade of the GCC Countries excluding Intra-Trade (Billion US dollars), 2020-2023



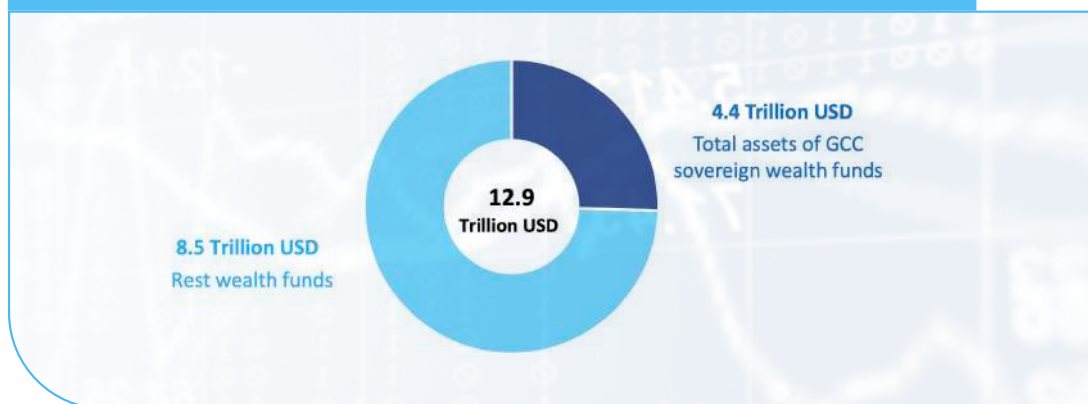
Source: GCC-STAT. September 2024

Meanwhile, remittances from workers in the GCC countries to their origin countries declined by -0.4% in the year 2023, to reach 131.5 billion US dollars, with the proportion of expatriate workers continuing to exceed national workers, and despite the increase in localization rates in some member states.

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 the sovereign wealth funds in the Gulf Cooperation Council countries reached 4.4 trillion US dollars by the year 2023. It is worth noting that the assets of the Gulf sovereign wealth funds represent 34.1% of the total assets of the 100 largest sovereign wealth funds in the world, (Figure 12).

Figure 12: Total assets of the world's 100 largest sovereign wealth funds 2023



Source: Sovereign Wealth Fund Institute (SWFI).

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