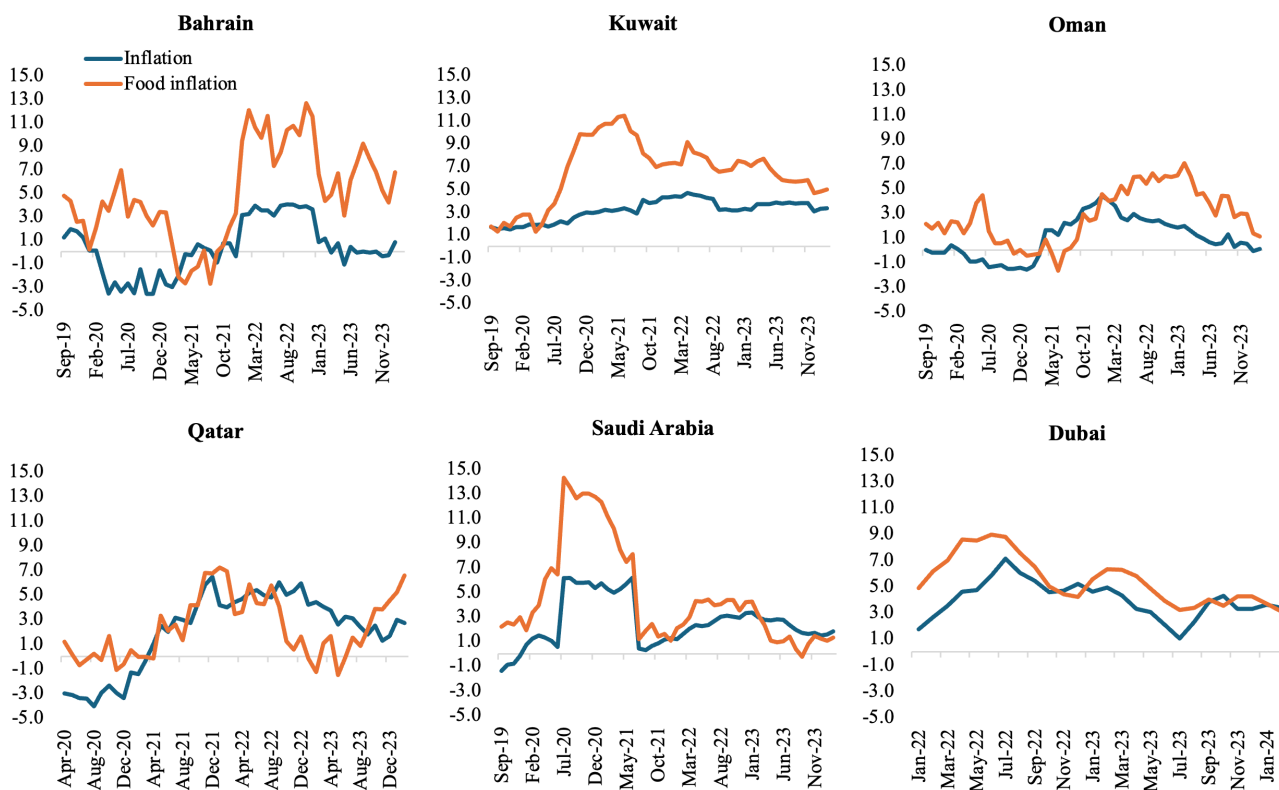


# Weekly Insights 22 Mar 2024: Easing inflation, narrow fiscal surpluses & SWF asset surge in the GCC

GCC inflation. Dubai PMI & inflation. Oman fiscal surplus. UAE federal revenues. GCC SWFs. GCC US-Treasury holdings.  
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**1. GCC inflation easing in Jan-Feb 2024. Food inflation is higher than headline in most of the region;** in Dubai & Saudi Arabia, housing costs the main driver of the uptick. PMI indicates UAE & Saudi firms opting to absorb rising costs (amid rising competition).



Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates

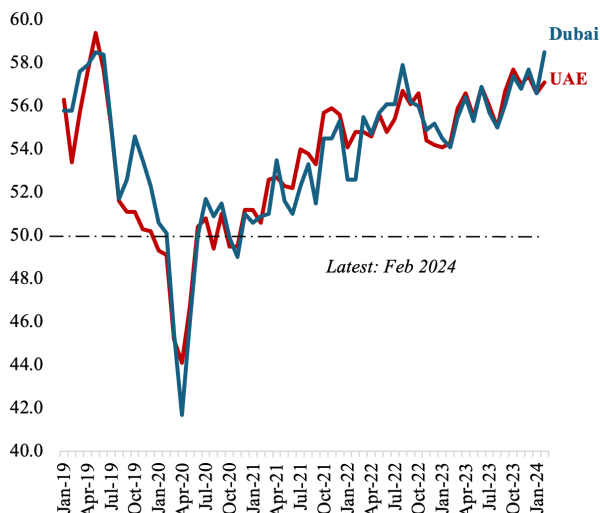
Note: Data as of Feb 2024 (except for Bahrain's Jan 2024).

## 2. Non-oil PMI activity jumps in Dubai this Feb; while inflation has eased, housing & education costs have accelerated compared to a year ago

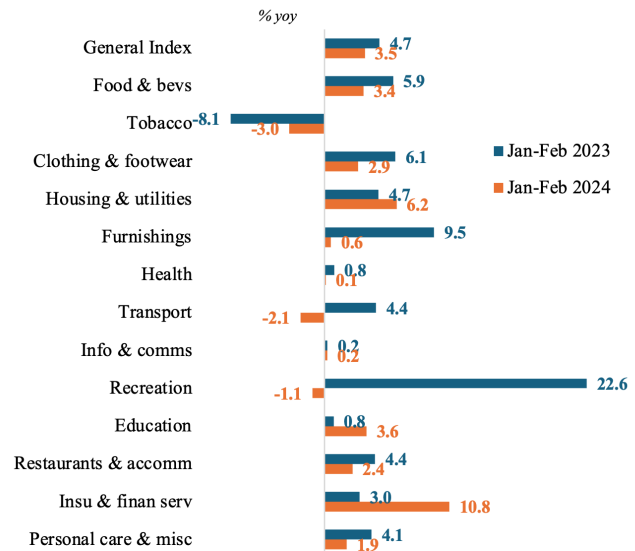
- **Dubai PMI jumped to 58.5 in Feb, the best since a matching reading in May 2019**, thanks to new orders and employment, with businesses citing robust demand and greater project work as reasons for higher output. All sectors reported improvements in Feb and have a positive 12-month output; however, the wholesale & retail sector recorded a substantial decline in average output charges. Sales promotions and price cuts, in a bid to remain more competitive, are likely to affect business bottom lines in the medium term.
- **Inflation has also eased in Dubai, slipping to 3.4% in Feb 2024** (Jan: 3.6%). Food and beverages prices, with a weight of 11.6% in the overall index, slowed in Feb (3.08% from 3.69% in Jan).
- **In the Jan-Feb period**, transport & recreation costs have declined the most compared to a year ago. However, a few

**non-tradeable goods costs have increased:** such as housing & utilities (6.2% vs 4.7%), education (3.6% from 0.8%) and insurance (10.8% from 3%); weights for these expenditure categories stand at 40.68%, 8.15% and 1.26% respectively.

**Dubai PMI rose to 58.5 in Feb, matching the reading in May 2019. UAE & Dubai PMI have been expansionary for 39 consecutive months**



**Inflation in Dubai eased to 3.5% in Jan-Feb 2024 (Jan-Feb 2023: 4.7%), with declines across most categories. Housing ticked up to 6.2% & education to 3.6%**



Source: Dubai Statistics Centre, Refinitiv Datastream. Charts created by Nasser Saidi & Associates.

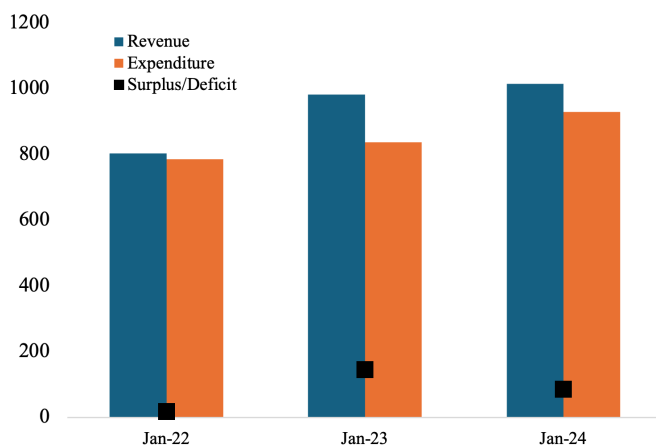
### 3. Oman posts a narrower budget surplus of OMR 85mn in Jan 2024

- **Oman posted a budget surplus of OMR 85mn in Jan** (vs. surplus of OMR 145mn in Jan 2023), “attributed mainly to an increase in government investments”. The average oil price in Jan 2024 was USD 90 (-1.1% yoy) and average daily oil production was 2.2% lower at 1040k bpd. The **2024 budget estimates an average oil price of only USD 60 a barrel.**
- **Public revenues rose 3% yoy** to OMR 1.014bn in Jan, with the increase driven by the **132% surge in current revenues**. Both net oil & gas revenues fell in Jan, down by 1.2% and 47.7% respectively to OMR 595mn and OMR 135mn respectively. Together, net O&G accounted for 72% of revenues in Jan.
- Overall **expenditure increased by 11% yoy** to OMR 929mn in Jan: of this, public expenditure of civil ministries

stood at OMR 680mn (-3% yoy) while contributions & other expenses increased by a massive 227% yoy to OMR 121mn. Development expenditure, at OMR 19mn, was only 2% of the total allocated for 2024 (OMR 900mn).

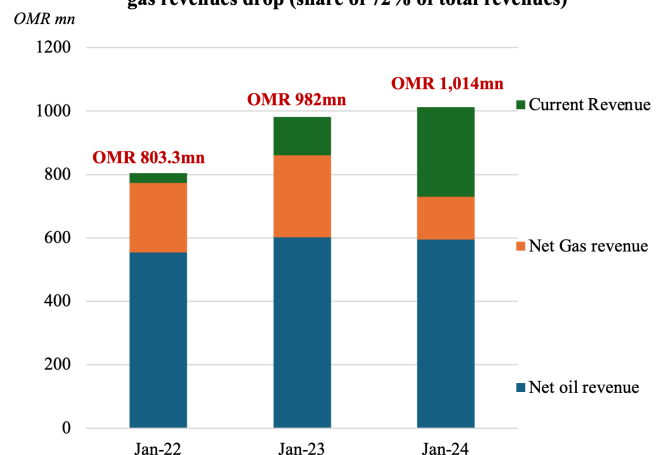
- **Oman's budget 2024 estimates an increase in both revenues & expenditure (by 10% and 3% compared to 2023 budget), leading to a deficit of OMR 640mn – narrower compared to the 2023 budget deficit of OMR 1.3bn.**

**Oman: Revenue grew by 3.3% yoy in Jan 2024 alongside a 11% jump in spending; surplus narrows to OMR 85mn**



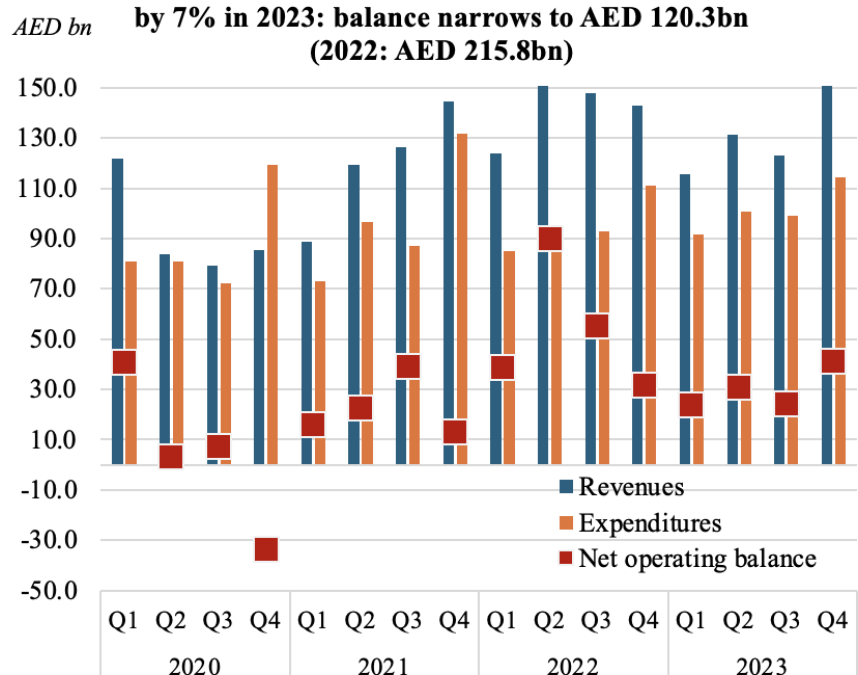
Source: Oman's Ministry of Finance. Charts by Nasser Saidi & Associates.

**Oman's revenue increase is supported by the surge in current revenue (132% yoy to OMR 283mn) while net oil & gas revenues drop (share of 72% of total revenues)**

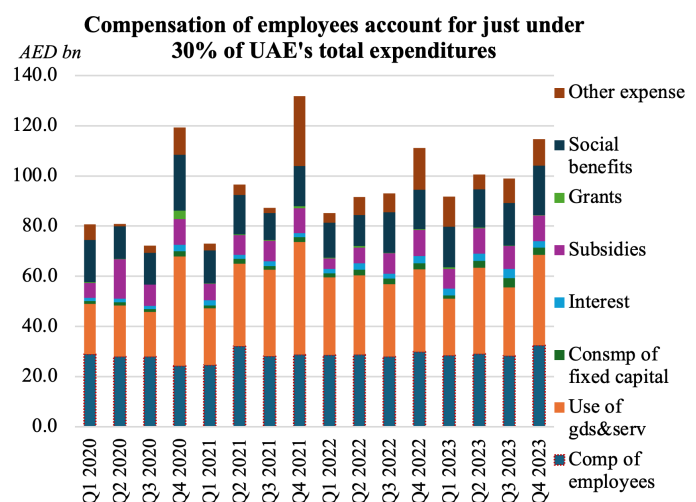
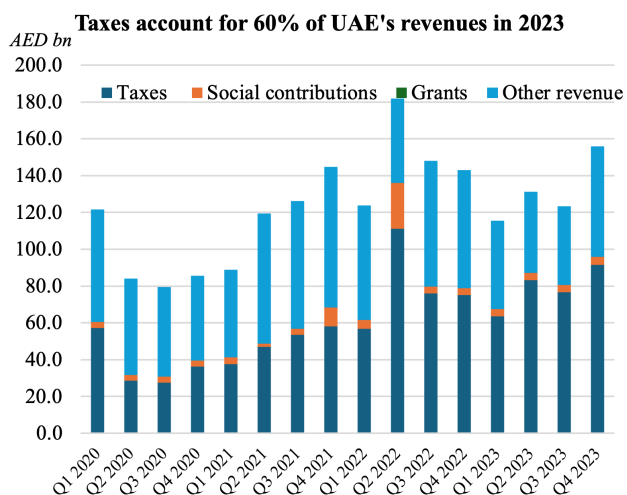


#### 4. UAE federal revenues fell sharply to AED 526.1bn in 2023 & net lending/ borrowing value narrowed

**UAE's revenues fall by 12% while spending ticks up by 7% in 2023: balance narrows to AED 120.3bn (2022: AED 215.8bn)**



- **UAE's federal revenues fell** by 12% yoy to AED 526.1bn in **2023**, as per the Ministry of Finance estimates. **Tax revenues slipped** by 3% yoy to AED 314.8bn in 2023, **but accounted for 59.8% of total revenues**.
- **Spending increased** by 5% yoy to AED 405.8bn in 2023, with compensation of employees holding steady at AED 118.4bn (or 29.2% of total expenditure). **Subsidies and social benefits grew** to AED 37.2bn (+28% yoy) and AED 38.3bn (+17%) respectively.
- The **net lending/ net borrowing** value stood at a **surplus of AED 120.3bn** for the full year: this compares to a surplus of AED 215.8bn in 2022.
- In **Q4 2023** alone, revenues jumped by 26.5% qoq to AED 156mn, as taxes and other revenues grew by 19.5% and 40.8% respectively; expenditures were up by 15.8% qoq.



Source: UAE Ministry of Finance. Charts by Nasser Saidi & Associates

**5. Nine of the top 25 Sovereign Wealth Funds (by asset size) are from the GCC: 3 have assets close to \$1trn**

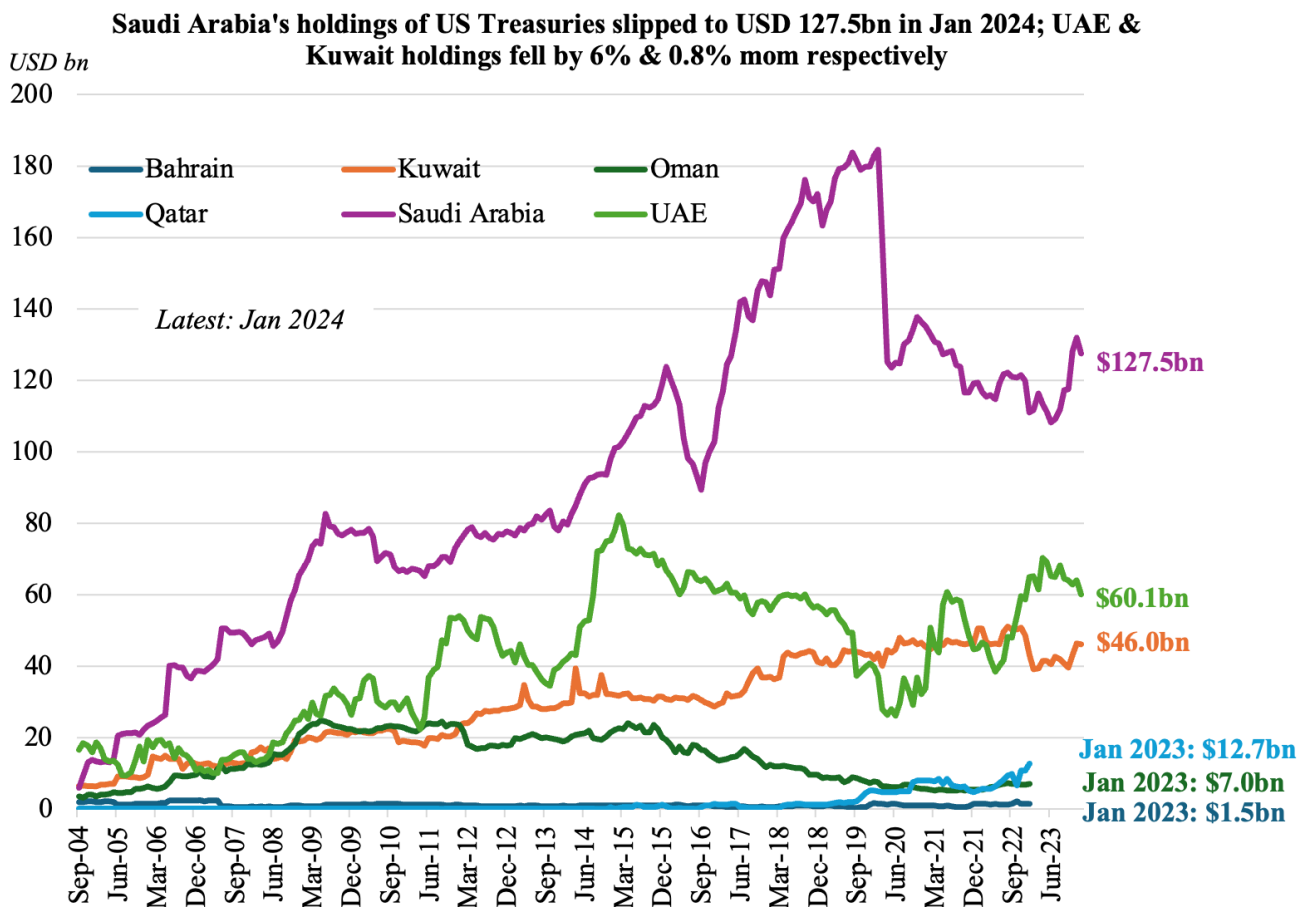
Rank	Profile	Total Assets (USD bn)	Region
1	Norway Government Pension Fund Global	1648.1	Europe
2	China Investment Corporation	1350.0	Asia
3	SAFE Investment Company	1090.0	Asia
<b>4</b>	<b>Abu Dhabi Investment Authority</b>	<b>993.0</b>	<b>Middle East</b>
<b>5</b>	<b>Public Investment Fund</b>	<b>925.0</b>	<b>Middle East</b>
<b>6</b>	<b>Kuwait Investment Authority</b>	<b>923.5</b>	<b>Middle East</b>
7	GIC Private Limited	770.0	Asia
<b>8</b>	<b>Qatar Investment Authority</b>	<b>526.1</b>	<b>Middle East</b>
9	Hong Kong Monetary Authority Investment Portfolio	514.2	Asia
10	Temasek Holdings	492.2	Asia
<b>12</b>	<b>Investment Corporation of Dubai</b>	<b>341.1</b>	<b>Middle East</b>
<b>14</b>	<b>Abu Dhabi Developmental Holding Company (ADQ)</b>	<b>190.0</b>	<b>Middle East</b>
<b>18</b>	<b>Mubadala Investment Company</b>	<b>139.0</b>	<b>Middle East</b>
<b>21</b>	<b>Emirates Investment Authority</b>	<b>87.0</b>	<b>Middle East</b>
<b>22</b>	<b>Dubai Investment Fund</b>	<b>80.0</b>	<b>Middle East</b>

*Source: SWF Institute.*

- There are **four representatives from the GCC among the top 10 sovereign wealth funds globally**, according to data from the SWF Institute.
- Though exact portfolio amounts or asset allocation splits are hard to come by for SWFs in the region, it is known that **ADIA tops the list of SWFs from the GCC**, with assets size at USD 993bn (2022: USD 790bn).
- More recently, the **transfer of an additional 8% Aramco stake raised PIF's asset size**, allowing it to overtake the Kuwait Investment Authority. Global SWF reported that **PIF was the world's largest sovereign investor in 2023**, deploying USD 31.6bn across 49 deals. **PIF aims to manage USD 2trn in assets by 2030**, with 83% in domestic holdings.
- **Kuwait Investment Authority** benefitted from more than 50% of its investments being in the US (reported Bloomberg).
- Interestingly, **Abu Dhabi hosts three SWFs in the global top 20 list**: ADIA, ADQ and Mubadala.

## 6. US Treasuries holdings of major GCC nations' decline in month-on-month terms in Jan 2024

- **GCC holdings of US Treasuries declined in Jan 2024** (month-on-month terms).
- **Saudi Arabia** is still the 16th largest investor in US Treasury bonds: USD 127.5bn as of Jan 2024; however, the mom decline is the first after continuously increasing holdings since Jul 2023.
- **UAE and Kuwait holdings** also fell by 6% & 0.8% mom respectively in Jan 2024.
- However, Kuwait and Saudi holdings gained 6.2% and 14.9% compared to Jan 2023 readings; UAE's holdings were down also in yoy terms, by 7.4%.
- **Yields on long-dated Treasury notes and bonds climbed in Jan.**
- Wait and watch to see if there is a change in approach once the global central banks begin its rate cuts phase.



Source: US Treasury, Refinitiv Eikon. Chart by Nasser Saidi & Associates.

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