

Weekly Insights 28 Jun 2024: Foreign Direct Investment dips in MENA/ GCC; project pipeline indicates stronger growth

FDI flows in West Asia. UAE GDP & inflation forecasts. Saudi foreign trade. Remittances in MENA.

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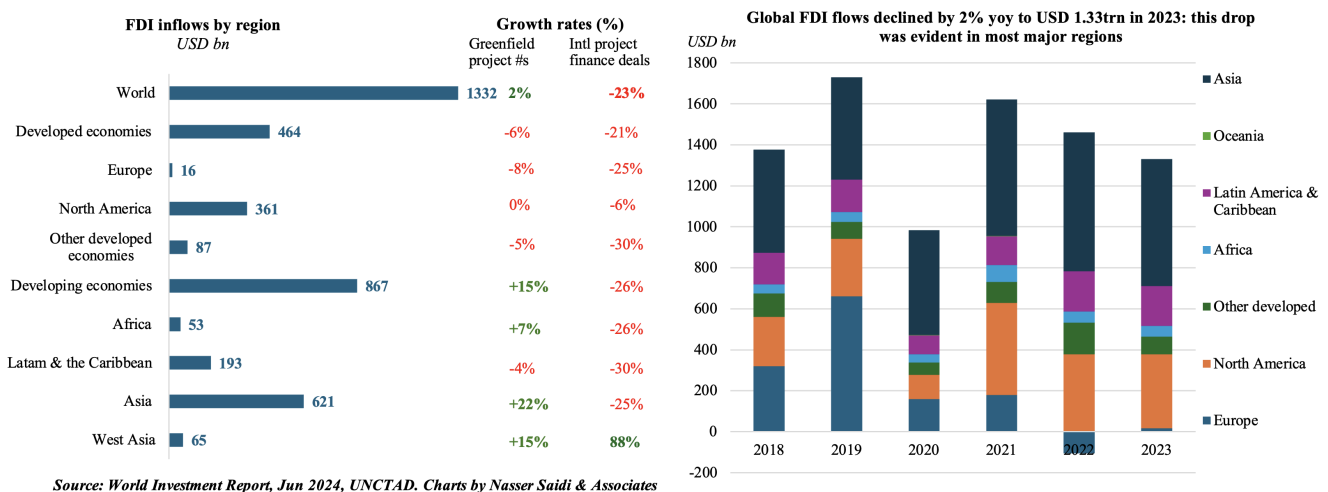
**Weekly Insights 28 Jun 2024: Foreign Direct Investment dips in
MENA/ GCC; project pipeline indicates stronger growth**

1. Global FDI inflows fell by 2% yoy to USD 1.33trn in 2023.

- **UNCTAD's World Investment Report 2024** showed global FDI fell by 2% yoy in 2023, to USD 1.33trn, with developed nations accounting to 35% of global FDI flows (falling below 50% for the first time since 2019). **Growing protectionism and trade distortions** are affecting FDI flows and their changing patterns.
- There was an **uneven growth across the globe in 2023**: US was the world's largest recipient of FDI, but inflows declined by 6.3% yoy to USD 311bn. Flows to developing nations fell by 7% to USD 867bn, with Asia posting an 8% drop while flows to Africa & Latam were down 3% and 1%. **China and India saw FDI inflows drop** by 14% and 43% to USD 163.3bn and USD 28.2bn respectively in 2023, ranking second and 15th globally in terms of value of FDI inflows.
- **In contrast to FDI flows, both the number and value of**

greenfield project announcements jumped – especially in developing nations, driven largely by an uptick in manufacturing industries. This signals better prospects in the medium term.

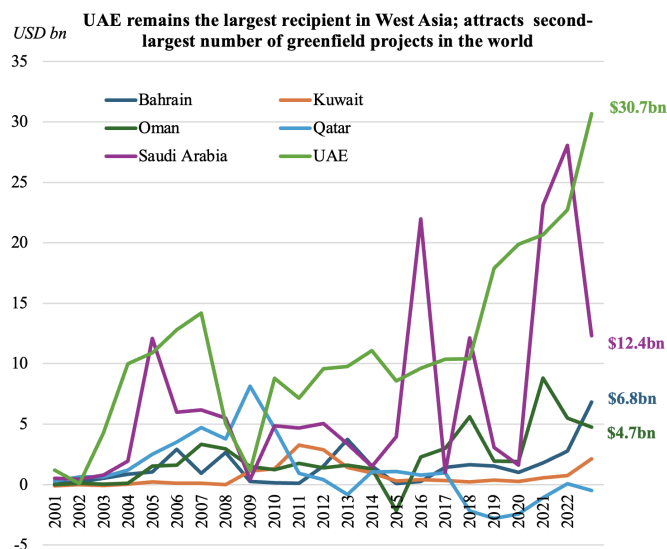
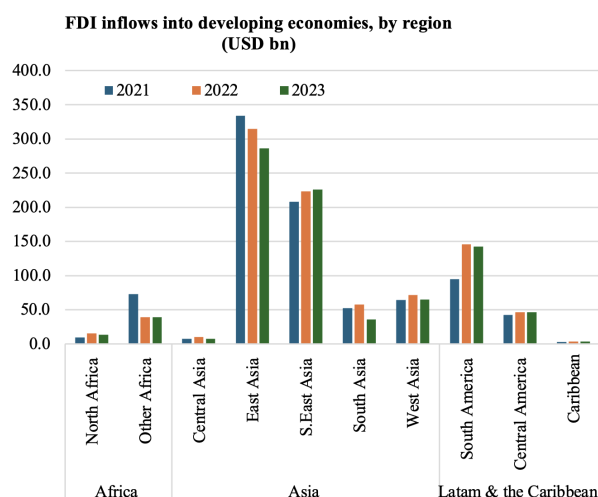
- **Developing Asia remained the most attractive destination for greenfield project announcements** (22% in 2022-23 to 5,798): they were home to 60% of the world's megaprojects. **West Asia's UAE and Saudi Arabia saw greenfield project announcements surge by 31% and 62%** (to 1323 and 389) respectively. India was among the top 5 destinations for greenfield project announcements (1058, 4th largest) and international project finance deals (163, 2nd largest).



2. West Asia FDI inflows dip in 2023: UAE tops the list & stands out as the 2nd largest recipient of greenfield projects (after the US)

- **FDI flows to developing Asia fell in 2023:** a further breakdown showed that South-East Asia posted a slight increase (+1% to USD 226bn). The **decline was pronounced in South Asia (-37%) and Central Asia (-27%)** while in **West Asia, FDI declined by 9% to USD 65bn.**
- **Within West Asia, UAE emerged as the best performer,** attracting USD 30.7bn in 2023 (+35% yoy). The country also moved up the ranks of nations attracting most inflows – 11th largest in 2023, from 21st in 2022.

- **UAE was also the second largest globally in terms of number of greenfield project announcements** (1323 projects, with a value of USD 15.6bn). Saudi Arabia's greenfield project announcements surged by 62% in 2022-23 to 389 while its value jumped by 108% to USD 28.3bn.
- While the **number of international project finance deals** in developing Asia declined by 25%, **West Asia was the only exception**: total deals rose to 94 in 2023 (2022: 50) while the value increased by 32% to USD 57bn; the number of deals increased in both Saudi Arabia and the UAE. The report identifies an important trend in the region: the decline in international project finance in renewable energy (along with most industrial sectors) and the increase in petrochemicals.



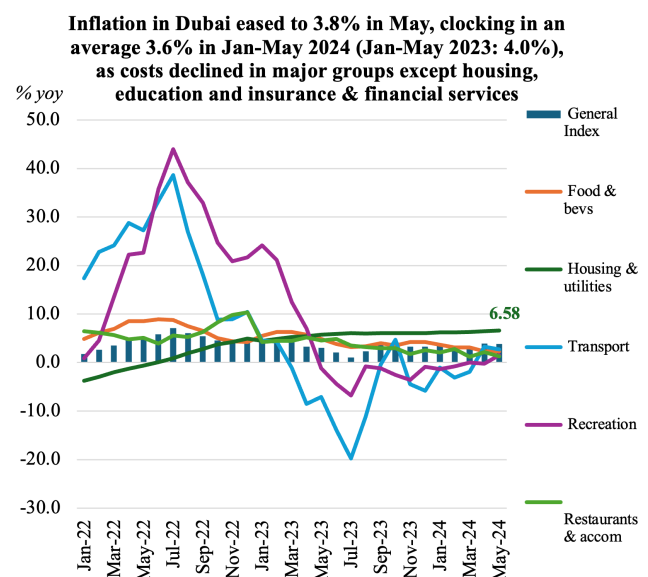
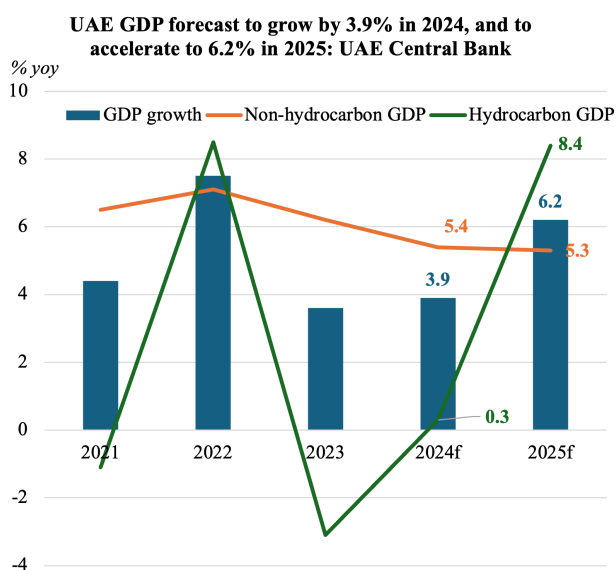
Source: World Investment Report, Jun 2024, UNCTAD. Charts by Nasser Saidi & Associates

3. UAE GDP forecast to grow by 3.9% yoy and 6.2% in 2024 & 2025. Inflation in UAE to moderate in 2024-25.

- The UAE central bank forecasts real GDP to grow by 3.9% this year (2023: 3.6%), supported by gains in the non-hydrocarbon sector (5.4%) while hydrocarbon GDP is estimated to grow by just 0.3% (given extended oil production cuts). This falls in line with the uptick in greenfield project announcements, in addition to early

indicators related to trade, tourism and real estate among others.

- **Growth is projected to accelerate further in 2025 (6.2%)**, supported by the uptick in oil & gas production (8.4% in 2025 vs 2024's 0.3%) alongside robust non-hydrocarbon sector (5.3%).
- **Inflation is estimated to average 2.3% in 2024-25** (from an earlier forecast of 2.5%), as both wages and rents are projected to rise at a pace slower than previously estimated. An increase in domestic demand and costs of non-tradeable categories will drive inflation – in line with Dubai's recent inflation data.
- **Inflation has eased in Dubai to 3.8% in May 2024** (Apr: 3.9%): most categories have either remained stable or declined, though a few have gained including housing & utilities (6.6% from 6.5%) & recreation costs (1.5% from -0.2%).

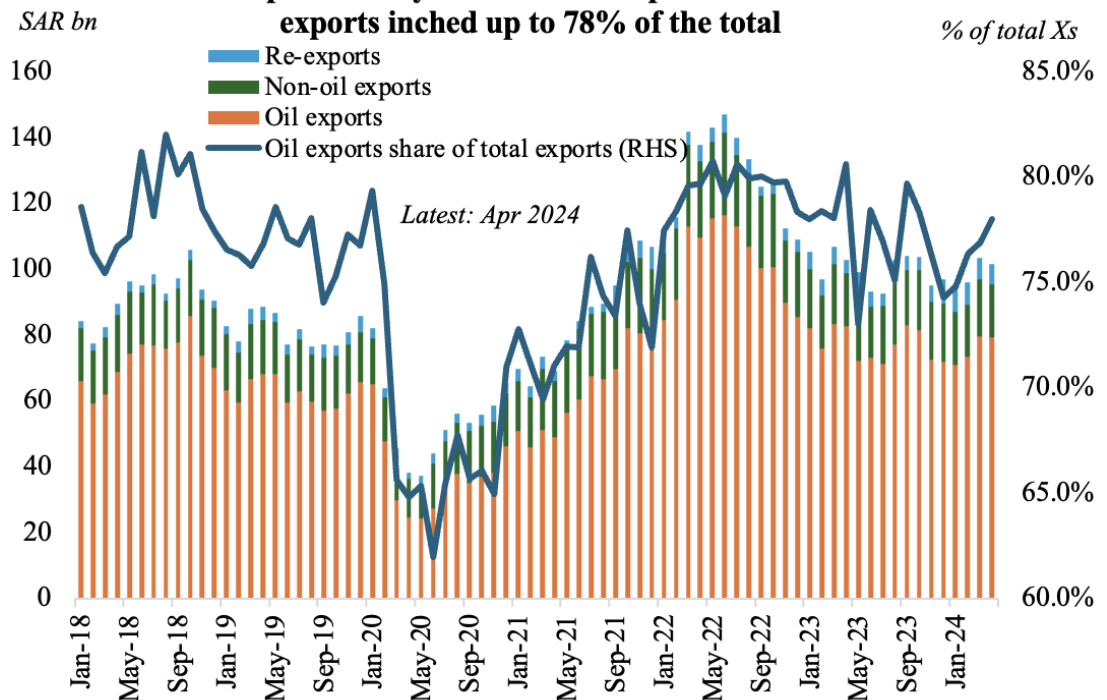


Source: UAE Central Bank, Dubai Statistics Centre. Charts created by Nasser Saidi & Associates

4. Saudi exports and imports fell by 1% yoy & 1.3% yoy in Apr;

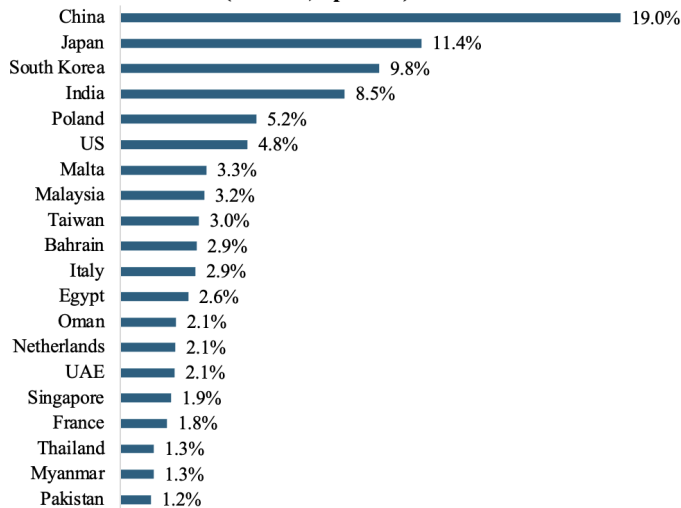
surplus move

Saudi oil exports declined by 0.3% mom; both non-oil exports and re-exports fell by 6.3% mom in Apr 2024. Share of oil exports inched up to 78% of the total



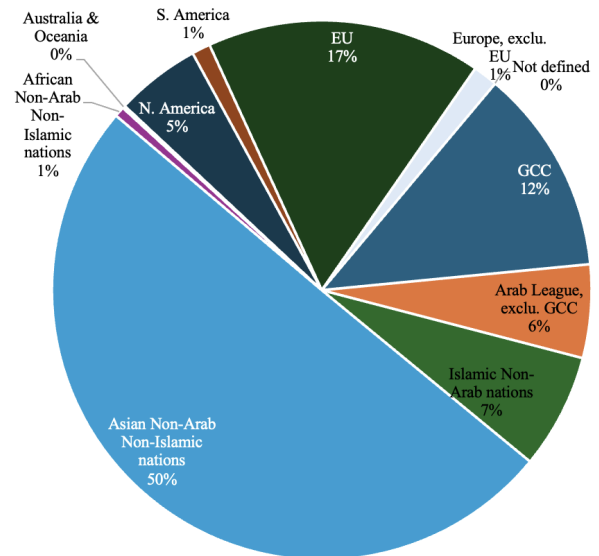
- **Exports from Saudi Arabia fell by 1.7% month-on-month to SAR 101.7bn in Apr**, with declines across the board: oil (-0.3%) alongside a 6.3% drop in both non-oil exports and re-exports.
- In yoy terms, **oil exports fell** by 4.2% to SAR 79.3bn in Apr; its share in overall exports stood at 78%. Meanwhile, both **non-oil exports and re-exports grew** by 1.6% and 56.4% to SAR 16.2bn and SAR 6.2bn respectively in Apr.
- **Imports fell** by 17.4% mom and 1.3% yoy to SAR 60.3bn, thereby moving **trade surplus to SAR 41.4bn** (vs Mar: SAR 30.4bn; Apr 2023: SAR 41.6bn).
- **Oil exports to top 5 destinations** (China, Japan, South Korea, India & Poland) **stood at 54% of total oil exports** in Apr. Share of top 25 nations was 94.8%.
- **China was the top trade partner in Apr**: accounting for 16.6% of overall exports and 22.4% of total imports.
- **Asian Non-Arab Non-Islamic nations** received 50.2% of Saudi exports in Apr 2024 & GCC 12%.

Saudi Arabia's top 5 (& 20) destinations for oil exports account for about 54% (& 90%) of total oil exports (% share, Apr 2024)



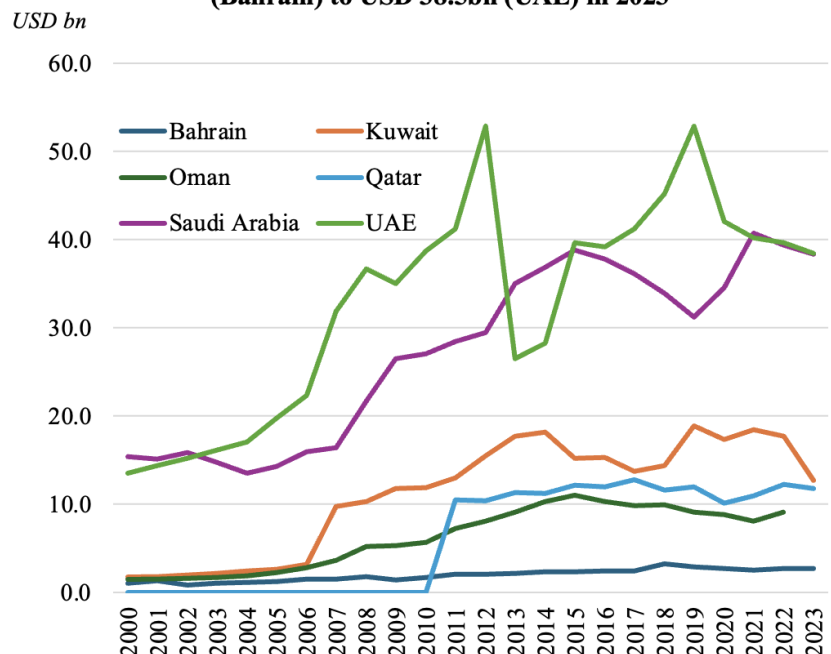
Source: GaStat. Charts by Nasser Saidi & Associates

Asian Non-Arab Non-Islamic nations received just over half of Saudi exports in Apr 2024



5. Remittances into the Middle East fell by 15% yoy to USD 55bn in 2023, dragged down by Egypt

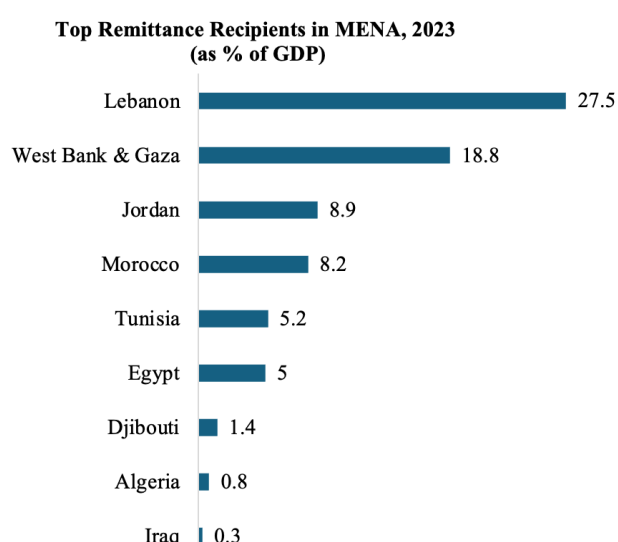
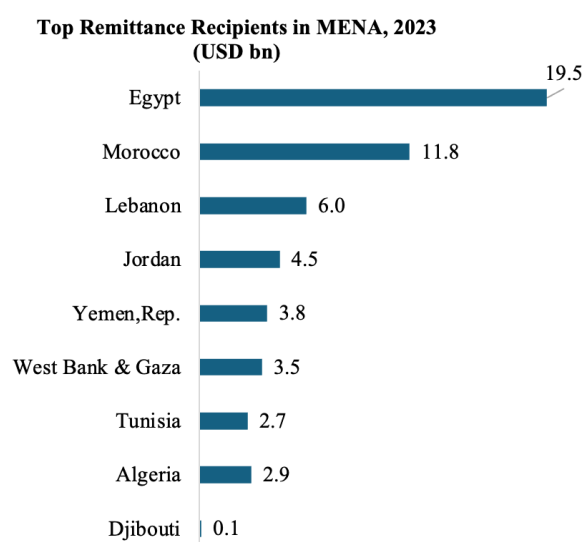
Outward remittances from GCC ranges between USD 2.7bn (Bahrain) to USD 38.5bn (UAE) in 2023



- **Remittances inflows into MENA declined in 2023**, down by 15% yoy to USD 55bn, following the 3.2% drop in 2022.
- **This stemmed partly from the decline in Egypt.** Egypt was still the largest remittance recipient, but it plummeted by 31.1% to USD 19.5bn. The existence of a gap between the official and parallel market exchange rates resulted in a sharp fall in official remittances (as money moved

through informal channels). The official move to a flexible exchange rate could see remittances return to previous levels.

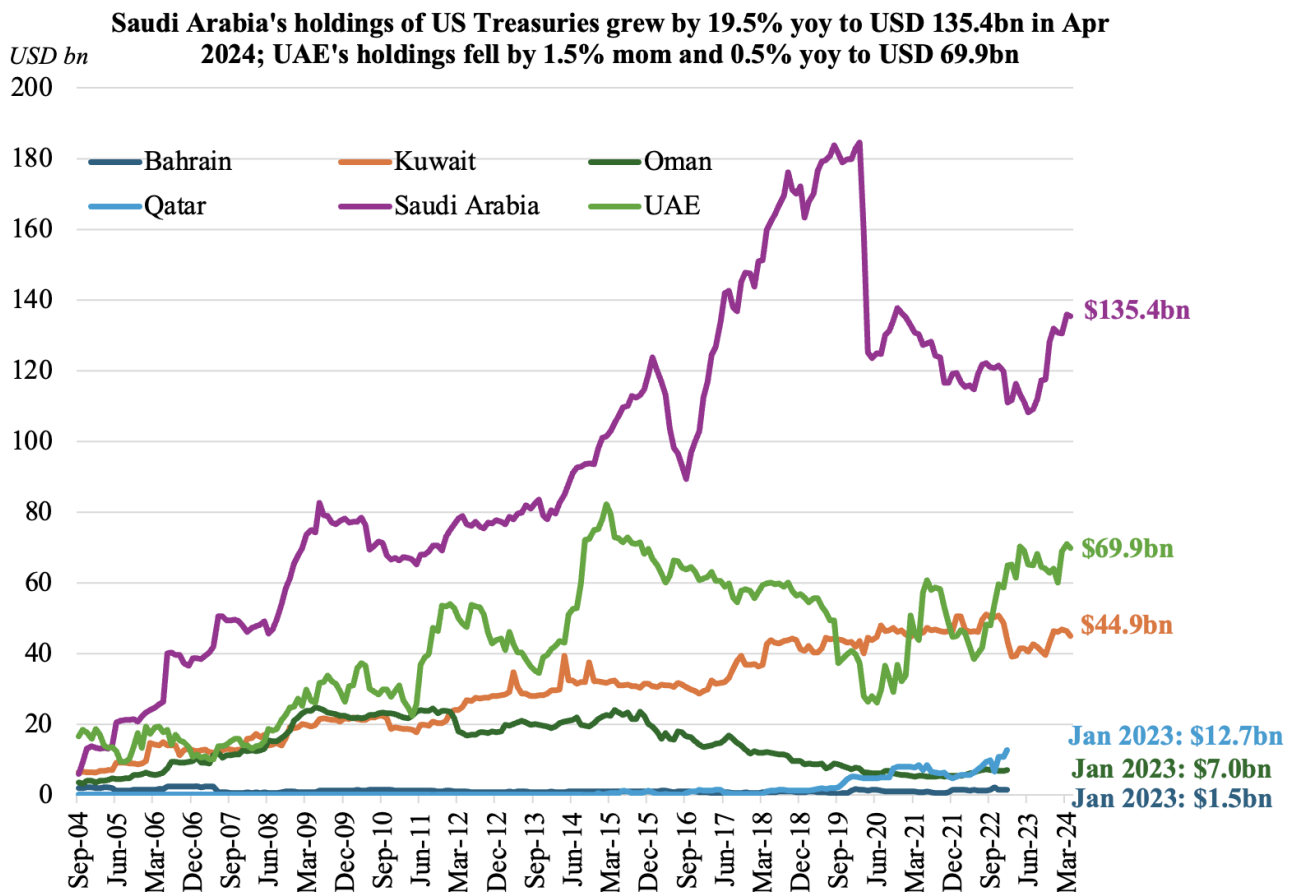
- Furthermore, there was a **soft decline in outward remittances from both the UAE and Saudi Arabia**, which affected regional inflows.
- **Inflows into Morocco grew**, especially following the earthquake in Sep, while remittances into West Bank & Gaza dropped sharply.
- **Lebanon and West Bank are the most dependent on remittances**: 27.5% and 18.8% of GDP respectively last year.
- The World Bank estimates **remittance flows to MENA to recover** by 4.3% in 2024 and 5.5% in 2025. Both UAE and Saudi Arabia are estimated to grow at a faster pace in 2024-25, further supporting the case for an increase in remittances.
- **Risks to the outlook** include economic uncertainty in labour-exporting nations such as Egypt and Lebanon and broader uncertainty in regional prospects.



Source: Migration and Development Brief 40, World Bank, Jun 2024. Charts by Nasser Saidi & Associates.

6. Saudi Arabia's US Treasuries holdings, at USD 135.4bn in Apr 2024, makes it the 17th largest investor globally; UAE's

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

- **Foreign holdings of Treasuries declined** to USD 8.018trn in Apr from Mar's record high of USD 8.084trn. The **ongoing US-China trade war** and a **potential for weaponization of the dollar** has seen China reduce its holdings by USD 45.6bn since end-2023.
- **Saudi Arabia is currently the 17th largest investor in US Treasury bonds** as of Apr 2024 (USD 135.4bn).
- This pales in comparison to the top of the list Japan (USD 1.150trn) and China (USD 770.7bn), but it is still **highest among the GCC**.
- While **Kuwait decreased their holdings** compared to end-2023 (by 3.0%), Saudi Arabia and UAE holdings have increased by 2.6% and 9.2% respectively.
- **KSA** saw holdings fall by 0.3% mom to USD 135.41bn in Apr 2024, but **in yoy terms, it has surged by 19.5%**.
- **UAE's holdings clocked in at USD 69.9bn in Apr**, down 1.5% mom and 0.5% yoy.

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