

# Weekly Insights 25 Jul 2024: GCC are adjusting to lower oil revenues

Dubai GDP & inflation. Saudi foreign trade. Kuwait 2023-24 fiscal deficit. GCC US Treasury holdings.

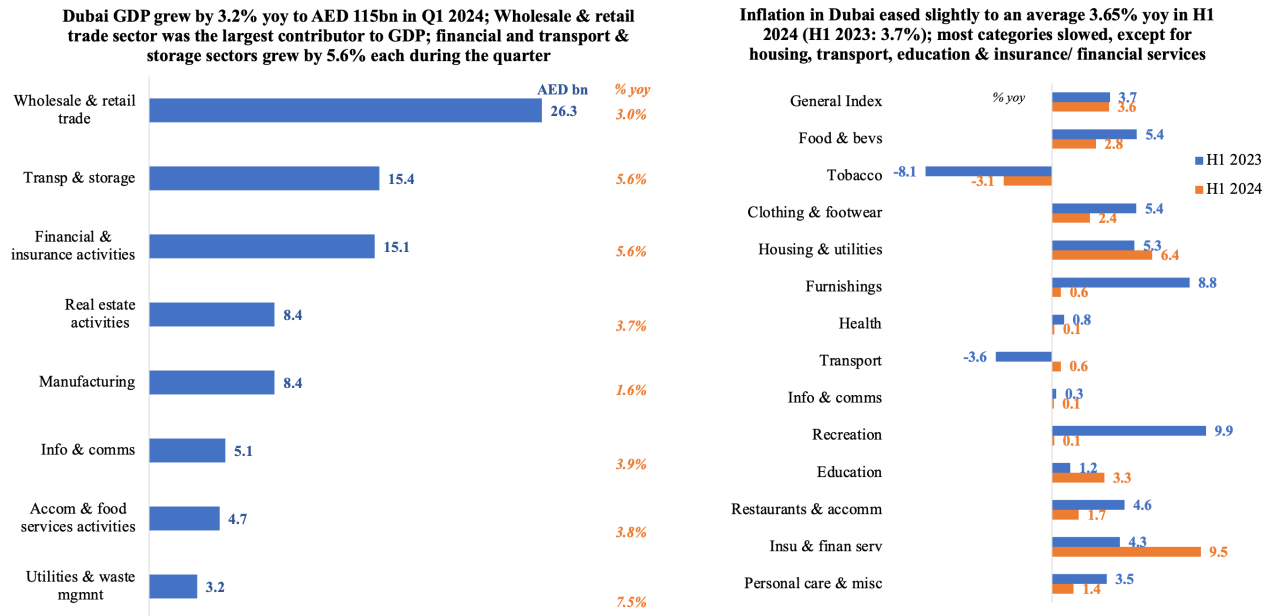
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## Weekly Insights 25 Jul 2024: GCC are adjusting to lower oil revenues

### 1. Dubai real GDP grew by 3.2% yoy in Q1 2024; inflation has eased across most categories in H1 2024

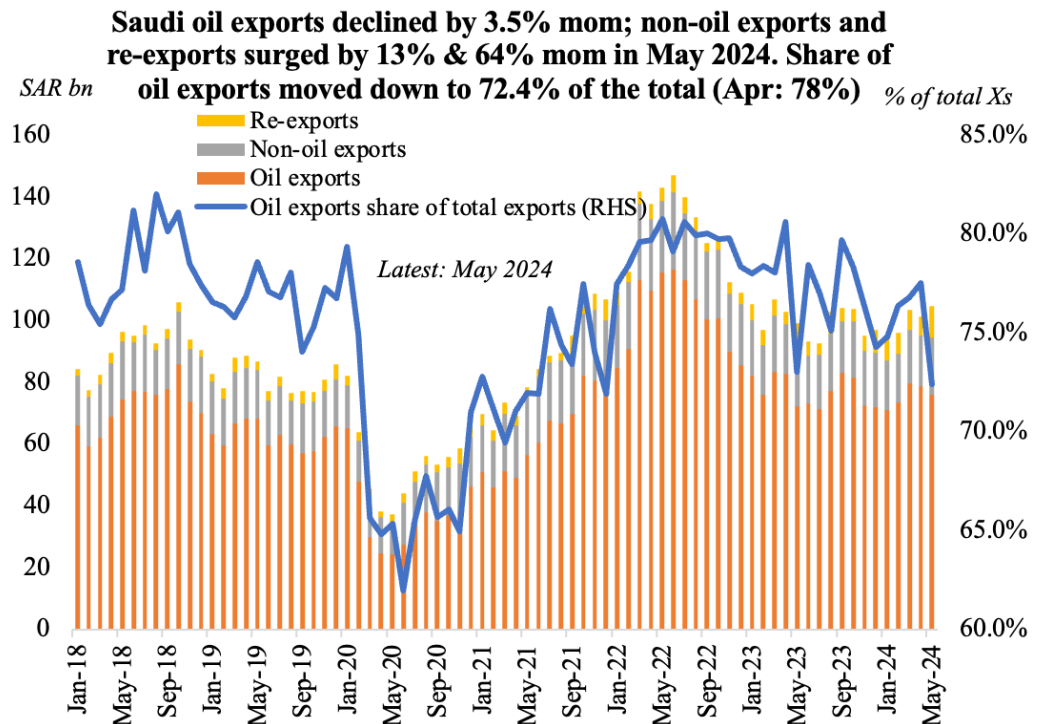
- Dubai real GDP grew by 3.2% yoy to AED 115bn in Q1 2024. Wholesale and retail trade was the largest contributor to GDP (22.9% of total), followed by transportation & storage (13.4%), financial & insurance activities (13.1%). Growth rate was a high 5.6% in the latter two sectors – transportation & storage and financial & insurance activities – while the **highest growth was in utilities & waste management** (7.5%). Real estate activities grew by 3.7% yoy in Q1 (vs. 5.6% in 2023) and its contribution to GDP was 7.3%.
- Dubai PMI averaged 57.2 in Q1 2024, 6% higher than Q1 2023. GDP prospects for Q2 will likely be affected by the floods in Apr, with PMI declining by 4.4% qoq and 2.7% yoy to 54.7 in Q2 (the same as Q1 2023). Some sectors are expected to perform relatively better including finance (uptick in DIFC & ADGM), tourism (Dubai welcomed 8.12mn visitors in Jan-May 2024, +10% yoy).
- Inflation eased in Dubai to 3.65% in H1 2024 from 3.7%

in H1 2023. Mostly slower than last year, some sectors posted upticks in costs: finance & insurance (9.5% vs 4.3%) housing & utilities (6.4% vs 5.3%), education (3.3% vs 1.2%), and transport (0.6% vs -3.6%).



Source: Dubai Statistics Centre via Dubai Pulse, Dubai Media Office. Charts created by Nasser Saidi & Associates.

## 2. Saudi exports & imports accelerated by 5.8% & 2.6% yoy in May; surplus stands at SAR 34.5bn

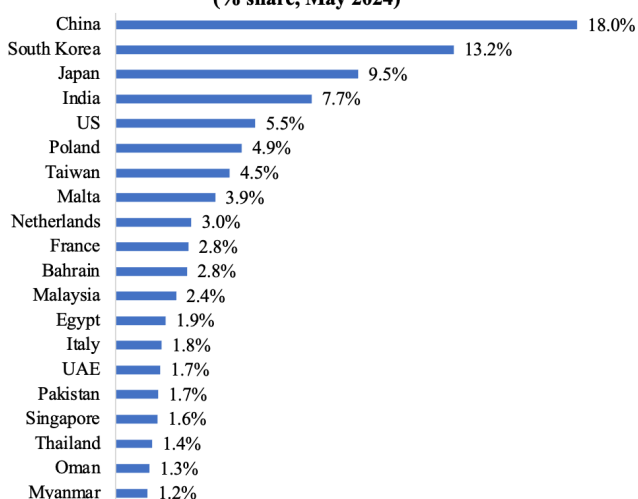


▪ Saudi Arabia's exports grew by 3.3% month-on-month to

**SAR 104.8bn in May**, with oil exports declining by 3.5% mom alongside upticks in both non-oil exports (13%) and re-exports (63.9%).

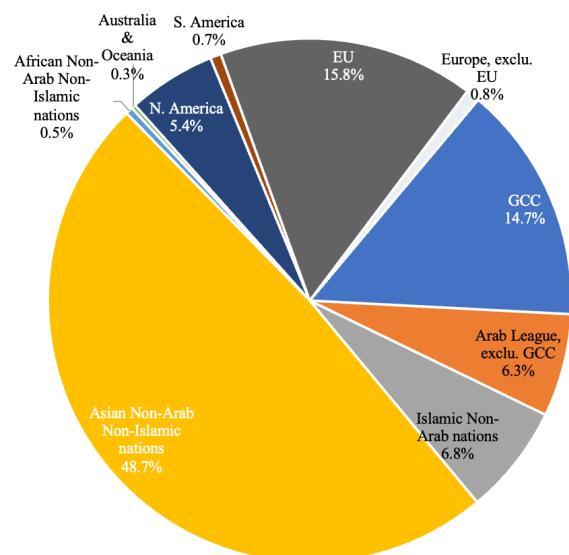
- In yoy terms, **oil exports grew** by 4.9% to SAR 75.9bn in May and its share in overall exports was 72.4% (lowest since end-2021). **Non-oil exports declined** by 2.1% yoy to SAR 18.7bn **while re-exports surged** by 33.9% to SAR 10.2bn in May.
- **Imports also grew** by 10.6% mom and 2.6% yoy to SAR 70.3bn, thereby moving **trade surplus** to SAR 34.5bn (vs Apr: SAR 37.8bn; May 2023: SAR 30.6bn).
- **Oil exports to top 5 destinations** (China, Japan, India, South Korea & Poland) **stood at 53.8% of total oil exports** in May. Share of top 25 nations was 95.5%.
- **China was the top trade partner in May**: accounting for 15.2% of overall exports and one-fourth of total imports.
- **Asian Non-Arab Non-Islamic nations** received 48.7% of Saudi exports in Apr 2024 & GCC 14.7%.

**Saudi Arabia's top 5 (& 20) destinations for oil exports account for about 54% (& 91%) of total oil exports (% share, May 2024)**

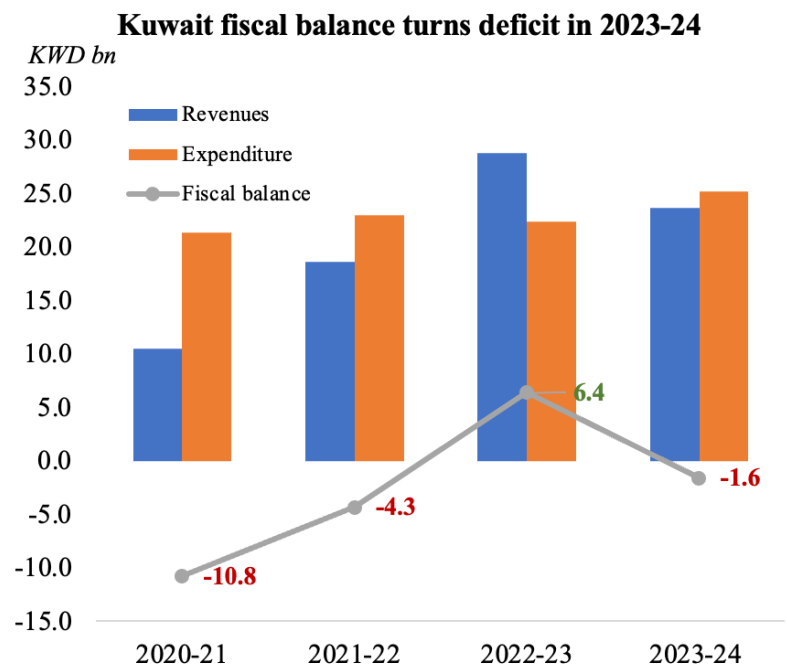


Source: GaStat. Charts by Nasser Saidi & Associates

**Asian Non-Arab Non-Islamic nations received a tad under half of Saudi exports in May 2024**

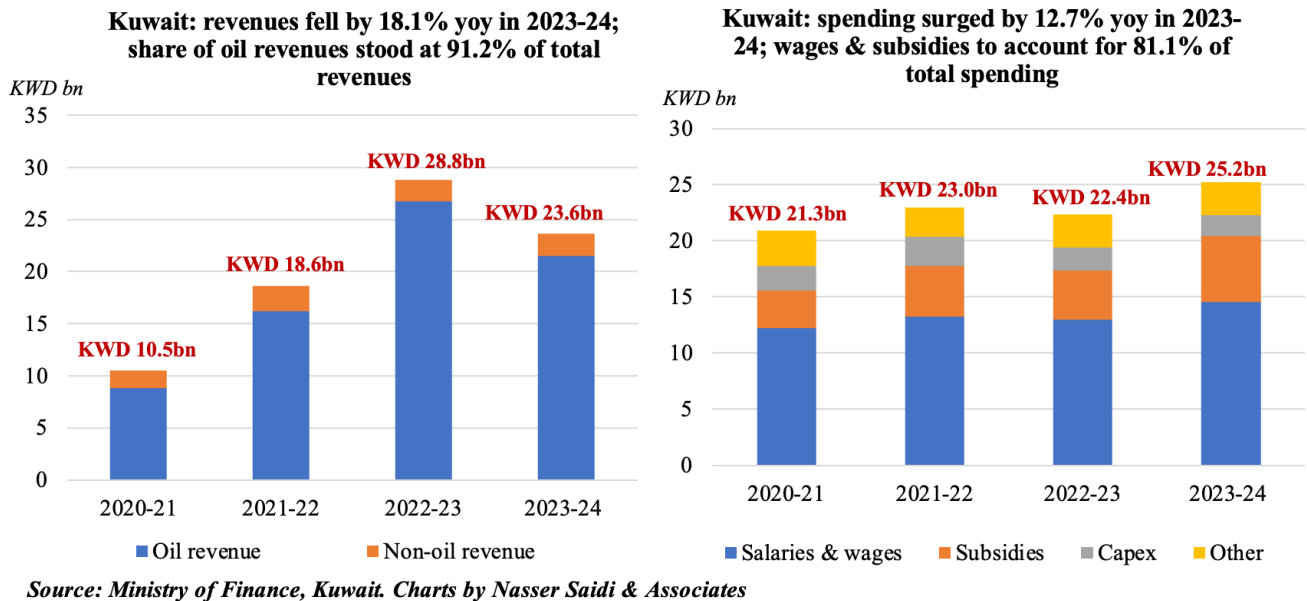


### 3. Kuwait posts a deficit

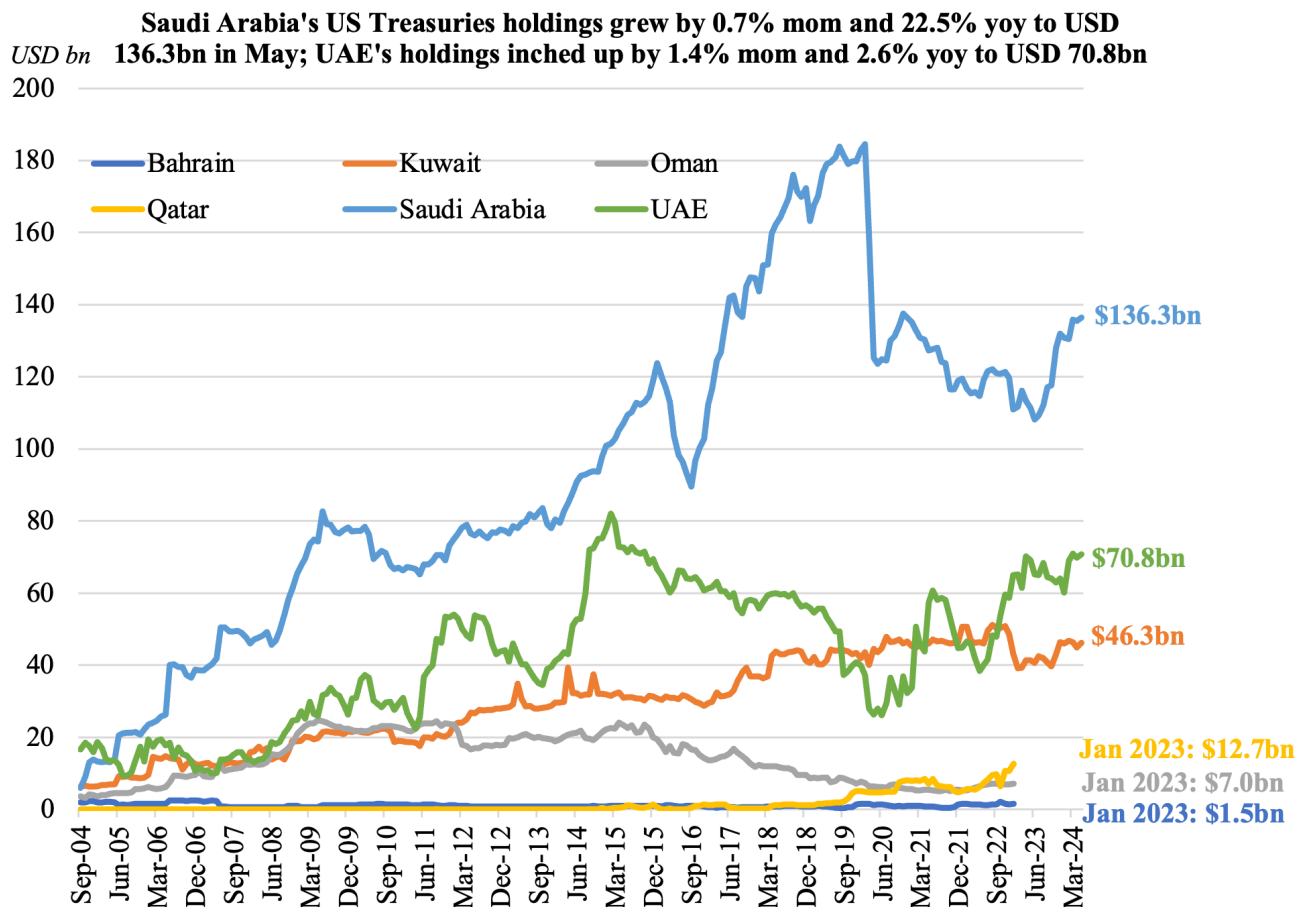


- **Kuwait's** finance ministry disclosed that **fiscal balance moved to a deficit of KWD 1.6bn in 2023-24** compared to a surplus of KWD 6.4bn in 2022-23. The budget had estimated a much wider deficit of KWD 6.8bn in the fiscal year.
- **Revenues declined by 18% yoy to KWD 23.6bn**; this was 21.3% higher than estimated in the budget for the year. The **drop was largely owing to oil revenues**, which fell by 19.4% to KWD 21.5bn (as per an average oil price of USD 84.36 a barrel). Non-oil revenues, which accounted for under 10% of total revenues, posted a slight uptick of 1% to KWD 2.4bn.
- **Expenditures increased by 12.7% yoy to KWD 25.2bn**, with wages and subsidies rising by 12.1% (to KWD 14.6bn) and 34.1% (to KWD 5.9bn) respectively. Salaries wages and subsidies together accounted for 81.1% of total spending in 2023-24. Capex spending meanwhile fell by 8.9% to KWD 1.9bn. Spending was 4.1% lower than estimated in the budget for the year.
- **Fiscal performance has been weak**, given Kuwait's political gridlock & **delayed reforms** including introduction of a 5% VAT & public debt law. Volatility

in oil prices & production will continue to impact fiscal and external balances in the absence of reforms to drive diversification efforts.



#### 4. Saudi Arabia's US Treasuries holdings, at USD 136.3bn in May 2024, is the highest since Jan 2022



- **Foreign holdings of Treasuries hit a record high of USD 8.129trn in May** (Apr: \$8.04trn).
- **Japan**, largest foreign holder of US Treasuries, saw holdings shrink to USD 1.128trn (-2% mom). The ongoing US-China trade war has seen **China** reduce its holdings to USD 768bn (Apr: USD 770bn).
- **Saudi Arabia is the 17th largest investor in US Treasury bonds** as of May 2024 (USD 136.3bn): the **highest since Jan 2022**.
- In May 2024, the 3 GCC nations – Kuwait, UAE and Saudi Arabia – increased their holdings in both mom & yoy terms.
- **Compared to end-2023, Kuwait decreased their holdings** (by 0.3%), while Saudi Arabia and UAE holdings have ticked up by 3.3% and 10.7% respectively.
- **KSA's** holdings grew by 0.7% mom and 22.5% yoy to USD 136.33bn in May. **UAE's holdings clocked in at USD 70.8bn in May**, up by 1.4% mom and 2.6% yoy.

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