

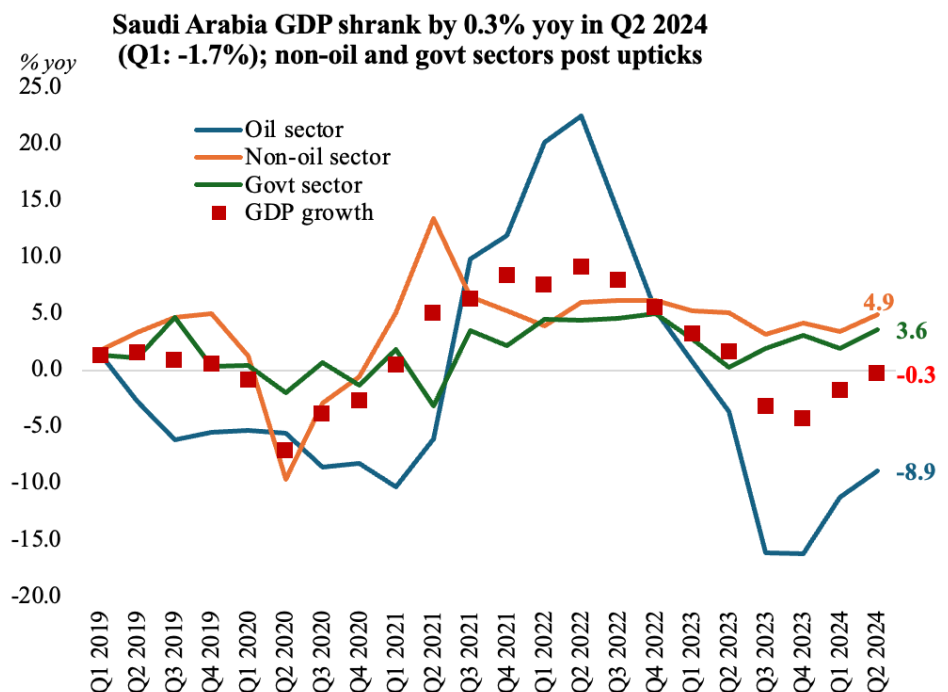
Weekly Insights 13 Sep 2024: Rising shares of non-oil GDP & fiscal consolidation in GCC support diversification

Saudi GDP & industrial production. UAE GDP & monetary stats.
Oman fiscal surplus.

Download a PDF copy of this week's insight piece [here](#).

Weekly Insights 13 Sep 2024: Rising shares of non-oil GDP & fiscal consolidation in GCC support diversification

1. Saudi Arabia real GDP shrank by 0.3% yoy in Q2 2024, though non-oil GDP stays strong (4.9%)

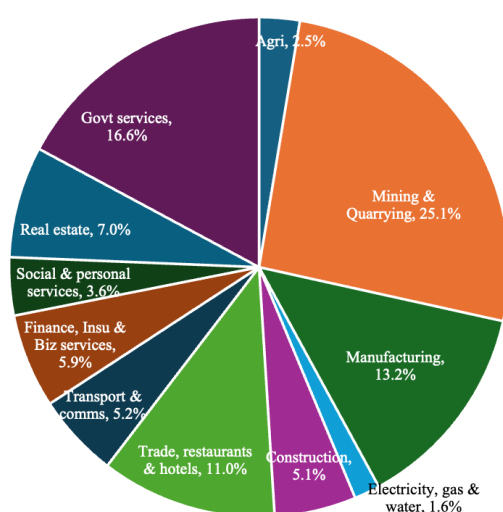


- Saudi Arabia's real GDP declined by 0.3% yoy in Q2 2024 (Q1: -1.7%); in qoq terms, GDP grew by 1.4%.
- Non-oil sector grew by 4.9% in Q2 (Q1: 3.4%), though the

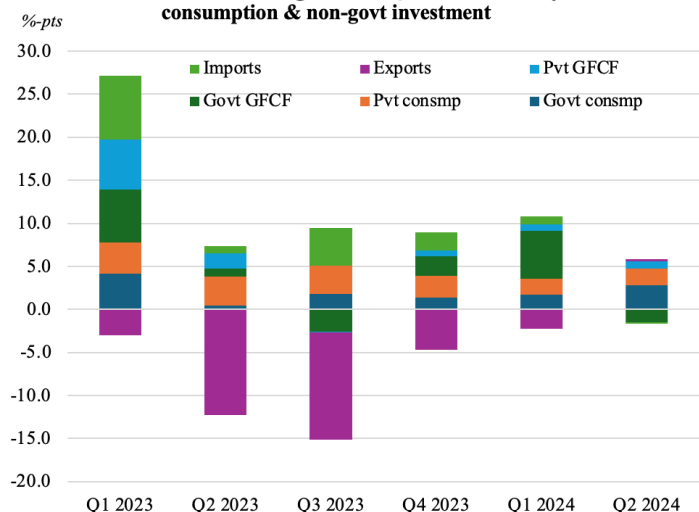
pace has been slower than Q2 2023 (5.1%). **Government sector activity increased by a strong 3.6%** in Q2, following the 2.0% gain in Q1 and 2.0% in 2023.

- **Mining and quarrying sector accounted for 25.1% of total output**, followed by manufacturing with a significant share of 13.2% while real estate & construction together registered a total of 12.1%. **The share of non-oil activities clocked in at 52.1% of overall GDP in Q2 2024.**
- By expenditure components (at current prices), final consumption expenditure accounted for 64% of overall GDP in Q2 2024. **Gross fixed capital formation grew by 6.1% yoy to SAR 296.0bn in Q2** – with non-government (25% share of overall GDP) growing by 8.2% yoy.
- The **regional HQ program** has seen the relocation of 184 international firms to Saudi Arabia in H1 2024, with 57+ joining in Q2 (84% yoy).
- Saudi Arabia's PMI's increase in Aug, from Jul's 2.5 year low, on rising new orders suggests an uptick in Q3. This will be supported by not only the giga projects pipeline and projects ahead of Expo 2030, but also the strong events pipeline during the cooler months.

Share of economic activity in KSA, by sector, Q2 2024



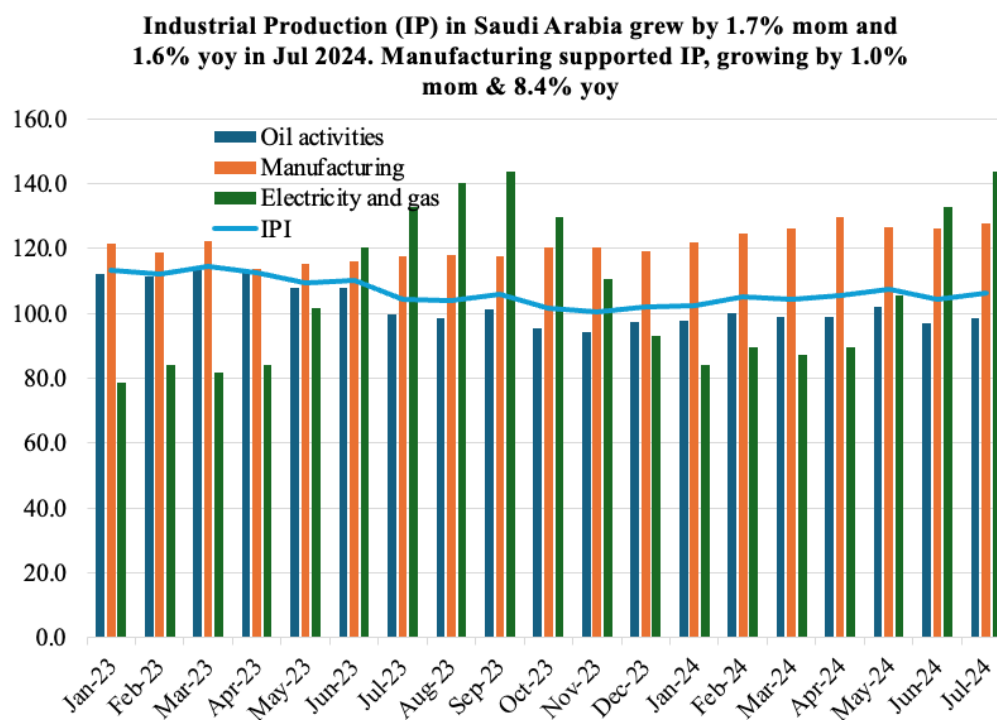
Contributions to GDP growth in Q2 2024: driven by consumption & non-govt investment



Source: General Authority for Statistics. Charts by Nasser Saidi & Associates.

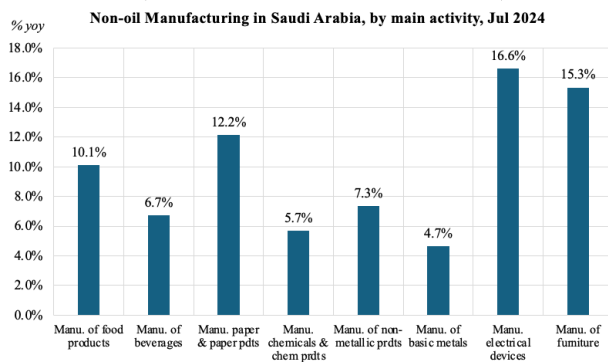
2. Saudi Arabia's industrial production posts first gain this

year, in Jul

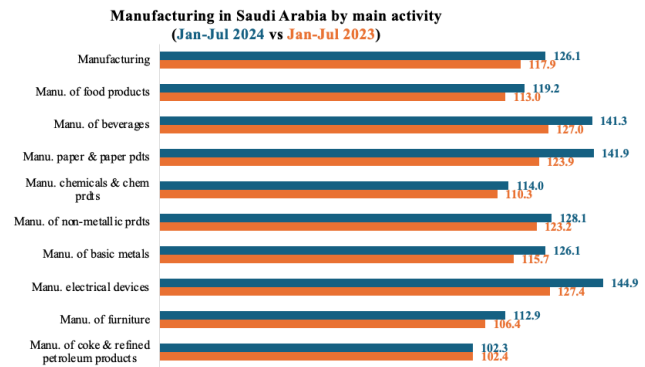


- **Industrial production in Saudi Arabia grew by 1.6% yoy in Jul**, rising for the first time this year. In month-on-month terms, IP rebounded, rising by 1.7% (Jun: -5.0%).
- **Oil activities** continued to decline, down by 1.1% in Jul, though the **decline was relatively muted** (it had plunged by an average 10.7% in H1 2024).
- **Overall manufacturing activity grew by 1.0% mom and 8.4% yoy. Non-oil manufacturing activities increased by 8.2% yoy in Jul 2024.** Within this segment, the manufacture of electrical devices and furniture grew the most (16.6% and 15.3% respectively) alongside manufacture of paper & paper products (12.2%) and manufacture of food products (10.1%). This is in line with the industrial licenses issued during the year.
- **In Jan-Jul 2024, gains in manufacturing was supported by** manufacture of paper & paper products (14.5%), manufacture of electrical devices (13.7%) and manufacturing of beverages (11.2% yoy).
- The Saudi Ministry of Industry & Mineral Resources has this year issued not only 400+ industrial licenses (till Apr) but also **31 new mining licenses (in Jun alone)** – a

positive sign for near-term growth.

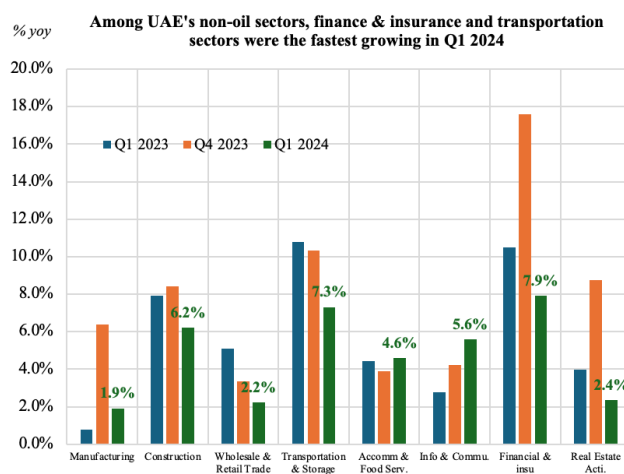
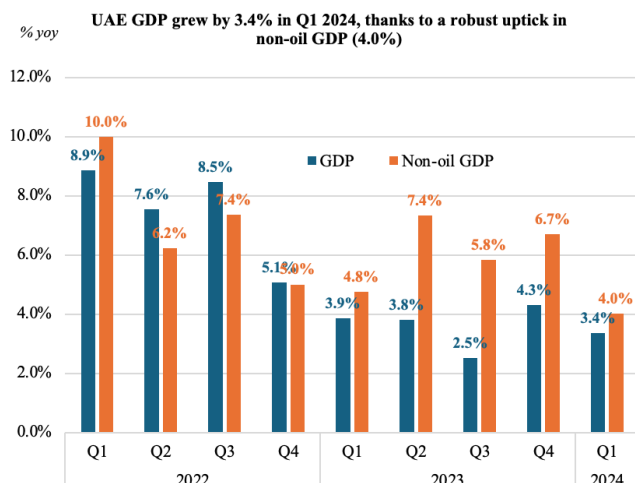


Source: GaStat. Charts by Nasser Saidi & Associates



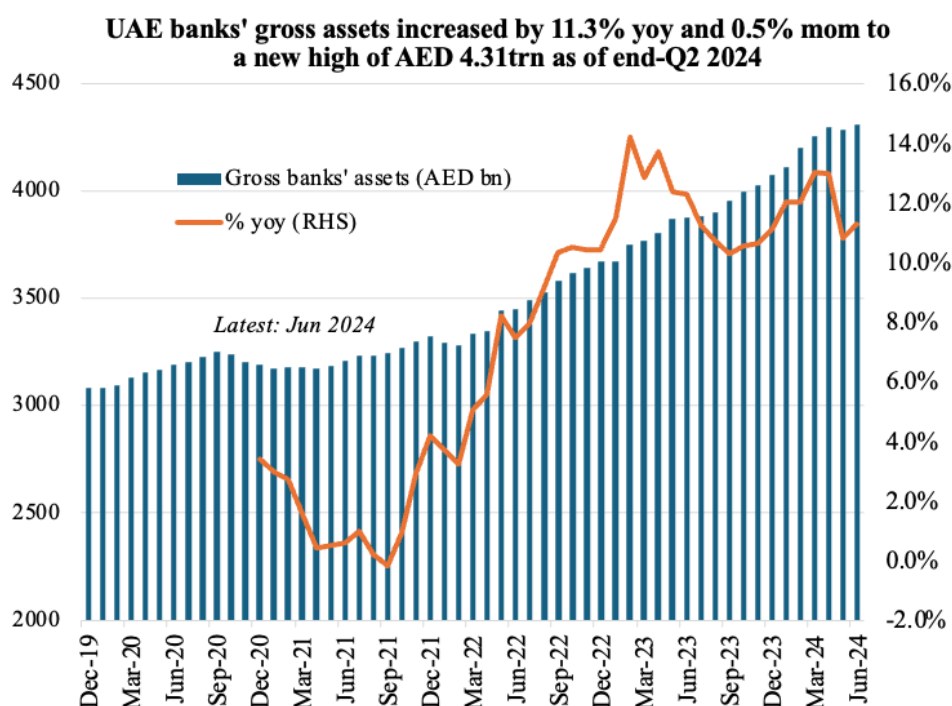
3. UAE GDP expanded by 3.4% yoy in Q1 2024; contribution of the non-oil sector crossed three-quarters of overall GDP

- **Real GDP in the UAE expanded by 3.4% yoy in Q1 2024** (Q4 2023: 4.3%), with non-oil sector activity driving growth (4.0% in Q1 following Q4 2023's 6.7% gain). The **contribution of the non-oil sector crossed three-quarters of the total in Q1 (75.2%)**, with **finance & insurance and transportation growing fastest in Q1 2024**.
- **UAE's financial sector grew the most in Q1 2024 (7.9% yoy)**: understandable given that many investment firms, hedge funds and family offices have been setting up base in the country. Other fastest growing sectors were transportation & storage (7.3%), construction (6.2%) and information & communication (5.6%). UAE's infrastructure projects (e.g. road expansions) and its role as a major logistics hub (ports, airports) underscore the gains in economic activity.
- **Distribution of GDP** showed that the **oil sector accounted for just under one-fourth of Q1 GDP (24.8%**, the largest share), followed by wholesale & retail trade (12.1%) and manufacturing (11.0%). The **oil sector rebounded in Q1**, up by 1.4% yoy, **following 3 consecutive quarters of decline**. Wholesale & retail trade grew by 2.2% in Q1 and manufacturing edged up by 1.9% – both at slower paces compared to the previous quarter.



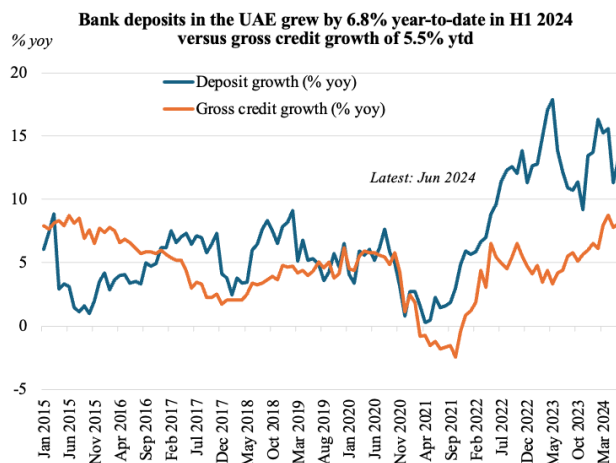
Source: UAE Federal Competitiveness & Statistics Center. Charts by Nasser Saidi & Associates.

4. UAE deposit growth accelerates, rising by 6.8% year-to-date in H1 2024

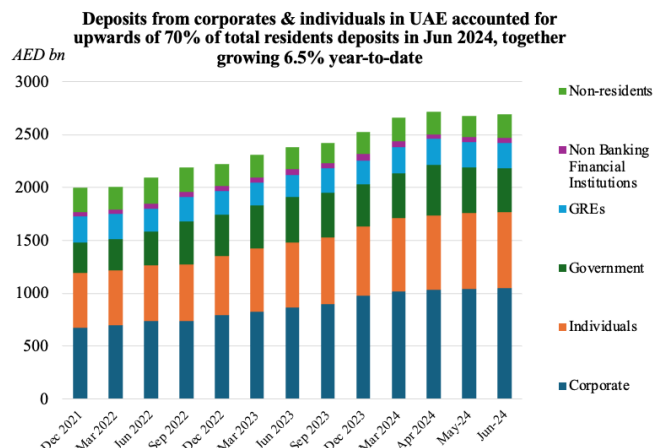


- **UAE's gross bank assets grew by 0.5% mom in Jun 2024, bouncing back after May's slight decline. In yoy terms, it grew by 11.3% to AED 4.31trn.**
- **CBUAE total assets surged by 24.2% yoy and 0.6% mom to a new record-high AED 806.395bn in Jun. Foreign assets also hit a new historic high of AED 770.6bn (30% yoy).**
- **UAE banks' deposits increased by 13.0% yoy in Jun, thanks to a strong 13.8% uptick in resident deposits and 5.1% rise in non-resident deposits (its share was just 8.3% of overall deposits).**

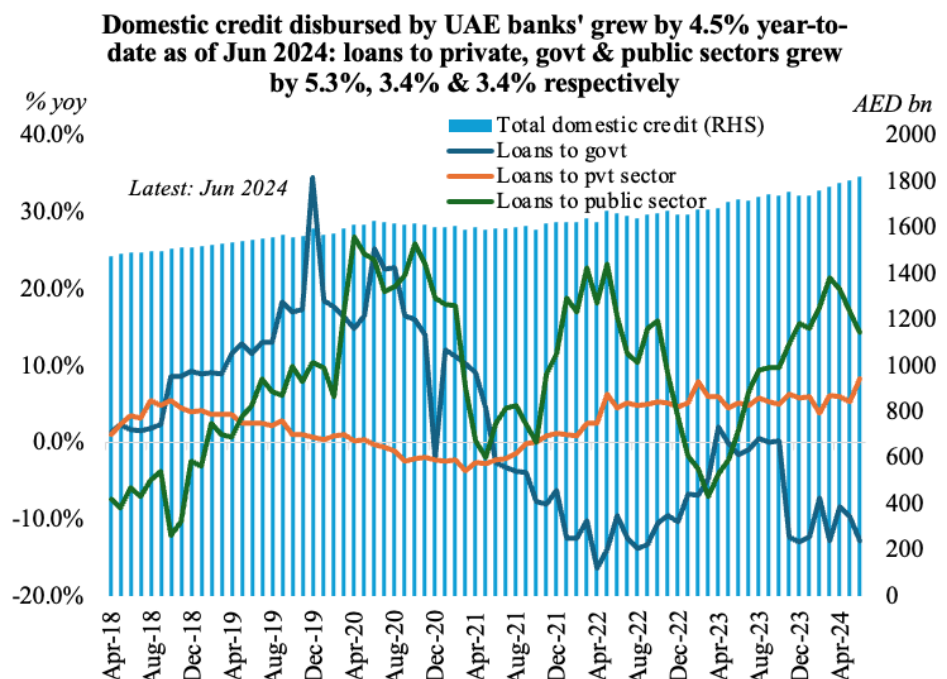
- **Private sector deposits account for 65.6% of total deposits** and 71.4% of total resident deposits as of Jun 2024. **Government and GREs** together accounted for one-fourth of total deposits; these grew by 4.5% and 5.9% ytd.
- Robust acceleration in deposit growth indicates **high levels of domestic liquidity**, supporting economic activity.



Source: UAE Central Bank. Charts by Nasser Saidi & Associates



5. Domestic credit growth in the UAE rises by 4.5% ytd as of June 2024

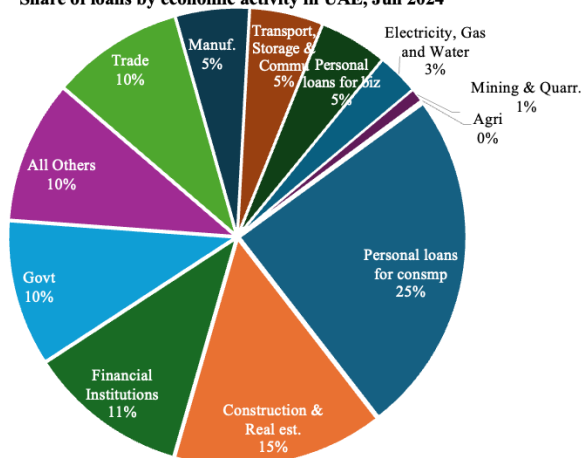


- **Gross credit in the UAE grew by 1.1% mom and 8.0% yoy to AED 2.1trn in Jun.** This was **driven by growth in domestic**

credit (0.8% mom and 5.8% yoy to AED 1.816trn in Jun) **and foreign credit** (2.9% mom and 25.0% yoy to AED 284.5bn). **Foreign credit** also includes loans and advances to non-residents, which grew by 13.2% year-to-date to AED 21.4bn.

- Within domestic credit, **the share of loans to the private sector** stood at 71.9% in Jun. **Loans to the government and GREs** increased by 3.4% each year-to-date to AED 190.6bn and AED 302.4bn respectively as of end-Jun.
- **Loans disbursed to business and industrial sector** (at AED 855.7bn) **accounted for 2/3-rds of credit to the private sector**. Credit disbursed to the private business and industrial sector grew by an average 3.3% yoy in H1 2024 while in contrast, private sector retail credit grew at a much faster pace of 11.2%. **Lending to the SMEs has fallen significantly** (AED 81.2bn at end-Jun vs a high of AED 94.6bn in Q2 2021).
- A breakdown by sector shows **personal loans for consumption accounted for one-fourth of disbursed loans in Jun**, followed by construction & real estate (15%), financial institutions (11%), government (10%) and others (10%, including credit to the service sector and non-profits).

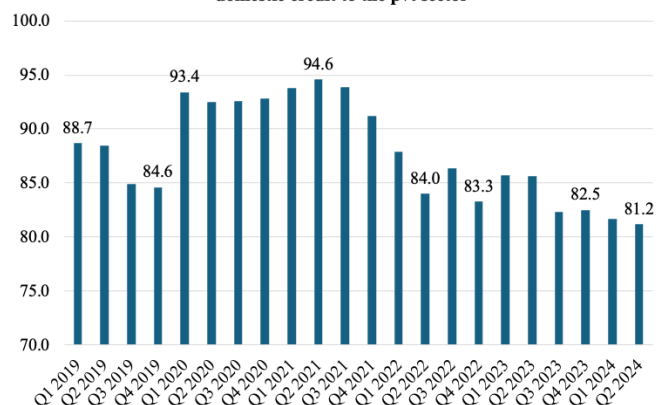
Share of loans by economic activity in UAE, Jun 2024



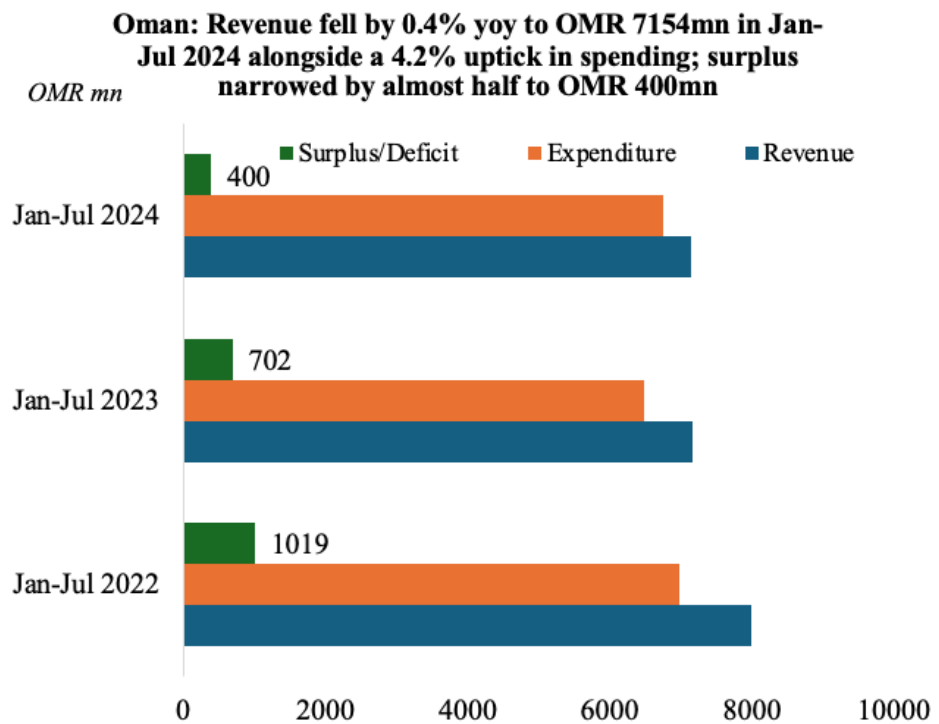
Source: UAE Central Bank. Charts by Nasser Saidi & Associates

Note: All others in economic activity include Credit to the Service Sector and Non-Profit Institutions

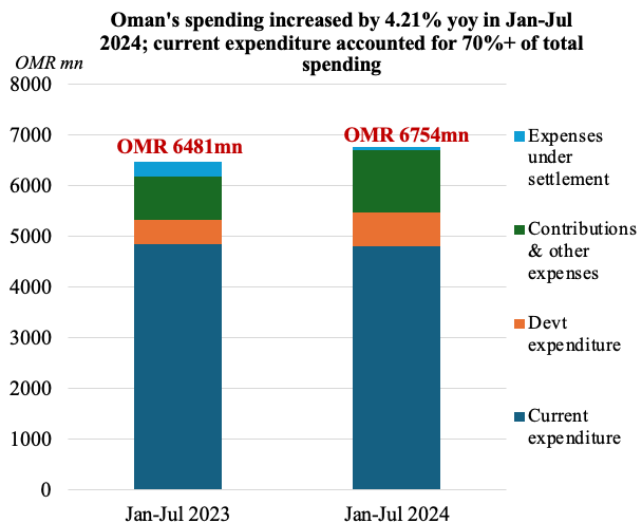
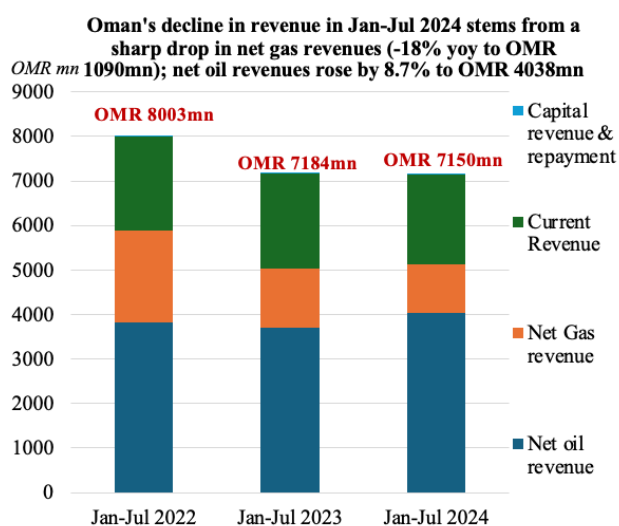
SME lending in the UAE has declined significantly from post-Covid peaks to AED 81.2bn as of Q2 2024 (AED bn): equivalent to 6.2% of domestic credit to the pvt sector



6. Oman budget



- **Oman's budget surplus slipped to OMR 400mn in the period Jan-Jul 2024**, down from a surplus of OMR 702mn as of Jul 2023. While revenues declined by 0.4% yoy to OMR 7.15bn, spending inched up. **Average oil price stood at USD 83** (unchanged from a year ago) and average daily oil production fell by 5.3% to 1002k bpd.
- **Public revenues edged down** to OMR 7.154bn as of Jul 2024, driven down by the sharp decline in net gas revenues (-18% yoy to OMR 1.09bn). Net oil revenues, in contrast, rose by 8.7% to OMR 4.0bn. Net O&G together accounted for 72% of revenues at end-Jul.
- **Expenditure increased by 4.2% yoy** to OMR 4.038bn at end-Jul: current expenditure edged down (-0.6% yoy to OMR 4.81bn) alongside a 33% surge in development expenditure (to OMR 653mn, or 73% of total development spending for 2024) while contributions & other expenses surged by 46% yoy to OMR 1.243bn.
- **Improvements in fiscal management** was cited as one of the reasons for Moody's change of Oman's outlook to positive from stable, while affirming its Ba1 ratings.



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

Powered by:

