

Weekly Insights 27 Sep 2024: Debt-to-GDP levels have risen in most MENA nations. GCC US debt holdings have risen

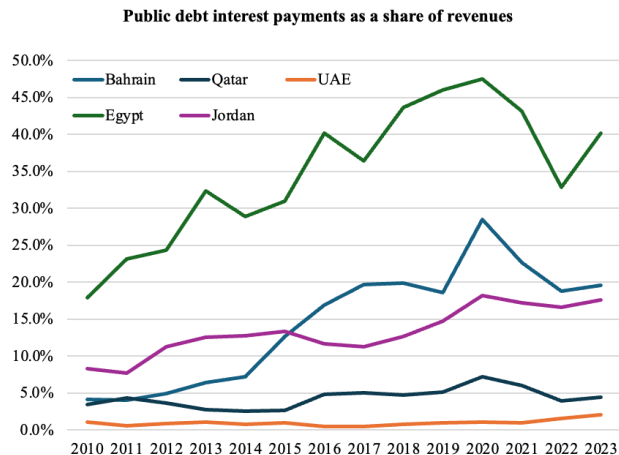
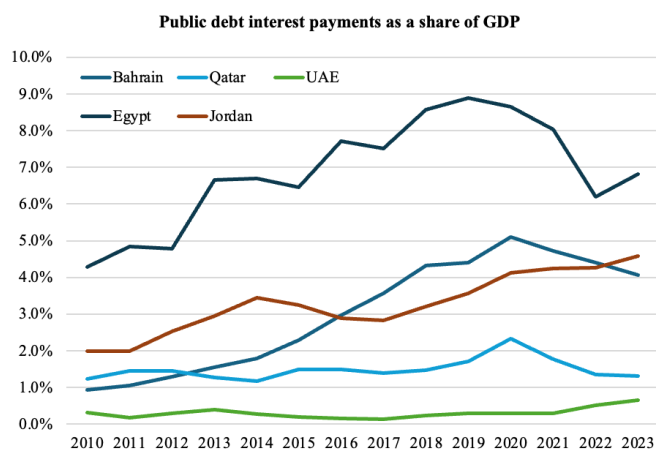
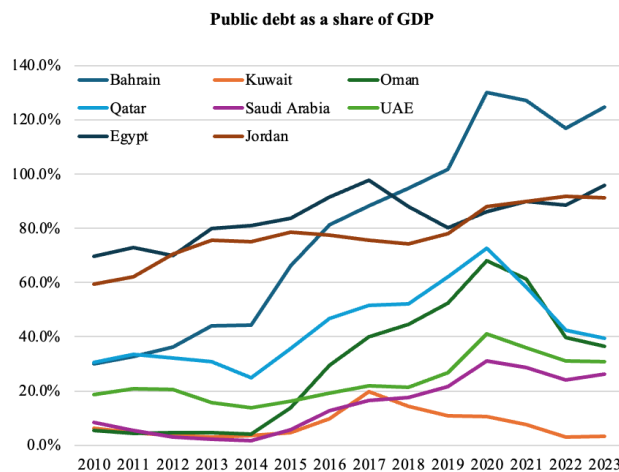
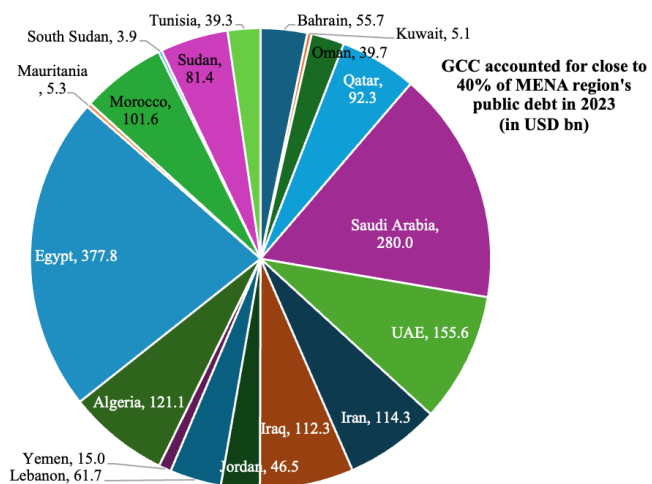
MENA public debt. GCC US Treasuries holdings. UAE GDP, inflation. Saudi foreign trade.

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Weekly Insights 27 Sep 2024: Debt-to-GDP levels have risen in most MENA nations. GCC US debt holdings have risen

1. More than half the countries in MENA had higher than pre-pandemic debt-to-GDP levels in 2023

- **Public debt in the Arab region surged to USD 1.6trn+ in 2023**, almost half of the region's GDP.
- **Middle income countries** – Algeria, Egypt, Jordan, Lebanon, Morocco & Tunisia – **hold close to half the public debt** (2023: USD 700bn+). Bahrain has one of the highest public debt as share of GDP (100%+); in comparison, it is 60%+ in Jordan & Egypt
- **High debt levels imply costly interest payments:** can crowd out government spending on health, infrastructure, education etc
- **According to UNCTAD, external debt service in the Arab region was USD 33bn in 2021** (includes principal & interest payments). For half of these countries, external debt service amounted to at least 9.3% of exports and 9.4% of revenues in 2021, posing additional liquidity & fiscal challenges.

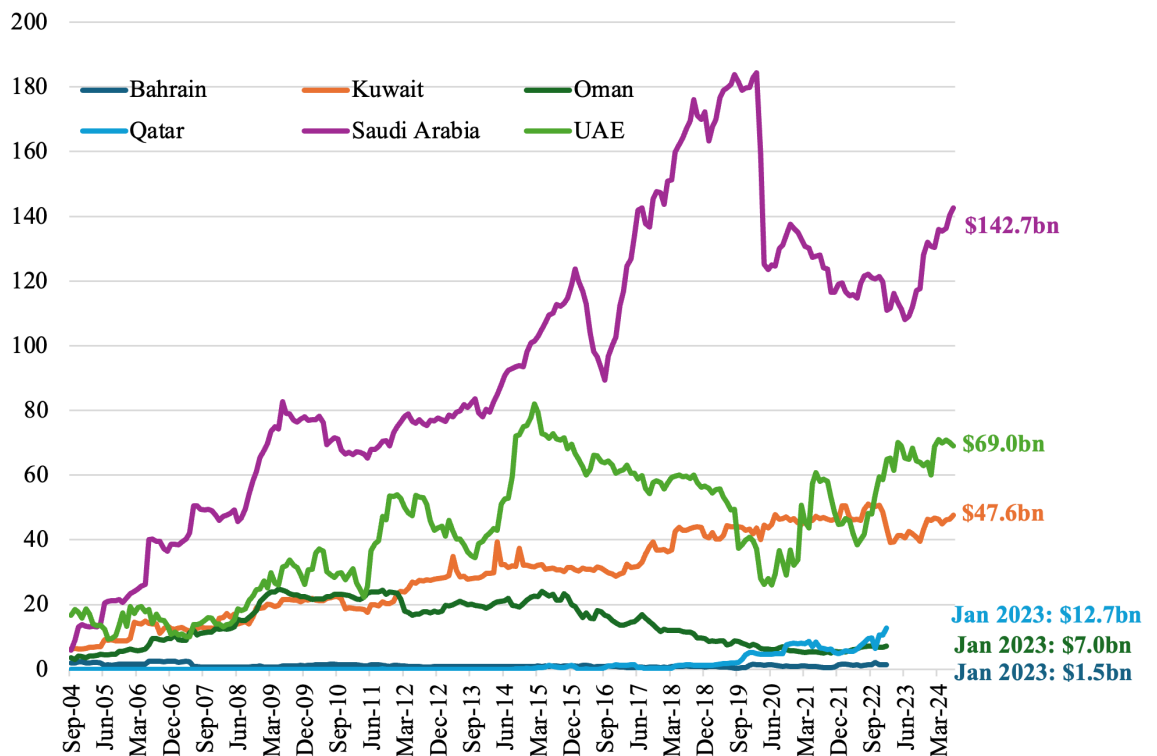


Source: UNCTAD debt dashboard. Charts by Nasser Saidi & Associates

2. Saudi Arabia's US Treasuries holdings jumped to the highest

since Mar

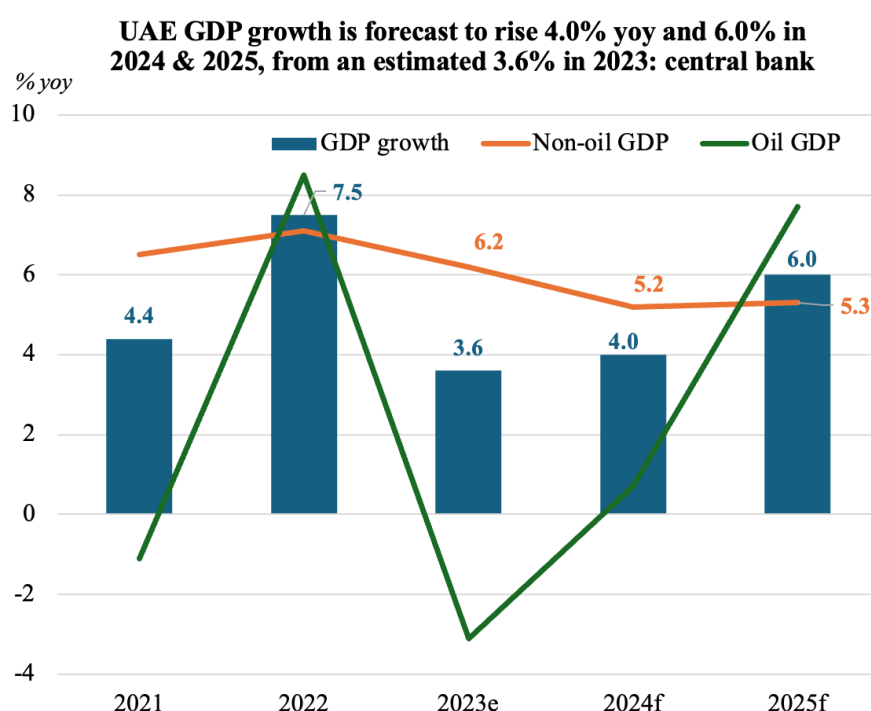
Saudi Arabia's US Treasuries holdings grew by 1.7% mom and 29.7% yoy to USD 142.7bn in Jul; holdings of UAE and Kuwait were up by 7.8% and 2.7% year-to-date



Source: US Treasury, LSEG Workspace. Chart by Nasser Saidi & Associates.

- **Foreign holdings of Treasuries jumped to a new record high of USD 8.34trn in Jul** (Jun: USD 8.21trn).
- **Japan**, the largest foreign holder of US Treasuries, saw holdings shrink to USD 1.116trn (lowest since Oct).
- **China**, second on the list, also reduced its holdings to USD 776.5bn (Jun: USD 780.2bn; end-2023: USD 816.3bn).
- **Saudi Arabia is the 17th largest investor in US Treasuries** as of Jul (USD 142.7bn) – **highest since Mar 2020** (USD 159.1bn).
- In Jul 2024, the 3 GCC nations – Kuwait, UAE and Saudi Arabia – increased their holdings in yoy terms. In mom terms, UAE posted a 1.6% drop in holdings.
- **Compared to end-2023**, Kuwait increased their holdings (by 2.7%) alongside Saudi Arabia and UAE whose holdings grew by 8.1% and 7.8% respectively. **UAE's holdings clocked in at USD 69.0bn in Jul**, up by 6.2% yoy (but down by 1.64% mom).

3. UAE central bank forecasts GDP growth to slow in 2024 (4.0% from an estimated 3.6% in 2023); UAE inflation inched up to 2.4% as of Jun 2024 (May: 2.3%)

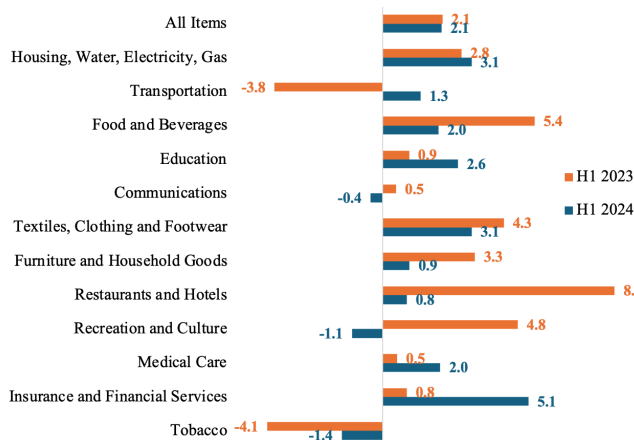


- **UAE central bank revised its GDP forecast for 2024 to 4.0%**, with growth supported by the non-oil sector (5.2% in 2024, lower than 2023's 6.2%). **Oil sector** is expected to recover in 2025 as production resumes. **Reforms** to attract businesses, human capital & FDI in the non-oil sector, CEPAs to boost trade, tax reforms to increase revenue diversification **will support overall growth**.
- **Inflation in the UAE** inched up to 2.4% in Jun 2024 (May: 2.3%), with upticks in housing and utilities (3.1% from 3.0%), recreation & culture (4.2% vs 1.2%) and insurance & financial sector (6.6% vs 4.3%). A breakdown by

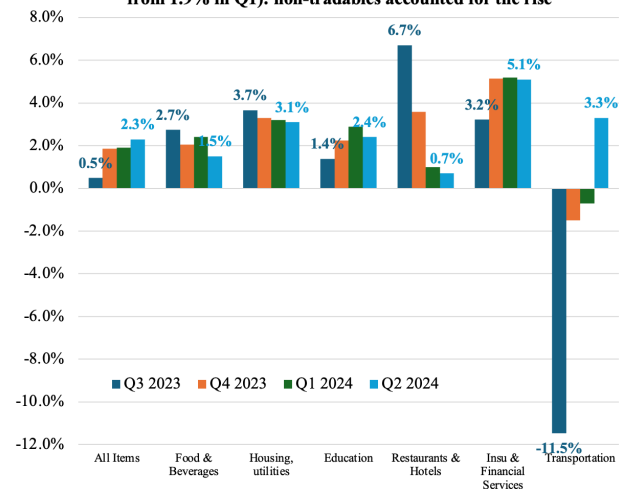
quarter shows a **slight easing in Q2 in housing & utilities** (3.1% from 3.2% in Q1) while **transportation costs**, with a weight of 12.7%, **have been rising since Apr** (Q2: 3.3% vs Q1: -0.7%).

- Comparing **H1 2024** to **H1 2023**, **insurance & financial services** showed one of the largest upticks (5.1% vs 0.8%) along with medical care (2.0% from 0.5%) & education (2.6% from 0.9%).

UAE inflation held steady at 2.1% in H1 2024: sharp declines in transportation, recreation & food costs were offset by surges in housing, financial services, education & medical costs

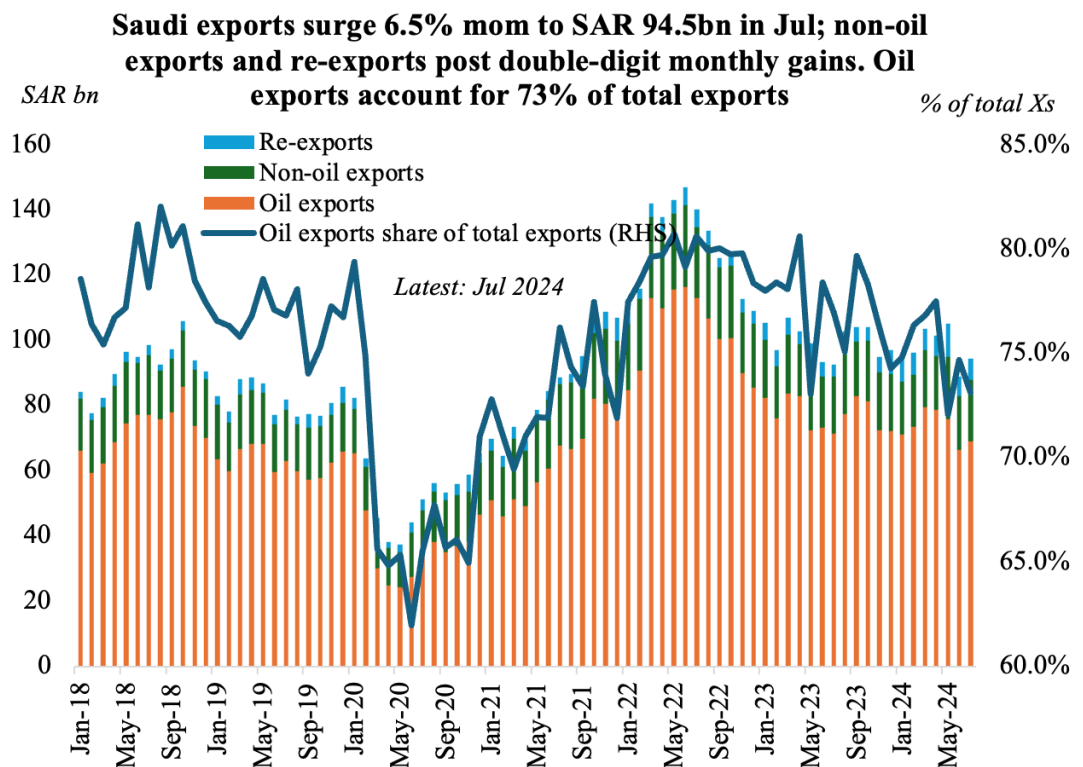


UAE inflation by quarter showed an uptick in Q2 2024 (2.3% from 1.9% in Q1): non-tradables accounted for the rise



Source: UAE Central Bank, Federal Competitiveness and Statistics Centre. Charts by Nasser Saidi & Associates.

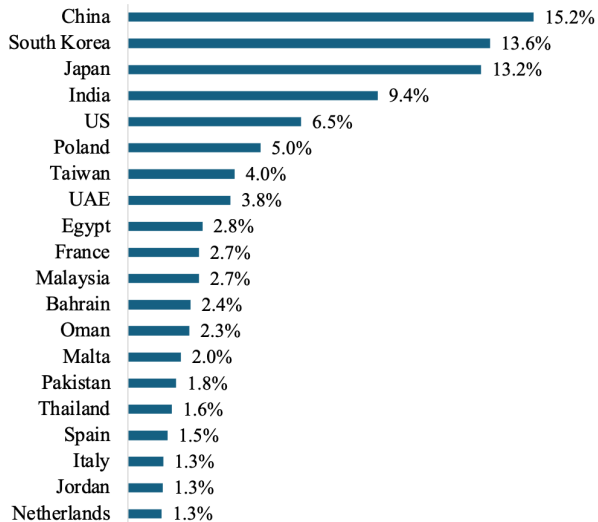
4. Saudi exports & imports grew by 2.0% & 12.6% yoy in Jul;



- **Saudi Arabia's exports recovered in Jul, growing by 6.5% mom and 2.0% yoy to SAR 94.5bn** –this was up from June's reading which was the lowest since Jun 2021. **Oil exports**, which **accounted for 73.1% of total exports** in Jul, fell by 3.1% yoy to SAR 69.1bn.
- **Both non-oil exports and re-exports rebounded in Jul**, gaining by 13.5% and 11.5% to SAR 18.7bn and SAR 6.6bn respectively.
- **Year-to-date, total exports are down by 2.5%**, dragged down by oil exports (-4% ytd) and re-exports (-9.5%). Non-oil exports are up 6.4%.
- **Imports grew by 8.8% mom and 12.6% yoy to SAR 75.2bn in Jul**, thereby narrowing trade surplus to SAR 19.3bn (vs Jun: SAR 19.6bn; Jul 2023: SAR 25.9bn) – the **lowest trade surplus since Nov 2020**.
- **Oil exports to top 5 destinations** (China, South Korea, Japan, India & US) **stood at 57.9% of total oil exports** in Jun. Share of top 25 nations was 99.4% (UAE, Bahrain & Oman were among top 15 destinations).
- **China was the top trade partner in Jun**: accounting for 13.9% of overall exports and 25.4% of total imports.

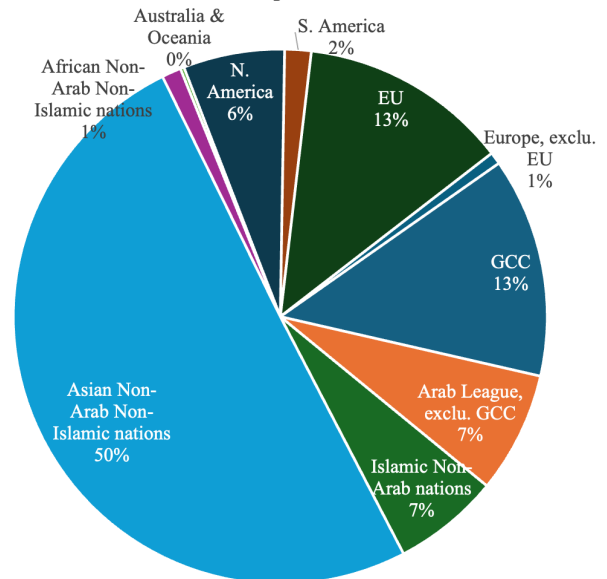
- As always, **Asian non-Arab non-Islamic nations received the largest share of exports**. Not surprising considering this also includes oil exports. 3 of the top 5 oil export destinations are in Asia.

Saudi Arabia's top 5 (& 20) destinations for oil exports account for 57.9% (& 94.3%) of total oil exports (% share, Jul 2024)



Source: GaStat. Charts by Nasser Saidi & Associates

Asian Non-Arab Non-Islamic nations received half of Saudi Arabia's exports in Jul 2024



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