

# Weekly Insights 11 Oct 2024: Financial sector a major driver of non-oil sector GDP in UAE & Bahrain; Saudi to run fiscal deficits till 2027

GDP in Bahrain & Abu Dhabi. Saudi fiscal deficit forecasts.  
UAE & Oman budget surpluses.

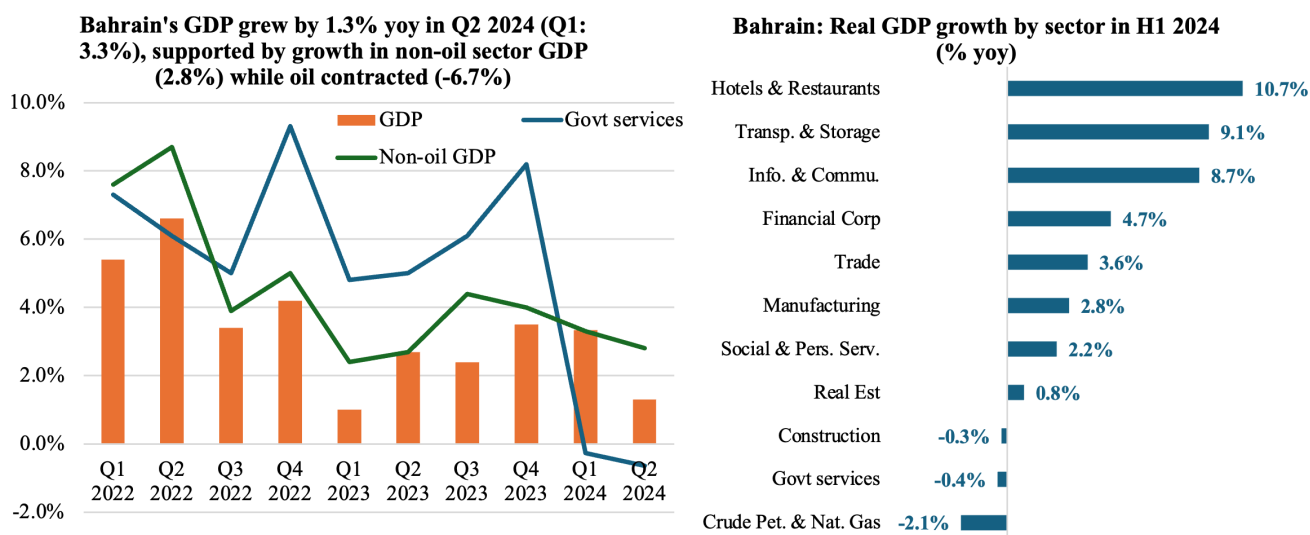
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**Weekly Insights 11 Oct 2024: Financial sector a major driver  
of non-oil sector GDP in UAE & Bahrain; Saudi to run fiscal  
deficits till 2027**

**1. Bahrain's GDP grew by an average 2.3% yoy in H1 2024,  
supported by a faster-growing non-oil sector (H1: 3.1%); FDI  
into the financial sector dominates in Q2**

- **Real GDP in Bahrain grew by an average 2.3% in H1 2024,** supported by an uptick in non-oil sector (3.1% in H1) vs decline in oil sector activity (-2.1%)
- **Real GDP growth was 3.3% and 1.3% in Q1 and Q2 respectively.**
- **Among the non-oil non-government sector, transportation & storage** recorded the highest growth in Q2 (12.9% yoy) while growth was fastest in **hotels & restaurants in H1 2024** (10.7% yoy). **Financial and insurance activities** grew by 4.7% in H1 and 2.1% in Q2.
- **In terms of contribution to growth to real GDP in Q2 2024,** financial sector topped the list (17.1%), followed by crude petroleum & natural gas (14.8%), manufacturing (14.4%), government services (8.4%) and construction (6.4%).

- Separately, total inward FDI stock grew by 9.0% yoy to BHD 16.6bn in Q2 2024. Financial and insurance activities accounted for close to two-thirds of Bahrain's inward FDI stock in Q2, followed by Kuwait; by country, Kuwait, Saudi Arabia and the UAE occupied the top ranks – each with a share of 36.1%, 21.5% and 10.7% respectively of total FDI stocks.



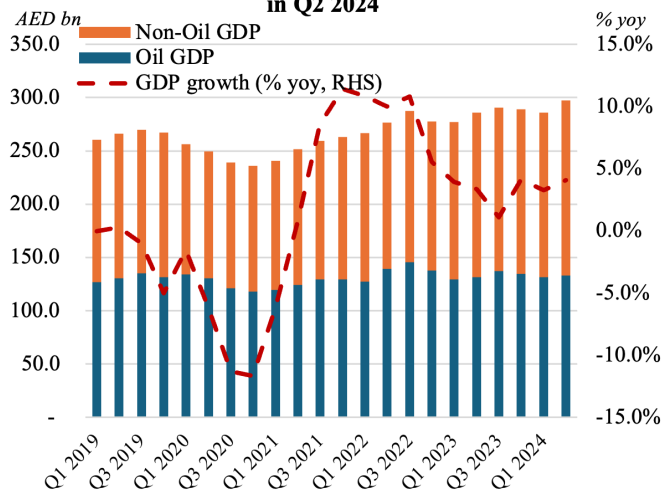
## 2. Abu Dhabi's real GDP grew by 3.7% yoy in H1 2024, with non-oil GDP at a record-high in Q2 2024

- Real GDP in Abu Dhabi grew by 3.7% yoy in H1 2024 (Q1: 3.3% and Q2: 4.1%), supported by robust non-oil sector activity (5.7% yoy). The contribution of the non-oil sector stood at 55.2% of the total in Q2 2024, the highest level since 2015.
- Non-oil GDP, at AED 164.2bn in Q2, grew by 6.6% yoy & 6.2% qoq and crossed the previous record in Q1 2024 (AED 154.66bn). Oil GDP inched up by 1.1% yoy to AED 133.1bn in Q2 (Q1: AED 131.31bn).
- In Q2 2024, the fastest growing sectors were transportation & storage (15.2%), financial & insurance (13.4% yoy), and construction (11.5%). By contribution to GDP, the top sectors were construction (9.3%), manufacturing (9.0%), and financial & insurance (7.4%).
- Multiple sectors posted the highest-ever quarterly

values in Q2 2024 including construction (AED 27.5bn), manufacturing (AED 26.8bn), finance & insurance sectors (AED 21.9bn), trade (AED 16.3bn) and information & communication (AED 8.5bn).

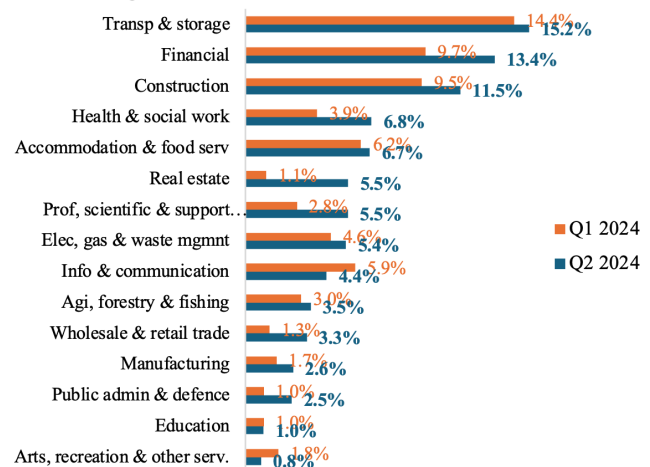
- Abu Dhabi's finance and insurance activity is supported by the fast-growing ADGM (asset management continued to boost growth, up 226% yoy in H1 2024); construction sector is gaining partly from the expansion plans of ADGM & other major lifestyle projects; manufacturing is pushed by the Abu Dhabi Industrial Strategy.

**Real GDP in Abu Dhabi grew by 3.7% yoy in H1 2024; non-oil GDP posts highest quarterly value in Q2 2024**



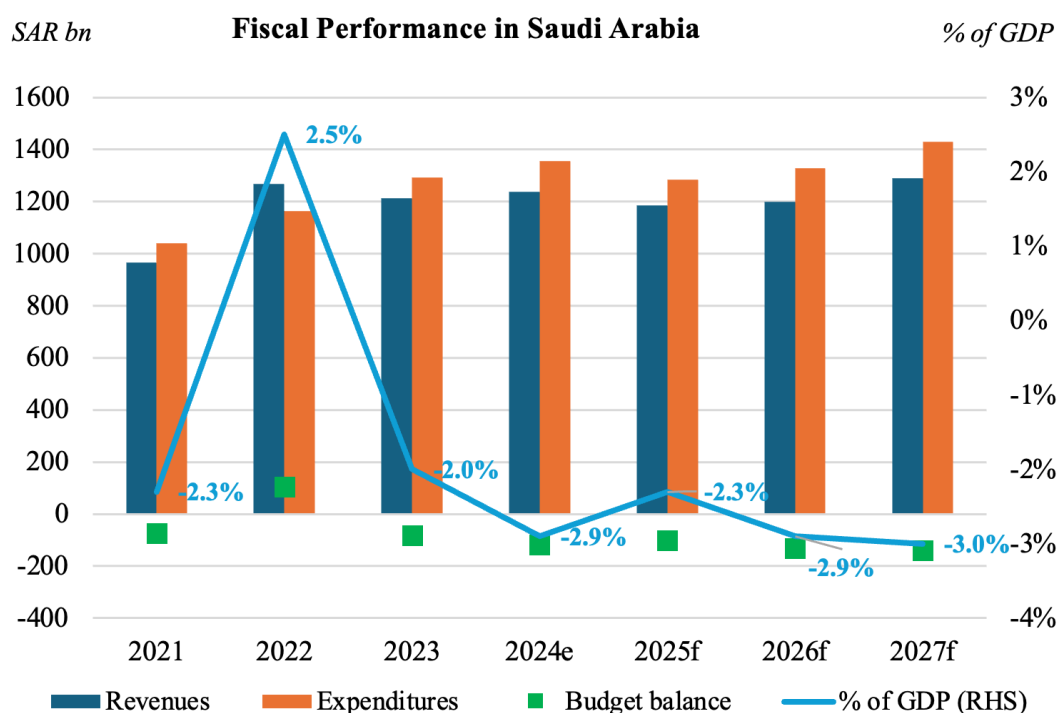
Source: Statistics Centre - Abu Dhabi. Charts by Nasser Saidi & Associates

**Abu Dhabi's non-oil sector grew by 4.7% yoy and 6.6% yoy in Q1 & Q2 2024: transport & storage, financial & construction sectors fastest**



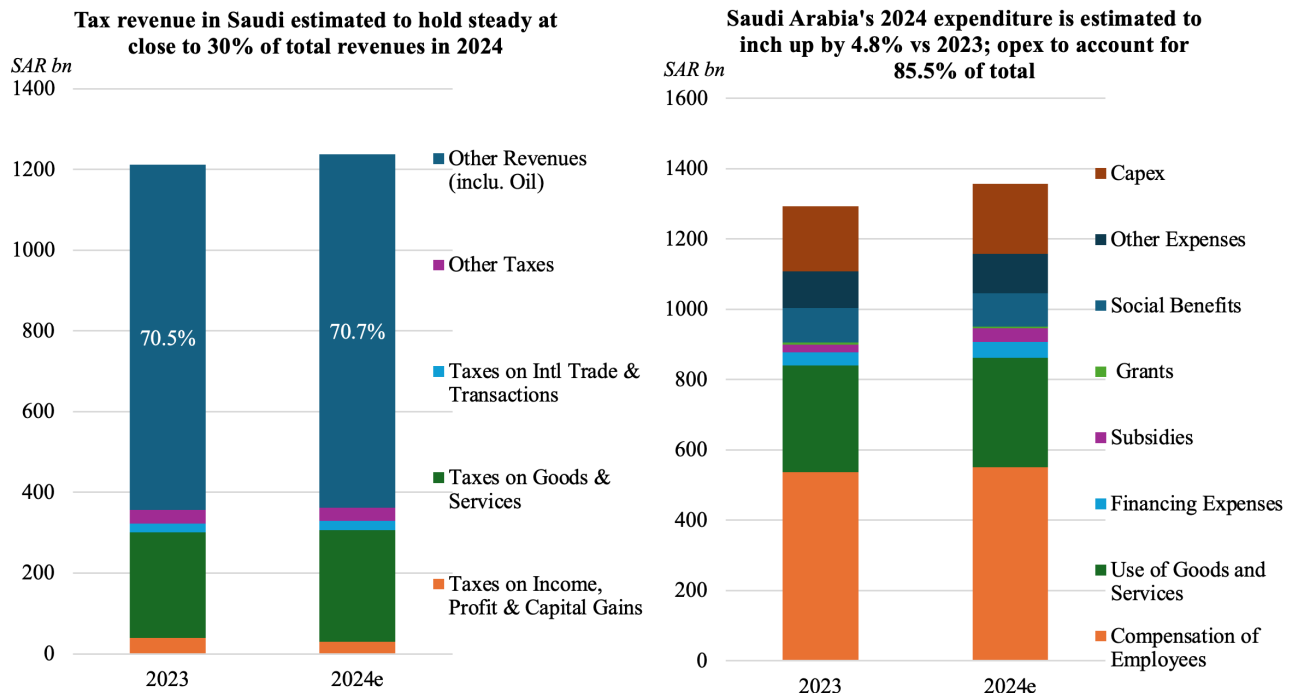
### 3. Saudi Arabia's 2025 budget deficit forecast at SAR 101bn

(2.3% of GDP)



- **Saudi Arabia's fiscal balance is estimated to narrow to a deficit of SAR 101bn in 2025 (or 2.3% of GDP), as per the pre-budget statement.**
- This follows 2024's estimate of a SAR 118bn deficit (or 2.9% of GDP this year). The narrower deficit stems from a fall in budgeted revenues (-4.3% to SAR 1.18trn) alongside a slightly faster 5.2% dip in spending (vs 2024 estimates).
- **Deficits are forecast at 2.3%, 2.9% and 3.0% of GDP in 2025, 2026 and 2027 respectively – wider than previous projections.**
- **Tax revenues** will support overall revenue (mostly taxes on goods & services) its **share is forecast to be steady at 30%** of total revenues.
- **Opex is estimated to account for 85.5% of spending** in 2024, and within opex, compensation of employees' accounts for the largest share (54.5%). Subsidies are estimated almost double to SAR 38bn in 2024 and capex up by 6.5% to SAR 198bn.
- **Public debt remains relatively modest, at SAR 1.172trn in 2024 (or 28.6% of GDP).**
- Going forward, its giga projects and construction ahead

of international events (Expo, World Cup etc) will weigh on overall spending. Supporting diversification efforts (including funding sources) will benefit the Kingdom.



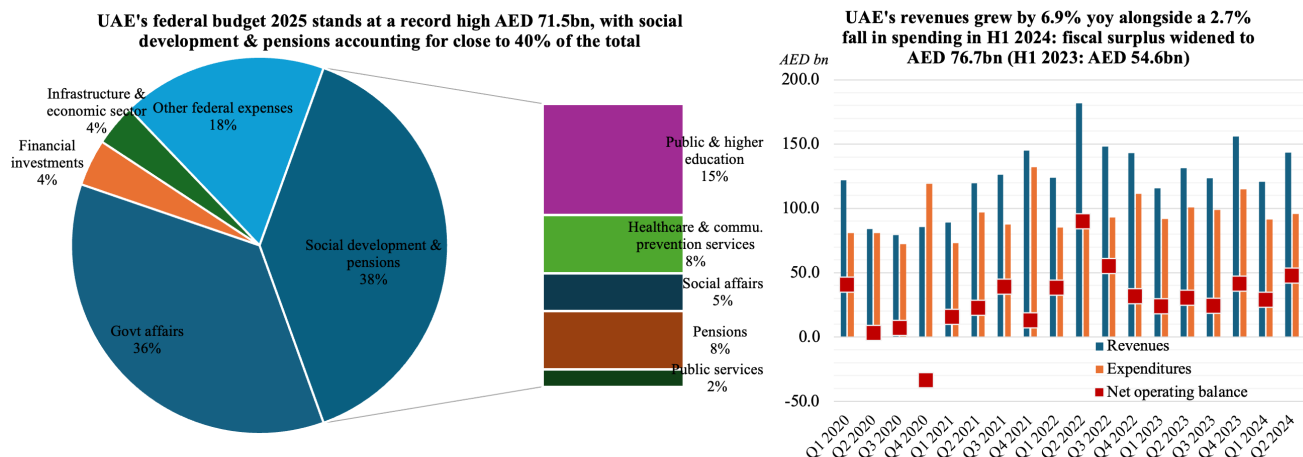
Source: Ministry of Finance, Saudi Arabia. Charts by Nasser Saidi & Associates.

#### 4. UAE Cabinet's federal budget of AED 71.5bn for 2025, the largest ever; federal surplus widened in H1 2024

- UAE Cabinet approved the largest ever federal budget of AED 71.5bn for 2025. This surpasses budget of AED 64.06bn in 2024 and AED 63.066bn in 2023.
- Social development and pensions together account for 38% of the federal budget in 2025 – the highest share.
- The breakdown shows government affairs and public & higher education sectors accounting for the largest share of spending (AED 25.6bn and AED 10.9bn respectively). The share of infrastructure & economic and financial investment sectors stand at 3.6% and 4.0% respectively.
- In H1 2024, the consolidated federal fiscal balance recorded a surplus of AED 76.7bn: this was much wider than the AED 54.6bn surplus recorded in H1 2023.
- Revenues grew by 6.9% yoy to AED 263.9bn in H1 2024; though in qoq terms, revenues were up by 18.7% in Q2

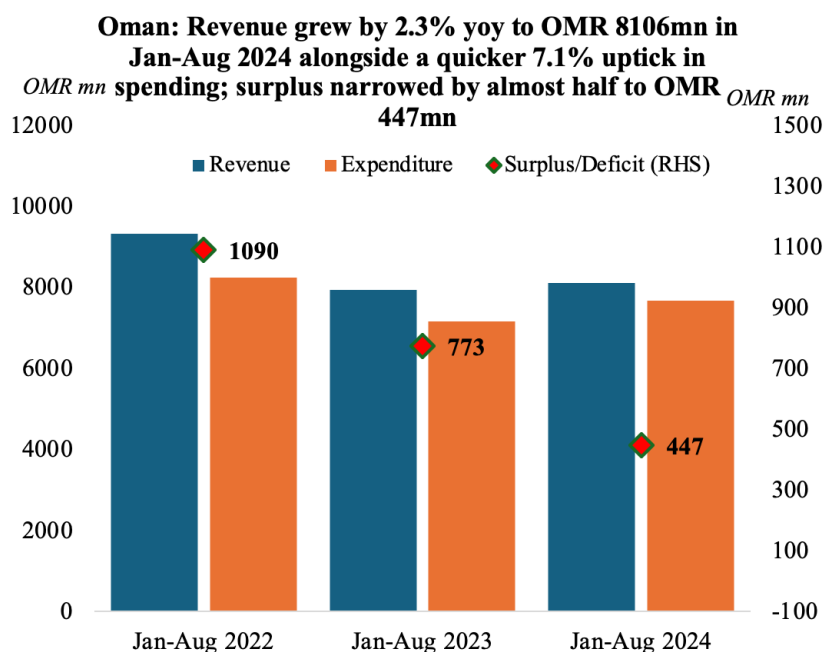
2024 – partly due to the 13.4% qoq jump in tax revenues (to AED 95.5bn).

- **Spending fell** by 2.7% yoy to AED 187.1bn in H1 2024; in qoq terms, it rose by 4.5% to AED 95.6bn in Q2, as both social benefits and compensation of employees grew by 10.2% qoq (to AED 18.5bn) and 3.3% (to AED 31.3bn) respectively.



Source: UAE Ministry of Finance; Chart by Nasser Saidi & Associates

## 5. Oman budget surplus narrowed to OMR 447mn as of Aug 2024

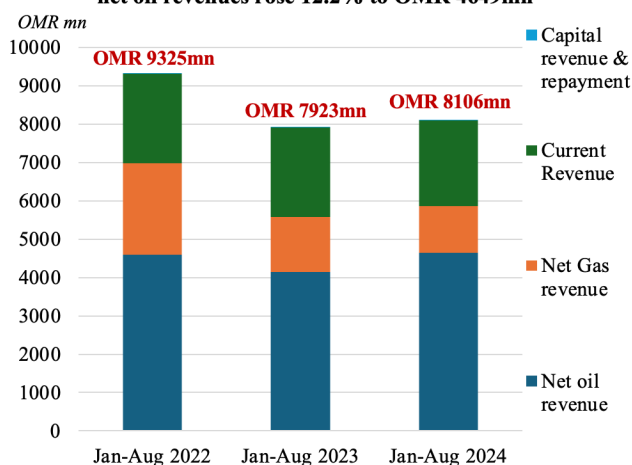


- Oman's budget surplus slipped to OMR 447mn in the period Jan-Aug 2024, down from a surplus of OMR 773mn a year ago. While revenues grew by 2.3% yoy to OMR 8.11bn, spending expanded at a faster pace (7.12% to OMR

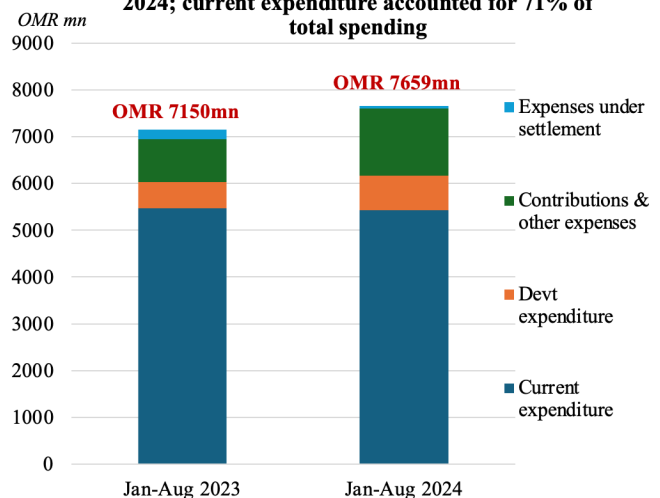
7.15bn).

- **Average oil price ticked up to USD 83** (+1.22% yoy) and average daily oil production fell by 5.2% to 1001k barrels per day (bpd).
- **Public revenues edged down** to OMR 8.11bn as of Aug 2024, driven down by the sharp decline in net gas revenues (-15.4% yoy to OMR 1.21bn, partly due to the change in methodology for collecting revenue). Net oil revenues, in contrast, grew by 12.2% to OMR 4.7bn. Net O&G together accounted for 72.3% of revenues at end-Aug.
- **Expenditure increased by 7.1% yoy** to OMR 7.659bn at end-Aug: current expenditure edged down (-0.5% to OMR 5.43bn) alongside a 28% jump in development expenditure (to OMR 735mn, or 82% of development spending for 2024) while contributions & other expenses surged by 58% yoy to OMR 1.44bn.

**Oman's revenue dip in Jan-Aug stems from a drop in net gas revenues (-15.4% yoy to OMR 1213mn); net oil revenues rose 12.2% to OMR 4649mn**



**Oman's spending increased by 7.1% yoy in Jan-Aug 2024; current expenditure accounted for 71% of total spending**



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

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