Weekly Insights 25 Oct 2024: Resilient global growth amid uncertainties & rising debt

IMF's global growth, inflation & debt forecasts. MENA growth. Oman GDP. Saudi foreign trade. GCC US Treasuries holdings. Download a PDF copy of this week's insight piece here.

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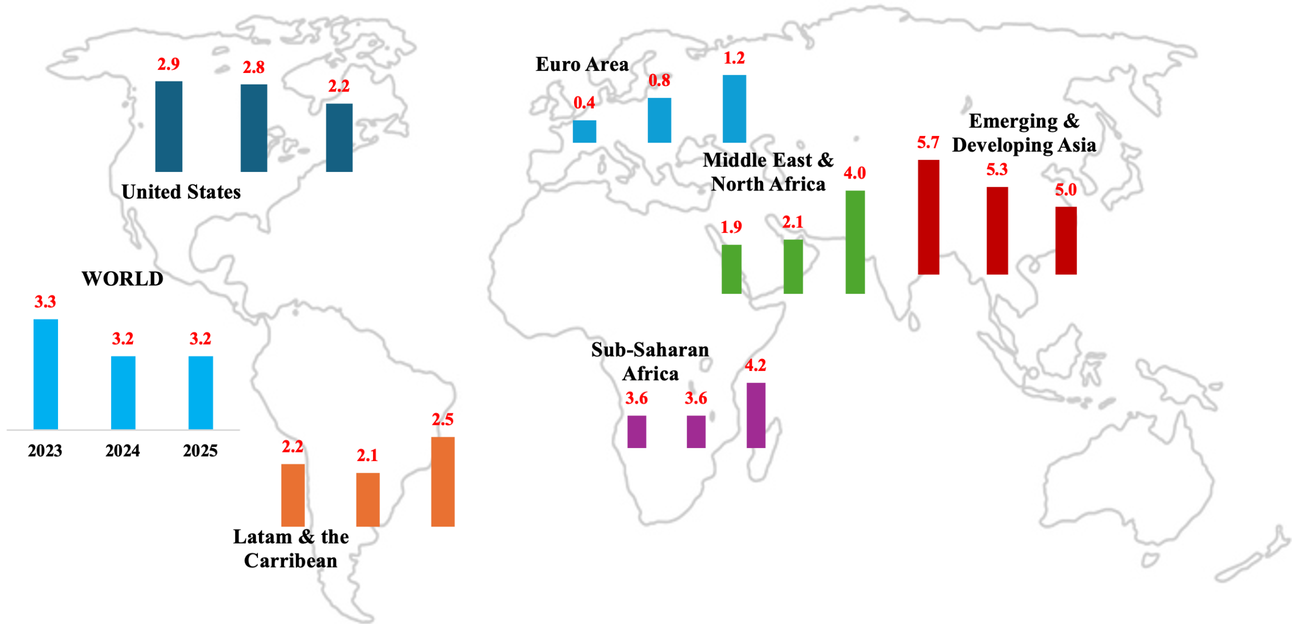
1. World economy is projected to grow by 3.2% in 2024 & 2025: IMF

- **Global economic growth is projected to remain resilient, rising by 3.2% in 2024 and 2025** (2023: 3.3%). Growth in **emerging market economies** (EMEs) will accelerate to **4.2% in 2024 and 2025**, given gains in Middle East & North Africa and Sub-Saharan Africa.
- Growth in **Emerging Asia** is estimated to moderate (2024: 5.3% & 2025: 5.0%), as growth slows in India (2024: 7.0% & 2025: 6.5%) and China (2024: 4.8% & 2025: 4.5%).
- **Global inflation is estimated to decline** to 5.8% in 2024 (2023: 6.7%) and 4.3% in 2025, though services inflation remains relatively high (almost double pre-pandemic levels). Major central banks have started to lower rates, which in turn will strengthen EME currencies and reduce imported inflation. EMEs inflation is projected to decline to 7.9% in 2024 and then at a faster pace in 2025 (to 5.9%).
- **Risks to IMF projections** include **widening of the current conflict in the Middle East (and for an extended period)** which could potentially lead to higher oil prices (in case of supply disruptions), increased trade tensions (e.g. US-China, and growing protectionism), risks from a

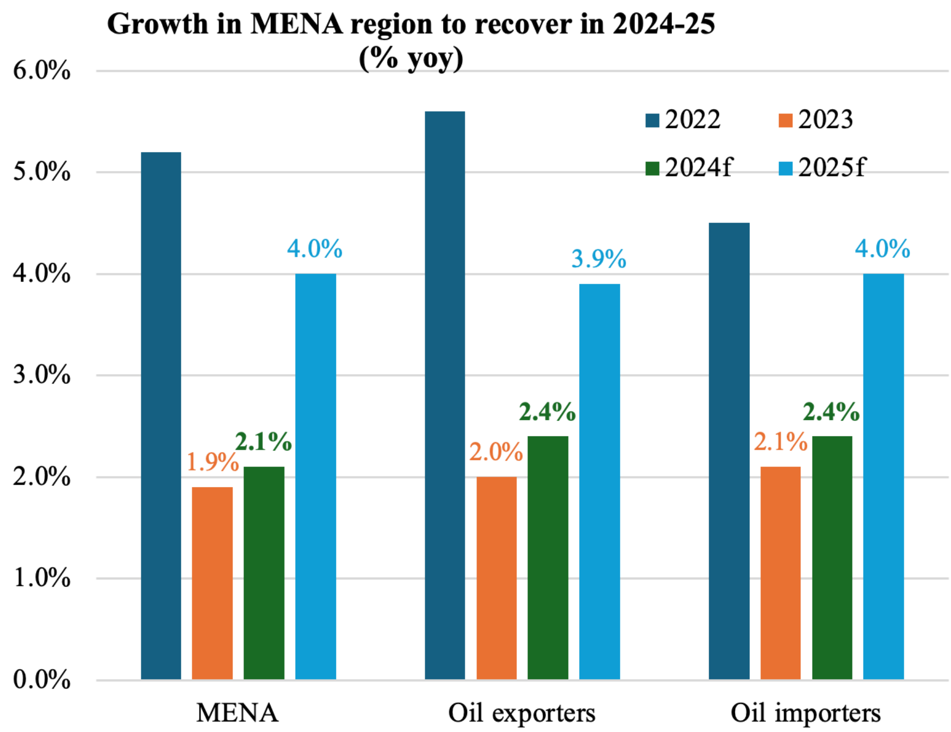
longer-than-expected recovery in China's property sector and debt sustainability worries, among others.

Global economy is resilient, growing steadily by 3.2% in 2024 and 2025: IMF



Source: IMF World Economic Outlook, Oct 2024. Chart by Nasser Saidi & Associates

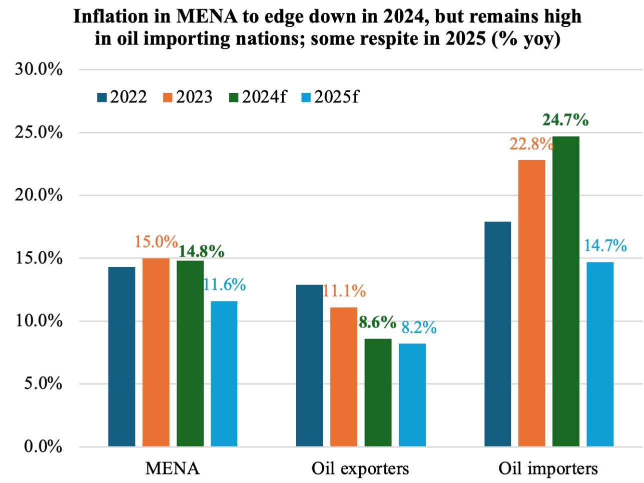
2. MENA growth to edge up to 2.1% in 2024 (2025: 4.0%); inflation easing in 2025

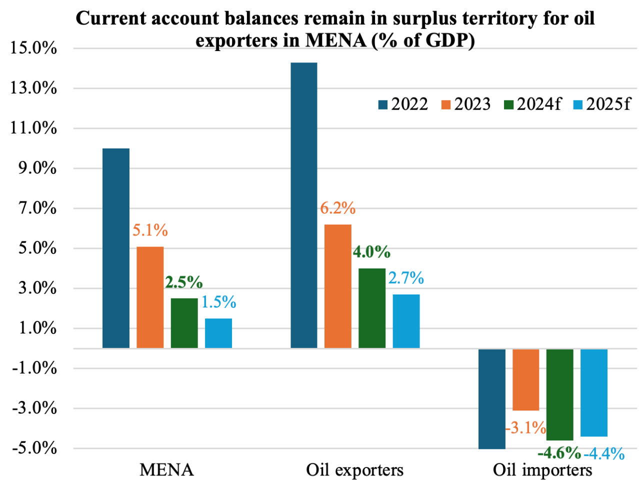


- **The IMF forecasts economic growth in MENA to touch 2.1% this year**, revised lower compared to the previous update, due to the **ongoing conflicts in the region and**

oil production cuts.

- **Growth projection for 2025 assumes that the conflicts ease:** oil exporters growth recovery (to 3.9% from 2.4% in 2024) results from the expiry of the oil production cuts; oil importers' gain remains tied to how soon the conflicts are resolved/ related uncertainty eases. **GCC growth improves to 4.2% in 2025 from 2024's 1.2%,** with non-oil sector growth the main driver (ranging between 3-4%).
- **Inflation has started to ease,** partly due to monetary policy tightening and lower energy costs **but remains elevated among oil importers**. Country-specific reasons keep headline inflation high – for example in Egypt and Lebanon.
- **Current account balances in MENA remain in surplus in 2024-25** due to the high surpluses run by oil exporting nations (though it is narrowing as a % of GDP).
- **How the conflicts in Gaza & Lebanon pan out will determine growth rates in the region.** In addition to the loss of lives and widespread displacement of population, there will be a negative on output, trade and tourism levels; furthermore, movements of displaced persons to neighbouring nations will leave an impact. Moreover, **security risks in the Red Sea will have an impact on global trade**: daily transit calls (7-day moving average) via the Suez Canal dropped by 65% yoy & 50% ytd as of mid-Oct.

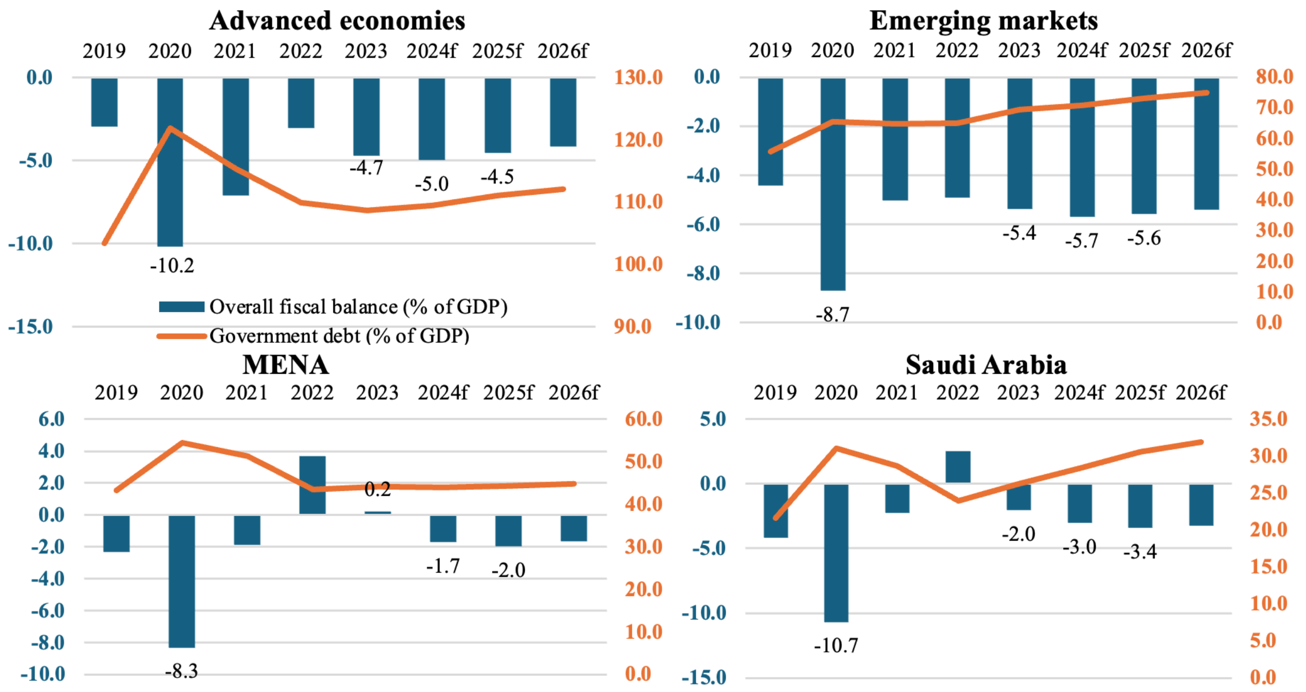




Source: IMF World Economic Outlook, Oct 2024. Charts by Nasser Saidi & Associates

3. Build-up of government debt & fiscal deficits is concerning

- IMF's Fiscal Monitor report highlighted that **global public debt is very high:** it will rise to USD 100trn, or 93% of GDP by end-2024, and approach 100% by 2030; in the severely adverse scenario, it could rise to 115% of GDP in 3 years.
- **China and US are the main countries driving the increase in debt:** the report highlights that though these nations have higher debt tolerance, it could lead to significant spillovers in other economies (such as higher borrowing costs, debt-related risks).
- **Fiscal balances in the MENA region will move into deficits from this year** (after a surplus 0.2% of GDP in 2023), with Saudi Arabia running large fiscal deficits (close to 3.0% in 2028-29). The rise in fiscal deficit also reflects the increase in interest expenses.
- **Public debt levels in the region have been rising for almost a decade**: more than half the countries in the Arab region had higher than pre-pandemic debt to GDP levels in 2023. Among the GCC countries, **Bahrain's public debt as share of GDP is the highest** (100%+).

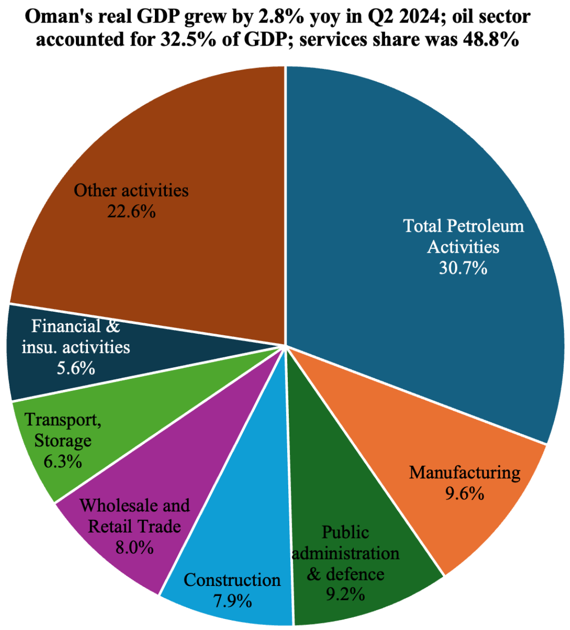


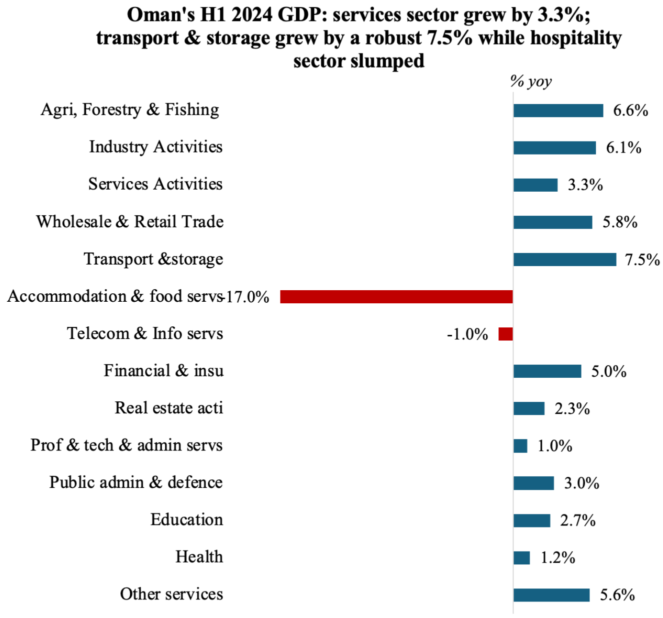
Source: IMF Fiscal Monitor, Oct 2024. Chart by Nasser Saidi & Associates

4. Oman’s real GDP grew by 2.8% yoy in Q2 2024 & 1.9% yoy in H1 2024, boosted by a strong non-oil sector (+4.7% in Q2 & +4.2% in H1)

- **Oman’s real GDP grew by 2.8% yoy to OMR 3.0bn in Q2 2024**: total petroleum activities (which accounted for 32.5% of GDP) fell by 2.6% yoy while the non-oil sector activity gained 4.7% (industry & services activities increased by 6.4% and 3.9% respectively).
- A **sector breakdown** shows that manufacturing and construction (both within the industry sector) together accounted for 17.7% of overall GDP in Q2. Within services, trade and logistics dominated (14.3% of total GDP).
- Among services, **wholesale & retail trade grew at the fastest pace** (9.0% yoy in Q2), followed by transportation & storage (7.7%) while accommodation & food services activities posted a massive 12.8% decline.
- **GDP grew by 1.9% yoy in H1 2024:** during this period, non-oil sector grew by 4.2% compared to oil sector’s 2.5% decline; among the services sector, trade and logistics grew the fastest (7.5%) while accommodation &

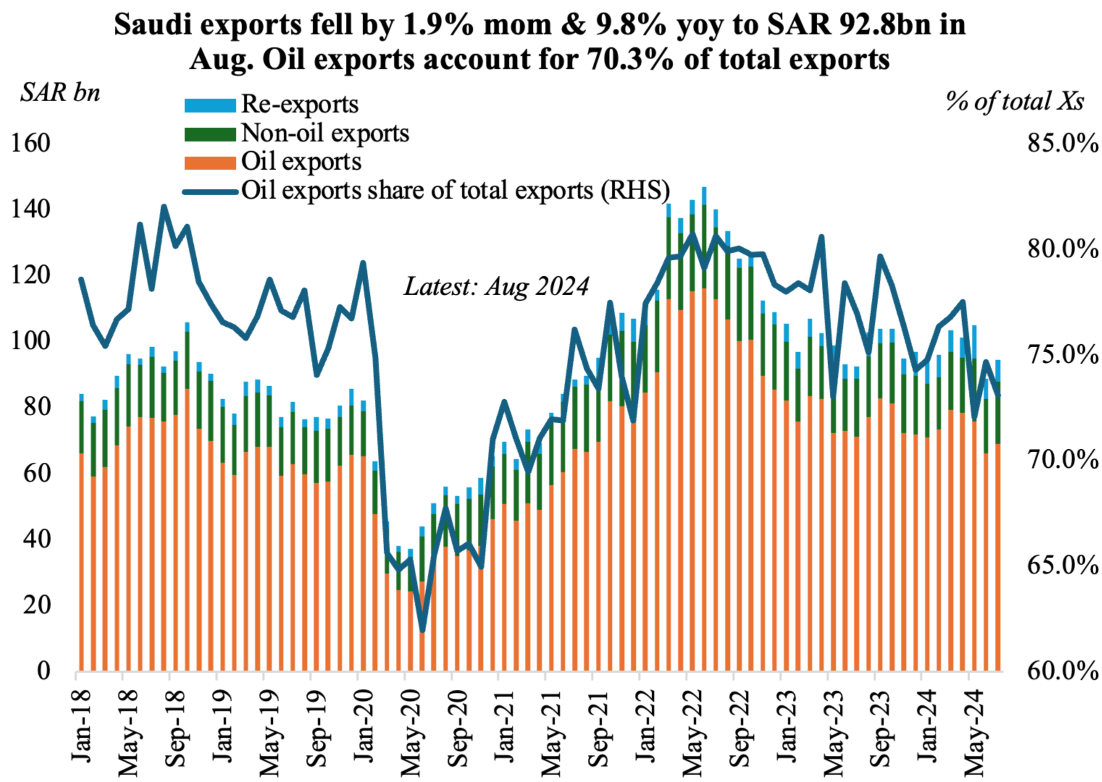
food services plummeted (-17.0%).





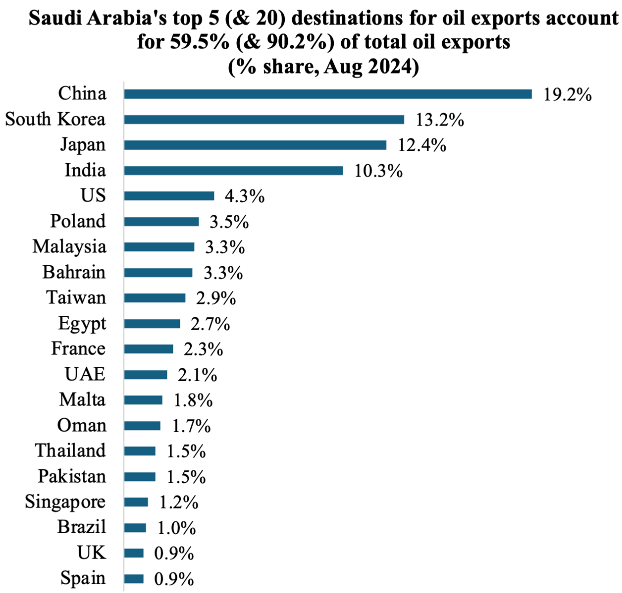
Source: Oman National Centre for Statistics and Information. Charts by Nasser Saidi & Associates.

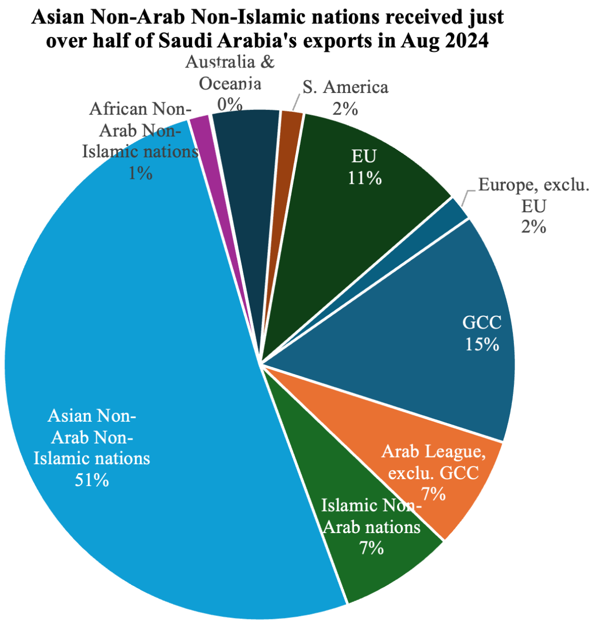
5. Plunge in oil exports (lowest since mid-2021) in Aug drags down overall exports in Saudi Arabia



- **Saudi Arabia's exports plunged** by 1.9% mom and 9.8% yoy to SAR 92.8bn in Aug, **dragged down by oil exports** (which accounted for 70.3% of total exports).

- **Oil exports**, at SAR 65.3bn in Aug (-5.6% mom and 15.5% yoy), **were the lowest since mid-2021. Non-oil and re-exports together grew** by 8.2% mom and 7.5% yoy to SAR 27.5bn in Aug.
- **Year-to-date, total exports are down by 4.3%,** dragged down by oil exports (-9.4%). Non-oil & re-exports are up 7.8% and 16.6% respectively.
- **Imports also fell** by 16.3% mom and 3.9% yoy to SAR 64.8bn in Aug, thereby **widening trade surplus to SAR 28.0bn** (vs Jul: SAR 17.2bn; Aug 2023: SAR 35.4bn).
- **Oil exports to top 5 destinations** (China, South Korea, Japan, India & US) **stood at 59.5% of total oil exports** in Aug. Share of top 25 nations was 94.4% (Bahrain, UAE & Oman were among top 15 destinations).
- **China was the top trade partner in Aug**: accounting for 16% of overall exports and 22.2% of total imports.
- As always, **Asian non-Arab non-Islamic nations received the largest share of exports** from Saudi Arabia (51.1%). Not surprising, considering that 4 of the top 5 oil export destinations are from this region.



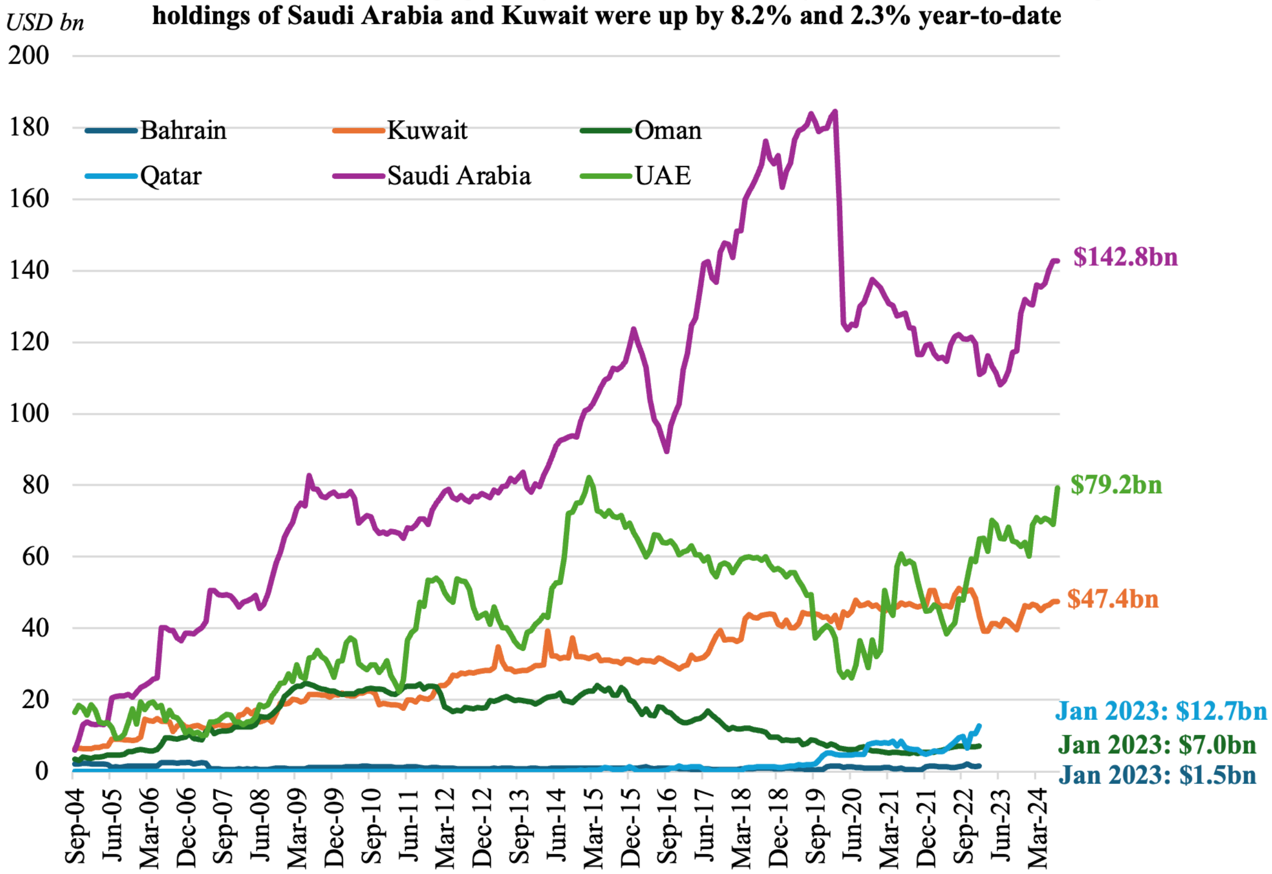


Source: GaStat. Charts by Nasser Saidi & Associates

6. US Treasuries holdings of UAE & Saudi Arabia in Aug 2024 are the highest since Mar 2020 and Mar 2015 respectively

- **Foreign holdings of Treasuries posted a new peak of USD 8.503trn in Aug** (Jul: USD 8.34trn).
- **Japan**, the largest foreign holder of US Treasuries, increased its holdings to USD 1.129trn.
- **China**, second on the list, **reduced its holdings** for a second month to USD 767.4bn, the **smallest since Jan 2010** (end-2023: USD 816.3bn).
- **Saudi Arabia continues as the 17th largest investor in US Treasuries,** recording USD 142.8bn in Aug – highest since Mar 2020.
- **UAE sharply increased its holdings in Aug**, up 14.8% mom and 16% yoy to USD 79.157bn – this is the **highest since Mar 2015**.
- GCC nations have been increasing their holdings of US Treasuries this year. **Compared to end-2023,** Kuwait increased their holdings (by 2.3%) alongside Saudi Arabia and UAE whose holdings grew by 8.2% and 23.7% respectively.

UAE's US Treasuries holdings grew by 15% mom and 16% yoy to USD 79.2bn in Aug; holdings of Saudi Arabia and Kuwait were up by 8.2% and 2.3% year-to-date



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