

Rising GCC Debt Levels, Weekly Insights 19 Sep 2025

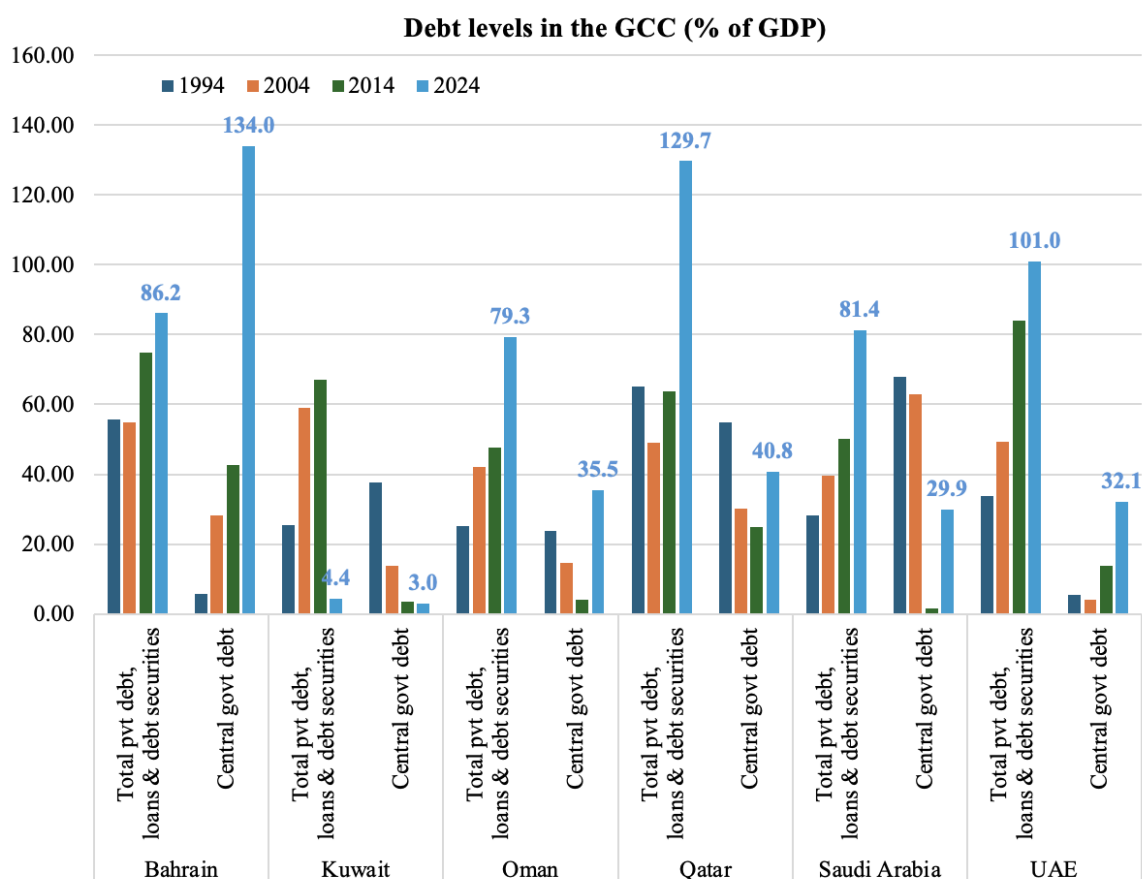
Debt in the GCC. UAE H1 monetary stats. Saudi inflation. GCC Treasury holdings & gold.

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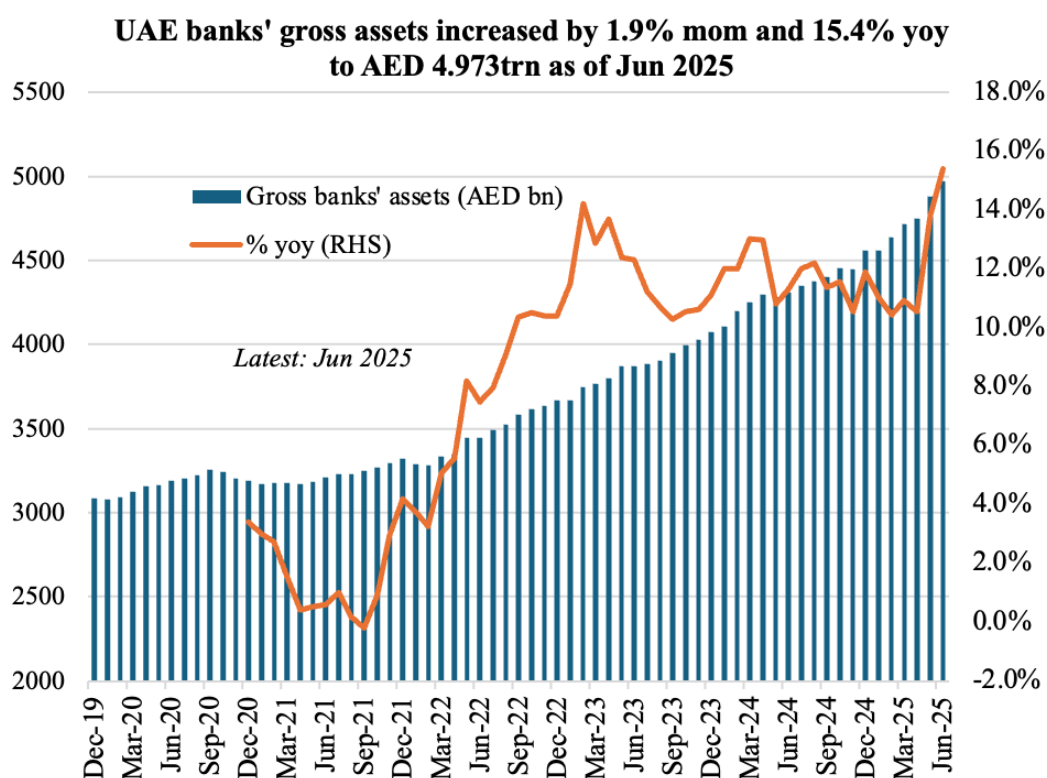
1. Private & government debt have been rapidly rising in GCC. Global debt rose to just over 235% of global GDP in 2024.

- In the GCC, **Bahrain has the highest central government debt** in 2024 (134% of GDP vs 5.6% in 1994) followed by Qatar (40.8%) and Oman (35.5%). Bahrain the most indebted in relative terms: amplifies risks – vulnerability to shocks, interest burden & refinancing risk => so, diversification matters.
- **Total private debt, loans and securities as % of GDP was most in Qatar** (129.7% of GDP vs 65.2% in 1994), followed by the UAE (101.0% of GDP), Bahrain (86.2%) and Saudi Arabia (81.4%). **Remember that debt-fueled growth can be productive:** if private debt funds infrastructure, energy projects, export capacity & such. Also key is routine monitoring of corporate leverage and bank exposure.

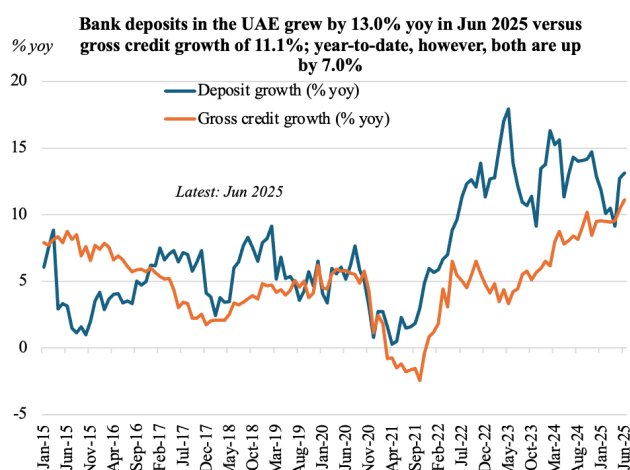


Source: IMF Global Debt database. Chart by Nasser Saidi & Associates.

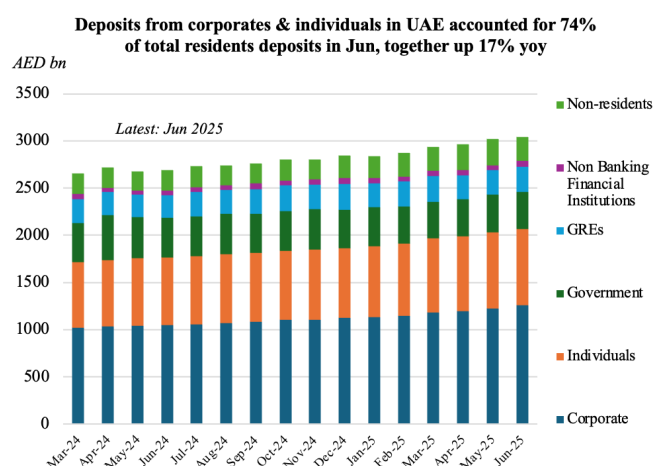
2. UAE deposits grow at an average 11.2% pace in H1; credit growth trails in comparison



- **UAE's gross bank assets continue to grow at a fast pace:** it increased by 9.1% year-to-date (ytd) to a record AED 4.973trn in Jun. The central bank's **total assets crossed AED 1.0trn in Jun**, up 24.6% yoy and 3.1% mom.
- While the **central bank's net international reserves jumped 2.8% mom** to AED 956.9bn, its **gold holdings have climbed to AED 28.9bn (25.7% ytd)** – a reflection of the global trend, thanks to its safe-haven status, a hedge amid geopolitical risk and allowing for dollar diversification.
- **UAE banks' deposits grew at an average 11.2% pace in H1 2025.** It grew 13.1% yoy in Jun, thanks to a 12.9% yoy rise in resident deposits (to AED 2.8trn) and 16.0% growth in non-resident deposits (8.3% of total deposits).
- **Private sector deposits** (at AED 2.06trn) accounted for 74% of residents' deposits (17.0% yoy). **Government & GREs**, accounted for 23.7% of residents' deposits, with the latter up 11.8% yoy while former fell by 5.6%.

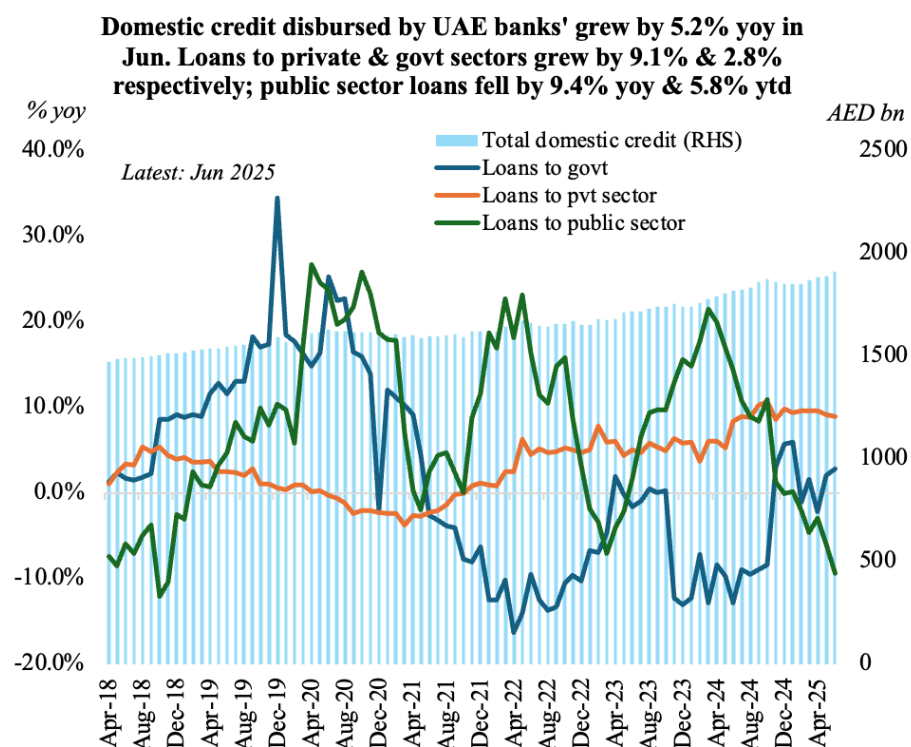


Source: UAE Central Bank. Charts by Nasser Saidi & Associates



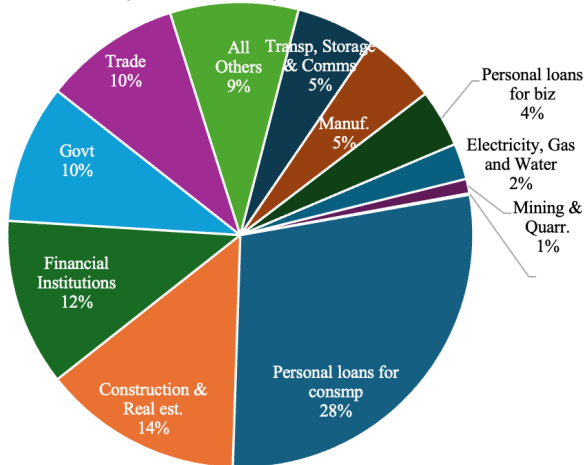
3. UAE gross credit & domestic credit grew by an average 9.9%

& 5.3% in H1 '25



- **Average growth in H1 2025 of gross credit (9.9% yoy) and domestic credit (5.3% yoy) lagged overall deposit (11.2%) in the UAE.** However, year-to-date, both gross credit & bank deposits are up by 7.0%.
- **Gross credit in the UAE grew by 1.8% mom and 11.1% yoy to AED 2.334trn in Jun.** This was **driven by growth in domestic credit (5.2% yoy to AED 1.91trn) and a surge in foreign credit (48.9% yoy to AED 423.6bn).** **Foreign credit** also includes loans and advances to non-residents, which grew by 57.9% yoy to AED 33.8bn.
- **Loans to the private sector accounted for three-fourths of domestic credit. Loans to the government** increased by 2.8% yoy to AED 195.9bn while growth of **loans to GREs** fell 9.4% to AED 274.0bn.
- **Lending to SMEs** increased to AED 87.4bn, up 7.6% yoy (the fastest growth since Q4 2020) and 4.0% qoq (the sharpest gain since Q1 2020).
- When classifying bank **credit to residents by economic activity, construction & real estate (14%), financial institutions (12%) and government (10%)** were among the top.

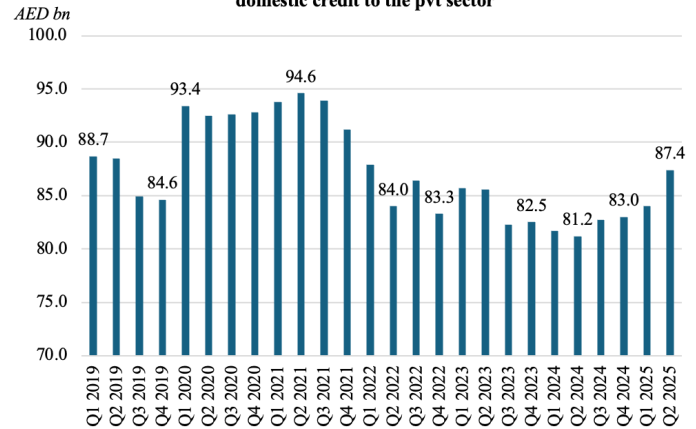
Share of loans by economic activity in UAE, Jun 2025



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 87.4bn as of Q2 2025 (AED bn); equivalent to 6.1% of domestic credit to the pvt sector

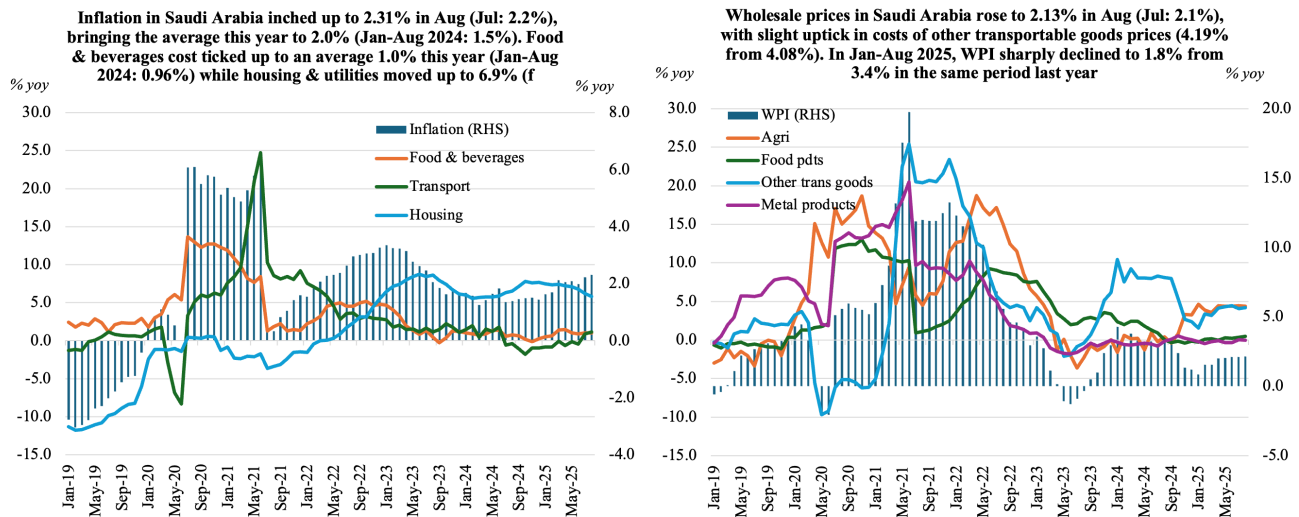


4. Consumer price inflation in Saudi Arabia inched up to 2.3% in Aug, the highest since Jul 2023; producer prices rose for the fifth straight month

- **Saudi Arabia updated its methodology for calculating inflation.** As per the latest data, **consumer price inflation inched up to 2.3% in Aug (Jul: 2.1%), the highest reading since Jul 2023.**
- Prices increased in most categories, with the **sharpest upticks being in restaurants & accommodation (3.0% from 1.9% in Jul) and transport (1.2% from 0.9%).** Prices did ease in housing & utilities (5.8% vs 6.2%) and recreation, sports & culture prices edged up (2.7% from 3.5%). A slow easing in housing costs stems from **rental costs slowing to 7.6% (from 8.2%).**
- **CPI averaged 2.01% in Jan-Aug 2025 vs 1.51% in the same period a year ago,** with the increase stemming from housing & utilities (6.9% from 5.9%) as well as recreation & culture costs (2.7% from 0.1%) while prices of personal care, miscellaneous goods & services accelerated (4.56% from 1.56%).
- **Wholesale prices in Saudi Arabia moved up for the fifth consecutive month in Aug, to 2.13% in Aug (Jul: 2.10%),** due to modest upticks in food products and other transportable goods; **deflation continued in ores & minerals for the 25th month in a row (-0.84% from**

-0.85%).

- **Average wholesale prices almost halved to 1.8% in Jan-Aug 2025** (vs Jan-Aug 2024: 3.4%), as prices of “other transportable goods” plunged (3.7% vs 8.4%), in addition to food products (0.1% vs 1.65%); costs of agriculture & fishery surged (4.3% from -0.1%).



5. Foreign US Treasury holdings reach a peak USD 9.159trn in Jul even as China lowered its holdings to the lowest since 2008. Kuwait jumped to another record-high & Saudi stayed 17th largest holder. Many central banks' gold reserves rise in the region.

- **Foreign holdings of Treasuries edged up by 0.4% mom and almost 9% yoy to USD 9.159trn in Jul:** despite a decline in China's holdings to USD 730.7bn (lowest since Dec 2008)
- **Japan and UK were the largest two nations holding US Treasuries** (at USD 1.15trn and USD 899.3bn respectively).
- **Saudi Arabia remained the 17th largest global investor in Jul:** though its holdings inched up 2.2% mom to USD 130.6bn; in yoy terms, it was down 6.9%.
- **UAE holdings declined by 6.9% mom to USD 96.5bn. In yoy terms, it surged by 37.6%.**

- **Kuwait gained to a new all-time peak of USD 58.05bn**, up 8% mom & 25.0% yoy (previous high: USD 57.0bn May 2025).
- **Many central banks in the region have also been increasing their gold holdings** – this includes **Qatar** (+4.8% ytd to 116.12 tonnes in Jun), **Egypt** (1.3% ytd to 128.54 in Jun), **Jordan** (1.6% ytd to 72.83 in Jun), **UAE** (0.2% ytd to 74.56 in Mar). **Top holders of gold reserves at the central bank** are Saudi Arabia, Lebanon and Algeria, with holdings of 323.07 tonnes (Mar 2025), 286.83 (Mar), 173.56 (Jun, no change from Mar). Source: World Gold Council.



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

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