

# **Conflict & Reverberations Across the GCC: Industrial Strains, Financial Resilience & Emerging Strategic Realignments, Weekly Insights 16 May 2026**

Saudi IP. UAE deposits & credit growth. Oman inflation. Syria's & GCC investments.

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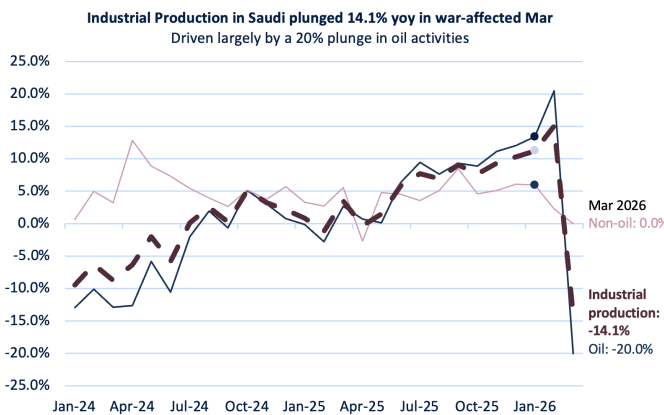
**Conflict & Reverberations Across the GCC: Industrial Strains, Financial Resilience & Emerging Strategic Realignments, Weekly Insights 16 May 2026**

## **1. Saudi industrial output hit by conflict shock, but investment pipeline supports recovery**

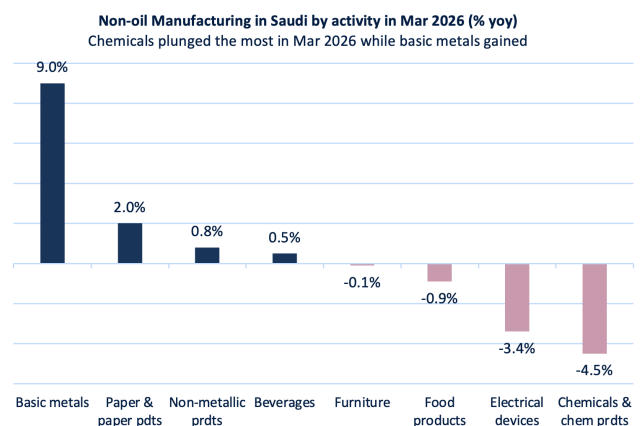
- Saudi Arabia's Industrial Production Index decreased by 14.1% yoy in Mar 2026, a sharp reversal from Feb's revised 15.0% surge.
- The plunge was primarily driven by a 22.2% decline in mining and quarrying activities and a 20.0% drop in overall oil activities. On a monthly basis, mining activity plunged by 36% mom.
- Manufacturing activity fell by 4.7% yoy, weighed down by an 11.6% drop in refined petroleum products and a 4.5% decline in chemicals. However, basic metals manufacturing showed resilience with a 9.0% annual increase.
- While oil activities struggled, electricity, gas, and air conditioning supply grew by 10.1% yoy and water

supply & waste management rose by 1.1%. **On a monthly basis, non-oil activities rose by 1.4%, signalling underlying stability.**

- Despite the broader economic shock, the Ministry of Industry and Mineral Resources issued **188 new industrial licenses** in Mar 2026, attracting over **SAR 1.81bn** in investments. This follows Feb's strong performance (38 new mining licenses issued). **78 new factories commenced actual production in Mar**, representing SAR 870mn in investment & creating nearly 1,500 new jobs.
- **Industrial Production Index and the non-oil PMI** (which hit a low of 48.8 in March) reflect severe disruptions from the regional conflict, including a 95% collapse in shipping transits and record-high input cost inflation. **For Saudi Arabia**, strategic infrastructure projects (e.g. expansion of the **East-West Pipeline**) are expected to mitigate maritime bottlenecks and support a rapid return to higher utilization rates once regional tensions stabilize. **Expect a V-shaped recovery once the conflict ends especially given current project pipeline.**

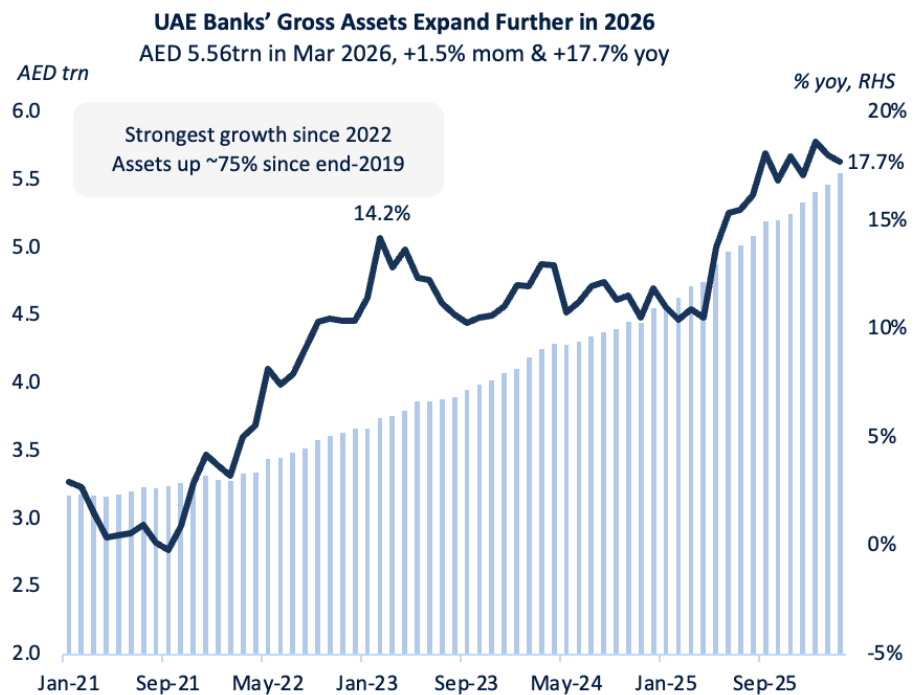


Source: GaStat. Charts by Nasser Saidi & Associates



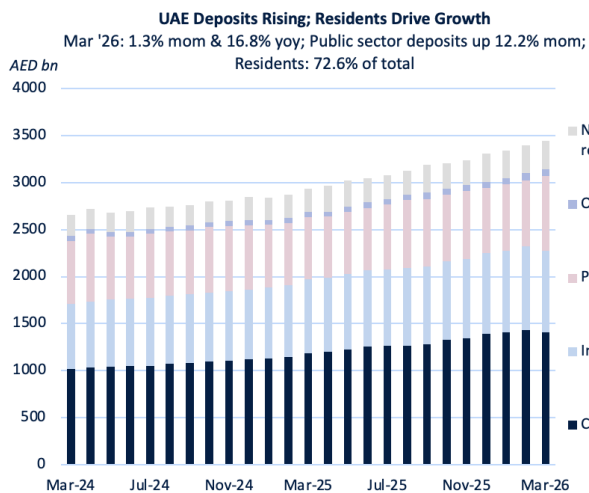
## 2. UAE aggregate deposits resilient in Mar, but heavily

## public-sector linkage

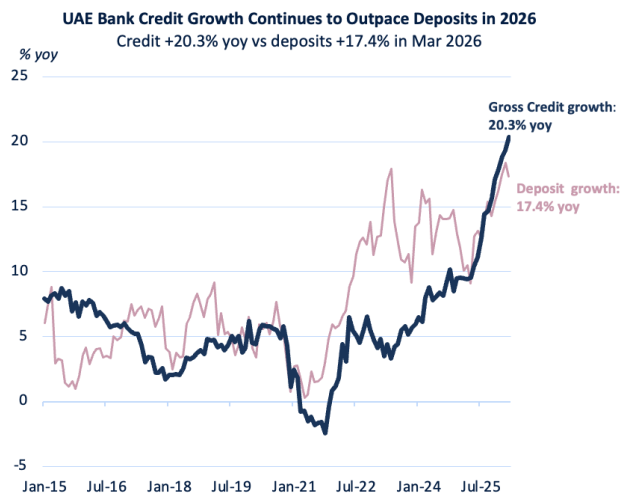


- **UAE gross banking assets grew by 1.5% mom and 17.7% yoy to AED 5.56trn at end-Mar 2026.**
- Resident deposits increased 1.3% mom to AED 3.13trn & **non-resident deposits also rose by 1.8% to AED 307.2bn: important because non-resident deposits are often more sensitive to geopolitical risk.**
- Within resident deposits, largest contribution came from **GREs (+16.3% mom to AED 363.1bn)**; **govt sector** also rose (+9.0% to AED 427.3bn) => deposit expansion was significantly supported by public-sector balances.
- **Private sector deposits weakened despite headline growth.** Private-sector deposits fell 1.9% to AED 2,278.2bn, while deposits of other financial corporations declined 2.5% to AED 70.2bn.
- **Money supply indicators were up yoy, though M1 fell 2.5% mom, dragged down by a 4% drop in monetary deposits (to AED 903.6bn).** Could be due to a preference to hoard cash or drawdown by corporates to manage higher working-capital needs; for now, the CB's Financial Institutions Resilience Package has provided support to those in need 60.6k individuals, 4,335 SMEs & 485 corporates.
- **In the months ahead, keep close track of (a) composition**

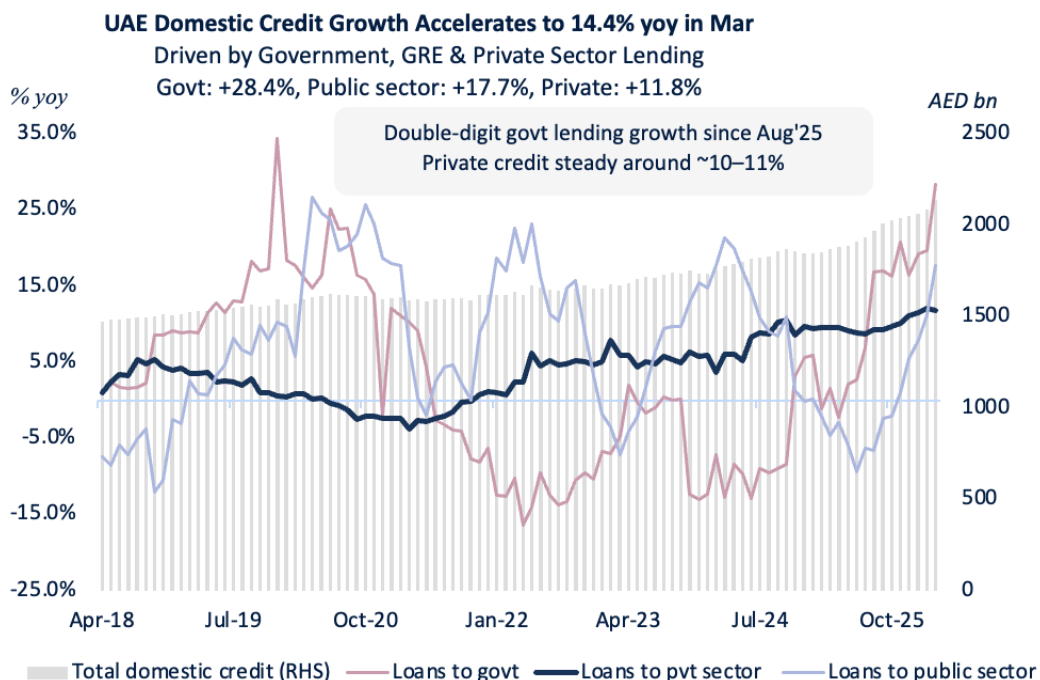
of deposits (i.e. public-sector strength vs private-sector weakness); (b) money supply indicators; and (c) uptake of the Central Bank's Comprehensive Proactive Financial Institutions Resilience Package.



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



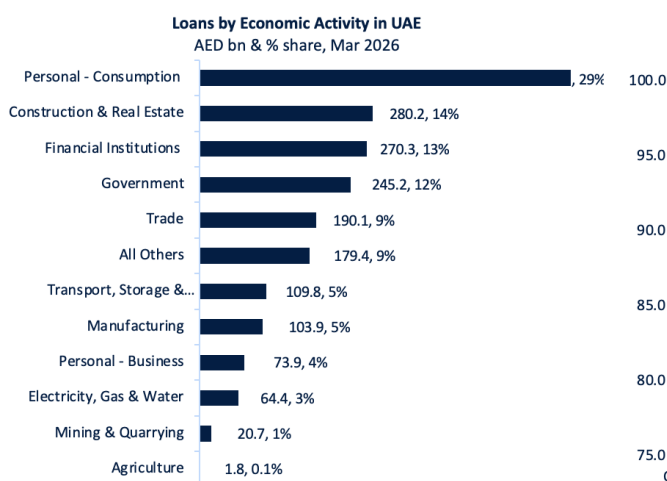
### 3. UAE headline credit growth strong in Mar, with prominent public-sector borrowing; SME lending at a record-high



- **Gross credit expanded 2.5% mom** to AED 2.7trn in Mar 2026, suggesting no immediate credit freeze despite the conflict-related uncertainty. **Domestic lending was the main driver** primarily supported by a 2.5% mom rise in

domestic credit (rather than only external or non-resident lending).

- **A stabilising public sector role was visible.** Credit to the government sector rose 6.9% mom while lending to GREs were up 6.0%; **private-sector credit in contrast rose just 1.1%** – could be that firms may already be more cautious on borrowing, investment & capital commitments amid higher logistics and input-cost uncertainty.
- **The war impact is not yet visible as an aggregate credit contraction.** gross credit increased 4.9% qoq and 20.3% yoy in Q1 2026 while personal loans to residents rose 2.1% qoq & 14.6% yoy.
- **Real estate & construction accounted for 13.7% of total lending** in Dec 2025 (vs. 20% in 2021); **fastest loan growth** was reported in credit disbursed to the government (+33.6% yoy), financial services (33.2%), utilities (31.9%) & trade (10.1%).
- **SME financing jumped by 5.0% qoq and 15.0% yoy to AED 96.6bn in Mar,** the highest on record.
- Bottomline for now is that the **Central Bank’s resilience package is giving banks liquidity, capital-buffer and loan-classification flexibility to keep credit flowing.**



**UAE SME Lending at a record-high AED 96.6bn as of Mar 2026**  
stands at 6.3% of private sector credit

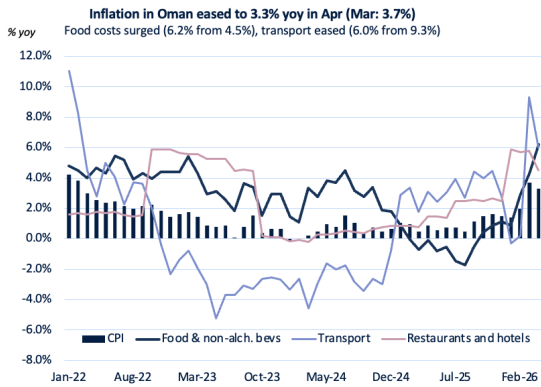


Source: UAE Central Bank. Charts by Nasser Saidi & Associates

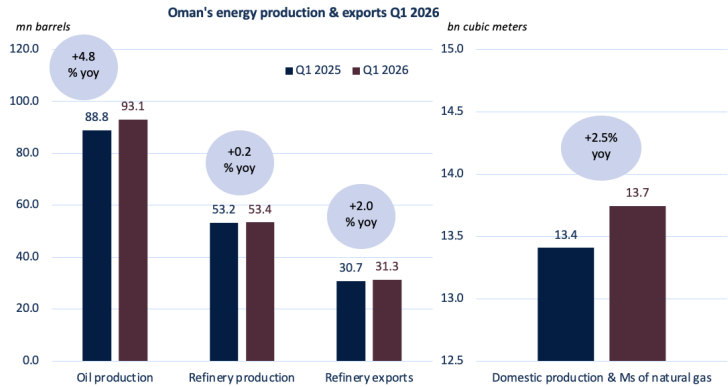
Note: All others in economic activity include Credit to the Service Sector and Non-Profit Institutions

## 4. Inflation in Oman eases alongside expanding energy output & strategic logistics

- **Headline CPI in Oman eased to 3.3% yoy in Apr**, following Mar's 3.7% (highest since Feb 2022). **The food & non-alcoholic beverages segment** emerged as a primary driver of domestic price hikes (6.2% yoy vs Mar's 4.3%). Transport costs and miscellaneous goods & services costs remained high (6.0% and 9.2% respectively), though lower compared to Mar.
- Skyrocketing freight costs & war-risk insurance premiums => inflated cost of imported essentials => higher retail price of food.
- Oman has approved an OMR 50mn **financial aid package for farmers & established regional food depots** to stabilize domestic supply & support purchasing power.
- Oman is also successfully leveraging its geography by diverting essential trade to **Salalah and Duqm ports** + utilizing the **Hafeet railway** to create a secure, land-based supply chain for itself and its GCC neighbours.
- **Oil production in Oman grew by 4.8% yoy** to 93.1mn barrels as of end-Mar 2026. Average daily oil production saw a significant rise of 6.7% to 1.1mn barrels per day in Mar.
- **Oman's geography gives it more flexibility** than other GCC producers heavily dependent on the Strait of Hormuz: this shows in **oil exports up 3.2% yoy to 26.5mn barrels in Mar**.
- **Natural gas supply also rose**, with total domestic production and imports of natural gas up 2.5% yoy to 13.7bn cubic meters by end-Mar. Industrial sector was the largest consumer of natural gas (share of 18.1%) followed by power generation (under 10%).
- **Electricity generation also saw strong growth**, with total surging 16% to 10,544 GWh. This suggests robust residential, commercial & industrial demand; but, if the war keeps fuel, shipping and equipment costs elevated, utilities & energy-intensive firms could face higher operating-cost pressure.



Source: National Centre for Statistics & information, Oman. Charts by Nasser Saidi & Associates.

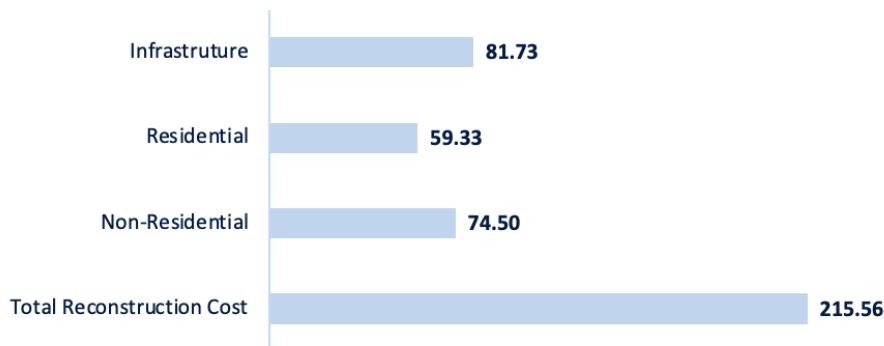


## 5. Gulf Confidence Pivot to Syria

### Narrative Shift: Gulf investors are pivoting to Syria as the region's primary reconstruction frontier

<p><b>Institutional Normalization</b></p> <p>Removal of major sanctions (by US, EU) and SWIFT reintegration have restored Syria's access to the global financial architecture and trade networks</p>	<p><b>Strategic Corridors</b></p> <p>Geopolitical shifts have made Syria a significant land corridor for GCC exports to the Mediterranean, bypassing chokepoints like the Strait of Hormuz</p>	<p><b>Logistics Integration</b></p> <p>DP World's Tartus Port operations and the launch of Flynas Syria in Aleppo signal a deepening long-term logistics partnership with the GCC.</p>
<p><b>Private Sector Appetite</b></p> <p>Flagship commitments like Emaar's USD 18bn investment roadmap underscore the confidence of GCC in Syria's long-term growth</p>	<p><b>Digital Connectivity</b></p> <p>The USD 800mn SilkLink fibre project positions Syria as a strategic data connector between Saudi Arabia, Europe and Asia.</p>	<p><b>Energy Resurgence</b></p> <p>QatarEnergy Total assessment of gas potential reflects a return of upstream activity.</p>

**World Bank's Best Estimate for Reconstruction Costs in Syria**  
 USD 216bn



Source: "The Syrian Conflict: Physical Damage & Reconstruction Assessment (2011-2024)", World Bank, Aug 2025

Slide based on comments provided to The National's article <https://www.thenationalnews.com/news/mena/2026/05/15/as-syria->

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