

Weekly Insights

22 Mar 2024

Easing inflation, narrow fiscal surpluses & SWF asset surge in the GCC

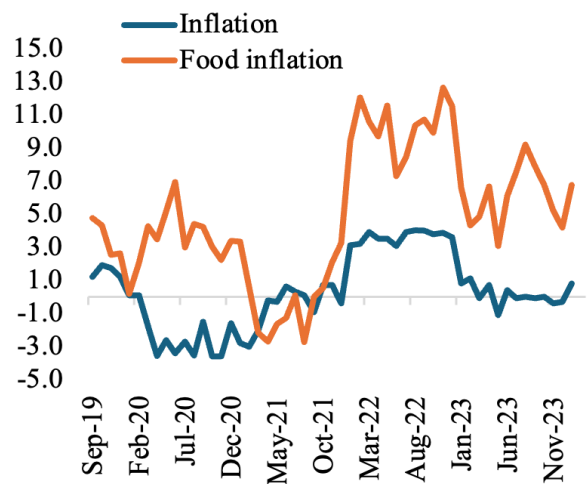
- *GCC inflation easing in Jan-Feb 2024*
- *Dubai's inflation eases alongside a jump in non-oil PMI activity*
- *Oman posts a narrower budget surplus of OMR 85mn in Jan 2024*
- *UAE federal revenues fell sharply to AED 526.1bn in 2023*
- *Asset Size Rising at GCC SWFs*
- *US Treasuries holdings of major GCC nations' decline in month-on-month terms in Jan 2024*

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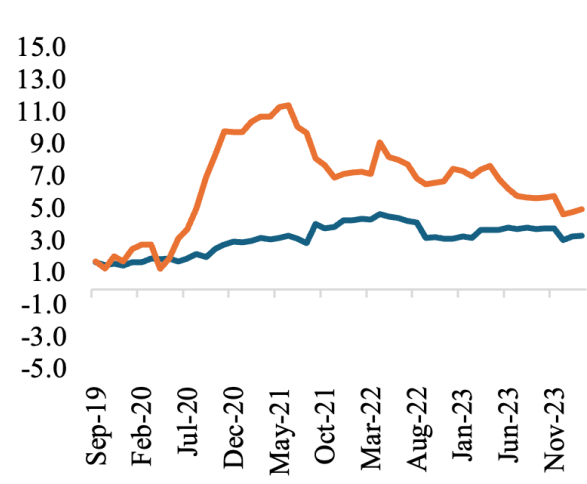
— & ASSOCIATES —

GCC inflation easing in Jan-Feb 2024. Food inflation is higher than headline in most of the region; in Dubai & Saudi Arabia, housing costs the main driver of the uptick. PMI indicates UAE & Saudi firms opting to absorb rising costs (amid rising competition).

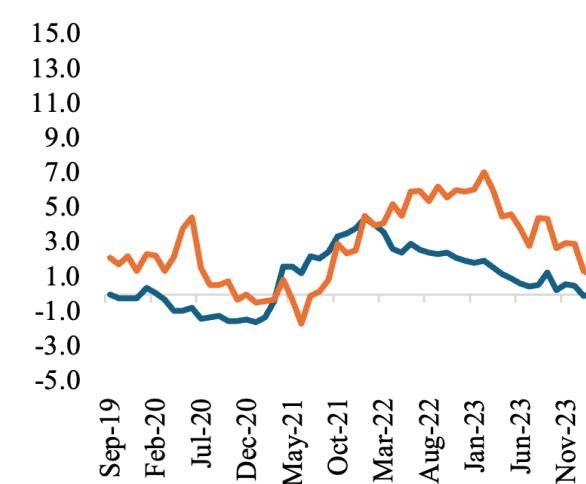
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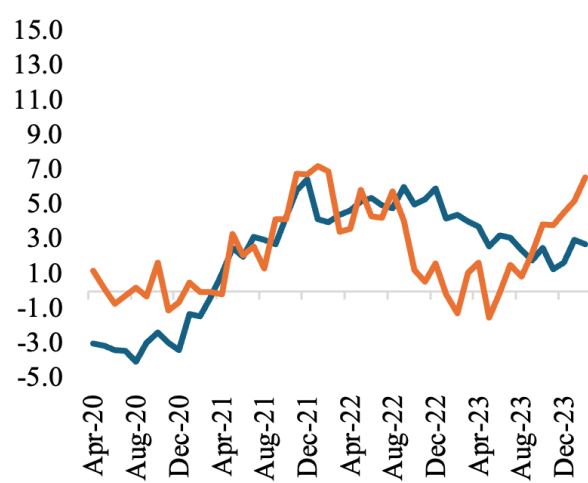
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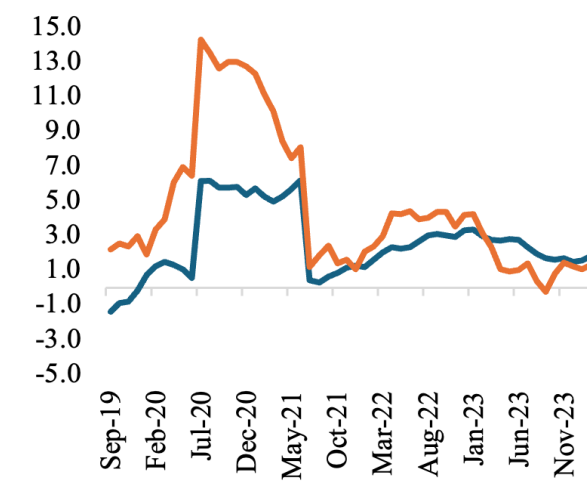
Oman



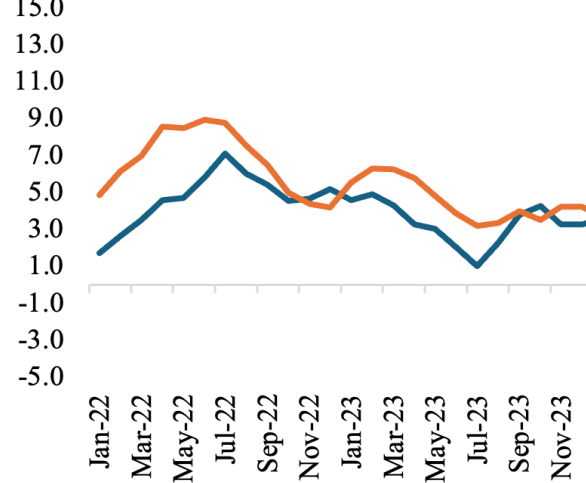
Qatar



Saudi Arabia



Dubai

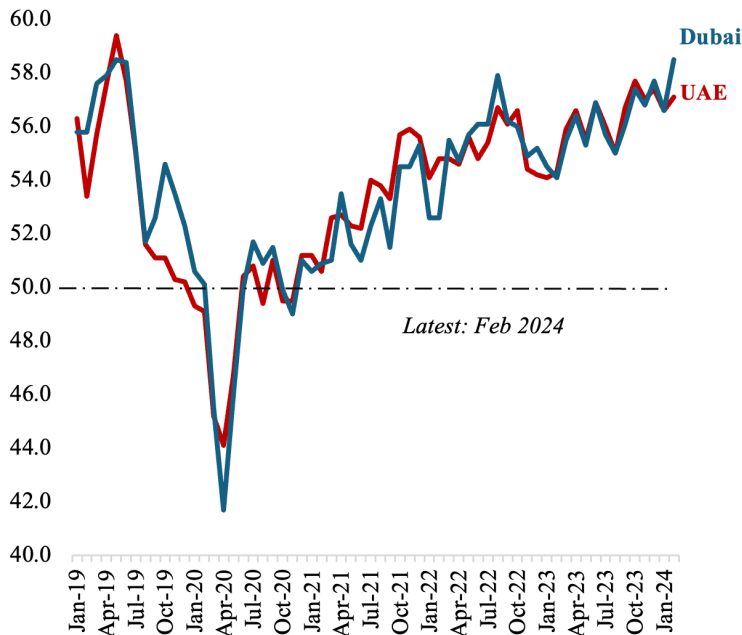


Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
 Note: Data as of Feb 2024 (except for Bahrain's Jan 2024).

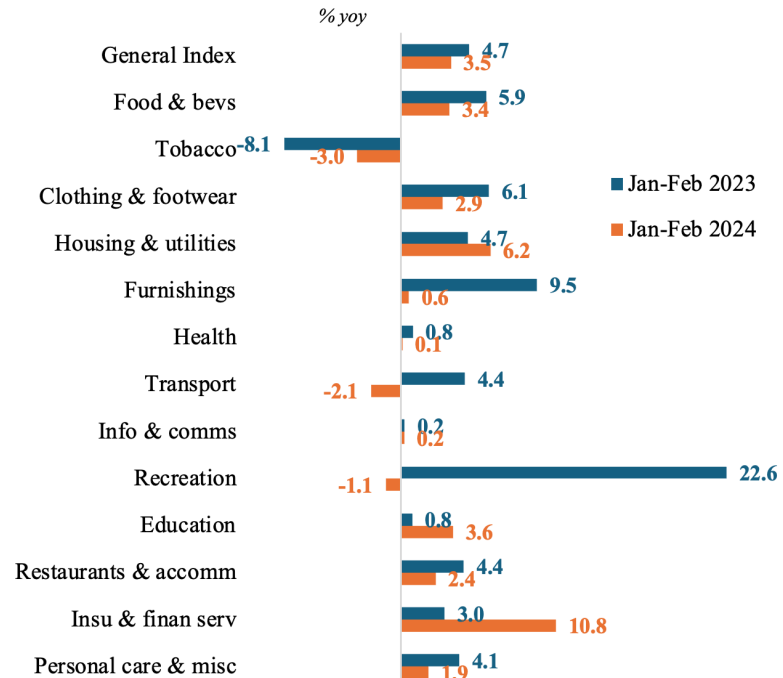
Non-oil PMI activity jumps in Dubai this Feb; while inflation has eased, housing & education costs have accelerated compared to a year ago

- **Dubai PMI jumped to 58.5 in Feb, the best since a matching reading in May 2019**, thanks to new orders and employment, with businesses citing robust demand and greater project work as reasons for higher output. All sectors reported improvements in Feb and have a positive 12-month output; however, the wholesale & retail sector recorded a substantial decline in average output charges. Sales promotions and price cuts, in a bid to remain more competitive, are likely to affect business bottom lines in the medium term.
- **Inflation has also eased in Dubai, slipping to 3.4% in Feb 2024 (Jan: 3.6%)**. Food and beverages prices, with a weight of 11.6% in the overall index, slowed in Feb (3.08% from 3.69% in Jan).
- **In the Jan-Feb period**, transport & recreation costs have declined the most compared to a year ago. However, **a few non-tradeable goods costs have increased**: such as housing & utilities (6.2% vs 4.7%), education (3.6% from 0.8%) and insurance (10.8% from 3%); weights for these expenditure categories stand at 40.68%, 8.15% and 1.26% respectively.

Dubai PMI rose to 58.5 in Feb, matching the reading in May 2019. UAE & Dubai PMI have been expansionary for 39 consecutive months



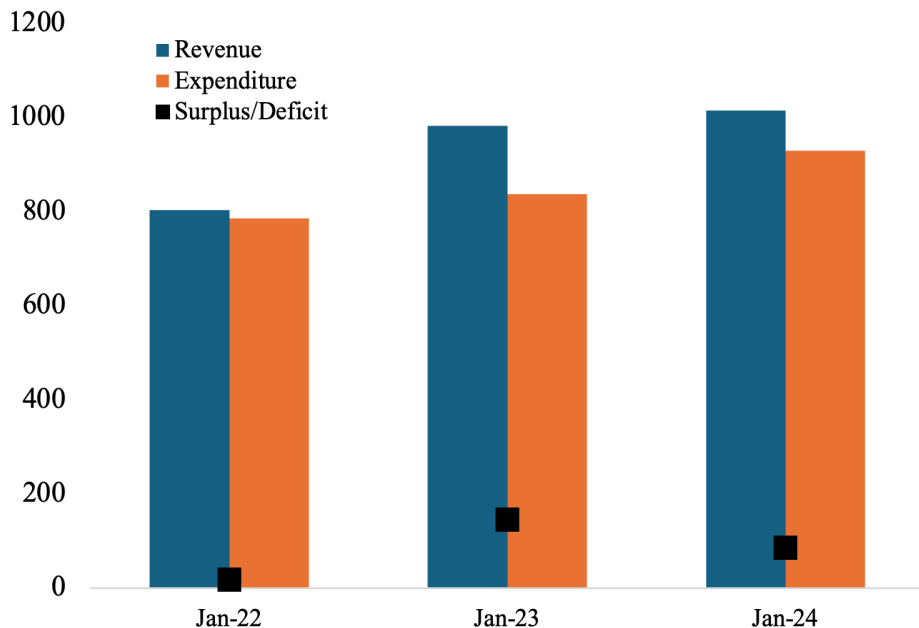
Inflation in Dubai eased to 3.5% in Jan-Feb 2024 (Jan-Feb 2023: 4.7%), with declines across most categories. Housing ticked up to 6.2% & education to 3.6%



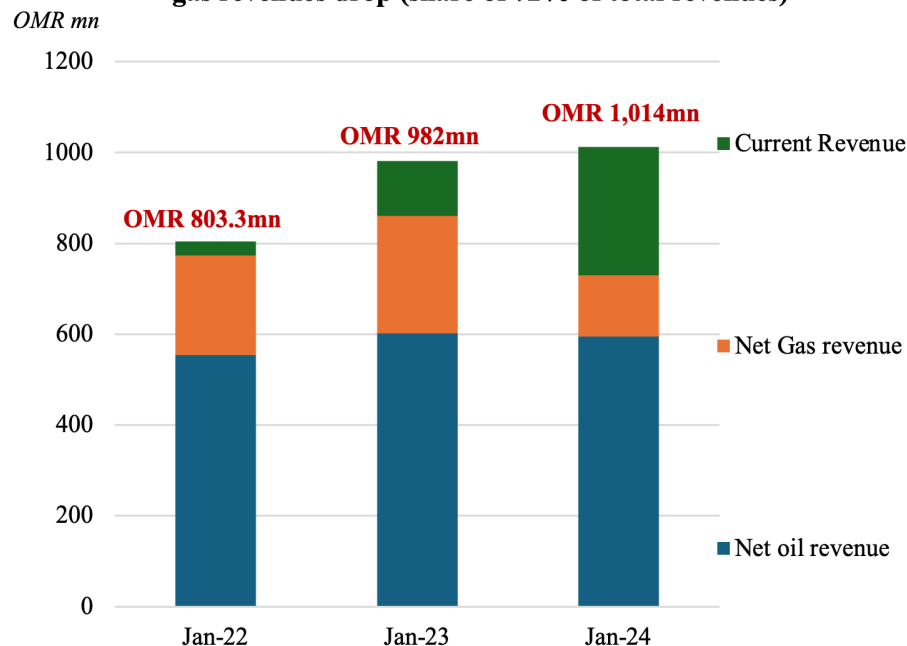
Oman posts a narrower budget surplus of OMR 85mn in Jan 2024

- **Oman posted a budget surplus of OMR 85mn in Jan** (vs. surplus of OMR 145mn in Jan 2023), “attributed mainly to an increase in government investments”. The average oil price in Jan 2024 was USD 90 (-1.1% yoy) and average daily oil production was 2.2% lower at 1040k bpd. The **2024 budget estimates an average oil price of only USD 60 a barrel**.
- **Public revenues rose 3% yoy** to OMR 1.014bn in Jan, with the increase **driven by the 132% surge in current revenues**. Both net oil & gas revenues fell in Jan, down by 1.2% and 47.7% respectively to OMR 595mn and OMR 135mn respectively. Together, net O&G accounted for 72% of revenues in Jan.
- Overall **expenditure increased by 11% yoy** to OMR 929mn in Jan: of this, public expenditure of civil ministries stood at OMR 680mn (-3% yoy) while contributions & other expenses increased by a massive 227% yoy to OMR 121mn. Development expenditure, at OMR 19mn, was only 2% of the total allocated for 2024 (OMR 900mn).
- **Oman’s budget 2024 estimates an increase in both revenues & expenditure** (by 10% and 3% compared to 2023 budget), leading to a deficit of OMR 640mn - narrower compared to the 2023 budget deficit of OMR 1.3bn.

Oman: Revenue grew by 3.3% yoy in Jan 2024 alongside a 11% jump in spending; surplus narrows to OMR 85mn



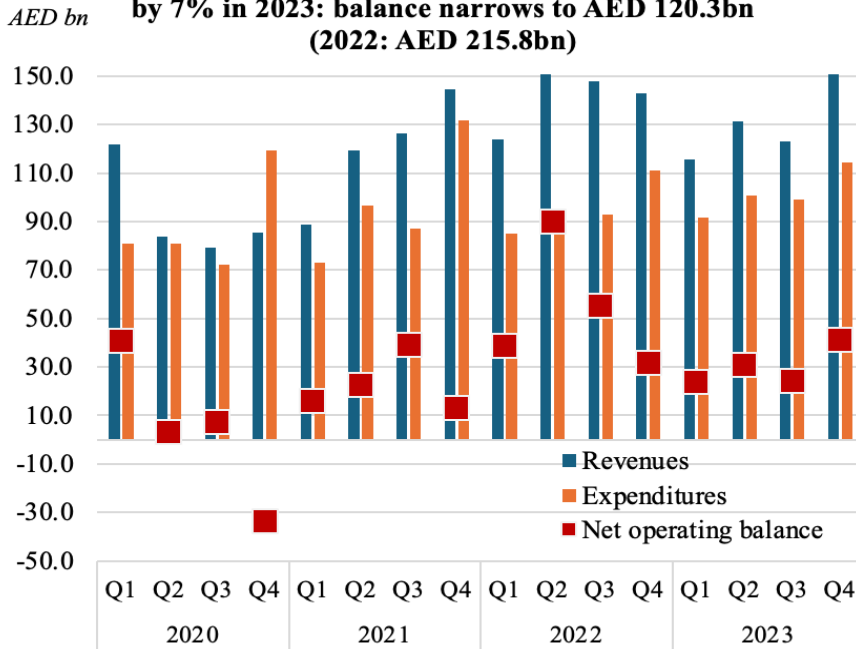
Oman's revenue increase is supported by the surge in current revenue (132% yoy to OMR 283mn) while net oil & gas revenues drop (share of 72% of total revenues)



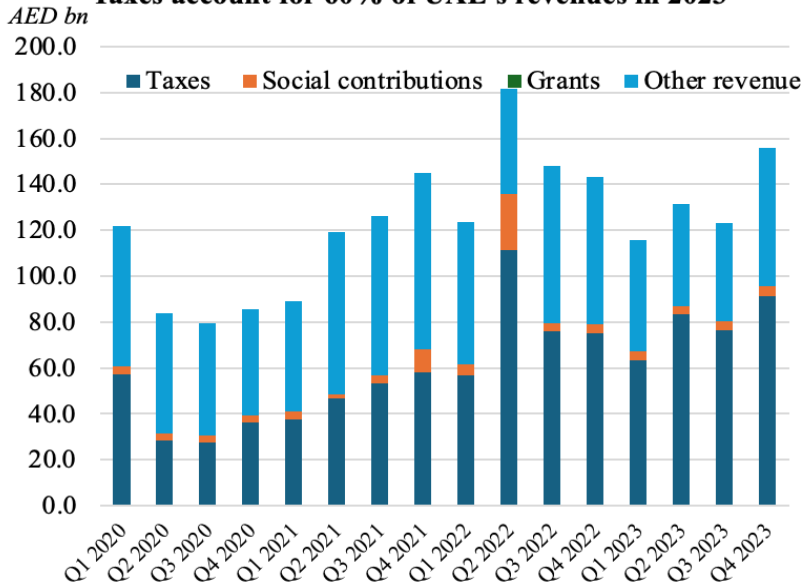
UAE federal revenues fell sharply to AED 526.1bn in 2023 & net lending/ borrowing value narrowed

- UAE's federal revenues fell by 12% yoy to AED 526.1bn in 2023, as per the Ministry of Finance estimates. **Tax revenues slipped** by 3% yoy to AED 314.8bn in 2023, but accounted for **59.8% of total revenues**.
- **Spending increased** by 5% yoy to AED 405.8bn in 2023, with compensation of employees holding steady at AED 118.4bn (or 29.2% of total expenditure). **Subsidies and social benefits grew** to AED 37.2bn (+28% yoy) and AED 38.3bn (+17%) respectively.
- The **net lending/ net borrowing** value stood at a **surplus of AED 120.3bn** for the full year: this compares to a surplus of AED 215.8bn in 2022.
- In **Q4 2023** alone, revenues jumped by 26.5% qoq to AED 156mn, as taxes and other revenues grew by 19.5% and 40.8% respectively; expenditures were up by 15.8% qoq.

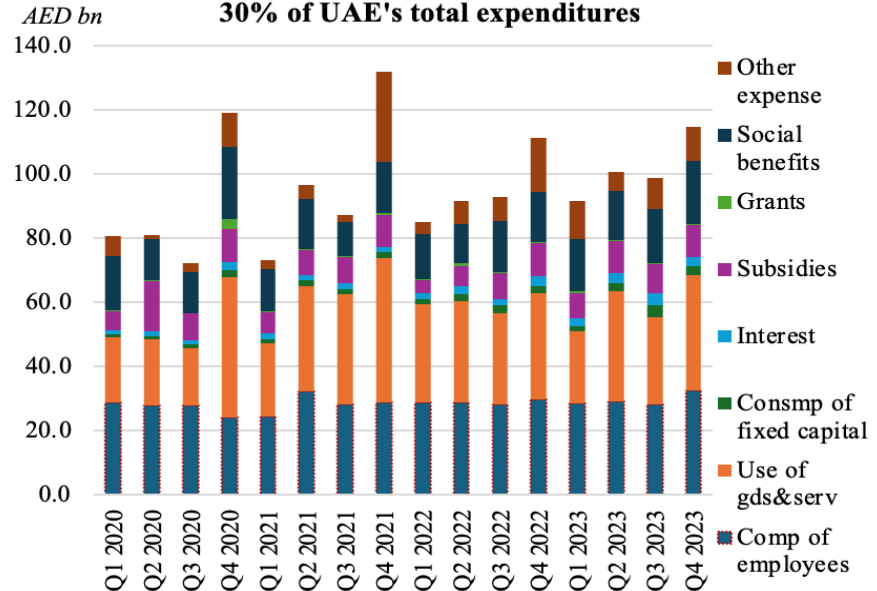
UAE's revenues fall by 12% while spending ticks up by 7% in 2023: balance narrows to AED 120.3bn (2022: AED 215.8bn)



Taxes account for 60% of UAE's revenues in 2023



Compensation of employees account for just under 30% of UAE's total expenditures



Asset Size Rising at GCC SWFs

- There are **four representatives from the GCC among the top 10 sovereign wealth funds globally**, according to data from the SWF Institute.
- Though exact portfolio amounts or asset allocation splits are hard to come by for SWFs in the region, it is known that **ADIA tops the list of SWFs from the GCC**, with assets size at USD 993bn (2022: USD 790bn).
- More recently, the **transfer of an additional 8% Aramco stake raised PIF's asset size**, allowing it to overtake the Kuwait Investment Authority.
- Global SWF reported that **PIF was the world's largest sovereign investor in 2023**, deploying USD 31.6bn across 49 deals. **PIF aims to manage USD 2trn in assets by 2030**, with 83% in domestic holdings.
- **Kuwait Investment Authority** benefitted from more than 50% of its investments being in the US (reported Bloomberg).
- Interestingly, **Abu Dhabi hosts three SWFs in the global top 20 list**: ADIA, ADQ and Mubadala.

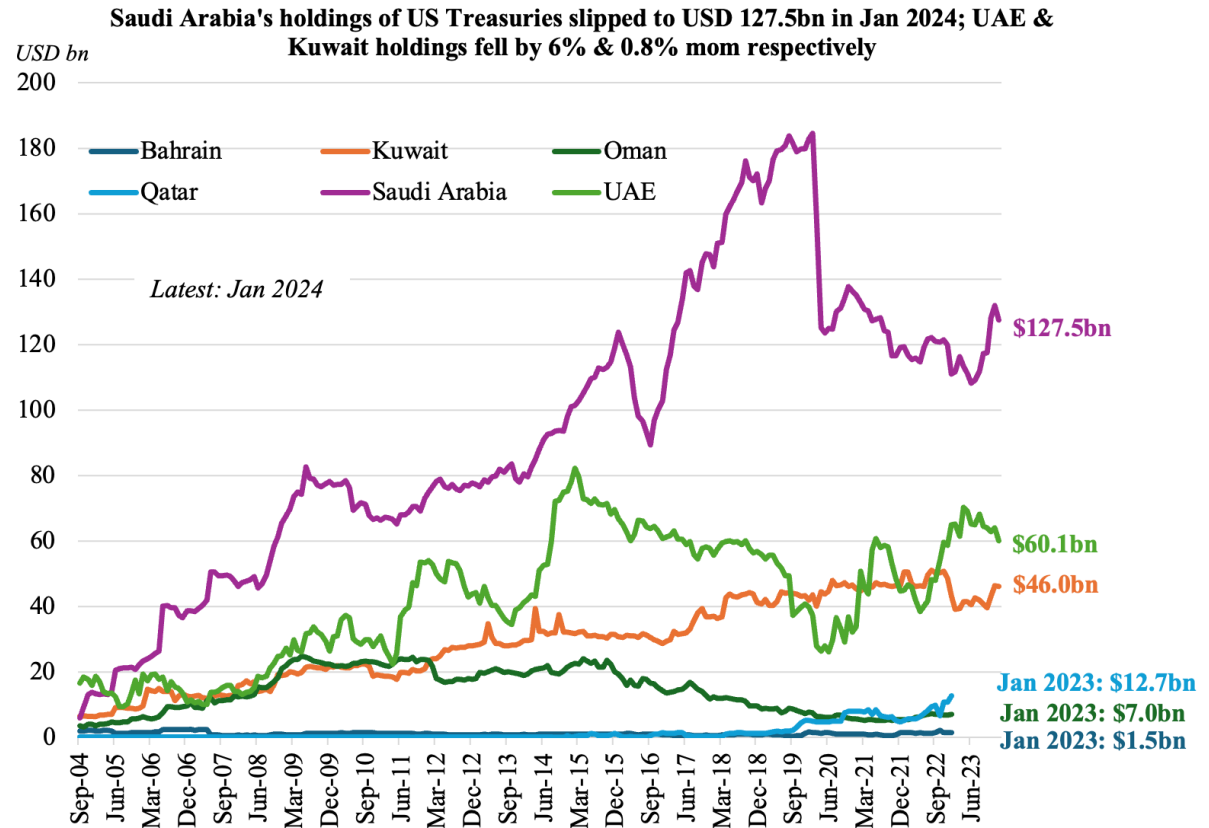
Nine of the top 25 Sovereign Wealth Funds (by asset size) are from the GCC: 3 have assets close to \$1trn

Rank	Profile	Total Assets (USD bn)	Region
1	Norway Government Pension Fund Global	1648.1	Europe
2	China Investment Corporation	1350.0	Asia
3	SAFE Investment Company	1090.0	Asia
4	Abu Dhabi Investment Authority	993.0	Middle East
5	Public Investment Fund	925.0	Middle East
6	Kuwait Investment Authority	923.5	Middle East
7	GIC Private Limited	770.0	Asia
8	Qatar Investment Authority	526.1	Middle East
9	Hong Kong Monetary Authority Investment Portfolio	514.2	Asia
10	Temasek Holdings	492.2	Asia
12	Investment Corporation of Dubai	341.1	Middle East
14	Abu Dhabi Developmental Holding Company (ADQ)	190.0	Middle East
18	Mubadala Investment Company	139.0	Middle East
21	Emirates Investment Authority	87.0	Middle East
22	Dubai Investment Fund	80.0	Middle East

Source: SWF Institute.

US Treasuries holdings of major GCC nations' decline in month-on-month terms in Jan 2024

- **GCC holdings of US Treasuries declined in Jan 2024** (month-on-month terms).
- **Saudi Arabia** is still the 16th largest investor in US Treasury bonds: USD 127.5bn as of Jan 2024; however, the mom decline is the first after continuously increasing holdings since Jul 2023.
- **UAE and Kuwait holdings** also fell by 6% & 0.8% mom respectively in Jan 2024.
- However, Kuwait and Saudi holdings gained 6.2% and 14.9% compared to Jan 2023 readings; UAE's holdings were down also in yoy terms, by 7.4%.



Source: US Treasury, Refinitiv Eikon. Chart by Nasser Saidi & Associates.

- **Yields on long-dated Treasury notes and bonds climbed in Jan.**
- Wait and watch to see if there is a change in approach once the global central banks begin its rate cuts phase.

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