

Weekly Insights

25 Jul 2024

GCC are adjusting to lower oil revenues

- *Dubai real GDP grew by 3.2% yoy in Q1 2024, with services activities contributing most to GDP; inflation eased in H1 2024*
- *Saudi exports & imports accelerated by 5.8% & 2.6% yoy in May; oil exports grew by 4.9%*
- *Kuwait posts a deficit of KWD 1.6bn in 2023-24, dragged down by a plunge in oil revenues*
- *Saudi Arabia's US Treasuries holdings, at USD 136.3bn in May 2024, is the highest since Jan 2022*

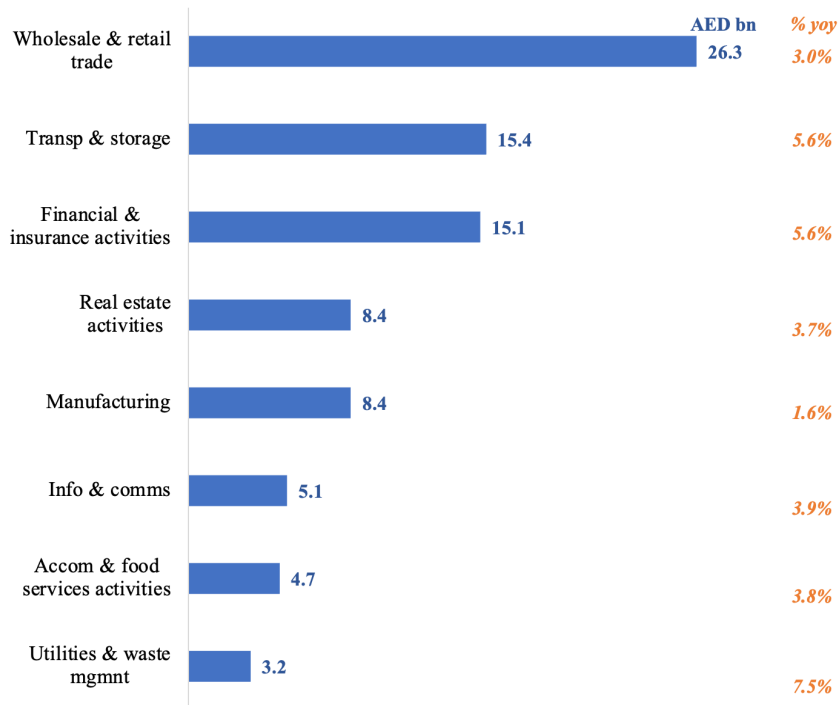
NASSER SAIDI

— & ASSOCIATES —

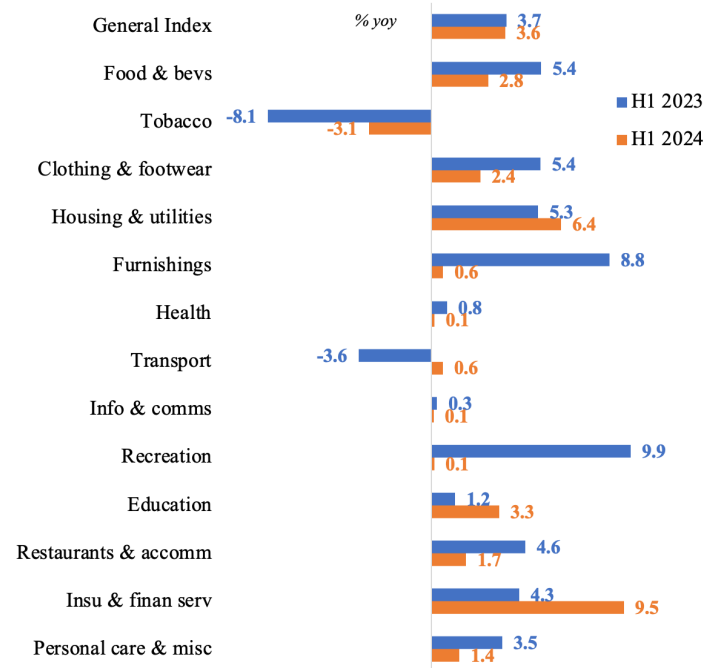
Dubai real GDP grew by 3.2% yoy in Q1 2024; inflation has eased across most categories in H1 2024

- **Dubai real GDP grew by 3.2% yoy to AED 115bn in Q1 2024. Wholesale and retail trade was the largest contributor to GDP** (22.9% of total), followed by transportation & storage (13.4%), financial & insurance activities (13.1%). Growth rate was a high 5.6% in the latter two sectors - transportation & storage and financial & insurance activities – while the **highest growth was in utilities & waste management** (7.5%). Real estate activities grew by 3.7% yoy in Q1 (vs. 5.6% in 2023) and its contribution to GDP was 7.3%.
- **Dubai PMI averaged 57.2 in Q1 2024**, 4.6% higher than Q1 2023. **GDP prospects for Q2 will likely be affected by the floods in Apr**, with PMI declining by 4.4% qoq and 2.7% yoy to 54.7 in Q2 (the same as Q1 2023). Some sectors are expected to perform relatively better including finance (uptick in DIFC & ADGM), tourism (Dubai welcomed 8.12mn visitors in Jan-May 2024, +10% yoy).
- **Inflation eased in Dubai to 3.65% in H1 2024** from 3.7% in H1 2023. Mostly slower than last year, some sectors posted upticks in costs: finance & insurance (9.5% vs 4.3%) housing & utilities (6.4% vs 5.3%), education (3.3% vs 1.2%), and transport (0.6% vs -3.6%).

Dubai GDP grew by 3.2% yoy to AED 115bn in Q1 2024; Wholesale & retail trade sector was the largest contributor to GDP; financial and transport & storage sectors grew by 5.6% each during the quarter

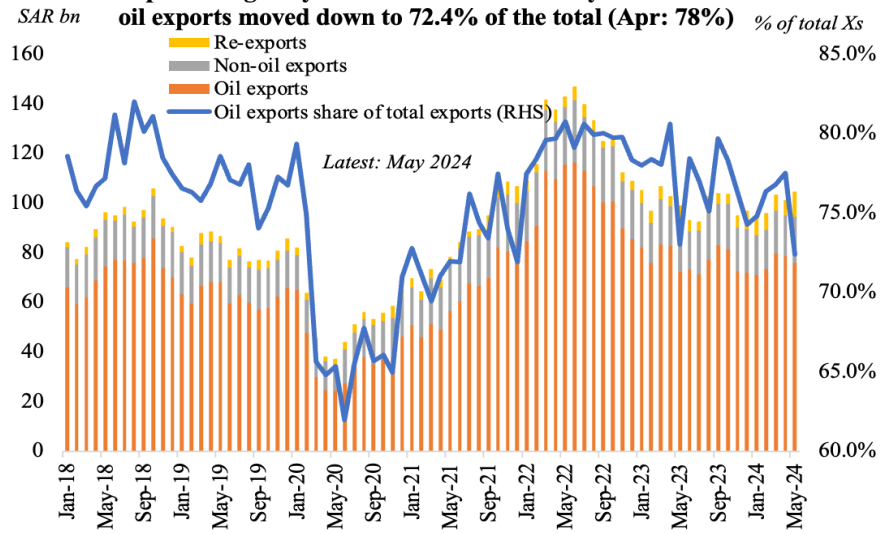


Inflation in Dubai eased slightly to an average 3.65% yoy in H1 2024 (H1 2023: 3.7%); most categories slowed, except for housing, transport, education & insurance/ financial services



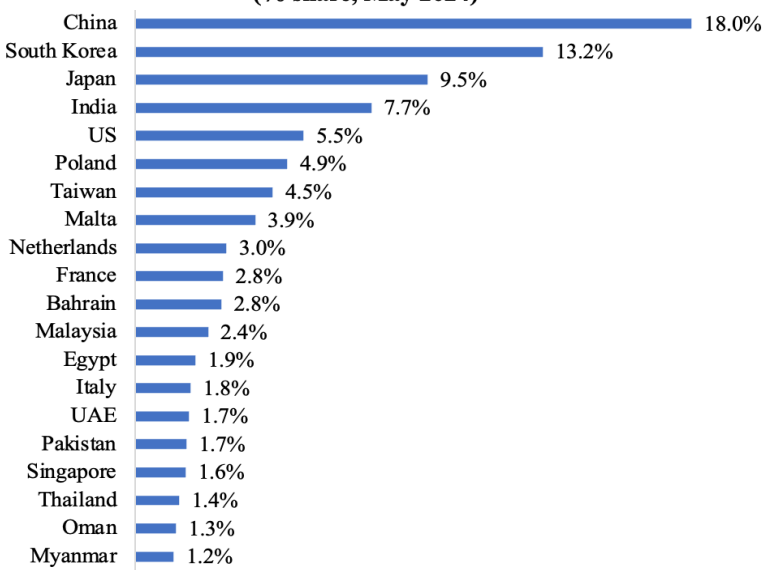
Saudi exports & imports accelerated by 5.8% & 2.6% yoy in May; surplus stands at SAR 34.5bn

Saudi oil exports declined by 3.5% mom; non-oil exports and re-exports surged by 13% & 64% mom in May 2024. Share of oil exports moved down to 72.4% of the total (Apr: 78%)

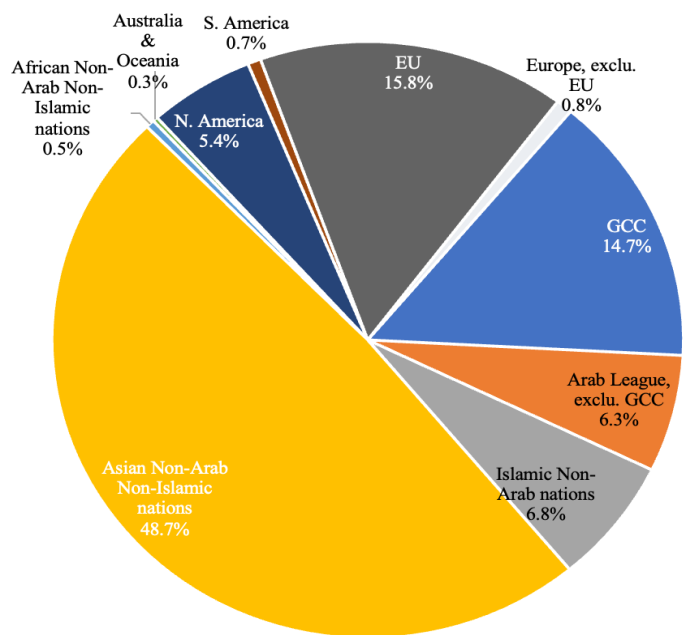


- Saudi Arabia's exports grew by 3.3% month-on-month to SAR 104.8bn in May, with oil exports declining by 3.5% mom alongside upticks in both non-oil exports (13%) and re-exports (63.9%).
- In yoy terms, **oil exports grew** by 4.9% to SAR 75.9bn in May and its share in overall exports was 72.4% (lowest since end-2021). **Non-oil exports declined** by 2.1% yoy to SAR 18.7bn while **re-exports surged** by 33.9% to SAR 10.2bn in May.
- **Imports also grew by 10.6% mom and 2.6% yoy** to SAR 70.3bn, thereby moving **trade surplus** to SAR 34.5bn (vs Apr: SAR 37.8bn; May 2023: SAR 30.6bn).
- **Oil exports to top 5 destinations** (China, Japan, India, South Korea & Poland) stood at **53.8% of total oil exports** in May. Share of top 25 nations was 95.5%.

Saudi Arabia's top 5 (& 20) destinations for oil exports account for about 54% (& 91%) of total oil exports (% share, May 2024)



Asian Non-Arab Non-Islamic nations received a tad under half of Saudi exports in May 2024



- **China was the top trade partner in May:** accounting for 15.2% of overall exports and one-fourth of total imports.
- **Asian Non-Arab Non-Islamic nations** received 48.7% of Saudi exports in Apr 2024 & GCC 14.7%.

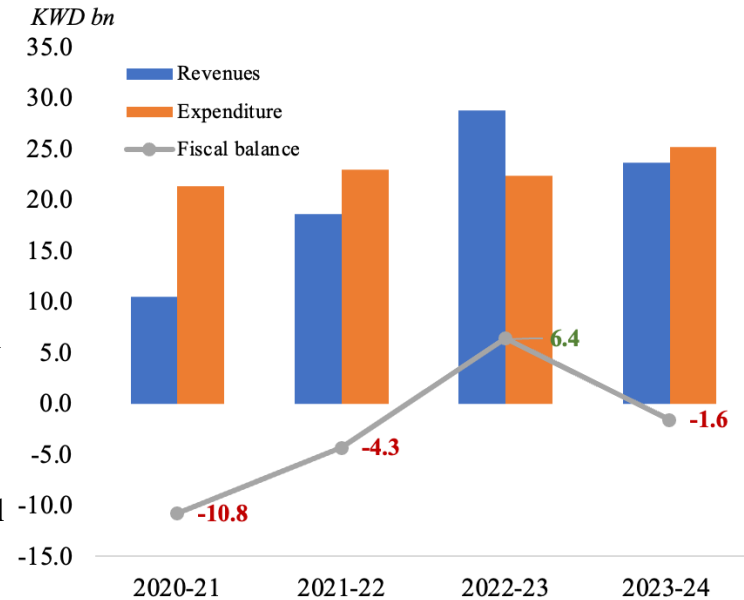
Source: GaStat. Charts by Nasser Saidi & Associates



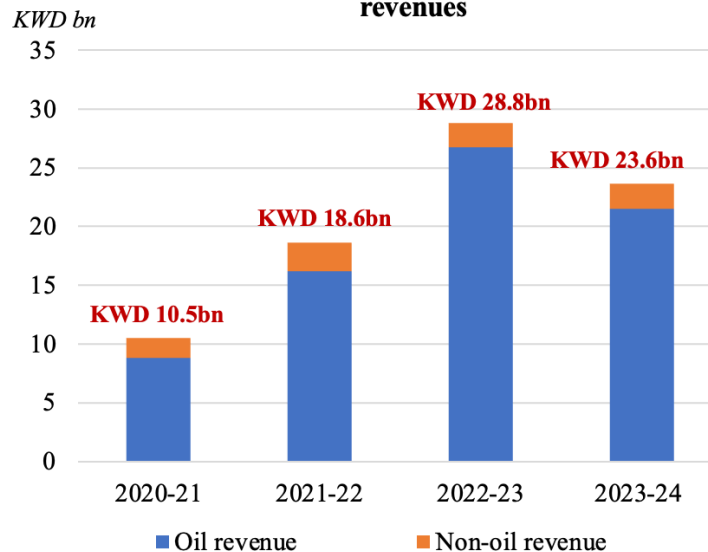
Kuwait posts a deficit of KWD 1.6bn in 2023-24

- **Kuwait's** finance ministry disclosed that **fiscal balance moved to a deficit of KWD 1.6bn in 2023-24** compared to a surplus of KWD 6.4bn in 2022-23. The budget had estimated a much wider deficit of KWD 6.8bn in the fiscal year.
- **Revenues declined by 18% yoy to KWD 23.6bn**; this was 21.3% higher than estimated in the budget for the year. The **drop was largely owing to oil revenues**, which fell by 19.4% to KWD 21.5bn (as per an average oil price of USD 84.36 a barrel). Non-oil revenues, which accounted for under 10% of total revenues, posted a slight uptick of 1% to KWD 2.4bn.
- **Expenditures increased by 12.7% yoy to KWD 25.2bn**, with wages and subsidies rising by 12.1% (to KWD 14.6bn) and 34.1% (to KWD 5.9bn) respectively. Salaries wages and subsidies together accounted for 81.1% of total spending in 2023-24. Capex spending meanwhile fell by 8.9% to KWD 1.9bn. Spending was 4.1% lower than estimated in the budget for the year.
- **Fiscal performance has been weak**, given Kuwait's political gridlock & **delayed reforms** including introduction of a 5% VAT & public debt law. Volatility in oil prices & production will continue to impact fiscal and external balances in the absence of reforms to drive diversification efforts.

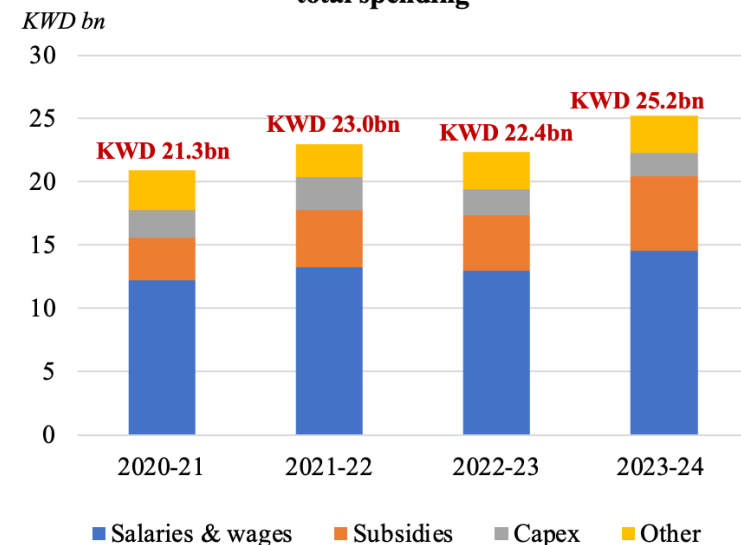
Kuwait fiscal balance turns deficit in 2023-24



Kuwait: revenues fell by 18.1% yoy in 2023-24; share of oil revenues stood at 91.2% of total revenues

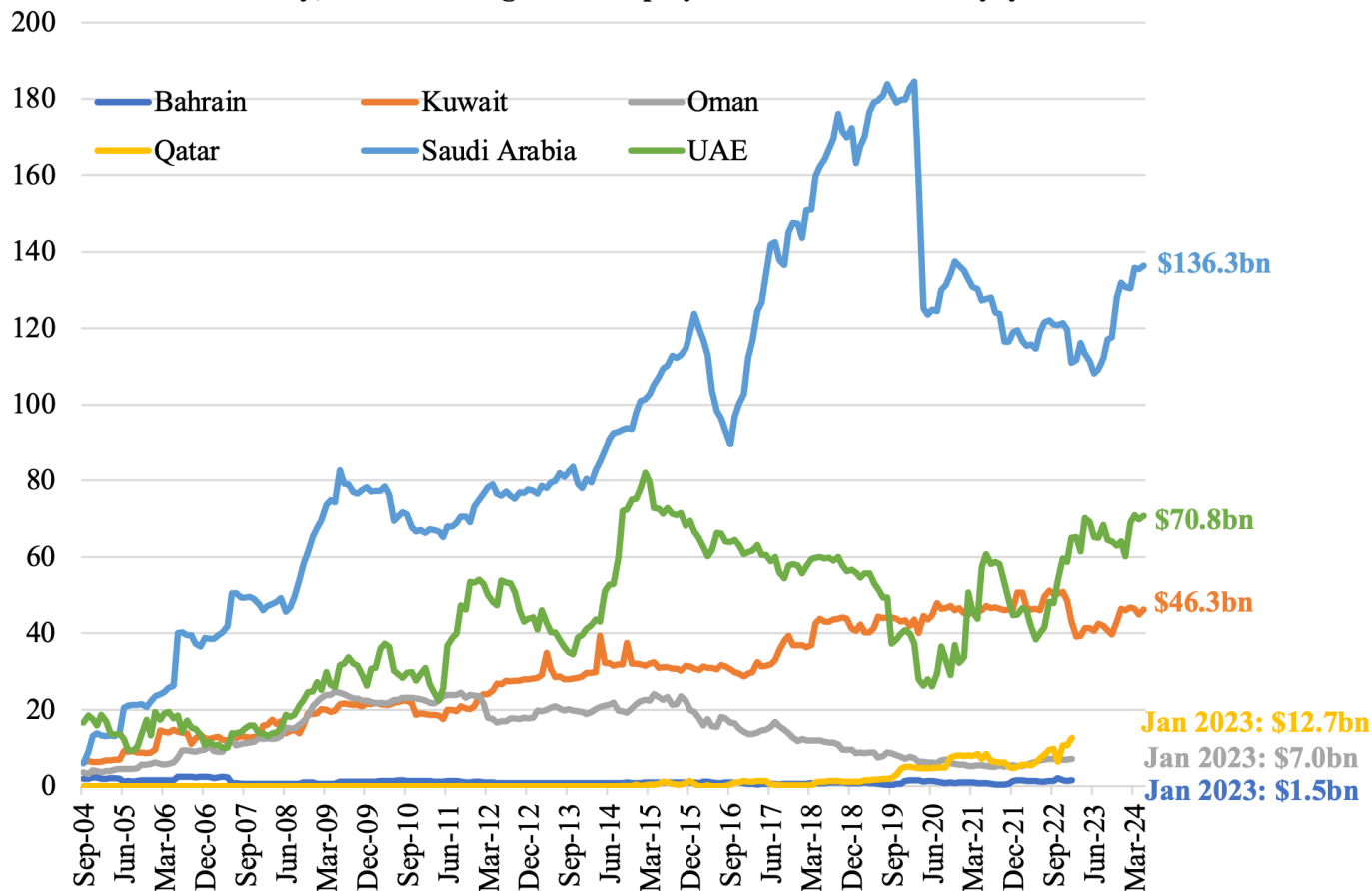


Kuwait: spending surged by 12.7% yoy in 2023-24; wages & subsidies to account for 81.1% of total spending



Saudi Arabia's US Treasuries holdings, at USD 136.3bn in May 2024, is the highest since Jan 2022

Saudi Arabia's US Treasuries holdings grew by 0.7% mom and 22.5% yoy to USD 136.3bn in May; UAE's holdings inched up by 1.4% mom and 2.6% yoy to USD 70.8bn



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

- **Foreign holdings of Treasuries hit a record high of USD 8.129trn in May** (Apr: \$8.04trn).
- **Japan**, largest foreign holder of US Treasuries, saw holdings shrink to USD 1.128trn (-2% mom). The ongoing US-China trade war has seen **China** reduce its holdings to USD 768bn (Apr: USD 770bn).
- **Saudi Arabia is the 17th largest investor in US Treasury bonds** as of May 2024 (USD 136.3bn): the **highest since Jan 2022**.
- In May 2024, the 3 GCC nations - Kuwait, UAE and Saudi Arabia - increased their holdings in both mom & yoy terms.
- **Compared to end-2023, Kuwait decreased their holdings** (by 0.3%), while Saudi Arabia and UAE holdings have ticked up by 3.3% and 10.7% respectively.
- **KSA's holdings grew by 0.7% mom and 22.5% yoy to USD 136.3bn in May. UAE's holdings clocked in at USD 70.8bn in May**, up by 1.4% mom and 2.6% yoy.

Prepared by:

Dr. Nasser Saidi
Founder & President
nsaidi@nassersaidi.com

Aathira Prasad
Director, Macroeconomics
aathira@nassersaidi.com

NASSER SAIDI

— & ASSOCIATES —