Adjusting to the impact from US tariff hikes in relatively resilient GCC economies

Weekly Insights 4 April 2025

- *US trade tariffs: 'reciprocal' 10% tariffs have been imposed on imports from most countries including in GCC/ MENA*
- *Abu Dhabi's real GDP grew by 3.8% yoy in 2024, with non-oil GDP at a record-high contribution of 54.7%*
- *Oman's real GDP grew by 1.7% yoy in 2024, supported by the non-oil sector (especially services) expansion*
- *FDI into Oman grew by 18% yoy to OMR 30.04bn at end-2024: oil & gas sector attracted the most investment*
- *Total deposits in Saudi Arabia at an all-time high of SAR 2.795trn in Feb*
- *Saudi posts a record-high BoP surplus for travel in 2024*
- *Slower gains in Middle East air passenger growth while cargo dips in Feb 2025*

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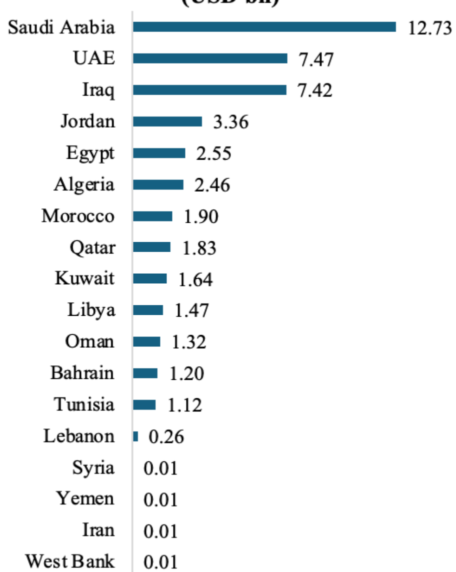
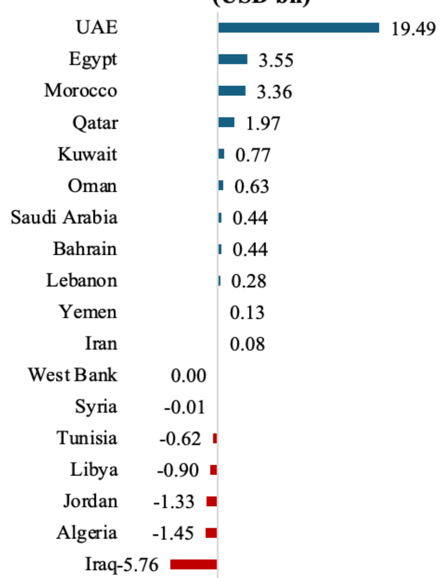
US trade tariffs: ‘reciprocal’ 10% tariffs have been imposed on imports from most countries including in GCC/ MENA - the highest trade barriers in over a century

- First and foremost, **“tariffs” were calculated as** the ratio of a country’s trade balance with the US divided by its exports to the US - instead of the tariff rate trading partners charge the US - and the “discounted” reciprocal tariffs amount to half that number. So, a country that exports more goods to the US than it buys from the US is charged a higher “discounted” reciprocal tariff. For example, US trade deficit with Iraq stood at USD 5.76bn in 2024 and its exports to the US was USD 7.42bn, so the country ended up with a steep 39% reciprocal tariff (half of the ratio of 5.76 and 7.42) vs China’s 34% rate (which runs a USD 295.4bn deficit). The WTO’s Most-Favoured Nation (MFN) tariffs provide an indication of the normal non-discriminatory tariff charged on imports (it excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
- For now, there seems to be **no consensus on whether these tariffs can be negotiated ahead of the implementation date of Apr 9th**, with some officials stating these are final versus President Trump’s own statements that these are negotiable. Businesses are unlikely to begin investing domestically and set up factories (to bypass tariffs), thereby creating jobs & increasing exports unless there are definite assurances from the administration.
- **Tariffs will add inflationary pressure, raise probability of lower real disposable income and higher cost of living, leading to a US recession** (amid job losses in both public and private sectors). Business and consumer confidence indices have been tumbling. Stock markets have plunged since the announcement (markets in US and Europe on Thursday posted the biggest daily fall since the pandemic) and **markets are pricing in more central bank cuts** (any Fed cut will be mirrored by most GCC nations, given the dollar peg) should this lead to a global trade war (China already announced a 34% retaliatory tariff).
- **For the GCC, the impact is likely to be minimal for now**. Saudi Arabia and UAE are two of the largest exporters to the US and tariffs are set at the lowest 10%; additionally, oil, gas and refined products (which are a substantial portion of the exports) are exempt. But a global fallout from the retaliatory tariffs (especially if it persists over a few months) could affect the region – especially in the case of weakening demand from its main partners in Asia.

US imports from MENA (USD bn)



US trade balance with MENA (USD bn)



Source: United States Census Bureau, International Trade Commission
Charts by Nasser Saidi & Associates

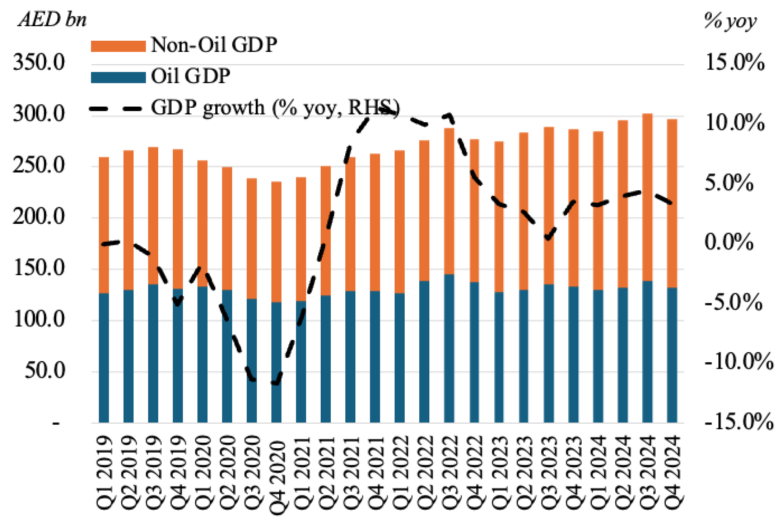
	Average tariff rates (Simple MFN applied avg, all products)	Average tariff rates (Trade-weighted MFN avg)	US "Discounted" Reciprocal Tariffs Announced on Apr 2
Syria			41%
Iraq			39%
Libya	4.5%		31%
Algeria	18.9%		30%
Tunisia	19.5%	14.4%	28%
Jordan	4.0%	3.8%	20%
Bahrain	4.5%	4.2%	10%
Egypt	19.1%	12.4%	10%
Iran			10%
Kuwait	4.7%	4.7%	10%
Lebanon	11.3%	7.3%	10%
Morocco	14.0%	13.9%	10%
Oman	5.6%	5.9%	10%
Qatar	4.7%	4.2%	10%
Saudi Arabia	6.2%	6.1%	10%
UAE	4.7%	3.3%	10%
Yemen			10%

Source: WTO World Tariff Profiles, White House

Abu Dhabi's real GDP grew by 3.8% yoy in 2024, with non-oil GDP at a record-high contribution of 54.7%

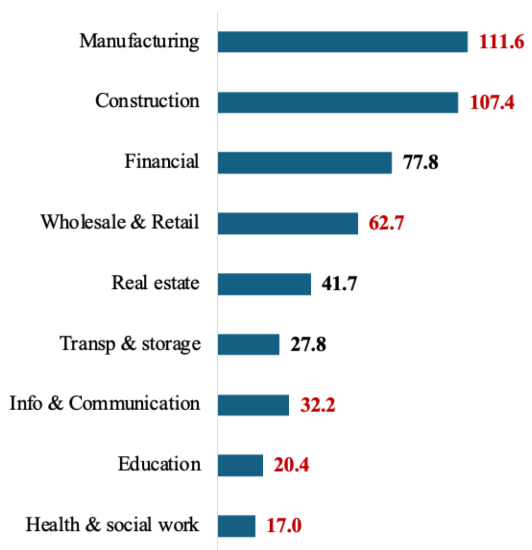
- **Real GDP in Abu Dhabi grew by 3.8% yoy to a record-high AED 1.2trn in 2024**, supported by robust non-oil sector activity (6.2% yoy). The **contribution of the non-oil sector stood at 54.7% of the total**, the highest annual contribution on record. In Q4, GDP grew by 4% with non-oil sector up by 7% (and contributing 55% to GDP).
- **Multiple non-oil sectors clocked in all-time highs in 2024** – including manufacturing and construction (which had the largest contributions to GDP at 9.5% and 9.1% respectively) as well as wholesale & retail trade, information & communication, education and health sectors. This **underscores various government's initiatives** such as the Abu Dhabi Industrial Strategy, ongoing infrastructure projects (more than 600 valued at AED 200bn+), increased trade activity (total trade was up 9% yoy in 2024) as well as strong performance from ADGM (245% yoy increase in assets under management in 2024).
- The **fastest growing sectors were** transportation & storage (16.9%), construction (11.3%) and financial & insurance (10.7% yoy).

Real GDP in Abu Dhabi grew by 4% yoy in Q4 2024, with non-oil GDP contributing 55% to total GDP

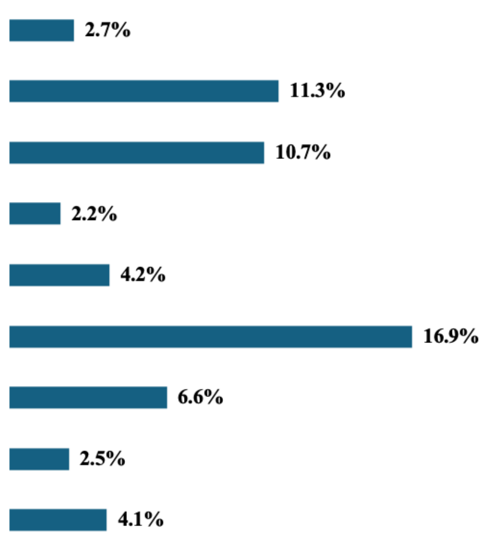


Source: Statistics Centre - Abu Dhabi. Chart by Nasser Saidi & Associates

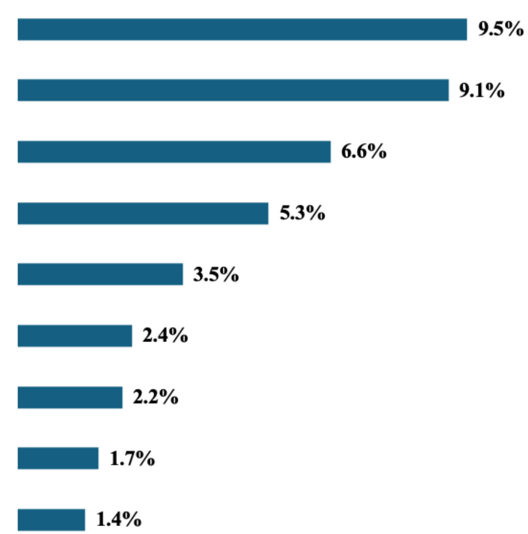
Abu Dhabi GDP: value added by non-oil sector, in AED bn (2024)



Abu Dhabi GDP by non-oil sector, % yoy (2024)



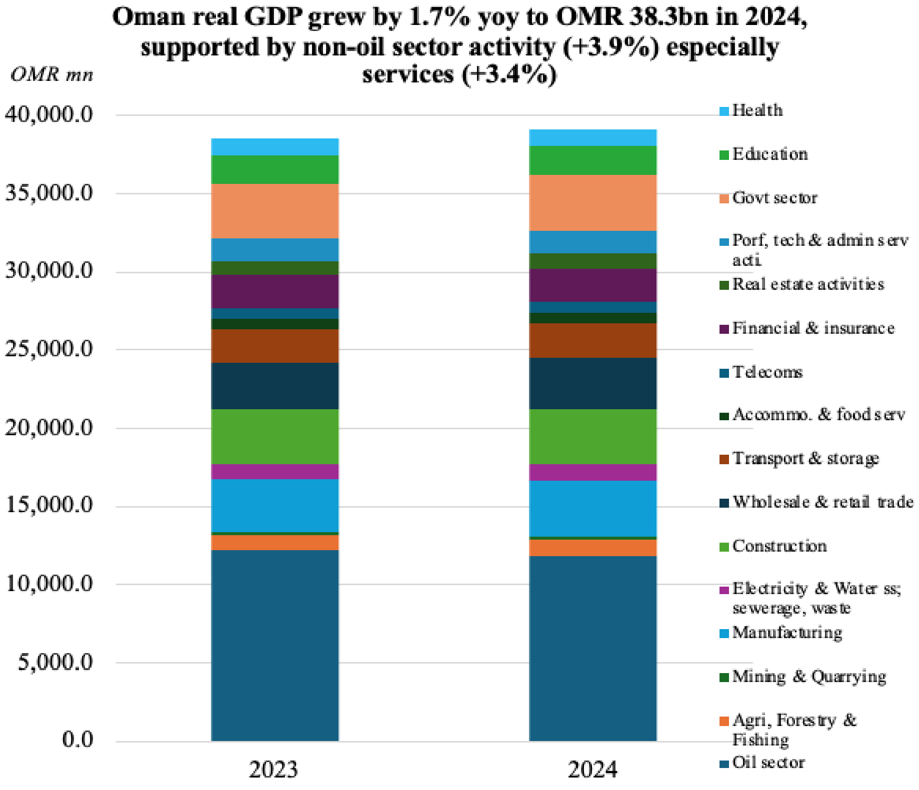
Abu Dhabi GDP by non-oil sector, contribution to GDP (2024)

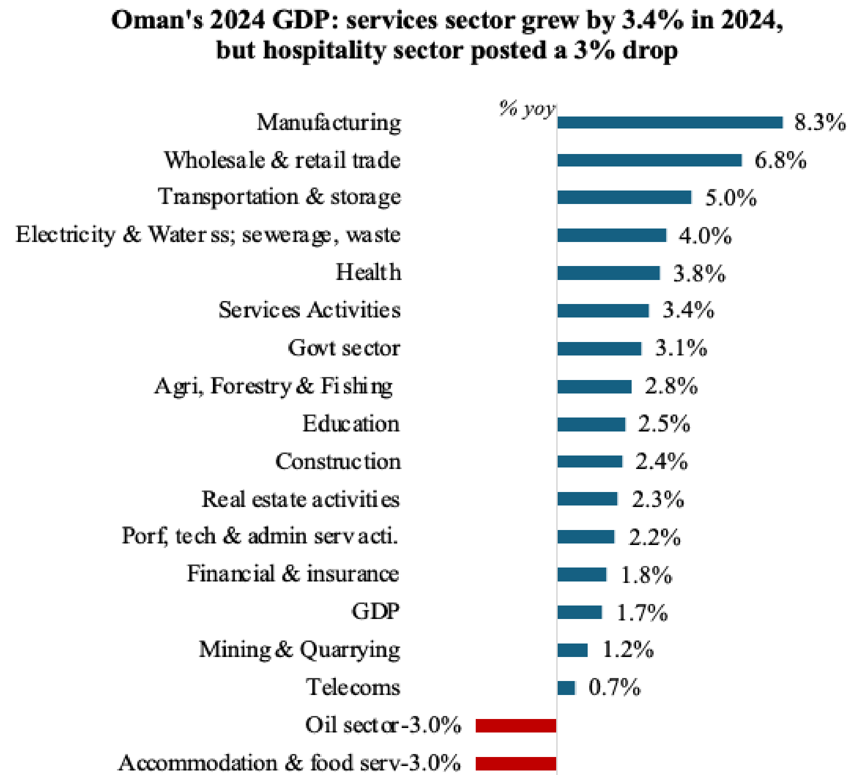


Source: Statistics Centre - Abu Dhabi. Charts by Nasser Saidi & Associates.
Note: GDP values in red indicate record-high values

Oman's real GDP grew by 1.7% yoy in 2024, supported by the non-oil sector (especially services) expansion; FDI pumped into the O&G sector

- **Real GDP in Oman grew by 1.7% yoy to OMR 38.3bn in 2024**, thanks to the non-oil sector growing at 3.9% (and services sector activity uptick by 3.4%) alongside a 3.0% decline in petroleum sector activity.
- **The oil and gas sector accounted for just over 30% of GDP** while the share of manufacturing, government and construction sectors stood at 9.5%, 9.4% and 9.3% respectively followed by manufacturing (8.8%).
- **Services sector grew by 3.4%**, with wholesale & retail trade growing the fastest (6.8%), followed by transportation & storage (5.0%). Government sector activity was up by a robust 3.1% while education and health sectors were up by 3.8% and 2.5% respectively. The oil & gas sector as well as hospitality ended in the red (both by 3% yoy) for the full year 2024.
- **The volume of FDI into Oman grew** by 18% yoy **to OMR 30.04bn in 2024**, with more than 3/4-ths of the FDI going into oil and gas exploration activity (growing at the fastest pace of 24.1% yoy to OMR 23.95bn), which could impact GDP contributions in the medium-term.



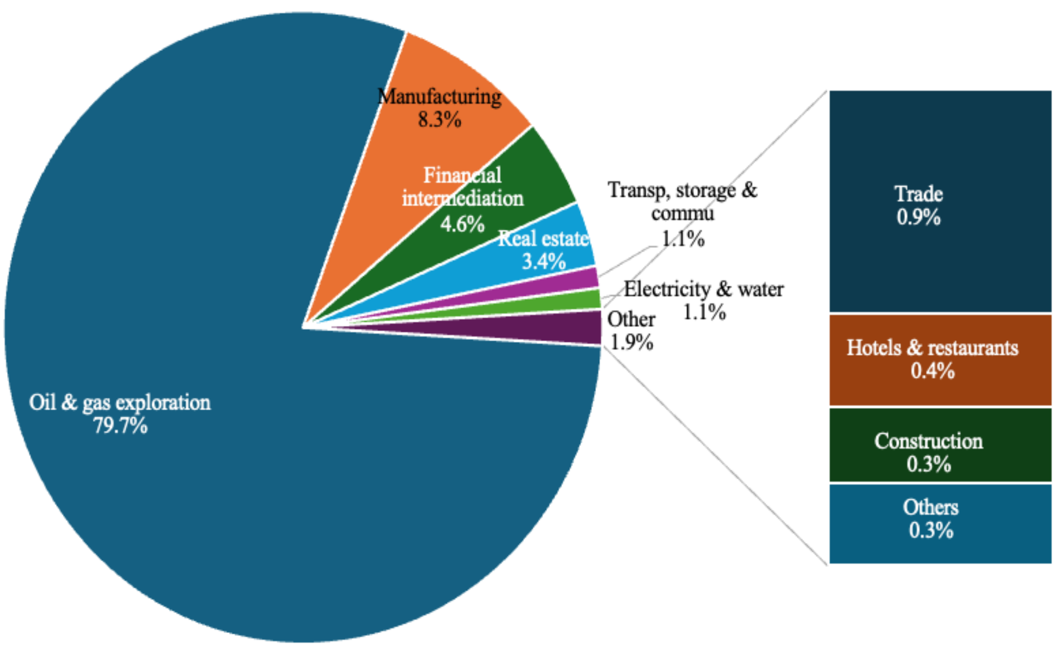


Source: National Centre for Statistics & Information, Oman. Charts by Nasser Saidi & Associates

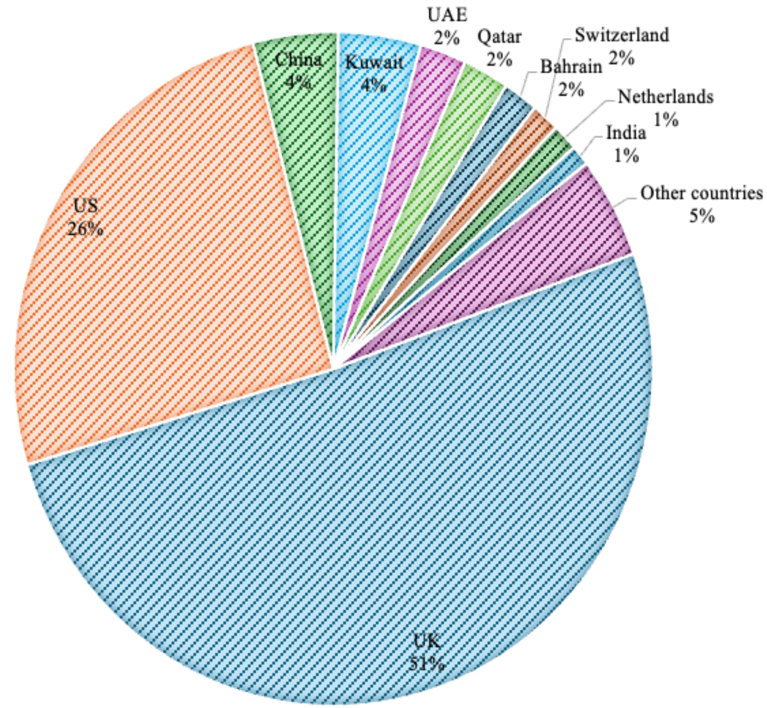
FDI into Oman grew by 18% yoy to OMR 30.04bn at end-2024: oil & gas sector attracted the most investment (close to 80% of total) and UK the largest investor

- **FDI in Oman surged by 18.0% yoy to OMR 30.042bn at end-2024**.
- The **most popular sectors that attracted FDI were oil and gas exploration** (79.7% of total), manufacturing, financial intermediation and real estate which together accounted for 95.9% of the total. Among the sectors, the **fastest growth was recorded in oil & gas exploration** (24.1%), followed by transport, storage & communication (18.3%) and trade was up 4.7%. Notably, financial intermediation, construction and hotels & restaurants posted declines compared to 2023 (by 7.7%, 5.8% and 4% respectively).
- The **United Kingdom topped the list of countries with investments in Oman** (OMR 15.3bn, or 51% of the total and up 22.9% yoy) followed by the United States (OMR 7.7bn) and China (OMR 1.3bn). **Regional investment seems to be strong**, with Kuwait, UAE, Qatar and Bahrain accounting for 10.6% of FDI in Oman. The fastest growth was seen in FDI from Switzerland (+89.3% yoy to OMR425.7mn), UK (22.9%), US (22.7%) and China (21.5%).

FDI into Oman surged by 18.0% yoy to OMR 30.04bn in 2024



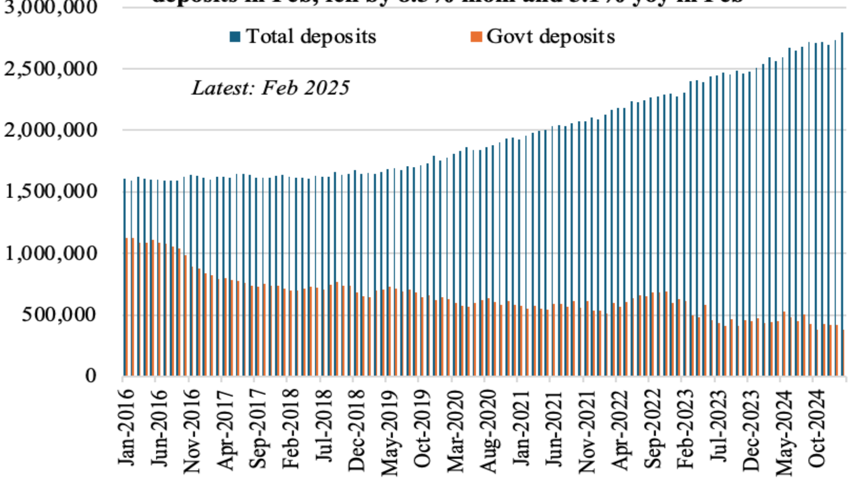
GCC accounted for over 10% of FDI into Oman in 2024; UK & US dominated - a cumulative share of more than three-fourths the total



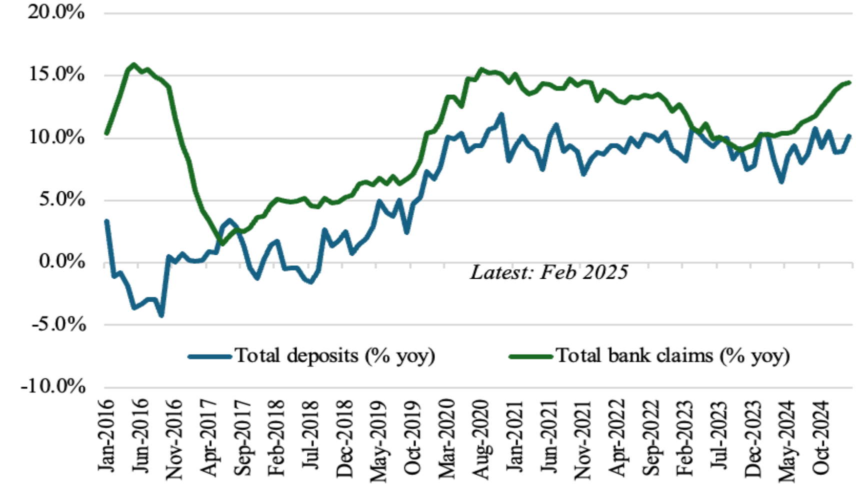
Source: National Centre for Statistics & Information, Oman. Charts by Nasser Saidi & Associates

Overall deposits in Saudi Arabia grew to a record-high SAR 2.795trn in Feb, up 2.3% mom; govt deposits continued to decline. Credit growth outpaced deposit growth for the 13th month in a row. Net foreign assets fell further in Feb (lowest since Oct 2023). Saudi posts a record-high BoP surplus for travel in 2024 (USD 13.3bn, thanks to the 13.8% rise in inbound tourist spending in 2024)

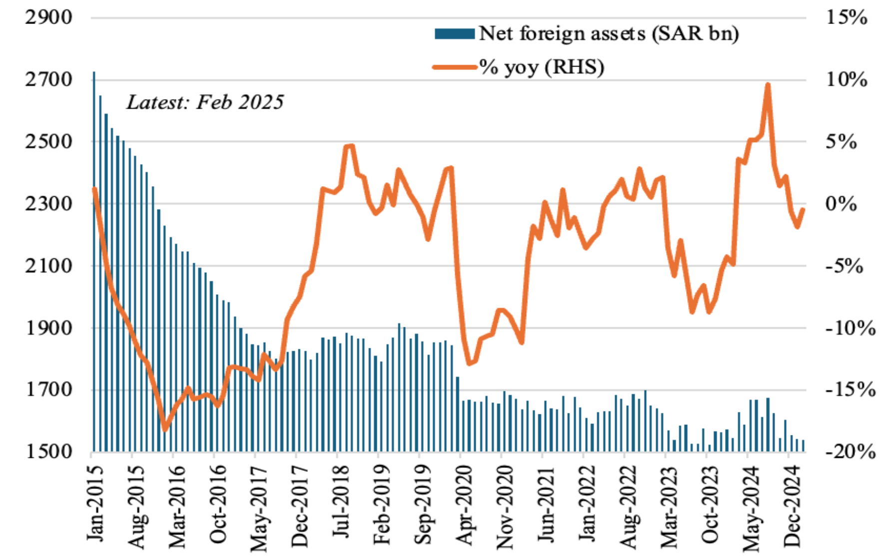
Total deposits in Saudi Arabia surged to a record high SAR 2.795trn in Feb 2025, up 2.3% mom and 10.1% yoy. Government deposits, which accounted for just 13.6% of total deposits in Feb, fell by 8.5% mom and 5.1% yoy in Feb



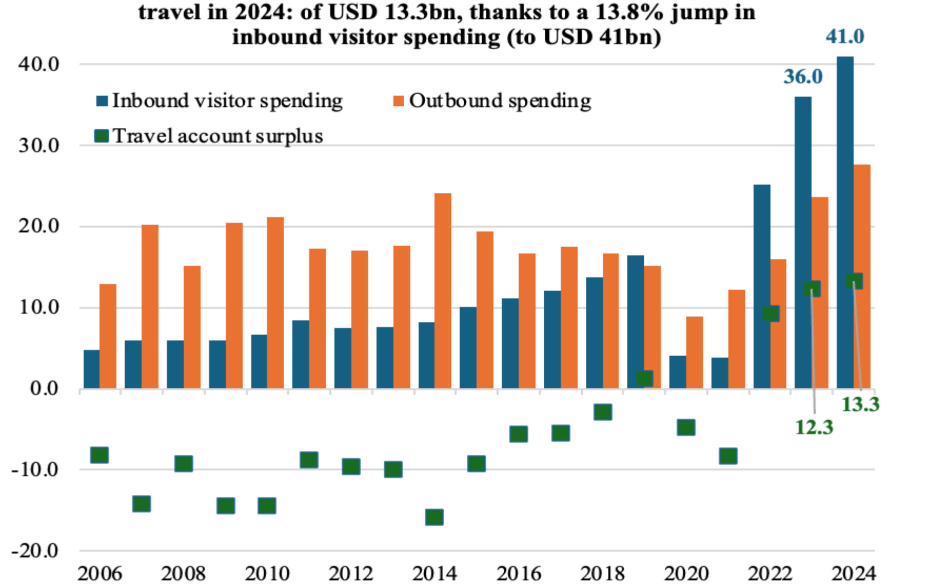
Saudi Arabia's total bank deposits grew by 10.1% yoy in Feb 2025. Credit growth increased by a faster 14.4%



SAMA's net foreign assets fell by 0.4% mom and 0.5% yoy to SAR 1.537trn in Feb 2025



Saudi Arabia posts a record balance of payments surplus for travel in 2024: of USD 13.3bn, thanks to a 13.8% jump in inbound visitor spending (to USD 41bn)

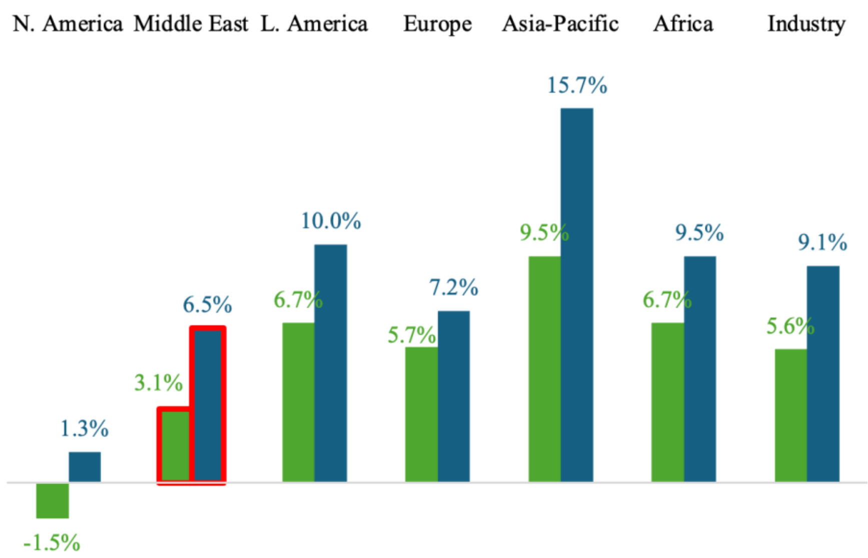


Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

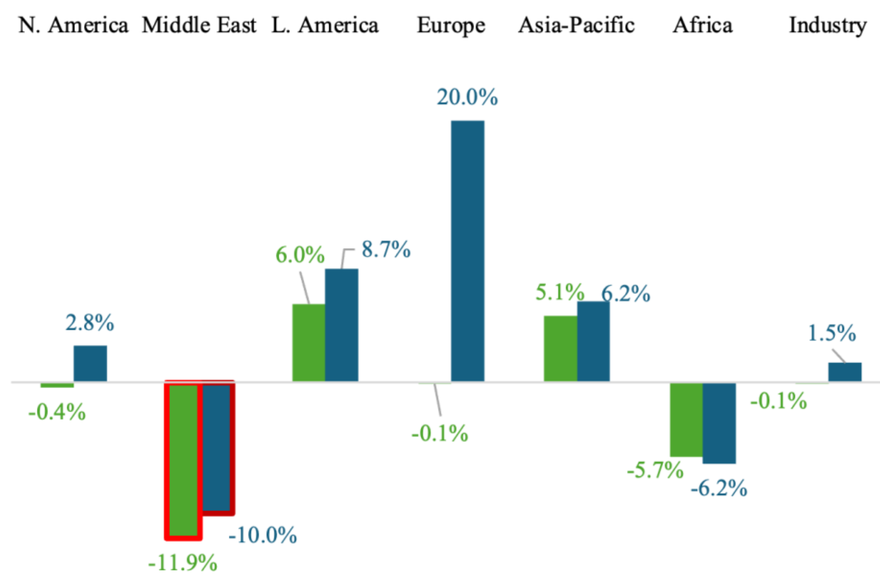
Slower gains in Middle East air passenger growth while cargo dips in Feb 2025

- **Global passenger traffic growth slowed in Feb**: it grew by 2.6% yoy but fell by 2.5% mom partly affected by the timing of the Lunar New Year holidays (in Jan this year vs Feb in 2024). International travel remains strong, up 5.6% yoy (down from Jan's 12.3% gain), in comparison to the 1.9% dip in domestic travel in Feb.
- **Middle Eastern airlines' international RPKs grew by 3.1% yoy and 6.5% year-to-date in Feb** – better than the 1.5% yoy drop seen in North America while **Asia Pacific was the fastest growing region** globally (9.5% yoy). **International passenger traffic in the Middle East-Asia route grew** by 4% yoy in Feb and was 11% higher than pre-pandemic levels in Feb; but the Africa-Asia route was the fastest among Asia-Pacific international markets (17.7% in Feb from 24.9% in Jan).
- Global **cargo** tonne-kms (CTKs) **edged lower by 0.1% yoy in Feb 2025**, with steepest decline from Middle East airlines (-11.9% yoy and -10% ytd) followed by Africa (-5.7% yoy and -6.2% ytd). Both North America and Europe posted their first yoy declines since late-2023. Middle East cargo routes with Asia posted a decline of 6.2% yoy and that with Europe fell by 14.1%.
- Trade growth was positive in Feb, with many businesses frontloading imports ahead of tariffs. As trade growth weakens with the introduction of tariffs, this will likely get reflected in cargo traffic movements.

Growth in International Revenue Passenger-Kms (RPKs)
*(% yoy in **Feb 2025** % yoy & % year-to-date)*



Growth in Total Cargo Tonne-Kms (CTKs)
*(% chng in **Feb 2025** % yoy & % year-to-date)*



Source: IATA, Air Passenger & Cargo Market Analysis (issued Mar 2025)

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