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Economic Performance and outlook
For the Gulf Corporation Council (GCC) | 2018

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Contents

Introduction

This report reviews the latest developments in the macro-economy in the GCC countries during the period 2013-2017 in general, and developments in 2017 in particular, while looking at the prospects and trends of the GCC economy in 2018 – 2019.

In addition, the report highlights the major macroeconomic developments and prospects at the international and regional levels that affect and are affected by the GCC economy.

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Global and regional view

Driven by increased investment, industrial production, global trade, and consumer confidence, world GDP grew by 3.8% in 2017, compared with a growth rate of 3.2% in 2016 (Table 1). According to International Monetary Fund (IMF) data, developed economies achieved a growth rate of 2.3% in 2017, compared with 1.7% in 2016. In addition, emerging markets and developing economies experienced strong economic growth benefitting from the continued recovery in commodity exports, strong demand, favorable global financing conditions and increased domestic consumption. Emerging markets and developing economies grow by 4.8% in 2017, compared with a growth rate of 4.4% in 2016.

Table 1: Real GDP Growth Rate 2015 – 2017 and Forecast 2018 – 2019 (%)

	2015	2016	2017	2018*	2019**
World	3.5	3.2	3.8	3.7	3.7
Advanced economies	2.3	1.7	2.3	2.4	2.1
Emerging market and developing economies	4.3	4.4	4.8	4.9	5.1
Middle East and North Africa* **	2.4	4.9	2.2	2.0	2.5

Source: IMF data
* IMF estimate, ** IMF forecast
***Syria and Yemen Data not include

IMF data shows that growth in the Middle East and North Africa region declined significantly to 2.2% in 2017, compared to a growth of 4.9% in 2016[1]. Oil production cuts and continued tensions and instability in in the region have affected the region's overall economic performance.

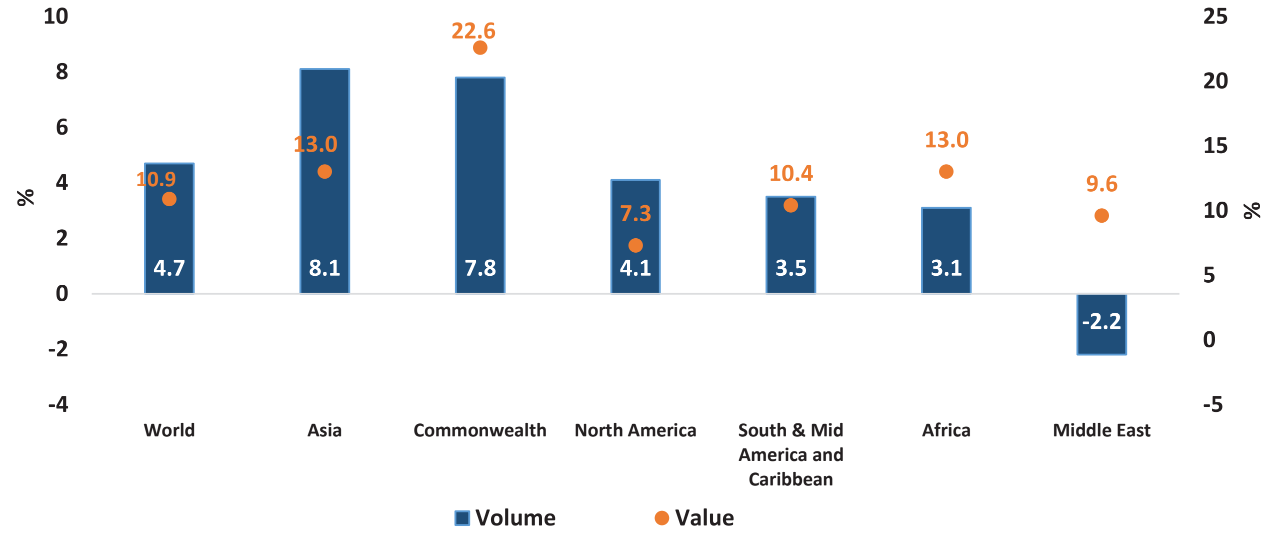
The IMF expects world economy to grow in both 2018 and 2019 by 3.7%.This is a revision of its earlier forecast of 3.9% due to the effect of the US-led trade war and its impact on the pace of global GDP growth. In addition, IMF experts warned that rising trade tensions could affect investment and confidence, and could lead to a contraction of global growth by about 0.5% below the level previously predicted for 2020. The contraction of global growth could reduce demand for energy, oil, hence affecting GCC growth that rely on oil exports for income.

Commodity trade and Inflation

Merchandise trade in 2017 recorded the strongest growth in volume since the financial crisis that started in 2007. According to the World Trade Organization Statistical Review 2018, in 2017 world trade grew in value by 10.9% and volume by 4.7%. Furthermore, despite the favorable terms of trade for the oil exporting economies, growth in merchandise trade for the Middle East declined. The report showed that the Middle East region merchandise exports decreased by 2.2% in 2017. The region is still suffering from the ongoing instability and conflict that caused destruction in infrastructure and disrupted investment and trade.

[1] According to the IMF, the Middle East (region) countries include 14 countries, grouped into three groups; (i) the oil-exporting Gulf Cooperation Council (GCC); and (ii) other oil-exporting countries in the region: Iraq, the Islamic Republic of Iran (iii) Oil importing countries include Jordan, Lebanon, Syria, Yemen, and Israel.

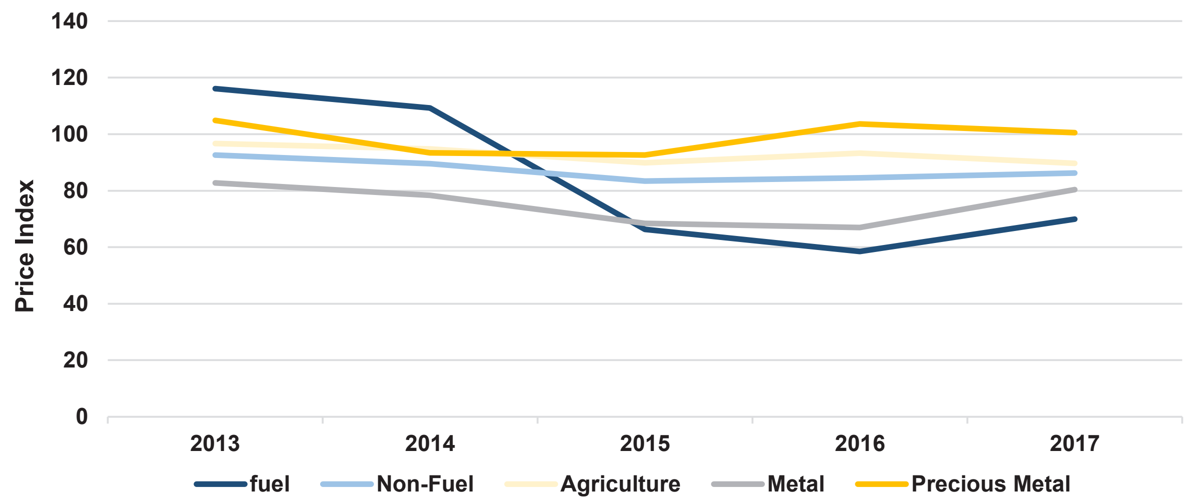
Figure 1: Growth of Merchandise Trade by Region (LHS), Growth Rate (RHS) in 2017 (%)



Source: Reproduced from World Trade Statistical Review 2018 report, WTO, page 10

IMF data shows that overall commodity prices have risen yet global inflation has remained largely stable and has not changed significantly since 2014. The data showed that in 2017, the energy price index was 69.9 points, and metals 80.4, compared to 2016, when the fuel index was 58.5, and metals 67.0 points. However, the agriculture and precious metals sector (such as gold) index declined in 2017. The agriculture sector index fell to 89.7 points, compared to 93.2 points in 2016. In addition, the index of the precious metals sector in 2017 reached 100.6 points, compared to 103.6 points in 2016.

Figure 2: Commodity Price Index (2010 = 100) 2013 - 2017



Source: IMF Data

Financial and Monetary Developments

Due to good corporate profits and performance in the world economy, financial markets improved to record levels in 2017, according to the 2018 Global Financial Stability Report[2]. The Dow Jones General Index closed with gains over 25%, while the S & P 500 rose more than 19%. Furthermore, boosted by strong performance of the technology sector, the NASDAQ closed nearly 30% higher than its closing value last year. The Dow Jones Global and the MSCI EAFE Indexes closed more than 20% higher, while the STOXX Europe 600 Index rose nearly 10%.

As for Crypto Assets, such as encrypted money and other digital facilities, the IMF expected that they would contribute to increasing the efficiency of financial market infrastructure. However, it warned of the large number of fraudulent encoded assets, associated with illegal business activities and potential operational failure. Moreover, for the time being, Crypto Assets, do not pose a threat to global financial stability, but can become so if their use becomes more in the absence of appropriate control methods, according to the IMF[3].

Prospects of the GCC Economy for the years 2018 - 2019

The growth of the economy will be driven mainly by non-oil sectors in the coming period[4]. GCC GDP in constant prices, is forecast to grow by 2.2% in 2018 and by 2.8% in 2019, while the GDP at current prices is forecast to grow by 6.4% in 2018 and 4.1% in 2019 (Table 2). Rising interest rates and higher borrowing costs for consumers and businesses, combined with potential lower levels of consumption, investment and business activity, will add further pressure to economic performance. GCC countries also face an additional challenge due to the potential appreciation of their domestic currencies in conjunction with the appreciation of the US dollar. This poses potential additional risks to competitiveness and diversification of the non-oil sector. The decline in non-oil activities points to the need to review economic diversification policies and to strengthen the role of the private sector to reduce the impact of oil price fluctuations on economic performance.

[2] IMF, Global Financial Stability Report, 2018
[3] IMF, Global Financial Stability Report, 2018
[4] According to forecasts prepared by GCC- Stat, the growth of the GCC economy in 2018 and 2019 will improve but only slightly, because of the commitment of the GCC countries to reduce oil production.

Table 2: GCC Economic Indicators 2011- 2017 and Forecast 2018- 2019

								Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP, constant prices (2010 = 100) (Growth rate, %)	9.3	5.2	3.3	3.4	3.4	2.2	-0.2	2.2	2.8
GDP, current prices (Growth rate, %)	26.2	9.6	2.7	1.4	-15.5	-2.1	7.5	6.4	4.1
Non-oil GDP, constant prices (2010 = 100) (Growth rate, %)	6.3	5.5	6.0	5.7	4.1	2.4	1.8	2.2	2.7
Inflation, consumer prices (excluding real estate sector) (%)	3.2	3.1	2.7	1.7	1.2	1.1	1.0	2.1	2.8
Current account (% of GDP)	23.6	25.0	21.2	14.4	-2.4	-3.1	2.3	5.4	3.0

Source: GCC-STAT

Moreover, consumer prices are expected to rise slightly due to the implementation of VAT in a number of GCC countries and the continued labour policy of nationalization, which could increase inflation expectation. In 2018, we expect inflation will increase to 2.1% and to 2.8% in 2019. These conditions call for close alignment between fiscal policy and monetary policy to offset the effects of higher interest rates and to enhance consumer and investor confidence in the GCC economy in the near future.

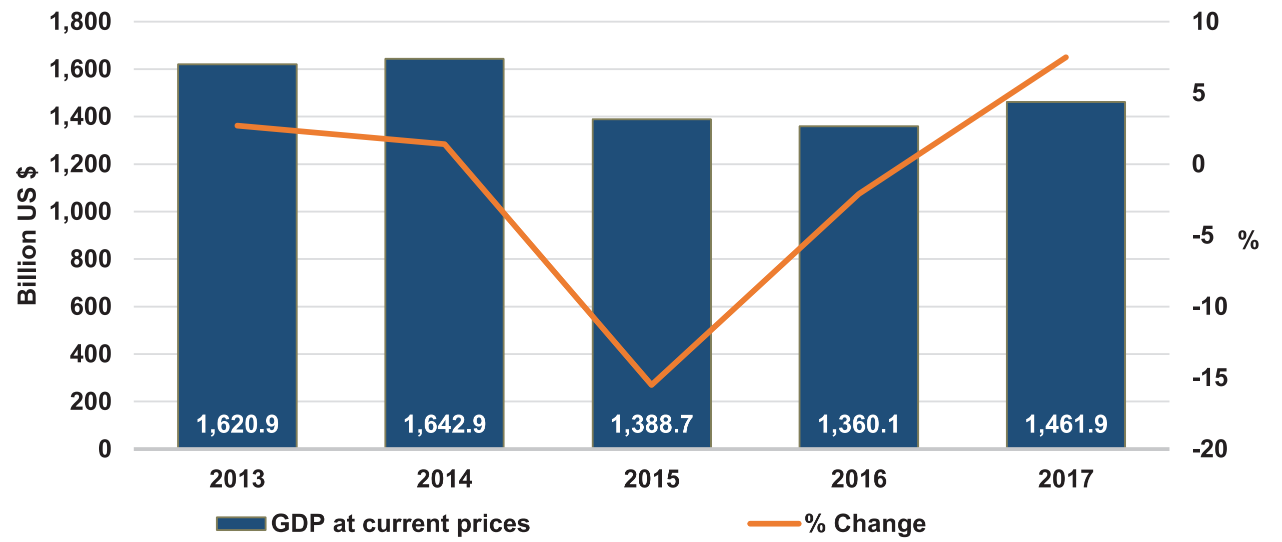
Performance of the GCC economy in 2017

The GCC economies are still heavily reliant on oil and gas. The changes in oil prices continue to dominate all sectors of the economy. Oil prices increased in 2017 by 23.4%, to reach 52.8 dollars per barrel in 2017, from 42.8 dollars per barrel in 2016. This change had positive impact on all economic indicators of the GCC economy.

GDP, current prices

In 2017, GCC GDP experienced the highest annual growth rate since 2013. GDP at current prices grew by 7.5% reaching US $ 1,461.9 billion in 2017, compared to US $ 1360.1 billion, in 2016. This growth came after the declines in 2015 and 2016 by 15.5% and 2.1%, respectively (Figure 3).

Figure 3: GCC GDP (Billion US $)(LHS) and GDP growth rate (%)(RHS) 2013 - 2017, at Current Prices



Source: GCC-STAT

Consistent with the increase in oil prices, the value added of the oil sector in 2017 increased by 22.1% and reached 385.8 billion US dollars, compared to 315.9 billion US dollars in 2016. In addition, the value added of the non-oil sector increased by 3.2% in 2017, to reach US $ 1077.0 billion in 2017, compared to US $ 1044.1 billion in 2016 (Table 3).

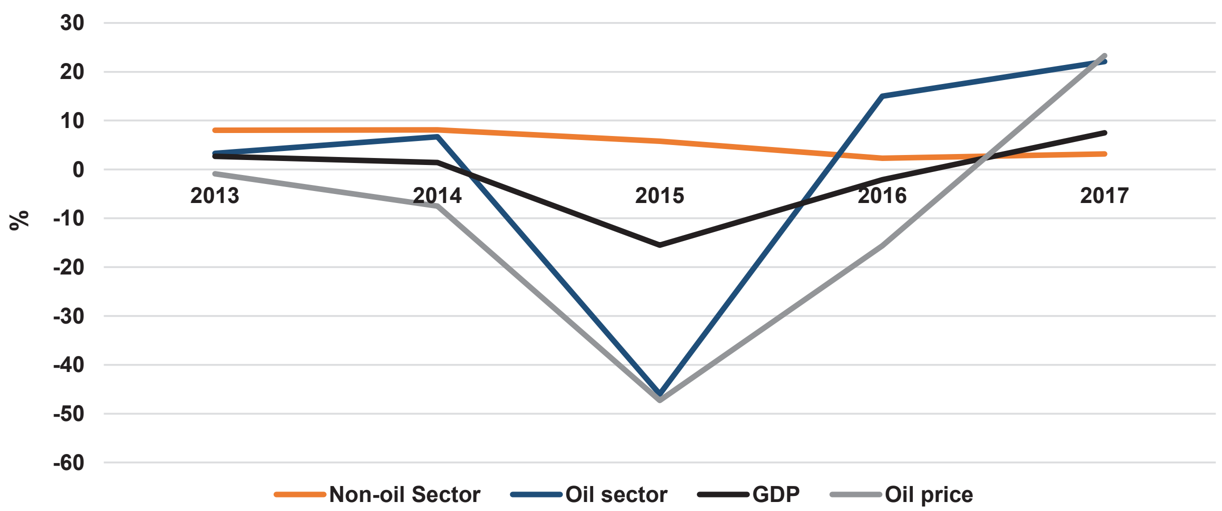
Table 3: Oil and Non-Oil GDP 2013 – 2017, at Current Prices

	2013	2014	2015	2016	2017
Value added of Oil Sector, current prices (billion US $)	738.4	688.7	372.1	315.9	385.8
Oil Sector, **current prices** (Growth rate, %)	-3.3	-6.7	-46.0	-15.1	22.1
Oil Sector, **current prices** (% of GDP)	45.0	41.2	26.6	23.2	26.3
Value added of Non-Oil Sector, current prices (billion US $)	892.7	964.8	1,020.7	1,044.1	1,077.0
Non-Oil Sector, **current prices** (Growth rate, %)	8.0	8.1	5.8	2.3	3.2
Non-Oil Sector, **current prices** (% of GDP)	55.0	58.8	73.4	76.8	73.7
taxes less subsidies, current prices (billion US $)	-10.2	-10.7	-4.0	0.1	-0.9
GDP, current prices (billion US $)	1,620.9	1,642.9	1,388.7	1,360.1	1,461.9
GDP, current prices (Growth rate, %)	2.7	1.4	-15.5	-2.1	7.5

Source: GCC-STAT

GDP growth of 7.5% in 2017 has been driven mainly by an increase in the value added of the oil sector by 22.1%, which in turn was driven by the increase in the international oil price. The average price of crude oil was US $ 52.8 per barrel in 2017, compared to US $ 42.8 per barrel in 2016, an increase of 23.4%.(Figure4)

Figure 4: Growth rate of Oil Price, Oil and Non-Oil GDP 2013 – 2017, at Current Prices (%)



Source: IMF - Oil Prices

GDP, country level

At the country level, GDP grew in all countries in 2017. Kuwait, Qatar and the Kingdom of grew at 10.5%, 10.0% and 9.6%, respectively, while the Sultanate of Oman, the United Arab Emirates and Saudi Arabia

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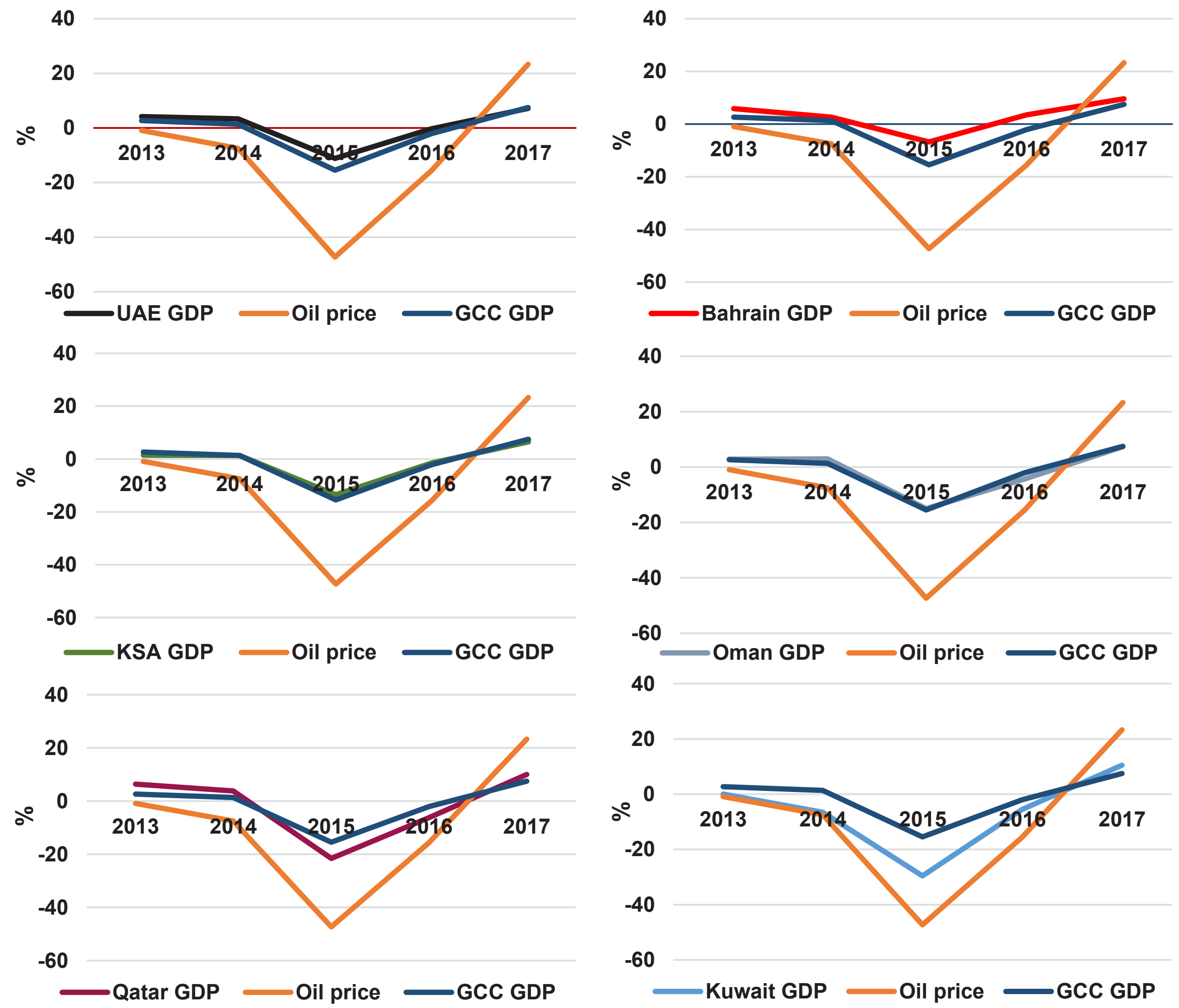
achieved growth rates of 7.3%, 7.2% and 6.5%, respectively.. The data indicate that the general trend of growth in the GCC countries is parallel in most years due to the similarities in the structure of the GCC economy and the importance of the oil sector in the economy. (Figure 5)

Figure 5: Growth Rate of Oil Price and GDP in GCC Countries 2013 – 2017, at Current Prices (%)

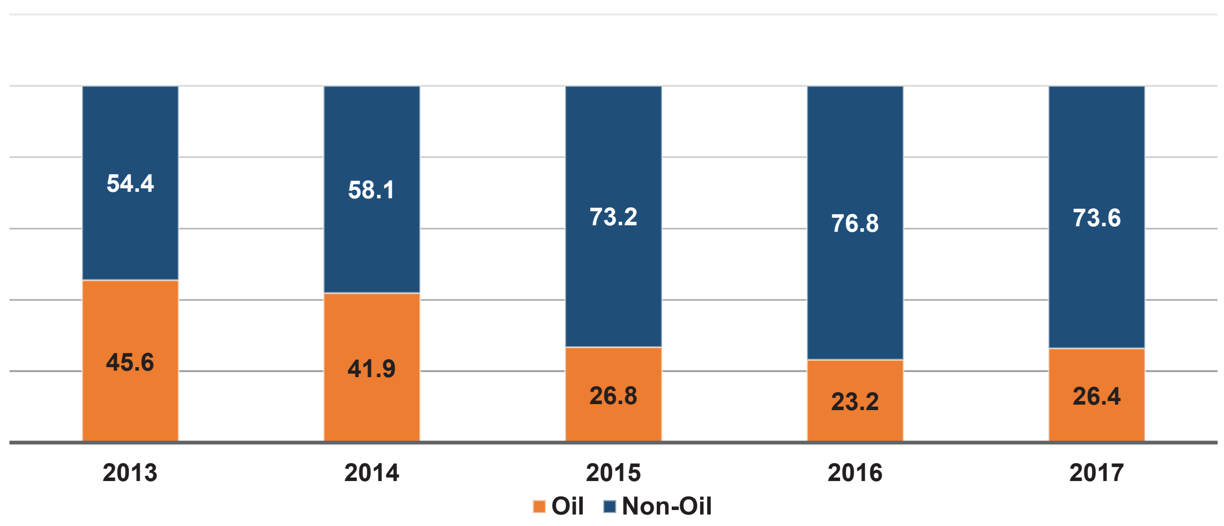


Source: GCC-STAT, for Oil price: IMF World Average

GCC GDP Structure

Although the contribution of the oil sector (including the extraction of oil, gas and related services) to GDP dropped significantly, from 45.6% in 2013 to 26.4% in 2017, the sector continues to be the greatest determinant of GDP growth for the economies of the GCC. GCC GDP declined by 15.5% and 2.2% in 2015 and 2016, respectively, due to the significant decline in the value added of the oil sector during the same period by 46.0% and 2.2%, respectively. Because of oil price recovery in 2017, the value added of the oil sector witnessed a significant growth of 22.1% in 2017 and GCC GDP grow by 4.7 % (Figure 6).

Figure 6: Oil and Non-Oil Sectors Contribution to GDP 2013 – 2017, at Current Prices (%)



Source: GCC-STAT

In 2017, the contribution of the oil sector to GDP increased in all GCC countries because of the recovery in oil prices. Oil sector contribution to GDP reached 42.0% in Kuwait, 32.3%, 29.0% and 25.0% in Qatar, Oman and Saudi Arabia respectively, while it was 22.3% in the United Arab Emirates. In the Kingdom of Bahrain, the contribution of the oil sector in the GDP was the lowest among GCC countries, reaching 12.4% in 2017 (4).

Table 4: GCC Countries Oil and Non-Oil GDP Share in 2013-2017, at Current Prices (%)

	2013		2014		2015		2016		2017	
	Oil	Non-Oil	Oil	Non-Oil	Oil	Non-Oil	Oil	Non-Oil	Oil	Non-Oil
UAE	36.9	63.1	34.1	65.9	21.8	78.2	19.3	80.7	22.3	77.7
Bahrain	25.4	74.6	23.3	76.7	13.3	86.7	11.1	88.9	12.4	87.6
KSA	43.7	56.3	39.5	60.5	24.0	76.0	21.6	78.4	25.0	75.0
Oman	49.1	50.9	46.4	53.6	33.1	66.9	26.4	73.6	29.0	71.0
Qatar	55.7	44.3	52.5	47.5	37.5	62.5	29.7	70.3	32.3	67.7
Kuwait	63.5	36.5	60.8	39.2	42.9	57.1	38.5	61.5	42.0	58.0
GCC	45.6	54.4	41.9	58.1	26.8	73.2	23.2	76.8	26.4	73.6

Source: GCC-STAT

GCC GDP, Countries Contribution

In terms of GCC countries' contribution to GDP, at current prices, in 2017, Saudi Arabia contributed 47.0%, the United Arab Emirates contributed 26.2%, while Qatar, Kuwait and Oman contributed 11.4%, 8.2% and 4.8%, respectively. The Kingdom of Bahrain contribution to GDP was 2.4% in 2017. (Figure 7).

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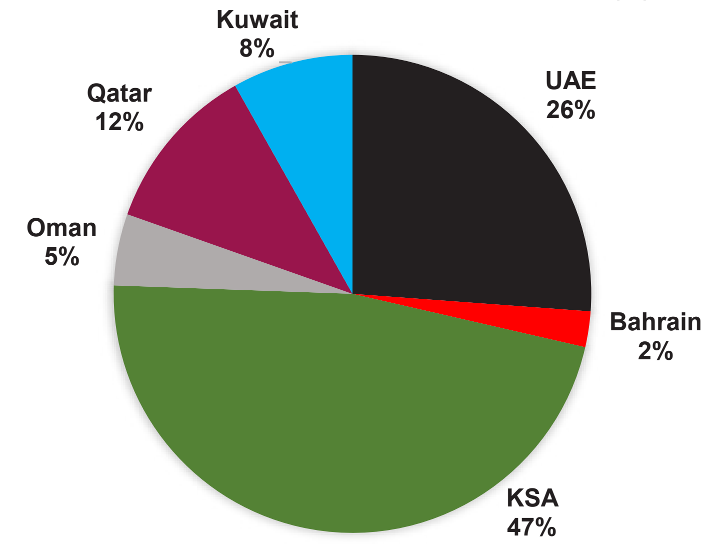
Figure 7: GCC Countries Contribution to GDP in 2017, at Current Prices (%)

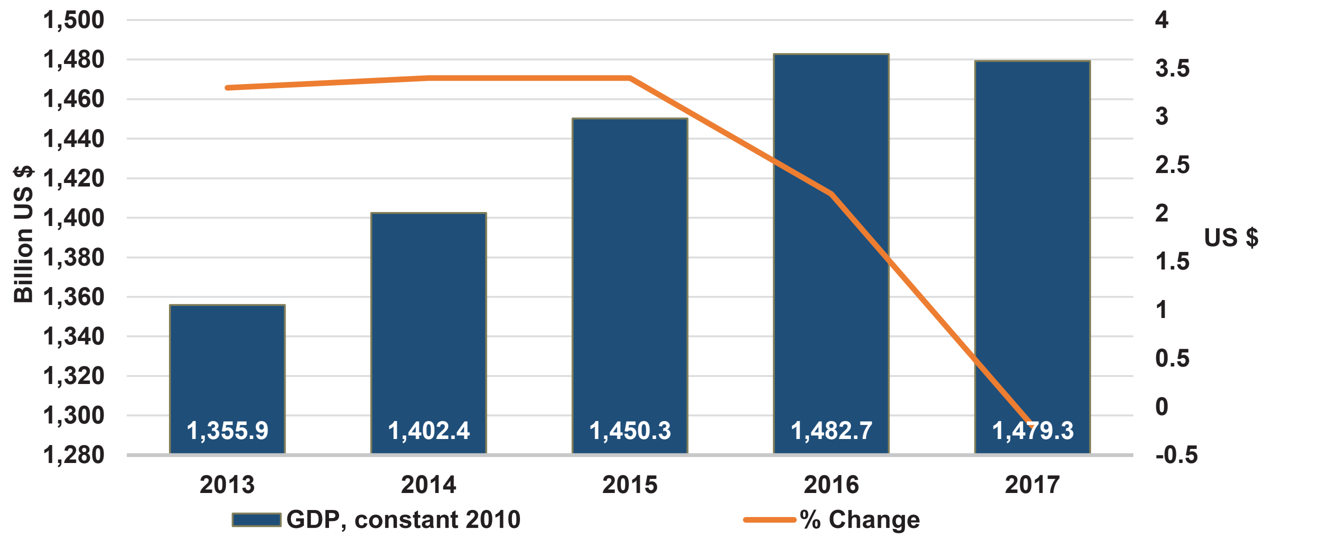


Source: GCC-STAT

GDP, constant prices

For the first time since the oil price drop in 2014, and despite the increase in oil prices, GCC real GDP (GDP at constant prices) experienced negative growth. Real GDP declined by 0.2% in 2017. The drop in real GDP is due to the decrease in the value added of the oil sector by about 3.4%. In 2017 the value of GCC real GDP was US $ 1,479.3 billion, compared with US $ 1,482.7 billion in 2016 (figure 8).

Figure 8: GCC GDP (Billion US $)(LHS) and GDP Growth rate (%)(RHS) 2013 - 2017, at Constant Prices (2010 = 100)



Source: GCC-STAT

However, not all the GCC countries experienced negative growth. In Bahrain, Qatar, and UAE, real GDP grew by 3.8%, 1.6%, and 0.8% respectively, while Kuwait experienced negative growth of 2.8%. In both KSA, and Oman, GDP declined by 0.9% (Table 5).

Table 5: GDP and Growth Rate of GCC Countries in 2017, at Constant prices (2010 = 100)

	UAE	Bahrain	KSA	Oman	Qatar	Kuwait	GCC
Constant GDP (2010 =100)* (billion US $)	387.3	33.0	684.2	74.1	222.2	129.5	1,479.3
Growth Rate (%)	0.8	3.8	-0.9	-0.9	1.6	-2.8	-0.2

Source: GCC-STAT
* Qatar (2013 = 100)

The value added of the oil sector in 2017 across the GCC dropped to 562.2 billion US dollars from the 582.2 billion in 2016, a decline of 3.4%. In contrast, all economic activities within the non-oil sector achieved positive annual growth rates during 2017, the value added of the non-oil sector increased by 2.0% in 2017 reaching US $ 926.2 billion in 2017, compared to US $ 908.1 billion in 2016 (Table 6).

Table 6: Oil and Non-Oil GDP 2013 – 2017, at Constant Prices (2010 = 100)

	2013	2014	2015	2016	2017
Value added of Oil Sector, constant prices (2010 = 100) (billion US $)	557.1	557.6	570.8	582.2	562.2
Oil Sector, constant prices (2010 = 100) (Growth rate, %)	-0.3	0.1	2.4	2.0	-3.4
Oil Sector, constant prices (2010 = 100) (% of GDP)	41.1	39.8	39.4	39.3	38.0
Value added of Non-Oil Sector, constant prices (2010 = 100) (billion US $)	807.5	854.7	886.6	908.1	926.2
Non-Oil Sector, constant prices (2010 = 100) (Growth rate, %)	5.9	5.8	3.7	2.4	2.0
Non-Oil Sector, constant prices (2010 = 100) (% of GDP)	59.5	60.9	61.1	61.2	62.6
taxes less subsidies, constant prices (2010 = 100) (billion US $)	-8.6	-9.8	-7.2	-7.6	-9.1
GDP, constant prices (2010 = 100) (billion US $)	1,356.0	1,402.4	1,450.3	1,482.7	1,479.3
GDP, constant prices (2010 = 100) (Growth rate, %)	3.3	3.4	3.4	2.2	-0.2

Source: GCC-STAT

GCC Consumer Price Index

The GCC consumer prices, excluding housing, remained relatively stable in 2016 and 2017, with increases of 1.1% and 1.0%, respectively (Table 8). The rate of increase in the CPI has slowed since 2013, when the CPI showed an annual increase in inflation of 2.3%. (Table 7). The main reasons for the stability of consumer prices in the GCC during the period 2013-2017 are the decline in global inflation rates, the stability of food and commodity prices, and the stability of the exchange rate of the US dollar against major international currencies.

Table 7: Consumer Price Index of the GCC and the Annual GCC Inflation Rate 2013 - 2017

	2013	2014	2015	2016	2017
The overall index (2007 =100)	123.0	125.2	126.7	128.1	129.3
Inflation rate (%)	2.7	1.7	1.2	1.1	1.0

Source: GCC-STAT

Prices in the GCC are highly dependent on prices of internationally traded consumer goods because of GCC countries' dependence on imports of consumer and capital goods. For example, food prices are an important source of imported inflation in the GCC. The food group contributes significantly to the CPI and the food group is one of the most vulnerable groups due to climate impacts and trade restrictions. However, the fixed exchange rate policy of the GCC countries (pegged to the US dollar excluding Kuwait, which pegs its currency to a basket of currencies) reduces the effects of imported inflation, given the overall stability of the US dollar against major currencies.

Population and labour force

The total population of the GCC countries in 2017 reached almost 55 million people. The GCC population increased by around 13% over the 2013-2017 period. The percentage of the total GCC population in Saudi Arabia was 59.7% in 2017, the UAE population 16.7%, the Sultanate of Oman 8.3%, the Kuwaiti population 7.7% Qatar 4.8%, and the population of the Kingdom of Bahrain 2.7%. In 2013, the population of Saudi Arabia comprised 61.1% of the total population of the GCC, while the population of the UAE comprised 17.1%, the Sultanate of Oman 8.0%, Kuwait 7.1%, Bahrain 2.6% and Qatar 1.9%. (See table 8)

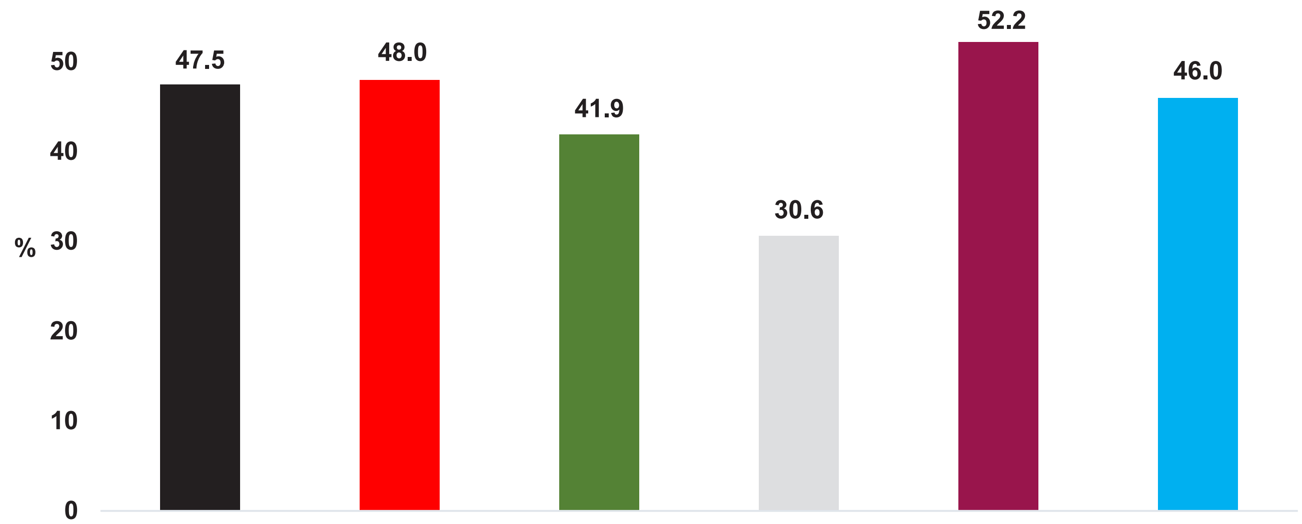
Table 8: GCC Countries Population Contribution to GCC Total Population 2013 – 2017 (%)

	UAE	Bahrain	KSA	Oman	Qatar	Kuwait	GCC Total Population
2013	17.1	2.6	61.1	8.0	4.1	7.1	48,425,835
2014	16.6	2.6	60.8	8.0	4.4	7.6	49,855,795
2015	16.1	2.7	60.6	8.1	4.8	7.7	51,264,387
2016	17.1	2.7	59.5	8.3	4.9	7.6	53,446,862
2017	16.7	2.7	59.7	8.3	4.8	7.7	54,663,476

Source: GCC-STAT

The rate of economic participation (proportion of the population who are in the labour force) of citizens in the GCC countries varies between countries. For example, in the 2015- 2017 period about 47.5% of all citizens in the UAE, were in the labour force, compared with 48.0% in Bahrain, 41.9% in Saudi Arabia, 30.6% in Oman, 52.2% in Qatar and 46.0% in Kuwait (Figure 9). In part, this reflects the different age structure of the populations in each of the countries. Oman for example has a very young citizen population, with 22% under 15 years of age in 2017.

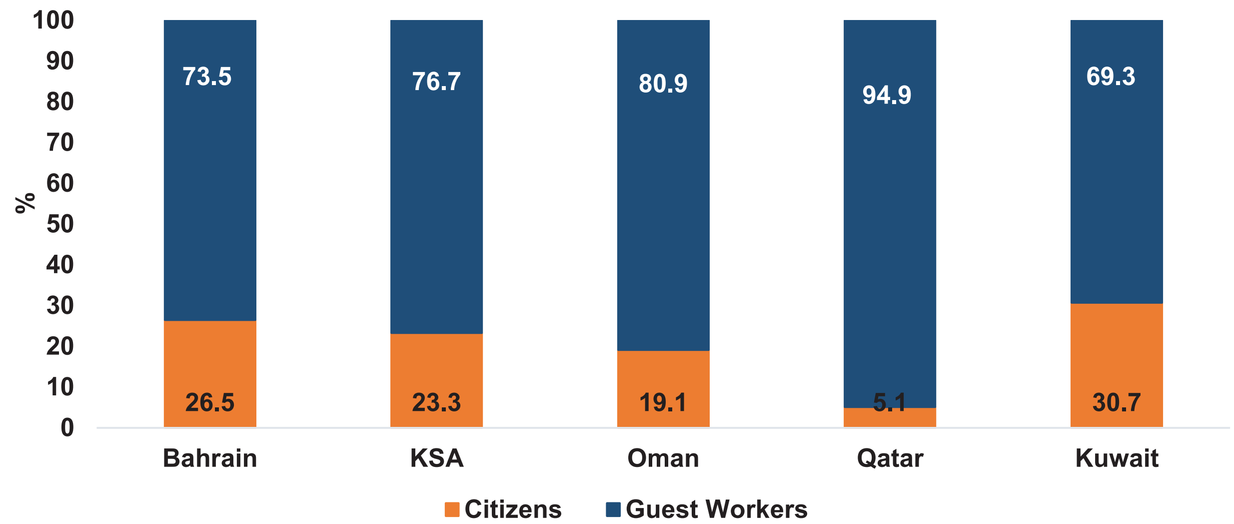
Figure 9: The Rate of Economic Participation in Labour Force of Citizens in GCC Countries in 2016, (%)*



Source: GCC-STAT
*KSA and Qatar data is 2017, and Bahrain data is 2015

The labour force in the GCC is dominated by non-citizens (Figure 10). The percentage of citizens in the labour markets in GCC countries varied from 30.7% in Kuwait, followed by 26.5% in Bahrain, 23.3% in Saudi Arabia, 19.1% in Oman, and Qatar with 5.1%. This means that non-citizens workers accounted for the largest share of total employment in the GCC countries.

Figure 10: Percentage Distribution of Employed Persons by Citizens and Non-Citizens Workers in the GCC Countries in 2017, (%)*



Source: GCC-STAT
* Oman and Kuwait are 2016 data, Bahrain is 2015 data, & UAE data is not available

Growth in the non-citizen labour force has been much faster than the growth in the citizen labour force, leading to a decline in share of citizens in the labour force.

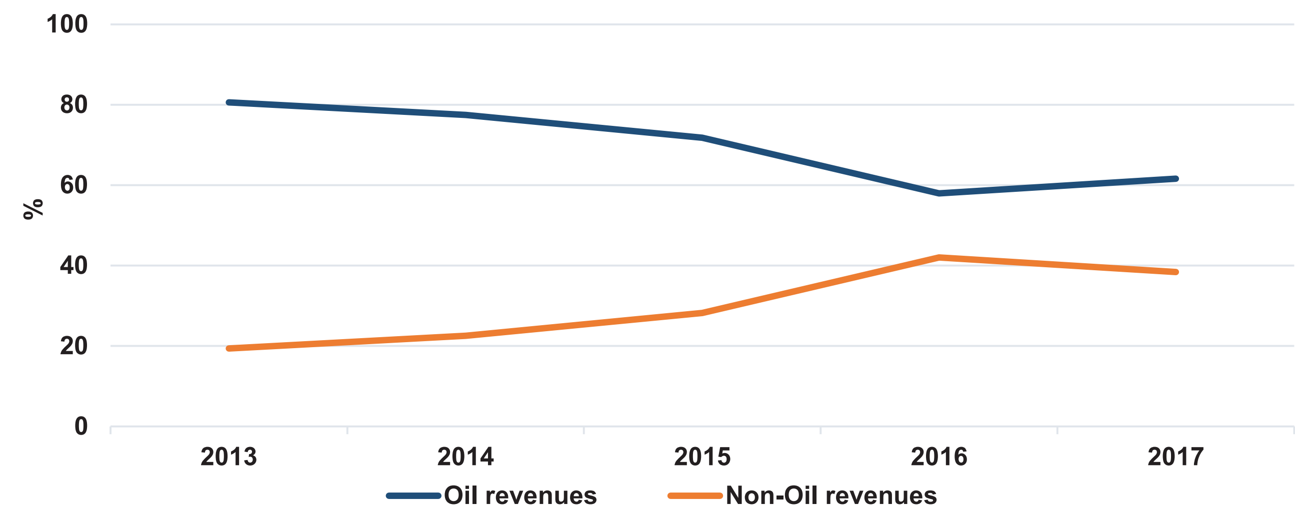
Public finance sector

Government Revenue

Despite the wide variation in the size of public revenues, the common feature in all GCC countries is dependence on oil revenues. Public revenues decline as soon as oil revenues fall, while government revenues rise, when oil revenues rise. Despite the growing importance of non-oil revenues, their relative importance to government income remains far below oil revenues. Because of the increase in oil prices in 2017, all GCC countries recorded an increase in their revenues. Government revenues in the GCC increased by 33.7% in 2017, compared with a decrease of 18.8% in 2016.

The contribution of oil revenues in total government revenues in the GCC decreased from 81.0% in 2013 to 58% in 2016. In 2017, oil revenue share to total government revenue was 62.0 (Figure 11).

Figure 11: Oil and Non-Oil Revenue Structure in the GCC in 2013 - 2017



Source: GCC - STAT

The decline in the percentage contribution of oil revenues was due to the decline in the overall oil revenues in the first place, but also to the increase in non-oil revenues. Non-oil revenues increased from US $ 132.6 billion in 2013 to US $ 161.1 billion in 2017, with an average yearly increase of 7.7% (Table 9).

Table 9: Non-Oil Government Revenues for the GCC Countries 2013-2017 (US $ billion)

	GCC	UAE	Bahrain	KSA	Oman	Qatar	Kuwait
2013	132.6	45.6	0.9	31.4	5.2	40.6	8.9
2014	138.2	40.7	1.1	33.8	5.8	48.4	8.4
2015	104.7	45.4	1.2	44.3	5.0	3.5	5.2
2016	150.2	80.2	1.2	49.5	6.3	8.3	4.7
2017	161.1	72.2	1.5	68.2	6.0	7.6	5.7

Source: GCC – STAT

Government expenditure

Public expenditure in the GCC countries increased by 5.3% in 2017 compared with a decreases of 13.9% in 2015 and 7.2% in 2016 (Table 10). While average, public expenditure increased in the GCC, with KSA increasing public expenditure by 12.0 % Qatar and the Sultanate of Oman continued to rationalize their expenditures as part of a range of economic policies they have adopted to counter the collapse of oil prices in global markets since 2014. Q Qatar cut its expenses by 11.6% and Oman by 4.1%.

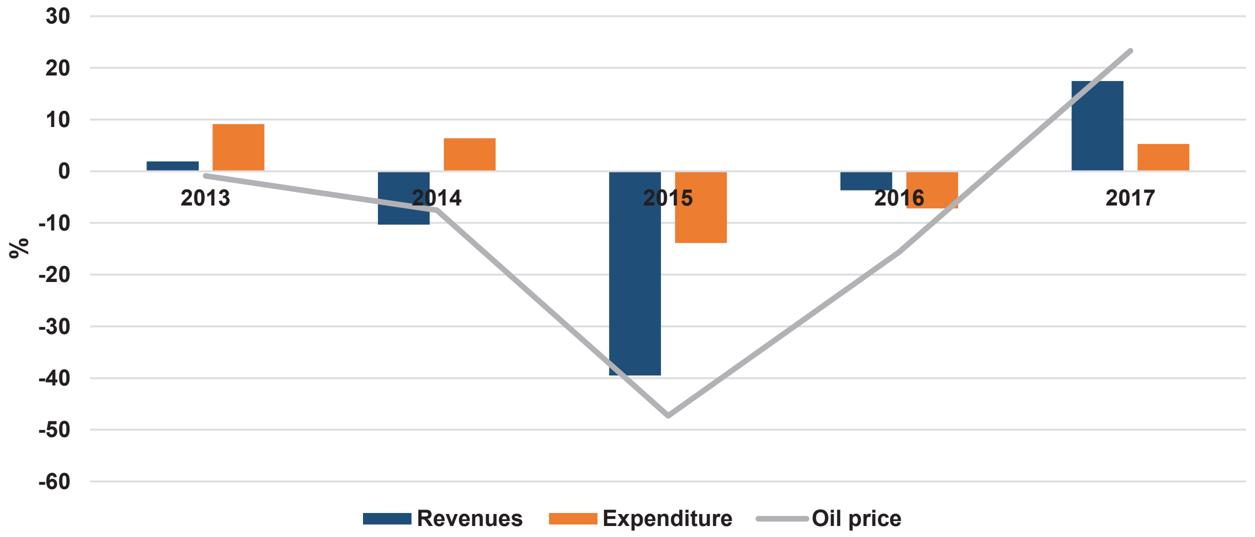
Table 10: Growth Rate of Public Expenditure for the GCC Countries 2013-2017, (%)

	GCC Average	UAE	Bahrain	KSA	Oman	Qatar	Kuwait
2013	9.1	11.2	2.8	8.5	3.2	29.3	-1.6
2014	6.4	-17.7	5.7	14.7	8.4	22.5	11.5
2015	-13.9	-11.3	0.4	-12.2	-9.7	-24.6	-18.8
2016	-7.2	2.3	-0.8	-17.1	-5.8	17.2	-3.2
2017	5.3	2.5	0.1	12.0	-4.1	-11.6	9.1

Source: GCC – STAT

Public expenditure and revenue in GCC countries are usually affected by changes in the international price of crude oil (Figure 12). The largest decline in government spending in the GCC over the 2013-2017 period was in 2015, when expenditure reduced by 13.9%, following the 47.3%.decline in oil prices.

Figure 12: Growth Rate of GCC Government Expenditure and Revenues and Oil Price 2013-2017, (%)



Source: GCC – STAT

Foreign Trade

Exports

GCC commodity exports witnessed a 16.1% increase in 2017 compared to a decrease of 12.0% in 2016. Over the 2013-2016 period, GCC countries recorded a decline in the value of their commodity exports mainly due to the decline in international oil prices (Table 11). However, increase in oil prices to 52.8 dollars per barrel in 2017, from 42.8 dollars per barrel in 2016, boosted the value of commodity exports in 2017.

Table 11: Growth Rate of GCC Exports 2013-2017, (%)

	Total Exports	Exports of National Origin	Re-Exports	Oil Exports
2013	-0.8	-7.4	10.3	-1.3
2014	-9.2	1.4	1.6	-12.3
2015	-36.0	-7.4	-9.3	-45.0
2016	-12.0	-1.6	-1.5	-17.7
2017	16.1	0.6	6.7	24.2

Source: GCC – STAT

The main export sectors had a positive trend in 2017, with oil and gas exports up by 24.2%, re-exports by 6.7% and exports of national origin (non-oil exports) by 0.6%, compared with a decrease of 17.7% and 1.5%, 1.6%, respectively, in 2016.

Imports

The overall level of GCC imports declined by 1.3% between 2016 and 2017, due to declines in imports into the two largest economies - Saudi Arabia (8.3% decline) and the United Arab Emirates (09.9% decline). At the same time, imports into Oman, Bahrain and Kuwait increased by 33.9% and 13.2% and 9.7% respectively. Overall GCC imports continued to decline because of the continued decrease in imports in, In addition, in 2017, Qatar witnessed negative growth in its imports by 1.9% (Table 12).

Table 12: Growth Rate Imports of Goods in the GCC Countries 2013-2017, (%)

	GCC	UAE	Bahrain	KSA	Oman	Qatar	Kuwait
2013	5.6	4.8	-9.2	6.9	11.7	8.4	5.1
2014	3.3	2.6	22.9	3.8	-10.2	11.5	5.4
2015	-2.2	-4.2	2.3	0.4	-15.6	7.4	0.6
2016	-7.6	0.7	-7.9	-20.1	-31.6	-2.2	-1.0
2017	-1.3	-0.9	13.2	-8.3	33.9	-1.9	9.7

Source: GCC – STAT

Intra-GCC trade

The intra-GCC trade has continued to decline since 2013-2017, declining by 1.6% in 2017 (Table 26). The intra- GCC trade has witnessed a continuous contraction since 2014 (Table 13). The intra-GCC trade exchange seems to have been affected by the overall decline in imports and exports of GCC countries following the decline in oil prices.

Table 13: Growth Rate of Intra-GCC Trade 2013-2017, (%)

	GCC total	Exports of National Origin	Re-Exports	Oil & Gas
2013	14.1	16.8	23.1	0.7
2014	-1.3	-3.0	1.6	-3.6
2015	-6.3	4.5	4.3	-35.0
2016	-11.6	-10.4	-19.4	5.7
2017	-1.2	6.5	-5.0	-5.9

Source: GCC – STAT

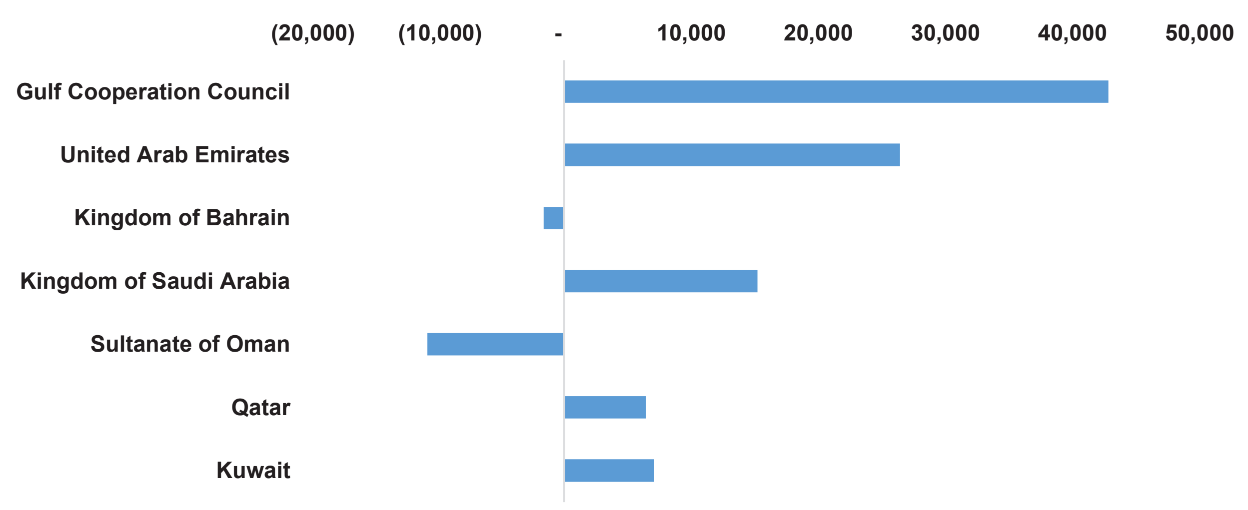
Balance of payments

Current account

The GCC achieved a surplus in its current account in 2017 amounting to about US $ 43 billion. This surplus is driven by the increase in oil prices during the year 2017, which changed the current account deficit during the years 2015 and 2016 to surplus in 2017.

Among GCC countries, the current account was in surplus in 2017 in the United Arab Emirates, Saudi Arabia, Qatar and Kuwait, while the current account was in deficit in the Kingdom of Bahrain and the Sultanate of Oman. The current account surplus in 2017 ranged between US $ 26.4 billion in the UAE and US $ 6.4 billion in Qatar (Figure 13). The GCC countries show a similar pattern in the components of the current account during the period 2013-2017. The commodities component is the main source of inflows into GCC countries, while current transfers (mostly worker remittances to their countries of origin) and services are the most important outflows.

Figure 13: Current Account of the Balance of Payments in 2017, (US $ million)



Source: Central Banks in the GCC

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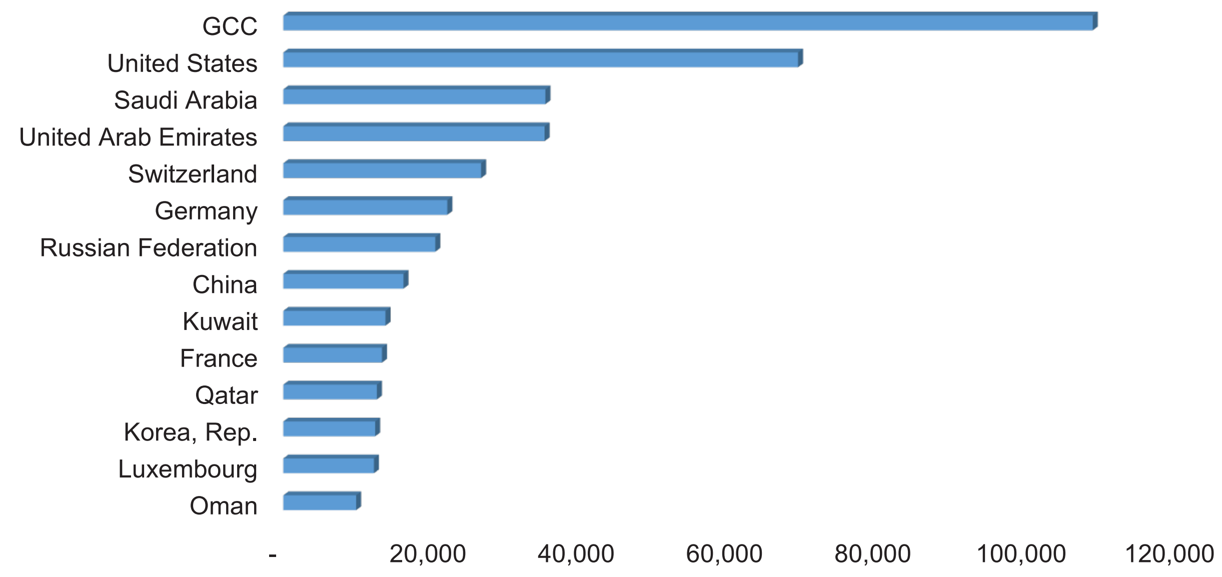
Transfers of workers in the GCC countries to their countries of origin

The total value of remittances of expatriate workers in the GCC to their countries of origin reached 109.1 billion dollars in 2017, accounting for 34.0% of the global remittances valued at 351.5 billion US dollars in the same year (Figure 14).

Figure 14: Highest Countries in the World, Workers' Remittances in 2017, (Million US $)



Source: World Bank and GCC – STAT

In 2017, the total value of remittances of workers in the GCC countries was about 7.5% of the GDP of the GCC countries, at current prices. Oman is one of the highest countries in the world in terms of remittances as a percentage of GDP. Oman ranked second in the world in 2017, with a remittance value of about 13.8% of GDP, while workers' remittances accounted for 11.5% of Kuwait's GDP (Table 14).

Table 14: Workers' Remittance in 2017, at Current Prices

	Workers remittance (billion US $)	GDP (billion US $)	Remittance, (%of GDP)
GCC	109.1	1461.9	7.5
UAE	35.2	382.6	9.2
Bahrain	2.5	35.3	7.1
KSA	35.3	686.7	5.1
Oman	9.8	70.8	13.8
Qatar	12.6	166.9	7.5
Kuwait	13.7	119.5	11.5

Source: GCC – STAT

The financial and monetary sector

Monetary Development

The growth in local liquidity in the GCC economy during 2017 compared to 2016 can be measured in terms of narrow and wide money supply. The growth rate of money supply in the narrow sense (M1) of the GCC economy was 2.4% during 2017 compared with a growth rate of 1.0% in 2016. In the same direction, growth in money supply in the broad sense (M2) of the GCC economy increased by 4.2% during 2017 compared with growth of 2.3% during 2016. The growth rates of domestic liquidity in the GCC countries was a result of the rise in oil prices during 2017 (Table 15).

Table 15: Growth Rate in Money Supply (M1) & (M2) 2013-2017, (%)

	2013	2014	2015	2016	2017
			Money Supply (M1)		
GCC	16.7	14.2	2.0	1.0	2.4
UAE	26.9	14.9	4.8	3.7	3.9
Bahrain	7.1	10.7	6.4	0.7	1.2
KSA	12.8	14.2	0.2	-0.1	2.4
Oman	14.4	20.4	11.7	-7.3	-0.8
Qatar	16.5	17.3	2.1	1.1	-4.1
Kuwait	14.1	6.9	-2.2	3.9	4.2
			Money Supply (M2)		
GCC	14.7	11.2	3.6	2.3	4.2
UAE	22.8	7.9	5.5	3.3	4.1
Bahrain	8.2	6.5	2.9	1.2	4.2
KSA	11.1	14.6	2.5	3.5	-1.0
Oman	9.4	15.3	10	1.8	4.2
Qatar	19.6	10.6	3.4	-4.6	21.3
Kuwait	10	3.4	1.7	3.6	3.8

Source: GCC-STAT

M1 grew in the UAE, Bahrain, Saudi Arabia and Kuwait, while the growth rate of M1 declined in Oman and Qatar in 2017. M2 grew in all GCC countries with the exception of Saudi Arabia, where local liquidity shrank by 1.0% in 2017.

Domestic credit and bank deposits

The growth rate of domestic bank credit in the GCC countries declined in 2017 compared to 2016 except for the Kingdom of Bahrain, where bank credit increased by 7.9% in 2017 compared to 2016 (Table16) . Despite the decline in the growth rate of bank credit in Qatar compared to 2016, the State of Qatar recorded the highest rate of growth of domestic bank credit during the year 2017 at a growth rate of 10.3%.

Table 16: Local Bank Credit and Bank Deposits in the GCC Countries 2013-2017

			Total Domestic Bank Credit (US $ million)		
	2013	**2014**	**2015**	**2016**	**2017**
UAE	327,656.1	347,888.4	376,087.4	396,028.3	395,560.5
Bahrain	19,070.5	18,926.6	20,866.2	21,443.4	23,135.9
KSA	298805.2	333505.6	363,101.0	373,445.0	369,739.8
Oman	39,041.9	43,430.2	47,134.3	50,566.5	52,653.3
Qatar	146,449.2	161,134.8	181,524.6	204,379.5	225,427.5
Kuwait	102,431.5	104,974.7	109,908.3	112,062.4	117,213.6
			Total Domestic Bank Credit (Growth Rate, %)		
	2013	**2014**	**2015**	**2016**	**2017**
UAE	8.5	6.2	8.1	5.3	-0.1
Bahrain	4.7	-0.8	10.2	2.8	7.9
KSA	12.0	11.6	8.9	2.8	-1.0
Oman	6.1	11.2	8.5	7.3	4.1
Qatar	11.8	10.0	12.7	12.6	10.3
Kuwait	7.5	2.5	4.7	2.0	3.2
			Total Bank Deposits (US $ million)		
	2013	**2014**	**2015**	**2016**	**2017**
UAE	348,223.8	386,992.8	400,712.9	425,581.8	443,097.9
Bahrain	39,704.3	41,484.3	43,489.4	44,063.8	45,170.2
KSA	373,861.4	420,154.3	427,938.1	431,202.7	431,748.0
Oman	40,983.2	46,730.3	50,487.2	53,117.6	56,096.2
Qatar	150,654.9	165,130.3	17,8643.1	199,692.2	226,108.5
Kuwait	139,379.3	142,364.1	141,863.2	145,067.5	154,413.9
			Total Bank Deposits (Growth Rate, %)		
	2013	**2014**	**2015**	**2016**	**2017**
UAE	9.5	11.1	3.5	6.2	4.1
Bahrain	15.2	4.5	4.8	1.3	2.5
KSA	11.2	12.4	1.9	0.8	0.1
Oman	11.2	14.0	8.0	5.2	5.6
Qatar	19.7	9.6	8.2	11.8	13.2
Kuwait	7.9	2.1	-0.4	2.3	5.0

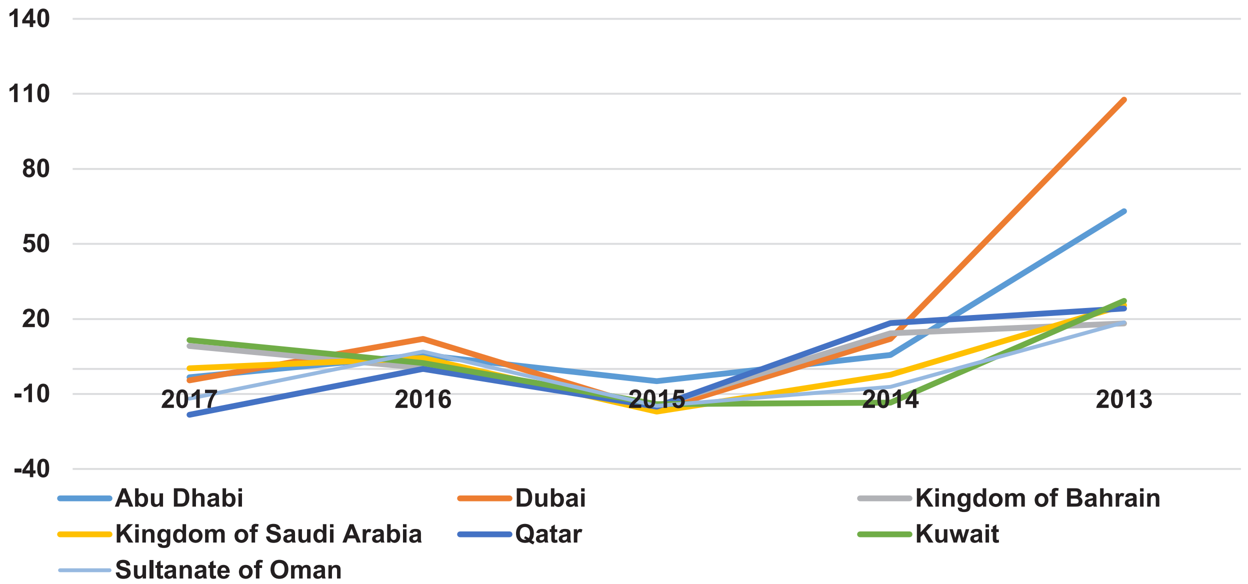
Source: GCC-STAT

Banking deposits witnessed a stable growth in 2017 in the GCC economy, growing by 4.3% compared to 4.7% during 2016. Qatar recorded the highest rate of growth in bank deposits at 13.2% during 2017, while the lowest rate of growth of bank deposits during the same period in the Kingdom of Saudi Arabia at a growth rate of 0.1%.

Capital markets in the GCC

The performance of the capital markets in the GCC countries, as measured by the growth rate in the capital market index, in the year 2017 varied between countries. While the performance of the Kuwait and Bahrain markets improved by 11.5% and 9.1% respectively compared to 2016, the performance of the market in Qatar, Oman, Dubai and Abu Dhabi markets declined by 18.3%, 11.8% ,4.6% and 3.3%, respectively, while the general index of the Saudi market changed by only 0.2% during 2017 (Figure 15). This disparity in the performance of capital markets in the GCC countries during 2017 was contrary to the performance in 2016. Figure 15 shows that all GCC stock markets grow in 2016, ranging from 12.1% on the Dubai Securities Market and 0.1% on the Qatar Securities Market. It is worth noting that all GCC stock markets declined significantly during the year 2015 following the decline in oil prices. The decline ranged between 17.1% in Saudi Arabia and 4.9% in the Abu Dhabi Securities Market. The figure shows a similar trend in the GCC capital markets, suggesting they are affected by the same factors.

Figure 15: Growth Rate of Capital Current Price Index in the GCC Countries 2013-2017, (%)



Source: GCC-STAT

The total value of trading for GCC markets decreased during the year 2017 compared to 2016 by 21.4%. The value of trading in Abu Dhabi, Dubai, Saudi Arabia, and Qatar decreased, while the value of trading in the Kuwait and Oman market increased (Table 17).

Table 17: Value of Trading in GCC Stock Exchanges 2013-2017, (US $ Million)

	2013	2014	2015	2016	2017
Abu Dhabi	23,044.9	39,332.5	15,712.0	13,335.7	**11,690.4**
Dubai	43,532.3	103,882.0	41,135.8	36,410.2	**31,123.2**
Bahrain	600.7	716.3	292.5	331.0	**562.0**
KSA	365,244.2	572,403.1	442,832.5	308,529.6	**223,006.7**
Oman	5,864.8	5,901.2	3,615.1	2,494.2	**2,582.6**
Qatar	20,573.1	54,750.7	25,747.3	18,953.1	**18,199.5**
Kuwait	39,142.8	21,396.3	13,103.6	9,404.0	**18,813.3**
GCC	498,002.7	798,382.2	542,438.7	389,457.7	**305,977.7**

Source: GCC-STAT

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