المجلس النقدي الخليجي
Gulf Monetary Council

Annual Report
2024

Board of Directors

Chairman
H.E. Mr. Khaled Ibrahim Humaidan
Governor of Central Bank of Bahrain

Vice Chairman
H.E. Sheikh Bandar bin Mohammed bin Saoud Al-Thani
Governor of Qatar Central Bank

Board Member
H.E. Mr. Basel A. Al-Haroon
Governor of Central Bank of Kuwait

Board Member
H.E. Mr. Ayman Mohammed Al-Sayari
Governor of Saudi Central Bank

Table of Contents

المجلس النقدي الخليجي
Gulf Monetary Council

Gulf Monetary Council

List of Tables

المجلس النقدي الخليجي
Gulf Monetary Council

Message from the Chairman

On behalf of the Board of Directors, I am pleased to present the Annual Report 2024 for the Gulf Monetary Council (GMCo), the 10th issue in the series.

In December 2024, the GCC Supreme Council following the 45th Session held in Kuwait City, called for greater cooperation among member countries with the ultimate goal of achieving full economic unity. Monetary integration in the GCC countries is part of this broader economic integration, which has to be underpinned by economic convergence for successful regional integration. During 2024, Gulf Monetary Council has been following recent developments and is closely monitoring the convergence criteria.

In this regard, GCC countries have achieved a high degree of economic convergence, with generally low inflation rates across GCC economies, alongside broadly similar short-term rates movements. This is specifically due to the GCC currencies long-standing alignment with the US dollar, as a common anchor. In addition, the ongoing fiscal reforms would enhance further fiscal convergence for GCC countries over the long term.

Meanwhile, significant progress has been made towards other necessary requirements including harmonizing statistics and building a common payment system across GCC countries.

Looking ahead, National Central Banks, as part of the Gulf Monetary Council, will continue to work together to establish the necessary conditions for GCC monetary union.

Finally, I would like to extend my thanks to everyone working with us - from National Central Banks to the Gulf Monetary Council - for their hard work, dedication and commitment to delivering our responsibilities and supporting the broader regional economic integration in GCC countries.

Khaled Ibrahim Humaidan,
Chairman of the Board of Directors - Gulf Monetary Council,
Governor of Central Bank of Bahrain

Message from the President

Preparing and sharing our annual report is an important part of the accountability process of GMCo and as newly appointed President, I am delighted to present the annual report 2024. The objectives of the report are four-fold:

- Provide analytical insights on recent macroeconomic developments of all the GCC member countries,
- Discuss the medium-term outlook of all GCC countries using customized macroeconomic model developed by GMCo,
- Highlight the tasks carried out during 2024 and the progress achieved so far with respect to the organization's statutory objectives as prescribed in the Monetary Union Agreement,
- Present recommendations for further improvement.

The report is therefore divided into four main parts:

- Part I provides a brief historical overview of the organization and the main activities carried out in 2024,
- Part II discusses recent economic developments among GCC countries, highlighting macroeconomic convergence in 2024,
- Part III presents the main outlook for the period (2025-2027),
- Part IV reviews progress in achieving the organization's objectives, and recommendations for further improvement.

Among our statutory tasks is the need to ensure greater convergence of economic performance in the GCC area and support progress in coordination efforts. Our annual report analyzes the GCC recent economic development within the context of macroeconomic convergence. In addition, the annual report sheds light on GMCo main activities carried out throughout 2024 particularly in supporting the National Central Banks (NCBs) to fulfil their mandates towards MU including coordination efforts.

I take this opportunity to express my sincere thanks to the Board of Directors for appointing me as GMCo's president and for their continued support. I also extend my thanks to all my colleagues for the hard work carried out during 2024.

Mr. Turki Dhaifallah Almutairi,
President of Gulf Monetary Council

01

Overview

1. Introduction

This chapter focuses on main activities carried out by the Gulf Monetary Council (GMCo) during 2024, in which pursuing its objectives and tasks as prescribed by the statute. This chapter also provides an overview of GCC Monetary Union and discusses emerging topics within the monetary union context.

1.1 Brief historical background

In December 2008, the Supreme Council (SC), the highest decision-making body of the Gulf Cooperation Council (GCC) made up of Heads of State, approved the Monetary Union Agreement (MUA). In May 2009, the Supreme Council chose Riyadh to host the headquarters of Gulf Monetary Council. In June 2009, the Ministers of Foreign Affairs of four GCC members namely Kingdom of Bahrain, Kingdom of Saudi Arabia; Kuwait and Qatar signed the Monetary Union Agreement. On February 27, 2010, the Monetary Union Agreement came into force. The Gulf Monetary Council was formally established when its Board of Directors held the inaugural meeting on 30 March 2010.

The Monetary Union Agreement lays out the legal and institutional framework for a proposed monetary union of GCC countries that have joined the agreement. An essential part of the monetary union is the establishment of a GCC central bank followed by an introduction of common currency for the member countries.

Gulf Monetary Council is an independent entity with a legal personality overseen by a Board made up of the Governors of the four National Central Banks (NCBs) of its member countries. It is headed by a President supported by a technical and administrative staff generally from its member countries.

Most recently, H.E. Mr. Basel A. Al-Haroon, Governor of Central Bank of Kuwait, was elected as chairman for a term of one year in 2024, and His Excellency Mr. Khaled Ibrahim Humaidan, Governor of Bahrain Central Bank (CBB), as Vice Chairman. The Board of Directors also appointed Mr. Turki Almutairi from Saudi Arabia as Executive President of Gulf Monetary Council in December 2023.

The Board of Directors sets out the broad parameters within which the Monetary Council carries out its work under the leadership and guidance of its President. An annual workplan is submitted to the Board for approval before the commencement of each calendar year, defining the activities and tasks the monetary council expects to carry out. At the end of the year, the actual implementation plan is also submitted to the Board detailing the activities undertaken during the year and highlighting the main achievements in respect to the mandate of the monetary council. A broad overview of this plan is discussed below.

1.2 GMCo's Main activities in 2024

GMCo has actively engaged with the National Central Banks of its member countries to fulfill their mandates towards monetary union requirements particularly in monetary policy, statistics, and convergence criteria. GMCo's main activities in 2024 are therefore divided into the following topics:

1.2.1 Supporting NCBs to fulfill their mandates towards Monetary Union

The key task for GMCo is to enhance cooperation among National Central Banks (NCBs) with a view to create appropriate conditions for the establishment of the Monetary Union. In general, the monetary union agreement clarifies the requirements for successful monetary union, with the provisions broken into five substantive themes: developing common economic policy, harmonizing legal frameworks, upgrading statistics, establishing monetary council, and linking payment systems.
GMCo is working together with NCBs to fulfill their mandates towards these Monetary Union requirements as described below, with exception of payment system task which is under direct supervision of the Board of Directors as part of the GCC governors committee.

1.2.2 Monetary and Exchange Rate Policy:

Among the key tasks, GMCo is working with the National Central Banks to develop and coordinate monetary policies, as per objectives and tasks prescribed in Article No. (6) of Monetary Union Agreement. More recently, GMCo has been engaged with its stakeholders in the areas of strengthening liquidity forecast, analysis, and management among member countries as well as banknote demand forecast.

Liquidity forecasting is an essential part of monetary policy in the central banks, which facilitate monetary operations, decide which specific targets to aim at, and which monetary instruments should be used for liquidity management. For this purpose, liquidity forecasting needs to be strengthened in all National Central Banks. However, the most difficult part of the forecast remains government transactions complicated by the absence of a single treasury account in most member countries. The use of high-frequency information in liquidity forecasting model is still evolving. Although, in Kuwait, selective market information is incorporated into their short- term projections.

National Central Banks (NCBs) need to have a good forecasting methodology in place for the demand of each banknote denomination by the public to determine their production requirement and to guide their daily management at the NCBs. GMCo worked with its member NCBs in setting up/improving their activity of forecasting banknote demand using econometric methods. Technically, the statistical properties of banknote circulation data were broken down by denomination and several forecasting models that were delivered to each participating central bank.

The use of these sophisticated models will help to better anticipate peaks in demand for banknotes and inform banknote production decisions and logistics activities at central banks. During the period of October 27-29, 2024, GMCo conducted a technical mission to the Central Bank of Bahrain to finalize and demonstrate in face-to-face sessions the new forecasting framework proposed by GMCo, aligned with international best practices, to support the Central Bank of Bahrain (CBB) in two areas: liquidity forecast and management, and Banknotes demand forecasting.

In addition, GMCo continues to work closely with its stakeholders to harmonize monetary policy instruments in order to make them more effective (reserve requirements; collaterals; standing facilities etc.) among member countries. key differences still exist among GCC countries in the governance of monetary policy, the design of liquidity absorption tools, and reserve requirement systems. Based on that, GMCo recently prepared a research paper on coordinating governance of monetary frameworks among National Central Banks.

Similarly, for macro-modeling, another essential part of the central bank tasks, where GMCo is also engaging with NCBs on this topic. GMCo has been active in building and developing its own macro-model. The main purpose of GMCo's macro model is to conduct monetary analysis and forecasting with an emphasis on macroeconomic imbalances and external shocks. GMCo continues to work with National Central Banks to customize their own models.

Following recent issues, GMCo in cooperation with Saudi Central Bank (SAMA) organized an online workshop on "Monetary Tightening – Impact on The Economy" in January 2024. The workshop was attended by more than sixty participants from national central banks in GCC countries and international financial institutions. The main purpose of the workshop was to discuss recent economic development following monetary tightening and risks related to economic impacts of monetary tightening.

In addition, GMCo also took part in the seventh workshop on "Exchanging experiences in the field of building and using economic models and their applications" during 16-17 October 2024. The workshop, which was organized by the GCC Office of Economic and Development Affairs Commission (EDAC), provides an annual forum for knowledge exchange for professionals in the GCC to discuss their expertise in developing and using macroeconomic models to support senior policy makers. During the workshop, GMCo in collaboration with the Central Bank of Oman (CBO) presented a paper on "Oil Shocks and Their Impact on Spending Multipliers in MENA countries".

1.2.3 Statistics:

Statistics need to be upgraded in most GCC countries, particularly in data dissemination where there could be improvements. The topic is part of GMCo mandate based on Article No. (6) of Monetary Union Agreement, which states “Development of necessary statistical systems with view to achieving the objectives of the Monetary Union”.

GMCo will continue to pursue with this topic, as per mandate, until meaningful progress is achieved throughout the member countries, by which the data collection, classification, and timely dissemination are in line with international standards and reports are available in a most transparent manner.
More recently, the main efforts among stakeholders focused, in principle, on the current status of data dissemination standards as reported by international sources such as IMF and regional agencies. National Central Banks made progress meeting the requirements of SDDS, with a view to becoming SDDS subscriptions, whether for national or regional purposes, provided that the Monetary Council should follow up with progress and submit a report on that to the Board of Directors.

Following recent issues, GMCo took part in the 11th meeting of the Steering Committee of the Arab Statistics Initiative (ArabStat) during November 2024. The meeting, which was organized by Arab Monetary Fund, focused mainly on government finance statistics and discussed the interrelations in macroeconomic accounts.

1.2.4 Convergence criteria:

Macroeconomic convergence is an essential part for the proposed monetary union of member countries. The topic is part of GMCo mandate based on Article No. (6) of Monetary Union Agreement, which states “Following up fulfillment by the Member States of their obligations to the Monetary Union…., in particular those related to the economic convergence criteria”.

On a regular basis, GMCo conducts the economic convergence analysis of member countries and submits a report on that to the Board of Directors, following formal discussion with NCBs. The follow-up report on macroeconomic convergence reviews the state of each member country›s performance against the convergence criteria. More recently, GMCo prepared the economic convergence analysis for 2023, which is endorsed by the Board of Directors.

The current monitoring mechanism is based on annual reviews. In addition, GMCo will continue to develop and enhance monitoring mechanisms for macroeconomic convergence, as per its mandate.

[1] All GCC countries, except for Saudi Arabia, are not on the Special Data Dissemination Standard (SDDS). This epitomizes the challenges faced by the region as regard the necessary improvement to their statistical systems whether it be quality; integrity; timeliness; coverage; frequency; access by the public – the main features by which to judge the statistical system of a country…….”

1.3 The GMCo context

GMCo continues to build its institutional capacity while operating in a challenging context. An essential part of GMCo mandate is to prepare for monetary union through the support of member countries' NCBs to fulfill their mandates towards monetary union.

If GMCo succeeds in doing so, it will have achieved a meaningful part of its purpose, which is to lay down legal and institutional framework that will underpin monetary union of the member countries.

A related issue is the level of cooperation with which GMCo can engage with non-members in GCC countries (Oman and UAE). So far, GMCo has done at the technical level notably through workshop or through GCC Governors committee. However, GMCo is also keen to explore a higher level of engagement with non-member countries within the context of a possible enhanced institutional framework subject of course that such engagement remains consistent with Monetary Union Agreement and Monetary Council Statute.

As mentioned above, this report discusses below recent economic developments in 2024 among all GCC member countries based on data available as of June 2024. However, the unavailability or incompleteness of data continues to limit GMCo as regards the timely submission and comprehensiveness of its Annual Report.

The report discusses the medium-term outlook for the period (2025-2027) based on a set of assumptions underlying GMCo's econometric models.

02

Recent Economic Development

1. Introduction

This chapter is principally intended to review recent economic development among GCC countries focusing mainly on 2024, the primary purpose being to highlight the similarities and differences between GCC economies with respect to economic developments such as inflation and monetary development. The review is carried out for each country on the four macro sectors (real, fiscal, monetary, and external sectors).

The high degree of GCC economic similarities, particularly high reliance on oil and gas sector, resulted in reducing the risk of asymmetric shocks. However, for the past several years GCC countries have been concentrating on economic diversification. While GCC countries have achieved a high degree of economic convergence, differences remain in the pace and composition of economic diversification across countries.

The economic analysis in this chapter shows that GCC countries continue to be dominated by oil and gas sector despite improvements in some countries towards economic diversifications such as Saudi Arabia particularly in fiscal sector. So far, the oil sector is the principal contributor to GCC economies and oil revenues account for the majority of governments revenues and export earnings as well.

2.1. Kingdom of Bahrain

2.1.1 Real Sector

Bahrain's economy is closely aligned to GCC countries. Bahrain's real GDP increased by 2.6 percent to BD 15,138.2 million in 2024, as compared to 3.9 percent in the previous year. Bahrain's economy is mainly driven by non-oil sector growth of 3.9 percent, which is partially offset by 3.2 percent decline in oil sector. Bahrain's nominal GDP in US$ is 47,109.7 million in 2024, while its GDP per capita is approximately US$ 29,542.3 based on the latest population estimate by national authority.

Table 1:
Bahrain – Real Sector indicators, 2020-2024

Indicator	2020	2021	2022	2023	2024
Nominal GDP (BD million)	13,475.0	15,355.9	17,468.3	17,368.3	17,713.3
Nominal GDP (US$ million)	35,837.6	40,840.2	46,458.2	46,192.2	47,109.7
Real GDP growth rate (%)	…	4.4	6.2	3.9	2.6
By hydrocarbons	…	0.0	-1.5	-1.9	-3.2
By non-hydrocarbons	…	5.2	5.6	5.0	3.9
GDP per capita (US$)	24,342.9	27,147.8	29,834.8	29,163.0	29,542.3
Inflation rate (%)	-2.3	-0.6	3.6	0.1	0.9

Source: *Information and e-Government Authority.*

Reflecting diversification efforts, real GDP contributed by non- oil sector increased to BD 12,187.6 million in 2024, while the contribution of oil sector declined to BD 2,245.3 million. In relative terms, the non-oil sector accounted for 80.5 percent of real GDP in 2024, while the oil sector only accounted for 14.8 percent of real GDP. However, oil sector continues to play an important role in Bahrain's economy.

Among the non-oil sectors, the financial sector accounted for 17.2 percent and is the largest single contributor to real GDP. Manufacturing is also significant contributor to real GDP at 15.1 percent, followed by government and constructions at 8.5 percent and 6.6 percent respectively in 2024.

The non-oil sector growth is primarily driven by the financial services and manufacturing sector, which grew almost by 1.0 percent in real terms in 2024. Diversification of Bahrain's economy is increasingly driven by services sector in line with government priority to develop non-oil sectors.

The following table summarizes Bahrain's real GDP by principal sectors over recent period.

Table 2
Bahrain – Real GDP by economic Sectors (2020-2024, BD million)

economic activity	2020	2021	2022	2023	2024
Oil sector	2,402.4	2,402.3	2,365.9	2,320.5	2,245.3
Non-oil sector *	10,052.1	10,578.9	11,167.0	11,726.5	12,187.6
of which: manufacturing	1,836.1	2,030.0	2,146.6	2,188.7	2,287.6
construction	936.8	944.3	957.5	965.0	997.2
financial	2,131.0	2,264.0	2,323.0	2,489.5	2,599.9
government	1,097.0	1,080.2	1,164.8	1,261.0	1,291.8
Taxes less Subsidies	364.3	395.2	670.1	706.9	705.3
Total GDP	**12,818.7**	**13,376.4**	**14,203.0**	**14,753.8**	**15,138.2**

Note: ** including imputed services.*
Source: *Information and e-Government Authority.*

In terms of prices, Bahrain's headline inflation, as measured by CPI index, remained relatively subdued over recent period. However, inflation increased moderately to 3.6 percent in 2022, reflecting a large part of imported inflation. The headline inflation slowed significantly, increasing slightly by 0.1 percent and 0.9 percent in 2023 and 2024 respectively, primarily due to slowing rent prices.

2.1.2 Public Sector

The 2023-2024 biennial budget is approved by Royal Decree No. 5 for year 2023, issued on 5 June 2023. According to the 2023-2024 budget, total revenue is budgeted to increase by 8.6 percent to BD 3,469.4 million in 2024, as compared to actual revenues of BD 3,196.0 million in the previous year. The main breakdown of budgeted revenues shows that oil revenue and other revenues represented 62.0 percent and 38.0 percent, respectively. Although oil revenues still constitute the principal source of government revenues, tax revenues are increasingly growing in line with government efforts to diversify and boost non-oil revenues.

In expenditure side, total expenditure is budgeted to decrease by 8.5 percent to BD 3,630.8 million in 2024, as compared to actual expenditure of BD 3,969.9 million in the previous year. The main breakdown of government expenditures shows that the current and capital expenditures accounted for 94.0 percent and 6.0 percent, respectively. The most significant components of current expenditures are public wages bill and interest expenses, which together accounted for 58.0 percent of total expenditures.

According to 2024›s budget, the deficit is budgeted at BD 161.4 million or almost 1.0 percent of nominal GDP, down from actual deficit of BD 773.9 million in the previous year or 4.5 percent of GDP. In addition, the government’s budget breakeven is based on oil price of U.S.$ 80 per barrel for 2024›s budget.
The continued trend of fiscal deficits since 2015 led to significant increases in government debt and debt-to-GDP ratio. For the 2024 budget, government debt is expected to reach BD 18,049.0 million in 2024, representing almost 100.0 percent of GDP.

The following table analyses the government revenues, expenditures, and net lending over recent period.

Table 3
Bahrain – Government Budget (2020-2024, BD million)

Budget items	2020	2021	2022	2023	2024
Revenues	**2,082.4**	**2,615.4**	**3,543.9**	**3,196.0**	**3,469.4**
Oil Revenues	1,232.8	1,783.4	2,421.3	2,034.7	2,146.8
Tax Revenues	**479.9**	**539.0**	**872.9**	**729.9**	**749.9**
Other Revenues	369.7	292.9	249.6	431.3	572.6
Expenditures	**3,753.0**	**3,567.8**	**3,729.5**	**3,969.9**	**3,630.8**
Current Expenures	3,533.0	3,367.9	3,496.2	3,692.7	3,405.8
Compensation of employees	1,389.8	1,411.0	1,478.0	1,403.8	1,333.7
Purchase of goods and services	420.2	405.4	453.4	373.0	265.0
Interest payments	665.2	698.1	736.4	843.1	788.0
Subsidies, transfers & other expenses	1,057.9	853.4	828.4	1,072.7	1,019.1
Capital Expenditures	219.9	199.9	233.3	277.2	225.0
Fiscal balance	**-1,670.6**	**-952.5**	**-185.7**	**-773.9**	**-161.4**
Government Debt	**14,955.0**	**16,864.0**	**16,729.0**	**17,888.0**	**18,049.4**

Source: *Ministry of Finance in Bahrain. Final accounts except for last year based on budget accounts.*

2.1.3 Monetary Sector

The money supply (M2), a broad measure for domestic liquidity in Bahrain, increased moderately by 1.6 percent to BD 16,220.4 million in 2024, as compared to BD 15,966.3 million in previous year. The broad money is made up primarily of time deposit in local currency, which accounted for 67.5 percent of M2. This is a result of high interest rates making time deposits more attractive. Within the components of M2, the monetary deposits increased moderately by 4.3 percent to BD 2,399.5 million, while time deposits almost remained same at BD 10,950.0 million in 2024.

In terms of factors affecting money supply, the growth in broad money (M2) is mainly due to a significant increase in domestic assets by 8.3 percent to BD 19,016.6 million in 2024, mostly as a result of an increase in banks' claims on government resulting from growing government debt and budget financing needs. Also, banks' claims on private sector accounted in part for the increase in domestic assets, which increased slightly by 0.8 percent to BD 11,897.0 million in 2024. The slowdown in the credit expansion to the private sector over recent years can be explained by the rising cost of borrowing. However, the decline in net foreign assets, held by both the central bank and commercial banks, partly offset the expansion in domestic assets, which increased to BD 2,796.2 million in 2024, as compared to -1,586.2 representing net foreign liabilities.

The following table presents an analysis of Bahrain's money supply over recent period.

Table 4
Bahrain – Liquidity and Money Supply (2020-2024, BD million)

Money Supply	2020	2021	2022	2023	2024
Money (M1)	**2,921.1**	**3,224.7**	**3,063.3**	**2,833.3**	**2,933.5**
Currency Outside Banks	593.0	558.0	506.5	531.9	534.0
Monetary Deposits	2,328.1	2,666.7	2,556.8	2,301.4	2,399.5
Quasi-Money	**9,918.9**	**10,240.7**	**10,921.4**	**11,856.7**	**11,814.0**
Time Deposits	8,959.0	8,955.4	10,079.7	10,950.5	10,949.6
Foreign Currency Deposits	959.9	1,285.3	841.8	906.1	864.4
Money Supply (M2)	**14,151.3**	**14,884.2**	**15,135.4**	**15,966.3**	**16,220.4**
Net Foreign Assets	**-594.6**	**-22.9**	**-1,195.4**	**-1,586.2**	**-2,796.2**
NFA by central bank	734.5	1,471.1	1,404.1	1,515.2	1,427.5
NFA by commercial banks	-1,329.1	-1,494.0	-2,599.5	-3,101.4	-4,223.7
Net Domestic Assets	**14,745.9**	**14,907.1**	**16,330.8**	**17,552.5**	**19,016.6**
Claims on Private Sector	10,644.3	11,111.1	11,505.4	11,804.9	11,897.0
Net Claims on Government	7,789.5	8,077.2	9,192.7	9,941.4	11,229.1
Others (Net)	-3,687.9	-4,281.2	-4,367.3	-4,193.8	-4,109.5

***Source**: Central Bank of Bahrain.*

In terms of credit facilities, total banks' credit amounted to BD 12,321.9 million in 2024, an increase of 4.6 percent, as compared to BD 11,779.3 million in the previous year. The banks' credit extended to the corporate sector represented 42.3 percent of total banks' credit. The proportion of credit extended to the household sector is 48.3 percent, representing the largest recipient of banks' credit. In addition, the credit facilities extended to the government sector is only 9.4 percent.

The growth of credit facilities in 2024 primarily reflects the higher growth in the corporate sector at 3.8 percent and, to a lower extent, household sector at 2.0 percent. Despite increasing by 25.4 percent, bank's credit to government represents a small proportion of total bank's credit, reflecting government reliance on debt instruments.

Withing the corporate sector, construction & real estate, manufacturing, and general trade accounted for the largest proportions of banks credits, representing 11.9 percent, 10.7 percent, and 5.2 percent, respectively. The following table presents the breakdown of bank credit classified by economic sectors during the period 2020-2024.

Table 5
Bahrain – Bank Credit (2020-2024, BD million)

Economic Sector	2020	2021	2022	2023	2024
Public Sector	369.6	454.4	629.8	925.4	1,160.1
Household Sector	4,717.3	5,110.7	5,716.8	5,834.6	5,950.1
Corporate Sector	5,326.9	5,341.2	4,951.5	5,019.3	5,211.7
of which: Construction & Real Estate	1,932.0	2,009.6	1,651.7	1,570.0	1,462.8
Manufacturing	1,173.8	1,292.3	1,221.3	1,229.0	1,321.5
Trade	934.4	903.9	814.0	731.3	642.6
Total	**10,413.8**	**10,906.3**	**11,298.1**	**11,779.3**	**12,321.9**

Source: *Central Bank of Bahrain.*

In terms of monetary policy, the Central Bank of Bahrain reduced its key policy rates during 2024 in line with rate cuts by the U.S. Federal Reserve and reaffirming the peg of Bahraini Dinar to the U.S. Dollar. In each of September, November and December 2024, the Central Bank of Bahrain reduced 1-week deposit facility by 25 basis point moving policy rate to 5.25 percent by end of 2024.

2.1.4 External Sector

Bahrain's balance of payments shows that oil continues to play an important role in its external sector. According to preliminary estimates, the current account recorded a surplus of BD 858.0 million in 2024 (4.8 percent of GDP), as compared to BD 1,015.0 million (5.8 percent of GDP) in the previous year, primarily as a result of a decrease of almost 20 percent in the trade surplus resulting from lower oil prices.
Bahrain's current account moved into surplus in recent years with oil prices above US$ 70.0 per barrel. The current account is driven by a structural surplus, with trade balance and, to a lower extent, services surplus are partially offset by the deficit in primary and secondary income accounts.

The surplus in services account increased significantly by 34.1 percent to BD 1,748.8 million in 2024, mostly due to higher travel receipts. The income account recorded a deficit of BD 1,247.4 million in 2024, representing an increase of 27.2 percent from the previous year. The outflow of Investment income is gradually increasing over recent years in line with increasing levels of foreign investment, which expanded more rapidly than investment abroad by resident entities in Bahrain. In addition, workers' remittances from Bahrain almost remained same at an outflow of BD 1,000.0 million in 2024, as compared to the previous year.

The capital & financial account recorded a net inflow in 2020, before reversing trend to a net outflow in preceding years, mostly due to other investments, which principally comprise bank loans and cash deposits. In 2024, the capital and financial account recorded a net outflow of BD 756.5 million, as compared to small outflow of BD 18.6 million in the previous year. This increase in outflow is primarily a result of portfolio outflows of BD 1,336.3 million, which is partially offset by BD 828.3 million from net inflows of FDI. Reflecting balance of payments, gross official reserves amounted to BD 1,719.1 million in 2024, as compared to BD 1,811.6 million in the previous year, a decrease of BD 92.5 million.

The following table presents an analysis of Bahrain's balance of payments over recent period.

Table 6
Bahrain - Balance of payments (2020-2024, BD million)

items	2020	2021	2022	2023	2024
Current Account	**-1,220.0**	**978.5**	**2,571.3**	**1,015.0**	**858.0**
Trade	-47.8	1,844.3	3,100.0	1,693.0	1,356.6
Exports (F.O.B.)	5,288.7	8,410.9	11,352.9	9,329.9	9,128.7
of which: hydrocarbons	2,232.8	3,737.7	5,665.9	4,664.9	4,451.8
Imports (F.O.B)	-5,336.5	-6,566.6	-8,252.9	-7,636.9	-7,772.1
of which: hydrocarbons	-1,043.9	-1,782.4	-2,995.0	-2,436.7	-2,515.1
Services	781.9	1,034.8	1,228.9	1,303.8	1,748.8
of which: Transport	-718.6	-738.6	-860.6	-834.3	-648.6
of which: Travel	540.6	814.6	1,159.0	1,310.8	1,534.5
Primary Income	-924.6	-950.5	-738.0	-980.4	-1,247.4
Secondary Income	-1,029.5	-950.1	-1,019.6	-1,001.4	-1,000.0
Capital & Financial Account	**1,741.3**	**-417.2**	**-1,598.1**	**-18.6**	**-756.5**
Direct Investment	461.1	644.8	1.3	2,298.4	828.3
Portfolio Investment	817.3	-425.0	188.4	299.6	-1,336.3
Other Investment	-378.0	97.2	-2,052.2	-2,635.2	-428.2
Reserve Assets	547.8	-946.3	86.6	-113.0	92.5
Errors and omissions	**-521.3**	**-561.3**	**-973.2**	**-996.4**	**-101.5**

Source: *Central Bank of Bahrain.*

2.2 State of Kuwait

2.2.1 Real Sector

Kuwait's economy is substantially based on oil sector. Kuwait's GDP declined by 2.6 percent, in real terms, to KD 40,334.5 million in 2024. Kuwait's GDP contraction is driven in large part by a decrease in oil sector (6.9 percent) following OPEC-plus production cuts, however, partially offset by increase in non-oil sector (1.8 percent).

Kuwait's nominal GDP in US dollars reached $160,239.6 million and its GDP per capita decreased to $32,126.1 in 2024 (Table 7).

Table 7
Kuwait – Real Sector indicators, 2020-2024

Indicator	2020	2021	2022	2023	2024
Nominal GDP (KD million)	34,005.8	44,748.9	56,197.5	50,803.6	49,140.3
Nominal GDP (US$ million)	111,037.2	148,352.1	183,501.1	165,377.9	160,239.6
Real GDP growth rate (%)	-4.8	1.7	6.8	-1.7	-2.6
By hydrocarbons	-8.5	-0.9	12.1	-4.2	-6.9
By non-hydrocarbons	-0.8	4.2	1.6	1.0	1.8
GDP per capita (US$)	23,773.1	33,826.2	38,738.8	34,031.2	32,126.1
Inflation rate (%)	**2.1**	**3.4**	**4.0**	**3.7**	**2.9**

Source: *Central Statistical Bureau in Kuwait.*

Despite diversification efforts, Kuwait's real GDP continues to be dominated by oil sector, contributing to KD 19,306.8 million in 2024, while the contribution of the non-oil sector is KD 25,186.6 million. In relative terms, the oil sector accounted for 47.9 percent, which is the largest single contributor to real GDP. The non-oil sector represented 62.4 percent of real GDP in 2024. In order to reduce its reliance on oil sector, Kuwait's launched economic vision 2040, which aims to diversify the economy away from the oil sector.

Within non-oil sectors, the public sector is the largest contributor to real GDP at 14.0 percent in 2024, followed other services by 9.5 percent and financial services at almost 8.9 percent, and manufacturing at 8.0 percent. The growth in non-oil sector in 2024 primarily reflects the growth in business services sector by 5.2 percent, followed by community services and financial sector with 2.7 percent and 1.4 percent, respectively.

The following table summarizes Kuwait's real GDP by principal sectors over recent period.

Table 8:
Kuwait – Real GDP by economic activities (2020-2024, KD million)

economic activity	2020	2021	2022	2023	2024
Oil sector	19,476.8	19,309.8	21,644.4	20,736.6	19,306.8
Non-oil sector *	23,000.6	24,109.2	24,447.9	24,764.8	25,186.6
of which: manufacturing	3,489.1	4,277.0	3,884.8	3,213.9	3,225.8
financial services	3,499.5	3,623.4	3,506.1	3,545.6	3,593.5
other services	3,622.7	3,644.2	3,633.8	3,645.2	3,835.0
government	4,744.6	4,800.8	5,180.7	5,629.0	5,642.7
Taxes less Subsidies	-3,694.9	-3,987.9	-3996.1	-4,107.2	-4,158.9
GDP at Market Prices	38,782.6	39,431.1	42,096.1	41,394.3	40,334.5

Note: ** including imputed services.*
Source: *Central Statistical Bureau in Kuwait.*

In terms of prices, inflation rate, as measured by the CPI index, has been on a downward trend since 2022. The annual inflation rate in Kuwait is 2.9 percent in 2024, as compared to 3.7 percent in the previous year. The slight slowdown in the rate of inflation is primarily due to decreases in inflation for housing rent prices and transport. Inflation rose to 1.2 percent for housing in 2024 (2.7 percent in 2023), and to 0.1 percent for transport (3.0 percent in 2023). These decreases in inflation are partially offset by higher inflation for household services and maintenance, which rose to 3.8 percent in 2024 (2.5 percent in 2023). The increase in the inflation rate for housing & household services, despite slowing, can be primarily attributed to the accelerating housing market.

2.2.2 Public Sector

Based on IMF estimates for Kuwait's 2024/2025's budget, total revenues for the fiscal year ending March 2025 are KD 21,300.0 million, a decrease of 10.0 percent from the previous fiscal year, mostly as a result of lower oil prices. Revenues from the oil sector declined by 11.3 percent to KD 19,100.0 million, representing 90.0 percent of total revenues. The government's main source of revenues is oil revenues, rendering the budget sensitive to oil price shocks. In addition, revenues from the non-oil sector increased moderately by 4.0 percent to KD 2,200.0 million in fiscal year ending March 2025.

According to IMF estimates, total government expenditure increased moderately by 5.2 percent to KD 25,555.0 million in 2024/2025, mostly as a result of higher current expenditure, which in turn, increased by 3.0 percent to KD 22,698.4 million. The main breakdown of expenditure shows that current expenditure accounted for 92.5 percent of total expenditures in 2024. The major components of current expenditure are compensation of employees and grants.

Capital expenditures accounted for 7.5 percent of total expenditures in fiscal year ending March 2025, which will primarily be spent on major projects as identified in the Kuwait's vision 2040.
According to IMF estimates for 2024/2025's budget, the deficit for fiscal year ending March 2025 is KD 3,255.0 million or 6.6 percent of GDP, as compared to deficit of KD 1,561.0 million in the previous fiscal year or 3.1 percent of GDP.

As at fiscal year ending Mar 2025, Kuwait's total outstanding debt amounted to KD 1,476.0 million (3.0 percent of GDP), of which 90 percent is external debt denominated in US dollar. The following table presents an analysis of Kuwait's government budget over recent period.

Table 9:
Kuwait - Government Budget (2020-2024, KD million)

Budget items	2020	2021	2022	2023	2024
Revenues	**10,520.3**	**18,614.6**	**28,801.9**	**23,644.3**	**18,918.6**
Oil Revenues	8,789.7	16,217.0	26,713.0	21,527.6	16,234.1
Other Revenues	1,730.5	2,397.6	2,089.0	2,116.8	2,684.5
Expenditures	**21,292.7**	**22,955.1**	**22,369.3**	**25,205.8**	**24,555.0**
Current expenditures	19,550.0	21,082.1	20,829.5	23,898.7	22,698.4
Compensation of employees	7,445.8	8,605.5	8,502.4	9,605.5	9,899.1
Purchase of goods and services	2,873.6	3,208.0	3,831.7	4,671.5	3,567.0
Interest payments	0.0	0.0	0.0	0.0	0.0
Subsidies	556.7	620.3	797.9	1,265.2	1,128.6

Budget items	2020	2021	2022	2023	2024
Grants	5,432.5	5,550.9	5,627.4	6,156.3	5,642.8
Social benefits	847.2	1,744.2	681.1	708.7	845.3
Other expenditures	2,394.3	1,353.3	1,388.9	1,491.5	1,615.6
Capital expenditures	1,742.7	1,873.0	1,539.8	1,307.1	1,856.6
Budget Balance	**-10,772.5**	**-4,340.6**	**6,432.6**	**-1,561.0**	**-5,636.4**
Government Debt	**3,479.0**	**3,221.0**	**1,658.0**	**1,592.0**	**1,476.0**

Source: *Ministry of Finance, Kuwait. Final accounts and approved budget for 2024.*

2.2.3 Monetary Sector

Domestic liquidity in Kuwait, as measured by broad money (M2), amounted to KD 40,634.1 million in 2024, an increase of 4.3 percent from the previous year. The broad money is made up primarily of quasi-money, which accounted for almost 74.4 percent of M2. Within the components of M2, the monetary deposits decreased by 3.3 percent to KD 8,772.8 million, while term deposits increased by 6.9 percent to KD 30,220.7 million. This shift in deposit component is also a result of high interest rates making time deposits more attractive.

In terms of factors affecting money supply, the increase in broad money is explained by 8.1 percent increase in net foreign assets to KD 27,289.7 million, mostly due to commercial banks, and by 2.8 percent decrease in net domestic assets to KD 13,344.4 million. The decrease in domestic assets is in large part due to higher net assets of other sectors by 9.5 percent to KD -24,503.9 million and higher net claim on government sector by 3.8 percent to KD -9,397.8 million, representing net liabilities and net government deposits, respectively. In contrast, banks' claims on private sector increased by 4.6 percent to KD 47,246.1 million in 2024, almost offset by higher net claims on government and other sectors.

The following table presents an analysis of Kuwait's money supply over recent period.

Table 10:
Kuwait – Liquidity and Money Supply (2020-2024, KD million)

Money Supply	2020	2021	2022	2023	2024
Money (M1)	**11,915.0**	**12,184.9**	**11,618.8**	**10,711.9**	**10,413.4**
Currency Outside Banks	1,810.7	1,775.2	1,670.3	1,643.1	1,640.6
Monetary Deposits	10,104.2	10,409.7	9,948.4	9,068.8	8,772.8
Quasi-Money	**23,006.0**	**24,060.6**	**26,965.5**	**28,261.4**	**30,220.7**

Money Supply	2020	2021	2022	2023	2024
Time Deposits	...	...	...	...	...
Foreign Currency Deposits	...	...	...	...	...
Money Supply (M2)	**34,921.0**	**36,245.5**	**38,584.3**	**38,973.3**	**40,634.1**
Net Foreign Assets	**21,626.5**	**18,913.7**	**23,547.1**	**25,247.6**	**27,289.7**
NFA by central bank	13,813.2	12,033.8	13,192.9	13,037.2	12,128.4
NFA by commercial banks	7,813.2	6,879.9	10,354.2	12,210.4	15,161.2
Net Domestic Assets	**13,294.4**	**17,331.7**	**15,037.2**	**13,725.7**	**13,344.4**
Claims on Private Sector	38,817.8	40,858.6	44,108.8	45,151.1	47,246.1
Net Claims on Government	-9,640.4	-6,843.1	-8,409.8	-9,054.0	-9,397.8
Others (Net)	**-15,883.0**	**-16,683.7**	**-20,661.8**	**-22,371.5**	**-24,503.9**

Source: *Central Bank of Kuwait*

In terms of credit facilities (Resident), total banks credit amounted to KD 49,413.0 million in 2024, an increase of 3.6 percent, as compared to the previous year. The bank's credit extended to the corporate sector accounted for 53.1 percent of total banks credit, representing the largest recipient of banks credit. The proportion of credit extended to the household sector represented 39.1 percent.

Within the corporate sector, real estate represented approximately 20.6 percent of banks' credit, followed by general trade and construction, accounting for 7.4 percent and 5.4 percent, respectively. The growth of credit facilities in 2024 generally reflects the higher growth in the real estate sector.

The following table presents the breakdown of bank credit classified by economic sectors during the period 2020-2024.

Table 11:
Kuwait – Bank Credit (Resident) (2020-2024, KD million)

Economic Sector	2020	2021	2022	2023	2024
Public Sector	124.9	120.0	116.4	114.9	111.1
Household Sector	14,975.1	16,942.5	18,475.7	18,761.8	19,321.9
Purchase of Securities	2,579.3	2,812.1	3,215.5	3,436.6	3,763.8
Corporate Sector	22,871.2	23,669.7	25,077.1	25,363.5	26,216.3
of which: Real Estate	8,914.3	8,994.7	9,497.1	9,616.9	10,168.7
Trade	3,276.5	2,971.9	3,178.5	3,393.4	3,637.5
Constructions	1,882.3	1,696.1	2,091.3	2,391.6	2,678.7
Total	**40,550.5**	**43,544.3**	**46,884.7**	**47,676.8**	**49,413.0**

Source: *Central Bank of Kuwait.*

In terms of monetary policy, The Central Bank of Kuwait (CBK) reduced its discount rate by 25 basis points in September 2024 from 4.25 percent to 4.0 percent. The marginal decrease in 2024 is the first cut in the discount rate following a series of rate hikes started in March 2022.

2.2.4 External Sector

Kuwait's balance of payments reflects importance of oil exports to its external sector. Oil exports accounted for almost 88.9 percent of Kuwait's earnings from total exports in 2024. Preliminary figures for Kuwait's balance of payments show that the current account is in a structural surplus, driven by a trade balance surplus and to lower extent by primary income surplus.

The trade surplus decreased by 14.0 percent to KD 13,510.3 million in 2024, primarily due to the decrease in oil exports. Kuwait's trade balance surplus has been partially offset by a deficit of KD 4,864.2 million recorded in the services account in 2024. The services account deficit increased significantly following post-pandemic recovery reflecting higher government spending triggered by surging oil prices. The service account has surplus only in communication services, which in turn, is a result of Kuwait's regional expansion in communication sector.

In turns, Kuwait's trade surplus is supported by a higher surplus of KD 10,146.4 million in primary income account, an increase of 2.3 percent from 2023, reflecting income generated from external assets. This surplus is also partially offset by expatriates' remittances, which increased significantly by 12.6 percent to KD 4,469.9 million in 2024 in line with growing expatriate workers in Kuwait's total labor force. Accordingly, Kuwait's current account surplus decreased by 9.3 percent to reach KD 14,322.6 million in 2024 or representing 29.1 percent of nominal GDP in same period.

Preliminary figures for financial account indicate that Kuwait's net value of external assets increased by KD 15289.4, million in 2024, as compared to an increase of KD 15,542.6 million in the previous year. The lower financial account deficit in 2024 is driven in large part by net outflow of KD 12,637.4 million for portfolio investments (which principally comprises debt & equity securities), and net outflow of KD 2,975.7 million for direct investments.

An overall, the current account surplus of KD 14,322.6 million, combined with financial account deficit of KD 15,289.4 million, along with net errors and omissions of KD 999.1 million, resulted in a deficit of KD 921.5 million for Kuwait's balance of payments in 2024, as compared to small deficit of KD 150.2 million in the previous year.

The following table presents an analysis of Kuwait's balance of payments over recent period.

Table 12
Kuwait - Balance of payments (2020-2024, KD million)

items	2020	2021	2022	2023	2024
Current Account	**1,483.3**	**11,278.4**	**19,327.9**	**15,791.2**	**14,322.6**
Goods	**4,774.6**	**12,227.7**	**22,034.2**	**15,711.6**	**13,510.3**
Exports (F.O.B.)	12,269.0	20,634.2	30,720.6	25,856.9	23,766.8
of which: Oil Exports	10,957.9	19,000.3	28,790.6	23,978.3	21,128.5
Imports (F.O.B)	-7,494.4	-8,406.5	-8,686.4	-10,145.3	-10,256.5
Services	-2,933.3	-2,628.6	-5,187.0	-5,866.3	-4,864.2
Primary Income	5,010.6	7,280.9	7,962.0	9,915.6	10,146.4
Secondary Inco	5,368.5	-5,601.5	-5,481.3	3,969.8	-4,469.9
Capital Account	250.5	428.2	163.4	-37.1	-32.4
Financial Account	**-4,493.8**	**-12,519.2**	**-19,685.7**	**-15,542.6**	**-15,289.4**
Direct Investment	-2,355.6	-1,236.5	-7,305.7	-2,788.2	-2,975.7
Portfolio Investment	-14,306.6	-11,906.8	-15,537.6	-13,189.8	-12,637.4
Financial derivatives	-29.1	-6.4	-3.6	-201.8	-198.5
Other Investment	14,750.1	-340.2	4,287.9	487.1	-399.3
Reserve Assets	-2,552.6	970.7	-1,126.7	150.2	921.5
Errors and omissions	**2,760.0**	**812.6**	**194.4**	**-211.6**	**999.1**
Overall Balance	**2,552.6**	**-970.7**	**1,126.7**	**-150.2**	**-921.5**

Source: *Central Bank of Kuwait*

2.3 Sultanate of Oman

2.3.1 Real Sector

Oman›s economy is vulnerable to external shocks more than other GCC countries. The real GDP increased by 1.7 percent in 2024, following growth of 1.2 percent in 2023, to reach OMR 38,305.2 million. The real GDP growth is mainly driven by the growth in the non-oil sector (3.9 percent), which more than compensated for the decline in the oil sector (-3.0 percent). Oman's nominal GDP in dollars grew to $106,942.9 million and its GDP per capita increased to $20,300.5 in 2024 (Table 13).

Table 13
Kuwait – Real Sector indicators, 2020-2024

Indicator	2020	2021	2022	2023	2024
Nominal GDP (OMR million)	29,187.2	33,576.0	42,238.4	40,716.9	41,119.5
Nominal GDP ($ million)	75,909.4	87,323.9	109,852.9	105,895.8	106,942.9
Real GDP growth rate (%)	-	2.6	8.0	1.2	1.7
By hydrocarbons	-	3.1	8.6	0.0	-3.0
By non-hydrocarbons	-	3.1	7.5	2.1	3.9
GDP per capita ($)	16,940.3	19,289.6	22,264.5	20,498.6	20,300.5
Inflation rate (%)	-0.4	1.7	2.5	0.9	0.6

Source: *National Centre for Statistics & Information, Oman.*

Despite diversification efforts, Oman's economy still dominated by oil sector. Real GDP contributed by the oil sector amounted to OMR 11,847.3 million in 2024, or 30.9 percent of real GDP. The oil sector is the largest single contributor to real GDP. The contribution of non-oil sector amounted to OMR 27,869.9 million in 2024, representing 72.8 percent of real GDP.

Within non-oil sectors, constructions, public sector, manufacturing, and general trade accounted for the largest share of real GDP. The growth of non-oil GDP in 2024 primarily reflects the growth in manufacturing at 8.3 percent, followed by trade and logistic sectors at 6.8 percent and 5.0 percent respectively, and to a lower extent, by public sector at 3.1 percent. However, the Government continues to focus on manufacturing, transportation, and logistics as part of its economic diversification efforts.

The following table summarizes Oman's real GDP by principal sectors over recent period.

Table 14
Oman – Real GDP by economic activities (2020-2024, OMR million)

economic activity	2020	2021	2022	2023	2024
Oil sector	10,912.1	11,245.7	12,215.6	12,209.7	11,847.3
Non-oil sector *	23,706.9	24,443.2	26,280.3	26,834.0	27,869.9
of which: manufacturing	2,819.5	3,019.2	3,442.4	3,347.1	3,624.9
construction	3,789.6	3,386.0	3,450.3	3,472.3	3,556.3
general trade	2,651.3	2,744.0	3,023.2	3,020.5	3,225.8
government	2,838.6	3,256.7	3,384.5	3,496.7	3,605.9
Taxes less Subsidies	-291.8	-330.0	-320.4	-398.2	-397.5
GDP at Market Prices	33,611.2	34,479.1	37,232.5	37,674.5	38,305.2

Note: ** including imputed services.*
Source: *National Centre for Statistics & Information, Oman.*

In terms of prices, the inflation remained subdued in Oman over the recent period with exception of 2022, when the inflation rate surged to 2.5 percent following global inflationary pressures. However, the inflation rate in Oman decreased gradually to 0.9 percent and 0.6 percent in in 2023 and 2024, respectively.

Inflation rates in Oman are influenced most notably by volatility in food and energy prices resulting from the disruption in oil markets and supply chains. The significant slowdown in inflation rate primarily reflects the decline in the fuel prices and, to a lower extent, slowing food prices.

2.3.2 Public finance:

Based on preliminary estimates for Oman's 2024 budget, total government revenues increased by 1.9 percent to OMR 12,781.0 million in 2024 from OMR 12,542.0 million in the previous year. This increase is mainly due to an increase in oil revenues resulting from higher oil production in 2024. Oil related revenues increased by 2.8 percent to OMR 9,274.0 in 2024 from OMR 9,018.0 million in the previous year.

Non-oil revenues, including revenues generated from taxes, investment income and other revenues decreased slightly by 0.5 percent to OMR 3,507.0 million in 2024, as compared to OMR 3,524.0 million in the previous year.

According to preliminary estimates, government revenues consisted of 72.6 percent from the oil sector and 27.4 percent from the non-oil sector. However, non-oil revenues have represented a growing share of government revenues over recent years, mostly as a result of an increase in tax revenues.

In expenditure side, total expenditures increased moderately by 5.5 percent to OMR 12,241.0 million in 2024 from OMR 11,606.0 in the previous year, as a result of higher current spending and capital expenditure. The main breakdown of expenditures shows that current expenditure accounted for 87.8 percent of total expenditures in 2024. The current expenditure increased by 4.9 percent to OMR 10,743.0 million in 2024 as compared to the previous year, in part due to a combination of factors such as increase in subsidies & transfers despite lower interest payments. The major components of current expenditures are public wages and subsidies.

According to preliminary estimates, the budget surplus is OMR 540.0 million in 2024, down from OMR 936.0 million in the previous year. As a result, the outstanding government debt declined to OMR 14,603.0 million in 2024, representing 35.5 percent of GDP. In addition, the government budget turned into surplus in recent years, reflecting fiscal measures introduced recently by the government to reduce its deficit.

The following table presents Oman's government revenues, expenditures, and net lending over recent period. The budget format as provided by the national source is not in line with international standards classification, notably GFS which allows for better cross-country comparison.

Table 15

Oman - Government Budget (2020-2024, OMR million)

Budget items	2020	2021	2022	2023	2024
Revenues	**8,503.2**	**11,195.0**	**14,472.8**	**12,542.0**	**12,781.0**
Oil Revenues	5,797.7	8,242.0	11,173.0	9,018.0	9,274.0
Other Revenues	2,705.5	2,953.0	3,299.8	3,524.0	3,507.0
Of which: Tax Revenues	1,199.2	1,492.7	1,839.8	2,050.3	2,077.0
Expenditures	12,925.7	12,418.0	13,328.5	11,606.0	12,241.0
Current Expenditures	11,800.9	11,214.0	11,907.7	10,244.0	10,743.0
Compensation of employees	3,631.0	3,284.0	3,402.4	3,506.5	3,531.3
Purchase of goods and services	1,493.0	2,018.0	751.3	816.2	867.6
Interest payments	891.9	1,054.0	1,076.0	1,044.0	936.0
Subsidies, transfers & other expenses	5,785.0	4,858.0	6,678.0	4,877.4	5,408.1
Capital Expenditures	1,124.8	1,204.0	1,306.0	1,363.0	1,498.0
Fiscal balance – Budget	**-4,422.5**	**-1,223.0**	**1,144.3**	**936.0**	**540.0**
Government Debt – Budget	**19,819.0**	**20,775.0**	**17,602.0**	**15,264.0**	**14,603.0**

Source: *Ministry of Finance, Oman*

2.3.3 Monetary sector:

Domestic liquidity (M2) in Oman, which comprises money plus quasi money, increased by 8.1 percent to OMR 24,867.3 million in 2024, as compared to significant increase of 13.1 percent in the previous year. The broad money is made up primarily of quasi-money and accounted for 71.5 percent of M2, of which almost is local currency deposits. Within the components of M2, time deposits in local currency increased by 5.0 percent to OMR 13,752.5 million, while monetary deposits increased nearly by 27.0 percent to OMR 6,070.50 million. This significant increase is a result of high interest rates making both monetary and time deposits more attractive.

In terms of factors affecting Oman's broad money supply (m2), the increase in broad money is explained by 14.8 percent increase in net foreign assets held by banking system to OMR 7,183.9 million in 2024 and by 6.5 percent increase in claims on private sector to OMR 27,493.9 million in 2024.

The net foreign assets held by commercial banks reversed trend into net assets since 2023, as foreign assets expanded more rapidly than foreign liabilities. In addition, the net claim on government is decreasing over the recent period, mostly due to recent improvement in budget deficit.

The following table presents an analysis of Oman's money supply over recent period.

Table 16
Oman - Liquidity and Money Supply (2020-2024, OMR million)

Money Supply	2020	2021	2022	2023	2024
Money (M1)	**5,560.5**	**5,746.6**	**5,606.2**	**5,981.1**	**7,095.1**
Currency in Circulation	1,378.6	1,307.1	1,243.0	1,209.8	1,024.5
Monetary Deposits	4,181.9	4,439.4	4,363.2	4,771.3	6,070.5
Quasi-Money	**13,765.5**	**14,474.3**	**14,729.2**	**17,020.7**	**17,772.2**
Time Deposits	11,868.9	12,550.3	16,571.9	13,752.5	14,434.0
Foreign Currency Deposits	1,896.6	1,923.9	-1,842.6	3,268.2	3,338.2
Money Supply (M2)	**19,326.0**	**20,220.8**	**20,335.5**	**23,001.8**	**24,867.3**
Net Foreign Assets	**3,549.9**	**4,651.3**	**4,615.4**	**6,258.4**	**7,183.9**
NFA by central bank	5,010.1	6,796.0	6,054.9	6,061.8	6,350.0
NFA by commercial banks	-1,460.2	-2,144.8	-1,439.5	196.5	833.9
Net Domestic Assets	**15,776.1**	**15,569.6**	**15,720.1**	**16,743.4**	**17,683.4**
Claims on Private Sector	23,167.4	23,634.0	24,655.7	25,819.9	27,493.9
Net Claims on Government	1,069.7	867.9	285.6	420.4	319.2
Others (Net)	-8,461.0	-8,932.3	-9,221.2	-9,496.9	-10,129.7

Source: *Central Bank of Oman.*

In terms of credit facilities, total credit facilities extended by local banks in Oman amounted to OMR 24,387.9 million in 2024, an increase of 4.8 percent, as compared to the previous year. The bank's credit extended to the corporate sector accounted for 59.5 percent of total banks' credit, representing the largest recipient of banks' credit. The corporate sector also accounted for the largest contributor to the growth of credit facilities in 2024, with an increase of 4.8 percent. In addition, the proportion of credit extended to household and government sector accounted for 37.8 percent and 2.6 percent, respectively. Withing the corporate sector, the trade sector represented approximately 9.0 percent of the bank's credit, followed by manufacturing sector accounting for 7.4 percent.

Table 17
Oman – Bank Credit (2020-2024, OMR million)

Economic Sector	2020	2021	2022	2023	2024
Public Sector	477.8	620.4	844.6	554.6	670.2
Household Sector	8,511.1	8,689.6	8,952.3	9,308.7	9,670.1
Corporate Sector	13,342.4	13,691.0	13,987.2	14,524.7	15,216.3
of which: Trade	1,721.3	1,974.8	1,966.5	2,105.5	2,271.1
: Manufacturing	1,742.0	2,115.5	1,970.4	2,012.3	1,896.0
Total	22,331.3	23,000.9	23,784.1	24,388.0	25,556.6

Source: *Central Bank of Oman.*

In terms of monetary policy, the repo rate, key policy rate, is linked to the upper bound Federal Reserve rate plus a spread of 25 basis points. During 2024, the repo rate is revised downward to 5.0 percent following similar rate cuts by the Federal Reserve.

2.3.4 External sector:

Oman's balance of payments is characterized by a trade balance surplus driven by oil exports. According to estimates prepared by the IMF in January 2025, the current account is expected to register a lower surplus of OMR 975.5 million in 2024 (2.4 percent of GDP), as compared to OMR 1,014.3 million (2.5 percent of GDP) in the previous year. The contracted surplus is attributed to higher imports, which approximately increased by 10 percent to OMR 14,843.6 million in 2024.

The balance of services is expected to record a deficit of OMR 2,542.3 million in 2024, an increase of 1.6 percent as compared to the previous year. The deficit in services accounted in part for higher transport payments. The expatriate remittances are expected to increase moderately by 4.1 percent to OMR 3,796.6 million in 2024, while income is expected to decline by 8.0 percent to record a deficit of OMR 1,844.4 million. The deficit in services combined with income and expatriate remittances partially offset the surplus in trade balance, resulting in lower current account.

According to IMF estimates, the financial accounts registered a lower net inflow of OMR 1,010.1 million in 2024, as compared to OMR 3,109.0 million in the previous year. This was on account of large inflows of portfolio investments coupled with decrease in net outflow of other investments, mostly as result of declining external government borrowing to finance deficit and rollover debt. The outflow of foreign direct investment is approximately OMR 1,892.1 million in 2024 compared with OMR 4,650.1 million in the previous year.

Despite a surplus of OMR 975.5 million on the current account in 2024, the deficit on the capital and financial account along with associated net errors and omissions resulted in an expected overall deficit of OMR 591.4 million for balance of payments in 2024. The following table summarizes the recent development for balance of payments in Oman.

Table 18
Oman - Balance of payments (2023-2024, RO million)

items	2020	2021	2022	2023	2024
Current Account	-4,812.0	-1,859.4	1,677.2	1,014.3	975.5
Goods & services	717.0	3,597.8	8,767.0	6,666.1	6,616.5
Goods	3,108.0	6,273.5	12,041.4	9,168.4	9,158.8
Exports (F.O.B.)	12,861.0	17,048.7	25,401.6	22,690.9	24,002.0
of which: Oil Exports	6,995.2	9,952.4	16,559.6	13,761.3	14,414.1
Imports (F.O.B)	9,752.0	10,775.2	13,360.2	13,522.5	14,843.6
Services	-2,392.0	-2,675.7	-3,274.4	-2,502.3	-2,542.3
Secondary Income	-3,391.0	-3,139.4	-3,504.7	-3,646.2	-3,796.6
Capital Account	69.0	15.4	4.2	-1.9	34.6
Financial Account	-4,392.0	-2,217.8	1,198.5	1,226.6	1,010.1
Direct Investment	-1,059.0	-2,908.7	-2,759.2	-4,650.1	-1,892.1
Portfolio Investment	-694.0	-1,531.8	556.4	3,064.8	2,096.7
Other Investment	-1,838.0	1,034.7	3,991.9	2,566.9	213.8
Reserve Assets	-803.0	1,188.1	-590.6	244.5	591.4
Errors and omissions	433.0	373.7	-482.9	214.6	0.0

Source: *Central Bank of Oman, and IMF estimates for 2024.*

2.4 State of Qatar

2.4.1 Real Sector

Following last year's economic slowdown, Qatar's real GDP increased moderately by 2.4 percent to QR 713,137.4 million in 2024. The economic growth in 2024 is primarily driven by the growth in non-oil sector, with an increase of 3.7 percent, up from 1.9 percent in the previous year. However, this has been partially offset by slower growth in the oil sector, which increased slightly by 0.6 percent.
Qatar's nominal GDP in US dollars reached $219,163 million and its GDP per capita increased to $69,719 in 2024 (Table 19).

Table 19
Qatar – Real Sector indicators, 2020-2024

Indicator	2020	2021	2022	2023	2024
Nominal GDP (QR million)	525,379.4	656,223.2	870,613.0	791,002.7	797,752.8
Nominal GDP ($US million)	144,335.0	180,281.1	239,179.4	217,308.4	219,162.9
Real GDP growth rate (%)	...	1.6	4.2	1.5	2.4
By hydrocarbons	...	-0.3	1.7	0.6	0.6
By non-hydrocarbons	...	2.8	5.6	2.2	3.4
GDP per capita ($)	50,935.6	65,600.6	81,568.8	70,946.2	69,719.6
Inflation rate (%)	-10.7	2.3	5.0	3.0	1.3

Source: *National Planning Council in Qatar, and IMF estimates for last year.*

According to preliminary estimates, the oil sector contributed to QR 257,295.0 million of real GDP in 2024 or approximately 36.1 percent, representing the largest single contributor to real GDP. The contribution of the non-oil sector amounted to QR 451,925.0 million in 2024, which accounted for 63.4 percent of real GDP. The non-oil sector has represented a growing share of total GDP, as non-oil activities expanded more rapidly over recent years in line with government effort for economic diversification.

Within the non-oil sector, construction & real estate in general is the largest contributor to real GDP, followed by financial services, government sector, and trade sector. The non-oil sector growth in 2024 primarily reflects the robust growth in construction and real estate sector combined with accelerated growth of other services sectors such as transportation. In addition, manufacturing is the only sector with negative growth, reflecting largely downstream projects associated with the oil sector.

The following table summarizes Qatar's real GDP by principal sectors over recent period.

Table 20

Qatar – Real GDP by economic activities (2020-2024, QR million)

economic activity	2020	2021	2022	2023	2024
Oil sector	250,661.0	249,949.9	254,289.4	255,791.7	257,295.0
Non-oil sector *	394,196.5	405,277.8	427,812.5	437,238.8	451,924.9
of which: manufacturing	50,400.7	52,352.8	53,464.5	53,913.2	52,705.9
construction	78,141.7	79,397.1	80,312.1	76,092.7	78,813.0
trade	45,337.6	46,740.5	52,232.9	52,575.0	55,289.3
financial	54,953.5	58,779.5	58,387.3	56,778.0	57,190.1
real estate	43,397.9	44,374.1	47,657.0	49,177.3	52,145.0
government	53,188.2	53,104.1	53,858.1	56,398.8	58,224.6
Taxes less Subsidies	3,169.9	3,342.1	4,032.4	3,666.8	3,917.6
GDP at Market Prices	648,027.4	658,569.9	686,134.3	696,697.2	713,137.4

Note: ** including imputed services.*
Source*: National Planning Council in Qatar.*

In terms of prices, CPI inflation declined to 1.3 percent in 2024, as compared to 3.0 percent in the previous year. The slowdown in inflation rate is driven by slowdown in almost all underling components mainly housing rents, while the prices of recreation & culture activities almost remained same over last year. Inflation rose to 10.3 percent for recreation & culture, as compared to 10.4 percent in the previous year, while declined by 3.3 percent for housing and utilities, as compared to a rise of 3.6 percent in the previous year.

2.4.2 Public Sector

Based on preliminary estimates for Qatar's 2024 budget, total government revenues decreased by 16.2 percent to QR 213,296.0 million in 2024, as compared to QR 254,449.0 in 2023. This decrease is mainly due to a decrease in oil and natural gas revenues resulting from lower oil and natural gas prices in 2024. The hydrocarbons revenues declined significantly by 18.2 percent to QR 172,873.0 million in 2024, accounting for 81.0 percent of total revenues. In addition, revenues from the other sources decreased moderately by 6.2 percent to QR 40,423.0 million.

In expenditures side, total government expenditures increased slightly by 1.7 percent to QR 207,668.0 million in 2024. The main breakdown of government expenditure shows that the current expenditure represented 72.5 percent of total expenditure. The current expenditure increased by 6.4 percent to QR 150,428.0 million in 2024, following growth of 2.3 percent in the previous year. The public wages bill is the single largest component in current expenditure, representing 32.4 percent of total expenditure.

The capital expenditure decreased significantly by 18.2 percent to QR 57,240.0 million in 2023, following a slight decline of 0.8 percent in the previous year. The capital expenditure, despite the recent decline, still represents a significant share of government expenditure, accounting for approximately 27.6 percent. The capital spending plays a central role in Qatar's infrastructure and construction projects.
Based on preliminary figures, the overall government surplus is QR 5,628.0 million in 2024 or 0.7 percent of nominal GDP, down from QR 43,097.0 million or 5.4 percent of GDP in the previous year. Following budget surplus, the gross government debt declined by 2.8 percent to QR 329,200.0 million in 2024 representing 41.3 percent of GDP.

The following table analyses the government revenues, expenditures, and net lending over the last five years. The budget format as provided by the national source is not in line with international standards classification, notably GFS which allows for better cross-country comparison.

Table 21
Qatar - Government Budget (2020-2024, QR million)

Budget items	2020	2021	2022	2023	2024
Revenues	**171,975.0**	**193,726.0**	**297,789.0**	**254,449.0**	**213,296.0**
Oil Revenues	**134,080.0**	**156,342.0**	**253,209.0**	**211,344.0**	**172,873.0**
Non-Oil Revenues	37,895.0	37,384.0	44,580.0	43,105.0	40,423.0
of which: Tax Revenues	23,700.0	21,100.0	27,900.0	34,600.0	28,400.0
Expenditures	182,454.0	192,135.3	208,742.0	211,352.0	207,668.0
Current Expenditures	119,432.0	123,164.3	138,215.0	141,404.0	150,428.0
Compensation of employees	57,997.0	58,730.0	62,873.0	64,797.0	67,380.0
Purchase of goods and services	17,900.0	19,000.0	20,100.0	21,300.0	22,100.0
Interest payments	12,200.0	11,600.0	11,700.0	11,200.0	10,500.0
Subsidies, transfers & other expenses	31,335.0	33,834.3	43,542.0	44,107.0	50,448.0
Capital Expenditures	63,022.0	68,971.0	70,527.0	69,948.0	57,240.0
Budget balance	**-10,479.0**	**1,591.0**	**89,047.0**	**43,097.0**	**5,628.0**
Government Debt	**381,700.0**	**382,000.0**	**365,200.0**	**338,600.0**	**329,200.0**

Source: *Qatar Central Bank, and Ministry of Finance in Qatar.*

2.4.3 Monetary Sector

The money supply (M2), a broad measure for domestic liquidity in Qatar that comprises currency outside banks and deposits, decreased slightly by 0.6 percent to QR 718,207.7 million in 2024, as compared to an increase of 1.1 percent in the previous year. The broad money is made up primarily of quasi-money accounting for 80.5 percent of M2, of which more than half is local currency deposits. Within the components of M2, foreign currency deposits decreased by 11.9 percent to QR 242,662.9 million, while term deposits increased by 9.0 percent to QR 335,713.6 million. The shift in deposit component is also a result of high interest rates making time deposits more attractive.

In terms of factors affecting broad money, the slight decline in broad money (M2) is mainly due to net foreign assets held by commercial banks, which increased by 11.1 percent representing net foreign liabilities. This increase in net foreign liabilities more than reduced the increase of central bank's foreign assets and domestic assets, which grew by 4.5 percent and 3.2 percent, respectively.

The positive contributions in the growth of domestic assets are from the claims on the private sector, which grew by 4.3 percent, and other items, which grew by 4.1 percent. These increases are almost offset by a fall in the claim on government, which fell by 2.4 percent.

The following table presents an analysis of Qatar's money supply over recent period.

Table 22

Qatar - Monetary survey (2020-2024, QR million)

Money Supply	2020	2021	2022	2023	2024
Money (M1)	**146,459.1**	**148,319.4**	**160,752.3**	**139,251.0**	**139,831.2**
Currency Outside Banks	13,791.1	12,708.1	13,263.5	12,727.1	13,286.9
Demand Deposits	132,668.0	135,611.3	147,488.8	126,523.9	126,544.3
Quasi-Money	**453,428.0**	**460,180.9**	**553,729.5**	**583,404.5**	**578,376.5**
Time Deposits	287,924.0	282,466.2	298,751.2	307,919.0	335,713.6
Foreign Currency Deposits	165,504.0	177,714.7	254,978.3	275,485.5	242,662.9
Money Supply (M2)	**599,887.1**	**608,500.3**	**714,481.8**	**722,655.5**	**718,207.7**
Net Foreign Assets	**-254,636.0**	**-316,749.8**	**-228,800.8**	**-188,088.4**	**-222,112.4**
NFA by QCB	147,705.1	148,594.8	167,784.9	197,031.9	205,880.4
NFA by commercial banks	-402,341.1	-465,344.6	-396,585.7	-385,120.3	-427,992.8
Net Domestic Assets	**854,523.1**	**925,250.1**	**943,282.6**	**910,743.9**	**940,320.1**
Domestic Claims	957,809.9	1,057,120.9	1,138,299.9	1,186,750.4	1,240,720.5
Net Claims on Government	218,218.1	219,600.2	196,762.7	199,863.8	195,033.9
Others (Net)	**-321,504.9**	**-351,471.0**	**-391,780.0**	**-475,870.3**	**-495,434.3**

Source: *Qatar Central Bank, and Ministry of Finance in Qatar.*

In terms of credit facilities, total banks credit amounted to QR 1,346,752.00 million in 2024, an increase of 2.5 percent, as compared to the previous year. The banks' credit extended to the corporate sector accounted for 58.0 percent of total banks' credit, representing the largest recipient of banks' credit. In addition, the public sector represented 29.0 percent of banks' credit, while credit facilities extended to household sector accounted for 13.0 percent of total banks' credit.

Within the corporate sector, credit facilities extended to services sector, general trade and real estate accounted for the greatest proportions of credit facilities, representing 21.0 percent, 14.5 percent, and 14.0 percent of banks credit, respectively in 2024. Th growth of credit facilities in 2024 generally reflects the higher growth in most sectors. The following table presents the breakdown of bank credit classified by economic sectors during the period 2020-2024.

Table 23
Qatar – Bank Credit (2020-2024, QR million)

Economic Sector	2020	2021	2022	2023	2024
Public Sector	317,484.4	352,871.7	379,652.4	374,198.1	368,151.8
Household Sector	137,225.9	146,999.7	160,280.0	163,185.6	178,292.6
Corporate Sector	584,375.7	628,838.1	676,510.1	718,639.9	741,490.2
of which: services	166,320.8	188,128.3	217,784.0	242,311.3	272,136.2
of which: trade	132,093.3	146,861.3	163,217.6	168,928.7	183,394.3
of which: real estate	147,715.5	152,691.2	161,006.5	185,457.3	171,911.8
Total*	1,039,086.0	1,128,709.5	1,216,442.5	1,256,023.6	1,287,934.6

***Note:** * include Outside Qatar*
***Source**: Qatar Central Bank*

In terms of monetary policy, Qatar Central Bank (QCB) has recently eased monetary policy broadly in line with the U.S. Federal Reserve, which closely mirrors the domestic currency peg to the U.S. dollar. During 2024, QCB has cut its key policy rates broadly in line with the Federal Reserve rate cuts, reducing the repo rate and standing facilities to 4.85 percent and 4.60-5.10 percent, respectively.

2.4.4 External Sector

Qatar's balance of payments is characterized by a current account surplus driven primarily by hydrocarbon exports. Preliminary figures for Qatar's balance of payments show that the surplus in trade balance decreased by 8.6 percent to QR 227,272.0 million in 2024, following a decline of 30 percent in the previous year. This decrease is principally attributable to the decrease in the hydrocarbon export earnings by 2.8 percent, resulting from lower oil and natural gas prices in 2024. In addition, the imports expenses increased by 10.8 percent in 2024.

Qatar's trade surplus is partially offset by the deficit in the services account, which recorded a deficit of QR 25,163.0 million in 2024, down almost by 41.0 percent from the previous year. This significant decrease in services account is primarily due to higher net payments in logistic and transport account combined with significant decline in travel and other accounts in 2024.

Despite growing external assets, the income account recorded a deficit of QR 26,274.0 million in 2024, an increase of 18.8 percent from the previous year. The secondary income also recorded a deficit of QR 37,088.0 in 2024, primarily due to expatriates' remittance which decreased slightly by 2.2 percent to QR 41,380.0 million in line with growing expatriate workers in Qatar's total labor force. Accordingly, Qatar's current account surplus decreased by 4.6 percent to QR 138,747.0 million in 2024, representing approximately 17.4 percent of GDP.

Based on preliminary figures, the capital and financial account recorded a net outflow of QR 121,772 million in 2024, an increase of 2.5 percent from the previous year. This outflow, representing external assets increase, is primarily a result of portfolio investment outflows of QR 95,802 million. The capital and financial account recorded a surplus or net inflow in 2019-2020, before reversing trend to a net outflow in 2021-2023.

An overall, the current account surplus of QR 138,747.0 million, combined with net outflow of 121,772 million in financial account, and small errors and omissions of QR 6,026 million, resulted in surplus of QR 10,949 million for Qatar's balance of payments in 2024, as compared to surplus of QR 14,185 million in previous year. Reflecting broadly the balance of payments, the foreign reserve assets held by Central Bank of Qatar increased by QR 8,848.5 million to QR 196,055.4 million in 2024.

The following table summarizes the recent development for balance of payments in Qatar.

Table 24
Qatar - Balance of payments (2020-2024, QR million)

items	2020	2021	2022	2023	2024
Current Account	**-10,868.0**	**95,802.0**	**229,749.0**	**132,688.0**	**138,747.0**
Trade	98,779.0	219,634.0	354,699.0	248,635.0	227,272.0
Exports (F.O.B.)	187,474.0	317,420.0	476,711.0	355,755.0	345,961.0
Imports (F.O.B)	-88,695.0	-97,786.0	-122,012.0	-107,120.0	-118,689.0
Services	-55,577.0	-58,218.0	-37,390.0	-42,848.0	-25,163.0
Primary Income	-11,082.0	-10,057.0	-30,171.0	-22,109.0	-26,274.0
Secondary Income	-42,988.0	-55,557.0	-57,389.0	-50,990.0	-37,088.0
Capital & Financial Account	**17,458.0**	**-85,729.0**	**-197,494.0**	**-118,834.0**	**-121,772.0**
Direct Investment	-18,797.0	-4,562.0	-8,400.0	-1,029.0	-4,014.0
Financial Derivatives	-45,678.0	-44,265.0	-44,221.0	-107,158.0	-95,802.0
Portfolio Investment	752.0	1,254.0	782.0	-1,515.0	4,522.0
Other Investment	81,794.0	-37,630.0	-144,847.0	-8,646.0	-26,046.0
Errors and omissions	**-4,725.0**	**-6,027.0**	**-7,163.0**	**331.0**	**-6,026.0**
Change in Reserves (Increase -)	**-1,865.0**	**-4,046.0**	**-25,092.0**	**-14,185.0**	**-10,949.0**

Source: *Central Bank of Qatar*

2.5 Kingdom of Saudi Arabia

2.5.1 Real Sector

Saudi Arabia is the largest economy in the GCC region in terms of GDP. Saudi Arabia's real GDP is SAR 4,660.9 billion in 2024, representing an increase of 2.0 percent in real terms, as compared to the previous year. The growth in real GDP is primarily attributable to the non-oil sector, while the contraction in the oil sector is reflecting OPEC plus production cuts.

In addition, Saudi Arabia's nominal GDP in US$ is 1,239.8 billion in 2024, while its GDP per capita is approximately US$ 35,121.7 based on the latest population estimates.

Table 25
KSA – Real Sector indicators, 2020-2024

Indicator	2020	2021	2022	2023	2024
Nominal GDP (SAR billions)	2,879.8	3,685.0	4,646.5	4,569.7	4,649.3
Nominal GDP (US$ billions)	768.0	982.7	1,239.1	1,218.6	1,239.8
Real GDP (growth rate)	-3.8	6.5	12.0	0.5	2.0
By hydrocarbons	-7.4	2.0	14.5	-9.0	-4.4
By non-hydrocarbons	-1.6	8.9	10.7	4.6	4.6
GDP per capita (US$)	24,338.5	31,921.2	38,510.5	36,156.6	35,121.7
Inflation Rate (%)	3.4	3.1	2.5	2.3	1.7

Source: *General Authority for Statistics (GASTAT).*

In relative terms, the oil sector declined by 4.4 percent to SAR 1,223.0 billion in 2024, contributing 26.2 percent of real GDP. The oil sector is the single largest contributor to Saudi Arabia's real GDP. While the contribution of non-oil sector increased by 4.6 percent to SAR 3,193.6 billion in 2024, representing 68.5 percent of real GDP. The robust growth of non-oil sectors primarily reflects Saudi Arabia's efforts to diversify its economy and reduce reliance on oil sector.

Within the non-oil sector, the government sector is the largest sector, which accounted for 13.7 percent of real GDP in 2024. The "Wholesale & Retail Trade, Restaurants & hotels" sector is the second largest contributor to real GDP at 11.5 percent, followed by "Manufacturing excluding petroleum refining" and construction at 10.6 percent and 7.6 percent, respectively.

The key drivers of growth in the non-oil sector are "wholesale and retail trade, restaurants and hotels", "Finance, Insurance, Real Estate & Business Services" and "Manufacturing excluding petroleum refining" which increased by 7.2 percent, 3.7 percent, and 6.5 percent, respectively.

The following table summarizes Saudi Arabia's real GDP by economic activity over recent period.

Table 26
KSA – Real GDP by economic Sectors (2020-2024, SAR billion)

economic activity	2020	2021	2022	2023	2024
Oil sector	1,203.7	1,227.5	1,405.5	1,279.3	1,223.0
Non-oil sector	2,421.4	2,636.3	2,917.2	3,053.6	3,193.6
of which: Manufacturing	361.7	405.0	454.8	475.5	492.5
: Wholesale & Retail Trade, Restaurants & hotels	363.6	415.3	457.0	501.6	537.6
: Construction	212.8	234.3	314.7	338.3	354.5
: Government	581.2	587.7	615.0	621.8	636.3
Taxes less Subsidies	184.6	193.9	221.1	236.8	244.4
Total GDP	3,809.7	4,058.0	4,545.0	4,569.7	4,660.9

Note: ** Excluding petroleum refining*
Source: *General Authority for Statistics (GASTAT).*

In terms of prices, the inflation rate, as measured by CPI index, increased by 1.7 percent in 2024, compared to 2.3 percent in the previous year. The main contributor to inflation is "housing, water, electricity & other fuels", which increased by 8.8 percent in 2024. These rising prices, particularly rent prices, are partially offset by downward effects mainly from the cost of transportation, with prices fell by 2.4 percent, reflecting lower fuel prices. During the course (2020-2024), inflation is on a downward trend, despite reduction of subsidies and fiscal measures implemented by the government as part of wider fiscal reform.

2.5.2 Public Sector

Based on preliminary estimates for Saudi Arabia's 2024 budget, total government revenues increased by 3.9 percent to SAR 1,259.1 billion in 2024, as compared to the previous year. This increase is mainly due to higher non-oil revenues, while oil revenues increased slightly by 0.3 percent to SAR 756.6 billion in 2024, representing 60.1 percent of total revenues.

Non-oil revenues, including revenues generated from taxes and other sources increased significantly by 9.8 percent to SAR 502.5 billion in 2024, driven mostly by tax revenues. Revenues for the non-oil sector consisted of 75.7 percent from taxes collected. Although oil revenues still constitute the principal source of government revenues, tax revenues have represented a growing share of government revenues over recent years.

According to preliminary estimates, total government expenditures increased moderately by 6.3 percent to SAR 1,374.7 billion in 2024, mostly as a result of higher current expenditure, which in turn, increased by 7.0 percent to SAR 1,184.1 billion representing 86.1 percent of total expenditures. The major components of current expenditures are compensation of employees and purchase of goods and services, which accounted for 40.9 percent and 22.8 percent of total expenditures, respectively.

The capital expenditures also increased moderately by 2.2 percent to SAR 190.7 billion in 2024, reflecting the accelerated implementation of several development programs and infrastructure projects within the national transformation program.

Based on preliminary estimates, the overall government deficit is SAR 115.6 billion in 2024 or 2.5 percent of GDP, up from a deficit of SAR 80.9 billion in the previous year or 1.8 percent of GDP. Accordingly, the gross government debt increased by 15.8 percent to SAR 1,215.9 billion in 2024, representing 26.2 percent of GDP.

The following table presents an analysis of Saudi Arabia's budget over recent period.

Table 27
Saudi Arabia – Government Budget (2020-2024, SAR billion)

Budget items	2020	2021	2022	2023	2024
Revenues	**781.8**	**965.5**	**1,268.2**	**1,212.3**	**1,259.1**
Oil Revenues	413.1	562.2	857.3	754.6	756.6
Non-Oil Revenues	368.8	403.3	410.9	457.7	502.5
of which: Tax Revenues	226.4	317.1	323.1	356.6	380.5
Expenditures	1,075.7	1,038.9	1,164.3	1,293.2	1,374.7
Current Expenditures	920.6	921.7	1,020.8	1,106.7	1,184.1
Compensation of employees	494.7	495.7	513.2	537.3	562.3
Purchase of goods and services	203.2	204.7	258.1	303.4	313.0
Interest payments	24.5	27.4	30.3	37.8	44.6
Subsidies, Grants, Social Benefits, Other Expenses	198.3	193.9	219.2	228.2	264.2
Capital Expenditures	155.1	117.2	143.5	186.5	190.7
Budget balance	**-293.9**	**-73.4**	**103.9**	**-80.9**	**-115.6**
Government Debt	**853.5**	**938.0**	**990.1**	**1,050.3**	**1,215.9**

Source: *Ministry of Finance in Saudi Arabia.*

2.5.3 Monetary Sector

Domestic liquidity in Saudi Arabia, as measured by broad money (M3), amounted to SAR 2,921.5 billion in 2024, an increase of 8.8 percent, as compared to the previous year. The broad money is made up primarily of demand and term deposits in local currency, which accounted for 49.3 percent and 32.5 percent of M3, respectively. Within the components of M3, both time & monetary deposits increased significantly by almost 10.0 percent, which is a result of high interest rates making deposits more attractive.

In terms of factors affecting money supply, the increase in broad money is explained by 29.9 percent increase in net domestic assets to SAR 1,401.2 billion. This increase is partially offset by 5.4 percent decrease in net foreign assets of the banking system to SAR 1,520.3 billion. The net foreign assets held by commercial banks turned into net liabilities of SAR 34.2 billion in 2024, compared to net assets of SAR 42.9 billion in 2023. The surge in domestic assets is, in large part, due to increasing banks' claims on private sector, which increased by 13.4 percent to SAR 2,855.3 billion in 2024. The claims on the public sector also contributed to the grow of net domestic assets, reflecting growing budget financing needs.

The following table presents an analysis of Saudi Arabia's money supply over recent period.

Table 28
Saudi Arabia – Liquidity and Money Supply (2020-2024, SAR billion)

Money Supply	2020	2021	2022	2023	2024
Money (M1)	**1,488.9**	**1,564.5**	**1,528.1**	**1,524.2**	**1,669.7**
Currency Outside Banks	206.3	204.4	200.0	211.9	229.1
Demand Deposits	1,282.6	1,360.1	1,328.2	1,312.3	1,440.6
Quasi-Money	**660.4**	**744.3**	**967.2**	**1,161.1**	**1,251.7**
Time & Savings Deposits	474.0	495.3	654.8	864.1	949.7
Other Quasi-Money Deposits	186.4	249.0	312.5	297.1	302.0
Money Supply (M3)	**2,149.3**	**2,308.8**	**2,495.4**	**2,685.3**	**2,921.5**
Net Foreign Assets	**1,752.3**	**1,673.0**	**1,736.1**	**1,607.1**	**1,520.3**
NFA by central bank	1,684.3	1,643.1	1,651.7	1,564.2	1,554.5
NFA by commercial banks	68.0	29.8	84.4	42.9	-34.2
Net Domestic Assets	**397.0**	**635.9**	**759.3**	**1,078.3**	**1,401.2**
Claims on Private Sector	1,762.4	2,034.1	2,289.6	2,518.8	2,855.3
Claims on Government (Net)	-146.7	-57.0	-83.8	88.5	169.9
Claims on Nonfinancial Public	79.2	95.1	127.9	146.7	203.1
Others (Net)	-1,298.0	-1,436.3	-1,574.4	-1,675.7	-1,827.2

Source: *Saudi Central Bank (SAMA).*

[2] without including investments in private securities and government & quasi-government bonds.

In terms of credit facilities, total banks' credit amounted to SAR 2,955.6 billion in 2024, an increase of 14.4 percent from the previous year. The banks' credit extended to private sector is almost evenly split between the corporate and household sectors.

Withing the corporate sector, real estate activities represented approximately 10.9 percent of total banks credit , followed by wholesale & retail trade and manufacturing, accounting for 6.7 percent and 6.1 percent, respectively. The growth of credit facilities in 2024 primarily reflects the growth in the real estate activities.

The following table presents the breakdown of bank credit classified by economic sectors during the period 2020-2024.

Table 29
Saudi Arabia – Bank Credit (2020-2024, SAR billion)

Economic Sector	2020	2021	2022	2023	2024
Public Sector	...	95.1	127.9	146.7	203.1
Household Sector	...	1,019.1	1,162.5	1,245.3	1,363.5
Corporate Sector	...	945.1	1,058.7	1,191.7	1,388.9
of which: Real Estate Activities	...	158.7	203.1	245.2	321.5
: Wholesale & Retail Trade	...	152.9	167.7	184.4	198.6
: Manufacturing	...	170.1	167.6	172.1	180.3
Total	...	2,059.2	2,349.1	2,583.7	2,955.6

Source: *Saudi Central Bank*

In terms of monetary policy, SAMA has recently reduced the key policy rates, in line with the announcement of interest rate cuts by the U.S. Federal Reserve and reflecting the peg of Saudi Riyal to the U.S. Dollar. During 2024, SAMA gradually decreased the reverse repo rate from 5.50 percent to 4.50 per cent, and repo rate from 6.00 percent to 5.00 percent.

2.5.4 External Sector

Saudi Arabia's current account has been in a structural surplus, driven by a trade balance surplus, which, in turn, is a result of Saudi Arabia's oil exports. The current account balance has shifted into a deficit of SAR 21.6 billion (0.5% of GDP) in 2024, as compared to a surplus of SAR 131.7 billion (3.0% of GDP) in the previous year. The fall in oil exports together with surge in imports contributed to the contraction in the trade balance surplus, which decreased significantly by almost 30.0 percent to SAR 338.5 billion in 2024.

Saudi Arabia's trade balance surplus has been partially offset by a deficit of SAR 174.0 billion in the services account, although declined moderately by 6.1 percent in 2024. The decrease in the deficit recorded in the service account is a result of the contraction in government & private spending triggered by lower oil prices and, to a lower extent, due to higher travel receipts.

With growing external assets, the primary income account recorded a surplus of SAR 22.9 billion in 2024. Saudi Arabia's trade balance surplus has also been partially offset by a deficit of SAR 209.0 billion in the secondary income account, mostly due to expatriates' remittances.

Saudi Arabia's financial account has turned into net outflow of SAR109.0 billion in 2024. The shift in financial account balance is driven in large part by net outflow of SAR 144.3 billion for other investments, which principally comprises loans and cash deposits.

In addition, the net errors and omissions account recorded a deficit of SAR 70.9 billion in 2024. Accordingly, SAMA reserve assets grew by SAR 1.2 billion in 2024, reflecting the overall surplus in the balance of payments.

The following table presents recent development of Saudi Arabia's balance of payments.

Table 30
Saudi Arabia - Balance of payments (2020-2024, SAR billion)

items	2020	2021	2022	2023	2024
Current Account	**-95.8**	**152.0**	**563.8**	**131.7**	**-21.6**
Trade	179.8	511.7	882.3	480.8	338.5
Exports (F.O.B.)	652.0	1035.7	1542.1	1200.8	1146.1
of which: oil exports	447.6	758.1	1226.3	927.7	837.6
Imports (F.O.B)	468.2	511.5	640.5	695.0	779.7
Services	-177.3	-238.0	-179.2	-185.3	-174.0
of which: Transport	-48.2	-53.0	-69.0	-74.6	-80.0
of which: Travel	-18.0	-31.3	34.8	46.2	49.8
of which: other services	-16.6	-77.5	-55.4	-71.1	-65.7
Primary Income	42.1	43.9	32.3	28.9	22.9
Secondary Income	-140.4	-165.6	-171.6	-192.7	-209.0
Capital Account	**-6.9**	**-14.4**	**-14.7**	**-24.8**	**-16.5**
Financial Account	**-90.9**	**115.2**	**482.2**	**33.3**	**-109.0**
Direct Investment	14.2	-13.8	-0.7	-20.5	6.7
Portfolio Investment	88.8	139.2	134.4	157.2	27.4
Other Investment	-21.7	-16.6	331.7	-17.4	-144.3
Reserve Assets	-172.2	6.4	16.8	-86.0	1.2
Errors and omissions	**11.8**	**-22.4**	**-66.9**	**-73.6**	**-70.9**

Source: *Saudi Central Bank (SAMA).*

2.6 United Arab of Emirates

2.6.1 Real Sector

UAE has the most diversified economy in the GCC region. Real GDP in UAE increased by 4.0 percent to AED 1,776.5 billion in 2024, as compared to previous growth of 7.5 percent. This economic growth is principally driven by non-oil sectors growth of 5.0 percent and to a lower extent by oil sector growth of 1.0 percent, where the latter reflects the impact of OPEC plus gradual phase out of the oil supply curbs during 2024. UAE's nominal GDP in US dollars is $ 552.3 billion in 2024, while its GDP per capita is approximately $50,215.9 based on IMF estimates.

Table 31
UAE – Real Sector indicators, 2020-2024

Indicator	2020	2021	2022	2023	2024
Nominal GDP (AED billions)	1,311.7	1,551.4	1,878.1	1,919.3	2,028.4
Nominal GDP ($US billions)	357.2	422.4	511.4	522.6	552.3
Real GDP (growth rate)	…	4.6	7.5	4.3	4.0
By hydrocarbons	…	-0.8	8.9	-3.0	1.0
By non-hydrocarbons	…	6.6	7.0	7.0	5.0
GDP per capita ($)	38,450.0	42,839.6	49,703.9	48,939.3	50,215.9
Inflation rate (%)	…	0.6	4.8	1.6	1.7

Source: *Federal Competitiveness & Statistics Centre, and IMF estimates for population.*

According to preliminary estimates, the contribution of non-oil sector to UAE's real GDP is AED 1,342.0 billion in 2024, while the contribution of oil sector is AED 434.5 billion. In relative terms, the non-oil sectors accounted for 75.0 percent of real GDP in 2024, while the mining and quarrying sector, including principally hydrocarbons, accounted for 25.0 percent of GDP, representing the largest single contributor to real GDP.

Among the non-oil sectors, the trade sector accounted for the largest share of real GDP, followed by the manufacturing sector, financial and constructions sectors, respectively. The non-oil sector's growth is driven primarily by the financial sector, logistic sector, and construction sector. UAE's policy of economic diversification has led to development in key sectors such as trade, logistic, and financial services.

In terms of prices, the UAE headline inflation increased slightly to 1.7 percent in 2024, as compared to 1.6 percent in the previous year. Inflation is driven by the continued increase in rents & utilities prices and food prices, which together represent almost 50 percent. of the consumption basket. However, this increase was offset in part by a decline of 2.3 percent in the transportation prices caused by a marginal decline in fuel prices.

The following table summarizes the real GDP by economic activity in UAE over recent period.

Table 32
UAE – Real GDP by Principal Sectors (2020-2024, AED billion)

economic activity	2020	2021	2022	2023	2024
Oil sector	410.4	407.3	443.5	430.0	434.5
Non-oil sector *	1,046.6	1,116.1	1,194.4	1,278.3	1,342.0
of which: manufacturing	134.0	152.3	169.1	175.7	181.1
construction	122.7	126.7	133.6	145.2	157.3
trade	182.6	195.9	203.8	217.9	225.0
financial	138.3	144.1	151.4	165.9	177.6
Taxes less Subsidies	0.0	0.0	0.0	0.0	0.0
Total GDP	1,457.0	1,523.4	1,637.9	1,708.3	1,776.5

Note: ** including imputed services.*
Source: *Federal Competitiveness & Statistics Centre in UAE.*

2.6.2 Public Sector

According to preliminary accounts for UAE's 2024 federal budget, the total government revenues increased by 5.2 percent to AED 553.4 billion in 2024, which mainly consisted of taxes and other revenues (principally comprising dividends, royalties, and fees), accounting for 66.0 percent and 33.0 percent, respectively. This increase is mainly due to revenues from tax sources, which increased significantly by 16.4 percent, following a decline of 3.2 percent, to reach AED 366.4 billion in 2024. The other revenue continued to decline, with a 13.1 percent fall in 2024 to AED 169.8 billion, as compared to a decrease of 28.0 percent in the previous year. Moreover, UAE does not provide a detailed breakdown of its government revenues by economic classification or oil and non-oil revenues.

In expenditure side, total government expenditures increased slightly by 0.8 percent, following growth of 3.1 percent, to AED 443.8 billion in 2024. This increase is mainly driven by current expenditure, which accounted for 92.1 percent of total expenditure.

The increase in current expenditure is in part due to a combination of factors such as an increase in public wages and interest payments. Currently, public wages bill is the single largest component in current expenditures, which accounted for almost 30.0 percent of total expenditure.

The capital expenditure increased slightly by 0.6 percent, following high growth of 10.8 percent in the previous year, to AED 34.9 billion in 2024. The capital expenditure is not representing a significant share of government expenditures over recent period, as UAE's government is encouraging private sector participation and promoting foreign investment in non-oil sectors.

Based on preliminary figures for 2024, the overall government surplus is AED 109.6 billion or 5.4 percent of GDP, up from AED 85.6 billion in the previous year or 4.5 percent of GDP. According to estimates prepared by IMF in April 2025, UAE's total government indebtedness amounted to AED 633.4 billion in 2024 representing 31.2 percent of GDP, The following table analyses the government revenues, expenditures, and net lending over recent period. The budget format as provided by the national source does not show a breakdown of government revenues by oil and non-oil sources, which allows for better comparison across GCC countries.

Table 33
UAE – Federal Government Budget (2020-2024, AED billion)

Budget items	2020	2021	2022	2023	2024
Revenues	**367.9**	**463.9**	**611.3**	**526.1**	**553.4**
Taxes	151.2	198.6	325.2	314.8	366.4
Social contributions	12.9	13.5	14.9	16.0	17.2
Other Revenues	203.8	251.8	271.1	195.3	169.8
Expenditures	**399.5**	**402.4**	**427.1**	**440.5**	**443.8**
Current Expenditures	353.0	382.4	388.2	405.8	408.9
Compensation of employees	110.0	113.5	118.7	118.4	124.5
Purchase of goods and services	105.2	125.5	136.5	119.9	131.9
Interest payments	3.8	4.6	9.5	12.0	14.9
Subsidies, transfers & other expenses	134.0	138.7	123.5	155.5	137.6
Capital Expenditures	46.5	20.0	38.9	34.7	34.9
Fiscal balance	**-31.7**	**61.5**	**184.1**	**85.6**	**109.6**
Government Debt	**530.0**	**553.3**	**591.9**	**612.4**	**633.4**

Source: *Ministry of Finance in UAE, and IMF estimates for government debt.*

2.6.3 Monetary Sector

The money supply (M2), a broad measure for domestic liquidity in UAE, increased significantly by 14.6 percent to AED 2,317.6 billion in 2024, as compared to AED 2,022.9 billion in previous year. This is primarily due to a rise in monetary deposits by 14.2 percent to AED 813.3 billion and time deposits by 19.4 percent to AED 793.0 billion in 2024. This increase is also a result of high interest rates making deposits more attractive.

In terms of factors affecting broad money, the growth in broad money (M2) is mainly due to an increase in net foreign assets of UAE's banking system by 26.2 percent to AED 1,446.6 billion in 2024, principally as a result of an increase in net foreign assets held by UAE Central Bank and commercial banks on equal basis. In contrast, the net domestic assets decreased slightly by 0.7 percent to AED 871.0 billion, mostly as a result of a significant increase in other assets by 17.0 percent to AED 722.2 billion, representing net liabilities. In addition, the credit to private sector increased by 8.7 percent to AED 1,378.7 billion.

The following table presents an analysis of UAE's money supply over recent period.

Table 34
UAE – Liquidity and Money Supply (2020-2024, AED billion)

Money Supply	2020	2021	2022	2023	2024
Money (M1)	**600.1**	**701.9**	**737.6**	**829.3**	**946.5**
Currency Outside Banks	94.7	94.1	101.9	117.0	133.2
Monetary Deposits	505.3	607.8	635.6	712.3	813.3
Quasi-Money	**878.5**	**861.2**	**966.1**	**1,193.6**	**1,371.1**
Time Deposits	547.3	520.8	536.5	664.0	793.0
Foreign Currency Deposits	331.2	340.4	429.6	529.6	578.1
Money Supply (M2)	**1,478.6**	**1,563.0**	**1,703.6**	**2,022.9**	**2,317.6**
Net Foreign Assets	**514.5**	**620.8**	**861.0**	**1,145.6**	**1,446.6**
NFA by central bank	381.0	466.1	476.9	673.4	848.7
NFA by commercial banks	133.5	154.7	384.1	472.2	597.9
Net Domestic Assets	**964.1**	**942.2**	**842.7**	**877.3**	**871.0**
Claims on Private Sector	1,128.4	1,145.8	1,193.6	1,268.4	1,378.7
Net Claims on Government	348.5	354.9	233.8	226.1	214.6
Others (Net)	-512.8	-558.5	-584.8	-617.2	-722.2

Source: *UAE Central Bank.*

In terms of credit facilities, total banks credit amounted to AED 1,738.0 billion in 2024, an increase of 5.3 percent from the previous year. This increase is primarily due to the banks' credit extended to the household sector, which increased by 17.7 percent to AED 502.3 billion, representing 29.0 percent of total banks credit. However, the corporate sector is the single largest recipient of bank credit at 60.0 percent, while the credit facilities extended to the government sector represent 11.0 percent of total banks' credit.

Withing the corporate sector, construction & real estate, financial institutions, and general trade accounted for the largest proportions of credit facilities, accounting for 16.5 percent, 10.1 percent, and 8.9 percent, respectively. The growing share of private credit facilities is in line with UAE's economic goal to diversify its economy and reduce reliance on the oil sector.

The following table presents the breakdown of bank credit classified by economic sectors during the period 2020-2024.

Table 35

UAE – Bank Credit (2020-2024, AED billion)

Economic Sector	2020	2021	2022	2023	2024
Public Sector	240.9	223.0	200.2	175.0	188.8
Household Sector	325.8	349.0	383.6	426.8	502.3
Corporate Sector	1,026.0	1,024.8	1,035.1	1,049.1	1,047.0
of which: Real Estate	327.5	326.7	302.9	287.0	261.0
: Financial	110.4	116.8	148.3	177.8	194.0
: Trade	138.7	131.5	136.5	154.4	169.3
Total	1,592.6	1,596.8	1,619.0	1,650.9	1,738.0

Source: *UAE Central Bank*

In terms of monetary policy, the Central Bank of UAE (CBU) linked its policy rate, base rate, to the interest rate on reserve balances by the Federal reserves. During 2024, CBU broadly matched the US Federal Reserve's announcement in September, November, and December to reduce the Interest Rate on Reserve Balances, reducing the base rate from 5.40 percent to 4.40 percent.

2.6.4 External Sector

UAE' balance of payments reflects the importance of hydrocarbon exports and successful diversification into other export industries and re-exports. According to IMF Article IV estimates prepared in December 2024, the trade surplus increased marginally by 2.8 percent to AED 217.8 billion in 2024, despite the lower hydrocarbon export revenues.

The service account surplus increased by 6.2 percent to AED 221.8 billion in 2024, reflecting the increase in credit side of services account in part for higher transport payments resulting from higher inbound tourism to UAE.

Income account recorded a net outflow of AED 0.4 billion in 2024, compared to an outflow of AED 21.3 billion in the previous year, mainly due to cash outflow in banking system. Transfers, however, recorded a net outflow of AED 258.2 billion, an increase of 7.2 percent from the previous year. Remittance of expatriate workers represents a significant component of transfers account in UAE's.

The combined effects of higher surplus in the trade balance, services account, and a larger deficit in income accounts, resulted in a current account surplus of AED 180.7 billion (9.0 percent of GDP) in 2024, a decrease of 10.2 percent from the previous year.

According to IMF estimates, the financial account recorded a net outflow of AED 258.2 billion in 2024, as compared to AED 56.2 billion in the previous year. This change in outflow of financial account is mainly due to a significant increase in outward investments by banking institutions. The trend in financial account outflows indicates growing external assets for residential entities in UAE.
IMF estimated the overall balance to decline by 75.0 percent to AED 49.2 billion in 2024, primarily as the result of higher net outflow in financial accounts. The net foreign assets of the UAE Central Bank, including the reserve position with the IMF, increased by AED 175.3 billion in 2024 compared to AED 196.5 billion in the previous year.

The following table analyses the recent development of UAE's balance of payments.

Table 36
UAE - Balance of payments (2019-2023, AED billion)

items	2020	2021	2022	2023	2024
Current Account	77.5	176.3	244.2	201.3	180.7
Trade	221.5	290.1	255.2	211.9	217.8
Exports (F.O.B.)	999.7	1,187.3	1,349.6	1,456.9	1,567.4
of which: hydrocarbons	134.8	231.0	341.2	319.9	328.0
Imports (F.O.B)	-777.8	-897.2	-1,094.4	-1,245.0	-1,349.6

Services	59.9	94.4	211.2	209.0	221.8
Primary Income	-7.0	-2.6	4.0	21.3	-0.4
Secondary Income	-196.8	-205.7	-226.2	-240.9	-258.2
Capital & Financial Account	-171.9	-163.8	-594.2	-56.2	-258.2
Direct Investment	3.3	-7.0	-7.7	30.8	32.3
Portfolio Investment	4.0	4.4	4.0	49.9	52.9
Commercial banks	**-42.2**	**-21.3**	**-229.5**	**-89.2**	**-157.9**
Private nonbanks & others	**-40.0**	**-43.3**	**-47.7**	**-49.9**	**-53.6**
Official capital	-22.0	-29.7	-32.3	61.0	-4.8
Errors and omissions	**5.9**	**5.9**	**79.7**	**-7.3**	**0.0**
Change in Reserves (Increase -)	**13.6**	**-84.8**	**-10.7**	**-196.5**	**-49.2**

Source: *IMF Article IV Dec 2024*

03

Medium term outlook (2025-2027)

Introduction

This chapter discusses the evolution of the main aggregates (GDP, Inflation, etc.) over the next three years (2025–2027) among GCC countries. The forecasts presented in this chapter draw on the GCC econometric model of GMCo as well as inputs from the planned budgets and economic plans announced by the national authorities in GCC countries.

A medium-term analysis is carried out for all six GCC countries separately on the basis of a macroeconomic framework model (meaning strong linkages among the four macro-sectors). The main underlying assumptions used in the model are based on the last OPEC+ announcement to accelerate unwinding cuts through the next few years, while the assumed oil prices, based on crude oil futures prices , are $66.94 for 2025, $62.38 and $62.73 for 2026 and 2027, respectively.

The forecast analysis in this chapter shows that GCC economies are projected to grow at a faster pace through the next three years (2025-2027) compared to last year, mainly driven by higher growth in the oil sector as OPEC+ members unwind production cuts and, to a lower extent, by continued growth in non-oil sector. The fiscal indicators and external accounts for GCC countries are expected to edge lower through the next three years, alongside the lower expected oil prices.

In addition, inflation rates are expected to be on a downward trend, with generally low inflation rates in all GCC countries, reflecting broadly lower expected commodity prices and easing domestic pressures. The following section provides a review of the medium-term outlook for each country separately.

[3] simple average of three crude prices including Brent, West Texas Intermediate, and Dubai Fateh.

3.1 Kingdom of Bahrain

Bahrain's economy is expected to expand over next few years with growth rate above 4.0 percent. Economic growth is supported by both oil and non-oil sectors.

The inflation trend over the next years is relatively stable, within a narrow range of 1.1–1.3 percent. The inflation expectations in Bahrain are mainly influenced by the cost of imports.

The budget deficit is expected to contract progressively from the high levels of the previous years, mainly due to growing non-oil revenues. Financing budget shortfalls through borrowing would cause the debt to GDP ratio to remain above 100.0 percent in 2025, before decreasing in the following years.

The external current account is not expected to be an area of concern despite the lower expected oil prices, representing 3.0 percent of GDP in 2025 and thereafter declining to around 2.0 of GDP for each of the following two years.

Domestic credit, as a percentage of GDP, would increase gradually to almost 70.0 percent of GDP by 2027, reflecting the resilience of the non-oil sectors.

Table 37
Bahrain - Medium term outlook (2025 – 2027)

Indicator	2025	2026	2027
Real GDP growth (%)	5.6	4.8	4.5
by oil sector	3.0	3.5	3.4
by non-oil sector	6.1	5.0	4.7
Inflation (%)	1.3	1.1	1.1
Fiscal Balance (% of GDP)	-0.8	0.0	1.0
Government debt (% of GDP)	101.0	98.2	92.6
Domestic credit (% of GDP)	67.8	69.4	69.8
Current account (% of GDP)	3.0	2.0	2.1

Source: *GMCo projections.*

3.2 Kuwait

Kuwait's real GDP is projected to grow by 2.2 percent in 2025 and by 1.3 percent and 4.2 percent in 2025 and 2026, respectively. The main driver would be the growth in the oil sector, following the announcement of OPEC+ to unwind production cuts. The growth in the non-oil sector would also improve gradually over the three years along with the oil sector.

Inflation is projected to decline to 1.9 and 1.8 percent in 2025 and 2026, respectively, before picking up slightly to 2.0 percent in 2027, driven by food and commodity prices fluctuations, but also equally important on domestic pressures. The drop in food prices taking place in early 2025 and the expected lower food prices over the next two years are affecting the rest of consumer prices, while the higher interest rates for longer period would put additional pressure on prices.

Domestic credit, as a percentage of GDP, would reach 86.5 percent in 2025 before expanding further to 91.8 percent by 2027, supported by domestic demands.

The budget deficit would reach almost 8.0 percent of GDP in 2025 and expand further to reach 12.0 percent of GDP in the next fiscal year, reflecting lower expected oil prices over the next two years. Despite the expected fiscal deficit, the debt-to-GDP ratio is projected to remain stable over the next three years within a narrow range of 2.3-2.6 percent of GDP, mostly due to government reliance on the general reserve account to cover budget shortfalls.

The large current account surplus, as a percentage of GDP, emerged in the previous years is expected to decline to 19.2 percent in 2025 and thereafter decline to 17.9 percent by 2027, reflecting also lower expected oil prices over the next three years.

Table 38
Kuwait - Medium term outlook (2025 – 2027)

Indicator	2025	2026	2027
Real GDP growth (%)	2.2	1.3	4.2
by oil sector	1.6	1.8	2.6
by non-oil sector	2.7	0.9	5.6
Inflation (%)	1.9	1.8	2.0
Fiscal Balance (% of GDP)	-7.6	-11.6	-13.9
Government debt (% of GDP)	2.3	2.6	2.5
Domestic credit (% of GDP)	86.5	89.8	91.8
Current account (% of GDP)	19.2	17.2	17.9

Source: *GMCo projections.*

3.3 Oman

Oman's real GDP is expected to pick up in next years to reach 2.5 percent in 2025 and thereafter increasing further to 4.1 and 4.5 percent in 2026 and 2027, respectively. The oil sector is expected to recover from last year's decline, reflecting higher oil production as OPEC+ members unwind production cuts. In addition, the economic growth is supported by non-oil sector, which in turn, is driven by diversification efforts and progress on infrastructural projects. Inflation would remain subdued over the next two years, alongside the expected decline in food commodity prices over the same period.

The fiscal balance, as a percentage of GDP, is expected to remain in surplus over the next three years, as the government intensifies its efforts to implement fiscal reforms. The debt to GDP ratio would increase over the next years, because the decline in nominal GDP is larger than the decline in government debt.

Domestic credit to the private sector would continue its upward trend and expand significantly through the next years to reach 114.9 percent by 2027, supported by the domestic demand and sound financial systems.

The current account is expected to shift into a deficit over the next three years, but also remain relatively low, presumably on account of lower expected oil prices.

Table 39
Oman - Medium term outlook (2025 – 2027)

Indicator	2025	2026	2027
Real GDP growth (%)	2.5	4.1	4.5
by oil sector	2.4	3.4	5.2
by non-oil sector	2.6	4.5	4.2
Inflation (%)	0.1	0.3	0.0
Fiscal Balance (% of GDP)	1.5	0.8	3.3
Government debt (% of GDP)	49.4	47.6	51.9
Domestic credit (% of GDP)	100.8	103.8	114.9
Current account (% of GDP)	-3.8	-3.9	-7.0

Source: *GMCo projections.*

3.4 Qatar

Qatar's economy is expected to show strong resilience, as the real GDP is projected to increase by 3.6 percent in 2025 and thereafter by 4.6 and 6.5 percent in 2026 and 2027, respectively. The growth is supported by both oil and non-oil sector, on an equal basis, in the first year, while more dominated by the oil sector in the following years as a result of the North Field expansion project.

Inflation is projected to decline and remain relatively low within a range of 0.8-1.2 percent through the next three years, reflecting mainly lower domestic inflationary pressures. Domestic credit, as percentage of GDP, should expand significantly to 113.3 percent by 2027, because the growth in domestic credit is larger than the growth in nominal GDP.

Despite lower expected oil prices, fiscal deficit is projected to decrease gradually over the next two years, before turning to a surplus of 1.3 percent of GDP in 2027. The expected improvement in fiscal balance resulted from an increase in both crude oil and natural gas revenues. In addition, the debt to GDP ratio would decline gradually through the next years to 35.5 percent by 2027, alongside the expected improvement in fiscal balance.

Current account, as a percentage of GDP, is projected to continue its downward trend started in 2023, declining to 10.3 percent in 2026, before bouncing back to 12.2 percent in 2027, reflecting lower expected oil prices.

Table 40
Qatar - Medium term outlook (2025 – 2027)

Indicator	2025	2026	2027
Real GDP growth (%)	3.6	4.6	6.5
by oil sector	3.5	8.1	11.2
by non-oil sector	3.6	2.6	3.7
Inflation (%)	0.8	1.0	1.2
Fiscal Balance (% of GDP)	-1.9	-1.0	1.3
Government debt (% of GDP)	37.0	36.2	35.5
Domestic credit (% of GDP)	109.9	112.0	113.3
Current account (% of GDP)	12.8	10.3	12.2

Source: *GMCo projections.*

3.5 Kingdom of Saudi Arabia

Saudi Arabia's economy is projected to increase in the upcoming years on account of higher oil production as OPEC+ members unwind production cuts. Real GDP growth could reach 4.5 percent in 2025 and thereafter increase by 3.3 percent in the next two years, driven by strong rebound in the oil sector and continued growth, although at lower pace, in the non-oil sector.

Inflation is expected to continue its downward trend and remain relatively low within a range of 0.4-1.0 over the next three years, alongside the expected decline in food commodity prices over the same period. Domestic credit to the private sector, as a percentage of GDP, is projected to increase moderately to 66.3 percent in 2026 and thereafter remain above 65.0 percent over the next two years, because the expected increase in domestic credit is almost same as the expected increase in the nominal GDP.

Reflecting oil futures price, the budget deficit would expand progressively to remain above 4.0 percent of GDP over the next three years. In addition, the debt to GDP ratio would increase through the next few years to reach 36.5 percent of GDP by 2027 as result of borrowing to cover budget shortfalls.

The current account is projected to shift into a surplus of 3.0 and 1.1 percent of GDP in 2025 and 2026, respectively, reflecting higher oil export earnings. However, the current account is thereafter projected to turn into a small deficit of 0.5 percent of GDP in 2027.

Table 41
Kingdom of Saudi Arabia - Medium term outlook (2025 – 2027)

Indicator	2025	2026	2027
Real GDP growth (%)	4.5	3.3	3.3
by oil sector	5.3	5.0	4.8
by non-oil sector	3.4	2.7	2.7
Inflation (%)	0.8	1.0	0.4
Fiscal Balance (% of GDP)	-4.3	-4.8	-4.1
Government debt (% of GDP)	30.8	34.2	36.5
Domestic credit (% of GDP)	66.3	65.6	65.5
Current account (% of GDP)	3.3	1.1	-0.5

Source: *GMCo projections.*

3.6 United Arab Emirates

UAE's real GDP is projected to continue robust growth over the next few years with a pace above 4.0 percent. The expected growth is driven by both the oil and non-oil sectors, reflecting higher oil production as per OPEC+ plan, but also equally important on account of strong non-oil sector diversification. In addition, Inflation should decline to 0.9 percent in 2025, before picking up to 3.0 percent in 2027, driven by domestic inflationary pressures.

Domestic credit, as a percentage of GDP, is projected to continue its an upward trend over the next years increasing to 97.4 percent by 2027, mainly supported by private investment.
Reflecting lower expected oil prices, the fiscal surplus is projected to shrink over the next few years but remains in surplus. While the debt ratio would decrease gradually to reach 25.1 percent by 2027, in line with the expected fiscal surplus.

Current account surplus, as a percentage of GDP, is projected to be on an upward trend, increasing to 11.3 percent in 2025 and thereafter increasing further to 13.2 percent in 2027, alongside the expected increase in oil export earnings over the same period.

Table 42
United Arab Emirates - Medium term outlook (2025 – 2027)

Indicator	2025	2026	2027
Real GDP growth (%)	4.3	4.5	4.5
by oil sector	3.6	5.2	2.8
by non-oil sector	4.5	4.2	5.0
Inflation (%)	0.9	3.2	3.0
Fiscal Balance (% of GDP)	2.7	1.7	1.4
Government debt (% of GDP)	29.8	27.4	25.1
Domestic credit (% of GDP)	97.4	98.0	97.4
Current account (% of GDP)	11.3	12.2	13.2

Source: *GMCo projections.*

04

Achievements and Recommendations

1. Introduction

This section reviews GMCo's progress to achieve its statutory objectives and the recommendations to do so. Two subsections are presented below as follows:

- GMCo's progress towards achieving its statutory objectives.
- Recommendations for further improvement.

4.1 GMCo's progress in achieving its statutory objectives

Article No. 6 of the MUA defines the objectives and tasks of GMCo. An essential part of the monetary union strategy is the establishment of a GCC central bank followed by the introduction of common currency for GCC countries that have joined the Monetary Union Agreement. This is to be achieved through ten action tasks listed in Article No. 6.

GMCo's approach so far has been to allocate the ten tasks to two broad implementation phases one and two. Table 52 below lists the ten tasks and explains ongoing progress towards meeting the objectives related to them.

Table 43
Progress towards meeting GMCo's objectives

Objectives and Tasks	Comment
1.Enhancement of cooperation among National Central Banks (NCBs) with a view to creating appropriate conditions for the establishment of the Monetary Union	Article No. 3 of the MUA prescribed the appropriate conditions for the establishment of the Monetary Union, of which are developing common economic policy, harmonizing legal frameworks, upgrading statistics, establishing monetary council, and linking payment systems. GMCo is working together with NCBs to pursue mandates towards these Monetary Union requirements.

Objectives and Tasks	Comment
2. Development and coordination of the monetary policies and exchange rate policies for national currencies until the establishment of the Central Bank	In terms of exchange rate policies, GCC countries agreed to peg their currencies to the US dollar and maintain the parity until the establishment of the Monetary Union. In terms of monetary policies, harmonizing monetary frameworks, before the adoption of the single currency, will facilitate the coordination of monetary policies, and will help to minimize the differences in monetary operations conducted by NCBs. In addition, the pegged exchange rates with common anchor will facilitate smooth transition. GMCo is working with NCBs to harmonize monetary policy instruments and operations such as liquidity forecasting, reserve requirements, and the governance of monetary policy.
3. Following up the adherence to the prohibition on NCBs lending to public entities in Member States and developing appropriate rules of procedures	GMCo regularly follows up with restrictions on NCB's lending to the government from an operational perspective. GMCo also examines the national legislation that is governing NCB's ability to provide credit to public entities. Currently, the legal frameworks for national central banks, except SAMA, allow to provide direct advances to governments, in most cases with a ceiling set as a percentage of government revenues and interest is charged on credits. Occasionally, governments rely on this facility without exceeding legal ceilings. Currently, the legal frameworks for national central banks, except SAMA, allow to provide direct advances to governments, in most cases with a ceiling set as a percentage of government revenues and interest is charged on credits. Occasionally, governments rely on this facility without exceeding legal ceilings.
4. Drawing up the necessary legal and organizational framework for the CB to carry out its tasks in cooperation with NCBs	The strategic goal of the Gulf Monetary Council is to provide the foundation, and act as a precursor institution, for the establishment of a GCC central bank according to the objectives and tasks prescribed in the Monetary Union Agreement. This goal will be achieved in three stages according to GMCo's Strategy. Currently, GMCo is in the first Stage (organization set-up). Within the first Stage, GMCo has defined and set its strategies & organization structure, and draw up a working plan for the functions.

Objectives and Tasks	Comment
5. Development of necessary statistical systems with a view to achieving the objectives of the Monetary Union	The main harmonization efforts among stakeholders focused, in principle, on the current status of data dissemination standards as reported by IMF. In addition, National Central Banks are pursuing SDDS in a way to fulfill ultimate goals, whether at the national or monetary union, provided that GMCo should follow up with progress and submit a report on that to the Board of Directors.
6. Preparation for the introduction of the banknotes and coins of the single currency and developing a uniform framework for the introduction and circulation of the single currency in the single currency area	Preparation and implementation of the single currency will be the responsibility of the proposed central bank.
7. Ensuring readiness of the payment and settlement systems related to the single currency	GCC central banks established GCC's Real Time Gross Settlement system between GCC countries (GCC-RTGS) in accordance with the GCC Supreme Council resolution, which approved the legal framework for the common system that links all payment systems in the GCC countries. The cross-currency settlement (AFAQ) started live operations with Saudi Arabia and Bahrain joined first in December 2021, followed by Kuwait and UAE in March 2022 and December 2023, respectively. Oman and Qatar are expected to join soon.
8. Following up fulfillment by the Member States of their obligations to the Monetary Union and the introduction of single currency, in particular those related to the economic convergence criteria	GMCo regularly prepares the economic convergence analysis of GCC countries and produces progress reports to follow up with this issue. The progress report is submitted to the Board of Directors, following formal discussion with NCB. GMCo will continue to develop and enhance the monitoring mechanism for macroeconomic convergence, as per its mandate.

Objectives and Tasks	Comment
9. Setting the timeframe for the introduction and circulation of the single currency	No timeline for the implementation of the single currency has yet been set. However, multi-year coordination and harmonization will be required before adopting the single currency. The timeline should be consistent with creating appropriate conditions for the establishment of the Monetary Union.
10. Making recommendations to the GCC on the legislation required for establishing the Monetary Union and the CB and introducing the single currency	In May 2007, the GCC Financial and Economic Committee together with the GCC Governors committee approved the economic convergence criteria that will underpin the monetary union and set key requirements for financial and monetary stability in the monetary union. In December 2008, Saudi Arabia, Bahrain, Qatar, and Kuwait approved the Monetary Union Agreement and the Monetary Council Statute, which set forth the legal and institutional framework for a monetary union. In March 2012, the GCC governors committee approved GCC unified guide to banking supervision, which set forth the minimum requirements for banking supervision and common standard in GCC countries. In April 2013, the host country, Kingdom of Saudi Arabia, approved the headquarters agreement of GMCo, which set forth the principles of relationship between the monetary council and host country in accordance with its statute. In January 2021, GCC Supreme Council approved the legal framework for linking payments systems in GCC countries, which stipulated that all payments, settlements, and clearances carried out through the system are valid, final, and irrevocable.

4.2 Recommendations for further improvement

GMCo continues to build its institutional capacity while operating in a particular context. An important part of its responsibilities is to prepare the appropriate conditions for establishing the Monetary Union. If GMCo succeeds in doing so, it will have achieved an essential part of the monetary union strategy. This is why the monetary council puts much emphasis and effort on this particular function.

Some of the recommendations for further improvement can be summarized as follows:

- Allowing GMCo to join the GCC technical committees and task forces that set out to work on common payment system, monetary & financial statistics, banking supervision, which have mandates overlap with GMCo's. These committees play a key role in preparing for joint decision and action plan plus following up on its implementation in GCC countries.

- Greater cooperation between GMCo and other GCC organizations within the framework of their specific mandates in line with vision of King Salman bin Abdulaziz to enhance GCC system and joint actions. The vision calls for removing overlaps between GCC organizations and enhancing capacity with a view to ensure consistency with GCC integration objectives.

Nevertheless, GMCo remains focused on its statutory mandate and will continue to pursue its implementation.

المجلس النقدي الخليجي
Gulf Monetary Council

www.gmco.int