

# GCC GDP on a growth path

## Dubai

**R**egional economies have been on an accelerated growth trajectory for the period 2011-14, which has been mainly fuelled by record oil prices with the banking sector being the largest beneficiary of the economic boom.

In a detailed report compiled by Al Masah Capital Limited, non-core income recovery, a strong investment-led credit growth coupled with a soaring population were some of the key areas that were instrumental in bolstering the balance sheets of Saudi Arabia (KSA) and United Arab Emirates (UAE) lenders.

Capital earnings were also improved significantly mainly as a result of public sector deposits, which in turn

improved capital ratios for the lenders. All these gains came against a backdrop of a liquidity boost from the respective governments into the system, a move that shielded the regional financial sector from the 2009 financial crisis.

## Money supply

Cash supply remained under pressure as growth continued to decelerate. M2 of the GCC region grew by one and a half points to stand at 2.2 percent in 2016 compared to 3.7 percent during the previous year.

On its part, the CAGR growth stood at 8.3 percent between 2011 and 2016 and 5.4 percent between 2013 and 2016. According to the Al Masah Capital report, the slowdown in money supply

growth can be attributed to government-related deposits.

Out of the three nations, Qatar was the most impacted with the liquidity squeeze mainly as a result of oil price decline and a drop in government deposit. KSA and UAE were the most dominant players in the region registering a 3.3 percent and 3.6 percent growth respectively.

## Foreign reserves

KSA recorded the highest foreign reserve decline of 27 percent from US\$724.3 billion in 2014 to USD 528.6 billion in 2016. Qatar recorded a 26.5 percent drop in two years from US\$42.7 billion in 2014 to US\$31.4 billion in 2016.

But even with shrinking

foreign reserves being registered for the most part of 2016, the UAE and Kuwait recorded an increase in their foreign reserves during the past two years having increased by 10.2 percent and 6.4 percent respectively, the Al Masah Capital report highlights.

## Regional deals acquisition

For over a decade, the GCC region has attracted several key deals with the most lucrative ones happening between 2006 and 2016. During this period, a total of 69 deals estimated to be worth well over US\$27 billion were recorded.

However 2016 remained the most lucrative, in terms of value, with US\$14,869 million from just two deals.