

GCC GDP on growth path amid trends

Assets of UAE banks grew at 10.2% CAGR from Dhs1,202.3b in '07 to Dhs2,610.8b in '16

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DUBAI: Regional economies have been on an accelerated growth trajectory for the period 2011-14, which has been mainly fueled 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 the UAE and Saudi Arabia lenders.

According to the report, total assets of the UAE banks grew at 10.2 percent CAGR during the period from Dhs1,202.3 billion in 2007 to Dhs2,610.8 billion in 2016. Overall, the bank assets growth has accelerated, post the surge witnessed during 2013, growing by impressive margins during the past three years. In 2016, the average monthly growth was clocked at 0.4 percent.

Despite subdued oil prices, customer deposits in the UAE grew at a CAGR of 9.1 percent from Dhs716 million to Dhs1,562.9 billion in 2015.

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.

The regional banking sector still remains a preserve of domestic lenders with cross-border presence still facing strict licensing restrictions for foreign banks. However, with increased competition, local banks are on a footprint expansion spree.

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 per cent and 6.4 percent respectively, the Al Masah Capital report highlights.

The report also cites that although the liquidity situation in the region remains on a recovery path in the past three quarters, its vulnerability still lingers and it remains a cause for concern for the Central Banks.