

GCC Economic Update

October -2018

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Higher oil revenues to drive lower GCC budget deficits in 2018; surplus forecasted for 2019

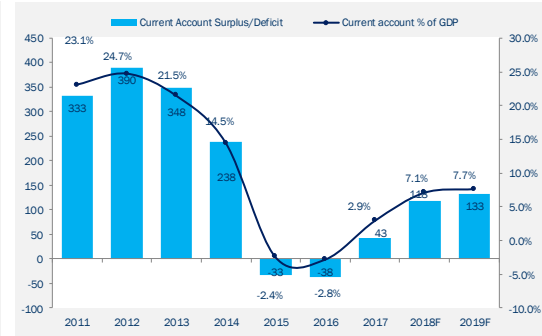
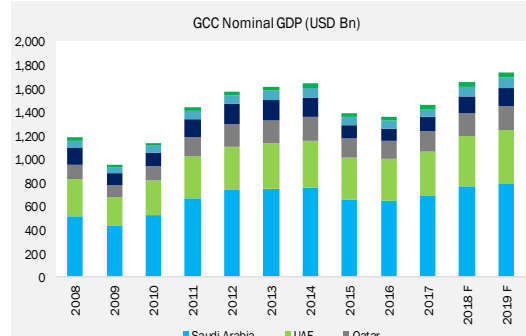
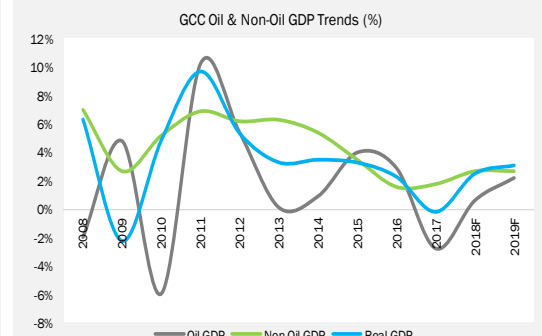
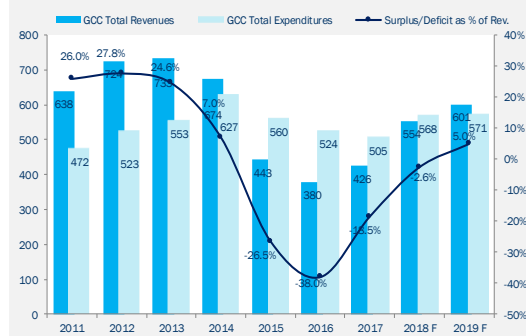
Budget deficits for the GCC region in 2018 are now forecasted to reduce to USD 14 Bn (-0.9% of GDP), an 82% reduction from 2017 budget deficits (USD 79 Bn), based on our analysis of IMF's general government fiscal balance estimates. The lower deficit is largely ascribed to higher oil prices expected for 2018 and over the medium term, and the ongoing revenue side initiatives and expense side optimization undertaken by GCC governments. Furthermore, as a result of higher forecasted oil prices, the region's fiscal balance is expected to swing to surplus in 2019, to USD 30 Bn (1.7% of GDP), as against earlier expectations of a surplus only in 2020. Consensus of oil price forecasts and oil price futures point towards USD 70/barrel or higher, and this should aid GCC budgets in our view. Based on IMF's WEO projections released in Oct-18, Kuwait, UAE and Qatar are expected to report budget surpluses in 2018 and 2019. Current account surpluses are also expected in the GCC over 2018 and 2019, and is expected to average over 7% of GDP over the period.

Credit trends and monetary indicators mixed

Inflation trends reported for Aug-18 suggested that overall consumer prices grew across UAE, Kuwait and Qatar, as quarterly inflation indices inched up between 10bps-30bps, while Saudi Arabia and Bahrain witnessed lower CPI levels. Money supply (M2) growth as of Aug-18 declined across the GCC as compared to Jun-18. Credit disbursed across the GCC was positive q-o-q in Q2-18, but witnessed mixed trends in Aug-18 as compared to Jun-18.

KAMCO Research sees better flexibility for fiscal and debt management for the region in 2019

Q2-18 real GDP estimates of GCC countries point towards growth for the region in 2018, from both oil and non-oil sectors. The backdrop of higher oil prices will also aid the expansionary budgets for 2019, as announced by Saudi Arabia and the UAE in their preliminary budgets. Saudi Arabia's Ministry of Finance forecasts budget expenditure to climb 7.4% in 2019 to reach SAR 1.106 trillion from their 2018 estimate of SAR 1.030 trillion. Further, UAE announced a 2019 federal budget draft estimate of AED 60.3 Bn, a 17.3% increase from their budget estimate for 2018. Moreover, healthy budget revenues and adequate room in terms of balance of trade should give these GCC countries ample flexibility for debt management, in terms of timing and ascertaining size of future debt issuances. The announcement of pro-expansionary budgets coupled with higher prevailing oil prices are positive in our view and shows commitment towards diversification efforts and improving non-oil economic growth. However, going forward the nature of the OPEC+ agreement in 2019 and global trade developments will be significant for oil prices and its impact for the GCC region.



Source for the above charts: International Monetary Fund (IMF), KAMCO Research

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Kuwait

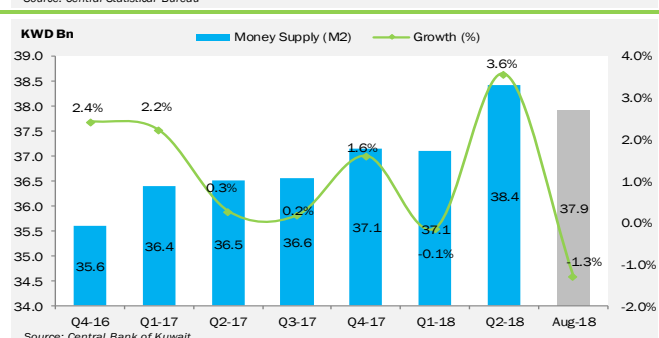
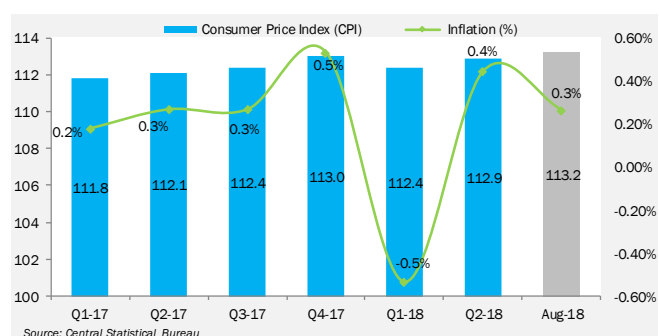
Key Economic Indicators	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Kuwait GDP Share in GCC	10.7%	11.0%	10.7%	9.9%	8.3%	8.1%	8.2%	8.7%	8.8%
Nominal GDP - KWD Bn	42.5	48.7	49.4	46.3	34.5	33.5	36.4	43.6	46.0
Nominal GDP - USD Bn	154.0	174.1	174.2	162.7	114.6	110.9	120.7	144.5	152.4
Real GDP Growth (%)	10.9%	7.9%	0.4%	0.6%	-1.0%	2.2%	-3.3%	2.3%	4.1%
GDP per Capita (USD)	41,657	45,726	44,754	40,278	27,036	25,869	27,394	31,916	32,737
Current Account Balance (USD Bn)	66.14	79.13	70.21	54.41	4.02	(5.06)	7.13	16.40	16.78
Current Account Balance (KWD Bn)	18.26	22.15	19.91	15.48	1.21	(1.53)	2.15	4.95	5.07
% of GDP	42.9%	45.5%	40.3%	33.4%	3.5%	-4.6%	5.9%	11.3%	11.0%
Inflation, Avg. CPI (%)	3.1%	4.4%	2.7%	3.0%	3.0%	3.5%	1.5%	0.8%	3.0%

Source: International Monetary Fund (IMF)

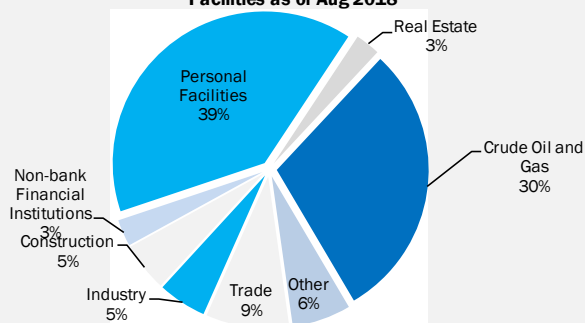
Real GDP in Q2-18 grew by 1.4% q-o-q from KWD 9.79 Bn in Q1-18 to KWD 9.93 Bn to Q2-18 driven by growth in both non-oil and oil sectors. The real oil GDP grew 1.9% q-o-q over the same period from KWD 5.46 Bn to KWD 5.56 Bn, while the non-oil GDP grew by 0.8% from KWD 4.33 Bn in Q1-18 to KWD 4.37 Bn in Q2-18. Higher oil prices drove Kuwait's nominal GDP 8.3% upwards q-o-q from KWD 10.02 Bn in Q1-18 to 10.86 Bn in Q2-18. Nominal oil GDP grew by 13.1% q-o-q in Q2-18 to KWD 5.49 Bn while non-oil GDP improved by 3.9% q-o-q to KWD 5.37 Bn. On a y-o-y basis, 45.3% increase in nominal oil GDP from Q2-17 to Q2-18 led to a 23.4% increase in Kuwait's nominal GDP in Q2-18.

Kuwait's trade balance surplus over Jan'18-Jul'18 posted robust growth of 72.8% y-o-y to reach KWD 5.81 Bn from KWD 3.36 Bn during the same period in 2017. Exports grew by 32.1% y-o-y from KWD 9.27 Bn during Jan'17-Jul'18 to KWD 12.24 Bn during Jan'18-Jul'18, while imports increased by 8.9% to KWD 6.43 Bn over the same period.

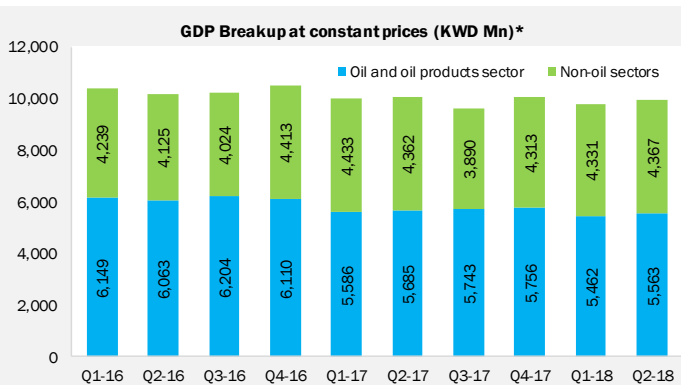
Credit facilities extended by Kuwaiti banks by the end of Aug-18 decreased by 0.3% from Q2-18 (Jun-18) to KWD 36.19 Bn. On a y-o-y basis, credit extended improved by 1.7%, driven by the growth in Personal Installment Loans, which grew by 7.1% over the period and accounted for almost a third of the credit disbursed by Aug-18. Credit to the Real Estate & Construction sectors declined on a y-o-y basis, albeit marginally, as Real Estate sector credit went down by 1.7%, while the real estate sector witnessed a 1.5% decline in credit disbursed. Kuwait's broad measure of money supply (M2) declined marginally by 1.3% KWD 37.92 Bn in Aug-18 from Jun-18 (KWD 38.42 Bn), mainly due to a 6% drop in M1 money supply, from lower currency in circulation (-7%) and slight deposits (-6%).



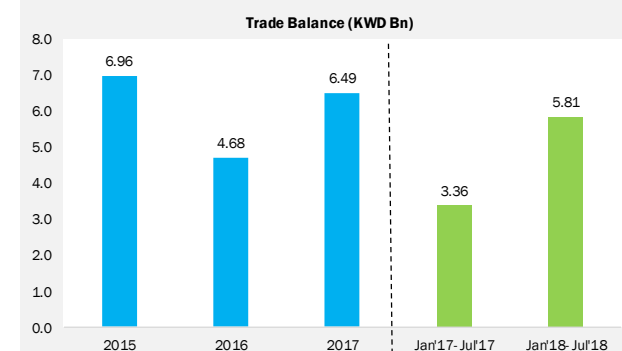
Sectoral Distribution of Balances of Utilized Cash Credit Facilities as of Aug 2018



Source: Central Bank of Kuwait



Source: Central Statistical Bureau



Source: Central Statistical Bureau

Saudi Arabia

Key Economic Indicators	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
KSA GDP Share in GCC	46.6%	46.6%	46.1%	46.0%	47.1%	47.3%	46.9%	46.5%	45.8%
Nominal GDP - SAR Bn	2,517.1	2,759.9	2,799.9	2,836.3	2,453.5	2,418.5	2,575.3	2,887.0	2,983.4
Nominal GDP - USD Bn	671.2	736.0	746.6	756.4	654.3	644.9	686.7	769.9	795.6
Real GDP Growth (%)	10.0%	5.4%	2.7%	3.7%	4.1%	1.7%	-0.9%	2.2%	2.4%
GDP per Capita - PPP (USD)	23,655	25,208	24,893	24,580	21,095	20,318	21,096	23,187	23,491
Current Account Balance (USD Bn)	158.58	164.76	135.44	73.76	(56.72)	(23.87)	15.23	64.67	69.99
Current Account Balance (SAR Bn)	594.68	617.86	507.91	276.59	(212.71)	(89.51)	57.12	242.49	262.45
% of GDP	23.6%	22.4%	18.1%	9.8%	-8.7%	-3.7%	2.2%	8.4%	8.8%
Inflation, Avg. CPI (%)	2.7%	3.6%	2.5%	1.9%	1.3%	1.2%	-1.1%	2.6%	2.0%

Source: International Monetary Fund (IMF)

Data released by the General Authority of Statistics shows that Saudi Arabia's real GDP in Q2-18 grew by 1.6% y-o-y from Q2-17, led by 2.4% y-o-y growth in non-oil GDP and 1.3% y-o-y growth in oil GDP. Growth in non-oil GDP in Q2-18 was mainly driven by the government sector as it grew by 4% y-o-y from Q2-17, while the private sector grew by 1.8% over the same period. In nominal terms GDP growth came in at 18% y-o-y and 6% q-o-q was driven mainly by the oil sector and higher oil prices.

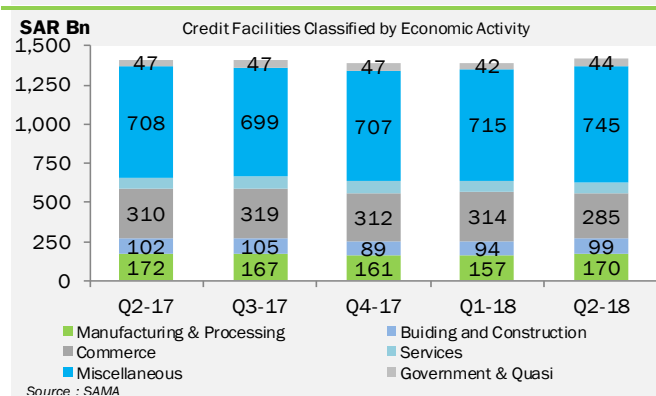
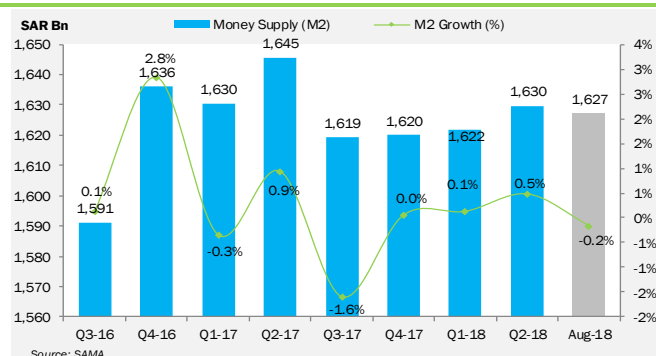
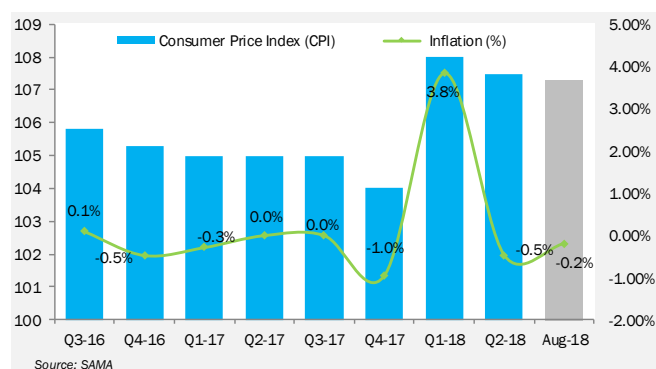
Higher oil prices also lowered Saudi Arabia's budget deficit in Q2-18, as the deficit declined 79% q-o-q (Q1-18: SAR 34.33 Bn) and 84% y-o-y (SAR 46.52 Bn) to reach SAR 7.36 Bn. Expenses were however higher by 34% y-o-y at SAR 280.95 Bn, but was more than offset by increases in both oil and non oil revenues. Oil revenues increased by 82% y-o-y to reach SAR 247.13 Bn in Q2-18, from SAR 178.98 Bn in Q2-17. Non-oil revenues also posted healthy growth and grew by 42% y-o-y to reach SAR 89.42 Bn.

During Aug-18, inflation went down as compared to Jun-18, as the general consumer price index dipped by 0.2% in Aug-18. Among the components, discretionary spending components such as F&B (+1.0%), Recreation & Culture (+0.9%) and Restaurants & Hotels (+1.4%) were among the main sectors that saw higher price levels during Aug-18 as compared to Jun-18 levels. Housing & related expenses and Clothing were the two prominent sectors that declined by 1.9% and 0.4% respectively over the same period. Credit disbursed stood 1.5% higher q-o-q to reach SAR 1,414 Bn in Q2-18, as credit disbursed to Manufacturing & Processing and Building & Construction sectors increased to 7.8% and 5.0% respectively. The broad measure of money supply (M2) in the Kingdom declined marginally from Jun-18 to Aug-18 by 0.2% and reached SAR 1,626 Bn.

Nominal GDP by Institutional Sectors

SAR Mn	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Oil Sector	178,983	171,592	175,521	206,813	207,227	247,126
Non-Oil Sector	448,891	444,119	459,195	466,779	476,544	481,377
Private Sector	313,848	303,858	314,454	310,809	322,165	315,850
Government Sector	135,042	140,261	144,740	155,970	154,379	165,527
Total	627,874	615,711	634,715	673,592	683,771	728,503
Import Duties	4,548	6,535	6,974	5,321	4,360	4,244
Gross Domestic Product (GDP)	632,422	622,246	641,689	678,913	688,131	732,747

General Authority for Statistics



Fiscal Budget (SAR Mn)	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Oil Revenues	113,947	100,990	94,323	126,640	113,947	184,165
Non-oil Revenues	52,316	62,916	47,817	92,556	52,316	89,423
Total	166,263	163,906	142,140	219,196	166,263	273,588
Expenses	170,287	210,423	190,870	358,417	200,592	280,950
Fiscal Balance	(4,024)	(46,517)	(48,730)	(139,221)	(34,329)	(7,361)

Ministry of Finance

United Arab Emirates

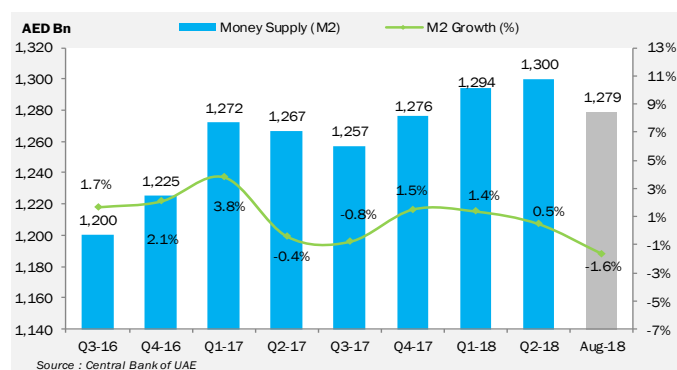
Key Economic Indicators	2011	2012	2013	2014	2015	2016	2017	2018 F	2019 F
UAE GDP Share in GCC	24.3%	23.7%	24.1%	24.5%	25.8%	26.2%	26.1%	26.1%	26.2%
Nominal GDP - AED Bn	1,287.8	1,375.7	1,432.7	1,480.5	1,315.3	1,311.2	1,405.0	1,588.8	1,673.1
Nominal GDP - USD Bn	350.7	374.6	390.1	403.1	358.1	357.0	382.6	432.6	455.6
Real GDP Growth (%)	6.9%	4.5%	5.1%	4.4%	5.1%	3.0%	0.8%	2.9%	3.7%
GDP per Capita - PPP (USD)	41,195	42,724	43,197	43,340	37,381	36,226	37,733	41,476	42,384
Current Account Balance (USD Bn)	44.34	73.98	74.13	54.49	17.56	13.23	26.47	31.19	34.02
Current Account Balance (AED Bn)	162.85	271.68	272.25	200.11	64.47	48.60	97.20	114.54	124.94
% of GDP	12.6%	19.7%	19.0%	13.5%	4.9%	3.7%	6.9%	7.2%	7.5%
Inflation, Avg. CPI (%)	0.16%	0.60%	1.44%	3.11%	3.60%	1.62%	1.97%	3.53%	1.94%

Source: International Monetary Fund (IMF)

UAE's quarterly government finances continued to strengthen from Q4-17 to Q2-18 as gross operating balance surplus grew from AED 3.70 Bn in Q4-17 to AED 21.71 Bn in Q2-18. The surplus seen in Q2-18 was up over 83% as compared to Q1-18 (AED 11.80 Bn), despite higher budget expenses in Q2-18 (AED 95.01 Bn) as compared to Q1-18 (AED 91.26 Bn). Higher revenues drove the improvement in fiscal surplus, as revenues reached AED 116.71 Bn.

In terms of quarterly economic growth; the Central Bank of UAE estimates Q2-18 real GDP growth to have come in 2.3% q-o-q, up from the 1.6% q-o-q growth witnessed in Q1-18 based on their Augmented Economic Composite Indicator (AECI). The AECI indicator also estimates non-oil GDP growth to have receded marginally from 3.8% in Q1-18 to 3.6% in Q2-18. Nevertheless, overall they mentioned that the improvement in economic sentiment and higher oil prices boosted the prospects of employment and credit to the private sector in H1-18.

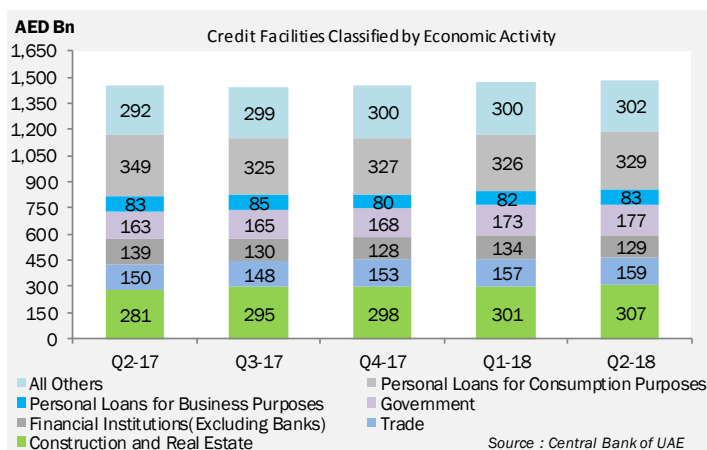
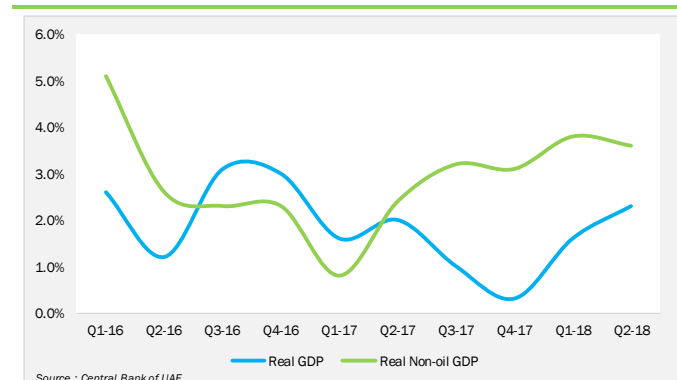
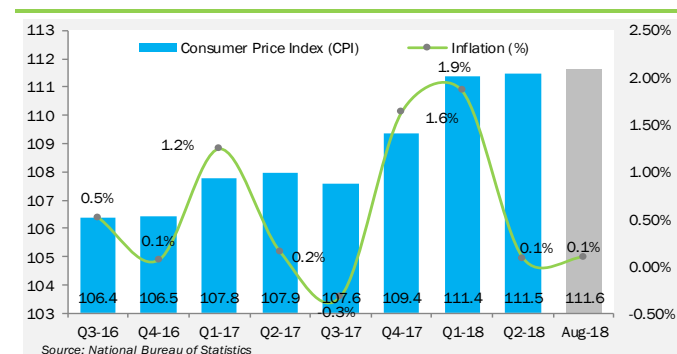
On the capital front, total credit facilities disbursed increased to AED 1.49 trillion at the end of the Q2-18, an increase of 0.9% q-o-q, and an improvement of 2.0% y-o-y. Main contributors for the q-o-q increase were Construction & Real Estate and Personal Loans for Consumption Purposes, as they improved by 2.0% and 0.9% respectively. Components which declined included Financial Institutions, Manufacturing and Electricity as they declined by 3.5%, 2.5% and 6.4% q-o-q respectively. In terms of price levels, inflation grew by to 0.1% in Aug-18, as compared to Jun-18. UAE's broad measure of money supply (M2) however decreased by 1.6% from Jun-18 to to AED 1,278 Bn in Aug-18.



Quarterly Government Finances

In AED (Bn)	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Revenues	99.60	107.90	82.80	106.30	103.06	116.71
Taxes	49.20	40.00	32.40	40.30	46.54	45.51
Social contributions	1.20	1.10	1.30	1.10	1.26	1.33
Other revenues	49.20	66.80	49.10	64.90	55.26	69.87
Expense	74.20	99.30	85.80	102.60	91.26	95.01
Gross Operating Balance	25.40	8.60	-3.00	3.70	11.80	21.71

Source: Central Bank of UAE, Ministry of Finance



Qatar

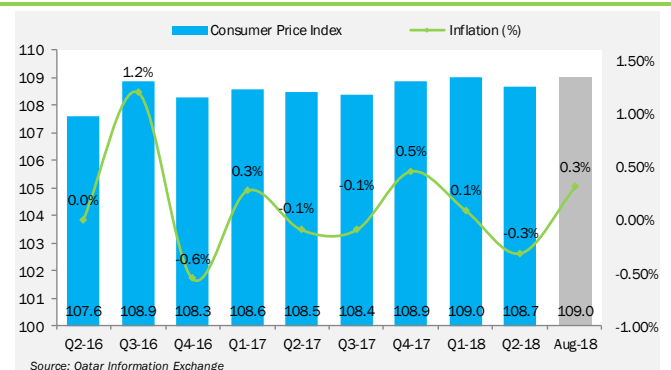
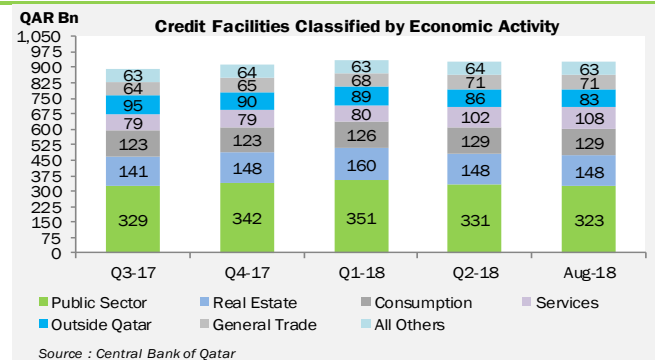
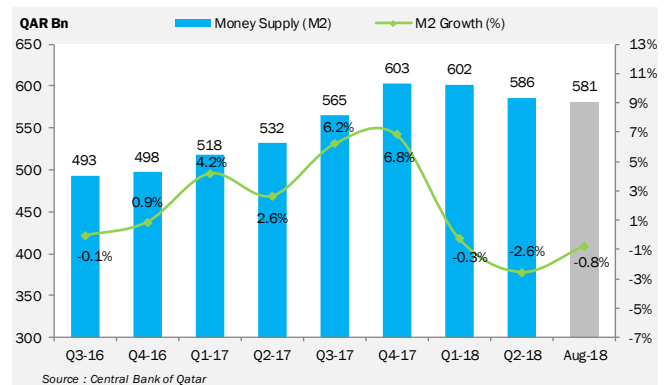
Key Economic Indicators	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Qatar GDP Share in GCC	11.6%	11.8%	12.3%	12.6%	11.6%	11.1%	11.4%	11.4%	11.8%
Nominal GDP - QAR Bn	610.7	680.1	723.4	750.7	588.7	552.3	607.6	685.4	743.7
Nominal GDP - USD Bn	167.8	186.8	198.7	206.2	161.7	151.7	166.9	188.3	204.3
Real GDP Growth (%)	13.4%	4.7%	4.4%	4.0%	3.7%	2.1%	1.6%	2.7%	2.8%
GDP per Capita - PPP (USD)	96,828	101,933	99,180	93,054	66,347	57,965	61,025	67,818	72,677
Current Account Balance (USD Bn)	52.12	62.00	60.46	49.41	13.75	(8.27)	6.43	9.10	13.45
Current Account Balance (QAR Bn)	189.73	225.68	220.08	179.85	50.05	(30.10)	23.39	33.12	48.94
% of GDP	31.1%	33.2%	30.4%	24.0%	8.5%	-5.5%	3.8%	4.8%	6.6%
Inflation, Avg. CPI (%)	2.0%	1.8%	3.2%	3.4%	1.8%	2.7%	0.4%	3.7%	3.5%

Source: International Monetary Fund (IMF)

Qatar's real GDP in Q1-18 receded by 3.6% q-o-q and reached QAR 199.20 Bn. The non-oil sector which accounts for over 68% of the economy declined by 4% q-o-q from Q4-17, largely contributed by 5% drop in private sector growth. Oil sector growth also slowed by 3.3% q-o-q from QAR 53.87 Bn to QAR 51.07 Bn. Nevertheless, Qatar's current account surplus grew in GDP terms from 6.4% of GDP in Q4-17 to 7.3% of GDP in Q1-18, as per the Ministry of Development Planning and Statistics. Qatar reported a fiscal surplus of QAR 1.04 Bn in Q1-18 after posting fiscal deficit of QAR 35 Bn in 2017. The surplus came in Q1-18 came in as a result of 22.3% q-o-q growth in revenues while expenditure went down by 4.8% over the same period. Q1-18 fiscal surplus came in at 0.6% of GDP in Q1-18.

Total credit facilities as of Aug-18 cooled off from record high levels seen in Q1-18 (QAR 937.41 Bn) and declined by 1.2% over the period. Public sector credit growth went down sequentially and declined by 5.4% from the start of the year until Aug-18, while the Private sector grew by 1.2% over the period, as per data from the Central Bank of Qatar.

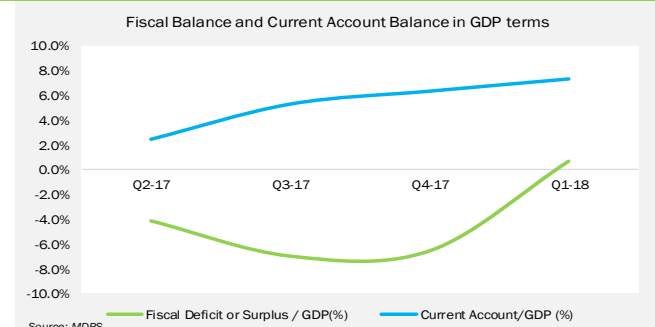
Money supply (M2) at the end of Aug-18 continued its decline from the start of 2018 and decreased by 3.6% over the period to reach QAR 581.37 Bn. M2 was down 0.8% from Q2-18 as well. Time and savings deposits receded by 3.0% in Aug-18 from the start of the year, while M1 receded by 5.4% over the same period. Deposits in foreign currencies nevertheless increased by 4.9% over the aforementioned period. Inflation trends at the end of Aug-18 witnessed slight improvement and grew by 0.3% as compared to Jun-18, after dropping q-o-q in Q2-18. F&B inflation in Aug-18 as compared to Jun-18 came in at 0.9%, while discretionary spending in terms of Recreation witnessed an inflation rate of 3.4%.



Quarterly Gross Domestic Product by Economic Sectors at Current Prices

Sectors	GDP (QAR Mn)				
	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Oil Sector	48,940	45,989	47,184	53,868	51,067
Non-Oil Sector	100,987	99,515	103,010	108,128	109,373
Private Sector	83,746	81,633	85,198	90,442	91,164
Government Sector	17,241	17,882	17,812	17,686	18,209
Total	149,720	145,332	150,045	161,805	160,217
Import Duties	207	172	149	191	224
Gross Domestic Product (GDP)	149,927	145,504	150,194	161,996	160,441

Source: Ministry of Development Planning & Statistics



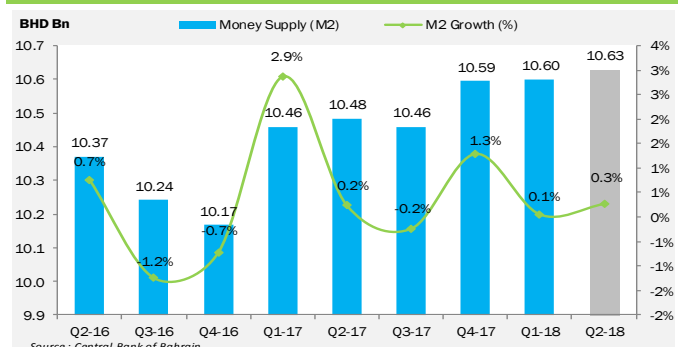
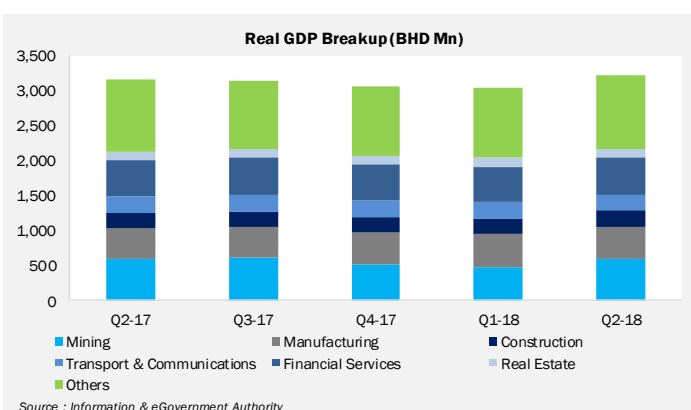
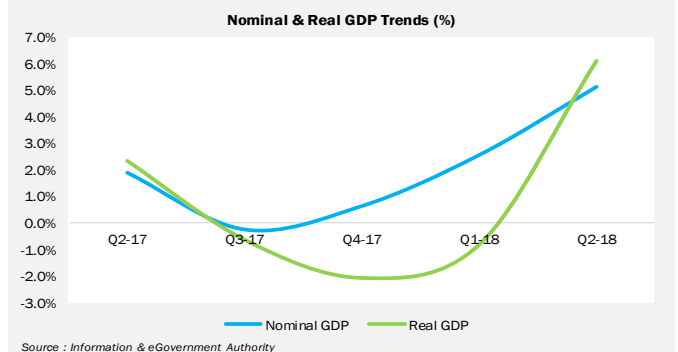
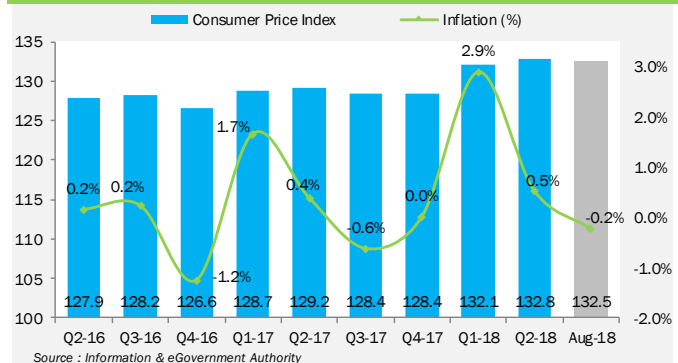
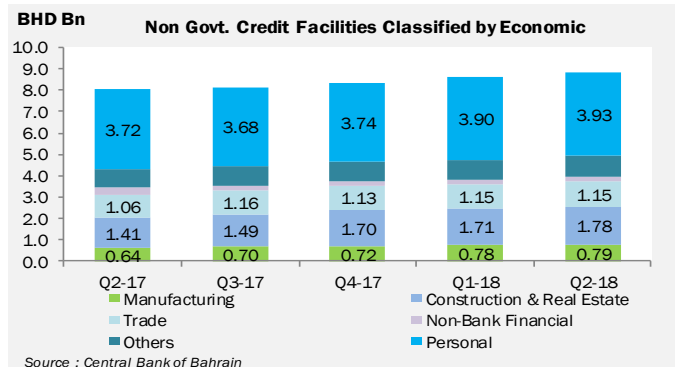
Bahrain

Key Economic Indicators	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F
Bahrain GDP Share in GCC	2.0%	1.9%	2.0%	2.0%	2.2%	2.4%	2.4%	2.4%	2.4%
Nominal GDP - BHD Bn	10.8	11.6	12.2	12.6	11.7	12.1	13.3	14.8	15.6
Nominal GDP - USD Bn	28.8	30.7	32.5	33.4	31.1	32.2	35.3	39.3	41.6
Real GDP Growth (%)	2.0%	3.7%	5.4%	4.4%	2.9%	3.5%	3.8%	3.2%	2.6%
GDP per Capita - PPP (USD)	24,080	25,434	25,965	25,398	22,714	22,637	24,326	26,532	27,538
Current Account Balance (USD Bn)	2.52	2.58	2.41	1.52	(0.75)	(1.49)	(1.60)	(0.97)	(0.96)
Current Account Balance (BHD Bn)	0.95	0.97	0.91	0.57	(0.28)	(0.56)	(0.60)	(0.36)	(0.36)
% of GDP	8.8%	8.4%	7.4%	4.6%	-2.4%	-4.6%	-4.5%	-2.5%	-2.3%
Inflation, Avg. CPI (%)	0.18%	2.58%	3.99%	2.50%	0.73%	2.26%	1.42%	2.85%	4.29%

Source: International Monetary Fund (IMF)

Real GDP growth in Bahrain grew by 6.1% q-o-q in Q2-18 and reached BHD 3.22 Bn from BHD 3.04 Bn in Q1-18. The Mining and Quarrying sector, which predominantly includes crude oil & natural gas, was the key driver for the increase as the sector grew by 22.3% q-o-q in real terms. The Manufacturing sector, which accounts for 14.5% of Bahrain's total GDP, improved by 0.3% q-o-q, while the Construction and Real Estate sectors, that combine together for 12% of the total GDP grew by 0.7% on average during the second quarter of 2018. In the Services sector, Financial Services (16% contribution to total GDP) grew by 1.3% q-o-q in Q2-18.

Money supply (M2) at the end of Q2-18 increased by 0.2% q-o-q to BHD 10.63 Bn after remaining broadly stable in Q1-18. Time and savings deposits grew by 1.0% q-o-q in Q2-18, however M1 receded by 5.2% q-o-q over the same period. Credit disbursed to non-government sector increased 2.3% q-o-q and 10.3% y-o-y to reach BHD 8.84 Bn in Q2-18. Personal credit disbursed increased by 0.8% q-o-q, while Construction & Manufacturing credit went up by 3.8% and 1.5% respectively. On y-o-y basis, credit disbursed to the Personal sector increased by 5.6% as of Q2-18, while Construction and Manufacturing sectors witnessed credit growth of 24.2% and 25.8% respectively over the same period. Further, inflation numbers at the end of Aug-18 suggested a marginal decline of 0.2% as against Q2-18.



Oman

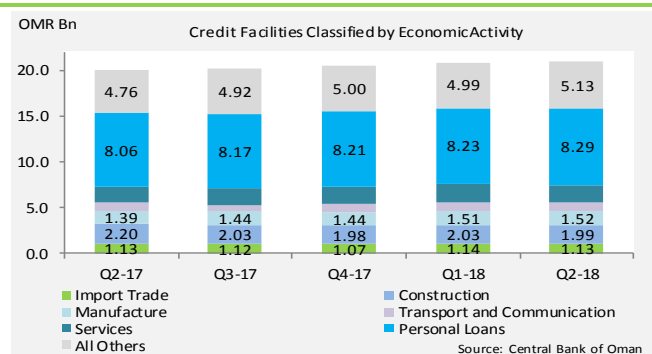
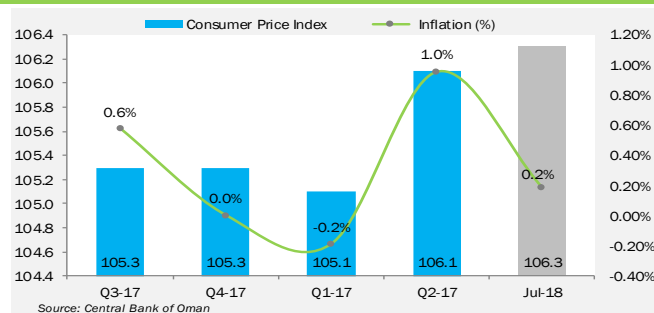
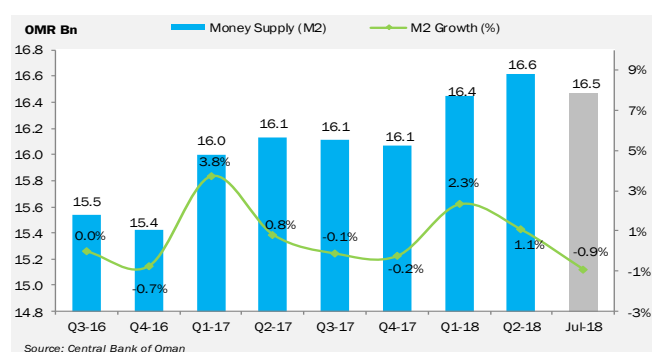
Key Economic Indicators	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F
Oman GDP Share in GCC	4.7%	4.9%	4.9%	4.9%	5.0%	4.8%	4.8%	4.9%	5.0%
Nominal GDP - OMR Bn	26.2	29.5	30.3	31.2	26.5	25.4	27.2	31.4	33.3
Nominal GDP - USD Bn	68.0	76.6	78.8	81.1	68.9	65.9	70.8	81.7	86.5
Real GDP Growth (%)	2.6%	9.1%	5.1%	1.4%	4.7%	5.0%	-0.9%	1.9%	5.0%
GDP per Capita - PPP (USD)	22,727	23,282	21,920	21,814	18,244	16,447	17,128	19,170	19,690
Current Account Balance (USD Bn)	8.85	7.82	5.20	4.21	(10.96)	(12.32)	(10.76)	(2.71)	(0.40)
Current Account Balance (OMR Bn)	3.40	3.01	2.00	1.62	(4.21)	(4.74)	(4.14)	(1.04)	(0.15)
% of GDP	13.0%	10.2%	6.6%	5.2%	-15.9%	-18.7%	-15.2%	-3.3%	-0.5%
Inflation, Avg. CPI (%)	3.3%	2.9%	0.3%	1.0%	0.1%	1.1%	1.6%	1.5%	3.2%

Source: International Monetary Fund (IMF)

Oman continued to report quarterly budget deficits in 2018, but the OMR 654.4 Mn deficit in Q2-18 was sequentially lower than Q1-18 (OMR 751.3 Mn) and Q4-17 (OMR 759.4 Mn). Actual revenues in Q2-18 jumped by 41% q-o-q to reach OMR 2.89 Bn, driven by a 20% q-o-q increase in oil revenues (OMR 1.60 Bn), and a 154% leap in Other Revenues (OMR 832.7 Mn). Budget expenses also moved up 26% q-o-q in Q2-18 and reached OMR 3.55 Bn as both current expenditure and investment expenditure grew by 17% and 69% respectively. Oman registered a y-o-y nominal GDP growth of 6.5% in Q1-18, as nominal GDP reached OMR 7.03 Bn from OMR 6.61 Bn in Q1-17. Petroleum activities contributed to 33% of nominal GDP and posted a y-o-y growth of 16.5% as natural gas revenues more than doubled to OMR 0.62 Bn. Wholesale and Retail trade amounting to 12% of the economy grew by 6.5% y-o-y to reach OMR 0.61 Bn.

On the monetary front, money supply (M2) at the end of Jul-18 decreased by 0.9% from Q2-18 to OMR 16.46 Bn, but remained higher than from the start of the year. The drop from Jun-18 was contributed by declines in currency outside banks (-4.8%) and demand deposits (-3.1%), while quasi money that accounts for a 69% of M2 as of Jul-18 increased by 0.3% to reach OMR 11.39 Bn.

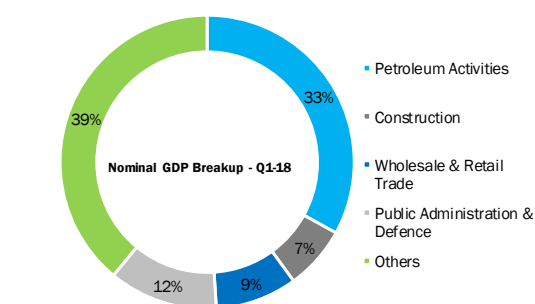
Meanwhile, inflation trends remained stable in Jul-18 as compared to Q2-18 marginally improving by 0.3%. In terms of credit lending, total amount of credit disbursed remained broadly stable (+0.2%) during Q2-18 on q-o-q basis to reach OMR 20.94 Bn. Personal loans which contribute to close to 40% of the total credit went up by 0.8% q-o-q in Q2-18, while Mining & Quarrying (+6.5%), Electricity (+6.5%) and Agriculture (+10%) were the sectors which witnessed the highest growth on a q-o-q basis.



Government Revenues and Expenditure

OMR Mn	2017				2018	
Sectors	Q1-17	Q2-17	Q3-17	Q4-17*	Q1-18	Q2-18
Revenues	1,664.2	2,343.3	1,963.6	2,542.9	2,055.4	2,893.1
Oil Revenues	1,031.2	1,142.5	1,131.9	1,376.1	1,329.1	1,599.9
Gas Revenues	335.3	347.5	412.0	429.5	399.1	460.5
Other Revenues	297.7	853.3	419.7	737.3	327.2	832.7
Expenditure	3,218.7	3,221.9	2,530.7	3,302.3	2,806.7	3,547.5
Current Expenditure	1,827.8	2,061.0	2,158.7	2,870.6	1,996.5	2,339.5
Investment Expenditure	568.2	849.5	611.4	626.1	472.3	797.7
Participation & Subsidy To Private Sector	122.7	211.4	20.6	345.6	66.9	290.2
Actual Expenses under Settlement	700.0	100.0	-260.0	-540.0	271.0	120.1
Fiscal Surplus (+) / Deficit (-)	-1,554.5	-878.6	-567.1	-759.4	-751.3	-654.4

Source: Central Bank of Oman, * Provisional



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