

GCC Economic Quarterly Report

September-2014

In this Report...

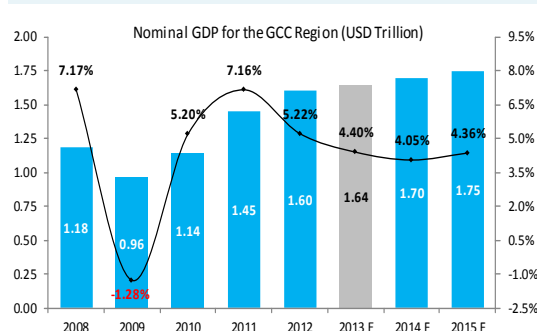
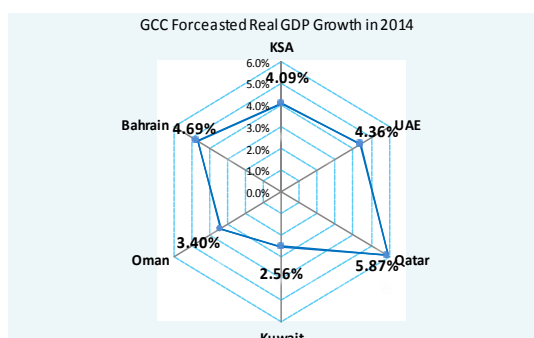
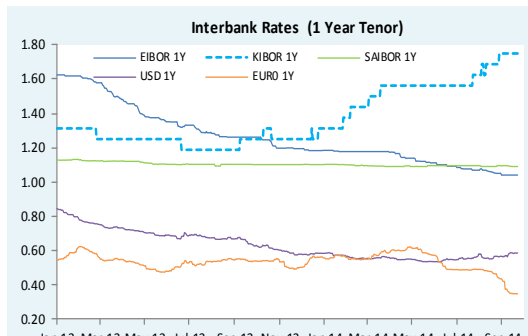
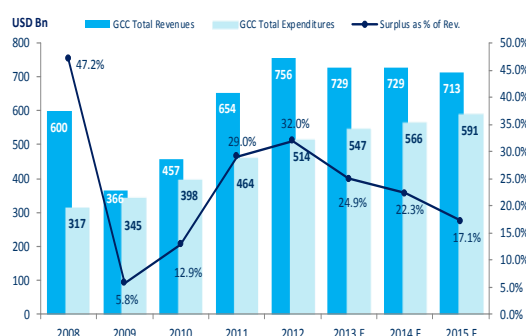
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GDP growth in the GCC region is expected to improve in 2014 after seeing healthy growth in 2013. Economic activity in the region is expected to strengthen in the near term as some of the recent initiatives to diversify the economy starts showing results in addition to the gradual economic recovery of GCC trading partners. Further, as a sign of confidence, the IMF upgraded its 2014 GDP growth forecast for Saudi Arabia during July 2014, the region's largest economy, to 4.6% from its previous forecast of 4.1% on the back of stronger than expected growth in the private sector.

Credit facilities extended by Kuwaiti banks during Q2-14 continued with the upward momentum seen during last year to record a quarterly growth of 2.34% and stand at KWD 30.24 Bn at the end of June-14.

Inflation though not a major concern for the GCC market, but, the regulators are actively managing price levels with the help of policies targeting specific sectors. Inflation rates for the GCC ranged between 1.2% and 3.0% on an annual basis at end of Q2-2014, the highest inflation numbers was recorded in Kuwait at 3.0% followed by Qatar at 2.8%, while the inflation rate for the GCC's largest economy, Saudi Arabia, stood at 2.7%. The price rise is generally highest for the real estate, food and furniture.

Due to weak oil prices and low demand from OECD, the Saudi Oil Sector GDP reported a quarterly decline of 3.5% at the end of Q2-14 to stand at SAR 322 bn as compared to Q1-14. On the other hand, overall GDP growth for the same period ending June-14 decreased by 3.3%. The non-oil sector GDP contributed to around 54% of the overall GDP, also declining by 3.6% during the same period. Meanwhile, Private sector activity was evident from the robust manufacturing as highlighted by the HSBC PMI index that stood above 58 level for most of 2013/14.



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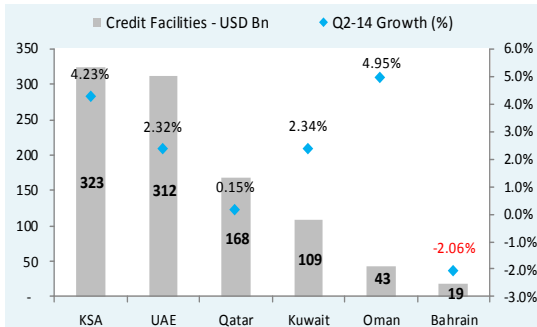
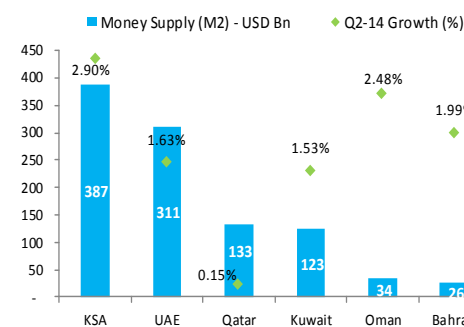
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Source for the above charts: GCC Central Banks, International Monetary Fund (IMF), Bloomberg, KAMCO Research

Kuwait

Key Economic Indicators	2008	2009	2010	2011	2012	2013 E	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
Kuwait GDP Share in GCC	12.4%	11.1%	10.5%	11.1%	11.5%	11.3%	10.9%	10.6%	10.4%	10.3%	10.2%	10.2%
Nominal GDP - KWD Bn	39.6	30.5	34.4	44.3	51.3	51.5	51.5	51.8	52.5	54.3	56.6	59.3
Nominal GDP - USD Bn	147.4	106.0	119.9	160.7	184.5	185.3	185.3	186.4	188.8	195.3	203.7	213.5
Real GDP Growth (%)	2.48%	-7.08%	-2.37%	6.30%	6.20%	3.00%	2.56%	2.96%	3.01%	3.85%	3.87%	3.89%
GDP per Capita - PPP (USD)	40,464	37,421	35,974	37,935	39,877	39,706	40,223	41,002	41,870	43,150	44,475	45,865
Current Account Balance (USD Bn)	60.25	28.29	36.95	67.18	79.77	71.90	69.37	63.73	60.58	60.12	56.81	53.54
Current Account Balance (KWD Bn)	16.19	8.14	10.59	18.53	22.17	19.98	19.28	17.71	16.84	16.71	15.79	14.88
% of GDP	40.9%	26.7%	30.8%	41.8%	43.2%	38.8%	37.4%	34.2%	32.1%	30.8%	27.9%	25.1%
Inflation, Avg. CPI (%)	9.03%	1.18%	4.50%	4.91%	3.20%	2.71%	3.36%	3.96%	4.02%	4.02%	4.03%	4.03%

Source: International Monetary Fund (IMF)

After posting robust economic growth figures subsequent to the financial crisis driven by higher oil production and elevated prices during 2011 and 2012, Kuwait's GDP recorded a marginal growth of around 3% as oil output stabilized while prices dropped to an average of USD 105.9/b in 2013. Besides, there was limited activity in the non-oil sector due to political deadlock that almost stalled developmental projects aimed at expanding the non-oil sectors.

Credit facilities extended by Kuwaiti banks during Q2-14 continued with the upward momentum seen during last year to record a quarterly growth of 2.34% and stand at KWD 30.24 Bn at the end of June-2014. Personal facilities and credit to the real estate sector are the main drivers behind the growth in total credit, together adding around KWD 551 Mn or around 80% of the total credit growth in Q2-14. Growth rate in Personal Facilities nearly maintained the same level compared to last period to post an increase of 2.8% during Q2-14. As well, credit to real estate sector has jumped by around 3% in Q2-14 as compared to a marginal growth of 0.8% in Q1-14.

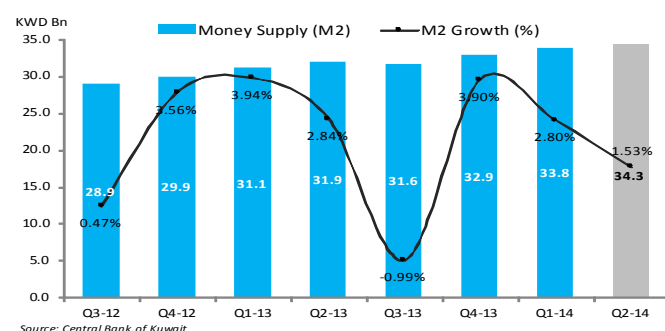
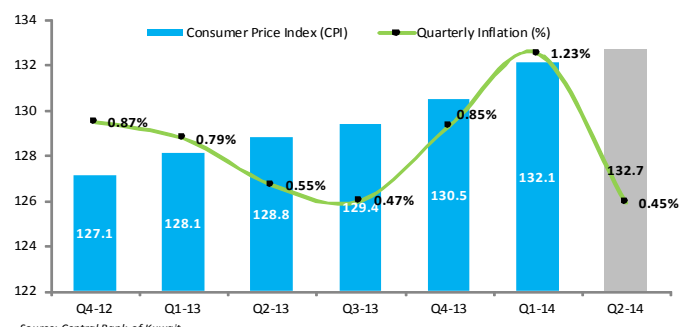
Despite the conservative lending policies and low appetite by banks to extend credit, along with the restructuring of corporate debt and the ongoing delay in implementing a dozen of infrastructure and economic projects, the credit market has witnessed signs of recovery in 2013 and 1H-14 that will most likely continue through 2014 driven by the gradual restoration of confidence in the private sector & the recovery of the property market and the local bourse.

Kuwait's broad measure of money supply (M2) increased for the 3rd consecutive quarter in a row, albeit at a decreasing rates, to add around KWD 518 Mn or 1.5% in Q2-14 and to stand at KWD 34.3 Bn as of June-14. The rise in M2 is mainly attributed to the increase in the currency in circulation by 27.2% or KWD 404 Mn.

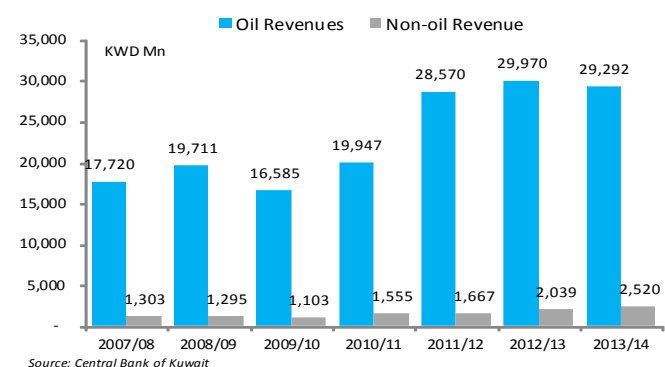
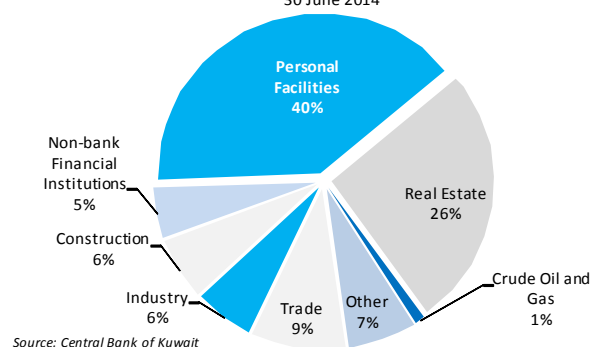
Government Revenues and Expenditure

KWD (Mn)	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Oil Revenues	17,720	19,711	16,585	19,947	28,570	29,970	29,292
% of Total Revenue	93.1%	93.8%	93.8%	92.8%	94.5%	93.6%	92.1%
Non-oil Revenue	1,303	1,295	1,103	1,555	1,667	2,039	2,520
% of Total Revenue	6.9%	6.2%	6.2%	7.2%	5.5%	6.4%	7.9%
Total Revenue	19,023	21,006	17,688	21,502	30,236	32,009	31,811
Capital Expenditures	1,296	1,480	1,308	1,841	1,799	1,811	1,740
% of Total Expenditures	13.4%	8.1%	11.6%	11.3%	10.6%	9.4%	9.2%
Other Expenditures	8,402	16,782	9,943	14,380	15,209	17,497	17,163
% of Total Expenditures	86.6%	91.9%	88.4%	88.7%	89.4%	90.6%	90.8%
Total Expenditures	9,698	18,262	11,251	16,221	17,008	19,308	18,903
Surplus	9,325	2,744	6,437	5,281	13,229	12,701	12,908
Surplus as % of Revenues	49.0%	13.1%	36.4%	24.6%	43.8%	39.7%	40.6%

Source: Ministry of Finance- Kuwait



Sectoral Distribution of Balances of Utilized Cash Credit Facilities as of 30 June 2014



Saudi Arabia

Key Economic Indicators	2008	2009	2010	2011	2012	2013 E	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
Saudia GDP Share in GCC	43.9%	44.8%	46.1%	46.2%	45.8%	45.4%	45.5%	45.2%	45.1%	44.9%	44.7%	44.3%
Nominal GDP - SAR Bn	1,949.2	1,609.1	1,975.5	2,510.7	2,752.3	2,794.8	2,897.3	2,965.9	3,059.8	3,186.4	3,333.3	3,495.8
Nominal GDP - USD Bn	519.8	429.1	526.8	669.5	734.0	745.3	772.6	790.9	815.9	849.7	888.9	932.2
Real GDP Growth (%)	8.43%	1.83%	7.43%	8.57%	5.81%	3.80%	4.09%	4.21%	4.21%	4.24%	4.24%	4.28%
GDP per Capita - PPP (USD)	25,937	25,743	27,075	29,114	30,465	31,245	32,340	33,625	35,005	36,488	38,034	39,673
Current Account Balance (USD Bn)	132.32	20.96	66.75	158.58	164.69	129.80	121.94	104.87	97.70	94.79	90.19	92.44
Current Account Balance (SAR Bn)	496.21	78.58	250.32	594.68	617.60	486.75	457.27	393.26	366.37	355.48	338.22	346.65
% of GDP	25.5%	4.9%	12.7%	23.7%	22.4%	17.4%	15.8%	13.3%	12.0%	11.2%	10.1%	9.9%
Inflation, Avg. CPI (%)	9.50%	4.00%	5.77%	3.64%	3.57%	2.97%	3.30%	3.37%	3.51%	3.52%	3.53%	3.54%

Source: International Monetary Fund (IMF)

The GCC's largest economy saw a slowdown in real GDP growth to 3.8% during 2013 from 5.8% in 2012 due to a decline in oil production amid weak demand from US, EU and emerging markets. The year 2013/14 saw a shift in oil supply/demand landscape as non-OPEC nations, including the US, increased oil output thereby reducing dependence on imports. This in turn affected oil prices, however, recurrent geopolitical events that led to temporary supply disruptions held up oil prices. Due to weak oil prices and low demand from OECD, the Saudi Oil Sector GDP reported a quarterly decline of 3.5% at the end of Q2-14 to stand at SAR 322 bn as compared to Q1-14. On the other hand, overall GDP growth for the same period ending June-14 decreased by 3.3%. The non-oil sector GDP contributed to around 54% of the overall GDP, also declining by 3.6% during the same period. Meanwhile, Private sector activity was evident from the robust manufacturing as highlighted by the HSBC PMI index that stood above 58 level for most of 2013/14.

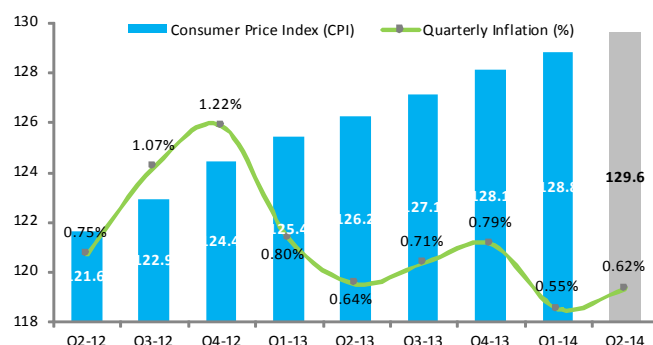
The broad measure of money supply (M2) in the Kingdom increased by 2.9% during Q2-14 to reach SAR 1,450 bn after growing by 4.8% in Q1-14 driven by ample liquidity with banks and remarkable growth in deposits base and credit facilities.

During Q2-14, inflation marginally inched up as compared to last quarter. The general consumer price index rose by 0.62% in Q2-14 as compared to Q1-13, and by 2.69% during the last 12 month. Among the sectors, "Recreation and Culture" recorded the highest inflation rate during Q2-14, registering a quarterly increase in prices of 1.6%, followed by miscellaneous goods & services. The effects of major groups were in variable degrees on the general cost of living index. In terms of its influence on the cost of living index, housing, water, electricity, gas and other fuels group ranked first with 37.7% in the q2-14 compared to 20.6% in the same quarter of the previous year.

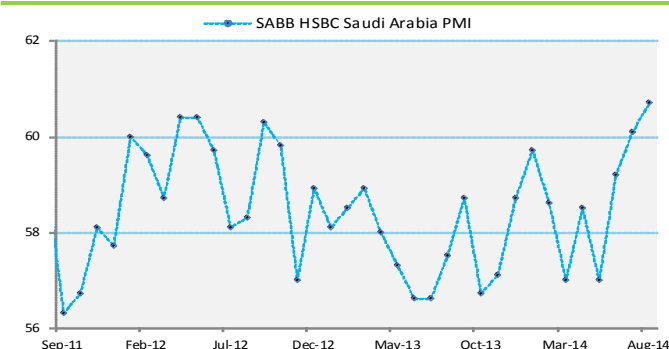
Gross Domestic Product by Institutional Sectors at Current Prices (Q2-2014)

Sectors	GDP (SAR Mn)				Quarterly Growth (%)
	Q3-13	Q4-13	Q1-14	Q2-14	
Oil Sector	345,298	340,383	333,659	322,058	(3.5%)
Non-Oil Sector	354,541	376,627	396,298	381,945	(3.6%)
Private Sector	256,797	257,207	285,771	270,888	(5.2%)
Government Sector	97,744	119,420	110,527	111,057	0.5%
Total	699,839	717,010	729,957	704,003	(3.6%)
Import Duties	5,645	6,057	4,418	6,134	38.8%
Gross Domestic Product (GDP)	705,484	723,067	734,375	710,137	(3.3%)

Source: Saudi Central Department of Statistics & Information



Source: SAMA



United Arab Emirates

Key Economic Indicators	2008	2009	2010	2011	2012	2013 E	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
UAE GDP Share in GCC	26.6%	26.6%	25.1%	24.1%	23.9%	24.1%	24.3%	24.6%	24.6%	24.6%	24.7%	24.9%
Nominal GDP - AED Bn	1,158.6	935.8	1,055.6	1,280.2	1,409.5	1,455.2	1,514.4	1,579.3	1,632.0	1,706.1	1,803.1	1,919.6
Nominal GDP - USD Bn	315.5	254.8	287.4	348.6	383.8	396.2	412.4	430.0	444.4	464.6	491.0	522.7
Real GDP Growth (%)	3.19%	-4.80%	1.67%	3.88%	4.37%	4.76%	4.36%	4.19%	3.92%	3.97%	4.06%	4.16%
GDP per Capita - PPP (USD)	28,538	26,954	27,520	28,300	29,176	30,122	30,985	31,897	32,835	33,848	34,924	36,016
Current Account Balance (USD Bn)	22.28	7.85	7.24	50.95	66.55	59.08	55.04	53.34	51.36	44.63	38.13	36.19
Current Account Balance (AED Bn)	81.82	28.83	26.59	187.11	244.42	216.96	202.13	195.89	188.61	163.92	140.01	132.89
% of GDP	7.1%	3.1%	2.5%	14.6%	17.3%	14.9%	13.3%	12.4%	11.6%	9.6%	7.8%	6.9%
Inflation, Avg. CPI (%)	6.60%	1.22%	0.88%	0.77%	0.88%	1.67%	2.39%	2.65%	2.77%	3.09%	3.39%	3.86%

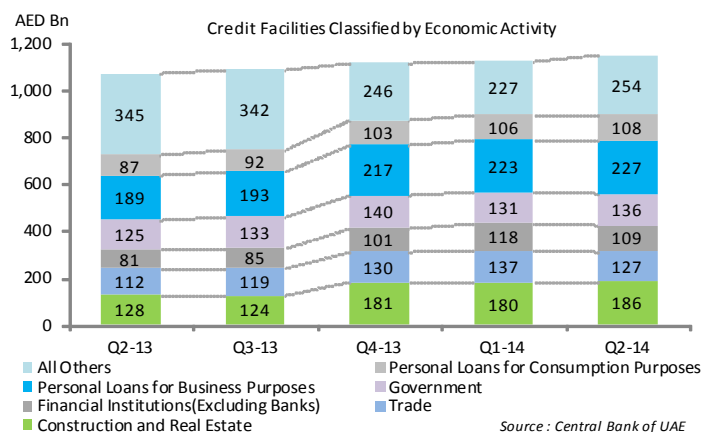
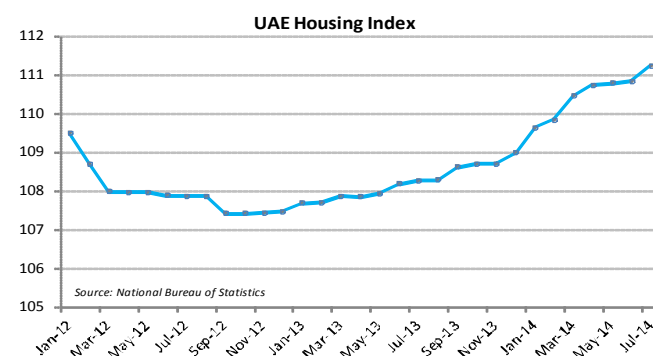
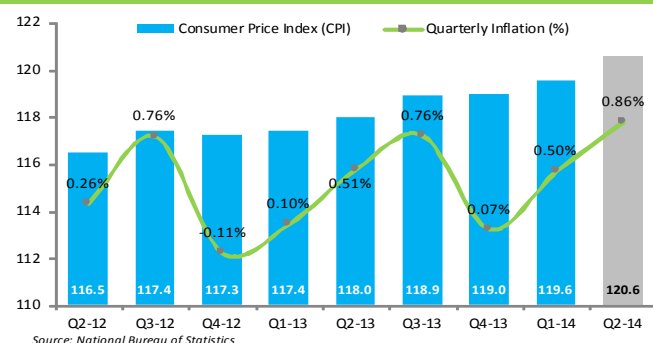
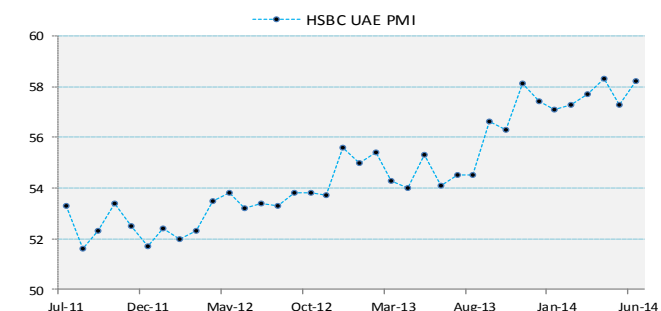
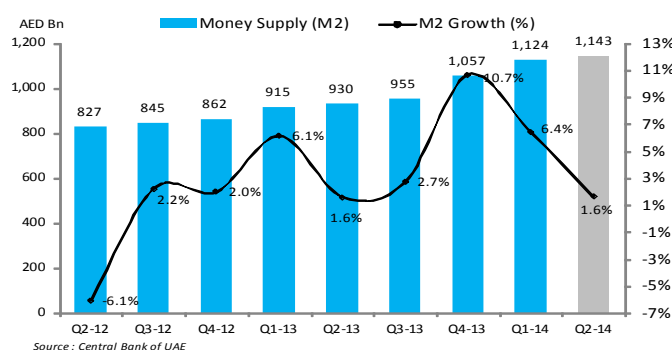
Source: International Monetary Fund (IMF)

UAE's GDP had already surpassed pre-crisis level by 2011 when it reported a nominal GDP of USD 348.6 billion. According to the revised estimates from the IMF, UAE's GDP grew by 3.2% during 2013 and is expected to post a stronger growth of 4.1% in 2014.

In terms of budget allocations, the focus continues to remain on developing the non-oil sector in order to counter the expected weakness in the oil sector, which accounted for 1/3rd of the economy's GDP. The non-oil sector is expected to get further boost from increased investment spending for the World Expo 2020, that will support tourism, hospitality and real estate sectors. Nevertheless, buoyant imports amid the development process would most likely have a negative impact on current account balance, as indicated by the IMF.

The upturn in the UAE's non-oil sector gained momentum during August 2014, with the seasonally adjusted HSBC UAE PMI rising to a record high of 58.4 at the end of August 2014, up from July's level of 58. This surpassed the previous record seen in April 2014. This also highlighted a robust labor market and significant job creation in the region. A majority of this growth came from the housing sector, as reflected in UAE Housing Index. Meanwhile, total credit facilities further improved to AED 1.14 trillion at the end of the Q2-2014 as the low interest rate and economic recovery led to increased money supply and lending.

On the other hand, as the economy gathers momentum, inflationary pressure increased, resulting in inflation edging up to its highest level, reported at 2.2% in June-14, in more than five years as a result of rising rents and food prices.



Qatar

Key Economic Indicators	2008	2009	2010	2011	2012	2013 E	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
Qatar GDP Share in GCC	9.7%	10.2%	10.9%	11.8%	12.0%	12.3%	12.6%	12.9%	13.2%	13.6%	13.9%	14.1%
Nominal GDP - QAR Bn	419.6	356.0	455.4	624.2	700.3	737.3	778.2	819.8	870.1	933.6	1,003.9	1,082.4
Nominal GDP - USD Bn	115.3	97.8	125.1	171.5	192.4	202.6	213.8	225.2	239.0	256.5	275.8	297.4
Real GDP Growth (%)	17.66%	11.96%	16.73%	12.96%	6.24%	6.13%	5.87%	7.08%	7.41%	7.17%	6.58%	6.42%
GDP per Capita - PPP (USD)	71,861	77,198	90,887	100,374	100,889	98,814	96,993	97,867	100,107	104,716	111,604	118,809
Current Account Balance (USD Bn)	26.60	6.39	23.80	51.98	62.34	59.17	54.30	46.13	35.18	28.62	23.68	19.33
Current Account Balance (QAR Bn)	96.81	23.26	86.62	189.20	226.90	215.38	197.66	167.91	128.07	104.17	86.19	70.37
% of GDP	23.1%	6.5%	19.0%	30.3%	32.4%	29.2%	25.4%	20.5%	14.7%	11.2%	8.6%	6.5%
Inflation, Avg. CPI (%)	15.20%	-4.90%	0.40%	2.12%	2.65%	3.07%	3.57%	3.49%	3.58%	3.52%	3.49%	3.43%

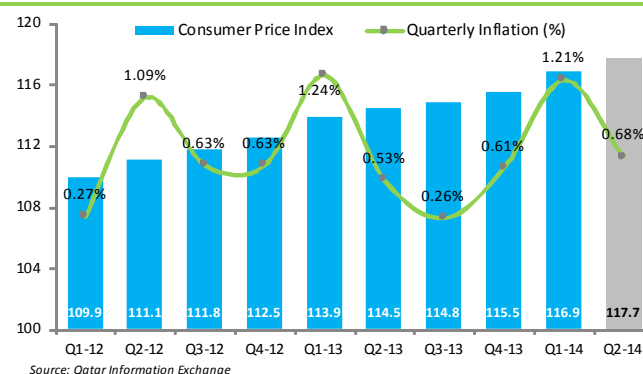
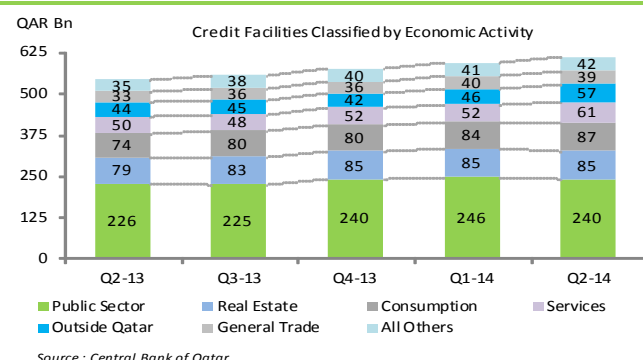
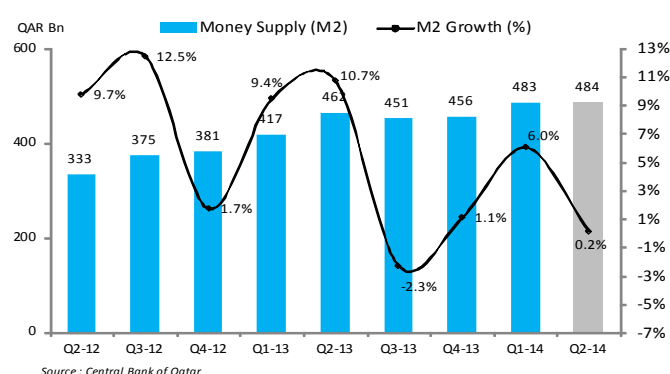
Source: International Monetary Fund (IMF)

Qatar has made significant progress on developing the non-oil sector, especially after it secured the rights to host FIFA World cup 2022. The country plans to spend close to USD 140 billion in the next five years as it prepares for the world cup. The resulting growth in GDP has been consistently positive over the past several quarters, although at a declining pace. Based on latest quarterly figures the Q-o-Q growth in GDP stood at 2.1% during Q1-14 as compared to a growth of 2.3% during Q4-13.

As economic activity improved, demand for credit facilities increased resulting in higher money supply and lending. The private sector continues to account for the lion's share of lending, however, increased infrastructure investments has resulted in higher lending to the public sector. The country did see delays in project execution that also resulted in cost escalation; however, the government has recently accelerated work on infrastructure projects which will have a similar effect on the pace of credit growth.

Qatar's broad measure of money supply (M2) increased for the 3rd consecutive quarter in a row, albeit at a decreasing rates, to add around QAR 734 Mn or 0.15% in Q2-14 and to stand at QAR 484 Bn as of June-14. The rise in M2 is mainly attributed to the increase in the demand deposit by 8.3% or QAR 8.99 Bn.

According to GCC-Stat, Qatar has one of the highest annual inflation levels in the GCC reported at 2.8% in June-14 due to rising rents, furniture and home applicants expenses, transportation and communication expenses. Quarterly inflation increased by 0.68% at the end of Q2-14 as compared to 1.21% at the end of Q1-14. Rent and transportation expenses have shown unprecedented increase in the past as demand for these services increase amid rising expat population coupled with the existing shortage in housing.



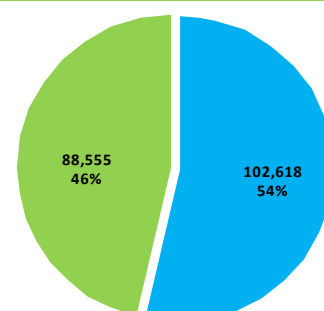
Quarterly Gross Domestic Product by Economic Sectors at Current Prices

Sectors	GDP (QAR Mn)			
	Q2-13	Q3-13	Q4-13	Q1-14
Mining & Quarrying (Include Oil & Gas)	95,094	98,928	99,693	102,618
Non-Oil Sector	80,475	84,115	87,506	88,555
Private Sector	63,278	66,543	69,573	70,006
Government Sector	17,197	17,572	17,933	18,549
Total	175,569	183,043	187,199	191,173
Import Duties	1,151	1,220	1,279	1,210
Gross Domestic Product (GDP)	176,720	184,263	188,478	192,383

Source: Qatar Information Exchange

Q1-2014 Gross Domestic Product by Economic Sectors at Current Prices (QAR Mn)

■ Mining & Quarrying (Include Oil & Gas)
■ Non-Oil Sector



Bahrain

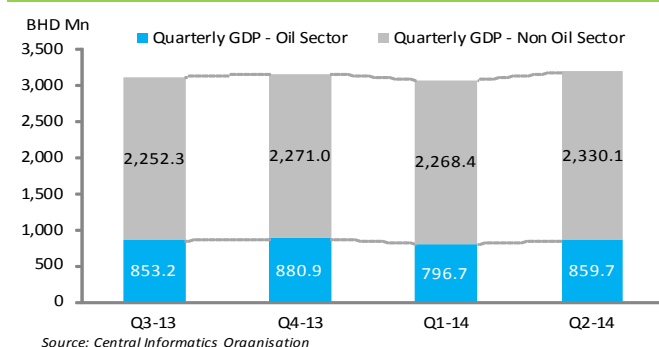
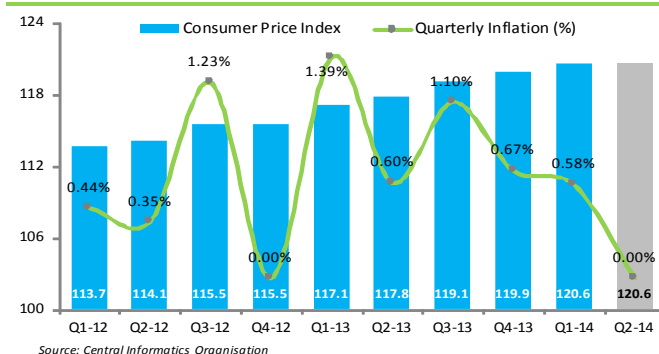
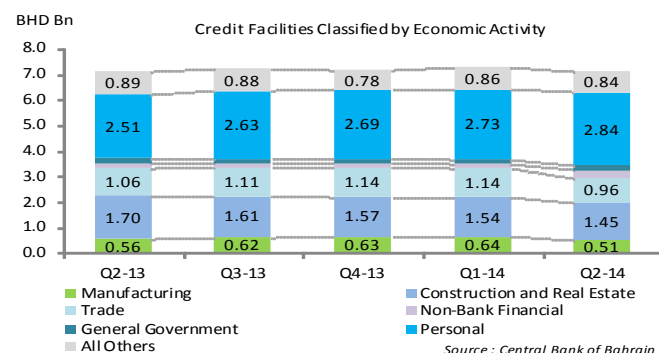
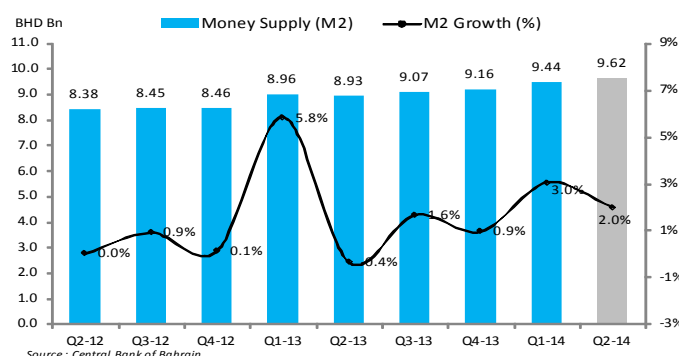
Key Economic Indicators	2008	2009	2010	2011	2012	2013 E	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
Bahrain GDP Share in GCC	2.2%	2.4%	2.2%	2.0%	1.9%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%
Nominal GDP - BHD Bn	9.7	8.6	9.7	10.9	11.4	12.1	12.6	12.9	13.3	13.8	14.4	14.8
Nominal GDP - USD Bn	25.7	22.9	25.7	29.0	30.4	32.2	33.5	34.4	35.4	36.7	38.2	39.4
Real GDP Growth (%)	6.24%	2.55%	4.34%	2.10%	3.40%	4.87%	4.69%	3.26%	3.27%	3.48%	3.54%	3.49%
GDP per Capita - PPP (USD)	40,954	31,744	31,477	32,126	33,136	34,584	36,039	37,130	38,306	39,639	41,041	42,487
Current Account Balance (USD Bn)	2.26	0.56	0.77	3.25	2.22	3.87	3.48	3.25	2.97	2.70	2.37	1.77
Current Account Balance (BHD Bn)	0.85	0.21	0.29	1.22	0.84	1.46	1.31	1.22	1.12	1.02	0.89	0.66
% of GDP	8.8%	2.4%	3.0%	11.2%	7.3%	12.0%	10.4%	9.4%	8.4%	7.3%	6.2%	4.5%
Inflation, Avg. CPI (%)	5.12%	1.55%	0.99%	0.18%	2.58%	3.90%	2.57%	2.23%	2.65%	2.64%	2.67%	2.61%

Source: International Monetary Fund (IMF)

Bahrain is expected to post above average growth in real GDP of 4.69% for 2014 as compared to other GCC economies. GDP during the second quarter of 2014 increased to BHD 3.2 Bn, a strong Q-o-Q growth of 4.12% as compared to BHD 3.1 Bn seen during the first quarter of the year. Further, both the components of the GDP, i.e. the oil and the non-oil sector, witnessed strong improvement during the quarter. Oil GDP improved by a strong 7.9% from BHD 796.7 Mn during Q1-14 to BHD 859.7 Mn during Q2-14.

On the other hand, the non-oil sector, which accounted for 72.4% of Q2-14 GDP, increased by 2.7% during Q2-14 (from BHD 2.27 Bn to BHD 2.33 bn). It is pertinent to note that non-oil sector as a percentage of quarterly GDP saw a quarterly decline of 100 bps during Q2-14 as compared to Q1-14. The components of the non-oil sector, which includes the private sector and the government sector, saw changes in the opposite direction. GDP for the private sector, which accounted for 84.9% of the non-oil sector, increased by 3.2% during Q2-14 to BHD 2.0 Bn as compared to BHD 1.9 Bn during Q1-14, whereas, the government sector, which accounted for the remaining 15.1%, witnessed a marginal decline of 0.1% during Q2-14.

On the monetary front, money supply (M2) during Q2-14 stood at 2.0% Q-o-Q to record BHD 9.62 Bn on the back of a 2.7% increase in demand deposits to BHD 2.6 Bn. The increase in liquidity with banks resulted in higher disbursement of personal facilities that grew by 3.8% to BHD 2.8 Bn. However, total credit facilities declined by 2.1% due to 21.0% decline in manufacturing and 16.1% decline in trade facilities to end the quarter at BHD 506.3 Mn and BHD 1.5 Bn, respectively.



Quarterly Gross Domestic Product by Economic Sectors at Current Prices

Sectors	GDP (BHD Mn)				Q2/Q1-14 Chg%
	Q3-13	Q4-13	Q1-14	Q2-14	
Oil Sector	853.2	880.9	796.7	859.7	7.91%
Non-Oil Sector	2,252.3	2,271.0	2,268.4	2,330.1	2.72%
Private Sector	1,907.0	1,920.3	1,915.0	1,977.1	3.24%
Government Sector	345.3	350.8	353.4	353.0	-0.11%
Total	3,105.5	3,152.0	3,065.1	3,189.8	4.07%
Import Duties	29.8	25.8	26.1	28.9	10.73%
Gross Domestic Product (GDP)	3,135.3	3,177.8	3,091.2	3,218.7	4.12%

Source: Central Informatics Organisation

Oman

Key Economic Indicators	2008	2009	2010	2011	2012	2013 E	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
Oman GDP Share in GCC	5.1%	5.0%	5.1%	4.8%	4.9%	4.9%	4.8%	4.8%	4.7%	4.7%	4.7%	4.6%
Nominal GDP - OMR Bn	23.4	18.5	22.6	26.9	30.1	31.0	31.6	32.1	33.0	34.2	35.6	37.3
Nominal GDP - USD Bn	60.7	48.2	58.8	70.0	78.3	80.6	82.3	83.4	85.7	89.0	92.7	97.0
Real GDP Growth (%)	13.17%	3.27%	5.59%	4.49%	4.99%	5.07%	3.40%	3.36%	3.77%	3.84%	3.60%	3.65%
GDP per Capita - PPP (USD)	25,262	25,399	31,067	27,857	28,843	29,813	30,325	30,901	31,737	32,640	33,480	34,362
Current Account Balance (USD Bn)	5.02	(0.61)	5.87	10.72	9.05	7.84	6.39	2.05	0.35	(0.68)	(1.94)	(1.99)
Current Account Balance (OMR Bn)	1.93	(0.23)	2.26	4.12	3.48	3.01	2.46	0.79	0.13	(0.26)	(0.74)	(0.77)
% of GDP	8.3%	-1.3%	10.0%	15.3%	11.6%	9.7%	7.8%	2.5%	0.4%	-0.8%	-2.1%	-2.1%
Inflation, Avg. CPI (%)	11.78%	0.92%	4.19%	3.29%	2.88%	1.25%	2.69%	3.07%	3.49%	3.47%	3.47%	3.40%

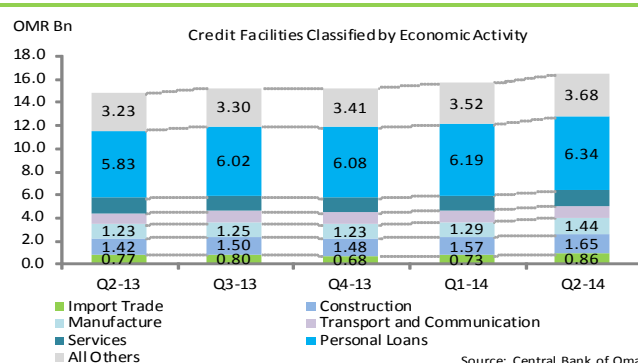
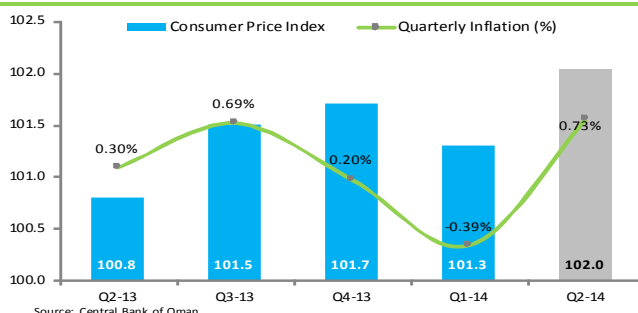
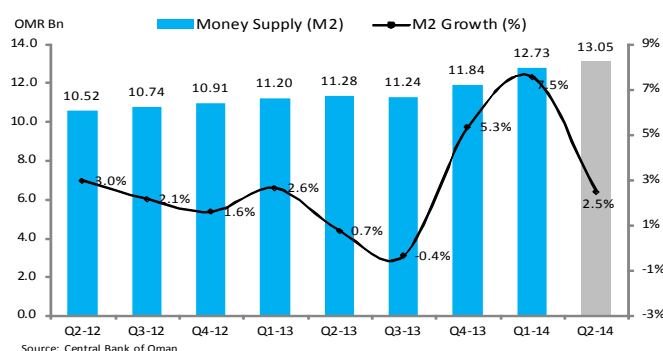
Source: International Monetary Fund (IMF)

Oman's finances further strengthened during the second quarter of 2014 as it reported higher quarterly revenues of OMR 4.0 Bn as compared to OMR 3.2 Bn during Q1-14, a significant growth of 23.8%. However, the increase in expenditure was even higher at 31.6% as it increased from OMR 3.0 Bn to OMR 3.9 Bn, offsetting most of the growth in revenues. The steep increase in expenditure also affected quarterly fiscal surplus that declined by 83.9% Q-o-Q to OMR 34.7 Mn as of Q2-14 as compared to OMR 215.4 Mn at the end of Q1-14.

Meanwhile, quarterly GDP growth during Q2-14 is expected to be positive based on the increase in economic activity in the Sultanate. The most recent data from National Center for Statistics and Information (NCSI) highlighted a quarterly GDP growth of 4.6% during Q1-14 on the back of robust growth in services sector activities partially offset by marginal decline in oil and gas activities.

On the monetary front, money supply (M2) at the end of the quarter increased by modest 2.5% to OMR 13.1 Bn as compared to higher growth rates of 7.5% and 5.3% seen during Q1-14 and Q4-13, respectively. Quasi money that accounted for a 63.8% of M2 increased by 2.8% over the quarter to OMR 8.3 Bn, whereas the more liquid M1 increased by 2.0% to OMR 4.7 Bn. On the other hand, credit facilities increased at one of the fastest pace in recent quarters (+ 5.0%) as each major account witnessed positive growth. Facilities to the construction sector increased by 4.9% to OMR 1.7 Bn while personal facilities increased by 2.4% to OMR 6.3 Bn.

The growth in money supply pushed quarterly inflation growth to the positive territory at 0.73% as compared to price decline of 0.4% during Q1-14.



Government Revenues and Expenditure

OMR Mn	2012			2013				2014		Last Quarter Chg%
Sectors	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	
Revenues	4,277.9	3,570.7	3,139.9	3,456.7	3,618.5	3,404.8	3,602.1	3,214.4	3,980.0	23.8%
Oil Revenues	2,895.0	2,833.7	2,326.0	2,714.1	2,575.7	2,614.7	2,834.5	2,586.9	2,691.1	4.0%
Gas Revenues	504.8	387.5	359.0	370.0	319.5	401.5	398.9	363.2	331.9	(8.6%)
Other Revenues	878.1	349.5	454.9	372.6	723.3	388.6	368.7	264.3	957.0	262.1%
Expenditure	3,793.1	2,278.2	5,513.4	2,525.7	4,454.3	3,160.3	3,541.0	2,999.0	3,945.3	31.6%
Current Expenditure	2,056.5	1,457.9	3,875.9	1,563.4	1,812.7	1,441.7	1,586.0	1,693.3	2,274.9	34.3%
Investment Expenditure	672.3	566.7	1,118.9	601.4	696.6	736.6	785.0	543.0	850.3	56.6%
Participation & Subsidy To Private Sector	1,064.3	253.6	518.6	360.9	472.1	426.4	402.4	362.7	470.1	29.6%
Actual Expenses under Settlement	0.0	0.0	0.0	0.0	1,472.9	555.6	767.6	400.0	350.0	(12.5%)
Fiscal Surplus (+) / Deficit (-)	484.8	1,292.5	-2,373.5	931.0	-835.8	244.5	61.1	215.4	34.7	(83.9%)

Source: Central Bank of Oman

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