

GCC Economic Quarterly Report

September-2016

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Recalibration of growth initiatives to spillover to 2017

GCC budget deficits to peak in 2016 and taper thereafter; budget gaps to remain over the medium term

After recording an estimated USD 119 Bn of budget deficits in 2015, mainly due to lower oil revenues, GCC budget deficits are forecasted to come in at over USD 153 Bn in 2016, based on our analysis of IMF data for GCC countries. Lower oil receipts and spending gaps would also mean that Saudi Arabia would incur large budgetary gaps, and is expected to contribute to about 55% of the budget deficits of the region in 2016. Budget deficits are likely to stay over the near future, as deficits of over USD 100 Bn of deficits are expected each year until 2021, as per our analysis. Current account balance for the GCC is also expected to worsen in 2016, as the overall current account deficit (CAD) is expected to reach 6.6% of GDP.

KAMCO Research now expects recalibration of growth initiatives in the region to spillover to 2017

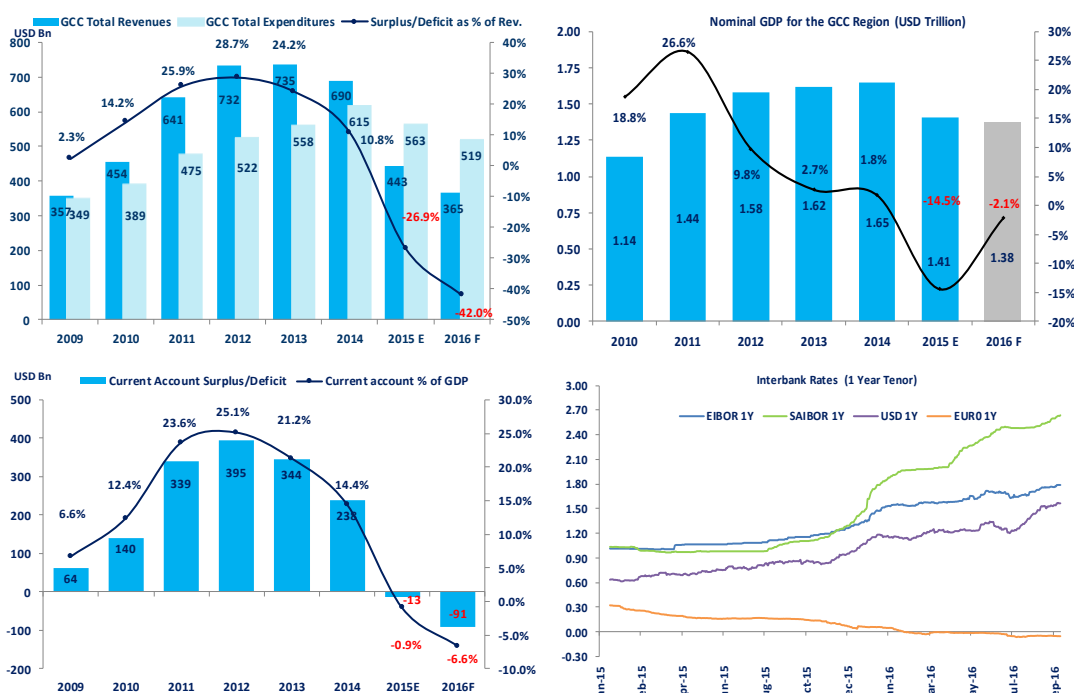
In 2016, we further estimate GDP for the GCC region to drop by 2.2% y-o-y to USD 1.38 Trillion, based on data from the IMF, lower than each of the previous five years. Nevertheless, GDP for region is expected to grow over 2017-21, as per our analysis. The drop in overall output as a result of lower oil GDP has also triggered various spending controls for both current and capital spending from the various GCC economies. A case in point is reportedly, Saudi Arabia's review for cancellation of USD 20 Bn of projects, to augment better fiscal stability. Similar measures along with slashing budgets are being studied across GCC countries, the implementation of which are mostly likely to spillover to 2017, as per our expectations.

Monetary indicators such as liquidity & inflation in the region still broadly positive

Inflation trends reported for H1-16 suggested that consumer prices were broadly positive across GCC nations as inflation ranged between 1%-3% as of Jun-16 as against 2015. Inflation in the GCC for 2016 is expected to come in at 2.8%, based on estimates. Data on credit disbursed across the GCC was also positive in the early part of the year, as quarterly lending grew by 1% -2% average.

Kuwait & Qatar ranked safest economies in the GCC as per ratings agencies

Amongst the prominent sovereign ratings action witnessed in Q2-16 was Saudi Arabia's ratings downgrade by Moody's (Aa3 to A1) & Fitch (AA to AA-), as lower oil prices and resultant deteriorating government finances led to the downgrades. Kuwait & Qatar remain the highest rated GCC countries by the ratings agencies - S&P, Moody's & Fitch.



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

Faisal Hasan, CFA

Head - Investment Research

+(965) 2233 6907

faisal.hasan@kamconline.com

Thomas Mathew

Senior Financial Analyst

+(965) 2233 6741

thomas.mathew@kamconline.com

Kuwait

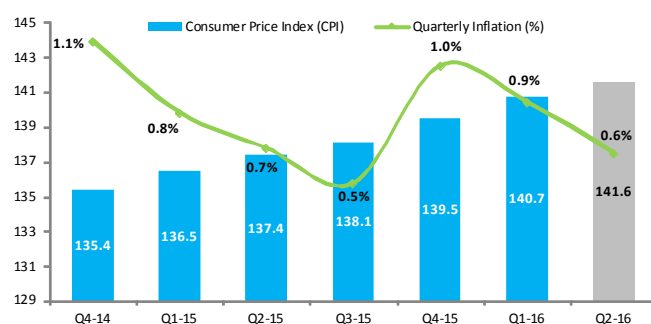
| Key Economic Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015E | 2016F |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Kuwait GDP Share in GCC | 10.2% | 10.7% | 11.0% | 10.8% | 10.4% | 8.6% | 7.7% |
| Nominal GDP - KWD Bn | 33.1 | 42.5 | 48.7 | 49.9 | 48.9 | 36.1 | 32.2 |
| Nominal GDP - USD Bn | 115.4 | 154.0 | 174.1 | 175.8 | 172.0 | 120.7 | 106.2 |
| Real GDP Growth (%) | -2.37% | 10.61% | 7.67% | 1.04% | 0.03% | 0.90% | 2.40% |
| GDP per Capita (USD) | 32,216 | 41,831 | 45,993 | 45,202 | 43,005 | 29,363 | 25,142 |
| Current Account Balance (USD Bn) | 36.71 | 65.72 | 78.71 | 69.49 | 53.80 | 13.89 | (1.07) |
| Current Account Balance (KWD Bn) | 10.52 | 18.14 | 22.03 | 19.71 | 15.31 | 4.15 | (0.33) |
| % of GDP | 31.8% | 42.7% | 45.2% | 39.5% | 31.3% | 11.5% | -1.0% |
| Inflation, Avg. CPI (%) | 6.0% | 3.1% | 4.4% | 2.7% | 3.0% | 3.4% | 3.4% |

Source: International Monetary Fund (IMF)

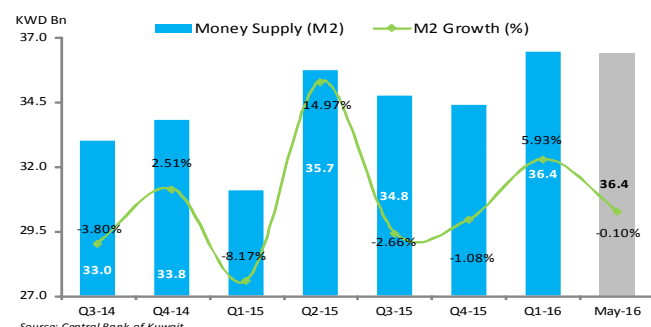
Despite the drop in oil prices, Kuwait's real GDP is expected to grow by 2.4% y-o-y in 2016 as per latest IMF estimates, driven by higher oil production in 2016 (2.91 mb/d) as against 2015 (2.86 mb/d), which should in turn lead to an oil GDP growth of 2.0% for the current year. Non-oil GDP growth is expected to remain stable at 3% y-o-y, despite current spending being curtailed to adjust to a lower oil price environment, as key projects would be prioritized.

Total government revenues for Kuwait plunged by 39% y-o-y to KWD 15.1 Bn during 2015/16 as compared to KWD 24.9 Bn during 2014/15. The drop was in large part attributed to the fall in oil revenues, which more than halved y-o-y (-52%), to KWD 10.8 Bn. Non-oil revenues however improved by 79% y-o-y during the same period to KWD 4.3 Bn. On the other hand, expenditure went down by 12% y-o-y for the aforementioned period to KWD 18.9 Bn, despite capital expenditure growing y-o-y by 4% to reach KWD 1.9 Bn. Government finances swung into the negative over 2015/16 from a surplus in the year prior, as a deficit of over 25% of total revenues was recorded over the period.

Credit facilities extended by Kuwaiti banks by the end of Q1-16 increased by 1.4% q-o-q to KWD 33.7 Bn. On a y-o-y basis however, credit extended improved by 8.4%, driven by the growth in Personal facilities, which grew by 12.5% over the period and accounted for over 42% of the credit disbursed by Mar-16. Credit to the real estate sector however declined on a y-o-y basis, as credit disbursed by the sector went down by 0.1%, while the construction sector witnessed a 2.4% growth in credit disbursed. Kuwait's broad measure of money supply (M2) jumped by 5.9% q-o-q to KWD 36.4 Bn in Q1-16. After recording a decline in Q4-15, quasi money and sight deposits improved sequentially in Q1-16.

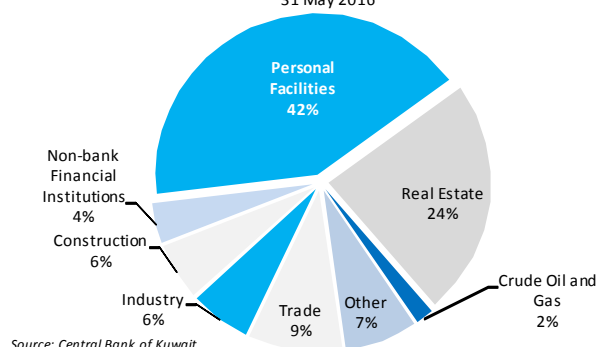


Source: Central Statistical Bureau



Source: Central Bank of Kuwait

Sectoral Distribution of Balances of Utilized Cash Credit Facilities as of 31 May 2016

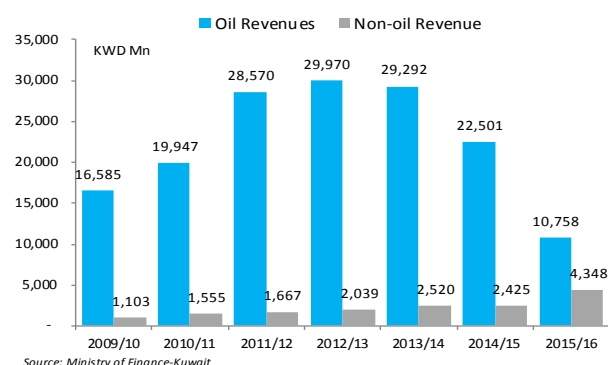


Source: Central Bank of Kuwait

Government Revenues and Expenditure

| KWD (Mn) | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Y-o-Y (%) |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Oil Revenues | 16,585 | 19,947 | 28,570 | 29,970 | 29,292 | 22,501 | 10,758 | -52% |
| % of Total Revenue | 93.8% | 92.8% | 94.5% | 93.6% | 92.1% | 90.3% | 71.2% | |
| Non-oil Revenue | 1,103 | 1,555 | 1,667 | 2,039 | 2,520 | 2,425 | 4,348 | 79% |
| % of Total Revenue | 6.2% | 7.2% | 5.5% | 6.4% | 7.9% | 9.7% | 28.8% | |
| Total Revenue | 17,688 | 21,502 | 30,236 | 32,009 | 31,811 | 24,926 | 15,105 | -39% |
| Capital Expenditures | 1,308 | 1,841 | 1,799 | 1,811 | 1,740 | 1,859 | 1,943 | 4% |
| % of Total Expenditures | 11.6% | 11.3% | 10.6% | 9.4% | 9.2% | 8.7% | 10.3% | |
| Other Expenditures | 9,943 | 14,380 | 15,209 | 17,497 | 17,163 | 19,556 | 16,936 | -13% |
| % of Total Expenditures | 88.4% | 88.7% | 89.4% | 90.6% | 90.8% | 91.3% | 89.7% | |
| Total Expenditures | 11,251 | 16,221 | 17,008 | 19,308 | 18,903 | 21,416 | 18,879 | -12% |
| Surplus/(Deficit) | 6,437 | 5,281 | 13,229 | 12,701 | 12,908 | 3,510 | (3,774) | -208% |
| Surplus as % of Revenues | 36.4% | 24.6% | 43.8% | 39.7% | 40.6% | 14.1% | -25.0% | |

Source: Ministry of Finance- Kuwait



Source: Ministry of Finance-Kuwait

Saudi Arabia

| Key Economic Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 E | 2016 F |
|----------------------------------|---------|---------|---------|---------|---------|----------|----------|
| KSA GDP Share in GCC | 46.4% | 46.6% | 46.5% | 45.9% | 45.7% | 45.8% | 46.8% |
| Nominal GDP - SAR Bn | 1,975.5 | 2,510.7 | 2,752.3 | 2,791.3 | 2,826.9 | 2,422.5 | 2,422.5 |
| Nominal GDP - USD Bn | 526.8 | 669.5 | 734.0 | 744.3 | 753.8 | 646.0 | 646.0 |
| Real GDP Growth (%) | 4.76% | 9.96% | 5.38% | 2.67% | 3.64% | 3.35% | 1.21% |
| GDP per Capita - PPP (USD) | 19,113 | 23,594 | 25,139 | 24,816 | 24,499 | 20,813 | 19,313 |
| Current Account Balance (USD Bn) | 66.75 | 158.58 | 164.76 | 135.44 | 73.76 | (53.50) | (41.10) |
| Current Account Balance (SAR Bn) | 250.32 | 594.68 | 617.86 | 507.91 | 276.59 | (200.62) | (154.12) |
| % of GDP | 12.7% | 23.7% | 22.4% | 18.2% | 9.8% | -8.3% | -6.4% |
| Inflation, Avg. CPI (%) | 5.77% | 2.72% | 3.57% | 2.97% | 2.45% | 2.20% | 4.20% |

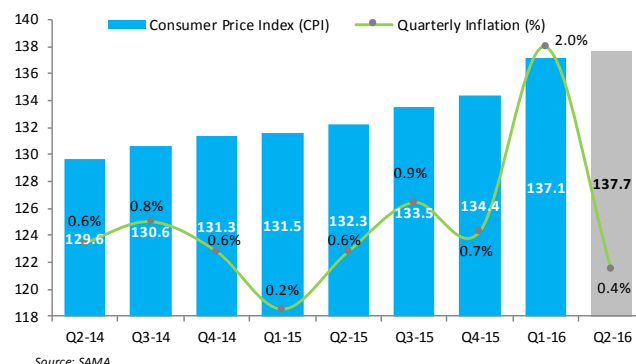
Source: International Monetary Fund (IMF)

Saudi Arabia released GDP estimates of SAR 565.9 Bn for the first quarter of 2016, a decline of 11.5% y-o-y as compared to Q1-15. Non-oil GDP is estimated to have declined by 5.0% y-o-y over the same period to reach SAR 444.3 Bn, as the non-oil Government sector plunged by 15.7% y-o-y, while the non-oil private sector grew by 0.5% over the period. On the other hand, the oil sector is estimated to have declined by over 29% during Q1-16 to reach SAR 118.6 Bn from SAR 166.9 Bn in Q1-15.

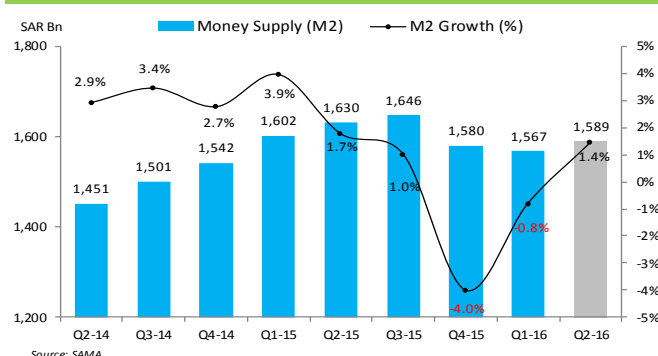
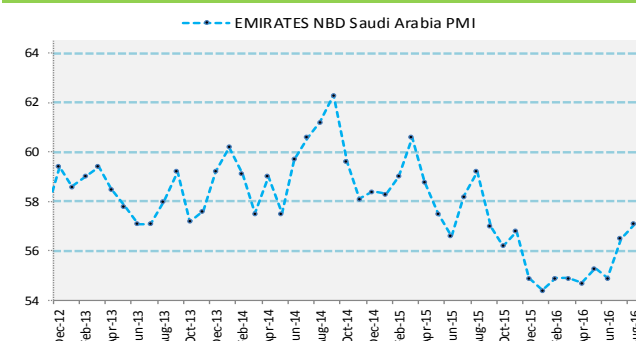
Meanwhile, the Emirates NBD Saudi Arabia PMI retraced from its lowest level of 54.4 points during Dec-15, to reach 56.6 points in Aug-16, indicating an acceleration in growth in the non-oil sector mid year as against the start of the year. Sustaining above 50 points, the non-oil private sector expanded further in 2016 YTD.

The broad measure of money supply (M2) in the Kingdom improved by 1.4% during Q2-16 to reach SAR 1,590 Bn, after declining by 4.0% and 0.8% in Q4-15 and Q1-16, respectively. The improvement in money supply was driven by an over 7% increase in time & savings deposits and currency outside banks, despite a 2.2% decline in demand deposit q-o-q, which reached SAR 963 Bn.

During Q2-16, inflation inched up as compared to last quarter. The general consumer price index rose by 0.4% in Q2-16, as compared to Q1-16. Among the sectors, Tobacco recorded the highest inflation rate during Q2-16, registering a quarterly increase in prices of 13%, followed by Clothing & footwear, which went up by 2%. Credit disbursed grew by almost 2% q-o-q to reach SAR 1,435 Bn in Q2-16, buoyed by Manufacturing and Building and Construction sectors which saw their credit lines improve by 7% and 1% respectively. The Commerce sector, the largest consumer sector of credit witnessed a decline of 1% q-o-q in credit disbursed.



Source: SAMA

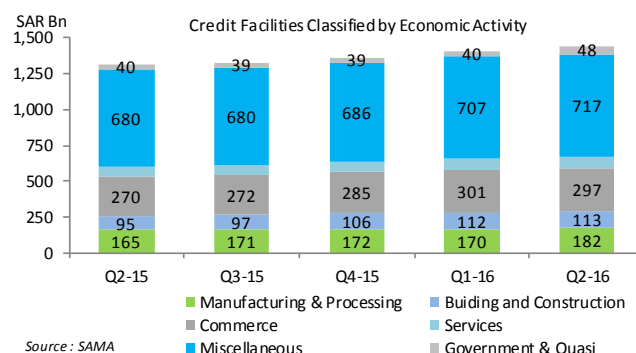


Source: SAMA

Gross Domestic Product by Institutional Sectors at Current Prices

| Sectors | GDP (SAR Mn) | | | Q1-16/Q1-15 | | |
|------------------------------|--------------|-----------|-----------|-------------|---------|------------|
| | 2013 | 2014 | 2015* | Q1-2015 | Q1-2016 | Growth (%) |
| Oil Sector | 1,290,789 | 1,197,414 | 665,138 | 166,949 | 118,611 | (29.0%) |
| Non-Oil Sector | 1,479,296 | 1,605,935 | 1,731,373 | 467,921 | 444,315 | (5.0%) |
| Private Sector | 1,042,319 | 1,140,191 | 1,198,231 | 306,750 | 308,409 | 0.5% |
| Government Sector | 436,977 | 465,745 | 533,143 | 161,170 | 135,906 | (15.7%) |
| Total | 2,770,085 | 2,803,349 | 2,396,512 | 634,870 | 562,927 | (11.3%) |
| Import Duties | 21,174 | 23,520 | 25,995 | 4,230 | 2,954 | (30.2%) |
| Gross Domestic Product (GDP) | 2,791,259 | 2,826,869 | 2,449,572 | 639,100 | 565,881 | (11.5%) |

Source: *Preliminary Data by Saudi Central Department of Statistics & Information



Source: SAMA

United Arab Emirates

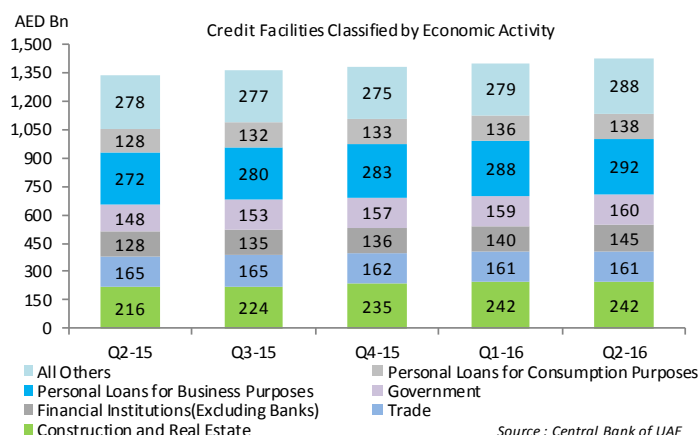
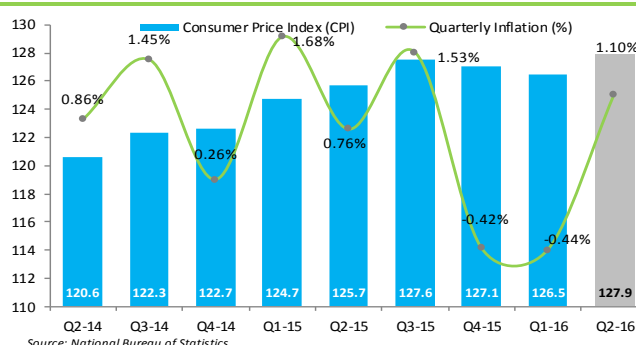
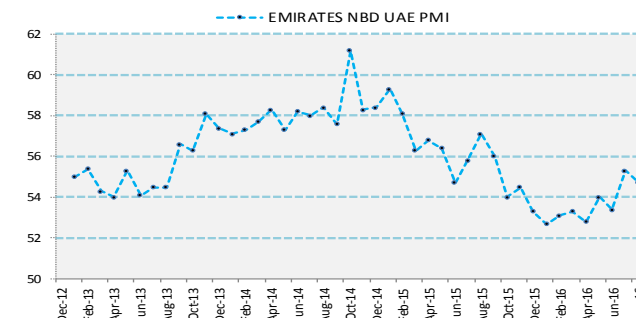
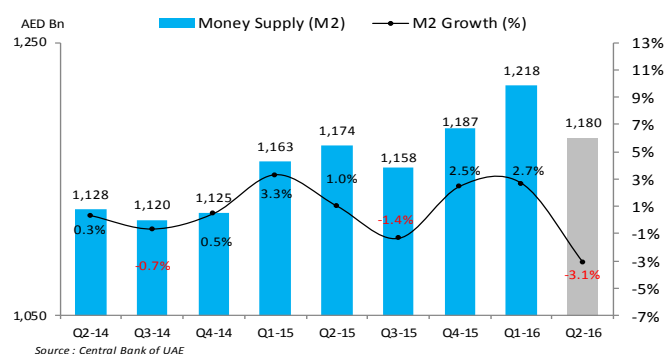
| Key Economic Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015E | 2016F |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| UAE GDP Share in GCC | 25.2% | 24.2% | 23.7% | 24.0% | 24.4% | 26.2% | 27.2% |
| Nominal GDP - AED Bn | 1,050.5 | 1,276.0 | 1,371.4 | 1,428.6 | 1,476.3 | 1,358.8 | 1,380.9 |
| Nominal GDP - USD Bn | 286.0 | 347.5 | 373.4 | 389.0 | 402.0 | 370.0 | 376.0 |
| Real GDP Growth (%) | 1.64% | 4.89% | 7.22% | 4.70% | 3.10% | 4.00% | 2.30% |
| GDP per Capita - PPP (USD) | 34,612 | 40,817 | 42,591 | 42,875 | 42,944 | 36,060 | 32,989 |
| Current Account Balance (USD Bn) | 7.24 | 50.95 | 79.56 | 74.10 | 40.30 | 12.30 | 5.30 |
| Current Account Balance (AED Bn) | 26.59 | 187.11 | 292.20 | 272.13 | 148.00 | 45.17 | 19.46 |
| % of GDP | 2.5% | 14.7% | 21.3% | 19.0% | 10.0% | 3.3% | 1.4% |
| Inflation, Avg. CPI (%) | 0.88% | 0.77% | 0.88% | 1.10% | 2.30% | 4.10% | 3.30% |

Source: International Monetary Fund (IMF)

UAE is estimated to realize a slower annual growth of 2.3% in 2016, as against 3.8% clocked in 2015, as per the Central Bank of UAE based on their economic composite indicator (ECI) results. The estimate is lower than Apr-16 projection of 2.8%, driven mainly by the continued fiscal consolidation and the slowdown of the main UAE trading partners. Non-oil GDP growth is projected to slow down to 2.7% in 2016, while oil GDP growth is forecast to increase by 1.4% in 2016, driven by the projected increase in oil production.

Meanwhile, manufacturing data for the non-oil private sector for August-16 highlighted a marginal slowdown as against the previous month, as the Emirates NBD UAE PMI closed at a level of 54.7 points. Despite the marginal slowdown which was expected, given the strong July number (55.3), the PMI signals a robust improvement in business conditions, with marked expansions of output and new orders and input buying rising at fastest rate since November 2015.

On the capital front, total credit facilities further improved to AED 1.43 Tn at the end of the Q2-16, an increase of 1.6% q-o-q and 6.8% jump y-o-y. Credit to financial institutions increased by 3.8% q-o-q, while personal facilities inched up by 1.5% while credit to manufacturing facilities contracted by 1.2% over the period. In terms of price levels, the economy witnessed an increase in quarterly inflation to 1.1% for Q2-16, as compared to -0.44% in Q1-16. Price levels in 2016 however remained higher compared to 2014 & 2015. UAE's broad measure of money supply (M2) decreased by 3.1% q-o-q to AED 1,180 Bn in Q2-16.



| Quarterly Government Finances | | | | | |
|-------------------------------|-------|-------|-------|-------|---------------|
| in AED (Bn) | Q1-15 | Q2-15 | Q3-15 | Q4-15 | 2015 vs. 2014 |
| Revenues | 74.9 | 84.2 | 64.8 | 60.7 | -25.2% |
| Taxes | 54.9 | 50.6 | 41.9 | 28.1 | -37.3% |
| Social contributions | 1.1 | 1.1 | 1.0 | 1.3 | -14.6% |
| Expenditure | 87.0 | 93.1 | 83.9 | 90.3 | 9.7% |
| Fiscal Balance | -12.1 | -8.9 | -19.1 | -29.6 | -14.5% |

Source: Central Bank of UAE

Qatar

| Key Economic Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015E | 2016F |
|----------------------------------|--------|--------|---------|--------|--------|--------|---------|
| Qatar GDP Share in GCC | 11.0% | 11.8% | 12.1% | 12.5% | 12.7% | 13.1% | 12.4% |
| Nominal GDP - QAR Bn | 455.4 | 618.1 | 692.7 | 734.9 | 764.8 | 674.8 | 621.9 |
| Nominal GDP - USD Bn | 125.1 | 169.8 | 190.3 | 201.9 | 210.1 | 185.4 | 170.9 |
| Real GDP Growth (%) | 19.59% | 13.38% | 4.88% | 4.58% | 3.98% | 3.27% | 3.40% |
| GDP per Capita - PPP (USD) | 76,413 | 99,431 | 103,606 | 98,710 | 93,990 | 76,576 | 66,265 |
| Current Account Balance (USD Bn) | 23.95 | 52.12 | 62.00 | 60.46 | 49.66 | 9.15 | (8.61) |
| Current Account Balance (QAR Bn) | 87.19 | 189.73 | 225.68 | 220.08 | 180.77 | 33.29 | (31.32) |
| % of GDP | 19.1% | 30.7% | 32.6% | 29.9% | 23.6% | 4.9% | -5.0% |
| Inflation, Avg. CPI (%) | -2.40% | 1.90% | 1.90% | 3.10% | 3.32% | 1.68% | 2.40% |

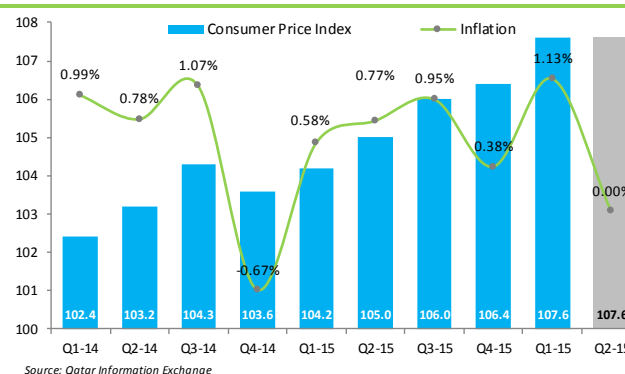
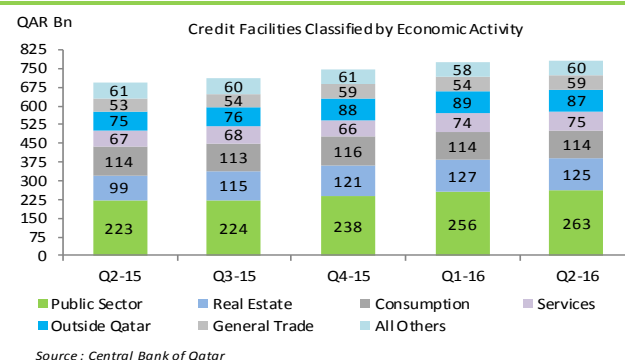
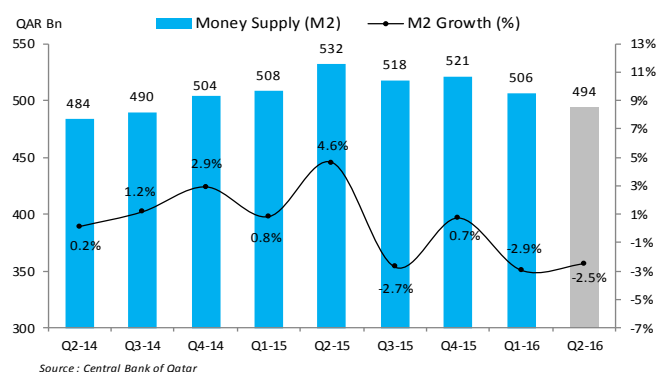
Source: International Monetary Fund (IMF)

Qatar's Q1-16 GDP receded by 9.0% q-o-q, as oil & gas related sectors went down by 24% over the same period. On a y-o-y basis, Q1-16 GDP was down over 14.5%, while oil & gas related sectors went down by 41% over the same period. The non-oil sector however grew on a y-o-y basis by 4.5% but went down q-o-q by -1%, as the private sector grew by 0.1% on a y-o-y basis and declined by -2% on a q-o-q basis. Non-oil Government sector GDP improved by 2% q-o-q in Q1-16.

Total credit facilities continued the uptrend and stood at a record high level at the end of Q2-16, with an increase of 1.4% q-o-q to reach QAR 784 Bn as of Jun -16. The growth was ascribed to both the public sector and the private sector, which grew q-o-q in Q2-16, as the public sector grew by 2.8%, while the private sector credit went up by 1.9% as against the previous quarter. Within the private sector, large sectors utilizing credit - real estate and consumption recorded mixed trends in lending. Real Estate credit went down by -1.5% q-o-q in Q2-16, but grew by 25.9% y-o-y, while Consumption credit grew by 0.1% on a quarterly basis, but went down by 0.2% y-o-y as compared to Q2-15.

Qatar's broad measure of money supply (M2) declined on a q-o-q basis, to loose around QAR 12.5 Bn or 2.5% in Q2-16 and stand at around QAR 493 Bn as of June-16, after receding by 2.9% in Q1-16. The drop in M2 is mainly attributed to the decrease in demand deposits & time-savings deposits, which went down by QAR 7.7 Bn & QAR 5.4 Bn on a quarterly basis in Q2-16.

Quarterly inflation remained flat during Q2-16 q-o-q, ascribed to Housing & related utilities prices remaining stable over the period along with Communication, Recreation & Education, while Clothing gained by 2% as against the previous quarter.



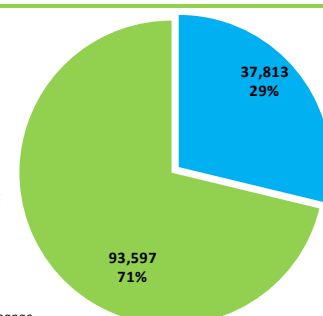
Quarterly Gross Domestic Product by Economic Sectors at Current Prices

| Sectors | GDP (QAR Mn) | | | |
|--|----------------|----------------|----------------|----------------|
| | Q2-15 | Q3-15 | Q4-15 | Q1-16 |
| Mining & Quarrying (Include Oil & Gas) | 61,051 | 56,209 | 49,519 | 37,813 |
| Non-Oil Sector | 91,041 | 92,790 | 94,553 | 93,597 |
| Private Sector | 74,802 | 76,828 | 74,902 | 73,542 |
| Government Sector | 19,651 | 20,055 | 19,651 | 20,055 |
| Total | 152,092 | 148,999 | 144,072 | 131,410 |
| Import Duties | 461 | 419 | 430 | 477 |
| Gross Domestic Product (GDP) | 152,814 | 148,349 | 144,502 | 131,887 |

Source: Qatar Information Exchange

Q1-2016 Gross Domestic Product by Economic Sectors at Current Prices (QAR Mn)

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



Bahrain

| Key Economic Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015E | 2016F |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Bahrain GDP Share in GCC | 2.3% | 2.0% | 1.9% | 2.0% | 2.1% | 2.2% | 2.2% |
| Nominal GDP - BHD Bn | 9.7 | 10.9 | 11.6 | 12.4 | 12.7 | 11.4 | 11.3 |
| Nominal GDP - USD Bn | 25.7 | 29.0 | 30.8 | 32.9 | 33.8 | 30.4 | 29.9 |
| Real GDP Growth (%) | 4.3% | 2.1% | 3.6% | 5.4% | 4.5% | 3.2% | 2.2% |
| GDP per Capita - PPP (USD) | 20,823 | 24,299 | 25,227 | 26,456 | 26,686 | 23,510 | 22,798 |
| Current Account Balance (USD Bn) | 0.77 | 2.52 | 2.58 | 2.41 | 1.52 | (0.99) | (2.40) |
| Current Account Balance (BHD Bn) | 0.29 | 0.95 | 0.97 | 0.91 | 0.57 | (0.37) | (0.91) |
| % of GDP | 3.0% | 8.7% | 8.4% | 7.3% | 4.5% | -3.2% | -8.0% |
| Inflation, Avg. CPI (%) | 0.99% | 0.18% | 2.58% | 3.99% | 2.50% | 0.73% | 3.13% |

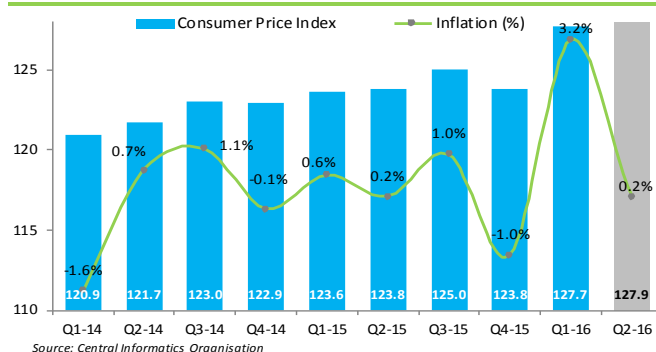
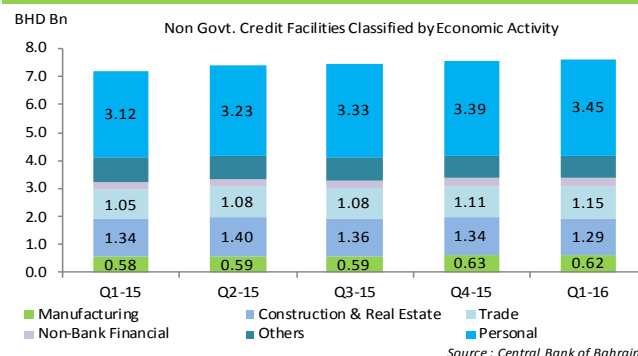
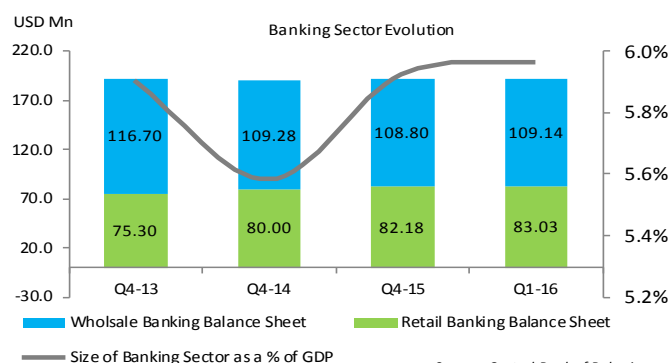
Source: International Monetary Fund (IMF)

Bahrain's GDP receded by 0.85% q-o-q in Q1-16 and reached BHD 2.9 Bn by the end of the period. The decline was largely ascribed to the 9.9% decline in oil sector GDP q-o-q, which constituted 9% of the overall GDP of the country for the quarter, as per Central Bank of Bahrain. The oil sector GDP declined by 28% y-o-y from Q1-15, owing to the lower oil price environment. However, non-oil GDP increased by 11.8% y-o-y by the end of Q1-16, as Private sector non-oil GDP that contributes c.91% to non-oil GDP, grew by 13.6%, while the government sector grew by 2.9% over the period. Non-oil GDP also grew on a q-o-q basis in Q1-16 by 0.22%.

Real GDP inched higher by 0.9% q-o-q in Q1-16 reflecting non-oil GDP growth mostly. On a y-o-y basis however, Real GDP for the quarter was up by 4.4%. Service related industries contributed to 56% of the GDP while the contribution from Goods producing industries amounted to 44%.

Credit disbursed to non-government sector increased 1.1% q-o-q and 5.8% y-o-y to reach OMR BHD 7.6 Bn. Personal credit was the main contributor to the increase as it grew by 1.7% q-o-q, while Construction & Manufacturing credit declined over the same period by 4.1% and 1.2% respectively. Further, inflation numbers at the end of Q2-16 suggested a sequential decrease of 0.16% as against Q1-16. On a y-o-y basis, CPI increased 3.3% by the end of Jun-16.

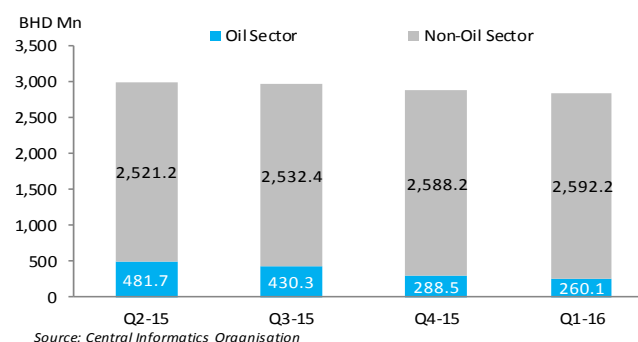
The overall assets in Bahrain's banking sector remained stable q-o-q, as total assets improved by 0.6% to USD 192 Bn, as compared to USD 191 Bn in Q4-15. Retail banking grew by 1%, as its assets grew to USD 83 Bn. Nevertheless, the banking sector still represents only 6.0% of the GDP of Bahrain, which alleviates fears of crises emanating from excessive credit lending.



Quarterly Gross Domestic Product by Economic Sectors at Current Prices

| Sectors | GDP (BHD Mn) | | | | Q1-16/Q4-15 |
|-------------------------------------|----------------|----------------|----------------|----------------|---------------|
| | Q2-15 | Q3-15 | Q4-15 | Q1-16 | |
| Oil Sector | 481.7 | 430.3 | 288.5 | 260.1 | -9.9% |
| Non-Oil Sector | 2,521.2 | 2,532.4 | 2,588.2 | 2,592.2 | 0.2% |
| Private Sector | 2,113.8 | 2,122.3 | 2,173.8 | 2,173.6 | 0.0% |
| Government Sector | 407.4 | 410.1 | 414.4 | 418.6 | 1.0% |
| Gross Domestic Product (GDP) | 3,002.9 | 2,962.8 | 2,876.8 | 2,852.3 | -0.85% |

Source: Central Bank of Bahrain



Oman

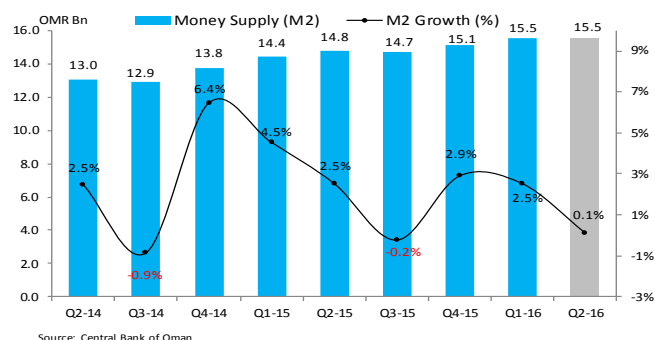
| Key Economic Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015E | 2016F |
|----------------------------------|--------|--------|--------|--------|--------|--------|---------|
| Oman GDP Share in GCC | 5.0% | 4.7% | 4.8% | 4.8% | 4.7% | 4.1% | 3.7% |
| Nominal GDP - OMR Bn | 21.9 | 26.0 | 29.0 | 29.6 | 29.9 | 22.5 | 19.9 |
| Nominal GDP - USD Bn | 56.8 | 67.7 | 75.4 | 77.0 | 77.8 | 58.5 | 51.7 |
| Real GDP Growth (%) | 4.80% | 4.10% | 5.76% | 4.69% | 2.95% | 4.11% | 1.83% |
| GDP per Capita - PPP (USD) | 19,698 | 22,623 | 22,923 | 21,423 | 20,924 | 15,233 | 13,060 |
| Current Account Balance (USD Bn) | 5.04 | 8.95 | 7.80 | 5.12 | 4.70 | (7.37) | (12.97) |
| Current Account Balance (OMR Bn) | 1.94 | 3.44 | 3.00 | 1.97 | 1.81 | (2.83) | (4.99) |
| % of GDP | 8.9% | 13.2% | 10.3% | 6.6% | 6.0% | -12.6% | -25.1% |
| Inflation, Avg. CPI (%) | 0.99% | 0.18% | 2.58% | 3.99% | 2.50% | 0.73% | 3.13% |

Source: International Monetary Fund (IMF)

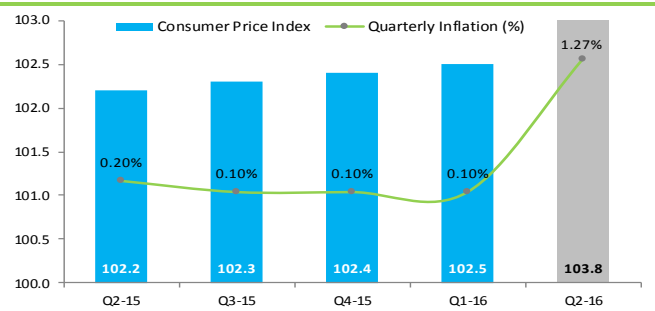
Oman continued to report quarterly fiscal deficits through 2016, as the deficit reported was OMR 1.86 Bn in Q2-16 as compared to a deficit of OMR 1.64 Bn during Q1-16. Government's total revenues improved during the quarter to stand at OMR 1.7 Bn, but dropped by 22% on a y-o-y basis. This drop was due to lower oil revenues as average oil prices continued to decline during early 2016, while other non-oil revenues improved by 5% y-o-y. However, gas revenues declined by over 10% q-o-q. On the other hand, government expenditure increased on a q-o-q basis and remained flat on a y-o-y basis, adding pressure on fiscal balances. Total expenditure increased by 13.6%, to OMR 3.5 Bn.

On the monetary front, money supply (M2) at the end of the second quarter in 2016 increased by 0.1% q-o-q to OMR 15.5 Bn as compared to an increase of 2.5% in Q1-16. Quasi money that accounted for a 65.6% of M2 increased by 0.9% at the end of Q2-16 to OMR 10.2 Bn, whereas the more liquid M1 declined by 1.3% to OMR 5.4 Bn after a decline during Q1-16. The decline in Q2-16 was largely attributed to the 4.0% increase on a q-o-q basis in currency outside banks to OMR 1.4 Bn, while demand deposits declined to reach OMR 3.99 Bn as against the previous quarter.

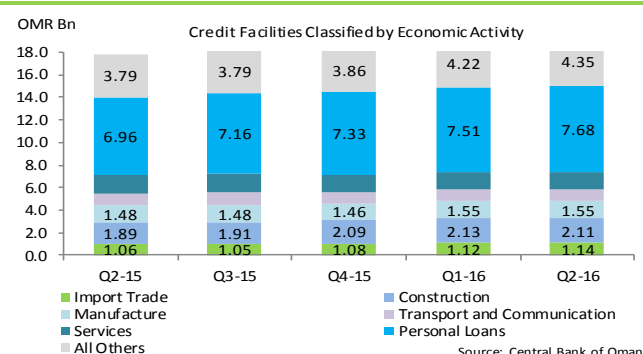
Meanwhile, inflation continued to increase marginally on a quarterly basis during Q2-16, as it grew by 1.3% at the end of the quarter. In terms of credit lending, total amount of credit disbursed went up by 1.5% during Q2-16 as compared to growth of 4.0% during Q1-16, primarily on the back of higher grant of personal loans that increased by 2.2% to reach OMR 7.7 Bn. Services and Import Trade followed, as credit disbursed to these sectors grew q-o-q by 2.1%, 1.6% respectively.



Source: Central Bank of Oman



Source: Central Bank of Oman



Source: Central Bank of Oman

Government Revenues and Expenditure

| OMR Mn | 2014 | | | | 2015 | | | | 2016 | | Last Quarter Chg% |
|---|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Sectors | Q1-14 | Q2-14 | Q3-14 | Q4-14 | Q1-15 | Q2-15 | Q3-15 | Q4-15 | Q1-16 | Q2-16 | |
| Revenues | 3,214.4 | 3,980.0 | 3,269.0 | 3,192.2 | 2,447.3 | 2,132.3 | 2,131.8 | 1,979.7 | 1,454.2 | 1,655.8 | 13.9% |
| Oil Revenues | 2,586.9 | 2,691.1 | 2,530.5 | 2,396.8 | 1,673.4 | 1,173.4 | 1,410.2 | 1,153.1 | 858.2 | 631.1 | (26.5%) |
| Gas Revenues | 363.2 | 331.9 | 350.6 | 441.6 | 445.5 | 258.0 | 366.1 | 398.8 | 319.8 | 287.2 | (10.2%) |
| Other Revenues | 264.3 | 957.0 | 387.9 | 353.9 | 328.4 | 700.9 | 355.5 | 427.8 | 276.2 | 737.5 | 167.0% |
| Expenditure | 2,999.0 | 3,895.3 | 3,433.0 | 3,689.0 | 2,991.9 | 3,506.1 | 3,147.7 | 4,078.2 | 3,095.7 | 3,517.4 | 13.6% |
| Current Expenditure | 1,693.3 | 2,274.9 | 1,967.8 | 2,261.8 | 1,697.6 | 2,241.4 | 1,887.5 | 2,220.8 | 1,628.9 | 2,211.2 | 35.7% |
| Investment Expenditure | 543.0 | 850.3 | 819.6 | 807.8 | 555.3 | 743.0 | 916.1 | 938.3 | 668.2 | 844.6 | 26.4% |
| Participation & Subsidy To Private Sec | 362.7 | 470.1 | 345.6 | 519.4 | 189.0 | 371.7 | 194.1 | 194.1 | 98.6 | 161.6 | 63.9% |
| Actual Expenses under Settlement | 400.0 | 300.0 | 300.0 | 100.0 | 550.0 | 150.0 | 150.0 | 700.0 | 700.0 | 700.0 | 0.0% |
| Fiscal Surplus (+) / Deficit (-) | 215.4 | 84.7 | -164.0 | -496.8 | -544.6 | -1,373.8 | -1,015.9 | -2,098.5 | -1,641.5 | -1,861.6 | 13.4% |

Source: Central Bank of Oman

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KAMCO Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 1852626 Fax: (+965) 22492395

Email : Kamcoird@kamconline.com

Website : <http://www.kamconline.com>