ANNUAL REPORT 2018

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ACRONYMS

BHIBOR	Bahrain Dinar Interbank Offered Rate
BIS	Bank for International Settlement
CBB	Central Bank of Bahrain
CBK	Central Bank of Kuwait
CPI	Consumer Price Index
CPS	Credit to the Private Sector
ECB	European Central Bank
eGDDS	Enhanced General Data Dissemination System
EIBOR	Emirates Interbank Offered Rate (also EBOR)
FED	Federal Reserve
GCC	Gulf Cooperation Council
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GMCo	Gulf Monetary Council
GCC-Stat	Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
KIBOR	Kuwait Interbank Offered Rate
KSA	Kingdom of Saudi Arabia
LNG	Liquefied Natural Gas
MBD	Million Barrels Per Day
MMBtu	Million British Thermal Unit
MoU	Memorandum of Understanding
MUA	Monetary Union Agreement
NCBs	National Central Banks
NCG	Net Credit to the Government
NFA	Net Foreign Assets
O W	Of Which
OMIBOR	Oman Interbank Offered Rate
OPEC	Organization of Petroleum Exporting Countries
QCB	Qatar Central Bank
QIBOR	Qatar Interbank Offered Rates
SAMA	Saudi Arabia Monetary Authority
SAIBOR	Saudi Arabia Interbank Offered Rate
SDDS	Special Data Dissemination Standard
UAE	United Arab Emirates

MESSAGE FROM THE CHAIRMAN OF THE BOARD

The Executive Board of the Gulf Monetary Council (GMCo) is pleased to present its 2018 Annual Report, the fourth issue in the series. The report sets out to achieve four objectives as follows:

- discusses recent economic development and economic outlook for all the six Gulf Cooperation Council (GCC) member countries underlying their respective challenges;
- presents the work carried out in 2018 under the Board's guidance;
- summarizes progress in achieving the statutory objectives of our organization;
- highlights the challenges faced by GMCo to achieve its objectives.

Several activities were carried out in 2018, among which:

- finalizing and disseminating the mission report on the statistical assessment of GCC members carried out jointly by the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (GCC - Stat) and GMCo;
- preparing an action plan for GCC member countries to meet the highest international statistical standards based on the recommendations of the report mentioned above;
- holding workshops on topics of immediate interest for the benefit of all GCC members and following-up on implementation and
- undertaking the first operational mission on "Liquidity Forecasting and Management" in order to support National Central Banks (NCB)'s effort in this area.

GCC member countries have been reminded of the sustained effort required to meet the highest international standards for their respective statistical systems. Many of them have made good progress in improving their statistical systems and have now introduced a National Summary Data Page. We commend them for this performance and hope others will follow suit. However, we need to be realistic and acknowledge that challenges remain as seen by the fact we are all still on the lowest rung of the IMF's Standards for Data Dissemination.

Plans to improve statistical systems have been drawn and we encourage our member countries to implement them. While this rests solely with the members, notably their Ministries of Finance and Statistical Offices, GMCo stands ready to continue its support through technical assistance or otherwise.

Similarly, our workshop on "Liquidity Forecasting and Management" has helped bring this important topic to the forefront. Indeed, GMCo started its first exploratory mission on the subject with one of the NCBs and it is expected to be very active in this area going forward. It is another area where challenges exist throughout the GCC membership as pointed out by the IMF.

Likewise, modeling will also remain an area of interest. All of our member countries need to be up and running in macroeconomic modeling to help guide policies and track the impact of monetary policy intervention of NCBs. Moreover, GMCo has been active in this area also and expects to remain so in the period ahead.

Several countries in the region are implementing wide-ranging reforms creating specialized entities which in turn increases demand for highly skilled staff among a small pool of existing talent. GMCo will have to ensure its ability to recruit and retain such staff in order to successfully achieve its objectives.

Finally, I would like to express my sincere gratitude to my fellow Governors for their continued support and dedication to ensure that we deliver on our statutory responsibilities. I would also like to thank the President and his staff for their hard work and commitment.

The need to maintain our unity and close cooperation have never been greater amid the challenges we face to further economic and monetary integration among our member countries. I count on the support of everyone and look forward to our continued engagement.

Dr. Mohammad Y. Al-Hashel,
Chairman of the Board of Directors,
Governor of the Central Bank of Kuwait

I. Overview

In December 2008, the Supreme Council, the highest decision-making body of the GCC made up of Heads of State approved the Monetary Union Agreement (MUA). In May 2009, it chose Riyadh to host the headquarters of GMCo. In June, the Ministers of Foreign Affairs of four GCC members (Bahrain, Kingdom of Saudi Arabia; Kuwait and Qatar) signed the Agreement. On March 30, 2010, GMCo was formally established when its Board of Directors held its inaugural meeting in Riyadh. Actual operations started much later as a result of delays in sorting out logistics and appointing staff.

GMCo has four member countries while GCC has six. Nevertheless, for some of its activities, notably its annual workshops, GMCo still engages with both Oman and UAE.

The MUA lays out the purpose, functions and objectives of the organization and provides the basis for the accountability of the organization. GMCo is an independent entity with a legal personality overseen by a Board made up of the Governors of the four National Central Banks (NCBs) of its member countries. It is headed by a President supported by a technical and administrative staff from different countries (including non-GCC ones).

The first President, Khalid Al-Saad, a Kuwaiti national was appointed in 2012. He was succeeded by Dr. Raja Al-Marzoqi, a Saudi national on October 1, 2015. Dr. Atef Al-Rashidi was appointed by the Board to succeed him on June 1, 2018.

Dr. Atef first joined GMCo in December 2012 on secondment from the Saudi Arabia Monetary Authority (SAMA) to assist in setting up the organization. He returned to SAMA in March 2017. While at SAMA, he was a member of the Monetary Policy Committee as well as the Financial Stability and the Business Continuity and Risk Committees.

The Board of Directors, which is required to meet at least six times per year, sets out the broad parameters within which the staff carries out its work under the leadership of the President. In addition to the President, the Board also approves the appointment of senior staff who must be GCC citizens in principle. Any exception must be approved by the Board.

GMCo remains a fairly new and small organization operating under some geo-political uncertainty in the region. It may exert some stronger political will and closer interaction with the Supreme Council to support its principal objectives of preparing the necessary infrastructures for implementing the Monetary Union and establishing the Gulf Central Bank.

Nevertheless, GMCo has clearly laid out its strategy and its business plan which were approved by the Board and it continues to forge ahead with the implementation of its statutory objectives. This report discusses the actions and achievements that took place in 2018.

II: International events having an impact on GMCo in 2018

INTRODUCTION

This section will review events that had an impact on the GCC region particularly as they affected the Gulf Monetary Council member countries, through global prospects and policies or diversification efforts. They can be regrouped around four main thematic headings:

1. Softening global economic momentum.
2. Oil and gas sector development.
3. Monetary policy development.
4. GCC countries' efforts to diversify the economy.

2.1 Softening global economic momentum

By the end of 2018, there were increasing signs of softening global economic momentum amid escalating trade disputes and policy uncertainty, risks of financial instability and an undercurrent of geopolitical tensions. Some of those risks to the economic outlook that were previously highlighted in our previous Annual Report had materialized with adverse impact and the slowdown in momentum was apparent. Since then, trade tensions have escalated between USA and China over the course of 2018; Brexit uncertainty has intensified as UK approached the deadline with no deal in sight with EU; geopolitical tensions and uncertainties have had impacts on regional cooperation.

There was a significant rise in trade tensions among the world's largest economies in 2018. The US insisted on a renegotiation of Free Trade Agreement with other countries and started increasing import tariffs on China, provoking retaliations and counter-retaliations. All this uncertainty surrounding the global trade affected value chains around the world.

The postponement of the United Kingdom's exit from the EU without legal and regulatory arrangements as to the way forward has increased the risk of a disorderly separation, with potentially significant repercussions on financial markets and regional and global spillovers.

A rapid normalizing monetary policy in US which started in 2018 could trigger a sharp tightening of global liquidity conditions. Many developing countries have already experienced a substantial rise in interest cost. Countries with a substantial amount of dollar-denominated debt, high current account or fiscal deficits, large external financing needs and limited monetary policy options are particularly vulnerable.

2.2 Oil and gas sector development

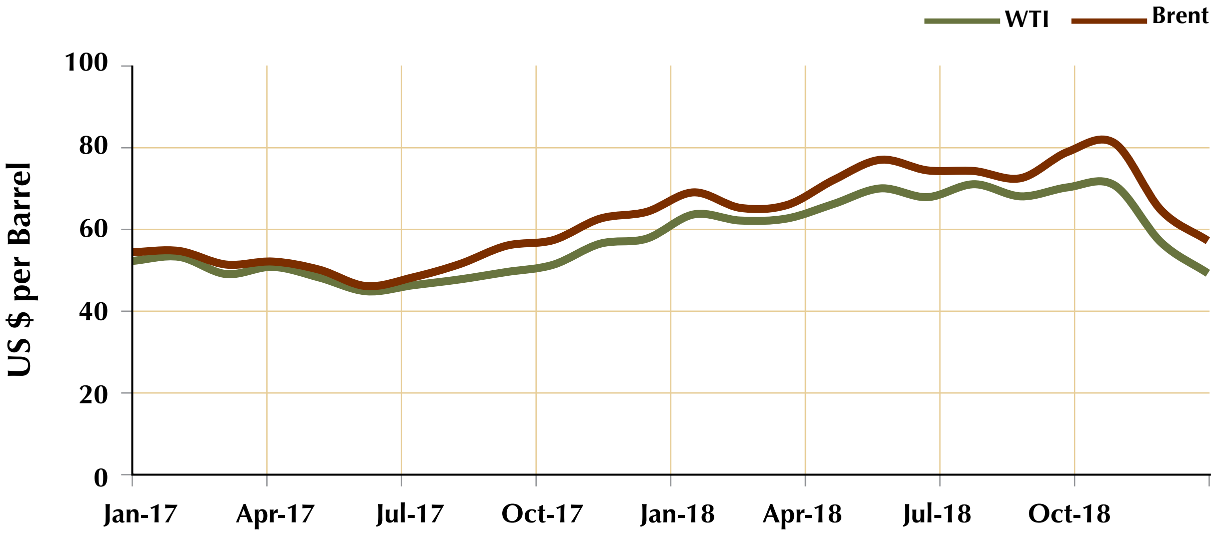
Hydrocarbon production: Crude oil production declined up to the end of 2017 across GCC countries following a record high in 2016 as a part of OPEC+ pact. In 2018, a total production of liquids, including crude oil; condensate; and natural gas liquids (NGL) in GCC countries averaged 21.3 million barrels per day (mb/d), an increase of 2.6% over the previous year as a result of adjusted OPEC+ pact with lower supply cut. In terms of liquid breakdown, they produced 17.7 (mb/d) of crude oil and lease condensate as compared to 17.3 (mb/d) in 2016. In addition, NGLs production was around 3.6 (mb/d) in 2018. Increase in crude oil production came mainly from Saudi Arabia and, to lesser extent, UAE and Kuwait, while it decreased slightly in Bahrain and Oman.

In 2018, GCC countries collectively produced 6.7 equivalent mb/d of natural gas, a 4.6% increase over the previous year. Among the member countries, 2018 saw a record high production in Qatar with 2.9 equivalent mb/d followed by moderate growth in other countries. Production in Saudi Arabia reached 1.9 equivalent mb/d of natural gas up by 2.6 percent from the 2017 level while it declined by 11.9 percent over the same period in the UAE reaching 0.8 equivalent mb/d of natural gas.

Oil Prices: Brent Crude Oil averaged $71.34 per barrel in 2018, up from $54.12 in 2017. Crude oil prices fluctuated within a range of $51–$85 during 2018 with a high volatility of $7.0 per barrel. Higher crude oil prices in 2018 reflected the robust global demand over tight supplies, which led to a steady decrease in global crude oil and other liquids stocks throughout the year.

Crude oil prices started 2018 relatively high at $70 in January as compared to average prices in 2017 and continued to increase gradually reaching its highest prices during the year on October 3 at $86. Oil prices fell gradually thereafter and ended 2018 at $50, the lowest level, in response to signs of a slowdown in global demand and growing US Oil supply despite the extension of OPEC+ deal.

Figure 1: Oil Prices



Source: OPEC

Looking ahead, future markets point to stable oil, flat curve or even lower prices in 2019 and beyond. This would be due to lower global oil demand combined with well-supplied market despite of extension of the oil exporter's agreement through 2019. However, uncertainty remains regarding the future contracts for oil prices. Upside risks include further declines in productions from Venezuela and Iran as well as supply disruptions amid geopolitical uncertainty in the Middle East region. At the same time, stronger-than-expected U.S. oil supply could put downward pressure on crude oil prices.

LNG Prices: Most LNG spot prices in Asia followed an upward trend in 2018, mainly influenced by rising oil prices and strong LNG demand in Asia. Oil prices are particularly important for the LNG market in Asia as most of LNG contracts are indexed to oil prices. However, Asian LNG prices turned highly volatile through 2018. A cold winter at the start of 2018 and growing imports in China related to coal-to-gas switching prop up LNG prices, reaching its highest prices in January at $9.88 per million British thermal units (MMBtu). Although LNG Prices fell quickly after that, by the end of heating-season, landing to a low of $7.20/MMBtu in May 2018. Asian LNG spot prices remained low through the end of 2018, in response to signs of weakness in LNG market amid declining oil prices, plus lower LNG imports from Japan due to the restart of nuclear reactors coupled with additional supply from US. Prices recovered again towards the end of the year, reaching $9.36/MMBtu with colder-than-normal winter in Asia.

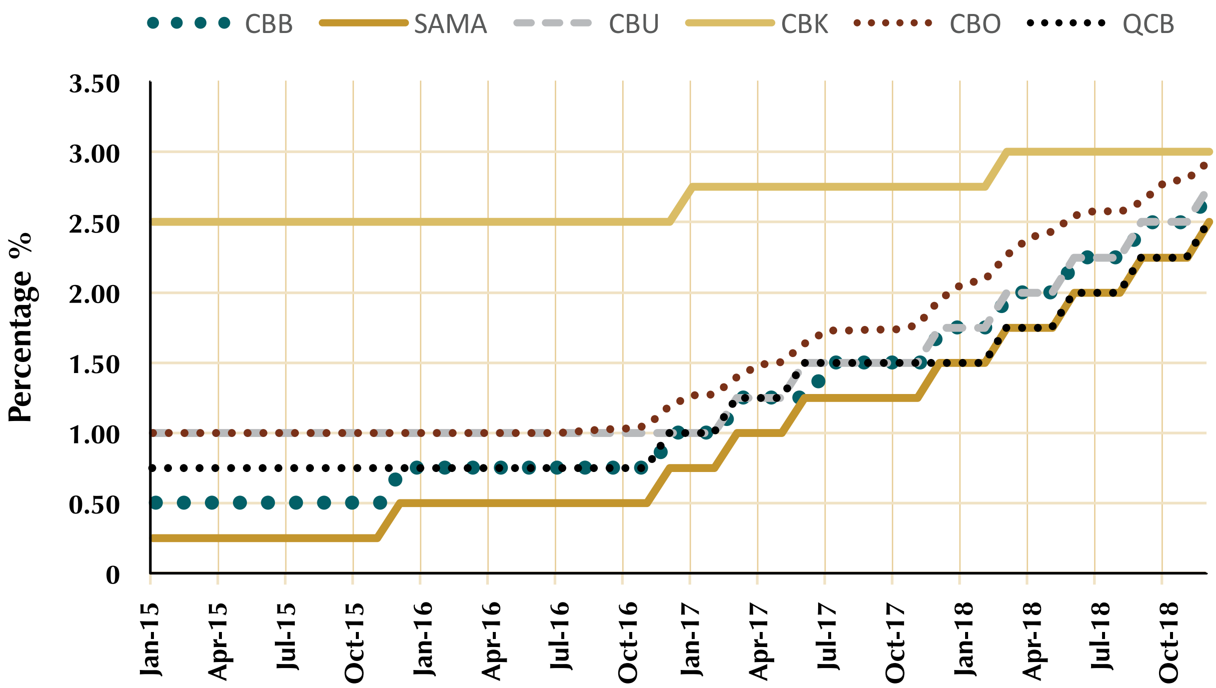
2.3 Monetary policy development

In the area of monetary policy, major central banks either continued with monetary policy normalization (Federal Reserve, for example) or started to reconsider their accommodative monetary policy (European Central Bank, ECB, for example). The ECB ended its asset purchase program in December 2018 and announced to continue rolling over maturing securities until the first rate hike. Among other central banks, the Bank of Japan extended its ultra-low short and long-term policy rates for an additional year. In China, the central bank maintained its policy rate while lowering banks' required reserve ratio to support banking liquidity.

The Bank of England raised its rate to 75 basis points in August and the Bank of Canada to 175 basis points from 100. The Fed continued to increase the target federal funds rate by 25 basis points in every quarter raising the target range for the federal funds rate to 2.25 – 2.50 percent by end-2018.

All GCC central banks except Kuwait matched the four rate hikes by the Fed throughout 2018. Key policy rates in these countries rose by 25 basis points in every quarter in 2018. The Central Bank of Kuwait followed only the first Fed's rate hike in March 2018 and skipped other citing growth concerns and availing itself of the flexibility of its basket peg.

Figure 2: GCC Key Policy Rates



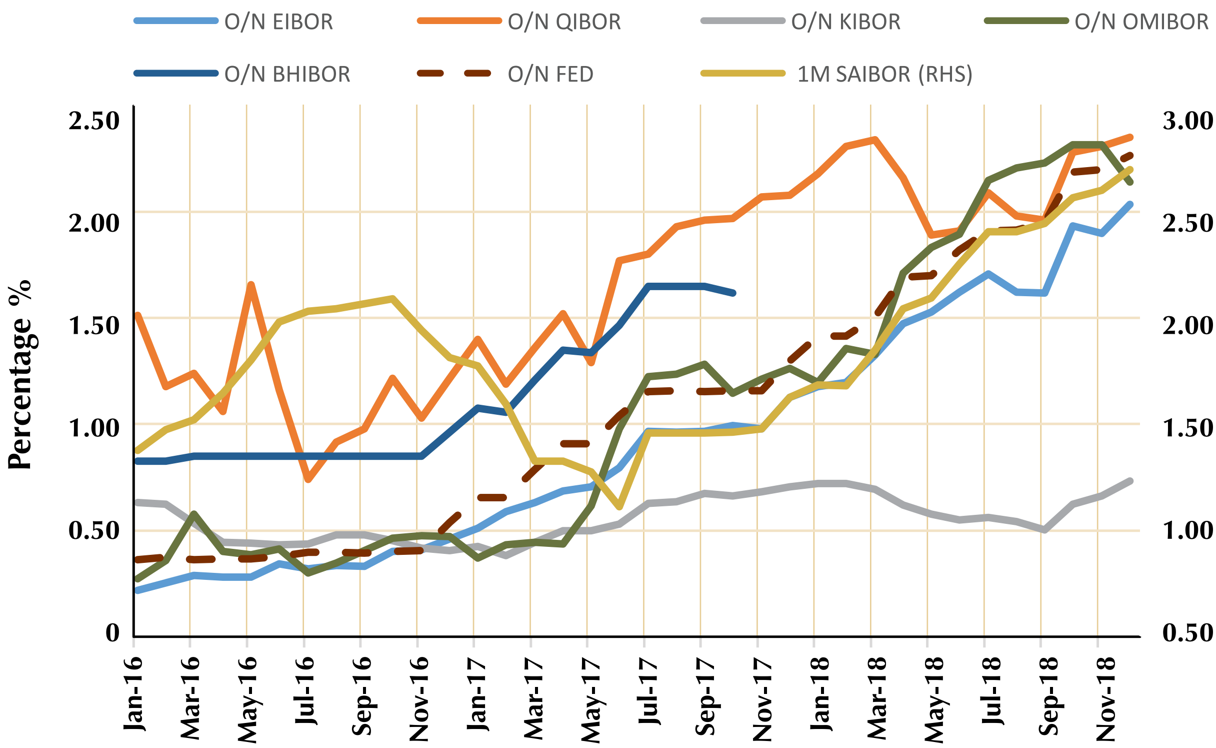
Source: GCC Central Banks

Figure 2 shows the key policy rates among GCC members. While they appear to converge, there is still 50 basis points difference between the lowest (SAMA and QCB) and the highest (CBK). One of the issues faced by the countries is the extent to which their most important interest rate is really market-clearing, i.e., reflect demand and supply. While all of them have to set their rates in relation to that of the Fed, the spreads at which they choose to do so vary across all the membership as seen by Figure 3 below.

The rates shown are the interbank offered rates (overnight except for KSA for which 1-month maturity is used given the unavailability of overnight rates). Also, the overnight rates for Bahrain are available for only part of the period. The overnight rates appear to be converging towards the Federal funds rate for all GCC members except Kuwait (Bahrain is unavailable). The difference between the Federal funds rate and Kuwait's interbank offered rate illustrate the disconnect that exists sometimes between the interbank market and the policy rate (compare Figure 2 and 3).

In principle, the two must be very close and it is the role of NCBs to guide the interbank market rate towards the policy rate. The interbank markets unfortunately do not play a major role in resource allocation. They are not deep and liquid enough to really reflect market forces as a result of which do not always send the right signal to operators as regard the equilibrium rate of interest.

Figure 3: Interbank Offered Rates in the GCC region and the US



Source: GCC Central Banks and FED

EIBOR: Emirates Interbank Offered Rate; **BHIBOR**: Bahrain Dinar Interbank Offered Rate; **QIBOR**: Qatar Interbank Offered Rates; **FED**: Federal Reserve Funds Rate; **KIBOR**: Kuwait Interbank Offered Rate; **SAIBOR**: Saudi Arabia Interbank Offered Rate; **OMIBOR**: Oman Interbank Offered Rate

2.4 GCC countries efforts to further diversify their economy

GCC countries are now intent on reducing their dependence on oil and gas as they seek to implement meaningful economic diversification programs in the context of Vision 2030 (Bahrain, KSA, Qatar, UAE) or Vision 2035 (Kuwait) or Vision 2040 (Oman). GCC members are heavily dependent on oil and gas. The oil and gas sector is the single largest contributor to GCC's GDP (on average 32% in 2018) and equally the largest source of foreign exchange (66% of export earnings on average). In addition, oil and natural gas revenues accounted for approximately 80% of the GCC's total government revenues (Table 1 below).

Table 1: Share of Oil in GCC Economy in 2018

Indicators	KSA	Qatar	Kuwait	Bahrain	UAE	Oman
GDP	33.4%	36.1%	48.1%	14.8%	25.9%	35.5%
Total Government Revenues	67.9%	83.3%	89.6%	82.4%	68.2%	80.5%
Total Exports Earnings	78.8%	86.0%	85.2%	59.2%	20.9%	65.4%

Source: GMCo

Diversification is a long-term endeavor and requires discipline and persistence if it is to be successfully implemented. While GCC countries pursue their current policy of maximizing oil and gas revenues, this should be accompanied by a concurrent focus on services and industrial sectors which are the most promising ones. Otherwise, they will remain exposed to the volatility of international oil prices. A global economic slowdown, instability in international financial markets or other negative external economic shocks would make the transition even more challenging.

The development of the most promising non-oil sectors depends on the successful implementation of initiatives to encourage and support private sector activity. Such a fundamental transformation requires policy action on many aspects, the acceleration of technological innovation, and a shift in the economic and fiscal policies to support the growth of non-oil sectors. This is not to deny that there has been progress as seen by Table 2 below.

Table 2: GCC members - Growth in real non-oil GDP 2018 compared to 2014

	KSA	Qatar	Bahrain	Kuwait	UAE	Oman
Agriculture, hunting, forestry; fishing	2.1	37.6	6.6	0.1	16.0	72.2
Mining and quarrying excluding Oil	9.2	--	31.1	--	--	0.7
Manufacturing	8.9	12.5	11.8	6.0	18.5	18.4
of which: Petroleum Refining	27.2	--	--	--	--	2.5
Electricity, gas and water supply	11.2	1.5	48.8	-1.0	16.5	30.0
Construction	-5.9	102.8	20.4	-31.4	2.5	-0.2
Wholesale, retail trade etc., hotels and restaurants	2.7	-5.5	14.0	-6.6	13.1	15.5
of which: hotels and restaurants	--	5.0	13.5	10.4	29.5	14.7
Transport, storage and communications	13.4	17.5	20.9	-4.5	9.2	10.2
Financial intermediation; real estate, renting and business activities	14.2	25.2	14.8	9.2	14.6	20.5
of which: financial intermediation	12.7	31.9	13.2	-2.7	13.9	23.9
Public administration and defense; compulsory social security	5.8	6.5	16.2	6.6	6.1	9.2
Education; health and social work; other community, social and personal services	10.5	24.1	20.4	-14.6	16.8	2.5
Private households with employed persons	--	24.3	22.5	-11.3	20.7	95.6
Non-Oil GDP	**8.1**	**24.8**	**16.9**	**1.1**	**12.0**	**14.4**

Source: GMCo calculations based on National Statistical Offices data

Note: Non-oil GDP include all sectors with the exception of extraction of crude petroleum and natural gas. The classification used here closely follows that proposed by the International Standard Industrial Classification.

Table 2 shows the growth in real non-oil GDP among the GCC countries in 2018 compared to 2014, broken down into sectors. For example, during this period, non-oil GDP increased by 8.1 percent in KSA and this is accounted for by the growth in petroleum refining; financial intermediation; transport and communications. The performance of each country is reviewed below. The figures show that Oman and UAE performed better in terms of diversification.

Oman

Oman's growth in non-oil GDP of 14.4 percent is broad-based, several sectors contributing to this third best performance among the GCC countries after Qatar and Bahrain. They are, in decreasing order of importance (excluding private households with employed persons) by (%):

- agriculture & fishing 72.2
- electricity, gas and water supply 30.0
- financial intermediation 23.9
- manufacturing 18.4

The contribution of the tourism sector to non-oil GDP (almost 15 percent growth in 2018 compared to 2014) is also noted. Oman has considerable potentials in this area and could make even greater contributions in the period ahead. Oman's challenges, as will be discussed below, are in its fiscal and external sectors. However, by growing its sectors to their full potential, it could contain the increasing deficits in those two areas.

UAE

UAE's non-oil growth of only 12 percent during the period is surprising for such a fairly diversified economy. This is accounted for in decreasing order of importance by (%):

- tourism 29.5
- manufacturing 18.5
- education and health 16.8
- electricity, gas and water supply 16.5

The contribution of tourism is, not surprisingly, the highest among all GCC countries. Given the reputation of its national airlines, it could do more. Like Oman, UAE has potential for higher non-oil growth even if some of the sectors are going through a period of consolidation, the most prominent is the real estate.

Bahrain

The growth in non-oil GDP in Bahrain is the second highest among GCC countries at 16.9 percent. This is accounted for in decreasing order of importance by (%):

- electricity, gas and water supply 48.8
- mining and quarrying 31.1

- transport and communications 20.9
- education, health etc. 20.4

Bahrain has taken a lead among GCC countries in the development of its financial sector and its potential is also there given its openness to recruit skilled foreign personnel. However, it is likely to face strong competition from other GCC members in the years ahead notably KSA which has considerable potential in this regard.

Qatar

The rate of non-oil GDP growth among all GCC countries was highest in Qatar at 24.8 percent. However, this is accounted for by predominantly construction as the country prepares to host the 2022 World Cup. Overall, non-oil GDP growth is accounted for in decreasing order of importance by (%):

- construction 102.8
- agriculture and fishing 37.6
- financial intermediation 31.9
- education and health 24.1

The challenge for Qatar will be to identify the most promising sectors once the construction for World Cup is completed. Tourism accounted for 5 percent during the period illustrating the potential for further development. The good reputation of its airline shows that potentially it could grow its transport sector far more than what it has done so far. As is the case for other GCC countries, financial intermediation is probably the most promising sector as regard meaningful diversification.

KSA

Non-oil GDP grew by a mere 8.1 percent in KSA, the second lowest among GCC members. However, to be fair, KSA's diversification strategy really took off in 2017 with the advent of new leadership in the country. It is likely that, now the momentum has been initiated, its non-oil GDP will grow much faster in the years ahead. As it is, for now, its non-oil GDP growth is accounted for in decreasing order of importance by (%):

- petroleum refining 27.2
- transport and communications 13.4
- financial intermediation 12.7
- electricity, gas and water supply 11.2

No data was yet available from the Statistics office on the share of tourism in GDP. Given its importance in the diversification strategy, it is expected that going forward, there will be a breakdown of the wholesale and retail trade, hotels and restaurants into its two main constituent elements.

Kuwait

Non-oil GDP grew in 2018 compared to 2014 by 1.1 percent, the lowest rate among GCC countries. This is accounted for in decreasing order of importance by the following sectors (%):

- real estate 11.9 (9.2 – (-2.7))
- tourism 10.4
- public administration 6.6
- manufacturing 6.0

Kuwait faces challenges to promote a meaningful diversification of its economy. It has applied policies to reduce the size of its public administration providing incentives for Kuwaitis to work in the private sector instead. The fact that public administration is the third highest growing sector during the period underscores the need to review those policies.

The financial intermediation sector does not perform as could have been expected. The causes of this underperformance should be analyzed given the potential it represents for the country. Real estate accounts for the largest share of banking loans (see below Recent Economic Development section below). It shows that banks and investment companies need to diversify into other financial activities to realize the full potential of the sector.

III: Economic Development among GCC Member Countries

INTRODUCTION

This chapter reviews economic development among all six GCC member countries in 2018 and discusses their medium term prospects based on GMCo's econometric model and on the assumptions of key variables such as oil production, oil prices, activities in the non-oil sectors etc.

One of the most important economic development of 2018 was the increase in oil prices and the upward adjustment in interest rates as some NCBs in the region followed suit on the increase in the US federal funds rate. While the hike in oil prices proved salutary for all six members, it was even more so for those relatively less endowed in terms of oil and gas reserves and smaller sovereign wealth fund. Those ones will continue to face challenges in the medium term even as they benefited from some reprieve in 2018.

3.1 Recent Economic Development

3.1.1 Bahrain

National Accounts

Bahrain is the only GCC country where the oil and gas sector is not the largest in terms of GDP. The financial and real estate sector is the largest contributor to GDP accounting for 22 percent of GDP followed by the oil sector at 18 percent. In 2018, the economy grew by 2.5 percent reflecting the expansion of non-oil GDP growth by 3.2 percent while oil GDP growth declined by 1.3 percent. The financial and real estate sector grew by 1.4 percent in real terms and manufacturing, the third largest sector, by 1.9 percent. Inflation as measured by the CPI picked up to 2.1 from 1.4 percent in 2017 following increases in transport, food and housing those three items accounting for 55 percent of the basket.

In terms of expenditure, gross capital formation accounting for 36 percent of GDP witnessed the highest increase at 16.1 percent while exports (80 percent of GDP) grew by 13 percent.

Table 3: Bahrain - Recent Economic Development 2017 - 2018

	2017	2018
GDP (growth rate real)	3.8%	2.5%
Oil GDP (growth rate real)	-0.7%	-1.3%
Non-oil GDP (growth rate real)	4.7%	3.2%
Nominal GDP (billions $)	35.4	37.9
Nominal GDP per capita (US$)	23,604	25,199
Inflation (consumer price index)	1.4%	2.1%
Fiscal deficit – budgetary central government (% of GDP)	-14.2%	-11.8%
Money and quasi-money (% change)	4.2%	0.8%
of which: NFA (% change of beginning broad money)	-2.2%	-2.9%
NCG (% change of beginning broad money)	3.9%	-0.3%
CPS (% change of beginning broad money)	1.8%	7.1%
Current account (% of GDP)	-4.5%	-5.9%
Capital and financial account (% of GDP)	4.9%	9.2%
Overall balance (% GDP)	0.5%	-1.2%
Reserves – billions $ (months of imports)	2.6 (2.7)	2.0 (1.8)
Central Government gross debt (% of GDP)	88.2%	94.4%

Source: National authorities & IMF

Note: In this table and all others below, NFA is net foreign assets; NCG: net credit to the government; CPS: claims on private sector

Public finance

Total revenues increased by 26 percent in 2018 reflecting a significant increase in oil revenue of 38 percent while expenditures were up by only 3.8 percent. Current expenditures increased by 5.0 percent while capital declined by 7.7 percent. As a result, the deficit at central government budget level declined to the equivalent of 11.8 percent of GDP from 14.0 percent in 2017.

The wage bill as percentage of GDP declined marginally to 10.2 percent from 10.7 percent. While this ratio is still on the high side by international standards, it is generally much lower than other GCC countries. Bahrain has had to implement a strong program of adjustments as part of its Fiscal Balance Program to achieve a balanced budget along with the financial assistance provided by GCC that came in 2018. The program included development of non-oil revenues, redirecting government subsidies, and controlling current public expenditures growth and recovering costs government fees and services. Another major difference between Bahrain and the other GCC members (except Oman) is the high and rapidly increasing level of public debt which reached 94.4 percent from 88.2 percent the previous year (and 81.3 percent in 2016).

Monetary sector

Broad money increased marginally in 2018 by 0.8 percent reflecting a decline in Net Foreign Assets (NFA) and in credit to the government and a significant increase in credit to the private sector. This is again the signs of the adjustment program carried out by Bahrain: credit is shifting away from the government towards the private sector as the country seeks to diversify further the economy and strengthen private sector development.

External development

In 2018, exports and imports increased by almost the same rate (18.7 and 18.9 percent, respectively). The export performance is mostly explained by a significant increase in oil exports by close to 30 percent reflecting the increase in oil prices as crude oil production remained almost at the same level as in 2017.

While the remaining five GCC countries typically have large deficits in their services account, Bahrain has always had a surplus, testimony to the importance of its financial sector (which is part of the services account). As mentioned above in the national account section, the financial sector is a major contributor to value added and to significant inflows of capital into the country. In 2018, the surplus on the services account represented the equivalent of 10.5 percent of GDP.

However, by the same token, Bahrain also has large structural deficits in both its income and transfers accounts which for the most part more than compensate for the surplus on the services account. The combined deficits of those two accounts represented the equivalent of 14.1 percent of GDP. As a result, Bahrain, (together with Oman but unlike the remaining four GCC countries) normally runs a deficit on its current account. In 2018, it reached the equivalent of 5.9 percent of GDP from 4.5 percent the previous year.

There was a major shift in Bahrain's capital and financial account starting in 2016: Bahrain became a net importer of capital starting from that year. Normally, GCC countries' financial account is in deficit as they seek investment opportunities outside for their considerable oil revenue inflows. That does not apply to those without such inflows such as Bahrain and Oman which needs to seek other means including borrowing to finance their current account deficits.

Confirming the trend that started in 2016, Bahrain had in 2018, a surplus on its financial account representing the equivalent of 9.2 percent of GDP. Bahrain benefits from a GCC Development Fund established in 2011 with the aim of supporting its key infrastructure projects. It is likely that a large part of the surplus on the financial account comes from this Fund. Bahrain had a usually large deficit on its errors and omissions account amounting to $1.7 billion (4.5 percent of GDP). While this is still within acceptable norms of balance of payments standards, it should be monitored over the coming years to ensure that it does not keep growing.

Given the deficit on its errors and omissions (indicating possibly an underestimation of capital outflows or overestimation of capital inflows), Bahrain registered a small deficit in its overall balance representing the equivalent of 1.2 percent of GDP leading to a decline of $469 million in reserve assets. Total foreign reserves amounted to $2.0 billion by the end of 2018, the lowest level for many years.

3.1.2 Kuwait

National Accounts

GDP is estimated to have grown by 1.2 percent in 2018 (Table 4), after the decline of the previous year, as oil prices picked up and production increased slightly (following the decline of 2017). Oil and non-oil GDP expanded, respectively, by 1.3 and 1.2 percent. The financial and real estate sectors, which together account for the second largest share of GDP, grew by 13.9 percent (measured in domestic currency). However, this was due mostly to the real estate sector (rather than the financial sector), which continues to expand supported by increasing loans from financial institutions.

Table 4: Kuwait – Recent Economic Development 2017 – 2018

	2017	2018
GDP (growth rate real)	-3.5%	1.2%
Oil GDP (growth rate real)	-7.2%	1.3%
Non-oil GDP (growth rate real)	1.9%	1.2%
Nominal GDP (billions $)	119.5	141.6
Nominal GDP per capita (US$)	26,563	30,783
Inflation (consumer price index)	1.6%	0.6%
Fiscal deficit – budgetary central government (% of GDP)	6.6%	11.3%
Money and quasi-money (% change)	3.8%	4.0%
of which: NFA (% change of beginning broad money)	-1.5%	4.4%
NCG (% change of beginning broad money)	2.6%	-2.4%
CPS (% change of beginning broad money)	2.9%	3.9%
Current account (% of GDP)	5.9%	16.5%
Capital and financial account (% of GDP)	-16.8%	-15.5%
Overall balance (% GDP)	1.6%	2.7%
Reserves – billions $ (months of imports)	31.2 (12.7)	35.0 (13.4)
Central Government gross debt (% of GDP)	25.7%	19.4%

Source: National authorities & IMF

In terms of expenditure, exports expanded by 30.4 percent and gross fixed capital formation by 9.2 percent reflecting the government's ambitious infrastructure development program.

Inflation is estimated to have slowed down in 2018 compared to the year before. The CPI was up by a mere 0.6 percent compared to 1.6 percent in 2017. This is explained by the decline in the prices of items such as housing, water, electricity and fuel as well as transportation both of which account for the biggest share of the basket.

Public finance

Oil revenues, which account for close to 90 percent of total revenue, increased by 29 percent in fiscal year 2018/2019 while total expenditure was up by 13.5 percent. As a result, the deficit at budgetary central level (i.e., excluding investment income from the sovereign wealth fund, the Kuwait Investment Authority) declined to 3.0 percent of GDP from 9.0 percent the previous year. Annual investment income account for the equivalent of about 11 to 13 percent of GDP. If investment income is included with total revenue (as per central government calculation requirements), there would have been a budget surplus equivalent to 11.3 percent of GDP in 2018.

As a percentage of GDP, both capital and current expenditure declined respectively to 6.1 percent (from 6.9 percent in 2017) and 45.0 percent (from 46.2 percent). Kuwait is currently embarked on an ambitious program of infrastructure investment. The major challenge as regard public finance continues to be containment of the wage bill which accounted for the equivalent of 16.8 percent of GDP from 18.6 percent in 2017. Another challenge is to ensure that capital expenditures yield appropriate returns and adequately support the diversification efforts of the government.

Monetary sector

Broad money was up in 2018 by 4.0 percent reflecting the increase in NFA by 4.4 percent and that of credit to the private sector by 3.9 percent. Banks have been awash with excess liquidity reflecting the increase in the price of oil and relatively limited opportunities (on the demand side) from the domestic corporate sector. Too much liquidity in the banking system could put downward pressure on domestic interest rate possibly threatening the peg. This is why the Central Bank of Kuwait plans to introduce a system of improved liquidity forecast and management supported by a dashboard containing the main indicators to facilitate the decision-making process. It is expected to be rolled out in 2019.

External development

Following the increase in oil prices, exports jumped by 30 percent in 2018 while imports increased by a mere 6.3 percent. As a result, the current account as a percentage of GDP increased to 16.6 percent from 5.9 percent in 2017. Given the structural deficit in the service account, reflecting the large number of Kuwaiti tourists going abroad; the transfers of expatriates; the large capital outflows as investors seek opportunities abroad; the surplus on the overall balance represented the equivalent of only 2.7 percent of GDP. Total foreign reserves amounted to $35.0 billion by the end of 2018 which of course does not include the vast amounts in the sovereign wealth funds (estimated at more than 400 percent of GDP by the IMF)[1].

1. *IMF, Article IV Consultations April 2019 p. 5*

3.1.3 Oman

National Accounts

Real GDP grew by 3.4 percent in 2018 reflecting mostly the increase in oil prices. The two most important sectors in terms of contribution to GDP are oil followed by Public administration and they account, respectively for 36 percent and 12 percent of GDP. The financial and real estate sector is the third important sector accounting for some 11 percent of GDP (almost the same as the education, health and social work sector). Oil-GDP was up by 6.1 percent and non-oil by 2.1 percent in real terms.

Inflation, measured by the CPI, was up very slightly by 0.9 percent compared to 1.6 percent in 2017 on account of the decline in food prices (weight of 24 percent in the basket).

Table 5: Oman – Recent Economic Development 2017 – 2018

	2017	2018
GDP (growth rate real)	-0.9%	3.4%
Oil GDP (growth rate real)	-3.0%	6.1%
Non-oil GDP (growth rate real)	0.9%	2.1%
Nominal GDP (billions $)	70.8	79.3
Nominal GDP per capita (US$)	15,523	17,232
Inflation (consumer price index)	1.6%	0.9%
Fiscal deficit – budgetary central government (% of GDP)	-14.7%	-9.2%
Money and quasi-money (% change)	4.2%	8.3%
of which: NFA (% change of beginning broad money)	-1.6%	5.1%
NCG (% change of beginning broad money)	1.3%	-0.8%
CPS (% change of beginning broad money)	8.2%	6.7%
Current account (% of GDP)	-15.5%	-5.5%
Capital and financial account (% of GDP)	12.5%	9.7%
Overall balance (% GDP)	-3.9%	3.2%
Reserves – billions $ (months of imports)	16.1 (8.0)	17.4 (8.8)
Central Government gross debt (% of GDP)	46.9%	53.5%

Source: National authorities

Public finance

Oil revenue jumped by 37.4 percent in 2018 providing relief to the country's challenging fiscal situation. Back in 2016, the deficit (on a budget basis) had reached the equivalent of 20.8 percent of GDP with total expenditure estimated at the equivalent of 50.5 percent of GDP. The deficit declined significantly in 2018 to 9.2 percent of GDP on the back of the increase in oil prices. Total expenditure as a percentage of GDP was estimated at 44.6 percent in 2018 underlying the continuing tenuous fiscal situation. Non-oil revenue as a percentage of GDP declined to 6.9 percent from 8.4 in 2017.

The deficit is being financed by domestic and international borrowing as a result of which the debt to GDP ratio is rapidly expanding reaching the equivalent of 53.5 percent of GDP from 46.9 percent the previous year (and 32.5 percent in 2016). In turn, this will translate into increasingly higher interest payments: in 2018, they were up by 66.4 percent.

Monetary sector

Broad money increased by 8.3 percent. This is accounted for by:

- an increase in the rate of growth of Net Foreign Assets by 5.1 percent
- the decline in credit to the government by 0.8 percent and
- the increase, albeit at a slower rate, in credit to the private sector by 6.7 percent

Personal loans are by far the principal recipient of commercial banks' credit, accounting for 40 percent of the total followed by construction (11 percent), services (10 percent) and manufacturing (8 percent).

External development

Oil exports grew by 42 percent in 2018 while total imports declined by 2 percent. As a result, the trade surplus more than doubled to reach $18 billion. As with Qatar, the services, income and transfers accounts were all in deficit in 2018 for a total of $22.4 billion (28.3 percent of GDP). This was more than the trade surplus, as a result of which the current account was in deficit amounting to $4.3 billion (5.5 percent of GDP) from $11.0 billion (15.5 percent of GDP) in 2017. Over the last three years prior to 2018, Oman ran large current account deficits amounting to an annual average equivalent to 17 percent of GDP.

As in the previous four years, there was a surplus on the capital and financial account amounting to almost $7.7 billion in 2018 reflecting the fairly high level of FDIs in Oman and continued government borrowing. Given a negative balance of $747 million on the errors and omissions account, Oman had a surplus of $2.6 billion (3.2 percent of GDP) on its overall balance. Total foreign reserves amounted to $17.4 billion (22 percent of GDP) by the end of 2018.

3.1.4 Qatar

National Accounts

Real GDP grew by 1.5 percent in 2018 from 1.6 percent the previous year. This is accounted for mostly by growth in the non-oil sector reflecting the ambitious program of infrastructure development of US$200 billion (equivalent to 104 percent of the 2018 GDP) to diversify the economy and prepare for the 2022 World Cup. Qatar is not a major oil producer by Middle East standards but among the world's biggest producer of liquefied natural gas. Oil GDP growth declined by 2 percent reflecting the decline in the production of liquified natural gas of 2.2 percent in 2018.

The two largest contributors to GDP after oil and gas are financial and real estate and construction accounting for, respectively, 17 and 15 percent of GDP. They grew, respectively by 2.4 and 11.6 percent in real terms in 2018. Manufacturing, the third largest in terms of contribution to GDP, expanded by 6.2 percent in 2018. Overall, non-oil GDP grew by 4.6 percent.

Table 6: Qatar- Recent Economic Development 2017 – 2018

	2017	2018
GDP (growth rate real)	1.6%	1.5%
Oil GDP (growth rate real)	-0.7%	-2.0%
Non-oil GDP (growth rate real)	4.5%	4.6%
Nominal GDP (billions $)	166.9	192.0
Nominal GDP per capita (US$)	61,267	69,564
Inflation (consumer price index)	0.4%	0.3%
Fiscal deficit – budgetary central government (% of GDP)	-2.9%	5.3%
Money and quasi-money (% change)	21.3%	-6.5%
of which: NFA (% change of beginning broad money)	-3.0%	-2.5%
NCG (% change of beginning broad money)	8.1%	-5.4%
CPS (% change of beginning broad money)	8.0%	10.1%
Current account (% of GDP)	3.8%	8.7%
Capital and financial account (% of GDP)	-15.2%	0.1%
Overall balance (% GDP)	-10.7%	8.3%
Reserves – billions $ (months of imports)	14.9 (5.8)	30.5 (11.0)
Central Government gross debt (% of GDP)	49.8%	48.5%

Source: National authorities

In terms of expenditure, gross fixed capital formation is fairly high accounting for 43.3 percent of GDP and expanding by close to 12 percent in nominal terms in 2018. Final consumption which accounted for 38 percent of GDP was up by 4.4 percent.

Inflation, as measured by the CPI, shows that prices increased by a mere 0.3 percent from 0.4 percent in 2017 as food and housing prices remained contained.

Public finance

Total revenue increased by 27.3 percent, while total expenditure declined modestly by 5.1 percent. However, capital expenditure decreased by 9.6 percent, and current expenditures by a mere 1.9 percent. While the wage bill went up by 4.8 percent, and also increased as a percentage of GDP to 8.0 percent from 7.6 percent in 2017. As a percentage of GDP, revenue increased to the equivalent of 29.7 percent while expenditure declined to 27.6 percent. Thus, there was a surplus on the fiscal account at budget level equivalent to 2.2 percent of GDP compared to a deficit of 6.6 percent in 2017.

Monetary sector

In the monetary sector, money supply broadly defined declined by 6.5 percent in 2018 following a major increase of 21.3 percent the year before. This is accounted for by:

- a decline in the growth rate of Net Foreign Assets by 2.5 percent
- a deceleration in credit to the government by 5.4 percent and
- the continued increase in credit to the private sector by 10.1 percent.

Construction and real estate account for about 25 percent of total credit but at 40 percent of the total, credit to the public sector is by far the largest.

External development

Oil and gas account for 90 percent of total exports. In 2018, oil and gas expanded by 33.5 percent while imports only grew by 8.3 percent. The services, income and transfers accounts are all structurally in deficit in Qatar. Unusually among countries well-endowed in oil and gas resources, Qatar has a deficit in its income account (which is not the case with KSA, Kuwait, UAE, all of which have surpluses). Income account shows the return on investment outside minus return paid to non-residents including interest costs on foreign borrowing. It is likely that the statistics do not reflect the income from accumulated foreign assets owned by the central government.

In 2018, Qatar paid $11.6 billion to nonresidents as investment income and received $ 8.0 billion from them. The combined deficits on the three accounts summed up to $34.3 billion (17.9 percent of GDP). However, the huge surplus on its trade account amounting to $51.0 billion (26.6 percent of GDP) more than compensated for that deficit. As a result, the current account increased significantly to $16.7 billion (8.7 percent of GDP) from $6.4 billion in 2017 (3.8 percent of GDP).

There was a small surplus on the capital and financial account of $284 million in 2018 from a deficit of $25.5 billion the previous year. It would reflect in part the government borrowing on the international market (syndicated loan of $12 billion). The overall balance showed a surplus of $15.9 billion. At the end of 2018, Qatar's foreign exchange reserves amounted to $30.4 billion (not including Qatar Investment Authority).

3.1.5 Kingdom of Saudi Arabia

National Accounts[2]

Following last year's marginal decline, real GDP increased by 2.4 percent in 2018 reflecting gains in both oil and non-oil sectors. Oil prices picked up markedly as crude oil and natural gas production expanded. Oil and non-oil sectors increased, respectively by 3.7 and 1.9 percent in real terms in 2018 (Table 7). Crude oil and natural gas account for the largest share of GDP at around 30 percent. Saudi Arabia produced an average of 10.3 million barrels per day (mbd) in 2018 compared to 10 mbd the previous year.

Government services constitute the second most important sector of the economy accounting for some 18.8 percent of GDP. It expanded in real terms by 3 percent in 2018 compared to 0.3 percent in 2017. The Finance, Insurance and Real Estate sector, the third biggest contributor to GDP, increased by 3.2 percent while Manufacturing (other than petroleum refining), the fourth, also performed well, expanding at 4 percent in 2018 compared to a marginal increase of 0.97 percent the previous year.

Table 7: KSA - Recent Economic Development 2017 - 2018

	2017	2018
GDP (growth rate real)	-0.7%	2.4%
Oil GDP (growth rate real)	-3.6%	3.7%
Non-oil GDP (growth rate real)	1.3%	1.9%
Nominal GDP (billions $)	688.6	786.5
Nominal GDP per capita (US$)	21,114	23,539
Inflation (consumer price index)	-0.8%	2.5%
Fiscal deficit – budgetary central government (% of GDP)	-9.2%	-4.6%
Money and quasi-money (% change)	0.3%	2.7%
of which: NFA (% change of beginning broad money)	-8.0%	-1.1%
NCG (% change of beginning broad money)	11.8%	5.9%
CPS (% change of beginning broad money)	-0.7%	2.2%
Current account (% of GDP)	1.5%	9.0%
Capital and financial account (% of GDP)	-7.1%	-8.8%
Overall balance (% GDP)	-5.7%	0.0%
Reserves – billions $ (months of imports)	493.8 (48.9)	494.1 (48.3)
Central Government gross debt (% of GDP)	17.2%	19.0%

Source: National authorities

2. *Growth rates are in real terms, while relative shares are in nominal terms.*

In terms of expenditure contribution to GDP, exports increased by 6.8 percent in 2018 in constant prices, reflecting the performance of the oil sector, compared to a decline of 3.1 percent in 2017. Total consumption was up by 3.4 percent reflecting the expansion of both Government consumption by 6 percent and that of private consumption by 1.9 percent. Gross fixed capital formation, on the other hand, declined in 2018 by 3 percent in real terms following a lackluster performance in 2017. This could have an impact on growth in 2019.

Inflation picked up in 2018 to 2.5 percent following a decline in the CPI by 0.9 percent in 2017. This is explained by increases in food and transportation items which together account for almost 30 percent of the price basket. As in the previous year, housing, the most important item, continued its decline in 2018 reflecting an increase in supply of dwellings (notably apartments) and the departure of fairly large number of expatriates putting downward pressure on rents.

The unemployment rate among Saudis declined marginally in 2018 to 12.7 percent and affects predominantly the female population. 82 percent of the unemployed are females (797,842 out of a total of 970,229) and 71 percent among them have a Bachelor's degree(3). The greatest number among them, however, is in humanities or related field which might indicate a skills mismatch. Employment policies would need to focus on this particular segment of the population if the unemployment rate is to be meaningfully addressed.

Public finance

The fiscal deficit in terms of GDP at the central government level declined markedly in 2018 to 4.6 percent from 9.2 the previous year. This is explained mostly by an increase in both oil and non-oil revenue as a percentage of GDP which more than compensated the decrease in expenditure to 35.0 percent from 36.0 percent in 2017. Oil and non-oil revenue went up by 40.0 and 12.4 percent respectively in 2018. Value Added Tax (VAT) was introduced in January 2018 and is estimated to have raised about SAR 45.6 billion (16% of non-oil revenue)(4).

The wage bill as a percentage of GDP remained high in absolute terms even if, as a percentage of GDP, it declined to 16.0 percent from 16.3 percent. Capital expenditure, while declining slightly by 1.2 percent, still remained at a fairly high level compared to 2016 reflecting the ambitious infrastructure development to underpin the diversification of the economy as per the strategic objective of Vision 2030. The challenge going forward will be to ensure that such a major expansion is effective and the objectives fulfilled in the medium term.

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3. *General Authority for Statistics, Labor Market Survey, Bulletins*
4. *Fiscal Balance Program, 2019 Update, p.6*

Monetary sector

In the monetary sector, money supply broadly defined increased by 2.7 percent in 2018. This is accounted for by:

- a much smaller decline in the rate of growth of Net Foreign Assets amounting to 1.1 percent than in 2017
- the increase in credit to the government by 6 percent and
- the pickup in credit to the private sector by 2.2 percent.

External development

The current account surplus increased from the equivalent of 1.5 percent of GDP to 9.0 percent of GDP in 2018 reflecting mainly an increase in oil exports by 36 percent. Exports reached the equivalent of 37.4 percent of GDP while imports were contained at 15.6 percent. The service and transfers account were, as usual, in deficit but the latter declined to the equivalent of 5.2 percent of GDP from 5.6 percent the previous year. This reflects the departure of significant number of expatriates following the (expatriate) levy imposed on employers. The deficit on the financial account increased markedly to $69.5 billion, its highest level for at least the five previous years. This is accounted for by the significant ambitious investment program of the Public Investment Fund as it seeks to grow its funding base to $ 1.4 trillion.

There was a difference of only $1 billion between the current account surplus and the deficit on the capital and financial accounts, most of which were unaccounted for and therefore registered as errors and omissions. As a result, the overall balance was almost in balance with a negligible surplus amount of $166 million. The stock of external reserves amounted to close to $500 billion by the end of 2018, a significant decline from the $732 billion reached in 2014.

3.1.6 UAE

National Accounts

GDP picked up in 2018 to 1.7 percent from 0.5 percent the year before following the increase in oil prices. Oil accounts for some 26 percent of GDP. The oil and non-oil sectors grew, respectively, by 2.8 and 1.3 percent in real terms. The financial and real estate sectors, the second most important accounting for 20 percent of GDP, grew by 1.8 percent.

Table 8: UAE- Recent Economic Development 2017 - 2018

	2017	2018
GDP (growth rate real)	0.5%	1.7%
Oil GDP (growth rate real)	-2.8%	2.8%
Non-oil GDP (growth rate real)	1.9%	1.3%
Nominal GDP (billions $)	377.7	414.2
Nominal GDP per capita (US$)	40,594	41,008
Inflation (consumer price index)	2.0%	3.1%
Fiscal deficit – budgetary central government (% of GDP)	-1.7%	-1.8%
Money and quasi-money (% change)	4.1%	2.5%
of which: NFA (% change of beginning broad money)	5.7%	7.0%
NCG (% change of beginning broad money)	-0.3%	-5.7%
CPS (% change of beginning broad money)	0.6%	3.5%
Current account (% of GDP)	7.3%	9.1%
Capital and financial account (% of GDP)	-4.5%	-8.1%
Overall balance (% GDP)	2.6%	0.9%
Reserves – billions $ (months of imports)	95.4 (4.6)	99.5 (5.1)
Central Government gross debt (% of GDP)	20.0%	19.1%

Source: National authorities

In terms of expenditure, reflecting the openness of the UAE economy, exports accounted for close to 95 percent of GDP, by far the highest share among GCC countries. However, in terms of performance, consumption (especially private) was the single biggest explanatory factor for GDP growth in 2018. Consumption accounts for about 52 percent of GDP. Private consumption increased in 2018 by 11.2 percent while gross capital formation declined by 1.1 percent. It was more of a consumption-driven growth since exports also grew up merely by 1.2 percent.

Public finance

Oil revenue jumped by 54 percent in 2018 following the increase in oil prices. Over the last three years, oil revenue accounted for an annual average of 54 percent of total revenue. However, non-oil revenue declined by 31 percent. Total expenditure went up by 11 percent. Both revenue and expenditure, as a percentage of GDP increased, respectively to 29.0 percent and 31.2 percent. UAE is in the process of embarking on a major program of infrastructure development (airport, metro expansion) as it prepares for Expo 2020. Thus, capital expenditure was up by 18.6 percent in 2018. As a result of all those development, the deficit at the budget level went up slightly to 1.8 percent from 1.6 percent in 2017.

Monetary sector

Broad money increased in 2018 by 2.5 percent reflecting increases in NFA by 7 percent and in credit to the private sector by 3.5 percent while credit to government declined by 5.7 percent. Construction and real estate is by far the single most important recipient of credit from the banking system accounting for 35 percent of total credit. It continued to expand in 2018 by 5.8 percent although this is much lower than the 12.6 percent of the previous year.

External development

While total exports were up by a mere 1.1 percent in 2018, oil exports increased markedly by 14 percent. Imports were down by 4.5 percent. Despite the significant structural deficit in its transfers account which increased by close to 10 percent, the traditional current account surplus as a percentage of GDP went up to 9.1 percent from 7.3 percent the previous year. This is also partly explained by the small deficit in the services account. The financial account is traditionally in deficit as investment opportunities are sought outside which more than compensates for the inward foreign direct investment. The deficit almost doubled in 2018 reaching the equivalent of 8.1 percent of GDP from 4.5 the previous year. However, it was more than compensated for by the surplus on the current account, as a result of which there was a small surplus on the overall balance equivalent to about 1 percent of GDP.

3.2 The Convergence Criteria

The Economic Convergence criteria describe economic performance that member countries must fulfill to be eligible for membership of the Monetary Union. The criteria were initially established during the meeting of the Supreme Council at the 27th Session (Riyadh- December 2006) and the Joint Technical Committee completed the formulation of economic performance criteria in May 2007. Convergence criteria cover price stability, public finance, external sector, and monetary sector.

The criteria aim to ensure that economic performance of member countries are moving in the same direction without any potential macro imbalances that could undermine the monetary and financial stability of monetary union. Still, the criteria must be interpreted with caution: they are not an end in themselves but only serve as a guide to call the attention of authorities whenever one country's macro aggregates are falling out of line with others in the different areas concerned.

Table 9: The Convergence Criteria

Convergence criteria	
Inflation rate	Inflation rate should not exceed the weighted average (by GDP) of the inflation rates in GCC countries plus two percentage points (2%).
Interest rate	Interest rate should not exceed the average of lowest three short-term interest rates (for three months) in the GCC members plus two percentage points (2%).
Imports coverage ratio	The foreign reserves of the monetary authority in each country should be sufficient to cover cost of its goods imports for a period of no less than 4 months.
Fiscal deficit ratio	The annual fiscal deficit should not exceed 3% of nominal GDP (as long as the average price of OPEC Oil basket is $25 or more).
Public Debt ratio	The ratio of Public debt for the General Government should not exceed 60% of the nominal GDP, and that of the Central Government should not exceed 70% of the nominal GDP.
Exchange rate	The US dollar is set as a common anchor for GCC›s currencies.

Source: GMCo

Table 10: Convergence criteria in 2018

GMCo member countries						Other GCC countries		
Convergence criterion	Threshold	Bahrain	KSA	Kuwait	Qatar	Threshold	UAE	Oman
Inflation rate (%)	≤ 3.87	2.08	2.48	0.56	0.34	≤ 4.12	3.06	0.88
Interest rate (%)	≤ 4.49	3.35	2.45	1.87	3.14	≤ 4.22	2.44	2.36
Foreign Reserves (in months of imports)	≥ 4.0	1.8	48.3	13.4	11.0	≥ 4.0	5.1	8.8
Fiscal balance (% of GDP)	≤ - 3.00	-11.8	-4.6	11.3	5.3	≥ - 3.00	-1.8	-9.2
Public debt (% of GDP)	≤ 70.0	94.4	19.0	19.4	48.5	≤ 70.0	19.1	53.5

Source: GMCo

Table 10 summarizes the performance criteria for member and non-member countries in GCC monetary union during 2018. The following comments can be made:

Price Stability: Table 10 shows the inflation rates for member countries along with the reference value, i.e., weighted average inflation rates plus 2 percent. In 2018, the annual average rate of inflation ranged from 0.34 percent (Qatar) to 2.48 percent (KSA). These rates have been used to calculate the reference value of 3.87%. All member countries had inflation rates below the reference value.

In Saudi Arabia, CPI inflation turned around with the introduction of the value-added tax (VAT) and further implementation of fiscal measures are in place (Bahrain as well). However, the difference between inflation in these countries and others is relatively small.

In Kuwait and Qatar, headline CPI inflation remained low in line with declining prices for housing and transportation items combined with decline in imported inflation as well. In case of non-member countries, Oman and UAE had inflation rate which stood below the reference value of 4.1%.

Monetary Sector: Short-term interest rates are based on actual three-month interbank rates where available. In 2018, the rates ranged from 1.87 percent (Kuwait) to 3.35 percent (Bahrain). The calculated reference rate using the average of the lowest rates plus 2 percentage points is 4.5%. All member countries had rates below the reference value.

In Bahrain and KSA, continuous government borrowing put additional pressure on short-term rates following four years of budget deficit. Conversely, in Kuwait, a rejected new debt law with higher ceiling by Parliament relieved pressure on short-term rates. UAE and Oman broadly followed similar short-term interest rates developments with little to no difference in short-term interest rates. Their three-month interbank rates were 2.44% and 2.36% respectively, below the reference value of 4.22%.

Foreign Exchange Reserves: Saudi Arabia and Kuwait continued to have the largest import coverage in 2018 with foreign reserves covering, respectively 48.3 and 13.4 of months of imports. Qatar recorded the largest increase, from 5.8 months in 2017 to 11.0 months in 2018. However, in Bahrain, reserves covered merely 2.0 months of non-oil imports of goods. As regard the performance against the reference value of 4 months, all countries except Bahrain met the criteria. In case of GCC countries, UAE and Oman had reserves over imports above the reference value.

Fiscal deficit: As shown in Table 10, only Kuwait, Qatar and UAE in case of GCC countries met this criterion. Other countries had public sector deficit above the reference value. In Saudi Arabia, fiscal balance continued to improve substantially in 2018 supported mainly by higher oil prices and significant deficit-reduction efforts. Bahrain and Oman, however, fell below the reference value despite recent fiscal reform measures introduced by national authorities. The greatest effort to meet all the conditions for successful monetary union lies in the public sector. This is why the budget process, notably an enhanced fiscal governance framework, is necessary for all member countries going forward.

Public debt: The debt to GDP ratio generally increased among GCC countries following four years of fiscal deficit - at budgetary level. In 2018, however, higher oil prices, rapid economic growth, and improvement in fiscal position slowed down debt ratio across GCC countries. Bahrain is the only GCC member country not to meet the threshold on debt to GDP ratio as seen in Table 10. It is important to note that the improvement in overall balances for Bahrain and Oman will be insufficient to stabilize debt.

Exchange Rate: Following GCC supreme council decision, all GCC currencies (except Kuwaiti Dinar) are formally pegged to the U.S. Dollar, even though, the exchange rate of Kuwaiti Dinar against other GCC currencies fluctuates within a relatively small band - stable - in line with the movements of the U.S. dollar against its basket of currencies.

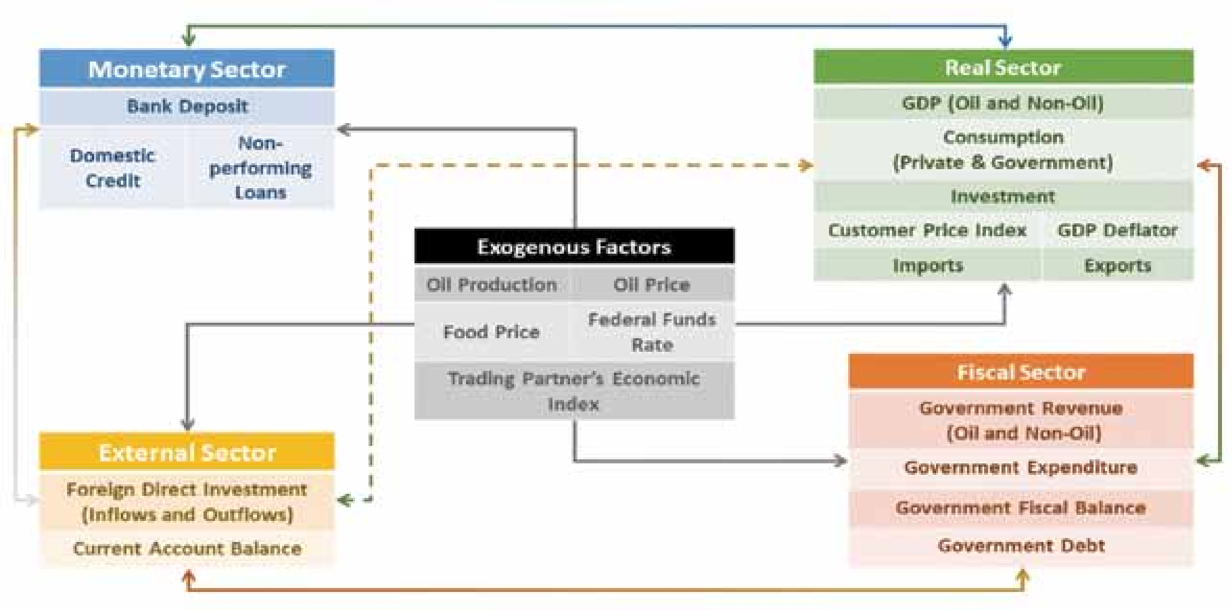
As mentioned above, the importance of the convergence criteria should not be overestimated. They point to directions where greater effort for macro management is required rather than provide in-depth analysis on the economy of member countries.

3.3 Medium term outlook

Introduction

A medium-term analysis is carried out for all six GCC countries on the basis of GMCo's econometric model. It is a macroeconomic framework model (meaning strong linkages among the four macro-sectors) made up of 20 equations with 20 endogenous and 5 exogenous variables. Figure 4 shows how the four sectors are linked. For example, oil GDP is linked to oil production while non-oil GDP depends in the structural equation on government spending and an index of partners' economic performance. Private consumption depends on domestic credit and government spending.

Figure 4: Economic Relationships of GMCo Model



The section below shows the evolution of the main aggregates (GDP, Inflation, etc.) for the three-year period 2019 - 2021 among the GCC members based on the results obtained from the model. This is followed by a review of the medium term outlook for each country separately.

GDP growth

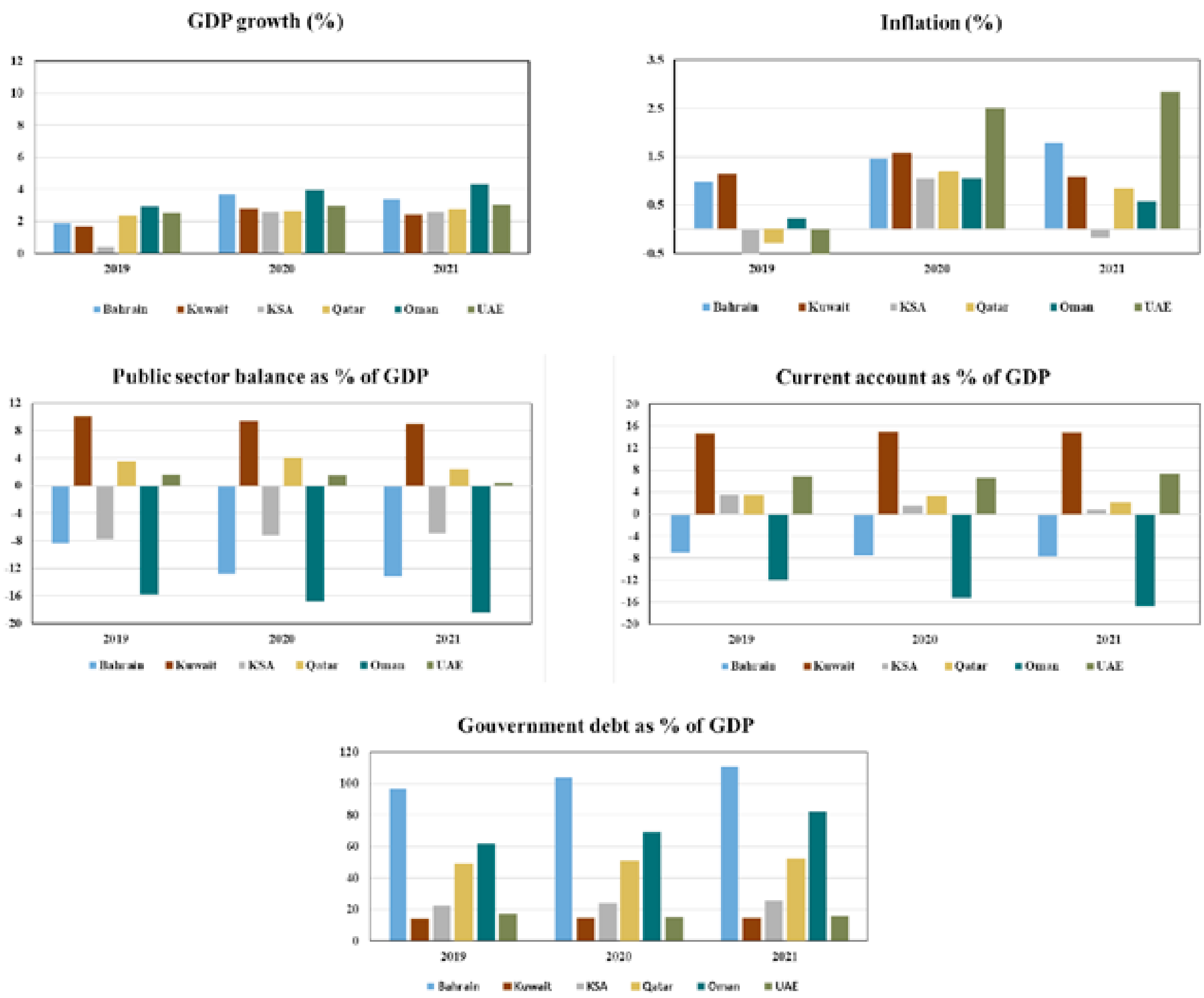
Although real GDP is expected to vary among the GCC membership in 2019 (see Figure 5), in general the six countries should for the most part witness fairly comfortable rates. On average, real GDP would grow by 1.9 percent (Table 11). In 2020 and 2021, it is expected that all six of them would grow at a higher rate estimated at an annual average of 3.1 percent.

Table 11: **GCC members - real GDP growth, 2019 - 2021**

Real GDP growth (%)	2019	2020	2021
Bahrain	1.9	3.7	3.4
Kuwait	1.7	2.8	2.4
KSA	0.4	2.6	2.6
Qatar	2.3	2.6	2.7
Oman	2.9	3.9	4.3
UAE	2.5	2.9	3.0
GCC	**1.9**	**3.1**	**3.1**
GMCo	**1.6**	**2.9**	**2.8**

Source: GMCo

Figure 5: **Medium term outlook among GCC member countries**



Source: GMCo

Inflation

Inflation, as measured by the CPI, would remain much subdued in 2019 among the six GCC members, prices even declining by an average of 0.2 percent. Inflation would pick up thereafter but would still remain fairly low.

Table 12: GCC members – Inflation rates, 2019-2021

Inflation (%)	2019	2020	2021
Bahrain	1.0	1.5	1.8
Kuwait	1.1	1.6	1.1
KSA	-1.3	1.1	-0.2
Qatar	-0.3	1.2	0.8
Oman	0.2	1.1	0.6
UAE	-1.7	2.5	2.8
GCC	**-0.2**	**1.5**	**1.2**
GMCo	**0.1**	**1.3**	**0.9**

Source: GMCo

On average, the CPI would increase to 1.5 and 1.2 percent annually in 2020 and 2021, respectively.

Fiscal sector

In the fiscal sector, Oman and Bahrain are expected to face more challenges than their peers as their public sector deficits remain fairly high during the three-year period 2019 - 2021.

Table 13: GCC members – Public sector balance as % of GDP, 2019 -2021

Public Sector balance (% of GDP)	2019	2020	2021
Bahrain	-8.2	-12.8	-13.1
Kuwait	10.1	9.4	8.9
KSA	-7.8	-7.1	-7.0
Qatar	3.4	3.9	2.3
Oman	-15.8	-16.8	-18.4
UAE	1.6	1.5	0.4

Source: GMCo

KSA will also continue to face a deficit but far less as a percentage of GDP than the two others. Otherwise, the remaining three countries are expected to have surpluses on their fiscal account, the highest of which being in Kuwait.

Current account

The current account deficit is expected to increase in Oman while the opposite happens in Kuwait and UAE both of which would register strong performances.

Table 14: GCC members – Current account as % of GDP, 2019 -2021

Current account (% of GDP)	2019	2020	2021
Bahrain	-7.0	-7.5	-7.7
Kuwait	14.6	14.9	14.8
KSA	3.6	1.5	0.7
Qatar	3.4	3.3	2.0
Oman	-11.9	-15.1	-16.7
UAE	6.8	6.6	7.3

Source: GMCo

Both KSA and Qatar would see their surplus decline from the 2018 level.

Government debt

Government debt is a mirror image of the deficits in the current account in Bahrain and Oman: it is increasing as a percentage of GDP given their inability to attract enough capital inflows to compensate for the increasing current account deficits. Debt is also increasing in KSA but to a much lesser extent.

Table 15: GCC members – Government debt as % of GDP, 2019 -2021

Government debt (% of GDP)	2019	2020	2021
Bahrain	96.4	104.1	111.0
Kuwait	14.1	14.1	14.3
KSA	22.4	24.1	25.6
Qatar	48.9	50.7	52.2
Oman	61.8	69.1	82.2
UAE	16.7	14.7	15.8

Source: GMCo

3.3.1 Bahrain

GDP is expected to grow to 1.9 and 3.7 percent in 2019 and 2020, respectively before slowing down slightly to 3.4 percent in 2021. This reflects mostly the good performance of the non-oil sector as non-oil GDP grows by an annual average rate of 3.2 percent while oil-GDP expands by 2.1 percent during the same period. Investment as a percentage of GDP increases in 2019 and 2020 to the equivalent of 43.1 and 45.4 percent, respectively from 38.9 percent in 2018. It is expected to decline in 2021 to the equivalent of 40 percent of GDP.

Table 16: Bahrain - Medium term outlook

	2019	2020	2021
Real GDP growth (%)	1.9	3.7	3.4
Real oil GDP growth rate (%)	6.0	-0.3	0.5
Real non-oil GDP growth rate (%)	1.0	4.6	4.0
Inflation (%)	1.0	1.5	1.8
Total consumption (as % of GDP)	69.8	70.8	71.7
o w Government	15.6	16.1	14.9
Private	53.3	53.0	52.4
Total investment (as % of GDP)	43.1	45.4	40.0
o w Government	- -	- -	- -
Private	- -	- -	- -
Domestic credit (as % of GDP)	72.1	76.4	79.9
Fiscal Balance (% of GDP)	-8.2	-12.8	-13.1
Government debt (% of GDP)	96.4	104.1	111.0
Current account (% of GDP)	-7.0	-7.5	-7.7

Source: GMCo

Total consumption also expands in terms of GDP driven at least in 2019 by both government and the private sector. This is supported by an increase in domestic credit which would expand well into 2021. The expected deterioration of the fiscal sector throughout the period examined is the worrisome part of the medium term outlook and calls for sustained effort as proposed in the Fiscal Balance program mentioned above.

3.3.2 Kuwait

GDP is expected to increase in 2019 to 1.7 percent and thereafter to 2.8 and 2.4 percent, respectively, in 2020 and 2021. This is explained principally by the good performance of the non-oil sectors which would expand by an annual average rate of 3.7 percent. Oil production is expected to decline in 2019 and stabilize at that level thereafter.

Table 17: Kuwait - Medium term outlook

	2019	2020	2021
Real GDP growth (%)	1.7	2.8	2.4
Real oil GDP growth rate (%)	0.8	1.2	1.2
Real non-oil GDP growth rate (%)	2.8	4.6	3.8
Inflation (%)	1.1	1.6	1.1
Total consumption (as % of GDP)	71.2	72.9	75.1
o w Government	24.0	23.9	23.6
Private	47.2	49.1	51.4
Total investment (as % of GDP)	30.6	30.5	31.6
o w Government	- -	- -	- -
Private	- -	- -	- -
Domestic credit (as % of GDP)	95.1	94.0	95.0
Fiscal Balance (% of GDP)	10.1	9.4	8.9
Government debt (% of GDP)	14.1	14.1	14.3
Current account (% of GDP)	14.6	14.9	14.8

Source: GMCo

Domestic credit would continue to support non-oil GDP as it expands at an annual average rate of 4.5 percent driven by the real estate sector. Kuwait is expected to continue experiencing strong surpluses in both the fiscal and external sectors while its debt to GDP ratio remains very low.

3.3.3 Oman

Real GDP is expected to grow by an annual average rate of 3.7 percent throughout the period 2019 - 2021. This is accounted for mostly by the good performance of non-oil GDP which expands by an annual average rate of 5 percent during the same period. Oil production would decline in 2019 but should pick up by around 2 percent annually thereafter.

The expansion is both consumption- and investment-driven (at least through 2020) supported by a significant increase in domestic credit from 67.9 percent in terms of GDP in 2018 to an unprecedented level of 100.9 percent in 2021.

Table 18: Oman - Medium term outlook

	2019	2020	2021
Real GDP growth (%)	2.9	3.9	4.3
Real oil GDP growth rate (%)	-0.4	3.0	2.8
Real non-oil GDP growth rate (%)	5.2	4.5	5.3
Inflation (%)	0.2	1.1	0.6
Total consumption (as % of GDP)	63.6	65.1	64.2
o w Government	25.1	24.8	24.3
Private	38.5	40.2	39.9
Total investment (as % of GDP)	35.1	37.4	37.3
o w Government	- -	- -	- -
Private	11.8	12.6	13.1
Domestic credit (as % of GDP)	82.6	94.3	100.9
Fiscal Balance (% of GDP)	-15.8	-16.8	-18.4
Government debt (% of GDP)	61.8	69.1	82.2
Current account (% of GDP)	-11.9	-15.1	-16.7

Source: GMCo

Inflation is expected to remain subdued throughout the medium term period declining to 0.2 percent in 2019, increasing slightly to 1.1 percent the following year before declining again to 0.6 percent in 2021.

As mentioned above, the major challenges are in the fiscal and external sectors as deficits increase throughout the period financed by borrowing. In 2014, government debt accounted for less than 5 percent of GDP; in 2021, it is expected to reach the equivalent of 82.2 percent. The need to contain expenditure is clearly apparent as seen by the fact that on an annual average basis and as a percentage of GDP, expenditure would reach 45.2 percent and revenue 28.2 percent.

3.3.4 Qatar

Real GDP is expected to increase in 2019 to 2.3 percent and thereafter to 2.6 and 2.7 percent, respectively, in 2020 and 2021.

This reflects mostly the good performance of the non-oil sector as non-oil GDP grows by an annual average rate of 5.6 percent while oil-GDP declines by -1.1 percent during the same period. Investment increases throughout the period to peak at the equivalent of 48.9 percent of GDP in 2021 from 42.6 percent in 2019. This is probably a reflection of the ambitious program of infrastructure development as the country prepares to host the World Cup in 2022. Consumption also increases, as a percentage of GDP, although at a slower rate than investment reaching 40.7 percent in 2021 from 39.3 percent in 2019. The expansion of both investment and consumption is supported by domestic credit which increases significantly, as a percentage of GDP to 162.8 percent in 2021 from 138 percent in 2019.

Table 19: Qatar - Medium term outlook

	2019	2020	2021
Real GDP growth (%)	2.3	2.6	2.7
Real oil GDP growth rate (%)	-1.6	-0.6	-1.1
Real non-oil GDP growth rate (%)	5.8	5.2	5.7
Inflation (%)	-0.3	1.2	0.8
Total consumption (as % of GDP)	39.3	39.7	40.7
o w Government	15.9	15.1	15.3
Private	23.4	24.7	25.4
Total investment (as % of GDP)	42.6	47.4	48.9
o w Government	- -	- -	- -
Private	- -	- -	- -
Domestic credit (as % of GDP)	138.0	148.9	162.8
Fiscal Balance (% of GDP)	3.4	3.9	2.3
Government debt (% of GDP)	48.9	50.7	52.2
Current account (% of GDP)	3.4	3.3	2.0

Source: GMCo

As in other countries, inflation is expected to remain subdued over the period, at an average annual rate of 0.6 percent over the three-year period, as food and housing prices continue their decline.

The fiscal surplus is expected to average 3.2 percent of GDP on an annual basis during the three-year period. Similarly, the current account surplus would represent the equivalent of 2.9 of GDP on an annual basis. Government debt as a percentage of GDP would average the equivalent of 50.6 of GDP on an annual basis and is not expected to pose any problem given the huge external resources accumulated so far in the country's sovereign wealth fund.

3.3.5 Kingdom of Saudi Arabia

Real GDP is expected to grow by 0.4 percent in 2019 and 2.6 percent in 2020 and 2021. The decelerating growth in 2019 is explained mostly by the negative oil supply shock in the Kingdom between September and October. Non-oil GDP is expected to average 2.8 percent on an annual basis during the three-year period. Investment would grow marginally over the period reaching the equivalent of 29.3 percent of GDP in 2021 from 28.2 percent in 2019. Consumption would grow at a slightly higher rate especially in 2021 when it reaches the equivalent of 67.4 percent from 64.9 and 65.8 in 2019 and 2020, respectively.

Prices are expected to decline by 1.3 percent in 2019 before picking up slightly by 1.1 the following year and decelerate again to -0.2 percent in 2021.

Table 20: Kingdom of Saudi Arabia - Medium term outlook

	2019	2020	2021
Real GDP growth (%)	0.4	2.6	2.6
Real oil GDP growth rate (%)	-2.8	2.1	2.1
Real non-oil GDP growth rate (%)	2.5	2.9	2.9
Inflation (%)	-1.3	1.1	-0.2
Total consumption (as % of GDP)	64.9	65.8	67.4
o w Government	25.0	25.2	25.7
Private	39.9	40.6	41.7
Total investment (as % of GDP)	28.2	29.1	29.3
o w Government			
Private	12.1	12.4	13.0
Domestic credit (as % of GDP)	52.4	56.5	60.2
Fiscal Balance (% of GDP)	-7.8	-7.1	-7.0
Government debt (% of GDP)	22.4	24.1	25.6
Current account (% of GDP)	3.6	1.5	0.7

Source: GMCo

The fiscal deficit would be much higher in 2019 to reach the equivalent of 7.8 percent of GDP (from 4.6 percent of GDP in 2018), reflecting the decline in oil revenue (even as non-oil revenue expands) and is expected to decline only marginally the following two years. The deficit would be financed by borrowing as a result of which the debt/GDP ratio increases to the equivalent of 25.6 percent of GDP from 22.4 in 2019. The current account surplus as a percentage of GDP would average the equivalent of 1.9 percent on an annual basis during the period examined.

3.3.6 UAE

GDP is expected to increase by an annual average rate of 2.8 percent between 2019 and 2021. This is explained principally by the good performance of non-oil GDP as it expands by an annual average rate of 3.8 percent during the period while real oil GDP remains stable. The expansion of non-oil GDP is driven by private consumption and total investment. Private consumption reaches the equivalent of 40.4 percent of GDP while government consumption declines to the equivalent of 10.4 percent in 2021 from 14.0 percent in 2019. Total investment increases to 27.3 percent of GDP in 2021 from 23.8 percent in 2019.

This is supported by a major increase in domestic credit which reaches an unprecedented level of 135.6 percent of GDP from 110.6 percent in 2019. As elsewhere, prices would decline in 2019 by 1.7 percent before picking up to an annual average rate of 2.7 percent between 2020 and 2021.

The fiscal balance is expected to show a surplus even as it declines over the period reaching 0.4 percent of GDP in 2021 from 1.6 percent in 2019.

In the external sector, the current account surplus would be stable for the three years 2019 – 2021, accounting for an annual average of 6.9 percent in terms of GDP, reflecting the performance of non-oil exports which are expected to grow significantly during the three-year period analyzed.

Table 21: UAE - Medium term outlook

	2019	2020	2021
Real GDP growth (%)	2.5	2.9	3.0
Real oil GDP growth rate (%)	0.9	0.3	0.3
Real non-oil GDP growth rate (%)	3.2	4.0	4.1
Inflation (%)	-1.7	2.5	2.8
Total consumption (as % of GDP)	47.7	48.3	50.7
o w Government	14.0	13.3	10.4
Private	33.7	35.0	40.4
Total investment (as % of GDP)	23.8	24.1	27.3
o w Government	- -	- -	- -
Private	- -	- -	- -
Domestic credit (as % of GDP)	110.6	116.4	135.6
Fiscal Balance (% of GDP)	1.6	1.5	0.4
Government debt (% of GDP)	16.7	14.7	15.8
Current account (% of GDP)	6.8	6.6	7.3

Source: GMCo

IV: Main activities undertaken by GMCo in 2018

INTRODUCTION

During the year 2018, GMCo either participated in or carried out the following activities:

- Mission to GCC Stat headquarters in Oman to discuss Statistical assessment report (January)
- Workshop on Financial Supervision in Kuwait hosted by CBK presented by Deutsche Bundesbank (March)
- Mission to GCC Stat headquarters in Oman to finalize Statistical assessment report (July)
- Workshop on Liquidity forecast and management in Kuwait hosted by CBK (October)
- Attending the European Systemic Risk Board workshop in Frankfurt on Macroprudential (November)
- Participation in workshop in Kuwait hosted by CBK on Macroeconomic forecasting (November)
- High-level meeting on Statistical assessment organized jointly by GCC-Stat and GMCo in Kuwait and hosted by CBK (December)
- First mission to CBK on liquidity (December – following high-level meeting)

- Each one is discussed below.

4.1 Mission to GCC Stat headquarters in Oman to discuss Statistical assessment report (January 29 - 31)

The mission took place in the context of a joint collaboration between GMCo and GCC-Stat regarding assessment of the statistical needs of both GMCo and GCC members. The Monetary Union Agreement mandates GMCo to ensure that the statistical systems of its members are adequate and fully comply with international standards in order to achieve the objectives of monetary union.

GCC-Stat must similarly ensure that the statistical systems of all GCC members comply with those standards. Given the overlapping mandate between the two organizations, the Committee of Governors of the Monetary Authorities and Central Banks of the GCC (Committee of Governors) requested that they carry out the assessment jointly.

External consultants were contracted by GCC-Stat to lead missions to assess monetary and financial, external sector and government finance statistics. A GMCo team joined them to visit the four GMCo member countries between October and December 2017. Detailed reports for each of GMCo members were shared with the respective NCBs and their comments were included accordingly. The four country reports were then combined in a consolidated version entitled "Report on Assessment of Statistical Readiness for Monetary Union in the GCC Region". The mission was meant to finalize this consolidated version.

The report was subsequently discussed on February 26, 2018 by the Steering Committee on Statistical Readiness of Countries for Monetary Union by video conference linking GMCo and GCC-Stat. The report was formally adopted and GMCo was requested to submit it formally to its Board for approval and follow-up. Subsequently, the two organizations decided to hold a High-level Workshop on December 19, 2018 (see below) to discuss its findings and recommendations.

4.2 Workshop on Financial Supervision in Kuwait hosted by CBK presented by Deutsche Bundesbank (March 20 - 21)

The workshop was hosted by CBK and involved two presenters, respectively from Deutsche Bundesbank and BaFin, the Federal financial supervisory authority in Germany. Participants benefited from the exchange and some of them actively engaged with the presenters.

4.3 Mission to GCC Stat headquarters in Oman to finalize Statistical assessment report (July 30 - 31)

The mission report had been circulated among NCBs and comments were received by some of them. GMCo integrated the relevant ones and submitted the updated version to GCC-Stat. The purpose of the mission, which coincided with a high-level GCC meeting to which GMCo was invited, was to finalize the report in light of the comments received. Discussions took place between the two organizations and a final version was agreed upon.

4.4 Workshop on Liquidity forecast and management in Kuwait hosted by CBK (October 16 - 17)

The topic was chosen as a result of several IMF's reports pointing out the need to strengthen liquidity management among GCC members. The workshop was well attended with representatives of all six GCC countries present. Each delegation was requested to make a presentation on the way the respective central bank forecasts, analyze and manage liquidity. The workshop was graciously supported by the ECB and the IMF, the representatives of each made presentations that were well received by participants.

4.5 Attending the European Systemic Risk Board workshop in Frankfurt on Macroprudential (October 31)

GMCo's attendance at this workshop was based on the interest with the topic and the possibility that it could be the subject of a future exchange among GCC members. Presenters came from national central banks of various countries such as England, Canada, Norway, Poland, US (Federal Reserve) etc. and international organizations such as IMF, BIS etc. Several presentations were highly theoretical and largely academic with little operational usefulness. However, a few others were more focused, interesting and of much operational value. Overall, it was a useful event for GMCo in part also because of the discussions taking place on the sides with colleagues from the International Department of the ECB who have been up to now very supportive of GMCo.

4.6 Participation in workshop in Kuwait hosted by CBK on Macroeconomic forecasting (November 4)

The workshop was organized by the General Secretariat of the GCC for the benefit of its members and was hosted by CBK. GMCo gave a presentation entitled, "Macroeconomic forecasting as part of economic policymaking process: an Overview of best practices." It dealt with several issues among which what is a macroeconomic model; the reason why forecasts were often wrong; examples of forecasts etc.

4.7 High-level meeting in Kuwait hosted by CBK on Statistical assessment (December 19)

The high-level information meeting was organized jointly by GCC STAT and GMCo and hosted by the CBK. The purpose of the meeting was to present the findings and conclusions of the Statistical assessment report (as mentioned above). It was agreed to take forward the proposed road map including the following tasks:

- Member countries are entitled to draw up work plans to close deviations from international standards for priority datasets.
- All countries are entitled to report Standardized Report Forms to GCC-Stat for banks and central banks.

- Work to start on developing standardized regional report forms.
- Member countries working together with GCC-stat and GMCo to prepare heat maps by country by major dataset to guide the work ahead.
- GMCo and GCC-Stat have to provide annual reports to GMCo Board of Directors and GCC Committee of Governors of Central Banks on progress in implementing the road maps.

It remains to be seen whether the recommendations will actually be implemented and according to which timeframe.

Box 1: IMF Standards for Data Dissemination - GCC Members and some other countries

SDDS Plus	SDDS	e-GDDS with NSDP	e-GDDS
Canada	Egypt	Oman	Bahrain
France	Jordan	Qatar	Kuwait
Germany	Morocco	UAE	KSA
Italy	Tunisia		
Netherlands	West Bank & Gaza		
Portugal			
Spain			
Sweden			
United States			

GDDS: General Data Dissemination System; e-GDDS: Enhanced GDDS; SDDS: Special Data Dissemination Standard; NSDP: National Summary Data Page

There are three levels in the Standards for Data Dissemination (from lowest to highest): e-GDDS; SDDS; and SDDS Plus. The classification system ranks countries on four criteria:

coverage, periodicity, and timeliness of data
public access to data
data integrity
data quality

The SDDS Plus, the highest tier, emphasizes stronger data dissemination practices to enhance transparency and help strengthen the international financial system. According to the IMF, as of end-February 2019, there were 112 participants in the e-GDDS, 57 SDDS subscribers, and 18 SDDS Plus adherents.

As shown in the table, three GCC members are moving to upgrade their system and have now a NSDP. All GCC countries have undertaken to improve on their system. Among GMCo members, the following measures can be pointed out:

Bahrain: A medium term plan is being implemented to improve data collection and dissemination. CBB is considering to use the standardized report forms (SRFs) to report monetary data and to release balance of payments statistics on a quarterly basis in 2019.

Kuwait: A medium term plan is also being implemented to enhance data collection and dissemination. CBK is using the standardized forms to report the monetary and financial data to the IMF as per requirements. It is considering expanding the scope of other depository corporations survey to cover mutual funds and other financial corporations survey to cover insurance companies and other financial intermediaries. CBK is working to improve coverage for capital flows of nonfinancial corporations while the Ministry of Finance is implementing a reclassification of the budget in line with Government Finance Statistics Manual 2014.

Qatar: According to the most recent IMF's Article IV report, 11 out of 17 data categories fully meet the SDDS requirements for coverage, periodicity, and timeliness statistical data and advance dissemination of release calendars. Qatar is making commendable progress towards meeting SDDS requirements.

KSA: A national statistical plan to subscribe to SDDS is being implemented. SAMA is now using the standardized report forms (SRFs) to report monetary data as per IMF requirements and is considering expanding the scope of other depository corporations survey to cover mutual funds and other financial intermediaries. Public finance accounts have recently moved to Government Finance Statistics Manual 2014 framework in respect of reporting and publishing data.

4.8 First mission to CBK on liquidity (December – following high-level meeting)

Immediately following the high-level meeting in Kuwait and based on the findings and recommendations of the workshop on liquidity, a GMCo mission met a team from CBK to discuss the preparation and implementation of a liquidity management and forecasting dashboard. CBK was intent then on improving its liquidity forecast and management and wanted to develop a dashboard in that context to facilitate the decision-making process. GMCo was glad to be associated with this important initiative and expressed its full support to the CBK team. It was decided that further exchanges would take place thereafter.

V. The period ahead

INTRODUCTION

This section will discuss GMCo's progress as regard its statutory objectives and the challenges it faced during 2018. It will present GMCo's workplan for the next several years. Three subsections are presented below.

- GMCo's statutory objectives
- Challenges faced by GMCo
- Technical cooperation agreement between GMCo, the IMF and the ECB
- GMCo's workplan for the next several years

5.1 GMCo's statutory objectives

Art 6 of the MUA defines the objectives and tasks of GMCo. The preamble of Art 6 states that the primary objective of GMCo is to prepare the necessary infrastructures to establish the monetary union, especially the Central Bank. This is to be achieved through ten actions listed in Art. 6. GMCo's approach so far has been to allocate the different objectives to two broad implementation phases 1 and 2. Table 22 below lists the objectives and explains ongoing progress towards meeting them.

Table 22: Progress towards meeting GMCo's objectives

Objectives and Tasks	Phases	Comment
1.Enhancement of cooperation among National Central Banks (NCBs) with a view to creating appropriate conditions for the establishment of the Monetary Union	One	GMCo started to engage formally with CBK in December 2018 with an exploratory mission on liquidity forecast and management. GMCo holds at least one workshop annually which provides an opportunity to engage with NCBs. In 2018, the topic chosen was "Liquidity forecast and management." The workshop was attended by all six GCC members and the mission to CBK took place immediately following the event. Engagement with other NCBs is expected in 2019.
2. Development and coordination of the monetary policies and exchange rate policies for national currencies until the establishment of the Central Bank	Two	As above regarding monetary policies. Exchange rate policies will be dealt with in phase two.
3. Following up the adherence to the prohibition on NCBs lending to public entities in Member States and developing appropriate rules of procedures	One	In some member countries, the role of the Ministry of Finance is overbearing and entrenched. Stronger political commitment is required to make national legislation more compatible with the spirit and letter of the Agreement.
4. Drawing up the necessary legal and organizational framework for the CB to carry out its tasks in cooperation with NCBs	Two	Not yet started.

Objectives and Tasks	Phases	Comment
5. Development of necessary statistical systems with view to achieving the objectives of the Monetary Union	One	In December 2018, a high-level meeting organized jointly by GCC-Stat and GMCo took place with all the six GCC members. The purpose was to discuss a consolidated report on their statistical systems and propose recommendations to close gaps identified within each of the macro-sectors. Implementation of the recommendations rests mostly with member countries, some of which have started to close those gaps and improve on their ranking on international statistical standards.
6. Preparation for the introduction of the banknotes and coins of the single currency and developing a uniform framework for the introduction and circulation of the single currency in the single currency area	Two	Not yet started.
7. Ensuring readiness of the payment and settlement systems related to the single currency	Two	GMCo is aware that a technical committee and GCC Payment system company are working to modernize the payment and settlement systems of all six GCC members. During the 69th Meeting for GCC Governors Committee of Central Banks and Monetary authorities, Riyadh was selected as headquarter for the GCC payment and settlement system and the Data center redundancy in UAE. An initial capital has been put up and an executive manager appointed. The GCC Technical Committee for Payment Systems held its 61st meeting in July 2018, at CBK premises. During the meeting they discussed a number of technical and operational issues, including; latest development in linking and setting up RTGS systems in GCC countries (GCC – RTGS), cyber security issues, and review operations, business plan and budget estimate of GCC payment system company. GMCo should be associated with this initiative.

Objectives and Tasks	Phases	Comment
8. Following up fulfillment by the Member States of their obligations to the Monetary Union and the introduction of single currency, in particular those related to the economic convergence criteria	One	GCMo regularly updates the economic convergence analysis of member countries on its web site as well as in its annual report. A formal engagement process on the basis of the findings between GMCo and the member countries should be in place.
9. Setting the timeframe for the introduction and circulation of the single currency	Two	Not yet started.
10. Making recommendations to the GCC on the legislation required for establishing the Monetary Union and the CB and introducing the single currency	Two	Not yet started.

Source: GMCo

5.2 Challenges faced by GMCo to achieve its objectives

The challenges faced by GMCo to achieve its objectives were analyzed in the 2017 annual report. They were still the same in 2018 and can be summarized as follows:

- Need for stronger institutional support
- Need for other highly experienced staff with hands-on experience
- Ongoing uncertainty in the region
- Greater cooperation between GMCo and GCC membership

5.2.1 Need for stronger institutional support

The institutional environment within which GMCo operates needs to be strengthened with the national authorities and the GCC entities and committees.

There is no equivalent of an executive entity such as the European Commission amidst the institutional landscape of GMCo. The General Secretariat of the GCC should be encouraged to play this role.

5.2.2 Need for experienced staff with hands-on experience

To hire and retain experienced staff is quite a challenge for GMCo. There are several aspects to this issue:

- there is a real scarcity of talented and highly skilled staff in the region
- demand for such staff has increased noticeably, especially in KSA as the country is setting up several new entities to pursue its ambitious reform agenda

Table 23: GMCo staff in 2017 and 2018

Unit/Department	Number of staff	
	2017	2018
Office of the President	4	4
Human Resource & Administration	6	7
Finance	3	3
Legal	2	1
Internal Audit	1	1
Information Technology	7	5
Economic, Research and Statistics	7	4
Board Secretary	1	1
Total	**31**	**26**

Source: GMCo

GMCo has recently increased its benefit to be able to attract and retain staff. It will continue to review its package in the years ahead.

5.2.3 Ongoing uncertainty in the region

The ongoing uncertainty in the region notwithstanding, the Board continues to meet in a business-as-usual mode. However, the uncertainty curtails the political will to move the monetary union agenda forward. Moreover, it makes the task of engaging with some of the national authorities more difficult.

5.2.4 Greater cooperation between GMCo and GCC membership

Four countries are members of GMCo and six are part of GCC. Greater cooperation is needed between the Secretariat General of the GCC and GMCo to smooth out the differences in membership between the two organizations for the sake of all GCC members. An example to show why this closer interaction would be beneficial is the technical committees set out to work on the payment system, the monetary and financial statistics and the banking supervision of GCC members. GMCo should be associated with those committees given that the subjects are all part of its mandates.

5.3 Technical cooperation agreement between GMCo, the IMF and the ECB

GMCo has signed Memoranda of Understanding (MoU) with both ECB and the IMF providing frameworks for an exchange of information and technical cooperation. The agreement with the IMF is based on cost sharing. It provides for possible joint missions; long-term resident experts and peripatetic expert visits. The Monetary and Capital Markets (MCM) department of the IMF is the lead unit. GMCo plans to review the agreement with the IMF to reactivate it. GMCo is in a better position to do so now that it has identified the needs and priorities of its member countries.

5.4 GMCo's work plan

Consistent with the studies and reports discussed in chapter IV above and broadly aligned with the proposed tasks in the MoU agreement with the IMF, GMCo's work plan for the next three years revolves around the following thematic areas:

- Statistics
- Fiscal policy issues
- Monetary policy
- Exchange Rate Policy
- Financial Stability and Banking Supervision
- Payment and settlement systems

Table 24 below summarizes the actions carried out or expected in the coming period.

Table 24: GMCo's Work Plan

Thematic areas	Action/Proposal	Comment
Statistics	Ensure that member countries' definitions, classifications, coverage, standard presentations and reporting are all consistent with international standards (such as IMF's SDDS)	As shown in Box 2 above, all six GCC members are still on the lowest rung of the IMF's statistical classification system although Oman, Qatar and UAE have now established a National Summary page (1 step above the e-GDDS). (see consolidated report immediately below)
	Provide support to national authorities as required	The consolidated report on statistical assessment provides guidance on how to move up the system for each of the four macro-sectors. GMCo has indicated to all of its four member countries its eagerness to support their respective effort to upgrade their systems and move up the classification

Thematic areas	Action/Proposal	Comment
Fiscal policy issues	GMCo prepared a report to highlight the strengths and weaknesses of GCC members as regard their respective budget laws and lower level regulations and decrees	The report was shared with GMCo Board and the Ministry of Finance in KSA. It is hoped that GMCo will be able to engage with Ministries of Finance of other members in the future
Monetary policy	Harmonize the use of indirect monetary policy instruments among NCBs (including but not limited to harmonizing reserve requirement rates; use of cross border collaterals; averaging calculation of reserve requirements over maintenance periods etc.)	Different NCBs have different reserve requirement ratio, some distinguishing between current and savings account, some using averaging ratios others net etc.. GMCo intends to engage with its member countries' NCBs in 2019 for the purpose of harmonizing reserve requirement systems (including calculations) on the basis of international best practices as per GMCo mandate.
	Strengthen liquidity forecasting and macroeconomic analysis among NCBs	As mentioned above, GMCo carried out an exploratory mission with CBK on the subject. It will engage equally with SAMA and other NCBs in 2019
	Strengthen macro-modeling techniques to improve forecasts and central bank intervention	Expected in 2019
	Explore the issue of how to increase the depth and liquidity of financial markets among GCC members	This is a complex issue which is better addressed in the context of liquidity management. NCBs should encourage banks to trade among themselves to meet their respective liquidity needs before trading with central banks
Exchange Rate Policy		Not yet started

Thematic areas	Action/Proposal	Comment
Financial stability/banking supervision	Engage with the NCBs and other regulatory entities among Member countries on the tools and instruments currently used for micro and macro prudential policymaking	Not yet started
	Initiate the coordination among all the national regulatory and supervisory entities	Not yet started
Islamic finance	Engage with the NCBs on the need for greater harmonization of regulations and supervision especially with respect to critical issues (National Shariah-boards; deposit insurance scheme; resolution frameworks; treatment of profit-and-loss investment accounts etc.) on the basis of the Islamic Financial Services Board (IFSB) document, "Core Principles for Islamic Finance Regulation (Banking segment)" Encourage and assist NCBs to expand the supply of Shariah-compliant instruments and developing further the secondary market for Islamic banking instruments	GMCo would like to join IFSB at some point in the future
Payment and settlement systems	A Committee has been set up to look into improving payment and settlement systems and speeding them up	A newly established public company is working on the subject. GMCo should be associated with the effort given that it is part of its mandate

Source: GMCo

Statistical Annex

Table A1: Balance of Payments (In Million, National Currency)

		2014	2015	2016	2017	2018
Bahrain	Current Account	573	-283	-561	-602	-835
	Exports	8,835	6,219	4,807	5,781	6,865
	of which: Oil Exports	545	291	229	3,163	4,064
	Imports	7,439	5,907	5,109	6,045	7,185
	Services	679	948	1,315	1,337	1,495
	Income	-614	-653	-675	-748	-781
	Transfers	-889	-890	-899	-927	-1,229
	Capital & financial Account	-593	-1,324	548	658	1,305
	Errors and omissions	291	608	-402	6	-647
	Overall Balance	271	-999	-415	62	-176
	Change in Reserve Assets	-271	999	415	-62	176
	Total Foreign reserves	2,277	1,278	920	991	761
Saudi Arabia	Current Account	276,593	-212,714	-89,410	39,241	264,774
	Exports	1,283,345	762,117	685,660	829,876	1,101,994
	of which: Oil Exports	1,067,091	573,412	510,729	638,403	868,442
	Imports	589,482	587,021	471,828	453,980	460,103
	Services	-330,107	-275,858	-198,803	-226,663	-240,714
	Income	61,972	64,800	58,975	40,117	26,675
	Transfers	-145,252	-167,651	-158,698	-143,442	-153,998
	Capital & financial Account	-216,323	-164,683	36,891	-182,568	-260,803
	Errors and omissions	-35,413	-57,361	-249,808	-4,324	-3,350
	Overall Balance	24,857	-434,758	-302,328	-147,652	621
	Change in Reserve Assets	-24,857	434,758	302,328	147,652	-621
	Total Foreign reserves	2,725,684	2,294,595	2,000,838	1,851,823	1,853,057
Qatar	Current Account	179,852	50,053	-30,101	23,389	60,614
	Exports	461,197	281,351	208,604	245,694	306,810
	of which: Oil Exports	413,039	234,749	170,128	206,802	263,943
	Imports	-113,369	-103,726	-116,240	-111,987	-121,238
	Services	-70,371	-57,433	-59,571	-49,944	-51,802
	Income	-33,854	-12,978	-4,038	-1,527	-13,633
	Transfers	-63,751	-57,161	-58,856	-58,847	-59,523
	Capital & financial Account	-179,004	-71,610	13,840	-92,648	1,035
	Errors and omissions	3,860	1,526	-4,249	4,188	-3,915
	Overall Balance	4,708	-20,031	-20,510	-65,071	57,734
	Change in Reserve Assets	-4,708	20,031	20,510	65,071	-57,734
	Total Foreign reserves	156,841	135,512	115,470	54,261	110,845

		2014	2015	2016	2017	2018
Kuwait	Current Account	15,479	1,208	-1,528	2,913	6,158
	Exports	29,737	16,382	14,052	16,745	21,826
	of which: Oil Exports	27,753	14,582	12,527	15,034	19,745
	Imports	-7,678	-7,986	-8,154	-8,950	-9,462
	Services	-5,149	-6,011	-6,049	-6,128	-7,341
	Income	4,451	3,819	3,861	5,696	5,620
	Transfers	-5,884	-4,996	-5,238	-4,449	-4,485
	Capital & financial Account	-14,896	-3,339	2,593	-4,821	-6,250
	Errors and omissions	-220	1,244	-104	2,505	1,231
	Overall Balance	363	-886	960	597	1,140
	Change in Reserve Assets	-363	886	-960	-597	-1,140
	Total Foreign reserves	8,565	7,768	8,858	9,476	10,543
Oman	Current Account	1,617	-4,206	-4,821	-4,222	-1,671
	Exports	20,596	13,720	10,591	12,645	16,045
	of which: Oil Exports	13,527	8,144	6,136	7,366	10,487
	Imports	-10,723	-10,214	-8,185	-9,275	-9,092
	Services	-2,647	-2,622	-2,469	-2,600	-2,767
	Income	-1,648	-864	-795	-1,218	-2,030
	Transfers	-3,961	-4,226	-3,965	-3,774	-3,829
	Capital & financial Account	-827	4,617	1,614	3,407	2,949
	Errors and omissions	-361	-176	-408	-251	-287
	Overall Balance	429	235	-3,615	-1,066	990
	Change in Reserve Assets	-429	-235	3,615	1,066	-990
	Total Foreign reserves	6,277	6,746	7,791	6,186	6,686
UAE	Current Account	200,136	64,544	48,533	101,069	139,095
	Exports	1,260,758	1,104,252	1,084,238	1,152,284	1,164,593
	of which: Oil Exports	374,228	225,859	170,716	213,645	243,266
	Imports	862,187	822,860	881,700	905,316	864,989
	Services	-96,966	-77,653	-18,012	-4,803	-1,701
	Income	2,402	6,404	7,705	10,207	7,305
	Transfers	-103,771	-145,699	143,698	-151,403	-166,113
	Capital & financial Account	-153,304	-11,808	-71,048	-62,643	-123,084
	Errors and omissions	-13,509	3,602	-3,502	-2,001	-3,002
	Overall Balance	33,423	56,238	-26,018	36,425	13,009
	Change in Reserve Assets	-33,423	-56,238	26,018	-36,425	-13,009
	Total Foreign reserves	288,247	345,147	313,610	350,260	365,426

Source: National Central Banks

Table A2: Consumer Price Index (base year 2007 = 100)

		2014	2015	2016	2017	2018
Bahrain	CPI	117.8	120.0	123.3	125.0	127.6
	Inflation	2.6	1.8	2.8	1.4	2.1
	Food and beverages	141.4	144.8	146.7	148.2	151.3
	Tobbaco	144.6	149.7	188.5	198.4	273.2
	Clothing and Footwear	110.3	110.7	108.0	108.9	107.9
	Housing, Water, Electricity and Fuel	100.5	105.1	108.3	112.0	113.4
	Furniture and Household Goods	138.2	139.1	141.7	143.7	143.5
	Medical Care	110.1	114.0	113.5	112.5	117.4
	Transportation	109.2	108.9	123.2	121.6	132.4
	Communications	87.3	87.0	87.0	86.9	86.4
	Culture and Entertainment	139.0	140.7	142.7	144.3	141.8
	Education	126.7	130.4	133.6	136.7	138.1
	Restaurants and Hotels	110.2	111.1	111.8	113.8	114.6
	Miscellaneous Goods and Services	141.7	140.4	141.4	143.5	146.1
Saudi Arabia	CPI	129.5	131.1	133.8	132.7	136.0
	Inflation	2.2	1.2	2.1	-0.8	2.5
	Food and beverages	142.4	143.3	141.4	140.3	149.4
	Tobbaco	160.1	162.6	185.6	235.3	293.9
	Clothing and Footwear	105.7	107.0	108.0	104.8	97.4
	Housing, Water, Electricity and Fuel	161.3	165.2	173.2	172.0	169.8
	Furniture and Household Goods	124.7	125.9	126.4	124.1	125.9
	Medical Care	110.9	113.4	115.8	115.8	120.2
	Transportation	112.5	113.6	122.1	119.6	132.4
	Communications	94.3	93.6	93.9	92.9	94.1
	Culture and Entertainment	106.0	106.4	104.7	101.6	102.8
	Education	118.3	119.4	123.1	123.7	124.1
	Restaurants and Hotels	127.8	130.2	130.6	131.3	141.1
	Miscellaneous Goods and Services	118.6	119.7	120.6	120.5	120.8

		2014	2015	2016	2017	2018
Qatar	CPI	117.4	119.5	122.7	123.2	123.6
	Inflation	3.4	1.8	2.7	0.4	0.3
	Food and beverages	132.3	133.4	130.9	133.4	133.3
	Tobbaco	143.4	156.4	156.4	156.4	156.4
	Clothing and Footwear	114.9	114.7	115.5	114.1	116.7
	Housing, Water, Electricity and Fuel	103.8	106.7	111.0	107.6	103.8
	Furniture and Household Goods	127.4	128.3	130.2	130.8	132.9
	Medical Care	131.6	131.6	130.6	133.5	138.9
	Transportation	126.4	131.6	136.1	146.0	156.1
	Communications	82.6	82.3	82.4	81.9	76.8
	Culture and Entertainment	117.4	114.2	122.6	120.2	117.7
	Education	150.1	170.3	180.0	184.0	192.4
	Restaurants and Hotels	119.4	120.1	119.0	117.1	117.8
	Miscellaneous Goods and Services	139.3	138.8	142.3	142.5	143.3
Kuwait	CPI	133.2	137.9	142.8	145.1	145.9
	Inflation	3.1	3.5	3.5	1.7	0.6
	Food and beverages	145.5	149.5	152.5	152.6	152.7
	Tobbaco	140.0	147.8	148.2	150.1	167.3
	Clothing and Footwear	131.2	131.4	132.6	134.4	133.8
	Housing, Water, Electricity and Fuel	133.7	141.5	150.1	150.0	148.3
	Furniture and Household Goods	137.9	142.9	146.1	151.2	154.3
	Medical Care	127.3	129.4	131.0	131.4	133.8
	Transportation	125.0	126.1	131.3	144.6	146.5
	Communications	99.5	99.9	102.2	101.5	105.2
	Culture and Entertainment	128.0	127.8	125.4	129.3	134.6
	Education	130.5	136.4	141.7	145.8	147.8
	Restaurants and Hotels	128.6	136.0	145.6	150.5	153.2
	Miscellaneous Goods and Services	127.5	130.6	131.4	133.7	138.4

		2014	2015	2016	2017	2018
Oman	CPI	131.2	131.3	132.3	134.5	135.6
	Inflation	1.0	0.1	0.8	1.6	0.9
	Food and beverages	138.3	137.1	135.5	136.3	135.3
	Tobbaco	127.5	132.2	140.0	164.3	164.4
	Clothing and Footwear	112.1	111.0	110.8	110.7	110.1
	Housing, Water, Electricity and Fuel	140.9	141.5	142.6	144.9	145.6
	Furniture and Household Goods	135.1	137.2	138.0	142.0	142.5
	Medical Care	119.6	123.7	125.0	125.4	122.0
	Transportation	115.8	115.7	122.7	128.1	133.5
	Communications	80.1	80.6	80.2	78.4	78.2
	Culture and Entertainment	106.8	106.7	106.3	106.7	106.1
	Education	161.3	167.9	172.9	178.7	186.2
	Restaurants and Hotels	135.5	136.0	136.3	136.6	137.0
	Miscellaneous Goods and Services	177.4	177.2	177.5	180.3	182.0
UAE	CPI	120.8	125.8	127.8	130.3	134.3
	Inflation	2.3	4.1	1.6	2.0	3.1
	Food and beverages	143.1	144.9	146.3	148.1	153.3
	Tobbaco	148.5	150.3	151.9	179.9	282.0
	Clothing and Footwear	109.4	107.7	111.2	111.4	128.2
	Housing, Water, Electricity and Fuel	111.6	121.5	125.8	126.9	123.0
	Furniture and Household Goods	132.3	135.2	135.6	137.1	143.4
	Medical Care	107.8	108.1	110.0	114.3	114.3
	Transportation	121.9	124.3	119.2	125.6	139.5
	Communications	98.7	98.8	98.0	96.5	99.9
	Culture and Entertainment	116.5	116.5	116.9	111.4	120.9
	Education	153.5	159.3	166.0	172.9	179.9
	Restaurants and Hotels	141.7	145.4	148.5	150.1	161.2
	Miscellaneous Goods and Services	127.3	130.1	131.1	144.7	149.8

Source: GCC-STAT

Table A3: Monetary Survey (In Million, National Currency)

		2014	2015	2016	2017	2018
Bahrain	Net Foreign Assets	2,290	800	230	-38	-405
	Net Domestic Assets	9,346	11,095	11,792	12,560	13,027
	Claims on Private Sector	8,019	8,627	8,756	8,970	9,861
	Net Claims on Government	3,466	4,399	5,627	6,094	6,058
	Other Net Domestic Assets	-2,140	-1,931	-2,591	-2,505	-2,891
	Money Supply M2/M3	11,635	11,895	12,022	12,521	12,622
Saudi Arabia	Net Foreign Assets	2,868,596	2,506,009	2,120,078	1,976,292	1,956,765
	Net Domestic Assets	-1,126,707	-720,427	-320,370	-171,121	-103,119
	Claims on Private Sector	1,270,481	1,384,858	1,417,920	1,405,210	1,445,252
	Net Claims on Government	-1,461,359	-1,037,377	-641,672	-429,348	-322,572
	Other Net Domestic Assets	-935,829	-1,067,908	-1,096,619	-1,146,983	-1,225,799
	Money Supply M2/M3	1,741,889	1,785,582	1,799,708	1,805,171	1,853,645
Qatar	Net Foreign Assets	124,655	47,185	-59,356	-74,438	-89,310
	Net Domestic Assets	379,370	474,198	556,904	677,770	653,318
	Claims on Private Sector	537,181	598,744	619,315	659,235	720,471
	Net Claims on Government	72,808	132,174	197,313	237,646	204,771
	Other Net Domestic Assets	-230,618	-256,720	-259,724	-219,110	-271,923
	Money Supply M2/M3	504,025	521,383	497,548	603,332	564,008
Kuwait	Net Foreign Assets	15,971	15,633	16,999	16,472	18,121
	Net Domestic Assets	18,001	18,907	18,759	20,660	20,485
	Claims on Private Sector	32,706	35,302	36,169	37,199	38,663
	Net Claims on Government	-4,340	-5,153	-4,392	-3,452	-4,355
	Other Net Domestic Assets	-10,365	-11,242	-13,019	-13,087	-13,823
	Money Supply M2/M3	33,973	34,541	35,757	37,132	38,606
UAE	Net Foreign Assets	282,605	246,402	258,816	328,285	418,099
	Net Domestic Assets	842,824	940,417	966,636	947,854	890,333
	Claims on Private Sector	959,046	1,040,059	1,100,058	1,107,744	1,151,835
	Net Claims on Government	218,235	273,210	280,929	276,821	204,536
	Other Net Domestic Assets	-334,457	-372,852	-414,351	-436,711	-466,038
	Money Supply M2/M3	1,125,429	1,186,819	1,225,452	1,276,139	1,308,432
Oman	Net Foreign Assets	6,546	4,608	4,567	4,320	5,134
	Net Domestic Assets	7,221	10,537	10,857	11,749	12,262
	Claims on Private Sector	15,966	18,186	19,986	21,255	22,336
	Net Claims on Government	-2,795	-1,242	-2,450	-2,256	-2,383
	Other Net Domestic Assets	-5,951	-6,406	-6,679	-7,251	-7,691
	Money Supply M2/M3	13,767	15,146	15,424	16,069	17,396

Source: National Central Banks

Table A4: Public Finance (In Million, National Currency)

		2016	2017	2018
KSA	Total Revenues	519,448	691,505	894,711
	Oi Revenues	333,699	435,900	607,400
	Non-Oil Revenues	185,749	255,605	287,311
	Total Expenditures	830,513	929,999	1,030,415
	Current Expenditures	696,358	722,208	825,221
	Compensation of employees	409,463	420,102	473,883
	Purchase of goods and services	150,095	136,120	139,543
	Interest payments	4,948	9,031	16,631
	Subsidies and other current transfers	131,852	156,955	195,164
	Capital Expenditures	134,155	207,791	205,194
	Fiscal balance - Budget	-311,065	-238,494	-135,704
	Fiscal balance - Central Government	-311,065	-238,494	-135,704
	Gross Public Debt - Central Government	316,580	443,252	559,980
Qatar	Total Revenues	170,856	163,272	207,915
	Oi Revenues	140,717	132,988	173,129
	Non-Oil Revenues	30,139	30,284	34,786
	Total Expenditures	221,685	203,265	192,835
	Current Expenditures	122,936	117,186	114,995
	Compensation of employees	59,241	53,121	55,688
	Purchase of goods and services	13,900	14,100	14,500
	Interest payments	8,200	8,200	9,800
	Subsidies and other current transfers	41,595	41,765	35,007
	Capital Expenditures	98,749	86,079	77,840
	Fiscal balance - Budget	-50,829	-39,993	15,080
	Fiscal balance - Central Government	-29,700	-17,800	36,800
	Gross Public Debt - Central Government	258,000	302,300	338,700
UAE	Total Revenues	378,500	404,400	448,500
	Oi Revenues	165,300	198,700	305,800
	Non-Oil Revenues	213,200	205,700	142,700
	Total Expenditures	404,900	427,300	474,600
	Current Expenditures	365,800	390,800	431,300
	Compensation of employees	64,100	78,800	85,700
	Purchase of goods and services	47,300	94,000	95,000
	Interest payments	2,000	1,900	4,000
	Subsidies and other current transfers	252,400	216,100	246,600
	Capital Expenditures	39,100	36,500	43,300
	Fiscal balance - Budget	-26,400	-22,900	-26,100
	Fiscal balance - Central Government	-26,467	-22,906	-27,643
	Gross Public Debt - Central Government	265,091	277,440	291,154

		2016	2017	2018
Kuwait	Total Revenues	13,100	16,000	20,559
	Oi Revenues	11,689	14,282	18,428
	Non-Oil Revenues	1,411	1,717	2,130
	Total Expenditures	17,708	19,247	21,849
	Current Expenditures	15,492	16,742	19,235
	Compensation of employees	6,354	6,747	7,186
	Purchase of goods and services	2,282	2,811	3,000
	Interest payments	0	0	0
	Subsidies and other current transfers	6,857	7,184	9,050
	Capital Expenditures	2,216	2,505	2,613
	Fiscal balance - Budget	-4,608	-3,248	-1,290
	Fiscal balance - Central Government	100	2,387	4,830
	Gross Public Debt - Central Government	5,803	9,319	8,293
Bahrain	Total Revenues	1,898	2,201	2,775
	Oi Revenues	1,436	1,653	2,286
	Non-Oil Revenues	461	549	489
	Total Expenditures	3,532	3,537	3,670
	Current Expenditures	3,121	3,182	3,343
	Compensation of employees	1,429	1,423	1,447
	Purchase of goods and services	448	456	478
	Interest payments	362	479	619
	Subsidies and other current transfers	883	824	799
	Capital Expenditures	411	355	327
	Fiscal balance - Budget	-1,635	-1,336	-895
	Fiscal balance - Central Government	-2,137	-1,890	-1,685
	Gross Public Debt - Central Government	9,858	11,756	13,443
Oman	Total Revenues	8,150	8,635	10,821
	Oi Revenues	5,319	6,337	8,709
	Non-Oil Revenues	2,831	2,298	2,112
	Total Expenditures	12,637	12,275	13,584
	Current Expenditures	9,726	9,631	10,707
	Compensation of employees	3,306	3,366	3,214
	Purchase of goods and services	995	934	727
	Interest payments	138	372	618
	Subsidies and other current transfers	5,287	4,959	6,147
	Capital Expenditures	2,911	2,644	2,877
	Fiscal balance - Budget	-4,487	-3,639	-2,763
	Fiscal balance - Central Government	-4,487	-3,639	-2,763
	Gross Public Debt - Central Government	7,598	11,602	15,731

Source: National Ministries of Finance, National Central Banks and IMF.

Table A5: Oil & Gas Statistics

		2014	2015	2016	2017	2018
Bahrain	Proven Crude Oil Reserves (Million Barrels)	120.0	120.0	120.0	120.0	120.0
	Proven Natural Gas Reserves (Million Barrels)	1,013.1	961.6	1,022.4	1,073.5	1,073.5
	Crude Oil Production (1,000 b/d)	202.4	201.5	202.0	197.1	194.2
	NGL Production (1,000 b/d)	21.0	21.0	20.0	13.5	15.2
	Gross Natural Gas Production (1,000 b/d)	237.5	238.4	232.1	233.7	239.7
Kuwait	Proven Crude Oil Reserves (Million Barrels)	101,500.0	101,500.0	101,500.0	101,500.0	101,500.0
	Proven Natural Gas Reserves (Million Barrels)	10,495.3	10,495.3	10,495.3	10,495.3	10,495.3
	Crude Oil Production (1,000 b/d)	2,866.8	2,858.7	2,954.3	2,704.2	2,736.6
	NGL Production (1,000 b/d)	144.846	185.632	201.560	205.621	175.194
	Gross Natural Gas Production (1,000 b/d)	242.2	272.5	278.7	275.6	285.9
Qatar	Proven Crude Oil Reserves (Million Barrels)	25,244.0	25,244.0	25,244.0	25,244.0	25,244.0
	Proven Natural Gas Reserves (Million Barrels)	144,317.6	142,951.4	141,618.5	140,374.3	140,288.0
	Crude Oil Production (1,000 b/d)	709.2	656.0	651.5	600.0	600.6
	NGL Production (1,000 b/d)	1,228.0	1,355.0	1,333.6	1,296.9	1,355.0
	Gross Natural Gas Production (1,000 b/d)	2,805.4	2,924.5	2,946.8	2,636.9	2,926.9

		2014	2015	2016	2017	2018
KSA	Proven Crude Oil Reserves (Million Barrels)	266,578.0	266,455.0	266,208.0	266,260.0	267,026.0
	Proven Natural Gas Reserves (Million Barrels)	49,940.0	50,524.7	50,707.6	51,267.9	53,352.0
	Crude Oil Production (1,000 b/d)	9,712.7	10,192.6	10,460.2	9,959.2	10,317.3
	NGL Production (1,000 b/d)	1,299.7	1,359.3	1,264.0	1,245.0	1,314.0
	Gross Natural Gas Production (1,000 b/d)	1,650.1	1,683.5	1,786.8	1,853.6	1,901.9
UAE	Proven Crude Oil Reserves (Million Barrels)	97,800.0	97,800.0	97,800.0	97,800.0	97,800.0
	Proven Natural Gas Reserves (Million Barrels)	35,833.4	35,833.4	35,833.4	35,833.4	35,833.4
	Crude Oil Production (1,000 b/d)	2,794.0	2,988.9	3,088.3	2,966.5	3,008.3
	NGL Production (1,000 b/d)	539.5	613.8	653.6	630.5	641.3
	Gross Natural Gas Production (1,000 b/d)	874.3	970.0	997.1	871.7	767.6
OMAN	Proven Crude Oil Reserves (Million Barrels)	5,151.0	5,306.0	5,373.0	5,373.0	5,373.0
	Proven Natural Gas Reserves (Million Barrels)	5,588.9	5,477.1	5,203.2	5,203.2	5,203.2
	Crude Oil Production (1,000 b/d)	856.1	885.2	908.7	883.9	870.0
	NGL Production (1,000 b/d)	87.1	95.9	95.5	86.7	108.5
	Gross Natural Gas Production (1,000 b/d)	462.7	482.4	491.3	503.3	543.5

Source: OPEC, National Sources and BP

Table A6: GDP by income (constant prices, Million National Currency)

		2014	2015	2016	2017	2018
KSA (2010=100)	Agriculture, hunting, forestry; fishing	59,381.6	59,743.8	60,122.4	60,422.0	60,617.2
	Mining and quarrying	972,729.0	1,018,485.2	1,046,784.9	1,010,103.7	1,046,918.1
	of which: Crude Petroleum & Natural Gas	963,411.1	1,008,782.2	1,037,257.4	1,000,160.2	1,036,739.8
	Manufacturing	279,986.5	298,441.6	307,987.1	311,981.6	318,529.2
	of which: Petroleum Refining	74,173.3	83,546.9	94,610.2	96,533.0	94,376.0
	Electricity, gas and water supply	31,282.2	32,927.7	33,688.5	34,131.9	34,776.3
	Construction	120,213.5	125,184.4	121,203.0	117,258.7	113,171.5
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	225,420.4	231,744.3	228,073.8	229,378.3	231,568.9
	of which: hotels and restaurants	N/A	N/A	N/A	N/A	N/A
	Transport, storage and communications	136,601.8	144,518.7	148,466.7	151,789.3	154,945.7
	Financial intermediation; real estate, renting and business activities	225,598.4	230,835.9	237,143.1	249,793.6	257,692.4
	of which: financial intermediation	106,216.8	107,345.6	109,916.5	115,357.0	119,679.7
	Public administration and defense; compulsory social security	346,098.6	353,948.5	354,519.0	355,600.4	366,165.3
	Education; health and social work; other community, social and personal services	47,907.8	48,812.5	49,648.5	50,323.3	52,918.1
	Private households with employed persons	N/A	N/A	N/A	N/A	N/A
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-20,346.8	-20,531.0	-20,709.0	-20,962.6	-21,232.3
	Taxes less Subsidies on products	19,968.2	21,124.7	20,829.6	18,749.0	15,020.7
	GROSS DOMESTIC PRODUCT	2,444,841.0	2,545,236.2	2,587,757.6	2,568,569.3	2,631,091.1
	of which: Oil GDP	963,411.1	1,008,782.2	1,037,257.4	1,000,160.2	1,036,739.8
	of which: Non Oil GDP	1,481,808.6	1,535,860.3	1,550,379.5	1,570,622.7	1,600,562.9

		2014	2015	2016	2017	2018
Qatar (2013=100)	Agriculture, hunting, forestry; fishing	868.7	935.9	1,020.1	1,103.9	1,195.8
	Mining and quarrying	400,485.9	398,082.8	394,460.8	391,609.7	383,717.0
	of which: Crude Petroleum & Natural Gas	N/A	N/A	N/A	N/A	N/A
	Manufacturing	76,888.2	80,269.9	80,628.0	81,434.6	86,474.9
	of which: Petroleum Refining	N/A	N/A	N/A	N/A	N/A
	Electricity, gas and water supply	3,326.2	3,566.4	3,713.1	3,744.8	3,376.0
	Construction	48,286.2	58,140.6	74,692.4	87,738.2	97,934.2
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	53,768.2	56,602.9	51,139.0	50,677.0	50,790.1
	of which: hotels and restaurants	6,221.8	6,078.6	6,040.6	6,155.4	6,532.2
	Transport, storage and communications	25,085.8	26,785.2	27,902.3	27,837.3	28,587.8
	Financial intermediation; real estate, renting and business activities	92,477.8	101,207.7	108,628.3	114,651.5	117,420.7
	of which: financial intermediation	43,786.8	47,517.3	51,758.5	55,864.4	57,742.5
	Public administration and defense; compulsory social security	40,294.8	43,407.6	42,331.1	41,761.4	42,920.0
	Education; health and social work; other community, social and personal services	27,476.2	29,638.3	33,160.5	33,373.3	34,093.8
	Private households with employed persons	2,970.3	3,236.0	3,493.2	3,623.7	3,690.7
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-22,048.9	-23,958.0	-25,975.3	-29,372.0	-30,455.9
	Taxes less Subsidies on products	2,271.9	1,745.9	1,084.3	674.1	693.2
	GROSS DOMESTIC PRODUCT	752,151.3	779,661.2	796,277.8	808,857.7	820,438.1
	of which: Oil GDP	400,485.9	398,082.8	394,460.8	391,609.7	383,717.0
	of which: Non Oil GDP	349,393.5	379,832.5	400,732.7	416,573.8	436,027.9

		2014	2015	2016	2017	2018
Bahrain (2010=100)	Agriculture, hunting, forestry; fishing	33.7	32.7	34.9	34.6	36.0
	Mining and quarrying	2,377.8	2,379.3	2,386.5	2,377.9	2,352.3
	of which: Crude Petroleum & Natural Gas	2,299.3	2,296.9	2,295.5	2,278.3	2,249.3
	Manufacturing	1,642.5	1,695.0	1,783.3	1,802.5	1,836.3
	of which: Petroleum Refining	N/A	N/A	N/A	N/A	N/A
	Electricity, gas and water supply	159.4	167.1	165.2	172.1	237.2
	Construction	765.3	810.7	857.0	872.0	921.2
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	760.4	778.9	799.1	869.9	867.0
	of which: hotels and restaurants	262.8	270.8	275.5	301.6	298.2
	Transport, storage and communications	787.0	840.6	861.5	914.5	951.7
	Financial intermediation; real estate, renting and business activities	2,466.3	2,519.6	2,650.4	2,791.8	2,830.2
	of which: financial intermediation	1,846.2	1,888.7	1,972.9	2,070.9	2,089.2
	Public administration and defense; compulsory social security	935.2	963.0	993.6	1,028.3	1,087.2
	Education; health and social work; other community, social and personal services	1,147.5	1,185.5	1,249.4	1,338.5	1,381.3
	Private households with employed persons	90.1	96.2	107.2	117.8	110.4
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	0.0	0.0	0.0	0.0	0.0
	Taxes less Subsidies on products	85.3	104.2	86.6	110.1	133.9
	GROSS DOMESTIC PRODUCT	11,250.6	11,572.7	11,974.7	12,430.1	12,744.6
	of which: Oil GDP	2,299.3	2,296.9	2,295.5	2,278.3	2,249.3
	of which: Non Oil GDP	8,866.0	9,171.6	9,592.7	10,041.7	10,361.4

Kuwait (2010=100)		2014	2015	2016	2017	2018
	Agriculture, hunting, forestry; fishing	177.4	167.9	168.8	174.6	188.5
	Mining and quarrying	22,849.3	22,680.4	23,143.6	21,466.2	21,736.9
	of which: Crude Petroleum & Natural Gas	22,849.3	22,680.4	23,143.6	21,466.2	21,736.9
	Manufacturing	2,382.0	2,247.3	2,694.1	2,687.0	2,683.4
	of which: Petroleum Refining	1,145.2	911.8	1,383.2	1,303.5	
	Electricity, gas and water supply	1,302.2	1,186.7	1,295.4	1,346.9	1,367.9
	Construction	789.5	740.9	659.8	579.4	566.4
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	1,805.9	1,688.6	1,670.9	1,733.8	1,789.7
	of which: hotels and restaurants	340.2	339.4	329.3	366.3	400.9
	Transport, storage and communications	2,565.8	2,587.1	2,643.3	2,776.4	2,599.1
	Financial intermediation; real estate, renting and business activities	5,921.5	6,074.5	5,848.9	6,016.7	6,855.2
	of which: financial intermediation	3,077.2	3,247.1	3,097.5	3,197.7	3,192.5
	Public administration and defense; compulsory social security	3,709.4	3,669.4	4,143.0	4,160.4	4,198.0
	Education; health and social work; other community, social and personal services	3,113.0	3,251.0	3,299.4	3,360.4	2,806.5
	Private households with employed persons	370.5	363.6	354.1	345.8	349.0
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-1,840.4	-1,900.6	-1,902.2	-1,900.0	-1,867.4
	Taxes less Subsidies on products	-3,838.7	-3,216.6	-3,321.7	-3,467.1	-3,530.2
	GROSS DOMESTIC PRODUCT	39,307.4	39,540.4	40,697.4	39,280.5	39,742.9
	of which: Oil GDP	22,849.3	22,680.4	23,143.6	21,466.2	21,736.9
	of which: Non Oil GDP	20,296.8	20,076.5	20,875.4	21,281.5	21,536.2

		2014	2015	2016	2017	2018
UAE (2010=100)	Agriculture, hunting, forestry; fishing	8,783.1	8,898.7	9,203.5	9,508.3	10,187.4
	Mining and quarrying	400,624.9	421,381.9	432,360.1	420,219.7	432,118.9
	of which: Crude Petroleum & Natural Gas	N/A	N/A	N/A	N/A	N/A
	Manufacturing	103,050.3	108,775.8	114,053.6	119,752.3	122,071.3
	of which: Petroleum Refining	N/A	N/A	N/A	N/A	N/A
	Electricity, gas and water supply	34,463.8	40,130.5	42,316.0	41,095.4	40,137.1
	Construction	118,971.7	123,467.0	121,140.1	121,243.0	121,894.5
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	176,088.2	186,743.3	194,324.3	197,207.4	199,231.4
	of which: hotels and restaurants	25,084.5	26,703.6	28,532.6	31,222.7	32,493.5
	Transport, storage and communications	111,437.7	114,125.6	113,747.2	119,540.1	121,725.7
	Financial intermediation; real estate, renting and business activities	235,282.8	248,039.0	261,173.2	264,943.1	269,624.9
	of which: financial intermediation	108,050.2	116,072.7	120,492.3	122,139.9	123,099.5
	Public administration and defense; compulsory social security	73,597.8	75,484.7	77,552.5	77,873.8	78,084.9
	Education; health and social work; other community, social and personal services	33,038.2	34,560.7	37,127.3	38,084.1	38,576.0
	Private households with employed persons	7,297.6	7,540.6	8,058.8	8,516.3	8,810.6
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	N/A	N/A	N/A	N/A	N/A
	Taxes less Subsidies on products	N/A	N/A	N/A	N/A	N/A
	GROSS DOMESTIC PRODUCT	1,302,636.1	1,369,147.9	1,411,056.8	1,417,983.3	1,442,462.7
	of which: Oil GDP	400,624.9	421,381.9	432,360.1	420,219.7	432,118.9
	of which: Non Oil GDP	902,011.3	947,766.0	978,696.7	997,763.6	1,010,343.8

		2014	2015	2016	2017	2018
Oman (2010=100)	Agriculture, hunting, forestry; fishing	964.9	1,279.7	1,385.7	1,510.9	1,661.9
	Mining and quarrying	29,122.4	30,425.4	31,523.4	30,625.7	32,556.6
	of which: Crude Petroleum & Natural Gas	28,862.2	30,138.1	31,210.5	30,278.3	32,137.8
	Manufacturing	6,505.6	6,769.0	6,967.8	7,025.6	7,700.9
	of which: Petroleum Refining	199.0	209.9	203.9	203.9	203.9
	Electricity, gas and water supply	1,244.2	1,385.4	1,458.0	1,538.2	1,617.7
	Construction	4,807.5	5,233.1	5,885.3	5,492.4	4,795.8
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	6,128.3	6,505.7	6,820.1	6,895.1	7,076.7
	of which: hotels and restaurants	609.1	675.4	698.8	698.8	698.8
	Transport, storage and communications	4,295.2	4,521.7	4,494.1	4,704.2	4,733.4
	Financial intermediation; real estate, renting and business activities	6,498.2	6,829.0	7,187.1	7,492.0	7,828.3
	of which: financial intermediation	3,581.5	3,797.9	4,079.1	4,243.6	4,436.9
	Public administration and defense; compulsory social security	6,901.3	7,106.9	7,560.7	7,442.5	7,537.1
	Education; health and social work; other community, social and personal services	5,732.6	5,839.5	5,927.2	5,979.6	5,875.9
	Private households with employed persons	274.8	303.3	332.5	348.7	537.6
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-1,686.3	-1,874.1	-1,845.4	-1,742.9	-1,820.5
	Taxes less Subsidies on products	-2,736.9	-3,103.3	-2,927.9	-3,237.6	-3,524.1
	GROSS DOMESTIC PRODUCT	68,051.6	71,221.3	74,768.5	74,074.5	76,577.4
	of which: Oil GDP	28,862.2	30,138.1	31,210.5	30,278.3	32,137.8
	of which: Non Oil GDP	43,612.5	46,060.6	48,331.2	48,776.6	49,784.1

Source: National Statistical Offices.

Table A7: GDP by income (current prices, Million National Currency)

		2014	2015	2016	2017	2018
KSA	Agriculture, hunting, forestry; fishing	63,164.0	64,267.0	64,952.2	65,290.2	65,609.1
	Mining and quarrying	1,130,053.6	600,508.4	533,636.1	655,760.8	882,612.8
	of which: Crude Petroleum & Natural Gas	1,119,489.4	589,294.8	522,507.1	643,994.2	870,076.0
	Manufacturing	306,188.8	311,215.1	312,160.3	332,901.3	377,806.2
	of which: Petroleum Refining	71,003.5	62,923.3	65,339.6	83,481.8	107,295.9
	Electricity, gas and water supply	32,478.7	36,067.0	38,395.5	40,620.9	49,265.5
	Construction	152,964.9	162,974.5	159,575.0	154,592.1	151,496.0
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	266,648.9	278,029.8	276,086.4	274,969.9	280,158.6
	of which: hotels and restaurants	N/A	N/A	N/A	N/A	N/A
	Transport, storage and communications	144,712.8	155,289.5	160,587.4	165,172.9	171,661.6
	Financial intermediation; real estate, renting and business activities	292,991.4	310,411.6	324,848.4	342,668.5	358,193.9
	of which: financial intermediation	N/A	N/A	N/A	N/A	N/A
	Public administration and defense; compulsory social security	391,626.0	475,067.0	487,515.2	491,077.3	553,843.4
	Education; health and social work; other community, social and personal services	53,607.1	55,759.0	57,371.4	58,592.7	62,673.6
	Private households with employed persons	N/A	N/A	N/A	N/A	N/A
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-21,642.4	-22,071.8	-22,481.6	-22,826.1	-23,219.2
	Taxes less Subsidies on products	23,520.0	25,995.0	25,862.0	23,378.0	19,355.4
	GROSS DOMESTIC PRODUCT	2,836,313.8	2,453,512.1	2,418,508.3	2,582,198.4	2,949,456.9
	of which: Oil GDP	1,119,489.4	589,294.8	522,507.1	643,994.2	870,076.0
	of which: Non Oil GDP	1,693,304.4	1,838,222.3	1,870,139.2	1,914,826.3	2,060,025.5

		2014	2015	2016	2017	2018
Qatar	Agriculture, hunting, forestry; fishing	879.5	949.7	1,015.5	1,128.5	1,222.3
	Mining and quarrying	394,189.7	221,041.3	163,983.5	195,981.3	252,397.4
	of which: Crude Petroleum & Natural Gas	N/A	N/A	N/A	N/A	N/A
	Manufacturing	76,132.8	52,488.7	46,813.8	52,784.7	64,189.0
	of which: Petroleum Refining	N/A	N/A	N/A	N/A	N/A
	Electricity, gas and water supply	3,290.1	3,950.0	5,979.3	6,160.8	5,808.8
	Construction	50,030.6	60,693.1	77,078.7	91,088.7	104,900.0
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	54,029.6	57,696.3	52,600.9	52,953.5	54,234.7
	of which: hotels and restaurants	6,284.1	6,231.4	5,620.3	5,378.4	5,370.4
	Transport, storage and communications	9,124.0	10,109.1	9,809.7	9,614.5	9,706.9
	Financial intermediation; real estate, renting and business activities	95,600.2	103,612.6	110,875.0	113,763.0	115,738.7
	of which: financial intermediation	44,047.5	45,320.1	47,018.6	48,977.0	51,969.4
	Public administration and defense; compulsory social security	40,817.0	44,293.8	43,857.3	44,372.8	47,515.2
	Education; health and social work; other community, social and personal services	27,834.3	30,377.8	34,563.3	35,672.8	37,991.9
	Private households with employed persons	3,225.1	3,473.1	3,816.7	4,006.5	4,172.2
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-22,772.9	-23,403.9	-24,153.2	-26,405.3	-27,947.9
	Taxes less Subsidies on products	2,310.6	1,795.3	1,137.4	720.3	765.0
	GROSS DOMESTIC PRODUCT	750,657.5	588,733.4	552,305.1	607,620.4	698,913.5
	of which: Oil GDP	394,189.7	221,041.3	163,983.5	195,981.3	252,397.4
	of which: Non Oil GDP	354,157.3	365,896.8	387,184.2	410,918.8	445,751.1

		2014	2015	2016	2017	2018
Bahrain	Agriculture, hunting, forestry; fishing	37.6	36.9	40.3	38.8	40.9
	Mining and quarrying	3,007.5	1,657.4	1,460.3	1,782.6	2,243.5
	of which: Crude Petroleum & Natural Gas	2,921.1	1,561.9	1,347.3	1,653.2	2,106.1
	Manufacturing	1,874.1	2,029.7	2,194.1	2,468.3	2,504.4
	of which: Petroleum Refining	N/A	N/A	N/A	N/A	N/A
	Electricity, gas and water supply	159.1	164.8	163.4	173.6	251.1
	Construction	799.4	864.4	956.7	1,079.6	1,165.8
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	797.3	824.9	850.6	921.7	925.1
	of which: hotels and restaurants	275.4	285.2	293.0	322.4	313.8
	Transport, storage and communications	826.1	879.7	903.2	957.8	1,044.2
	Financial intermediation; real estate, renting and business activities	2,596.8	2,678.8	2,835.8	3,014.9	3,064.4
	of which: financial intermediation	1,949.7	2,011.2	2,124.0	2,263.0	2,285.3
	Public administration and defense; compulsory social security	1,015.6	1,049.2	1,105.7	1,159.5	1,205.2
	Education; health and social work; other community, social and personal services	1,253.7	1,302.7	1,397.0	1,464.2	1,521.6
	Private households with employed persons	98.0	105.6	120.8	135.4	128.1
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	0.0	0.0	0.0	0.0	0.0
	Taxes less Subsidies on products	88.6	109.2	98.1	126.3	147.1
	GROSS DOMESTIC PRODUCT	12,553.8	11,703.3	12,126.1	13,322.7	14,241.5
	of which: Oil GDP	2,921.1	1,561.9	1,347.3	1,653.2	2,106.1
	of which: Non Oil GDP	9,544.1	10,032.2	10,680.6	11,543.2	11,988.3

		2014	2015	2016	2017	2018
Kuwait	Agriculture, hunting, forestry; fishing	208.6	185.4	171.4	185.0	206.4
	Mining and quarrying	28,157.3	14,883.6	12,835.0	15,364.2	20,556.9
	of which: Crude Petroleum & Natural Gas	28,157.3	14,883.6	12,835.0	15,364.2	20,556.9
	Manufacturing	2,565.2	2,405.4	2,380.7	2,537.1	3,371.8
	of which: Petroleum Refining	1,165.2	927.7	853.7	924.6	N/A
	Electricity, gas and water supply	973.9	1,010.0	1,030.8	1,040.7	1,083.3
	Construction	956.8	984.0	987.0	917.9	917.8
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	2,054.1	1,959.4	2,003.2	2,062.9	2,139.2
	of which: hotels and restaurants	364.9	370.4	376.2	418.6	461.9
	Transport, storage and communications	2,488.6	2,517.6	2,396.6	2,554.5	2,594.0
	Financial intermediation; real estate, renting and business activities	6,620.6	6,948.7	6,962.0	7,195.1	8,135.5
	of which: financial intermediation	3,358.0	3,614.9	3,482.0	3,615.9	3,721.0
	Public administration and defense; compulsory social security	3,880.9	4,170.3	4,055.4	4,079.5	4,120.1
	Education; health and social work; other community, social and personal services	4,022.3	4,070.0	4,150.6	4,340.3	3,735.5
	Private households with employed persons	452.2	479.6	500.5	510.7	508.7
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-2,009.6	-2,245.7	-2,319.7	-2,372.4	-2,431.5
	Taxes less Subsidies on products	-4,086.0	-2,895.0	-2,097.9	-2,154.8	-2,175.0
	GROSS DOMESTIC PRODUCT	46,285.0	34,473.3	33,055.8	36,260.7	42,762.5
	of which: Oil GDP	28,157.3	14,883.6	12,835.0	15,364.2	20,556.9
	of which: Non Oil GDP	22,213.6	22,484.7	22,318.6	23,051.3	24,380.7

		2014	2015	2016	2017	2018
UAE	Agriculture, hunting, forestry; fishing	9,468.2	9,746.3	10,175.8	10,911.8	11,238.2
	Mining and quarrying	505,157.1	286,970.4	253,147.7	291,161.0	393,435.7
	of which: Crude Petroleum & Natural Gas	N/A	N/A	N/A	N/A	N/A
	Manufacturing	114,940.9	116,180.1	117,807.9	125,827.7	135,616.6
	of which: Petroleum Refining	N/A	N/A	N/A	N/A	N/A
	Electricity, gas and water supply	38,825.4	46,471.3	48,719.1	54,311.1	55,784.7
	Construction	122,267.8	127,692.5	123,820.1	124,704.6	126,863.9
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	187,742.2	193,370.7	202,089.6	204,156.9	203,259.8
	of which: hotels and restaurants	31,968.5	32,401.9	31,631.4	32,228.1	32,225.7
	Transport, storage and communications	120,441.9	127,911.5	120,595.4	124,643.8	128,203.6
	Financial intermediation; real estate, renting and business activities	254,929.1	274,564.8	293,055.0	296,274.1	303,842.2
	of which: financial intermediation	115,540.7	125,220.9	131,646.5	133,947.8	139,975.2
	Public administration and defense; compulsory social security	80,435.0	83,740.1	88,673.3	99,408.1	104,938.7
	Education; health and social work; other community, social and personal services	38,705.7	40,377.4	44,310.0	46,228.1	47,839.7
	Private households with employed persons	7,608.2	8,225.5	8,854.3	9,479.8	10,048.9
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	N/A	N/A	N/A	N/A	N/A
	Taxes less Subsidies on products	N/A	N/A	N/A	N/A	N/A
	GROSS DOMESTIC PRODUCT	1,480,521.4	1,315,250.6	1,311,248.3	1,387,107.1	1,521,072.2
	of which: Oil GDP	505,157.1	286,970.4	253,147.7	291,161.0	393,435.7
	of which: Non Oil GDP	975,364.3	1,028,280.1	1,058,100.6	1,095,946.1	1,127,636.5

		2014	2015	2016	2017	2018
Oman	Agriculture, hunting, forestry; fishing	396.6	523.5	573.5	617.2	667.0
	Mining and quarrying	14,570.2	8,881.0	6,842.9	8,219.7	11,175.9
	of which: Crude Petroleum & Natural Gas	14,450.2	8,758.1	6,714.8	8,071.6	11,031.1
	Manufacturing	2,909.9	2,606.5	2,293.7	2,709.3	2,914.4
	of which: Petroleum Refining	43.3	208.4	147.0	305.0	427.4
	Electricity, gas and water supply	455.6	511.0	511.9	498.9	518.3
	Construction	1,904.2	2,067.1	2,291.2	2,085.1	1,948.0
	Wholesale, retail trade, repair of motor vehicles, motorcycles and personal and households goods; hotels and restaurants	2,472.5	2,520.1	2,460.8	2,566.5	2,549.8
	of which: hotels and restaurants	238.0	255.8	268.9	271.8	298.9
	Transport, storage and communications	1,485.0	1,593.3	1,516.7	1,656.6	1,690.3
	Financial intermediation; real estate, renting and business activities	2,630.4	2,737.0	2,923.2	3,094.2	3,331.3
	of which: financial intermediation	1,427.8	1,487.5	1,628.0	1,769.5	1,919.1
	Public administration and defense; compulsory social security	3,192.7	3,296.5	3,580.7	3,655.8	3,693.1
	Education; health and social work; other community, social and personal services	2,822.0	2,901.6	2,936.5	2,963.4	2,984.8
	Private households with employed persons	139.0	158.5	175.5	194.4	206.7
	Financial intermediation services indirectly measured (FISIM) (only to be deducted if FISIM is not distributed to uses)	-629.3	-693.2	-741.1	-768.6	-833.0
	Taxes less Subsidies on products	-1,324.8	-803.1	-188.4	-347.7	-364.7
	GROSS DOMESTIC PRODUCT	31,024.1	26,299.7	25,177.3	27,144.9	30,481.9
	of which: Oil GDP	14,450.2	8,758.1	6,714.8	8,071.6	11,031.1
	of which: Non Oil GDP	18,528.0	19,037.8	19,392.0	20,189.6	20,648.6

Source: National Statistical Offices.