

## GCC Economic Quarterly Report

June -2017

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### Initial signs of economic growth bottoming in the GCC

#### GCC budget deficits to recover in 2017 and 2018 but estimated to remain in double digits

As budget deficits for 2016 are estimated to have come in at USD 152 Bn, mainly due to lower oil revenues, GCC budget deficits are forecasted to be lower in 2017 & 2018 at USD 92 Bn and USD 58 Bn, based on our analysis of IMF data for GCC countries. Lower oil receipts and spending gaps would also mean that Saudi Arabia would incur large budgetary gaps, and is expected to contribute to about 75% of the budget deficits of the region in 2017. Budget deficits are likely to stay over the near future, as deficits in double digits are expected each year until 2022, but are expected to taper, as per our analysis. Current account balance for the GCC is expected to improve in 2017 and swing back to a surplus from a deficit in 2016, as the overall current account surplus is expected to reach 1.8% of GDP for the year.

#### KAMCO Research now sees early signs of stabilizing economic trends, despite challenges

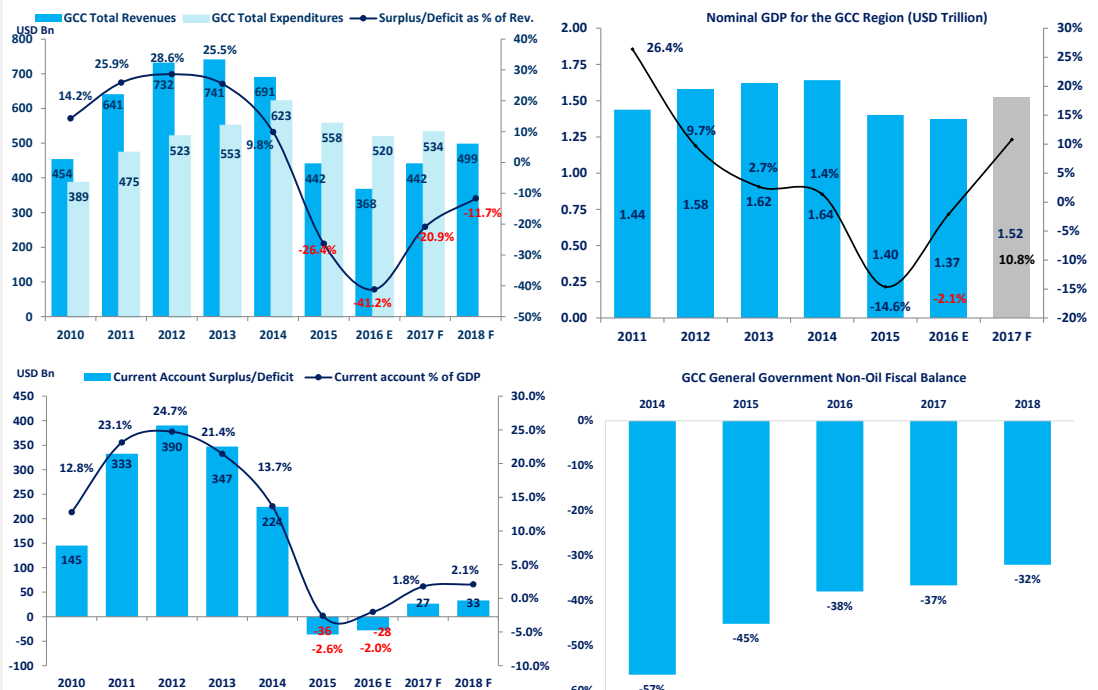
In 2017, we further estimate nominal GDP for the GCC region to recover and grow by 10.8% y-o-y to USD 1.52 Trillion, based on data from the IMF, driven by stability in oil prices. Moreover, GDP for the region is expected to grow in single digits over 2017-22, as per our analysis. Though new challenges for the region have emerged, the incremental impact of such challenges seem to be diminishing in our view, as the regions seems focused on fiscal consolidation and bolstering revenue side initiatives, mainly from a taxation standpoint. Also debt issuances and reasonable stability in oil prices and initiatives to minimize oil price variability have aided the region.

#### Monetary indicators such as liquidity & inflation remain broadly positive

Inflation trends reported for Q1-17 suggested that consumer prices were broadly positive across GCC nations, as inflation ranged between 0.5% -1%, alleviating deflationary pressures. Growth in money supply (M2) for Q1-17 was also broadly positive with 2%-4% growth registered for the quarter. Data on credit disbursed across the GCC was also positive, as quarterly lending grew by 0.5% -2% average in Q1-17.

#### Kuwait has highest current account surplus in GDP terms and lowest breakeven oil price for 2017 & 2018

Kuwait is expected to have the highest current account surplus in terms of their GDP with the IMF expecting a surplus of 8.2% and 7.1% of GDP for 2017 & 2018 respectively. Furthermore the IMF expects Kuwait to have the lowest breakeven oil price of 49.1/bbl & USD 50.4/bbl for 2017 & 2018 respectively.



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

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## Kuwait

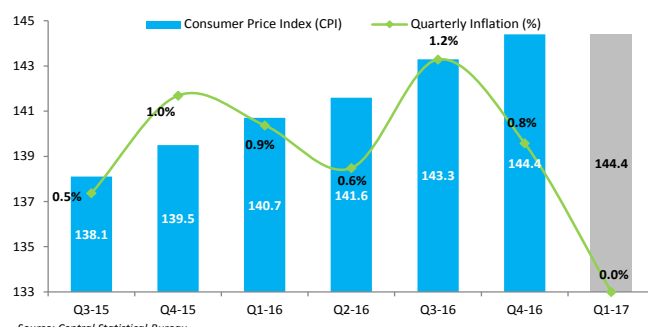
Key Economic Indicators	2010	2011	2012	2013	2014	2015	2016E	2017 F
Kuwait GDP Share in GCC	10.2%	10.7%	11.0%	10.8%	10.4%	8.6%	7.7%	8.2%
Nominal GDP - KWD Bn	33.1	42.5	48.7	49.9	48.9	36.1	32.2	36.4
Nominal GDP - USD Bn	115.4	154.0	174.1	175.8	172.0	120.7	106.2	119.9
Real GDP Growth (%)	-2.37%	10.61%	7.67%	1.04%	0.03%	0.90%	2.40%	2.60%
GDP per Capita (USD)	32,216	41,831	45,993	45,202	43,005	29,363	25,142	27,613
Current Account Balance (USD Bn)	36.71	65.72	78.71	69.49	53.80	13.89	(1.07)	4.01
Current Account Balance (KWD Bn)	10.52	18.14	22.03	19.71	15.31	4.15	(0.33)	1.22
% of GDP	31.8%	42.7%	45.2%	39.5%	31.3%	11.5%	-1.0%	3.3%
Inflation, Avg. CPI (%)	6.0%	3.1%	4.4%	2.7%	3.0%	3.4%	3.4%	3.5%

Source: International Monetary Fund (IMF)

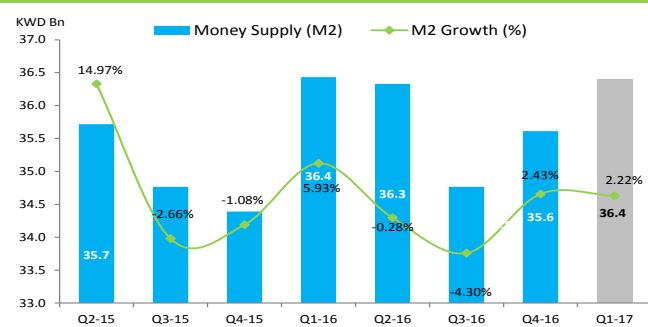
Total government revenues for Kuwait plunged by 38% y-o-y to KWD 17.7 Bn during 2015/16 as compared to KWD 28.7 Bn during 2014/15. The drop was in large part attributed to the fall in oil revenues, which more than halved y-o-y (-46%), to KWD 12.1 Bn. Non-oil revenues receded by 9% y-o-y during the same period to KWD 5.6 Bn. On the other hand, expenditure went down by 11% y-o-y for the aforementioned period to KWD 16.1 Bn, despite capital expenditure growing y-o-y by 13% to reach KWD 2.9 Bn. Government finances still remained in surplus over 2015/16, though lower than the higher surplus in the year prior, as a surplus of over 9.4% of total revenues was recorded over the period.

As a response to low oil prices, Kuwait's government has responded adequately which include the establishment of a debt management unit at the Ministry of Finance. Fuel subsidy rationalization was also implemented in 2016, and implementation of additional excise taxes on harmful items, as well as further utility tariff reforms are expected in the second half of 2017. Kuwait's breakeven oil price for fiscal budget remains the lowest in GCC for 2017 & 2018 at USD 49.1/bbl & USD 50.4/bbl respectively.

Credit facilities extended by Kuwaiti banks by the end of Q1-17 increased by 1.7% q-o-q to KWD 34.9 Bn. On a y-o-y basis however, credit extended improved by 3.6%, driven by the growth in Crude oil & gas credit, while Personal Facilities accounted for over 42% of the credit disbursed by Mar-17. Credit to the real estate sector however declined on a y-o-y basis, as credit disbursed by the sector went down by 1.9%, while the construction sector witnessed a 8.2% growth in credit disbursed. Kuwait's broad measure of money supply (M2) jumped by 2.2% q-o-q to KWD 36.4 Bn in Q1-17. Quasi money and sight deposits improved sequentially in Q1-17.

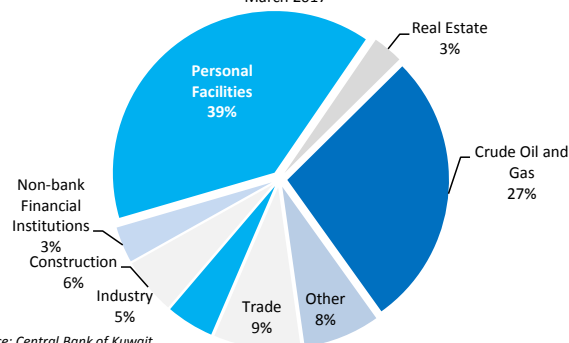


Source: Central Statistical Bureau



Source: Central Bank of Kuwait

Sectoral Distribution of Balances of Utilized Cash Credit Facilities as of March 2017

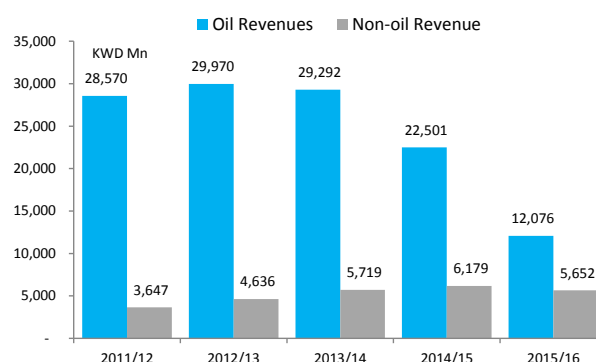


Source: Central Bank of Kuwait

## Government Revenues and Expenditure

KWD (Mn)	2011/12	2012/13	2013/14	2014/15	2015/16	Y-o-Y (%)
Oil Revenues	28,570	29,970	29,292	22,501	12,076	-46%
% of Total Revenue	88.6%	86.5%	83.6%	78.5%	68.1%	
Non-oil Revenue	3,647	4,636	5,719	6,179	5,652	-9%
% of Total Revenue	11.3%	13.4%	16.3%	21.5%	31.9%	
Other Revenues	17.3	26.6	25.2	1.1	1.8	
% of Total Revenue	0.1%	0.1%	0.1%	0.0%	0.0%	
<b>Total Revenue</b>	<b>32,234</b>	<b>34,632</b>	<b>35,036</b>	<b>28,681</b>	<b>17,730</b>	<b>-38%</b>
Capital Expenditures	2,299	2,229	2,285	2,570	2,897	13%
% of Total Expenditures	16.3%	13.7%	14.4%	14.2%	18.0%	
Other Expenditures	11,797	14,077	13,547	15,544	13,166	-15%
% of Total Expenditures	83.7%	86.3%	85.6%	85.8%	82.0%	
<b>Total Expenditures</b>	<b>14,096</b>	<b>16,306</b>	<b>15,832</b>	<b>18,114</b>	<b>16,064</b>	<b>-11%</b>
Surplus/(Deficit)	18,138	18,326	19,204	10,568	1,666	-84%
Surplus as % of Revenues	56.3%	52.9%	54.8%	36.8%	9.4%	

Source: Ministry of Finance- Kuwait



Source: Ministry of Finance-Kuwait

# Saudi Arabia

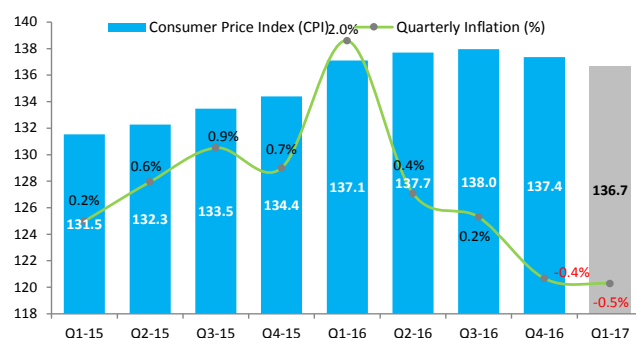
Key Economic Indicators	2010	2011	2012	2013	2014	2015	2016E	2017 F
KSA GDP Share in GCC	46.4%	46.6%	46.5%	45.9%	45.7%	45.8%	46.8%	45.3%
Nominal GDP - SAR Bn	1,975.5	2,510.7	2,752.3	2,791.3	2,826.9	2,422.5	2,422.5	2,473.7
Nominal GDP - USD Bn	526.8	669.5	734.0	744.3	753.8	646.0	646.0	659.7
Real GDP Growth (%)	4.76%	9.96%	5.38%	2.67%	3.64%	3.35%	1.21%	1.92%
GDP per Capita - PPP (USD)	19,113	23,594	25,139	24,816	24,499	20,813	19,313	20,202
Current Account Balance (USD)	66.75	158.58	164.76	135.44	73.76	(53.50)	(41.10)	(40.06)
Current Account Balance (SAR)	250.32	594.68	617.86	507.91	276.59	(200.62)	(154.12)	(150.23)
% of GDP	12.7%	23.7%	22.4%	18.2%	9.8%	-8.3%	-6.4%	-6.1%
Inflation, Avg. CPI (%)	5.77%	2.72%	3.57%	2.97%	2.45%	2.20%	4.20%	0.96%

Source: International Monetary Fund (IMF)

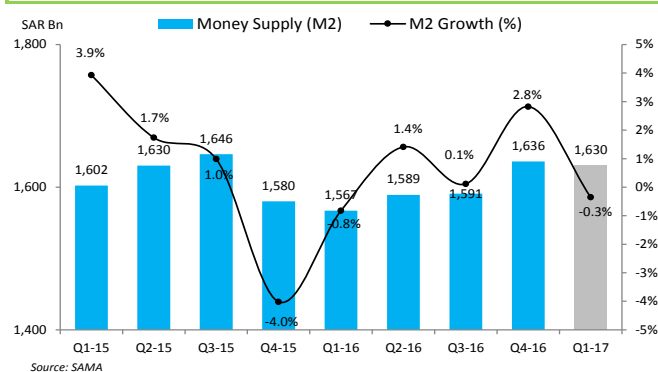
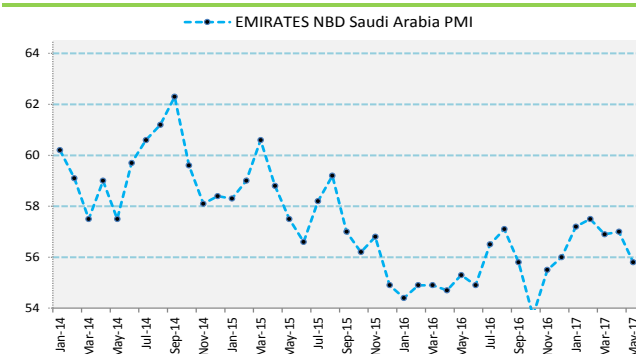
Saudi Arabia released GDP estimates of SAR 618.6 Bn for the fourth quarter of 2016, an increase of 7.5% y-o-y as compared to Q4-15. Non-oil GDP is estimated to have improved by 6.1% y-o-y over the same period to reach SAR 448.6 Bn, as the non-oil Government sector plunged by 17.6% y-o-y, while the non-oil private sector grew by 1.4% over the period. On the other hand, the oil sector is estimated to have jumped by over 16.5% during Q4-16 to reach SAR 166.4 Bn from SAR 142.8 Bn in Q4-15.

Saudi Arabia and the US have signed investment agreements across various sectors worth USD 380 Bn. The investment agreements are aimed at making progress in achieving key performance objectives set under the 2020 National Transformation Program and Saudi Vision 2030 including diversification of the economy, increasing private sector contribution creating employment opportunities.

The broad measure of money supply (M2) in the Kingdom receded by 0.3% during Q1-17 to reach SAR 1,630 Bn, after increasing by 0.1% and 2.8% in Q3-16 and Q4-16, respectively. The decline in money supply was driven by an over 5.5% decrease in time & savings deposits and currency outside banks, despite a 2.2% improvement in demand deposit q-o-q, which reached SAR 995 Bn. During Q1-17, inflation went down as compared to last quarter. The general consumer price index dipped by 0.5% in Q1-17, as compared to Q4-16. Among the sectors, Communication recorded the highest inflation rate during Q1-17, registering a quarterly increase in prices of 1.2%, while Food and related prices declined the most by 1.6% q-o-q. Credit disbursed remained broadly flat but inched up marginally to reach SAR 1,406 Bn in Q1-17, buoyed by Electricity and utility credit and Transport & Communication sectors which saw their credit lines improve by 13% and 16% respectively.



Source: SAMA

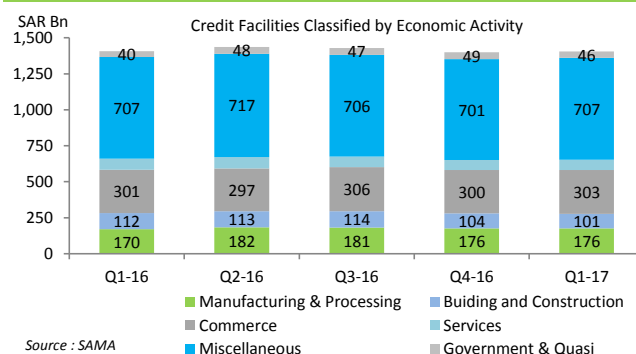


Source: SAMA

## Gross Domestic Product by Institutional Sectors at Current Prices

Sectors	GDP (SAR Mn)			Q4-16/Q4-15		
	2014	2015	2016*	Q4-2015	Q4-2016	Growth (%)
Oil Sector	1,197,414	650,247	586,823	142,864	166,422	16.5%
Non-Oil Sector	1,615,380	1,767,847	1,790,941	422,776	448,572	6.1%
Private Sector	1,149,636	1,213,542	1,226,871	300,713	304,996	1.4%
Government Sector	465,745	554,305	564,070	122,064	143,576	17.6%
<b>Total</b>	<b>2,812,794</b>	<b>2,418,095</b>	<b>2,377,764</b>	<b>565,640</b>	<b>614,994</b>	<b>8.7%</b>
Import Duties	23,520	25,995	20,800	9,826	3,621	(63.1%)
<b>Gross Domestic Product (GDP)</b>	<b>2,799,927</b>	<b>2,444,090</b>	<b>2,398,564</b>	<b>575,466</b>	<b>618,615</b>	<b>7.5%</b>

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



Source: SAMA

## United Arab Emirates

Key Economic Indicators	2010	2011	2012	2013	2014	2015	2016E	2017 F
UAE GDP Share in GCC	25.2%	24.2%	23.7%	24.0%	24.4%	26.2%	27.2%	27.9%
Nominal GDP - AED Bn	1,050.5	1,276.0	1,371.4	1,428.6	1,476.3	1,358.8	1,380.9	1,491.0
Nominal GDP - USD Bn	286.0	347.5	373.4	389.0	402.0	370.0	376.0	406.0
Real GDP Growth (%)	1.64%	4.89%	7.22%	4.70%	3.10%	4.00%	2.30%	2.50%
GDP per Capita - PPP (US	34,612	40,817	42,591	42,875	42,944	36,060	32,989	35,237
Current Account Balance	7.24	50.95	79.56	74.10	40.30	12.30	5.30	12.20
Current Account Balance	26.59	187.11	292.20	272.13	148.00	45.17	19.46	44.80
% of GDP	2.5%	14.7%	21.3%	19.0%	10.0%	3.3%	1.4%	3.0%
Inflation, Avg. CPI (%)	0.88%	0.77%	0.88%	1.10%	2.30%	4.10%	3.30%	2.80%

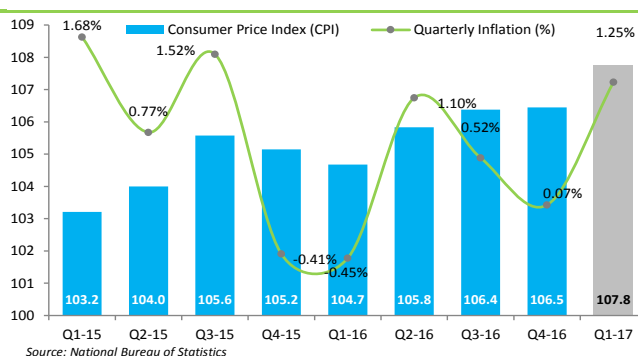
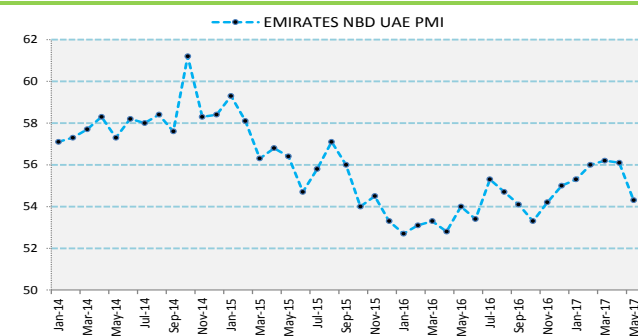
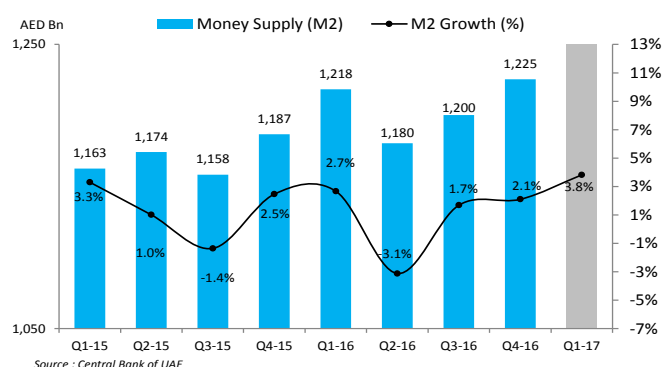
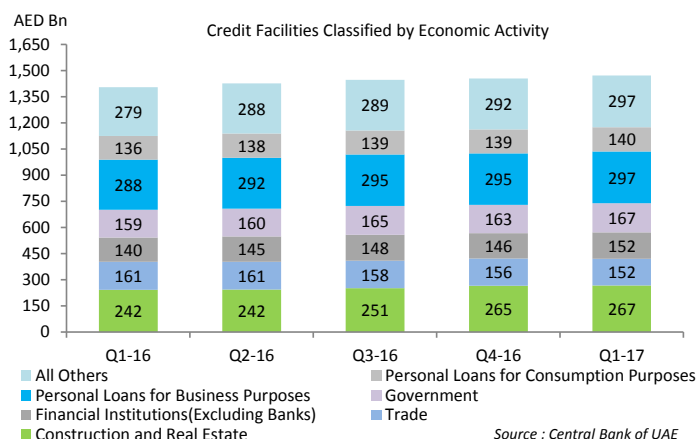
Source: International Monetary Fund (IMF)

UAE is estimated to have realized a growth of 3.3% in Q1-17, as against 4.0% clocked in Q4-16 on a q-o-q, as per the Central Bank of UAE based on their economic composite indicator (ECI) results. The slowdown was ascribed to slower growth in oil production during the quarter. Non-oil GDP growth however picked up and grew by 3.1% in Q1-17, while oil GDP growth is forecast to decrease going forward as UAE along with other OPEC members have decided to extend production cuts.

Meanwhile, manufacturing data for the non-oil private sector for May-17 highlighted a slowdown as against the previous month, as the Emirates NBD UAE PMI closed at a level of 54.3 points. Despite the marginal slowdown from Apr-17 (56.1), new business inflows rose sharply in May. Meanwhile, Emirates NBD mentioned that there were signs of weakness in client demand in external markets as new export orders rose only marginally. Employment trends continued to rise across the non-oil private sector in May-17 as companies hired extra staff.

On the capital front, total credit facilities further improved to AED 1.47 trillion at the end of the Q1-17, an increase of 1.2% q-o-q and 4.8% jump y-o-y. Credit to financial institutions increased by 4.4% q-o-q, while personal facilities inched up by 0.7% while credit to manufacturing facilities contracted by 1.5% over the period.

In terms of price levels, the economy witnessed an increase in quarterly inflation to 1.25% for Q1-17, as compared to flat trends witnessed in Q4-16. Price levels in 2016 however remained lower compared to 2013 & 2014. UAE's broad measure of money supply (M2) increased by 3.8% q-o-q to AED 1,272 Bn in Q1-17.



Quarterly Government Finances					
in AED (Bn)	Q1-16	Q2-16	Q3-16	Q4-16	2016 vs. 2015
Revenues	85.7	102.7	84.9	115.2	38.1%
Taxes	21.1	26.0	29.0	32.5	-32.1%
Social contributions	1.5	1.2	1.2	1.1	14.9%
Expenditure	84.7	92.6	96.2	107.9	13.8%
<b>Gross Operating Balance</b>	<b>1.0</b>	<b>10.1</b>	<b>-11.3</b>	<b>7.2</b>	<b>112.9%</b>

Source: Central Bank of UAE

# Qatar

Key Economic Indicators	2010	2011	2012	2013	2014	2015	2016E	2017 F
Qatar GDP Share in GCC	11.0%	11.8%	12.1%	12.5%	12.7%	13.1%	12.4%	12.5%
Nominal GDP - QAR Bn	455.4	618.1	692.7	734.9	764.8	674.8	621.9	659.8
Nominal GDP - USD Bn	125.1	169.8	190.3	201.9	210.1	185.4	170.9	181.3
Real GDP Growth (%)	19.59%	13.38%	4.88%	4.58%	3.98%	3.27%	3.40%	3.43%
GDP per Capita - PPP (USD)	76,413	99,431	103,606	98,710	93,990	76,576	66,265	67,270
Current Account Balance (USD Bn)	23.95	52.12	62.00	60.46	49.66	9.15	(8.61)	(8.81)
Current Account Balance (QAR Bn)	87.19	189.73	225.68	220.08	180.77	33.29	(31.32)	(32.07)
% of GDP	19.1%	30.7%	32.6%	29.9%	23.6%	4.9%	-5.0%	-4.9%
Inflation, Avg. CPI (%)	-2.40%	1.90%	1.90%	3.10%	3.32%	1.68%	2.40%	2.66%

Source: International Monetary Fund (IMF)

Qatar's Q4-16 GDP improved by 4.0% q-o-q, as oil & gas related sectors went up by 6% over the same period. On a y-o-y basis, Q4-16 GDP was up over 2.1%, while oil & gas related sectors went down by 6.4% over the same period. The non-oil sector however grew on a y-o-y basis by 6.5% but went down q-o-q by 3%, as the private sector grew by 4% on a y-o-y basis. Non-oil Government sector GDP remained flat q-o-q in Q4-16. We expect the current diplomatic uncertainties to have only a temporary impact, as a resolution seems imminent.

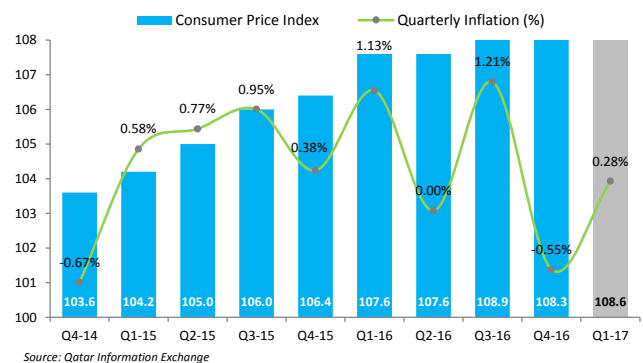
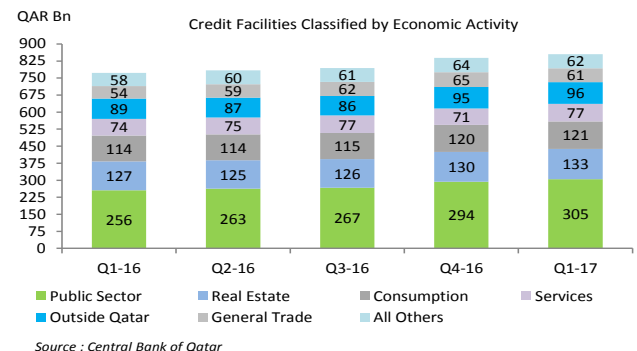
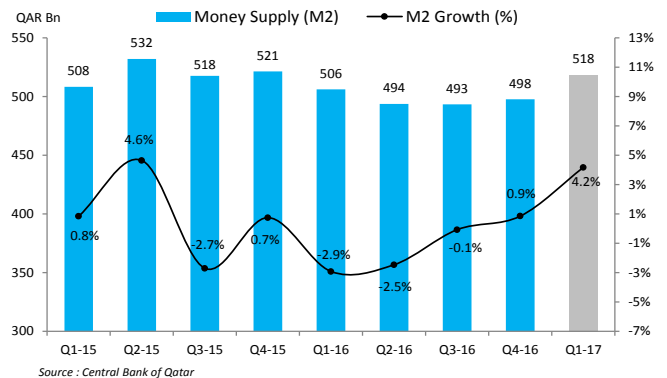
Total credit facilities continued the uptrend and stood at a record high level at the end of Q1-17, with an increase of 1.9% q-o-q to reach QAR 855 Bn as of Mar-17. The growth was ascribed to both the public sector and the private sector, which grew q-o-q in Q1-17, as the public sector grew by 3.8%, while the private sector credit went up by 1.0% as against the previous quarter. Within the private sector, large sectors utilizing credit - real estate and consumption recorded improving trends in lending. Real Estate credit went up by -1.9% q-o-q in Q1-17, and grew by 4.5% y-o-y, while Consumption credit grew by 1.2% on a quarterly basis, but went down by 6.6% y-o-y as compared to Q1-16.

Qatar's broad measure of money supply (M2) went up on a q-o-q basis, to gain around QAR 20.7 Bn or 4.2% in Q1-17 and stand at around QAR 518 Bn as of Mar-17. The jump in M2 is mainly attributed to the increase in demand deposits & time-savings deposits, which went up by QAR 6.3 Bn & QAR 7.8 Bn on a quarterly basis in Q1-17. Quarterly inflation inched up marginally during Q1-17 q-o-q by 0.3%, ascribed to a 4% increase in Transport costs as compared to Q4-16. Housing & related utilities prices declined by 1.5%, while Clothing prices went down by 0.9% q-o-q. All other major CPI components remained stable on a q-o-q basis.

## Quarterly Gross Domestic Product by Economic Sectors at Current Prices

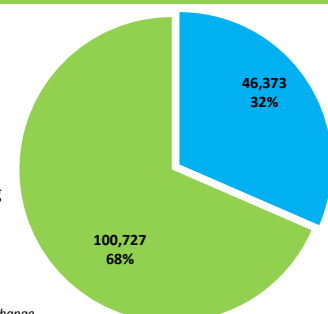
Sectors	GDP (QAR Mn)			
	Q1-16	Q2-16	Q3-16	Q4-16
Mining & Quarrying (Include Oil & Gas)	37,836	40,287	43,758	46,373
Non-Oil Sector	93,958	94,528	97,520	100,727
Private Sector	76,481	76,523	79,356	82,538
Government Sector	17,477	18,005	18,164	18,189
<b>Total</b>	<b>131,317</b>	<b>134,384</b>	<b>140,909</b>	<b>146,748</b>
Import Duties	477	431	369	352
<b>Gross Domestic Product (GDP)</b>	<b>131,794</b>	<b>134,815</b>	<b>141,278</b>	<b>147,100</b>

Source: Qatar Information Exchange



Q4-2016 Gross Domestic Product by Economic Sectors at Current Prices (QAR Mn)

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



# Bahrain

Key Economic Indicators	2010	2011	2012	2013	2014	2015	2016E	2017 F
Bahrain GDP Share in GCC	2.3%	2.0%	1.9%	2.0%	2.1%	2.2%	2.2%	2.2%
Nominal GDP - BHD Bn	9.7	10.9	11.6	12.4	12.7	11.4	11.3	12.0
Nominal GDP - USD Bn	25.7	29.0	30.8	32.9	33.8	30.4	29.9	32.0
Real GDP Growth (%)	4.3%	2.1%	3.6%	5.4%	4.5%	3.2%	2.2%	2.0%
GDP per Capita - PPP (USD)	20,823	24,299	25,227	26,456	26,686	23,510	22,798	23,747
Current Account Balance (USD Bn)	0.77	2.52	2.58	2.41	1.52	(0.99)	(2.40)	(1.87)
Current Account Balance (BHD Bn)	0.29	0.95	0.97	0.91	0.57	(0.37)	(0.91)	(0.70)
% of GDP	3.0%	8.7%	8.4%	7.3%	4.5%	-3.2%	-8.0%	-5.8%
Inflation, Avg. CPI (%)	0.99%	0.18%	2.58%	3.99%	2.50%	0.73%	3.13%	2.35%

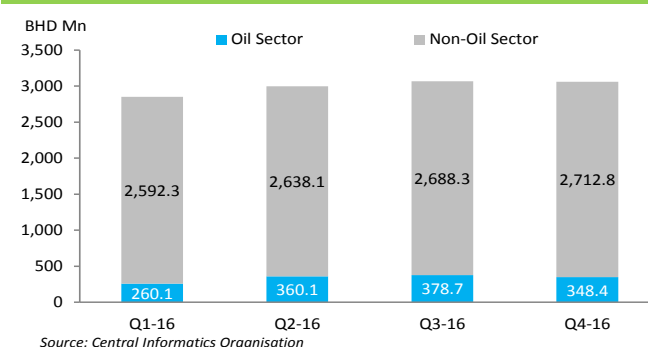
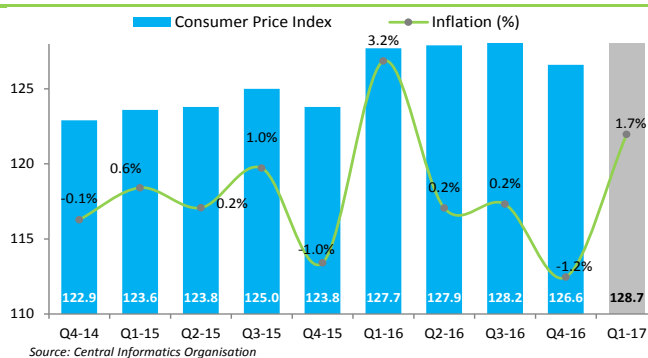
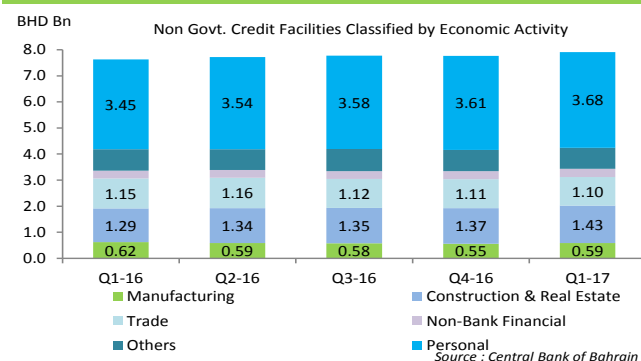
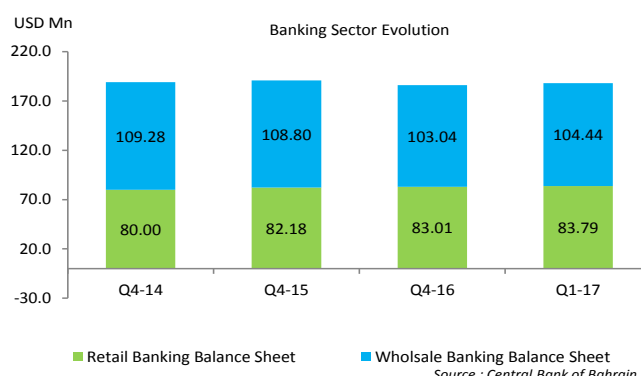
Source: International Monetary Fund (IMF)

Bahrain's GDP receded by 0.19% q-o-q in Q4-16 and reached BHD 3.0 Bn by the end of the period. The decline was largely ascribed to the 8.0% decline in oil sector GDP q-o-q, which constituted 11.4% of the overall GDP of the country for the quarter, as per Central Bank of Bahrain. The oil sector GDP declined in Q4-16, but was up from Q1-16, as global oil prices recovered during the period. However, non-oil GDP increased by 0.9% q-o-q by the end of Q4-16, as Private sector non-oil GDP that contributes c.84% to non-oil GDP, grew by 0.9%, while the government sector grew by 0.7% over the period. Overall GDP grew on a y-o-y basis in Q4-16 by 6.4% as well.

Money supply (M2) at the end of the first quarter in 2017 increased by 2.9% q-o-q to OMR 10.4 Bn as compared to a sequential decline of 0.7% in Q4-16. Time and savings deposits grew by 1.3% q-o-q in Q1-17, whereas M1 grew by 5.9% q-o-q over the same period.

Credit disbursed to non-government sector increased 1.8% q-o-q and 3.6% y-o-y to reach BHD 7.9 Bn in Q1-17. Personal credit was the main contributor to the increase as it grew by 1.9% q-o-q, while Construction & Manufacturing credit improved by 4.4% and 5.8% respectively. Further, inflation numbers at the end of Q1-17 suggested a sequential increase of 1.66% as against Q1-17. On a y-o-y basis, CPI increased 0.8% by the end of Mar-17.

The overall assets in Bahrain's banking sector improved q-o-q, as total assets grew by 1.2% to USD 188 Bn, as compared to USD 186 Bn in Q3-16. Retail banking grew by 1%, as its assets grew to USD 83.8 Bn. Nevertheless, the banking sector still represents only 6.0% of the GDP of Bahrain, which alleviates fears of crises emanating from excessive credit lending.



## Quarterly Gross Domestic Product by Economic Sectors at Current Prices

Sectors	GDP (BHD Mn)				16/Q4-16 Chg%
	Q1-16	Q2-16	Q3-16	Q4-16	
Oil Sector	260.1	360.1	378.7	348.4	-8.0%
Non-Oil Sector	2,592.3	2,638.1	2,688.3	2,712.8	0.9%
Private Sector	2,173.7	2,216.0	2,261.3	2,282.6	0.9%
Government Sector	418.60	422.13	426.99	430.19	0.7%
<b>Gross Domestic Product (GDP)</b>	<b>2,852.4</b>	<b>2,998.3</b>	<b>3,066.98</b>	<b>3,061.15</b>	<b>-0.2%</b>

Source: Central Bank of Bahrain

# Oman

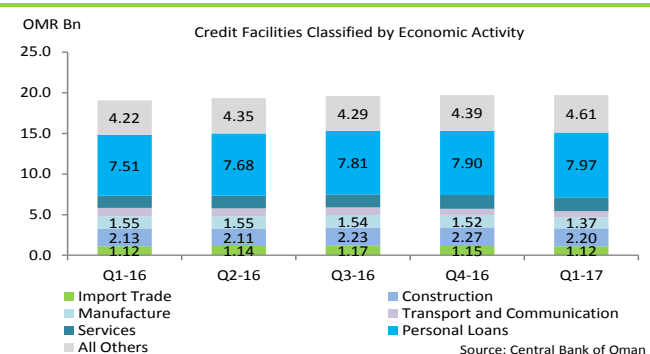
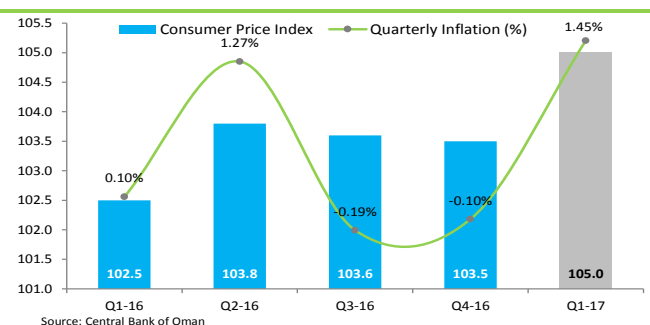
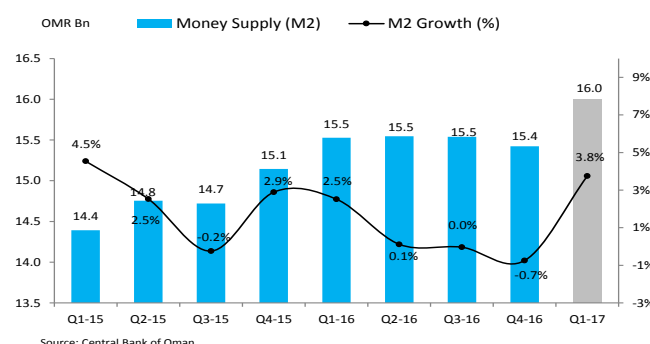
Key Economic Indicators	2010	2011	2012	2013	2014	2015	2016E	2017 F
Oman GDP Share in GCC	5.0%	4.7%	4.8%	4.8%	4.7%	4.1%	3.7%	3.9%
Nominal GDP - OMR Bn	21.9	26.0	29.0	29.6	29.9	22.5	19.9	21.7
Nominal GDP - USD Bn	56.8	67.7	75.4	77.0	77.8	58.5	51.7	56.3
Real GDP Growth (%)	4.80%	4.10%	5.76%	4.69%	2.95%	4.11%	1.83%	1.74%
GDP per Capita - PPP (USD)	19,698	22,623	22,923	21,423	20,924	15,233	13,060	13,812
Current Account Balance (USD Bn)	5.04	8.95	7.80	5.12	4.70	(7.37)	(12.97)	(11.03)
Current Account Balance (OMR Bn)	1.94	3.44	3.00	1.97	1.81	(2.83)	(4.99)	(4.24)
% of GDP	8.9%	13.2%	10.3%	6.6%	6.0%	-12.6%	-25.1%	-19.6%
Inflation, Avg. CPI (%)	0.99%	0.18%	2.58%	3.99%	2.50%	0.73%	3.13%	2.35%

Source: International Monetary Fund (IMF)

Oman continued to report quarterly fiscal deficits into 2017, as the deficit reported was OMR 1.55 Bn in Q1-17 as compared to a deficit of OMR 1.64 Bn during Q1-16. Government's total revenues improved on a y-o-y basis during the quarter to stand at OMR 1.66 Bn, but dropped by 36.7% on a m-o-m basis. This change in revenues on a y-o-y and m-o-m basis was largely due to oil revenues which improved on a y-o-y basis but declined q-o-q, while other non-oil revenues plunged by 67% q-o-q (+7.7 y-o-y). On the other hand, government expenditure also decreased on a q-o-q basis, but was moderately up a y-o-y basis, adding pressure on fiscal balances. Total expenditure increased by 4.0% y-o-y to OMR 3.2 Bn.

On the monetary front, money supply (M2) at the end of the first quarter in 2017 increased by 3.8% q-o-q to OMR 16.0 Bn as compared to a sequential decline of 0.7% in Q4-16. Quasi money that accounted for a 68% of M2 increased by 4.1% q-o-q at the end of Q1-17 to OMR 10.9 Bn, whereas the more liquid M1 improved by 3.0% to OMR 5.1 Bn after a decline during Q4-16. The decline in Q4-16 was largely attributed to the 4.0% increase on a q-o-q basis in demand deposits to OMR 3.7 Bn, while currency outside banks declined to reach OMR 1.3 Bn as against the previous quarter.

Meanwhile, inflation continued to increase marginally on a quarterly basis during Q1-17, as it grew by 1.5% at the end of the quarter. In terms of credit lending, total amount of credit disbursed went up marginally by 0.1% during Q1-17 as compared to growth of 0.6% during Q4-16, primarily on the back of higher grant of personal loans that increased by 1.0% to reach OMR 7.9 Bn. Services followed, as credit disbursed to the sector grew q-o-q by 0.5% for the first quarter of 2017.



## Government Revenues and Expenditure

OMR Mn	2015				2015				2017	Last Quarter Chg%
Sectors	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	
<b>Revenues</b>	<b>2,447.3</b>	<b>2,132.3</b>	<b>2,131.8</b>	<b>1,979.7</b>	<b>1,454.2</b>	<b>1,655.8</b>	<b>1,867.5</b>	<b>2,629.9</b>	<b>1,664.2</b>	<b>(36.7%)</b>
Oil Revenues	1,673.4	1,173.4	1,410.2	1,153.1	858.2	631.1	963.4	1,198.6	1,031.2	(14.0%)
Gas Revenues	445.5	258.0	366.1	398.8	319.8	287.2	395.6	533.8	335.3	(37.2%)
Other Revenues	328.4	700.9	355.5	427.8	276.2	737.5	508.5	897.5	297.7	(66.8%)
<b>Expenditure</b>	<b>2,991.9</b>	<b>3,506.1</b>	<b>3,147.7</b>	<b>4,078.2</b>	<b>3,095.7</b>	<b>3,517.4</b>	<b>2,791.7</b>	<b>4,872.7</b>	<b>3,218.7</b>	<b>(33.9%)</b>
Current Expenditure	1,697.6	2,241.4	1,887.5	2,220.8	1,628.9	2,211.2	1,910.7	3,383.7	1,827.8	(46.0%)
Investment Expenditure	555.3	743.0	916.1	938.3	668.2	844.6	380.0	1,001.8	568.2	(43.3%)
Participation & Subsidy To Private Se	189.0	371.7	194.1	194.1	98.6	161.6	201.0	287.2	122.7	(57.3%)
Actual Expenses under Settlement	550.0	150.0	150.0	700.0	700.0	700.0	300.0	200.0	700.0	250.0%
<b>Fiscal Surplus (+) / Deficit (-)</b>	<b>-544.6</b>	<b>-1,373.8</b>	<b>-1,015.9</b>	<b>-2,098.5</b>	<b>-1,641.5</b>	<b>-1,861.6</b>	<b>-1,049.2</b>	<b>-2,242.8</b>	<b>-1,554.5</b>	<b>13.4%</b>

Source: Central Bank of Oman

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