

DOHA DATELINE

Liquidity concerns still remain in GCC banking

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SAUDI BANKING sector lending growth is close to three per cent in first four months of 2015 which was mainly on account of loan growth in the private sector. The deposit growth is also close to three per cent during January-April 2015.

There was drop in time and savings deposits by close to 10 per cent. However, demand deposits had surged by close to nine per cent. Demand deposits is mostly sourced from businesses and individuals, while time and savings deposits is mostly sourced from government entities.

According to IMF April 2015 outlook, Saudi GDP growth for 2015 was brought to three per cent in 2015 and the GDP at current prices was brought down to \$649 billion in 2015 from over \$752 billion in 2014 due to decline in oil prices. The fall in oil prices had mainly impacted time and savings deposit procurement. Saudi banking sector lending growth was close to 11 per cent in 2014. The lending to private sector was above 11 per cent, lending to government sector was above seven per cent and lending to non-financial public sector enterprises was close to four per cent. The deposit growth was above 12 per cent in 2014.

In the UAE, banking sector lending growth is more than three per cent during January-April 2015 period. The credit conditions have softened in 2015 with moderating demand growth for credit and a tightening of credit standards for corporates. Growth in loans in the construction, property development and the transport sectors had slowed.

The UAE deposit growth is more than one per cent in first four months of 2015. According to IMF April 2015 outlook, UAE's GDP growth for 2015 was brought to 3.2 per cent in 2015 and the GDP at current prices was brought down to \$364 billion in 2015 from over \$402 billion in 2014 on account of fall in prices.

In the UAE, declining oil revenue had slowed bank deposit growth and impacted credit growth in 2015. UAE's lending growth in 2014 was more than eight per cent in 2014 and deposit growth was more than 11 per cent.

In Oman, banking sector lending growth was close to four per cent during January-April 2015 period and deposit growth was close to three per cent. Lending growth is sustained in 2015 due to higher spending on infrastructure projects, the government's proposal to boost funding for development, as well as an increasingly vibrant consumer credit market, despite fall in oil prices. According to IMF April 2015 outlook, Oman's GDP growth for 2015 was brought to 4.6 per cent in 2015 and the GDP at current prices was brought down to \$63 billion in 2015 from over \$77 billion in 2014. Oman's lending growth and deposit growth was close to 11 per cent in 2014.

In Kuwait, banking sector registered five per cent year-on-year lending growth in April 2015. Loan growth had fallen on account of slowdown in economy. According to IMF April 2015 outlook, Kuwait economy is expected to grow at 1.7 per cent in 2015 and GDP at current prices brought down to \$135 billion in 2015 from \$172 billion in 2014 as oil prices fell. Kuwait's lending growth came in at 6.2 per cent year-on-year in December 2014. Household debt growth eased slightly to 12.7 per cent. Credit to the trade sector performed modestly during the year, while credit to industry and construction saw a contraction in 2014.

Qatar's banking sector lending growth was close to three per cent during January-April 2015 period. The retail and contract financing are the key sectors which contribute to growth in 2015. Private sector loans grew by eight per cent by April 2015 while deposit growth stood firm at 3.1 per cent in first 4 months of April 2015.

According to IMF April 2015 outlook, Qatar economy is expected to grow at 7.1 per cent in 2015 and GDP at current prices brought down to \$197 billion in 2015 from \$210 billion in 2014 due to steep decline in oil prices. In Qatar, loan growth came in at 13.1 per cent in 2014 and deposit growth remained firm close to 10 per cent.

The WTI is near \$61 per barrel and Brent trading \$65 per barrel. Oil prices had rebounded since end of March 2015. However recent Opec action prevented steep rise in oil prices. The low oil prices have enabled GCC banking sector to focus on liquidity. The fall in oil price have impacted economic growth, curtailed lending and has raised liquidity concerns in GCC economies.

Liquidity in both the government sector and private sector are affected. Deposit mobilisation is a challenge for banking sector. With oil price remaining volatile liquidity concerns still remains in GCC banking sector.

The writer is group CEO at Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.

