

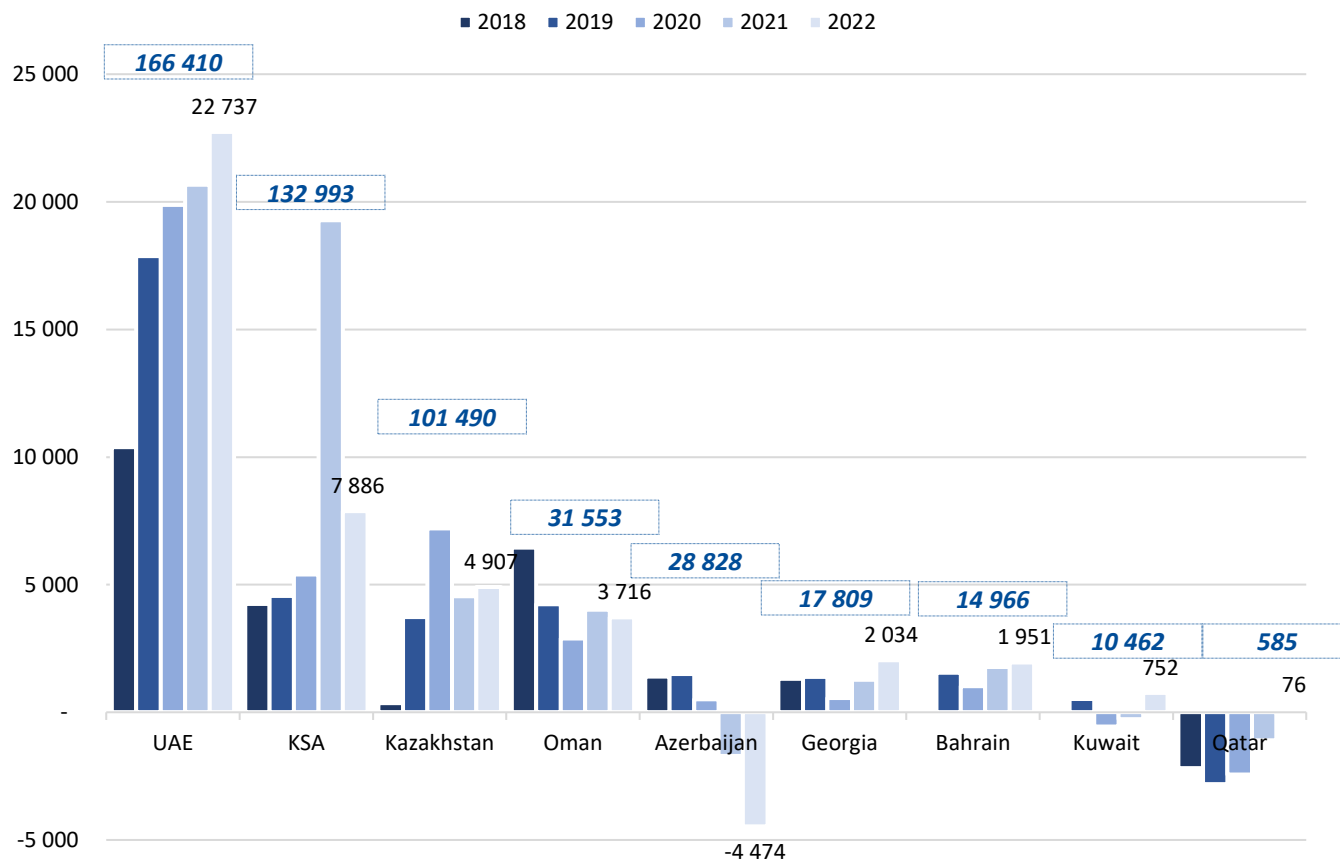


GCC Renaissance: Tapping Rising Investment Opportunities

***Part 2: FDI net inflow and
State-Owned Investors***

The UAE is the only GCC nation that experienced constant growth in FDI inflows over the past 5 years until 2022 and has the largest FDI stock attracted in 12 years

FDI net inflow (2018-2022), \$bl

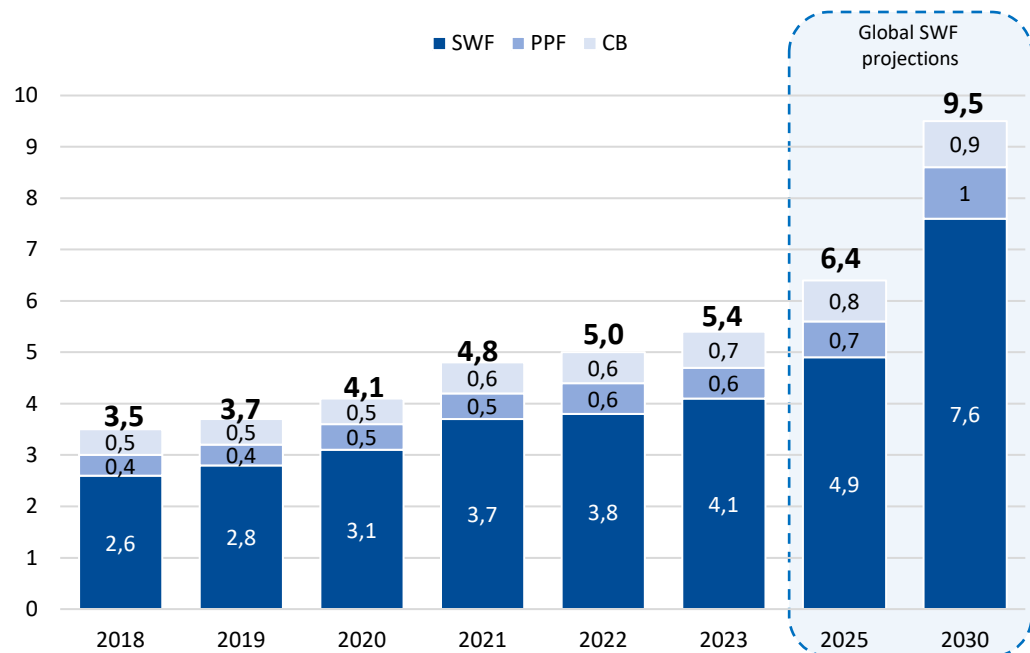


- Foreign Direct Investment (FDI) has been at the heart of the GCC countries' economic vision to **grow their economies and diversify away from oil and gas**. Particularly FDIs in the transportation, power, and water sectors.
- Among GCC **UAE has been the top recipient of FDIs in 2022** in the amount of \$22,7bl (transport and warehousing, hotels and tourism, renewable energy, software and IT, consumer products).
- In 2021, KSA secured **the highest FDI of \$19bl**, primarily driven by the privatization of the noteworthy Aramco through IPO contributing \$12.4bl. KSA aims to **attract a total of \$500bl in FDI as part of its Saudi 2030 Vision** through the National Investment Strategy. Nevertheless, **the pace of FDI attraction currently lags behind that of the UAE**.
- Following an FDI stock of \$9bl in 2010 - 2017, Qatar underwent a substantial FDI outflow of \$8.5bl from 2018 to 2021, attributed to the blockade led by KSA. Consequently, **the cumulative FDI attracted over 12 years amounted to \$585ml**. Despite reaching a total FDI stock of USD 27.53 billion in 2021, this figure remains notably lower when compared to other GCC countries.

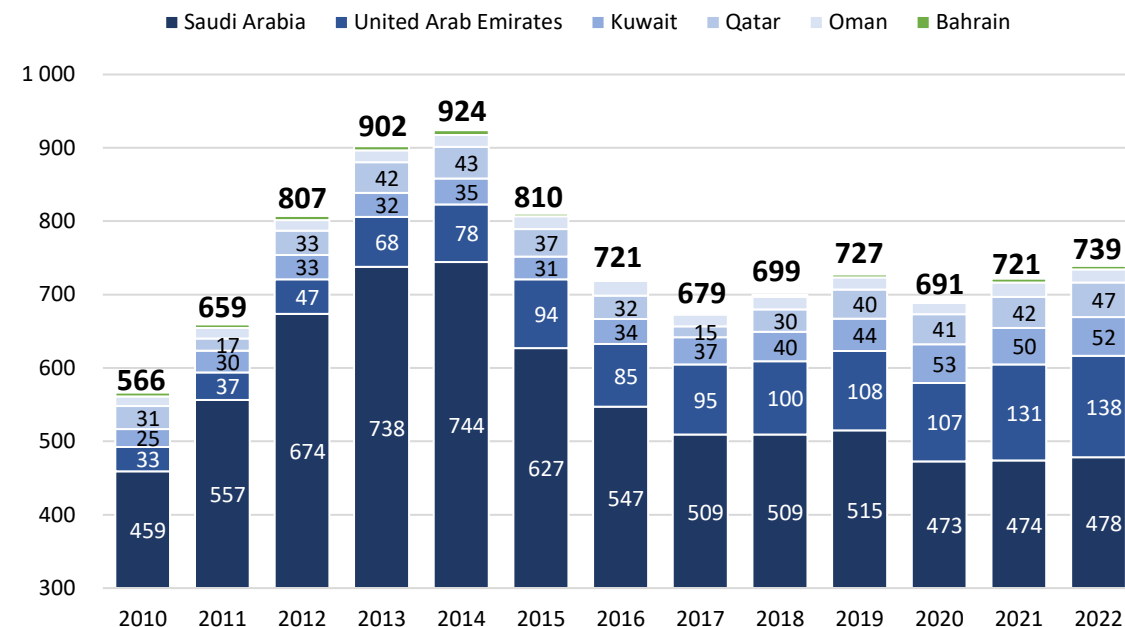
Cumulative FDI inflows during 2010-2022, \$bl

GCC takes for 11% of the Global AUM of SOI, creating a solid financial buffer to uphold any financial challenges or oil price decline, and fund ambitious growth plans

GCC Growth of State-Owned Investors (\$ trillion)



GCC total reserves of Central Banks (gold + USD), \$ bl

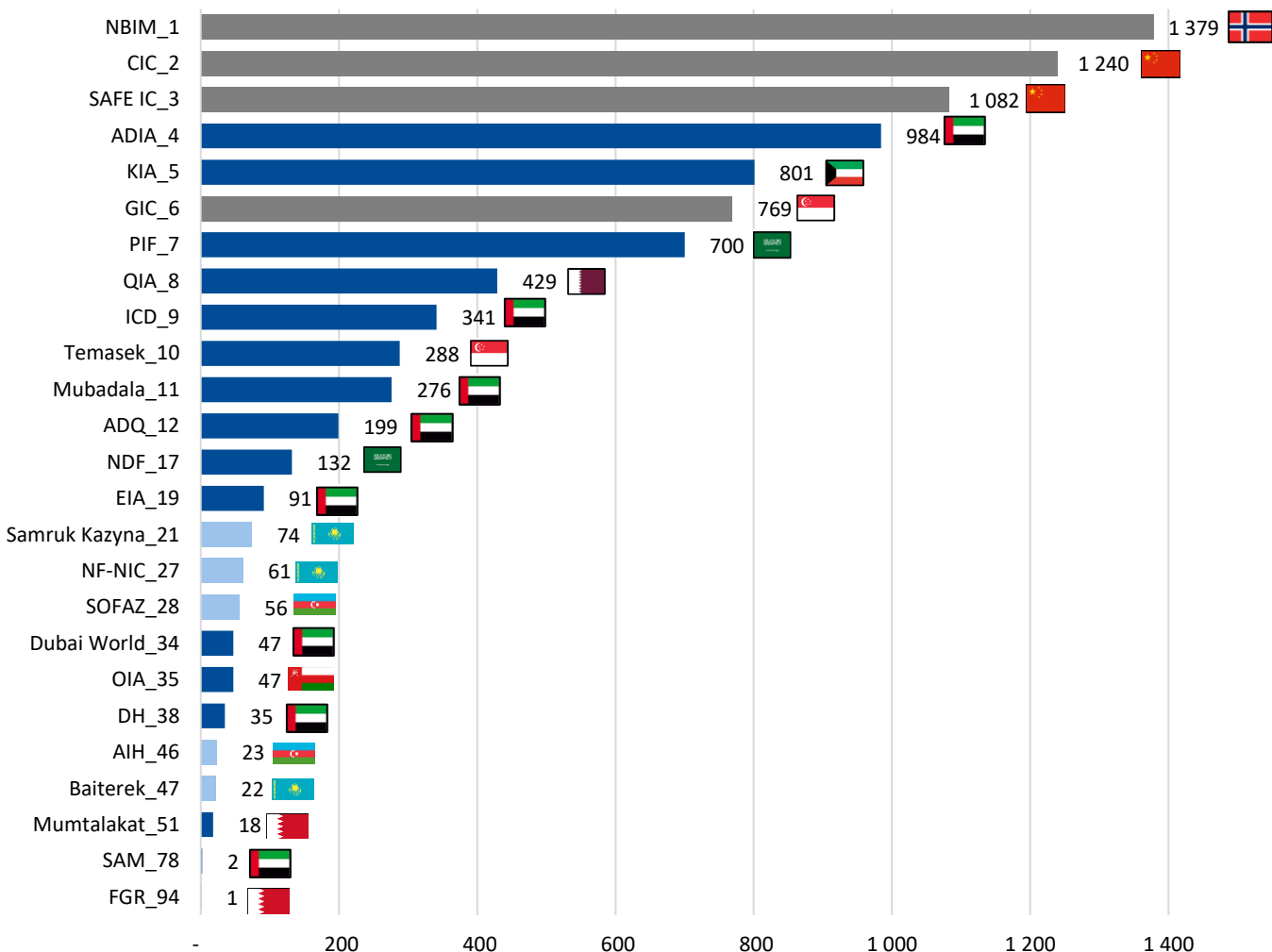


- GCC's State-Owned Reserves - Sovereign Wealth Funds, Public Pension Funds and Central Banks, **in 2023 reached a historical peak of \$5,4 trillion.**
- **UAE (\$2,2trln), KSA (\$1,6trln) and Kuwait (\$984bl) are among global top 15 SOI countries.** 19 GCC SWFs **are led by the largest players** that are well over 50 years-old: Kuwait's KIA (1953), Aby Dhabi's ADIA (1967) and Saudi Arabia's PIF (1971).
- Global SWF projected that by 2030 AUM of SOI could grow up to \$9,5 trillion.
- **Kazakhstan has \$223 bl State-Owned Reserves**, including Samruk-Kazyna \$74bl, National Fund \$61bl, Baiterek \$22bl, United Pension Fund \$32bl, Central Bank \$34bl.

- Total foreign reserves of the GCC countries have stabilized at the average level of \$700bl since 2016, with **KSA that accounts 65% of GCC reserves. In 2015-2017 GCC lost \$245bl reserves due to oil price decline.**
- The sharp decline of reserves took place in KSA in 2015-2016, when oil prices fell by nearly 70% since mid-2014 and shattered government revenues, pushing the budget deficit up to about 20% of GDP. This deficit was funded by drawing down its deposits at the CB of \$100 bl in 2015.
- In 2022 the CB reserves of the Kazakhstan reached \$34bl, Azerbaijan's \$11bl and Georgia \$5bl.

High oil prices and advanced investment strategies of SWFs drive swift recovery and economic diversification, positioning the GCC for notable growth ahead

SWFs Global ranking



Note: PIF's AUM grow from \$250bl in 2018 up to \$700bl in 2023, i.e. by 2,8 times in 5 years

Source: SWF 2023 report by the Global SWF (January 2024), Growth Vision Pro analysis

- In GCC SWFs follow one of the two key approaches:
 - (1) the Abu Dhabi approach**, the government creates different SWFs for different missions, under different royals. They cover all bases without overlapping with each other (in UAE - ADIA, MIC, ADQ, in Bahrain - FGR and Mumtalakat);
 - (2) The Saudi Arabia approach**, the government consolidates all investment strategic efforts, and vision into a single umbrella (in KSA - PIF, chaired by Crown Prince MbS, in Qatar - QIA, in Kuwait - KIA, in Oman - OIA).
- Over the last seven years, **PIF** has emerged as a highly engaged SWF, playing a pivotal role both **domestically and internationally**, serving as a crucial driver and enabler of the country's Vision 2030 and overall transformation.
- The Arabian Gulf has traditionally had a **blurred line between national capital (sovereign funds) and private royal family wealth**.
- Over the past six years, GCC companies raised a substantial **\$76.5bl in domestic stock exchanges**, despite historical challenges in regulatory reputation, liquidity, and trading volume. Recent improvements have enhanced the region's capital markets, with **Saudi's Tadawul now ranking as the 12th largest stock exchange globally**.
- Among the **138 GCC companies going public from 2018 to 2023** (with the involvement of SOI), **nearly 70% chose Tadawul (66% of proceeds)**, while the UAE's ADX, DFM, and Nasdaq-Dubai saw 24 IPOs, MSX in Oman saw 8, and QSE in Qatar saw 4. A noteworthy trend in GCC IPOs is the active involvement of SOI, often on both the selling and buying sides, even across borders.
- Saudi Arabia, the UAE, and Qatar are seemingly engaged in a competitive bid for influence in the region.**