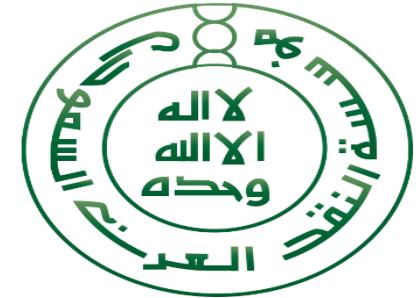


FDI in the GCC Countries

SAMA Quarterly Workshop

7 March 2016

Salah Alsayaary



مَوْسِيَّةُ النَّفَلِ الْعَرَبِيَّةِ السَّعُودِيَّةِ
Saudi Arabian Monetary Agency



Agenda:

- Concepts
- Global Trend
- GCC Trend
 - Aggregate
 - Country- Level
- Factors Affecting FDI in GCC
- Recommendations



Definition:

The investment that is made by nonresident in another country while maintaining effective management control (at least 10 percent of the voting power according to the IMF).

Types of FDI

inward or outward

Horizontal or Vertical

Greenfield or Brownfield



“FDI has beneficial impact but it may have a cost..”

Benefits:

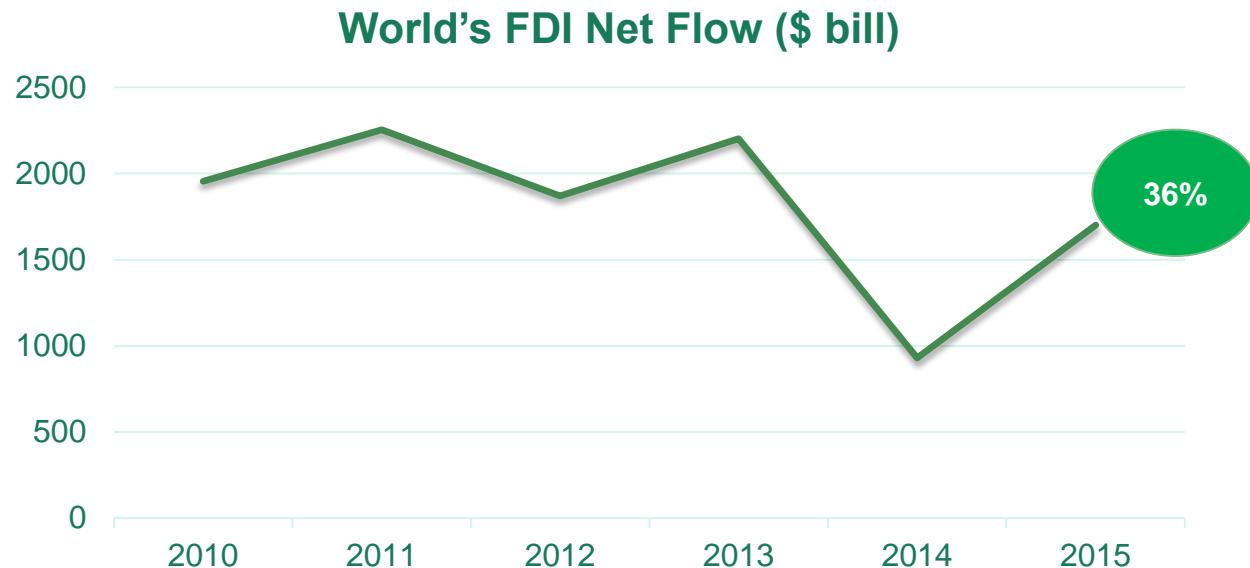
- Technology and knowledge transfer.
- Job creation
- Improving labor force skills
- Improves the countries' infrastructures
- Diversification of revenues (corporate tax)
- Good effect on Balance-of-payments (BOP)

Costs :

- Hindering domestic investment in some cases.
- Adverse effects on the BOP
- It may have Negative Influence on Exchange Rates
- Lower the comparative advantage of the country



Global Trend



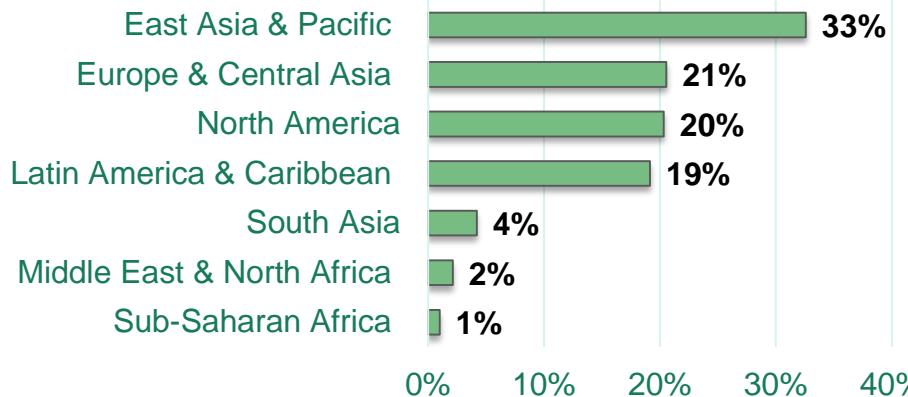
Source: WDI and UNCTAD

Global FDI flows jumped 36% in 2015
to an estimated US\$1.7 trillion (UNCTAD,
World Investment Report, 2015)



Global Trend

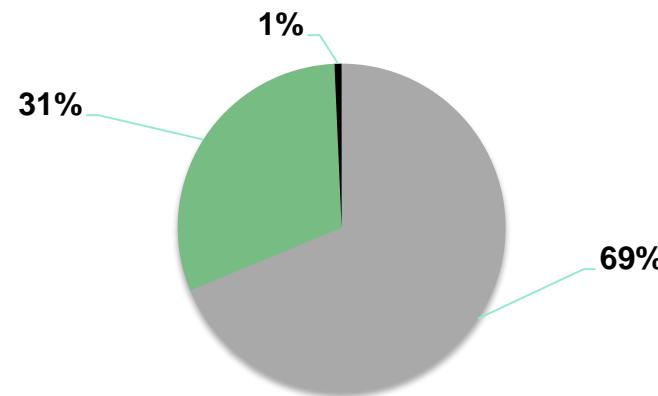
FDI Net Flow (2014)



Source: WDI

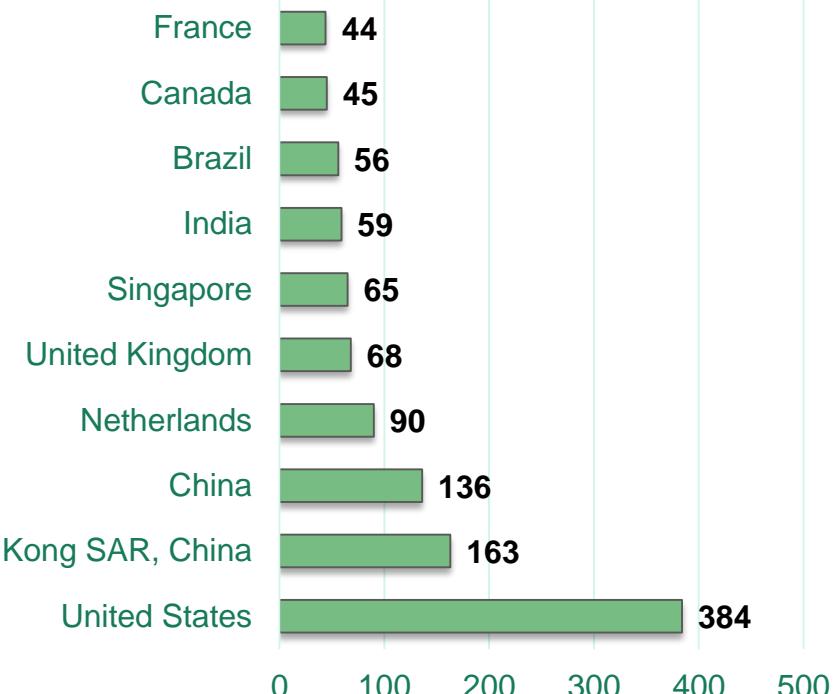
FDI Net Flow (2010-14)

■ High income ■ Middle income ■ Low income



Source: WDI

FDI inflow 2015 Top 10 Economies (bill. \$)



Source: WDI



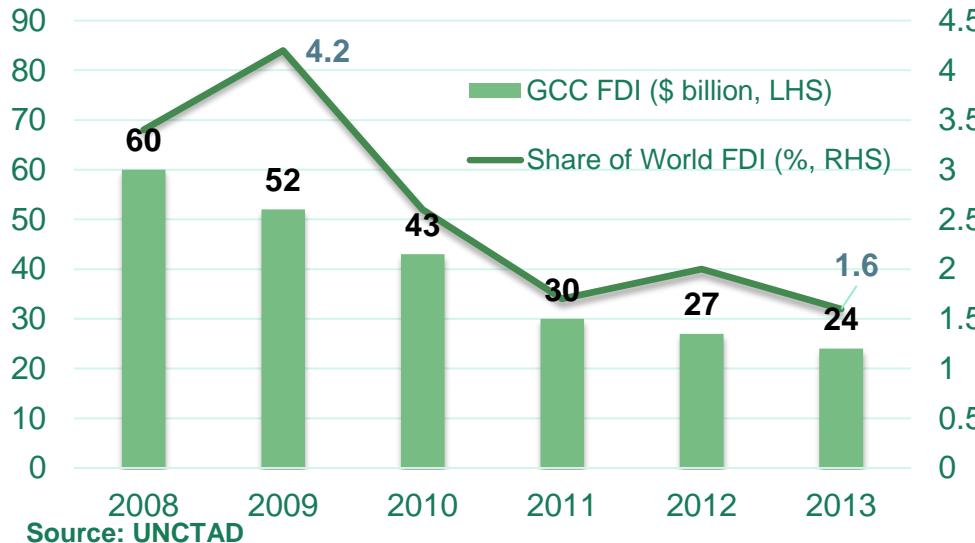
GCC Trend

Net FDI Flow to GCC Countries



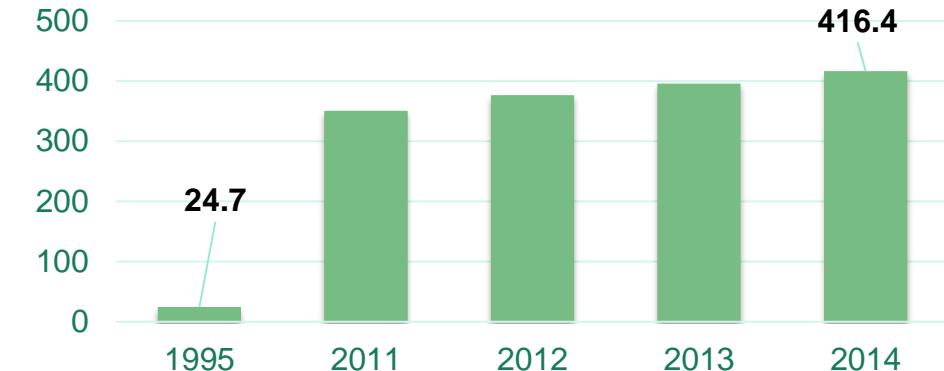
Source: UNCTAD

Net FDI flow to GCC Countries



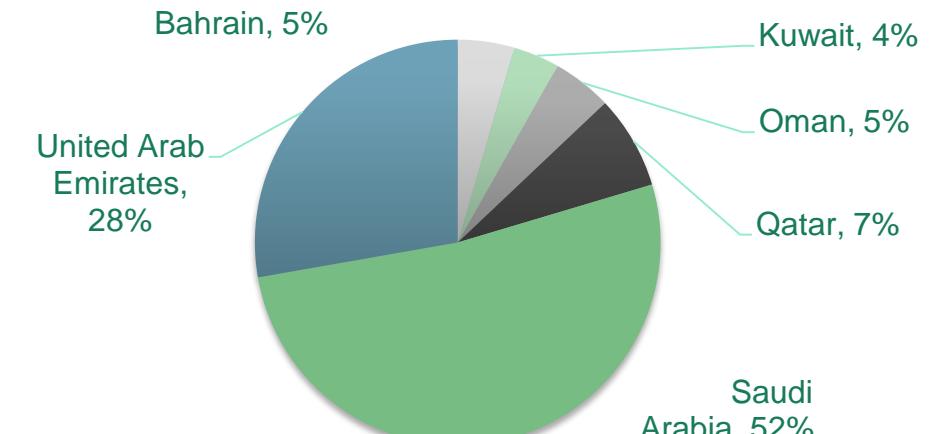
Source: UNCTAD

FDI Stock in GCC Countries (Billion \$)



Source: UNCTAD

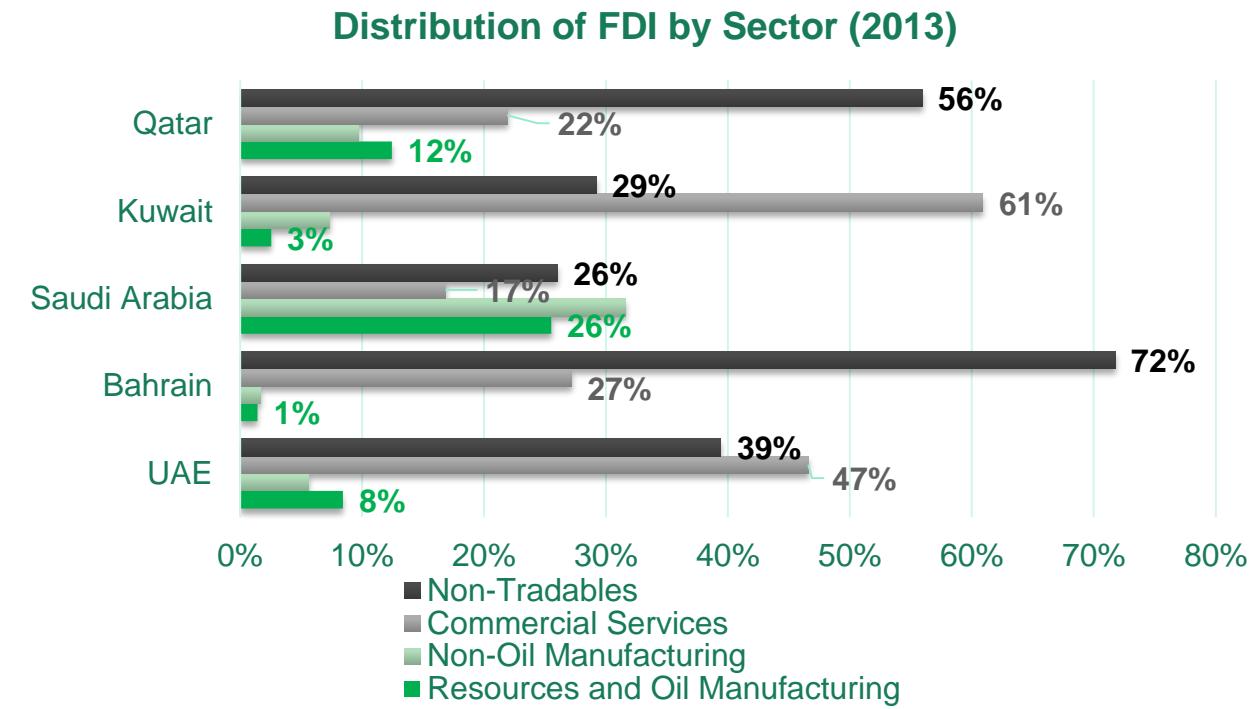
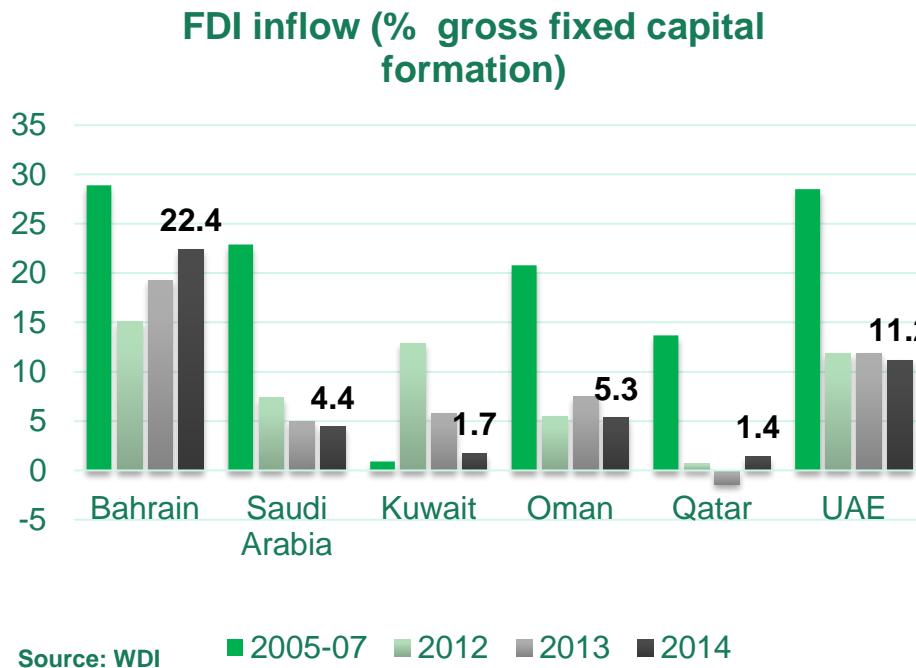
FDI Stock in GCC Countries (% of total)



Source: UNCTAD

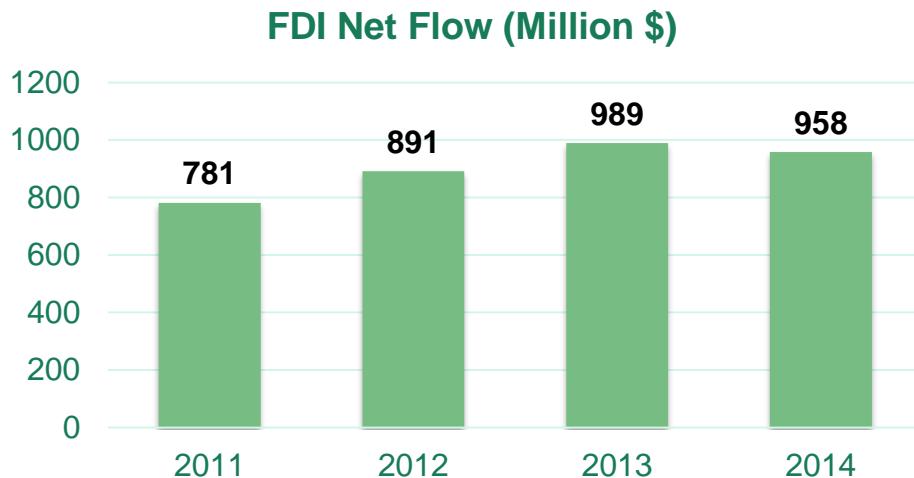


GCC Trend

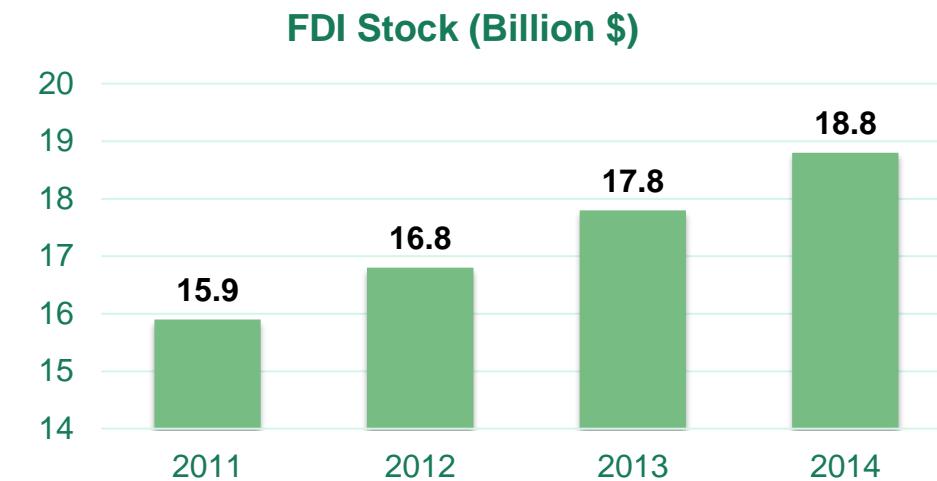




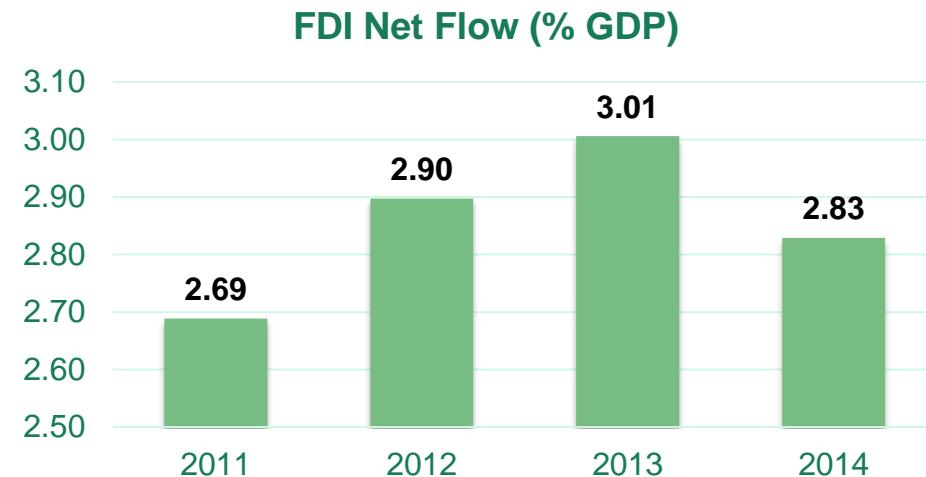
Bahrain



Source: WDI



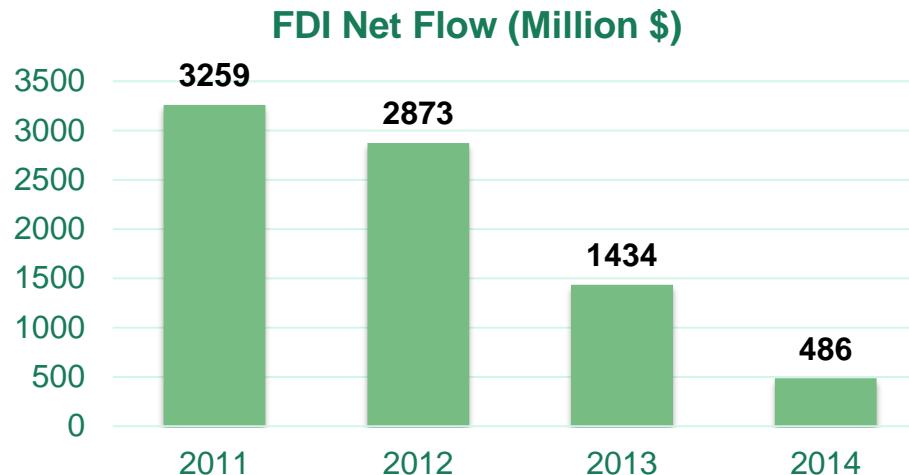
source: UNCTAD



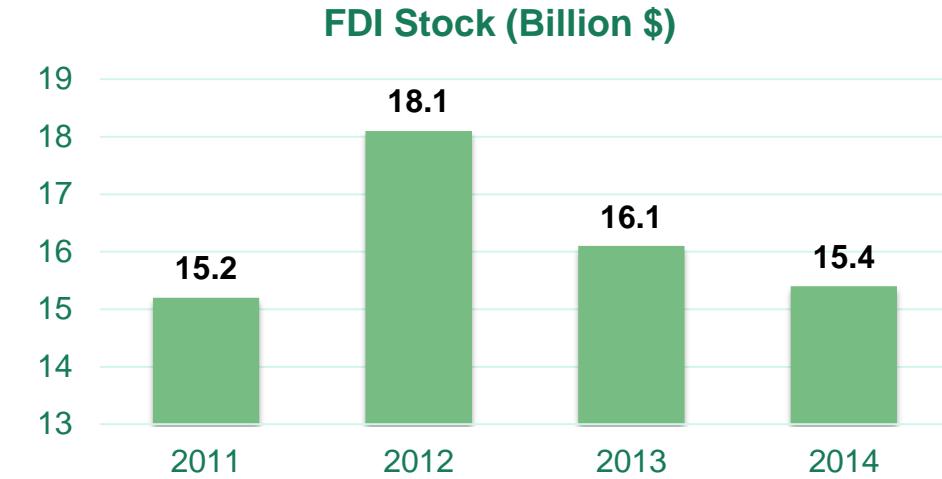
Source: WDI



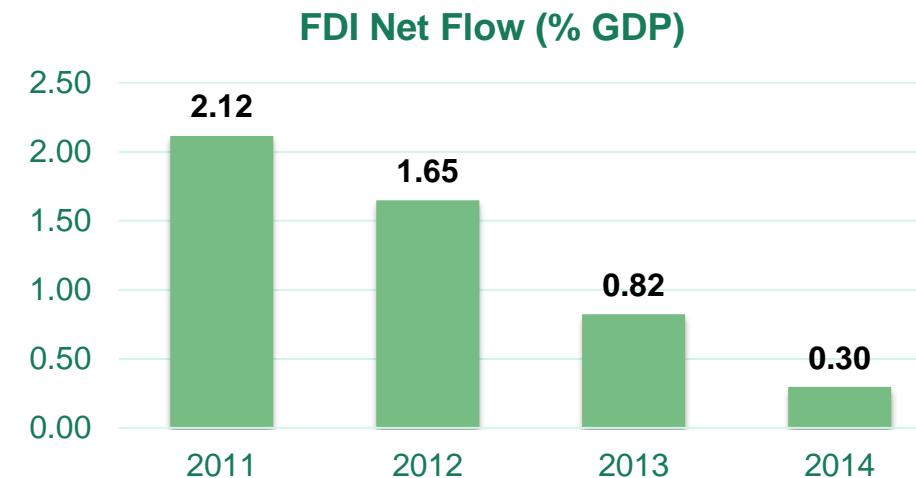
Kuwait



Source: WDI



Source: UNCTAD

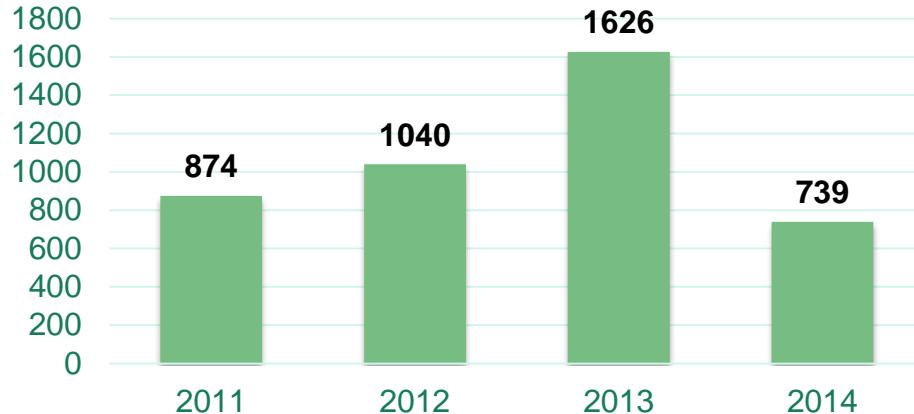


Source: WDI



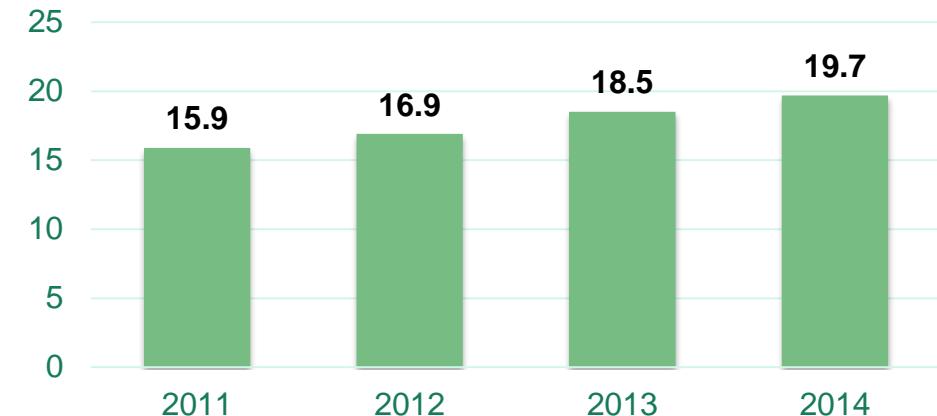
Oman

FDI Net Flow (Million \$)



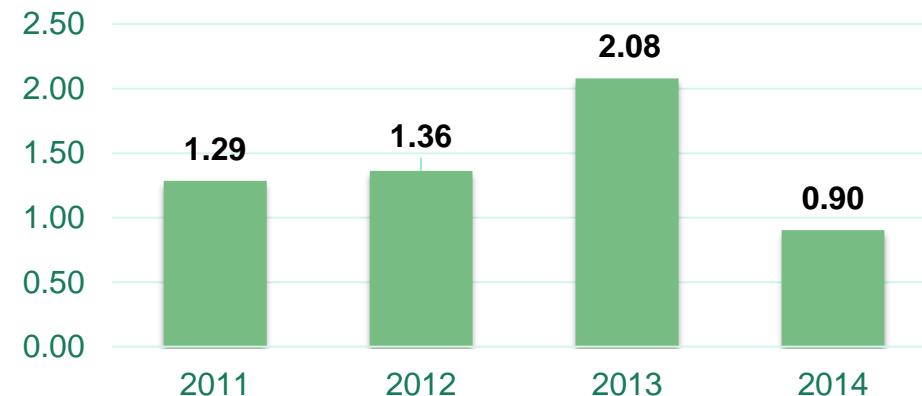
Source: WDI

FDI stock (billion \$)



Source: UNCTAD

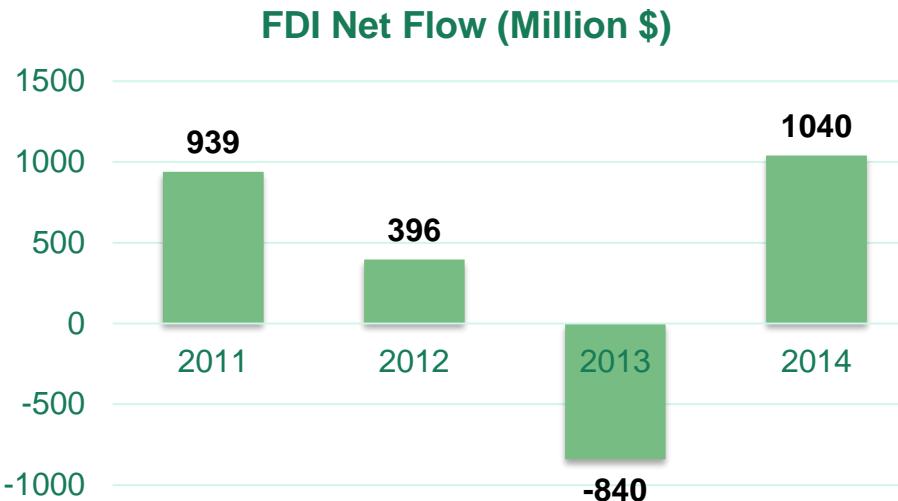
FDI Net Flow (%GDP)



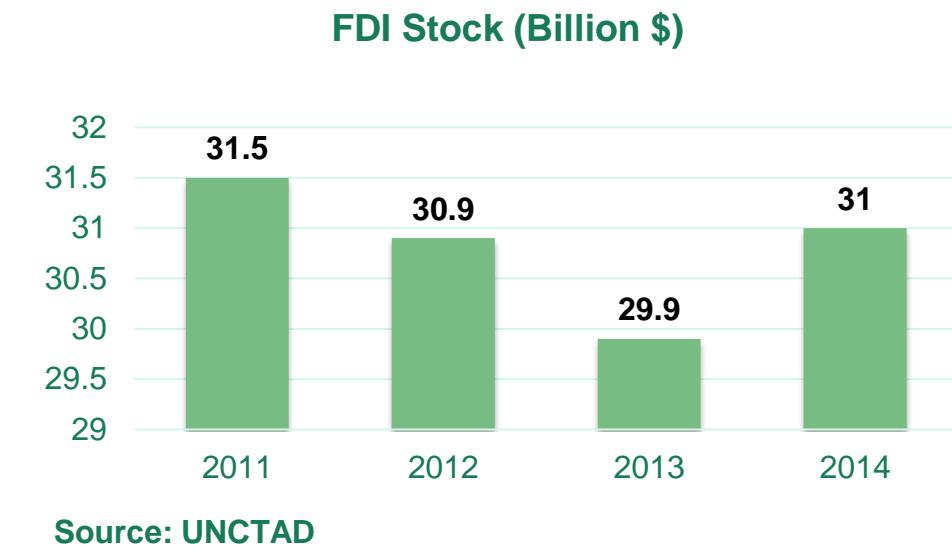
Source: WDI



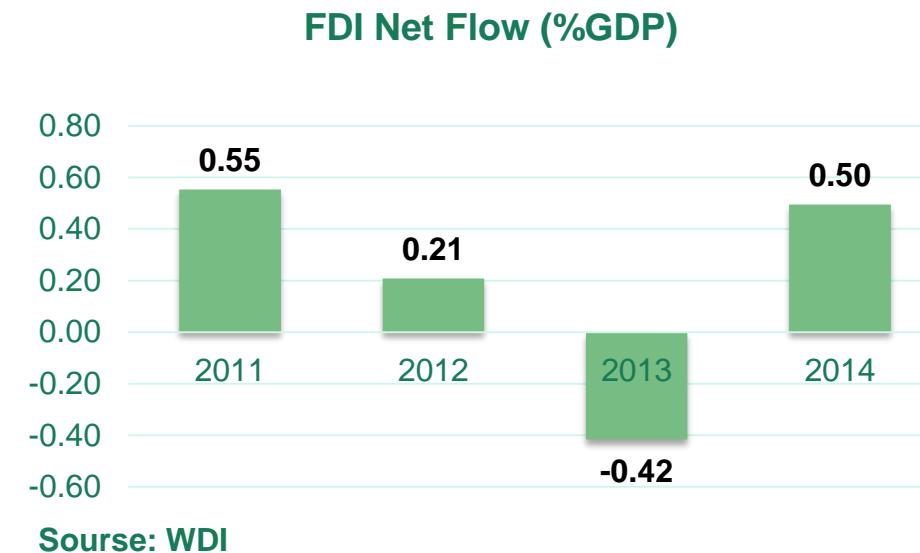
Qatar



Source: WDI



Source: UNCTAD



Source: WDI



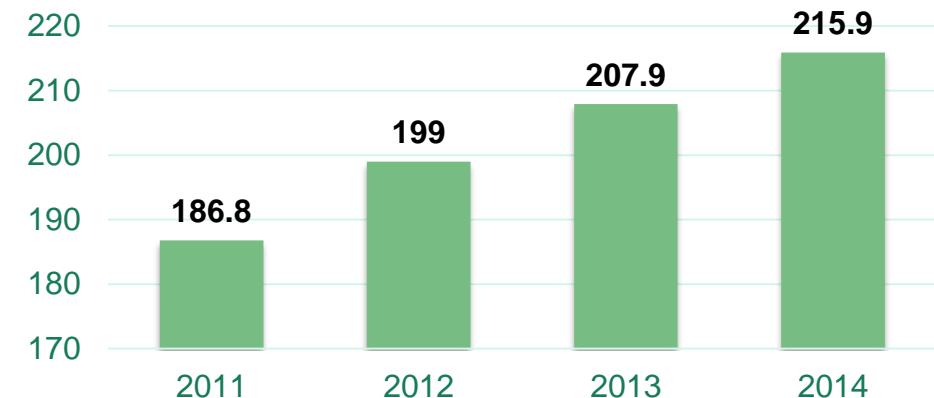
Saudi Arabia

FDI Net Flow (Million \$)



Source: WDI

FDI Stock (Billion \$)



Source: UNCTAD

FDI Net Flow (% GDP)

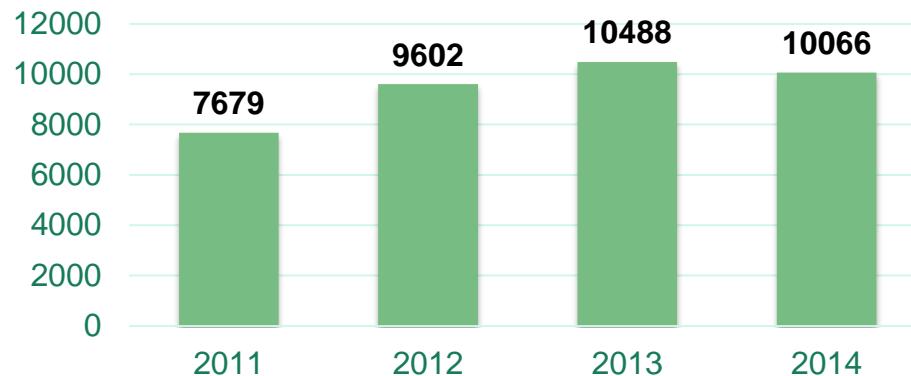


Source: WDI



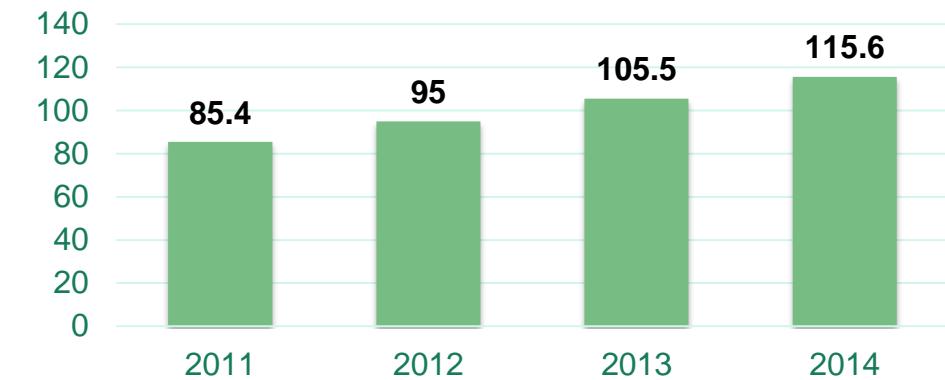
UAE

FDI Net Flow (Million \$)



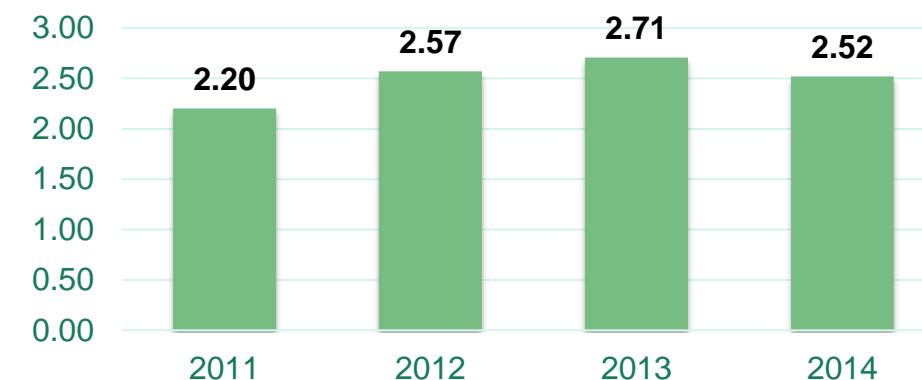
Source: WDI

FDI Stock (Billion \$)



Source: UNCTAD

FDI Net Flow (% GDP)

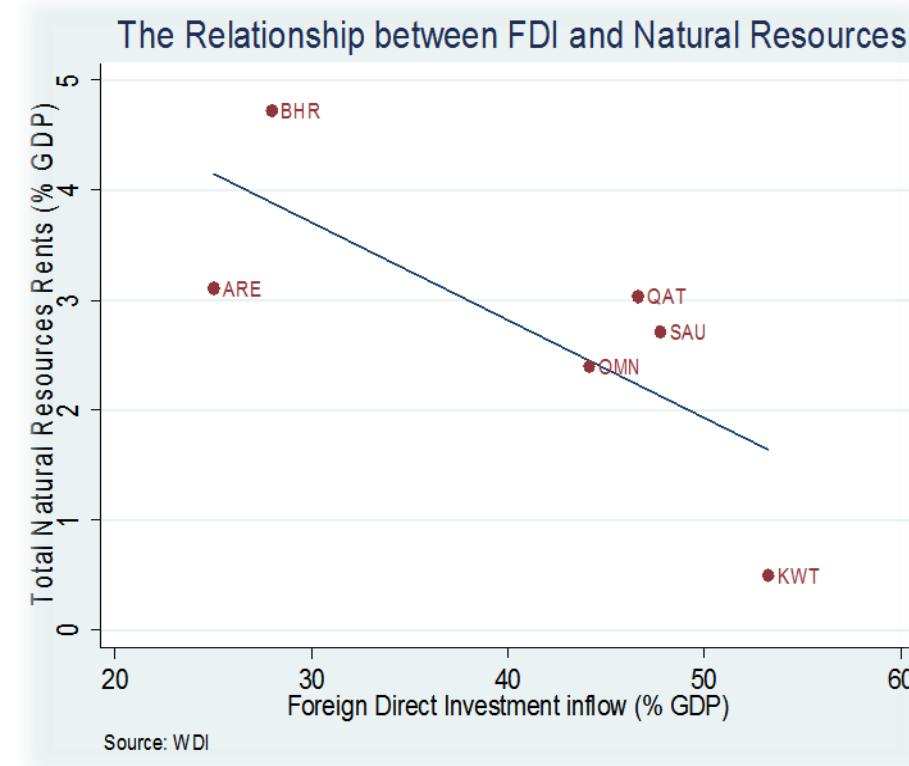
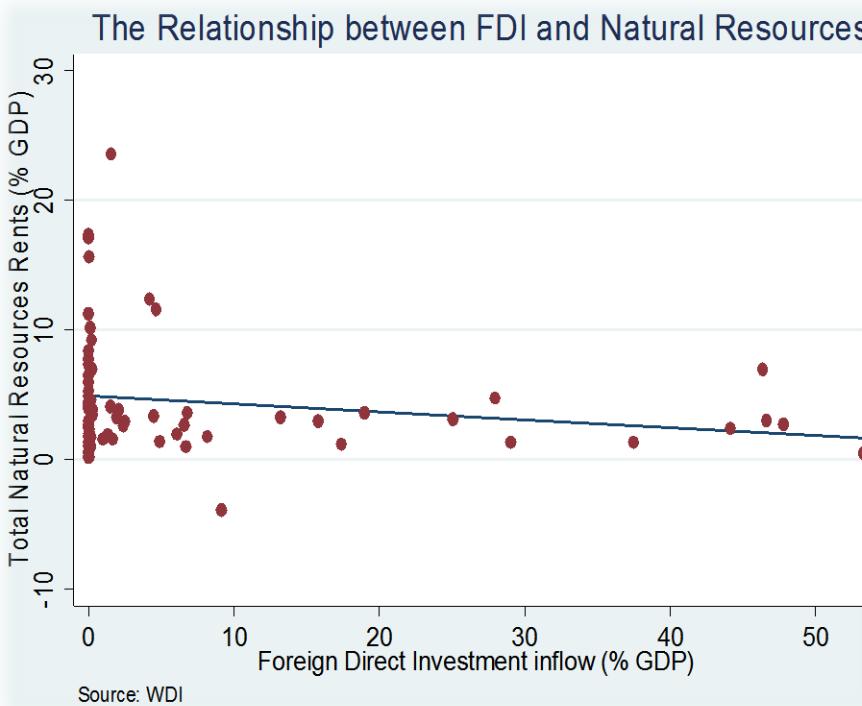


Source: WDI



Factors Affecting FDI in GCC Countries

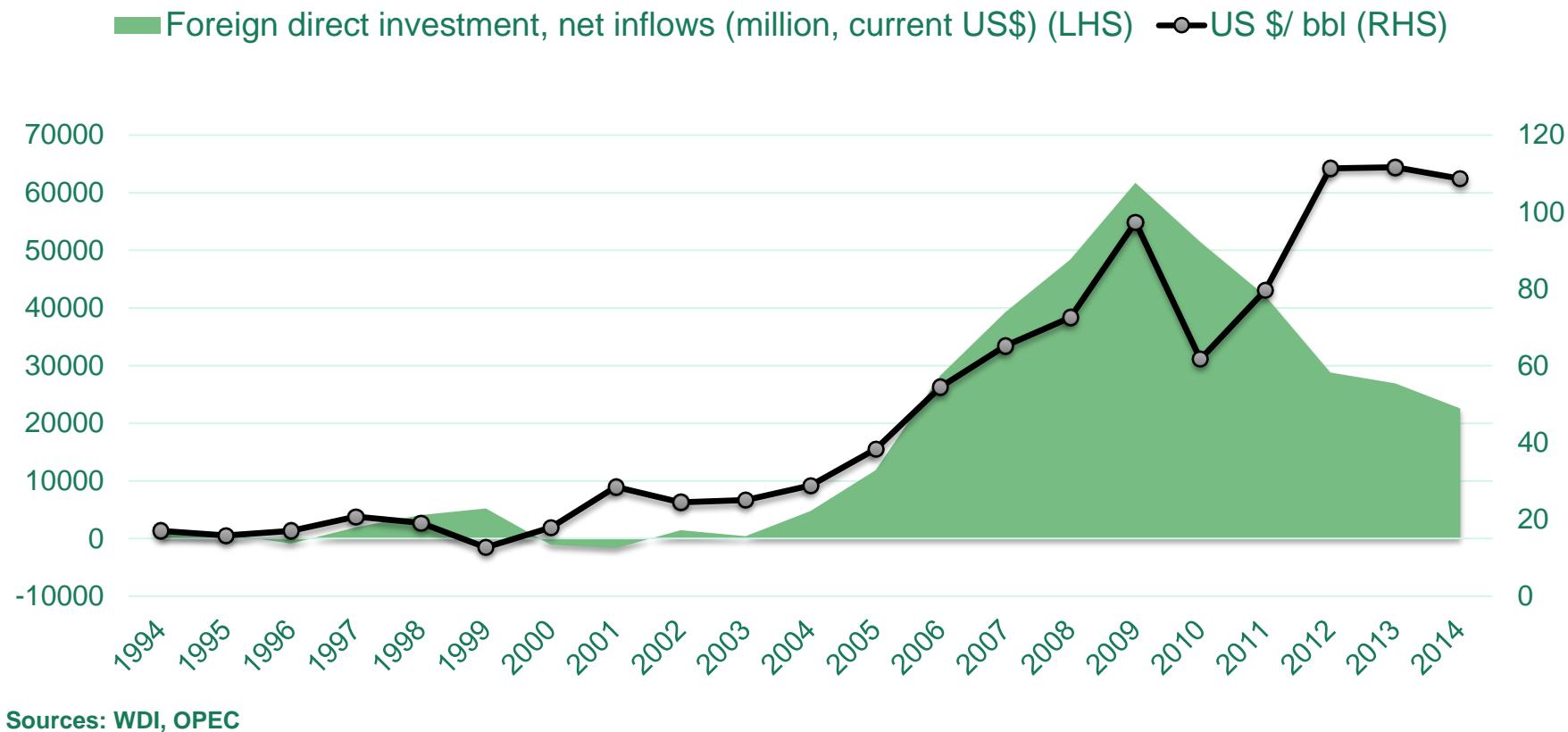
Natural Resources: Rent





Factors Affecting FDI in GCC Countries

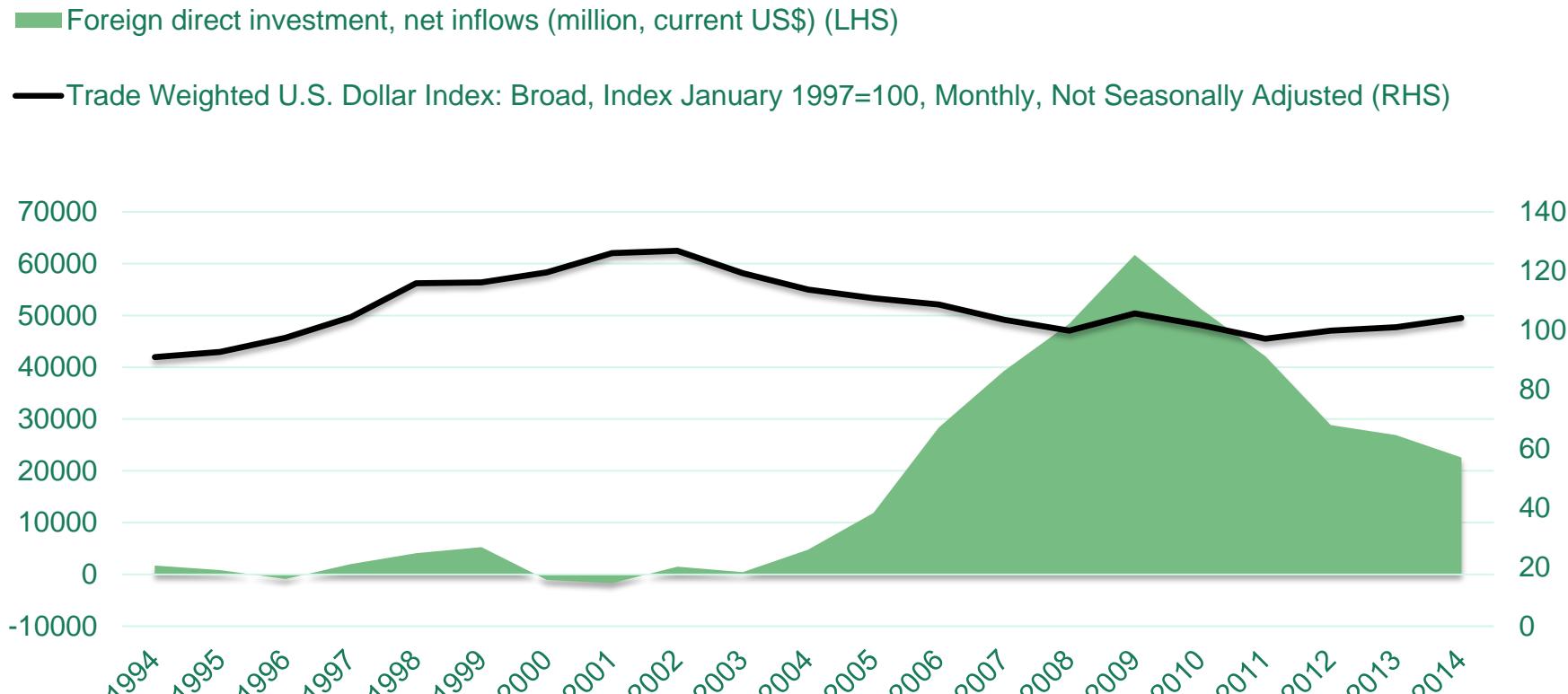
Natural Resources: Oil Prices





Factors Affecting FDI in GCC Countries

Exchange Rates; Dollar Movement

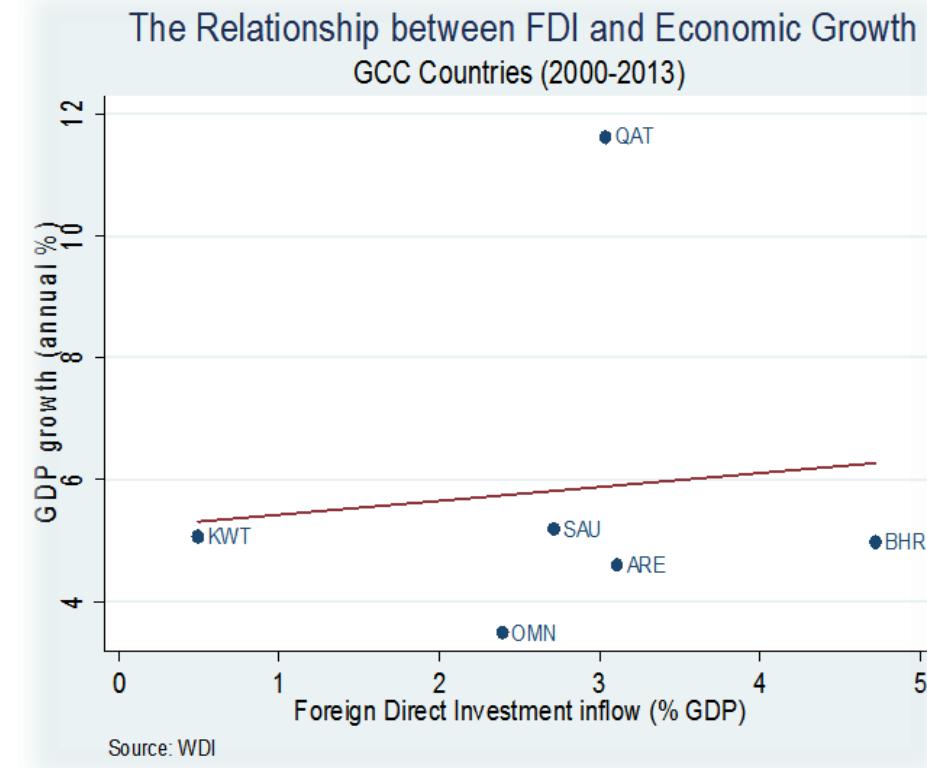
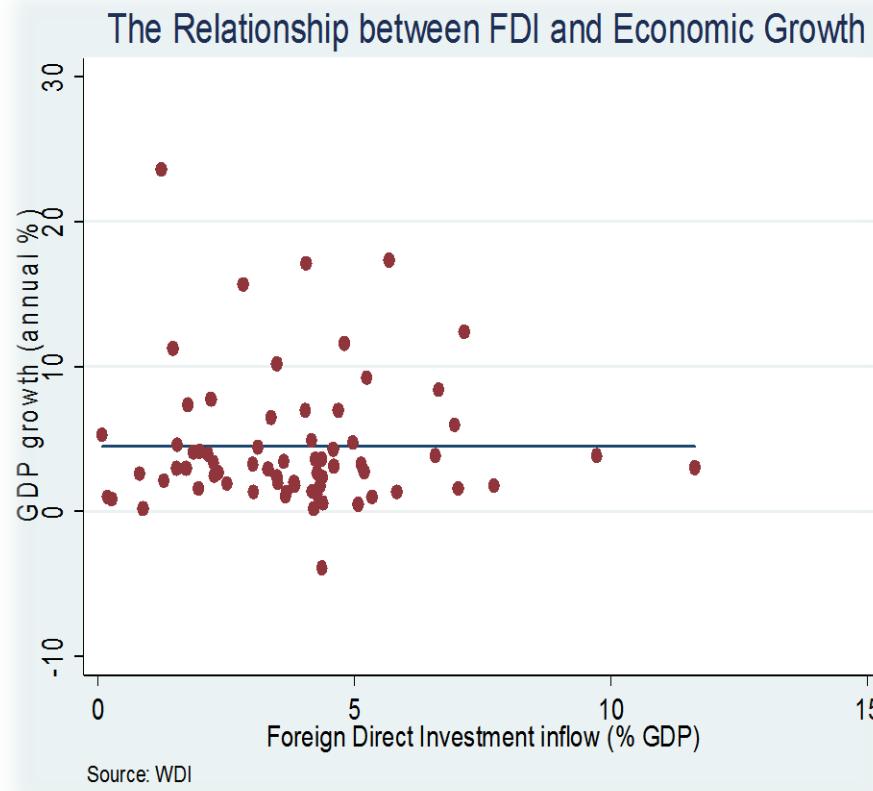


Sources: FRED, WDI



Factors Affecting FDI in GCC Countries

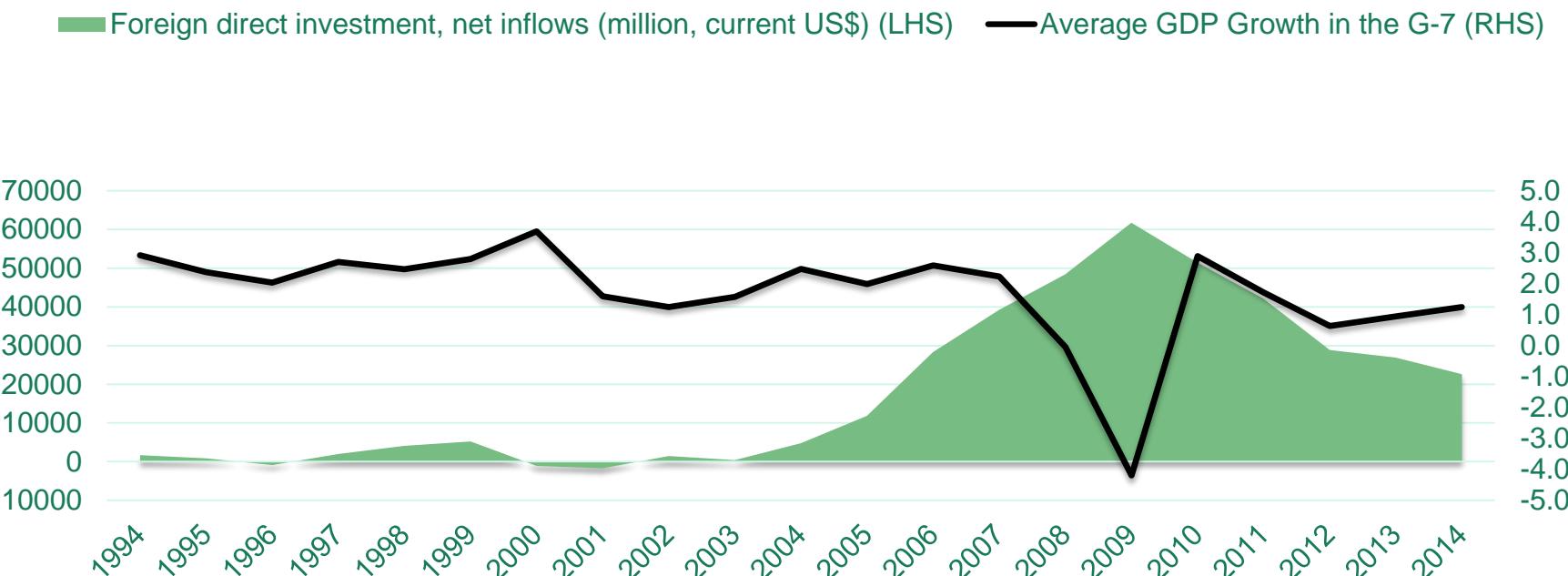
Economic Growth





Factors Affecting FDI in GCC Countries

Growth in Advanced Economies

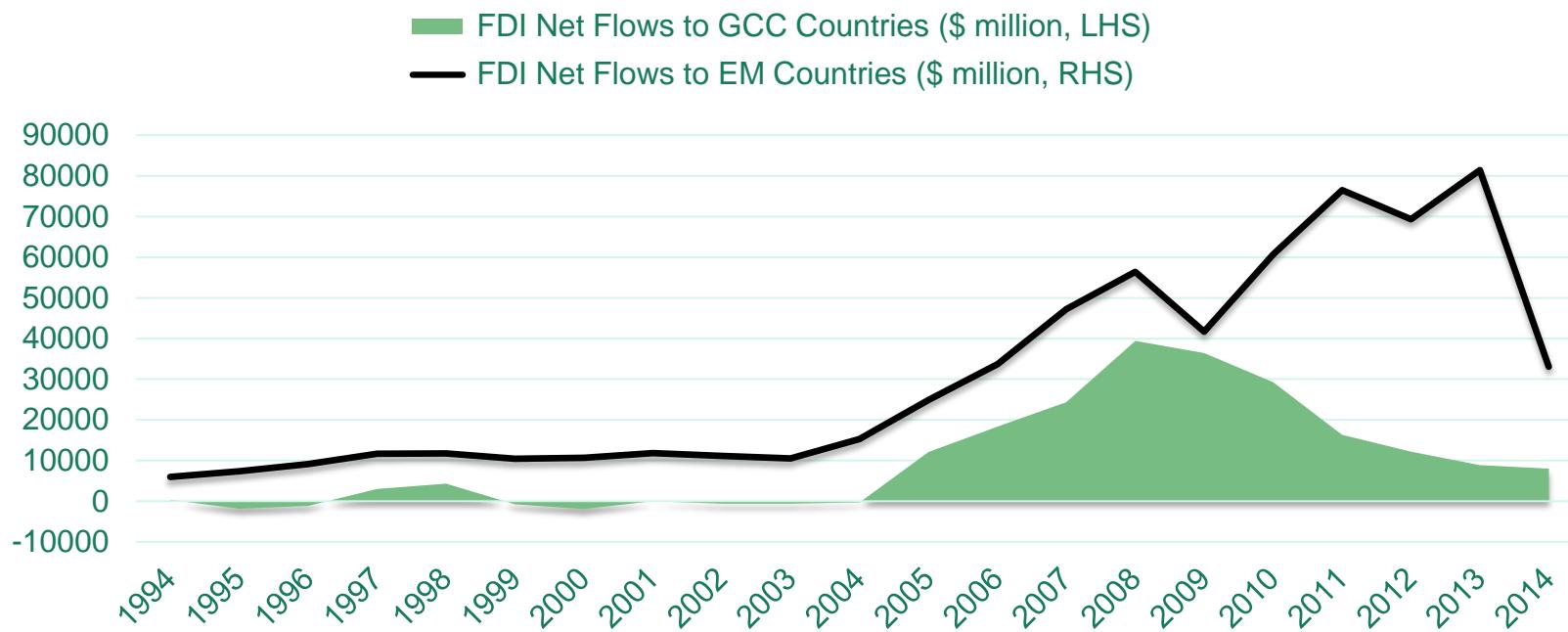


Source: WDI & IMF



Factors Affecting FDI in GCC Countries

FDI in major Emerging Economies

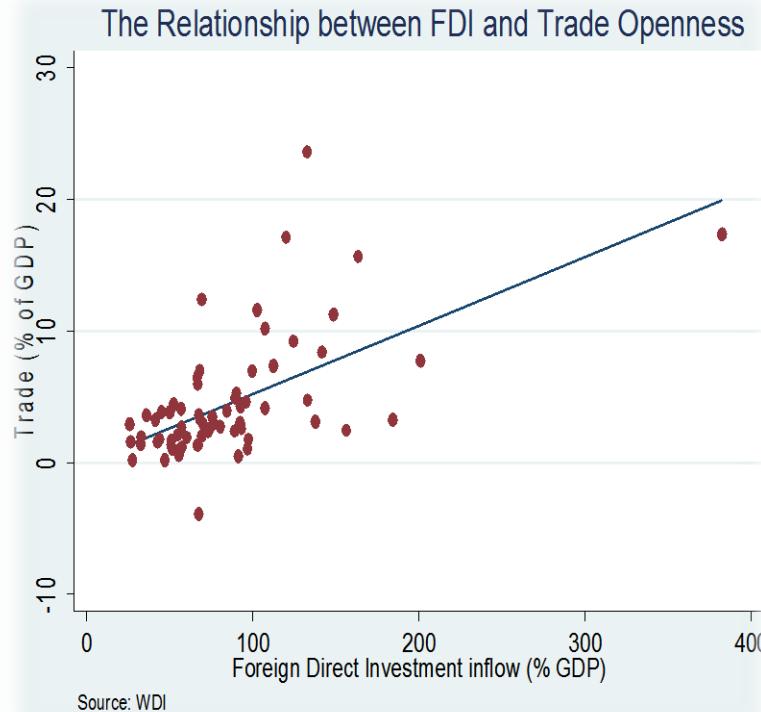


source: WDI



Factors Affecting FDI in GCC Countries

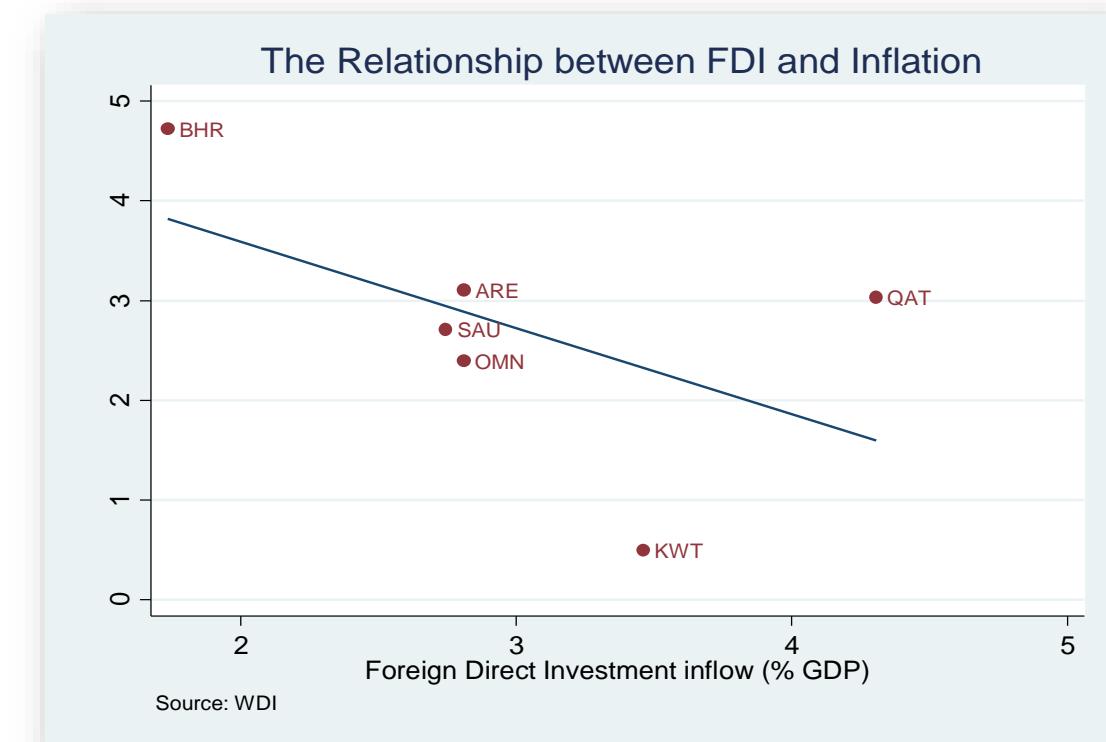
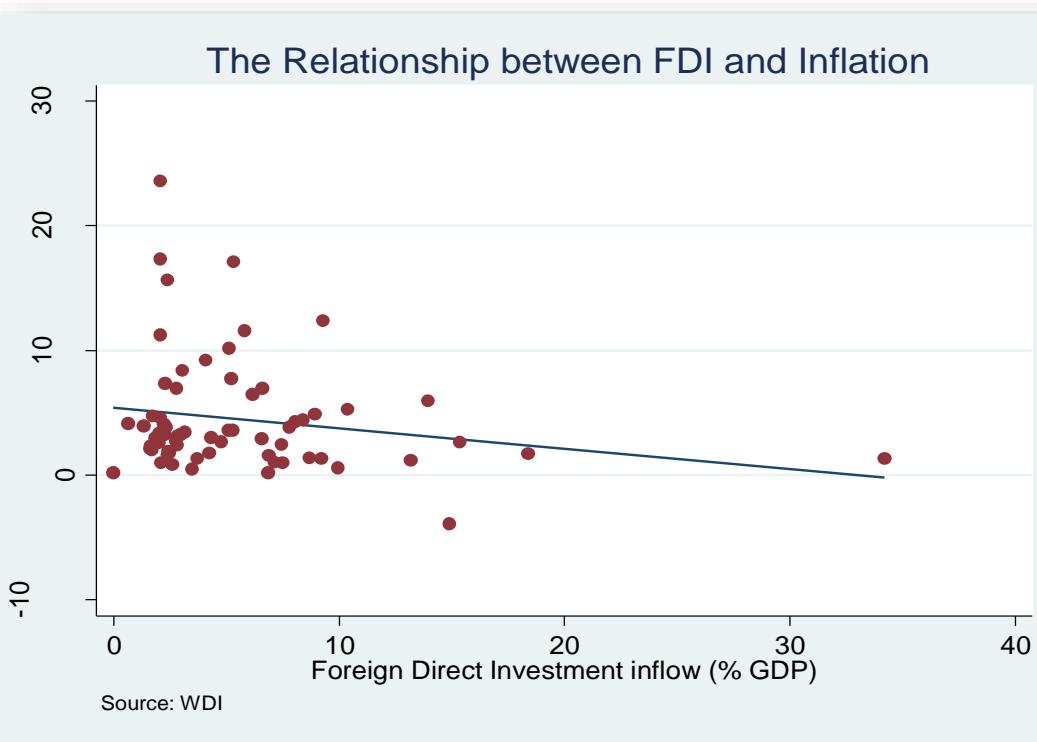
Trade Openness





Factors Affecting FDI in GCC Countries

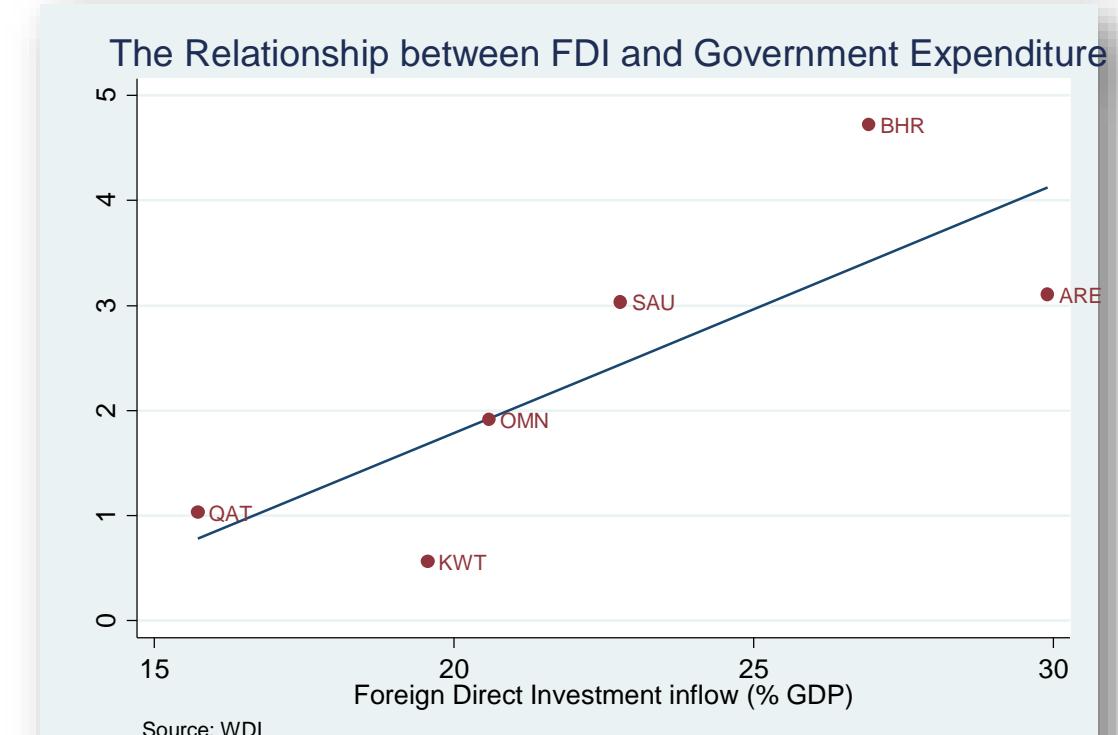
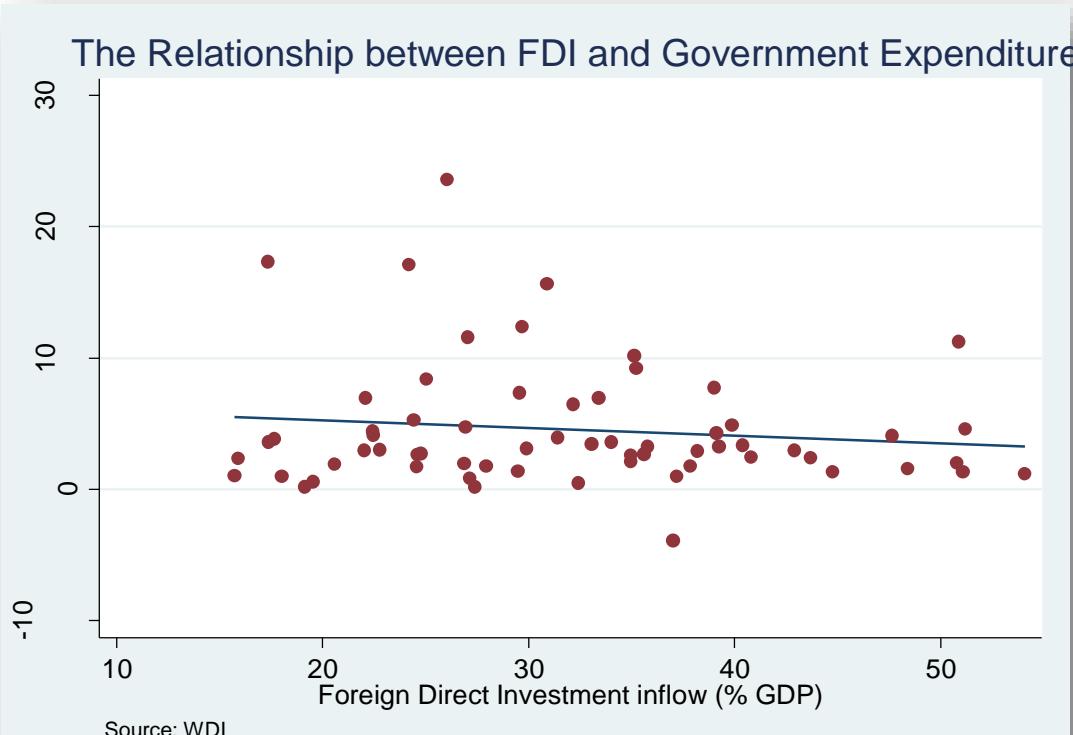
Inflation





Factors Affecting FDI in GCC Countries

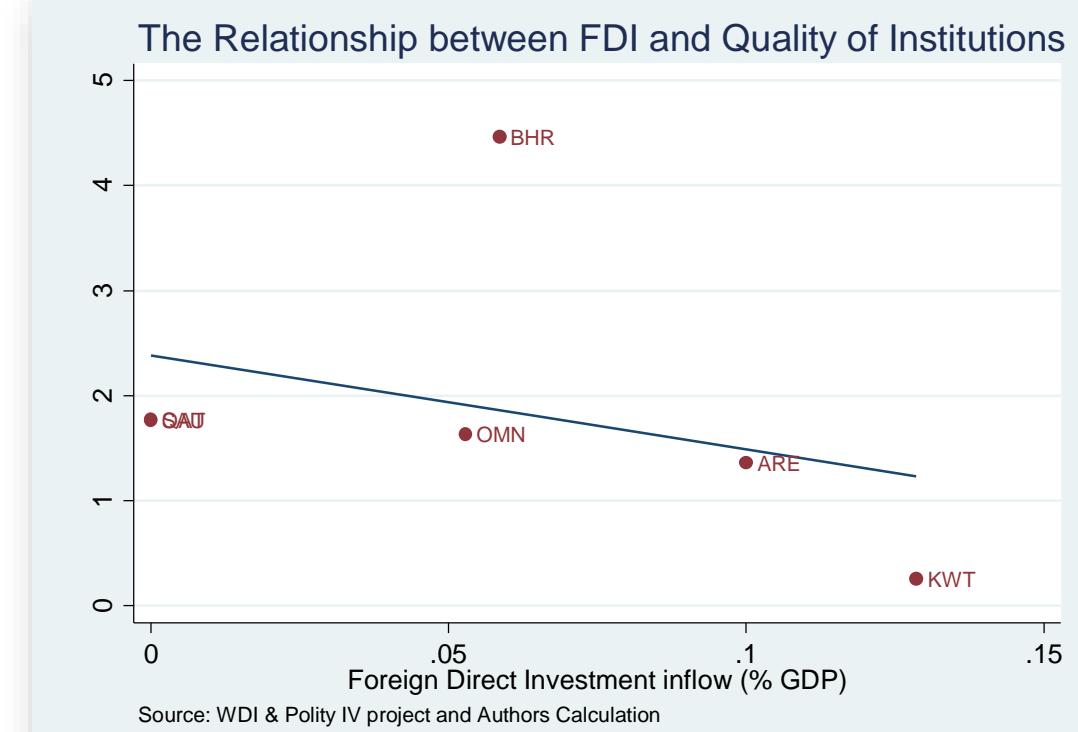
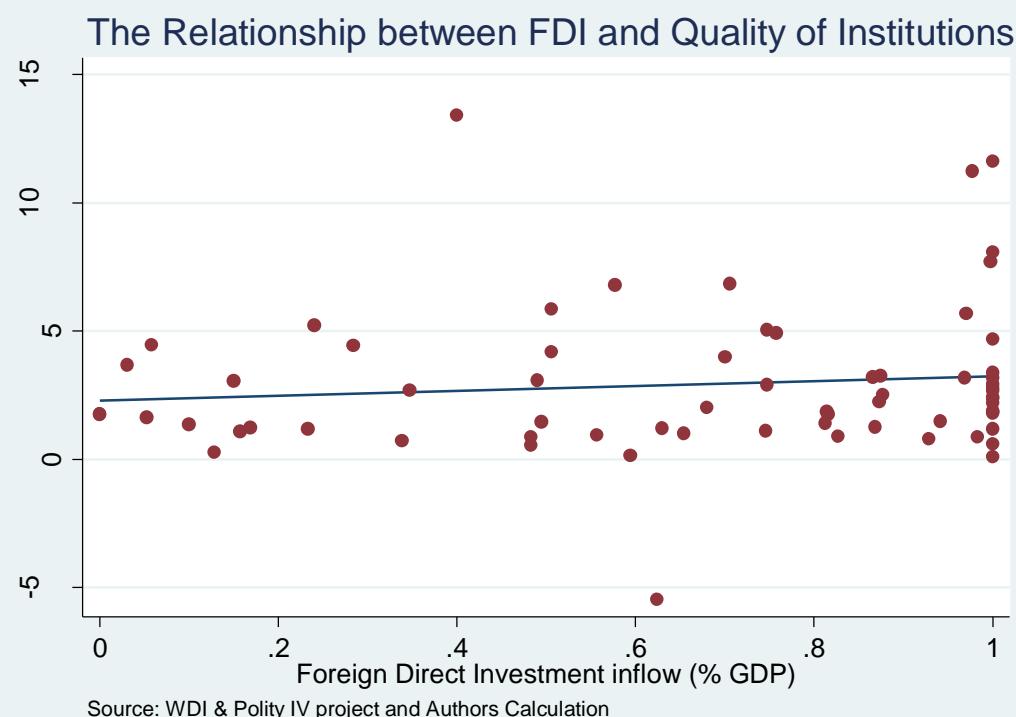
Government Expenditures





Factors Affecting FDI in GCC Countries

Quality of Institutions





Recommendations

- It is important to learn from experiences when applying new policy regarding FDI.
- Countries should build their FDI strategy based on their needs and set targets to be achieved by FDI promotion.
- The focus should be on investments that provide added value and job creation in the economy.
- It is important to have updated data for all aspects of FDI on aggregate and sectoral levels.
- Provide more information about investment opportunities.