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Review of Fiscal, Monetary and Banking Developments and Trends in the ESCWA Region, 1985

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PREFACE

This report is the first output of programme element 1.1 "Review and analysis of developments and trends in money and finance in the ESCWA region", envisaged as part of the Public Administration and Finance Programme under the Programme of Work and Priorities of the Commission for the period 1986-1987.1/

It reviews the main fiscal, monetary and banking developments during the past two years in ESCWA countries at both the national and regional levels and draws conclusions for possible action. A second report is due in 1987.

Two reports have preceeded the present ones entitled "Review of Fiscal and Monetary Issues and Developments in the ESCWA Region, 1984 (E/ECWA/DPD/85/9) and "Monetary and Financial Issues and Developments in the ECWA Region: A Mid-Term Review and Analysis 1980-1984",2/ (E/ECWA/DPD/84/14/).

1/ An earlier brief version of this report was incorporated in the Survey of Economic and Social Developments in the ESCWA region, 1985, E/ESCWA/DPD/86/1/Rev.1/

2/ The Commission's name was changed from the Economic Commission for Western Asia (ECWA) to the Economic and Social Commission for Western Asia (ESCWA).

List of text tables

Charts

List of Appendix Tables

Table of Contents

ABBREVIATIONS AND DEFINITIONS

b/d	: barrels per day
bn	: billion
Diversified economies	: Egypt, Iraq, Jordan, Lebanon, and the Syrian Arab Republic
ESCWA	: Economic and Social Commission for Western Asia
ESCWA least developed countries	: Democratic Yemen and Yemen
GCC	: Gulf Co-operation Council (includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates)
GDP	: gross domestic product
mn	: million
OPEC	: Organization of Petroleum Exporting Countries

Introduction: The overall picture

The national economies of ESCWA countries have been passing through difficult times during the last few years. Developments in 1985 and early 1986 have accentuated this situation. Several factors have combined to bring about these unfavourable conditions which are expected to continue during 1986. These are: the continued glut in the oil markets led to a drop in oil production in the region, and the share of ESCWA countries in world oil production fell from 17.39 percent in 1984 to 15.76 percent in 1985. Yet pressure on oil prices intensified and led to their dramatic decline in early 1986.[1/] The combined effect of lower production and lower prices, sharply reduced oil revenues, which constitute more than two-thirds of total revenues in the oil-exporting countries and hightened concern over short and medium term prospects. The fall in oil production and oil prices was compounded by the drastic decline of the United States dollars vis-a-vis the other major currencies, thus threatening a further erosion in the real value of oil revenues. Chart 1 shows the drop in oil revenues from $170.8 billion in 1980 to $64 billion in 1985, a decline of 62.5 percent.

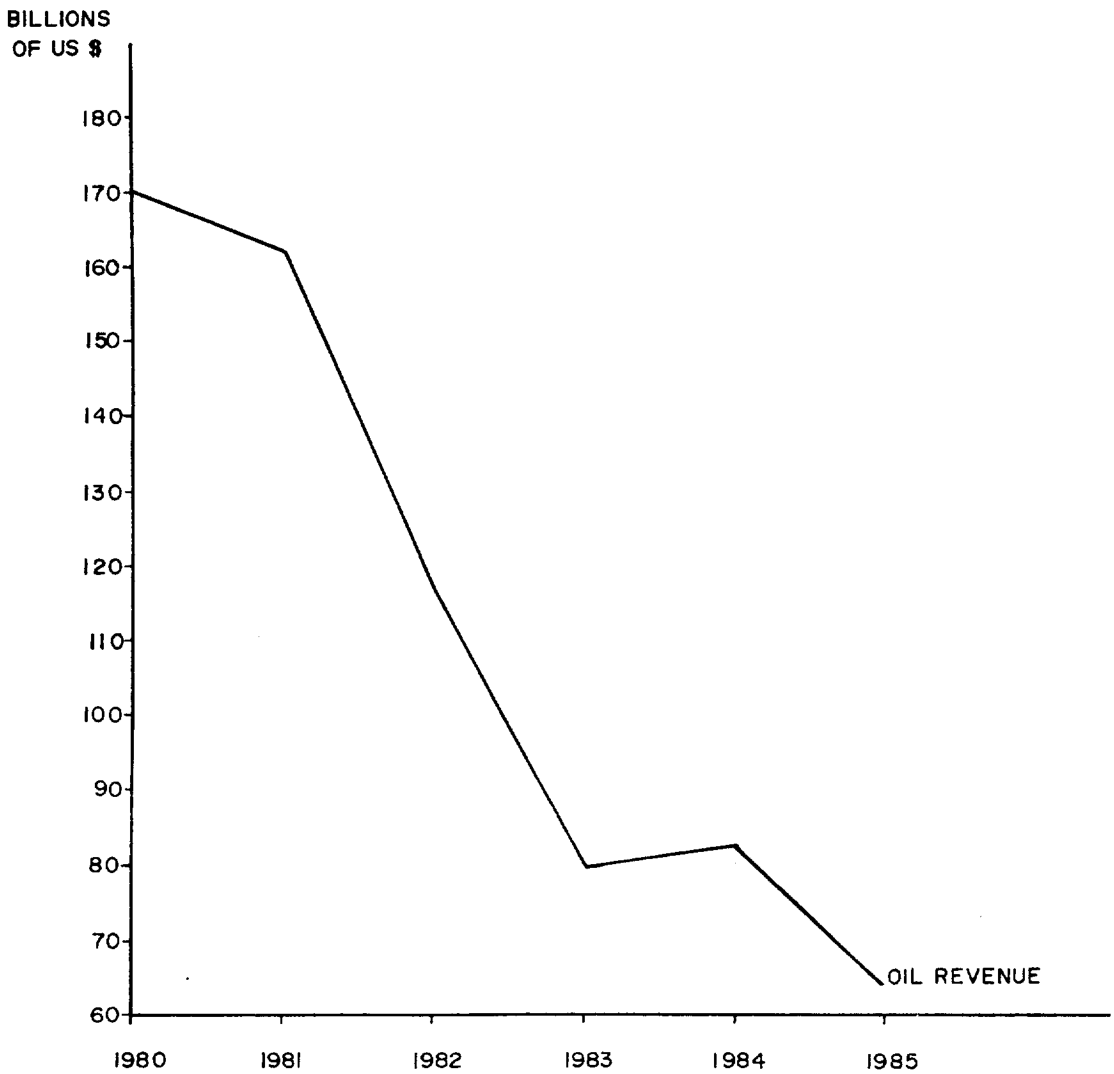
The region's exports fell by about 8 percent in 1984 and preliminary figures for 1985 indicate a further deterioration as a result of reduced oil exports, low market price for primary commodities and rising protectionism against, among other things, petrochemicals in which the region has a comparative advantage. This had adversely affected foreign exchange earnings and led to a further weakening in the balance of payments position of the ESCWA region.

The contraction of oil revenues and the uncertainty prevailing in the oil market, pressed the governments of the region, in general, to curb budget expenditures. Spending cuts have been, at the expense of new projects, especially as large infrastructural projects were completed. Curtailing current expenditures proved to be more difficult especially with soaring defense expenditures and substantial subsidy costs. Imports were scaled down in response to lower budgetary expenditures and weakening international reserve position.

Inspite of curtailing expenditures, most of the GCC countries witnessed budgetary deficits for the third year in a row, i.e. since 1982. These deficits were financed by a draw-down on their foreign assets. Chart 2 shows budget deficits as percent of GDP of some ESCWA countries.

Governments in the ESCWA region are still the main (if not only) money injector into the economy and therefore its main activator.As government expenditures constitute a significant share of GDP in most GCC countries, lower expenditures had depressing effect on their economies. GDP is estimated to have registered negative growth rates in most of these countries in 1985. Money supply, in its narrow definition M1, dropped in all GCC countries except Oman. The decline was more pronounced in demand deposits than in currency in circulation.

Chart 1. Oil Revenues of ESCWA Oil-Exporting Countries



Lower budgetary expenditures and economic recession reduced the demand for foreign expatriates in the Gulf: Nearly 2 million workers have left and the concept of return migration began to impose a problem for some of the home countries of these workers, in and outside the region. Slower economic activity and the flow-out of foreign expatriates depressed rents and real-estate values and resulted inter alia in minimal inflationary rates in the GCC countries as reflected in Chart. 3.

The diversified economies of the region experienced a slow-down in their economic activity but at a lesser magnitude than in the Gulf countries. They suffered from the impeding international and regional circumstances. Some of these countries such as Egypt and Syria are oil producers and exporters and hence they also suffered from the drop in oil prices. As prices of primary commodities decreased, loans and grants from the Gulf countries declined, the flow of workers' remittances slowed and trade and services with the GCC countries were adversly affected; the growth of the revenues of these countries consequently decreased. At a time of rising debt service for most of these countries, this exerted on them high pressure to curb the growth of expenditures and try to limit the growth of budget deficits. These countries had shortages of foreign exchange and thus, foreign exchange reserves were hardly sufficient to finance imports for few months.

To finance their budget deficits, these countries resorted more and more to government borrowing from the banking sector which led to an increase in the money supply. The inflation spiral, therefore, continued its upward trend in these countries especially in Lebanon, Egypt and the Syrian Arab Republic. (Chart. 4)

Economic recession, restrictive spending policies and lower trade performance have left ther marks on the banking sector. Banks have been more and more facing problems of bad debts and non-performing loans. Many banks experienced slow-growing balance sheets. Number of banks with shrinking balance sheets (in local currency) rose from 10 in 1983 to 19 in 1984 and to 32 at end of 1985.[1/] With bank credit being concentrated on trade financing, the weakening trade performance adversely affected banking activities. This has been manifested in decreasing contra-account balances of these banks. Banks had little room for manouvering as the recession affected all sectors of the economy and there were few opportunites for loan financing.

Bahrain's offshor banking units (OBUs) experienced a decline in assets from US $62.74 billion at end of 1983 to US $55.449 bn by September 1985. The volume of Euro-syndicated loans by Arab banks and financial institutions continued its fall in 1985, decreasing by 23 percent to US $4.427 billion.Moreover, the number of Arab banks participating in syndication markets fell from 68 in 1983 to 56 in 1984 and to 36 in 1985.

The trend towards deregulation, securitisation and globalization of financial markets, institutions and instruments is working against small financial centres in favour of the big three markets of London, New York and Tokyo and posing a challage to Arab banks and capital markets in their capacity to innovate and secure their position.

1/ The Banker, December 1986.

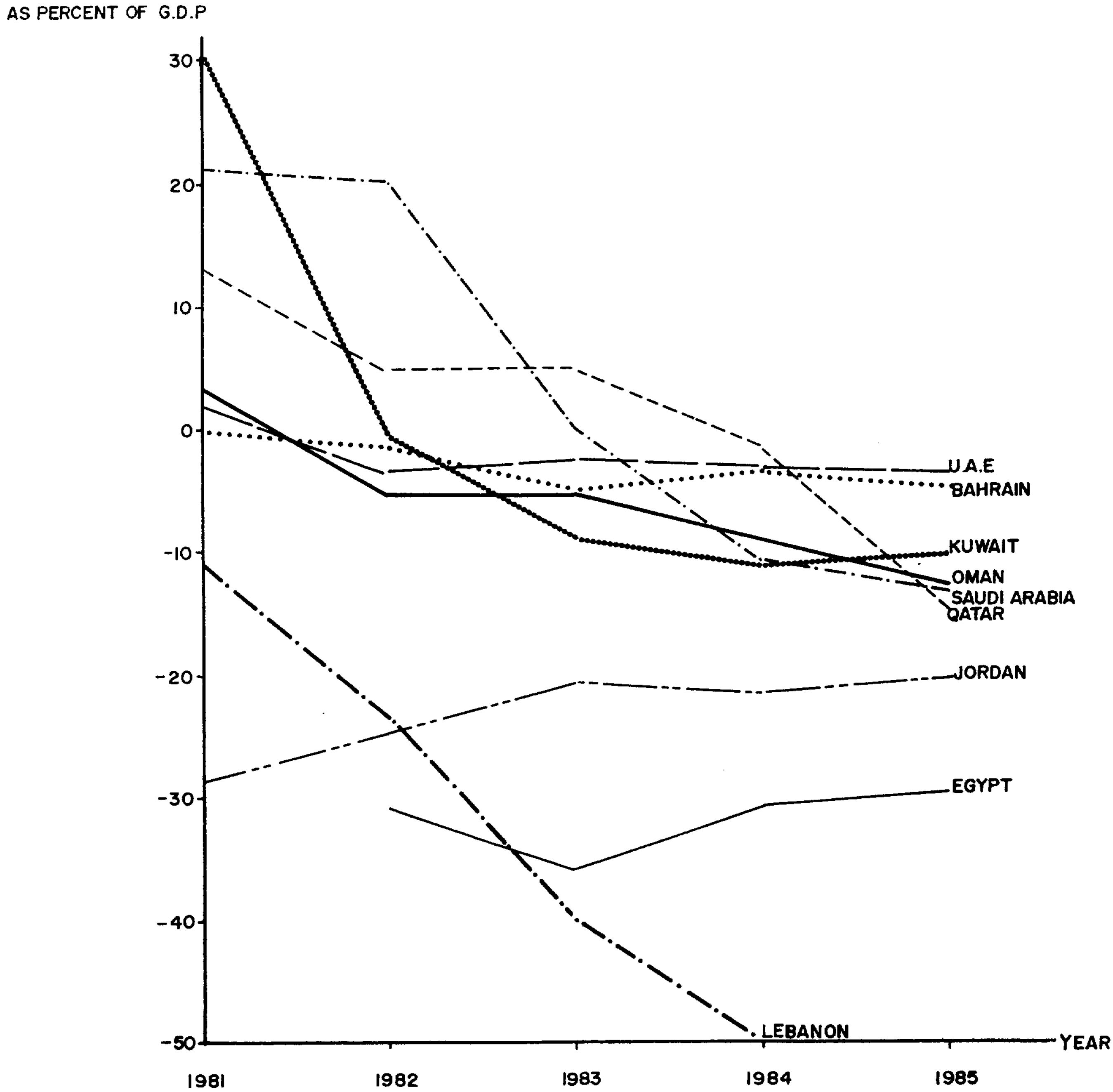
Albeit all the disadvantages of lower oil revenues, they have some virtues. The current problems have clearly revealed the vulnerability of the economies of the region in general, to developments in oil market and the danger of heavy reliance on oil. They have emphasized the need for sustained efforts to diversify national income sources; encourage the private sector to increase its activity; increase scrutiny on public expenditures; give greater attention to the cost-effectiveness of projects; curb wasteteful luxury consumption patterns; reach more appropriate price and wage levels, and provide the incentive for the national population to increase its participation in the labour force.

Most of the above apply also to the diversified economies and the two Yemens. The slowdown in their growth put a stress on them to further diversify national income sources and to adjust their economic policies and not take grants and loans from the Gulf countries for granted. Population growth and return migration pose on them the problem of finding enough job opportunities.

On the political front, the Palestinian problem, the 11-year Lebanese conflict, the six-year Iraq-Iran war and its constant threat to the other Gulf countries have left the countries of the region bleeding and weakened their economies. The costly two-week strife in Democratic Yemen and the disturbances in Egypt during the first quarter of 1986 have also left their marks on their respective economies and added to the pressure.

Against such a background, investments in the region by locals as well as foreigners have stagnated despite government promotional efforts manifested in investment encouragement laws, tax holidays and other facilities. The high hopes put on the private sector to take the initiative did not materialize as the general economic situation was not encouraging and the development of an active private sector is a long-term and gradual process. As governments were no longer able to sustain their high expenditure profiles, many countries in the region were caught in a vicious circle.

Chart 2. Budget Surplus Or Deficit (Net of loans) as Percent of GDP



A. Fiscal developments

GCC countries and Iraq

Oil revenues in the major oil economies of the region are estimated to have declined by about 24 per cent in 1985, reaching $62.5 billion compared with $82.3 billion in 1984. In 1985, oil revenues amounted to only 36 per cent of their 1980 level. Although some countries have cut their expenditures and others have experienced marginal expenditure growth rates, most - if not all- of these countries endured huge budget deficits (see Chart 2 and appendix table A-2). In doing so, they have been trying to stimulate their economies, hoping that demand for oil will pick up and increase their revenues. It is, however, expected that in the next fiscal year these countries will take more stringent measures to curb expenditures.

Preliminary actuals for fiscal 1985 show that both revenues and expenditures fell well below their budget estimates. In Bahrain, actual revenues may have fallen by 13 per cent below budget estimates to BD 502 million, while expenditures were lower by 4.5 per cent. Saudi Arabia's revenues fell short of the budget estimates by as much as 22 per cent to SRls 166.9 billion and expenditures by 18 per cent to SRls 212.9 billion. As for Kuwait, revenues were below budget estimates by about 15 per cent and expenditures by 11 per cent. The continuing decline in the price of oil, makes the 1986 budgetary estimates also look unrealistic. Relying heavily on oil revenues, which, in some cases, constitute around 90 per cent of the total, and considering the wide fluctuation in oil revenues, whose level depends on exogenous factors, i.e., international demand and supply, the budget planning exercise has become irksome. Owing to their inability to truly estimate what they will cash in, it has become increasingly difficult for these countries to plan their expenditure and deficit or surplus levels and their other economic policies.

Comparing preliminary actual figures of 1985 with 1984 (see table 1) indicates that revenues for Saudi Arabia, Kuwait and Bahrain fell by about 11 per cent, 13 per cent and 8.5 per cent, respectively. Expenditures, on the other hand, increased marginally in Bahrain and Kuwait while they declined by 7.5 per cent in Saudi Arabia. Since no actual figures were available for the other three Gulf countries, namely, Oman, Qatar and the United Arab Emirates, the group's overall position cannot be properly analysed due to the wide variation between actual and budget estimates.

Looking at expenditures by category, that is, in terms of current and development allotments, it is clear that it has been difficult to curb the growth of current expenditures while development expenses were slashed considerably in 1984 relative to 1983 (see table A-1). Indications are that this trend continued in 1985. The cut in development expenditures was made possible by the fact that major infrastructure projects were completed, with the emphasis shifting towards small and well-studied projects that do not require large investment outlays.

Budgetary deficits in 1985 were a common feature to all of the oil economies, as indicated in table A-2. In Saudi Arabia, preliminary estimates put the budget deficit at SRls 46 billion; some estimates put it even higher. In Qatar it is estimated to amount to QR 3682 million. In Kuwait, the deficit is estimated at KD 764.8 million but if investment income - which is not included in the budget - is considered, the deficit will most probably disappear. In the United Arab Emirates the deficit is estimated at Dh 3,656 million. Since actual deficits incurred in previous years were rather below budget estimates, this figure may be an overestimate. The gross deficit in Oman (excluding grants and loans) is estimated to have almost doubled in 1985 relative to the previous year. In Bahrain it is estimated to have risen by about 42 per cent to BD 92.2 million. Taking grants and loans into account, the net budgetary deficits would amount in 1985 to BD 47 million in Bahrain and RO 199 million in Oman.

The overall budget position relative to GDP in the ESCWA oil economies has changed considerably over the past four years (see table A-3). Saudi Arabia's budget surplus, amounting to 21.3 per cent of GDP in 1981, turned into a deficit of about 12.9 per cent of GDP in 1985. The surpluses in Kuwait and Qatar, amounting to 30 per cent and to 12.7 per cent of their respective GDP in 1981, gave way to deficits equivalent to 10.6 per cent and 14.7 per cent of GDP in 1985. Bahrain, Oman and the United Arab Emirates experienced less staggering shifts.

The deficits were mainly countered by liquidating foreign assets and drawing on reserves. Oman had in some years to resort to the international money market to borrow, though in small amounts.

Diversified economies

The diversified economies of the region have over the last decade become increasingly vulnerable to developments in the GCC countries and Iraq. A large portion of their budget balance of payments support and other forms of economic aid comes from the major oil exporting countries. The latter have also become a kind of safety-valve absorbing the increasing number of graduates and of skilled and semi-skilled labourers. The remittances of these workers furnished their countries with valuable foreign exchange of which they are in dire need. The oil economies are also the natural export markets for this group of countries' fruits and vegetables as well as their manufactured products.

Two countries of this group, Egypt and the Syrian Arab Republic, were also directly affected by the fall in oil prices. Other foreign exchange earners such as tourism, which has a big potential in this group of countries

Table 1
Percentage change in Government revenues and expenditures, 1981-1986*
(Per cent)

	1982/81	1983/82	1984/83 a/	1985/84 a/	1986/85 b/
GCC countries					
Bahrain					
revenues	2.9	-12.8	16.2	-8.5	...
expenditures	12.6	0.6	2.6	1.9	...
Kuwait					
revenues	-35.7	-13.5	21.1	-12.9	13.5
expenditures	17.8	2.0	9.7	1.3	7.5
Oman					
revenues	-5.3	19.8	10.5	0.6 b/	7.4
expenditures	16.2	9.0	14.2	12.8	-2.0
Qatar					
revenues	-12.7	-9.0	-23.0	-3.9 b/	-18.7
expenditures	2.4	-9.1	-12.7	30.2	-0.2
Saudi Arabia					
revenues	5.7	-33.1	-23.9	-10.9	19.8
expenditures	20.3	-14.0	-6.0	-7.5	-6.0
United Arab Emirates					
revenues	-30.6	-14.2	-10.4	4.9	...
expenditures	-3.2	-18.4	-6.8	9.5	...
Diversified Economies					
Egypt					
revenues	...	10.2	28.8	16.1	16.2
expenditures	...	18.6	19.7	13.5	8.7
Jordan					
revenues	4.8	8.6	3.5	12.6	11.5
expenditures	7.2	2.3	5.1	8.7	13.9
Lebanon b/					
revenues	-7.1	68.0	38.4	36.0	...
expenditures	13.9	44.8	22.8	5.8	...
Syrian Arab Rep. b/					
revenues	9.4	11.7	10.8	4.1	...
expenditures	9.4	11.7	10.8	4.1	...

Table 1 cont'd.

	1982/81	1983/82	1984/83 a/	1985/84 a/	1986/85 b/
Least developed countries					
Democratic Yemen					
Revenues	9.5	4.6	3.0	...	...
Expenditures	12.4	13.4	1.8	...	...
Yemen					
Revenues	...	2.0	-7.5	...	...
Expenditures	...	1.7	-1.2	...	...

Source: Based on appendix table A-1.

*Excluding Iraq for lack of data. Qatar and Saudi Arabia have Hijri fiscal year while Kuwait and Egypt have fiscal year ending June 30.

a/ Provisional

b/ Budget estimates.

with their ancient archeological sites and remains of ancient civilizations, have been severely hit by the volatile political situation in the region.[1/]

Lebanon is in an economic and political dilemma. Its pound has depreciated rapidly after mid-1984 in an inflationary spiral. Government actual revenues have been decreasing. In 1985, it is estimated that they declined further as customs duties - which constitute about one third of total revenues - registered a LL 404.3 million, lower than that of 1984 (LL 462 million). Budgetary deficits have been rising and so has been public debt. Budget estimates have become unrealistic and do not reveal the extent of the fall in revenues nor do they indicate the size of the deficit.

Notwithstanding the difficulty of comparing the budget position of these countries, and with preliminary actual figures available only for Jordan while the rest have only budget estimates, it seems that the Syrian Arab Republic had the most restrained budget in 1985, with planned increase in government expenditures of 4 per cent. Egypt and Jordan continued to adopt more expansionary fiscal policies. Egypt's expenditures were set to increase by 13.5 per cent to LE 18 billion in the 1984-1985 fiscal year, and by 8.7 per cent to LE 20 billion in the following year. Jordan's expenditures amounted to JD 811.2 million in 1985, reflecting an increase of almost 9 per cent over the previous year. In 1986, it was proposed to increase expenditures to JD 923.7 million, i.e. by 14 per cent over the 1985 level.

1/ Egypt, for instance, which has been counting on tourism as a supplement to its revenues from oil and Suez Canal dues, suffered a setback in early 1986 when rioting resulted in the burning of some tourist facilities.

Similar to the GCC countries, it is estimated that the increase in current expenditures in the diversified economies of the region in both 1984 and 1985 was at the expense of development expenditures. In the Syrian Arab Republic, however, it was planned to rectify this development. After increasing current expenditures in 1984 while reducing those for development, the plan was to keep current expenditures in 1985 unchanged from their 1984 level while increasing development expenditures by up to 9 per cent.

The budgetary deficit in Egypt has been projected to rise from LE 5,012 million in 1983-1984 to LE 5,400 million in 1984-1985 and then to go down to LE 4,900 million in 1985-1986. In Jordan, the gross deficit (net of loans and grants) decreased slightly from JD 333.2 million to JD 331.3 million between 1984 and 1985. In 1986, it is estimated that this deficit will rise again to JD 425.7 million. However, considering grants and loans, the deficit was only JD 16.2 million in 1985 compared to JD 40.9 million in 1984, but it is projected to rise again to JD 37.6 million in 1986. As a percentage of GDP, the budgetary deficit was maintained at about 21 per cent in the period 1984-1986 (see table A-3). For Lebanon, however, budget deficits are estimated to have amounted to an alarming 52 per cent of GDP in 1984. Actual figures on the budget deficit for the Syrian Arab Republic were not available.

As far as the least developed member countries, namely Democratic Yemen and Yemen, are concerned, budgetary figures are available for 1984 only. In Democratic Yemen, while total revenues in 1984 increased to YD 159.6 million, i.e., 30 per cent over the former years, domestic revenues dropped to YD 133.4 million, or by 8 per cent. The increase in expenditures was minimal, namely from YD 294 million in 1983 to YD 299 million in 1984 or by less than 2 per cent. In Yemen both revenues and expenditures declined in 1984 relative to 1983: the revenues by 7.5 per cent to YRls 5,145.5 million, and the expenditures by 1.2 per cent to YRls 9,277 million. The retrenchment of total expenditures left its impact on development expenditure which declined by 16 per cent in Yemen and by 4.3 per cent in Democratic Yemen. The resulting budgetary deficits amounted to YRls 139.7 million in Yemen and YD 4020.7 million in Democratic Yemen. As a per cent of GDP, the budget deficit of Democratic Yemen soared from 27.7 per cent in 1981 to 40.6 per cent in 1984. In Yemen the rate ranged from 21 and 23 per cent between 1982 and 1984.

The clashes that took place in Democratic Yemen in early 1986 resulted in considerable damage to and loss of physical assets, the replacement of which will pose a heavy burden on the limited resources of the country in the years to come. Unless aid flows are increased substantially, this could mean a serious setback to the country's development efforts.

B. Monetary developments

GCC countries

The restrictive spending policies pursued by most of the GCC countries and the concomitant slowdown in economic activity have adversely affected the financial and banking sectors where liquidity levels of business and private households suffered. This is obvious in the case of money supply in its narrow definition M1 (see table 2 and appendix table A-4) which dropped most sharply in 1984 in Kuwait, by 18 per cent, compared with 4.8 per cent in

Saudi Arabia, 4.3 per cent in Bahrain and 2.6 per cent, in the United Arab Emirates. During the same period, Oman's M1 increased by only 3 per cent, an appreciable deceleration over previous years. Qatar was the only exception, where M1 increased by about 14 per cent following a 4.5 per cent decline in 1983.

Of the two components of M1, namely currency in circulation and demand deposits, the decline was larger in demand deposits, showing the effect of higher interest rates and thus the attraction of time and saving deposits, and the decline in the activity of the business community which usually holds demand deposits.

Data relating to the first quarter of 1985 for Oman, and the first eight or nine months for the other Gulf countries[1/] indicate that the trend for the retraction in M1 has continued, though at a slower rate.[2/]

As a result of the decline in M1, the expansion rate of M2 decelerated sharply between 1981 and 1984.[3/] In Bahrain, a 39.4 per cent growth in 1981 gave way to a 1.8 per cent decline in 1984. Over the same period, the rate dropped from 39.4 per cent to 3 per cent in Kuwait. It was almost halved in Qatar, namely from about 42 per cent to 22 per cent; in Saudi Arabia it fell from 24 per cent in 1981 to 8 per cent in 1984. Available figures for 1985 indicate a continuation in this trend with growth in M2 being nil or negligible in the first nine months of the year in Kuwait and Saudi Arabia. In Oman, M2 increased by 4.7 per cent in the first quarter of 1985, and in Qatar it went up by 2.7 per cent in the first nine months, compared with a 22 per cent increase in 1984. This was mainly due to the slowing growth in time and saving deposits.

The composition of the money supply (M2) (table A-4), shows the continuing decline in M1 as a per cent of M2 in all of the GCC countries over the past five years. The ratio of both currency in circulation and demand deposits to M2 has fallen. With the exception of Saudi Arabia, where M1 constituted 66.5 per cent of total money supply in 1984, the ratio has ranged between 20 per cent and 36 per cent of total money supply in the other GCC countries. Total money supply seems to have been dominated by time and saving deposits whose contribution was in the range of 80 per cent.

1/ Except the United Arab Emirates for which 1985 data are not available.

2/ Except for Qatar where M1 declined by 9.3 per cent in September 1985 compared with end of 1984.

3/ Except for the United Arab Emirates where the annual rate of increase in M2 dropped from 23.6 per cent in 1981 to 8 per cent in 1983 to go up again to 28.8 per cent in 1984.

Table 2

Annual percentage change in money supply in the ESCWA region, 1980-1985*

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
GCC countries					
Bahrain					
1981/80	8.8	38.5	29.4	45.2	39.4
1982/81	12.8	6.0	7.7	6.5	6.9
1983/82	2.8	-10.2	-6.7	15.6	7.9
1984/83	6.4	-8.7	-4.3	-0.8	-1.8
1985/84	0.4	3.7	2.6	8.5	6.8
Kuwait					
1981/80	13.3	122.3	81.4	21.3	35.4
1982/81	20.4	-10.0	-2.9	13.2	8.1
1983/82	-0.6	-7.7	-5.6	8.4	4.4
1984/83	-4.6	-23.8	-17.9	10.1	3.0
1985/84	-1.8	0.8	-0.2	1.3	1.0
Oman					
1981/80	22.6	55.4	36.0	42.4	39.2
1982/81	11.7	23.9	17.4	32.2	25.0
1983/82	8.2	12.8	10.4	27.8	19.8
1984/83	6.8	-0.4	3.2	35.2	21.6
1985/84	6.0	0.5	3.3	5.4	4.7
Qatar					
1981/80	22.2	64.5	49.4	35.6	41.6
1982/81	16.1	9.6	11.5	17.2	14.6
1983/82	-7.2	-3.3	-4.5	1.9	-0.9
1984/83	11.0	15.3	14.1	27.9	22.0
1985/84	-7.2	-10.1	-9.3	11.8	2.7
Saudi Arabia					
1981/80	3.8	22.4	14.0	71.9	24.0
1982/81	16.4	23.9	20.8	31.9	23.4
1983/82	16.1	12.2	13.8	7.7	12.2
1984/83	-0.6	-7.6	-4.8	47.2	8.0
1985/84	3.0	-2.1	0.1	2.0	0.7
United Arab Emirates					
1981/80	29.3	18.9	22.0	24.4	23.6
1982/81	7.9	8.9	8.6	18.8	15.6
1983/82	-3.7	-7.5	-6.3	13.8	8.0
1984/83	1.7	-4.5	-2.6	39.3	28.8
1985/84	...	...	...	...	...

(Table 2. cont'd.)

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
Diversified economies					
Egypt					
1981/80	26.3	15.3	21.6	65.0	38.0
1982/81	28.2	21.2	25.4	39.2	31.6
1983/82	17.7	8.6	14.1	32.1	22.7
1984/83	9.6	19.9	13.4	23.9	18.8
1985/84	12.4	15.4	13.5	9.5	11.4
Jordan					
1981/80	17.3	19.0	18.0	22.6	19.8
1982/81	14.0	9.8	12.2	28.8	18.9
1983/82	9.8	11.3	10.4	21.1	15.1
1984/83	2.8	-1.6	1.0	17.9	8.8
1985/84	2.6	-10.6	-2.6	12.4	4.9
Lebanon					
1981/80	16.2	18.9	17.5	48.4	40.1
1982/81	20.7	25.3	22.9	19.4	20.2
1983/82	24.6	7.3	16.0	30.1	26.9
1984/83	10.2	3.9	7.3	28.1	23.8
1985/84	28.6	18.1	23.9	32.0	30.6
Syrian Arab Republic					
1981/80	4.6	27.9	13.6	41.8	15.8
1982/81	23.5	12.8	18.9	32.7	20.4
1983/82	18.2	35.9	25.5	30.3	26.1
1984/83	23.2	19.0	21.3	37.7	23.4
1985/84	...	...	...	...	...
Least Developed Countries					
Democratic Yemen					
1981/80	12.6	4.7	10.4	21.8	12.5
1982/81	16.2	9.9	14.6	36.5	18.9
1983/82	9.2	19.4	11.7	35.0	16.9
1984/83	4.8	29.2	11.2	22.7	14.2
1985/84	7.1	13.0	8.9	3.2	7.3
Yemen					
1981/80	2.2	29.6	4.6	36.4	8.6
1982/81	26.9	49.4	29.5	17.3	27.6
1983/82	20.0	80.3	27.9	15.2	26.1
1984/83	24.0	24.8	24.2	20.4	12.4
1985/84	14.8	2.4	12.5	30.4	15.0

Source: Based on table A-4.
* Excluding Iraq for lack of data.

Diversified economies and least developed countries

In contrast to the oil GCC countries, M1 in most of the region's diversified economies and least developed countries continued to increase, albeit at diminishing rates over the period 1982-1984. In the Syrian Arab Republic, the trend was not consistent. Available figures for 1985 indicate that M1 declined in Jordan by 2.6 per cent, whereas Egypt maintained a growth rate of 13.5 per cent. In Democratic Yemen, expansion of M1 decelerated from 11.2 per cent to 8.9 per cent, while in Yemen it declined from 24.2 per cent to 12.5 per cent (see table A-4).

M2 likewise followed a similar pattern to M1, increasing at decelerating rates for most countries. The Syrian Arab Republic and Lebanon did not show a consistent trend over the period 1982-1984. Available 1985 figures reveal that the trend has continued in Egypt, Jordan and Democratic Yemen. While 1985 figures were not available for the Syrian Arab Republic, for Lebanon and Yemen, the figures show the rate was accelerating again.

Unlike the composition of money supply in the GCC countries, M1 is the major component of money supply in some of the diversified economies, such as the Syrian Arab Republic and the two Yemens. In Egypt and Jordan the contribution of money and quasi money is nearly balanced, whereas in Lebanon the bulk of money supply is accounted for by time and saving deposits which amounted to 82 per cent of money supply in 1984.

Although M1 is still the main determinant of M2, its share over the last four years has been declining gradually and consistently in the diversified economies and least developed countries, except Yemen.

C. Prices

The stringency in government expenditure, subsidies, lower growth rates in money supply, and possibly lower import prices, have resulted in lower inflation rates for the second consecutive year in the GCC countries in 1984 (Chart 3). In fact, Saudi Arabia's consumer price index decreased by 1 per cent in 1984. By July 1985 the index showed a further decline of 3.8 per cent while prices stabilized in the other Gulf countries (excluding Iraq). They were virtually unchanged in Bahrain and increasing by about 1 per cent in Kuwait, Qatar and the United Arab Emirates. Estimates for Iraq put the rise in the consumer price index at about 11 per cent in 1984.

In the diversified economies and least developed countries, the lowest rates of price increase in 1984 were registered in Democratic Yemen (1.5 per cent) and Jordan (3.9 per cent). In the Syrian Arab Republic, Lebanon and Yemen the increase in the consumer price index was in the vicinity of 9 to 10 per cent. Egypt experienced the highest inflation rate with a 17 per cent rise in the index. Partial and incomplete information for 1985 indicates that Lebanon experienced a high inflationary spiral, with the consumer price index rising by 70 per cent, mainly as a result of the depreciation in the Lebanese pound. In Egypt prices continued their strong upward trend, rising by 16.5 per cent by October. In both Jordan and the Syrian Arab Republic, the rate of increase in consumer prices picked up momentum, rising by 7 per cent by October in the former, and 13 per cent in the first quarter of 1985 in the latter. Chart 4 shows the trend of consumer prices in the diversified economies and the two Yemens.

Chart 3. Consumer price indices in GCC and Iraq

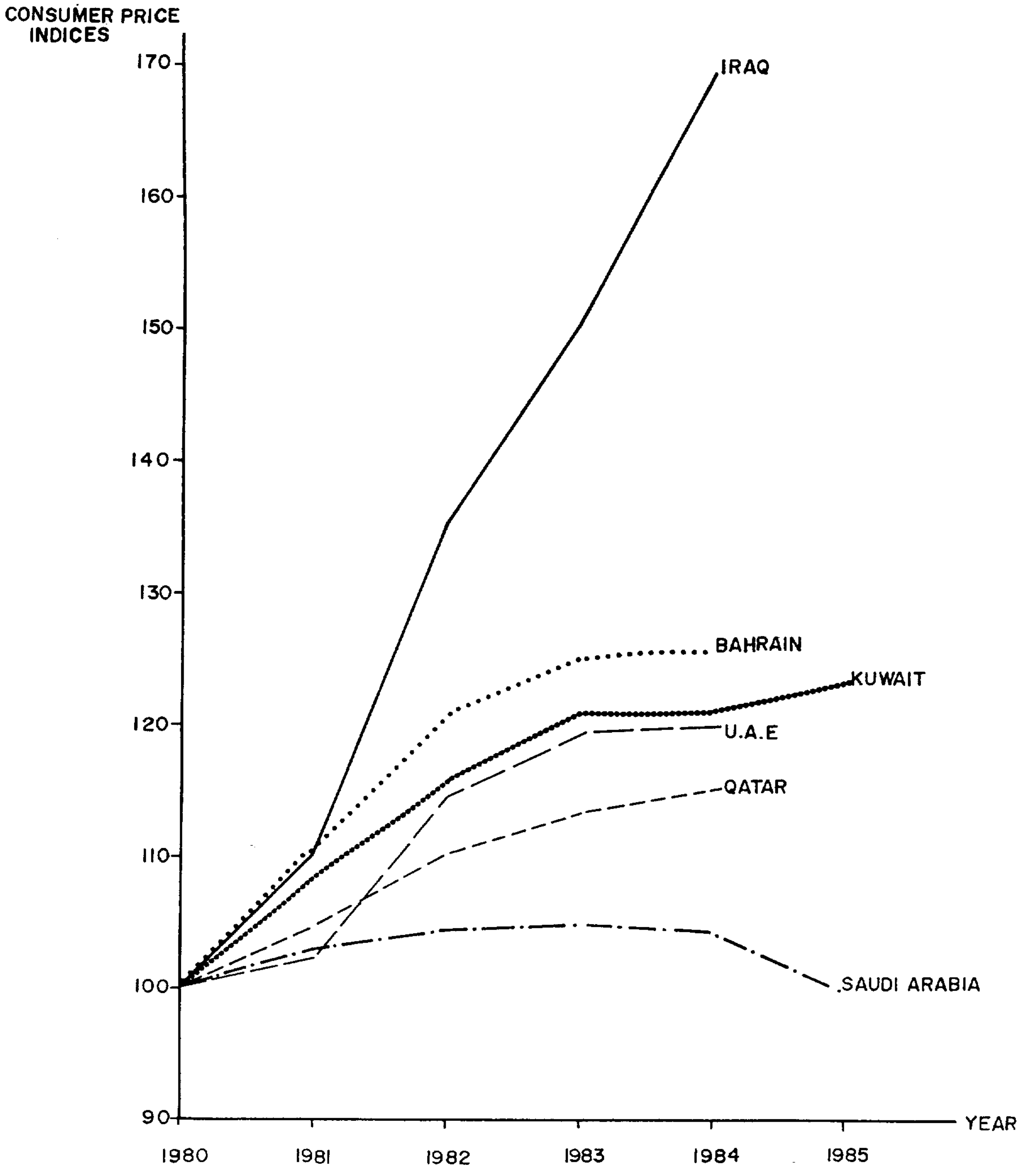
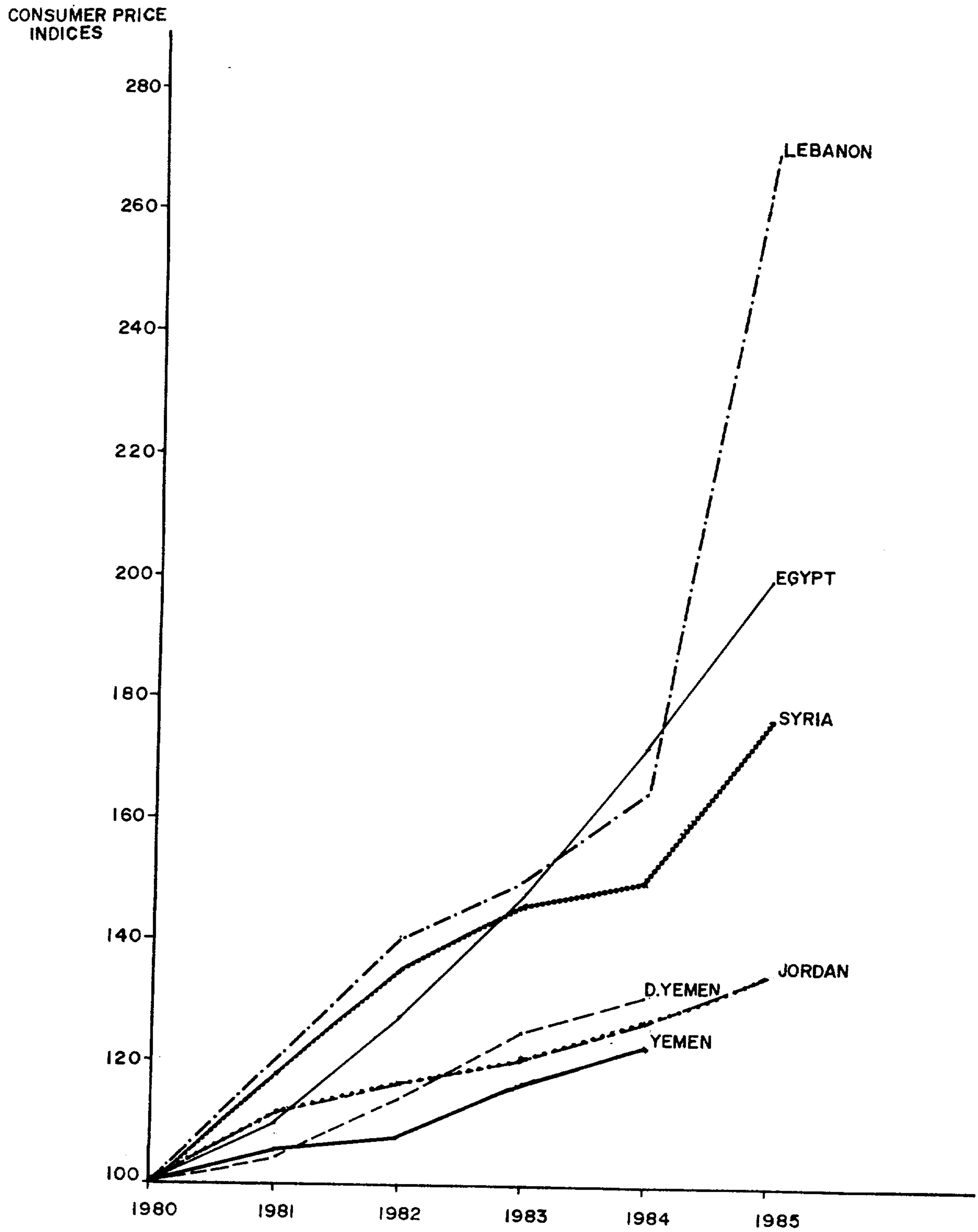


Chart 4. Consumer price indices in Diversified Economies and the Least Developed Countries



D. Banking

The shortage of liquidity and economic slowdown have left their marks on the banking sector in many countries of the region. These marks have been more obvious in Kuwait and Lebanon. In Kuwait the Souq-Al-Manakh crash of 1982 left the banks with a substantial amount of non-performing loans and bad debts. Quite a number of businessmen and companies went bankrupt. The volume of bad debt held by commercial banks in Kuwait is estimated at KD 2.2 billion and the Central Bank has been trying to assess the extent of uncollectable debt. What made matters worse was the drop in securities and real estate prices which slashed the value of collateral held by banks against loans.[1/]

In Lebanon banks are facing a number of problems which affect their performance and reduce profits. Economic stagnation and the security situation are the main causes. The main problems faced are: non-performing loans which account for 45 per cent of the total loan portfolio; rising costs coupled with stable or declining revenues; high interest rates due to competition; and bank robberies with losses estimated at LL 14 million in 1985.[2/]

The United Arab Emirates banks' have also been confronting an increase in bad debts. Some banks were reported to be in trouble and merger plans were drawn as well as government assistance plans.

1/ Economic Intelligence Unit, Quarterly Economic Review, Kuwait, No. 2, 1985.

2/ Middle East Economic Digest (MEED), 4 January 1986.

Banks in Saudi Arabia were among the most profitable in the region. However, with the economic slowdown, profits have slumped and bad loans have increased together with non-performing loans, amounting in some cases for 25 to 40 per cent of banks' loan portfolios.

In some cases, banks are also faced with a slowdown in asset growth and reduction in their loan portfolios. In Kuwait, for instance, total assets of the commercial banks dropped by 2.9 per cent in 1984 to KD 9.7 billion and their profits dropped by 15.8 per cent to KD 64 million. Kuwaiti banks are said to have large hidden reserves accumulated in earlier years. These reserves have enabled them to cushion the effects of the fall in profits. However, Kuwaiti monetary authorities are giving more attention to the banking sector and exerting efforts to help it. According to a plan approved by the Government, government deposits will be placed with banks in order to improve the liquidity position of the financial system. The present Central Bank policy aims at strengthening the system by exercising more supervision and control and applying stricter accounting standards. The Central Bank is requiring now a greater degree of disclosure of banks balance sheets in order to give shareholders and the public a better view at bank performance. The Central Bank has also put a guideline for the treatment of non-performing debt.

In Lebanon a draft law was proposed in September 1985 providing for financial assistance to banks facing difficulties. It allows for one-time injection of liquidity of up to LL 5 million and an additional credit facility of LL 0.5 million daily.

The Saudi Arabian Monetary Agency (SAMA) has instituted a risk-centralizing service which is supposed to go into operation in the coming fiscal year. The service will aggregate credit facilities of over 1 million riyals for each individual or corporate borrower and furnish the data to credit analysts in all banks.[1/]

In Oman gross profits of the commercial banks increased by about 28 per cent to RO 20 million in 1984 compared with zero growth in the previous year. Bank credit to the private sector also increased by 18 per cent to RO 573 million in 1984. This represented about 40 per cent of the increase in assets.[2/]

In the Syrian Arab Republic, there was a 9 per cent increase in assets of the Commercial Bank of Syria in the 12 months ending 30 June 1985 after a two-year contraction in the bank's balance sheet.

1/ Ibid., 25 November 1985.

2/ Ibid., Special Report, Oman 1970-1985, November 1985.

The distribution of credit in the GCC countries is still concentrated in two sectors: commerce and trade and construction (see table 3). Credit to the industrial sector is still relatively weak being 5 per cent or less of the total in Kuwait, Oman, Qatar and the United Arab Emirates. In Saudi Arabia it was about 10 per cent in 1984. The highest rate, 14.2 per cent, was in Bahrain. Although the financing of trade takes a big portion of bank credit, the share of this sector has been declining in all the GCC countries since 1981. Credit to professionals and private individuals ranks third in importance in Bahrain, Kuwait, Oman and Qatar.

In Jordan and Lebanon, the distribution of credit by type of economic activity is also concentrated in commerce and trade and construction. Agriculture, an important sector in these economies, has been getting only 2.2 and 2.8 per cent of total credit, while the share of the industrial sector stagnated in Jordan over the past two years and declined in Lebanon from 17 per cent in 1982 to 15.7 per cent in 1984. Credit in the Syrian Arab Republic went mainly to trade and industry. The share of industry fell from 44.7 per cent in 1982 to 27.2 per cent in 1984 while that of the trade sector increased from 39.4 per cent to 50.9 per cent over the same period. Agriculture accounted for 5 per cent of total credit in 1984.

<u>Offshore banking units</u>

In 1984 Bahrain's offshore banking units (OBUs) experienced their first decline in assets since their establishment in 1975. Total assets decreased slightly from $62,741 million at the end of 1983 to $62,692 million by the end of 1984. They fell further to $55,449 million by September 1985.[1/] A number of banks have decided to withdraw from Bahrain as a result of the high cost of maintaining operations and lower profits. Notwithstanding this decision, four new representative office licences were given.

The causes of the decline in assets and activity of OBUs include: the curb on expenditures in the GCC countries; measures in Saudi Arabia preventing OBUs from participating in riyal denominated syndicated loans; decrease of OBUs fiscal advantages in dealing with Saudi Arabia; and rise of the Gulf banks as competitors to OBUs.

Many of the OBUs are looking for new areas of banking to cope with the present circumstances. Some are shifting their focus from commercial banking towards investment banking and financial services. Others are trying to expand abroad.

1/ Directorate of Economic Research, Bahrain Monetary Agency, <u>Quarterly Statistical Bulletin</u>, September 1985.

Table 3

Percentage distribution of credit by type of economic activity, 1981-1985*
(Percentage)

	Agriculture	Industry	Mining and quarrying	Commerce and trade	Transport and tourism	Construction	Professional & private individuals	Government	Others	Total
GCC countries										
Bahrain										
1981	0.2	9.0	-	29.4	2.8	30.1	18.0	1.6	8.9	100.0
1982	0.2	6.8	-	30.9	2.3	29.3	21.3	4.2	5.0	100.0
1983	0.2	9.7	-	27.6	1.9	31.2	20.3	4.0	5.1	100.0
1984	0.3	15.1	-	24.4	2.9	26.5	20.7	4.2	5.9	100.0
1985 (September)	0.1	14.2	-	24.9	2.5	27.1	21.3	4.2	5.7	100.0
Kuwait										
1981	1.3	5.5	-	26.6		16.5	28.0	-	22.1	100.0
1982	1.1	5.0		24.5		17.3	25.6	-	26.5	100.0
1983	0.7	3.8		24.7		17.3	24.3	-	29.2	100.0
1984	0.6	3.5		24.1		16.6	25.3	-	29.9	100.0
1985 (September)	0.5	3.0		22.8		16.2	27.6	-	29.8	100.0
Oman										
1981	0.4	1.5	1.1	54.9	1.5	16.1	15.0	0.3	9.1	100.0
1982	0.3	1.5	2.3	52.8	2.6	16.1	15.4	1.1	7.2	100.0
1983	0.2	4.3	1.6	46.9	2.2	13.5	19.1	1.9	9.2	100.0
1984	0.6	3.3	1.9	46.7	1.2	14.1	20.8	2.3	8.3	100.0
1985 (March)	0.6	3.1	0.8	43.7	1.2	15.0	19.9	5.7	8.9	100.0
Qatar										
1981	-	3.3	-	47.8	3.0	16.9	12.6	10.9	5.4	100.0
1982	0.2	4.2	-	47.7	1.7	13.9	21.2	7.8	3.4	100.0
1983	-	4.0	-	41.6	1.8	13.6	27.8	6.0	5.0	100.0
1984	-	5.0	-	40.9	2.3	16.4	23.8	5.9	5.6	100.0
1985 (June)	0.4	5.1	-	40.6	1.7	15.7	26.8	4.7	5.0	100.0
Saudi Arabia										
1981										
1982	0.9	9.9	0.6	35.8	3.2	21.5	-	-	28.1	100.0
1983	1.0	9.0	0.4	35.1	6.2	22.2	-	-	26.1	100.0
1984	1.6	9.8	0.3	33.0	6.2	22.4	-	-	26.7	100.0
United Arab Emirates										
1981										
1982	0.3	5.4	0.5	37.7	2.4	28.2	-	9.9	15.6	100.0
1983	0.7	5.0	1.0	37.1	2.3	27.4	-	10.7	16.1	100.0
1984	0.4	4.9	1.1	34.9	2.5	26.1	-	10.8	19.3	100.0
1985 (March)	0.4	4.7	1.2	34.0	2.5	26.3	-	13.0	17.9	100.0

Table 3. cont'd.

	Agricul-ture	Indus-try	Mining and quarrying	Commerce and trade	Transport and tourism	Construc-tion	Professional & private individuals	Govern-ment	Others	Total
Diversified economies										
Jordan										
1981	2.7	11.4	1.0	31.3	5.4	27.9	8.4	6.2	5.7	100.0
1982	2.8	11.1	1.6	32.1	6.0	24.4	7.8	7.3	6.8	100.0
1983	2.5	11.5	2.0	26.8	7.4	26.3	10.5	6.4	6.6	100.0
1984	2.2	12.0	2.3	25.0	6.9	27.4	10.2	7.2	6.8	100.0
1985 (October)	2.5	12.5	2.7	23.6	6.8	25.8	10.4	8.6	7.0	100.0
Lebanon										
1981	2.6	17.0	-	54.1	-	11.2	-	-	15.0	100.0
1982	2.8	17.1	-	52.4	-	11.9	-	-	15.7	100.0
1983	2.1	15.8	-	49.8	-	12.8	-	-	19.5	100.0
1984	2.2	15.7	-	51.0	-	12.6	-	-	18.6	100.0
1985										
Syrian Arab Republic										
1981	4.1	43.2	-	43.3	-	8.5	-	-	0.9	100.0
1982	3.6	44.7	-	39.4	-	11.3	-	-	0.9	100.0
1983	3.8	34.7	-	48.4	-	12.1	-	-	1.0	100.0
1984	5.1	27.2		50.9		15.4	-	-	1.5	100.0

Source: ESCWA, based on national sources.

* Excluding Egypt, Iraq and the two Yemens for lack of data.

Arab international banks

The volume of Euro syndicated lending by Arab banks and financial institutions continued declining in 1985 due to changes in business and financial environment in the Euro markets (see appendix table A-6). It reached $4,427 million, thus reflected a decline of 23 per cent compared with 1984 and less than half the peak of 1981-1982. Although, in percentage terms, the proportion of lending to Arab borrowers and Western Europe remained the same, namely around 46 per cent and 17 per cent of the total respectively, in absolute terms it dropped to its lowest level since 1980. Asian borrowers' share was slightly lower in 1985 than in the previous year. It amounted to 25 per cent of total lending compared with 26.5 per cent in 1984. Lending to South-east Asia dropped sharply during 1985.1/

Lending to sub-Saharan Africa and to South and Central America was negligible, amounting to just 0.4 per cent of the total for the former and 1.2 per cent for the latter.

1/ Middle East Economic Survey, 20 January 1986.

The share of the European members of the Council for Mutual Economic Assistance (Comecon) increased significantly from 5.7 per cent ($323.4 million) in 1984 to 10.2 per cent ($449.7 million) in 1985.

In 1985, Saudi based banks surpassed Kuwaiti banks and institutions in their syndicated lending operations. They accounted for 21 per cent of the Arab total compared to 16.5 per cent for Kuwait (see table 4 below). Bahrain continued to lead due almost entirely to the active participation of Gulf International Bank and the Arab Banking Corporation. Other Arab banks in Bahrain have further cut back their activity in 1985.

Table 4
The ten leading Arab banks in the international syndicated loan market, 1985

Bank	Amount ($ mn)	Share (%)
1. Gulf International Bank	789.82	17.8
2. Arab Banking Corporation	683.97	15.5
3. National Bank of Kuwait	441.79	10.0
4. Riyadh Bank	295.30	6.7
5. Al UBAF Group	294.58	6.7
6. Arab Bank	193.50	4.4
7. Al Bank Sal Saudi Al Fransi	162.37	3.7
8. National Commercial Bank	159.30	3.6
9. Saudi International Bank	151.01	3.4
10. Saudi American Bank	116.94	2.6

Source: Middle East Economic Survey, 20 January 1986.

1985 also witnessed a further contraction in the number of Arab banks participating in the syndicated lending market. While the number of Arab banks in that market was 68 in 1983, it fell to 56 in 1984 and to only 36 banks in 1985.

Of the syndicated lending to Arab borrowers, Algeria benefited from a $600 million deal, and Oman from a $300 million deal. Jordan signed a $215 million credit and Iraq had two deals, one for $500 million and the other for 250 million sterling pounds. Saudi companies and institutions received credit with $180 million going to Petromin Shell Refinery, $119 million to Al-Jubail Petrochemical Company and the Saudi-Kuwaiti Cement Company received SRls 450 million.1/

1/ Middle East Economic Survey, 20 January 1986.

Table 5. Top 20 Arab Banks in 1985*
($ mn)

Rank 85	Rank 84	Bank and head office	Assets less contra accounts	Total deposits	Capital and reserves	Net interest income	Pre-tax profits	Pre-tax profits on assets (%)	Pre-tax profits on capital (%)	Capital assets ratio (%)	Net interest on assets (%)	Number of employees
1	1.	Rafidain Bank Baghdad	33,387	30,862	1,589	1,061	933	2.99	65.58	4.76	3.40	12,560
2.	3.	Bank of Credit & Commerce International Luxemboury	16,577	14,915	801	311	159	1.03	20.91	4.83	2.01	13,200
3.	2.	National Commercial Bank, Jeddah	15,101	13,688	877	...	27	0.18	3.11	5.81	...	6,429
4.	5.	Arab Banking Corp Manama	13,066	10,983	1,188	246	121	1.00	10.51	0.09	2.04	4,820
5.	8.	Banque Exterieure d'Algerie, Algiers	12,288	7,369	639	...	368	3.31	62.20	5.20	...	2,715
6.	6.	Arab Bank Amman	11,738	11,141	576	102	89	0.80	16.94	4.91	0.91	3,500
7.	7.	Al Ubaf Banking Group, Paris	11,552	10,259	425	171	54	0.49	14.02	3.68	1.57	1,059
8.	4.	Banque Nationale d'Algerie, Algiers	11,540	9,162	764	...	137	1.05	17.29	6.62	...	...
9.	9.	National Bank of Egypt, Cairo	11,223	9,060	823	150	159	1.56	20.79	7.33	1.47	7,433
10.	13.	Banque Misr Cairo	9,827	6,863	170	152	228	2.62	142.96	1.73	1.75	13,000
1.	11.	Commercial Bank of Syria, Damascus	9,344	4,842	172	...	...	...	...	1.85	...	3,228
12.	10	National Bank of Kuwait Safat	8,962	8,225	696	...	80	0.88	11.86	7.76	...	1,938
13.	12.	Riyad Bank Jeddah	8,486	7,038	1,079	...	142	1.65	13.99	12.72	...	5,109
14.	15.	Credit Populaire d'Algerie, Algiers	8,075	4,243	286	250	175	2.31	62.50	3.55	3.30	2,640
15.	14.	Gulf International Bank, Manama	7,741	6,855	715	...	68	0.90	10.48	9.24	...	487
16.	16.	Gulf Bank Safat	6,301	5,758	540	...	0	0.00	0.00	8.57	...	1,028
17.	20.	Banque du Caire Cairo	5,993	4,881	610	124	59	1.04	10.23	10.18	2.20	7,553
18.	22.	First American Bank shares, Washington	5,726	4,821	341	212	39	0.74	11.64	5.96	4.05	4,246
19.	17.	Commercial Bank of Kuwait, Safat	5,661	5,225	436	...	0	0.00	0.00	7.70	...	1,397
20.	18.	National Bank of Abu Dhabi, Abu Dhabi	5,649	5,052	505	89	5	0.09	1.08	8.94	1.53	1,437

Source: The Banker, December, 1986.

*Arab Bank is defind as one more the 50% owned by Arab interests.

E. Other Country Developments

Bahrain

Government spending in 1985 was revised downward by 5 per cent and money saving steps were taken following projections of a budget deficit of BD 47 million (including grants and loans). The cut was tailored so as not to affect construction projects but to decrease current expenditures from BD 364 million to BD 346 million. The 1986-87 two-year budget estimates put expenditures at BD 1100 million, about the same level as 1984-1985. Spending on social services will continue to be a priority in the 1986-87 budget.

Egypt

Egypt is seeking a $1500 million standby facility from the International Monetary Fund (IMF) to help it deal with its balance of payments problems. In an effort to curb foreign debt the government has withdrawn its sovereign guarantees to state agencies and organizations to limit their access to international capital markets.

The fall in oil prices coupled with the decline in Suez Canal dues and the levelling off of remittances are aggravating the problems of the Egyptian Economy. The government is trying to stop the growth in imports and increase its exports, especially of non-traditional products i.e. other than cotton and oil. Also fresh incentives are provided for private investment.

The International Monetary Fund facility is conditional upon the adoption by Egypt of measures mainly concerned with cutting subsidies and reforming the exchange rate structure. So far, there were some attempts to lower the burden of subsidies. The price of bread was doubled, petrol prices and bus fares were raised but the cost of subsidies remained at $5000 million a year. The effort to reform the exchange structure by devaluing the pound first to $1 = LE 1.24/1.25 in January 1985 and then to 1.325/1.338 are still considered by some economists, below the desirable rate.

Iraq

The opening of the link to Saudi petroline in September increased oil export capacity by about 400,000-500,000 b/d. The decrease in the price of oil, however, could adversely affect export earnings during 1986. In 1985, Iraq paid instalments owned to France, Federal Republic of Germany and the United Kingdom and on a $500 million Euroloan agreed upon in 1983. It also settled the debt with Italy in the form of crude oil supplies.

Despite the war, development projects continue albeit at lower scale than in the early eighties. Tight control will be maintained over public spending and imports. Details of the five-year plan (1986-1990) are not known but the government aims to get people back to the land and give priority to rural areas.

Jordan

The government is trying to stimulate the economy by planning to increase its expenditures by about 14 per cent in the 1986 budget, and more than doubling its deficit. Revenues are projected to increase by 11 per cent. The projections for Arab aid and increased domestic revenues may be optimistic. Despite more efficient tax collection, remittances of Jordanians abroad are not expected to increase and the country's principal natural resources and exports - phosphates and potash - are suffering from the low prices prevailing in the primary product markets.

The government has introduced import controls to reduce the widening trade deficit and to protect local industry. It wants to increase the involvement of the private sector and showed willingness to pass some government-owned ventures to private hands. It has also introduced measures to strengthen the stock exchange, Amman Financial Market. Banks and financial institutions are permitted to lend for investment in securities. A privately-owned central clearing and settlement agency for securities will be established.

Kuwait

The stock market experienced a decline of 74 per cent in the value of traded stocks since 1983; and a study made by a team of advisers from the International Finance Corporation, World Bank and International Monetary Fund showed that out of 37 public and closed shareholding companies, 20 faced severe and urgent problems, 12 had severe but less urgent problems and only five were in good position. 1/ Liquidation or mergers are advised for most of these companies. Investment companies are also in a strenuous position. The Kuwait Investment Company (KIC), Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) and Kuwait International Investment Company (KIIC) known as the "3 Ks" suffered from falling stock prices and the economic situation. Investment income is falling which together with sliding oil revenues are expected to result in a substantial budget deficit in 1985 as opposed to nominal deficits of previous years (due to exclusion of investment income).

A new five-year plan to stimulate the economy has been adopted. The plan's four main objectives are: to balance expatriate and Kuwaiti population; develop Kuwaiti workforce; introduce new administrative measures and increase productivity; and, improve the cost-effectiveness of government services. The plan envisages total local investment of KD 7516 million of which around 84 per cent will be spent by the public sector.

Lebanon

Internal debt in Lebanon has soared from LL 30.7 billion at the end of 1984 to LL 52.8 billion by the end of 1985, or by 72 per cent. This was to finance the widening budgetary deficit estimated to have reached LL 20 billion in 1985, exceeding the budget estimates by as much as LL 8 billion. Whereas government revenues lagged behind with customs duties falling by 12.8 per cent to LL 404.2 million by end of 1985, spending rose as a result of increases in salaries and wages and fuel subsidies. Salaries of civil servants were raised by about 40 per cent to compensate for inflation. Lebanon's total oil bill for 1985 was expected to reach LL 12.5 billion; the Government subsidy amounting to over LL 7.2 billion. At the end of November 1985 prices of petroleum products were raised by 115 per cent to cut the cost of the subsidy.

Soaring internal debt and the depreciation in the value of the Lebanese pound vis-a-vis the dollar and other major currencies have caused the money supply increase to LL 10751 million or by about 34 per cent. The rate of inflation more than tripled to about 70 per cent.

1/ Reported in: Middle East Economic Survey, 13 January 1986.

As the economic situation deteriorated, the government sought policy advice from the International Monetary Fund. The International Monetary Fund advised the government to diminish public expenditures as much as possible and eliminate the subsidy on fuel and other products. In the monetary sector it advised on lowering credit ceilings, increasing the ratio of compulsory reserves, raising the interest on deposits in Lebanese pounds and selling government Treasury bonds to the public.

The government is trying to implement some of these measures in an effort to remedy the present situation but is facing opposition from the banking community.

Oman

Considerably reduced oil prices and, hence revenues might lead to a revision in the 1986 budget and a cut in expenditures. There are worries that the devaluation of the Omani riyal by 10 per cent which took place in January 1986 might lead to an escalation in prices. Inflation has been minimal over the past two years.

Oman has adopted its third five-year plan (1986-1990) with the aim of achieving a 5 per cent annual growth rate. It calls for diversification away from oil into agriculture and fisheries and industry. Emphasis will be put on developing human resources. In the first two plans emphasis was on infrastructure.

Saudi Arabia

Adherence by the present budget of fiscal 1985/86 or (1405/1406 Hijri) has been extended for five months as of March 1986 until conditions in the oil market become less ambiguous. The Council of Ministers has taken this decision after encountering difficulties in assessing total revenues of which oil revenues constitute about 70 per cent. Without being capable of truly assessing government revenues, the Council was unable to determine the expenditure level and other economic policies.

Saudi Arabia has suffered the most from the vagaries of the oil market whereby its oil exports fell to a third of their level in 1981. It had incurred huge budgetary deficits in the last two years. To finance these deficits, it drew heavily on its foreign assets and reserves which reduced investment income.

The government has been trying to raise some local revenues through customs duties. The minimum tariff duty was raised from 4 per cent to 7 per cent, affecting about 43.5 per cent of all imports. It adopted higher prices for the consumption of electricity and potable water, mainly aiming at heaviest users, and reduced subisidies on wheat production. The government also decided to cut bonuses and benefits for about 250,000 civil servants.

United Arab Emirates

In the United Arab Emirates the 1986 federal budget, as the 1985 budget, was delayed and monthly allocations equal to one-twelfth of the total for each chapter of the 1985 federal budget were resorted to. For the first time, the Sharjah Emirate has agreed to contribute 50 percent of its revenues to the federal budget . Up till now the federal budget consisted of contributions from Abu Dhabi and Dubai.

Estimates are that during 1985 the United Arab Emirates federal budget deficit was Dh 2 billion, i.e., below the Dh 3.6 million projected due to cut in spending. It is expected that federal spending will fall in 1986 relative to the Dh 16.6 billion budgeted for 1985.

F. Appendix Tables

Table A-1

Government revenues and expenditures in the ESCWA region, 1981-1986

(Millions of national currency units)

	1981	1982	1983	1984 a/	1985 a/	1986 b/
GCC countries						
Bahrain						
Total revenues	540.6	556.1	484.8	548.8	502.0	...
-Oil	399.2	401.9	328.6	355.4	335.0	...
-Non-oil (of which)	141.4	154.2	108.5	118.4	...	...
grants and loans	62.2	57.7	47.7	75.0	...	
Total expenditures	472.6	532.2	535.2	538.6	549.0	...
-Current	298.3	309.9	313.2	328.6	369.0	...
-Development	174.3	222.3	222.0	210.0	180.0	...
Kuwait c/						
Total revenues (excluding investment income)	4675.9	3008.6	2602.0	3150.5	2744.7	3116.0
-Oil	4434.2	2764.1	2230.2	2923.6	2448.0	2707.0
-Non-oil	241.7	244.5	371.8	226.9	296.7	409.0
Total expenditures	2629.6	3097.4	3158.0	3465.0	3509.5	3773.1
-Current	1745.5	1989.8	2231.6	...	...	...
-Development	492.3	658.4	706.5	...	...	...
-Land purchase	391.8	444.2	219.9	...	...	...
Oman						
Total revenues	1362.7	1291.1	1547.4	1709.2	1719.0 b/	1846.0
Internal revenues	1262.2	1235.4	1333.9	1485.7	1504.0	1666.0
-Oil	1143.5	1136.2	1207.8	1277.1	1292.0	1409.0
-Non-oil	118.7	99.2	126.1	208.6	212.0	257.0
Grants and loans (net)	100.5	55.7	213.5	223.5	215.0	180.0
Total expenditures	1174.5	1365.4	1488.3	1700.1	1918.0	1879.0
-Current	985.2	886.8	971.0	1076.0	1343.0	1206.0
-Development	389.3	478.6	517.4	624.1	569.0	673.0
Qatar d/						
Total revenues	18818.0	16432.0	14961.0	11521.0	11971.0 b/	9737.0
-Oil	...	...	2688.0	9745.0	10349.0	8160.0
-Non-oil	...	...	2273.0	1776.0	1622.0	1577.0
Total expenditures	14811.0	15165.0	13780.0	12026.0	15653.0	15607.0
-Current	11105.0	10980.0	10038.0	9048.0	11584.0	11807.0
-Development	3706.0	4185.0	3742.0	2978.0	4069.0	3800.0
Saudi Arabia e/						
Total revenues	348119.0	368006.0	246180.0	187300.0	166900.0	200000.0
-Oil	319305.0	328594.0	186006.0	...	...	...
-Non-oil	7417.0	9191.0	12193.0	...	...	...
Investment income	21397.0	30221.0	47983.0	...	...	...

Table A-1 cont'd.

	1981	1982	1983	1984 a/	1985 a/	1986 b/
Total expenditures	236570.0	284648.0	244910.0	230190.0	212900.0	200000.0
-Current	65147.0	82723.0	89885.0	90775.0	...	...
-Development	123141.0	145664.0	124431.0	112657.0	...	...
-Foreign aid	24557.0	24286.0	13594.0	19750.0	...	...
-Transfer to specialized inst.	23705.0	31975.0	17002.0	20848.0	...	...
United Arab Emirates (federal)						
Total revenues	23193.7	16100.4	13807.6	12375.0	12977.0 b/	...
-Emirates contribution	22164.8	15616.5	13088.2	11525.0	...	...
-Other revenues	578.9	483.9	719.4	850.0	...	...
Total expenditures	20633.6	19979.8	16310.3	15195.0	16633.0	...
-Current	17682.6	17648.2	14737.4	14145.0	13300.0	...
-Development	1345.4	1630.6	1286.0	1050.0	1328.0	...
-Equity participation	1605.6	700.9	...	...	...	...
Diversified economies						
Egypt c/						
Total revenues	...	7890.0	8693.0 a/	11197.0 b/	13000.0 b/	15100.0
Tax	...	5480.0	5924.0	6916.0	7930.0	9120.0
Non-tax	...	2410.0	2769.0	3058.0	5070.0	5980.0
Total expenditures	...	11416.0	13538.0	16209.0	18400.0	20000.0
-Current	...	7148.0	8754.0	...	...	...
-Development						
Investment budget	...	3112.0	3101.0	3594.0	4865.0	5430.0
Capital transfers	...	1156.0	1683.0	1501.0	...	...
Jordan						
Total revenues	598.5	627.2	681.3	705.3	794.5	886.1
Total local revenues	308.6	362.0	403.5	413.0	479.9	498.0
-Tax	227.2	257.6	292.9	315.6	...	...
-Non-tax	81.4	80.4	110.6	122.2	...	...
-Grants and loans	250.9	265.0	277.7	252.5	...	...
Total expenditures	647.1	693.6	709.7	746.2	811.2	923.7
-Current	391.5	443.0	448.0	486.8	...	...
-Development	255.6	250.6	261.7	259.4	...	...
Lebanon b/						
Total revenues	3255.0	3024.0	5080.0	7032.0	9567.0	12712.0
-Tax	790.0	935.0	...	...	...	...
-Non-tax	2465.0	2089.0	...	...	...	...
Total expenditures	5220.0	5945.0	8610.0	10757.0	11327.0	16937.0
-Current	4560.0	4669.0	...	...	...	...
-Development	660.0	1276.0	...	...	...	...

Table A-1 cont'd.

	1981	1982	1983	1984 a/	1985 a/	1986 b/
Syrian Arab Republic b/						
Total revenues	30480.0	33345.0	37253.0	41289.0	42984.2	...
-Tax	5519.6	7947.0	9582.0	11867.0	10407.0	...
-Non-tax	24960.4	25398.0	27670.1	29422.0	32577.2	...
Total expenditures	30480.6	33345.0	37253.0	41289.0	42984.2	...
-Current	16700.5	16750.0	18672.0	23438.8	23548.6	...
-Development	13779.5	16595.0	18581.0	17850.2	19435.6	...
Least developed countries						
Democratic Yemen						
Total revenues	135.3	148.2	155.0 a/	159.6	...	...
Domestic revenues	124.5	128.9	145.0	133.4	...	...
-Tax	88.5	90.1	99.6	94.8	...	...
-Non-tax f/	36.0	38.8	45.4	38.6	...	...
-Foreign grants	10.8	19.3	10.0	26.2	...	...
Total expenditures	230.6	259.2	294.0	299.2	...	...
-Current	139.5	138.5	156.0	167.1	...	...
-Development	91.2	120.8	138.0	132.1	...	...
Other	22.6	-6.7	21.0	-		
Yemen						
Total revenues	...	5455.6	5562.6	5145.5	...	...
-Tax	...	3048.9	3698.4	3898.7	...	...
-Others	...	2406.7	1864.2	1246.8	...	...
Total expenditures	...	9119.3	9276.9	9166.2	...	...
-Current	...	3906.5	2975.9	3022.4	...	...
-Capital	...	3182.5	2007.4	1688.7	...	...
-Unclassified	...	2030.4	4293.5	4455.1	...	...

Source: ESCWA, based on national and international sources.

a/ Provisional/preliminary actuals.

b/ Budget estimates.

c/ Fiscal year ending June 30.

d/ Hijri fiscal year; 1981 and 1982 figures correspond to calendar years while 1983 corresponds with 1402/03 Hijri fiscal year and so on.

e/ Hijri fiscal year.

f/ Includes 50 per cent of net profits of public entities, contribution from employees of Martyrs' Fund and contributions from salaries of public entities' employees for development.

Table A-2
Gross budget surplus or deficit in ESCWA member countries, 1981-1986*

(Millions of national currencies)

Country	1981	1982	1983	1984 a/	1985 a/	1986 b/
GCC countries						
Bahrain	5.8	-33.8	-98.1	-64.8	-92.2	...
Kuwait c/	2046.0	-88.8	-556.0	-314.0	-764.8	-657.1
Oman	87.7	-130.0	-154.4	-214.4	-414.0 b/	-213.0
Qatar	4007.0	1267.0	1181.0	-505.0	-3682.0 b/	-5870.0
Saudi Arabia	111549.0	83358.0	1270.0	-42890.0	-46000.0	...
United Arab Emirates	2560.1	-3879.4	-2502.7	-2820.0	-3656.0 b/	...
Diversified economies						
Egypt	...	-3526.0	-4845.0	-5012.0	-5400.0	-4900.0
Jordan	-338.5	-331.6	-306.2	-333.2	-331.3	-425.7
Lebanon b/	-1965.0	-2921.0	-3530.0	-3725.0	-1810.0	-5225.0
Syrian Arab Rep.d/	-10483.0	-13161.0	...	...	...	...
Least developed countries						
Democratic Yemen e/	-72.6	-117.7	-117.9	-139.7	...	...
Yemen	...	-3663.7	-3714.3	-4020.7	...	...

Source: Based on appendix table A-10.

*Iraq excluded for lack of data. Gross deficit means excluding grants and loans. Saudi Arabia and Qatar: Hijri years; Egypt and Kuwait: fiscal year ending 30 June.

a/ Provisional/preliminary actuals.
b/ Budget estimates.
c/ Excluding investment income.
d/ Estimates.
e/ Including foreign grants but excluding loans. 1984 deficit is revised budget estimate.

Table A-3

Budget surplus/deficit as a percentage of total expenditures and GDP* 1981-1985

	1981	1982	1983 a/	1984 b/	1985 c/
GCC countries					
Bahrain					
Per cent of expenditures	1.1	-6.1	-20.2	-11.8	-16.0
Per cent of GDP	0.3	-1.9	-5.4	-3.4	-4.8
Kuwait					
Per cent of expenditures	77.8	-2.9	-17.6	-9.1	-21.8
Per cent of GDP	30.4	-1.5	-8.7	-11.9	-10.6
Oman					
Per cent of expenditures	7.5	-9.5	-10.4	-12.6	-21.6
Per cent of GDP	3.5	-5.0	-5.6	-7.2	-12.7
Qatar					
Per cent of expenditures	27.0	8.4	8.6	-4.2	-23.5
Per cent of GDP	12.7	4.6	5.0	-1.9	-14.7
Saudi Arabia					
Per cent of expenditures	47.2	29.3	0.5	-18.6	-21.6
Per cent of GDP	21.3	20.1	0.3	-11.2	-12.9
UAE					
Per cent of expenditures	12.4	-19.4	-15.3	-18.6	-22.0
Per cent of GDP	2.1	-3.4	-2.4	-2.7	-3.4
Diversified economies					
Egypt					
Per cent of expenditures	...	-30.9	-35.8	-30.9	-29.4
Per cent of GDP	...	-17.0	-21.5	-21.0	-21.0
Jordan					
Per cent of expenditures	-51.4	-55.8	-43.1	-44.6	-40.8
Per cent of GDP	-28.6	-24.7	-21.4	-21.8	-21.0
Lebanon					
Per cent of expenditures	-37.6	-49.1	-41.0	-34.6	-15.9
Per cent of GDP	-11.7	-23.2	-39.5	-52.0	-16.4
Syrian Arab Republic					
Per cent of expenditures	-34.4	-39.5	...	...	...
Per cent of GDP	-15.8	-18.4	...	...	...

Table A-3 (Cont'd)

	1981	1982	1983 a/	1984 b/	1985 c/
Least developed countries					
Democratic Yemen					
Per cent of expenditures	-34.5	-45.4	-40.1	-46.7	...
Per cent of GDP	-27.7	-37.9	-36.9	-40.6	...
Yemen					
Per cent of expenditures	...	-40.2	-40.0	-43.9	...
Per cent of GDP	...	-23.0	-21.6	-22.4	...

Source: ESCWA, based on national and international sources.

* Excluding Iraq for lack of data. Deficit excludes grants and loans. Saudi Arabia and Qatar: Hijri fiscal years; Egypt and Kuwait: fiscal year ending 30 June; (+) for surplus, (-) for deficit.

a/ Provisional.

b/ Preliminary.

c/ Based on GDP projections.

Table A-4

Money supply in the ESCWA region, 1980-1985

(Million of national currency units)

End of period	Currency in circulation		Demand deposits		Total money supply (M1)		Time and saving deposits a/		Total money supply (M2)	
	Amount	% of Total	Amount	% of Total	Amount	As % of M2	Amount	% of Total	Amount	% of Total
	(1)		(2)		(1)+(2) = (3)		(4)		(3)+(4) = (5)	
GCC countries										
Bahrain										
1980	58.3	11.1	133.9	25.6	192.2	36.7	331.8	63.3	524.1	100.0
1981	63.4	8.7	185.4	25.4	248.8	34.0	481.8	66.0	730.6	100.0
1982	71.5	9.2	196.5	25.2	268.0	34.3	513.1	65.7	781.3	100.0
1983	73.5	8.7	176.5	20.9	250.0	29.6	593.1	70.4	843.1	100.0
1984	78.2	9.4	161.1	19.5	239.3	28.9	588.5	71.1	827.8	100.0
1985 (September)	78.5	8.9	167.0	18.9	245.6	27.8	638.7	72.2	884.2	100.0
Kuwait										
1980	251.3	8.8	418.4	14.6	669.7	23.4	2187.8	76.6	2857.5	100.0
1981	284.7	7.4	930.1	24.0	1214.8	31.4	2652.9	68.6	3867.8	100.0
1982	342.8	8.2	837.0	20.0	1179.7	28.2	3003.1	71.8	4182.8	100.0
1983	340.6	7.8	772.9	17.7	1113.5	25.5	3254.3	74.5	4367.8	100.0
1984	325.1	7.2	588.8	13.1	913.9	20.3	3583.0	79.7	4496.9	100.0
1985 (August)	319.2	7.0	593.2	13.1	912.4	20.1	3629.1	79.9	4541.5	100.0
Oman										
1980	94.8	29.7	65.3	22.8	160.1	50.2	159.1	49.8	319.2	100.0
1981	116.2	26.2	101.5	22.7	217.7	49.0	226.6	51.0	444.3	100.0
1982	129.8	23.4	125.8	22.3	255.6	46.0	299.6	54.9	555.2	100.0
1983	140.4	21.1	141.9	21.3	282.3	42.4	383.0	57.6	665.3	100.0
1984	150.0	18.5	141.4	17.5	291.4	36.0	517.8	64.0	809.2	100.0
1985 (first quarter)	159.0	18.8	142.1	16.8	301.1	35.5	546.0	64.5	847.1	100.0
Qatar										
1980	811.1	15.4	1466.0	27.8	2277.1	43.2	3003.0	56.9	5280.1	100.0
1981	991.6	13.3	2411.6	32.3	3403.2	45.5	4072.0	54.5	7475.2	100.0
1982	1151.3	13.4	2643.5	30.9	3794.8	44.3	4772.1	56.7	8566.9	100.0
1983	1068.4	12.6	2556.1	30.1	3624.5	42.7	4863.2	57.3	8487.7	100.0
1984	1186.3	11.5	2948.1	28.5	4134.4	40.0	6219.5	60.1	10354.0	100.0
1985 (September)	1101.0	10.3	2649.3	24.8	3750.3	35.0	6951.6	65.0	10701.9	100.0
Saudi Arabia										
1980	25198.8	37.5	30448.5	45.3	55647.3	82.7	11630.0 b/	17.3	67277.0 b/	100.0
1981	26144.0	31.4	37265.0	44.7	63409.0	76.0	19994.0 b/	24.0	83404.0 b/	100.0
1982	30421.0	29.6	46167.0	44.8	76588.0	74.4	26367.0	25.6	102954.7	100.0
1983	35320.0	30.6	51800.0	44.8	87120.0	75.4	28400.0	24.6	115520.0	100.0
1984 c/	35110.0	28.1	47860.0	38.4	82970.0	66.5	41790.0	33.5	124760.0	100.0
1985 c/(August)	36180.0	28.8	46870.0	37.3	83050.0	66.1	42620.0	33.9	125670.0	100.0

Table A-4. cont'd.

End of period	Currency in circulation Amount (1)	% of Total	Demand deposits Amount (2)	% of Total	Total money supply (M1) Amount (1)+(2)	As % of M2 = (3)	Time and saving deposits a/ Amount (4)	% of Total	Total money supply (M2) Amount (3)+(4)	% of Total = (5)
United Arab Emirates										
1980	2142.5	9.1	5211.8	22.1	7354.3	31.2	16239.5	68.8	23593.8	100.0
1981	2770.8	9.5	6198.0	21.2	8968.8	30.8	20196.3	69.2	29165.1	100.0
1982	2989.5	8.9	6749.0	20.0	9738.0	28.9	23990.0	71.1	33728.0	100.0
1983	2878.8	7.9	6245.4	17.2	9124.2	25.1	27291.6	74.9	36415.8	100.0
1984	2929.0	6.2	5962.6	12.7	8891.6	19.0	38025.0	81.0	46916.6	100.0
1985										
99iversified economies										
Egypt										
1980	3398.0	35.8	2504.0	26.4	5902.0	62.2	3589.0	37.8	9491.0	100.0
1981	4291.0	32.8	2886.0	22.0	7177.0	54.8	5920.0	45.2	13097.0	100.0
1982	5503.0	31.9	3498.0	20.3	9001.0	52.2	8240.0	47.8	17241.0	100.0
1983	6475.0	30.6	3798.0	18.0	10273.0	48.6	10884.0	51.4	21157.0	100.0
1984	7098.0	28.2	4554.0	18.1	11652.0	46.4	13486.0	53.6	25138.0	100.0
1985 (August)	7975.0	28.5	5253.0	18.8	13228.0	47.2	14766.0	52.8	27994.0	100.0
Jordan										
1980	351.6	35.7	243.1	24.7	594.8	60.4	390.0	39.6	984.8	100.0
1981	412.3	34.9	289.4	24.5	701.7	59.5	478.2	40.5	1179.9	100.0
1982	470.0	33.5	317.5	22.6	787.5	56.1	615.8	43.9	1403.4	100.0
1983	516.0	32.0	353.4	21.9	869.4	53.8	745.7	46.2	1615.2	100.0
1984	530.5	30.2	347.9	19.8	878.4	50.0	879.3	50.0	1757.7	100.0
1985 (October)	544.3	29.5	311.0	16.9	855.3	46.4	988.8	53.6	1844.1	100.0
Lebanon										
1980	3982.0	13.8	3684.0	12.8	7666.0	26.6	21160.0	73.4	28826.0	100.0
1981	4625.0	11.4	4380.0	10.8	9005.0	22.3	31392.0	77.7	40397.0	100.0
1982	5582.0	11.5	5488.0	11.3	11070.0	22.8	37487.0	77.2	48557.0	100.0
1983	6958.0	11.3	5887.0	9.6	12845.0	20.8	48775.0	79.2	61620.0	100.0
1984	7669.0	10.0	6114.0	8.0	13783.0	18.1	62494.0	81.9	76277.0	100.0
1985 (April)	9862.0	9.9	7220.0	7.2	17082.0	17.2	82498.0	82.8	99580.0	100.0
Syrian Arab Republic										
1980	13421.7	55.8	8433.5	35.1	21855.2	91.0	2175.7	9.0	24030.9	100.0
1981	14046.6	50.4	10785.8	38.7	24831.0	89.2	3009.1	10.8	27840.9	100.0
1982	17347.5	51.8	12170.8	36.3	29518.3	88.1	3992.2	11.9	33511.2	100.0
1983	20499.3	48.5	16542.4	39.2	37041.7	87.7	5203.8	12.3	42245.5	100.0
1984 d/	25257.3	48.5	19690.5	37.8	44947.8	86.2	7167.1	13.8	52114.9	100.0
1985	...	...	...	...	...	...	...	...	...	100.0

Table A-4. cont'd.

End of period	Currency in circulation		Demand deposits		Total money supply (M1)		Time and saving deposits a/		Total money supply (M2)	
	Amount	% of Total	Amount	% of Total	Amount	As % of M2	Amount	% of Total	Amount	% of Total
	(1)		(2)		(1)+(2)	= (3)	(4)		(3)+(4)	= (5)
Least developed countries										
Democratic Yemen										
1980	171.1	59.8	63.5	22.2	234.6	82.0	51.5	18.0	286.1	100.0
1981	192.6	59.8	66.5	20.7	259.1	80.5	62.7	19.5	321.8	100.0
1982	223.8	58.5	73.1	19.1	296.9	77.6	85.6	22.4	382.5	100.0
1983	244.3	54.6	87.3	19.5	331.6	74.2	115.6	25.8	447.2	100.0
1984	255.9	50.1	112.8	22.1	368.7	72.2	141.8	27.8	510.5	100.0
1985 (Sept.)	274.1	50.0	127.5	23.3	401.6	73.3	146.3	26.7	547.9	100.0
Yemen										
1980	6894.5	80.7	674.0	7.9	7568.5	88.6	973.5	11.4	8542.0	100.0
1981	7043.5	75.9	824.2	8.9	7867.7	84.8	1410.2	15.2	9277.9	100.0
1982	8940.5	76.0	1332.5	11.3	10273.0	87.3	1494.8	12.7	11767.8	100.0
1983	10733.0	72.3	2401.8	16.2	13134.8	88.5	1710.4	11.5	14845.2	100.0
1984	13314.0	72.5	2997.9	16.3	16311.9	88.8	2058.8	11.2	18370.7	100.0
1985 (Sept.)	15280.4	72.3	3069.4	14.5	18349.8	86.9	2685.1	12.7	21124.9	100.0

Source: ESCWA, based on national and international sources.

* Excluding Iraq; figures may not add to total due to rounding.

a/ Including foreign currency deposits for Egypt, Lebanon, Qatar, the Syrian Arab Republic and the United Arab Emirates.

b/ According to adjustments made by the Saudi Arabian Monetary Agency (SAMA).

c/ Figures do not compare with previous years; approximately end of period.

d/ Provisional.

Table A-5

General consumer price indices in the ESCWA region, 1981-1986

(1980 = 100)

	1981	1982	1983	1984	1985
GCC countries					
Bahrain	111.3	121.3	124.8	125.2	...
Iraq	110.6	135.0	151.4	168.5	...
Kuwait	107.4	116.1	121.2	122.6	123.7 (July)
Oman	...	...	...	...	...
Qatar	104.7	110.6	113.7	115.0	...
Saudi Arabia	102.7	103.8	104.8	103.7	99.8 (July)
United Arab Emirates	102.1	114.8	118.1	119.4	...
Diversified economies					
Egypt	110.5	126.9	147.2	172.3	200.8 (October)
Jordan	107.7	115.7	121.5	126.2	135.2 (October)
Lebanon	119.4	141.5	149.9	164.4	279.5
Syrian Arab Republic	118.4	135.3	143.4	157.2	177.3 (1st quarter)
Least developed countries					
Democratic Yemen	103.8	113.7	125.9	127.8	...
Yemen	105.0	107.8	113.5	123.2	...

Source: ESCWA, based on national and international sources.

Table A-6

Distribution of Arab banks' syndicated lending by region
1980-1985

	Arab Countries		Western Europe		USSR and Eastern Europe		Central and South America		Asian Countries		Sub-Saharan Africa		Other Countries		Total	
	Amount ($mn)	Share (%)	Amount ($mn	Share (%)	Amount ($mn)	Share (%)	Amount ($mn)	Share (%)	Amount ($mn)	Share (%)	Amount ($mn)	Share (%)	Amount ($mn)	Share (%)	Amount ($mn)	Share (%)
1980	914.55	25.5	775.44	21.6	333.35	9.3	762.36	21.3	627.33	17.5	169.99	4.7	-	-	3583.02	100
1981	3009.18	33.1	1957.23	21.5	684.76	7.5	1943.54	21.4	1236.54	13.6	236.05	2.6	35.00	0.4	9102.39	100
1982	4283.56	43.7	1496.24	15.3	362.73	3.7	1772.54	18.1	1625.59	16.6	122.69	1.3	135.00	1.4	9798.35	100
1983	3583.32	51.3	1527.20	21.9	128.14	1.8	62.49	0.9	1486.21	21.3	65.12	0.9	132.74	1.9	6985.42	100
1984	2576.91	45.1	951.45	16.6	323.43	5.7	224.29	3.9	1512.82	26.5	1.86	-	125.68	2.2	5716.44	100
1985	2054.62	46.4	750.10	16.9	449.70	10.2	52.70	1.2	1104.45	25.0	15.33	0.4	-	-	4426.90	100

Source: Middle East Economic Survey, 20 January 1986.

Table A-5
General consumer price indices in the ESCWA region, 1981-1986
(1980 = 100)

	1981	1982	1983	1984	1985
GCC countries					
Bahrain	111.3	121.3	124.8	125.2	...
Iraq	110.6	135.0	151.4	168.5	...
Kuwait	107.4	116.1	121.2	122.6	123.7 (July)
Oman	...	...	...	...	...
Qatar	104.7	110.6	113.7	115.0	...
Saudi Arabia	102.7	103.8	104.8	103.7	99.8 (July)
United Arab Emirates	102.1	114.8	118.1	119.4	...
Diversified economies					
Egypt	110.5	126.9	147.2	172.3	200.8 (October)
Jordan	107.7	115.7	121.5	126.2	135.2 (October)
Lebanon	119.4	141.5	149.9	164.4	279.5
Syrian Arab Republic	118.4	135.3	143.4	157.2	177.3 (1st quarter)
Least developed countries					
Democratic Yemen	103.8	113.7	125.9	127.8	...
Yemen	105.0	107.8	113.5	123.2	...

Source: ESCWA, based on national and international sources.

Table A-7

ESCWA region exchange rates*

[rh(US $ per national currency; rf (national currency per US $)]

		1980	1981	1982	1983	1984	1985
Bahrain	(rh)	2.6531	2.6596	2.6596	2.6596	2.6596	2.6596
Democratic Yemen	(rh)	2.8952	2.8952	2.8952	2.8952	2.8952	2.8952
Egypt	(rh)	1.4286	1.4286	1.4286	1.4286	1.4286	1.4286
Iraq	(rh)	3.3862	3.3862	3.3513	3.2169	3.2169	3.2169
Jordan	(rh)	3.3543	3.0293	2.8384	2.7550	2.6036	2.5379
Kuwait	(rh)	3.6993	3.5878	3.4737	3.4309	3.3785	3.3261
Lebanon	(rf)	3.436	4.314	4.744	4.528	6.511	16.417
Oman	(rf)	0.3454	0.3454	0.3454	0.3454	0.3454	0.3454
Qatar	(rh)	0.27346	0.27473	0.27473	0.27473	0.27473	0.27473
Saudi Arabia	(rf)	3.3267	3.3825	3.4282	3.4548	3.5238	3.6221
Syrian Arab Republic	(rf)	3.9250	3.9250	3.9250	3.9250	3.9250	3.9250
United Arab Emirates	(rf)	3.7074	3.6710	3.6710	3.6710	3.6710	3.6710
Yemen	(rf)	4.5625	4.5625	4.5625	4.5787	5.3533	6.4143

* average

Source: IMF, International Financial Statistics, 1981 - 1985