CHART
OF THE WEEK

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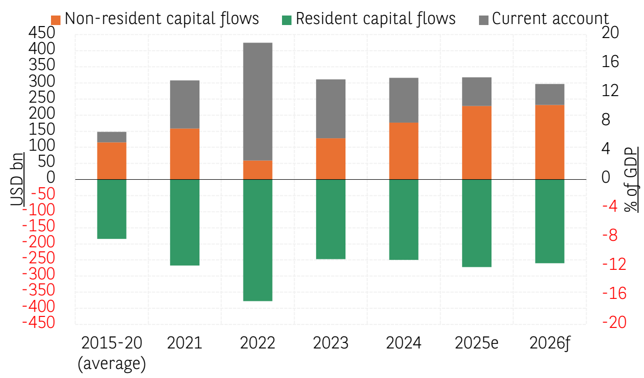
GULF: THE GCC IS INVESTING HEAVILY ABROAD DESPITE A FALLING CURRENT ACCOUNT SURPLUS

Stéphane Alby

According to estimates from the Institute for International Finance, net resident capital outflows from the Gulf reached USD 271 billion in 2025, while net non-resident capital inflows amounted to USD 228 billion.

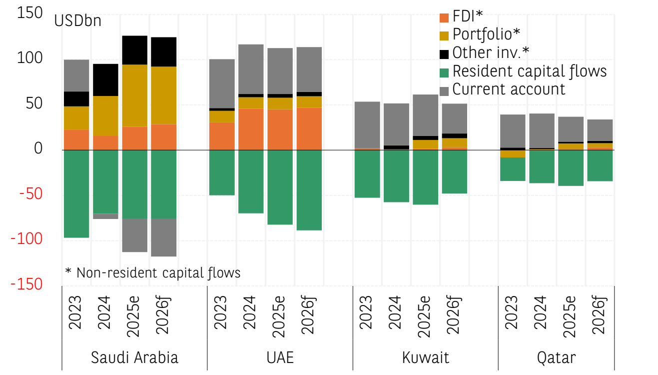
Since their 2022 peak, the oil prices and export revenues of the Gulf Cooperation Council (GCC) have been declining. However, the GCC has never before invested abroad as much, despite the drop in its current account surplus. The surplus fell from 15.7% of GDP in 2022 to 8% in 2023, 5.9% in 2024 and 3.8% in 2025. At the same time, net resident capital outflows from the region rose by 10% (2023–2025).

GULF COUNTRIES: RISING NON-RESIDENT CAPITAL FLOWS OFFSET THE EROSION OF CURRENT ACCOUNT SURPLUSES



SOURCES : IIF, BNP PARIBAS

NON-RESIDENT FLOWS IN THE REGION: MOSTLY DEBT FOR SAUDI ARABIA AND FDI FOR THE EMIRATES



SOURCES : IIF, BNP PARIBAS

The GCC is no longer just a provider of capital, it is also a major recipient of foreign investment flows

With more than USD 3,000 billion in external public assets (130% of the region's GDP excluding foreign exchange reserves), the GCC has considerable financial clout to continue positioning itself in strategic sectors. Gulf sovereign wealth funds, in particular, accounted for 43% of total global sovereign-wealth-fund spending in 2025, making them key players in areas such as artificial intelligence.

In addition, the role of Gulf countries in the global financial architecture is shifting, as the GCC is becoming a significant beneficiary of foreign investment. Inward capital flows have risen sharply since 2023, reaching 9.6% of regional GDP in 2025, up from 5.7% two years earlier, taking them to the highest rate among emerging regions.

Saudi Arabia and the United Arab Emirates: divergent dynamics

Saudi Arabia and the United Arab Emirates (UAE) together account for 85% of these flows, but the composition differs. In the UAE, foreign direct investment (FDI) account for73% of net non-resident capital inflows since 2024. In Saudi Arabia, more than half are portfolio investments. In fact, the UAE is primarily seeking to attract foreign expertise by offering a competitive business climate, whereas Saudi Arabia faces a growing financing need in order to support its massive infrastructure programme. The current account balance turned negative in 2024, with a deficit currently around 3% of GDP. As a result, Saudi Arabia is one of the few GCC members to record "twin deficits." This has led to a surge in hard-currency bond issuance, standing at USD 90 billion in 2025, compared to USD 50 billion in 2024. The UAE's activity on international financial markets remains strong as well; its banks, in particular, are issuing debt and attracting foreign lenders to reinforce its status as a financial hub.

Solid outlook

Strong macroeconomic fundamentals and growth prospects should continue to support the region's attractiveness to investors in 2026. Despite the downward trend in oil prices, the GCC will be able to maintain a high level of foreign commitments without having to draw on its financial assets. Although Saudi Arabia's situation appears more fragile, it is not raising major concerns given its moderate level of external debt and the ongoing diversification of its economy.

Stéphane Alby

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