

Special Report

# GCC Capital Markets Newsletter – 1Q25

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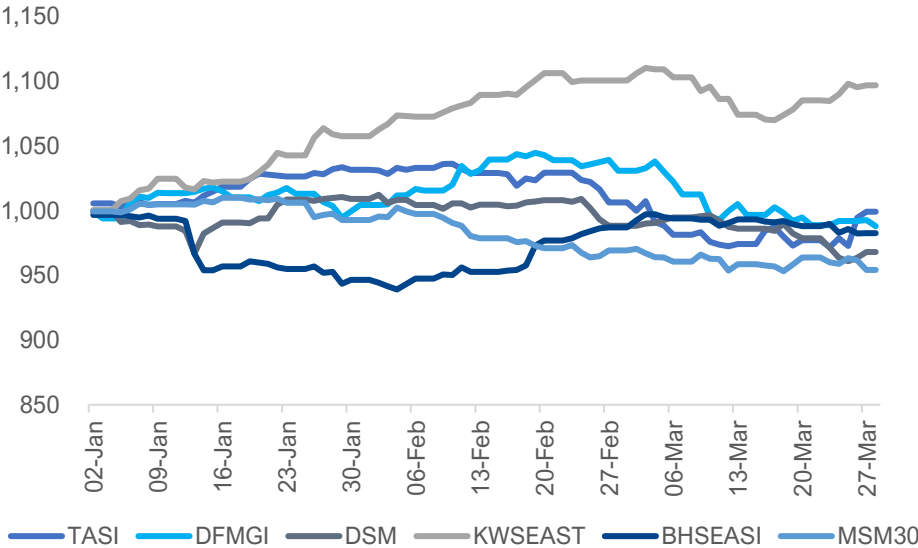
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# GCC Equity Market Analysis

## Kuwait outperforms, Saudi remains steady, while Oman lags behind

- The global economic uncertainty driven by the US's tariff war and shift in trade policies impacted the GCC index returns in 1Q25.
- The KWSEAST (Kuwait) Index return of 9.8% was the strongest amongst GCC indices, due to better performance in healthcare and insurance sectors.
- The MSM30 (Oman) was the weakest performer (-4.6%) owing to sectorial weakness, economic policy changes, and shift in investor sentiment.
- The TASI (Saudi) Index remained flat -0.1%, DFMGI (UAE) Index posted a negative return of 1.2%, and BHSEASI (Bahrain) Index underperformed (-1.7%) in 1Q25 impacted by negative global sentiment and tariff war, coupled with a lack of decline in interest rates.
- The DSM (Qatar) Index declined by 3.2% in 1Q25 due to selling pressure from weak performance in real estate and consumer staples/discretionary sectors amid global economic uncertainty.

GCC Countries Equity Returns – 1Q25



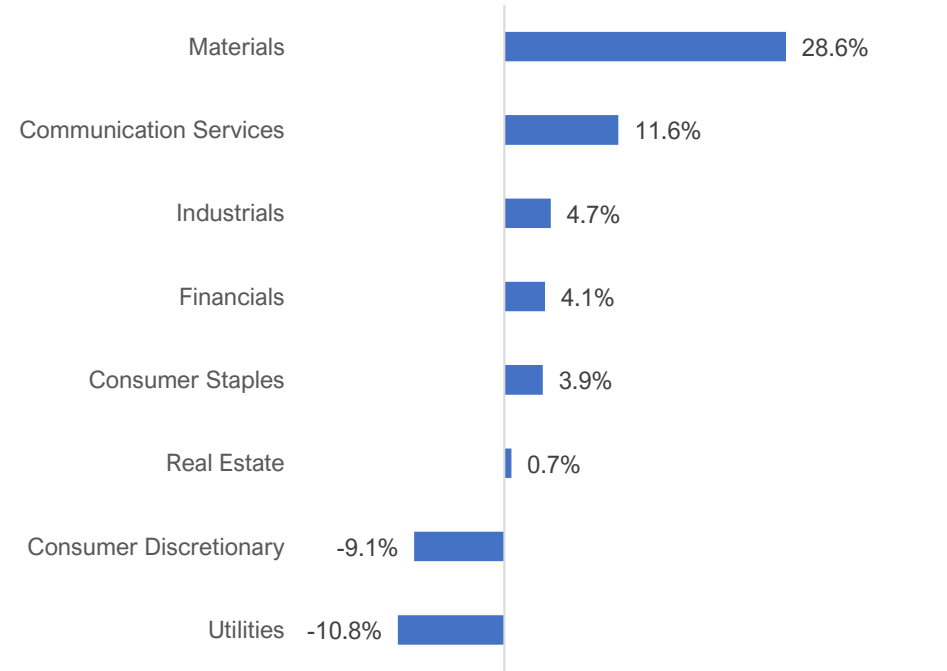
Country	Jan-25	Feb-25	Mar-25	1Q25	YoY	2024
Saudi Arabia (TASI)	3.15%	-2.45%	-0.72%	-0.10%	-3.04%	0.58%
Dubai (DFMGI)	0.42%	4.00%	-3.71%	-1.21%	20.02%	27.07%
Qatar (DSM)	0.90%	-2.07%	-2.04%	-3.20%	3.92%	-2.40%
Bahrain (BHSEASI)	-5.36%	4.30%	-0.45%	-1.74%	-4.47%	0.73%
Kuwait (KWSEAST)	5.73%	4.18%	-0.27%	9.85%	14.43%	12.20%
Oman (MSM 30)	-0.73%	-2.36%	-0.72%	-4.58%	-5.80%	1.39%

Source: Bloomberg, Aranca Research

# Dubai and Saudi Equity Market Analysis

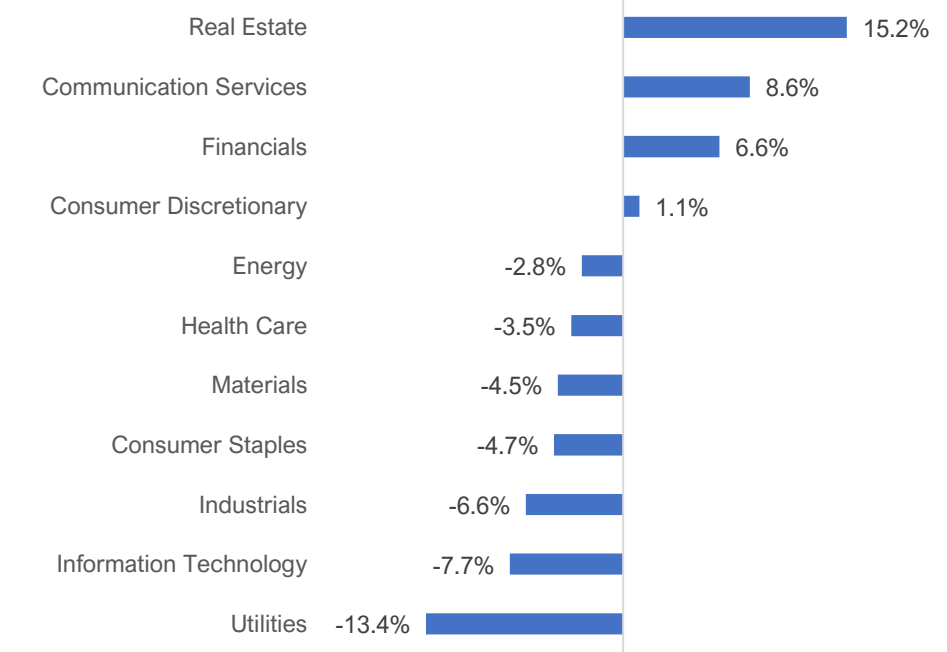
Communication services and financials outperformed, while utilities underperformed

Dubai (DFMGI) 1Q25 Sectoral Returns



The materials sector delivered the strongest returns of 28.6% in 1Q25 despite volatile commodity prices, followed by communication services, which returned 11.6%. However, the index returns fell by 1.2%, led by the utilities (-10.8%) and consumer discretionary (-9.1%) sectors due to short term volatility led by uncertain economic conditions.

Saudi Arabia (TASI) 1Q25 Sectoral Returns

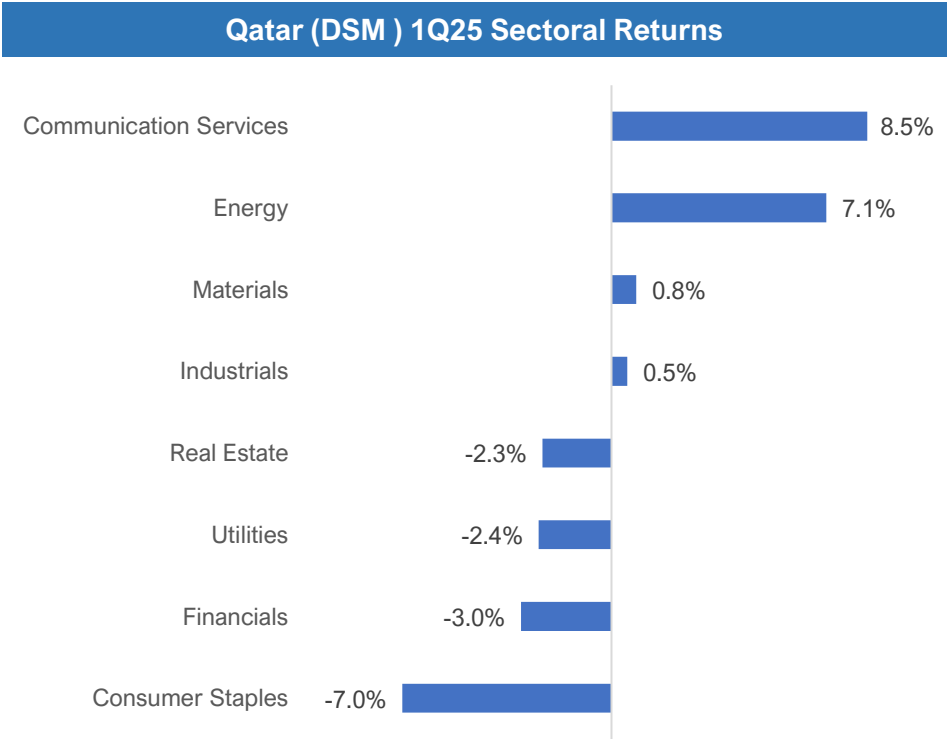


Most sector indices were down in Saudi Arabia in 1Q25, but the Tadawul All Share Index (TASI) remained flat due to strong performance by the real estate, communication services, and financials sectors, mainly benefiting from favorable market dynamics, increased adoption of digital solutions, and elevated interest rates. However, the overall index gains were offset by weak performance in the utilities, information technology, industrials, and consumer staples sectors.

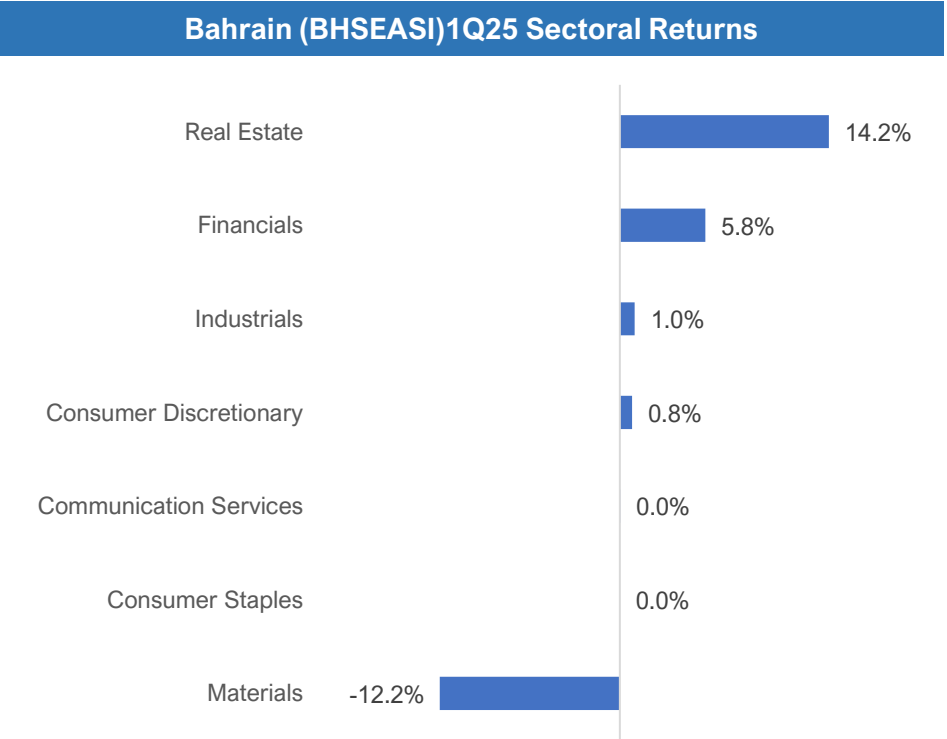
Source: Bloomberg. UAE and Saudi Indices used for sectoral returns

# Qatar and Bahrain Equity Market Analysis

## Sectoral dispersions in Qatar, while materials dragged Bahrain’s performance



The energy sector outperformed, driven by new investments in LNG production and increasing capacity in downstream businesses, while communication services benefited from acquisitions to provide 5G services and enhance digital infrastructure. Despite positive consumer sentiment, the consumer staples sector underperformed due to fears of higher prices caused by the ongoing tariff war.

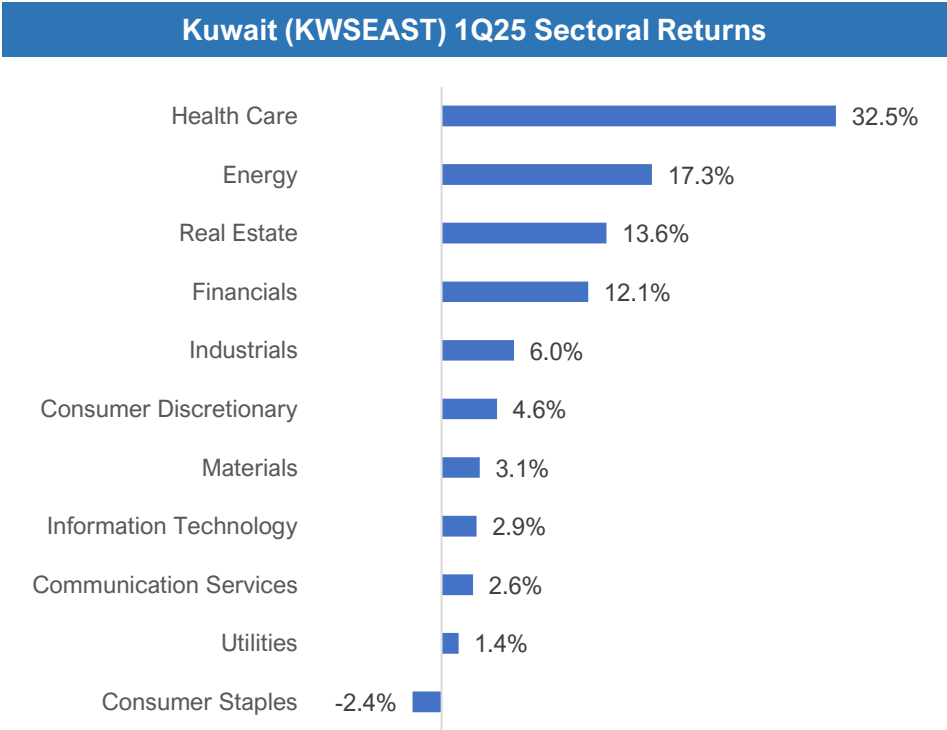


Bahrain's real estate sector recorded robust growth in 2024 and was further fueled by the government’s allocation of USD 2.1 billion toward housing projects and the policy review aimed at supporting the broader real estate sector. These measures were key contributors to the strong performance in 1Q25. However, the materials sector faced headwinds due to volatility in raw material prices weighing on its performance.

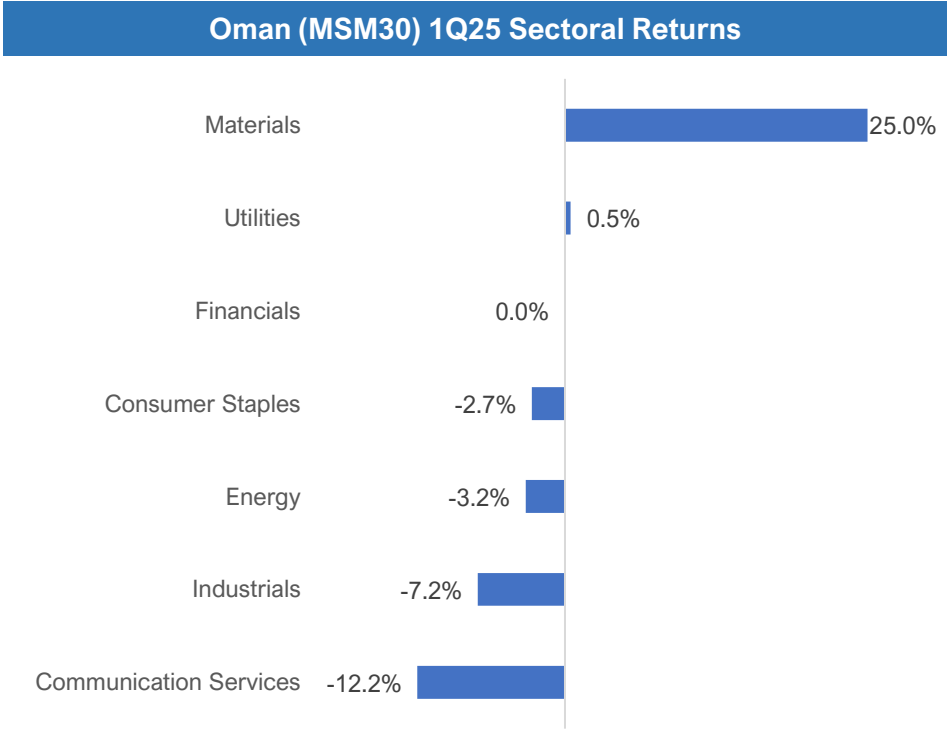
**Source:** Bloomberg. Qatar and Bahrain Sector indices are used for sectoral returns

# Kuwait and Oman Equity Market Analysis

## Kuwait outperformed, while Oman underperformed



Kuwait’s All-Share Index outperformed regional peers, supported by stable consumer price inflation and the recent approval of the long-awaited public debt law. The latter is expected to facilitate access to international capital markets, particularly for the capital-intensive sectors.



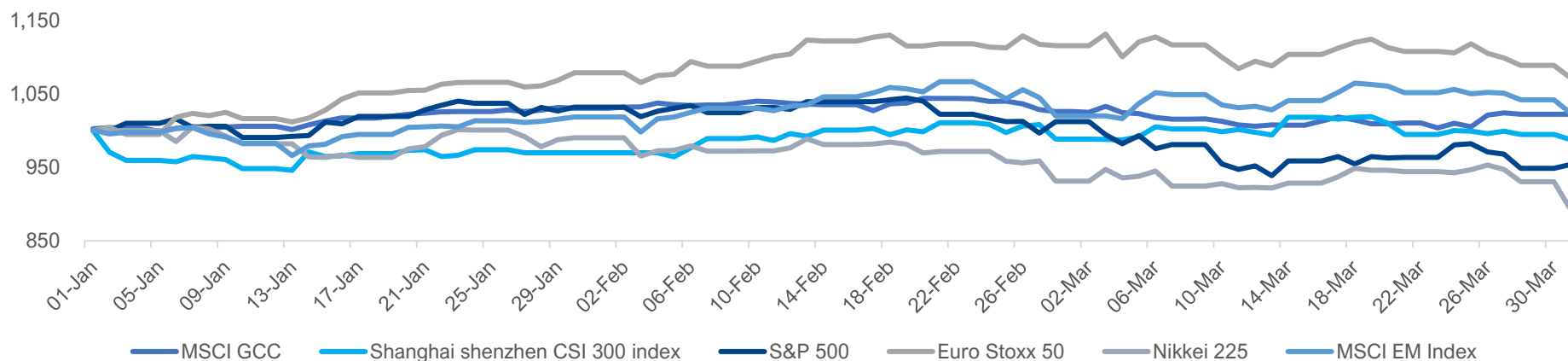
The Oman equity index declined as negative sentiment impacted most of the sectors, largely influenced by escalating concerns over a potential tariff-induced slowdown. Furthermore, the economy's high sensitivity to oil prices, coupled with ongoing volatility in the commodity markets, continues to exert downward pressure on market performance.

**Source:** Bloomberg. Kuwait and Oman Sector indices are used for sectoral returns

# GCC vs. Global Equity Market Analysis

Global equities were impacted by tariffs, but found support from emerging markets

GCC vs. Global Indices – 1Q25

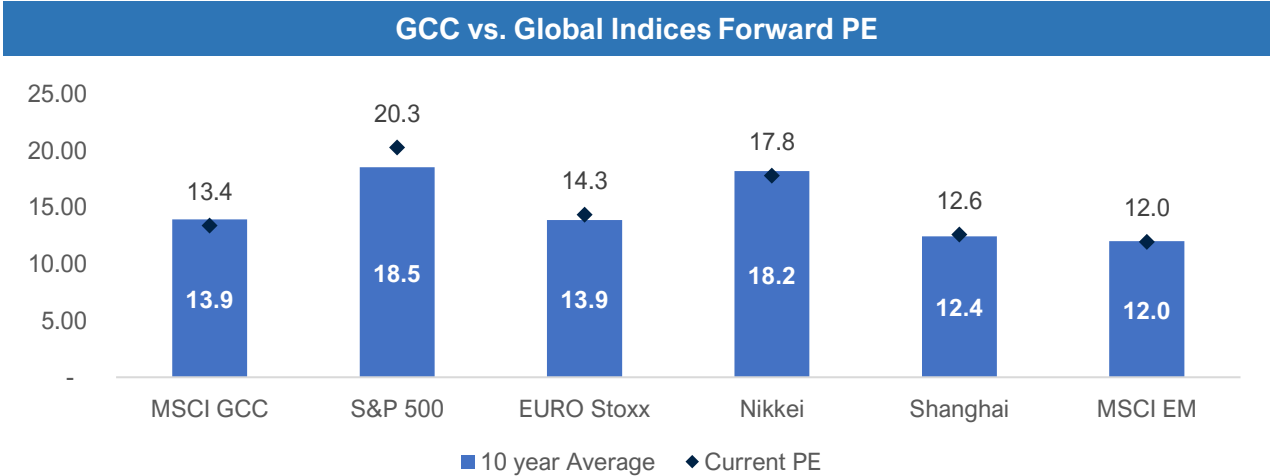


- In 1Q25, the MSCI GCC Index outperformed key global indices with +2.3% returns in 1Q25, vs. Nikkei's -10.7%, the S&P 500's -4.6%, and the Shanghai Index's -1.2%. The Kuwait market was a key contributor to higher returns, while Saudi Arabia was broadly flat. The impact of tariffs is expected to be limited on GCC as they are net importers (except for oil exports), compared to other regions that export to the US.
- The Euro Stoxx 50 returns stood at +7.2%, led by investors reassessing positions in US stocks, optimism on newly elected government in Germany to drive growth, and reduction in interest rates that eased inflation.
- The MSCI EM Index returns were positive, driven by 1) several European countries' outlook improving on policy changes, 2) China's contribution following the release of AI tools and stimulus measures, and support from regions such as Mexico, Korea, and India.
- The Nikkei 225 Index returns were the lowest, simultaneously S&P 500 index also declined, due to Trump's tariff announcement. This is expected to impact the Japanese economy as Technology and export-related stocks were significantly impacted by the tariffs imposed in late March 2025. The US GDP growth forecast was lowered (Fitch) to 1.7% from 2.1%.

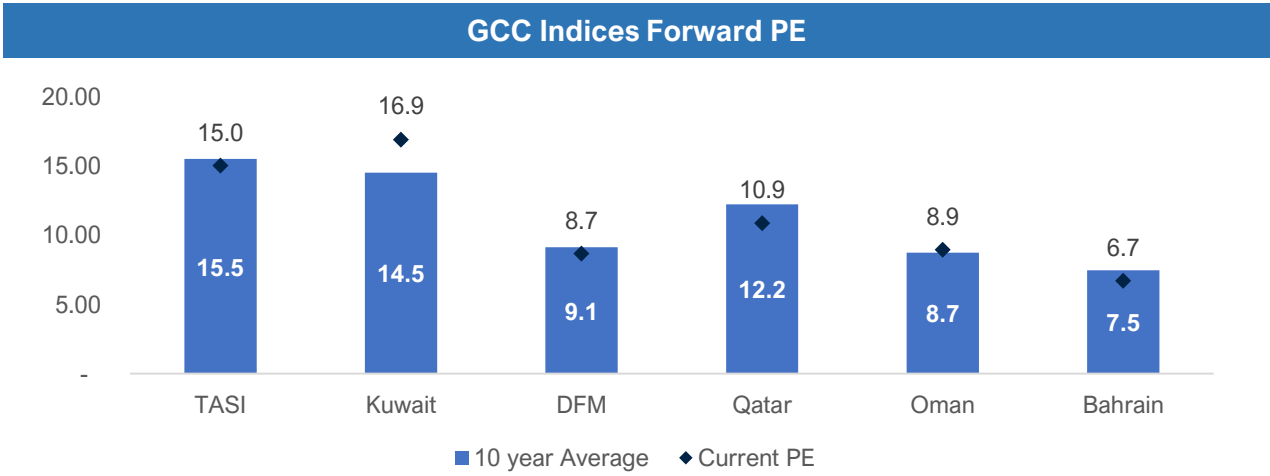
Source: Bloomberg, Aranca Research

# GCC vs. Global Equity Market Valuation

## GCC and global markets are fairly valued



The GCC market is fairly valued based on the past-10-year average (1-year forward PE), similar to the global indices, except the US market, which is currently trading at a premium at 20.3x vs. its past-10-year average of 18.5x. Most of the indices are trading at par which reflects the impact of the recently announced tariffs by the US government.



Within GCC, Kuwait is trading at a premium of 16.9x vs. its past-10-year average PE multiple of 14.5x, while Qatar is trading at discount of 10.9x. However, other GCC indices are fairly valued despite a de-rating in 1Q25. Saudi Arabia, the UAE, and Kuwait remain the most attractive markets, considering structural reforms and higher non-oil growth vs. other countries in the region.

Source: Bloomberg, Aranca Research.



# GCC Macroeconomic Performance

Robust PMI figures indicate a strong outlook for demand

GCC inflation stays low, highlighting economic stability and effective price control

Country	2024												2025		
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Oman	-0.1%	0.0%	0.2%	0.4%	0.9%	0.7%	1.5%	1.1%	0.4%	0.8%	0.5%	0.7%	1.0%	1.0%	0.6%
Kuwait	3.3%	3.4%	3.0%	3.2%	3.2%	2.8%	3.0%	2.9%	2.8%	2.4%	2.4%	2.5%	2.5%	2.5%	2.4%
Baharain	0.8%	0.6%	1.0%	1.2%	2.5%	1.4%	1.1%	0.9%	0.4%	0.3%	0.4%	0.5%	0.0%	0.1%	0.3%
Saudi Arabia	1.6%	1.8%	1.6%	1.6%	1.6%	1.5%	1.5%	1.6%	1.7%	1.9%	2.0%	1.9%	2.0%	2.0%	2.3%
Qatar	3.0%	2.7%	1.0%	0.7%	0.9%	1.0%	0.2%	1.2%	0.8%	0.9%	1.0%	0.2%	-1.2%	-0.3%	0.1%

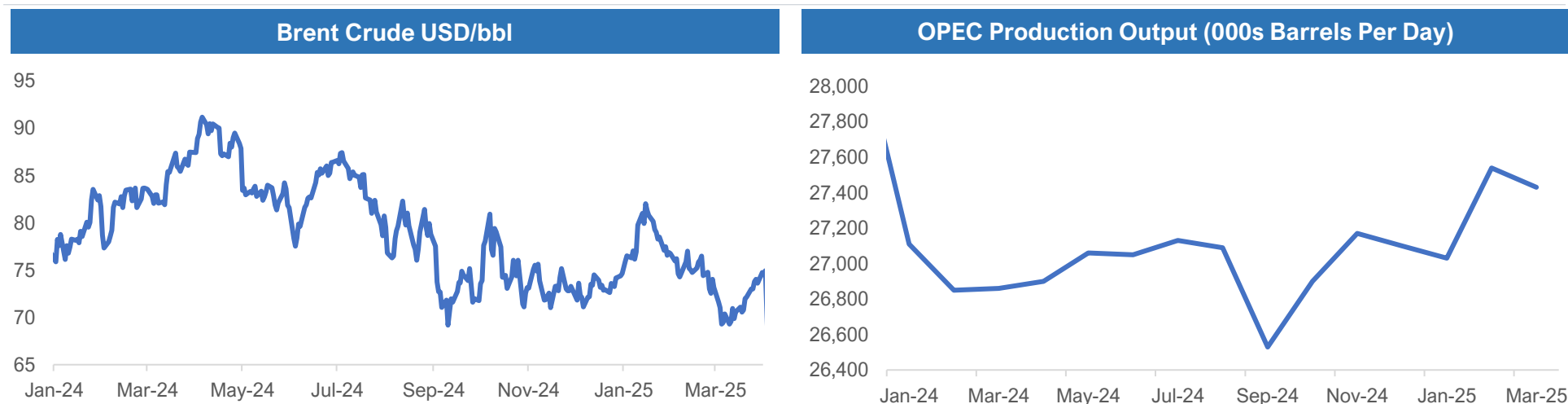
Strong PMI Figures Reflect Robust GCC Economic Momentum

Country	2024												2025		
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Saudi Arabia PMI	55.4	57.2	57.0	57.0	56.4	55.0	54.4	54.8	56.3	56.9	59.0	58.4	60.5	58.4	58.1
UAE NBD Composite PMI	56.6	57.1	56.9	55.3	55.3	54.6	53.7	54.2	53.8	54.1	54.2	55.4	55.0	55.0	54.0
Qatar PMI	50.4	51.0	50.6	52.0	53.6	55.9	51.3	53.1	51.7	52.8	52.9	52.9	50.2	51.0	52.0

Source: Bloomberg and Reuters

# GCC Oil Market

Brent crude oil price rose to USD 74.7/bbl at the end of 1Q25, despite the recent volatility



- Brent crude oil posted notable price volatility in 1Q25, driven by a mix of geopolitical tensions, trade frictions, and evolving supply-demand dynamics. Prices remained relatively flat, +0.13% in 1Q25, supported by increased output from OPEC+ African producers, which helped offset seasonal declines in non-OPEC+ supply. OPEC production output increased by 1.2% QoQ in 1Q25.
- Crude oil prices rose amid growing supply concerns, following the US President Donald Trump's threat to impose a 25% tariff on countries importing Venezuelan crude oil. In addition, Trump announced a fresh round of Iran-related sanctions.
- The sanctions also extended to vessels transporting Iranian crude to China. This move reinforced Trump's renewed "maximum pressure" campaign aimed at driving Iran's oil exports down to zero.

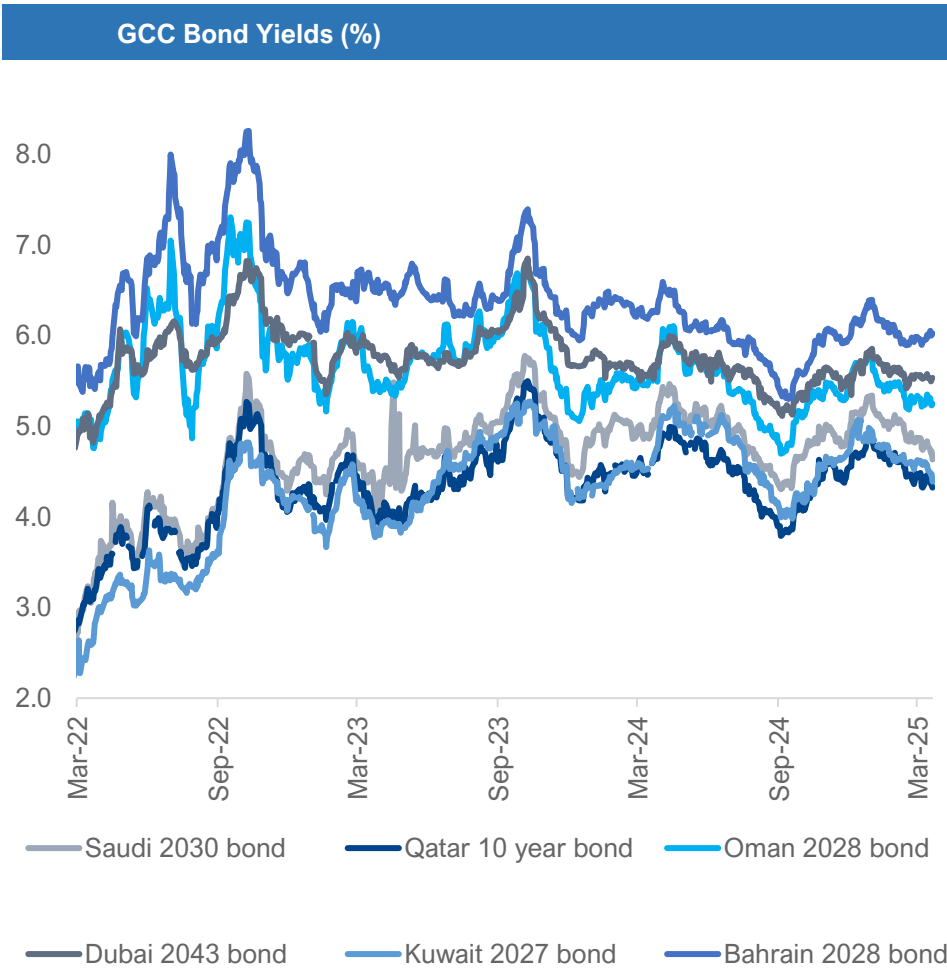
**Outlook:** Oil price forecasts remain uncertain due to potential impacts from new tariffs, which could dampen global demand. Sanctions on Russia and Iran, along with a reduction in Venezuela's oil exports by Chevron, have added to the short-term volatility.

As per the EIA's latest energy outlook, OPEC+ members are expected to begin ramping up production starting in April 2025. However, they are likely to produce below their current target levels for most of the next two years in an effort to limit inventory buildup and support prices. Overall, OPEC+ crude oil production is expected to remain largely unchanged in 2025 compared to the 2024 annual average, before increasing by 0.5 million barrels per day in 2026.

Source: Bloomberg

# GCC Bond Market Analysis

Government bond indices fell in 1Q25, amid robust bond issuances in GCC



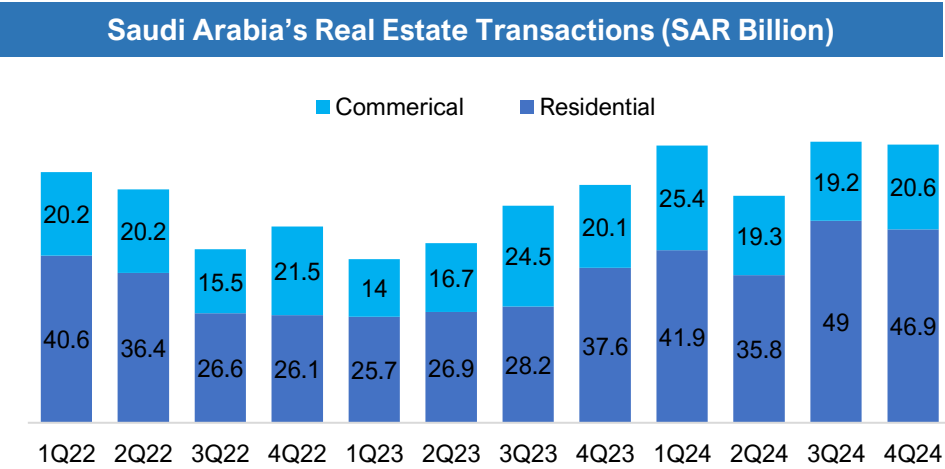
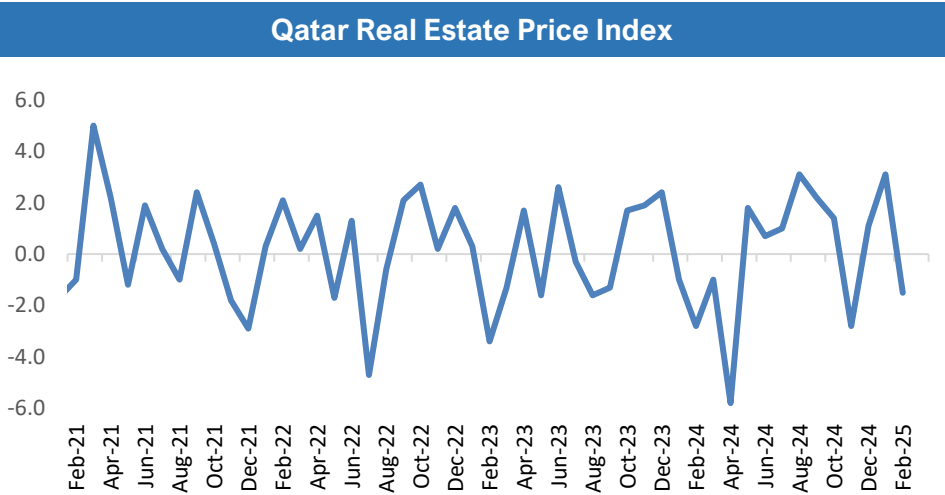
GCC Markets		Yield (BPS)			
Index		QoQ	YoY	YTD	2024
Saudi 2030 bond		-44.7	-42.4	-15.2	72.5
Qatar 10-year bond		-26.4	-27.5	-49.9	52.0
Oman 2028 bond		-38.8	-40.1	-16.7	65.0
Dubai 2043 bond		-6.0	-6.1	-6.3	-7.7
Kuwait 2027 bond		-47.7	-57.6	-11.1	85.8
Bahrain 2028 bond		-9.7	-8.2	-14.8	18.5

- In 1Q25, Yields in the GCC region fell overall, supported by the strong fundamentals and bond issuances in the region, with significant issuances from countries like Saudi Arabia and Bahrain.
- For instance, Saudi Arabia issued international bonds worth USD 1.6 billion (maturing in 2032) and USD 808 million (maturing in 2037), while Bahrain issued USD 530 million in development bonds with a higher coupon rate of 5.63%.
- Investors continue to view GCC bonds as attractive due to their diversification benefits, lower volatility, and relatively stable performance even amid global economic uncertainties.

Source: Bloomberg

# GCC Real Estate

## GCC real estate sector saw robust demand in 1Q25



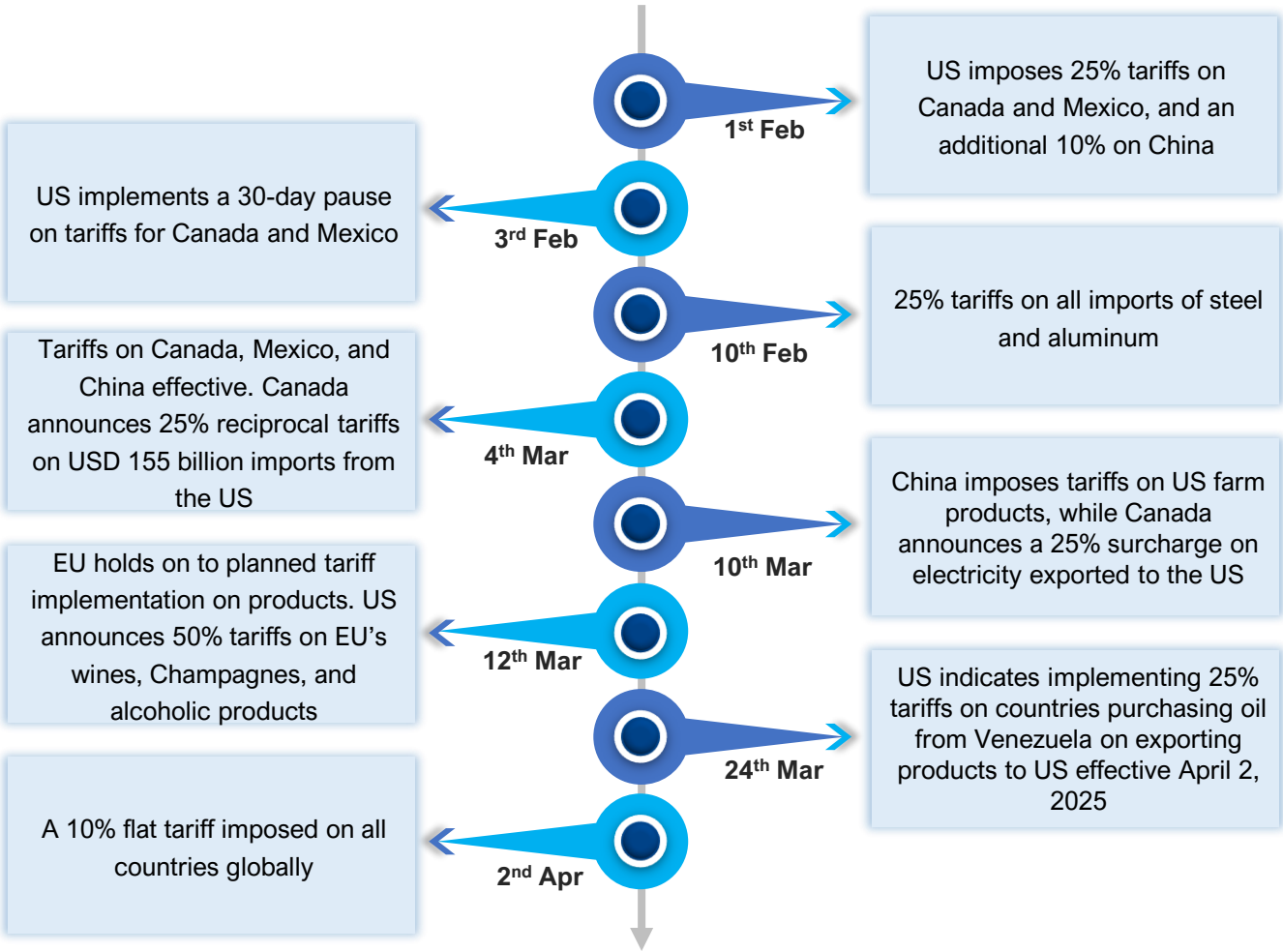
The Real Estate Price Index in Qatar stood at 223.57 points by the end of February 2025, reflecting a 2.93% YoY increase compared to February 2024, when it was 217.2 points. However, the index declined by 1.46% MoM, dropping from 226.8 points in January 2025. The annual rise in the Real Estate Price Index highlights steady growth in Qatar's real estate market, driven by strong demand in Doha and surrounding areas. However, the monthly decline suggests short-term volatility, possibly influenced by seasonal factors or market adjustments.

Saudi Arabia's real estate transactions rose by 32% YoY to SAR 258 billion in 4Q24. Sales revenue from residential properties was SAR 46.9 billion in 4Q24, whereas from commercial properties was SAR 20.6 billion. The residential sector reported robust demand, driven by urbanization and economic diversification initiatives. The 2025 outlook for Saudi Arabia and its real estate market is optimistic, driven by anticipated interest rate cuts and ongoing government initiatives aimed at enhancing access to financing and standardizing regulations.

Source: Bloomberg

# US Tariffs Timeline and Impact on GCC

Volatile and uncertain economic impact



The tariff war has initiated efforts to protect global economies, leading to a volatile economic scenario. Accordingly, the IMF predicts a steady global growth of 3.3% in 2025.

The impact on the GCC region may be limited, as imports were higher than exports in 2024. However, the more significant impact will be via indirect channels. The global oil trade and lower prices are expected to impact key GCC oil producing countries, which face higher budget deficits as the region controls one-third of global oil deposits.

According to experts, the UAE, Saudi Arabia, and Qatar will be impacted due to higher export costs on oil exports compared to other GCC countries.



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