



Research Announcement: **Moody's - GCC banks outlook is stable amid solid economic growth**

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- » The outlook for Gulf Cooperation Council (GCC) banks in 2020 is stable amid solid economic growth
- » Net interest margins will remain strong compared with global peers, despite falling interest rates

The outlook for GCC banks remains stable, underpinned by solid economic growth, and by the banks' strong capital buffers and substantial liquidity, Moody's Investors Service said in a presentation published today.

"Government spending programs will push average non-hydrocarbon GDP growth to 2.6% in 2020, providing favourable operating conditions for the region's banks," said Nitish Bhojnagarwala, VP-Senior Credit Officer at Moody's. "Declining interest rates will start to pressure banks' net interest margins but margins will remain strong compared with global peers."

Loan performance will weaken modestly but will remain solid. New problem loans will form primarily in the slowing construction and real-estate sector. Moody's expects non-performing loans to stand at a moderate 3.5% of total loans by the end of 2020, from an estimated 3.3% in 2019. Capital is a considerable source of strength for GCC banks and it will remain stable at a high level.

Moody's outlook is stable for all GCC banking systems except Oman. Moody's maintains a negative outlook for the Oman banking system, where asset quality will weaken as lower oil prices have dented government spending, and constrained government finances will limit banks' access to funding and liquidity.

Subscribers can access the report at: http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1204432

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