



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

COMCEC FINANCIAL OUTLOOK

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22nd Meeting of COMCEC Financial Cooperation Working Group

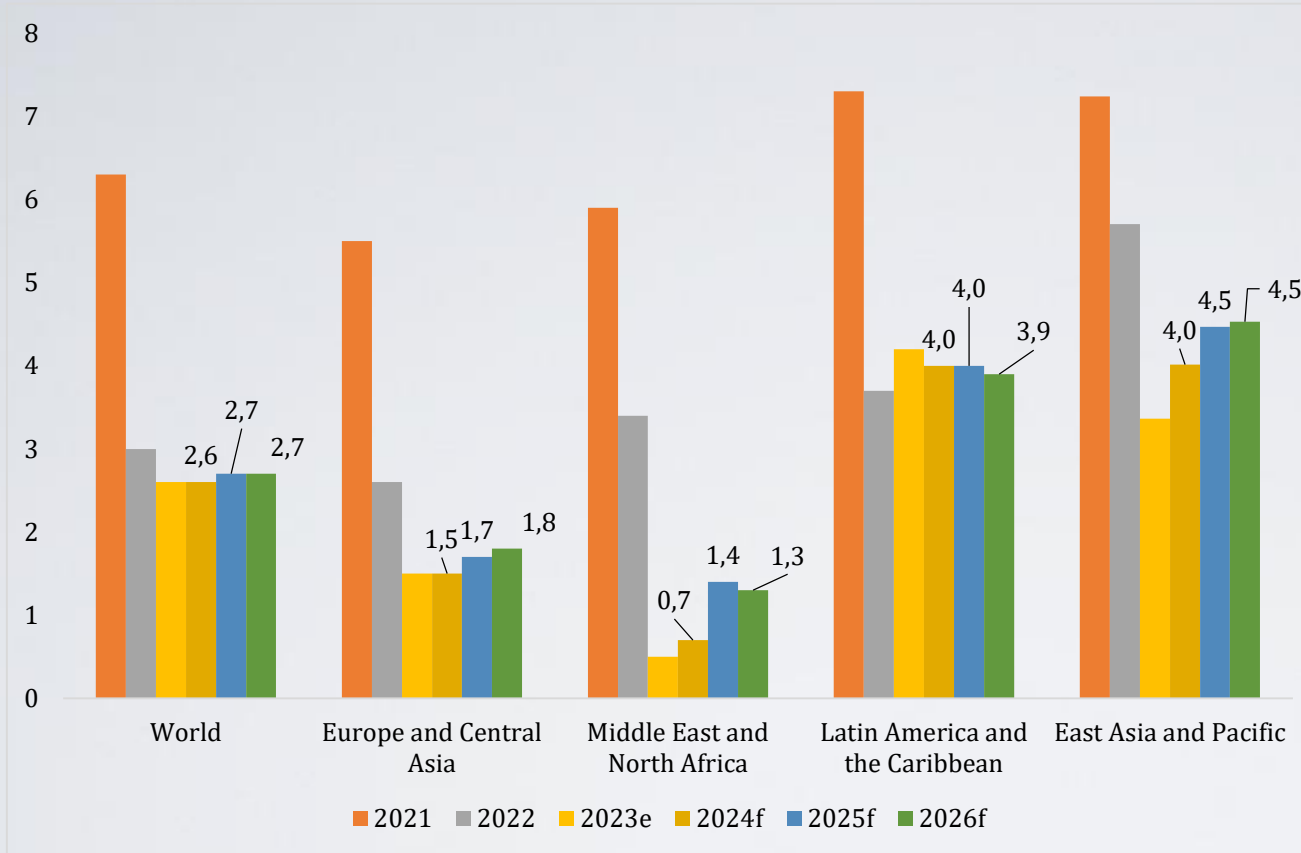
September 16th, 2024
Ankara, Türkiye

OUTLINE

- ❖ **Recent Global Economic Developments**
- ❖ Financial Outlook of the OIC Countries
- ❖ Islamic Finance

Global Economic and Financial Developments

Figure 1. GDP Growth Rates of Selected Country Groups (%)



Source: World Bank Global Economic Prospects, June 2024

- ✓ The global economy is expected to grow 2.6 percent in 2024, following the same 2.6 percent growth last year.
- ✓ Many countries are still struggling to cope with high inflation albeit signals for interest rate cuts by central banks.
- ✓ A high-interest rate environment is impeding economic growth.
- ✓ Expectations for the global economy's performance become slightly optimistic for 2025-2026, with both expected to grow by 2.7%.
- ✓ The Russia-Ukraine war, the Presidential election in USA, and possible interest rate decreases by leading central banks will be on the global economic agenda.

Global Economic and Financial Developments

Figure 2. GDP Growth Rates for OIC Country Groups (%)



- ✓ OIC countries' average growth rate slightly increased to 4.0 percent in 2024, compared to 3.4 percent in 2023.
- ✓ The countries in the OIC are projected to experience a 4.5 percent growth in 2025 and 2026.
- ✓ Regarding the country groups, OIC-HIG is expected to show a significant growth performance (7.2%) in 2024. This performance is attributed to the 34.3% GDP growth rate of new HIG member Guyana, which has been benefiting from the discovery of new energy resources in recent years.

Source: Calculated based on World Bank Global Economic Prospects Database, June 2024

Note: Country group classifications were based on the 2024 figures published by the World Bank

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Financial Outlook of the OIC Countries

World Bank The Global Financial Development Database is used. The database includes measures of;

- degree to which individuals can and do use financial services (access),
- size of financial institutions and markets (depth),
- efficiency of financial intermediaries and markets in intermediating resources and facilitating financial transactions (efficiency)
- stability of financial institutions and markets (stability)

In order to achieve a well-functioning system, financial markets require financial depth, access, efficiency and stability.

Financial Outlook of the OIC Countries

These indicators used to measure the characteristics of the financial markets are given in the table below:

Table 1. Selected Indicators

CATEGORY	CODE	INDICATOR
ACCESS	GFDD.AI.01	Bank accounts per 1,000 adults
	GFDD.AI.02	Bank branches per 100,000 adults
DEPTH	GFDD.DI.01	Private credit by deposit money banks to GDP (%)
	GFDD.DI.02	Deposit money banks' assets to GDP (%)
	GFDD.DM.01	Stock market capitalization to GDP (%)
EFFICIENCY	GFDD.EI.02	Bank lending-deposit spread
	GFDD.EI.05	Bank return on assets (% , after-tax)
	GFDD.EI.06	Bank return on equity (% , after-tax)
STABILITY	GFDD.SI.02	Bank non-performing loans to gross loans (%)
	GFDD.SI.03	Bank capital to total assets (%)
	GFDD.SI.05	Bank regulatory capital to risk-weighted assets (%)

Source: World Bank Global Financial Development Database (September 2022 Version)

Financial Outlook of the OIC Countries

OIC Member Countries have been categorized into four major groups according to the World Bank Income Grouping Methodology:

Table 2. OIC Country Groups as of 2023

CATEGORY	COUNTRIES	NUMBER OF COUNTRIES
OIC-Low income group (1,145 USD or less)	Afghanistan, Burkina Faso, Chad, Gambia The, Guinea-Bissau, Mali, Mozambique, Niger, Sierra Leone, Somalia, Sudan, Togo, Uganda, Yemen	14
OIC-Lower middle income group (1,146 USD to 4,515 USD)	Bangladesh, Benin, Cameroon, Comoros, Cote d'Ivoire, Djibouti, Arab Rep. of Egypt, Guinea, Jordan, Kyrgyz Republic, Lebanon, Mauritania, Morocco, Nigeria, Pakistan, Palestine , Senegal, Tajikistan, Tunisia, Uzbekistan	20
OIC-Upper middle income (4,516 USD to 14,005 USD)	Algeria , Albania, Azerbaijan, Gabon, Indonesia, Iran , Iraq, Kazakhstan, Libya, Malaysia, Maldives, Suriname, Türkiye, Turkmenistan	14
OIC-High income group (14,005 USD or more)	Bahrain, Brunei Darussalam, Guyana, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	8

Source: Composed by the author according to the latest available classification of World Bank 2024, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>, access date: 15 September 2024. **Note:** Upgraded and downgraded countries are shown in green and red, respectively.

Financial Access

Figure 3. Bank Accounts Per 1,000 Adults

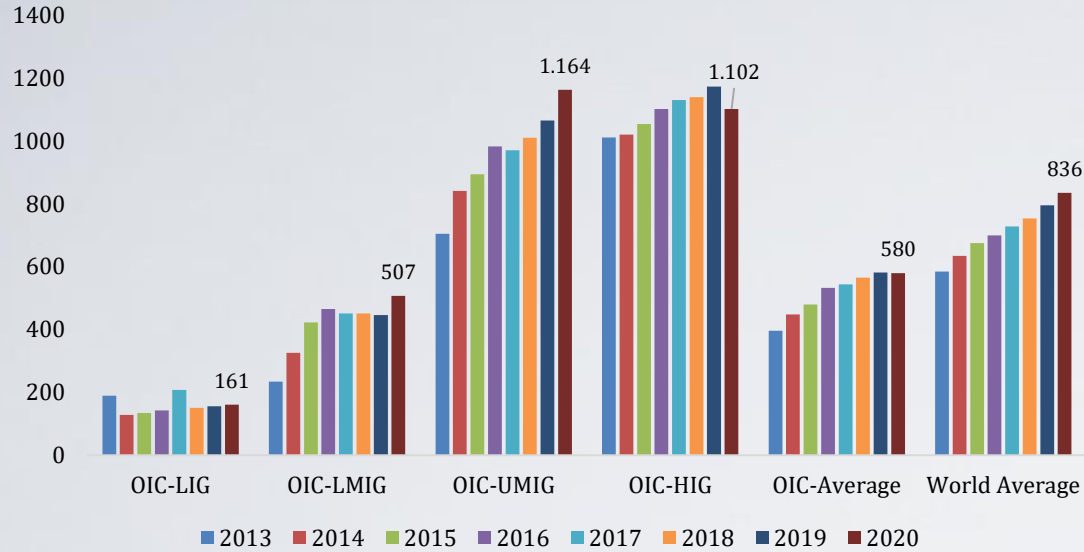
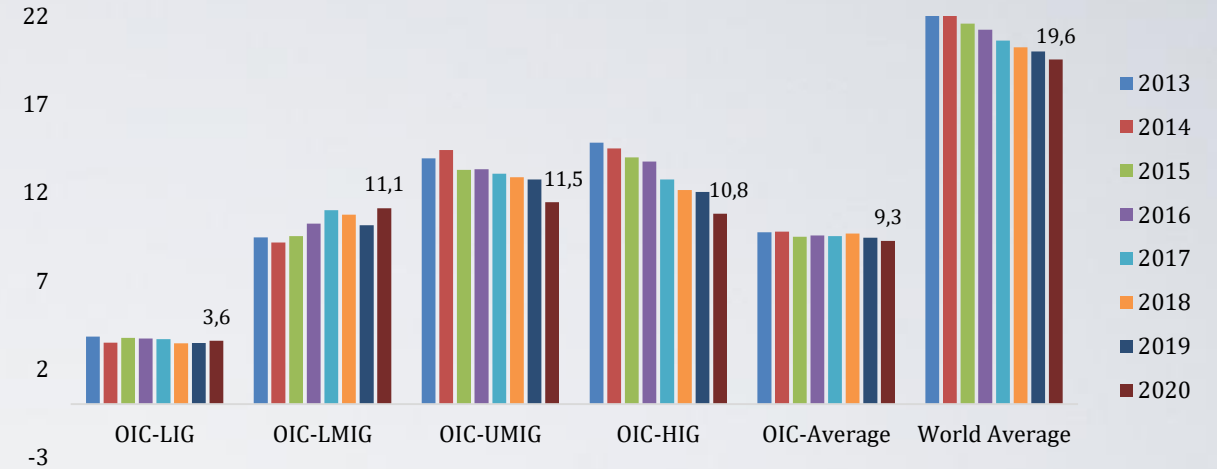


Figure 4. Bank Branches Per 100,000 Adults



Data Source: World Bank Global Financial Development Database (September 2022, the latest available version)

Financial Depth

Figure 5. Private Credit by Deposit Money Banks to GDP (%)

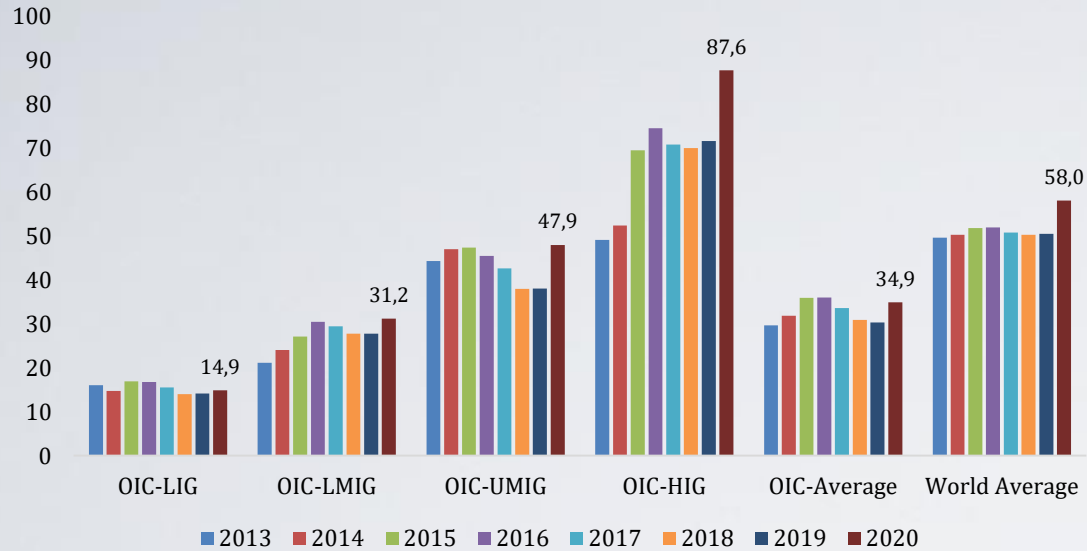


Figure 6. Deposit Money Banks' Assets to GDP (%)

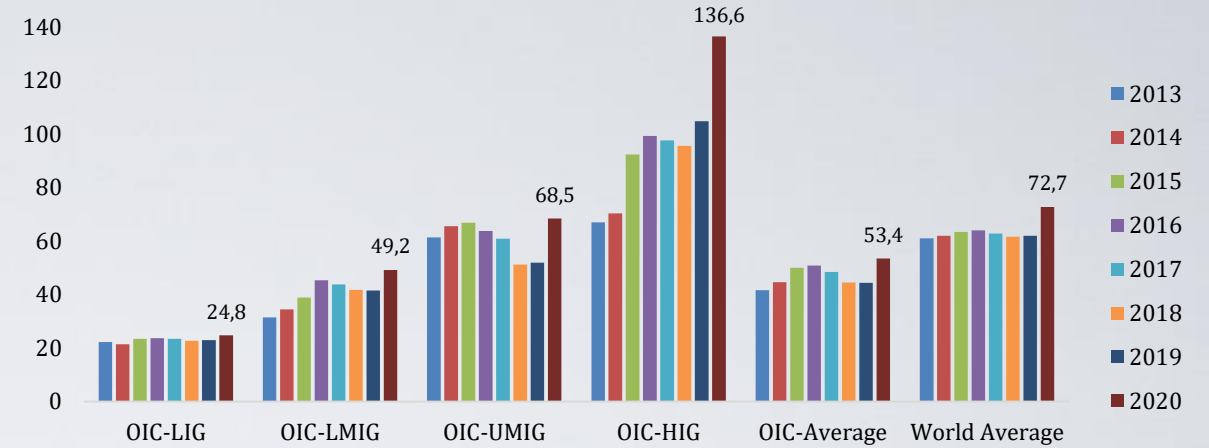
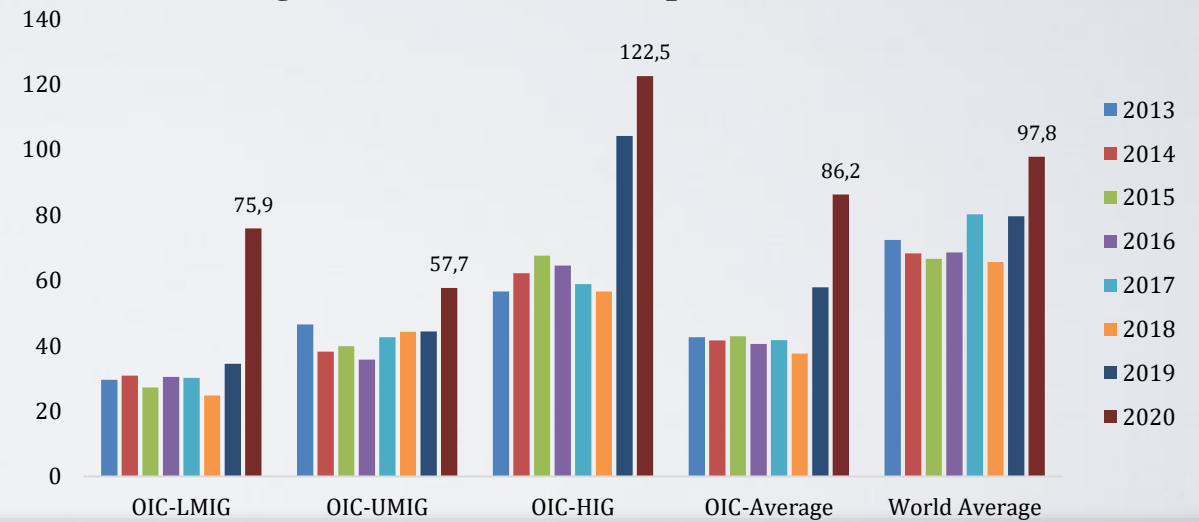


Figure 7. Stock Market Capitalization to GDP (%)



Data Source: World Bank Global Financial Development Database (September 2022, the latest available version)

Financial Efficiency

Figure 8. Bank Lending-Deposit Spread (%)

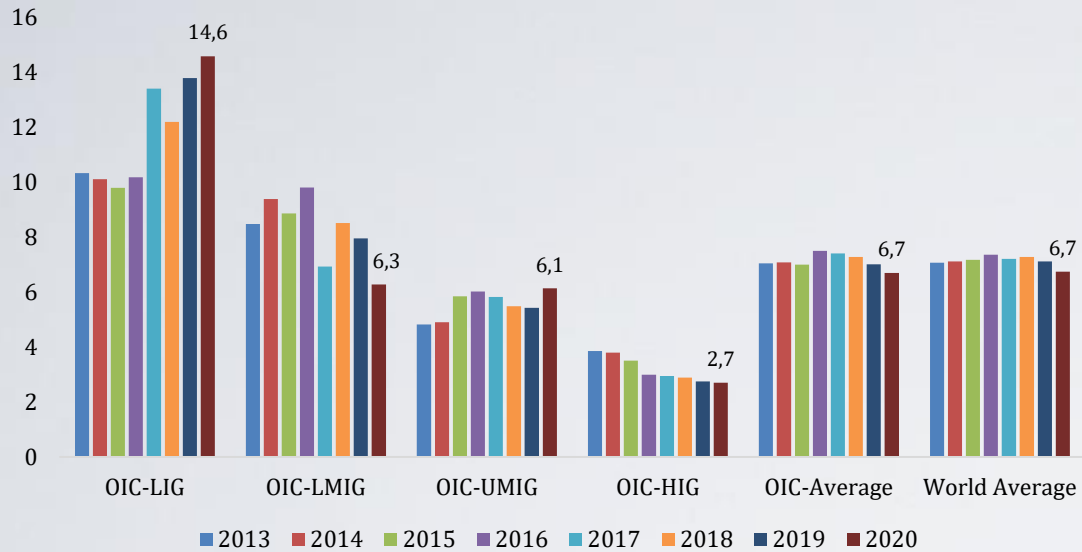


Figure 9. Bank Return on Assets (% , after tax)

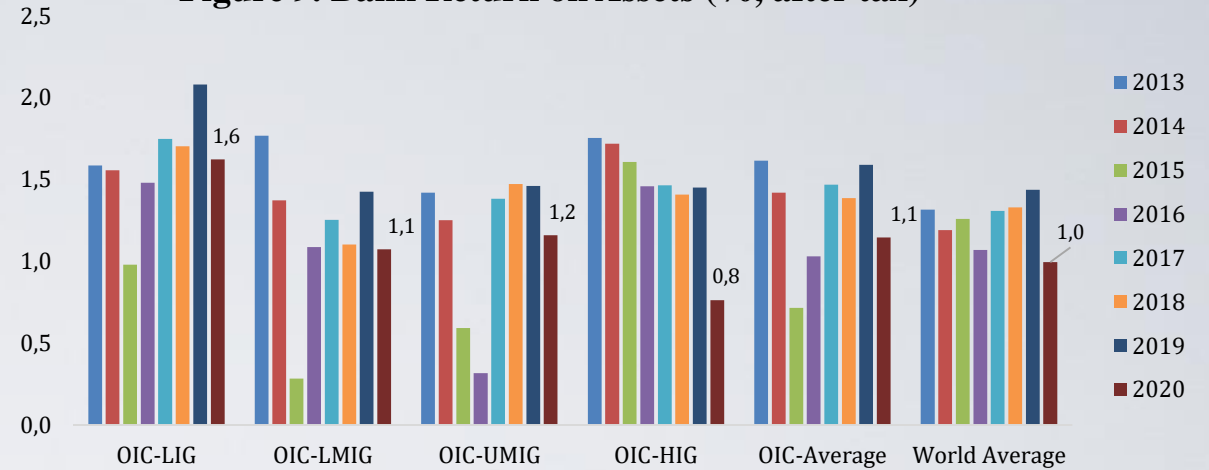
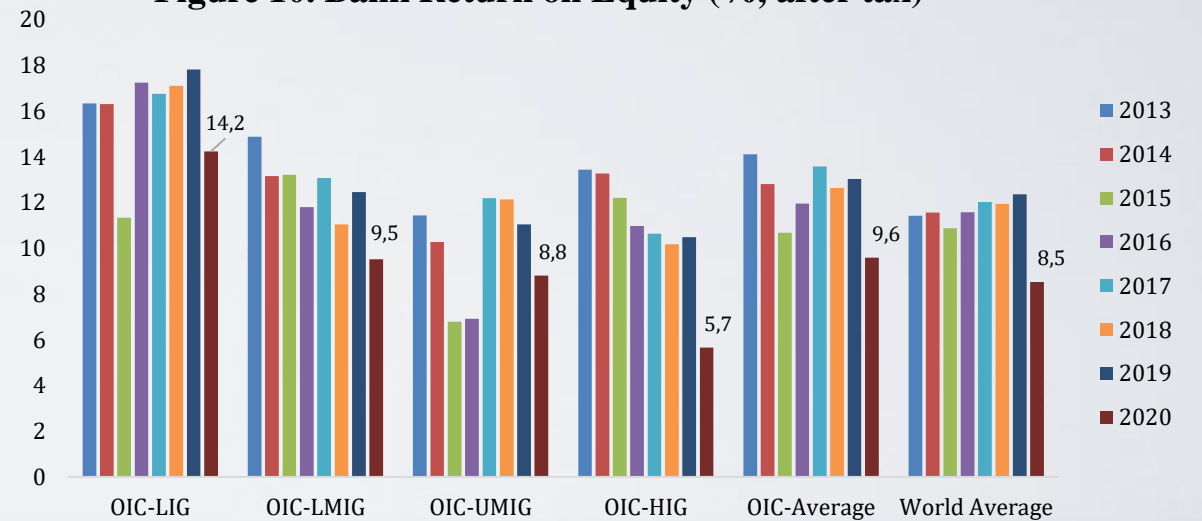


Figure 10. Bank Return on Equity (% , after tax)



Data Source: World Bank Global Financial Development Database (September 2022, the latest available version)

Financial Stability

Figure 11. Bank Regulatory Capital to Risk-Weighted Assets (%)

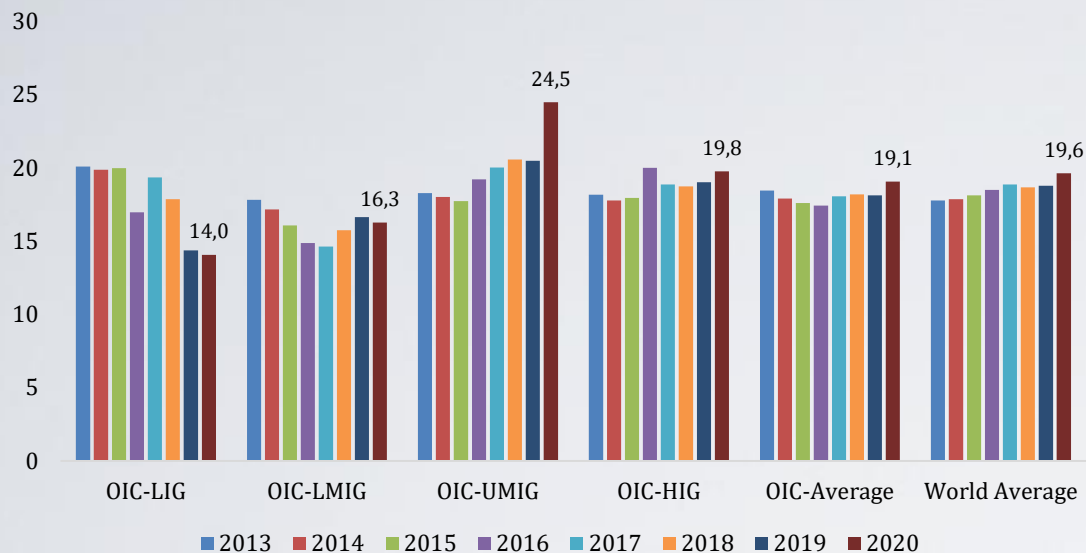


Figure 12. Bank Capital to Total Asset (%)

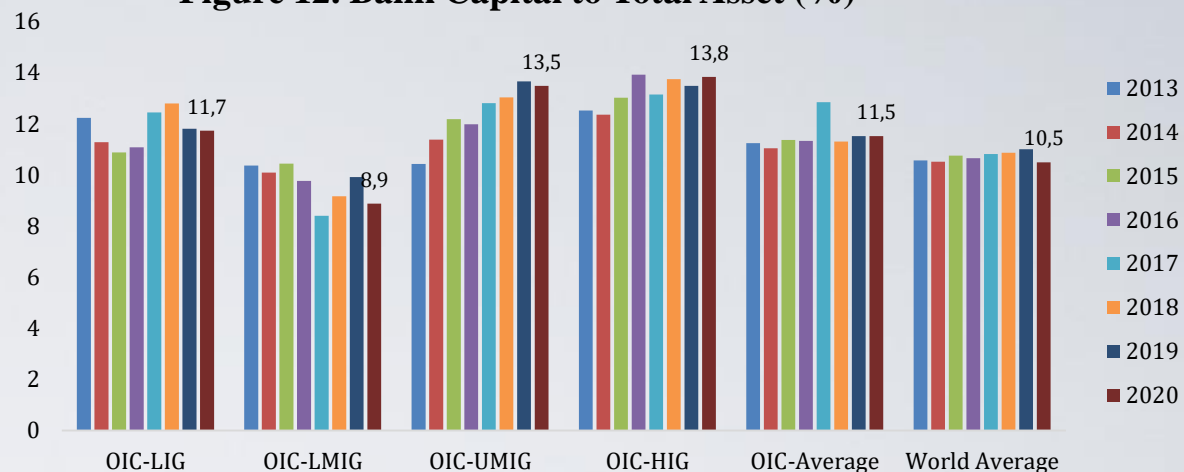
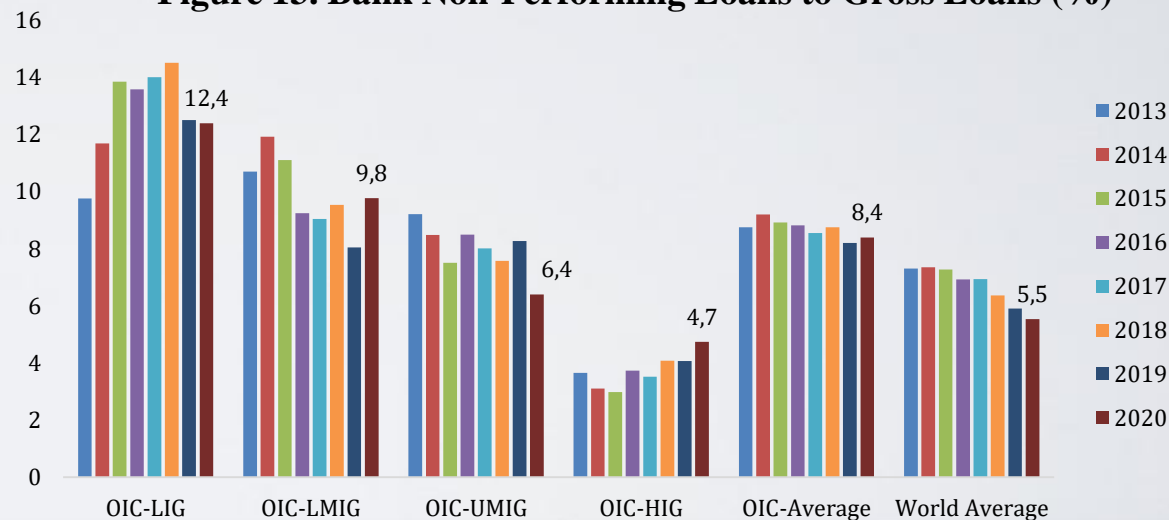


Figure 13. Bank Non-Performing Loans to Gross Loans (%)



Data Source: World Bank Global Financial Development Database (September 2022, the latest available version)

OUTLINE

- ❖ Recent Global Economic Developments
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- ❖ **Islamic Finance**

Islamic Finance

- The total assets of the Islamic finance sector increased from USD 3,06 trillion in 2021 to USD 3,25 trillion in 2022, with a 6.1% YoY growth rate [2021: 13%] after the recovery from the COVID-19 pandemic.
- Islamic banking was still the dominant segment, with 69.3 percent [2021: 68.8%] in 2022. The Islamic banking sector grew 6.9 percent and reached USD 2,249.2 billion [2021: USD 2.104,1 billion] in the relevant year.

Table 3. Breakdown of IFSI by Sector and by Region (2022, USD billion)

Region	Islamic Banking	Outstanding Sukuk	Islamic Funds' Assets	Takaful Contributions	Total	Share
GCC	1342.9	356.6	24.1	16.7	1740.3	53.6%
South-East Asia	307.2	411.4	32.8	6.0	757.4	23.3%
Middle East and South Asia	478.3	57.8	62.9	5.9	604.9	18.6%
Africa	49.6	2.9	1.9	0.8	55.2	1.7%
Others	71.2	1.0	14.9	0.6	87.7	2.7%
Total	2.249.2	829.7	136.6	30.0	3245.5	100.0%
Share	69.3%	25.6%	4.2%	0.9%	100.0%	

Source: 2023 Islamic Financial Services Industry Stability Report (latest available report as of 16 September 2024)

Islamic Finance

- The concentration of Islamic finance in terms of the region was not changed in 2022.
- The GCC region still had the most significant share (53.6%), USD1,730.3 billion in 2022.
- South-East Asia (SEA) is one of the most potential regions to grow in the Islamic financial market; however, its share declined in 2022 to 23% [2021: 24%].
- The composition of Islamic finance segments was not changed in 2022, where Islamic banking is still the dominant segment of the industry with a 69% share.

Figure 15. Breakdown of IFSI by Region (%)

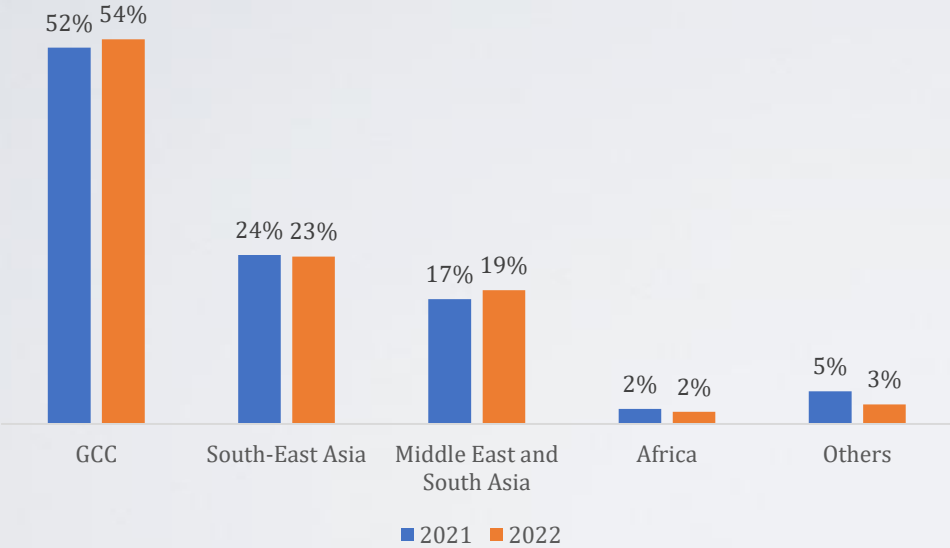
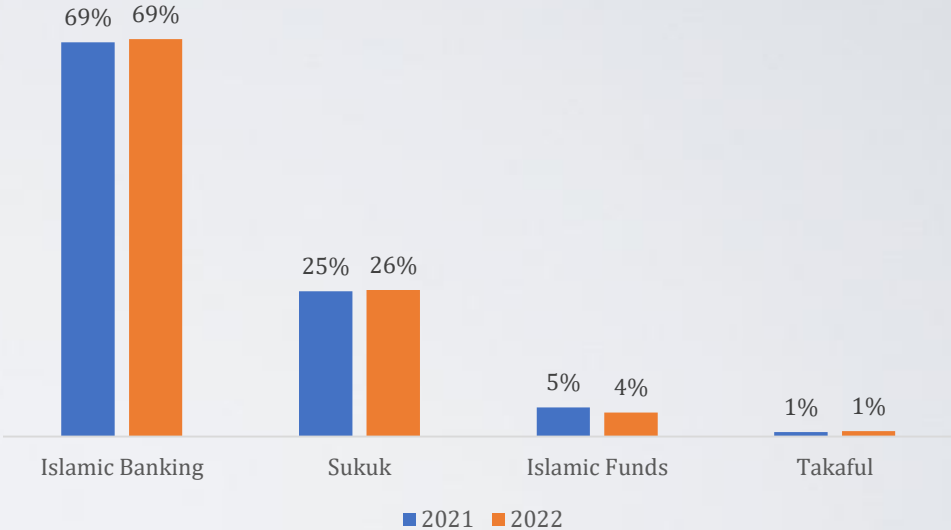


Figure 16. Breakdown of IFSI by Islamic Finance Segments (%)

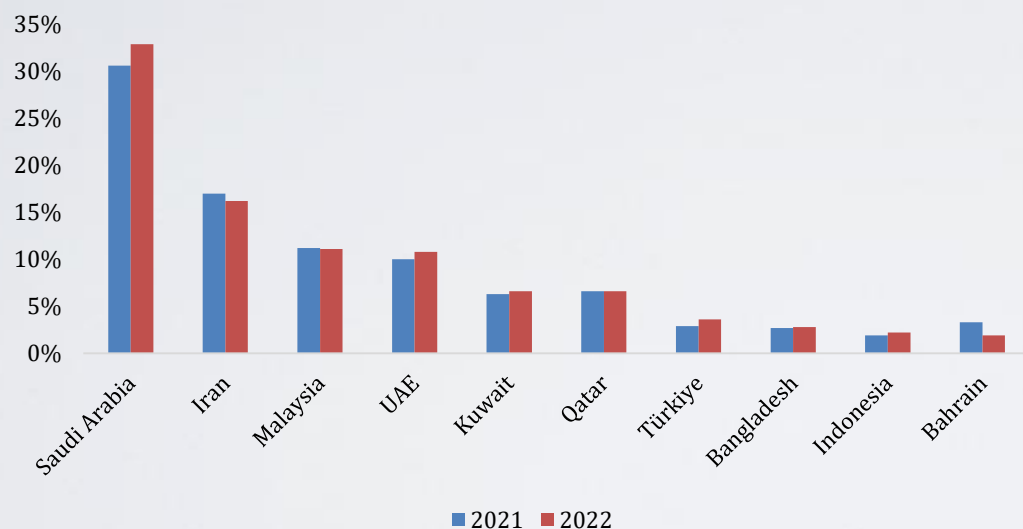


Source: Compiled from IFSB 2023 and IFSB 2022.

Islamic Finance - Banking

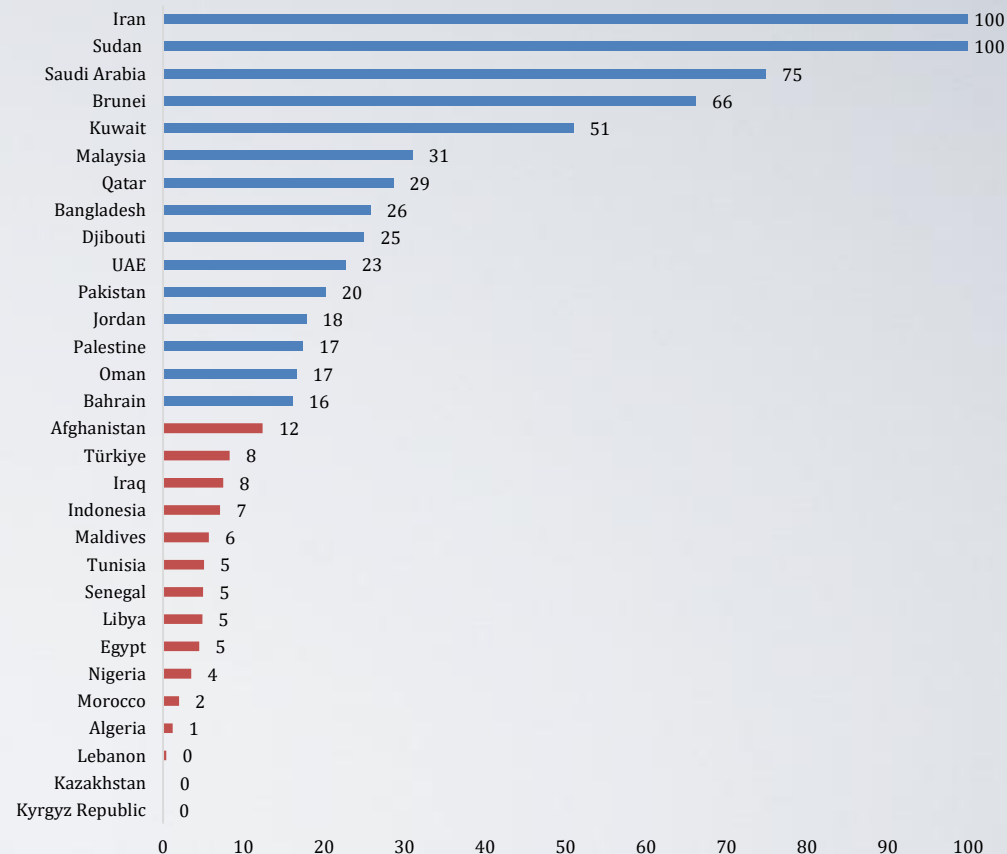
- Total assets of Islamic banking recorded a slight growth rate performance, increasing from USD 2,104 billion to 2,249 in 2022
- In terms of the countries' shares in global Islamic finance, the top five countries were not significantly changed in 2022.
- Islamic banking assets comprise over 15% of total domestic banking sector assets in 15 OIC member countries as of year-end 2022.

Figure 17. Share of Global Islamic Banking Assets by Top Ten Countries (%)



Source: IFSB, 2023

Figure 18. Islamic Banking Sectors Domestic Share in Selected OIC Member Countries as of 2022



Islamic Finance – Capital Markets

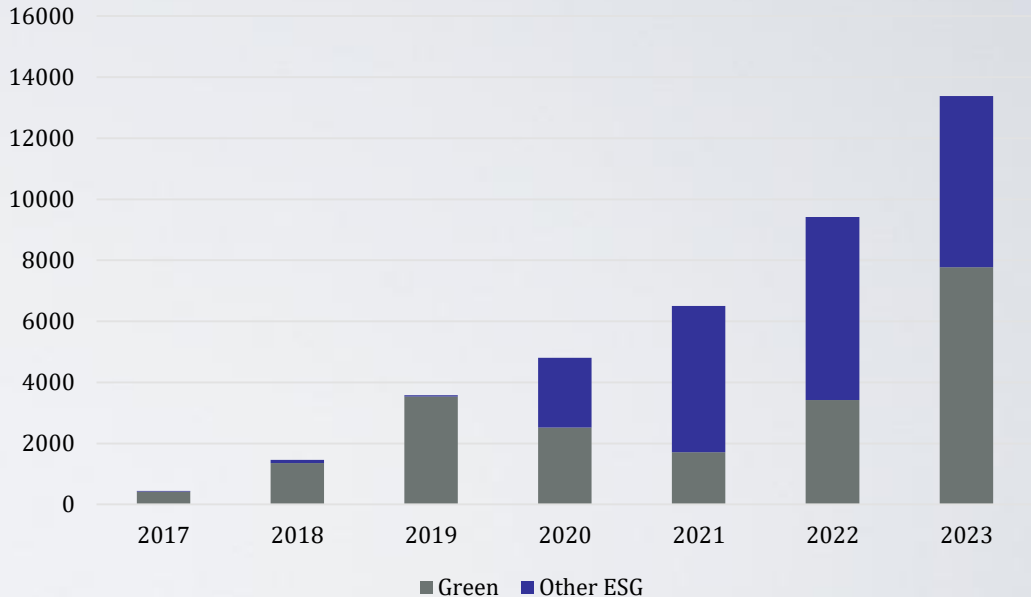
- The total global sukuk issuances decreased by 2.7 percent in volume from USD 188 billion in 2021 to USD 183 billion in 2022 [YoY growth was 7.4% in 2021] (IIFM, 2023). Apart from turmoil in the global financial environment, inflation pressures and interest rate hikes were other reasons for the underperformance of the sukuk market in 2022.
- In 2023, new market players entered the market. Egypt’s debut sovereign sukuk, with a total value of \$1.5 billion in February, was one of the most notable sukuk issuances in 2023.
- ESG and green sukuk issuances continued to grow in 2023 and reached 13 billion USD. Malaysia, Indonesia, and UAE are the leading countries in the ESG Sukuk market.

Figure 19. Global Sukuk Issuances (2001-2022, USD billion)



Source: IIFM, 2023

Figure 20. ESG Sukuk Historical Issuances (2017-2023, USD million)



Source: ICD – LSEG OIC Megatrends Report 2024



Islamic Finance – Capital Markets

- The total assets under management (AuM) grew only 1 percent [2021: 6%] and reached around USD 136.6 billion in 2022 due to uncertainties in the global economy.
- The number of Islamic funds has also slightly increased in the same year.

Figure 21. Assets under Management of Islamic Funds (USD billion)



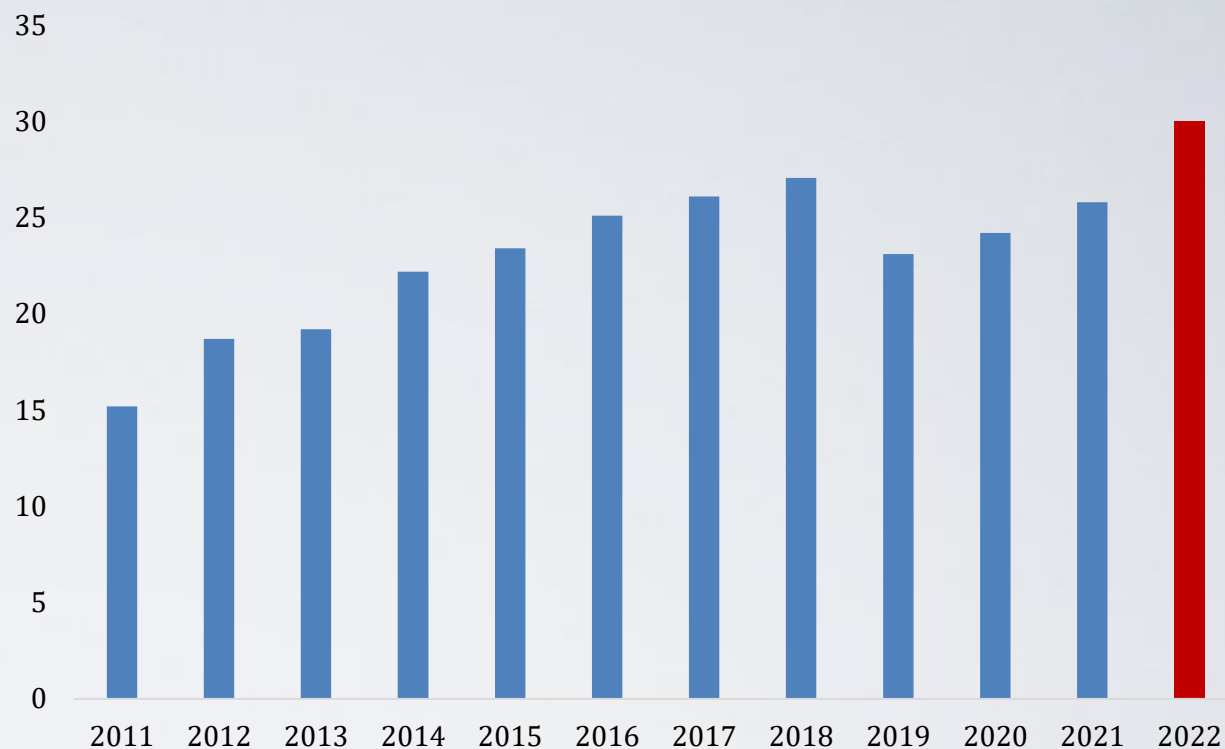
Source: IFSB 2023



Islamic Finance – Takaful

- The takaful industry continued its upward trend in most countries in recent years.
- The global takaful contributions increased to USD 30 billion in 2022 from USD 25.8 billion in 2021 by a 16.1% growth and were mainly driven by the GCC and MESA regions, USD 16.7 billion and USD 6.0 billion, respectively. They were followed by Southeast Asia USD 5.9 billion and Africa USD 0.8 billion.

Figure 22. Global Takaful Contributions Growth (USD Millions)



Source: IFSB, 2023



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Thank You



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