



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

COMCEC FINANCIAL OUTLOOK

Cezmi ONAT



11th Meeting of COMCEC Financial Cooperation Working Group

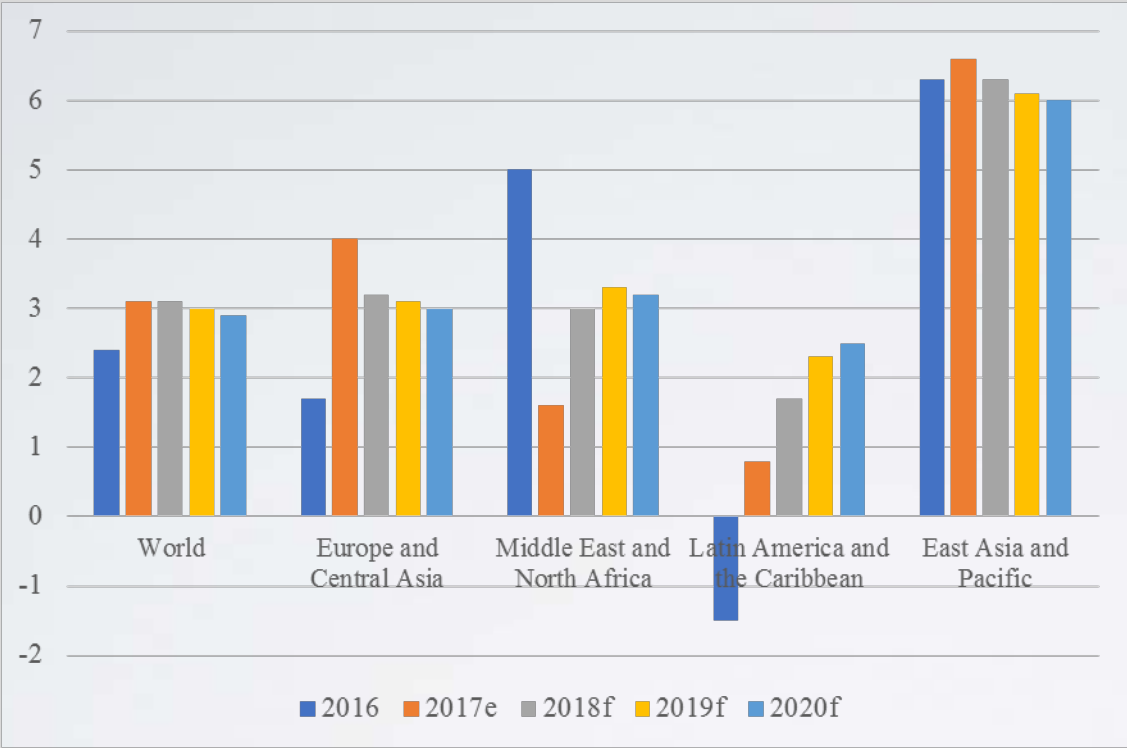
October 25th, 2018
Ankara, Turkey

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 (% Growth)

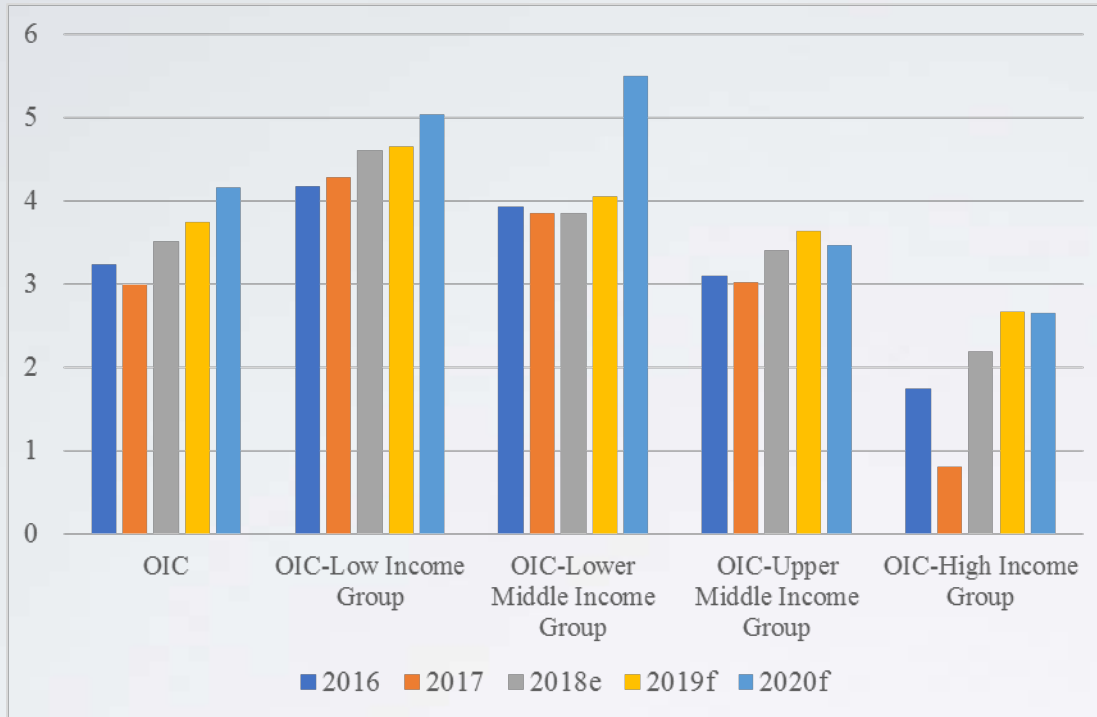


Source: World Bank Global Economic Prospects, June 2018

- ✓ Global growth has eased but remains robust and is projected to reach 3.1% in 2018.
- ✓ Global growth is projected to moderate in 2019-20, edging down to 2.9% by 2020.

Global Economic and Financial Developments

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



Source: World Bank Global Economic Prospects, June 2018

- ✓ OIC countries growth rate has slightly decreased to 3% in 2017, as compared to 3.2% in 2016.
- ✓ OIC countries growth rate is expected to increase to 3.5% in 2018 and 3.7% in 2019.

Financial Outlook of the OIC Countries

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

- size of financial institutions and markets (depth),
- degree to which individuals can and do use financial services (access),
- 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

| | Indicator Code | Name of the Indicator |
|-------------------|-----------------------|---|
| 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 (%) |
| ACCESS | GFDD.AI.01 | Bank accounts per 1,000 adults |
| | GFDD.AI.02 | Bank branches per 100,000 adults |
| | GFDD.AM.02 | Market capitalization excluding top 10 companies to total market capitalization (%) |
| 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 nonperforming loans to gross loans (%) |
| | GFDD.SI.03 | Bank capital to total assets (%) |
| | GFDD.SI.05 | Bank regulatory capital to risk-weighted assets (%) |

Financial Outlook of the OIC Countries

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

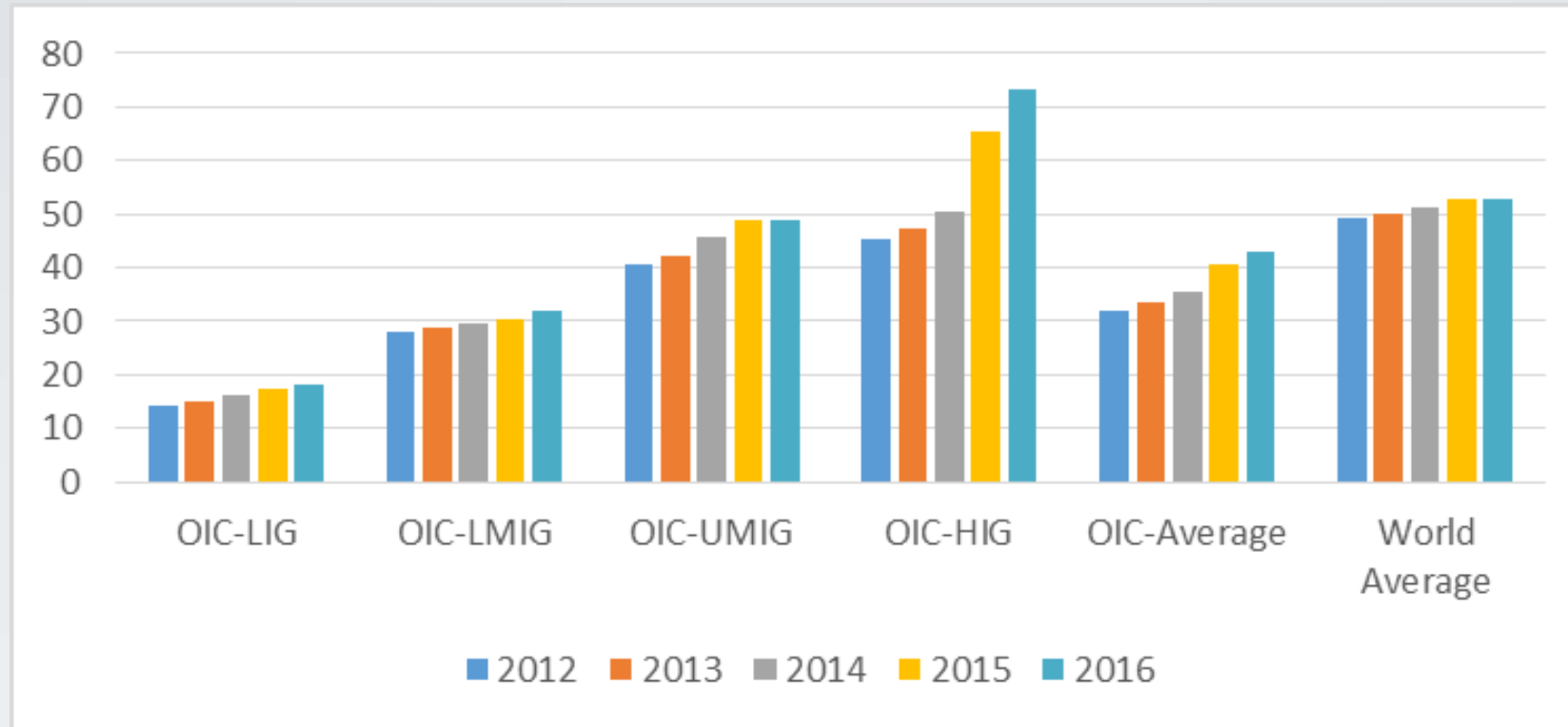
Table 2. World Bank Country Groups

| Categories | Countries | Number of Countries |
|---|--|---------------------|
| OIC-Low income group (995 USD or less) | Afghanistan, Benin, Burkina Faso, Chad, Comoros, Guinea, Guinea-Bissau, Mali, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Syrian Arab Republic, Gambia The, Tajikistan, Togo, Uganda, Yemen | 19 |
| OIC-Lower middle income group (996 USD to 3,895 USD) | Bangladesh, Cameroon, Cote d'Ivoire, Djibouti, Arab Rep. of Egypt, Indonesia, Kyrgyz Republic, Mauritania, Morocco, Nigeria, Pakistan, Palestine, Sudan, Tunisia, Uzbekistan | 15 |
| OIC-Upper middle income (3,896 USD to 12,055 USD) | Albania, Algeria, Azerbaijan, Gabon, Guyana, Iran, Iraq, Jordan, Kazakhstan, Lebanon, Libya, Malaysia, Maldives, Suriname, Turkey, Turkmenistan | 16 |
| OIC-High income group (12,056 USD or more) | Bahrain, Brunei Darussalam, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates | 7 |

Source: World Bank, June 2018

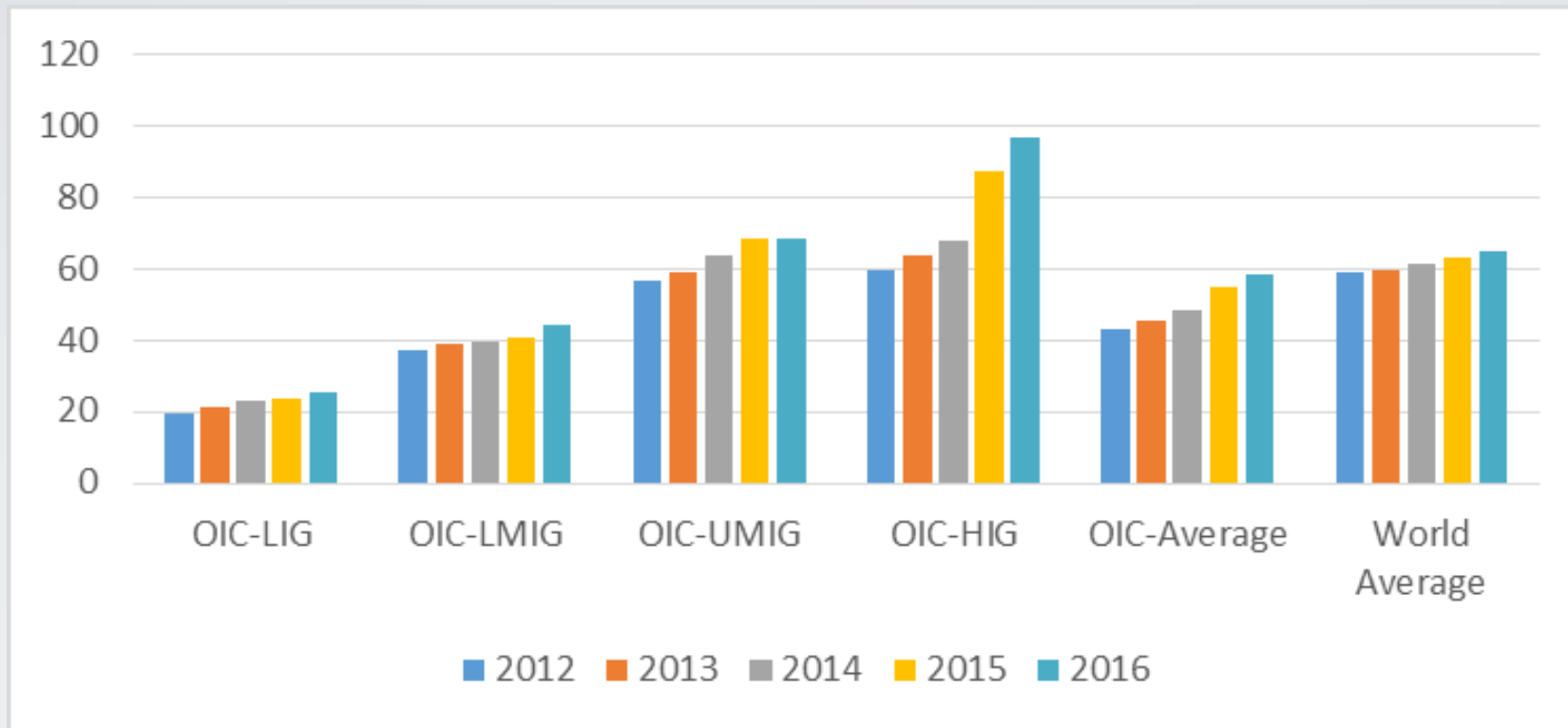
Financial Depth

Private Credit by Deposit Money Banks to GDP (%)



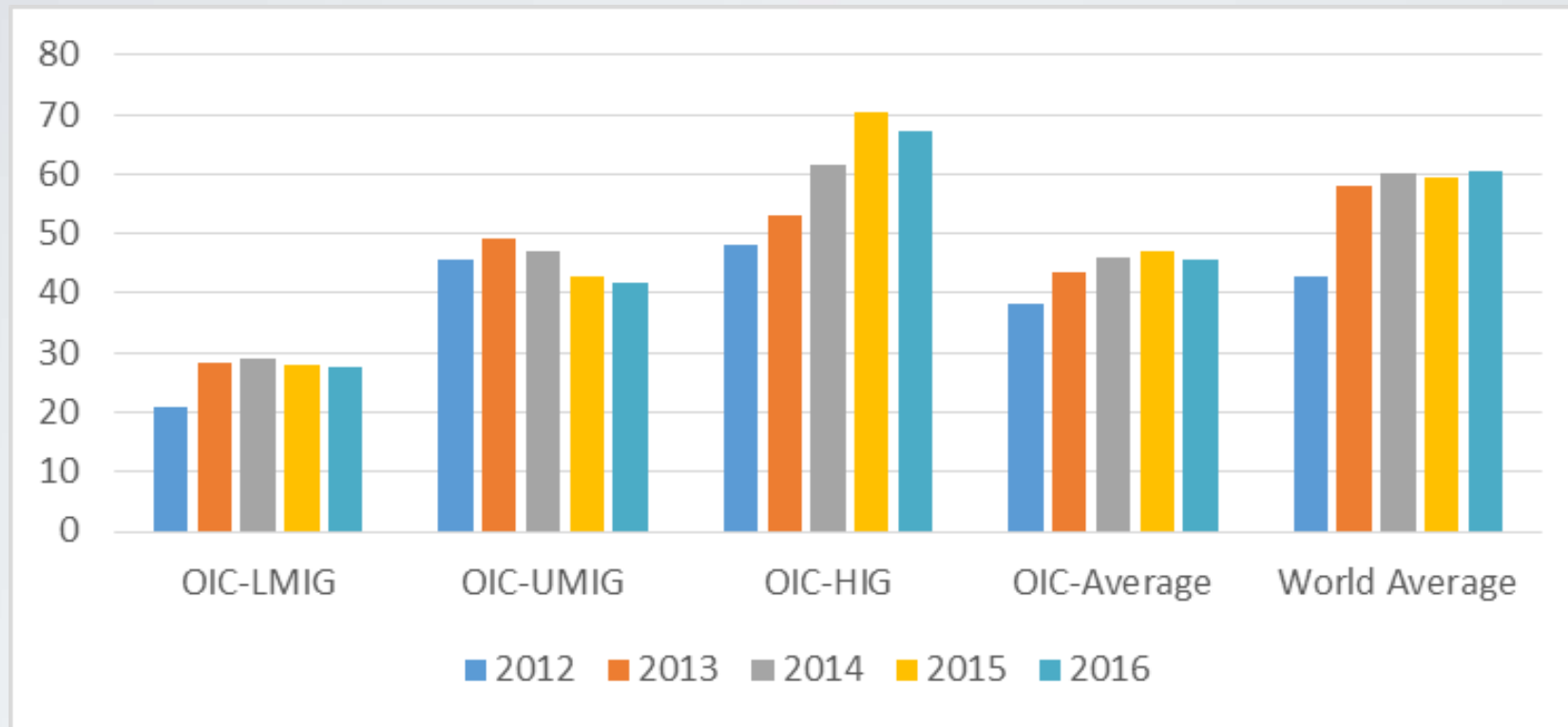
Financial Depth

Deposit Money Banks' Assets to GDP (%)



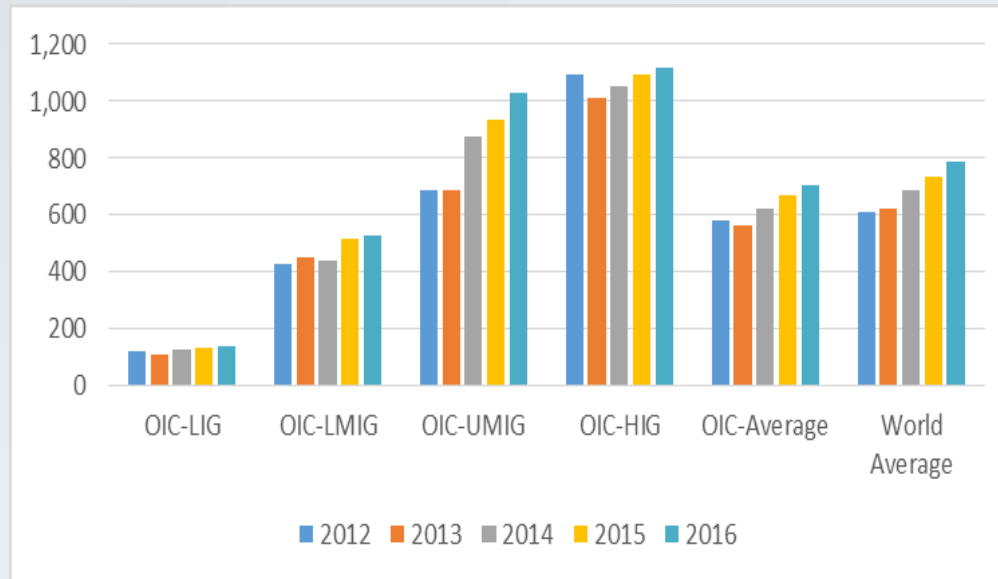
Financial Depth

Stock Market Capitalization to GDP (%)

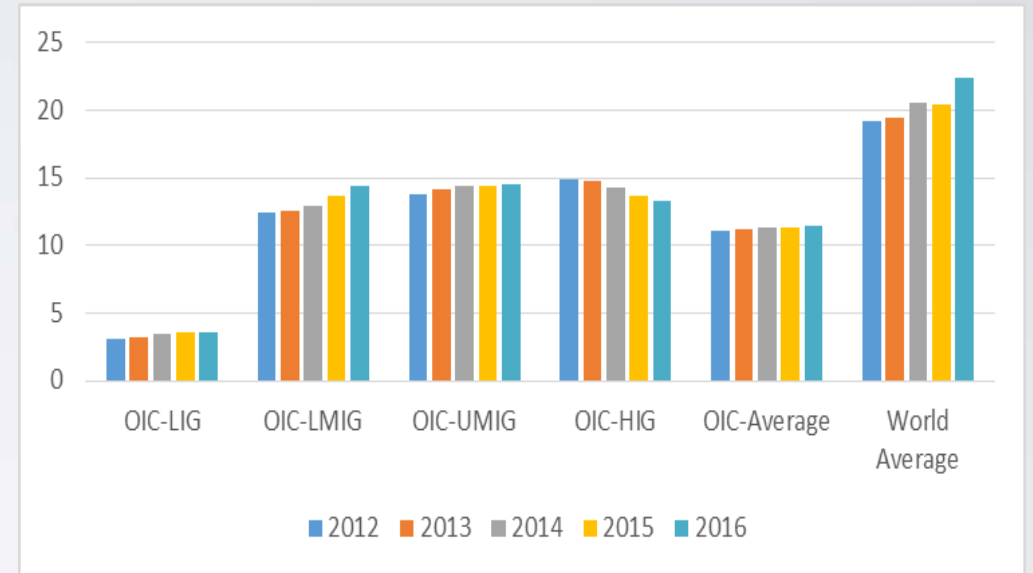


Financial Access

Bank Accounts Per 1,000 Adults

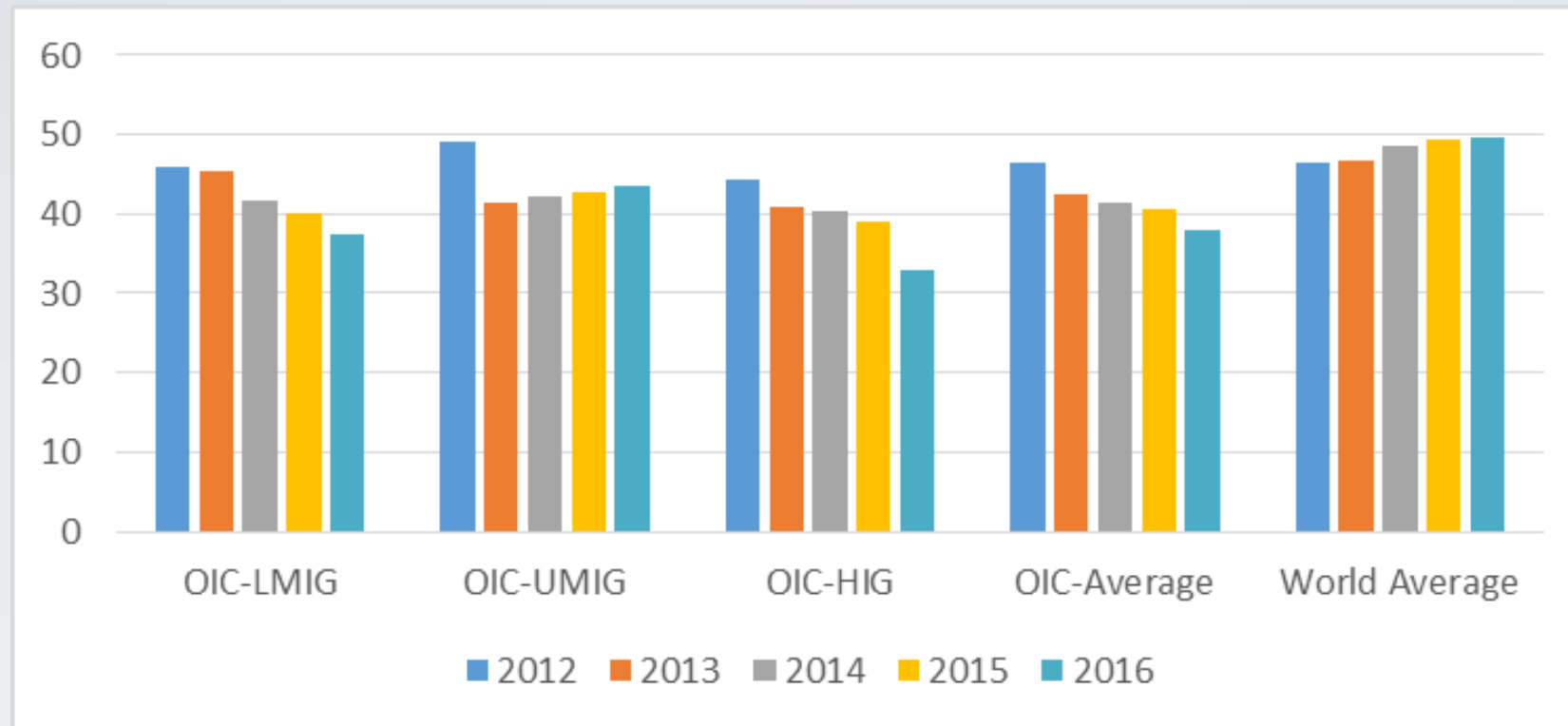


Bank Branches Per 100,000 Adults



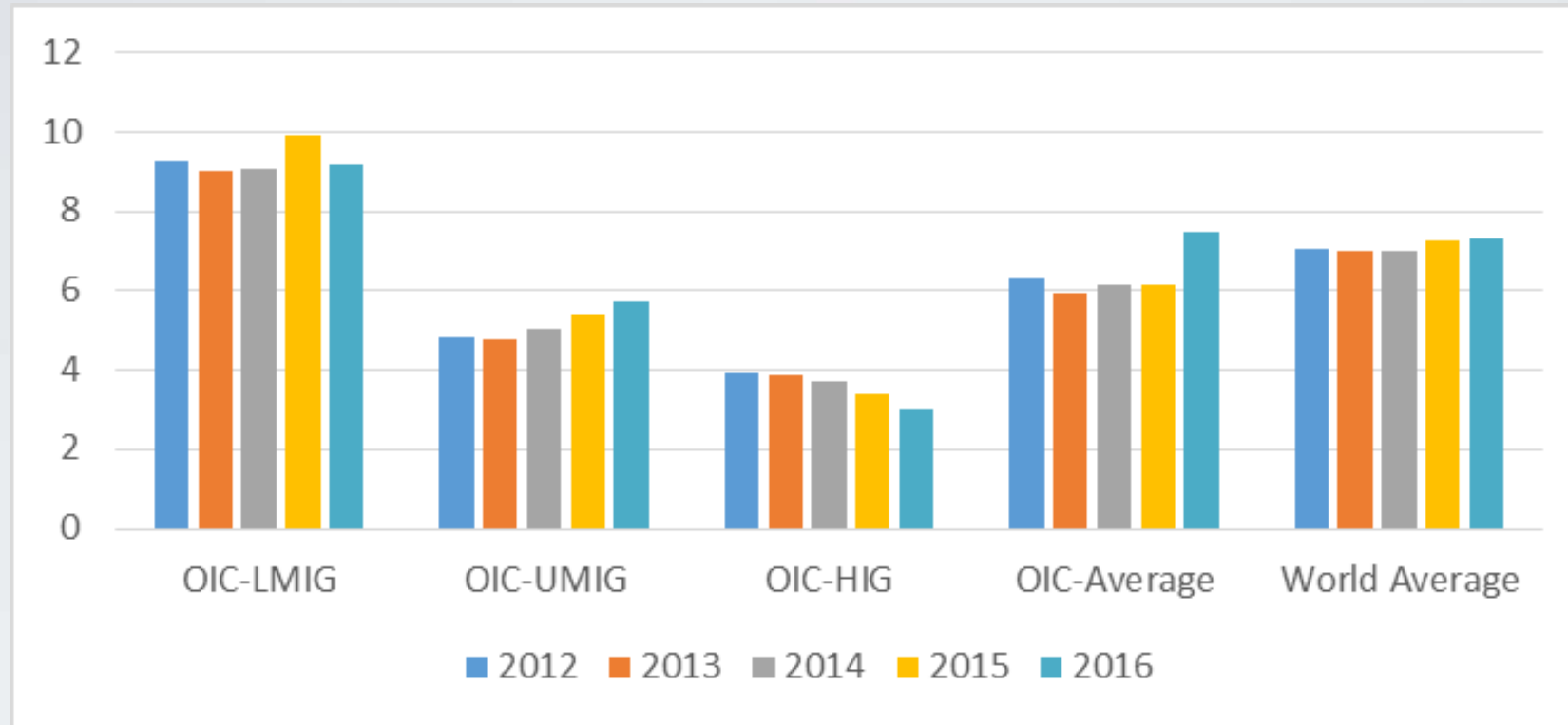
Financial Access

Market Capitalization Excluding Top 10 Companies to Total Market Capitalization (%)



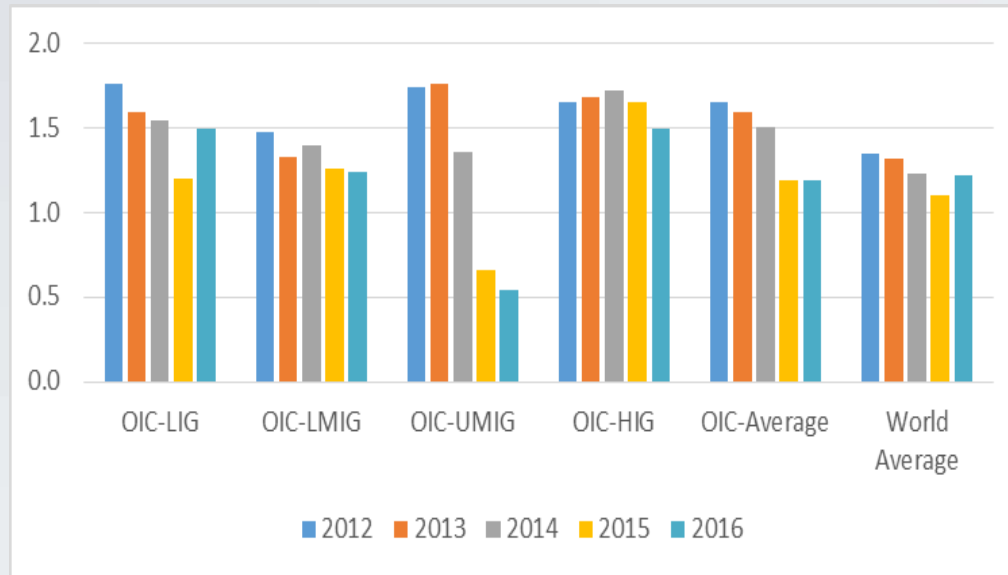
Financial Efficiency

Bank Lending-Deposit Spread (%)

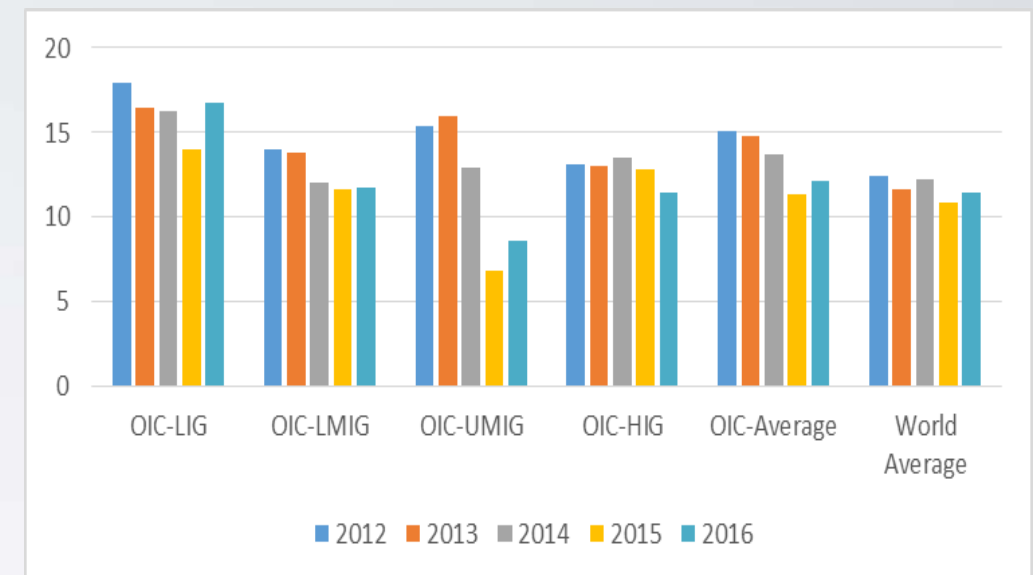


Financial Efficiency

Bank Return on Assets (% , after tax)

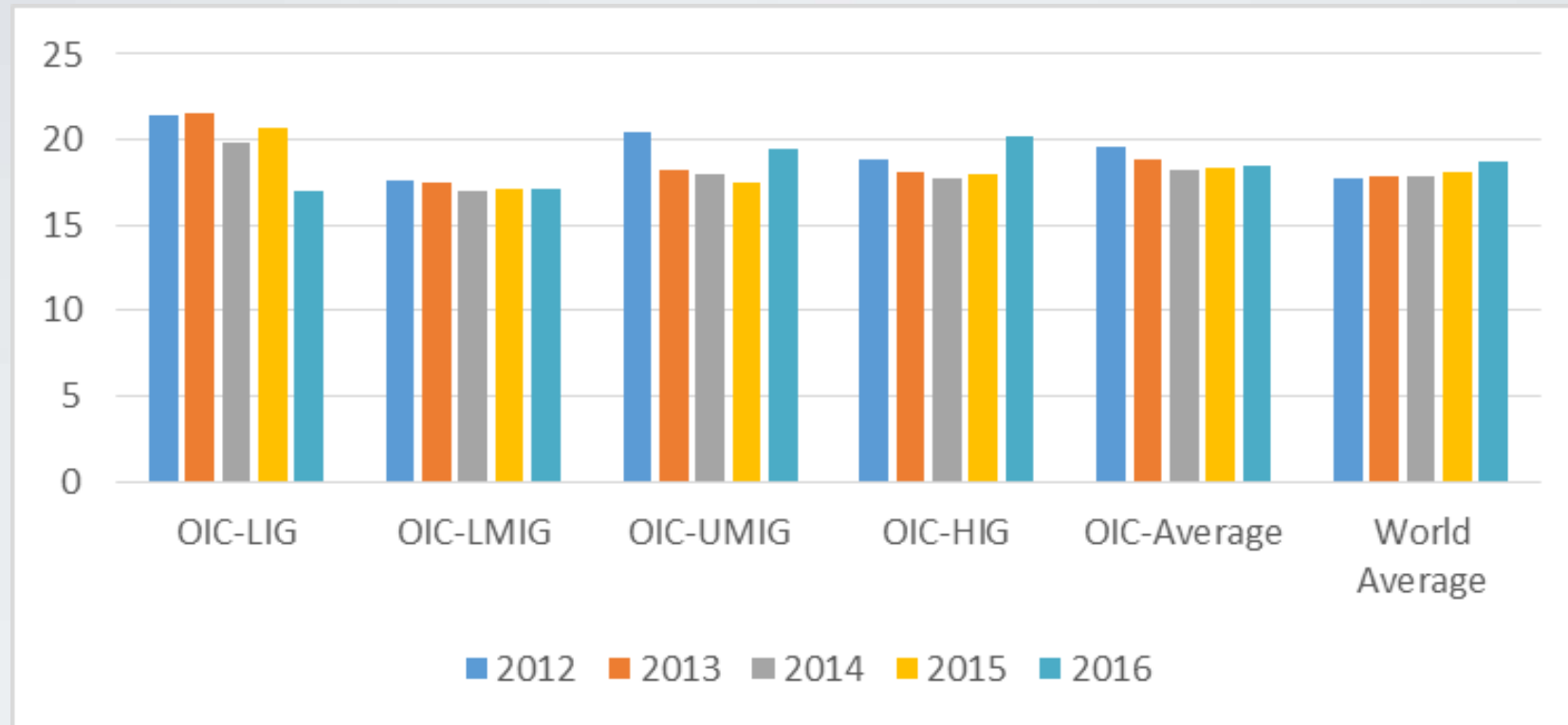


Bank Return on Equity (% , after tax)



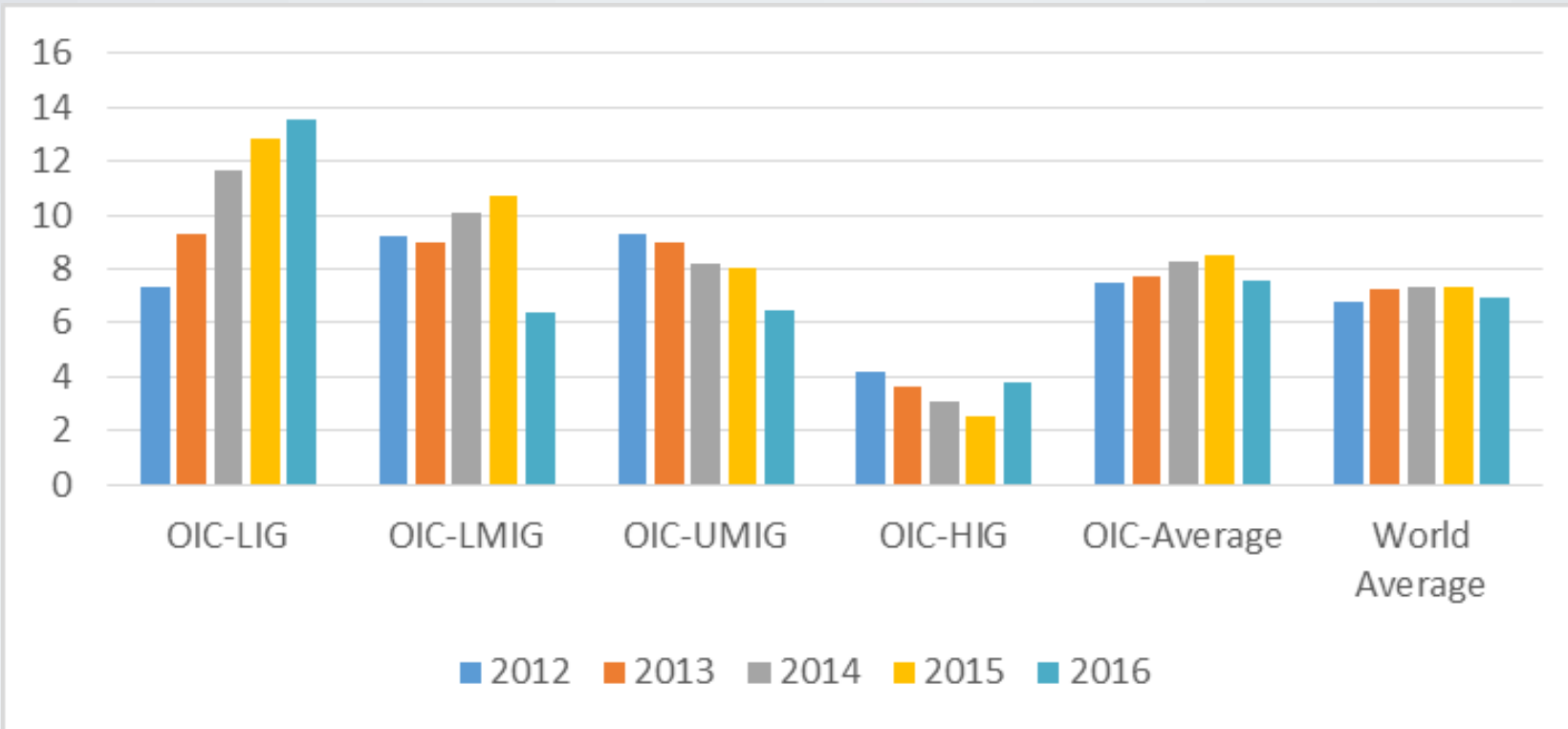
Financial Stability

Bank Regulatory Capital to Risk-Weighted Assets (%)



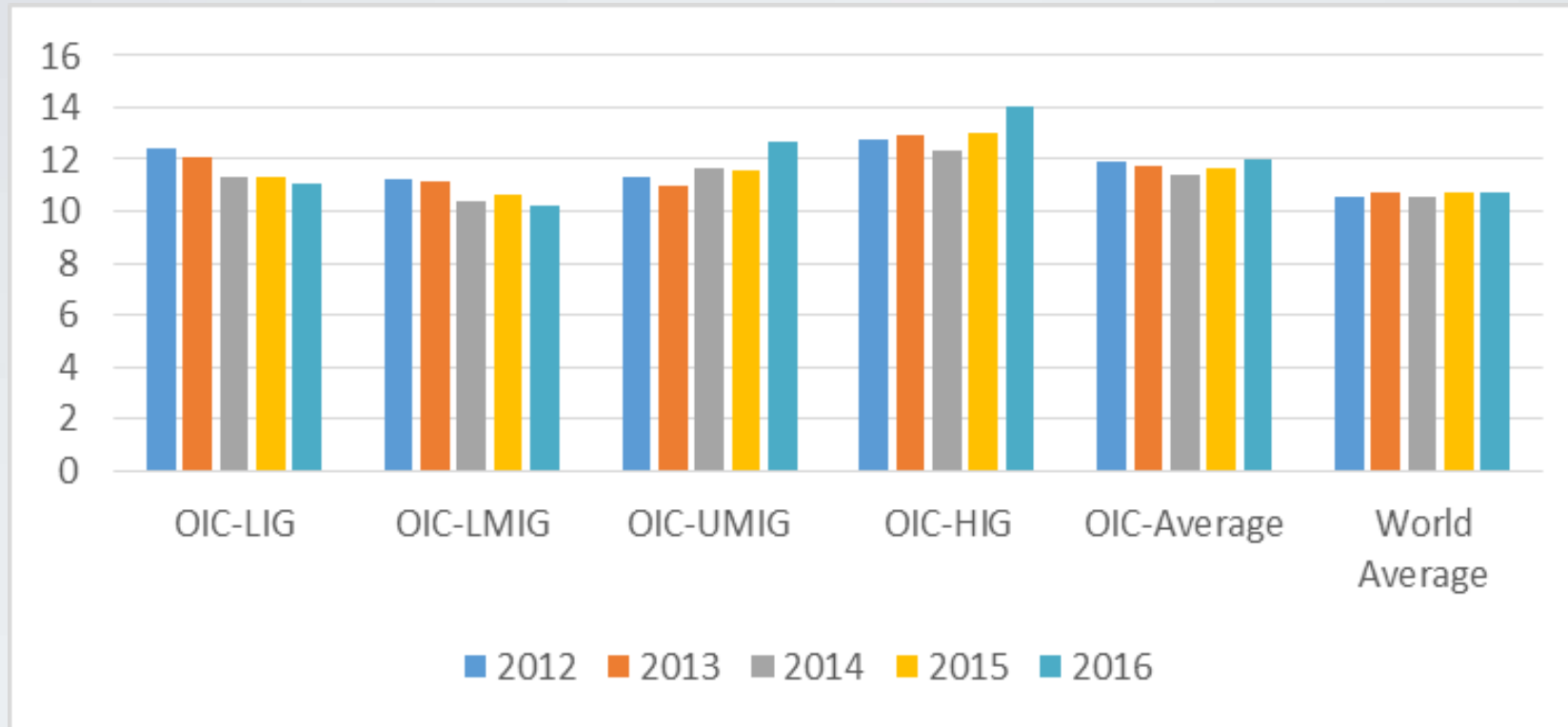
Financial Stability

Bank Non-Performing Loans to Gross Loans (%)



Financial Stability

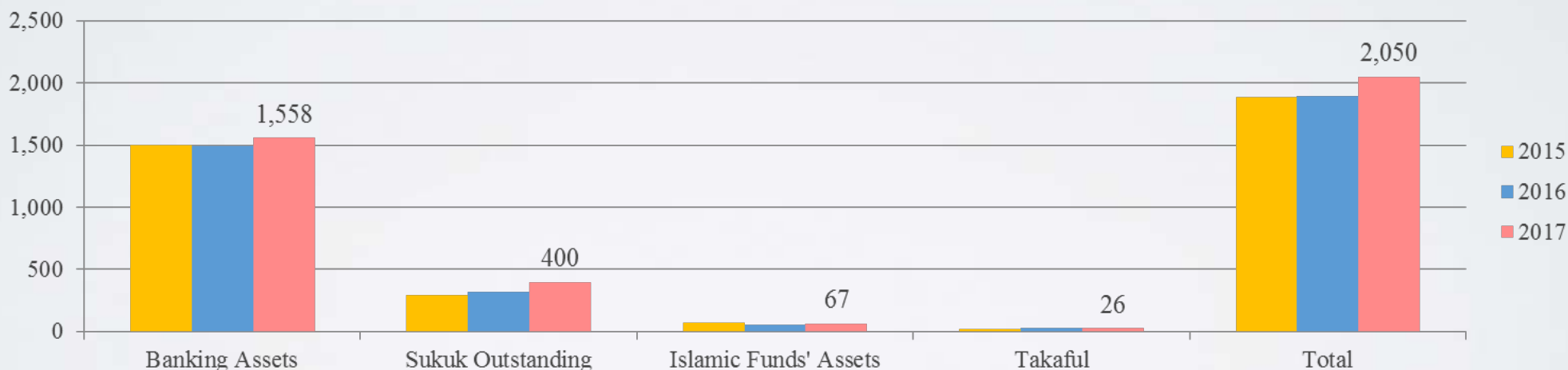
Bank Capital to Total Asset (%)



Islamic Finance

- The Islamic finance industry assets grew 8.3% and assets value surpassed USD 2 trillion in 2017.
- The global Islamic financial services industry has continued to sustain its resilience with most of its indicators in comfortable compliance with minimum international regulatory requirements.
- The main growth drivers were sukuk issuances by sovereigns and multilateral institutions (25.6%) and Islamic funds (19%).

Figure 3. Breakdown of Global Islamic Finance Industry (USD Billion)

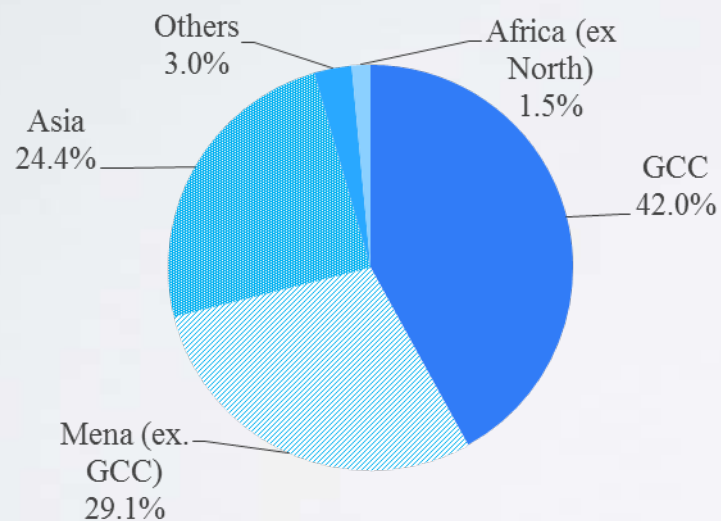


Source: IFSB, 2018

Islamic Finance

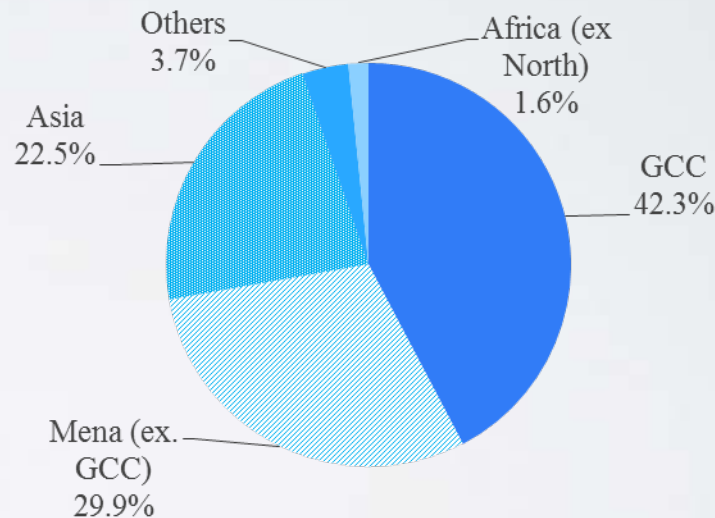
- The Gulf Cooperation Council continues as the largest domicile for Islamic finance assets. The share of GCC slightly decreased to 42% in 2017.
- Asia has the most improved market share increasing to 24.4% from 22,5% with expansions in key markets such as Malaysia, Indonesia, Pakistan.

Figure 4. Breakdown of IFSI by Region - 2017



Source: IFSB, 2018

Figure 5. Breakdown of IFSI by Region - 2016

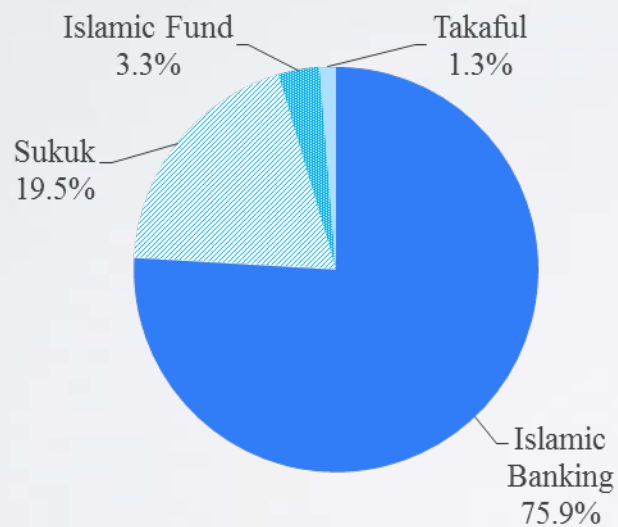


Source: IFSB, 2017

Islamic Finance

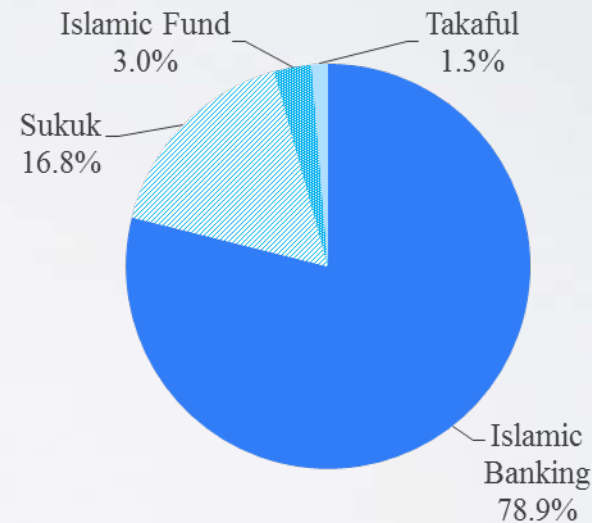
- Islamic banking sector accounting for about 75.9% of the global Islamic finance sector.
- The Islamic capital market (sukuk outstanding plus Islamic funds' assets) increased to 23%.
- The global takaful industry continued its upward trend in most countries

Figure 6. Sectoral Composition of the Global IFSI - 2017



Source: IFSB, 2018

Figure 7. Sectoral Composition of the Global IFSI - 2016

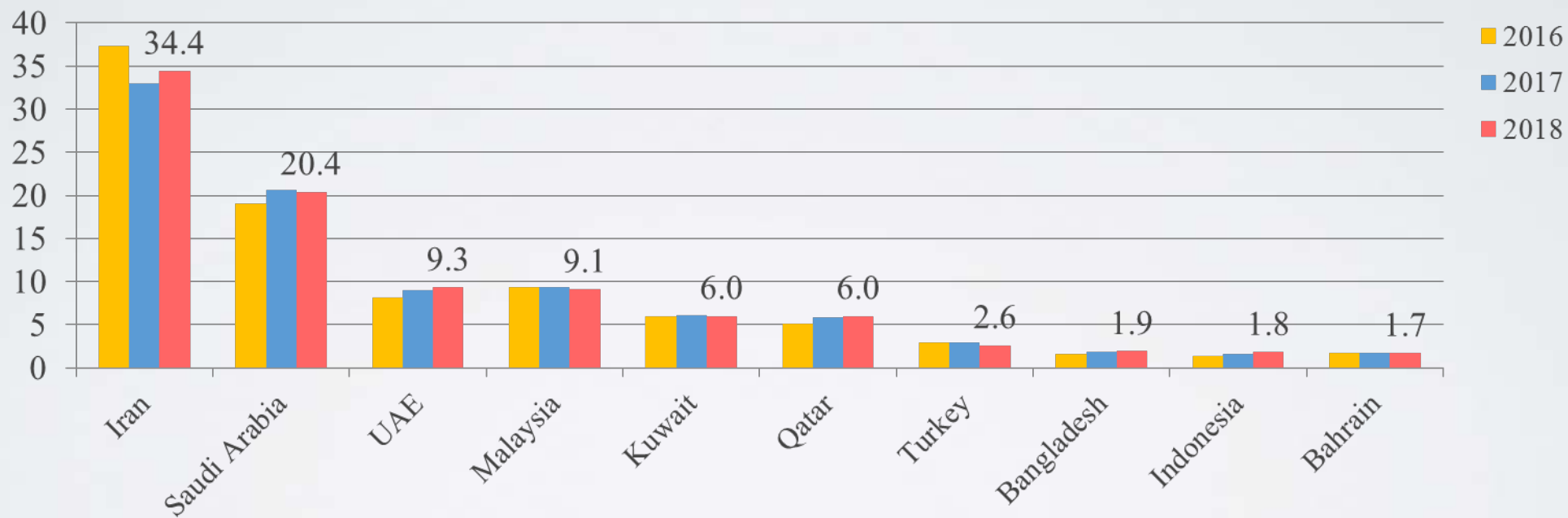


Source: IFSB, 2017

Islamic Finance - Banking

- Global Islamic banking assets increased by 4.3% in 2Q2017 as compared to 2Q2016.
- Collectively, top 10 jurisdictions account for 93,2% of the global Islamic banking assets.
- Islamic banking assets are forecast to climb to USD 1.61 trillion in 2017.

Figure 8. Shares of Global Islamic Banking Assets (%)

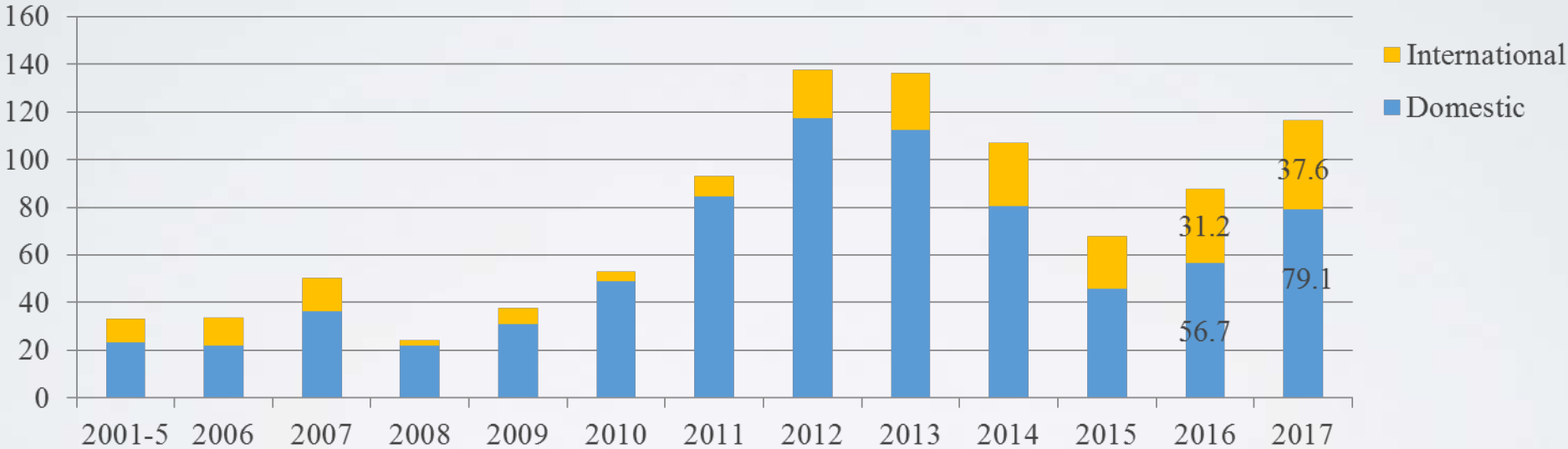


Source: IFSB, 2018

Islamic Finance – Capital Markets

- Total global issuance has increased from USD 87.9 billion in 2016 to USD 116.7 billion in 2017.
- The Sukuk market continues to grow and a few new jurisdictions have issued sovereign Sukuk in 2017.
- Malaysia continues to dominate sukuk market. Indonesia, the UAE and Turkey are close behind in value.

Figure 9. Total Global Sukuk Issuances (USD Billions)

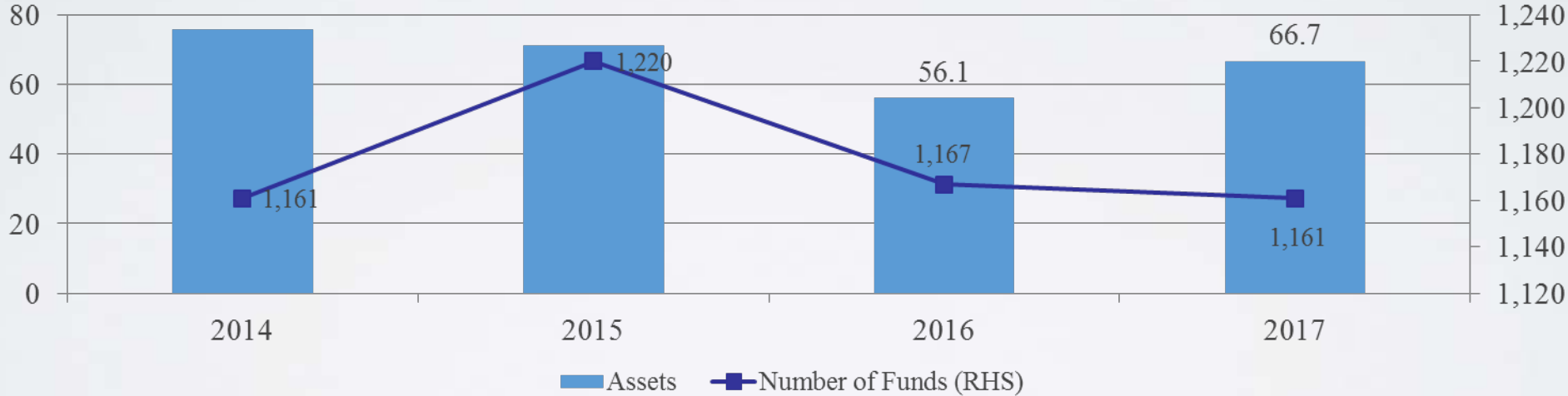


Source: IIFM, 2018

Islamic Finance – Capital Markets

- There were 1,161 Islamic funds holding about USD 66.7 billion of assets under management at the end of 2017.
- The number of Islamic funds dropped slightly, the total assets under management increased by 18.8%
- The two key domiciles for Islamic funds are Saudi Arabia and Malaysia, which collectively account for about 69% of total assets.

Figure 10. Assets under Management of Islamic Funds (USD billion)



Source: IIFM, 2018

Islamic Finance – Takaful

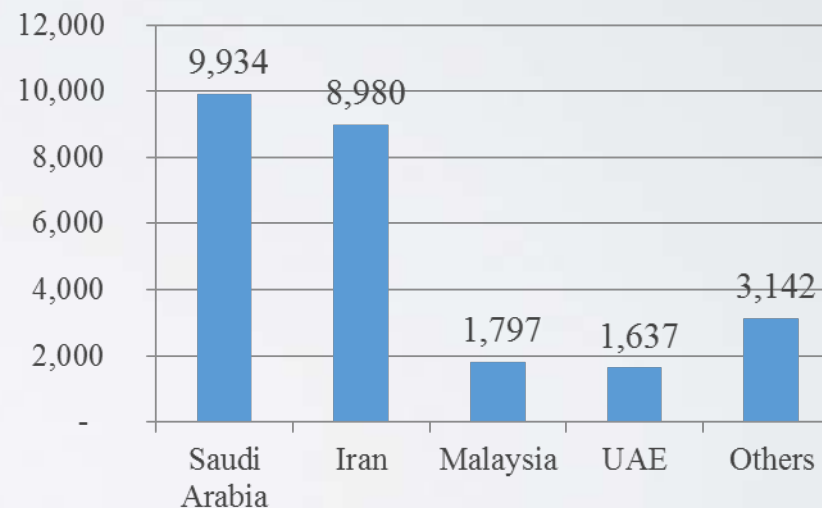
- Insurance markets worldwide reported a moderate growth rate in 2017.
- Total contributions written in the global Islamic insurance markets are estimated to have reached USD 26.11 billion in 2016 and the compound average growth rate over the last five years is 8.77%.
- Saudi Arabia, Iran, Malaysia and the UAE are the top four domiciles, accounting for 85.6% of the total global takaful contribution in 2016.

Figure 11. Global Takaful Contributions Growth (USD Millions)



Source: IFSB, 2018

Figure 12. Takaful Gross Contributions (USD Millions)



Source: IFSB, 2018



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Thank You



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