



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

COMCEC FINANCIAL OUTLOOK 2023

20th Meeting of COMCEC Financial Cooperation
Working Group

Can AYGÜL
Director, CCO

October 9th, 2023
Ankara, Türkiye

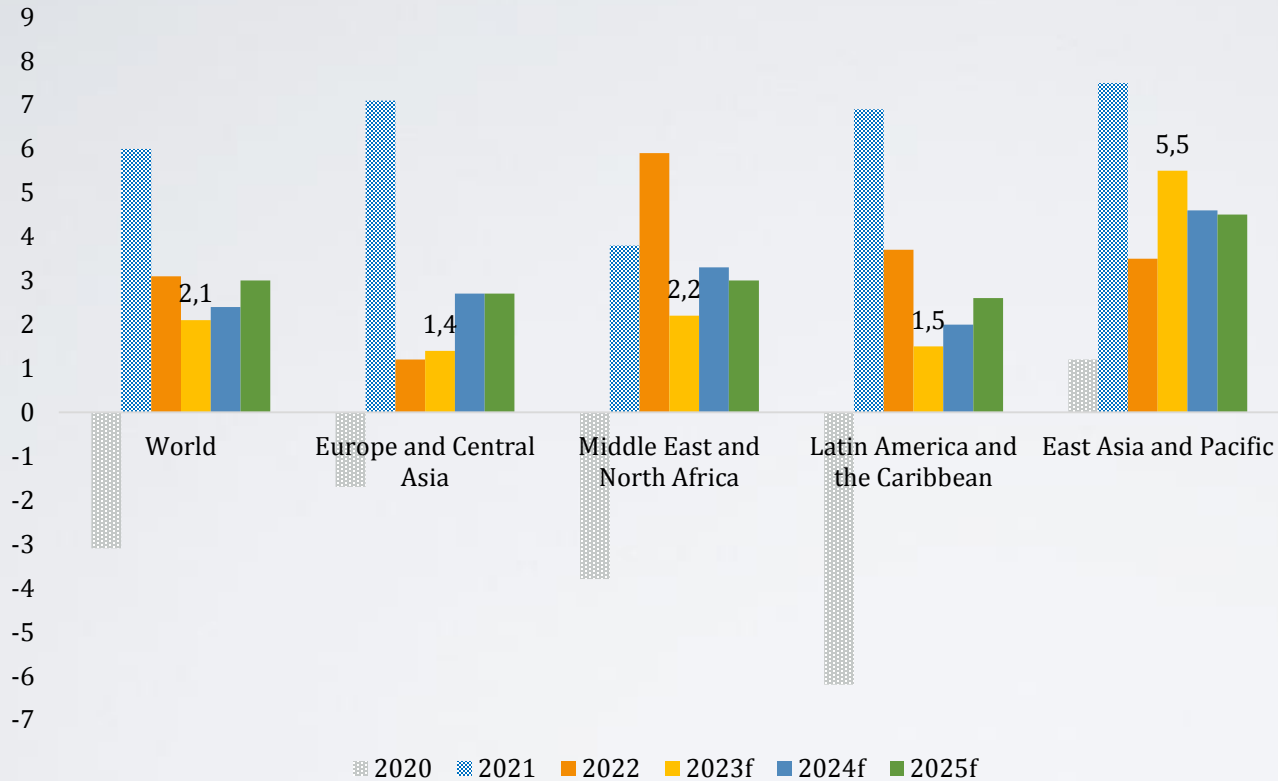


OUTLINE

- ❖ **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 2023

- ✓ The global economy is expected to grow 2.1 percent in 2023, following the 3.1 percent growth last year.
- ✓ Many countries are struggling to cope with high inflation.
- ✓ A high-interest rate environment is impeding economic growth.
- ✓ Expectations for the performance of the global economy are slightly deteriorated for 2024-2025, 2.4% and 3.0%, respectively.
- ✓ The Russia-Ukraine war still puts pressure on the recovery of the global economy.

Global Economic and Financial Developments

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



- ✓ OIC countries' average growth rate slightly increased to 5.6 percent in 2022, compared to 5.1 percent in 2021.
- ✓ OIC countries' growth rate is expected to decrease to 3.9 percent in 2023 and rebound to 5.1 percent in 2024.
- ✓ Regarding the country groups, OIC-HIG is expected to show at a double-digit growth rate in 2023. This significant performance is attributed to the 25.2% 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 2023

Note: Country group classifications were based on the 2023 figures published by the World Bank

OUTLINE

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

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
	GFDD.AM.02	Market capitalization excluding top 10 companies to total market capitalization (%)
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 (1,085 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 (1,086 USD to 4,255 USD)	Algeria, Bangladesh, Benin, Cameroon, Comoros, Cote d'Ivoire, Djibouti, Arab Rep. of Egypt, Guinea , Iran, Jordan , Kyrgyz Republic, Lebanon, Mauritania, Morocco, Nigeria, Pakistan, Senegal, Tajikistan, Tunisia, Uzbekistan	21
OIC-Upper middle income (4,256 USD to 13,205 USD)	Albania, Azerbaijan, Gabon, Indonesia , Iraq, Kazakhstan, Libya, Malaysia, Maldives, Palestine , Suriname, Türkiye, Turkmenistan	13
OIC-High income group (13,205 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 2023, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>, access date: 28 September 2023. **Note:** Upgraded and downgraded countries are shown in green and red, respectively.

Financial Access

Figure 3. Bank Accounts Per 1,000 Adults

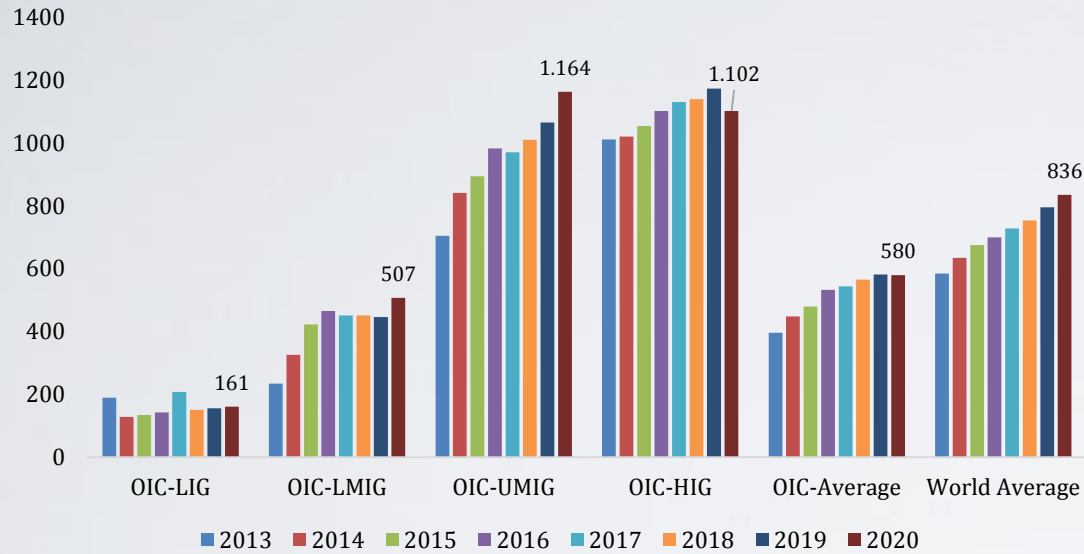


Figure 4. Bank Branches Per 100,000 Adults

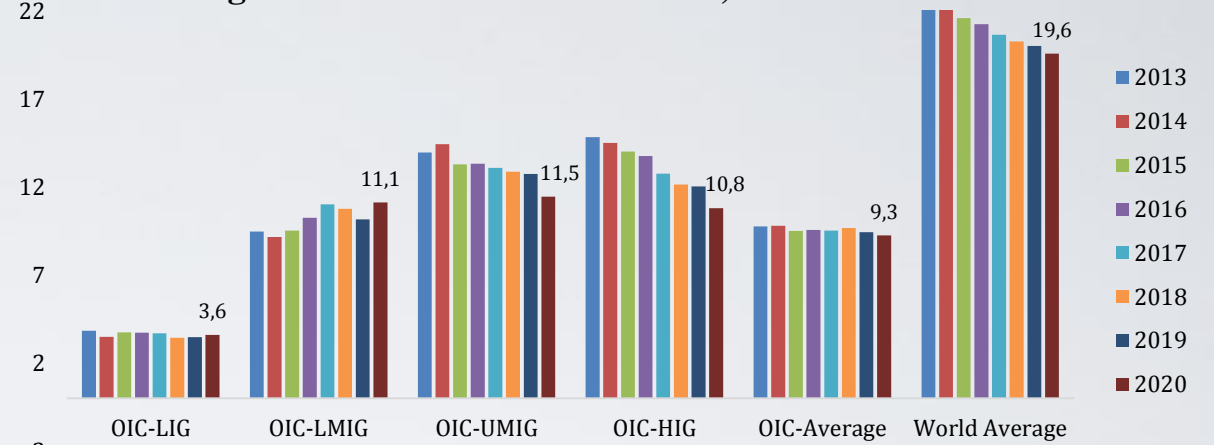
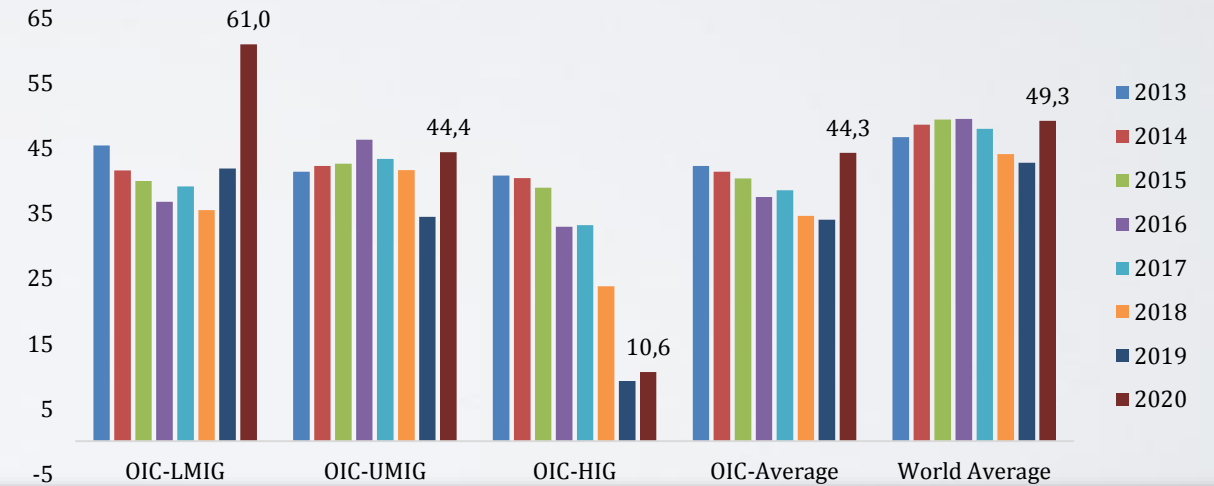


Figure 5. Market Cap. Excluding Top 10 Companies to Total Market Cap. (%)



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



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

Financial Depth

Figure 6. Private Credit by Deposit Money Banks to GDP (%)

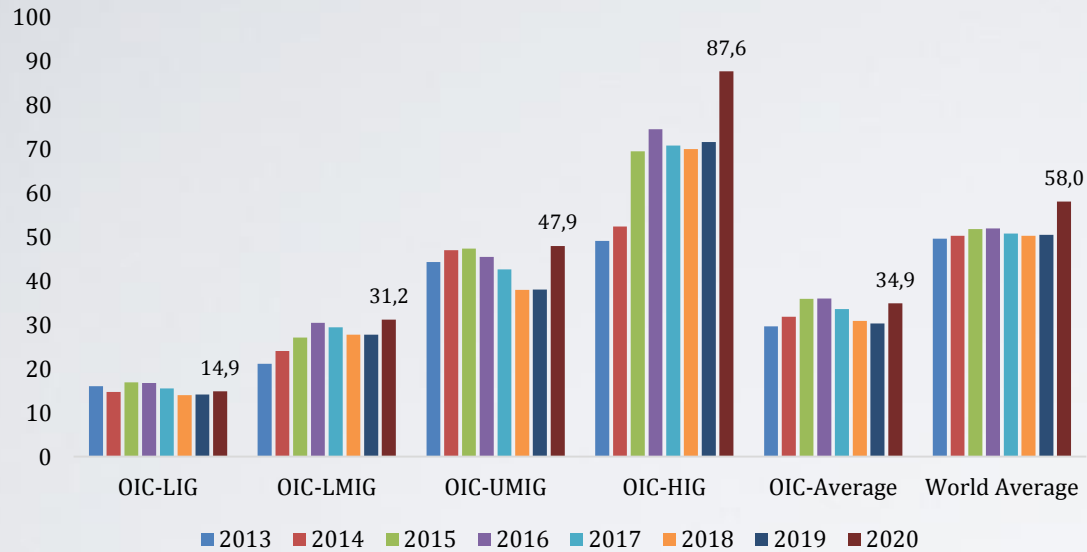


Figure 7. Deposit Money Banks' Assets to GDP (%)

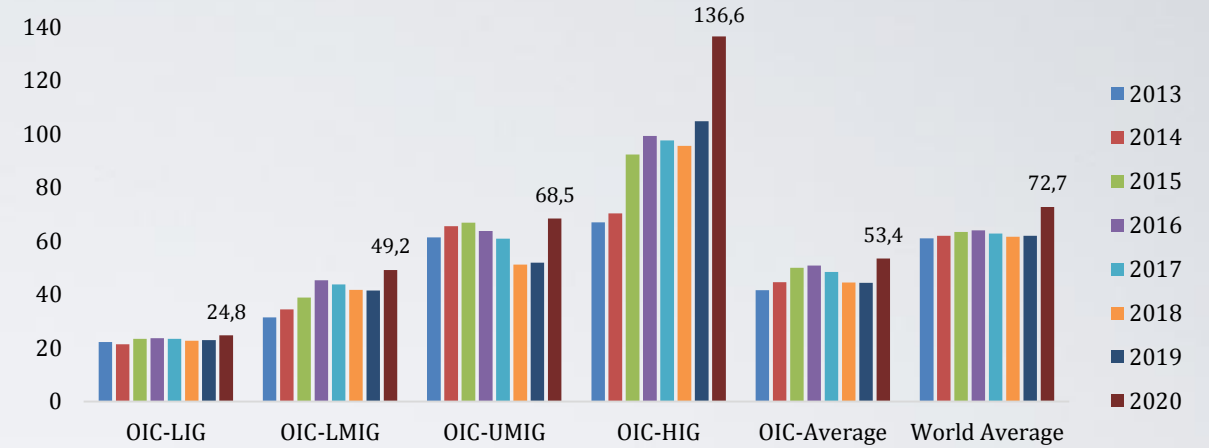
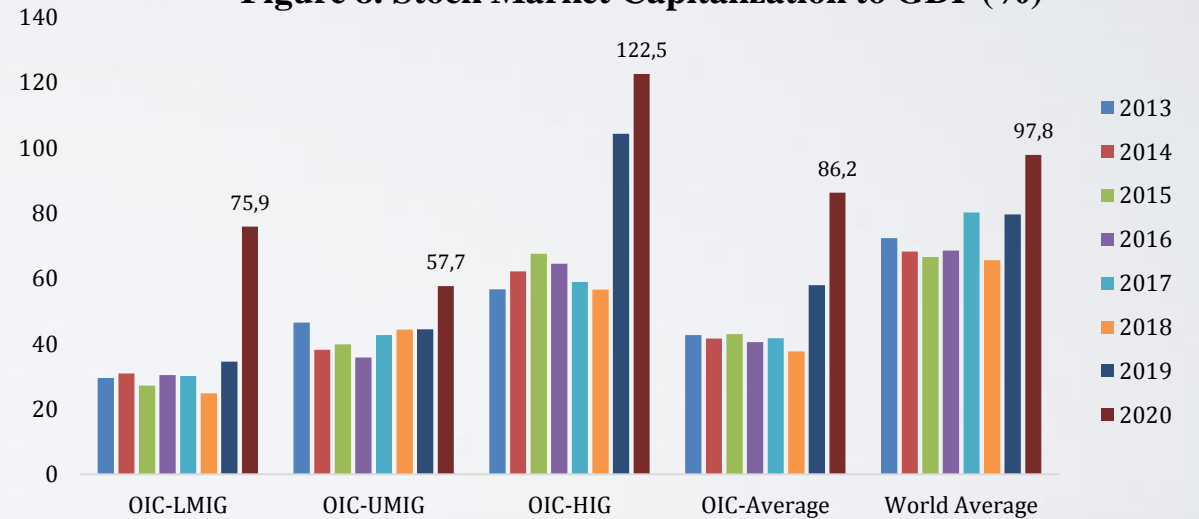


Figure 8. Stock Market Capitalization to GDP (%)



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

Financial Efficiency

Figure 9. Bank Lending-Deposit Spread (%)

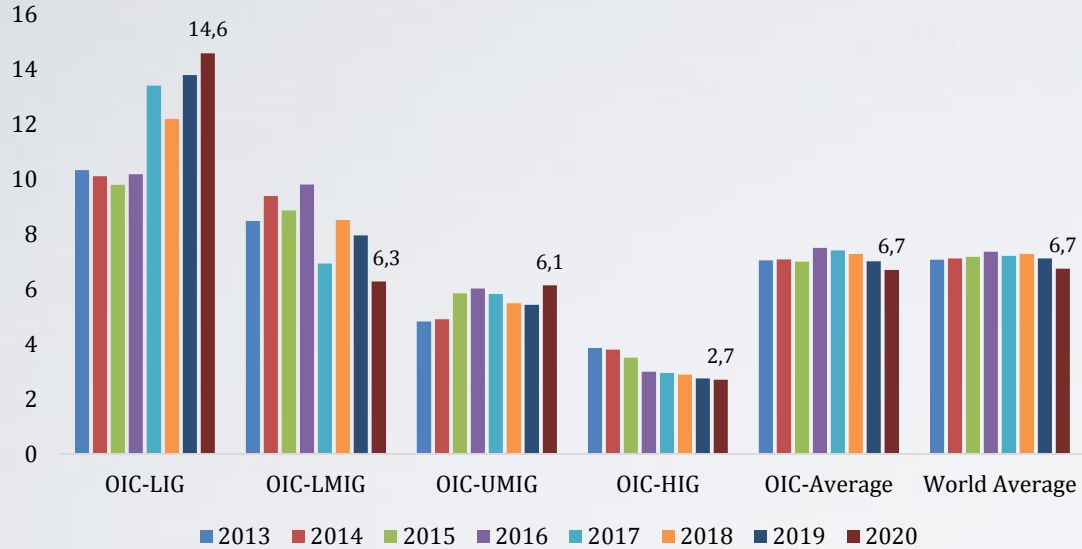


Figure 10. Bank Return on Assets (% , after tax)

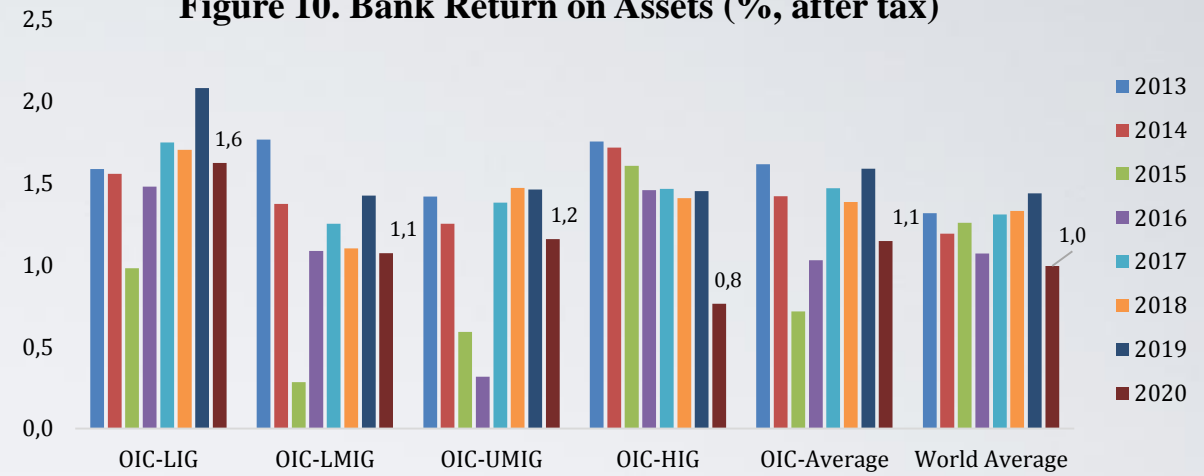
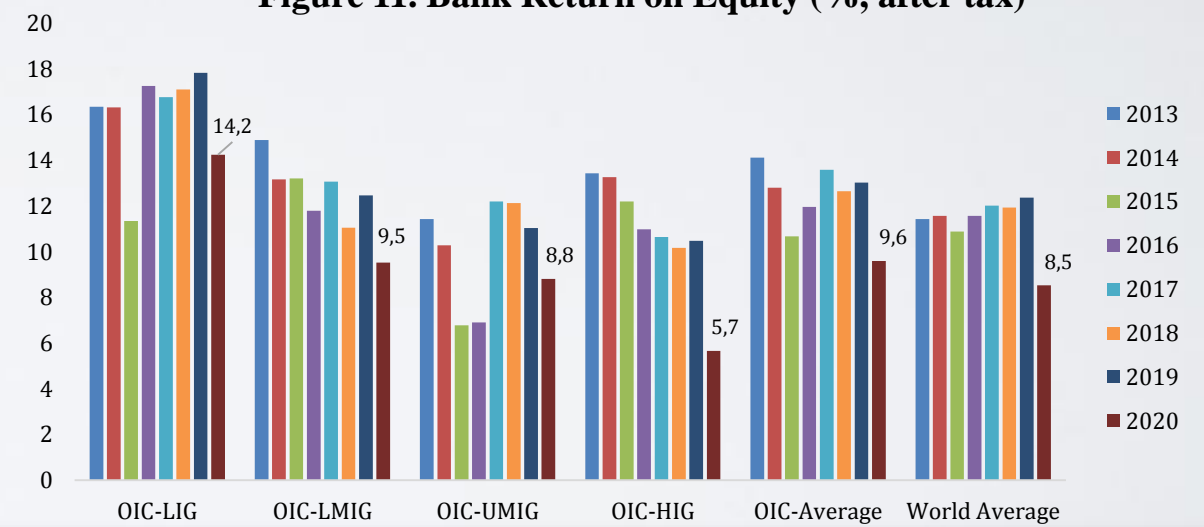


Figure 11. Bank Return on Equity (% , after tax)



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



Financial Stability

Figure 12. Bank Regulatory Capital to Risk-Weighted Assets (%)

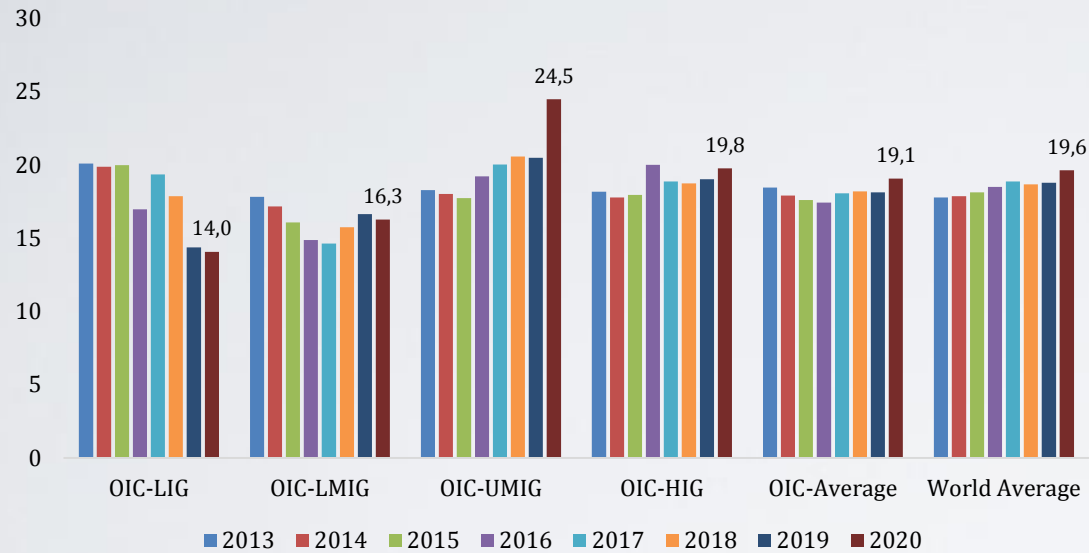


Figure 13. Bank Capital to Total Asset (%)

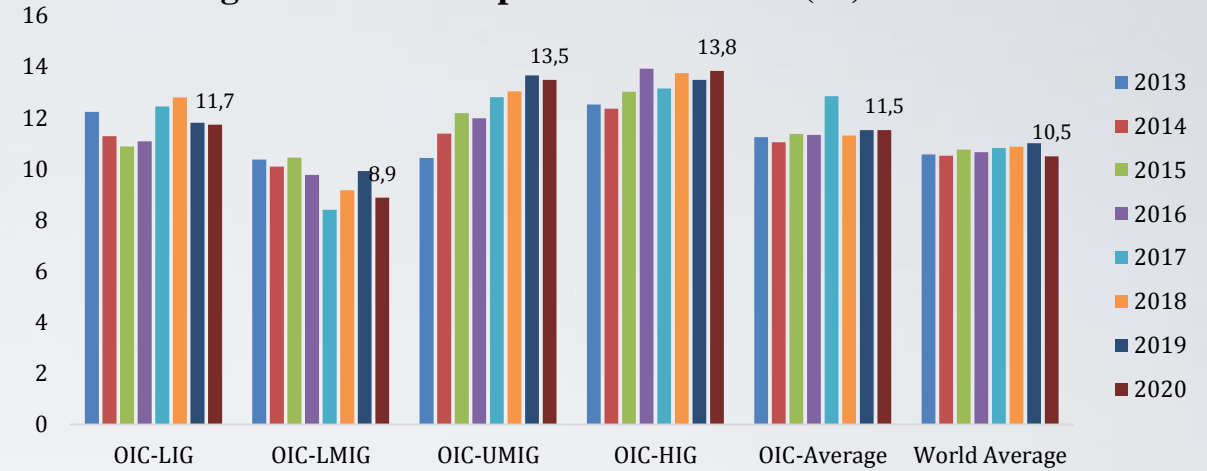
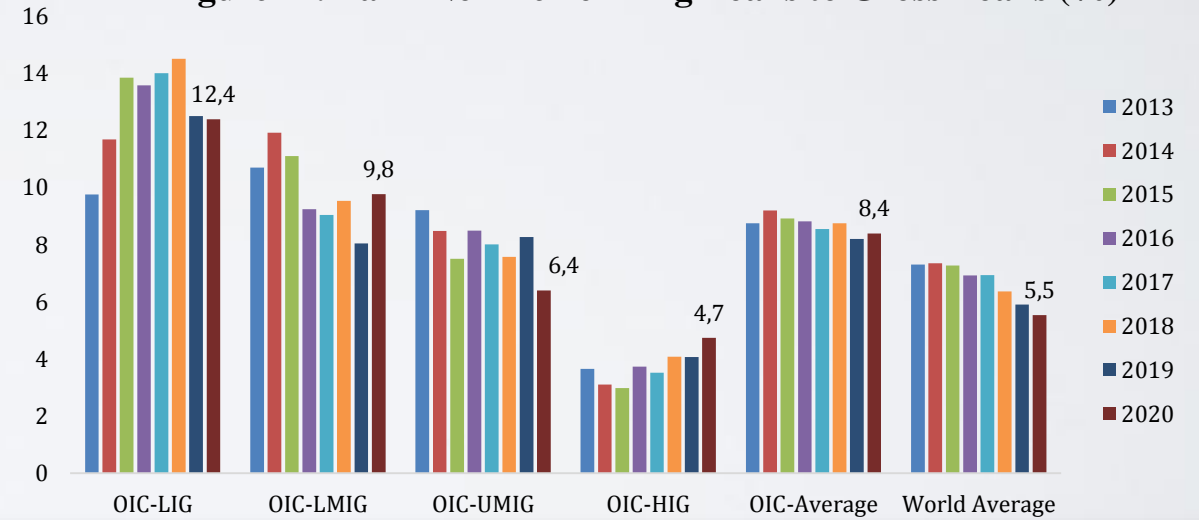


Figure 14. Bank Non-Performing Loans to Gross Loans (%)



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

OUTLINE

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

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 (%)

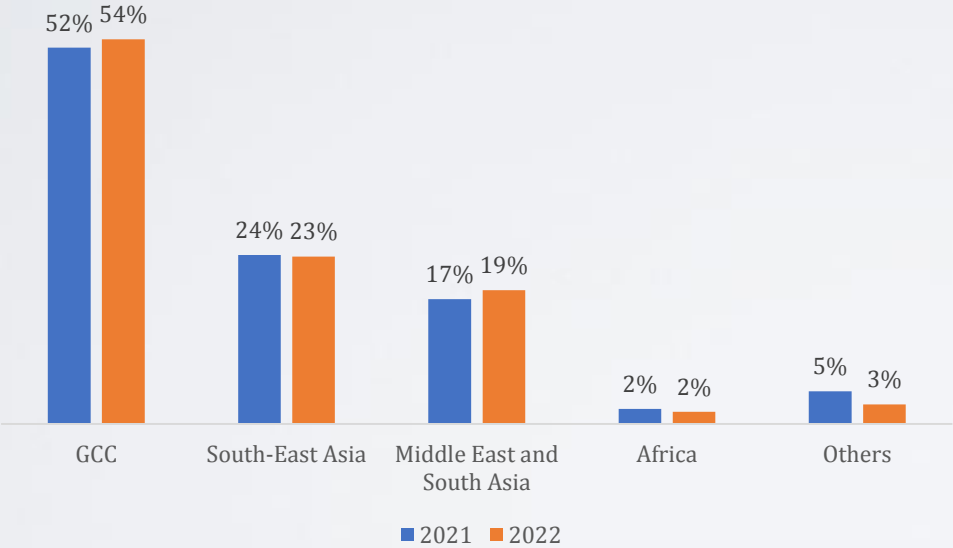
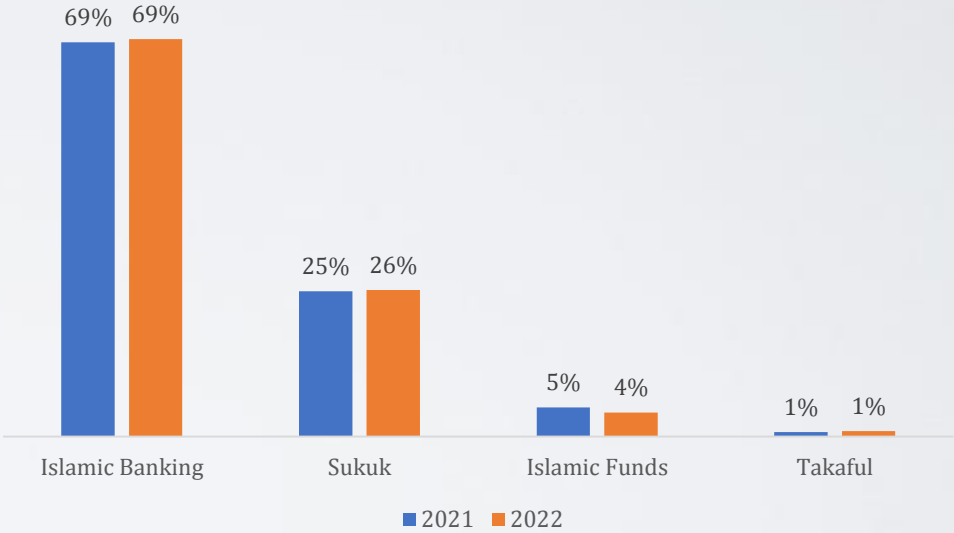


Figure 16. Breakdown of IFSI by Islamic Finance Segments (%)

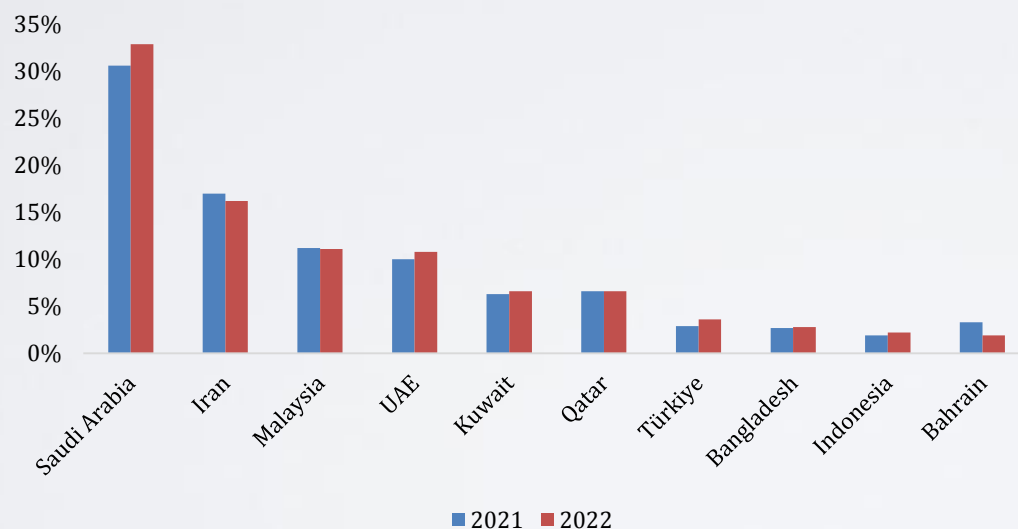


Source: Compiled from IFSB 2023 and IFSB 2022.

Islamic Finance - Banking

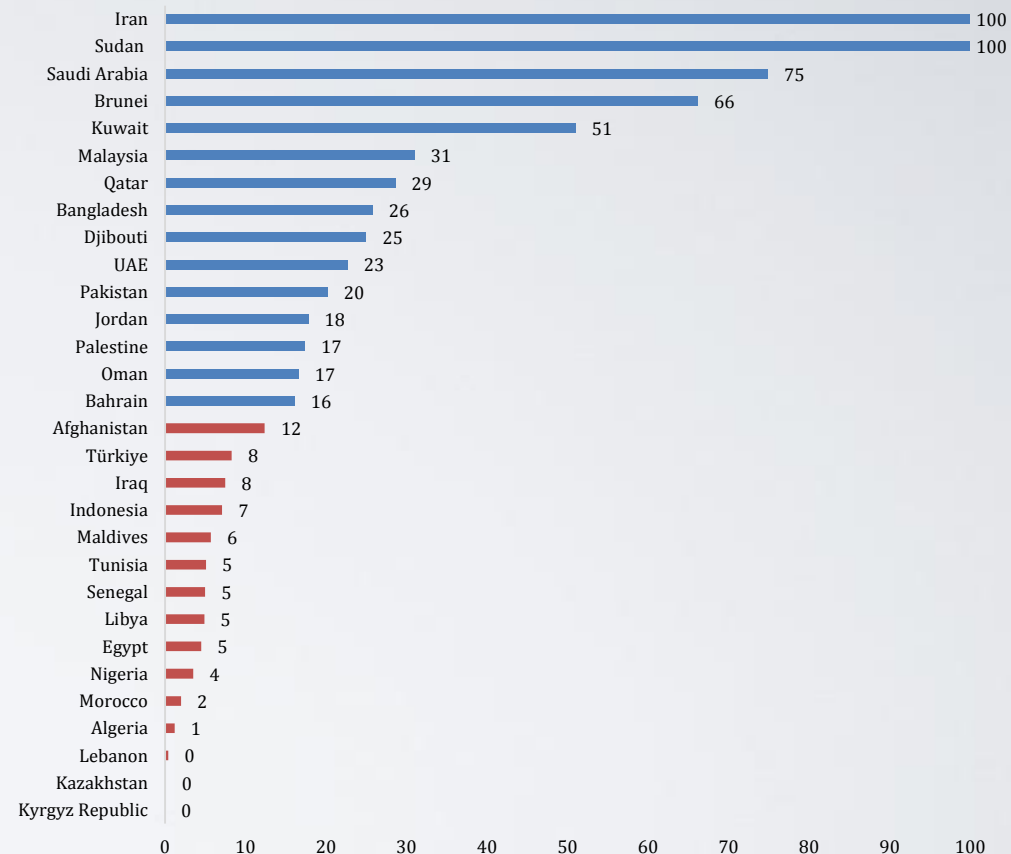
- Total assets of Islamic banking recorded a slight growth rate performance, increasing from USD 2,104 billion to 2,249 in 2022
- In terms of the countries' shares in global Islamic finance, the top five countries were not significantly changed in 2022.
- Islamic banking assets comprise over 15% of total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

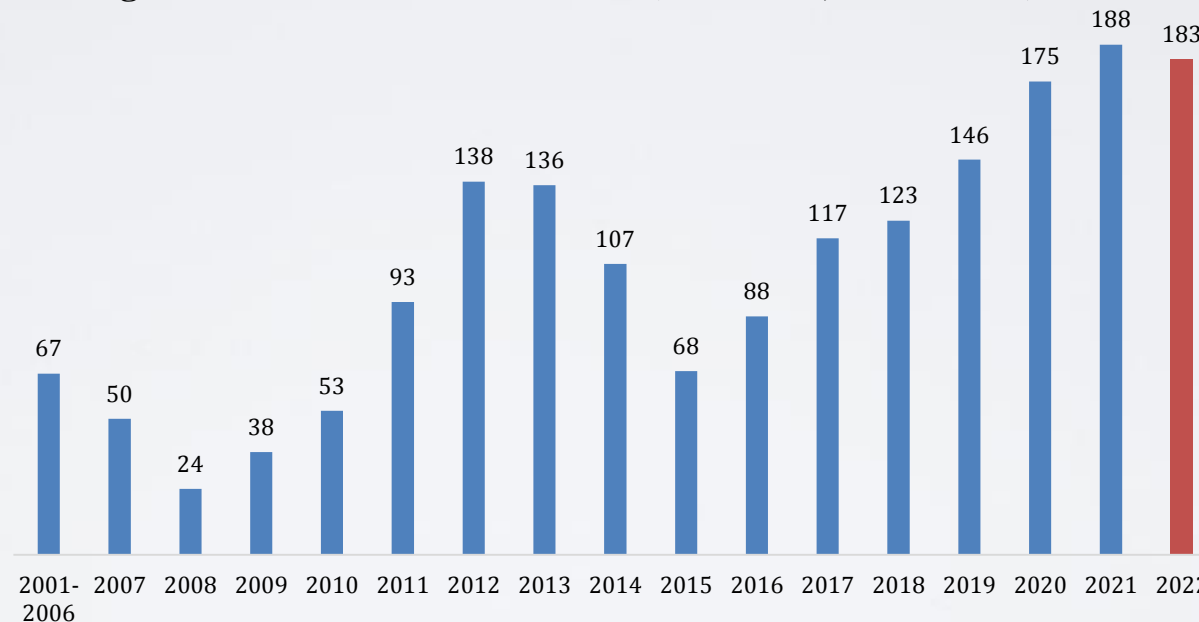
Figure 18. Islamic Banking Sectors Domestic Share in Selected OIC Member Countries as of 2022



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.

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

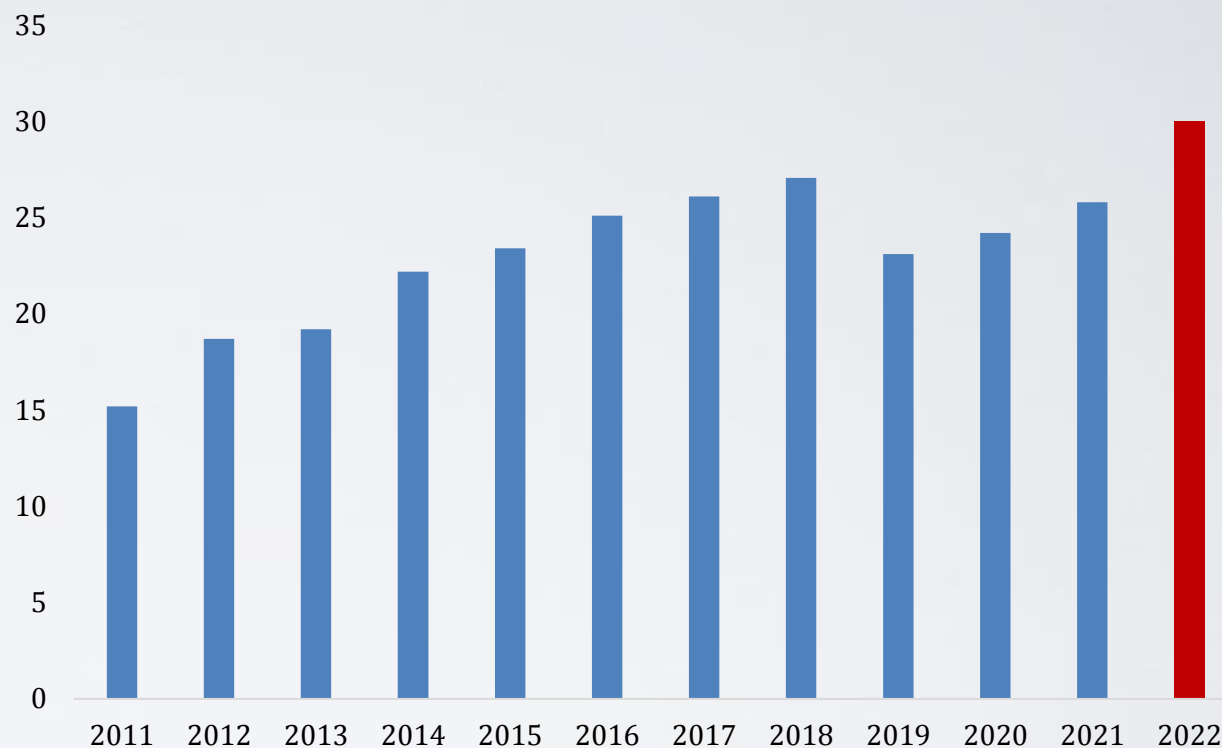


Source: IIFM, 2023

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 21. Global Takaful Contributions Growth (USD Millions)



Source: IFSB, 2023



Making Cooperation Work

COMCEC STRATEGY

For Building an Interdependent Islamic World

Thank You



20th Meeting of COMCEC Financial Cooperation Working Group

October 9th, 2023

Ankara, Türkiye