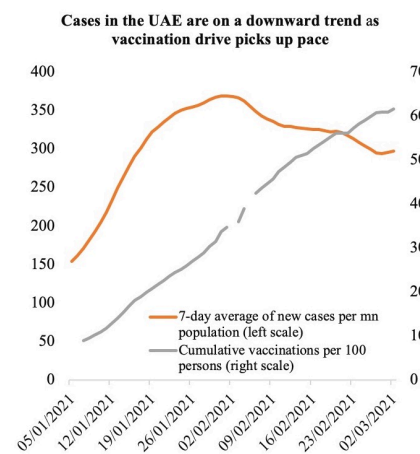
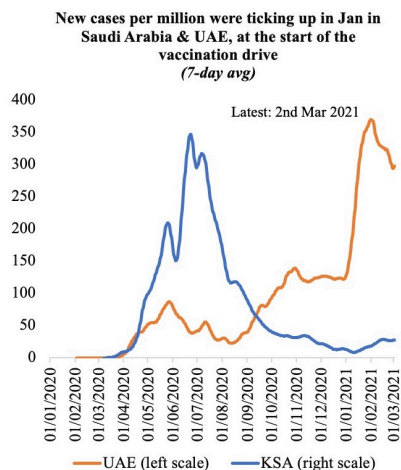
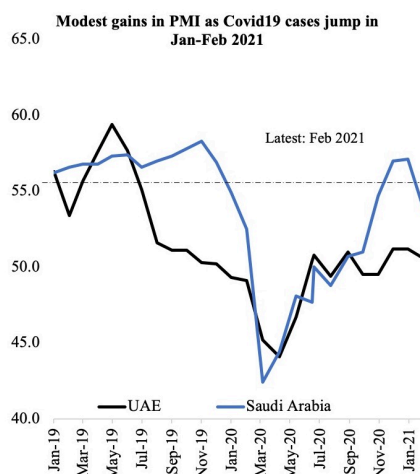


Weekly Insights 4 Mar 2021: Are economic activity indicators in UAE & Saudi Arabia moderating, à la PMI?

Download a PDF copy of this week's insight piece [here](#).

Chart 1. Will vaccines give a jab to growth?

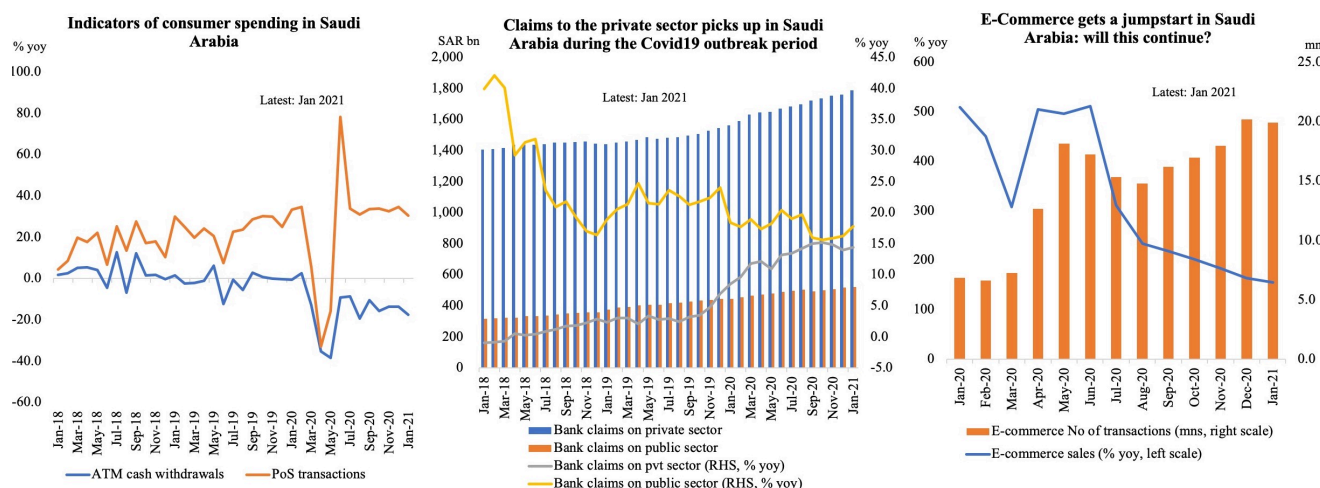
- **PMI readings for both Saudi Arabia and the UAE eased moderately in Feb 2021.**
- An **uptick in Covid19 cases since beginning of this year**, in both **UAE and Saudi Arabia** – at vastly different levels – led to **more restrictive measures** (likely to remain till Ramadan in mid-Apr)
- **UAE's stringency index increased to 56.3 in Feb vs Jan's 50** & seems to have spilled over in weaker demand, thereby hampering sales and new orders growth. Though near-term outlook is uncertain, **businesses optimism was decidedly higher for the 12-months ahead period, potentially due to the fast pace of vaccination rollout and the upcoming Expo event**



Source: Refinitiv Datastream, Our World in Data. Charts created by Nasser Saidi & Associates

Saudi Arabia: Riding the digital wave

- **Proxy indicators for consumer spending** (ATM withdrawals & PoS transactions) continue diverging; recent restrictions on gatherings / entertainment will likely affect overall spending for Feb
- **E-commerce received a jumpstart during the pandemic period:** number of transactions picked up by 400% yoy in 2020 & sales value up by 341.2%. This **compares to year 2017**, when only 38.5% (of those aged 15+) had used the internet to pay bills or buy something online and just 25.7% had used mobile phone or internet to access an account (Source: Global Findex database)
- **Overall loans picked up in the country**, with loans to both the private and public sector rising around 15% and 18% respectively in Jan, after posting increases of 13% and 18% in 2020



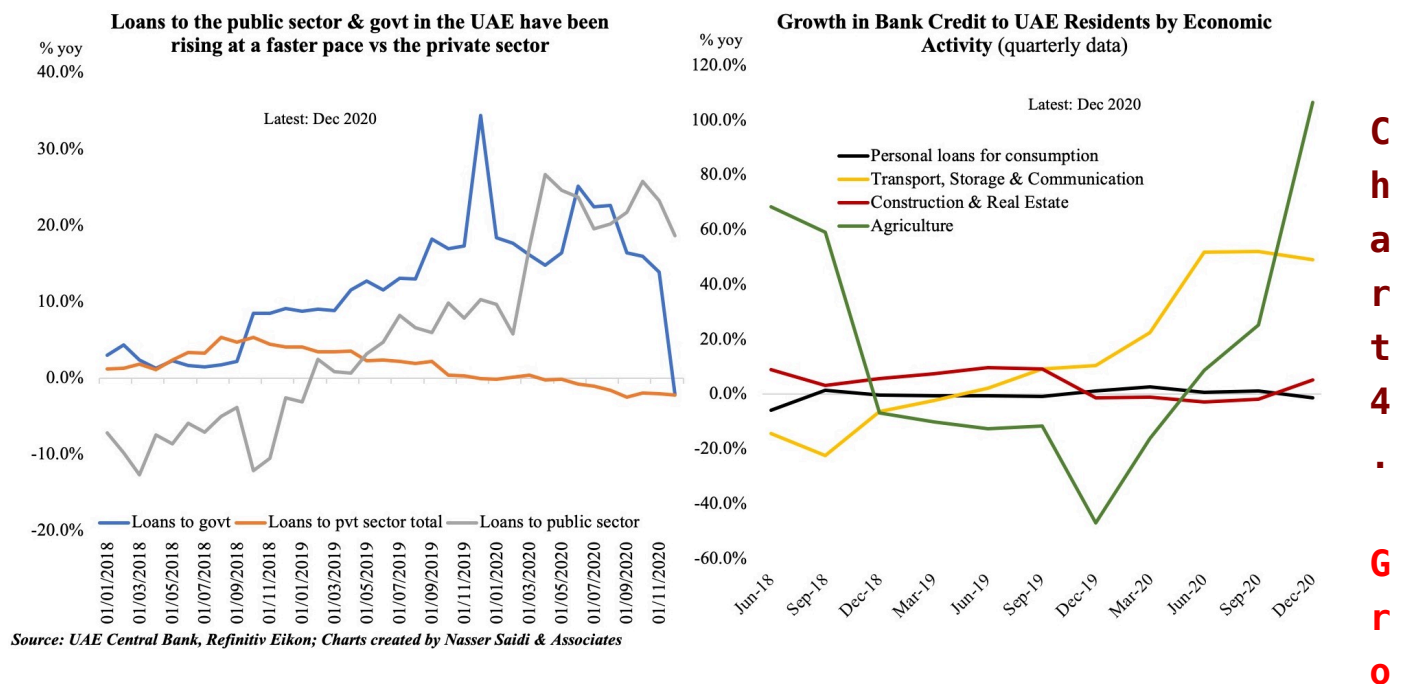
Source: Saudi Central Bank (SAMA), Refinitiv Eikon; Charts created by Nasser Saidi & Associates

AE bank loans: where's the appetite?

- **About 70% of UAE banks' loans went to the private sector as of end-2020**, with the public sector & government together accounting for ~30% of all loans
- Overall, the **surge in lending to GREs and the government** – at 16.1% yoy and 19.8% respectively – in 2020 contrasted the **drop in lending to the private sector** (-1.0%)
- **The uptick in loans towards agriculture** surged by 106.6% yoy at end-Dec 2020, following increases of 8.7% and

25.5% respectively in Jun and Sep 2020, underscoring the focus on food security and evidence of investments into vertical farming and agritech companies (its share of total loans is just 0.13%).

- Loans to construction sector (accounting for ~20.5% of total loans) ticked up by 5.2% yoy as of end-Dec (vs 0.2% drop in 2020); **personal loans for consumption** (~20.4% of total loans) dipped by 1.3% as of end-Dec



wing Pains: UAE's SMEs amid Covid19

- The **share of SME lending in total domestic lending remained unchanged at 5.7% in Q3** (Q2 2020: 5.7%), though lower than 5.9% share as of end-Q1
- Within the MSME segment, as of end-Q3, the largest share of loans was disbursed to medium-sized firms (57.3%) and close to 1/3-rd to the small enterprises
- The **number of MSMEs in the UAE declined by 8.5% qoq to 114,361 as of end-Sep**. This **drop was visible across all 3 segments**, with small enterprises plunging by 13.7% qoq as of end-Sep (Jun: +5%) and micro and medium enterprises down by 3.7% and 2.6% respectively
- With total lending remaining almost stable alongside a sharp drop in number of MSMEs, the **amount disbursed per**

firm increased across the board at end-Sep: overall by 9.2% qoq while amounts to micro, small and medium firms grew by 4.8%, 13% and 3.8% respectively

- **Banks' provisions for bad and doubtful debts amounted to USD 42.5bn as of Dec 2020**, up from USD 36.1bn at end-2019. With a large number of MSMEs dropping out of business, **expect non-performing loans to tick up & eat into banks' profitability**

Table: Bank lending to MSMEs in the UAE

<i>in AED bn, unless specified</i>	Dec-19	Mar-20	Jun-20	Sep-20	% qoq (latest)	% ytd
Microenterprises	11.4	10.9	10.5	10.6	1.0%	-7.0%
Small enterprises	28.2	29.4	29.6	28.9	-2.4%	2.5%
Medium enterprises	49.9	53.1	52.3	52.9	1.1%	6.0%
Total lending to MSMEs	89.5	93.4	92.4	92.4	0.0%	3.2%
Total lending to private sector	1134.6	1148.9	1139.4	1138.4	-0.1%	0.3%
Total domestic lending	1592.6	1595	1626.9	1611.7	-0.9%	1.2%
Share of MSMEs as % of private sector lending	7.9%	8.1%	8.1%	8.1%		
Share of MSMEs as % of domestic lending	5.6%	5.9%	5.7%	5.7%		

Source: UAE Central Bank, Nasser Saidi & Associates

Number of MSMEs accounts at banks operating in UAE

	Mar-20	Jun-20	Sep-20
Microenterprises	30625	32021	30843
Small enterprises	60150	63147	54514
Medium enterprises	29137	29767	29004
Total MSMEs	120272	124935	114361

Amount disbursed per firm in '000 AED

	Mar-20	Jun-20	Sep-20
Microenterprises	355.9	327.9	343.7
Small enterprises	488.8	468.7	530.1
Medium enterprises	1822.4	1757.0	1823.9

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