

Weekly Insights 19 Aug 2021: Charts on Global Trade Recovery + Tourism in the Middle East + Fiscal deficits in Bahrain & Kuwait + Consumer & Producer Prices in Saudi Arabia

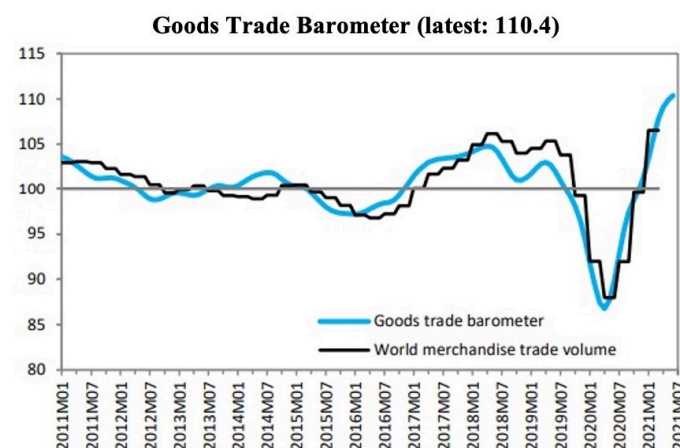
Weekly Insights 19 Aug 2021: Charts of the Week (Global Trade Recovery + Middle East's Tourism Indicators + Fiscal deficits in Bahrain & Kuwait + Consumer & Producer Prices + Industrial Production in Saudi Arabia)

1. Recovery in trade in 2021, though the pace is slowing; port closures to lead to delays & higher costs

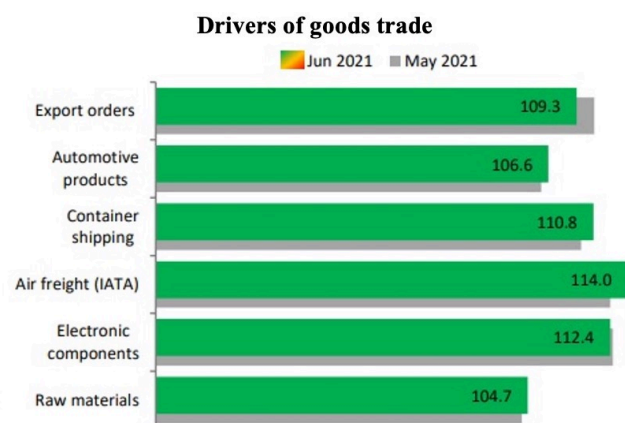
- The WTO's latest **Goods Trade Barometer**, with a record high reading of 110.4, underscores the strength of **recovery**: it is up more than 20 points in year-on-year terms. However, data suggest that the index is rising at a slower pace. Overall, **the WTO expects world merchandise volume to grow by 8% this year** (vs 2020's 5.3% drop).
- All components identified as **drivers of trade were above trend** (100): but the **easing of the forward-looking export orders in Jun** (vs May) suggests that the uptick seen in the earlier months might be slowing. This is

also evident from recent PMIs: rate of expansion in JP Morgan's global manufacturing PMI had slowed further from May's 15-year high.

- Furthermore, **supply chain disruptions will continue to have a negative impact**: the recent closure of the Ningbo Zhoushan port in China (following a Covid19 case) is leading to congestion at several other Chinese ports & likely lead to delays as well as uptick in freight charges. Case in point: **Freightos Baltic Global Container Index**, a weighted average of 12 major global container routes, **hit a record high of USD 9,770** per forty-foot equivalent (FEU) container this week.

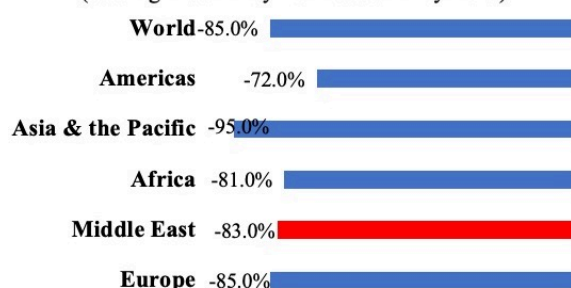


Source: Goods Trade Barometer, WTO (issued 18th Aug, 2021)



2. Tourism: As regions with large domestic markets recover faster, no surprise that the Middle East lags

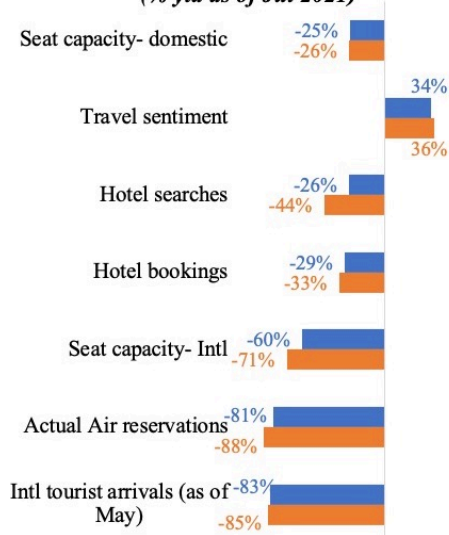
Growth in International Tourist Arrivals
(% chng in Jan-May 2021 vs Jan-May 2019)



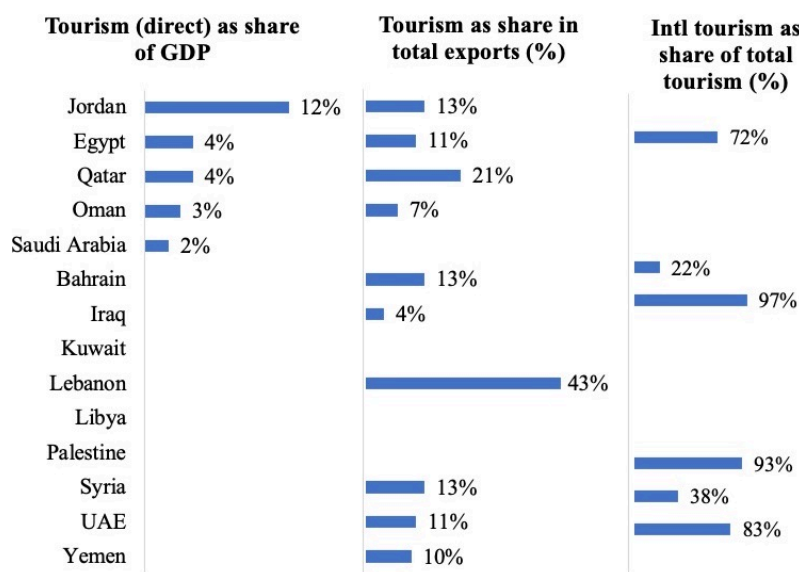
International Tourist Arrivals in the Middle East, by country

	2020	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Middle East	-75%	-84%	-84%	-82%	-84%	-82%
Bahrain	-83%	-92%	-92%	-99%	-93%	-90%
Egypt (as of Aug)	-69%					
Lebanon (as of May)	-71%					
Oman	-75%	-87%	-92%	-90%	-95%	-97%
Qatar	-73%	-93%	-92%	-92%	-93%	-87%
Saudi Arabia	-76%	-88%	-90%	-92%		
UAE	-67%	-70%	-70%	-64%	-68%	-62%

Tourism Indicators in the Middle East vs Global
(% ytd as of Jul 2021)



Vulnerability of tourist destinations in the Middle East

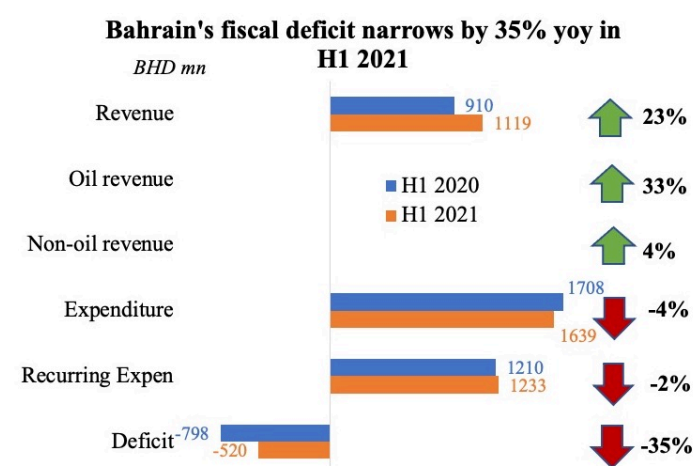


Source: UNWTO. Charts created by Nasser Saidi & Associates

3. Bahrain's deficit narrows in H1 2021, thanks to a rise in oil revenues; debt needs taming

- **Budget deficit in Bahrain narrowed to BHD 520mn in H1 2021** (-35% yoy), supported by a 23% pick up in revenues (largely due to the **33% rise in oil revenues**).
- Overall, **revenues (& expenditures) in H1 account for 46.5% (& 45.4%) of the total budgeted for the full year 2021**. The budget, based on oil price at USD 50 per barrel, is estimated to post a deficit of BHD 1.2bn in 2021. According to the IMF, the **fiscal breakeven price for Bahrain is USD 88.2 this year & USD 85.8 in 2022**.
- **Bahrain needs to reduce debt once economic recovery is back on track**: its **gross public debt** rose to 133% in 2020 and is forecast to increase to 155% by 2026. Its **gross external debt is meanwhile projected to ease**

slightly to 245.6% of GDP this year (2019: 225.7% & 2020: 257.7%) .



Source: Bahrain's Biannual Financial Report 2021, Nasser Saidi & Associates

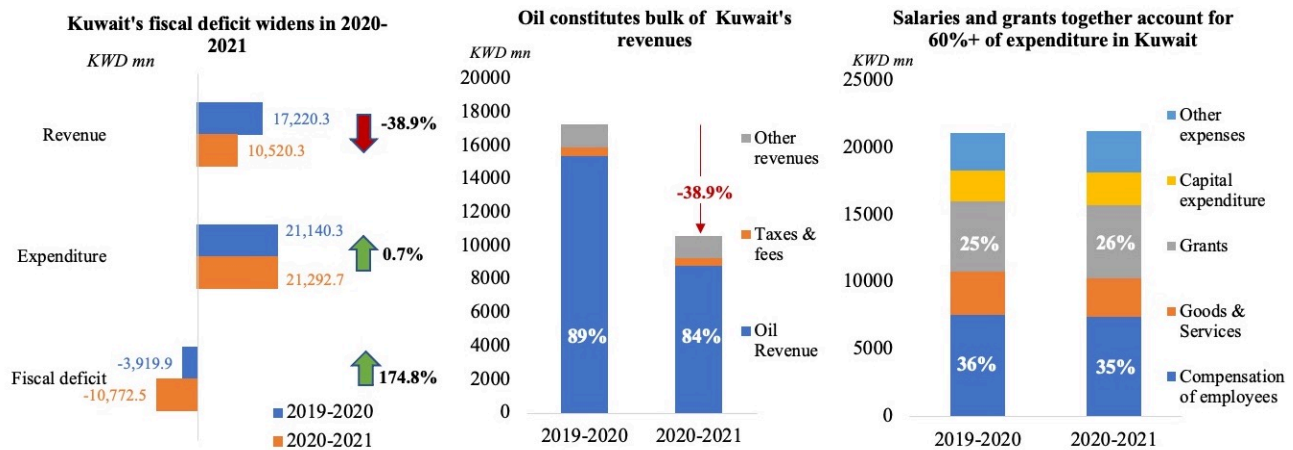
Key macroeconomic indicators, Bahrain				
	2019	2020	2021	2022
Real GDP	2.0	-5.4	3.3	3.1
Oil	2.2	2.0	0.7	0.7
Non-oil	2.0	-7.0	3.9	3.7
CPI	1.0	-2.3	1.5	2.1
Oil revenues (% of GDP)	14.6	9.8	13.1	11.9
Fiscal deficit (% of GDP)	-9.0	-18.3	-9.1	-9.4
Govt gross debt (% GDP)	102.0	133.0	129.0	134.0
Oil exports (share of total exports)	0.5	0.4	0.5	0.5
Current account balance (% of GDP)	-2.1	-9.6	-4.0	-4.2
International Reserves (\$)	3.7	2.2	2.5	2.7
in months of non-oil imports	2.3	1.3	1.4	1.4

Source: IMF REO (Apr 2021) & Article IV (Mar 2021)

4. Kuwait's fiscal deficit almost triples in 2020-21 vs a year ago; salaries & subsidies continue to account for a substantial portion of overall expenditure

- **Kuwait posted a fiscal deficit of KWD 10.8bn in 2020-21, compared to USD 3.9bn a year ago.**
- Revenues plunged by 39% yoy in 2020-21, largely due to a **42.8% drop in oil revenues**; taxes and fees fell by 10.6%. Oil revenues accounted for 84% of overall revenues last year and close to 90% the year before
- **Overall expenditures** was little changed (+0.7% yoy) and its **composition remained more or less steady**: salaries and grants together accounted for 60% of overall expenses; a 10% drop in goods & services was offset by a 12% uptick in other expenses
- It is hence little wonder that the Cabinet announced this week that **all government departments are to reduce spending by no less than 10% in the current fiscal year (2021-22)**. Furthermore, the government is considering a maximum threshold (of KWD 3000) for the disbursement of national labour support to private sector employees
- **Kuwait's debt levels are substantially lower (vs Bahrain), but it urgently needs to:** (a) boost its non-oil revenues with the introduction of VAT; (b) reduce

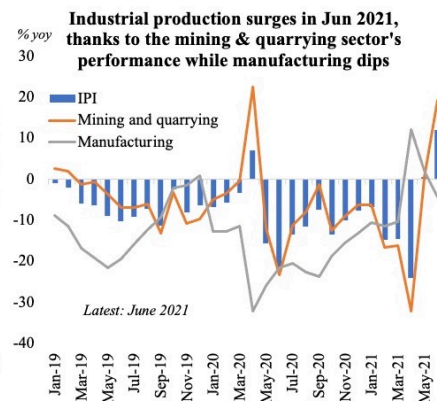
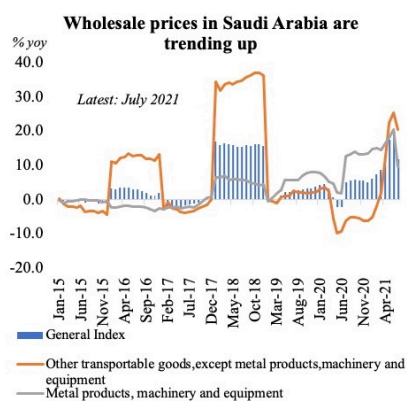
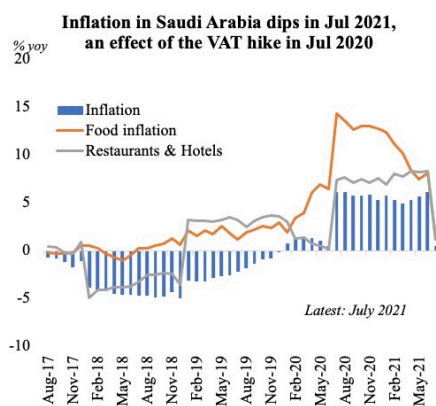
subsidies and introduce other expenditure-reducing measures; and (c) push Parliament to pass the debt law which has limited its ability to issue international debt to finance spending (among others)



Source: Ministry of Finance, Kuwait. Charts created by Nasser Saidi & Associates

5. Prices are on the rise in Saudi Arabia (taking into consideration effect of a higher base last year) while industrial production gains (due to oil)

- **Consumer price inflation slowed to 0.4% yoy in Jul**, largely due to the uptick in Jul 2020 when VAT was hiked to 15% (on a monthly basis, prices were up by 0.2%). However, **food costs are now up 8.4% on avg this year (till Jul) vs overall inflation at 4.8%**
- **Wholesale prices increased to 11.9% yoy in Jul** (Jun: 19.76%), as the effect from the Jul 2020 VAT hike dissipates. **Other transportable goods**, with a weightage of 33.72% and which includes refined petroleum products prices, **reported the largest rise during the month (+20.49%)**. Rising global prices of metals and electrical machinery are also reflected in the country.
- Lastly, **industrial production in Saudi Arabia increased by almost 12% in Jun 2021**, attributed mostly to the **increase in oil production** as non-oil manufacturing sector activity dropped by 4.2% yoy and 0.4% mom.



Source: General Authority for Statistics, Saudi Arabia. Charts created by Nasser Saidi & Associates

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