Weekly Insights 11 Nov 2021: a broad-based recovery is underway in the GCC

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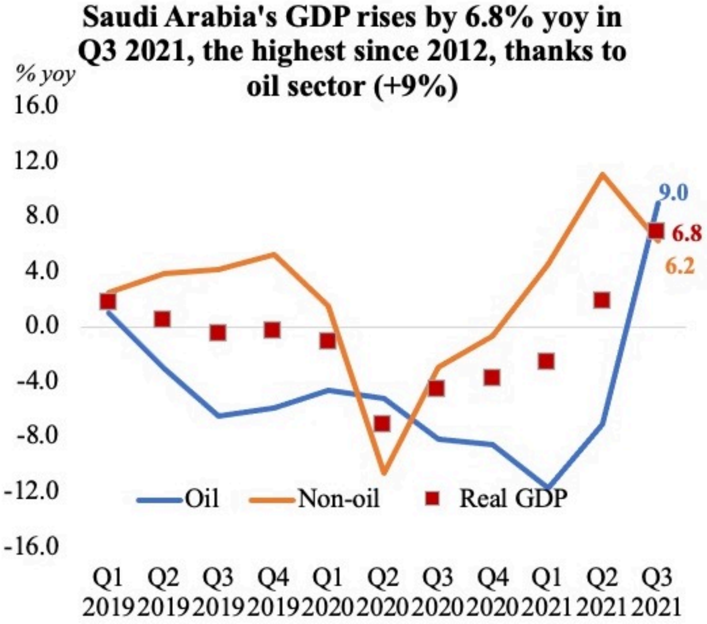
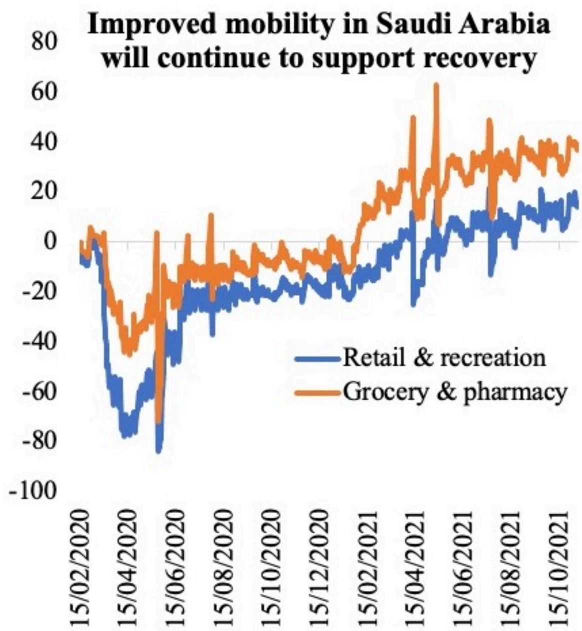
1. Saudi Arabia's preliminary Q3 GDP surges by 6.8%, supported by oil sector gains

- **Saudi Arabia's preliminary Q3 GDP estimates show that the economy expanded by 6.8% yoy**, thanks to a 9% yoy uptick in the oil sector while non-oil sector activity eased (+6.2% vs Q2's 11.1%). Higher demand for oil globally, rise in oil production (as agreed under OPEC+) and higher oil prices supported the uptick
- The **7-day rolling average of daily confirmed Covid19 cases is low at 44.3** (as of 10th Nov), and with **high vaccination rates** (69% have had at least 1 dose, 62% fully vaccinated), stringency index shows that rules have been significantly relaxed (57.41 from a peak of 94 at end-Apr 2020)
- **High-frequency mobility indicators suggest an improvement in economic activity into Q4 as well**, after restrictions are eased, flights and even events resume (Riyadh Season 2021, FII, upcoming F1 race in Jeddah)

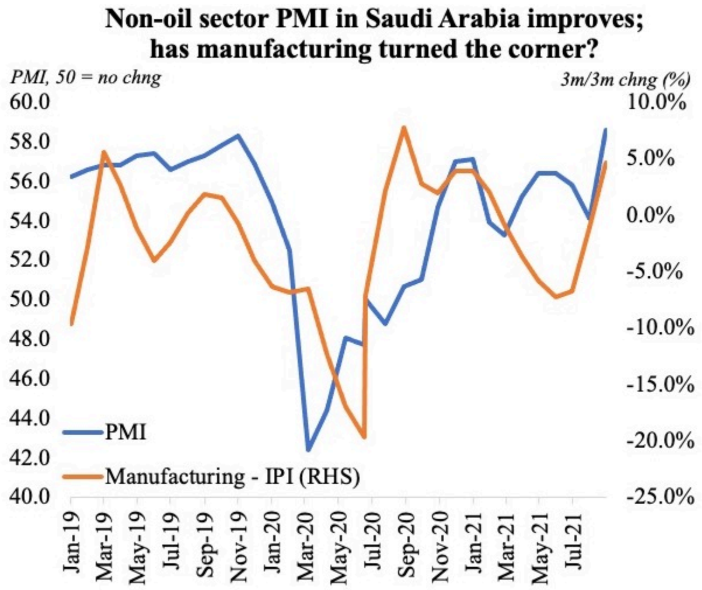


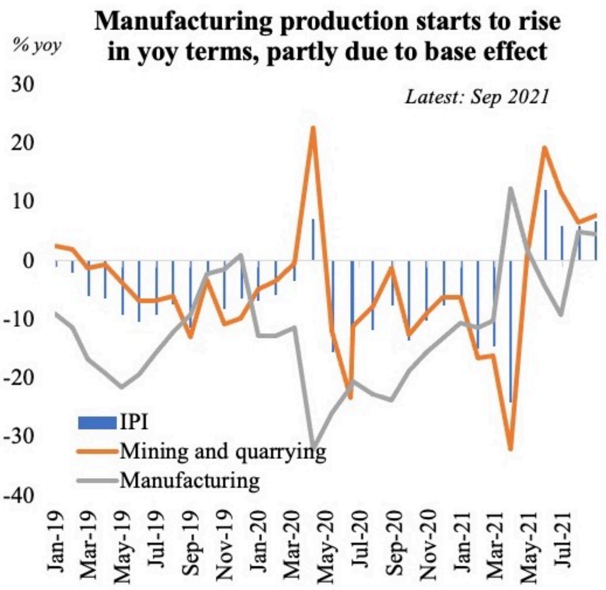


Source: GaStat, Google Mobility reports; Charts by Nasser Saidi & Associates

2. Industrial production in Saudi Arabia rises by 6.5% yoy in Sep; manufacturing pace is slower vis-à-vis PMI

- Higher mining and quarrying production (+7.6% yoy) has led to a 6.5% increase in overall industrial production index in Sep. Saudi increased oil production to 9.6mn barrels per day (bpd) from 8.9mn bpd a year ago.
- The manufacturing component within the IPI (22% weight in overall index) eased slightly to 4.6% (Aug: 5%)
- The **non-oil sector PMI expanded for a 14th straight month in Oct** (57.7), with strong new orders sub-index
- To see if this positive behaviour in **PMI** was reflected in practice, we **tracked it along with manufacturing growth.** The chart on the left tracks three-month-on-three-month changes in the official IP data to remove some volatility along with headline PMI data. It shows that improvement in non-oil sector is happening faster than in official manufacturing – pointing to the **strength in recovery of the non-oil, non-manufacturing sectors.** But after a consecutive period of declines, **manufacturing seems to be improving from Jul onwards.**

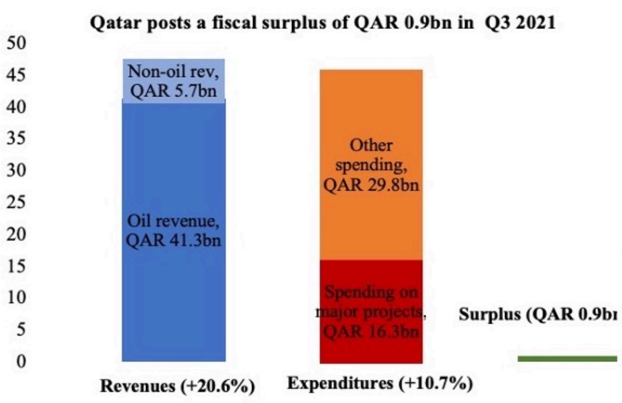




Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates

3. Increase in energy prices leads Qatar to post a fiscal surplus in Q3

- Qatar's Ministry of Finance revealed that a fiscal surplus of QAR 0.9bn was posted in Q3 2021. **For the Jan-Sep 2021 period, total budget surplus stands at QAR 4.9bn**
- While revenues grew by 20.6% yoy, **revenues from the energy sector accounted for 87.7% of total income** in the quarter. Oil and gas revenues grew by 34.6% yoy to QAR 41.3bn in Q3. On the expenditure side, **more than one-third went towards major projects including 2022 World Cup.**
- **Public debt also increased in Q3, up 3.3% to QAR 383bn**



Source: Qatar Ministry of Finance

Key macroeconomic indicators, Qatar

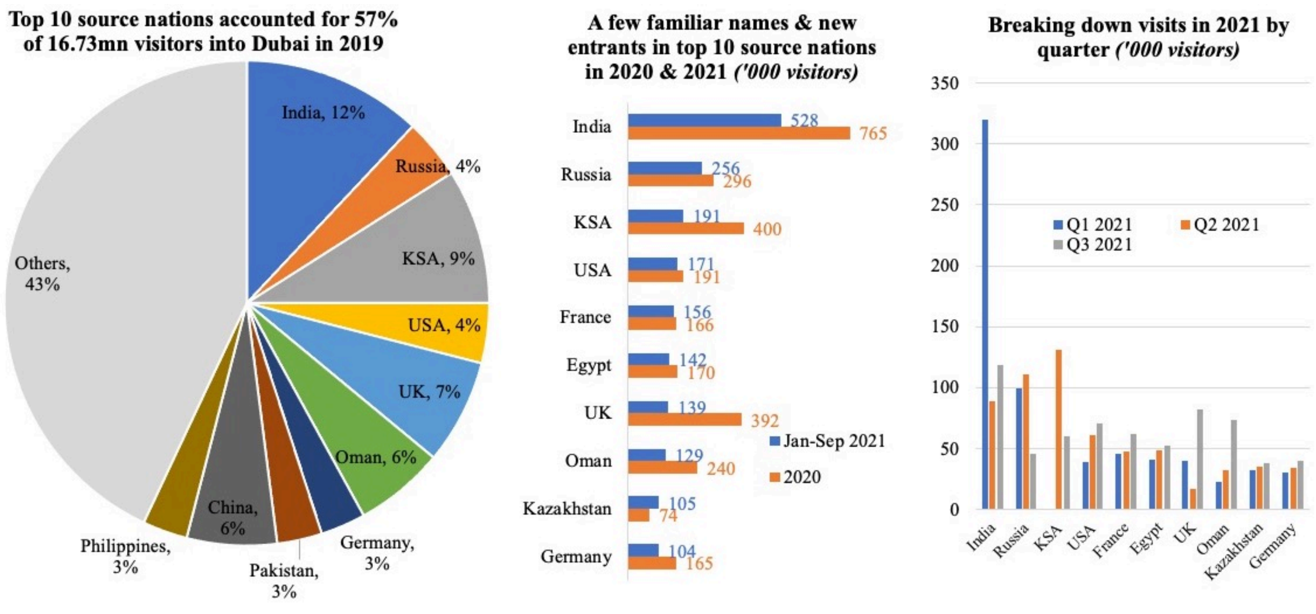
	2019	2020	2021	2022
Real GDP (% yoy)	0.8	-3.6	1.9	4.0
Oil	*2.4*	*-4.5*	*2.0*	*4.7*
Non-oil	*-1.8*	*-2.1*	*1.9*	*2.8*
CPI (% yoy)	-0.7	-2.7	2.5	3.2
Fiscal breakeven oil price (USD)	50.6	48.8	46.5	44.1
Non-oil fiscal balance (% of non-oil GDP)	-33.7	-33.5	-32.6	-31.8
Fiscal surplus (% of GDP)	4.9	1.3	2.8	5.7
Govt gross debt (% GDP)	62.3	72.1	59.0	53.1
Current account balance (% of GDP)	2.4	-2.4	8.2	11.6
International Reserves ($ bn)	39.7	40.9	53.8	63.8
in months of non-oil imports	*8.1*	*7.8*	*10*	*11.4*

Source: IMF REO (Oct 2021)

4. Expectations for Dubai Expo to attract more tourists in Q4;

a few (pre-Covid) top source nations still missing

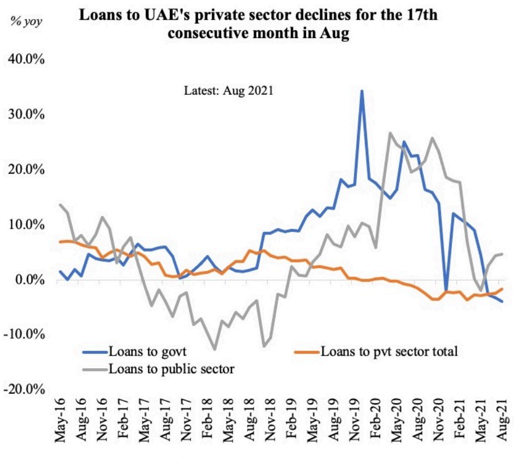
- **Dubai PMI for Oct surged to 54.5 in Oct** (Sep: 51.5) as new orders rebounded; anecdotal evidence, including from hospitality and retail sectors, indicate an increase in tourism activity since the start of the Expo, which bodes well for recovery
- **Dubai Expo this week reported nearly 3mn visits since its doors opened on Oct 1** (includes multiple visits). **In the one month** since the start of the Expo, of the 2.35mn visits, **28% were from schools** (given the Expo Schools Programme) **while 17% were from overseas**. India, Germany, France, Saudi Arabia and the UK were cited as the top nations with most visits *(not updated at the latest briefing)*. This **reflects the composition of tourists visiting Dubai** : these are 5 of the top 10 source nations in Jan-Sep 2021
- **Compared to pre-Covid** (when tourist numbers into Dubai stood at 16.73mn), **many top source nations are still missing this year** given Covid19 and flight restrictions – noticeably China, Philippines & Pakistan. This year saw 3.85mn visitors till Sep, but pace has been determined by flight restrictions (visits from India dropped in Q2, no Saudi visits in Q1 & low in Q3 given border closures).

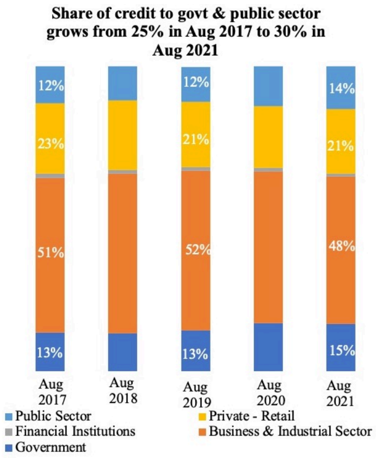


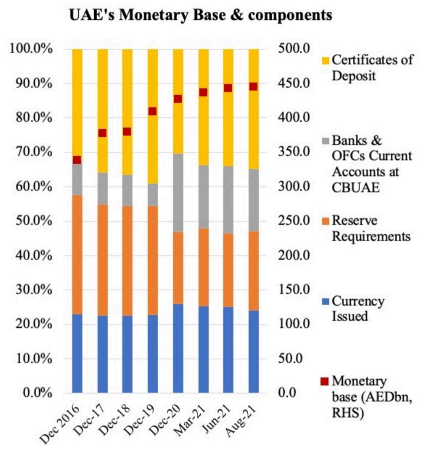
Source: Dubai DTCM; Charts by Nasser Saidi & Associates

5. Credit disbursement to the UAE's private sector remains weak in 2021

- **Aug marks the 17th consecutive month of yoy decline in credit to the private sector and 14th consecutive month of yoy decline in lending to the business sector**
- **Overall domestic credit disbursed in UAE fell** by 1.2% yoy in Aug 2021; but compared to a month ago, it was up by 0.3%. Together, credit to the government and public sector account for 30% of the total in Aug, while the **share of credit to businesses has dropped to 48% of the total** from 52% in the same period 2 years ago
- **UAE's monetary base expanded by 1.8% mom in Aug**, supported by the 68.5% expansion in Banks & OFC's Excess Reserves (11% of monetary base) while all other sub-components fell.
- **All monetary aggregates – M1, M2 and M3 – inched up**: M1 increased by 1.1% mom in spite of the 2.6% **drop in currency in circulation**; M2 ticked up by 0.7%, supported by the 2.9% **rise in foreign currency deposits**; M3 was up by 0.3% although **government deposits dropped** by 1.4%.

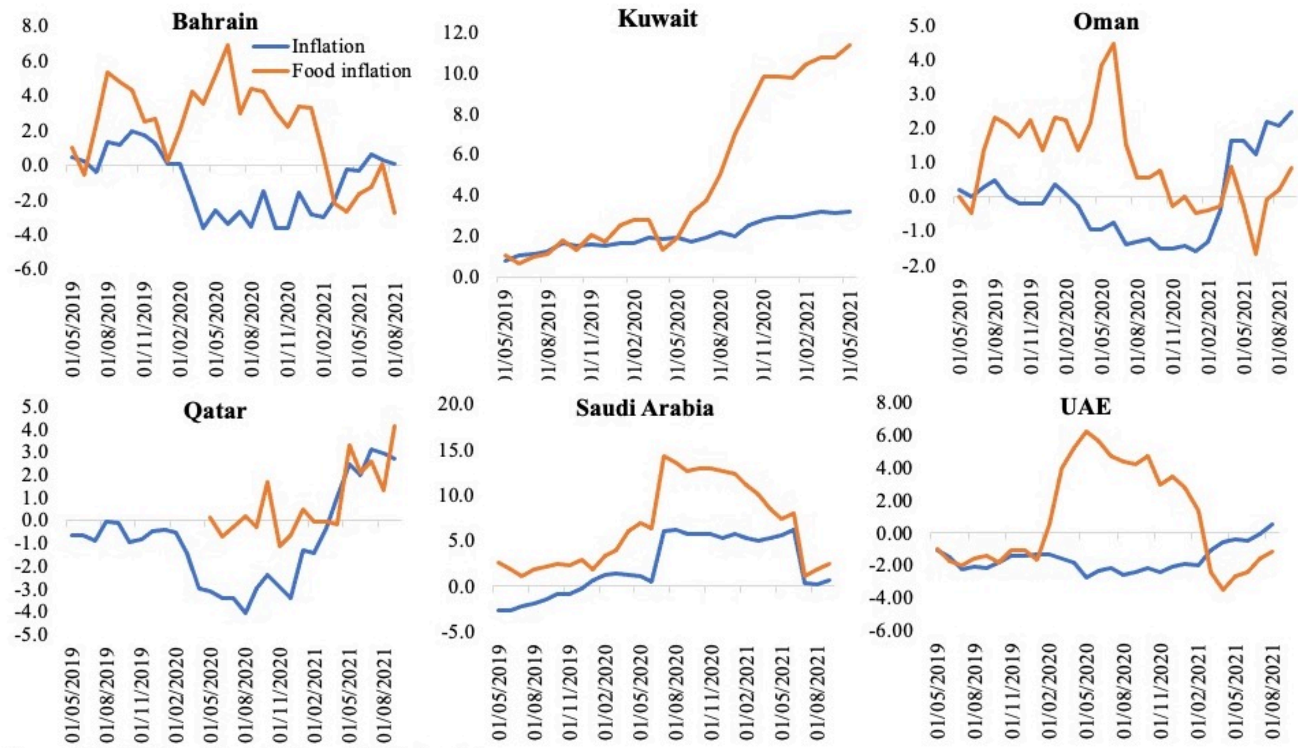






Source: UAE Central Bank. Charts by Nasser Saidi & Associates.

6. Inflation in the GCC is slowly ticking up



Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
Latest available data: Bahrain (Aug), Kuwait (Jul), Oman Qatar Saudi Arabia (Sep), UAE (Aug)

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