

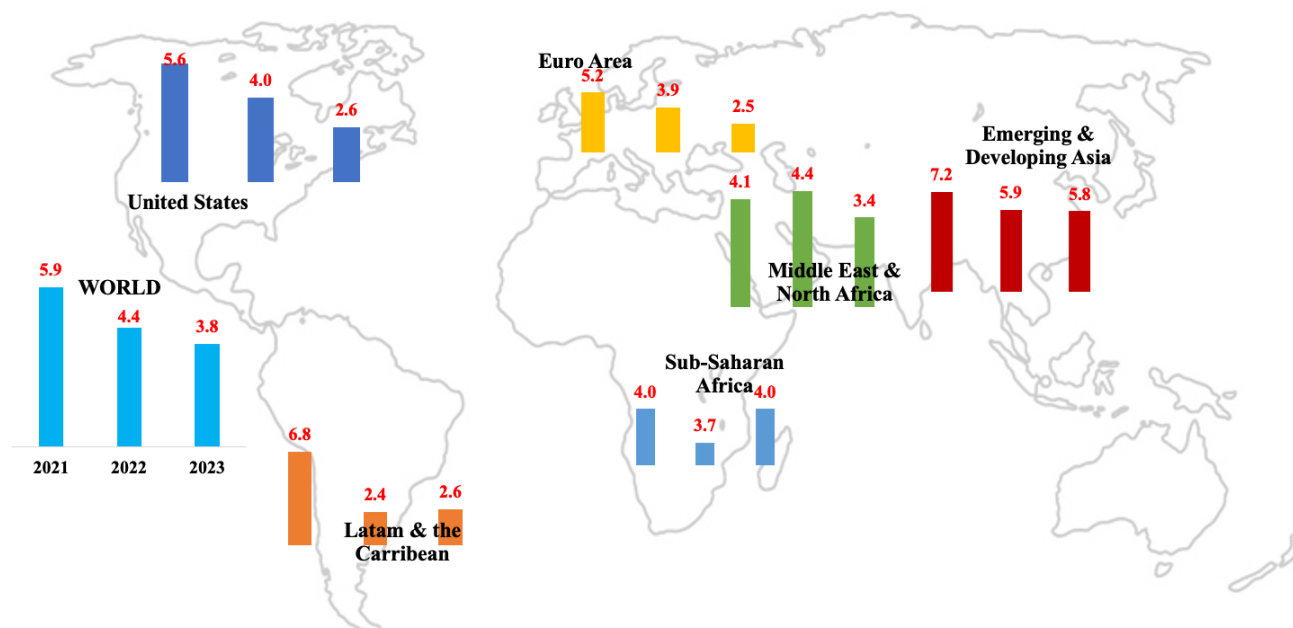
Weekly Insights 27 Jan 2022: IMF revises down global growth forecasts; MENA region growth supported by oil producers

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1. IMF revises growth forecast for this year to 4.4%, lower
due to downgrades for the US & China

- The IMF factors in that Omicron will weigh on economic activity in Q1 2022, thereby affecting supply disruptions and causing higher inflation amid a backdrop of record debt and uncertainty
- The Middle East & North Africa region is expected to grow by 4.4% in 2022, slightly higher than the 4.1% in 2021, thanks to the economic recovery among oil exporters (Saudi Arabia is estimated to grow by 4.8% from 2.9% in 2021)

Global economic growth expected to moderate to 4.4% in 2022 (from 5.9% in 2021): IMF



Source: IMF World Economic Outlook, Jan 2022. Chart by Nasser Saidi & Associates

2. MENA region to grow at 4.4% this year; but, with divergent prospects

- Recovery will depend on vaccination pace as well as the recovery of Covid19 hit sectors (tourism, hospitality, trade)
- **GCC nations will benefit from the recovery in oil prices**, given the increased production levels, in line with the OPEC+ decisions. The rise in oil prices will also support overall fiscal balances, though fiscal consolidation is being undertaken in a few (e.g. Oman, Saudi Arabia)
- **Oil importing nations are likely to grow by 4%+ this year**, with Egypt the brighter spot among them. Given ongoing reforms, Egypt is expected to grow by 5.6% in 2022
- The **financial sector has been quite resilient during the pandemic**, supported by the fiscal and monetary stimulus measures rolled out by governments in the region. Many have extended few policies (like loan deferrals) till mid-2022, allowing for a **gradual withdrawal of support**. Potential vulnerabilities once support is withdrawn

include non-performing loans, deteriorated asset quality etc.

- **Labour** was severely hit during the pandemic and **recovery to pre-pandemic levels will take longer in the MENA region**. The more imported labour-dependent GCC nations had seen a significant outflow during the early months of the pandemic have seen a reversal in fortune, thanks to multiple incentives (including longer-term visas, changes to labour laws etc).
- **Risk factors:** emergence of other Covid19 variants + supply chain disruptions (due to China's zero-Covid policy) & resultant inflation + more aggressive tightening from the Fed (risks to global financial conditions, reverse capital flows) + rising geopolitical tensions + social unrest + climate-related risks

3. Global preliminary

	US	Germany	EU	UK	Japan	China	India
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0
Sep-20	53.2	56.4	53.5	54.1	47.7	53.0	56.8
Oct-20	53.4	58.2	54.8	53.7	48.7	53.6	58.9
Nov-20	56.7	57.8	53.8	55.6	49.0	54.9	56.3
Dec-20	57.1	58.3	55.2	57.5	50.0	53.0	56.4
Jan-21	59.2	57.1	54.8	54.1	49.8	51.5	57.7
Feb-21	58.6	60.7	57.9	55.1	51.4	50.9	57.5
Mar-21	59.1	66.6	62.5	58.9	52.7	50.6	55.4
Apr-21	60.5	66.2	62.9	60.9	53.6	51.9	55.5
May-21	62.1	64.4	63.1	65.6	53.0	52.0	50.8
Jun-21	62.1	65.1	63.4	63.9	52.4	51.3	48.1
Jul-21	63.4	65.9	62.8	60.4	53.0	50.3	55.3
Aug-21	61.1	62.6	61.4	60.3	52.7	49.2	52.3
Sep-21	60.7	58.4	58.6	57.1	51.5	50.0	53.7
Oct-21	58.4	57.8	58.3	57.8	53.2	50.6	55.9
Nov-21	58.3	57.4	58.4	58.1	54.5	49.9	57.6
Dec-21	56.7	57.4	58.0	57.9	54.3	50.9	55.5
Jan-22	55.0	60.5	59.0	56.9	54.6		

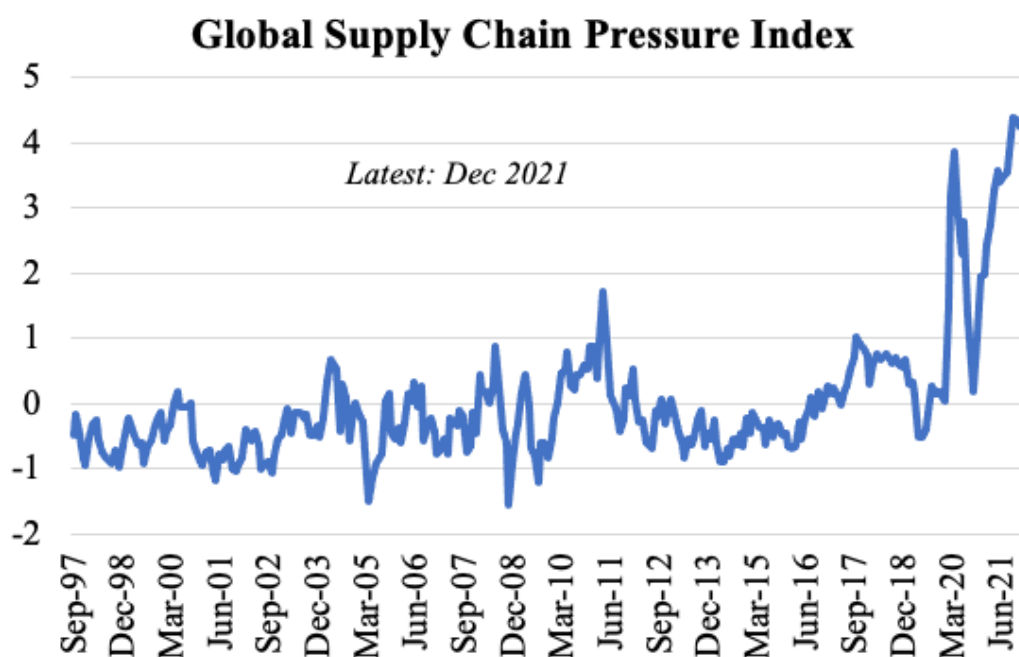
Source: Refinitiv Datastream, Nasser Saidi & Associates

- The Omicron variant seems to have **affected manufacturing PMIs in Jan substantially less when compared to services sector** (given restrictions on face-to-face meetings, gatherings + staff absences due to Covid/ close contacts)
- Fewer supply shortages and easing shipping delays seem to have **improved perception of manufacturers**; except in the US and UK, all others have seen a slight uptick in

the preliminary PMI reading for Jan 2022

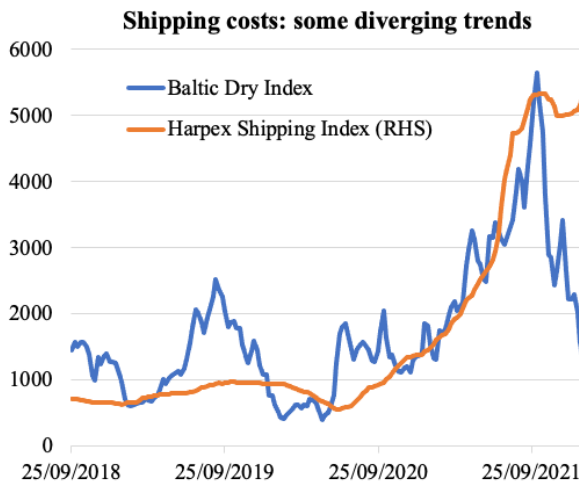
- **Inflation however looks on track to increase further in the coming months**, given the input and output prices tracked.
- With Covid19 cases having peaked in many European nations, easing of restrictions (in many cases gradual) are underway & will likely support a recovery in economic activity by Feb-Mar 2022.

4. Supply Chain Pressures seem to be easing from previous highs

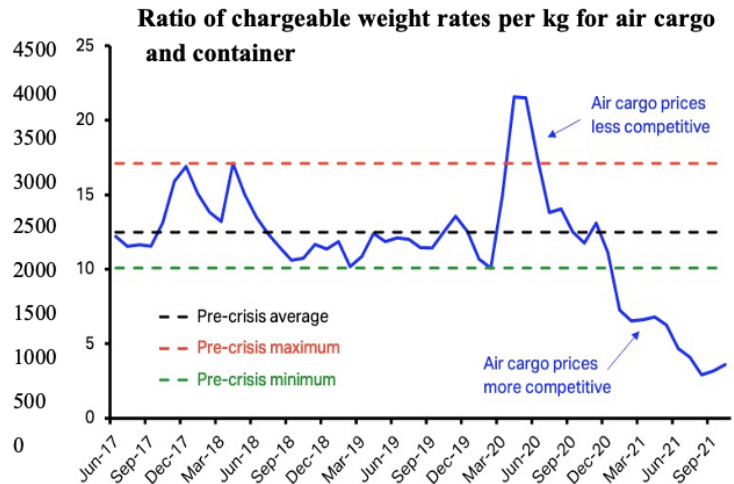


Source: Federal Reserve Bank of New York.

- The Fed's **Global Supply Chain Pressure Index** shows that though above pre-pandemic levels, there has been signs of an easing
- **Baltic Dry Index** (tracks cost of shipping raw materials) has come down significantly though **Harpex index** (which tracks container shipping rates) is rising again (after a few weeks of decline) after Omicron hit
- **Average price to move air cargo is about 3-5 times higher than ocean** now (vs 13-15X pre-pandemic)



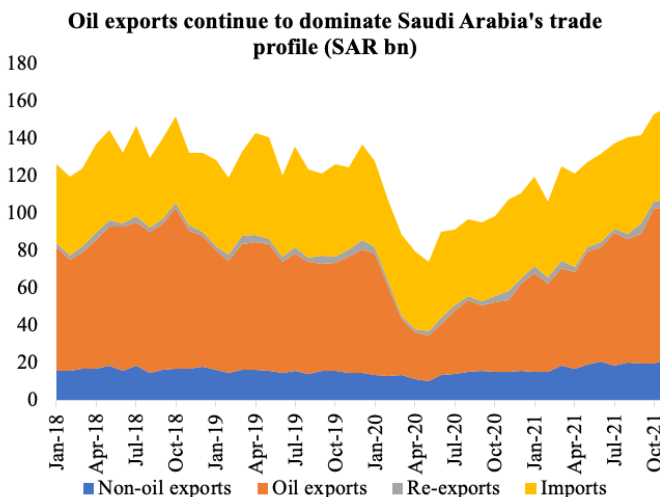
Source: Reuters Eikon. Chart by Nasser Saidi & Associates



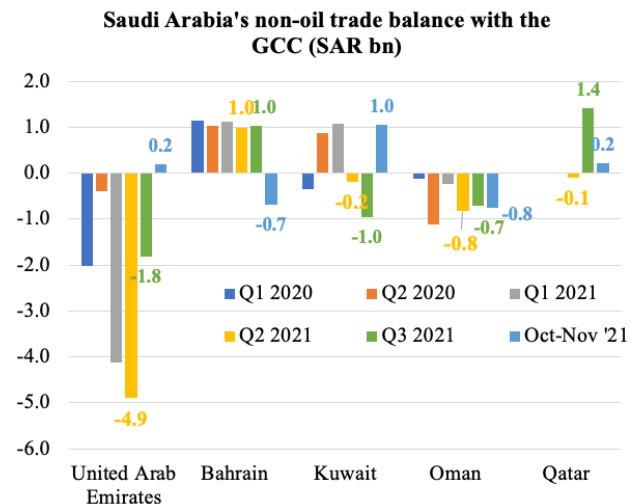
Source: Cargo Chartbook Q4 2021, IATA Economics

5. Saudi non-oil exports grew by 26.1% in Nov 2021; China largest trading partner

- **Oil exports continue to dominate** overall exports from Saudi Arabia: it stood at 75.8% in Nov 2021 vs just 65% in Nov 2020. Oil exports grew by 112.8% yoy in Nov
- Non-oil exports growth in Nov was supported by the **exports of chemicals or allied industries**: accounting for 34% of non-oil exports, this segment's growth surged by 70.6% yoy
- **China, India and Japan were the largest importing nations**, receiving 17.2%, 11.6% and 9.6% of Saudi's total exports in Nov
- Among the **non-oil trade with the GCC nations**, visible improvements were seen in UAE and Kuwait



Source: GaStat. Charts by Nasser Saidi & Associates



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