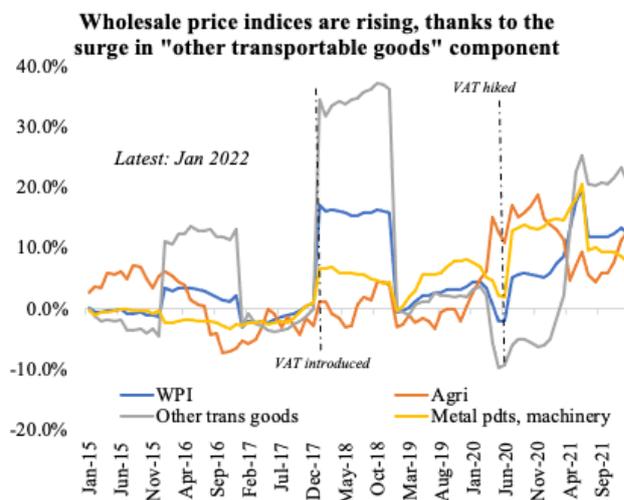


Weekly Insights 17 Feb 2022: Specter of Inflation Rising in MENA

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1. Inflation picking up again in Saudi Arabia. Higher consumer & producer prices in Jan

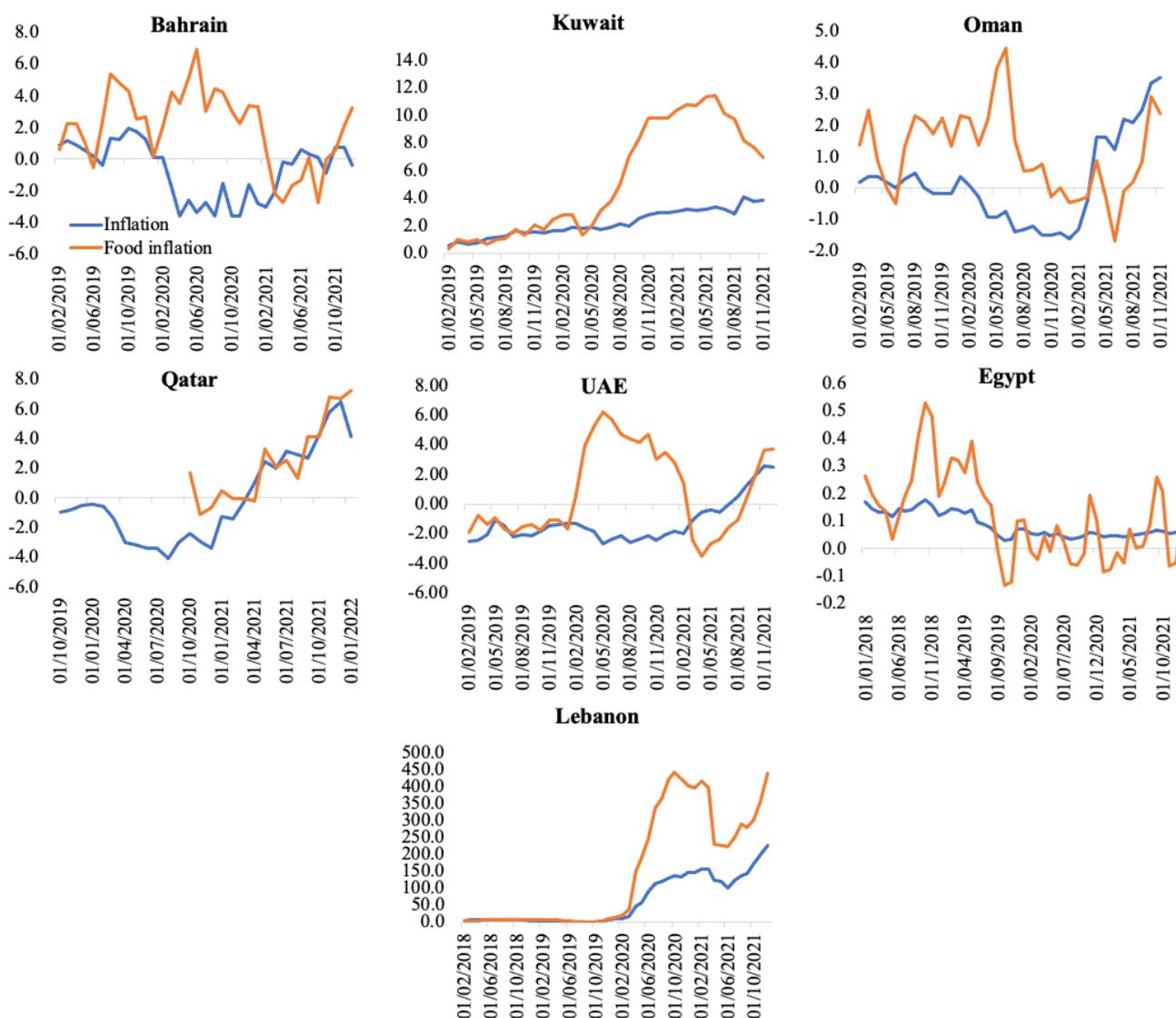
- The current increase in inflation in Saudi **reflects global trends**. However, the increase comes after prices eased in year-on-year terms (following the hike in VAT to 15% from Jul 2020 onwards)
- While the **inflation reading stabilized at 1.2% yoy in Jan 2022**, food prices were up by 2% (and 0.4% mom) and **transport prices by 4.9%** respectively. Global inflationary pressures and rising consumer demand domestically will play into an uptick in prices in Q1
- **Wholesale prices accelerated by 12.3% in Jan**, driven up by a 20.9% surge in “other transportable goods” which include basic chemicals and refined petroleum products: will likely spillover into CPI with a lag



Source: GaStat; Charts created by Nasser Saidi & Associates

2. Inflation specter rising across major Middle Eastern nations

- Inflation in Lebanon averaged 150% in 2021, with food inflation running at 300%+ as the country continues to bear the brunt of the economic, social and financial turmoil



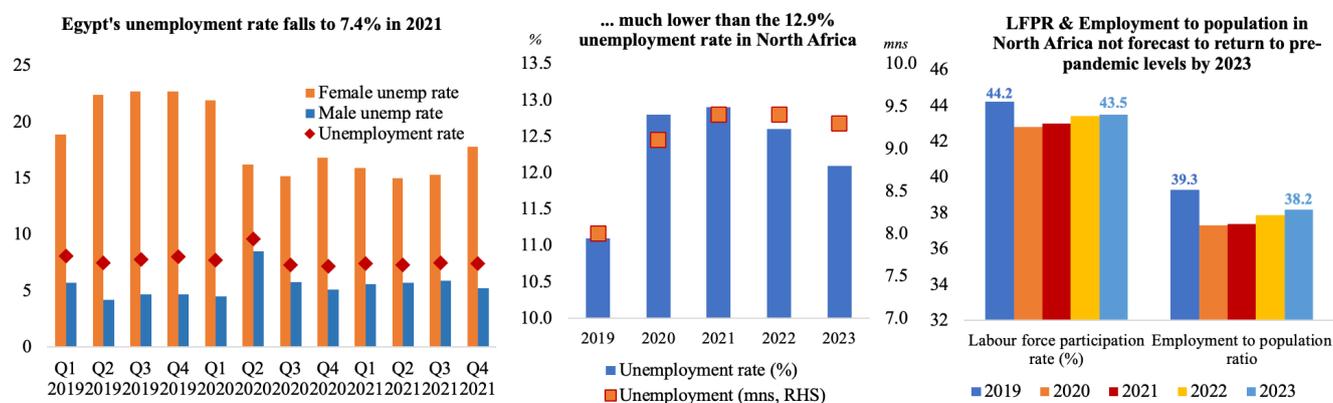
Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
Note: Data are as of Dec 2021, except Qatar & Egypt (Jan 2022)

3. Inflation is rising in Egypt, while unemployment rates remain high though lower than the rest of North Africa

- **Inflation in Egypt jumped to 7.3% yoy in Jan this year (Dec: 5.9%), with prices of fruits and vegetables up by 14%. Earlier this month, the central bank had left**

interest rates unchanged citing that inflation rate was still within the target rate of 7% on average in Q4. CB stance will likely be influenced by inflation rates in coming months

- The **surge in Jan comes on the heels of higher oil prices and prices of commodities/ minerals**; Egypt being an oil importer, prices look set to increase further this quarter
- Meanwhile, **unemployment rate in Egypt is stabilizing, inching closer to pre-pandemic levels** (2021: 7.4%); female unemployment rate (17.8% in Q4) is almost 3 times that of male unemployment rate (5.2%). Job losses during Covid were mostly among lower-skilled workers and in the informal sector; employment levels have been recovering
- **Egypt**, the most populous nation in North Africa, **is performing much better than the rest of the North Africa region** – where unemployment rate and levels are unlikely to fall to pre-pandemic levels even next year!



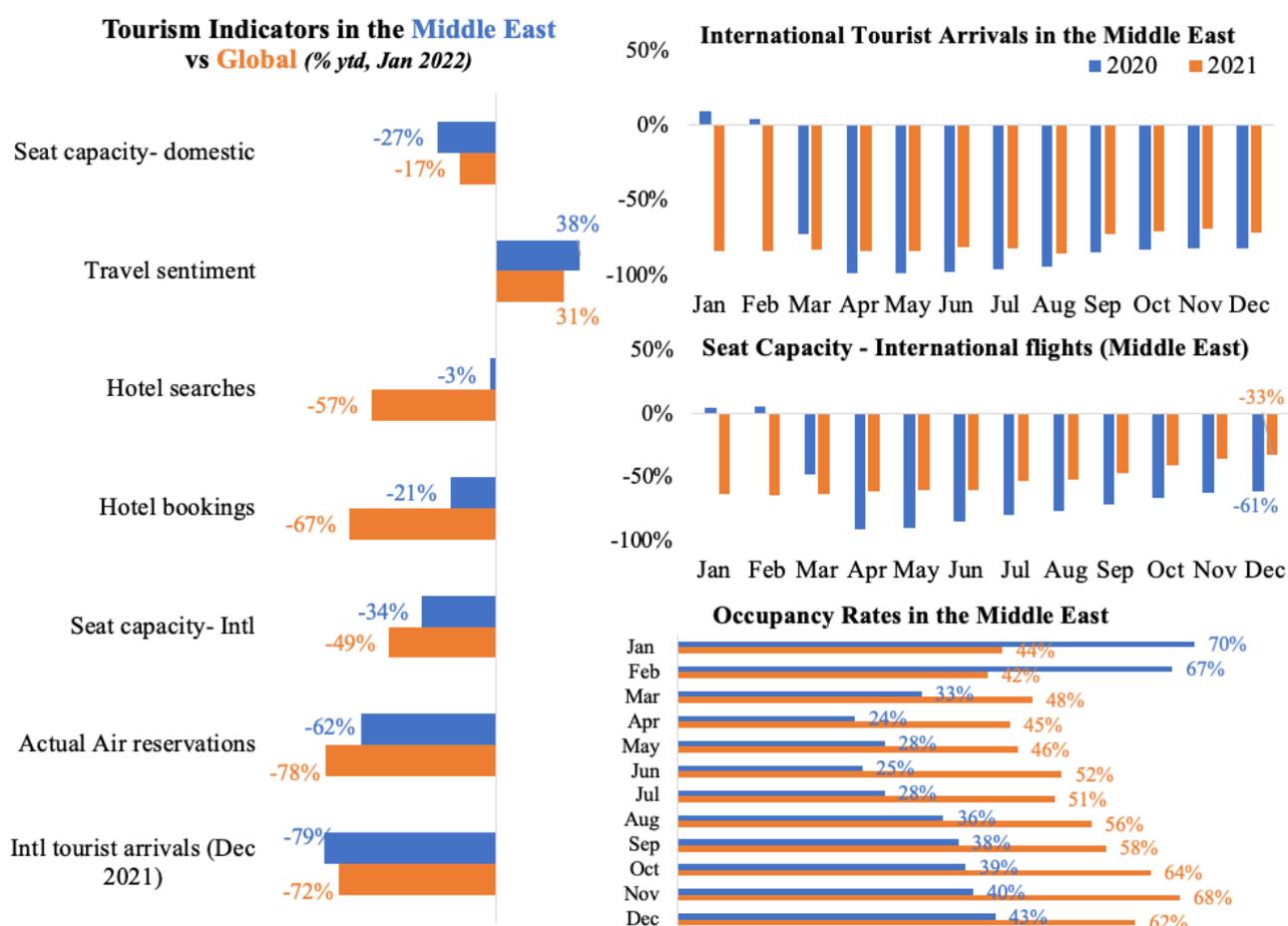
Source: CAPMAS, Refinitiv Eikon, ILO. Charts created by Nasser Saidi & Associates

4. Tourism-dependent Egypt likely to take longer to recover, given current travel trends in Middle East

- **Egypt's international tourists plunged to about 3.6mn in 2020 vs over 13mn in 2019; in H1 2021, it received over 3.5mn visitors.** The sector's contribution to GDP was 3.8% in 2020 (2019: 8.8%): WTTC
- **International tourist arrivals** in the Middle East **remained below global average in 2021** – another

challenging year after Covid hit

- **Monthly numbers indicate an improvement in H2 2021**, as vaccines were rolled out, restrictions eased, and traveler confidence increased.
- However, **fragile nature of the recovery** is highlighted by the impact from the Omicron variant (which shows in Dec readings)
- **Slow recovery expected**: 50% of UNWTO's ME panel of experts see international tourism into ME returning to pre-pandemic levels by 2023, and another 50% only in 2024 or later! (Survey conducted in Jan 2022)



Source: UNWTO. Charts created by Nasser Saidi & Associates

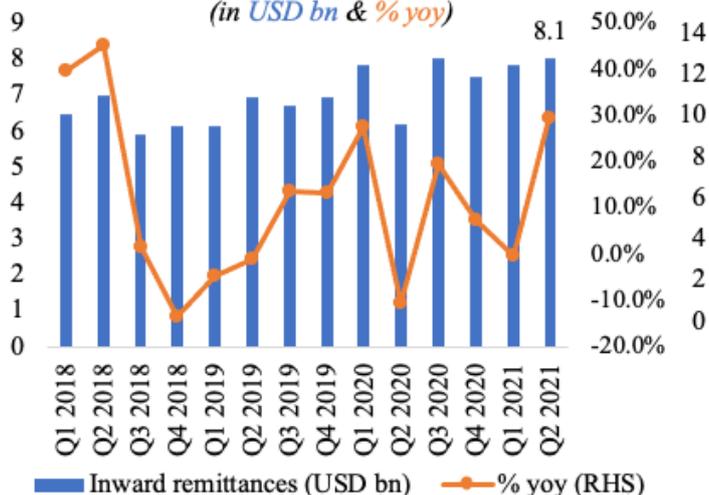
5. Remittances into Egypt have been resilient, but dependent on UAE & Saudi flows

- **Remittances fell in Q2 2020** but recovered quite quickly & remained resilient (including into 2021)
- **Egypt continued to see a surge in remittances**: a trend

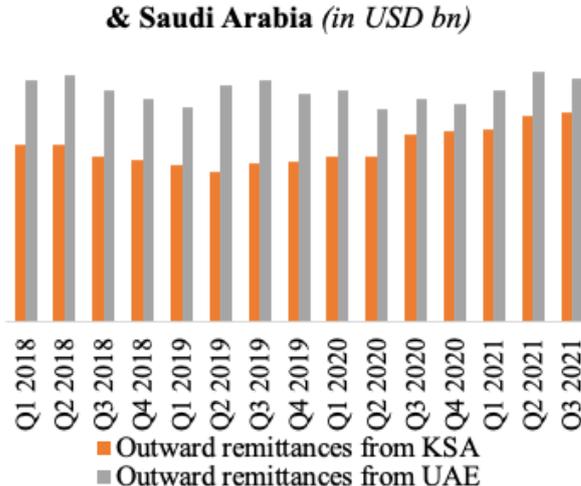
seen since the liberalization of the currency. It surged by an estimated 12.6% to a record high USD 33bn in 2021, according to the World Bank; remittances stood at around 8% of GDP

- This was **supported by a faster recovery in UAE and Saudi Arabia** (two of the top 3 remittance sending nations globally) and where Egypt is among the top recipients of said remittances. Going forward, strong oil and non-oil sector recovery in these 2 nations bode well for remittance flows.

Remittances into Egypt fell in Q2 2020, has recovered & remained resilient since
(in USD bn & % yoy)



Egypt is among the top recipient nations for remittances from the UAE & Saudi Arabia
(in USD bn)



Sources: Refinitiv Eikon, CBE, SAMA, UAE Central Bank. Charts by Nasser Saidi & Associates

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