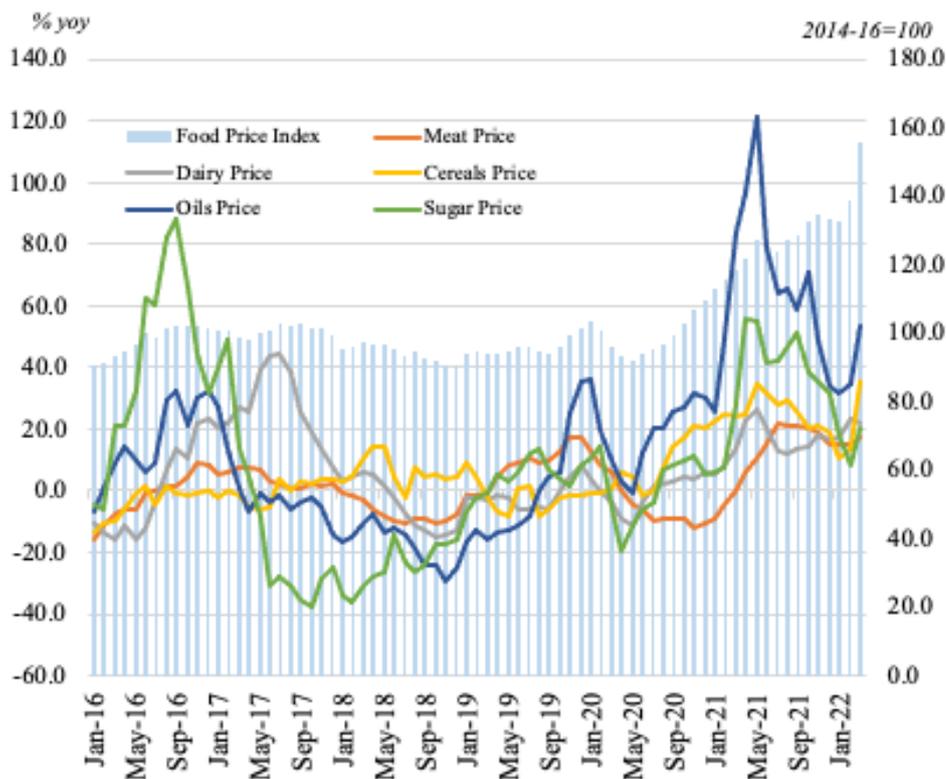


Weekly Insights 15 Apr 2022: Will War & Inflation derail the global economic recovery?

Inflation derail the global economic recovery? & Will War : Weekly Insights 15 Apr 2022

Global food prices rise to record highs: time for MENA to re-think & reorient food 1.

The FAO Food Price Index hits a new all-time high



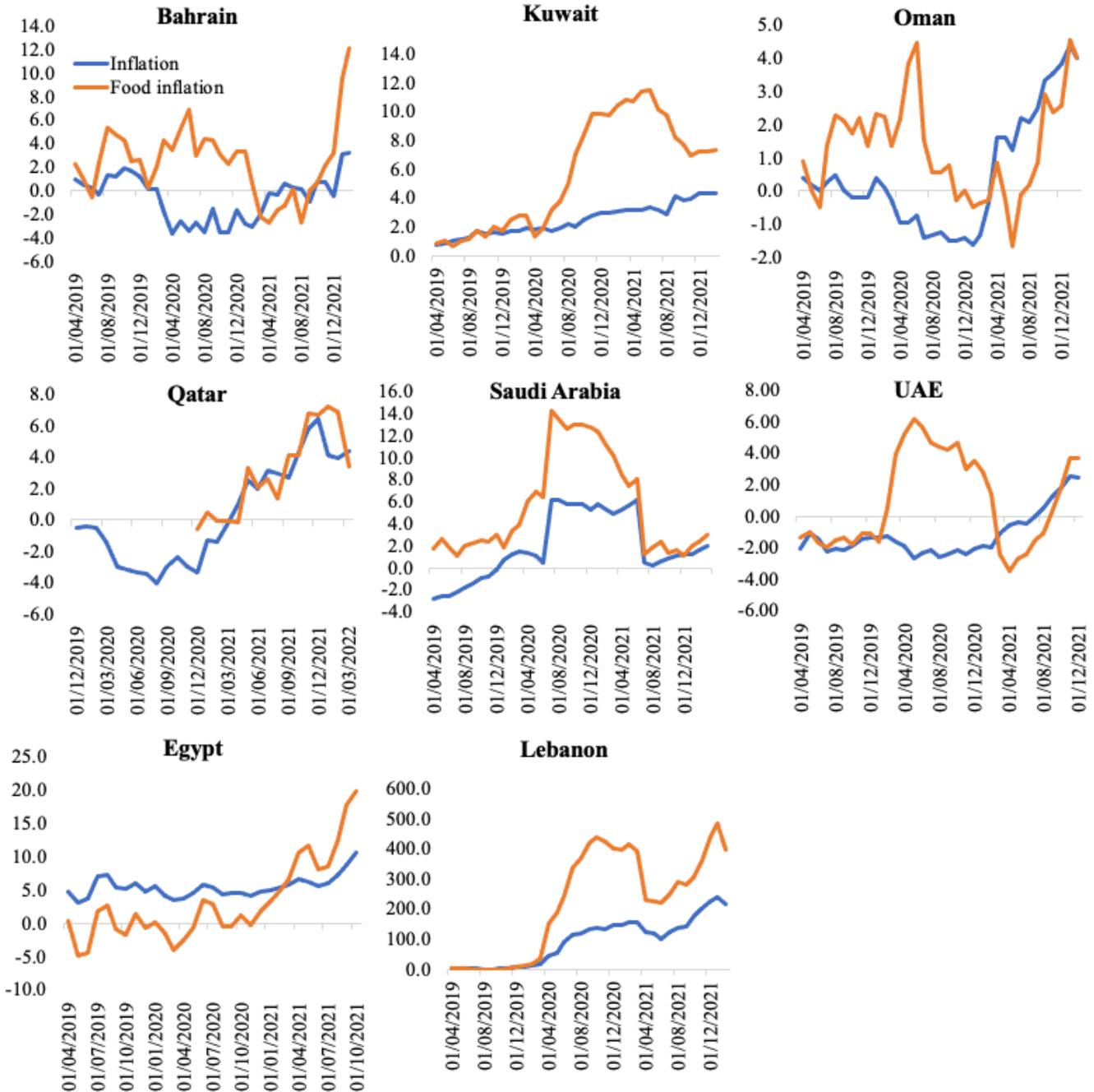
Source: FAO of the UN. Chart by Nasser Saidi & Associates

security policy

- revealed that its food price index)FAOThe Food and Agriculture Organisation (
- In yoy terms, prices surged increased by 13% mom to hit a record high in Mar 2022.
- by 31%, driven by cereals (35%) and edible oils (53.5%)
- exacerbated by the Russia-Ukraine Covid related food supply disruptions have been
- . It has led to a halt in Ukraine's exports & planting of crops has been severely war
- reduced
- , andone-third of the world's wheat and barley exports Ukraine & Russia account for
- food absent a ceasefire, food (and feed) prices could rise even further, leading to
- malnutrition in relatively poorer nationsinsecurity and
- region which have many high food-MENAFood insecurity is a pressing issue for the
- MENA's share of the world's acutely mport dependent nations. Already in 2020,
- disproportionately high compared to its 6% share food insecure people was 20%,
- (World Bank)global population of the
- The World Food Program highlights the plight of Yemen (civil conflict), Syria (food
- shortage), Egypt (heavily subsidized bread => strain on public finance) & Lebanon (port

blast + economic crisis) among others like Libya & Tunisia
 : This is a wake-up call for the region to invest in (a) use of innovative **Bottom line** •
 technology (AgriTech, hydroponics, vertical farming); (b) efficiency of importing food &
 storing it; (c) diversify food suppliers; (d) investments in arable land abroad

Middle East across the headline inflation price inflation is surpassing Food 2.



Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
 Note: Data for Qatar and Saudi Arabia are as of Mar 2022, UAE as of Dec 2021, rest are as of Feb 2022

Global trade, still grappling with supply chain/ logistics issues, is also affected by the 3. Russia-Ukraine war

(down % in 2022 3.0 trade volume growth to downgraded merchandise The WTO •
 (April 2022) from a previous forecast of 4.7%) and by 3.4% in 2023

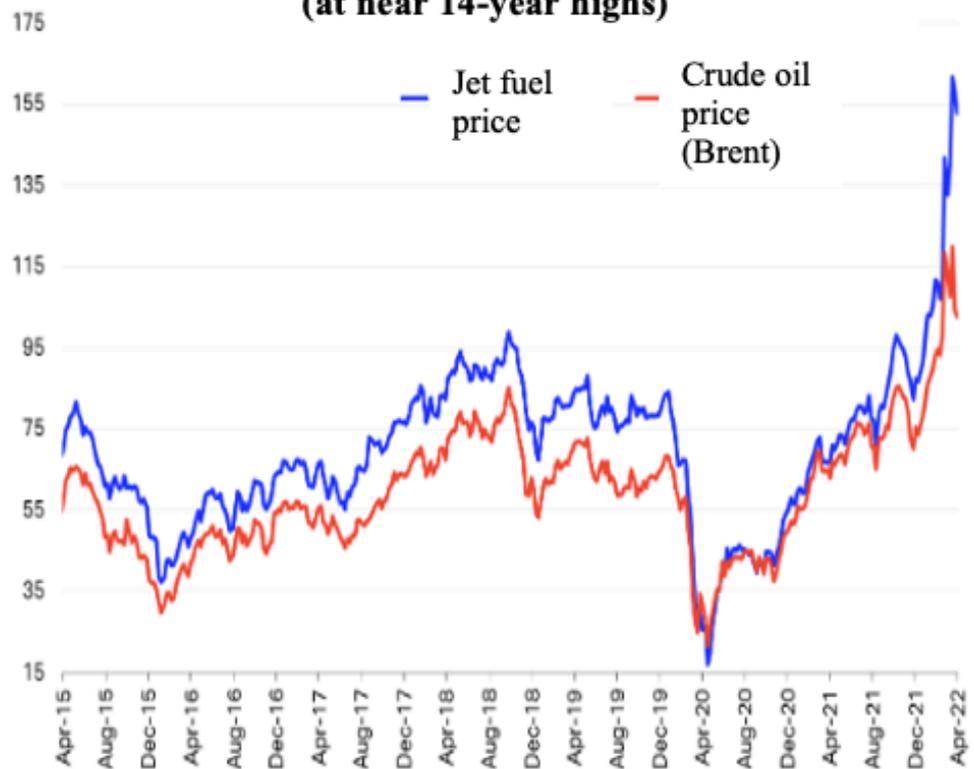
Lockdowns and factory closures in Asia + shortages of raw materials/ inputs + war & •
 (uptick in input and output price sub-indices **prices higher** related sanctions => pushing
 (new export **decline in international trade** in manufacturing PMI; rising food prices) +
 orders fell to 48.2 in Mar, the lowest since Jul 2020; transport services will be affected,
lower economic activity => especially container shipping & air transport)

Merchandise trade volume, 2018-2023						
	2018	2019	2020	2021	2022f	2023f
Volume of world merchandise trade	3.0	0.2	-5.0	9.8	3.0	3.4
Exports						
North America	3.8	0.3	-8.8	6.3	3.4	5.3
South America	-0.9	-1.2	-4.6	6.8	-0.3	1.8
Europe	1.8	0.6	-7.8	7.9	2.9	2.7
CIS	4.0	-0.3	-1.2	1.4	4.9	2.8
Africa	3.1	-0.3	-7.5	5.1	1.4	1.1
Middle East	4.6	-1.9	-9.3	7.3	11.0	2.9
Asia	3.7	0.9	0.5	13.8	2.0	3.5
Imports						
North America	5.1	-0.6	-6.1	12.6	3.9	2.5
South America	4.8	-1.7	-11.2	25.8	4.8	3.1
Europe	1.9	0.3	-7.3	8.1	3.7	3.3
CIS	4.0	8.3	-5.5	10.7	-12.0	-5.2
Africa	5.4	3.0	-11.8	4.2	2.5	3.9
Middle East	-4.1	5.2	-9.8	5.3	11.7	6.2
Asia	5.0	-0.4	-1.0	11.1	2.0	4.5

Source: World Trade Organisation Trade Forecast 2022-2023, Apr 2022

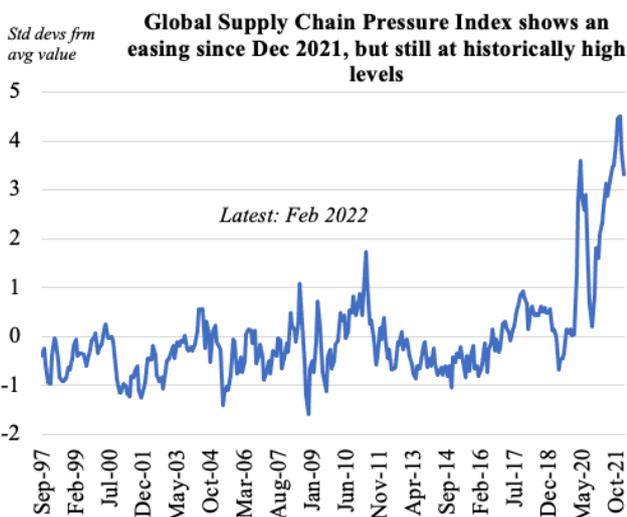
Cargo transport costs remain high & rising 4.

Tight supply worries lead to hike in jet fuel price (at near 14-year highs)

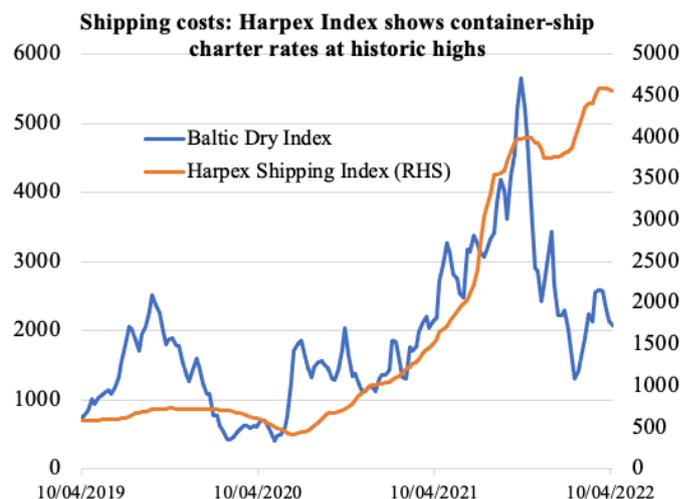


Source: IATA Jet Fuel Price Monitor

- , but the current lockdowns in China and **Supply chain pressures seem to be easing** prolonged Russia-Ukraine war could be further disruptive (depending on duration & impact on manufacturing)
- index is very close to an all-time high and is a key **Global Port Congestion Clarksons** driver of shipping rates
- **air cargo will likely** , while the alternative of **highshistoric remain at Shipping costs** surge in jet fuel price the recent become more expensive given



Source: Federal Reserve Bank of New York



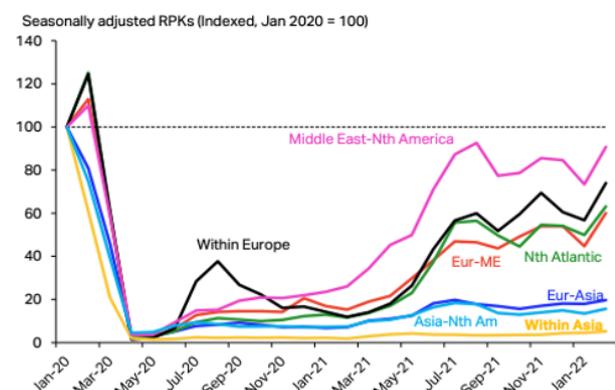
Source: Reuters Eikon. Chart by Nasser Saidi & Associates

Middle East Airline Industry in a “recovery” phase? 5. Is the

; International passenger growth was up by 215.3% yoy in the Middle East in Feb but still 46% below pre-Covid levels
 , as MENA segment its long-haul flights, especially improvement is driven by The flights to Europe have not recovered as much; travel restrictions in Asia delays recovery in that segment
 as only region posting a decline compared Middle East shows data growth cargo Feb will benefit region to a year ago, but recent high-frequency data for Mar shows that – given cargo flights will be redirected to avoid from the ongoing Russia-Ukraine war Russian air space

International passenger growth volumes (Feb 2022)			International cargo growth volumes (Feb 2022)		
	vs Feb 2021	vs Feb 2019		vs Feb 2021	vs Feb 2019
Africa	69.5%	-52.0%	Africa	4.7%	36.4%
Asia Pacific	144.4%	-88.0%	Asia Pacific	3.3%	13.8%
Europe	380.6%	-45.4%	Europe	2.2%	6.3%
Lat. Am.	242.7%	-43.9%	Lat. Am.	21.9%	-0.7%
Middle East	215.3%	-46.2%	Middle East	-5.4%	3.2%
N. America	236.7%	-44.4%	N. America	5.5%	26.9%
Industry	256.8%	-59.6%	Industry	2.5%	12.4%

International revenue passenger kilometers improve in the Middle East, supported by uptick in the N.America route



Source: Air Passenger & Cargo Market Analysis reports, Feb 2022, IATA

Cargo is being re-routed via Middle East to avoid flying over Russia

