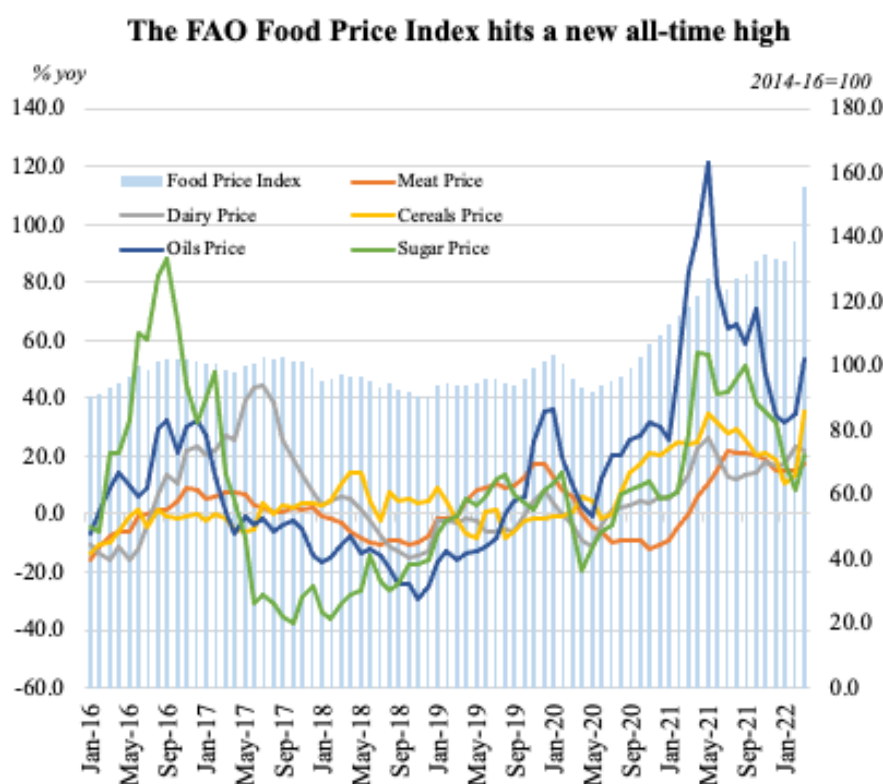


# Weekly Insights 15 Apr 2022: Will War & Inflation derail the global economic recovery?

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



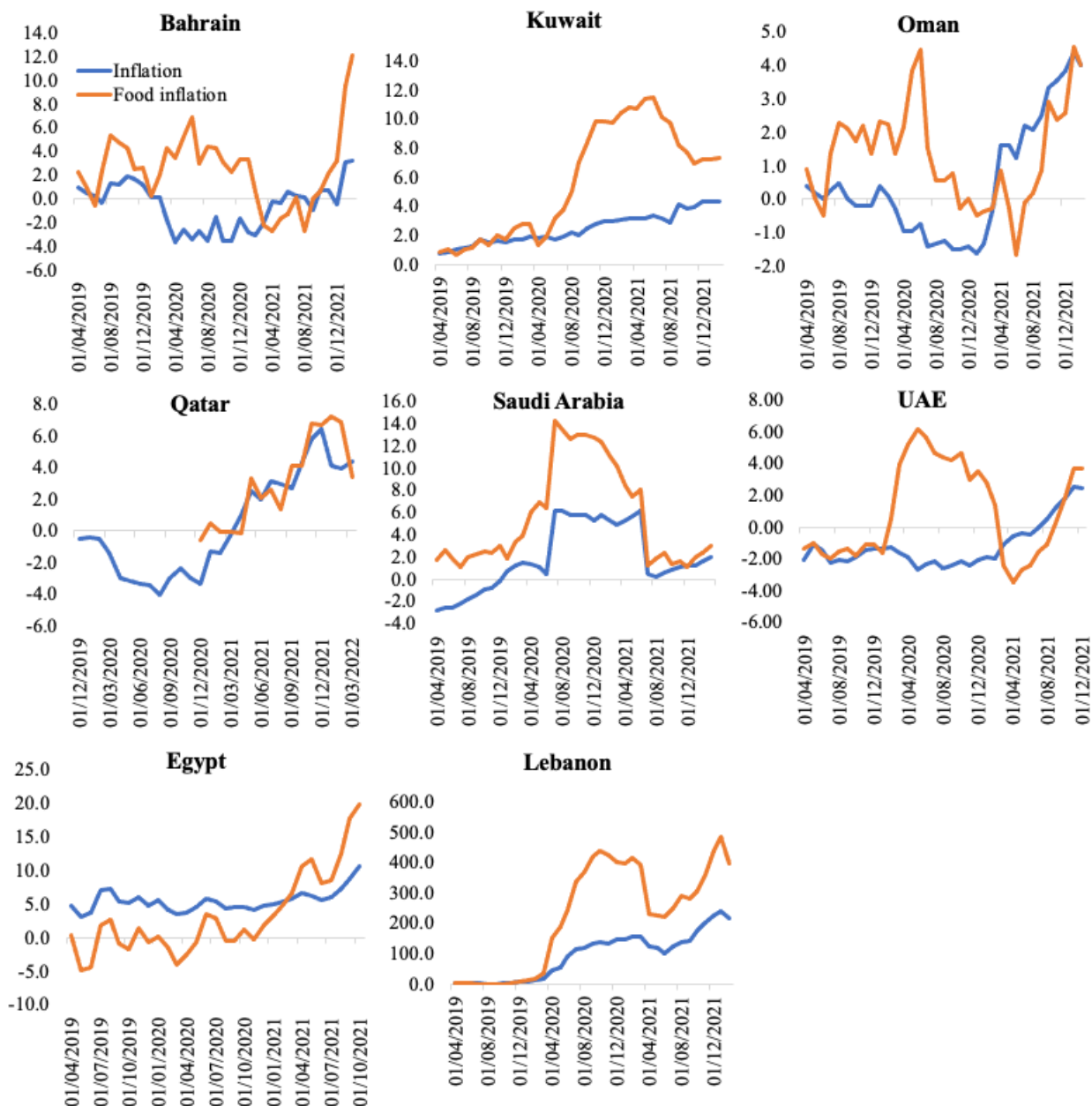
Source: FAO of the UN. Chart by Nasser Saidi & Associates

- The Food and Agriculture Organisation (FAO) revealed that its food price index increased by 13% mom to hit a record high in Mar 2022. In yoy terms, prices surged by 31%, driven by cereals (35%) and edible oils (53.5%)
- Covid related food supply disruptions have been exacerbated by the Russia-Ukraine war. It has led to a halt in Ukraine's exports & planting of crops has been severely reduced
- Ukraine & Russia account for one-third of the world's

**wheat and barley exports**, and absent a ceasefire, food (and feed) prices could rise even further, leading to **food insecurity and malnutrition in relatively poorer nations**

- **Food insecurity is a pressing issue for the MENA** region which have many high food-import dependent nations. Already in 2020, **MENA's share of the world's acutely food insecure people was 20%, disproportionately high compared to its 6% share of the global population (World Bank)**
- 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
- **Bottom line:** This is a wake-up call for the region to invest in (a) use of innovative technology (AgriTech, hydroponics, vertical farming); (b) efficiency of importing food & storing it; (c) diversify food suppliers; (d) investments in arable land abroad

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



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

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

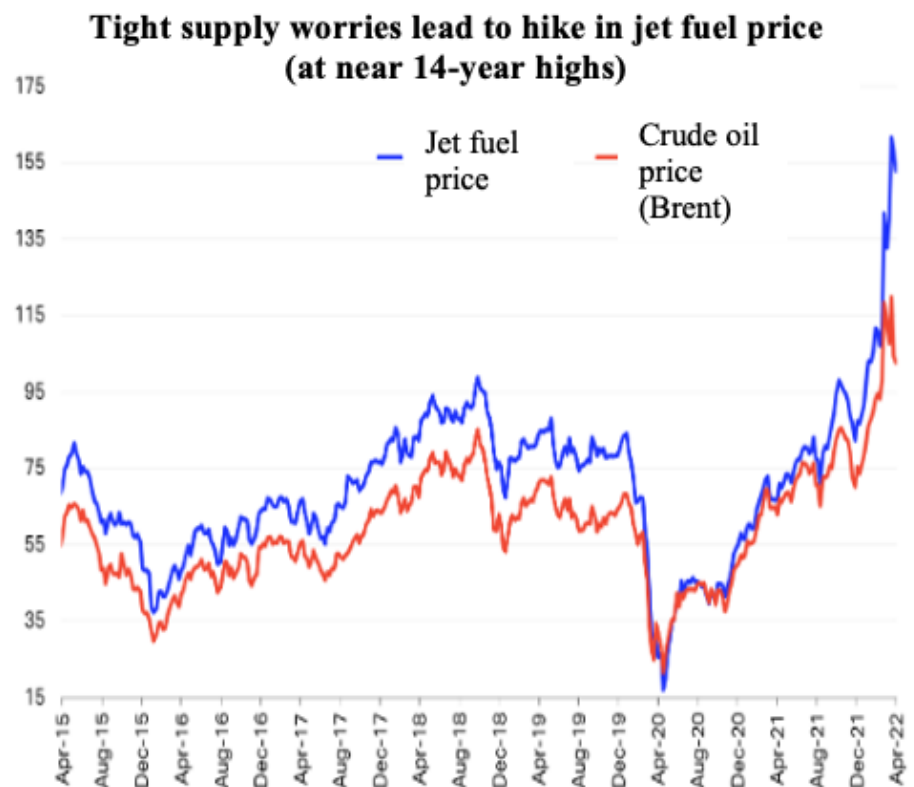
- The WTO downgraded merchandise trade volume growth to **3.0% in 2022** (down from a previous forecast of 4.7%) and by 3.4% in 2023 (April 2022)
- Lockdowns and factory closures in Asia + shortages of raw materials/ inputs + war & related sanctions => pushing **prices higher** (uptick in input and output price sub-indices in manufacturing PMI; rising food prices) + **decline in international trade** (new export orders fell

to 48.2 in Mar, the lowest since Jul 2020; transport services will be affected, especially container shipping & air transport) => **lower economic activity**

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
<b>Exports</b>						
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
<b>Imports</b>						
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

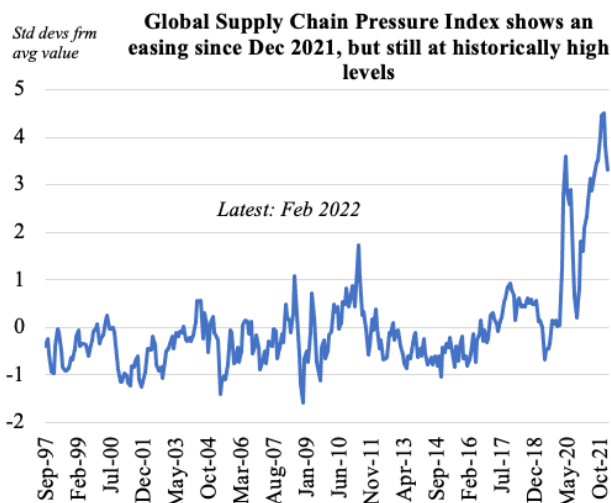
Source: World Trade Organisation Trade Forecast 2022-2023, Apr 2022

#### 4. Cargo transport costs remain high & rising

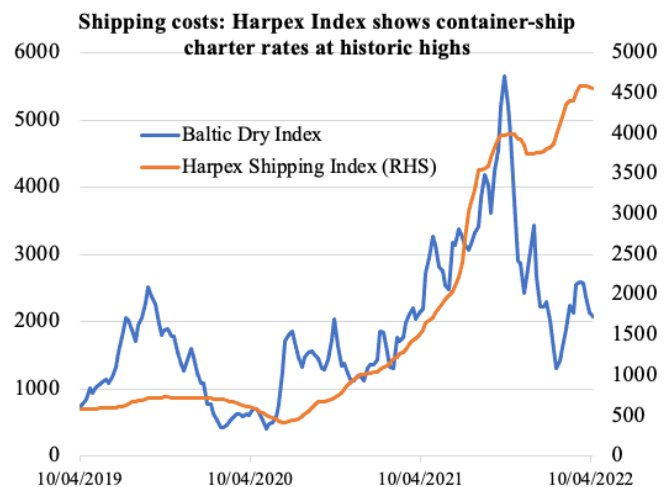


Source: IATA Jet Fuel Price Monitor

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



Source: Federal Reserve Bank of New York



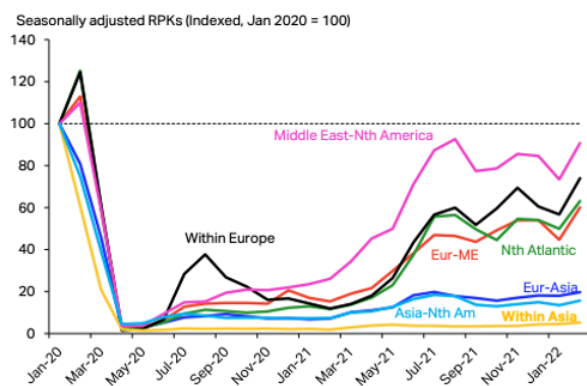
Source: Reuters Eikon. Chart by Nasser Saidi & Associates

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

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

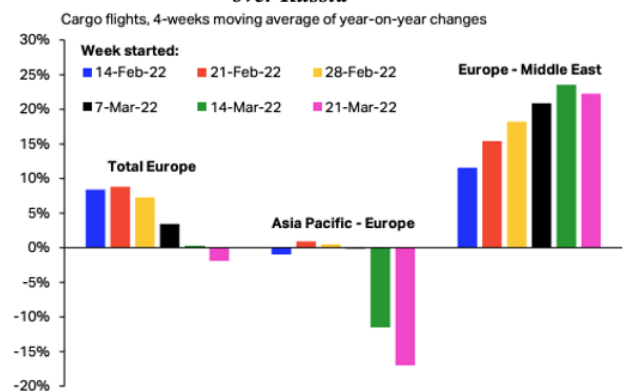
International passenger growth volumes (Feb 2022)			International cargo growth volumes (Feb 2022)		
	vs Feb 2021	vs Feb 2019		vs Feb 2021	vs Feb 2019
Africa	69.5%	-52.0%	Africa	4.7%	36.4%
Asia Pacific	144.4%	-88.0%	Asia Pacific	3.3%	13.8%
Europe	380.6%	-45.4%	Europe	2.2%	6.3%
Lat. Am.	242.7%	-43.9%	Lat.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

**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**



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