

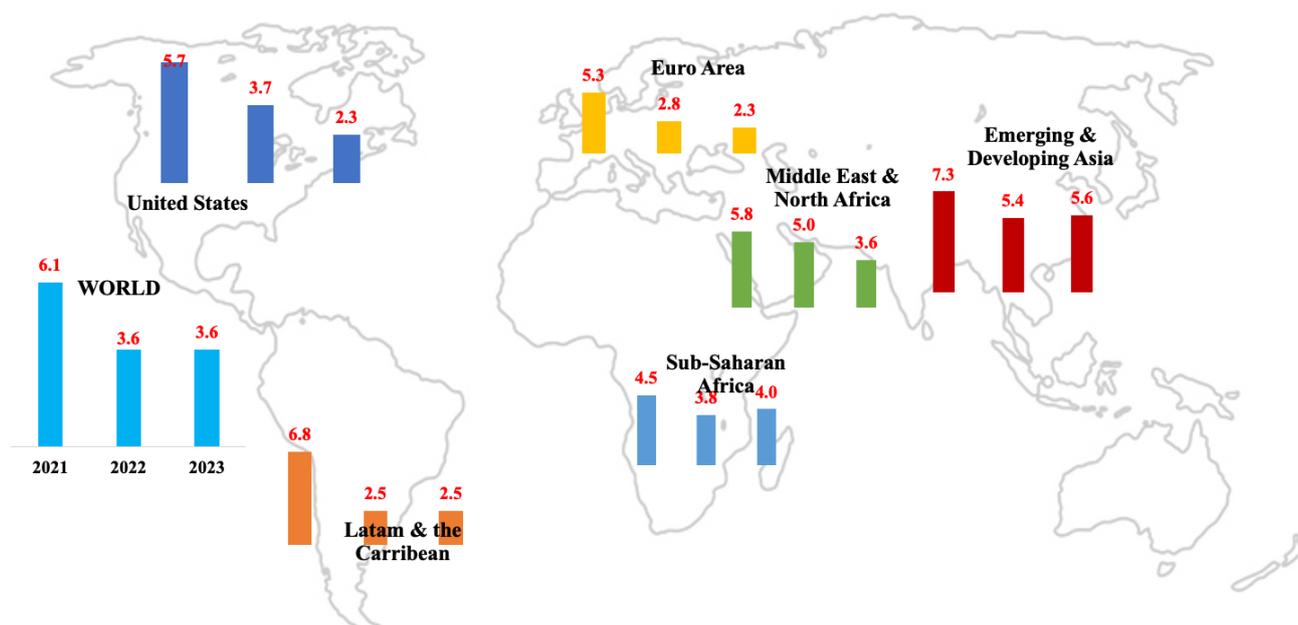
Weekly Insights 22 Apr 2022: Global Recovery Dragged Down by Rising Economic Uncertainty

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1. IMF revises down global economic growth forecast to 3.6% in 2022 & 2023 (2021: 6.1%)

- The ongoing **Russia-Ukraine war** and **rising inflation** have been key drivers of the downgrade in growth forecasts, alongside **monetary policy tightening** and **withdrawal of pandemic stimulus**.
- **China's slowdown** will also lead to **global spillovers**: lockdowns + mobility restriction + port closures => lower domestic consumption + supply chain delays

Global economic growth dampened by war and inflation: growth moderates to 3.6% in 2022 (from 6.1% in 2021): IMF

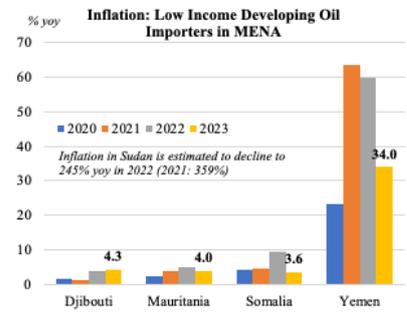
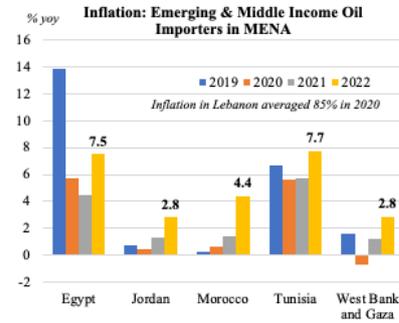
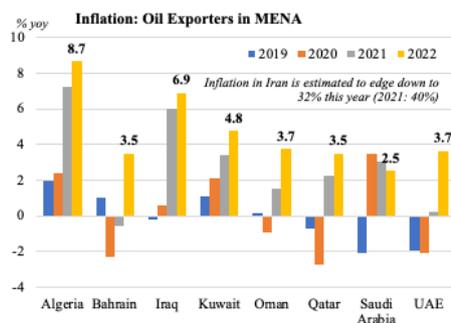
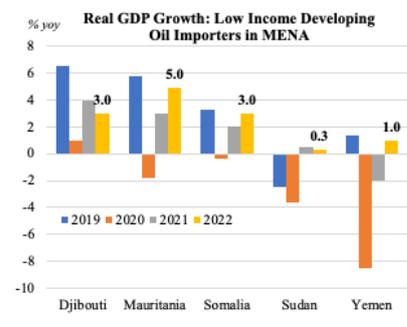
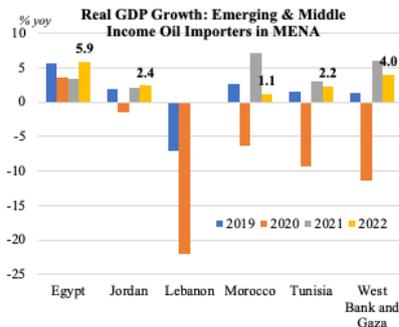
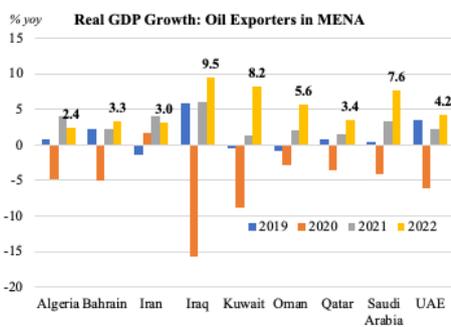


Source: IMF World Economic Outlook, Apr 2022. Chart by Nasser Saidi & Associates

2. Middle East displays divergent growth prospects alongside

an uptick in inflation

- The MENA region is estimated to grow by 5% in 2022 and 3.6% in 2023; breakdown shows divergence
- Oil exporters: oil sector growth is supporting non-oil sector activity; high vaccination rates & lower stringency levels support recovery, especially in the retail and travel & tourism sectors
- Inflationary pressures are evident across the MENA region, though relatively subdued in the GCC nations; food & fuel prices are the main factors driving inflation

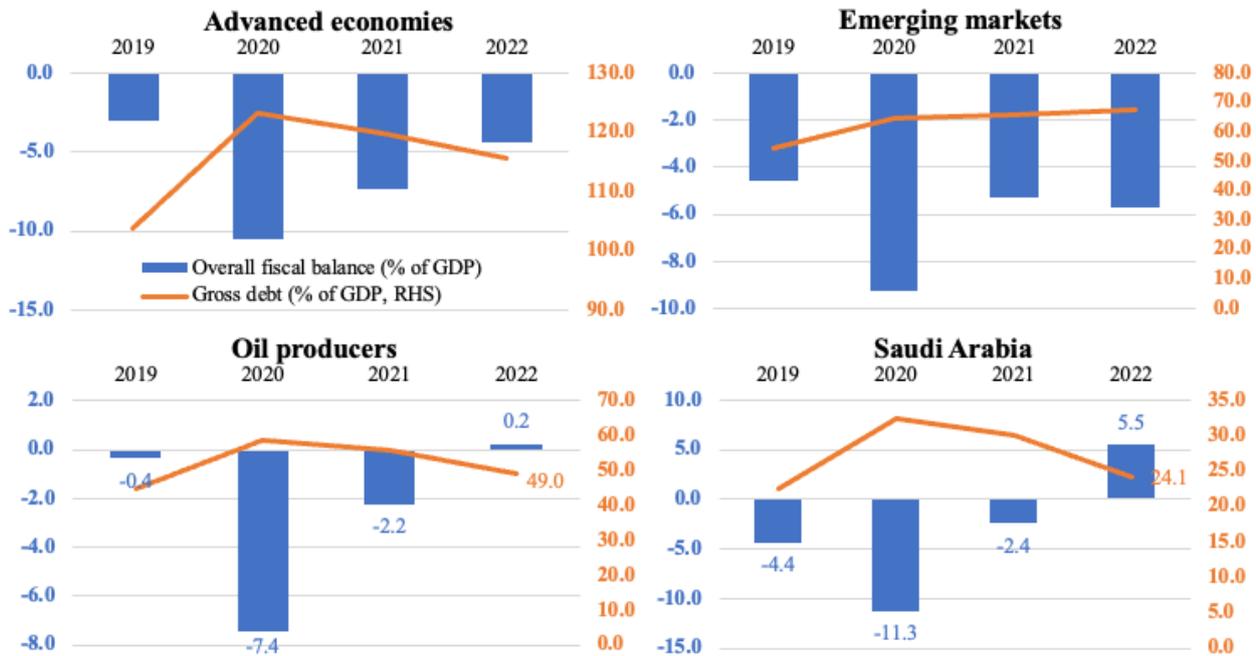


Source: IMF World Economic Outlook database, April 2022. Charts by Nasser Saidi & Associates

3. High Oil Prices Support Fiscal Windfall among Oil Producers; Public Debt Estimated to Decline Faster after surge during the pandemic

- Total global debt rose to 256% of GDP in 2020, with government debt accounting for 40% of total
- With tighter financial conditions, borrowing costs will rise significantly for emerging market economies => widening the divide; deficits are falling globally, but will remain above pre-pandemic levels (except for oil producers)

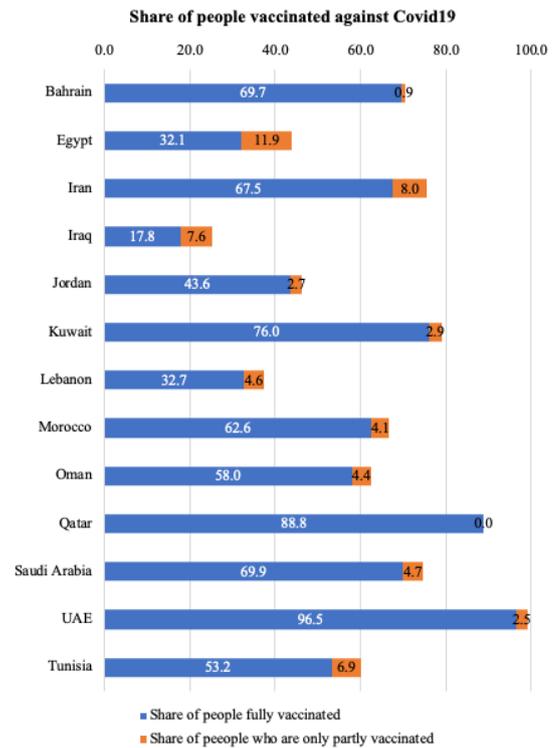
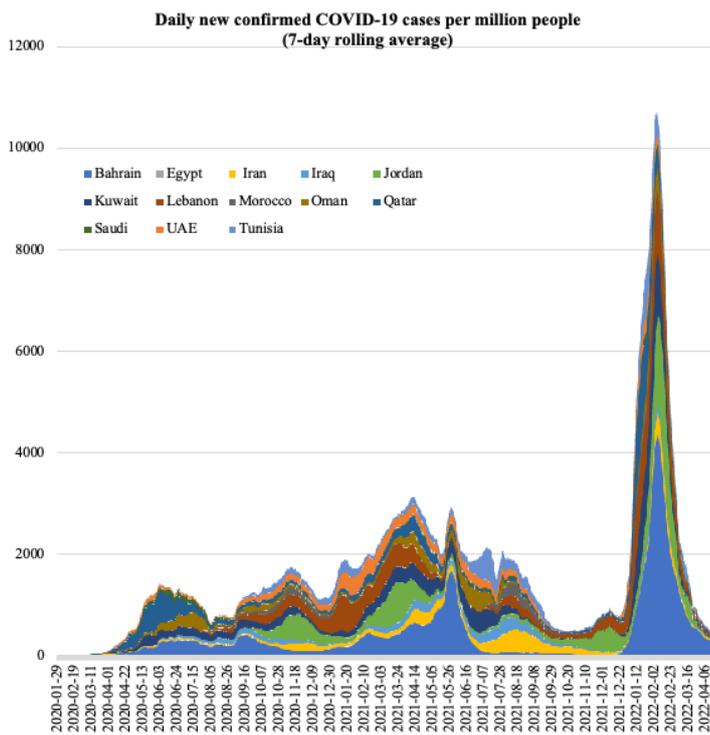
- **Debt vulnerabilities could worsen as advanced nations raise rates to tackle inflation**
- **Public debt is estimated to decline faster among oil producers (from 56% in 2021 to 50% in 2024) thanks to jump in exports**



Source: IMF World Economic Outlook, Apr 2022. Charts by Nasser Saidi & Associates

4. Covid19 cases are waning in the Middle East; vaccination rates are increasing

- Covid cases in the region have come off previous highs & **confirmed Covid19 deaths are declining.**
- Not all countries have attained high vaccination rates like the GCC; risks of new strains remain but availability of medicines + previous immunities imply less strain on economic activity



Source: Our World In Data. Charts by Nasser Saidi & Associates

5. Risks to Growth Outlook in the MENA region

Near-term risks

- **Food security concerns**
- **Imported inflation** (especially high global food prices)
- Food & energy **subsidies** => fiscal costs
- **Higher cost of living** & lower purchasing power of wages
- Net importers of food & fuel will see further **widening of poverty & inequality gaps**
- Sluggish pace of recovery of **travel & tourism sector**

Spillovers from monetary policy tightening

- Higher **debt servicing costs** (more severe for nations with weak credit ratings)
- Highly leveraged firms => **rise in non-performing loans** (in pandemic-affected tourism, real estate sectors, once stimulus is withdrawn)
- **Higher domestic interest rates in GCC** (given peg to the dollar): negative impact on loans, drives down domestic demand
- Silver lining for the **GCC**: Fed hikes will keep dollar stronger & **reduce imported inflation**

Global Risks

- New, more dangerous **Covid19 strains**
- **Prolonged war** => more supply disruptions, volatility in commodity prices
- **China's zero-covid policy** & worsening slowdown
- War + lockdowns => **persistent inflation**
- **Social unrest** (emanating from sharper increase in fuel and food prices + refugees movements)
- **Geopolitical uncertainty**

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