

Weekly Insights 6 May 2022: Saudi Arabia thrives on oil gains; will Fed's hike be a bane or boon for GCC/ MENA?

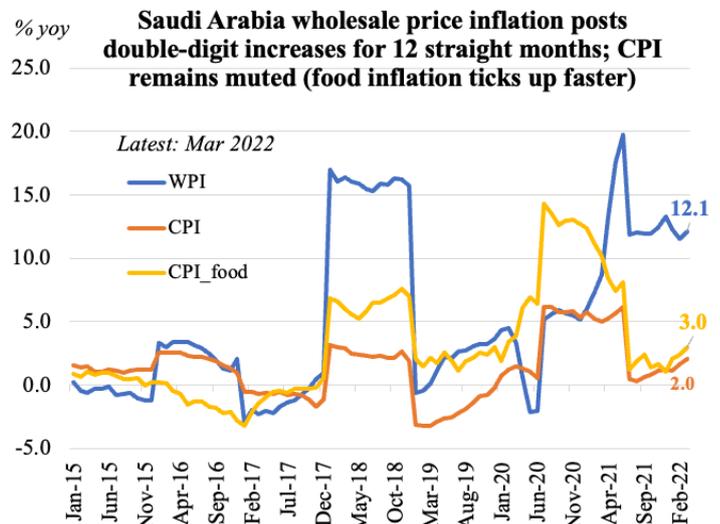
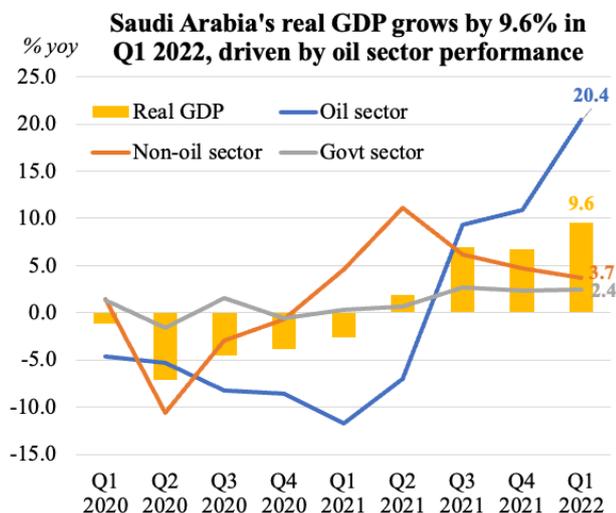
Weekly Insights 6 May 2022: Saudi Arabia thrives on oil gains; will the Fed hike be a bane or a boon?

1. Saudi Arabia grows by 9.6% yoy in Q1 2022, the highest rate in a decade, thanks to oil sector growth

Saudi Arabia's flash GDP estimates for Q1 2022 placed overall growth at 9.6%,

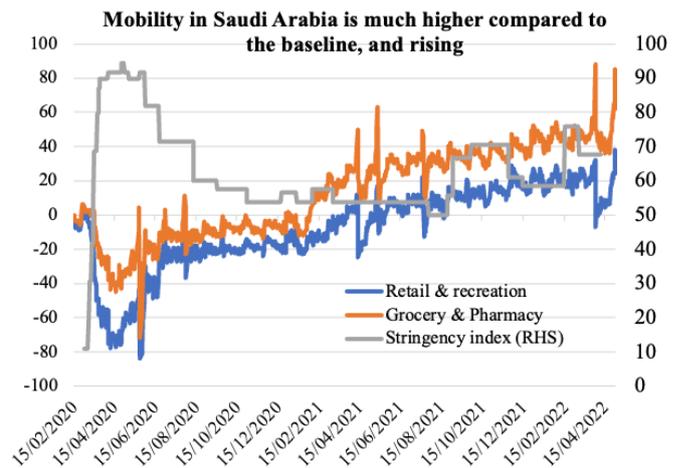
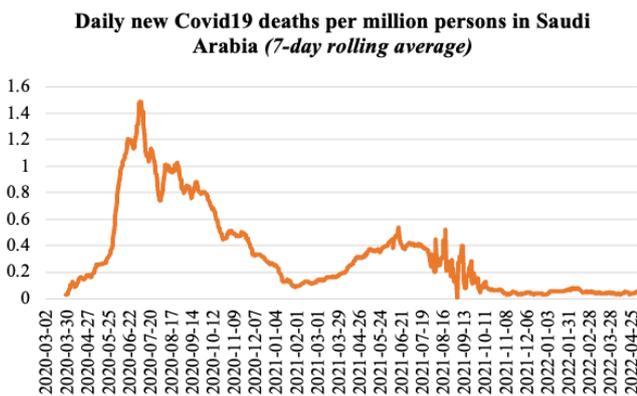
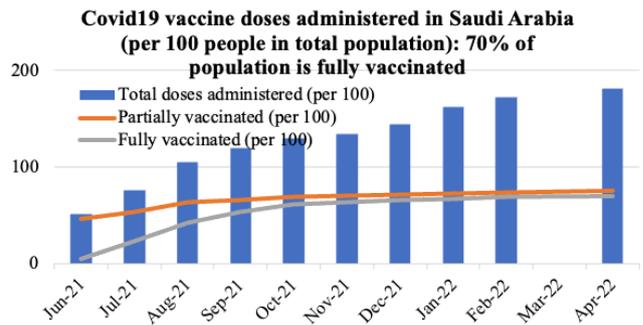
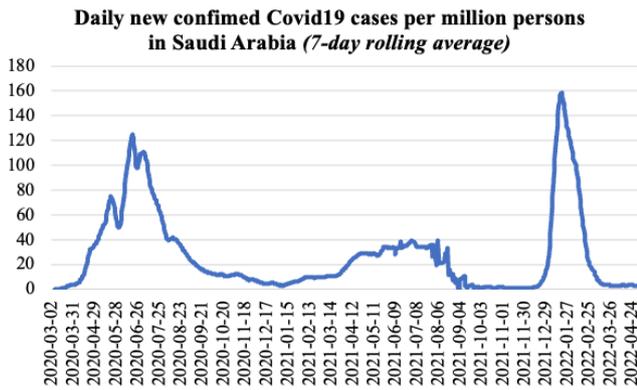
This was supported largely by the oil sector (20.4%) amid the highest in a decade. growth in non-oil (3.7%) and government (2.4%) sectors. In qoq terms, overall GDP was up by 2.2%, aided by oil (2.9%) and non-oil (2.5%) sector activity while government services slipped (-0.9%)

: consumer price inflation has been relatively muted, prices are inching up Meanwhile, but is rising on higher food and transport prices. Rising transport costs will likely spillover into further price increases, affecting overall cost of living. Wholesale price inflation has been rising in double-digits for the past 12 months: other transportable goods are driving the increase given its weight in the index (includes refined petroleum products, basic chemicals)



Source: GaStat. Charts created by Nasser Saidi & Associates

: Covid cases & related deaths declining + 2. Non-oil economic growth is rising in Saudi 70% population fully vaccinated => rising mobility + resumption of religious tourism

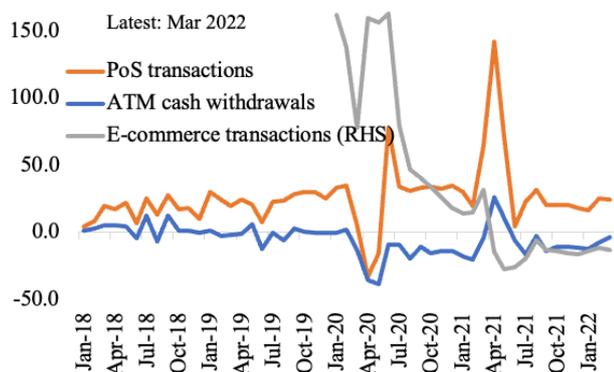


Source: Our World In Data, Saudi Ministry of Health, Google Mobility Report. Chart by Nasser Saidi & Associates

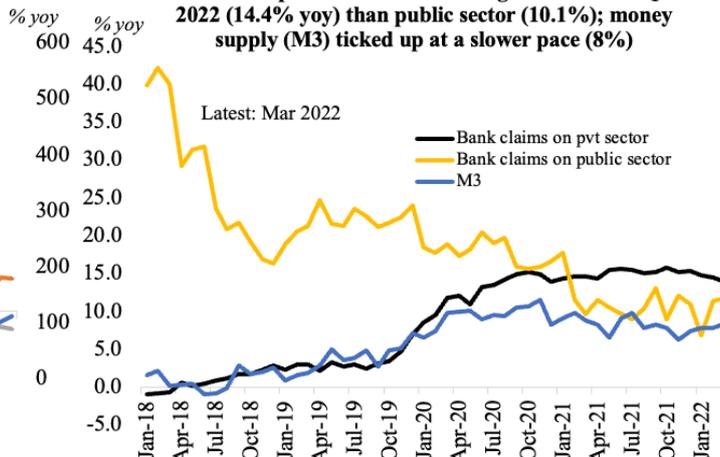
For mobility, changes for each day are compared to a baseline value for that day of the week. The baseline is the median value, for the corresponding day of the week, during the 5- week period Jan 3–Feb 6, 2020.

3. Services cashing in on the consumer spending boom in Saudi Arabia: PoS transactions show uptick in hotels, restaurants, food & beverages categories

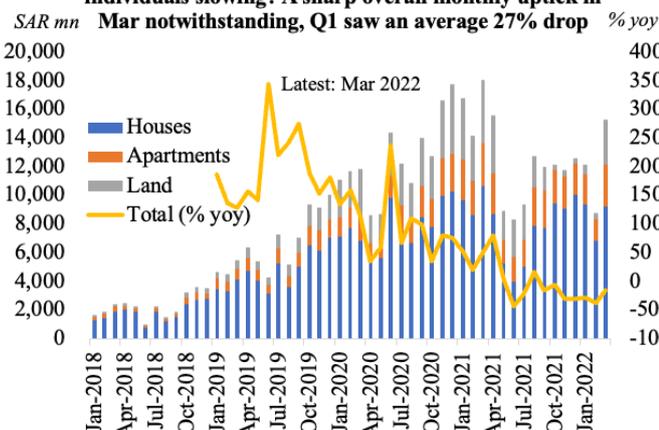
Consumer spending in Saudi Arabia: ATM transactions slip by an average 7.5% yoy in Q1 after declining by 7% in 2021; PoS & e-commerce continue to gain



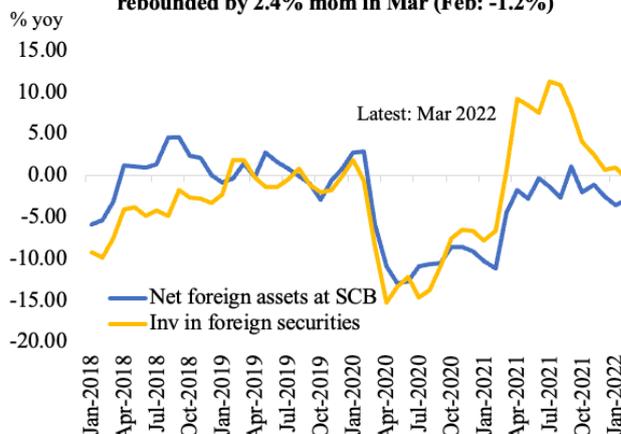
Claims on private sector in Saudi grows faster in Q1 2022 (14.4% yoy) than public sector (10.1%); money supply (M3) ticked up at a slower pace (8%)



Saudi banks' residential new mortgages finance for individuals slowing? A sharp overall monthly uptick in Mar notwithstanding, Q1 saw an average 27% drop



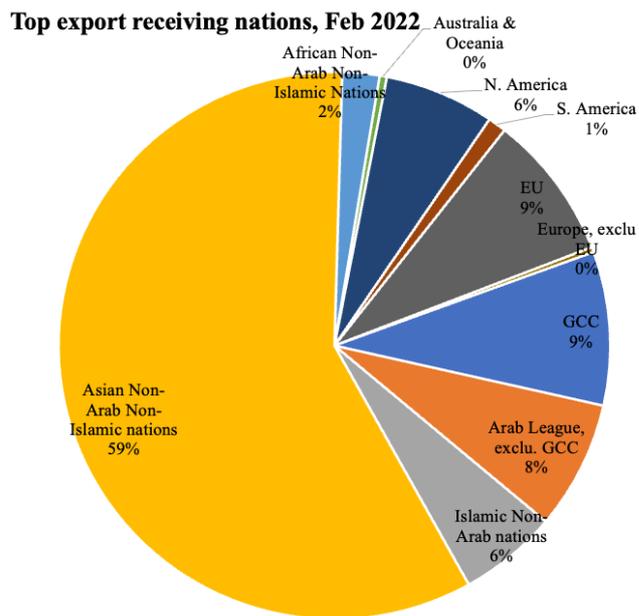
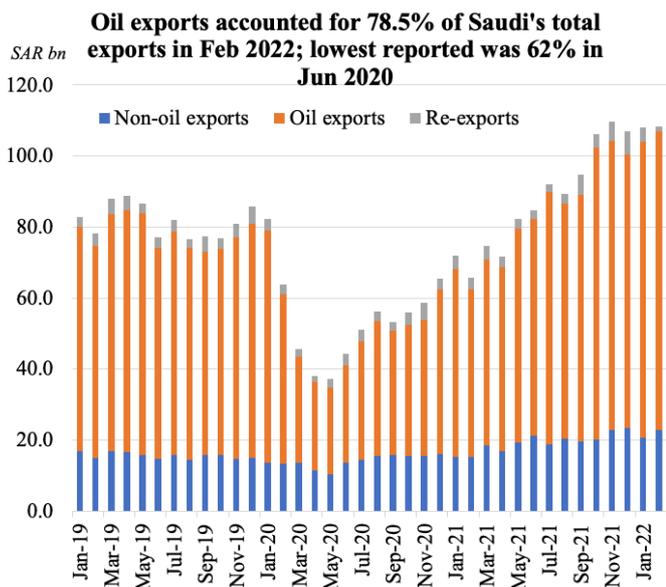
SCB's Net Foreign Assets have declined since 2020; it rebounded by 2.4% mom in Mar (Feb: -1.2%)



Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

4. Oil exports accounted for 78.5% of overall exports in Feb; exports to Asia account for ~60% of total exports

- , accounting for 78.5% of total **Oil exports are rising along with higher oil prices** exports in Feb 2022; the lowest share was recorded in Jun 2020 when the share of oil in overall exports was just 62%
- to SAR 24.4bn in Feb 2022. **Non-oil exports (including re-exports) grew by 31% yoy**
- The ratio of non-oil exports to imports surged to 50.6% in Feb 2022, up from 45.7% a year ago
- **The top region for Saudi Arabia's exports is still Asian nations, and much of the exports is oil**



Source: GaStat. Charts created by Nasser Saidi & Associates

5. When the Fed sneezes, emerging markets catch a cold: 50bps rate hike & its impact on GCC/ MENA

	Consumers & Businesses	Governments
Bane	Rise in borrowing costs => negative impact on investment / consumption & domestic demand => dampen inflationary pressure	Increase in borrowing costs + Debt servicing costs rise for nations with weaker macro fundamentals & sub-investment grade ratings
	Higher risk premiums => difficult to service debts	Exchange rate depreciation (non-GCC)
	Dollarisation of debt => higher potential for corporate defaults?	Investor sentiment could deteriorate => Portfolio outflows
	Expensive project financing	Potential reduction in FDI inflows
Boon	Imported inflation will be kept in check	Stronger dollar (GCC)