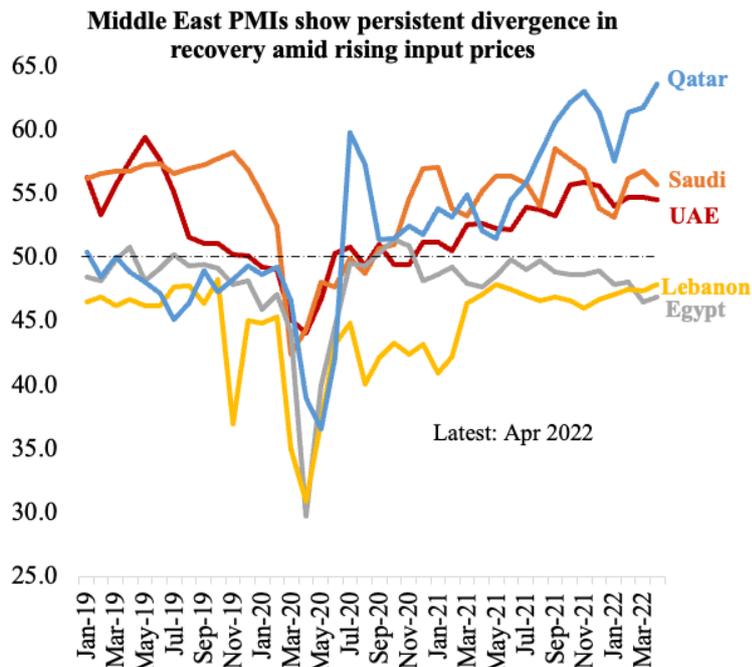


Weekly Insights 13 May 2022: Despite inflationary pressures, GCC economic activity shows improvement

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1. PMIs in the GCC remain in expansionary territory while Lebanon & Egypt stay



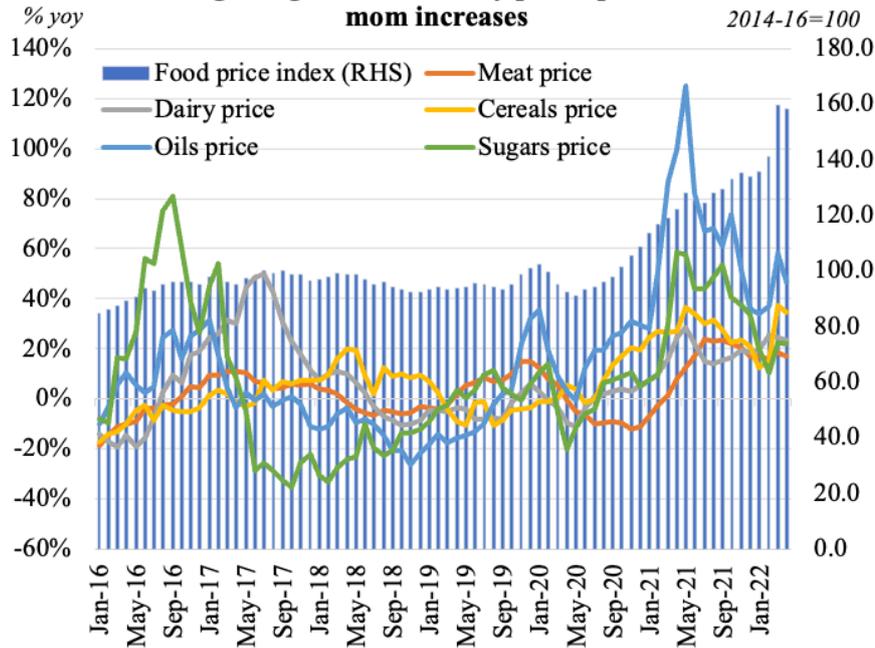
Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

below-50

- , but both output and new orders **PMIs in Saudi Arabia and UAE eased slightly in Apr** •
- expanded. In UAE, foreign new businesses posted the fastest increase since Jan 2021 •
- and **Given rising inflationary concerns, firms increased their purchasing activity** •
- inventories rose. Panelists across the board have cited higher raw material and fuel •
- prices as ongoing concerns •
- in** had been reluctant to pass on costs to consumers. However, **UAE Businesses in the** •
- , though it was marginal **Apr average output prices rose for the first time in 9 months** •
- but inched up in **Egypt and Lebanon, overall PMI readings stayed below-50** In both •
- Apr and inflationary pressures continued to persist (also lowering business confidence) •
- jobs were cut at the** saw a marked decline in output and new businesses, while **Egypt** •
- . The only bright spot was construction. Firms were reluctant to **fastest pace in a year** •
- pass on costs to the consumers in a bid to sustain demand •
- , though political instability, high operating **Lebanon's PMI rose to an 11-month high** •
- costs and weak purchasing power dragged down activity. Unfavourable exchange rates •
- added further pressure on prices on top of global circumstances •

2. Global food prices ease in Apr but is close to record-highs; inflation still high in

UN's food price index retreats slightly from Mar's record high; sugar, meat & dairy prices post moderate mom increases

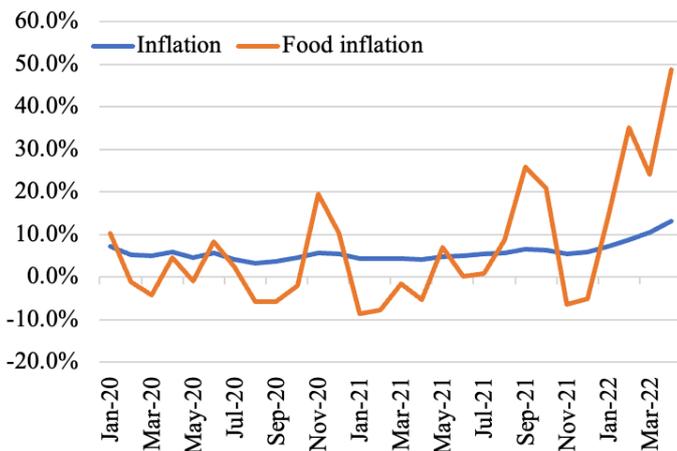


Source: UN FAO. Chart by Nasser Saidi & Associates

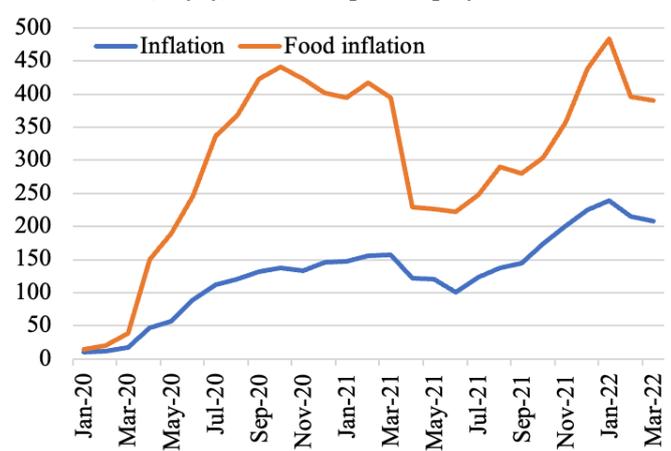
Lebanon & Egypt

- , caused partly due to disruptions owing to the Russia-Ukraine war, dependent on Ukraine for more than 3/4th of wheat supplies
- **Higher global food prices** in Egypt and Lebanon are **mirrored in both Egypt and Lebanon** but even core inflation has been rising (11.9% **Egypt, inflation stood at 13% in Apr**; Inflation when the **likely to trigger another interest rate hike** yoy from Mar's 10.1%). This is central bank meets next week
- : not only **World Bank approved a USD 150mn food security loan to Lebanon** The have food prices gone up more than 11-fold but the LBP has also lost more than 95% of its value

Food prices in Egypt surges as headline inflation climbs to 13% yoy in Apr 2022

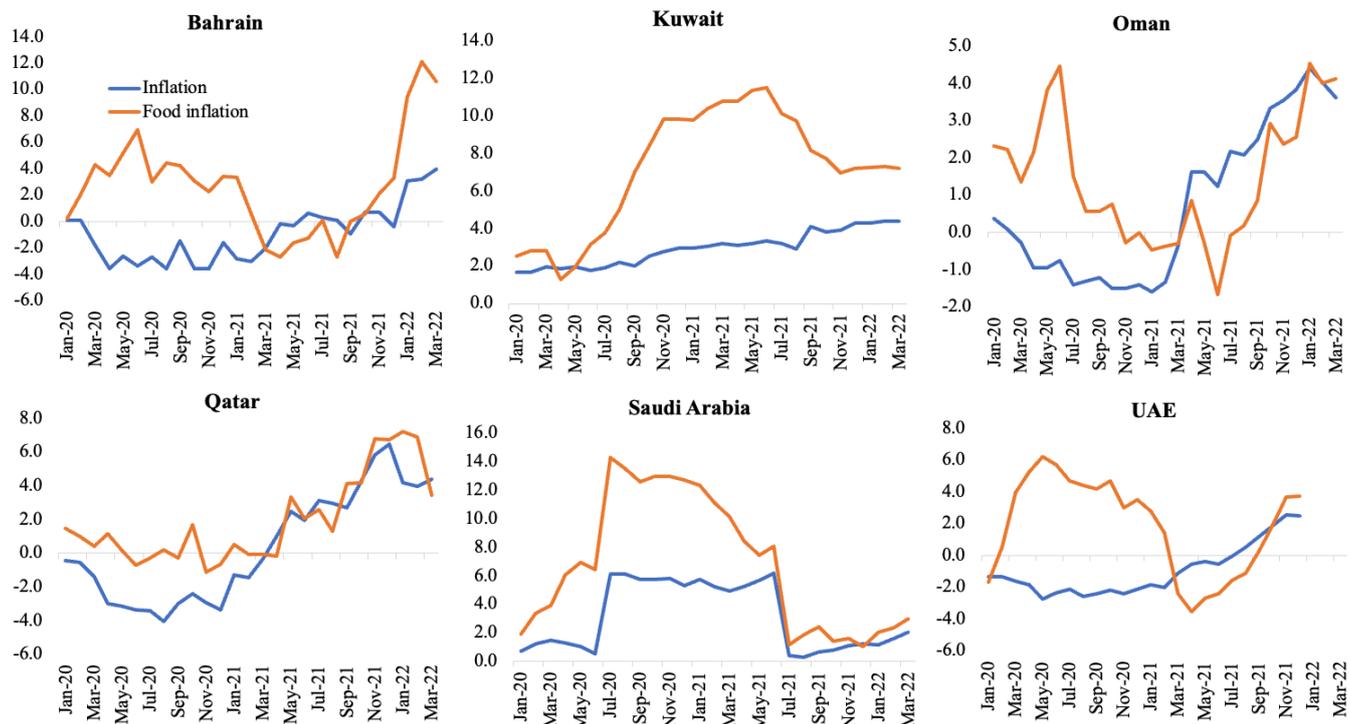


Inflation rate in Lebanon remains in triple-digits (% yoy), with food prices up by ~400%



Source: Refinitiv Eikon, Central Bank of Egypt, Banque du Liban

3. Higher imported food prices & supply chain disruptions are causing GCC inflation to rise (many touching decade-highs); weightage of food in GCC baskets are lower vs rest

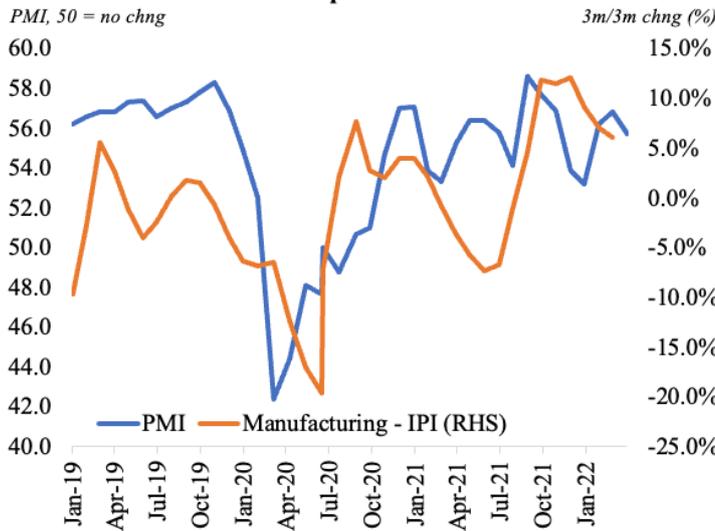


Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
 Note: Latest available data is for Mar 2022 except UAE (Dec 2021)

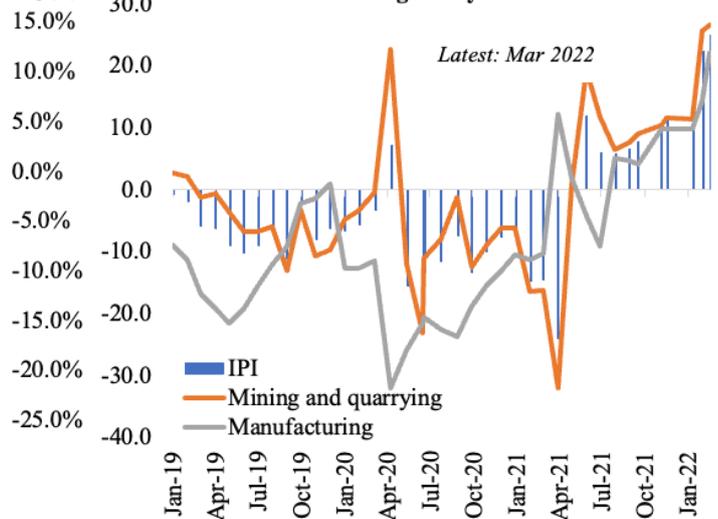
4. Industrial production in Saudi Arabia jumps thanks to the surge in mining/ quarrying sector production

- , in spite of a **Saudi non-oil sector PMI posted an average of 55.5 in Jan-Apr 2022**
- low 53.2 reading in Jan, as Omicron variant spread across the globe increasing uncertainty
- : manufacturing **Overall industrial production (IP) increased by 19.3% in Q1 2022**
- grew by 15.3% and mining/ quarrying sector production surged (21.2%)
- The charts below track three-month-on-three-month changes in the official IP data to
- remove some volatility. It shows that improvement in non-oil sector is happening faster
- **-faster recovery of the non-oil, non-**than in manufacturing – pointing to the **manufacturing sectors**

Manufacturing growth in Saudi Arabia moves in line with the uptick in PMI



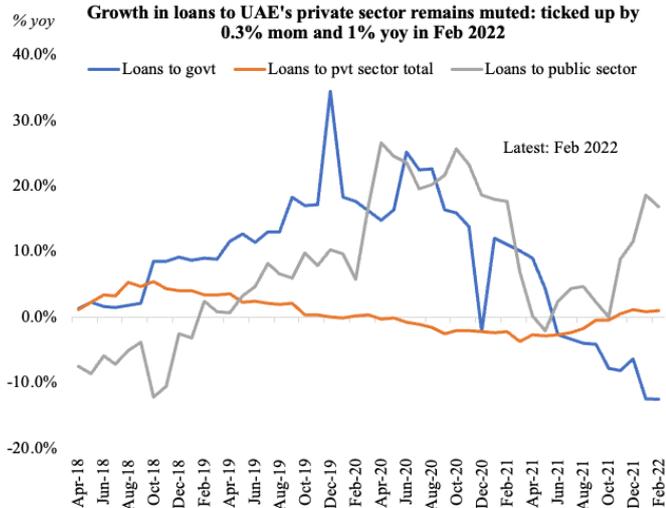
Manufacturing production in Saudi Arabia rose by an average 15% yoy in Q1 2022, while overall IP grew by 19%



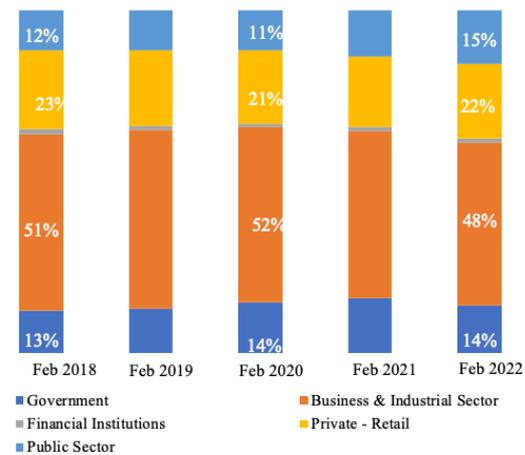
Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates

5. UAE credit growth picks up in 2022; credit appetite & demand for loans (especially business loans) are rising along with activity

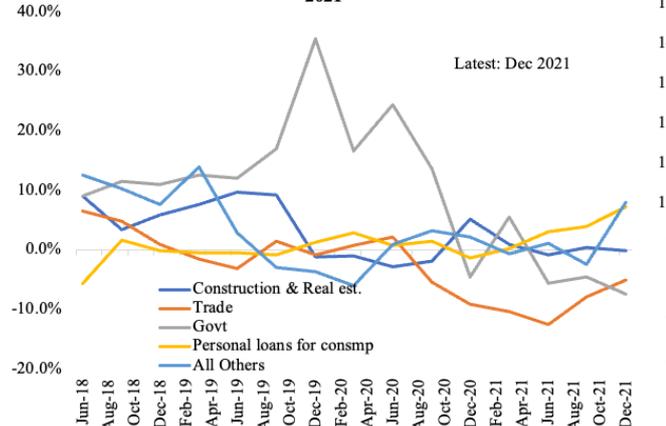
Growth in loans to UAE's private sector remains muted: ticked up by 0.3% mom and 1% yoy in Feb 2022



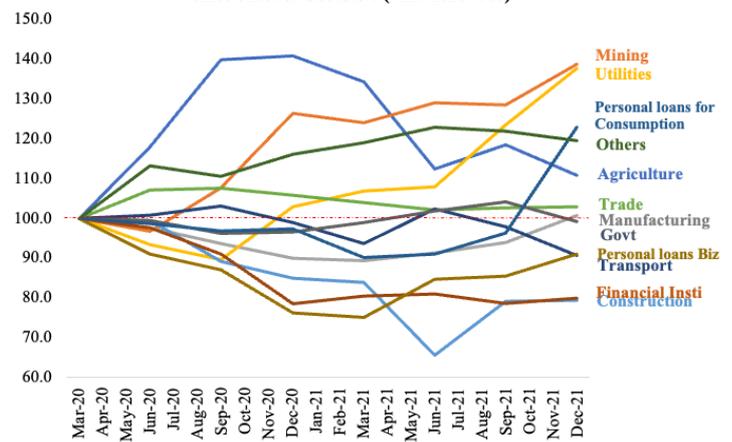
Share of credit to govt & public sector grows from 24% in Feb 2018 to 30% in Feb 2022



Growth in credit to UAE residents, by economic activity: these 5 activities account for close to 3/4-ths of loans issued in Dec 2021



Which economic activities in the UAE were bank credit disbursed to since onset of Covid19? (Mar 2020=100)



Source: UAE Central Bank. Charts by Nasser Saidi & Associates.

