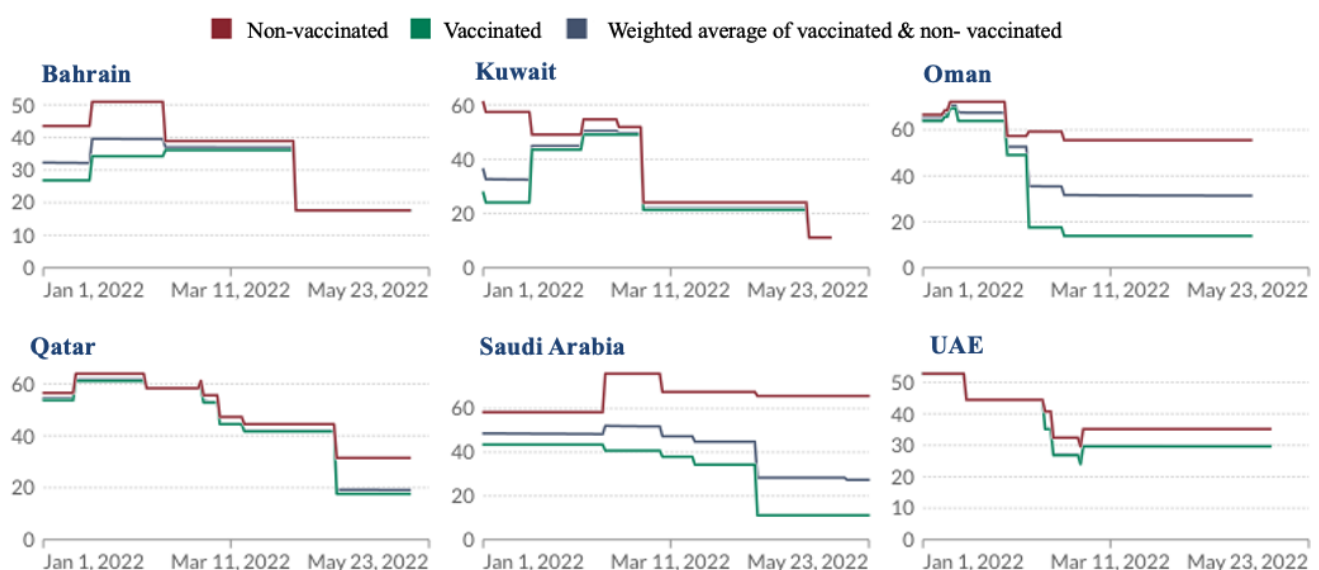


# Weekly Insights 27 May 2022: Subdued trade and recovery in tourism as Covid takes a backseat

## Weekly Insights 27 May 2022: Subdued trade and recovery in tourism as Covid takes a backseat

### 1. Oman removes all Covid19 restrictions

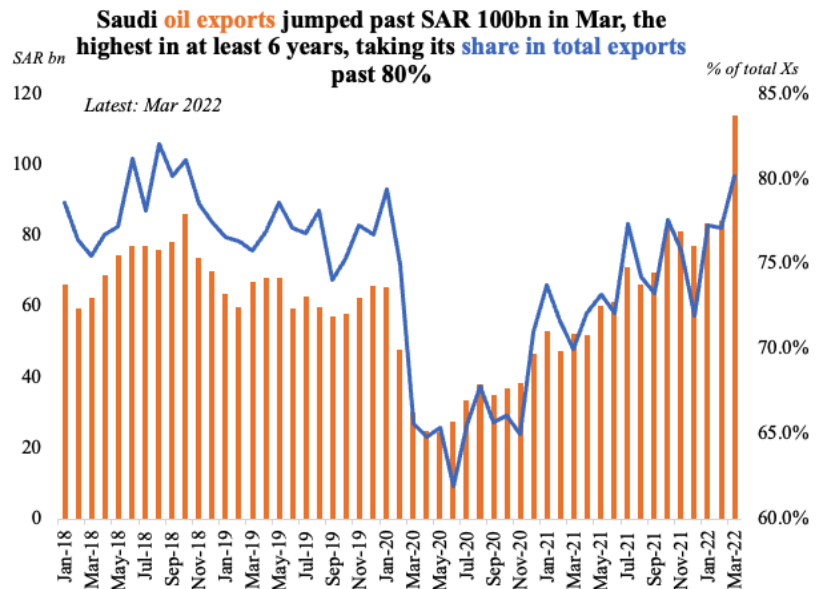
- Oman on Sunday removed all Covid-19 related measures and restrictions (including its mask mandate) with Covid cases having fallen to some 20 cases daily (from over 1000 earlier in the year)
- It will support with tourist flows and raise revenues for the tourism and hospitality sectors (similar to entry pre-pandemic: no vaccination, testing, quarantine requirements)
- This is yet to be reflected in the **Oxford Stringency Index (below)**



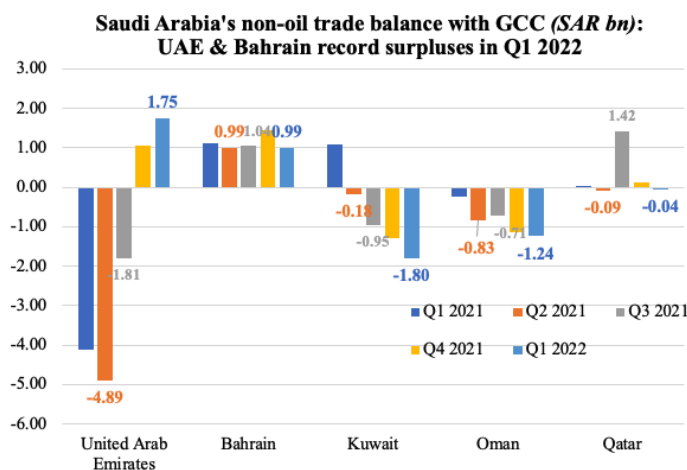
Source: Our World in Data (data as of 23 May 2022, extracted 27 May 2022)

### 2. Value of crude exports from Saudi Arabia stands at ~\$1bn a

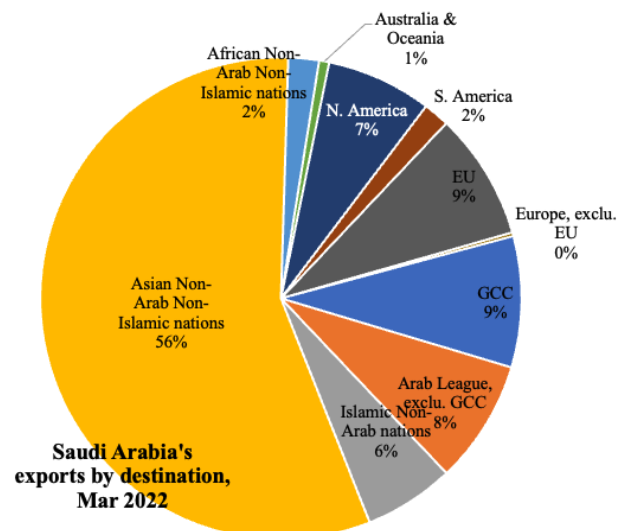
day



- Thanks to the surge in oil prices, **Saudi oil exports rose to the highest in at least 6 years**
- **Non-oil exports** have been rising (avg 35% yoy in Q1), but is **constantly outpaced by oil exports** (85% yoy in Q1)
- **UAE and Bahrain** ran non-oil trade surpluses in Q1, while deficit has widened with rest of GCC



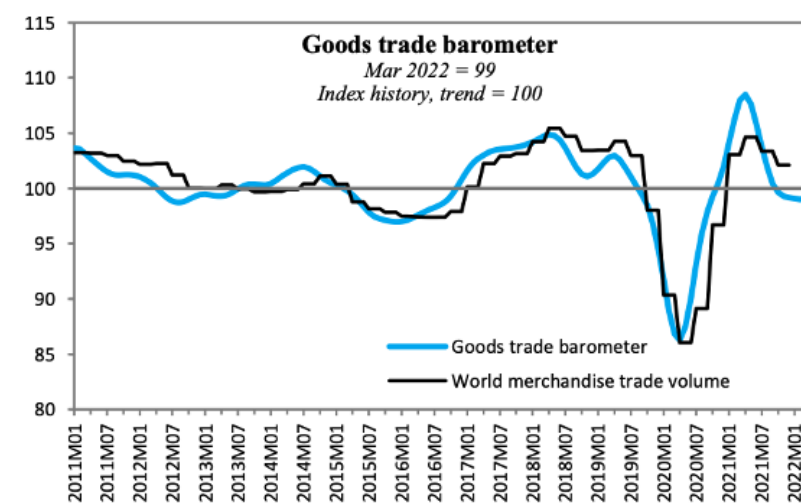
Source: GaStat. Charts by Nasser Saidi & Associates



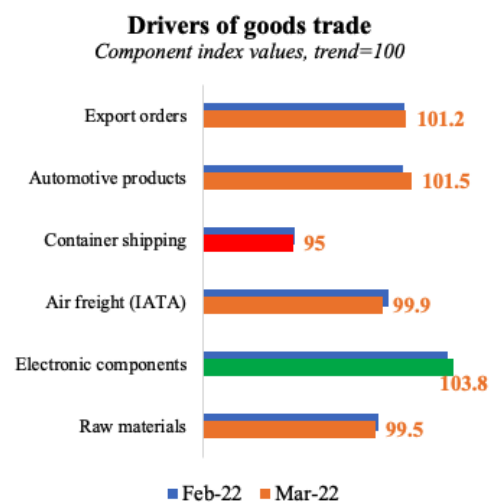
### 3. WTO' s Global Goods Trade Barometer shows weakness in global trade & Ukraine war & supply chain issues bite

- The **Russia-Ukraine war** has heightened geopolitical tensions; together with **China's lockdown** measures, this is likely to increase supply chain pressures, resulting

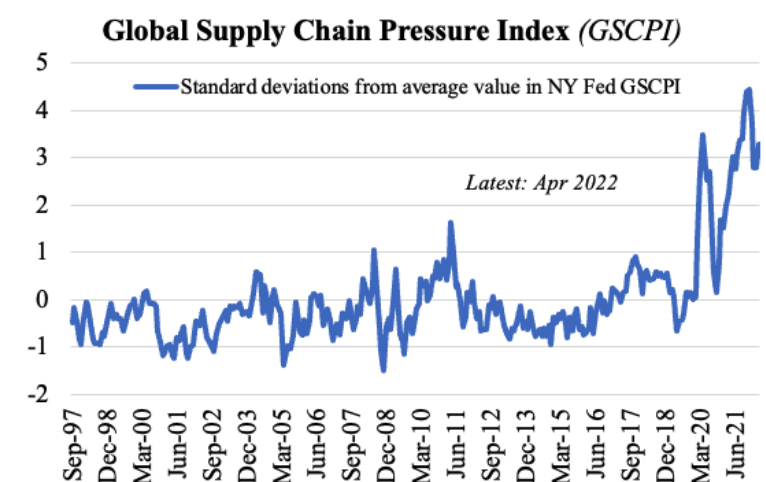
- in a slight slowdown in global trade in the near-term
- There has been a slight **improvements in export orders, electronic components and automotive products**, but both **container shipping & air freight** have been **negatively affected** (detailed in next point)
  - The **WTO's Apr forecast of 3% growth in global trade this year is looking rather optimistic** in this backdrop; furthermore, as inflation continues to rise, there is a reduction in consumers' purchasing power, resulting in weaker global demand



Source: Goods Trade Barometer, May 2022, WTO.



## 4. Shipping and cargo prices

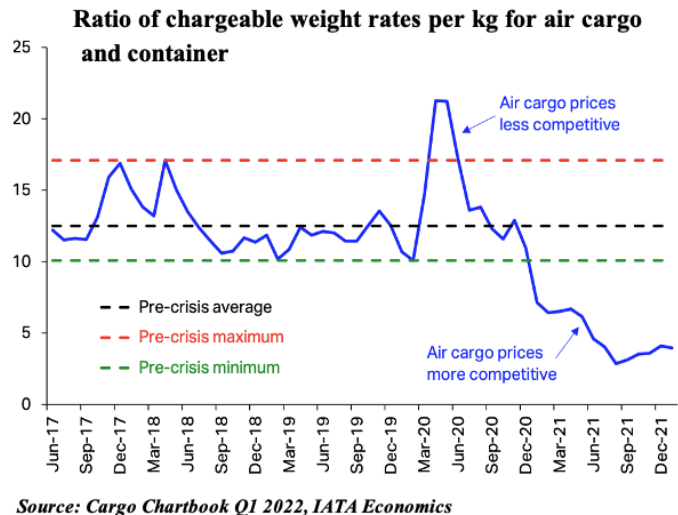
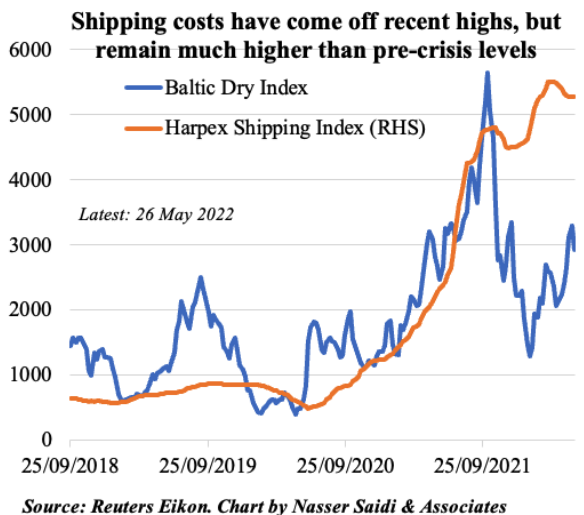


Source: Federal Reserve Bank of New York, May 2022.

- Unsurprisingly, **Fed's supply chain pressures index increased for the first time this year in Apr**
- It is estimated that **nearly one-fifth of all container**

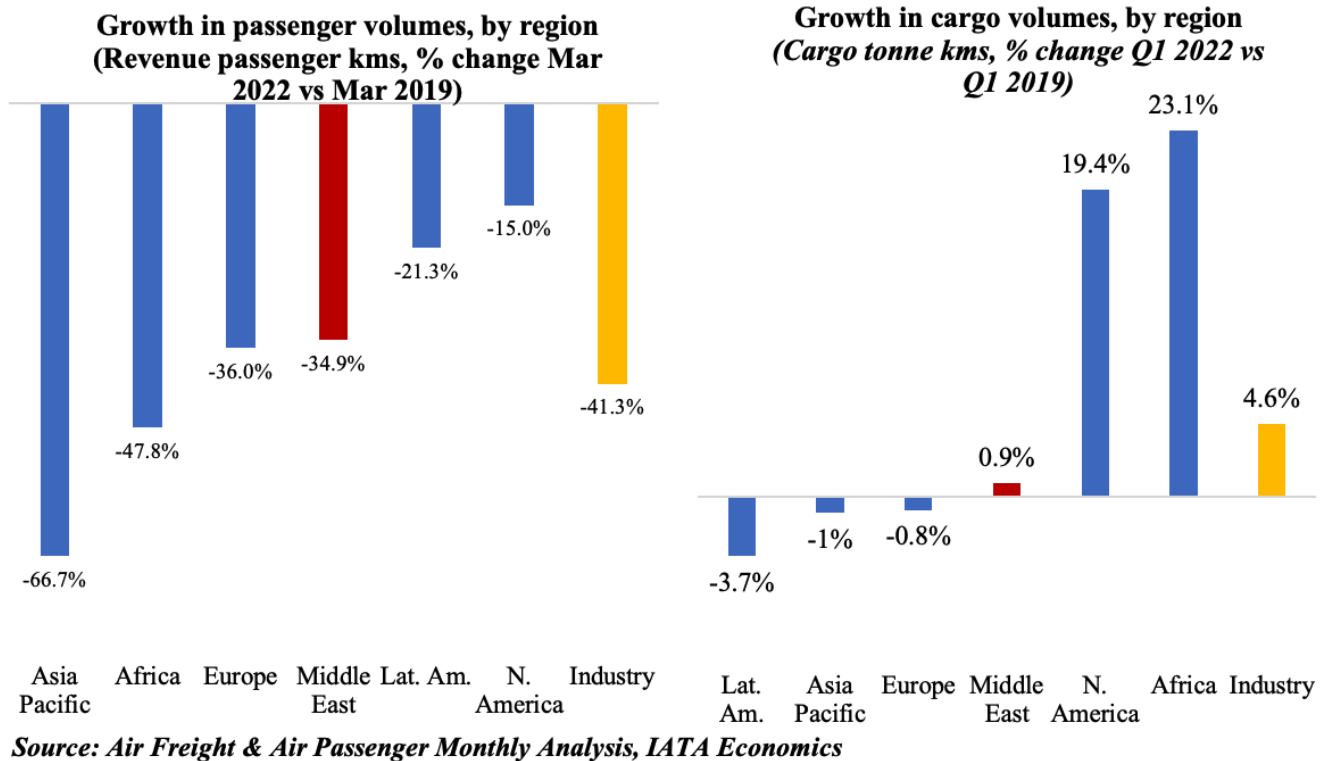
ships globally are currently waiting outside a congested port => higher processing times + longer delays => driving up shipping costs

- For now, air cargo prices are still cheaper than freight, but with the surge in jet fuel prices (100%+ yoy), this competitive edge is likely to mellow



## 5. Middle East airline passenger volumes improve yoy while cargo volumes drop; opposite is true when comparing to 2019

- The Russia-Ukraine war has had a limited impact on air travel; global recovery is underway (+76% yoy but -41.3% vs Mar 2019). Lockdown in China has seen a substantial decline in domestic travel; **international travel remains restrictive in key markets like China and Japan**, but is recovering elsewhere in Asia. A **recovery story is underway in the Middle East**: +245.8% yoy increase in Mar 2022 (Feb: 218.2%)
- The recovery in cargo movements seen in 2021 is no longer visible: **air cargo volumes fell to a 16-month low in Mar**; regions with greater linkages to China/ Asia are seeing a visible decline in air cargo transport (Middle East has seen a 6.9% drop in Q1 – the sharpest decline among all regions; but vs 2019, it was up by 0.9%)



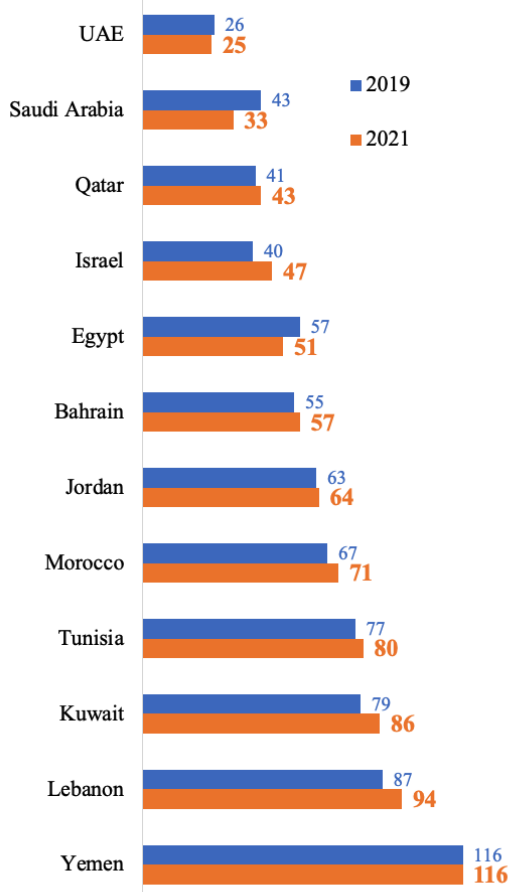
## 6. WEF's Travel & Tourism Development Index show UAE & Saudi top MENA region rankings

- WEF's Travel and Tourism Development Index 2021 saw the UAE move into the top 25 ranks, followed by Saudi (33) & Qatar (43)
- Enabling environment sub-index is the most supportive while the overall score is dragged down by the demand drivers sub-index
- UAE scores highly (score is on 0-7 scale) on enabling environment (safety, ICT, business envt etc) and infrastructure (air, ground, port, tourist services)
- The "reasons to travel" or demand drivers offers much scope for improvement, especially as it captures how these resources are promoted as opposed to existing heritage

More:

<https://www.weforum.org/reports/travel-and-tourism-development-index-2021/in-full>

**WEF's Travel & Tourism Development Index: only UAE, Saudi & Egypt have improved rankings in 2021**



**Travel & Tourism Development Index, 2021 scores by sub-indices**

	Enabling Env't subindex	Travel & Tourism Policy & Enabling subindex	Infrastructu re subindex	Travel & Tourism Demand Drivers subindex	Travel & Tourism Sustainabilit y subindex
UAE	5.7	4.6	4.8	2.8	4.0
Saudi Arabia	5.4	4.2	4.1	3.0	4.3
Qatar	5.5	4.5	4.2	2.3	4.1
Israel	5.5	3.6	4.4	2.6	4.3
Egypt	4.7	4.8	3.6	3.1	4.2
Bahrain	5.3	4.5	3.7	2.1	4.0
Jordan	4.8	4.6	3.4	2.2	4.0
Morocco	4.4	4.4	3.3	2.7	3.8
Tunisia	4.3	4.4	2.9	2.3	3.7
Kuwait	4.9	3.3	3.2	1.9	3.5
Lebanon	4.1	3.8	2.8	2.1	3.7
Yemen	2.8	3.6	1.7	1.8	3.1

	Natural Resources	Cultural resources	Non- leisure resources
UAE	1.8	3.07	3.4
Saudi Arabia	2.6	2.94	3.4
Qatar	1.3	2.44	3.1
Israel	1.9	2.42	3.5
Egypt	3.1	3.63	2.6
Bahrain	1.1	2.32	2.9
Jordan	1.8	2.11	2.6
Morocco	2.3	2.83	3.0
Tunisia	2.0	2.13	2.8
Kuwait	1.3	1.84	2.5
Lebanon	1.3	2.02	2.9
Yemen	2.2	1.65	1.4

**Travel &  
Tourism  
Demand  
Drivers  
subindex**

Source: Travel & Tourism Development Index, WEF, May 2022

## 7. Bottomline

- While Covid has taken a backseat in most nations, geopolitical tensions have been heightened by the Russia-Ukraine war (partly raising food & oil prices)
- Given its importance in global value chains, ongoing lockdowns in China is causing supply delays => higher shipping & cargo costs => constraining global trade
- Together with higher oil prices, this is leading to rise in inflationary pressures => to curtail runaway prices, central banks are raising rates
- Higher prices + interest rates = lower spending by consumers = slowing consumptions => drag on growth (+ slowing trade)
- Middle East's oil and food importers have declining strategic reserves => raising food poverty, widening inequality => potential social unrest in vulnerable

nations

- According to UNWTO, tourist arrivals into the Middle East were still 63% below 2019 levels in Jan 2022 (but recovering from the sharper 79% and 74% drop reported in 2020 and 2021 respectively)
- Removal of Covid-related restrictions would improve tourism outlook (most recently Oman), but China's travel restrictions will leave a slight dent in some Middle East markets (like UAE, Egypt)

**Powered by:**

**REFINITIV<sup>™</sup>** 