
Weekly Insights 3 Jun 2022: OPEC+ hikes production; Saudi & UAE will benefit from greater windfall

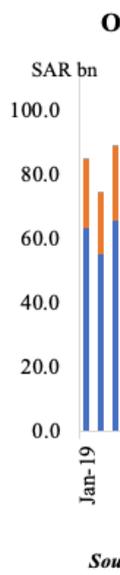
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OPEC+ hikes Jul-Aug oil production: markets estimate it is insufficient 1.

- **agreed to accelerate oil production in July** meeting yesterday, it was **OPEC+** At the (from earlier planned increase of 400k bpd): this is **and August by 650k barrels per day** modest and accounts for just over 0.4% of global demand over the two months
- Though increases are to be shared across the OPEC+ member countries, with many **more than likely that Saudi Arabia** countries struggling to meet current targets, it is **and UAE (given spare capacity) will meet the increase, benefiting from a greater windfall.**
- **members** announced by Europe this week means that **import ban on Russian oil** The Russian production has already **will have to look at alternative sources of oil.** declined by around 1mn bpd since the war (it was pumping ~10% of global crude supplies prior to the war). Prolonging the war would only cause the situation to worsen
- (a) Russian oil has found buyers in India and China (making their **On the demand side:** exports relatively “resilient”); (b) China’s emergence from lockdown is expected to nudge demand up; (c) US crude stockpiles have fallen more than expected but as gas prices continue to rise, consumers could demand less (already some evidence of weekly decline in petrol demand, as tracked by the EIA)
- **the increase in production, in light of the ban on Russian oil by** Our read is that **Europe, is unlikely to be sufficient to calm oil markets and drive down prices**

Consumer spending in Saudi Arabia has been rising in 2022 2.

- thanks to higher **Consumer spending in Saudi Arabia has been rising in 2022,** **there is a visible shift in** mobility rates amid high vaccination rates and low stringency; **mode of transactions**
- amidst double-digit gains in both **Cash withdrawals from the ATMs have been falling** PoS and e-commerce
- **Point-of-sale transactions in ‘Hotels’ and ‘clothing and footwear’ surged in Apr** ; purchases of **as the Eid holidays period approached towards end of the month** ‘electronics’ and ‘construction and building materials’ meanwhile continued on a downward trend as seen in recent months
- show that the uptick in Eid-related transactions (hotels, **transactionsPoSWeekly eased in the later weeks of May** clothing, restaurants etc)



Saibor Money supply & credit to private sector in Saudi Arabia rise; as does 3.

- highest rise in nine by 8.7% yoy in Apr, the Money supply (M3) in Saudi Arabia rose , and by 1.0% mom: it is rising at a slower pace compared to overall credit months growth
- ; credit to the in Apr 2022 yoy bank claims on the private sector grew by 14.2% Total public sector increased by 8.6% yoy, following two months of 11%+ in Feb-Mar. High oil prices meanwhile don't seem to have translated into a surge in deposits into the banks (yet)
- has crossed the 3% mark to its highest Saibor Separately, Saudi money market rate (following the interest rate hikes by the Fed), raising debt level in almost 13 years service costs for firms with high debt levels

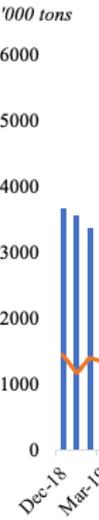


Mortgage finance in Saudi Arabia has been volatile in 2022, following a surge in 2021.

- , from just 47% in Home ownership rates have been increasing in Saudi Arabia 2016 to more than 60% now. While this move was supported by various initiatives by the increase in demand led to a jump in government including subsidised mortgages, the

(the fastest growth in 5 years). **residential prices** (mortgages **residential new mortgages finance surged in 2021** Meanwhile, **but has been** accounted for 49% of retail loans made in 2021 from just 25% in 2019) **volatile this year**

- : as restrictions **trend downwards in Apr** (and sales) continued to **Cement production**
- ease, and construction picks up pace given the multiple mega-projects in the pipeline (including in NEOM), the cement industry could see better prospects



Source: Saud

Saudi Arabia's tourism industry is rapidly growing, in line with Vision 2030 plans 5.

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Source:

The USD 10bn industrial partnership between the UAE, Egypt and Jordan to promote 6. regional economic integration

- **a new industrial** The tri-party agreement between the UAE, Egypt and Jordan to form **greater regional integration** is a step in the right direction towards **partnership building up on existing local comparative** Cooperation will reap additional benefits by (like in petroleum, fertilizers, pharmaceuticals & related sectors) while **advantages creation & development of regional supply chains** enabling the , it will also **increase value added and productivity** Not only would such investments => better trade prospects **integrate into the global supply chain** help these nations to (increase in exports, reduced costs & maximising firm profits)
- **UAE can deploy capital and existing technical** Furthermore, being a capital exporter, in the lower-wage cost nations, thereby supporting job creation (and reducing **know-how migration**), imperative for post-Covid recovery
- **: underscores the need for improved food security in the future** The agreement also given climate change, and potential water wars in the future, it would be a win-win for all 3 nations to support development of agriculture/ food, especially by tapping technological advancements (AgriTech, vertical farming etc)

