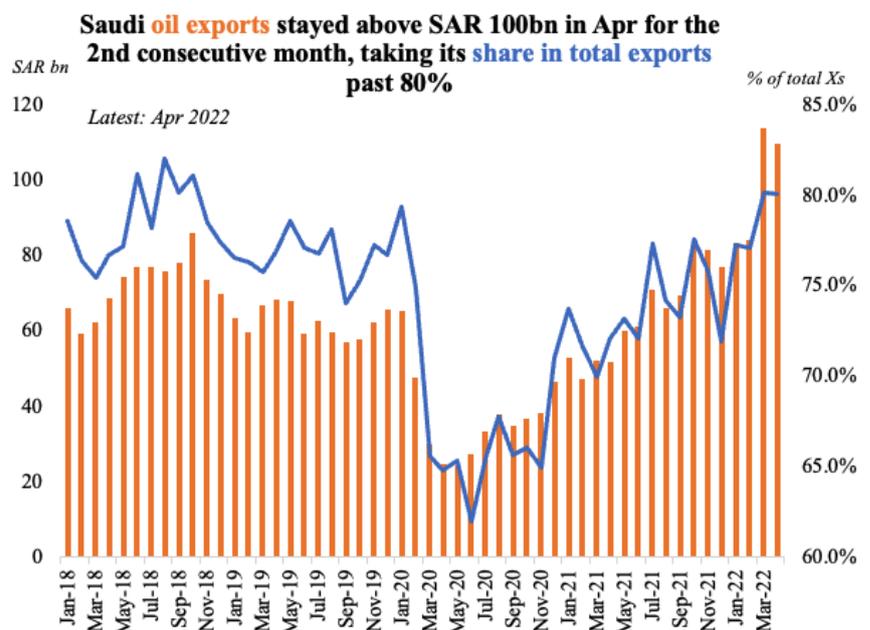


Weekly Insights 24 Jun 2022: Covid-hit sectors' recovery is underway amid improving trade linkages

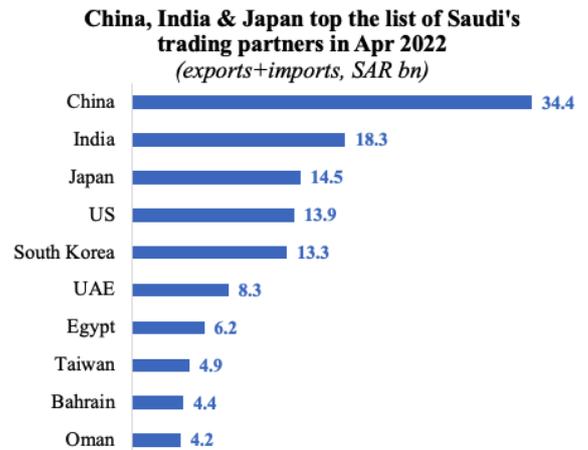
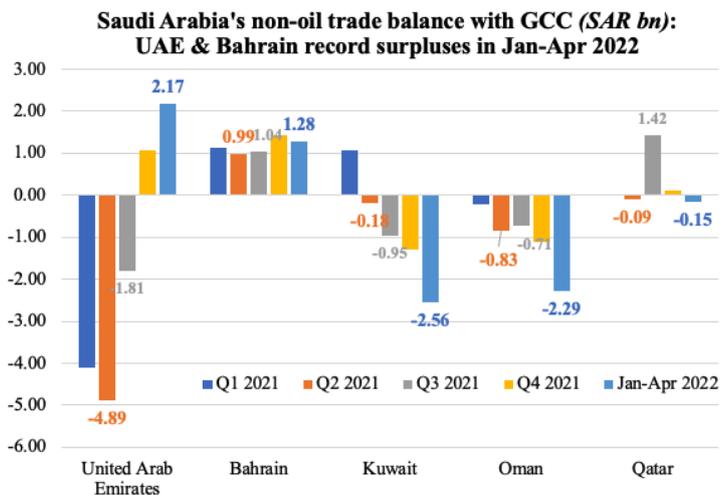
Weekly Insights 24 Jun 2022: Covid-hit sectors' recovery is underway amid improving trade linkages

1. Saudi trade flourishes, thanks to oil exports (SAR100bn+)



- **Non-oil exports** grew by 34.2% yoy to SAR 22.7bn in Apr 2022; however, this accounted for just 17% of total exports
- **China, India, South Korea, Japan and the US** were the main destinations for Saudi exports, together accounting for more than 50% of total exports in Apr 2022
- Saudi imported most from China, US and India, together amounting to 43% of total Ms in Apr 2022. **The top 15 nations accounted for ¾-th of all imports**, and among them were **Egypt (7th largest)**, **Oman (10th)** and **Bahrain (14th)**

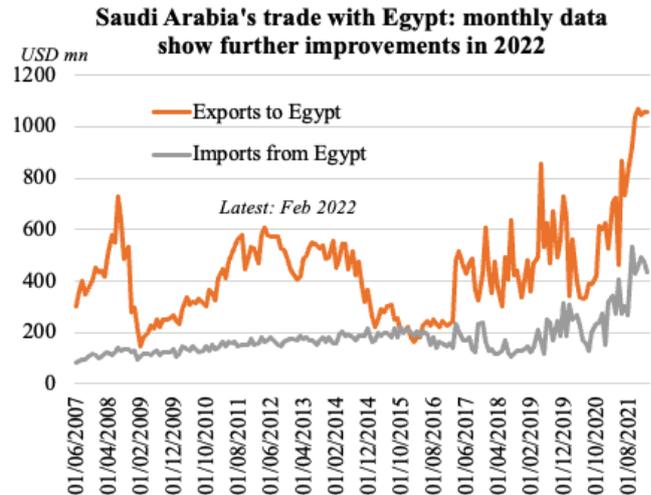
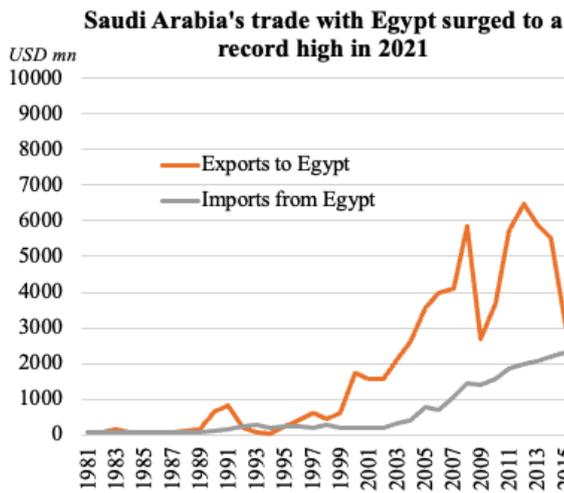
- Within the GCC, Saudi has been running a non-oil trade surplus with both the UAE and Bahrain year-to-date



Source: GaStat. Charts by Nasser Saidi & Associates

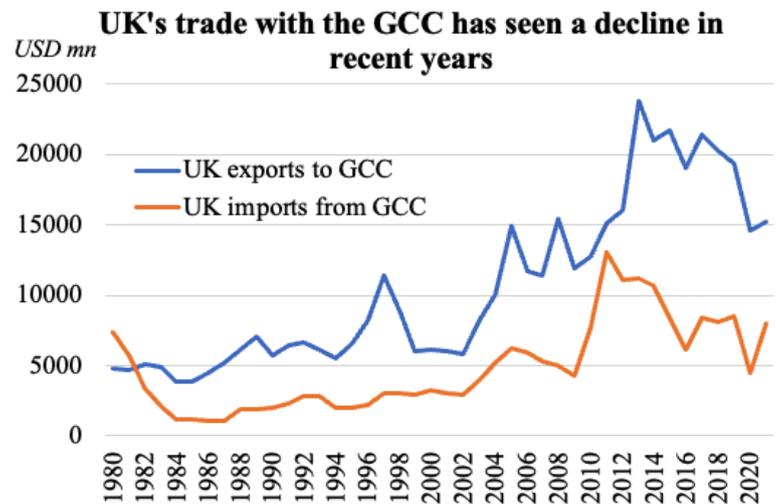
2. Saudi Arabia and Egypt to further cement economic linkages, including trade

- The Saudi Crown Prince visited Egypt this week, in a bid to enhance the growing economic relations between the two nations
- **Trade between Saudi Arabia and Egypt grew to a record high of USD 14bn in 2021**, coming off a slight dip in exports in 2020 (Source: IMF DoTS). Latest available data show the **top exports to Egypt** comprised mostly of fuels & minerals (~50%) and plastics (~25%) while **top imports from Egypt** were fuels (~20%), vegetable products (~15%) and metals (~15%)
- Saudi companies' investments in Egypt amounted to USD 30bn. During this trip, **Saudi and Egypt have signed 14 investment deals worth USD 7.7bn**, with a focus on **infrastructure and green energy**. Saudi Arabia's **ACWA Power** announced an investment worth **USD 1.5bn in a wind power plant** (in the Gulf of Suez) in Egypt

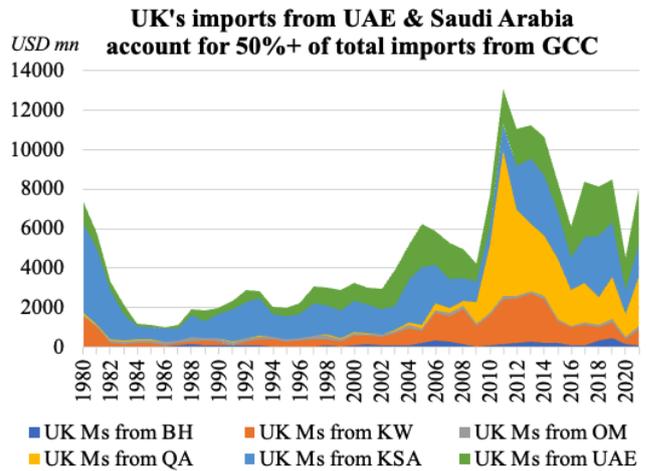
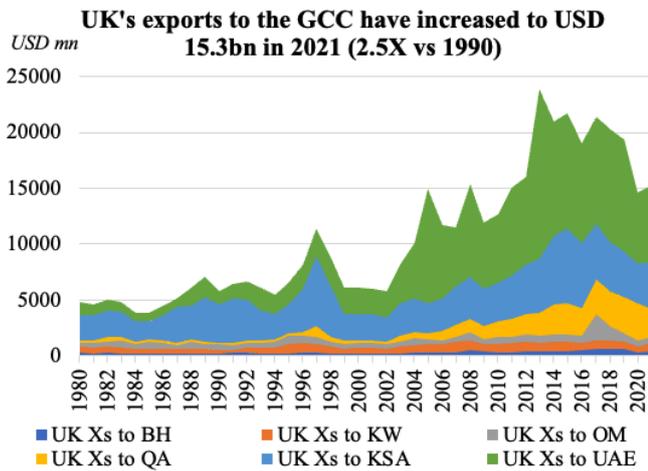


Source: IMF DoTs. Charts by Nasser Saidi & Associates

3. UK initiates free trade talks with the GCC



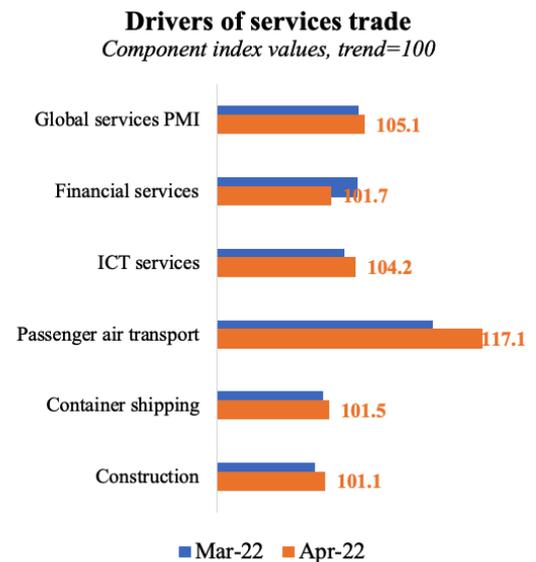
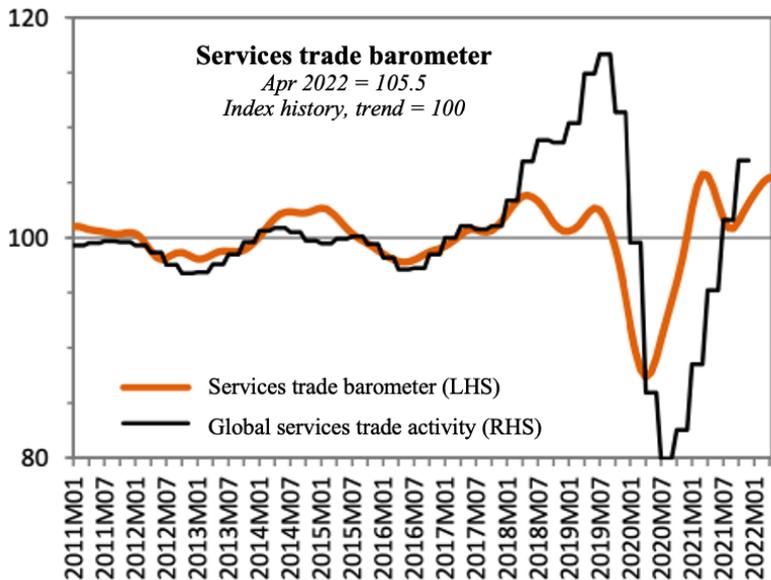
- UK's trade minister is in the **GCC** and is **expected to begin free trade deal discussions** with the region; this follows other post-Brexit trade discussions with India and Mexico
- The **GCC bloc together is equivalent to UK's 7th largest export market**. Saudi Arabia and the UAE are the major trade partners
- Given **GCC's dependence on food imports**, the FTA is expected to significantly reduce or remove tariffs on UK food & drink exports
- Data from the UK government shows that **UK** is the second largest services exporter in the world, and **services exports to the GCC were worth GBP 12.1bn in 2021**



Source: IMF DoTs. Charts by Nasser Saidi & Associates

4. Services Trade Continues Recovery in spite of the Russia-Ukraine war

- **Services trade is picking up faster than goods trade**, as shown by the latest Services Trade Barometer from the World Trade Organisation (WTO). This is a possible sign of a shift in consumption patterns i.e. away from goods and more to services, as was the case pre-Covid
- The **services trade activity index showed a recovery in Q4 2021** (bottom left chart, black line), but it is about 9% below its pre-pandemic peak (in Q2 2019)
- Among the main **drivers of services trade, passenger air transport posts the strongest gain** ([supported by IATA data of passenger traffic from last week's Insight piece](#)), followed by services PMI and ICT services

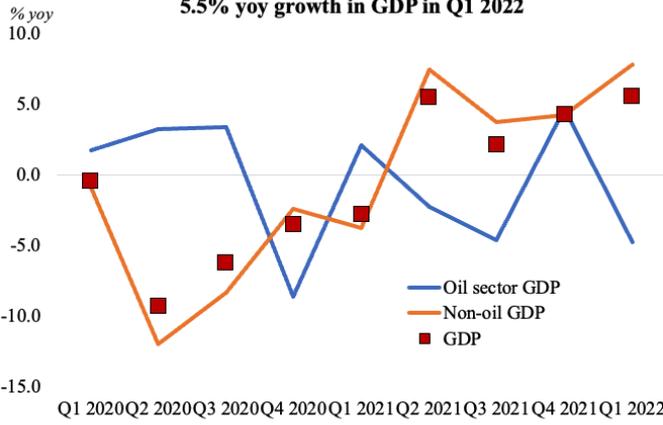


Source: Services Trade Barometer, Jun 2022, WTO.

5. Bahrain GDP grows by 5.5% yoy in Q1 2022, supported by non-oil sector activity

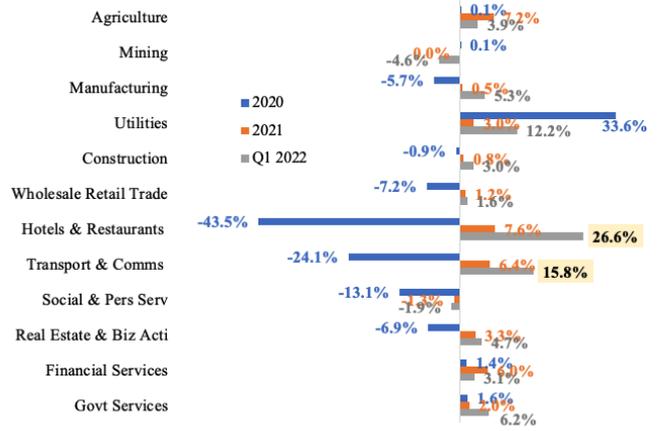
- **Non-oil sector GDP grew by 7.8% yoy in Q1 2022 (Q4: 4.2%), supporting an overall growth of 5.5% (Q4: 4.3%), while oil sector activity declined by 4.7% (Q4: +4.7%)**
- **Recovery in the non-oil sector was supported by the hotels and restaurants sector (+26.6% yoy) as well as the transportation and telecommunications sector (+15.8%): both had plunged as the pandemic hit**
- **The IMF expects Bahrain to post an overall growth of 3.4% in 2022, with a strong reading of 4% in the non-oil sector (supported by manufacturing); furthermore, the increase in VAT to 10% is expected to result in a balanced budget by 2024**

Strong growth in the non-oil sector in Bahrain supports 5.5% yoy growth in GDP in Q1 2022



Source: Bahrain Information & eGovernment Authority. Charts by Nasser Saidi & Associates

Growth rates by sector (Bahrain): hospitality & transport post fastest recovery from Covid slump



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