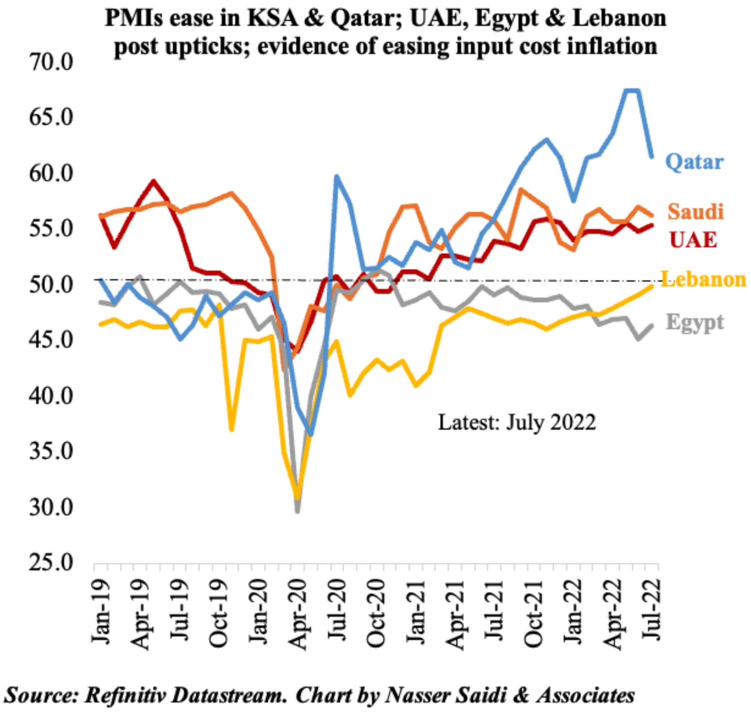
Weekly Insights 5 Aug 2022: Middle East economic activity steadies as loan growth rises & inflation bites

Weekly Insights 5 Aug 2022: Middle East economic activity steadies as loan growth rises & inflation bites

1. PMI stays strong in the GCC; cautious "recovery" in Egypt & Lebanon (seasonal uplift)



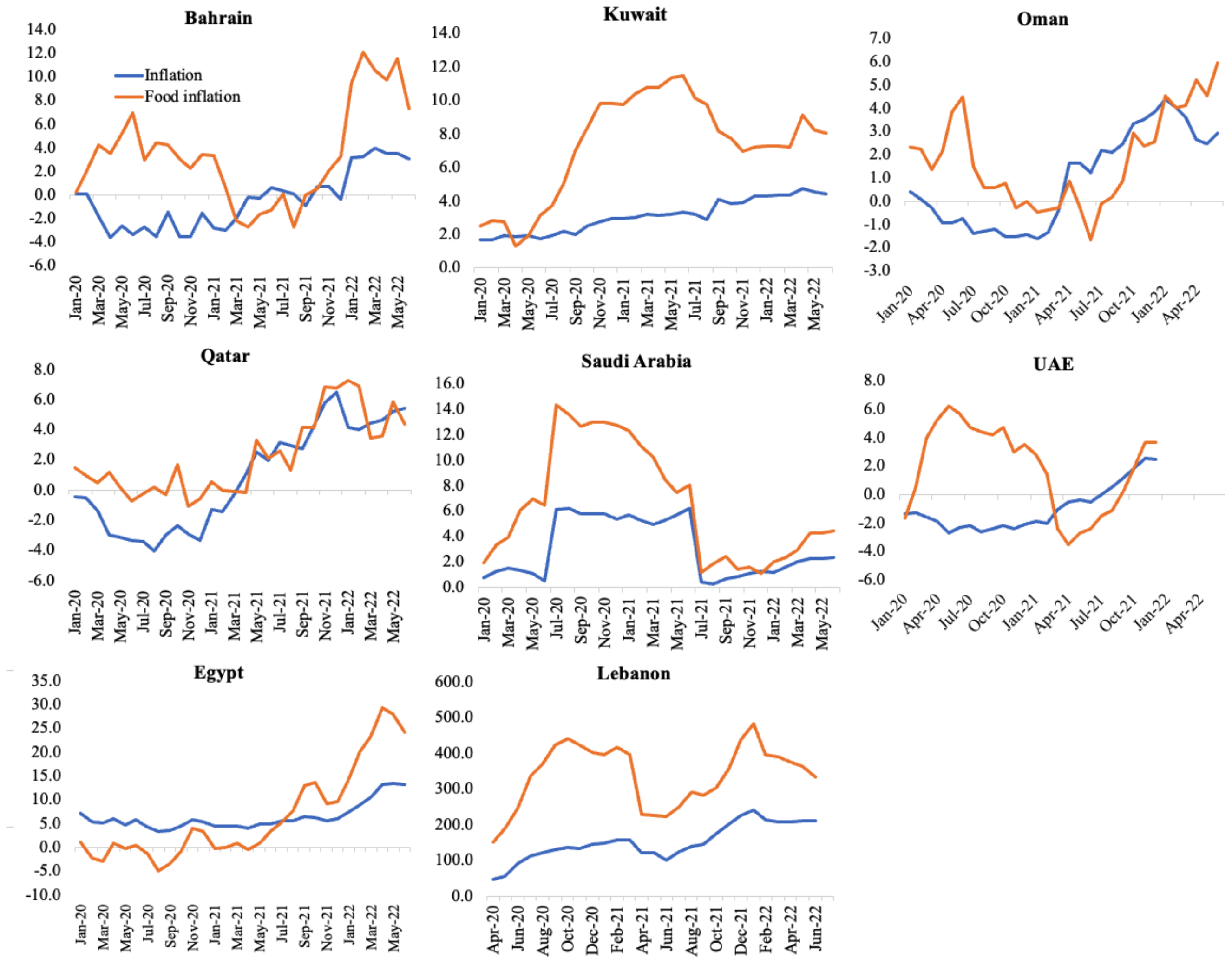
- The **UAE PMI** inched up to 55.4 in Jul (Jun: 54.8) while in **Saudi**, it eased to 56.3 from 57 the month before. **Contrasts with Egypt and Lebanon** where the readings remain sub-50, but seasonal high in Lebanon
- **Inflation is a challenge, with oil and cost of raw materials rising.** Input-cost .inflation edged slightly lower in July (but remains at a high level), while

output cost inflation is still rising. UAE saw the latter accelerate to the second-highest reading in 4.5 years: but **firms "opted to absorb additional cost burdens** and cut their prices": the trend is likely to reverse in the near-term as firms look to profits, probably one of the reasons sentiment fell to a 10-month low

- **PMI in Lebanon jumped to the highest reading since Jun 2013** (staying below-50) linked to summer seasonality.
- **Egypt's PMI remained below-50 for the 20th straight month:** employment stabilised and rate of declines for sub-indices slowed. Inflation remains an issue given rising prices for raw materials, fuel, and foodstuff

2. Inflation in the MENA region

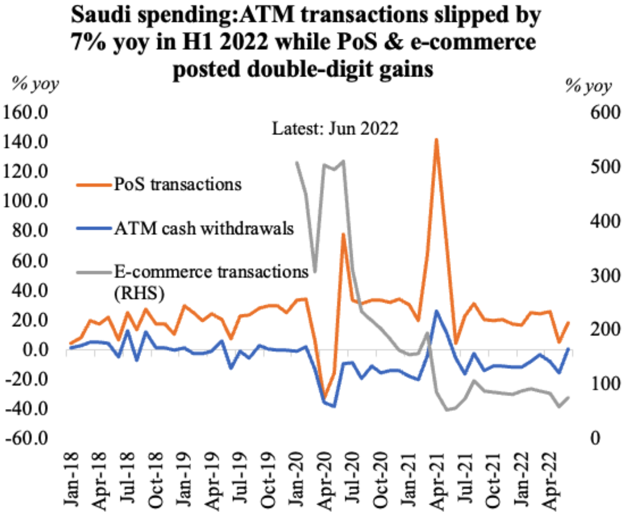
- **Relatively muted in GCC**, given price controls, vs Egypt & Lebanon at triple digits
- **Higher fuel costs in UAE** likely to spillover into transport & other sectors
- Food prices appear to be stabilizing at the global level **(UN FAO food price index posted a 4th consecutive month of decline in Jul, down 13.3% mom)**

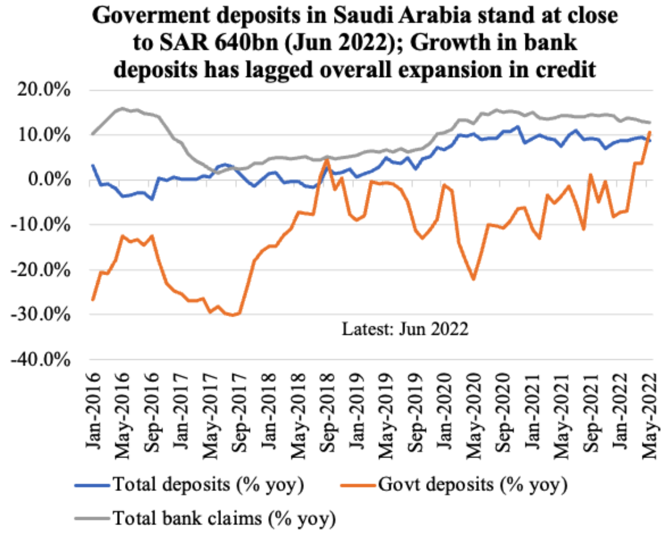


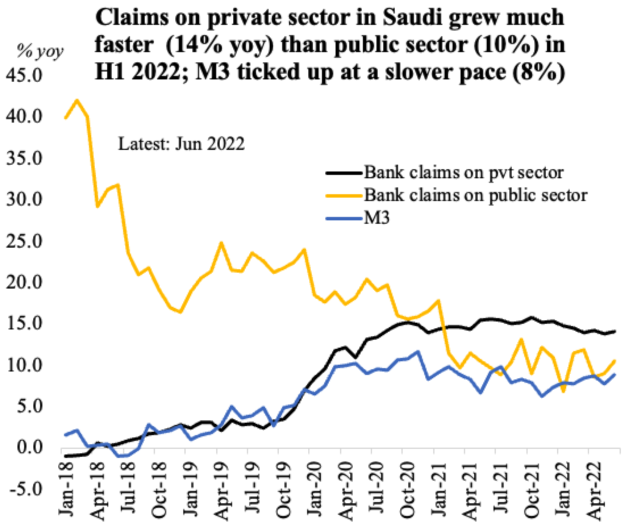
Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
Note: Latest available data is for June 2022 except UAE (Dec 2021)

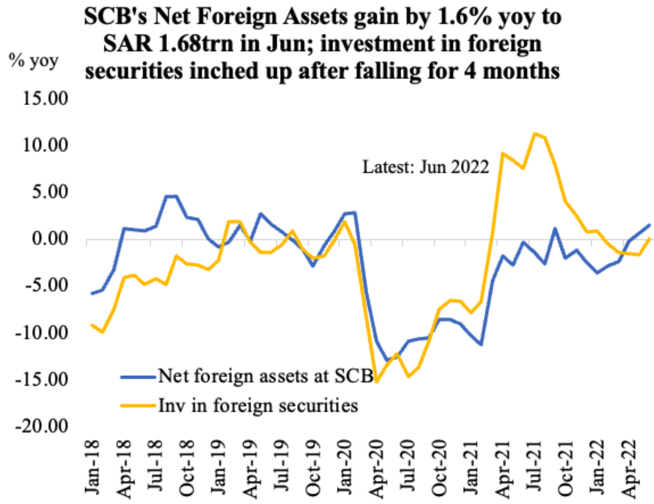
3. Saudi monthly statistics for June 2022: Key facts

- Saudi **consumer spending increased** in Jun
- Broad money supply ticked up as well as total demand deposits (thanks to **gains in government deposits**)
- Claims on private sector grew, with **new residential mortgages for individuals rebounding after 9 straight months of yoy declines**



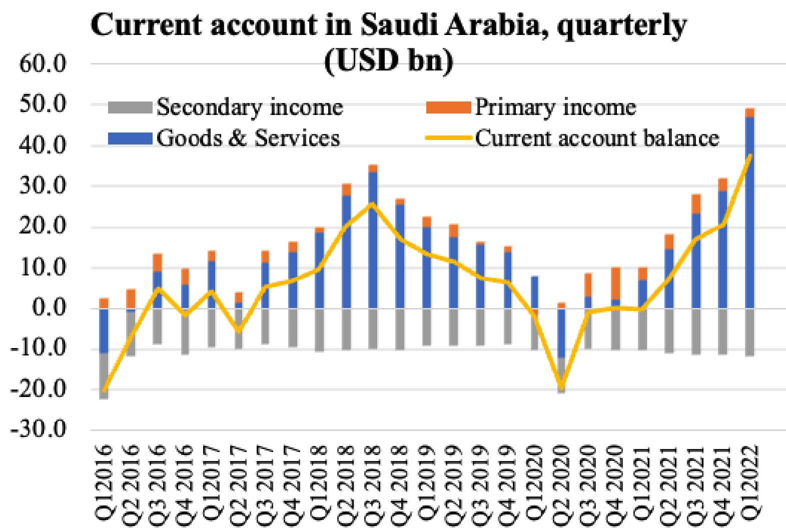






Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

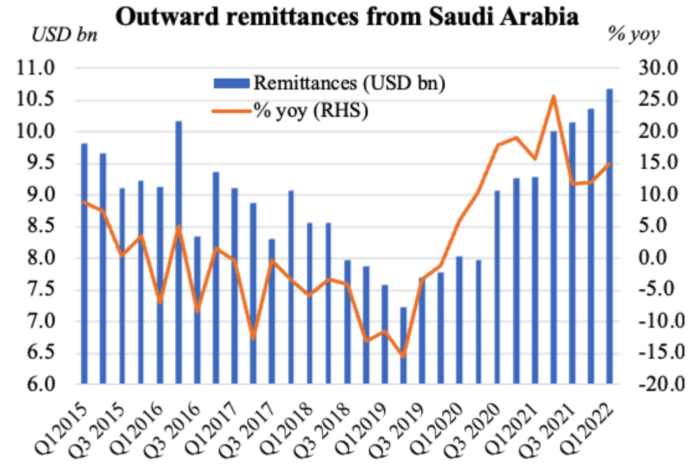
4. Saudi current account touches an 8-year high, supported by oil exports

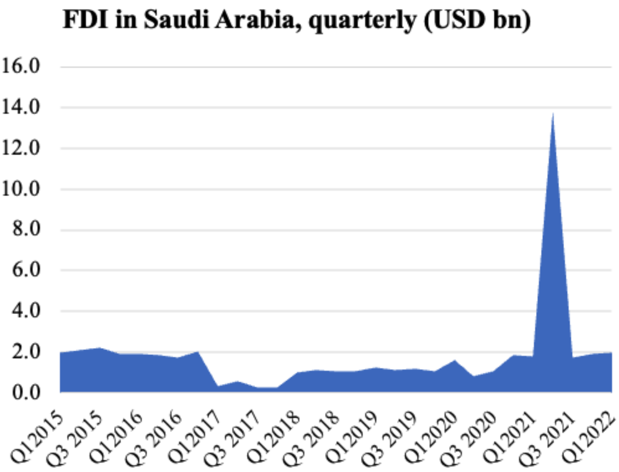


- **Current account surplus in Saudi Arabia jumped to USD 37.4bn in Q1 2022** (compared to Q1 2021's deficit of USD 0.2bn), with the increase largely due to oil exports

(+94.3% yoy); primary income touched USD 2.4bn in Q1 2022

- **Remittances grew** by 15% yoy and 3% qoq to USD 10.7bn in Q1 while **net FDI grew** by 9.5% yoy and 1.7% qoq to USD 1.97bn in Q1

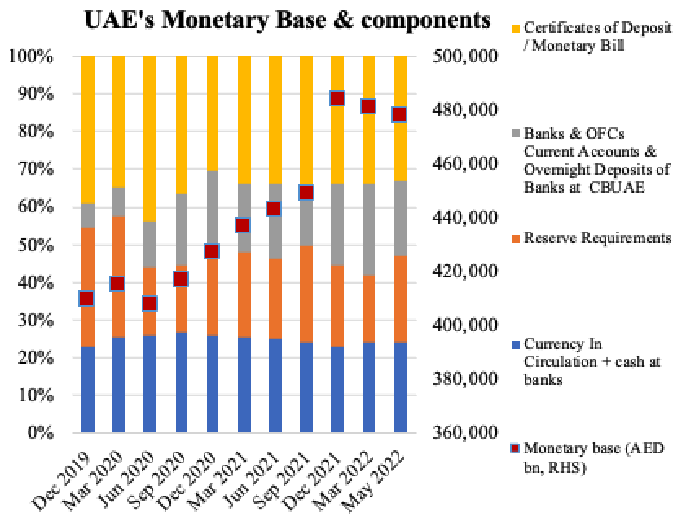


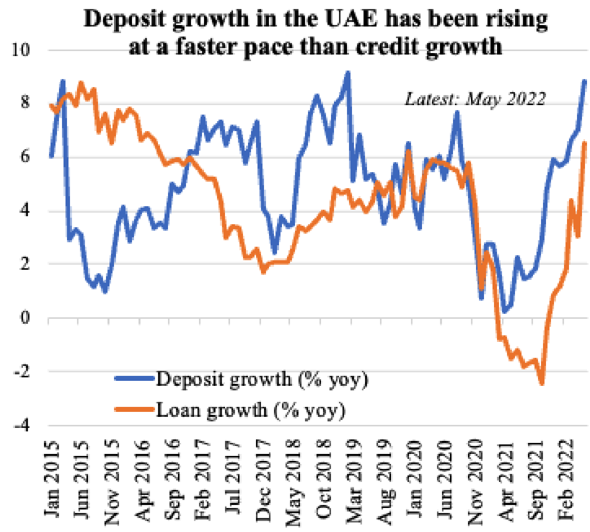


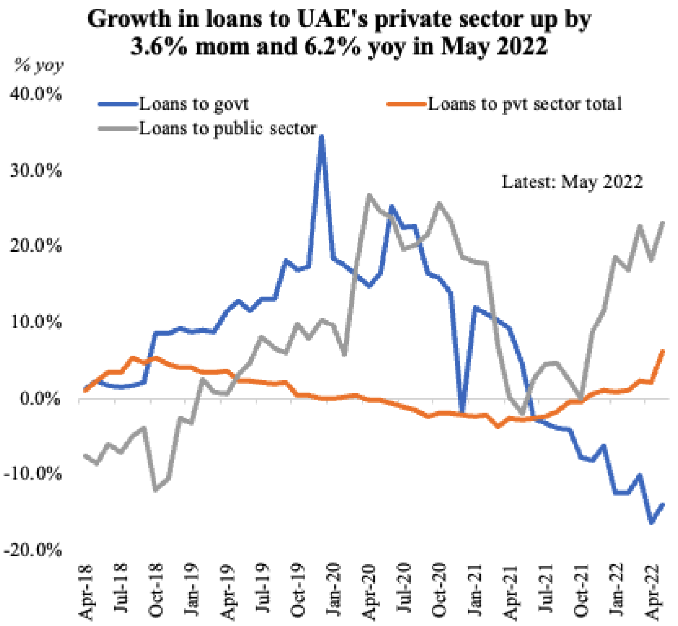
Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

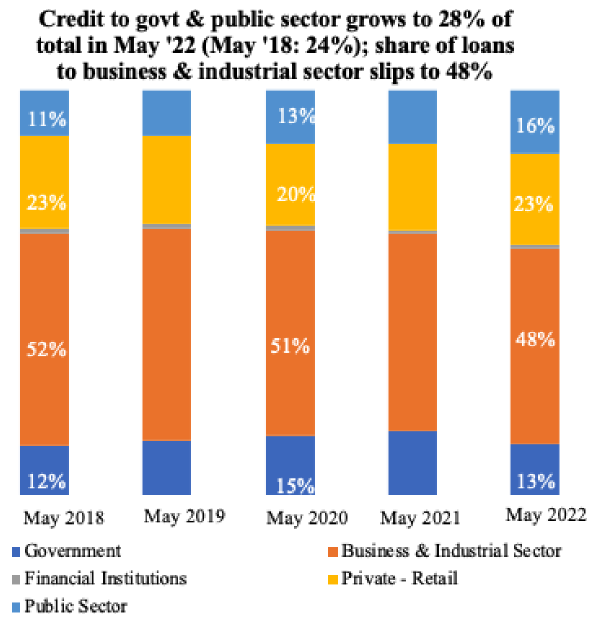
5. UAE released monetary statistics for Apr-May 2022

- **Monetary aggregates M2 & M3 rebound** in May by 0.1% mom and 1.7% respectively
- **Deposit growth outpaced loans & advances in 2022**: an average 6.8% vs 3.4%
- **UAE credit growth driven by** lending to GREs (average of 19.9% in Jan-May 2022) and private sector (2.5%)
- **Lending to the business and industrial sector**, which had rebounded in Mar after 20 months of declines, posted a 12.4% yoy growth in May







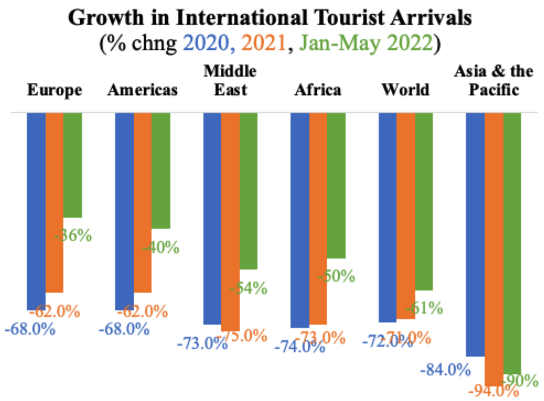


Source: UAE Central Bank. Charts by Nasser Saidi & Associates

6. Travel & tourism recovery continues in the Middle East

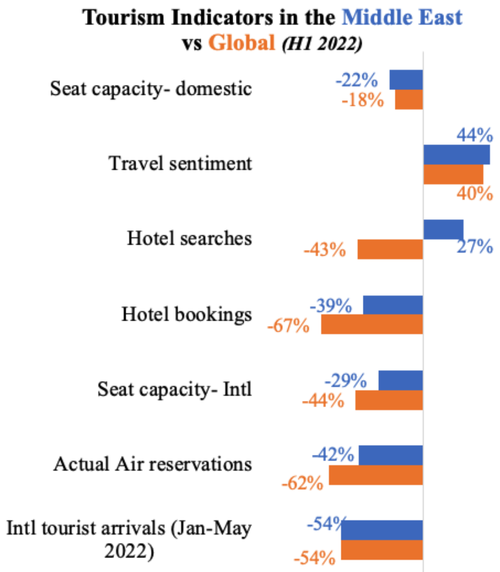
- **Strong rebound in international tourist arrivals**: Middle East arrivals are down by 54% compared to 2019 (vs down by 75% in full year 2021 vs 2019)
- A breakdown by Middle East countries (where data is available) shows that, **other than Saudi Arabia, all nations post increases in arrivals in May 2022 (vs 2019)** since Covid hit
- Various tourism indicators collated by UNWTO indicate **better Middle East performance vis-s-vis global in H1 2022**: notably, Middle East hotel searches have risen by 27% in H1 2022, versus a decline of 43% globally
- **Tourism shares have fallen significantly** in 2022 (vs

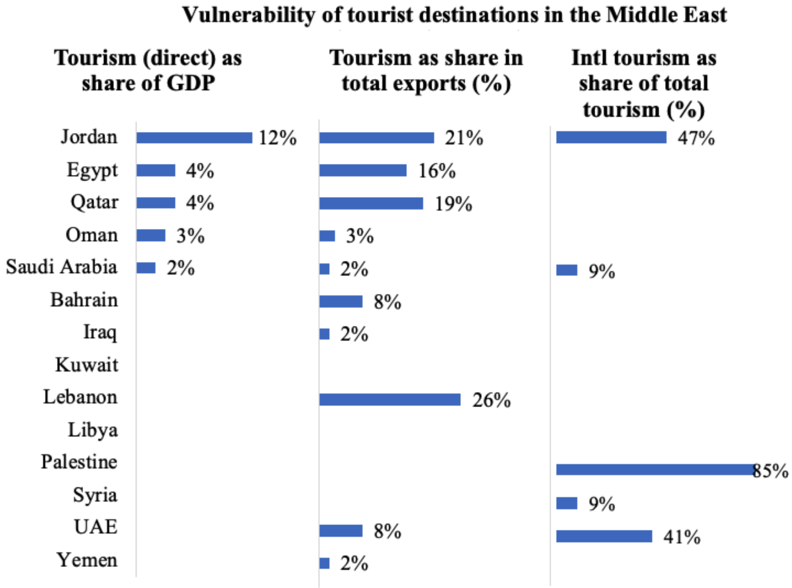
pre-Covid)



International Tourist Arrivals in Middle East, by country *(vs 2019)*

	2020	2021	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Middle East	**-75%**	**-74%**	**-69%**	**-64%**	**-52%**	**-45%**	**-44%**
Bahrain	-83%	-67%	-48%	-60%	-39%	-56%	26%
Egypt	-72%						
Jordan	-76%	-55%					
Lebanon *(as of Jul 2021)*	-71%	-61%					
Oman	-75%	-84%	-65%	-57%	-41%	-44%	9%
Qatar	-73%	-71%	-56%	-57%	-28%	-51%	25%
Saudi Arabia	-76%	-80%	-65%	-54%	-25%	-2%	-46%
UAE *(as of Aug 2021)*	-67%	-69%					





Source: UNWTO. Charts created by Nasser Saidi & Associates

Powered by:

REFINITIV