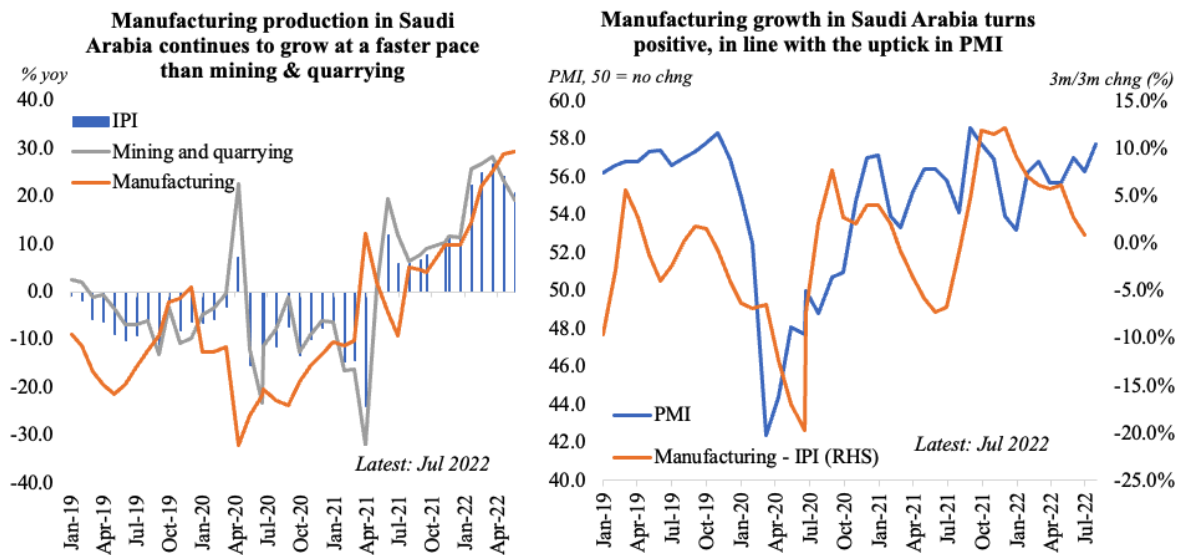


Weekly Insights 16 Sep 2022: Economic Activity Indicators in Saudi Arabia & UAE

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1. Saudi Arabia's manufacturing sector posts double-digit yoy growth for the 6th consecutive month in July

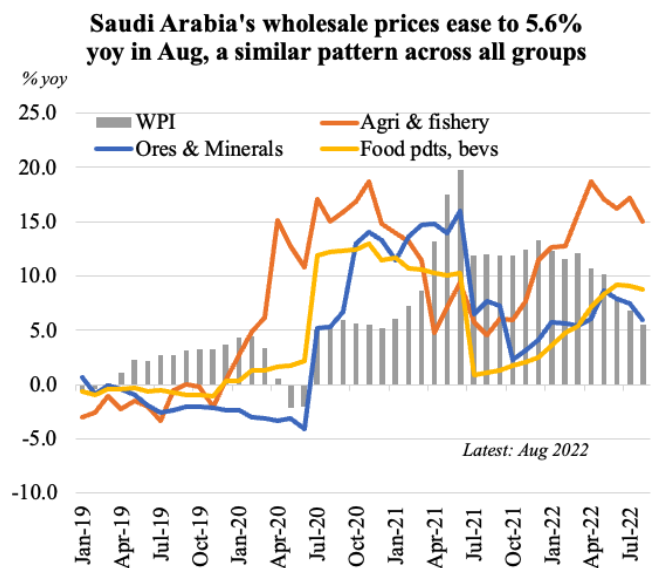
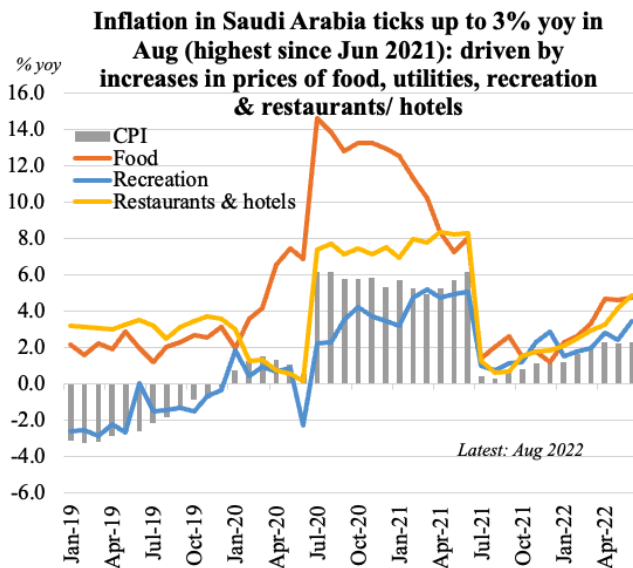
- **Overall industrial production (IP) grew by 17.7% yoy in Aug**, supported by mining & quarrying (+141.% yoy) and manufacturing (+32.6%). The former is supported by the **increase in oil production to more than 10mn barrels per day (bpd) in Jul**; manufacturing has **stayed positive for 12 consecutive months**, posting double-digit growth for six months
- While IP has rebounded from pandemic-lows, **growth has been easing after a high 26.7% yoy in Apr 2022**. The 3m-rolling average displays this easing, but the **uptick in Aug PMI** (to the highest since Oct 2021) & news of an **increase in oil production to 11.05mn bpd in Aug** bodes well for the overall index. Also positive is the news that industrial licenses issued this year touched 531 in Jul + number of existing & under-establishment factories reached 10,685 & investment volume of SAR 1.367trn



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

2. Consumer price inflation in Aug climbs further in Saudi Arabia, while wholesale prices ease

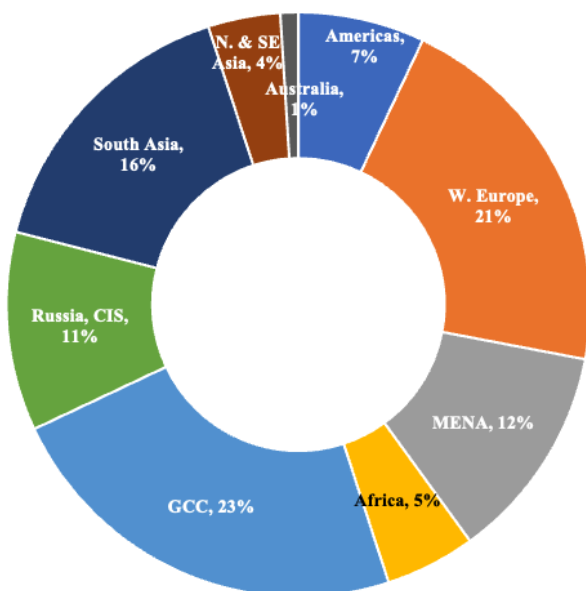
- **Saudi Arabia reported a 14-month high inflation rate of 3% yoy in Aug**, largely driven by food prices (4.31%) and multiple services-related activities like recreation (5.05%) and restaurants & hotels (7.35%). Transport prices inched up to 4% in Aug, after 2.5% and 3.6% rises in Jun and Jul
- **The impact of inflation has been cushioned for low-income families** via the distribution of SAR 10.4bn as direct **cash transfers** as well setting a cap on local fuel prices; this is not a sustainable measure (especially considering fiscal consolidation efforts & the net-zero commitment by 2060)
- **Wholesale price inflation slowed to 5.6% yoy in Aug**, with most categories easing – metal products which have a high weightage in the overall index eased to 3.16% (Jul: 5%); food products remained close to the 9% mark. **Year-to-date, wholesale prices have increased by an average 11.4%**



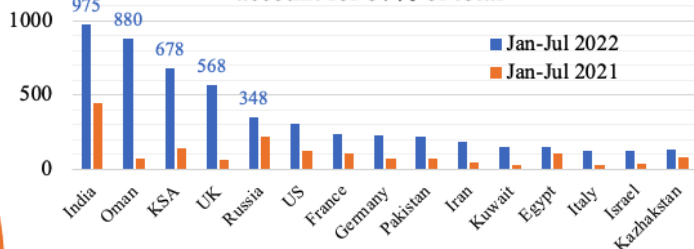
Source: Gastat. Charts by Nasser Saidi & Associates.

3. Dubai tourism emerges strong even during the summer months: total visits touch 8.1mn in Jan-Jul, surpassing 2021's total (7.28mn) & almost 3X vs 2.85mn in Jan-Jul 2021. A stronger recovery is expected come winter, with lower temperatures & more events including Qatar's World Cup

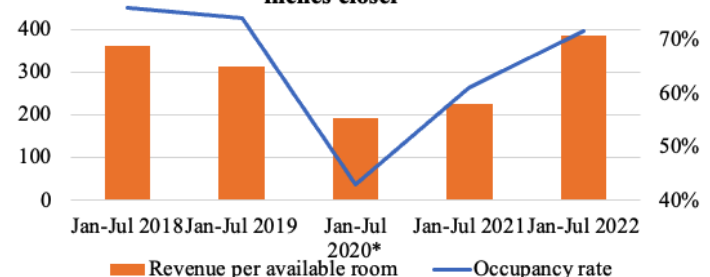
Dubai receives 8.1mn international visitors in Jan-Jul 2022, up 184% yoy



Regional tourism ticks up, with Oman and Saudi Arabia accounting for close to 1/5th of visitors into Dubai in Jan-Jul 2022; top 10 source nations account for 57% of total



Dubai's revenue per available room in Jan-Jul 2022 surpasses pre-Covid levels; occupancy rate inches closer

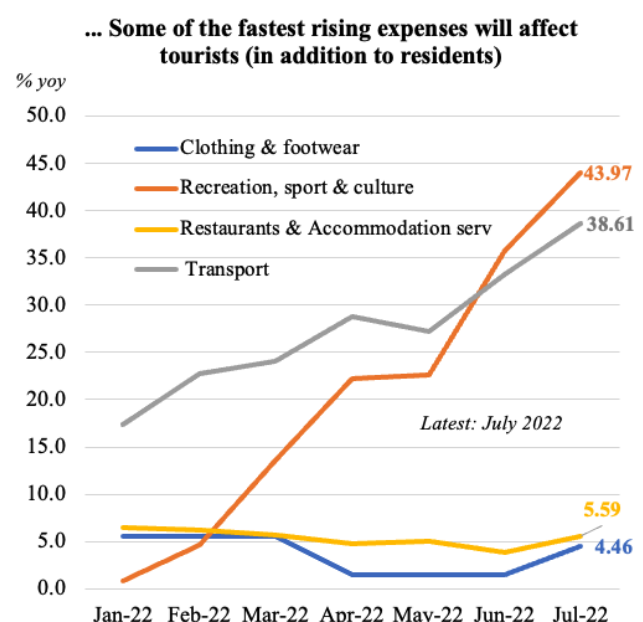
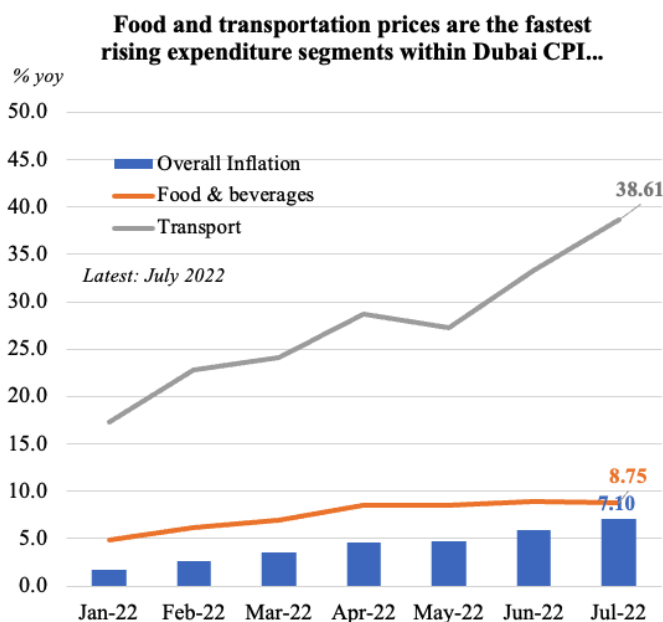


Source: Dubai Department of Economy and Tourism. Charts by Nasser Saidi & Associates

* Covid adjusted data for 2020

4. Will inflation play spoilsport? Dubai's inflation rate climbed to 7.1% in Jul, averaging 4.3% in Jan-Jul

- **Inflation in Dubai increased to 7.1% yoy in Jul**, largely due to the rise in food and beverage prices (+8.75%) and transport costs (38.61%). These sectors have a high weight in the overall index (11.66% and 9.32% respectively) other than housing (40.68%)
- However, the price rise is evident across most categories, especially in **services**, many of which could **affect tourist spending in the coming months**: the most eye-popping is the 43.97% surge in recreation costs while smaller upticks can be seen in restaurant and hotels (5.6%) and clothing & footwear (4.5%). **Another word of caution**: the **strong dollar and weakening euro** could make visits relatively more expensive



Source: Dubai Statistics Centre. Charts by Nasser Saidi & Associates

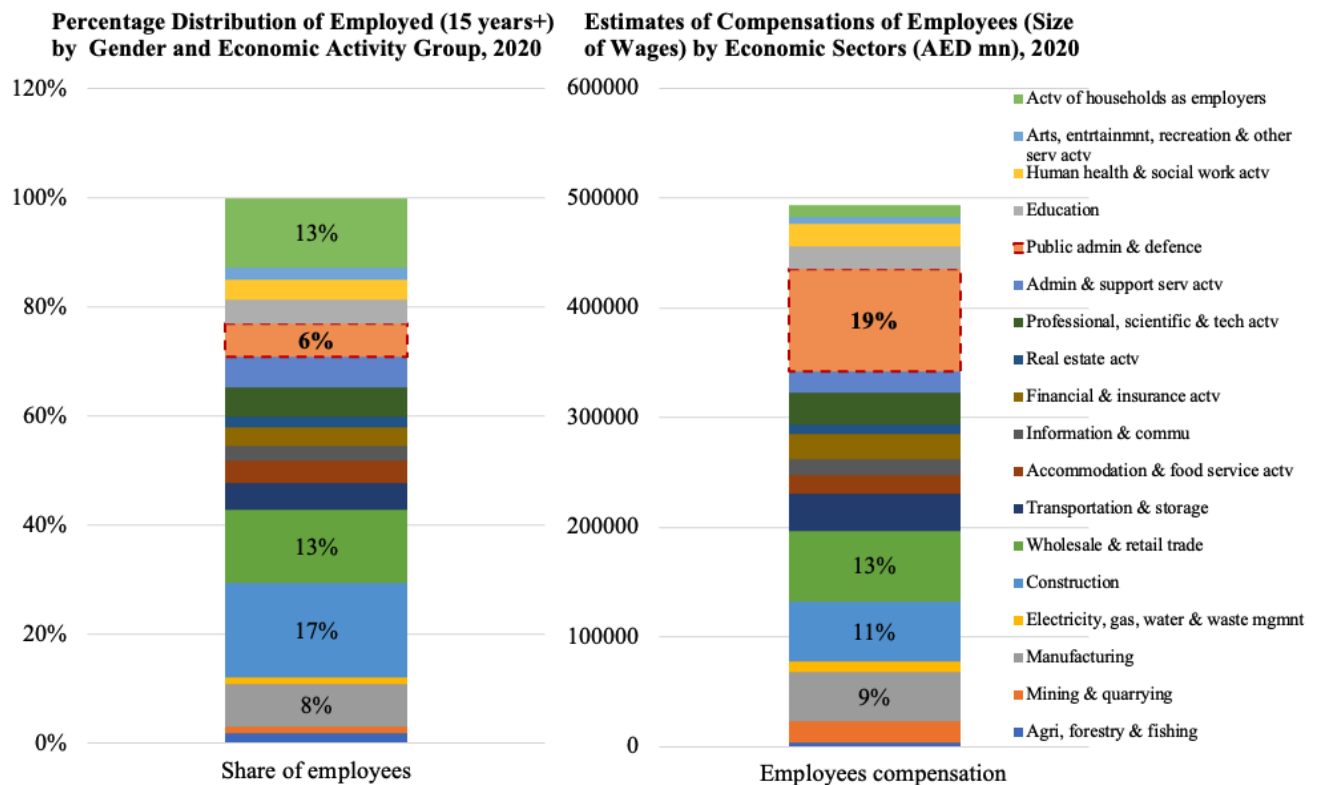
Note: Base is 2021 = 100; the weights reference period is 2019 and the price reference period is 2021

5. Is there any evidence of wage inflation in the UAE?

- The **UAE Central bank**, in its Q1 Quarterly report, disclosed that based on the Wage Protection System, the **number of employees and wages increased by 8.1% and 4.9% at end-Mar**, the highest level since the series started in 2012
- Separately, the UAE Ministry of Human Resources & Emiratisation, disclosed in a report in Aug that the

number of private sector employees grew by 9% yoy to 5.4mn in Q2 2022; fastest growth in employees was reported in the agriculture sector in Q2; ~26% of employees were working in the construction sector while another 21% and 19% were in trade and repair services and business services respectively (Caveat: both these capture mostly mainland-based firms)

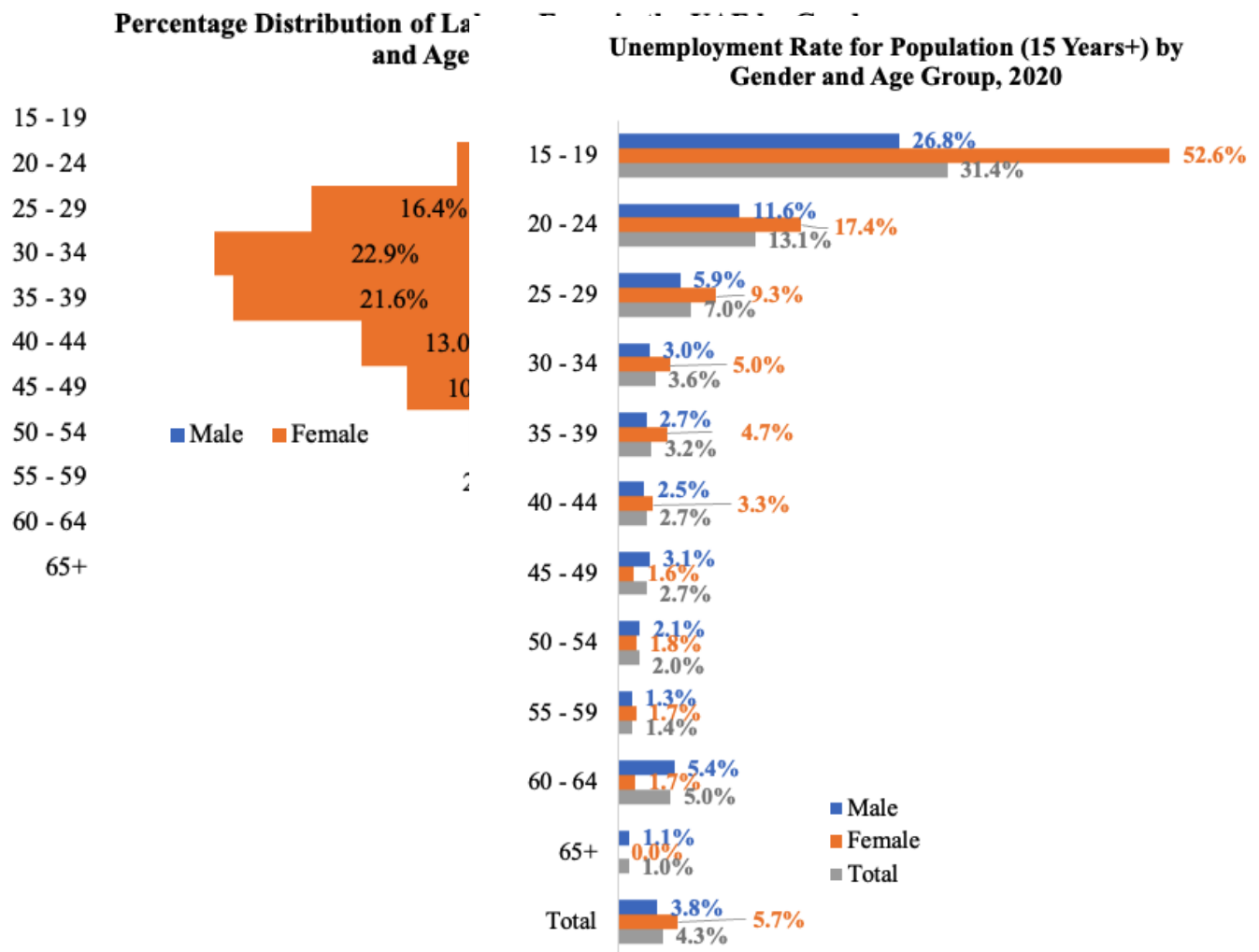
- **Publicly available data for 2020** compiled from the UAE labour force survey 2020 and the Ministry of Economy (MoE) Annual Report 2021 offer additional insights:
 - By economic activity group, the **share of employed workforce (aged 15+) in public administration & defense sector accounted for 6% of the total in 2020** (Source: FCSA Labour Survey), **but account for about 1/5th of total compensation** (Source: UAE MoE)
 - Excluding domestic workers, **female employees in the UAE worked mostly in education (12%), health & social work (8.4%) and wholesale & retail trade (7.5%) in 2020**
 - About 30% of total employed population in the UAE and one-third of all women **work as either managers or professionals**



Source: UAE Labour Force Survey 2020 (FCSA), UAE Ministry of Economy Annual Report 2021

Charts by Nasser Saidi & Associates

6. UAE Labour Force Survey 2020: 80% of the workforce fall within 25-49 years of age; unemployment rate is low at 4.3%, but female unemployment rate is at 5.7%



Source: UAE Labour Force Survey 2020 (FCSA)

Chart by Nasser Saidi & Associates

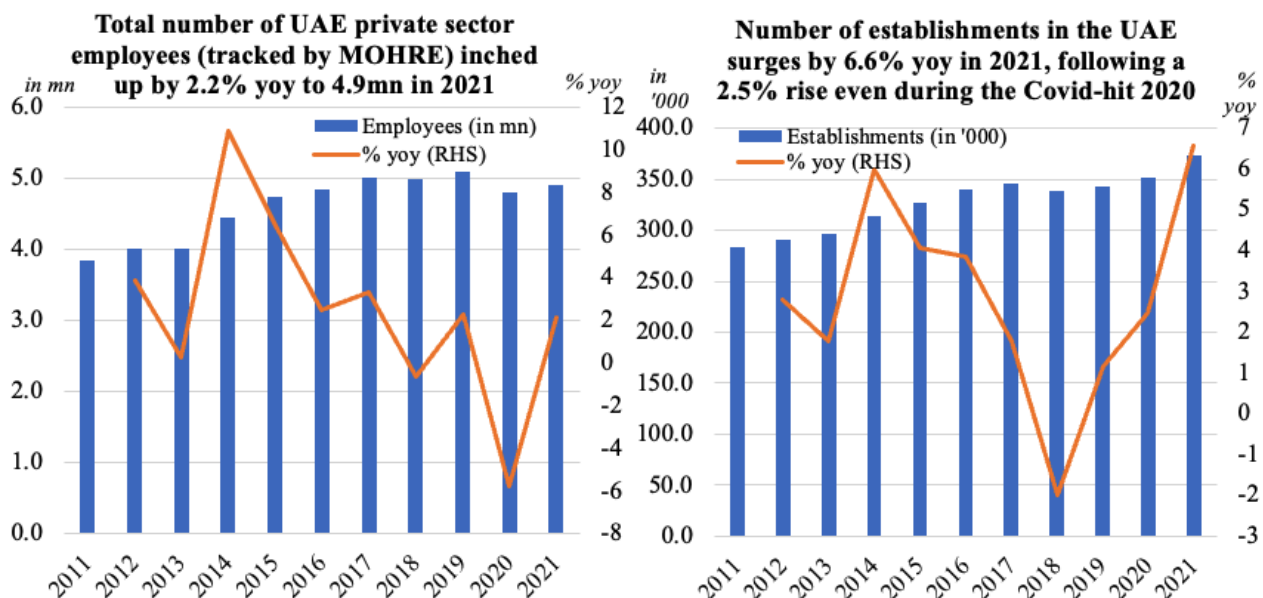
- Close to **80% of the labour force fell within the 25-49 age group** in 2020; only 1% of the working women are aged over-60 (vs. 3.6% of men). Labour force participation rate was 86.4% among males and 65.7% among females
- Overall **unemployment rate** in the UAE was only 4.3% in 2020, the rate was **much higher at 13.1% among 20-24 year olds** and 7% among those in the age group 25-29
- **High educational attainment, but jobless:** among those unemployed, almost 40% had a Bachelor's degree or equivalent; close to 45% of the unemployed women had completed a Bachelor's degree

7. An overview of UAE's private sector establishments & labour data 2011-2021

- The UAE Ministry of Human Resources & Emiratization

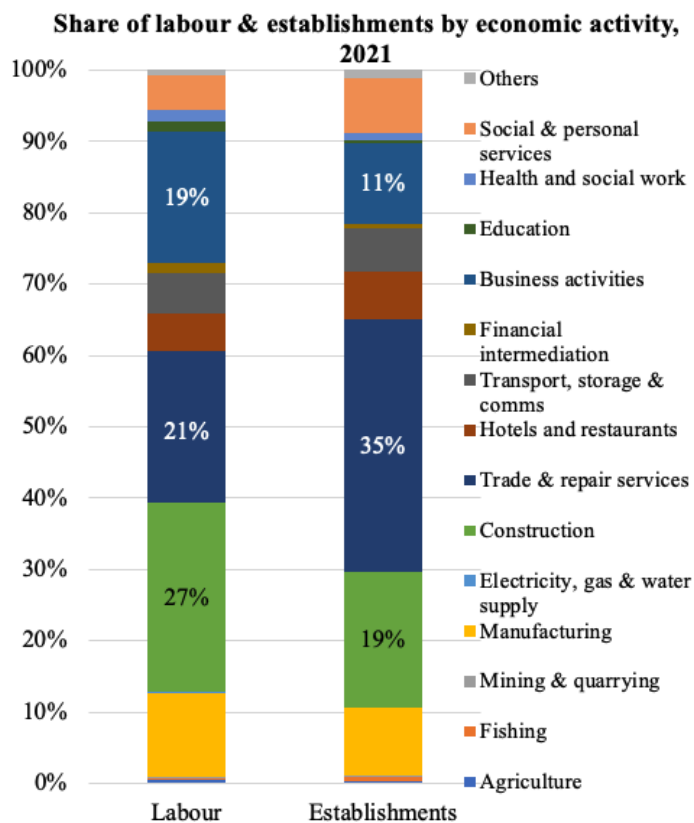
(MOHRE) have made available data on the number of firms and employees in the private sector (who are registered with the Ministry; likely excludes all free zone firms/employees)

- As can be seen from the below charts, there was a **downward trend in the number of employees registered** with the MOHRE after 2014, with the sharpest dip registered during 2020 (-5.8% yoy due to Covid impact). However, **in 2021, employees grew by 2.2% to 4.9mn.** Interestingly, new firms continued to grow by 2.6% and 6.6% in 2020 and 2021, with number of establishments at a record high 373k in 2021
- **Employees were concentrated mostly in construction and trade & repair services** (together ~50% of total in 2021) while the highest share of firms were in trade & repair (35%), followed by construction (19%). The highest **number of employees per firm** were in education (62 per firm) and mining & quarrying (42.4)



Source: UAE MOHRE. Charts by Nasser Saidi & Associates

Note: The data represents ONLY all private sector labour who are registered in MOHRE



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