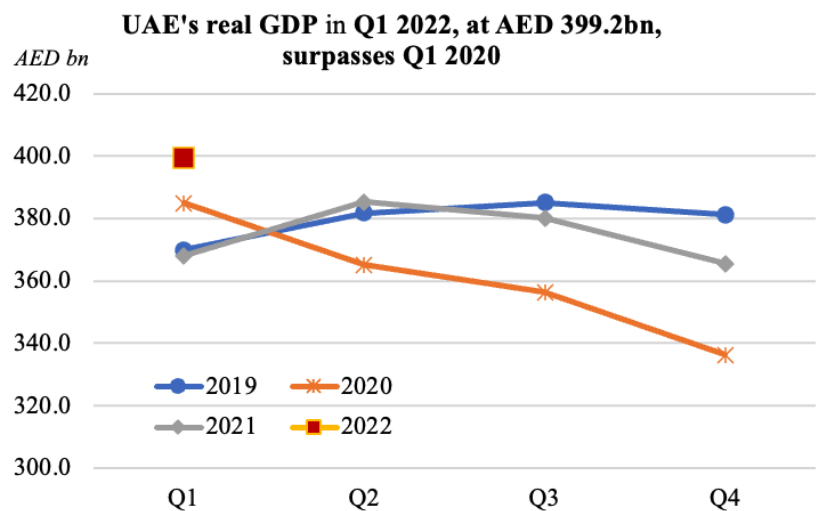


Weekly Insights 30 Sep 2022: GCC Economic Recovery is Increasingly Supported by the Non-Oil Sector

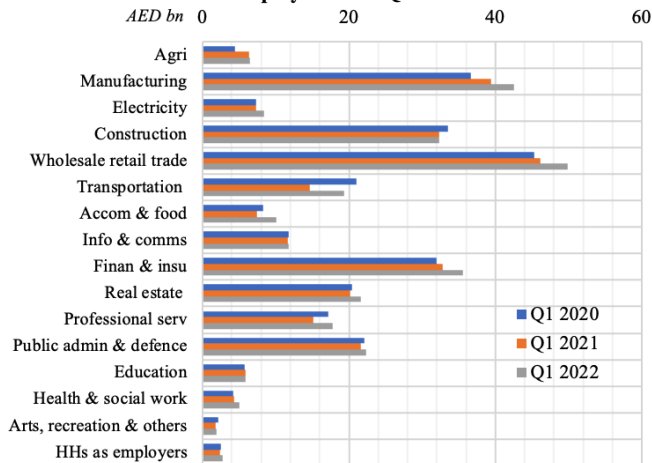
Weekly Insights 30 Sep 2022: GCC Economic Recovery is Increasingly Supported by the Non-Oil Sector

1. UAE GDP recovers to 2019 levels



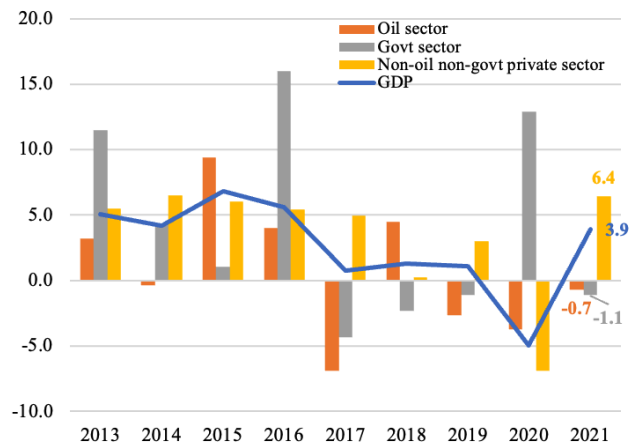
- **Real GDP in the UAE grew by 8.4% yoy to AED 399.2bn in Q1 2022**, supported by non-oil sector recovery. Even compared to Q1 2020 (just prior to pandemic lockdowns), GDP was higher by 3.7%
- **Mining & quarrying accounted for 27% of overall GDP in Q1 2022**, with other major contributors being trade (12.5%), manufacturing (10.7%), finance (8.9%) and construction (8.1%)
- The **expansion** in Q1 2022 is a continuation of the GDP recovery post-Covid, **driven by the non-oil sector** (as can be seen from monthly PMI readings as well)

Real GDP in the UAE grew by 8.4% yoy in Q1 2022, and up by 3.7% vs Q1 2020



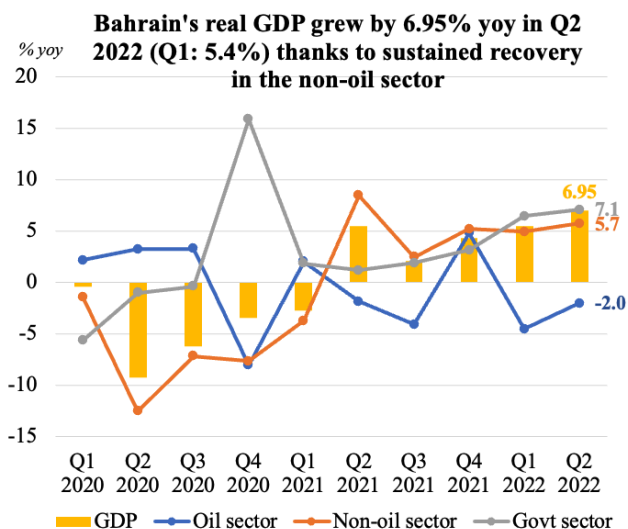
Source: Federal Competitiveness and Statistics Centre, UAE. Charts by Nasser Saidi & Associates

GDP rebound in 2021 (3.9% yoy) was supported by non-oil non-government private sector (6.4%)

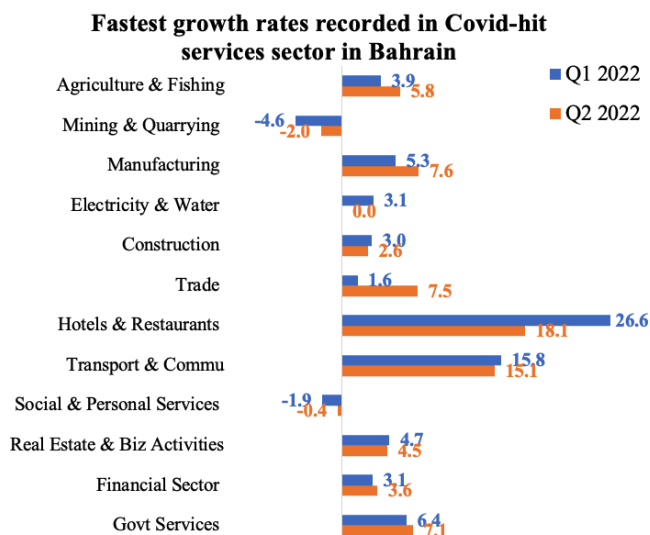


2. Bahrain GDP grows by 6.95% on Q2, thanks to non-oil sector recovery (especially Covid-hit sectors)

- **Bahrain grew by 6.95% yoy in Q2 2022**, following a 5.4% rise in Q1. Non-oil sector is the main contributor to growth (62% of total GDP in Q2), followed by the oil sector (18%)
- Among the non-oil sectors, **Covid19 hit sectors continue to recover at a faster pace**, given the easing of restrictions: **hotels and restaurants** grew by 18.1%, followed by **transport & communication** (15.1%)
- Though oil sector growth remains negative versus a year ago, the **higher oil price will help Bahrain lower its fiscal deficit** (to 3.3% of GDP in 2022 from 2021's 11.1%, IMF estimates) **and gross debt levels** (116% in 2022 from 129% in 2021)



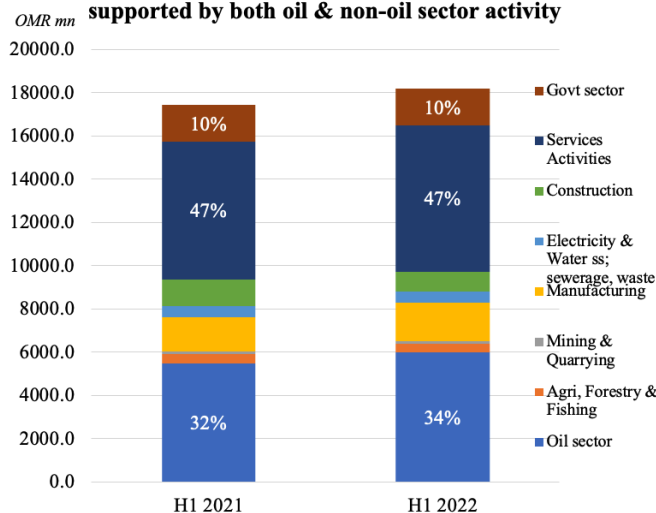
Source: Information & eGovernment Authority, Bahrain. Charts by Nasser Saidi & Associates



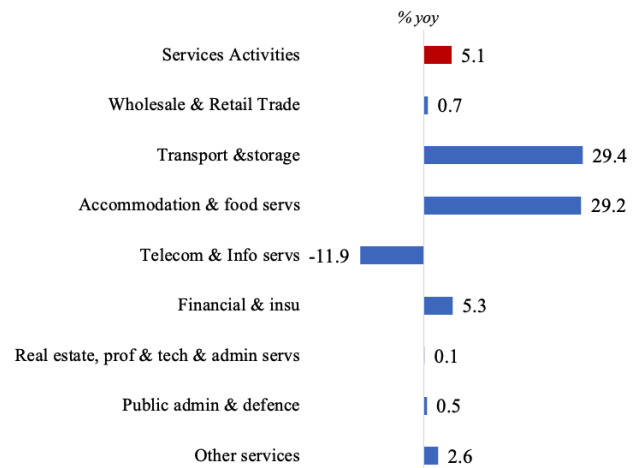
3. Non-oil sector led recovery in Oman, causes overall GDP to grow by 3.9% in H1 2022

- Oman's GDP growth was visible across all major sectors – oil (9.2% yoy) and services activities (5.1%) – while construction posted a decline of 27.5%
- Stimulus packages rolled out to support Covid19 hit sectors had a positive impact: within services, transport and storage and accommodation and food services both grew by 29% yoy in H1 2022
- Higher oil prices have enabled Oman to improve its fiscal balances: it posted a budget surplus of OMR 1bn in Jan-Jul, as revenues gained by 53.5% yoy. Furthermore, the country was able to reduce its total public debt to OMR 18.4bn as of end-Aug, down by OMR 2.4bn from end-2021.

Oman real GDP grew by 3.9% yoy in H1 2022, supported by both oil & non-oil sector activity

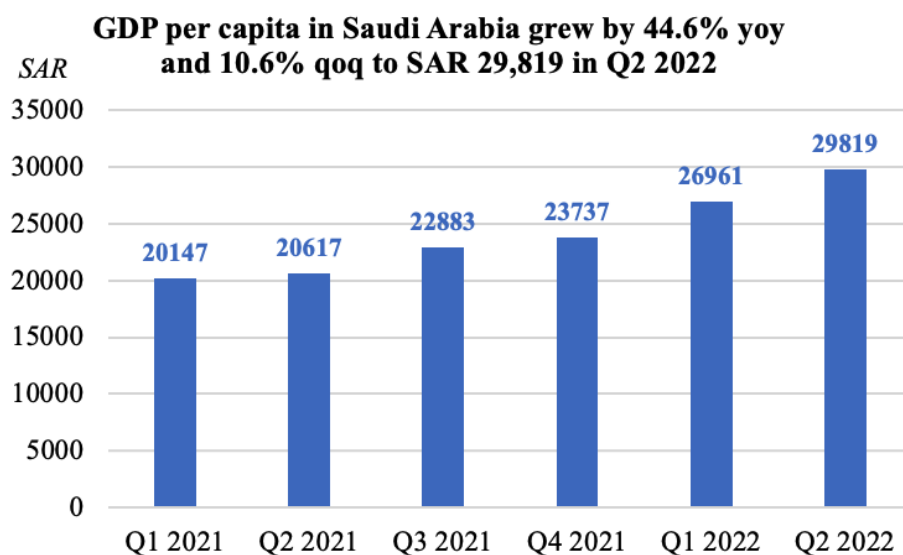


Oman's services sector grew by 5.1% yoy in H1 2022 as Covid affected sectors rebounded sharply



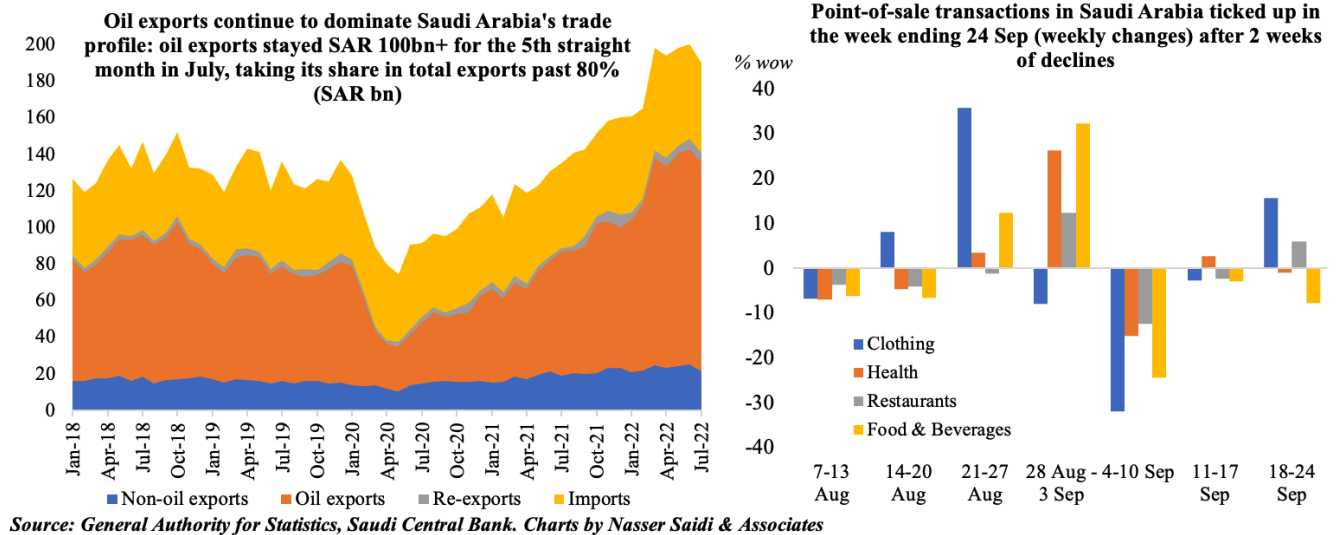
Source: National Centre for Statistics & Information, Oman. Charts by Nasser Saidi & Associates

4. Indicators of economic recovery in Saudi Arabia: per capita GDP, oil exports and consumer spending



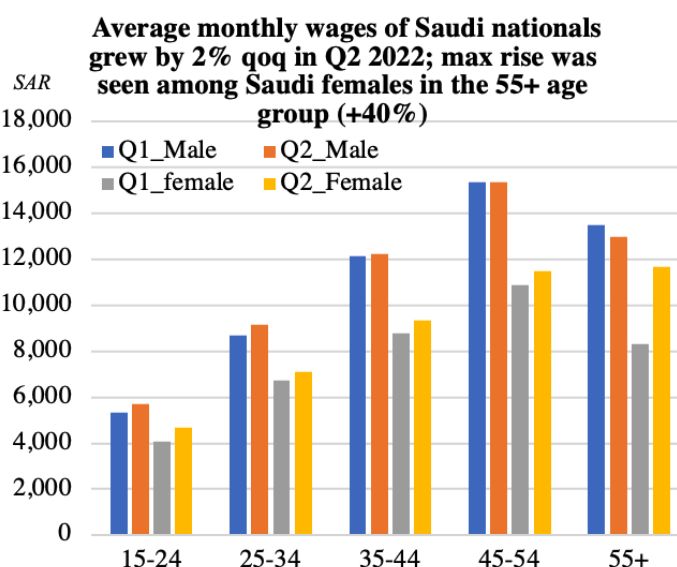
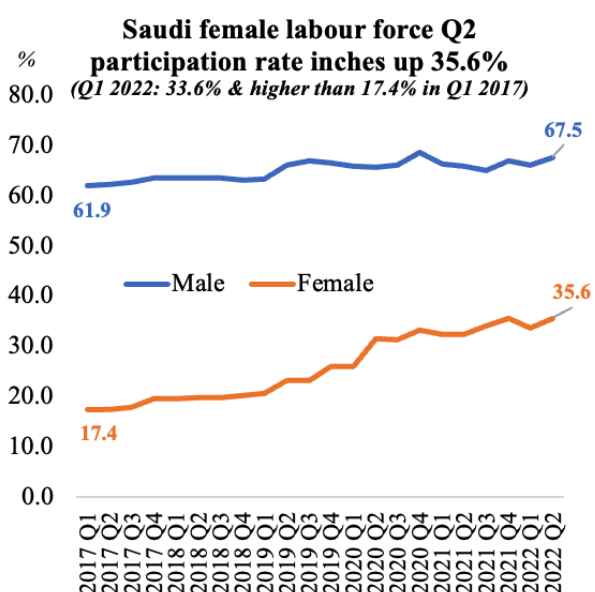
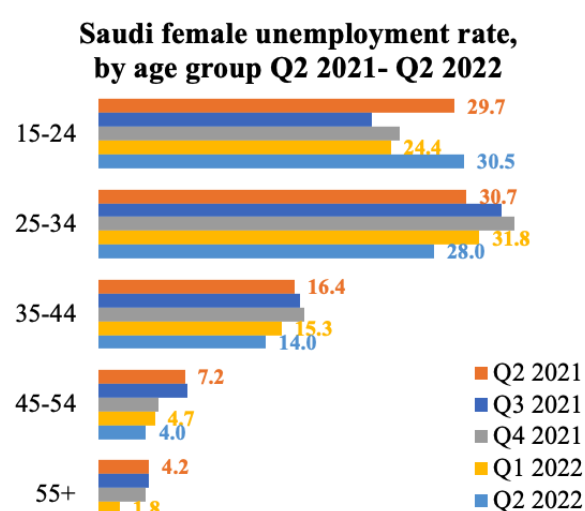
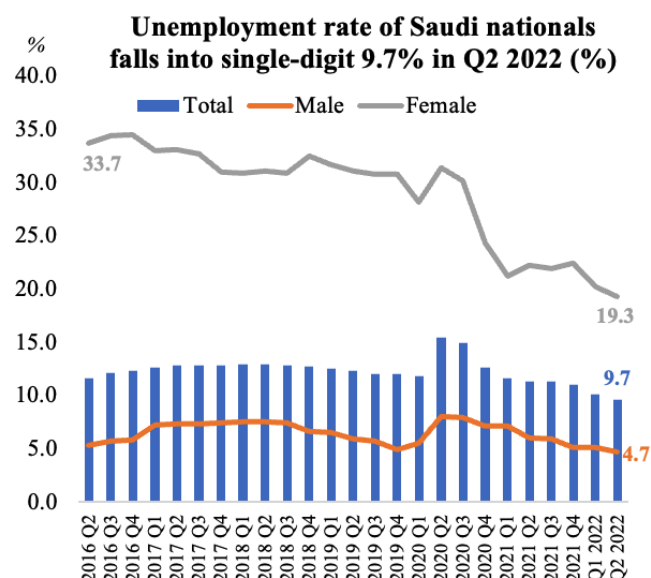
- **Saudi Arabia's GDP per capita surged to SAR 29,819 in Q2 2022 – the highest level in years**
- **Oil exports**, with its value surpassing SAR 100bn for the 5th consecutive month in Jul, continued to drive overall exports and foreign trade: its **share accounted for 80% of total exports**
- **Consumer spending** (proxied by PoS transactions) has shown some **interesting trends** in Aug-Sep: (a) PoS rose in the week ended 24 Sep, after falling for 2 weeks; (b) start of the new school year saw value of **transactions**

in education account for around 7% of the total in the 2 weeks of Aug 21 – Sep 3. Since then, it has declined to less than 1%; (c) Share of **restaurants and food and beverages** stood close to 15% each



5. Saudi Arabia's citizens' unemployment rate slips to 9.7% in Q2 2022

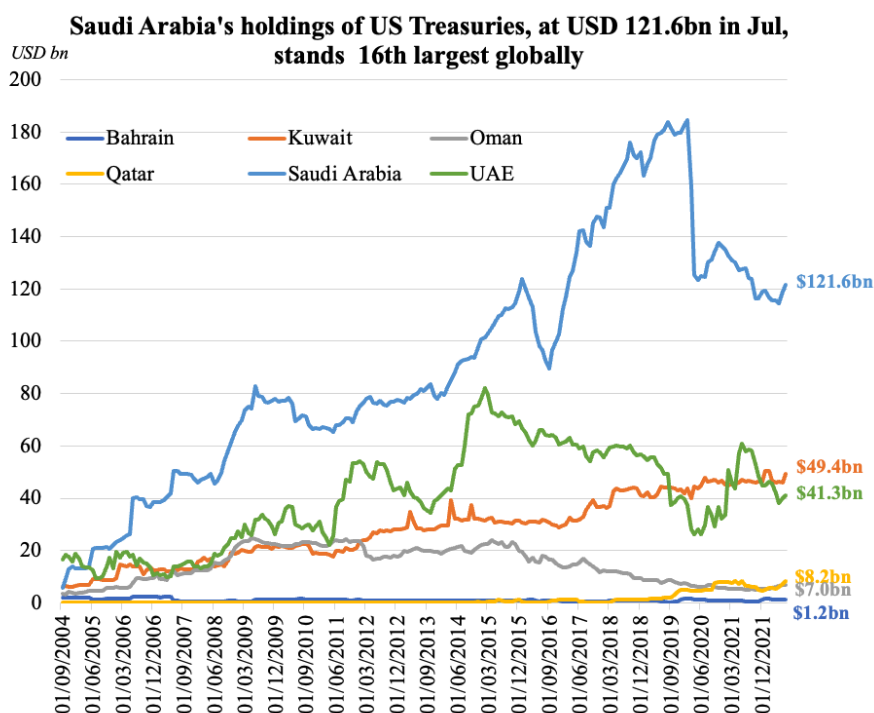
- **Overall Q2 2022 unemployment rate was 5.8% (Q1: 6%)**
- **Saudi nationals' unemployment rate declined to 9.7% in Q2, lowest on record, with Saudi female U rate down to 19.3% (Q4 2016: 34.5%)**
- **Rising workforce participation rates**
- **Evidence of strong wage gains:** average monthly wages grew by 2% qoq among nationals & by 6% among expats (citizens earn on avg 2.5X more than expats)



Source: Labour market survey Q2 2022, GaStat. Charts created by Nasser Saidi & Associates

6. Holdings of US Treasuries in the GCC grew by 3.2% from end-

Dec 2021 to Jul 2022

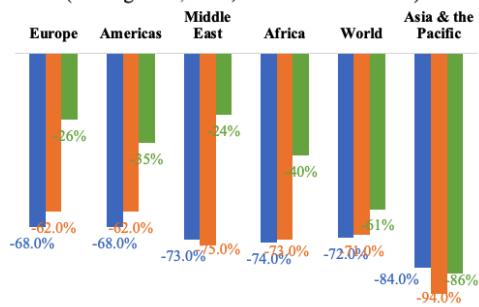


Source: US Treasury, Refinitiv Eikon. Chart by Nasser Saidi & Associates.

- **Saudi Arabia is the 16th largest investor in US Treasury bonds** globally as of Jul 2022 (USD 121.6bn)
- While this pales in comparison to the top of the list Japan (USD 1.234trn) and China (USD 970bn), it is still **highest among the GCC**
- GCC nations, excluding Bahrain and the UAE, have increased their holdings compared to end-2021. Max increase was from Qatar: +71.6% ytd to USD 8.2bn. **Overall, GCC holdings of US Treasuries grew by 3.2% to USD 228.7bn as of Jul**
- Recent global central banks' decisions to aggressively raise rates to combat inflation contributed to selling of Treasuries

7. International tourism is back to 60% of pre-pandemic levels in Jan-Jul 2022; pace of tourist arrivals fastest in the Middle East (4X vs Jan-Jul 2021); various proxy indicators show ME performance better vs global avg; vulnerability of some destinations in ME remain high

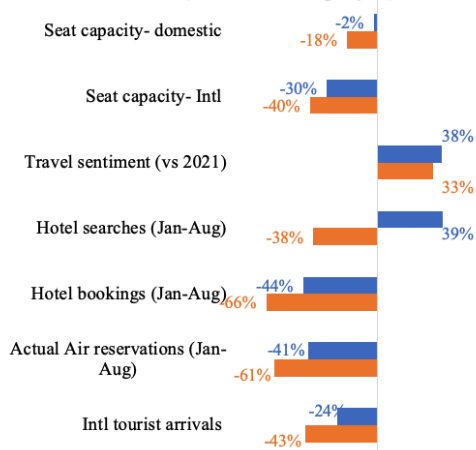
Growth in International Tourist Arrivals (% chng 2020, 2021, Jan-Jul 2022 vs 2019)



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

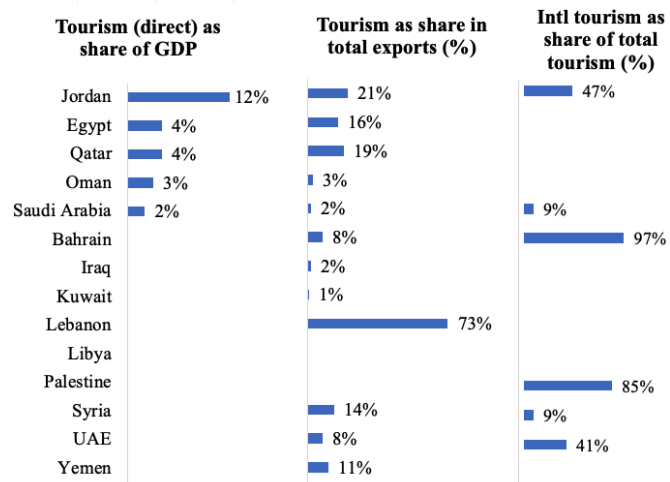
	2020	2021	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Middle East	-75%	-71%	-54%	-40%	-17%	-27%	-21%	-10%	3%
Bahrain	-83%	-67%	-48%	-60%	-39%	-56%	26%	-9%	
Egypt	-72%								
Jordan	-76%	-55%							
Lebanon (as of Jul 2021)	-71%	-61%							
Oman	-75%	-84%	-65%	-57%	-41%	-44%	9%	-10%	
Qatar	-73%	-71%	-56%	-57%	-28%	-51%	25%	11%	4%
Saudi Arabia	-76%	-80%	-65%	-54%	-25%	-2%	-46%	-2%	
UAE	-67%	-57%	-35%	1%	46%	-6%	19%		

Tourism Indicators in the Middle East vs Global (Jan-Jul, unless specified)



Source: UNWTO. Charts created by Nasser Saidi & Associates

Vulnerability of tourist destinations in the Middle East



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