

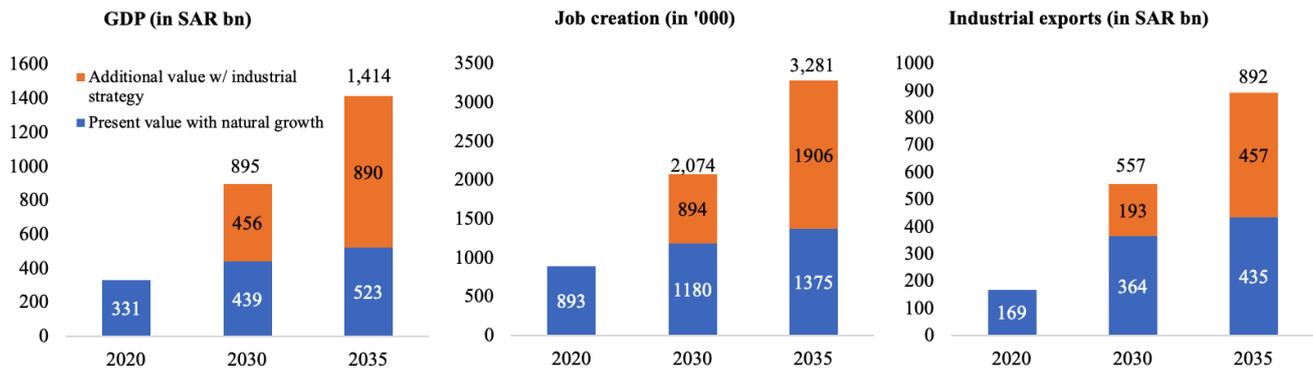
Weekly Insights 21 Oct 2022: Strategies to Support Post-Covid Growth, but will Rising Costs Play Havoc?

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1. Saudi Arabia announces a National Industrial Strategy, to support Vision 2030 objectives

- **Saudi Arabia's National Industrial Strategy**, with more than 136 initiatives, **boasts ambitious targets** to meet the Vision 2030 objectives of diversification and developing non-oil exports.
- The strategy expects to **almost quadruple manufacturing GDP by 2035** (its contribution stands at around SAR 340bn now), add 3.7-times the total jobs compared to 2020 and **result in more than 5-times jump in industrial exports to SAR 892bn**, diversifying exports.
- Focusing on 12 sub-sectors (including food, medicine, medical equipment and marine industries), the strategy would see a **surge in the number of industrial facilities** to ~36,000 by 2035 (ytd in 2022: 10,640) and **plans to attract SAR 1.3trn of additional investment** into the sector. An **Industrial Council** has also been created to include participation of the private sector & industrial investors.

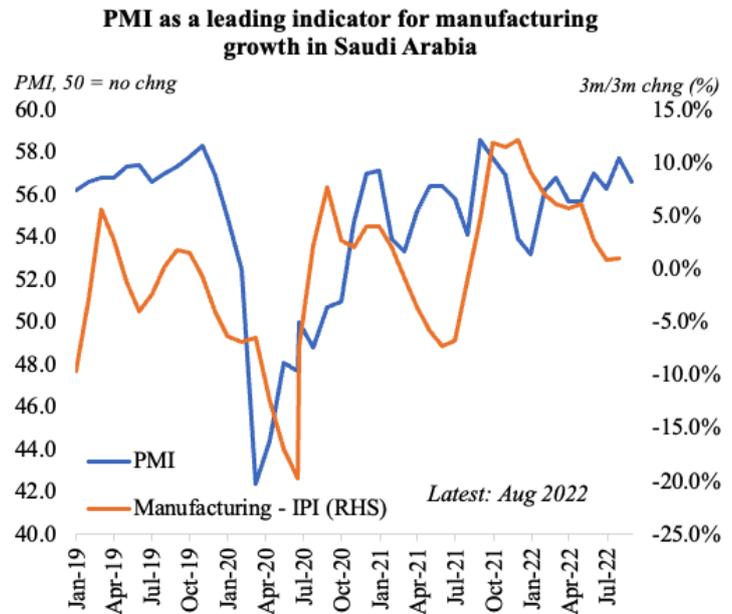
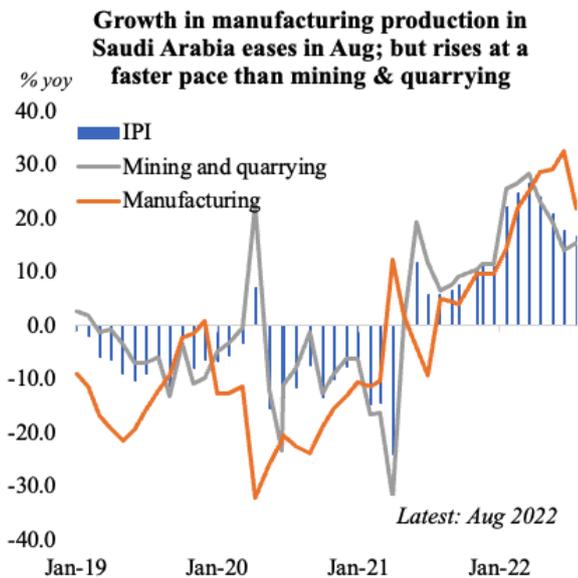
Saudi Arabia's National Industrial Strategy and contribution to



Source: Saudi Arabia's National Industrial Strategy https://mim.gov.sa/mim/nis/files/NSD_AR.pdf

2. Saudi Arabia's manufacturing sector posts double-digit yoy growth for the 7th consecutive month in Aug

- **Overall industrial production (IP) grew by 16.8% yoy in Sep**, supported by mining & quarrying (+15.5% yoy) and manufacturing (+22%). The **increase in oil production to more than 11mn barrels per day (bpd)** supports the uptick in mining; **manufacturing growth has been positive for 13 straight months**, with double-digit growth for the past 7 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 output and new orders within PMI** (above average for the ongoing 25-months of expansion) bodes well for the overall index. Furthermore, interest in industrial sector remains strong: as of Aug this year, industrial licenses issued touched 647 + number of existing & under-establishment factories stood at 10,707.
- **The New Industrial Strategy will support further growth in the sector, especially diversification into non-oil sectors.**

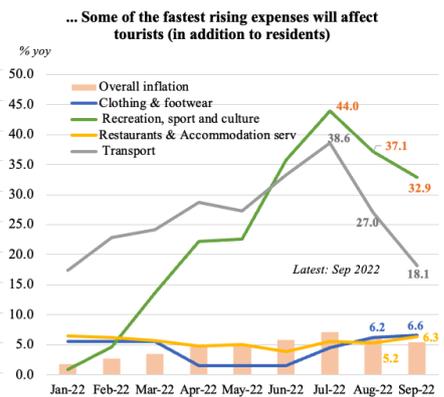
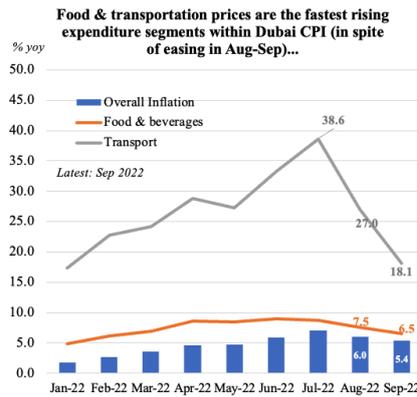
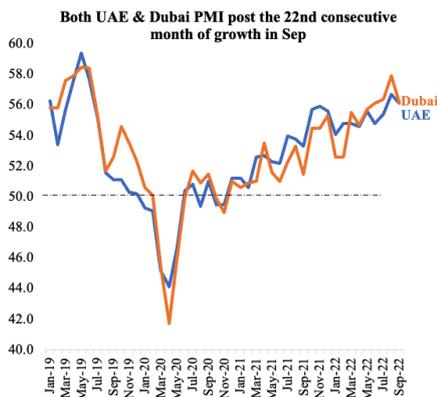


Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates.

3. Dubai PMI softens; inflation rate eases to 5.4% in Sep (from Jul's peak of 7.1%), averages 4.6% in Jan-Sep 2022

- **Both UAE and Dubai PMIs softened in Sep**, though remaining in expansionary territory for the 22nd consecutive month. In Dubai, wholesale and retail business reported a 38-month high reading while travel & tourism businesses growth was the weakest since Jan. This might have been partly due to summertime and given the rise in costs related to the sector (hotels, recreation etc.).
- **Inflation in Dubai inched lower to 5.4% yoy in Sep** (from the peak of 7.1% yoy in Jul): while the pace of increase in food and beverage and transport costs eased (to 6.5% and 18.1% in Sep, from Jul's 8.8% and 38.6% respectively), it remains quite high. These sectors have a high weightage in the overall index (11.66% and 9.32% respectively); **housing, which is weighted at 40.68%, has seen a steady increase in costs** (2.8% in Sep from Aug's 1.9% and Jul's 0.9%).
- While the moderation in energy costs will help rein in overall costs, **rise in prices of services** could affect tourist spending in Q4 in addition to the **strong dollar**

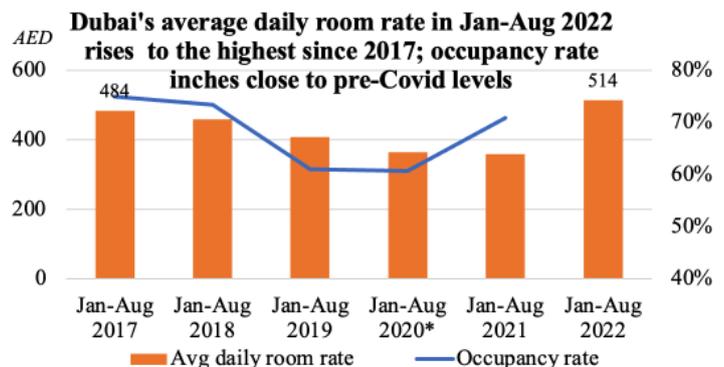
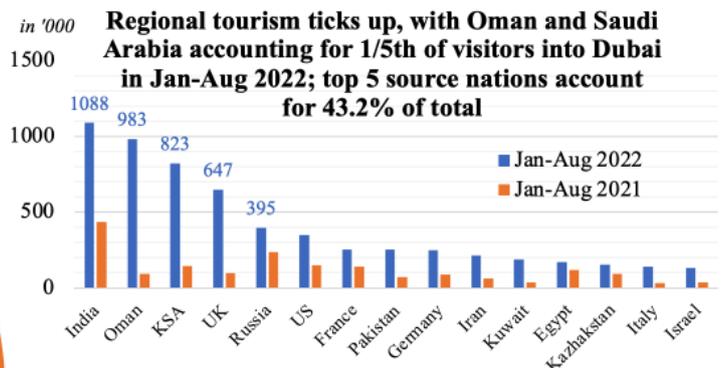
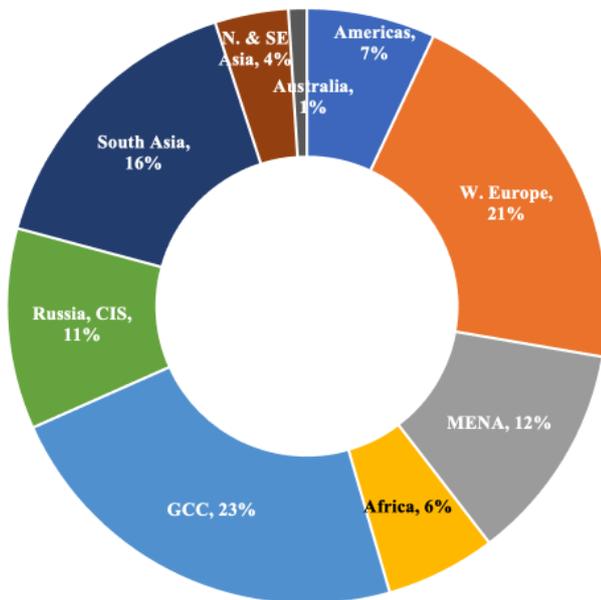
& weaker euro (we are yet to see an impact on tourism arrivals; spending data is not available).



Source: Refinitiv Eikon, Dubai Statistics Centre. Charts by Nasser Saidi & Associates
 Note: For CPI, base is 2021 = 100; the weights reference period is 2019 and the price reference period is 2021

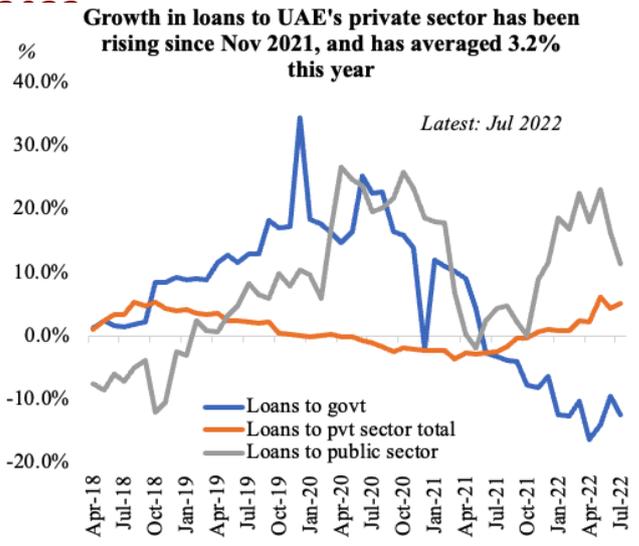
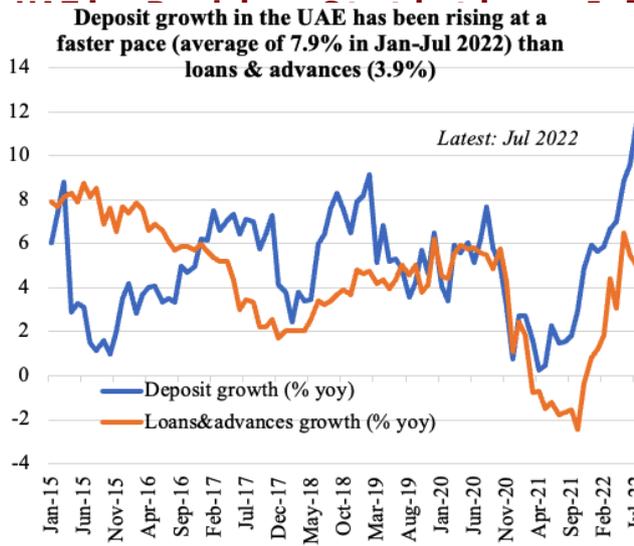
4. Dubai tourism emerges strong even during the summer months: total visits crosses 9mn in Jan-Aug, surpassing 2021's total (7.28mn). A stronger recovery is expected come winter, but will rising room rates & other costs have a significant effect? Will Qatar World Cup positive effect outweigh?

Dubai receives 9.12mn international visitors in Jan-Aug 2022, up 182% yoy

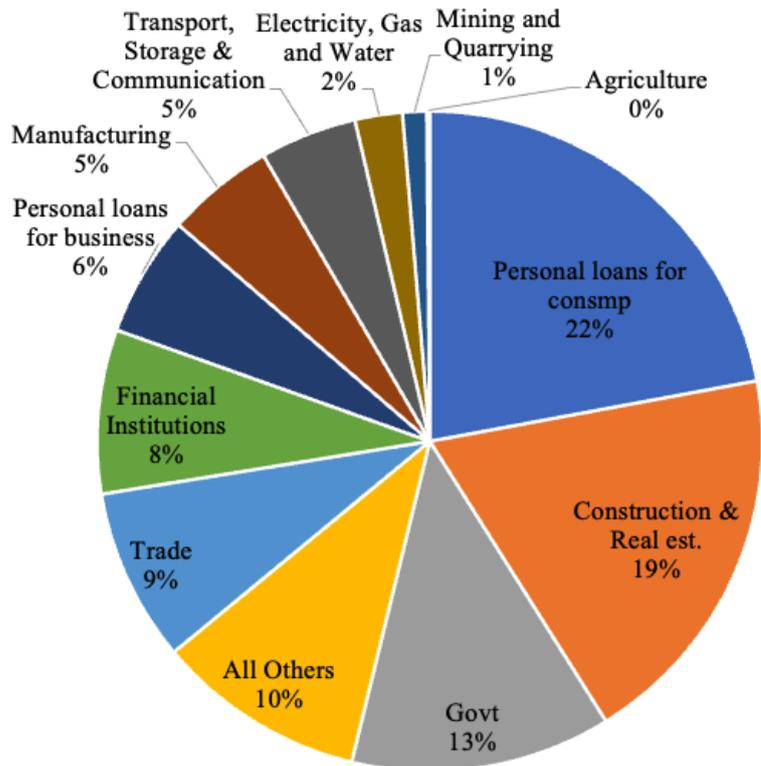


Source: Dubai Department of Economy and Tourism. Charts by Nasser Saidi & Associates
 * Covid adjusted data for 2020

5.



Share of loans by economic activity in UAE, Jun 2022



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

- **Deposit growth in the UAE outpaced loans & advances in 2022:** deposits grew by an average 7.9% in Jan-Jul 2022, driven by a double-digit rise in government deposits (which account for 1/5th of total residents' deposits) while GRE deposits have declined vs end-2021.
- **Together, governments and public sector accounted for close to 30% of total domestic credit in Jul.** Credit to

the public sector (GREs) has grown in double-digit (year-on-year) terms since Dec 2021, while credit to the government has been steadily declining.

- **In Jul alone, overall domestic credit disbursed in the UAE declined by 0.7% mom, following a 0.6% mom drop in Jun.** Credit to private sector grew by an average 3.2% this year.
- A breakdown of loans by economic activity for Jun 2022 shows that **close to 1/5th of overall loans disbursed goes to the construction and real estate sector activity** while another 17% is split between trade and financial institutions.

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