

Weekly Insights 10 Feb 2023: Middle East's non-oil sector PMIs – firms' responses seem disconnected from macro evidence

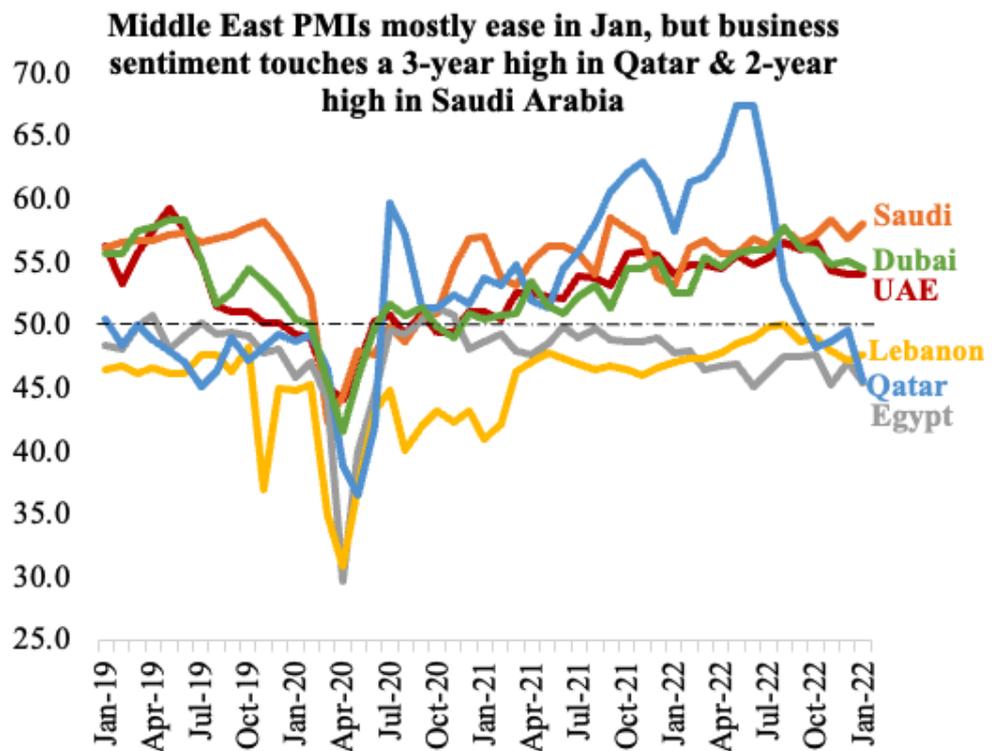
Middle East PMIs. Dubai tourism. Saudi industrial production, investment licenses. Kuwait 2023-24 budget.

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1. Middle East PMIs in Jan 2023: Saudi and Lebanon post increases (the latter remaining below-50) while others ease

slightly



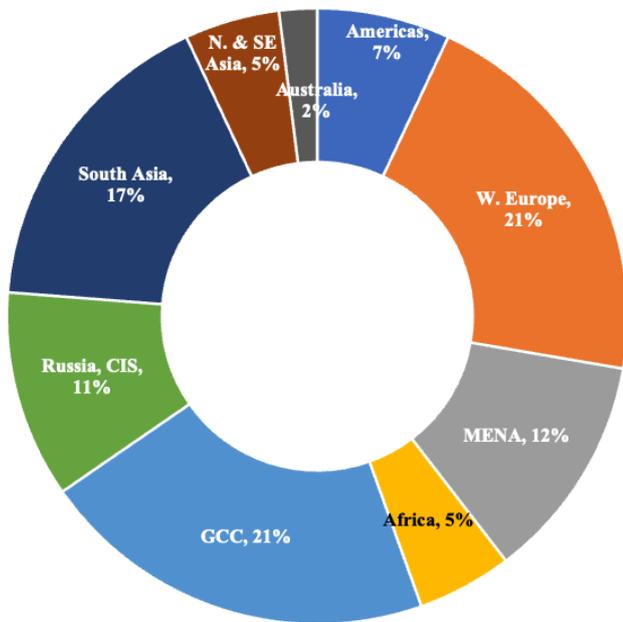
Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

- **Saudi Arabia's PMI** rose to 58.2 in Jan (highest in the Middle East), with output, new orders and new export orders all rising at a strong pace.
- On the other end of the spectrum was **Egypt** (at 45.5) where PMI declined to 45.5, as higher inflation and depreciation of the pound affected businesses. Also affected by economic uncertainty was **Lebanon**, where an unexpected rise in both output and new orders led to a slight uptick in Jan (47.7 from Dec's 47.3).
- **Qatar** is in contraction for 4th straight month: at 45.7 in Jan, it is the lowest reading since Jun 2020, on account of a decline in activity and new orders following the World Cup boom.
- **UAE** PMI eased to a 12-month low of 54.1 in Jan: while output was unchanged, new exports orders declined to 47.5 – the lowest level since Jun 2021. **Dubai** slipped to an 11-month low.
- **Outlook for the future is quite diverse:** Business sentiment in Qatar and Saudi Arabia were at a 3- and 2-

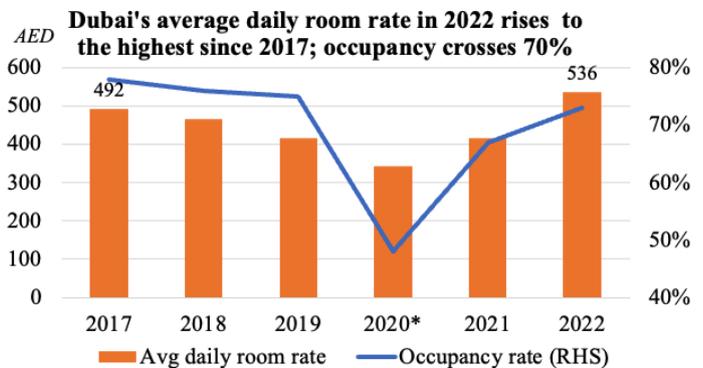
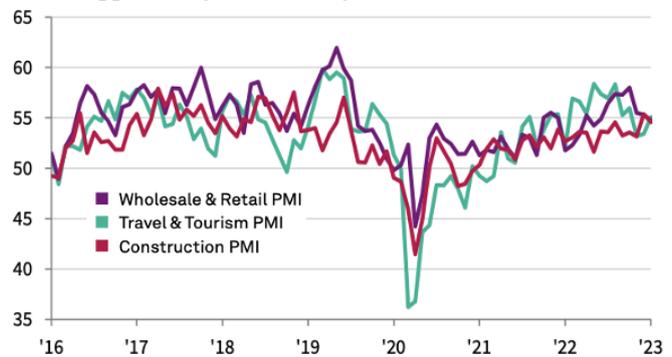
year high respectively while remaining quite pessimistic in Egypt and Lebanon (understandable, given ongoing economic issues). UAE (and Dubai) businesses, given its global market linkages, have a dim view about prospects: only 9% (and 11%) of panellists forecast growth over the next 12 months.

2. Dubai's tourism sector continues to support non-oil sector activity: 14.36mn international visitors in 2022 (85% of pre-pandemic levels)

Dubai received 14.36mn international visitors in 2022, up 97% yoy & closing in on 2019's 16.73mn visitors



Dubai travel & tourism performance improves in Jan 2023 supported by both activity & demand

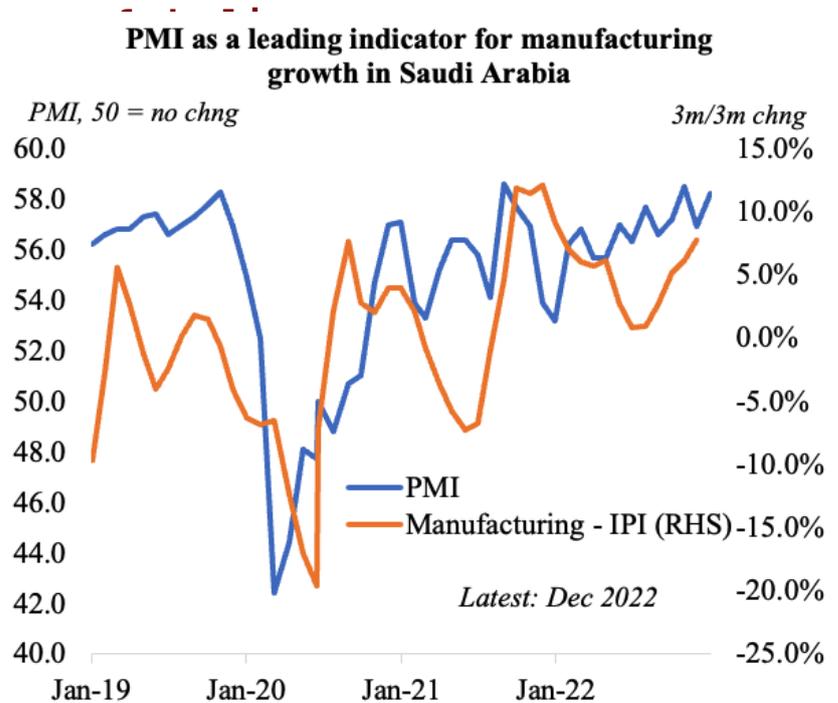


Source: Dubai Department of Economy and Tourism, S&P Global (for PMI). Charts by Nasser Saidi & Associates

* Covid adjusted data for 2020

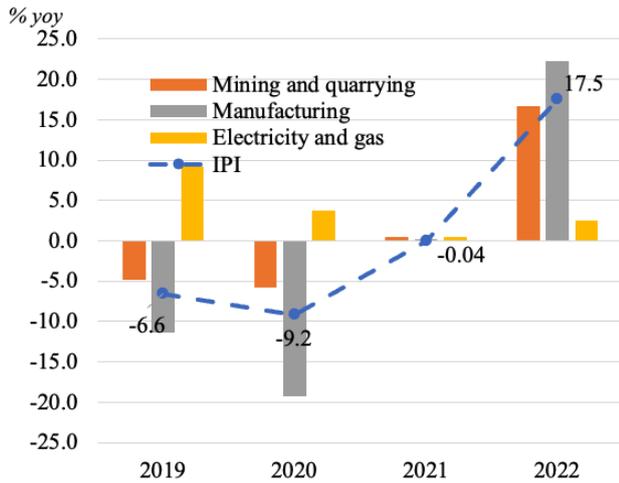
3. Industrial production in Saudi Arabia posts 17.5% yoy

growth in 2022, after ye



- **Overall industrial production (IP) grew by 17.5% yoy in 2022**, supported by mining & quarrying (+16.7% yoy) and manufacturing (+22.3%).
- **Manufacturing growth has been positive for 17 straight months**, with double-digit growth for the past 11 months.
- **IP has rebounded from pandemic-lows, with manufacturing a key sector of continuous growth.** The 3m-rolling average displays this strength, and the uptick in output, new orders & new export orders within PMI (above average for 29-months expansion) bodes well for the IP index.
- Furthermore, **industrial licenses issued reached 885 in Jan-Nov 2022** with investments of ~SAR 29.7bn and creating 40k+ job opportunities.

Industrial production in Saudi Arabia recovers in 2022 after years of negative growth rates



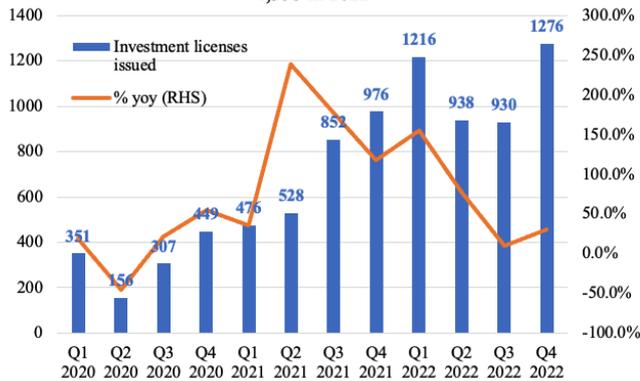
Growth in manufacturing production in Saudi Arabia eases in Aug; but rises at a faster pace than mining & quarrying



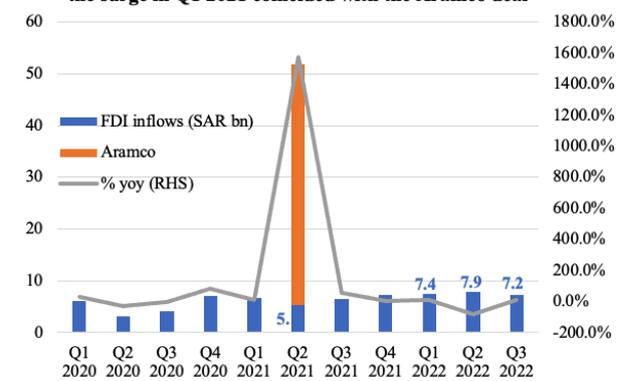
Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates.

4. Saudi Arabia's investment licenses surged in 2022: construction licenses had the lion's share, not surprising given the mega/ gigaprojects in the pipeline; manufacturing continues to attract investments as well, thereby confirming strength in IP in the coming months

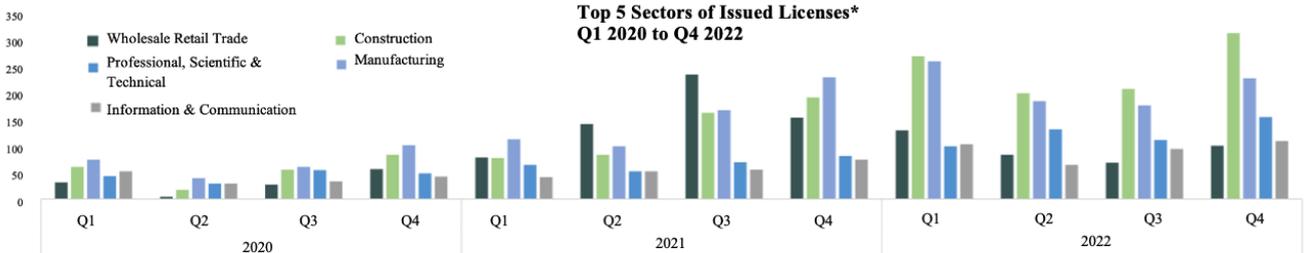
Investment licenses* issued by MISA surged by 54% yoy to 4,358 in 2022



FDI inflows grew by 10.7% yoy to SAR 7.2bn in Q3 2022; the surge in Q1 2021 coincided with the Aramco deal



Top 5 Sectors of Issued Licenses* Q1 2020 to Q4 2022



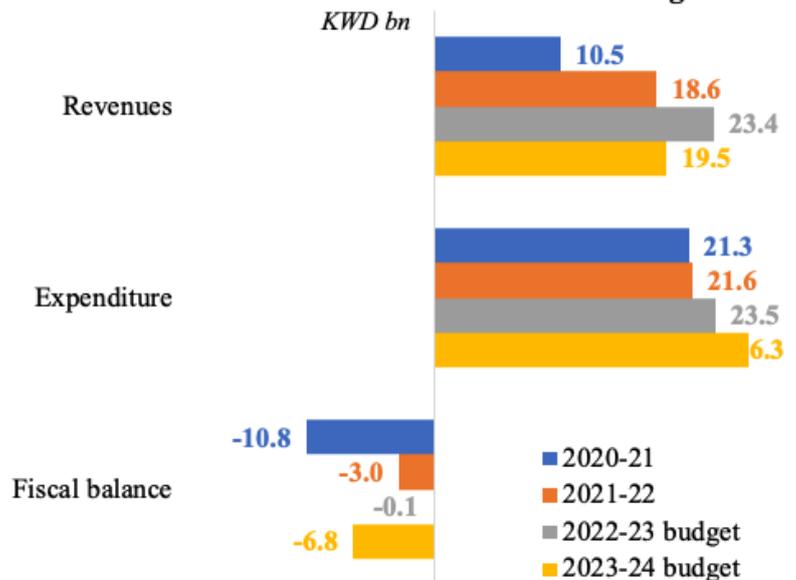
Source: MISA, SAMA, GaStat

Note: Excluding investment licenses granted under the "Tasattur" anti-concealment campaign for the period Q1 2021-Q4 2022

5. Kuwait unveiled its 2023-24 budget, with spending up 11.7%

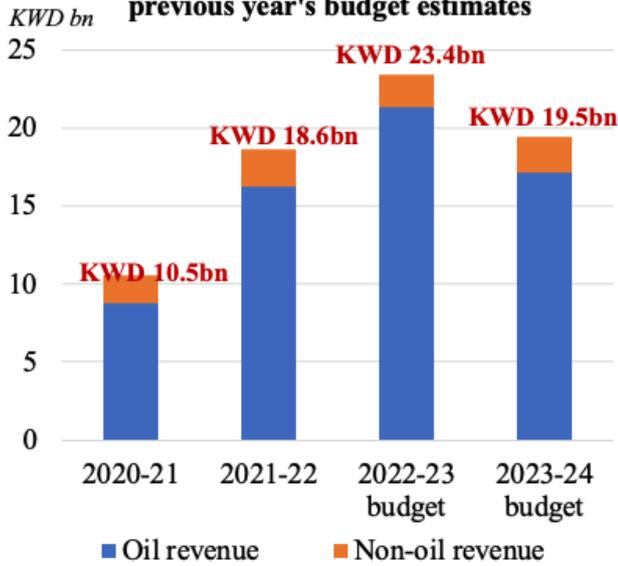
yoy

Kuwait fiscal deficit is estimated to widen to KWD 6.8bn as per 2023-24 budget from a smaller KWD 0.1bn deficit in 2022-23 budget

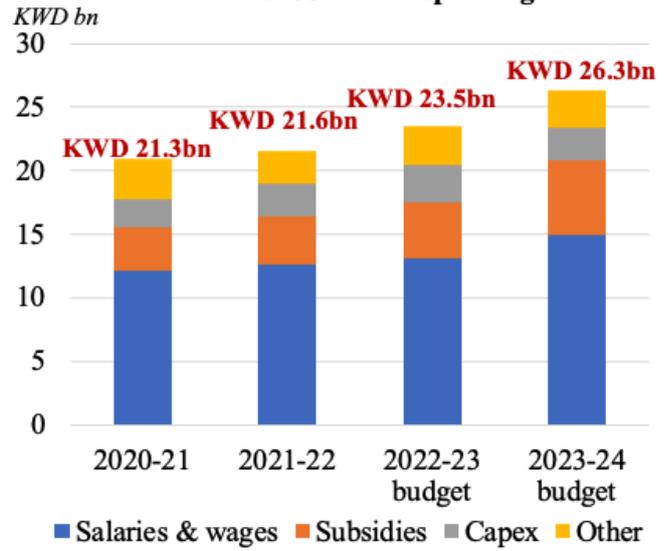


- **Kuwait's draft 2023-2024 budget** projects total **spending** at a record-high KWD 26.5bn, driven by a 13.3% hike on salaries and a 34.2% rise in subsidies.
- **Revenues** are forecast to decline (-17% to KWD 19.5bn), owing to a 19.5% drop in oil revenue (based on oil price at USD 70 vs USD 80 in the 2022-23 budget).
- A **deficit of KWD 6.8bn is estimated** in 2023-24 (pre-inclusion of GRE's earnings), in contrast to the surpluses achieved by other GCC nations. The **budget breakeven is an estimated USD 92.9**.
- Unlike other GCC nations, **Kuwait is constrained** by its lack of non-oil revenue proceeds and delays in passing its new debt law (that would allow the nation to tap international markets) among others.

Kuwait: oil revenues account for 88% of total in 2023-24 budget, same as the previous year's budget estimates



Kuwait: spending inches up by 11.7% in 2023-24 budget; wages & subsidies account for 80% of total spending



Source: Ministry of Finance, Kuwait. Charts by Nasser Saidi & Associates

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