

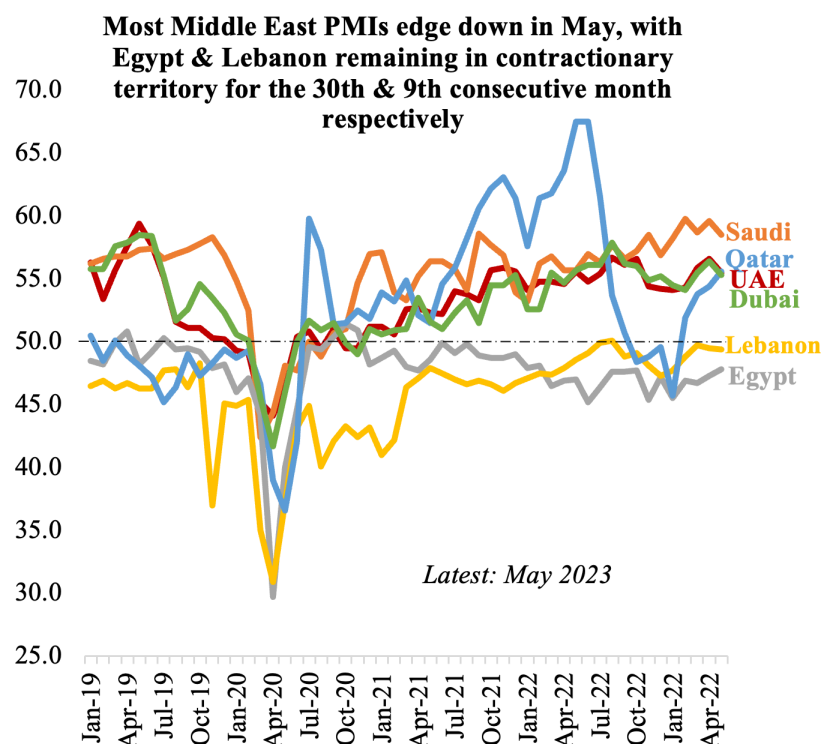
Weekly Insights 9 Jun 2023: Optimism in the GCC fueled by non-oil sector activity

Middle East PMIs. Saudi Q1 GDP. UAE CEPA with Cambodia. UAE monetary stats. Qatar Q1 budget surplus.

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1. PMIs: GCC firms emerge more confident after pandemic-hit

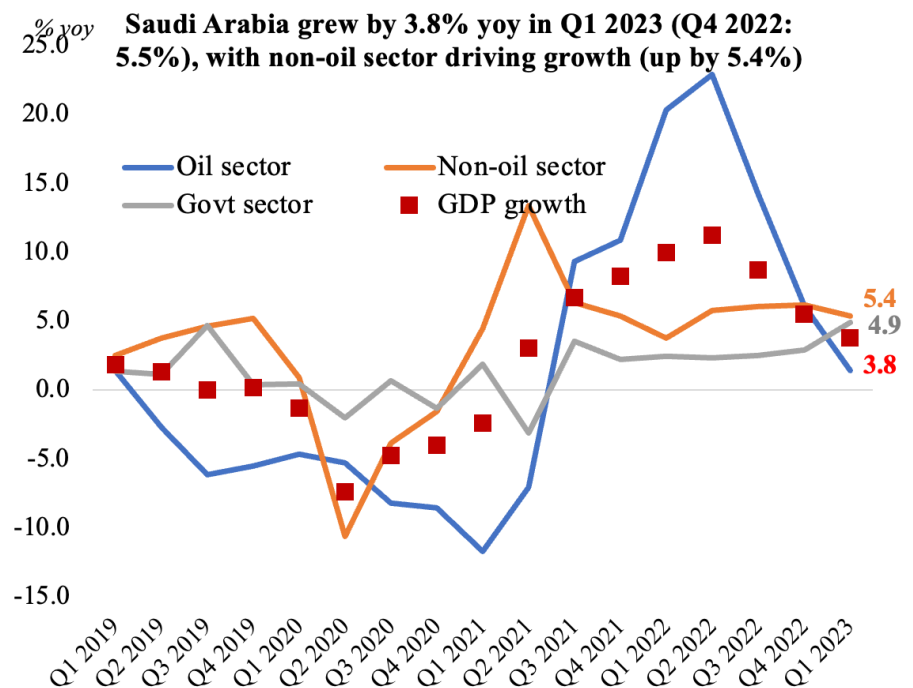


Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

- **Saudi Arabia, UAE and Dubai non-oil sector PMIs edged down** in May. In contrast, **Qatar posted an increase in PMI to 55.6 in May** (Apr: 54.4), supported by the increase in output and new orders. Overall input price inflation rose to an 11-month high while prices charged remained “broadly unchanged”.
- **Saudi Arabia’s PMI** showed domestic demand supporting activity (firms cited “greater travel and tourism and increased business investment”) while **exports moved above-50**. Joint-fastest rate of job creation since 2018 and wage hikes saw **output price inflation rise to the highest since Aug 2020**.
- **Both UAE and Dubai firms’ selling prices continue to decline**, with firms citing either strong competition or shifting of excess stocks. **Output and hiring activity stayed strong**, firms reported improvements in supply chain performance; there was also **increased optimism for the next 12 months**: UAE & Dubai readings were the highest since Oct 2021 and Mar 2020 respectively.
- **Lebanon PMI stayed below the 50-mark**, given weak domestic demand in the backdrop of the economic-financial-social turmoil. However, **new export orders rose at quickest pace since Jun 2015** (from a very low base) and the future expectations reading was the 2nd highest for over 3 years.
- **PMI in Egypt remained in contractionary territory**, but the **output and new orders sub-indices rose to the highest levels in 17 and 7 months respectively**. However, the **outlook for the next 12 months remains dismal**, with only 6% of firms anticipating an expansion in output levels in the next 12 months.

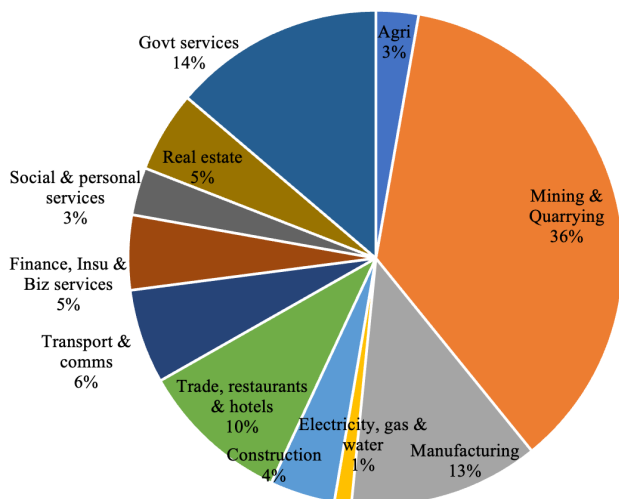
2. Saudi Arabia’s Q1 2023 GDP grew thanks to Non-Oil sector

activity



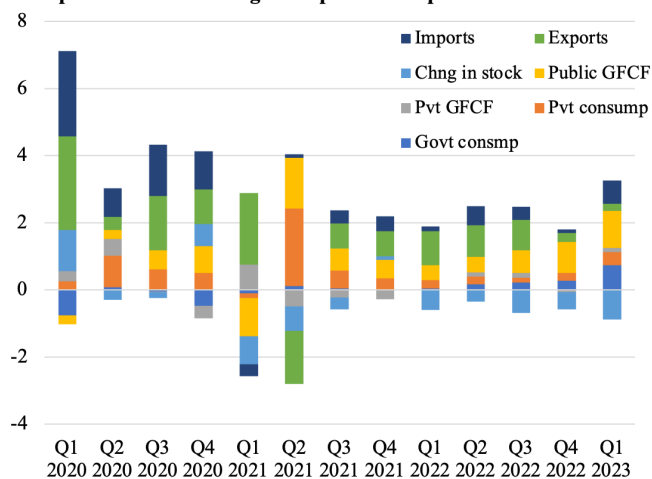
- **GDP in Saudi Arabia grew by 3.8% yoy in Q1 2023**, in line with initial estimates.
- **Growth was driven by non-oil sector (+5.4%) and government (4.9%)** while oil sector posted an increase of just 1.4% (given muted oil prices and decline in production).
- **Unsurprisingly, mining & quarrying activity dominates the share of gross value added in Q1**, followed by government services (14%), manufacturing (13%) and trade & hospitality (10%)
- **By expenditure, public investment & government consumption are the largest contributors** to the increase in GDP, followed by imports & private consumption
- **IMF: the recently announced oil production cut will lower GDP growth to 2.1% this year** (alongside robust non-oil sector growth).

Share of economic activity in KSA, by sector, Q1 2023



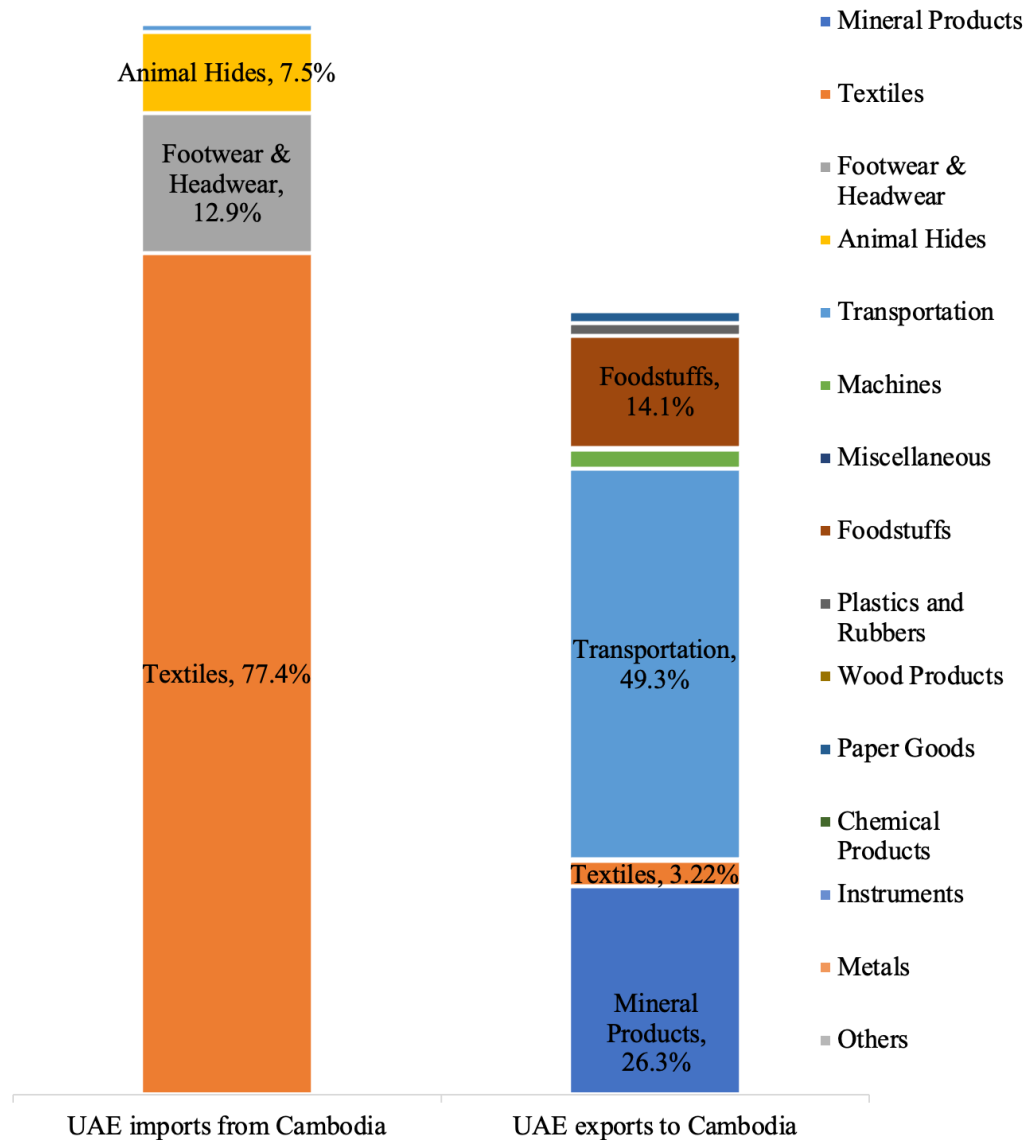
Source: GaStat. Charts by Nasser Saidi & Associates.

Contributions to Q1 2023 GDP growth: driven by public investment + govt & pvt consumption



3. UAE signs its 5th CEPA with Cambodia

UAE's main import & export products from & to Cambodia (2021)

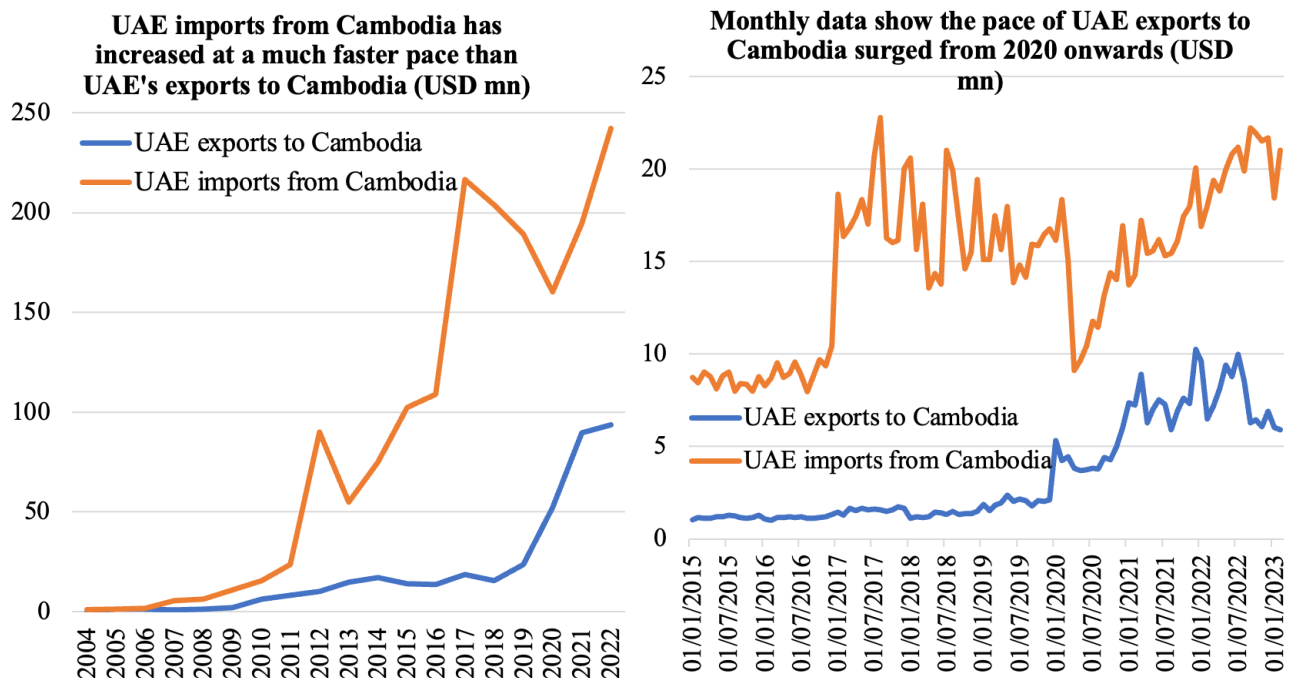


Source: Observatory of Economic Complexity. Charts by Nasser Saidi & Associates.

- **UAE and Cambodia signed a Comprehensive Economic Partnership Agreement this week:** the fifth one, following those with India, Indonesia, Israel and Turkey. (Another 10+ CEPAs are in the pipeline).
- Trade deal is expected to eliminate “barriers to trade”. Aim is to **raise non-oil trade to USD 1bn+** within the next 5 years from ~USD 407mn in 2022.
- UAE imports from Cambodia are much higher (and rising at a much faster pace) than UAE exports to Cambodia. Trade flows have been on the rise from 2020 onwards.
- In 2021, **UAE’s imports from Cambodia account for less than 0.1% of UAE’s total imports** (for comparison,

China's share is around 18%). What are **the top imports**? Textiles formed the majority (77.4% of total in 2021), followed by footwear & headwear (12.9%) and animal hides (7.5%, mostly trunks & cases).

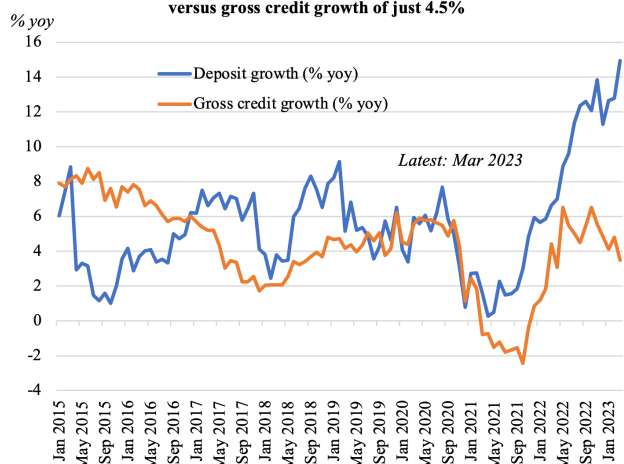
- **UAE's exports to Cambodia were at an even smaller share**, standing at under 0.05% of total exports in 2021; these were **largely re-exports**. **Transportation accounted for the largest share of exports** (close to 50%, of which cars formed the bulk); this was followed by mineral products, at 26.3% (share of petroleum coke and bitumen & asphalt was 15.4% and 7.5% respectively).



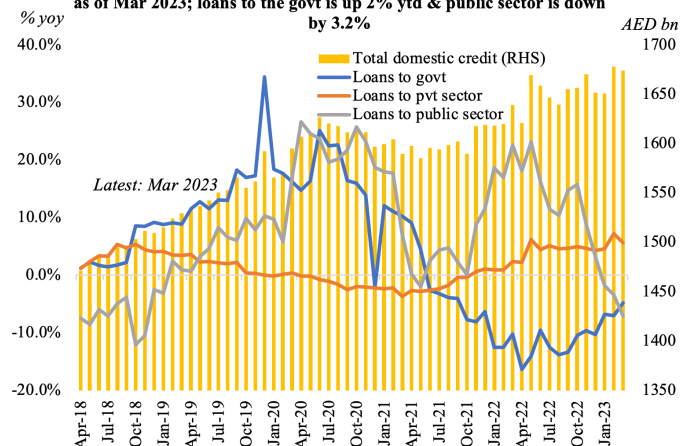
Source: IMF Direction of Trade Statistics. Charts by Nasser Saidi & Associates.

4. UAE's deposit growth grew by 3.8% year-to-date; credit disbursed to the private sector is slowly catching up (2.3% ytd); loans to construction, real estate & government together accounted for nearly 1/3-rd of all loans in Mar while SME lending slowed

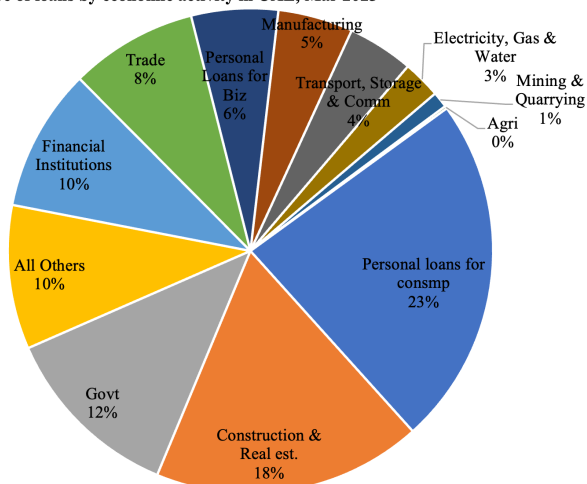
Deposit growth in UAE surged in Q1 2023 by an average 13.5% versus gross credit growth of just 4.5%



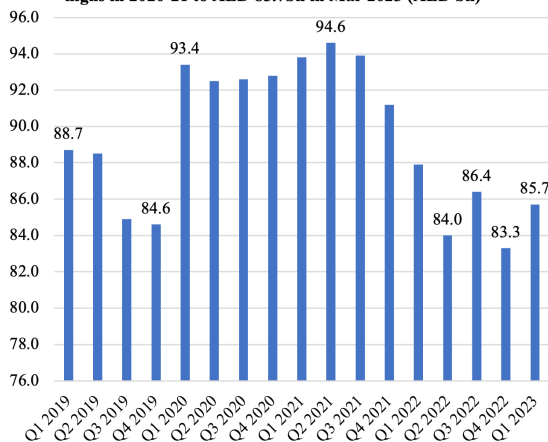
Growth in loans to UAE's private sector ticks up by 2.3% year-to-date as of Mar 2023; loans to the govt is up 2% ytd & public sector is down by 3.2%



Share of loans by economic activity in UAE, Mar 2023

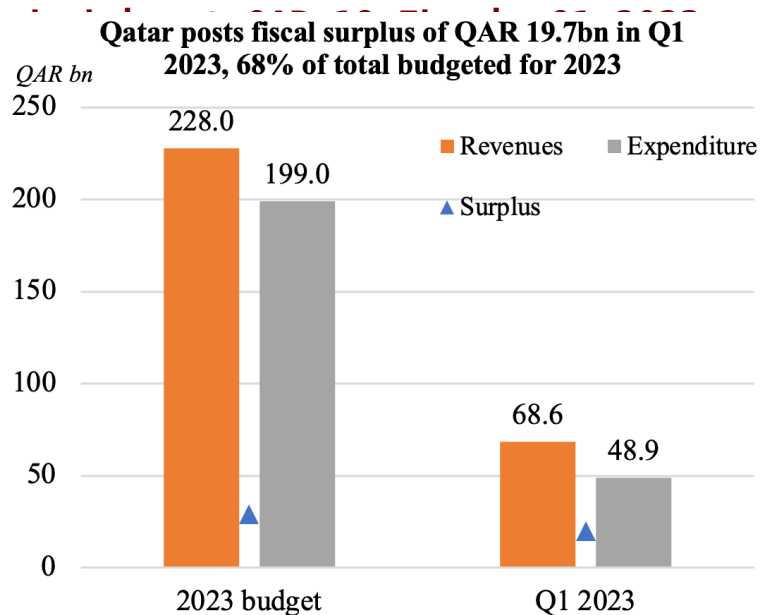


SME lending in the UAE has declined from the pandemic highs in 2020-21 to AED 85.7bn in Mar 2023 (AED bn)



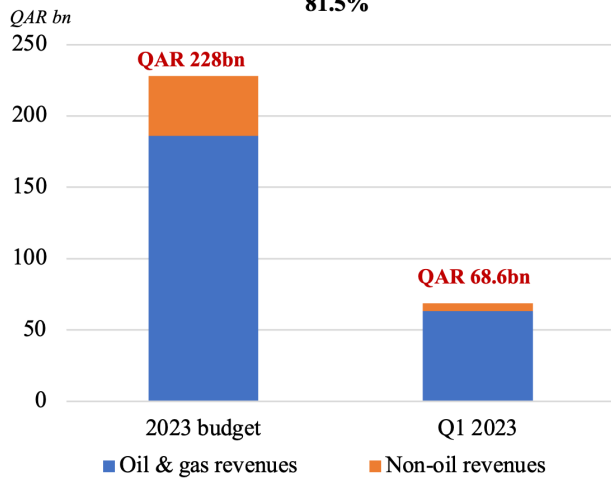
Source: UAE Central Bank. Charts by Nasser Saidi & Associates.

5. Qatar budget surplus clocked in

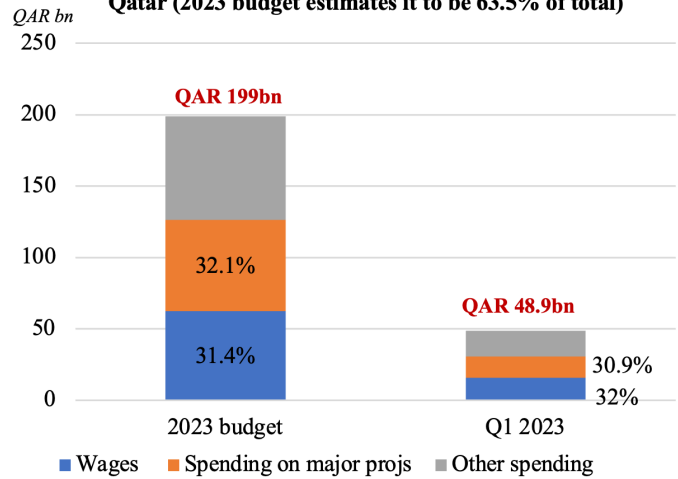


- **Qatar clocked in revenues to the tune of QAR 68.6bn and spending of QAR 48.9bn in Q1 2023, resulting in a **budget surplus** of QAR 19.7bn**
- **Q1 surplus is already 68% of the budgeted total for the year (QAR 29bn).**
- The average oil price was USD 82.2 per barrel in Q1 (vs budgeted price of USD 65), resulting in **oil and gas revenues at QAR 63.4bn** during the quarter (a **share of 92.4% of total revenues**).
- **Gas revenues have been rising**, with Qatar filling the gap of Russian gas; Asian nations are signing long-term contracts to secure gas (e.g. China, Bangladesh while buyers from India, Taiwan and Pakistan are in talks according to Bloomberg)
- **Total expenditures** touched QAR 48.9bn in Q1, of which **32% was wages and salaries while another 31% went towards major projects.**

Oil & gas revenues accounted for 92.4% of total revenues in Qatar in Q1 2023; budget puts this at 81.5%



Spending on major projects and wages & salaries account for around 1/3-rd each of overall spending in Qatar (2023 budget estimates it to be 63.5% of total)



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

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