

Weekly Insights 22 Sep 2023: Will higher fuel prices affect travel & tourism recovery as Saudi Arabia extends production cuts?

Saudi Arabia exports & US Treasuries holdings. Tourism & air traffic recovery in the Middle East surpasses global + future prospects.

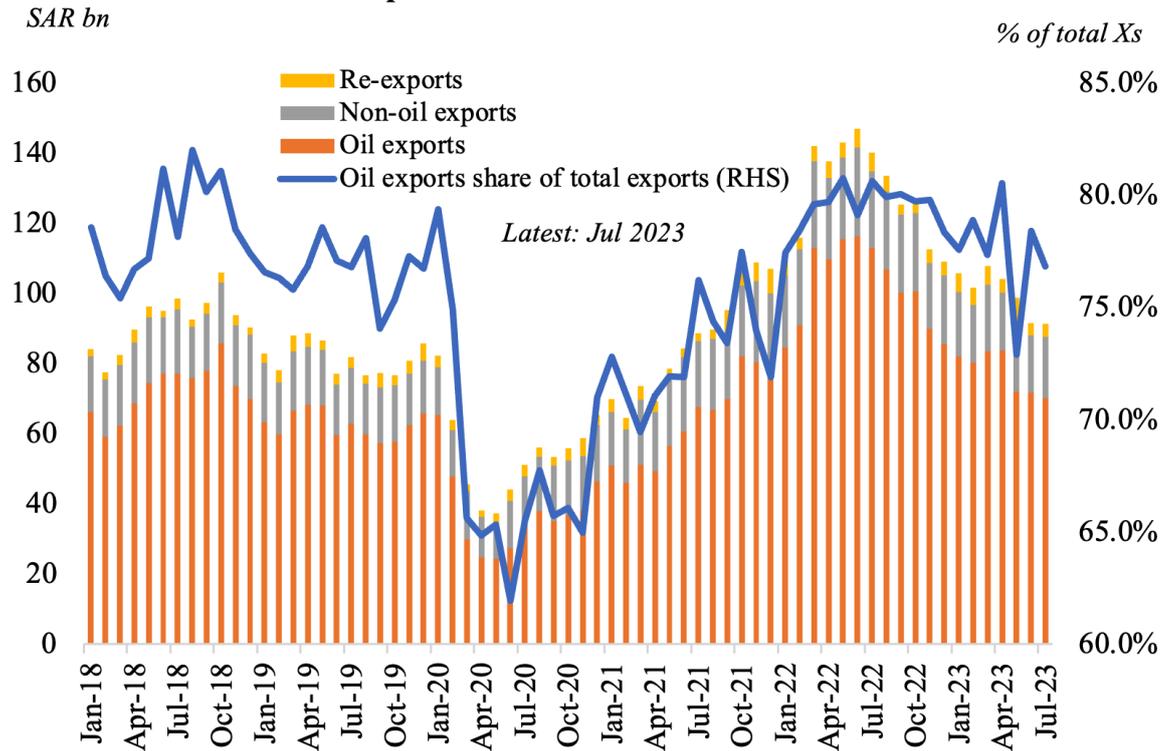
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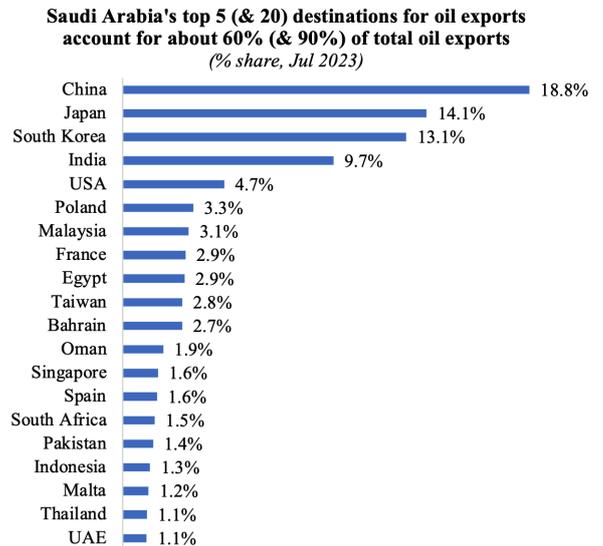
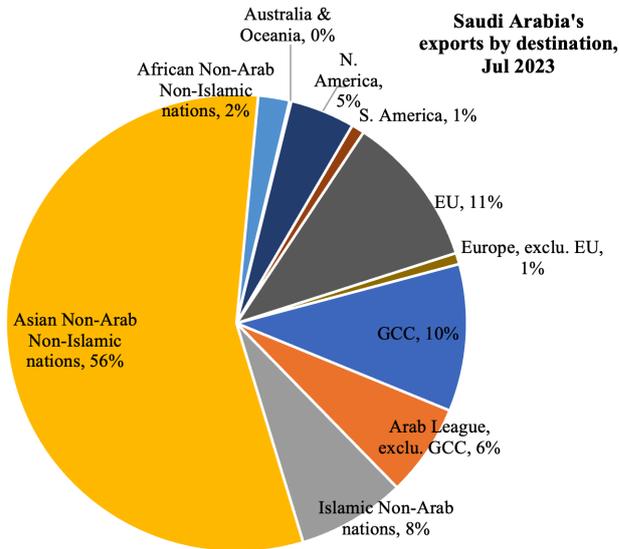
1. Saudi Arabia's oil exports plunge in Jul, dragging down

overall (

Saudi non-oil exports fell by 20% yoy to SAR 17.5bn in Jul 2023; oil exports share fell to 77% of total

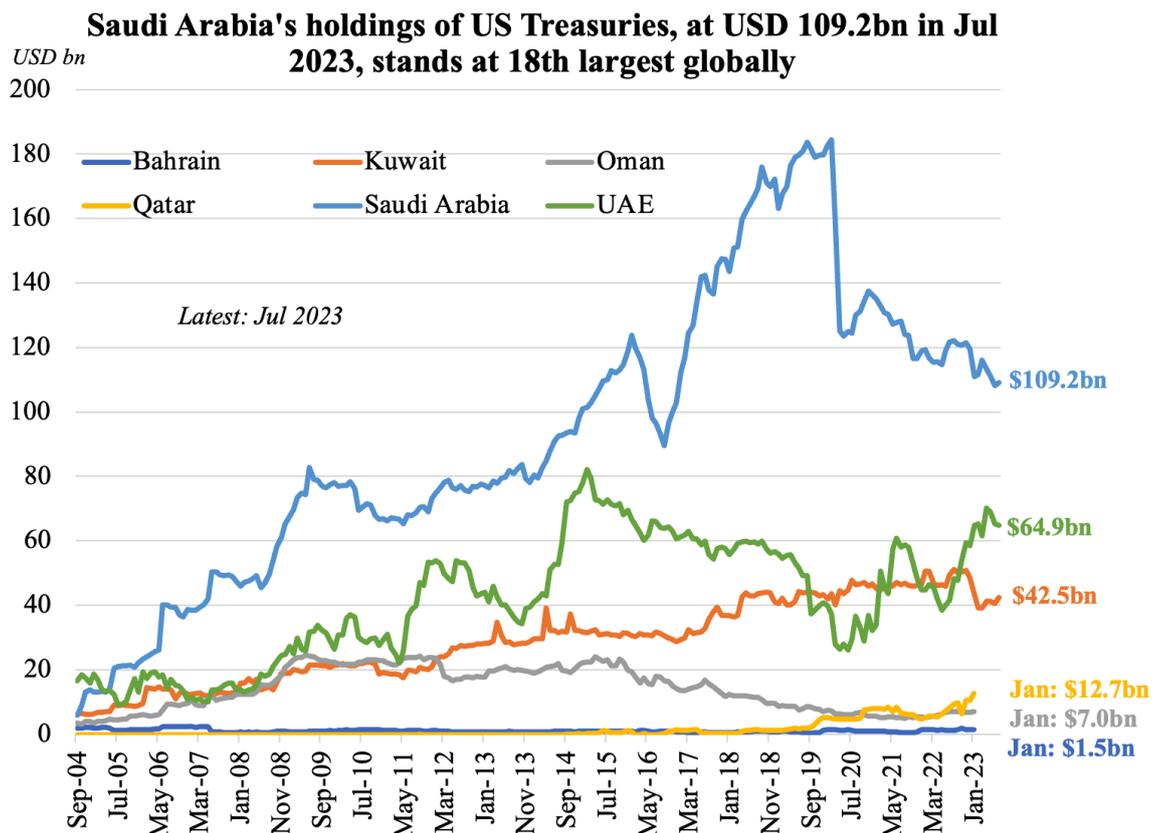


- **Saudi Arabia's overall exports fell by 35% yoy and 0.4% mom to SAR 91.3bn in Jul – this is the lowest reading since Sep 2021. The fall in exports stemmed from oil exports, which plunged by 38% yoy and 2.4% mom. The share of oil exports to overall exports fell to 76.8%.**
- **Oil exports to the top 5 destinations (China, Japan, South Korea, India and the US) accounted for 60.4% of the total oil exports in Jul and for the top 20 it was just higher than 90%.**
- Largest non-oil exports (including re-exports) were chemicals & allied products and plastics (close to 60% of outbound trade).
- **Imports increased sharply: 19.7% yoy and 6.7% mom to SAR 68.9bn, led by machinery & mechanical appliances and vehicles (21.4% and 18.5% respectively of total imports).**
- **China was the top trade partner in Jul: accounting for 17.2% of total exports and 20.2% of total imports.**



Source: GaStat. Charts by Nasser Saidi & Associates

2. Saudi Arabia US Treasuries holdings stand at USD 109.2bn in Jul 2023, the 18th largest investor globally; UAE raises share to USD 64.9bn



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

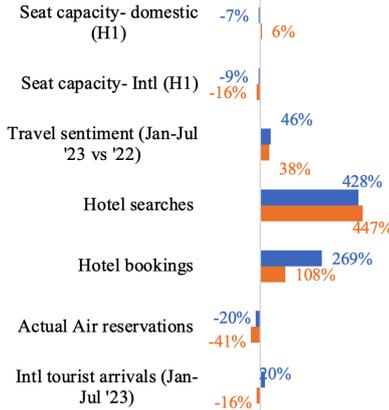
- Saudi Arabia is currently the 18th largest investor in US Treasury bonds globally as of Jul 2023 (USD 109.2bn)
- This pales in comparison to the top of the list Japan

(USD 1.112trn) and China (USD 821.8bn), but it is still **highest among the GCC**

- **Both Kuwait and Saudi Arabia have decreased their holdings** compared to end-2022 – by 12.4% and 8.8% respectively.
- In Jun, KSA had lowered its holdings to a 6-year low of USD 108.1bn. The PIF's asset diversification strategy has meant that different asset classes are being considered (vs keeping most of the reserves in US Treasuries).
- **UAE's holdings clocked in at USD 64.9bn in Jul**, up 10.8% from end-2022, but it lower than this year's high of USD 70.2bn (in Apr).
- Global central banks' **aggressively raising rates to combat inflation & it staying higher for longer have contributed to selling of Treasuries**; the potential for weaponization of the dollar has also added to such moves (China reduced its holdings by USD 45.3bn since end-2022).

3. Global tourism recovered to 84% of its pre-pandemic levels by end-Jul; Middle East stands out as the best performing region in international tourist arrivals (+20% in Jan-Jul 2023 vs 2019), also outpacing global average in other indicators

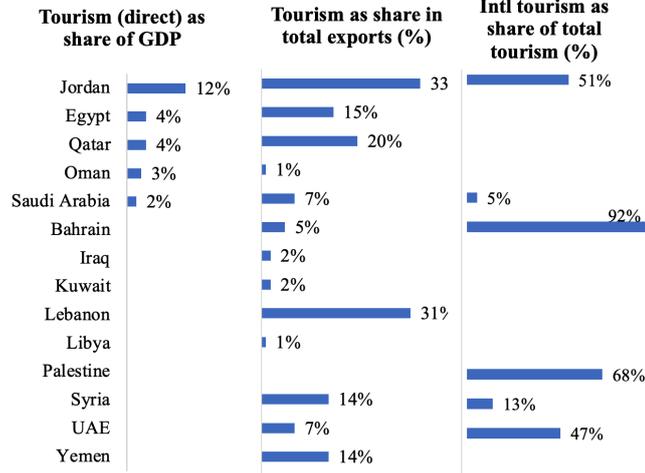
Tourism Indicators: Middle East vs Global (Jan-Aug '23 vs 2019, unless specified)



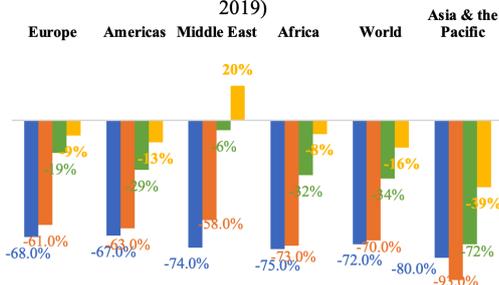
International Tourist Arrivals in Middle East, by country (vs 2019)

	2020	2021	2022	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Middle East	-75%	-71%	-6%	20%	30%	28%	8%	10%	38%	10%
Bahrain	-83%	-67%	-10%							
Jordan	-76%	-55%	-5%	12%	32%	32%	1%	58%	14%	
Lebanon	-71%	-61%	-32%							
Oman	-75%	-84%	-18%	-3%	10%	10%	14%	32%	32%	
Qatar	-73%	-71%	20%	73%	117%	104%	61%	114%	115%	98%
Saudi Arabia	-76%	-80%	-5%	50%	65%	79%	47%	-27%	216%	80%
Syria	-80%	-73%	-26%	-6%	-30%	-31%	-42%	21%	11%	-11%
UAE	-67%	-57%	5%	10%	30%	17%	-2%	41%	-11%	-8%

Vulnerability of tourist destinations in the Middle East



Growth in International Tourist Arrivals (% chng 2020, 2021, 2022, Jan-Jul 2023 vs 2019)



Source: UNWTO. Charts created by Nasser Saidi & Associates

4. Middle East airlines post impressive Q2 '23 performance

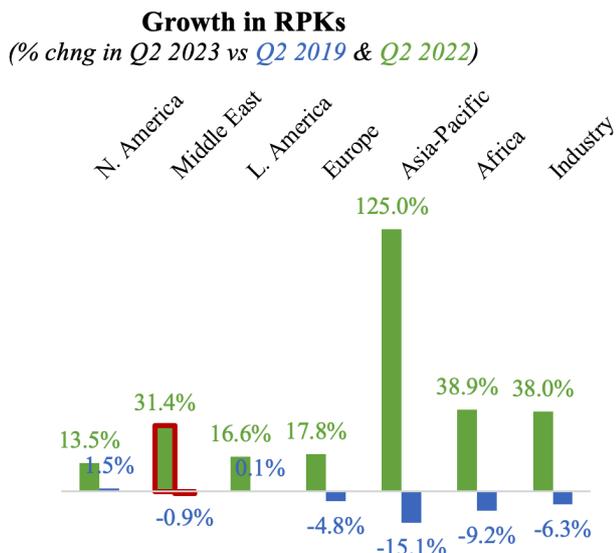
Passenger Traffic by country in Middle East & Africa (% chng in Q2 2023 vs Q2 2019)



- **Passenger traffic in the Middle East grew by 31.4% yoy in Q2 & revenue passenger kilometres (RPKs) were within 0.9% of Q2 2019 levels.**
- **Most countries in the Middle East region rebounded: Jordan, Qatar and UAE posted strong performances (vs Q2**

2019), while Iran, Saudi Arabia and Kuwait were lower (partly affected by the timing of Ramadan). Kuwait and Saudi Arabia were within 2% and 5.6% of full recovery vs Q2 2019.

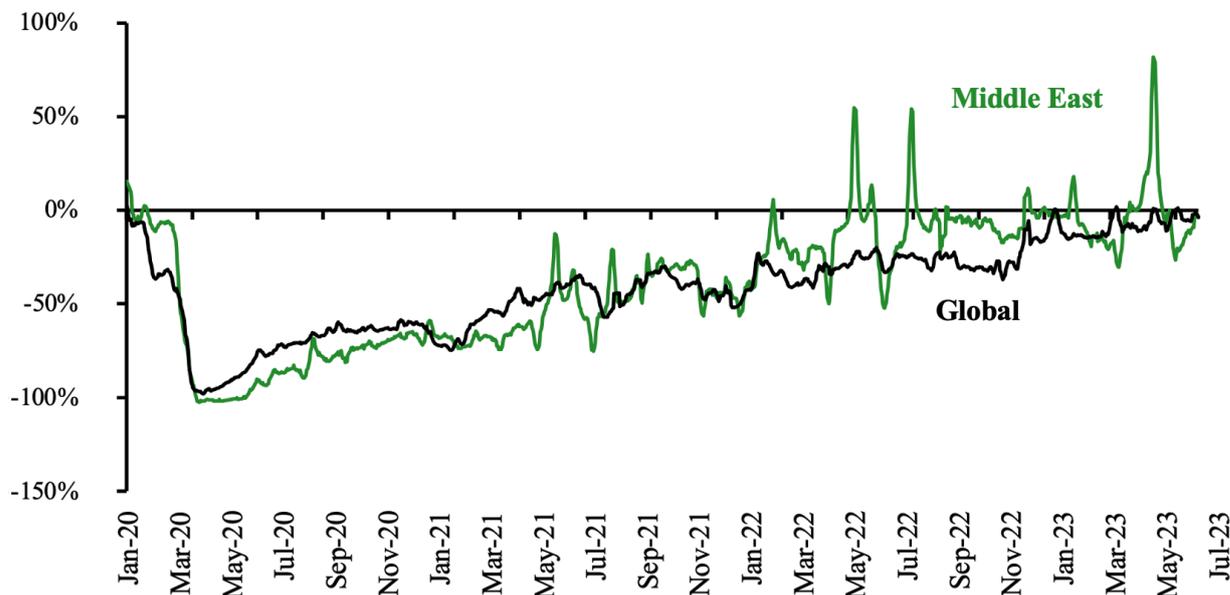
- **Cargo activity declined**, but it was slower than the drop seen in Q1 (Q2: -3.1%; Q1: -8.1%). The region's cargo activity growth was flat compared to Q2 2019 and remained better than global activity.



Source: IATA Quarterly Air Transport Chartbook Q2 2023 (issued Aug 2023)

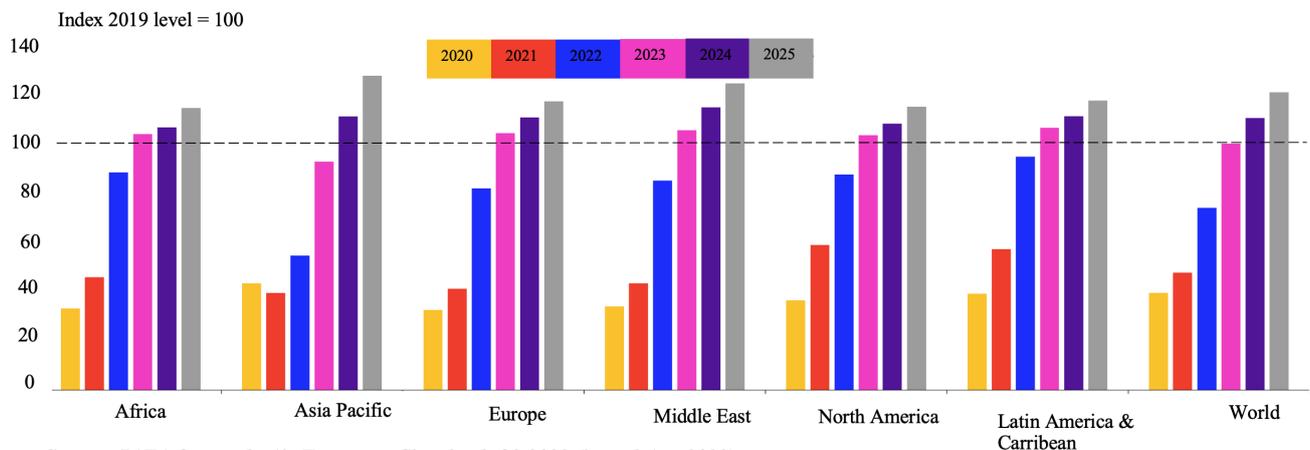
5. Middle East air passenger traffic to return to 2019 levels this year; demand to be sustained amid some risks

Ticket sales by region (7-day moving average, % chng vs same period in 2019), Middle East



- **Ticket sales in the Middle East have generally outperformed the global average**, though there were some shifts due to the timing of Ramadan (early Q2). The upward trend is likely to continue, considering the sustained demand.
- This is also reflected in the passenger traffic forecast, wherein it is estimated that **the Middle East will surpass its 2019 levels in 2023** (ahead of forecast for the world).
- IATA estimates **global air passenger traffic to grow**, rising to 2019 levels early next year, and **double by 2040**; also supported by increased connectivity.
- There however are **risks to this outlook** including higher energy prices (especially **jet fuel, which currently stands at USD 130 a barrel**), higher services **inflation** (that might deter international travel) and supply-side constraints in the airline industry.

Passenger traffic forecast and estimated year of recovery to 2019 levels



Source: IATA Quarterly Air Transport Chartbook Q2 2023 (issued Aug 2023)

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