

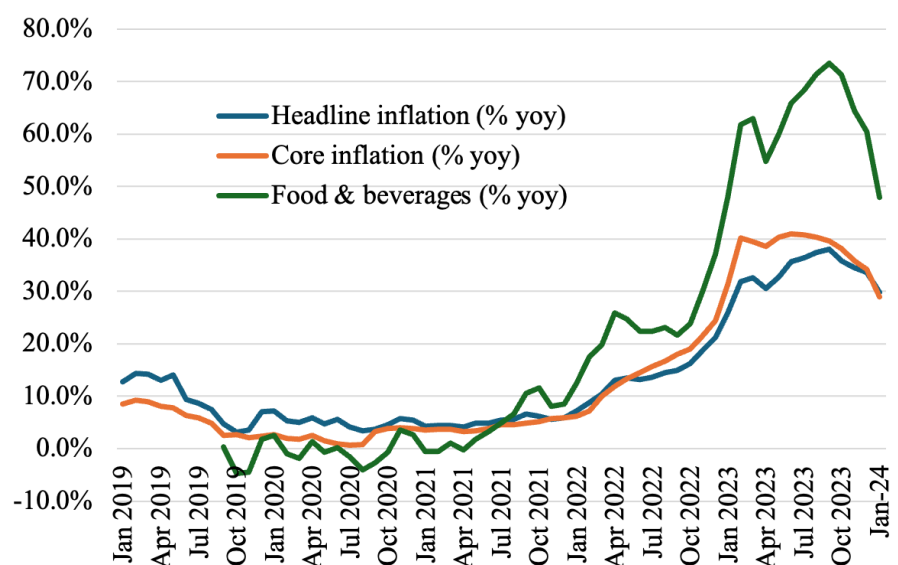
Weekly Insights 1 Mar 2024: Rising importance of non-oil exports in UAE & Saudi, alongside regional investments

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1. UAE's massive investment in Egypt: too big to fail

Egypt's **urban inflation** rate eased to 29.8% in Jan; **core inflation** edged lower to 29%



Source: Central Agency for Public Mobilization and Statistics (CAPMAS),
Central Bank of Egypt, Refinitiv Eikon. Charts by Nasser Saidi & Associates

- UAE announced a massive USD 35bn investment in Egypt's Ras El Hekma peninsula: work on building the "next generation city" is expected to begin in early 2025. Egypt's government will have a 35% stake in the project.
- This investment will offer a breather for Egypt's forex/

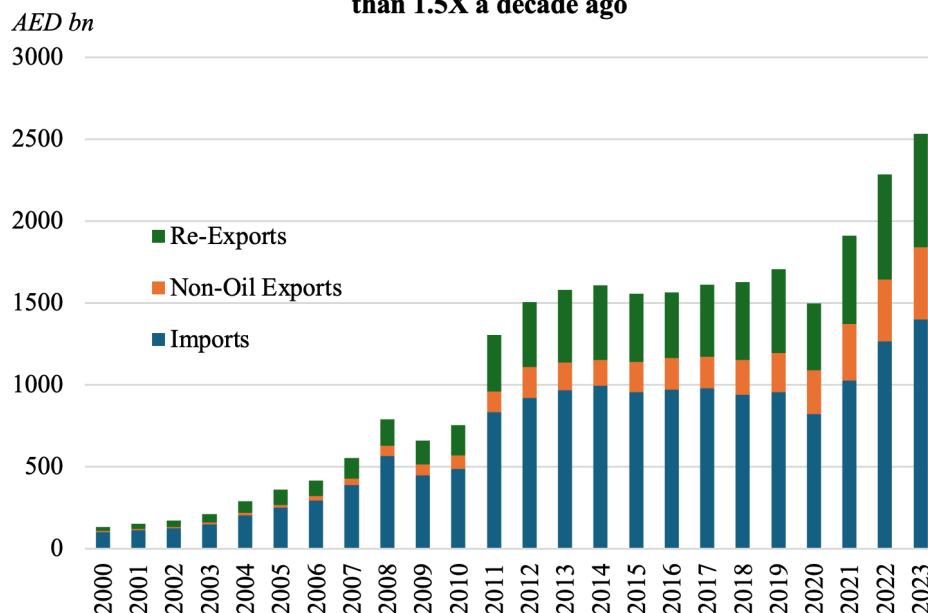
liquidity woes, with the amount to be disbursed within two months. The Egyptian Pound strengthened post-deal, gaining about 20% on the parallel market (touched EGP 70 in early-Feb); official rate is steady at EGP 30.89 per USD.

- Reports suggest similar deals are being planned for land in South Sinai: potentially targeting Saudi & Qatari investors.
- Additional funding implies that the **central bank will have sufficient FX buffers** to prevent a sharp fall against the dollar if there's a move to a flexible exchange rate.
- This supports the **"Egypt is too-big-to-fail" stance**, seen previously when GCC nations supported in 2022 after a significant capital outflow (after the war in Ukraine started).
- However, there has been a **change: funding has been provided as investments** (this time round to build a tourism and financial centre) or subject to reform conditionalities like state asset sales (**vs instances of payments with no conditionalities previously**).
- Meanwhile, **macroeconomic woes continue**:
 - **Inflation** eased to 29.8% in Jan (Dec: 33.7%). Even as core inflation slipped to 29% (Dec: 34.2%), food prices surged by 47.9% though lower than the previous month's 60.5% surge.
 - **Debt burden has been rising**: debt service accounted for 60.3% of Egypt's total expenditure in Jul-Sep 2023; in the 2024-25 fiscal year, Egypt must repay \$29.23 billion in external debt service.
- **IMF's augmented financing package will be available "within weeks"**, revealed IMF's MD, after key issues had been resolved in its review of the USD 3bn loan program.

2. UAE non-oil foreign trade of goods & services cross a

record AED 3.5trn

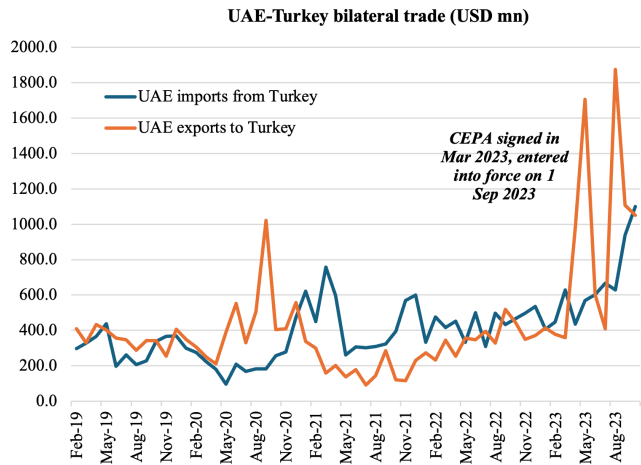
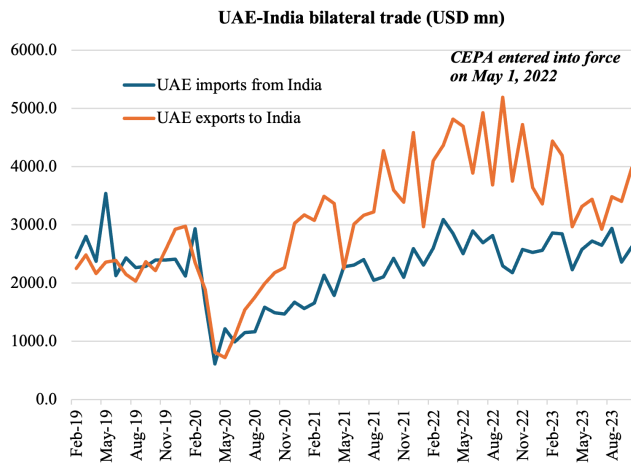
UAE's total non-oil trade exceeded AED 2.5trn in 2023, more than 1.5X a decade ago



Source: Ministry of Economy, FCSA, Federal Customs Authority

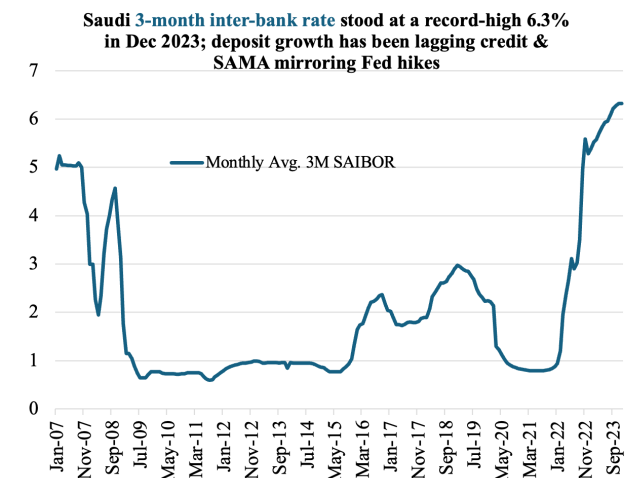
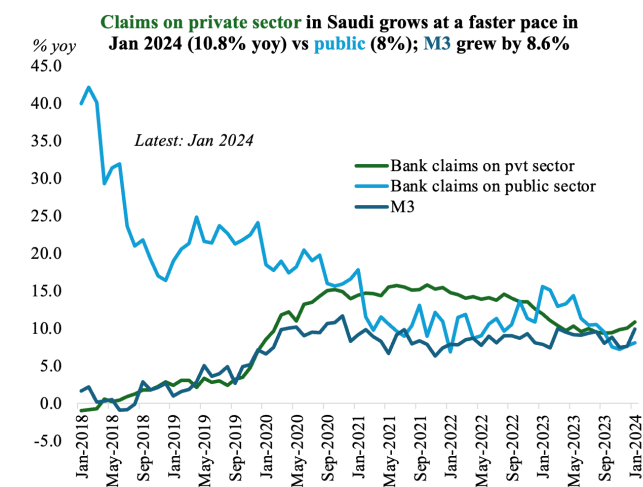
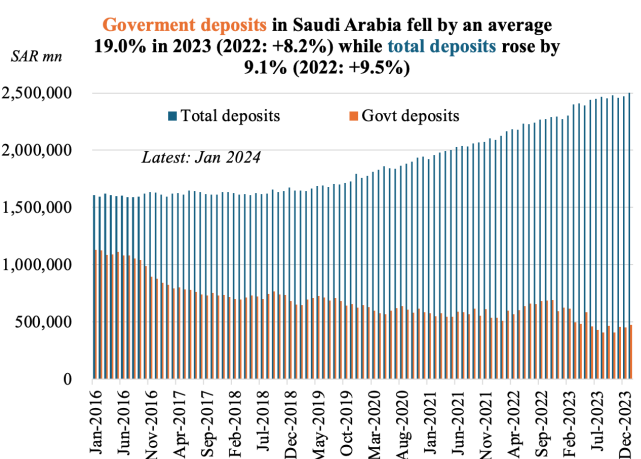
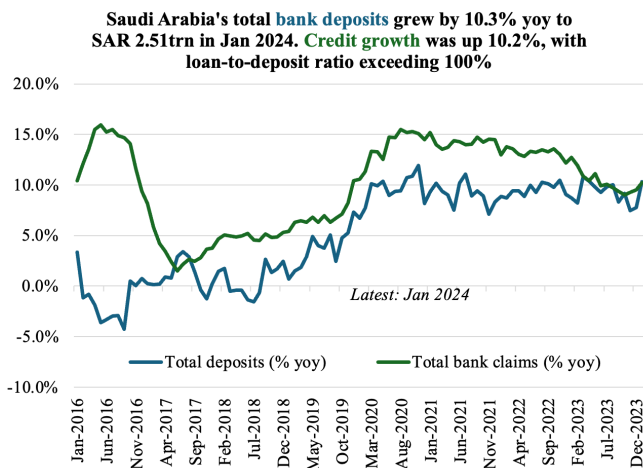
Note: free zone data is included only from 2011

- **UAE's non-oil goods trade jumped to a record-high AED 2.574trn in 2023**, 1.5-times the reading in 2019 (of 1.71trn). This was **supported by the sharp rise in non-oil goods exports** – which at AED 441bn (16.7% yoy) was more than double non-oil goods exports in 2018. Re-exports and imports grew by 6.9% and 14.2% respectively (to AED 690bn and AED 1.4trn). **Trade in services reached a record high AED 967bn last year**, with services exports standing at AED 587bn.
- **Impact of CEPAs with Turkey & India.** Non-oil exports to Turkey accounted for 60% of total in Aug-Dec 2023 (CEPA came into force in Sep). Trade with India (CEPA enforced from May 2022), grew by 3.9% in 2023, accounting for over 7.6% of total trade.
- Non-oil exports to top 10 partners grew by 26.9%; **China was the top trade partner**, followed by India, US, Saudi Arabia, and Turkey.



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

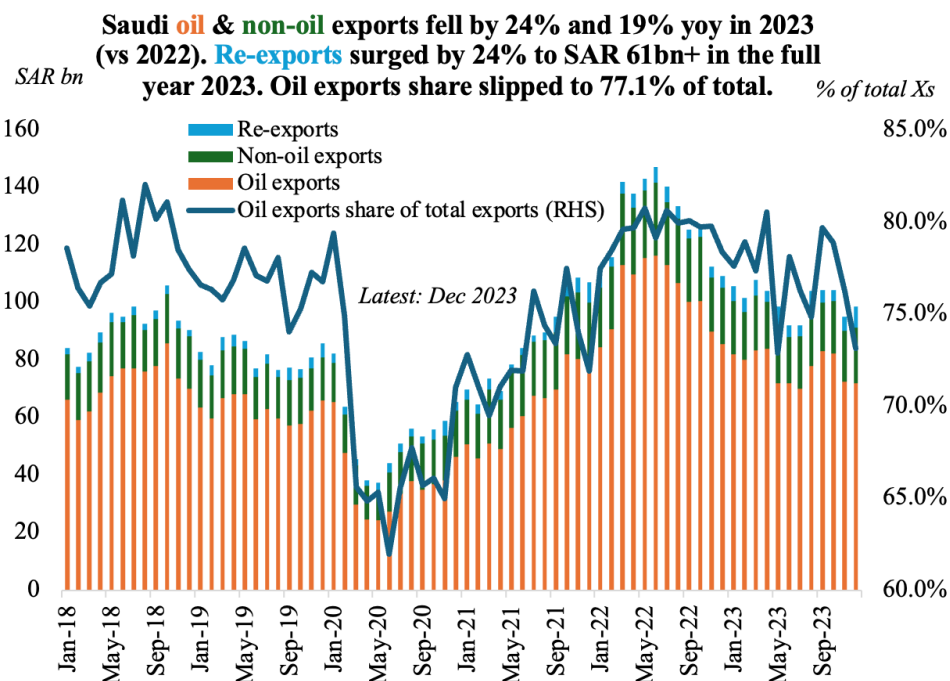
3. In the first month of 2024, growth of deposits and credit sync in Saudi, even as govt deposits fall by 24.4% yoy; loan to- deposit ratio exceeds 100%; 3-month SAIBOR touches record-high 6.3% in Dec



Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

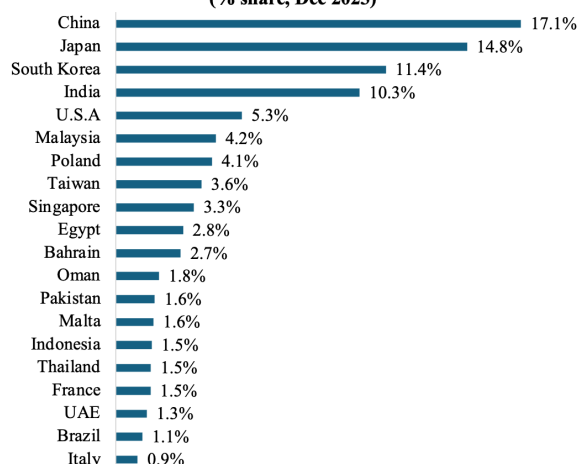
4. Exports & imports fall in Saudi Arabia during the last

month of 2023



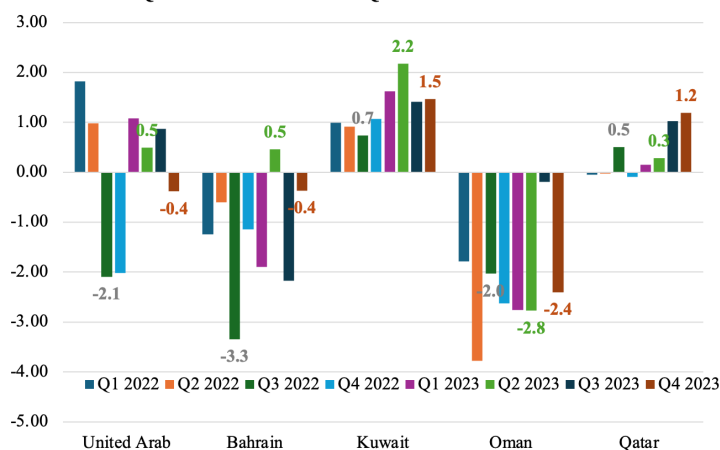
- **Saudi Arabia's overall exports fell** by 9.7% yoy to SAR 98.5bn in Dec, partly due to the drop in oil exports (-15.8% yoy to SAR 72bn). **Oil exports share in total exports slipped** to 73.1% in Dec.
- **Non-oil exports also fell**, by 3.0% yoy to SAR 19.2bn (close to one-fifth of total exports). **Re-exports**, which accounts for 7.4% of total exports, **grew** by 88.2% yoy and 51.4% mom to SAR 7.3bn.
- **Imports fell by 7.1% yoy** and 10.1% mom to SAR 60.4bn.
- **Overall trade surplus widened in Dec** (after falling for two consecutive months) to SAR 38.2bn. It plunged by 14% yoy.
- **China was the top trade partner in Dec**: accounting for 15% of overall exports and 21% of total imports.
- **Oil exports to the top 5 destinations** (China, Japan, South Korea, India & US) **accounted for 58.9% of total oil exports** in Nov; 96.3% for top 30.
- **Non-oil trade balance with GCC showed a mixed picture in Q4**: surpluses with Qatar and Kuwait widened; deficit widened in Oman but narrowed in Bahrain. UAE moved from surplus in Q3 to deficit.

Saudi Arabia's top 5 (& 20) destinations for oil exports account for close to 60% (& 92.5%) of total oil exports (% share, Dec 2023)



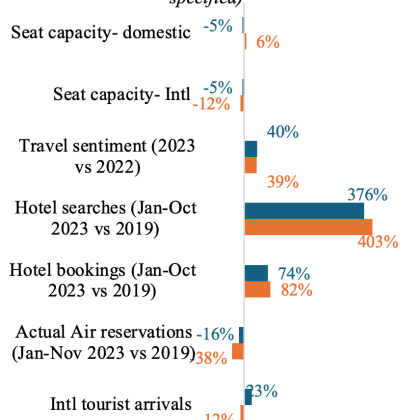
Source: GaStat. Charts by Nasser Saidi & Associates

Saudi Arabia's non-oil trade balance with GCC (SAR bn): surplus with Qatar & Kuwait widens in Q4 amid deficits with all others

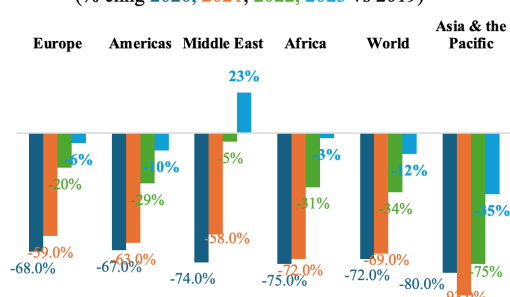


5. Trade in services to benefit from the tourism surge: Middle East international tourist arrivals rose by 23% in 2023 vs 2019. It is the only region to cross pre-pandemic levels. Saudi & Qatar post substantial surge in visitor arrivals.

Tourism Indicators: Middle East vs Global (2023 vs 2019, unless specified)



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

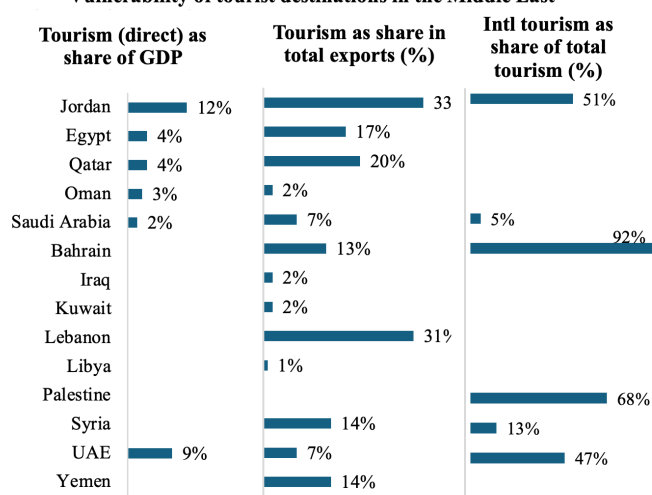


Source: UNWTO. Charts created by Nasser Saidi & Associates

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

	2020	2021	2022	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Middle East	-75%	-71%	-6%	45%	19%	-3%	37%	22%	24%	19%
Egypt	-72%	-38%	-9%	11%	17%	20%	20%			
Jordan	-76%	-55%	-5%	14%	31%	12%	26%			
Oman	-75%	-84%	-18%	32%	27%	11%	15%	5%		
Qatar	-73%	-71%	20%	115%	98%	78%	69%	67%	101%	
Saudi Arabia	-76%	-80%	-5%	216%	80%	-21%	221%	96%	81%	67%
Syria	-80%	-73%	-26%	11%	-11%	-18%	-17%	-27%		
UAE	-67%	-57%	5%	-11%	-8%					

Vulnerability of tourist destinations in the Middle East



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