

Weekly Insights 31 May 2024: Investment deals, credit activity, trade & tourism to sustain non-oil sector growth

Saudi investment deals & licenses. Saudi monetary stats. UAE credit sentiment. Air passenger & cargo movements. International tourist arrivals.

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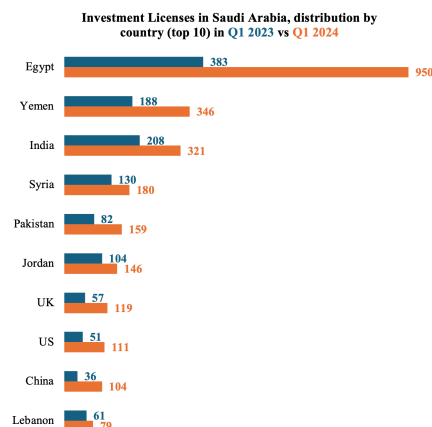
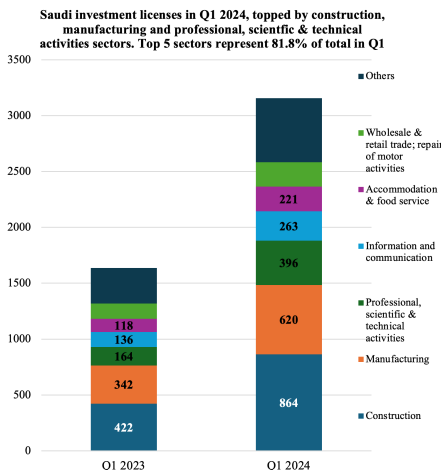
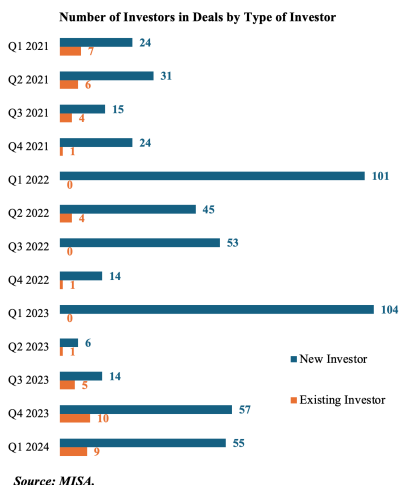
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1. Saudi Arabia closed 64 investment deals in Q1 2024 & investment licenses issued rose to 3157: Boosting Non-Oil sector activity

- **The Ministry of Investment Saudi Arabia (MISA) closed 64 investment deals in Q1 2024 (Q1 2023: 104), with 55 new investors.**
- **By economic activity, deals were mostly in innovation and entrepreneurship (34 or 53% of total) followed by sports (12 or 18.8%) and environmental services (5 or 7.8%).**
- **Investment licenses issued by MISA grew by 93% yoy to 3157 in Q1 2024.** The top five sectors – construction (+104.7% yoy), manufacturing (+81.3% yoy), professional, scientific & technical activities (141.5% yoy), ICT (93.4% yoy), accommodation & food services (87.3% yoy), and wholesale & retail trade, & repair of motor activities (60.3% yoy) – represent 81.8% of licenses issued in Q1. The highest growth in investment licenses

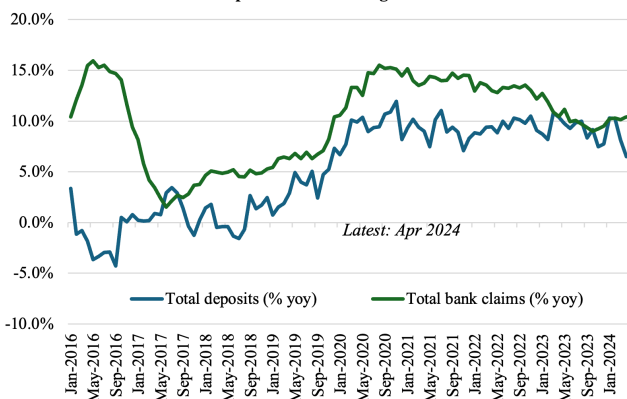
in Q1 2024 was recorded in real estate (253.3% yoy to 53) followed by professional, scientific & technical activities (141.5% yoy to 396).

- **Distribution of licenses show that Egypt received the highest number of licenses in Q1 2024 (60% to 950), followed by Yemen & India. Regional strategic ties are evident from the distribution, in addition to usual suspects UK, US and China (almost three times to 104).**

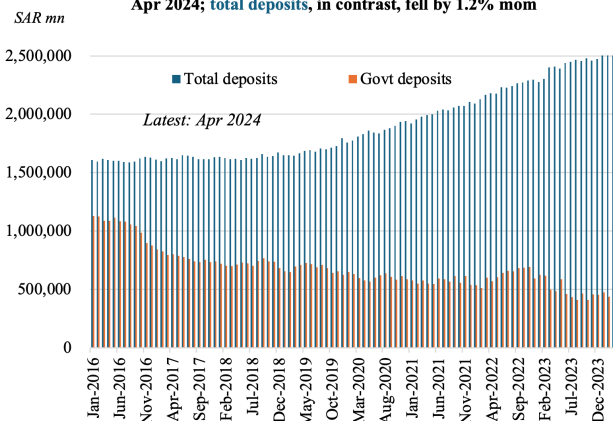


2. Total deposits in Saudi Arabia decline month-on-month in Apr, despite an uptick in government deposits; credit growth rise by 10.3% in Jan-Apr; residential new mortgages finance slips from Mar's 14-month high

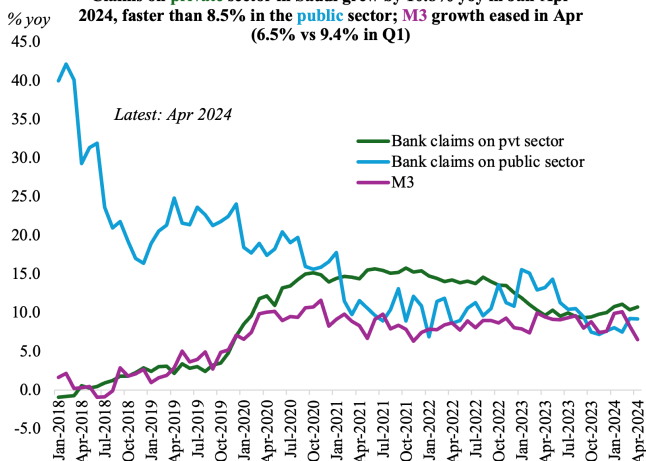
Saudi Arabia's total bank deposits grew by an average 8.8% yoy in Jan-Apr 2024. Credit growth was up 10.3%, with loan-to-deposit ratio exceeding 100%



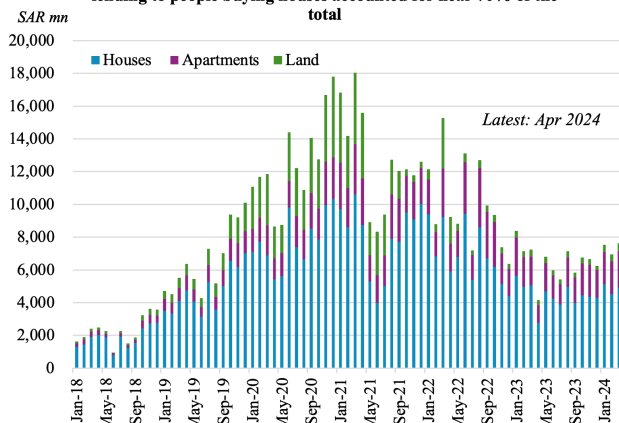
Government deposits in Saudi Arabia inched up by 1.1% mom in Apr 2024; total deposits, in contrast, fell by 1.2% mom



Claims on private sector in Saudi grew by 10.8% yoy in Jan-Apr 2024, faster than 8.5% in the public sector; M3 growth eased in Apr (6.5% vs 9.4% in Q1)



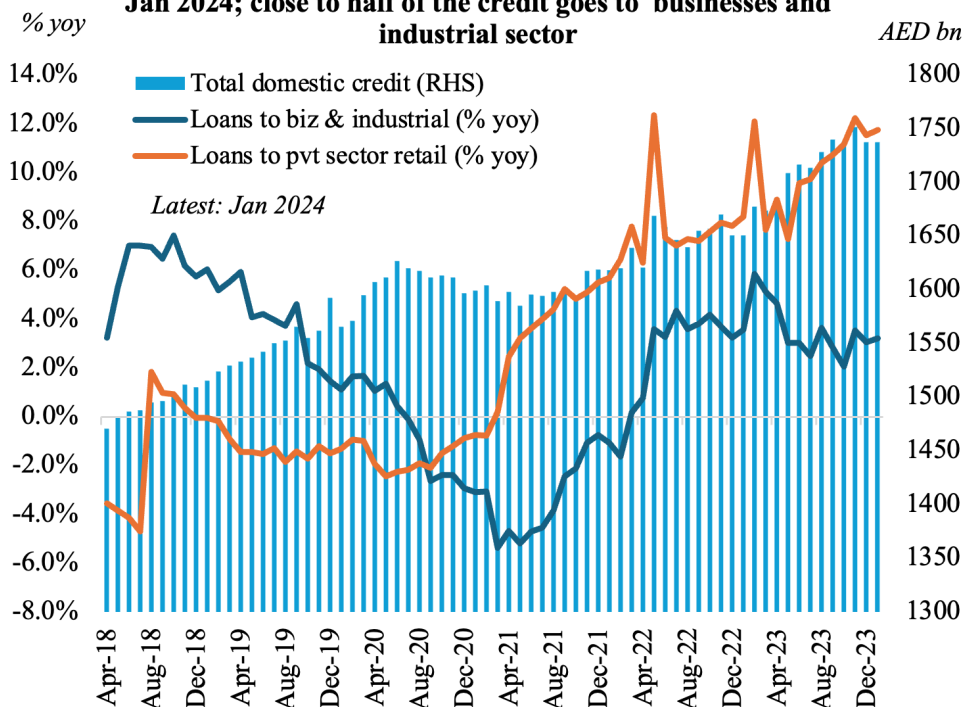
Banks' residential new mortgages finance for individuals declined in Apr from Mar's 14-month high, but was up 28.8% yoy; lending to people buying houses accounted for near 70% of the total



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

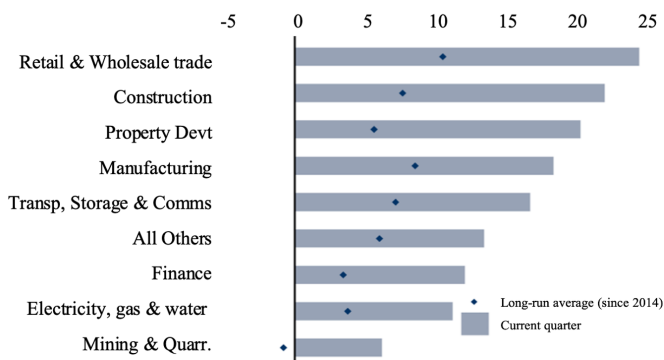
3. UAE's Q1 2024 credit sentiment survey indicates healthy demand & banks' increasing willingness to lend

Growth in loans to UAE's private sector ticks up by 5.3% in Jan 2024; close to half of the credit goes to businesses and industrial sector



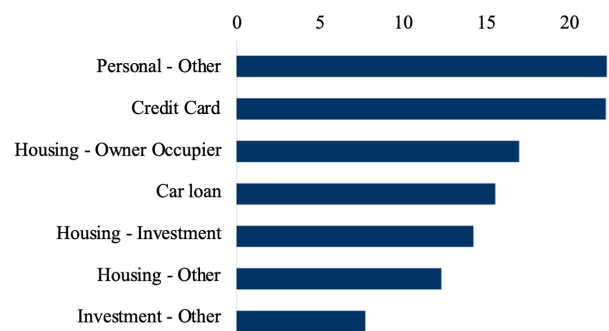
- Loans disbursed to UAE's **business & industrial sector** accounted for **~50% of total domestic credit in Jan 2024**.
- UAE central bank's Q1 2024 credit sentiment survey shows a strong credit demand and supply (domestic credit grew by 5.3% yoy in Jan 2024 vs 2% in Jan 2023)
- **Demand for business loans** rose in Q1 2024: quarterly growth was at its highest in over a year. Positive future economic outlooks seems to have partially offset the impact of higher interest rates.
- **By industry**, strong sentiment was seen in retail & wholesale trade, construction, property development and manufacturing.
- **Banks showed a higher willingness to offer personal loans**. Demand was strong across all segments (the highest level on record). Personal and credit card loans as well as housing loans (owner-occupier) showed an uptick.
- **Credit appetite is largely expected to remain strong in Q2**.

Change in Demand for Business Loans by Industry
(net balance, pp)



Source: Credit Sentiment Survey Q1 2024, UAE Central Bank.

Change in Appetite for Personal Loans
(net balance, pp)



4. Air cargo posts double-digit gains for 5th consecutive month; commercial services trade to benefit from travel &

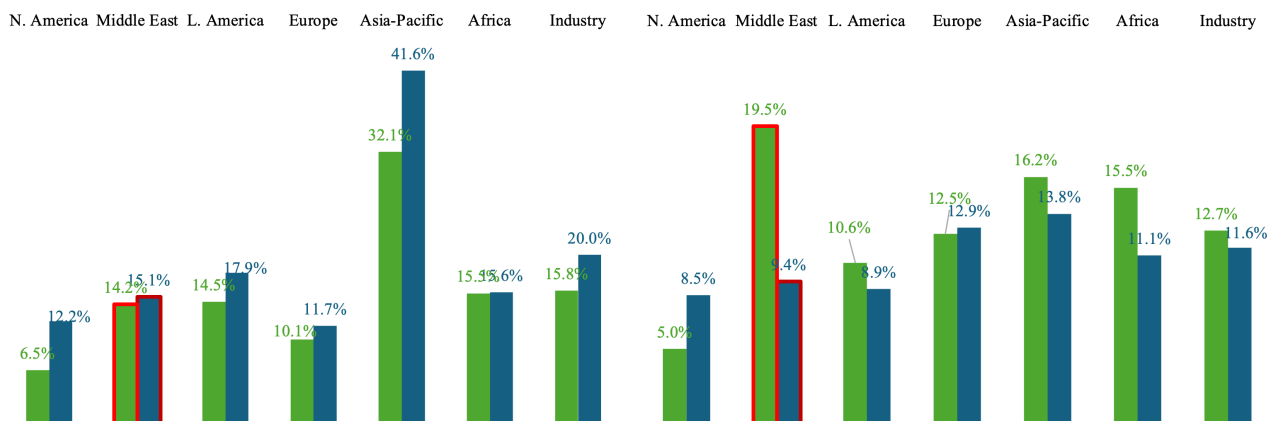
tourism reco



- **Cargo demand has been resilient:** Cargo tonne-kms (CTKs) grew by 11.1% yoy in Apr (the 5th month of double-digit growth). An uptick in new orders and manufacturing output bode well for cargo movements.
- **In contrast to the previous seven months when Middle East carriers grew the most,** April saw airlines from Asia Pacific and Europe recording the highest growth rates.
- On the other hand, **passenger traffic remains positive** (11% yoy in Apr), largely due to resilient international traffic. **Middle Eastern airlines** grew their **international** revenue passenger-kilometers (RPKs) by 14.2% yoy in Apr. Traffic in the **Middle East-Asia route** has fully recovered and risen above its 2019 historical peak (18.9% in Apr vs 12.7% in Mar 2024).

Growth in International Revenue Passenger-Kms (RPKs)
(% chng in Apr 2024 year-on-year & year-to-date)

Growth in Cargo Tonne-Kms (CTKs)
(% chng in Apr 2024 year-on-year & year-to-date)

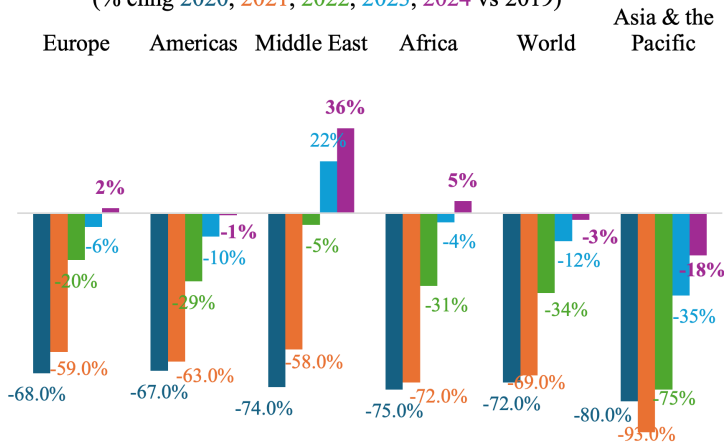


Source: IATA, Air Passenger & Cargo Market Analysis (issued May 2024)

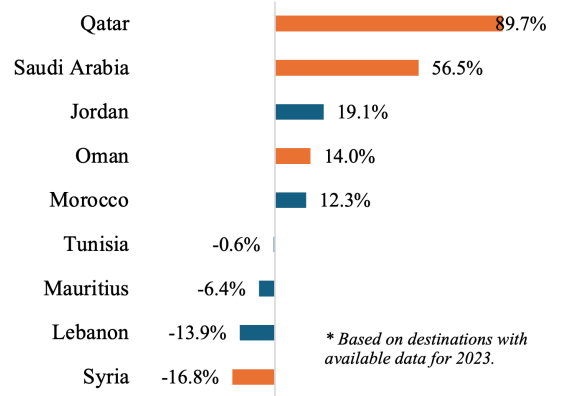
5. Middle East International Tourist arrivals rose 36% in Q1 2024 vs pre-pandemic, continuing its robust performance

- The **UNWTO** reported in its latest World Tourism Barometer (issued May 2024) that **an estimated 285mn tourists travelled internationally in Q1 2024**.
- The Middle East was the only region to recover pre-pandemic levels in 2023: this strong growth continued into Q1 2024. **International arrivals in the Middle East exceeded pre-pandemic levels by 36% in Q1 2024**; Europe exceeded pre-pandemic levels for the first time in a quarter (+2% from Q1 2019) while Africa welcomed 5% more arrivals vs Q1 2019.
- Among the **best performing destinations in 2023** in terms of international tourist arrivals were Qatar (top, +89.7% vs 2019), Saudi Arabia (2nd, +56.5%) and Oman (+14%). The Middle East is also emerging as a major investment hub for tourism, with 254 greenfield projects announced between 2018 and 2023, representing a total capital investment of USD 15.2bn.
- **Total export revenues from international tourism**, including both receipts and passenger transport, **surged to USD 1.7trn in 2023**, about 96% of pre-pandemic levels in real terms (i.e. excluding inflation). Receipts in the Middle East climbed 33% above 2019 levels.

Growth in International Tourist Arrivals
 (% chng 2020, 2021, 2022, 2023, 2024 vs 2019)



Best performing destinations* in Africa & the Middle East in 2023
 (% change vs 2019)



* Based on destinations with available data for 2023.

Source: UNWTO. Charts created by Nasser Saidi & Associates.

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