

Weekly Insights 14 Jun 2024: Saudi GDP declines but non-oil activities provide buffer; inflation eases in Egypt & Lebanon

Saudi GDP, industrial production. Oman budget surplus. Inflation eases in Egypt & Lebanon.

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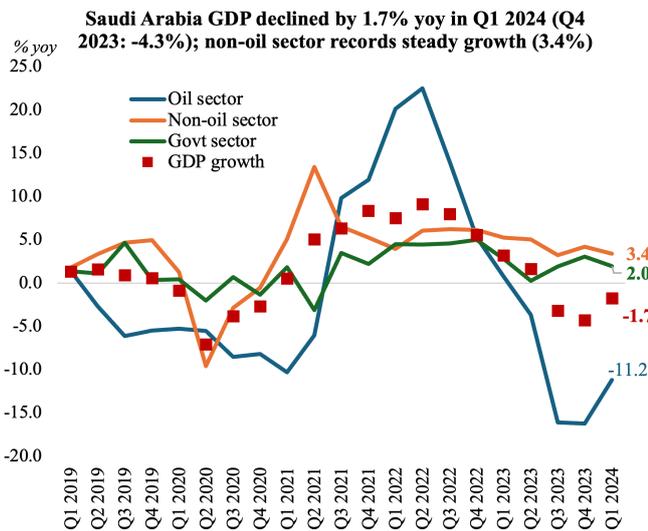
Weekly Insights 14 Jun 2024: Saudi GDP declines but non-oil activities provide buffer; inflation eases in Egypt & Lebanon

1. Saudi Arabia GDP fell by 1.7% yoy in Q1 2024, with non-oil sector growing at a steady pace alongside a drop in oil sector activity

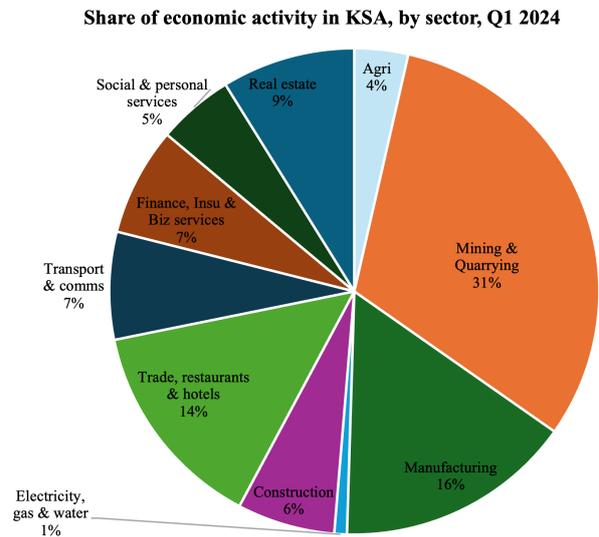
- Saudi Arabia's real GDP declined by 1.7% yoy and 2.6% qoq in Q1 2024, as per the moving chain methodology, using 2018 as base year.
- Non-oil sector grew by 3.4% in Q1 (Q4: 4.2%), though the pace has been slowing – the full year rate in 2023 was 4.4%. Government sector activity was up by 2.0% in Q1, following 3.1% growth in Q4 2023 and by 2.0% for the full year 2023.
- The mining and quarrying sector was the dominant sector, accounting for 24.5% of total output while manufacturing had a significant 12.3% share alongside real estate & construction (12%). The share of non-oil activities clocked in at 51.3% of overall GDP in Q1 2024.
- By expenditure components (at current prices), final

consumption expenditure accounted for close to two-thirds of overall GDP in Q1 2024. **Gross fixed capital formation grew by 7.9% yoy to SAR 317.5bn in Q1** – both government (7% share, growing by 18% yoy) and non-government (93% share, rising by 7.2% yoy).

- The **regional HQ program** has seen the relocation of 127 international firms to Saudi Arabia in Q1 2024, up 477% yoy (including Goldman Sachs). The **giga projects pipeline** (even in a reduced capacity e.g., The Line) and **projects ahead of with the Expo 2030** will contribute to expansion in non-oil sector activity in the coming quarters: KSA projects pipeline is currently valued at more than USD 1.28trn



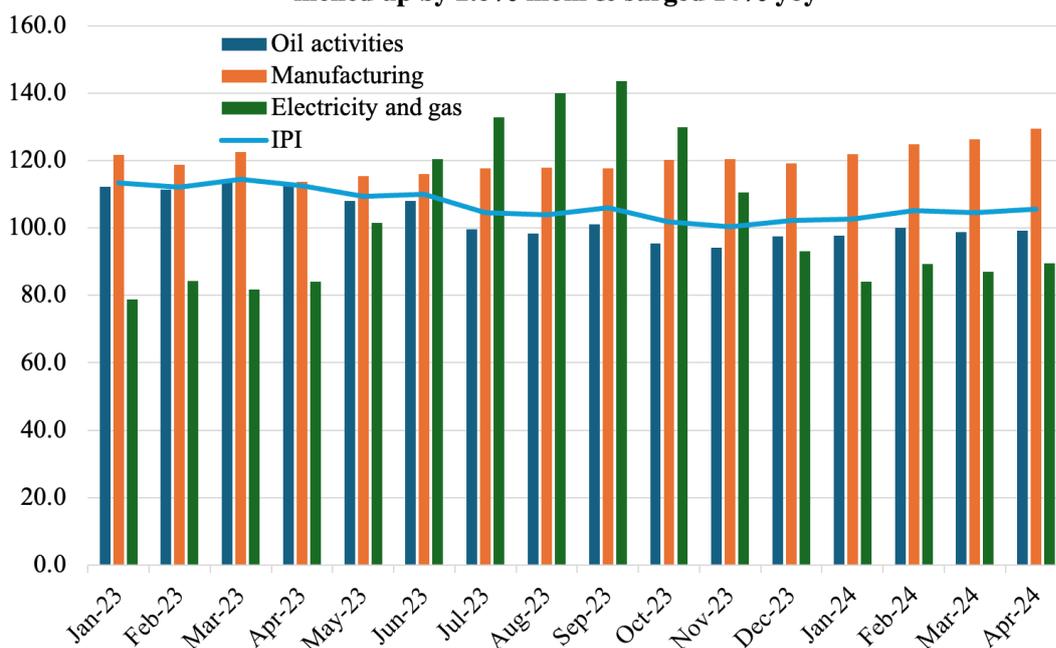
Source: General Authority for Statistics. Chart by Nasser Saidi & Associates.



2. Saudi Arabia's year-on-year industrial production fell by 6.1% in Apr, dragged down by oil sector activities;

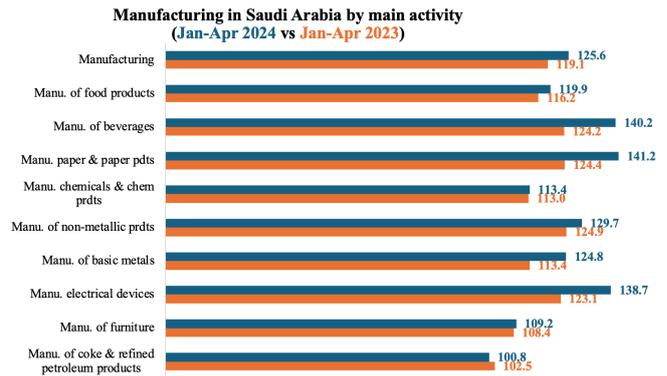
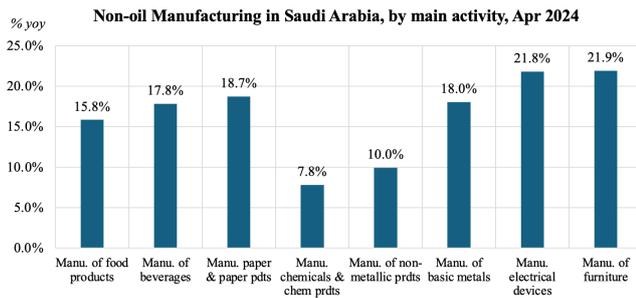
manufacturing

Industrial Production (IP) in Saudi Arabia inched up by 1.1% mom in Apr 2024, but fell by 6.1% yoy. Manufacturing, on the other hand, inched up by 2.6% mom & surged 14% yoy



- **Industrial production in Saudi Arabia declined by 6.1% yoy in Apr**, falling for the 12th month in a row, as oil activities reported a fall of 12.2%. In month-on-month terms, IP rebounded, rising by 1.1% (Mar: -0.6%). Overall **manufacturing inched up by 2.6% mom and 14.0% yoy**.
- **Non-oil activities grew by 12.8% yoy in Apr 2024**. Within manufacturing, the manufacture of furniture and electrical devices grew the fastest growing (21.9% and 21.8% respectively) alongside manufacture of paper & paper products (18.7%) and manufacture of basic metals (18%).
- **In Jan-Apr 2024, gains in manufacturing was supported by** manufacture of paper & paper products (13.5%), manufacture of beverages (12.9% yoy), and manufacture of electrical devices (12.7%).
- **There are positive signs for increased non-oil sector activity in the near-term**. The Saudi Ministry of Industry & Mineral Resources disclosed that more than 300 industrial licenses were issued in Q1 2024 (highest were non-metallic mineral and food products permits);

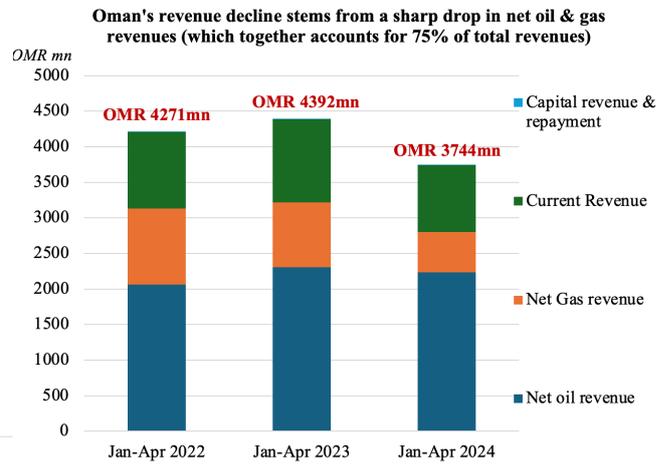
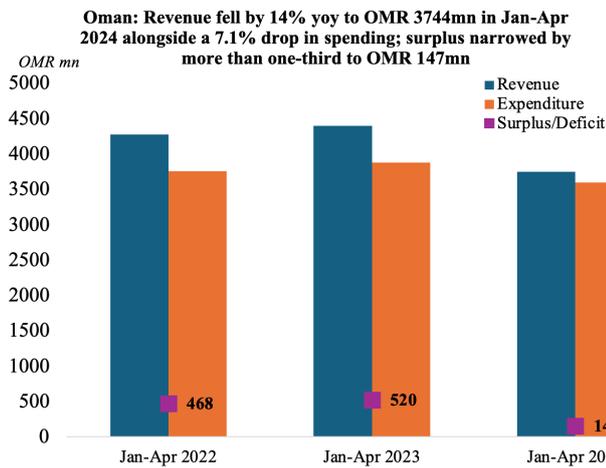
many of these firms open factories with a slight lag.



Source: GaStat. Charts by Nasser Saidi & Associates

3. Oman budget surplus narrowed to OMR 147mn as of Apr 2024

- **Oman's budget surplus clocked in at OMR 147mn as of end-Apr**, declining from a surplus of OMR 520mn as of Apr 2023. Both revenues and spending fell during the period. **Average oil price stood at USD 82 (-6.8% yoy)** and average daily oil production down by 5.2% to 1009k bpd.
- **Public revenues fell by 14.75% yoy** to OMR 3.744bn as of Apr 2024, driven down by declines in both net oil & gas revenues. Net oil revenues dropped by 3.1% to OMR 2.2bn while net gas revenues plunged by 37.8% to OMR 565bn. Together, net O&G accounted for three-quarters of revenues at end-Apr.
- **Expenditure declined by 7.1% yoy** to OMR 3.597bn at end-Apr: current expenditure edged slightly lower (-0.1% yoy to OMR 2.67bn) alongside a 68% jump in development expenditure (to OMR 304mn, or 34% of total development spending for 2024) while contributions & other expenses surged by 68% yoy to OMR 615mn.
- **Oman's ministry of finance disclosed that it had paid OMR 700mn towards maturing international sukuk**, thereby lowering the volume of public debt. **Public debt to GDP declined to 33.9% in H1 2024** (end-2023: 36.5%; Q1 2024: 35%) and its external debt to the volume of public debt slipped to 71% in H1 2024, from a high 74% at end-2023.

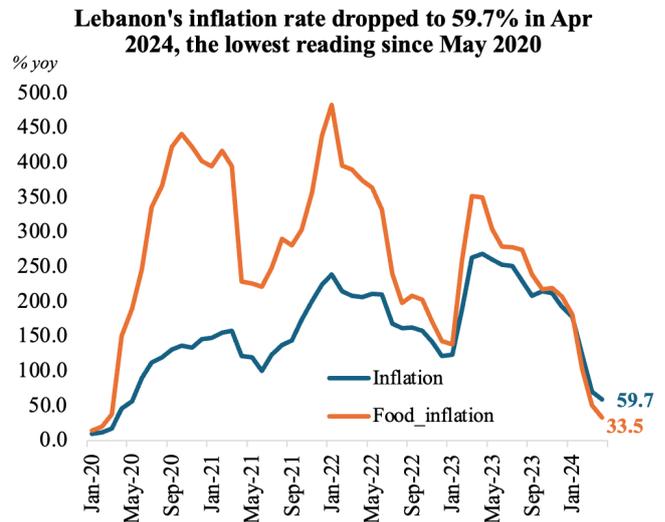
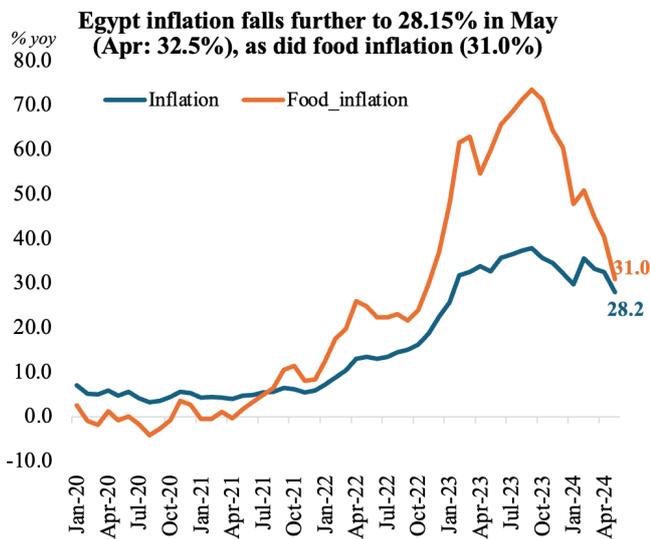


Source: Oman's Ministry of Finance. Charts by Nasser Saidi & Associates.

4. Inflation rates fall in Egypt & Lebanon; food prices also ease, though remaining in double-digits

- **Egypt's annual urban inflation eased to 28.15% in May** (Apr: 32.5%), the lowest reading since Jan 2023. Prices continued to ease for the third month in a row but remains much higher than than the upper limit of the central bank target of 5-9% . Food and beverage costs were up by 31% (Apr: 40.5%) but **core inflation also eased** (to 27.1% from 31.8% in Apr).
- Latest **PMI reading from Egypt shows that the easing of inflation has benefitted businesses** alongside improvements in exchange rates and availability of foreign currency – leading to less uncertainty in economic prospects. The rate of purchase price inflation was at a four-year low and prices charged increased only marginally: **all boding well for consumer spending and confidence.**
- While the **cut in bread subsidies in Egypt** this month (the first since 1988) is likely to tick up inflation slightly, the subsidy reduction will provide relief to import bills and fiscal deficits.
- **Inflation in Lebanon fell to 59.7% yoy in Apr 2024** (Mar: 70.4%), the lowest reading since May 2020, and massively lower than the peak rate of 269% touched a year ago. Food and beverages costs declined sharply to 33.5% (from

Mar's 51.3%) while transport costs slipped to 9.2% (from 13.2%). **Growing dollarization** has seen some sectors' **inflation rates remain high**: education (589.2%), owner-occupied housing (128.2%), recreation & culture (64.1%) and restaurants & hotels (30.2%) among others.



Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates

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