

# Weekly Insights 16 Aug 2024: MENA Youth unemployment worrisome. Services-sector related inflation eases in MENA, supporting tourism

MENA youth unemployment. Inflation in Saudi Arabia, Egypt & Dubai. Tourism in Dubai. Global airlines robust performance in H1. Supply chain issues.

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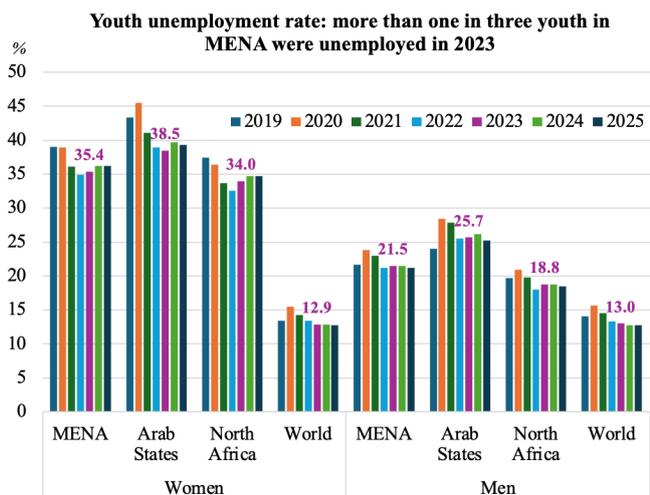
**Weekly Insights 16 Aug 2024: MENA Youth unemployment worrisome. Services-sector related inflation eases in MENA, supporting tourism**

## **1. More than one in three youth in MENA are unemployed: ILO**

- **Youth unemployment rate in MENA** has not only shown a steady increase over the two decades, but **stood at 24.4% in 2023 – almost double the global average (13%)**. MENA youth unemployment rate in 2023 declined versus pre-pandemic (25.3%).
- But there was a **difference within MENA: in Arab states, youth unemployment rates were higher than pre-pandemic rates (28% in 2023 vs 27% in 2019)**. In comparison, North Africa's rate at 22.3% in 2023 was lower than 24% in 2019.
- **Severe gender disparity:** employment ratios of both young men and women (especially the latter) fall well below other regions. **Fewer than one in ten young women in MENA (6.4%) were working in 2023 & fewer than 1 in 3 young**

men are working (30.2%).

- The ILO estimates that **in the Arab States employment among young women would need to increase six-fold** and in North Africa five-fold to reach a regional and gender-based state of equity.
- **Youth employment-to-population ratio remains low:** at 18.5% in 2023, this was half that of the global average (35%) – underscoring the difficulty in access to jobs.
- **MENA region also has the world’s highest youth NEET** (not in employment, education or training) rates: in the Arab states, one in three young people are NEET (33.2%) while in North Africa, the NEET rate was 31.2% (compares to rates below 15% in high-income countries). There is **significant gender disparity in NEET status:** 44.2% of young women were in NEET status, more than double that of young men (19.4%).
- **Policies to support youth employment include** job creation (including in clean energy), access to finance (to support entrepreneurship), linking skills (including soft skills) and training to job requirements along with gender-responsive policies (to support women’s entry to the workforce) among others.

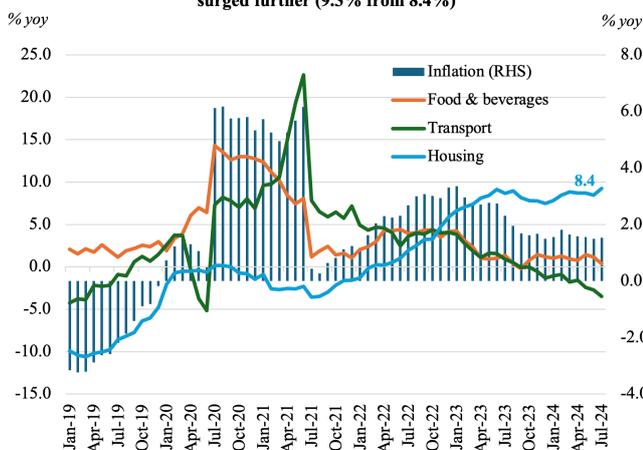


Source: ILO, World Bank World Development Indicator database. Data for West Bank & Gaza is for 2022.  
Charts by Nasser Saidi & Associates.

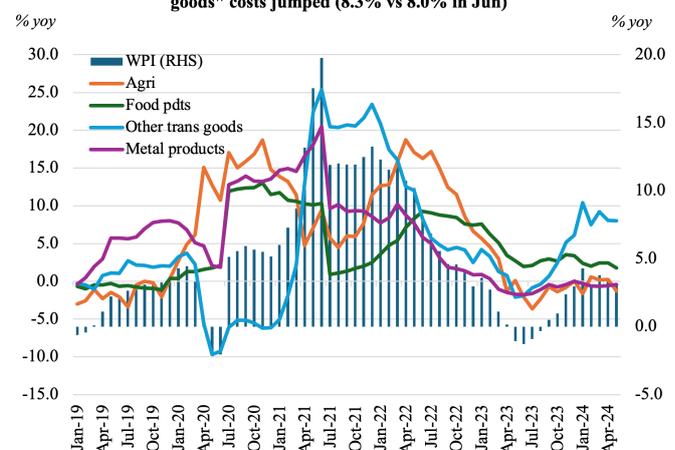
## 2. Consumer price inflation in Saudi Arabia stable in Jul, alongside a record surge in housing costs

- **Consumer price inflation in Saudi Arabia stood at 1.53% yoy in Jul** (Jun: 1.5%), the lowest level since Dec 2023. Most categories posted declines in prices including food & beverages (0.37% from 1.13%), hotels & restaurants (2.3% from 2.4%) and recreation costs (-2.9% from -2.0%) while education costs jumped (1.6% from 1.1%). **Housing rental costs jumped in Jul by 11.1%** (Jun: 10.2%) – the highest on record since Jan 2013, the first available datapoint – with apartment rentals surging by 12%.
- **CPI averaged 1.6% in Jan-Jul 2024** versus 2.8% in the same period a year ago, with **all categories showing a decline except housing costs** – which increased by an average 8.6% (vs 7.9% in Jan-Jul 2023).
- **Wholesale prices in Saudi Arabia edged down to 3.1% in Jul** (Jun: 3.2%), the lowest reading since Feb 2023. Year-on-year declines were evident except in “other transportable goods” (8.27% from Jun’s 7.97%). Deflation continued in ores & minerals (-4.3% from -3.4%) and metal products, machinery & equipment (-0.81% from -0.55%).
- **Till Jul 2024, wholesale prices have accelerated:** averaging 3.4% (vs Jan-Jul 2023: 0.6%), with the surge driven by “other transportable goods” (8.5% from 0.7%).

**Inflation in Saudi Arabia inched up to 1.53% in Jul (Jun: 1.5%): while food & beverages cost eased (0.4% from 1.1%), housing costs surged further (9.3% from 8.4%)**



**Wholesale prices in Saudi Arabia eased to 3.1% in Jul (Jun: 3.2%): prices across most categories eased while "other transportable goods" costs jumped (8.3% vs 8.0% in Jun)**



Source: GaStat. Charts by Nasser Saidi & Associates

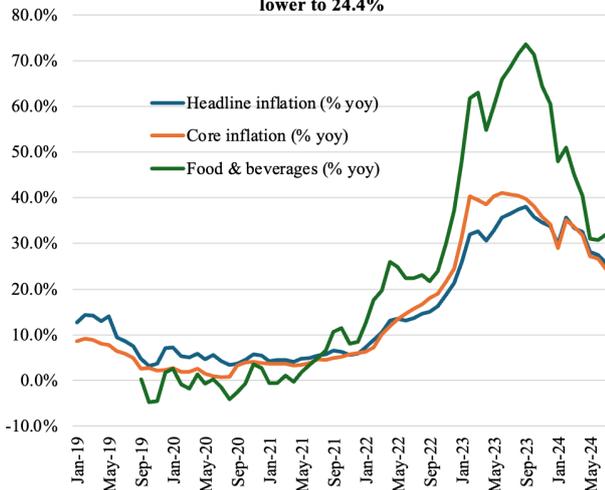
### 3. Inflation eases in Egypt & Dubai in July, but is in double-digits in Egypt

- **Egypt's annual urban inflation eased for the fifth month in a row, to 25.7% in Jul (Jun: 27.5%),** the lowest reading since Jan 2023. It remains much higher than the central bank target of 5-9% and the government expects inflation to fall below 10% only by early 2026.
- Food and beverage costs increased by 31.9% yoy (Jun: 30.8%) while **core inflation eased** (to 24.4% yoy from 26.6%), the lowest since Dec 2022. **On July 25th, the price of fuel was raised by up to 15%,** and this is likely to be reflected in the data in the months to come. However, a favourable base effect could keep this in check.
- Though the overall confidence received a boost from Gulf investments and the IMF package, **spillovers from the conflict in Gaza** continues to affect revenues (especially on Suez Canal revenues & tourism receipts are still below pre-pandemic levels) and **could be a drag on overall economic recovery.**
- **Inflation in Dubai clocked in at 3.3% in Jul, the lowest reading so far this year,** and from Jun's 3.9%. Among the largest upticks recorded was in housing & utilities (with an overall weightage of 40.7%): +0.58% mom and 6.76% yoy in Jul – also the largest gains recorded this year.
- **Both recreation and restaurants & accommodation costs turned negative in yoy terms in Jul (-2.4% and -0.3% respectively)** while insurance & financial services costs ticked up (8.62% yoy from Jun's 8.44% gain).
- Overall, for the period Jan-Jul 2024, **price increases were sharpest for insurance & financial services (9.4% from 4.5% a year ago), housing & utilities (6.5% from 5.4%) as well as education (3.3% from 1.2%).** Not surprising given the uptick in insurance costs post-flooding in Apr; and the increase in school fees (following multi-year fee freezes in place till the 2022-23 academic year, schools were allowed to hike fees by up to 6% and 5.2% in the 2023-24 and 2024-25 academic

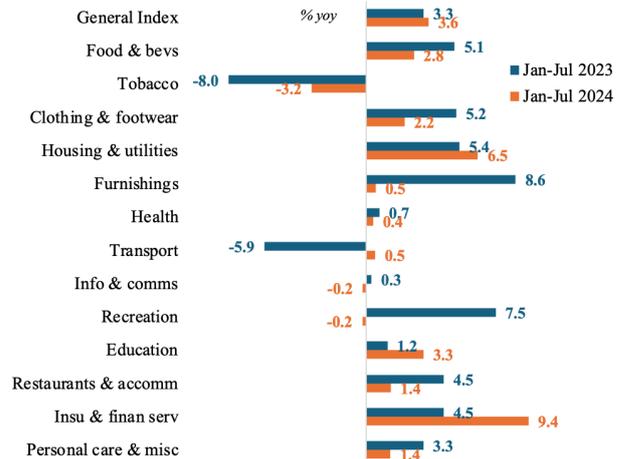
years).

- Sectors where **price declines were evident** in Dubai till Jul 2024 were food & non-alcoholic beverages, clothing & footwear, recreation and restaurants & accommodation, among others.

Egypt's urban inflation rate eased further to 25.7% in Jul, with food inflation still at a high 31.8%; core inflation edged lower to 24.4%



Inflation in Dubai rose to an average 3.6% yoy in Jan-Jul 2024 (Jan-Jul 2023: 3.3%), largely driven by increases in costs of housing, education & insurance/ financial services



Source: Central Bank of Egypt, Dubai Statistics Centre. Charts by Nasser Saidi & Associates.

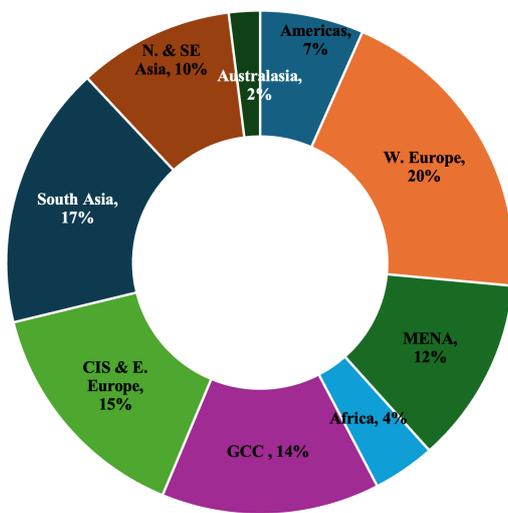
#### 4. International visitors to Dubai rose 8.9% yoy to 9.31mn in H1 2024

- **Visitors into Dubai grew by 8.9% yoy to 9.31mn in H1 2024:** this was 9.1% higher compared to Q1 2019.
- **Regional composition of tourists broadly unchanged:** GCC & MENA regions together accounted for 2.36mn visitors (or about 26% of the total) this year while Western Europe and South Asia accounted for the largest shares at 20% and 17% (1.62mn and 1.89mn respectively).
- At end-H1 2024, there were 150,879 hotel rooms (+1% yoy) across 823 establishments (+2% yoy) in Dubai. **Hotel occupancy rate at a robust 79%** was higher than that in 2019; **revenue per available room in H1 2024**, at AED 439 was among the highest recorded during the any H1 while room rates stood at AED 558 (lower than H1 2022's high of AED 567) and length of stay has edged down lower (to 3.7 from 3.9 last year, but higher than 3.5 in H1 2019). Furthermore, occupied room nights jumped by 3% yoy to

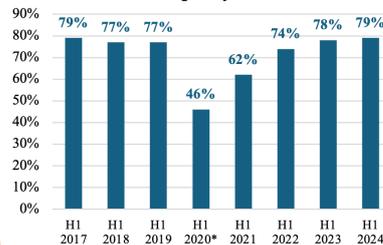
21.35mn in H1 2024.

- Though summer months in Q3 see relatively lower tourist activity (airports remain busy as residents fly overseas for summer holidays), the schedule of events in and around the region bodes well for Q4 activity; furthermore, potential rollout of the **unified Schengen-style GCC visa** and **UAE's forward-looking investments in hotels, road, rail and airport infrastructure** will further facilitate tourism.

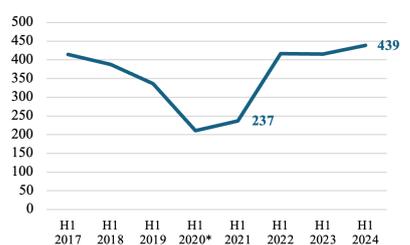
Dubai received 9.31mn international visitors in H1 2024, up 8.9% yoy



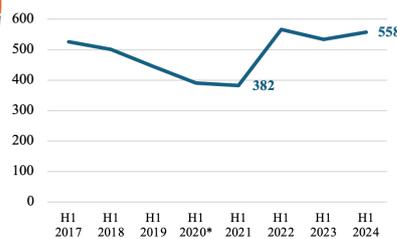
Occupancy rate



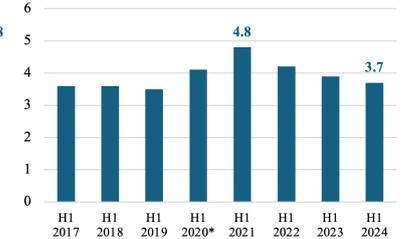
Revenue per available room



Avg daily room rate



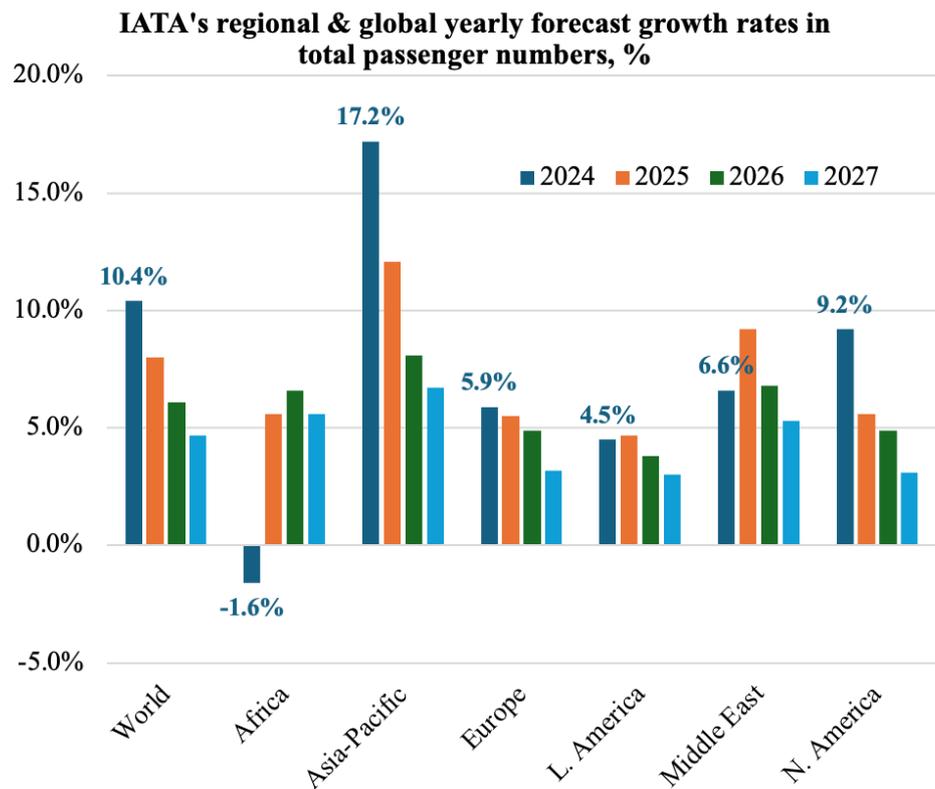
Guests' length of stay (nights)



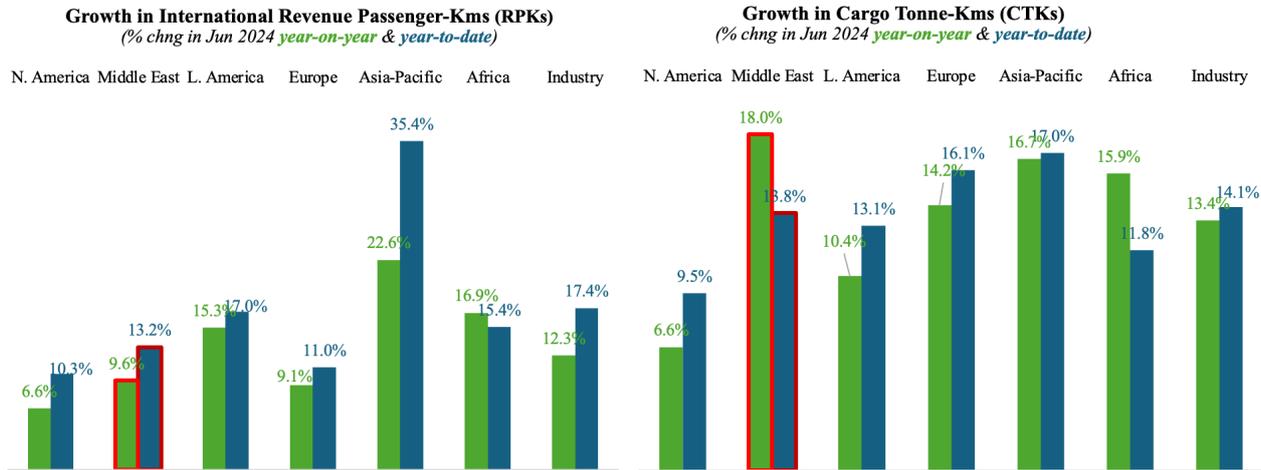
Source: Dubai Department of Economy and Tourism. Charts by Nasser Saidi & Associates  
 Note: Revenue figures are reflective of reported hotel data including residents and hoppers.

## 5. Strong passenger demand & expanding cargo volumes bode well

## for the airline i



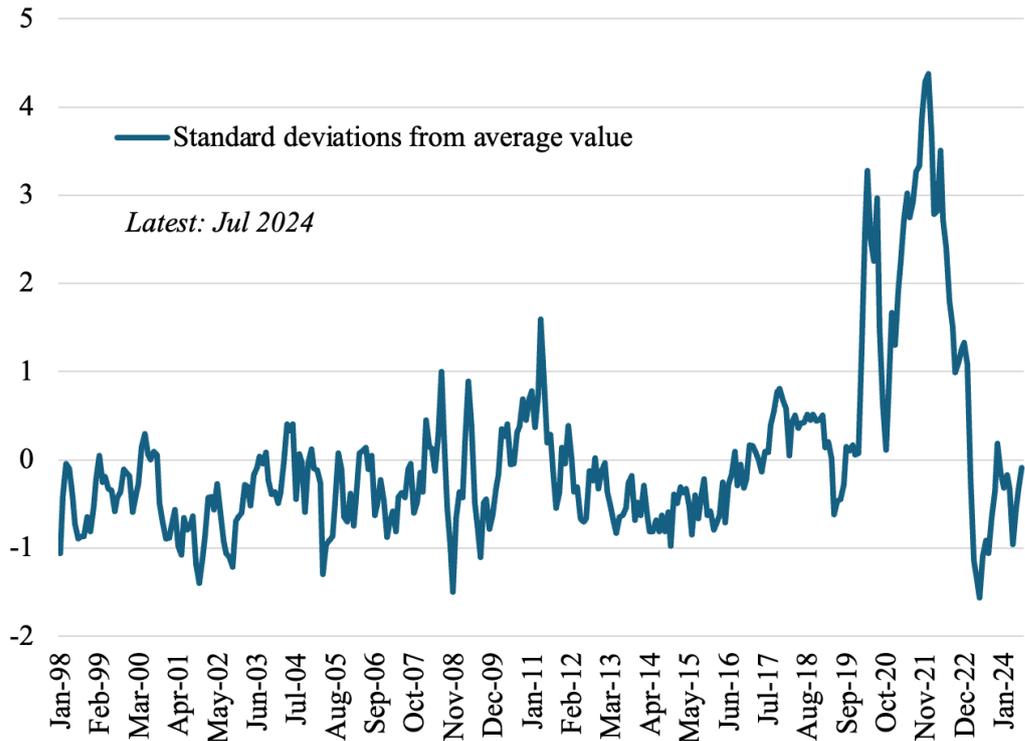
- **Air passenger traffic is expected to reach an all-time high this year, an estimated 10.4% growth, with all regions to grow higher than pre-pandemic levels (including Asia-Pacific). Ticket sales 2-months forward indicate positive international trip bookings trend.**
- **Middle Eastern airlines** grew their **international** revenue passenger-kilometres (RPKs) by 9.6% yoy in June (despite geopolitical tensions). The **Middle East-Asia route** remained strong, outpacing 2019 levels from the beginning of this year; but, Jun RPK dipped slightly below Jun 2019 (in the run-up to the Olympics in Paris; Europe-Asia was the second-most in demand pair, followed by ME-Asia).
- **Cargo expanded at record year-to-date demand levels.** Middle East cargo tonne-kms (CTKs) grew by 13.8% ytd in June. **By route, growth was strong in Middle East-Europe (30.2% yoy, double-digit growth since Sep 2023) and Middle East-Asia (15.1%, double-digit growth for a total of 9 months).**



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

## 6. Signs of supply chain issues & trade disruptions

Global Supply Chain Pressure Index (GSCPI) moves higher to -0.09 in Jul 2024 (Jun: -0.33)

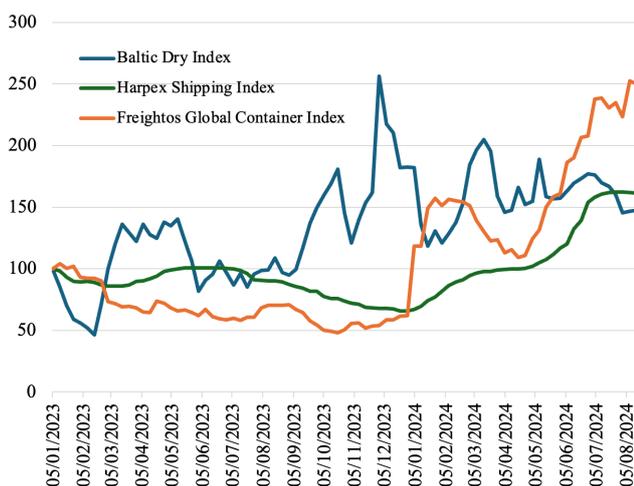


- **Supply chain disruptions are ongoing.** Shipping containers are still re-routing most transit trade volume that would normally go through the Red Sea via the Cape of Good Hope. At the latest H1 2024 earnings reporting, UAE port operator DP World acknowledged that Red Sea disruptions had hurt revenues (profits were down to USD 265mn vs USD 651mn in H1 2023).
- The IMF's PortWatch platform shows that, compared to a

year ago, shipping volume (7-day moving average) via Suez Canal was down 70% yoy as of 11th Aug and down by 18% from end-Q1.

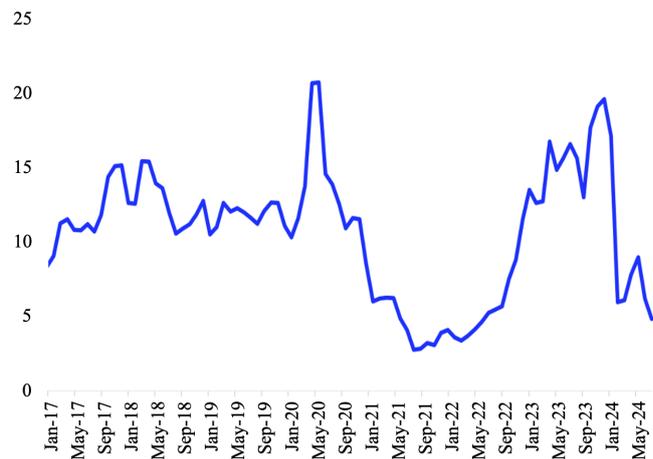
- Fed's Global Supply Chain Pressure Index (GSCPI) moved up to -0.09 in Jul from Jun's -0.33 reading, inching closer to being above normal supply chain pressures (zero is the "normal" reading); the peak was recorded at 4.33 in Dec 2021.
- **Shipping costs are rising.** freight rates via major shipping routes are much higher compared to the first week of 2023, though not yet close to crisis levels. **Air freight rates are becoming more competitive** – air cargo could be seen as a back-up option, especially if shipping rates go further north closer to the Q4 holiday season.
- **Bottomline is that the threat of an extended war could lead to further shipping disruptions, rise increase in shipping rates and supply chain pressures leading to inflationary risks. That could make central banks even more cautious.**

Shipping costs remain much higher compared to early-2023  
(indices; 1st week of Jan 2023 = 100)



Source: FDNY, IATA, LSEG Workspace.

Ratio of chargeable weight rates for air cargo & container shipping, USD per kg





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