

Weekly Insights 20 Sep 2024: Low inflation rates in the GCC; non-oil exports are rising; Middle East tourism strongest globally

Saudi & Oman CPI & PPI. Qatar inflation & industrial production. Global tourism & Middle East's strength. Download a PDF copy of this week's insight piece [here](#).

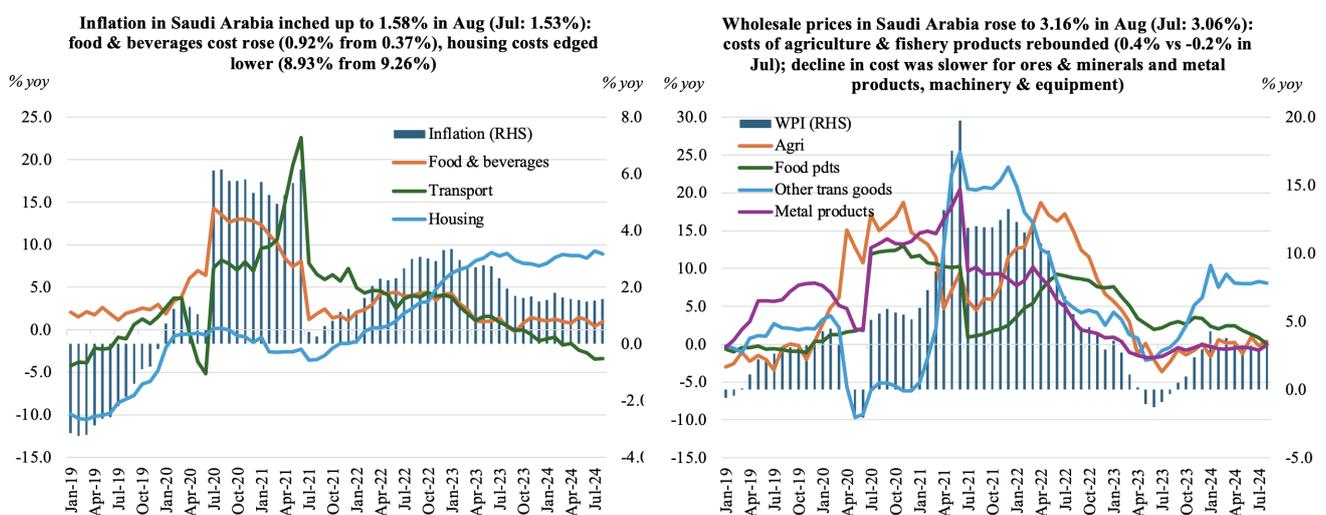
Weekly Insights 20 Sep 2024: Low inflation rates in the GCC; non-oil exports are rising; Middle East tourism strongest globally

1. Consumer & producer price inflation in Saudi Arabia increased in Aug

- **Consumer price inflation in Saudi Arabia inched up to 1.58% yoy in Aug** (Jul: 1.53%), with food prices increasing sharply (to 0.9% from 0.4% in Jul) while transport prices declined by 3.36% (Jul: -3.48%). Housing costs edged down in Aug (8.93% from 9.26%) as **rental costs slowed**, up by 10.69% (from Jul's 11.12% which was the highest on record since Jan 2013).
- **CPI averaged 1.6% in Jan-Aug 2024** versus 2.7% in the same period a year ago, with **all categories showing a decline except housing costs** – which increased by an average 8.6% (vs 8.09% in Jan-Aug 2023).
- **Wholesale prices in Saudi Arabia also increased, to 3.2% in Aug** (Jul: 3.1%, the lowest reading since Feb 2023), with costs of agriculture & fishery products rebounding

(0.4% from -0.2%). Deflation continued in ores & minerals (-3.7% from -4.3%) and metal products, machinery & equipment (-0.13% from -0.81%).

- **Till Aug 2024, average wholesale prices accelerated:** clocking in 3.4% (vs Jan-Aug 2023: 0.5%), with the surge driven by “other transportable goods” (8.4% from 0.53%).
- **These increases are in line with the responses from the PMI readings,** which highlighted high input costs (via material costs, higher wages) and slight increases in output prices.



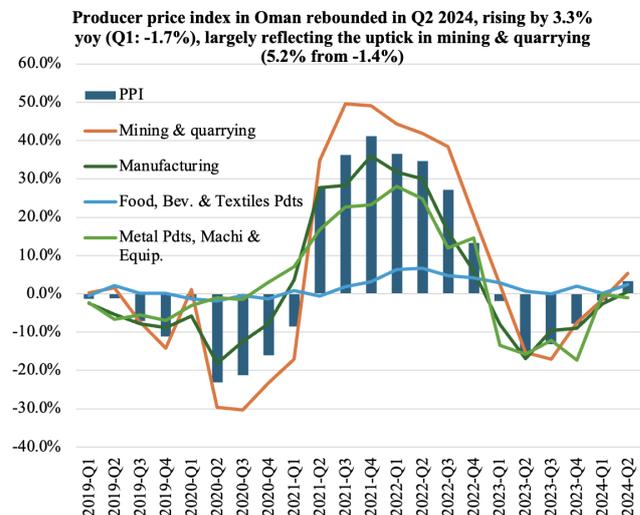
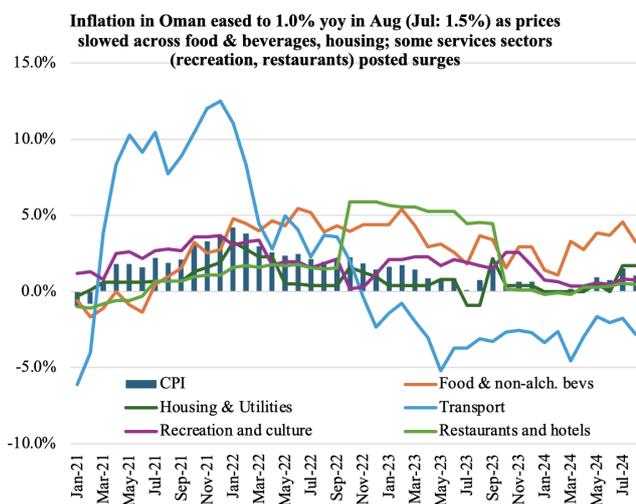
Source: GaStat. Charts by Nasser Saidi & Associates

2. Oman's consumer & producer prices remain relatively muted in Aug

- **Inflation in Oman eased in Aug, slowing to 1% yoy** (Jul: 1.5%), with food prices slowing sharply (3.3% from 4.6%) while furnishing costs fell (-0.6% from 0.3%) and transport costs plunged further (-2.8% from -1.7%).
- **In the Jan-Aug period, average inflation edged lower** (0.6% from 1.0%) with only 3 categories posting upticks including housing & utilities (0.5% from 0.2%) and miscellaneous goods & services (up 1.0% to 3.3%).
- **Producer price index in Oman, calculated on a quarterly basis, rebounded in Q2 largely owing to the jump in mining & quarrying prices.** With a weight of 55.57%, the mining & quarrying costs were up 5.3% (Q1: -1.4%) while

costs of manufacturing (with a weightage of) jumped 0.5% (from -2.6% in Q1). **Multiple categories within manufacturing posted substantial increases** including food & non-alcoholic beverages (2.5% from 0.1%) and transportable goods (1.1% from -4.69%).

- **During the 8 months of the year, overall producer prices moved to 0.8% from deflation during the same period a year ago (-8.4%); manufacturing, transportable goods and metal products, machinery and equipment moved from double-digit negative readings to -1.1%, -1.8% and -0.6% respectively.**



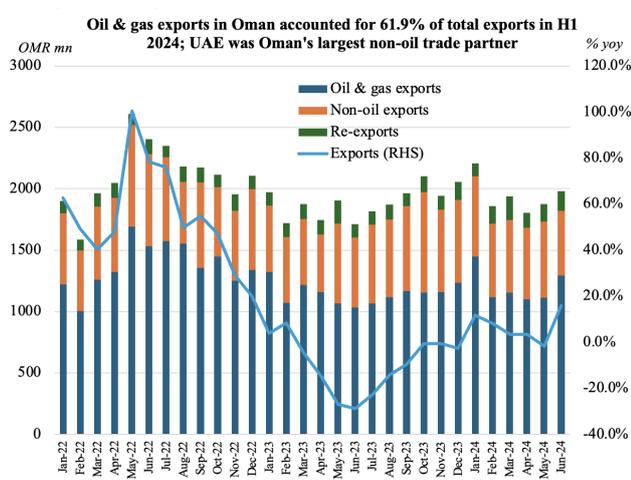
Source: National Centre for Statistics & information, Oman. Charts by Nasser Saidi & Associates.

3. Oman's exports and imports are robust in H1 2024; surplus narrows

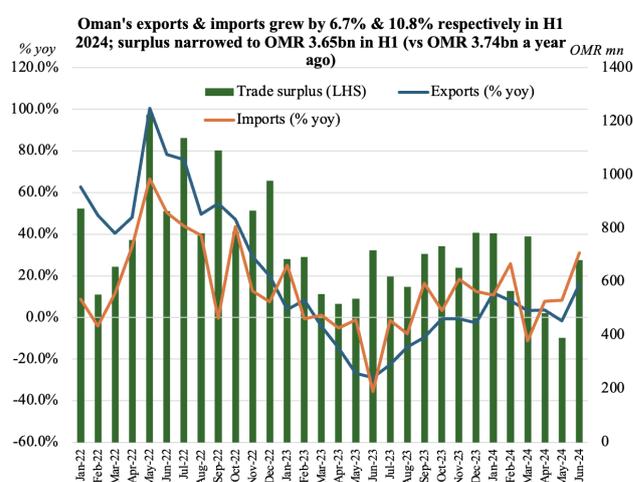
- **Oil and gas exports accounted for more than 60% of Oman's overall exports in H1 2024**, while non-oil exports share stood at a tad over 30%. Exports increased by 6.7% yoy to OMR 11.6bn (driven by oil exports: +5.3% yoy to OMR 7.2bn) while imports accelerated at a faster pace of 10.8% (to OMR 8.0bn). This narrowed trade surplus to OMR 3.65bn (vs OMR 3.74bn in H1 2023).
- **Non-oil exports from Oman comprised mainly of metal products (OMR 1.5bn, up 21.5% yoy, and 12.9% share of overall exports) and chemicals & related products (OMR 521mn). Re-exports grew by 13.9% to OMR 867mn, with**

transport equipment accounting for close to 30% of total re-exports) followed by machinery & electrical equipment (21.7% of total re-exports)

- **UAE was Oman's largest non-oil trade partner:** non-oil exports to the UAE grew by 8.9% yoy to OMR 457mn by Jun, while re-exports stood at OMR 338mn. UAE was also the largest exporter to Oman (OMR 1.9bn).
- **The main import items were mineral products (OMR 2.3bn, close to 30% of overall imports) and machinery, electrical equipment, and sound recording devices (OMR 1.3bn).**



Source: National Centre for Statistics & information, Oman. Charts by Nasser Saidi & Associates.



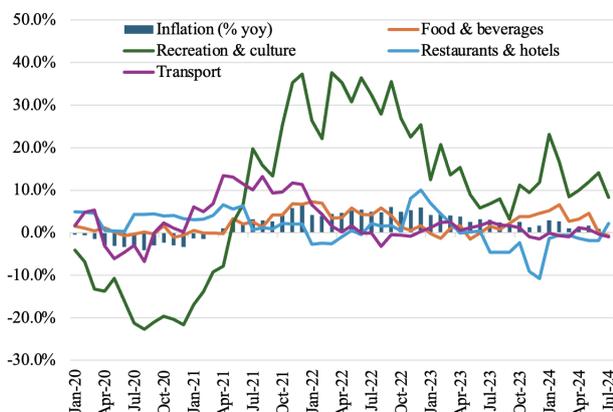
4. Qatar inflation moderates in Jul; industrial production stayed weak

- **Inflation in Qatar eased to 0.2% yoy in Jul (Jun: 1.0%),** the lowest reading since Mar 2021.
- **Prices of food and non-alcoholic beverages fell for the first time since Jun 2023,** clocking in -0.7% in Jul (Jun: 0.1%). **Prices declined further for housing & utilities (-3.8% from -3.1%) and transportation (-0.9% from -0.3%). Prices of some non-tradeables remain relatively high** including recreation & culture (8.3% from 14.1%); restaurant & hotel costs rebounded in Jul (+2.1%) after declining for 12 consecutive months).
- **Headline inflation moderated to 1.6% in Jan-Jul (from 3.6% a year ago),** the highest upticks were seen in food

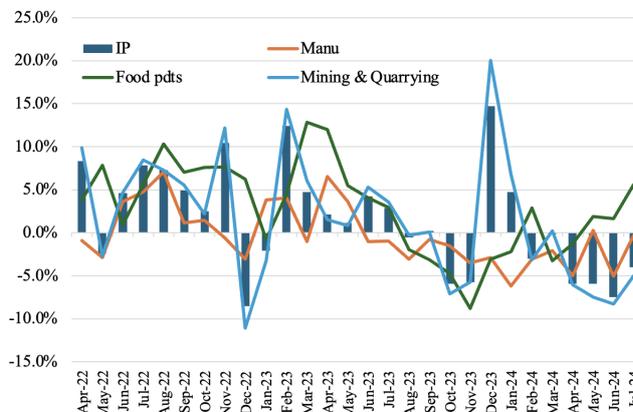
(3.1% from 0.2%) and recreation & culture (13.2% from 12.0%); restaurants & hotels and transport categories saw prices plunge (-0.8% and -0.1% respectively from 1.4% and 1.7%)

- **Industrial production in Qatar contracted for the 6th month in a row**, down by 4% yoy in Jul. While the declines eased in manufacturing (-0.3% from -5.1%) and mining & quarrying (-5% from -8.3%), production grew in water supply (0.5% from -5.3%) and electricity & gas supply (8.2% from -5.3%). The **latest PMI numbers indicated an increase in new orders**, underscored by the strong demand for non-energy products which **will support industrial production in the near-term**. (Qatar's PMI has been quite volatile post-World Cup, clocking in an average 50.7 in Q4 2023 and Q1 2024 before edging up to 53.8 in Q2.)

Inflation in Qatar eased to 0.2% yoy in Jul (Jun: 1.0%), the lowest since Mar 2021; food & beverages prices fell for the first time since Jun 2023



Industrial production in Qatar declined by 4.0% yoy in Jul (Jun: -7.5%); manu. of food products surged 5.6%



Source: National Planning Council, Qatar. Charts by Nasser Saidi & Associates.

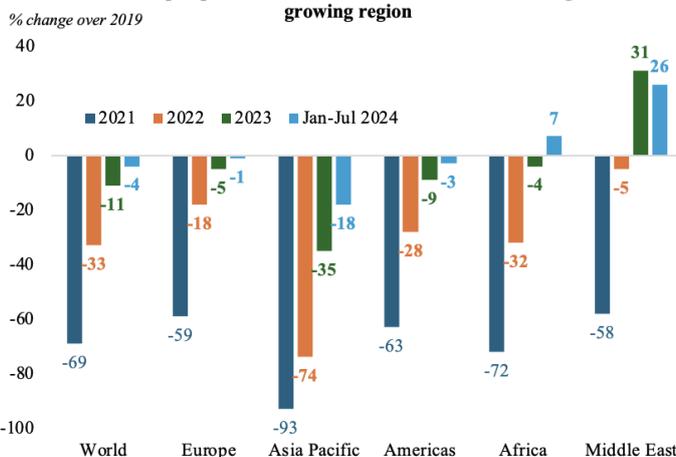
5. Middle East international tourist arrivals rose 26% in Jan-Jul 2024 vs pre-pandemic, continuing its robust performance

- The **UNWTO** reported in its latest World Tourism Barometer (issued Sep 2024) that **an estimated 790mn tourists travelled internationally in Jan-Jul 2024**, up 11% yoy and 4% less than in 2019.
- The **Middle East was the strongest growing region** in the 7 months to Jul, with arrivals at 26% higher than the

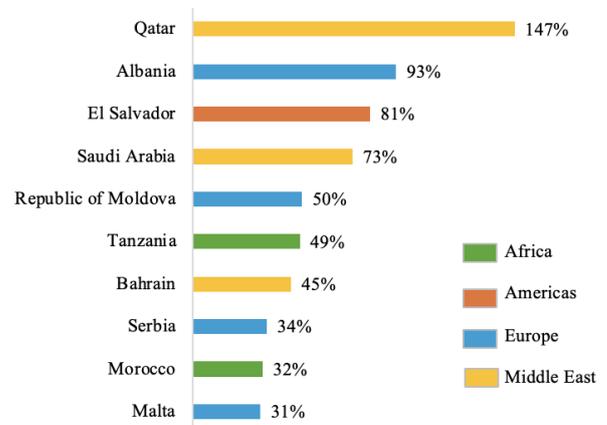
2019 levels. **international arrivals in the Middle East exceeded pre-pandemic levels by 26%**; Africa also exceeded, by 7%. While recovery was evident in Asia, the sub-region performance varied: South Asia recovered 92% of pre-pandemic levels while South-East Asia and North-East Asia lagged with recovery at 88% and 75% respectively.

- Among the **best performing destinations in Jan-Jul 2024** in terms of international tourist arrivals were Qatar (top, +147% vs 2019; with arrivals more than doubling), Saudi Arabia (+73%) and Bahrain (+45% through June) from the Middle East.
- **Total export revenues from international tourism**, including both receipts and passenger transport, **surged to USD 1.8trn in 2023**, almost similar to pre-pandemic levels in real terms (-1%). Receipts in the Middle East climbed 45% above 2019 levels.

International tourist arrivals hit around 790mn in Jan-Jul 2024, 96% of pre-pandemic levels. Middle East was the strongest growing region



International tourist arrivals: best performing destinations in Jan-Jul 2024 (% change vs. 2019)



Source: World Tourism Barometer, UN Tourism, Sep 2024. Charts created by Nasser Saidi & Associates

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