

Weekly Insights 17 Jan 2025: Amid global trade concerns, UAE's CEPAs and rise in GCC's non-oil exports to boost growth

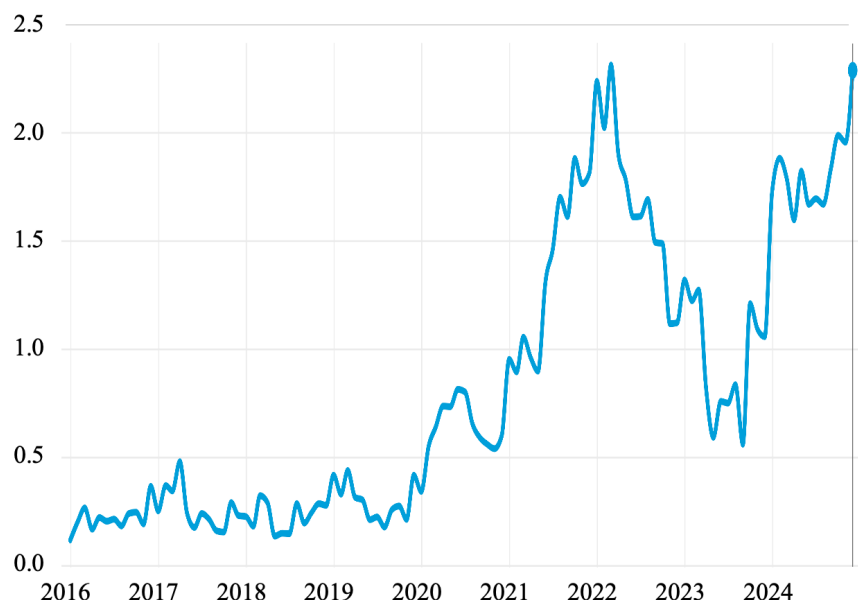
Global supply chains. UAE signs 3 new CEPAs. Oman & Qatar foreign trade. Saudi inflation.

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1. Supply chain stress is high, but ceasefire agreements could make a difference; global trade could be affected if Trump hikes tariffs

Global Supply Chain Stress Index (GSCSI) moves higher to 2.28mn TEUs in Dec (Nov: 1.98)

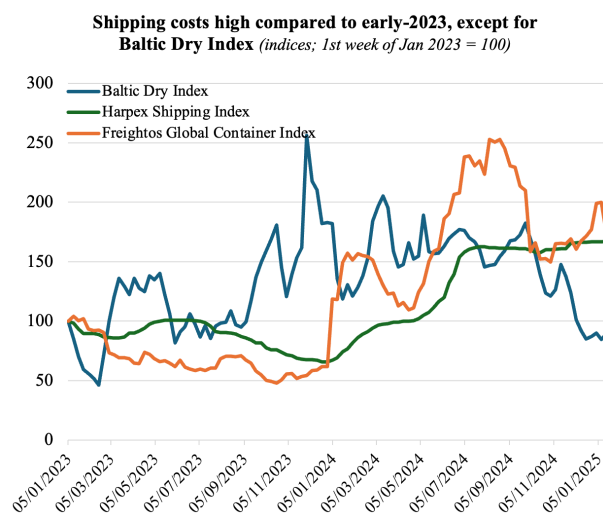


Source: World Bank's Global Supply Chain Stress Index, Dec 2024

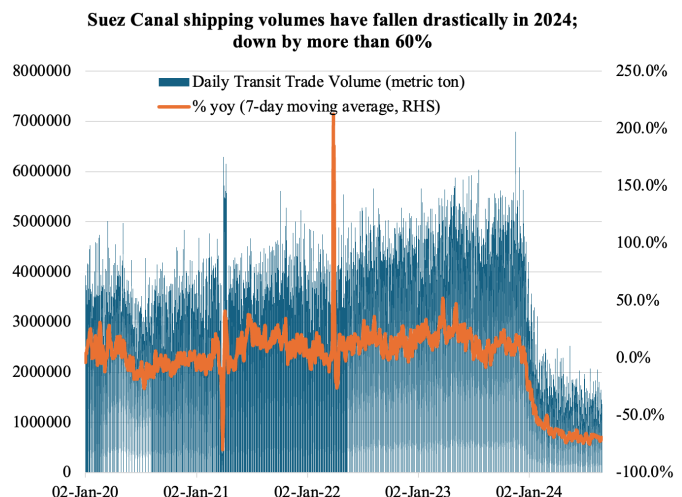
- The **World Bank's Global Supply Chain Stress Index** (which tracks vessels of Panamax size or larger carrying capacity, i.e. above 4000 TEU) **continues to show rising**

pressure: as of Dec 2024, the reading stood at 2.28mn TEU, higher than Nov's 1.98 and close to the highest-ever reading of 2.31 (Mar 2022).

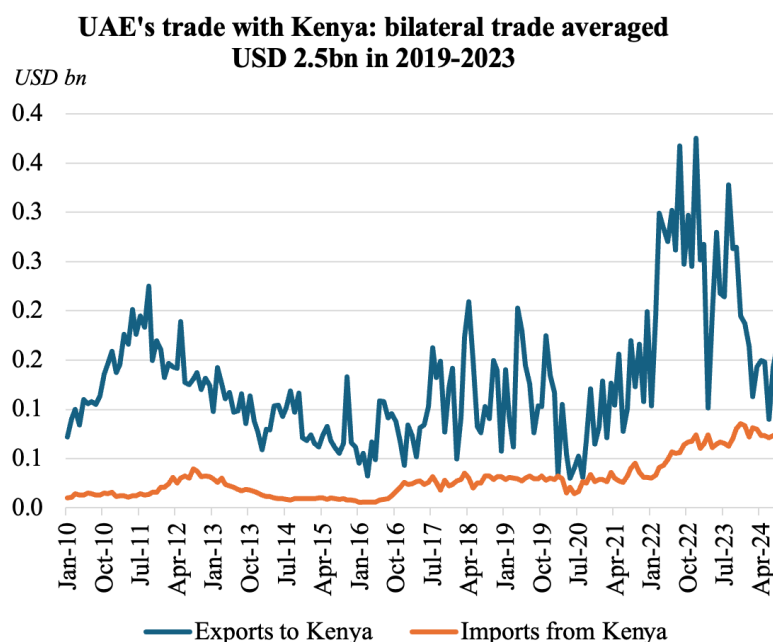
- **Shipping costs are rising.** freight rates via major shipping routes are much higher compared to the first week of 2023, though not yet close to crisis levels. Baltic Dry Index has been close to the 1000-point level – showing a seasonal decline. **Air freight rates are competitive** but this could change once the ceasefire comes into effect and if passages are considered safe again.
- With shipping containers **still re-routing, most transit trade volume** that would normally go through the Red Sea **via the Cape of Good Hope, shipping volume** (7-day moving average) **via Suez Canal was down 62.2% yoy as of 5th Jan 2025;** it was down by 67.6% yoy at end-Dec according to data from the IMF's PortWatch platform. This has meant higher operational costs and longer shipping times/lengthening of supplier delivery times.
- The **immediate threat to trade remains from President Trump**, should he go ahead with his campaign promises of hiking tariffs.



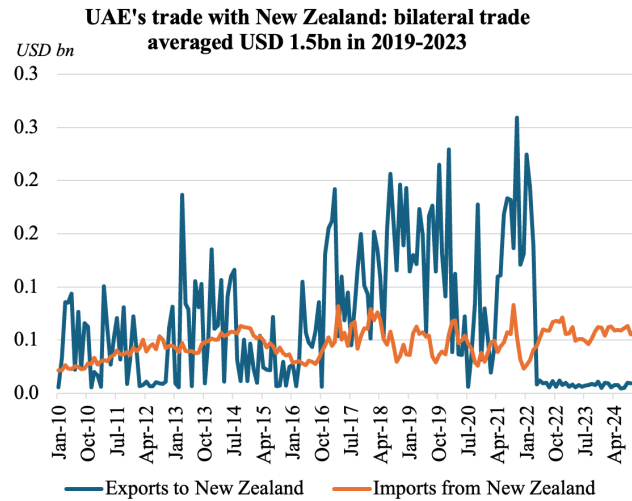
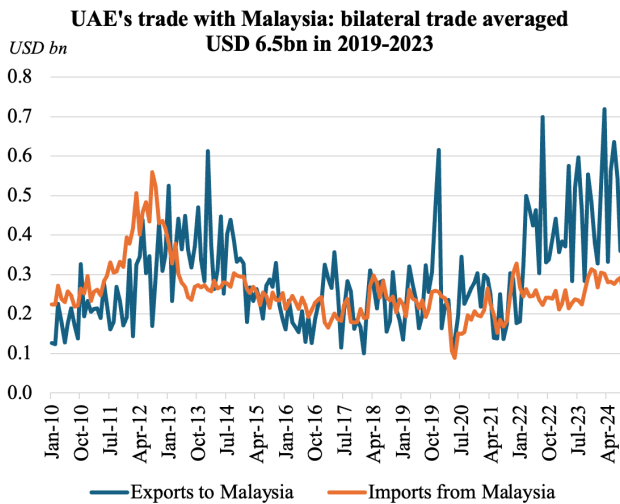
Source: LSEG Workspace, IMF Portwatch. Charts by Nasser Saidi & Associates.



2. UAE signs three new tr



- UAE signed **three new CEPAs, with Kenya, Malaysia and New Zealand**, in a bid to boost non-oil exports, strengthen supply chains and increase bilateral investment ties. The CEPAs will also lead to reduction and/ or elimination of tariffs for a wide range of goods.
- **Of the three, trade with Malaysia is relatively high:** UAE is Malaysia's second-largest trade partner in the Arab world & Malaysia is UAE's top trading partners in the ASEAN region. CEPA aims to raise non-oil foreign trade to AED 4trn (USD 1.1trn) by 2031. Investments are proposed in data centres and AI.
- **UAE's bilateral trade with New Zealand averaged USD 1.5bn in 2019-2023;** exports of mineral fuels & oils from UAE was paused from mid-2022. Currently the top exported product is plastics (USD 17mn as of Sep 2024).
- The CEPA with Kenya is expected to be precursor to bigger ones for the bloc. Exports to Africa stood at an average 7.3% of UAE's overall exports in 2024.

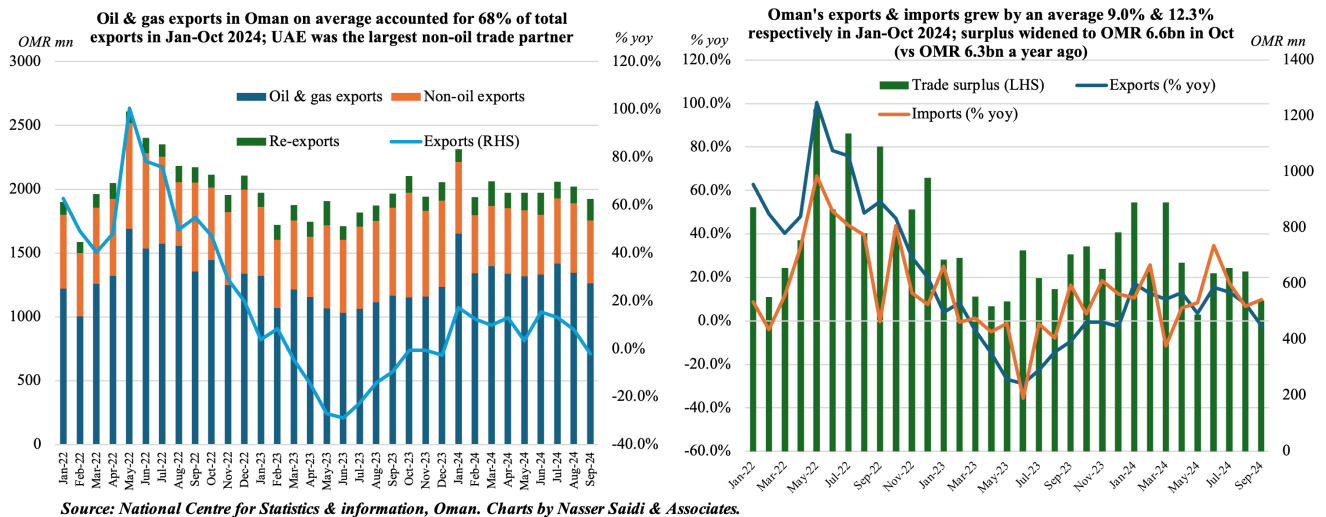


Source: IMF Direction of Trade Statistics, LSEG Workspace. Charts by Nasser Saidi & Associates.

3. Oman's strong exports & imports growth in Jan-Oct 2024; surplus widened

- **Oil and gas exports accounted for an average 67.7% of Oman's overall exports in Jan-Oct 2024**, higher than the average of 60.9% recorded in the same period a year ago. Exports increased by 8.7% yoy to OMR 20.3bn (driven by oil exports: +21.1% yoy to OMR 13.8bn) while imports accelerated at a faster pace of 11.4% (to OMR 13.8bn). This widened trade surplus to OMR 6.56bn (vs OMR 6.34bn in Jan-Oct 2023).
- **Non-oil exports from Oman comprised mainly of mineral products** (OMR 1.5bn, down by 32.2% yoy, but accounting for 7.3% share of exports) and base metals & articles (OMR 1.09bn). **Re-exports grew** by 17.3% to OMR 1.5bn, with transport equipment accounting for 23% 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 10.8% yoy to OMR 839mn by Oct, while re-exports stood at OMR 494mn. UAE was also the largest exporter to Oman (OMR 3.3bn, though down by 0.7% yoy).
- **The main import items were mineral products** (OMR 3.9bn, or 28.2% of overall imports) and machinery, electrical

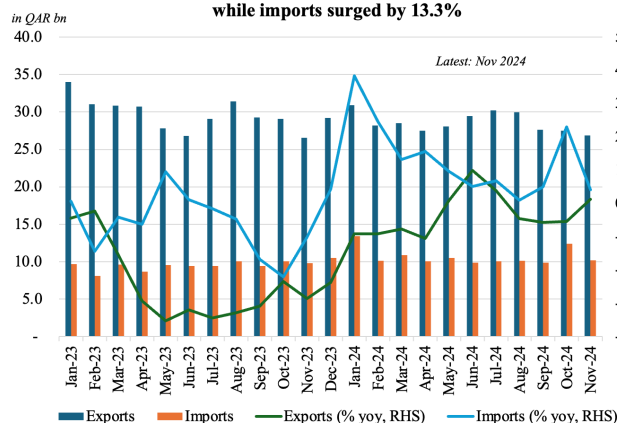
equipment, and parts (OMR 2.4bn).



4. Qatar's foreign trade supported by hydrocarbon exports

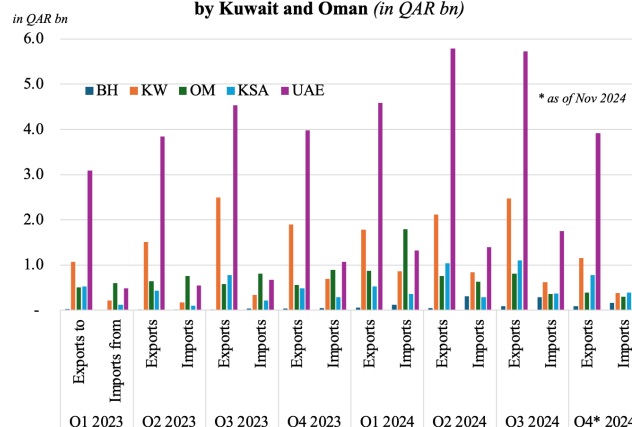
- **Qatar's exports declined by an average 3.3% yoy in Jan-Nov 2024** to a total QAR 314.8bn while imports accelerated by 13.3% (to QAR 117.6bn). This narrowed trade surplus to QAR 197.2bn (vs QAR 222.7bn in Jan-Nov 2023). GCC accounted for over 11% of exports and imports.
- **UAE was Qatar's largest trade partner in the GCC:** exports to the UAE stood at QAR 20.0bn in Jan-Nov 2024, while imports were at QAR 5.5bn. Major exports included petroleum gases and other gaseous hydrocarbons, vessels for the transport of persons or goods, and acyclic hydrocarbons while imports from the UAE included copper wire and gold. **UAE was followed closely by Kuwait** (exports to KW at QAR 7.5bn in & imports at QAR 2.7bn) **and Oman** (exports to OM at QAR 2.8bn & QAR 3.1bn imports).
- While hydrocarbons are the major exports, non-oil products are also expected to contribute. 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**. The Financial Services Future Activity Index rose to 68.3 in Dec (Nov: 62.1)

Exports from Qatar fell by an average 3.3% yoy in Jan-Nov 2024, while imports surged by 13.3%



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

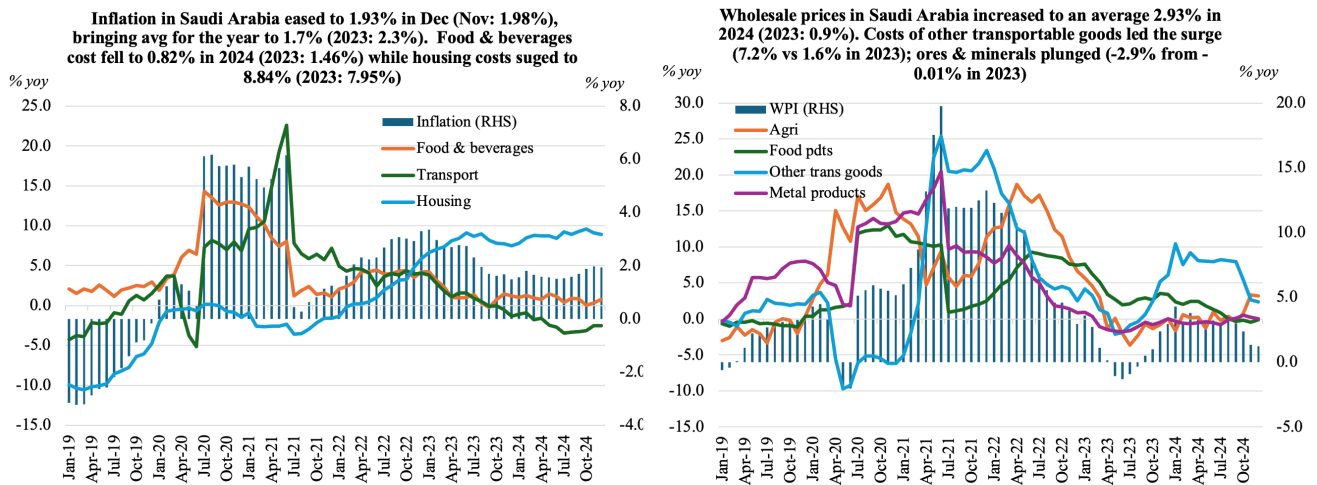
UAE stays Qatar's largest trading partner in the GCC followed by Kuwait and Oman (in QAR bn)



5. Consumer prices in Saudi Arabia eased in 2024 while producer price inflation ticked up

- **Consumer price inflation in Saudi Arabia moderated to 1.93% in Dec** (Nov: 1.98%), with food prices inching up sharply (to 0.78% from 0.31% in Nov) while restaurant & hotels costs declined (0.95% from 1.51% in Nov). Housing costs edged down in Dec (8.93% from 9.09%) as **rental costs slowed**, up by 10.63% (from Nov's 10.84%).
- **CPI averaged 1.69% in 2024** vs 2.3% in 2023, with **all categories showing a decline except housing costs**, which rose by an average 8.84% (vs 7.95% in 2023). Miscellaneous goods and services prices also accelerated: by 0.4% in 2024 from a dip of 0.49% in 2023.
- **Wholesale prices in Saudi Arabia also eased, to 1.2% in Dec** the lowest reading since Oct 2023 (and vs Nov's 1.35%), with declines across the board. Deflation continued in ores & minerals (-2.6% from -3.0%) and food products, beverages, tobacco and textiles (-0.14% from -0.43%).
- **In the full year 2024, average wholesale prices accelerated:** clocking in 2.93% (vs 2023: 0.9%), with the surge driven by "other transportable goods" (7.16% from 1.55%).
- **These increases are in line with the latest PMI**

readings, which highlight higher material costs. Firms have, however, not been passing on the costs fully to the customers, in a bid to remain competitive.



Source: GaStat. Charts by Nasser Saidi & Associates

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