Bloomberg's Horizons Middle East & Africa Interview, 14 Jan 2025

Dr. Nasser Saidi joined Joumanna Bercetche on 14th January 2025 as part of the Horizons Middle East & Africa show. The discussion focused on the election of a new President and Prime Minister in Lebanon, and about the mammoth yet historical task ahead for Salam.

Watch the interview below or via the [direct link.]()

Interview with CNBC Arabia on Lebanon's recent banking, exchange rate developments & negotiations with IMF, 17 Jan 2022

Dr. Nasser Saidi was interviewed on the recent banking and exchange rate developments in Lebanon as well as the negotiations with IMF. The CNBC Arabia TV interview, aired on

17th of January 2022, was titled “في لبنان الأزمات تلد أزمات.. تبدأ بجفاف الدولار ولا تنتهي عند الظلام! ” can be viewed directly here.

لبنان.. وكأن هذا البلد على موعد مع الأزمات والرهان .. ومن كل شكل ولون!

فما أن يحتوي أزمة إلا وتظهر ٍ أخرى اكثر تعقيدا وظنون، حتى أصبح التفريق بينها صعبا ً وعسيرا ً مع تضاؤل الآمال في العثورعلى تأمين.

تتقاطع السياسة والاقتصاد وتتعثر الدروب والمعطيات، دولار غائب عن الحضور وكهرباء متقطعة ولا نور.

ديون متراكمة تنتظر الدور ومصارف لا تكفي المودعين والحضور، وليرة تتوارى وتراجع منظور.

وسلع في الأرفف إلا لمن استطاع، عصية على الوصول، وبلد غارق في أزماته ينتظر الفرج وتقديم حلول!

“Prospects for the Hydrogen Market: a MENA Perspective”, Keynote presentation at the Danish PtX Event, 5 Oct 2021

Dr. Nasser Saidi, in his capacity as the Chairman of the Clean Energy Business Council, gave a keynote address at the Danish PtX Event held at the Etihad Museum in Dubai on the 5th of October 2021.

Titled "Prospects for the Hydrogen Market: a MENA Perspective", the presentation touched upon the fact that:

(a) Addressing climate change will change geoeconomy & geopolitics

(b) Hydrogen market is in its infancy: need to nurture the bases of a well-defined market

(c) Addressing the nascent state of the hydrogen market; Imperative that key players collaborate to set, define & implement common standards

(d) Total investments in Green & Blue Hydrogen in the MENA region touches $55bn

(e) Hydrogen exporters should form a club similar to OPEC. How and why?

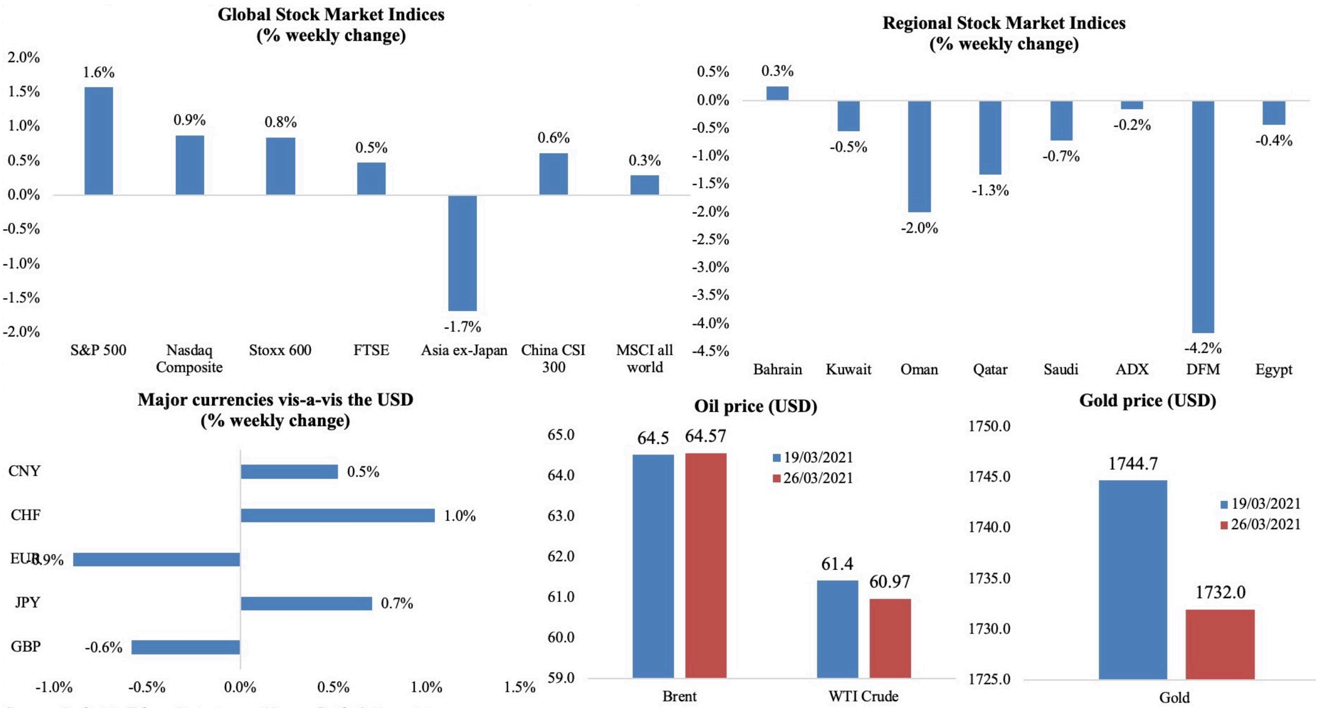
Weekly Economic Commentary – Mar 28, 2021

Markets

Equity markets were mostly up last week (S&P posted the strongest gains in 3 weeks), with Asia ex-Japan the only major global index down from the previous week (the index hit a near 3-month low on Thursday). In the Middle East region, most indices were down with DFM the worst hit (falling on ex-dividend stocks) while Egypt had to suspend trading after indices fell following the accident on the Suez Canal. Among currencies, dollar rose to a 9-month high versus the yen during the week and the euro-dollar was lower given divergent Covid19 outlooks. Emerging market currencies took a beating

also given the near 10% plunge in the Turkish lira. Oil markets were affected by the Suez blockade though given the OPEC+ meeting on Apr 1st, it seems to have settled for now.

Weekly % changes for last week (25-26 Mar) from 18 Mar (regional) and 19 Mar (international).



Source: Refinitiv Eikon, Datastream, Nasser Saidi & Associates.

Global Developments

US/Americas:

- **Annualised GDP in the US increased by 4.3% in Q4**, revised up from the previous estimate of 4.1%, thank to higher business investment. Core PCE eased to 1.3% qoq in Q4 while total **US personal income rose by 6.1% last year** to USD 19.7trn.
- **Consumer spending dropped by 1% mom in Feb** (Jan: +3.4%) – the largest decline since Apr 2020 – with spending on goods down 3% and declines in purchases of recreational goods and pharma products. **Personal income plunged by 7.1%** after Jan's 10.1% increase. Core PCE price index climbed by 1.4% yoy and 0.1% mom in Feb (+1.5% yoy and 0.2% mom) – still under Fed's 2% target.
- **Chicago Fed National Activity Index fell to -1.09 in Feb (Jan: 0.75):** it was below-trend growth for the first

time since Apr, and only 34 of its 85 economic indicators made positive contributions in Feb.

- **Existing home sales fell sharply by 6.6% mom to an annualized rate of 6.22mn units in Feb;** supply of homes for sale fell 29.5% yoy, the largest annual decline ever, to 1.03mn homes. The supply constraint has been raising home prices – up 15.8% yoy in Feb. **New home sales also plummeted in Feb,** falling by 18.2% mom to 0.775mn. Higher interest rates, supply shortages and rising material prices are affecting affordability of houses.
- **Durable goods orders fell – for the first time since Apr** – by 1.1% mom in Feb (Jan: 3.5%), pulled down by a 1.6% drop in orders for transportation equipment though orders for civilian aircraft surged by 103.3%. **Non-defense capital goods orders excluding aircraft fell by 0.8%** (0.6%), after recording 9 consecutive months of increases.
- **Markit manufacturing PMI inched up to 59.1 in Mar** (Feb: 58.6), with the upturn in new business accelerating at the sharpest since June 2014, supported by new exports orders. Composite PMI slipped to 59.1 from 59.5. **Services PMI ticked up to 60 from Feb's reading of 59.8** – the strongest service sector output expansion since Jul 2014.
- **Initial jobless claims decreased to 684k in the week ended Mar 20**, easing from 781k the prior week, with the 4-week average slowing to 736k. Continuing claims fell to 3.87mn in the week ended Mar 13 (vs the previous week's 4.134mn).

Europe:

- **Germany's Markit manufacturing PMI increased** to 66.6 in Mar (Feb: 60.7), a record high (since Apr 1996). **Services PMI** went past the neutral 50-mark, rising to a **7-month high of 50.8 in Mar** from Feb's 45.7 reading.

Composite PMI hence moved up to a 37-month high of 56.8 from Feb’s 51.1.

- **Markit manufacturing PMI in the eurozone rose to 62.4 in Mar (Feb: 57.9)**, led by Germany’s factory production. **Services PMI increased to 48.8** (Feb: 45.7), though posting a 7th consecutive monthly fall in business activity. **The composite PMI rose above 50 to 52.5 in Mar** (Feb: 48.8) – the first increase in business activity since last Sep.
- **Ifo business climate improved to 96.6 points in Mar** (Feb: 92.7) – its highest value since Jun 2019. The current assessment of the situation and expectations increased as well, by 2.4 and 5.4 points to 93 and 100.4 respectively.
- **Current account surplus in the Eurozone narrowed to EUR 30bn in Jan (Dec: EUR 36.7bn).** In the 12 months to Jan, the current account surplus was 2.3% of the bloc’s GDP, up from 2.2% in the preceding 12-month period.
- **Consumer confidence in the euro area improved to -10.8 in Mar (Feb: -14.8), the highest reading since Feb 2020,** in spite of the lockdowns and rising Covid19 infections. For the EU, consumer sentiment increased by 3.6 points to -12.1.
- **Inflation in the UK unexpectedly eased to 0.4% yoy in Feb (Jan: 0.7%),** largely to an unseasonal fall in prices for clothes, second-hand cars and toys. **Core inflation** slowed to 0.9 per cent (Jan: 1.4%) – the lowest reading in six months. Separately, the **PPI core output eased** to 1.4% yoy in Feb (Jan: 1.5%).
- **UK manufacturing PMI increased** in Mar to 57.9 (Feb: 55.1) – the highest since Nov 2017, supported by the fastest rise in employment for just over 3 years. **Services PMI outpaced manufacturing for the first time since the start of the pandemic**, with the index up to 56.8 in Mar (Feb: 49.5).
- **Retail sales in the UK increased by 2.1% mom in Feb**

(Jan: -8.2), with clothing retailers seeing sales plunge by more than half on their pre-pandemic level; compared with Feb 2020, retail sales were down by 3.7%.

- **The ILO unemployment rate in the UK slowed to 5% in the 3 months to Jan** from the previous 5.1% reading.

Asia Pacific:

- **China's PBoC left interest rates unchanged** for the 11th straight month after its last cut in Apr 2020.
- **Japan's leading economic index inched up to 98.5 in Jan** (Dec: 97.7), the highest reading since Oct 2018, though lower than the preliminary estimate of 99.1.
- **Core inflation in Tokyo fell 0.1% yoy in Mar**, following a 0.3% fall in Feb. Gasoline prices rose 2.1% in Mar (Feb: 5.2%) and prices of household appliances rose 7% in Mar (Feb: 4%). Excluding both energy and fresh food, inflation inched up to 0.3% from Feb's 0.2%.
- **Inflation in Singapore increased to 0.7% yoy in Feb** (Jan: 0.2%), driven by higher costs of private transport (+4.2%) while food inflation edged up to 1.6%. **Core inflation turned positive for the first time in a year**, rising by 0.2% yoy (Jan: -0.2%), largely due to an increase in service costs and higher food inflation.
- **Singapore industrial production increased by 16.4% yoy in Feb** (Jan: 9.2%), supported by the biomedical (+23.9%) and electronics sectors (30.3%).

Bottom line: Covid19 continues to dominate headlines more than a year after it took over: Europe's slow pace of vaccination and rising cases, as well as the surging numbers in Brazil and India, amid new "double mutant" Covid19 variants, underscore concerns to the pace of global recovery even as global vaccinations cross 500mn doses. Other major events adding to "economic uncertainty" are the fight for vaccines between the UK and EU, renewed China-US tensions, the Suez Canal's 1-ship blockage as well as higher bond yields. The OPEC+ meeting

scheduled for Apr 1st, and with both Saudi Arabia and UAE calling for the need to tread lightly, production is likely to be held steady.

Regional Developments

- **As Covid19 cases in the GCC increase, additional restrictions are being imposed: Oman** announced a nighttime curfew from 8pm to 5am from today till Apr 8th as well as an extension of the evening ban on all commercial activities. **Qatar** issued orders to close leisure centres, gyms and swimming pools in addition to reduction of capacity at malls and movie theatres.
- **Bahrain awarded contracts worth USD 4.1bn in 2020,** via 1688 tenders: the value had declined by 14.6% yoy. Oil (USD 1.6bn), construction and engineering (USD 875.7mn), and aviation (USD 638.2mn) sectors accounted for just over 3/4th of the projects by value.
- **The National Chamber in Bahrain voted in favour of three Royal Decrees supporting recovery** in the Covid19 impacted nation: this includes allowing the government to withdraw USD 450mn from the Future Generations Fund to be injected to the national budget for emergencies.
- **The IMF estimates Bahrain's fiscal deficit to have risen to 18.2% of GDP in 2020**, from 9% in 2019 and **public debt to 133% of GDP** from 102% a year earlier. Pressing for "urgent fiscal reform to address the large imbalances", the IMF also called for "targeted support to the most vulnerable". While growth is expected to rebound to 3.3% this year, and fiscal deficit to narrow to 9%, **public debt looks set to rise further to 155% of GDP by 2026.** *(More: https://www.imf.org/en/News/Articles/2021/03/22/pr2175-bahrain-imf-executive-board-concludes-2021-article-iv-consultation)*
- **Prices of fixed broadband in Bahrain plummeted by up to 47% between 2019 and 2020**, while internet penetration

stood at 137% last year and internet usage increased by 93% yoy, according to a recent TRA report.

- **Economic growth in Egypt is estimated to rise to 5.4% in the fiscal year 2021-22** from 3.3% estimated in 2020-21, revealed the planning minister.
- **Egypt's budget for the 2021-22 fiscal year estimates a 6.6% deficit, while primary surplus rises to about 1.5% of GDP** (from 0.9% of GDP in the current fiscal year); revenues will rise by 16.4% yoy to EGP 1.3trn (USD 80bn) thanks to expanding the tax base and activating electronic payments, among others. While the total spending amount was not disclosed, around EGP 87.8bn were set aside to subsidise supply commodities and farmers.
- **The closure of the Suez canal** following the Ever Given accident has resulted in **more than 200 ships anchored near the Suez, with 137 more set to join them within five days**, according to Refinitiv. The accident is costing an estimated USD 10bn in lost trade for each day the block continues.
- **Local debt sales will be used to cover as much as 90% of the upcoming budgetary requirements in Egypt**, reported *Asharq Business* citing the deputy finance minister. In addition, an extension of existing debt maturity dates will also be considered.
- **Egypt's central bank and financial regulator agreed to create a fund to increase liquidity in the stock exchange**, by providing financing to brokerage firms.
- **The volume of credit facilities** (loans granted, documentary credits, letters of guarantees) **by banks operating in Egypt grew by 11.3% during the period Jul-Nov** to EGP 2.448trn. During this period, funds granted to government and non-government entities grew by 19.2% and 7.8% respectively.
- **EgyptAir plans to seek between EGP 5-7bn** (USD 318-447mn) **in government support** this year, disclosed the CEO and chairman, as travel restrictions continue to impact

operations. The airline had received EGP 5bn in government backed loans and direct state assistance last year.

- **Egypt aimed to vaccinate 250k medical staff and eligible citizens last week**, after having received a shipment of 300k doses, gifted from China.
- **The Micro, Small and Medium Enterprises Development Agency in Egypt injected EGP 9.1bn** via 623,500 loans **to women's projects between Jul 2014 and late-2020**, according to the agency's executive director.
- **Iran and China signed a 25-year cooperation agreement.** Though the details were not divulged, the pact includes 'political, strategic and economic' components. China was Iran's top trading partner in the year ended Mar 20: Iran's exports to China reached USD 9bn and imports from China stood at USD 9.7bn.
- **Fitch maintained Iraq's "B-" credit rating, but revised its outlook on sovereign debt to stable** from negative, citing higher oil prices and smaller-than-expected decline in foreign reserves following the recent devaluation.
- **Jordan is planning to create a virus-free "golden zone" for tourists** that will include Wadi Rum, Petra and the Dead Sea. Being vaccinated will be the necessary criteria for being allowed entry into this zone for tourists, local suppliers and tourism staffers.
- **The Cabinet in Jordan approved the central bank's initiative to provide liquidity and financing for SME's existing projects:** the government will bear some of the loan interests on behalf of beneficiaries.
- **Spending by Kuwait's government institutions declined by 14.8% yoy** to KWD 11.782bn during the 11 months to Feb 2021. This compares to the budget allocation of KWD 21.56bn for the full year.
- *Bloomberg* reported that state-owned **Kuwait Petroleum plans to borrow as much as USD 20bn over the next five years** to maintain its crude production levels.

- **Kuwait has reduced the hours of its month-long night curfew to 11 hours** (6pm to 5am) from 12 previously; furthermore, hotel quarantine has been replaced with home quarantine for travelers who have been vaccinated.
- **Lebanon plans to impose a 3-day shutdown during the upcoming religious holidays of Easter** (in Apr) **and Eid** (in May). Night curfew has been extended from 10pm to 3am while shops and restaurants are allowed to open for 2 extra hours from Mon onwards.
- Lebanon's health minister stated last week that **Syria responded to a humanitarian request and would be sending emergency oxygen supplies – about 75 tonnes – to Lebanon**.
- **With Lebanon currently vaccinating on average around 40k people a day, the first private sector initiative to assist the vaccination program began last week**. The Sputnik V vaccine will be sold by Pharmaline to approved companies and organizations at the cost of USD 38 for the required two doses.
- **Lebanon's central bank has given April 16 as the deadline for** commercial banks and licensed exchange dealers to prepare for the electronic currency exchange platform (announced two weeks ago after the pound traded at 15k to the dollar in the black market).
- **Oman** is expected release **the tender for the main construction work for the Musandam airport by Q4 2021**, reported Zawya Projects. The project, valued at USD 220mn, is expected to be completed by Q4 2024.
- Supported by the demand for Islamic products, **Islamic financing in Oman grew by 9.5% in 2020**, versus conventional banks' loan growth of 2.1%, **according to Fitch Ratings**. The market share of Islamic banking and Islamic windows increased to 14.3% at end-2020 (end-2019: 13.6%), with total assets of OMR 5.1bn (USD 13.3bn).

Saudi Arabia Focus

- **Saudi Arabia's new initiative to end the Yemeni crisis** includes a nationwide ceasefire under the supervision of the UN as well as political negotiations between the Yemeni government and the Houthis.
- **Saudi Arabia announced two major and ambitious climate change initiatives: the Saudi Green Initiative and the Middle East Green Initiative.** Highlighting desertification and air pollution as two of the significant challenges facing Saudi Arabia, the initiatives are expected to "raise vegetation cover, reduce carbon emissions, combat pollution and land degradation, and preserve marine life". About 10bn trees will be planted in the Kingdom, a 12-fold increase on current levels while the Green Initiative will work to reduce its global carbon emissions by over 4% by 2030.
- **Saudi Tadawul opened short-selling to all investors as of Mar 25th.** However, the new rules stipulate that the short ratio to average daily traded volume of any security should not exceed 10 days and total net short positions must not exceed 10% of the free float.
- **Oil exports from Saudi Arabia fell by 20.5% yoy in Jan**, while non-oil exports increased by 15.6%: total value of exports declined by 13.4% yoy to SAR 71.9bn. **Trade surplus in Jan** widened by 24.5% mom to SAR 24bn – **the highest since Feb 2020**. **China remained the top trading partner**: exports to China was SAR 14bn and imports from China at SAR 9.6bn.
- **Imports from Turkey into Saudi Arabia plummeted** by 72.1% mom and 97.7% yoy to SAR1mn (USD 3.76mn) in Jan.
- **Saudi Arabia's investment minister stated that** the country's infrastructure and transportation sectors are seeking to attract around USD 420bn in foreign investments over the next decade. The **ministry is**

planning to establish two agencies with a specialized portal to offer investment opportunities and facilitate investors.

- **The Saudi Central bank granted licenses to two more FinTech firms** – International Digital Solutions Co and Azm Fintech Co – to provide payments services, bringing the total number of such licenses to 13.
- Saudi General Authority for Zakat and Tax issued **40,500 fines for tax violations in Q1 2020**.
- **A record 91 industrial licenses were issued in Saudi Arabia this Feb**, up 21% yoy, with a total capital of SAR 857mn (USD 229mn). About 21 of these licenses were for food production factories.
- **Saudi Arabia created the Register of Privatization Projects** as a comprehensive central database of documents related to privatization projects, which has details about privately financed schemes while also protecting confidential information related to specific projects.
- **Saudi Aramco's debt-to-equity ratio more than doubled to 55% yoy in 2020** (net debts stood at SAR 605.9bn), given the company's decision to deliver the USD 75bn dividend in spite of a decline in profits. Net profit of the company fell by 44.4% to SAR 183.8bn for the year ended Dec 31st. The company, which scaled back spending to around USD 35bn this year from a range of USD 40-45bn previously, expects an Asia-led recovery in energy demand.
- *Reuters* reported that **Aramco has sent an RfP to its relationship banks for pipeline deal financing**e. plans to extract value from its assets (similar to what UAE's Adnoc had done).
- **Saudia airlines signed a financing agreement with 6 local banks worth SAR 11.2bn** (USD 3bn) to expand its aircraft fleet.
- **Vaccines have been declared mandatory for those**

providing services to pilgrims in Makkah and Madinah; they either need to get the jabs by Ramadan 1 or provide weekly negative PCR test results at the expense of the employer. Those who want to perform Hajj must also have taken the vaccination, reported *Al Rai* daily. Separately, **at the nationwide level**, **various ministries have instructed that employees** working in restaurants, cafes, food outlets, gyms, sports centres as well as drivers in public transport **need to be vaccinated effective from May 13 (Shawwal 1).**

<u>**UAE Focus**</u>

- **UAE launched "Operation 300bn" last week**, with the aim of more than **doubling manufacturing's contribution to economic output to AED 300bn over the next 10 years** (from AED 133bn currently) as well as increase the in-country value. Priority will also be given to R&D: v**olume of spending on R&D in the industrial sector will increase from AED 21bn**, constituting 1.3% of GDP, **to AED 57bn in 2031**, raising the contribution to GDP to 2%. In addition to attracting foreign investment, the initiative will support over 13500 SMEs, and support job creation while the use of advanced technology would be encouraged and dedicated financing would be made available to meet the target. Separately, UAE's industrial exports stood at AED 84.2bn in Jan-Oct 2020, according to FCSA data.
- **A 5-year plan to raise the value of Dubai's foreign trade to AED 2trn (from AED 1.4trn now) was approved** last week. **Dubai also announced a restructuring of the Dubai Chamber, forming three separate chambers**: one for commerce, one for international trade and another for digital economy.
- The **UAE and UK agreed to invest GBP 1bn** (USD 1.38bn) **in Britain's life sciences industry**: Mubadala will invest

GBP 800mn into the industry over the next 5 years, while GBP200mn will come from UK's Life Sciences Investment Programme.

- The **UAE invested USD 10bn with the Indonesia Investment Authority** (set up last month), to be used in strategic sectors like road and port infrastructure as well as tourism and agriculture.
- **Abu Dhabi's Taqa announced its plans**, as part of a new 2030 strategy, **to spend AED 40bn in infrastructure development** as it prepares to add about 27GW of power capacity by 2030 and expand its renewables portfolio.
- **Dubai Airport Free Zone Authority generated AED 8.47bn of trade or 10% of the emirate's total trade in Jan-Sep last year**. The number of registered companies in the free zone grew by 64% to 1800 during this period.
- **UAE improved its ranking, up 4 spots to 15th globally, in** the latest edition of **AT Kearney's FDI Confidence Index** US, Canada and Germany top the list.

Media Review

The Suez Canal accident

https://www.ft.com/content/87cb4674-6db7-41cf-a82e-44b83eaa436c

https://www.economist.com/the-economist-explains/2021/03/26/why-the-suez-canal-and-other-choke-points-face-growing-pressure

https://www.reuters.com/article/us-egypt-suezcanal-ship/suez-canal-steps-up-efforts-to-remove-blockage-as-shipping-rates-surge-tankers-diverted-away-idUSKBN2BI0GZ

Covid19 China proposes global rules for central bank digital currencies

https://www.reuters.com/article/us-cenbanks-digital-china-rules-idUSKBN2BH1TA

Avoiding a K-Shaped Global Recovery: Project Syndicate

https://www.project-syndicate.org/commentary/global-economy-avoiding-k-shaped-recovery-by-michael-spence-et-al-2021-03

Why Covid-19 has had a different impact on MENA companies

https://www.thenationalnews.com/business/why-covid-19-has-had-a-different-impact-on-mena-companies-1.1188972
New York gobbles up SPAC listings from UAE
https://www.arabnews.com/node/1831091/business-economy
Turkey's economic woes should be a warning for other countries
https://www.economist.com/leaders/2021/03/25/turkeys-economic-woes-should-be-a-warning-for-other-countries

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Interview with CNBC Arabia on restructuring of Lebanon's banks, 4 May 2020

Dr. Nasser Saidi was interviewed on the restructuring of Lebanese banks under the government's reform plan. The CNBC Arabia TV interview can be viewed via this tweet or directly at https://www.pscp.tv/w/1vAxRBrjOzPxl?t=34

Interested in Working with

Us?

Econometrician Job Description (part-time / remote)
The Mohammed Bin Rashid School of Government (MBRSG) is seeking an experienced econometrician for an exciting 6 month project (**to be done in coordination with Nasser Saidi & Associates**) that will include analysis of large country data sets.
Required Skills:
Preferred candidates will have experience in:

- Constructing and compiling large cross-country, economic time series data;
- Undertaking regression analysis on panel data;
- Using factor analysis including dynamic factors analysis, principal components and Bayesian model averaging techniques;
- Constructing and conducting analysis on economic indexes.

Successful candidates will have a demonstrated track record conducting econometric analysis on large data sets, working independently and in teams and delivering high quality results in a timely manner.
Flexible Timing: This position is open to researchers who work remotely or who are based inside OR outside the UAE.
Application Process: To apply please **email the following to futuregov.research@mbrsg.ac.ae and copy economics@nassersaidi.com**

1. A detailed and updated CV that clearly indicates your experience and econometric analysis skills
2. Two samples of your work

Please include the term "Econometrician Position" in the subject line of your email.

About The Mohammed Bin Rashid School of Government (MBRSG):

Based in Dubai, the Mohammed Bin Rashid School of Government (MBRSG), formerly the Dubai School of Government, is a premier research and teaching institution focusing on governance and public policy in the Arab world. The School aims to support public policy in the Arab World and the UAE, and empower leaders through research, teaching and training.

Research is the primary pillar of the Mohammed Bin Rashid School of Government. The MBRSG serves as both a public policy think tank and an educational institution, putting high-quality policy research at the heart of the School's mandate, vision and activities. The School's unique regional positioning drives its high commitment to leading the region in multidisciplinary research related to public policy and government.

The School's dedicated policy research groups work within the following key tracks:

1. ***Future Government and Innovation** Policy*
2. ***Social** Policy*
3. ***Education** Policy*
4. ***Health** Policy*
5. ***Sustainability** Policy*
6. ***Public Leadership***

More information on the MBRSG research tracks and output is available here: https://www.mbrsg.ae/home/research/research-at-the-school.aspx

About Nasser Saidi & Associates

Established in 2012, we provide economic advisory and business consultancy services to a diverse range of stakeholders in the Middle East and North Africa region ranging from the public sector and private sector, government related enterprises, banks and financial institutions as well as Central Banks and Regulators of the banking and financial system.

More information on our company, research and publications can be accessed on the website: https://nassersaidi.com

Comments on geopolitical risks and the oil market in The National, 19 Aug 2019

Dr. Nasser Saidi's comments on geopolitical risks and the oil market is part of the article "Oil rises as markets factor in latest attack on Saudi energy facility" published by The National on 19th August 2019.

The full article can be accessed at: https://www.thenational.ae/business/energy/oil-rises-as-markets-factor-in-latest-attack-on-saudi-energy-facility-1.900128

Comments are posted below:

"The drone attack does not alter the weak fundamentals facing the oil market. Global economic growth has slowed down and will continue slowing as a result of the US protectionist stance and its trade wars with China, Europe, Canada and Mexico," said Nasser Saidi, president and founder of Nasser Saidi & Associates.

"We are seeing a sharp drop in trade volumes and values and in investment and PMI [purchasing manager's index]. The result is lower demand for oil and oil prices. Unless there is a major military confrontation in the [Arabian] Gulf that could lead to extended supply interruptions, we should not expect an impact on oil prices," he said.

Weekly Economic Commentary – May 14, 2017

Markets

Global markets were mixed last week with the emerging and Asian markets advancing strongly, while Wall Street and Europe were on the back foot due to rather weak US data. Regional markets were mostly in positive territory, helped by a rebound in oil prices. In currency markets the dollar regained some ground lost in previous weeks to the euro, but overall calm prevailed. Oil prices interrupted their slide on hopes that a new deal between OPEC and Russia to cut production can come soon into effect, and even the gold price was firmer.

Global Developments

US/Americas:

- **US CPI** rose 0.2% mom in Apr after a -0.3% drop in Mar, but the core index rose only 0.1% mom.
- **US retail sales** rose 0.4% (4.5% yoy) mom in Apr after 0.1% (5.2% yoy) in Mar. Gains were uneven with auto, electronics and appliance and building supply quite upbeat while general merchandise, apparel, furniture and grocery disappointed. Core sales excluding auto dealers and gasoline rose 0.3%.
- **The preliminary University of Michigan Consumer Sentiment** in May advanced for the third month in a row to 97.7 from 97 in Apr. just a little below its January high of 98.5. Current economic conditions were steady, but consumer expectations crawled up.
- **The US government posted** a USD 182bn budget surplus in Apr, compared to a USD 106.5bn surplus a year earlier.
- **US business inventories** gained 0.2% mom in Mar, vs 0.3 in Feb. In the subcategories, retailers' stockpiles were

up 0.5%, wholesalers 0.2% and manufacturers' were unchanged.

- **US initial claims for unemployment benefits** fell 2,000 to 236,000. The 4-week moving average added just 500 units to 244,000. Continuing claims fell 61,000 to 1.918 mn.
- **Annual inflation in Brazil** declined to 4.1% in Apr from 4.6% in Mar, below the 4.5% target set by the central bank.

Europe:

- **Eurozone's inflation** reached 1.9% yoy in Apr after 1.5% in Mar, and is in line with the ECB target.
- **Eurozone industrial production** in Mar decreased by -0.1% mom on top of a similar decline in Feb, due mostly to temporary factors such as refinery maintenance or warmer temperatures that affected energy production.
- **Germany's industrial production** fell in Mar by -0.4% mom from the 1.8% growth mom in Feb. **France's industrial production** surged in Mar by 2% mom (2.0% yoy) offsetting the -1.7% mom fall in Feb. **Italy's industrial production** advanced by 0.4% mom in Mar down from 1% in Feb.
- **UK industrial production** in Mar, shed -0.5% mom after -0.7 drop in Feb.
- **German GDP** jumped 0.6% qoq (1.7% yoy) in Q1 after 0.4% (1.8% yoy) in Q4, pushed up by private investments and, to a lesser extent, consumption. Net exports gave, as usual, a positive contribution.
- **Germany's inflation** accelerated to 2% in Apr from 1.7% in Mar.
- **German current account surplus** widened to EUR 30.2bn in Mar from EUR 29.1bn a year earlier, setting a historical record high, with the goods surplus almost flat at EUR 27.4bn from EUR 27.5bn a year ago)
- **French trade** deficit narrowed to EUR 5.4bn in Mar from a downwardly revised EUR 6.4bn in Feb and below market

expectations of a EUR 6.0bn gap.

Asia Pacific:

- **China's inflation advanced** 2% yoy in Apr from 0.9% in Mar as a result of higher food prices.
- **China's M2 money supply** rose 10.5% yoy in Apr, almost similar to 10.6% in Mar, the smallest gain since Jul 2016. Total loans went up by 12.9% yoy in Apr from 12.4% in Mar pushed by mortgages.
- **China's trade surplus** fell to USD 38.5bn in Apr from USD 39.2bn a year earlier, as exports grew less than imports. In March, the surplus was USD 23.9bn.
- **Japan's current account surplus** fell to JPY 2.91tn in Mar JPY 2.97tn in Mar 2016. The goods surplus stood at JPY 0.87tn, almost the same as in Mar 2016, as exports fell -11.2% and imports by -15.8%.
- **Japanese consumer confidence** fell to 43.2 in Apr, from 43.9 in Mar with most sub-indices down on tensions with Korea and no substantial wage increases.
- **Japan's leading economic index** added a few decimals reaching 105.5 in Mar from 104.7 in Feb.
- **Hong Kong's GDP** grew 0.7% qoq in Q1 after 1.2% in Q4 supported by the real estate market, perky exports and stronger global and regional business and consumer sentiment.
- **Industrial production in India** increased by 2.7% yoy in Mar vs 1.9% in Feb. Output was surging for both mining (9.7%) and electricity (6.2%) while manufacturing recorded only 1.2% yoyo growth vs 1.4% in Feb).
- **India's inflation** dropped to 3% in Apr from 3.9% in Mar as a result of low food prices counterbalancing increasing energy costs.
- **Philippines recorded** a USD 2.3bn trade deficit in Mar, compared to a USD 1.75bn gap a year earlier.
- **Malaysia's industrial production** grew 4.5% yoy in Mar, a tad below Feb's 4.8%. Electronics were the main driver.

Bottom line: Euroland's economy is consolidating its recovery month after month, while the US does not show signs of marked improvement, and Asia is benefitting from an upward electronics global cycle, while waiting for China to go through its transition to a services economy. Even the OECD composite leading indicator was unchanged in Mar underscoring steady growth but minimal acceleration.

Regional Developments

- **Net foreign assets** in **Bahrain** declined by 11.1% mom to BHD 645.2mn (USD 1.7bn) in Feb; overall, NFA are down 71% from a peak BHD 2.24bn in Nov 2014.
- **Bahrain** is on track to launch the phase of its nation-wide **electronic wallet** by end-June this year. A joint initiative between the central bank and BENEFIT, the wallet will enable instant payments via smartphones and also support collection of payments electronically.
- The **IMF** staff team and **Egypt** have reached a staff-level agreement regarding the payment of its **second installment** of the **loan** (~USD 1.25bn). The IMF praised the central bank and finance ministry for reforms, and cited that curbing inflation should the main priority for the next phase of reforms.
- **Egypt** passed the long-awaited **investment law**, with multiple incentives to attract investments like a 50% tax discount on investments made in underdeveloped areas, bringing back private-sector "free zones" (i.e. areas exempt from taxes and customs duties) and return half of investors' payment to acquire land for industrial projects if production starts within two years, among others.
- **Inflation** in **Egypt** rose to 31.5% in Apr (Mar: 30.9%), the highest since June 1986, while core inflation declined slightly to 32.06% (Mar: 32.25%). In mom terms, inflation rate fell for a third consecutive month, and in Apr recorded the slowest pace since Oct (prior to the

currency float). Food prices were up by 43.6% in Apr; the government allocated EGP 1bn in subsidies to support food purchases for Ramadan.

- According to **Egypt**'s finance minister, the country plans to issue a **new Eurobond** at the end of May or start of June.
- The first **crude oil shipment from Iraq** (of 2mn barrels) is expected to arrive in **Egypt** by mid-May; the countries had signed a bilateral agreement for Iraq to sell 12mn barrels of oil to Egypt for a year.
- **Japan** contributed USD 16.7mn to the Stabilization Financing and Crisis Response and Capacity-Building Program in **Iraq**, to help crises in areas liberated from Daesh.
- **Oman's sovereign rating** was downgraded by **S&P** to BB+ from BBB-, below investment grade, with negative outlook, because due to low oil prices the country's external reserves can no longer offset the risks stemming from lower oil prices.
- **The non-Omani ownership** in the country's **listed firms** has declined to 27.17% in Apr, from 27.8% at the end of 2016.
- **Qatar** became the second GCC member state to formally **endorse** the **GCC Value Added Tax Framework**.
- **Qatar** stock exchange plans to introduce **exchange traded funds** (ETFs) as part of its initiative to attract foreign investments, according to its CEO.
- Bilateral trade between **Qatar and Turkey** stood at USD 662.1mn in 2016; while Turkish companies in Qatar are working on projects worth about USD 11.6bn, Qatar's investment to Turkey is over USD 20bn, the second highest value of investments by any country in Turkey.
- **Qatar** raised the official selling **price** for Marine **crude oil** to USD 51.45 a barrel in Apr, up 90 cents from the previous month, reported *Reuters*.
- While **S&P** reports a sharp rise in external debt of **banks in Qatar**, it does not believe it to be an imminent

threat, given the Qatari government's support to the banking system. Also, the Central Bank had introduced regulation in 2016 that caps, among other things, a bank's foreign currency open position in US dollars at 25% of capital and reserves.

- **Saudi Arabia**'s **fiscal deficit** in Q1 2017 was financed entirely from the government's current account, with no drawdowns from its foreign assets or use of debt instruments. Revenues were up 72% yoy to SAR144bn (USD 383.96mn) in Q1, while deficit narrowed by 71% to SAR 26bn. It was an oil-based recovery: oil revenues increased to SAR 112bn from just SAR 52bn last year, while non-oil revenue was up by only 1%.
- Saudi Arabia Airlines (**Saudia**) announced a record of flying 2.9mn **passengers** in a single month. The airline has flown 10mn passengers this year during Jan-Apr.
- **Saudi Aramco** will reduce **oil supplies to Asia** by about 7 million barrels in Jun, reported *Reuters*, with a million barrels being reduced each to Southeast Asia, China and South Korea.
- **Inflation** in **Saudi Arabia** continued to be negative for the third consecutive month in Mar, with a reading of -0.4% yoy; in Q1 2017, inflation was -0.3% yoy, while food and beverages recorded a decline of 3.5% yoy.
- In **Saudi Arabia**, the Saline Water Conversion Corporation, a power generation company under Saudi Electricity Co., grain silos and sports clubs will start the **privatisation process** this year, according to the vice minister of economy and planning. *(More details about bonds, budget and spending in his Bloomberg interview – link in the Media Review section.)*
- **Middle East carriers' traffic growth** fell to 4.9% yoy in Mar, according to the International Air Transport Association.
- All **OPEC** members have reached a consensus to support the **extension** of the decrease in output for a further 6-month period: this was disclosed at a news conference

held jointly by Iraq’s oil minister and Algeria’s energy minister.

UAE Focus

- The **Dubai Economy Tracker Index** rose to 57.7 in Apr – the fastest reading since Feb 2015, thanks to a strong pickup in output and new orders to 62.6 and 63.2 respectively. The strong rise in private sector output was supported by the wholesale & retail (57.8) and construction (57.9) sectors.
- **UAE**’s **non-oil foreign trade** grew by 1% yoy to AED 1.564 trillion in 2016, with imports rising by around 2% to AED 969bn. The Asia, Australia and Pacific countries account for 42% total trade, while Arab countries represent about 18% of the non-oil foreign trade; within the GCC, Saudi Arabia remained the top trade partner.
- **Inflation** in **Abu Dhabi** grew to 2.2% in Jan-Apr this year, with health and transport costs up by 10.5% and 5.6% during this period; housing and utility prices rose by 3.7%.
- **Sharjah** is not planning to issue a **bond or a Sukuk** in the near future, according to an official from the debt management office. The emirate had issued a USD 500mn Sukuk in Jan last year.
- **UAE** produced 208mn barrels of **crude oil** in Q1 this year, compared with 211.7mn barrels during the same period last year. The average daily production touched 2.9mn barrels per day in Q1, compared to 3.089mn last year.
- Total **remittances** from the **UAE** touched AED 37.1bn in Q1 2017, up 1.1% yoy, according to the central bank. Indians, Pakistanis and Filipinos were the top remitters, accounting for 34.9%, 9.4% and 7.3% respectively of total remittances.
- The **Sharjah** Investment and Development Authority estimates to receive about AED 830mn in **hotel revenues** by 2019. Revenues have been growing at 12% per annum,

and are expected to touch AED 687mn by end of this year.

- Emirates NBD has announced it will be processing credit card and loan applications using the Al Etihad **Credit Bureau Consumer Retail Banking Score**.

Media Review

Macron's moment

https://www.bloomberg.com/view/articles/2017-05-10/macron-s-moment-belongs-to-europe-too

Saudi Arabia's Al Tuwaijri Talks to Bloomberg about Bonds, Budget and Big Spending

https://www.bloomberg.com/news/articles/2017-05-10/saudi-arabia-s-al-tuwaijri-talks-bonds-budget-and-big-spending

Saudis to Boost US Ties With $40 Billion Investment

https://www.bloomberg.com/politics/articles/2017-05-11/saudi-arabia-said-to-boost-u-s-ties-with-40-billion-investment

China's Big Play for Middle East Oil

https://www.bloomberg.com/view/articles/2017-05-10/china-s-big-play-for-middle-east-oil

Egypt starts weaning itself off foreign gas as output surges

http://www.reuters.com/article/egypt-lng-idUSL8N1ID7DC

Shale Drillers Are Outspending the World With $84 Billion Spree

https://www.bloomberg.com/news/articles/2017-05-09/shale-drillers-challenging-opec-with-84-billion-spending-spree

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A New Economic Model For The Low Oil Price Era: Article for MEED's special publication "Agents of Change", Apr 2017

The article titled **"A New Economic Model For The Low Oil Price Era"** (PDF), was published in MEED's special publication "Agents of Change".

The region is on a transformation path, but GCC governments need to undertake further economic and structural reforms to adjust to the new oil normal, says economist Nasser Saidi

For a region highly dependent on oil for national income, government revenues and exports, the environment of low oil prices, or the "New Oil Normal" has been a massive macroeconomic shock. GCC government budgets swung into deficits, (deficit of 6.9% of GDP this year compared to a surplus 10.8% in 2013), fiscal austerity programs initiated, amidst sharp declines in current account balances (estimated at a deficit of 0.5% of GDP this year compared to a 2013 surplus of 21.4%) and reduced liquidity.

The GCC countries, however, are able to finance the high twin deficits by drawing on accumulated fiscal buffers and substantial international reserves and by the issuance of domestic and foreign debt[1]. However, the dip in net foreign asset accumulation continues to be a worrisome trend, as is lower government spending and its impact on the non-oil sector. Tighter financial conditions and a real exchange rate appreciation also challenge economic activity in the non-oil sector. All this has meant lower growth prospects alongside slower growth in both investment and consumption. The GCC is expected to grow at 2.3% this year, contrasted with an average of 3.8% during 2000-14. Fiscal austerity has exacerbated the impact of the oil price tsunami.

Transition and Transformation

In the short term, GCC policy adjustments have focused on cuts in fuel, water and electricity subsidies and capital expenditure, in addition to revenue generation through higher or new fees and charges. More significant policy adjustments will include the introduction of a Value Added Tax at 5% to be implemented across the GCC in 2018, which is estimated to bring in a potential revenue of between 0.8-1.7 percent of GDP, depending on the country. Privatization has been on the agenda of most GCC governments after the oil price dip, but the most anticipated one remains the Aramco IPO (with a potential to become the world's most valuable company, at around one and half trillion dollars).

All GCC countries have issued vision statements over the last few years, which describe their development plans either for the medium or long term. Among the more recent ones, Saudi Arabia's Vision 2030 and subsequent National Transformation Plan (NTP) is the most ambitious. The NTP lays out 178 strategic objectives with over 500 reform measures and benchmarks for 24 ministries and government entities to be achieved by 2020. The next step will be for these plans to be implemented through policy measures and actions. To be successful, the shock therapy needs clear prioritization, sequencing of reforms and strong private sector engagement.

A New Economic Development Model

The GCC are on a reform and transformation path, but need to undertake major economic and structural reforms to adjust to the New Oil Normal. The economic and social imperative for the GCC is to diversify their economies away from oil and boost the role of the private sector to become the main engine of job creation. A New Economic Development Model for the GCC, has a number of building blocks:

1. Greater trade, economic and government revenue diversification. Size matters: greater regional

integration to achieve a GCC Common Market and economic bloc can be a main instrument for achieving diversification.

2. Removing barriers to private sector growth: Private sector mobilisation is the lynchpin of economic diversification and flexibility. The GCC needs to introduce targeted reforms to legislation, regulation, and business procedures with the goal of enhancing competitiveness and attracting FDI (witness the UAE which has established itself as a trade and financial hub). Removing barriers to foreign ownership would increase investment and lead to an infusion of new technology and knowledge. In the latest Doing Business 2017, only UAE ranks within the top 25 globally for ease of doing business. For the GCC, areas of reform include facilitating trading across borders, resolving insolvency and protecting minority investors.
3. Education and labour market reforms: regional educational systems continue to focus on preparing students for public sector jobs, with a persistent skill mismatch and educational quality compared to market requirements. It is time to invest in education for employment, vocational and on-the-job training. Increasingly the focus should be to promote STEM (Science, Technology, Engineering and Mathematics) – especially given the focus on innovation and a shift to e-services in the region. The other major reform is breaking down the barriers to the economic participation and empowerment of women.
4. Reforms for a level playing field between private sector and state-owned enterprises (SoEs). GCC market structures and the role of SOEs need to be transformed to allow competition & contestable markets. A case in point is to allow multiple broadband operators to use existing telecom infrastructure to enable shift to digital economies.
5. Public Private Partnerships (PPP) and privatisation to

draw in private sector investment in infrastructure, logistics, health, education and other sectors. Kuwait enacted a PPP law in 2014 while Dubai adopted the legal framework for PPPs. But, the PPPs should also be supported by robust regulatory frameworks that ensure regulator independence, cost-effectiveness and limited fiscal risks.

6. Shift SWF strategy to invest domestically to support policy objectives of greater economic diversification and co-invest with foreign investors in new technologies and innovative sectors including clean energy, robotics, FinTech etc.

The New Oil Normal is a blessing in disguise for the GCC: it offers an unprecedented opportunity to implement economic diversification strategies and reform policies that will underpin more sustainable, flexible and resilient economies. The New Oil Normal requires a new economic development model, a new social contract & deep structural reform agenda. The impact on the region of such reform would be significant, through job creation, higher productivity growth, investment rates and trade linkages, not to mention the dynamic effect of greater private sector engagement on job creation and innovation.

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[1] GCC bond sales in the first quarter of 2017 surged 359% to $24.2 billion, helped by an $8 billion debut issue from the Kuwait government and a $5 billion offering from Oman. This follows the $17.5 billion debut issue from Saudi Arabia last year, which was the largest issuance by an emerging market country.

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