

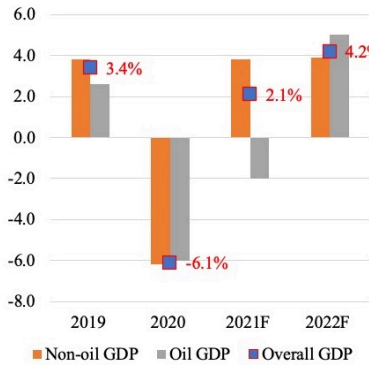
Weekly Insights 23 Sep 2021: UAE's growth forecasts rebound in 2021 & 2022

Weekly Insights 23 Sep 2021: UAE's growth forecasts rebound in 2021 & 2022

1. UAE expected to grow by 2.1% this year (*Central Bank*); Dubai by 3.1% (*Dubai DED*)

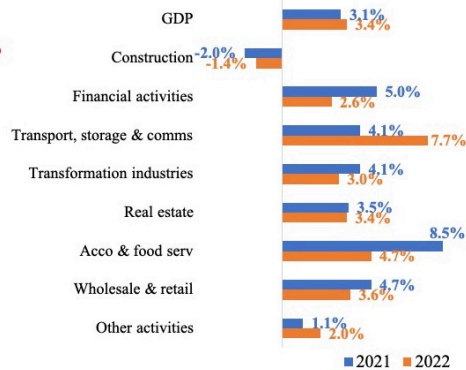
- The UAE central bank expects UAE growth to rebound by 2.1% this year (2020: -6.1%), supported by a recovery in the non-oil GDP (+3.8% from -6.2% in 2020)
- Separately, the Dubai Department of Economic Development forecasts Dubai's GDP to increase by 3.1% yoy in 2021, with recoveries the most among Covid19-affected sectors like accommodation and food services (+8.5%) and wholesale & retail (4.7%). This is underscored by the 5 stimulus packages announced by the emirate's government since the start of the pandemic that amounted to AED 7.1bn, or 1.6% of Dubai's GDP. (*Dubai Statistics Centre preliminary estimates for GDP growth stood at an estimated 1% qoq in Q1 2021*)
- The PMI indicators for both UAE and Dubai remain in expansionary, supported by optimism ahead of the Expo event which begins in Oct, with a drop in daily cases alongside a strong vaccination campaign.

Central bank forecasts UAE growth at 2.1% this year



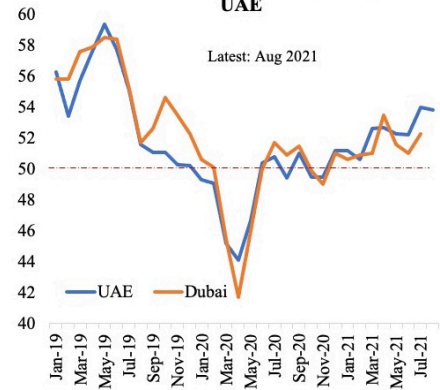
Source: FCSA, UAE Central Bank forecast

Dubai GDP forecast to grow by 3.1% this year



Source: Dubai DED forecast

Non-oil sector PMIs: a recovery story in the UAE

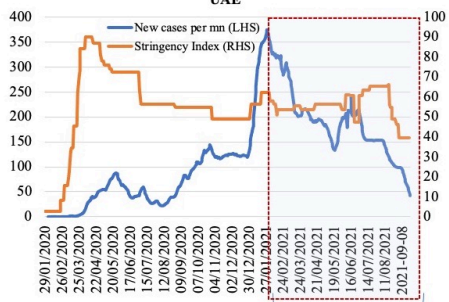


Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

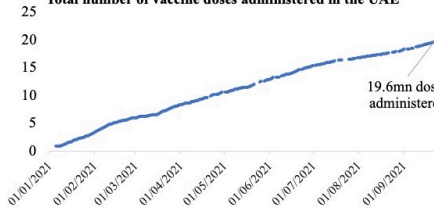
2. An update on Covid19 cases & vaccination campaigns ahead of the start of the Expo

- **Daily cases in the UAE have been falling consistently** (under 500 for the past few days), and with **test positivity rates at just 0.2%**, **stringency levels have been eased slowly**.
- **Visitors to the Expo need to be either vaccinated or present a negative PCR**: the share of vaccinated people in DXB's main tourist market all exceed 60%, with **daily cases on the decline** (except in the UK & US) and **vaccination rates are also picking up** (especially in Europe & China).

Daily new confirmed cases & stringency levels in the UAE

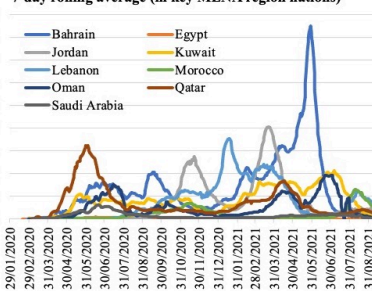


Total number of vaccine doses administered in the UAE

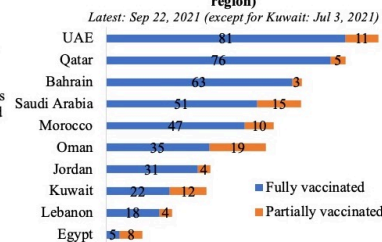


Source: Our World in Data (as of 22 Sep 2021); Charts by Nasser Saidi & Associates

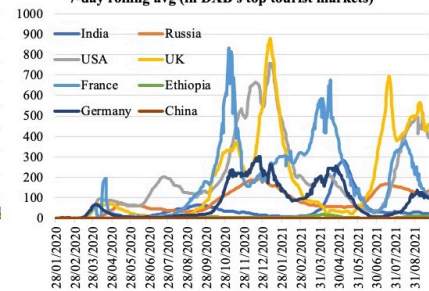
Daily new confirmed Covid19 cases per mn persons 7-day rolling average (in key MENA region nations)



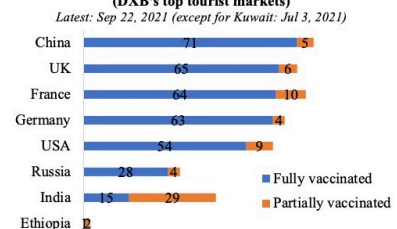
Share of people vaccinated against Covid19 (MENA region)



Daily new confirmed Covid19 cases per mn persons 7-day rolling avg (in DXB's top tourist markets)



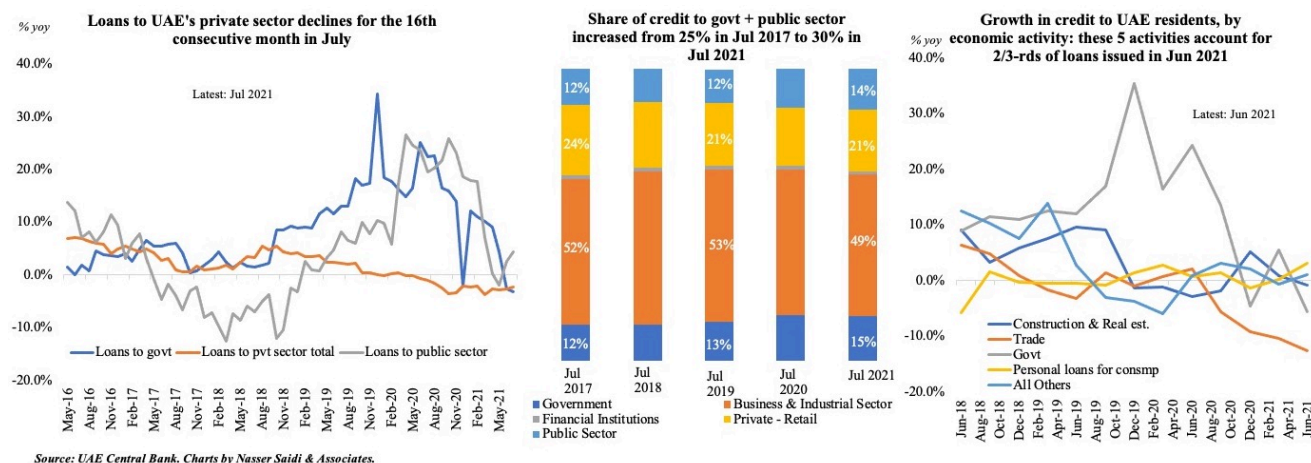
Share of people vaccinated against Covid19 (DXB's top tourist markets)



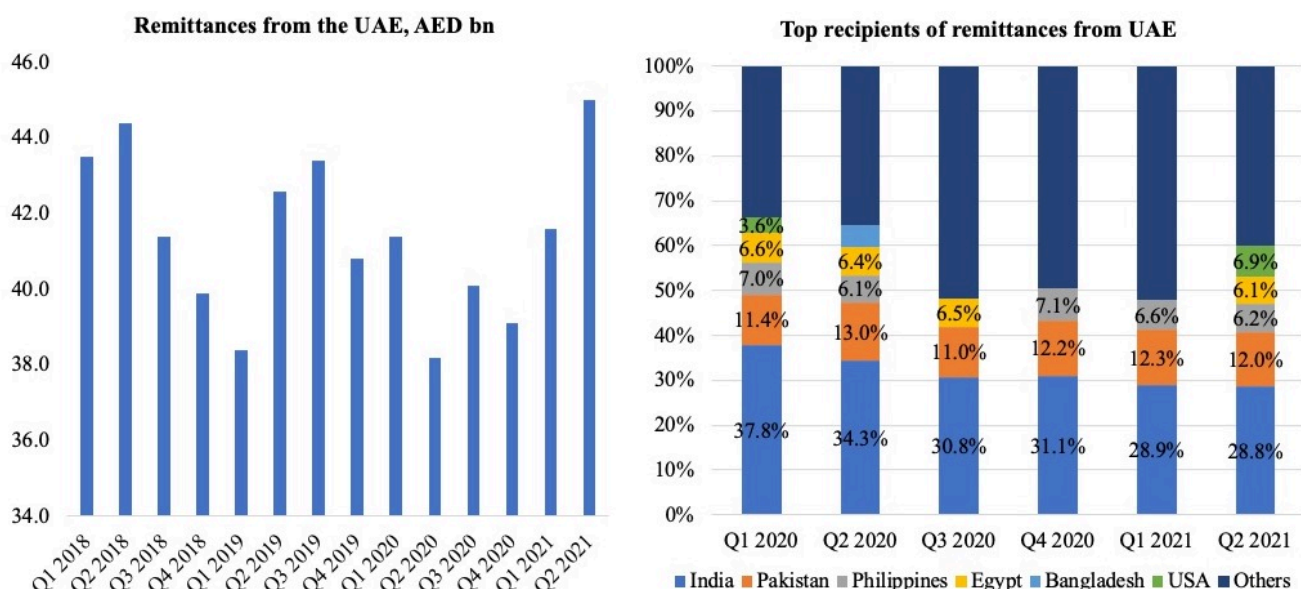
3. The decline in credit disbursed to UAE's private sector

continues past H1 2021

- **Overall domestic credit disbursed in UAE fell by 1.6% yoy and 0.1% mom in Jul 2021**
- **July marks the 16th consecutive month of yoy decline in credit to the private sector and 13th consecutive month of yoy decline in lending to the business sector.**
- A breakdown of lending by economic activity shows that the **major shares with respect to credit by economic activity remain largely unchanged in Jun 2021**: personal loans for consumption (21.3%), construction (20.3%), government (14.6%), others (9.3%) and trade (8.6%) together accounted for 65% of total loans.



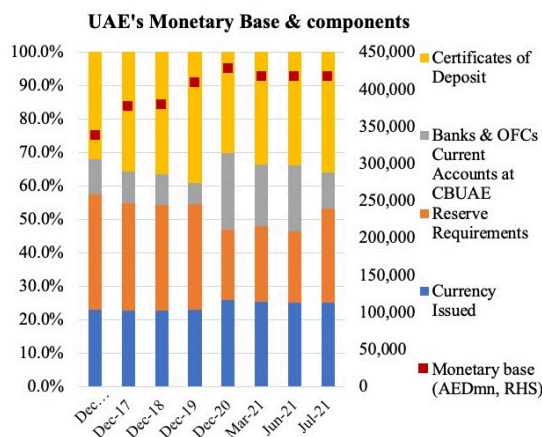
4. Remittances from the UAE surge in Q2 2021



- **In Q2 2021, total remittances from the UAE surged by 17.8% yoy and 8.2% qoq to a total of USD 45.0bn.** In Q1 2020, given the stringent lockdowns, remittances had dropped by 10.3% yoy to USD 38.2bn.
- Remittance transfers via exchange houses declined in Q2 2021; **transfers via banks have gained traction after Covid19**, up 31% qoq and 12% qoq in Q1 and Q2 this year respectively.
- **India retains its spot as the largest recipient of remittances from the UAE. However, its share in remittances dropped** to 28.8% of the total in Q2 this year (vs. 31% at end-Q4 2020 and 37.8% at end-Q1 2020). The decline in share of remittances to India could be due to two factors: one, job losses; two, residents who were affected by the flight ban and stuck in India.

5. UAE banking system remains well capitalized; monetary base contracted in Jul 2021

- **UAE's monetary base contracted by 1.4% mom in Jul**, with Banks & OFC's Excess Reserves (11% of monetary base) declining by almost half (vs a month ago) while Certificates of Deposits purchased by banks (35.9% of monetary base) rose by 4.0% mom.
- **Of the monetary aggregates, M1 and M2 declined** by 0.8% mom and 0.7% respectively in Jul while M3 inched up by 0.1%, thanks to the 4.5% rise in government deposits. *(These values are not seasonally adjusted)*
- The **increases in the multipliers of M1, M2 and M3** indicate slower decline (/faster uptick) in the monetary aggregates M1, M2 (and M3) compared to the contraction of the monetary base



Source: UAE Central Bank. Charts by Nasser Saidi & Associates.

Money Multipliers in the UAE					
	Dec-19	Dec-20	Mar-21	Jun-21	Jul-21
Money Multiplier of M1	1.3	1.4	1.5	1.6	1.6
Money Multiplier of M2	3.5	3.5	3.6	3.6	3.5
Money Multiplier of M3	4.2	4.1	4.2	4.3	4.3

UAE Financial Soundness Indicators (%)					
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Advances to Stable Resources Ratio	81.9%	78.6%	77.6%	77.5%	77.7%
Eligible Liquid Assets Ratio	16.6%	16.9%	18.4%	18.8%	18.3%
Capital Adequacy Ratio (CAR)	17.6%	18.0%	18.2%	17.9%	17.5%
Tier 1 Capital Ratio	16.4%	16.9%	17.1%	16.7%	16.3%

Powered by:

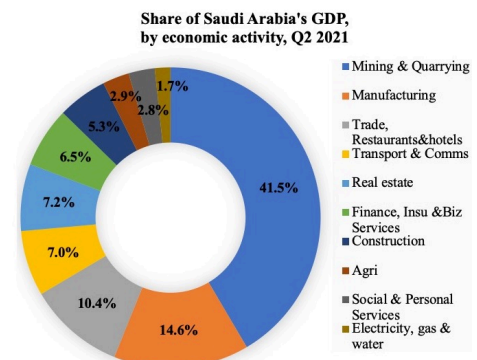
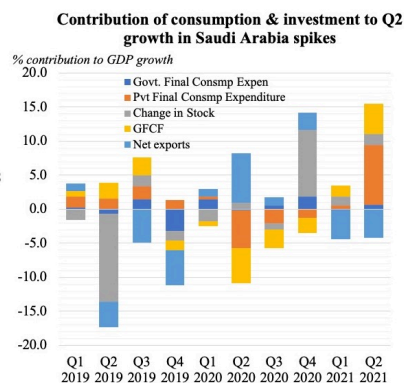
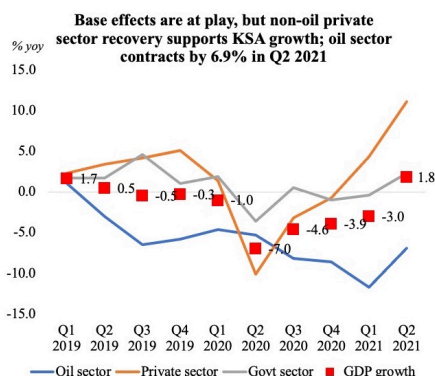


Weekly Insights 16 Sep 2021: Saudi Arabia's economic activity picks up pace

Weekly Insights 16 Sep 2021: Saudi Arabia's economic activity picks up pace

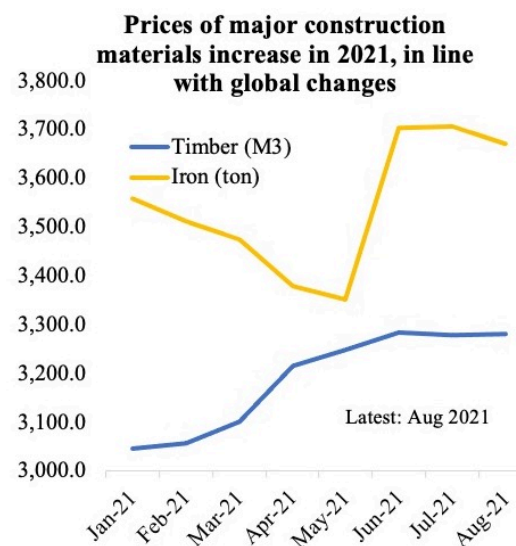
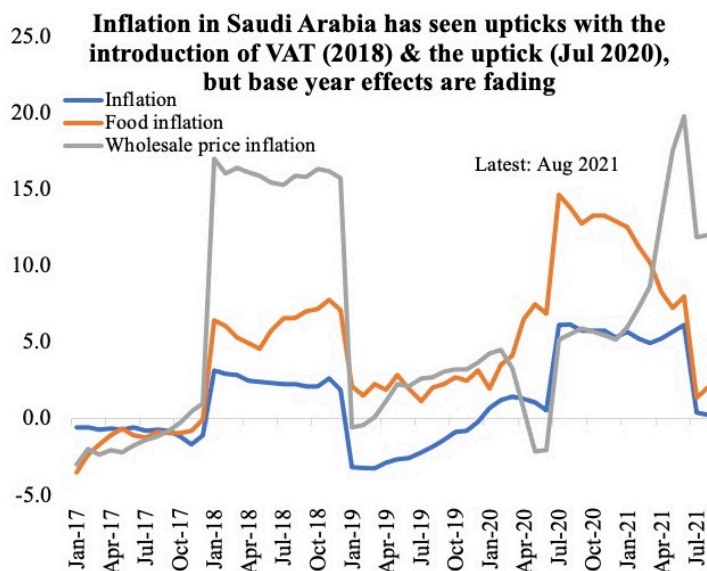
1. Saudi Arabia grows at 1.8% yoy in Q2, with the non-oil sector growing at 8.4%

- **Saudi Arabia's GDP grew by 1.8% yoy in Q2 2021 (Q1: -3.0%), with the non-oil private sector reporting a 11.1% uptick, after rising by 4.4% in Q1.**
- **The major share of activity lies with mining and quarrying (~42%);** together with manufacturing and trade, restaurants and hotels, these 3 sectors account for just over two-thirds of the share of GDP in Q2 2021.
- **Investment (GFCF) and private consumption expenditure were key drivers** contributing to GDP growth in Q2. Given the base effects, both surged in Q2, private consumption by 22.1% and investment by 18.3%.
- **With easing of Covid19 restrictions, Saudi is likely to see an increase in recovery pace,** supported by both domestic demand and investment as well as its implementation of major projects (in non-oil manufacturing, tourism as well as long-term projects in NEOM among others)



Source: General Authority for Statistics Saudi Arabia. Charts prepared by Nasser Saidi & Associates

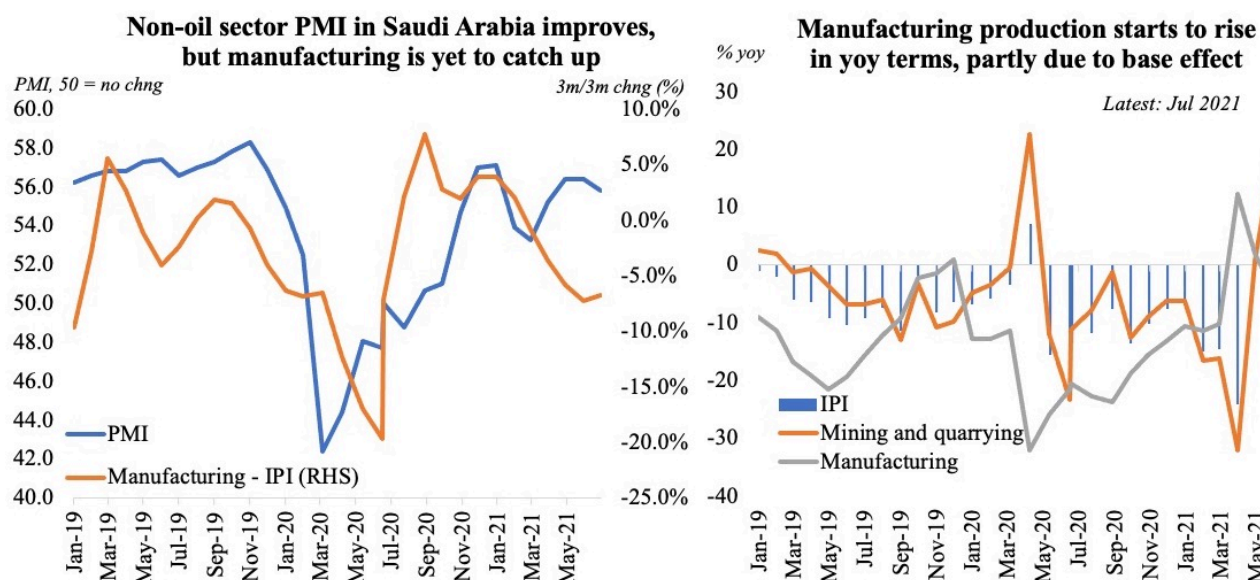
2. Inflation in Saudi Arabia eased for the 2nd month in the



Source: Saudi GaStat. Charts by Nasser Saidi & Associates

- **Inflation in Saudi Arabia eased to 0.3% yoy in Aug** (Jul: 0.4%); however, this compares to last year's surge in the months of Jul-Aug, immediately after the increase in VAT to 15% from 5% before.
- **Food inflation however continues to rise**, up by 2% yoy and 0.8% mom in Aug (Jul: 1.4% yoy) while sectors like transport and clothing showed weaker inflation.
- **Wholesale price index surged by 12% yoy and 0.7% mom in Aug** (Jul: 11.9% yoy), with increase in prices of metal products (given the surge in basic metal prices & electrical machinery) and other transportable goods (given hike in refined petroleum products and basic chemicals prices). Prices of major construction materials have also been on the rise, in line with global trends.

3. Saudi Arabia's PMI stood at an average 55.3 in Jan-Aug



Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates

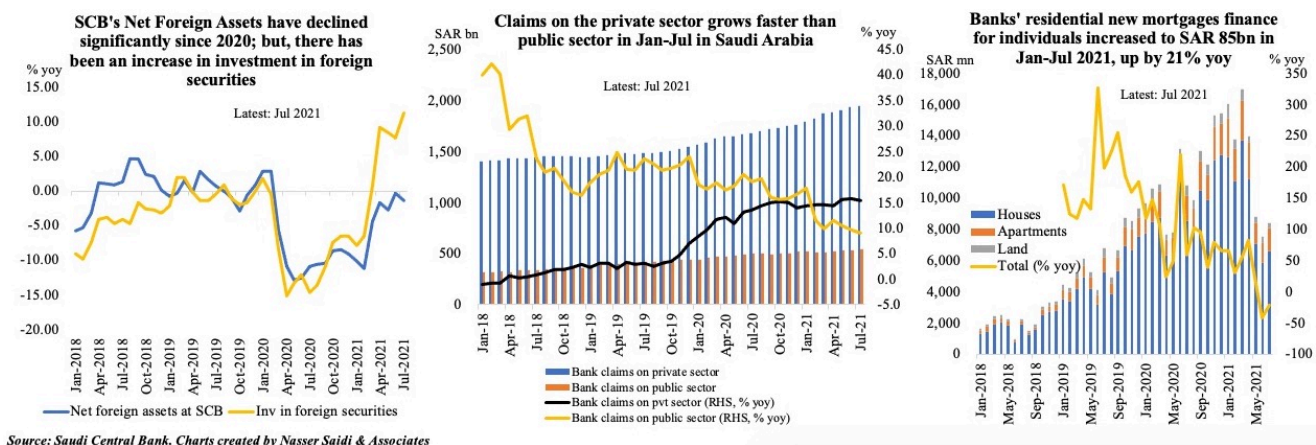
- Saudi **non-oil sector PMI declined to 54.1 in Aug, a tad lower than the average so far this year**. The month saw new orders growth slowing alongside a softer recovery in export orders as output expanded at the slowest pace in 10 months.
- Official data show that **overall industrial production (IP) inched up by 5.9% in Jul** while manufacturing dropped by 9.3% as mining/ quarrying sector production improves. The chart tracks three-month-on-three-month changes in the official IP data to remove some volatility. It shows that improvement in non-oil sector is happening faster than in official manufacturing – pointing to the **strength in recovery of the non-oil, non-manufacturing sectors**.

4. Saudi net foreign assets decline in Jul amid upticks in credit disbursed & mortgages

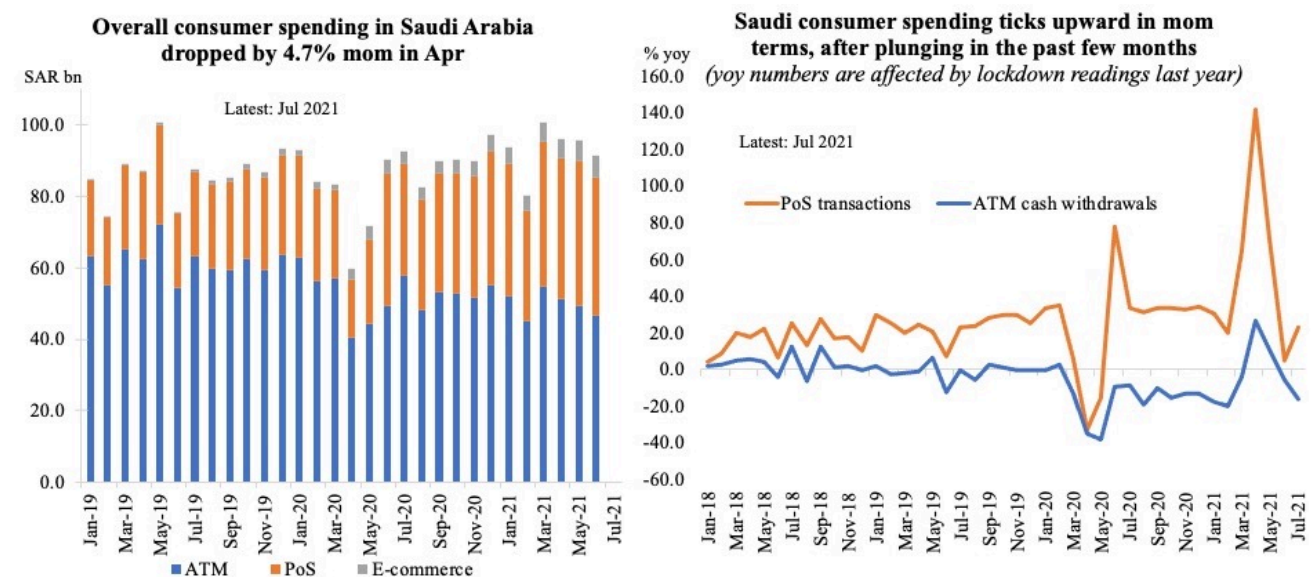
- **Saudi net foreign assets posted a 1% mom decline** to SAR 1.64trn in Jul. However, the amount of money invested in foreign securities rose by SAR5bn to SAR 1.13trn in Jul, the highest monthly figure since Apr.
- **Credit to the private sector has accelerated** by an average of 15% yoy in Jan-Jul 2021 while lending to the

public sector was growing at a slightly lower pace of 11.4%. Meanwhile the number of branches have been on the decline considering many consumers' move online and prominence of digital banking.

- **Residential mortgage finance has been one of the fastest growing segments**, surging on the back of plans to increase home ownership. The **banks have lent SAR 85.4bn for new residential mortgages for individuals** during Jan-Jul 2021, up from USD 70bn in the same period a year ago. From the chart a significant decline can be seen in the last few months.

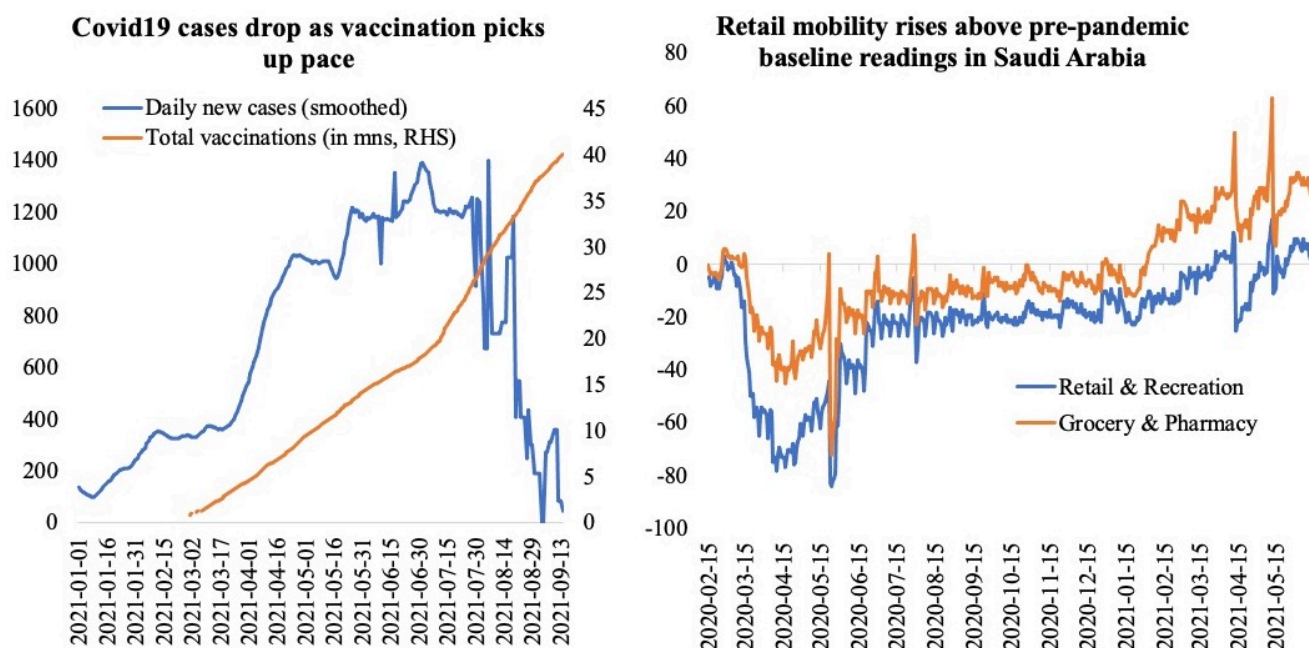


5. Consumer spending in Saudi Arabia is picking up as digital adoption surges



- **Overall consumer spending has been rising through 2021, while digital adoption is surging.**
- ATM transactions have declined by 6% yoy in Jan-Jul 2021; PoS transactions are up by 42% yoy during the period compared to a year ago while **e-commerce transactions** have almost doubled!
- Such a pattern is **underscored by the results of a recent McKinsey survey about consumer preferences**: about **58% of Middle East consumers expressed a strong preference for digital payments**, while only 10% strongly preferred cash.

6. Daily cases in Saudi fall & as restrictions are eased; with higher vaccination doses as well, retail mobility returns to pre-pandemic rates



Source: Our World in Data (latest: 14th Aug), Google Mobility reports (latest: 10th Aug). Charts created by Nasser Saidi & Associates

Note: Baseline for Google Mobility report is the median value, for the corresponding day of the week, during 5-week period Jan 3-Feb 6, 2020.

- **Daily new cases in Saudi Arabia have fallen to less than 500 in the past few weeks or so as vaccination pace increased significantly.** Just under 50% of the population is fully vaccinated and another 16% are partly vaccinated. Stringency levels, as tracked by the Oxford COVID-19 Government Response Tracker, has come

also down: at an average 51.3 in Aug (Jul: 53.1).

- **In addition to easing restrictions, high levels of vaccination are leading to greater mobility:** retail/ recreation/ shopping mobility has risen above pre-pandemic baseline levels in Saudi Arabia as vaccination doses per 100 people touched 113.82 (UAE: 191.8; Bahrain: 144.7).

Powered by:

