Panelist at the IMF's MENA Conference"Divergent Recoveries in Turbulent Times in the Middle East & North Africa", 24 May 2022

Dr. Nasser Saidi participated as a panelist at the IMF's event related to the Regional Economic Outlook report for the Middle East and North Africa region held on 24th May, 2022. The panel discussion was titled "**Divergent Recoveries in Turbulent Times in the Middle East & North Africa**" and discussed in addition the impact of US elections on the Middle East.

Dr. Nasser Saidi touched upon the potential risks of a global recession / stagflation, its impact on MENA nations, drivers of inflation, rising food prices and on Lebanon's recovery prospects (post elections).

Watch the video of the webinar below:

Weekly Insights 25 Feb 2021: Rising global food prices amid supply chain disruptions & impact on import-dependent

dollar-pegged GCC nations

Download a PDF copy of this week's insight piece [here](#).

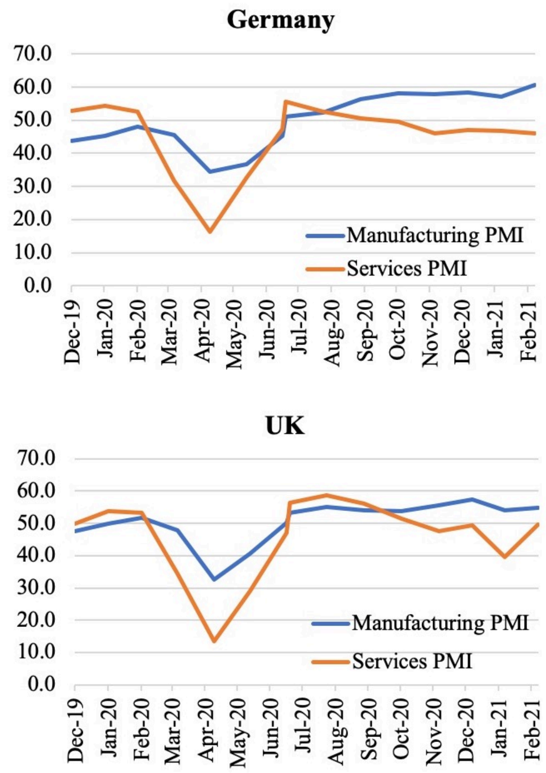
Chart 1. PMIs indicate rising manufacturing activity vs restrictions-hit services weakness

- Forward looking **manufacturing PMIs are recovering**, thanks to new orders
- But **pain points include** supply chain disruption, delivery delays & rising input prices
- **Weakness in services PMI continues**
- **UK & Germany** (among the most stringent nations currently, with scores at 86.11 & 83.33 respectively) show the **divergence**, though the former is starting to stabilise
- **Declines during the current lockdown period is not as severe as in Apr 2020**
- Vaccine roll-out will lead to greater confidence in the months ahead

Heatmap of Manufacturing PMIs

	US	Germany	EU	UK	Japan
Jan-19	54.9	49.7	50.6	52.8	50.3
Feb-19	53.0	47.6	49.5	52.1	48.9
Mar-19	52.4	44.1	48.3	55.1	49.2
Apr-19	52.6	44.4	48.4	53.1	50.2
May-19	50.5	44.3	47.9	49.4	49.8
Jun-19	50.6	45.0	47.6	48.0	49.3
Jul-19	50.4	43.2	46.6	48.0	49.4
Aug-19	50.3	43.5	47.1	47.4	49.3
Sep-19	51.1	41.7	46.0	48.3	48.9
Oct-19	51.3	42.1	46.2	49.6	48.4
Nov-19	52.6	44.1	47.0	48.9	48.9
Dec-19	52.4	43.7	46.4	47.5	48.4
Jan-20	51.9	45.3	48.1	50.0	48.8
Feb-20	50.7	48.0	49.1	51.7	47.8
Mar-20	48.5	45.4	44.3	47.8	44.8
Apr-20	36.1	34.5	33.4	32.6	41.9
May-20	39.8	36.6	39.5	40.7	38.4
Jun-20	49.8	45.2	47.4	50.1	40.1
Jul-20	50.9	51.0	51.7	53.3	45.2
Aug-20	53.1	52.2	51.6	55.2	47.2
Sep-20	53.2	56.4	53.5	54.1	47.7
Oct-20	53.4	58.2	54.8	53.7	48.7
Nov-20	56.7	57.8	53.8	55.6	49.0
Dec-20	57.1	58.3	55.2	57.5	50.0
Jan-21	59.2	57.1	54.8	54.1	49.8
Feb-21	58.5	60.6	57.7	54.9	50.6

Divergence between manufacturing & services PMI

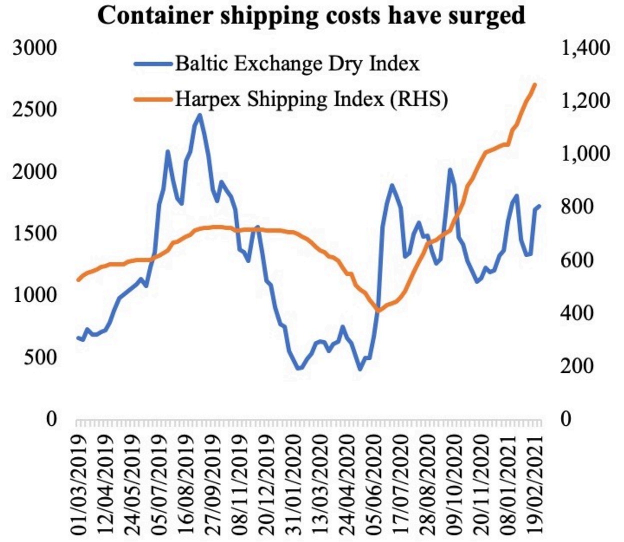


Source: IHS Markit, Refinitiv Datastream. Table and charts created by Nasser Saidi & Associates

Chart 2. Global trade recovers in Q4 2020; Q1 2021's restrictions in likely to cause deceleration

- WTO estimates show a **strong Q4 (index reading of 103.9)**. New Covid variants & lockdown restrictions is likely to have a negative impact on goods trade in Q1
- **Container shipping costs have been surging**, given the increase in demand alongside delays at ports and lack of ships/ containers
- The **reduction in air freight capacity adds to the capacity conundrum**. In 2020 overall, industry-wide cargo tonne-kilometres fell by 10.6% yoy – the largest decline on record (IATA)

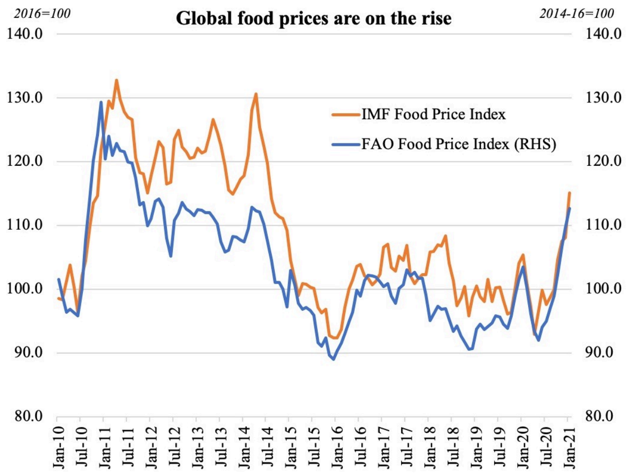
Source: World Trade Organisation



Source: Refinitiv Datastream. Chart created by Nasser Saidi & Associates

Chart 3. Global food prices are rising: will MENA's food importers be severely hit?

- The increase in freight prices have also **spilled over into global food prices**: pandemic-led supply chain issues aside, production shortfalls due to unfavourable weather conditions and high export tariffs have also contributed to the uptick.
- Over the past six months, **the IMF's food price index has seen a 6% spike, outpacing the all commodities price index which averaged a 1% increase!**
- **Food security is a major concern in the MENA region**, given water-constraints. 12 of the 17 most water-stressed nations are in the Middle East (World Resources Institute) => high dependence on food imports & hence **highly exposed to global food price volatility**
- High income but resource-constrained nations like UAE are **taking steps to counter this**, including support for domestic production via technological innovations (AgriTech, hydroponics, vertical farming)



Source: IMF, FAO; Chart created by Nasser Saidi & Associates

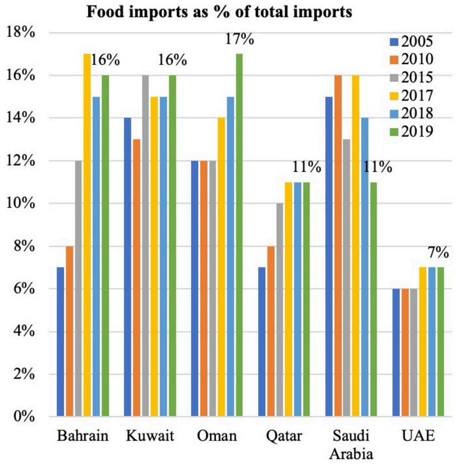
MENA nations' scores in EIU's Global Food Security Index

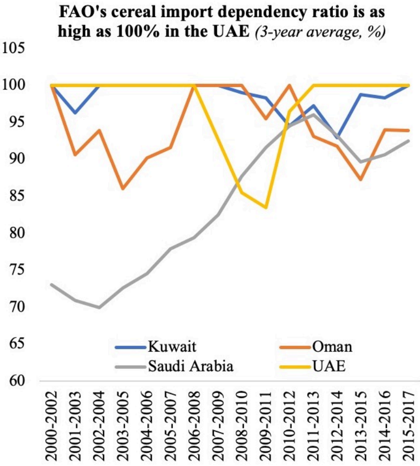
	Global rank	Overall score	Affordability	Availability	Quality & Safety	Natural resources & resilience
Kuwait	33rd	70.7	82.7	68.3	86.4	37.2
Oman	34th	70.2	88.5	59.1	83.7	43.8
Qatar	37th	69.6	80.3	70.7	84.3	33.6
Saudi Arabia	38th	69.5	79.6	73	79.8	34.1
UAE	42nd	68.3	73	66.5	88.8	42.4
Turkey	47th	65.3	66	67.2	78.3	47.4
Bahrain	49th	64.6	82.6	56.8	76.7	33.7
Morocco	57th	62	76.3	51.4	67.4	49.5
Algeria	58th	61.8	78.7	55.7	62	42
Tunisia	59th	61.4	69	56.7	70.8	46.7
Egypt	60th	61.1	51.8	75.2	64.3	49.4
Jordan	62nd	60.4	77.1	48.2	63.1	49.5
Syria	101st	40	29.3	41.3	55.6	41.5
Yemen	113th	35.7	40.3	27.5	36.9	41.2

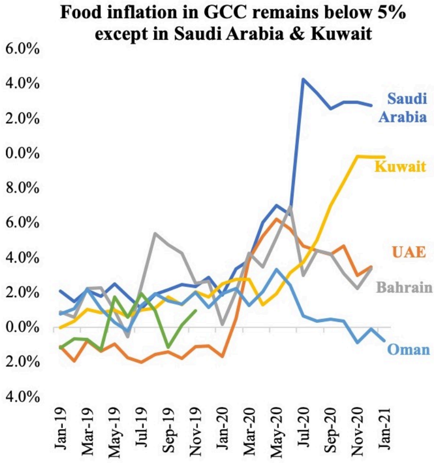
Source: Global Food Security Index (Dec 2020), EIU.

Chart 4. Will this lead to rising food inflation in the GCC?

- **Food imports as a share of total imports** ranged from UAE's 7% to Oman's 17% in 2019 (WTO)
- Further breakdowns reveal the extend of dependence: the FAO's **cereal import dependency ratio** (3-year average) places **UAE at 100% & Saudi Arabia at 92.5%** (for the period 2015-2017); GCC imports almost 100% of its rice consumption and approximately 62% of meat and 56% of vegetables (PwC).
- **Food inflation is still less than 5% in most GCC nations** other than Saudi Arabia (affected by the VAT hike) and Kuwait (fruits, vegetables and meat/poultry have seen double-digit rises since last Jul).
- The **higher share of disposable income spent on food by poorer segments of the population** would imply that rising food prices would affect them more, thereby **widening the inequality gap further** (in addition to Covid19's impact)
- Imported inflation in the backdrop of being pegged to the dollar implies that **price controls might be need to contain food inflation if it continues to surge further**. However, **overall inflation remains low**, with other major components like utilities & rent on a decline.







Source: World Trade Organisation, FAO, Refinitiv Datastream. Charts created by Nasser Saidi & Associates

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