

# Comments on Turkey's economy in the aftermath of the earthquake, The National, 8 Feb 2023

Dr. Nasser Saidi's comments (posted below) on Turkey's economy in the aftermath of the earthquake, appeared in the article titled "[Powerful earthquakes pile pressure on Turkey's slowing economy](#)" on The National dated 8th February 2023.

*Turkey was already facing a "serious economic crunch" before the earthquake, says Nasser Saidi, president of Nasser Saidi & Associates and former chief economist of the Dubai International Financial Centre.*

*"The nation had already reported a 0.1 per cent quarter-on-quarter decline in [the third quarter of] 2022, given weak exports and demand, and the earthquake will only add to its economic woes."*

*Overall, the country's economy will take time to recover from the natural disaster.*

*"Once it begins, reconstruction of infrastructure, buildings and housing will add jobs, support consumer spending and contribute to growth," says Mr Saidi. "But, in the meanwhile, there is much uncertainty, especially given the coming elections over the summer [likely in May, but could be delayed if rebuilding takes longer]."*

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# Interview with Al Arabiya (Arabic) on threats to the global economy in 2023, 1 Jan 2023

In this interview with Al Arabiya aired on 1st Jan 2023, Dr. Nasser Saidi discusses potential threats to the global economy in 2023. He touches upon slowing global growth/ recessions and divergent growth rates in the back drop of inflation and role of the central banks amid a strong dollar. Also touched upon was growth prospects in China.

Watch the interview at [this link](#) as part of the related news article

## ما هو الخطر الأكبر على الاقتصاد العالمي في 2023؟

### ناصر السعيدى للعربية: نمو اقتصاد الصين سيتجاوز 5% في 2023

قال رئيس شركة ناصر السعيدى وشركاه، الدكتور ناصر السعيدى، إن هناك 4 عوامل تؤثر في نسب نمو الاقتصاد العالمي خلال 2023، منها العوامل الجيوسياسية المتمثلة في الحرب بين روسيا وأوكرانيا من جهة، والمواجهة والحرب الاقتصادية بين الصين وأميركا من جهة أخرى، وتداعيات حرب أوكرانيا على سوق الطاقة وارتفاع أسعار النفط بما يؤثر على الدول الناشئة والمستوردة للنفط، بالإضافة إلى حالة عدم اليقين بشأن نسب التضخم والسياسات النقدية.

وأضاف السعيدى، في مقابلة مع "العربية"، اليوم الأحد، أن عام 2023

سيشهد تبايناً بين نسب النمو والركود بين دول العالم، وسيحدث ركوداً بداية من بريطانيا تلحقها أوروبا خلال الربع الأول من 2023.

وأوضح السعيد، أن أميركا قد تتجنب الركود العميق مع إمكانية نجاح الفيدرالي الأميركي في رفع الفائدة ولجم التضخم.

وتوقع رئيس شركة ناصر السعيد وشركاه، أن ترفع الصين نسب النمو لتتجاوز نسبة 5% في 2023 مع ضخ مساعدات لقطاع التكنولوجيا وزيادة الإنفاق على البنية التحتية، وبدعم من قطاع التجزئة الذي مر بفترة توقف بسبب كوفيد-19، ولذلك سترتفع نسب الاستهلاك.

وأوضح أن الصورة عالمياً ستشهد تبايناً كبيراً في النمو بين المناطق.

ورجح السعيد، أن يستمر البنك المركزي الأميركي في رفع أسعار الفائدة إلى أكثر من 5% وأن تصل النسبة في أوروبا إلى ما بين 4 إلى 4.5% في 2023.

وكشف أن الركود الاقتصادي سينتشر في 2023، وقد يشهد الفصل الأخير من 2023 بداية عودة النمو، مع استمرار الركود في أوروبا لنحو 9 أشهر.

وعن أبرز خطر يهدد الاقتصاد العالمي في 2023، قال رئيس شركة ناصر السعيد وشركاه، إن العامل المؤثر الأكبر في 2023، سيكون الحرب الاقتصادية بين أميركا والصين وإمكانية وصولها إلى مواجهة عسكرية، وأيضاً التضخم، بعد أن أصبحت مصداقية البنوك المركزية على المحك في لجمه للمستويات المستهدفة، والذي لم يعد خياراً بعد تأخر الفيدرالي الأميركي والمركزي الأوروبي وبنك إنجلترا في رفع الفائدة خلال 2022، وهو ما يستحيل التراجع عنه.

وقال "هذه البنوك المركزية أصبحت مضطرة للمضي في سياسة التشدد النقدي، وهو يضغط على دول لديها حجم ديون مرتفع مثل إيطاليا ومصر، حيث تبلغ نسبة الديون في إيطاليا بالنسبة للنتاج القومي 750% ورفع الفوائد إلى 4% سيرفع كلفة الدين، ولذلك فمن أهم "الأخطار حدوث أزمة سوق الدين لا سيما في الدول الناشئة".

وتوقع السعيد، أن يكون الدولار قوياً في 2023، بسبب ارتفاع الفائدة ولجوء الاستثمارات إلى الأسواق الأميركية، مع حدوث تراجع بسيط في أسعار النفط بنحو 5 إلى 10 دولارات ليصبح في حدود 70 إلى

75 دولارا للبرميل، مع التفاؤل بشأن اقتصادات دول الخليج بدعم من أسعار النفط المرتفعة نسبيا وهو ما يساعد ميزانيات دول الخليج، وكذلك يزيد احتياطي العملات الأجنبية لديها.

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## Comments on “2021: Year in Review” in Arab News, Dec 30 2021

Dr. Nasser Saidi's comments appeared in an Arab News article titled “[2021 Year in Review: New coronavirus variant, inflation test strength of global economic recovery](#)” published on 30th December 2021.

The comment is posted below.

*Nasser Saidi, Middle East economic expert, said: “Unless the vaccination pace improves drastically (especially in low-income nations) and the new variant is rapidly brought under control, the global economy could see brakes applied on growth at least in the first quarter of next year.”*

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## Weekly Insights 14 Oct 2021:

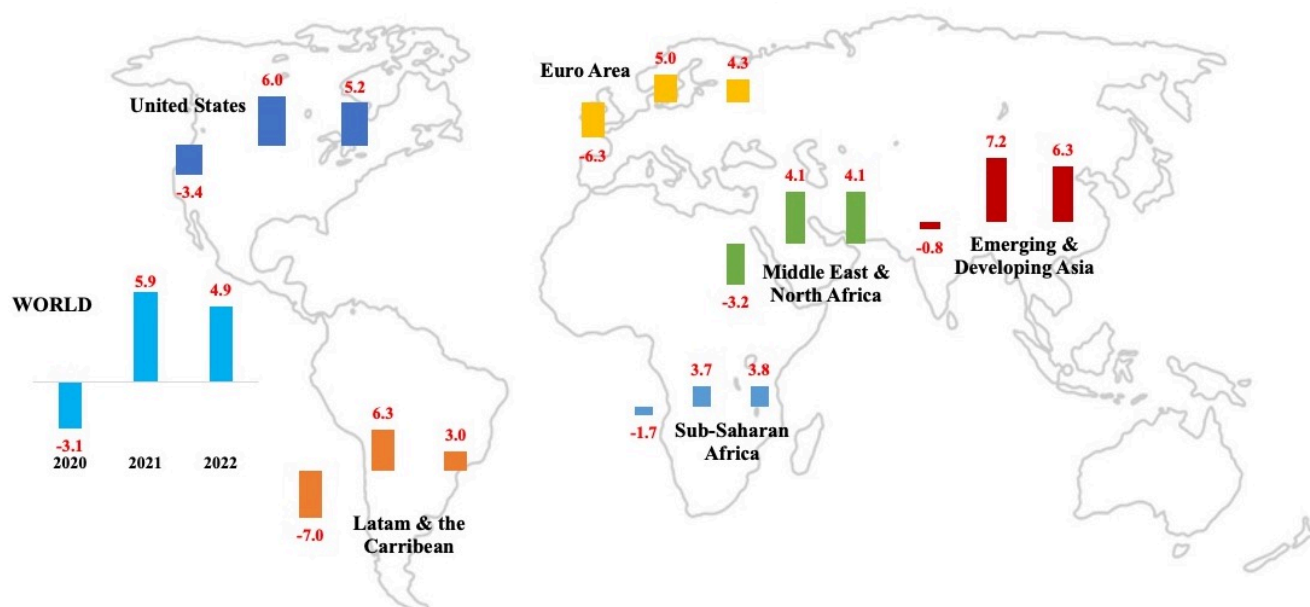
# Global divergence in growth predicted – can MENA cope?

## Weekly Insights 14 Oct 2021: Global divergence in growth predicted – can MENA cope?

### 1. The IMF expects global growth to recover by 6% in 2021, but at divergent paces

The main message from the IMF remains a sombre one: for full global recovery, vaccine deployment has to be increased; as supply chain constraints continue amid high demand, and even as employment is below pre-pandemic levels inflation is a worry (expected to decline in 2022, but highly uncertain); as economies rollback stimulus measures, economies need to be prepared for liquidity challenges as well as capital outflows.

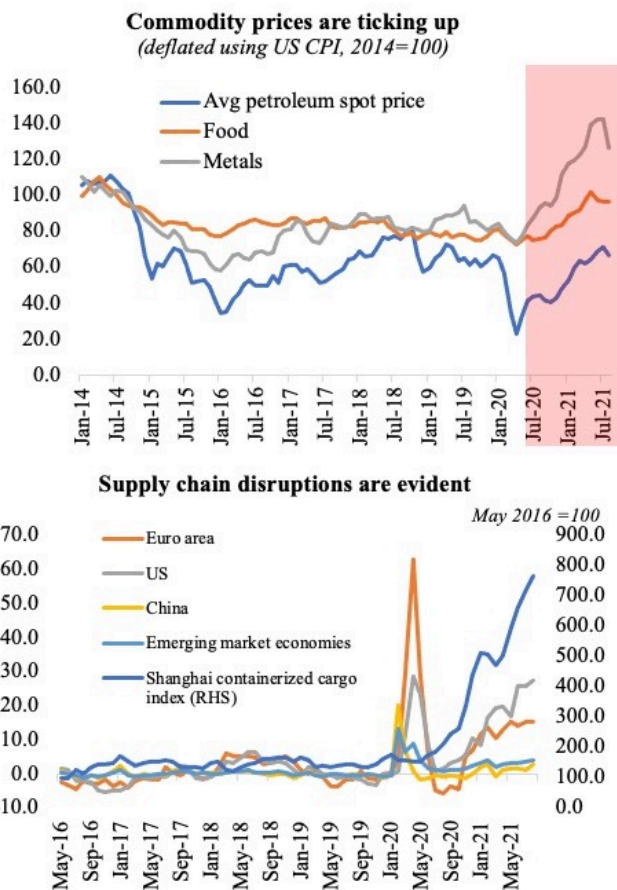
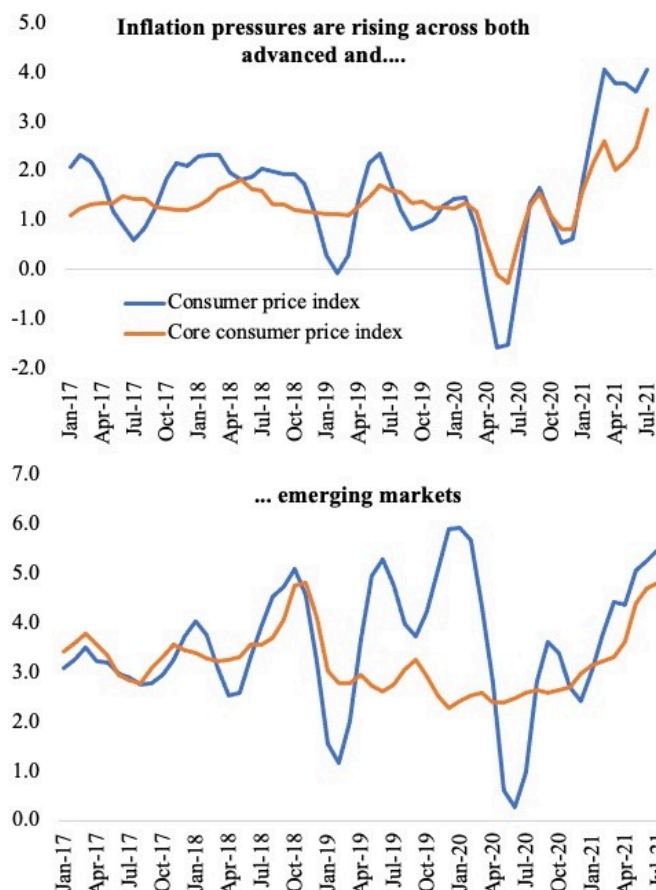
Global economic growth set to recover by 5.9% this year: IMF



Source: IMF World Economic Outlook, Oct 2021. Chart by Nasser Saidi & Associates

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is a major risk factor: more so, if pandemic-induced supply-demand mismatches persist for longer



Source: IMF World Economic Outlook, Oct 2021

Supply chain disruptions are calculated as the difference between the supply delivery times subindex in purchasing managers' index (PMI) and a counterfactual, cyclical measure of supply delivery times based on the manufacturing output subindex in the PMI.

- A confluence of (a) supply chain disruptions; (b) cyclical recovery of demand post-Covid (fueled by fiscal & monetary stimulus); and (c) weather shocks is leading to the current uptick in prices
- Disruptions are likely to continue into early next year but any prolonged supply shortages will lead to more uncertainty; wages are another question mark (depending on demand vs supply)

### 3. The Middle East & North Africa region is estimated to grow by 4.1% this year and next

- **The oil exporters will benefit from the recent uptick in prices**, and along with a relatively higher pace of vaccination, witness a return to pre-pandemic growth levels by next year

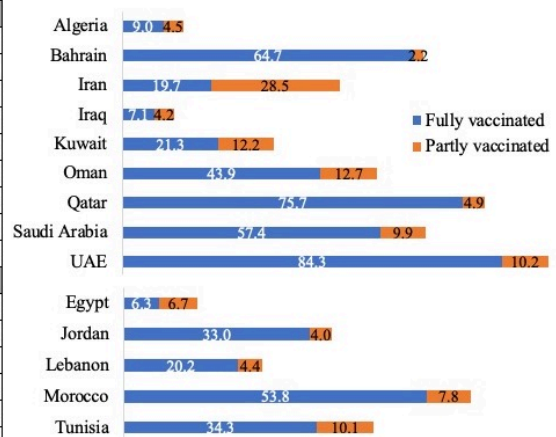
- **Oil importers** will be hit by the rising oil prices and food prices (exerting greater pressure on poorer families), but a faster vaccination pace could support a return to “normal” sooner in tourism dependent nations (like Egypt & Jordan)
- **Covid19 and its aftermath will likely result in a further widening of inequality:** be it health (pace of vaccination), jobs (nearly one third of the employed population in the region is facing high risks of layoff or reduction of wages and/or hours of work: ILO/ESCWA), poverty (18mn people have been pushed into poverty in MENA: World Bank)
- **What needs to be done?** Highlights the need for social safety nets / cash transfers; support for women and youth to return to the labour force; ensure that children return to school & resume studies after the pandemic-gap. In the absence of support, the region might be looking at a phase of greater social unrest

**GDP growth in the Middle East & North Africa region (% yoy)**

	2000-18	2019	2020	2021	2022
<b>Oil Exporters</b>					
Algeria	3.4	0.8	-4.9	3.4	1.9
Bahrain	4.6	2.6	-5.1	2.4	3.1
Iran	3.4	-6.8	3.4	2.5	2.0
Iraq	10.1	5.8	-15.7	3.6	10.5
Kuwait	3.8	-0.6	-8.9	0.9	4.3
Oman	3.5	-0.8	-2.8	2.5	2.9
Qatar	9.4	0.8	-3.6	1.9	4.0
Saudi Arabia	3.7	0.3	-4.1	2.8	4.8
UAE	4.4	3.4	-6.1	2.2	3.0
<b>Oil importers</b>					
Egypt	4.4	5.6	3.6	3.3	5.2
Jordan	4.6	2.0	-1.6	2.0	2.7
Lebanon	3.6	-7.3	-25.0	n/a	n/a
Morocco	4.2	2.6	-6.3	5.7	3.1
Tunisia	3.2	1.0	-8.6	3.0	3.3
West Bank & Gaza	4.0	1.4	-11.5	4.4	6.0

Source: IMF World Economic Outlook database, Oct 2021

**Pace of vaccination remains unequal within MENA**

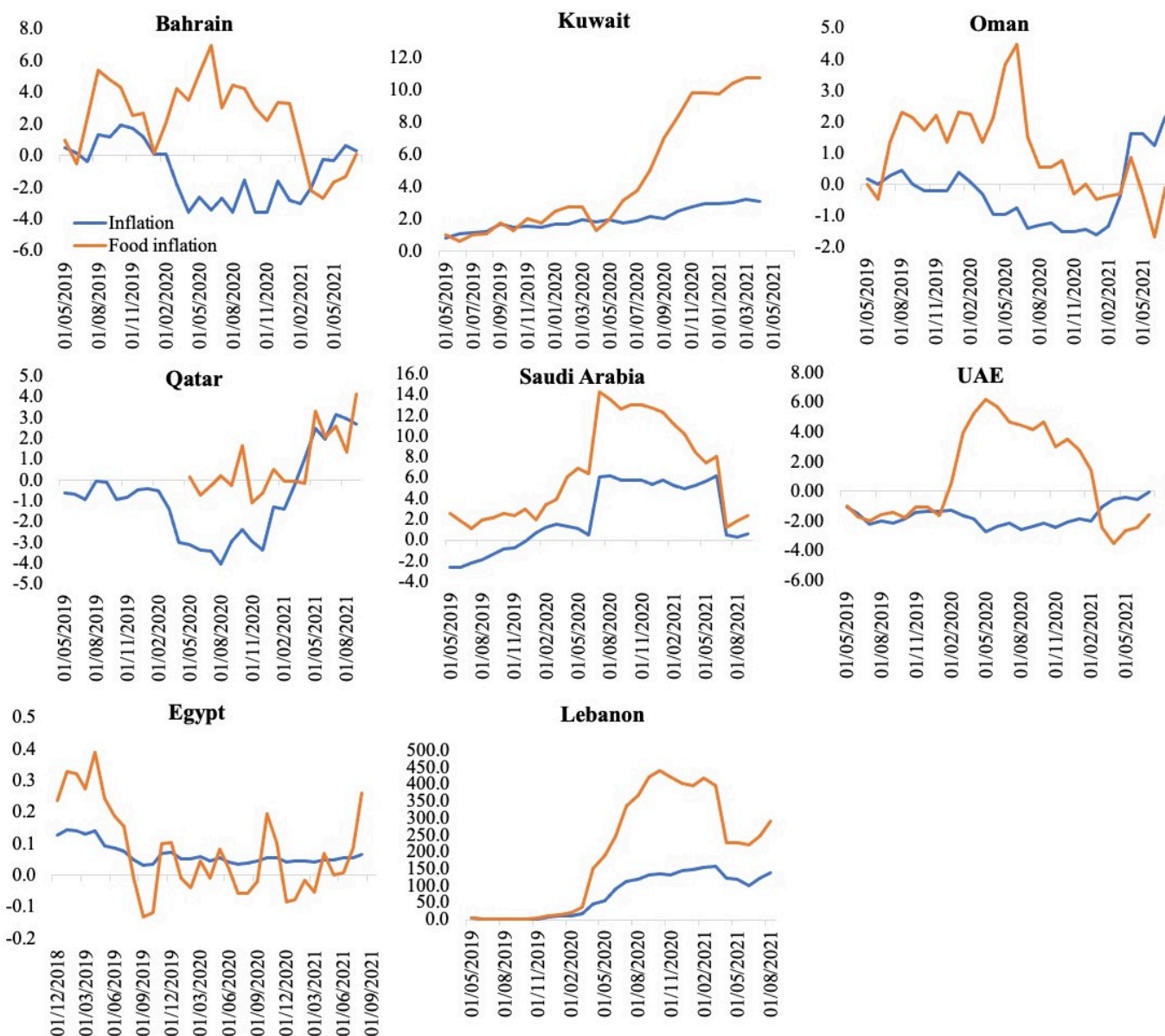


Source: Our World in Data.

ion in the MENA region is ticking up, as food prices increase sharply

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Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates

Data updated as of Sep for Qatar, Saudi Arabia, Egypt; as of Aug for Lebanon; till July for the rest

## 5. A Bird's Eye View of the Fiscal Outlook: Global govt debt at just below 100% of GDP; higher vs. pre-pandemic

- **Fiscal balance remains in deficit in 2021 across all regional groupings**, with the global reading at 7.9% vs MENA's 4.3% and Saudi's 3.1%. A summary of fiscal measures since Jan 2020 are charted for select MENA countries (below)
- **Governments have scaled back spending** in 2021, but **government revenues are still low** compared to pre-pandemic levels. Furthermore, when **stimulus measures** (~\$16.9trn in pandemic-related fiscal measures) **are rolled**

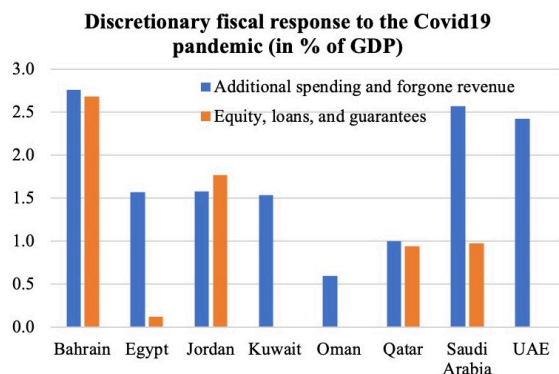


**back**, businesses could be struggle to meet financing requirements, resulting in lower revenues/ insolvencies/ bankruptcies

- **Government debts have increased in 2020 & 2021**, and is unlikely to fall back to pre-pandemic levels soon => **greater risk to global interest rate hikes & refinancing risks** (esp those nations with limited fiscal space)
- **What can be done to ease MENA's fiscal pain?** 1. Reduce spending on subsidies, wages; 2. Improve mobilization of revenues + introduction of new taxes (e.g. carbon tax) and/or increase in existing taxes (VAT, excise) to be supported by cash transfers to the poor (where needed); 3. introduction of fiscal rules (only 1/3-rd have such rules in place currently); 4. support businesses (after stimulus measures are removed) by providing deferred tax payment options

Fiscal balance & debt (% of GDP) in select regions				
Advanced Economies	2019	2020	2021	2022
Overall fiscal balance (% of GDP)	-3.0	-10.8	-8.8	-4.8
Gross debt (% of GDP, RHS)	103.8	122.7	121.6	119.3
Emerging Market Economies				
Overall fiscal balance (% of GDP)	-4.6	-9.3	-6.6	-5.7
Gross debt (% of GDP, RHS)	54.0	63.1	63.4	64.8
Oil producers				
Overall fiscal balance (% of GDP)	-0.2	-7.5	-4.2	-2.2
Gross debt (% of GDP, RHS)	45.5	58.0	54.1	52.9
Saudi Arabia				
Overall fiscal balance (% of GDP)	-4.5	-11.3	-3.1	-1.8
Gross debt (% of GDP, RHS)	22.8	32.5	29.7	30.8

Source: IMF Fiscal Monitor, Oct 2021

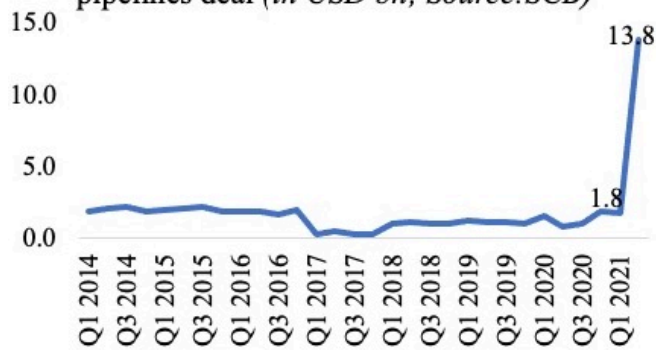


Source: Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, IMF

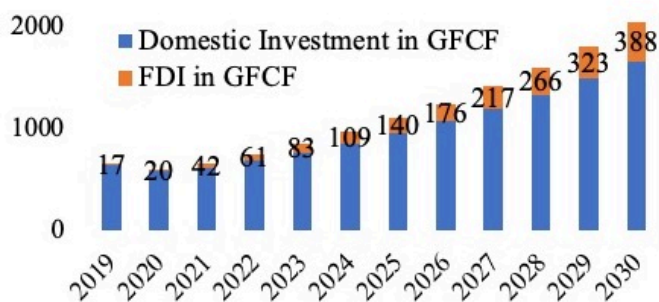
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**s record-high federal budget for 2022 & Saudi Arabia's ambitious FDI targets hogged headlines this week**

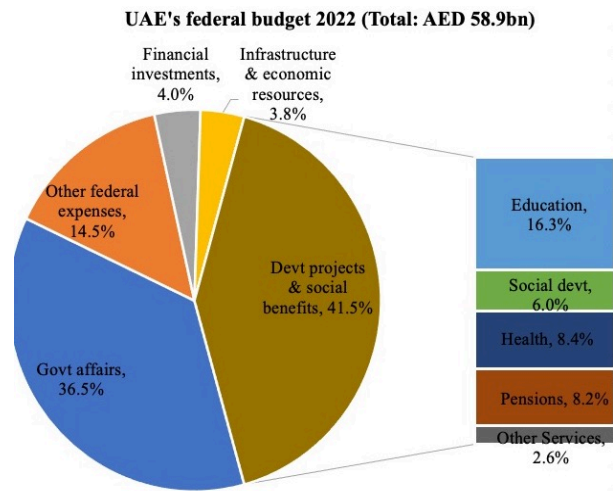
**Saudi posts a record-high FDI inflow in Q2 2021**, likely given Aramco's oil pipelines deal (in USD bn; Source:SCB)



**Saudi's ambitious National Investment Strategy targets triple investment volume to SAR 2trn by 2030; FDI to rise 20X by 2030**



Source: National Investment Strategy document



Source: UAE Ministry of Finance; Chart by Nasser Saidi & Associates

- **UAE's federal budget** for the 5 years 2022-26 stands at a record high total of AED 290bn
- **Budget expenditure for 2022 is set at AED 58.931bn**, with bulk of it allocated to development projects & social benefits
- Given the oversubscribed orders for UAE's debut federal bonds, **more federal issuances can be expected in the future** (eventually in local currency) & used towards infrastructure spending
- **Saudi Arabia's highly ambitious National Investment Strategy** expects to raise net FDI to SAR 388bn annually & raise local investments to SAR 1.7trn by 2030
- **FDI inflows have been low in recent quarters** compared to historical averages of between USD 8-10bn a quarter during 2008-10. Net FDI touched USD 5.5bn last year.

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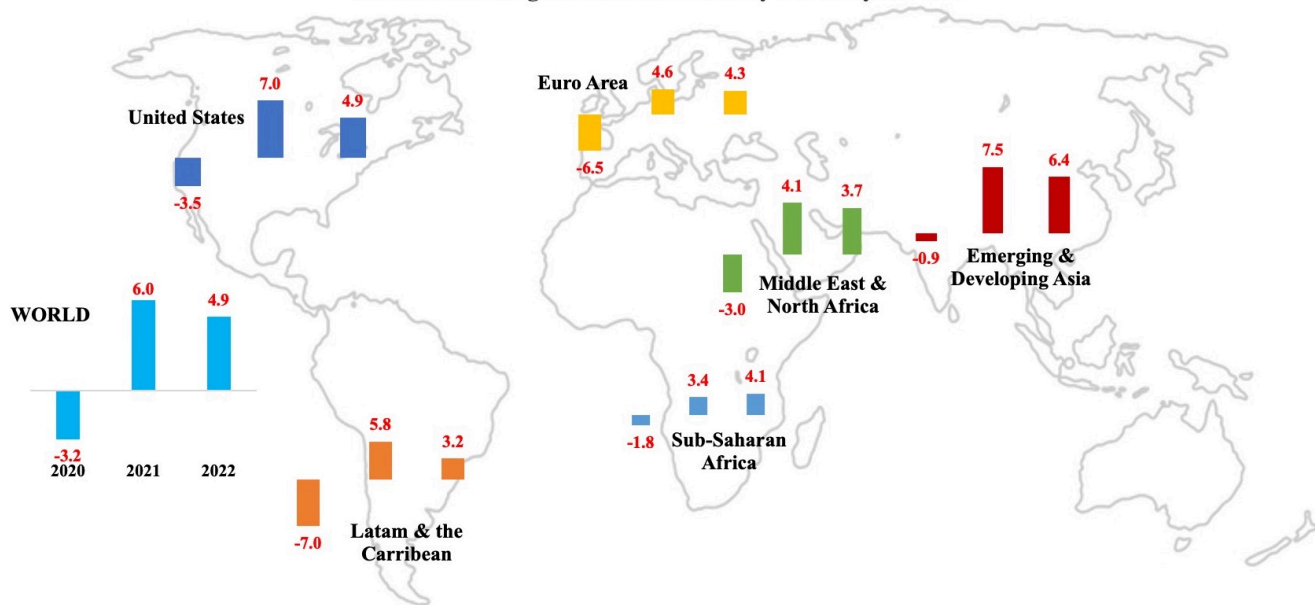
# Weekly Insights 29 Jul 2021: Global growth & inflation outlook + credit & inflation (GCC/ UAE)

## Weekly Insights 29 Jul 2021: Global growth & inflation outlook + credit & inflation (GCC/ UAE)

### 1. Global growth forecast at 6% in 2021: IMF

- The **IMF's World Economic Outlook**, updated this week, **forecasts global growth at 6% this year** (unchanged from the Apr 2021 estimate).
- However, the **underlying forecasts show greater divergence**: an uptick in advanced nations growth estimates (+0.5 ppt from Apr 2021 forecast) was offset by a 0.4 ppt drop in emerging markets growth.
- **Multiple risk factors to growth**: dealing with new variants amid an uneven vaccine rollout globally (in low income nations less than 1% of the population have received one dose), continuation of supply-demand mismatch and steady increase in inflation, earlier-than-expected tightening of interest rates in the US, early withdrawal of fiscal support etc.

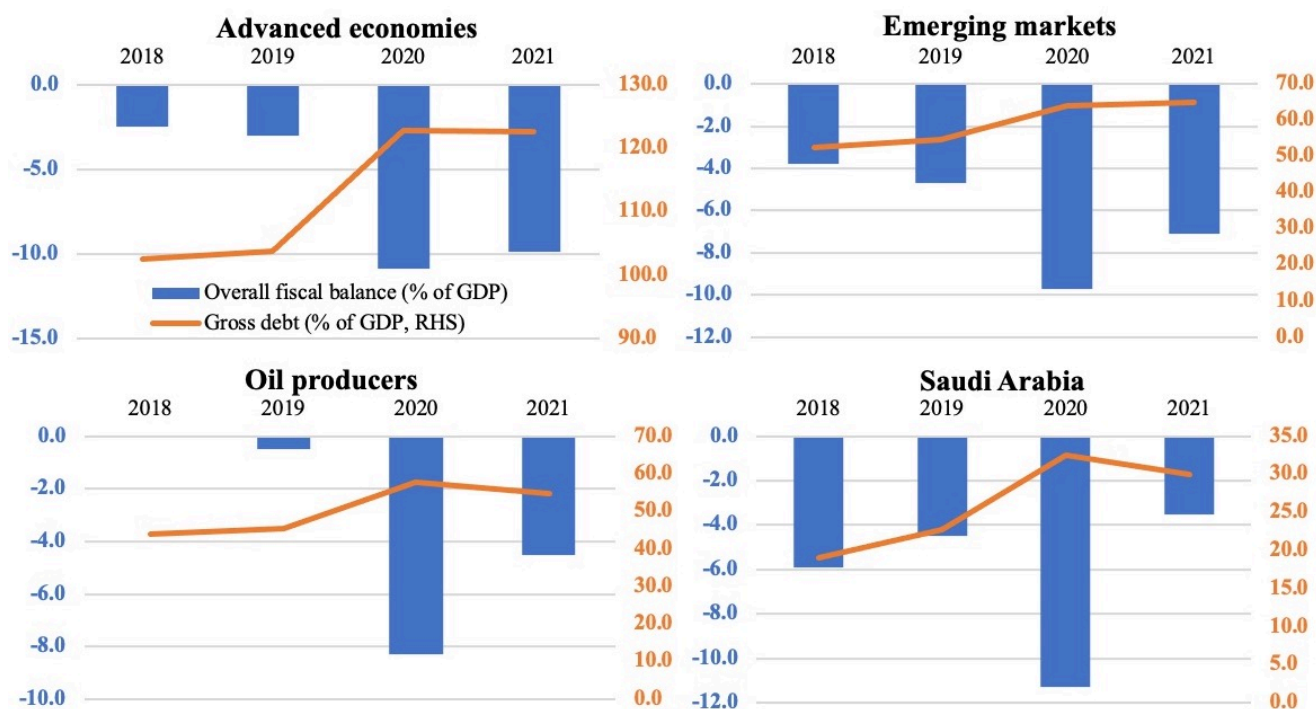
Global economic growth set to recover by 6% this year: IMF



Source: IMF World Economic Outlook, Jul 2021. Chart by Nasser Saidi & Associates

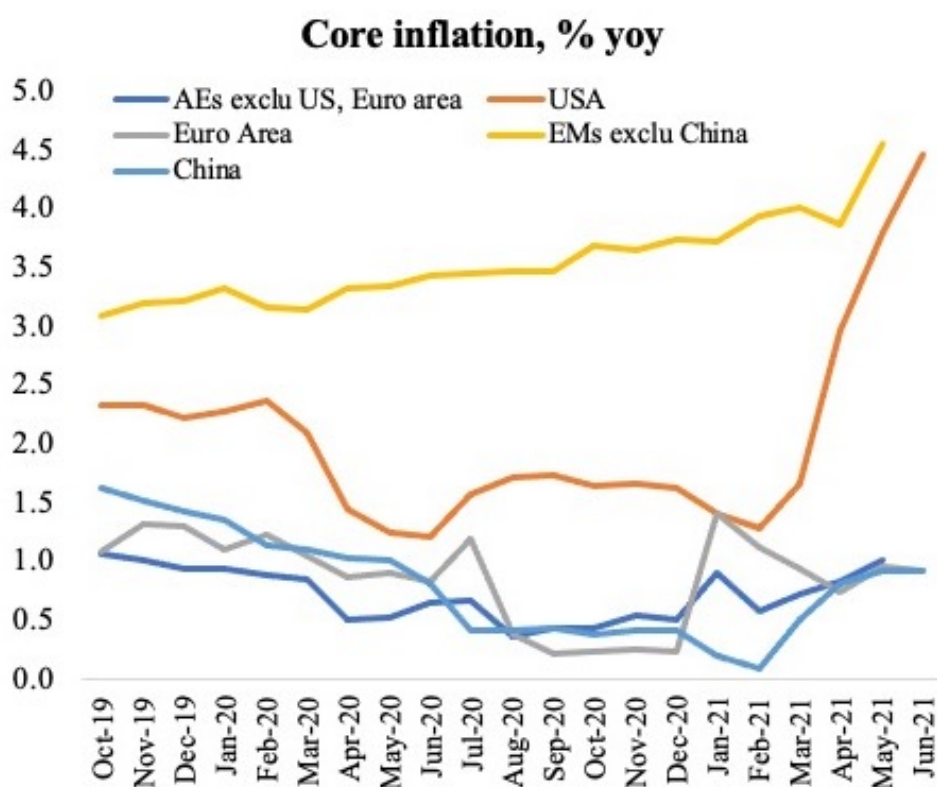
## 2. Global government debt was close to 100% of global GDP in 2020

- IMF: **fiscal measures** rolled out to support during Covid19 **estimated at \$16.5trn as of early July 2021** => fiscal deficits across all regions in 2020
- **Much of these funds have already been utilised in EMEs**, while advanced economies (AEs) have \$4.6trn still to be used. **Deficit narrows in 2021**, in all regions except Euro Area
- **Fiscal deficit will fall to 4.5% of GDP in oil-producing nations** in 2021 (2020: -8.3%); reflected clearly in KSA as well
- Government debt rose to 122.8% last year in AEs (vs 2019's 103.7%); in Saudi, it rose to 32.5% (22.8%)
- **As inflation rises, some emerging markets have started to hike interest rates** => less policy space
- If the Fed hikes rates earlier-than-expected, then fiscally constrained nations with high debt levels will be more vulnerable => further **increasing fiscal risks/ corporate bankruptcies** etc.



Source: IMF World Economic Outlook, Jul 2021. Chart by Nasser Saidi & Associates

### 3. IMF calls inflation “transitory”, but PMI survey responses mention shortages & rising costs...



Source: IMF World Economic Outlook, Jul 2021. Chart by Nasser Saidi & Associates



### 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	58.6	60.7	57.9	55.1	51.4
Mar-21	59.1	66.6	62.5	58.9	52.7
Apr-21	60.5	66.2	62.9	60.9	53.6
May-21	62.1	64.4	63.1	65.6	53.0
Jun-21	62.1	65.1	63.4	63.9	52.4
Jul-21*	63.1	65.6	62.6	60.4	52.2

Source: Refinitiv Datastream, Nasser Saidi & Associates

\*Jul readings are recently released flash estimates

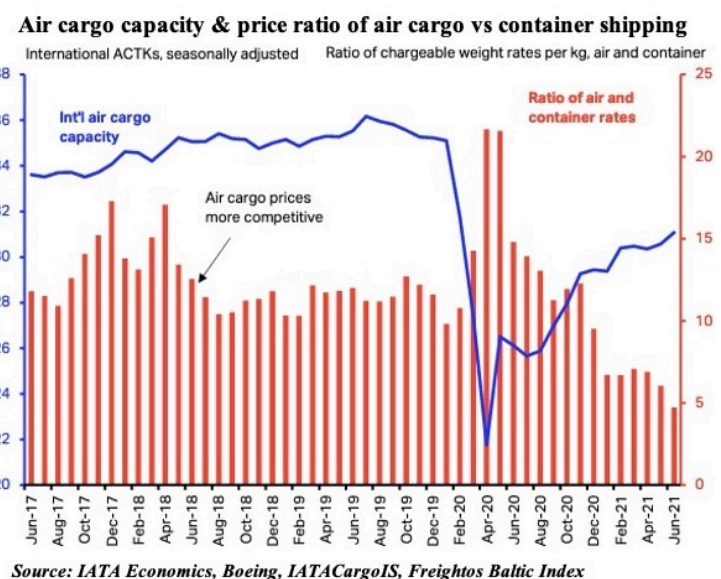
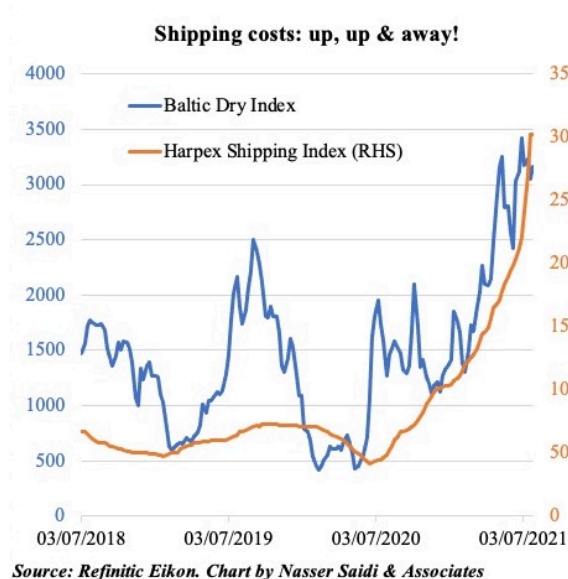
- Latest **flash PMI readings** show expansion in economic activity as restrictions are eased
- However, with **shortage of materials and supply chain risks**, firms are struggling to keep up with demand and higher costs are on the cards
- **Food prices have been rising for 12 straight months** before falling by 2.5% mom in Jun; but still up 33.9% yoy



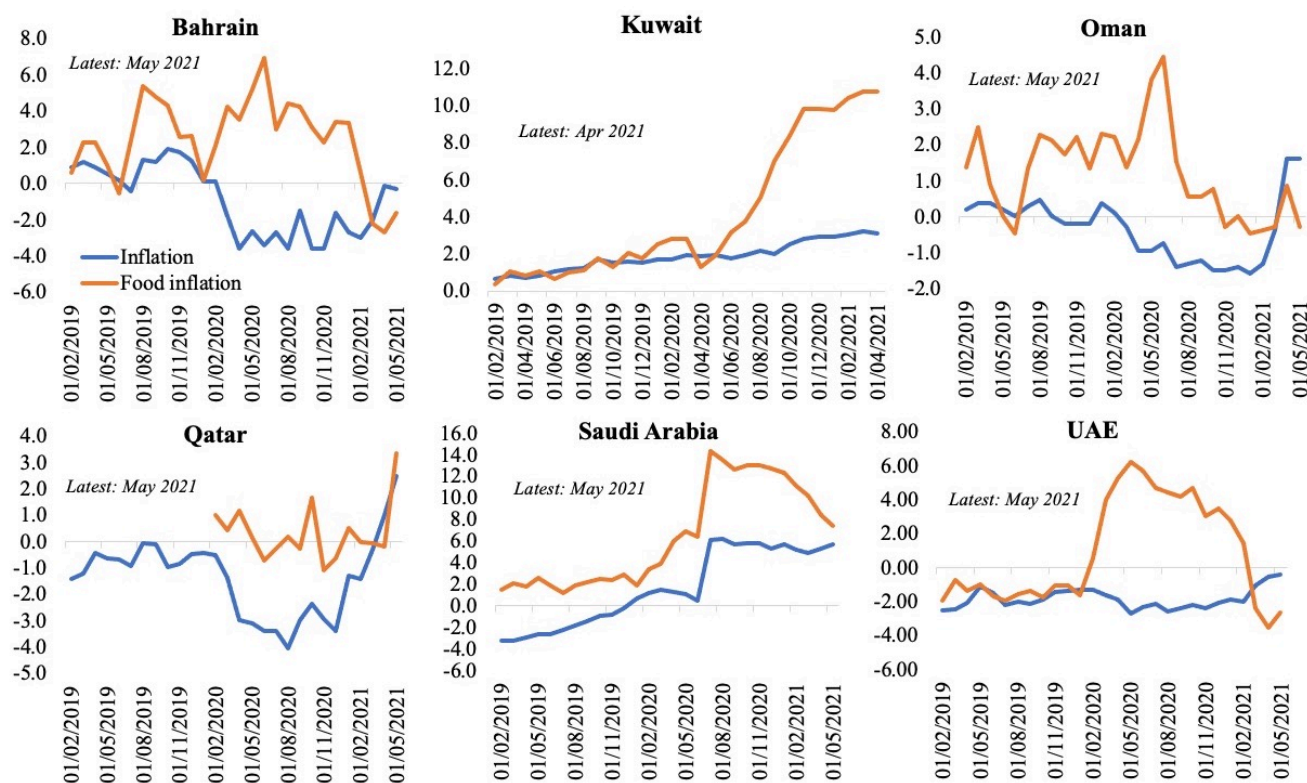
- **Higher oil prices** are also affecting major importers; oil price is now closer to pre-pandemic levels
- **Inflationary risks**: pent-up demand amid long-drawn-out supply bottlenecks, earlier-than-expected rate hikes (leading to rise in risk premiums, borrowing costs)

#### 4. ... as evidenced by rising shipping costs; air cargo costs to become more competitive, soon?

- **Shipping costs are at multi-year highs and freight rates are likely to stay high the rest of this year** given factors like lack of containers & shipbuilding capacity, Covid19 related delays
- Compared to congested container shipping and given the attractive speed of **air cargo**, the latter **is becoming increasingly more advantageous price-wise.**
- **Nearly 60% of respondents in IATA's passenger survey (Jun 2021) plan to take a flight within 1-2 months =>** air cargo capacity is growing => resulting in relatively cheaper air cargo fares
- Within the **Middle East, cargo capacity was up by 17.1% in Jun** (vs 2019), supported by strong ME-Asia and ME-North America trade lanes



#### 5. Closer home, a mixed GCC inflation picture: High food prices in Kuwait, Qatar & deflationary trends in others

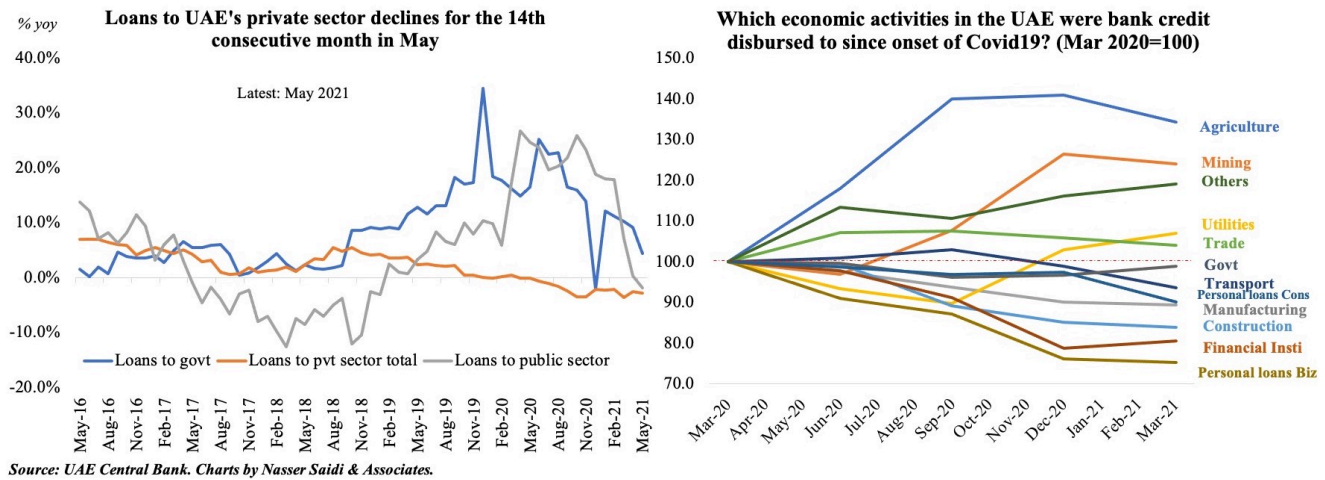


Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates

## 6. Credit disbursed in the UAE dragged down by private sector slump

- Overall domestic credit disbursed in UAE fell by 1.6% yoy and 0.8% mom in May 2021
- Loans to the private sector have been declining since Apr 2020, with the latest reading down by 2.8% yoy (and -0.3% mom). Since Apr 2020, loans to both the business sector and overall private sector has declined by an average 2.1%, while loans to the government and public sector have gained 13.7% and 17.5% respectively
- Interestingly, the central bank's credit sentiment survey for Q2 2021 showed that **banks expect demand for business loans to increase for the Sep quarter** (net balance of +28), with economic activities retail & wholesale trade, manufacturing, construction, transport & communications, and others dominating demand.
- In Mar 2021, construction (20.5%), personal loans for consumption (20.4%), government (15%), others (9%) and trade (8.7%) accounted for 65% of total loans. However, if one tracks **loans disbursed since the onset of Covid**

(taking an index with Mar 2020 as 100), the **biggest “gains”** accrued to the agriculture, mining, others, utilities and trade activities.



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# Weekly Insights 7 Jan 2021: UAE's silver linings – has the country turned a corner?

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

## 1. Heatmap of Manufacturing/ non-oil private sector PMIs

	US	Germany	EU	UK	Japan	China	India	UAE	Saudi Arabia	Egypt	Lebanon	
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9	56.3	56.2	48.5	46.5	P
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3	53.4	56.6	48.2	46.9	M
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6	55.7	56.8	49.9	46.3	I
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8	57.6	56.8	50.8	46.7	S
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7	59.4	57.3	48.2	46.3	a
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1	57.7	57.4	49.2	46.3	c
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5	55.1	56.6	50.3	47.7	r
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4	51.6	57.0	49.4	47.8	o
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4	51.1	57.3	49.5	46.4	s
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6	51.1	57.8	49.2	48.3	s
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2	50.3	58.3	47.9	37.0	t
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7	50.2	56.9	48.2	45.1	h
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3	49.3	54.9	46.0	44.9	e
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5	49.1	52.5	47.1	45.4	g
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8	45.2	42.4	44.2	35.0	l
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4	44.1	44.4	29.7	30.9	o
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8	46.7	48.1	40.0	37.2	
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2	50.4	47.7	44.6	43.2	
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0	50.8	50.0	49.6	44.9	
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0	49.4	48.8	49.4	40.1	
Sep-20	53.2	56.4	53.5	54.1	47.7	53.0	56.8	51.0	50.7	50.4	42.1	
Oct-20	53.4	58.2	54.8	53.7	48.7	53.6	58.9	49.5	51.0	51.4	43.3	
Nov-20	56.7	57.8	53.8	55.6	49.0	54.9	56.3	49.5	54.7	50.9	42.4	
Dec-20	57.1	58.3	55.2	57.5	50.0	53.0	56.4	51.2	57.0	48.2	n.a	

Source: Refinitiv Datastream, Nasser Saidi & Associates

be were released this week. **Overall, recovery seems to be the keyword with improvements in Dec** – in spite of the recent Covid19 surge, the Covid variant and ongoing lockdowns/restrictions – with new orders and export orders supporting sentiment, with some stability in job creation. However, supply chain issues continue to be a sticking point: the JP Morgan global manufacturing PMI – which remains at a 33-month high of 53.8 in Dec – identifies “marked delays and disruption to raw material deliveries, production schedules and distribution timetables”.

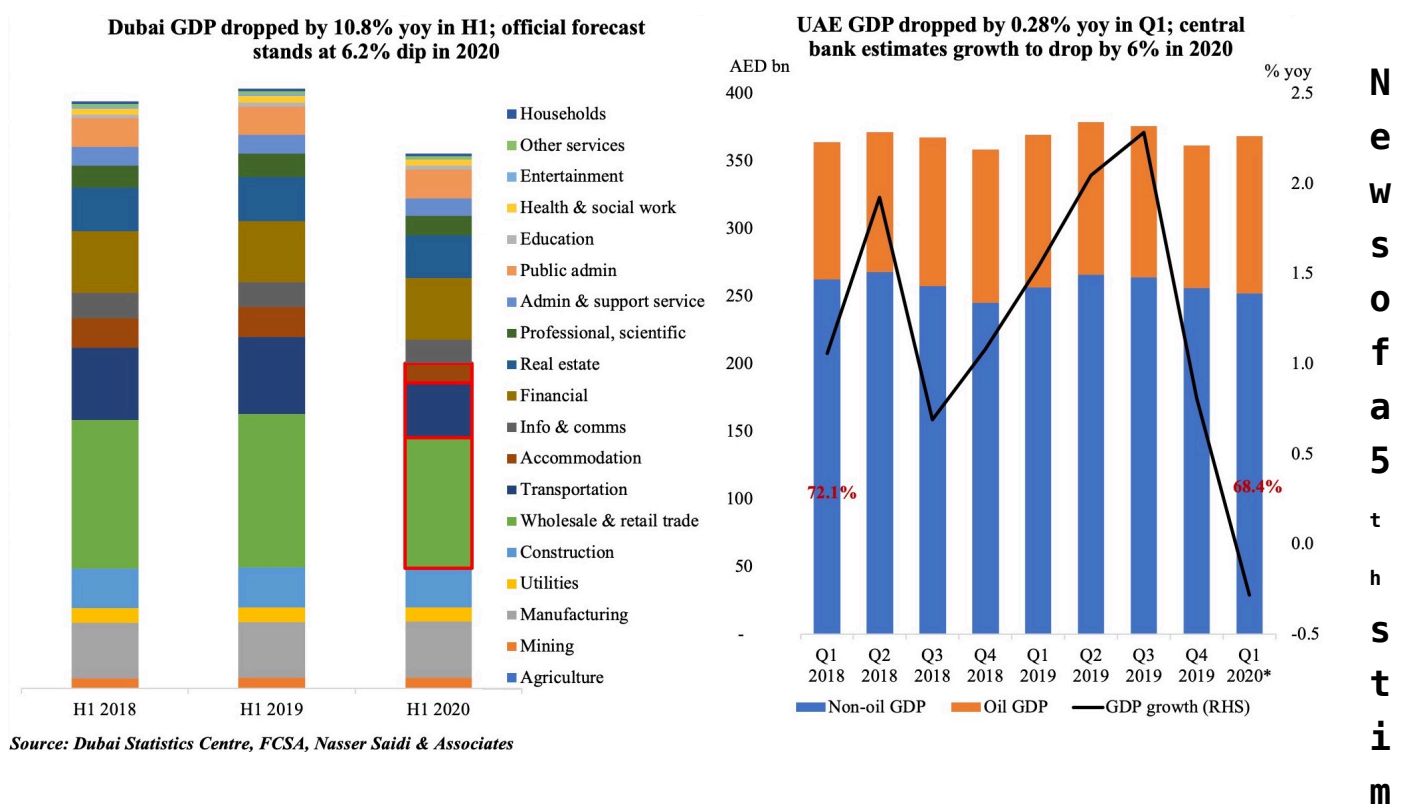
In the Middle East, while **UAE and Saudi Arabia PMIs improved** (the former recovering from 2 straight months of sub-50 readings), **Egypt slipped to below-50** after 3 months in expansionary territory. While Egypt’s sentiment dipped on the recent surge in Covid19 cases, the 12-month outlook improved on optimism around the vaccine rollout. However, the UAE’s announcement of the rollout of Sinopharm vaccine in early-Dec seems to have had little impact on the year-ahead outlook, with business activity expected to remain flat over 2021 (survey responses were collected Dec 4-17) and job losses



continuing to fall at an accelerated rate.

## 2. Covid19 & impact on Dubai & UAE GDP

The UAE has seen a negative impact from Covid19: the central bank estimates growth this year to contract by 6% yoy, with both oil and non-oil sector expected to contribute to the dip (this is less than the IMF's estimate of a 6.6% drop in 2020). Oil production fell in Q2 and Q3 by 4.1% and 17.7% yoy respectively, in line with the OPEC+ agreement, and spillover effects on the non-oil economy saw the latter's growth contract by 1.9% yoy in Q1 (vs oil sector's growth of 3.3%). The latest GDP numbers from Dubai underscore the emirate's dependence on trade and tourism to support the non-oil economy: overall GDP dropped by 10.8% yoy in H1 2020; the three sectors (highlighted in red border below) trade, transportation and accommodation (tourism-related) which together accounted for nearly 40% of GDP declined by 15%, 28% and 35% respectively. Dubai forecasts growth to decline by 6.2% this year, before rising to 4% in 2021.

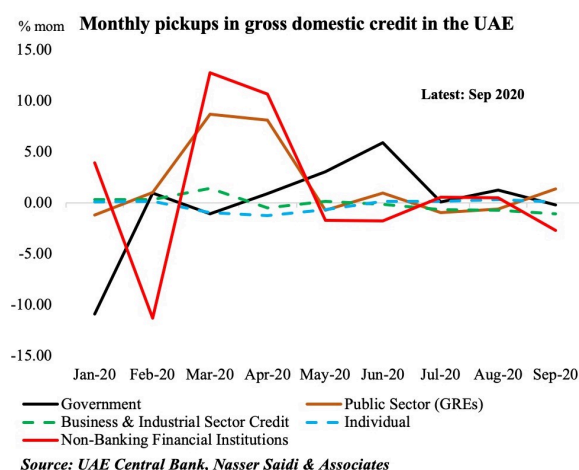


**ulus package worth AED 315mn** (announced on 6<sup>th</sup> Jan) for Dubai – an extension of some incentives till Jun 202, refunds on hotel sales and tourism dirham fees, one-time market fees exemption

for establishments that did not benefit from reductions in previous packages and decision to renew licenses without mandatory lease renewal among others – **will support growth this year, as well as the uptick from Expo 2021** (based on widespread vaccinations across the globe and potential resumption of air travel by H2 this year). With plans to inoculate 70% of the UAE population by 2021, we remain optimistic about UAE/ Dubai prospects subject to the effective implementation of the recent spate of reforms (including the 100% foreign ownership of businesses, retirement & remote working visas etc.) as well as embracing new and old synergies – Israel and Qatar respectively. Medium-term prospects can be further enhanced by accelerating decarbonization and digitisation – [read a related op-ed published in Dec.](#)

### 3. UAE credit and SMEs

The UAE central bank has extended support to those persons and businesses affected by Covid19 by launching the **Targeted Economic Support Scheme**, which is now extended till Jun 2021. Overall credit disbursed till Sep 2020 was up 2.9% yoy and up 1.2% ytd: but during the Apr-Sep 2020, the pace of lending to GREs (+22.7% yoy) and government (+19.6%) have outpaced that to the private sector (-1.0%).



**Table: Bank lending to MSMEs in the UAE**

in AED bn, unless specified	Dec-19	Mar-20	Jun-20	Sep-20	% qoq (latest)	% ytd
Microenterprises	11.4	10.9	10.5	10.6	1.0%	-7.0%
Small enterprises	28.2	29.4	29.6	28.9	-2.4%	2.5%
Medium enterprises	49.9	53.1	52.3	52.9	1.1%	6.0%
Total lending to MSMEs	89.5	93.4	92.4	92.4	0.0%	3.2%
Total lending to private sector	1150.0	1164.9	1156.3	1138.4	-1.5%	-1.0%
Total domestic lending	1592.6	1595.0	1626.9	1611.7	-0.9%	1.2%
Share of MSMEs as % of private sector lending	7.8%	8.0%	8.0%	8.1%		
Share of MSMEs as % of domestic lending	5.6%	5.9%	5.7%	5.7%		

Source: UAE Central Bank, Nasser Saidi & Associates

	Mar-20	Jun-20	Sep-20	Jun 2020 (% qoq)	Sep 2020 (% qoq)
Microenterprises	30,625	32,021	30,843	4.6	-3.7
Small enterprises	60,150	63,147	54,514	5.0	-13.7
Medium enterprises	29,137	29,767	29,004	2.2	-2.6
Total MSMEs	120,272	124,935	114,361	3.9	-8.5

Source: UAE Central Bank, Nasser Saidi & Associates

**n a difficult period for MSMEs** (Micro, Small and Medium Enterprises): the number of MSMEs declined by 8.5% qoq in Sep 2020, following an uptick of 3.9% qoq in Jun 2020, signaling deteriorating business conditions that may have forced such firms to close. This also suggests a potential increase in

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NPLs once the current banks' support (e.g. deferring loan periods) come to a close. Overall domestic lending also fell by 0.9% qoq as of Sep 2020. The largest share of loans within the MSME sector continues to be to the medium-sized firms (57.3%) and about 1/3-rd to the small enterprises. Considering the amount disbursed per firm, medium enterprises pocketed AED 1.8mn in Q3: this is 3.4 times the amount disbursed per small firm and 5.3 times the amount disbursed to microenterprises.

**SMEs also need to think beyond the financial pain point to survive in the post-pandemic era.** In addition to reducing/streamlining operational costs[\[11\]](#), learning digital skills, boosting online profiles and hosting a robust payments and collections platform will also support SMEs to be more bankable in the future.

#### 4. Back to “business as usual” for the GCC

	2015	2016	2017	2018	2019
<b>Share of Qatar's exports to</b>					
Oman	0.2%	0.3%	0.8%	1.0%	0.8%
Saudi Arabia	1.1%	0.9%	0.4%	0.0%	0.0%
United Arab Emirates	6.1%	6.6%	3.8%	1.7%	1.5%
<b>Share of Qatar's imports from</b>					
Oman	1.1%	1.2%	2.5%	3.1%	3.4%
Saudi Arabia	4.3%	4.3%	2.1%	0.0%	0.0%
United Arab Emirates	8.8%	9.1%	5.5%	0.2%	0.1%

*Source: UN Comtrade, Nasser Saidi & Associates*

The recent GCC Summit saw Qatar's blockade (imposed in 2017)

being lifted: this improves and will support political stability (a “united GCC” front) and is likely to restore UAE and Saudi businesses direct trade and investment links. **Allowing bilateral tourist movements will support upcoming mega-events in the region like the Dubai Expo this year and Qatar's 2022 World Cup.** Trade will be restored among the nations: imports from the UAE had dropped to a negligible 0.1% last year, from close to 10% in the year before the blockade. Oman, meanwhile, had gained – with businesses opting to re-route trade with Qatar through Oman's ports.

**Greater GCC regional stability, implies lower perceived sovereign risk, including credit risk which –other things equal- will lead to an improvement in sovereign credit ratings, lower spreads and CDS rates and encourage foreign**

portfolio inflows as well as FDI.

*[\[1\]](#) Even Mashreq Bank, Dubai's 3<sup>rd</sup> largest lender, is planning to reduce operational costs by moving nearly half its jobs to cheaper locations in the emerging markets (to be completed by Oct 2021), according to a [Bloomberg report](#).*

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## **Interview with Dubai TV (Arabic) on Lebanon, its dim prospects & Saudi Arabia, 21 Jun 2020**

Dr. Nasser Saidi appeared in an interview with Zeina Soufan on Dubai TV, broadcast on 21st June 2020, discussing two segments – one, on Saudi Arabia (from 7:00 onwards) and the other on Lebanon and its dim prospects (from 17:00 onwards).

Both sections are part of the video below:

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# **Bloomberg Daybreak: Middle East Interview, 29 May 2019**

In the 29th May, 2019 edition of Bloomberg Daybreak: Middle East, Dr. Nasser Saidi talks to Yousef Gamal El-Din and Manus Cranny on the Tadawul's inclusion in the MSCI Emerging Markets index and the UAE central bank's growth forecasts.

Watch the interview below (Dr. Nasser Saidi speaks from 35:00 to 41:00)

*<https://www.bloomberg.com/news/videos/2019-05-29/bloomberg-day-break-middle-east-full-show-05-29-2019-video>*

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# **Bloomberg Daybreak: Middle East Interview, 5 Mar 2019**

In the 5th March, 2019 edition of Bloomberg Daybreak: Middle East, Dr. Nasser Saidi speaks to Manus Cranny about China's pragmatic growth target (disclosed during the National People's Congress) as well as the ongoing US-China trade negotiations especially asking the question if markets are over-optimistic about the "historic deal". Another pertinent discussion centred around the question "is the US slowing down?", given latest data releases.

Watch the interview below.

The original link to the full episode (Dr. Nasser Saidi speaks from 57:00 to 1:08:00):

*<https://www.bloomberg.com/news/videos/2019-03-05/bloomberg-day>*

*break-middle-east-full-show-03-05-2019-video*