

Interview with Al Arabiya Business on the IMF's forecasts for MENA/GCC, 15 Apr 2026

In this TV interview with Al Arabiya aired on 15th April 2026, Dr. Nasser Saidi discussed the IMF's forecasts for the MENA and GCC region and the wide variations.

Watch the interview below.

Interview with CNN Business Arabic on the ceasefire announcement & impacts, 9 Apr 2026

In this TV interview with CNN Business Arabia, aired 9th April 2026, Dr. Nasser Saidi discusses the ceasefire announcement pausing the war in Iran & wider conflict in the Middle East. He says that the recent market rallies are unsustainable, reflecting a temporary reaction to the truce amidst the continued closure of the Strait of Hormuz and ongoing pressure in the oil and gas markets. Sharp fluctuations in oil, stock, and bond prices are likely, with current investor gains remaining temporary given the uncertainty. Inflation is expected to persist, driven by rising energy and insurance

costs. Shipping, aviation, and tourism indicators will be closely monitored as crucial factors influencing market direction.

Watch the interview below.

Interview with Al Arabiya Business on the Fed's rate decision in the backdrop of the Iran war, 18 Mar 2026

In this TV interview with Al Arabiya aired on 18th March 2026, Dr. Nasser Saidi discussed the Fed's expected and unavoidable decision to hold rates steady in the face of higher expected inflation in the US and globally as a result of higher energy prices, higher agricultural and food prices, plastics, transport & logistics, along with supply chain disruptions. While the impact depends on the length, breadth, scope and intensity of the war, the effects will be longer lasting given destruction of critical infrastructure including energy, water and desalination, ports and airports and potentially digital connectivity.

Dr. Saidi states that we are moving into uncharted territory. Expect greater policy coordination between G7 central banks.

Watch the interview below.

Comments on US tariff threat on Iran & trade partners in The National, 9 Feb 2026

Dr. Nasser Saidi's comments on the recent US tariff threat on Iran & its key trade partners appeared in an article in The National titled "[Will the US tariff threat have a major impact on Iran's key trading partners?](#)" published on 9th February 2026.

The comments are posted below.

"While the US tariff threat introduces uncertainty, Iran's major diversified export partners (China, UAE, Turkey) are likely more well-positioned to absorb the shock by switching suppliers," said Nasser Saidi, president of Nasser Saidi and Associates and former economy minister of Lebanon.

"The pain will be felt primarily by Iran (revenue loss, isolation, inflationary impact) and Iraq (energy security crisis)," Mr Saidi, who also served as the vice-governor of the Central Bank of Lebanon, told The National.

"Should additional tariffs be imposed, it would be relatively simple for China to source it from other trade partners, including from the GCC (given current production levels). The primary risk here is geopolitical: any such move could reignite the US-China trade war," Mr Saidi said.

For countries like the UAE, Iran is a primary supplier of fresh fruits, vegetables, and livestock due to proximity – short shipping times allow for fresh produce, Mr Saidi said.

“However, if the UAE is forced to halt Iranian food imports to avoid US tariffs, it can switch to alternative suppliers (likely Pakistan, India or Europe). While this involves a logistical shift, the availability of alternate suppliers suggests that inflationary pressure on food would be contained.”

If Iran’s top trading partners substantially cut trade to protect their US market access, Tehran will shift to land-based trade and through the Caspian – which is “more difficult for the US to monitor and enforce trade restrictions”, Mr Saidi said.

But it is possible that informal trade will increase with small vessels moving food and consumer goods off the books and crossings by land. “Iran could end up offering even steeper discounts on its oil and commodities to keep partners hooked on – leading to loss of revenue. Plus, the decline in Iran’s imports would lead to goods shortages, an uptick in inflation, alongside a fall in rial and raising poverty rates,” he added.

Meanwhile, Iraq is heavily dependent on Iran not just for food, but also for electricity and gas.

“If Iraq is forced to cut these ties to avoid US tariffs, the result wouldn’t just be food inflation: it would be energy inflation and potential blackouts, which drives up the cost of everything locally,” Mr Saidi said.

A lot of cross-border Iran-Iraq trade also goes unreported, making it more difficult to monitor, he added.

“Trump redux could bring in the law of unintended consequences”, Op-ed in Arabian Gulf Business Insight (AGBI), 5 Aug 2024

The below opinion piece titled “[Trump redux could bring in the law of unintended consequences](#)” was published in the Arabian Gulf Business Insight (AGBI) on 5th August 2024.

An Arabic version of this article was published by the Middle East Council: [click to access the article](#).

Trump redux could bring in the law of unintended consequences

Gulf states need to expect the unexpected as an ‘America First’ agenda could fragment global trade

One hundred days ahead of elections in November, former US president Donald Trump is polling strongly despite the emergence of Kamala Harris as the Democrat candidate. What would the implications be for us in the Gulf and around the world of a Trump presidency redux?

From public statements and his record in the previous 2017 to 2021 term, we can identify the basic tenets of such a presidency as nationalism, isolationism, protectionism, populism, and a clampdown on migration. In other words:

“Maganomics” (after Trump’s slogan, Make America Great Again).

Whether fully or partially adopted, Project 2025, a 900-page blueprint for office by a conservative think tank, offers further clues on the direction of a radical new Trump government.

The policies of such an administration would have an impact around the world, with direct and spillover effects on the Middle East.

In the first place, the trade, fiscal, energy and deregulation policies advocated by Trump, along with a crackdown on immigration, are inflationary in nature.

These could increase US nominal GDP but imply even higher US budget deficits – currently running at 6.7 percent of GDP – and Federal debt, which already exceeds 100 percent of GDP.

A resurgence of inflation would force the US Federal Reserve to keep interest rates higher for longer, delaying any monetary easing. This would boost the dollar at a time when other G7 central banks, including the ECB and the Bank of England, are easing rates.

Higher, longer lasting interest rates and a strong US dollar would affect emerging markets negatively via higher inflation and bigger budget and trade deficits.

Mena countries such as Egypt and Tunisia with high external debt to GDP could be particularly impacted. Higher US interest rates would exacerbate the growing crisis in which global public debt already exceeds \$100 trillion, and implies higher servicing burdens.

Macroeconomic risks – sovereign defaults, market failure, unexpected shocks – would grow.

Secondly, Maganomics focuses on protectionism. An “America First” agenda means higher US tariffs. Trump has spoken of

imposing higher import tariffs of 10 percent across the board and 60 percent on China, leading to greater fragmentation in global trade and investment.

Anti-dumping measures could affect GCC industrial exports to the US, including steel, aluminium and petrochemicals.

Conflict with China over trade and tech and de-coupling measures – to say nothing of Taiwan – could slow growth in the former and lower oil and gas imports in the world's second largest economy.

All these have negative implications for GCC exports and growth. This could be mitigated by China's growing non-oil linkages with the GCC, which span clean energy, financial integration, tourism and tech.

A ramping up of US-China economic warfare could turn out to be a net positive for the GCC. In an illustration of the "law of unintended consequences", [China could divert trade and investment to the GCC and the Middle East.](#)

Thirdly, energy is a major plank of Maganomics. Short of repealing the Inflation Reduction Act or the Infrastructure Investment and Jobs Act, a Trump administration would pursue aggressive federal deregulation. Its policies would ramp up investment in energy infrastructure and resources. It would also likely remove drilling restrictions in Alaska and the Gulf of Mexico and cut clean energy subsidies.

The objective would be to galvanise the US as a major oil and gas exporter, while Russia is sanctioned and displaced from EU markets. US crude oil exports reached a record in 2023, averaging 4.1 million barrels per day. The US was also the top exporter of LNG globally in 2023, averaging 11.9 billion cubic feet per day.

Deregulation of the oil and gas industry could boost US exports and lower oil prices, providing competition for Opec+

and the GCC.

Fourthly, a new Trump administration might reverse climate commitments – the US is the world's second-top emitter of greenhouse gases – and reduce spending on climate risk mitigation and adaptation, and climate tech. This implies that temperatures would increase globally beyond 1.5C.

This year saw cities scorched by some of the hottest summers on record. The coming decade is likely to be even hotter. This could however offer an [opportunity for GCC to increase its renewable, clean energy and climate tech exports](#).

The bottom line is that Maganomics means headwinds for the GCC. Regional geopolitical risks would grow, coupled with uncertainty on likely impacts.

To counter, the GCC states individually and collectively should maintain their strategic course. They should increase openness through trade and investment agreements, focus on greater economic diversification and regional integration, pursue green industrial policies and invest in renewable energies and climate tech.

Interview with Al Arabiya (Arabic) on Fed's monetary policy decision, 30 Jul 2024

In this interview with Al Arabiya aired on 30th July 2024, Dr. Nasser Saidi discusses the Fed's monetary policy. He expects the Fed to move slowly, and that reducing interest rates before the elections may have an impact. All data indicates

the strength of the American economy and the real estate sector is affected.

Watch the TV interview via this [link](#) on X (previously Twitter)

Interview with Al Arabiya (Arabic) on major central banks' monetary policy, 22 May 2024

In this interview with Al Arabiya aired on 22nd May 2024, Dr. Nasser Saidi discusses the Fed's monetary policy. He expects only 1 Fed rate cut in Dec given the strong US growth, continued fiscal stimulus, very high Treasury debt issues, and election year politics. Fed moves' will be preceded by the ECB and the Bank of England given lower & falling inflation rates & weaker economies.

Watch the TV interview via this [link](#)

ترجيحات أوروبا وبريطانيا قبل "الفيدرالي" الأميركي بخفض الفائدة في

قال رئيس شركة ناصر السعيد وشركاه الدكتور ناصر السعيد، إنه على الأرجح في ظل ضعف الاقتصادين الأوروبي والبريطاني أن يحدث تخفيض

لسعر الفائدة في الاقتصادين خلال شهرين لا سيما في يونيو/حزيران قبل . بنك الاحتياطي الفيدرالي الأميركي

أن نسب التضخم ، "Business" وأضاف السعيدي، في مقابلة مع "العربية تراجعت سريعا لا سيما في بريطانيا وألمانيا الاقتصاد الأكبر في أوروبا .

وأشار إلى الفصل بين سياسات البنوك المركزية الأوروبية ونظيرتها . الآسيوية، حيث حدث ارتفاع كبير بأسعار الفوائد في آسيا

وأوضح أن "الفيدرالي" يجب أن يكون متحفظا لأن نسب التضخم لا تزال %مرتفعة نسبيا وبعيدة عن المستهدف البالغ 2

Interview with Al Arabiya (Arabic) on Fed & monetary policy, 6 May 2024

In this interview with Al Arabiya aired on 6th May 2024, Dr. Nasser Saidi discusses the Fed's latest monetary policy meeting and outlook for the rest of 2024.

Watch the TV interview via this [link](#)

إلى متى يستمر الفيدرالي
الأميركي بسياسته النقدية

الحالية؟

قال ناصر السعيدى رئيس شركة ناصر السعيدى وشركاه، إن تنبؤات الأسواق بداية العام كانت تقدر خفض الفائدة من 4 إلى 6 مرات بينما اختلفت هذه التوقعات الآن مع النمو الجيد للاقتصاد الأميركي الذي يعد الأفضل منذ 15 عاما.

أن السياسة "Business" وأضاف السعيدى في مقابلة مع "العربية المالية هي التي تلعب دورا هاما، في حين لا تلعب السياسة النقدية دورها.

إلا أن السعيدى توقع أن يكون هناك تخفيض بأسعار الفائدة مرة واحدة قبل نهاية العام الحالي.

"Markets face bumpy ride rather than soft landing", Op-ed in Arabian Gulf Business Insight (AGBI), 29 Jan 2024

The opinion piece titled "[Markets face bumpy ride rather than soft landing](#)" appeared in the Arabian Gulf Business Insight (AGBI) on 29th January 2024.

The article is published below.

Markets face bumpy ride rather than soft landing

Persistent inflation, high interest rates and slow growth will dog 2024

Inflation surged post-Covid, reaching multi-decade highs of 8.7 percent in 2022 globally, driven by pent-up consumer demand, supply disruptions, the Russia-Ukraine war and ultra-easy monetary policy.

But a less commented-on major cause of inflation has been fiscal profligacy.

Governments boosted spending, increased subsidies, provided business incentives and reduced taxes to revive consumption and maintain jobs, all financed by public borrowing encouraged by historically low interest rates and central banks' quantitative easing.

The result was a surge in budget deficits and public debt rising to the highest levels since the end of the World War II.

The world also experienced its largest debt surge since World War II during 2020. Global debt rose to \$226 trillion (or 256 percent of GDP) with public debt accounting for about 40 percent of the total.

The global public debt ratio soared to a record 99 percent of GDP in 2020. The IMF forecasts global government debt to touch \$97.1 trillion in 2023 (a 40 percent increase since 2019), with the US accounting for over one-third of total public debt (\$33.2 trillion, or 123.3 percent of GDP).

According to the Congressional Budget Office, net interest

will total more than \$13 trillion over the decade through 2033, exceeding defence spending by 2025 and the net cost of Medicare by 2026.

In the Middle East, Bahrain's debt to GDP is running at 121 percent, while Egypt is expected to see around 40 percent of revenues going towards debt repayments. Lebanon has been in default since 2020.

Governments and central banks underestimated the inflationary impact of a doubled-barrelled bazooka of increased deficit spending, with low rates and quantitative easing. From 2009 until the end of 2022, net asset purchases by major central banks (the Fed, ECB, BoE and BoJ) totalled about \$20 trillion.

Central banks have since reversed course and applied the monetary brakes, through high interest rates and quantitative tightening.

Inflation rates have eased, though core inflation rates declined more gradually and remain higher than central bank targets, with actual and expected price inflation feeding into cost-of-living wage and salary increases, further fuelling inflation.

Will monetary tightening result in lower inflationary pressures and usher in lower interest rates in 2024? Financial markets focused on data-driven central banks are over-optimistic, exhibiting soft-landing exuberance.

Short-termism disregards economic fundamentals and neglects growing geopolitical risks, which the markets have failed to price in.

First and foremost, 2024 is an election year in 64 countries, together representing over four billion people. Governments do not cut spending in election years, let alone with rising populism in advanced, and many emerging, markets.

The biggest overhanging risk is the US. Elections are taking place in a highly divided and divisive political landscape, with no parties willing to undertake spending cuts.

US budget deficits are running at 6 to 7 percent of GDP, which is unprecedented in a near-full employment economy. The Biden administration is also requesting additional spending of some \$115 billion to finance Ukraine and Israel.

US Treasury funding in 2024 will be flooding markets with \$4 trillion in issuance, and *net* issuance is set to increase to about \$1.9 trillion. Investors are unlikely to absorb surging borrowing at lower interest rates.

What's more, the growing calls from the US, EU and UK for further decoupling from China increase the risk of disrupting global supply chains, leading to lower global growth and higher inflation rates.

Defence spending has also been rapidly rising and is likely to increase further given growing geopolitical flashpoints, the New Cold War and the potential risks of military confrontation with China in a US election year.

World military spending had already reached a new record high of \$877 billion in 2022 (39 percent higher compared to 2021), with the US not only the world's largest military spender but also spending more on defence than the next 10 countries combined.

The ongoing conflict in Gaza could spill over to include other countries, engulfing the GCC and Iran and threatening global trade and energy supplies.

Marine war risk premiums have soared almost 50-fold since before the war, about 0.7 percent to 1 percent of the value of the ship; war risk rates for shipping in the Black Sea from Ukraine can range up to 3 percent.

The bottom line is that markets face a growing risk of debt crises, high interest rates, rising debt service burdens, high levels of inflation, weakening currencies and slower growth.

Rather than a goldilocks scenario, 2024 is likely to be a bumpy ride for economies and financial markets dominated by short-termism to the neglect of economic fundamentals and growing geopolitical and geostrategic risks.

Bloomberg Daybreak Middle East Interview, 14 Sep 2023

Aathira Prasad joined Yousef Gamal El-Din on 14th of September, 2023 as part of the Bloomberg Daybreak: Middle East edition. Discussion ranged from the impact of the extension of oil production cuts by Saudi & Russia to growth outlook for Saudi Arabia; also discussed were the US-Bahrain security agreement and thoughts about inflation in Egypt.

Watch the interview below:
<https://www.bloomberg.com/news/videos/2023-09-14/nasser-saidi-assoc-s-prasad-on-oil-egypt-inflation-video>

“To restore the Lebanon

central bank's credibility, independence is key", Op-ed in The National, 15 Aug 2023

The article titled "[To restore the Lebanon central bank's credibility, independence is key](#)" appeared in the print edition of The National on 15th August 2023 and is posted below.

To restore the Lebanon central bank's credibility, independence is key

Nasser Saidi

Lebanon is now dealing with the greatest financial crisis in history, the heavy legacy of Riad Salameh, the former governor of Banque du Liban. The new governor, Wassim Mansouri, has pledged that the central bank "must completely stop financing the government outside of a legal framework", calling for a state financing law to be passed by Parliament.

This is unnecessary and a dangerous precedent that previous governors like Edmond Naim rejected. The Money and Credit Code, or MCC – Lebanon's banking law – provides a wide measure of independence to the BDL with specific and strict conditions on financing government. The MCC legal strictures were violated, including the operating principle that the central bank does not grant credits to government and the public sector (MCC Article 90). How was this done?

The BDL financed unsustainable budget deficits (averaging 8.4 per cent of gross domestic product between 2014 and 2019) and monetised public debt, attempting to reduce the growing burden of interest payments. Wasteful government spending includes

subsidising electricity generation by Electricite du Liban, which touched \$1.8 billion in 2018, or 3.1 per cent of GDP. This was the biggest drain on public finances, while the company provided about three hours of electricity a day. Public debt mushroomed from 139 per cent of GDP in 2014 to 172 per cent in 2019. This accelerated to 282.3 per cent in 2022, while current account deficits widened from 26.2 per cent to 28.5 per cent of GDP between 2014 and 2019.

The BDL expanded its public sector financing through providing preferential funding at subsidised rates for housing and real estate, education, tourism, innovation and SMEs. This amounted to quasi-fiscal spending: BDL financed activities that should have been government budget financed under parliamentary scrutiny. The BDL expanded quasi-fiscal spending without public disclosure or transparency as to amounts and beneficiaries. This resulted in an absence of accountability, growing clientelism and the financing of activities at the behest of politicians and their cronies, widening the web of corruption.

Marketed under the heading of “financial engineering”, the BDL bailed out the banking system in 2015 to the tune of \$5.3 billion (about 12.5 per cent of GDP) without approval from the BDL’s governing council, government or Parliament. The BDL financing was a costly and vain attempt to offset the effects of its failing exchange rate policy and overvalued parity. But the BDL financing was convenient for successive governments since they did not have to foot the bill and raise taxes.

More generally, the increasingly higher interest rates that the BDL was paying to attract deposits from commercial banks and capital inflows to increase its foreign currency reserves and defend a highly overvalued fixed parity of the Lebanese pound led to a sharp contraction of credit to the private sector. The overvalued real exchange rate acted as a tax on exports and sucked in imports, leading to a growing current account deficit. Lebanon’s productive sectors were crowded out

by the BDL's fixed exchange rate policy, unable to get access to finance from the banking sector.

The stage for economic and financial collapse was set by the BDL's financing of the twin current account and budget deficits. The BDL-Ponzi scheme burst, triggered by bank closures in October 2019, loss of confidence and a run on the banks. Eventually, the government defaulted on the March 2020 Eurobond. The government of Hassan Diab, the prime minister at the time, prepared a financial recovery plan that comprised fiscal, banking and structural reforms. This was sabotaged by the BDL and vested political and banking interests resisting reform and the required recapitalisation and restructuring of the banking sector.

Similarly, an IMF Staff Level Agreement from April 2022 remains stalled with no sign of willingness from Lebanon's caretaker government and politicians to implement the required reforms agreed with the Fund. With government no longer able to tap domestic or foreign debt markets, increasing recourse was made to BDL financing by drawing down foreign currency assets (in effect, customer deposits that the banks had deposited at the BDL) and printing money. This led to a collapse of the exchange rate (98.5 per cent depreciation) and triple-digit inflation rates approaching hyperinflation (296 per cent in 2023), real GDP declining by 40 per cent and an increasingly informal (non-tax paying) cash-based economy, with a growing dollarisation of transactions. The net result of the BDL's financing activities was accumulated losses exceeding \$76 billion that were offset on the BDL's balance sheet by creating fictitious "other assets", as mentioned in the Alvarez & Marsal Forensic Audit report.

Mr Mansouri and the newly empowered governors of the BDL have the daunting task of resolving some of the institution's legacy issues. They have proposed rebuilding trust via proposals including budget approval and enacting financial reforms (a capital control law by the end of August, as well

as a financial capital restructuring law). The BDL needs to move to a floating exchange rate regime, shift away from distortion-creating and corruption-spreading multiple rates under the existing Sayrafa platform, to a single platform (for example Bloomberg or Reuters) and adopt a monetary policy targeting inflation.

To stop financing government, the MCC provides the power to the central bank, if it decides to do so, to lend to government under the conditionality it imposes. Such a conditional loan should be in Lebanese pounds to avoid further depletion of foreign currency “reserves” (now under \$6.3 billion). This will force government to tap the local foreign exchange market if it needs to fund FX spending, thereby bearing the exchange rate depreciation effects of its FX borrowing. This would impose market discipline on the government, which has been absent under existing policy.

As part of the conditionality, the BDL should request that the government undertake a shock-therapy set of policies. Restoring confidence in the economy will stem from deep and comprehensive economic reforms. These should include restructuring the public debt and the banking system (including the BDL and its losses), governance reforms and the removal of subsidies by immediately phasing out transfers to non-performing, corruption-ridden national councils, state-owned enterprises and government-related entities.

There should also be a fiscal strategy to sustainably improve the state’s finances, by reducing the size of government and revenue mobilisation (for example, by broadening the tax base and improving the efficiency of tax administration) and rationalising spending by implementing public procurement reform. While credible financial restructuring tops the list of reforms needed, this must be supported by the institution of checks and balances, public accountability as well as transparency and disclosure.

Lebanon is paying the price of years of unsustainable, fixed exchange rate, fiscal and debt policies. Outrightly refusing to fund the government will instead force its hand to go to the IMF, with its funding (as well as any international aid and financing) dependent on implementing, not empty promises, but reforms. Otherwise, the BDL will lose any remaining credibility and, once again, revert to being a government financier, thereby risking a prolonged hyperinflationary period. Restoring credibility to the BDL requires its standing firm on its independence from government and Parliament, as well as forcing politicians to be held accountable for their inaction and irresponsible policies. Absent comprehensive reforms, Lebanon will continue its descent into its infernal abyss.

Bloomberg Daybreak Middle East Interview, 12 Jul 2023

Aathira Prasad joined Yousef Gamal El-Din and Manus Cranny on 12th of July, 2023 as part of the Bloomberg Daybreak: Middle East edition, speaking about Egypt's asset sales (USD 1.9bn worth, of which USD 1.65bn was in foreign currency) and prospects for the nation in the backdrop of record-high inflation. Also discussed were Turkey's inflation & growth prospects while also touching upon whether the Saudi cuts are going to affect the oil markets & also the country's growth prospects.

Watch the interview below, which can also be accessed from the original [link:](https://www.bloomberg.com/news/videos/2023-07-12/nasser-saidi-egypt-nabs-1-9b-state-asset-sales-video)

<https://www.bloomberg.com/news/videos/2023-07-12/nasser-saidi-egypt-nabs-1-9b-state-asset-sales-video>

Bloomberg Daybreak Middle East Interview, 31 May 2023

Aathira Prasad joined Manus Cranny on 31st of May, 2023 as part of the Bloomberg Daybreak: Middle East show, discussing the upcoming June 4th OPEC+ meeting in the backdrop of mixed messages from Saudi Arabia and Russia. Also discussed was the prospects for Turkey given President Erdogan's election victory and how there has to be strong signals (such as pro-market cabinet appointees) to attract foreign investors.

Watch the interview below, which can also be accessed from the original [link: https://www.bloomberg.com/news/videos/2023-05-31/-bloomberg-daybreak-middle-east-full-show-05-31-2023](https://www.bloomberg.com/news/videos/2023-05-31/-bloomberg-daybreak-middle-east-full-show-05-31-2023) (watch from 37:25 to 44:10)

Bloomberg Daybreak Middle East Interview, 26 Apr 2023

Aathira Prasad joined Yousef Gamal El-Din on 26th of April, 2023 as part of the Bloomberg Daybreak: Middle East show, discussing Lebanon's inflation numbers, and contrasting it with much lower GCC figures. Also discussed during the show was the outlook for oil prices in the context of production

cuts and recovery in oil demand.

Watch the interview below, which can also be accessed from the original link:
<https://www.bloomberg.com/news/videos/2023-04-26/-bloomberg-daybreak-middle-east-full-show-04-26-2023> (listen from 29:30 to 35:30)

Interview with Al Arabiya (Arabic) on Fed & ECB policy decisions, 2 Feb 2023

In this interview with Al Arabiya aired on 2nd Feb 2023, Dr. Nasser Saidi discusses the Fed's latest monetary policy decision and way forward.

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

ناصر السعيدي للعربية: الأسواق تجاهلت بعض تصريحات رئيس الفيدرالي

جاء قرار زيادة أسعار الفائدة 25 نقطة أساس بالتوافق مع توقعات الأسواق

قال رئيس شركة ناصر السعيدى وشركاه، الدكتور ناصر السعيدى، إن تصريحات رئيس مجلس الاحتياطي الفيدرالي جيروم باول، لم تكن مفاجأة للأسواق، وجاء قرار البنك عند توقعاتها بزيادة أسعار الفائدة 25 نقطة أساس، ولذلك حدث تفاؤل في الأسواق نتيجة تصريحات جيروم باول.

فيما شدد باول على بقاء "الفيدرالي" حذراً بشأن "إعلان النصر" في معركته ضد التضخم، قال السعيدى، إن باول ذكر في خطابه تراجع نسب التضخم عالمياً نتيجة تراجع أسعار الطاقة وتحسن أسعار النقل، لكن معدل التضخم الأساسي يظل مرتفعاً مع ارتفاع استمرار أسعار الخدمات.

كان جيروم باول، قال إن التضخم في أميركا لا يزال مرتفعاً، وفوق 2% المعدل المستهدف البالغ 2.

وبحسب السعيدى، فإن الأسواق لم تركز مع حديث باول عن استمرار التشديد الكمي وتقليص محفظته من الأصول في ظل ارتفاع أسعار الفائدة.

وأشار إلى ارتياح "الفيدرالي" للأوضاع الحالية والتحسين في معدل التضخم خلال الشهرين الماضيين، ولذلك فمن الواضح استمرار سياسة "الفيدرالي" الحالية.

وتابع السعيدى: "الأسواق تتوقع وصول مستوى أسعار الفائدة إلى أقل من 5%، فإن المتوقع وصولها إلى 5% وقد تتجاوزها

"Will the global economy

escape recession?” Dr. Saidi on CNN Business Arabia’s podcast, Jan 2023

Dr. Nasser Saidi’s was interviewed by CNN Business Arabia ahead of its launch in Jan 2023. In this podcast episode titled “Will the global economy escape recession?”, Dr. Saidi discusses the likelihood of a global recession and persisting inflation. Access the podcast episode [directly](#) on CNN Business Arabia or listen from the link below.

Comments on Lebanon’s sharply falling tax revenues in L’Orient Today, 5 Jan 2023

Dr. Nasser Saidi’s comments on Lebanon’s sharply falling tax revenues were published in L’Orient Today, as part of an article titled “[Rate of Lebanon’s state revenues among lowest globally](#)“, published on 5th January 2023.

Comments are highlighted below:

The state’s tax base is the country’s shrinking economy. There is less income and profit available for taxation than

previously in an economy that is less than half its pre-crisis GDP. The state is highly reliant on a VAT that brings in less money as consumption falls dramatically.

“A major reason for the decline in government revenue is that Lebanon’s tax system does not adjust to inflation,” former economy minister and central bank vice governor Nasser Saidi told L’Orient Today. By way of example, he cited customs.

Prior to Dec. 2022, customs duties – a major component of state revenue – were fixed at the LL1507.5 exchange rate, leading to a more than 95 percent reduction in the real value of state revenues since Oct. 2019 as the lira depreciated. In December, customs were converted to LL15,000 per dollar; roughly a third of the real lira value of the import at the current parallel market rate.

Saidi said that, as part of overall reforms, Lebanon needs to adjust its tax system to protect revenues from inflation. “For example, the so-called ‘customs dollar’ should be abolished and tariff rates should apply to the foreign currency value of the goods and [be] paid in foreign currency,” he said.

“All taxes will have to be adjusted for inflation so that [the] government has revenue to cover core spending,” Saidi added.

The 2022 budget, published on Nov. 15, 10 and a half months into the year, converted a number of taxes and fees to foreign currencies, such as consular fees, port fees and airport fees, as well as some capital gains and interest income taxes.

Other factors that have driven the sharp decrease in revenue include increased tax evasion amid a growing cash economy and less effective tax administration, as well as less revenue from taxes on bank interest as deposits decline.

Saidi called the state’s ability to collect taxes “sharply

impaired” and said anecdotal evidence suggests tax evasion has “substantially increased.”

Comments on Inflation in Syria and the collapsing pound in Associated Press, 5 Jan 2023

Dr. Nasser Saidi’s comments on inflation in Syria and the collapsing pound were part of an Associated press article titled [“EXPLAINER: Why has Syria’s economic crisis hit a new low?”](#). The article was published on 5th January 2023.

Comments are highlighted below:

Apart from years of war, sanctions and widespread corruption, Syria’s economy has gone through a series of shocks since 2019, beginning with the collapse of Lebanon’s financial system that year.

“Given the open borders between Syria and Lebanon and both of them (being) increasingly cash based economies,” their markets are inextricably linked, said Nasser Saidi, a former Lebanese economy minister The currency collapse and removal of subsidies in Lebanon has driven devaluation and higher prices in Syria, he said.

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 السعيدي للعربية: نمو اقتصاد الصين سيتجاوز 5% في 2023

قال رئيس شركة ناصر السعيدي وشركاه، الدكتور ناصر السعيدي، 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 السعيدي، 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 السعيدي، أن أميركا قد تتجنب الركود العميق مع إمكانية نجاح الفيدرالي الأميركي في رفع الفائدة ولجم التضخم.

وتوقع رئيس شركة ناصر السعيدي 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 السعيدي، 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 السعيدي 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 السعيدي، 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.

Interview with Al Arabiya (Arabic) on the Fed's 75bps hike & Powell's comments, 3 Nov 2022

In this interview with Al Arabiya aired on 3rd Nov 2022, Dr. Nasser Saidi discusses the Fed's 75 bps hike & Powell's comments. Markets should expect that hiking cycle will last abt 25 months & and stop when inflation peaks, an unknown. Effects of monetary policy have lags of 12-25 months: be prepared for more uncertainty ahead.

Watch the interview at the link below as part of the related news article:

<https://www.alarabiya.net/aswaq/videos/market-pulse/2022/11/03/كيف-تفاعلت-الأسواق-مع-تصريحات-جيروم-باول-؟/>

قال رئيس شركة ناصر السعيدى وشركاه، الدكتور ناصر السعيدى، إن قرار الفيدرالي برفع الفائدة بواقع 75 نقطة أساس كان متوقعا، وتفاءلت به الأسواق لكنها تفاجأت بتصريحات محافظ الفيدرالي جيروم باول، وهو ما أدى لهبوط أسواق الأسهم والسندات لأنه قال إن أسعار الفائدة ستستمر في الارتفاع ولم يحدد حداً أقصى لها.

وأضاف ناصر السعيدى، في مقابلة مع "العربية"، اليوم الخميس، أن

أسعار الفائدة في مارس الماضي كانت صفراً، والآن يجري زيادة أسعار الفائدة بأسرع وتيرة منذ 2008 و2009، مع اضطراب الفيدرالي لذلك لأنه لم يأخذ في الاعتبار ارتفاع التضخم في 2021 و2021، وهو خطأ في ذلك.

وأوضح السعيدي، أن البنوك المركزية كانت تقول إن ارتفاع التضخم مرحلي بسبب ارتفاع أسعار الغذاء ولن يستمر وللحفاظ على مصداقية تلك البنوك فإنها مستمرة في رفع أسعار الفائدة.

كان رئيس مجلس الاحتياطي الاتحادي (البنك المركزي الأميركي)، جيروم باول، قد حذر من أي توقع بأن يتوقف البنك قريباً عن رفع أسعار الفائدة.

وقال باول: "من السابق لأوانه للغاية التفكير في التوقف" بشأن جهود رفع سعر الفائدة الاتحادية المستهدف.

وكان باول يتحدث في مؤتمر صحفي، مساء يوم الأربعاء، عقب اجتماع لجنة السوق المفتوحة الاتحادية الذي رفع المسؤولون خلاله أسعار الفائدة 75 نقطة أساس، وأشاروا إلى احتمال أن يتسنى لهم قريباً إبطاء وتيرة رفع أسعار الفائدة مع تقييم تأثيرات قراراتها السابقة على الاقتصاد.

لكن رئيس الفيدرالي الأميركي، أشار إلى أن "المركزي" قد يقلص حجم زيادات أسعار الفائدة في اجتماع السياسة بنهاية العام.

Bloomberg Daybreak Middle East Interview, 14 Oct 2022

Aathira Prasad joined Manus Cranny on 14th of October, 2022 as part of the Bloomberg Daybreak: Middle East edition, speaking about the latest red-hot US inflation readings and what it means for the MENA region. Also discussed in detail are Dubai inflation (especially housing), the 15-month high Saudi

inflation and also oil prices in the backdrop of the US-Saudi comments.

Watch the interview below, which can also be accessed from the original link:
<https://www.bloomberg.com/news/videos/2022-10-14/prasad-inflation-relatively-muted-in-gcc-economies>

Interview with Al Arabiya (Arabic) on the UK mini budget & GBP, 26 Sep 2022

In this interview with Al Arabiya aired on 26th Sep 2022, Dr. Nasser Saidi discusses the tumbling British Pound, in the backdrop of the mini-budget and highlights the need for the government's fiscal policy to be aligned with central bank's monetary policy.

Watch the interview below

📺 [Al Arabiya](#) interview with Dr. Nasser Saidi on the UK mini budget & GBP, 26 Sep 2022. [Watch the interview](#) [here](#). [pic.twitter.com/jHS6hmeioT](#) [#2026](#) %95

– [Al Arabiya](#) (@AlArabiya_Bn) [September 26, 2022](#)

Bloomberg Daybreak Middle East Interview, 9 Sep 2022

Aathira Prasad joined Manus Cranny on 9th of September, 2022 as part of the Bloomberg Daybreak: Middle East edition, speaking about the latest inflation readings in both Egypt and Turkey.

Watch the interview below, which can also be accessed from the original link:
<https://www.bloomberg.com/news/videos/2022-09-09/prasad-we-expect-inflation-numbers-to-rise-video>

Interview with Al Arabiya (Arabic) on US inflation, Fed moves & impact on emerging markets, 14 Jul 2022

In this interview with Al Arabiya aired on 14th July 2022, Dr. Nasser Saidi discusses the jump in US inflation to a new 40-year high of 9.1%. Interest rates will remain high until next year or 2024, so that the Fed can control inflation, while unemployment will rise. Emerging markets will see spillover effects from high interest rates and the rise of the dollar, which increases the price of imported goods, and will also face problems due to the rise in food prices.

Watch the interview [here](#).

ناصر السعيدي للعربية: من الصعب على الفيدرالي إعادة التضخم إلى 2% خلال أشهر

أكد أن الأسواق الناشئة ستعاني من ارتفاع أسعار الفوائد

قال رئيس شركة ناصر السعيدي وشركاه، الدكتور ناصر السعيدي، إن نسب التضخم المرتفعة في الولايات المتحدة، والتي أُعلن عنها أمس الأربعاء، ستدفع الفيدرالي الأميركي إلى رفع أسعار الفائدة بسرعة، متوقعا زيادتها بمقدار 100 نقطة أساس في آخر هذا الشهر، كما توقع رفعها بين 75 و100 نقطة أو أكثر حتى آخر العام الحالي.

وأضاف السعيدي في مقابلة مع "العربية"، أن الفيدرالي يستطيع التحكم في العوامل داخل أميركا، لكن لا يمكنه التأثير بعوامل خارجية عالمية، مثل أسعار النفط، وبالتالي فإن من الصعب على الفيدرالي الأميركي الوصول إلى هدفه بخفض التضخم إلى 2% خلال فترة 3 إلى 6 أشهر.

وأوضح أن ذلك يعني بقاء الفوائد مرتفعة حتى العام المقبل أو العام 2024، ليستطيع الفيدرالي السيطرة على التضخم، مشيرا إلى أن البطالة سترتفع، الأمر الذي على الفيدرالي تقبله خلال الفترة المقبلة.

وتوقع السعيدي ارتفاع نسب البطالة في أميركا إلى ما بين 4% و 4.5%، معتبرا أن هذا الأمر طبيعي، لكنه قال إنه من غير المقبول استمرار ارتفاع التضخم الأساسي، الذي سيؤثر سياسيا أيضا.

كما توقع حدوث ركود اقتصادي في أوروبا أولا، خلال الفصل الثالث أو الرابع من 2022، وثانيا في أميركا مع بداية العام المقبل أو قبل ذلك، لافتا إلى أن الأسواق العالمية أخذت ذلك بالحسبان.

وقال السعيدي إن الأسواق الناشئة ستعاني من ارتفاع أسعار الفوائد

وصعود الدولار الذي يزيد سعر السلع المستوردة، كما ستواجه مشاكل جراء ارتفاع أسعار السلع الغذائية.

Interview with Al Arabiya (Arabic) on US inflation & upcoming Fed hike, 12 Jun 2022

In this interview with Al Arabiya aired on 12th June 2022, Dr. Nasser Saidi discusses the jump in US inflation and predicts a 75bps hike from the Fed later in the week.

Watch the interview [here](#).

ناصر السعيدي: رفع أسعار الفائدة في دول الخليج سيؤثر على النشاط الاقتصادي

توقع أن يزيد الفيدرالي الفائدة 75 نقطة في الاجتماع المقبل

توقع الدكتور ناصر السعيدي رئيس شركة ناصر السعيدي وشركاه، أن نشهد زيادات كبيرة في مستويات التضخم بأميركا تصل إلى ما بين 9 و10%.

وقال "بالإضافة لتضخم أسعار الطاقة والغذاء، أيضا يقفز المؤشر الأساسي للتضخم في أميركا، وهذا يؤدي لزيادة في الأجور، والخطر

الأكبر هو الدخول في دوامة الأجور والتضخم، ما معناه أن التضخم سيرتفع بطريقة مستدامة وندخل في توقعات التضخم في المستقبل، "وسيتم احتساب ذلك في أي توقع مستقبلي".

وتعتبر أرقام التضخم هي الشغل الشاغل للبنوك المركزية حول العالم، والتي ستجتمع هذا الأسبوع.

ولفت السعيدي إلى أن استجابة الفيدرالي الأميركي لارتفاعات معدلات التضخم كانت بطيئة.

وقال "توقعاتي أن يزيد الفيدرالي أسعار الفائدة 75 نقطة في "الاجتماع المقبل".

كما توقع السعيدي أن تستمر زيادات الفائدة في أميركا حتى عام 2023، وذلك للحيلولة دون الدخول في ركود تضخمي.

وفي أوروبا يرى السعيدي أن الموقف مختلف، حيث تواجه القارة مشاكل مختلفة بسبب الحرب في أوكرانيا، وبالتالي ستكون وتيرة رفع الفوائد أقل من أميركا واليورو سيتدنى مقابل الدولار.

وفيما يتعلق بدول الخليج قال السعيدي "أسعار الفوائد مرتبطة بأميركا، وسترتفع معدلات الفائدة، وهذا سيؤثر على النشاط الاقتصادي".

ويجتمع الأربعاء الفيدرالي الأميركي وسط توقعات برفع الفائدة 50 نقطة أساس، كما يجتمع بنك إنجلترا الخميس، وتوقعات برفع الفائدة للمرة الخامسة منذ ديسمبر.

وتتباين التوقعات فيما يتعلق بقيام بنك إنجلترا برفع الفائدة ما بين 25 إلى 50 نقطة أساس.

ويوم الخميس القادم يجتمع البنك المركزي السويسري في ظل توقعات %بإبقاء أسعار الفائدة عند سالب 0.75.

أما بنك اليابان فيعقد اجتماعه يوم الجمعة المقبل وسط توقعات بالتزام البنك بسياسته التحفيزية دون تغيير.

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:

Interview with Al Arabiya (Arabic) on US Fed's 50bps hike, risks and impact on MENA/GCC, 5 May 2022

In this interview with Al Arabiya aired on 5th May 2022, Dr. Nasser Saidi discusses the US Fed's 50bps hike, additional

risks to account for and the rate hike's impact on MENA/GCC.

Watch the interview [here](#).

ناصر السعيدي للعربية: تصريحات باول طمأنت الأسواق.. لكن يجب الانتباه إلى هذه المخاطر

أكد أن تأثير رفع أسعار الفائدة الأميركية سيكون واضحا في المنطقة

قال رئيس شركة ناصر السعيدي وشركاه، الدكتور ناصر السعيدي، إن تصريحات رئيس مجلس الاحتياطي الاتحادي الأميركي جيروم باول، بخصوص الفائدة أمس الأربعاء، طمأنت الأسواق بأنه لن يكون هناك تشدد سريع، لكن سيتم تدريجيا رفع الفائدة وتخفيض محفظة السندات سواء سندات الخزينة أو السندات العقارية.

وأضاف السعيدي في مقابلة مع "العربية"، أن باول ذكر مجموعة من المخاطر التي لاتزال موجودة، حيث يجب الانتباه والوعي إليها، مثل مخاطر "كوفيد-19" على الصين والتي تؤثر بدورها على سلاسل التوريد عالميا، فضلا عن الحرب الروسية على أوكرانيا وتداعياتها على الاقتصاد الأوروبي، إضافة إلى معدلات التضخم المرتفعة.

وذكر أن الاقتصاديين وصلوا إلى قناعة بأن البنوك المركزية، خصوصا الفيدرالي الأميركي، قد أخفق بمعالجة مشكلة التضخم مع وصول معدلاتها إلى 8%.

ولفت السعيدي إلى أنه مع تداعيات الحرب الأوكرانية، والوضع في الصين وغيرها، فإنه من الصعب أن يصل الاقتصاد الأميركي إلى "الهبوط الناعم".

وقال إن تأثير رفع أسعار الفائدة الأميركية سيكون واضحا في المنطقة العربية، موضحا أن هناك فرقا كبيرا بين الدول التي تربط عملتها بالدولار مثل دول الخليج، وتلك التي لا تربطها بالعملة الأميركية.

Interview with Al Arabiya (Arabic) on US inflation & Fed policy, 12 Apr 2022

In this interview with Al Arabiya aired on 12th April 2022, Dr. Nasser Saidi discusses the latest inflation figures in the US, Fed policy and whether it could lead to an economic stagnation.

Watch the interview [here](#).

قبل إصدارها رسمياً.. البيت الأبيض يفجّر مفاجأة بخصوص أرقام التضخم

توقع معدل تضخم "مرتفعاً بشكل غير عادي" خلال مارس

يتوقع البيت الأبيض أن يكون معدل التضخم لشهر مارس في الولايات المتحدة والذي سيُكشف عنه اليوم الثلاثاء "مرتفعاً بشكل غير عادي"، مرجعاً ذلك إلى ارتفاع الأسعار بسبب الحرب في أوكرانيا

وقالت المتحدثة باسم الرئاسة الأميركية، جين ساكي، خلال مؤتمر صحفي: "نتوقع أن يكون تضخم مؤشر أسعار المستهلكين في مارس مرتفعاً بشكل غير عادي بسبب غلاء الأسعار الذي تسبب فيه الرئيس". "الروسي، فلاديمير بوتين

وأضافت أن البيت الأبيض يتوقع "اختلافاً كبيراً" بين معدل التضخم العام ومعدل التضخم "الأساسي" الذي يستثني أسعار الطاقة والنفط، التي ارتفعت منذ بدء الغزو الروسي لأوكرانيا.

ويعتزم الرئيس الأميركي جو بايدن، الحديث حول هذا الأمر اليوم، خلال زيارة إلى ولاية إيوا ستركز على هذه المسألة بشكل خاص، وفقاً لما ذكرته "فرانس برس"، واطلعت عليه "العربية.نت".

وكان معدل التضخم مرتفعاً أصلاً في الولايات المتحدة قبل أن يتفاقم، في فبراير مع بدء الحرب في أوكرانيا.

وارتفعت أسعار المستهلكين بنسبة 7.9% على أساس سنوي في فبراير، وهو مستوى غير مسبق منذ عام 1982، وفق مؤشر أسعار المستهلكين الذي تعدل على أساسه الرواتب التقاعدية.

ومن المنتظر أن يتسارع معدل التضخم في مارس الذي سيكون أول شهر يعطي صورة كاملة لتداعيات الحرب في أوكرانيا على الأسعار في الولايات المتحدة.

ومن المتوقع أن يبلغ معدل التضخم على أساس شهري 1.2%، مقارنة بـ 0.8% في فبراير.

أما معدل التضخم "الأساسي"، فمتوقع أن يستمر عند المعدل الحالي البالغ 0.5%، ما يؤكد أن ارتفاع الأسعار يتركز في قطاعي الطاقة والغذاء.

فيما يحذر الاقتصاديون من أن التضخم لن يتباطأ قبل أشهر عدة.

ولمواجهة ذلك، بدأ الاحتياطي الفيدرالي رفع أسعار الفائدة الرئيسية في منتصف مارس ما يرفع من تكلفة الاقتراض، وهو ما من شأنه أن يبطئ الاستهلاك والاستثمار لتخفيف الضغط على الأسعار.

وفي غضون ذلك، أكد المركزي الأميركي أنه سيواصل تشديد سياسته النقدية في الأشهر المقبلة.

وقال رئيس شركة ناصر السعيد وشركاه، ناصر السعيد، في مقابلة مع "العربية"، إن البنك المركزي الأميركي تأخر في وقف السيولة التي ي ضخها في الأسواق.

وأضاف السعيد أن الفيدرالي أراد التأكد من تعافي الاقتصاد

الأميركي قبل سحب السيولة أو رفع الفوائد

وأشار إلى أن بيانات الربع الأخير من 2021 تظهر تعافي الاقتصاد الأميركي مع تراجع نسبة البطالة لأدنى مستويات في 5 سنوات، ولكن تفاقمت أسعار التضخم التي كانت تتطلب تدخلا فوريا من الفيدرالي

Interview with Al Arabiya (Arabic) on US inflation & Fed amid war in Ukraine, 1 Mar 2022

In this interview with Al Arabiya aired on 1st Mar 2022, Dr. Nasser Saidi discusses rising inflationary pressures amid the war in Ukraine, how it could affect the Fed's rate decision and whether it could lead to an economic stagnation.

Watch the interview [here](#).

لهذا السبب سيتأخر الفيدرالي
الأميركي برفع الفائدة
توقع ركوداً اقتصادياً يصاحبه

مستويات تضخم مرتفعة

توقع رئيس شركة ناصر السعيدى وشركاه، الدكتور ناصر السعيدى، أن يكون هناك أثر سلبي على السيولة العالمية، نتيجة الأزمة الروسية الأوكرانية الحالية، موضحاً أنه لهذا السبب سيتأخر الفيدرالي الأميركي برفع الفائدة، أو حتى إذا رفعها ستكون أقل من 50 نقطة . بين 20 إلى 25 نقطة .

وأشار السعيدى في مقابلة مع "العربية" إلى أن نسب التضخم في أميركا، زادت إلى أعلى المستويات، حيث وصلت إلى 7% والتي تعد الأعلى منذ 40 سنة .

وأضاف أن الأوضاع في الأسواق المالية ترجح أن عدم توفر السيولة يمكن أن يؤثر سلباً، ولهذا لن يرفع البنك الأوروبي أو الفيدرالي الفوائد بسرعة .

وذكر السعيدى أن سيناريو (حالة الركود الاقتصادي الذي يصاحبه مستويات تضخم مرتفعة)، بات أكثر واقعية حالياً مع ارتفاع أسعار المواد الأولية، لاسيما النفط والقمح وغيرهما من السلع، لافتاً إلى أنه مع كون أوكرانيا من أكبر المصدرين للقمح في العالم، فإن ذلك سيؤثر على معظم المواد الغذائية .

وقال إن التحالف النفطي مع روسيا سيستمر، مشيراً إلى أن "أوبك بلس" لن تهتز من هذه الناحية، كما رجح ألا يكون هناك زياد في إنتاج النفط وتصديره .

وتوقع السعيدى أن تقوم الولايات المتحدة وبعض الدول باستخدام المخزون النفطي الذي لديها (الاحتياطات الاستراتيجية)، خصوصاً في أميركا وأوروبا .

Interview with Al Arabiya (Arabic) on US Fed decisions & beyond, 27 Jan 2022

In this interview with Al Arabiya aired on 27th Jan 2022, Dr. Nasser Saidi discusses the Fed's rate decision and what this means for growth in light of the rising inflation. How this transition would affect emerging markets is also important.

Watch the interview [here](#).

Interview with Al Arabiya (Arabic) on risks facing financial markets in 2022, 21 Dec 2021

In this interview with Al Arabiya, Dr. Nasser Saidi discusses risks facing financial markets in 2022: continuing COVID19 effects, geopolitical, monetary tightening, higher interest rates, inflation uncertainty & volatility & their impact on corporate earnings

[Watch the interview](#) and read the article (in Arabic) that was published on 21st December 2021, and is posted below.

هذه العوامل ستحدد وجهة الأسواق العالمية والنفط في 2022

قال الدكتور ناصر السعيد، رئيس شركة ناصر السعيد وشركاه، إن الأسواق ستتأثر خلال عام 2022، بمتحور أوميكرون خاصة في أوروبا وأميركا، إضافة إلى مخاطر التغيير في السياسات النقدية، والتي تعتبر أهم بكثير من متحور أوميكرون.

وأضاف "خلال الـ20 شهر الماضية، ضخت البنوك المركزية 23 تريليون دولار، ما يمثل ضخ 800 مليون دولار كل ساعة، وهي أرقام ضخمة وقد أدت إلى ارتفاع الأسواق والقيم، وعدم ضخ سيولة سيكون أهم العوامل "التي ستؤثر في حركة الأسواق خلال 2022".

ويرى السعيد أن الأسواق لم تعد تعتمد على الحكومات والبنوك المركزية لضخ سيولة، ونتيجة هذا سيكون هناك تشدد نقدي داخل الأسواق المالية، إضافة إلى تأثير الأسواق بمجموعة من المخاطر الجيوسياسية مثل تلك التي بين الصين وتايوان من جهة أو بين روسيا وأوكرانيا من جهة أخرى.

السعيد أضاف "تعتبر سياسات البنوك المركزية بعد وصول التضخم إلى مستويات قياسية هامة جدا لحركة الأسواق، ففي أميركا وصل التضخم إلى 7%، عند أعلى مستوى منذ 1982، والفيدرالي سيشدد السياسة النقدية وباقي البنوك المركزية عالميا ستتبع هذه السياسة".

وحول ارتفاع التضخم قال السعيد إنه سيؤثر على عائد أرباح الشركات، وبالتالي ستتأثر الأسواق.

بشأن توقعات أداء الأسواق الأميركية في 2022، قال السعيد "يوجد فرق كبير في توقعات الأسواق للعام القادم بسبب حالة الضبابية وعدم اليقين، حيث توقع غولدمان ساكس ارتفاعها بنسبة 9% في 2022، فيما توقع مورغان ستانلي هبوطا بنسبة 5%، فيما جاءت توقعات ميريل لينش بحدوث هبوط بنسبة 3%".

وعاد السعيد ليؤكد على المخاطر الجيوسياسية وقال إن أسعار السندات والأسهم على أنواعها المختلفة ستواجه مخاطر جيوسياسية كبيرة، خاصة أن التوترات بين روسيا وأوكرانيا تعتبر أول تجربة لإدارة بايدن، والتي هي غير مستعدة بما في ذلك حلف الناتو، إلى

المواجهة، فيما تعتبر روسيا تحت إدارة بوتين مستعدة في حال حدوث
”مواجهة“.

وحول توقعاته لأسعار النفط قال السعيد، إنها لن تصل إلى 100 دولار
في 2022، بسبب انخفاض آفاق النمو الاقتصادي في الصين وعالميا
العام القادم، مشيراً إلى أنها ستكون في حدود 65 أو 70 دولارا
للبرميل

Bloomberg Daybreak Middle East Interview, 6 Dec 2021

Aathira Prasad joined Manus Cranny on 6th of December, 2021 as part of the Bloomberg Daybreak: Middle East edition, discussing the UAE’s resilient recovery, recent strong PMI readings in the GCC and thoughts on the oil market given the spread of the Omicron variant.

Watch the interview below; this can also be accessed at:
<https://www.bloomberg.com/news/videos/2021-12-06/prasad-on-dubai-s-emergence-from-virus-challenges-video>

Interview with Al Arabiya (Arabic) on inflation,

monetary policy & latest US macroeconomic data, 25 Nov 2021

In this interview with Al Arabiya, Dr. Nasser Saidi discusses global inflation, Fed and central bank policies as well as quantitative easing (QE) and interest rates.

[Watch the interview](#) and read the article (in Arabic) that was published on 25th November 2021, and is posted below.

هل أخطأت بنوك الاستثمار في توقعاتها للتضخم بأميركا؟

قال ناصر السعيدى رئيس شركة ناصر السعيدى وشركاه، إنه أصبح من الواضح حالياً أن التضخم في الولايات المتحدة الأمريكية دائم وليس مؤقتاً كما كان يعتقد المحللون بداية العام.

وأشار إلى أن إعادة تعيين جيروم باول كرئيس للاحتياطي الفيدرالي الأميركي يعني استمرار الخطط الحالية لتخفيض التيسير النقدي والذي سيبدأ بتخفيض المشتريات بقيمة شهرية تصل إلى 25 مليار دولار وفقاً لتوقعات السعيدى.

واستبعد السعيدى رفع أسعار الفائدة في الولايات المتحدة الفترة المقبلة، متوقفاً أن يتخذ الفيدرالي هذا الاتجاه في منتصف العام المقبل.

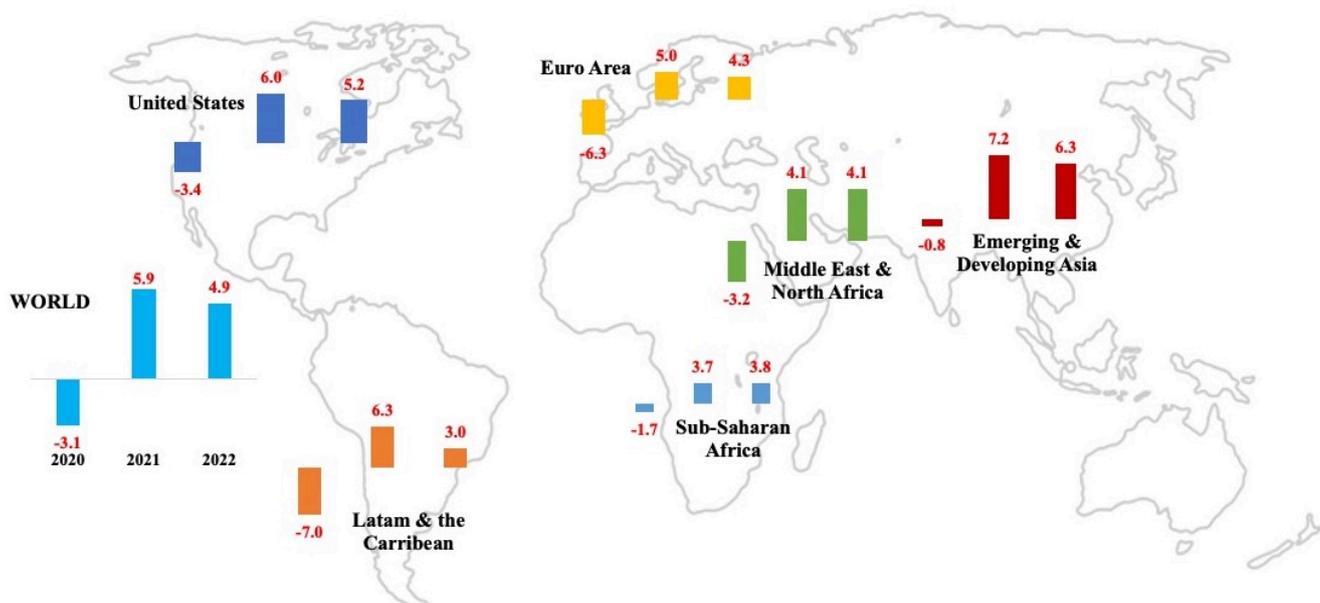
Weekly Insights 14 Oct 2021: Global divergence in growth predicted – can MENA cope?

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

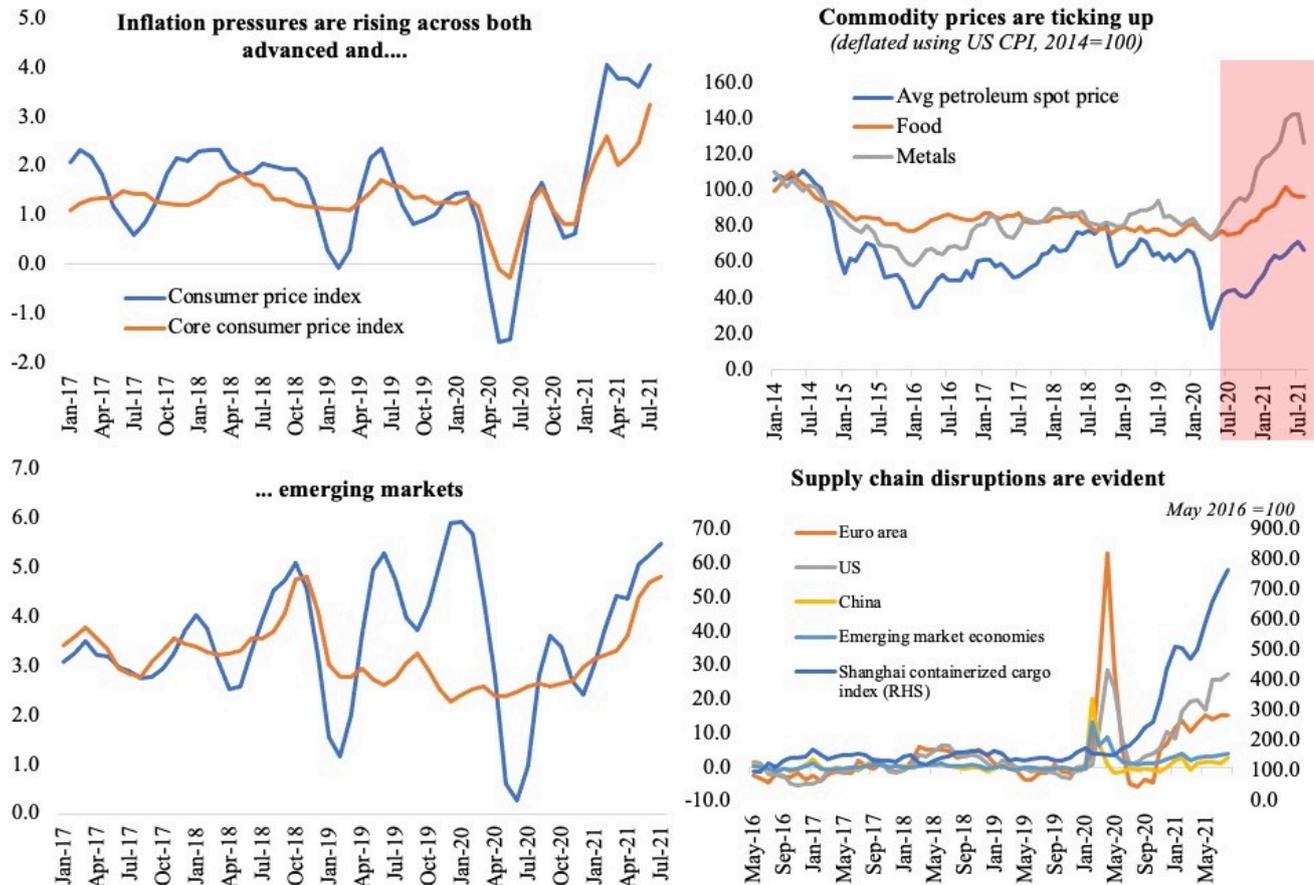


Source: IMF World Economic Outlook, Oct 2021. Chart by Nasser Saidi & Associates

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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

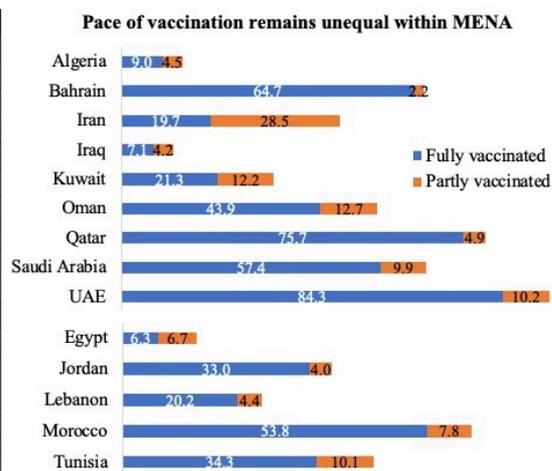
levels by next year

- **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
Oil Exporters					
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
Oil importers					
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



Source: Our World in Data.

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



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

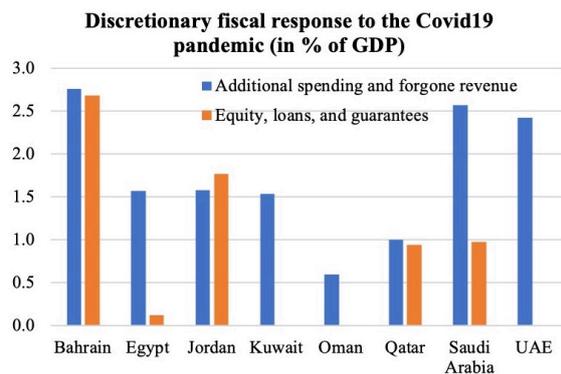
- **Fiscal balance remains in deficit in 2021 across all regional groupings**, with the global reading at 7.9% vs MENA's 4.3% and Saudi's 3.1%. A summary of fiscal measures since Jan 2020 are charted for select MENA countries (below)
- **Governments have scaled back spending** in 2021, but **government 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				
	2019	2020	2021	2022
Advanced Economies				
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

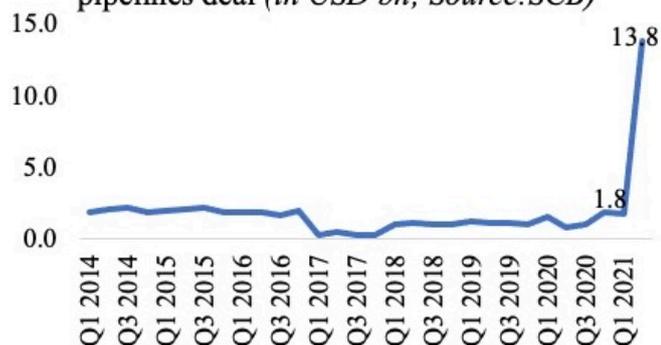


Source: Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, IMF

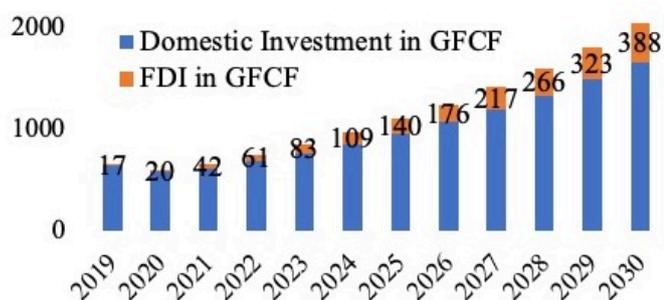
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s record-high federal budget for 2022 & Saudi Arabia's ambitious FDI targets hogged headlines this week

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

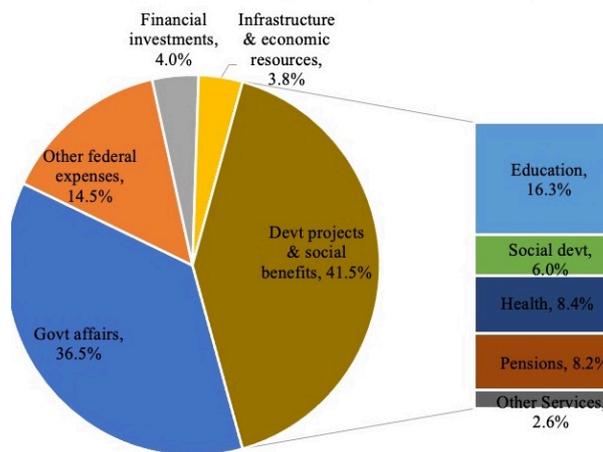


Saudi's ambitious National Investment Strategy targets triple investment volume to SAR 2trn by 2030; FDI to rise 20X by 2030



Source: National Investment Strategy document

UAE's federal budget 2022 (Total: AED 58.9bn)



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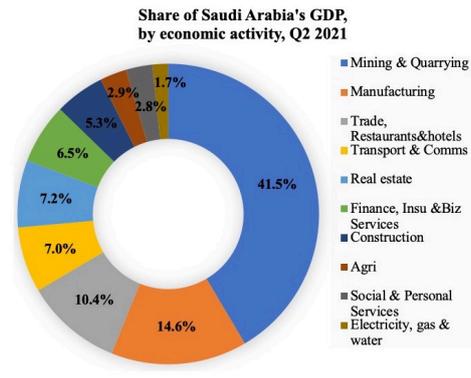
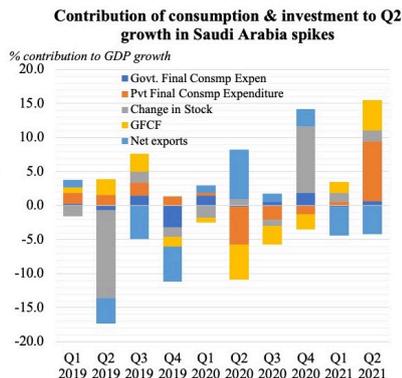
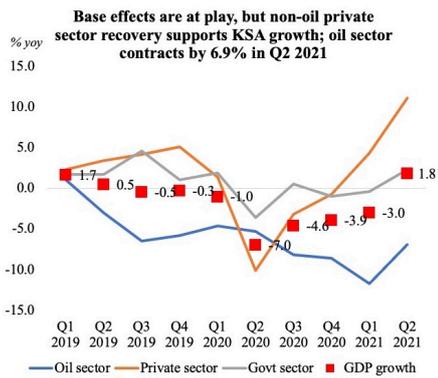
Weekly Insights 16 Sep 2021: Saudi Arabia's economic activity picks up pace

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%

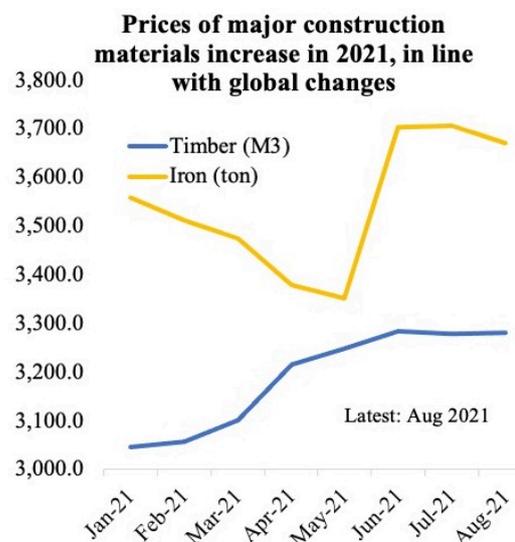
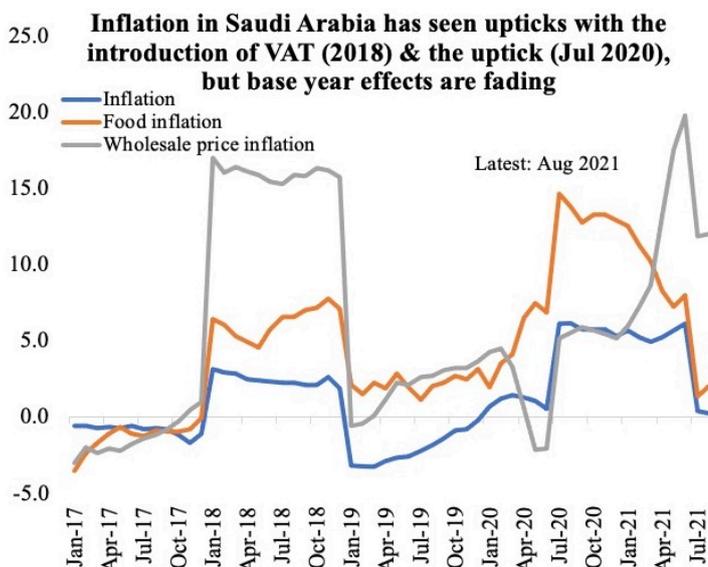
- **Saudi Arabia's GDP grew by 1.8% yoy in Q2 2021 (Q1: -3.0%), with the non-oil private sector reporting a 11.1% uptick, after rising by 4.4% in Q1.**
- **The major share of activity lies with mining and quarrying (~42%);** together with manufacturing and trade, restaurants and hotels, these 3 sectors 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 row, given base effects; food costs spike

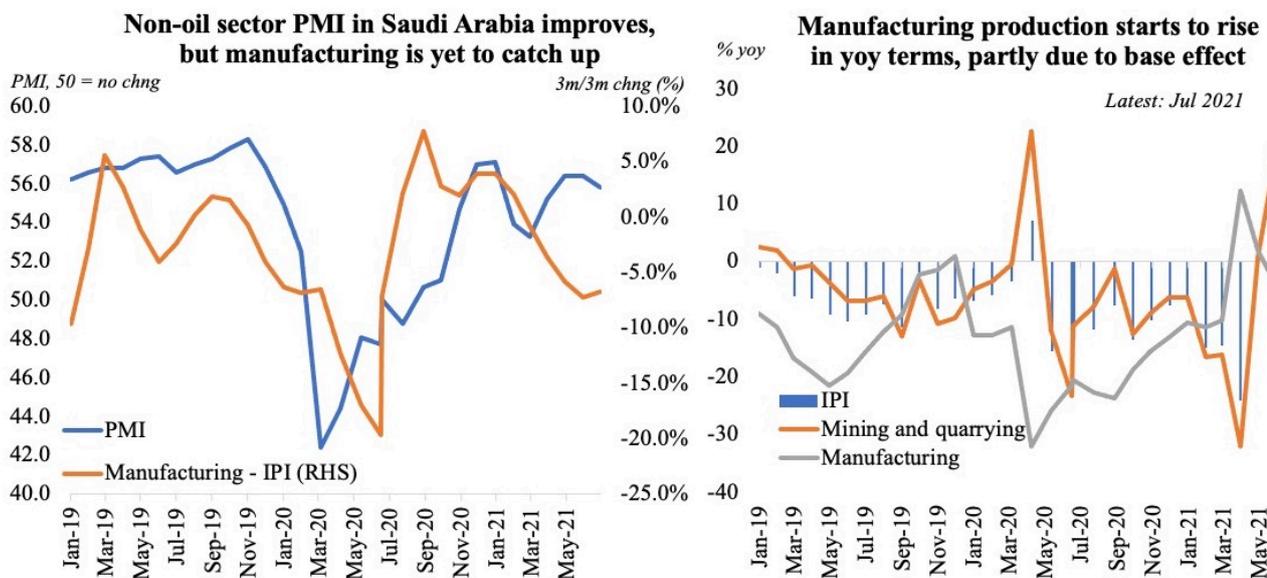


Source: Saudi GaStat. Charts by Nasser Saidi & Associates

- **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 2021; industrial production is playing catch up

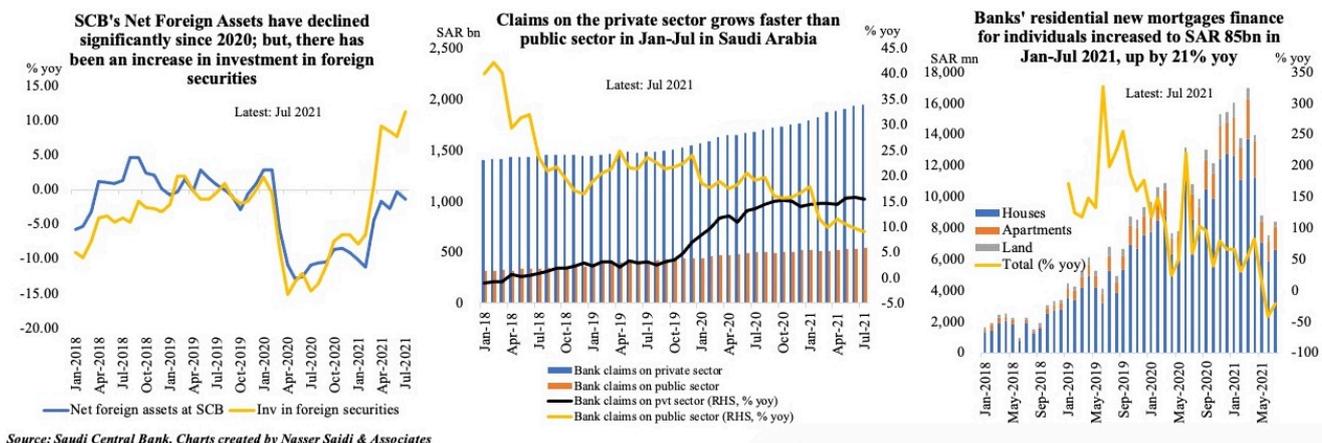


Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates

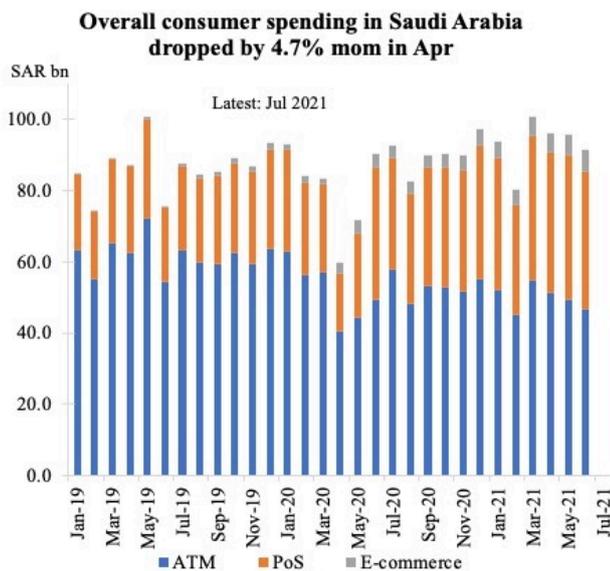
- Saudi **non-oil sector PMI declined to 54.1 in Aug, a tad lower than the average so far this year**. The month saw new orders growth slowing alongside a softer recovery in export orders as output expanded at the slowest pace in 10 months.
- Official data show that **overall industrial production (IP) 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

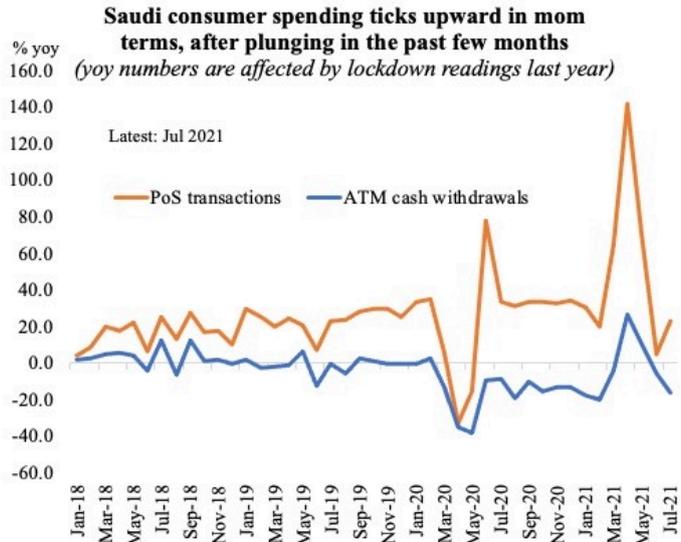
- **Saudi net foreign assets posted a 1% mom decline** to SAR 1.64trn in Jul. However, the amount of money invested in foreign securities rose by SAR5bn to SAR 1.13trn in Jul, the highest monthly figure since Apr.
- **Credit to the private sector has accelerated** by an average of 15% yoy in Jan-Jul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



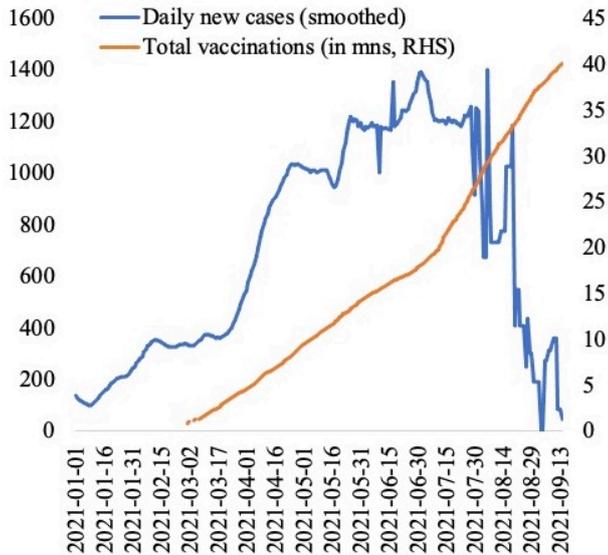
Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates



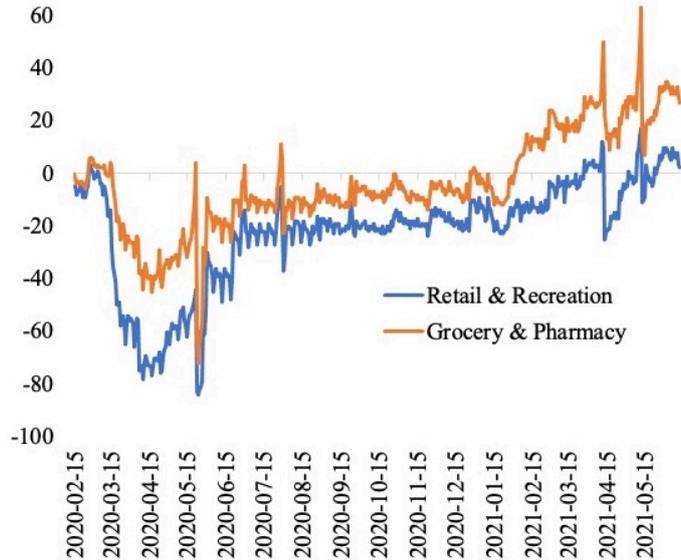
- **Overall consumer spending has been rising through 2021, while digital adoption is surging.**
- ATM transactions have declined by 6% yoy in Jan-Jul 2021; PoS transactions are up by 42% yoy during the period compared to a year ago while **e-commerce transactions** have almost doubled!
- Such a pattern 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

Covid19 cases drop as vaccination picks up pace



Retail mobility rises above pre-pandemic baseline readings in Saudi Arabia



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).

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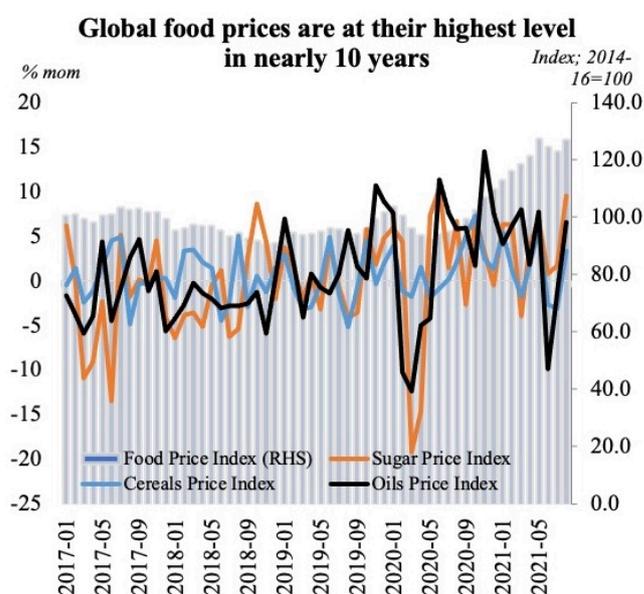


Weekly Insights 9 Sep 2021: Global inflation – transitory or persistent? How will MENA / GCC cope?

Weekly Insights 9 Sep 2021: Global inflation – transitory or persistent? How will MENA / GCC cope?

Inflation (both consumer and producer prices) has been picking up across the globe, though central banks are still calling it a “transitory” phase than a persistent one.

Both food and energy prices have been rising the past few months. The **FAO food price index for Aug showed a 3.1% mom and 32.9% yoy increase**, rebounding after 2 consecutive months of declines. Since prices had been subdued during the initial stages of the pandemic, the year-on-year surge can be associated with base effects, but the month-on-month prices have been creeping up as well. For countries highly dependent on food and other staple goods imports (especially the MENA region), the inflationary pressure will grow if this persists and also affect poorer countries disproportionately. It is worthwhile

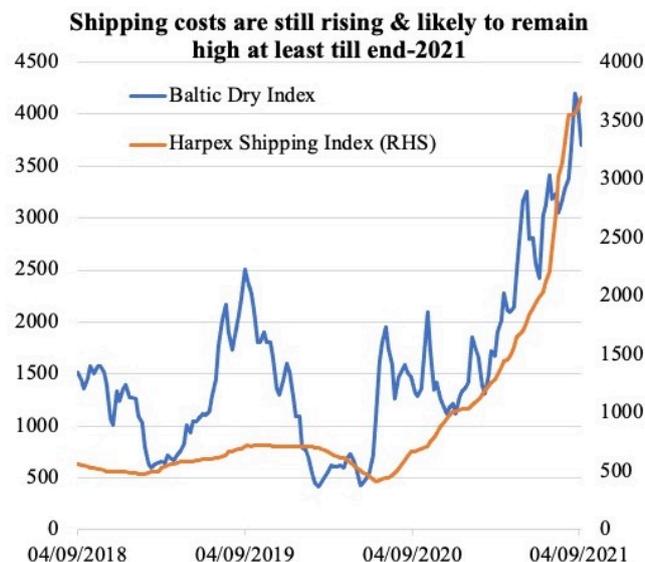


Source: FAO, Nasser Saidi & Associates

to remember that social unrest leading up to the Arab Spring a decade back came after months of rising food costs (food price inflation in Egypt had hit ~19%)!

A closer examination of prices shows that not just commodities, but also prices of durable goods and price of services (restaurants, hairdressers etc.) have been picking up, resulting in an uptick in core inflation. Why? There is a combination of factors: supply chain shocks, cyclical recovery of demand post-Covid fueled by fiscal and monetary stimulus, along with weather shocks.

- Increased demand as the pace of recovery gains speed with easing of pandemic-related restrictions: e.g. demand for meat from major food-importing nations, demand for fuel as “summer travel” resumes in the US and Europe, sustained demand for furniture and household



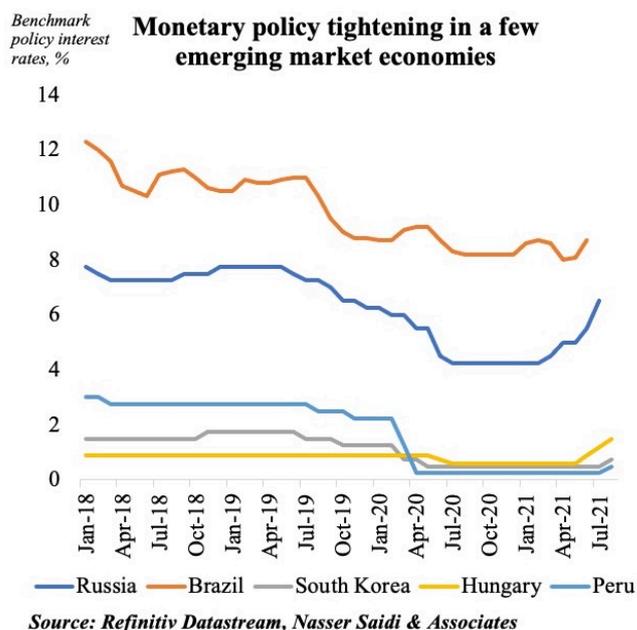
Source: Refinitiv Datastream, Nasser Saidi & Associates

appliances.

- Weather shocks: e.g. droughts and high temperatures (affecting wheat production in Canada and US), frost damage and dry weather (affecting prices of sugar in Brazil);
- Supply chain disruptions and logistical bottlenecks: e.g. quarantine and/or lockdown rules have disrupted manufacturing, closure of ports have led to delays in delivery, shortage of semi-conductor chips and impact on

the auto industry. Supplier delivery times are lengthening further, purchasing costs are still rising, and strong demand is adding more pressure on shipping costs. For now, it looks like inflationary pressures are building up.

The recent uptick in inflation is a global phenomenon. In the developed countries, inflation is still around the 2%-mark (higher than readings in the recent past): extended QE and low-interest rate policy environment had kept price increases minimal. However, inflation is markedly higher for many emerging markets, including emerging Europe. In India, the latest reading stood at 6% (at the top end of the central bank's target range) while in Brazil and Russia, it was 8.9% and 6.7% respectively (way higher than targets of 4.5% and 4% respectively).



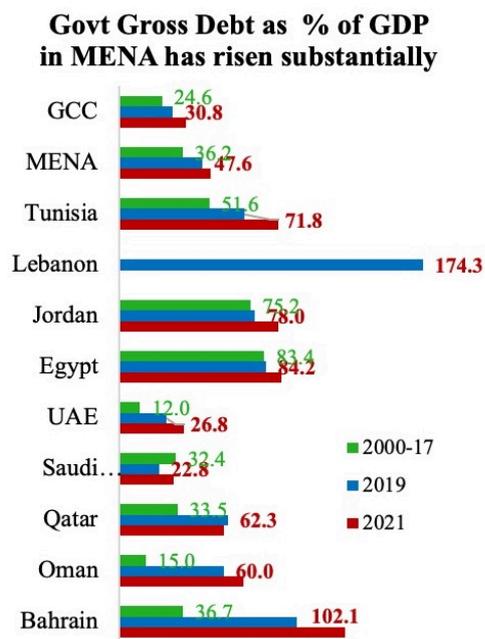
South Korea, where inflation in Aug stood at 2.6% (the highest since Aug 2017, and higher than the 2% central bank target rate), became the first developed Asian nation to raise interest rates since the beginning of the pandemic. The rate was increased from a record low of 0.5% to 0.75% and the move is expected to curtail the surge in household debt and home prices. Russia, Brazil, Mexico, Peru and Hungary are a few central banks that have hiked rates in the past few months, with Russia's central bank warning of a potential new global

financial crisis if global inflation is not contained. Going forward, we expect many central banks to follow suit, abandoning their dovish policy stance and start tightening to contain inflation (including asset price inflation, including housing prices which have surged). It needs to be a delicate balance though, as higher interest rates would hurt economic recovery and growth, especially as many are facing new Covid19 outbreaks amid a low vaccination pace.

Many of these emerging market governments have borrowed extensively during the pandemic to spend on fiscal relief measures. Global government debt is now at the highest level since World War II. Public and external debt have risen significantly for the median emerging market economy, reaching 59 and 44% of GDP, respectively, in 2020, and gross financing needs are projected to stay above 10% of GDP in 2020–21, according to [IMF projections](#). We expect debt to GDP levels to remain much higher than pre-Covid levels for many years ahead, increasing their vulnerability to tapering by the Fed and the ECB resulting in higher borrowing costs. For now, debt service costs are quite low (given low US interest rates) in foreign currency, but external borrowing costs are unlikely to stay low for longer. The Fed has already signaled that it might raise interest rates sooner than earlier expected. So, markets, including emerging markets, can no longer count on a steady injection of liquidity – be on the lookout for vulnerable corporates and countries with high debt exposure. Plus, as the US tightens monetary policy, emerging market currencies will come under pressure (more expensive to import goods, thereby increasing domestic prices further as



well as aggravating current account deficits).



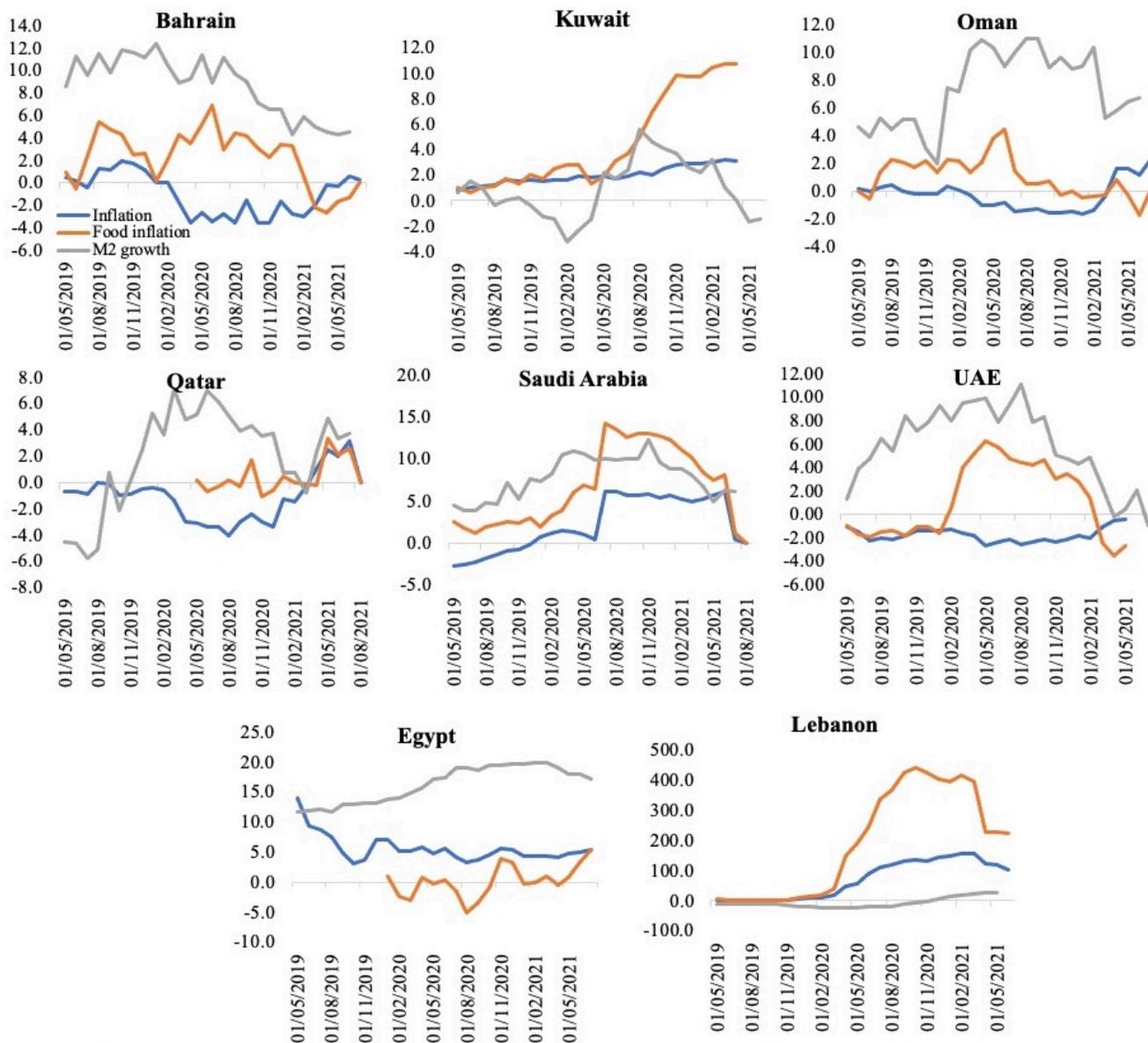
Source: IMF Regional Economic Outlook, Nasser Saidi & Associates

In the MENA region, almost half the nations have gross government debt above 70% of GDP and one in 4 had public gross financing needs above 15% of GDP by end-2019. The pandemic led to a significant loss in revenues (both oil and non-oil) and though international financial markets were tapped, domestic financing increased. According to the IMF, governments in Egypt, Jordan,

and Tunisia covered more than 50% of their public gross financing needs with domestic bank financing in 2020. Such bank exposure to the public sector could also crowd out the private sector at a time when a private activity push is required for higher economic growth and job creation. A surge in inflation can lead to a reduction in the real value of domestic debt – Lebanon is a good example, but the sharp currency depreciation makes the debt burden unsustainable.

Inflation remains under control in the GCC for now and even though food prices are rising, the overall cost of living has been kept in check given relatively low housing/ utilities costs. For now, many businesses are absorbing the higher costs (as mentioned in the region's PMI surveys) and narrowing profit margins to revive domestic demand. Since GCC nations' inflation reading can be driven up by trading partners' inflation, it is prudent to keep an eye out. Food imports as a share of overall imports was least in the UAE (6.7% in 2019) and most in Oman (16.3%). For the GCC currencies that are pegged to the dollar, higher food prices can quickly pass through to consumer prices, while central banks have little or

no monetary policy independence to address inflation shocks.



Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates. Data is as of Jul 2021 except for Kuwait (Apr 2021) and UAE (May 2021)

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Bloomberg Daybreak Middle East Interview, 4 Aug 2021

Aathira Prasad joined Manus Cranny and Yousef Gamal El-Din on 4th of August, 2021 as part of the Bloomberg Daybreak: Middle

East edition, discussing escalating tensions in the Gulf region as Iran's President Ebrahim Raisi is sworn in. She also shared her views on Egypt's rising food prices and the UAE's easing of restrictions for fully-vaccinated travellers from South Asia and Africa.

Watch the interview below; this can also be accessed at: <https://www.bloomberg.com/news/videos/2021-08-04/iran-s-new-president-sworn-in-as-new-crisis-grips-gulf-video>

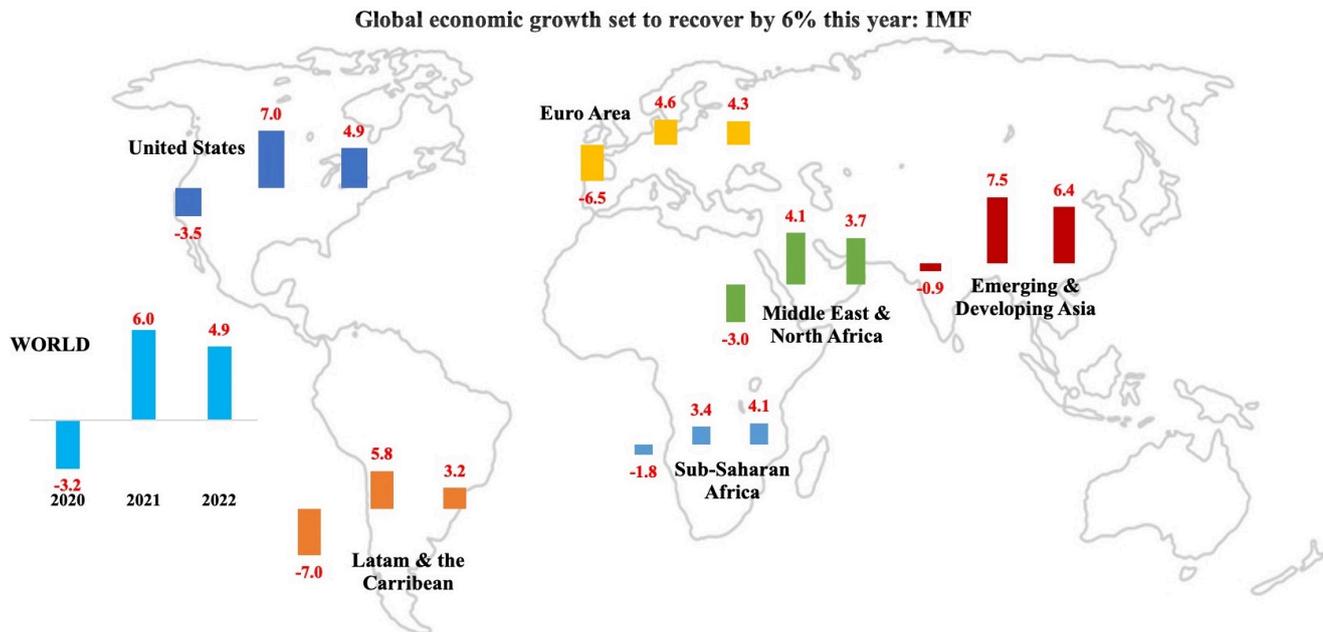
Weekly Insights 29 Jul 2021: Global growth & inflation outlook + credit & inflation (GCC/ UAE)

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.

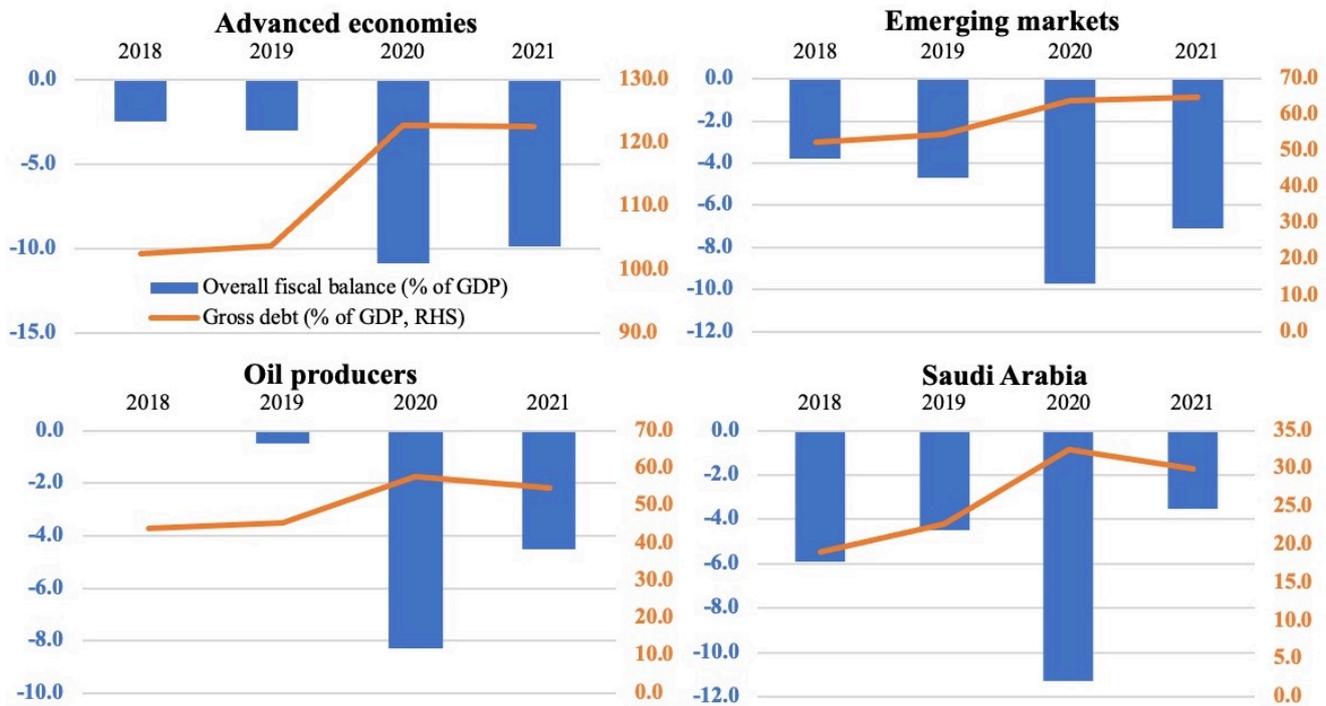


Source: IMF World Economic Outlook, Jul 2021. Chart by Nasser Saidi & Associates

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

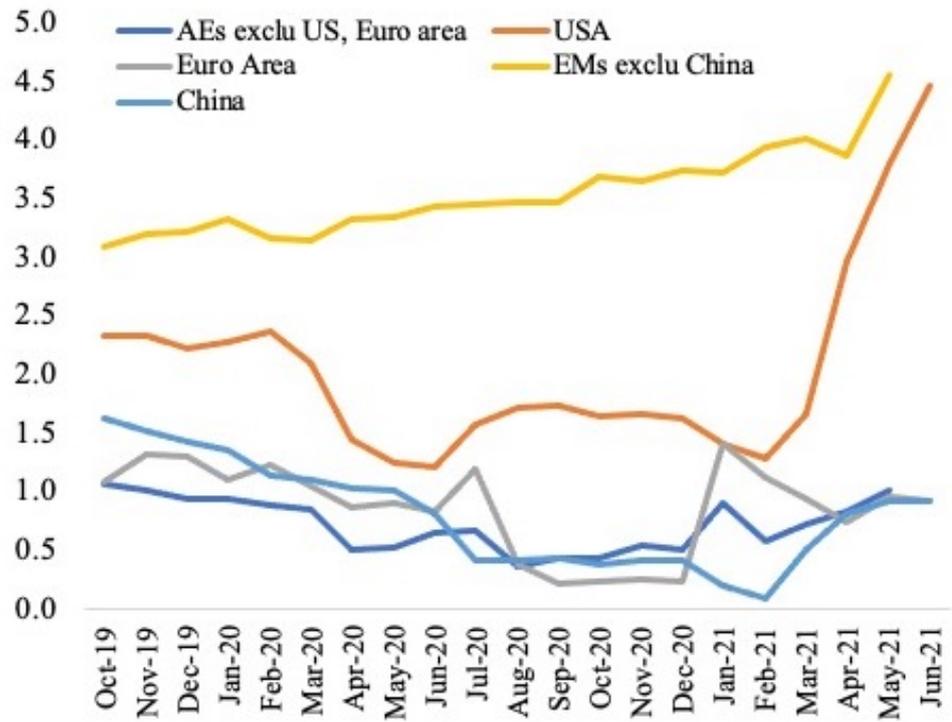
- If the Fed hikes rates earlier-than-expected, then fiscally constrained nations with high debt levels will be more vulnerable => further **increasing fiscal risks/ corporate bankruptcies** etc.



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...

Core inflation, % yoy



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

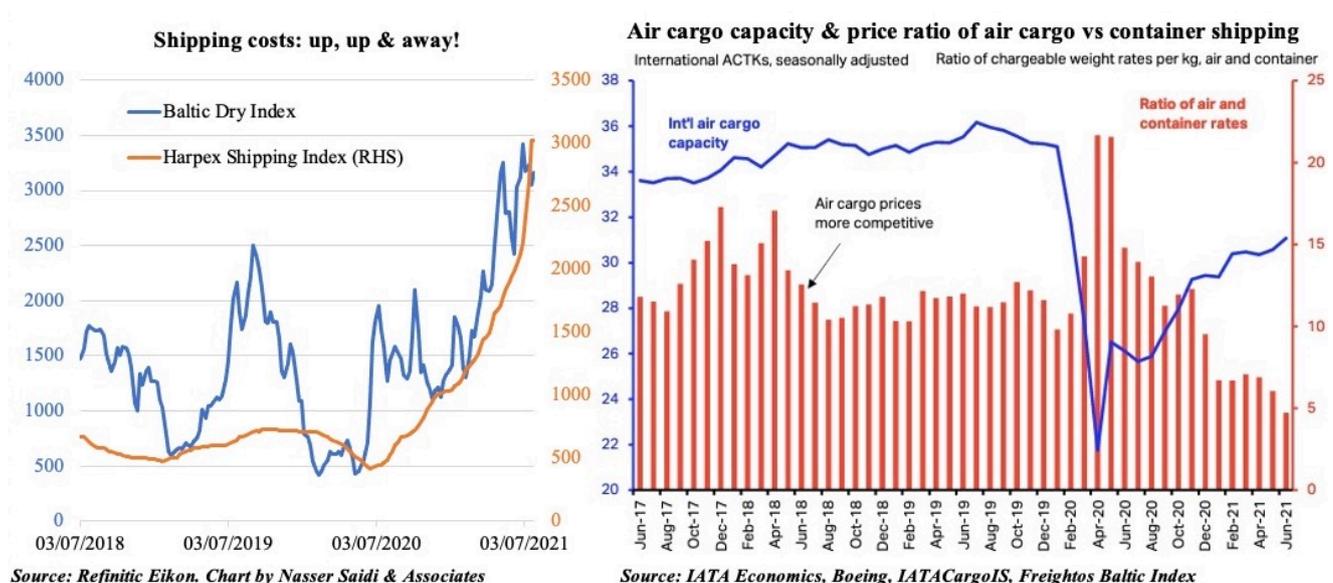
*Jul readings are recently released flash estimates

- 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

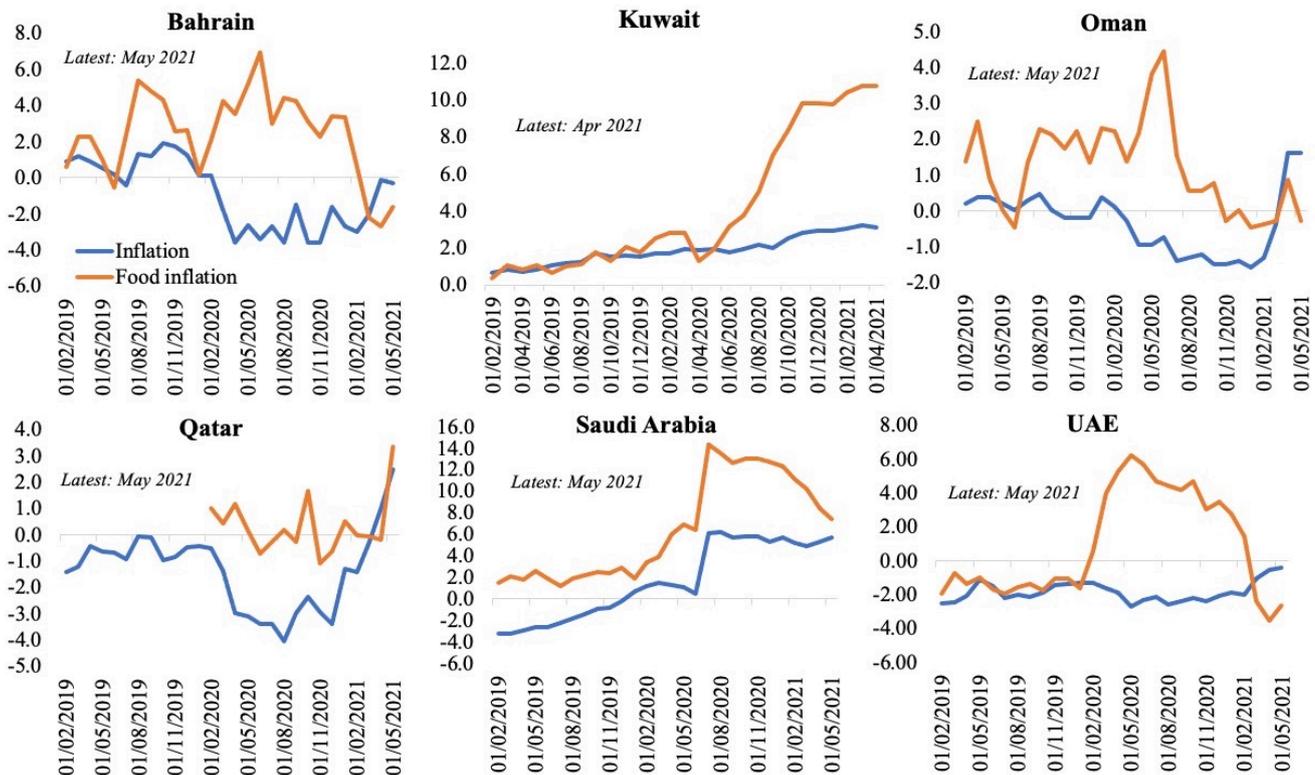
- **Higher oil prices** are also affecting major importers; oil price is now closer to pre-pandemic levels
- **Inflationary risks**: pent-up demand amid long-drawn-out supply bottlenecks, earlier-than-expected rate hikes (leading to rise in risk premiums, borrowing costs)

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

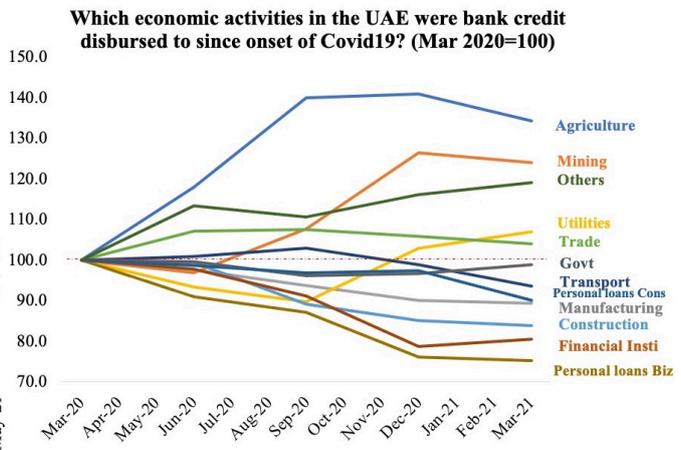
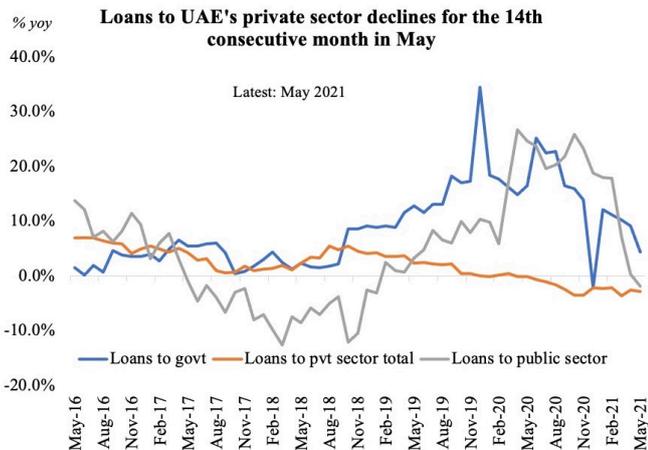


Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates

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.



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

Powered by:



Bloomberg Daybreak Middle East Interview, 25 July 2021

Dr. Nasser Saidi joined Yousef Gamal El-Din on the 25th of July, 2021 as part of the Bloomberg Daybreak: Middle East edition, discussing the impact the Delta variant is having on global markets and inflation concerns. Dr. Saidi also spoke about Lebanon and the potential way forward (in terms of sanctions, failed state etc) as part of the interview

Watch the interview segment below and can also be accessed at <https://www.bloomberg.com/news/videos/2021-07-25/fed-to-grapple-with-delta-risks-video>

Bloomberg Daybreak Middle East Interview, 11 Jul 2021

Aathira Prasad joined Manus Cranny and Yousef Gamal El-Din on 11th of July, 2021 as part of the Bloomberg Daybreak: Middle East edition, discussing Saudi Arabia's cap on gasoline prices, the country's long-term plans of fiscal consolidation, GCC inflationary pressures and also the ongoing OPEC+ deadlock and impact on oil prices.

Watch the interview below; this can also be accessed at: <https://www.bloomberg.com/news/videos/2021-07-11/imf-urges-ksa-to-boost-welfare-and-tackle-wage-bill-video>

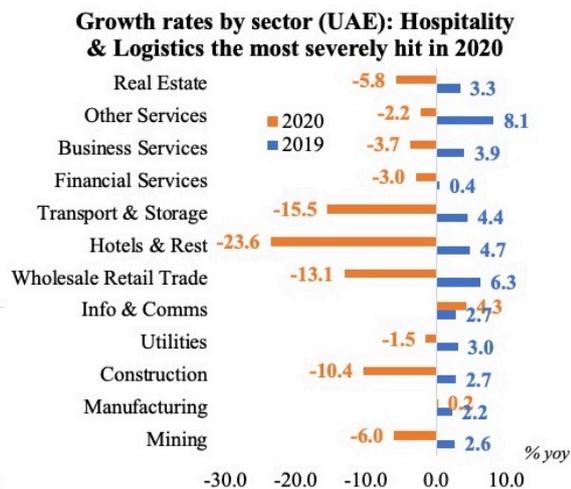
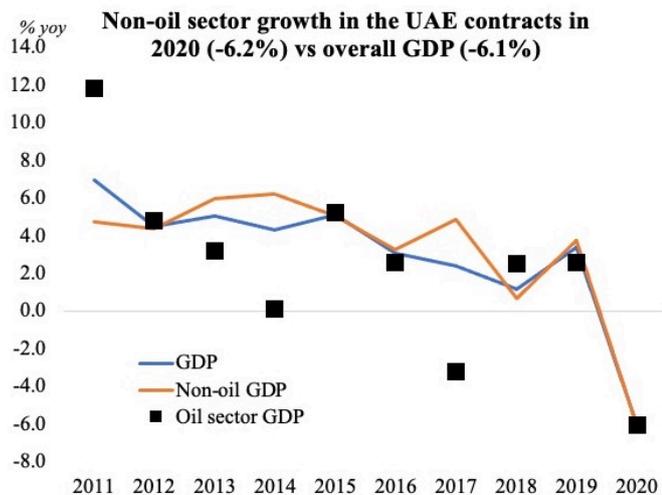
Weekly Insights 1 Jul 2021: State of the UAE & Saudi Arabia economies

State of the UAE & Saudi Arabia economies: a peek into the latest macroeconomic data

(GDP, Fiscal, Money & Credit, Labour Market, Trade, Inflation)

1. UAE's GDP declined by 6.1% in 2020; hospitality and

Logistics were the worst affected sectors



Source: UAE Federal Competitiveness & Statistics Authority. Charts by Nasser Saidi & Associates

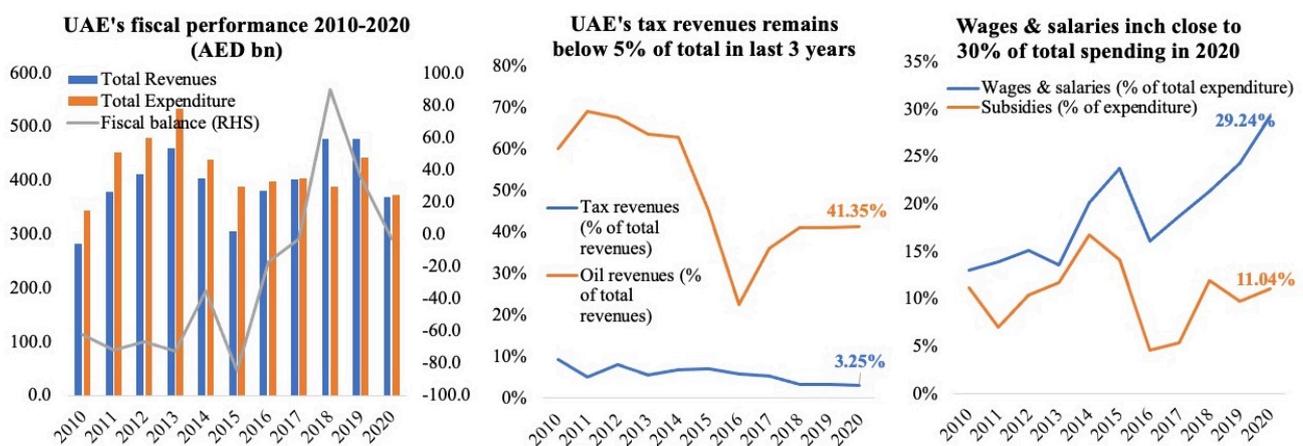
- The **UAE's GDP declined by 6.1% in 2020**, according to the FCSA, down from an upwardly revised 3.4% growth in 2019. The **slump was driven by both oil and non-oil sector**, which fell by 6% & 6.2% respectively.
- While the **share of oil sector to overall GDP remained unchanged at 29.1%**, the sectors that posted a slight increase in overall contribution to GDP include manufacturing (8.8% in 2020 from 2019's 8.3%), communication (3.3% vs 2.9%), finance and insurance (8.2% from 7.9%) and public sector (5.6% from 5.2%).
- Only a few sectors posted positive growth in 2020; unsurprisingly, the **most negatively affected were hospitality (-23.6%), transportation (-15.5%) and trade (-13.1%)**.

2. UAE fiscal balance moves into deficit in 2020, following two years of surplus

- **Both public revenues and expenditures in the UAE declined in 2020**, by 22.7% yoy and 15.8% respectively, thereby moving the balance into a deficit of AED 3.04bn. Oil revenues fell by 22.4% yoy
- **Oil revenues accounted for 41.35% of overall revenues and 42.7% of non-tax revenues in 2020**. Though total tax revenues fell by 22.4% yoy in 2020, its share in total

revenues continued to be ~3.25% (similar to 2018 & 2019)

- **Wages and salaries continue to represent about 30% of total spending in 2020** but in yoy terms, it declined by 16.7%. Subsidies also fell by 5% yoy, but account for 11% of overall spending
- **Fiscal consolidation should be major policy reform for the UAE in the medium- to long-term to reduce dependence on oil & gas revenue.** Subsidy reform and reducing public sector wage bills could be reforms on the spending side while new/ higher taxes can support revenues (e.g. carbon tax, property tax)

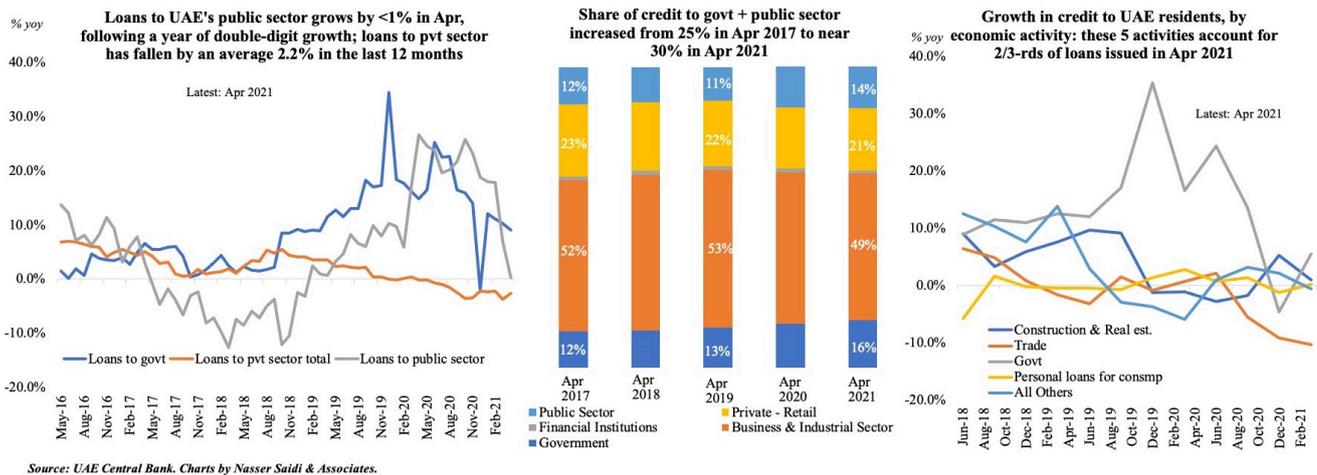


Source: UAE Federal Competitiveness & Statistics Authority. Charts by Nasser Saidi & Associates

3. Credit to UAE's private sector continues to decline in 2021; activity-wise differences exist

- **Overall domestic credit disbursed in UAE fell by 0.6% yoy in Apr 2021** though rebounding by a marginal 0.52% mom (Mar: -0.9% mom)
- **April marks the 13th consecutive month of yoy decline in credit to the private sector and 10th consecutive month of yoy decline in lending to the business sector.** Loans to the public sector (which includes government-related enterprises) broke the pattern by ticking up just 0.2% in Apr (Mar: 7.0% and following 12 months of double-digit growth)
- A breakdown of lending by economic activity shows that the **major shares with respect to credit by economic**

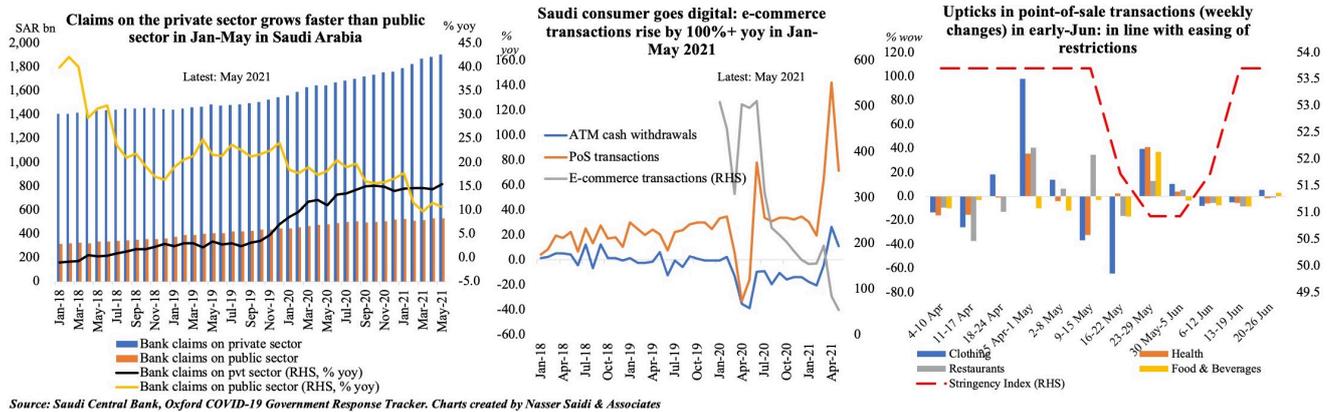
activity remain largely unchanged: construction (20.5%), personal loans for consumption (20.4%), government (15%), others (9%) and trade (8.7%) together accounted for 65% of total loans. Sectors with **continuous growth** for 4 quarters (from Jun 2020) include transport (average 46.7% yoy growth), agriculture (44%) and utilities (29%).



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

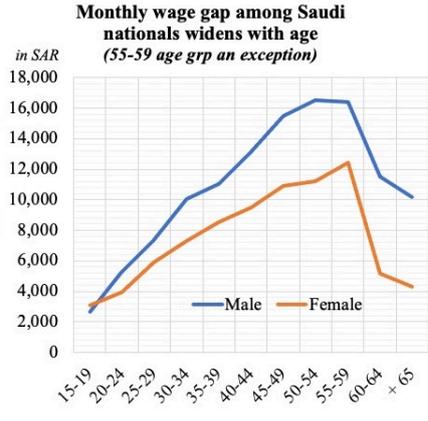
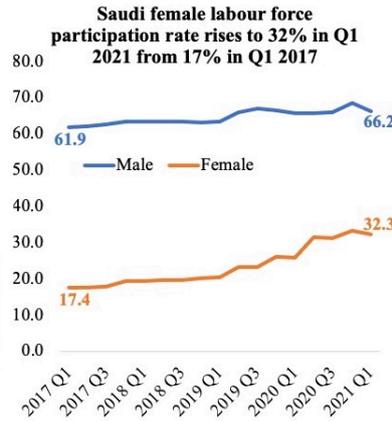
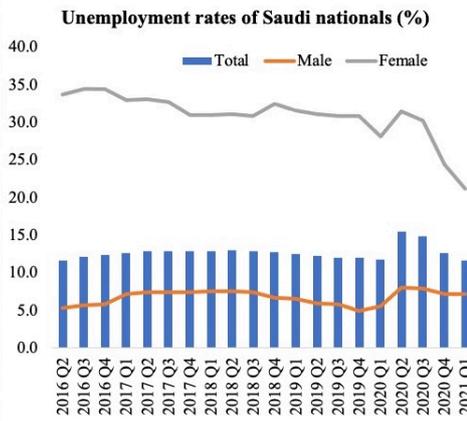
4. Rising credit & changing consumer preference (away from cash) is the story in Saudi Arabia

- Data from the Saudi Central Bank shows **claims from the private sector outpacing public sector loans** in May 2021 – as seen in most months this year
- A **continued preference for PoS/ e-commerce transactions from a previously preferred “cash is king” position.** ATM transactions have dropped by 0.7% in the Jan-May period vs a 65.8% and 125.9% hike in PoS & e-commerce transactions
- **Weekly PoS transactions show an uptick in early Jun:** the distinct **rise in PoS transactions** in clothing, health, restaurants **coincides with when restrictions were eased** (tracked by the Oxford COVID-19 Government Response Tracker)



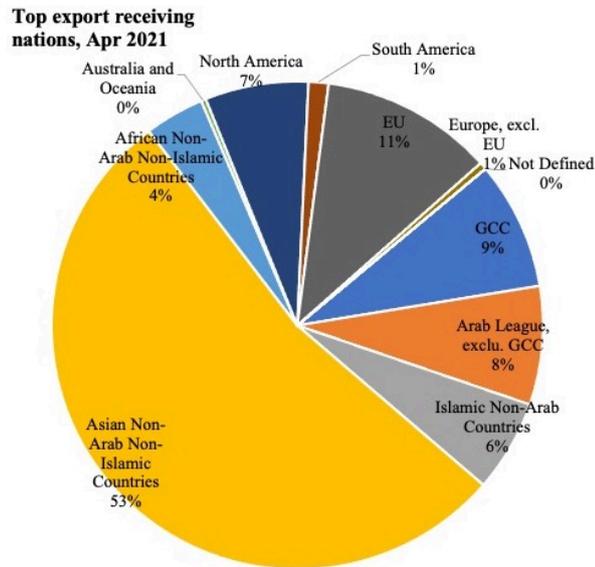
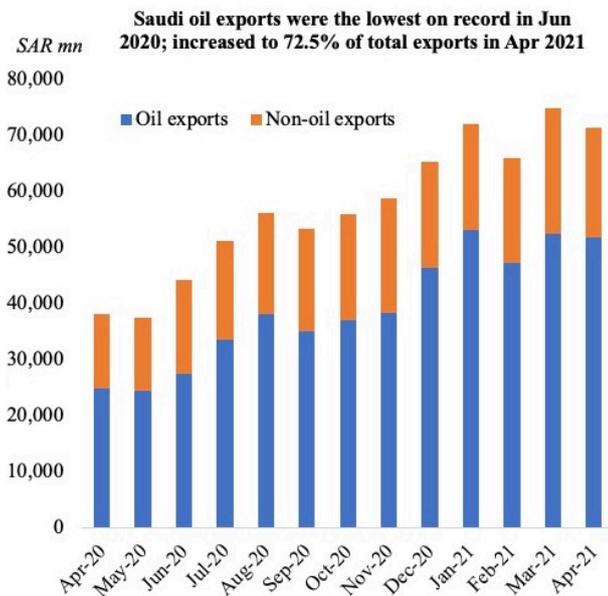
5. Unemployment rate among Saudi nationals (especially females) dip to a 5 year-low in Q1 2021

- Overall unemployment rate among Saudi nationals fell to 11.7% in Q1 2021 – a 5-year low;** more dramatic was the **plunge in unemployment rate for Saudi females – 21% in Q1 2021 vs a high 34% at end-2016.** By age group, the rate remained highest among females within 25-29 & 20-24 age group (37.9% and 37% respectively).
- Meanwhile, **female participation in the workforce increased** from 19% in 2016 to 32.3% in Q1 2021. However, both male & female labour force participation rates declined slightly compared to Q4 2020. Though women are joining the workforce in large numbers, many of the job opportunities fall in the lower-paid sectors.
- Women earn slightly more than men in the 15-19 age group, but the **pay gap widens** after that. On average, in Q1 2021, **a Saudi male employee is paid 1.3 times compared to a female national and at the oldest age bracket (65+) it stands at around 2.4 times!** The gap has narrowed however compared to previous years.



Source: Labour market survey Q1 2021, GaStat. Charts created by Nasser Saidi & Associates

6. Oil exports from Saudi Arabia increase to 72.5% of total exports in Apr; Exports to Asia account for more than half of total exports

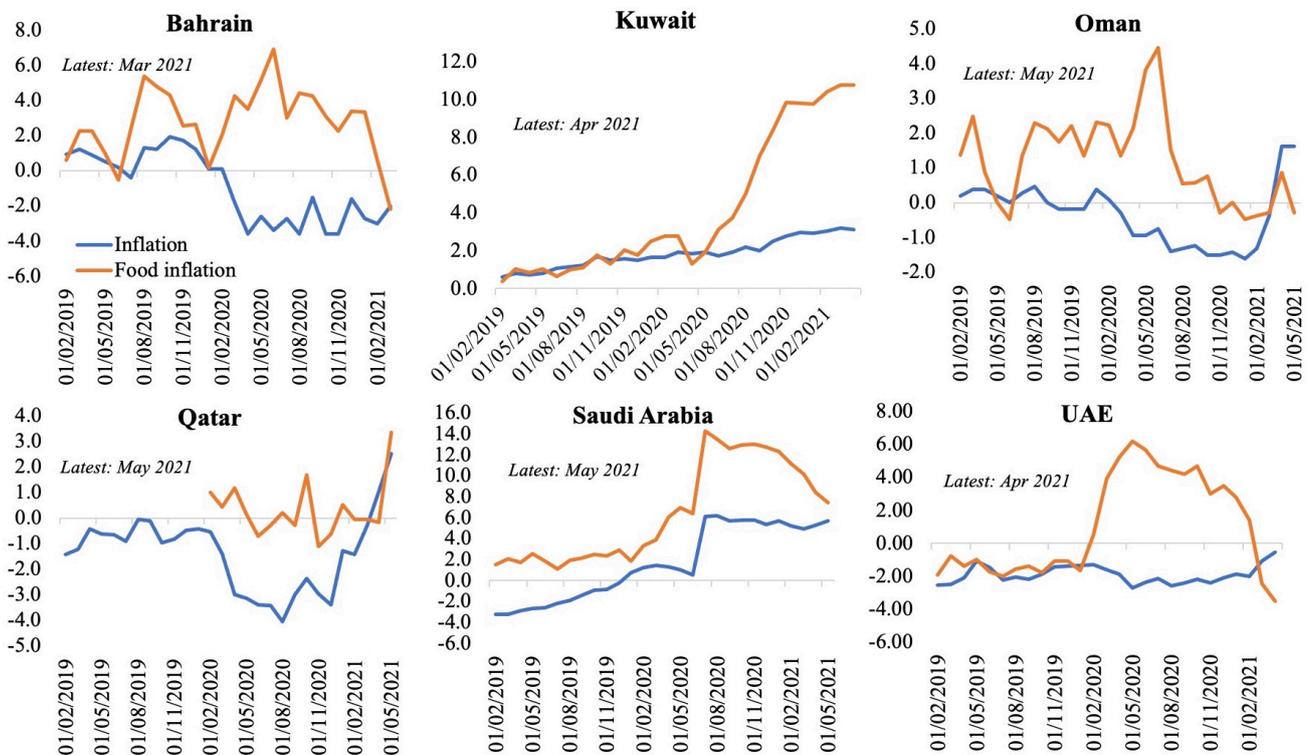


Source: GaStat, Nasser Saidi & Associates

- **Oil was trading at USD 75 a barrel yesterday (30 Jun)**, about 40% higher compared to the start of the year, after a report revealed lower US inventories for a 6th straight week. All eyes are on the **OPEC+ (set to meet today)**, who have already warned of “significant uncertainties” ahead: **a modest increase in production is likely** amid higher demand for oil (summer travel bookings, anecdotal evidence suggests, are picking up in US & Europe)
- **Oil exports are rising**, accounting for 72.5% of total

exports in Apr 2021. The **top region for Saudi Arabia's exports is still Asian nations, and much of the exports is oil.** Though many nations – India, Japan and Malaysia – continue to struggle with the pandemic, many others – have relatively low levels of cases; as restrictions ease, demand will increase and oil exports will pick up faster.

7. GCC inflation (% yoy): Kuwait's food inflation is running at 10%+; Saudi's inflation is influenced by the VAT hike last year; May's month-on-month readings have food inflation rising at a faster pace than headline



Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates

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Bloomberg Daybreak Middle East Interview, 28 Mar 2021

Dr. Nasser Saidi joined Manus Cranny and Yousef Gamal El-Din on the 28th of March, 2021 as part of the Bloomberg Daybreak: Middle East edition, discussing the blockage of traffic in the Suez Canal and the fragility of global supply chains, how the US should focus on getting the economy going again and Covid19 risks rather than focusing on inflation, and how the China-US confrontation is affecting market sentiment.

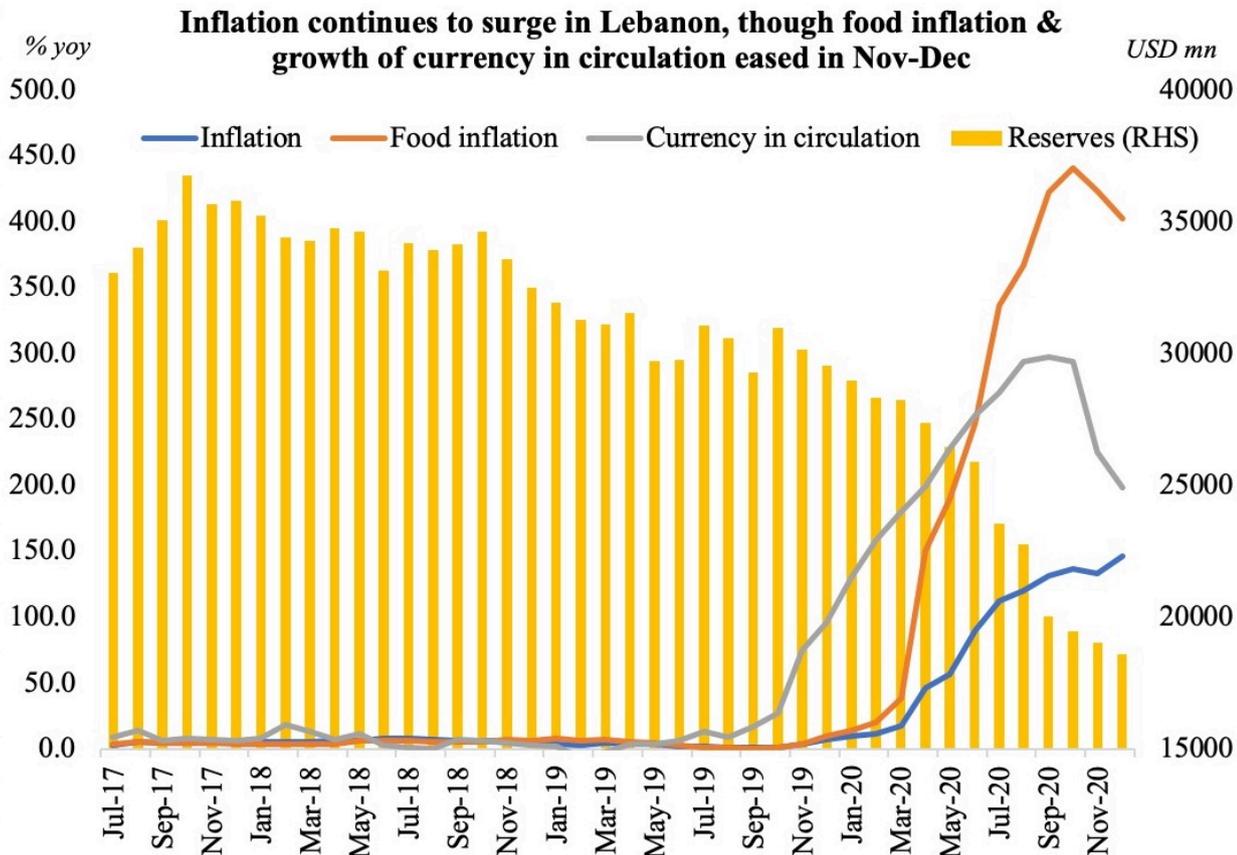
Watch the interview below. The original link to the full episode:

<https://www.bloomberg.com/news/videos/2021-03-28/-bloomberg-daybreak-middle-east-full-show-03-28-2021-video>

Weekly Insights 18 Mar 2021: Macroeconomic Updates on Lebanon, Saudi Arabia & the UAE

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

Chart 1. Lebanon: Cascading Collapses



Source: Central Administration of Statistics, BDL, Refinitiv. Chart by Nasser Saidi & Associates

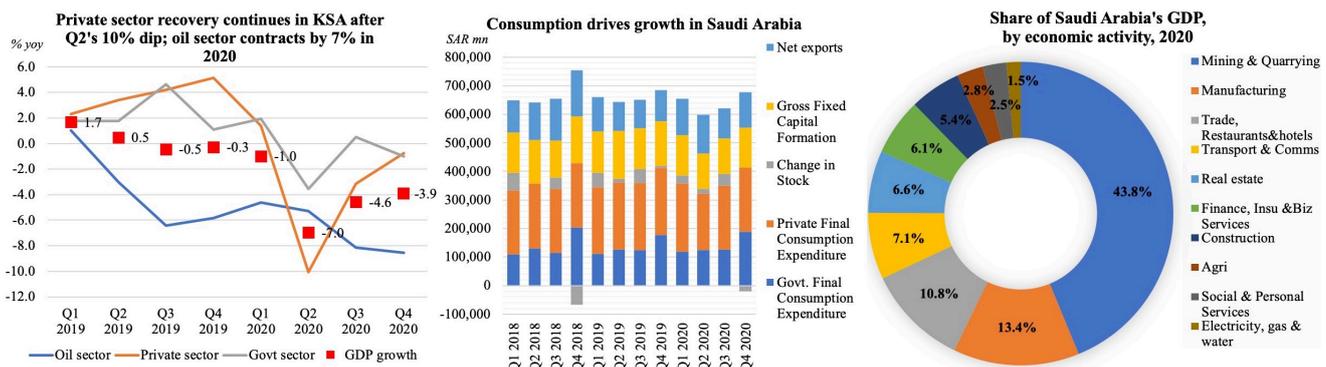
- According to the finance minister, the central bank has only USD 1-1.5bn to use to fund subsidies (i.e. just for 2-3 months more).
- The **Lebanese pound plummeted to record lows of 15000 per dollar on the black market on Tuesday** (from 10k on Mar 2nd)
- Overall **inflation was at 146% and food inflation at 402% in Dec 2020**. The pound's fall has further hiked food prices.
- This latest collapse, alongside statements of potential lifting of subsidies, has **triggered fears of shortages of food**.
- **Funding of (ill-designed) subsidies** can no longer be continued at the same pace.
- "Reserves", which are really "banks' dollar Legal Reserve Requirements at the Banque du Liban" (this is a liability of the BDL – these are depositors' money deposited by the banks at the BDL), have halved from a year ago. News of **BDL's "revised" mandatory minimum**

reserves to USD 15bn (down from USD 17bn) is only a **stopgap solution**.

- Given the ongoing political deadlock (the current caretaker government had resigned last Aug), it looks like a **very long and painful road to reforms and some semblance of “normalcy”**.

Chart 2. Saudi Arabia: Reforms to Boost Recovery?

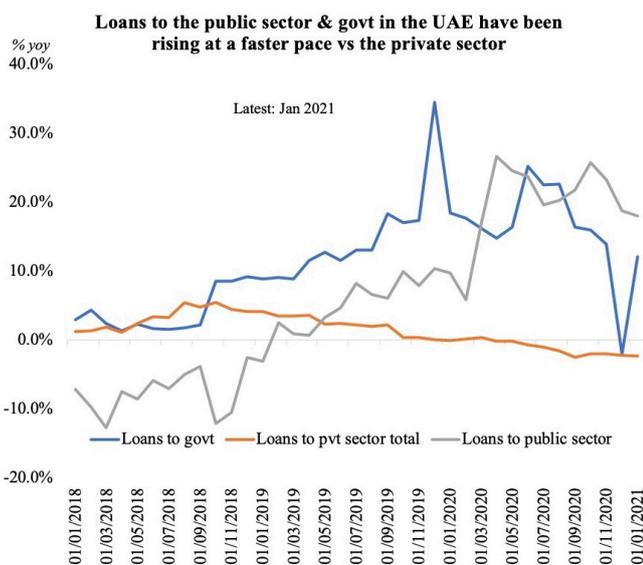
- **Saudi Arabia’s GDP declined by 4.1% in 2020**, driven by substantial drops in both oil and non-oil sector activity (at -6.7% and -2.3% respectively). Private sector was recovering at a faster pace in Q4 vs other sectors.
- By economic activity, the **mining and quarrying sector accounted for 44% of overall GDP in 2020** (growing by 0.8% yoy) though the finance insurance and business services (share of 6.1%) grew the fastest, up by 1.3%.
- By expenditure components, consumption accounts for around 50% of overall GDP; last year, **government final consumption expenditure was the sole component showing positive growth** (+4.2%) while gross fixed capital formation plunged by 13.5%.
- PMI (which hit a 14-month high in Jan and eased in Feb) and rising credit growth alongside various announcements to increase private sector activity (regional HQs and approval of the Private Sector Participation law, to name a few) and attract FDI will bode well for the economy in the medium to long run.



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

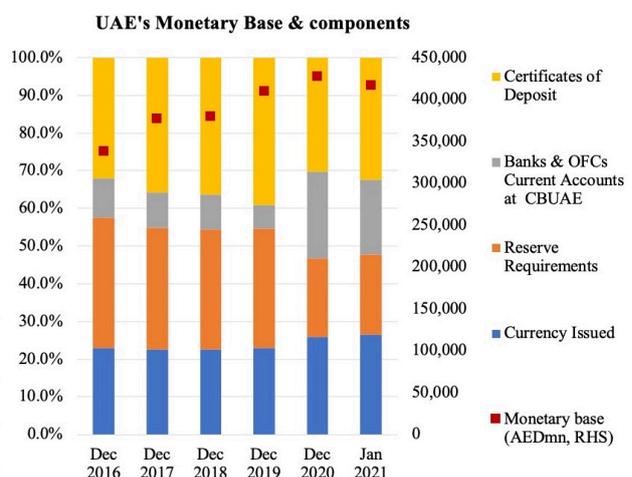
. UAE: Successfully (?) Mitigating Covid19's Impact

- UAE Central Bank governor: **banking system's overall liquidity has returned to pre-Covid level**; 320k+ customers benefitted from the Targeted Economic Support Scheme (TESS) & ~175k customers are under deferral arrangements
- **Loans to the private sector dropped by 1.5% during Apr 2020- Jan 2021** while credit to government and GREs surged by 16% and 22% respectively. **Financial soundness indicators have improved**: ELAR remained above the 10% reegulatory minimum requirement while CAR, Tiel 1 capital ratio and CET 1 indicate well-capitalised banks.
- **In Jan 2021, monetary base contracted by 2.47% mom**, due to a 15.6% drop in Banks & OFC's Excess Reserves (which accounts for 19.8% of monetary base) while Certificates of Deposits purchased by banks (32.5% of monetary base) rose by 4.6%
- The **increases in the multipliers of M1, M2 and M3** indicate faster rise in the monetary aggregates M1, M2 and M3 vs contraction of the monetary base.



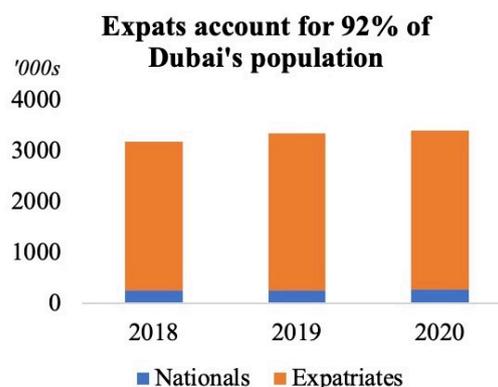
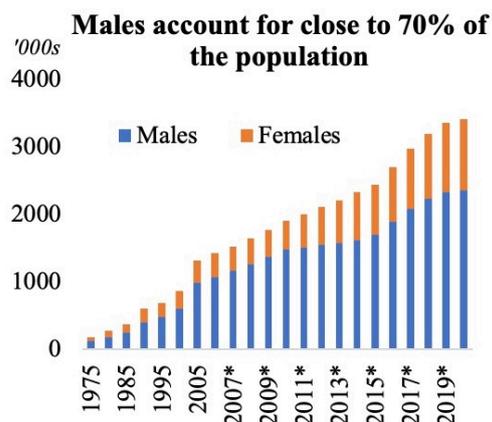
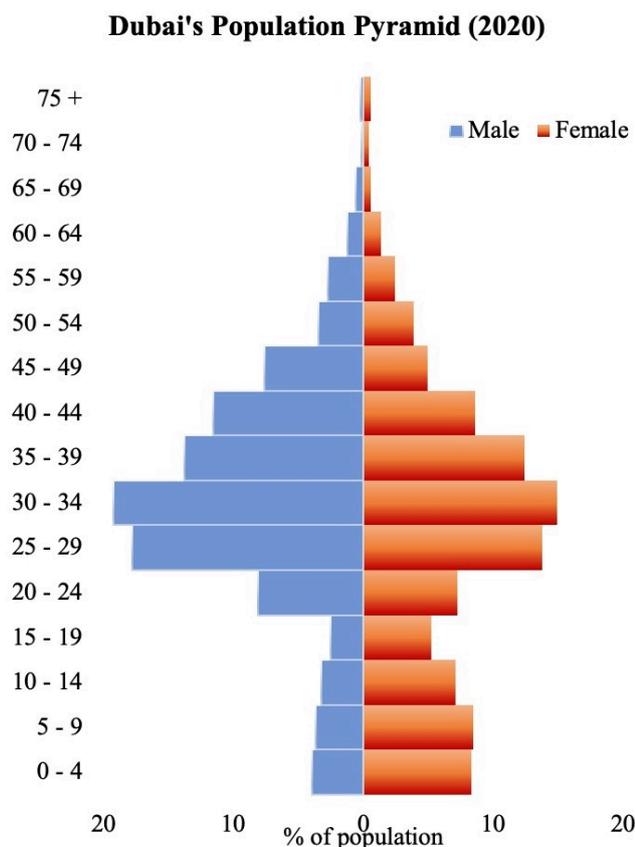
Money Multipliers in the UAE						
	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Jan 2021
Money Multiplier of M1	1.40	1.30	1.28	1.26	1.40	1.47
Money Multiplier of M2	3.62	3.38	3.45	3.45	3.46	3.57
Money Multiplier of M3	4.17	3.94	4.22	4.19	4.14	4.24

UAE Financial Soundness Indicators (in %)					
	Mar-20	Jun-20	Sep-20	Dec-20	Jan-21
Advances to Stable Resources Ratio	82.3%	81.9%	78.6%	77.6%	78.3%
Eligible Liquid Assets Ratio (ELAR)	17.3%	16.6%	16.9%	18.4%	17.9%
Capital Adequacy Ratio (CAR)	16.9%	17.6%	18.0%	18.2%	
Tier 1 Capital Ratio	15.8%	16.4%	16.9%	17.1%	
Common Equity Tier 1 (CET 1) Ratio	13.9%	14.7%	15.1%	14.9%	



Source: UAE Central Bank, Refinitiv Eikon. Tables and charts by Nasser Saidi & Associates.

Away? Dubai's Population ticks up to 3.4mn in Covid19-struck 2020



Source: Dubai Statistics Centre. Charts by Nasser Saidi & Associates.

- In spite of anecdotal evidence of job losses and repatriation flights, official Dubai Statistics Centre estimates that **Dubai's population grew by 1.6% yoy to 3.41mn in 2020.**
- As expected, **expatriate population accounted for more than 90% of overall population**; males accounted for close to 70% of overall population – not surprising, with the construction sector accounting for almost 1/3-rd of employment in the UAE
- The population pyramid shows that about **70% of males and 55% of females are between the 25-49 years age group.** The gap between males and females are largest in the age groups of 30-34 and 25-29.
- The **Dubai Urban Masterplan 2040 projects population to surge by 76% to 5.8mn.** This follows recent reform measures including in visas (long term visas for

professionals and investors, retirement and remote working visas), 100% foreign ownership and even a path towards citizenship – all of which are likely to boost population numbers.

- **Dubai's openness at a time when other regional nations are pursuing localisation policies will likely work in its benefit**, though competition might be rife should Saudi Arabia emerge successful in its current reform path.

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Comments on Lebanon's ongoing economic turmoil in Arab News, Mar 13 2021

Dr. Nasser Saidi's comments appeared in an Arab News article titled "[Prolonged crisis of governance leaves Lebanon adrift and isolated](#)" on 13th March 2021.

The comments are posted below.

...the latest lockdown has all the trappings of the final straw. *"None of this is surprising," Nasser Saidi, Lebanon's former economy and trade minister, told Arab News.*

"Income is down. GDP is down by at least 25 percent. We're having inflation in excess of 130 percent; general poverty is over 50 percent of the population; food poverty is over 25 percent of the population; unemployment is rapidly increasing; and thousands of businesses are being shut down.

“All of this is coming to the fore and at the same time we have a lockdown. It was a very stupid decision the way it was done, to lock Lebanon down, because it prohibits people from even being able to go and get their groceries, their food and necessities. And then it meant also shutting down factories and manufacturing.

“If you get sick, you can’t even get to a hospital or afford a hospital. Hospitals are full now due to COVID-19. You have had a series of very bad decision-making and policies, and Lebanon is paying the price for it. This is going to continue. It is not going to go away. In my opinion, we are seeing just the tip of the iceberg.”

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](#).

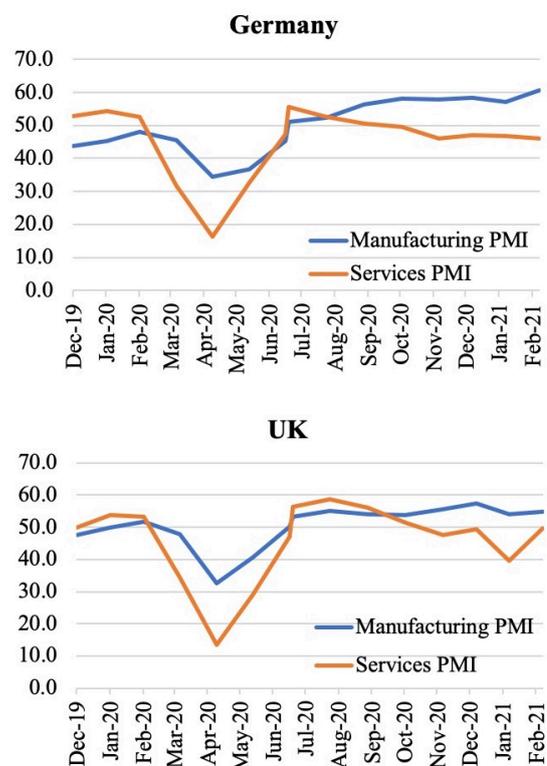
Chart 1. PMIs indicate rising manufacturing activity vs restrictions-hit services weakness

- 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

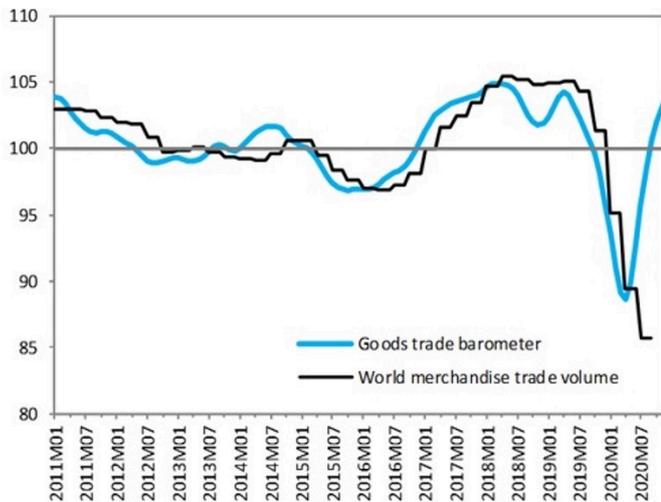


ade recovers in Q4 2020; Q1 2021's restrictions in likely to cause deceleration

- 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**

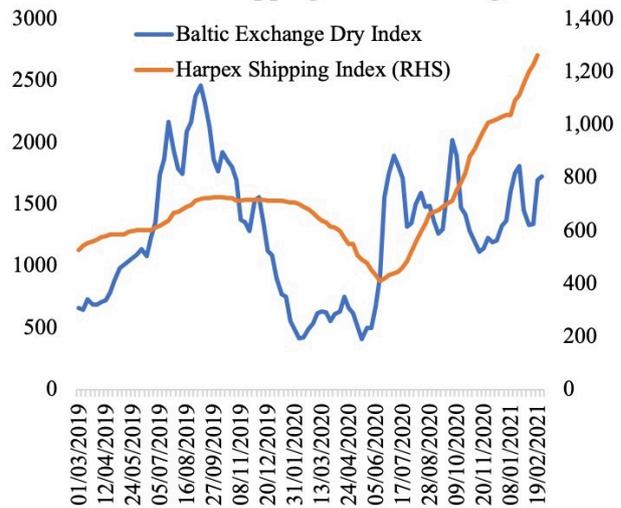
capacity conundrum. In 2020 overall, industry-wide cargo tonne-kilometres fell by 10.6% yoy – the largest decline on record (IATA)

Index history, trend = 100 **A strong trade rebound in Q4, but will it hold?**



Source: World Trade Organisation

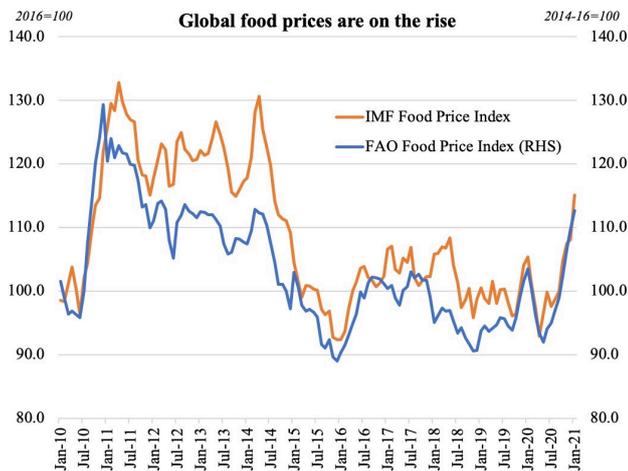
Container shipping costs have surged



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

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

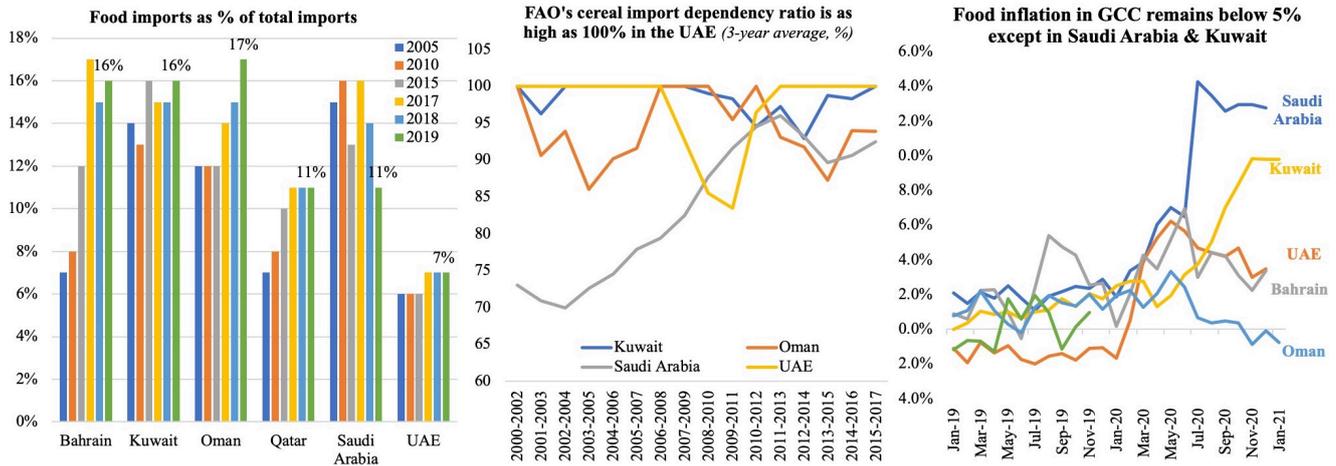
MENA nations' scores in EIU's Global Food Security Index

	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.

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 extent 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 needed 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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Interview with Al Arabiya TV (Arabic) on US stimulus package & inflationary pressures, 9 Feb 2021

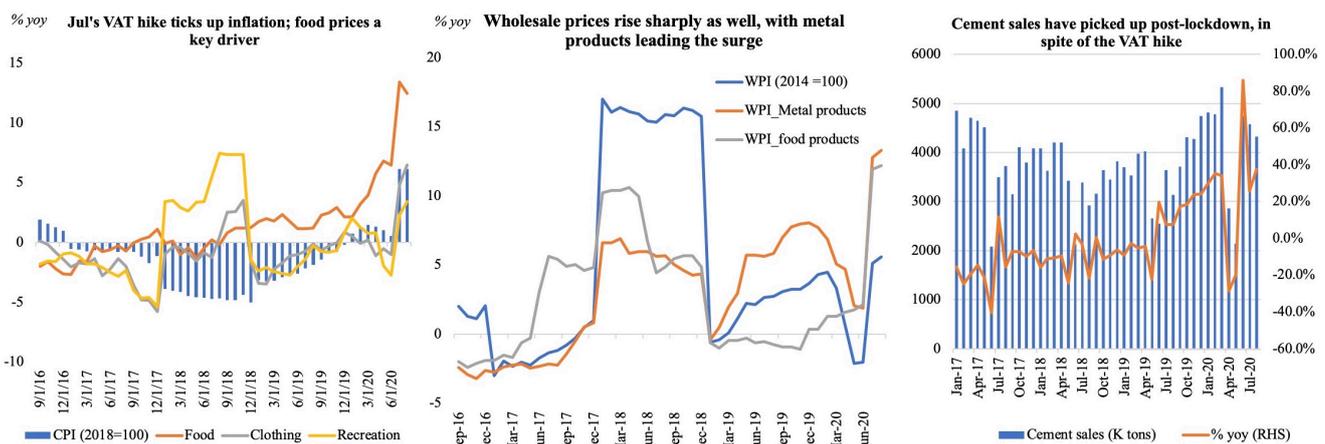
Dr. Nasser Saidi spoke to Al Arabiya's Nadine Hani on 9th Feb 2021 about the \$1.9trn stimulus plans in the US and whether this would lead to inflationary pressures. Will this support a stock market bubble, leading to an eventual crash?

Watch the full interview (in Arabic) [here](#).

Weekly Insights 22 Sep 2020: Looking beyond Saudi inflation & oil exports

Charts of the Week: Saudi inflation numbers (consumer & wholesale prices) show the impact of the tripling of VAT. For now, a proxy indicator of cement sales is showing a pickup post-lockdown, in spite of the VAT hike. We also track the recent changes in Saudi exports, also to understand the impact on government revenues.

1. Saudi inflation picks up post-Jul's VAT hike



Source: Refinitiv Eikon, GaStat, Argaam, Nasser Saidi & Associates

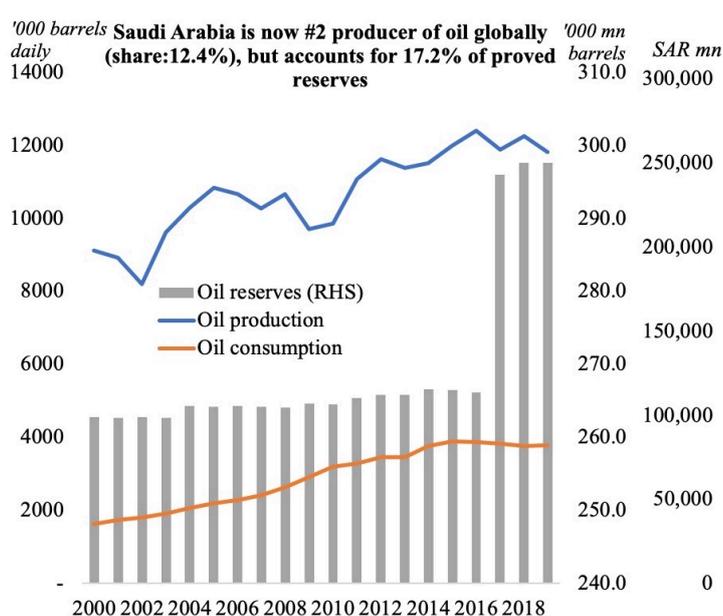
Headline inflation has been climbing in Saudi Arabia from Jul, not surprising given the VAT hike to 15% (from 5% before). The VAT effect is seen across multiple sub-categories, but note that food prices have been ticking up for many months now. Wholesale prices have also increased, similar to when VAT was initially rolled out in 2018, with metal product prices leading the way: these hikes will also filter down to the end-user.

Household spending will be negatively impacted by the VAT hike ([as seen from recent SAMA data](#)), there seems to be an increase in cement sales – a proxy for the construction sector spending

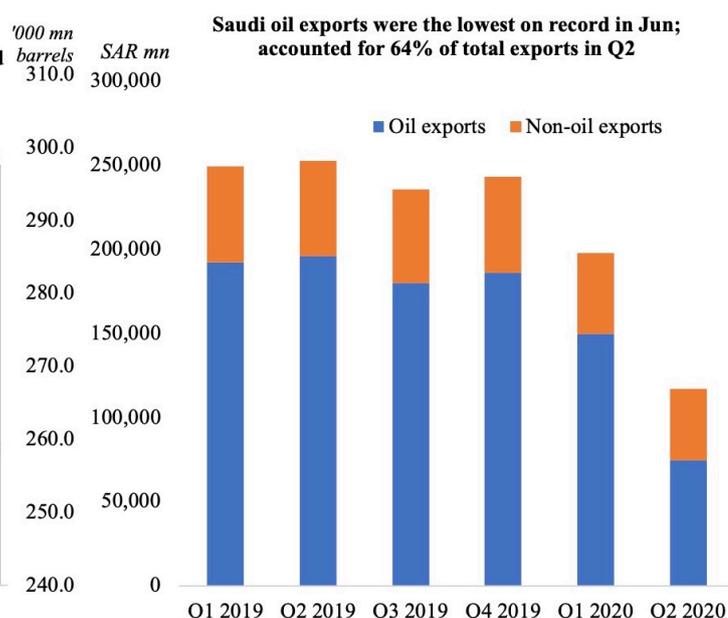
– after the expected dip during the lockdown period. This could be a result of work continuing on mega-projects like NEOM in addition to a boost from the housing market. The surge in mortgage loans this year (+94.4% year-to-date, with the value in Jun 2020 more than three-times compared to Jun 2019) and the announcement that homes priced at SAR 850k and below will not be subject to VAT will support the housing market. Risks of a severe slowdown in government spending and/or delayed payments could however affect near-term demand.

2. Oil sector in Saudi Arabia

The latest trade data from Saudi Arabia shows a drop in overall exports in Q2 this year (-53.6% yoy): oil exports were down by 61.8% yoy, and the share of oil exports fell to 64% in Q2 2020 vs 77.5% in Q2 2019. Partly attributable to the OPEC+ cuts and overall weak global demand for oil (given Covid19), this implies a substantial reduction in government revenues from oil (in 2019, an estimated 63% of total revenues was derived from oil). At the same time, non-oil revenue will also have declined: government's postponement of some taxes and fees will bite into revenues and lockdowns would have negatively affected private sector activity.



Source: BP Statistics, Nasser Saidi & Associates



Source: GaStat, Nasser Saidi & Associates

Q1 has already posted a budget deficit of SAR 34.1bn, and the IMF estimates (as of June 2020) overall fiscal deficit to widen to 11.4% of GDP this year from 4.5% a year ago. Fiscal consolidation efforts have been a cornerstone of every reform discussion and will likely continue to be – removal of subsidies, reducing public wage bills, raising non-oil revenues – at least in the near-term. This will likely be accompanied by more international debt issuances to finance the deficits, in addition to developing its fledgling local debt market.

The recently released data on world energy from BP shows that though Saudi Arabia is now the second-largest producer of oil globally (behind the US), its proven reserves still account for 17.2% of overall global reserves. But, with the rising rhetoric that oil demand may already have peaked, the pertinent question is whether oil could end up being a stranded asset sooner than later. In this backdrop, with the Covid19 pandemic and a resultant push for climate change policies (before it is too late), it is imperative that the recovery model for Saudi Arabia (and rest of the fuel-exporting nations) includes a strong clean energy policy component within overall reforms, alongside a recasting of its economic diversification model and social contracts.

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How to save Lebanon from

Looming hyperinflation, Article in The National, 31 Jul 2020

The article titled "How to save Lebanon from looming hyperinflation" was published in The National on 31st Jul 2020. The original article can be accessed [here](#) & is also posted below.

How to save Lebanon from looming hyperinflation

To bring the country's economic chaos to an end, it is important to examine how it all began

In June 2020, Lebanon's inflation rate was 20 per cent, month-on-month. In other words, prices in the country were, on average, 20 per cent more than they were a month before. Compared to a year earlier, in June 2019, they had nearly doubled.

Lebanon is well on its way to hyperinflation – when prices of goods and services change daily, and rise by more than 50 per cent in a month.

Hyperinflation is most commonly associated with countries like Venezuela and Zimbabwe, which this year have seen annual inflation rates of 15,000 per cent and 319 per cent, respectively. Lebanon is set to join their league; food inflation surged by 108.9 per cent during the first half of 2020.

When hyperinflation takes hold, consumers start to behave in very unusual ways. Goods are stockpiled, leading to increased shortages. As the money in someone's pocket loses its worth, people start to barter for goods.

What characterises [countries with high inflation](#) and hyperinflation? They have a sharp acceleration in growth of the money supply in order to finance unsustainable

overspending; high levels of government debt; political instability; restrictions on payments and other transactions and a rapid breakdown in socio-economic conditions and the rule of law. Usually, these traits are associated with endemic corruption.

Lebanon fulfils all of the conditions. Absent immediate economic and financial reforms, the country is heading to hyperinflation and a further collapse of its currency.

How and why did this happen?

Lebanon is in the throes of an accelerating meltdown. Unsustainable economic policies and an overvalued exchange rate pegged to the US dollar have led to persistent deficits. Consequently, public debt in 2020 is more than 184 per cent of GDP – the third highest ratio in the world.

The trigger to the banking and financial crisis was a series of policy errors starting with an unwarranted closure of banks in October 2019, supposedly in connection with political protests against government ineffectiveness and corruption. Never before – whether in the darkest hours of Lebanon's civil war (1975-1990), during Israeli invasions or other political turmoil – have banks been closed or payments suspended.

The bank closures led to an immediate loss of trust in the entire banking system. They were accompanied by informal controls on foreign currency transactions, foreign exchange licensing, the freezing of deposits and other payment restrictions to protect the dwindling reserves of Lebanon's central bank. All of this generated a sharp liquidity and credit squeeze and the emergence of a system of multiple exchange rates, resulting in a further loss of confidence in the monetary system and the Lebanese pound.

Multiple exchange rates are particularly nefarious. They create distortions in markets, encourage rent seeking (when someone gains wealth without producing real value) and create new opportunities for cronyism and corruption. Compounded by the Covid-19 lockdown, the result has been a sharp 20 per cent contraction in economic activity, consumption and investment and surging bankruptcies. Lebanon is experiencing rapidly

rising unemployment (over 35 per cent) and poverty rates exceeding 50 per cent of the population.

With government revenues declining, growing budget deficits are increasingly financed by the Lebanese central bank (BDL), leading to the accelerating inflation. The next phase will be a cost-of-living adjustment for the public sector, more monetary financing and inflation: an impoverishing vicious circle!

We are witnessing the bursting of a Ponzi scheme engineered by the BDL, starting in 2016 with a massive bailout of the banks, equivalent to about 12.6 per cent of GDP. To protect an overvalued pound and finance the government, the BDL started borrowing at ever-higher interest rates, through so-called "financial engineering" schemes. These evolved into a cycle of additional borrowing to pay maturing debt and debt service, until confidence evaporated and reserves were exhausted.

By 2020, the BDL was unable to honour its foreign currency obligations and Lebanon defaulted on its March 2020 Eurobond, seeking to restructure its domestic and foreign debt. The resulting losses of the BDL exceeded \$50 billion, equivalent to the entire country's GDP that year. It was a historically unprecedented loss by any central bank in the world.

With the core of the banking system, the BDL, unable to repay banks' deposits, the banks froze payments to depositors. The banking and financial system imploded.

As part of Lebanon's negotiations with the IMF to resolve the situation, the government of Prime Minister Hassan Diab prepared a [financial recovery plan](#) that comprises fiscal, banking and structural reforms. However, despite the deep and multiple crises, there has been no attempt at fiscal or monetary reform.

In effect, Mr Diab's government and Riad Salameh, the head of the central bank, are deliberately implementing a policy of imposing an inflation tax and an illegal "Lirafication": a forced conversion of foreign currency deposits into Lebanese pounds in order to achieve internal real deflation.

The objective is to impose a 'domestic solution' and preclude

an IMF programme and associated reforms. The inflation tax and Lirafication reduce real incomes and financial wealth. The sharp reduction in real income and the sharp depreciation of the pound are leading to a massive contraction of imports, reducing the current account deficit to protect the remaining international reserves. Lebanon is being sacrificed to a failed exchange rate and incompetent monetary and government policies.

What policy measures can be implemented to rescue Lebanon? Taming inflation and exchange rate collapse requires a credible, sustainable macroeconomic policy anchor to reduce the prevailing extreme policy uncertainty.

Here are four measures that would help:

First, a “Capital Control Act” should be passed immediately, replacing the informal controls in place since October 2019 with more transparent and effective controls to stem the continuing outflow of capital and help stabilise the exchange rate. This would restore a modicum of confidence in the monetary systems and the rule of law, as well as the flow of capital and remittances.

Second is fiscal reform. It is time to bite the bullet and eliminate wasteful public spending. Start by reform of the power sector and raising the prices of subsidised commodities and services, like fuel and electricity. This would also stop smuggling of fuel and other goods into sanctions-laden Syria, which is draining Lebanon’s reserves. Subsidies should be cut in conjunction with the establishment of a social safety net and targeted aid.

These immediate reforms should be followed by broader measures including improving revenue collection, reforming public procurement (a major source of corruption), [creating a “National Wealth Fund”](#) to incorporate and reform state commercial assets, reducing the bloated size of the public sector, reforming public pension schemes and introducing a credible fiscal rule.

Third, unify exchange rates and move a to flexible exchange rate regime. The failed exchange rate regime has contributed

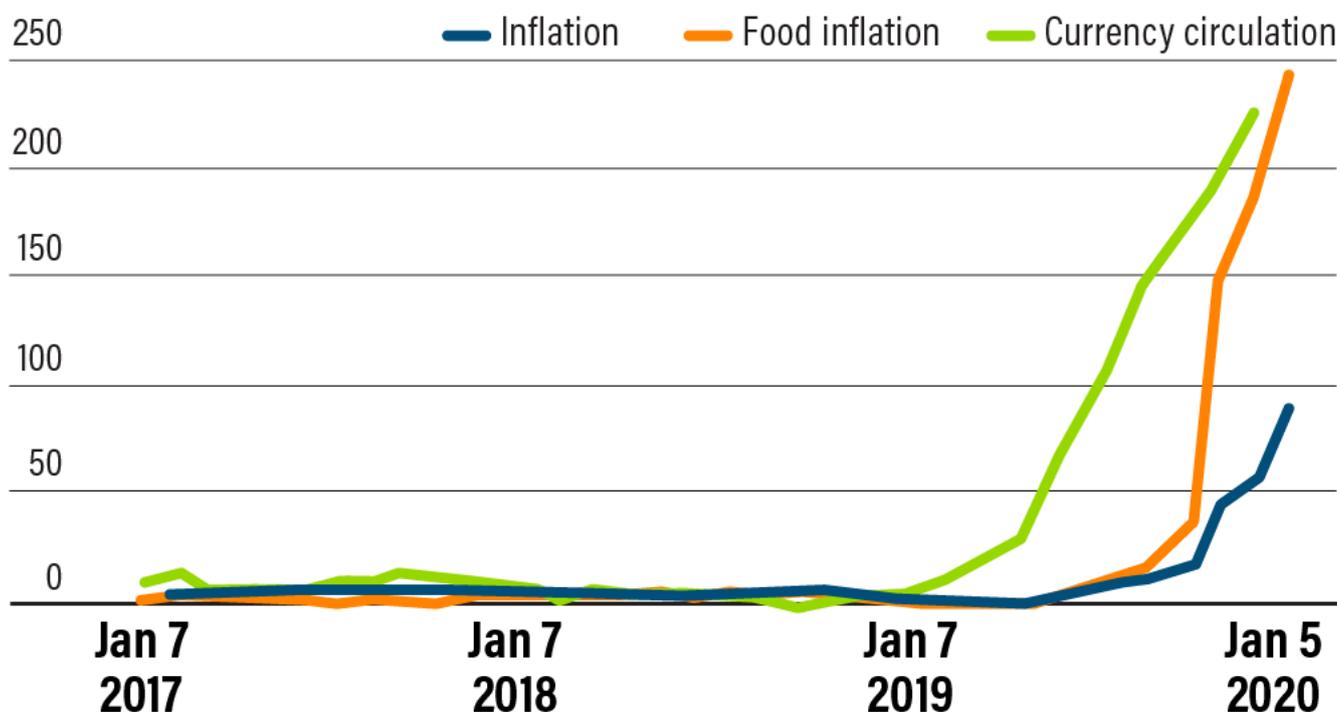
to large current account deficits, hurt export-oriented sectors, and forced the central bank to maintain high interest rates leading to a crowding-out of the private sector. Monetary policy stability also requires that the BDL should be restructured and stop financing government deficits and wasteful and expensive quasi-fiscal operations, such as subsidising real estate investment.

Fourth, accelerate negotiations with the IMF and agree to a programme that sets wide-ranging conditions on policy reform. Absent an IMF programme, the international community, the GCC, EU and other countries that have assisted Lebanon previously will not come to its rescue.

Lebanon is at the edge of the abyss. Absent deep and immediate policy reforms, it is heading for a lost decade, with mass migration, social and political unrest and violence. If nothing is done, it will become "Libazuela".

Nasser Saidi is a former Lebanese economy minister and first vice-governor of the Central Bank of Lebanon

LEBANESE CENTRAL BANK'S MONEY SURGE IS FUELLING INFLATION (%)



Source: Central Administration of Statistics, BDL, Nasser Saidi & Associates



"Lebanon faces the abyss as political elites dither", Arab News article, 28 Jul 2020

Dr. Nasser Saidi's interview comments appeared as part of the Arab News article titled "Lebanon faces the abyss as political elites dither" dated 28th July 2020.

The comments are posted below; access the complete news article (including sound bites from Dr. Saidi) [here](#).

"The view of the Hirak (Lebanon's protest movement) is that we probably need a total breakdown before we can change things," said Nasser Saidi, Lebanon's former economy and trade minister and founder of Nasser Saidi & Associates. "I love this quote from Giuseppe Tomasi Di Lampedusa: 'We have to change everything if nothing is to change.'

"It's only when it becomes practically unliveable that you are going to get change. But if you look at the experience of other countries in similar situations, two things are comparatively different. The first is that, politicians always shift the discourse to a pro-communitarian versus pro-sectarian, pro-Syrian versus anti-Syrian, pro-Iranian versus anti-Iranian, pro-8th of March versus pro-14th of March, pro-Hariri versus anti-Hariri thing," he said.

"Once the country's ruling elites frame the current crisis in sectarian and confessional terms, all the other initiatives concerning reform will go out the window.

"The second thing is to change the narrative. As protests amplify, the ruling elite will say that this is now a matter of national security."

All of this may be already happening. On June 25, President Michel Aoun delivered a speech on Lebanon's stability, in which he referred darkly to an "atmosphere of civil war" and portrayed the anti-government protests as an attempt to stir up sectarian discord.

"Ever since we have come to life in this country or in most of the Arab world, we have been told that security and stability is paramount to our survival," said Saidi. "Any challenge to the existing order is framed as a challenge to security and stability. But once you use that argument, then you can start using the repressive forces of the state, and this is precisely what is happening today in Lebanon.

"The army and security services are quelling rising protests. Internal security services are now checking on

the exchange rate prices at foreign exchange dealers.”

The breaking point, said Saidi, will come in early September. “Give it a maximum of 90 days and we will see an explosion in the streets. Hospitals will start closing, schools and universities will not be able to open. People cannot afford to send people to school. You will most likely no longer have electricity and once you no longer have electricity, everything else will break down, including communications.”

Saidi believes Lebanon’s ruling elites will try to divert attention from the increasing misery in the country.

“The misery index, which is the sum of the unemployment rate and the inflation rate, in Lebanon now is over 100 percent,” he said.

Pointing to central bank losses of \$50 billion and reports of unorthodox accounting practices by the bank’s governor, Saidi said: “They are refusing to admit that they made mistakes, that there are embedded losses in the system, that there was a Ponzi scheme by the central bank – the banks benefited from this, and the shareholders of the banks and big depositors benefited from it.

“What’s most significant is that they got their money out with the connivance of the central bank. Individuals who have their deposits or income in Lebanese pounds have seen their wealth and income go down by around 70 percent. The only other cases I have seen like this are following hyperinflation after the two world wars in Europe and the end of the Soviet Union. There is now a destruction of the middle class in Lebanon, as happened in the 1980s.”

Lebanon’s only hope lies with reform, Saidi said. “There will be no help from outside, from other Arab states or Europe, or the IMF and the international community, until reforms are made internally.”

To halt Lebanon's meltdown it is imperative to reform now, Article in The National, 4 Jul 2020

The article titled "To halt Lebanon's meltdown it is imperative to reform now" was published in The National on 4th Jul 2020. The original article can be accessed [here](#) & is also posted below.

To halt Lebanon's meltdown it is imperative to reform now

The country's currency has lost about 80% of its value against the US dollar and poverty and unemployment are on the rise

Lebanon is in the throes of an accelerating economic and financial meltdown. Unsustainable monetary and fiscal policies and an overvalued pegged exchange rate led to persistent fiscal and current account deficits.

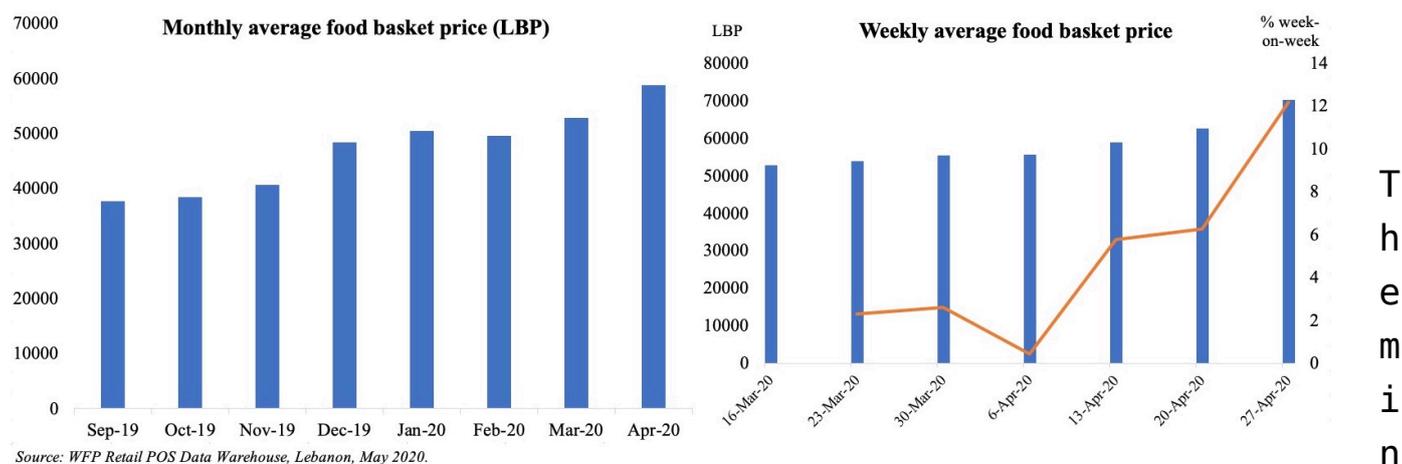
Public debt which reached more than 155 per cent of gross domestic product in 2019, is projected rise to 161.8 per cent in 2020 and 167 per cent in 2021, according to International Monetary Fund estimates. That is the third highest ratio in the world after Japan and Greece.

Informal capital controls, foreign exchange licensing, freezing of deposits and payment restrictions to protect the dwindling reserves of Lebanon's central bank, precipitated the financial crisis, generated a sharp liquidity and credit squeeze and the emergence of a system of multiple exchange

rates.

The squeeze is severely curtailing domestic and international trade and resulted in a loss of confidence in the monetary system and the Lebanese pound. Multiple exchange rates created distortions in markets and new opportunities for corruption. The result is a sharp, double-digit contraction in economic activity, consumption and investment, surging bankruptcies, and rapidly rising unemployment rates estimated at above 30 per cent.

A dangerous inflationary spiral has gripped the country with the currency's value against the dollar nosediving as much as 80 per cent. Inflation is on the rise and reached an annual 56 per cent in May, according to Lebanon's [Central Administration of Statistics](#). A Bloomberg survey of economists conducted in June, projects inflation will average 22 per cent in 2020 compared with a forecast of 7.7 per cent from a previous survey.



imum wage has shrunk from the equivalent of \$450 per month while food prices have surged. Since the end of a 15-year civil war in 1990, extreme poverty has hovered at between 7.5 to 10 per cent, while about 28 per cent of the population is poor, according to the World Bank. In November, the World Bank warned if the economic situation in the country worsened, those living below the poverty line could rise to 50 per cent. Given the collapse of the long-maintained peg, there is no anchor for expectations of the future value of the Lebanese pound.

The Central Bank of Lebanon does not have the reserves to

support the pound. There is great uncertainty concerning the macroeconomic outlook, fiscal and monetary policies, exchange controls and structural reforms.

The government approved a rescue plan, the basis for negotiations with the IMF, but failed to set a credible roadmap for structural reforms and none of the promised reforms have been undertaken. There is a loss of confidence in the banking system and in macroeconomic and monetary stability. As a result, people want foreign currency to protect themselves, as a hedge against inflation and further depreciation of the pound.

Transfer restrictions have led to a sudden stop of capital inflows and remittances from Lebanese expatriates, who fear their transfers will be frozen. Remittances accounted for 12.9 per cent of GDP in 2019.

With capital and payment controls and lack of intervention by the central bank, the foreign exchange market became a cash market with little liquidity, therefore highly volatile and subject to large fluctuations, rumours and panic.

Two short-term factors have compounded the currency crisis. The Covid-19 lockdown meant a loss of remittances that would have come in as cash. Media reports cite an accelerated smuggling of imported, subsidised commodities like fuel and wheat into neighbouring Syria these past months due to the increasing bite of international sanctions and a failing wheat harvest.

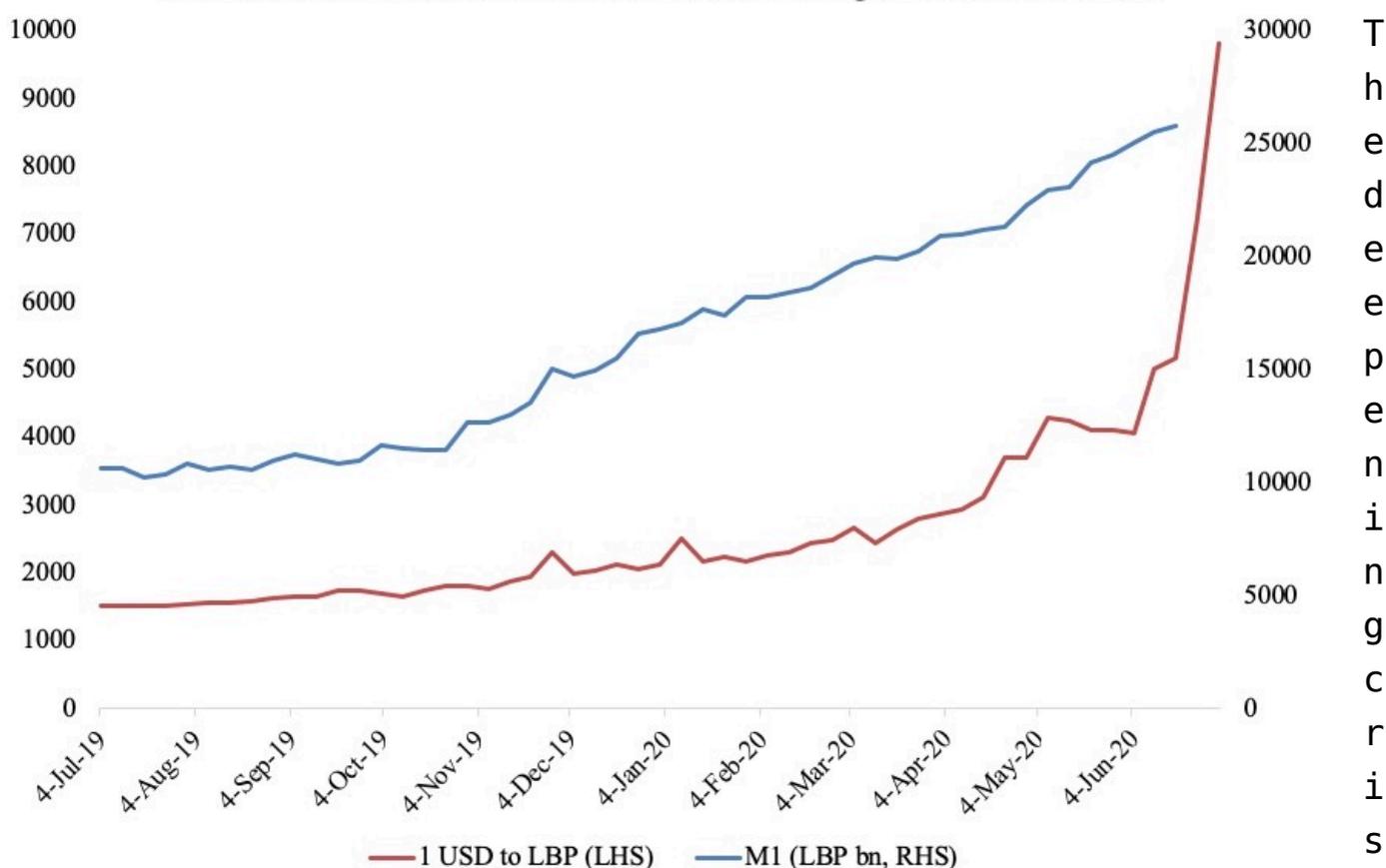
Panic prevails because of new US sanctions targeting Syria under the Caesar Syria Civilian Protection Act (the Caesar Act) that came into effect last month. Syrians are trying to hedge against inflation and the depreciating Syrian pound by tapping Lebanon's forex market. In effect it is one market.

More fundamentally, Lebanon's rising inflation rates are feeding expectations of ever higher inflation rates, which along with the sharp decline in real income because of the deep recession, means a fall in the demand for money and lower demand for the Lebanese pound. As people try to shift out of the Lebanese pound, inflation rises, and the currency

depreciates against the US dollar.

The vicious cycle is being fed by the monetary financing of budget deficits. Lebanon's fiscal deficit increased 26.90 per cent in the first four months of the year to \$1.75B from the year-earlier period. With the government unable to borrow from the markets, the central bank is financing the growing budget deficit and, increasingly, a growing proportion of government spending. The printing press is running, with a growing supply of Lebanese pounds on the market chasing a dwindling supply of US dollars. Hyperinflation looms.

LBP in the black market crossed 9k while M1 surges to over LBP 25trn



Source: M1 Banque du Liban ; black market rate <https://lirarate.com/> (updated 3rd Jul 2020)

requires urgent, decisive, credible, policy action. A capital control act should be passed immediately. That will help rebuild confidence in the monetary system and restore the flow of capital and remittances.

The prices of subsidised commodities and services (fuel, electricity) should be raised to combat smuggling and stem the budget deficit. Smart and targeted subsidies are more effective. The impact of removing general subsidies is less

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painful than financing budget deficits that accelerate overall inflation and exchange depreciation. Exchange rates need to be unified within a central bank and bank organised market.

Most important, is rapidly agreeing and implementing a financial rescue package with the IMF. That should be based on a comprehensive macroeconomic-fiscal-financial reform programme that includes structural reforms, debt, and banking sector restructuring, which would provide access to liquidity, stabilise and revive private sector economic activity.

Nasser Saidi previously served as Lebanon's minister of economy and industry and a vice governor of the Central Bank of Lebanon. He is president of the economic advisory and business consultancy Nasser Saidi & Associates.

Comments on Lebanon's currency in Reuters, 21 Apr 2020

The article titled "[Lebanese depositors to get 'market rate' dollars in LBP -central bank](#)", published by Reuters on 21st April 2020 carried the below comments from Dr. Nasser Saidi.

Nasser Saidi, a former economy minister and ex-vice central bank governor, said the move was an effective formal devaluation in excess of 50% and represented the "lirasation" of deposits.

The step would lead to runaway inflation and impoverishment, he added. "Time for accountability for failed monetary & exchange rate policies," he wrote on Twitter.