

Weekly Insights 6 May 2021: What do PMIs, Consumer Spending & Domestic Credit Tell us about Economic Activity?

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1. Manufacturing PMI rises globally; but, widespread

Heatmap of Manufacturing PMIs

	US	Germany	EU	UK	Japan	China	India
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3
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Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0
Sep-20	53.2	56.4	53.5	54.1	47.7	53.0	56.8
Oct-20	53.4	58.2	54.8	53.7	48.7	53.6	58.9
Nov-20	56.7	57.8	53.8	55.6	49.0	54.9	56.3
Dec-20	57.1	58.3	55.2	57.5	50.0	53.0	56.4
Jan-21	59.2	57.1	54.8	54.1	49.8	51.5	57.7
Feb-21	58.6	60.7	57.9	55.1	51.4	50.9	57.5
Mar-21	59.1	66.6	62.5	58.9	52.7	50.6	55.4
Apr-21	60.5	66.2	62.9	60.9	53.6	51.9	55.5

Source: Refinitiv Datastream, Nasser Saidi & Associates

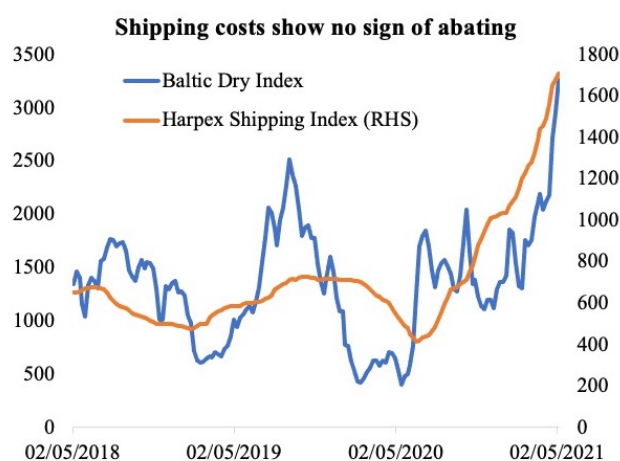
- The **vaccination pace has been steadily increasing in many advanced nations** including the US and UK – allowing the nations to reduce and/or remove severe restrictions. This has resulted in a **return in confidence, evident in recent PMI data.**
- However, the **recent surge in Covid cases in India and Brazil could result in spillovers** (Singapore reverted to Phase 2 restrictions); the only way out seems to be to vaccinating a vast majority of the global population.
- Unfortunately, **poor countries are severely lagging behind in vaccination:** in Africa, just 1% of the population has received at least one jab and 4.4% in

Asia. This compares to 22% and 44% in Europe and America respectively. Vaccine shortages are still a problem (India's Serum Institute is said to be severely behind on production)

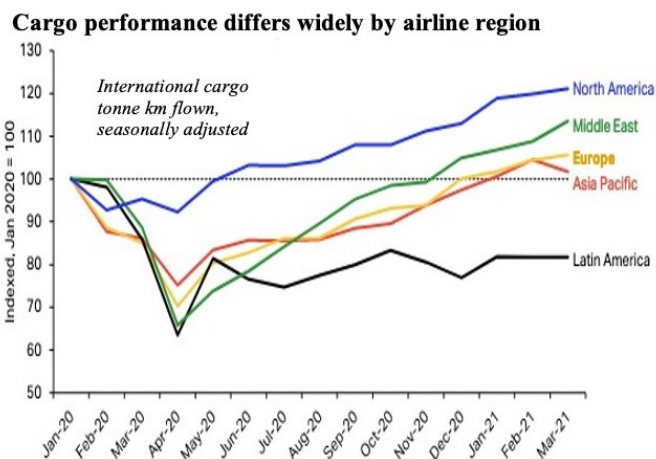
- Another word of caution : while **global manufacturing PMI hit a 11-year high**, record supply chain delays are leading to production constraints; **input costs rose at the fastest rate in a decade**

2. Shipping costs climb as demand increases, while air cargo struggles to keep up

- **Container ship port calls are in many regions back to pre-pandemic numbers or higher** (UNCTAD). But, high demand alongside shortage of containers has led to a surge in shipping costs (especially on long-distance routes). The recent Suez Canal blockage calls into question the **vulnerability of trade chokepoints**.
- **Demand for commercial air traffic remains depressed**: long-haul flights are still bearing most of the brunt as domestic travel is slowly picking up (as seen in China and the US). Travel bookings indicate strong domestic travel intentions and Europe could also witness a boost when it opens in summer for vaccinated tourists.
- **Closure of long-haul routes continue to affect Middle Eastern airlines** (revenue passenger kilometers were down by 81.7% yoy in Feb vs 74.7% globally); but, **strong cargo growth was recorded** (growing by 8.7% yoy in Feb 2021 vs the 9.5% drop in 2020; Middle East-Asia route grew the most – by 26.7% in Feb vs -7% in 2020)



Source: Refinitiv Datastream, LATA Economics

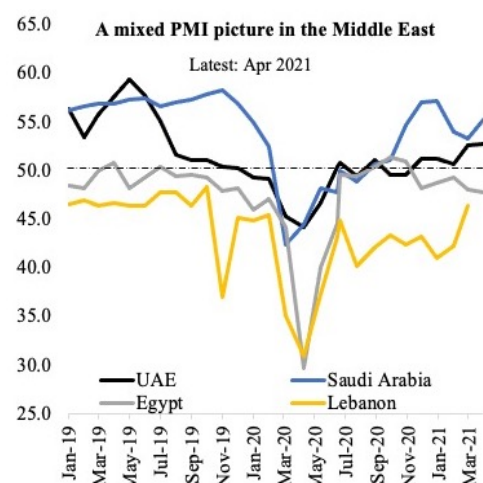


PMIs edged up in UAE & Saudi Arabia: but employment sub-index diverges (as UAE stays below 50)

Heatmap of non-oil private sector PMIs in Middle East

	UAE	Saudi Arabia	Egypt	Lebanon
Jan-19	56.3	56.2	48.5	46.5
Feb-19	53.4	56.6	48.2	46.9
Mar-19	55.7	56.8	49.9	46.3
Apr-19	57.6	56.8	50.8	46.7
May-19	59.4	57.3	48.2	46.3
Jun-19	57.7	57.4	49.2	46.3
Jul-19	55.1	56.6	50.3	47.7
Aug-19	51.6	57.0	49.4	47.8
Sep-19	51.1	57.3	49.5	46.4
Oct-19	51.1	57.8	49.2	48.3
Nov-19	50.3	58.3	47.9	37.0
Dec-19	50.2	56.9	48.2	45.1
Jan-20	49.3	54.9	46.0	44.9
Feb-20	49.1	52.5	47.1	45.4
Mar-20	45.2	42.4	44.2	35.0
Apr-20	44.1	44.4	29.7	30.9
May-20	46.7	48.1	40.0	37.2
Jun-20	50.4	47.7	44.6	43.2
Jul-20	50.8	50.0	49.6	44.9
Aug-20	49.4	48.8	49.4	40.1
Sep-20	51.0	50.7	50.4	42.1
Oct-20	49.5	51.0	51.4	43.3
Nov-20	49.5	54.7	50.9	42.4
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Jan-21	51.2	57.1	48.7	41.0
Feb-21	50.6	53.9	49.3	42.2
Mar-21	52.6	53.3	48.0	46.4
Apr-21	52.7	55.2	47.7	n.a.

Source: Refinitiv Datastream. Table by Nasser Saidi & Associates



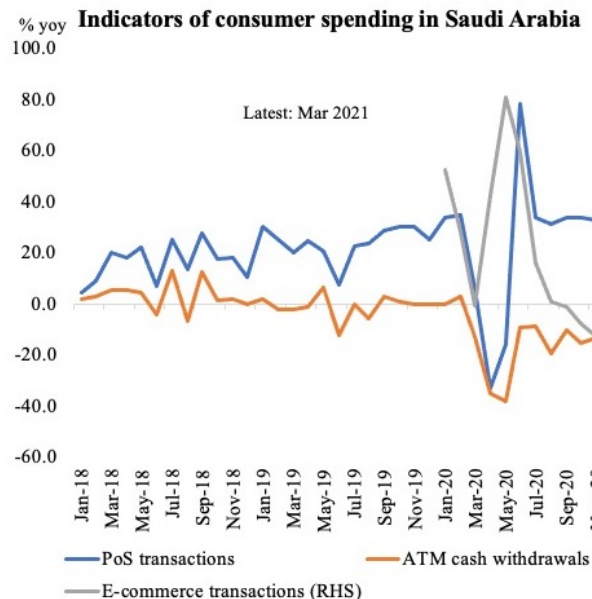
Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

- In MENA, **both Saudi Arabia and UAE posted higher PMI readings in Apr; Egypt declined further**, falling below-50 for the 5th consecutive month.
- While vaccination pace is quite varied in the region, it seems to have a significant impact on business confidence and the expectations of continued economic recovery. **UAE has been the leader in vaccinating its residents**, administering 108.99 doses per 100 persons, versus Saudi Arabia's 28.2 and Egypt's 0.64. This confidence has translated into the PMI readings.
- **With UAE's major export markets still rattled by Covid19, near-term outlook has risks**; employment sub-index also fell for the 3rd month in a row. Though export orders rose, demand was largely domestic based.

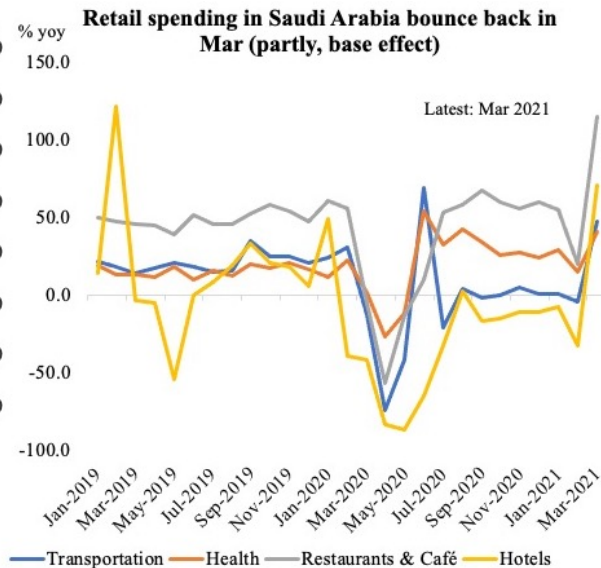
4. Consumer Spending Rebounds in Saudi Arabia

- The **Saudi Central Bank's** monthly data on **consumer spending showed a rebound in Mar**, partly due to the low base in Mar 2020. **PoS transactions continue to rise**, accelerating by 64.7% yoy and 31.5% mom in Mar. **ATM cash withdrawals fell by just 4% yoy, following 7 months of double-digit declines**, and by 21% mom.

Indicators of consumer spending in Saudi Arabia



Retail spending in Saudi Arabia bounce back in Mar (partly, base effect)

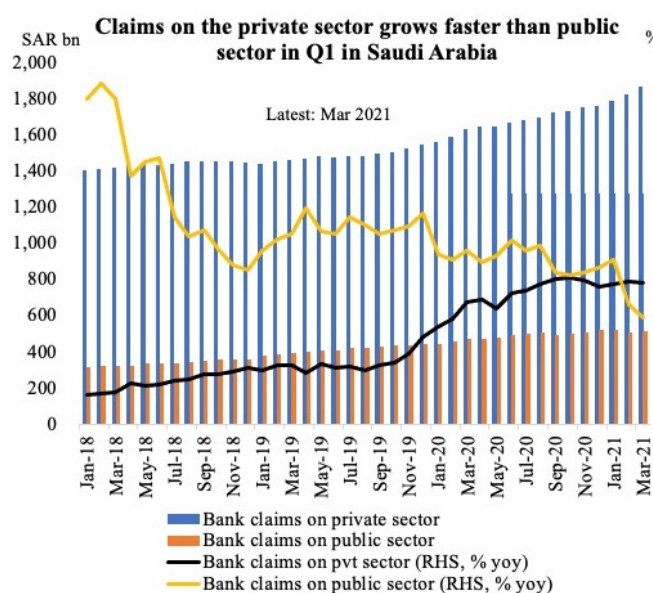


Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

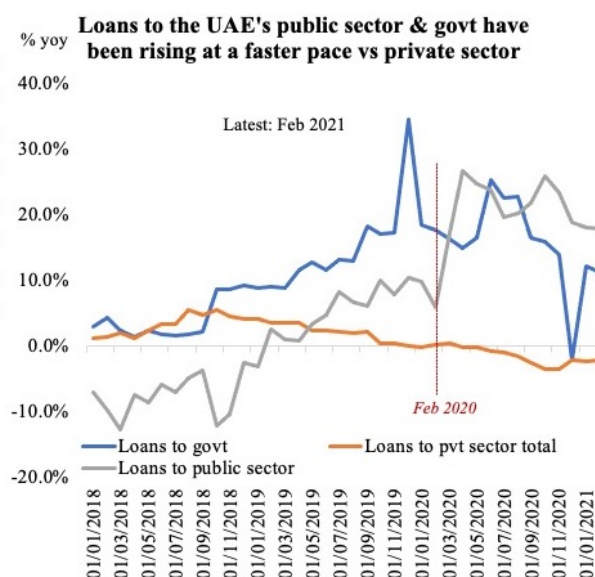
- **Retail spending by sector** showed a decline only in **education** (-2% mom and -18.3% yoy); **clothing** and footwear posted the highest pickup in mom terms (+68.2%). **Spending has been slower in** a few sectors ahead of the month of Ramadan (when many discount offers are available) like **food and beverages, and electronics**.

5. Varied patterns of domestic credit growth in Saudi Arabia & the UAE

- **Loans disbursed in both Saudi Arabia and the UAE has been ticking up in 2021.**
- Total domestic credit disbursed in **UAE** grew by 2.1% yoy in Jan-Feb 2021; the uptick has been in claims to the public sector (+17.9%), government (+11.6%) and private financial institutions (+8.8%) vs loans to the private sector (-2.3%). Together, **loans to the government & public sector accounted for 30% of total in Feb 2021.**
- In **Saudi Arabia** meanwhile, **claims on the private sector grew** by 14.6% yoy in Q1 2021 – **faster than claims on the public sector** (+13% yoy).



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



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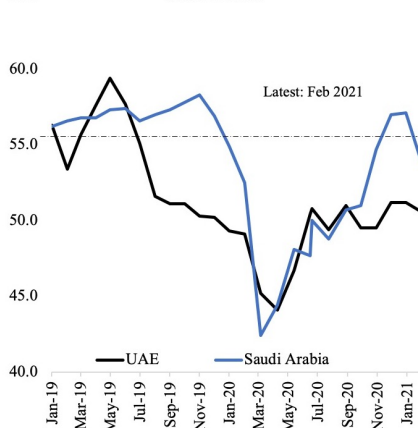
Weekly Insights 4 Mar 2021: Are economic activity indicators in UAE & Saudi Arabia moderating, à la PMI?

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

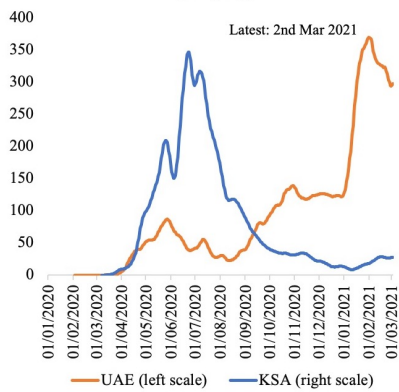
Chart 1. Will vaccines give a jab to growth?

- **PMI readings for both Saudi Arabia and the UAE eased moderately in Feb 2021.**
- **An uptick in Covid19 cases since beginning of this year, in both UAE and Saudi Arabia – at vastly different levels – led to more restrictive measures** (likely to remain till Ramadan in mid-Apr)
- **UAE's stringency index increased to 56.3 in Feb vs Jan's 50** & seems to have spilled over in weaker demand, thereby hampering sales and new orders growth. Though near-term outlook is uncertain, **businesses optimism was decidedly higher for the 12-months ahead period, potentially due to the fast pace of vaccination rollout and the upcoming Expo event**

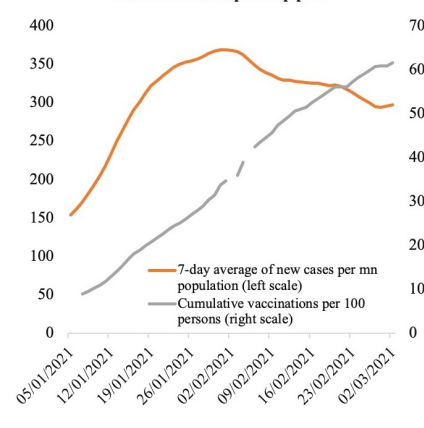
Modest gains in PMI as Covid19 cases jump in Jan-Feb 2021



New cases per million were ticking up in Jan in Saudi Arabia & UAE, at the start of the vaccination drive (7-day avg)



Cases in the UAE are on a downward trend as vaccination drive picks up pace

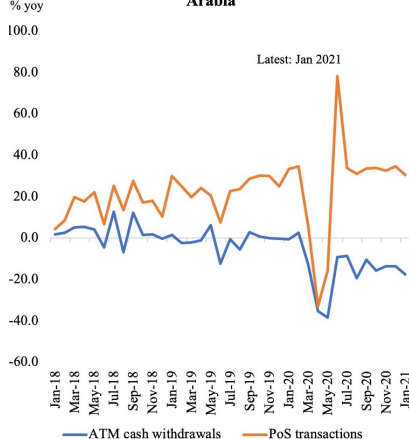


Source: Refinitiv Datastream, Our World in Data. Charts created by Nasser Saidi & Associates

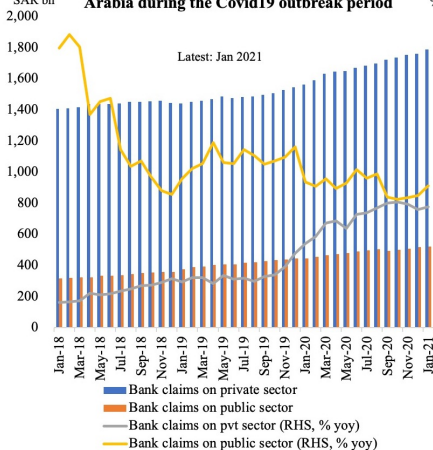
Saudi Arabia: Riding the digital wave

- **Proxy indicators for consumer spending** (ATM withdrawals & PoS transactions) continue diverging; recent restrictions on gatherings / entertainment will likely affect overall spending for Feb
- **E-commerce received a jumpstart during the pandemic period:** number of transactions picked up by 400% yoy in 2020 & sales value up by 341.2%. This **compares to year 2017**, when only 38.5% (of those aged 15+) had used the internet to pay bills or buy something online and just 25.7% had used mobile phone or internet to access an account (Source: Global Findex database)
- **Overall loans picked up in the country**, with loans to both the private and public sector rising around 15% and 18% respectively in Jan, after posting increases of 13% and 18% in 2020

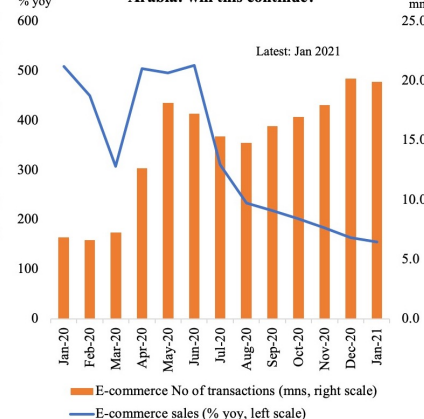
Indicators of consumer spending in Saudi Arabia



Claims to the private sector picks up in Saudi Arabia during the Covid19 outbreak period



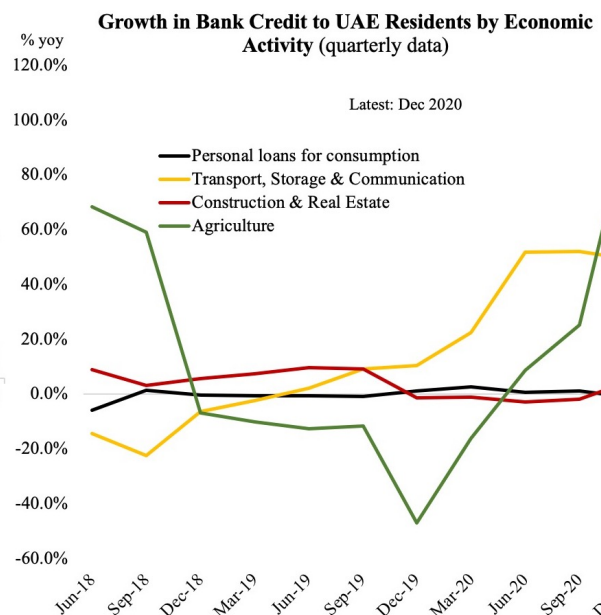
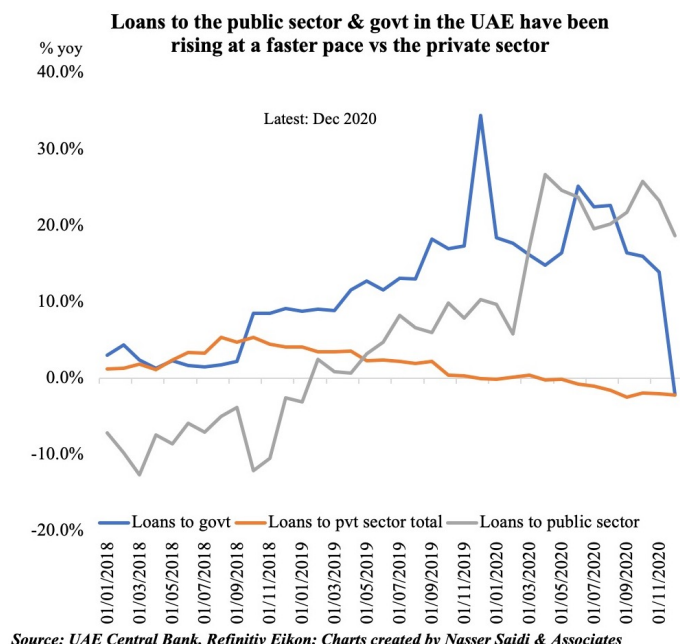
E-Commerce gets a jumpstart in Saudi Arabia: will this continue?



Source: Saudi Central Bank (SAMA), Refinitiv Eikon; Charts created by Nasser Saidi & Associates

AE bank loans: where's the appetite?

- **About 70% of UAE banks' loans went to the private sector as of end-2020**, with the public sector & government together accounting for ~30% of all loans
- Overall, the **surge in lending to GREs and the government** – at 16.1% yoy and 19.8% respectively – in 2020 contrasted the **drop in lending to the private sector** (-1.0%)
- **The uptick in loans towards agriculture** surged by 106.6% yoy at end-Dec 2020, following increases of 8.7% and 25.5% respectively in Jun and Sep 2020, underscoring the focus on food security and evidence of investments into vertical farming and agritech companies (its share of total loans is just 0.13%).
- Loans to construction sector (accounting for ~20.5% of total loans) ticked up by 5.2% yoy as of end-Dec (vs 0.2% drop in 2020); **personal loans for consumption** (~20.4% of total loans) dipped by 1.3% as of end-Dec



wing Pains: UAE's SMEs amid Covid19

- The **share of SME lending in total domestic lending remained unchanged at 5.7% in Q3** (Q2 2020: 5.7%), though

lower than 5.9% share as of end-Q1

- Within the MSME segment, as of end-Q3, the largest share of loans was disbursed to medium-sized firms (57.3%) and close to 1/3-rd to the small enterprises
- The **number of MSMEs in the UAE declined by 8.5% qoq to 114,361 as of end-Sep**. This **drop was visible across all 3 segments**, with small enterprises plunging by 13.7% qoq as of end-Sep (Jun: +5%) and micro and medium enterprises down by 3.7% and 2.6% respectively
- With total lending remaining almost stable alongside a sharp drop in number of MSMEs, the **amount disbursed per firm increased across the board** at end-Sep: overall by 9.2% qoq while amounts to micro, small and medium firms grew by 4.8%, 13% and 3.8% respectively
- **Banks' provisions for bad and doubtful debts amounted to USD 42.5bn as of Dec 2020**, up from USD 36.1bn at end-2019. With a large number of MSMEs dropping out of business, **expect non-performing loans to tick up & eat into banks' profitability**

Table: Bank lending to MSMEs in the UAE

<i>in AED bn, unless specified</i>	Dec-19	Mar-20	Jun-20	Sep-20	% qoq (latest)	% ytd
Microenterprises	11.4	10.9	10.5	10.6	1.0%	-7.0%
Small enterprises	28.2	29.4	29.6	28.9	-2.4%	2.5%
Medium enterprises	49.9	53.1	52.3	52.9	1.1%	6.0%
Total lending to MSMEs	89.5	93.4	92.4	92.4	0.0%	3.2%
Total lending to private sector	1134.6	1148.9	1139.4	1138.4	-0.1%	0.3%
Total domestic lending	1592.6	1595	1626.9	1611.7	-0.9%	1.2%
Share of MSMEs as % of private sector lending	7.9%	8.1%	8.1%	8.1%		
Share of MSMEs as % of domestic lending	5.6%	5.9%	5.7%	5.7%		

Number of MSMEs accounts at banks operating in UAE

	Mar-20	Jun-20	Sep-20
Microenterprises	30625	32021	30843
Small enterprises	60150	63147	54514
Medium enterprises	29137	29767	29004
Total MSMEs	120272	124935	114361

Amount disbursed per firm in '000 AED

	Mar-20	Jun-20	Sep-20
Microenterprises	355.9	327.9	343.7
Small enterprises	488.8	468.7	530.1
Medium enterprises	1822.4	1757.0	1823.9

Source: UAE Central Bank, Nasser Saidi & Associates

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Weekly Insights 10 Dec 2020: Vaccine Exuberance, PMIs and Indicators of Economic Activity

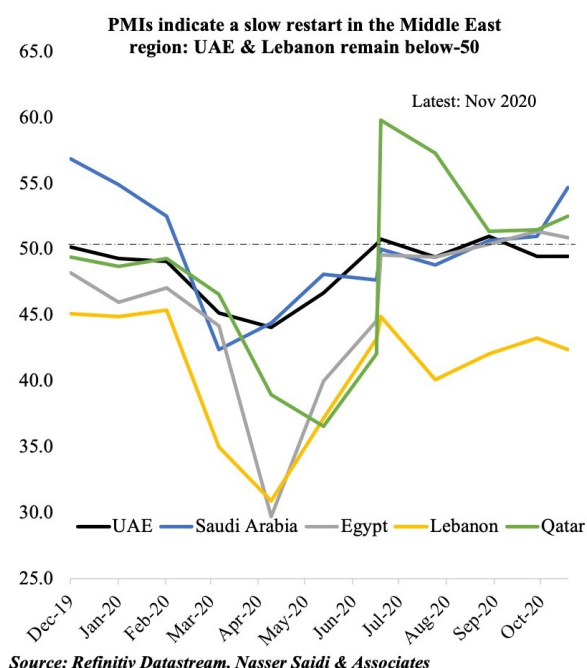
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Chart 1: PMIs in the Middle East/ GCC have had a slow restart compared to US/ Europe/ Asia post-lockdown, even during the latest wave

Manufacturing PMI readings have picked up in Nov across the globe, thanks to increases in export orders; global manufacturing PMI also showed employment rising for the first time in 12 months & business confidence at a 69-month high. **Vaccine announcements in early-Nov probably added to the mostly positive outlook.**

There is a distinct divergence in the Middle East, with **UAE and Lebanon still below the 50-mark in Nov**. Lebanon's reading is a clear reflection of its domestic economic meltdown while UAE's is pegged to subdued demand in spite of the nation being the least stringent (i.e. more "open", including for tourists) in the region.

The announcement of **the efficacy of the Sinopharm vaccine in UAE and planned deployment, in addition to the recent spate of announced reforms** – rights of establishment, long-term residency, remote working & retirement visas – **should support business and consumer confidence in the months ahead.**



Heatmap of manufacturing PMIs

	US	Germany	EU	UK	Japan	China	India
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Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0
Sep-20	53.2	56.4	53.5	54.1	47.7	53.0	56.8
Oct-20	53.4	58.2	54.8	53.7	48.7	53.6	58.9
Nov-20	56.7	57.8	53.8	55.6	49.0	54.9	56.3

Source: Refinitiv Datastream, Nasser Saidi & Associates

Chart 2: Will v

accines signal a recovery and rescue the airline industry?

Vaccines have been in the news since early-Nov, with the latest announcement from the UAE on the Sinopharm vaccine. As the vaccines are rolled out next year, the hope is that nations recover to the pre-Covid19 phase.

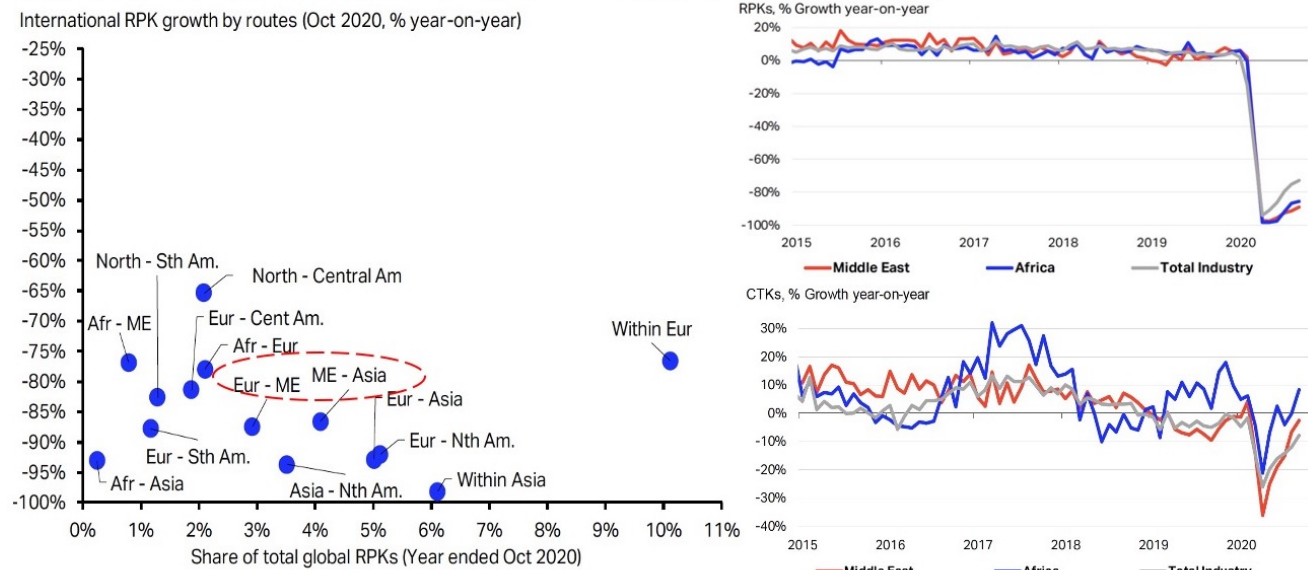
International travel markets remain weak: **Middle East airlines revenue passenger-kilometres (RPKs) were down by 86.7% and 88.2%** for international connectivity and long-haul traffic in Oct. This should benefit the airline industry in 2 ways: (a) in the near-term, the industry will **support distribution of vaccines** across the globe: being well-connected to global hubs and given its fleet size, UAE's Emirates and Etihad are well-placed to gain. Emirates SkyCargo transported more than 75mn kilograms of pharmaceuticals on its aircraft last year; (b) as more people get vaccinated, **demand for and willingness to travel will increase** probably by H2 next year along with 'travel bubbles'.

However, **the success of the vaccine distribution is also dependent on the last mile delivery hurdles and vaccine storage facilities.**

Middle Eastern carriers' improvements in international travel since the crisis have been slow (LHS)

Middle East passenger traffic still under pressure (RHS, top panel)

Cargo's sharper V-shaped recovery (bottom panel), but ME's recovery is slower vs. total industry

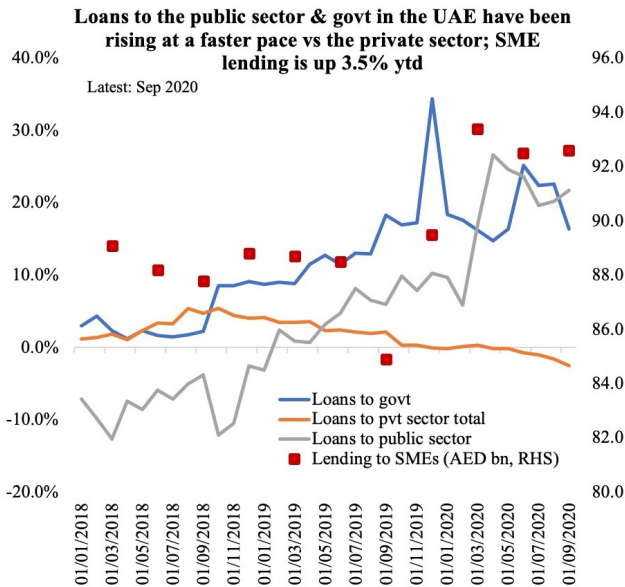


edit in the UAE

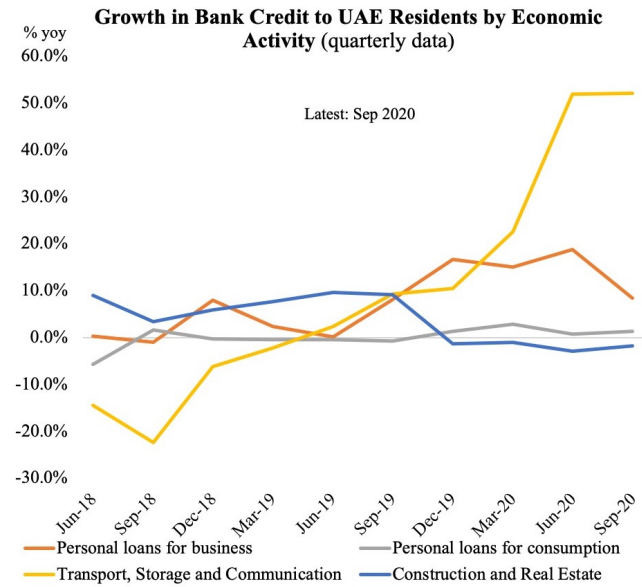
The UAE central bank extended its **Targeted Economic Support Scheme** (Tess) for another six months until June 30, 2021

During Apr-Sep 2020, the overall pace of lending to GREs (+22.7% yoy) and government (+19.6%) have outpaced lending to the private sector (-1.0%). The pace of SME lending has been slow as well, but up 3.5% year-to-date.

Breaking down lending by sector, there has been upticks in credit to both transport, storage and communication (+52.1% yoy as of end-Sep) as well as government (13.6% yoy); mining & quarrying and construction sectors saw declines of -14.4% and -1.9% respectively.



Source: UAE Central Bank, Refinitiv Eikon, Nasser Saidi & Associates.



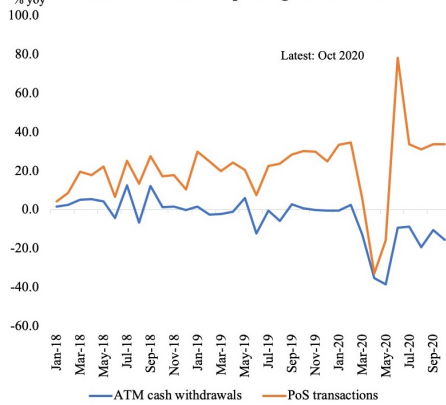
Indicators of economic activity in Saudi Arabia

Among the proxy indicators for **consumer spending** – ATM withdrawals and PoS transactions – the latter is picking up faster, supported by transactions in food and beverage (+28.9% during Jan-Oct 2020) and restaurants and cafes (+68.9%); in comparison, transactions at hotels are down by 33%. ATM transactions dropped by one-fourth to SAR 499.87bn in Jan-Oct.

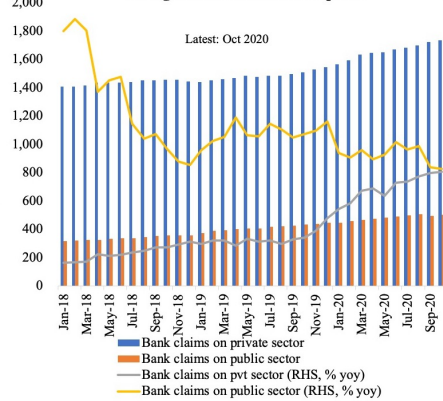
Loans to the private sector in KSA has been growing at a double-digit pace since Mar this year, with the year-to-date growth at 12.4% yoy.

Cement sales have been on the uptick, supported by the number of **ongoing mega-projects** (like the Red Sea development) as well as residential demand: real estate loans by banks are up 38% till Q3 this year, outpacing growth in both 2018 & 2019 while PoS transactions in the construction and building materials is up 44.2% this year (a large 247.4% uptick in Jun, ahead of the VAT hike).

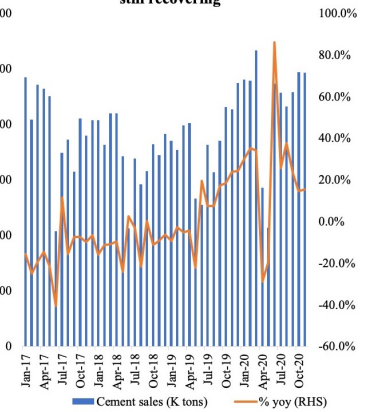
Indicators of consumer spending in Saudi Arabia



Claims to the private sector picks up in Saudi Arabia during the Covid19 outbreak period



The pace of cement sales have slowed, but still recovering



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Weekly Insights 11 Nov 2020: PMIs & Recovery (?) Indicators in the Middle East/ GCC

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PMIs & Recovery (?) Indicators in the Middle East/ GCC: A pictorial representation

Chart 1: PMIs in the Middle East/ GCC

PMIs in the Middle East/ GCC have not kept pace with the increases seen across the US/ Europe/ Asia post-lockdown. Non-oil sector activity has been subdued given sector composition, a majority of which are still negatively impacted by the outbreak: tourism, wholesale/ retail & construction. Job cuts continue as part of overall cost-cutting measures & business

confidence remains weak.

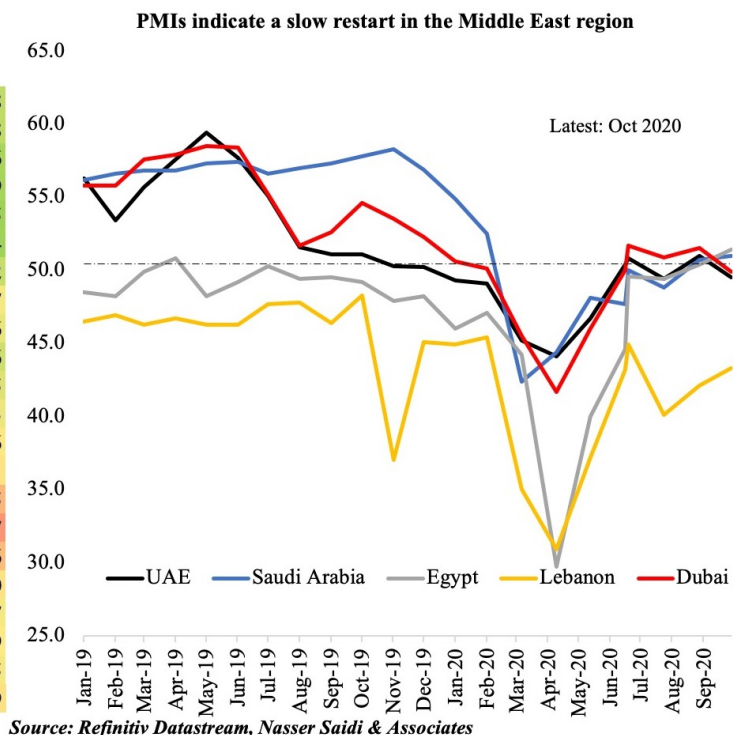
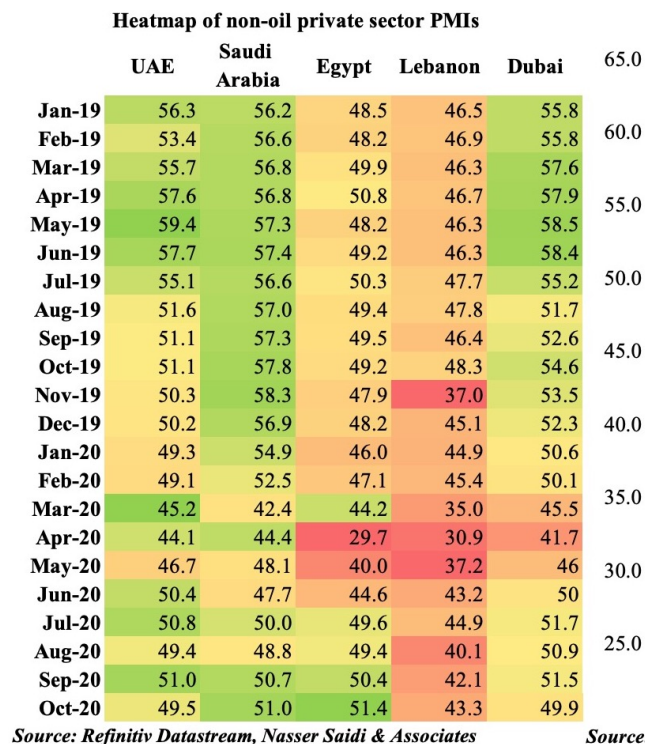


Chart 2: String

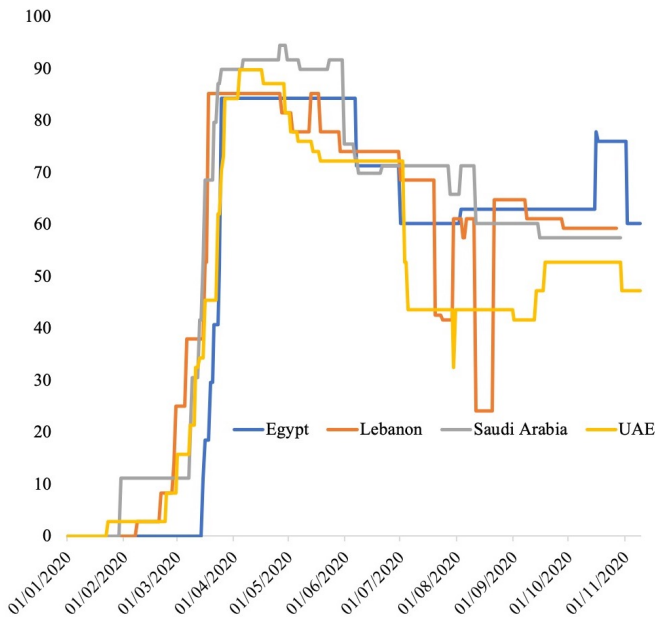
ency Index & Mobility

Most economies in the Middle East are re-opening in phases, with restricted lockdowns where cases are surging. The UAE remains one of the most open (least stringent) nations in the region.

However, when it comes to mobility, the UAE seems to be a few steps behind its regional peers. This seems to be in line with a recent McKinsey finding that countries focused on keeping virus spread near zero witnessed their economies moving faster. So, ending lockdowns and reopening the country is not sufficient for resumption of economic activity. Another potential reason could be that increased use of e-commerce is leading to less footfall in retail and recreational facilities.

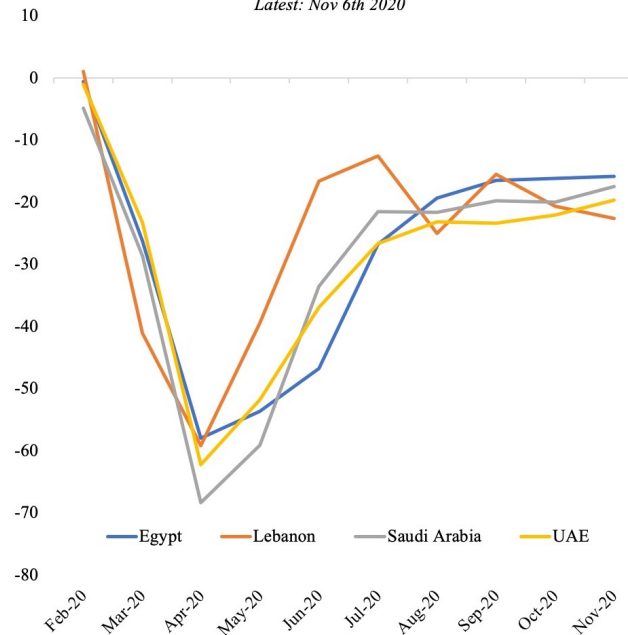
Covid19 Government Response Stringency Index

Latest: Nov 10, 2020



Retail & Recreation Mobility (monthly averages)

Latest: Nov 6th 2020



Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, Google Mobility Indicators, Nasser Saidi & Associates

Note: The Government Response Stringency Index simply records the number and strictness of government policies, not effectiveness of the response

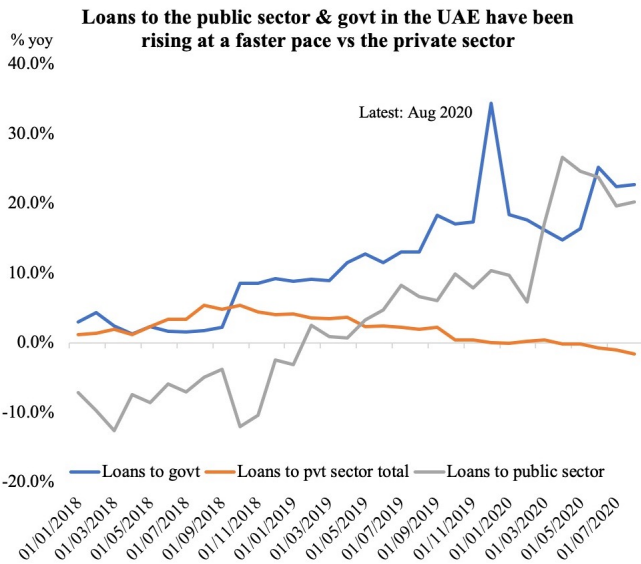
Mobility trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020.

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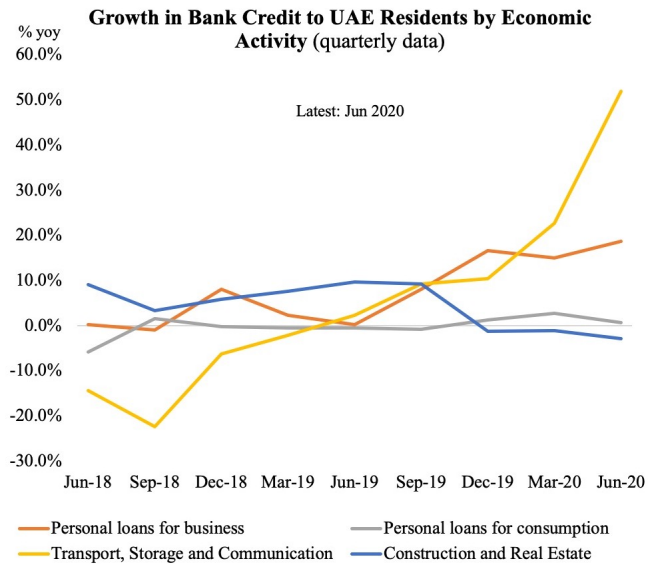
tors of economic activity in the UAE

Last week, the UAE central bank disclosed that its Targeted Economic Support Scheme directly impacted more than 321k beneficiaries including 310k distressed residents, 1,500 companies and 10k SMEs. The overall pace of lending to GREs (+23% yoy during Apr-Aug 2020) and the government (+20.3%) have outpaced lending to the private sector (-0.7%).

UAE banks still lent most to the private sector (70.1% of total as of Aug 2020 vs. 76% in end-2018 and 72% in end-2019), while the public sector & government together account for close to 30% of all loans in Aug 2020 (vs. 25% a year ago). Breaking it down by sector, there has been upticks in credit to both transport, storage and communication (+51.9% yoy as of end-Jun) as well as personal loans for business (+18.7% yoy) while construction sector has seen a dip (-2.9%).



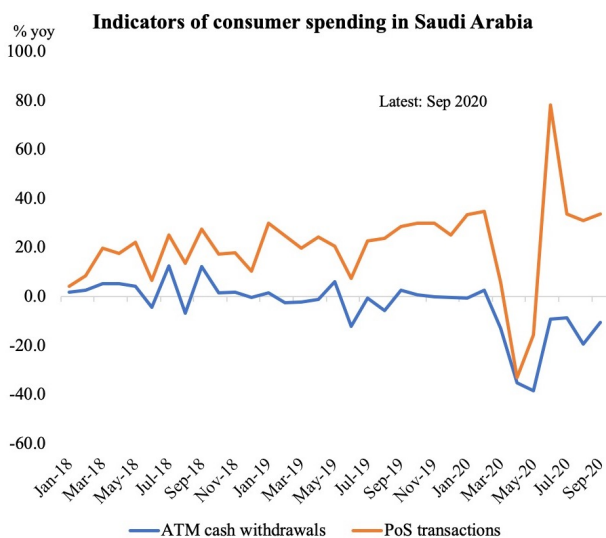
Source: UAE Central Bank, Refinitiv Eikon, Nasser Saidi & Associates.



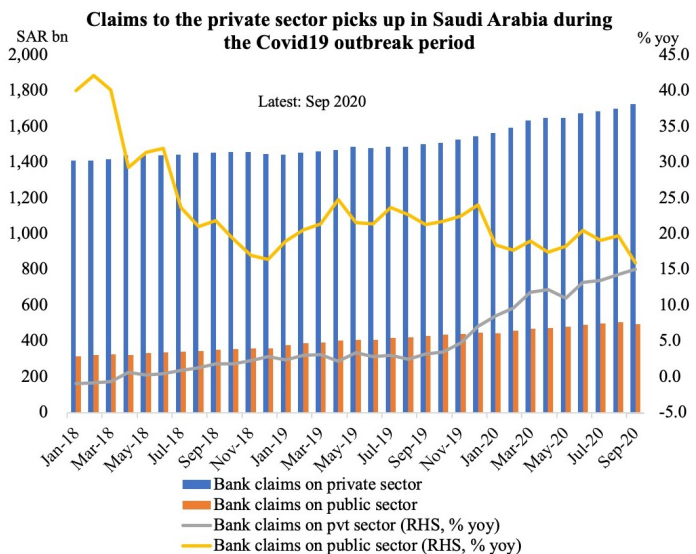
icators of economic activity in Saudi Arabia

In contrast to the UAE, loans to the private sector has been edging up in Saudi Arabia, growing by an average 13.2% yoy during the Apr-Sep period. Proxy indicators for consumer spending – ATM withdrawals and PoS transactions – are on the rise post-lockdown. Ahead of the VAT hike to 15% in Jul, there was a surge in PoS transactions in Jun, which has since then stabilized. By category, food and beverage and restaurants and cafes, continue to post increases.

Saudi Arabia published its first-ever flash estimates for GDP this week: showing a 1.2% qoq increase in Q3, though in yoy terms, growth was still down by 4.2%.



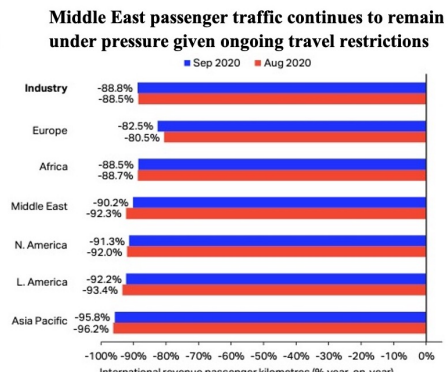
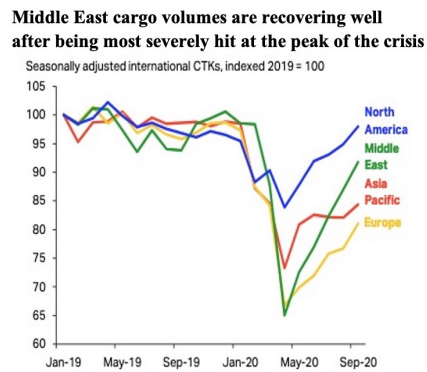
Source: SAMA, Refinitiv Eikon, Nasser Saidi & Associates.



kages with the global economy

In linkages with the global economy, we consider

1. **Trade:** for the GCC region, there was a significant drop in overall trade with the world during the lockdown period. While exports have started to pick up again, the pace of exports to China are relatively faster.
2. **Passenger traffic:** though international revenue passenger kilometers in the Middle East improved slightly in Sep, it continues to be the worst affected globally in terms of year-to-date data (-68.7% till Sep), as travel restrictions remain. Resumption of domestic travel (e.g. Russia, China) has supported rebounds in some regions.
3. **Cargo volumes** (cargo tonne-kilometers or CTKs) show a clear V-shaped recovery for the Middle East, due to “added capacity” following the peak of the crisis, according to IATA.



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