

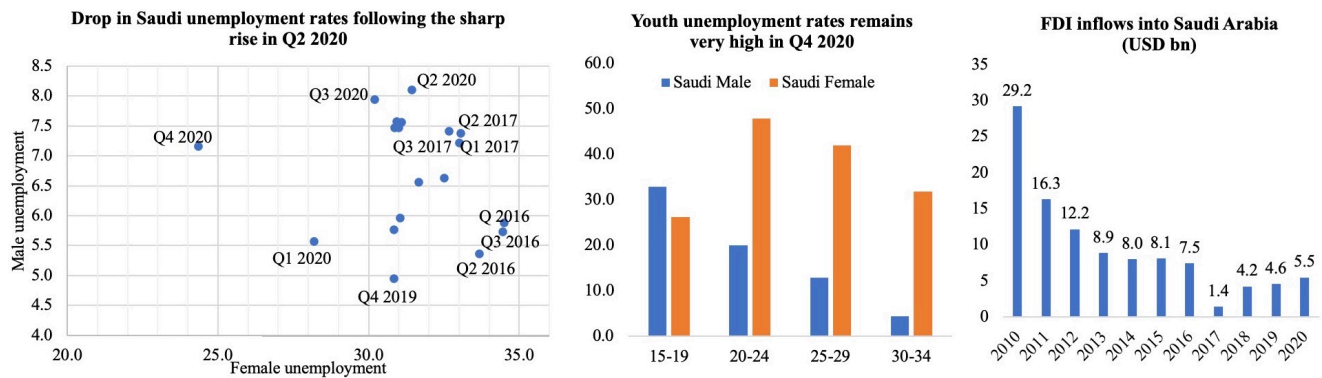
Weekly Insights 1 Apr 2021: Reforms ramping up as GCC nations plan recovery in a post-Covid world

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

Chart 1. Saudi Arabia's Shareek investment package to jumpstart the economy

- **The Shareek strategy (SAR 27trn stimulus over the coming decade) aims to** jumpstart and shift expenditure patterns post-Covid by emphasizing investment vs consumption spending (incl.govt current spending), while implementing diversification. As proposed, the plan should be **strongly supportive of non-oil growth, increase overall productivity growth and lead to job creation.**
- **Jobs are one of the biggest concerns for the country: female unemployment** was running close to 50% for the 20-24 age group in Q3 & close to 20% for males in the same age group. It has come off highs earlier in 2020, but remains one of the highest in the region
- **FDI** has improved massively from the fall to USD 1.4bn (0.2% of GDP) in 2017; **according to the Saudi Central Bank's estimates, overall FDI reached USD 5.49bn in 2020** (+20% yoy, still below 1% of GDP).
- **Saudi Arabia has been aggressively courting foreign investors:** revamped over half of the 400 FDI regulations, introduced new laws (e.g. bankruptcy, PPP) and recently stated that presence of firms' regional HQs in Saudi would become a necessary condition to bid for government contracts.
- **FDI inflows would be directed away from oil & gas into**

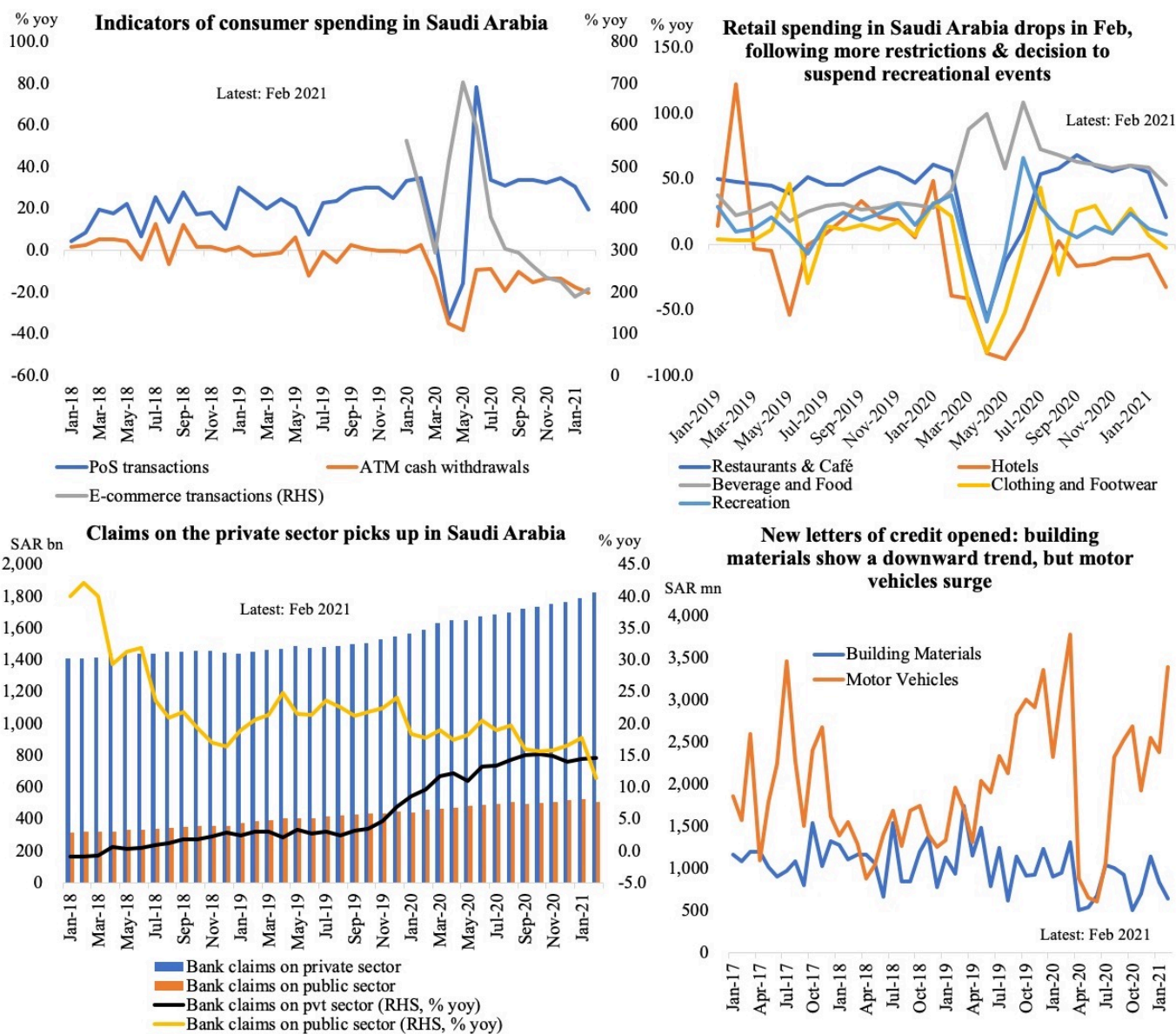
more job creating & higher value-added sectors (e.g. renewable energy and clean tech, 'clean' petrochemicals, desert agriculture & AgriTech, digital economy). Potentially, this revival of investment and a successful program could attract back a fraction of Saudi private wealth held offshore (estimated at 56% of GDP).



Source: GaStat, UNCTAD, Saudi Central Bank (2020 est for FDI). Charts created by Nasser Saidi & Associates

Chart 2

. Monetary indicators in Saudi Arabia: PoS & e-commerce transactions and claims on the private sector rise in Feb

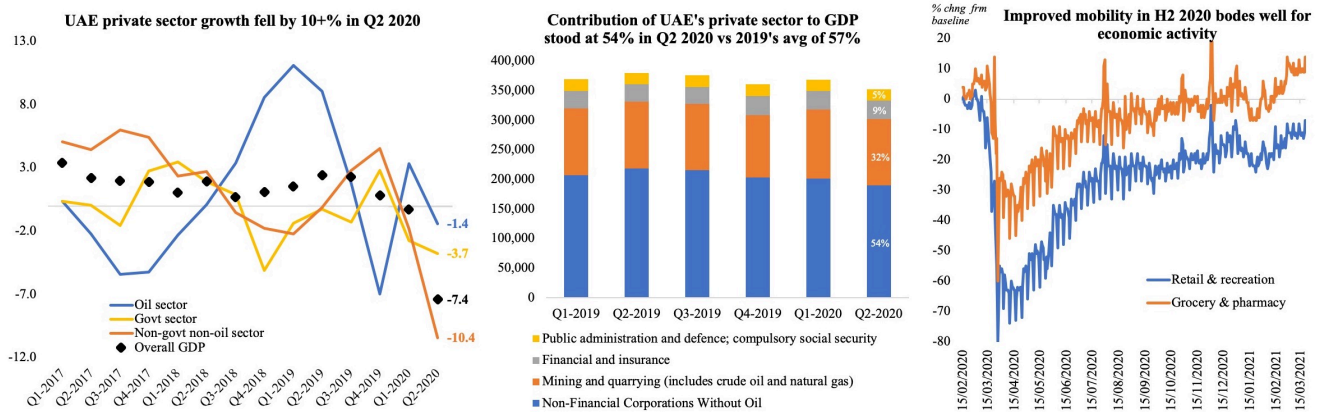


Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

Chart 3. Overall GDP in UAE contracted by 7.4% yoy in Q2 2020; recovery expected in H2

- **New data: Non-oil GDP fell by 9.9% in Q2 2020**, following a 1.9% decline in the previous quarter. **Finance and insurance was the lone sub-sector to post growth in Q2.**
- Stringency was the highest and mobility lowest in Q2. **Mobility data** shows improved activity in H2 of 2020, which bodes well for GDP. **UAE's PMI**, which averaged 50.2 in H2 2020 (vs 47.1 in Q2 and 47.5 in H1), also **indicates a faster recovery in H2.** Faster vaccination rollout and the Expo later this year will result in increased consumer and business confidence.

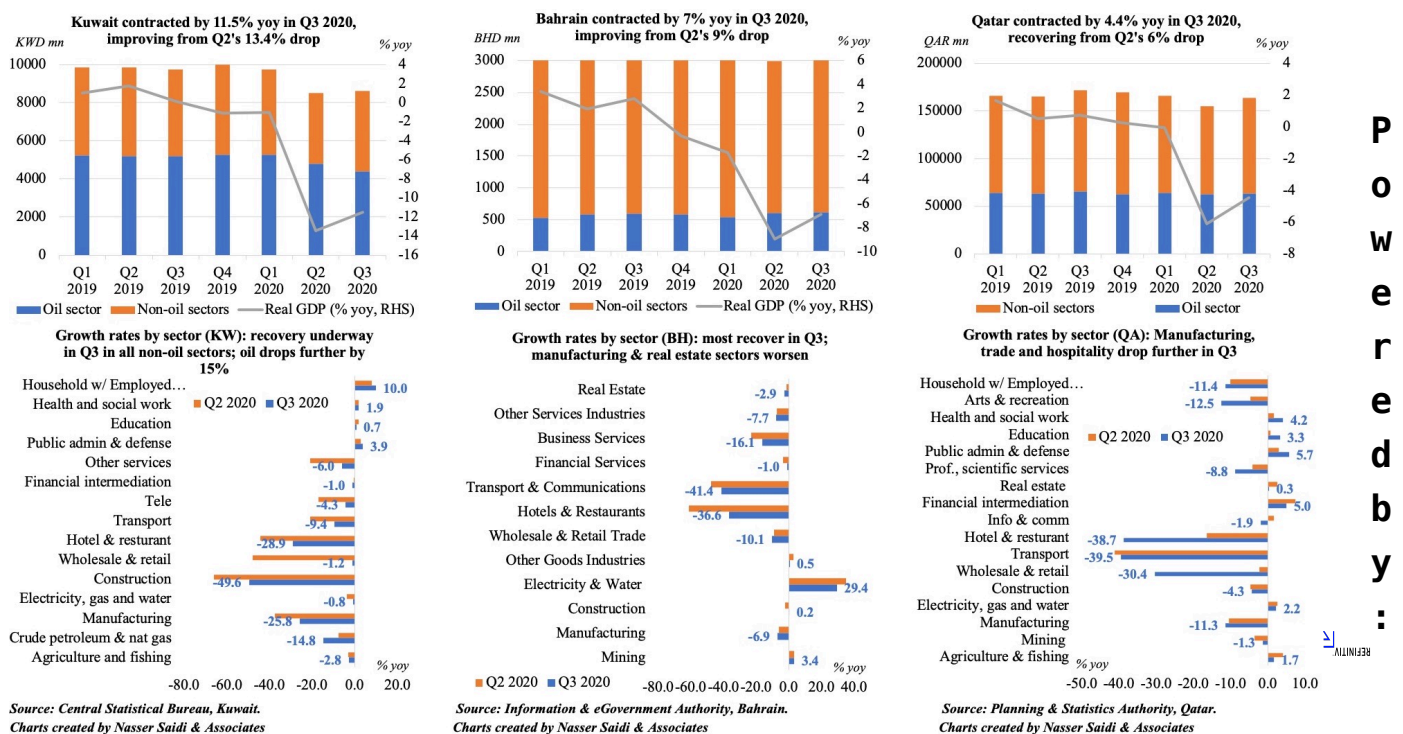
- With an aim to grow faster in the post-Covid world, the UAE has been proactively announcing reforms: with the latest industrial strategy ("Operation 300bn"), Dubai's 5-year plan to increase trade to AED 2trn and its 2040 urban development plan alongside various incentives to attract high-skilled professionals (10-year visas, remote working visas, path to citizenship etc.)



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Q3 GDP data from other GCC nations suggest better quarters ahead for the UAE – the least restrictive of all

While overall % yoy GDP improved in Q3, some sectors (including oil, given OPEC+ cuts & others like trade, hospitality) contracted even more



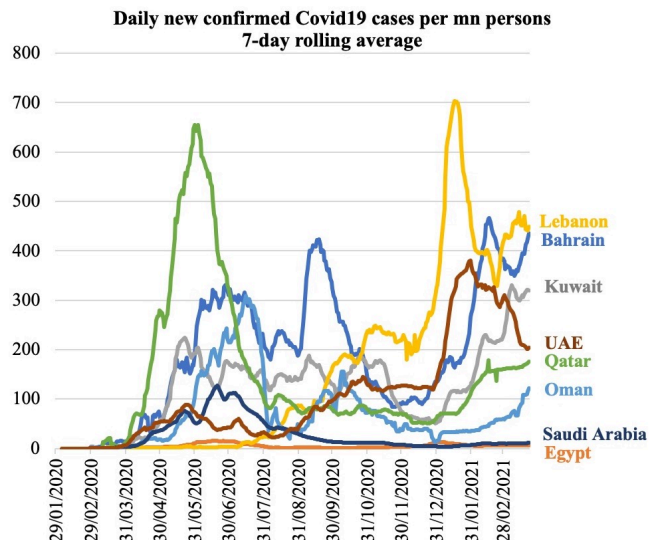
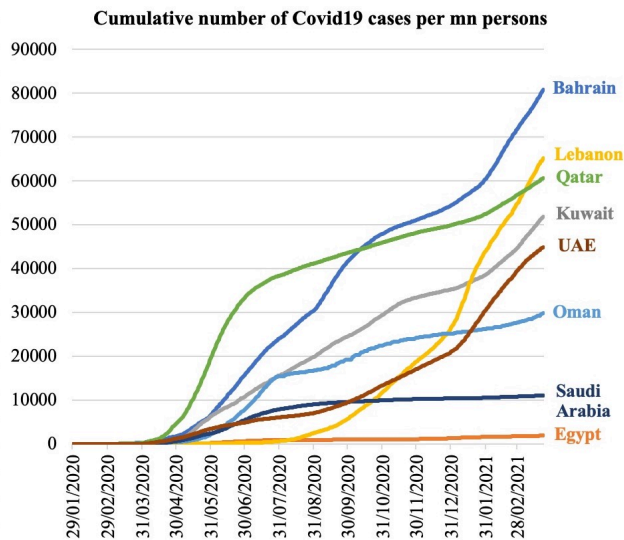
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Weekly Insights 25 Mar 2021: Will the Middle East's vaccination efforts lead to a faster recovery in travel & hospitality?

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

Chart 1. Covid19 cases in the Middle East continue to rise at a varied pace

- The **GCC nations account for one-fourth of the cases in the MENA region**. On a per million basis, cumulative Covid19 cases are high in Bahrain and Lebanon. The **total number of confirmed cases have doubled in 72 days in Lebanon, 76 days in UAE** and 267 days in Saudi Arabia (vs global average of 117 days).
- **Where Covid19 cases are still high, economic activity will be relatively softer in Q1 2021**. Many nations, including the UAE, saw an uptick after the December end-of-the-year holidays. Saudi Arabia and Egypt are faring better in spite of the recent increase in cases.



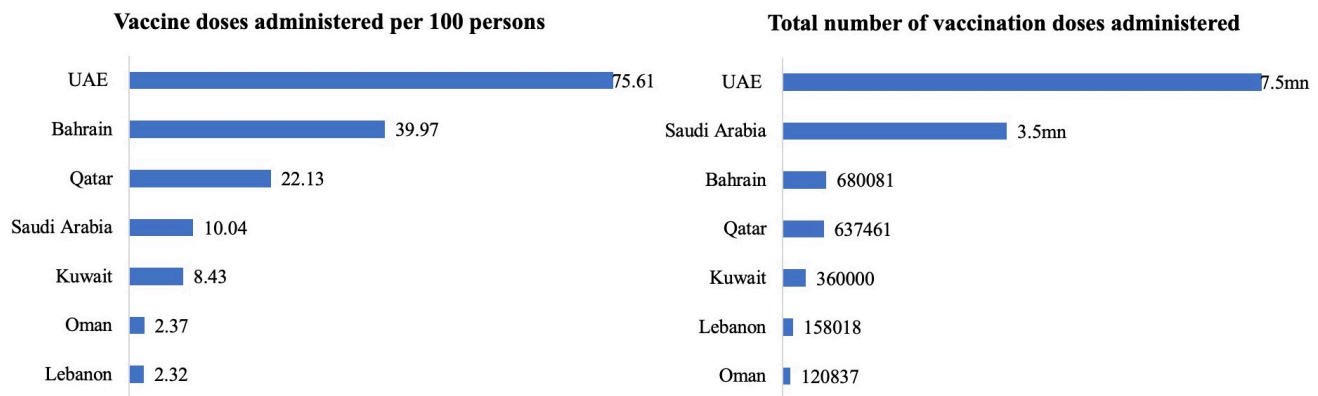
Source: Our World in Data. Charts created by Nasser Saidi & Associates. Data is as of Mar 23, 2021.

Chart 2.1

Will life return to normal after vaccination? Pays not to be complacent

- The **vaccination rollout is expected to reduce the pace of number of new infections.**
- The UAE, which has one of the fastest rollouts of the vaccines globally, has seen a significant reduction in infections.
- Though breakdowns by age or hospitalizations are not available in the UAE, improvements for the vaccinated elderly population was a clear result in the case of both UK and Israel – the closest to UAE in terms of vaccine rollout numbers.
- **Last week, UAE announced that vaccines had been administered to 70.21% of the elderly and people with chronic conditions and to over 50% of the population.** For now, extra precautions are still being adhered to in the UAE (its stringency index is close to 55) with Ramadan around the corner.
- With cases ticking up in neighbouring India (test positivity rates are now doubling every five days in several states) due to a new variant with two mutations and easing of lockdown restrictions, and Europe's delayed vaccine rollouts amid rising case of infections, it would be **prudent for the UAE to remain cautious till**

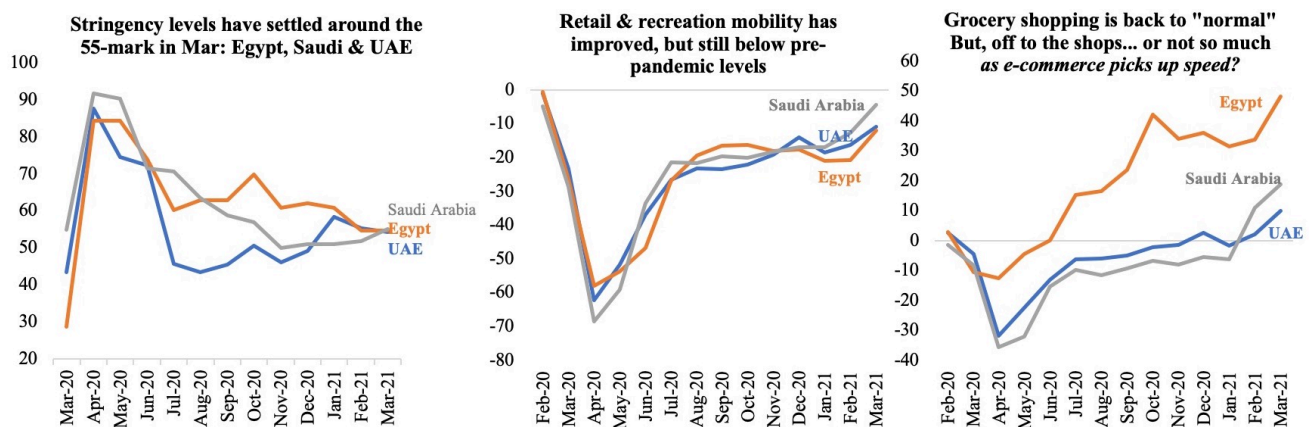
herd immunity is achieved (given its relative openness).



Source: Our World in Data. Charts created by Nasser Saidi & Associates. Data is as of Mar 24, 2021 for all except Kuwait (Mar 8th) and Oman (Mar 22).

With the Stringency Index near the half-way mark, mobility has been improving

- **Mobility** – a proxy for economic activity – has improved across the board from pandemic lows.
- Mobility indicators indicate a strong negative relation with the Stringency Index: the tighter the government-imposed restrictions, the stronger is the observed reduction in mobility. Stringency index is around 55 in the case of Egypt, Saudi Arabia and the UAE.
- While **retail and recreation mobility** remains below pre-pandemic levels given the restrictions on capacity, grocery shopping seems to have gone back to pre-Covid levels in Egypt though not as much in UAE and Saudi Arabia – potentially a result of the rise in e-commerce offerings in this space.



Source: Our World in Data (Stringency Index), Google Mobility reports (latest: March 21, 2021). Charts created by Nasser Saidi & Associates.

Hotel occupancy levels supported by domestic tourism and few

travel corridors

- **Middle East's hotel occupancy rates were the highest on a rolling 7-day average ending with 7 Feb (50.4%)** as residents opted for domestic tourism vs international travel (STR Global).
- As can be seen from the chart, a **brake was applied on China's fast-paced recovery** with this year's wave of Covid19 cases, which also affected the busy Chinese New Year travel period.
- The **Middle East & UAE** saw **total-year hotel occupancy & revenue per available room levels fall to all-time lows** in 2020.
- The **performance towards end of the year was closer to pre-pandemic levels**, thanks to the New Year holidays and ease in restrictions (including travel corridors). Dubai posted a 76% occupancy level in the week ending Jan 3rd, followed by Al Khobar & Dammam (72%), Abu Dhabi and Jeddah (at 62%)
- **Markets that are likely to see faster paced recovery are UAE and Saudi Arabia**, given government initiatives and policy support
- **UAE** will be helped by its relatively lower stringency levels, hosting of the Expo later this year as well as its recent announcement of multi-entry visit visas. Rollout of the IATA Travel Pass/ digital health passports will support recovery. Vaccine tourism is also a possibility.
- **Saudi Arabia** will benefit, with its relatively low number of cases, as it resumes religious tourism alongside its ambitious tourism plans (186 projects/66,866 rooms were in the construction pipeline at end-2020).

Middle East tops global occupancy charts

Absolute rolling 7-day occupancy % to Feb 7, 2021



Source: STR Global.

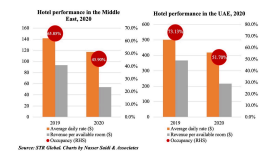


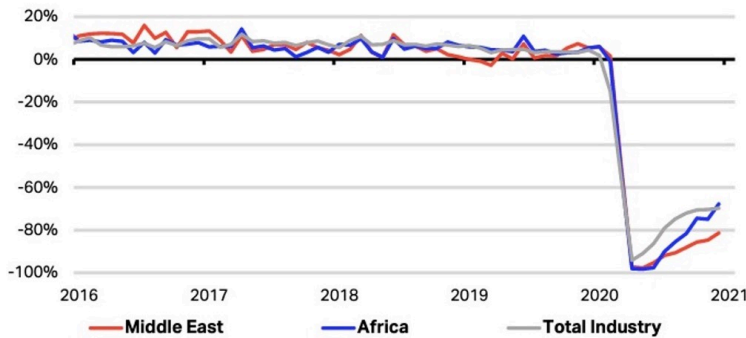
Chart 5.
Passenger
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- Air travel has been **negatively impacted by the new round of travel restrictions**. Asia has the most stringent controls related to air travel (closed to many regions) & the Middle East the least (quarantine for arrivals for high-risk regions).
- **Passenger activity in the Middle East was 72.2% yoy lower in 2020**; in Jan, it was 82.3% lower than pre-crisis Jan 2020. A breakdown by routes show the sharpest drop in the Middle East-Asia sector last year (-73.7%)
- **As vaccinations increase in the Middle East, the demand for international travel will pick-up, given pent-up desire to travel and high individual savings rate**
 - Given the expat population in the region, **travel to “leisure” destinations** is likely to pick up (so long as their source nations are still under pressure from Covid19 cases). Anecdotal evidence points to UAE residents opting to visit Seychelles and Maldives during the upcoming school break (India is facing a new wave of Covid cases, UK has a mandatory hotel quarantine etc...)
 - There is also a **potential of increased visits from grandparents**: being the first ones to get vaccinated, evidence already shows an uptick in

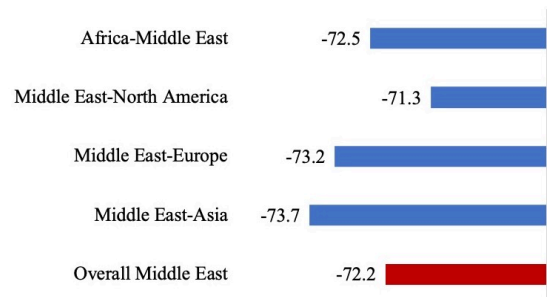
airline bookings among the 65+ year olds in the US making up for missed family visits during 2020. Likely to benefit the Middle East nations, especially the UAE.

Growth in air passenger volumes, % yoy



Source: IATA Economics

Middle East airlines air passenger volumes, 2020, in revenue passenger kilometers (% yoy)



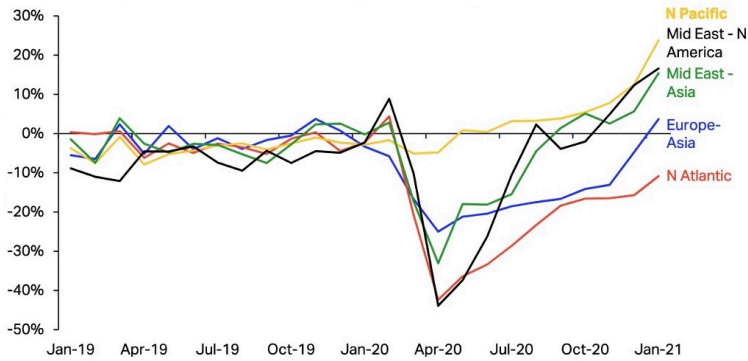
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. Air cargo levels rebound to pre-pandemic levels; UAE hubs support vaccine deliveries

- A recovery in export orders from Covid19 lows implies that the recovery in air cargo services has rebounded much faster vis-à-vis passenger traffic. However, **lack of capacity** (-18.7% yoy in Nov-Jan) is still a constraint.
- Middle East-North America and Middle East-Asia are two of the strongest trade lanes globally.
- Middle East's volumes (measured by cargo tonne km flown) regained pre-crisis levels in Jan, with CTGs 2.2% yoy higher than Jan 2019.
- Though cargo revenues are growing stronger, these are unlikely to offset the loss of passenger revenues.
- **UAE's Emirates SkyCargo** has flown more than 27,800 cargo flights to deliver medical and food supplies to communities hit by Covid19. It also signed an agreement with UNICEF in Feb to transport critical supplies like Covid19 vaccines, medicines and medical devices.
- In Mar, **Abu Dhabi Ports and the Hope Consortium revealed the largest vaccine distribution centre in the Middle East** – a 19k square metre temperature-controlled warehouse with a capacity to hold 120mn+ vaccines –

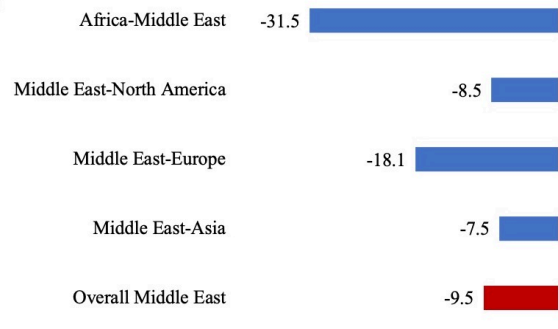
which serves as a hub for vaccine distribution in the MENA, Africa and South Asia.

Cargo tonne km flown by region segment, % yoy



Source: IATA Economics

Middle East airlines air cargo volumes, 2020, in cargo tonne kilometers (% yoy)



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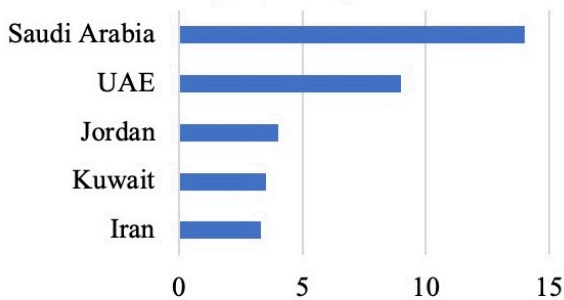
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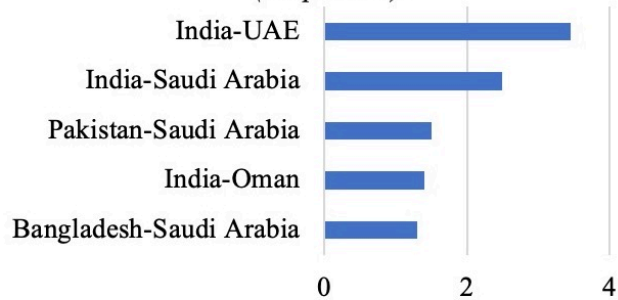
Weekly Insights 18 Feb 2021: The GCC Labour Market & Remittances – A Forward- looking Viewpoint

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

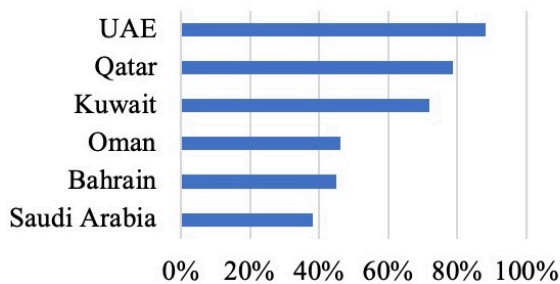
5 MENA nations feature in top 20 migrant countries, 2019
(mn persons)



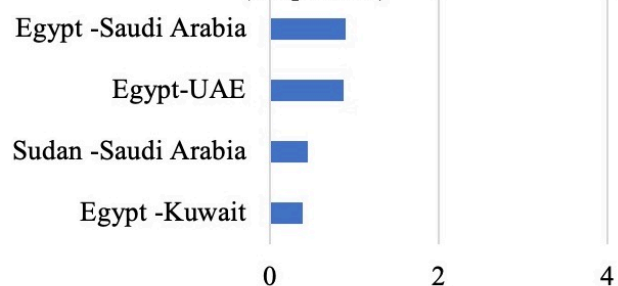
Among top 20 migration corridors from Asia are 4 to GCC, 2019
(mn persons)



Migrants as % of population in GCC, 2019



Among top 20 migration corridors from Africa are 4 to GCC, 2019
(mn persons)



Source: World Migration report, UN DESA International Migrant Stock 2019

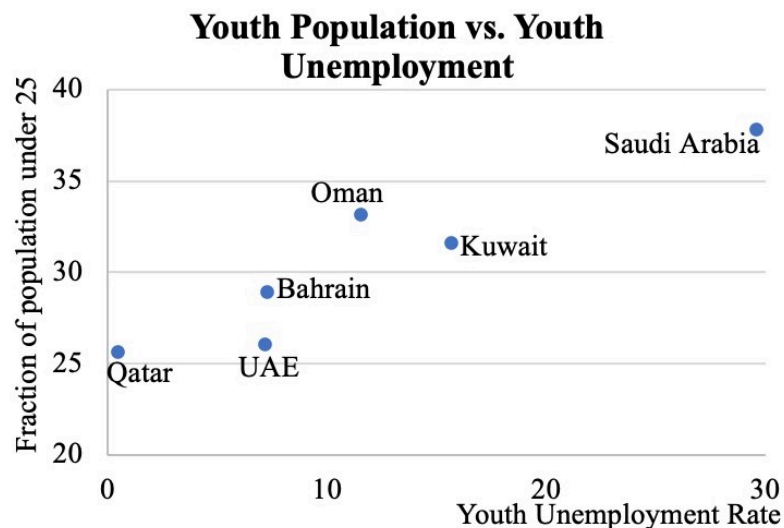
Charts created by Nasser Saidi & Associates.

It is no secret that the GCC is home to one of the largest migrant

communities globally. **Five MENA nations feature in the top 20 migrant attracting nations globally (by number of persons).** Expat share in population across the GCC varies from Saudi Arabia's less than 40% to UAE's high 88%. According to the UN, top 20 migration corridors from Asia and Africa include those to the GCC nations: in 2019, India-UAE was the second-largest migration corridor in Asia (but, second only to refugee movement from Syria to Turkey), while migration from Egypt to Saudi and UAE occupied the top 5th & 6th spots among African nations.

Burdened by Covid19 and lower oil prices last year, **job losses in the GCC and return migration has raised key concerns about the sustainability of dependence on expatriate labour.** With published monthly data of labour/ employment lacking in most GCC nations, reliance on anecdotal evidence is high. Official NCSI data showed that more than 270k expats left Oman between end-2019 to Nov 2020 (roughly 16%). This Covid19-related "expat exodus" coupled with recent moves to nationalize

various professions and replace expats with nationals in senior positions at state-run firms, highlight a growing predicament facing many GCC nations – **how does a government justify the need to hire expatriate labour amid rising youth unemployment levels?**



Source: World Bank, UN

Chart created by Nasser Saidi & Associates.

This pressure is building up in nations with high shares of population under the age of 25. Depending on labour force participation rates, the **IMF estimates that the GCC labour force could grow by an additional 2.5mn nationals by 2025.**

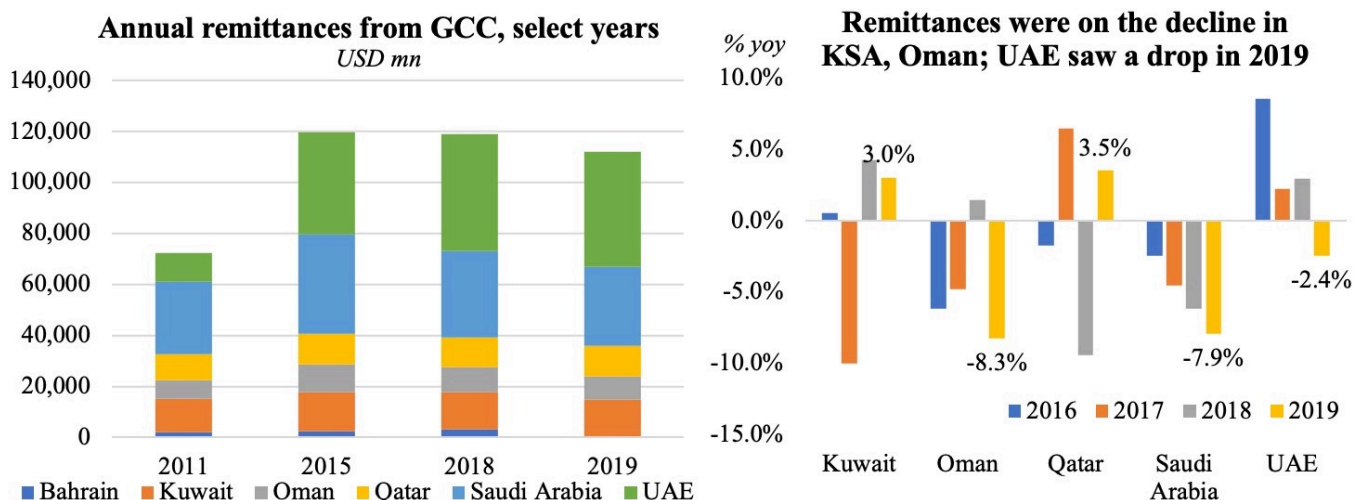
While similar numbers are more intense in the labour-exporting nations within the MENA region, needless to say that **there are some common challenges:** job creation (in the private sector), gender disparity, preference to wait for a public sector job, address low levels of efficiency and productivity, to name a few.

- An interesting statistic from the ILO, namely **young people not in employment, education or training (NEET) is at a high 16% in the GCC nations** (though it pales in comparison with 40% in non-GCC Arab nations) implies that job creation has not been keeping pace with the growth in youth workforce.
- **Gender disparities are a commonly acknowledged drawback** in the GCC (and wider MENA region). The World Economic Forum's Gender Gap 2020 report highlighted that **it would take the MENA region close to 140 years to achieve gender parity!** The Covid19 pandemic throws another spanner in the works with women being more negatively affected on the job front (globally and in the region).

Whereas formal education attainment has improved over the years, issues of mobility, cultural norms/ gender roles continue to be significant barriers preventing women from joining the workforce. Even the previously mentioned NEET levels are much higher for women: in 2019, 51.9% of young women in Arab states were classified as NEET vs 17.8% of young men.

- In the GCC nations, **labour markets remain segmented**: wage premiums in the public sector for lower working hours drives the nationals' preference for public sector employment. However, the higher wage bills (a strain on government budgets) have not translated into an improvement in the quality of public services (UAE is an outlier) and some standalone studies have highlighted a stagnation in public sector productivity levels.

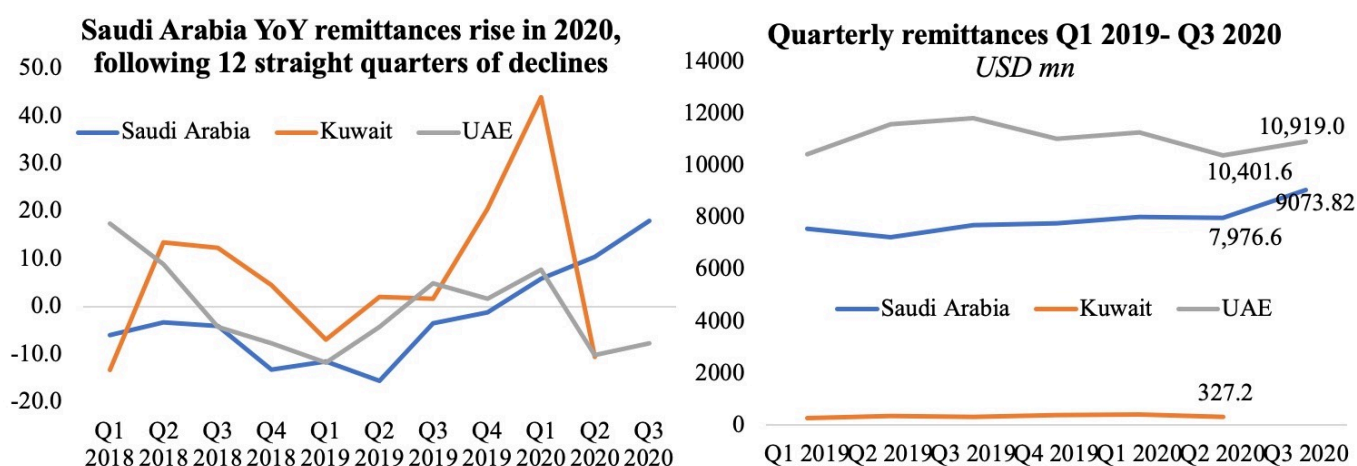
Remittances in the GCC: should they be taxed?



Source: Remittances database, World Bank; Charts created by Nasser Saidi & Associates.

According to the World Bank, **outward remittances from the GCC touched USD 112bn in 2019**: while this was a drop of 6% yoy, as a share of GDP it still stood at 11.9% in Oman, 11% in Kuwait and 10.7% in the UAE. Together, UAE and Saudi Arabia account for more than 2/3-rds of total remittances from the GCC. **Did the pattern of remittances change during the Covid19 pandemic?** The combined effect of the pandemic and related job losses alongside lower oil prices were expected to have an adverse effect on remittances. The World Bank expects global remittances to drop by 7% yoy to USD 666bn in 2020 (and by a

further 7.1% in 2021) and inward remittances into the MENA region to decline by 8.5% to USD 55bn in 2020 (and by 7.7% to USD 50bn in 2021) negatively affecting labour exporting countries like Egypt.



Source: Central Bank data from Saudi Arabia, Kuwait & UAE. Charts created by Nasser Saidi & Associates.

At the GCC level, quarterly (headline) data are available in Saudi Arabia, UAE and Kuwait. Saudi Arabia has witnessed a continued drop in remittance flows consistent with the oil price declines (it saw 12 straight quarters of yoy declines since 2017), alongside the introduction of nationalization policies in many sectors. While the drop in Q2 was consistent across all three nations, both Saudi and UAE reported an increase in remittances in Q3 (Kuwait is yet to release Q3 data). This could be a result of multiple factors: job losses resulting in transfer of savings to the home country, an increase in digital remittances (versus unrecorded cash during trips home), transfer of excess savings (given lack of travel, leisure activities), exchange rate movements and/ or remittances to support families in the home country. The World Bank identified a potential (yet to be evaluated) “Hajj effect” when analyzing remittances into Pakistan and Bangladesh – savings that had been set aside for Hajj were sent home instead given travel restrictions and the reduction in the issuance of Hajj visas.

Should remittances be taxed?

While there have been sporadic calls for a tax on remittances, this has yet to take a credible form and is oft refuted by government/ central bank officials. Oman is currently studying

a proposal for a personal income tax on high-earners – if introduced, it will be a first in the region and could see similar rollouts across the region (depending on its impact). Though this will raise a question of “taxation without representation”, there are other approaches to encourage expats to retain their saving and invest in the economies (versus investing in their home country). **This essentially boils down to a combination of labour and financial market reforms. Here is a non-exhaustive list.**

- **Economic diversification into job-creating non-oil sectors** (including knowledge-based sectors). This also requires a supportive business environment with the necessary legal framework to ease the cost of doing business as well as additional measures to support SMEs (supporting entrepreneurs)
- **Allowing 100% foreign ownership** would encourage FDI inflows, create jobs and prompt entrepreneurs and businesses to re-invest into the domestic economy
- **Increased labour mobility:** a rollout of residency visas versus job-linked visas would encourage expats to stay longer, thereby encouraging investments in the domestic economy (e.g. UAE’s 10-year visas for skilled professionals). Similarly, undertaking pension reforms as well as introducing unemployment insurance schemes would help retain workers and reduce turnover and training costs.
- **Encouragement of investment of domestically mobilized savings in the local economy** needs the backing of a deep, broader and more liquid financial market. The introduction of a housing finance/ mortgage market could be one of the ways in addition to facilitating investment in domestic equity/ debt markets.
- Programs for **capacity development** to resolve skill mismatches via vocational and on-the-job training programs
- Supporting **increased participation of female workforce**

through paid maternity/ paternity leaves and access to childcare facilities. Encouraging women to work increases growth and productivity, not only because women jobseekers typically have higher than average education, but also because this can increase mobility across sectors and jobs and increase household earnings, thereby increasing consumption and investment in housing.

In the backdrop of the Covid19 pandemic, the UAE introduced many expat-friendly schemes to attract and retain a high-skilled workforce, essential to support its vision for the 4th Industrial Revolution future. Even if we consider the “expat exodus” from the country last year, there are silver linings: in early Nov, the Indian Ambassador revealed that more than 200k Indians were returning to the country (this compares to the 600k persons that travelled after May); PMI’s employment sub-category is finally in the expansion territory after months of sub-50 readings. Rather than focusing on inward facing nationalization policies, other GCC nations could take a leaf out of the UAE’s example to encourage job creation (including for their citizens). This would be an enlarge the cake, win-win policy as opposed to taxation of remittances.

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Weekly Insights 11 Feb 2021:

Will Accelerated Vaccine Distribution Catapult UAE to Faster Economic Growth?

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

The UAE has seen a surge in Covid19 cases recently, touching a high of 3,977 new cases on Feb 3rd from just under 1,000 new cases on 27th of Dec and settling around a 7-day average of 331.55 new confirmed cases per million persons (latest available). As the cases ticked up, the UAE has re-introduced more stringent restrictions and an active crackdown on non-compliance. Mobility indicators indicate a strong negative relation with the Stringency Index: the tighter the government-imposed restrictions, the stronger is the observed reduction in mobility (Chart 1).

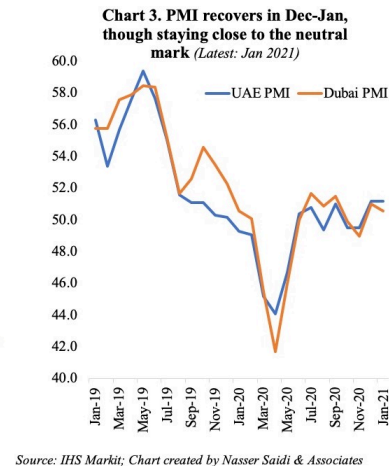
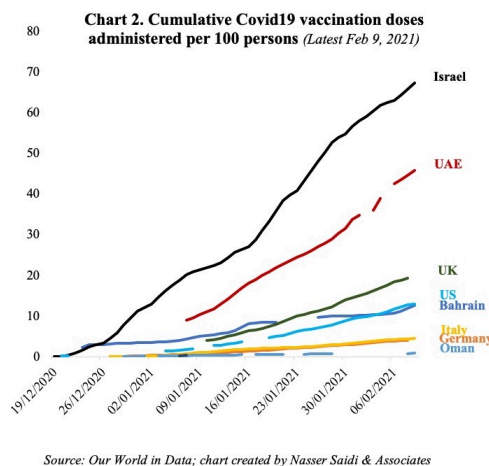
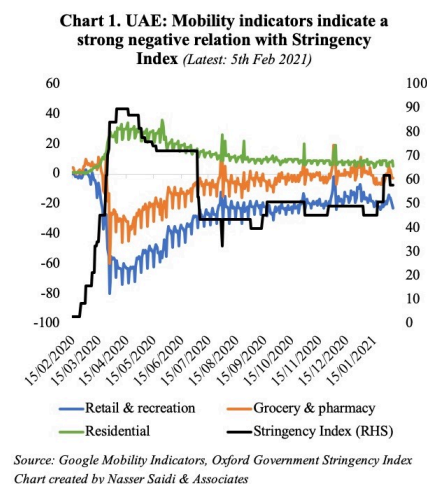
The Vaccination Drive

On the other hand, the UAE is also ramping up its vaccination drive since mid-Dec and is currently a global leader (second to Israel) having administered 45.77 vaccine doses per 100 people (as of 9th Feb, Chart 2). With 4 vaccines being expended currently – Sinopharm, Pfizer-BioNTech, AstraZeneca and Sputnik V – the government looks on track to vaccinate more than 50% of the population by end of Q1 of this year.

Is this sufficient to support economic recovery?

Given the paucity of monthly indicators/ data from official sources, we use the PMI numbers released by IHS Markit to gauge the level of business activity in the country and in the emirate of Dubai (Chart 3). Both PMIs have stayed quite close to the 50-mark (neutral) in Dec-Jan after two consecutive months of being in the contractionary territory. Job prospects seem to be improving in both UAE and Dubai, with increases in Jan (after nearly a year). Dubai's tourism sector, after an uptick in Dec, has however returned to sub-50 levels – not

unsurprising considering the outflow of foreign tourists after the New Year holidays (Dubai-London Heathrow travel corridor was the busiest international air route in the world in Jan, with more than 190k seats scheduled, according to OAG) and potential decline in domestic and international tourists as border/ quarantine restrictions were reinstated.



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ccination drive, it is evident that as the nation inches closer to herd immunity levels, domestic activity as well as business and consumer levels will gradually build up to pre-pandemic levels. However, domestic activity will not be sufficient to sustain long-term economic growth. It is pertinent to note that the UAE has in the past months passed a spate of investor and business friendly structural reforms including to attract skilled professionals to take up residence in the country. While the success of these reforms will not be seen immediately, steady and effective implementation is likely to support economic growth in the medium and longer-term.

How can the UAE step up its recovery? The UAE as a vaccination hub

It is in the best interests of the country, that is hosting the Expo later this year, to see high levels of vaccinated populations within the wider region (and globally). The longer countries remain unvaccinated, the greater the risk of the emergence of newer variants that could potentially result in another cycle of infections and lockdowns/ closures.

Two potential ways to support this:

1. Increase the production of vaccines: a recent [paper](#) estimates that “increasing the total supply of vaccine capacity available in Jan 2021 from 2bn to 3bn courses per year generated USD 1.75trn in social value, while additional firm revenue was closer to USD 30bn”, far outweighing the investments required to do so. **Vaccination is a public social good with multiple private benefits, just as Covid is a global public bad.** So, the UAE’s plans to manufacture Sinopharm Covid19 vaccine later this year would act as a win-win: it would cater to both domestic and global demand (especially if the vaccine is to be administered on an annual basis) and boost the economy.
2. The manufactured vaccines need to be distributed faster to reach those in need. In this backdrop, the UAE can put its position as a global logistics and transport hub to good use: vaccine delivery to smaller nations in the region as well as using its vast cargo network to transport vaccines across the globe. Dubai, with its **Vaccine Logistics Alliance**, will support WHO’s effort to deliver 2bn doses of vaccines this year; this is in addition to Abu Dhabi’s **Hope Consortium** which was set up for vaccine storage and distribution. This could be supported by **vaccine aid** – either in its contribution to global alliances like Covax (which plans to deliver 2.3bn doses this year) or via the free delivery of vaccines to smaller low-income nations (e.g. India’s free vaccines to Nepal, Bhutan and Bangladesh).

A global recovery is essential to the UAE’s overall growth prospects: as a country that relies on trade and tourism (together accounting for close to 15% of UAE’s GDP in 2019 and closer to 30% of Dubai’s GDP), the impact of Covid19 has been drastic (evident from [UAE](#) and [Dubai](#) GDP estimates). The oil sector, which constitutes 30% of UAE’s GDP, has been bogged

down by the OPEC+ production cuts, alongside the subdued demand for oil. Even as the country promotes clean energy and energy efficient policies, signs of a recovery in oil demand (declining oil inventories thanks to turnaround in consumption in China and India) and higher oil prices (around USD 60 now) will be beneficial to trade and growth: UAE's oil and related product exports are close to 40% of total exports and the main export destinations include India, China and Japan (which together garner more than 25% share of overall exports). A recovery in tourism is likely to take longer in comparison: virus containment, travel corridors, "vaccine passports" and "contactless" airport experiences seem to be some of the ways forward for future travel.

Lastly, no outlook is complete without risks: long-term diversification away from oil is a necessity, as is decarbonization efforts, and debt sustainability policies (especially in the context of another potential taper tantrum / faster-than-expected increase in interest rates, leading to tighter financing conditions).

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**Weekly Insights 4 Feb 2021: A
Covid19 Balancing Act –
Cases, Vaccinations &**

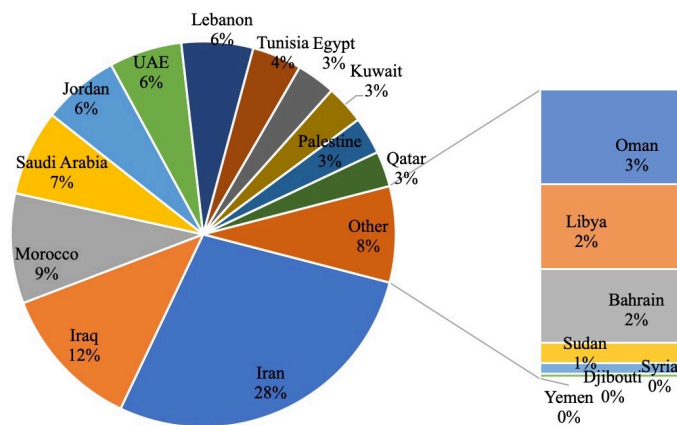
Economic Activity

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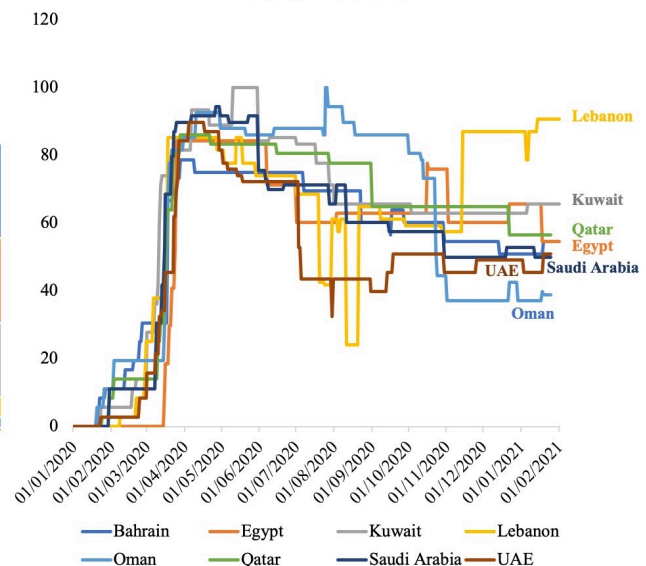
1. Covid19 cases rise in the Middle East & so do Restrictions

- Covid19 cases in MENA crossed 5 million; the **GCC is home to 24% of confirmed cases**
- The uptick in cases has seen many countries **re-introduce border controls** (e.g. Oman, Lebanon), **flight restrictions** (e.g. Saudi Arabia) as well as **capacity/recreational activity** restrictions (e.g. UAE/ Dubai)

Share of Confirmed Covid Cases in MENA
Latest: Feb 4, 2021 6am GMT



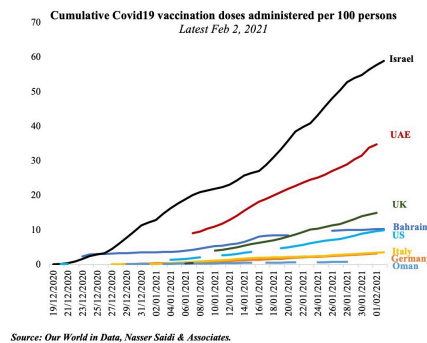
Covid19 Government Response Stringency Index
Latest: Feb 1, 2021



Source: **John Hopkins University** (<https://coronavirus.jhu.edu/map.html>), **Oxford COVID-19 Government Response Tracker** from **Blavatnik School of Government** – **Our World in Data** (<https://ourworldindata.org/grapher/covid-stringency-index>); Charts created by **Nasser Saidi & Associates**.

2. Vaccination drives are picking up

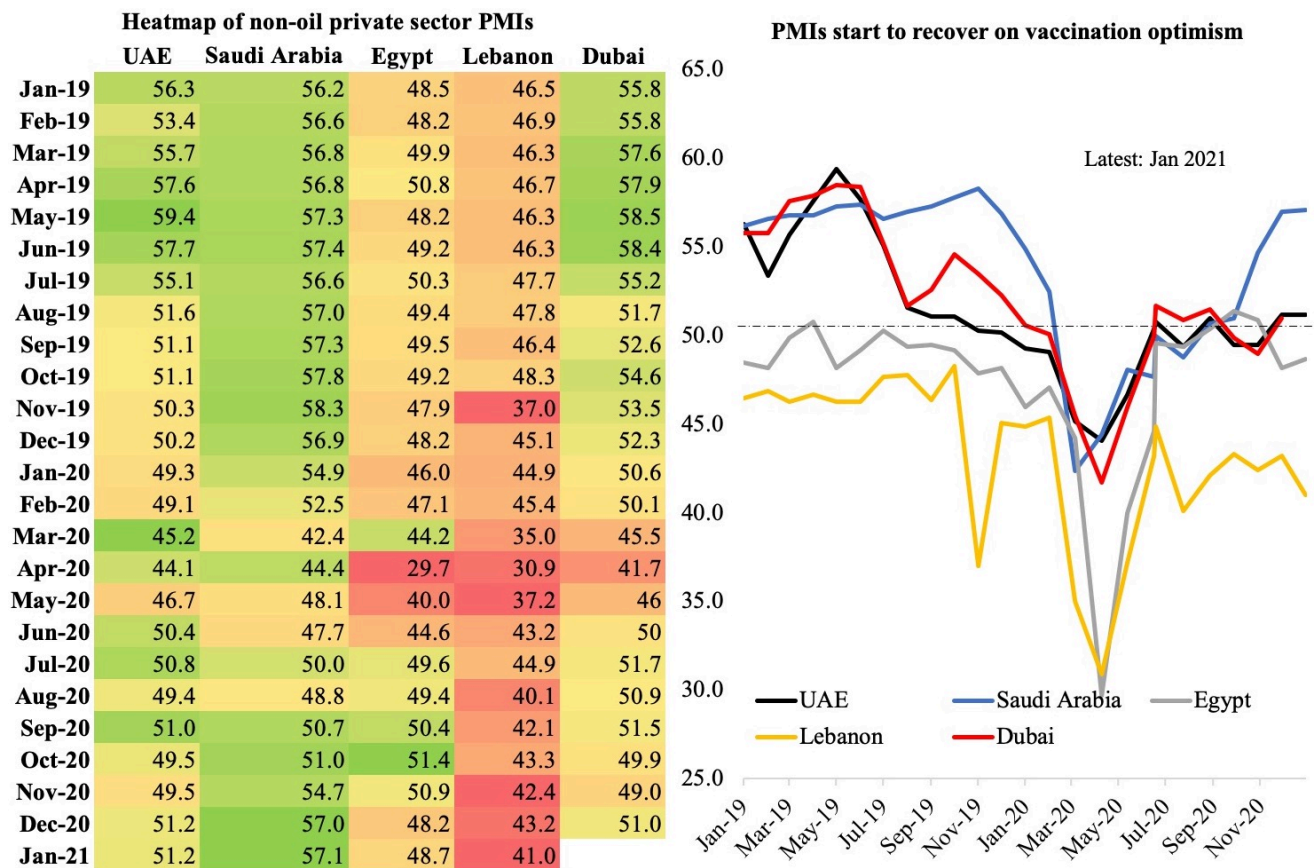
Vaccines approved for use in the GCC					
	Pfizer	Moderna	AstraZeneca	Sinopharm	Sputnik V
Bahrain	✓		✓	✓	
Kuwait			✓		
Oman	✓		✓		
Qatar	✓	✓ (agreement signed)			
Saudi Arabia	✓		✓		
UAE	✓		✓	✓	✓ (only for emergency use)



- **Focus has shifted to vaccination drives**, with almost all GCC nations receiving a combination of supplies including Pfizer, Moderna, AstraZeneca, Sinopharm and Sputnik V vaccines
- **UAE has administered a total 34.8 vaccination doses per 100 people**, behind only Israel (58.8) globally
- In terms of the **share of fully vaccinated population** (i.e. both doses), Israel tops at 21.43% followed by UAE at 2.53% and US (1.81%)
- **UAE's hub status supports distribution**: Dubai's Vaccines Logistics Alliance & Abu Dhabi's Hope Consortium to deliver vaccine doses across the globe
- A **potential manufacturing hub**? UAE is building up its capacity to manufacture the Covid19 vaccine in the future

3. Businesses ride the wave of vaccine optimism in Saudi Arabia & UAE

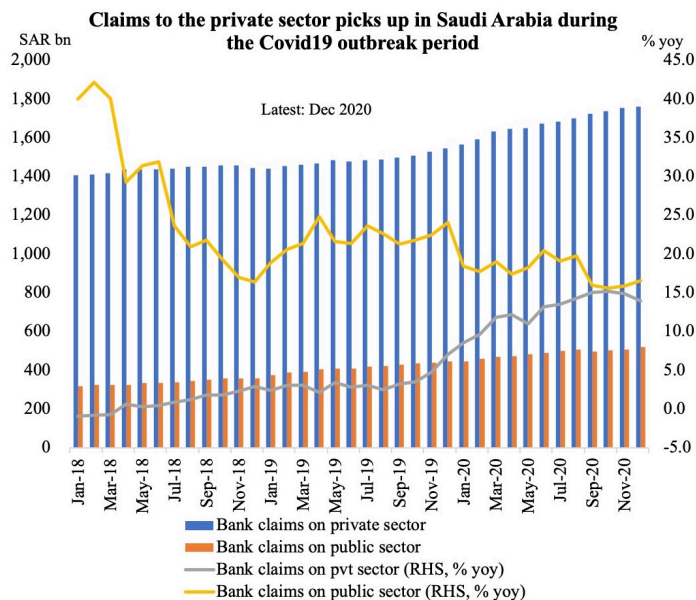
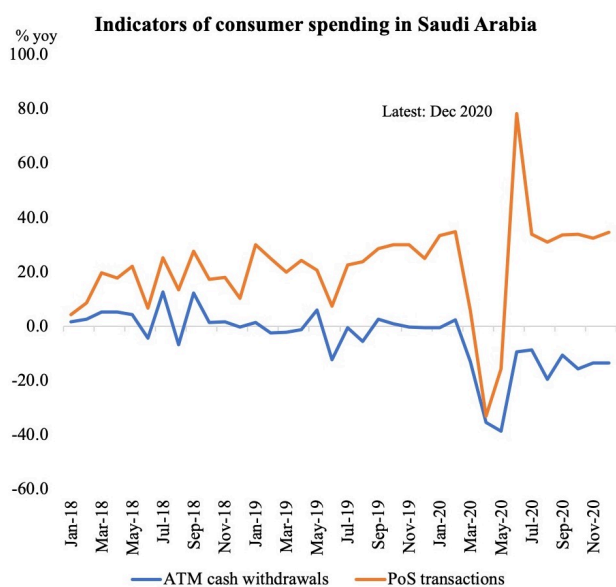
- Jan 2021 PMI data showed Saudi ticking up to a 15-month high while in the UAE, though the headline number remain unchanged, jobs moved into positive territory for the first time in over a year
- Lebanon's numbers remain dismal with the complete lockdown adding to the existing socio, economic and political woes



Source: Refinitiv Datastream, Nasser Saidi & Associates.

4. Indicators of economic activity in Saudi Arabia

- **Proxy indicators for consumer spending** – ATM withdrawals and PoS transactions – have shown a **divergence during the pandemic year**
- For the full year 2020, PoS transactions rose by 24% yoy while **ATM cash withdrawals were negative**, declining by 15% – **pointing to the rise in digital/ contactless/ e-payments in a Covid19 backdrop**
- **Overall loans picked up in the country**, with loans to the private sector for the full year rising at 12.8% versus a 17.8% uptick in loans to the public sector

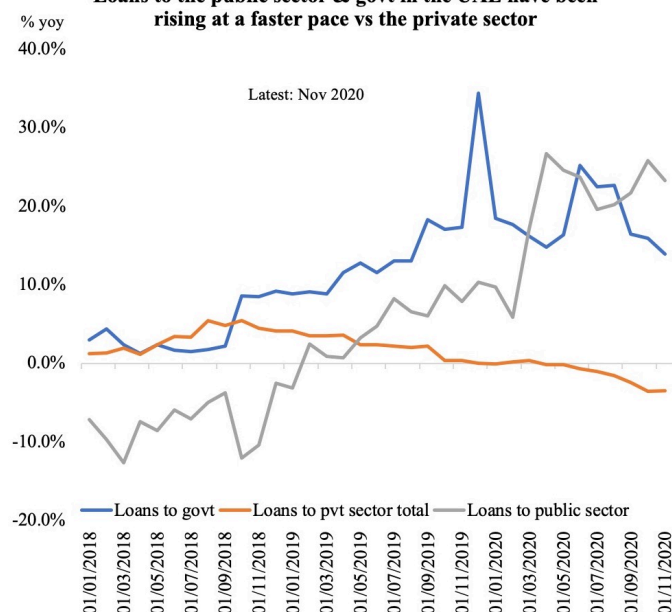


Source: Saudi Central Bank (SAMA), Refinitiv Eikon, Nasser Saidi & Associates.

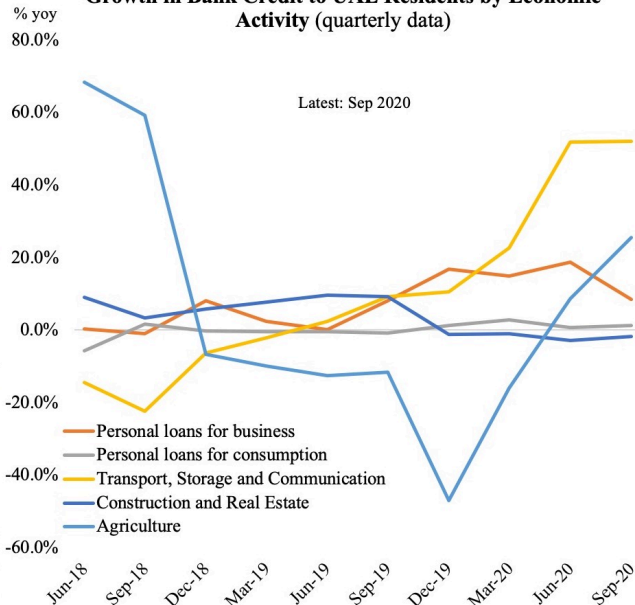
5. Indicators of economic activity in the UAE

- **More than 2/3-rds of UAE banks' loans went to the private sector** (69.4% as of Nov 2020 vs. 76% in end-2018 & 72% in end-2019), while public sector & government together account for ~30% of all loans in Nov 2020 (vs. 25% a year ago)
- However, the overall **pace of lending** to GREs (+23.2% yoy during Apr-Nov 2020) and the government (+18.5%) outpaced the drop in lending to the private sector (-1.6%)
- **Bank credit by business activity** showed an interesting pattern: as of end-Sep 2020, **loans towards agriculture** surged by 18.6% qoq, following a 18% uptick in end-Jun, underscoring the recent 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 the transport & logistics have shown a strong upsurge, rising by 52.1% yoy as of end-Sep.
- **Personal loans for consumption** (accounting for 20.6% of total loans) rose by 1.3% yoy at end-Sep (Jun: 0.7%).

Loans to the public sector & govt in the UAE have been rising at a faster pace vs the private sector



Growth in Bank Credit to UAE Residents by Economic Activity (quarterly data)



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

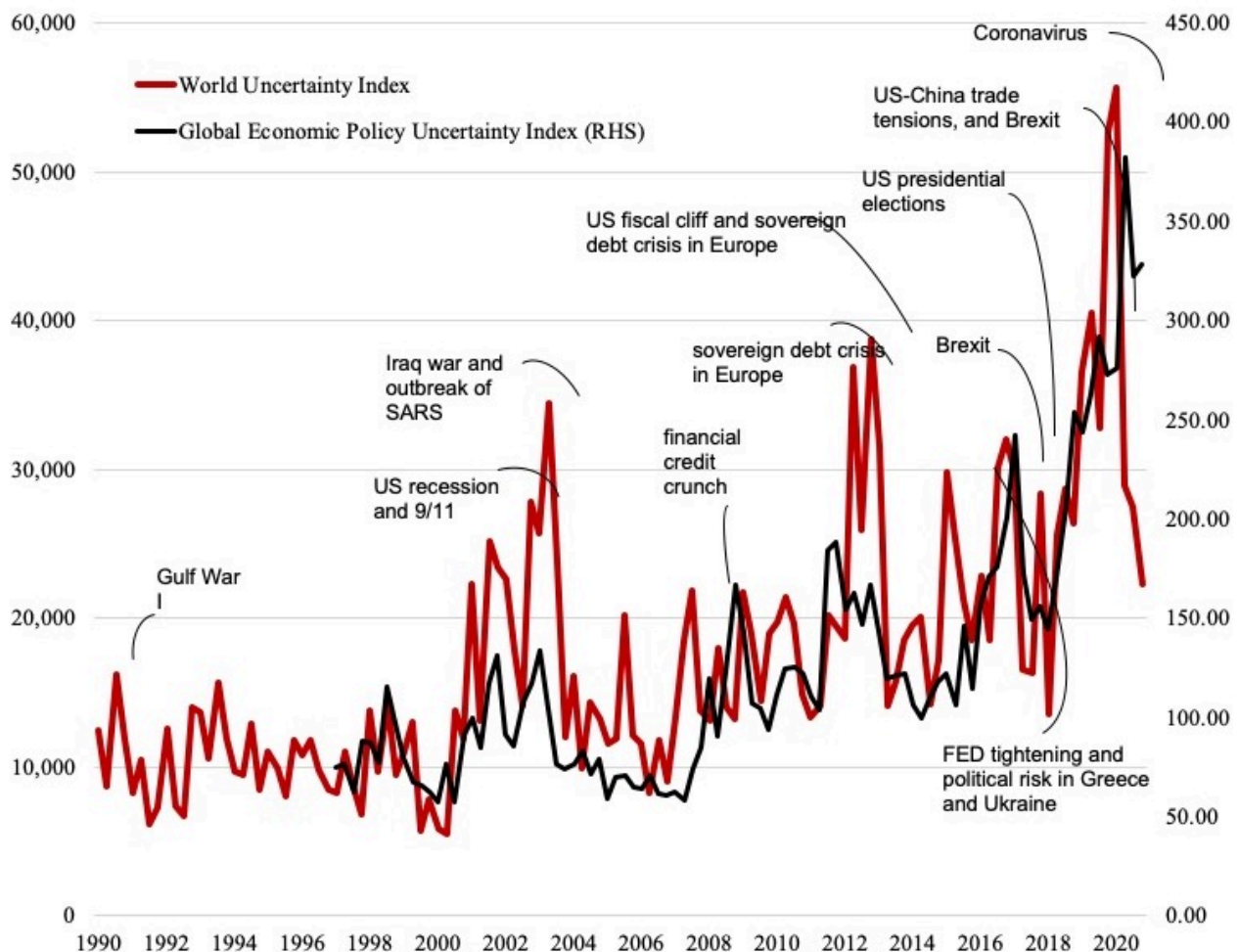
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Weekly Insights 21 Jan 2021: Uncertainty & Risks on one hand and Vaccinations on the other

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

1. Global Uncertainty Drops, but Economic Policy Uncertainty Remains High



Source: https://www.policyuncertainty.com/global_monthly.html; <https://worlduncertaintyindex.com/>

Note: Ahir, H, N Bloom, and D Furceri (2018), "World Uncertainty Index", Stanford mimeo

- World continues in the throes of the Covid19 pandemic, even as vaccines offer a light at the end of the tunnel
- The rollout has been slow in many nations; approval of other vaccines will help alleviate production/distribution hurdles
- Other policy concerns continue: fallouts from Covid19 across the globe, implementation of Brexit, US new administration's policies (China, Iran,...)
- Political turmoil/ uncertainty: Italy, Israel, Malaysia...

2. Global Risks Shift Gear in 2021

- The World Economic Forum's Global Risks Report 2021 perceives higher risks from environmental categories with extreme weather, climate action failure & human environmental damage taking the top 3 spots
- With spillover effects from the Covid19 outbreak likely

to continue this year and possibly next, it is not surprising that infectious diseases top global risks by impact (& 4th on the “likelihood” list)

- Growing evidence that the Covid19 outbreak has widened existing disparities (poverty, gender, access to health facilities...); digital divide and adoption of technology further adds another layer to the inequalities (ability to work remotely, access online learning, e-commerce...)

Top Global Risks by Likelihood



Top Global Risks by Impact

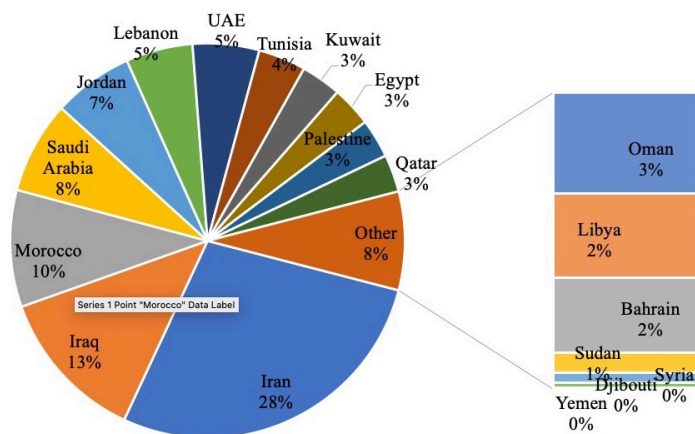


Source: World Economic Forum Global Risks Perception Survey 2020

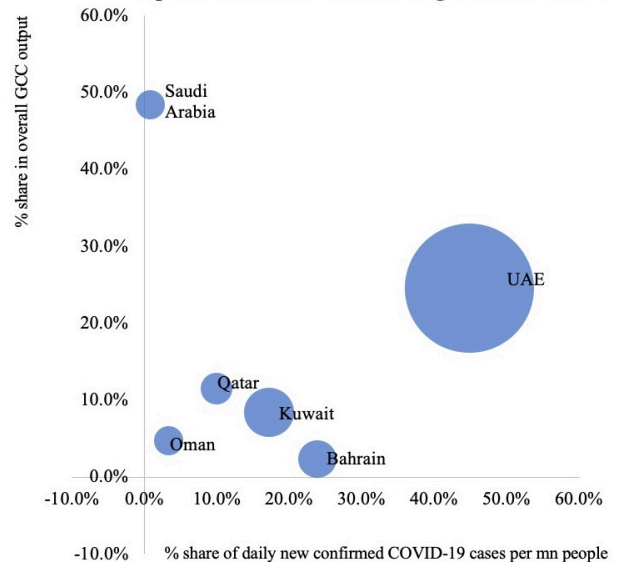
3. Covid19 outbreak continues unabated in the Middle East

- The number of cases in the Middle East continue to rise with Iran the major hotspot accounting for 28% of cases in the region; the GCC nations combined are home to 24% of total cases
- Among the GCC nations, Saudi Arabia accounts for the largest share of cases, while UAE's share of daily confirmed cases per mn persons is highest (the size of the bubble indicates the 7-day average of daily increase in cases). A concerted vaccination effort ongoing in most of the GCC nations offer a glimmer of optimism

Share of Confirmed Covid Cases in MENA, latest



Spread of Covid19 varies among the GCC nations

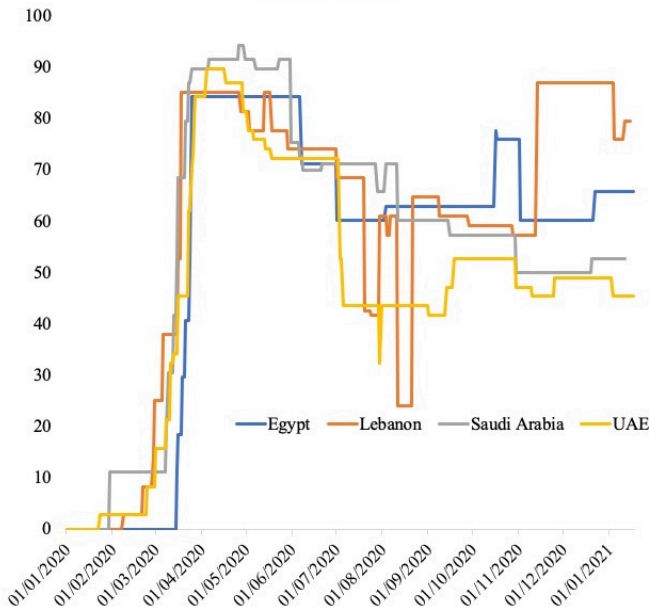


Source: Our World in Data, IMF, Nasser Saidi & Associates. Note: The size of the bubble indicates the 7-day average of daily increase in cases

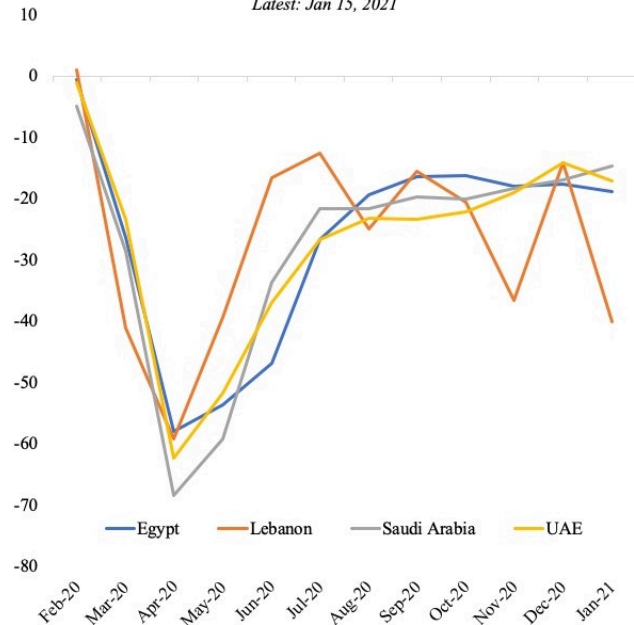
e restrictions, larger the drop in mobility; recovery in Saudi

- With cases rising at a faster rate in the recent weeks, some economies in the Middle East have enforced restrictions recently: Lebanon's lockdown has resulted in an uptick in the Stringency Index while UAE remains one of the most open (least stringent) in the region
- Mobility (retail and recreation) has dropped in a highly restricted Lebanon (-40% compared to the 5-week period Jan 3- Feb 6, 2020). Egypt and UAE are still around 20% below the baseline, while in Saudi, mobility is picking up

Covid19 Government Response Stringency Index
Latest: Jan 17, 2021



Retail & Recreation Mobility (monthly averages)
Latest: Jan 15, 2021



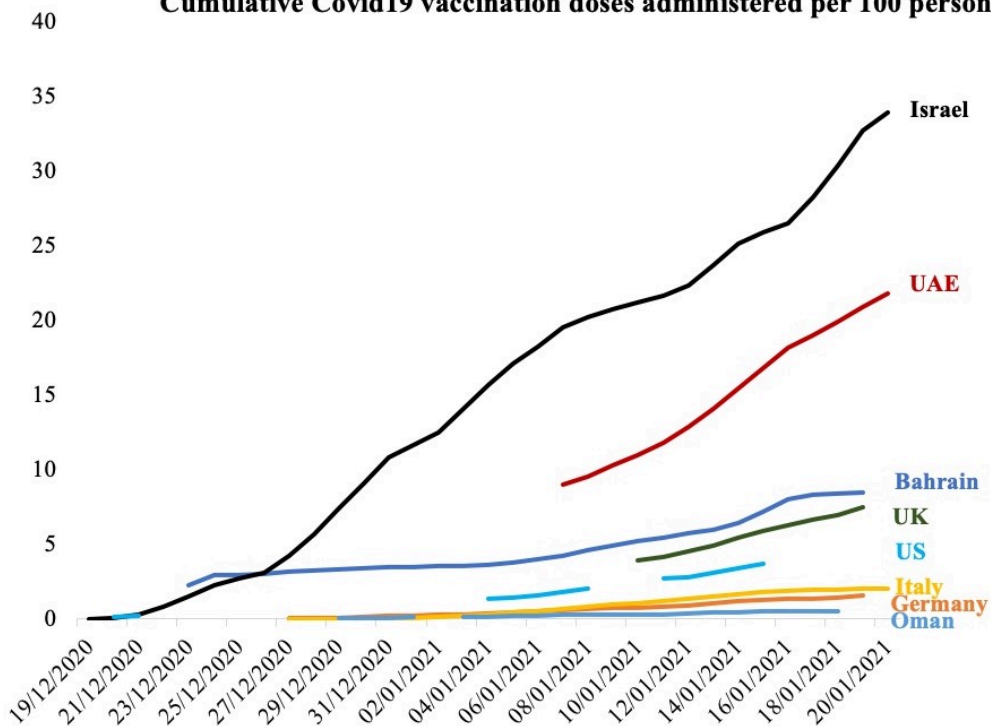
Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, Google Mobility Indicators, Nasser Saidi & Associates

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.

Drives Raise Hope for Recovery in 2021

Cumulative Covid19 vaccination doses administered per 100 persons



Source: Our World in Data, Nasser Saidi & Associates.

- Israel, UAE and Bahrain top the list of cumulative vaccine doses administered per 100 persons (chart)
- Almost 1 in 5 persons in the UAE have received at least one dose of the vaccine, and 2.5% of the population are fully vaccinated (i.e. both doses received)

- The vaccination drives in both Israel and UAE have picked up pace recently, with the 7-day average of daily vaccine doses administered per 100 persons was at 1.46 and 1.11 respectively (as of Jan 20, 2021)

Benefits from the vaccination drive for UAE

- Race towards herd immunity
- Lower uncertainty, greater consumer & business confidence
- Ability to reopen the economy fully, resume economic activity at pre-Covid19 pace
- Travel corridors open up, supporting tourism & hospitality sectors
- Support for domestic sectors including trade & logistics as global demand picks up
- Stronger links with Asia, given the region's faster paced recovery vis-à-vis US/ Europe
- Support regional economies with vaccination doses

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

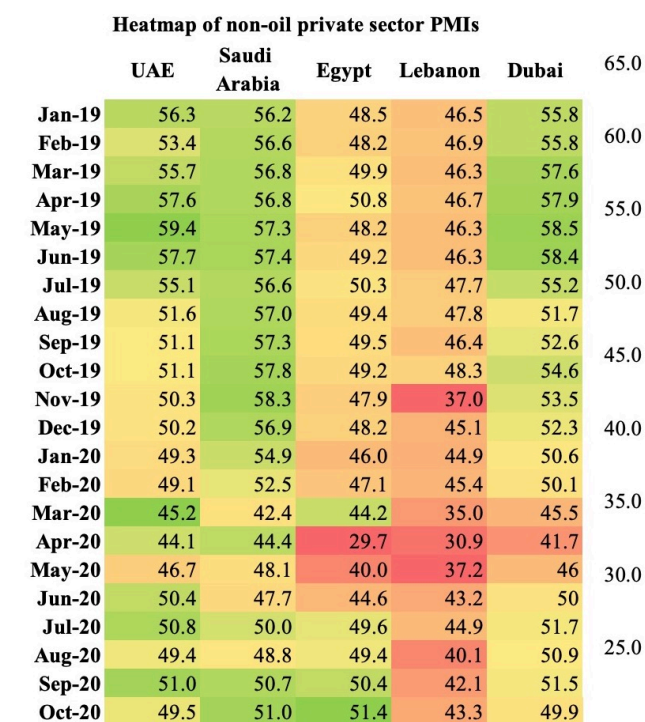
East/ GCC

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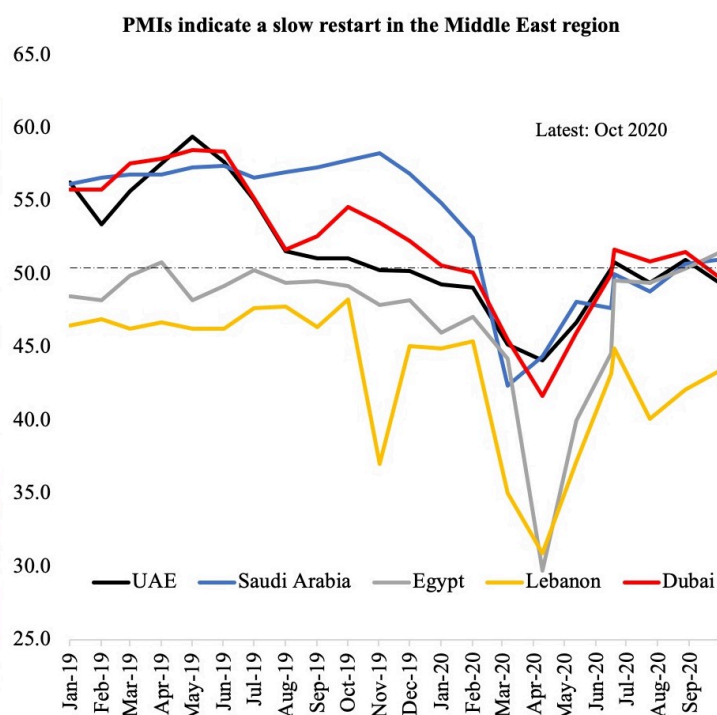
PMIs & Recovery (?) Indicators in the Middle East/ GCC: A pictorial representation

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.



Source: Refinitiv Datastream, Nasser Saidi & Associates



Source: Refinitiv Datastream, Nasser Saidi & Associates

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.

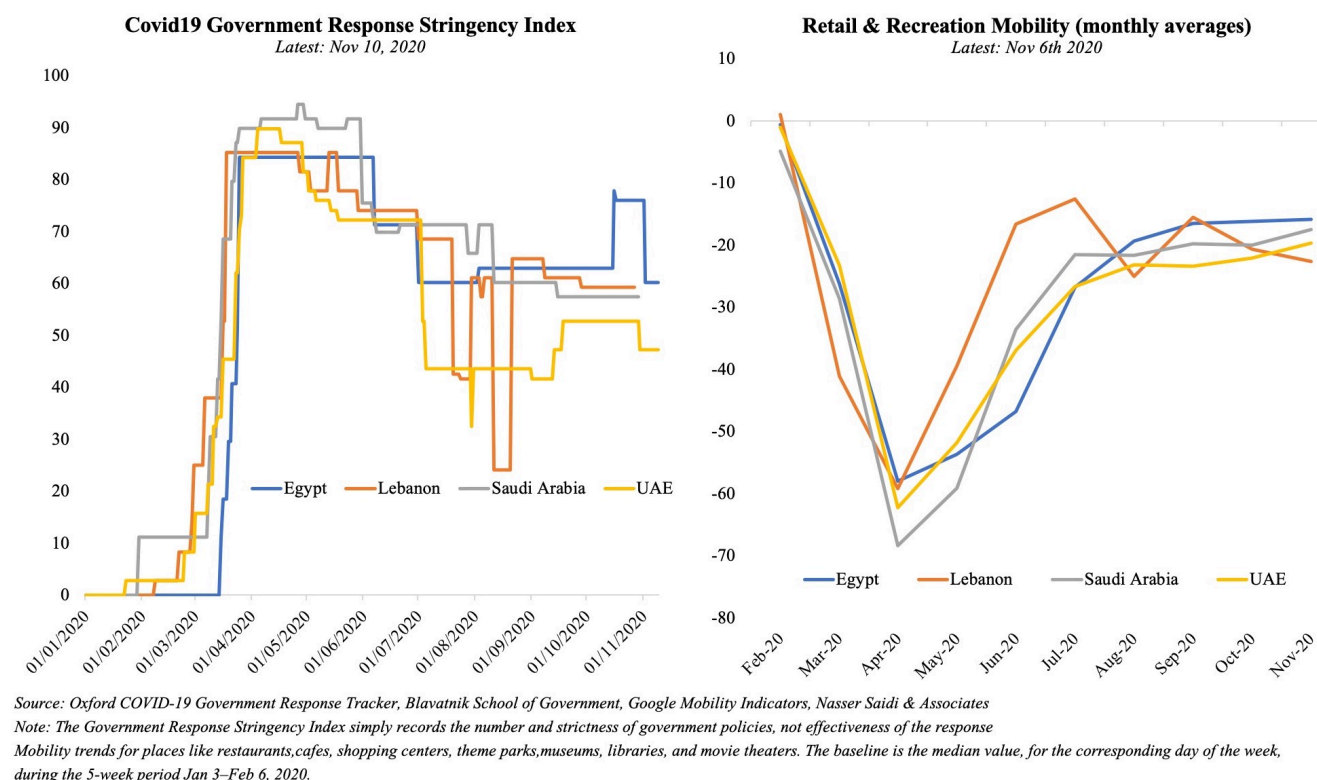
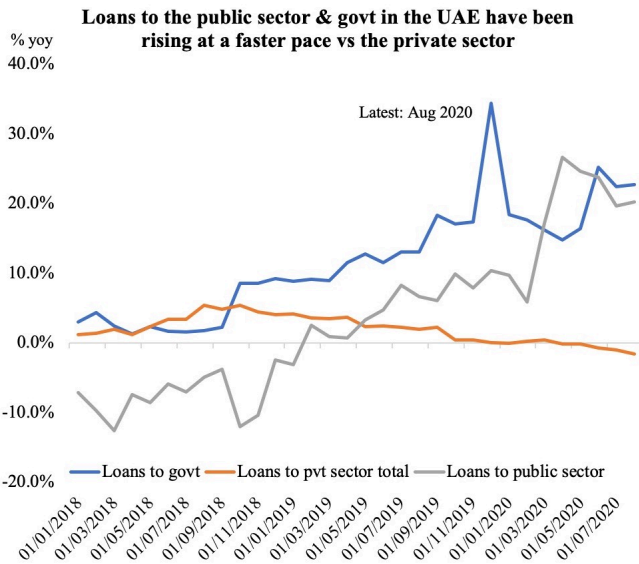


Chart 3: Indica

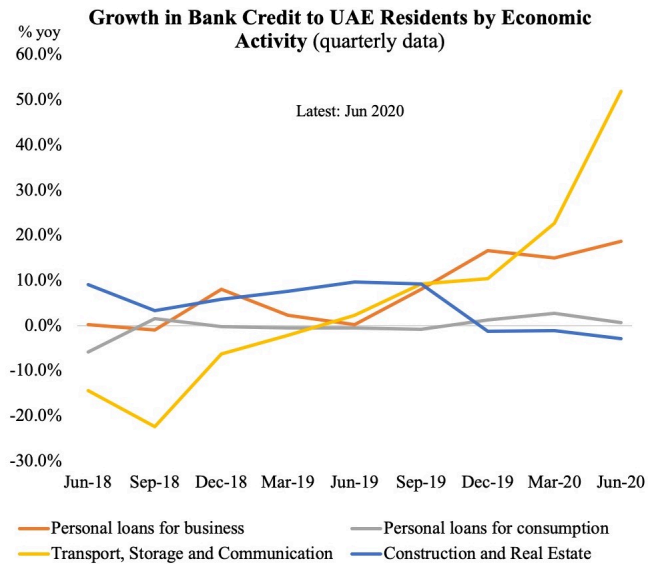
tors of economic activity in the UAE

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%).



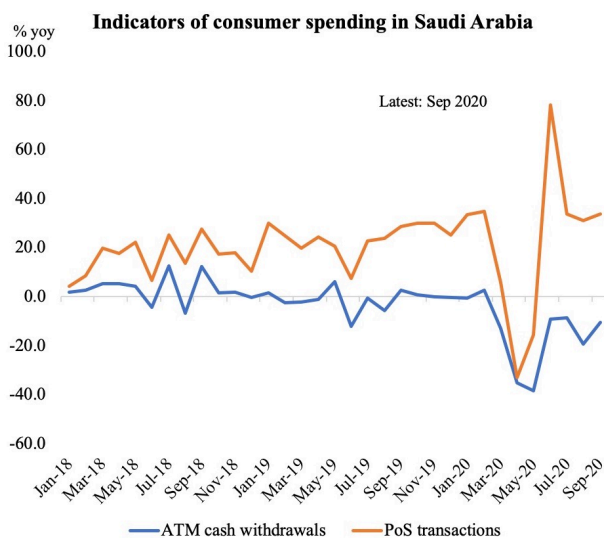
Source: UAE Central Bank, Refinitiv Eikon, Nasser Saidi & Associates.



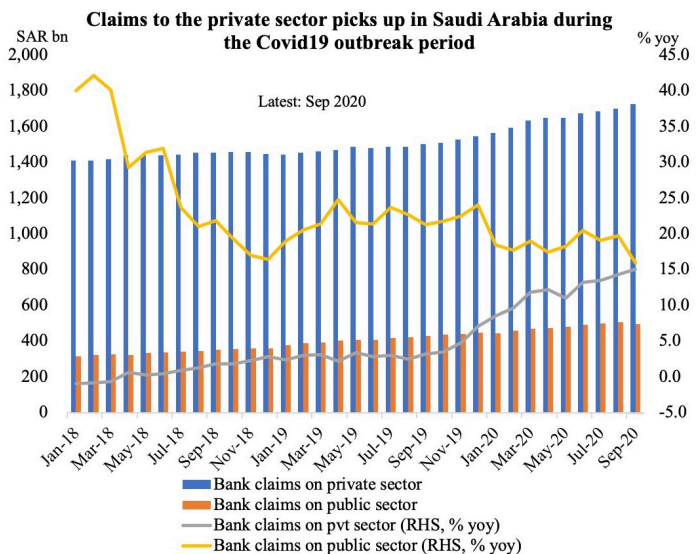
icators of economic activity in Saudi Arabia

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%.



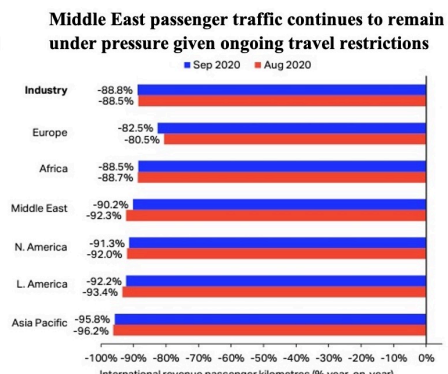
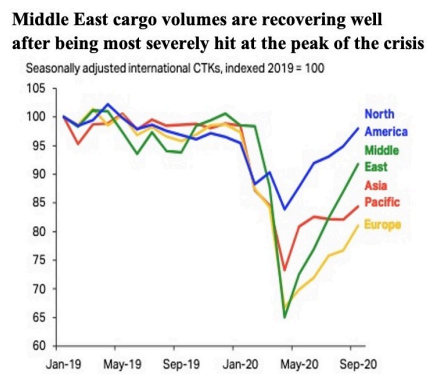
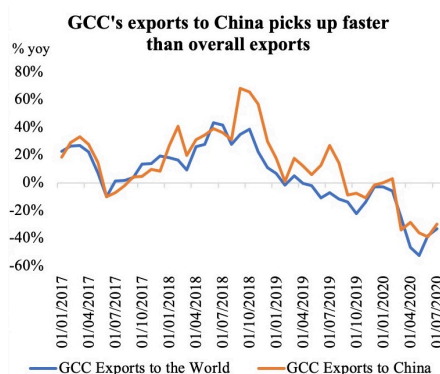
Source: SAMA, Refinitiv Eikon, Nasser Saidi & Associates.



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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Weekly Insights 10 Aug 2020: Lebanon's way forward, PMIs & Mobility, Saudi monetary statistics, Arab FDI

*The Beirut blast and its recovery/ reconstruction dominate news in the Middle East. Our take on the path for Lebanon's economic recovery is part of this Weekly Insight edition. Given the scheduled global PMI releases last week, we take a close look at the region's PMIs and Mobility indicators in parallel. Also covered are the latest **monetary indicators from Saudi Arabia** and **FDI flows in the Arab region (Q1 2020)**.*

1. Beirut blasts and Lebanon's way forward

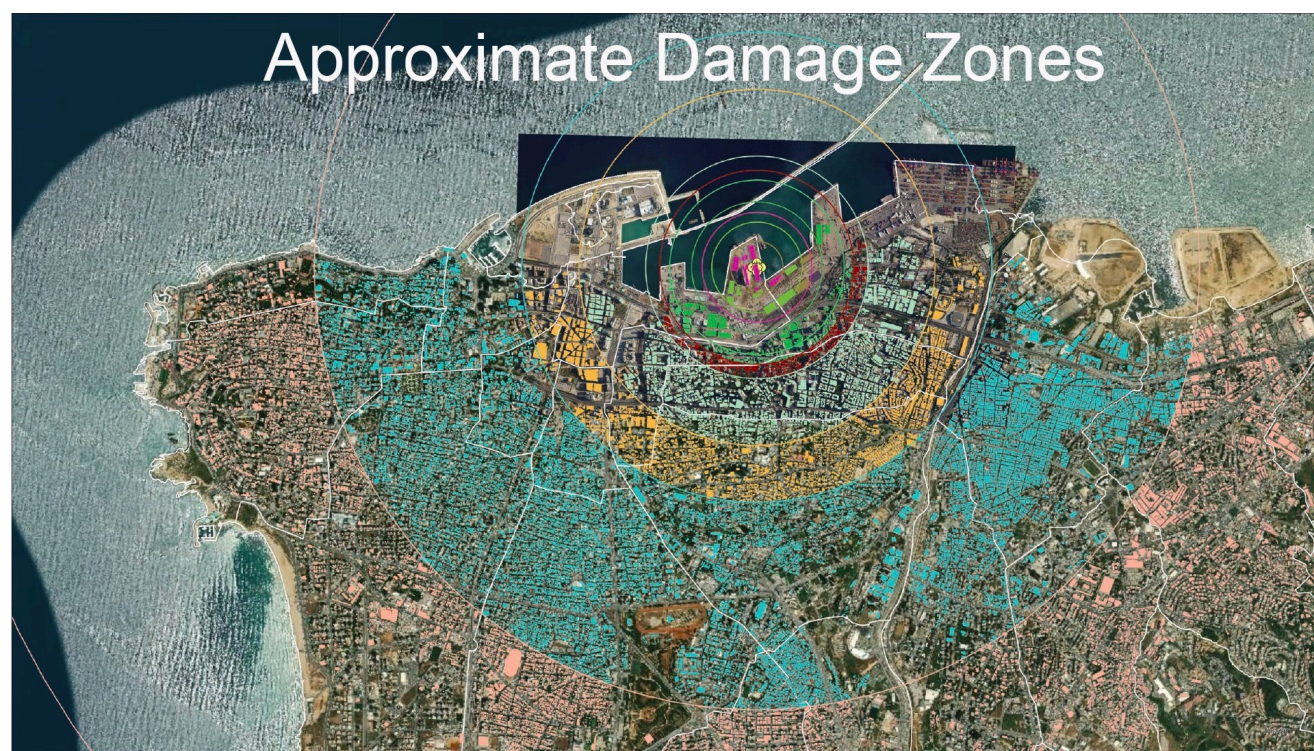
The Beirut port explosion on Aug 4th – which left at least 158 people dead, 6000 injured and 300k homeless – was possibly the last straw for the people already immiserated by an economic, banking & financial meltdown (since Oct 2019) alongside dealing with the Covid19 outbreak. The explosion led to calls for resignation of the government (three ministers have resigned, including after the blast, citing failure to reform), with demonstrations gaining traction over the weekend. In addition to the loss of human lives and destruction of buildings (homes and businesses), it is critical to understand the **importance of the ports**: 80% of the country's food imports come through the port, in addition to medical supplies as well as oil and gas. The silos have been demolished (which hold 2-3 months supplies of grain), leading to shortages of food (& higher prices – food inflation had surged by 108.9% in H1 2020 and by 250% in Jun 2020); expedited imports of food and fuel will also be constrained by damaged logistics (transport and warehouses). Additional cuts in electricity (given the impact on fuel supplies) will

negatively affect hospitals (that are fighting the Covid19 outbreak in addition to normal operations) and businesses.

Damage to infrastructure (port, transport, logistics and related facilities), housing and businesses is extensive. A detailed survey will be required to assess the total costs of reconstruction but it is clear that Lebanon does not have the fiscal space and will require international support. The destruction will further depress economic activity through a negative impact on consumption, investment and export activity. We forecast an overall reduction in real GDP by some 30% (Great Depression levels) along with continuing and potentially accelerating inflation. Beirut's governor stated (without presenting evidence or survey estimates) that the repair bill for the capital alone will cost up to USD 5bn while overall cost of damages is estimated at around USD 15bn. The Cabinet's approval of an exceptional allocation of LBP 100bn [*or USD 26.3mn at the central bank's set rate of LBP 3,800 to the USD at money transfer firms*] to deal with the crisis will fall way short of requirements. **International donors pledged EUR 252.7mn for humanitarian aid at the Paris conference yesterday** held to raise emergency relief for Lebanon. President Macron during his visit to the location stated that he would "propose a new political pact" to all political forces in Lebanon, also assuring that aid would "not go to corrupt hands".

The way forward is to undertake a comprehensive series of macroeconomic reforms, including at various sectoral levels – ranging from reforms of the power sector to the banking sector, to exchange rate reform alongside an active intent to increase transparency and stamp out corruption. So far, there has been a refusal by the authorities to bite the bullet and undertake reforms. The donor conference yesterday (as well the CEDRE pledges in 2018) are promising: but the aid should only be released within the umbrella of a broader IMF programme – with clear conditionalities of reform (and potentially bringing in independent 'technocrats' to form a new government). **The country is in urgent need of an equivalent of**

a Marshall Pan (size of USD 25-30bn and growing), given cumulative losses owing to lack of reforms so far.



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2. PMI Activity recovers across the globe, including in the Middle East

	US	Germany	EU	UK	Japan	China	India	UAE	Saudi Arabia	Egypt	Lebanon
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9	56.3	56.2	48.5	46.5
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3	53.4	56.6	48.2	46.9
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6	55.7	56.8	49.9	46.3
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8	57.6	56.8	50.8	46.7
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7	59.4	57.3	48.2	46.3
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1	57.7	57.4	49.2	46.3
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5	55.1	56.6	50.3	47.7
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4	51.6	57.0	49.4	47.8
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4	51.1	57.3	49.5	46.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6	51.1	57.8	49.2	48.3
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2	50.3	58.3	47.9	37.0
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7	50.2	56.9	48.2	45.1
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3	49.3	54.9	46.0	44.9
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5	49.1	52.5	47.1	45.4
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8	45.2	42.4	44.2	35.0
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4	44.1	44.4	29.7	30.9
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8	46.7	48.1	40.0	37.2
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2	50.4	47.7	44.6	43.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0	50.8	50.0	49.6	NA

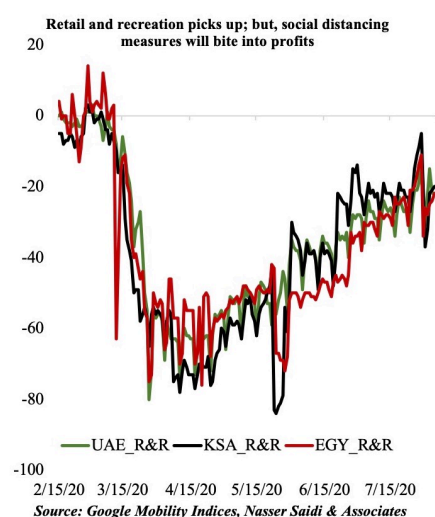
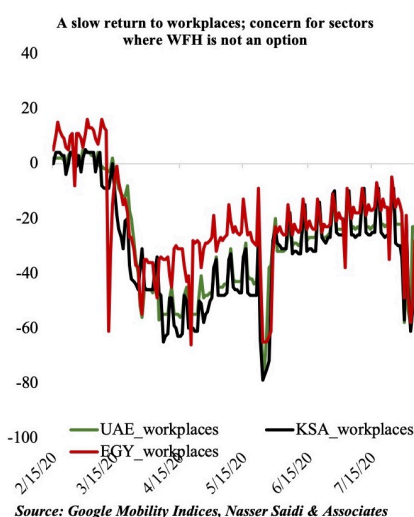
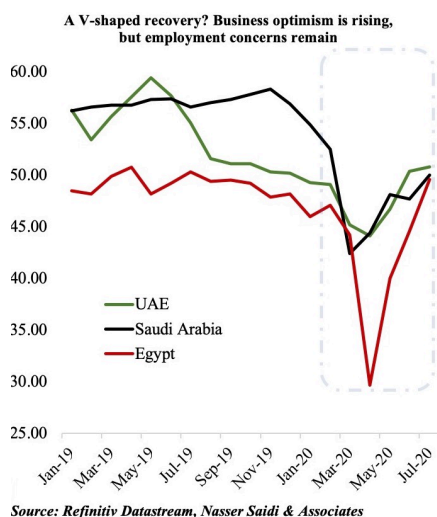
Source: Refinitiv Datastream, Nasser Saidi & Associates

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turing PMIs mostly ticked up, given rebounds in both output

and new orders. India was one of the nations reporting a lower PMI in Jul: unsurprising given the fast pace of Covid19 confirmed cases – it took only 9 days for India to go from 1.5mn to 2mn – and restricted lockdowns in parts of the country. In spite of the V-shaped recovery in PMI, all is not smooth: restrictions have not been eased fully, demand is largely domestic-driven, and supply chains issues remain – average vendor delivery times lengthened for the 12th consecutive month for global manufacturing PMI. A resurgence in cases/ 2nd and 3rd waves will only add to the burden.

3. What can we learn from the latest PMI & Mobility indicators?



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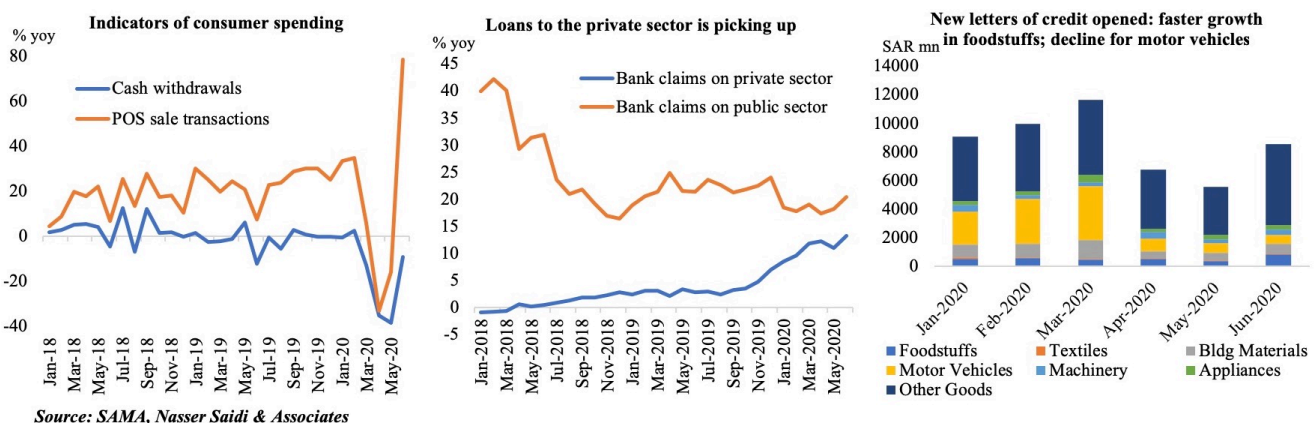
region indicate a sharp V-shaped recovery following the lockdown period, but is it too much optimism from those surveyed? Order books have improved, though export orders remain weak, indicating domestic demand driving the rise. This is reflected in the **retail and recreation segment** of the Google Mobility indicators: with less stringent restrictions in place, movements were higher in the days running up to the Eid Al Adha holidays (across the three nations) while in Saudi Arabia, a similar trend was also visible towards the last week of June, ahead of Jul's hike in VAT. For firms in the retail and recreation sector, social distancing measures are likely to eat into the firms' profits (if any) and the road to recovery is likely to be slow. In spite of marketing efforts,

it will be affected by spending capacities, salary reductions/cuts in allowances/ job losses & return of expat labour to their home countries (e.g. ~500k Indians have registered for repatriation flights from the UAE).

Workplace mobility is still around 20% below the baseline numbers (excluding Eid holidays): widespread availability of telework technology and the feasibility of performing work remotely has kept firms operational. However, those sectors where work from home is not the ideal option (think retail, tourism, hospitality), the learning curve has been steep – e.g. retail firms' rolling out previously unavailable online options.

Bloomberg reported that while working from home, workdays were longer by 48.5 minutes, with 1.4 more emails sent to colleagues per day and an 8% increase in emails sent after hours (questioning the work-life balance and happiness quotient) though offering more flexible work hours (and potentially higher productivity levels). The UAE government's announcement of **flexible working hours** for its staff is a good move to raise productivity, reduce peak hour traffic and can act as a precursor for the private sector to emulate. The obvious next step is providing **the option for employees to work from home**, when possible – think of either shorter work hours (in the office) daily or working from home a full workday during the week.

4. Saudi Arabia: monetary indicators



y statistics for Jun 2020 in Saudi Arabia reinforce the trends from the Mobility indicators in the previous panel. Both **indicators of consumer spending** – cash withdrawals and point-of-sale (POS) transactions have ticked up in Jun, ahead of the hike in VAT from July 1st. **Loans to the private sector is picking up**, thanks to the various measures in place to support the economy as it tackles the Covid19 outbreak. Initiatives like the provision of concessional financing for SMEs and loan guarantee programme likely supported the faster pace of growth. The Corporate Sustainability Programme launched by the Ministry of Finance mid-Jul to support the private sector will also provide support going forward. The final chart tracks **new letters of credit opened**, by sector – an insight into trade finance. A letter of credit is a financial instrument, usually issued by a bank, which guarantees the seller will receive payment for goods sold to a foreign customer. The Covid19 outbreak put the brakes on activity from Apr-May. Recovery is visible in June's data, but the difference is stark: LoCs opened for foodstuffs has been rising faster than say motor vehicles (accounted for 25.6% of total in Jan 2020 vs 7.2% in Jun). It is time to **switch trade finance to blockchain technology** – which will make trade faster, safer, and simpler (elimination of paperwork and associated costs, increased transparency and prevention of fraud)!

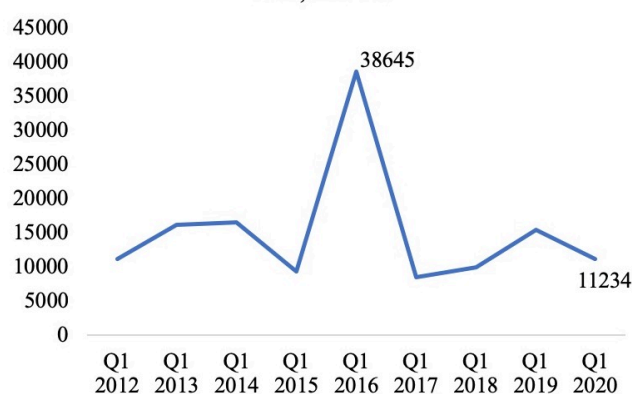
5. FDI flows in the Arab region

In Q1 2020, the number of new FDI projects in the Arab region contracted by 30% yoy to 185 projects in Q1 2020, with investments down by 27.3% to USD 11.2bn while job creation slipped by 23% to 21.3k, according to the Arab Investment & Export Credit Guarantee Corporation (Dhahran). GCC's share of investments in the Arab region show that Saudi Arabia and UAE together account for 86.6% of the total in Q1 this year. **FDI flows are likely to slow in the region this year**, mirroring global trends: UNCTAD estimates global FDI inflows to decline by USD 1.1trn this year. The slowdown of implementation of

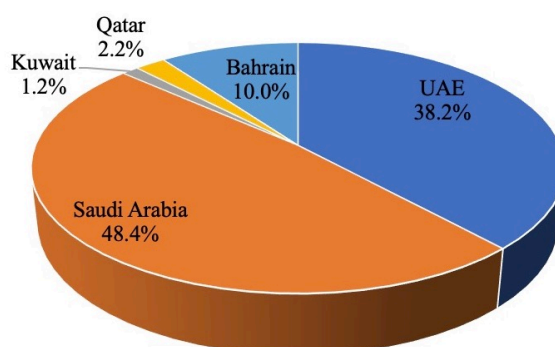
ongoing projects will hurt prospects in the region as well as potential shelving of projects in the near- to medium-term – underscoring the **need to diversify sectors into which FDI flows** (oil and gas & real estate).

Egypt, UAE and Saudi Arabia together accounted for two-thirds of the FDI inflows into the Arab region during the period 2015-2019 though in terms of number of projects, UAE topped the list (41.4% of the total). The top two sectors attracting investments – coal, oil and gas and real estate – together account for almost half of the total investments (from just 7% of total number of projects). The largest number of FDI projects recorded during 2015-19 were in business services (13%) and financial services (11%) – but its share of investments was only 2% each.

Investments in FDI projects in Arab nations, Q1 2020, USD mn



GCC's share of FDI investments into Arab nations



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Top 5 recipients of FDI in the Arab region during 2015-2019, by number of projects & investment

	Investment (USD mn)	% of total	Number of projects	% of total
Egypt	124,478	35.2	476	10.9
UAE	53,619	15.2	1814	41.4
Saudi Arabia	53,079	15.0	513	11.7
Oman	32,575	9.2	235	5.4
Morocco	22,160	6.3	432	9.9

Top 5 sectors attracting FDI in the Arab region during 2015-2019, by number of projects & investment

	Investment (USD mn)	% of total	Number of projects	% of total
Coal, oil and gas	86,965	25.0	116	3.0
Real estate	83,102	24.0	180	4.0
Chemicals	28,816	8.0	107	2.0
Renewable energy	26,355	7.0	127	3.0
Transportation & storage	18,477	5.0	235	5.0

Source: Arab Investment & Export Credit Guarantee Corporation (Dhahran), Nasser Saidi & Associates