

Panelist at the IMF Regional Economic Outlook Middle East & Central Asia Report Launch in Dubai, 21 Oct 2025

Dr. Nasser Saidi participated in the panel discussion during the launch of the IMF Regional Economic Outlook (REO) report held in Dubai on Oct 21st, 2025.

Despite rising global policy uncertainty, economies in the Middle East and North Africa have demonstrated resilience this year, driven by increased oil production, lower energy prices, strong remittances and tourism inflows, and supportive global financial conditions. Can this resilience be maintained? What risks remain and how can MENA policymakers best navigate them? What new opportunities might emerge for the region in a rapidly shifting global economy?

The insightful discussion titled “Resilience Amid Uncertainty: Will it Last” delves into these critical issues highlighted in the IMF’s Regional Economic Outlook: Middle East and Central Asia issued in Oct 2025.

Watch the discussion below:

“Digitalization, Growth, and Diversification in the Gulf”, AGSIW webinar, 11 Mar 2025

Dr. Nasser Saidi participated in the presentation and discussion hosted by the Arab Gulf States Institute in Washington (AGSIW) ahead of the publication of an IMF report on Digitalisation in the GCC – held as a webinar on March 11th, 2025.

The Gulf Cooperation Council member countries have actively embraced digital transformation, making notable progress in the extensive development of digital infrastructure, the maturity of government digitalization, and a dynamic ecosystem for financial technology activities.

In a forthcoming paper, the International Monetary Fund highlights the positive relationship between progress in digitalization and more favorable macroeconomic and financial outcomes, including economic growth, government effectiveness, financial inclusion, and private sector resilience to shock.

New analysis by the Mohammed bin Rashid School of Government (along with Nasser Saidi & Associates and Developing Trade Consultants) also emphasizes the important and growing role of digitalization in supporting growth and economic diversification.

Within the context of these two papers, what additional efforts can be made toward improving digital skills, industry, and innovation? What are the challenges raised by the broad adoption of digital technologies and artificial intelligence, especially relating to cybersecurity and the potential effect on the labor market? Could comprehensive strategies help further accelerate the GCC countries’ already impressive progress on digitalization and support their broader economic

transformation agendas?

Watch the discussion below:

Panelist at the IMF Regional Economic Outlook Middle East & Central Asia Report Launch in Dubai, 31 Oct 2024

Dr. Nasser Saidi participated in the panel discussion during the launch of the IMF Regional Economic Outlook (REO) report held in Dubai on Oct 31st, 2024.

Amid high uncertainty and the threat of intensifying conflicts, how can the countries of the Middle East and North Africa safeguard macroeconomic stability? What risks and vulnerabilities lie ahead? Which policies can help countries navigate this uncertain economic landscape while strengthening medium-term growth prospects?

The insightful discussion titled “Growth Challenges and Opportunities in the MENA Region Amid Uncertainty” delves into these critical issues highlighted in the IMF’s Regional Economic Outlook: Middle East and Central Asia issued in Oct 2024.

Watch the discussion – the video titled Press Briefing: Middle

East & Central Asia, October 2024 (Dubai) – via:
<https://www.imf.org/en/Videos/view?vid=6364122084112>

Comments from the discussion appeared in an article on AGBI titled “[Middle East, not the West, should lead rebuilding, say experts](#)”: Dr. Saidi’s comments are highlighted below.

Economist Nasser Saidi, founder of Nasser Saidi and Associates and AGBI columnist, said the cost to rebuild countries in the region impacted by conflict in recent years – including Iraq, Syria, Lebanon, Jordan, Egypt, Sudan, Libya and others – could be as much as \$2.5 trillion.

“The private sector will not invest until they see stability and a political strategy,” he said.

He suggested forming an organisation called the Arab Bank for Reconstruction and Development to unite the countries in the region in helping rebuilding efforts.

**“IMF Report Launch 2024:
Economic Prospects and Policy
Challenges for the GCC**

Countries”, Panel Discussion, AGSIW webinar, 17 Jan 2024

Dr. Nasser Saidi participated in the panel discussion hosted by the Arab Gulf States Institute in Washington (AGSIW) related to the launch of the IMF report titled “Economic Prospects and Policy Challenges for the GCC Countries” held as a webinar on Jan 17th, 2024.

After exceptionally strong economic expansion in 2022, growth in the Gulf Cooperation Council countries slowed in 2023 largely as a result of cuts in oil production. Nonhydrocarbon growth remained robust driven by higher domestic demand, increased capital inflows, and ongoing reforms. Unemployment rates continued to decline, while inflation remained well contained.

The challenging global and regional situation creates an uncertain outlook for the GCC countries in 2024. The commitment to economic and financial reforms bodes well for continued expansion of the nonhydrocarbon sector, but uncertainty in the global oil market, the ongoing conflict in Gaza, and the trajectory of U.S. monetary policy all present risks to the outlook.

AGSIW was pleased to host a discussion of the International Monetary Fund’s [report](#) on Economic Prospects and Policy Priorities for the GCC Countries. The discussion focused on the economic outlook in the region and the policies that need to be implemented to navigate the challenges posed by current global and regional uncertainties and the longer-term need to diversify economies and reduce reliance on fossil fuel revenue.

Watch the discussion below:

Weekly Insights 26 Nov 2020: UAE needs to attract FDI into viable, sustainable economic diversification sectors & projects

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

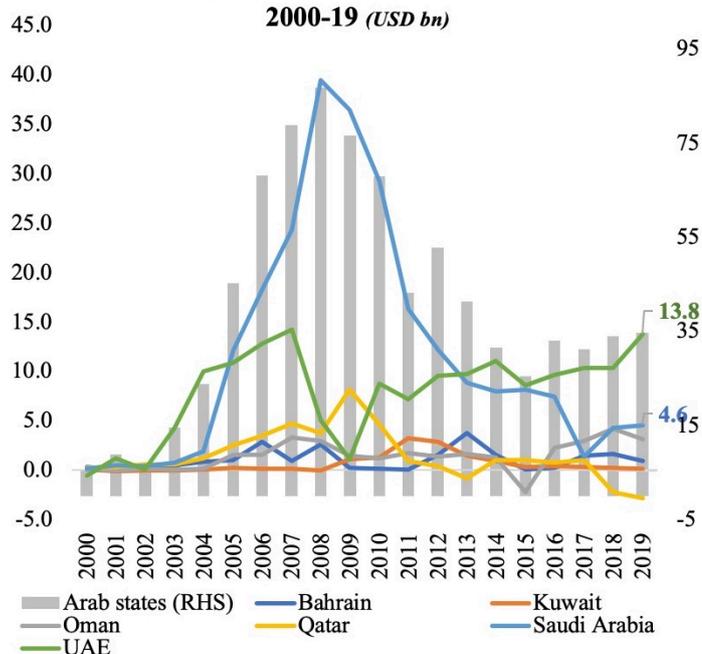
UAE needs to attract FDI into viable, sustainable economic diversification sectors & projects

The liberalization of foreign ownership laws in the UAE (announced this week) breaks down major barriers to the rights of establishment and will be a game-changer for the country. This reform will help to reduce costs of doing business, lead to a recapitalization of existing jointly owned companies and encourage entrepreneurs to invest in new businesses and new ventures, supporting innovation and the introduction of new technologies while also promoting inflows of foreign direct investment. Foreign companies within UAE's free zones would also be allowed to link up with the domestic economy, supporting local businesses and thereby boosting overall growth. The barriers between free zones and the domestic economy would become blurred, if not absent leading to greater competition and improved competitiveness.

The latest announcement follows a spate of reforms undertaken this year – including labour (long-term residency via a 10-year visa, Dubai's virtual/remote working visa and retirement visa, Abu Dhabi's freelancer permit/ license) and social (removing laws which criminalized alcohol consumption, cohabitation) – aimed to revive the economy attempts from the

negative impact of low oil prices, Covid19 and the Global Lockdown. Importantly, these reforms will encourage the retention of savings in the UAE, reduce remittances and capital outflows, thereby structurally improving the balance of payments. Overall, the result will be an improvement in the Doing Business ranking of the UAE.

**FDI inflows into the Arab states & GCC
2000-19 (USD bn)**



Source: UNCTAD, Nasser Saidi & Associates.

We focus on FDI in this Weekly Insight piece. FDI inflows are essential to the UAE's diversification efforts, as it would not only create jobs, raise productivity and growth, but could also lead to transfer of technology/ technical know-how and promote competition in the market. According to the IMF, closing FDI gaps in the GCC could raise real non-oil GDP per capita growth by as much

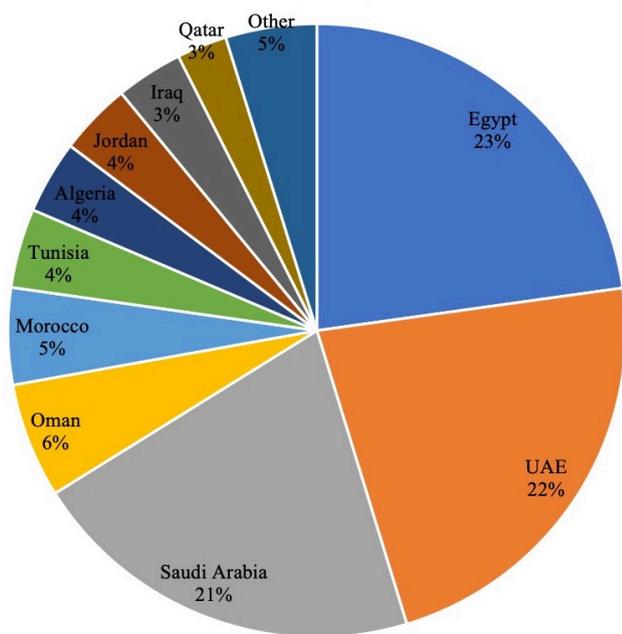
as 1 percentage point.

While FDI inflows into the Arab region have been slowing in the past decade, the UAE still remains one of the top FDI destinations in the region. Inflows dipped during the time of the financial crisis (to USD 1.1bn in 2009 from an all-time peak of USD 14.2bn in 2007), but rebounded to USD 13.8bn last year, before the Covid crisis. Reforms to improve the investment climate (including allowing 100% ownership at free zones and protecting minority investors), its ease in doing business, good infrastructure as well as macroeconomic and political stability are factors that have aided the increase in FDI.

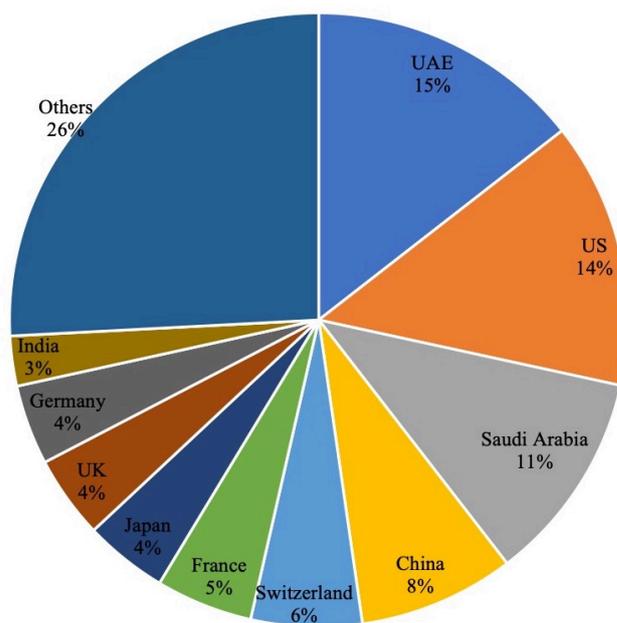
In 2019, UAE was the second largest destination for FDI inflow into the Arab region (USD 13.6bn or 3.4% of GDP, accounting for 21% of total), behind Egypt (USD 13.7bn or 2.8% of GDP, 23% of total) while it dominated FDI by number of projects

(445). Interestingly, UAE is also a major capital exporter, having invested a total USD 8.7bn into the Arab nations last year (topping the list and accounting for 14.4% of total FDI inflows into the region). In part, this reflects the UAE's hosting of multi-national enterprises investing across the region.

FDI into the Arab region, by capital investment, 2019



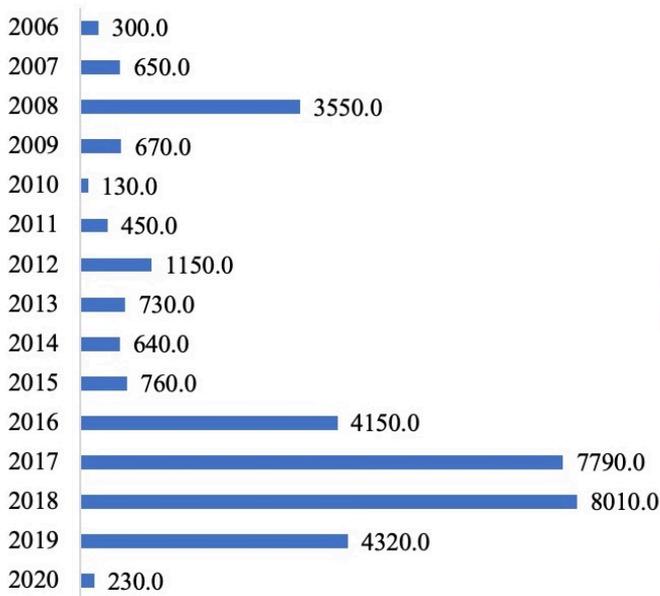
Top investing source countries in the Arab region, by capital investment, 2019



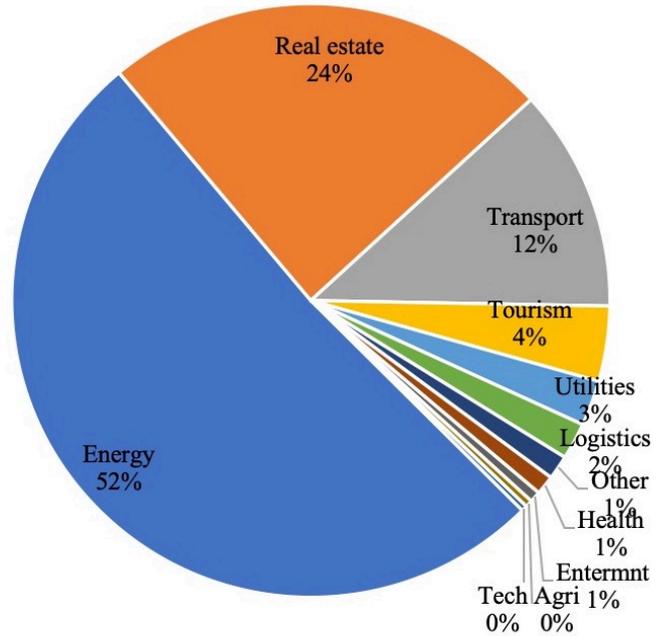
Source: *FDI Markets, Arab Investment & Export Credit Guarantee Corporation, Nasser Saidi & Associates.*

In spite of the Covid19 outbreak negatively affecting FDI inflows[1], Saudi Arabia defied the trend by posting a 12% yoy increase in inflows to USD 2.6bn in H1 2020[2] – in part linked to its mega-projects related to achieving Vision 2030. In Q1 this year, the UAE, along with Saudi Arabia and Egypt accounted for a share of 65.4% of total investment cost of projects in the region, valued at USD 11.2bn. Outflows from the UAE still accounted for 38.2% of GCC's share of foreign investments in Q1 this year[3].

Chinese investments in the UAE (USD mn)



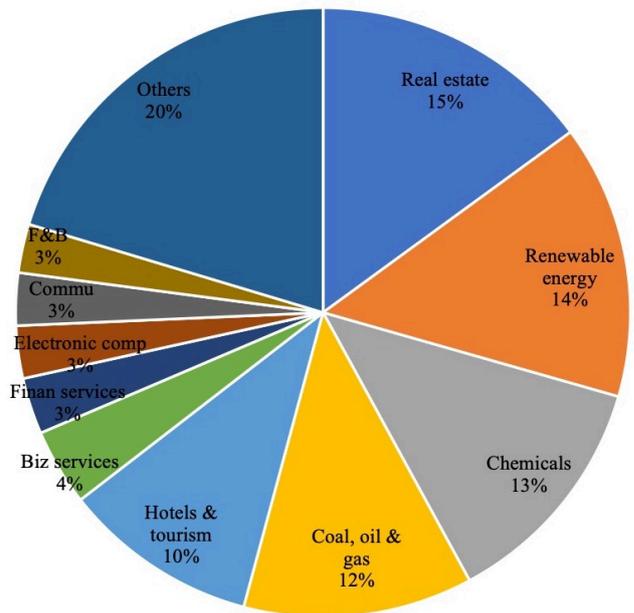
Total Chinese investments in the UAE, by sector (2006-2020)



Source: China Global Investment Tracker, AEI, Nasser Saidi & Associates

China's investments in the UAE have been rising, with UAE the top destination country (among Arab nations) accounting for more than one-third of Chinese projects tracked during Jan 2003-Mar 2020 (with the number of projects in double-digits in 2018 and 2019). According to AEI's China Global Investment Tracker, the value of Chinese investments touched a high of USD 8bn in 2018, thanks to a handful of large projects (including with ACWA Power and Abu Dhabi Oil). Sector-wise, investments were concentrated in energy (both oil and gas as well as renewables), real estate and transport – together accounting for 87.8% of total investments during 2016-2020. This is largely in line with FDI inflows into the Arab region as well, with the top 5 sectors (real estate, renewables, chemicals, oil & gas and travel & tourism) accounting for close to two-

Top sectors attracting FDI in the Arab region, by capital investment, 2019



Source: fDI Markets, Arab Investment & Export Credit Guarantee Corporation, Nasser Saidi & Associates.

thirds of total inflows in 2019.

For the oil producing & exporting countries of the GCC and the wider MENA, the broader trade and investment landscape was further disrupted (in addition to Covid19) as a result of the profound changes in the structure and dynamics of the energy sector and market. The deep recession and Covid19 lockdown and induced collapse in transport and travel led to a sharp fall in the demand for oil and cratering of oil prices. Fossil fuel prices are unlikely to recover even in the medium term due to the increasing competitiveness of renewable energy (solar, wind and geothermal), persisting competition from shale oil & gas and new fossil fuel discoveries, while climate change mitigation policies and greater energy efficiency are leading to a downward shift in the demand curve for fossil fuels. Accordingly, returns on investment in oil and gas (O&G) will decline. The implication is that FDI into the traditional O&G in the UAE and the GCC will be on a downward trend. The challenge will be to attract FDI into viable, sustainable economic diversification sectors and projects.

The new post-Covid19 FDI landscape for the UAE will likely be boosted if the recently announced deep structural reforms are executed well, alongside a review of existing economic strategies. The next obvious step is greater regional integration – a GCC common market (to start with), allowing for free movement of both labour and capital – as well as formalizing trade and investment treaties with major partners including China.

[1] UNCTAD expects global FDI flows are expected to contract between 30 to 40% during 2020-21.

[2] Source: UNCTAD

[3] Source: Arab Investment & Export Credit Guarantee Corporation

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

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

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

Chart 1: PMIs in the Middle East/ GCC

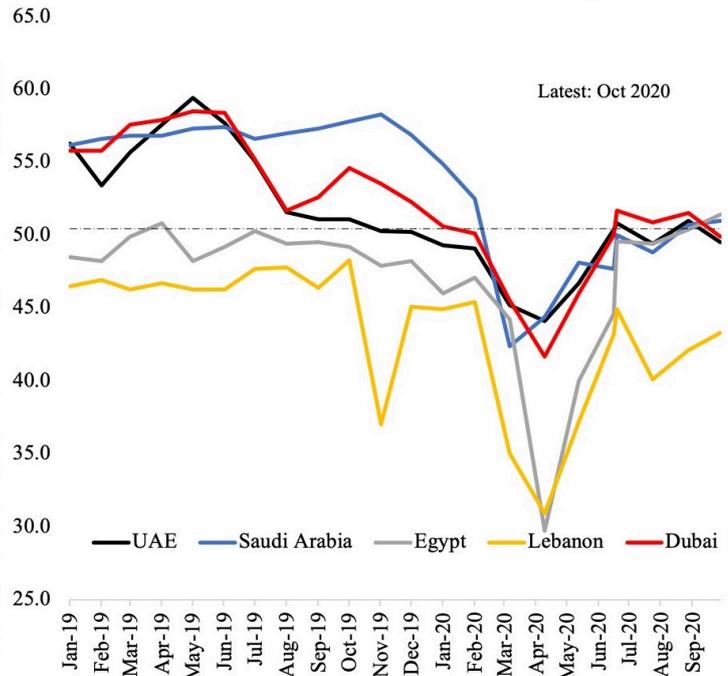
PMIs in the Middle East/ GCC have not kept pace with the increases seen across the US/ Europe/ Asia post-lockdown. Non-oil sector activity has been subdued given sector composition, a majority of which are still negatively impacted by the outbreak: tourism, wholesale/ retail & construction. Job cuts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

Heatmap of non-oil private sector PMIs

	UAE	Saudi Arabia	Egypt	Lebanon	Dubai
Jan-19	56.3	56.2	48.5	46.5	55.8
Feb-19	53.4	56.6	48.2	46.9	55.8
Mar-19	55.7	56.8	49.9	46.3	57.6
Apr-19	57.6	56.8	50.8	46.7	57.9
May-19	59.4	57.3	48.2	46.3	58.5
Jun-19	57.7	57.4	49.2	46.3	58.4
Jul-19	55.1	56.6	50.3	47.7	55.2
Aug-19	51.6	57.0	49.4	47.8	51.7
Sep-19	51.1	57.3	49.5	46.4	52.6
Oct-19	51.1	57.8	49.2	48.3	54.6
Nov-19	50.3	58.3	47.9	37.0	53.5
Dec-19	50.2	56.9	48.2	45.1	52.3
Jan-20	49.3	54.9	46.0	44.9	50.6
Feb-20	49.1	52.5	47.1	45.4	50.1
Mar-20	45.2	42.4	44.2	35.0	45.5
Apr-20	44.1	44.4	29.7	30.9	41.7
May-20	46.7	48.1	40.0	37.2	46
Jun-20	50.4	47.7	44.6	43.2	50
Jul-20	50.8	50.0	49.6	44.9	51.7
Aug-20	49.4	48.8	49.4	40.1	50.9
Sep-20	51.0	50.7	50.4	42.1	51.5
Oct-20	49.5	51.0	51.4	43.3	49.9

Source: Refinitiv Datastream, Nasser Saidi & Associates

PMIs indicate a slow restart in the Middle East region



Source: Refinitiv Datastream, Nasser Saidi & Associates

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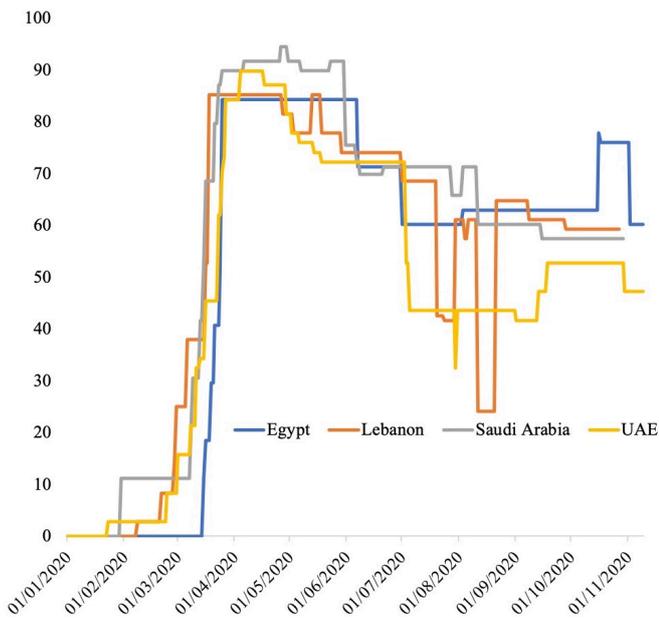
ency Index & Mobility

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.

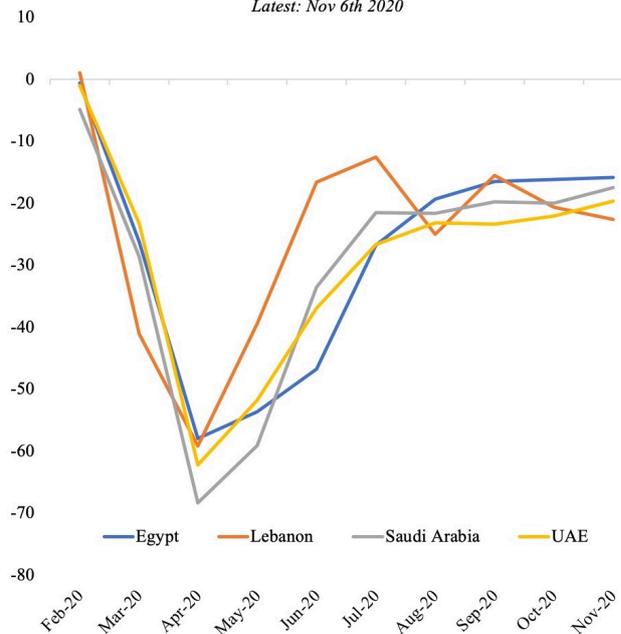
Covid19 Government Response Stringency Index

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

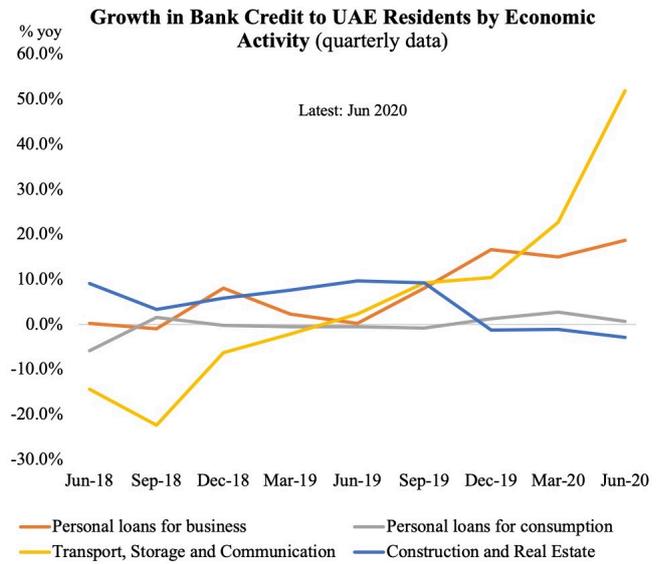
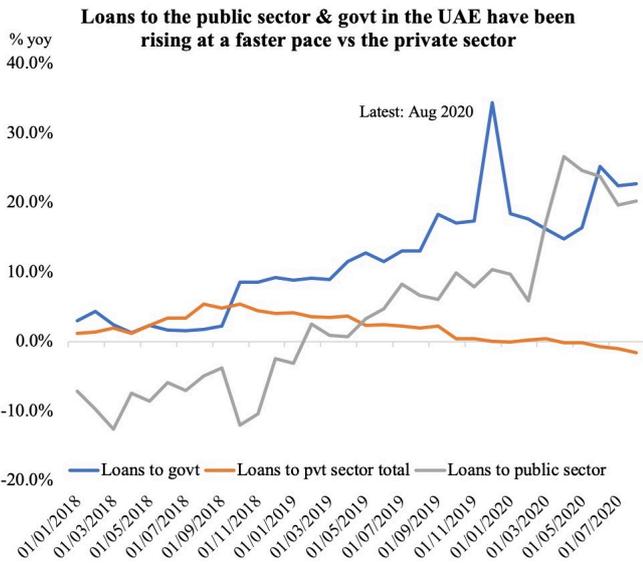
Mobility trends for places like restaurants,cafes, shopping centers, theme parks,museums, libraries, and movie theaters. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020.

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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%).

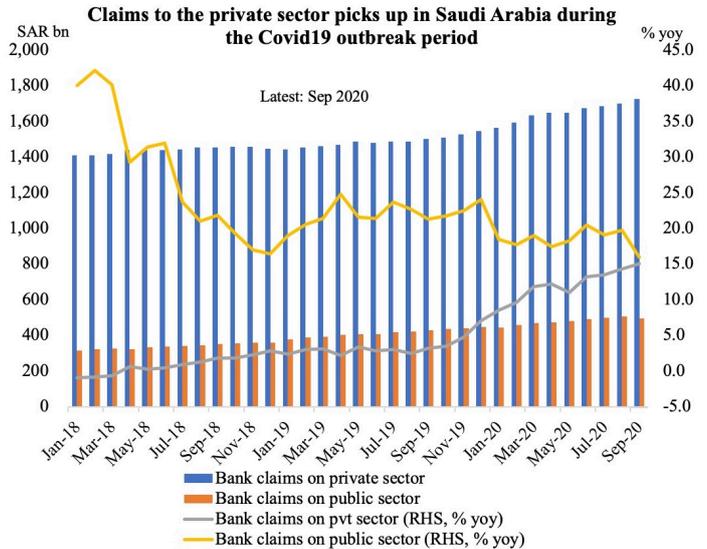
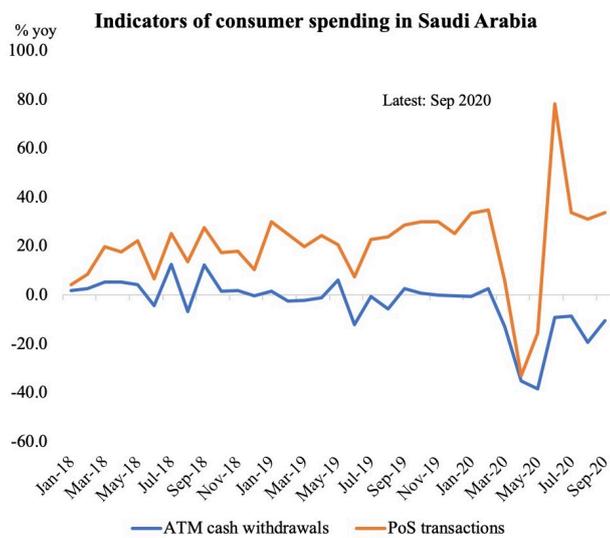


Source: UAE Central Bank, Refinitiv Eikon, Nasser Saidi & Associates.

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.

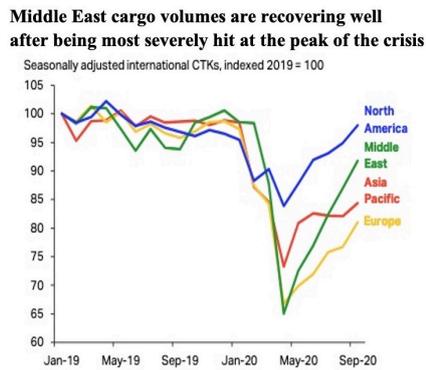
kages with the global economy

In linkages with the global economy, we consider

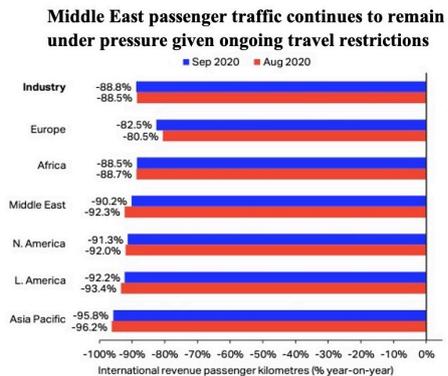
1. **Trade:** for the GCC region, there was a significant drop in overall trade with the world during the lockdown period. While exports have started to pick up again, the pace of exports to China are relatively faster.
2. **Passenger traffic:** though international revenue passenger kilometers in the 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.



Source: IMF DoTS, Refinitiv Eikon, Nasser Saidi & Associates



Source: IATA Air Freight monthly analysis, Sep 2020



Source: IATA Air Passenger Market Analysis, Sep 2020

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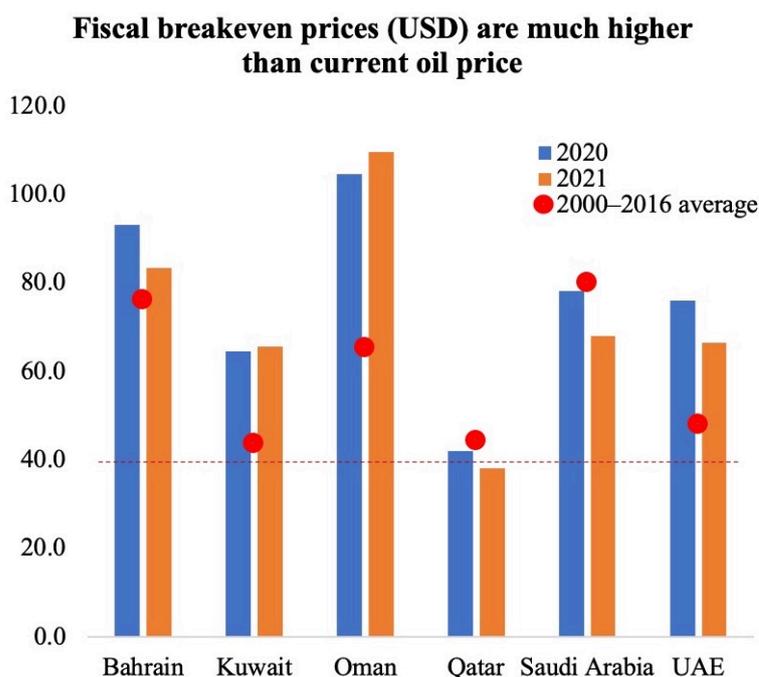


Weekly Insights 4 Nov 2020: Rising budget deficits & debt levels in the Middle East/ GCC Require Sustained Fiscal Adjustment

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

As the world awaits results of the US election, oil prices have settled around the forty-dollar mark. Oil exporters in the region have had to deal with the Covid19 outbreak along with a global recession that have drastically reduced the demand for oil, as well as lower oil prices. Given the resurgence in Covid19 cases and renewed lockdown measures and the global energy transition away from fossil fuels, it is unlikely that oil prices will revert to the levels seen a few years ago, given weaker demand – the IMF's latest World Economic Outlook puts

oil prices, based on futures markets at USD 41.69 in 2020 and USD 46.70 in 2021 (versus an average price of USD 61.39 last year). Fiscal breakeven oil prices in the GCC range between USD 42 for Qatar to USD 104.5 for Oman this year, exerting additional pressure on most oil producers as they ramp up



Source: IMF Regional Economic Outlook, Refinitiv, Nasser Saidi & Associates
Note: Kuwait's fiscal breakeven oil price is before the compulsory 10% revenue transfer to the Future Generations Fund including investment

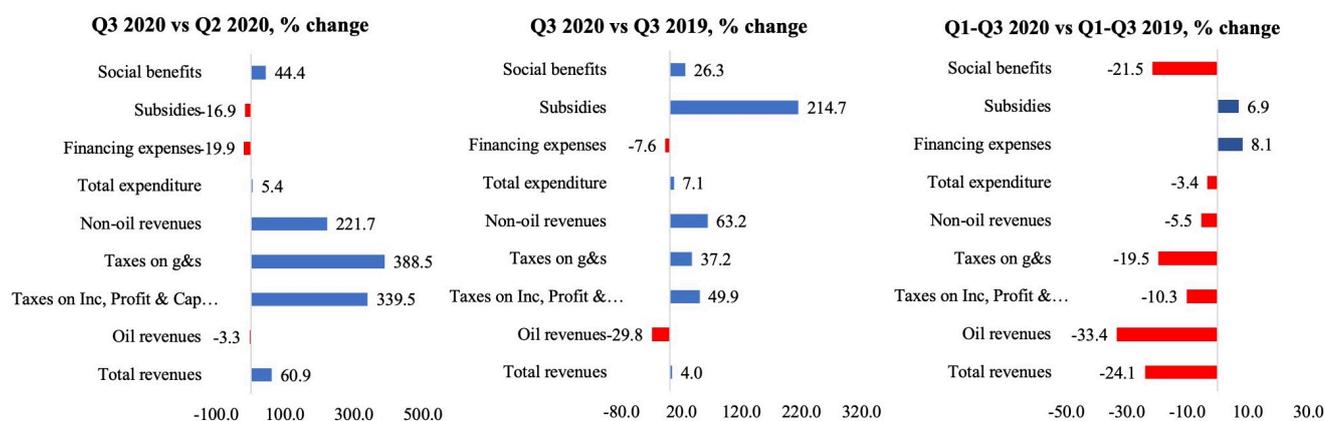
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spending to support the economy (UAE's emirates **Dubai** and **Sharjah** announced USD136Mn and USD139Mn respectively in additional stimulus in the last few days).

Oil exporters in the region are still highly dependent on oil revenues, with lower oil revenues implying limited fiscal room and higher fiscal deficits, which are averaging 10% in 2020 for the GCC countries. As real oil prices trend downward, fiscal sustainability becomes increasingly vulnerable.

The latest numbers from **Saudi Arabia** underscore the need to diversify away from dependence on oil revenues. Saudi Arabia managed to halve its fiscal deficit in Q3 compared to Q2, as overall revenues edged up by 4% yoy, thanks in part to the 63% surge in non-oil revenues (VAT rate was hiked to 15% From Jul onwards); however, spending increased by 7% yoy, driven by a massive surge in subsidies to SAR 8.2bn (From SAR 2.2bn a year ago) brought on by the need to support the economy during the Covid19 outbreak.

How do key revenue and expenditure components in Saudi Arabia fare this year (Q3 vs Q2 2020 & Q3 2019; Q1-Q3 2020 vs Q1-Q3 2019)



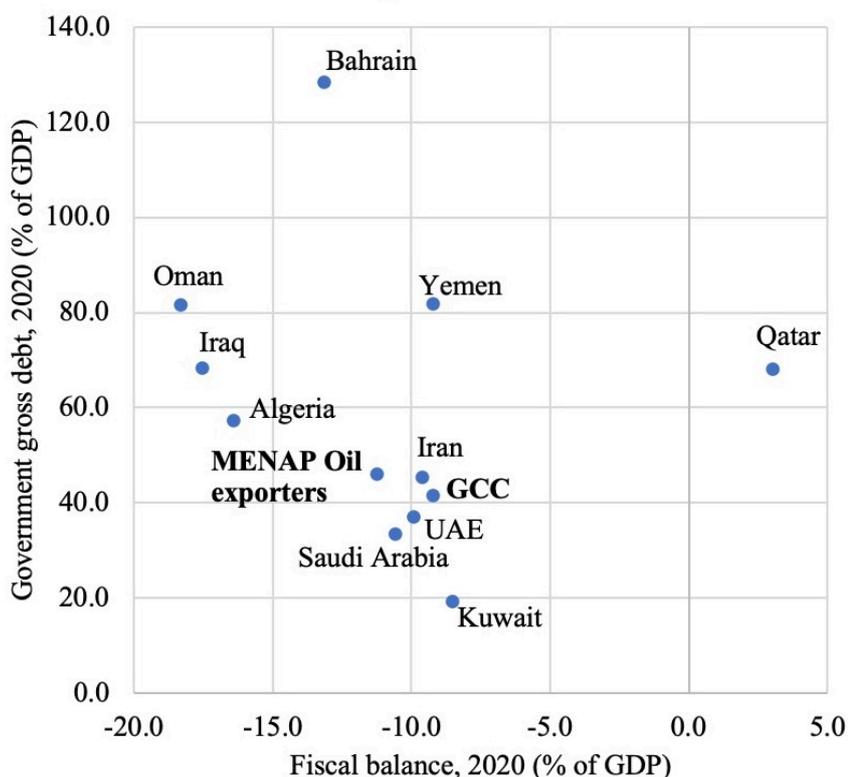
Source: Ministry of Finance, Saudi Arabia, Nasser Saidi & Associates

er GCC nations, **Oman**, in a bid to raise non-oil revenues, announced plans to introduce 5% VAT from next year, in addition to potentially introducing an **income tax** (currently being studied). Furthermore, costs of expatriates' employment visa and work permit renewals will be increased by 5%, with a plan to redirect additional funds towards financing its recently initiated Job Security System. **Kuwait** meanwhile is facing the highest budget deficit in its history^[1]. In Aug this year, the national assembly approved a law that makes transfers to the Future Generations Fund dependent on budget

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surplus, thus providing a much needed [\[2\]](#) but momentary respite. However, the Parliament is still holding the public debt law – which would allow the government to borrow KWD 20bn over 30 years – hostage. **Bahrain**'s deficit widened by 98% yoy in H1 this year (as oil revenues fell by 35% and overall revenues by 29%), leading it to issue a USD 1bn bond, while receiving a payment from its GCC neighbours (part of a support package approved in 2018).

Rising debt burdens constrain spending capacities



Source: IMF Regional Economic Outlook, Refinitiv, Nasser Saidi & Associates

Rising fiscal deficits following the previous decline in oil prices and lower growth have resulted in an accumulation of debt across all the MENA countries. The rising debt burdens and their servicing, leave limited space for increasing spending at a

time when it is needed to support the economies. The IMF revealed that the median size of revenue and expenditure packages in the region's **oil importing** countries this year was double that of oil exporters (2% of GDP versus 1% of GDP). For the GCC, adjustment has resulted from a combination of spending cuts, borrowing from commercial banks, tapping international/ regional markets (bond issuances [\[3\]](#), commercial loans) as well as drawing down from international reserves at the central banks and in Oman's case direct external financial

support from Qatar (with talks ongoing with the UAE, reports FT). As for support from sovereign wealth funds, given lack of transparent data, it will be difficult to gauge the actual value of their support/ contribution, but their optimal role would be to: (a) tap into investments abroad (starting with sale of money market instruments like T-bills); (b) re-assess long-term investment strategies to play a larger role domestically in supporting local industries, innovation and developing digital assets.

Faced with a complex situation, it is little wonder that measures to increase non-oil revenue are being introduced – Oman’s plan to introduce VAT in 2021, rise in visa fees and a potential income tax on high income earners and Saudi Arabia’s VAT hike. To achieve and maintain fiscal sustainability in the long-run, oil exporters will need to move away from pro-cyclical policies, rationalise overly generous and unsustainable entitlement programs, alongside revenue-enhancing measures. The policy agenda is full in the coming years!

Expenditure reduction policies	Revenue enhancing measures	Other measures
Phase out subsidies Reduce current spending Reduce public sector wage bills	Raise non-oil fiscal revenues by raising taxes / introduce new taxes Improve efficiency in collecting taxes Consolidate/ rationalize fees/ charges on government services	Allow deficit financing / create local currency debt & mortgage markets Public investment towards infrastructure to ensure a steady pipeline Establish social safety nets / pensions scheme

[\[1\]](#) *Kuwait posted a fiscal deficit of KWD 5.64bn in 2019-2020 (ending Mar 2020): this was higher by 69% yoy and inclusive of a KWD 1.72bn (10% of total annual revenues) transfer to the Future Generations Fund.*

[\[2\]](#) *The finance minister stated in Aug 2020 that the country has just KWD 2bn (USD 6.6bn) worth of liquidity in its Treasury and it was not enough to cover state salaries beyond*

Oct.

[3] Abu Dhabi issued a USD 5bn multi-tranche bond; Dubai sold USD 2bn in bonds; Saudi Arabia sold USD 7bn in 3-part bonds; Qatar sold USD 10bn in USD-denominated bonds.

Weekly Insights 28 Oct 2020: US Presidential elections & impact on the Middle East/ GCC

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

FiveThirtyEight, in its extensive [analysis and simulations](#), favours Biden to win the election, barring a major polling error. A contested election is probably on the cards. But, with less than a week left for the US Presidential elections, what would a potential change of guard at the White House mean for the Middle East? Interestingly, a recent YouGov-Arab News survey shows that respondents have little confidence in either candidate: only 12% preferred Trump versus 40% for Biden.

First and foremost is a potential return to multilateralism and international cooperation from the current (unilateralism) policies of withdrawal from the Paris climate accord, the Trans-Pacific Partnership or the World Health Organization or the Iran nuclear deal. International, multilateral cooperation – such as the Global Access (COVAX) Facility – will be critical when effective Covid19 vaccines are available to be rolled out and need to be distributed globally. A discriminatory or preferential national treatment would be

detrimental to the global economy and recovery. More broadly, a US reversion to multilateralism would be welcomed internationally: less confrontation on trade/ tariffs and investment policies with China, the EU, Canada-Mexico and others would lead to a win-win globally and would lead to a cheaper dollar by encouraging non-US trade and investment.

Lower oil prices and a strong dollar along with US tariffs on aluminium and steel, have been strong headwinds and costly for the GCC. Currently, GCC members are pegged to the dollar (Kuwait pegs a basket dominated by US\$), oil is priced in dollars, financial assets are largely dollar denominated, trade is dollar denominated and dollar financing is popular, while bond issuances have been on the surge (taking advantage of globally low borrowing costs) as nations adjust to rising fiscal deficits. Given the Covid Great Lockdown, the energy transition away from fossil fuels, it is unlikely that oil prices will revert to prices seen a few years ago given weaker demand – the IMF's latest World Economic Outlook puts oil price, based on futures markets at USD 41.69 in 2020 and USD 46.70 in 2021 (versus an average price of USD 61.39 last year). But a cheaper dollar would support an economic recovery in the region driven by tourism and services exports, as countries reopen in phases.

More important, will be the impact on the oil market. A re-elected Trump administration would continue its policies supporting US shale oil, encourage drilling and roll back of climate-related regulations and support US oil & gas exports, weakening OPEC+ and oil prices. By contrast, a Biden Administration would be climate and environment policy friendly, revert back to the Paris Agreement, support renewable energy, including through "Green" and "Blue" New Deals. In a scenario where fossil fuel demand is already weak, an additional push towards renewables would tend to reduce US supply but also reduce demand, the oil price impact would depend on the balance between demand and supply effects.

Oil exporters in the region are still highly dependent on oil, with lower oil revenues implying limited fiscal room and

higher fiscal deficits which are averaging 10% in 2020 for the GCC countries. As real oil prices trend downward, fiscal sustainability becomes increasingly vulnerable. The elephant in the room remains the risk of being left with stranded assets. According to the IEA, stranded assets refer to “those investments which have already been made but which, at some time prior to the end of their economic life, are no longer able to earn an economic return”. The strategy imperative is the need to emphasise diversification policies, along with a policy to de-risk fuel assets. National oil companies and related state-owned enterprises, that are majority owners/operators of oil and gas assets, would need to pursue a low-carbon energy transition plan in addition to the privatisation of fossil fuel assets. Examples are the Aramco part-privatisation, and ADNOC’s part-pipeline privatisation. This should be complemented by a major drive to accelerate investment in and adoption of green/ clean energy policies by both government entities and the private sector.

The bottom line is that the outcome of the US elections will directly impact a host of global issues from dealing with Covid and climate change, de-escalating confrontation and preventing a Cold War with China, restoring confidence in multilateral agreements and institutions like the WHO, the WTO, the UN and geopolitics, with repercussions on regional power struggles involving Israel, Iran, Turkey and the Gulf states. Important as these issues are, the other bottom line is the need for a renewed focus of the GCC and the regions oil producers on economic diversification strategies and de-risking fossil fuel assets within a well-designed energy transition strategy.

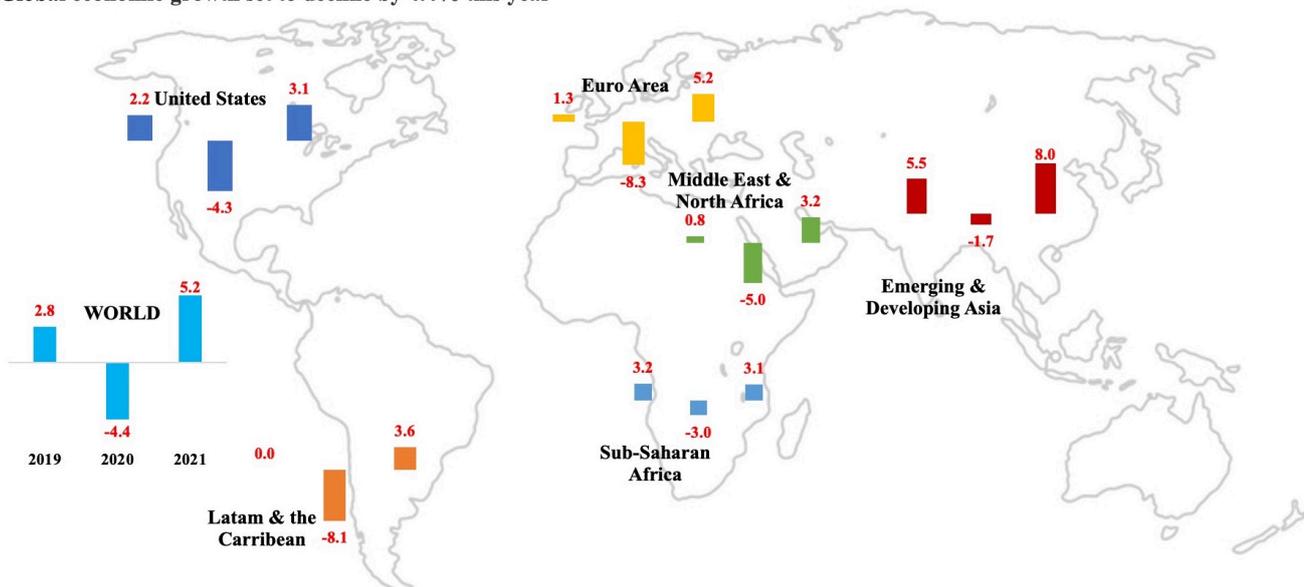
For additional views about this and the wider regional economic outlook, listen to the [IMF panel discussion from yesterday](#).

Weekly Insights 20 Oct 2020: Expect a Protracted Economic Recovery in Middle East/ GCC

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

Fig 1. Global Economic Growth to decline by 4.4% this year, before rebounding to 5.2% in 2021

Global economic growth set to decline by 4.4% this year



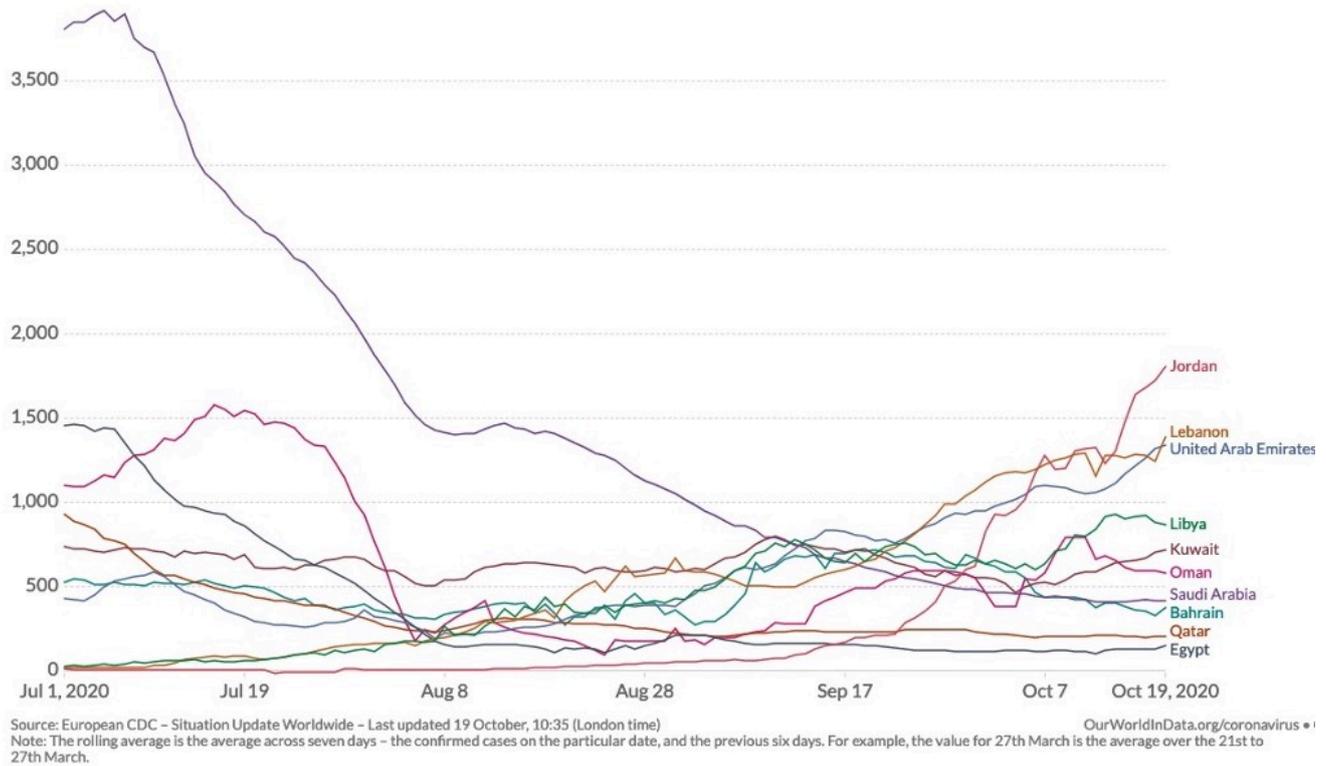
Source: IMF World Economic Outlook, Oct 2020

d Economic Outlook, released in October, forecast upwardly revised growth estimates for most country groups this year though stating that the recovery is “long, uneven and uncertain”. The IMF forecasts still seem relatively optimistic with all regional aggregates indicating a wobbly V-shaped recovery. Emerging markets and China are expected to recover much faster than their advanced counterparts while also noting that the plunge in growth was more severe for the advanced nations. A recovery in trade, PMI numbers and consumer spending are cited as supporting global recovery, though the sudden surge in Covid19 confirmed cases across Europe is

likely to dampen the rebound, presaging a second wave and extended recovery.

Germany, Italy, Portugal and UK recently reported their highest number of infections since the start of the pandemic and many nations are reimposing restrictions – Belgium's nationwide curfew, Switzerland making masks compulsory in indoor public areas, a 9pm curfew at many major cities in France – though a full-fledged lockdown is likely to be avoided. While Q3 may show an uptick in growth, Q4 is likely to slide back into negative territory (though not as sharp as Q2's plunge). Mobility indicators show a decline in footfall across many European cities (<https://on.ft.com/2Tmv0kZ>); PMI data reveals a divergence between manufacturing and services, with the latter reporting a drop in Sep. As we enter the cold winter months, the partial recovery seen in Q3 may be just temporary.

In the **Middle East and North Africa** (reeling from the effects of the global recession, Covid19 impact and oil exporters facing lower oil prices and demand), growth is expected to recover a tad later and slower compared to the rest, rising to only 3.2% from a 5.0% dip this year (*Source: IMF Regional Economic Outlook: Middle East & Central Asia, Oct 2020*). Egypt is the only country in the region forecast to grow this year (+3.5% yoy in spite of the massive decline in tourism). **GCC growth is forecast to shrink by 6.0% this year** – with oil and non-oil GDP contracting by 6.2% and 5.7% respectively.

Fig 2. Daily confirmed COVID-19 cases in select MENA nations, rolling 7-day average

Source: Our World in Data, accessed 20th Oct 2020.

COVID-19 cases might add to economic uncertainty in the region – Jordan has reimposed some restrictions since the beginning of the month, but none of the nations have gone back to the stringency levels seen during Mar-Apr 2020. The **immediate concerns remain on the fiscal side**, with most nations rolling out stimulus packages to ease the impact from COVID-19. For the **GCC, fiscal deficits are projected at 9.2% of GDP this year** (2019: -2%) while the fiscal breakeven oil price ranges from USD 42 for Qatar to USD 75.9 for the UAE and as high as USD 104.5 for Oman. Dependence on oil is still pronounced in spite of diversification efforts and the rising fiscal deficits are being met with a combination of debt issuances, tapping domestic markets, reduction of reserves and via sovereign wealth funds.

Though countries in the Middle East emerged from COVID-19 containment in Q2, the economic costs/ impact are likely to be protracted through the year and next given the many spillover risks: debt obligations and financing needs, job losses/ unemployment, potential NPLs affecting banking sectors,

business closures leading to insolvency/ bankruptcy, and for the oil importers decline in remittances as well as rising poverty and inequality. [IMF estimates](#) foresee that five years from now countries could be 12% below GDP level expected by pre-crisis trends.

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Weekly Insights 13 Oct 2020: PMIs, Mobility & Economic Recovery

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

1. Global PMIs, shipping & trade

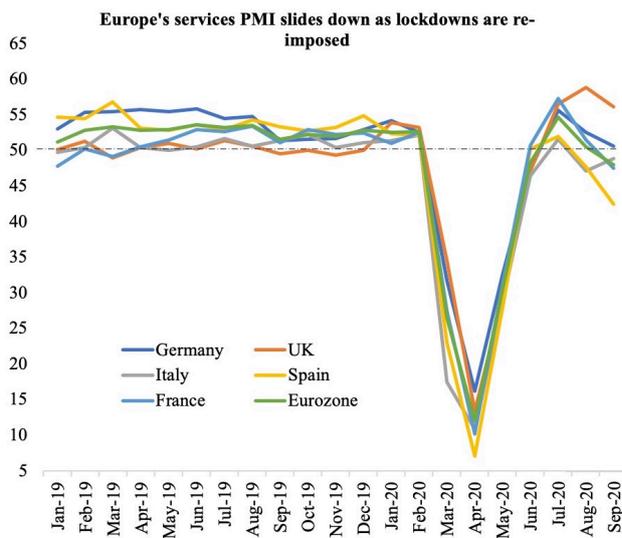
PMIs across the globe were released last week. The headline JPMorgan global composite PMI fell for the first time in five months, dipping to 52.1 in Sep (Aug: 52.4). Most manufacturing surveys still indicated an expansion (a reading above 50) though the pace of recovery has slowed as a result of capacity constraints and supply chain delays. Sector-wise, the most significant beneficiary has been the automotive sector, where production capacity increased and new orders posted the most gain since Dec 2019. On the other extreme, tourism and recreation sector continues to be the worst hit – reflecting the glaring divergence between the manufacturing and services sector PMIs (Figure below). September's PMI readings in the

services sector have declined from Aug's 7-month highs, as many countries witnessed a resurgence in Covid19 cases (and in some, new record daily cases!), leading to restricted lockdowns which added on to the restrictions due to social distancing policies. Employment posted a net increase for the first time since Jan: though jobs growth was faster in the services sector in Aug-Sep, remember that the sector had also seen the steepest job cuts earlier this year.

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
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

Source: Refinitiv Datastream, Nasser Saidi & Associates

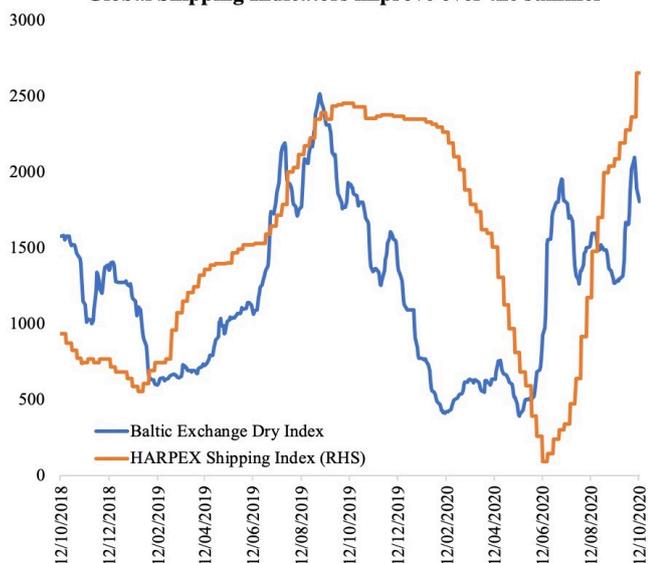


Source: Refinitiv Datastream, Nasser Saidi & Associates

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facturing PMI readings have shown an increase in new export orders, supported by a pickup in demand. Global shipping indicators have improved during the summer, with both the Baltic Exchange Dry Index (tracks rates for ships carrying dry bulk commodities) and the Harpex shipping index (index created using container shipping rates across different classes of ship) picking up pace. Both indices rose to its highest in more than a year last week, after having touched 3-year highs in mid-2019 and declining sharply during the Feb-Jun period. However, the air freight sector has not recovered in tandem with shipping (Figure below), a result of cheaper ocean trade – a pattern visible during downturns – as well as insufficient air cargo capacity (according to IATA).

Global Shipping Indicators improve over the summer



Source: Refinitiv Datastream, Nasser Saidi & Associates

Air cargo traffic recovers slowly in comparison



Source: LATA Air Freight Analysis report, Aug 2020

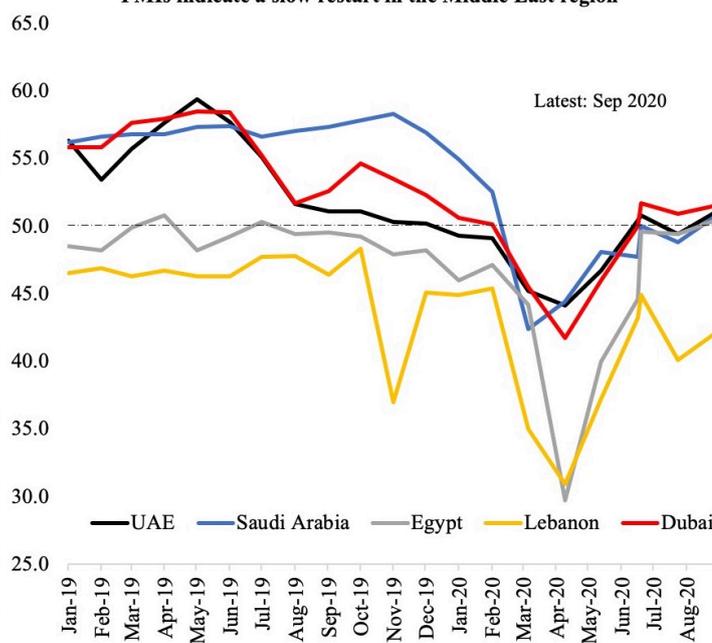
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Heatmap of non-oil private sector PMIs

	UAE	Saudi Arabia	Egypt	Lebanon	Dubai
Jan-19	56.3	56.2	48.5	46.5	55.8
Feb-19	53.4	56.6	48.2	46.9	55.8
Mar-19	55.7	56.8	49.9	46.3	57.6
Apr-19	57.6	56.8	50.8	46.7	57.9
May-19	59.4	57.3	48.2	46.3	58.5
Jun-19	57.7	57.4	49.2	46.3	58.4
Jul-19	55.1	56.6	50.3	47.7	55.2
Aug-19	51.6	57.0	49.4	47.8	51.7
Sep-19	51.1	57.3	49.5	46.4	52.6
Oct-19	51.1	57.8	49.2	48.3	54.6
Nov-19	50.3	58.3	47.9	37.0	53.5
Dec-19	50.2	56.9	48.2	45.1	52.3
Jan-20	49.3	54.9	46.0	44.9	50.6
Feb-20	49.1	52.5	47.1	45.4	50.1
Mar-20	45.2	42.4	44.2	35.0	45.5
Apr-20	44.1	44.4	29.7	30.9	41.7
May-20	46.7	48.1	40.0	37.2	46
Jun-20	50.4	47.7	44.6	43.2	50
Jul-20	50.8	50.0	49.6	44.9	51.7
Aug-20	49.4	48.8	49.4	40.1	50.9
Sep-20	51.0	50.7	50.4	42.1	51.5

Source: Refinitiv Datastream, Nasser Saidi & Associates

PMIs indicate a slow restart in the Middle East region



Source: Refinitiv Datastream, Nasser Saidi & Associates

oil private sector PMI's indicate a slow restart: Sep's modest improvement followed Aug when four of the countries moved into the contractionary territory (i.e. below the 50-mark). Significantly, demand growth has been picking up and the significant price discounting on offer has led to an increase in sales.

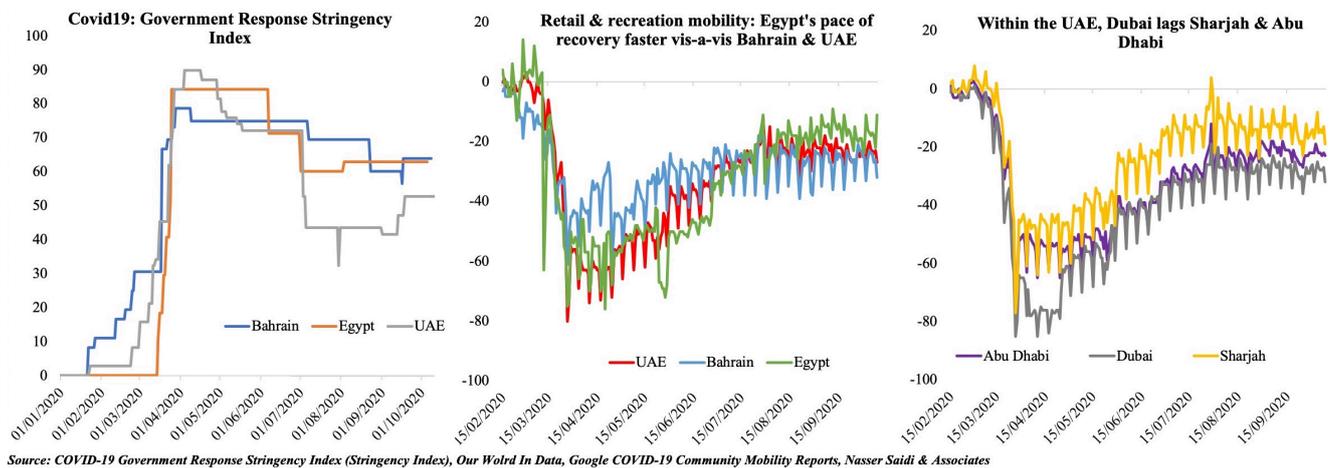
Job cuts are still occurring, as businesses adjust to reduce operating costs. The ILO estimates that Arab states witnessed a 2.3% drop in working hour losses in Q1 this year, followed

by 16.9% and 12.4% respectively in Q2 and Q3. Job postings are slowly ticking up, though anecdotal evidence suggests that potential employees are willing to accept a significant pay cut to undertake similar work. This will lead to a wider disparity in public-private sector wages, not to mention the impact it would have on wider gender disparities (during Covid19, women are already more likely than men to witness a larger drop in mobility to lose jobs in the informal economy or see a reduction in working time).

Furthermore, with lack of access to finance/ liquidity, not all businesses will recover or survive in the next few months, should uncertainty remain. This could result in a structural change brought about due to Covid19 (e.g. the increase in number of online shopping platforms which are relatively less labour-intensive versus actual physical stores). Being faced with limited financial capabilities (due to job losses or salary cuts and depletion of savings), expatriates could also decide to return to their home countries (negatively affecting consumer spending in the region).

3. Stringency Index vs. Retail and Recreation sector activity

The Middle East has seen a resurgence in Covid19 cases in the recent weeks, and many nations are in the process of reimposing partial lockdowns or shorter nationwide lockdowns: the first panel in the figure below shows that the Government Response Stringency Index^[1] has increased for the UAE in the past month (in line with the increase in cases). This is the best way forward, if we are to take into consideration the IMF's recent World Economic Outlook analysis which found that early adoption of stringent and short-lived lockdowns curbed infections and could be preferable to mild and prolonged measures. The enforcement of lockdowns and social distancing policies was an important factor contributing to a recession: however, such short-term costs of lockdowns may lead to medium-term gains if the virus is contained.



Source: COVID-19 Government Response Stringency Index (Stringency Index), Our World In Data, Google COVID-19 Community Mobility Reports, Nasser Saidi & Associates

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ility indicator for retail and recreation show that none of the three nations – Bahrain, Egypt, or UAE – have yet returned fully to the pre-Covid19 baseline. Among the three, Egypt, which had declined the most initially, recovered faster in comparison. More interestingly, within the UAE, recovery in retail sector mobility in Sharjah (-14% from baseline in Oct) and Abu Dhabi (-21% from baseline) has outpaced Dubai (-23%). This could potentially be due to higher confidence in these emirates – given mass testing in Sharjah, border controls in Abu Dhabi and a relatively longer lockdown period – compared to Dubai.

What next? Note that a second (or even third) wave of Covid19 is unfolding, as we enter the cold winter months: given the likelihood of resurgence of Covid19, partial recovery – as indicated by PMIs – may be temporary. If further virus containment measures are introduced, though it will dampen economic activity in the short-term, medium-term gains might be achieved. Initial restrictions will likely affect the customer-facing service sectors more than others, but risks to other sectors will increase if further restrictions are imposed. Overall, an air of uncertainty is unlikely to boost confidence among firms, negatively affecting investment decisions and economic activity. Governments need to signal willingness to continue stimulus measures if required and take decisions to introduce “circuit-breakers” if necessary.

[1] The Stringency Index is a composite measure based on nine

response indicators that include school closures, workplace closures, and travel bans; the index ranges from 0 to 100 with 100 being the strictest. This index does not track the effectiveness of the response. More: <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>

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Weekly Insights 6 Oct 2020: Economic activity in Bahrain & Saudi Arabia

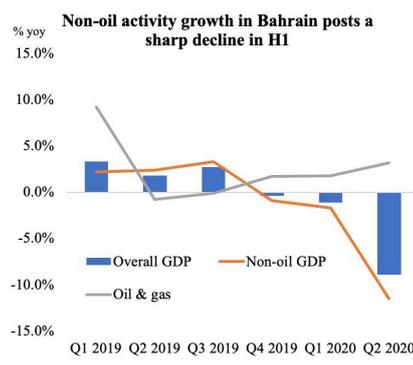
Charts of the Week: Last week, both Bahrain and Saudi Arabia released Q2 GDP numbers: as expected, overall growth contracted, with private sector activity significantly affected. The initial sections offers a forward-looking perspective on the two nations based on more recent data and proxy indicators. Saudi Arabia also disclosed a medium-term fiscal strategy, which forms the last section of this Insights' edition.

1. Bahrain GDP & economic activity

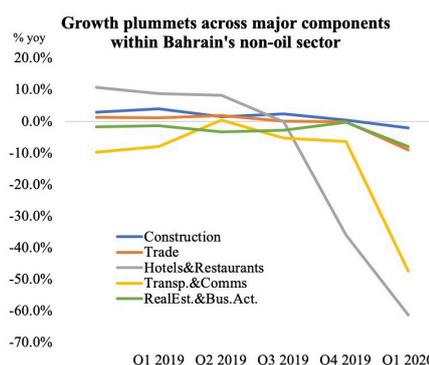
GDP in Bahrain declined by 8.9% yoy in Q2 2020, following a 1.1% drop the previous quarter. This was primarily due to the non-oil sector which plummeted by 11.5%. As expected, the largest dips in GDP came from the hotels and restaurants (-61.3%) and transport & communication (-47.4%) – both directly affected by the Covid19 outbreak. Spillover effects

were also visible across the board: the financial sector, which accounts for the largest share of non-oil GDP (16.8% in Q2), posted a 5.8% drop while the sub-sectors real estate and business activities and construction slipped by 7.9% and 2.1% respectively.

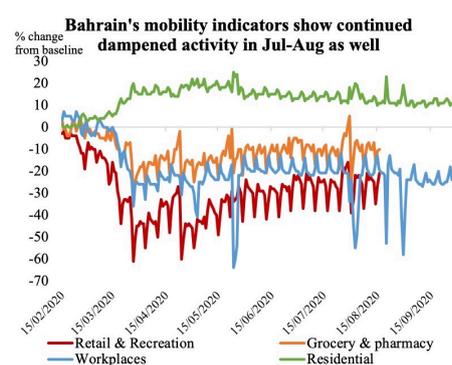
With Covid19-related restrictions slowly being phased out in Bahrain, can we expect a resumption of economic activity? The data for Jul-Aug show the pace of recovery has been slow, with readings for retail and recreation still at an average 26% below the baseline data (pre-Covid19). Recent announcements of extended government support – be it the exemption of tourism levies for 3 more months or extended support to KG & nursery teachers, taxi drivers or Bahraini citizens’ payment of utility bills and about 50% of salaries in the private sector (only those affected) – will provide direct support and likely nudge recovery. hotel occupancy rates in four- and five-star hotels increased by 13.3% mom and 17.6% in Jul and Aug respectively. Opening borders with Saudi Arabia will not only increase the number of trucks crossing the King Fahd Causeway (improving transport/ trade) but will also attract visitors from Saudi Arabia (supporting hospitality and retail).



Source: Bahrain Information & eGovernment Authority, Nasser Saidi & Associates



Source: Bahrain Information & eGovernment Authority, Nasser Saidi & Associates

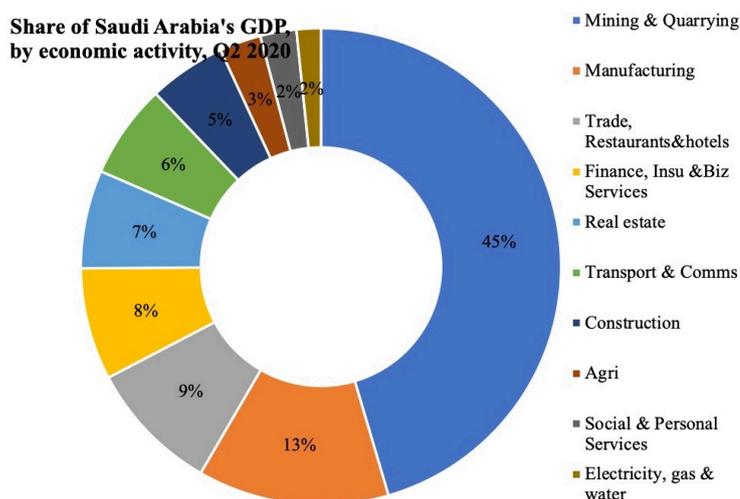
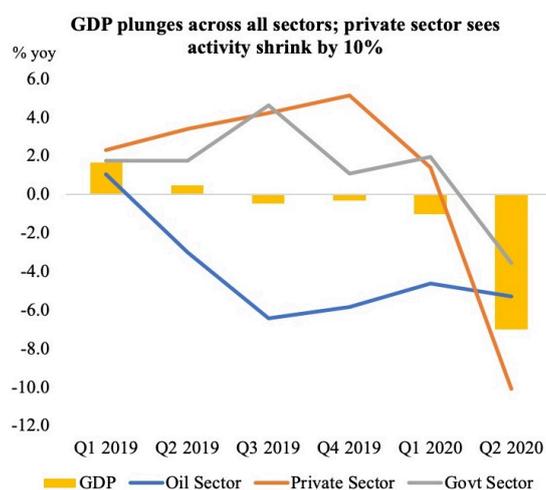


Source: Google Covid19 Community Mobility Report, Nasser Saidi & Associates. Note: Google have temporarily suspended updates in some categories to improve how they are calculated.

2. Saudi Arabia GDP & economic activity

Saudi Arabia’s overall GDP plunged by 7% yoy in Q2 2020, with falls in both the oil and non-oil sectors. The oil sector’s 4.9% drop in H1 is a result of the reduction in oil production in line with the OPEC+ agreement. Within the non-oil sector,

all sub-sectors posted declines in Q2 ranging from trade and hospitality (-18.3%) to finance, insurance and real estate (-0.7%). The share of GDP by economic activity shows that the oil sector continues to dominate (45% of overall GDP), closely followed by manufacturing (13%) and trade and hospitality (9%).

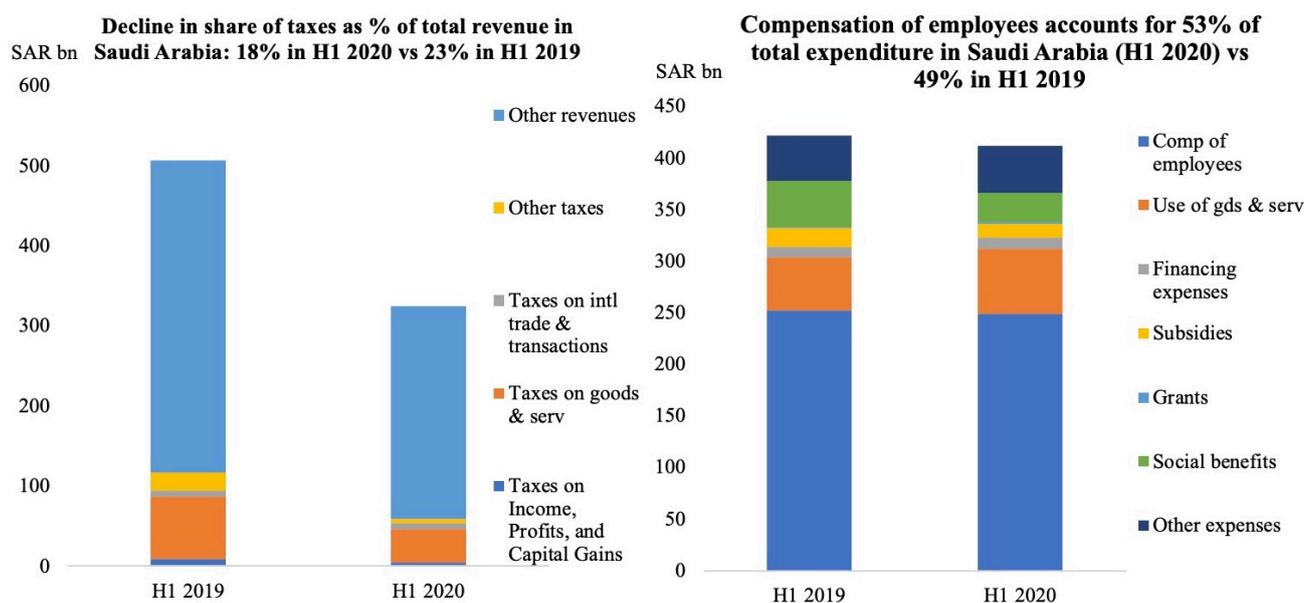


Source: Saudi Arabia GaStat, Nasser Saidi & Associates

To gauge any underlying change in activity during Q3, we refer to the central bank's data on consumer spending and point-of-sale (PoS) transactions by category. There is a spike before the VAT hike came into place in Jul, as expected, but the Aug data seems to indicate a slight recovery for hotels (+2.6% yoy, following 6 months of double-digit declines) while items like jewelry and clothing continue to register negative growth. The construction and real estate sector look well-placed to improve in H2 this year: not only has letters of credit opened for building materials imports increased by 64% yoy in Aug (following 5 months of double-digit declines), cement sales has also been picking up during Jun-Aug; a temporary boost for the sector will also come from the recent announcement that real estate would be exempt from the 15% VAT (to be replaced instead by a 5% tax on transactions, of which the government would bear the costs for up to SAR 1mn for the purchase of first homes).

3. Saudi Arabia's fiscal space

With oil prices around the USD 40-mark, extended government support in Saudi Arabia during the Covid19 outbreak will put a strain on finances. From the H1 2020 estimates disclosed by the Ministry of Finance, it is noticeable that the share of taxes as % of overall revenue has declined to 18% (H1 2019: 23%). Compensation of employees remain the biggest strain on the expenditure side, with the single component accounting for 53% share, though it is commendable that subsidies have declined by 27.8% yoy to SAR 13bn.



Source: Saudi Arabia Ministry of Finance, Nasser Saidi & Associates

Medium-term fiscal projections (in SAR bn)

	2019	2020e	2021f	2022f	2023f
Total revenues	927.0	770.0	846.0	864.0	928.0
Total expenditures	1059.0	1068.0	990.0	955.0	941.0
Budget deficit	-133.0	-298.0	-145.0	-91.0	-13.0
as % of GDP	-4.5%	-12.0%	-5.1%	-3.0%	-0.4%
Debt	678.0	854.0	941.0	1016.0	1029.0
as % of GDP	22.8%	34.4%	32.9%	33.4%	31.8%

Source: Saudi Arabia Ministry of Finance; Note: e refers to estimates & f to forecasts

If Saudi Arabia's fiscal consolidation plans are to be met, reforms are required on both revenue and expenditure side. The Kingdom has already increased VAT to 15% from Jul: however, with subdued demand and consumer spending, it seems unlikely that this move will add substantial revenue this year. We have

highlighted in previous editions that Saudi Arabia can benefit from the introduction of other more revenue-generating taxes – e.g. carbon taxes, which will also contribute towards a cleaner environment. Additional measures could include energy price reforms (thereby reducing subsidies) as well as a consolidation or removal/ reduction of various small fees and taxes after undertaking an impact exercise (i.e. do these fees raise significant revenues or do they hinder development of the related sector?). The other major route to take is lowering “compensation of employees”: this can be done either by reducing the public sector workforce (and increasing productivity through increased digitalization) or by decreasing wages (and synchronizing public holidays) to be on-par with the private sector – these moves could also support creation of jobs in the private sector, lead to higher productivity levels and growth.

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