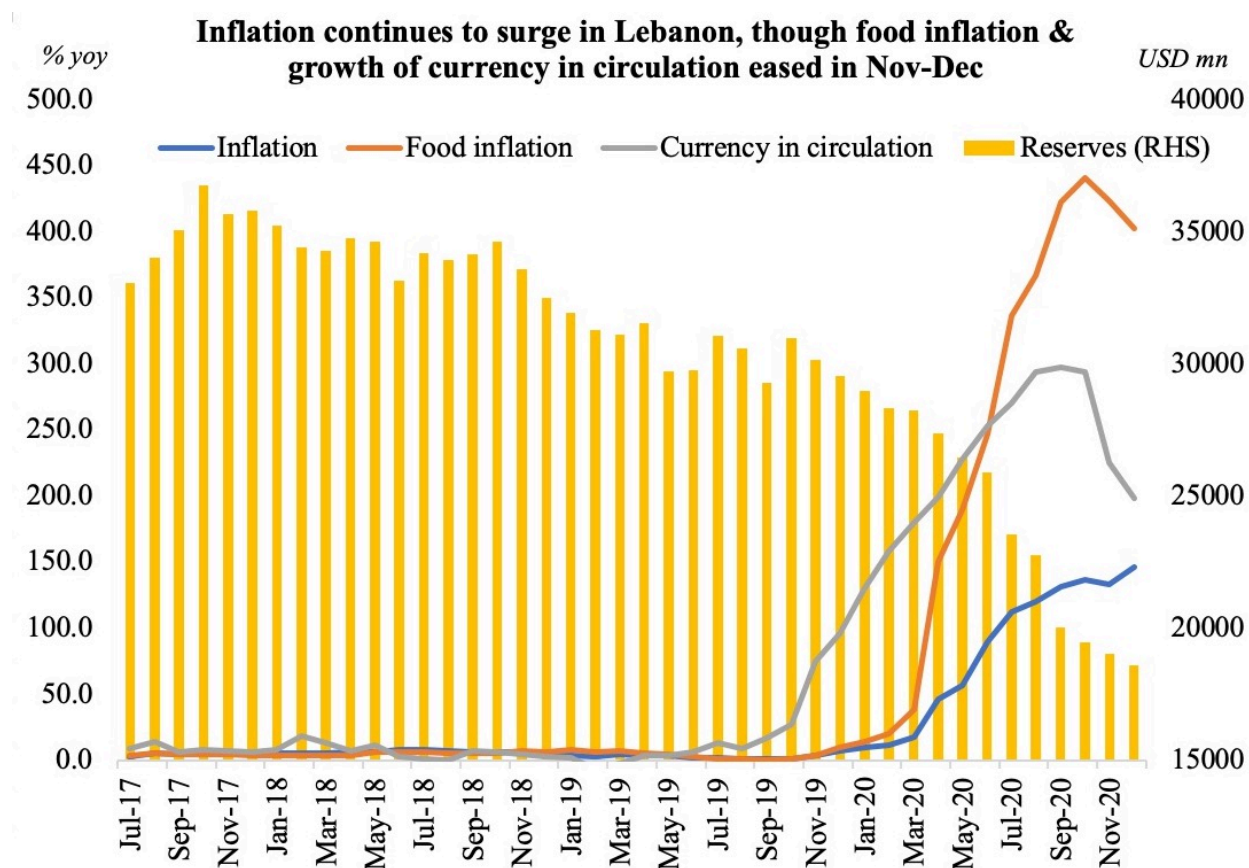


Weekly Insights 18 Mar 2021: Macroeconomic Updates on Lebanon, Saudi Arabia & the UAE

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

Chart 1. Lebanon: Cascading Collapses



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

- According to the finance minister, the central bank has only USD 1-1.5bn to use to fund subsidies (i.e. just for 2-3 months more).
- The **Lebanese pound plummeted to record lows of 15000 per dollar on the black market on Tuesday** (from 10k on Mar 2nd)
- Overall **inflation was at 146% and food inflation at 402% in Dec 2020**. The pound's fall has further hiked food

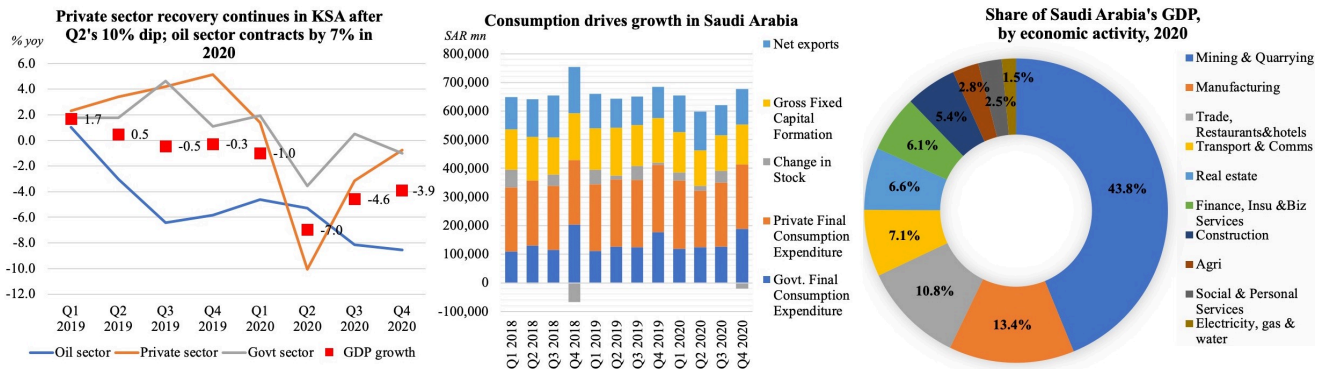
prices.

- This latest collapse, alongside statements of potential lifting of subsidies, has **triggered fears of shortages of food.**
- **Funding of (ill-designed) subsidies** can no longer be continued at the same pace.
- “Reserves”, which are really “banks’ dollar Legal Reserve Requirements at the Banque du Liban” (*this is a liability of the BDL – these are depositors’ money deposited by the banks at the BDL*), have halved from a year ago. News of **BDL’s “revised” mandatory minimum reserves to USD 15bn** (down from USD 17bn) is only **a stopgap solution.**
- Given the ongoing political deadlock (the current caretaker government had resigned last Aug), it looks like a **very long and painful road to reforms and some semblance of “normalcy”.**

Chart 2. Saudi Arabia: Reforms to Boost Recovery?

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

approval of the Private Sector Participation law, to name a few) and attract FDI will bode well for the economy in the medium to long run.

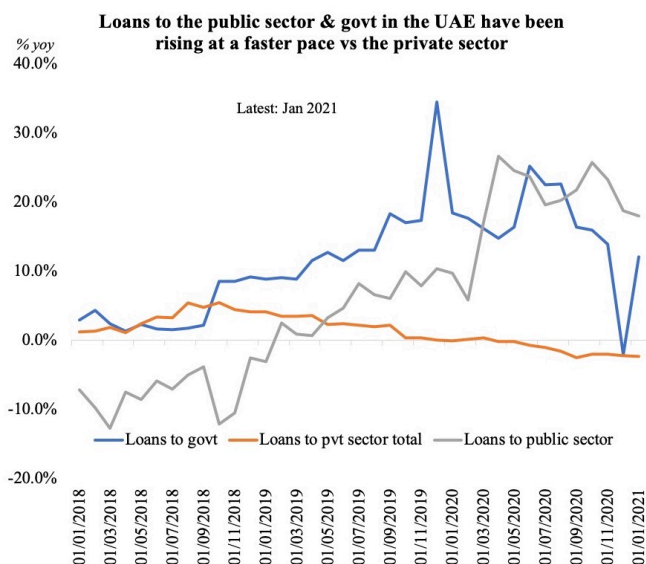


Source: General Authority for Statistics Saudi Arabia. Charts prepared by Nasser Saïdi & Associates

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

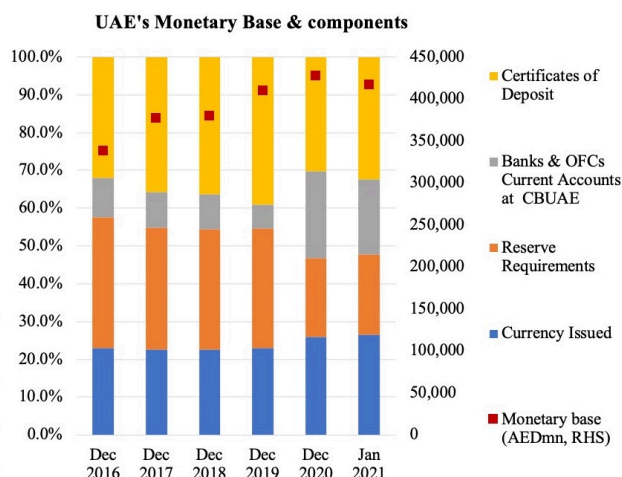
- UAE Central Bank governor: **banking system's overall liquidity has returned to pre-Covid level**; 320k+ customers benefitted from the Targeted Economic Support Scheme (TESS) & ~175k customers are under deferral arrangements
- Loans to the private sector dropped by 1.5% during Apr 2020- Jan 2021**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



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

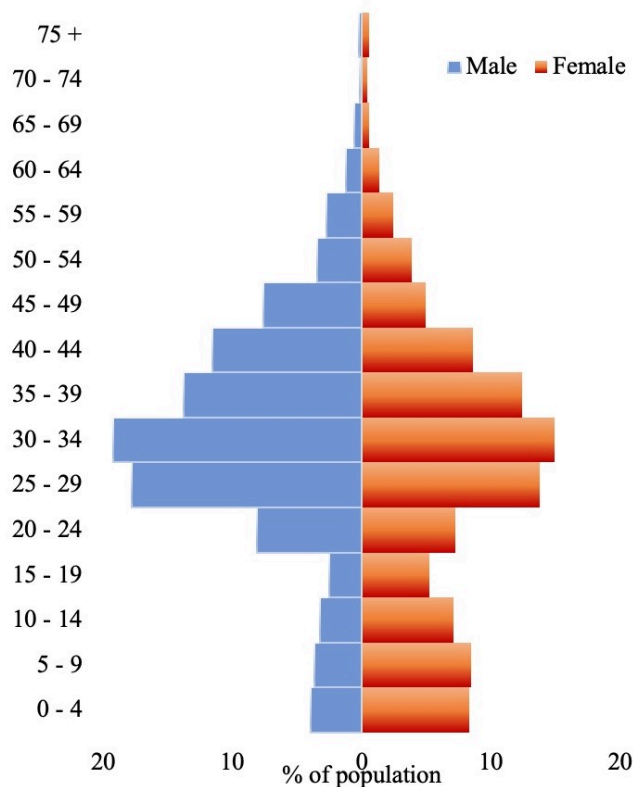
Source: UAE Central Bank, Refinitiv Eikon. Tables and charts by Nasser Saidi & Associates.

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

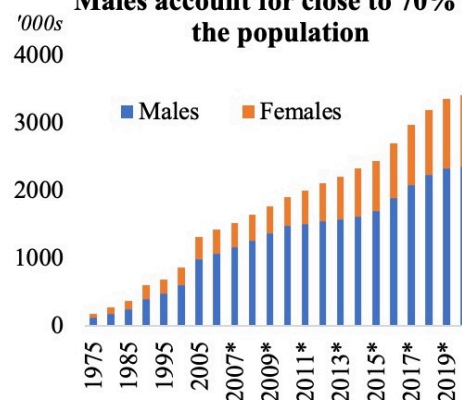


Away? Dubai's Population ticks up to 3.4mn in Covid19-struck 2020

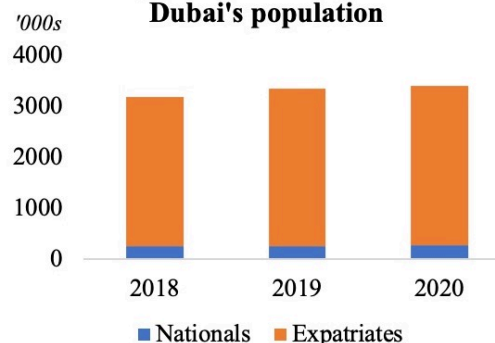
Dubai's Population Pyramid (2020)



Males account for close to 70% of the population



Expats account for 92% of Dubai's population



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

- In spite of anecdotal evidence of job losses and

repatriation flights, official Dubai Statistics Centre estimates that **Dubai's population grew by 1.6% yoy to 3.41mn in 2020.**

- As expected, **expatriate population accounted for more than 90% of overall population**; males accounted for close to 70% of overall population – not surprising, with the construction sector accounting for almost 1/3-rd of employment in the UAE
- The population pyramid shows that about **70% of males and 55% of females are between the 25-49 years age group.** The gap between males and females are largest in the age groups of 30-34 and 25-29.
- The **Dubai Urban Masterplan 2040 projects population to surge by 76% to 5.8mn.** This follows recent reform measures including in visas (long term visas for professionals and investors, retirement and remote working visas), 100% foreign ownership and even a path towards citizenship – all of which are likely to boost population numbers.
- **Dubai's openness at a time when other regional nations are pursuing localisation policies will likely work in its benefit**, though competition might be rife should Saudi Arabia emerge successful in its current reform path.

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