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

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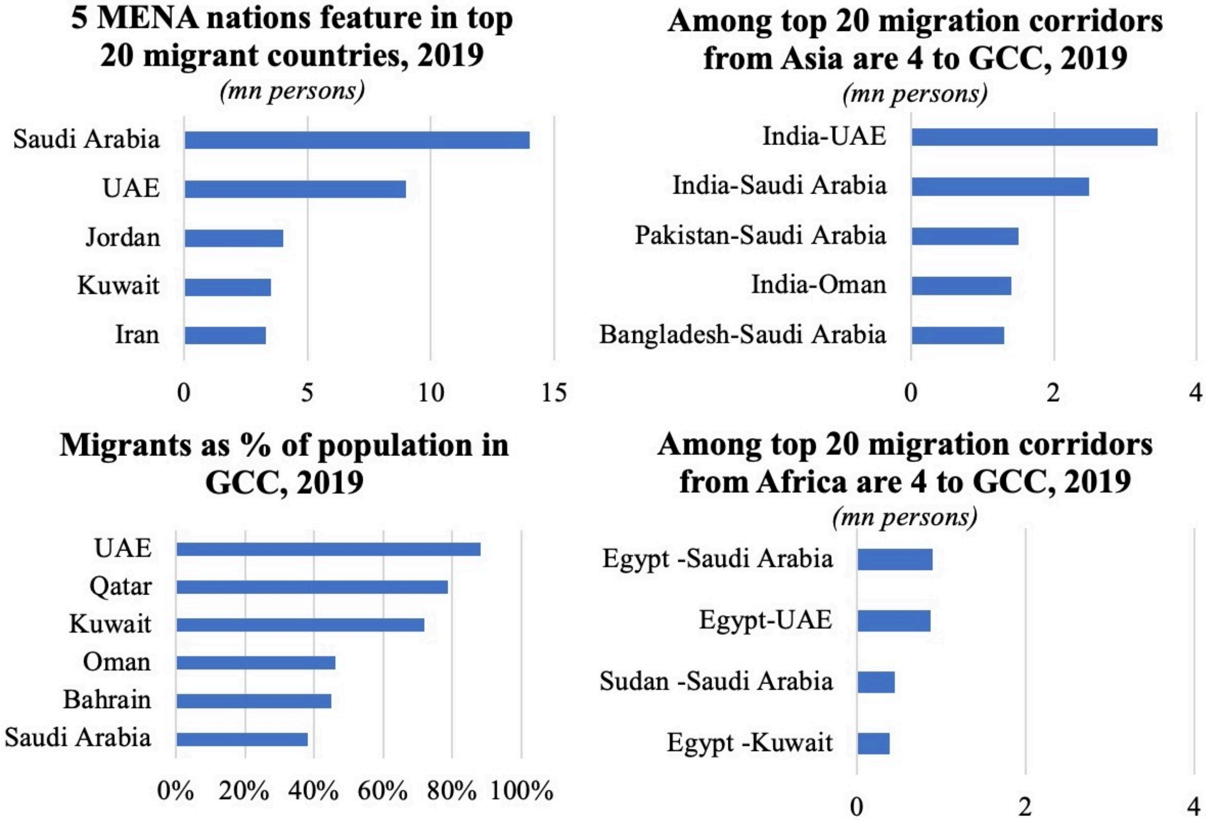
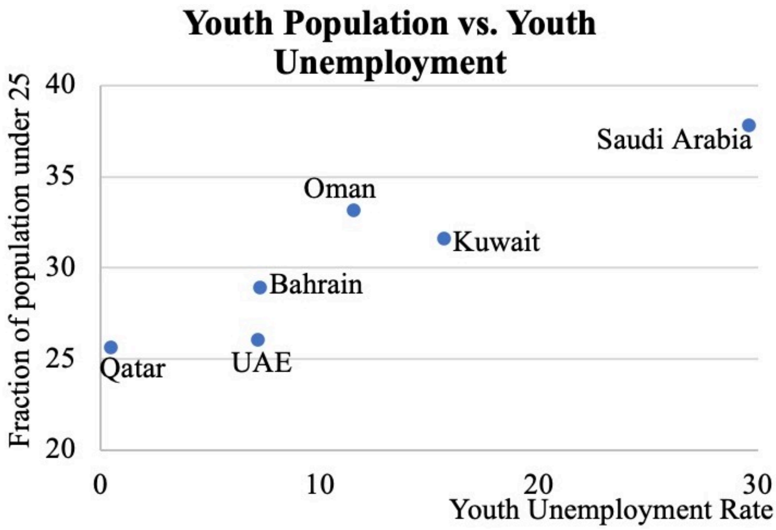


Source: World Migration report, UN DESA International Migrant Stock 2019
Charts created by Nasser Saidi & Associates.

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?**



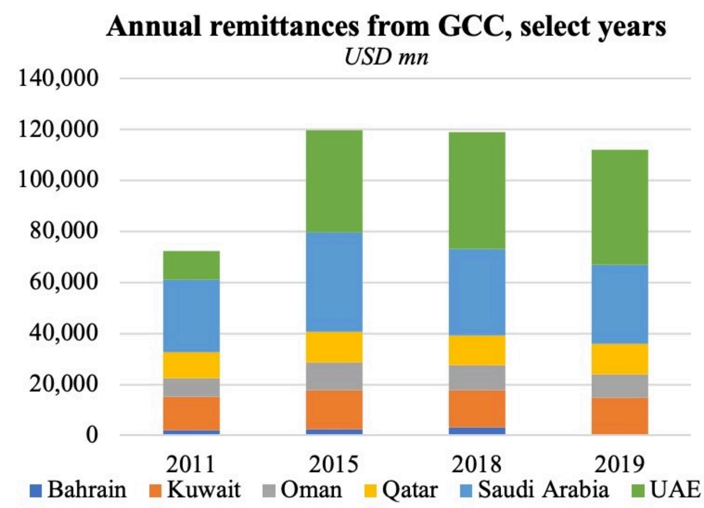
Source: World Bank, UN
Chart created by Nasser Saidi & Associates.

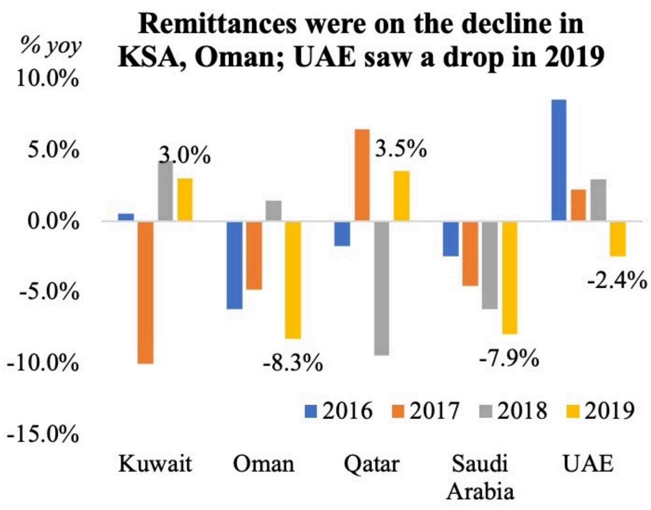
This pressure is building up in nations with high shares of population under the age of 25. Depending on labour force participation rates, the **IMF estimates that the GCC labour force could grow by an additional 2.5mn nationals by 2025.** While similar numbers are more intense in the labour-exporting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

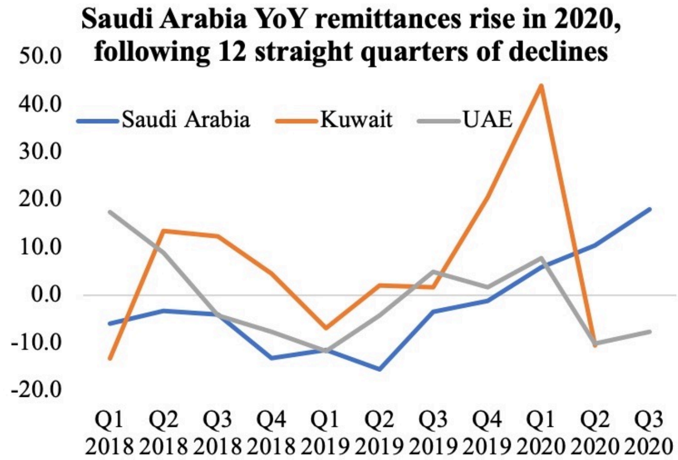


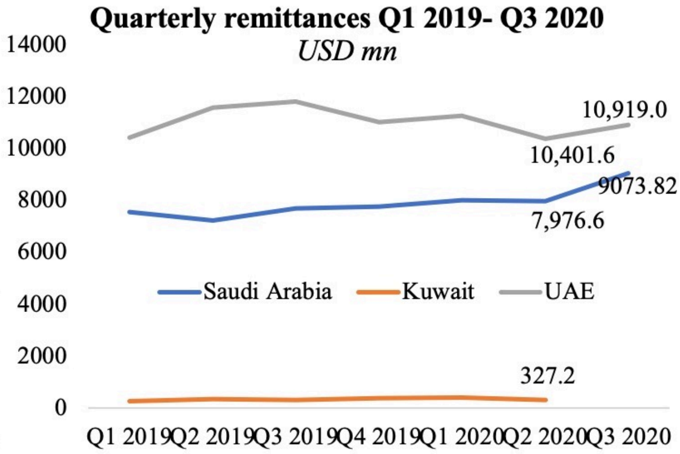


Source: Remittances database, World Bank; Charts created by Nasser Saidi & Associates.

According to the World Bank, **outward remittances from the GCC**

touched USD 112bn in 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 schemeswould 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.

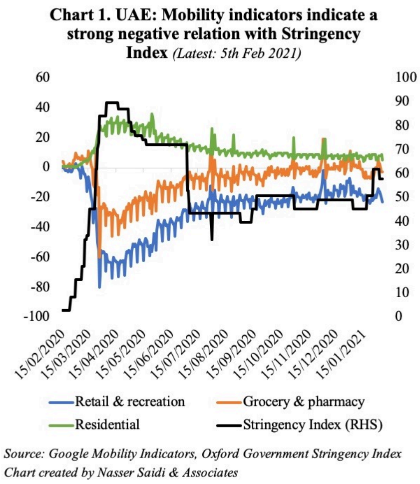
The UAE has seen a surge in Covid19 cases recently, touching a high of 3,977 new cases on Feb 3rd from just under 1,000 new cases on 27th of Dec and settling around a 7-day average of 331.55 new confirmed cases per million persons (latest available). As the cases ticked up, the UAE has re-introduced 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).

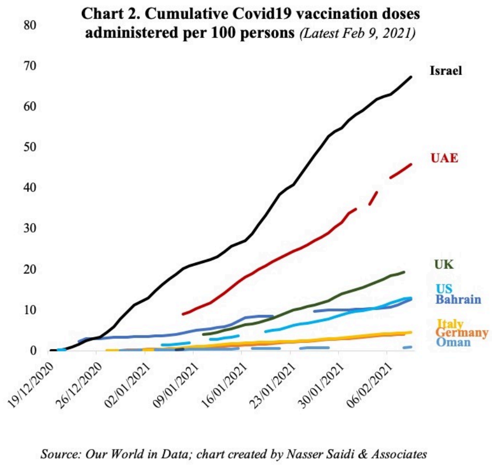
The Vaccination Drive

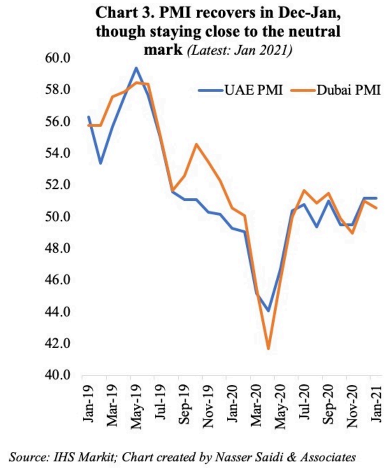
On the other hand, the UAE is also ramping up its vaccination drive since mid-Dec and is currently a global leader (second to Israel) having administered 45.77 vaccine doses per 100 people (as of 9th Feb, Chart 2). With 4 vaccines being expended currently – Sinopharm, Pfizer-BioNTech, AstraZeneca and 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.







With the vaccination 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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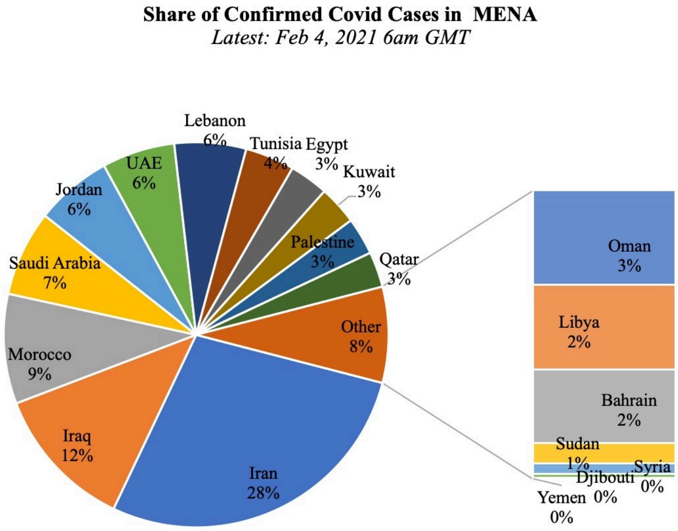
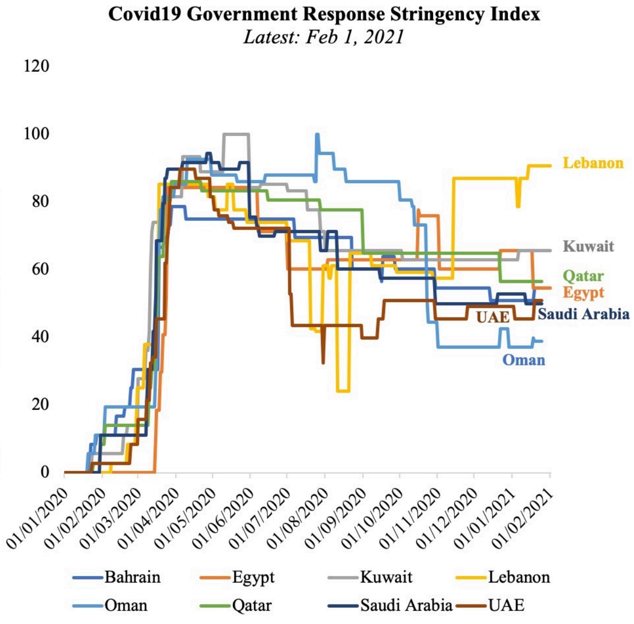
Weekly Insights 4 Feb 2021: A Covid19 Balancing Act – Cases, Vaccinations & Economic Activity

Download a PDF copy of this week's insight piece here.

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)



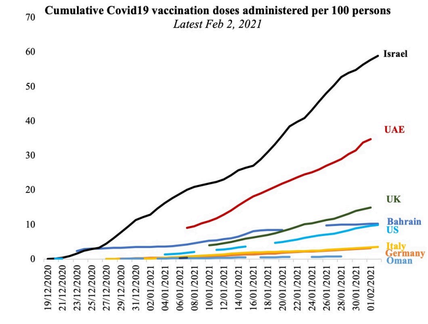


Source: John Hopkins University (https://coronavirus.jhu.edu/map.html), Oxford COVID-19 Government Response Tracker from Blavatnik School of Government – Our World in Data (https://ourworldindata.org/grapher/covid-stringency-index);

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)



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

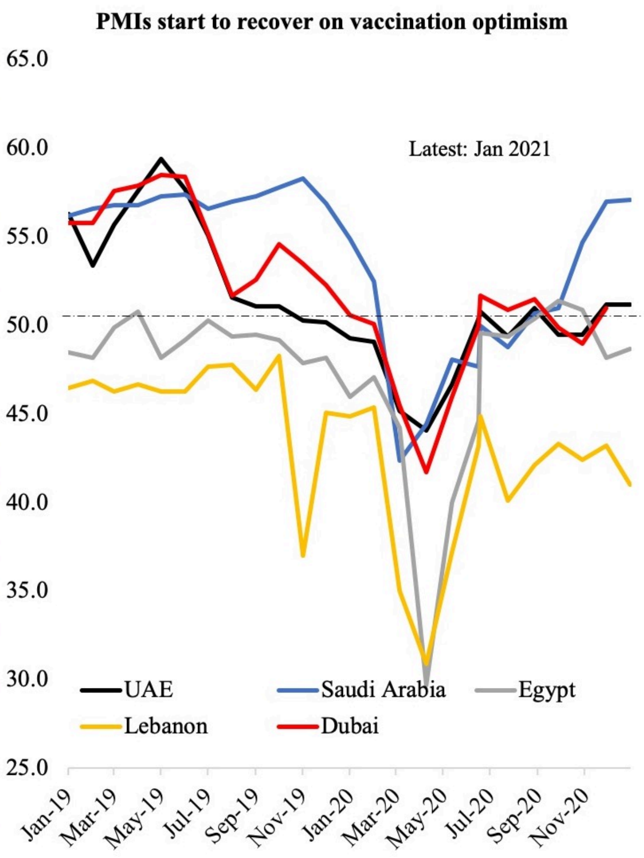
- **Focus has shifted to vaccination drive**s, with almost all GCC nations receiving a combination of supplies including Pfizer, Moderna, AstraZeneca, Sinopharm and Sputnik V vaccines
- **UAE** has administered a **total 34.8 vaccination doses per 100 people**, behind only Israel (58.8) globally
- In 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

Heatmap of non-oil private sector PMIs

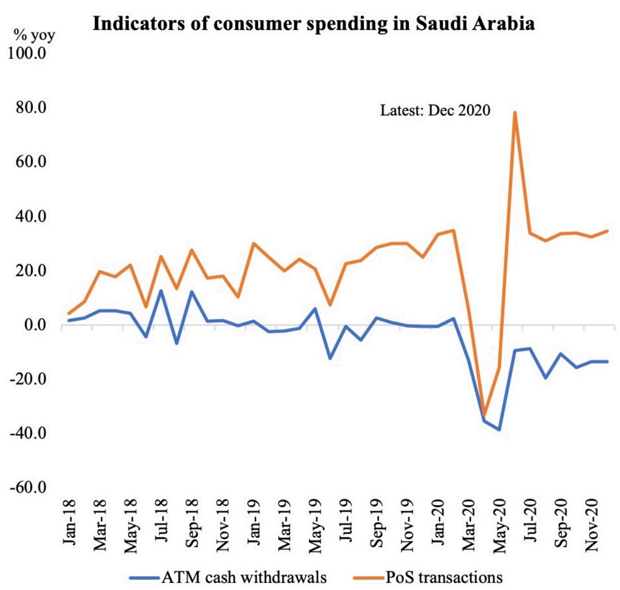
	UAE	Saudi Arabia	Egypt	Lebanon	Dubai
Jan-19	56.3	56.2	48.5	46.5	55.8
Feb-19	53.4	56.6	48.2	46.9	55.8
Mar-19	55.7	56.8	49.9	46.3	57.6
Apr-19	57.6	56.8	50.8	46.7	57.9
May-19	59.4	57.3	48.2	46.3	58.5
Jun-19	57.7	57.4	49.2	46.3	58.4
Jul-19	55.1	56.6	50.3	47.7	55.2
Aug-19	51.6	57.0	49.4	47.8	51.7
Sep-19	51.1	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
Nov-20	49.5	54.7	50.9	42.4	49.0
Dec-20	51.2	57.0	48.2	43.2	51.0
Jan-21	51.2	57.1	48.7	41.0	

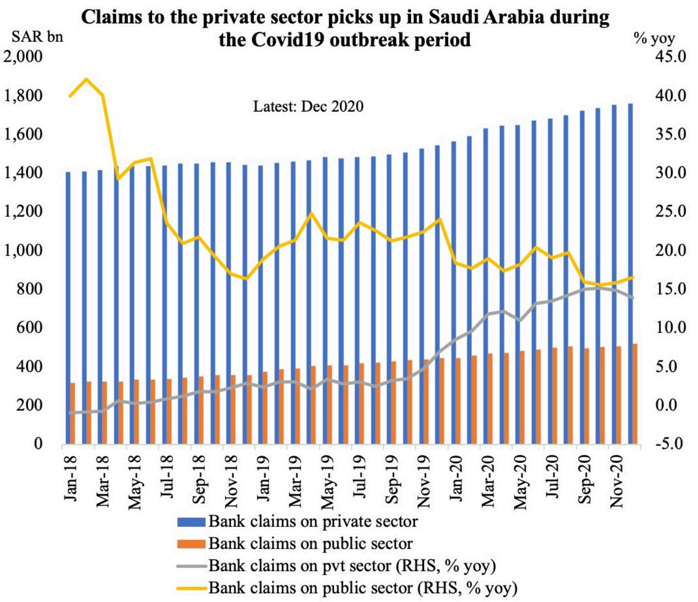


Source: Refinitiv Datastream, Nasser Saidi & Associates.

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

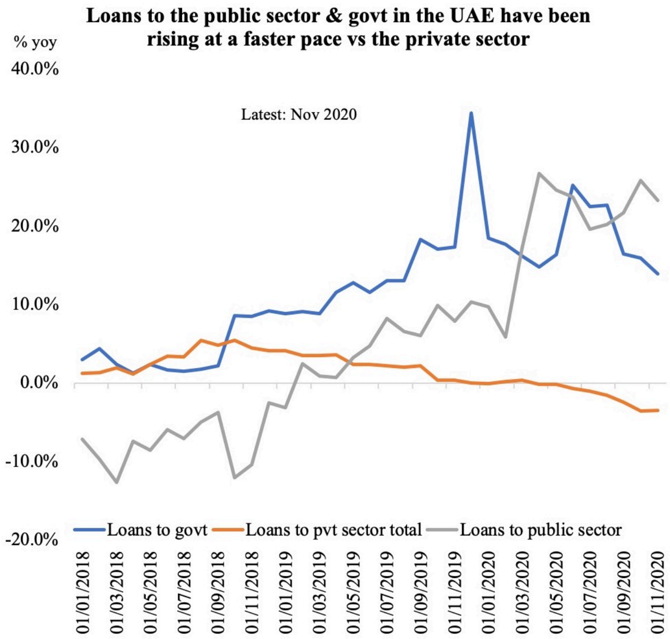


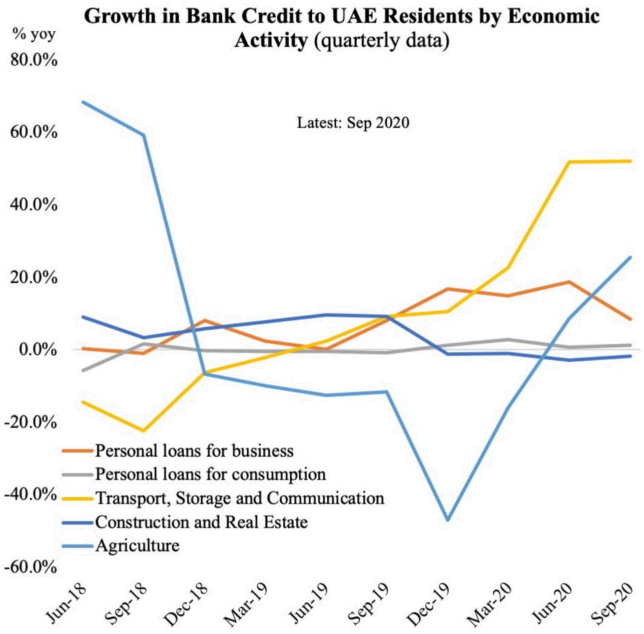


Source: Saudi Central Bank (SAMA), Refinitiv Eikon, Nasser Saidi & Associates.

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%).





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

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Weekly Insights 28 Jan 2021

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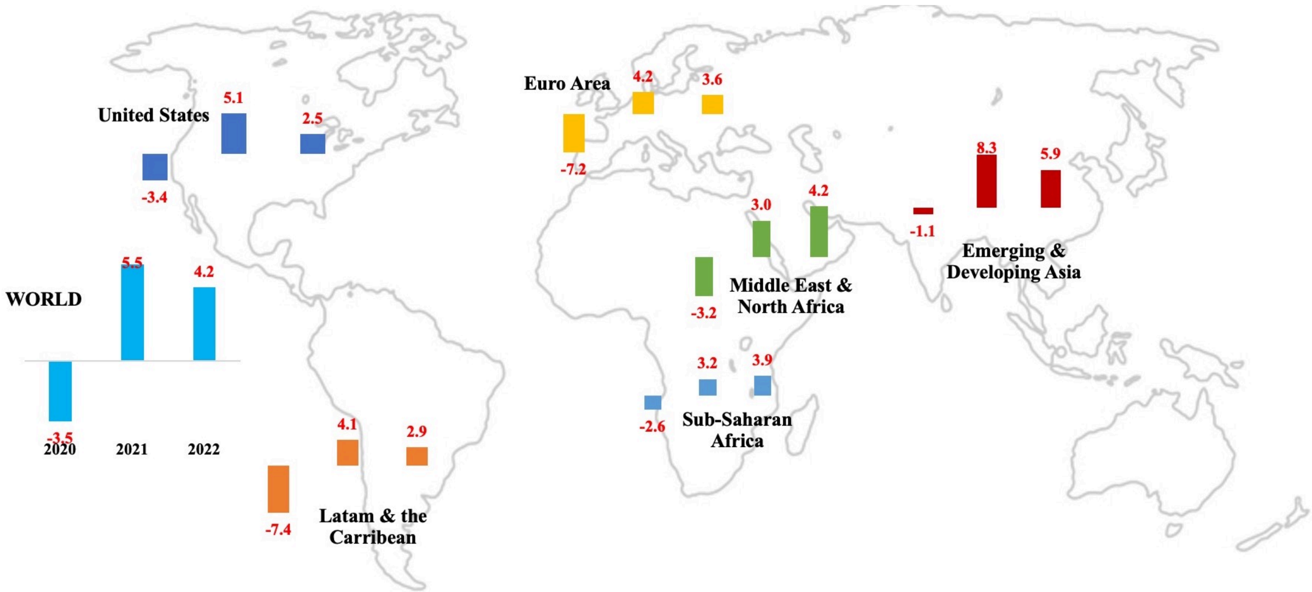
1. Global Recovery in 2021, albeit divergent & uncertain

The IMF, in its latest World Economic Outlook update, forecasts global recovery at 5.5% this year and 4.2% in 2022, from a contraction of 3.5% in 2020. There is a divergence in recovery: advanced nations, where growth plunged by 4.9% last year, will recover at a slower 4.3% while emerging markets recover at a faster 6.3% in 2021 (2020: -2.4%). Much of the emerging market recovery is thanks to the effective containment of Covid19 in China and many of the South-east Asian nations. The growth estimates are based on continuing policy support (and its effectiveness) and roll-out of vaccines (though its pace and logistics issues are identified as a concern) and "supportive financial conditions" (thanks to major central banks' maintaining current policy rates through to 2022).

While over 150 economies are expected to have their per capita incomes below the 2019 levels in 2021, the projected cumulative output loss over 2020–2025 is forecast to be USD 22trn (relative to the pre-pandemic projections).

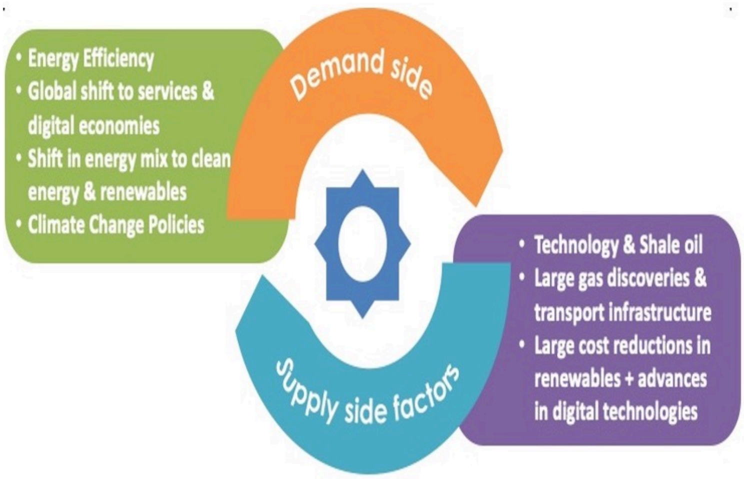
Fig 1. Global economic growth set to recover by 5.5% this year



Source: IMF World Economic Outlook, Jan 2021

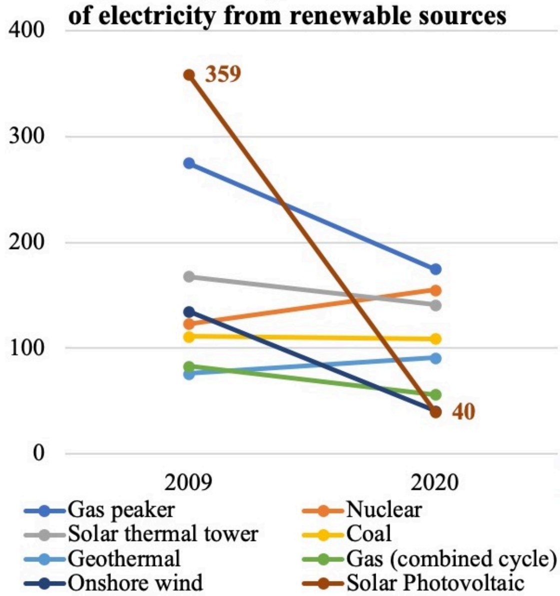
The **slowest pace of recovery among the regions is in the Middle East** (+3% growth this year), a result of the shocks from both Covid19 and lower oil prices. The average price of oil last year was USD 41.29 (simple average of Brent, Dubai Fateh and WTI) and this is estimated to rebound by 21.2% yoy to USD 50.03 this year. As Covid19 cases surge globally, leading to newer restrictions/ lockdowns, the demand for oil is likely to stay subdued: consequently, OPEC+ monthly meetings are unlikely to result in production increases anytime soon. Even if vaccines are distributed quicker-than-expected, resulting in an increase in economic activity earlier than anticipated, there are multiple other factors that are **likely to keep oil prices within the USD 50-55 mark** (Figure 2).

Fig 2. Demand and supply-side factors affecting oil prices



Source: Nasser Saidi & Associates

Fig 3. Plunge in global levelised cost of electricity from renewable sources

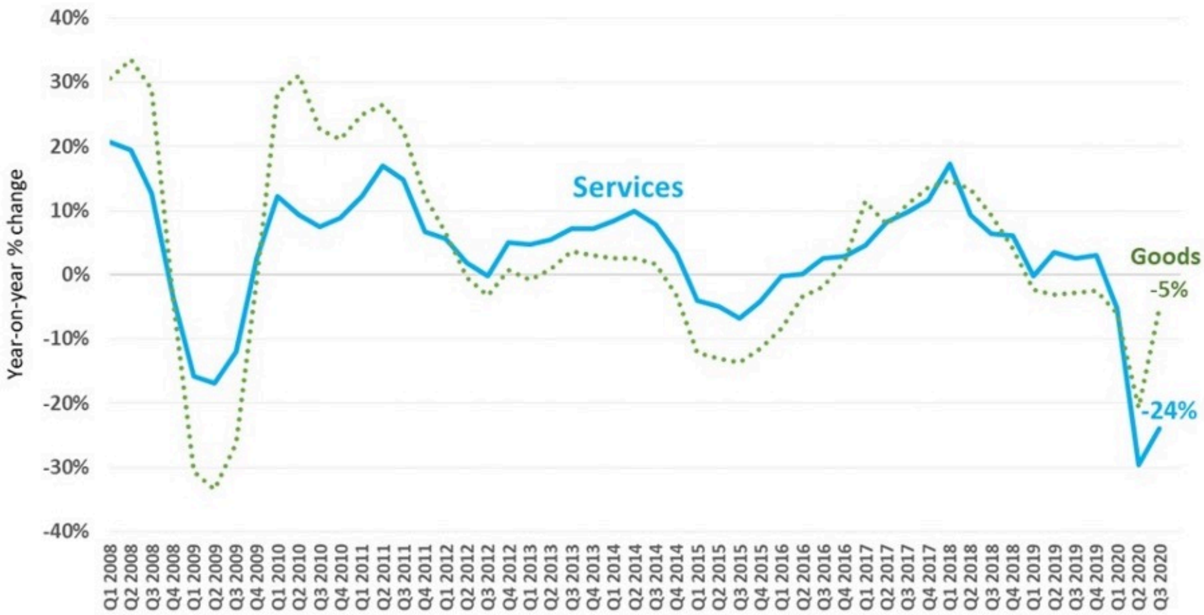


Source: Lazard Levelized Cost of Energy Analysis 2020; Chart created by Nasser Saidi & Associates

In addition to lower demand due to Covid19 restrictions, growing awareness of climate change risks (& related policy changes) and energy efficiency policies will also affect the **demand for oil**. **On the supply side**, technological innovation and rapidly falling costs for solar and wind power has made renewables more competitive. Figure 3 shows the plunge in price of electricity from renewable sources: onshore wind fell by 70% to USD 41 last year from USD 135 in 2009; the dive in solar PV was more eye-popping – it fell by a massive 89% to USD 40 last year from USD 359 in 2009.

2. Services trade continues to drag

Fig 4. Goods trade rebounds at a much faster pace than services trade



Source: WTO, Jan 2021

The WTO, in its latest report on **services trade**, highlights that the **recovery has been slow**: the decline in global services trade eased to a 24% yoy decline in Q3, from the 30% drop posted in Q2. This compares to the goods trade recovery which was down by just 5% yoy in Q3. **Sector-wise, unsurprisingly, travel is the most affected**, down by 68% yoy while among “other services”, computer, insurance and financial services increased in Q3 (+9%, 3% and 2% respectively). Global PMI indicators also suggest that economic recovery is driven by manufacturing vis-à-vis services: in Dec, output across manufacturing sector outperformed the services sector for the 6^{th} straight month. Within the services index, respondents expect growth in future activity though optimism levels waned towards the end of last year.

3. Labour market recovery in 2021?

A key sub-indicator within PMI is employment – one of the main components dragging down the headline index. According to the ILO, about **8.8% of global working hours were lost for the whole of last year** (relative to Q4 2019), roughly equivalent to 255mn full-time jobs. To put this in perspective, this was **four times more than what was lost in the 2009 financial**

crisis period. In turn, labour income witnessed a decline of 8.3% – equivalent to USD 3.7trn or 4.4% of GDP!

In the Arab states, total estimated decline in working hours was 9% versus the global loss of 8.8% (Figure 5 below). However, these are ILO's own estimates, as no labour force surveys were available for any country in the region during this time. According to these estimates, Iraq and Saudi Arabia registered losses of 8.3% and 10.8% respectively.

Fig 5. Quarterly & annual estimates of working hour losses, world vs. Arab states

	Percentage of working hours lost (%) vs pre-crisis quarter Q4 2019					**Equivalent number of full-time jobs (48 hrs/week) lost (mns)**				
	Q1 2020	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2020**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2020**
World	5.2	18.2	7.2	4.6	8.8	150	525	205	130	255
Arab states	3.3	18.8	9.4	4.7	9.0	2.0	10.0	5.0	2.0	5.0

Source: ILO Monitor: COVID-19 and the world of work, seventh edition, Jan 2021

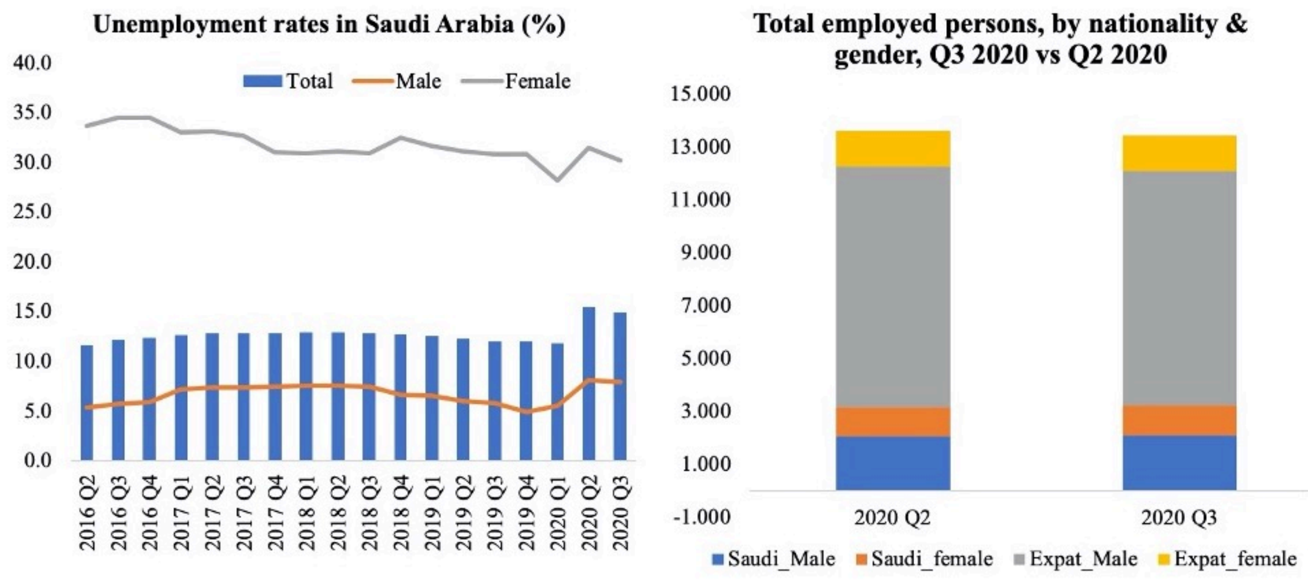
Recovery is expected in 2021 as mobility restrictions are lifted and vaccine roll-out leads to a slow return of business/economic activity. With young persons and women as well as the informal sector and low-skilled workers more affected than the rest during the Covid19 period, it is imperative to target the return of these groups into the labour market. Without this, the outlook will be more inequality and instability (remember that youth unemployment was one of the factors leading up to the Arab Spring 10 years ago) in the most affected nations. As it stands, the IMF estimates that close to 90mn persons are likely to fall below the extreme poverty threshold during 2020–21.

4. Employment in Saudi Arabia

Separate data releases from Saudi Arabia give us an insight into employment trends in the country, which can be explained by a combination of Covid19, travel restrictions and Saudization policies:

- **Unemployment in Saudi Arabia dropped** to 14.9% in Q3 from 15.4% the previous quarter, though higher than Q1's 11.8%. The **gap between male and female unemployment remained significant**, with the former at 7.9% and latter at 30.2%.
- The most recent labour force survey shows that the **number of expats working in the country fell by 257,170 (qoq) to 10.2mn in Q3** while citizens grew by 81.9k to 3.25mn. Expat males account for two-thirds of the workforce versus Saudi males and females at 15.6% and 8.6% respectively in Q3.
- There was a **58% yoy decline in work visas** issued to expats to 611,185 in Jan-Sep 2020.

Fig 6. Labour force indicators in Saudi Arabia



Source: Labour market survey Q3 2020, GaStat. Charts created by Nasser Saidi & Associates

While on the one hand, the country has an aim to support female employment (an objective within the Vision 2030 document is to raise women's participation to 30% by 2030), there seems to be a major disconnect: female employment in the private sector is less than 10% of total, and the additional hurdles – like costs of employing women (separate floors/ work areas from the male counterparts), social customs, technical skills (focus on degrees in education, humanities) – may be putting off prospective employers.

Independently, the **Public Investment Fund (PIF) disclosed that it had generated over 331k jobs in the past 4 years** either directly or indirectly through its investment policies. The PIF's recent commitment to not only invest USD 40bn every year for the next five years but also create close to 1.8mn jobs by end-2025 will support the economy going forward.

According to UNCTAD's latest "Investment trends Monitor", **FDI into Saudi Arabia increased by 4% yoy to an estimated USD 4.7bn last year** – this is in spite of the 42% drop in global FDI flows (with further weakness expected in 2021) and the 24% decline in flows to West Asia. With various ongoing projects related to Vision 2030 and megaprojects in NEOM, as well as the revamp of over 200 FDI regulations, the Kingdom's ability to woo investors is explicable: Egypt, India and the UK were the most active investors in the country. Care must be taken to **attract FDI into more job-creating sectors** than the oil & gas sector (which is more capital intensive). Given the country's commitment to support clean/renewable energy, it is pertinent to **focus on the creation of green jobs, thereby leading to sustainable economic recovery.**

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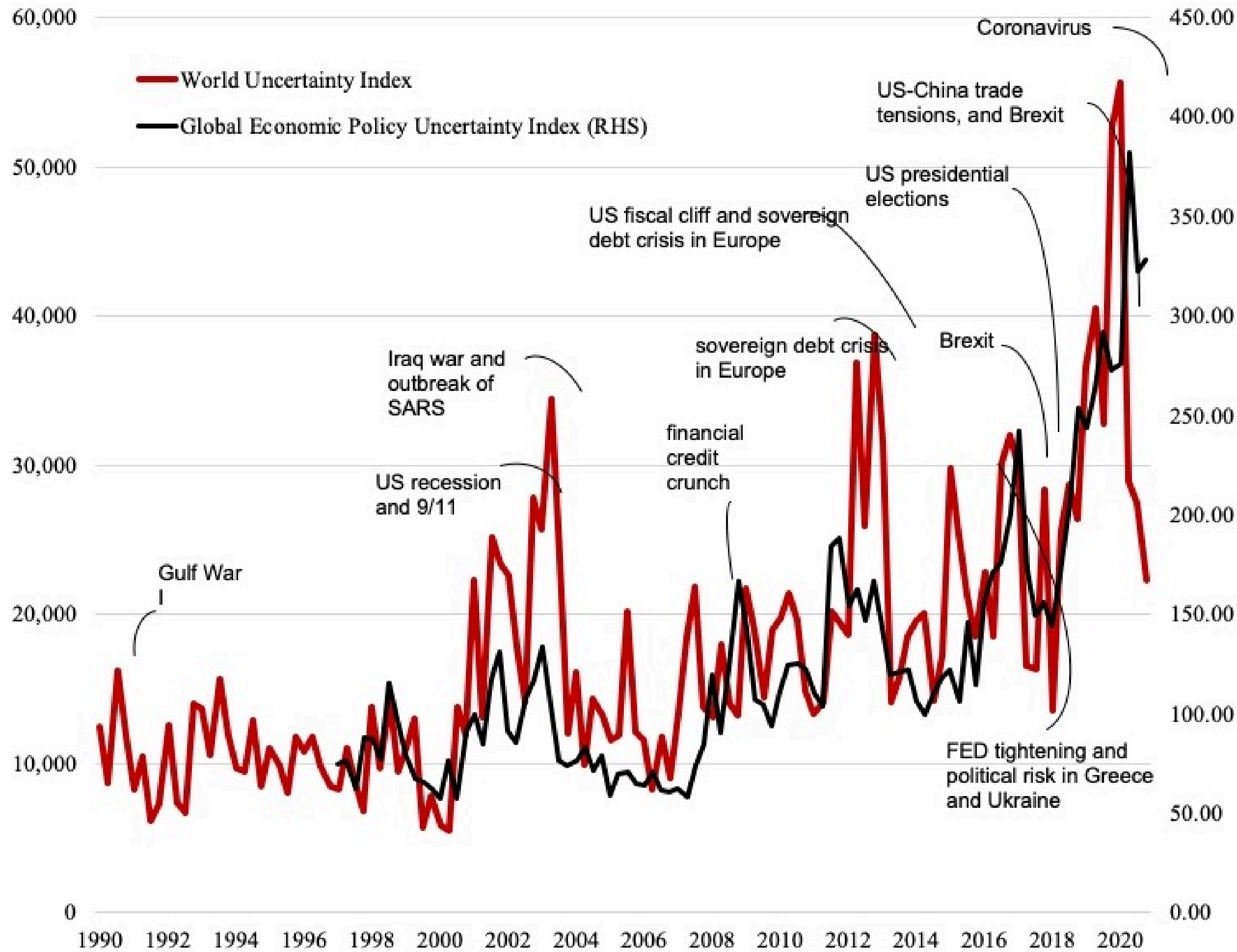
Weekly Insights 21 Jan 2021:

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



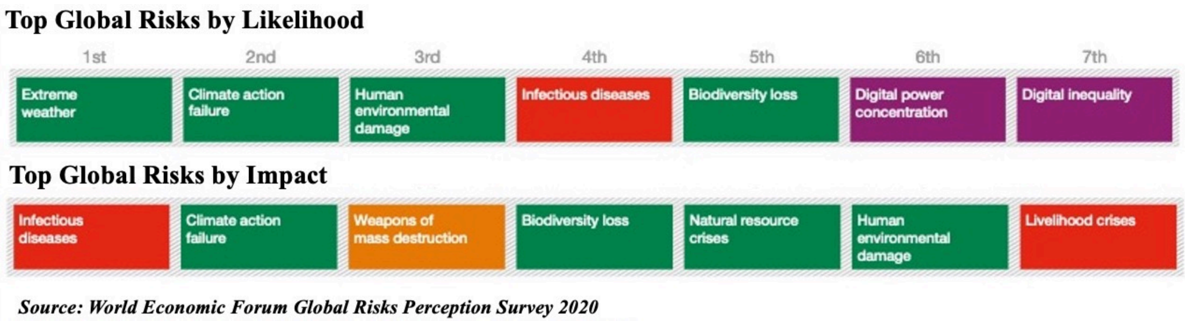
Source: https://www.policyuncertainty.com/global_monthly.html; https://worlduncertaintyindex.com/
Note: Ahir, H, N Bloom, and D Furceri (2018), "World Uncertainty Index", Stanford mimeo

- 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

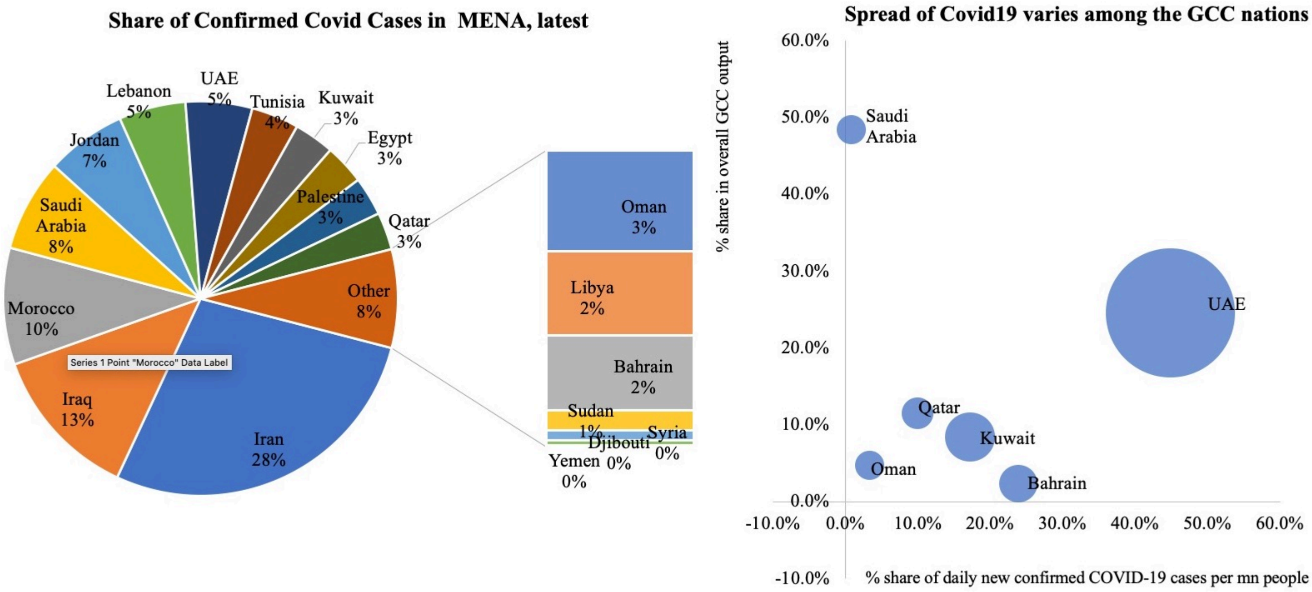
- The World Economic Forum's Global Risks Report 2021 perceives higher risks from environmental categories with extreme weather, climate action failure & human environmental damage taking the top 3 spots
- With spillover effects from the Covid19 outbreak likely to continue this year and possibly next,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



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

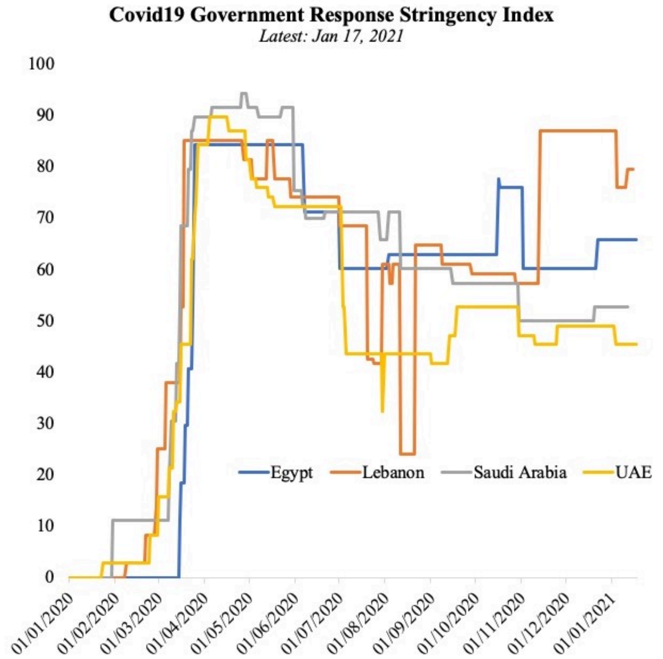
- Among the GCC nations, Saudi Arabia accounts for the largest share of cases, while UAE’s share of daily confirmed cases per mn persons is highest (the size of the bubble indicates the 7-day average of daily increase in cases). A concerted vaccination effort ongoing in most of the GCC nations offer a glimmer of optimism

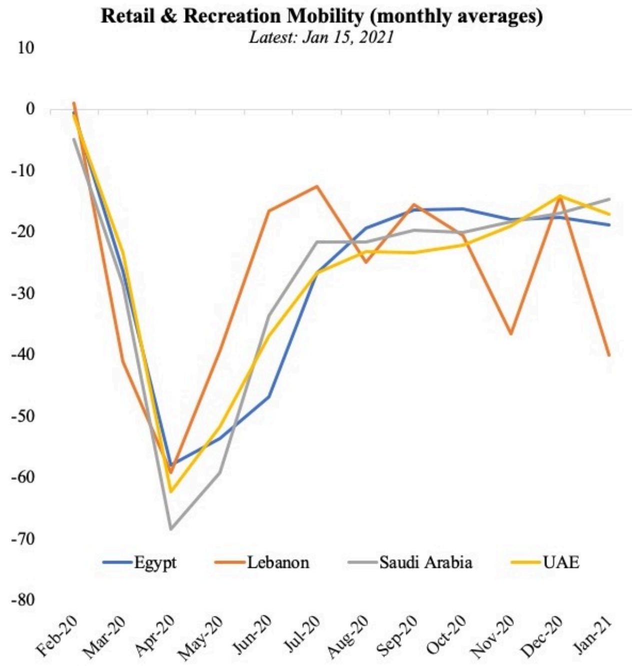


Source: Our World in Data, IMF, Nasser Saidi & Associates. Note: The size of the bubble indicates the 7-day average of daily increase in cases

4. Greater the restrictions, larger the drop in mobility; recovery in Saudi

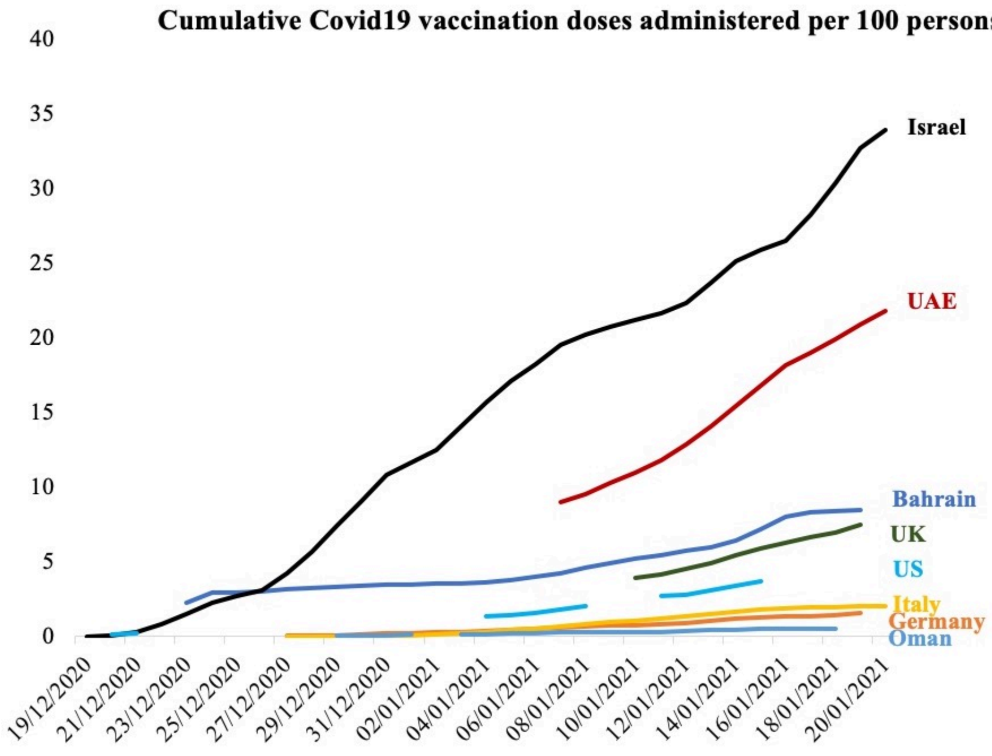
- With cases rising at a faster rate in the recent weeks, some economies in the Middle East have enforced restrictions recently: Lebanon’s lockdown has resulted in an uptick in the Stringency Index while UAE remains one of the most open (least stringent) in the region
- Mobility (retail and recreation) 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





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.

5.Vaccination Drives Raise Hope for Recovery in 2021



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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"Is a New GCC Emerging? A Geo-Eco-Political Outlook", Closing Keynote at the Bonds,

Loans & Sukuk Middle East conference, 26 Mar 2019

Dr. Nasser Saidi was invited to present the closing keynote at the Bonds, Loans & Sukuk Middle East conference held in Dubai on 26th March, 2019.

Titled “Is a New GCC Emerging? A Geo-Eco-Political Outlook“, the presentation covered the regional geo-economic & political outlook, while also shedding light on the key risks (including the oil market). It looks in-depth at the performance of the GCC, its diversification policies, also outlining the steps needed to support private sector businesses and activity.

The presentation ends with a “bucket list” for economic policy and reform for the GCC, while providing a best, base, and worst case scenario for the region.