

Weekly Insights, 1 Apr 2021

**Reforms ramping up as GCC nations
plan recovery in a post-Covid world**

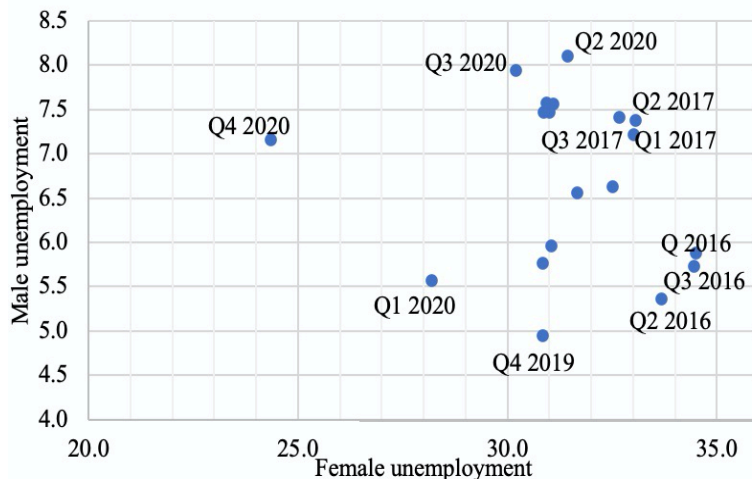
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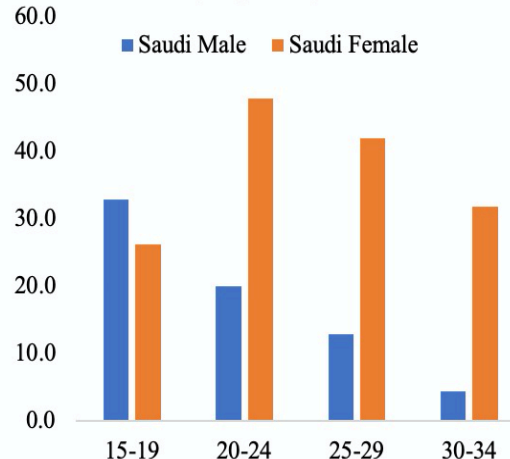
Saudi Arabia's Shareek investment package to jumpstart the economy

- **The Shareek strategy (SAR 27trn stimulus over the coming decade) aims to jumpstart and shift expenditure patterns post-Covid** by emphasizing investment vs consumption spending (incl. govt current spending), while implementing diversification. As proposed, the plan should be **strongly supportive of non-oil growth, increase overall productivity growth and lead to job creation.**
- **Jobs are one of the biggest concerns for the country: female unemployment** was running close to 50% for the 20-24 age group in Q3 & close to 30% for males in the same age group. It has come off highs earlier in 2020, but remains one of the highest in the region
- **FDI has improved massively from the fall to USD 1.4bn (0.2% of GDP) in 2017; according to the Saudi Central Bank's estimates, overall FDI reached USD 5.49bn in 2020 (+20% yoy, still below 1% of GDP).**
- **Saudi Arabia has been aggressively courting foreign investors:** revamped over half of the 400 FDI regulations, introduced new laws (e.g. bankruptcy, PPP) and recently stated that presence of firms' regional HQs in Saudi would become a necessary condition to bid for government contracts.
- **FDI inflows would be directed away from oil & gas into more job creating & higher value-added sectors** (e.g. renewable energy and clean tech, 'clean' petrochemicals, desert agriculture & AgriTech, digital economy). Potentially, this revival of investment and a successful program could attract back a fraction of Saudi private wealth held offshore (estimated at 56% of GDP).

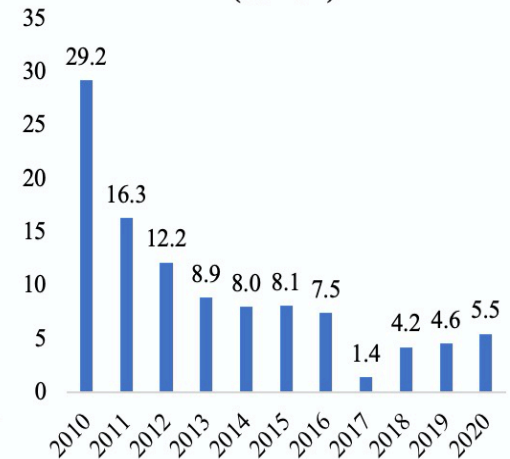
Drop in Saudi unemployment rates following the sharp rise in Q2 2020

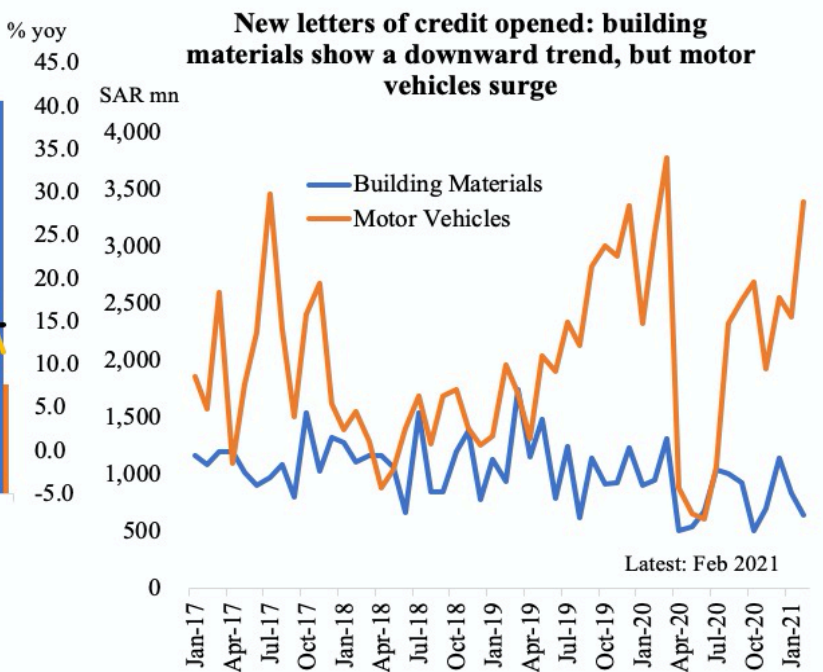
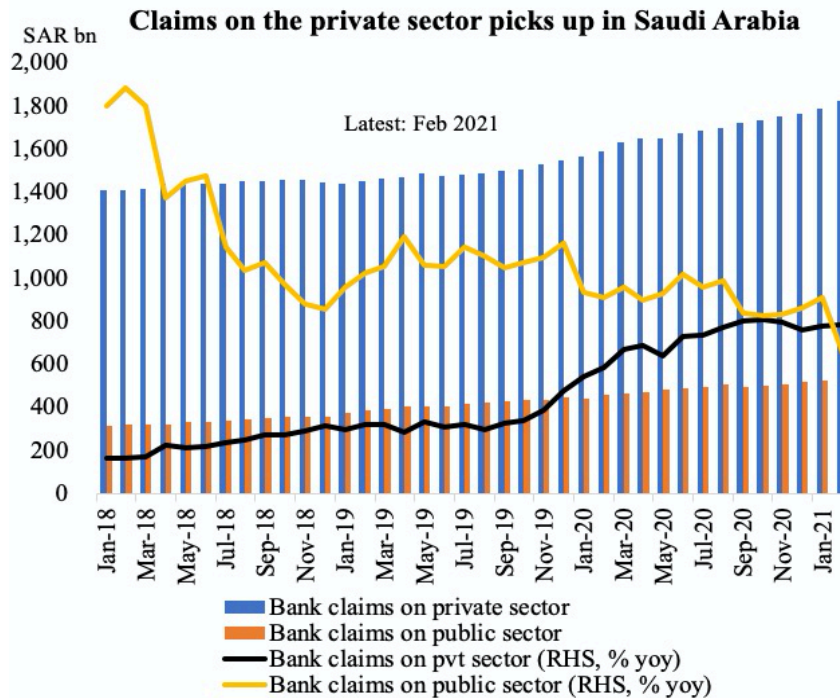
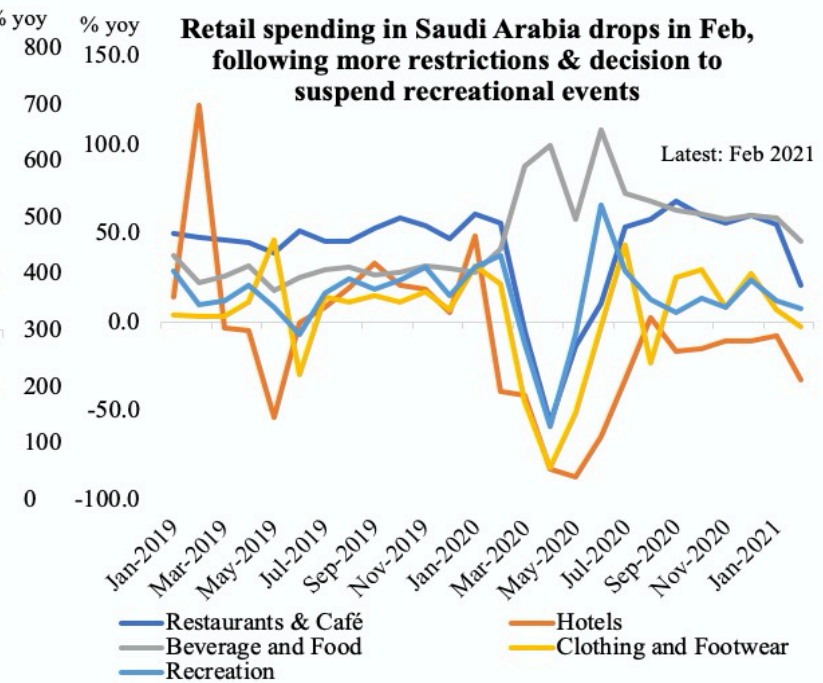
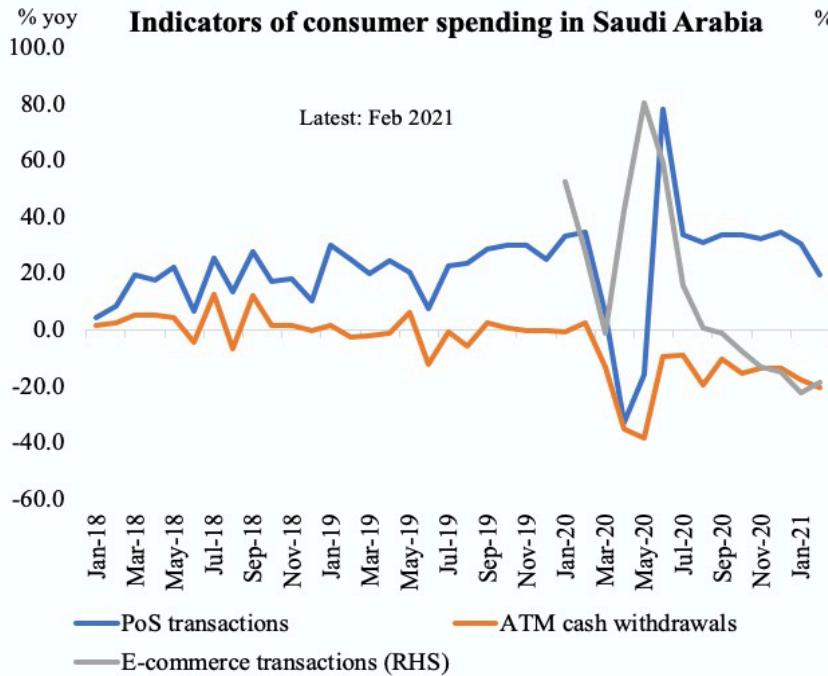


Youth unemployment rates remains very high in Q4 2020



FDI inflows into Saudi Arabia (USD bn)



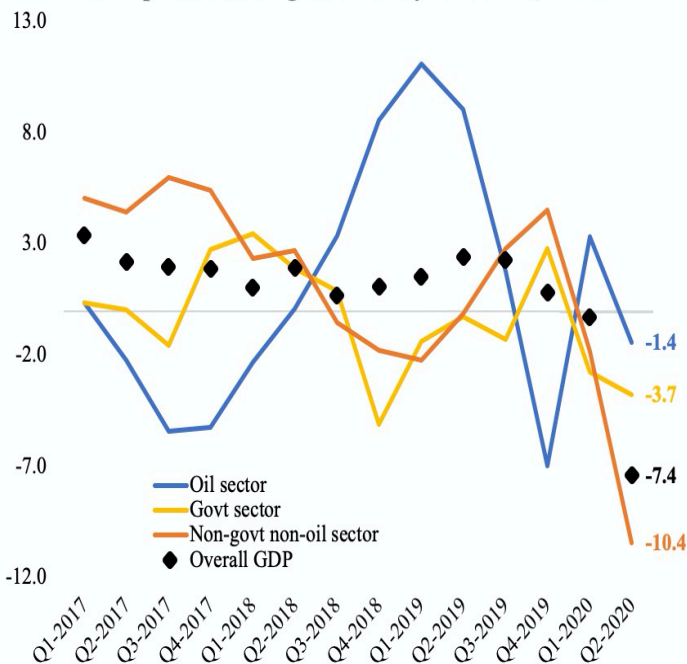


Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

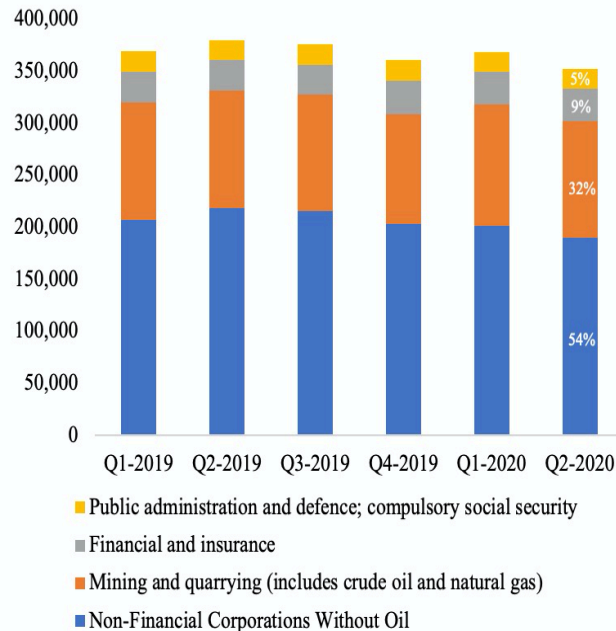
Overall GDP in UAE contracted by 7.4% yoy in Q2 2020; recovery expected in H2

- **New data: Non-oil GDP fell by 9.9% in Q2 2020**, following a 1.9% decline in the previous quarter. **Finance and insurance was the lone sub-sector to post growth in Q2.**
- Stringency was the highest and mobility lowest in Q2. **Mobility data** shows improved activity in H2 of 2020, which bodes well for GDP. UAE's PMI, which averaged 50.2 in H2 2020 (vs 47.1 in Q2 and 47.5 in H1), also **indicates a faster recovery in H2.** Faster vaccination rollout and the Expo later this year will result in increased consumer and business confidence.
- **With an aim to grow faster in the post-Covid world, the UAE has been proactively announcing reforms:** with the latest industrial strategy ("Operation 300bn"), Dubai's 5-year plan to increase trade to AED 2trn and its 2040 urban development plan alongside various incentives to attract high-skilled professionals (10-year visas, remote working visas, path to citizenship etc.)

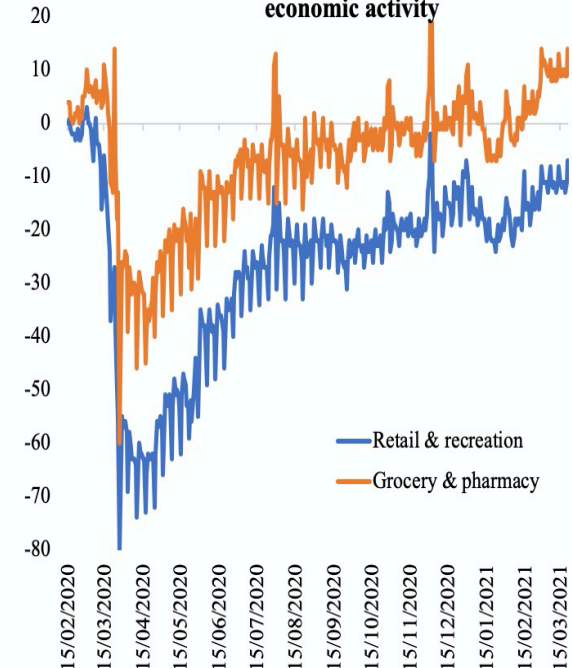
UAE private sector growth fell by 10+% in Q2 2020



Contribution of UAE's private sector to GDP stood at 54% in Q2 2020 vs 2019's avg of 57%



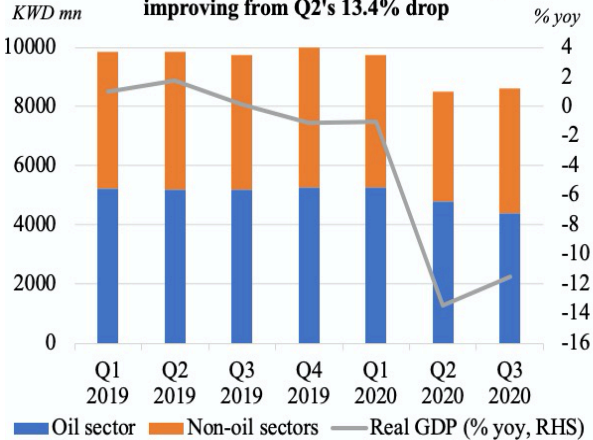
Improved mobility in H2 2020 bodes well for economic activity



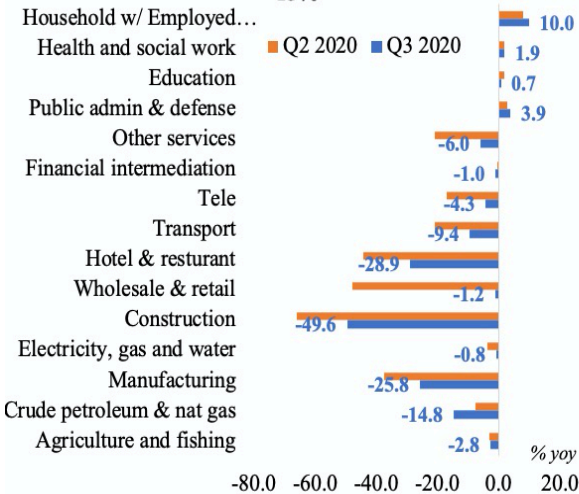
Q3 GDP data from other GCC nations suggest better quarters ahead for the UAE – the least restrictive of all

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

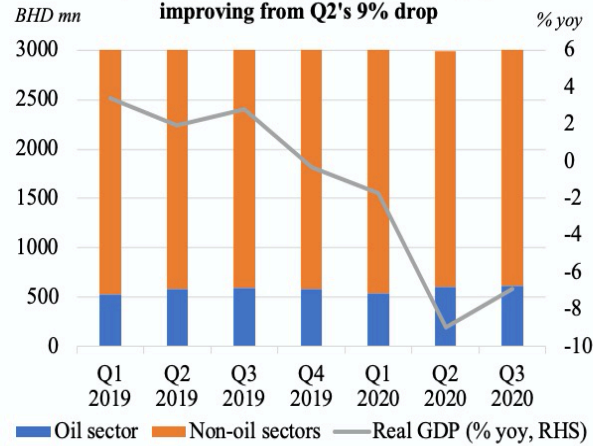
Kuwait contracted by 11.5% yoy in Q3 2020, improving from Q2's 13.4% drop



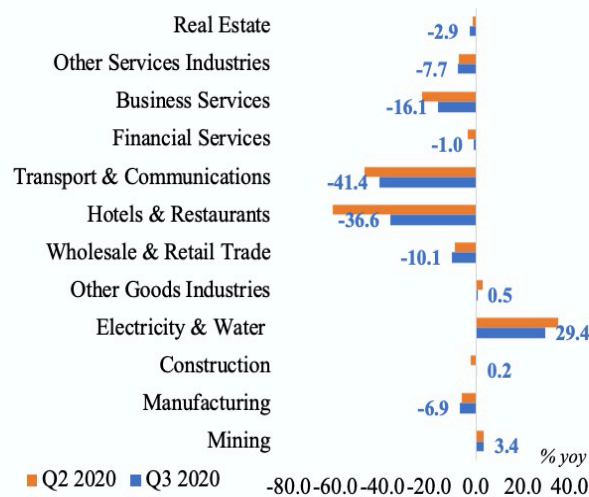
Growth rates by sector (KW): recovery underway in Q3 in all non-oil sectors; oil drops further by 15%



Bahrain contracted by 7% yoy in Q3 2020, improving from Q2's 9% drop

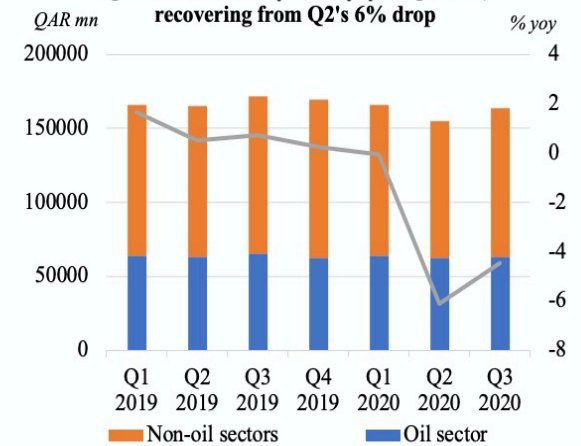


Growth rates by sector (BH): most recover in Q3; manufacturing & real estate worsen

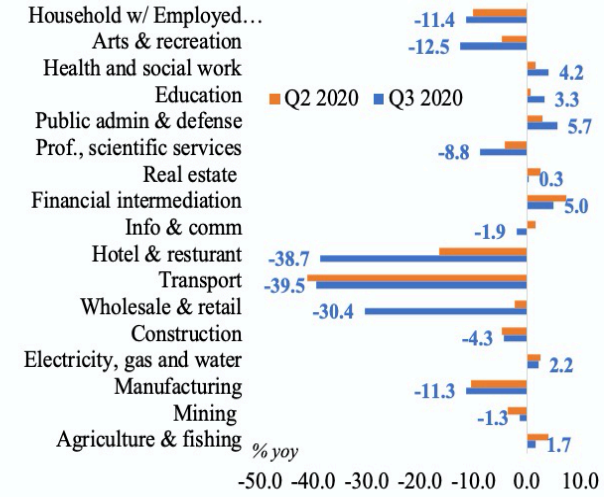


Source: Information & eGovernment Authority, Bahrain.
Charts created by Nasser Saidi & Associates

Qatar contracted by 4.4% yoy in Q3 2020, recovering from Q2's 6% drop



Growth rates by sector (QA): Manufacturing, trade and hospitality drop further in Q3



Source: Planning & Statistics Authority, Qatar.
Charts created by Nasser Saidi & Associates

Source: Central Statistical Bureau, Kuwait.
Charts created by Nasser Saidi & Associates

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