Weekly Insights
27 January 2023

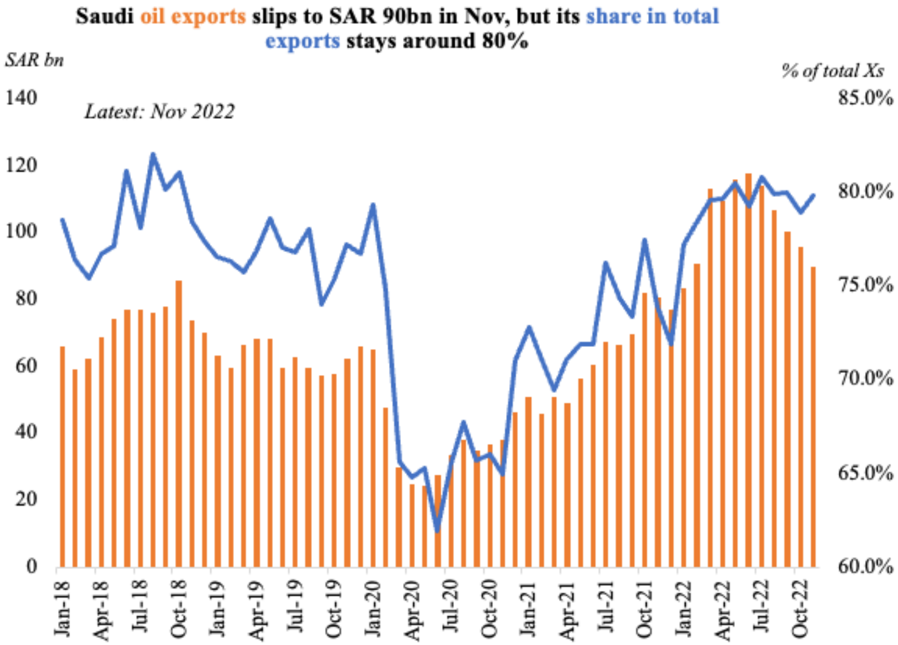
GCC nations embrace fiscal consolidation, save oil windfall

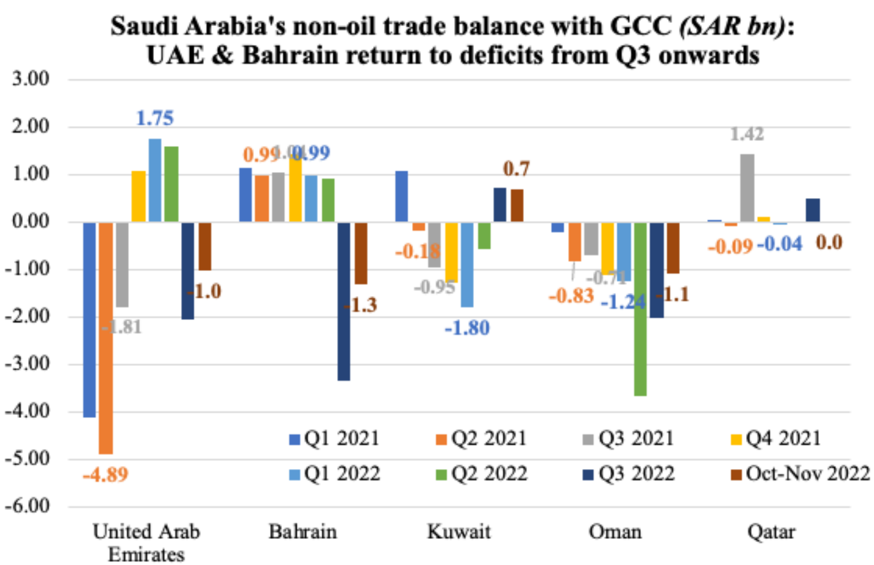
(reduced spending, tapping capital markets)

- ***Saudi oil exports eased to the lowest since Jan 2022***
- ***UAE: federal revenues increase by 36% yoy in Jan-Sep 2022***
- ***Oman: fiscal surplus of OMR 1.2bn in Jan-Oct 2022, vs deficit of OMR 1bn a year ago***
- ***Saudi Arabia to tap domestic & international markets to meet financing needs - an estimated SAR 45bn in 2023***
- ***UAE banks' investments jump in Nov; SME lending eases from 2020-21 highs***
- ***Inflation in Dubai rose to 4.67% yoy in 2022, after touching a high of 7.1% yoy in Jul***

NASSER SAIDI
& ASSOCIATES

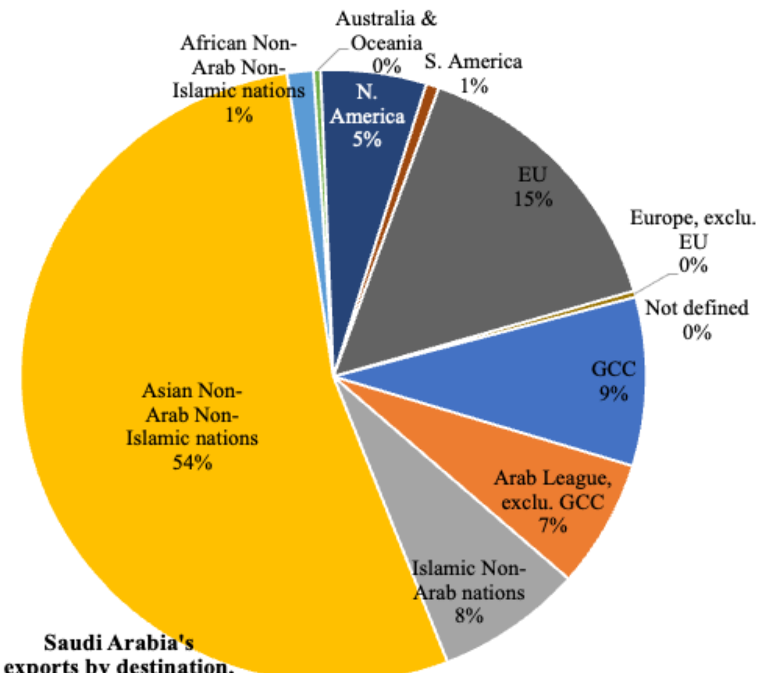
Saudi oil exports eased to the lowest since Jan 2022





Source: GaStat. Charts by Nasser Saidi & Associates

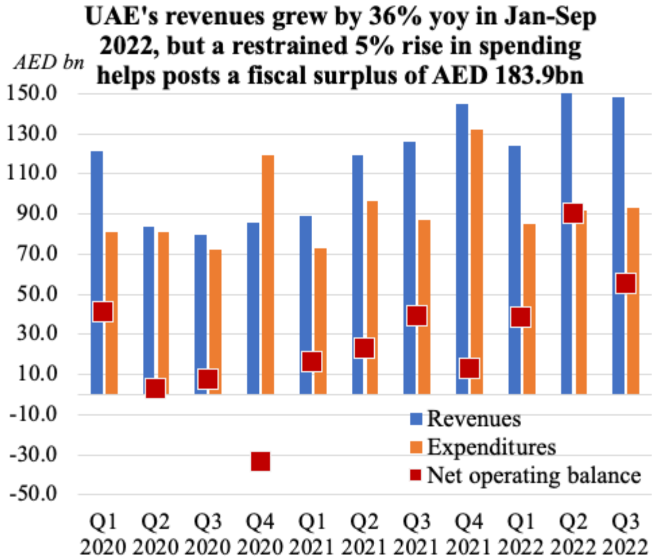
- **Oil exports from Saudi Arabia accounted for around 80% of total exports**, in Nov 2022in spite of it falling to SAR 90.0bn – the lowest since Jan 2022. Non-oil exports and re-exports were 16.7% and 3.5% of total exports respectively.
- Asia continued to be the largest destination for overall exports (54% share), dominated by oil, while **China was the largest export partner** (18.3% of total exports) followed by Japan (10%) and India (9%). **China was also the largest imports partner (23% of total imports).**
- **About 8.9% of Saudi exports were routed to the GCC nations**; non-oil trade balance with both UAE and Bahrain moved into a deficit from Q3 onwards.

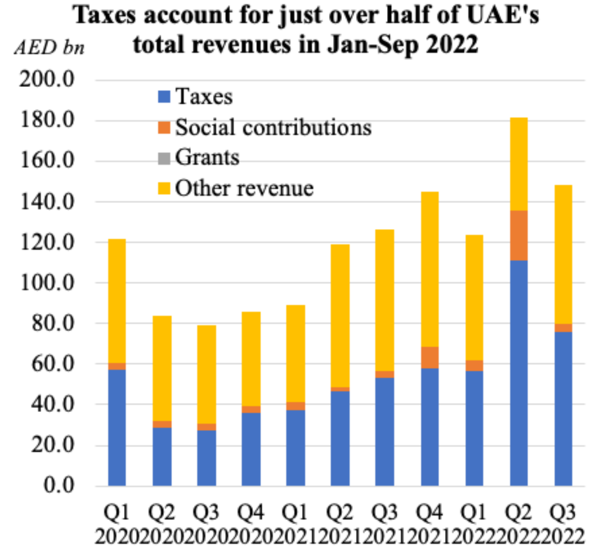


Saudi Arabia's exports by destination, Nov 2022

NS

UAE: federal revenues increased by 36% yoy in Jan-Sep 2022

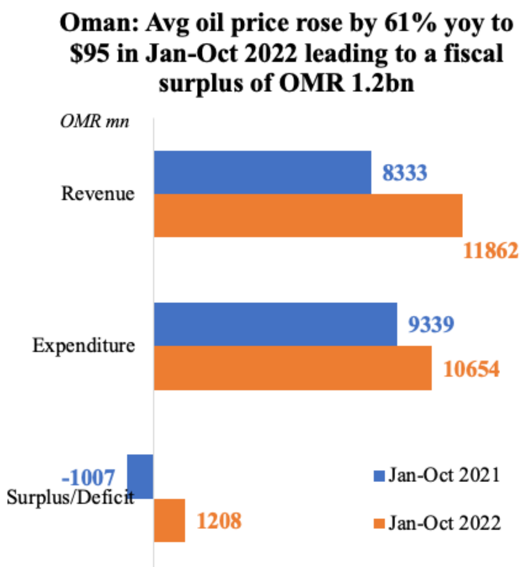


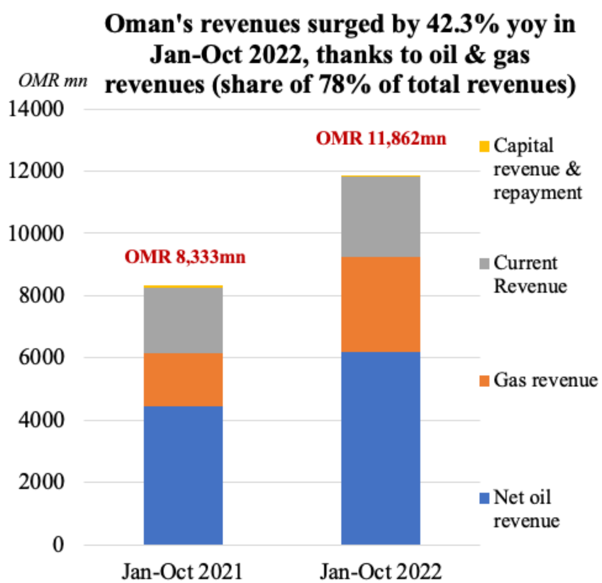


- **UAE federal revenues** rose to AED 453.7bn in Jan-Sep 2022, up 36% yoy. **Taxes surged** by 78% to AED 243.8bn in that period, or ~54% of total revenues.
- **Spending grew by 5%** to AED 269.8bn, causing the net operating balance to widen almost 2.4-times to AED 184bn.
- **Compensation of employees** (32% of total spending) edged up by 1%; subsidies were down 18% to AED 18.6bn.

Source: UAE Ministry of Finance. Charts by Nasser Saidi & Associates

Oman: fiscal surplus of OMR 1.2bn in Jan-Oct 2022, vs deficit of OMR 1bn a year ago





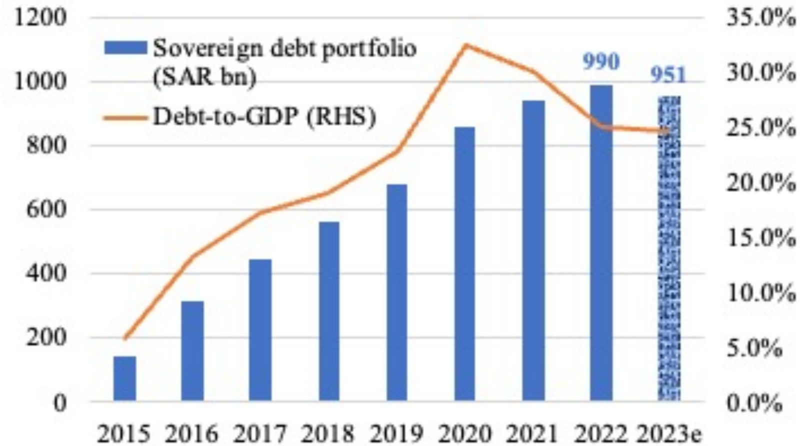
- **Oman's revenues increase by 42% yoy in Jan-Oct 2022**, thanks largely to the increase in average oil price to USD 95 (+61%). Capital revenue and repayment fell by 62$ to OMR 24mn.
- **Expenditure meanwhile increased by 14%,** leading to a **fiscal surplus of OMR 1.2bn** in Jan-Oct (versus a deficit of OMR 1.01bn in Jan-Oct 2021).

Source: Oman's Ministry of Finance. Charts by Nasser Saidi & Associates

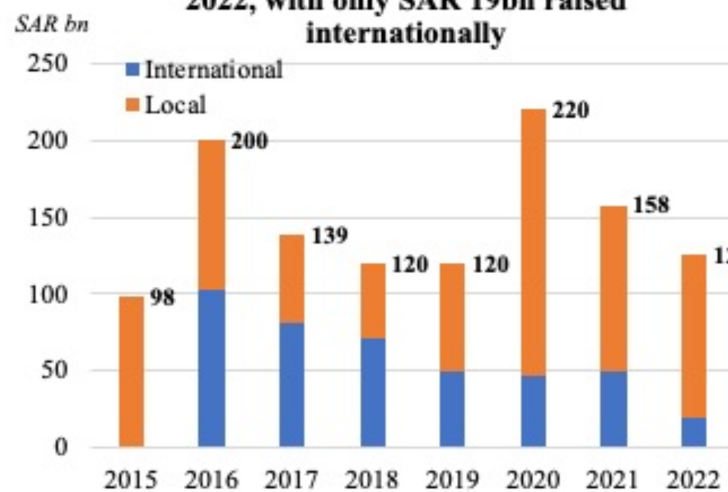
Saudi Arabia to tap domestic & international markets to meet financing needs - an estimated SAR 45bn in 2023

- **Saudi Arabia's sovereign debt** rose by about SAR 52bn to SAR 990bn in 2022 , or 25% of GDP (2021: 30% of GDP).
- The increase in sovereign debt was thanks to **pre-funding transactions which raised about SAR 48bn in 2022** (helping manage interest rate & refinancing risk).
- **Of the SAR 125bn in borrowing in 2022, only 15% was raised internationally** (vs 40% in 2021), indicating the strength of its domestic debt capital market.
- The official 2023 budget statement estimates **sovereign debt to fall slightly** to SAR 951bn **this year** (or 24.6% of GDP). **Financing needs stand at around SAR 45bn in 2023** (after securing approximately SAR 48 bn of the 2023 total financing needs in 2022).
- Saudi Arabia's debt raising guidelines indicate that it will continue to tap domestic & international markets for funding to repay debt maturing in 2023 and in the medium term: **in Jan 2023, it had raised USD 10bn in a multi-tranche bond sale.** The 2023 debt portfolio split between domestic and international debt will be largely unchanged from 2022.

Saudi Arabia's sovereign debt portfolio increased to SAR 990bn in 2022



Saudi successfully borrowed ~SAR 126bn in 2022, with only SAR 19bn raised internationally

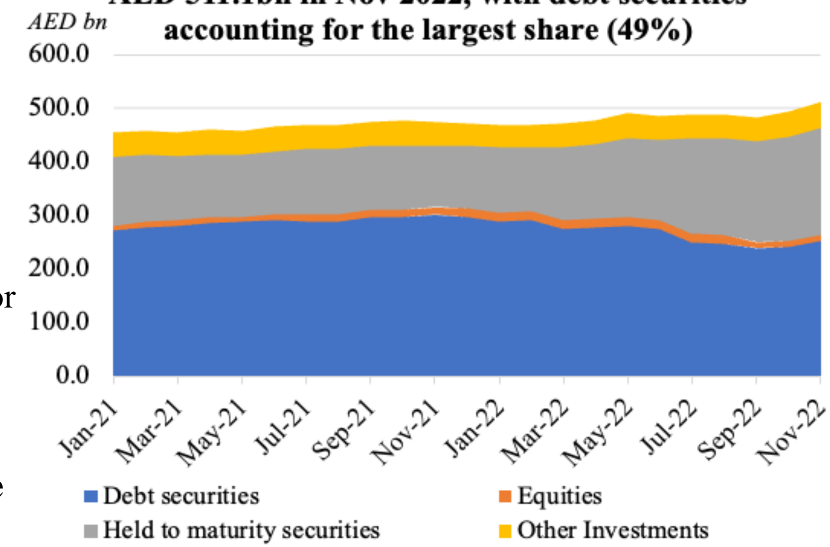


Source: National Debt Management Centre, Saudi Arabia. Charts by Nasser Saidi & Associates

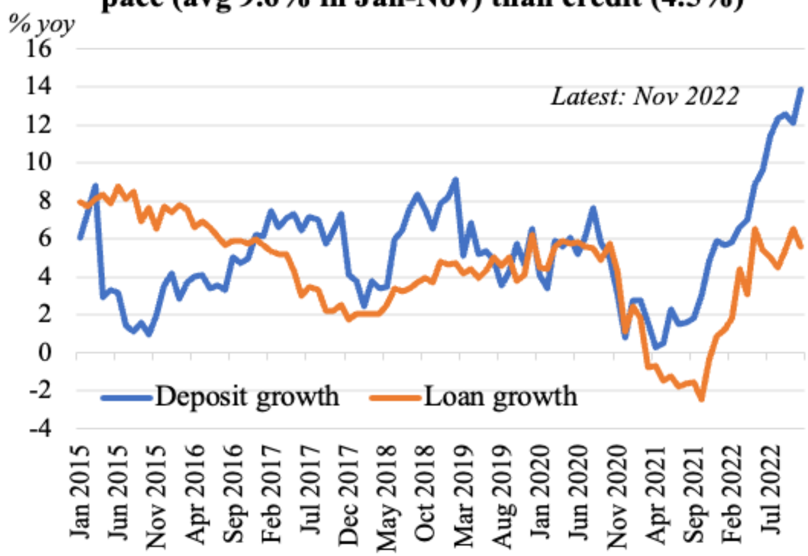
UAE banks' investments jump; SME lending eases from 2020-21 highs; deposit growth outpaces credit for 2 years in a row

- **UAE banks' investments rose** to a high of AED 511.1bn in Nov 2022, up 3.5% mom and 7.7% yoy; debt securities are the largest component (49.1%), followed by held-to-maturity securities (39.3%).
- **Deposit growth outpaced credit growth** in the UAE, a **visible pattern since the start of 2021.** Within credit, **lending to the public sector (GREs) were up by 2% mom** while that to the private sector nudged up by 0.6%.
- **Lending to the SMEs totalled AED 86.4bn as of Sep 2022** and has eased from the highs in 2020-21; it accounts for **7.4% of total lending to the private sector and 5.2% of overall domestic credit**.

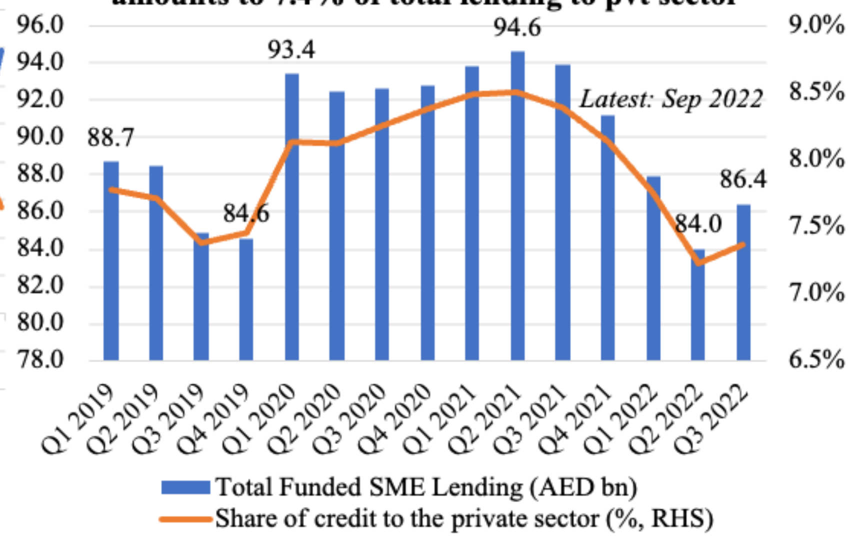
UAE banks' investments rise to a new high of AED 511.1bn in Nov 2022, with debt securities accounting for the largest share (49%)



UAE banks' deposits continue to grow at faster pace (avg 9.6% in Jan-Nov) than credit (4.5%)



SME lending in the UAE surged in 2020-21, easing to AED 86.4bn in Sep 2022; this amounts to 7.4% of total lending to pvt sector

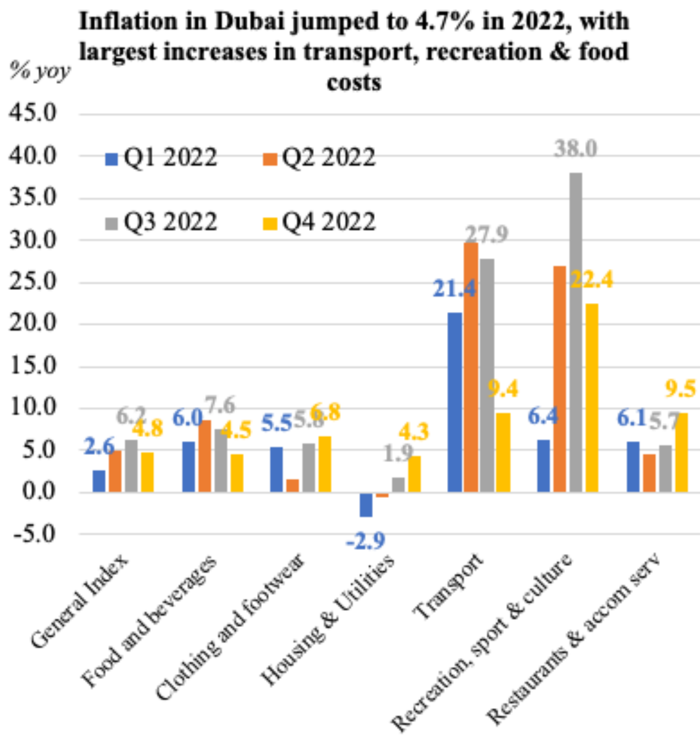


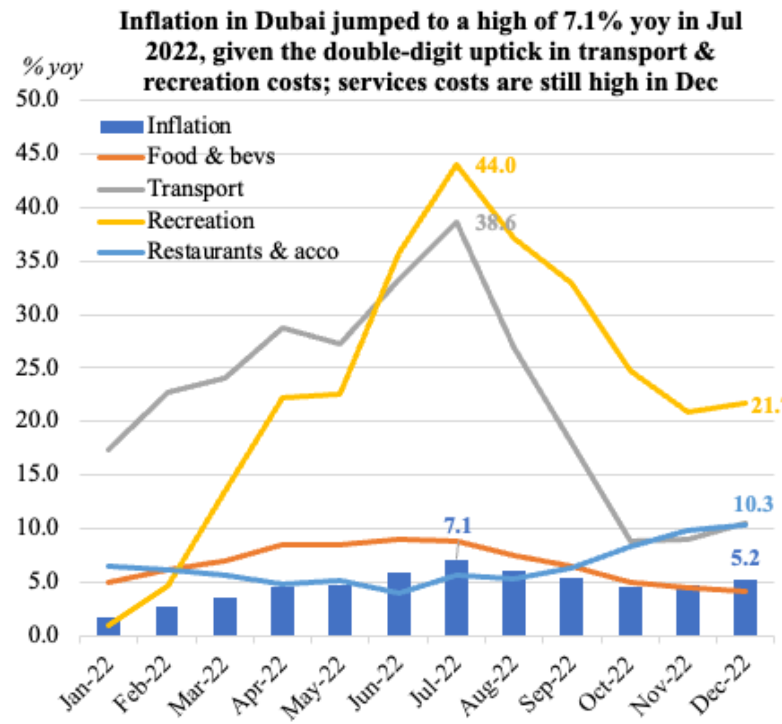
Source: UAE Central Bank. Charts by Nasser Saidi & Associates

NS

Inflation in Dubai rose to 4.67% yoy in 2022, after touching a high of 7.1% yoy in Jul

- **Dubai's uptick in inflation (+4.67% yoy in 2022)** was driven initially by rising food, transport and recreation costs – with the latter two surging to double-digit increases till Jul before easing.
- **For the full year, costs were higher across all categories except tobacco** (-0.49%). The largest increases were in recreation (23.4%), transport (21.9%), food (6.7%) and restaurants & accommodation (6.5%). The chart on the right shows monthly fluctuations. **Housing and utilities**, which has the largest weightage of 40.68% in the index, showed decline in prices from Jan-May but has been rising ever since (thanks to higher rents): it posted a 0.62% uptick for full year 2022.
- While the overall trend suggests an easing in inflation, **lookout for persistent increases in the non-tradeable components** (e.g. housing, restaurants, accommodation etc.).





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

NS

Prepared by:

Dr. Nasser Saidi
Founder & President
nsaidi@nassersaidi.com

Aathira Prasad
Director, Macroeconomics
aathira@nassersaidi.com

NASSER SAIDI
& ASSOCIATES