

Weekly Insights

6 January 2023

Starting 2023 with a Macroeconomic Update

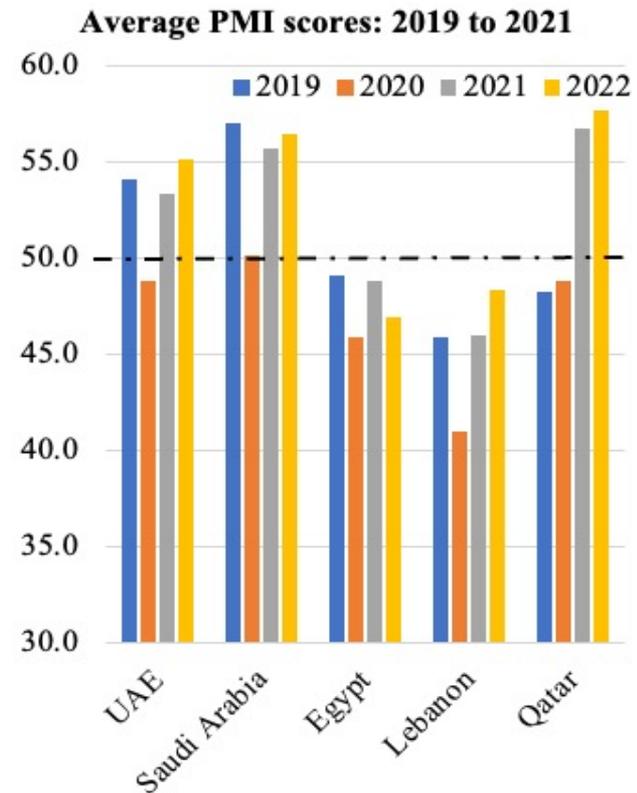
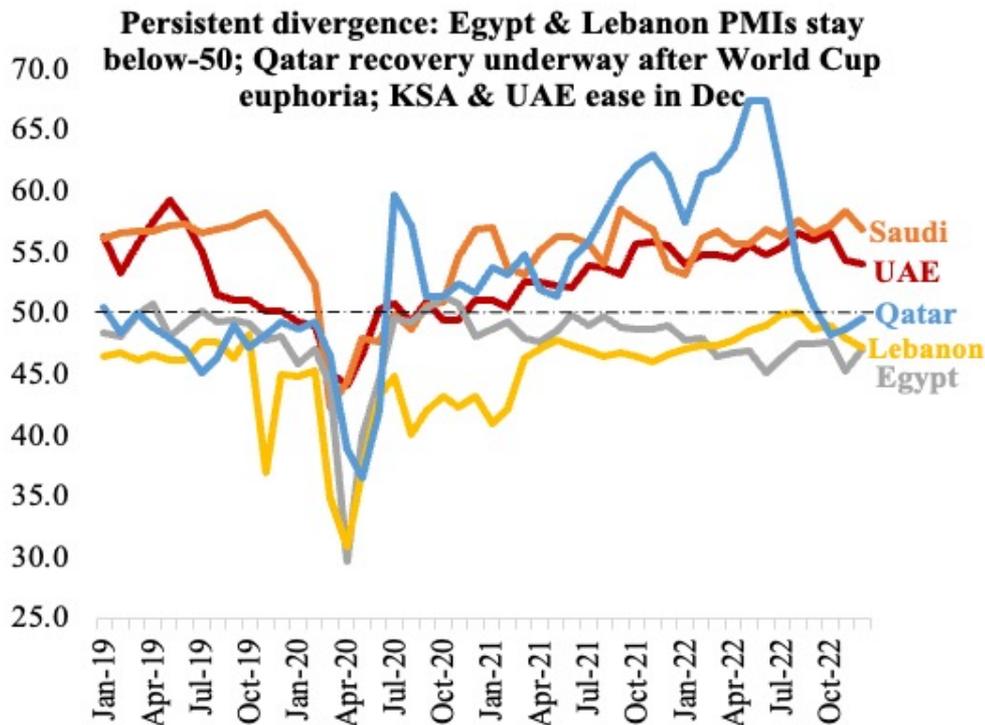
- *A mixed bag of Middle East PMIs in 2022*
- *Irrespective of non-oil sector activity, oil sector continues to shine in Saudi Arabia*
- *Banks in Saudi Arabia are lending at a faster pace compared to deposit growth*
- *Unemployment among Saudi citizens inched up to 9.9% in Q3 2022*
- *Deposit growth outpaces credit in the UAE; public sector loan growth in double-digits in 2022*
- *UAE inflation rose to 6.8% in Q2 2022; Dubai inflation eases to 4.6% in Nov 2022*
- *Dubai welcomes 12.8mn international visitors in Jan-Nov 2022: 85% of pre-Covid levels*

NASSER SAIDI

— & ASSOCIATES —

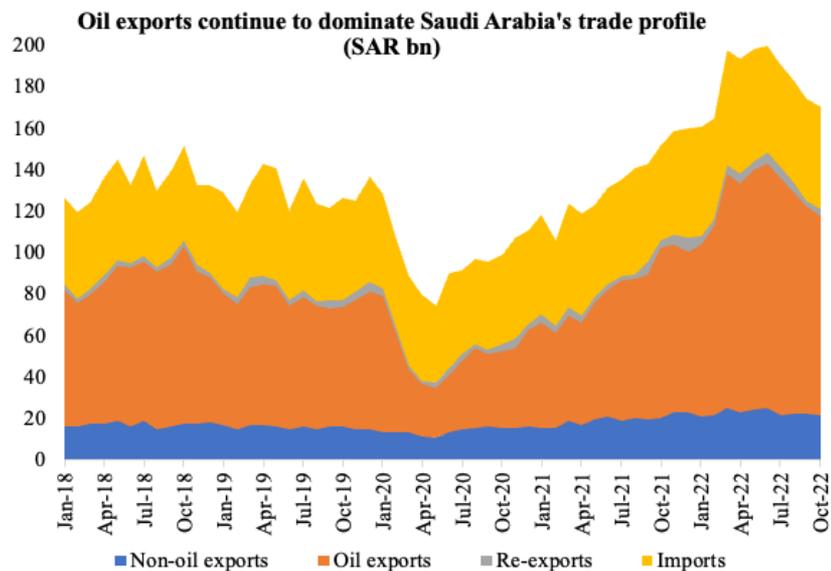
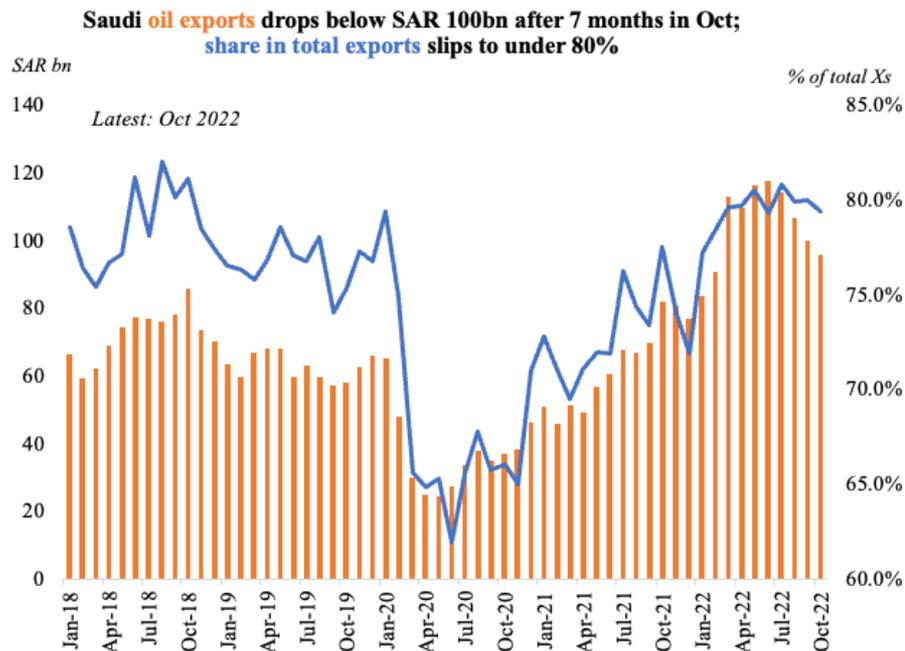
A mixed bag of Middle East PMIs in 2022

- **Divergence in non-oil sector activity in the Middle East was the main story in 2022:** on average, the GCC nations have stayed expansionary in 2022 alongside contractions in Egypt and Lebanon. Both UAE and Qatar have posted a higher average in 2022 compared to pre-Covid while in Saudi Arabia, it was slightly lower.
- **Saudi Arabia and the UAE have been spearheading non-oil sector recovery** in the region. Both ended Dec on a lower note, but in expansionary territory. Qatar had seen months of optimistic readings prior to the World Cup before it fell under-50 in the months preceding the event (as a result of pause in new work leading up to the mega-event). **Qatar in Dec recorded expansion across all sectors of activity** – wholesale, retail and service providers – and the 12-month outlook for business activity strengthening further to the highest since Jul 2020.
- **Egypt and Lebanon continue to show readings below-50:** the former has access to funding from the IMF while the ongoing economic-political turmoil in the latter has meant uncertainty regarding stabilization and an agreement with the IMF.

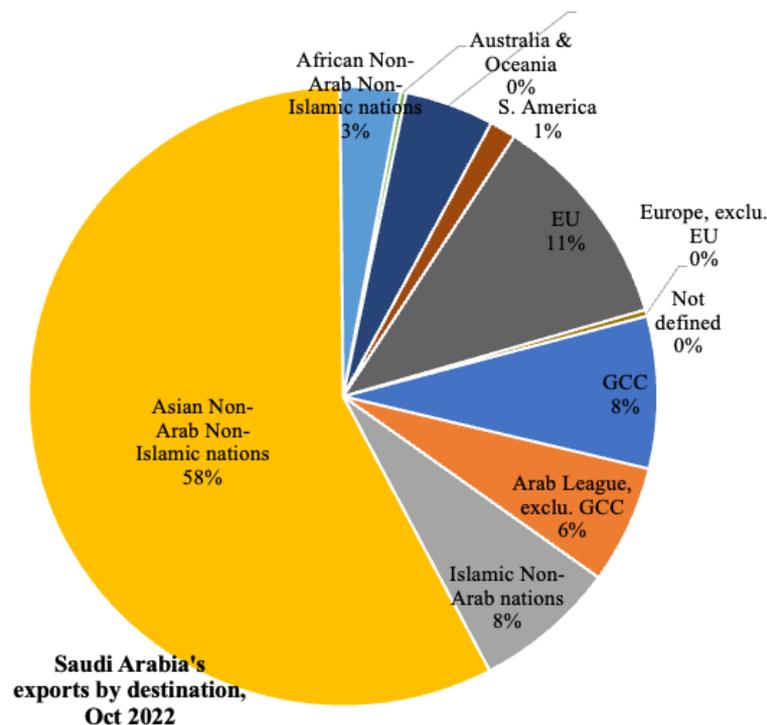


Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

Irrespective of non-oil sector activity, the oil sector continues to shine in Saudi Arabia

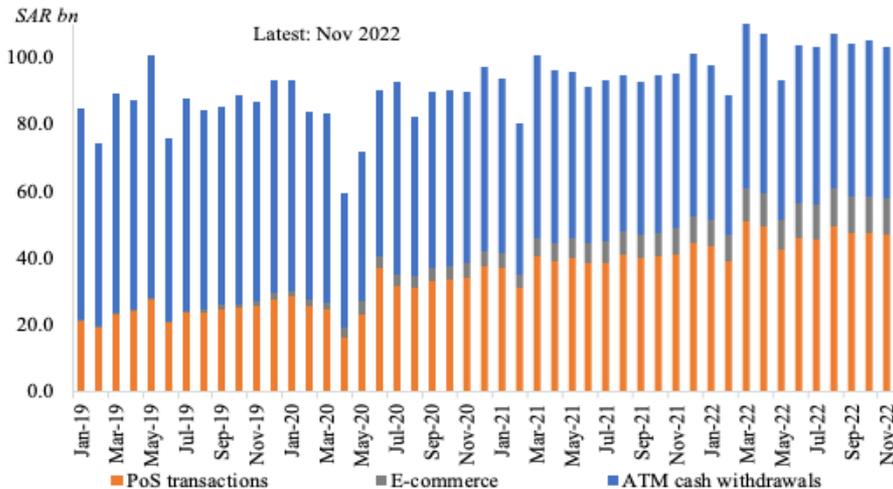


- **Saudi Arabia's oil exports declined to below SAR 100bn in Oct**, after 7 consecutive months. Non-oil exports (including re-exports) grew by 4.4% to SAR 24.9bn
- JODI data indicated that **Saudi Arabia's crude exports grew 52,000 barrels per day (bpd) to 7.77mn bpd in Oct**, a **30-month high**
- **Exports with major Asian nations increased in Nov** - China by 15.7% yoy, South Korea (20.4%), India (11.3%) and Japan (8.7%) - while exports with the US was flat



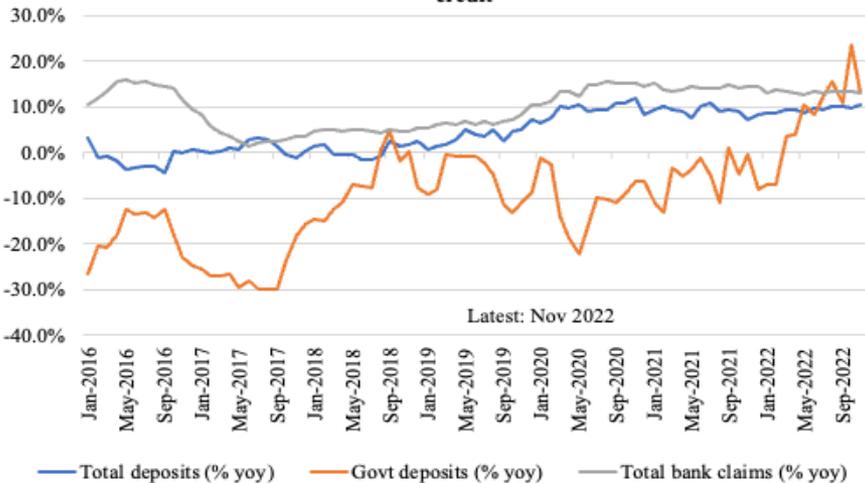
Banks in Saudi Arabia are lending at a faster pace compared to deposit growth

Consumer spending in Saudi Arabia grew by 8.7% yoy in Nov; value of PoS & e-commerce transactions continue to register double-digit growth

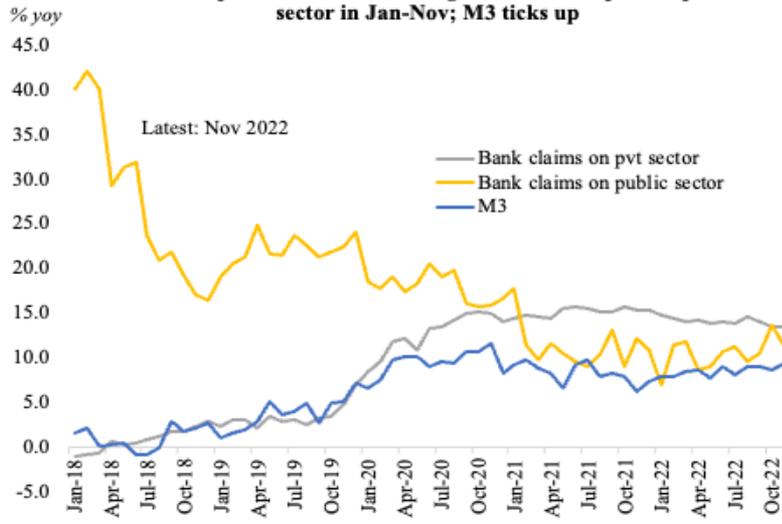


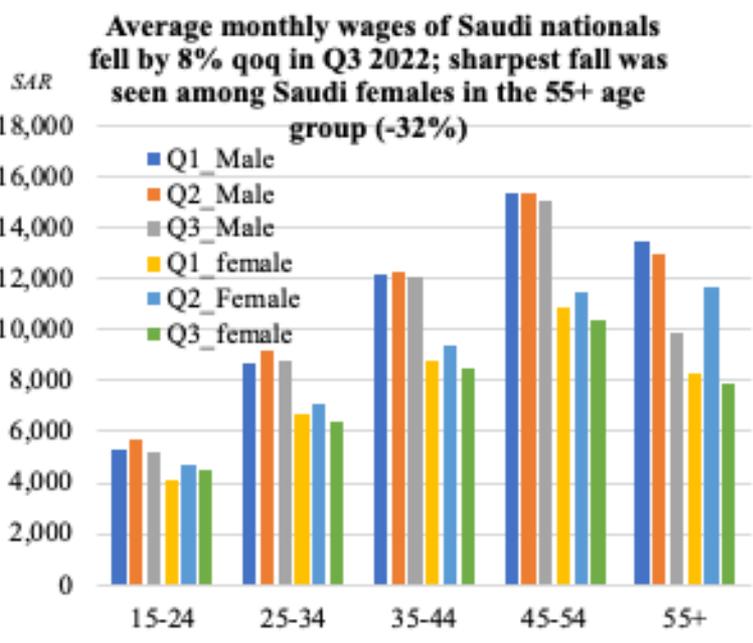
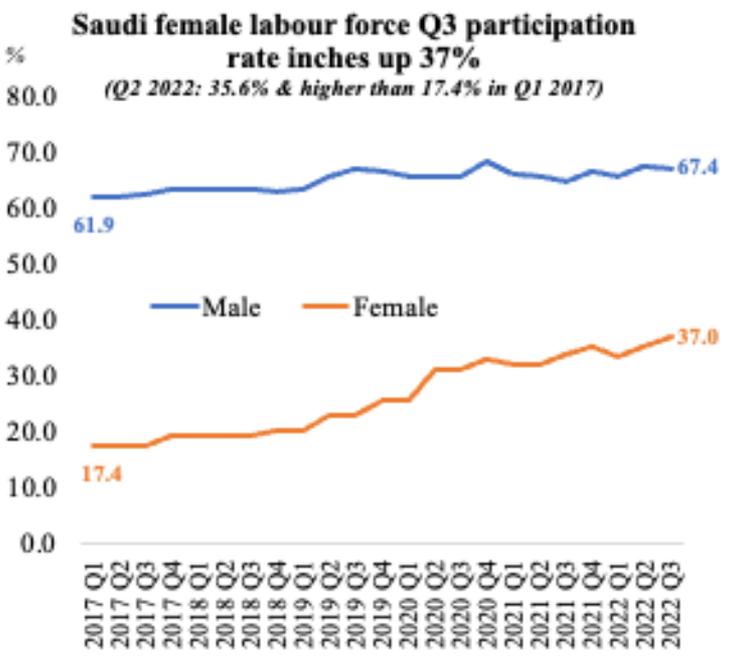
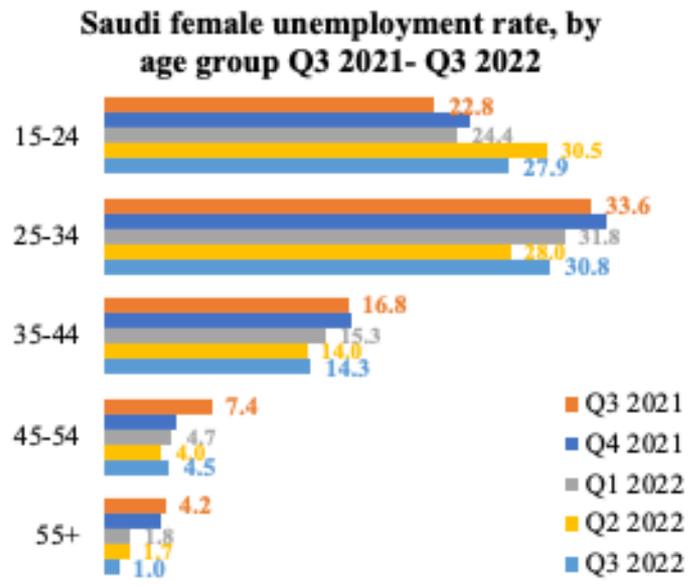
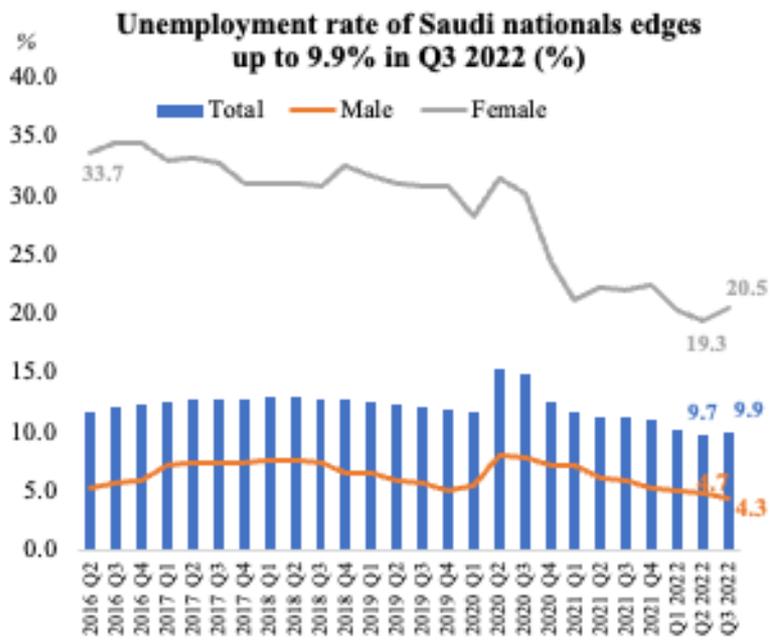
- **Consumer spending in Saudi Arabia grew by 8.7% yoy in Nov**, with e-commerce and point-of-sale transactions driving growth. Supported by the rush of World Cup visitors, **‘hotels’ posted the largest annual rise in PoS transactions in Nov.**
- Government deposits increased by 13% yoy to SAR 692bn in Nov while **overall deposit growth stood at 9.6% in Nov.** **Lending has been rising in 2022: an average gain of around 13% yoy every month.** Meanwhile the broad measure of money supply (M3) rose by 9.3% yoy and by 0.6% mom
- **Claims to the private sector inched up faster in Jan-Nov**, compared to claims on the public sector.

Government deposits in Saudi Arabia surged by 13% yoy to SAR 692bn in Oct; growth in bank deposits has lagged overall expansion in credit



Claims on private sector in Saudi grew at a faster pace vs public sector in Jan-Nov; M3 ticks up





Unemployment among Saudi citizens inched up to 9.9% in Q3 2022

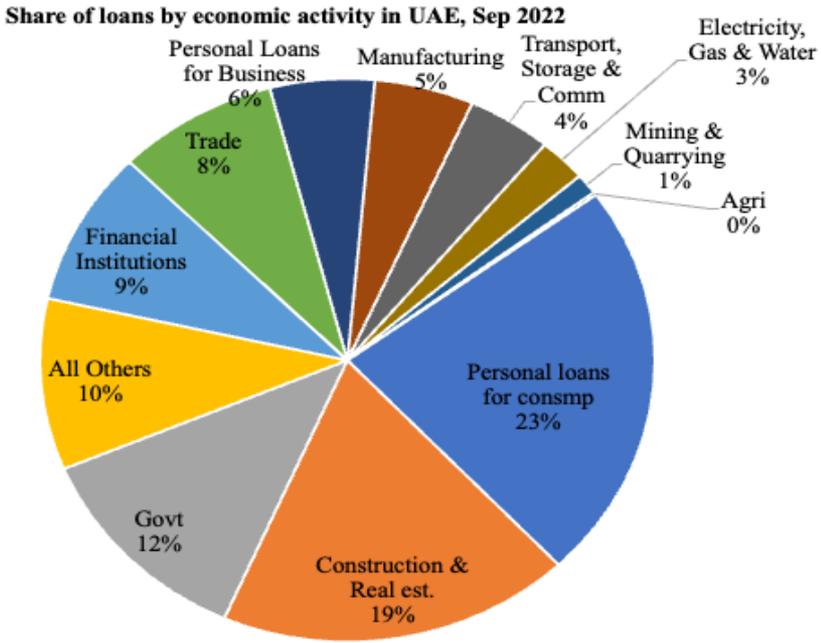
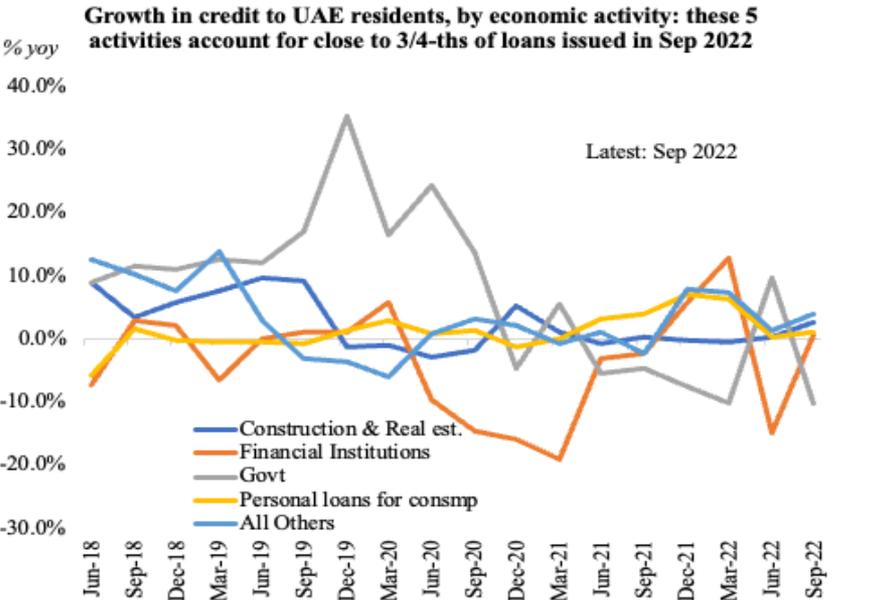
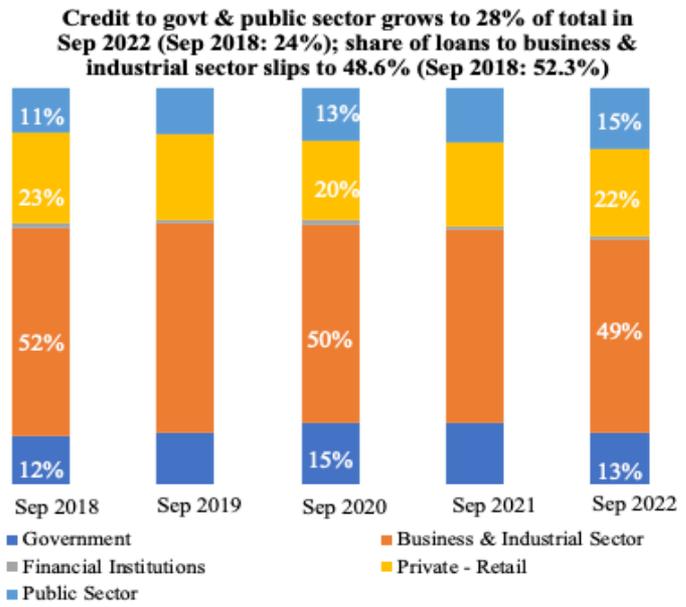
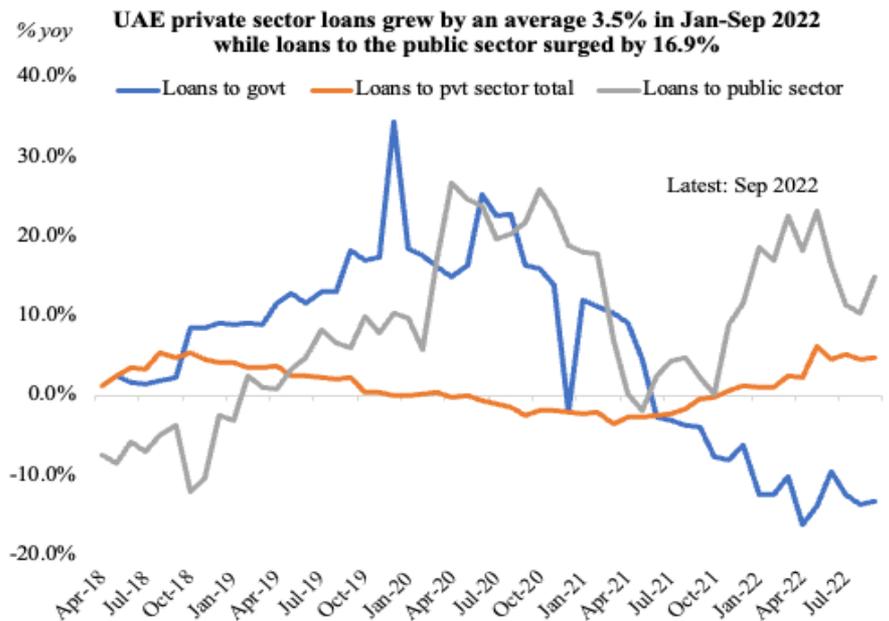
Unemployment rate among Saudi women saw a slight increase to 20.5% in Q3. It was 30.8% in the 25-34 age group

Saudi female workforce participation rates continue to rise (37% in Q3 2022 vs 17.8% in Q3 2017)

Evidence of a wage gap between Saudi men and women; overall wages dipped among Saudi citizens in Q3

Source: Labour market survey Q3 2022, GaStat. Charts created by Nasser Saidi & Associates

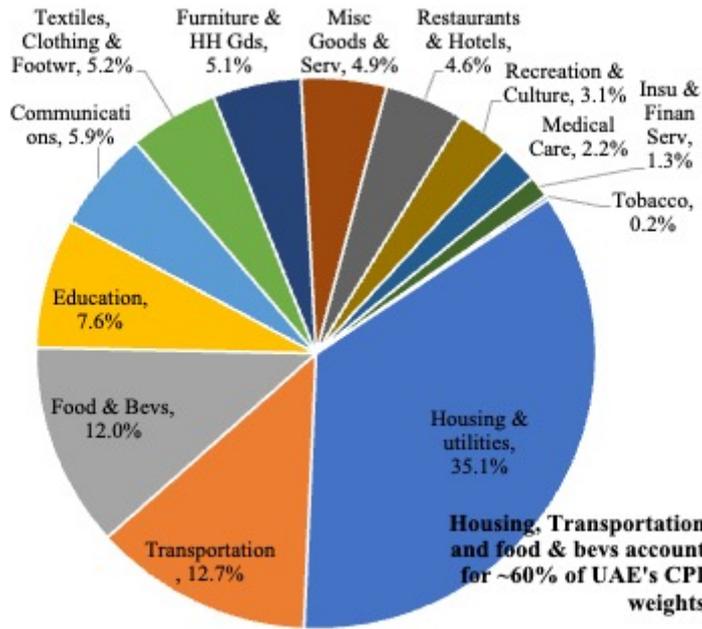
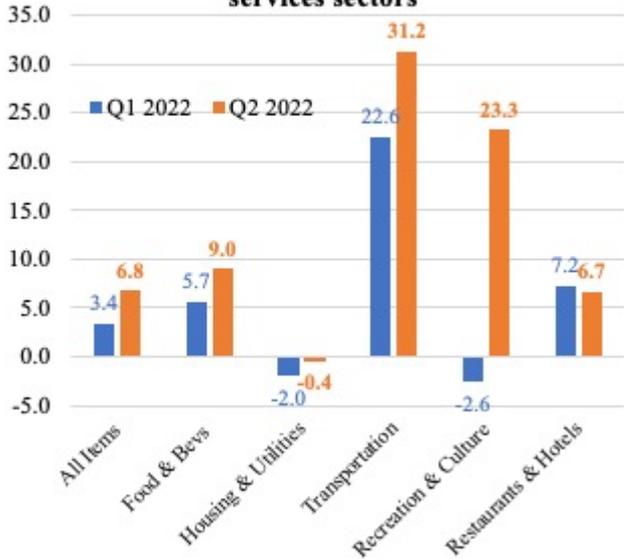
Deposit growth outpaces credit in the UAE; public sector loan growth in double-digits in 2022; loan growth to the construction sector leads in Sep 2022



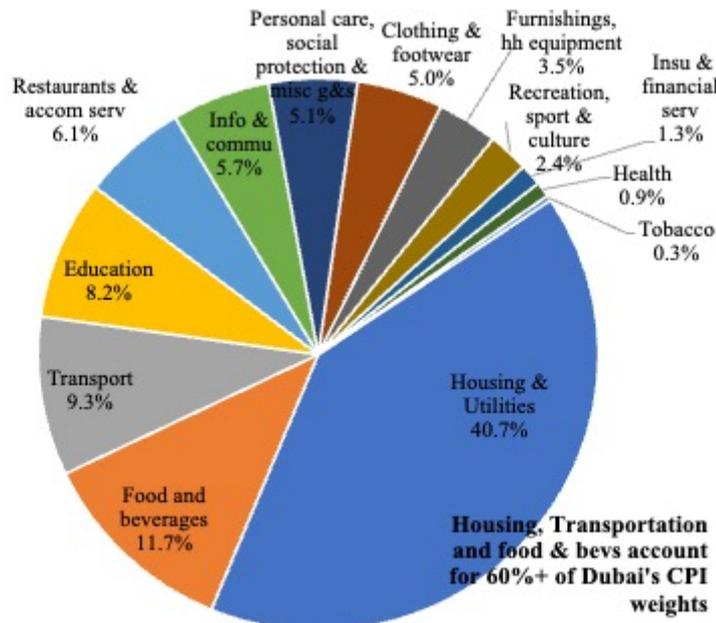
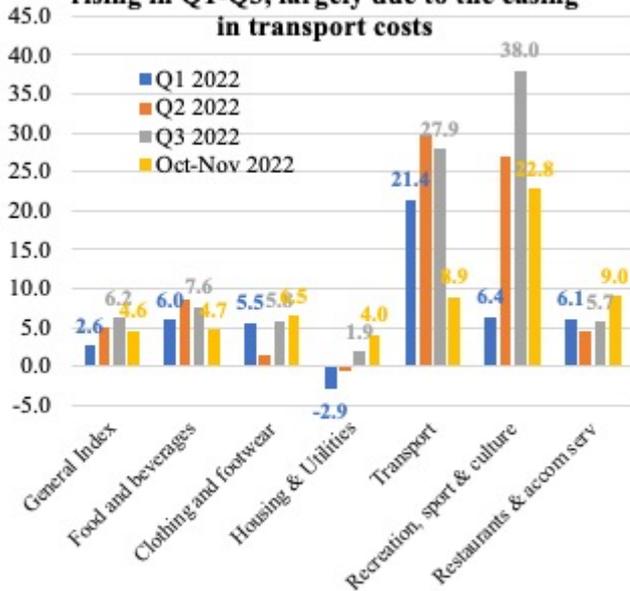
Source: UAE Central Bank. Charts by Nasser Saidi & Associates.



UAE inflation surges to 6.8% in Q2 2022 (Q1: 3.4%), driven by transportation & services sectors



Dubai inflation eases in Oct-Nov, after rising in Q1-Q3, largely due to the easing in transport costs



UAE inflation rose to 6.8% in Q2 2022,

as costs of transportation and services related sectors increased. Housing (which has the largest weightage of 35%) declined in Q1 & Q2, but at a slower pace in Q2. In contrast, **Dubai inflation ticked up during the period Q1-Q3 2022**, with Jul recording a peak 7.1% reading. A decline in petrol prices resulted in lowering of transportation costs.

However, **costs of services related sectors rising** (recreation & restaurants/accommodation at 20% & 9.8% in Nov).

Housing costs have been rising in Dubai, and is reflected in the index, but declined in Dubai in Q3.

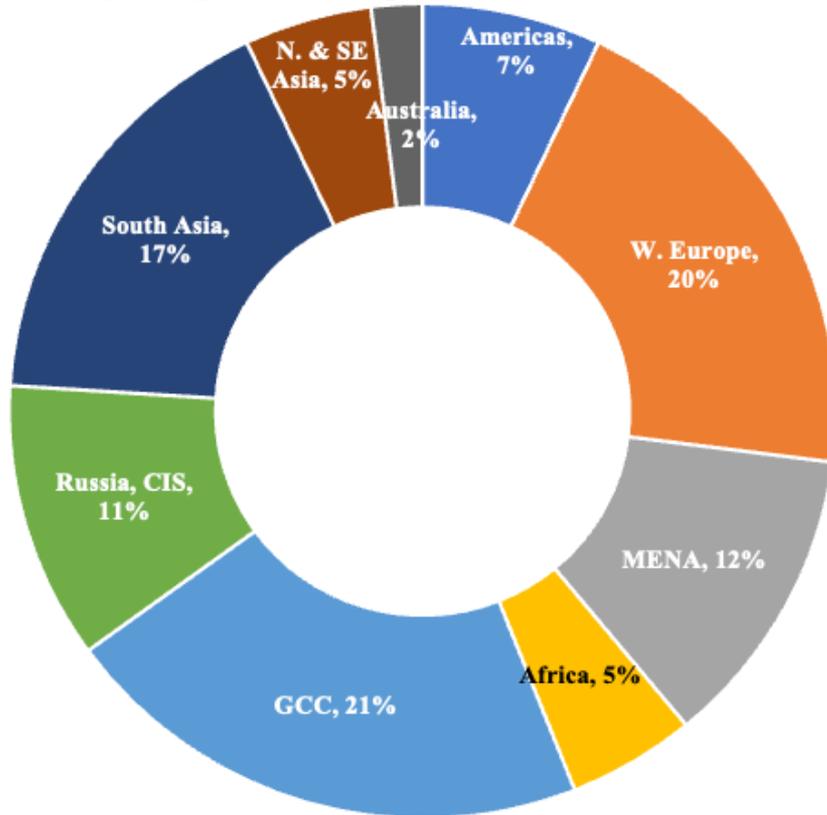
Muted effect from imported inflation given the peg to the strong \$ in 2022

Source: Federal Competitiveness & Statistics Center, Dubai Statistics Centre. Charts by Nasser Saidi & Associates

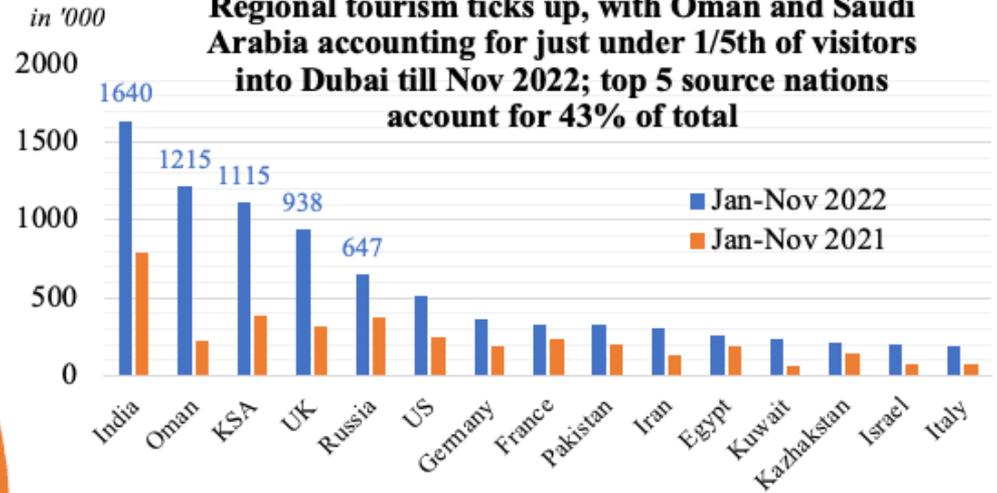
Dubai welcomes 12.8mn international visitors in Jan-Nov 2022, running at 85% of pre-Covid levels

In Nov, Dubai received 1.42mn visitors, supported also by the Qatar World Cup: interestingly, this was close to the visitors' target for Qatar World Cup (estimated at 1.5mn visitors). Occupancy rates in Dubai in Nov (76.2%) surpassed Qatar (56%)!

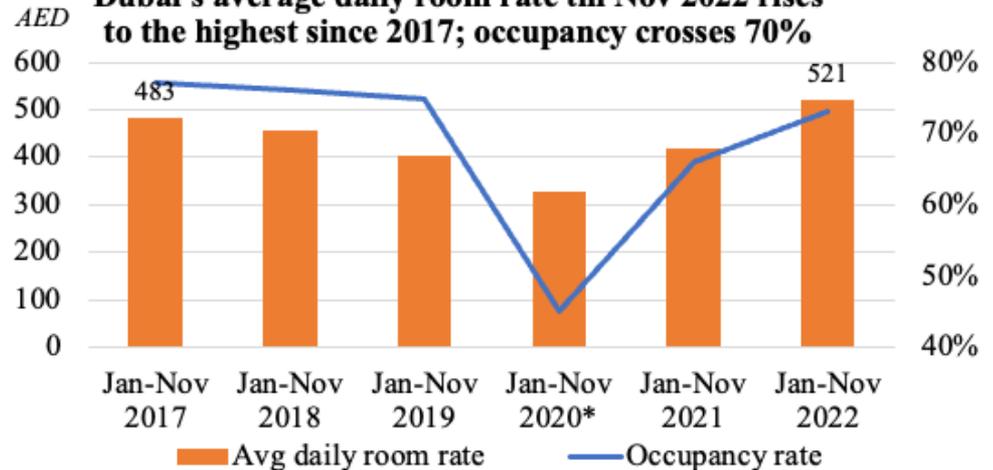
Dubai receives 12.82mn international visitors in Jan-Nov 2022, more than double vs a year ago & 85% of pre-Covid levels



Regional tourism ticks up, with Oman and Saudi Arabia accounting for just under 1/5th of visitors into Dubai till Nov 2022; top 5 source nations account for 43% of total



Dubai's average daily room rate till Nov 2022 rises to the highest since 2017; occupancy crosses 70%



Source: Dubai Department of Economy and Tourism. Charts by Nasser Saidi & Associates

* Covid adjusted data for 2020

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