

Weekly Insights

10 February 2023

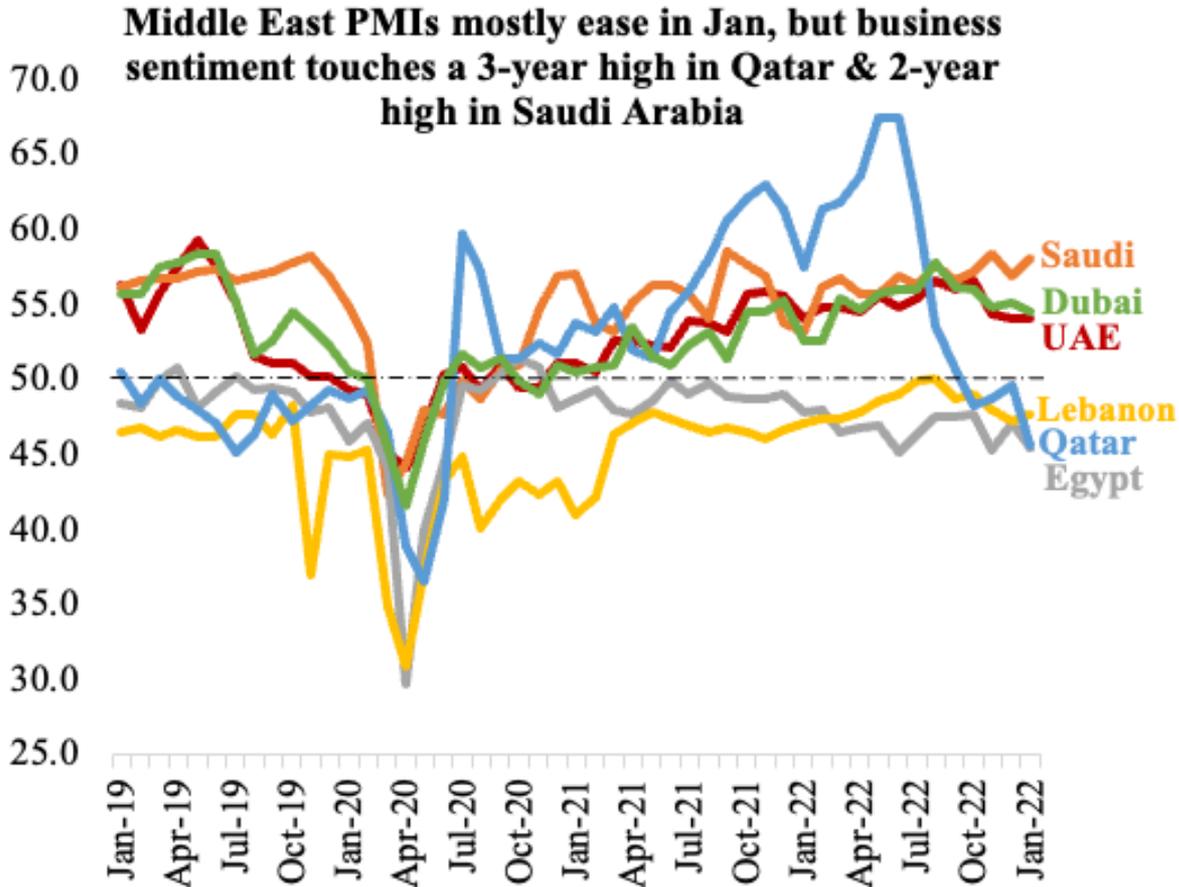
Middle East's non-oil sector PMIs: firms' responses seem disconnected from macro evidence

- *Middle East PMIs in Jan 2023: Saudi and Lebanon post increases (the latter remaining below-50) while all others ease slightly*
- *Dubai's tourism sector continues to support non-oil sector activity: 14.36mn international visitors in 2022*
- *Industrial production in Saudi Arabia posts 17.5% yoy growth in 2022, after years of decline*
- *Saudi Arabia's investment licenses surged in 2022: construction licenses had the lion's share*
- *Kuwait unveiled its 2023-24 budget, with spending up 11.7% yoy*

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— & ASSOCIATES —

Middle East PMIs in Jan 2023: Saudi and Lebanon post increases (the latter remaining below-50) while others ease slightly

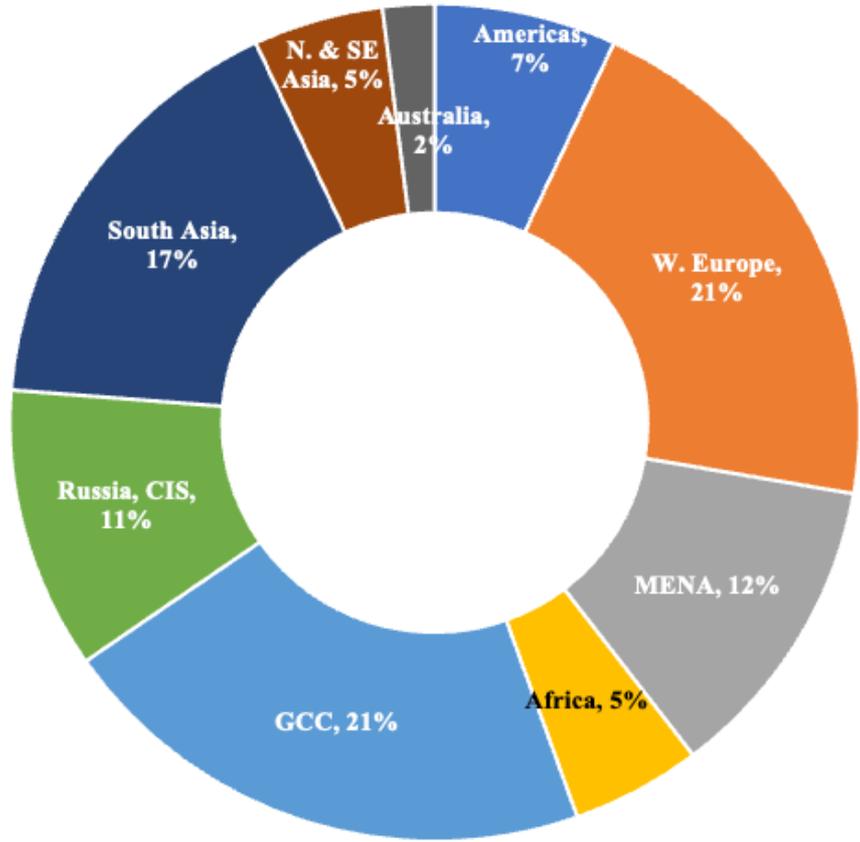


Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

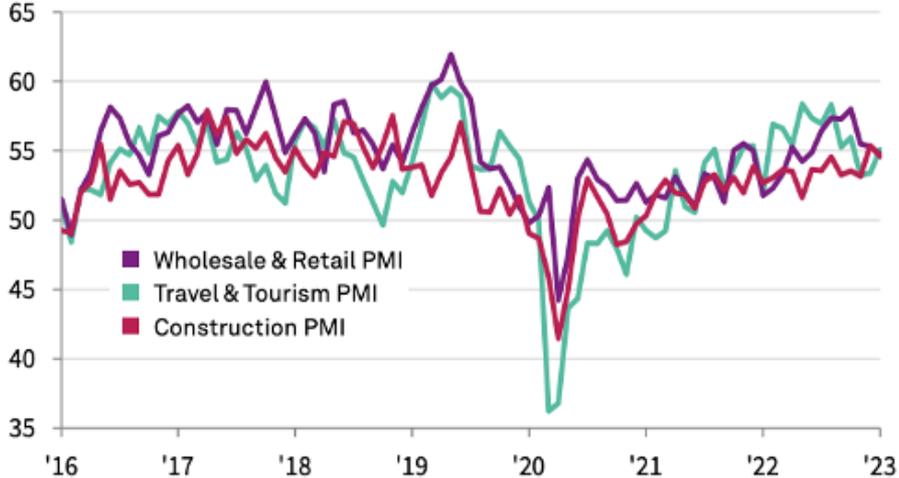
- **Saudi Arabia's PMI** rose to 58.2 in Jan (highest in the Middle East), with output, new orders and new export orders all rising at a strong pace.
- On the other end of the spectrum was **Egypt** (at 45.5) where PMI declined to 45.5, as higher inflation and depreciation of the pound affected businesses. Also affected by economic uncertainty was **Lebanon**, where an unexpected rise in both output and new orders led to a slight uptick in Jan (47.7 from Dec's 47.3).
- **Qatar** is in contraction for 4th straight month: at 45.7 in Jan, it is the lowest reading since Jun 2020, on account of a decline in activity and new orders following the World Cup boom.
- **UAE** PMI eased to a 12-month low of 54.1 in Jan: while output was unchanged, new exports orders declined to 47.5 – the lowest level since Jun 2021. **Dubai** slipped to an 11-month low.
- **Outlook for the future is quite diverse:** Business sentiment in Qatar and Saudi Arabia were at a 3- and 2-year high respectively while remaining quite pessimistic in Egypt and Lebanon (understandable, given ongoing economic issues). UAE (and Dubai) businesses, given its global market linkages, have a dim view about prospects: only 9% (and 11%) of panellists forecast growth over the next 12 months.

Dubai's tourism sector continues to support non-oil sector activity: 14.36mn international visitors in 2022 (85% of pre-pandemic levels)

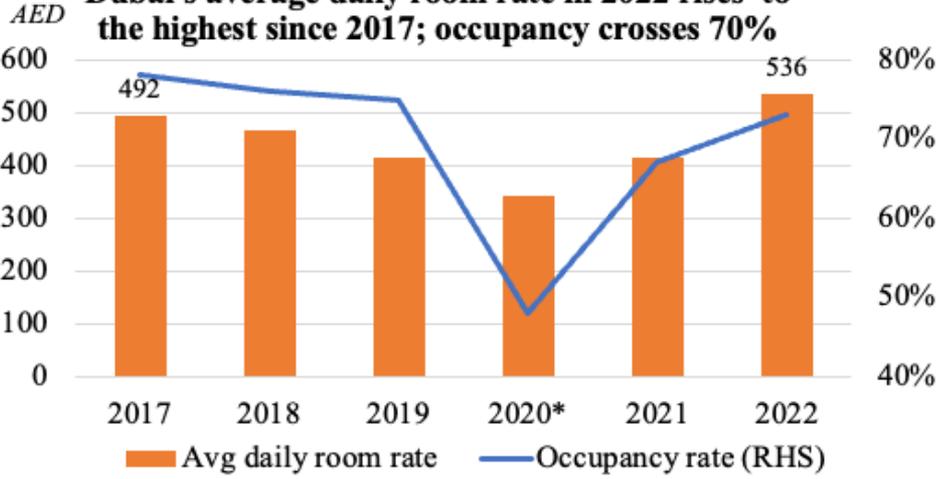
Dubai received 14.36mn international visitors in 2022, up 97% yoy & closing in on 2019's 16.73mn visitors



Dubai travel & tourism performance improves in Jan 2023 supported by both activity & demand



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



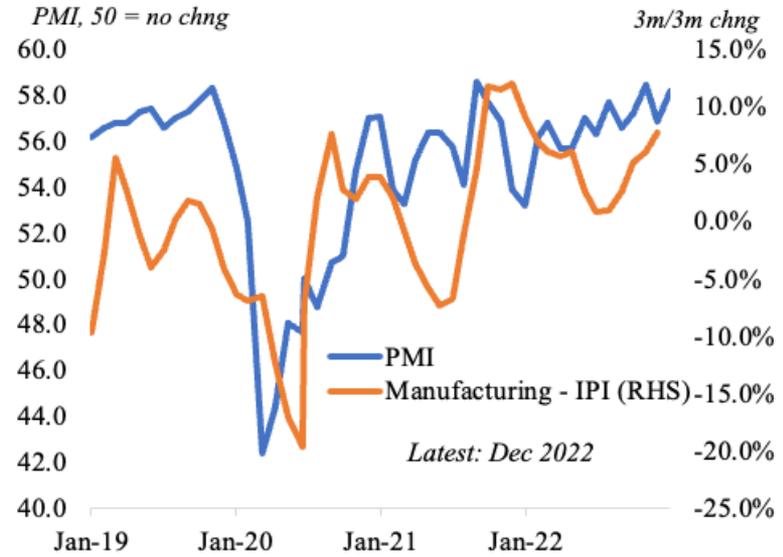
Source: Dubai Department of Economy and Tourism, S&P Global (for PMI). Charts by Nasser Saidi & Associates

* Covid adjusted data for 2020

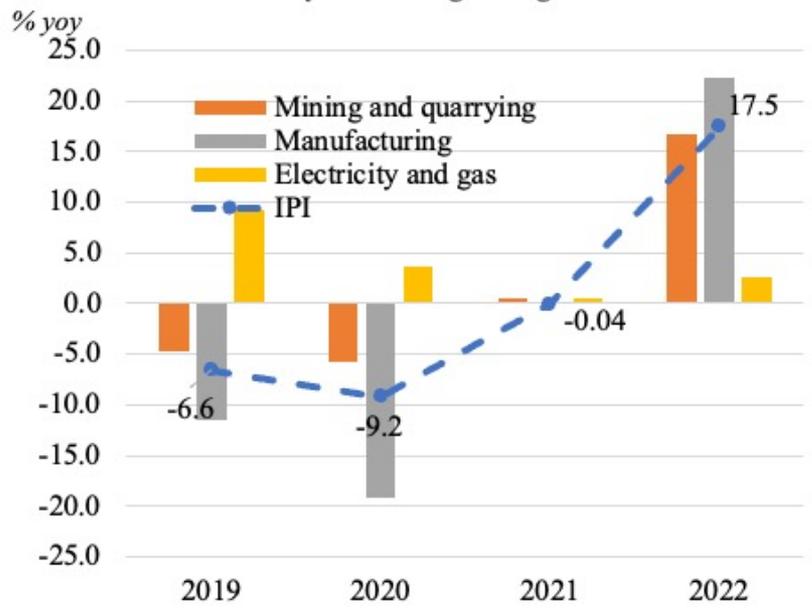
Industrial production in Saudi Arabia posts 17.5% yoy growth in 2022, after years of decline

- **Overall industrial production (IP) grew by 17.5% yoy in Sep**, supported by mining & quarrying (+16.7% yoy) and manufacturing (+22.3%).
- **Manufacturing growth has been positive for 17 straight months**, with double-digit growth for the past 11 months.
- **IP has rebounded from pandemic-lows, with manufacturing a key sector of continuous growth.** The 3m-rolling average displays this strength, and the uptick in output, new orders & new export orders within PMI (above average for 29-months expansion) bodes well for the IP index.
- Furthermore, **industrial licenses issued reached 885 in Jan-Nov 2022** with investments of ~SAR 29.7bn and creating 40k+ job opportunities.

PMI as a leading indicator for manufacturing growth in Saudi Arabia



Industrial production in Saudi Arabia recovers in 2022 after years of negative growth rates



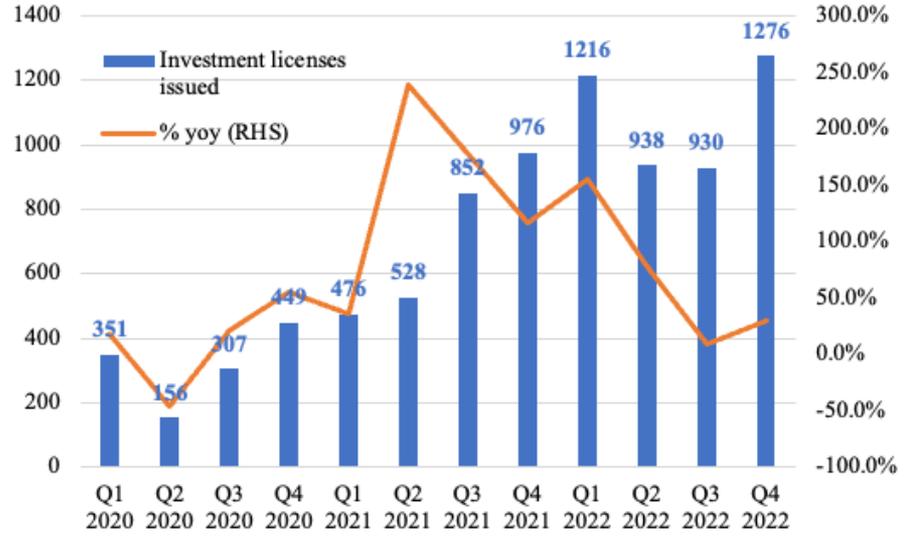
Growth in manufacturing production in Saudi Arabia eases in Aug; but rises at a faster pace than mining & quarrying



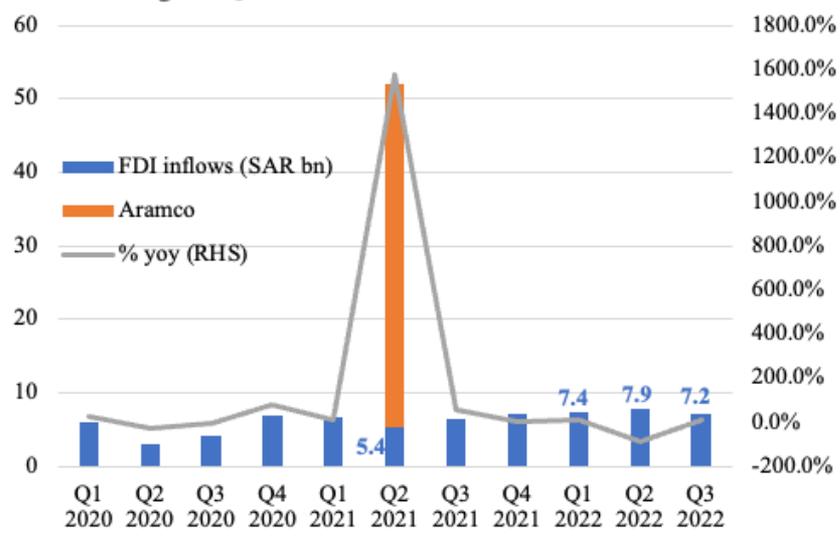
Source: IHS Markit, GaStat. Charts by Nasser Saidi & Associates.

Saudi Arabia's investment licenses surged in 2022: construction licenses had the lion's share, not surprising given the mega/ gigaprojects in the pipeline; manufacturing continues to attract investments as well, thereby confirming strength in IP in the coming months

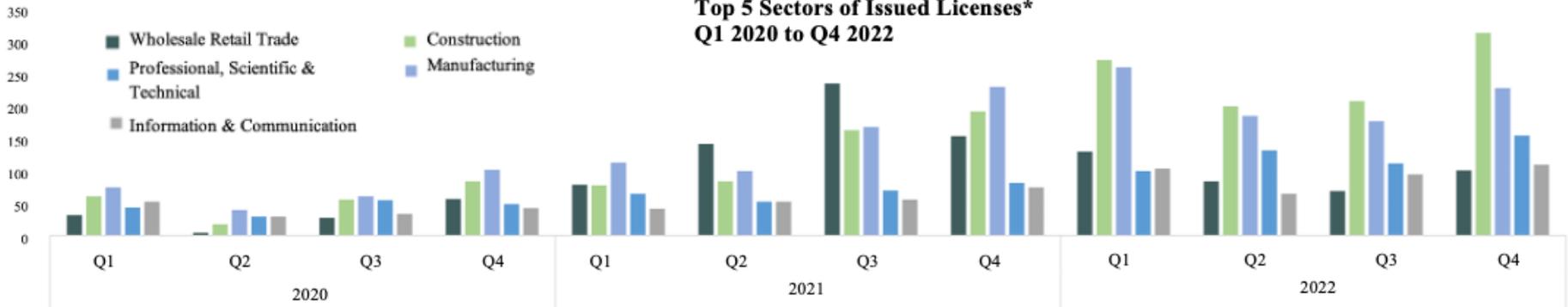
Investment licenses* issued by MISA surged by 54% yoy to 4,358 in 2022



FDI inflows grew by 10.7% yoy to SAR 7.2bn in Q3 2022; the surge in Q1 2021 coincided with the Aramco deal



Top 5 Sectors of Issued Licenses* Q1 2020 to Q4 2022



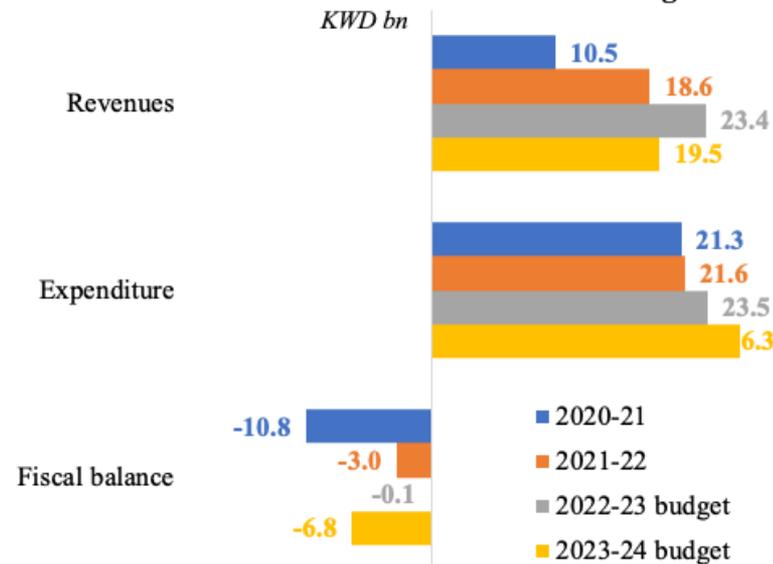
Source: MISA, SAMA, GaStat

Note: Excluding investment licenses granted under the "Tasattur" anti-concealment campaign for the period Q1 2021-Q4 2022

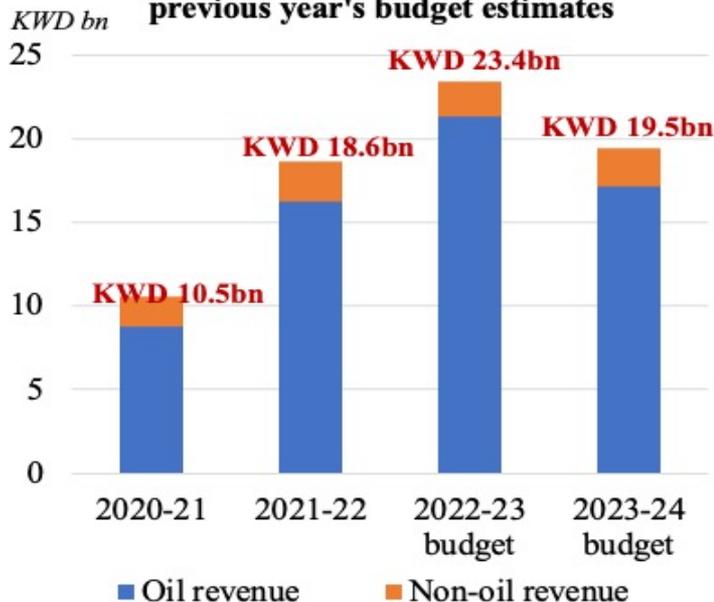
Kuwait unveiled its 2023-24 budget, with spending up 11.7% yoy

- **Kuwait's draft 2023-2024 budget** projects total **spending** at a record-high KWD 26.5bn, driven by a 13.3% hike on salaries and a 34.2% rise in subsidies.
- **Revenues** are forecast to decline (-17% to KWD 19.5bn), owing to a 19.5% drop in oil revenue (based on oil price at USD 70 vs USD 80 in the 2022-23 budget).
- A **deficit of KWD 6.8bn is estimated** in 2023-24 (pre-inclusion of GRE's earnings), in contrast to the surpluses achieved by other GCC nations. The **budget breakeven is an estimated USD 92.9**.
- Unlike other GCC nations, **Kuwait is constrained** by its lack of non-oil revenue proceeds and delays in passing its new debt law (that would allow the nation to tap international markets) among others.

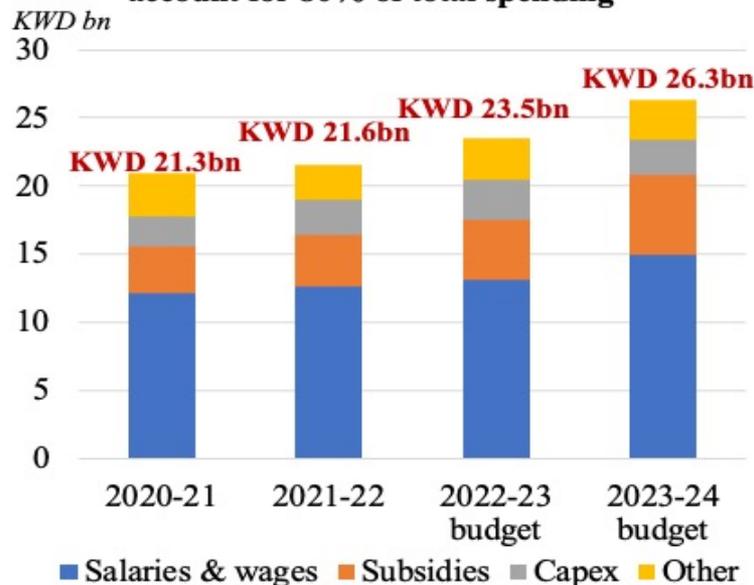
Kuwait fiscal deficit is estimated to widen to KWD 6.8bn as per 2023-24 budget from a smaller KWD 0.1bn deficit in 2022-23 budget



Kuwait: oil revenues account for 88% of total in 2023-24 budget, same as the previous year's budget estimates



Kuwait: spending inches up by 11.7% in 2023-24 budget; wages & subsidies account for 80% of total spending



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

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