

# Weekly Insights

## 31 March 2023

### Strong growth in Bahrain; Inflation remains relatively low in UAE; Macro indicators show promise in Saudi Arabia

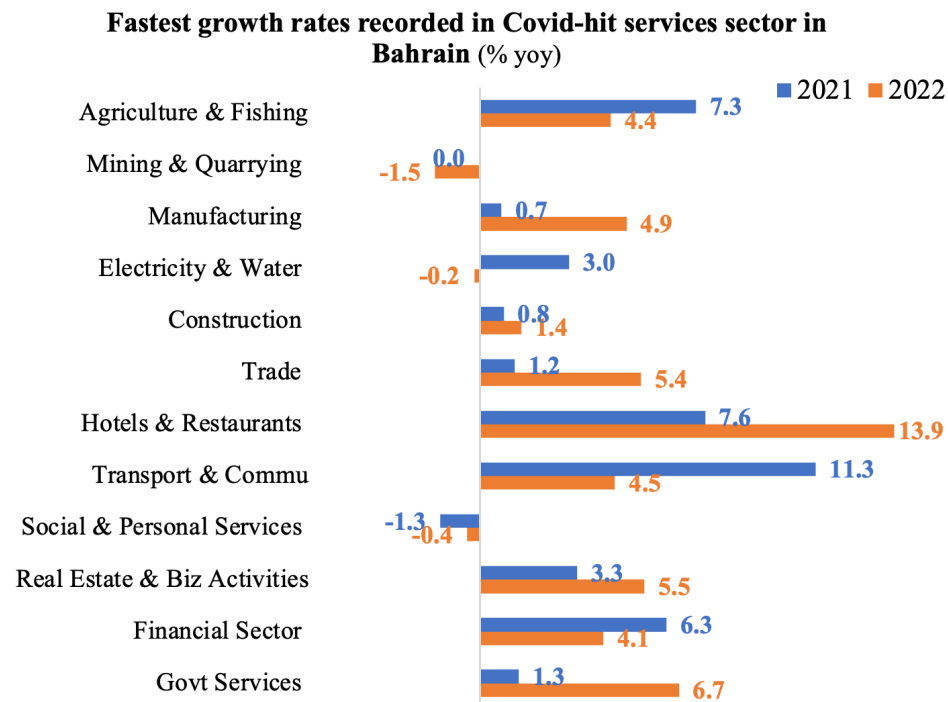
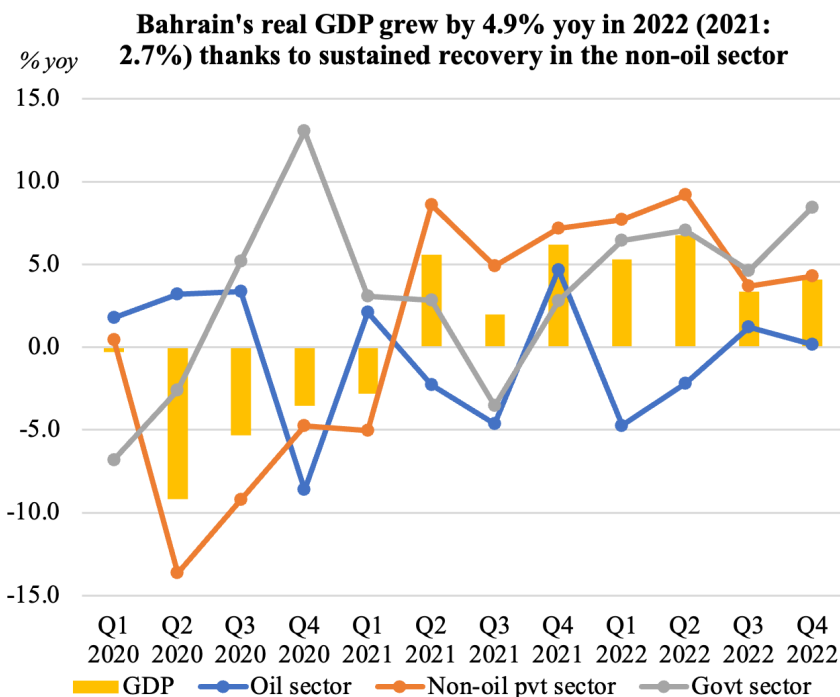
- *Bahrain's GDP grew by 4.9% yoy in 2022, the fastest pace since 2013*
- *Inflation in the UAE averaged 4.8% in 2022*
- *Saudi Arabia's credit expansion amid strong consumer spending*
- *Unemployment among Saudi Arabia's citizens fell to 8% in Q4 2022*
- *Exports from Saudi Arabia declined by 3% yoy in Jan 2023, after 23 months of gains*

NASSER SAIDI

— & ASSOCIATES —

# Bahrain's GDP grew by 4.9% yoy in 2022, the fastest pace since 2013

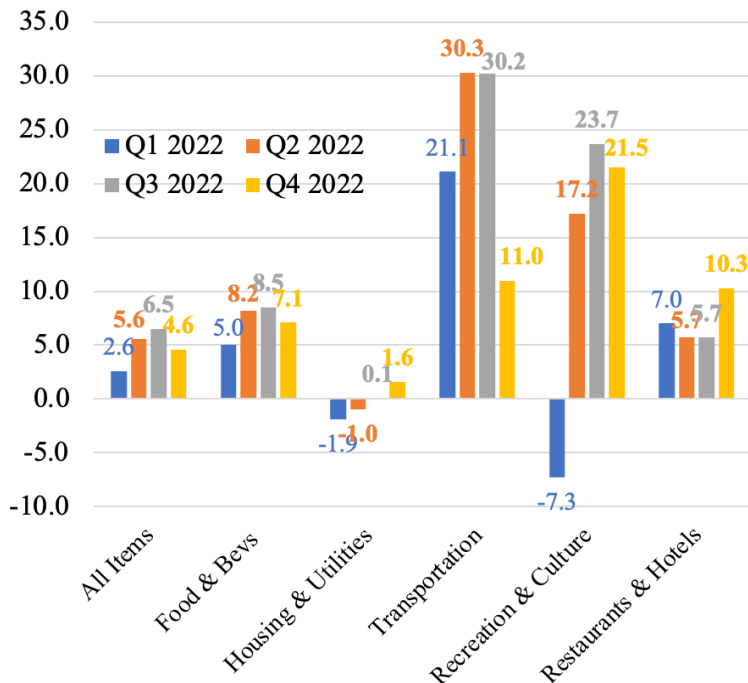
- **GDP in Bahrain grew by 4.9% yoy in 2022**, faster than 2021's 2.7% growth pace, largely **driven by an expansion of the non-oil sector (+6.2%)** while the oil sector posted a decline (-1.4%). **GDP growth was the fastest since 2013** and the non-oil sector posted the highest growth in more than a decade.
- Bahrain's **Ministry of Finance and National Economy forecasts growth at 2.9% and 3.1% in 2023 and 2024.**
- Sector-wise, **acceleration in growth was evident in most sectors affected during Covid:** hotels and restaurants (+13.9%), real estate (5.5%), trade (5.4%) and transport and communication (4.5%). Government services grew by 6.7% in 2022, up from 2021's 1.3% rise.
- While the **financial sector grew by 4.1% for the full year 2022**, it recorded an uptick of 8.3% in Q4 2022. Domestic deposits were up by 3.5% in 2022, alongside a 3.6% rise in value of outstanding loans and 3% increase in banks' balance sheet.



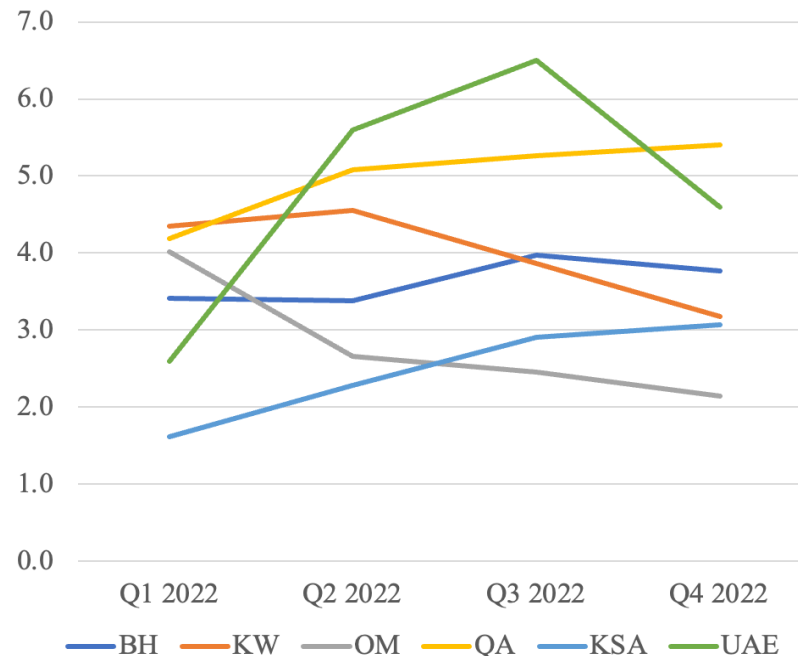
# Inflation in the UAE averaged 4.8% in 2022

- The UAE Central Bank's latest Quarterly Economic Review report outlined UAE's inflation readings. **Inflation in the UAE averaged 4.8% in 2022**, with quarterly reading the highest in Q3 2022 (6.5%). The uptick in prices were driven by the tradeable category - costs rose 6.3%, 9.6%, 10.2% and 6% in each quarter. **Last year, GCC inflation ranged between 2.5% in Saudi Arabia to Qatar's 4.99%.**
- **Housing & utilities** accounted for the largest weight in UAE's CPI basket (35.1%); prices in this category declined in H1 2022, before ticking up by 0.1% and 1.6% in Q3 and Q4 respectively – driven by the surge in rents in Dubai.
- **Transportation**, which has a weight of 12.7%, was a major contributor to the rise in prices. UAE petrol prices touched an all-time high in Jul 2022 and has gradually eased since then (except for a hike in Nov): **transport costs were hence up by 23.2% in 2022.**
- **Food and beverages** has a weight of 12% and recorded **an increase in prices** last year (7.2%); prices eased in Q4, largely reflecting the easing globally. Furthermore, services costs - especially recreation & culture and restaurants & hotels - posted significant increases in 2022: 13.8% and 7.2% respectively.
- The UAE central bank forecasts inflation to ease to 3.2% and 2.8% in 2023 and 2024, respectively.

**UAE inflation averages 4.8% in 2022, driven by transportation & services as well as food costs**

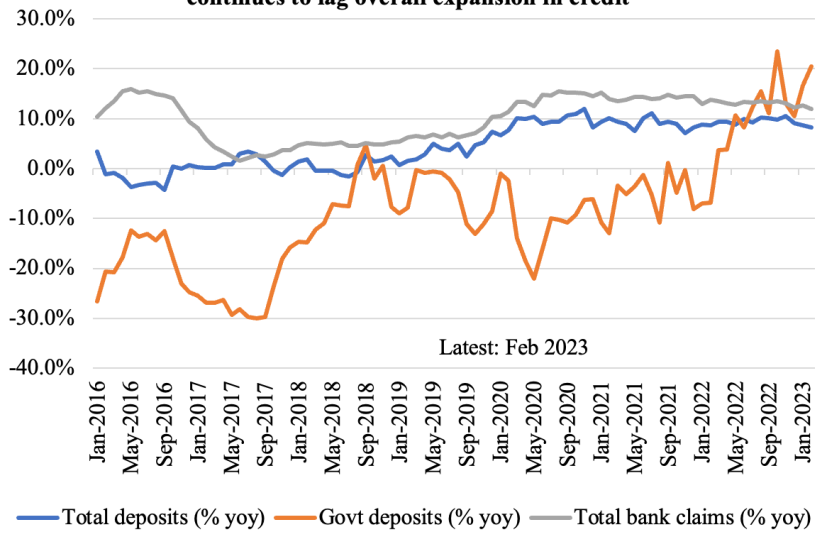


**GCC inflation readings averaged less than 5% in 2022; however, divergence is dependent on weights within CPI baskets + UAE has no fuel subsidies**

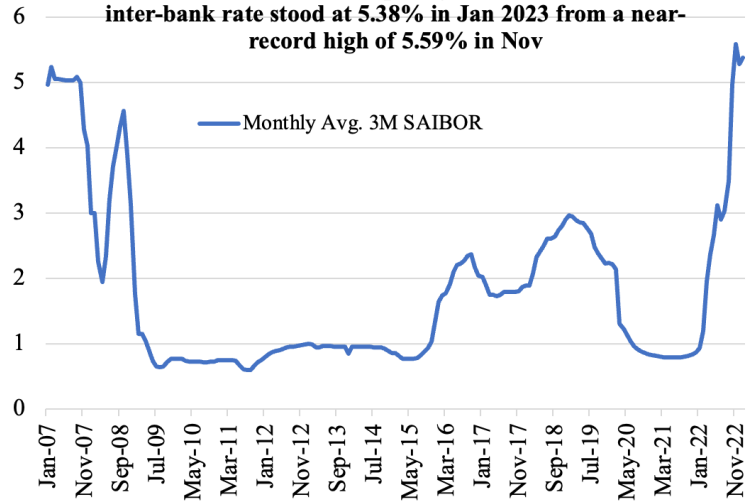


# Saudi Arabia private sector deposit growth lags, amid credit expansion (many projects underway); 3m SAIBOR high at 5.38% in Jan; consumer spending supported by rise in PoS.

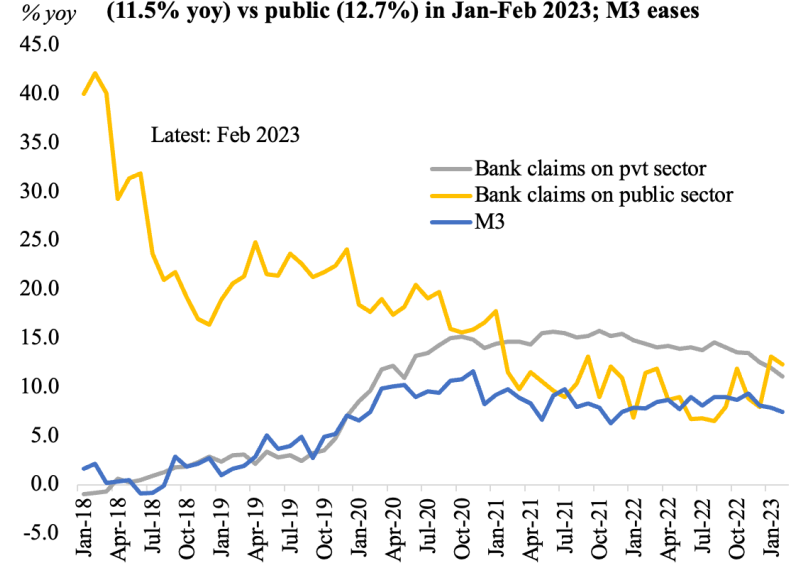
**Government deposits in Saudi Arabia grew by an average 18.6% yoy in Jan-Feb 2023; growth in bank deposits continues to lag overall expansion in credit**



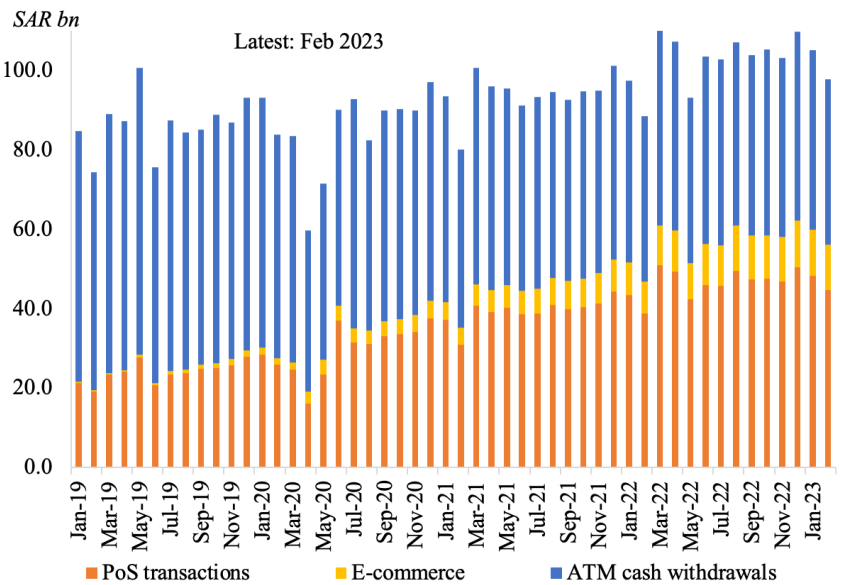
**With deposit growth lagging credit & SAMA mirroring Fed hikes, banks face a severe liquidity crunch: Saudi 3-month inter-bank rate stood at 5.38% in Jan 2023 from a near-record high of 5.59% in Nov**



**Claims on private sector in Saudi grows at a slower pace (11.5% yoy) vs public (12.7%) in Jan-Feb 2023; M3 eases**

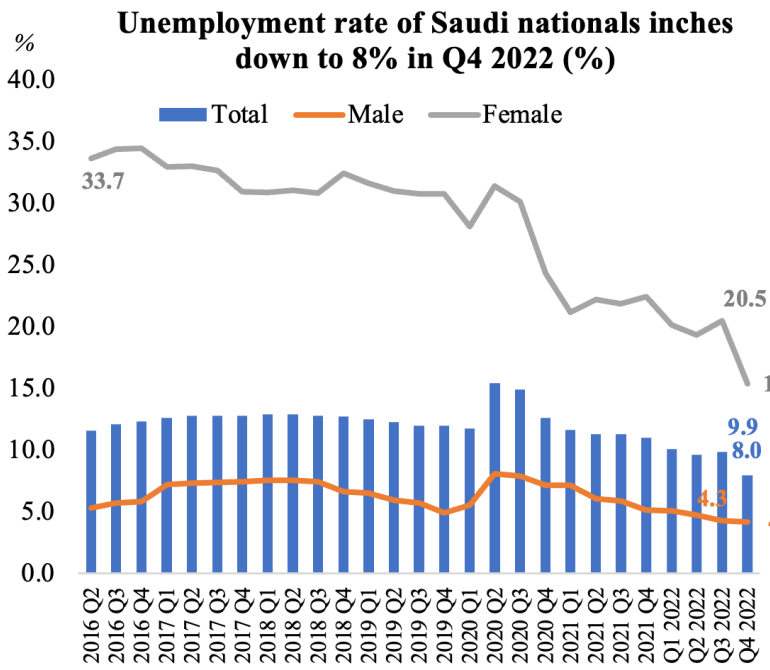


**Consumer spending in Saudi Arabia grew by 10.5% yoy in Feb 2023; PoS transactions grew an average 13% in Jan-Feb 2023 while cash withdrawals declined by 0.7%**



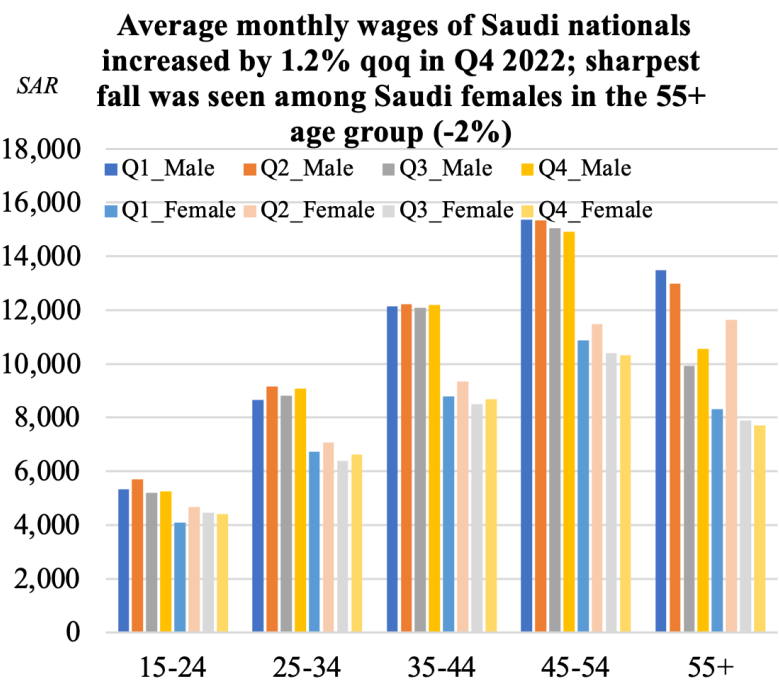
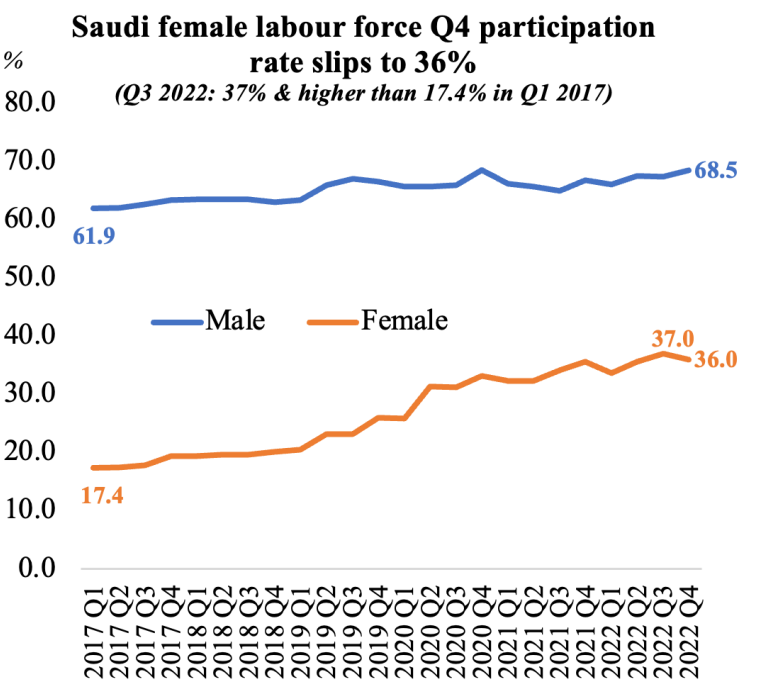
Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates





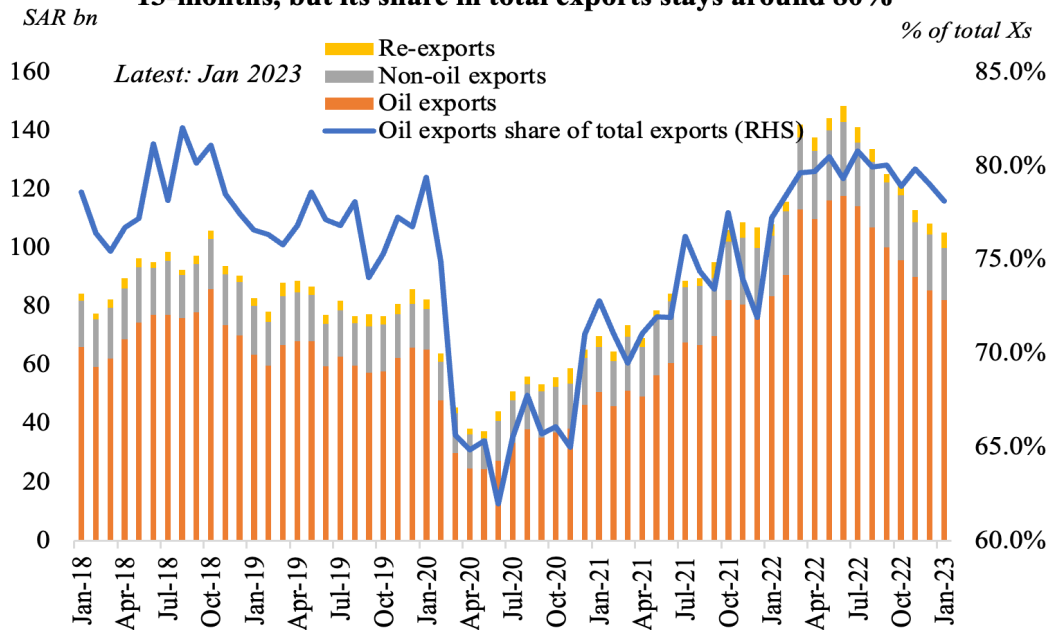
## Unemployment rate of Saudi citizens fell to 8% in Q4 2022

- Unemployment in Saudi Arabia (inclusive of expats) slipped to 4.8% in Q4 (Q3: 5.8%)
- Female unemployment among Saudis fell to 15.4% in Q4 (less than half of 33.7% in Q2 2016); the decline was seen across all age groups
- Female labour force participation slips slightly to 36% in Q4 (Q3: 37%) while wages for females rise by 2% qoq in Q4.



Source: Labour market survey Q4 2022, GaStat. Charts created by Nasser Saidi & Associates

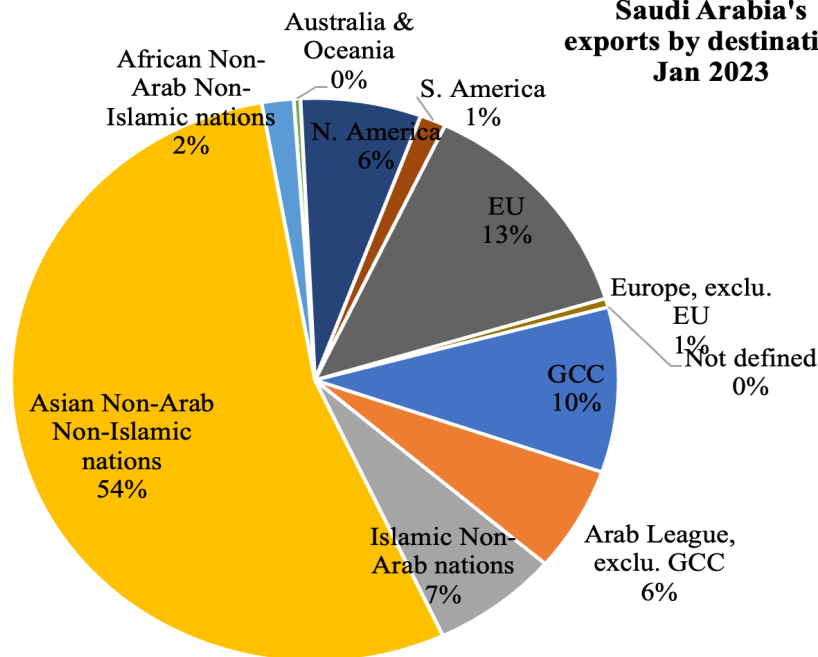
## Saudi oil exports slips to SAR 82.1bn in Jan 2023, the lowest in 13-months, but its share in total exports stays around 80%



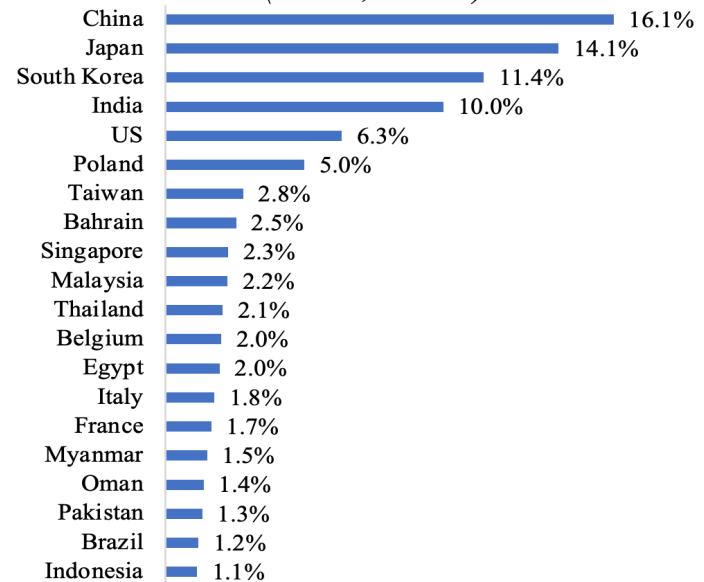
## Saudi exports slipped by 3% yoy in Jan 2023, after 23 months of gains

- Merchandise exports slipped in Jan as a result of the **2% yoy drop in oil exports** (to SAR 82.1bn) alongside the **3rd consecutive month of fall in non-oil exports** (-13% to SAR 17.8bn). The **share of oil exports** meanwhile **remained around 80% of total exports**.
- **Asian non-Arab non-Islamic nations** accounted for **more than 50% of overall Saudi exports**, with many also featuring in the list of top destination of oil exports.
- **China, Japan, Korea and India** together accounted for **51.6% of Saudi's oil exports in Jan 2023**. From the region, Bahrain, Egypt and Oman had shares of 2.5%, 2% and 1.4% respectively.

### Saudi Arabia's exports by destination, Jan 2023



### Saudi Arabia's top 20 destinations for oil exports together account for 88% of total oil exports (% share, Jan 2023)



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