

Weekly Insights

4 March 2023

Inflation, Monetary developments and thoughts ahead of International Women's Day

- *Logistics pressure improves & food prices fall, but be wary of rising services costs*
- *Inflation in Egypt and Saudi Arabia rise to the highest since Dec 2017 & Jun 2021 respectively*
- *Consumer spending grows in Saudi Arabia alongside rising prices*
- *In contrast to Saudi Arabia, deposit growth in the UAE outpaces credit growth*
- *Women's participation in MENA labour force*

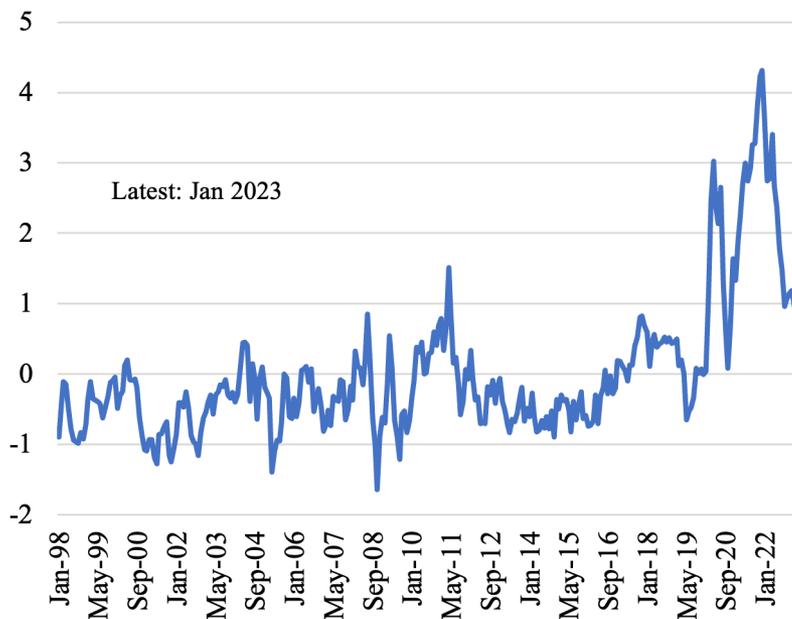
NASSER SAIDI

— & ASSOCIATES —

Logistics pressure improves & food prices fall globally, but be wary of rising services costs

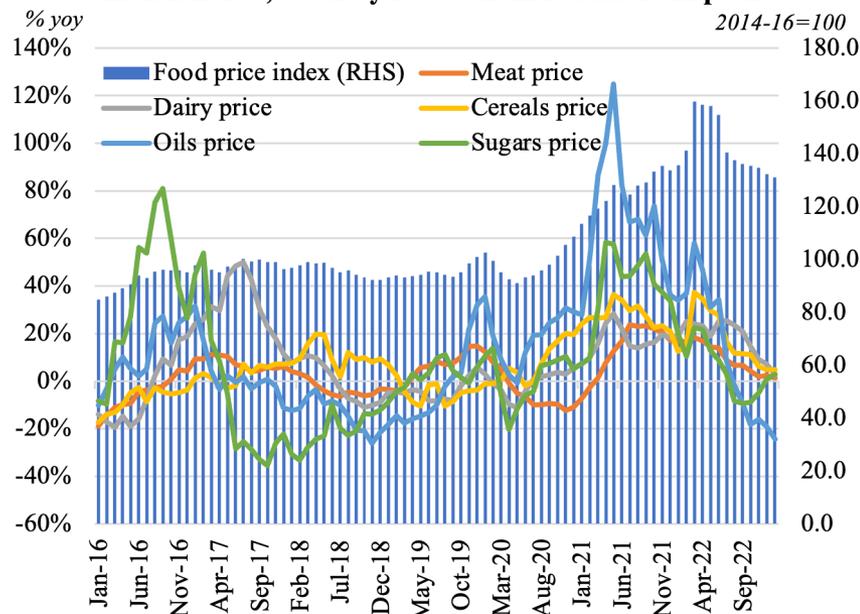
- The **Fed's GSCPI readings have eased significantly over the past months**, amid falling freight rates.
- A **reduction in demand for goods** has meant high inventory levels implying lower demand for imports, and hence for containers (leading to a further plunge in the cost of shipping).
- However, **even as the cost of container ships fall, oil tanker shipping rates are surging**: the reason is that Russian tankers previously going to Europe are **now shipping longer routes** to India and China (almost 5 times previous distance); this ties up the vessels for longer and creates a shortage of such vessels.
- Meanwhile, the **UN's food price index has been falling**, it has dropped 18.7% from its peak in Mar 2022. Only sugar prices increased (to the highest level in 6 years), but it was more than offset by decline in other indices.
- Even amidst the decline in shipping costs and food prices, the limited supply of people and their skills are putting **pressure on wages and prices**, resulting in high costs of services and the rise in core inflation.

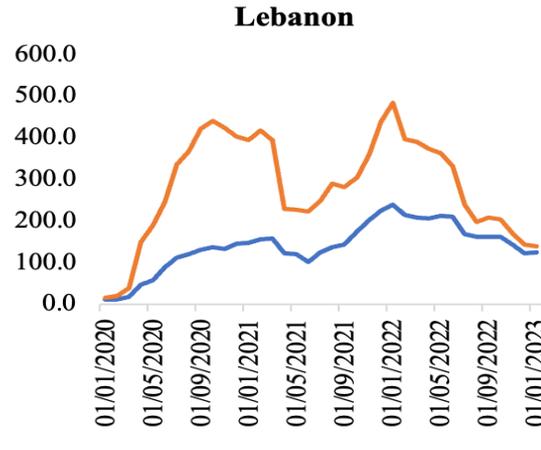
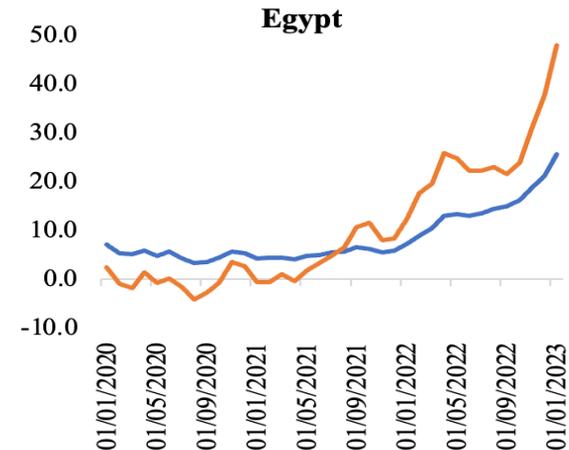
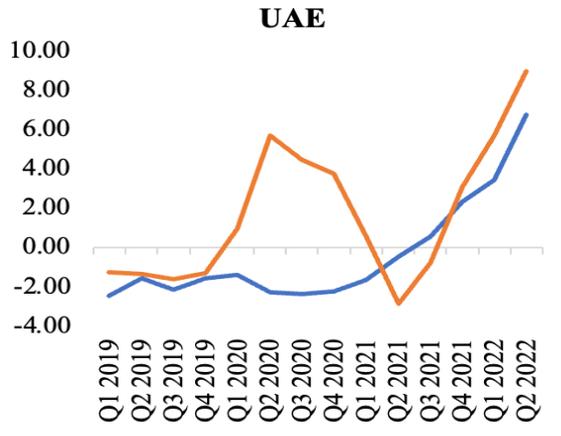
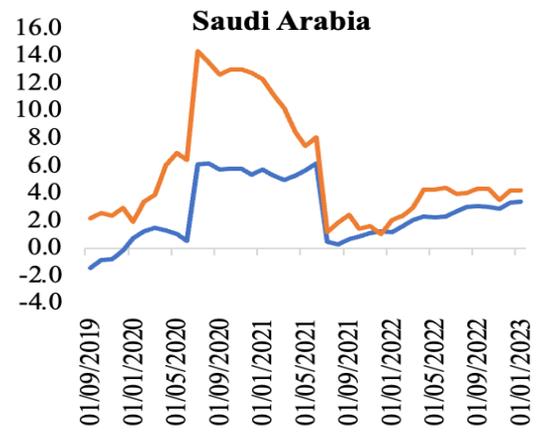
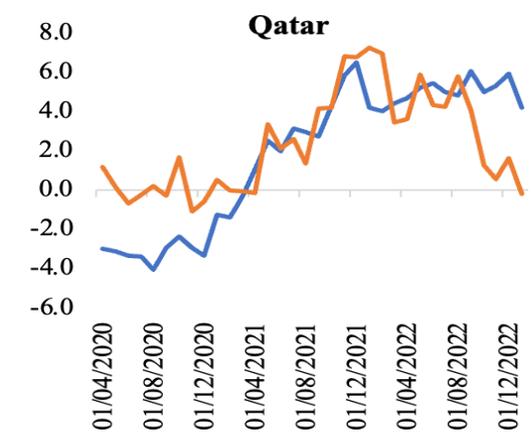
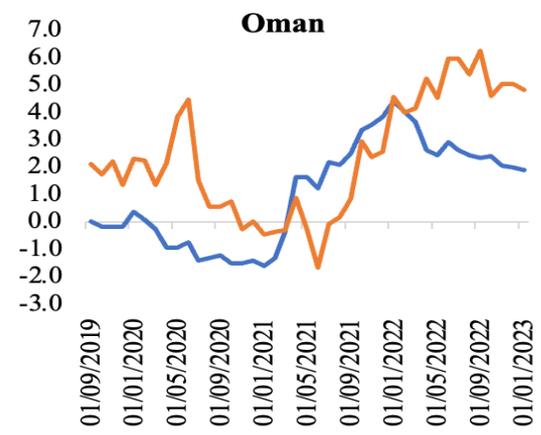
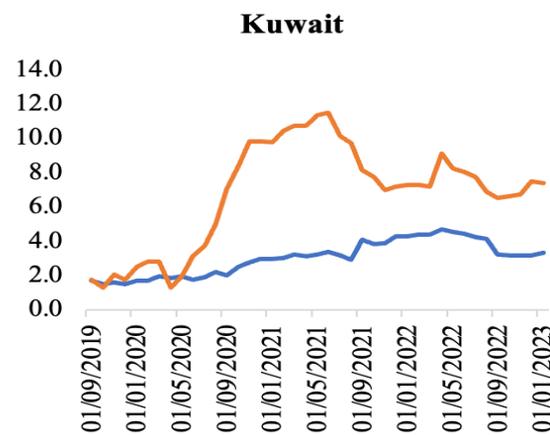
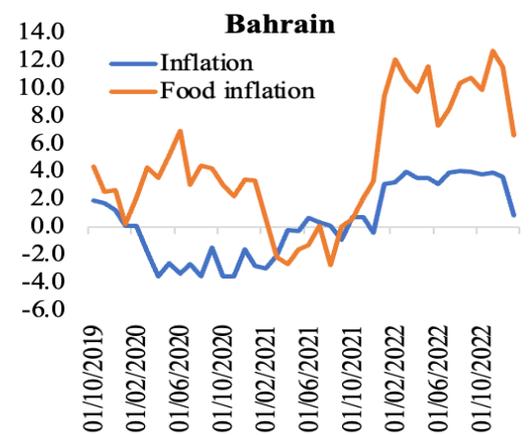
Global Supply Chain Pressure Index (GSCPI) has been on the decline for several months



Source: NY Fed, UN FAO. Chart by Nasser Saidi & Associates

UN's food price index declined for the 11th consecutive month in Feb, down by 18.7% from its Mar 2022 peak

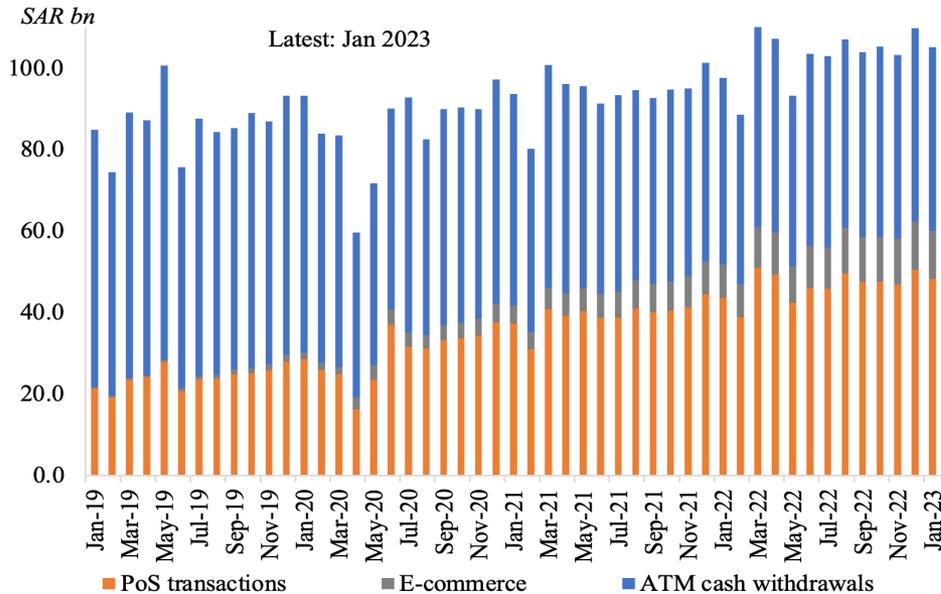




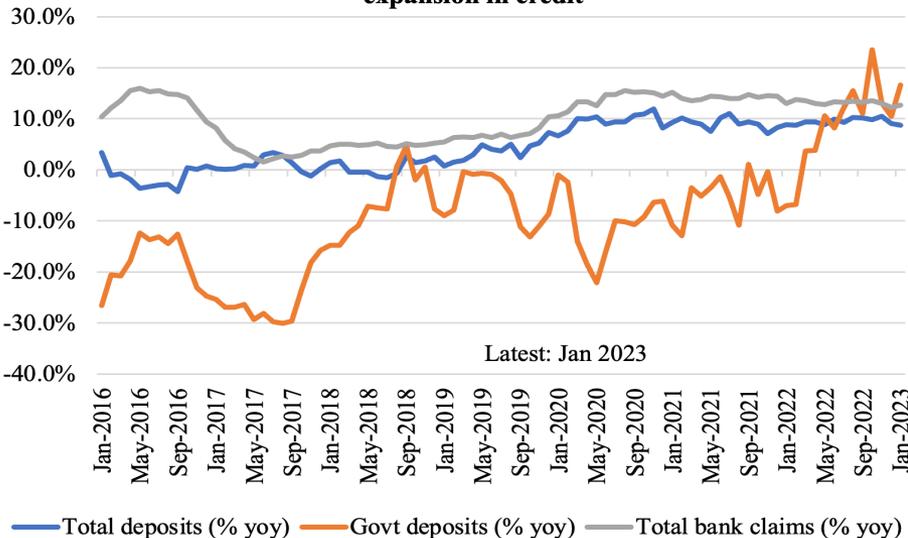
Inflation in Egypt and Saudi Arabia rises to the highest since Dec 2017 & Jun 2021 respectively; non-food costs are also inching up

Source: Refinitiv Eikon; Charts by Nasser Saidi & Associates
 Note: Data as of Jan 2023, except for UAE (Q2 2022)

Consumer spending in Saudi Arabia grew by 7.8% yoy in Jan, but declined by 4.2% in month-on-month terms. PoS transactions increased by 10.9% yoy, easing from previous months' pace



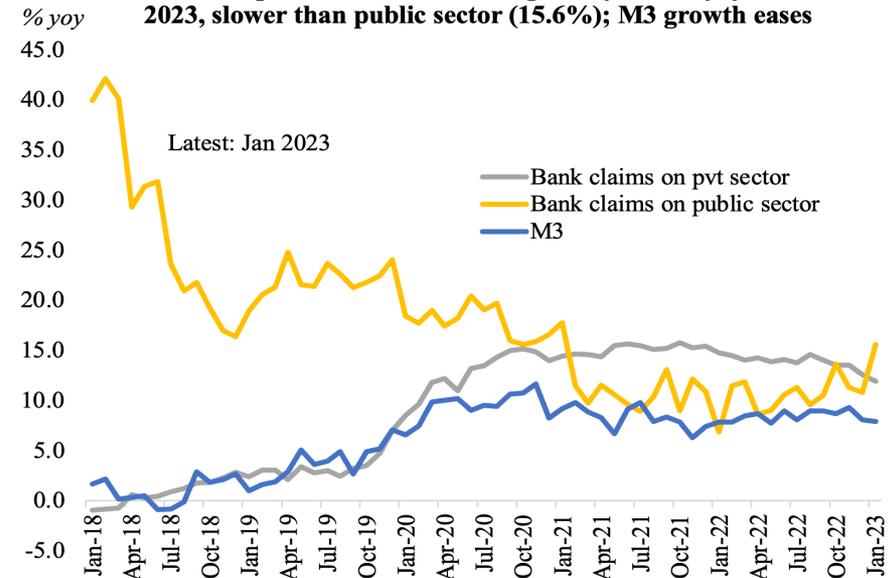
Government deposits in Saudi Arabia surged by 16.6% yoy in Jan 2023; growth in bank deposits has lagged overall expansion in credit



Higher Consumer spending in KSA alongside rising prices

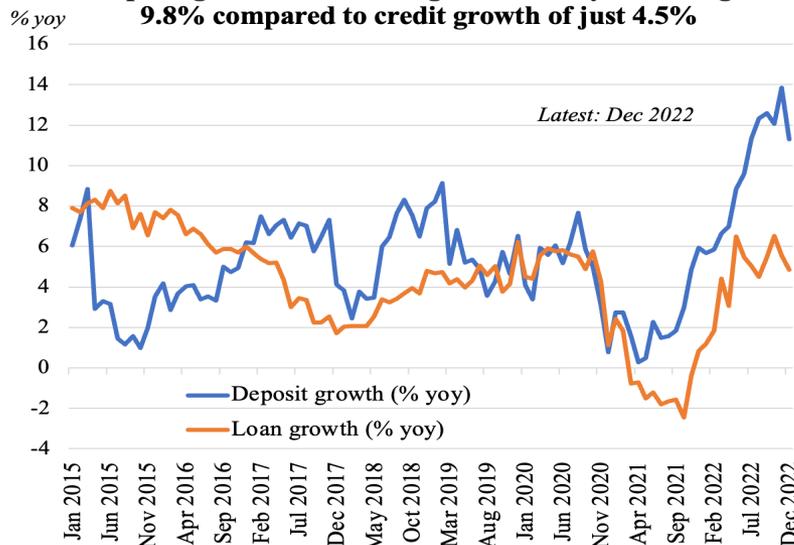
- **Consumer spending has been rising**, supported by PoS transactions (+10.9% yoy) while cash withdrawals decline (-1.5%)
- PoS transactions by sector show **“hotels” and “public utilities” report the highest increases (38.6% & 24% respectively)**
- The broad measure of money supply (**M3**) grew by **7.9% yoy in Jan 2023** (though down by 1% compared to the previous month)
- **Total bank deposits grew by 8.7% yoy**, despite a fall in demand deposits (-3.4%) while government deposits jumped (16.6%)
- **Bank claims continued rising** with claims on the private and public sector up by 11.9% and 15.6% respectively in Jan

Claims on private sector in Saudi grew by 11.9% yoy in Jan 2023, slower than public sector (15.6%); M3 growth eases

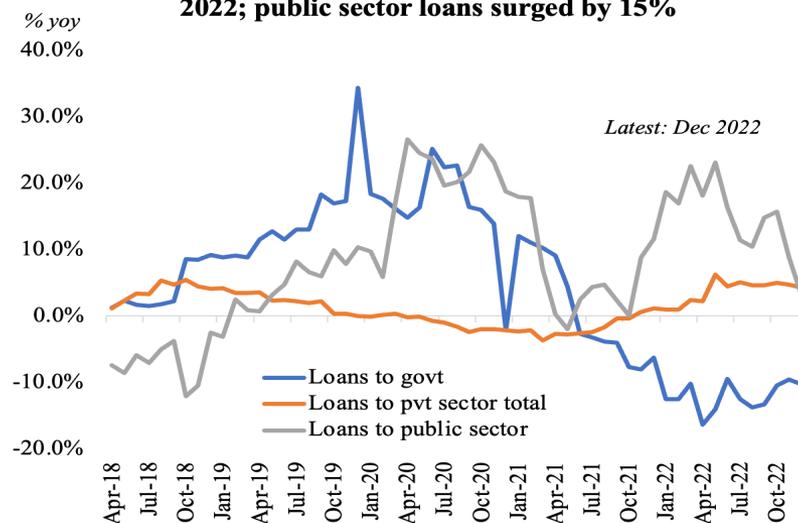


In contrast to Saudi Arabia, deposit growth in the UAE outpaces credit growth. Loans to the private sector are inching up; personal loans for consumption comprise ~1/4th of total loans. SME lending has come off pandemic-highs, down to AED 83.3bn disbursed as of Dec 2022

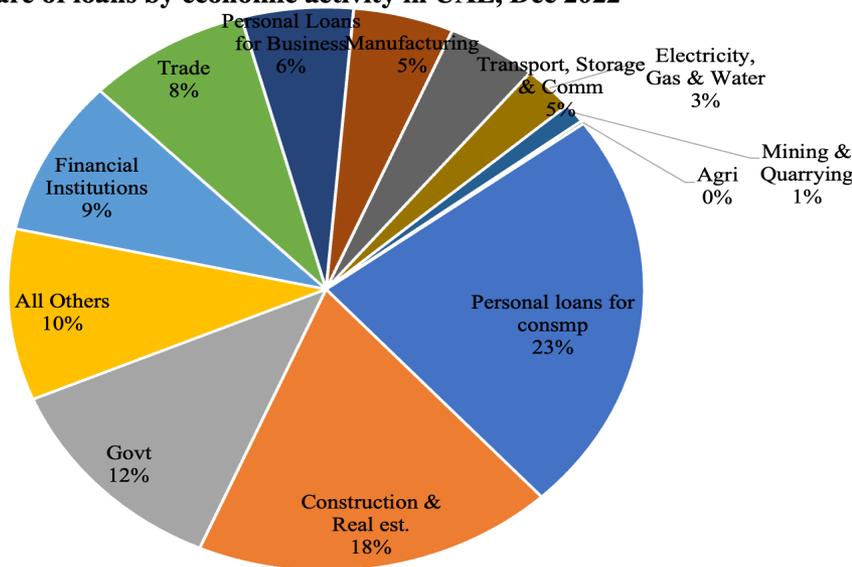
Deposit growth in UAE surged in 2022 by an average 9.8% compared to credit growth of just 4.5%



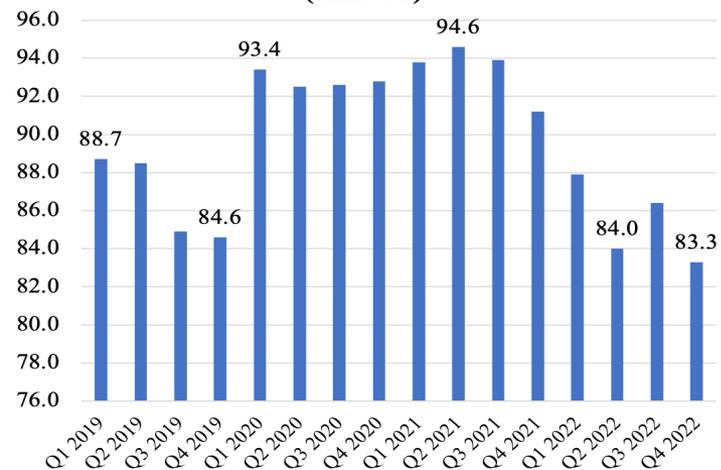
Loans to UAE's private sector increase by 3.8% in 2022; public sector loans surged by 15%



Share of loans by economic activity in UAE, Dec 2022



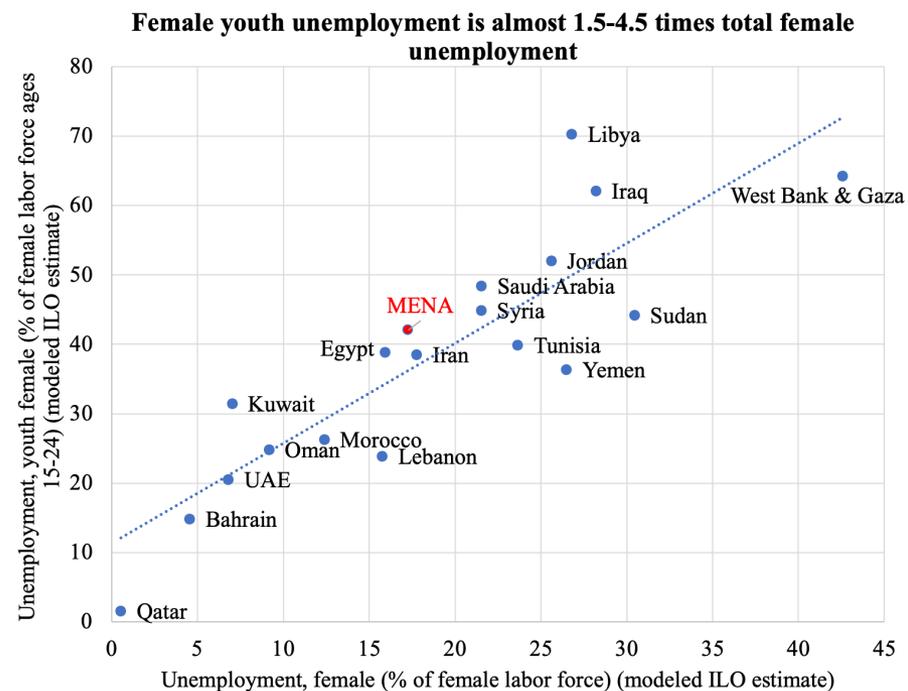
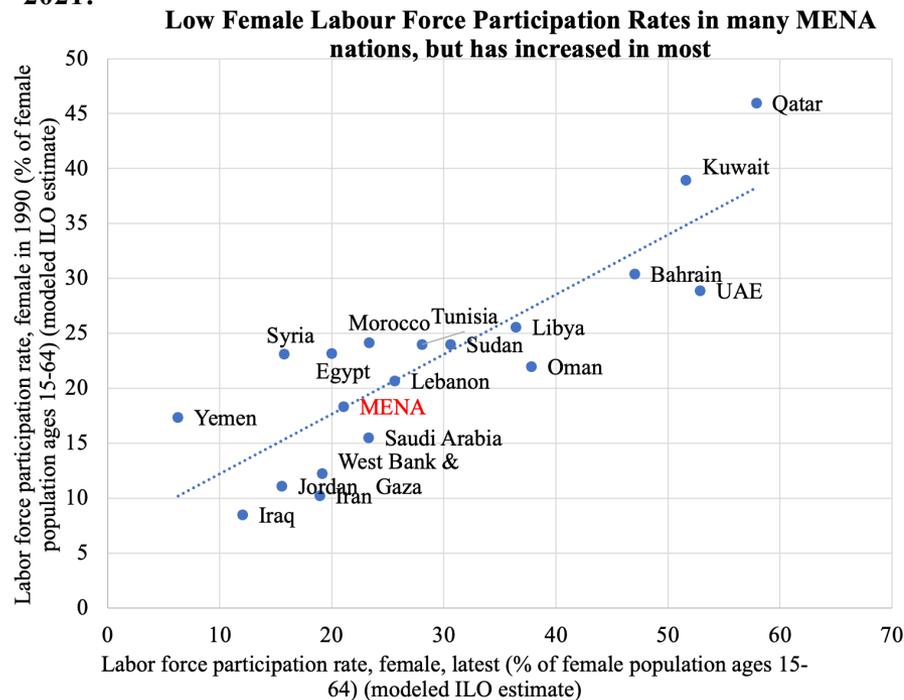
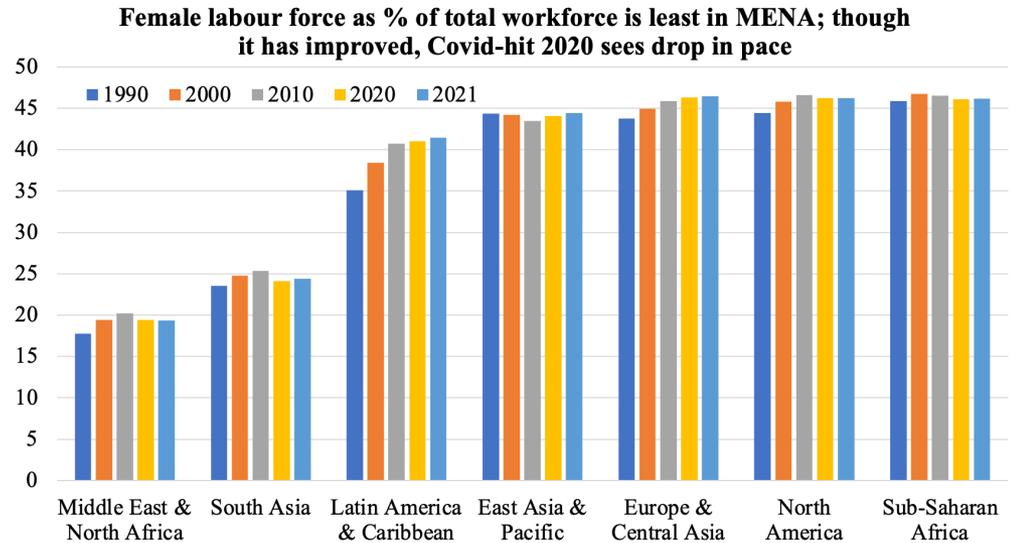
SME lending in the UAE surged during 2020-21, but is down to AED 83.3bn in Dec 2022 (AED bn)



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

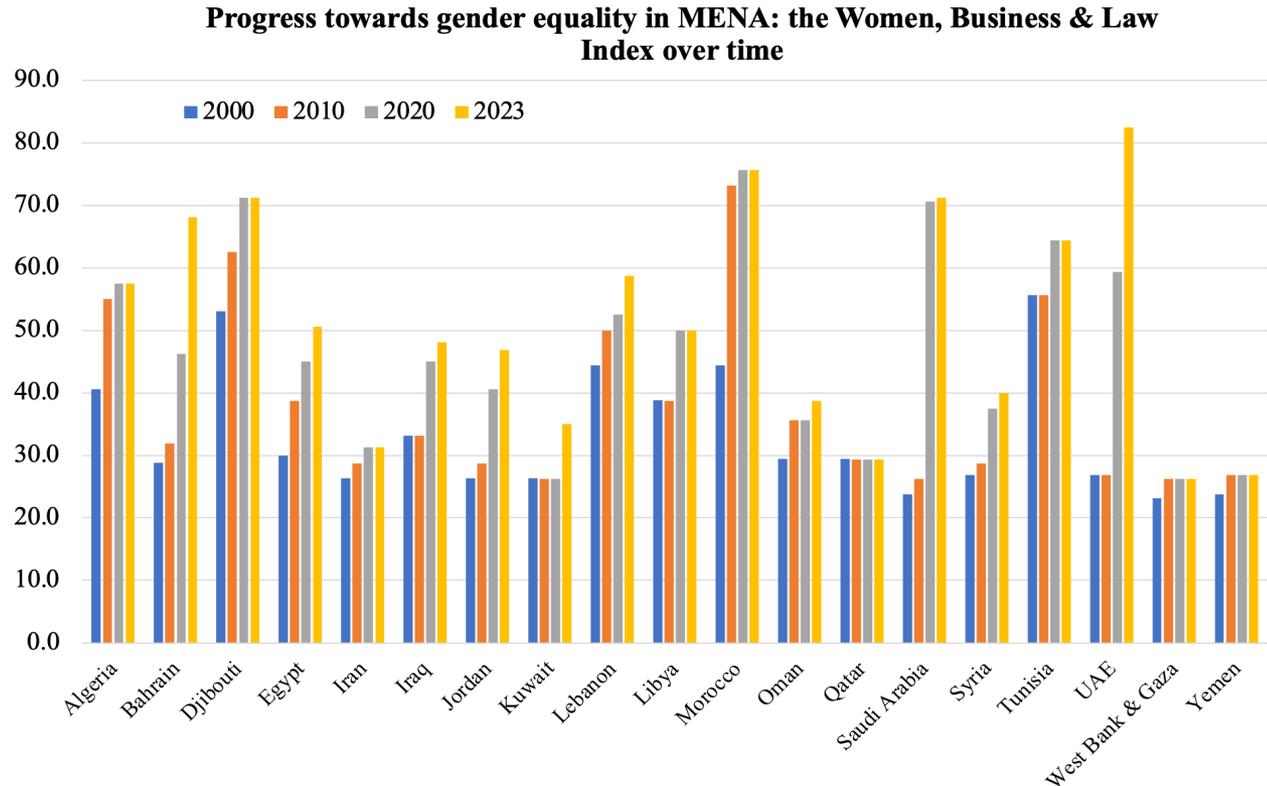
Women's participation in MENA labour force

- MENA region lags all other regions in the share of women in the labour force
- Only about one-fifth of all women (aged 15-64) participate in the labour market in MENA: it had been inching up, but Covid19 reversed recent gains
- Regional disparity exists in MENA's female labour force participation rates (FLFPR), with it relatively higher in the GCC. A comparison with rates in 1990 (vertical axis, LHS chart) show that **most nations have improved FLFPRs** (x-axis). However, nations that lie above the dotted line indicate a decline compared to rates in 1990 (e.g. Egypt, Yemen, Syria)
- Low FLFPR also coincides with **average female unemployment rates of 17% & 42% for young women in 2021!**



Gender-related reforms in MENA have a long way to catch up!

- The global **Women, Business and the Law index** average is 77.1 out of 100. Only 14 countries, all OECD, score 100 (i.e. equal legal standing)
- The **MENA region** has a long way to catch up: its score is currently the **lowest among all regions**, 53.2 points
- The region also has the **largest variations in scores within the group**. **In 2023, UAE scored the most in the region (82.5), and the lowest, West Bank & Gaza, was a long way down at 26.3.**



Source: Women, Business and the Law 2023 report. Chart by Nasser Saidi & Associates

- **Economies with historically larger legal gender gaps have been catching up faster**, especially since 2000, including many of the GCC nations (Bahrain, Saudi Arabia, UAE)
- **Reform momentum seems to have slowed:** in 2022, only 34 gender-related legal reforms were recorded across 18 economies globally, the lowest number since 2001. From the region Bahrain introduced reforms in pension & Iraq related to entrepreneurship.

Prepared by:

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

Aathira Prasad
Director, Macroeconomics
aathira@nassersaidi.com

NASSER SAIDI

— & ASSOCIATES —