

Weekly Insights

10 Nov 2023

GCC's robust macroeconomic performance despite regional challenges

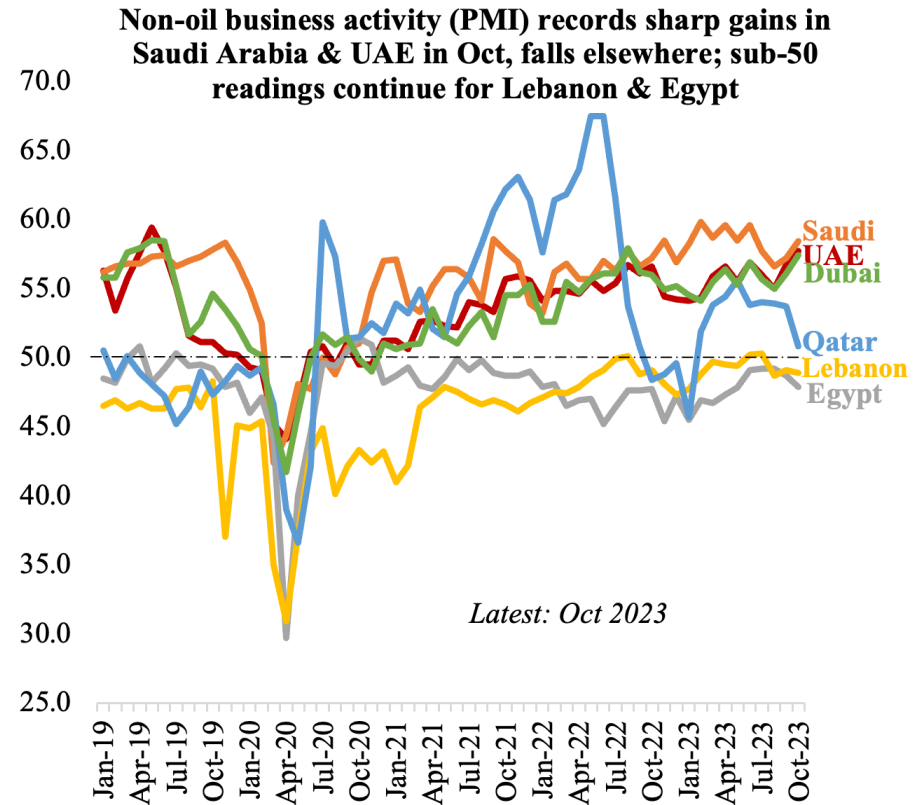
- *Saudi Arabia & UAE PMIs post gains in Oct; dampened activity in both Egypt & Lebanon*
- *Saudi Arabia's industrial production propped up thanks to growth in manufacturing*
- *UAE's non-oil foreign trade clocks in at AED 1.2trn in H1 2023*
- *Oman tourism boosted by domestic travel*
- *MENA IPO market sees 6 listings in Q3, taking the total this year to 29*

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— & ASSOCIATES —

Saudi Arabia & UAE PMIs post gains in Oct; dampened activity in both Egypt & Lebanon

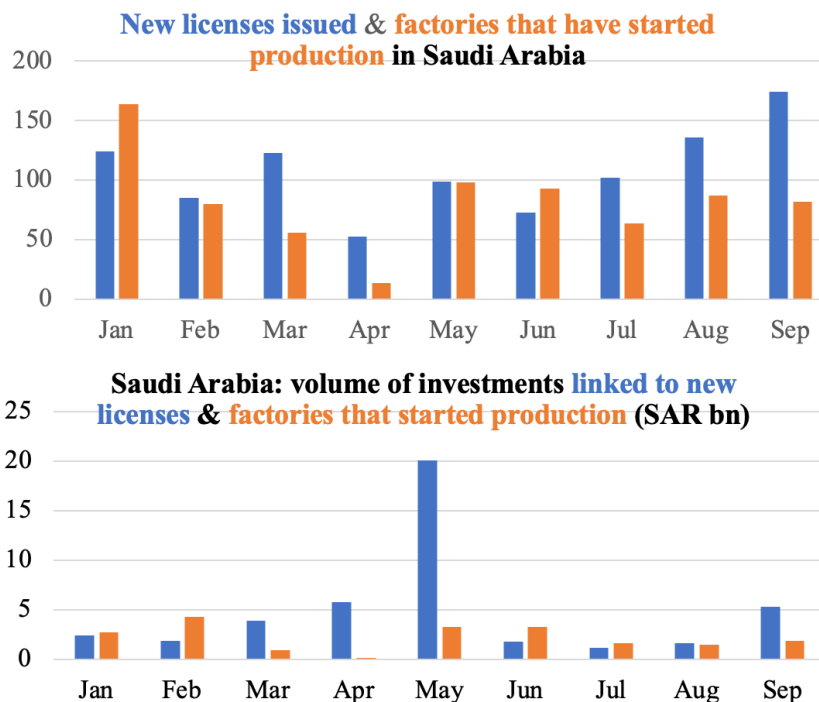
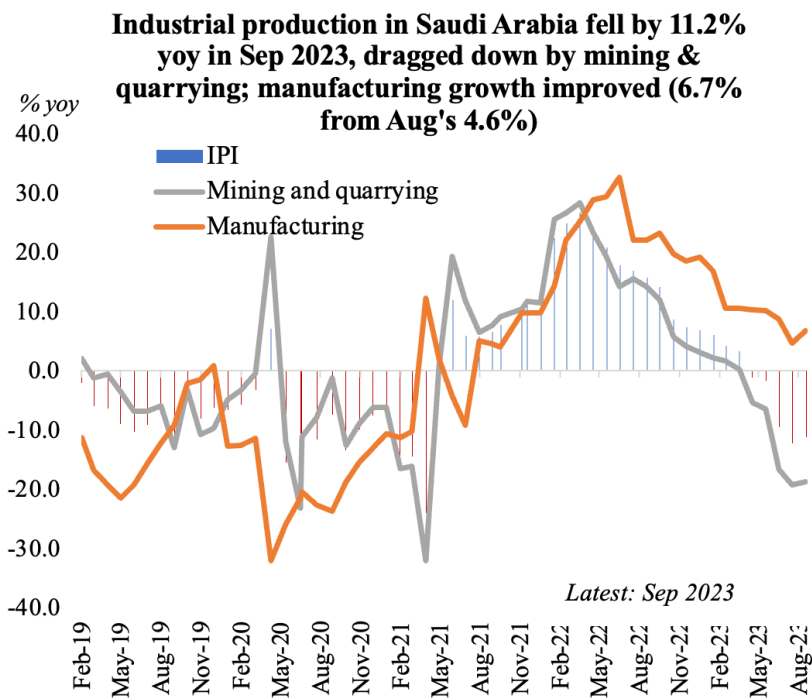
- **GCC nations continue to report expansionary readings** for non-oil sector PMI in Oct while **both Egypt & Lebanon remain in contractionary territory** (former for the 35th consecutive month).
- **New orders have supported the uptick in Oct for all GCC nations**, with new orders in UAE reporting the strongest growth since Jun 2019. Domestic demand has been strong, and firms also reported that price discounts supported sales growth.
- The **cooler months (Q4 onwards) generally see a greater influx of tourists** and notably, sales have been “marked” among wholesale & retail and travel & tourism firms in Dubai. This bodes well for the coming months which include high-profile events including COP28.
- **Rising input prices will be a factor to watch out for:** Saudi and UAE prices rose to 12 and 15-month highs. In Qatar input prices fell for the first time this year. **Firms continue to offer discounts to remain competitive:** In Saudi Arabia, output prices posted the strongest drop since May 2020 and in Qatar rose at the fastest rate in 6 months. Though output prices were raised in the UAE for the first time in 1.5 years, it was “only fractionally”. However, this is not a sustainable practice, considering firms’ revenues & profit margins.
- **Hiring component in Saudi Arabia’s PMI surged to a 9-year high** and Qatar reported increased recruitment by construction & manufacturing firms while Dubai reported only a slight increase (weakest in over a year).
- **Egypt** continues to be affected by rising inflation, currency weakness and supply shortages (given import controls): **new orders posted a faster decline** and employment shrank as well. Despite conflict in the region, sentiment improved to the highest this year. **Lebanese firms meanwhile reported order cancellations due to security concerns**, and a decline in international sales.
- **Ongoing Israel-Gaza war adds** a layer of uncertainty to businesses outlook, though for now, there seems to be limited concerns.



Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

Saudi Arabia's industrial production propped up thanks to growth in manufacturing; new industrial licenses & factories will support

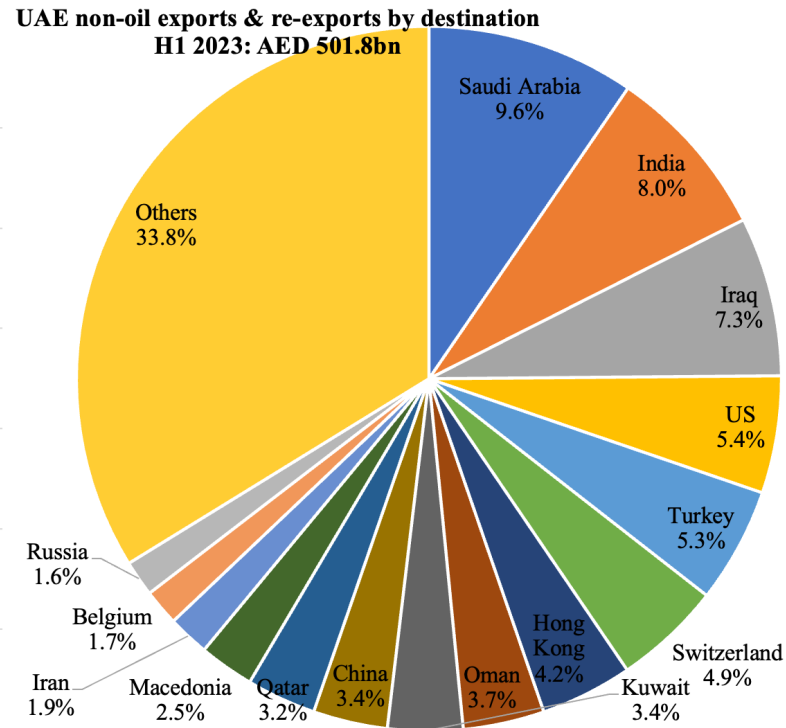
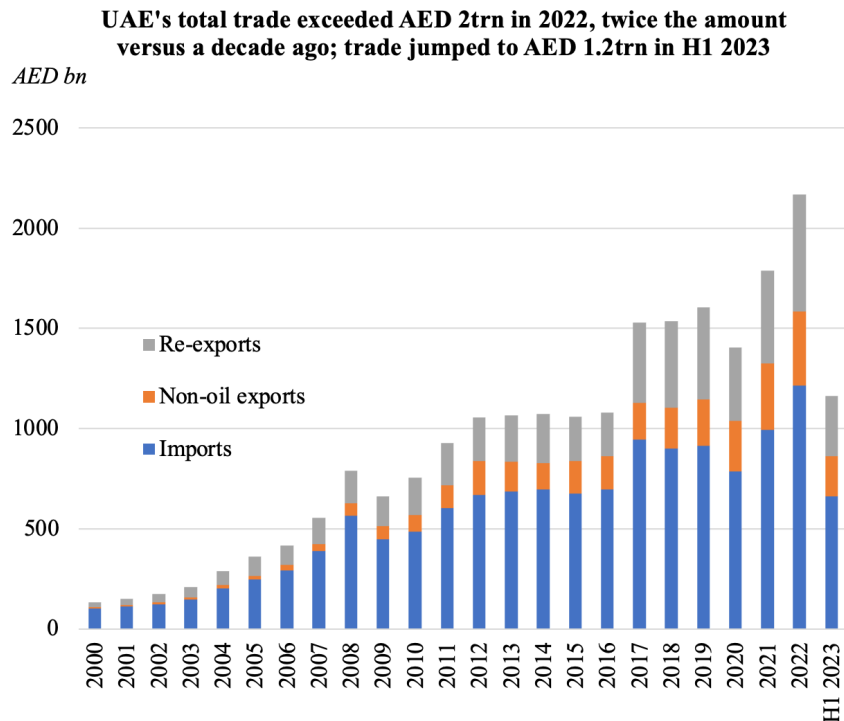
- **Industrial production (IP) in Saudi Arabia fell by 11.2% yoy in Sep** (Aug: -12.2%), the fifth month in a row of declines, largely due to the plunge in mining & quarrying activity (-18.7% from Aug's drop of 19.3%). In mom terms, IP rebounded in Sep, up by 0.8% (Aug: -0.3%). **Overall IP has declined by an average 1.7% this year.**
- **Manufacturing activity has been slowing**, with its average dropping to 10.8% in Jan-Sep 2023 (vs 22.9% in Jan-Sep 2022). This compares to a drop of 6.6% in mining & quarrying in Jan-Sep compared to a gain of 19.8% in the same period a year ago.
- **There are positive signs for increase in non-oil sector activity in the future. Saudi Arabia's PMI**, at 58.4 in Oct, was the highest reading since Jun, supported by growth in new orders (4-month high) and employment growth (most since Oct 2014). **The issuance of new industrial licenses and setup of factories also increased: 174 new licenses were issued in Sep**, raising the total permits issued this year to 969, together committing to about SAR 44bn in investment. Meanwhile, **82 factories started production in Sep**, bringing the total number of existing factories at end-Sep to 11,273, with an investment volume estimated at SAR 1.498trn.



Source: GaStat (Saudi Arabia), Ministry of Industry & Mineral Resources. Charts by Nasser Saidi & Associates.

UAE's non-oil foreign trade clocks in at AED 1.2trn in H1 2023, more than half of trade in full year 2022

- **Non-oil trade has expanded significantly in H1 2023**, rising to AED 1.16trn, and compares to AED 2.2trn in 2022.
- **In H1 2023, re-exports accounted for more than ¼-th of total trade** (AED 302bn), while non-oil exports (excluding re-exports) clocked in at AED 200bn. A breakdown by category shows that among non-oil exports (including re-exports), **pearls, stones & precious metals top the list**, with a share of close to one-third of the total, followed by machinery, sound recorders et. al (23%) and base metals (8.8%).
- **Top 10 non-oil exports destinations** (including re-exports) together **account for more than 50% of total in H1 2023**, of which 3 are GCC nations, and includes both India and China (remember that this is excluding oil!).
- **UAE's CEPAs contribute towards the non-oil trade expansion. Turkey is a good example of the success of CEPA:** it is the fifth largest destination for UAE's total non-oil exports, accounting for 5.3% of the total in H1 2023 (from 3.1% and 1.8% in 2022 & 2021 respectively).
- Though 6 CEPAs have been signed, those signed recently with Georgia and Cambodia are yet to be ratified. **More CEPAs are in the pipeline: 4-6 agreements are expected to be completed by end-2023.** These will support UAE's ambition to raise non-oil trade to AED 4trn and non-oil exports to AED 800bn by 2031.

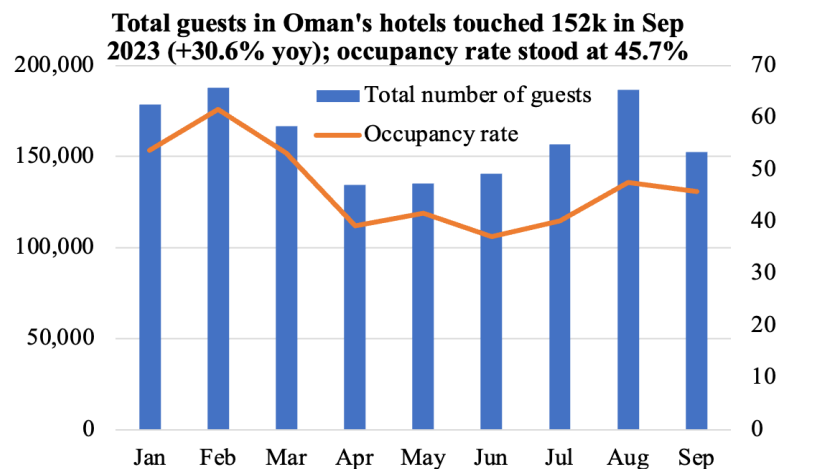
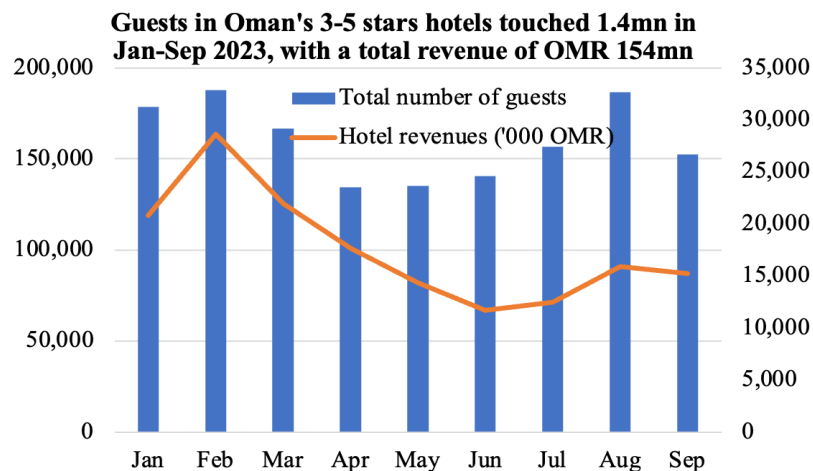
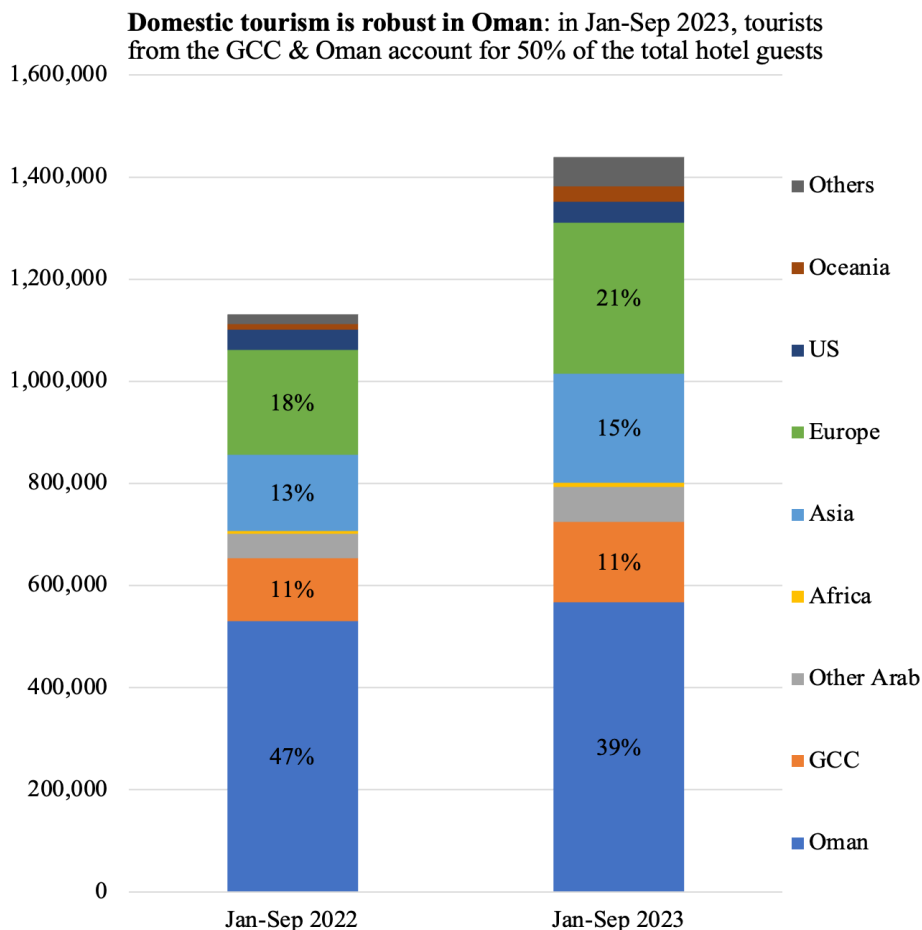


Source: Federal Competitiveness & Statistics Authority. Charts by Nasser Saidi & Associates.

Note: Free zone data is included only from 2011

Oman tourism boosted by domestic travel

- Oman's tourism index report shows that about **2.9mn visitors arrived into the country by end-Sep** and around 6.2mn departed.
- About **1.4mn guests stayed at 3-5 stars hotels in Oman during Jan-Sep 2023** (+27.3% yoy), raising OMR 154mn in revenues (+26.4%).
- A breakdown of guests' origins indicate that **domestic travel is very strong in the country, with Omanis accounting for close to 40% of total guests** in Jan-Sep (+6.9% yoy), followed by **Europeans (+43.4% yoy to 295k persons)**. GCC residents' visits have remained steady, accounting for about 11% of the total in Jan-Sep of both 2022 and 2023.
- **Hotel occupancy during Jan-Sep this year has risen to 46.2%** (from an average 41.9% in the same period last year): the highest occupancy rates were recorded in Feb this year.

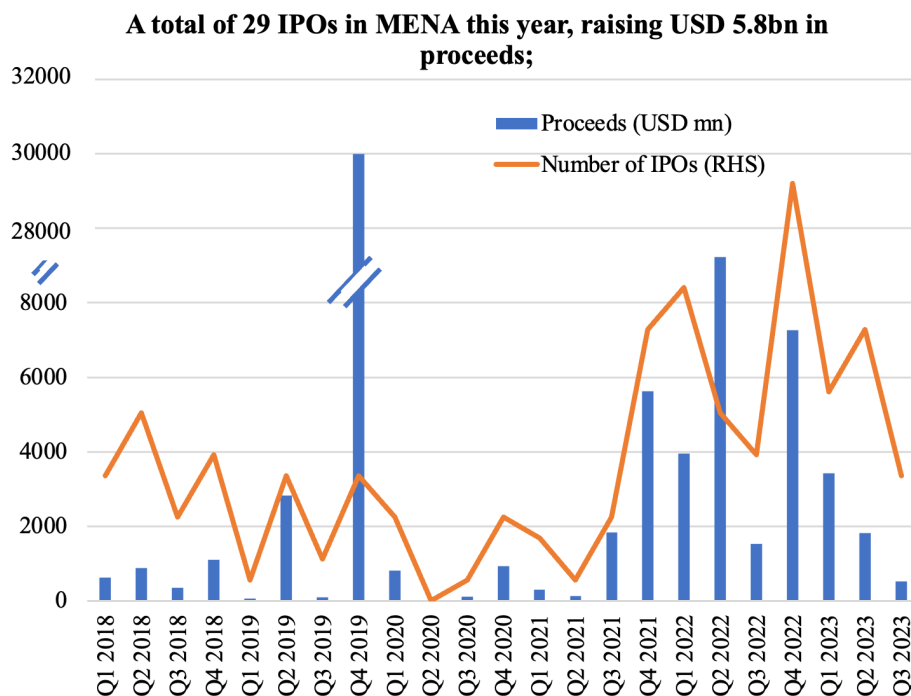


Source: National Centre for Statistics & Information, Oman. Charts by Nasser Saidi & Associates.



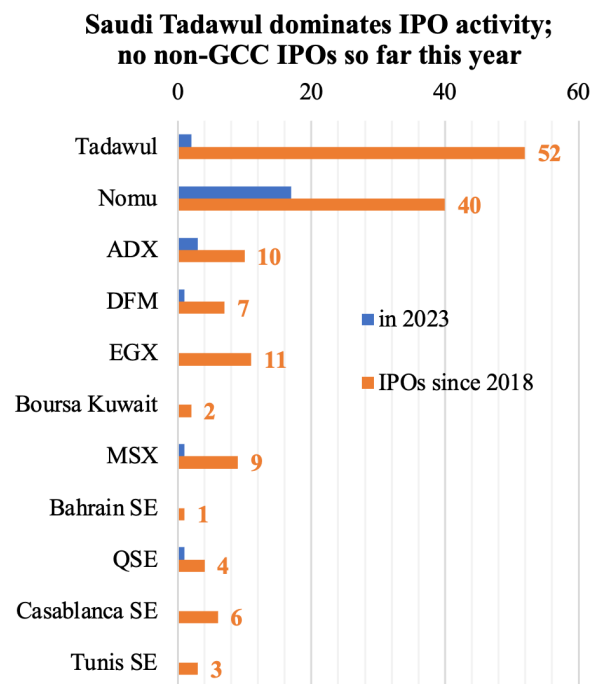
MENA IPO market sees 6 listings in Q3, taking the total this year to 29. Tadawul & Nomu are the most active exchanges

- **IPOs in the MENA region stood at 6 (-14% yoy) in Q3 2023, raising USD 523mn in funds (-66%).** This brings the total this year to 29 IPOs raising USD 5.8bn.
- **Saudi Arabia's Tadawul and Nomu have been the most active exchanges for listing this year,** and despite an initial surge, none of the non-GCC exchanges have any IPOs listed this year.
- **Both Saudi Arabia and UAE have an IPO pipeline:** around 27 companies in Saudi have announced plans to list on Tadawul; Dubai's Roads and Transport Authority is likely to privatise Dubai Taxi in Nov and private entities such as supermarket chains Spinneys & Lulu have plans for 2024; Bahrain's Investcorp is listing on ADX.
- There has been a **concerted push towards privatisation** by the region's govts (to diversify, raise revenues, boost capital markets). Once Egypt's elections are over, and reforms implemented (including exchange rate), expect more privatisation moves from state-owned entities. There remains a risk that the current geopolitical conflict could put a dampener on investor sentiment & IPO activity.



Source: MENA IPO Eye Q3 2023, EY

Note: Sumou Real Estate Co. (listed in Q1 2020) moved from Nomu to the Tadawul main market in Sep 2023.



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