

Weekly Insights

3 May 2024

Oil sector drags down GDP in Saudi Arabia; monetary expansion in UAE & KSA

- *Saudi Arabia GDP contracted by 1.8% yoy in Q1 2024, the third consecutive quarter of decline*
- *Deposit and credit growth inch closer in Saudi Arabia in Q1*
- *UAE's gross bank assets surged to a new high in Feb (AED 4.2trn, up 2.2% mom)*
- *WTO: Global trade to grow by 2.6% yoy in 2024, following a 1.2% drop in 2023*
- *Trade improvements evident from gains in air cargo movement*
- *Middle East nations appear among the top exporters & importers in 2023*

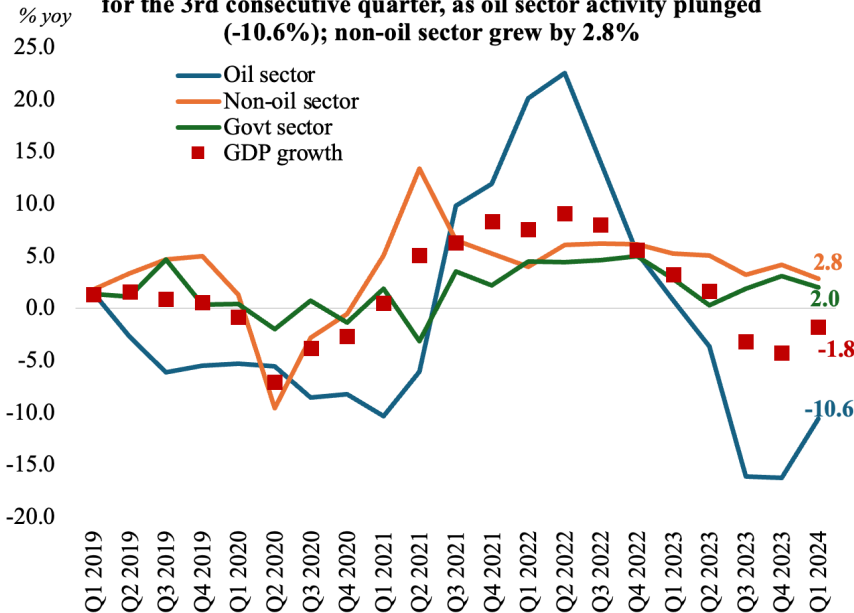
NASSER SAIDI

— & ASSOCIATES —

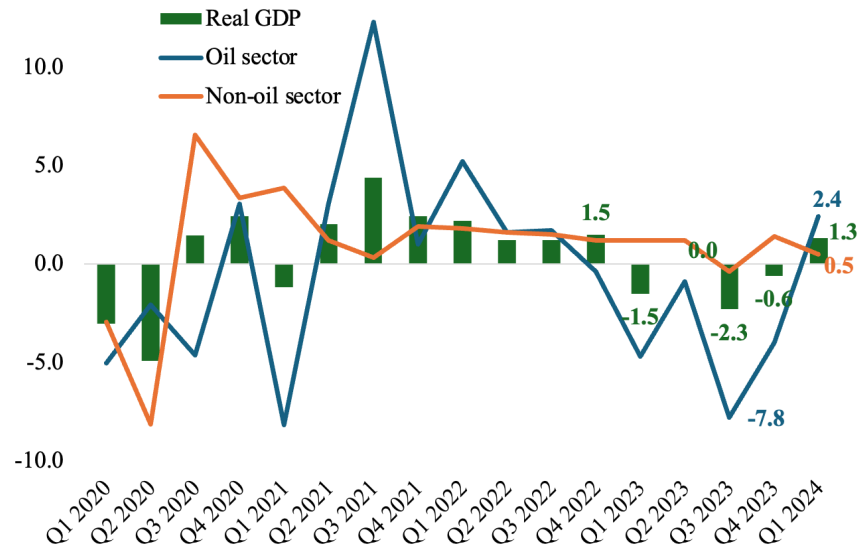
Saudi Arabia GDP contracted by 1.8% yoy in Q1 2024, the third consecutive quarter of decline

- Preliminary data showed that **Saudi Arabia's real GDP shrank** by 1.8% yoy in Q1 2024, declining for the 3rd consecutive quarter (but at a slower pace than Q4's 3.7% decline), as oil sector activity fell (-10.6%). The OPEC+ decision to reduce oil output has played into these numbers: Saudi has decreased its oil output (to around 9mn barrels per day vs a capacity of around 12mn bpd); Aramco has also shelved plans to raise production capacity further to 13mn bpd. **Non-oil sector grew by 2.8% in Q1 this year**, slower than the 4.2% gain recorded in Q4 2023. Growth was also propped by a 2% rise in **government sector activity** (Q4: 3.1%).
- **In qoq terms, however, GDP rebounded in Q1**: an uptick in oil sector activity (2.4% qoq) supported the overall 1.3% qoq growth (Q4: -0.6%) while non-oil sector expanded by 0.5% (Q4: 1.4%).
- **Various indicators including PMI data** (56.5 in Q1 2024) **and contracts awarded** (Saudi accounted for more than 50% awarded in the GCC in Q1 2024) **continue to show support for non-oil sector growth** alongside strong domestic demand. We believe that growth will recover, driven by non-oil sector activity, but growth will be at a slower pace compared to recent years.
- At the WEF event this week, the **Saudi finance minister confirmed that projects might be adapted** (“downscale some” and “accelerate others”) to fit with the ongoing economic and geopolitical scenarios: a commendable move trying to prioritise projects versus trying to divert its existing revenues to achieve all targets (i.e. lack of fiscal discipline).

Saudi Arabia GDP shrank by 1.8% yoy in Q1 2024, declining for the 3rd consecutive quarter, as oil sector activity plunged (-10.6%); non-oil sector grew by 2.8%



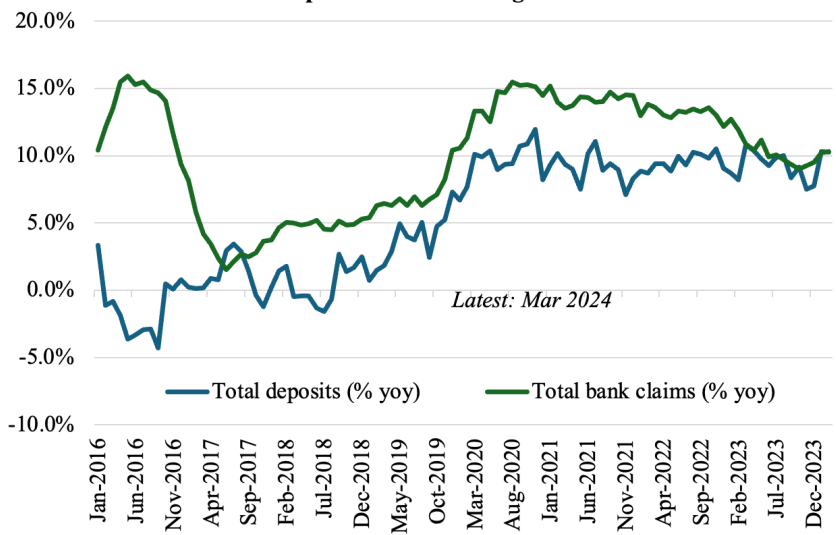
Saudi Arabia GDP rebounded by 1.3% qoq in Q1 2024 (Q4 2023: -0.6%)



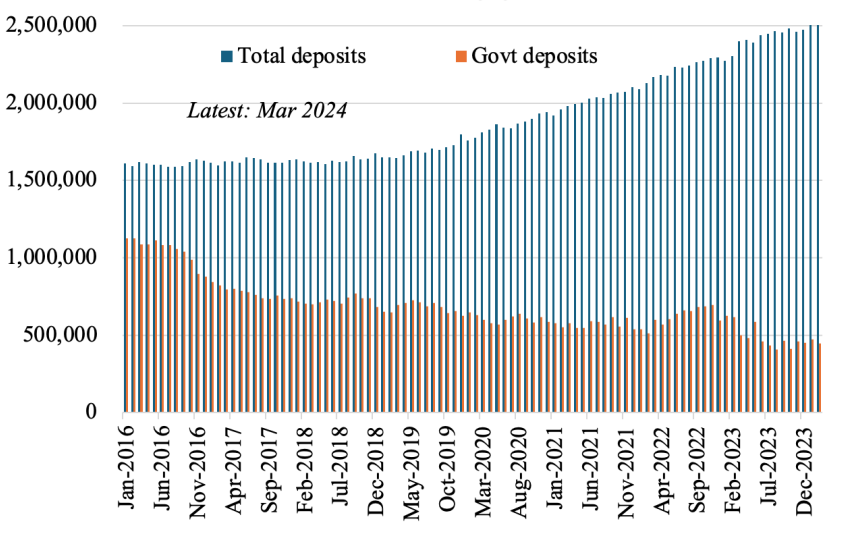
Source: General Authority for Statistics. Chart by Nasser Saidi & Associates.

Deposit and credit growth inch closer in Saudi Arabia in Q1; government deposits declined for the 13th month in a row in Mar; Net Foreign Assets surged to SAR 1.628trn in Mar, the highest since Jan 2023

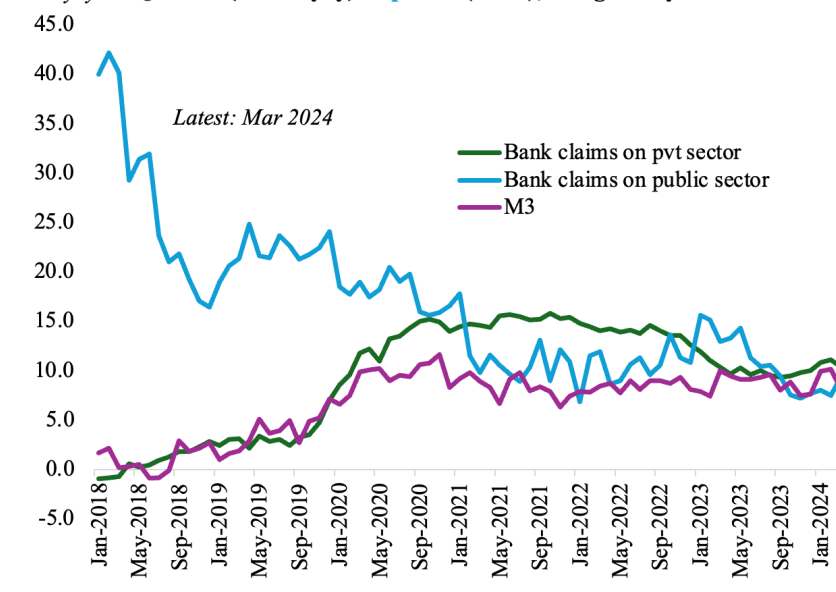
Saudi Arabia's total bank deposits grew by an average 9.6% yoy in Q1 2024. Credit growth was up 10.2%, with loan-to-deposit ratio exceeding 100%



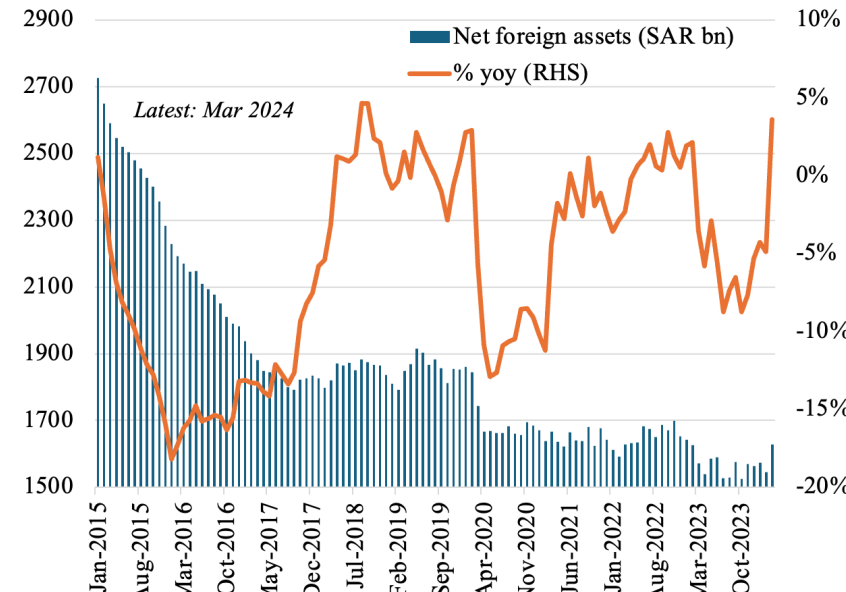
Government deposits in Saudi Arabia inched up by 2.2% mom in Mar 2024; total deposits, in contrast, grew by 2.3% mom & 8.1% yoy



Claims on private sector in Saudi grows at a faster pace in Q1 2024 (10.8% yoy) vs public (8.3%); M3 grew by 9.4%



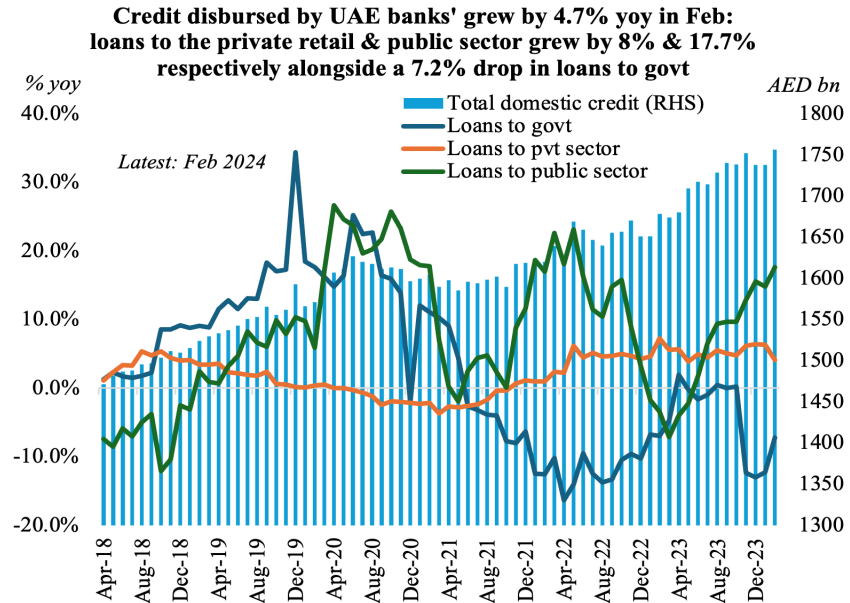
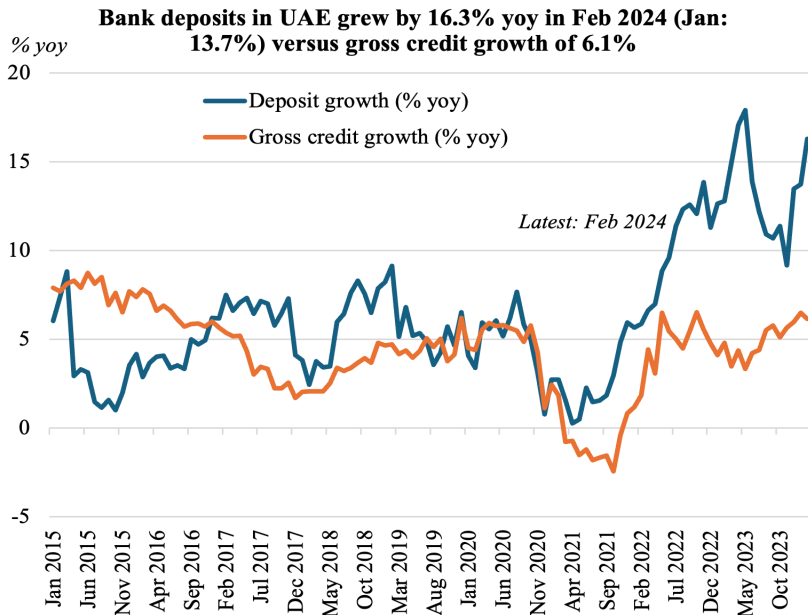
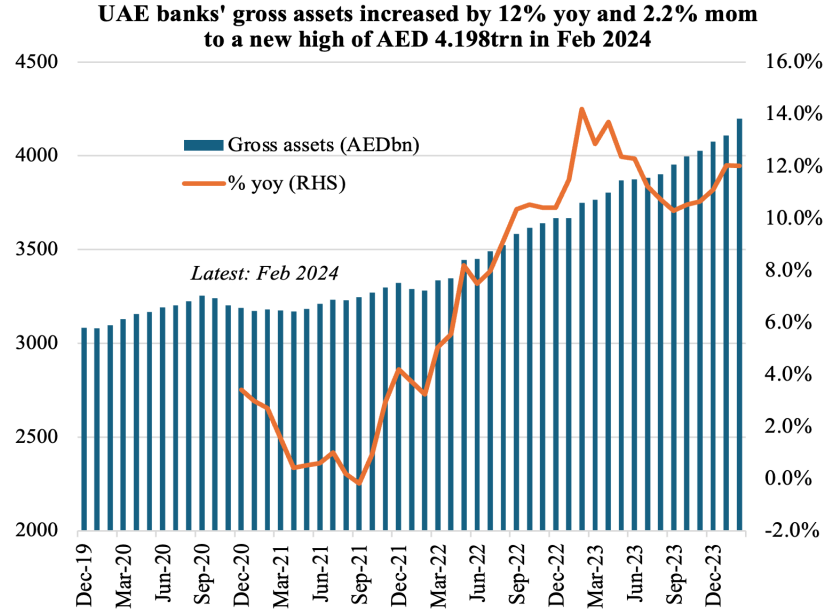
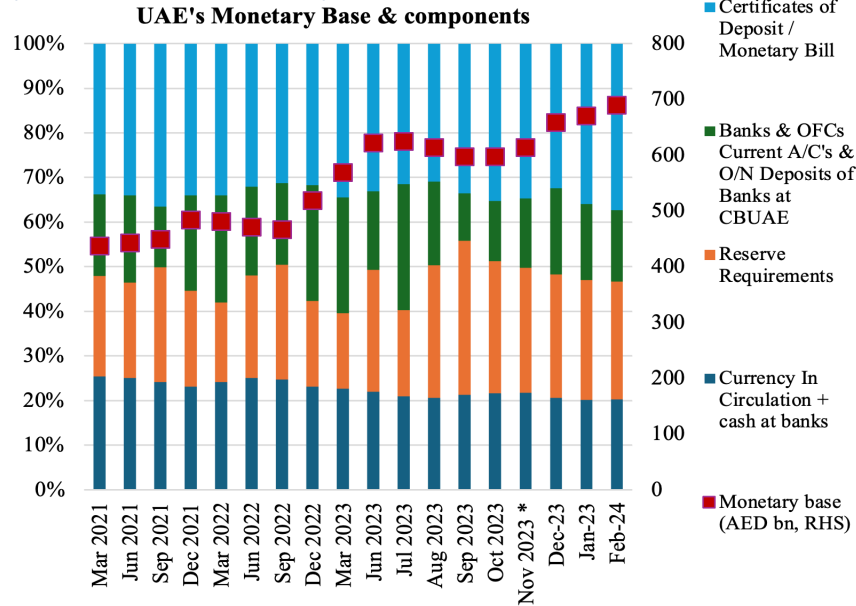
SAMA's net foreign assets increased by 5.4% mom and 3.6% yoy to SAR 1.628trn in Mar



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



UAE's gross bank assets surged to a new high in Feb (AED 4.2trn, up 2.2% mom). Deposits grew by 2.7% mom & 16.3% yoy in Feb, thanks to a healthy 2.0% mom & 20.4% uptick in resident private sector deposits. Overall domestic credit grew by 4.7% yoy as credit to individuals grew 8% yoy. Monetary base expanded by 2.7% mom to AED 688.7bn, driven by the rise in currency issued

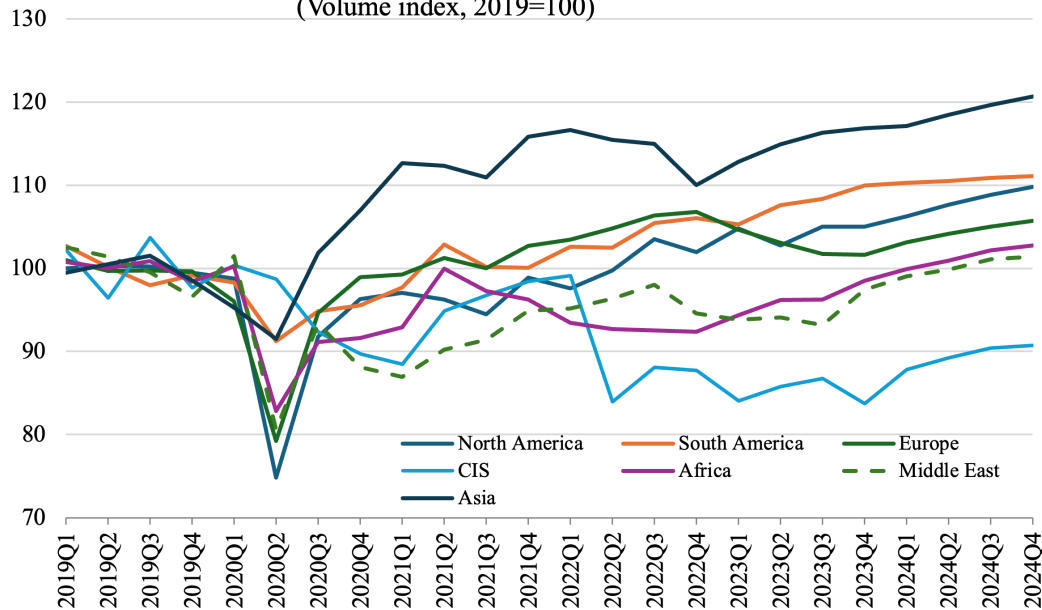


Source: UAE Central Bank. Charts by Nasser Saidi & Associates.

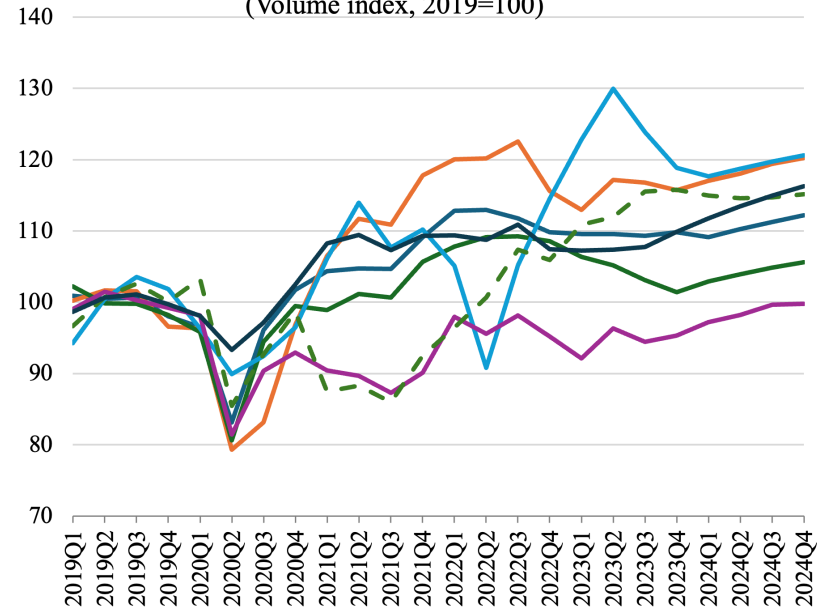
WTO: Global trade to grow by 2.6% yoy in 2024, following a 1.2% drop in 2023

- **Global trade volume declined by 1.2% yoy in 2023**, following an expansion of 3% in 2022 (despite the war in Ukraine). In 2023, imports demand fell in most regions (partly due to falling commodity prices such as natural gas) except for the fuel-exporting Middle East & CIS regions while export volumes were lower in Europe and Asia (due to weaker demand).
- **Merchandise trade volume growth is forecast to grow by 2.6% in 2024 and expand further by 3.3% in 2025**: lower inflation is expected to lead to a rebound in consumption + interest rate cuts would stimulate investment spending.
- **Trade volumes by region** (chart below) shows data till Q4 2023 and estimates till end-2024: exports from Asia have plateaued but at a high level (+17% in Q4 2023 vs 2019 average) while North America and Europe have posted increases since 2019 of just 5% and 2% respectively. **CIS region posted the lowest growth in exports but in contrast recorded the largest increase in imports** (19% between 2019 and Q4 2023); Middle East & South America also saw gains of 16% during this period while Africa posted a decline since 2019 (-5%). In 2024, Africa's exports are expected to grow the fastest (5.3%) while Europe lags (1.7%).
- **New export orders from PMI data can be taken as a proxy for trade in the short-term**. Recent indicators seem to suggest improving conditions in the beginning of 2024.

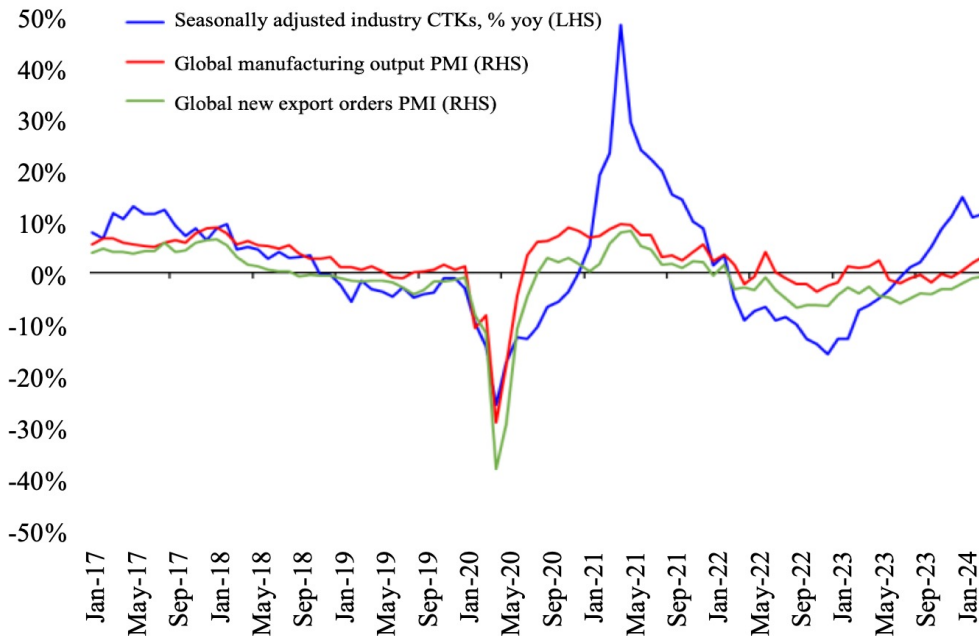
Merchandise exports by region
(Volume index, 2019=100)



Merchandise imports by region
(Volume index, 2019=100)



CTK growth, global manufacturing output & new export orders PMIs

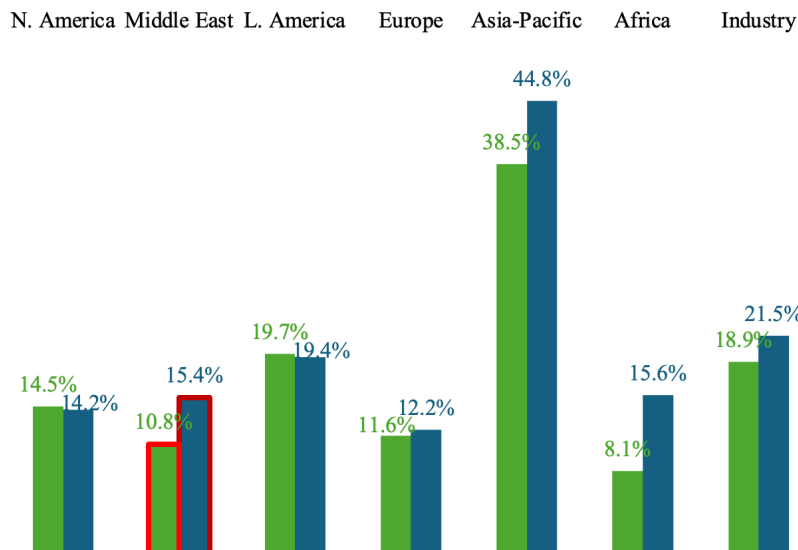


Trade improvements evident from gains in air cargo movement; commercial services trade to benefit from air / travel & tourism recovery

- **Cargo demand has been resilient: air cargo traffic in Q1 surpassed records seen in Q1 2021.** Cargo tonne-kms (CTKs) grew by 11.4% yoy in Mar (also the 4th month of double-digit growth). Global trade and cargo recovery go hand in hand (as can be seen with new export orders). **Middle East & African carriers grew most in Mar**, benefitting from the disruptions in Suez and Panama Canals.
- On the other hand, **passenger traffic remains positive** (13.8% yoy in Mar), largely due to resilient international traffic. **Middle Eastern airlines** grew their **international revenue passenger-kilometers (RPKs)** by 10.8% yoy in Mar.

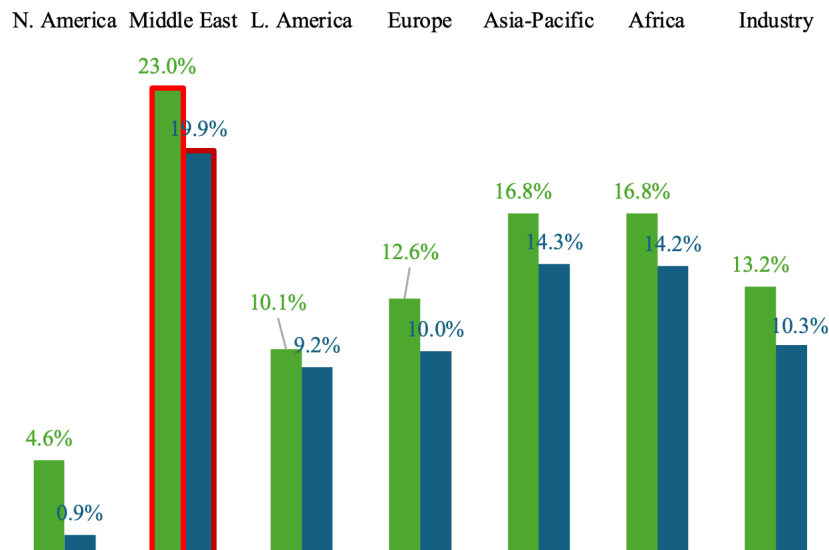
Growth in International Revenue Passenger-Kms (RPKs)

(% chng in Mar 2024 *year-on-year* & *year-to-date*)



Growth in Cargo Tonne-Kms (CTKs)

(% chng in Mar 2024 *year-on-year* & *year-to-date*)



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Middle East nations appear among the top exporters & importers in 2023

- The increase in **commercial services trade** partly offset the contraction of goods trade in 2023: **global commercial services trade jumped by 9% yoy to USD 7.54trn.**
- Oil exporters **UAE and Saudi Arabia are among the leading exporters & importers**, even in commercial services trade; excluding intra-EU trade, their rankings are higher & includes more nations from the Middle East.

Leading exporters and importers in world merchandise trade excluding intra-EU trade, 2023

(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	China	3380	17.5	-5	1	United States of America	3173	15.9	-6
2	Extra-EU exports	2761	14.3	2	2	Extra-EU imports	2717	13.6	-14
3	United States of America	2020	10.4	-2	3	China	2557	12.8	-6
10	United Arab Emirates ¹	488	2.5	-5	11	United Arab Emirates ¹	449	2.3	7
19	Saudi Arabia ¹	322	1.7	-22	23	Saudi Arabia	211	1.1	11
25	Iraq ¹	116	0.6	-16	26	Iraq ¹	96	0.5	10
27	Qatar ¹	97	0.5	-26	30	Egypt ¹	79	0.4	-18
29	Iran ¹	91	0.5	-7		World exclu. EU intra-trade ²	19912	100.0	-7
30	Kuwait ¹	85	0.4	-15					
	World exclu EU intra-trade ²	19350	100.0	-5					

Leading exporters and importers of commercial services excluding intra-EU trade, 2023

(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
1	Extra-EU exports	1438	22.4	4	1	Extra-EU imports	1246	21.1	7
2	United States of America	966	15.1	7	2	United States of America	694	11.7	3
3	United Kingdom	581	9.1	16	3	China	549	9.3	19
9	United Arab Emirates ¹	165	2.6	8	11	United Arab Emirates ¹	108	1.8	13
20	Saudi Arabia	50	0.8	49	12	Saudi Arabia	87	1.5	24
26	Egypt	35	0.5	24	25	Qatar	36	0.6	-3
26	Qatar	29	0.5	-1	28	Kuwait	28	0.5	8
	World (excl. intra-EU)	6416	100.0	9		World (excl. intra-EU)	5915	100	9

Source: WTO-UNCTAD

(1) Secretariat estimates.

(2) Includes significant re-exports or imports for re-export.

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