

# Weekly Insights

## 5 Jul 2024

### Middle East non-oil sector activity eases in June alongside active SWF investments

- *Middle PMIs ease in June; still contractionary in Egypt & Lebanon*
- *Oman's GDP is driven by robust services sector growth in Q1 2024; inflation stays low in Apr*
- *SAMA's net foreign assets rise to highest since Nov 2022*
- *Unemployment rate of Saudi citizens declined to 7.6% in Q1 '24*
- *Sovereign Wealth Funds in the Middle East remain active in H1 2024 & improve Governance, Sustainability and Resilience rankings*

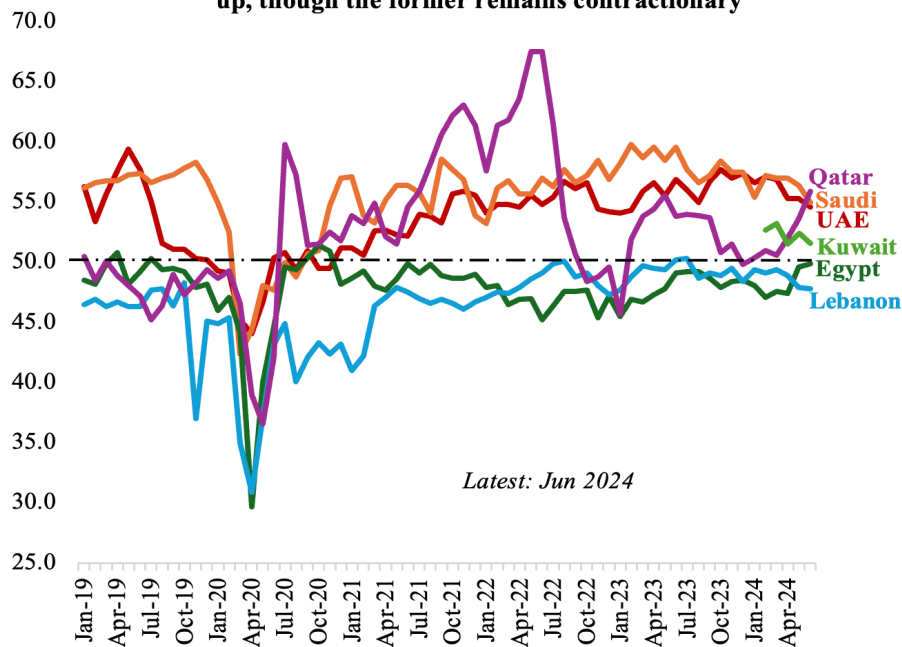
NASSER SAIDI

— & ASSOCIATES —

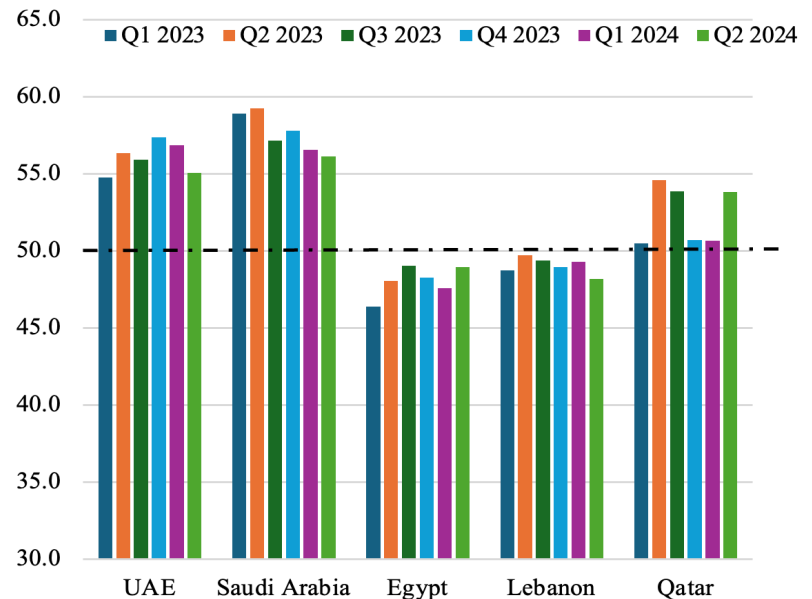
# Middle PMIs ease in June; still contractionary in Egypt & Lebanon

- **GCC's PMIs for June were all expansionary**, supported by robust demand, but increased only in Qatar (to 55.9, the highest since Jul 2022). **PMI readings for Egypt and Lebanon stayed below-50** though the former's inched to 49.9 in Jun, rising to the highest in three years.
- In Q2 2024, **only Egypt and Qatar posted an uptick compared to Q1** (6.3% qoq and 2.9% respectively). The sharpest decline in qoq terms was seen in UAE (-3.2% qoq) with Saudi down by 0.7% qoq.
- **UAE PMI was the lowest in 16 months**, but new orders rose (highest since Mar) as did export orders (most since Oct 2023). **Saudi Arabia posted the weakest PMI reading since Jan 2022**, dragged down by slower rise in new orders. In contrast, Qatar's manufacturing & construction sectors grew, as overall new orders rose at the fastest pace in 13 months and employment rose for the 16th straight month.
- **Cost pressures have been increasing across the GCC** because of higher employees' salaries & input prices. In the **UAE input cost inflation was near a 2-year high**. As seen in previous months, **firms offered discounts to remain competitive** (Qatar, Saudi Arabia) while UAE businesses raised selling costs for the second month in a row (but the largest uptick in more than 6 years).
- **Egypt had much to cheer:** export orders were up the most in 2.5 years and new orders grew for the first time since Aug 2021, supported by manufacturing and services. **In contrast, Lebanon's PMI slipped to the lowest in 17 months** (47.8); new orders fell the most in almost 18 months. Businesses remained pessimistic about the 12-month outlook, the most in a year adversely affected by security situation in the South.

Middle East PMIs mostly eased in June; Egypt & Qatar tipped up, though the former remains contractionary



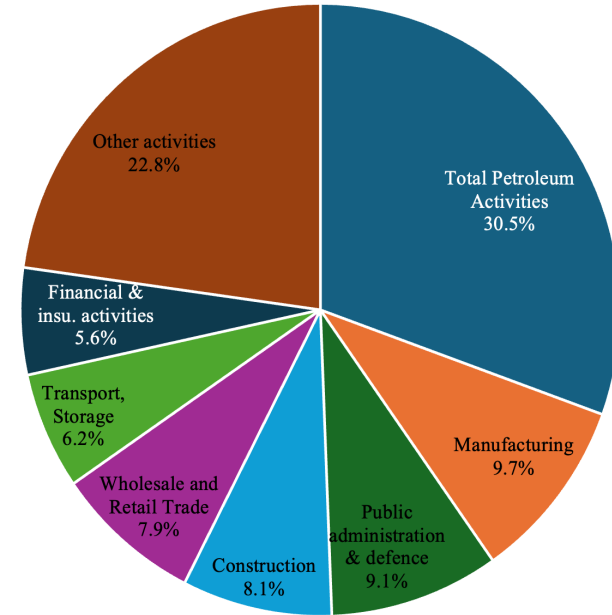
Average PMI scores: 2023 - Q2 2024



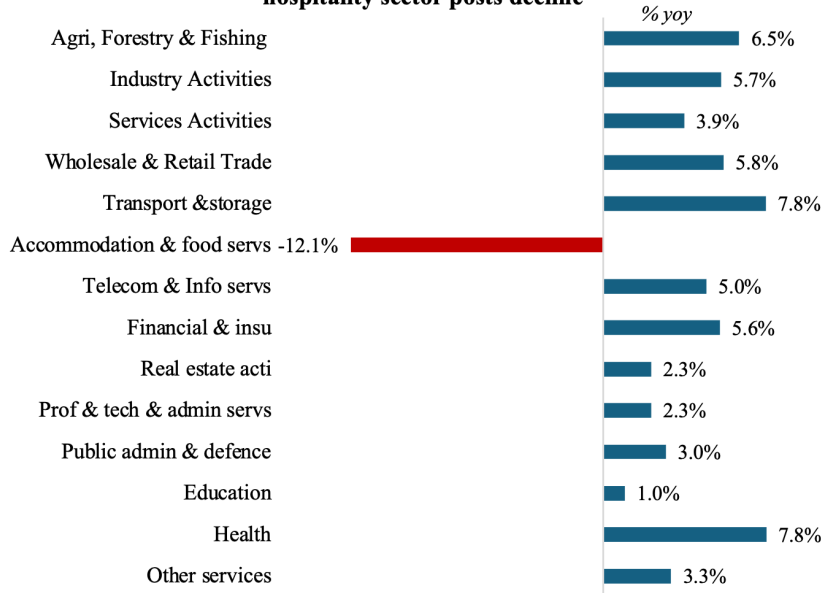
# Oman's GDP is driven by robust services sector growth in Q1 2024; inflation stays low in Apr

Oman's real GDP grew by 1.7% yoy in Q1 2024; oil sector accounted for 31.4% of GDP; services share was 48.2%

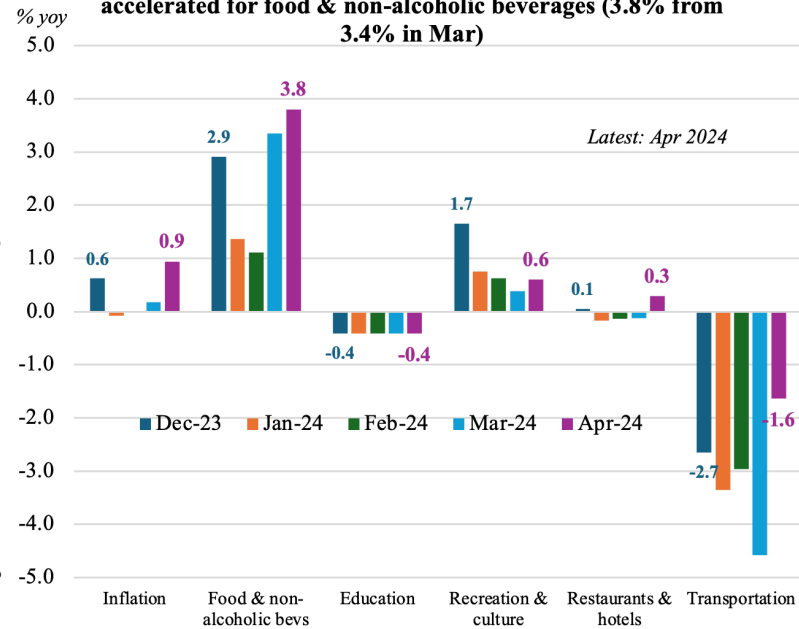
- **Oman's real GDP grew by 1.7% yoy in Q1 2024** (Q4 2024: 0.3%), supported by non-oil sector (4.5%) alongside a 2.4% drop in oil sector growth.
- A breakdown by sector shows that **oil and gas sector accounted for less than one-third of total GDP** (30.5%) while public administration and defence accounted for close to 10%. Manufacturing and construction (both within the industry sector) together accounted for 17.8% of overall GDP. Within services, trade and logistics dominated (14.1% of total GDP).
- In Q1, **transportation & storage grew at the fastest pace** (7.8% in Q1) while accommodation & food services activities was the only sector posting a decline (-12.1%).
- **Inflation in Oman increased to 0.94% yoy in Apr** (Mar: 0.17%). Food prices increased (3.8% from 3.6%) as did recreation costs (0.6% from 0.4%) while restaurants & hotels costs rebounded (0.29% from -0.1%). Transport and education costs continued to be deflationary.



**Oman's Q1 2024 GDP: services sector grew by 3.9%; transport & storage grows by a robust 7.8% while hospitality sector posts decline**

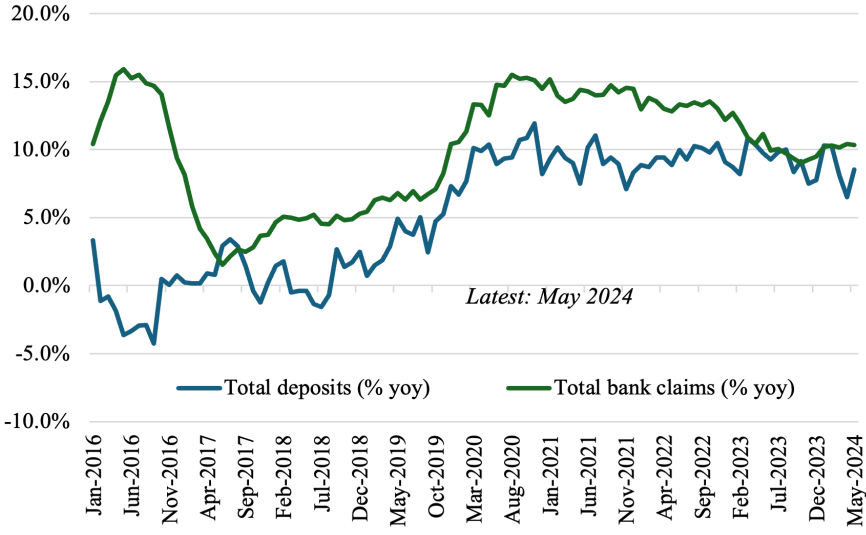


**Inflation in Oman ticked up by 0.94% yoy in Apr, as prices accelerated for food & non-alcoholic beverages (3.8% from 3.4% in Mar)**

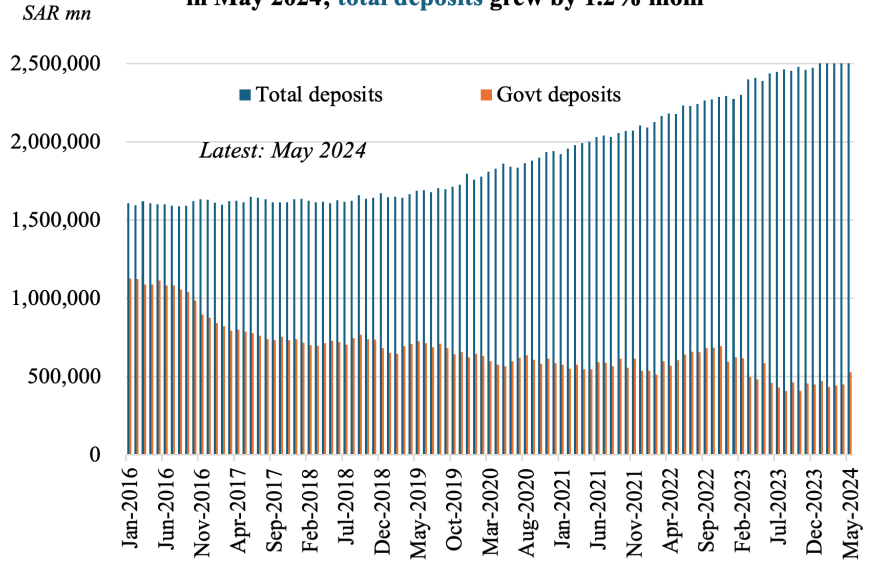


# Total deposits in Saudi Arabia grew month-on-month in May, supported by surge in government deposits; credit growth averaged 10.3% in Jan-May; SAMA's net foreign assets rise to highest since Nov 2022

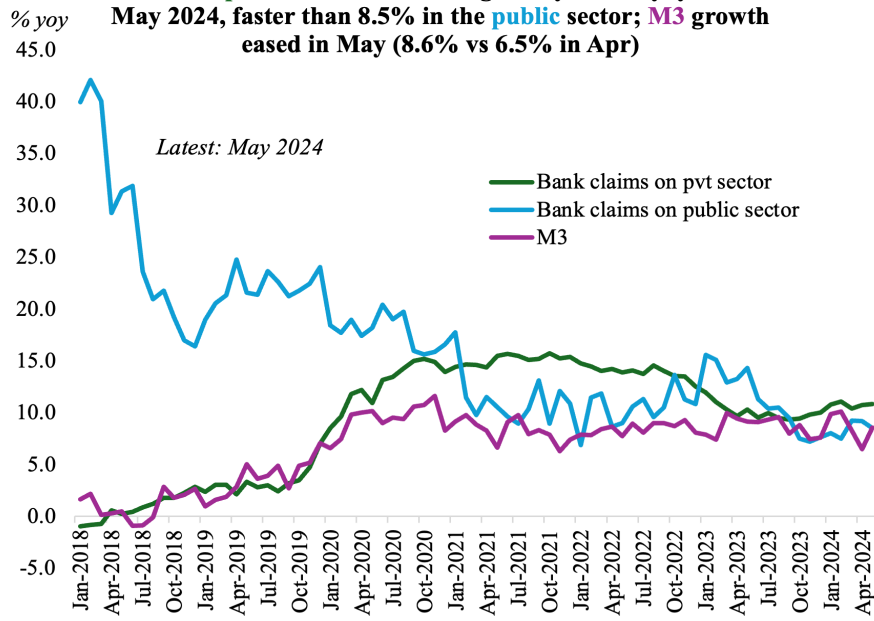
**Saudi Arabia's total bank deposits** grew by an average 8.8% yoy in Jan-May 2024. **Credit growth** was up 10.3%, with loan-to-deposit ratio exceeding 100%



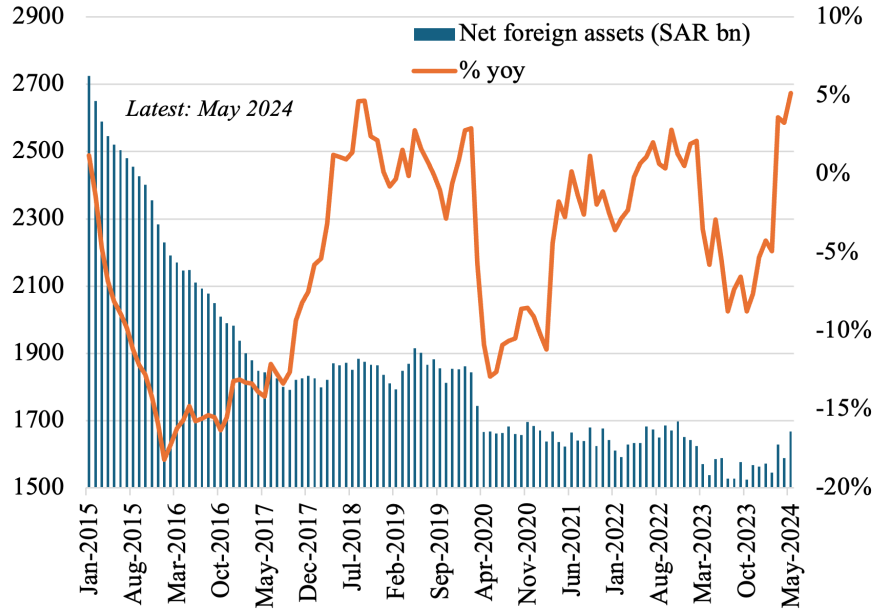
**Government deposits** in Saudi Arabia surged by 17.5% mom in May 2024; total deposits grew by 1.2% mom



**Claims on private sector** in Saudi grew by 10.8% yoy in Jan-May 2024, faster than 8.5% in the public sector; M3 growth eased in May (8.6% vs 6.5% in Apr)

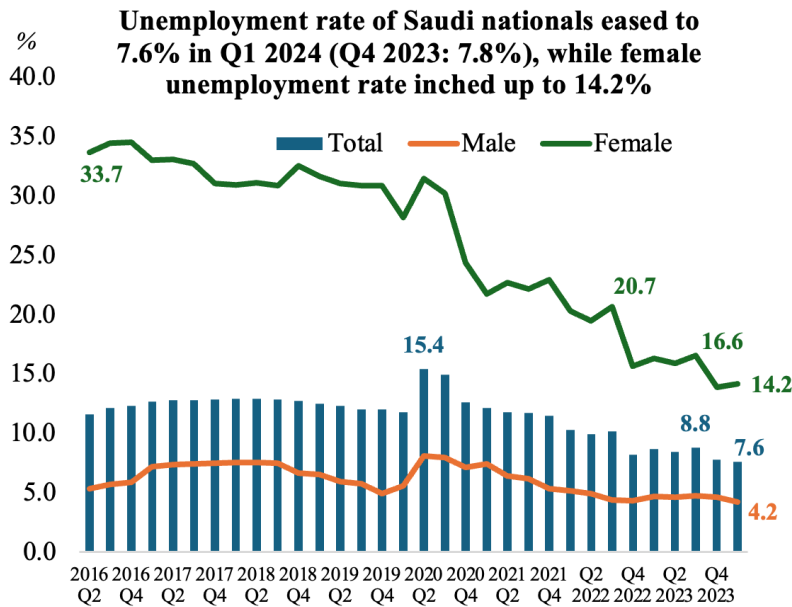


**SAMA's net foreign assets** increased by 5.0% mom and 5.2% yoy to SAR 1.667trn in May

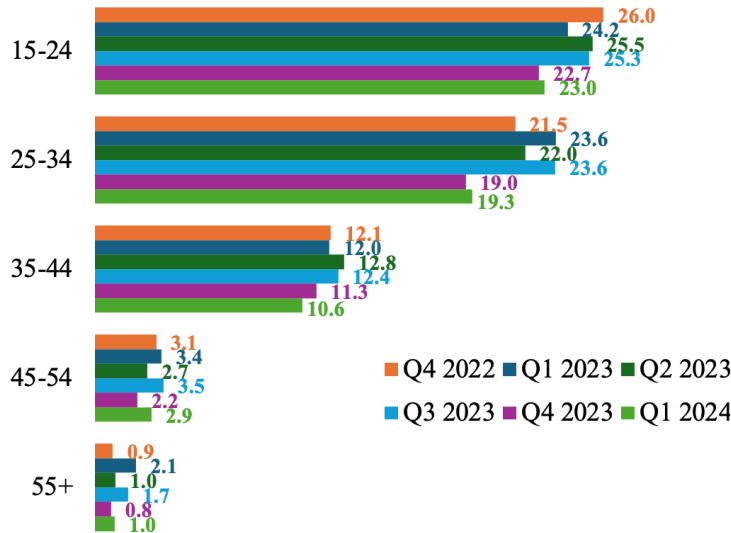


Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

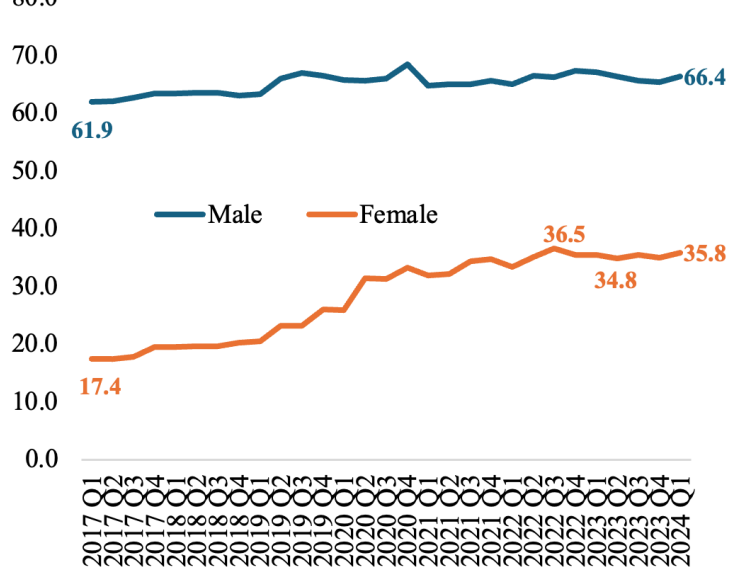
# Unemployment rate of Saudi citizens declined to 7.6% in Q1 '24



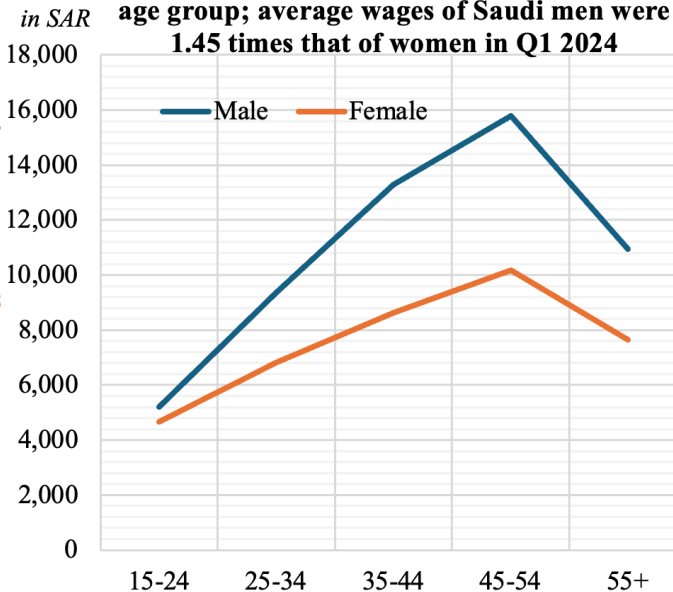
## Saudi female unemployment rate rose in Q1 2024 across most age groups; eased in 35-44



## Saudi female labour force participation rate rose in Q1 2024 to 35.8% (vs Q4 2023: 35.0% & Q1 2017: 17.4%)



## Monthly wage gap among Saudi nationals widens with age; largest gap is for the 45-54 age group; average wages of Saudi men were 1.45 times that of women in Q1 2024



- Unemployment rate in Saudi Arabia (inclusive of expats) inched up to 3.5% in Q1 2024 (Q4: 3.4%). Saudi citizens U rate edged lower to 7.6% (Q4: 7.8%).
- Saudi female U rate rose from a record-low of 13.9% in Q4 to 14.2% in Q1, with only the 35-44 age groups recording a dip.
- Saudi female labour force participation rose to 35.8% (Q4: 35.0%).
- Females' wages for citizens averaged SAR 7,662 in Q1 2024 & wages of the 45-54 age group was the highest (SAR 10,185). Overall male-female wage gap is high: Saudi women earn 44.7% less on average compared to men. The gap is most in the 45-54 age group.

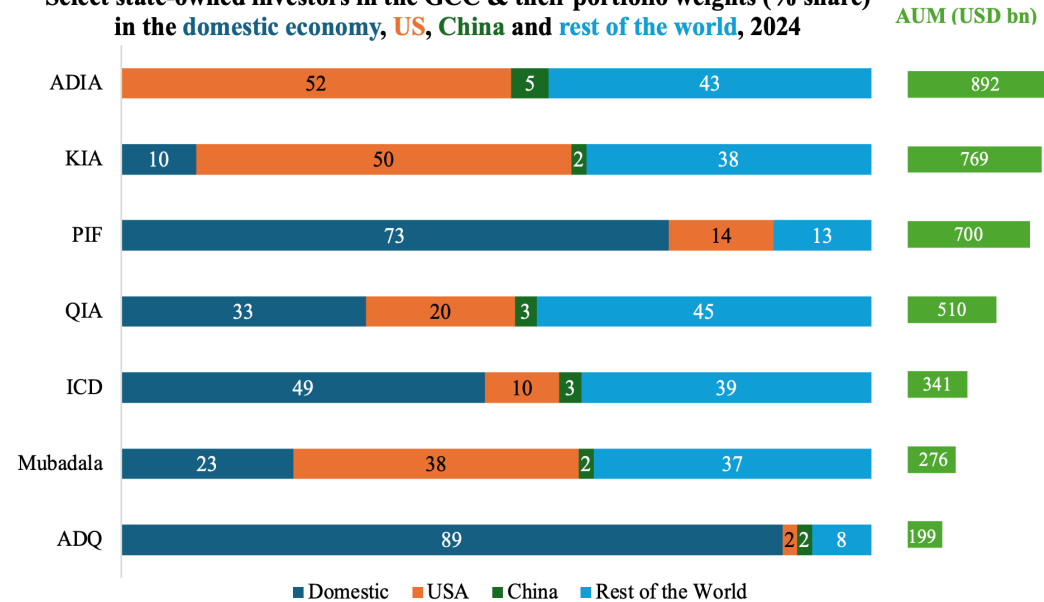
# Sovereign Wealth Funds in the Middle East remain active in H1 2024; Saudi PIF ranks among the top 10 state-owned investors by GSR score: Global SWF

- **Active Middle East funds:** according to Global SWF, investments in H1 2024 were led by the “Oil Five”, i.e., Saudi’s PIF, Abu Dhabi’s ADIA, Mubadala and ADQ, and Qatar’s QIA. Combined, these entities **invested USD 38.2bn in 58 different deals.**
- **Investments in “green assets”** (mostly renewable energy) continued to **outpace investments in “black assets”** (mostly, oil and gas and mining) in H1 2024: including **Mubadala’s** investments in Australian, Indian and Japanese renewable energy.
- **Middle East state-owned investors (SOIs) were part of 8 out of the 10 largest investments in H1 2024.**
- The US-China geopolitical tensions notwithstanding, **the region’s SWFs continued to invest in China:** Mubadala re-opened its Beijing office in 2023 & ADQ helped finance CYVN Holdings (controlled by the govt of Abu Dhabi)’s USD 3.3bn investment in EV NIO.
- **Middle Eastern funds have experienced the largest improvement in Governance, Sustainability and Resilience (GSR) scores globally,** from 32% in 2020 to 48% in 2024.
- While **Saudi PIF was ranked among the top 10 in GSR scores** (rose to 96% from 28% in 2020), rankings by country placed Saudi Arabia 47th in the list – as not all state-owned investors are managed in the same manner.
- Of the 22 **funds** tracked from the GCC (managing USD 5.2trn in assets), **nine of them scored better in 2024 edition** including Abu Dhabi’s **ADQ** (score rose thanks to their recent bond prospectus) & **Mubadala** (expected to publish its first annual impact report in H2 2024).

MENA countries & the GSR 2024 Rankings

Rank	Country	#SOIs	AUM (\$bn)	GSR 2024	Ratings
33	Oman	1	50	56%	50%
33	Palestine	1	1	56%	n.a.
39	Qatar	2	542	54%	88%
40	Iran	1	150	52%	n.a.
47	Saudi Arabia	4	1407	48%	78%
52	UAE	10	2161	47%	90%
54	Egypt	1	2	44%	23%
59	Morocco	2	35	42%	50%
60	Kuwait	2	983	40%	82%
60	Bahrain	3	31	40%	33%

Select state-owned investors in the GCC & their portfolio weights (% share) in the domestic economy, US, China and rest of the world, 2024



Source: 2024 GSR Scoreboard report, Global SWF.

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