



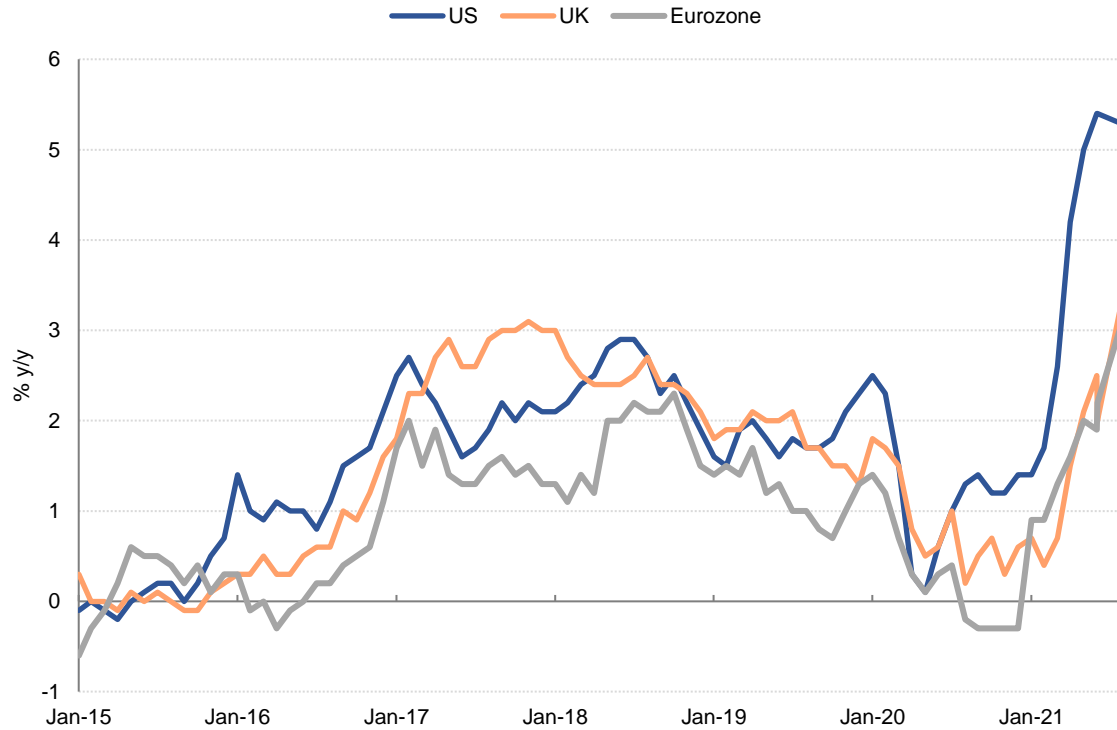
Economic outlook

September 2021

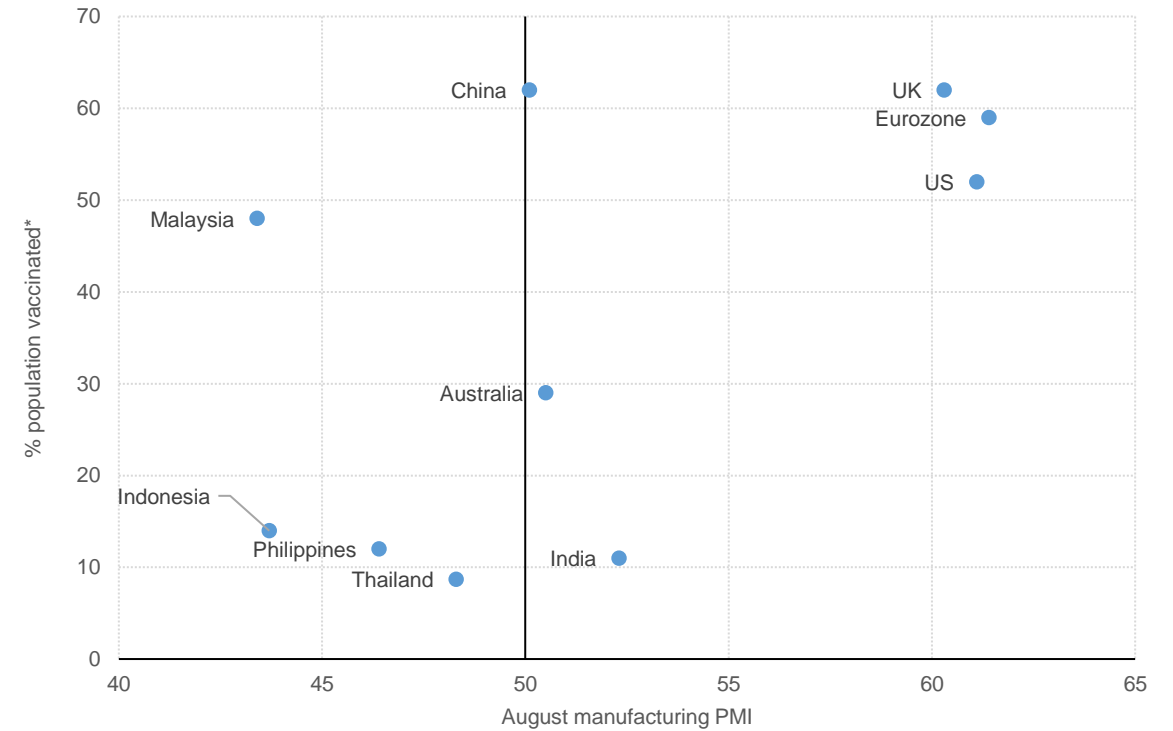
GLOBAL MACRO: STAGFLATION?



CPI accelerated sharply in Q2 21



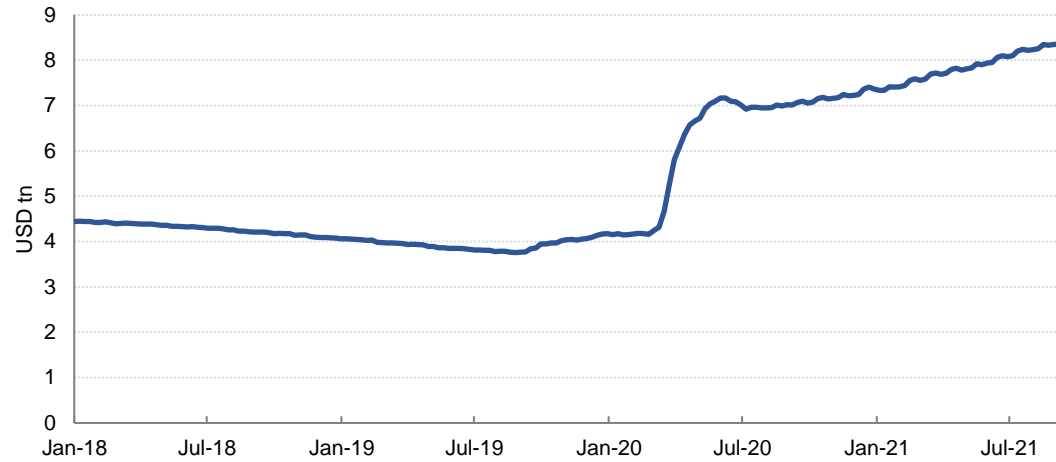
Asian EMs with lowest vaccination rate see contraction in manufacturing in August



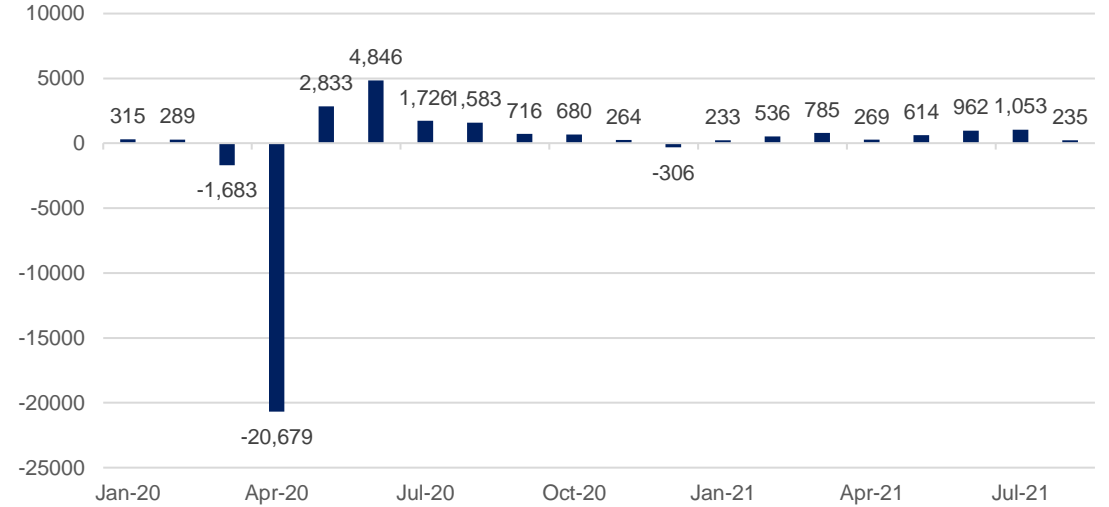
US: LESS FED MONEY, MORE BIDEN MONEY



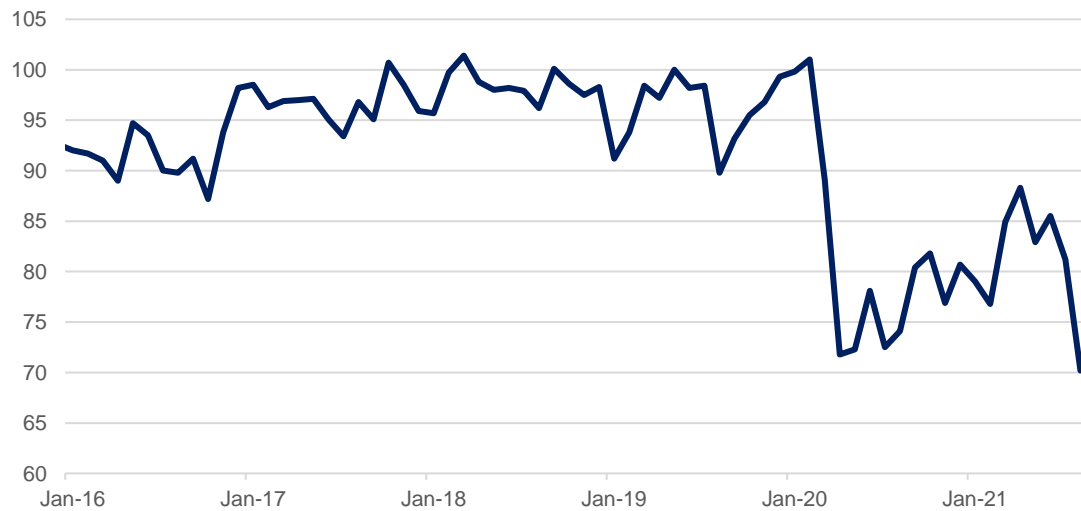
Federal Reserve balance sheet



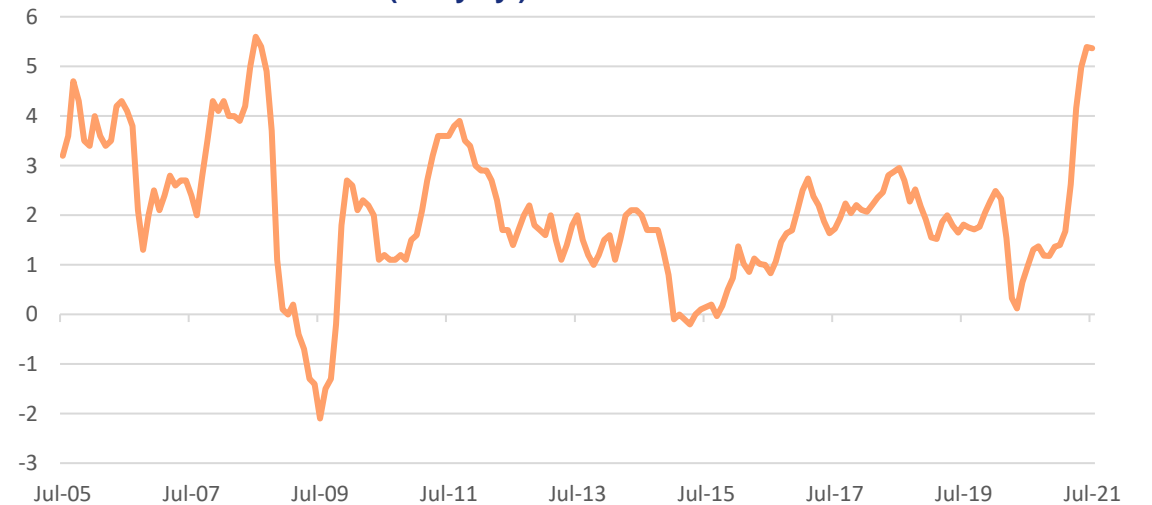
Net change in non-farm payroll ('000)



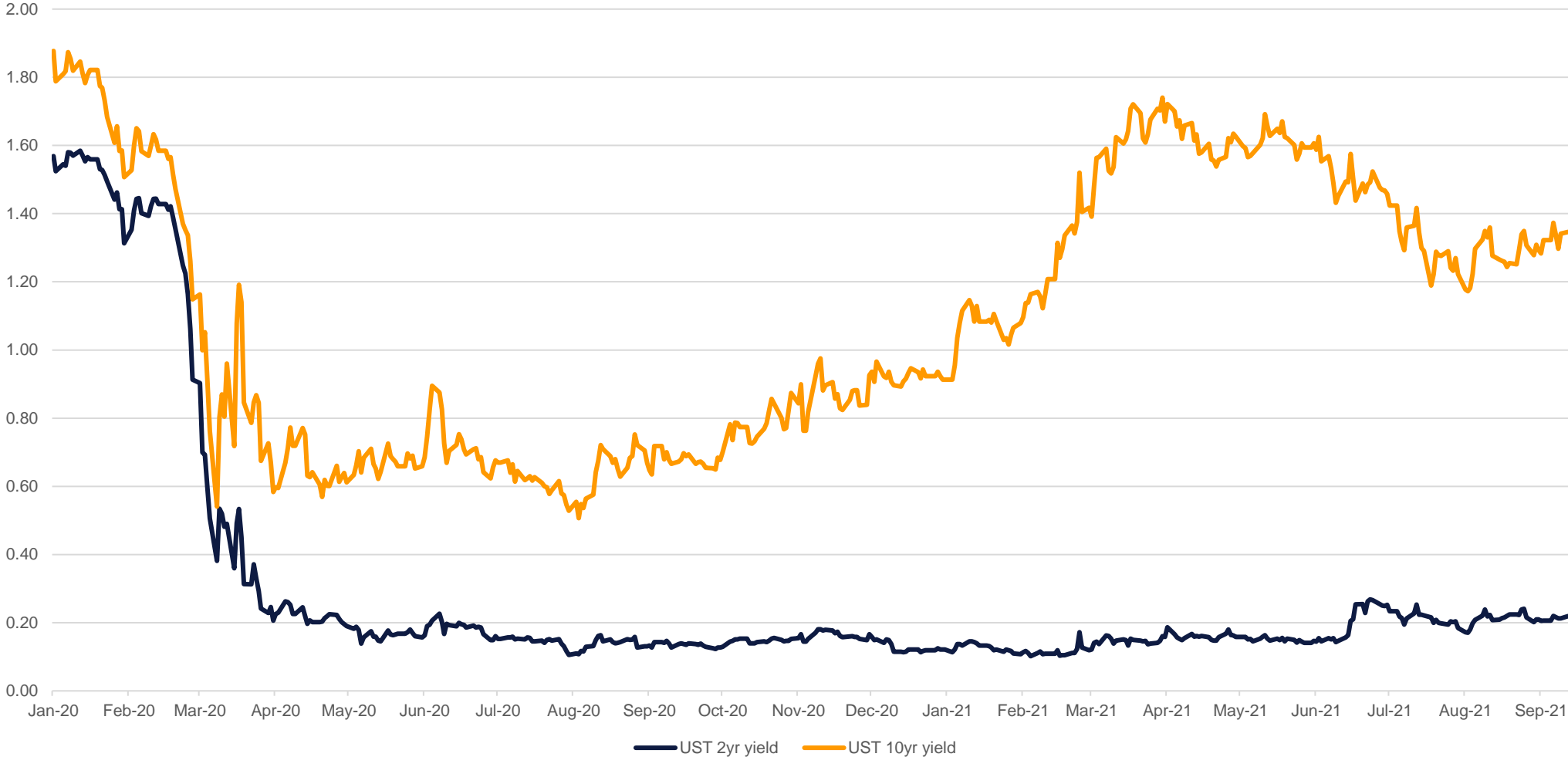
Univ. Michigan consumer sentiment index falling



US CPI inflation (% y/y)



BOND YIELDS RANGE BOUND AMID SPREAD OF DELTA



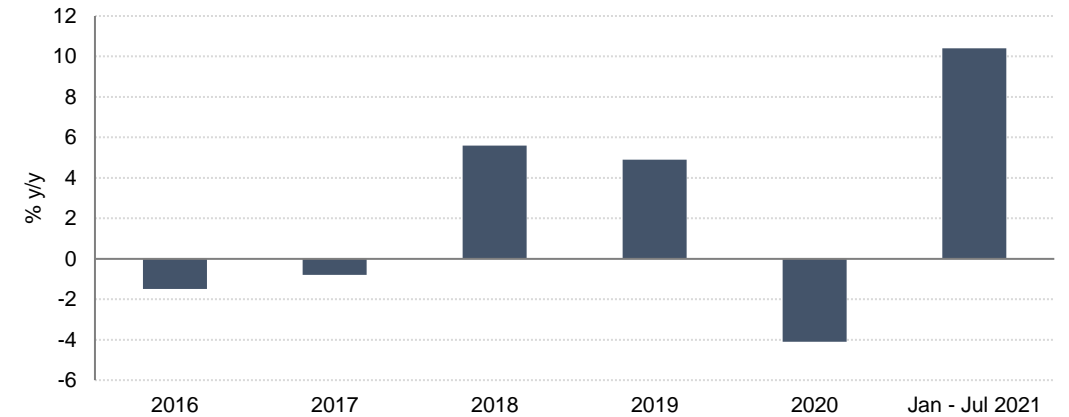
Source: Bloomberg , Emirates NBD Research

GCC: DOMESTIC DEMAND IS RECOVERING

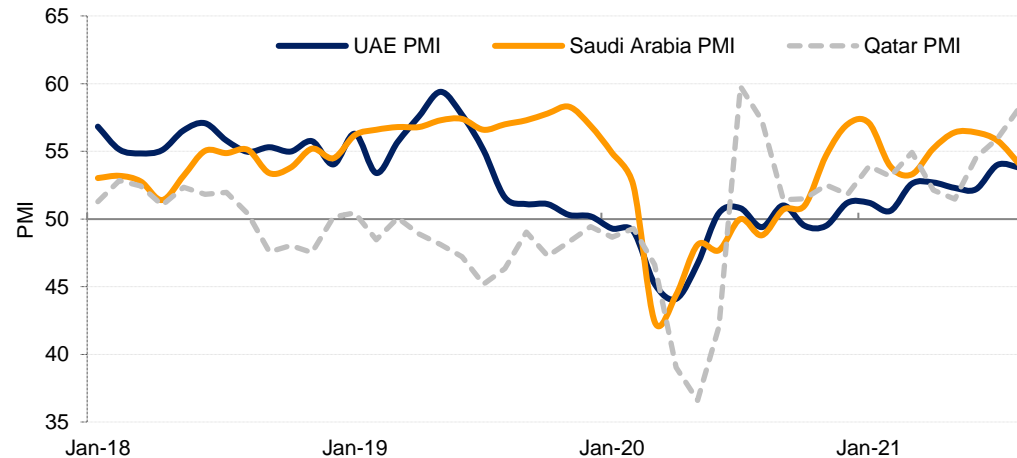


- Private sector activity has recovered, stronger than expected in KSA and at a more moderate pace in the UAE.
- Widening budget deficits across the region and heavy reliance on oil revenues mean little room for government spending to drive growth going forward
- Focus shifts to accelerating diversification away from oil and shifting to private sector investment to finance this.

KSA: Consumer spending has rebounded in H1 21

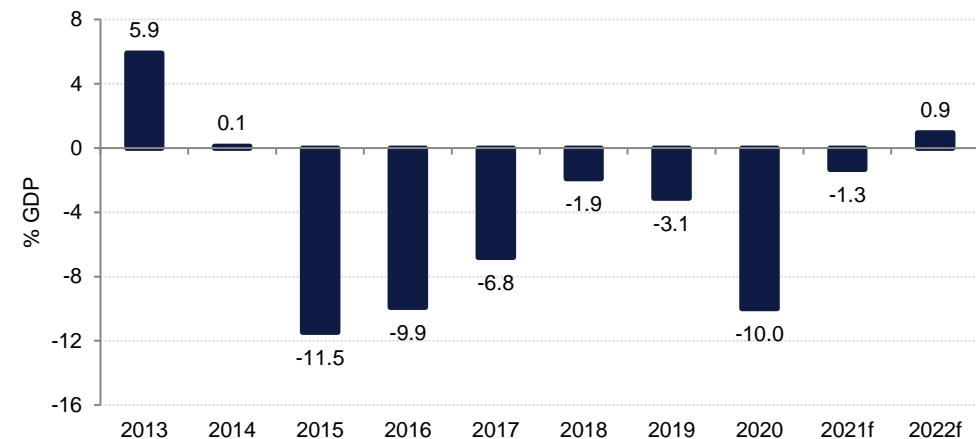


Regional PMIs show growth in the private sectors



Source: IHS Markit, KHDA, STR Global, Emirates NBD Research

Budget deficits sets to narrow this year

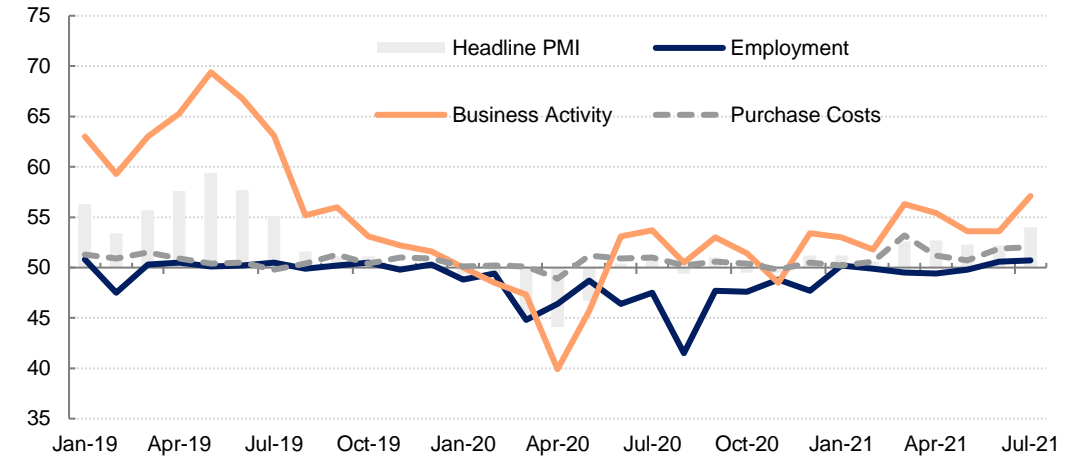


UAE: STRUCTURAL REFORMS TO DRIVE GROWTH GOING FORWARD

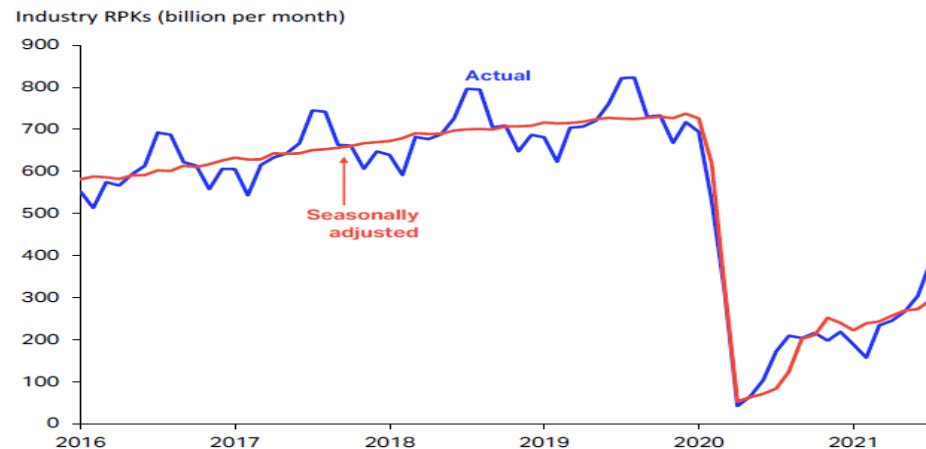


- Higher oil production to boost headline GDP growth in Q4 2021 and 2022, but no change to non-oil growth forecasts at this stage. UAE GDP growth forecast at 1.9% in 2021 and 4.6% in 2022.
- New government announcements to drive medium and longer term growth. Focus on higher value added growth rather than physical infrastructure.
- Easing of some travel restrictions especially for visitors from India and KSA bodes well for tourism in Q4.
- Expo 2020 to boost activity/ household spending, but the biggest benefits have already been achieved (infrastructure, investment).

UAE PMI: Steady recovery in business activity



Air travel passenger volumes are recovering slowly



Sources: IATA Economics, IATA Monthly Statistics

Source: IHS Markit, KHDA, STR Global, Emirates NBD Research

Recent reforms and initiatives

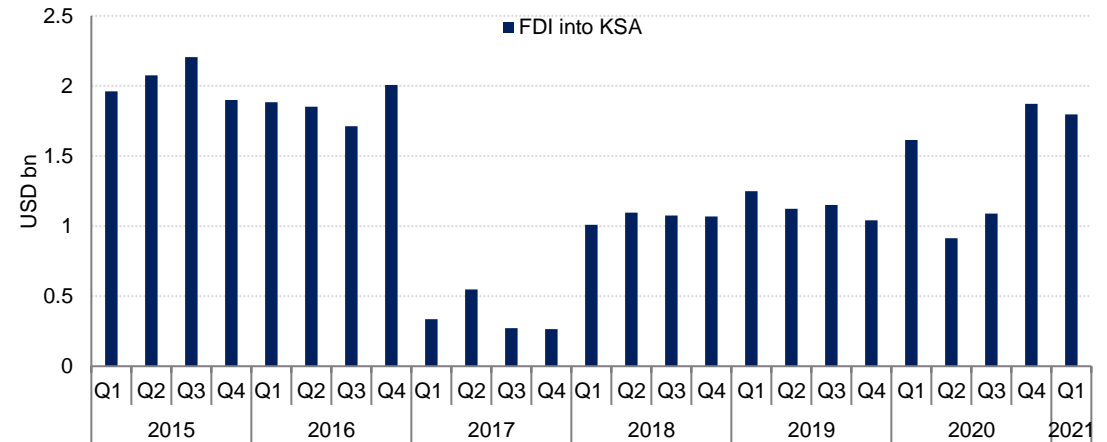
- Visa reform – to attract and retain talent
- Operation 300b – triple the size of the industrial sector by 2031
 - Higher value added manufacturing
 - Boost exports of locally manufactured goods
 - Create jobs
 - Food technology, pharmaceuticals, electronics
- Technology – fintech, ecommerce
- Clean energy

SAUDI ARABIA: AMBITIOUS INVESTMENT PROGRAMME

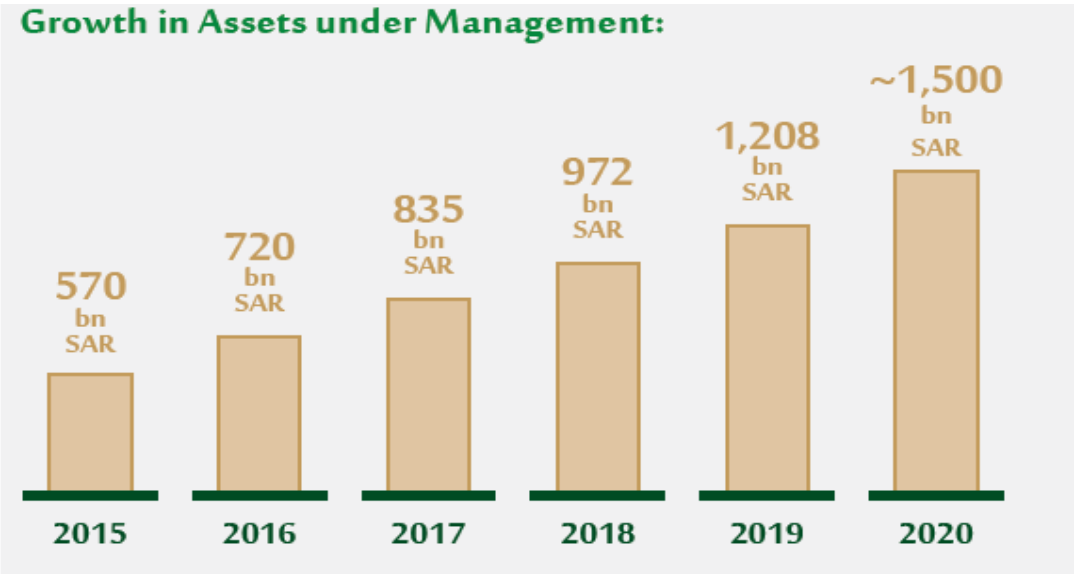


- 2021 growth forecast revised up to 2.5% from 1.3% on both higher oil and non-oil growth. Non-oil growth likely to reach 5.0% in 2021 (4.0% previous forecast). Even assuming a slower rate of increase in oil production in 2022, oil sector GDP likely to reach 8.5%, taking headline GDP growth to 5.7% next year.
- Ambitious long-term investment goals, FDI has been lower than hoped for.
- Key sectors:
 - Infrastructure, real estate
 - Logistics, aerospace, defence
 - Utilities, renewables
 - Tourism and entertainment, consumer goods, retail media & tech, healthcare
- Government (budgeted) capital spending to fall by 35% y/y in 2021; PIF to offset this by increasing domestic investment
 - To invest USD 40bn annually until 2025
 - NEOM, Red Sea Development Co, Qiddiya, Roshn

Inward FDI has been lower than desired



PIF Assets under management have tripled





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