



# MENA ECONOMICS WEEKLY

## Tunisia rate hike, Saudi budget data, Egypt privatisations

### Tunisia: further rate hikes needed

The central bank of Tunisia (BCT) joined the region's tightening cycle this week, in part to shore up the dinar and mitigate the risks stemming from the currency to the public finances. But we doubt that this will prevent Tunisia defaulting on its debts.

The BCT hiked its key rate by 75bp, taking it to 7.00%, on Tuesday and the accompanying statement showed that policymakers sought to curb the rise in inflation, which rose to a 7.5% y/y in April – its fastest pace since December 2018.

As well as inflation, policymakers almost certainly had one eye on Tunisia's dire external position. The current account deficit stood at 6.8% of GDP in 2021 and the gross external financing requirement (that is the sum of the current account deficit and debt maturing within 12 months) is equal to nearly 170% of FX reserves, among the highest ratios in the emerging world. At the same time, capital inflows are likely to have dried up amid Tunisia's political struggles and weaker global risk appetite. The central bank will have wanted to have shore up the dinar given the threat it poses to the debt position – over two-thirds of Tunisia's debt is denominated in foreign currency. Even so, we think sharp falls lie in store for the dinar and that a [default is inevitable](#).

### Saudi kept policy tight in Q1 despite oil windfall

Figures published this week showed that Saudi Arabia ran a large SAR57.5bn (7.1% of GDP) budget surplus in Q1, the largest recorded since 2012. The breakdown showed that revenues were up by more than 35% compared to the same time a year ago, largely on the back of oil revenues that have soared as prices have climbed this year.

Despite this windfall, government expenditure rose by a more modest 4% y/y. Saudi's non-oil budget balance – a better gauge of the underlying fiscal stance – came in at 31.6% of non-oil GDP (on a four-

quarter sum basis), among the smallest shortfalls on this basis since at least the 1970s. For now, then, officials are continuing to keep fiscal policy tight.

That said, if oil prices remain elevated, we think that the government will eventually opt to loosen the proverbial purse strings. Officials have previously suggested that a reduction in the rate of VAT could be the first step. This would push down [inflation](#) and provide a boost to activity in the non-oil sector. Indeed, it is a key factor behind our expectations for [GDP growth of 10.0% this year](#), which is well above the consensus expectation of 7.2%.

### Details of Egypt's privatisation drive emerge

Following an announcement by Prime Minister Madbouly a leaked document revealed further information of the Egyptian government's upcoming privatisation efforts. Authorities hope to raise \$40bn (9% of GDP) over the next four years and the report suggested the government intends to "fully exit" 79 sectors, including the auto sector, and partially step back from a further 45. Other sectors such as transport, telecoms, and utilities have been deemed critical and so will not be privatised, although the government will allow for greater private sector involvement. We will provide a more detailed analysis of the privatisation drive and the key things to look out for in a forthcoming [Update](#).


























### UAE announces MbZ as president

Following the passing of President Sheikh Khalifa bin Zayed al Nahyan on Friday, the UAE confirmed that Mohammed bin Zayed (known as MbZ) will succeed his half-brother. As we outlined in an [Update](#) following the news, MbZ's leadership will not dramatically alter the UAE's economic outlook. But the president will face some key challenges, including the country's role in OPEC+, ensuring that the UAE maintains its competitive advantage over the Gulf as a financial and logistics hub, and managing Dubai's large corporate debts.



## Economic Diary & Forecasts

### Upcoming Events and Data Releases

Date	Country	Release/Indicator/Event	Time (BST)	Previous*	Median*	CE Forecasts*
Fri 20 <sup>th</sup>	-	No Significant Data or Events Scheduled	-	-	-	-
Sat 21 <sup>st</sup>	-	No Significant Data or Events Scheduled	-	-	-	-
Sun 22 <sup>nd</sup>	-	No Significant Data or Events Scheduled	-	-	-	-
Mon 23 <sup>rd</sup>	 <b>Qat</b>	Private Sector Credit (Apr.)	-	(+4.3%)	-	-
Tue 24 <sup>th</sup>	 <b>Leb</b>	Consumer Prices (Apr.)	-	(+208.1%)	-	(+289.3%)
	 <b>Mor</b>	Consumer Prices (Apr.)	-	+1.8% (+5.3%)	-	+0.7% (+4.8%)
	 <b>UAE</b>	Private Sector Credit (Mar.)	-	(+1.2%)	-	-
Wed 25 <sup>th</sup>	 <b>Sau</b>	Balance of Payments (Mar., SAR.)	(07.00)	+60.1bn	-	-
Thu 26 <sup>th</sup>	-	No Significant Data or Events Scheduled	-	-	-	-
<b>Selected future data releases and events</b>						
31 <sup>st</sup> May	 <b>Kuw</b>	Consumer Prices (Apr.)	-	(+4.4%)	-	-
	 <b>Sau</b>	Private Sector Credit (Apr.)	-	(+14.0%)	-	-
2 <sup>nd</sup> Jun	 <b>UAE</b>	Private Sector Credit (Apr.)	-	-	-	-
	 <b>OPEC</b>	OPEC Meeting	-	-	-	-
3 <sup>rd</sup> Jun	 <b>UAE</b>	Whole Economy PMI (May)	(05.15)	54.6	-	-
	 <b>Egy</b>	Foreign Exchange Reserves (May)	-	+\$37.1bn	-	-
	 <b>Bah</b>	Private Sector Credit (Apr.)	-	(+6.4%)	-	-
5 <sup>th</sup> Jun	 <b>Sau</b>	Whole Economy PMI (May)	(05.15)	55.7	-	-
	 <b>Egy</b>	Whole Economy PMI (May)	(05.15)	46.9	-	-
	 <b>Qat</b>	Whole Economy PMI (May)	(10.00)	-	-	-
6 <sup>th</sup> Jun	 <b>Leb</b>	Whole Economy PMI (May)	(10.00)	-	-	-
7 <sup>th</sup> Jun	 <b>Tun</b>	Consumer Prices (May)	-	(+1.4%)	-	-
9 <sup>th</sup> Jun	 <b>Sau</b>	Industrial Production (Apr.)	(07.00)	(+24.8%)	-	-
	 <b>Egy</b>	Consumer Prices (May)	-	+3.3% (+13.1%)	-	-
	 <b>Egy</b>	Core Consumer Prices (May)	-	-	-	-
10 <sup>th</sup> Jun	 <b>Kuw</b>	Private Sector Credit (Apr.)	-	(+8.7%)	-	-
14 <sup>th</sup> Jun	 <b>Sau</b>	GDP (Q1, q/q(y/y), Final)	(07.00)	+2.2% (+9.6%)	-	-
	 <b>Qat</b>	Consumer Prices (May)	-	(+4.7%)	-	-
	 <b>OPEC</b>	OPEC Monthly Oil Market Report	-	-	-	-
15 <sup>th</sup> Jun	 <b>Sau</b>	Consumer Prices (May)	(07.00)	+0.4% (+2.3%)	-	-

\*m/m(y/y) unless otherwise stated

Sources: Bloomberg, Refinitiv, Capital Economics



# Main Economic & Market Forecasts

Table 1: Central Bank Policy Rates

					Forecasts		
	Policy Rate	Latest (19 <sup>th</sup> May)	Last Change	Next Change	End 2022	End 2023	End 2024
Saudi Arabia	Reverse Repo Rate	1.25	Up 50bp (May '22)	Up 50bp (Jun. '22)	3.00	3.75	3.50
Egypt	O/N Deposit Rate	9.25	Up 100bp (Mar. '22)	Up 100bp (May '22)	12.75	12.75	9.25
UAE	Repo Rate	1.40	Up 50bp (May '22)	Up 50bp (Jun. '22)	3.15	3.90	3.65
Algeria	Discount Rate	3.25	Down 50bp (Mar. '20)	Up 50bp (Jun. '22)	5.50	6.25	6.00
Qatar	Deposit Rate	1.75	Up 50bp (May '22)	Up 50bp (Jun. '22)	3.50	4.00	3.75
Kuwait	Discount Rate	2.00	Up 25bp (May '22)	Up 25bp (Jun.'22)	4.00	4.75	4.50
Morocco	Key Rate	1.50	Down 50bp (Jun. '20)	Up 25bp (Q3 '22)	2.25	3.50	3.50
Oman	O/N Repo rate	0.75	Up 25bp (Mar. '22)	Up 50bp (May '22)	2.75	3.50	3.25
Tunisia	BCT Key Rate	7.00	Up 75bp (May '22)	Up 50bp (Q3 '22)	8.00	8.50	8.25
Jordan	O/N Deposit Rate	2.00	Up 25bp (Mar. '22)	Up 50bp (May '22)	4.00	4.75	4.50
Lebanon	Repo Rate	10.00	Down 200bp (Dec '09)	None on the horizon	-	-	-
Bahrain	1-Wk deposit facil.	1.75	Up 50bp (May '22)	Up 50bp (May '22)	3.50	4.25	4.00

Sources: Refinitiv, Capital Economics

Table 2: Currencies and Stock Markets

	Currency	Latest (19 <sup>th</sup> May)	Forecasts			Stock Market	Latest (19 <sup>th</sup> May)	Forecasts		
			End 2022	End 2023	End 2024			End 2022	End 2023	End 2024
Saudi Arabia	SAR/USD	3.7510	3.7500	3.7500	3.7500	TASI	12,376	14,200	14,600	15,050
Egypt	EGP/USD	18.21	19.00	20.00	21.00	EGX30	10,467	11,500	12,000	12,500
UAE	AED/USD	3.6726	3.6725	3.6725	3.6725	DFMGI	3,398	3,825	3,900	3,975
Algeria	DZD/USD	145.3	170.0	180.0	190.0	-	-	-	-	-
Qatar	QAR/USD	3.6559	3.6400	3.6400	3.6400	QSI	12,711	14,200	14,600	14,900
Kuwait	KWD/USD	0.3061	0.3040	0.3040	0.3040	BAK	7,776	8,650	8,850	9,050
Morocco	MAD/EUR	10.56	10.75	10.25	10.00	MASI	12,679	12,900	13,450	14,000
Oman	OMR/USD	0.3840	0.3845	0.3845	0.3845	MSX30	4,170	12,900	13,450	14,000
Tunisia	TND/EUR	3.23	3.70	3.80	3.90	TUNINDEX	7,306	6,800	7,100	7,400
Jordan	JOD/USD	0.71	0.71	0.71	0.71	AMGNRLX	2,426	2,300	2,200	2,350
Lebanon	LBP/USD	1505.7	20,000	20,000	20,000	BLSI	1,038	1,000	1,050	1,050
Bahrain	BHD/USD	0.3769	0.3761	0.3761	0.3761	BAX	1,955	2,200	2,250	2,300

Sources: Refinitiv, Capital Economics

Table 3: GDP & Consumer Prices (% y/y)

	Share of 2010-19 World <sup>1</sup>		GDP					Consumer Prices				
	Ave.		2020	2021e	2022	2023	2024	2020	2021	2022	2023	2024
Saudi Arabia	1.2	3.5	-4.1	3.2	10.0	5.3	2.0	3.4	3.1	2.3	1.8	1.8
Egypt	1.0	3.9	1.5	4.5	5.3	4.8	4.5	5.1	5.2	13.3	10.8	7.8
UAE	0.5	2.8	-7.3	2.5	9.8	6.8	2.8	-2.1	0.1	3.8	2.0	1.8
Algeria	0.4	2.8	-5.1	3.3	3.8	2.3	2.0	2.4	7.2	7.3	4.5	4.3
Morocco	0.2	3.8	-6.3	7.4	3.8	5.5	2.5	0.7	1.4	3.0	1.3	1.3
Qatar	0.2	7.4	-3.6	1.5	3.5	3.3	2.0	-2.7	2.3	3.8	1.0	1.5
Kuwait	0.1	1.1	-8.9	1.5	11.5	4.3	1.3	2.1	3.4	4.5	3.0	2.5
Oman	0.1	4.1	-3.2	1.5	7.3	3.3	2.5	-0.8	1.5	3.3	1.5	1.5
Tunisia	0.1	2.3	-9.3	2.3	1.5	3.5	2.0	5.6	5.7	7.8	6.3	5.5
Jordan	0.1	3.2	-1.6	2.2	2.8	3.3	2.5	0.4	1.3	2.0	2.8	0.3
Bahrain	0.1	3.4	-4.9	2.2	2.8	5.5	2.5	-2.3	-0.6	3.5	0.8	0.8
Lebanon	0.03	3.8	-25.9	-14.5	2.5	2.0	2.0	84.9	154.8	115.0	15.0	10.0
Mid. East & North Africa <sup>2</sup>	3.9	3.7	-4.2	2.8	7.1	4.8	2.8	2.2	3.4	5.8	4.1	3.3

Sources: Refinitiv, Capital Economics. 1) % of GDP, 2020, PPP terms (IMF estimates). 2) Regional inflation aggregate excludes Lebanon.



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