

Economy, Strategy & Finance Center

Gulf Region – Proxy Leading and Coincident Indicators
August 2020



Preface

The Conference Board Gulf Center has developed a quarterly publication titled “Gulf Region Proxy Leading and Coincident Economic Indicators” based on the development of proxy coincident and leading economic indicators that help track the short-term performance of the economies of the Gulf countries and assist in forecasting business cycle fluctuations. Such indicators will allow business leaders, economists, policy makers, and analysts in the region to improve their understanding of the timing and speed of changes in the economic and business cycle conditions.

The approach to developing business cycle indicators for the Gulf economies closely follows The Conference Board indicators approach. With time, it is also expected to improve the evaluation of the leading indicators and make their selection more representative and also more robust. It is hoped that the selection of indicators provide a foundation to developing coincident and leading composite indexes.

Bahrain's less dependence on oil allows for a faster recovery of the economy in 2021

BAHRAIN



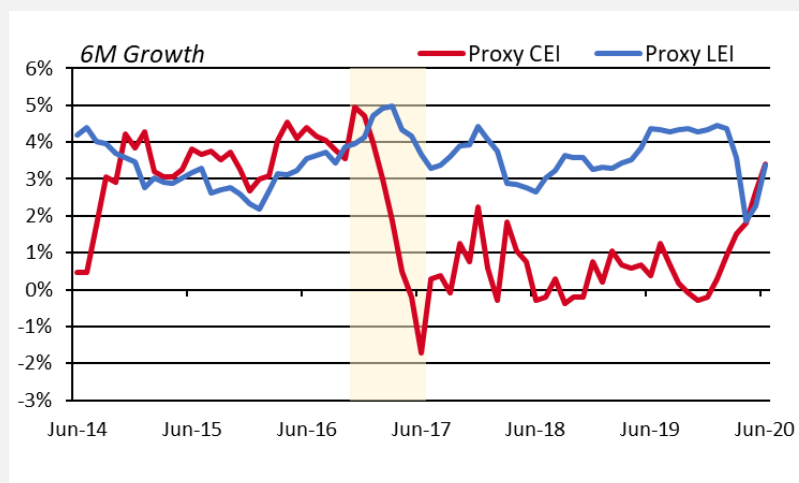
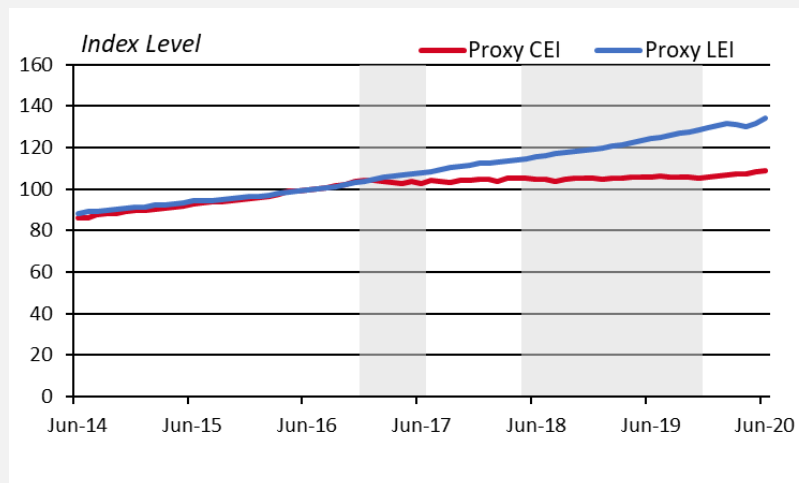
	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
LEI	131.4	131.3	130.0	131.5	134.1
CEI	106.7	107.2	107.4	108.2	109.1

Source: The Conference Board

Bahrain Proxy LEI remained somewhat flat during the first few months of the pandemic (Feb-Apr 2020) and then picked up to reach 134.1 in June as the government eased the containment measures. Although the LEI advanced 3.4 percent during the last 6 months, the 6 months growth is one percentage point lower than the growth recorded during H2 2019, supported by monetary variables, exports* and PMIs of US and EU while oil related variables, share price index and India's PMI contributed negatively to the index.

Bahrain Proxy CEI rose from 106.7 in February (prior to the imposed lockdowns) to 109.1 in June 2020, up 3.4 percent throughout the last 6 months. All of the CEI components contributed positively to the index for the last two months, coinciding with opening up the economy.

The Conference Board forecasts, in its [Gulf Economic Outlook 2020 Q3 update](#), a double-dip recession scenario with a milder recovery in Q3 and a contraction in Q4 might push GDP growth down to 3.8 percent in 2020. If the LEI continues to recover, supported by improved regional tourism and positive results from the financial sector, we might expect a smaller GDP growth contraction than previously anticipated.



Source: The Conference Board

Note: Grey-shaded areas represent business cycle chronologies derived from the Kuwait CEI; yellow-shaded areas represent growth cycle chronologies derived from the de-trended Kuwait CEI; both chronologies are determined by the Bry-Boschan (2002) algorithm.

* Series in Bahrain proxy LEI based on our estimates are exports and series Bahrain proxy CEI based on our estimates are imports

Bahrain Scoreboard

Month on Month growth rates	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	6M
Coincident Indicators (symbols=growth rates)								
Retail Banks: Private Sector: Total Savings, df, sa	4.3 ▲	3.0 ▲	(0.4) ▼	1.5 ▲	3.6 ▲	1.6 ▲	3.2 ▲	13.1
Imports*, df, sa	(23.0) ▼	9.4 ▲	1.3 ▲	(0.8) ▼	(19.0) ▼	8.4 ▲	2.7 ▲	-0.8
Employment*	0.2 ▲	0.2 ▲	0.2 ▲	0.3 ▲	0.3 ▲	0.3 ▲	0.3 ▲	1.6
Composite Index	105.5	106.5	106.7	107.2	107.4	108.2	109.1	3.4
<i>Monthly Growth Rate (%)</i>	0.09 ▲	0.95 ▲	0.19 ▲	0.47 ▲	0.19 ▲	0.74 ▲	0.83 ▲	
<i>Annual Growth Rate (%)</i>	0.19	1.53	1.62	1.71	1.70	2.37	3.22	
Diffusion Index of 4 indicators	66.7	100.0	66.7	66.7	66.7	100.0	100.0	66.7
Leading Indicators								
Baltic Dirty Tanker Index	26.0 ▲	(44.8) ▼	(9.8) ▼	75.1 ▲	(11.3) ▼	(42.3) ▼	(35.2) ▼	-71.1
OPEC Crude Oil Basket Price	6.5 ▲	(13.3) ▼	(14.8) ▼	(55.0) ▼	(20.2) ▼	60.7 ▲	31.7 ▲	-43.8
Bahrain Share Price Index	5.5 ▲	2.9 ▲	0.2 ▲	(18.7) ▼	(3.0) ▼	(3.1) ▼	0.6 ▲	-20.7
1-Year Cash Rate**	0.0 ■	0.0 ■	0.2 ▲	0.8 ▲	0.2 ▲	0.1 ▲	0.1 ▲	1.5
Money Supply (M2), df, sa	1.3 ▲	1.7 ▲	(0.6) ▼	1.9 ▲	3.6 ▲	1.4 ▲	1.4 ▲	9.8
Exports*, df, sa	(1.0) ▼	(5.2) ▼	0.1 ▲	(12.4) ▼	30.0 ▲	(4.5) ▼	10.0 ▲	13.4
Real Effective Exchange Rate, df, sa	0.2 ▲	(0.1) ▼	(0.0) ■	0.2 ▲	0.1 ▲	0.2 ▲	(0.7) ▼	-0.3
International Reserves*, df, sa	4.3 ▲	7.1 ▲	5.2 ▲	(7.7) ▼	(6.9) ▼	(1.7) ▼	(0.6) ▼	-5.4
India PMI, sa, average	1.6 ▲	2.6 ▲	(0.9) ▼	(2.7) ▼	(24.4) ▼	3.3 ▲	16.4 ▲	-5.6
US PMI, sa, average	1.6 ▲	2.6 ▲	(0.9) ▼	(2.7) ▼	(24.4) ▼	3.3 ▲	16.4 ▲	4.8
EU PMI, sa, average	1.6 ▲	2.6 ▲	(0.9) ▼	(2.7) ▼	(24.4) ▼	3.3 ▲	16.4 ▲	1.2
Composite Index	129.8	130.7	131.4	131.3	130.0	131.5	134.1	3.4
<i>Monthly Growth Rate (%)</i>	0.9 ▲	0.7 ▲	0.5 ▲	(0.1) ▼	(1.0) ▼	1.2 ▲	2.0 ▲	
<i>Annual Growth Rate (%)</i>	8.9	9.0	8.8	8.1	6.3	6.7	7.8	
Diffusion Index of 11 indicators	87.5	62.5	37.5	37.5	37.5	62.5	70.8	45.5

Source: The Conference Board

Notes: sa=seasonally adjusted, df=deflated by CPI

*Statistical Imputation: Series in Bahrain Proxy CEI based on our estimation are Imports and Employment. Series in Bahrain Proxy LEI based on our estimation are Exports and International Reserves.

**Interbank rate an inverted series; a negative change in this component makes a positive contribution to the index

Kuwait will face a demand recession following Q1 supply shock

KUWAIT



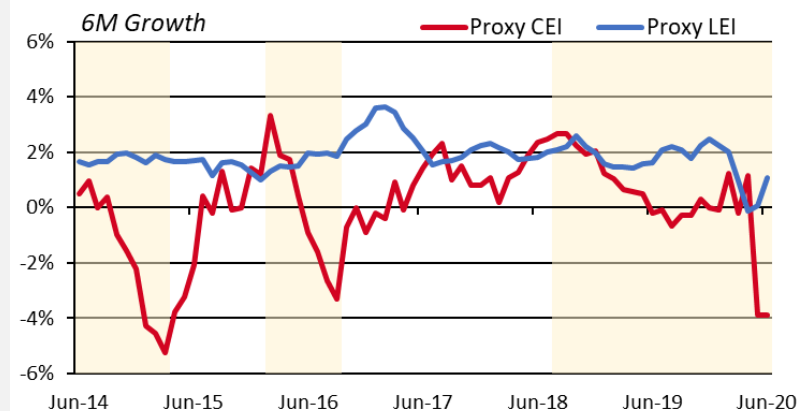
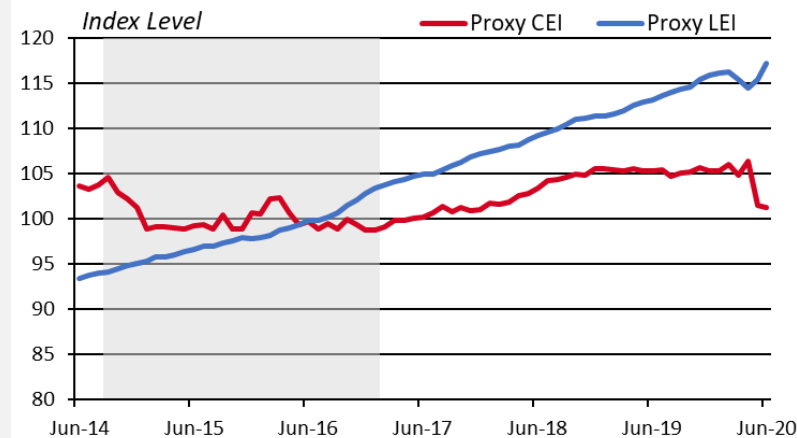
	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
LEI	116.3	115.4	114.4	115.5	117.2
CEI	106.0	104.8	106.4	101.5	101.2

Source: The Conference Board

Kuwait Proxy LEI rose for the second consecutive month to reach 117.2 in June 2020 back above its recent peak at 116.3 in February 2020 after a drop in March and April. The index is up 1.1 percent during the last 6 months with only a quarter of the LEI components contributing positively to the index during the last six months, mainly money supply, interbank rates and international reserves*, pointing to a lack of widespread strength in the business cycle.

Kuwait Proxy CEI continues to trend down from 106.0 in February (prior to the imposed lockdowns) to 101.2 in June 2020, down 3.9 percent throughout the last 6 months. The lockdown period helped boost private sector deposits, the only positive contributor to the index in 6 months. Industrial production is expected to improve in the upcoming quarters as OPEC+ ramp up production, however credit to the private sector will remain weak, exercising negative pressure on the proxy CEI.

Low oil production and low oil prices will continue to restrain economic activity. The foregone oil revenues will exercise significant pressure on the fiscal budget, limiting in turn government spending and capital expenditures. This would result in a GDP growth contraction of 6.7 percent in 2020.



Source: The Conference Board

Note: Grey-shaded areas represent business cycle chronologies derived from the Kuwait CEI; yellow-shaded areas represent growth cycle chronologies derived from the de-trended Kuwait CEI; both chronologies are determined by the Bry-Boschan (2002) algorithm.

Kuwait Scoreboard

Monthly Growth Rates (%)	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	6M
Coincident Indicators (symbols=growth rates)								
Ind. Prod. Index, sa	0.6 ▲	(0.8) ▼	4.9 ▲	(0.6) ▼	5.0 ▲	(21.0) ▼	(6.8) ▼	-20.0
Total Imports*, df, sa	(3.9) ▼	(8.8) ▼	1.2 ▲	(10.2) ▼	(10.7) ▼	(19.6) ▼	31.7 ▲	-21.7
Local Banks Cash Line of Credit, df, sa	(0.5) ▼	0.5 ▲	(0.0) ▬	(1.2) ▼	0.9 ▲	(0.4) ▼	(0.0) ▬	-0.2
Bank Deposit: Private Sector, df, sa	(0.4) ▼	(0.0) ▬	(0.8) ▼	(0.9) ▼	1.4 ▲	1.1 ▲	2.0 ▲	2.8
Composite Index	105.3	105.3	106.0	104.8	106.4	101.5	101.2	-3.9
Monthly Growth Rate (%)	(0.3) ▼	- ▬	0.7 ▲	(1.1) ▼	1.5 ▲	(4.6) ▼	(0.3) ▼	
Annual Growth Rate (%)	(0.2)	(0.2)	0.6	(0.5)	0.9	(3.6)	(3.9)	
Diffusion Index of 4 indicators	25.0	25.0	50.0	0.0	75.0	25.0	50.0	25.0
Leading Indicators								
Baltic Dirty Tanker Index	26.0 ▲	(44.8) ▼	(9.8) ▼	75.1 ▲	3.2 ▼	(42.3) ▼	(35.2) ▼	-71.1
Equity Market Index	6.0 ▲	0.7 ▲	(4.0) ▼	(20.6) ▼	0.1 ▲	0.4 ▲	2.7 ▲	-18.3
Real Effective Exchange Rate	(0.4) ▼	(0.3) ▼	0.4 ▲	(0.1) ▼	(20.2) ▼	(0.2) ▼	(1.5) ▼	-1.5
OPEC Crude Oil Basket Price	6.5 ▲	(13.3) ▼	(14.8) ▼	(55.0) ▼	(2.5) ▼	60.7 ▲	31.7 ▲	-43.8
Korea PMI	0.7 ▲	(0.3) ▼	(1.1) ▼	(4.5) ▼	(10.4) ▼	(0.4) ▼	2.1 ▲	-6.7
Japan PMI	(1.2) ▼	1.5 ▲	(3.1) ▼	(10.8) ▼	(43.4) ▼	2.0 ▲	13.1 ▲	-7.8
India PMI	1.0 ▲	2.5 ▲	1.3 ▲	(7.0) ▼	4.5 ▼	7.6 ▲	23.0 ▲	-16.0
International Reserves*, df	(1.2) ▼	1.1 ▲	0.6 ▲	(2.9) ▼	0.5 ▲	7.3 ▲	(0.2) ▼	10.4
Interbank rate, 1 yr**	0.0 ▬	0.0 ▬	0.1 ▲	0.3 ▲	(44.9) ▼	0.2 ▲	0.1 ▲	1.0
Total Exports*, df, sa	14.7 ▲	(6.7) ▼	(2.1) ▼	(40.6) ▼	2.6 ▼	26.9 ▲	4.1 ▲	0.0
Money Supply (M2), df, sa	(1.4) ▼	0.6 ▲	(1.0) ▼	7.1 ▲	(0.9) ▼	1.6 ▲	2.8 ▲	-60.5
Composite Index	115.9	116.2	116.3	115.5	114.4	115.5	117.2	1.1
Monthly Growth Rate (%)	0.5 ▲	0.2 ▲	0.1 ▲	(0.7) ▼	45.5 ▼	0.9 ▲	1.5 ▲	
Annual Growth Rate (%)	4.2	4.1	3.8	2.6	1.4	2.1	3.1	
Diffusion Index of 11 indicators	63.6	54.5	36.4	27.3	45.5	72.7	72.7	27.3

Source: The Conference Board

Notes: sa=seasonally adjusted, df=deflated by CPI

*Statistical Imputation: Serie in Kuwait Proxy CEI based on our estimation is Imports. Series in Kuwait Proxy LEI based on our estimation are Exports and International Reserves.

**Interbank rate an inverted series; a negative change in this component makes a positive contribution to the index

Oman Proxy CEI hit a 5-year low while the Proxy LEI signals a mild recovery in 2021

OMAN



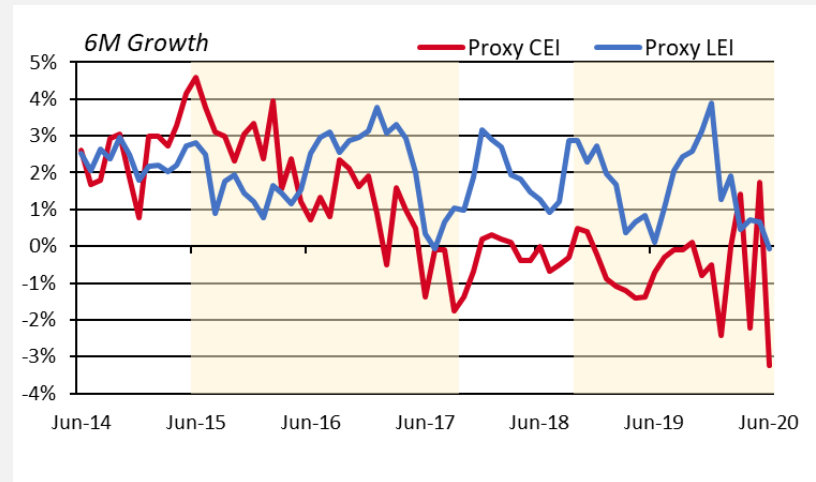
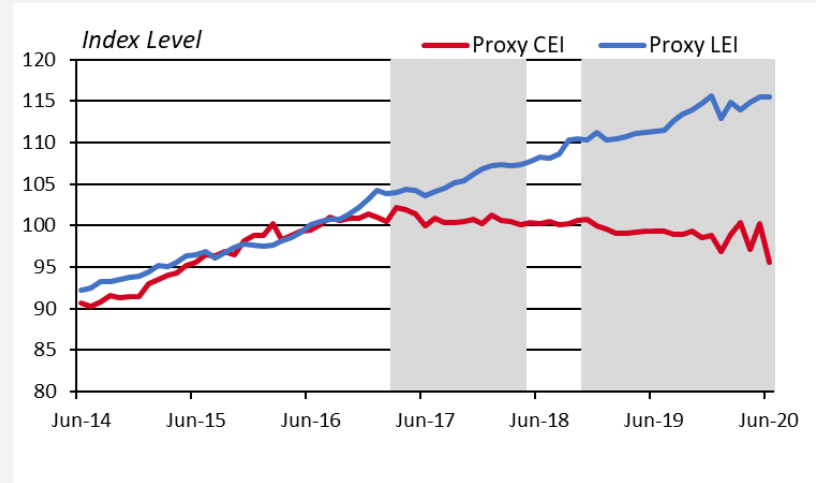
	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
LEI	114.8	113.9	114.8	115.4	115.5
CEI	98.9	100.3	97.1	100.2	95.6

Source: The Conference Board

Oman Proxy LEI remained essentially flat as the ripple of the pandemic reached the Gulf region. The index is down 0.1 percent during the last six months with almost half (45.5%) of the LEI components contributing negatively to the index. The 6-month LEI growth rate has been trending down since December 2019 signaling a possible mild economic growth in 2021.

Oman Proxy CEI oscillated during the last four months and settled at a five year low of 95.6 in June 2020. Only one third of the CEI components contributed positively to the index, namely, electricity production and private sector deposits.

Oman's economy is the most vulnerable compared to the GCC and has been struggling for the past couple of years and had to resort to international debt markets to balance its fiscal budget. Economic activity remains weak amid the turmoil in the oil market. The direction of the composite indexes are consistent with reduced non-oil activities, and GDP is expected to contract by 3.5% in 2020.



Source: The Conference Board

Note: Grey-shaded areas represent business cycle chronologies derived from the Oman CEI; yellow-shaded areas represent growth cycle chronologies derived from the de-trended Oman CEI; both chronologies are determined by the Bry-Boschan (2002) algorithm.

Oman Scoreboard

Monthly Growth Rates (%)	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	6M
Coincident Indicators (symbols=growth rates)								
Ind. Prod. Index, sa	0.0	(1.9)	5.1	9.1	(14.3)	16.5	(14.5)	(4.0)
Electricity Production*, sa	1.0	(9.6)	17.4	(7.1)	(0.8)	4.7	1.1	3.6
Natural Gas Production, sa	(2.7)	(1.0)	1.4	(12.4)	10.4	(2.1)	(5.6)	(10.3)
Imports*, df, sa	10.2	(9.8)	2.4	0.1	(16.3)	4.8	0.8	(18.3)
Bank Deposits: Private Sector, df, sa	1.5	0.4	0.5	3.7	2.6	(0.5)	0.9	7.7
Employment: Expatriates: Private Sector*, sa	(0.4)	(2.2)	(0.3)	(0.8)	(1.1)	(1.4)	(1.9)	(7.5)
Composite Index	98.8	96.9	98.9	100.3	97.1	100.2	95.6	(3.2)
<i>Monthly Growth Rate (%)</i>	0.3	(1.9)	2.1	1.4	(3.2)	3.2	(4.6)	
<i>Annual Growth Rate (%)</i>	(1.2)	(2.7)	(0.1)	1.3	(2.1)	0.9	(3.7)	
Diffusion Index of 6 indicators	66.7	16.7	83.3	50.0	33.3	50.0	50.0	33.3
Leading Indicators								
Baltic Dirty Tanker Index	26.0	(44.8)	(9.8)	75.1	(11.3)	(42.3)	(35.2)	(71.1)
OPEC Crude Oil Basket Price	6.5	(13.3)	(14.8)	(55.0)	(20.2)	60.7	31.7	(43.8)
Oman Share Price Index	(2.0)	2.5	1.3	(16.5)	2.6	0.1	(0.8)	(11.7)
Interbank Rate**	(0.0)	(0.3)	0.0	0.2	(0.3)	(0.3)	0.0	(0.6)
Money Supply (M2), sa, df	1.9	1.0	0.8	3.5	1.7	0.1	(1.4)	5.8
Merchandise Exports*, sa, df	5.7	(1.3)	1.5	(3.1)	15.4	(7.0)	3.0	7.2
Real Effective Exchange Rate	(0.8)	(0.1)	0.7	0.7	0.8	(0.2)	(1.7)	0.2
International reserves**, df	4.2	(2.0)	(2.5)	3.6	1.6	7.6	(3.8)	4.1
Japan PMI	(0.5)	0.4	(1.0)	(3.0)	(2.9)	(3.5)	1.7	(8.3)
Korea PMI	0.7	(0.3)	(1.1)	(4.5)	(2.5)	(0.4)	2.1	(6.7)
China PMI	(0.7)	(24.4)	19.2	0.9	7.0	1.2	(1.2)	2.6
Composite Index	115.6	112.9	114.8	113.9	114.8	115.4	115.5	-0.1
<i>Monthly Growth Rate (%)</i>	0.8	(2.4)	1.7	(0.8)	0.8	0.6	0.1	
<i>Annual Growth Rate (%)</i>	4.0	2.3	4.0	2.9	3.3	3.8	3.8	
Diffusion Index of 11 indicators	54.5	27.3	54.5	54.5	54.5	45.5	45.5	45.5

Source: The Conference Board

Notes: sa=seasonally adjusted, df=deflated by CPI

*Statistical Imputation: Series in Oman Proxy CEI based on our estimation are Electricity Production, Imports and Expat Employment in the private sector. Series in Oman Proxy LEI based on our estimation are Exports and International Reserves.

**Interbank rate an inverted series; a negative change in this component makes a positive contribution to the index

Qatar leading indicator remains weak despite the slight pickup in May and June

QATAR



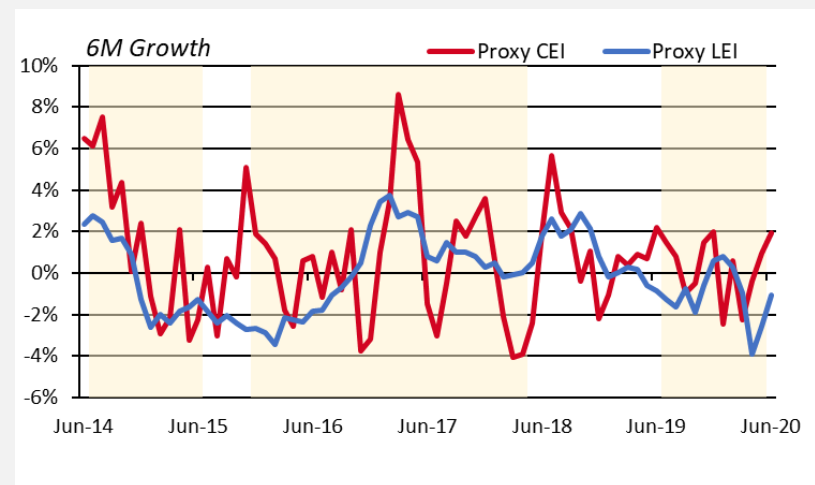
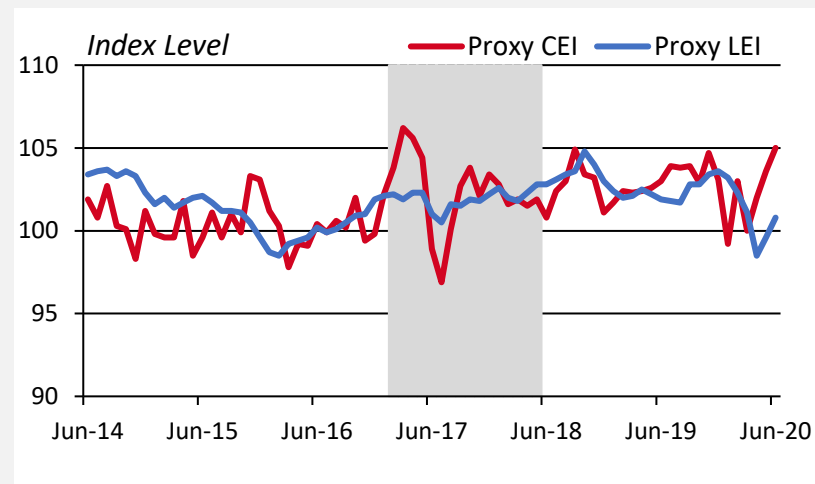
	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
LEI	102.3	101.1	98.5	99.6	100.8
CEI	103.0	100.0	102.0	103.6	105.0

Source: The Conference Board

Qatar Proxy LEI is slowly advancing to pre-COVID levels. The index hit a low of 98.5 in April, and slightly recovered back to 100.8 in June 2020. The proxy LEI fell by 2.7 percent from December 2019 and 1 percent from the last quarter. Only about a third of the Proxy LEI components contributed positively to the index.

Qatar Proxy CEI, on the other hand, gained momentum towards the end of 2Q 2020 as the economy opened up. The index reached a high of 105 in June 2020, up 5 percent from the previous quarter and 2 percent year to date. Only about a third of the Proxy LEI components contributed positively to the index. While the private sector deposits contributing positively to the index, industrial production and imports fell.

Qatar has been witnessing tamped economic growth for the last few years with FIFA 2022 infrastructure projects coming to an end and mega LNG projects getting delayed. Qatar's GDP growth is forecasted to record a 3.5 percent contraction in 2020. Improvement in business confidence of Qatar's trading partners as well as a pickup in LNG demand and prices would push GDP growth into positive territory in 2021; however the uncertainties that reign on energy demand would determine the magnitude of 2021 GDP growth.



Source: The Conference Board

Note: Grey-shaded areas represent business cycle chronologies derived from the Qatar CEI; yellow-shaded areas represent growth cycle chronologies derived from the de-trended Qatar CEI; both chronologies are determined by the Bry-Boschan (2002) algorithm.

Qatar Scoreboard

Monthly Growth Rates (%)	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	6M
Coincident Indicators (symbols=growth rates)								
Ind. Prod. Index: Crude Oil, sa	2.8 ▲ (1.6) ▼	(1.6) ▼	(0.8) ▼	1.0 ▲ (3.6) ▼	(3.6) ▼	2.8 ▲ (0.7) ▲	0.7 ▲ (1.7)	(1.7)
Imports*, df, sa	(13.1) ▼	(56.3) ▼	63.8 ▲ (42.8) ▼	(42.8) ▼	11.4 ▲ (3.9) ▼	8.0 ▲ (52.8)	(52.8)	
Deposits: Retail Banks: Private Sector, df, sa	(1.9) ▼	3.4 ▲	0.9 ▲	1.0 ▲	3.4 ▲	1.6 ▲	1.0 ▲	11.7
Composite Index	103.1	99.2	103.0	100.0	102.0	103.6	105.0	1.8
Monthly Growth Rate (%)	(1.5) ▼	(3.8) ▼	3.8 ▲ (2.9) ▼	(2.9) ▼	2.0 ▲ (1.6) ▲	1.4 ▲ (1.4) ▲		
Annual Growth Rate (%)	2.0	(2.5)	0.6	(2.2)	(0.4)	1.0	1.9	
Diffusion Index of 3 indicators	33.3	33.3	66.7	66.7	66.7	66.7	100.0	33.3
Leading Indicators								
Baltic Dirty Tanker Index	26.0 ▲ (44.8) ▼	(44.8) ▼	(9.8) ▼	75.1 ▲ (11.3) ▼	(11.3) ▼	(42.3) ▼	(35.2) ▼	(71.1)
OPEC Crude Oil Basket Price	6.5 ▲ (13.3) ▼	(13.3) ▼	(14.8) ▼	(55.0) ▼	(20.2) ▼	60.7 ▲	31.7 ▲	(43.8)
Gas Futures	(13.8) ▼	(3.9) ▼	(5.1) ▼	(0.5) ▼	9.4 ▲ (0.8) ▼	(8.1) ▼	(9.6)	(9.6)
Share Price Index	2.7 ▲	0.2 ▲ (9.1) ▼	(9.1) ▼	(13.5) ▼	6.8 ▲	0.9 ▲	1.7 ▲	(13.7)
Interbank Rate**	0.0 ■	0.0 ■	0.0 ■	1.4 ▲	0.0 ■	0.2 ▲	0.0 ■	1.6
Money Supply (M2), df, sa	1.3 ▲	2.9 ▲ (0.3) ▼	(0.3) ▼	4.3 ▲ (1.8) ▼	(1.8) ▼	0.8 ▲	1.6 ▲	7.7
Exports*, df, sa	2.4 ▲	11.3 ▲ (11.3) ▼	(11.3) ▼	13.1 ▲ (35.2) ▼	(35.2) ▼	19.9 ▲ (7.8) ▼	(20.0)	(20.0)
International reserves*, df, sa	(0.8) ▼	1.8 ▲	1.2 ▲	0.8 ▲	0.5 ▲	2.5 ▲ (0.4) ▼	6.6	6.6
Japan PMI	(0.5) ▼	0.4 ▲ (1.0) ▼	(1.0) ▼	(3.0) ▼	(2.9) ▼	(3.5) ▼	1.7 ▲	(8.3)
Korea PMI	0.7 ▲ (0.3) ▼	(0.3) ▼	(1.1) ▼	(4.5) ▼	(2.5) ▼	(0.4) ▼	2.1 ▲	(6.7)
EU PMI	(0.7) ▼	1.7 ▲	1.3 ▲	(4.8) ▼	(11.0) ▼	6.0 ▲	8.0 ▲	1.2
Composite Index	103.6	103.2	102.3	101.1	98.5	99.6	100.8	(2.7)
Monthly Growth Rate (%)	0.2 ▲ (0.4) ▼	(0.4) ▼	(0.9) ▼	(1.2) ▼	(2.6) ▼	1.1 ▲ (1.2) ▲		
Annual Growth Rate (%)	0.6	0.8	0.3	(1.0)	(3.9)	(2.5)	(1.1)	
Diffusion Index of 11 indicators	59.1	59.1	22.7	45.5	36.4	63.6	59.1	36.4

Source: The Conference Board

Notes: sa=seasonally adjusted, df=deflated by CPI

*Statistical Imputation: Serie in Qatar Proxy CEI based on our estimation is Imports. Series in Qatar Proxy LEI based on our estimation are Exports and International Reserves.

**Interbank rate an inverted series; a negative change in this component makes a positive contribution to the index

Oil production and prices continue to create a drag on the Saudi economy

SAUDI ARABIA



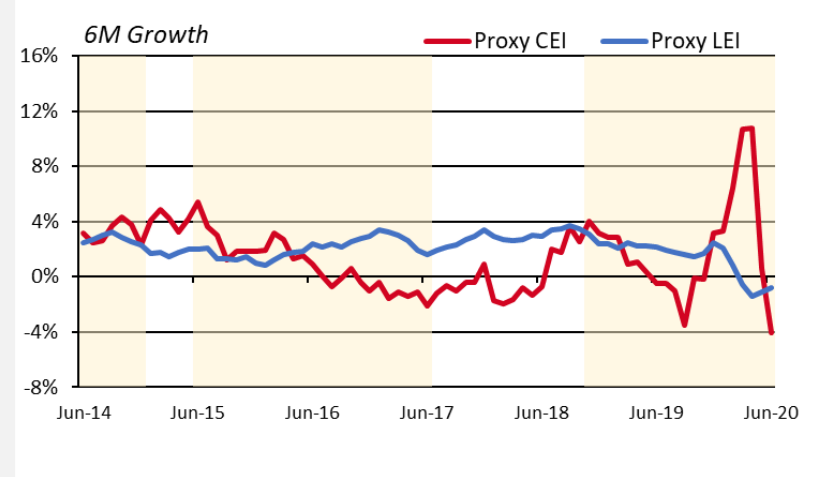
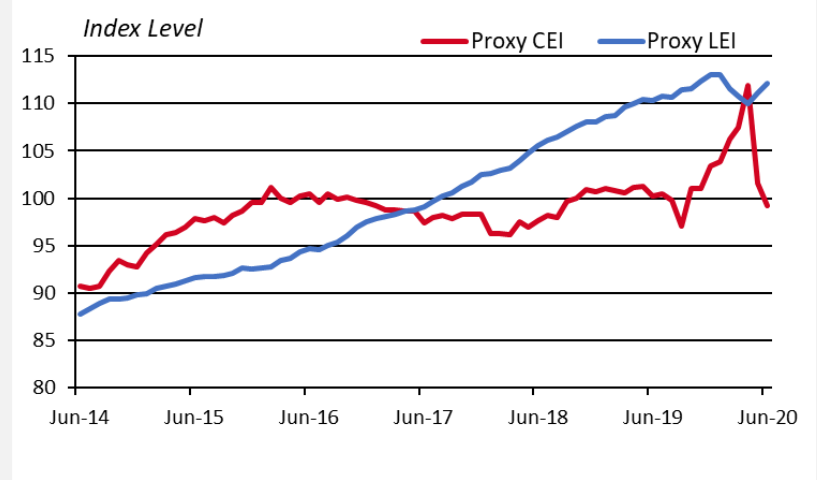
	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
LEI	111.5	110.8	110.0	111.1	112.1
CEI	106.2	107.5	111.9	101.6	99.2

Source: The Conference Board

Saudi Proxy LEI rose to 112.1 in June after reaching a low of 110.8 in April 2020. The Saudi Proxy LEI is down 0.8 percent between January and June 2020. The index recorded its first drop on record. The six-month diffusion index indicates that weaknesses among index components were widespread and only the business confidence indices of Saudi Arabia's trading partners, the US and China along with money supply contributed positively to the index during that period.

Saudi Proxy CEI falls sharply after the OPEC+ oil cut agreement that went into effect in May 2020. The index hit a low of 99.2 in June 2020. The index is down 8 percent from March and 4.1 percent from December 2020. Only bank claims to the private sector contributed positively to the index during the last six months while the industrial production index, which is a gauge for oil production and imports have declined by 22 and 19 percent respectively since December 2019.

The oil production cut and weak oil prices continue to create a drag on the Saudi economy, depriving the economy from the revenues needed to accomplish their diversification projects. The country's GDP is expected to contract by 5.6 percent in 2020.



Source: The Conference Board

Note: Grey-shaded areas represent business cycle chronologies derived from the Saudi CEI+GDP; yellow-shaded areas represent growth cycle chronologies derived from the de-trended Saudi CEI+GDP; both chronologies are determined by the Bry-Boschan (2002) algorithm.

Saudi Arabia Scoreboard

Monthly Growth Rates (%)	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	6M
Coincident Indicators (symbols=growth rates)								
Ind. Prod. Index, sa	0.7 ▲	2.1 ▲	3.3 ▲	-0.2 ▼	16.1 ▲	-25.6 ▼	-14.6 ▼	(22.4)
Total Imports*, df, sa	23.6 ▲	(20.1) ▼	8.5 ▲	(3.3) ▼	(16.4) ▼	(6.6) ▼	23.4 ▲	(19.2)
Bank Claims: Private Sector, df, sa	1.8 ▲	1.3 ▲	1.4 ▲	2.3 ▲	0.3 ▲	(0.3) ▼	2.3 ▲	7.5
GDP, quarterly	1.9 ▲			(2.7) ▼			-	(19.2)
Composite Index	103.4	103.8	106.2	107.5	111.9	101.6	99.2	(4.1)
<i>Monthly Growth Rate (%)</i>	2.4 ▲	0.4 ▲	2.3 ▲	1.2 ▲	4.1 ▲	-9.2 ▼	-2.4 ▼	
<i>Annual Growth Rate (%)</i>	2.4	-0.1	-0.1	2.2	1.3	2.8	2.5	
Diffusion Index of 3 indicators	100.0	66.7	100.0	33.3	66.7	0.0	66.7	33.3
Leading Indicators								
Baltic Dirty Tanker Index	26.0 ▲	(44.8) ▼	(9.8) ▼	75.1 ▲	(11.3) ▼	(42.3) ▼	(35.2) ▼	(71.1)
Index: Share Price (End of Period)	6.7 ▲	(1.7) ▼	(7.5) ▼	(14.7) ▼	9.3 ▲	1.4 ▲	0.2 ▲	(13.9)
Real Effective Exchange Rate	(0.4) ▼	(0.8) ▼	1.2 ▲	0.9 ▲	1.2 ▲	(0.2) ▼	(2.2) ▼	(7.8)
OPEC Crude Oil Basket Price	6.5 ▲	(13.3) ▼	(14.8) ▼	(55.0) ▼	(20.2) ▼	60.7 ▲	31.7 ▲	(43.8)
Saudi Arabia PMI	(1.3) ▼	(2.0) ▼	(2.4) ▼	(10.1) ▼	2.0 ▲	3.7 ▲	(0.4) ▼	(9.2)
Japan PMI	(0.5) ▼	0.4 ▲	(1.0) ▼	(3.0) ▼	(2.9) ▼	(3.5) ▼	1.7 ▲	(8.3)
US PMI	(0.3) ▼	3.1 ▲	(0.8) ▼	(1.0) ▼	(7.6) ▼	1.6 ▲	9.5 ▲	4.8
China PMI	(0.6) ▼	(0.7) ▼	(24.4) ▼	19.2 ▲	0.9 ▲	7.0 ▲	1.2 ▲	3.1
International Reserves, df	(0.3) ▼	0.6 ▲	(1.2) ▼	(5.0) ▼	(5.1) ▼	0.4 ▲	(0.1) ▼	(10.1)
Imports: Private Sector Building Materials*, df, sa	15.7 ▲	(13.5) ▼	14.1 ▲	0.9 ▲	(51.7) ▼	15.5 ▲	65.9 ▲	(7.8)
Merchandise Exports*, df, sa	6.6 ▲	3.8 ▲	(15.9) ▼	(27.3) ▼	(35.6) ▼	9.9 ▲	(4.6) ▼	(57.2)
Treasury Bills Rate: Average: 52 Weeks**	0.0 ■	(0.0) ■	(0.2) ▼	(0.8) ▼	(0.3) ▼	(0.0) ■	(0.0) ■	(1.4)
Money Supply (M2), df, sa	2.8 ▲	0.5 ▲	1.2 ▲	1.4 ▲	1.3 ▲	0.9 ▲	0.1 ▲	5.4
Composite Index	113.0	113.0	111.5	110.8	110.0	111.1	112.1	(0.8)
<i>Monthly Growth Rate (%)</i>	0.7 ▲	0.0 ■	-1.4 ▼	-0.6 ▼	-0.8 ▼	1.1 ▲	0.9 ▲	
<i>Annual Growth Rate (%)</i>	4.7	4.1	2.5	1.2	-0.1	0.7	1.6	
Diffusion Index of 13 indicators	53.8	38.5	23.1	38.5	38.5	69.2	53.8	23.1

Source: The Conference Board

Notes: sa=seasonally adjusted, df=deflated by CPI

*Statistical Imputation: Serie in Saudi Arabia Proxy CEI based on our estimation is Imports. Series in Saudi Arabia Proxy LEI based on our estimation are Imports of Building Materials, Exports and International Reserves.

**Treasury Bills Rate is an inverted series; a negative change in this component makes a positive contribution to the index

DETAILED SOURCES: PROXY LEIs

Indicator	Source
<i>All GCC Economies</i>	
Baltic Dry Index / Baltic Dirty Tanker Index	Baltic Exchange via Bloomberg
OPEC Crude Oil Price	OPEC via Bloomberg
Real Effective Exchange Rate (except for Qatar)	Bruegel
Exports (f.o.b.) (except for Kuwait)	International Monetary Fund
International Reserves	International Monetary Fund
Japan PMI	IHS Markit
Korea PMI	IHS Markit
China PMI	IHS Markit
India PMI	IHS Markit
EU PMI	IHS Markit

Indicator	Source
<i>Qatar</i>	
Bank Deposits	Qatar Central Bank
<i>Saudi Arabia</i>	
1-Year Treasury Bill Rate	Saudi Arabian Monetary Agency
Money Supply: M2	Saudi Arabian Monetary Agency
Equity Market Index	TASI
Imports: Private Sector Building Materials	Saudi Arabian Monetary Agency
Saudi Arabia PMI	IHS Markit
US PMI	Institute for Supply Management

Indicator	Source
<i>Bahrain</i>	
1-Year Cash Rate	Tullet Prebon
Money Supply: M2	Central Bank of Bahrain
Equity Market Index	Bahrain Bourse
US PMI	Institute for Supply Management

<i>Kuwait</i>	
1-Year Interbank Rate	Central Bank of Kuwait
Money Supply: M2	Central Bank of Kuwait
Equity Market Index	Kuwait Boursa
Imports CIF	Kuwait Central Statistical Bureau
Exports FOB	Kuwait Central Statistical Bureau

<i>Oman</i>	
Overnight Interbank Rate	Central Bank of Oman
Money Supply: M2	Central Bank of Oman via Haver
Equity Market Index	Muscat Securities Market
Exports (f.o.b.)	National Center for Statistics & Information

<i>United Arab Emirates</i>	
1-Year Interbank Rate	Central Bank of the UAE
Money Supply: M2	International Monetary Fund
Equity Market Index	Bloomberg
Bank Credit: Manufacturing	Central Bank of the UAE
United Arab Emirates PMI	Emirates NBD/Markit

DETAILED SOURCES: PROXY CEIs

Indicator	Source
<i>All GCC Economies</i>	
Imports	International Monetary Fund
Industrial Production Index (excl. Bahrain)	OPEC via Bloomberg
Bahrain	
Retail Bank Deposits	Central Bank of Bahrain
No. of Construction Permits	Ministry of Municipalities Affairs
Employment in Private sector	Labor Market Regulatory Authority
Kuwait	
Local Banks Utilized Cash Credit Lines	Central Bank of Kuwait
Bank Deposits	Central Bank of Kuwait
Oman	
Electricity Production	Authority for Electricity Regulation
Natural Gas Production	Ministry of Oil and Gas
Employment:: Private Sector	Directorate General of Civil Status
Bank Deposits: Private Sector	Central Bank of Oman
Merchandise Imports	National Center for Statistics and Information
Qatar	
Bank Deposits	Qatar Central Bank
Saudi Arabia	
Bank Claims: Private Sector Credit	Saudi Arabian Monetary Authority
GDP	General Authority for Statistics
United Arab Emirates	
Bank Credit: Personal Loans	Central Bank of the UAE
No. of Buildings Completed	Dubai Municipality

BUSINESS AND GROWTH CYCLE CHRONOLOGIES

BAHRAIN			
Business Cycles		Growth Cycles	
Peaks	Troughs	Peaks	Troughs
Apr-05	May-10	Mar-05	Sep-05
Nov-16	Jun-17	Jun-08	Jun-11
		Jul-12	Dec-13
		Nov-16	Jun-17

KUWAIT			
Business Cycles		Growth Cycles	
Peaks	Troughs	Peaks	Troughs
Sep-08	Apr-09	Apr-07	Mar-09
Oct-14	Jun-17	Mar-10	Nov-10
Apr-19		Aug-12	Apr-14
		Jan-16	Aug-16

OMAN			
Business Cycles		Growth Cycles	
Peaks	Troughs	Peaks	Troughs
Feb-02	May-03	Feb-02	May-03
		Jun-05	Apr-06
		Apr-08	Feb-10
		May-12	Dec-14
Mar-17		Jun-15	Sep-17
		Oct-18	Apr-19

QATAR			
Business Cycles		Growth Cycles	
Peaks	Troughs	Peaks	Troughs
Jan-01	Mar-02	Mar-03	Mar-04
May-08	Apr-09	Feb-06	Apr-09
Oct-11	Dec-12	Feb-10	Oct-12
Mar-17	Jun-18	Feb-14	Mar-18
		Jun-19	

SAUDI ARABIA			
Business Cycles		Growth Cycles	
Peaks	Troughs	Peaks	Troughs
Dec-00	Feb-02	Oct-04	Feb-07
Oct-08	Sep-10	Feb-08	Feb-09
Feb-16	Mar-18	Feb-12	Aug-12
		Sep-13	Dec-14
		Jun-15	Jun-17
		Nov-18	

UNITED ARAB EMIRATES			
Business Cycles		Growth Cycles	
Peaks	Troughs	Peaks	Troughs
Jan-01	Mar-02	Jan-01	Aug-02
Jul-04	Feb-05	Jul-04	Jul-05
Oct-05	Jul-06	Feb-08	Apr-09
Feb-08	Apr-09	Apr-10	Mar-12
Mar-08	Mar-14	Aug-13	Nov-15
Nov-14	Nov-15	Nov-16	Dec-17
Dec-16	Sep-18		

CYCLICAL INDICATOR APPROACH

Business cycle indicators are a group of economic and financial data series that have proven useful in analyzing the alternating waves of economic expansion and contraction known as the business cycle. The charts and data tables in this publication provide a broad range of information about the GCC economies' business cycles, both past and present. In particular, the charts offer easy comparisons between current business cycles and those of previous decades.

The indicator approach was originated in the mid-1930s by economists at the United States' National Bureau of Economic Research. Their research explored patterns of economic fluctuation that consist of expansions (periods of positive growth in general economic activity), followed by recessions (contractions in economic activity), which then merge into the expansion phase of the next cycle.

Timing Classifications

Based on the timing of their movements, cyclical indicators are classified into three categories: leading, coincident, and lagging. Leading indicators are those series that tend to shift direction in advance of the business cycle; for this reason they receive the lion's share of the attention. Coincident indicators, such as employment and production, are broad series that measure aggregate economic activity; thus they define the business cycle. Lagging indicators tend to change direction after the coincident series; they are used to confirm turning points and to warn of structural excesses and imbalances that are developing within the economy. Lagging indicators or composite lagging economic indexes have not yet been selected or developed for the GCC economies.

With few exceptions, the cyclical indicators included in this publication have been subjected to, and survived, a battery of statistical and economic tests: (1) **conformity** to each economy's business cycle, (2) **consistent timing** as a leading or coincident indicator, (3) **economic significance** based on generally accepted business cycle theories, (4) **statistical adequacy** by way of a reliable data- collection process, (5) **smoothness** in month-to-month movements, and (6) **currency** through

a reasonably prompt publication schedule. Since no single time series fully qualifies as an ideal cyclical indicator, it is important to analyze groups of indicators and to look for consistent or common patterns.

Composite and Diffusion Indexes

The leading and coincident economic composite indexes are useful summary measures of the cyclical indicators because, as averages, they tend to smooth out much of the volatility of individual series. Diffusion indexes, which measure the proportion of a set of indicators that is rising, are useful because they indicate the extent, or breadth, of a particular business cycle movement (The individual series that make up the leading and coincident economic indexes are listed in each GCC economy's scoreboard).

A coincident economic index has a good record of turning at the same time as the general economy. It also rises and falls at about the same pace as the Gross Domestic Product (GDP). A leading economic index typically declines before all recessions yet sometimes gives a false signal.

It is often reported that three consecutive monthly declines in a leading economic index signal a recession. However, few economists actually use such a simple and inflexible rule. Historical analysis shows that persistent, above-average annual declines in a leading economic index, coupled with declines in a significant share of the components during a six-month period, is a reasonable, albeit not perfect, criterion for a recession warning across the GCC economies. Nonetheless, the GCC economies are continuously evolving and far too complex to be summarized by one economic series, even a composite index. This publication includes a broad range of series indispensable for monitoring GCC business cycles.

The Conference Board (2016)

IMPORTANT INFORMATION

THE CONFERENCE BOARD is the member-driven think tank that delivers trusted insights for what's ahead. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501(c)(3) tax-exempt status in the United States.

The Conference Board Gulf Center for Economics and Business Research provides trusted insights primarily in the areas of economics, strategy, finance and human capital within the Gulf region to enable businesses to anticipate what's ahead, improve their performance, and better serve society.



Author:

Hiba Itani
Senior Economist -Gulf Center
Hiba.Itani@conference-board.org

+965 22208096 | TCBGulfcenter@conference-board.org
www.conference-board.org/gulf

Copyright © 2020 The Conference Board. All rights reserved.

SUPPORTING ORGANIZATIONS

The work of The Conference Board Gulf Center is enhanced by funding, support, and thoughtful guidance from the following organizations:

