It has been a while since our last note, so let us jump straight in and go over some of the more pertinent recent developments.

Saudi Arabia:

- With partial travel bans still in place, it is ironic that Saudis living in Saudi are unable to leave the country, whereas expat residents (and business visitors) are able, for the most part, to come and go as they please. With that said, overall, the situation in Saudi seems to be under control and the country is returning to normalcy in a phased manner.

- The number of private sector employees registered under social insurance declined 2% Q-o-Q in 3Q20 to 8.17mn. This was a function of a 4% decline in insured expat workers, offsetting a 5% Q-o-Q increase in the number of insured Saudis to 1.76mn. Riyadh accounted for the largest number of insured workers (c3.2mn; c39%), while the services sector accounted for 39.3% of total subscribers as of 3Q20. This is a natural consequence of a continued Saudisation programme during a less than ideal economic backdrop.

- On a related note, Saudi officials have announced the winding down of the "kafala" system, which allowed Saudi sponsors of expat workers unchecked authority over the workers' lives and livelihoods. Expats in Saudi could not change jobs, leave the country permanently or even travel abroad, without the explicit permission of their sponsor. In an effort to attract foreign talent (in direct contrast to the Saudisation drives which are still ongoing, but come with inherent inefficiencies…think nepotism on a state level) the restrictive sponsorship framework is being removed; what will be introduced in its stead is less clear, although we believe it will be closer to the standard framework in the UAE.

Which is a nice segue to the **UAE**:

- The big recent news is the huge shift in social laws and restrictions that were removed all in one fell swoop; with the announcement made on the sabbath no less. On a federal level (not emirate specific as many of these laws and controls tend to be), it is now legal for unmarried couples to cohabitate, which although prevalent, has been a source of concern for many expats over the years; importantly this also nullifies any concerns unmarried tourists would have had, paving the way for increased arrivals from China, Israel and elsewhere. Additionally, there will no longer be restrictions on alcohol consumption or purchase, which had been governed on an emirate by emirate basis, but now has a federally liberal mandate (where there is a conflict between rules, no one is quite clear on how to resolve potential issues yet, although it is certainly simply a matter of time). Perhaps the most important update/development involves inheritance rules/laws for expat couples, which will now fall under the jurisdiction of the laws of their home country rather than Shariah law…anecdotally, we know many people for whom this has been a major point of concern, especially when weighing out the risk-benefit of settling down in the UAE for longer tenures with their families.

- Continuing on with the theme of improvements in the attractiveness of living in the UAE, and specifically in Dubai in this case, the second largest emirate announced that there will be investments of over AED 2.5 billion to fund 29 (and counting) new projects focused on the beach. Dubai will create a dozen new beaches and millions of square metres of green space, with the aim to aim to improve the quality of life for Emiratis and residents. The emirate will also build more spaces for swimming, better running paths and longer cycling lanes.

- On the more negative news front, Dubai expects airport passenger traffic to fall by up to 70% this year, further delaying an already protracted start to a recovery of tourism post-pandemic, and exacerbating employment and new orders weakness seen in the October PMI numbers for the UAE released recently. At a million passengers a month, Dubai's airport is currently operating at the levels it did 20 years ago…when Y2K was the biggest bug we needed to contend with.

- Notably, the UAE has begun the rollout of its homegrown COVID-19 vaccine, which was developed in conjunction with Sinopharm. Frontline workers were the first recipients, followed by teachers and other aid workers, and most recently Emiratis working in the public sector. The latter providing ample “Instagramable” moments, of local senior officials rolling up their sleeves, in anticipation of their vaccine shots; which is a great example to set in today’s world, which is often overly cynical. Importantly, with the camera and vaccine shots in mind, the UAE continues to position itself as a safer and better place to be, both from the perspective of tourism and residence, during and beyond the pandemic years.

Finally some highlights regarding **Egypt** in the past couple of months:

- The CBE governor has recently been flexing his muscles, in a continued attempt to crowd out other “heavy hitters” and would-be “heavy hitters” in the world of Egyptian banking, effectively consolidating power in the hands of one man (always a comforting concept). This, we stress, is much to the dismay of long-term investors looking for stability and structure in an otherwise volatile market. Egregiously, the impetus behind regulatory action is indistinct at best, and may be conflated (rightly or wrongly) with a so-called personal agenda at worst. In practice, the result of said muscle-flexing was the resignation of CIB chairman, and Egyptian banking stalwart, Hisham Ezz Al Arab. This followed an emergency meeting of the board where it discussed a letter from the central bank communicating the regulator’s suggestion to dismiss him. The bank said it took the findings of a central bank review “very seriously” and will investigate the issues that were raised, without elaborating on the content. CIB appointed Sherif Samir Samy, a former chairman of Egypt’s market regulator, to act as non-executive chairman. So far the points raised in the audit report seem to be regulatory and minor in nature as far as we can ascertain, and will not cause any sort of financial impact or reputational impact related to fraud/crime. The impression everyone is getting is that it was nit-picking for political ends.

- On the front of the virus, Egypt’s handling of the pandemic has been hailed internationally as exemplary by some, a description most people in Egypt found outright laughable. How can a country of 100 million people only be recording 200 cases a day? Shouldn’t European countries and the US at least match what Egypt has been able to do? The truth of the matter is that Egypt records only official cases which have been tested via government approved (and owned, at least partially) laboratories. The reality on the ground, is that anyone who can afford to, prefers to get tested privately, meaning there have been tens of thousands of cases, if not more, that have never been recorded. We, as Ajeej team members, know of many such cases, to a degree that it is statistically improbable that the official numbers are anything but a tiny fraction of the reality on the ground. So, how is Egypt handling it? The short answer is that they (the government) are not…they are, we believe unwittingly, taking the herd immunity approach, and in similar ilk to other developing and/or African nations, simply not reporting (rightly or wrongly).

- As for the markets in Egypt, the past few months have been more of the same, with foreign investors continuing to be largely on the exit side of the trade, and specifically being net sellers every month since last August; fingers crossed though, November looks to have the potential to buck that trend finally. Also buoying the market have been recent further rate cuts by the CBE, in a context where high interest rates have been the Achilles’ heel of the equity markets for much of our recent collective memory. We continue to say Egypt has potential, and it does, but it is also the victim of being a rudderless market, one that is prone to wild swings, pushed and pulled by foreign investor sentiment.