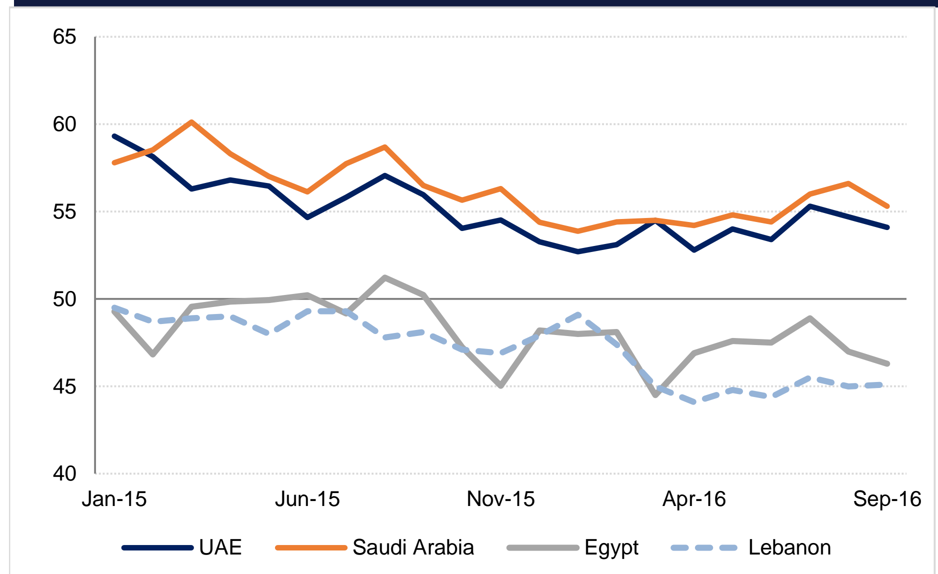
بنك الإمارات دبي الوطني
Emirates NBD

MENA Quarterly

- Oil prices have received support from OPEC's surprise agreement at the end of September to cut production in an effort to hasten the rebalancing of oil markets. But in the wake of OPEC's announcement, we would argue there isn't enough in the deal so far to mean a radical revision to the outlook for oil.
- Economic activity in the GCC was relatively robust over the third quarter, with evidence of expansion in both the oil and non-oil sectors. However, additional fiscal tightening in Saudi Arabia and the likely impact on consumption and investment has led us to revise our 2016 and 2017 growth forecasts down to 1.4% and 1.8% respectively. In contrast, we have upgrade our 2016 growth forecast for Kuwait on the back of improved budget execution, particularly on infrastructure.
- Growth in the UAE likely gained momentum in Q3, with oil production rising 5.5% q/q and the PMI pointing to faster non-oil growth as well. However, increased output and new order growth has come on the back of significant price discounting, suggesting that margins remain under pressure, and employment has remained flat.
- Outside of the GCC, the third quarter of 2016 saw little in the way of positive data released that could suggest the region's economic recovery is close to starting. High frequency indicators such as monthly Purchasing Managers' Indices pointed to ongoing weakness in private sector activity. As a result of declining tourist arrivals and slowing remittance inflows from the GCC, current account deficits have also widened, while inward investment has dropped.
- The biggest question confronting the outlook for the Egyptian economy remains the timing and magnitude of a potential devaluation of the EGP. The fact that this was also the main source of uncertainty when our previous Quarterly Outlook went to print in July highlights how reform momentum has not proceeded as fast as many had initially hoped for.

PMIs point to slower non-oil growth in 2016



Source: Markit, Emirates NBD Research

Quarterly
17 October 2016

Khatija Haque
Head of MENA Research
+971 4 230 7803
khatijah@emiratesnbd.com

Jean-Paul Pigat
Senior Economist
+971 4 230 7807
jeanp@emiratesnbd.com

Edward Bell
Commodity Analyst
+971 4 230 7701
edwardpb@emiratesnbd.com

Emirates NBD

Contents

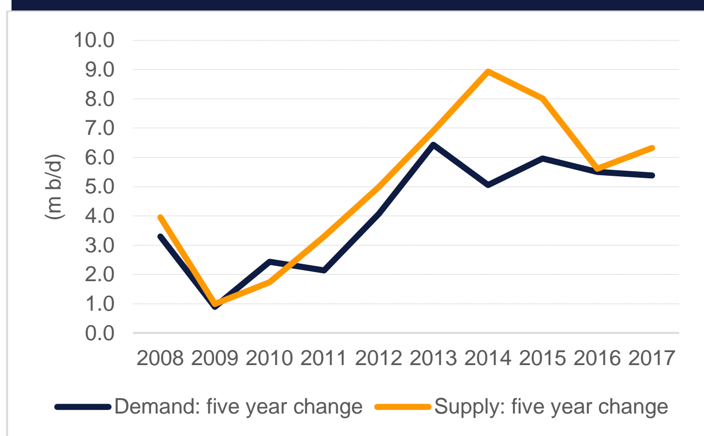
Oil market outlook .... Page 3
GCC Overview .... Page 5
Non-GCC Overview .... Page 5
Algeria .... Page 6
Bahrain .... Page 7
Egypt .... Page 8
Iran .... Page 9
Iraq .... Page 10
Jordan .... Page 11
Kuwait .... Page 12
Lebanon .... Page 13
Libya .... Page 14
Morocco .... Page 15
Oman .... Page 16
Qatar .... Page 17
Saudi Arabia .... Page 18
Tunisia .... Page 20
UAE .... Page 21
UAE - Dubai .... Page 22
Key Economic Forecasts .... Page 23

Oil market outlook

Oil prices have received support from OPEC's surprise agreement at the end of September to cut production in an effort to hasten the rebalancing of oil markets. But in the wake of OPEC's announcement, we would argue there isn't enough in the deal so far to mean a radical revision to the outlook for oil. For now, futures markets aren't pricing in a substantial recovery in crude oil prices. The 2017 calendar forward strip of futures is currently hanging on to a level close to USD 55/b, more or less in line with our forecasts for next year. Further along the curve prices aren't much higher, hitting just USD 61/b for 2021. What explains this muted expectation for future oil prices?

A significant culprit is demand. After moving up solidly in 2015 as low prices did help stimulate some additional consumption, oil demand growth is set to slow in 2017 and to move below trend levels. Developed country oil demand growth will essentially disappear as European demand returns to its long-term declining trend while US consumption growth will be marginal. That leaves it to the emerging markets to be the engine of oil demand growth and with an underwhelming global growth picture for 2017—the IMF recently cuts its global growth forecasts—we don't anticipate any significant demand side pressures to help support oil in the medium term.

Oil supply growth far outpaced demand



Source: Bloomberg, Emirates NBD Research

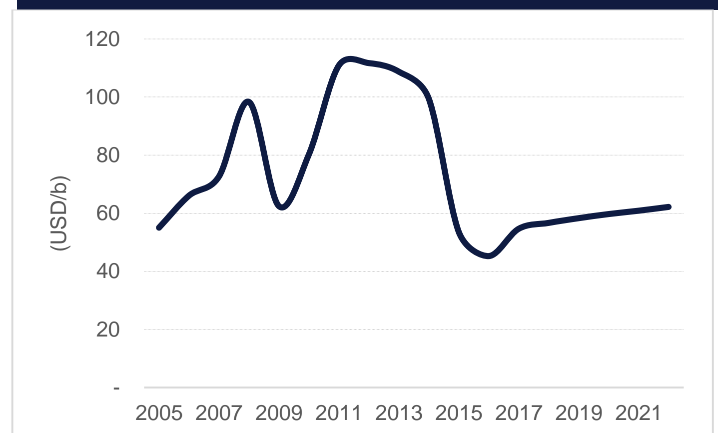
The risk of non-OPEC supply expanding in 2017 is high, rendering the impact of OPEC's production cut even less pronounced. Russia, Canada and Brazil, among the larger non-OPEC producing countries, are all on track for output to increase next year as long-term investments come to fruition. The major question market is the outlook for the US which has borne the brunt of production declines. OPEC's gamble in cutting output is to not let prices rise enough to bring back significant volumes of shale oil from the US, which can respond much faster to price cycles than conventional projects. Already the level of exploration (drilling rigs), hedging activity and improving financing conditions for the energy sector suggests that output from the US may stabilize in 2017 if not move up slightly from its current levels.

But calling the return of the shale industry comes with a big caveat. This is the first price cycle shale oil has experienced and the industry's performance as oil prices plummeted from over USD 100/b in mid-2014 to less than half that level in 2015 put paid to any projections of its imminent demise. The market could equally be getting shale wrong on the way back up as rebuilding an industry after the kind of downturn it has experienced is unlikely to be quick nor easy. That side, the expectation of US returning as a significant contributor to oil supply growth will keep an informal lid on prices rallying too much.

Whether OPEC members will back up their announcement with a coherent and enforceable plan will determine how long the current floor under oil prices will last. If the deal breaks down over how much individual countries are required to cut or allows substantial leeway for some members to raise output then we wouldn't be surprised to see oil prices take a lurch downward once again.

At this stage, if prices do not sustainably rally to above USD 50/b or higher we wouldn't rule out some of the more strained members of OPEC calling for an additional production cut. OPEC members would then be entering a very slippery slope of cutting and hoping for a significant rebound in prices. While we dislike the characterization of OPEC as oil's central bank, the recent experience of monetary authorities carrying on with more of the same policies and achieving fewer and fewer results does not inspire confidence in taking this route.

Brent futures don't signal much recovery



Source: Bloomberg, Emirates NBD Research. Note: futures prices as of Oct 6 2016.

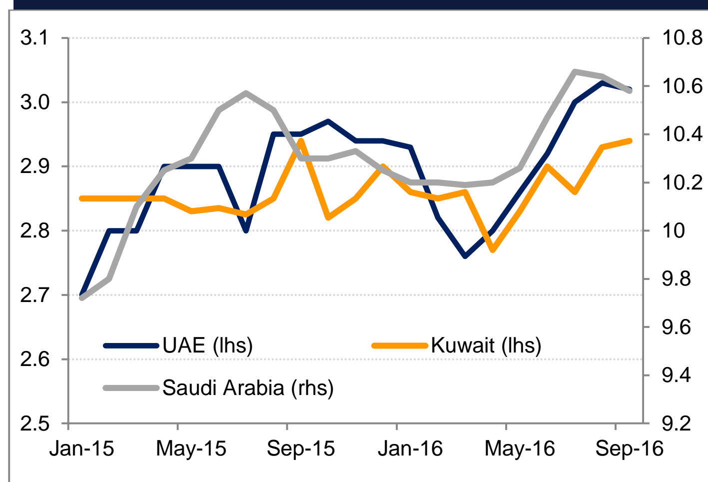
With all that said, though, OPEC proved it can still surprise markets as it did in Algiers. While the fundamentals may not support vastly higher prices than current levels, expectation that OPEC could step in again in 2017 will help to keep a floor under prices

GCC Overview

Growth likely picked up in Q3

Economic activity in the GCC was relatively robust over the third quarter, with evidence of expansion in both the oil and non-oil sectors. Oil production in the GCC (excluding Oman and Bahrain) was up 1.9% y/y in Q3 2016, and for the year-to-September, oil output was 1.2% higher than the same period last year.

Oil production (mn bpd)



Source: Bloomberg, Emirates NBD Research

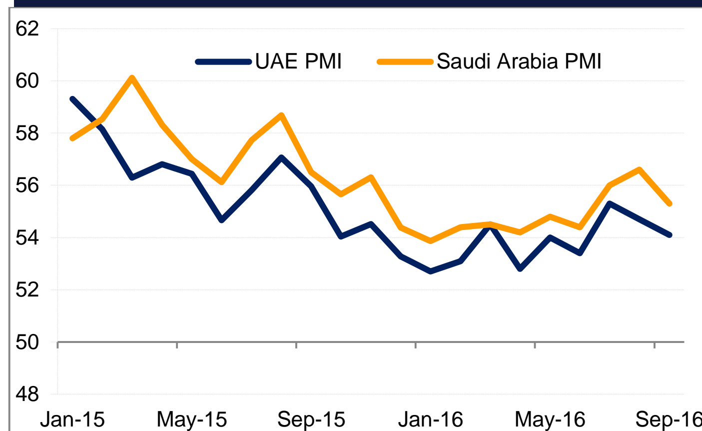
The rise in crude production was particularly notable in the UAE, where oil output was up 5.5% q/q and 4.0% y/y in Q3 2016. Oil production rose 3.1% q/q (1.6% y/y) in Saudi Arabia and 2.7% q/q (1.3% y/y) in Kuwait last quarter. This will underpin overall GDP growth this year as crude oil production still contributes 30-50% of total GDP in these three economies, as well as supporting activity in the oil-related manufacturing sector.

Non-oil sector activity in the UAE and Saudi Arabia also gained momentum in Q3, according to the Emirates NBD Purchasing Managers' Indices. Saudi Arabia's PMI averaged 56.0 in Q3, up from 54.5 in Q2, while the UAE's PMI averaged 54.7 last quarter, from 53.4 in Q2. However, growth in output and new orders has not led to rising employment for the most part, and margins continue to be squeezed.

Saudi Arabia and Kuwait growth forecasts revised

Moreover, Saudi Arabia's economy is facing the headwinds of further tightening in fiscal policy in Q4, including public sector wage cuts effective from October, which will likely further constrain consumer spending for the rest of this year. As a result, we have trimmed our forecast for GDP growth in the Kingdom to 1.4% this year from 1.9% previously. We have also revised our forecast for growth in 2017 down to 1.8% from 2.6% previously, as the government will likely scale back (or at least delay) spending on infrastructure and other capex over the next couple of years.

Purchasing Managers' Indices



Source: Markit, Emirates NBD Research

In contrast, the outlook for infrastructure spending in Kuwait has improved, with the government making progress on long-delayed projects in the transport and energy sectors, despite the sharp drop in oil revenues to the budget over the last two years. Recent data showed Kuwait's economy grew faster than initially estimated in 2015, and we have upgraded our forecast for 2016 growth to 2.7% from 2.0% previously.

Sovereign debt issuance to continue in Q4

Saudi Arabia's long-awaited bond roadshow got underway last week, and the bond is likely to be issued before the end of the month. Expectations are for USD 10-15bn to be raised through this issue, the Kingdom's first foray into international debt capital markets in well over a decade. This is likely to complete the Kingdom's budget financing requirement for 2016 – we project a deficit of around USD 90bn - as the government has also issued around USD 30bn in domestic debt and drawn down deposits at the central bank by USD 53bn (year-to-August).

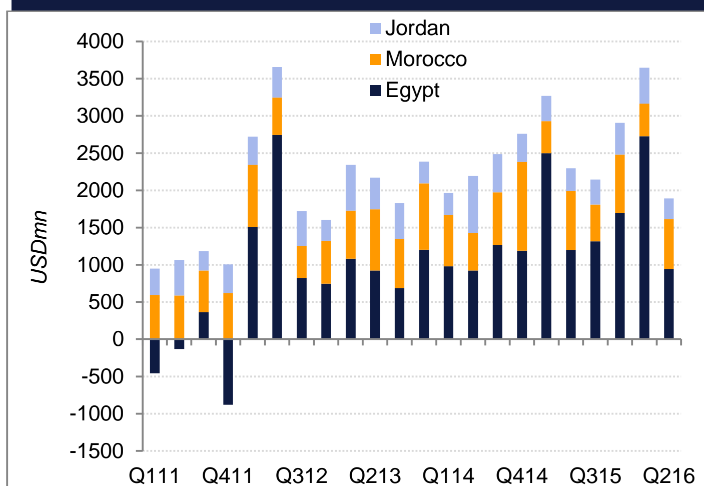
Kuwait had also indicated that it would issue an international bond this year, but reports suggest that this may be delayed to 2017. Oman tapped its June bond issue for another USD 1.5bn at the end of September.

Non-GCC Overview

Outside of the GCC, the third quarter of 2016 saw little in the way of positive data released that could suggest the region's economic recovery is close to starting. High frequency indicators such as monthly Purchasing Managers' Indices pointed to ongoing weakness in private sector activity. As a result of declining tourist arrivals and slowing remittance inflows from the GCC, current account deficits have also widened, while inward investment has dropped. IMF agreements are now in place in Morocco, Tunisia, Jordan, Iraq and Egypt (we expect a program to be finalized by December), highlighting how bilateral aid remains crucial in the region's ability to meet its external financing requirements.

Although the majority of data continues to point to below-trend growth, there have been some positive developments as far as reform momentum is concerned. Since the start of H2 we have seen several of MENA's oil importing economies push ahead with reform agendas that would have been hard to imagine several years ago. Egypt has now approved its long-awaited Value Added Tax, and it is almost inevitable that the central bank will devalue the EGP to a more competitive level before the end of the year. While the impact of fiscal consolidation and a devalued currency could hurt growth in the near term, at this stage the focus appears to be setting in place the right conditions that will help drive a broader economic recovery over the longer term.

Foreign Direct Investment

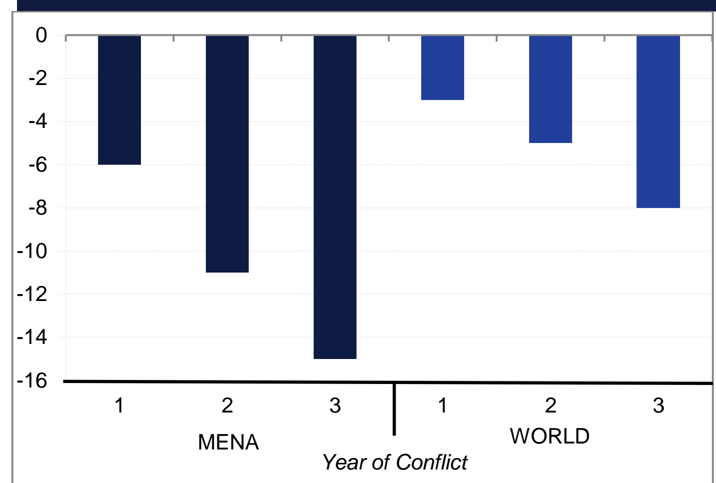


Source: Havers, Emirates NBD Research

Unsustainable growth in government spending is also being tackled in Tunisia, where efforts are underway to contain a massive public sector payroll. Such measures are clearly difficult to implement in an environment of elevated unemployment, particularly given the strength of the country's public sector unions. This is where IMF programs should prove beneficial, as the need to maintain the Fund's participation (i.e. financial support) acts as an important policy anchor.

A key reason why much of MENA remains stuck on a low-growth trajectory is the security environment, as conflicts in Iraq, Syria and Libya depress consumer and business sentiment across the region, raise risk premiums, and deter much needed investment and tourists. A recent report from the IMF attempted to quantify the impact of this volatile security environment across MENA, with the Fund noting how countries bordering a high-intensity conflict recorded an average annual GDP decline of 1.9 percentage points. In addition to the added burden of hosting refugees, the IMF said '*By increasing investor risk, conflict often sparks deposit runs, asset market crashes, and capital flight*'. Clearly, any region-wide economic recovery appears to remain dependent on the prospects for some of these regional flashpoints to stabilize.

GDP Loss Due to Conflict*



Source: IMF, Emirates NBD Research
**Cumulative changes in GDP by years of conflict*

The IMF report also notes how there is a strong positive correlation between foreign investment and political stability, which would seem to be confirmed by latest data showing weakening levels of FDI across much of MENA. In Q2 (latest figures available), combined net FDI in Egypt, Jordan and Morocco fell to USD1.8bn, marking the lowest level since Q4 2012. Even Morocco, which is a relative outperformer and has been successful at attracting investment into export-oriented manufacturing industries, saw FDI inflows slow in the first half of 2016.

As many of these net oil importing markets already suffer from a lack of fixed investment, the combination of slowing FDI inflows, limited room to increase public CAPEX, and weak private sector sentiment, is concerning. A general rule of thumb is that emerging and frontier markets should see fixed investment as a share of GDP amount to over 25% of GDP (but preferably higher). Compared to its peers, Morocco scores strongly in this regard, with fixed investment equivalent to 29% of GDP. On the other end of the spectrum stands Egypt, where fixed investment appears to have fallen to multi-year lows of only13% of GDP.

Algeria

It is a rare instance when the Algerian economy can be described as a relative outperformer in MENA. This is a situation we find ourselves in today however, as growth in the North African state has held up better-than-expected, while momentum slows in the GCC on the back of fiscal consolidation, and markets such as Libya and Iraq remain mired in conflict. Indeed, in Q1 2016 real GDP growth came in at 3.6% y/y. This was down from 4.8% posted in Q4 2015, yet it was still above the 3.4% average rate of growth seen since 2010, in addition to the economy's 10-year average of 3.0%.

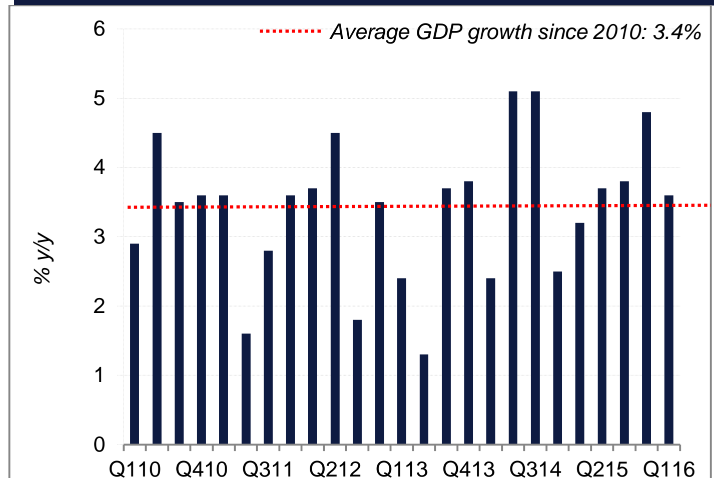
Despite depressed global energy prices, which have seen a sharp deterioration to Algeria's fiscal and external accounts and made the country one of the most vocal advocates for a coordinated cut to OPEC production, the hydrocarbon sector has been an important source of growth this year. The 'Petroleum Products and Natural Gas' industry expanded 3.2% y/y in real terms in Q1, which was one of the fastest rates of growth seen in several years. Previous investments by state energy firm Sonatrach finally look to be paying off, with several new projects set to come online in early 2017 and boost production by a further 7% next year.

The drop in hydrocarbon revenue does not appear to have had much of an impact on curtailing government spending, with growth in 'Public Administration' (accounting for 20% of GDP) coming in at 2.4% in Q1. These figures contrast with previous public statements that government expenditure would be cut by 9% this year. The draft budget for 2017 plans a further 14% reduction in expenditure, which could include additional hikes to gasoline and diesel prices and new taxes on imported goods.

Outside of the public sector, some of the economy's largest industries posted reasonable growth rates in the first quarter, albeit lower than in previous years. The 'Transport and Communications' industry expanded 5.0% y/y in Q1, which is down from its five-year average of 7.0%, while growth in 'Trade' came in at 3.9% y/y, marking the slowest pace since 2000.

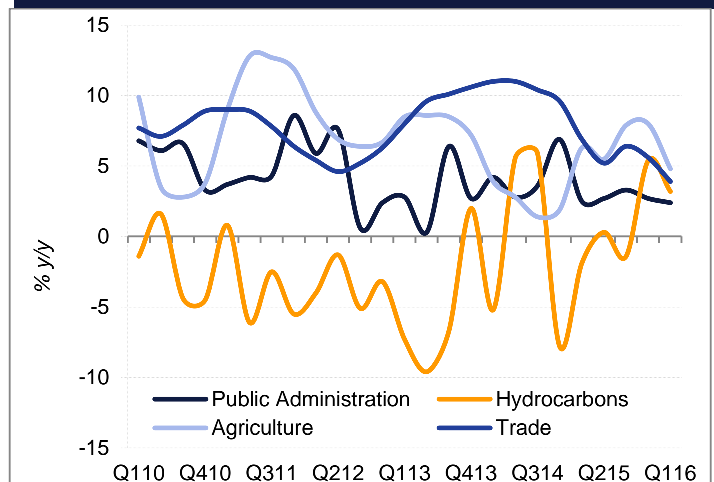
There are positive signs that authorities are slowly proceeding with a reform agenda aimed at improving the performance of the private sector. In late July the government announced it would launch a new economic growth model for the next four years in order to diversify sources of revenue and reform the tax system. Although details remain sparse, the plan would see greater investment in high value-added sectors such as agribusiness, renewable energy, services, downstream hydrocarbon activities and industry. In late September it was also reported that plans were underway to allow state banks to begin listing on the local stock market while allowing foreign investors to acquire controlling stakes. As is always the case with Algeria however, the speed with which reforms are actually implemented remains uncertain, and expecting any of these changes to result in a sudden influx in foreign investment seems somewhat optimistic at this early stage.

GDP Growth



Source: Haver Analytics, Emirates NBD Research

GDP Growth



Source: Haver Analytics, Emirates NBD Research

Algerian Dinar

Source: Bloomberg, Emirates NBD Research

Bahrain

Growth slows in Q2

Real GDP growth slowed to 2.5% in Q2 2016 from 4.5% in Q1, partly due to a high annual base – growth in Q2 2015 was 3.6%. The oil sector declined slightly y/y but construction (5.9% y/y), financial corporations (4.0% y/y) and manufacturing (3.3% y/y) all posted robust growth. Transport & communications and trade also expanded at 2.4% and 2.5% respectively. While GDP growth in H1 was solid at 3.5%, we retain our forecast for full year GDP growth of 2.6% for the time being.

Infrastructure spending financed by GCC

The construction sector continues to benefit from infrastructure investment, with the government recently announcing that 5000 new housing units would be built by end-2016. Much of the infrastructure investment is financed by the USD 10bn Development Fund set up by the other GCC states in the wake of the Arab Spring in 2011.

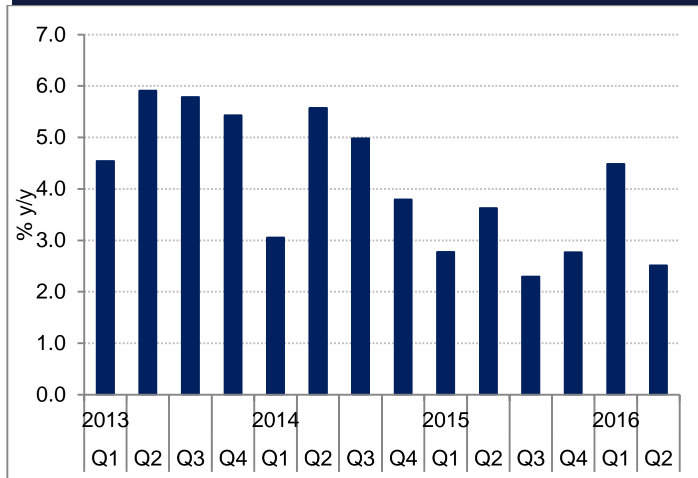
The EIU estimates that GCC-funded projects currently underway in Bahrain have more than doubled since end-2015. Projects include housing, road infrastructure, airport expansion and power generation. Most of the projects so far have been funded by the UAE and Kuwait. The infrastructure spending will underpin overall GDP growth, even as the government scales back the budget on the back of sharply lower oil revenues and diminishing foreign exchange reserves.

Bahrain issues bond and sukuk

With the budget deficit expected to widen to 16% of GDP (-USD 5.1bn) this year, the government last week raised USD 2bn in long term sukuk and bonds. Earlier this year, Bahrain issued domestic bonds worth USD 1.3bn. While this leaves a financing shortfall of around USD 2bn based on our projections, the bond prospectus indicated that Bahrain is receiving significantly more oil than it is entitled to from the Abu Saafa oil field which it shares with Saudi Arabia, suggesting that the budget shortfall may not be as high as we have forecast.

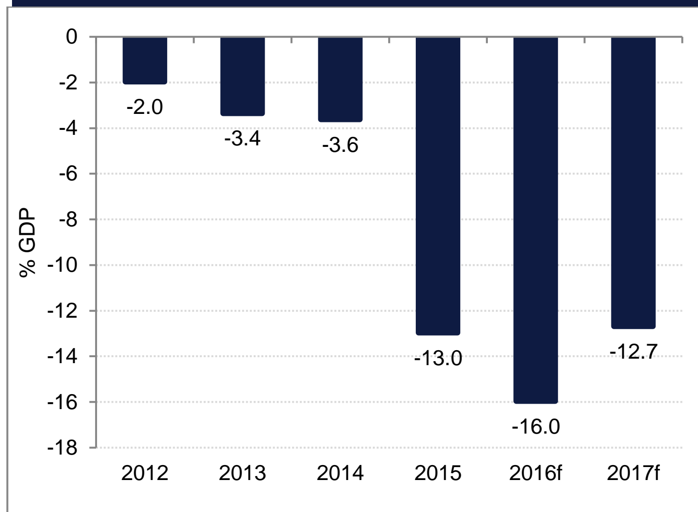
Nevertheless, Bahrain does not have a cushion of accumulated reserves like many other GCC countries, making it more vulnerable to lower oil prices and more reliant on assistance from its neighbours.

GDP Growth



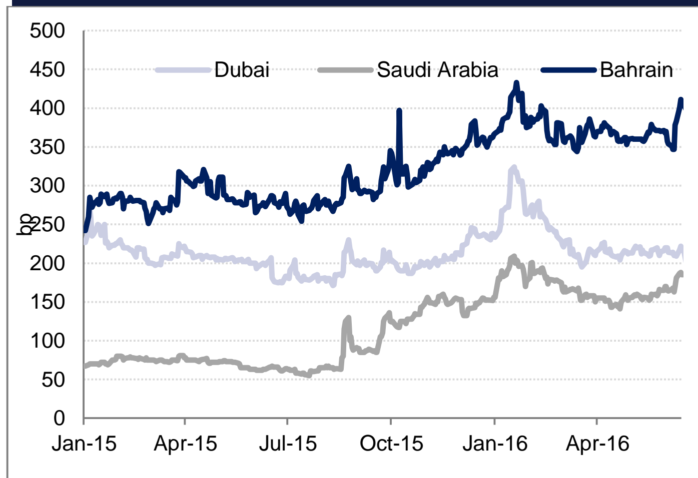
Source: Haver Analytics, Emirates NBD Research

Budget deficit to widen further in 2016



Source: Haver Analytics, Emirates NBD Research

Bahrain 5-year CDS



Source: Haver Analytics, Emirates NBD Research

Emirates NBD

Egypt

The biggest question confronting the outlook for the Egyptian economy remains the timing and magnitude of a potential devaluation of the EGP. The fact that this was also the main source of uncertainty when our previous Quarterly Outlook went to print in July highlights how reform momentum has not proceeded as fast as many had initially hoped for. Some major policy changes have been implemented, most notably the introduction of a VAT. However, given the extent to which ongoing FX restrictions are undermining activity across the private sector and limiting foreign investment, discussions over Egypt's recovery cannot take place before a devaluation occurs.

Will the Devaluation be Large Enough?

As a more competitive currency and flexible exchange rate regime is a key condition of Egypt's pending USD12bn IMF program, it still appears as if there is little choice but to devalue. At the start of Q4 the currency was trading at 15.58 on the parallel market, compared to an official fixing of 8.78. When the IMF announced it had reached an initial agreement over the contours of an emergency lending program in early August, the parallel rate was 12.57, and it is now unclear if some of the Fund's conditions (in terms of the magnitude of a devaluation) need to be adjusted. We have revised our base case assumptions, and are projecting the currency to be weakened to 11.50 by the end of 2016, with gradual depreciation under a 'managed crawl' exchange rate regime bringing the pound towards 12.50 by the end of FY2016/17.

When assessing the potential for Egypt's balance of payments position to stabilize, eliminating exchange rate risk is crucial to begin attracting foreign private sector capital inflows that can help finance the current account deficit. Before 2011 foreign investors held roughly 20% of outstanding treasury bills, compared to 0.1% currently. Part of this process will therefore likely involve the central bank being forced to hike interest rates over the coming months as it seeks to attract flows into EGP-denominated assets. A more competitive currency (alongside other reforms targeting the business environment) will also help bring in much needed FDI that can hopefully help lay the foundations for a more dynamic private sector.

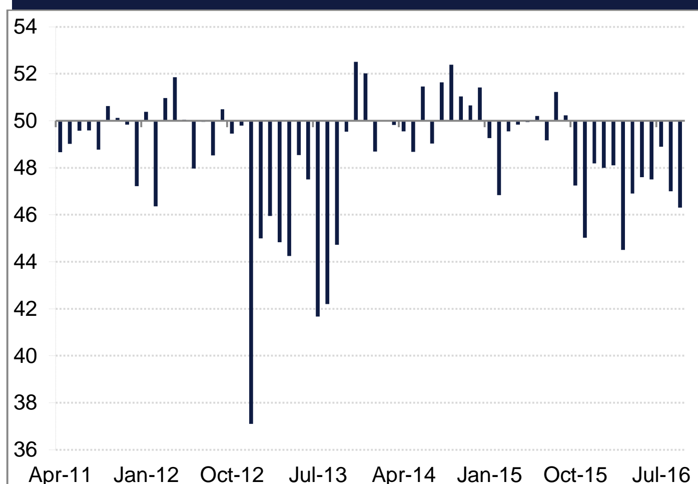
Upside Risks to Outlook

An upside risk to the economic outlook in Q4 surrounds the possibility that Russia could soon remove its ban on flights to Egypt, providing a much needed boost to the tourism industry. Visitor arrivals have been down nearly 50% over the past year as a result of flight bans imposed in 2015 due to concerns over the security environment. While the tourism industry cannot by itself drive a broader economic rebound, a reversal of the flight ban could still send a positive signal surrounding the direction of country risk heading into 2017.

EGP Black Market

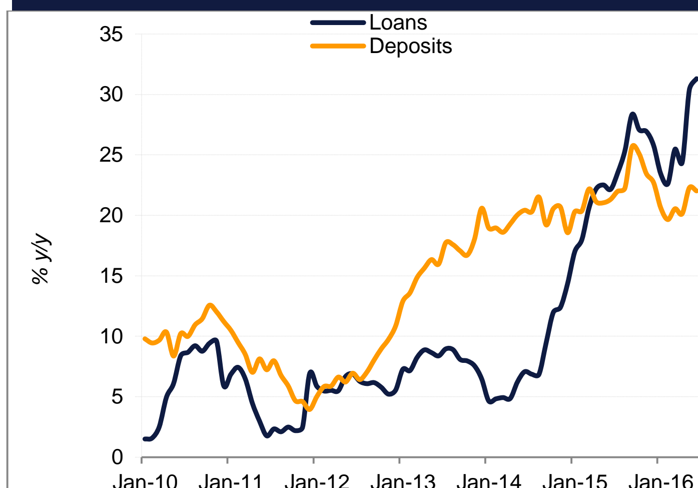
Source: Bloomberg, Emirates NBD Research

Purchasing Managers' Index



Source: Markit, Emirates NBD Research

Banking Trends



Source: Haver Analytics, Emirates NBD Research

Iran

Although sanctions on Iran were officially lifted on January 16 2016 under the so-called 'Implementation Day' of the JCPOA, the date October 7 2016 might soon come to symbolize a much more important moment in the country's reintegration into the global economy. On this day the U.S. Treasury Department released an updated version of its FAQs relating to the nuclear agreement, and clearly stated that foreign financial institutions were permitted to process transactions on behalf of the Government of Iran, including the central bank (section C.7), while U.S. financial institutions could also maintain correspondent accounts for non-Iranian financial institutions that did business with the country (section C.15). These clarifications should remove much of the legal uncertainty surrounding the process of reengaging with Iran, and could help facilitate the inflow in foreign investment the country requires after years of isolation.

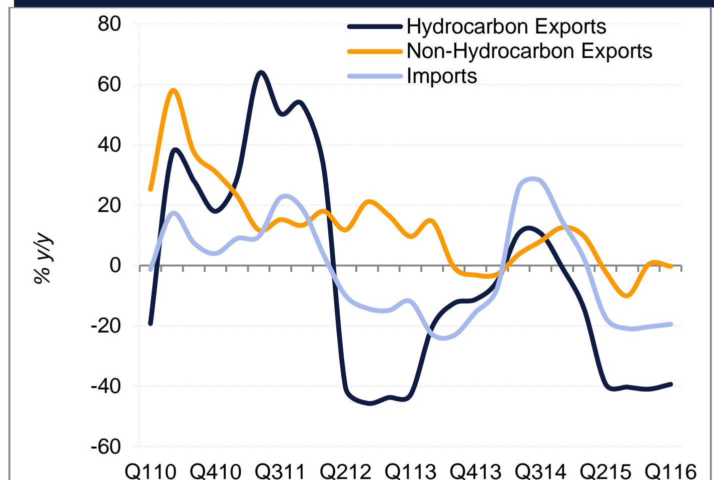
Following a visit to the country in early October, the IMF released a statement in which it said '*economic conditions are improving substantially in 2016/17*', driven by higher oil production and exports, in addition to '*increased activity in agriculture, auto production, trade and transport services*'. The Fund's forecast for growth is 4.5% for FY2016/17 (our projection is similar at 4.6%). The IMF also noted that the government was in the process of implementing '*far-reaching, ambitious, reforms to support a sustained acceleration in growth*'. Maintaining strong reform momentum ahead of next year's presidential election will be crucial if the country is to fully capitalize on the nuclear agreement, as even though the economy possesses significant resources and pent-up demand, the operating environment for foreign firms remains far from attractive, and is highlighted in Iran's low rankings in a host of global competitiveness and corruption surveys.

Oil Production Surges Ahead

A lack of timely data makes assessing the current health of the economy difficult. The clearest example we have of an economic rebound is from Bloomberg estimates of monthly oil production, with latest figures showing output jumping nearly 30% y/y in September to 3.6mn b/d. The speed with which output has increased has caught many by surprise, yet the fact that global energy prices remain depressed has meant total revenues from hydrocarbons has continued to shrink. In Q1 oil and gas export receipts actually fell -40% y/y, meaning the removal of sanctions has not resulted in a windfall in new revenue streams with which it can increase spending.

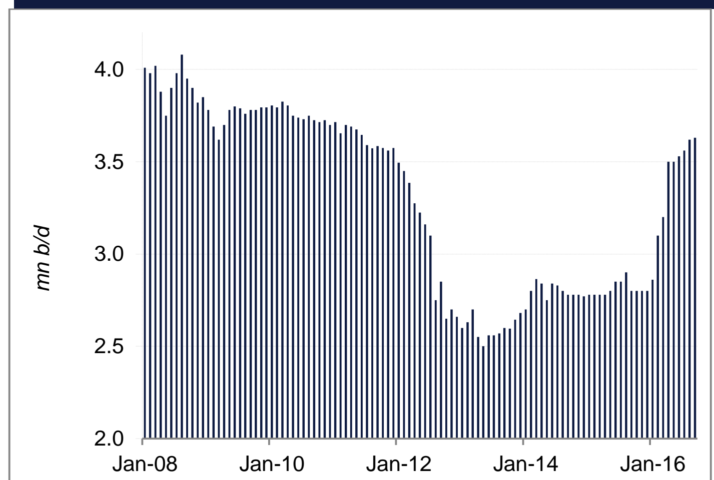
In terms of the non-oil sector, the economy appears to be benefitting from a combination of declining inflation (9.4% y/y in August) and rising credit growth (20.5% y/y in July), with the latter likely to have received a boost from previous government directions to increase bank credit to selected industries while simultaneously cutting interest rates.

Trade Growth



Source: Haver Analytics, Emirates NBD Research

Oil Production



Source: Bloomberg, Emirates NBD Research

Claims on Non-Public Sector

Source: Havers, Emirates NBD Research

Iraq

Iraqi oil production has continued to climb upwards through the first three quarters of 2016, and is now at record highs of nearly 4.6mn b/d. Relative to 2015, average output has increased 12.1%, making the country a major contributor to OPEC's additional supply growth this year. As of August, crude exports were also roughly 200k b/d higher compared to August 2015. As one of the least diversified economies in the world, with hydrocarbons accounting for 50% of GDP, this added production should act as a significant boost to headline growth (we forecast the economy expanding 8.0% in real terms).

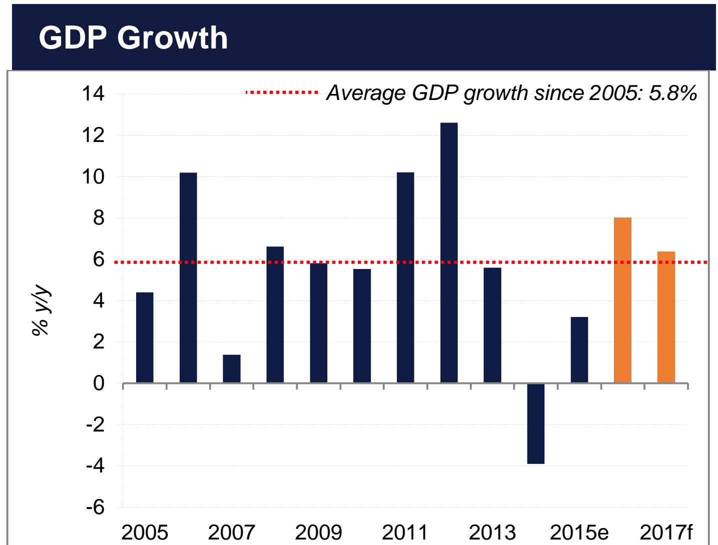
This strong growth figure might give a misleading picture of conditions on the ground, as the drop in oil export revenues puts significant strains on government finances and results in delayed payments to civil servants. Balance of payments data for Q1 2016 highlights how the economy's external position has suffered alongside a 41.4% y/y decrease in oil export receipts. The current account posted a deficit of USD566mn between January-March, compared to a surplus of USD6.3bn in the same time period two years earlier (crude oil accounts for 86% of total goods and services exports).

FDI inflows have also been slashed in half, highlighting the growing risks of future oil supply growth slowing as a result of falling investment in the sector. The deterioration to Iraq's external position has resulted in a steady decline in the central bank's holding of FX reserves (down -20.3% y/y as of August), and while we believe this remains sufficient to protect the dinar's peg to the US dollar through at least the end of 2017, such downside pressures on the currency are likely to continue.

Filling the Financing Gaps

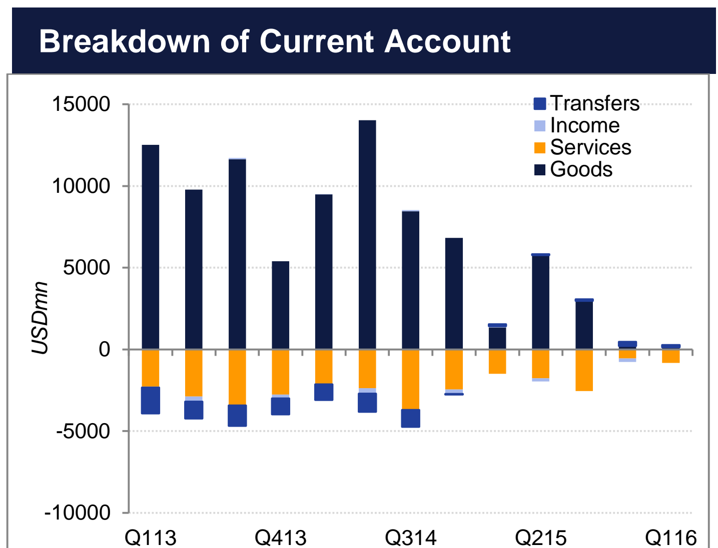
With a fiscal deficit in the double-digits, and a current account also expected to remain in the red, Iraqi authorities have continued to express interest in tapping international debt markets by issuing USD2bn in bonds. Plans for the issuance have repeatedly been delayed, and most recent comments suggest the timeline has now been pushed back to Q1 2017. Iraq benefits from having signed an USD5.3bn IMF Stand-By Arrangement in July, and there are also reports that they have agreed to an USD3bn loan from the World Bank to help support the budget. Nevertheless, after affirming its sovereign rating at B- with a negative outlook in September, Fitch highlighted many of the economic challenges confronting Iraq, describing political risk, insecurity, governance, and commodity dependence as among the worst by any sovereign rated by the company.

GDP Growth



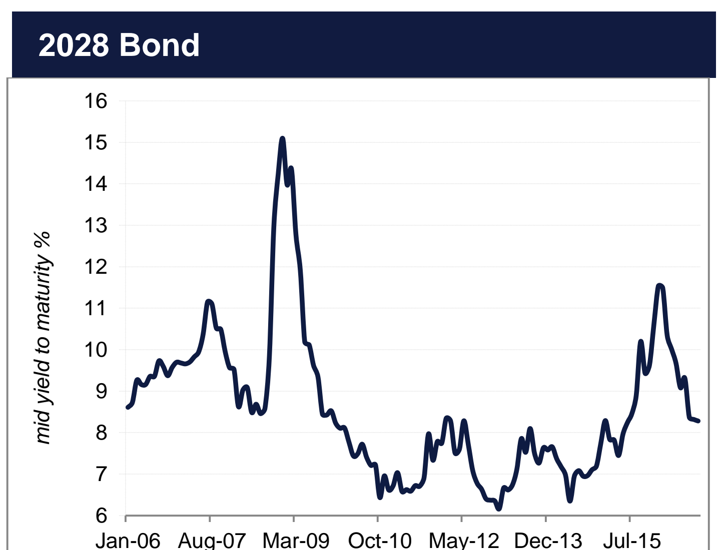
Source: Havers, Emirates NBD Research

Breakdown of Current Account



Source: Bloomberg, Emirates NBD Research

2028 Bond



Source: Bloomberg, Emirates NBD Research

Jordan

Although it still seems too early to consider the possibility of Jordan escaping its current low-growth trap, some of the data that has been released in recent months has, at the very least, been marginally positive, and suggested that the economy is stagnating rather than contracting. As of July, growth in industrial production (as measured on a three-month average) stopped declining in year-on-year terms for the first time in 10 months. At roughly 9.5% y/y, private sector credit is expanding at one of its fastest paces in several years. Latest data shows there has also been progress at narrowing the budget deficit through the first seven months of 2016, which could see the shortfall fall to less than 2.5% of GDP this year.

Low Growth Environment

Yet most other indications continue to point to an economy confronting significant external headwinds, and our base case is for headline GDP growth to remain stuck below 3.0% through 2017 (figures for Q2 showed real GDP growth at only 1.9%). Balance of payments data for Q2 highlights many of the factors undermining the economic outlook: goods exports fell -4.3% y/y between April-June, marking the sixth consecutive quarter of decline; tourism receipts dropped -8.2% against Q215, and -28.3% compared to Q214; and workers' remittances fell -1.9% y/y.

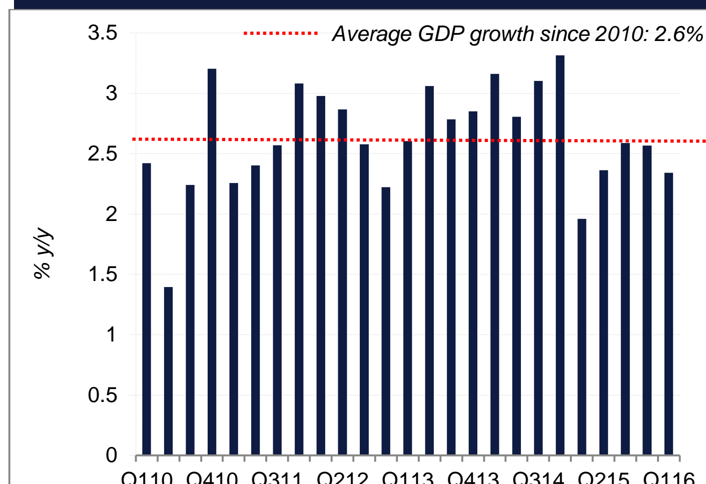
Clearly, the external environment is unlikely to act as much of a support to growth anytime soon, particularly as activity in the GCC slows and trade routes through Iraq and Syria remain disrupted due to the security situation. The one glimmer of hope stems from the fact that two of Jordan's largest export destinations – the U.S. and India – are expected to be relative outperformers this year and next.

FDI Inflows Slowing

Given the cautious medium-term economic outlook, it is perhaps not surprising that foreign direct investment has started to slow. Net FDI dropped to USD281mn in Q2, representing the lowest inflows since Q4 2012. Alongside a widening in the current account deficit (which grew 40% in H1), pressure has continued to build on the central bank's stock of FX reserves. At roughly nine months of goods imports, coverage remains sufficient to avoid a devaluation of the dinar, however it is clear that the economy remains reliant on bilateral and multilateral aid to underpin balance of payments stability.

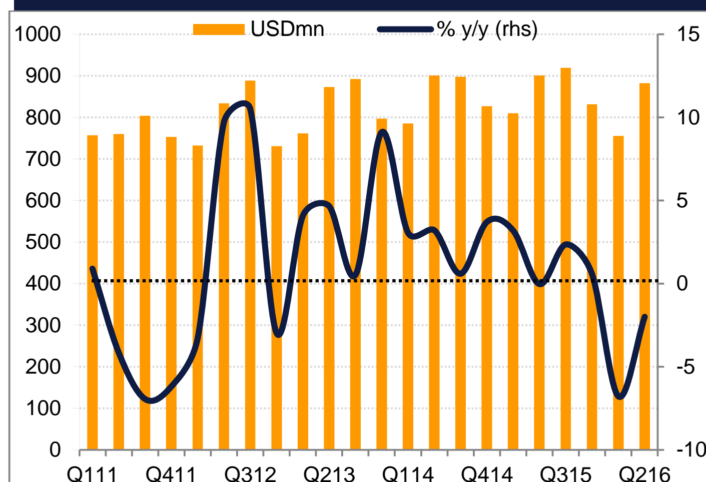
A new three-year USD700mn IMF Extended Fund Facility concluded in September will provide an important source of external capital over the coming years. The program should also help anchor economic policy at a time when parliament could become increasingly vocal (and obstructionist) following the outcome of recent elections.

GDP Growth



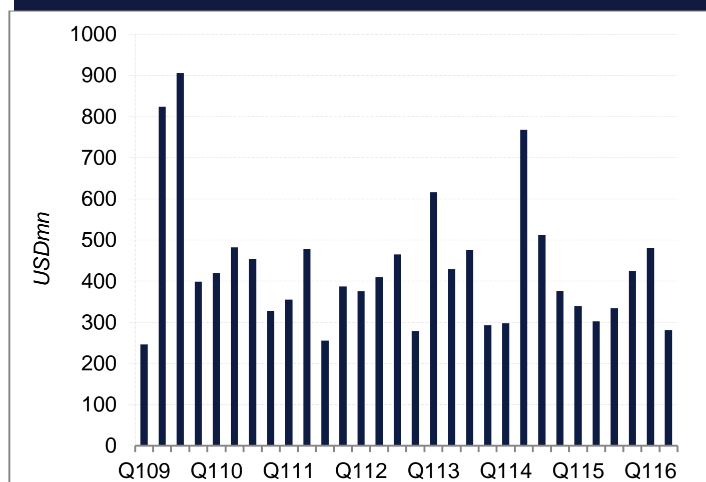
Source: Haver Analytics, Emirates NBD Research

Remittances



Source: Haver Analytics, Emirates NBD Research

Net FDI



Source: Haver Analytics, Emirates NBD Research.

Emirates NBD

Kuwait

2015 growth exceeds forecast at 1.8%

Kuwait's economy grew 1.8% in real terms last year, well ahead of our 0.5% forecast and faster than the IMF's projection of 0.9%. 2013 and 2014 GDP growth was also revised up to 1.1% (previously 0.6%) and 0.5% (previously 0.1%) respectively.

Growth last year was driven by the non-oil sector, which expanded 5.5% as the government made progress with implementing the 2015-2019 Development Plan. Capital spending (construction & land acquisition) in the 2015/2016 budget was up 13% even as revenue declined sharply. Spending on vehicles & equipment was also up 14.6% y/y

Infrastructure investment and other capital spending (including on IT systems) is expected to continue this year, underpinning growth. In addition, the oil sector is expected to contribute positive to overall GDP growth in 2016 as oil fields shared with Saudi Arabia come back into production. We have revised our GDP growth forecast for 2016 up to 2.7% from 2.0% previously, and we expect growth to accelerate to 3.0% in 2017.

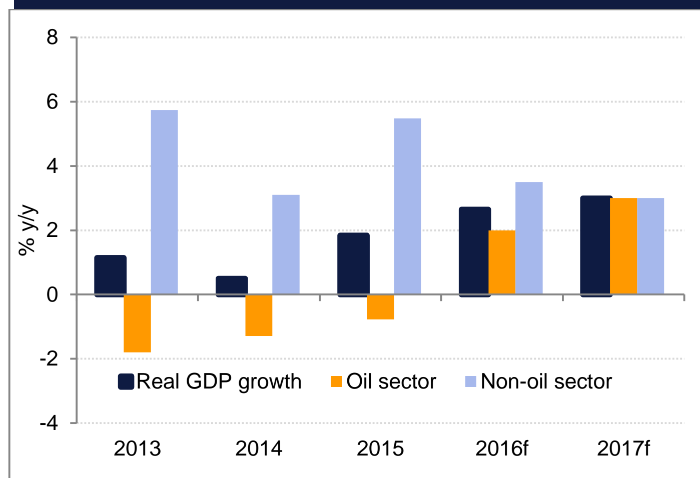
Still waiting for the bond issue

Although the 2015/ 2016 budget deficit was smaller than envisaged, it was relatively substantial at -13.1% of GDP. We expect the deficit to widen to just over 17% of GDP in 2016/17. The government had indicated it planned to tap international capital markets to raise nearly USD 10bn towards deficit financing this year, but has not yet come to the market. With a substantial cushion of accumulated reserves, and a relatively small deficit in USD terms, Kuwait can comfortably finance the deficit without issuing bonds. Recent press reports suggest that the bond issue may in fact be delayed into 2017.

Money supply growth slows

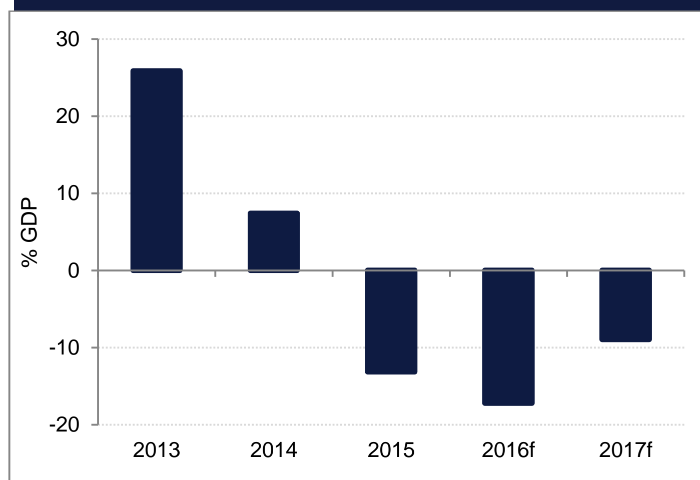
M2 growth slowed to just 0.9% y/y at the end of July, on weaker private sector deposit growth. Government deposits at commercial banks have increased sharply, up 31.7% y/y at end-July, offsetting the jump in government borrowing from commercial banks. Private sector credit growth has also remained robust, averaging 7.5% y/y in H1 2016, with some of this funding likely finding its way into infrastructure projects. The biggest component of lending to residents is personal facilities, and while growth in lending to this sector has slowed slightly in Q2, it remains robust at 10.3% y/y in July.

GDP growth



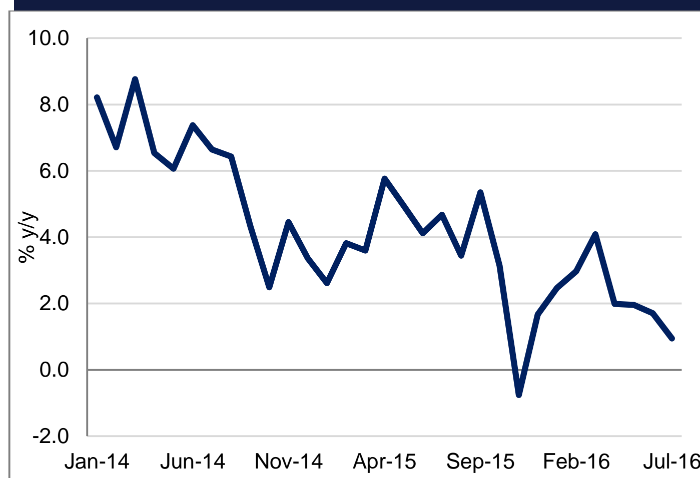
Source: Bloomberg, Emirates NBD Research

Fiscal balance deteriorates in 2015/2016



Source: Haver Analytics, IMF, Emirates NBD Research

Money supply (M2)



Source: Haver Analytics, Emirates NBD Research

Lebanon

Most indications continue to suggest the Lebanese economy is stagnating under the weight of domestic and regional uncertainty. September marked the 36th consecutive month that conditions in Lebanon's private sector deteriorated, with the latest Purchasing Managers' Index (PMI) remaining well below the neutral 50 level at only 45.1. This was effectively unchanged from 45.0 posted in August, and brings the 12m average of the survey to 46.0 which is a new record low. According to the panelists who responded to the survey, weak demand is being caused by a combination of factors that include political uncertainty, cash flow problems, and a general unwillingness to spend or take on new projects.

Stabilization, but from a Low Base

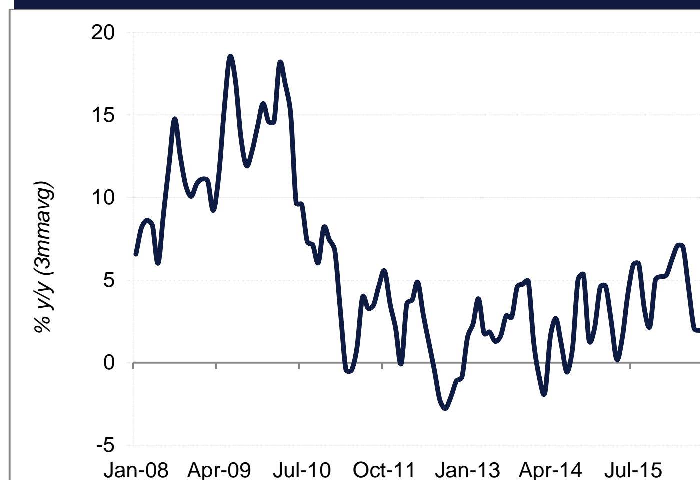
Outside of the PMI report there has been some slightly more positive economic data released in recent weeks. The economic coincident indicator – released by the central bank and meant to be a rough proxy for GDP – expanded 2.9% y/y in July, bringing the 12m average to 4.6%. Through the first seven months of 2016 there appears to have been a slight increase in electricity production, the amount of construction permits issued, and cement deliveries, all of which suggest fixed investment has started to rebound. Nevertheless, in this current environment we do not see real GDP growth accelerating beyond 2.0% anytime soon. A stabilization in the domestic and regional political environment would pose an upside risk to our forecasts, yet at this stage such a scenario seems unlikely.

Standard & Poor's revised its outlook on Lebanon's B- sovereign credit rating to stable from negative in early September, in contrast to Moody's decision to maintain a negative outlook on its B2 rating back in June. S&P cited resilient banking sector deposit inflows as the reason behind the upgraded outlook, which are crucial to maintaining financial sector stability. After declining to a multi-year low of 1.5% y/y in Q2, growth in non-resident deposits has since rebounded slightly to 3.7%. Although domestic interest rates in Lebanon appear sufficiently high to continue attracting these foreign deposits, the main risk remains the extent to which the economic slowdown in Saudi Arabia begins to undermine inflows in 2017.

Finding Alternative Sources of Foreign Capital

Central Bank Governor Riad Salameh has recently stated that Lebanon has liquidity-measures in place in the event that capital inflows from Saudi Arabia begin to drop. Previously, the central bank and finance ministry exchanged government bonds in USD and LBP which boosted the former's FX reserves by USD3bn. Such measures can hardly be relied upon in the future however, and without a more pronounced narrowing in Lebanon's current account deficit (estimated at roughly 15% of GDP), alternative sources of external financing will need to be found to ensure balance of payments stability over the longer term.

Coincident Indicator

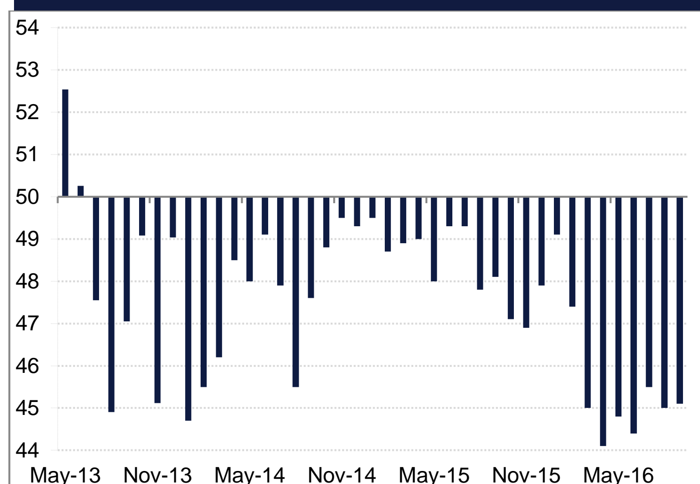


Source: Haver Analytics, Emirates NBD Research

Non-Resident Deposits

Source: Haver Analytics, Emirates NBD Research

Purchasing Managers' Index



Source: Markit, Emirates NBD Research

Libya

After numerous false starts, tentative signs were emerging in early October that Libyan oil production is finally set to head higher. The head of the National Oil Corporation was quoted as saying that oil production had risen to 500k b/d at the start of the month, and would advance to 600k b/d by November. This data conflicts with figures released by Bloomberg, which puts production at only 340k b/d (albeit still up from 260k b/d in August).

Regardless of the figure, Libya has received an exemption from the recently announced OPEC agreement that plans on cutting the group's output, and will therefore be allowed to produce as much as they can in the months ahead. Unfortunately, production capacity is now estimated at only 780k b/d, meaning the amount of supply growth in 2017, even under a scenario of sustained political stability, could be limited (capacity estimates have likely been cut due to damaged infrastructure). Chances of the country ramping up output back to levels seen as recently as 2013 of around 1.4mn b/d are, in our view, quite low.

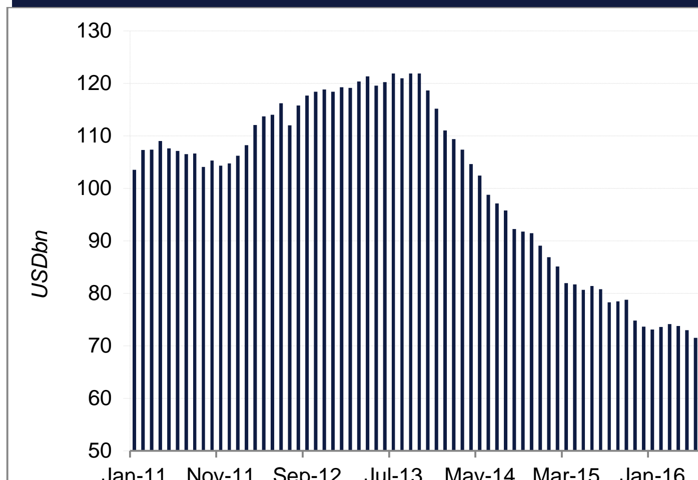
Given the volatile security environment moreover, it is still too early to assume that any growth in crude output from Libya can be sustained. The United Nations has been working to help build a government of national unity, yet there are still important groups that remain opposed to a deal. A fair assumption heading into 2017 is that the security situation is going to remain a major risk factor, in terms of the outlook for the oil sector, but also for the wider region which will need to cope with the negative spillovers associated with the fragility of the Libyan state.

Reserves Still Falling

Estimates from the IMF put the level of central bank reserves at USD71bn as of June, down from USD81bn in the same month last year. Given the collapse in government revenues over the past several years, it is perhaps surprising that the pace of depletion has not been more pronounced. These economic strains have fed through into the exchange rate, which is reportedly now trading near 4.70 on the parallel market, compared to the official rate of 1.38.

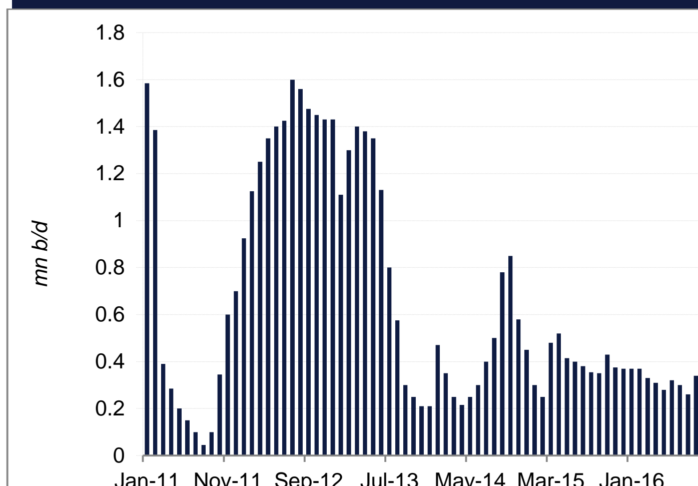
According to our forecasts, GDP per capita now stands at only USD6,600, compared to USD16,220 in 2008. Years of conflict and destruction to infrastructure such as roads and power supplies have left the economy in a perilous state, which will require years of reconstruction. Initial priorities will need to focus on basics such as improving electricity supplies, as power outages in Tripoli can now last up to 18 hours a day.

FX Reserves



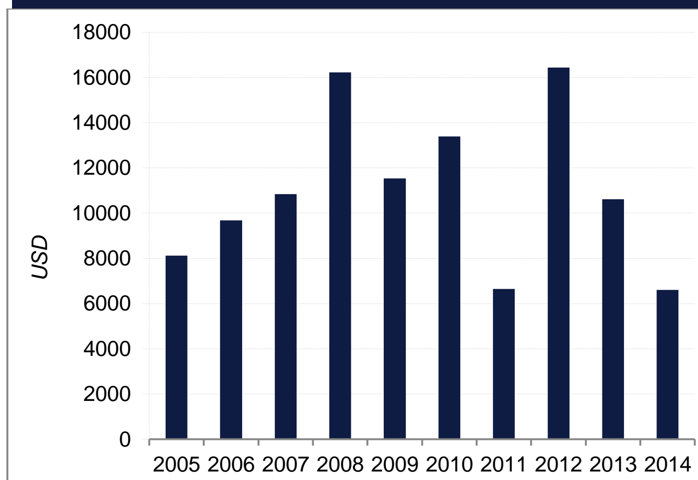
Source: Haver Analytics, Emirates NBD Research

Oil Production



Source: Bloomberg, Emirates NBD Research

GDP per Capita



Source: Havers, Emirates NBD Research

Morocco

Morocco's economy grew at its slowest pace in over a decade in Q2 2016, with real GDP expanding only 0.5% y/y (1.2% q/q). Our time series goes back to 2001, and since that point, when growth has averaged 4.8% y/y, there has been only one other instance of the economy increasing by less than 1.0% y/y (0.7% in Q2 2005). A sharp drop in agricultural output – accounting for 16% of GDP - has been the main cause of the slowdown, as the country has experienced one of its worst droughts in several years. The sector saw output decline -10.9% y/y in Q2, following on from a contraction of -9.0% in Q1.

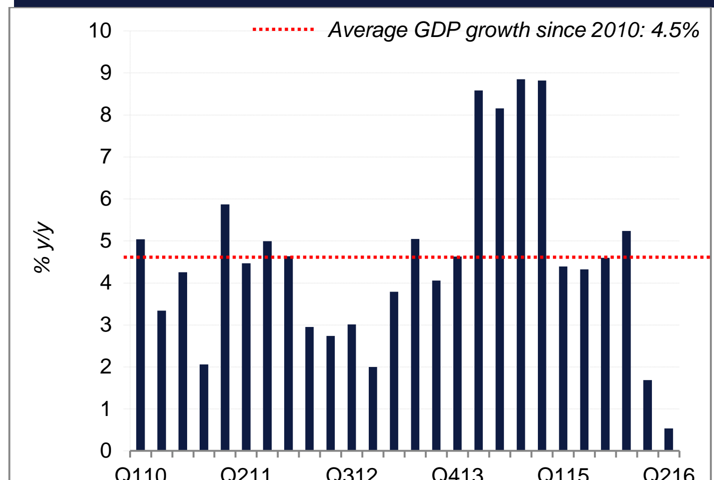
Momentum in the non-agricultural sector also slowed in Q2, with growth dropping to only 1.4% y/y, and down from 2.4% in Q1. Strong performances in the Trade (3.1% y/y) and Post & Communications (4.0% y/y) industries were outweighed by weakness in Transport (0.8% y/y), Education and Health (0.7% y/y) and Hotels & Restaurants (-2.0% y/y). With 40% of the workforce employed in agriculture, it is likely that this year's poor harvest resulted in a drop in household consumption. According to the central bank, 175k jobs were lost in the agricultural sector in Q2, compared to increases of 70k jobs in services, 41k in construction, and 38k in industry. That said, growth in the non-agricultural sector has been slowing for several years, and failed to rise above 3.0% y/y in both 2015 and 2013 when agricultural production was increasing by double-digits.

Still a Relative Outperformer

This weak growth performance conflicts with the Moroccan economy's broadly positive medium and long-term outlook. Amongst MENA's net oil importers, it is the only market to have succeeded in attracting steady levels of foreign investment into non-resource sectors, which is resulting in a gradual increase in manufacturing exports. Most recently, Boeing announced that it would create an 'industrial ecosystem' with the aim of bringing 120 of the airline's suppliers to the country that would create 8,700 jobs and eventually generate up to USD1bn in aeronautic exports. These steady inflows of FDI and diversification in exports represents a structural improvement to the economy's outlook, and should outweigh any concerns over the near-term cyclical impact from an unexpectedly poor agriculture harvest. Automobile and aerospace exports now account for nearly 30% of Morocco's total exports, compared to only 17% in 2011.

While Morocco certainly has some natural advantages that make it an attractive destination for FDI (strategic location, large population and low wages), a key ingredient has been the government's commitment to economic reforms. This includes pension reforms, which raised the retirement age and increased workers' contributions and was passed by parliament in late July despite strong opposition from public sector unions. These changes followed earlier policies that froze public sector hiring and introduced tax and subsidy reforms, all of which seems unthinkable for some of MENA's other net oil importers.

GDP Growth

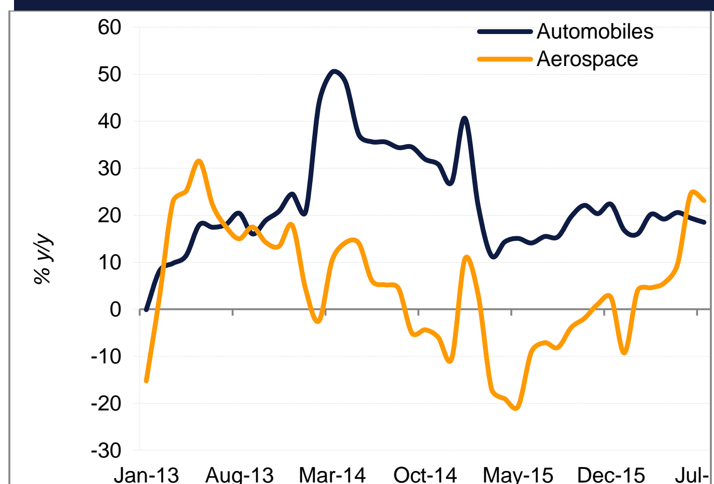


Source: Haver Analytics, Emirates NBD Research

Exchange Rate

Source: Bloomberg, Emirates NBD Research

Exports



Source: Haver Analytics, Emirates NBD Research

Oman

Official GDP growth at 5.7% in 2015.

Oman's economy grew 5.7% in real terms last year, according to official statistics, up from 2.5% in 2014 and well above our forecast of 3.6%. The oil sector was a key contributor, expanding 4.2% in 2015. Non-oil sector growth slowed to 3.2% from 5.7% in 2014. Within the non-oil sector, construction (10.4% y/y), utilities (6.5%), and financial services (5.2%) enjoyed strong growth last year. We expect growth to moderate to 3.1% this year on slower oil and non-oil growth.

Oil production rises further in 2016

Oil production rose more than 4% in 2015, underpinning strong overall GDP growth. Oman has continued to ramp up oil output so far this year, helping to mitigate the impact of lower oil prices on budget revenue to some extent. Oil production has averaged 1.01mn bpd in Jan-Aug, 3.1% higher than the average oil output in 2015.

Current account swings sharply in 2015

The 2015 current account deficit came in exactly in line with our forecast at –USD 10.8bn (-15.5% GDP) from a 5.2% GDP surplus in 2014, as both oil and gas revenues declined sharply. We expect the current account deficit to widen further to –USD13.3bn (-18.7% GDP) in 2016 as higher oil production was likely offset by lower oil prices, leading to a further drop in oil export earnings.

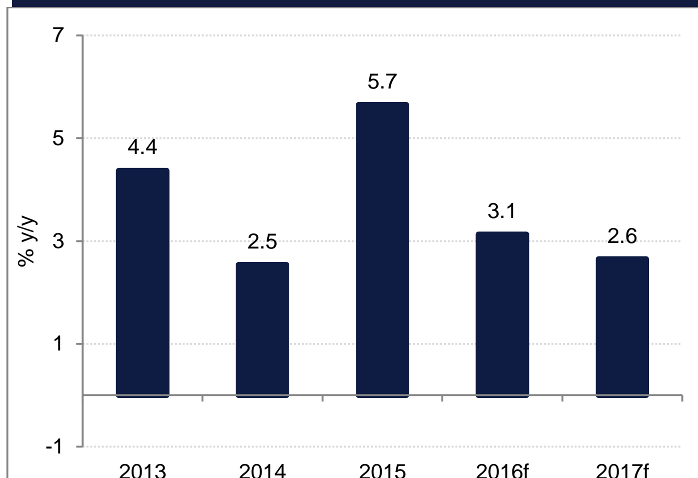
Budget deficit widens in H1 2016

Oman's budget deficit widened to –OMR 4.0bn (-USD 10.4bn) in the year-to-July 2016, nearly 70% higher than it stood in the same period last year. The main reason for the deterioration in the budget this year has been lower revenues, with net oil revenue down -46% y/y. On the positive side, spending has been contained with total expenditure in the first 7 months of the year only marginally higher than the same period in 2015.

Oman taps bonds for another USD 1.5bn

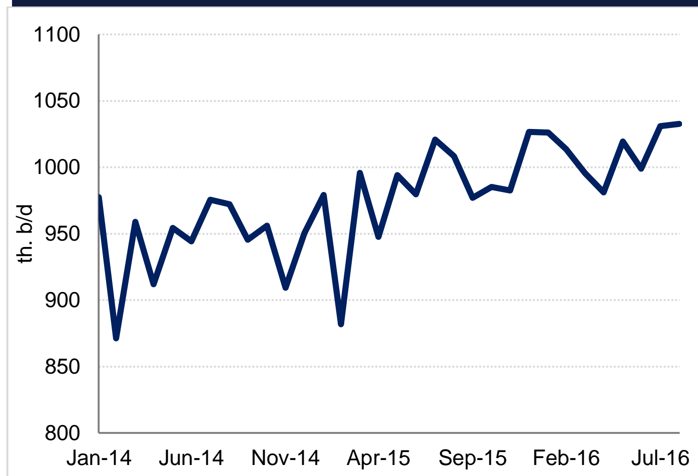
Oman tapped its 2021 and 2026 bonds (issued in June 2016) for another USD 500mn and USD 1.0bn respectively at the end of September. This brings the total financing raised though international bond markets to USD 4bn year-to-date. Another USD 1bn has been raised in a syndicated loan (Q1 2016) and the government has issued domestic debt as well. To the extent that the oil price continues to recover through H2, the budget revenue position should look better than the Jan-July data suggests.

GDP growth



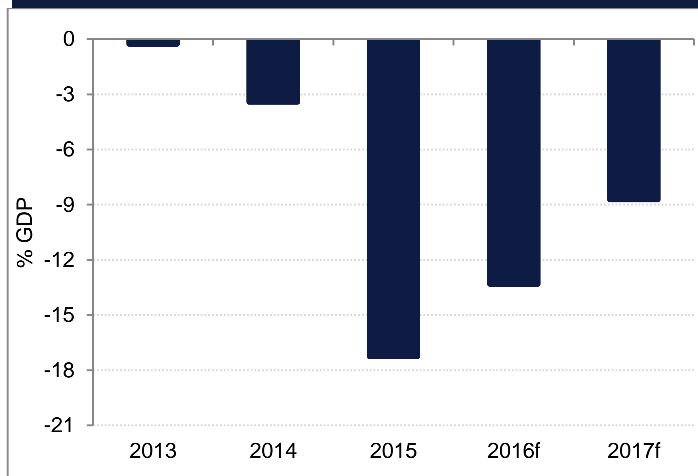
Source: Haver Analytics, Emirates NBD Research

Oil production



Source: Bloomberg, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Emirates NBD

Qatar

GDP growth slowed to 1.1% in Q1 2016

Growth slowed to just 1.1% y/y in Q1 2016, down from 3.9% in Q4 2015 and 1.9% in Q1 2016. Mining & quarrying contracted -3.0% y/y in Q1, while non-oil growth slowed to 5.5% y/y – the slowest rate of growth in non-oil GDP since the start of the time series in 2010.

The key sectors of non-oil GDP in Qatar are manufacturing (10%); general government activities (8.5%); construction (7.5%); wholesale & retail trade (6.6%); and finance & insurance services (6.3%). Construction remained the fastest growing non-oil sector in Q1 2016 (13.1% y/y), although even here growth slowed sharply from H2 2015. Wholesale & retail trade growth slowed to 4.4% while financial services grew a solid 9.0% y/y. Government services grew 4.0% in Q1 2016, down from an average 6.1% growth in 2015.

Our 2016 full GDP growth forecast of 4.3% assumes non-oil sector growth of 9.0%, so the Q1 data suggest that the risks to our forecast is on the downside. However, we think activity likely accelerated in Q2 and Q3, as oil prices recovered from the lows of Q1, and as the government raised additional debt financing to finance the projected budget deficit. We continue to believe that Qatar will maintain its ambitious infrastructure investment program as it prepares for the FIFA world cup in 2022 and at this stage.

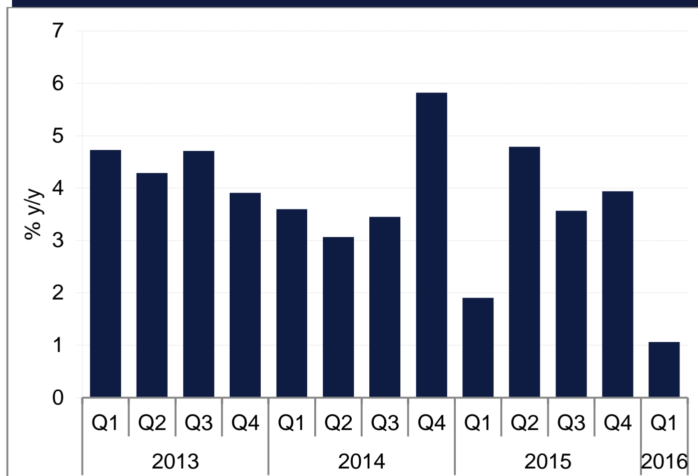
Loan-to-deposit ratios near recent highs

Money supply growth declined m/m for the third consecutive month in August and was down -6.0% y/y. M1, driven mainly by demand deposits, declined sharply in August after rising m/m in June and July. On an annual basis, M1 was flat at the end of August.

Commercial bank deposit data shows a -15% y/y drop in public sector deposits, which has been offset by sharply higher non-residents' deposits. While bank loan growth has also slowed this year, it still outpaces the growth in deposits, and the loan to deposit ratio in Qatar remains near record highs at 119.4% (August 2016). The ratio of domestic credit to residents' deposits is even higher at 134.2% at the end of August.

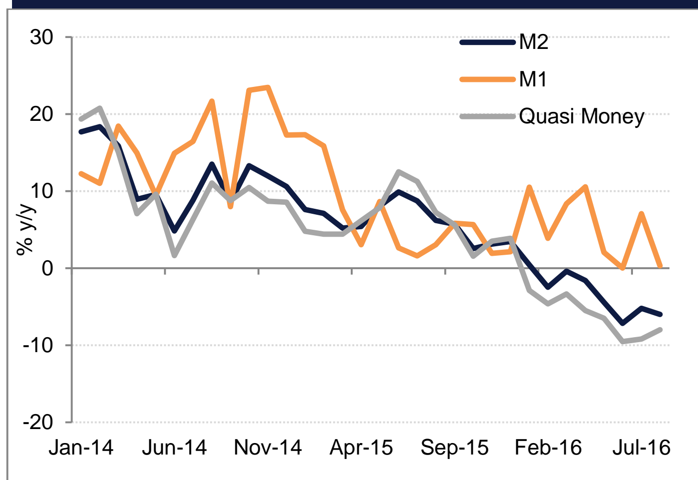
While the 3month interbank rate has come off the peak seen in June, it is still around 30bp higher than at the start of this year. However, USD rates have increased by a similar amount, suggesting that the underlying interbank liquidity situation is broadly unchanged.

Quarterly GDP growth



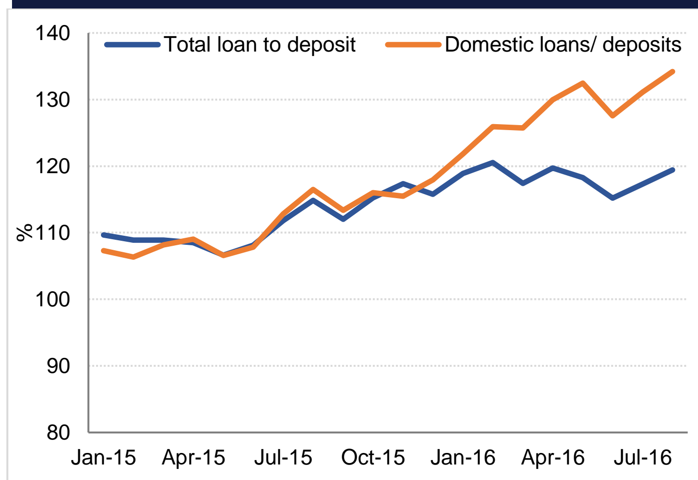
Source: Haver Analytics, IMF, Emirates NBD Research

Money supply



Source: Haver Analytics, Emirates NBD Research

Loan to deposit ratios



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

GDP growth slowed further in Q2 2016

The Saudi economy expanded 1.4% y/y in Q2, the weakest growth since Q1 2013. Growth in the oil sector and oil related manufacturing helped to offset lower trade & hospitality, utilities and construction output. Transport, storage & communications grew 3.8% y/y, while financial services and government services also contributed positively to headline GDP growth on an annual basis.

We expect growth to accelerate in Q3 as oil output has increased 3.1% q/q (Bloomberg estimates) and the PMIs have signaled faster non-oil growth too. The Saudi PMI averaged 56.0 in Q3 2016, well above the averages for Q1 (54.3) and Q2 (54.5).

Headwinds to growth going forward

Going forward into Q4 and 2017 however, the non-oil private sector is facing several headwinds. Fiscal policy is to be tightened further with the government announcing last week that it would not be paying public sector bonuses this year, and would cut salaries and allowances for ministers and Shura Council members from October. The move is in line with the National Transformation Program announced earlier this year, which targets the reduction of public sector wages and salaries to 40% of GDP from 45% by 2020. However, wage cuts are another headwind for household spending which has already been affected by rising utilities and fuel costs as subsidies have been reduced.

The government is also reportedly reviewing USD 70bn worth of projects and could cut the budgets for these by around USD 20bn, according to a Bloomberg report. These cuts would be spread over several years' budgets but would nevertheless have an impact on growth.

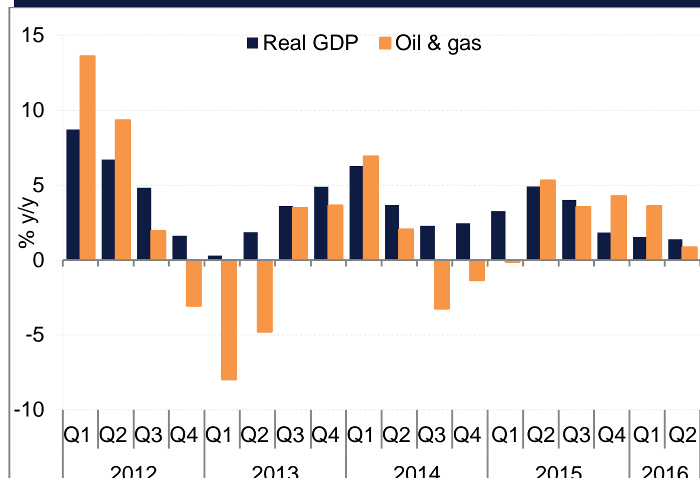
Corporates are also being squeezed by higher borrowing costs and in some cases delayed payments, putting further pressure on cash flows and profit margins which have already been affected by subsidy cuts. PMI surveys point to weak employment growth and cuts in output prices in order to secure new work.

Finally, if OPEC agrees to cut oil production at its November meeting, as it indicated after its Algiers meeting last month, then Saudi Arabia's oil sector contribution to growth next year could be negative. We have thus trimmed our 2016 GDP growth forecast to 1.4% from 1.9% previously and we have cut our 2017 growth forecast to 1.8% from 2.6% previously.

2016 Budget deficit nearly fully financed

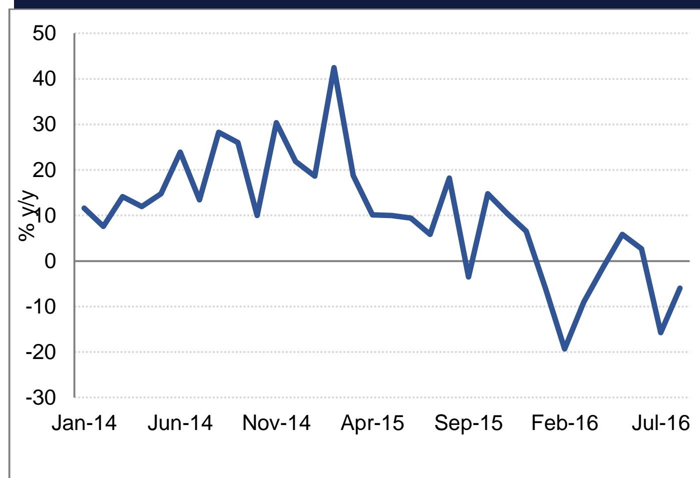
SAMA's net foreign assets fell to USD 554.1bn in August, their lowest level since January 2012. Year-to-date, NFAs have declined by nearly USD 55bn (government deposits at the central bank have declined by USD 53bn). We estimate a budget deficit of USD 90bn, suggesting that about 60% of the deficit has been financed out of accumulated savings against the 50% that the government had indicated would be financed this year. (Alternatively, the run-down

Quarterly GDP



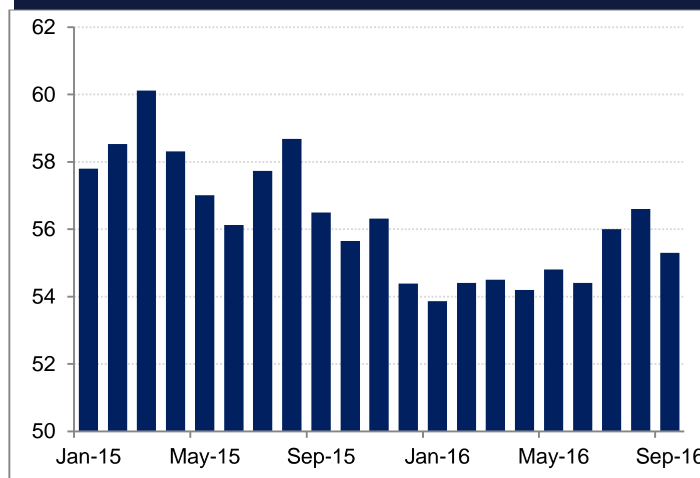
Source: Haver Analytics, Emirates NBD Research

Point of sale transaction values



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia PMI



Source: Markit, Emirates NBD Research

in NFAs in the year to August could reflect a bigger deficit than we have forecast for this year.) Nevertheless, the pace of decline in NFAs has moderated over the summer, suggesting that fiscal measures introduced so far may be starting to have an impact on overall spending.

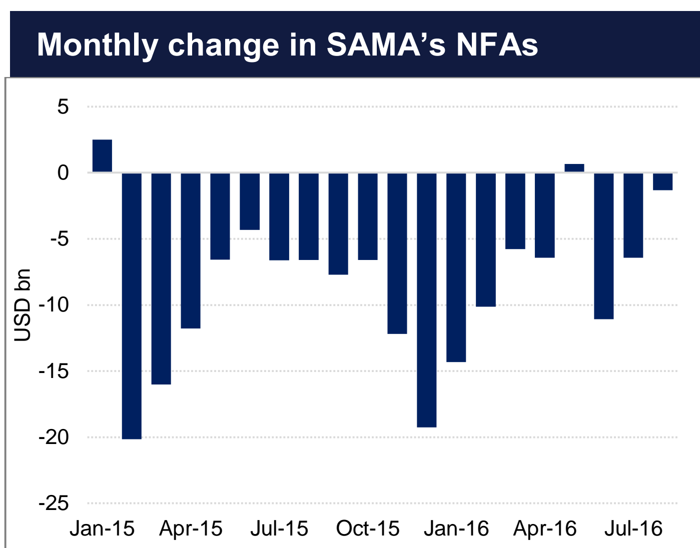
The government has continued to issue domestic debt as well, with an estimated SAR 40bn (USD 10.7bn) placed in August and September. We estimate the total domestic bond issuance at SAR 120bn (USD 32bn) in the year to September. Saudi Arabia also drew down a syndicated loan of USD 10bn in April/May and is expected to issue international bonds of up to USD 15bn before the end of October. All of this should be sufficient to cover the budget deficit we have forecast for 2016.

Impact of JASTA likely to be limited

There has been some speculation that the recent passage of the Justice Against Sponsors of Terrorism Act (JASTA) in the US may delay or derail the expected Saudi bond issue. Our understanding is that the impact of the legislation is likely to be limited as the final draft would make it very difficult for a civil lawsuit to succeed, with the US administration able to freeze such lawsuits indefinitely if it chooses to do so. Moreover, the Bill makes no provision for the seizure of foreign assets as recompense for a legal judgement, even in the unlikely event that a judgement is awarded.

It is notable that the week after JASTA was passed, a delegation of senior government officials met with investors in the US to encourage direct investment in the kingdom's equity markets, which have recently been opened to foreigners.

Monthly change in SAMA's NFAs



Source: Haver Analytics, Emirates NBD Research

Tunisia

Tunisia's economy expanded 1.4% y/y in real terms in Q2 2016, up from 1.0% in Q1. The second quarter GDP figure was the fastest rate of growth since Q1 2015, but is still lower than the medium-term average of 1.7%. The manufacturing sector grew 3.1% y/y in Q2, which was one of the strongest outturns in several years. Otherwise, the data points to ongoing weakness in domestic demand, with growth in the services sector coming in at only 1.2% y/y, while the nonmanufacturing industry contracted -0.5% y/y. The strongest growth was seen in 'non-market activities' (3.7% y/y), which represents higher government spending, and should not be counted on to drive economic momentum in the months and years ahead.

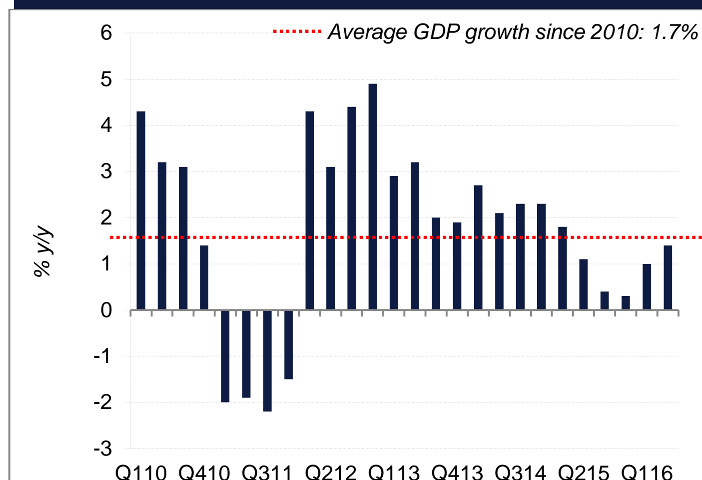
Difficult Decisions Ahead

Amidst this weak growth environment and rising unemployment, it is notable that newly installed Prime Minister Youssef Chahed has continued to focus his attention on pushing ahead with fiscal austerity, even though such measures, if eventually passed, are almost certain to see the economy slow in the near term. The government's main target appears to be the burgeoning public sector payroll, which at approximately 13.5% of GDP is one of the highest in the world, and growing. The strength of the country's public sector unions has been the key reason behind the ongoing rise in the wage bill which as of July was up 15.0% y/y, and helped double the fiscal deficit. Our forecast sees the budget deficit widening to 6.8% of GDP in 2016, compared to 5.0% in 2015.

At the start of Q4 talks were underway between the government and the country's main unions that would see a public sector wage freeze take effect which could help slow the growth in government salaries. Recent experience however suggests some caution is warranted on the chances of success. Indeed, it was only several weeks before that it was announced a deal had been reached that would see the creation of roughly 3k new public sector jobs in exchange for protestors ending a months-long demonstration that had seen phosphate production (a key export for Tunisia) effectively come to a halt. Less than one week later, protestors had once again partly blocked production, with unemployed graduates demanding they too be included in the new job scheme.

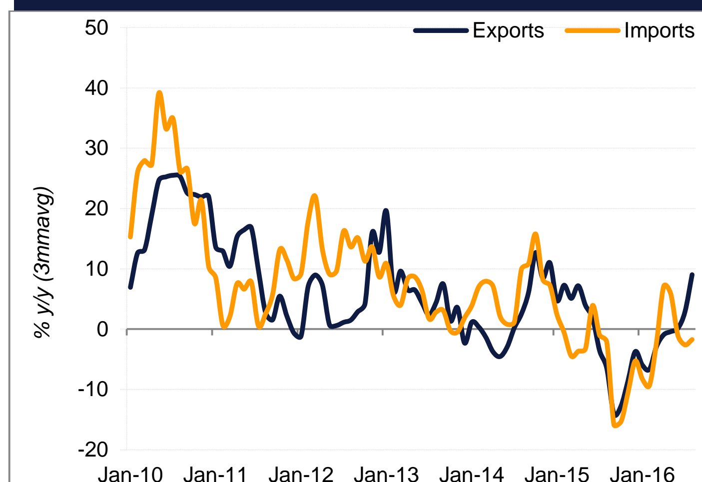
The government has, however, been able to push ahead with some new key pieces of legislation that are not as controversial. Most notably, a new foreign investment law was approved by parliament in mid-September. The legislation creates a High Investment Authority which will be the only party authorized to deal with foreign investors (thereby streamlining administrative procedures), while also providing more flexibility to transfer funds out of the country and removing tax on profits of major projects for 10 years. Similar to other economies across MENA, Tunisia has seen a drop in FDI in recent years, with inflows in Q1 2016 coming in at their lowest levels since Q1 2011.

GDP Growth



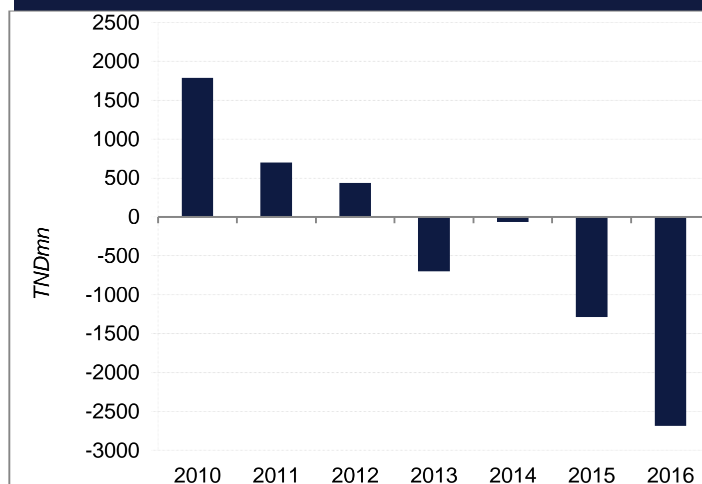
Source: Havers, Emirates NBD Research

Goods Trade



Source: Haver Analytics, Emirates NBD Research

Budget Deficit*



*Source: Haver Analytics, Emirates NBD Research, *Jan-July*

UAE

Oil output rises in Q3

Oil production in the UAE increased nearly 5.5% in Q3 compared to Q2 2016. Average oil output in the year-to-September is up 1.7% over the same period last year, and will underpin overall GDP growth for the UAE this year.

Non-oil growth has slowed compared to 2015, but PMI data suggest it remains robust. In particular, economic expansion appears to have accelerated in the third quarter, with the headline purchasing managers' index averaging 54.7 compared with 53.4 in H1 2016. Consequently, we remain comfortable with our 2016 GDP growth forecast of 3.0%, down from 3.8% in 2015.

Details of PMI survey paint a mixed picture

While the headline PMI shows the business conditions in the UAE improving, the survey components paint a more mixed picture. Firms appear to be building solid order books and increasing output, but this appears to be on the back of significant price discounting and margin compression. Employment growth has been soft through this year as firms remain reluctant to increase their cost base. Furthermore, external demand has weakened significantly over the last few months, with new export orders declining on average in five of the last seven months. All of this paints a picture of a challenging macroeconomic backdrop for non-oil private sector firms in the UAE.

Loans-to-deposits highest since July 2012

Gross bank loans have increased by AED 63.5bn in the year-to-August, compared to just AED 6.9bn rise in bank deposits. As a result, the loan-to-deposit ratio increased to 104.7% at the end of August, the highest level in more than four years.

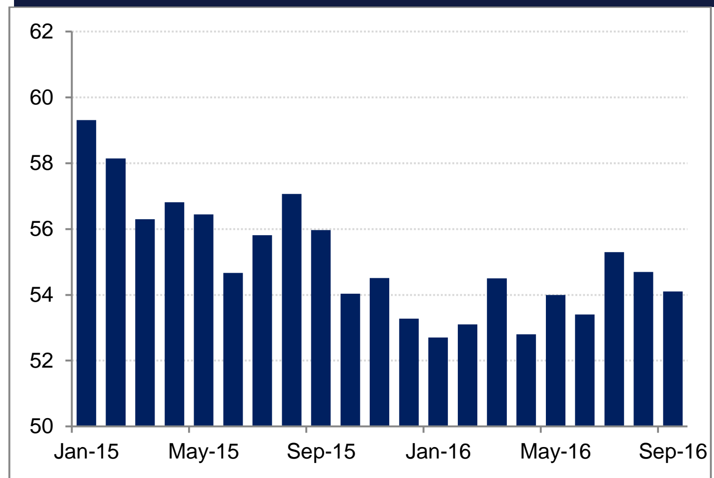
The biggest outflow of residents' deposits this year has been from GREs (-AED 33.1bn; -17.4% since December 2015). This was partially offset by AED 16.4bn (+10.4%) rise in government deposits at commercial banks. Individuals and corporates increased bank deposits by AED 22.8bn (+6.3%) and AED 7.3bn (+1.3%) respectively since the start of the year. Non-residents' deposits fell by AED 3.4bn in the year to August, reversing some of the increase in this component in 2015.

On the loans side too, public sector borrowing has grown faster than both government and private sector credit. In dirham terms, as private sector credit accounts for 70% of gross loans, lending to the private sector increased AED 31.9bn in the year-to-August, while the public sector loans rose AED 12.2bn. Government borrowing from commercial banks rose just AED 4.6bn over the same period.

Oil output

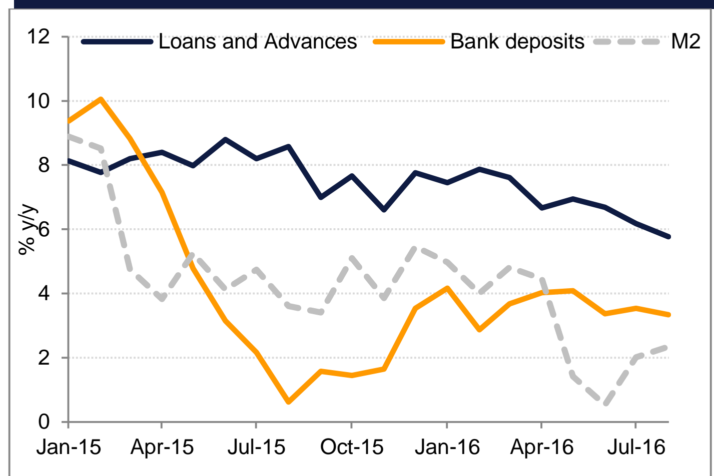
Source: Bloomberg, Emirates NBD Research

Emirates NBD UAE PMI



Source: Markit, Emirates NBD

Bank loan and deposit growth



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

Dubai Economy Tracker survey points to robust growth in Q3

Dubai's economy has been remarkably resilient over the third quarter, against a backdrop of tighter fiscal policy across the region and a weaker external environment. As with the whole UAE PMI, the Dubai Economy Tracker Index eased only marginally in September, the average reading for the third quarter was sharply higher than for Q1 and Q2, suggesting that growth gained momentum last quarter.

The individual sector surveys show Dubai's travel & tourism sector benefitted from religious holidays in the GCC in July and again in September. Data from STR Global shows that hotel occupancy in the year to August was broadly similar to the same period last year, although this has come on the back of a -11% decline in revenue per available room. This provides further evidence that the resilience of business activity has been because of price discounting by firms.

The wholesale & retail sector also saw activity rise relatively sharply from June through August, although this was on the back of aggressive price discounting, helping to offset the impact of a strong USD. The construction sector has expanded at a slower rate compared to tourism and trade, but the index remained above the neutral 50 level.

All three Dubai sectors surveyed by Markit have posted strong rises in output in recent months, although this has not translated into higher employment. The weak employment gains this year suggest there is either sufficient capacity for firms to meet rising demand, or that they are making efficiency and productivity gains that allow them to boost output while keeping employment flat.

Real estate prices down 26% from 2014 high

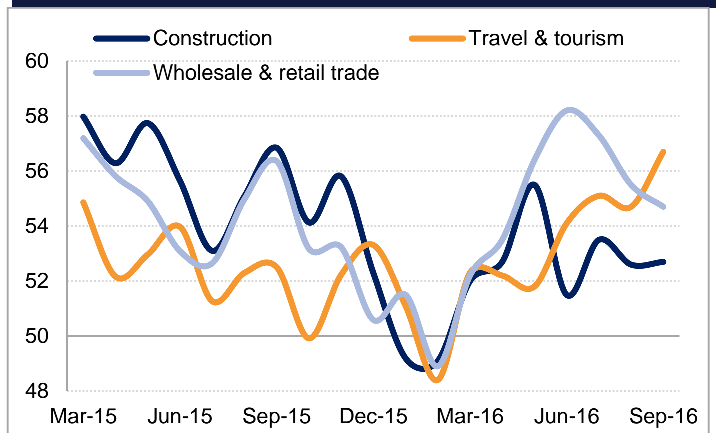
Residential real estate prices have continued to decline through Q3 2016. As of end-August, apartment prices in established freehold areas[1] were down -26% from mid-2014, while apartment prices were down nearly -27% from their May 2014 high. On an annual basis, both villa and apartment prices were down just over -12% y/y in August.

Although oil prices have stabilized since the rout in Q1, they remain low compared mid-2014, and the USD has rallied sharply since then. We expect more of the same for both oil and the USD over the next few months, so the outlook for Dubai's real estate is likely to remain challenging.

Dubai Economy Tracker

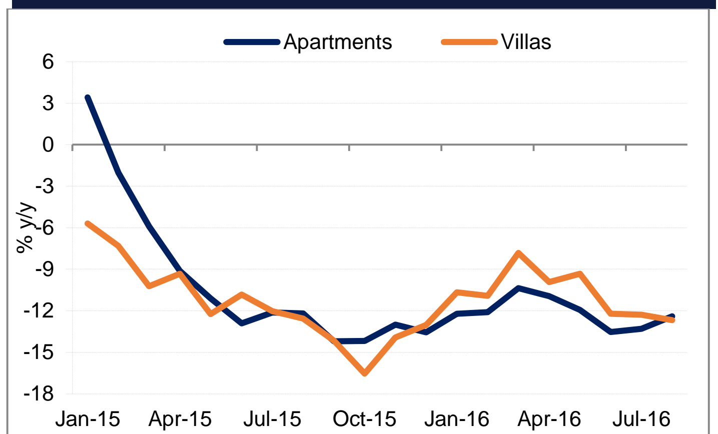
Source: Markit, Emirates NBD Research

DET Sector Indices



Source: Markit, Emirates NBD Research

Dubai Residential Real Estate Prices



Source: Phidar Advisory, Emirates NBD Research

[1] Source: Phidar Advisory 9/5 House Price Index

Key Economic Forecasts: Algeria

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (DZD bn)	16569	17205	18495	20217	21628
Nominal GDP (USD bn)	209.7	213.5	184.3	183.8	188.1
GDP per capita (USD)	5348	5347	4535	4414	4411
Real GDP Growth (% y/y)	2.8	3.8	3.8	3.3	2.1
Monetary Indicators (% y/y)					
CPI (average)	4.1	3.9	4.4	6.5	5.0
External Accounts (USD bn)					
Exports	68.7	63.7	38.1	32.3	38.8
Imports	65.8	71.4	63.7	57.3	52.1
Trade balance	2.9	-7.7	-25.6	-24.9	-13.3
% GDP	1.4	-3.6	-13.9	-13.6	-7.1
Current account balance	1.2	-9.3	-27.5	-26.7	-15.0
% GDP	0.5	-4.3	-14.9	-14.5	-8.0
Fiscal Indicators (DZDbn)					
Revenue	5957	5738	5051	4737	5372
Expenditure	6024	6996	7712	7326	7326
Budget Balance	-67	-1258	-2661	-2590	-1955
% GDP	-0.4	-7.3	-14.4	-12.8	-9.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (BHD bn)	12.2	12.6	11.7	12.0	13.0
Nominal GDP (USD bn)	32.5	33.4	31.1	31.9	34.5
GDP per capita (USD)	25965	25398	23213	23309	24714
Real GDP Growth (% y/y)	5.4	4.4	2.9	2.6	3.5
Monetary Indicators (% y/y)					
M2	8.2	6.5	2.9	3.0	5.0
Private sector credit	6.6	-5.9			
CPI (average)	3.3	2.7	1.9	3.5	3.0
External Accounts (USD bn)					
Exports	20.9	20.8	14.3	12.8	14.7
Of which: hydrocarbons	15.3	14.5	7.7	6.3	8.0
Imports	13.7	13.3	10.2	9.4	10.6
Trade balance	7.3	7.4	4.1	3.4	4.1
% GDP	22.3	22.3	13.1	10.7	11.9
Current account balance	2.6	1.1	-0.9	-1.6	-0.9
% GDP	7.9	3.4	-2.8	-5.0	-2.7
Fiscal Indicators (% GDP)					
Budget balance	-3.4	-3.6	-13.0	-16.0	-12.7
Revenue	24.1	24.6	17.4	12.4	14.3
Expenditure	27.4	28.2	30.4	28.4	27.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (EGP bn)	1843.8	2101.9	2429.8	2776.6	3164.8
Nominal GDP (USD bn)	281.9	301.4	330.7	340.6	263.7
GDP per capita (USD)	3302	3473	3767	3836	2937
Real GDP Growth (% y/y)	2.1	2.2	4.2	4.1	3.9
Monetary Indicators (% y/y)					
M2	26.7	9.3	16.4	15.0	12.0
CPI (average)	9.5	10.1	10.4	13.4	14.0
External Accounts (USD bn)					
Exports	27.0	26.1	22.2	18.7	21.3
Imports	57.7	60.2	61.3	56.3	57.3
Trade Balance	-30.7	-34.1	-39.1	-37.6	-35.9
% of GDP	-11.4	-12.1	-12.7	-11.1	-10.6
Current Account Balance	-6.4	-2.7	-12.1	-18.7	-15.1
% of GDP	-2.4	-1.0	-3.9	-5.5	-4.4
Reserves	14.9	16.6	20.0	23.0	20.0
Public Finances					
Revenue (EGP bn)	-36655	-36626	-38029	-40266	-27184
Expenditure (EGP bn)	588188	701514	733350	794590	833332
Balance*	-239720	-255439	-279430	-328240	-326210
% of GDP	-13.67	-12.98	-12.53	-14.03	-10.35
Central Government Debt (EGP mn)	1261141	1538459	1871332	2200000	2650000
% of GDP	68.4	73.2	77.0	79.2	83.7

Source: Haver Analytics, Emirates NBD Research
*Note: * denotes fiscal year (FY2012/13 refers to July 2012-June 2013)*

Emirates NBD

Key Economic Forecasts: Iran

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (IRR tn)	9421	11034	13207	14802	17373
Nominal GDP (USD bn)	510.7	425.8	497.9	411.2	434.3
GDP per capita (USD)	6603	5451	6299	5140	5362
Real GDP Growth (% y/y)	-1.9	4.3	4.1	1.5	4.6
Monetary Indicators (% y/y)					
CPI (average)	28.7	37.4	15.9	11.0	13.0
External Accounts (USD bn)					
Exports	92910	86471	64597	57883	65325
Imports	63584	65079	52419	41935	44451
Trade balance	29326	21392	12178	15948	20873
% GDP	5.7	5.0	2.4	3.9	4.8
Current account balance	25105	15861	9016	12813	17736
% GDP	4.9	3.7	1.8	3.1	4.1
Fiscal Indicators (IRRbn)					
Revenue	717400	977600	1123700	1236070	1372038
Expenditure	1197600	1438300	1706900	2048280	2171177
Budget Balance	-480300	-460700	-592900	-812210	-799139
% GDP	-5.1	-4.2	-4.5	-5.5	-4.6

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (IQD tn)	227972	241549	344275	383565	424809
Nominal GDP (USD bn)	205.2	225.4	294.3	327.8	363.1
GDP per capita (USD)	5900	6284	7725	8360	8999
Real GDP Growth (% y/y)	5.6	-3.9	3.2	8.0	6.4
Monetary Indicators (% y/y)					
CPI (average)	1.9	3.0	1.2	1.0	4.5
External Accounts (USD bn)					
Exports	89768.0	83980.9	43441.5	28237.0	31060.7
Imports	50446.9	45200.2	33188.2	28210.0	32441.5
Trade balance	39321.1	38780.7	10253.3	27.0	-1380.8
% GDP	*19.2*	*17.2*	*3.5*	*0.0*	*-0.4*
Current account balance	22590.4	24427.8	4121.3	-8628.7	-11682.1
% GDP	11.0	10.8	1.4	-2.6	-3.2
Fiscal Indicators (IQDbn)					
Revenue	115400	104400	73080	73080	76734
Expenditure	131200	119000	122707	125161	116315
Budget Balance	-15800	-14600	-49627	-52081	-39581
% GDP	-6.9	-6.0	-14.4	-13.6	-9.3

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (JOD bn)	21.0	22.4	23.5	24.1	25.3
Nominal GDP (USD bn)	29.6	31.5	33.1	33.9	35.6
GDP per capita (USD)	4496	4160	4855	4344	4043
Real GDP Growth (% y/y)	2.8	3.1	2.4	2.6	3.0
Monetary Indicators (% y/y)					
M2	16.6	9.8	7.0	0.0	10.0
CPI (average)	5.5	2.8	-0.9	0.0	2.0
External Accounts (USD bn)					
Exports	7.9	8.4	7.8	7.2	7.5
Imports	19.6	20.4	18.2	17.6	18.1
Trade Balance	-11.6	-12.0	-10.3	-10.4	-10.7
% of GDP	*-39.4*	*-38.0*	*-31.3*	*-30.7*	*-29.9*
Current Account Balance	-3.5	-2.6	-3.5	-4.0	-4.0
% of GDP	*-11.9*	*-8.3*	*-10.5*	*-11.8*	*-11.1*
Reserves	13.8	16.0	16.5	16.8	17.2
Public Finances					
Revenue (JOD mn)	5758.9	7267.6	6796.2	7700.4	8743.3
Expenditure (JOD mn)	7077.1	7851.1	7722.9	8263.5	9208.1
Balance	-1318.2	-583.5	-926.7	-563.1	-464.8
% of GDP	*-6.3*	*-2.6*	*-3.9*	*-2.3*	*-1.8*
Central Government Debt (JOD mn)	20161.2	23236.2	23237.2	23238.2	23239.2
% of GDP	*90.1*	*93.5*	*97.7*	*98.0*	*100.0*

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Kuwait

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (KWD bn)	49.9	47.4	35.2	29.1	33.8
Nominal GDP (USD bn)	175.8	166.3	116.9	96.6	111.9
GDP per capita (USD)	45521	42127	28975	23444	26568
Real GDP Growth (% y/y)	1.1	0.5	1.8	2.7	3.0
Hydrocarbon	-1.8	-1.3	-0.8	2.0	3.0
Non-hydrocarbon	5.7	3.1	5.5	3.5	3.0
Monetary Indicators (% y/y)					
M3	10.0	3.4	1.7	3.0	5.0
Private sector credit	7.2	5.2	7.9	4.5	5.0
CPI (average)	2.7	2.9	3.3	3.5	3.5
External Accounts (USD bn)					
Exports	115.6	104.6	55.3	51.0	62.5
Of which: hydrocarbons	108.5	97.4	48.8	42.0	53.5
Imports	25.5	27.3	27.3	27.0	28.0
Trade balance	90.1	77.4	28.0	24.0	34.5
% GDP	51.2	46.6	23.9	24.8	30.9
Current account balance	69.4	53.7	8.6	-1.0	10.5
% GDP	39.5	32.3	7.3	-1.0	9.4
Fiscal Indicators (% GDP)					
Budget balance	25.9	7.4	-13.1	-17.2	-8.9
Revenue	63.8	52.6	38.8	48.0	50.4
Expenditure	37.9	45.2	51.9	65.2	59.3

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (LBP bn)	71185	74819	80765	87418	94795
Nominal GDP (USD bn)	47.2	49.6	54.3	59.7	66.5
GDP per capita (USD)	10920	11395	12381	13519	14980
Real GDP Growth (% y/y)	3.0	2.0	1.6	2.4	2.6
Monetary Indicators (% y/y)					
M2	5.6	7.0	9.0	10.0	11.0
CPI (average)	4.2	-8.0	-3.8	2.0	3.0
External Accounts (USD bn)					
Exports	5.2	4.6	4.0	4.5	5.2
Imports	20.5	19.6	17.1	18.8	20.9
Trade Balance	-15.3	-15.0	-13.1	-14.2	-15.6
% of GDP	*-32.5*	*-30.3*	*-24.1*	*-23.9*	*-23.5*
Current Account Balance	-11.9	-11.6	-8.1	-8.9	-9.8
% of GDP	*-25.2*	*-23.3*	*-15.0*	*-14.9*	*-14.7*
Reserves	32.3	32.4	30.6	33.7	37.0
Public Finances					
Revenue (LBP bn)	14201	16400	14435	14128	14304
Expenditure (LBP bn)	20563	21032	2127	20675	20948
Balance	-6362	-4632	12308	-6547	-6644
% of GDP	-8.9	-6.2	-7.4	-7.1	-7.2
Central Government Debt (LBP bn)	95711	100394	106005	125002	125004
% of GDP	134.5	134.2	131.3	143.0	131.9

Source: Haver Analytics, Emirates NBD Research

Emirates NBD

Key Economic Forecasts: Libya

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (LYD tn)	95	53	52	59	66
Nominal GDP (USD bn)	65.8	41.3	38.2	40.7	45.9
GDP per capita (USD)	10614	6607	6050	6442	7273
Real GDP Growth (% y/y)	-52.1	-24.0	-12.1	9.2	10.2
Monetary Indicators (% y/y)					
CPI (average)	2.6	2.4	9.5	9.5	10.5
External Accounts (USD bn)					
Exports	49.8	29.9	35.8	39.4	43.4
Imports	26.5	27.8	32.0	36.8	42.3
Trade balance	23.3	2.1	3.9	2.7	1.1
% GDP	35.4	5.0	10.1	6.5	2.3
Current account balance	16.2	-5.0	-3.2	-4.4	-6.0
% GDP	24.6	-12.2	-8.5	-10.9	-13.1
Fiscal Indicators (LYDmn)					
Revenue	60093.5	33204.7	45906.4	46333.4	46859.6
Expenditure	67458	58512.2	57137.2	57137.2	57708.6
Budget Balance	-7364.5	-25308	-11231	-10804	-10849
% GDP	-7.8	-48.1	-21.4	-18.4	-16.4

Source: Haver Analytics, Emirates NBD Research

Emirates NBD

Key Economic Forecasts: Morocco

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (MAD bn)	897.9	923.7	982.2	1013.6	1091.9
Nominal GDP (USD bn)	106.7	109.7	100.7	117.5	126.5
GDP per capita (USD)	3242	3300	3001	3467	3156
Real GDP Growth (% y/y)	4.5	2.6	4.5	0.2	4.7
Monetary Indicators (% y/y)					
M2	3.6	5.5	6.0	6.0	6.0
CPI (average)	1.8	0.4	1.6	3.0	3.0
External Accounts (USD bn)					
Exports	22.0	19.9	18.5	19.6	21.4
Imports	42.3	40.5	32.8	35.4	37.5
Trade Balance	-20.4	-20.6	-14.3	-15.8	-16.2
% of GDP	*-19.1*	*-18.8*	*-14.2*	*-13.4*	*-12.8*
Current Account Balance	-7.9	-6.2	-1.9	-2.6	-1.8
% of GDP	*-7.4*	*-5.7*	*-1.9*	*-2.2*	*-1.5*
Reserves	19.2	20.7	22.9	25.0	26.0
Public Finances					
Revenue (MAD mn)	201036	201842	207462	214509	231261
Expenditure (MAD mn)	217974	217775	207467	214705	224787
Balance*	-50041	-48035	-46175	-47845	-43843
% of GDP	-5.6	-5.2	-4.7	-4.6	-4.0
Central Government Debt (MAD mn)	554	586	645	677	711
% of GDP	63.5	63.9	65.7	69.0	72.4

Source: Haver Analytics, Emirates NBD Research
*Note: * includes balance of treasury accounts and minus investments*

Emirates NBD

Key Economic Forecasts: Oman

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (OMR bn)	30.4	31.2	26.9	27.5	30.6
Nominal GDP (USD bn)	78.8	80.9	69.7	71.4	79.6
GDP per capita (USD)	20450	20268	17123	17197	18774
Real GDP Growth (% y/y)	4.4	2.5	5.7	3.1	2.6
Monetary Indicators (% y/y)					
M2	9.4	15.3	10.0	5.0	8.0
Private sector credit	10.6	14.8	13.9	10.0	8.0
CPI (average)	2.1	1.0	0.1	1.0	1.5
External Accounts (USD bn)					
Exports	56.5	53.6	35.7	33.9	41.3
Of which: hydrocarbons	37.4	35.2	21.2	17.9	23.0
Imports	31.9	27.9	26.6	27.7	28.8
Trade balance	24.6	25.7	9.1	6.2	12.5
% GDP	31.2	31.8	13.1	8.7	15.8
Current account balance	5.4	4.2	-10.8	-13.4	-8.7
% GDP	6.9	5.2	-15.5	-18.7	-10.9
Fiscal Indicators (% GDP)					
Budget balance	-0.3	-3.4	-17.2	-13.3	-8.7
Revenue	45.8	45.3	33.8	26.7	28.8
Expenditure	46.1	48.7	51.0	40.0	37.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (QAR bn)	734.9	764.8	606.1	607.7	711.6
Nominal GDP (USD bn)	201.9	210.1	166.5	166.9	195.5
GDP per capita (USD)	98722	94010	68982	64638	70738
Real GDP Growth (% y/y)	4.8	5.0	3.5	4.3	5.2
Hydrocarbon	0.1	-0.6	-0.5	-1.0	0.0
Non- hydrocarbon	11.5	11.3	7.8	9.0	9.5
Monetary Indicators (% y/y)					
M2	19.6	10.6	3.4	3.0	5.0
Private sector credit	15.4	20.3	19.7	15.0	15.0
CPI (average)	3.1	3.3	1.8	2.5	3.0
External Accounts (USD bn)					
Exports	136.8	128.8	85.3	71.6	79.0
Of which: hydrocarbons	128.5	118.3	77.9	63.5	70.5
Imports	31.5	32.4	32.7	34.1	35.6
Trade balance	105.3	96.4	52.6	37.5	43.4
% GDP	52.2	45.9	31.6	22.5	22.2
Current account balance	62.5	52.7	13.5	-1.8	0.0
% GDP	31.0	25.1	8.1	-1.1	0.0
Fiscal Indicators (% GDP)					
Budget balance	15.6	7.4	-4.8	-7.1	-6.9
Revenue	47.2	39.5	27.9	33.6	28.3
Expenditure	31.5	32.0	32.8	40.6	35.1

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (SAR bn)	2791	2827	2450	2417	2673
Nominal GDP (USD bn)	744	754	653	645	713
GDP per capita (USD)	24811	24396	20524	19661	21110
Real GDP Growth (% y/y)	2.7	3.6	3.4	1.4	1.8
Hydrocarbon	-1.6	2.1	3.1	1.0	0.0
Non- hydrocarbon	6.4	4.8	3.6	1.8	3.2
Monetary Indicators (% y/y)					
M2	10.9	11.9	2.6	-1.0	4.6
Private sector credit	12.5	11.8	9.2	5.5	6.5
CPI (average)	3.5	2.7	2.2	2.5	2.8
External Accounts (USD bn)					
Exports	375.7	342.1	217.5	198.2	235.6
Of which: hydrocarbons	322.0	285.2	159.4	137.2	171.5
Imports	153.3	158.5	153.0	158.0	164.3
Trade balance	222.3	183.6	64.5	40.2	71.3
% GDP	29.9	24.4	9.9	6.2	9.9
Current account balance	134.2	75.6	-25.2	-43.2	-23.7
% GDP	18.0	10.0	-3.9	-6.7	-3.3
SAMA's Net foreign Assets	716.7	724.3	608.9		
Fiscal Indicators (% GDP)					
Budget balance	6.5	-2.3	-15.0	-13.8	-7.8
Revenue	41.4	36.9	24.8	26.1	27.3
Expenditure	35.0	39.3	39.8	39.9	35.1
Public debt	2.2	1.6	5.8		

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Tunisia

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (TND bn)	75.2	80.8	82.0	88.1	95.6
Nominal GDP (USD bn)	46.2	46.7	41.8	40.8	42.2
GDP per capita (USD)	4242	4248	3801	3401	3248
Real GDP Growth (% y/y)	3.0	2.9	0.5	1.3	2.5
Monetary Indicators (% y/y)					
M2	7.0	8.2	4.0	5.0	5.0
CPI (average)	6.1	5.5	4.9	3.5	5.0
External Accounts (USD bn)					
Exports	17.0	16.4	14.1	13.9	17.2
Imports	23.0	23.0	19.1	18.6	22.5
Trade Balance	-5.9	-6.5	-5.0	-4.6	-5.3
% of GDP	-12.8	-14.0	-12.0	-11.4	-12.6
Current Account Balance	-3.9	-4.3	-3.9	-3.4	-3.2
% of GDP	-8.4	-9.1	-9.3	-8.4	-7.5
Reserves	7.6	7.7	7.4	7.5	8.5
Public Finances					
Revenue (TND mn)	19993	20360	20159	20562	22001
Expenditure (TND bn)	23426	23968	23896	26286	27863
Balance*	-3433	-3608	-3738	-5724	-5862
% of GDP	-6.9	-5.0	-5.0	-6.8	-6.5
Central Government Debt (TND mn)	34987	41054	43107	45262	47978
% of GDP	46.6	50.8	54.9	60.2	63.8

Source: Haver Analytics, Emirates NBD Research
*Note: * does not include privatizations fees and grants*

Emirates NBD

Key Economic Forecasts: UAE

National Income	2013	2014	2015	2016f	2017f
Nominal GDP (AED bn)	1427.1	1476.2	1359.9	1369.8	1514.6
Nominal GDP (USD bn)	388.9	402.2	370.5	373.3	412.7
GDP per capita (USD)	43911	44097	39061	37473	39459
Real GDP Growth* (% y/y)	4.7	3.1	3.8	3.0	3.4
Monetary Indicators (% y/y)					
M2	22.8	8.0	5.5	3.0	6.9
Private sector credit	3.5	5.2	9.0	6.5	7.0
CPI (average)	1.1	2.3	4.1	2.5	3.5
External Accounts (USD bn)					
Exports	371.0	343.0	300.5	307.3	332.5
Of which: hydrocarbons	129.4	101.9	61.5	57.8	73.8
Imports	230.0	234.6	223.9	232.3	242.5
Trade balance	141.0	108.4	76.6	75.0	90.0
% GDP	36.3	26.9	20.7	20.1	21.8
Current account balance	74.1	40.3	12.3	8.7	21.2
% GDP	19.1	10.0	3.3	2.3	5.1
Fiscal Indicators (% GDP)					
Consolidated budget balance	10.4	5.0	-2.1	-3.4	-0.1
Revenue	40.8	37.3	28.5	26.7	27.7
Expenditure	30.4	32.3	30.6	30.1	27.8

** UAE real growth data are sourced from NBS to 2014, with Emirates NBD forecasts for 2014 and 2015. Dubai's real growth data are sourced from Dubai Statistics Centre. Abu Dhabi's real growth data are sourced from Statistics Centre Abu Dhabi.*
Source: Haver Analytics, IMF, National sources, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12thFloor
Baniyas Road, Deira
P.OBox777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratersnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Jean Paul Pigat
Senior Economist
+9714 230 7807
jeanp@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Al-Tajir
Research Analyst
+9714 609 3005
mohammedtaj@emiratesnbd.com

Shady Shaher Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
James Symington
+44 (0) 20 7838 2240
jamess@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com