بنك الإمارات دبي الوطني
Emirates NBD

Quarterly
24 April 2019

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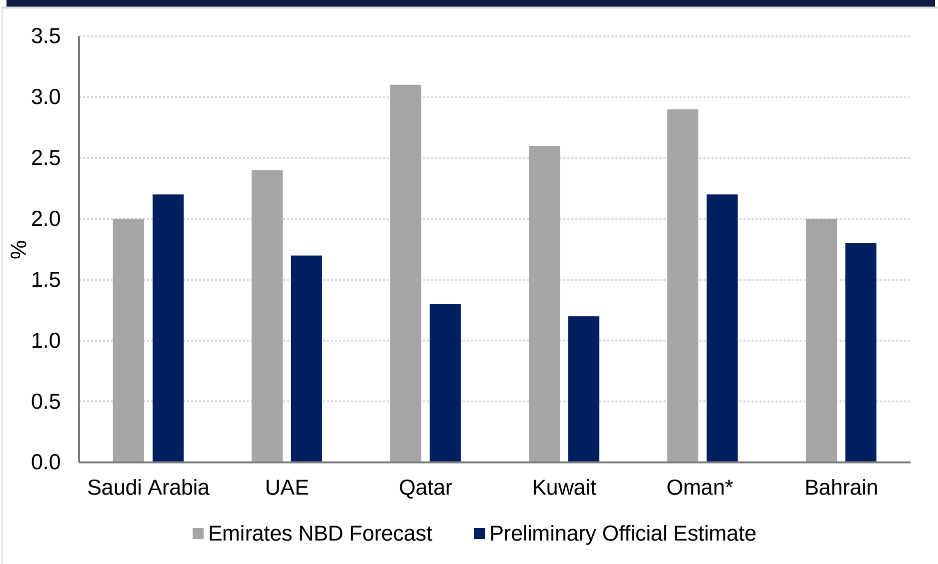
MENA Quarterly: Q2 2019

- **The outlook for crude oil production in the Middle East and North Africa over the next months will largely be set by US sanctions policy on Iran**. US sanctions on trading in Iranian crude will be enforced in full from May, tightening markets in the short term. A production response from other OPEC producers had long been our forecast and is likely to hit markets in the next few months.
- **Official GDP growth estimates for the GCC were mostly lower than forecast in 2018.** In the UAE, Kuwait and Oman, the weakness (relative to our expectations) was evident in the non-oil sectors, while in Qatar it was hydrocarbons growth that disappointed last year. While the prospect of higher oil production from the major GCC exporters in the coming months is supportive of overall GDP growth in 2019, a recovery in non-oil sector growth will remain reliant on government spending and investment.
- **We have revised our 2019 growth forecasts for Kuwait, Oman, Bahrain and Qatar down** as new estimates for 2018 GDP have become available. We retain our 2.0% growth forecast for Saudi Arabia this year. In the UAE, we await the full release of 2018 GDP statistics before publishing new growth forecasts for 2019 and 2020.
- **The wider North African region has seen significant unrest in recent months**, with renewed hostilies in divided Libya and regime change in Algeria and Sudan following popular protests. It is as yet unclear what forms of government and economic models will emerge in the wake of these changes.
- In the rest of the ex-GCC MENA countries the outlook is more positive, as governments implement reforms following periods of stagnation in states such as Lebanon and Iraq.

2018 GCC growth has been largely below expectations



**Oman's preliminary estimate is from the 2019 IMF Article IV post-visit statement, not official data*
Source: Haver Analytics, IMF, Emirates NBD Research

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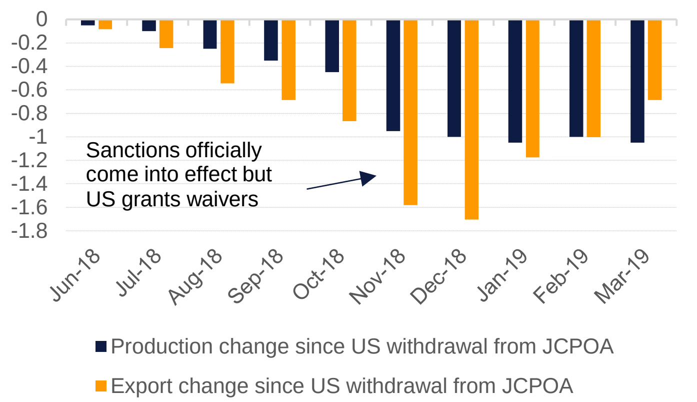
Oil market outlook

The outlook for crude oil production in the Middle East and North Africa over the next few months will largely be set by US sanctions policy on Iran. US sanctions on trading in Iranian crude will be enforced in full from May, tightening markets in the short term. A production response from other OPEC producers had long been our forecast and is likely to hit markets in the next few months.

Iran's production has fallen sharply since the US government announced its withdrawal from the JCPOA in May last year. Output is down more than 1m b/d since May 2018 and has hit a low of around 2.75m b/d as of March 2019. Production has actually declined faster since May 2018 than it did in 2012 when the last round of US sanctions targeting energy trade with Iran were enforced. More significant than production alone, exports have also collapsed as importers avoided taking Iranian barrels even ahead of sanctions taking effect in November 2018. Iran exported an average of 2.2m b/d in H1 2018, declining to 1.4m b/d in H2 and 1.3m b/d so far this year. Exports stemmed their decline to a degree after the waivers were announced but still remain significantly lower y/y as several importers of Iranian crude have cut their purchases to zero for fear of falling foul of the intention of US sanctions..

Iran's output hits a trough



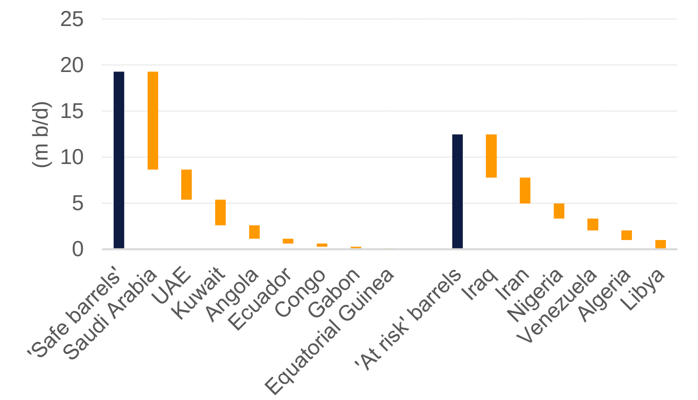
Source: IEA, OPEC, Emirates NBD Research.

US rhetoric on Iran has escalated in 2019 and our expectation is that the administration will take a hardline approach to the country. The US now intends to enforce sanctions in full (without waivers) and we expect Iranian production to decline further by the end of the year and exports to also push lower. In public statements the US administration is officially targeting zero Iranian exports: cutting 1.3m b/d from global markets without any offsetting would help send oil prices sharply higher. Even with full enforcement of the sanctions, some trade in Iranian crude is likely to continue, either in defiance of the sanctions or outside of dollarized payments (alternative currencies or barter trade has been used in the past).

Spare capacity is concentrated in GCC

We doubt that the US would be preparing to fully enforce sanctions on Iran without having received some assurances from other major producers that they would step up production to offset the decline in Iranian output. Where that offset comes from, however, is limited to a few countries within OPEC. Production from OPEC+ has declined since the start of the year thanks to voluntary output cuts, helping to give headline spare capacity of 2.8m b/d when we strip out Iran. However, that spare capacity narrows to less than 2.5m b/d when we remove producers we classified as politically at risk (see our note "OPEC production: exposed" published on March 13). The ability to offset Iranian declines therefore falls largely on Saudi Arabia, the UAE and Kuwait who collectively hold 2.45m b/d of spare capacity.

OPEC's spare capacity held by GCC



Source: IEA, Emirates NBD Research. Note: total production capacity.

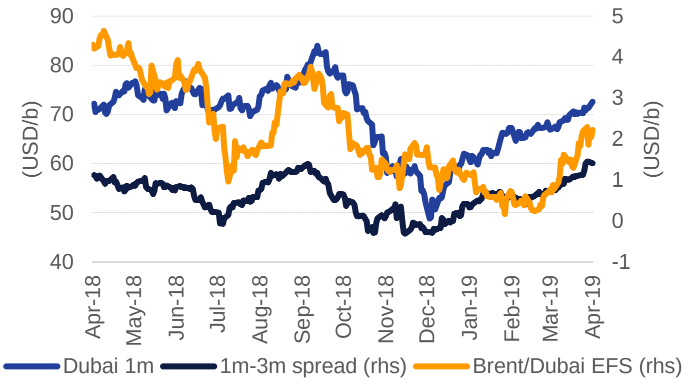
For these core GCC oil producers the next few months offer a window to increase production and exports, taking full advantage of the tightness created by US sanctions policy. Time spreads for Dubai-linked crude have moved into their widest backwardation in the past year, at over USD 1.4/b in the 1-3 month spread. During the last round of US sanctions on Iran (2012-15) the spread moved to almost USD 3.50/b, attractive pricing for GCC national oil companies to raise exports and increase official selling prices.

The competitiveness of Dubai-linked crudes is also turning around. The Brent/Dubai EFS narrowed significantly as heavy sour barrel availability shrank on the back of sanctions-induced tightening (on Venezuela as well as Iran) and OPEC+ cuts. However, that spread has reversed in recent weeks on the back of the strong rally in spot prices as well as more immediate concerns about Libyan supplies (see chart on next page).

Production reaction will dampen impact of price spike

In terms of impact on headline balances and our forecasts we had expected that OPEC+ would begin to increase production in H2 for precisely the reasons outlined above: to compensate for involuntary outages and chase high prices. Already Russia, a core participant in the production cuts, had been signaling its waning enthusiasm for production cuts and its readiness to raise output. Nevertheless, we expect the pattern of exclamatory calls for USD 100/b to filter through to markets and risk a short-term spike in prices.

Dubai curve already tight



Source: EIKON, Emirates NBD Research.

However, past performance suggests that OPEC+ has an enormously difficult task to offset the decline in output exactly (and avoid moving the market back into stockbuilding). While prices may spike in the near term we maintain our view for Brent futures to move lower by the end of the year (Q4 2019 average USD 63/b) as production increases from Saudi Arabia and the UAE, among others, more than offset the decline from Iran.

Edward Bell, Commodities Analyst

Algeria

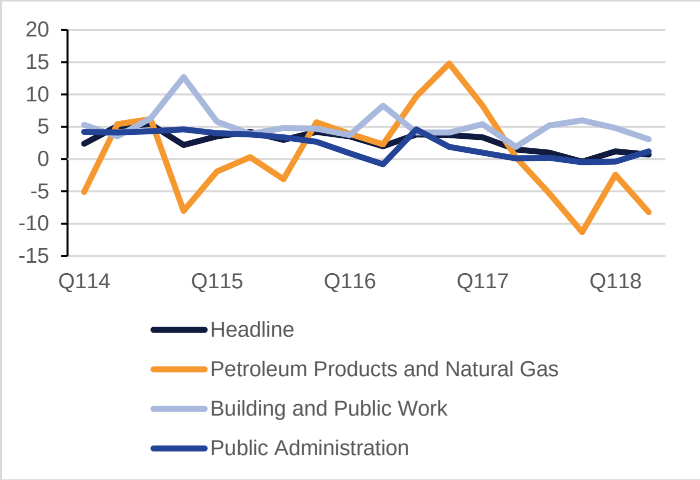
Algeria is in a state of flux following a series of demonstrations which resulted in the departure of long-serving President Abdelaziz Bouteflika on April 2. The aging leader's decision to stand for a fifth term in upcoming elections had prompted the protests, which have also resulted in the departure of Prime Minister Ahmed Ouyahia and a host of other establishment politics and business faces. Ouyahia has since been summoned by the court to face charges of wasting state money, and it is likely that other members of the old guard will face similar charges as the protestors demand an investigation into perceived corruption.

At the time of writing in mid-April, an interim President, Abdelkader Bensalah, had been installed, who has called for dialogue between protesters and the political class. However, this has largely been rejected as protestors seek the removal of others associated with the Bouteflika administration in recent years, including Bensalah himself.

Given the high level of uncertainty at present we are leaving our forecasts unchanged for the time being, as it is far from clear what will emerge once the dust settles. While a descent into the violence that marred the country in the 1990s appears unlikely at present – the protests, and the response by the security apparatus, have been overwhelmingly peaceful to now – greater unrest cannot be discounted.

Beyond that, there will be questions over what kind of economic direction the country will take in the new era. For instance, will Algeria continue to pursue fairly insular policies, unwelcoming to tourists and resistant to foreign investment and international borrowing, choosing instead to monetize its debt in an age of lower oil receipts? Or will it open up, heralding a period of greater participation in global markets and the development of a tourism sector which could help ameliorate its unemployment problem – 11.7% in Q3 2018.

Social spending was already likely to rise even before the recent protests as the government sought to shore up its support as elections – scheduled for the end of April but now on hold – approached. Whatever form the new administration takes, we expect that it will be equally incumbent upon it to boost expenditure. Current high oil prices will offer some support to this, but the dramatic fall in Algerian reserves since 2014 illustrates the degree of pressure the economy has come under over the past five years.

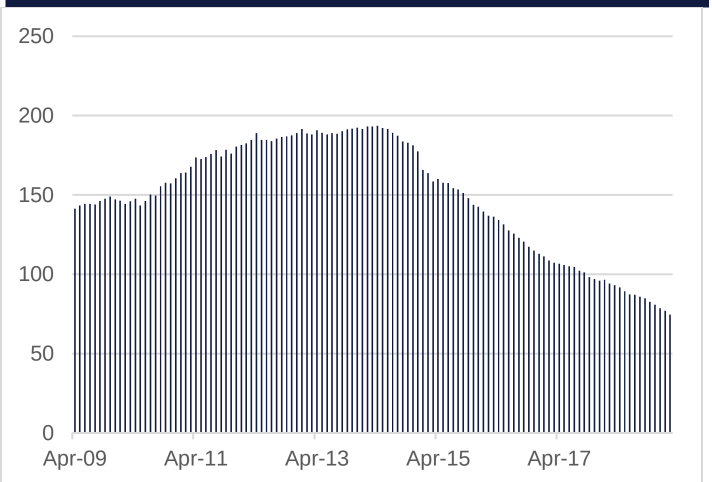


Source: Haver Analytics, Emirates NBD Research

Oil production, b/d ’000

Source: Bloomberg, Emirates NBD Research

Reserves, USDbn



Source: Bloomberg, Emirates NBD Research

Real GDP Growth, % y/y

Bahrain

Growth accelerated in Q4 2018

Bahrain's economy expanded 4.6% y/y in Q4 2018, bringing full year 2018 growth to 1.8%, only slightly below our 2.0% forecast, but markedly weaker than 2017 growth of 3.8%. Both oil and non-oil sector growth deteriorated in 2018. Despite a sharp rise in Q4, overall the hydrocarbon sector contracted -1.1% in 2018, while non-oil sector growth slowed to 2.2% from 4.6% in 2017.

Within the non-oil sectors, construction grew 5.6% y/y in 2018, while government services grew 5.0% y/y – the fastest growth in the latter sector since 2012. Financial services, which accounts for nearly 17% of GDP, grew just 0.9% last year, the slowest growth rate since 2011.

We retain our 2.0% GDP growth forecast for 2019. Given the government's fiscal consolidation programme, there is limited room for increased government spending to drive growth this year. However, we do expect the hydrocarbon sector to expand in 2019, following two years of contraction.

VAT has muted impact on inflation

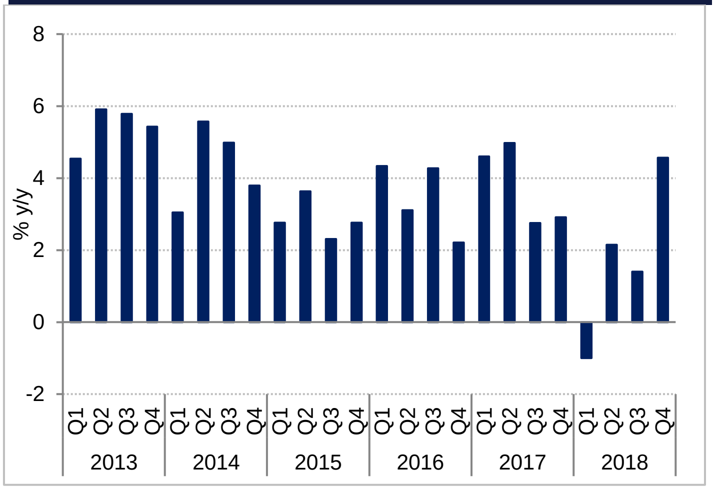
The introduction of VAT at the start of this year has not had much impact on the CPI. Annual inflation has averaged just 1.2% in January-February, despite VAT of 5% being introduced. This is likely due to several items in the basket which are taxed in the UAE and Saudi Arabia being zero-rated in Bahrain, including basic food items and local transport services as well as oil, gas and their derivatives. As a result, we have revised down our 2019 average inflation forecast to 2.5% from 3.5% previously.

Money supply growth accelerates

M2 growth reached 3.5% y/y in January 2019, the fastest rate of growth since December 2017. Cash in circulation has grown at a faster rate since November 2018, as have time & savings deposits.

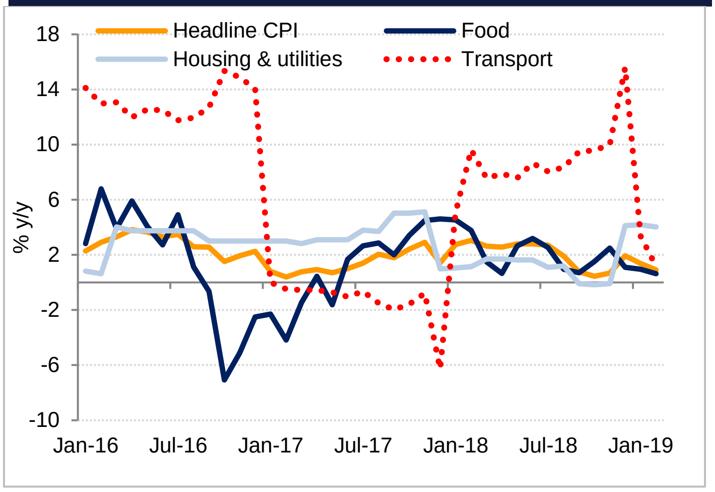
Private sector credit growth ended 2018 at 9.9% y/y but slowed slightly in January to 7.2% y/y. Net foreign assets stood at USD 1.8bn at the end of January, marginally lower than in December 2018.

GDP growth



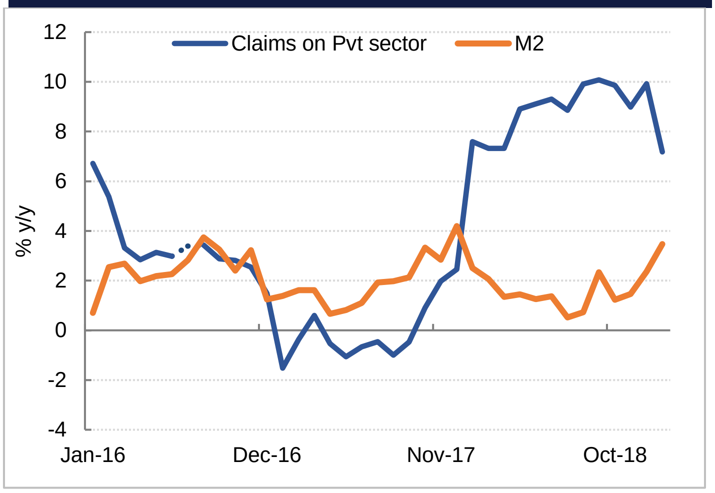
Source: Haver Analytics, Emirates NBD Research

Inflation



Source: Haver Analytics, Emirates NBD Research

Money supply and private credit growth



Source: Haver Analytics, Emirates NBD Research

Egypt

Growth recovery slowing

The IMF passed Egypt on its fourth review in February, citing its 'further progress in implementing fiscal reforms, which are driving macroeconomic stability, fiscal consolidation and stronger external finances.' This summary is in line with our viewpoint, but while the macroeconomic indicators are all moving in the right direction still, the pace of the improvement has slowed and the next gains in growth generation will be harder won. More must be done to encourage the private sector, which has been the laggard to date.

Egypt's Emirates NBD Purchasing Managers' Index (PMI) rose to a seven-month high of 49.9 in March, just shy of the neutral 50.0 level which delineates contraction and expansion in the non-oil private sector economy. This represents a significant improvement from the 17-month low of 48.2 recorded in February, though the continued negative performance of the private sector reaffirms our decision to downgrade our 2018/19 real GDP growth forecast from 5.5% to 5.3%.

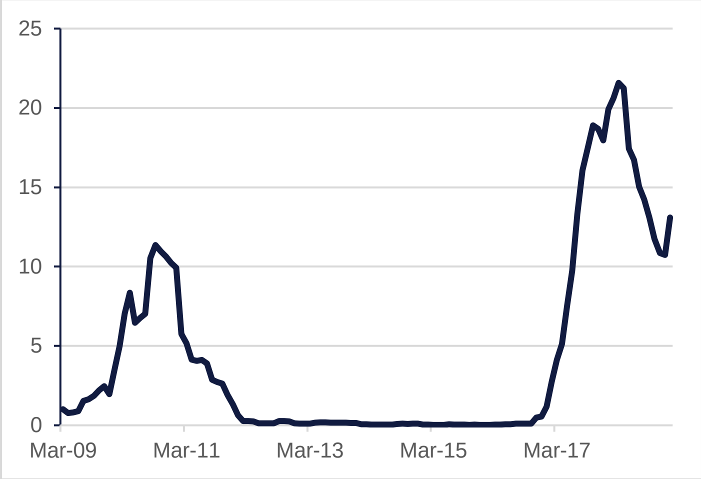
Growth will improve in the next fiscal year

We maintain our position that the private sector will see some improvement in 2019/20, contributing to an uptick in growth to 5.7%. New orders in the PMI turned positive in March for the first time since August last year, which in turn saw output contract only marginally. The boost in orders appears to have been domestically driven, as export orders remained contractionary, albeit at a slightly slower pace than the multi-year low recorded in February. While it will remain under some pressure from ongoing subsidy reform, this will not be to the same extent as seen in recent years (such as the 42% hike in electricity prices for factories last year), while (slowly) easing monetary policy will also support greater activity.

Rate-cutting will pause through summer months

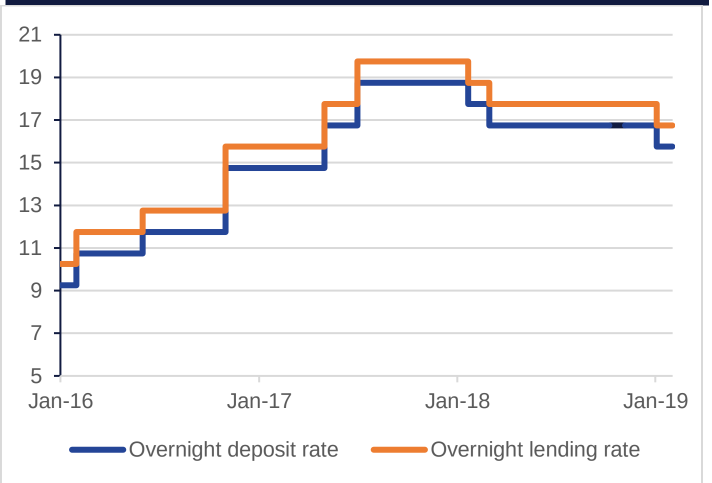
The Central Bank of Egypt (CBE) cut interest rates by 100bps at its February meeting, its first cut in nearly 12 months. While we expect around 200bps of further cuts before year-end, this will be towards the back end of 2019, given that there will remain inflationary pressures in play as the planned fuel indexation mechanism is introduced. Inflation ticked up to 14.4% in February, and the MPC held the overnight deposit rate static at 15.75% at its March 28 meeting. Another factor the CBE will be considering as it deliberates over rates will be maintaining foreign interest in its treasury bills. This is perhaps even more important than it was previously given the repatriation mechanism which guaranteed dollar availability was removed late last year, exposing the EGP to greater volatility.

Foreign ownership of t-bills (USDbn)



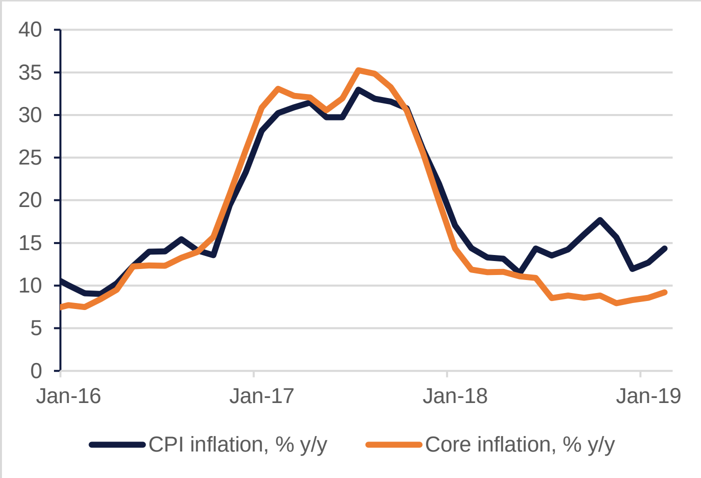
Source: Haver Analytics, Emirates NBD Research

Rate-cutting cycle tentatively resumes



Source: Haver Analytics, Emirates NBD Research

Inflation has come down markedly



Source: Haver Analytics, Emirates NBD Research

Iran

Iran's economy was already under severe strain given the re-imposition of harsh sanctions by the US in 2018, and this will have been compounded by devastating floods that have ravaged the country this year. There has been massive damage to roads, communities and factories, with the Ministry of Industry identifying 400 industrial sites that were hit. Early estimates have put the damage at USD 3.5bn, and the loss in output and related job losses will further exacerbate the economic contraction we forecast for the year. We are holding to our -4.0% contraction for now, but with added downside risk.

Oil production has fallen off

While the floods present significant downside risk, for the time being we are maintaining our forecast of -4.0% growth this year, driven largely by the decline in oil production seen as a result of the US sanctions. Q1 oil production was 2.7mn b/d, compared to 3.8mn b/d in Q1 2018, a y/y decline of 28.9%. This is a faster drop-off in production even than that seen when sanctions were first imposed in 2012, and an even sharper fall now looks likely as the Trump administration has announced that it will not review its waivers for selected importers of Iranian oil past their May expiry.

Currency weakness will keep inflation high

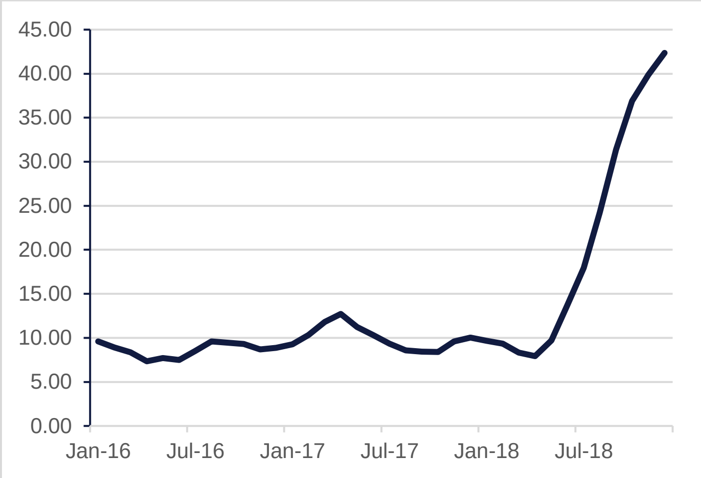
Aside from the negative economic impact related to the oil sanctions, and now also floods, the private sector will come under particular pressure this year as it struggles with currency weakness. Although the rial has strengthened from the IRR 190,000/USD seen in September last year, it has been on a renewed depreciatory trend since the start of 2019. The currency lost a further 8% upon the April announcement by US President Donald Trump that he was adding Iran's Revolutionary Guard to a list of designated terrorist groups, demonstrating that the currency will continue to be driven by actions by the US against Iran, and the news on waivers, announced the day before this piece was written, will likely exert further pressure.

The sell-off has already driven CPI inflation to 42.4% in December, and this figure is likely to remain high until 2018's rial sell-off is in the base – especially given that the recent floods will likely induce further inflationary pressures. This will constrain household spending.

Oil production, b/d, '000

Source: Bloomberg, Emirates NBD Research

CPI inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

IRR/USD parallel market

Source: Bonbast, Emirates NBD Research

Emirates NBD

Iraq

Oil production ticking up

Iraq produced 4.6mn b/d of crude in Q1, y/y growth of 2.7%, and broadly in line with our projection that 2019 will see an average of 4.5mn b/d, rising to 4.7mn b/d in 2020. Despite OPEC pledges to curb oil production – and Saudi Arabia in particular has seen a dramatic fall in output – Iraq is publicly committed to increasing its capacity. Indeed, the country has ambitious plans for increasing output to 7.5mn b/d by 2025. While this is unlikely to be realized, Iraq's new government will be loath to curb production given its significant fiscal requirements and its need to placate a restive population which initiated numerous protests in 2018.

Oil and reconstruction will drive growth

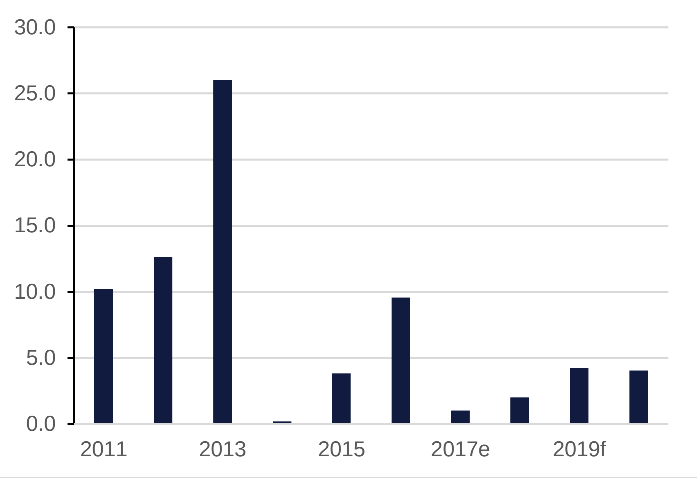
The anticipated boost in oil production this year will contribute to stronger real GDP growth, which we forecast will accelerate to 4.2% in 2019, compared to an estimated 2.0% last year. Aside from oil production, we also anticipate that more concerted reconstruction efforts will also bolster economic activity. Large parts of northern Iraq, including major cities such as Mosul, remain in desperate need of infrastructure investment in order to rehabilitate following the conflict between the government and ISIS which led to widespread destruction. While this has been quite slow in coming, we expect that an average oil price of USD 65/b this year (according to our forecasts) will facilitate greater government spending in this regard. International and regional pledges of support will also aid efforts.

Iraq is likely to benefit from improved relations with Saudi Arabia as diplomatic and economic associations have moved forward apace in recent years. In April, Saudi Arabia's King Salman pledged USD 1bn to the construction of a sports city in Iraq, while work on the Arar border crossing between the two countries will serve to boost trade and relations between them

Improving risk profile

Iraq's risk profile has improved dramatically over the past several years as security concerns have eased, and this is reflected in its 5-year CDS, which at 357 has fallen to levels not seen since 2015. Yields on its 2028 Eurobond also reflect the improvement, standing at 6.3% compared to highs of 12.4% seen in early 2016. Greater oil price stability also improves the outlook from a fiscal perspective, although an overreliance on oil revenues continues to present a long-term challenge.

Real GDP growth, % y/y



Source: UN, Emirates NBD Research

Oil production, b/d '000

Source: Bloomberg, Emirates NBD Research

Eurobond 2028 % yield

Source: Bloomberg, Emirates NBD Research

Jordan

We have revised up our real GDP growth forecast for Jordan in the wake of a UK-sponsored investment conference held in London on February 28th. The 'Jordan: Growth and Opportunity' event was attended by representatives of tens of countries and multilateral organisations, with the aim of enticing international support and greater private investment into the country. Where previously we had projected an expansion of 2.5% this year, we now forecast growth of 2.8%, putting us above consensus expectations of 2.6%. The revision has been driven by an upgrade to our outlook for investment growth in the country as the UK's underwriting of a USD250mn World Bank loan should provide an anchor for lowering Jordan's borrowing costs, and encourage greater private sector interest.

Visitor numbers gaining on previous highs

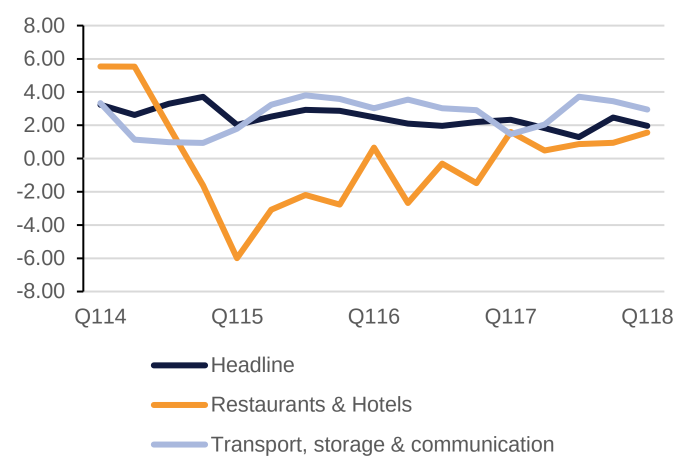
Improving regional security (albeit with a high risk of setbacks) will encourage an ongoing increase in visitor numbers to Jordan in 2019, following robust growth of 7.7% last year. 7.5mn visitors came to Jordan in 2018, approaching the highs of 8.9mn recorded in 2011, just as regional security began to deteriorate, and we expect a further increase this year. The improving political situation will also be a boon for Jordan's considerable transit activity. The transport component of GDP accounts for over 8.0% of total output, and will likely benefit from the reopening of a border crossing with Iraq last year.

Aid will partially soften ongoing austerity blow

Aside from boosting investment, the London conference should also help Jordan cope with the pressures related to its refugee population, as a USD50mn aid package was announced. Crucially, this will be provided in the form of cash transfers rather than foodstuffs and other provisions. Not only should this help foster a sense of dignity and independence amongst recipients, but it should also save costs related to transport and storage, and help inject funds into the local economy.

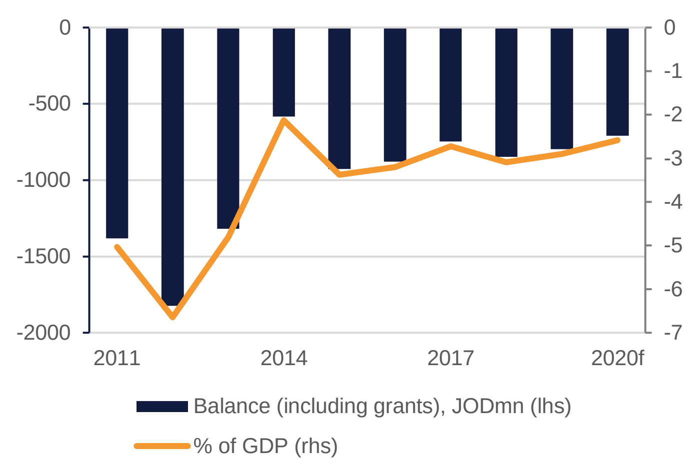
While the aid package for refugees is positive for private consumption levels, this will only go some small way to offset the drag on the economy exerted by ongoing austerity measures. The IMF has been insistent regarding the need to continue with fiscal consolidation and reform efforts, and while the new government under Omar al-Razzaz is seeking to implement this through more progressive taxes, reducing the burden on the poor, government spending will nevertheless remain constrained, despite sporadic protests. Looking ahead, the success of the conference held in London in February will be measured by how effectively the investment generated engenders new jobs for Jordan's burgeoning labour force. Unemployment rose to 18.7% in Q4 2018, the highest level recorded on the 10-year series.

Real GDP growth, % y/y



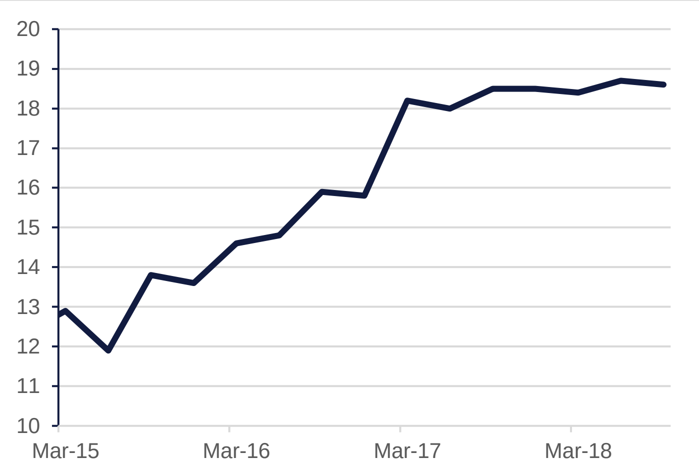
Source: Haver Analytics, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Unemployment, %



Source: Haver Analytics, Emirates NBD Research

Kuwait

Economy grew 1.2% in 2018

Real GDP growth accelerated to 1.2% in 2018 following a contraction of -3.5% in 2017 according to preliminary estimates based on quarterly GDP figures. The recession in 2017 was driven by oil production cuts, and the recovery in 2018 was also due to oil, as production increased in H2 2018. The oil sector still accounts for more than half of Kuwait's GDP.

Since January 2019, Kuwait has again reduced oil production in line with OPEC's strategy to reduce excess supply in global oil markets. At the end of Q1 2019, average oil production in Kuwait was down -1.3% compared with average 2017 output. While we do expect production from the GCC exporters to recover in H2 2019, we think it unlikely that the oil sector will contribute positively to GDP growth this year. As a result, we expect headline GDP growth to ease slightly to 0.9% in 2019.

Private sector credit growth accelerates

Private sector credit grew 5.0% y/y in February, the fastest annual growth since September 2016. The biggest component of private sector credit growth in Kuwait is personal loan facilities, which account for more than 40% of the total. Growth in this component have been failry steady in recent months, at just under 4% y/y. Real estate loans account for 22% of total private sector credit, but these have seen almost no growth on an annual basis since the start of this year.

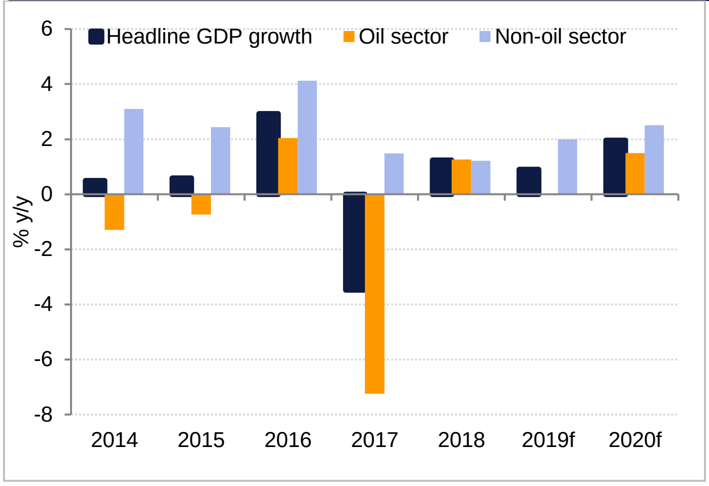
Loans to trade and industry account for around 14% of total private sector credit, although again, growth in these components has been fairly modest (around 2% y/y). The fastest growth component of credit outside personal lending has been crude oil & gas, where loan growth exceeded 20% y/y in February 2019.

Broad money supply (excluding government deposits) remains in the 4-6% y/y range it has been in for most of the last year.

Inflation remains low

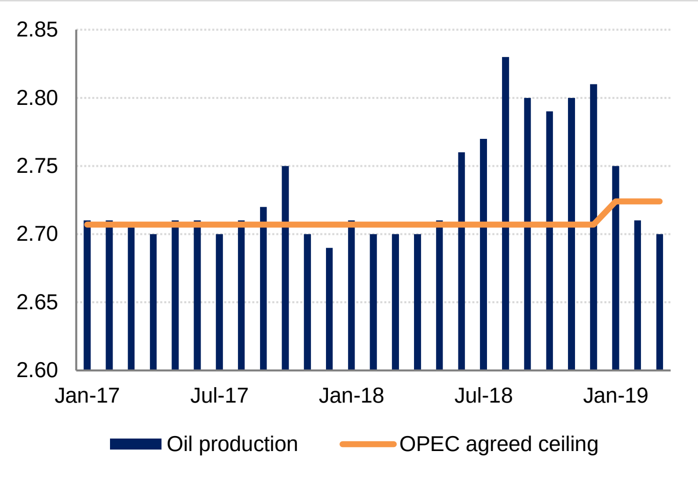
Consumer inflation averaged just 0.6% in 2018, and stood at 0.4% y/y in December 2018. While the annual inflation rate has picked up slightly in February 2019 to 0.6% y/y, price pressures appear to be largely contained. The biggest component of the index (around one-third of the basket) is housing, where prices are still declining in annual terms. Food prices also remain contained.

GDP growth



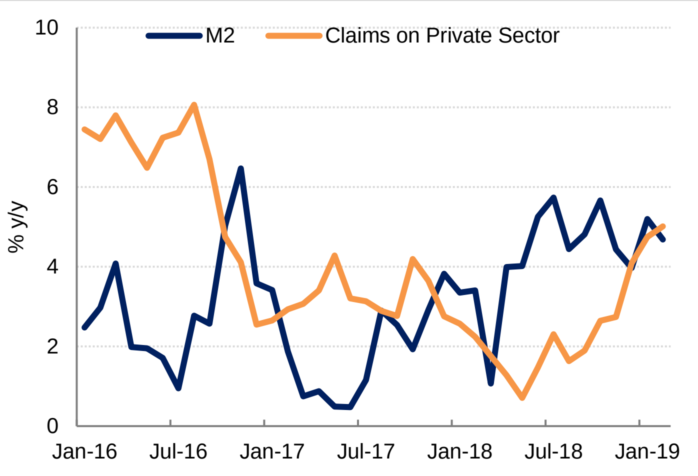
Source: Haver Analytics, Emirates NBD Research

Kuwait oil production & OPEC target



Source: Bloomberg, IMF, Emirates NBD Research

Private sector credit growth accelerates



Source: Haver Analytics, Emirates NBD Research

Lebanon

With a new government finally installed, Lebanon can move forward with the essential economic reforms needed to bring down its persistently large twin deficits and induce some measure of economic stability and growth. That being said, nothing in this process will be easy as any significant reforms will encounter pushback both from the street and from entrenched opposition within government itself as vested interests are threatened. There does appear to be greater political will to act than has been seen in the past, as Prime Minister Saad Hariri has promised 'a budget that will see the most austerity in Lebanon's history'. However, even before the details of this belt-tightening have been released, there have been public protests, with retired army officers blocking streets in April as they fear a challenge to their pensions. We do expect some progress on deficit reduction, but the shortfall will remain sizeable – we forecast a budget deficit equivalent to -9.5% of GDP this year, as compared to -10.9% in 2018.

Electricity sector reform essential

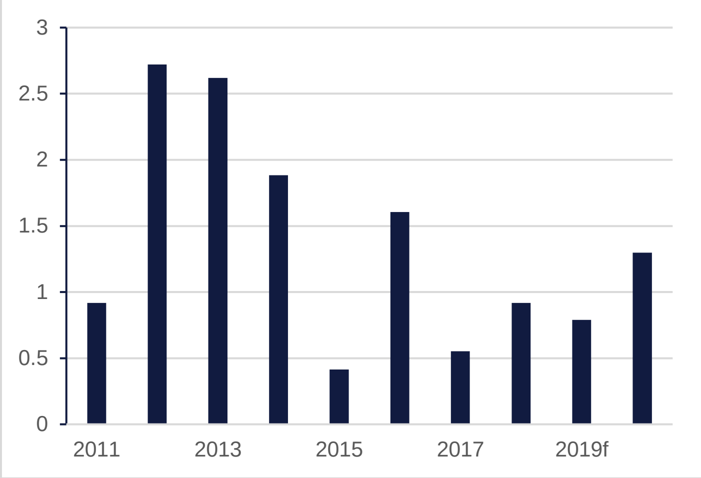
Key to bringing down the deficit and curtailing the expansion of Lebanon's onerous public debt burden – set to stand at 158.2% of GDP in 2019 according to our forecasts – is reform of the electricity sector. The state-owned Electricité du Liban (EdL) accounted for 16.4% of government expenditure over January-November last year, and around a quarter of the budget deficit. At the same time, the firm's crumbling infrastructure is not fit for purpose, unable to cater for Lebanon's power needs. On April 17, parliament passed amendments seeking to improve the sector, pledging to generate sufficient power by next year for 24-hour electricity, and to develop new power plants over the next six years. The sector's reform would not only help in deficit reduction, but also support economic growth as reliable energy would make Lebanon a more attractive proposition for investment.

Growth will remain weak in 2019

In the near-term however, the growth outlook remains weak, and we project a real expansion of just 0.8% this year, compared to an estimated 0.9% in 2018. Growth has averaged just 1.5% since 2011, as regional challenges have coalesced with longstanding domestic structural impediments. The private sector has been anaemic, with the purchasing managers' index in contractionary sub-50 territory since 2013. The real estate sector has been looking especially challenged, with construction permits and cement deliveries both posting double-digit y/y contractions in recent months. Real estate transactions meanwhile were down 14.9% y/y in Q1.

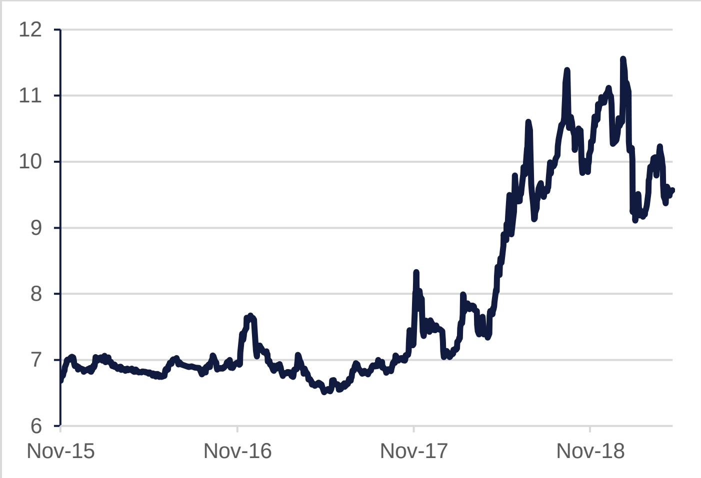
One bright spot is the tourism sector, which is expected to perform well in 2019 as in February Saudi Arabia lifted its travel ban on citizens travelling to Lebanon – although the UAE's ban remains in place for now. Visitor arrivals were up 4.9% y/y in Q1 2019, following growth of 12.4% over 2018.

Real GDP growth, % y/y



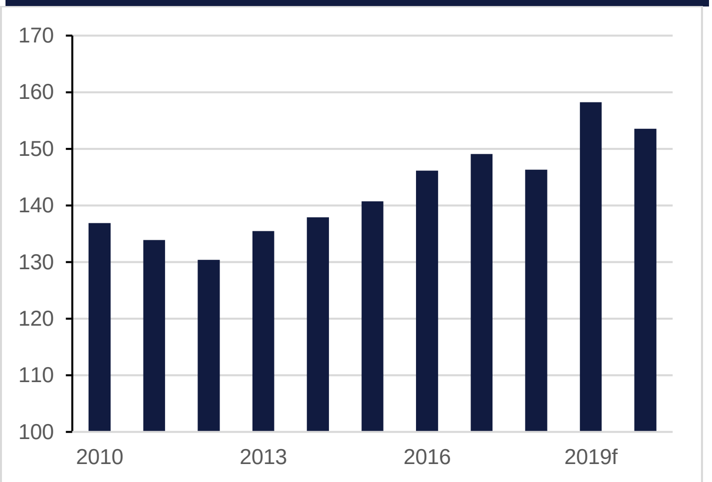
Source: Haver Analytics, Emirates NBD Research

Lebanon 2028 eurobond % yield



Source: Bloomberg, Emirates NBD Research

Debt, % GDP



Source: Haver Analytics, Emirates NBD Research

Morocco

We maintain our below-consensus view that real GDP growth will be 2.7% in Morocco in 2019, compared to a 3.0% expansion recorded in 2018. This growth will likely come primarily from the non-agricultural sector, while agriculture will likely be fairly sluggish given strong base effects from recent years. Among the primary non-agricultural industries, we expect that tourism, mining and manufacturing will be strong performers. Visitor numbers hit 12.3mn in 2018, representing growth of 8.3% y/y, and a further rise in 2019 is expected. Although mining and quarrying had a weak Q4, Morocco's Office Cherifien des Phosphates (OPC) expects a robust 2019 as global demand increases. Finally, the ongoing development of Morocco's autos production sector will continue as international firms reaffirm their commitment with fresh investments. Quarterly y/y growth in the autos production index averaged 9.4% in 2018.

Africa focus to bolster position

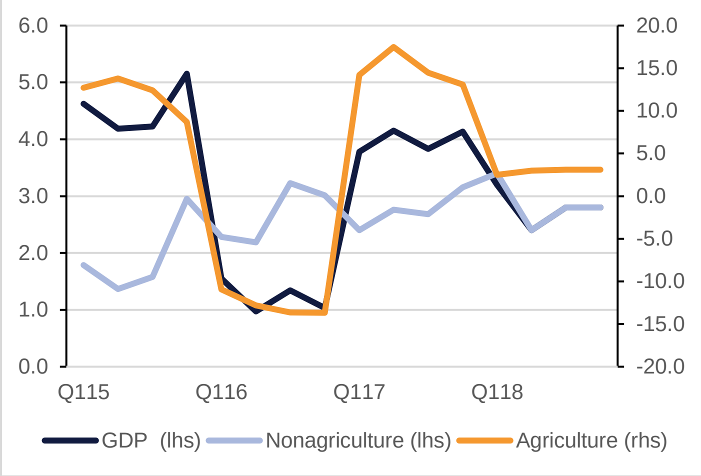
While Morocco has benefitted substantially from its geographical proximity to Western Europe, with its autos sector particular in large part a product of this, the country has been increasingly diversifying through looking south to Sub-Saharan Africa. Its readmission to the African Union in in 2017 is indicative of its strengthening relations with the region, with Moroccan banks, Maroc Telecom and OPC all active there. With European growth looking less certain in 2019, exposure to rapid growth in SSA will help hedge against any potential downturn emanating from Europe.

Steady monetary policy set to continue

We anticipate that the central bank will keep its benchmark rate on hold through 2019. The Banque al-Maghrib has kept rates static since a 25bps cut was implemented in March 2016, most recently at the bank's March 19 meeting, at which it deemed the status quo 'appropriate'. A hike in the ECB this year may have prompted a similar move by Morocco, given the heavy weighting of the Eurozone in the country's trade basket, and the euro's weighting of 60% in the MAD's exchange rate basket (it was previously even larger, at 80%, before the USD's proportion was boosted to 40% in 2017 in a bid for greater flexibility). However, the ECB has changed tack on tightening as the bloc's growth has weakened, signalling that there will be no move on rates until 2020.

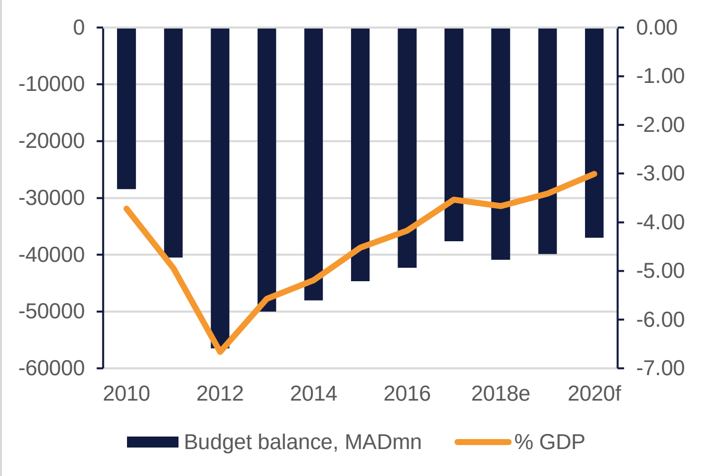
Meanwhile, from a domestic perspective, inflation is likely to remain contained at an average 1.6% according to our forecasts, compared to 1.8% last year. Our projection for Brent crude (USD 65/b) is broadly in line with the central bank's (USD 63.2/b), and pump prices should remain manageable given the government's plan to control prices from distribution companies by adjusting the price cap every 15 days. This follows substantial protests through 2018.

Real GDP growth, % y/y



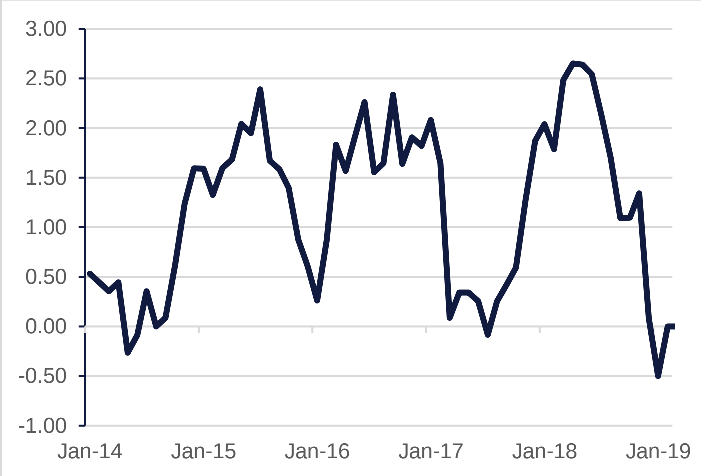
Source: Haver Analytics, Emirates NBD Research

Fiscal consolidation



Source: Haver Analytics, Emirates NBD Research

Moroccan CPI (% y/y) remains benign



Source: Haver Analytics, Emirates NBD Research

Oman

Oil production has declined year-to-date

Although Oman is not a member of OPEC, it is part of OPEC+ and has abided by production targets agreed with OPEC in a bid to bring the oil market into balance. Oman's voluntary production level is 970,000 b/d from January 2019, and the country reported production of 971,000 b/d in February, down -0.5% from the 2018 average.

The IMF has recently concluded its 2019 Article IV consultation with Oman and has indicated that GDP growth last year was around 2.2%, below our 2.9% forecast. While we do expect non-oil sector growth to accelerate this year, oil sector expansion is unlikely to be faster than last year. As a result, we have revised down our growth forecast for 2019 to 2.4% from 3.1% respectively.

S&P downgrades outlook to negative

S&P downgraded its outlook on Oman's long-term foreign currency debt to negative in April, citing sizable fiscal deficits and an expected increase in external debt over the coming year. S&P already rates Oman one notch below Moody's and Fitch, both of which have stable outlooks.

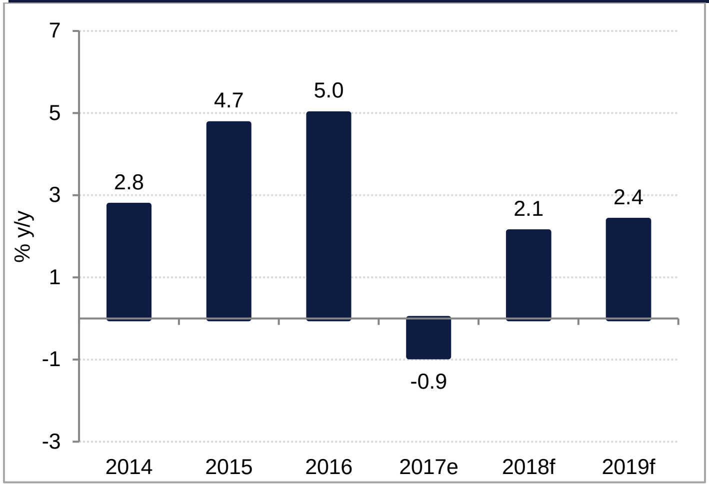
The IMF estimates Oman's budget deficit at around 9% of GDP in 2018, broadly in line with S&P's figures, but neither agency sees significant reduction in the deficit this year. While Oman has said it will rely less on external debt to finance its budget shortfall in 2019 - using proceeds from asset sales instead - there has been little progress evident on this front so far this year.

Moreover, the higher interest rate environment has also raised concerns about the cost of Oman's debt financing. The market continues to perceive Oman's debt as "riskier" than Bahrain's, reflected in the CDS spreads for the two countries. To some extent this likely reflects the fact that Bahrain has an explicit agreement for financial support from other GCC countries, while Oman does not. However, S&P noted that its rating assumed that "timely support" from the GCC for Oman "would be forthcoming, if needed."

Inflation averages 0.3% y/y in Q1 2019

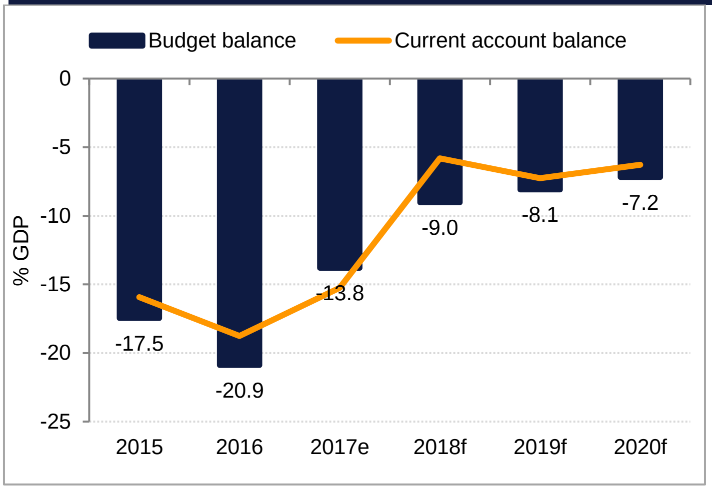
Oman has yet to implement VAT, and inflation has instead benefitted from lower food prices, and very little inflation in housing or utilities costs. In Q1 2019, the housing component of the index declined -0.1% m/m on average, while food prices declined -0.3% m/m on average. These two components account for half the consumer basket.

GDP growth



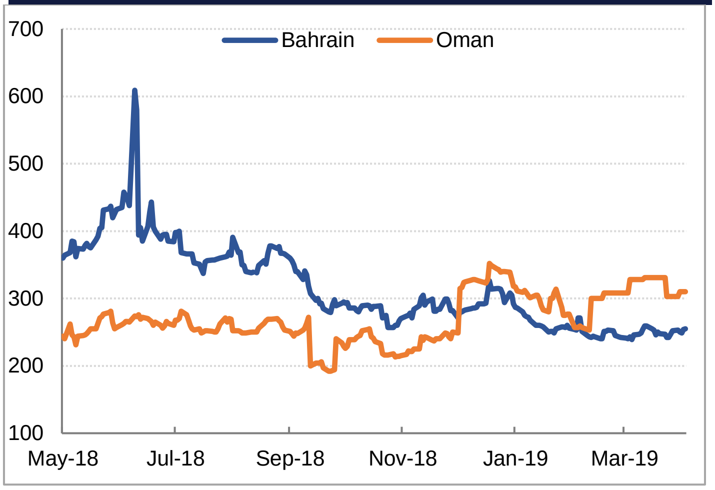
Source: Haver Analytics, Emirates NBD Research

Twin deficits to widen slightly in 2019



Source: Haver Analytics, Emirates NBD Research

5Y CDS spreads



Source: Haver Analytics, Emirates NBD Research

Qatar

2018 GDP growth slower than expected

Official data show the economy grew just 1.3% last year, well below our forecast of 3.1%. This was entirely due a -2.0% contraction in the hydrocarbon sector, where we had anticipated growth on the back of LNG sector investment. The non-oil sector grew at 4.7% in 2018, faster than the 3.8% growth recorded in 2017.

As expected, building & construction was a significant contributor to growth last year, expanding 11.6% y/y. Manufacturing grew 6.2% in 2018, the fastest growth recorded in this sector since 2012. Finance, insurance and real estate services grew 6.1% last year, the strongest growth in four years. While growth in trade, restaurants & hotels was modestly faster in 2018 (2.9% compared with 0.7% in 2017), it remains weak relative to 2014-16, reflecting the impact of sanctions imposed by the Saudi-UAE bloc in mid-2017. These have also weighed on the transport & communications sector, which contracted again in 2018 although only marginally.

PMI survey signals sluggish growth in Q1 2019

Qatar's headline PMI averaged 49.7 in Q1 2019, slightly in contraction territory but a little better than the reading for Q4 2018. Quarterly GDP data does show growth at close to zero in Q4 2018, when the PMI survey moved into recession territory.

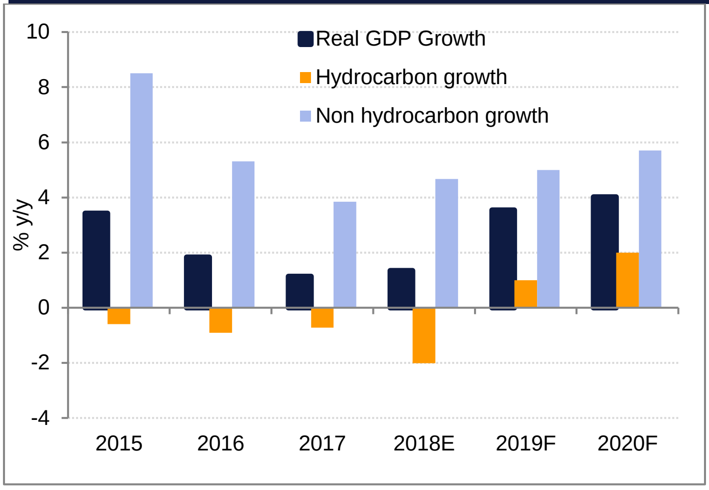
The survey data suggests muted private sector growth at the start of this year, with output declining even as new orders are unchanged. Input costs increased in Q1 2019, after declining slightly in H2 2018. However, selling prices continued to decline sharply, as they have for the last four quarters. Nevertheless, firms were the most optimistic about future output than they have been since the survey began in Q2 2017.

Money supply contracts further

Broad money supply, M2 fell -4.3% y/y in February, the fifth consecutive month of decline. Both M1 (cash in circulation and demand deposits) as well as quasi money (time and FX deposits) have declined on an annual basis. However, the annual growth in monetary aggregates is calculated off a high annual base. Net foreign assets at the central bank have continued to recover, and reached USD 30.4bn at the end of February.

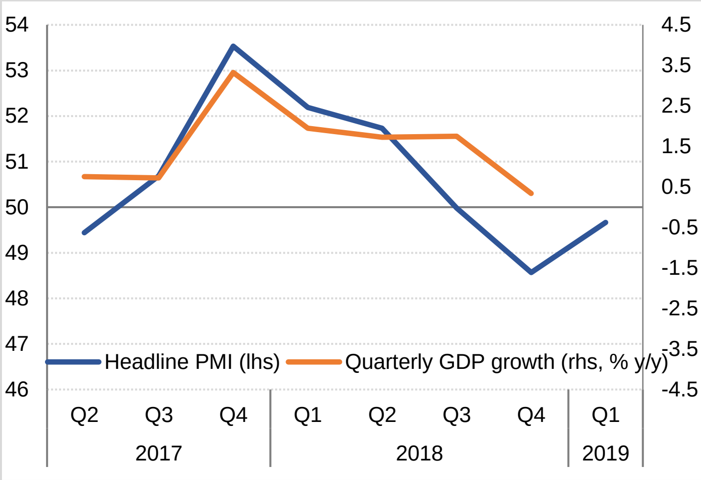
Private sector credit growth remains robust at 12.9% y/y in February, while public sector borrowing from commercial banks has declined in recent months.

Real GDP growth



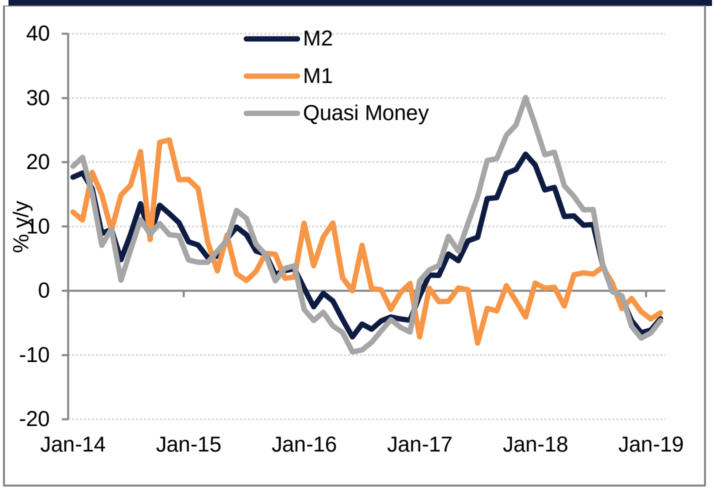
Source: Haver Analytics, IMF, Emirates NBD Research

Quarterly PMI and GDP growth



Source: Haver Analytics, Emirates NBD Research

Growth in monetary aggregates



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

Oil production falls sharply in Q1 2019

Bloomberg data shows oil production declined by -2.6% from average 2018 output in Q1 2019, averaging just over 10mn bp/d. this is well below the 10.3mn b/d voluntary production level that came into effect in January, and again shows that Saudi Arabia has shouldered the bulk of the OPEC production cuts this year. However, as discussed in the oil market outlook on page 3, we expect Saudi oil production to rise from June, and we continue to expect the hydrocarbons sector to contribute positively to headline GDP growth this year, albeit to a smaller extent than in 2018.

PMI survey data for Q1 2019 has also been encouraging, signalling a pick-up in private sector activity at the start of this year. The average PMI reading was 56.5, the highest since Q4 2017. However, sharp rises in output and new work have not translated into rising employment in the kingdom's private sector.

BoP flows show record outflow of investment in 2018

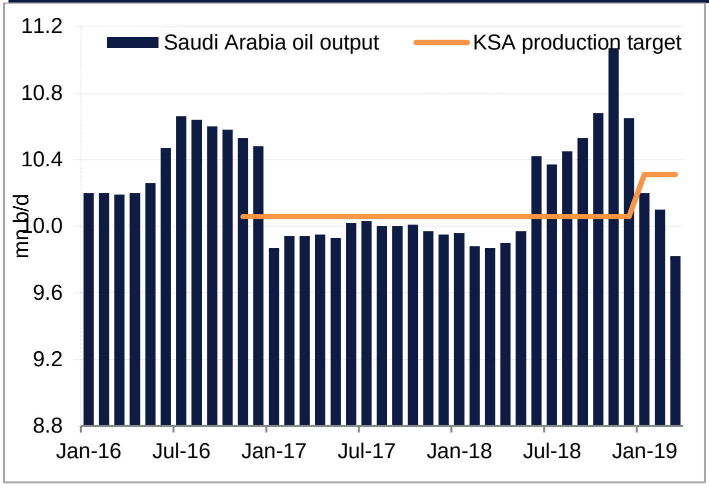
The current account recorded a surplus of USD 72.3bn in 2018, the largest surplus since 2014. In addition, the government issued USD 11bn in USD bonds as well as raising at least another USD 6bn in (new) syndicated loans. Nevertheless, the net foreign assets position at the central bank was broadly flat at the end of 2018 at USD 490bn.

This was largely due to a USD 66bn outflow of capital through the financial account last year, the most since 2013. While this primarily reflects the acquisition of financial assets abroad ("other investments" including currency and deposits), it also includes the largest net outflow of of FDI from the kingdom since at least 2005 of around USD 18bn.

FDI into Saudi Arabia did increase last year to over USD 3bn – still low by historical standards although an improvement on 2017 - but was dwarfed by the outflow of FDI from the kingdom last year of more than USD 21bn. This is important from an economic perspective because achieving the economic goals set out in the Vision 2030 requires significant investment in the domestic economy. If there is insufficient inward FDI, and the kingdom itself is investing its capital abroad, then it's difficult to see how the infrastructure development, economic diversification and job creation goals will be achieved.

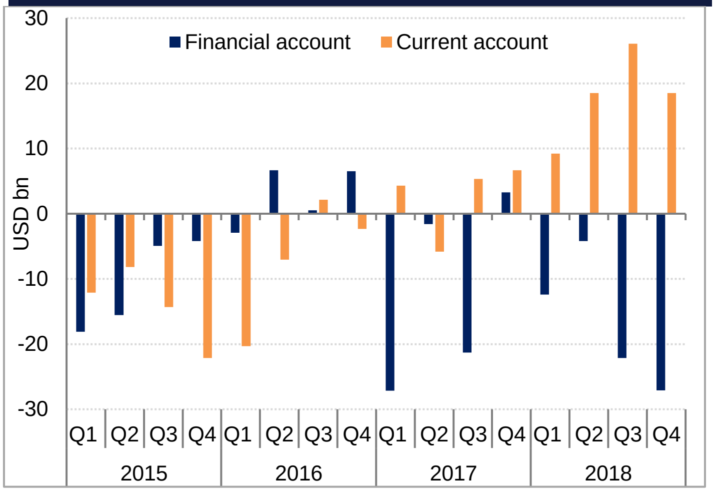
While BoP data for Q1 2019 is not yet available, the fact that SAMA's net foreign assets declined by nearly USD 12bn in January-February suggests that capital outflows have continued at the start of the year. The successful Aramco bond issue, which raised USD 12bn earlier this month, will make more capital available for potential investment (most likely through PIF). The impact on the real economy will depend on whether these funds will be put to work at home or abroad.

Oil production and OPEC target



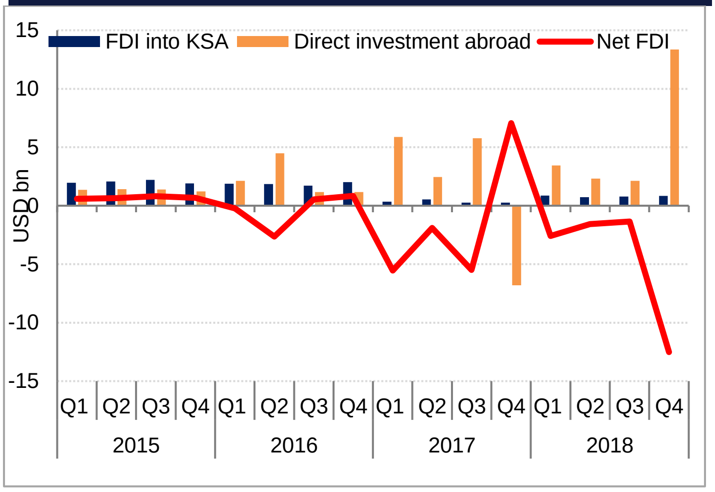
Source: Bloomberg, Emirates NBD Research

Current account surplus and financial account deficit



Source: Haver Analytics, Emirates NBD Research

Record outward FDI in 2018



Source: Haver Analytics, Emirates NBD Research

Tunisia

We forecast a modest acceleration in real GDP growth in Tunisia in 2019, to 2.7% from an estimated 2.5% in 2018. Growth will continue to be underpinned by the agriculture and tourism sectors, while private consumption will remain under pressure, despite the government's agreement in February to raise public sector worker wages. The negative impact of this fiscal slippage will in turn weigh on investor sentiment, especially given concerns over dinar stability. A fractious political environment will also weigh on investor sentiment; although the pay deal with the UGTT union removes one source of protest, there have been demonstrations in April over higher fuel prices.

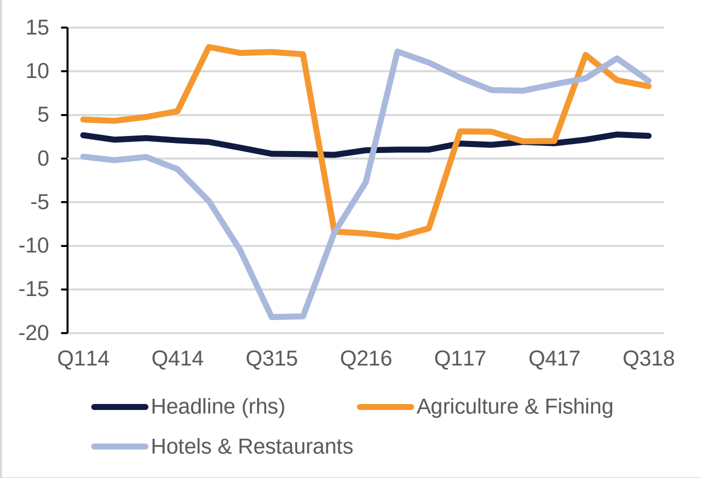
Political fracture as late-2019 elections approach

Aside from the risk of street protest, there is also political risk stemming from a fragmentation at the top of Tunisian politics. In April, the ruling Nidaa Tounes party split, electing two leaders in two parallel congresses. One of those elected was Hafdeh Caid Essebi, the son of the president, who has long been a divisive figure within the party. In September 2018, PM Youssef Chahed's membership of Nidaa Tounes was suspended following long-running disputes with Essebi, prompting him to form his own party, Tahya Tounes. This infighting increases the chances of electoral success for the Islamist Ennahda party.

Central bank will hold as inflation softens

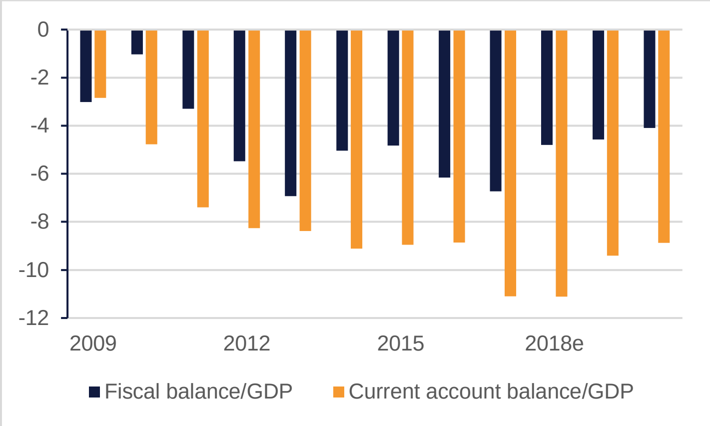
Having hiked three times in the course of 12 months, we expect that the Tunisian central bank will remain in a holding position for the time being as inflationary pressures should soften. Price growth hit multi-year highs of an average 7.4% in 2018, compared to an average 4.6% over the previous decade, prompting the BCT to take drastic action; in its February meeting, the MPC raised rates by 100bps to 7.75%, exceeding our projection of a 50bps hike. The outlook is somewhat more favourable this year as inflation had fallen to 7.1% in March, and we expect a further softening as subsidy removal on fuel will likely proceed at a slower pace than seen last year, when prices were raised three times in the first half – though there have been hikes this year too. That being said, we do not see any scope for a relaxation of rates either, as substantial wage increases agreed following labour action last year will induce demand-pull inflation; we forecast an average inflation rate of 6.8% this year.

Real GDP growth, % y/y



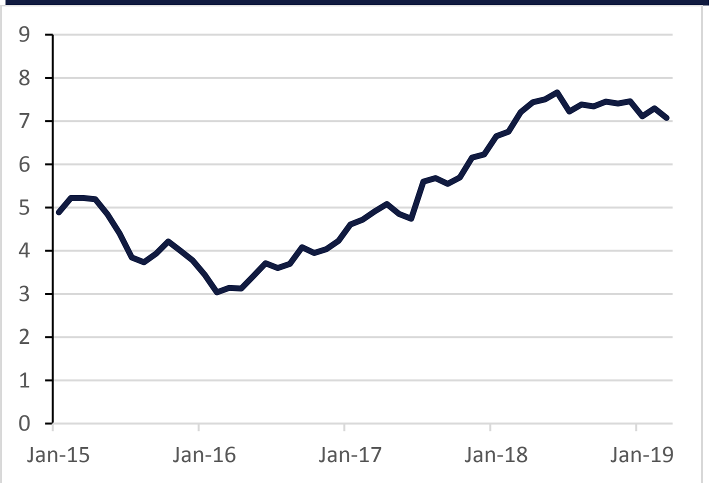
Source: Haver Analytics, Emirates NBD Research

Twin deficits, % GDP



Source: Haver Analytics, Emirates NBD Research

CPI (% y/y) will ease



Source: Haver Analytics, Emirates NBD Research

UAE

Preliminary GDP estimate for 2018 at 1.7%

The initial official estimate for the UAE's real GDP growth last year was a disappointing 1.7%, below our forecast of 2.4% and the market consensus of 2.8%. The Federal Competitiveness & Statistics Authority has yet to release the detailed breakdown of last year's UAE GDP. However, given the revisions to both Dubai's and Abu Dhabi's GDP statistics, it is likey that the 2017 growth estimate fo the UAE was revised as well.

Data from Statistics Centre Abu Dhabi show that the emirate's 2017 GDP growth was revised down to -0.9% from -0.5%, with non-oil sector growth revised down to half the initial estimate (0.9% from 1.8%). The preliminary data for 2018 show non-oil growth in Abu Dhabi slowed even further last year, to just 0.6%, well below what we had expected. However, this was partially offset by faster than expected growth in the hydrocarbons sector of 3.4% (compared to our forecast of 2.5%). Overall, Abu Dhabi's GDP growth was just 1.9% in 2018, below our forecast of 2.1%. We await the full UAE statistics data for 2018 before revising our growth forecast for this year.

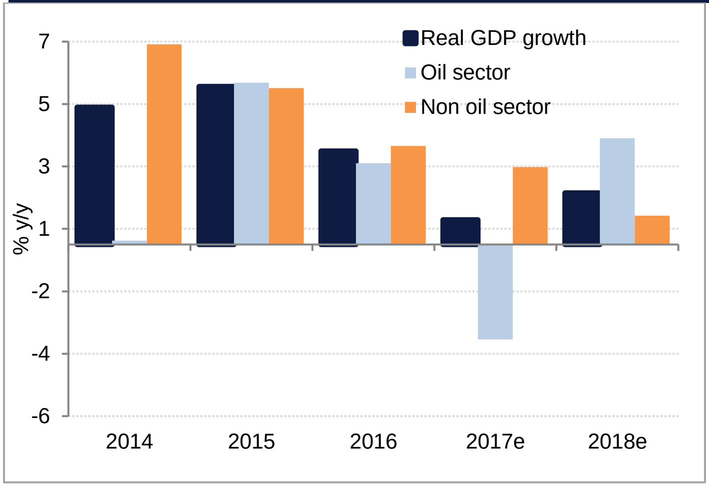
Bank deposit growth accelerates in early 2019

Bank deposits grew 9.1% y/y in February, the fastest rate of annual growth since at least 2015. The main driver continues to be higher public sector deposits, as growth in individual and business deposits is more muted (2.7% y/y in Febuary). Gross loan growth has been slower than deposit growth, reaching 4.7% y/y in February. However, banks have been accumulating foreign assets at a much faster rate in recent months. Banks' net foreign assets were up nearly 30% in the first two months of 2019, while total deposits rose less than 1% over the same period. This accumulation of foreign assets has likely contributed to a sense of tighter domestic liquidity conditions, and may be a factor in keeping 3m EIBOR rates elevated even as the 3m USD rate has declined since the start of this year.

Consumer prices decline on an annual basis

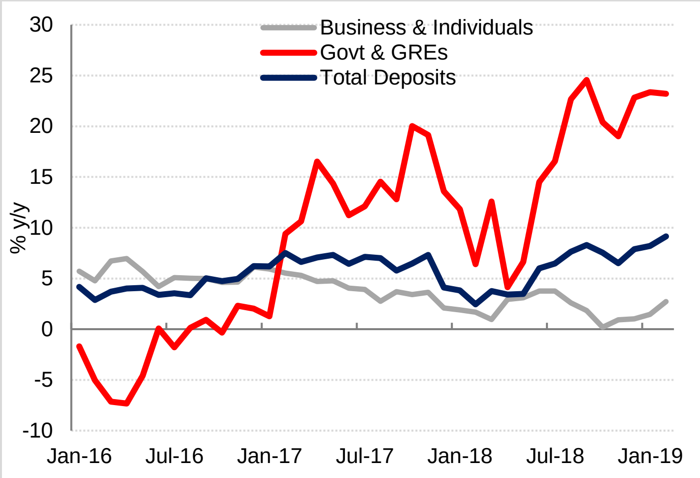
Headline CPI moved into deflation territory in January 2019, as the 5% VAT rise at the start of last year is now in the base, and housing costs have declined at a faster rate. Housing is the largest component of the consumer basket, accounting for more than a third of the index. Food prices and transport costs, which account for roughly 14% of the basket respectively, have also declined on an annual basis since the start of this year. While we expect fuel price rises to feed through to CPI in the coming months, overall inflationary pressure remains muted in the near term, with survey data indicating that firms are continuing to discount prices.

UAE GDP growth



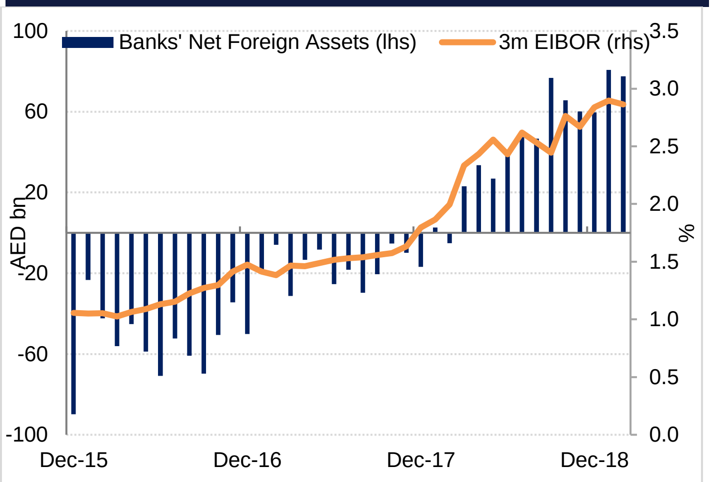
Source: Bloomberg, Emirates NBD Research

Bank deposits grow at a faster rate



Source: Haver Analytics, Emirates NBD

But banks' net foreign assets are rising



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

2018 GDP growth disappoints

The Dubai Statistics Centre released full-year GDP statistics for 2018, although quarterly data is not yet available. The sector breakdown shows that real estate activities was the fastest growing sector last year, while construction sector growth accelerated to 4.5% from 2.7% in 2017. Transport & storage was also a key contributor to GDP growth, despite slowing from 2017. Growth in Dubai's largest sector, wholesale & retail trade, was slightly better than in 2016 and 2017 but still sluggish by historical standards at just 1.3%.

We were particularly surprised with the low preliminary Dubai growth estimate of 1.9% for 2018 as the average Dubai Economy Tracker index for 2018 was only 1 point lower than in 2017. Even using the limited annual data available, there is a clear correlation between the Dubai Economy Tracker index and real GDP growth in Dubai. The growth rate of 1.9% reported for 2018 looks unusually low in this context, and we would not be surprised to see the official estimate revised higher in the future.

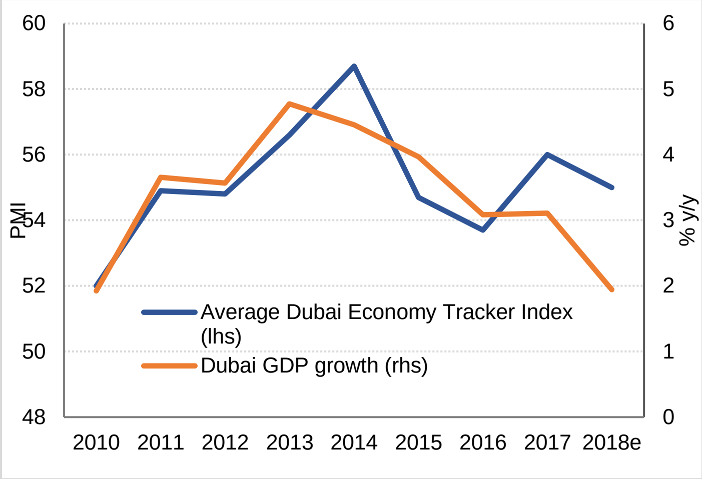
Nevertheless, we recognise that the risk to our GDP growth forecast for this year is on the downside, as the survey data in Q1 2019 has been mixed. While the rebound in the headline Dubai Economy Tracker index shows faster output and new order growth relative to H2 2018, the employment index remained in contraction territory in Q1 2019. We await the release of full 2018 UAE GDP data before revising our 2019 growth forecasts.

Real estate prices decline at a faster rate

The latest data on residential real estate in Dubai show price declines have accelerated in the first couple of months of this year. Property Monitor's house price index shows residential villa prices declined -11.2% y/y in February while apartment prices were down -9.9% y/y. The Bank for International Settlements also publishes a Dubai House Price index, which shows average prices down -9.4% y/y in January, the steepest annual price decline since February 2016.

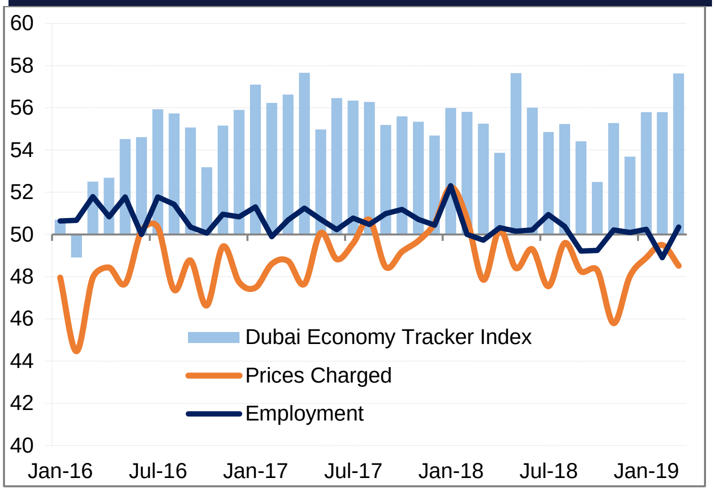
Our analysis indicates a high degree of correlation (over 70%) between the annual change in residential real estate prices in Dubai, and the 3-month moving average of the Dubai Economy Tracker's employment component. This intuitively makes sense: if there is a decline in private sector jobs (the 3m MA has been below the neutral 50-level for five of the last six months) then there is likely to be less demand for residential real estate in Dubai. Increased supply of residential units in this context would further contribute to downward pressure on prices.

DET index suggests prelim. 2018 GDP growth may be too low



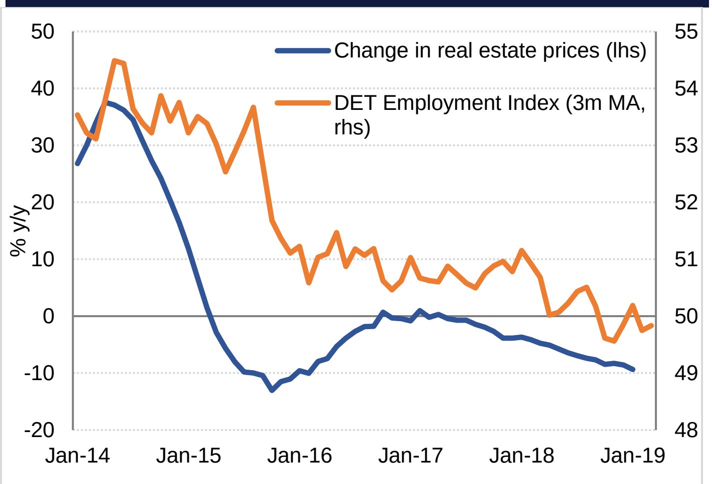
Source: IHS Markit, Emirates NBD Research

DET Index rebounds in Q1 2019



Source: STR Global, Emirates NBD Research

Change in real estate prices is correlated with private sector employment in Dubai



Source: BIS, HIS Markit, Emirates NBD Research

Key Economic Forecasts: Algeria

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (DZD bn)	17525	18594	19454	20536	21852
Nominal GDP (USD bn)	160.2	167.6	166.4	170.4	176.9
GDP per capita (USD)	3944	4057	3962	3993	4083
Real GDP Growth (% y/y)	3.2	0.4	1.8	2.3	2.1
Monetary Indicators (% y/y)					
CPI (average)	5.8	6.0	3.5	4.4	6.0
External Accounts (USD bn)					
Exports	32.7	37.5	46.9	51.6	56.7
Imports	60.2	59.9	61.7	64.8	68.1
Trade balance	-27.5	-22.4	-14.8	-13.2	-11.3
% GDP	*-12.8*	*-13.5*	*-9.3*	*-7.9*	*-6.8*
Current account balance	-26.2	-22.0	-14.3	-12.6	-10.7
% GDP	-12.3	-13.2	-8.9	-7.5	-6.4
Fiscal Indicators (DZDbn)					
Revenue	5012	6182	7181	8076	8733
Expenditure	7297	7389	8497	9772	10358
Budget Balance	-2285	-1207	-1316	-1696	-1625
% GDP	-13.1	-6.6	-6.9	-8.4	-7.6

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (BHD bn)	12.1	13.3	14.2	14.7	15.3
Nominal GDP (USD bn)	32.3	35.4	37.7	39.0	40.6
GDP per capita (USD)	22648	23604	24653	24967	25500
Real GDP Growth (% y/y)	3.5	3.8	1.8	2.0	2.4
Monetary Indicators (% y/y)					
M2	1.2	4.2	2.4	4.5	4.9
Private sector credit	1.5	2.5	9.9	4.0	4.0
CPI (average)	2.8	1.4	2.1	2.5	2.5
External Accounts (USD bn)					
Exports	12.8	15.4	18.3	17.7	17.9
Of which: hydrocarbons	6.1	8.4	10.8	10.1	10.1
Imports	13.6	16.1	19.1	18.7	18.9
Trade balance	-0.8	-0.7	-0.9	-1.0	-1.0
% GDP	-2.5	-2.0	-2.3	-2.4	-2.4
Current account balance	-1.5	-1.6	-2.2	-2.5	-2.5
% GDP	-4.6	-4.5	-5.9	-6.3	-6.1
Fiscal Indicators (% GDP)					
Budget balance	-13.5	-10.0	-6.8	-6.4	-6.0
Revenue	15.7	16.5	18.4	17.0	16.5
Expenditure	29.1	26.5	25.2	23.4	22.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2016	2017	2018	2019f	2020f
Nominal GDP (EGP bn)	2709.4	3442.0	4303.8	5138.8	6074.6
Nominal GDP (USD bn)	332.4	225.8	241.5	286.1	336.5
GDP per capita (USD)	3473	2314	2431	2828	3269
Real GDP Growth (% y/y)	4.3	4.1	5.3	5.3	5.7
Monetary Indicators (% y/y)					
M2	18.6	39.3	19.7	17.8	17.7
CPI (average)	13.7	29.6	14.4	12.5	12.0
External Accounts (USD bn)					
Exports	18.7	21.7	25.8	26.8	31.2
Imports	57.4	59.0	63.1	75.3	78.9
Trade Balance	-38.7	-37.3	-37.3	-48.6	-47.7
% of GDP	-11.6	-16.5	-15.4	-17.0	-14.2
Current Account Balance	-6.4	-2.8	-6.0	-6.0	-6.2
% of GDP	-6.0	-6.4	-2.5	-2.0	-1.8
Reserves	17.6	31.3	44.3	42.0	42.0
Public Finances					
Revenue (EGP bn)	491488	659184	805741	985252	1092689
Expenditure (EGP bn)	804704	1025109	1219826	1422685	1530323
Balance*	-326355	-372758	-423391	-437433	-437634
% of GDP	-12.05	-10.83	-9.84	-8.51	-7.20
Central Government Debt (EGP mn)	2285644	2685898	3121804	4000000	4500000
% of GDP	84.4	78.0	72.5	77.8	74.1

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iran

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (IRR tn)	12823	14841	17569	22483	26965
Nominal GDP (USD bn)	441.8	446.9	433.4	494.1	586.2
GDP per capita (USD)	5436	5391	5166	5820	6823
Real GDP Growth (% y/y)	12.4	3.3	-1.9	-4.0	3.8
Monetary Indicators (% y/y)					
CPI (average)	8.7	10.0	21.0	31.2	17.5
External Accounts (USD bn)					
Exports	83978	98142	99782	79080	73903
Imports	63135	75546	77057	73204	74668
Trade balance	20843	22596	22725	5876	-765
% GDP	4.7	5.1	5.2	1.2	-0.1
Current account balance	16388	15816	15832	-1129	-7884
% GDP	3.7	3.5	3.7	-0.2	-1.3
Fiscal Indicators (IRRbn)					
Revenue	-1.9925	-1.82	-1.5989	-1.3119	-1.148515305
Expenditure	2072300	2429400	2769516	2824906	2966151.636
Budget Balance	-611700	-753700	-725162	-944101	-991305.672
% GDP	-4.8	-5.1	-4.1	-4.2	-3.7

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (IQD tn)	190928	215516	255894	288892	297840
Nominal GDP (USD bn)	165.2	166.2	218.7	246.9	254.6
GDP per capita (USD)	4239	4120	5270	5785	5800
Real GDP Growth (% y/y)	9.6	1.0	2.0	4.2	4.1
Monetary Indicators (% y/y)					
CPI (average)	1.3	0.7	0.4	1.0	1.1
External Accounts (USD bn)					
Exports	41298.3	57559.1	74826.8	82309.5	98771.4
Imports	29077.0	32185.6	40232.0	48278.4	57934.1
Trade balance	12221.3	25373.5	34594.8	34031.1	40837.3
% GDP	*7.4*	*13.7*	*16.1*	*14.0*	*16.3*
Current account balance	2157.8	14892.5	29771.8	20689.1	18461.5
% GDP	1.3	8.1	13.9	8.5	7.3
Fiscal Indicators (IQDbn)					
Revenue	55500	76590	98035.2	107839	109995
Expenditure	82860	90924.8	109110	119335	121113
Budget Balance	-27360	-14335	-11075	-11496	-11118
% GDP	-14.3	-6.7	-4.3	-4.0	-3.7

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (JOD bn)	27.8	28.9	29.6	30.6	31.6
Nominal GDP (USD bn)	39.2	40.7	41.7	43.2	44.6
GDP per capita (USD)	5019	4621	4633	4685	4735
Real GDP Growth (% y/y)	2.1	2.1	2.0	2.8	2.7
Monetary Indicators (% y/y)					
M2	5.1	-2.4	-4.5	3.0	5.0
CPI (average)	4.1	3.6	4.0	6.0	6.0
External Accounts (USD bn)					
Exports	7.5	7.5	7.8	7.9	8.0
Imports	17.1	18.2	18.0	19.8	21.0
Trade Balance	-9.6	-10.7	-10.2	-11.8	-12.9
% of GDP	-24.5	-26.3	-24.4	-27.4	-29.0
Current Account Balance	-3.7	-4.3	-3.0	-2.8	-2.8
% of GDP	*-9.4*	*-10.6*	*-7.1*	*-6.6*	*-6.4*
Reserves	15.7	16.0	16.8	16.0	16.0
Public Finances					
Revenue (JOD mn)	7069.5	7425.1	7839.8	8286.5	8970.0
Expenditure (JOD mn)	7948.2	8173.1	8567.2	8976.6	9564.0
Balance	-878.7	-747.9	-727.5	-690.1	-594.0
% of GDP	*-3.2*	*-2.7*	*-2.7*	*-2.5*	*-2.2*
Central Government Debt (JOD mn)	23238.2	23239.2	23240.2	23241.2	23242.2
% of GDP	87.0	87.4	87.6	95.0	98.0

Source: Haver Analytics, Emirates NBD Research

Emirates NBD

Key Economic Forecasts: Kuwait

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (KWD bn)	33.1	36.3	42.8	42.3	44.1
Nominal GDP (USD bn)	109.4	119.5	141.6	141.0	147.1
GDP per capita (USD)	27009	28933	33607	32794	33548
Real GDP Growth (% y/y)	2.9	-3.5	1.2	0.9	2.0
Hydrocarbon	2.0	-7.2	1.5	0.0	1.5
Non-hydrocarbon	4.1	1.5	4.0	3.5	3.5
Monetary Indicators (% y/y)					
M3	3.6	3.8	4.0	5.0	4.0
Private sector credit	2.5	2.8	4.1	4.0	4.0
CPI (average)	3.2	1.6	0.6	1.0	1.5
External Accounts (USD bn)					
Exports	46.5	55.1	70.8	61.6	69.1
Of which: hydrocarbons	41.5	49.3	64.8	55.6	63.1
Imports	27.0	29.5	30.5	31.5	32.0
Trade balance	19.5	25.6	40.3	30.1	37.1
% GDP	17.8	21.4	28.5	21.3	25.2
Current account balance	-5.1	7.1	18.3	10.1	18.1
% GDP	-4.6	5.9	12.9	7.2	12.3
Fiscal Indicators (% GDP)					
Budget balance	-13.9	-9.0	-2.9	-5.5	-5.8
Revenue	39.6	44.1	44.2	41.7	40.4
Expenditure	53.6	53.1	47.1	47.3	46.2

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (LBP bn)	77243	80491	87714	93530	99747
Nominal GDP (USD bn)	51.1	52.1	62.7	66.8	71.2
GDP per capita (USD)	11614	11802	14027	14873	15776
Real GDP Growth (% y/y)	1.6	0.6	0.9	0.8	1.3
Monetary Indicators (% y/y)					
M2	5.3	-3.5	-2.8	3.0	5.0
CPI (average)	-0.8	4.5	6.1	3.5	3.5
External Accounts (USD bn)					
Exports	3.9	4.0	3.8	3.7	3.9
Imports	17.9	18.4	19.4	20.5	22.2
Trade Balance	-14.0	-14.4	-15.5	-16.8	-18.3
% of GDP	-27.4	-27.6	-24.8	-25.2	-25.7
Current Account Balance	-10.5	-12.1	-12.7	-13.4	-14.6
% of GDP	*-20.5*	*-23.3*	*-20.3*	*-20.0*	*-20.5*
Reserves	39.6	42.0	40.3	39.5	39.1
Public Finances					
Revenue (LBP bn)	14959	17524	13840	13916	13955
Expenditure (LBP bn)	22412	23186	20912	21192	21580
Balance	-7453	-5662	-7072	-7276	-7625
% of GDP	-9.6	-7.0	-10.9	-9.5	-9.2
Central Government Debt (LBP bn)	112911	120007	128338	148010	153161
% of GDP	146.2	149.1	146.3	158.2	153.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Morocco

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (MAD bn)	1013.6	1063.3	1112.2	1160.0	1213.3
Nominal GDP (USD bn)	103.3	109.6	118.5	120.2	125.7
GDP per capita (USD)	2929	3066	3273	3280	3392
Real GDP Growth (% y/y)	1.1	4.1	3.0	2.7	3.0
Monetary Indicators (% y/y)					
M2	7.0	6.0	6.0	6.0	6.0
CPI (average)	1.6	0.8	1.8	1.6	1.5
External Accounts (USD bn)					
Exports	19.1	21.5	25.8	27.8	29.5
Imports	36.7	39.5	46.2	51.8	54.3
Trade Balance	-17.6	-18.0	-20.4	-23.9	-24.8
% of GDP	-1.7	-1.7	-1.8	-2.1	-2.0
Current Account Balance	-4.2	-3.7	-3.9	-3.9	-3.6
% of GDP	-4.0	-3.4	-3.3	-3.2	-2.9
Reserves	25.4	25.8	24.5	26.0	28.0
Public Finances					
Revenue (MAD mn)	214149	222724	257586	270975	285060
Expenditure (MAD mn)	203621	206898	212133	220398	227068
Balance*	-42316	-37630	-40888	-39883	-36991
% of GDP	-4.2	-3.5	-3.7	-3.4	-3.0
Central Government Debt (MAD mn)	657	692	727	763	801
% of GDP	0.6	0.6	73.6	77.2	81.1

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

Key Economic Forecasts: Oman

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (OMR bn)	25.4	27.2	30.4	30.7	31.8
Nominal GDP (USD bn)	65.9	70.7	78.9	79.7	82.7
GDP per capita (USD)	14920	15503	16964	16792	17087
Real GDP Growth (% y/y)	14920	15503	16964	16792	17087
Monetary Indicators (% y/y)					
M2	1.8	4.2	6.0	3.9	5.2
Private sector credit	9.9	6.4	6.3	6.0	5.0
CPI (average)	1.1	1.6	0.9	1.5	2.5
External Accounts (USD bn)					
Exports	27.6	32.9	40.3	39.6	40.9
Of which: hydrocarbons	16.0	19.2	24.8	23.0	23.2
Imports	21.3	24.2	24.6	25.1	25.6
Trade balance	6.3	8.8	15.6	14.5	15.3
% GDP	9.5	12.4	19.8	18.2	18.5
Current account balance	-12.4	-10.8	-4.6	-5.8	-5.2
% GDP	-18.8	-15.2	-5.8	-7.3	-6.3
Fiscal Indicators (% GDP)					
Budget balance	-20.9	-13.8	-9.0	-8.1	-7.2
Revenue	30.0	31.3	35.1	35.4	34.6
Expenditure	50.9	45.1	44.1	43.5	41.8

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (QAR bn)	552.3	607.6	698.9	703.4	748.9
Nominal GDP (USD bn)	151.7	166.9	192.0	193.3	205.8
GDP per capita (USD)	57913	61371	69548	68964	72341
Real GDP Growth (% y/y)	1.8	1.1	1.3	3.5	4.0
Hydrocarbon	-0.9	-0.7	-2.0	1.0	2.0
Non- hydrocarbon	5.3	3.8	4.7	5.0	5.7
Monetary Indicators (% y/y)					
M2	-4.6	21.3	-6.5	6.5	7.7
Private sector credit	6.5	6.4	13.0	7.0	7.5
CPI (average)	2.7	0.4	0.2	1.5	2.0
External Accounts (USD bn)					
Exports	57.3	67.5	87.7	83.8	88.4
Of which: hydrocarbons	46.7	56.8	67.5	70.9	75.9
Imports	31.9	30.8	33.8	37.2	40.9
Trade balance	25.4	36.7	53.8	46.6	47.5
% GDP	16.7	22.0	28.0	24.1	23.1
Current account balance	-8.3	6.4	19.5	11.1	10.3
% GDP	-5.5	3.8	10.2	5.7	5.0
Fiscal Indicators (% GDP)					
Budget balance	-9.2	-5.8	-0.3	1.0	1.0
Revenue	30.8	26.3	28.7	29.0	28.7
Expenditure	39.9	32.1	29.0	27.9	27.8

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2016	2017	2018	2019f	2020f
Nominal GDP (SAR bn)	2419	2582	2934	2967	3089
Nominal GDP (USD bn)	645	689	782	791	824
GDP per capita (USD)	20287	21155	23522	23272	23710
Real GDP Growth (% y/y)	1.7	-0.7	2.2	2.0	1.6
Hydrocarbon	3.6	-3.1	2.8	1.0	0.0
Non- hydrocarbon	0.2	1.3	2.1	2.7	2.9
Monetary Indicators (% y/y)					
M2	0.8	0.2	2.8	4.7	4.9
Private sector credit	2.4	-0.8	3.0	5.0	5.0
CPI (average)	2.1	-0.8	2.5	2.0	2.0
External Accounts (USD bn)					
Exports	183.6	221.9	294.5	262.4	263.7
Of which: hydrocarbons	136.2	170.2	170.2	210.0	210.0
Imports	127.8	123.4	124.0	127.1	130.3
Trade balance	55.8	98.5	170.5	135.3	133.4
% GDP	8.6	14.3	21.8	17.1	16.2
Current account balance	-23.8	10.5	72.3	47.2	47.6
% GDP	-3.7	1.5	9.2	6.0	5.8
SAMA's Net foreign Assets	528.6	488.9	500.0		
Fiscal Indicators (% GDP)					
Budget balance	-12.9	-9.2	-4.6	-5.5	-5.5
Revenue	21.5	26.8	30.5	30.9	30.2
Expenditure	34.3	36.0	35.1	36.5	35.7
Public debt	13.1	17.1	19.1	24.2	26.3

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Tunisia

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (TND bn)	89.6	89.0	91.1	93.5	96.3
Nominal GDP (USD bn)	41.7	36.8	34.5	30.6	30.6
GDP per capita (USD)	3911	3791	3343	3136	2785
Real GDP Growth (% y/y)	1.0	1.7	2.5	2.7	3.0
Monetary Indicators (% y/y)					
M2	8.2	10.6	10.0	8.0	8.0
CPI (average)	3.7	5.3	7.4	6.8	5.5
External Accounts (USD bn)					
Exports	13.6	14.2	15.5	15.0	15.1
Imports	18.4	19.5	21.1	19.7	19.5
Trade Balance	-4.8	-5.3	-5.6	-4.7	-4.4
% of GDP	-11.5	-14.4	-16.3	-15.4	-14.3
Current Account Balance	-3.7	-4.1	-3.8	-2.9	-2.7
% of GDP	-8.9	-11.1	-11.1	-9.4	-8.9
Reserves	6.0	5.6	5.0	5.0	5.0
Public Finances					
Revenue (TND mn)	21245	23891	28431	33122	36434
Expenditure (TND bn)	26099	29546	32796	37388	40379
Balance*	-4854	-5655	-4366	-4266	-3945
% of GDP	-6.2	-6.7	-4.8	-4.6	-4.1
Central Government Debt (TND mn)	55919	68074	77604	81484	79855
% of GDP	61.9	70.3	85.2	89.5	87.7

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

Key Economic Forecasts: UAE

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (AED bn)	1311.2	1405.0	1555.9		
Nominal GDP (USD bn)	357.3	382.8	423.9		
GDP per capita (USD)	39172	41890	46296		
Real GDP Growth* (% y/y)	3.0	0.8	1.7		
Hydrocarbon	2.6	-3.0	3.4		
Non-hydrocarbon	3.2	2.5	0.9		
Monetary Indicators (% y/y)					
M2	3.3	4.1	2.5	5.0	5.5
Private sector credit	3.7	0.8	4.0	5.2	6.0
CPI (average)	1.6	2.0	3.1	1.5	2.0
External Accounts (USD bn)					
Exports	295.0	308.5	327.8		
Of which: hydrocarbons	46.4	58.1	74.2		
Imports	226.6	229.3	240.2		
Trade balance	68.4	79.2	87.6		
% GDP	19.1	20.7	20.7		
Current account balance	13.2	26.4	29.3		
% GDP	3.7	6.9	6.9		
Fiscal Indicators (% GDP)					
Consolidated budget balance (IMF)	-2.0	-1.6	-1.6		
Consolidated budget balance (MinFin)	-3.2	-0.2	2.2		

Source: Haver Analytics, IMF, National sources, Emirates NBD Research

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