بنك الإمارات دبي الوطني
Emirates NBD

Quarterly

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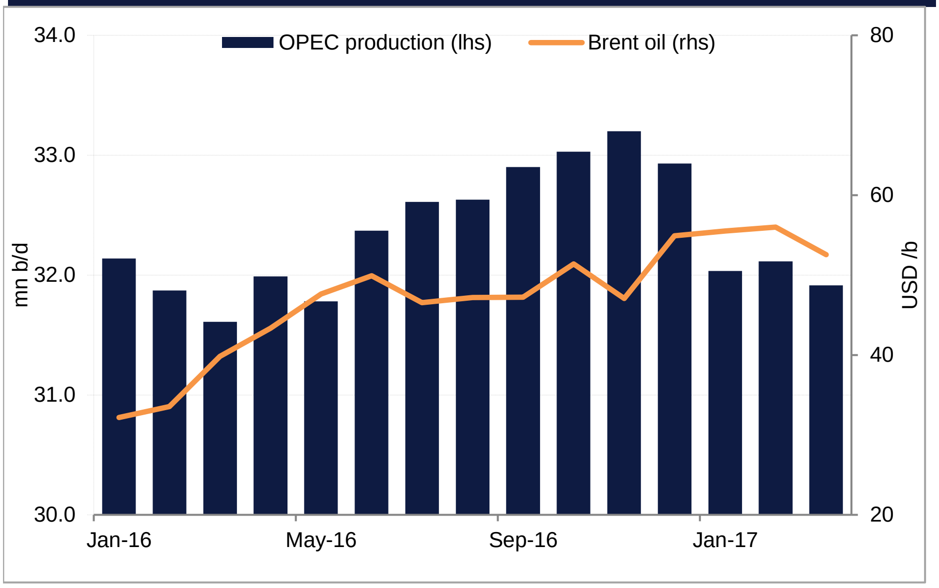
MENA Quarterly

- Notwithstanding the highly uncertain geopolitical environment at the moment the second quarter has begun with the GCC recording improving economic activity data and with progress also being seen in other prominent MENA economies.
- The outlook for the oil market remains pivotal for the GCC. Three months in, compliance with the cuts agreed by OPEC and non-OPEC producers have helped to keep the market from falling further but haven't been enough to prompt a major turnaround in prices. We expect OPEC will extend its production cuts for another six months but that an eventual return to supply growth will act as a further barrier to price rallies.
- PMI data indicate a solid recovery in non-oil sectors in the UAE and Saudi Arabia in Q1 2017, which should help to offset lower hydrocarbon growth. However, the headline indices belie relatively soft employment growth, as firms continue to face margin squeezes.
- 2017 promises to be one of the best years for economic growth in the Middle East's non-GCC markets. A combination of improving political stability, reform agendas backed by IMF agreements, higher agricultural output and strengthening exports, should see regional growth accelerate to multi-year highs. While those economies exposed more heavily towards the GCC could still see some pressure on remittance inflows, banking sector deposits or FDI, the broader global environment appears to be one of higher confidence and strengthening demand.
- The Egyptian economy's rebalancing process following last year's devaluation appears to be proceeding in an almost textbook fashion. The shift to a more competitive currency has seen the trade deficit narrow, with imports collapsing and exports exhibiting their strongest growth in five years. Foreigners' holdings of treasury bills have also jumped, with attractive yields and greatly reduced FX risks helping to entice some of this 'hot money' back into the local market.

OPEC agreed cuts have helped to support oil prices



Source: Bloomberg, Emirates NBD Research

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Overview

Notwithstanding the highly uncertain geopolitical environment at the moment the second quarter has begun with the GCC recording improving economic activity data and with progress also being seen in other prominent MENA economies.

This is to some extent a reflection of the global economy which is so far also defying key uncertainties, with global trade flows rising despite concerns about protectionism; as prospects for fiscal stimulus in the U.S. are becoming clouded; and with uncertainty in Europe over Brexit. The improvement in activity is in other ways not all that surprising however, as compared to a year ago firmer oil prices are helping to repair fiscal positions, while outside of the GCC reform agendas are starting to reap some benefits.

The key themes for the MENA region revolve around the outlook for the oil market, the pace and success of reforms, and residual concerns over security.

Oil

Of course to the GCC the oil market outlook remains pivotal in various ways, with our current estimates for growth dependent to some extent on whether oil production cuts continue in to the second half of the year after the OPEC oil deal of last November is reviewed in May.

At the moment we are leaving most of our forecasts for growth unchanged from our forecasts at the start of the year on the assumption that oil sector GDP remains largely unchanged relative to last year (see Saudi Arabia on page 17), but we do see increasing risks that OPEC will extend production cuts, albeit potentially for a only a short period (see oil market outlook on page 4). This should help to keep oil prices stable, which in turn should continue to underpin liquidity in the region allowing the non-oil sectors to continue to grow.

PMI activity indicators have been firm so far in 2017, reaching the highest quarterly levels in one and a half years in both the UAE and Saudi Arabia. However, downside risks to growth clearly exist if oil output cuts persist for significantly longer. In this context we remain most confident about the UAE as its economy is the most diversified, but even over the first quarter of 2017 oil output did in fact increase relative to a year ago, meaning that it will also contribute positively to growth over that period. Otherwise, our Saudi Arabia growth forecast probably remains the most contentious and vulnerable to revision if oil production drops further.

Reforms

The reform agendas of a number of MENA countries are beginning to gain traction, with Egypt in particular making progress in executing the terms of its November IMF deal by reducing subsidies and allowing the currency to float. And as well as experiencing some of the negative side-effects of a Fund program, such as high inflation, there are the beginnings of some of the benefits as the trade deficit narrows and inward investment improves. As we point out in our Egypt section (page 7), however, it will take longer for sustainable growth to return to the benefit of employment.

There have also been other surprising incidences of progress in other countries as well, with Lebanon beginning to take steps forward following the formation of a new government late last year, while Jordan is also seeing some encouraging momentum. Morocco’s political impasse also came to an end in March, but Tunisia is still facing challenges to meet IMF targets over public sector reform, a situation made more complicated by ongoing security risks.

Security

Security is of course the major theme for a number of other countries, most prominently Libya and Iraq. We describe Libya as the biggest wild card in the region (see page 12), as despite the awful security environment, there still appears to be a number of foreign companies prepared to take a chance on its potential once the situation there stabilizes.

Iraq also presents contrasting faces between its oil and non-oil sectors, a situation that probably will not normalize while security concerns remain dominant and whilst oil prices are low. With Syria as well, these are of course the principal countries through which geopolitical risks transmit themselves into the broader region, but so far at least it is encouraging that such impacts appear limited.

Tim Fox, Chief Economist and Head of Research

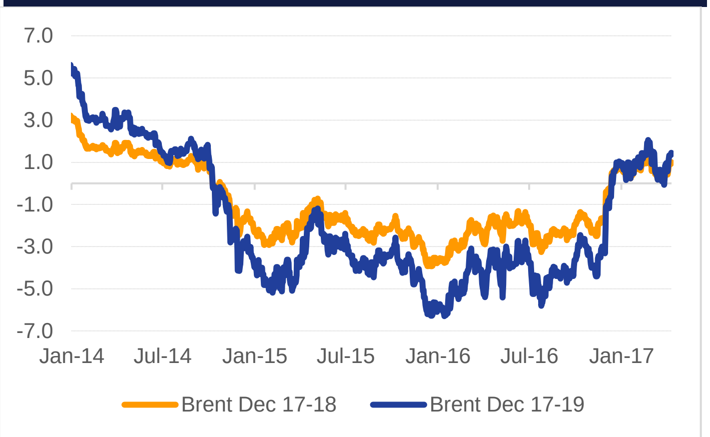
Oil market outlook

OPEC's production cut agreement has now been in force for a full three months, allowing for some perspective on whether it has indeed been effective in supporting the oil market. Judging from the price response, compliance with the cuts by OPEC and non-OPEC producers and the impact on inventories the cuts have helped to keep the market from falling further but haven't been enough to prompt a major turnaround in prices. We expect OPEC will extend its production cuts for another six months but that an eventual return to supply growth will act as a further barrier to price rallies.

Since OPEC announced its production cut a level of around USD 50/b for Brent futures appears to be the new floor for the market. However, prices has so far struggled to rise significantly higher, hitting a high of USD 57/b early in January and have actually been trending lower for most of 2017 so far. In terms of sparking a rally in near-term prices, against which OPEC producers price their exports, the cuts have so far had a relatively muted impact.

Where OPEC has been more successful is in shifting the shape of the forward curve. When oil prices began their crash in mid-2014 futures flipped into a steep contango as burdensome inventories and a seemingly unending surplus weighed on markets. When OPEC announced its cuts the contango began a process of flattening and longer-dated time spreads have moved into what we would describe as a tentative backwardation. OPEC exporters benefit from higher prices at the front of the curve at the expense of hedgers (like US shale producers) who price further along.

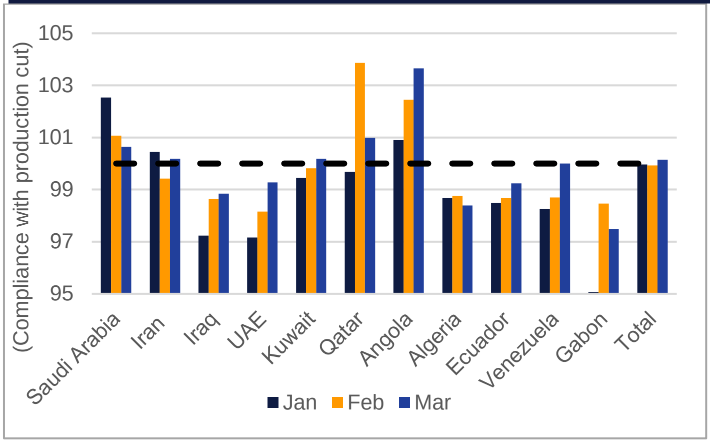
OPEC succeeds in shifting curve



Source: Bloomberg, Emirates NBD Research.

Compliance with the production cuts has so far been higher than the market likely anticipated with aggregate compliance among members liable for cuts averaging around 80% in the first quarter. Total output has fallen by more than 1m b/d since the end of 2016, not far off the 1.2m b/d cut that was set out by OPEC. The production cuts have fallen heaviest on the GCC producers in OPEC as Saudi Arabia has 'overcut' and collective GCC output has fallen 980k b/d since the end of 2016. Saudi Arabia may be able to keep some of the steeper cuts in force and avoid a seasonal uptick in crude, fuel oil and diesel demand in summer months as the country has been making use of more natural gas in its power generation.

Total compliance has been strong



Source: OPEC, Emirates NBD Research.

While overall production has fallen considerably from OPEC members, the decline in exports has been much more modest. Overall exports are down just 260k b/d up to March from the end of 2016 as major producers like Saudi Arabia have seen much smaller cuts to overseas shipments. Indeed, Saudi Arabia intends to keep shipments to overseas buyers intact and has been adjusting official selling prices downward to ensure it keeps markets share. Prices for exports to Asia have been cut for several months running for most grades of Saudi oil, bucking the general tightening trend they had seen for much of 2016.

Clearing the excessive inventories that have built up in oil markets is, in our view, the priority for OPEC members as it would allow them to raise production and preserve market share without dampening prices. Inventory data so far this year has been mixed. Total developed market crude stocks have risen 62m bbl as of the end of February according to OPEC's estimation while product stocks have slipped. Overall, total hydrocarbon stockpiles have remained sticky at close to 3bn bbl. OPEC's decision to cut production but keep imports steady will grind against efforts to curb inventories, putting the onus to draw stocks on demand and non-OPEC producers, both of which have proven to be fickle partners in the past.

Whether to extend the production cut will be the main question for OPEC ministers at their May meeting and this mixed performance in supporting the market suggests to us that an extension is likely, at least to keep the market from slipping further. Saudi Arabia and Russia have been reportedly talking up the potential of an extension to cuts and if there is a unison voice on the issue from these two major producers then it is likely they will carry the motion to other producers. But another six months of restrained output opens up OPEC's key export markets to further encroaches from competitors and means that an eventual return of OPEC supply growth will be hanging over markets for the foreseeable future.

Edward Bell, Commodities Analyst

Algeria

The Algerian economy expanded at its slowest pace in seven quarters in Q3 2016, with real GDP growth falling to 3.0% y/y, compared to 3.4% and 3.9% in Q2 and Q1 respectively. What was interesting about the third quarter's figures was that headline GDP growth slowed, while the hydrocarbon sector actually expanded at a faster clip of 7.7% y/y, compared to only 0.2% in Q2. Given the structure of the Algerian economy, it should not come as a surprise that growth in the hydrocarbon economy has traditionally been closely correlated with broader GDP growth.

Fiscal consolidation weighs on economy

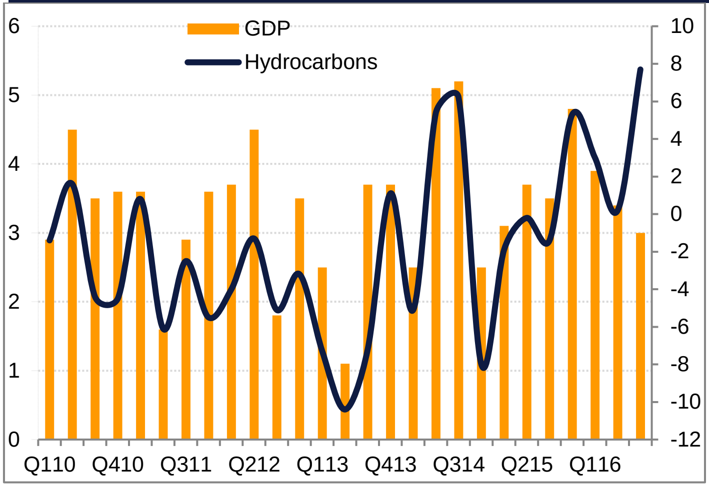
The reason for the divergence in Q3 becomes evident when looking at the performance of the other major sectors in the economy, with the most notable development being the sharp contraction in Public Administration of -4.5% y/y. Our time series on Algerian GDP goes back to 2000, and throughout this period there is not a single fiscal quarter that the Public Administration sector contracted in real terms. The fall in Q3 likely reflects the fiscal consolidation measures implemented by the government last year in an effort to narrow the budget deficit, which we estimate came in at 14.3% of GDP in 2016. Similar to other oil exporters across the region, public spending is an important driver of economic activity, and these expenditure cuts will thus be a major drag on growth in the near term.

In the face of this slowdown, Algeria has been making tentative strides at developing its non-hydrocarbon economy, whether in the form of passing a new investment law last year, or opening its agricultural sector to more foreign investment (an important industry which accounts for roughly 16% of GDP). However, the bulk of new investment is likely to remain focused on boosting oil and gas production. This was confirmed in late March when it was announced that state energy firm Sonatrach was planning on investing USD50bn over the next five years in an effort to raise production of crude oil by 14%.

Policy risks to the fore

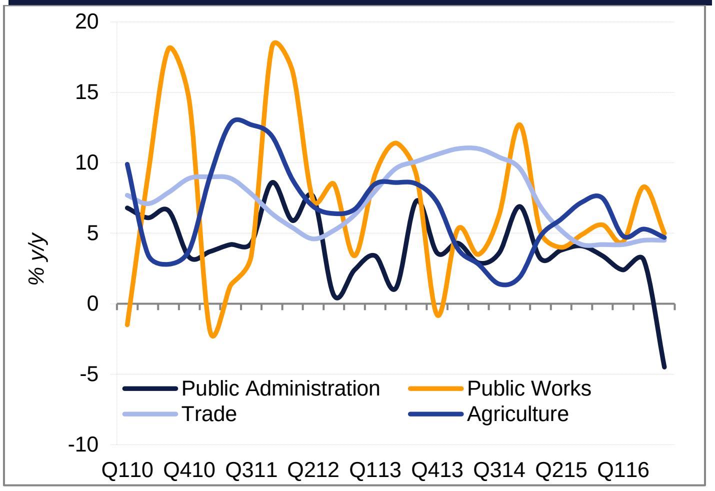
The next several months might see an increase in policy-related risks in Algeria, which is relatively rare for the North African country. In addition to parliamentary elections in May that could result in a slight slippage of fiscal consolidation efforts, the start of 2017 has also seen renewed concerns over the health of the president, and serves as a reminder of ongoing uncertainty surrounding his successor. In addition, Sonatrach also recently made a surprise announcement that it had appointed a new CEO, who will now be the firm's sixth leader since 2010, and add to questions about the future direction of the country's most important company.

Real GDP Growth



Source: Havers, Emirates NBD Research

GDP Growth by Sector



Source: Haver Analytics, Emirates NBD Research

Inflation

Source: Havers, Emirates NBD Research

Bahrain

2016 GDP growth at 3.0%

Bahrain's economic growth slowed sharply to 1.1% y/y in Q4 2016 from 3.9% in Q3, mainly on the contraction in the hydrocarbon sector.

Full year real GDP growth came in at 3.0% in 2016, below our 3.5% forecast by slightly faster than the 2.9% achieved in 2015. The oil sector expanded 0.4% y/y last year while manufacturing growth slowed to 1.3%. The financial sector grew 5.2% in 2016, the fastest rate of growth since 2010, while government services growth slowed to just 2.5%, the slowest expansion in this sector since at least 2007 (earliest available data).

For 2017, we expect similar growth (0.5%) in the oil sector, and we forecast non-oil growth to slow to 3% on tighter fiscal policy. However, the 2017 budget has yet to be released, and we may revise our non-oil growth estimate once this is known. As it stands, we are looking for overall GDP growth of 2.5% in Bahrain this year.

IMF stresses need for fiscal adjustment

Following its latest Article IV mission to Bahrain, the IMF noted that 'a sizable fiscal adjustment is urgently needed to restore fiscal sustainability' in Bahrain, and suggested further subsidy cuts, public sector wage freezes and the introduction of VAT in the short term. The Fund also recommended reducing the cost of doing business in Bahrain in order to boost private sector growth and employment.

Inflation declines sharply in Q1 on base effects

CPI averaged 2.8% in 2016, sharply higher than the 1.9% average in 2015, as subsidy cuts pushed up transport costs at the start of last year. As a result, y/y inflation in Jan-Feb 2017 slowed sharply off the high base (February's inflation rate was just 0.4% y/y). We expect the annual inflation rate to accelerate from Q2 2017.

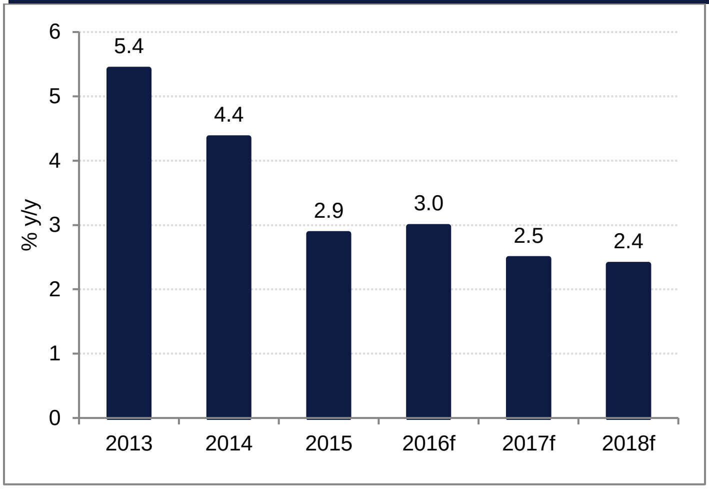
However, the strong USD is helping to keep tradeable inflation contained, and we do not foresee further significant subsidy cuts this year. As a result, we expect inflation to moderate this year, coming in at 2.0% on average.

Money and credit growth update

The latest monetary survey data is for November 2016, and shows M2 (broad money) supply growth at 3.2% y/y, slightly faster than in H1 2016. Private sector credit growth slowed to 2.5% y/y in November from 2.8% in October and 6.7% in January 2016. Claims on government have continued to rise, although at a slower rate than in H1 2016.

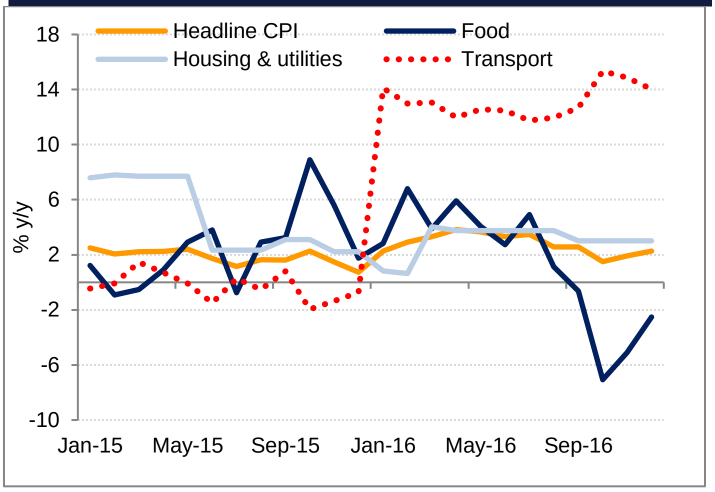
Net foreign assets at the central bank were down -55.1% y/y in November. Official reserves stood at USD 4.5bn at the end of Q3 2016, or about 3.5 months' import cover.

GDP Growth



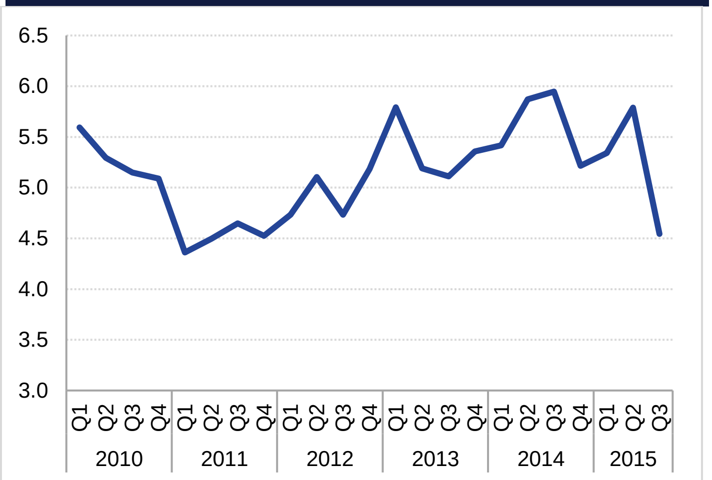
Source: Haver Analytics, Emirates NBD Research

Inflation



Source: Haver Analytics, Emirates NBD Research

Official reserves



Source: Haver Analytics, Emirates NBD Research

Egypt

The Egyptian economy's rebalancing process following last year's devaluation appears to be proceeding in an almost textbook fashion. The shift to a more competitive currency has seen the trade deficit narrow, with imports collapsing and exports exhibiting their strongest growth in five years. Foreigners' holdings of treasury bills have also jumped, with attractive yields and greatly reduced FX risks helping to entice some of this 'hot money' back into the local market. Thanks to bilateral and multilateral aid, FX reserves are also now back to their highest levels since early 2011.

Still few signs of stronger growth

How long it takes for this rebalancing process to result in a stronger economic recovery is less clear. As of yet there is little evidence of an acceleration in real growth or, more importantly, job creation. According to initial estimates, real GDP expanded 3.8% y/y between October-December, compared to 4.0% in the same period a year earlier. A detailed breakdown is not yet available, however there is some evidence from FYQ1 (July-September) that the quality of growth is at least improving, with fixed investment surging 15.0% y/y, while government spending expanded only 1.8%.

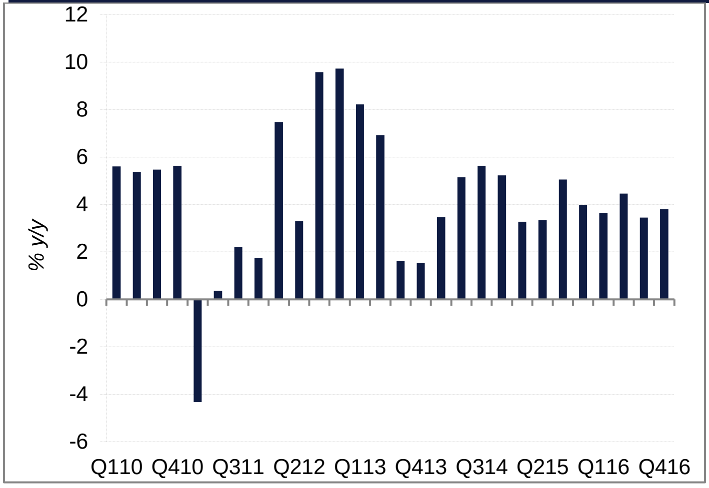
With inflation also running at over 30% y/y, it might not be immediately apparent to everyone that the EGP devaluation and subsequent fiscal reforms (VAT rise and energy subsidy cuts) were necessary to start the recovery process. The key challenge for 2017 and beyond will be trying to maintain this reform momentum. An effort in early March to reduce bread subsidies to a small proportion of the population was quickly reversed in the face of public opposition, and highlights the difficulties that lie ahead for any efforts to implement a broader and more ambitious set of economic policies.

Foreign direct investment rose to USD2.4bn between October-December, compared to USD1.8bn in the July-September period, one of the highest levels in several years. Outside of the hydrocarbon sector, the consumer sector appears to be a key focus of foreign companies, with the UAE's Al Futtaim and Saudi Arabia's Alhokair both recently announcing plans to invest in shopping malls over the coming years. Egypt's consumer story remains one of the most prominent features of the economy's long-term growth potential, with the EGP devaluation likely having played a large role in boosting the market's appeal for greenfield investment.

EGP view unchanged

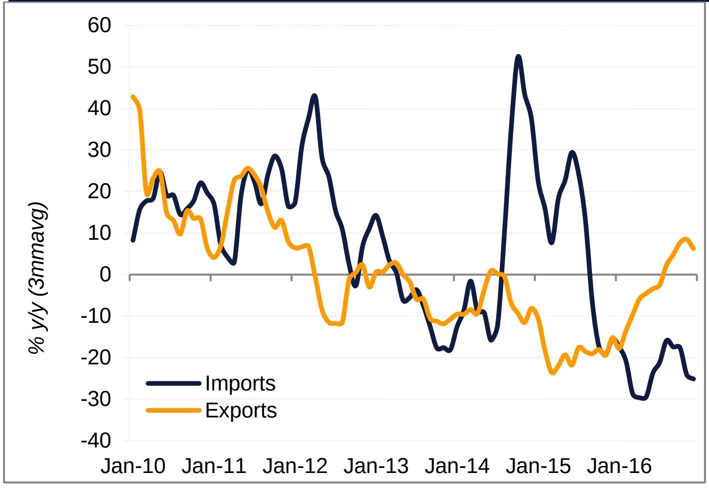
Our view on the EGP has not changed since our Q1 Quarterly Outlook, with our end-2017 forecast for the currency still at 18.00. According to reports on Bloomberg, the government will be basing its FY2017/18 budget on an EGP of 16.00. Appreciation towards that level is certainly possible, and we reiterate that the currency is likely to remain volatile over the coming months.

GDP Growth



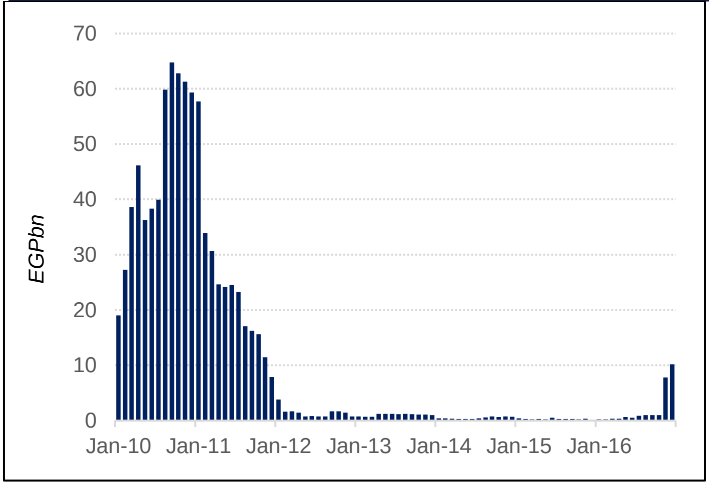
Source: Havers, Emirates NBD Research

Goods Trade



Source: Markit, Emirates NBD Research

Foreign Holdings of T-Bills



Source: Haver Analytics, Emirates NBD Research

Iran

Oil production in Iran has continued to trend higher at the start of 2017, with estimates from Bloomberg showing output having increased 24% y/y in Q1 2017 to reach 3.8mn b/d in March. The country was granted a waiver as part of OPEC's agreement to cut production, and was technically permitted to ramp up output to 3.9mn b/d. However at these levels it appears there will be limited room for further growth in 2017, assuming the cartel decides to rollover the agreement through the second half of the year.

Oil exports trending higher

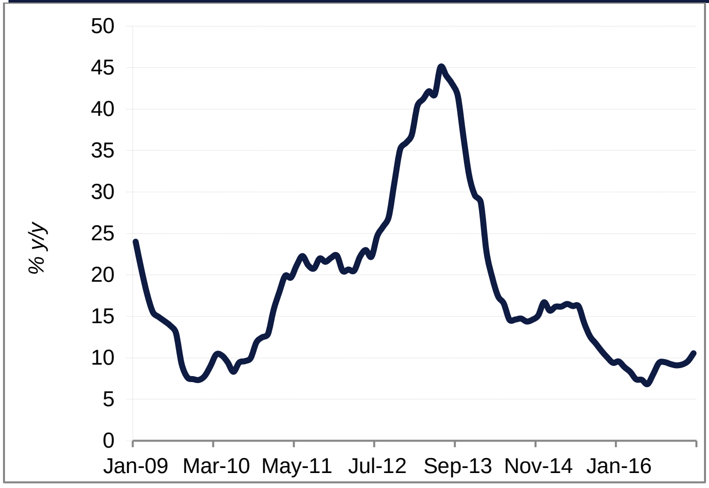
Oil Minister Bijan Namdar Zanganeh was also recently quoted as saying that crude oil exports hit 3mn b/d at one point this year, which would be the first time this has happened since 1979. While data from Bloomberg suggests crude exports have in fact averaged a more modest 2.4mn b/d since mid-February, it is undeniable that the oil sector has recovered post-JCPOA much more rapidly than many initially assumed. This has been a factor in stabilizing the economy's external position, which has meant that unlike its oil exporting peers throughout MENA, Iran has managed to continuously post current account surpluses throughout the decline in global energy prices.

This oil sector recovery was the key driver behind Iran's strong growth last fiscal year, with the IMF estimating the economy expanded 7.4% y/y in real terms in FY2016/17. The performance of the non-oil economy however was more muted, with growth of only 0.9%. In its Selected Issues report which accompanied the publication of the latest Article IV, the IMF highlighted that despite the signing of the JCPOA, there were still significant impediments to the normalization of correspondent banking relationships between Iran and the rest of the world. Such challenges include the complexity of the remaining sanctions regime, the global regulatory environment, and concerns over AML regimes. In this environment, the ability of foreign firms to actively reengage with Iran will remain constrained, despite ongoing enthusiasm surrounding the market's long-term growth potential.

Politics still a concern

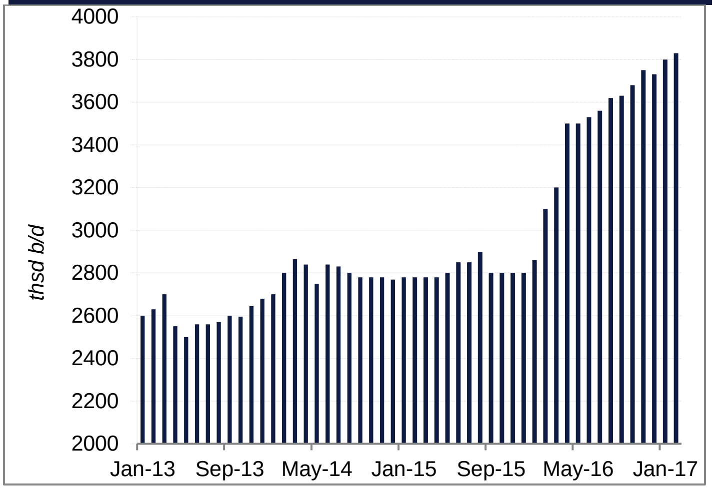
The political environment also remains an ongoing concern, and it does not appear such risks will disappear in the near term. In May Iran will hold presidential elections, the outcome of which is by no means clear. While reformists are likely to coalesce around President Rouhani, there is little understanding on how his popular support has been undermined by impressions that the nuclear agreement has brought few benefits to the wider electorate. This is to say nothing of the potential policies of U.S. President Trump, who since taking office has maintained his relatively strong rhetoric towards the country. However even if he fails to carry out his threats to renegotiate the JCPOA, President Trump's frequent statements concerning his displeasure with the agreement will remain a source of uncertainty, and likely dampen investor enthusiasm.

Inflation



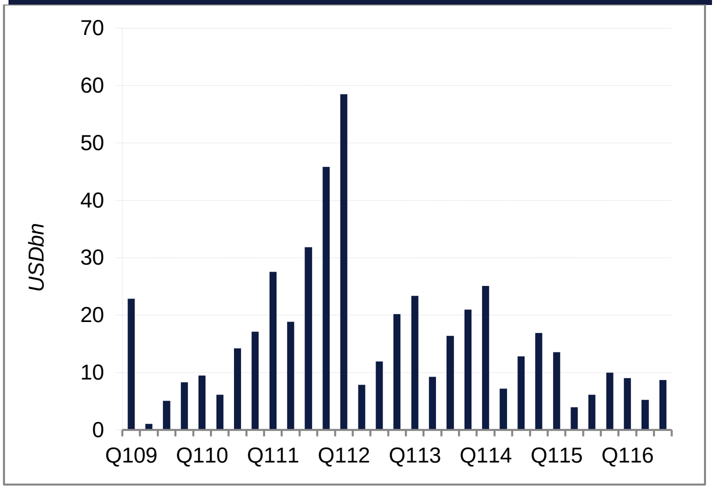
Source: Haver Analytics, Emirates NBD Research

Oil Production



Source: Bloomberg, Emirates NBD Research

Current Account Balance



Source: CBI, Emirates NBD Research

Iraq

Iraq appears to be keeping to its side of last November's OPEC production cut agreement, with latest figures showing the country has curbed output by roughly -200k b/d in the first three months of 2017. According to the agreement, Iraq needs to make the second largest reduction to its output levels of all OPEC members (only Saudi Arabia agreed to cut more), and is targeting cuts of 210k b/d. That said, there have been conflicting signals from the government in recent weeks which raise doubts about their commitment to voluntarily curbing output beyond H1. In the span of one week, Oil Minister Jabbar Al-Luaibi was quoted (and reported by Bloomberg) as saying it was likely OPEC needed to extend its agreement on output cuts beyond the first half of this year, but then subsequently saying the country planned to increase output to 5mn b/d by the end of 2017 (from 4.4mn b/d currently).

Non-oil growth was weak

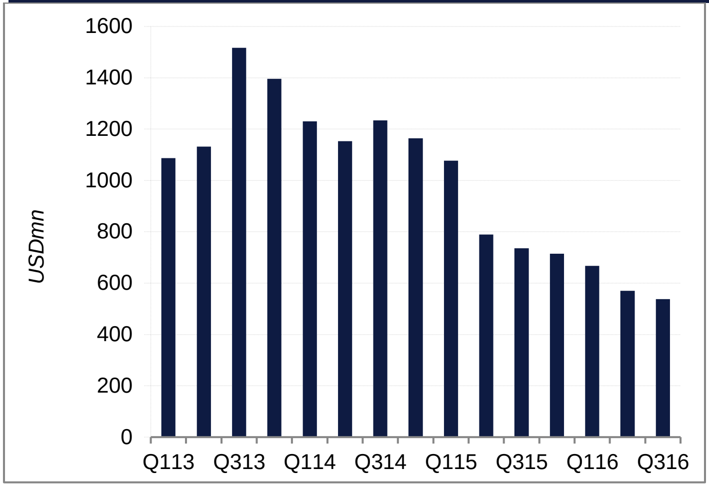
Headline GDP growth in 2017 will largely be determined by what happens with oil production. According to the IMF, real GDP growth in 2016 came in at 11.0% (our estimate was 8.6%), which would have made it the fasting growing economy in MENA by a large margin. However this masks a significant divergence between the oil and non-oil economies, with the latter contracting -8% y/y due to the ongoing conflict with IS and fiscal consolidation. What is perhaps more concerning is the outlook for growth over the longer term, as the drop in global energy prices and strained budget position has resulted in a reduction in investment into the hydrocarbon sector. As of Q3 2016, FDI had fallen to a multi-year low of USD538mn, which was less than half of the levels seen in the same quarter two years earlier. Lower investment today risks slower oil output and economic growth tomorrow.

Iraq's external position is still coming under pressure, but not to the same extent seen in early 2016 or 2015. Indeed, between H2 2015 and H1 2016, FX reserves were declining at an average pace of roughly USD1.3bn/month. That slowed to USD424mn/month in H2 2016, and in fact in December (the month after OPEC agreed to cut output), reserves increased USD981mn. More detailed balance of payments data also shows the economy posting a current account surplus in both Q2 and Q3 2016, with the adjustment coming from a collapse in imports of approximately -50% y/y.

Improved risk profile

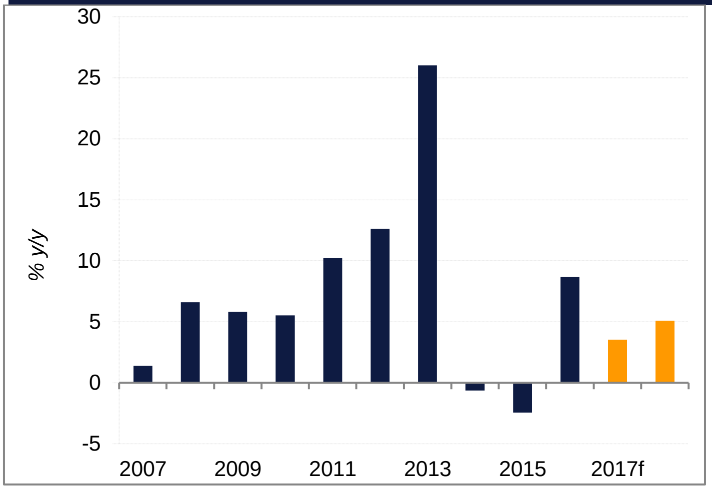
The combination of smaller external and fiscal deficits on the back of higher oil prices and cuts to government spending appear to have been the main drivers behind ratings agency Fitch's decision to revise its outlook on Iraq to Stable from Negative in mid-March (rating B-). We would caution however that given an environment of elevated security risks and low oil prices, Iraq's near-term outlook remains challenging.

Foreign Direct Investment



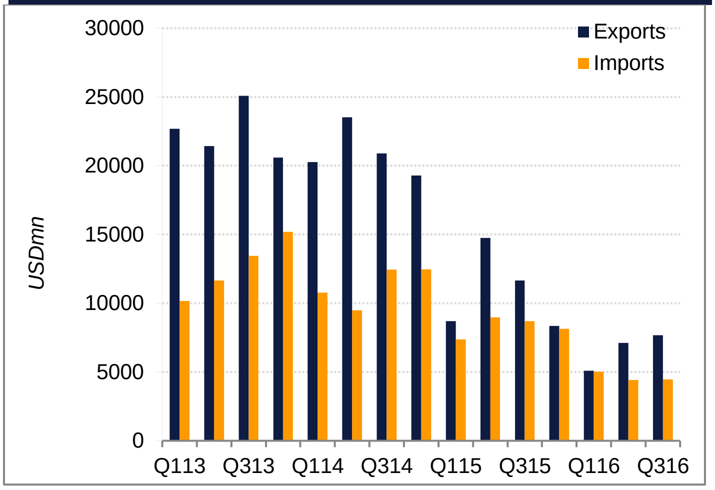
Source: Havers, Emirates NBD Research

Real GDP Growth



Source: Havers, Emirates NBD Research

Goods Trade



Source: Bloomberg, Emirates NBD Research

Jordan

At the start of Q2, some signs are emerging that 2017 might be slightly more positive for the Jordanian economy. One of the most surprising developments has been a rebound in the tourism sector, which has clearly suffered in recent years as a result of concerns surrounding the regional security environment. In Q3 2016, revenues from the sector rose to a record USD1.29bn. More recent data shows growth in visitor arrivals rising to 7.8% y/y (3mmavg) as of January, which was the strongest rate of expansion since December 2010. We have also seen a gradual strengthening in the pace of credit growth to the private sector in recent months, which hit 10.6% y/y in January, marking its fastest pace since 2011.

Can the momentum continue?

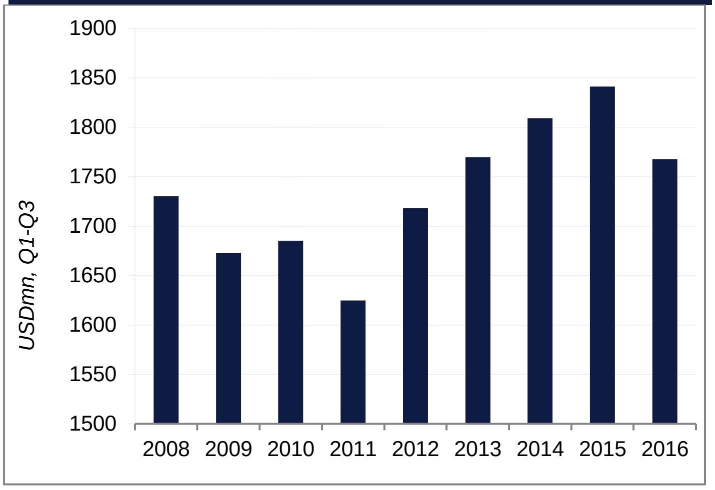
The questions are now whether these positive trends will be able to continue for the remainder of 2017, and also if they will be able to offset some of the broader factors that have weighed on GDP growth in recent years. The central bank has been forced to tighten monetary policy as a response to the rise in interest rates in the U.S., as it seeks to maintain the attractiveness of JOD-denominated assets. Indeed, in January FX deposits grew 8.7% y/y, compared to a decline in JOD deposits of -1.3% y/y. FX deposits now account for 23.8% of all deposits in the domestic banking sector, representing the highest level in 26 months. Inflation is also rising significantly above trend at the moment, with core CPI coming in at 6.5% y/y, its highest level since 2008.

Pressures on Jordan's balance of payments position have clearly not disappeared. In late February Prime Minister Hani Mulki was quoted as saying that the dinar is strong, and stable, and that the peg to the USD would continue. We do not believe that the JOD's peg to the USD will change in the medium term (2-3 years), however the data suggests that risks to this outlook are building. Indeed, FX reserves have been on a declining trend since reaching a peak in mid-2015, despite the fall in the oil import bill. Remittances have also been falling, and given the weaker performance of the non-oil economy across the GCC, are unlikely to suddenly recover.

FDI is falling

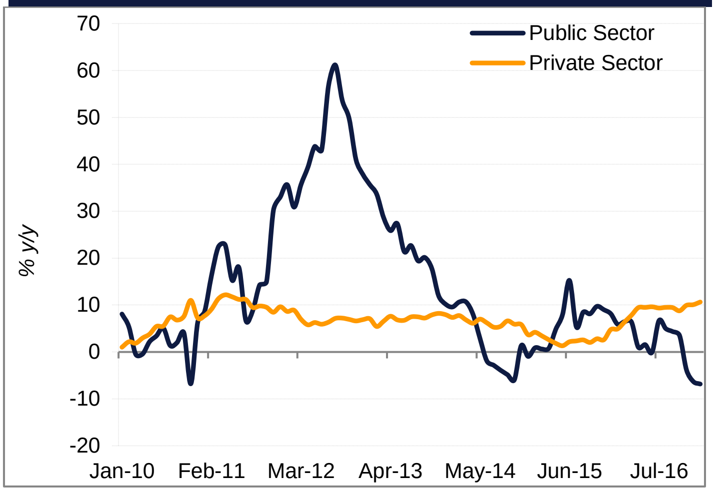
More concerning perhaps has been the drop off in foreign direct investment, which in Q3 fell to one of its lowest levels in several years. Weaker FDI flows not only entails a greater reliance on multilateral and bank loans, but also reduces the economy's long-term growth potential. As of 2015, FDI as a percentage of GDP had fallen to only 4.8%, marking the lowest levels since 2002.

Remittances



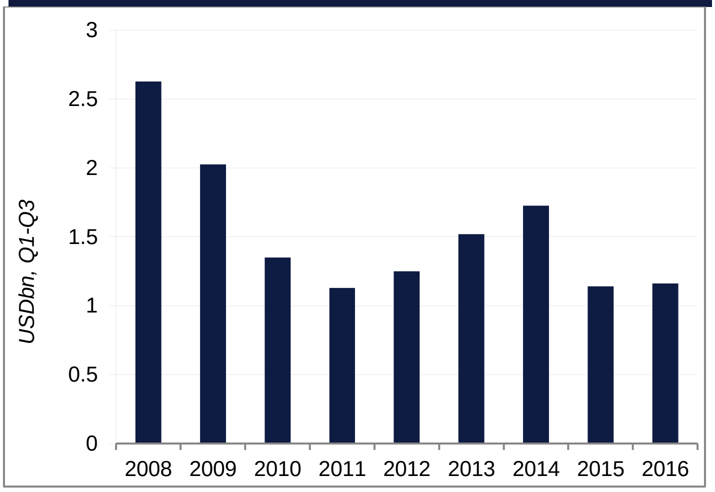
Source: Haver Analytics, Emirates NBD Research

Credit Growth



Source: Haver Analytics, Emirates NBD Research

Foreign Direct Investment



Source: Haver Analytics, Emirates NBD Research.

Kuwait

Oil production declines sharply in Q1 2017

Kuwait's oil output declined nearly -7% q/q in Q1 2017 as the country complied with the OPEC production cuts agreed in November 2016. Average oil production was 2.7mn b/d in Q1 2017, compared with 2.9mn b/d in Q4 2016. On an annual basis, oil production was down -5.2% in the first quarter of this year.

We think it unlikely that this level of production cut will be sustained for the whole year however, as the OPEC agreement expires in June, and it remains unclear whether it will be extended beyond this date.

Kuwait announces larger budget for FY 2017/2018

Kuwait is planning to increase spending in the 2017/18 fiscal year. The new budget (effective 1 April 2017) makes provision for KWD19.9bn in spending, in line with our forecast, and up from an estimated KWD19.0bn in 2016/17. Oil revenues are expected to rise this year, but the official estimate for budget revenues is based on a forecast oil price of USD45/b, well below our forecast of USD55/b. As a result the official projected deficit (KWD 6.6bn) is significantly wider than our forecast (KWD 3.0bn). Kuwait said it plans to IPO its power generating company this year as part of broader economic reforms.

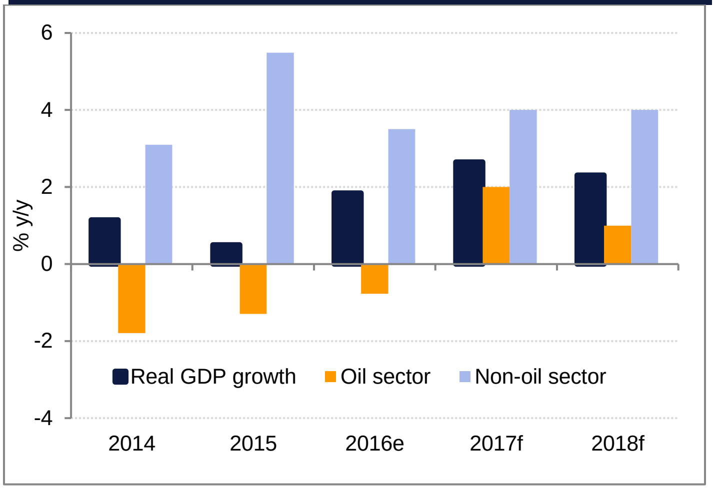
Kuwait finally came to the market with its debut bond issue in March, before the Fed's 25bp rate hike. The USD 8bn raised was less than the authorities had indicated they wanted to issue, and while technically coming in the 2016/2017 fiscal year, would cover about 80% of the 2017/2018 deficit.

Money supply growth slows at the start of 2017

M2 growth slowed to 2.9% y/y in January from 3.1% y/y in November. Private sector credit growth stood at 2.7% y/y, slightly higher than December's 2.5% but well below the average 2016 growth rate of 6.4%.

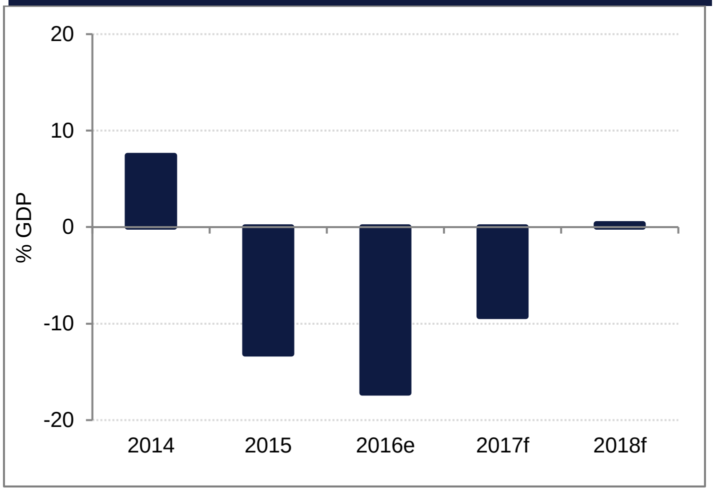
In contrast, claims on government increased sharply in January, with annual growth accelerating to 122.7% from 106.8% and end-2016. The growth in government borrowing is off a low base, and should ease in the coming months.

GDP growth



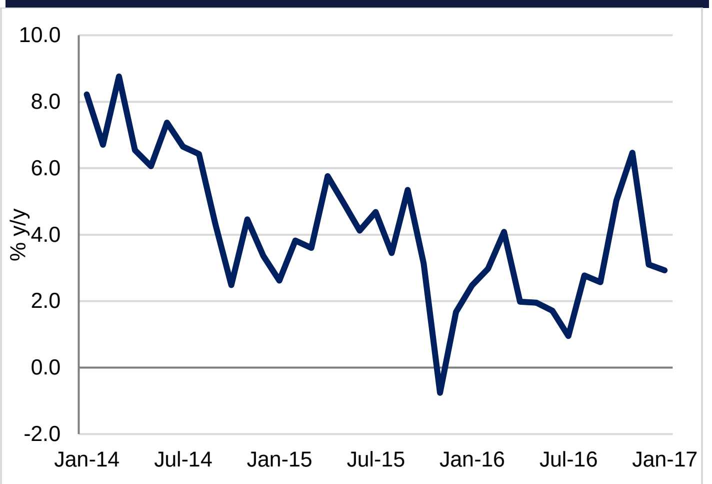
Source: Bloomberg, Emirates NBD Research

Budget deficit



Source: Haver Analytics, IMF, Emirates NBD Research

Money supply (M2)



Source: Haver Analytics, Emirates NBD Research

Lebanon

Following the formation of a government led by Prime Minister Saad Hariri late last year, Lebanon has made more progress in several key areas at the start of 2017 than it has in the past decade. In early March a draft petroleum tax law was approved, pushing the country closer to finally developing its offshore hydrocarbon reserves. This came after the government established production-sharing contracts and demarcated energy blocks in early January. Exploiting these reserves will be a multi-year process, but it will eventually go some way towards helping to narrow a current account deficit estimated at 16% of GDP.

Finally set to pass a budget?

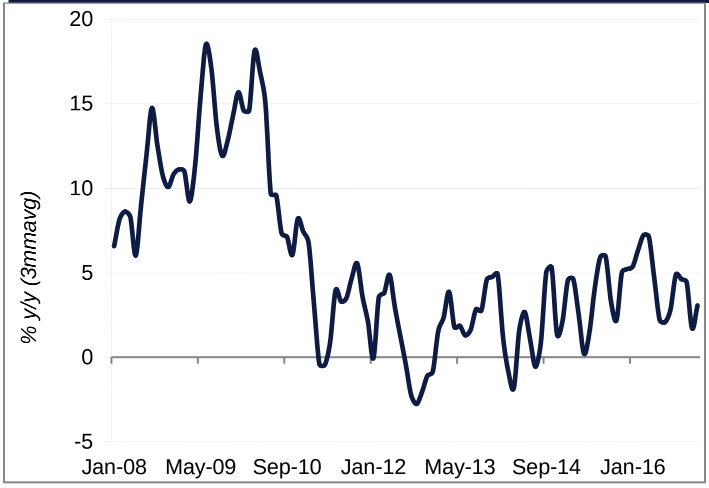
The most notable development in recent weeks has been the passage of a state budget for the first time in 12 years. The budget (which still needs to be approved by parliament), is forecasting a deficit of 9.5% of GDP, on spending of USD15bn. Our estimates had the deficit widening to 9.2% of GDP in 2016, from 7.9% in 2015, as expenditure growth came in at 7.8% against revenue growth of only 2.6%. The inability to pass a budget throughout the economic downturn that has been in place since 2011 has certainly undermined growth potential (real GDP has expanded an average 2.1% in this period), although given elevated government debt levels (roughly 144% of GDP), the room to aggressively ramp up spending is somewhat constrained.

Available economic data has been mixed, and does not yet point to a rebound in growth. The tourism sector is one area that has seen a slight improvement, and which also has potential to recover this year if relations with the GCC continue to warm. Indeed, average hotel occupancy rates in January-February rose to their highest level in four years. The Economic Coincident Indicator has also pointed to growth of roughly 3% in recent months, while the Purchasing Managers' Index has been trending upwards, but remains below the neutral 50-level. Bank lending to the private sector has been on a medium-term downtrend, but was still expanding over 5% y/y at the start of 2017.

Syrian conflict still looms

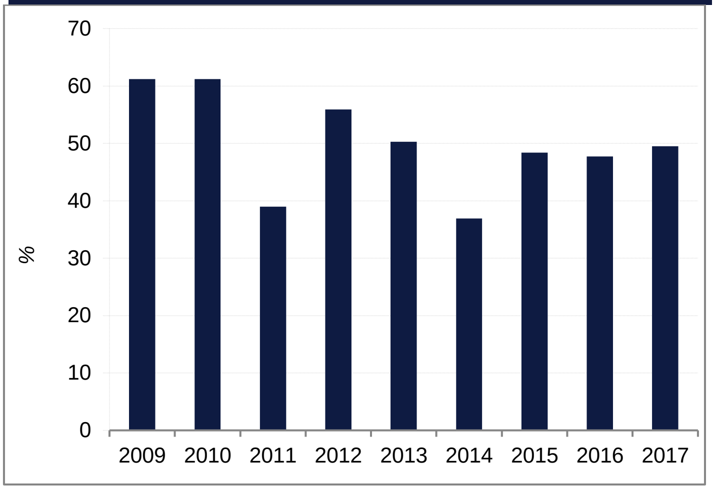
Lebanon's outlook will continue to be undermined by the ongoing conflict in Syria. However at this stage, the balance of risks appear to be finally tilted to the upside. A slowdown in non-resident deposit inflows is a possibility given the economic environment in the GCC, however as of yet there is little evidence of this occurring. Our base case sees real GDP growth of 3.1% in 2017, which would mark the fastest pace since 2010.

Coincident Indicator



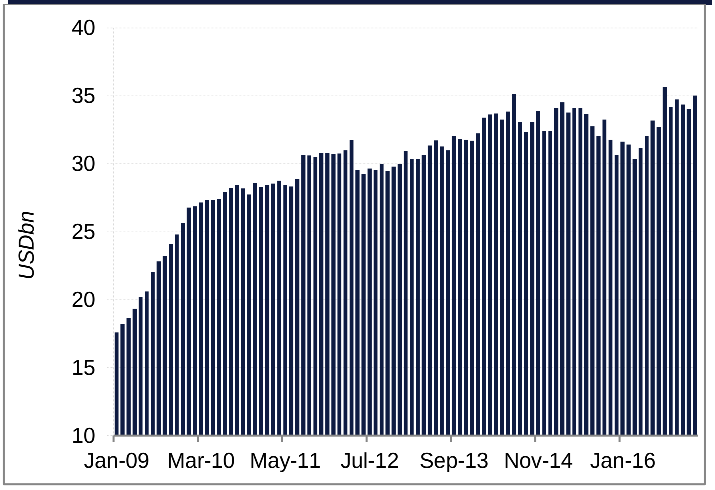
Source: Haver Analytics, Emirates NBD Research

Hotel Occupancy



Source: STR, Emirates NBD Research *Jan-Feb avg

FX Reserves



Source: Havers, Emirates NBD Research

Libya

Libya has maintained its title as the biggest wildcard in the Middle East and North Africa through the first quarter of 2017. Every time it seems that the political environment has sufficiently stabilized to permit a more aggressive increase in oil production, the security situation takes a turn for the worse and output levels fall back. The country is exempt from OPEC's production cuts, and can thus theoretically increase output as much as possible. In reality however, damaged infrastructure and a persistently volatile political backdrop means average production levels might not exceed 500-700k b/d this year. As of March output was at 620k b/d, compared to 260k b/d in August.

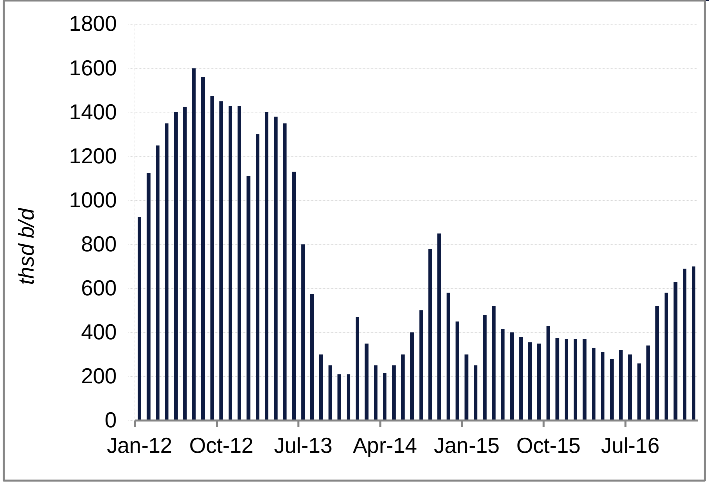
This volatility does not yet seem to have deterred international oil and commodity companies from trying to increase their presence in the country. Russia's Rosneft signed a deal in February to purchase crude from Libya's National Oil Company; an agreement which also allowed the former to invest in further exploration and production. Earlier in the month, OMV agreed to increase in stake in four exploration and production sharing agreements in the Sirte Basin, while Glencore extended a deal with the NOC to be the sole marketer of one-third of the country's crude production.

Interest holds, despite risks

As the holder of Africa's largest proven oil reserves, there is clearly significant interest in Libya's stability, however the start of 2017 provides little evidence that this is anywhere nearer to being achieved. At the time of writing, a UN-brokered peace deal appeared to have collapsed after the Eastern Assembly voted to cancel it. Not only does this raise difficulties in trying to forecast the path of future oil production, but it also has more direct implications for the country's neighbors. Spillovers from the domestic security situation have consequences for markets such as Egypt and Tunisia, which face particularly problematic issues such as increased cross-border movements of people.

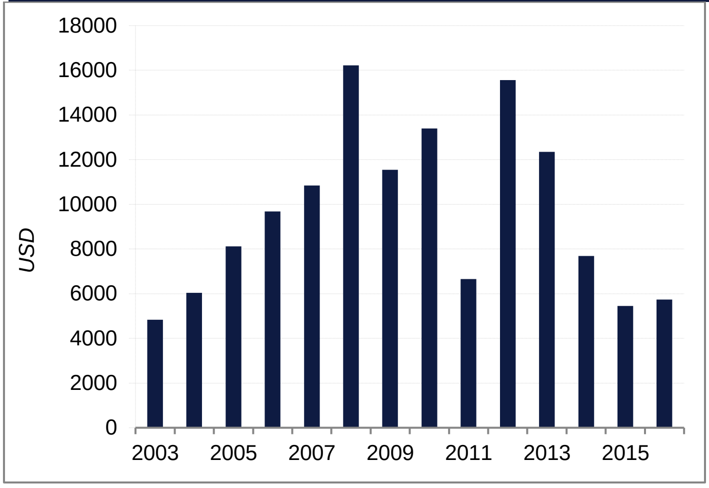
How long it takes for the political environment to stabilize is anybody's guess, however reconstruction would likely be able to proceed relatively quickly given Libya's still ample financial reserves. Indeed, the Libyan Investment Authority (sovereign wealth fund) is still estimated to have USD66bn, which could eventually be used on investments in domestic infrastructure. At the moment however, not only are there disagreements over who runs the organization, but most of its assets remain frozen.

Oil Production



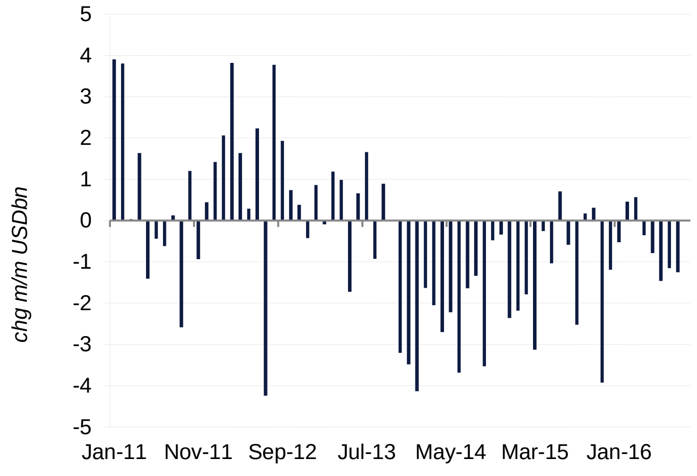
Source: Bloomberg, Emirates NBD Research

GDP per Capita



Source: Bloomberg, Emirates NBD Research

FX Reserves



Source: Bloomberg, Emirates NBD Research

Morocco

Morocco's nearly six-month political impasse came to an end in late March, after King Mohammed replaced the leader of the largest political party (PJD) and former Prime Minister Abdelilah Benkirane for failing to form a coalition government, and replaced him with Saad Eddine El Othmani. There is no guarantee that a six-party coalition government will be cohesive enough to develop a coherent economic policy or carry forward with a reform agenda, however at the very least it allows for the possibility to begin moving forward. The most anticipated reform at this stage surrounds the initial moves towards making the dirham a freely floating currency, although this is a process that will take place over a number of years, according to statements from the finance minister.

Set to outperform in 2017?

Although growth has been relatively subdued in recent quarters (real GDP is estimated to have expanded only 1.0% y/y in 2016 as a result of a poor agricultural harvest), the economy's fundamentals remain amongst the strongest of all of MENA's oil importers. The current account deficit expanded last year, but remains manageable at approximately 2.5% of GDP. The budget deficit also narrowed to a six-year low of 4.1% of GDP, with spending on subsidies collapsing -42% y/y, following on from declines of -44% and -25% in 2015 and 2014 respectively. Inflation also remains manageable, with headline CPI expanding less than 2.0% y/y over the past several years.

These improving macro trends appear to have been a key reason behind Moody's decision in February to upgrade its outlook on Morocco's sovereign debt to Positive from Stable. While the rating remains at Ba1 (S&P and Fitch both hold investment-grade credit ratings on the country), it is nevertheless clear that progress is being made at addressing some of the economy's largest vulnerabilities. Moody's also highlighted the strong export performance in recent years, particularly of higher value-added products such as automobiles, as a reason why these improvements are structural, rather than cyclical.

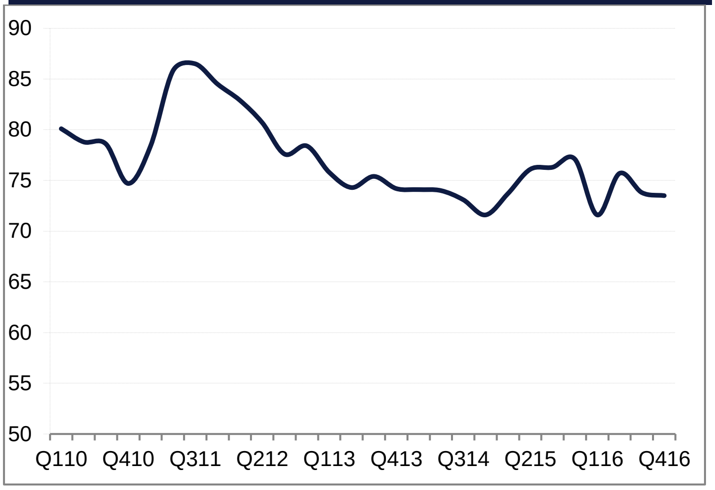
Auto sector still a bright spot

The automotive sector looks set to remain one of the best performing industries, although growth in vehicle exports has recently fallen sharply (*see chart*). Recently it was announced that Italian car-parts maker Sogefi will build a new plant in the country to make engine-filtration systems, following auto companies Peugeot and Renault. Morocco's relative attractiveness as a destination for foreign investment in the region is well known, with a large part of this the result of a degree of political stability that has been absent in much of North Africa in recent years. This is most likely the reason for the strong performance of the tourism sector last year as well, with revenues from the industry reaching their second-highest level in history in Q3.

Automobile Exports

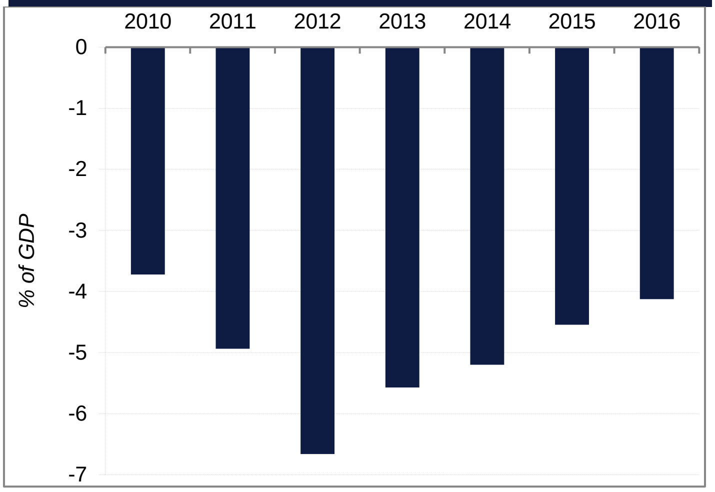
Source: Haver Analytics, Emirates NBD Research

Consumer Confidence



Source: Bloomberg, Emirates NBD Research

Budget Deficit



Source: Haver Analytics, Emirates NBD Research

Oman

Oil output up 3.0% in 2016, eases in Q1 2017

Oman's produced an average of over 1mn b/d of oil last year, up 3% from 2015. The expansion in the hydrocarbon sector likely underpinned overall GDP growth last year, even as non-oil sector growth probably slowed.

Oman is not a member of OPEC. However, it agreed to cut its oil production in H1 2017 to support OPEC's efforts to bring down excess supply in global oil markets. Average oil output in Jan-Feb was under 980mn b/d, down -3.2% from last year's average. Slower expansion in they hydrocarbon sector this year is likely to weigh on headline GDP growth this year, which we forecast at 2.0%, down from an estimated 3.7% in 2016.

Oman issued USD 5bn in sovereign bonds

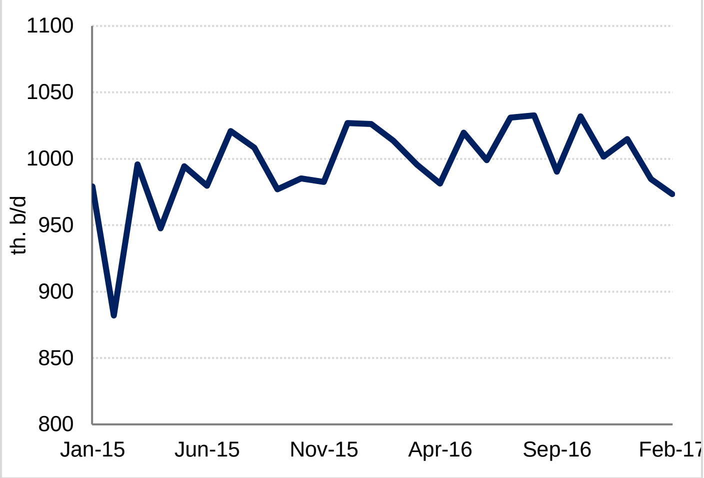
Oman successfully issued USD 5bn (OMR 1.93bn) of 5y, 10y and 30y bonds in early March, more than the market had anticipated. The budget financing plan for this year makes provision for OMR 2.1bn in international borrowing in 2017, so the recent bond issue has taken care of most of this year's planned international debt issuance.

The remainder of the forecast OMR 3bn budget deficit (-9.8% GDP) expected this year will be financed by domestic debt (OMR 400mn) and a drawdown in accumulated reserves. The Central Bank of Oman has already issued OMR 150mn in local currency debt this year, with approval given for another OMR 450 of government development bonds to be issued. With OMR 200mn of redemptions this year, gross domestic bond issuance will be closer to OMR 600mn.

Money supply growth slowed sharply at end-2016

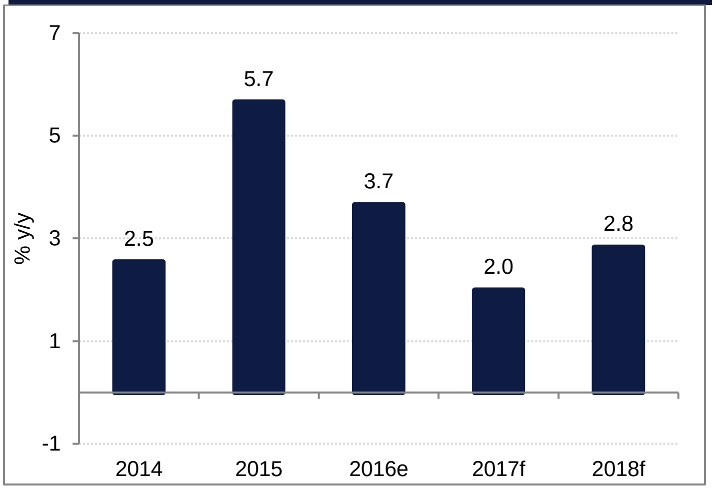
M2 (broad money) growth slowed sharply in December to 1.8% y/y (4.6% y/y in November) but recovered somewhat in January to 2.6% y/y. However, private sector credit growth has been stable at 11.4% y/y.

Oil production



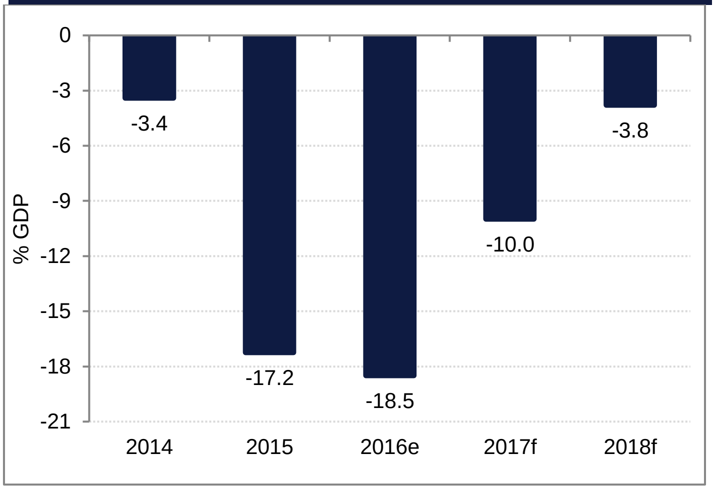
Source: Haver Analytics, Emirates NBD Research

GDP growth



Source: Bloomberg, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Qatar

Growth slowed to 2.0% in 2016.

Official data shows real GDP growth slowed to 2.0% last year, against our forecast of 2.7%. The hydrocarbon sector contracted by -1.0% in line with our expectations, but non-hydrocarbon growth was slower than we had envisaged. Also, the way GDP is reported in Qatar was revised, which led to some changes to the whole time series.

For 2017, we expect the hydrocarbon sector to contribute positively to growth, as investment in the sector continues and output from the new Barzan gas project comes online. Separately, Qatar Petroleum announced earlier this month that a 12-year moratorium on gas production from the North Field would be lifted this year. Production from this field is expected to start only in several years' time however.

Overall, we expect real GDP growth to accelerate to 3.5% this year, as government spending on transport, health and World Cup-related infrastructure continues to underpin non-oil growth.

Official data shows first current account deficit since 1998

Preliminary data from the central bank show Qatar generated a current account deficit of –USD8.3bn (-5.5% GDP) in 2016, the first external deficit in nearly 20 years. Exports declined by more than a quarter while imports increased 12% y/y. The IMF's estimates suggest that the current account recorded a small surplus last year (1.2% GDP), but the trend is the same: a sharp deterioration in the external balance as the value of exports declined.

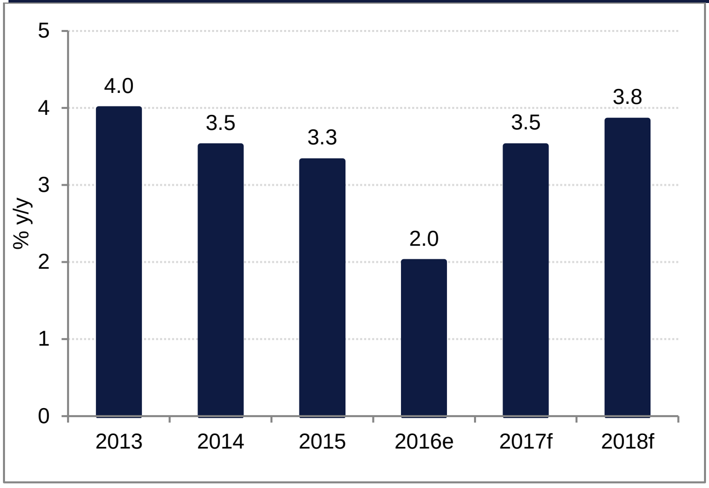
This is also reflected in the fiscal deficit for 2016 (-8.4% GDP), on the back of lower oil revenues which are still the primary source of total budget revenue. We expect both metrics to improve this year, as energy prices recover and government spending is contained.

Liquidity conditions remain tight

Broad money supply (M2) declined -4.6% y/y at the end of 2016, but has recovered in the first two months of this year as oil revenues have increased. M2 growth reached 2.5% y/y in February although we note this is off a low base. We expect money supply growth to continue to accelerate provided oil prices remain within our forecast range.

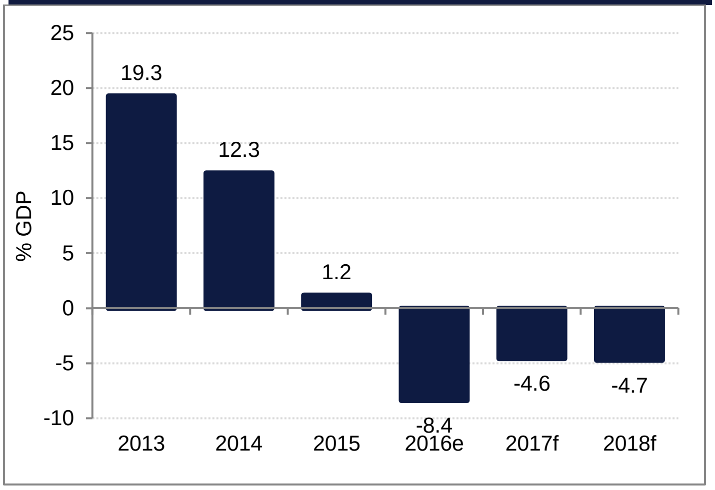
Private sector borrowing slowed to 6.5% y/y in Dec-16 but has also picked up at the start of this year (6.8% y/y in February). Government borrowing from banks remains strong as the authorities have relied primarily on debt to finance the budget shortfall rather than running down accumulated reserves.

GDP growth



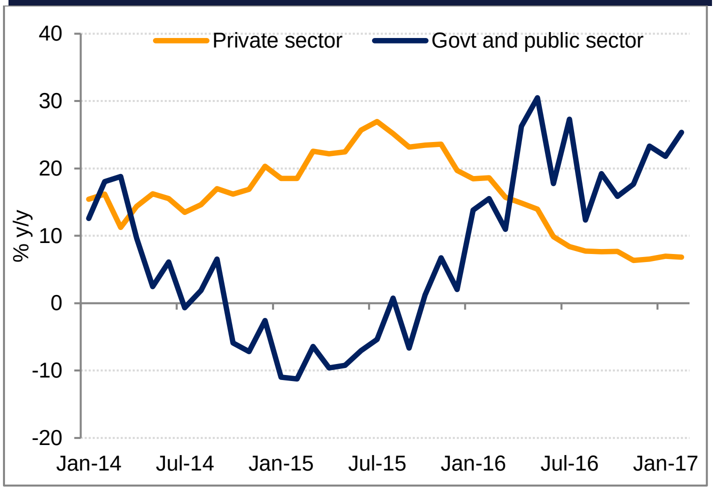
Source: Haver Analytics, IMF, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Bank credit growth



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

Saudi cuts oil output in Q1 2017

Oil production averaged 9.9mn b/d in Q1 2017 according to Bloomberg estimates, down -5.6% q/q and -2.5% y/y. The bulk of cuts appear to be front-loaded in January, with oil production rising to over 10mn b/d in March however.

We think it unlikely at this stage the oil production over the year will remain as low as the first quarter; our GDP growth forecasts assumes no change in oil sector GDP in 2017 relative to last year rather than a contraction which most other analysts (including the IMF) have assumed. As a result, our headline growth forecast of 1.8% is relatively high compared with the consensus.

Non-oil sector economic data so far this year has also been relatively strong. The PMI has averaged 56.7 in Q1 2017, signaling an acceleration in non-oil private sector growth both q/q and y/y. Higher oil prices and improved liquidity conditions have likely boosted confidence and supported domestic demand and output. External demand remains soft by historical standards however, as has employment growth.

NFAs decline further in 2017

SAMA's net foreign assets declined at a faster rate in January-February 2017, falling by an average of nearly USD 11bn per month, compared to an average decline of USD 7bn per month in 2016. This implies a sharper deterioration in the balance of payments since the start of this year, which is somewhat surprising given the higher oil price (and thus export revenue).

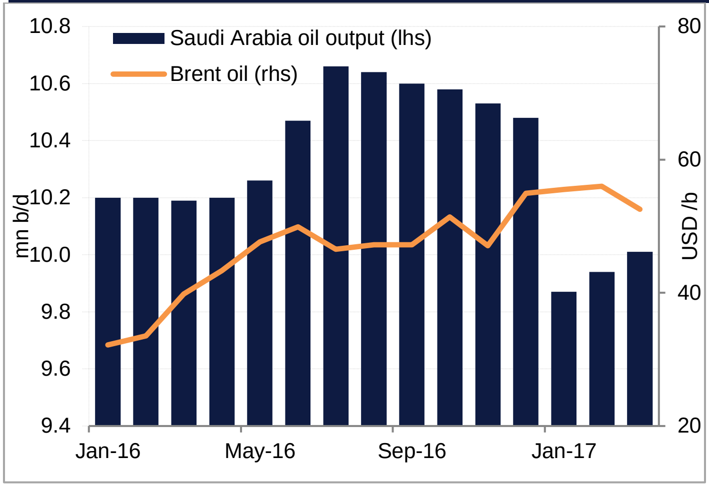
Some of the outflow may have been due to the settlement of government arrears to companies (which were then repatriated). This is corroborated by the decline in government deposits at the central bank and at commercial banks over the first two months of this year, which totaled around -USD 15.5bn.

We expect the rate of decline NFAs to ease in the coming months, particularly as the kingdom raised USD 9bn in its first USD sukuk this week. The sukuk was more than three times oversubscribed for the 5-and 10-year tranches. Total external debt raising this year is expected to be similar to last year (USD 17.5bn), suggesting that Saudi Arabia will come to the market again later this year.

Inflation turns negative due to technical factors

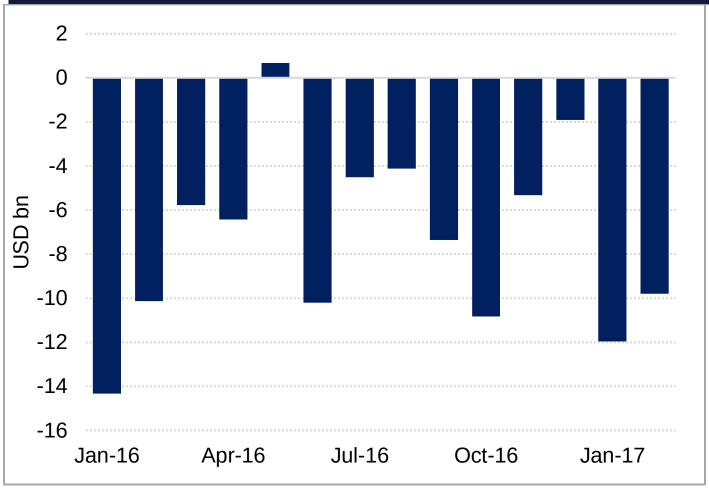
The cost of living index declined y/y in January (-0.4%) due to a high base effect: last January saw subsidies on fuel and utilities cut, which pushed up housing and transport in the index. As this is now in the base, we expect headline inflation to accelerate going forward. The government has also announced it may hike energy and fuel price hikes by another 25-30% in the middle of this year, which would add to inflationary pressure.

Oil production and price



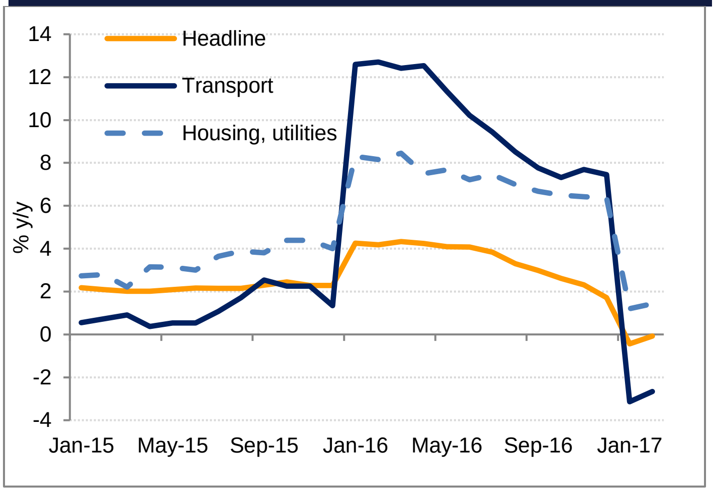
Source: Bloomberg, Emirates NBD Research

Monthly change in SAMA's NFAs



Source: Haver Analytics, Emirates NBD Research

Inflation



Source: Haver Analytics, Emirates NBD Research

Tunisia

Real GDP growth in Tunisia held relatively steady throughout 2016, with the economy expanding 1.1% y/y in Q4, compared to 1.2% in both Q3 and Q2. This is estimated to have brought full-year growth to 1.1% (exactly in line with our forecast), and up only marginally from 0.8% posted in 2015. Some of the economy's largest sectors managed to post reasonable growth in the final months of 2016, with both the Transport industry and Post and Telecommunications increasing 5.8% y/y. After seven consecutive quarters of decline, the Hotel and Restaurant sector also grew for two consecutive quarters starting in H2.

Public spending slows

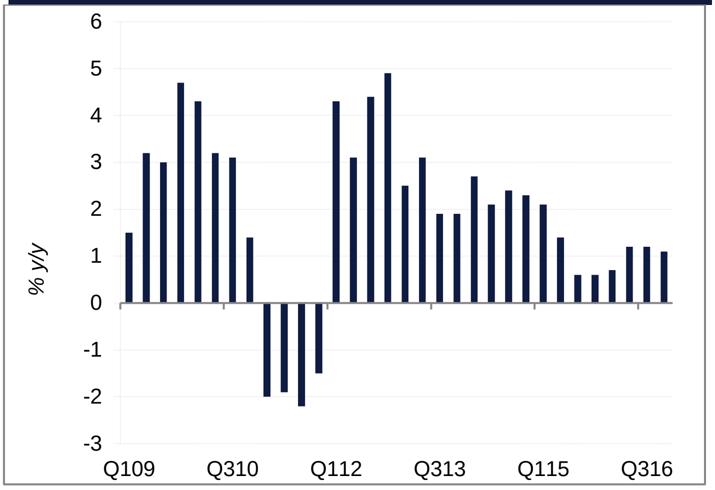
The Public Administration sector grew only 1.2% y/y in real terms in Q4, marking the slowest pace of expansion in our time series dating back to 2004, and acting as a drag on the pace of broader economic growth. The inability to contain public spending has been a contentious issue between Tunisia and the IMF, with the latter having already delayed disbursing a tranche of aid as a result of the slow pace of reforms. Indeed, full-year data shows the budget deficit having expanded to an estimated 6.1% of GDP in 2016, compared to 5.1% the year previously. Efforts at containing the public sector wage bill has frequently met strong public opposition, limiting the scope to narrow the deficit. However as this latest data makes clear, any efforts at addressing the budget shortfall primarily through reductions in spending will only undermine growth momentum (public administration accounts for roughly 17% of GDP, and is the single largest sector).

Tunisia's external position also remains strained, suggesting that pressures on the TND this year will be to the downside. The current account deficit narrowed slightly to an estimated 9.1% of GDP in 2016 from 9.4% in 2015, which was helped in large measure by falling goods imports. This occurred despite still muted tourism receipts and a fall in remittance inflows to their lowest level since Q4 2013. Rather than the current account, the main point of BoP weakness stemmed from the financial account, which recorded its lowest inflows in three years. FDI appeared particularly weak at USD3.1bn (down from USD3.9bn and USD4.7bn in 2015 and 2014 respectively), while Other Investment slowed to USD2.3bn (from USD2.8bn the previous year).

Credit profile still under pressure

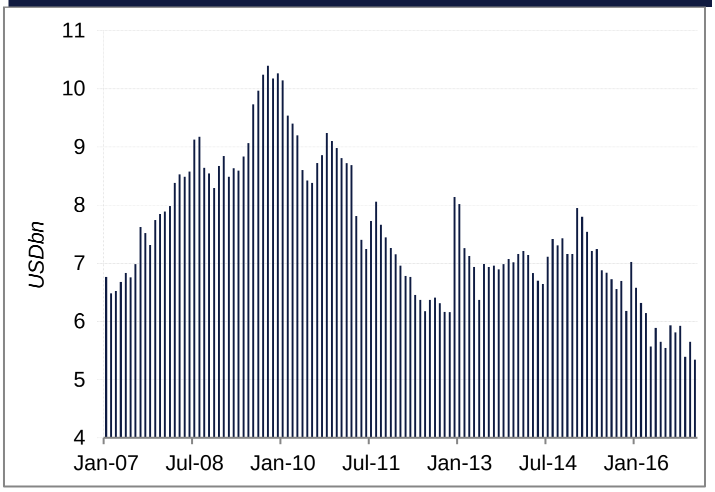
In this environment of slowing growth, elevated unemployment, delayed reforms and suspensions to aid disbursements, it is of little surprise that Tunisia's sovereign credit profile has continued to deteriorate. In February Fitch cut its rating on the country to B+ from BB-, citing '*The collapse of tourism in the context of elevated security risks, slowdown in investment amid frequent government changes and episodes of strikes and social unrest have weakened economic growth performance and prospects, with negative spill-overs to external and public finances*'.

GDP Growth



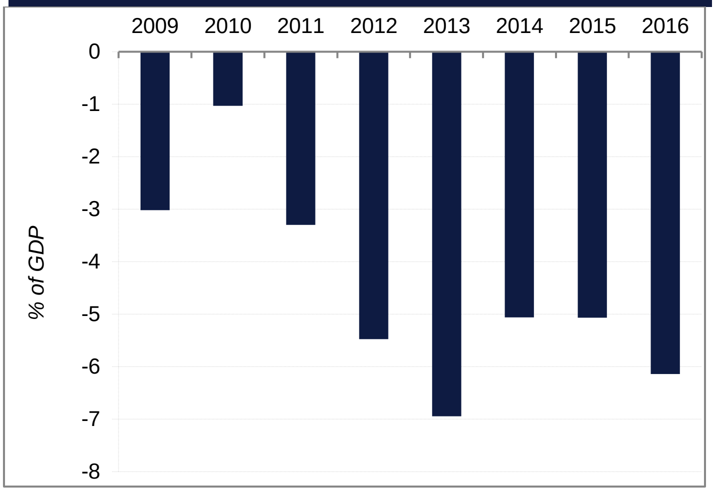
Source: Havers, Emirates NBD Research

FX Reserves



Source: Haver Analytics, Emirates NBD Research

Budget Balance



Source: Haver Analytics, Emirates NBD Research,

UAE

Oil production in Q1 2017 was higher y/y

The UAE cut oil production by -4.8% q/q in Q1 2017, in line with the OPEC agreement in November. However, compared to Q1 2016, oil production was still up 3.6%, suggesting that the hydrocarbon sector contributed positively to GDP growth in the first quarter.

The non-oil sector has also continued to expand, with the PMI averaging 55.8 in Q1 2017, the highest since Q3 2015. Both domestic and external demand have rebounded from a relatively soft H2 2016, and output expanded at the fastest pace in two years in March.

However, that is not to say that the UAE economy isn't facing challenges. Employment has not benefitted from the apparent rise in output and activity, with employment growth remaining anemic by historic standards. Firms' margins remain squeezed as competition and a strong USD have led to businesses cutting selling prices in order to secure new work, while input costs have continued to rise.

Overall however, we are comfortable with our view of faster growth in 2017 and retain our UAE GDP growth forecast at 3.4%, pending the release of 2016 statistics.

Bank deposits rise in Jan-Feb 2017

Total bank deposits grew 7.5% y/y in February, largely on the back of higher government and GRE deposits. Government deposits increased by AED 12.3bn since December 2016, while GRE deposits rose another AED 7.9bn.

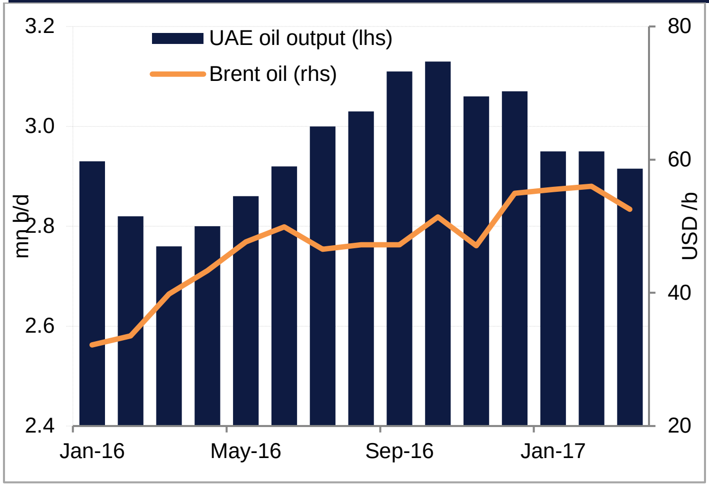
In contrast, corporate deposits declined -AED2.4bn in the first two months of the year. Non- residents' deposits have also dropped since end-2016 after having increased sharply through 2016.

Private sector credit growth has continued to slow, reaching 3.2% y/y in February, compared with 8.2% y/y in February 2016. Government borrowing from commercial banks has also eased, with annual growth slowing to 2.7% y/y in February, compared with 8.1% a year ago (when oil prices were sub-USD30/b).

Inflation rises on higher fuel costs

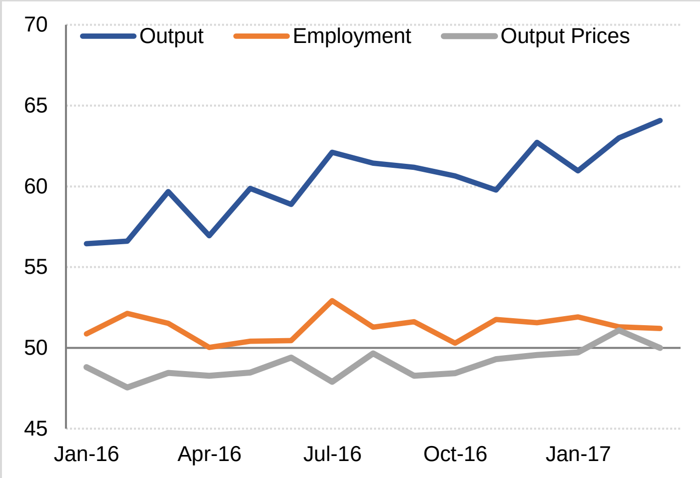
Inflation accelerated to 2.8% y/y in February from an average of 1.8% in 2016, as higher petrol prices fed through to the transport component of the CPI. However, housing inflation has slowed markedly over the last 18 months as rents have declined, while food and other imported inflation remains contained. With food and housing accounting for more than half the CPI basket, we expect inflation to average 2.5% this year.

Oil production and price



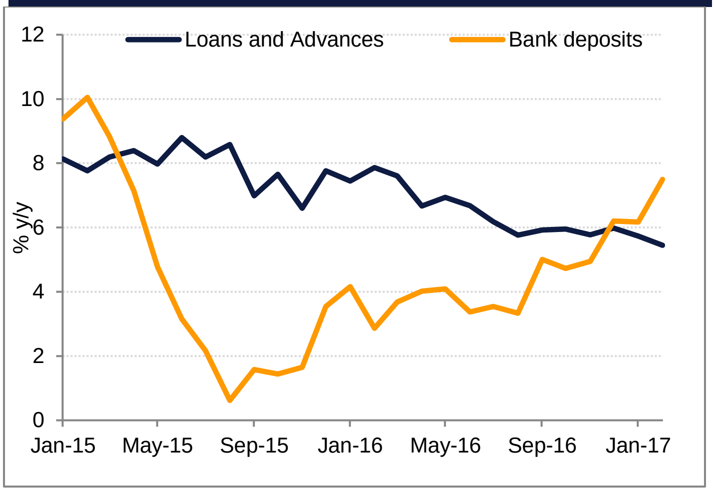
Source: Bloomberg, Emirates NBD Research

Emirates NBD UAE PMI



Source: IHS Markit, Emirates NBD

Bank loan and deposit growth



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

Q1 growth probably at fastest pace in 2 years

Dubai Economy Tracker survey data indicates that Dubai's economy expanded at the fastest rate in two years in Q1 2017. Output and new work growth expanded strongly, although employment growth was marginal last quarter.

The wholesale & retail trade sector in particular has had a strong Q1 2017, with the sector index rising to a series high in February and easing only slightly from there in March. However, while the extent of price discounting in the sector has slowed since December and January, firms are still cutting selling prices in order to secure new work.

Travel & tourism sees some pricing power

The travel & tourism sector has also enjoyed strong demand growth and rising output in the first quarter, and importantly, firms in this sector have been able to raise selling prices in Q1 2017, providing some relief from margin squeezes in 2015 and 2016. In our view, easier visa rules for Chinese and Russian visitors to the UAE have helped boost demand in this sector.

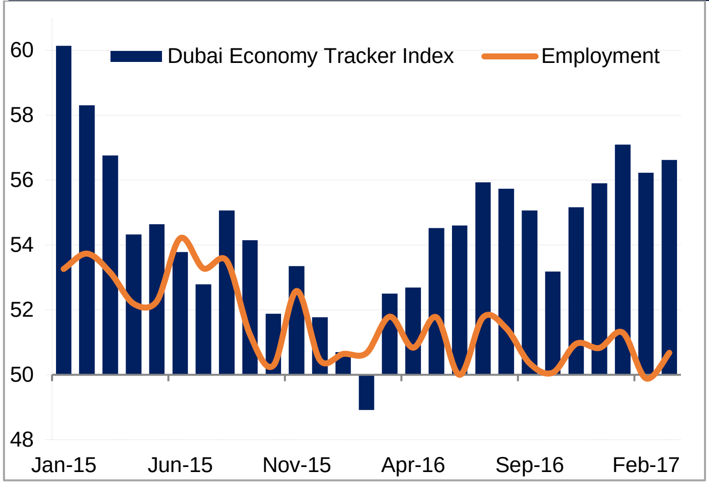
Other data corroborates the DET survey findings for travel & tourism. Passenger traffic through Dubai's airports was up 15% y/y in the year-to-February. Average hotel occupancy in Dubai rose to 86.3% in year-to-February from 83.0% in the same period last year. RevPAR was broadly unchanged y/y in the first two months of this year, compared with -13.8% y/y in Jan-Feb 2016 and -9.2% y/y in Jan-Feb 2015.

Villa prices decline at a faster rate in Q1 2017

Residential real estate prices continued to decline in Dubai in the first quarter. However, the rate of price decline in the apartment sector has slowed, while villa prices have fallen at a faster pace. Premium properties continue to see the most weakness, as end-user demand seems to be concentrated in the mid-to-lower end of the market.

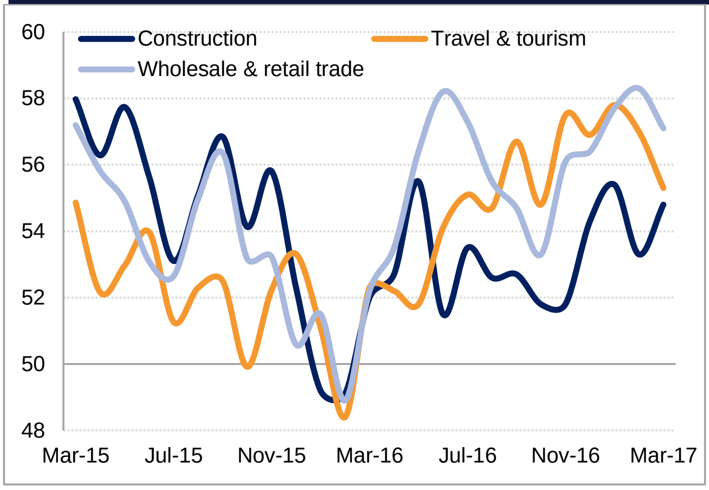
While there is evidence that residential real estate prices may be stabilizing, higher interest rates, declining rents and increasing supply are likely to remain headwinds for the sector this year.

Dubai Economy Tracker



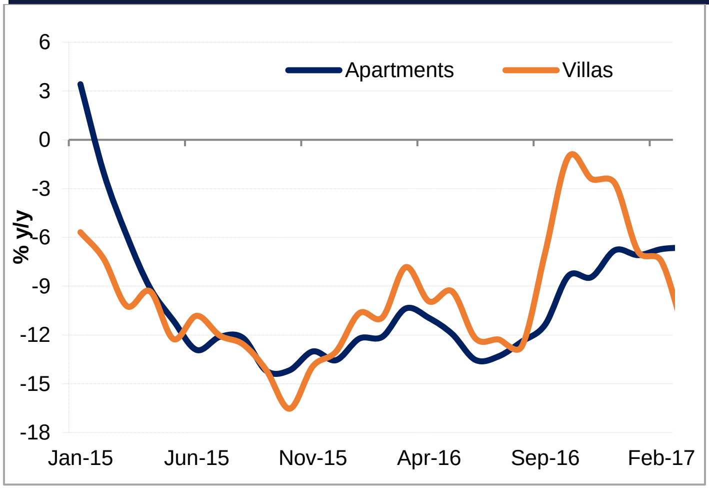
Source: IHS Markit, Emirates NBD Research

DET Sector Indices



Source: IHS Markit, Emirates NBD Research

Dubai Residential Real Estate Prices



Source: Phidar Advisory, Emirates NBD Research

Key Economic Forecasts: Algeria

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (DZD bn)	17243	16592	18093	20039	21966
Nominal GDP (USD bn)	213.5	165.3	165.4	186.1	214.3
GDP per capita (USD)	5347	4069	3972	4365	4911
Real GDP Growth (% y/y)	2.2	2.3	3.4	3.6	4.2
Monetary Indicators (% y/y)					
CPI (average)	3.9	4.4	5.8	7.0	5.0
External Accounts (USD bn)					
Exports	63.7	38.1	30.4	33.5	35.2
Imports	71.4	63.7	57.3	52.1	52.1
Trade balance	-7.7	-25.6	-26.8	-18.6	-17.0
% GDP	-3.6	-15.5	-16.2	-10.0	-7.9
Current account balance	-9.3	-27.5	-28.6	-20.3	-18.5
% GDP	-4.3	-16.6	-17.3	-10.9	-8.7
Fiscal Indicators (DZDbn)					
Revenue	5738	5051	4737	5182	5596
Expenditure	6996	7712	7326	7326	7400
Budget Balance	-1258	-2661	-2590	-2145	-1804
% GDP	-7.3	-16.0	-14.3	-10.7	-8.2

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (BHD bn)	12.6	11.7	12.0	12.9	13.8
Nominal GDP (USD bn)	33.4	31.1	31.9	34.4	36.8
GDP per capita (USD)	25398	22720	22798	24160	25319
Real GDP Growth (% y/y)	4.4	2.9	3.0	2.5	2.4
Monetary Indicators (% y/y)					
M2	6.5	2.9	2.6	4.0	5.4
Private sector credit	-5.9	7.6	2.3	4.0	6.0
CPI (average)	2.7	1.8	2.8	2.0	3.0
External Accounts (USD bn)					
Exports	23.5	16.5	15.2	16.6	18.0
Of which: hydrocarbons	14.5	7.7	6.4	8.1	9.5
Imports	19.8	15.7	15.3	16.4	17.4
Trade balance	3.7	0.8	-0.1	0.2	0.7
% GDP	11.1	2.7	-0.2	0.6	1.8
Current account balance	1.5	-0.8	-1.7	-1.8	-1.3
% GDP	4.6	-2.4	-5.2	-5.2	-3.6
Fiscal Indicators (% GDP)					
Budget balance	-3.6	-13.0	-15.9	-12.9	-11.0
Revenue	24.6	17.4	12.4	14.5	15.4
Expenditure	28.2	30.4	28.3	27.4	26.4

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (EGP bn)	2130.0	2443.9	2708.3	3076.1	3529.9
Nominal GDP (USD bn)	305.4	332.6	332.2	180.9	196.1
GDP per capita (USD)	3412	3635	3553	1893	2008
Real GDP Growth (% y/y)	2.9	4.4	4.3	3.5	4.9
Monetary Indicators (% y/y)					
M2	9.3	16.4	15.0	12.0	8.0
CPI (average)	10.1	10.4	13.7	16.0	11.0
External Accounts (USD bn)					
Exports	26.1	22.2	18.7	21.0	23.9
Imports	60.2	61.3	57.4	47.8	48.2
Trade Balance	-34.1	-39.1	-38.7	-26.7	-24.3
% of GDP	-12.1	-12.7	-11.6	-14.8	-12.4
Current Account Balance	-2.7	-12.1	-19.8	-7.7	-2.8
% of GDP	-1.0	-3.7	-6.0	-4.3	-1.4
Reserves	16.6	20.0	23.0	30.0	35.0
Public Finances					
Revenue (EGP bn)	-36626	-38029	-40035	-18643	-16554
Expenditure (EGP bn)	701514	733350	804704	852062	896903
Balance*	-255439	-279430	-326355	-316934	-297978
% of GDP	-12.98	-12.53	-13.95	-10.05	-8.98
Central Government Debt (EGP mn)	1538459	1871332	2285644	2621727	2922129
% of GDP	72.2	76.6	84.4	85.2	82.8

Source: Haver Analytics, Emirates NBD Research

*Note: * denotes fiscal year (FY2012/13 refers to July 2012-June 2013)*

Key Economic Forecasts: Iran

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (IRR tn)	10736	11237	12839	14841	17364
Nominal GDP (USD bn)	503.6	423.7	420.1	406.6	434.1
GDP per capita (USD)	6446	5318	5210	4983	5257
Real GDP Growth (% y/y)	5.9	3.7	7.2	4.1	5.0
Monetary Indicators (% y/y)					
CPI (average)	37.4	15.9	8.5	11.1	12.0
External Accounts (USD bn)					
Exports	86471	64597	61240	69185	75750
Imports	65079	52419	41935	44451	47563
Trade balance	21392	12178	19305	24734	28187
% GDP	4.2	2.9	4.6	6.1	6.5
Current account balance	15861	9016	16170	21596	25018
% GDP	3.1	2.1	3.8	5.3	5.8
Fiscal Indicators (IRRbn)					
Revenue	977600	1123700	1236070	1372038	1536682
Expenditure	1438300	1706900	2048280	2171177	2323159
Budget Balance	-460700	-592900	-812210	-799139	-786477
% GDP	-4.3	-5.3	-6.3	-5.4	-4.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (IQD tn)	244511	191716	268670	289277	337367
Nominal GDP (USD bn)	192.8	164.2	229.6	247.2	288.3
GDP per capita (USD)	5374	4312	5856	6128	6948
Real GDP Growth (% y/y)	-0.6	-2.4	8.7	3.5	5.1
Monetary Indicators (% y/y)					
CPI (average)	3.0	1.2	1.0	4.5	6.5
External Accounts (USD bn)					
Exports	83980.9	43441.5	28237.0	28237.0	31343.0
Imports	45200.2	33188.2	31528.8	31528.8	34681.7
Trade balance	38780.7	10253.3	-3291.8	-3291.8	-3338.6
% GDP	*20.1*	*6.2*	*-1.4*	*-1.3*	*-1.2*
Current account balance	24427.8	4121.3	-12265.5	-13974.4	-15947.0
% GDP	12.7	2.5	-5.3	-5.7	-5.5
Fiscal Indicators (IQDbn)					
Revenue	104000	63000	63000	66150	70119
Expenditure	119000	89000	91800	85251.6	85494
Budget Balance	-15000	-26000	-28800	-19102	-15375
% GDP	-6.1	-13.6	-10.7	-6.6	-4.6

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (JOD bn)	25.4	26.6	27.6	28.6	29.6
Nominal GDP (USD bn)	35.8	37.5	38.9	40.3	41.7
GDP per capita (USD)	4731	5509	4984	4578	4633
Real GDP Growth (% y/y)	3.1	2.4	2.0	2.8	3.0
Monetary Indicators (% y/y)					
M2	9.8	7.0	4.0	10.0	11.0
CPI (average)	2.8	-0.9	-0.8	2.0	2.0
External Accounts (USD bn)					
Exports	8.4	7.8	7.2	7.5	7.8
Imports	20.4	18.2	17.6	18.1	18.9
Trade Balance	-12.0	-10.3	-10.4	-10.7	-11.1
% of GDP	*-33.4*	*-27.5*	*-26.8*	*-26.4*	*-26.5*
Current Account Balance	-2.6	-3.4	-4.0	-4.0	-4.0
% of GDP	*-7.3*	*-9.1*	*-10.3*	*-9.8*	*-9.6*
Reserves	16.0	16.5	15.7	16.0	16.8
Public Finances					
Revenue (JOD mn)	7267.6	6796.2	7254.2	8227.1	9422.5
Expenditure (JOD mn)	7851.1	7722.9	8142.0	9071.6	10199.6
Balance	-583.5	-926.7	-887.8	-844.5	-777.2
% of GDP	*-2.3*	*-3.5*	*-3.2*	*-2.9*	*-2.6*
Central Government Debt (JOD mn)	23236.2	23237.2	23238.2	23239.2	23240.2
% of GDP	*82.2*	*86.1*	*92.0*	*96.0*	*100.0*

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Kuwait

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (KWD bn)	47.4	35.2	29.0	32.6	36.7
Nominal GDP (USD bn)	166.3	116.9	95.9	107.3	120.4
GDP per capita (USD)	42127	28975	23272	25473	27955
Real GDP Growth (% y/y)	0.5	1.8	2.7	2.3	2.9
Hydrocarbon	-1.3	-0.8	2.0	1.0	2.0
Non-hydrocarbon	3.1	5.5	3.5	4.0	4.0
Monetary Indicators (% y/y)					
M3	3.4	1.7	3.1	5.8	6.4
Private sector credit	5.2	7.9	2.5	5.0	6.0
CPI (average)	2.9	3.3	3.2	3.5	3.5
External Accounts (USD bn)					
Exports	104.6	55.3	44.9	56.9	70.7
Of which: hydrocarbons	97.4	48.8	37.9	49.4	62.7
Imports	27.3	27.3	26.5	28.0	29.5
Trade balance	77.4	28.0	18.4	28.9	41.2
% GDP	46.6	23.9	19.2	26.9	34.3
Current account balance	54.3	6.0	-1.7	7.5	18.5
% GDP	32.6	5.1	-1.7	7.0	15.4
Fiscal Indicators (% GDP)					
Budget balance	7.4	-13.1	-17.2	-9.3	0.3
Revenue	52.6	38.8	48.7	52.1	57.5
Expenditure	45.2	51.9	65.9	61.4	57.2

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (LBP bn)	73398	75599	80717	88092	95853
Nominal GDP (USD bn)	48.6	50.1	55.1	61.8	68.5
GDP per capita (USD)	11158	11424	12483	13921	15328
Real GDP Growth (% y/y)	1.8	1.5	2.4	3.1	3.3
Monetary Indicators (% y/y)					
M2	7.0	7.3	5.0	10.0	10.0
CPI (average)	-8.0	-3.8	-1.0	3.0	4.5
External Accounts (USD bn)					
Exports	4.6	4.0	4.5	5.2	6.1
Imports	19.6	17.1	18.8	20.9	23.4
Trade Balance	-15.0	-13.1	-14.2	-15.6	-17.3
% of GDP	*-30.9*	*-26.1*	*-25.9*	*-25.3*	*-25.3*
Current Account Balance	-11.6	-8.1	-8.8	-9.7	-10.7
% of GDP	*-23.9*	*-16.1*	*-16.0*	*-15.6*	*-15.7*
Reserves	32.4	30.6	35.2	38.7	40.6
Public Finances					
Revenue (LBP bn)	16400	14435	14128	14304	13840
Expenditure (LBP bn)	21032	2127	20675	20948	20912
Balance	-4632	12308	-6547	-6644	-7072
% of GDP	*-6.3*	*-7.9*	*-7.3*	*-7.5*	*-7.7*
Central Government Debt (LBP bn)	100394	106005	125002	133002	138003
% of GDP	*136.8*	*140.2*	*154.9*	*151.0*	*144.0*

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Libya

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (LYD tn)	61	48	52	61	69
Nominal GDP (USD bn)	48.1	34.4	36.2	42.5	47.6
GDP per capita (USD)	7692	5446	5735	6734	6506
Real GDP Growth (% y/y)	-24.0	-10.2	-0.9	37.6	11.7
Monetary Indicators (% y/y)					
CPI (average)	2.4	9.5	9.5	10.5	11.5
External Accounts (USD bn)					
Exports	29.9	35.8	39.4	43.4	48.1
Imports	27.8	32.0	36.8	42.3	48.6
Trade balance	2.1	3.9	2.7	1.1	-0.5
% GDP	*4.3*	*11.2*	*7.3*	*2.5*	*-1.0*
Current account balance	-5.0	-3.2	-4.4	-6.0	-7.6
% GDP	-10.5	-9.4	-12.3	-14.2	-16.0
Fiscal Indicators (LYDmn)					
Revenue	33204.7	45906.4	46333.4	46859.6	47511.6
Expenditure	58512.2	57137.2	57137.2	57708.6	58862.7
Budget Balance	-25308	-11231	-10804	-10849	-11351
% GDP	-41.4	-23.6	-20.7	-18.8	-17.6

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Morocco

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (MAD bn)	923.7	982.2	1007.6	1085.3	1170.0
Nominal GDP (USD bn)	109.7	100.7	116.8	125.8	135.6
GDP per capita (USD)	3235	2930	3336	3543	3766
Real GDP Growth (% y/y)	2.6	4.5	1.0	4.7	4.8
Monetary Indicators (% y/y)					
M2	5.5	7.0	7.0	6.0	6.0
CPI (average)	0.4	1.6	1.6	3.0	3.0
External Accounts (USD bn)					
Exports	19.9	18.6	19.8	22.1	24.3
Imports	40.5	33.3	37.9	40.2	43.0
Trade Balance	-20.6	-14.6	-18.2	-18.1	-18.7
% of GDP	*-18.8*	*-14.5*	*-15.6*	*-14.4*	*-13.8*
Current Account Balance	-6.2	-2.1	-4.8	-3.6	-2.9
% of GDP	*-5.7*	*-2.1*	*-4.1*	*-2.9*	*-2.1*
Reserves	20.7	22.9	25.0	28.0	30.0
Public Finances					
Revenue (MAD mn)	201842	207462	223669	241154	262430
Expenditure (MAD mn)	217775	207467	214705	224787	237607
Balance*	-48035	-46175	-38685	-33949	-28805
% of GDP	-5.2	-4.7	-3.8	-3.1	-2.5
Central Government Debt (MAD mn)	587	629	661	694	728
% of GDP	63.5	64.0	67.3	70.6	74.2

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

Key Economic Forecasts: Oman

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (OMR bn)	31.2	26.9	27.9	30.5	33.8
Nominal GDP (USD bn)	80.9	69.7	72.5	79.2	87.7
GDP per capita (USD)	20268	17123	17458	18691	20297
Real GDP Growth (% y/y)	2.5	5.7	3.7	2.0	2.8
Monetary Indicators (% y/y)					
M2	15.3	10.0	1.8	6.0	9.0
Private sector credit	14.8	13.9	11.4	7.0	8.0
CPI (average)	1.0	0.1	1.1	1.5	2.0
External Accounts (USD bn)					
Exports	53.6	35.7	34.4	40.2	43.3
Of which: hydrocarbons	35.2	21.2	18.4	22.4	26.3
Imports	27.9	26.6	27.7	28.2	29.1
Trade balance	25.7	9.1	6.8	12.0	14.2
% GDP	31.8	13.1	9.3	15.2	16.2
Current account balance	4.2	-10.8	-12.8	-9.2	2.7
% GDP	5.2	-15.5	-17.7	-11.6	3.1
Fiscal Indicators (% GDP)					
Budget balance	-3.4	-17.2	-17.5	-9.8	-5.0
Revenue	45.3	33.8	26.5	29.6	30.5
Expenditure	48.7	51.0	44.0	39.4	35.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (QAR bn)	750.7	599.3	555.0	620.3	689.9
Nominal GDP (USD bn)	206.2	164.6	152.5	170.4	189.5
GDP per capita (USD)	92271	68208	59310	63437	69513
Real GDP Growth (% y/y)	3.5	3.3	2.0	3.5	3.8
Hydrocarbon	-0.6	-0.5	-1.0	1.0	1.0
Non- hydrocarbon	9.8	8.2	5.6	6.0	6.5
Monetary Indicators (% y/y)					
M2	10.6	3.4	-4.6	5.0	7.3
Private sector credit	20.3	19.7	7.0	6.0	7.0
CPI (average)	3.3	1.9	2.7	3.0	3.5
External Accounts (USD bn)					
Exports	138.0	84.5	64.1	76.1	84.3
Of which: hydrocarbons	125.2	72.8	53.1	64.4	72.7
Imports	31.1	28.5	29.2	34.2	35.8
Trade balance	106.9	56.0	34.9	41.9	48.5
% GDP	51.8	34.0	22.9	24.6	25.6
Current account balance	60.8	20.9	1.8	7.5	11.6
% GDP	29.5	12.7	1.2	4.4	6.1
Fiscal Indicators (% GDP)					
Budget balance	12.3	1.2	-8.4	-4.6	-4.7
Revenue	45.7	42.7	28.1	27.4	28.4
Expenditure	33.4	41.5	36.5	32.0	33.1

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (SAR bn)	2827	2450	2384	2605	2846
Nominal GDP (USD bn)	754	653	636	695	759
GDP per capita (USD)	24396	20524	19390	20572	22475
Real GDP Growth (% y/y)	3.6	3.4	1.4	1.8	2.5
Hydrocarbon	2.1	3.1	3.3	0.0	1.0
Non- hydrocarbon	4.8	3.6	0.0	3.2	3.6
Monetary Indicators (% y/y)					
M2	11.9	2.6	0.7	4.6	6.0
Private sector credit	11.8	9.2	2.4	5.0	6.0
CPI (average)	2.7	2.2	3.5	2.8	3.5
External Accounts (USD bn)					
Exports	342.2	203.2	169.1	186.4	225.2
Of which: hydrocarbons	285.2	151.3	117.1	131.8	170.2
Imports	158.5	159.3	160.0	164.0	168.0
Trade balance	183.8	44.0	9.1	22.4	57.2
% GDP	24.4	6.7	1.4	3.2	7.5
Current account balance	72.5	-59.5	-83.9	-76.6	-43.8
% GDP	9.6	-9.1	-13.2	-11.0	-5.8
SAMA's Net foreign Assets	724.3	608.9	528.6		
Fiscal Indicators (% GDP)					
Budget balance	-2.3	-14.9	-14.5	-9.8	-6.2
Revenue	36.9	25.0	24.5	26.7	28.1
Expenditure	39.3	39.9	39.0	36.5	34.3
Public debt	1.6	5.8	13.2	18.0	

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Tunisia

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (TND bn)	80.5	80.8	88.8	96.6	105.7
Nominal GDP (USD bn)	47.6	41.1	41.3	41.1	45.0
GDP per capita (USD)	4329	3700	3757	3736	4090
Real GDP Growth (% y/y)	2.3	0.8	1.1	2.8	4.0
Monetary Indicators (% y/y)					
M2	8.2	5.2	10.0	8.0	8.0
CPI (average)	5.5	4.9	3.7	5.0	5.0
External Accounts (USD bn)					
Exports	16.4	14.1	14.0	14.1	15.6
Imports	23.0	19.1	18.7	18.4	20.1
Trade Balance	-6.5	-5.0	-4.7	-4.3	-4.5
% of GDP	-13.8	-12.2	-11.3	-10.6	-9.9
Current Account Balance	-4.3	-3.9	-3.4	-3.0	-2.9
% of GDP	-9.0	-9.4	-8.3	-7.4	-6.5
Reserves	7.7	7.4	5.6	5.8	6.1
Public Finances					
Revenue (TND mn)	20360	20161	20564	22003	23764
Expenditure (TND bn)	23968	23893	26282	27859	29809
Balance*	-3608	-3732	-5718	-5856	-6046
% of GDP	-5.1	-5.1	-6.8	-6.4	-6.0
Central Government Debt (TND mn)	41054	46923	49269	51733	54319
% of GDP	50.8	54.9	65.6	68.8	72.3

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

Key Economic Forecasts: UAE

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (AED bn)	1476.2	1359.9	1372.9	1509.3	1663.9
Nominal GDP (USD bn)	402.2	370.5	374.1	411.3	453.4
GDP per capita (USD)	44097	39061	37555	39322	41286
Real GDP Growth* (% y/y)	3.1	3.8	3.0	3.4	4.1
Monetary Indicators (% y/y)					
M2	8.0	5.5	3.2	5.9	7.6
Private sector credit	5.2	9.0	5.3	6.0	7.5
CPI (average)	2.3	4.1	1.8	2.5	3.5
External Accounts (USD bn)					
Exports	343.0	300.5	291.1	310.0	332.6
Of which: hydrocarbons	101.9	61.5	46.5	56.7	67.6
Imports	234.6	223.9	232.3	242.5	252.0
Trade balance	108.4	76.6	58.8	67.5	80.6
% GDP	26.9	20.7	15.7	16.4	17.8
Current account balance	40.3	12.3	-7.5	-1.2	7.2
% GDP	10.0	3.3	-2.0	-0.3	1.6
Fiscal Indicators (% GDP)					
Consolidated budget balance	5.0	-2.1	-3.2	-0.8	1.4
Revenue	37.3	28.5	26.8	27.1	28.0
Expenditure	32.3	30.6	30.1	27.9	26.6

** 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

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