



بنك الإمارات دبي الوطني  
Emirates NBD

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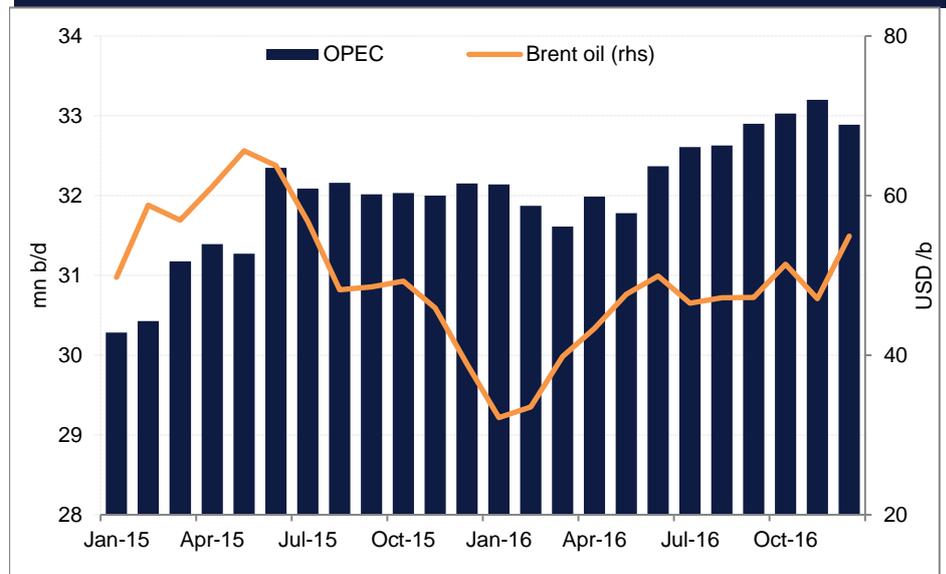
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# MENA Quarterly

- Oil markets have started the year on a much stronger footing which should be a welcome relief for MENA producers. OPEC's production cut agreement has only begun to take effect and it will take time before it is clear how helpful it has been in pushing the oil market closer to balance.
- 2016 was a challenging year for most GCC economies, which grappled with widening fiscal deficits, tighter liquidity conditions and budgetary reform. Non-oil sector growth slowed as governments reined in spending and imposed higher taxes and fees. However, this was offset to a large extent by substantial rises in oil production last year, which helped deliver solid overall GDP growth.
- Planned cuts to output in H1 2017 will prove a headwind to growth, but we think non-oil growth prospects are looking better this year. Higher oil prices should reduce the need for further spending cuts and lower borrowing requirements. Increased infrastructure investment will support growth in the UAE and Qatar in 2017 and beyond.
- In North Africa and the Levant, the start of 2017 holds some promise that economic conditions are finally set to improve across the region. The past several years have been defined by below trend growth, elevated unemployment, and slow progress on structural reforms. While we are not expecting a dramatic improvement in domestic consumption or investment patterns, there is nevertheless more cause for optimism now than has been the case in a number of years.
- The contrast in Egypt's economic outlook at the start of 2017 relative to where we were when our Q4 2016 Quarterly Outlook went to print is stark. The devaluation of the EGP in early November and the subsequent signing of a three-year USD12bn IMF program have been the most notable developments, providing a greater degree of clarity on the near-term direction of economic policy.

### Higher oil prices should provide some relief to GCC budgets in 2017



Source: Bloomberg, Emirates NBD Research

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## Oil market outlook

Oil markets have started 2017 on a much more confident footing with prices hovering at 18-month highs. Compared with the start of 2016, Brent futures have added more than USD 20/b which should be a major relief to oil producers in the MENA region. Prices are benefitting to a large degree from OPEC's agreement to cut production by around 1.2m b/d for total output of 32.5m b/d, beginning from January. However, it will take some time before it becomes clear how effective it has been at removing barrels from the market. By setting itself such a prominent target, OPEC risks disappointing the market if output fails to match promised cuts.

For their part, nearly all the NOCs from the GCC have announced that they are limiting production either by shutting in wells, preparing customers for lower volumes or carrying out maintenance work. Kuwait has said it would close 90 wells to meet its allocated production cut of 131k b/d while Saudi Aramco has notified its customers that it was removing its operational tolerance of delivering cargoes with a margin of plus or minus 10%. Saudi Arabia's energy minister has also said the country has cut output more than required and is producing less than 10m b/d. In the UAE, ADNOC is reportedly planning to put several major producing fields on maintenance in March and April which will help to limit production. ADNOC will also carry out maintenance work on the Ruwais oil refinery around the same time which will help to keep crude export levels steady, if impinging on domestic availability. But in all these countries, 2017 will be a momentary pause and not a long-term change in strategy. Across the GCC, NOCs are targeting higher output to meet long-term export plans and the demands of energy intensive local economies.

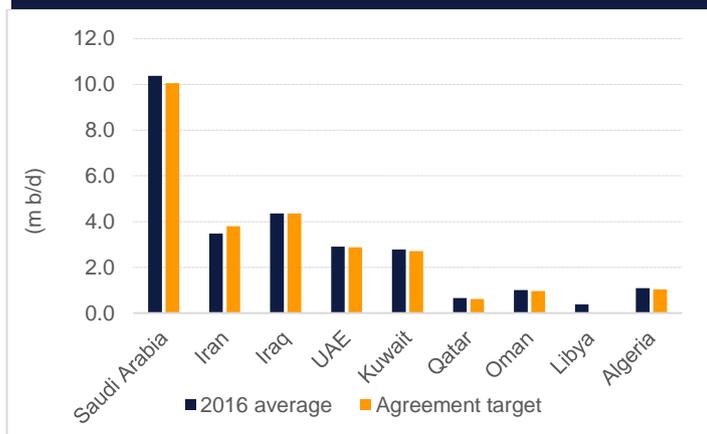
come into the country for long-term projects but we don't feel this will impact oil market balances in the short term.

Iraq has said it is making the necessary steps to limit output by its mandated 210k b/d but as the country carries out operations against IS the central government will need as much revenue as possible and may be tempted to keep volumes steady. Moreover, the Kurdistan Regional Government is not part to the OPEC cuts. That said, an inconsistent pattern of paying international partners is likely to limit interest in new projects in the autonomous region and output may not push much higher than current levels close to 600k b/d. Algeria's production cut is small—50k b/d—and could easily be absorbed by allowing some natural decline as output has been falling steadily over the past few years. Upstream investment will carry on for future projects but may focus more on natural gas.

For MENA producers that are not party to the agreement we expect that Oman will follow suit with its GCC peers. The country's oil and gas ministry has announced a cut of 45k b/d (around 4.3% from 2016 levels) which would take Oman back to output around its level in 2015. The biggest regional wildcard for oil output is Libya. After falling to as low as 270k b/d in August, production has recovered quickly, rising to 700k b/d currently according to the national oil company. The country is allowed to raise output as part of the OPEC agreement and past performance suggests Libya can recover quickly: output slumped during the start of the civil war in 2011 but managed to regain lost levels reasonably fast. The political situation in the country, however, remains highly fluid with critical oil infrastructure at risk of attack from tribal groups or militias.

Evidence of whether OPEC producers have indeed cut production will only be available from mid-February and we would expect January's output levels to have some element of wind-down rather than a complete adherence to production limits from January 1st. While we are cautiously optimistic about OPEC compliance with the deal, by setting a target of 32.5m b/d, the producers' bloc leaves the market vulnerable to price swings when data is published. In 2008, OPEC set a target of 30m b/d and the market's fixation on monthly adherence to the target helped prices lurch up and down. This kind of price pattern will make it all the harder for OPEC governments to decide if the cut has been effective.

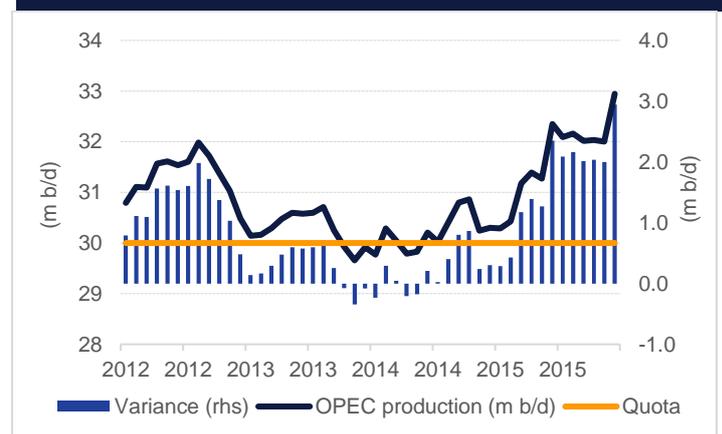
### MENA output poised to slip 600k b/d



Source: Bloomberg, Emirates NBD Research.

Outside of the GCC, past commitment to coordinated production cuts has been tenuous but we are not overly concerned that Iran, Iraq or Algeria will increase production substantially. Iran appears to be stretching its current production capacity and in any case has some allowance to actually raise output as part of the deal. The country has signed initial deals with IOCs, mainly European, to

### Quotas hard to maintain last time around



Source: Bloomberg, Emirates NBD Research.

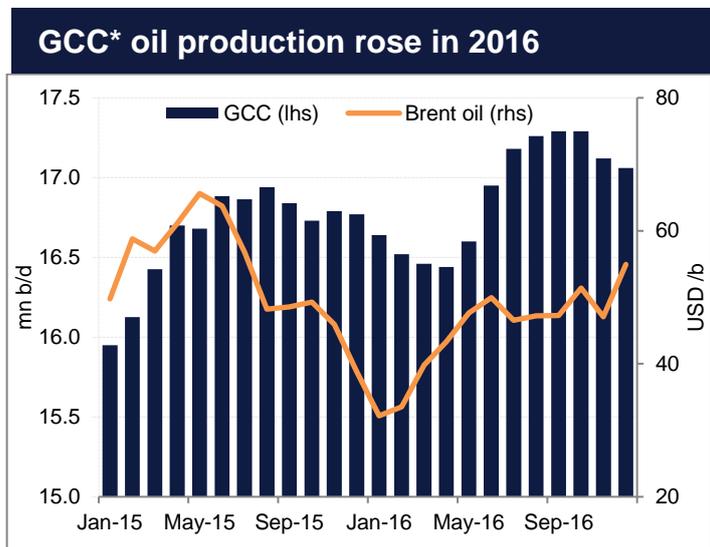
## GCC Overview

### Oil output supported 2016 growth...

2016 was a challenging year for most GCC economies, which grappled with widening fiscal deficits, tighter liquidity conditions and budgetary reform. Non-oil sector growth slowed as governments reined in spending and imposed higher taxes and fees. However, this was offset to a large extent by substantial rises in oil production last year, which helped deliver solid overall GDP growth. Despite efforts to diversify economies away from oil, the hydrocarbon sectors still account for 30-50% of total GDP in GCC countries.

According to Bloomberg estimates, the UAE increased oil production by 2.7% in 2016, while Saudi Arabia's oil output rose 1.7% y/y. Qatar's oil production declined by nearly 3% last year while Kuwait increased output by just under 1%. Overall, oil production from OPEC's four GCC exporters increased by 1.6% y/y in 2016.

According to the official GDP estimates in Saudi Arabia's 2017 budget statement, headline GDP growth in the Kingdom last year was almost entirely due to the expansion in the hydrocarbon sector, with non-oil growth at less than 1%. Real GDP growth came in at 1.4% in Saudi Arabia, exactly in line with our forecast. In the UAE, the Minister of Economy has indicated that growth last year was around 3%, in line with our forecast, although official data is unlikely to be available until mid-2017.



\*Excludes Oman and Bahrain  
Source: Bloomberg, Emirates NBD Research

### ...but likely to be a headwind in 2017

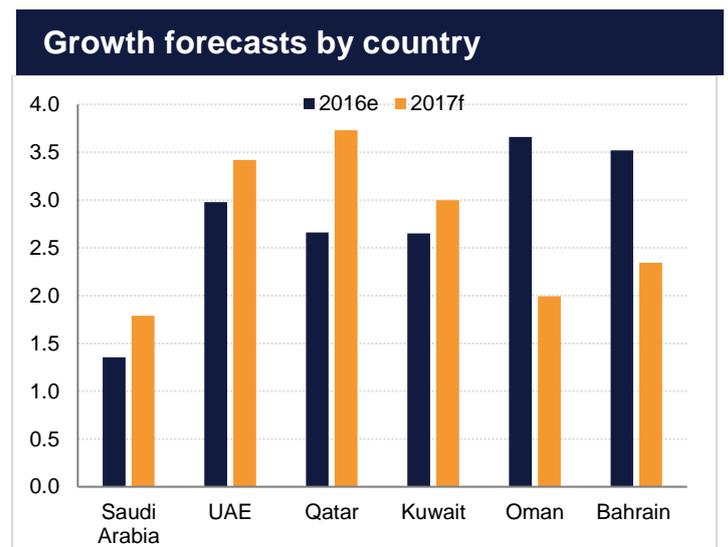
Where higher oil production offset slower non-oil growth in 2016, the OPEC agreement to cut output in H1 2017 means that the oil sector is likely to be headwind to growth this year. However, we expect non-oil growth to recover this year for several reasons. Oil prices are forecast to be 20% higher in 2017 which should provide substantial relief for GCC budgets. While we don't foresee any significant rise in government spending, higher revenues should

reduce the need for additional substantial spending cuts this year. Lower borrowing requirements on the part of GCC sovereigns should also contribute to "easier" liquidity conditions in regional banking sectors, notwithstanding the expected rise in US rates.

### Infrastructure to underpin UAE, Qatar growth

Increased infrastructure investment, particularly in the UAE and Qatar, should further support the recovery in non-oil activity this year. Both countries have firm deadlines by which they need to deliver world class events that require substantial new infrastructure. Dubai's 2017 budget makes provision for a 24% increase in infrastructure spending, while Qatar's 2017 budget has allocated nearly 47% of total spending on major projects. Qatar has announced that QAR 46.1bn worth of new projects will be signed this year, of which QAR 33.5bn relate to infrastructure, transport and the World Cup.

We expect growth in Qatar to accelerate to 3.7% this year from an estimated 2.7% in 2016, while the UAE's real GDP growth should rise to 3.4% in 2017 from 3.0% last year.



Source: Haver Analytics, Emirates NBD Research

### Saudi Arabia and Kuwait: slightly faster growth

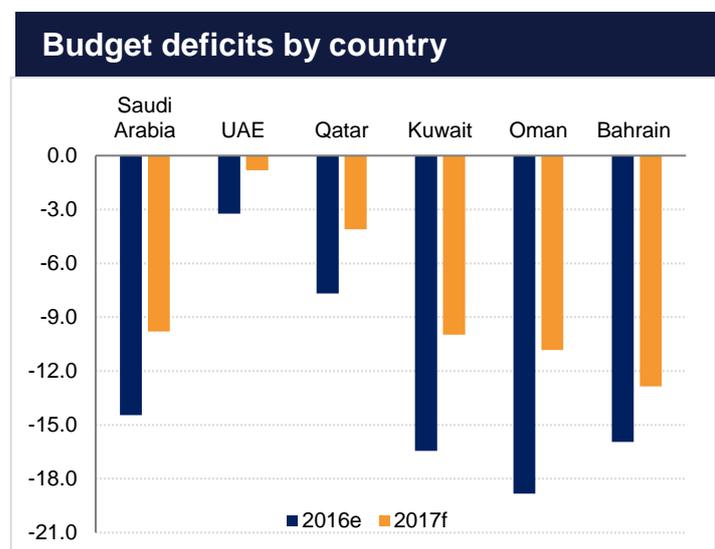
In Saudi Arabia, we expect growth to accelerate modestly to 1.8% this year from 1.4% in 2016. The government has budgeted expenditure of SAR 890bn this year, down from SAR 930bn (cash spent) in 2016. We expect total expenditure to overshoot the budget to reach SAR 950bn, even as the budget deficit falls to below 10% of GDP. This is of course on the assumption that oil prices average USD 55pb; should there be a sharp drop in oil prices similar to Q1 2016, then fiscal policy will likely be tightened, and the downside risks to growth would increase.

The outlook for Kuwait is relatively benign; we expect growth accelerated to 2.7% in 2016 but is likely to slow to 2.3% this year on slower hydrocarbon growth. Parliamentary elections in November returned a parliament with one-third of new MPs. Finance Minister Anas Al Saleh, who has spearheaded the fiscal reforms to date, was returned to the cabinet as Finance Minister, suggesting that the leadership remains committed to continue with the reform program.

However, it remains to be seen whether the new parliament will oppose further measures to cut subsidies and reduce expenditure while raising non-oil budget revenues; or whether political developments will slow the reform process and implementation of the economic development program further.

## Oman, Bahrain stand out on fiscal, external balances

Oman and Bahrain remain outliers in terms of the size of their budget and current account deficits and the relatively low level of their accumulated fiscal reserves compared to other GCC countries. While budget deficits are expected to narrow in 2017 on higher oil prices, they remain among the highest in the region at -12.9% (Bahrain) and -10.8% (Oman). Without the sizeable sovereign wealth funds enjoyed by Saudi Arabia, UAE, Kuwait and Qatar, Bahrain and Oman will continue to rely heavily on borrowing to finance budget deficits.



Source: Haver Analytics, Emirates NBD Research

## Non-GCC Overview

In North Africa and the Levant, the start of 2017 holds some promise that economic conditions are finally set to improve across the region. The past several years have been defined by below trend growth, elevated unemployment, and slow progress on structural reforms. While we are not expecting a dramatic improvement in domestic consumption or investment patterns, there is nevertheless more cause for optimism now than has been the case in a number of years.

Egypt is a case in point, with recent reforms and success at securing bilateral and multilateral aid helping to lay the foundations for the economy's recovery. The devaluation of the EGP in early November was the most important step in this regard, and although the export sector is relatively small, we still expect this part of the economy to be the first to show signs of improvement over the coming months. Other reforms such as the introduction of a VAT and hikes to domestic energy prices have also been implemented, and should help prevent a further deterioration to Egypt's public finances. The near-term economic impact of such policies will, however, result in higher inflation and slower growth. Nevertheless, these reforms have been long-awaited, and are necessary to help revive short-term portfolio investment, in addition to making the economy more attractive for longer-term FDI. In this sense, 2017 marks the start of what should be a multi-year economic recovery.

One area of hope is the offshore oil and gas sector, the development of which has been delayed for several years due to the political situation. However in early January the energy ministry announced it was finally restarting its oil and gas licensing round, and would soon auction rights to five offshore areas. The development of these energy resources will take several years, yet their eventual exploitation will provide a much needed source of long-term revenue, and could go a long way towards bolstering the economy's structurally weak balance of payments position.

For economies in North Africa, there is some optimism that a return of normal rainfall patterns will help boost production in the volatile agricultural sector. The importance of this industry to the wider economic backdrop in MENA is often overlooked. Indeed, it is still a crucial source of employment, accounting for up to 40% of jobs in Morocco, but also a still elevated 28% in Egypt and 18% in Tunisia, according to World Bank data. The contribution to GDP is also significant, and ranges from 9% in Tunisia to 14% in Morocco, and even 11% in Algeria. Thus, a bad year of rainfall (as was the case in Morocco in particular last year) can have a large impact on household consumption and broader GDP growth. Assuming the return of a normal harvest in the current growing season, the agricultural sector should therefore act as a key source of growth in 2017.

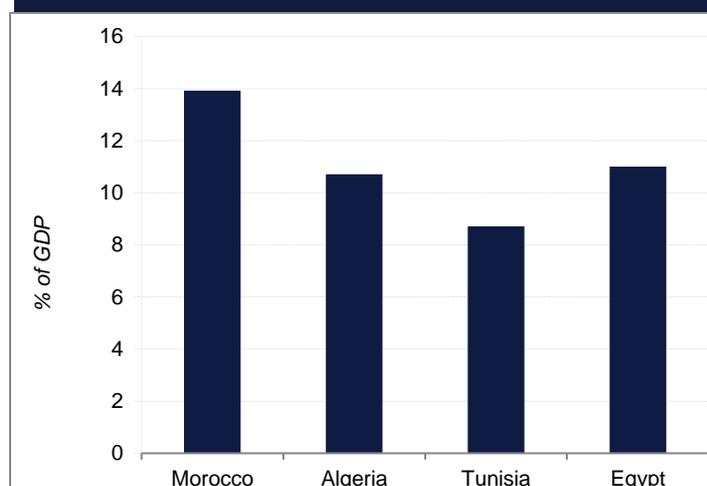
### Egyptian Pound



Source: Bloomberg, Emirates NBD Research

The outlook for the Lebanese economy is also brighter now than it has been in several years. The formation of government led by Prime Minister Saad Hariri theoretically ends an extended period of political uncertainty, and should at the least result in a near-term boost to business and consumer confidence. Of course, the degree to which any government in Lebanon can help fully reverse the economy's weak performance is questionable, particularly in light of the ongoing conflict in neighboring Syria, and the country's elevated public debt levels.

### Agricultural Sectors



Source: Havers, Emirates NBD Research

Finally, there is also optimism for the outlook on Libya. Certainly, the political situation remains volatile, and security risks do not appear likely to diminish in the near term. That, however, has not prevented a resurgence in oil production in recent months, which has jumped to 700k b/d according to the national oil company (the highest levels since October 2014), from only 260k in August. In late December, oil exports were reported to have left the port of Es Sider for the first time in two years. The chairman of the NOC, Mustafa Sanalla, has also recently said that he expects output to reach 1.2mn b/d by the end of 2017 (Libya is exempt from any OPEC production cuts). We have seen this scenario unfold before however, with a swift return of oil output followed shortly thereafter by another collapse in production. Nevertheless, at the start of the year the outlook is brighter than it has been in a long time.

## Algeria

Algeria's 2017 outlook will be dominated by two key trends which are having opposite effects on the performance of the economy. On the downside is a continuation of fiscal austerity policies that are meant to help narrow a budget deficit we estimate came in at 14.3% of GDP in 2016. Indeed, this year's budget sees a 14% cut to public spending, following on from a 9% decline last year. Austerity measures also include an increase in VAT by 2pp to 19%, and higher taxes on tobacco, fuel and electric household appliances.

On the upside however is a potential rise in hydrocarbon production, which should support headline GDP growth in the face of lower government spending. Despite Algeria's pledge to cut 50k b/d of oil as part of last year's OPEC agreement (from current levels around 1.1mn b/d), state energy firm Sonatrach has stated it is planning on increasing output of natural gas and crude oil by 20% over the coming four years. In addition to bringing several new natural gas projects and oil wells on stream, the company also is reportedly planning on drilling 290 wells in 2017, compared to 253 in 2016.

### Non-oil growth holding up

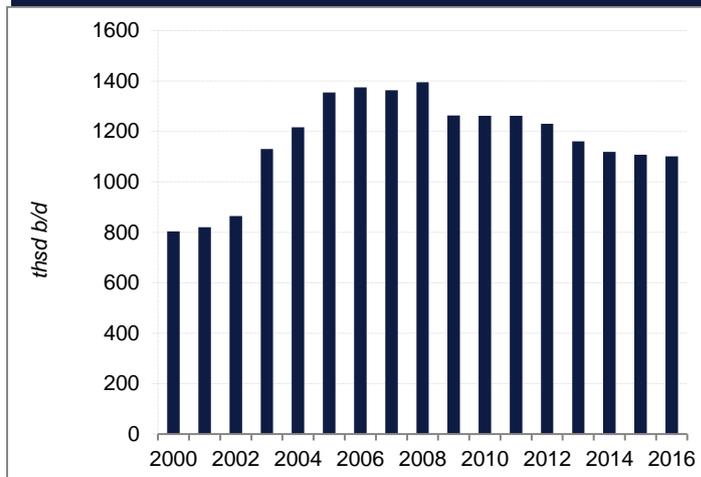
Real GDP growth came in at 3.4% y/y in Q2 2016, compared to 4.0% in Q1. Relative to other oil exporting markets in MENA, this is a reasonably strong performance, and is roughly in line with the economy's long-term average growth of 3.7% (since 2000). In the non-oil economy, some of the largest sectors continue to perform well, with the trade sector expanding 4.2% y/y in Q2, and transport and communications growing 6.3%. In what could be a sign that the government has not yet pushed ahead with its austerity program, the public administration sector grew 3.1% and 2.7% in Q2 and Q1 respectively.

Although quarterly balance of payments data for 2016 has not yet been released, more up-to-date FX reserve figures indicate significant strains in the economy's external position. The central bank's stockpile of FX reserves is estimated to have fallen to USD114bn at the end of December, compared to USD144bn in 2015 and USD194bn in 2013. A more aggressive reform program clearly needs to be implemented in order to address these structural issues arising from an overdependence on hydrocarbons. However, with Reuters reporting that the passage of 2017's austerity budget resulted in an outbreak in protest activity in early January, it is possible that reform fatigue is already setting in.

### Dinar depreciation has run its course

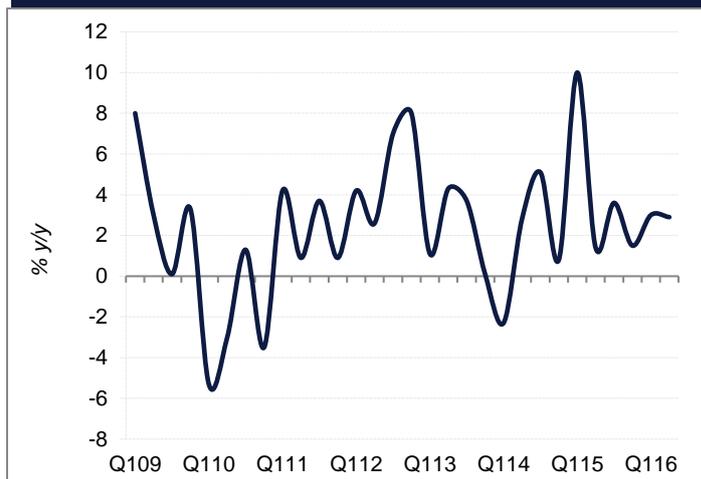
Having depreciated by over 20% against the USD since the start of 2015, the majority of losses for the Algerian dinar are likely behind us. Much will depend on the trajectory of oil prices this year, however our base case currently sees the DZD averaging 105.00 in 2017, compared to 110.39 in 2016.

## Oil Production



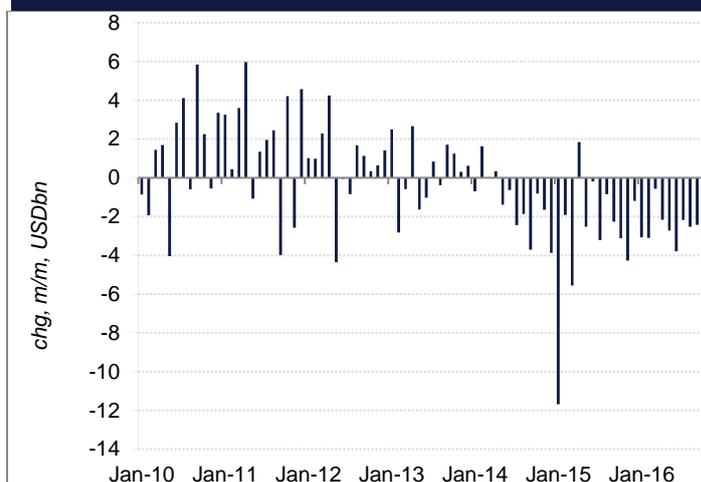
Source: Bloomberg, Emirates NBD Research

## Industrial Production



Source: Haver Analytics, Emirates NBD Research

## FX Reserves



Source: Bloomberg, Emirates NBD Research

# Bahrain

## Growth likely accelerated in 2016

Real GDP growth accelerated to 3.6% y/y in Q3 2016, bringing the average growth rate for January-September to 3.6% y/y. The main contributors to faster growth were the oil sector (4.0% y/y in Q1-Q3); and financial services (4.8%). We expect full year growth of around 3.5% in 2016, up from 2.9% in 2015. However, with oil production likely to remain stable this year, and limited room for additional government spending, we expect growth to slow to 2.3% in 2017.

## 2017 budget has not yet been approved

The second deadline for the submission of the 2017 budget (31 December 2016) has been missed. This has happened before however, and we expect the budget to be approved in Q1 2017. We forecast both higher revenue and slightly higher spending compared with our projections for 2016. Overall, we expect the deficit to narrow to USD 4.4bn or just under 13% of GDP this year from an estimated -15.9% in 2016.

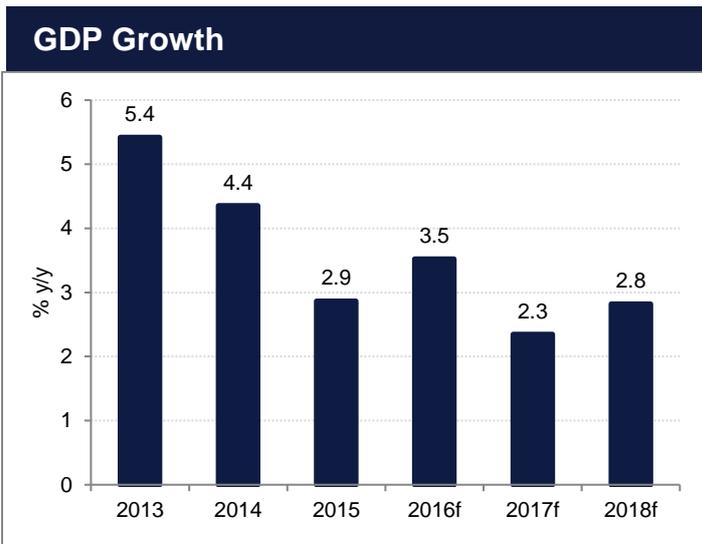
Although there has been much discussion about the need to finance the deficit at least partially through the sale of state assets (ie privatization), progress on this front is likely to remain slow. Bahrain also does not have the luxury of a large cushion of accumulated reserves. As a result, we expect the budget deficit will continue to be funded primarily through debt issuance.

## Current account to remain in deficit in 2017

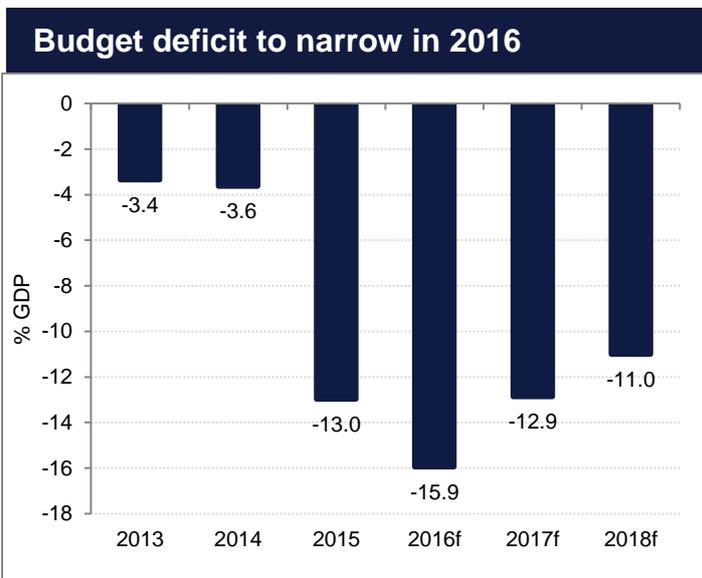
We expect the current account moved further into deficit in 2016, reaching -1.7% GDP from -0.8% in 2015. We think the current account deficit is likely to remain broadly unchanged in 2017. Official reserves stood at just over 3.5 months import cover at the end of Q3 2015, again highlighting the reliance on foreign inflows in the balance of payments.

## Inflation remains contained

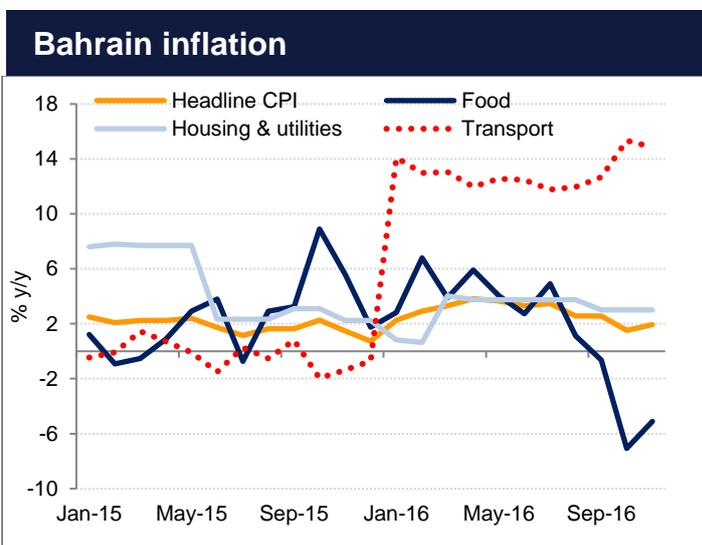
The y/y inflation rate eased to 1.9% y/y in November 2016 from a 2016 peak of 3.5% in July, mainly on lower food prices. Increased taxes on alcoholic beverages & tobacco and cuts to fuel subsidies boosted the corresponding components of the CPI, including transport earlier in 2016. However, the strong USD also helped to keep imported inflation low and this is likely to continue into 2017. We also do not expect to see significant further cuts to subsidies this year, and we think inflation is likely to averaged 3.0% in 2017, similar to 2016.



Source: Haver Analytics, Emirates NBD Research



Source: Haver Analytics, Emirates NBD Research



Source: Haver Analytics, Emirates NBD Research

## Egypt

The contrast in Egypt's economic outlook at the start of 2017 relative to where we were when our Q4 2016 Quarterly Outlook went to print is stark. The devaluation of the EGP in early November and the subsequent signing of a three-year USD12bn IMF program have been the most notable developments, providing a greater degree of clarity on the near-term direction of economic policy. The move to a more flexible exchange rate regime has been a major development, and while the increase in volatility that unavoidably accompanies such a move adds a new element of risk, the gains in competitiveness arising from a weaker currency far outweigh the drawbacks.

### Rebalancing, then recovery

The question is now, where do we go from here? In our view, the initial process will begin with an economic rebalancing, and only subsequently be followed by a recovery. The rebalancing needs to take the form of a stronger external position, driven by a narrowing in the trade deficit and stronger capital inflows. There is little doubt of a smaller trade deficit this year, as imports fall due to the weaker EGP and hike to a range of customs tariffs. There is also tentative evidence of a rebound in exports, with the Export Orders component of Egypt's PMI rising to its highest level in over one year in December. It will likely be several months before data is released on the extent of foreign purchases of Egyptian treasury bills following the devaluation, however most anecdotal evidence suggests such short-term capital flows have started to resume.

However, at this stage it might be overly optimistic to assume there will be a sudden rebound in economic activity. As of December, core inflation was running at 25.9% y/y (against overnight deposit and lending rates of 14.75% and 15.75% respectively), implying monetary policy will most likely need to be tightened further in the months ahead. Fiscal policy will also provide little support to growth, with efforts at containing the budget deficit, such as the introduction of a VAT and energy subsidy reforms, likely to curb household spending in the near term. Most indications also point to declining remittance inflows, which is likely a product of the slowdown in Saudi Arabia's non-oil economy.

### EGP to stabilize around 18.00

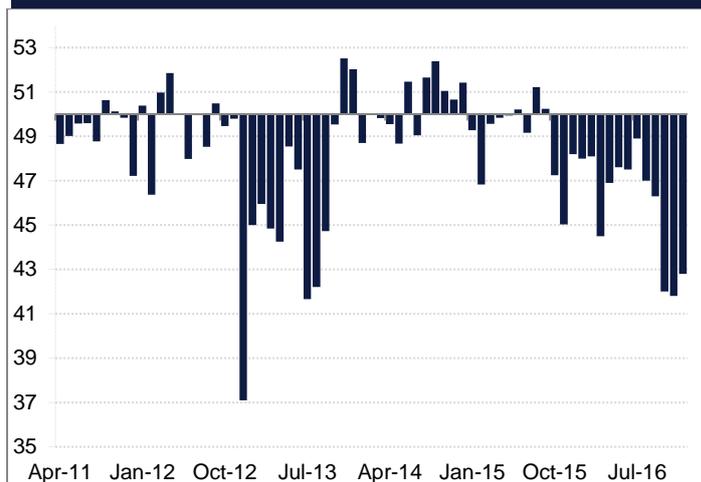
For the moment, we are holding to our view for the EGP to average 18.25 in 2017. Forecasting a currency's short-term trajectory following such a large devaluation is inherently difficult, and there is likely to be a significant amount of volatility in the first part of this year. Ultimately, the economy's recovery will in large part require a more competitive currency, particularly if there is to be hope for stronger FDI into export-oriented manufacturing sectors.

### Core Inflation



Source: Havers, Emirates NBD Research

### Purchasing Managers' Index



Source: Markit, Emirates NBD Research

### Remittances



Source: Haver Analytics, Emirates NBD Research

## Iran

It took nearly one year following the signing of the JCPOA nuclear agreement, but the scope of interest in Iran's reintegration into the global economy became apparent in December. In the span of a couple weeks, several large-scale investment projects and trade deals were announced in the last month of 2016, including the headline-grabbing agreements with Boeing and Airbus valued at USD16bn and USD19bn respectively. Not surprisingly, the hydrocarbon sector has also garnered significant interest, with Iran recently qualifying 29 international oil companies to bid in upcoming tenders for natural gas and oil projects.

In addition to Libya and Nigeria, Iran successfully lobbied OPEC to avoid taking part in the cartel's production cut agreement signed in December. Technically speaking, Iran will be allowed to increase output to 3.9mn b/d, from current levels around 3.7mn. The recovery of oil production in 2016 was significant, with output increasing roughly 33% over the course of the year, and regardless of the OPEC agreement, it was already unclear to what extent production could have been further boosted without significant investment into the sector.

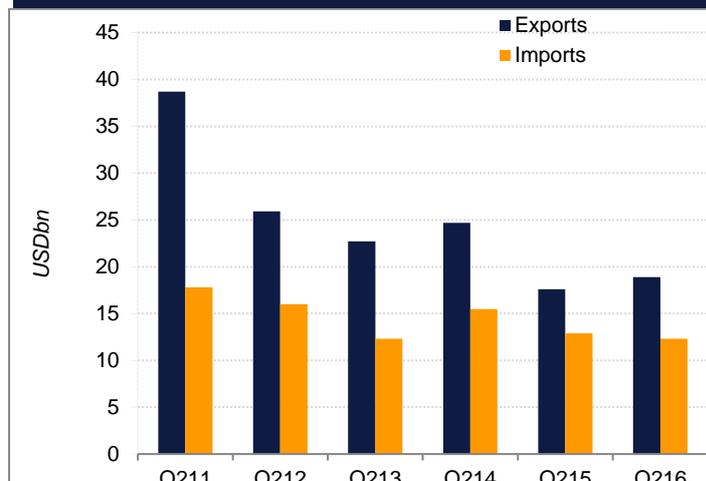
Stronger oil production and exports has had a positive impact on the economy's growth trajectory and balance of payments position. According to estimates from the Central Bank of Iran, real GDP expanded 7.4% in the first half of 2016, while the Statistics Center put that figure at 6.5%. This is broadly in line with estimates from the IMF, which is projecting real GDP growth of 6.5% in FY2016/17 (our forecast for 2016 is 7.2%, with a slowdown in 2017 to 4.1% as a result of plateauing oil production). Higher export revenues (up 7% y/y between April-June) and a larger current account surplus has also helped stabilize the Iranian rial, which was trading around IRR40,000 on the parallel market at the start of 2017.

### Risks abound in 2017

Unfortunately for Iran's near-term outlook, 2017 is set to see a dramatic spike in political risks which threaten to derail the progress made over the past year. In particular, there is still elevated uncertainty surrounding the implications of a Trump presidency on the JCPOA. Throughout the American election campaign, President Trump stated he would seek to renegotiate the agreement, and many of his proposed cabinet members have previously also taken a hardline towards the country.

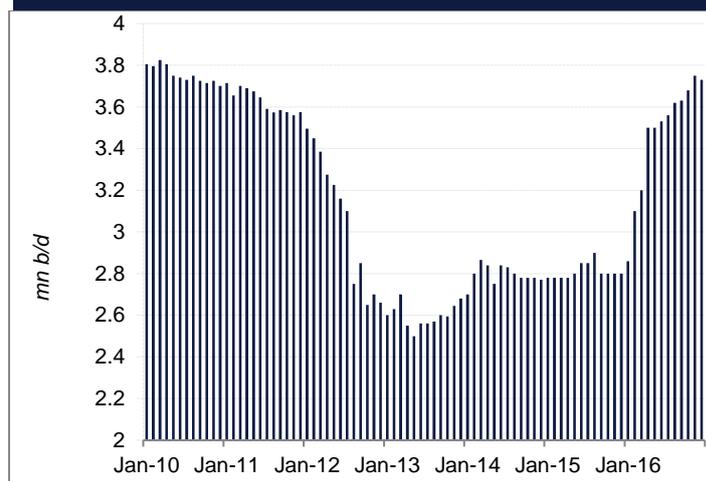
Added to this, there is also a presidential election in Iran scheduled for May. Although President Rouhani still appears likely to win, if 2016 taught us anything it is that no electoral outcomes are guaranteed. These risks are likely to temper enthusiasm from foreign companies from reengaging with Iran at least through H1 until a clearer picture of the political landscape in the U.S. and Iran emerges.

### Goods Trade Volumes



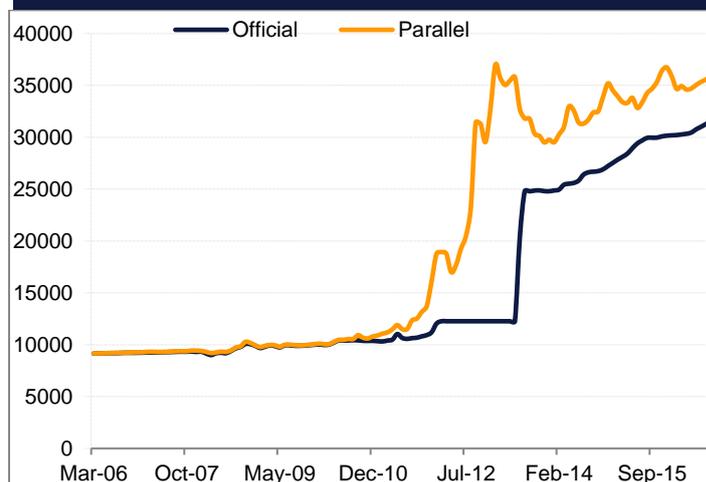
Source: Haver Analytics, Emirates NBD Research

### Oil Production



Source: Bloomberg, Emirates NBD Research

### Exchange Rates



Source: CBI, Emirates NBD Research

## Iraq

Up until the December OPEC agreement to cut output, Iraqi oil production had been climbing rapidly higher, acting as a crucial support for an economy that was suffering under the weight of the collapse in global energy prices and the ongoing IS insurgency. At the end of 2016 the country was producing roughly 4.6mn b/d of crude oil, representing an increase of 11% relative to 2015, and 25% higher compared to levels seen only two years prior. Despite the government's apparent reluctance to curb output (having first sought an exemption due to the need to finance the war on IS, and subsequently disputing OPEC's estimates for its current production levels), authorities eventually agreed to reduce output by 210k b/d. At the start of 2017 however there are still come questions over Iraq's (and the rest of OPEC's) likely compliance with the December agreement, particularly as early indications have suggested oil exports have continued to grow.

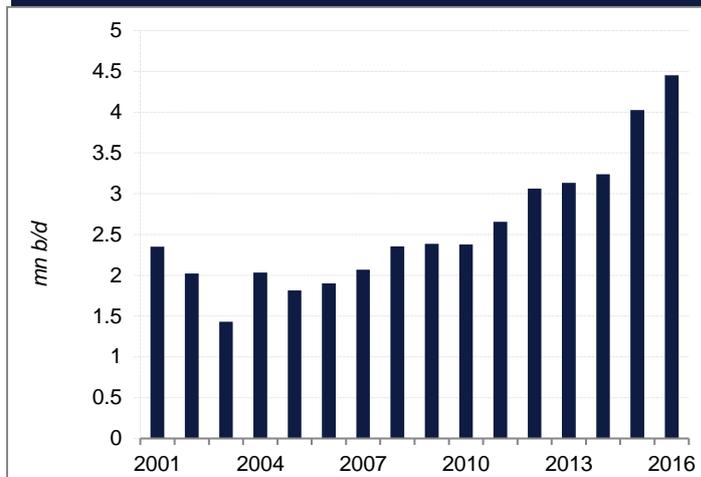
### It all depends on the oil sector

Looking ahead to the rest of 2017, much of the economic outlook will depend on the extent to which oil production is actually cut. Timely macro data is relatively limited for Iraq, however the IMF estimates that the oil economy grew 29% in the first half of 2016, while the non-oil economy contracted -1.0% as a result of fiscal consolidation and the war with IS. As Iraq has one of the least diversified economies in the world, we estimate that headline GDP growth still managed to expand 8.7% in 2016. Under our base case scenario, 2017 will see stronger growth in the non-hydrocarbon economy, with public (non-oil) CAPEX set to triple in nominal terms.

Iraq continues to receive strong levels of financial support from the international community which will help it meet its external financing requirements this year. Although the government has so far had a mixed record in meeting the conditions of its USD5.3bn IMF Stand-By Arrangement, the Fund still approved the latest disbursement of USD618mn in early December. This came shortly before the World Bank announced it had approved another development plan to total USD1.4bn, including guarantees of USD371mn from the U.K. and USD72mn from Canada. More importantly, in early January it was announced the U.S. had agreed to an USD1bn sovereign bond guarantee, while another USD1bn non-guaranteed international bond is expected to be issued later in H1.

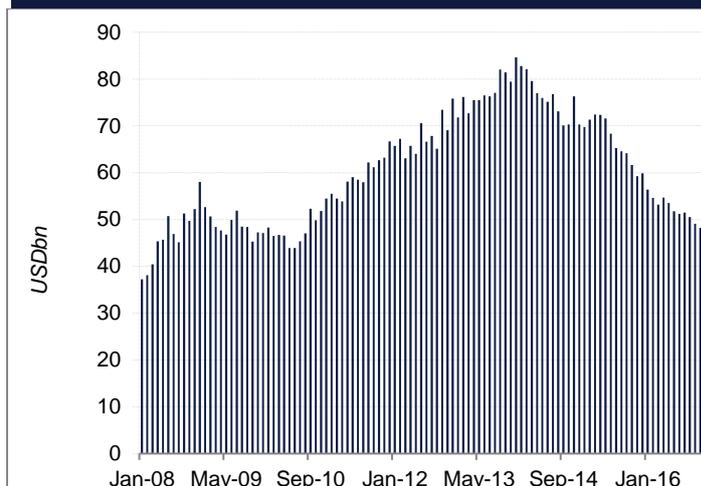
We expect the Iraqi dinar's peg to the USD to hold through our two-year forecast horizon. Pressures on the peg are undoubtedly strong given the economy's weak external position. Balance of payments data for 2016 has yet to be released, however FX reserves have fallen to around USD48bn by the end of the year, compared to USD60bn and USD70bn at the end of 2015 and 2014 respectively. Nevertheless, authorities still appear committed to maintaining the fixed exchange rate regime as it serves as a nominal anchor, and we would not be surprised to see additional multilateral support materialize in the event that downside pressures do not abate.

### Oil Output



Source: Bloomberg, Emirates NBD Research

### FX Reserves



Source: CBI, Emirates NBD Research

### M2 Money Supply



Source: Bloomberg, Emirates NBD Research

## Jordan

The outlook for the Jordanian economy has not improved since our last Quarterly Outlook. The external factors which have undermined growth in recent years will persist in 2017, with the ongoing conflict in Syria and slowdown in the GCC once again acting as the main headwinds this year. In terms of the latter, there is already some evidence that weakness in the non-oil economy of MENA's oil exporters (where many Jordan expats work) is leading to a slowdown in remittance inflows, which has traditionally acted as a key source of external capital for this economy.

### Growth still below trend

Real GDP growth fell to 1.8% y/y in Q3 2016, and there are few reasons to believe the situation has improved since then. The Q3 figure marked the fourth consecutive quarter of decelerating growth, and by our estimates, puts the average pace of expansion between Q1-Q3 at the slowest rate since 2010. There are some sectors which are outperforming and posting relatively strong rates of growth. Indeed, the 'Electricity and Water' sector expanded 6.3% y/y in real terms in Q3, while 'Finance and Insurance Services' grew 6.1%. The problem is that the largest sectors of the economy have not been faring as well, with the 'Manufacturing' industry (16% of GDP) expanding only 0.7% y/y, and 'Transport, Storage and Communications' (15% of GDP) growing 3.0%. Our base case sees real GDP growth accelerating to 2.8% in 2017, which is slightly above the 2.6% average rate of growth posted between 2010-2016.

On the positive side, Jordan's fiscal and current account deficits have been gradually narrowing. The fiscal shortfall (including grants) dropped to JOD803mn between January-November, from JOD1.0bn in the same time last year. In Q3 the current account deficit also fell to its lowest level in two years, albeit driven by a -16% y/y fall in the value of imports.

### Dinar peg to hold

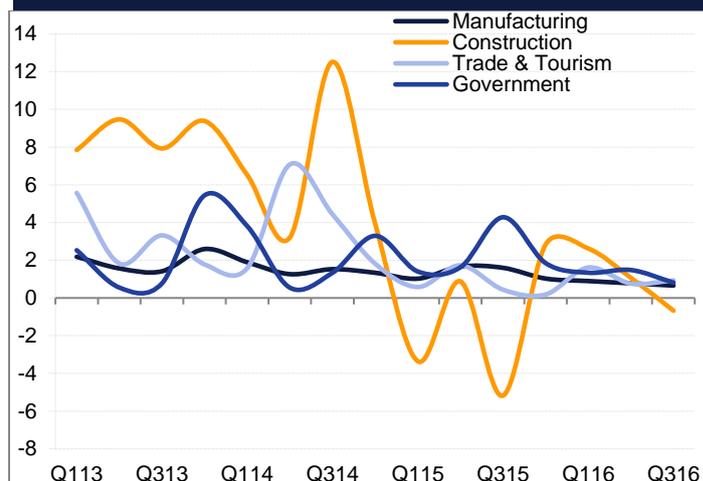
Despite Jordan's weak growth outlook and the difficult external environment, we see little possibility of the Jordanian dinar's exchange rate peg becoming devalued throughout our two-year forecast horizon. Certainly, the reappointment of Central Bank Governor Ziad Fariz for another five-year term suggests a degree of policy continuity going forward. In late December, shortly after the U.S. Federal Reserve hiked rates, we also saw the Central Bank of Jordan raise interest rates by 25bps on the main Overnight Deposit Window Rate (to 1.75%). These developments suggest authorities have the willingness to continue defending the JOD peg, while ample FX reserve coverage (at approximately 8 months of imports at the end of 2016) indicate they also have the ability to do so over the coming years.

### GDP Growth



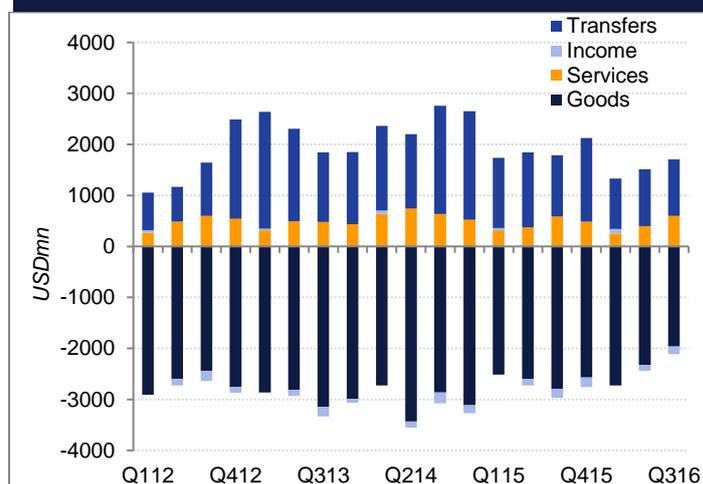
Source: Haver Analytics, Emirates NBD Research

### GDP by Sector



Source: Haver Analytics, Emirates NBD Research

### Breakdown of Current Account



Source: Haver Analytics, Emirates NBD Research.

# Kuwait

## IMF estimates growth at 3.6% in 2016

The recently published IMF Article IV report estimates Kuwait's growth last year at 3.6%, well above our 2.7% forecast, with the Fund projecting oil sector growth of nearly 4% last year. Bloomberg data shows that Kuwait's oil output increased by less than 1% in 2016, which is why our estimate for overall GDP growth last year is lower. We have revised down our growth forecast for 2017 to 2.3% on lower hydrocarbon sector expansion this year, but we expect growth to pick up again in 2018 to 2.9%.

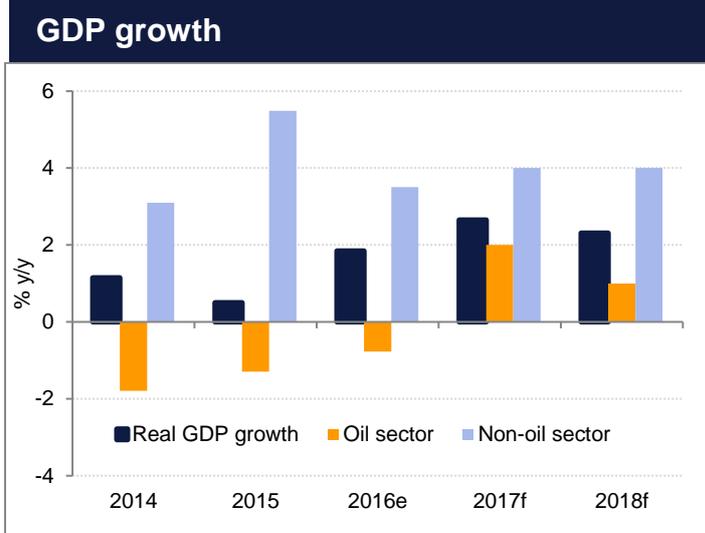
## Kuwait likely to come to the market in Q1 2017?

Despite efforts to rationalize spending in the 2016/17 fiscal year (1 April 2016 to 31 March 2017), we still expect the deficit to exceed 17% of GDP at -KWD 5.0bn. The government has raised about KWD 1.4bn in domestic debt between April and November 2016 (IMF) but most of the deficit has so far been financed by drawing down fiscal reserves. Kuwait had indicated it would tap external debt markets with a sovereign bond issue of around USD 10bn (KWD 2.9bn) and this is likely to come to the market in the next few weeks (the government has recently appointed six banks to advise on the sale). Looking ahead to FY 2017/18, we expect the budget deficit to narrow to -KWD 3.0bn (-9.2% GDP) on higher oil revenues.

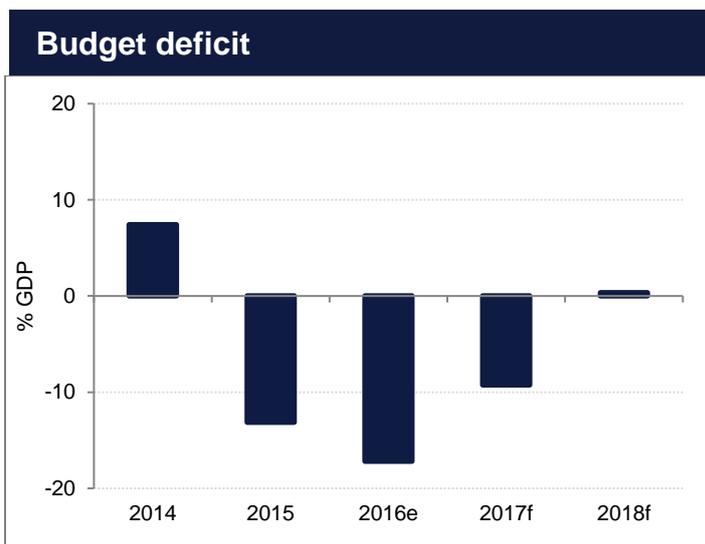
The parliamentary elections in November returned a parliament with one-third of new MPs. Finance Minister Anas Al Saleh, who has spearheaded the fiscal reforms to date, was returned to the cabinet as Finance Minister, suggesting that the leadership remains committed to continue with the economic reform program. However, it remains to be seen whether the new parliament will oppose further measures to cut subsidies and reduce expenditure while raising non-oil budget revenues; or whether political developments will slow the reform process and implementation of the economic development program further.

## Money supply growth recovers

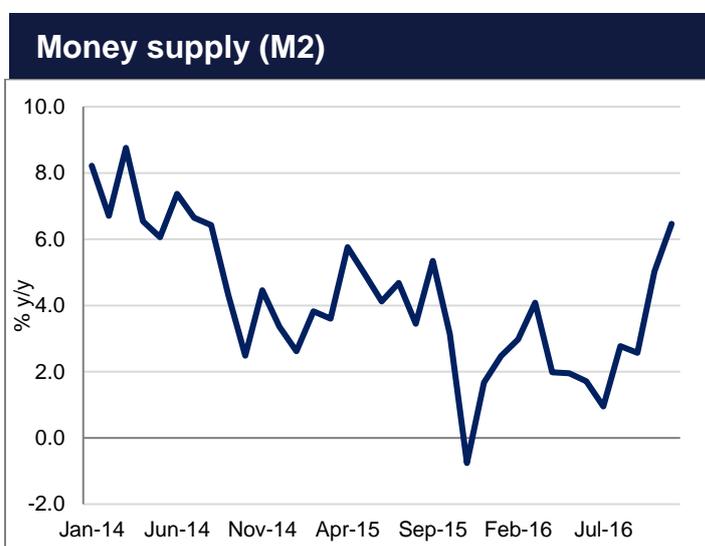
M2 growth accelerated to 6.5% y/y in November from a 2016 low of 0.9% y/y in July. Private sector credit growth slowed to 4.1% y/y as government borrowing continued to rise. Overall, government borrowing (including bonds issued) remains below 10% of total credit. However, should the government continue to issue domestic bonds, there is a risk that public sector borrowing starts to crowd out private sector credit.



Source: Bloomberg, Emirates NBD Research



Source: Haver Analytics, IMF, Emirates NBD Research



Source: Haver Analytics, Emirates NBD Research

## Lebanon

For the first time in several years, the outlook for the Lebanese economy has improved. Indeed, the formation of government led by Prime Minister Saad Hariri in November theoretically ends an extended period of political uncertainty, and should at the least result in a near-term boost to business and consumer confidence. We are still cautious about what impact policymakers can actually have on the economy's performance in 2017, particularly in light of headwinds that include the conflict in Syria and slowdown in the GCC, in addition to the broader structural weaknesses of large current account and fiscal deficits, and elevated public debt levels. Nevertheless, we have revised up our 2017 real GDP growth forecast, and are now expecting the economy to expand 3.1% this year, compared to an average pace of expansion of 2.1% since 2011.

### Looking towards improved GCC ties

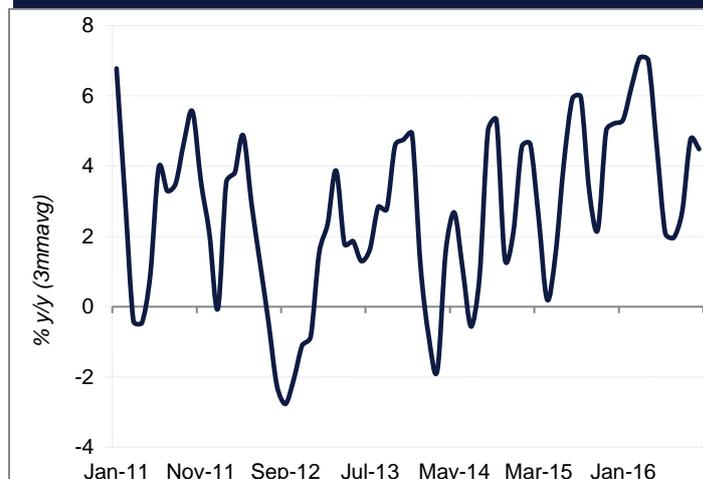
One area of focus for the new government appears to be in strengthening ties with the GCC, which remains a crucial source of investment and remittance flows. Indeed, President Michel Aoun's first overseas visit upon taking office was to Saudi Arabia and Qatar in early January, after which he stated that ties with Gulf countries 'are back to normal', and that Lebanon 'will witness an increase in the influx in Gulf tourists'. Most concerning from a macro stability perspective is the outlook for non-resident deposit inflows into Lebanon's banking system, which is a crucial source of external funding. Growth in non-resident deposits fell to a multi-year low of 1.5% y/y in April, but have since rebounded to 6.2%.

The best that can be said about the majority of available data on the real economy, however, is that it has not been terrible. The headline PMI survey rose to a 10-month high in December, yet at only 47.0, remained below the neutral 50 level (as it has since July 2013). Figures on passenger arrivals and hotel occupancy rates also continue to show the tourism sector underperforming as a result of ongoing concerns surrounding the regional security environment. The central bank's economic coincident indicator, which is meant to proxy GDP growth in the absence of timely national account data, has been slightly better, and expanded 4.5% y/y (3mmavg) as of October.

### Offshore hydrocarbons in focus

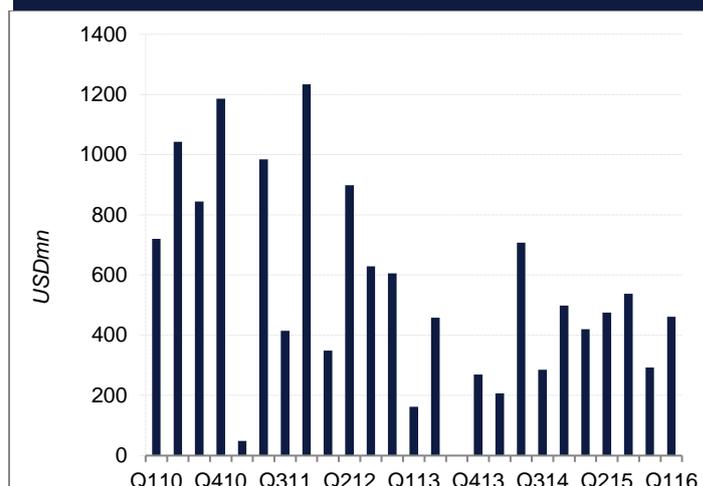
One area of hope for 2017 is the offshore oil and gas sector, the development of which has been delayed for several years due to the volatile political backdrop. However in early January the energy ministry announced it was finally restarting its oil and gas licensing round, and would soon auction rights to five offshore areas. The development of these energy resources will take several years, yet their eventual exploitation will provide a much needed source of long-term revenue, and could go a long way towards bolstering the economy's structurally weak balance of payments position.

### Coincident Indicator



Source: Haver Analytics, Emirates NBD Research

### Net FDI



Source: Haver Analytics, Emirates NBD Research

### Purchasing Managers' Index



Source: Markit, Emirates NBD Research

## Libya

The biggest wildcard in MENA in 2017 is Libya. At the start of the year, comments from officials at the national oil company suggested production had jumped to 700k b/d, which if true would represent the highest level of output since October 2014, and a sharp increase on the 260k b/d produced in August. The chairman of the NOC, Mustafa Sanalla, is also reported to have said that he expects output to continue increasing over the course of the year to 1.2mn b/d.

### Output can increase as much as possible

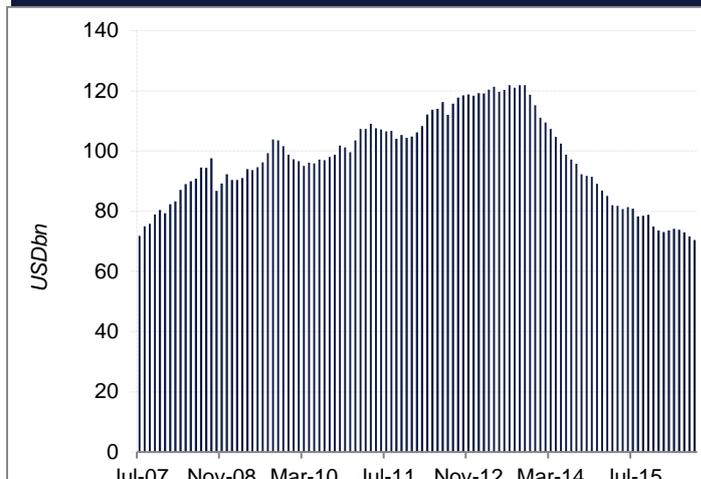
Libya is not subject to the OPEC agreement to cut output, and can theoretically increase production as much as possible. Previous instances of rapid increases in output have been seen in 2011/12 when production went from basically zero to 1.6mn b/d over the course of 12 months, and in 2014 when output jumped from 215k b/d to 850k b/d in the span of six months. In both cases however, these revivals were short lived, and production eventually collapsed.

The volatility in Libya's political and security environment make us cautious about becoming overly optimistic on the prospects for the country's oil industry this year. There are some larger concerns over the state of underlying infrastructure, given both a lack of investment and physical damage due to attacks. But even small-scale threats can pose a risk to the production outlook, as was the case in early January when output is reported to have suddenly dropped by 50k b/d following an energy blackout which was caused by a group of people closing a valve of a natural gas pipeline that fed a power station. If production can be curbed this easily by relatively small groups of individuals, there are no guarantees that the NOC's targets will be sustained, or even hit, this year.

### Economy now a fraction of its previous size

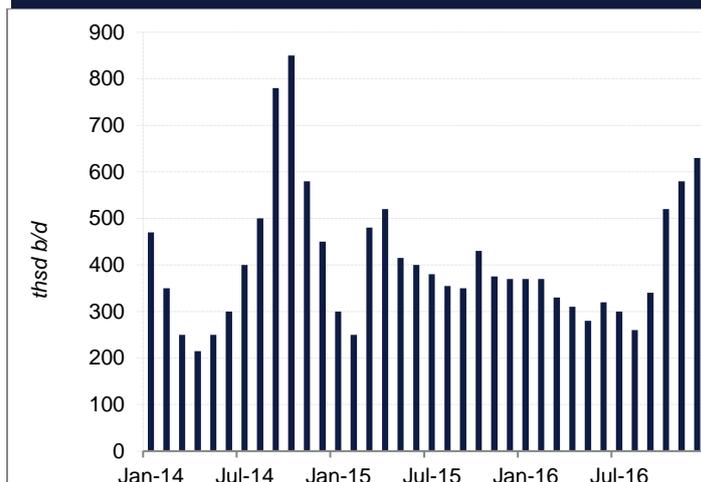
There is a lack of timely and accurate data on the state of the economy. However, figures from the UN estimate that GDP contracted -10.2% in real terms in 2015, following on from declines of -24.0% and -52% in 2014 and 2013 respectively. In USD terms, the economy is now roughly the same size it was back in 2004. Figures from the IMF also show the level of FX reserves having fallen to USD70.4bn by July, compared to USD80.8bn a year earlier, and USD121bn at their peak in October 2013.

### FX Reserves



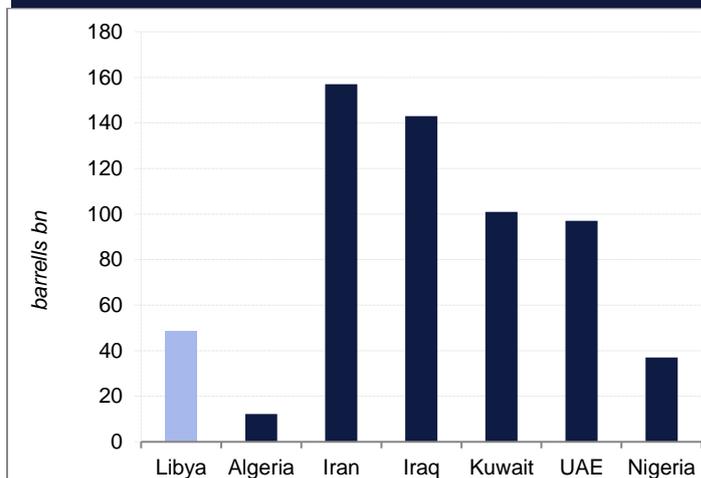
Source: Bloomberg, Emirates NBD Research

### Oil Production



Source: Bloomberg, Emirates NBD Research

### Proven Oil Reserves



Source: BP Statistical Review, Emirates NBD Research

## Morocco

The Moroccan economy posted its worst performance in almost two decades in 2016, with our estimates putting real GDP growth at only 1.1%. According to national accounts data from the UN, you would have to go back to 1997 to find a worse year, when the economy contracted -1.5%. The slowdown in headline GDP growth did not come as a surprise however, as a poor harvest weighed heavily on the agricultural sector (accounting for roughly 14% of GDP and 40% of employment), with output declining by an estimated -11.0% y/y. The non-agricultural economy held up reasonably well in contrast, having expanded 2.1%.

A full breakdown of Q4's GDP figure is not yet available, however the preliminary data available does show strong growth of 7.9% posted in the mining sector, while the electricity and water sector grew 3.1% y/y in real terms. More detailed figures from the third quarter of 2016 saw the hotels and restaurant industry outperforming with growth of 7.7% y/y, which is a positive indication about the health of the tourism industry. Indeed, given concerns over lingering security risks in markets such as Turkey, Egypt, Lebanon and Tunisia, Morocco appears to be well positioned to grab an increased share of regional tourist flows. According to balance of payments data through September, tourism export receipts had increased 7.2% y/y in the first nine months of 2016.

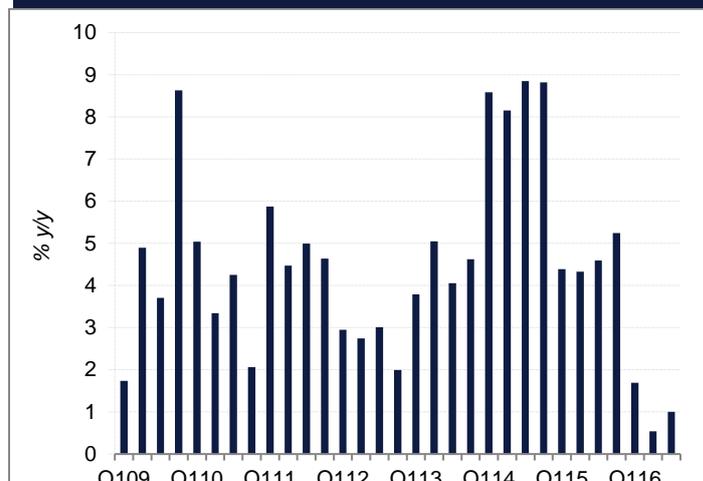
### Bullish for 2017

Looking ahead to 2017 we are reasonably confident that the Moroccan economy will rebound strongly, and most likely be a regional outperformer once again. Our base case for this year sees real GDP growth of 4.7%, driven in large measure by a rebound in the agricultural economy. According to some estimates, early season rainfall had increased 22% relative to a normal year, and was up 107% compared to the previous growing season (which the government says was the worst drought in 30 years).

The non-agricultural side of the economy should also see relatively healthy rates of growth. As of November, credit growth was already on an upward trend and had accelerated to a two-year high of 4.7%. Moreover, public investment is also on the rise, and had jumped by an estimated 15% y/y in 2016. Although the nominal value of total exports grew by an estimated 4.0% last year, this also masks the divergence between falling phosphate exports, and ongoing growth in higher value-added manufacturing products such as automobiles, electronics and aerospace components.

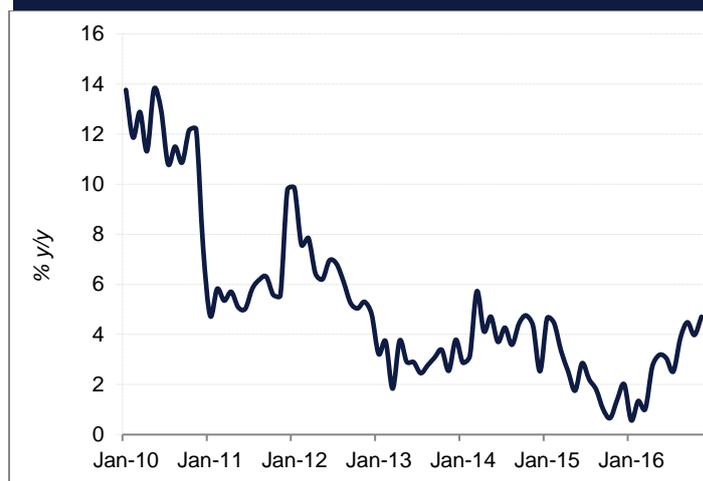
The main policy reform on the agenda in 2017 is the floatation of the Moroccan dirham, which authorities have been working towards with the help of the IMF for several years. Although the IMF has said all conditions have been met for a float, the governor of the central bank has said such a move will not occur until July 2017 at the earliest. A change to Morocco's exchange rate regime is a major policy shift (the MAD is currently pegged to a basket of EUR and USD, 60/40), and we would not be surprised if such a move was delayed beyond this year.

### GDP Growth



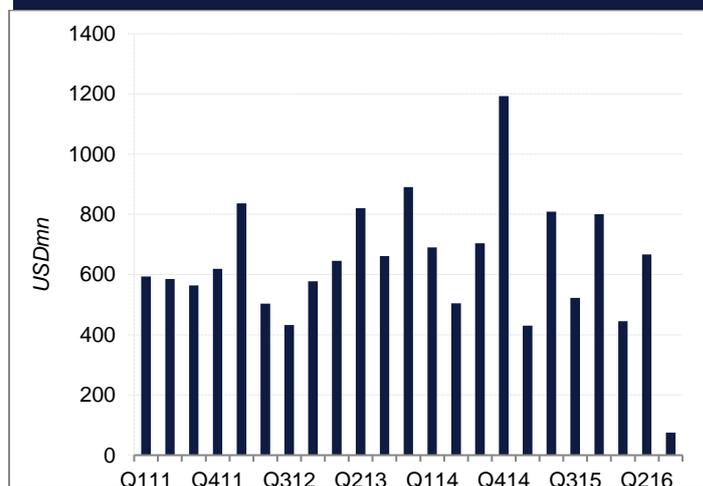
Source: Haver Analytics, Emirates NBD Research

### Credit Growth



Source: Haver Analytics, Emirates NBD Research

### Net FDI



Source: Haver Analytics, Emirates NBD Research

# Oman

## Oman signals oil production cut

Oman increased oil production by 3% in 2016, with output averaging just over 1mn bpd. Following OPEC's November agreement to cut output in H1 2017, Oman (not an OPEC member) announced it would reduce its output by 45,000 bpd from January. If sustained for the whole year, this would effectively be a 4.5% cut in oil production and a drag on headline GDP growth in 2017.

We estimate real GDP growth at 3.7% in 2016, down from 5.7% in 2015. Hydrocarbon growth was likely a key contributor to overall economic expansion in 2016. We expect growth to slow further in 2017 as oil production stabilizes (or declines) and non-oil growth slows on tighter fiscal policy. The government has indicated it expects growth of around 2.0% in 2017, in line with our forecast.

## 2017 budget suggests further spending cuts

The official budget for this year makes provision for OMR 11.7bn in spending, down from the OMR 11.9bn in the 2016 budget. Press reports indicate that actual spending in 2016 was higher than budgeted (and higher than we had forecast) at OMR 12.7bn, resulting in a deficit of OMR 5.2bn (-18.5% GDP) by our calculations. This was financed largely by debt (both international and domestic bonds and loans), with some drawdown of reserves.

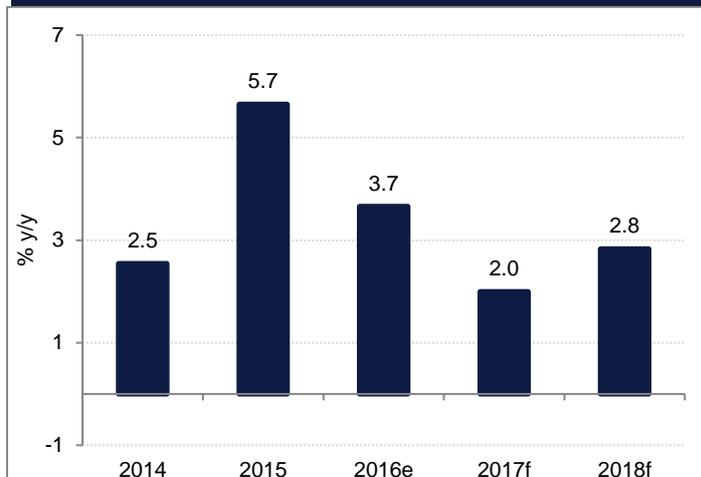
The deficit for 2017 is forecast to narrow to OMR 3.0bn (USD 7.8bn; -10.0% GDP) both as a result of lower spending and higher oil revenues this year. The deficit will again be largely financed through borrowing. The plan is to raise OMR 2.5bn (USD 6.5bn) through foreign and domestic debt, with the remainder coming from the state general reserve fund. Oman has already reportedly approached banks to prepare for a USD bond issue this quarter.

The stock of Oman's public debt at the end of 2016 was OMR 7.4bn according the Ministry of Finance, or 27% of GDP. With the additional borrowing in 2017, we estimate the debt to GDP ratio will rise to 32.5%.

## Focus on increasing non-oil revenues

As in other GCC states, Oman is continuing efforts to boost non-oil revenues. It has announced plans to amend the Income Tax Law to reduce corporate exemptions and improve the efficiency of tax collections. Last year Oman increased the corporate tax rate from 12% to 15% and widened the tax net.

## GDP growth



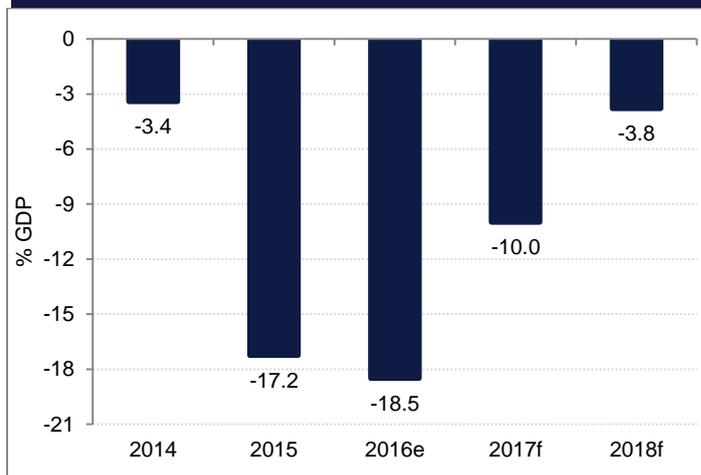
Source: Haver Analytics, Emirates NBD Research

## Oil production



Source: Bloomberg, Emirates NBD Research

## Budget balance



Source: Haver Analytics, Emirates NBD Research

## Qatar

### Growth likely slowed in 2016

Data for the first 9 months of last year showed real GDP growth of 2.3%, despite a strong expansion in Q3 2016. The oil and gas sector contracted by half-a-percent while non-hydrocarbon growth slowed on tighter fiscal policy. Initial estimates indicate total government spending was cut by -19% in 2016 in response to sharply lower budget revenues. We have thus revised down our forecast for full year GDP growth in 2016 to 2.7% from 4.3% previously.

We have also revised our growth forecast for 2017 down to 3.7% from 5.2% previously. We expect non-oil growth to accelerate this year as the government continues to implement its ambitious infrastructure investment program, and as fiscal strains are less pronounced.

### Infrastructure investment to remain a priority

For 2017, we expect fiscal policy to remain relatively tight, with the official budget projecting QAR 198.4bn in total spending, -2.0% lower than estimated 2016 spend. However, with energy prices forecast to rise this year, budget revenues should rise and the fiscal deficit is expected to narrow from an estimated -7.7% of GDP in 2016 to -4.1% of GDP in 2017.

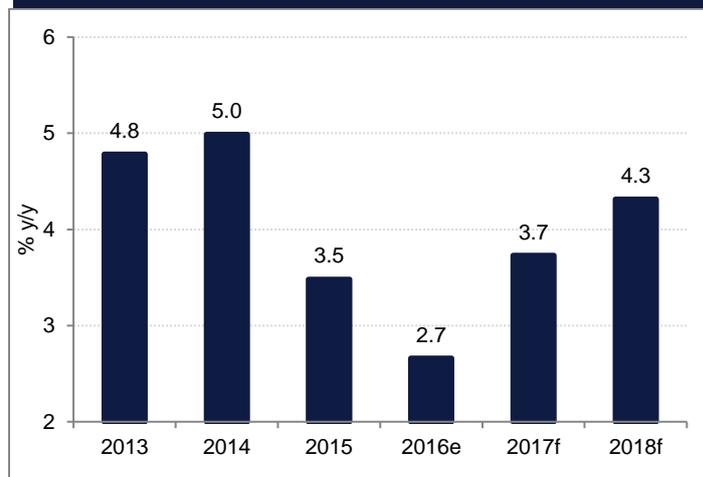
The spending priority for this year is infrastructure and other capital spending. Funds allocated for 'major' projects in 2017 account for nearly 47% of total budgeted expenditure, and is slightly up from 2016. The government has indicated that QAR 46.1bn worth of new projects will be signed this year, with QAR 25bn expected to be on infrastructure & transport, another QAR 8.5bn on world cup projects, QAR 5.8bn on health and education projects and the remainder spent on other sectors.

### Qatar financed 2016 budget deficit through debt

According to the IMF, Qatar financed its budget deficit in 2016 entirely through debt, unlike most other GCC countries which also drew down accumulated surpluses. A total of USD 17.1bn was raised through foreign (USD 14.5bn) and domestic (USD 2.6bn) borrowing. The total reliance on debt financing last year likely contributed to the tightening in liquidity conditions in Qatar's banking system, with loan to deposit ratios rising along with the 3m interbank rate.

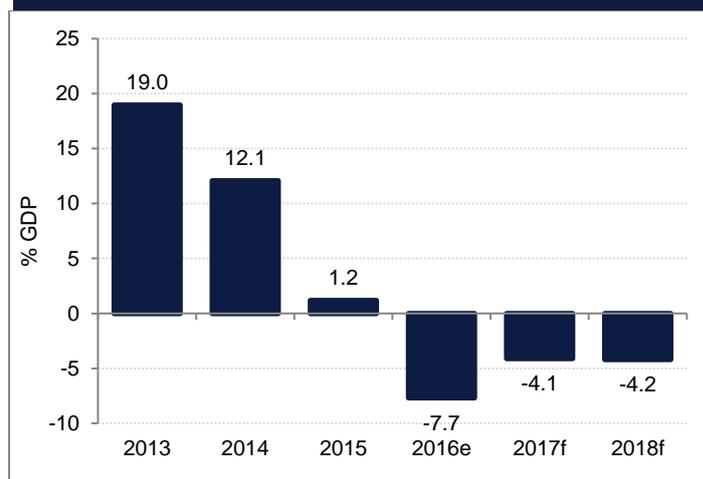
The Fund estimates that the central government debt to GDP ratio rose to 47.8% of GDP last year from 34.9% in 2015. The gross government debt to GDP ratio is expected to rise further to 51.3% of GDP in 2017, as the borrowing requirement this year is likely to be much lower than in 2016. The IMF has also recommended that the authorities draw down reserves as well as issuing debt to finance the deficit this year.

### GDP growth



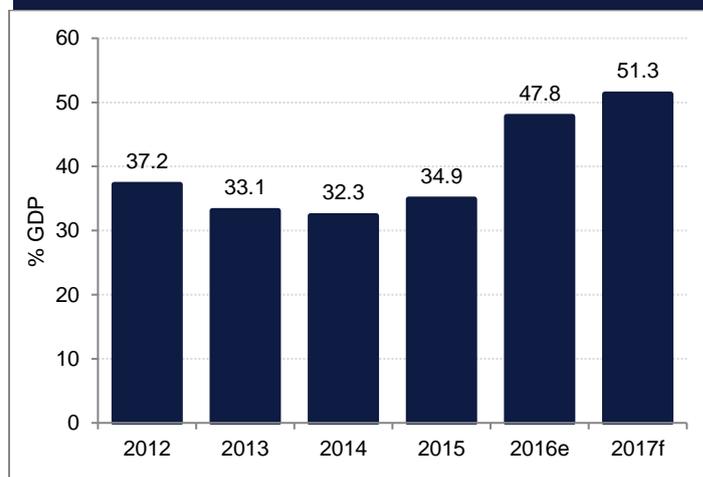
Source: Haver Analytics, IMF, Emirates NBD Research

### Budget balance



Source: Haver Analytics, Emirates NBD Research

### Gross central government debt



Source: IMF, Emirates NBD Research

# Saudi Arabia

## GDP growth slowed to 1.4% in 2016

Preliminary estimates put real GDP growth last year at 1.4%, exactly in line with our forecast. This is a sharp slowdown compared with 3.4% growth registered in 2015 and comes largely on the back of tighter fiscal policy and almost no non-oil sector growth in 2016. According to government estimates published in the 2017 budget documents, the oil sector expanded 3.4% last year, underpinned by higher crude oil production, while non-oil sector growth was close to zero.

Oil production averaged 10.4mn bpd in 2016 according to Bloomberg estimates, up 1.7% from 2015. Consequently, we think growth in the oil sector last year was around 2% and non-oil sector growth under 1% in 2016.

While the OPEC agreement in November has been positive for the oil price, it requires Saudi Arabia to curb output in 2017, which will prove a headwind to growth. However, the net impact on budget revenue is likely to be positive, the fiscal deficit is expected to shrink to under 10% of GDP and non-oil sector activity is likely to rebound on improved confidence and liquidity. As a result, we expect overall GDP growth to accelerate to 1.8% of GDP this year.

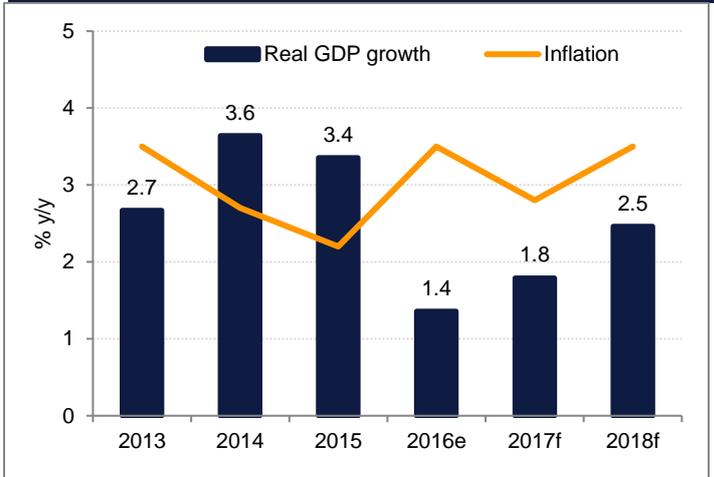
This is significantly higher than the IMF's latest forecast of 0.4% (which even the Finance Minister suggested was too low), as we do not assume a decline in the hydrocarbon sector this year; just no growth. Saudi Arabia has indicated that it has cut oil output in January by more than required under the OPEC agreement, but it is still early days and we think this level of cuts is unlikely to be sustained. Already there have been statements from officials suggesting that the OPEC agreement may not be extended into H2.

## Spending likely to be broadly unchanged in 2017

Government spending in 2016 was SAR 930bn (on a cash basis). This year the government has penciled in spending of SAR 890bn, a decline of -4.3%. However, we forecast total expenditure this year at SAR 950bn, not dissimilar from 2016. Consequently, we don't foresee further cuts to government spending that would drag on growth.

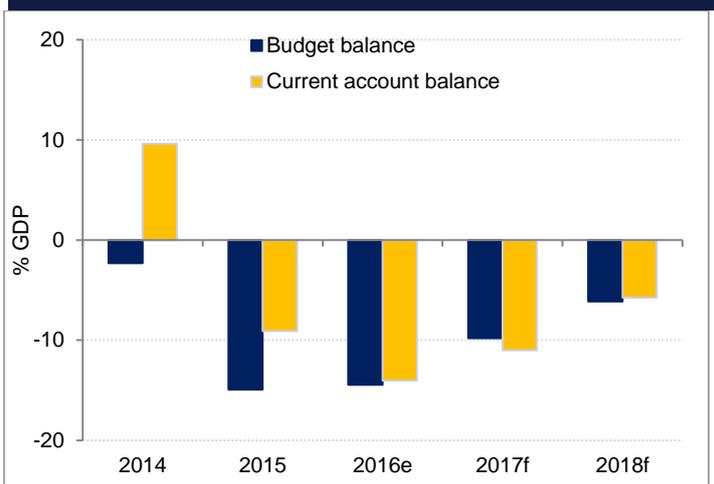
At the same time, higher oil revenues in 2017 should result in a lower borrowing requirement, helping to ease liquidity conditions in the banking system. We project a budget deficit of SAR 256bn (-9.6% of GDP) in 2017. If the government were to finance 60% of this through borrowing, this would amount to about SAR 153bn of new borrowing this year, down from over SAR 200bn in 2016. If the government relies more on external debt issuance and loans this year, this could further improve the outlook for domestic liquidity in 2017.

## GDP growth and inflation



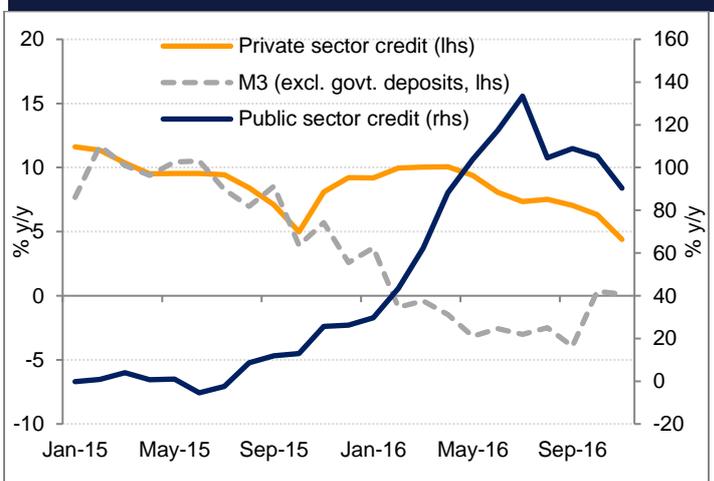
Source: Haver Analytics, Emirates NBD Research

## Fiscal and external balances



Source: Haver Analytics, Emirates NBD Research

## Money supply and credit growth



Source: Haver Analytics, Emirates NBD Research

## Tunisia

There is hope that 2017 will usher in a period of stronger growth across the Tunisian economy, however at the start of the year there was still little indication from available data that a recovery was any closer to materializing. In Q3 2016 real GDP expanded only 1.3% y/y (0.2% q/q), down slightly from 1.4% in Q2, and bringing average growth through the first nine months of the year to 1.2%. Part of this weak performance could be explained by a poor agricultural harvest, with output in that sector falling -3.7% y/y in Q3. However the other mainstays of the economy, such as the manufacturing and construction sectors, also contracted, while industries such as trade only expanded 0.6%. Industrial production figures at the start of Q4 seem to indicate that the slowdown continued through the latter months of the year, with manufacturing output declining -1.3% y/y in October.

### Looking for investment

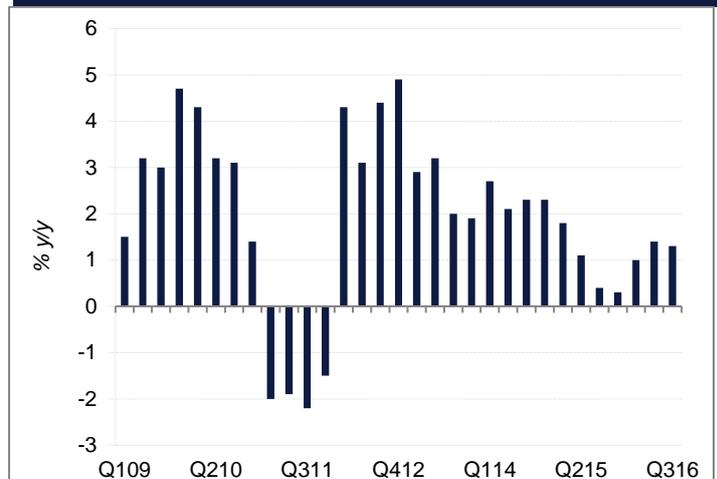
In late November Tunisia held an international investment conference with the hope of securing additional financial aid and spurring an influx in FDI. The conference ended with roughly USD15bn in pledges of investment and financial support, including deals by General Electric (health care) and Peugeot (automotive assembly plant), in addition to an USD220mn Qatari-led project to develop a tourism complex. Direct bilateral aid transfers also included USD3.1bn from the European Investment Bank, USD1.25bn from Qatar, USD800mn from Saudi Arabia, and several other large-scale loans and deposits. As the experience of Egypt's much larger investment conference in Sharm el-Sheikh shows however, the actual benefits from these events could take years to materialize, if at all.

In this environment of low growth and high unemployment (15.5% in Q316), it is perhaps not surprising that reform momentum continues to proceed in fits and starts. The 2017 budget was only able to get passed after parliament backed down on several austerity measures, including plans to freeze public sector pay (there will, however, be a freeze on public sector hiring outside of the security forces). The budget compromise was forced about after the country's powerful UGTT union had called for a general strike, which has become a regular feature of the business environment in recent years.

### Strike action still threatens growth

Not only has such strike action curbed exports and lowered growth, but is also forcing international firms to entirely reconsider their operations in the country. Indeed, since 2011 500 companies have left Tunisia, while FDI has slowed to less than USD1bn per year. In mid-December there were also reports that energy firm Petrofac had told Tunisian authorities they would leave the country as a result of protest activity continually disrupting their operations, which should be a concern given that the company supplies 13% of domestic gas supply.

### GDP Growth



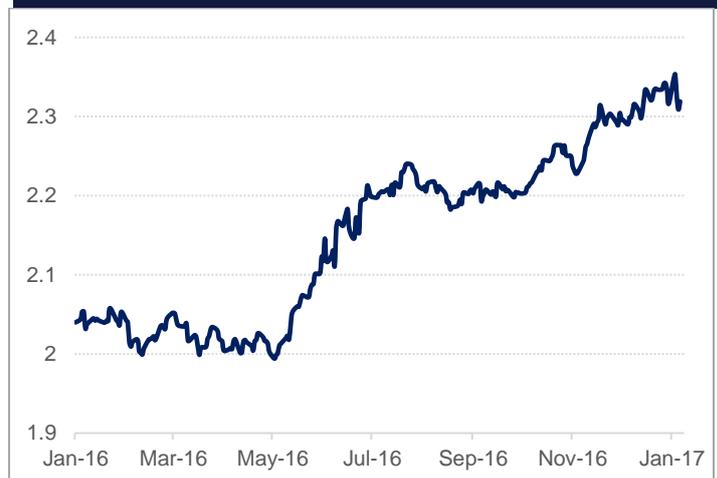
Source: Havers, Emirates NBD Research

### GDP Growth by Sector



Source: Haver Analytics, Emirates NBD Research

### TND Exchange Rate



Source: Bloomberg, Emirates NBD Research,

## UAE

### Oil production underpinned growth in 2016

UAE's oil output averaged 3.0mn bpd in 2016 according to Bloomberg estimates, up 2.7% from 2015. We estimate this contributed 0.7 percentage points to headline GDP growth of 3.0% last year, down from 3.8% in 2015. Although the hydrocarbon sector enjoyed strong growth on the back of increased oil production last year, non-oil growth likely slowed.

The Emirates NBD PMI for the UAE averaged 53.9 in 2016, down from 56.0 in 2015, signaling slower non-oil growth. Lower oil prices, a stronger USD and softer external demand all contributed to the slowdown last year. Many firms, particularly those in the tourism and trade sectors, took steps to mitigate the impact of a stronger USD by cutting selling prices and offering discounts and promotions. While this helped to boost activity and new order volumes, it put pressure on firms' margins as input prices continued to rise, albeit modestly.

### Growth should accelerate in 2017

While some of the challenges faced last year, such as USD strength, will likely remain a headwind in 2017, the prospect of higher oil prices, an improving outlook for global growth and increased infrastructure investment should boost the UAE's economy this year.

While we do not expect a major fiscal stimulus in 2017, we do forecast a modest increase (2.1% y/y) in consolidated budget spending this year. Higher oil prices should result in a much smaller deficit (0.8% of GDP) in 2017 down from -3.2% in 2016, despite the higher spending. All of this should be positive for consumer and business sentiment as well.

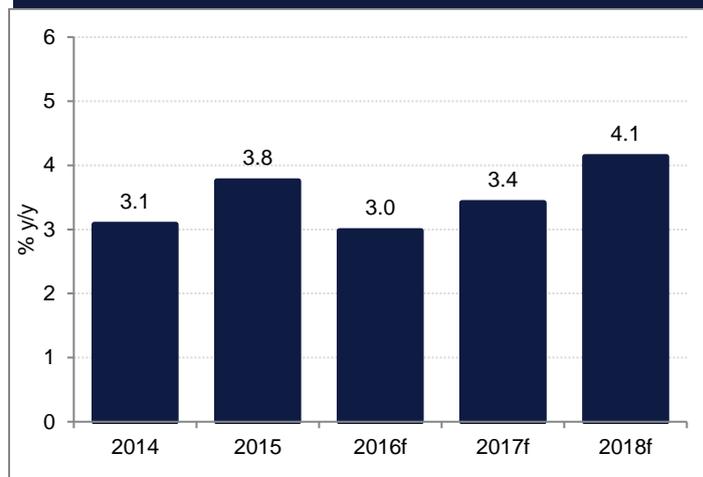
### Inflation is likely to pick up too

While higher oil prices will benefit the UAE's budget, households will face higher energy costs following the deregulation of petrol prices in H2 2015. Higher fuel and transport costs are also likely to feed through to higher consumer price inflation, although we expect some of the impact of this to be offset by a strong USD and easing housing inflation. We expect average consumer inflation to accelerate to 2.5% in 2017 from 1.8% in 2016.

### Private sector credit growth slowed as GREs borrowed more

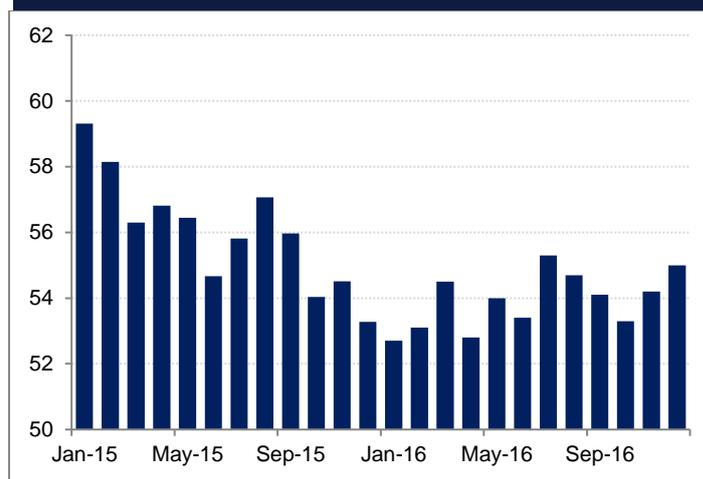
Credit growth to the private sector slowed to 5.0% y/y in November from 8.4% in December 2015. Borrowing by public sector entities grew 12.7% y/y in November from 4.1% at end-2015. Encouragingly, money supply growth accelerated in Q4, with M2 rising 4.1% y/y in November from a low of 0.5% y/y in June 2016.

### GDP growth



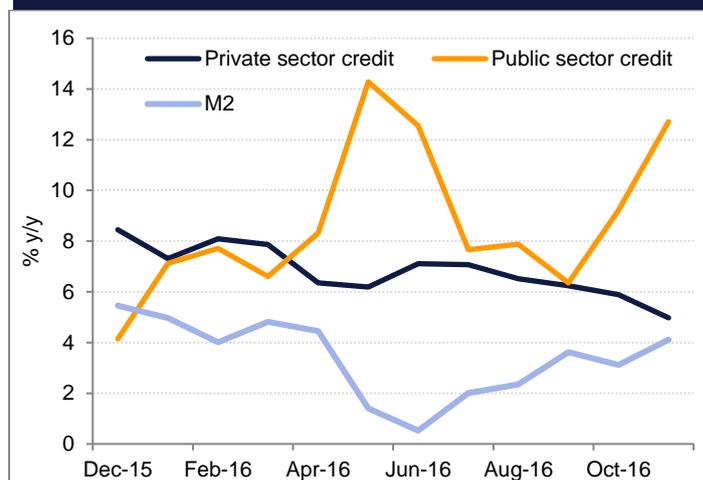
Source: Bloomberg, Emirates NBD Research

### Emirates NBD UAE PMI



Source: Markit, Emirates NBD

### Money supply and credit growth



Source: Haver Analytics, Emirates NBD Research

## UAE - Dubai

### We expect faster growth in 2017

The Emirates NBD Dubai Economy Tracker (DET) rose to a five-month high in December, suggesting that overall economic expansion accelerated in Q4 2016. The construction sector rebounded in December after a relatively lackluster H2, while activity and new orders in the transport & travel and retail trade sectors remained strong. We retain our estimate of 3.5% for Dubai's real GDP growth in 2016, down from 4.1% in 2015.

Two key themes emerged from the DET surveys last year: margin compression – where selling prices declined in a competitive environment while input prices have risen – and a lack of jobs growth despite robust growth in output and new work. One of the key headwinds to growth in Dubai's services sectors has been the strong USD, which is likely to remain a challenge in 2017.

However, we are optimistic that higher oil prices should contribute to improved sentiment in 2017 and also facilitate slightly higher government spending in the UAE. Specifically, Dubai's budget for 2017 is expected to run a small deficit this year (-AED 2.5bn) as spending on infrastructure will be increased by 24%. We expect investment in infrastructure to underpin Dubai's growth over the next few years as the country prepares for Expo 2020. We retain our forecast for 2017 GDP growth of 4.0% in Dubai.

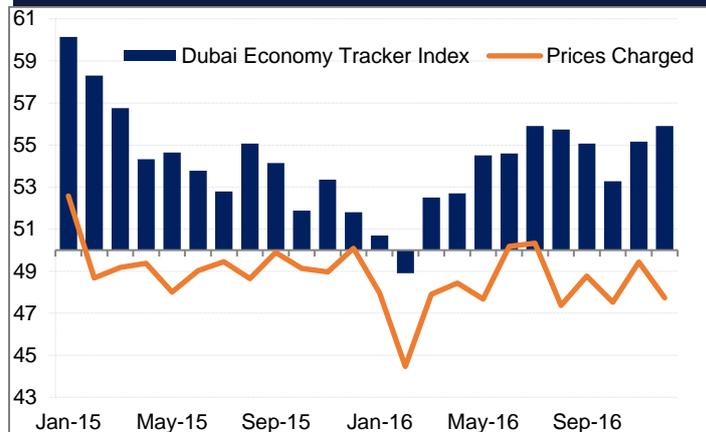
### Real estate prices easing at a slower rate

Average selling prices in Dubai's freezone communities<sup>1</sup> declined further in 2016, but the rate of decline was markedly slower than in 2015. Apartment prices at the end of December 2016 were nearly 7% lower y/y, while villa prices were down -2.7% y/y. However, the average monthly price decline for apartments in 2016 was -0.6% per month compared with -1.2% per month in 2015. For villas, prices fell an average -0.2% per month in 2016 vs -1.1% per month in 2015.

Lower priced segments of the market have fared better than the high-end units. Low and mid-range (standard and standard-plus) villas saw price rises in Q4 2016 on an annual basis, while standard apartments saw prices decline only -1.3% y/y in Q4. The volume of transactions was lower in Q4 2016 compared with Q4 2015.

Increased supply and a strong USD are likely to remain headwinds for residential real estate prices in Dubai in 2017. However, higher oil prices and improved sentiment ahead of Expo 2020 suggest that further downside may be limited.

### 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

<sup>1</sup> Source: Phidar Advisory's 9/5 House Price Index which covers 9 freezone apartment and 5 freezone villa communities.

## 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
<b>Real GDP Growth (% y/y)</b>	<b>2.2</b>	<b>2.3</b>	<b>3.4</b>	<b>3.6</b>	<b>4.2</b>
<b>Monetary Indicators (% y/y)</b>					
CPI (average)	3.9	4.4	6.0	7.0	5.0
<b>External Accounts (USD bn)</b>					
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
<b>Fiscal Indicators (DZDbn)</b>					
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	12.8	13.6
Nominal GDP (USD bn)	33.4	31.1	31.9	34.0	36.3
GDP per capita (USD)	25398	23213	23339	24359	25509
Real GDP Growth (% y/y)	4.4	2.9	3.5	2.3	2.8
Monetary Indicators (% y/y)					
M2	6.5	2.9	2.0	4.0	6.3
Private sector credit	-5.9	7.6	3.0	4.0	6.0
CPI (average)	2.7	1.9	2.9	3.0	3.5
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	-5.3	-3.7
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	21.3	24.0
Imports	60.2	61.3	57.4	52.6	54.7
Trade Balance	-34.1	-39.1	-38.7	-31.3	-30.7
% of GDP	-12.1	-12.7	-11.4	-9.4	-9.3
Current Account Balance	-2.7	-8.2	-15.4	-9.1	-4.2
% of GDP	-1.0	-2.7	-4.5	-2.7	-1.3
Reserves	16.6	20.0	23.0	20.0	20.0
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
<b>Real GDP Growth (% y/y)</b>	<b>-0.6</b>	<b>-2.4</b>	<b>8.7</b>	<b>3.5</b>	<b>5.1</b>
<b>Monetary Indicators (% y/y)</b>					
CPI (average)	3.0	1.2	1.0	4.5	6.5
<b>External Accounts (USD bn)</b>					
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
<b>Fiscal Indicators (IQDbn)</b>					
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
<b>Real GDP Growth (% y/y)</b>	<b>3.1</b>	<b>2.4</b>	<b>2.0</b>	<b>2.8</b>	<b>3.0</b>
<b>Monetary Indicators (% y/y)</b>					
M2	9.8	7.0	4.0	10.0	11.0
CPI (average)	2.8	-0.9	-0.8	2.0	2.0
<b>External Accounts (USD bn)</b>					
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
<i>% of GDP</i>	-33.4	-27.5	-26.8	-26.4	-26.5
Current Account Balance	-2.6	-3.4	-4.0	-4.0	-4.0
<i>% of GDP</i>	-7.3	-9.1	-10.3	-9.8	-9.6
Reserves	16.0	16.5	15.7	16.0	16.8
<b>Public Finances</b>					
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
<i>% of GDP</i>	-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
<i>% of GDP</i>	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	120.3
GDP per capita (USD)	42127	28975	23261	25460	27941
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	5.5	5.8	6.4
Private sector credit	5.2	7.9	3.0	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	-9.2	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
<b>Real GDP Growth (% y/y)</b>	<b>1.8</b>	<b>1.5</b>	<b>2.4</b>	<b>3.1</b>	<b>3.3</b>
<b>Monetary Indicators (% y/y)</b>					
M2	7.0	7.3	5.0	10.0	10.0
CPI (average)	-8.0	-3.8	-1.0	3.0	4.5
<b>External Accounts (USD bn)</b>					
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
<i>% of GDP</i>	-30.9	-26.1	-25.9	-25.3	-25.3
Current Account Balance	-11.6	-8.1	-8.8	-9.7	-10.7
<i>% of GDP</i>	-23.9	-16.1	-16.0	-15.6	-15.7
Reserves	32.4	30.6	35.2	38.7	40.6
<b>Public Finances</b>					
Revenue (LBP bn)	16400	14435	14128	14304	13840
Expenditure (LBP bn)	21032	2127	20675	20948	20912
Balance	-4632	12308	-6547	-6644	-7072
<i>% of GDP</i>	-6.3	-7.9	-7.3	-7.5	-7.7
Central Government Debt (LBP bn)	100394	106005	125002	133002	138003
<i>% of GDP</i>	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
<b>Real GDP Growth (% y/y)</b>	<b>-24.0</b>	<b>-10.2</b>	<b>-0.9</b>	<b>37.6</b>	<b>11.7</b>
<b>Monetary Indicators (% y/y)</b>					
CPI (average)	2.4	9.5	9.5	10.5	11.5
<b>External Accounts (USD bn)</b>					
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
<b>Fiscal Indicators (LYDmn)</b>					
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
<b>Real GDP Growth (% y/y)</b>	<b>2.6</b>	<b>4.5</b>	<b>1.0</b>	<b>4.7</b>	<b>4.8</b>
<b>Monetary Indicators (% y/y)</b>					
M2	5.5	7.0	7.0	6.0	6.0
CPI (average)	0.4	1.6	1.6	3.0	3.0
<b>External Accounts (USD bn)</b>					
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
<i>% of GDP</i>	-18.8	-14.5	-15.6	-14.4	-13.8
Current Account Balance	-6.2	-2.1	-4.8	-3.6	-2.9
<i>% of GDP</i>	-5.7	-2.1	-4.1	-2.9	-2.1
Reserves	20.7	22.9	25.0	28.0	30.0
<b>Public Finances</b>					
Revenue (MAD mn)	201842	207462	223669	241154	262430
Expenditure (MAD mn)	217775	207467	214705	224787	237607
Balance*	-48035	-46175	-38685	-33949	-28805
<i>% of GDP</i>	-5.2	-4.7	-3.8	-3.1	-2.5
Central Government Debt (MAD mn)	587	629	661	694	728
<i>% of GDP</i>	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
<b>Real GDP Growth (% y/y)</b>	<b>2.5</b>	<b>5.7</b>	<b>3.7</b>	<b>2.0</b>	<b>2.8</b>
<b>Monetary Indicators (% y/y)</b>					
M2	15.3	10.0	6.5	6.0	9.0
Private sector credit	14.8	13.9	11.0	7.0	8.0
CPI (average)	1.0	0.1	1.0	1.5	2.0
<b>External Accounts (USD bn)</b>					
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
<b>Fiscal Indicators (% GDP)</b>					
Budget balance	-3.4	-17.2	-18.5	-10.0	-3.8
Revenue	45.3	33.8	26.8	29.4	31.7
Expenditure	48.7	51.0	45.3	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)	764.8	606.1	606.0	690.2	778.4
Nominal GDP (USD bn)	210.1	166.5	166.5	189.6	213.8
GDP per capita (USD)	94010	68982	64762	70585	78427
Real GDP Growth (% y/y)	5.0	3.5	2.7	3.7	4.3
Hydrocarbon	-0.6	-0.5	-1.0	0.0	1.0
Non- hydrocarbon	11.3	7.8	6.0	7.0	7.0
Monetary Indicators (% y/y)					
M2	10.6	3.4	-3.9	5.0	7.8
Private sector credit	20.3	19.7	6.0	6.0	7.0
CPI (average)	3.3	1.9	2.0	3.0	3.5
External Accounts (USD bn)					
Exports	128.8	85.3	71.1	78.2	88.2
Of which: hydrocarbons	118.3	77.9	63.0	69.7	77.2
Imports	32.4	32.7	34.1	35.6	38.0
Trade balance	96.4	52.6	37.0	42.6	50.2
% GDP	45.9	31.6	22.2	22.4	23.5
Current account balance	52.7	13.5	-3.3	-0.9	-0.8
% GDP	25.1	8.1	-2.0	-0.5	-0.4
Fiscal Indicators (% GDP)					
Budget balance	12.1	1.2	-7.7	-4.1	-4.2
Revenue	44.8	42.2	25.7	24.6	25.1
Expenditure	32.8	41.1	33.4	28.7	29.3

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	1.5	4.6	6.0
Private sector credit	11.8	9.2	4.0	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	163.5	186.4	225.2
Of which: hydrocarbons	285.2	0.0	111.5	131.8	170.2
Imports	158.5	159.3	160.0	164.0	168.0
Trade balance	183.8	44.0	3.5	22.4	57.2
% GDP	24.4	6.7	0.6	3.2	7.5
Current account balance	72.5	-59.5	-89.5	-76.6	-43.8
% GDP	9.6	-9.1	-14.1	-11.0	-5.8
SAMA's Net foreign Assets	724.3	608.9			
Fiscal Indicators (% GDP)					
Budget balance	-2.3	-14.9	-14.5	-9.8	-6.1
Revenue	36.9	25.0	24.4	26.6	28.0
Expenditure	39.3	39.9	38.9	36.4	34.2
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
<i>% of GDP</i>	-13.8	-12.2	-11.3	-10.6	-9.9
Current Account Balance	-4.3	-3.9	-3.4	-3.0	-2.9
<i>% of GDP</i>	-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
<i>% of GDP</i>	-5.1	-5.1	-6.8	-6.4	-6.0
Central Government Debt (TND mn)	41054	46923	49269	51733	54319
<i>% of GDP</i>	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
<b>Real GDP Growth* (% y/y)</b>	<b>3.1</b>	<b>3.8</b>	<b>3.0</b>	<b>3.4</b>	<b>4.1</b>
<b>Monetary Indicators (% y/y)</b>					
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
<b>External Accounts (USD bn)</b>					
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
<b>Fiscal Indicators (% GDP)</b>					
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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