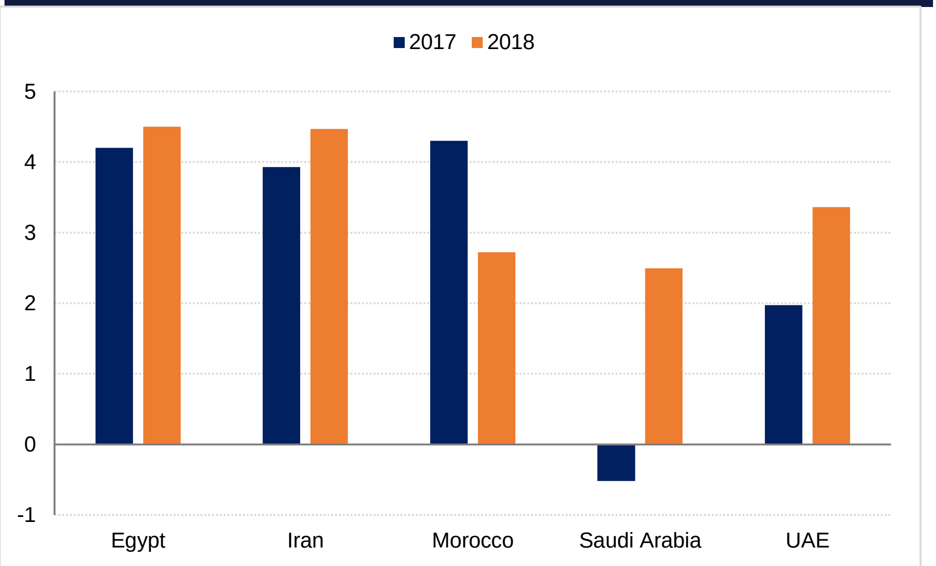
بنك الإمارات دبي الوطني
Emirates NBD

MENA Quarterly

- 2018 has started on a firm footing globally, with upbeat economic data from the major developed markets, equity indices reaching record highs and oil prices trading closer to USD 70pb than USD 50bp. We expect growth in the GCC economies to accelerate to a weighted average of 2.8% in 2018 from an estimated 0.6% in 2017.
- The rally in oil prices will be welcome for GCC oil exporters but the pace of gains since October 2017 looks to us to have moved past fundamental support. While we expect oil prices to be higher on average in 2018 than they were last year, we are cautious that a near-term correction in prices is approaching.
- GCC governments have approved expansionary budgets for 2018, following two years of relative austerity and fiscal reform, including new taxes, cuts to energy and other subsidies and curbs on public sector wage growth. Infrastructure investment is likely to underpin non-oil growth in the UAE, which we expect to be the fastest growing economy in the region in 2018.
- Fiscal deficits are set to narrow despite increased expenditure, on the back of higher oil prices as well as increased non-oil revenue. Nevertheless, GCC governments are likely to tap external debt markets again in 2018, to help finance budget shortfalls.
- In ex-GCC MENA too, governments are likely to ease up on austerity measures following popular protests in some countries and to shore up support ahead of elections in others.
- Prospects for Egypt and Morocco look brighter after a challenging couple of years. Real GDP growth in Egypt has strengthened, and we expect growth of 4.9% over the current fiscal year, which would mark the strongest growth rate since pre-revolution FY2009/10. Slower inflation should also allow the central bank to cut interest rates from next month. Morocco remains attractive despite slower forecast GDP growth this year, with strong inward investment and modest current account and fiscal deficits.

Growth outlook improves in 2018



Source: Haver Analytics, Emirates NBD Research

Quarterly
24 January 2018

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Overview

2018 has started on a firm footing globally, and as things stand we are relatively upbeat about the prospects for 2018. Economic data out of the US, Eurozone and Japan are encouraging, oil prices are closer to USD 70pb than USD 50pb, and after two years of relative austerity and economic reform in the both the GCC and ex-GCC MENA countries, the outlook is more constructive.

The end of austerity in the GCC?

Faced with oil prices under USD 30pb at the start of 2016 and sharply wider budget deficits, GCC governments overhauled their fiscal policies dramatically, introducing new taxes, slashing energy and other subsidies, and curbing public sector wage growth. As these reforms have taken effect, and as oil prices have recovered, GCC governments have signalled a more expansionary fiscal stance for 2018.

This is most evident in Saudi Arabia, where budget spending is expected to rise by 13% this year, excluding off-budget projects financed by Public Investment Fund and the National Development Funds. If this extra spending is included, the total boost to public sector spending in the kingdom would be nearly 30% on 2017, a sizeable fiscal stimulus.

The region's second largest economy, the UAE, is forecast to boost government spending by nearly 3% this year, with Dubai alone looking to increase total expenditure by 20% on last year. We expect Kuwait will increase budget spending by 8% in the next fiscal year, while Qatar and Oman are likely to see budget spending rise by around 2.5%. Overall, we expect government spending in the GCC to rise by more than 8% y/y in 2018, which should support growth in the non-oil sectors of the economy.

While spending on wages and salaries will likely rise to compensate for the introduction of VAT (in Saudi Arabia and the UAE), much of the additional expenditure will be on infrastructure, particularly in the UAE where preparations to host Expo 2020 are set to move up a gear.

Total GCC budget expenditure (USD bn)

	2015	2016	2017	2018
KSA	260.8	224.0	246.9	279.1
UAE	115.9	113.6	115.3	118.6
Qatar	68.4	55.6	54.5	55.8
Kuwait	60.4	58.4	61.5	66.7
Oman	35.6	33.5	33.0	33.8
Bahrain	9.4	9.4	9.8	10.3
Total GCC budget spending	**550.5**	**494.5**	**521.1**	**564.3**

Source: Bloomberg, Emirates NBD Research

As a result of faster non-oil sector growth, and now that OPEC production cuts are in the base, we expect weighted average GDP growth for the GCC to accelerate to 2.8% this year from an estimated 0.6% in 2017. The UAE is likely to be the fastest growing economy in the region this year.

Despite the increased public sector spending, budget deficits are expected to narrow this year, as oil prices recover and non-oil revenues in the GCC increase. Nevertheless, sovereigns are likely to tap external debt markets as well as run down accumulated reserves to finance their budget deficits this year. To the extent that planned privatisations of state owned entities are executed, this could provide an additional source of deficit financing.

Popular pressure may drive increased spending in ex-GCC MENA too

In ex-GCC MENA countries, governments by and large remain committed to austerity programmes and reining in fiscal deficits which have widened sharply in recent years. However, we expect that this will come under rising popular pressure in 2018, and slippage on fiscal consolidation plans is likely.

Populations across the region have been coming under increasing strain owing to years of government spending rationalisation and tax hikes, and this will be further exacerbated in 2018 as oil prices rise – given that many countries across the region have been steadily cutting subsidies, this will feed through to prices at the pump. Already in the past month we have seen major protests in Tunisia and Iran. In Tunisia, the government has agreed to increase pro-poor spending in the wake of the unrest, which could lead to renewed strain with the IMF – the Fund has already suspended payments to Tunisia under its current programme. In Iran, President Hassan Rouhani will likely look to make some economic concessions to protestors in order to stave off any more political demands. With oil currently trading well above the USD 55pb level the fairly conservative 2018 budget is based on, he will have some leeway to do so.

Other countries have not recently seen the level of protests seen in Tunisia and Iran, but upcoming elections will exert their own pressures on spending, both in terms of their administration, and as incumbent governments look to shore up support. Iraq and Egypt will hold elections which will ultimately decide their next leaders, while both Libya and Lebanon are mooted to have votes following several years of delays or unrest.

Khatija Haque, Head of MENA Research
Daniel Richards, MENA Economist

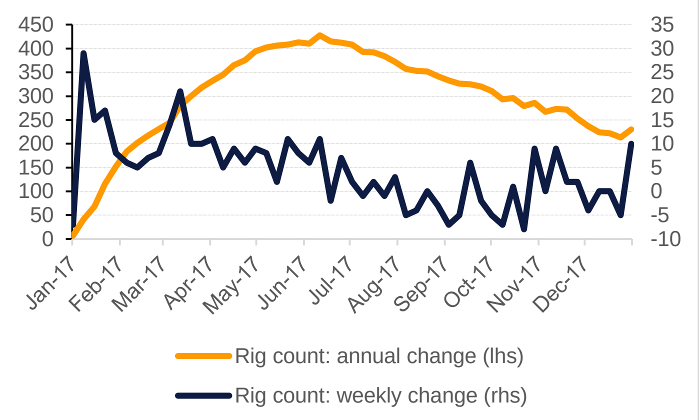
Oil market outlook

Oil markets are off to a blistering start in 2018, extending their gains from 2017. Brent futures have traded above USD 70/b for the first time since 2014 and WTI is nearing on to USD 65/b. The rally in oil prices will be welcome for GCC oil exporters but the pace of gains since October 2017 looks to us to have moved past fundamental support. While we expect oil prices to be higher on average in 2018 than they were last year, we are cautious that a near-term correction in prices is approaching.

OPEC has been the principal author of the fundamental factors currently supporting higher oil prices. The production cuts that the bloc initiated last year pushed the overall market balance into deficit in Q1 2017 and OPEC's plan to keep the cuts in place for all of 2018 should help keep markets on a tighter footing than they have been since 2014. But there have been few plans from the major producers, or their partners like Russia, to suggest that the cuts will be taken further or deeper. Rather, the market narrative is shifting to whether the deal can expire early, particularly as oil prices have hit multi-year highs. We doubt that there will be an official endorsement of an early end to the plan but that compliance to the terms, which had been high, will ebb at perhaps a faster pace than we had expected.

Beyond OPEC, the major supply side risk to end the current rally will come from changes in expectations for US oil production. The US government's EIA expects production there to breach 10m b/d as early as February and to average 10.3m b/d in 2018 as a whole, a nearly 1m b/d increase y/y. The broad shift higher in oil futures makes for a particularly attractive hedging opportunity for nimble shale-focused producers, with WTI above USD 55/b all the way along the curve out to the end of 2019. Already exploration and production companies are showing activity as the drilling rig count snaps out of its downward trend (including adding 10 rigs in a single week in mid-January).

Rig count looks to be bottoming out



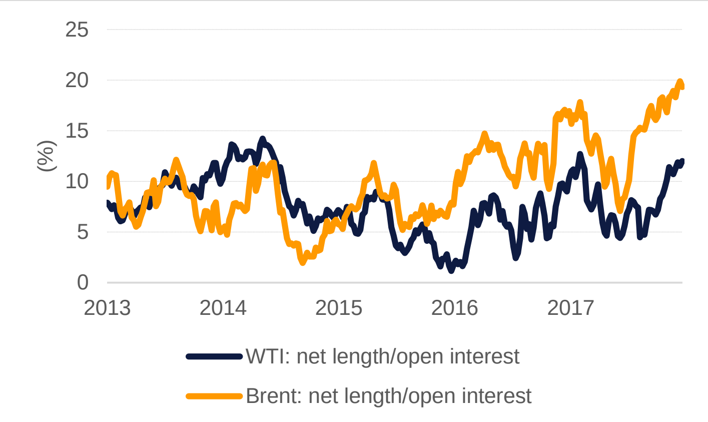
Source: EIKON, Emirates NBD Research.

On the other side of the fundamentals equation, high oil prices run the risk of sowing their own destruction by weakening marginal demand. Refinery margins—crack spreads—have compressed sharply over the last few months as refiners still face large stockpiles of refined products and high oil prices. Weak margins may lead to refiners, particularly in Asia, crimping their crude purchases particularly if demand growth slows as expected by the IEA this year.

Even if oil market fundamentals point to a still strongly supplied market in 2018 we expect that a correction in oil prices is more likely to come via external forces. Investor positioning in oil futures is at extraordinarily high net long levels and in currency terms is at new record levels. The positive carry that investors receive thanks to a backwardated curve explains part of the surge in investment in oil futures but a general reorientation of funds to risk assets (equities and commodities more generally) has also helped push prices higher. However, the concentration of investors in longs appears stretched—indeed Brent net length as a share of total open interest is at extreme levels—and could see a rapid unwinding if fundamentals look shaky.

Further afield from oil and commodity markets, the deterioration in the USD is also having a lubricating effect on the current oil rally. The greenback has lost more than 12% against trading peers since the start of 2017 but the impact on oil only looks to be in place from around October last year. The weakness in the dollar is all the more striking considering the Fed did raise rates in December and appears on track to do so several more times this year. In the near-term, a reversal in the USD stemming from a rate hike possibly as early as March should take some of the fizz out of the oil rally.

Net length at extreme levels



Source: EIKON, Emirates NBD Research. Note: managed money only.

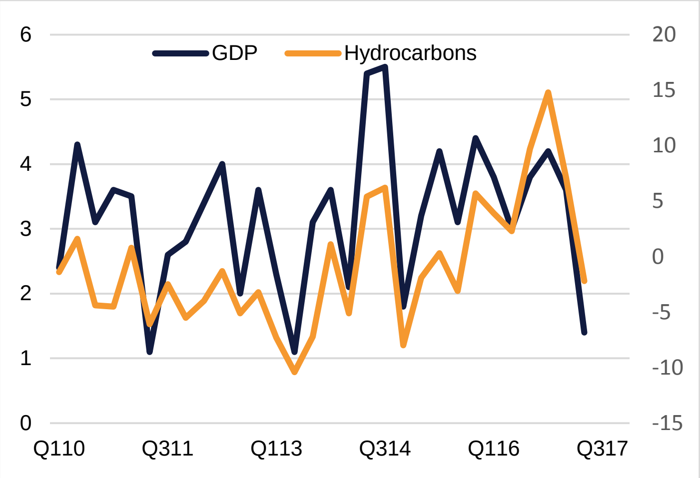
A less tangible negative risk could come from an end to the "rally in everything." Equities, commodities, gold, forex and cryptocurrencies are all headed in the same direction. Underlying economic performance in major economies is good and is helping corporate results beat expectations but most asset classes look overbought in current conditions. Considering geopolitical and US domestic political risks remain high a temporary correction seems inevitable and would take oil down with it. While it's hard to identify what could be the catalyst for the correction we would expect to see a rapid shift of capital out of oil positions that could accelerate downward.

Edward Bell, Commodities Analyst

Algeria

A failure to effectively diversify the economy during the oil boom years, coupled with a deeply entrenched reluctance to open up to international investment, will continue to weigh on Algeria's performance in 2018 and beyond. The economy remains hugely oil dependent, and while there is room for a small production boost in 2018, ongoing OPEC curbs will limit the scope of this, while government efforts to stimulate other areas of the economy will see mixed results owing to a challenging operating environment. Also, although an expansionary budget will encourage growth, this will largely be financed by central bank debt issuance. We forecast real GDP growth of 2.5% in 2018, far short of the government's 4.0% growth target. This compares to an estimated 2.3% in 2017.

Real GDP Growth, % y/y



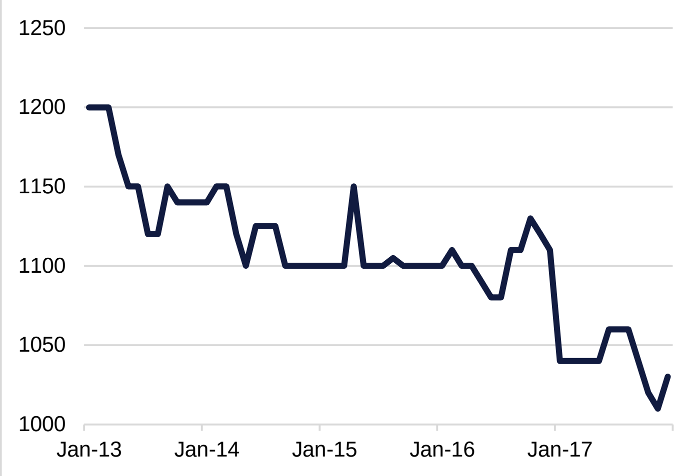
Source: Havers, Emirates NBD Research

Room for oil sector growth

Real GDP growth in 2017 was weighed down by oil production curbs agreed with the rest of OPEC in a bid to draw down global stockpiles and boost global prices. Algeria averaged oil production of 1.04mn barrels per day (b/d) in 2017, compared to an average 1.10mn b/d in 2016. Given its target of a 50,000 b/d cut from October 2016 output of 1.09mn b/d, this implies compliance of 100% over the year. Prior to the H2 2014 oil price slump, 'petroleum products and natural gas' accounted for a third of the Algerian economy. This has steadily declined in the intervening period as production has fallen, standing at just 17.9% in Q2 2017, during which quarter the sector posted a real y/y contraction of 2.2%. We expect that the sector will have seen a similar performance over the rest of the year.

Although extended production curbs will limit oil sector growth in 2018, there is some limited scope for a boost to GDP from increased production. This will be limited given that Algeria met compliance in 2017, but higher oil prices will make slippage on production targets increasingly attractive from a budgetary perspective. We forecast Brent crude to average USD 56pb in 2018, compared to USD 54.8pb last year. Algeria was one of the more vocal voices in calling for an extension to the OPEC strategy, as it looked to cement the price gains already secured. These will mean greater government revenues, helping to fund a planned increase in spending.

Oil production, b/d



Source: Bloomberg, Emirates NBD Research

Expansionary budget will boost growth…

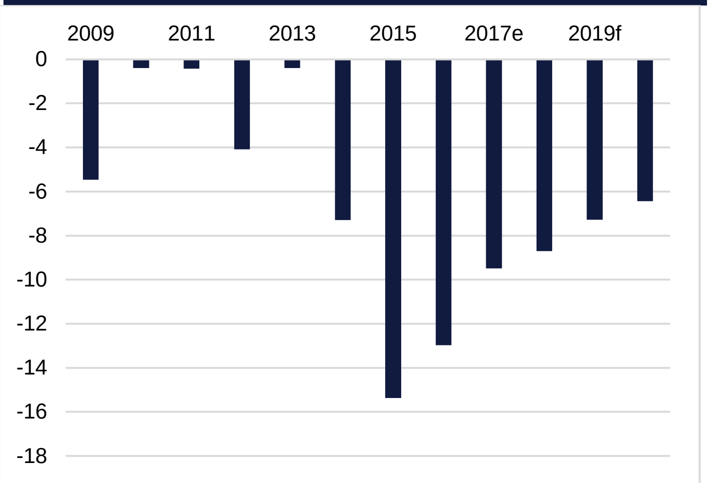
In 2018, Algeria has announced an expansionary budget for the first time since 2015, projecting a 25% increase in expenditure, all of which will be directed into capital spending. The authorities have recognised the need to urgently develop other areas of the economy than the oil sector, and plan to invest in education, construction and increasing self-sufficiency in staple foodstuffs like cereals – particularly important given the introduction of an import ban on 900 different items introduced in January, as the government seeks to stem the rapid depletion of its FX reserves.

The expansionary fiscal policy is positive for growth following the past several years of belt tightening in Algeria. The slump in global oil prices hit the fiscal balance hard, leading to massive declines in revenues and necessitating spending cuts and tax hikes. In Q316, the Public administration component of GDP – second only to the oil sector in size – contracted, and has posted only anaemic growth since. We expect that the planned investment will offer some stimulus to economic growth this year; the settling of overdue payments to construction firms in particular will likely help boost activity, and infrastructure investment could help support growth over the longer term also. The positive government investment story is bolstered by the results from an Oxford Business Group survey from November in which over two thirds of respondents were either likely or very likely to make a significant capital investment in the next 12 months.

…but means of financing is inflationary

However, the means by which the government intends to fund this increase in spending is a cause for concern, and will likely offer a drag on growth alongside the boost. Algeria will benefit from rising hydrocarbons revenues this year as global oil prices tick higher, but this will still be far from sufficient to fund this spending. The substantial oil stabilisation fund Algeria had built up in earlier decades helped cushion some of the impact of lower oil prices on finances in recent years, but the Fonds de Régulation des Recettes is all but depleted now. The fund dropped from DZD4.4bn at the close of 2014, to just DZD840mn in December 2016, having reached its statutory floor.

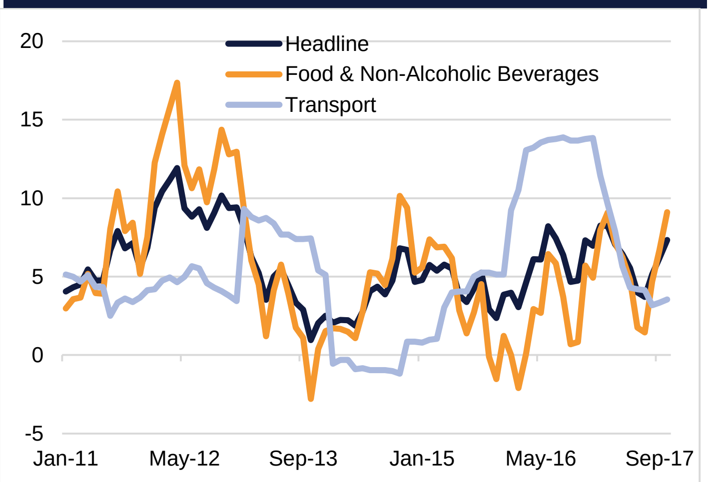
Fiscal balance, % GDP



Source: Haver Analytics, Emirates NBD Research

In order to plug the gap, the government has announced an unorthodox plan to borrow directly from the central bank, which we believe will have adverse effects on the economy. Despite comparatively low debt levels, Algeria is highly reluctant to borrow from international investors, despite encouragement from the IMF to do so. While the government has assured sceptics that borrowing from the central bank will not lead to higher inflation, we expect price pressures to build. We forecast average inflation of 7.0% y/y next year, compared to an estimated 6.3% in 2017 and 5.8% in 2016. This will erode purchasing power and have a negative effect on consumption levels, already under pressure as the government remains committed to its austerity programme.

Inflation, % y/y



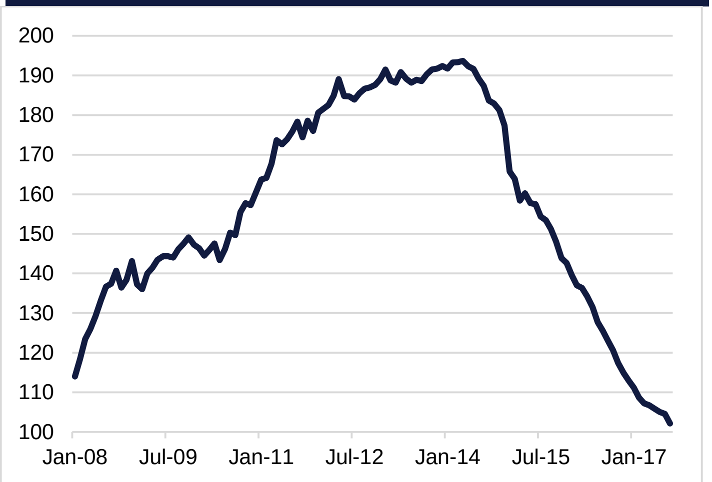
Source: Haver Analytics, Emirates NBD Research

This will put the Algerian consumer, already reeling from the past several years of austerity, under further pressure. The planned increase in spending this year will not immediately benefit Algerian households, which will continue to grapple with squeezed incomes. VAT was raised from 17% to 19% last year, in addition to other new taxes introduced on alcohol and tobacco, car sales and real estate. This has been mitigated somewhat by a 2.5% boost to pensions and a rollback on electricity price hikes in the southern desert in 2017, but new Prime Minister Ahmed Ouyahia is expected to be firmer on cutting recurrent expenditure cuts, having overseen similar strategies in previous decades. In addition, a continued depreciation of the dinar, and higher costs for black market items owing to the import ban, will add further pressures. There could be some positive effect on GDP from a diminished demand for imports, but we expect the overall consequence for growth to be negative.

Foreign investment will lag

The government's planned capital spending boom is an indication that the need for economic diversification has been recognised. However, the state's preference for self-sufficiency, reluctance to take on international debt, and a challenging business environment for foreign investors, could impede progress in this. In addition, domestic rather than international borrowing will also impact upon liquidity, crowd out private sector borrowers and impede the development of small and medium-sized enterprises.

Official reserves, USDbn



Source: Haver Analytics, Emirates NBD Research

Further, outside of the oil and gas sector, which itself presents significant challenges, the country is fairly unappetising to foreign investment, despite a new reported interest among regional governors in attracting it. Algeria ranked 166th globally in the 2018 Ease of Doing Business report, having dropped 10 places that year despite the introduction of a new investment law in late 2016. Out of the MENA region, only conflict-ridden states such as Syria and Yemen ranked lower. By contrast, next-door neighbor Morocco ranked 69th globally and has been enacting reforms which have seen it move up through the rankings every year. Governmental pressure has compelled European automakers to invest in manufacturing plants to gain access to the Algerian market, but this will not work with every industry. Aims to develop tourism will continue to be stymied by a long-winded procedure in obtaining visas.

Bahrain

GDP growth averages 3.6% in Jan-Sep

Real GDP growth accelerated slightly to 1.6% q/q and 3.6% y/y in the third quarter of 2017. Over the first three quarters, the economy grew 3.6% y/y, making it (surprisingly) the fastest growing economy in the GCC, despite its substantial twin deficits and weak foreign reserves position.

Bahrain's growth last year was entirely non-oil sector driven. Financial corporations sector expanded 6.5% y/y in Q1-Q3, while government services grew an average 3.3% over the same period. Hospitality, transport & communications, trade, utilities and construction also enjoyed robust growth last year. The only sector which contracted in real terms was mining & quarrying (including oil and gas), which declined nearly -1% y/y in the first three quarters of last year.

We retain our full year 2017 GDP growth estimate of 3.0% and expect a similar rate of growth this year.

Money supply and credit growth accelerated.

Broad money supply (M2) growth accelerated in H2 2017, reaching 2.8% y/y in November, although was partly due to low base effects. On average, M2 grew 0.4% m/m last year, with a strong rebound in longer term local currency deposits in H2.

Private sector credit growth averaged 0.2% m/m in January through November 2017. The annual rate of private sector credit growth also accelerated to reach 2.0% y/y in November.

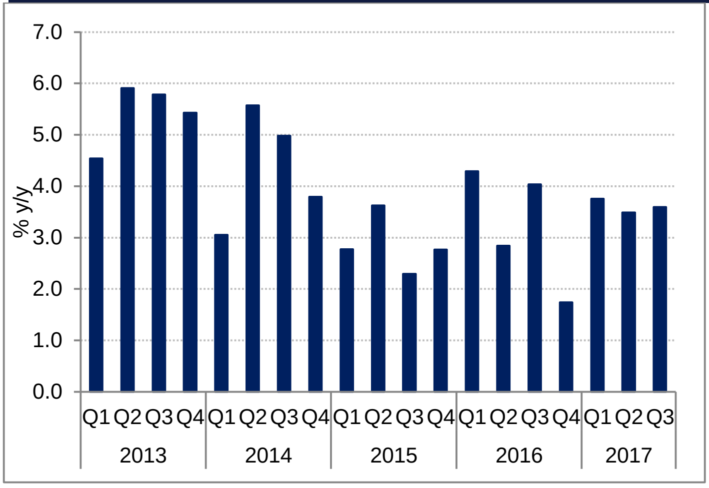
There was substantial volatility in official reserves at the central bank last year, with these declining to just one month's import cover in some months. The stock of net foreign assets (NFAs) at the central bank stood at USD 2.81bn at the end of November, up from a 2017 low of USD 1.28bn at the end of July.

In a rare move, Bahrain publicly requested financial assistance from its Gulf allies in Q4 2017, with press reports indicating that Saudi Arabia, the UAE and Kuwait were looking for more progress on fiscal reforms in Bahrain, in exchange for assistance. However, the net foreign asset data suggests that Bahrain has received grants and transfers through last year, most likely from other GCC countries, when reserves have fallen to critical levels. We continue to believe that it is not in the GCC's interests to see the BHD peg broken.

Little progress on budget reform

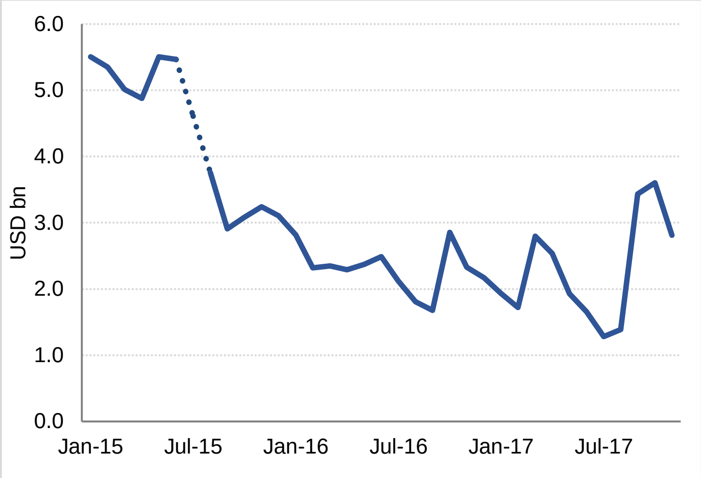
Nevertheless, the pace of fiscal reform in Bahrain remains relatively slow. The passage of the 2017 budget was delayed by about 6 months after opposition to proposed subsidy cuts and other fiscal reforms. The 2018 budget was approved at the same time (June 2017), with no projected cut in expenditure from 2017 (BHD 3.5bn). However the authorities announced an increase in petrol prices earlier this month, with utilities prices expected to rise in March. Bahrain has not yet introduced VAT yet but said it would do so this year.

Quarterly GDP Growth



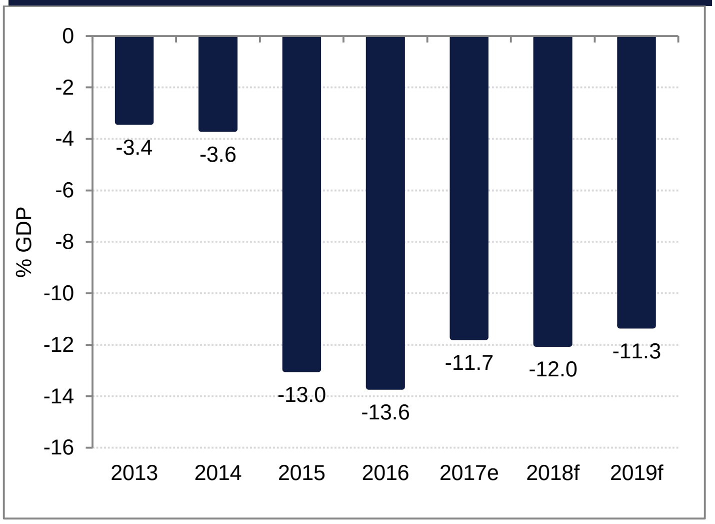
Source: Haver Analytics, Emirates NBD Research

Central Bank of Bahrain NFAs



Source: Haver Analytics, Emirates NBD Research

Fiscal balance



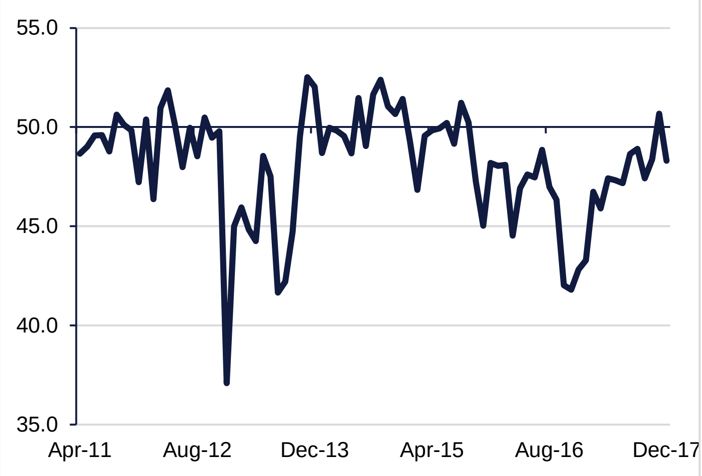
Source: Haver Analytics, Emirates NBD Research

Egypt

While 2017 was undoubtedly a difficult year for the Egyptian economy, the outlook is far brighter as we begin 2018. There is a sense that the medicine taken as part of its IMF-sponsored economic reform programme is starting to work, and a host of indicators point towards ameliorating economic conditions this year.

We forecast that real GDP growth will strengthen to 5.0%, from 4.2% in FY 2016/17 (ended June 30). The effects of the currency float enacted in late 2016 are progressing in an almost textbook fashion to date, and while there remain significant structural challenges to growth, there is a groundswell of optimism among businesses in the country.

Egypt Emirates NBD PMI



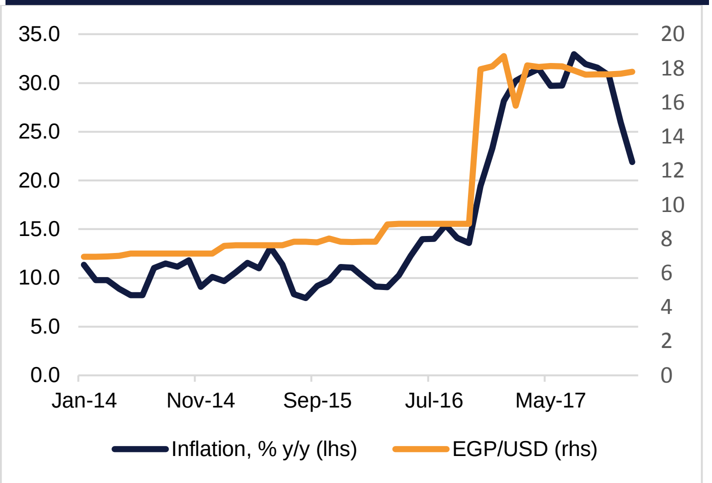
Source: IHS Markit, Emirates NBD Research

This is evidenced in the Emirates NBD Purchasing Managers surveys, which have consistently shown in recent prints that the overwhelming majority of firms expect improved conditions 12 months down the line. In the December survey, 70.0% of respondents expected greater output in a year's time, and only 8.0% expected conditions to deteriorate. Not only that, but the headline results have also been improving, coming in at 50.7 in November, indicating an expansion in the non-oil private sector for the first time since September 2015. While the headline index dipped back down below the neutral 50.0 benchmark level once again in December, to 48.3, there remain grounds for optimism. The fourth quarter was the weakest contraction in over two years, and the rise in input prices has begun to ease. Input prices were driven up by the pound's sharp depreciation at the end of 2016, and weighed heavily on firms' activity in 2017.

Falling inflation will enable rate cuts

It is not only firms that have struggled with higher costs owing to the weaker pound; households have had to contend with CPI inflation which averaged 30.8% y/y over January to October. A series of tax hikes and subsidy removals, as the government looked to narrow its fiscal deficit, have also played a part in this. However, here too we see an improvement coming. In November, as the effects of the peg's removal began to pass through, inflation fell to 26.0%, the lowest rate since December 2016, and ended the year at 21.9%. Equally, the bulk of the planned tax and tariff hikes have now been implemented. As a result, we expect further sharp falls in price growth over the coming months, with the headline figure likely to dip back below 20.0% y/y in Q1, potentially aided by a modest appreciation in the pound. This will alleviate pressure on squeezed households, and should encourage an uptick in consumption.

Egypt inflation & exchange rate



Source: Haver Analytics, Bloomberg, Emirates NBD Research

Crucially, falling inflation will also enable the Central Bank of Egypt (CBE) to begin a rate-cutting cycle, which we expect will begin in the first quarter, further boosting domestic demand. The CBE implemented a cumulative 700 basis points of hikes to its benchmark interest rates in the wake of the pound's peg removal.

Foreign ownership of t-bills, USDbn

Source: Haver Analytics, Emirates NBD Research

There are some concerns that rate-cutting will see the portfolio investment that has flooded into Egypt over the past year begin to fall once more - foreign ownership of treasury bills stood at USD18.7bn in November, compared to just USD0.5bn 12 months earlier. However, while yields are now falling, we do not anticipate a sudden flight of 'hot money' posing risk to the pound and threatening a further sharp sell-off. Egyptian debt remains an attractive proposition, and much of the foreign portfolio investment that has entered the country over the year has done so via a repatriation fund, limiting any fallout risks from potential capital flight.

Fixed investment will come

Increased portfolio investment is a positive for the economy, but greater fixed investment inflows will be crucial to fostering a long-lasting and durable growth trajectory. FDI has picked up, but has lagged the uptick in portfolio inflows to date. Nevertheless, we expect that there will be an improvement in this regard in 2018. For starters, investor fears over another sharp depreciation of the pound will have been allayed by the fact that Egypt's net international reserves have surged. These stood at a record USD37.0bn at the close of 2017, exceeding even the USD36.0bn recorded at the start of 2011.

Egypt reserves, USDbn

Source: Bloomberg, Emirates NBD Research

With increased confidence that the pound has found a bottom, international firms will be eager to benefit from the more competitive currency. Companies which have already entered the market in 2017 include Mercedes Benz, which is re-entering Egypt with the development of a new regional distribution facility, and tech-taxi firm Uber. A new investment law passed in 2017, which widens the scope for projects to be granted tax breaks, will also entice greater interest.

Emirates NBD

Iran

The easing of US-led sanctions against Iran saw a sharp ramp-up in oil production in 2016 as spare capacity was utilised, contributing to real GDP growth of 13.4% that year. However, oil-driven growth in 2017 was curtailed by an OPEC limit of 3.8mn barrels per day (b/d), and we expect that continued compliance with the curbs – Iran has been a vocal supporter of their extension – will continue to restrain the oil economy in 2018. While higher oil prices will likely encourage some slippage on compliance to OPEC limits, we anticipate that Iran will only increase production by 0.8%. As a result, we forecast headline real GDP growth of 4.5% this year, up only modestly on the 4.3% we estimate in 2017.

Non-oil sector will drive growth

With the oil sector set to remain fairly static, the onus will increasingly be on the private non-oil sector to drive real GDP growth in Iran; higher oil prices should boost the Iranian government's coffers, but the state budget introduced by President Hassan Rouhani in December was fairly constrained. Sectors we expect to do well include the construction and automotives industries. According to the Central Bank of Iran, the construction sector turned positive in Q217, having previously endured 9 consecutive quarters of negative real growth. Automotives, meanwhile, is growing strongly, bolstered by incoming investment by international carmakers such as Renault.

Political risks rising

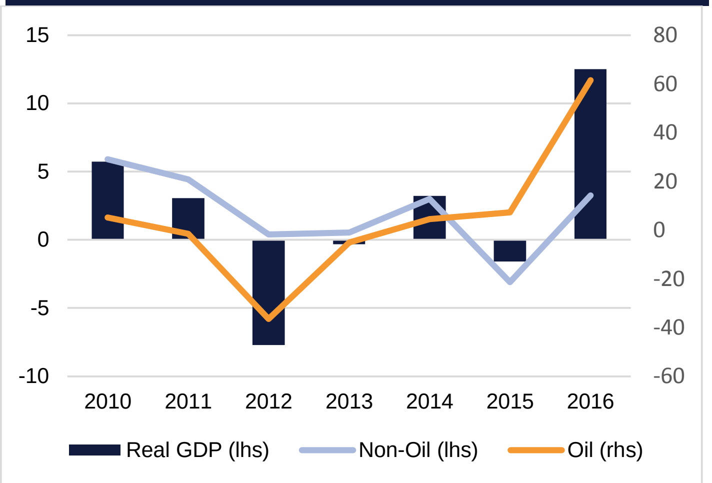
While the re-election of President Hassan Rouhani in May 2017 salved some investor worries last year, Iran remains mired in political risk and this came to the fore once again in January. On the internal front, demonstrations against high prices and squeezed living conditions that broke out in the city of Masshad at the end of December quickly spread to towns around the country including Tehran. Although the unrest is not considered an existential threat – the demonstrations reportedly garnered smaller crowds than those that gathered to protest alleged electoral fraud in 2009 – it could make foreign investors, who are central to Iran's economic growth recovery, more reticent.

Externally, the threat of the US removing waivers around nuclear-related sanctions hangs over the Iranian economy, given that President Trump continues to publically lambast the deal agreed under his predecessor. The waivers were renewed in January, but with a reported 4-month countdown for progress from Iran on making greater changes. The reintroduction of full sanctions would deal a major blow to Iran's economic recovery.

Oil production, b/d, '000

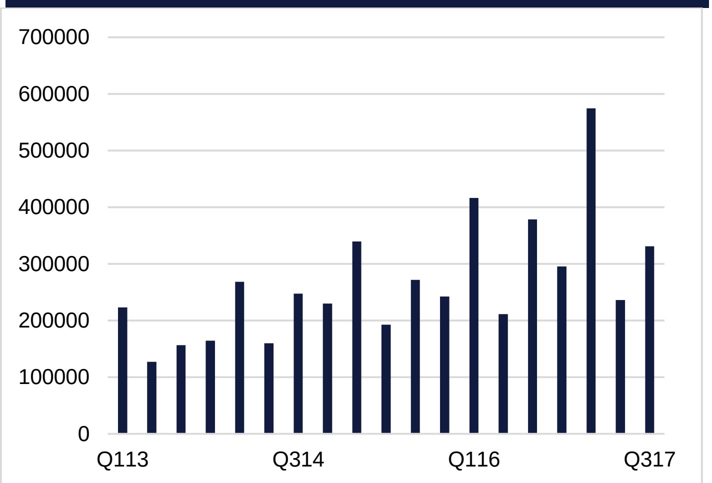
Source: Bloomberg, Emirates NBD Research

Real GDP growth, % y/y



Source: Haver Analytics, Emirates NBD Research

Government revenues, IRRbn



Source: Haver Analytics, Emirates NBD Research

Iraq

We anticipate a modest return to growth in Iraq in 2018, forecasting a real expansion of 2.7%, compared to an estimated contraction of 0.3% in 2017. Growth will be driven by a limited increase in oil production, and by a more meaningful recovery in the non-oil sector.

Oil production could see modest expansion

According to Bloomberg data, Iraqi oil production averaged 4.4mn b/d last year, implying compliance of 67.1% on the October 2016 reference rates for cuts supplied by OPEC. While Iraq was one of the worst performers when it came to compliance, this nevertheless represents a 4.4% y/y drop in production which will have weighed on the wider economy, contributing to the overall economic contraction.

Iraq remains publically committed of OPEC's programme of cuts, having reiterated its support in January. However, while growth in oil production will be limited by commitment to the programme, we do expect some expansion, forecasting a 1.1% increase in output. If not for internal insecurity last year, oil production would likely have been higher. In 2018 there is potential for oil wells in territory recaptured from IS to come back online, and for production in Kurdistan, disrupted by a failed independence bid in October, to pick back up. With oil currently trading at levels not seen since 2014, the risk of slippage with compliance to OPEC targets is even greater.

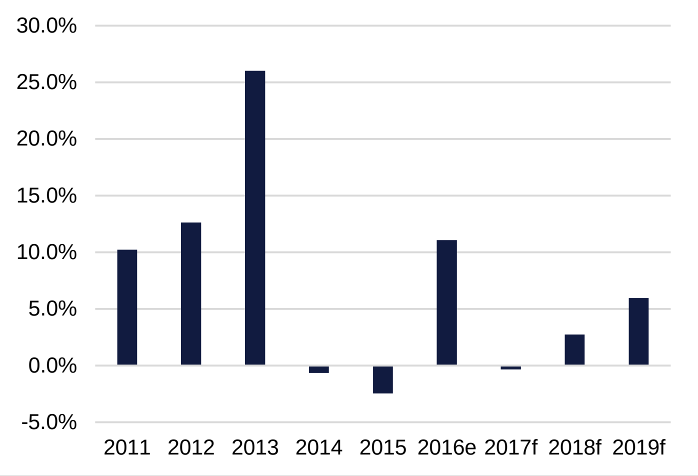
Reconstruction efforts to the fore

Crucially, we expect that real GDP growth will also be supported by the non-oil sector in 2018. According to the IMF, this contracted by an average 7.2% y/y over 2014 to 2016, ravaged by both lower oil prices and the negative effect of the IS takeover of significant swathes of the country. With IS in Iraq now defeated, there is scope for a significant pick-up in activity, in reconstruction in particular. The Iraqi authorities have estimated that the country requires USD100bn in reconstruction funds, and have been seeking international aid in this regard. Kuwait will host an international conference aimed at securing donations in February.

Further debt issuance likely

Aside from multilateral aid, Iraq is also likely to issue on international debt markets, taking advantage of greatly improved sentiment towards the country in the wake of IS's defeat and ongoing IMF support. Yields on Iraq's eurobond maturing in 2028 have fallen from 12.4% in January 2016 to 5.9% at the time of writing. Central Bank of Iraq governor Ali al-Allaq told Bloomberg in November 2017 that a sale of USD2bn was planned, in order to support a budget deficit which we forecast at 5.1% of GDP this year.

Real GDP growth, % y/y



Source: UN, Emirates NBD Research

Oil production, b/d '000

Source: Bloomberg, Emirates NBD Research

Eurobond yield, %

Source: Bloomberg, Emirates NBD Research

Jordan

Jordan's economy will strengthen over the next several years as regional security improves and IS has been defeated in neighbouring Iraq. Although the Syrian refugee crisis will continue to exert a drag on growth, and trade networks will continue to face some disruption, the impact of this is diminishing. We forecast real GDP growth of 3.0% in 2018 and 3.2% in 2019, compared to just 2.0% in 2016 and an estimated 2.4% in 2017 – Q1 and Q2 2017 averaged 2.3% y/y.

The Jordanian tourism sector has suffered in recent years as a result of concerns over nearby instability, but looks to be expanding once again, and this will be bolstered by ongoing investment, such as new bubble-dome camps in Wadi Rum. Visitor numbers to Jordan over January to October 2017 were up 7.7% y/y, contributing to consecutive quarters of positive growth in the Restaurants and Hotels component of GDP for the first time since 2014. Tourism revenues were up 14.3% y/y in November according to the Jordan Tourist Board.

IS defeat in Iraq a boon for Jordan

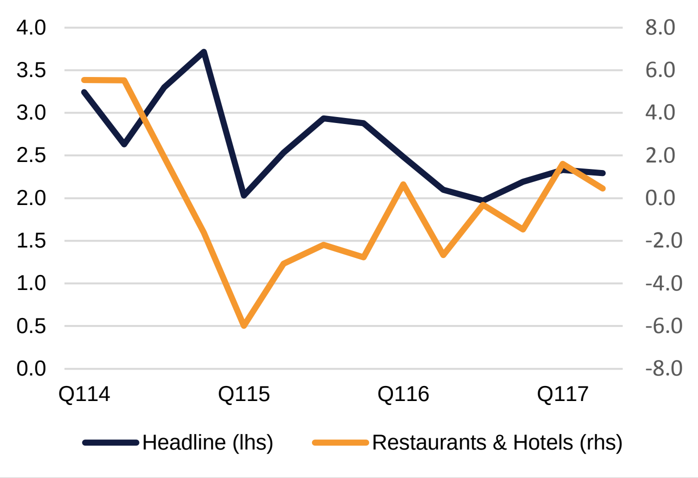
Greater stability in Iraq will also be a boon for Jordan's goods exports, as a major trade artery, the highway between Amman and Baghdad, is operable once more following the re-opening of the Karameh border crossing in August. The crossing was closed in 2015 after the Iraqi government launched its offensive against IS militants in the Anbar region, and while cross-border trade will be slow to return to previous levels given ongoing security concerns, it is a step in the right direction. There are further factors which will boost Jordanian exports in 2018: The EU enacted a relaxation on rules of origin in May 2017, which makes it easier for Jordanian exporters to benefit from tariff-free access to the bloc. In addition, stronger growth is anticipated in key trade partners in the GCC. This should have the additional benefit of boosting remittance inflows into Jordan.

Rising exports and remittances will help narrow Jordan's current account deficit from equivalent to 9.5% of GDP in 2016 to 8.0% this year, according to our forecasts, and to 6.5% by 2020. This will alleviate pressure on the dinar's peg to the US dollar; in 2017, speculation around the peg's viability led both Prime Minister Hani Mulki, and central bank governor Zaid Fariz to make statements stressing its stability and its benefits for the economy. Jordan's FX reserves declined through most of 2017, but ticked up 5.3% m/m to USD12.9bn in October.

Refugee crisis remains a drag

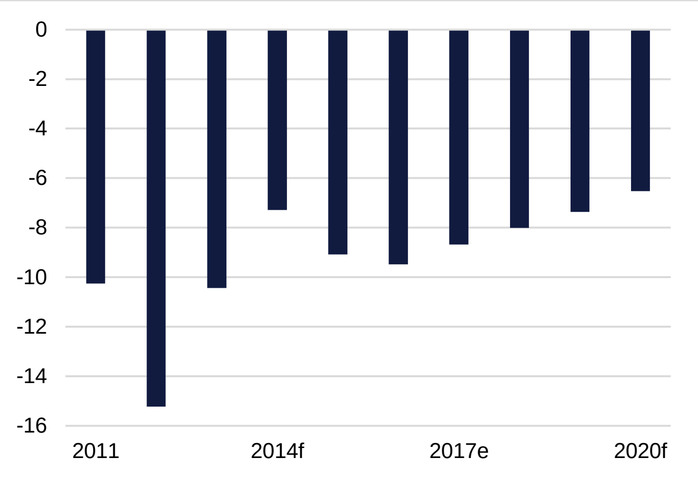
While regional instability is easing, Jordan will continue to grapple with the massive influx of Syrian refugees since the outbreak of the civil war there, equivalent to around 10% of the population. The newcomers have led to higher inflation, rising unemployment, and strain on the public purse. With foreign grants declining, Jordan needs to boost revenues and limit spending if it is to realise its aim of bringing its debt-to-GDP ratio below 80%, from the 90% we estimate at the close of 2017. These factors will continue to weigh on domestic demand in 2018.

Real GDP growth, % y/y



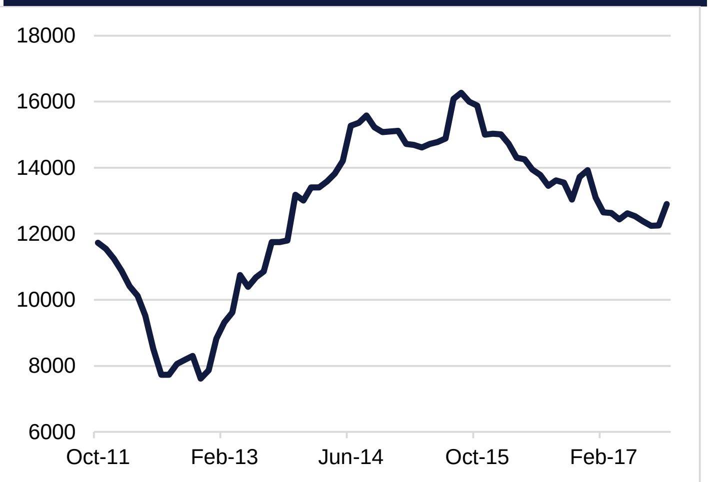
Source: Haver Analytics, Emirates NBD Research

Current account balance, % GDP



Source: Haver Analytics, Emirates NBD Research

FX Reserves, USDbn



Source: Bloomberg, Emirates NBD Research

Kuwait

Oil cuts weighed on growth in 2017

Kuwait was fully compliant with agreed OPEC production cuts last year, reducing crude output by nearly -6% to an averaged 2.71mn bpd according to Bloomberg estimates. With the oil sector still accounting for nearly 60% of Kuwait's GDP, the sizeable cut in output would have resulted in a contraction in Kuwait's total GDP of -1.2%, based on our estimates.

However, the outlook for 2018 is much better now that the drag from oil production cuts is in the base. We expect headline GDP growth to rise 2.1% y/y in 2018 and accelerate to 3.2% in 2019 as oil production rebounds.

Kuwait plans budget deficit of KWD 4.5bn in 2018-19

Although the official budget has not been approved yet (the new fiscal year starts on1 April 2018), Kuwait has indicated that the draft budget makes provision for revenue of KWD 15.5bn and expenditure of KWD 20.0bn, leaving a deficit of KWD 4.5bn (approx. USD 15bn).

We estimate total spending in the current fiscal year will be slightly less than the KWD 20.0bn budgeted, so it seems likely that spending will rise in 2018/19. Kuwait has made some progress with restructuring expenditure, including reducing subsidies, but has delayed the introduction of the 5% VAT to 2019. Press reports suggest that the required legislation for VAT in Kuwait still needs to be approved this year.

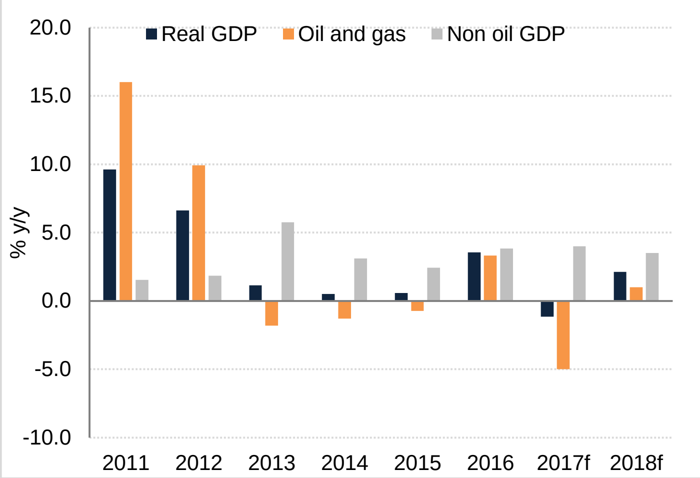
Nevertheless, our estimate for the 2018/19 budget deficit is -KWD 3.7bn (just under USD 12.5bn), lower than the draft budget figures. We have assumed an average USD 56 pb oil price assumption, and it is likely that the budget is based on a more conservative oil price forecast. If oil prices remain at current levels for an extended period, then the risks to both our deficit forecast and the official one are on the downside.

Kuwait issued its first external bond in 2017, so it has room to increase borrowing to finance any budget shortfall. However, given the size of its accumulated reserves, a USD 12-15bn deficit can be easily financed without tapping debt markets again.

Inflation falls to just 1.6% in 2017

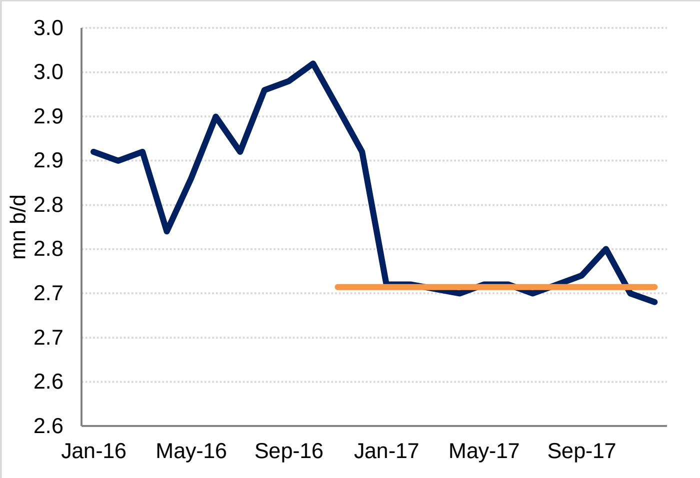
Headline inflation averaged 1.6% in January to November 2017, the lowest in at least 5 years. Household goods & services and restaurant & hotel prices rose an average of 3.6% last year while transport costs surged more than 11% last year on higher fuel prices. However, the biggest weightings in the consumer basket are food and housing, neither of which saw significant price increases last year.

GDP growth



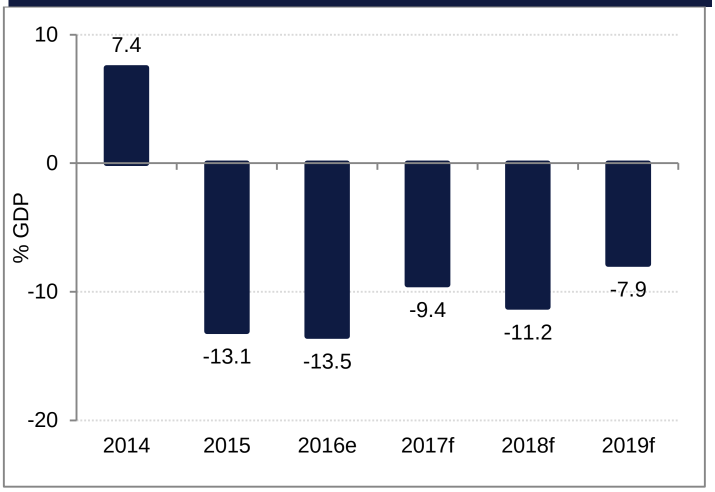
Source: Haver Analytics, Emirates NBD Research

Kuwait oil production & OPEC target



Source: Bloomberg, IMF, Emirates NBD Research

Budget balance (% GDP)



Source: Haver Analytics, Emirates NBD Research

Lebanon

There was considerable optimism regarding Lebanon's economic trajectory at the start of last year, as the election of Michel Aoun as president, and Saad Hariri as prime minister, at the close of 2016 raised hopes for an end to the political impasse that had troubled the country for years. This optimism has muted somewhat in early 2018, as political risk has returned to the fore, and questions over the sustainability of the Lebanese pound's peg are being asked again. That being said, Lebanon has long managed to brush off similar concerns, and barring any major deterioration in regional relations we do not expect a crisis this year.

New budget a positive step

The appointment of the new government in 2016 paved the way for a new election law, and new legislation for Lebanon's nascent oil and gas sector. Crucially, it also led to Lebanon's first budget in 12 years finally being passed in October 2017, a positive for investor sentiment towards the country given the greater implied accountability in spending and the fact that Lebanon now has something amounting to a governmental plan. Further to this, the government has employed consultancy firm McKinsey to advise on how best Lebanon can restructure its economy and move away from its long-standing reliance on foreign remittances and debt.

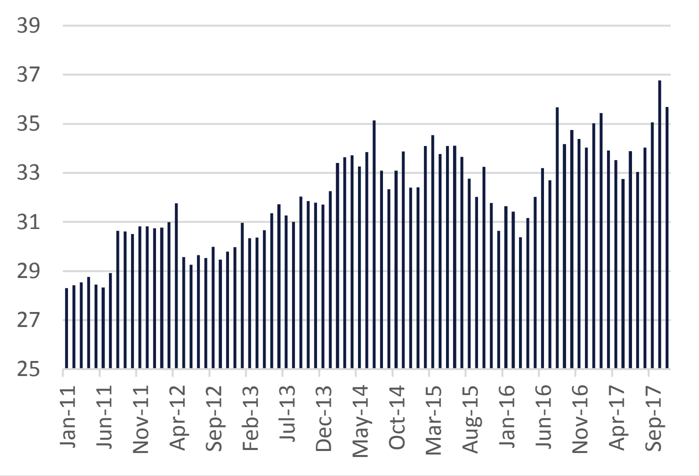
This is important with regards to the budget, as the government is likely to continue running sizeable budget deficits in the coming years without significant structural reform – unlikely given ongoing political and sectarian fragmentation. We forecast a modest narrowing on the back of measures such as a hike to VAT in the 2017 budget, but only from an estimated 9.2% of GDP last year to 8.3% in 2018. Debt levels meanwhile are among the highest in the world, equivalent to 149.8% of GDP in 2017, according to our estimates.

Risks to pound rising

While the policy making process received a boost last year, this was offset by concerns over political risk in November when Saad Hariri tendered a shock resignation while on a visit to Saudi Arabia. This was subsequently rescinded, but the affair will have raised investor concerns over Lebanese stability, given that if his resignation had held it would likely have been followed by another protracted period of political paralysis.

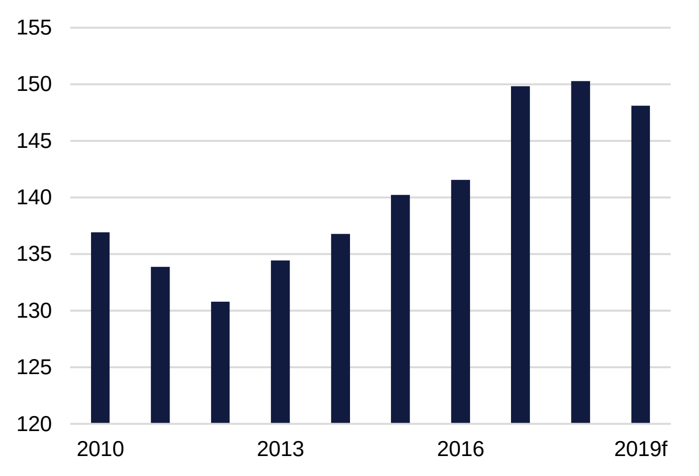
Further, deteriorating relations with Riyadh will have brought renewed pressure on the Lebanese pound's peg to the dollar. In November, Saudi Arabia told its citizens to leave Lebanon, which will dampen the recent strong performance of the Lebanese tourism sector, likely weakening dollar inflows in 2018. The threat of sanctions aimed at Hezbollah, which in extremis could include expelling Lebanese workers from GCC countries, also hangs over the Lebanese pound as we enter 2018.

FX reserves, USDbn



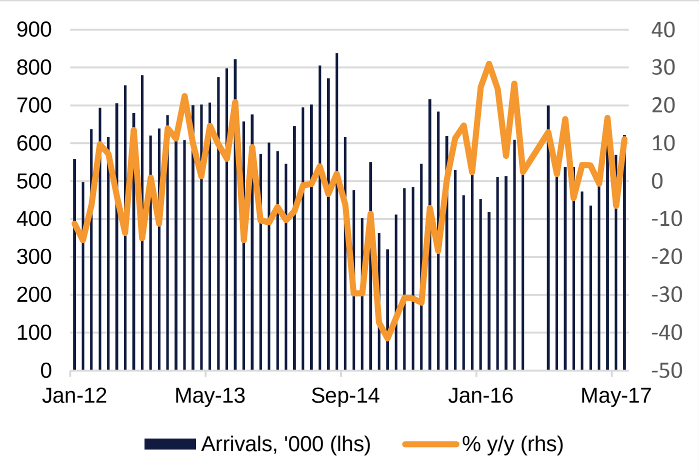
Source: Haver Analytics, Emirates NBD Research

Public debt, % GDP



Source: Haver Analytics, Emirates NBD Research

Tourism sector



Source: Haver Analytics, Emirates NBD Research

Libya

Theoretically, there is significant growth potential in Libya in 2018, as compared to other MENA oil producers. Oil production remains far off previous levels, and the country is nominally exempt from OPEC's supply curb deal which will constrain GDP growth in other regional producers. Oil production enjoyed the strongest performance since 2012 last year at an average of 827,800 barrels per day (b/d), representing growth of 115.4% y/y, but this remains far off the average 1.6mn b/d from 2012. In reality, however, growth will remain highly subject to the volatile political and security situation in the country, which remains divided six years following the fall of the Qadhafi regime. Further, Libya reportedly agreed to hold output at around 1mn b/d in December, which will limit the potential for growth even under benign circumstances.

IOCs increasingly positive

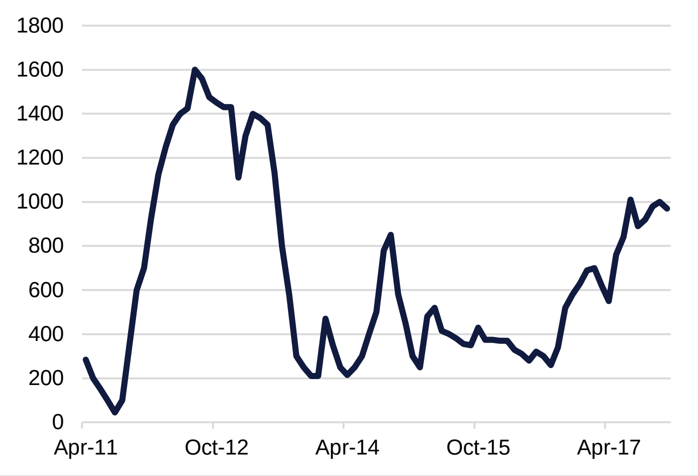
International oil companies (IOCs) and commodities firms have retained an interest in Libya throughout the recent years of turmoil, with Rosneft, Glencore and OMV all signing deals with the Libyan National Oil Company in 2017. While the political situation remains volatile, IOCs appear to be even more positive towards Libya at the start of 2018, and it was reported in January that both Royal Dutch Shell and BP had agreed to annual deals for the purchase of Libyan crude oil.

More investment and rising oil exports will help stem the decline in Libya's FX reserves. In August, these saw the first positive y/y growth since October 2013.

Elections scheduled for 2018

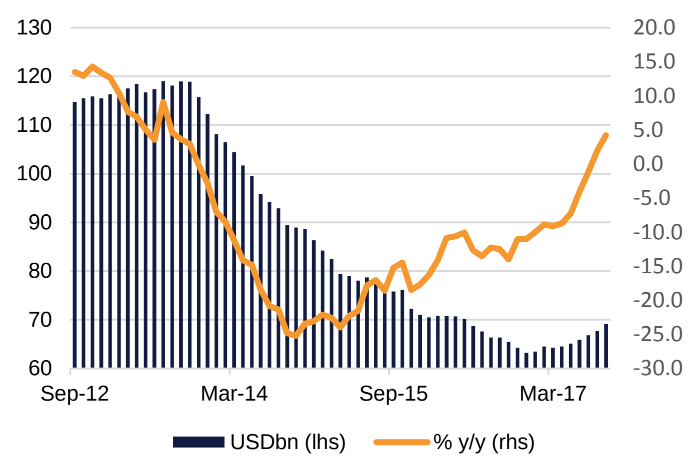
The UN has endorsed a plan for elections to be held in Libya at the end of 2018, which it hopes will put an end to the division seen in the country since a disputed vote in 2014 and prove a first step to Libya's economic and political recovery. However, concerns remain that an election will simply lead to further bloodshed. There are already disagreements over whether a vote should be held before or after a constitution is formed.

Oil production, b/d



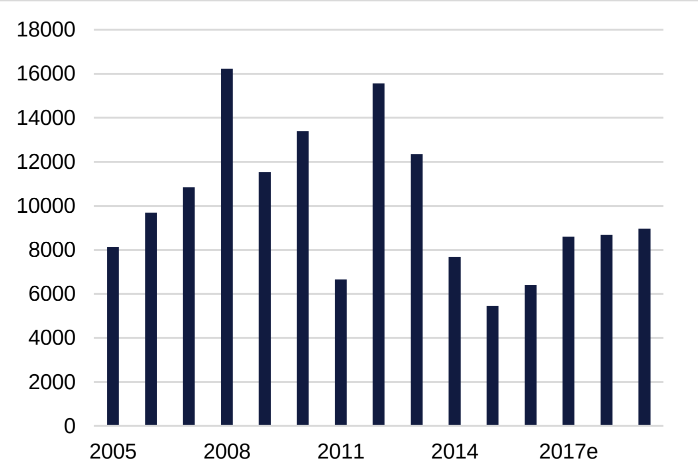
Source: Bloomberg, Emirates NBD Research

FX reserves



Source: Haver Analytics, Emirates NBD Research

GDP per capita, USD



Source: Haver Analytics, Emirates NBD Research

Morocco

While Morocco's expansion will slow in 2018, this belies the underlying strength in the economy. We forecast that real GDP growth will come in at 2.7% y/y, reflecting a slowdown from the estimated 4.3% recorded in 2017. This is on the back of weaker projected agricultural production – which remains the backbone of the economy – owing to insufficient rains. The very strong growth last year was itself a product of a bounce-back in agriculture following very weak harvests in 2016 which saw growth fall to 1.2%, its slowest pace in nearly 20 years. In 2019, we anticipate that growth will strengthen to 3.6%.

Although Morocco's headline expansion figure is still influenced by the weather and subsequent fluctuations in the agriculture sector, we retain a constructive view on economy. Sectors which we expect will continue to do well include autos production, which is benefitting from growing European investment, and tourism, which is capitalising on Morocco's relative stability as compared to other regional markets.

An attractive investment destination

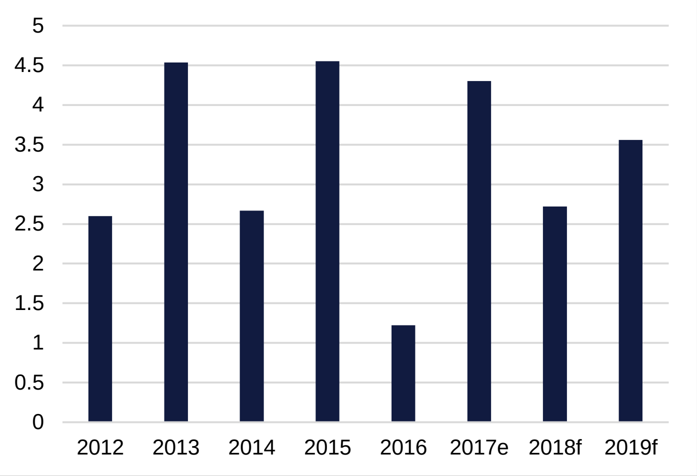
Morocco is the second-largest recipient of FDI in Africa (after South Africa), and we expect that the country will remain attractive to foreign investors. Indeed, the Bank al-Maghrib anticipates that FDI inflows will remain equivalent to around 3.5% of GDP over the coming years. Many investors have been enticed by ongoing improvements to Morocco's business environment; it has climbed from 129th globally in 2008's Ease of Doing Business report to 69th in the 2018 edition. As mentioned above, the autos sector in particular has enjoyed strong investment in recent years, and this was bolstered in December with an announcement by the Moroccan government that it had signed deals for 26 industry projects with a total value of USD1.5bn. According to government projections, these new deals will create more than 11,500 jobs.

Initial steps towards a floated currency

Morocco began 2018 in such a relative position of strength that the authorities had the confidence to take their first steps towards making the dirham a floated currency on January 14, through widening the band within which it allows the dirham to trade. It can now move within a daily limit of 2.5% above or below the reference rate, compared to the 0.3% either side previously. The basket against which the dirham is benchmarked is comprised of 60% EUR and 40% USD.

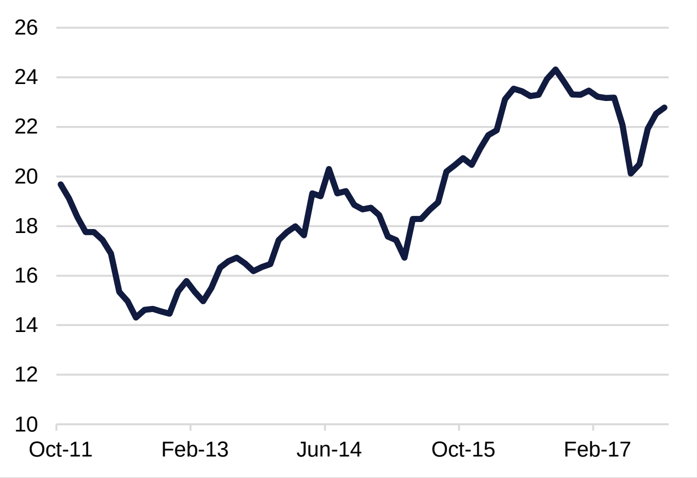
This step has been long-mooted, and had been scheduled in 2017, but was postponed after a rush on foreign currency prompted a precipitous fall in reserves in June. Concerns over the disorderly removal of the Egyptian pound's peg in November 2016 may also have played a part in the delay. However, given Morocco's robust reserve position, attractiveness to foreign investors, and the fact that the dirham was already trading at a fair rate, we do not expect any negative fallout from this move. On the contrary, greater openness will support Morocco's aim to become a regional financial and trading hub.

Real GDP growth, % y/y



Source: Haver Analytics, Emirates NBD Research

FX Reserves, USDbn



Source: Bloomberg, Emirates NBD Research

Exchange rate, MAD/USD

Source: Bloomberg, Emirates NBD Research

Oman

Oil production down over 3% in Jan-Oct.

Although Oman is not an OPEC member, it has cut oil production to support OPEC's efforts to reduce the excess supply of oil in global markets. Oil production in the first 10 months of 2017 averaged 977mn bpd, down -3.3% from average 2016 output. This will have been a drag on overall GDP growth last year, which we estimate slowed to 1.0% from more than 5% in 2016 (see our Q4 2017 GC Quarterly for details on why the headline 2016 growth rate should not be taken at face value).

In 2018 we expect both oil and non-oil sectors to grow at a faster rate, and we forecast headline GDP growth at 2.8% this year (government's forecast is 3.0%) and 3.2% in 2019.

Budget deficit to narrow this year

Preliminary estimates for the 2017 budget show spending reached OMR 12.7bn, 8.5% higher than budgeted but slightly lower than 2016 spending. Total revenue was also higher than planned at OMR 9.2bn on higher oil prices (non-oil revenues were lower than budgeted). Overall, the government estimates the 2017 deficit at –OMR 3.5bn (-12.3% of GDP).

The budget for this year provides for total expenditure to decline marginally to OMR 12.5bn, with revenues rising on higher oil prices and also higher non-oil revenues. The official deficit target is -OMR 3.0bn (-11.5% of GDP). However, we anticipate overspending again this year, and forecast a wider deficit at -12.3% of GDP in 2018. The government has assumed an average oil price of USD 50pb in its 2018 budget; our forecast is slightly higher at USD 56pb.

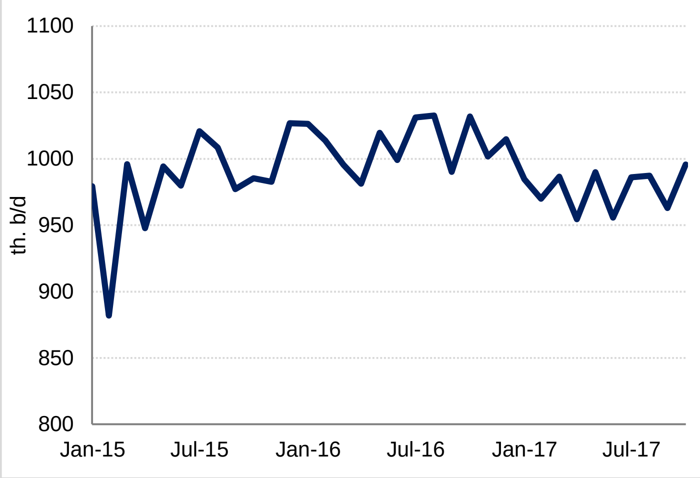
Deficit financing largely secured already

Oman issued USD 6.5bn (OMR 2.5bn) of external debt in January, which would finance more than 80% of the planned budget deficit, in line with the financing plan it had communicated to the market. The balance of the deficit (OMR 0.5bn; USD 1.3bn) is to come from accumulated reserves. However we think it is likely that Oman will come the market again this year, if conditions remain favourable. Oman is also planning to privatize 6 (unspecified) companies this year, which would provide additional financing if required.

Inflation accelerates in 2017

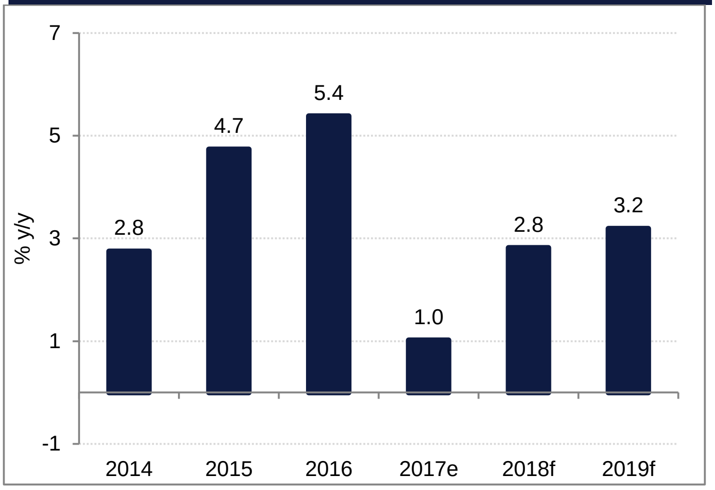
Average CPI inflation rose to 1.6% in 2017 from 1.1% in 2016 and just 0.6% in 2015. The biggest component of the consumer basket is housing (26.5% of the index) followed by food (23.9% of the index). While prices of both these components increased last year, the rates of increase were modest. The fastest inflation was evident in tobacco prices (18%) education (3.4%) and furnishing, household equipment and maintenance (2.9%). Communication prices declined -2.2% last year and clothing and footwear prices were marginally lower on average as well. Oman has delayed the implementation of VAT to 2019, so we don't expect to see inflation accelerate significantly this year.

Oil production



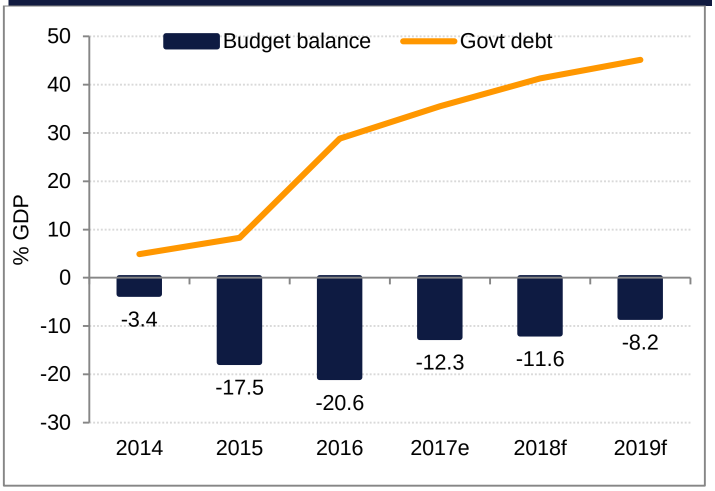
Source: Bloomberg, Emirates NBD Research

GDP growth



Source: Haver Analytics, Emirates NBD Research

Budget deficit and debt (% GDP)



Source: Bloomberg, Haver Analytics, Emirates NBD Research

Qatar

GDP growth accelerated in Q3 2017

Official data show Q3 GDP grew 1.9% y/y (5.5% q/q), up from just 0.3% (revised) y/y in Q2. Building & construction remained the fastest growing sector, although growth slowed slightly to 14.7% y/y in the third quarter. Financial and insurance services, manufacturing and real estate services sectors also saw strong y/y Q3 growth. Sectors which shrank y/y in Q3 2017 were information & communication (-6.2%), restaurants & hotels (-1.6% y/y) and utilities (-6.7%).

Average GDP growth for Q1-Q3 was 1.5%, below our 2.2% growth forecast for 2017. We expect growth to accelerate to 3.0% this year.

Central bank reserves decline further in November

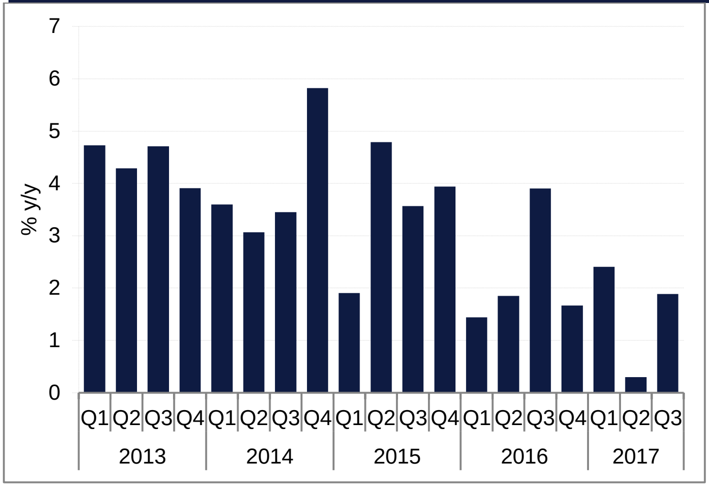
Total deposits at commercial banks in Qatar have risen 10% since the end of last year, although this has primarily been due to the 65% increase in public sector deposits. Private sector deposits have been largely unchanged, while non-resident deposits have declined -26% in the year to November. The rise in public sector deposits reflects a transfer from government deposits abroad (reserves) to domestic banks.

Net foreign assets at Qatar Central Bank declined to just USD 13.9bn at the end of November, down –USD 17.5bn since December 2016. This is almost exactly the amount by which public sector deposits at commercial banks has increased over the same period. The central bank has also ensured that there is sufficient fx liquidity to preserve the integrity of the peg. Following an announcement by MSCI that it was considering using the offshore rate in its index calculations, the spread between the offshore and onshore QAR rates narrowed sharply.

Government spending to rise in 2018

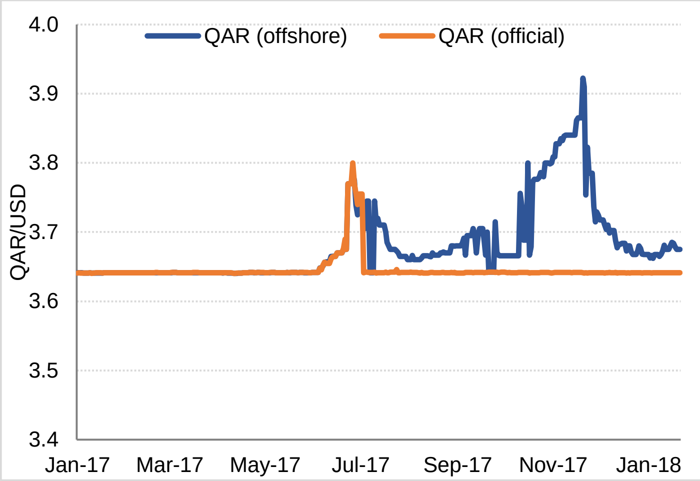
The 2018 budget makes provision for QAR 203.2bn in spending (2.4% higher than the 2017 budget), with nearly half of this allocated to capital expenditure. The revenue projections are based on a conservative USD 45pb oil price, and as a result, the official budget deficit forecast of -QAR 28.1bn (-USD 7.7bn; -4.3% GDP) is higher than our forecasts of a nearly balanced budget this year (-0.3% GDP). Around 10% of the capital spending budget has been earmarked for World Cup related expenditure, with the rest going to education, transport, health and other projects.

Quarterly GDP growth



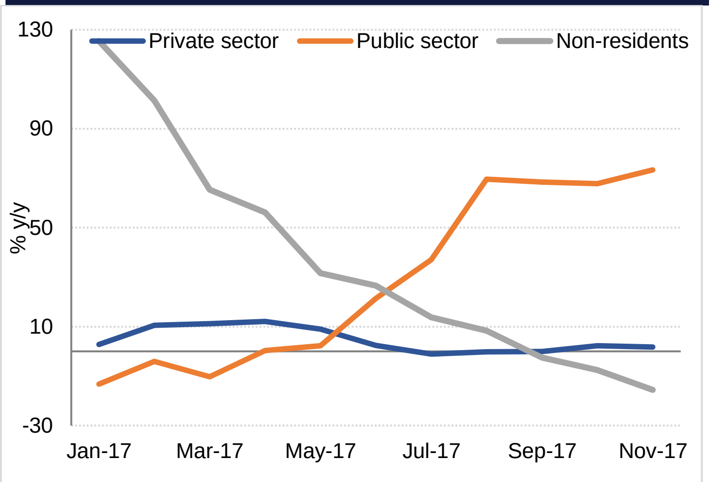
Source: Haver Analytics, IMF, Emirates NBD Research

QAR offshore rate converges with pegged rate



Source: Bloomberg, Emirates NBD Research

Bank deposit growth by source



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

GDP contracts -0.5% y/y in 2017

Preliminary estimates of Saudi GDP growth released with the 2018 budget show the economy contracted -0.5% last year, compared with our forecast of 0.5% growth. Data through Q3 showed that the oil sector contracted more than 3% y/y, which is in line with our expectations as Saudi Arabia cut production by more than it had agreed with OPEC. The non-oil sectors expanded 2.2% y/y in Q3 and 1.3% on average in January through September.

We expect growth to accelerate to 2.5% this year, slightly lower than the government's forecast of 2.7%. We expect both oil and non-oil sectors to contribute positively to GDP growth this year. Even though OPEC has extended the agreement to limit output end-2018, Saudi Arabia has room to boost oil production while still complying with OPEC agreed targets. As a result, we expect average oil production this year to be higher than in 2017, boosting headline GDP growth.

2018 budget to boost non-oil growth

The non-oil sector growth will be underpinned by a (very) expansionary budget this year. The original budget made provision for a 5.6% increase in spending, excluding off-budget spending on projects financed by funds in PIF and the National Development Funds. However, at the start of the year, the government announced further measures including re-instating public sector wage increases, one-off bonuses for the armed services and other cash transfers to students and pensioners, in a bid to alleviate the increased cost of living. This followed further cuts to fuel and energy subsidies as well as the introduction of VAT in January. The additional measures are estimated to cost SAR 50bn, bringing the projected increase in official budget spending this year to 13% y/y.

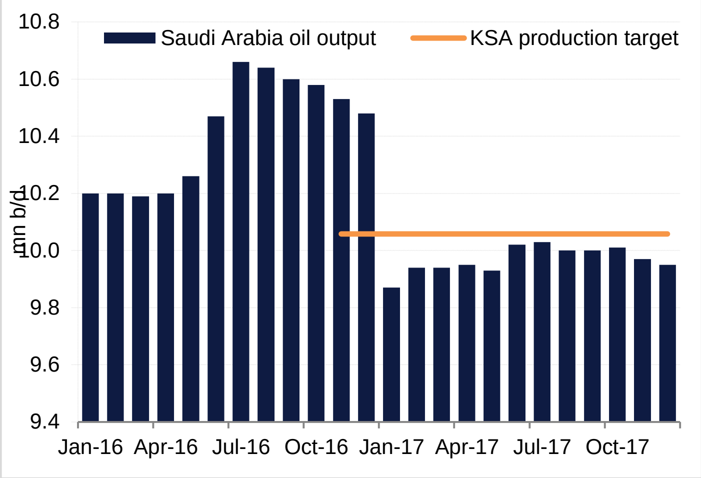
Furthermore, the government announced that another SAR 133bn worth of projects and initiatives would be funded by the Public Investment Fund and national development funds. In total, the fiscal stimulus this year is forecast to reach nearly SAR 1.2tn, up nearly 30% from 2017.

Debt to exceed 20% of GDP this year

Even based on our conservative oil price forecast of USD 56pb for this year, the official budget deficit is likely to be similar to 2017 at -8.8% of GDP, despite sharply higher spending. If we add in the cost of the PIF/ NDF spending, the actual fiscal deficit is likely to be -13.6% of GDP.

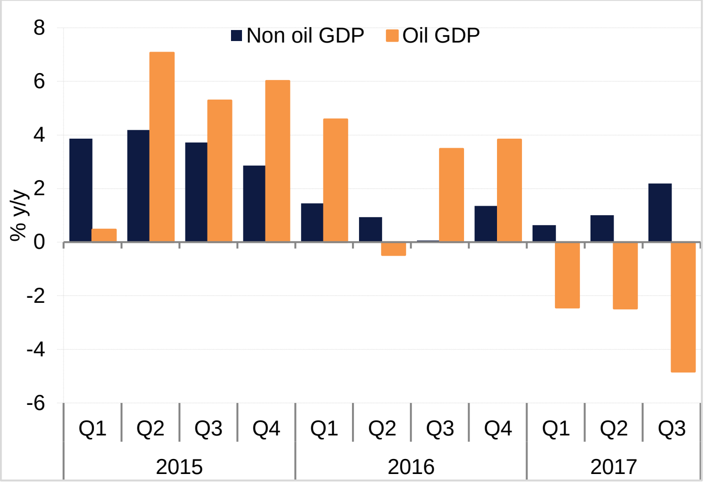
From a financing perspective, the smaller number is more relevant as the funds for the off-budget spending have already been set aside. The budget statement indicated that 12% of the budget would be financed by debt (ie SAR 126bn; USD 33.5bn), with the balance – about half the deficit – financed by running down accumulated reserves. We estimate the stock of public debt will reach 20.7% of GDP by the end of this year, up from less than 2% of GDP in 2014.

Oil production and OPEC target



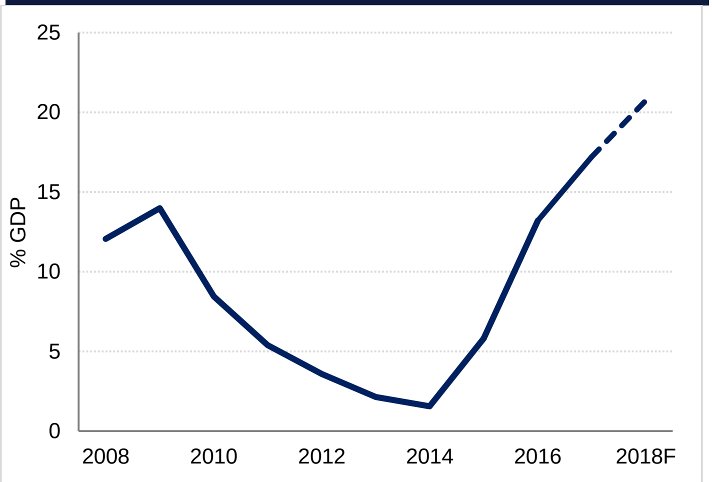
Source: Bloomberg, Emirates NBD Research

Real GDP growth



Source: Haver Analytics, Emirates NBD Research

Public debt (% GDP)



Source: Haver Analytics, Emirates NBD Research

Tunisia

While Tunisian real GDP growth remained tepid last year – we estimate growth of 2.1% – it is nevertheless improving from the 1.1% averaged over 2015 and 2016, and we forecast that growth will strengthen further to 3.3% in 2018. This will be driven in large part by a recovering tourism sector, where there are green shoots already evident after several years of turmoil.

Tourists steadily returning

Visitor numbers fell by 25.2% in 2015 following a number of deadly terrorist attacks, and remained similarly low in 2016, but have started to tick back up in 2017. The government projected visitor numbers of 6.5mn over the year, which would represent a y/y increase of 14.0%, and the restaurant and hotel industries enjoyed real growth of 8.1% y/y in H1 2017.

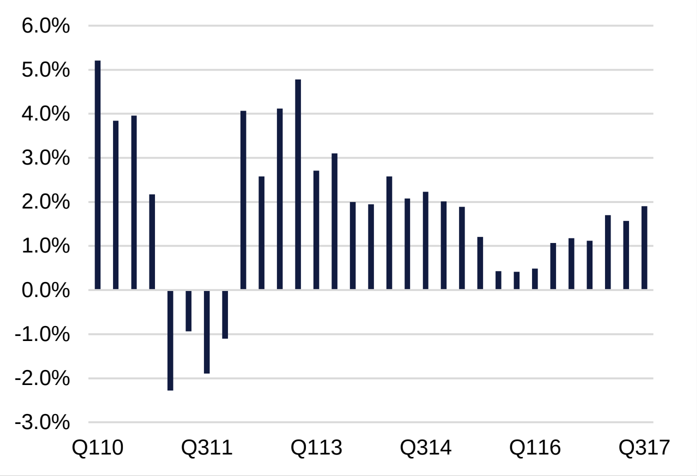
In 2018 we expect that the sector's recovery will firm, as the government of the UK, traditionally a significant source of visitors, has eased its negative travel advice regarding Tunisia. As tourism is a major employer in Tunisia, a recovery in the sector will be a positive for consumption levels, which have been battered by high unemployment and fiscal austerity measures. Although unemployment has fallen since 2011, it remains high at 15.3% in Q3 2017, while unemployment among graduates stands at around double the national average. Consumers have also been hit by rising inflation, which has been trending higher over the course of 2017, hitting 6.3% y/y in November and December. This is the highest level since June 2013, driven by tax hikes and subsidy cuts as the government has sought to rein in its fiscal deficit.

Fiscal slippage could prompt IMF rebuke

Despite the ongoing improvement in growth, we would agree with Tunisian Prime Minister Yousef al-Shahed's statement in January that 2018 will be another difficult year for Tunisians. What remains to be seen is whether it will also be 'the last difficult year, and the last difficult budget', as the premier also posited. The fall in visitor numbers in 2015 roiled the Tunisian economy, and the government has struggled to limit its spending while maintaining popular support. Indeed, widespread protests which erupted in Tunisia in January have illustrated the delicate balancing act required of the government if it is to satisfy both the IMF and international creditors and investors on the one hand, and discontented youth on the other.

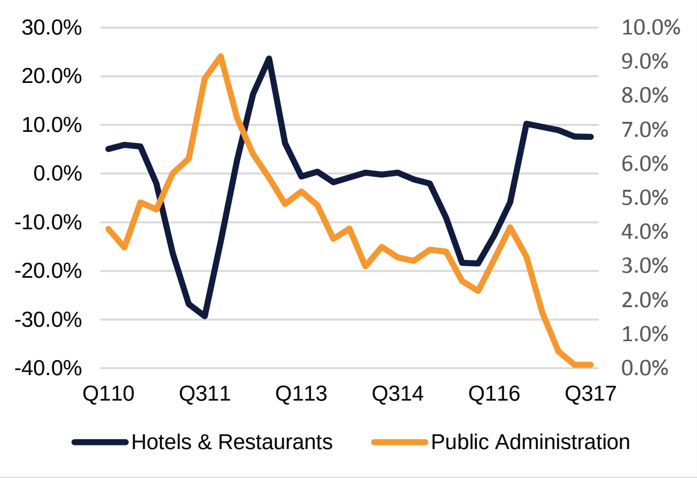
In the wake of the protests, the government has promised to spend TND170mn on the neediest in society, claiming that 250,000 families will benefit from the largesse. This could give another boost to real growth, given that the Public administration component of GDP – the largest single component, comprising nearly 20% of the total – has seen only a very anaemic expansion in recent years. However, the IMF have already delayed a tranche payment from its USD2.8bn loan programme, in December 2016, citing slow progress in reforms. Further slippage could lead to more rebukes from the Fund. It will also mean a slower drawdown of the fiscal deficit, and an ongoing rise in debt levels. These stood at an estimated 70.5% of GDP at end-2017, compared to 44.7% in 2012.

Headline Real GDP growth, % y/y



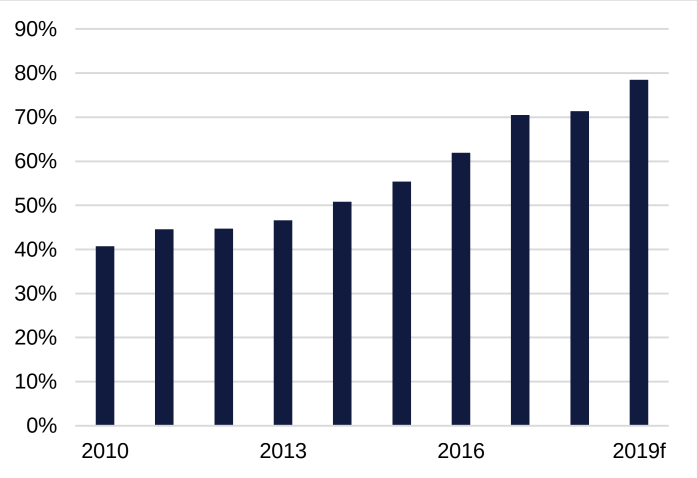
Source: Haver Analytics, Emirates NBD Research

Real Growth, % y/y



Source: Haver Analytics, Emirates NBD Research

Government debt, % GDP



Source: Haver Analytics, Emirates NBD Research

UAE

Oil cuts weighed on 2017 growth

The UAE's crude oil production declined -2.8% in 2017, according to Bloomberg estimates. This would have offset solid growth in the non-oil sector last year, which is reflected in the rise in the average Purchasing Managers' Index for 2017. Overall, we expect real GDP growth slowed to 2.0% last year from 3.0% in 2016. However, we expect faster growth this year on the back of a rebound in oil production as well as faster non-oil growth.

Public sector to drive non-oil growth in 2018

We expect total budget spending to rise by nearly 3% in the UAE this year. Increased investment in infrastructure, particularly in Dubai, should drive construction sector growth, and we also expect public sector salaries to rise to help mitigate the impact of VAT and higher fuel costs on households.

The PMI survey data shows that while output and new orders increased sharply in 2017, private sector firms did not boost employment or salaries significantly. We expect conditions for firms in the private sector, particularly SMEs to remain challenging this year as they adjust to the introduction of VAT and as households are likely to remain cautious with discretionary spending.

Inflation set to accelerate on VAT

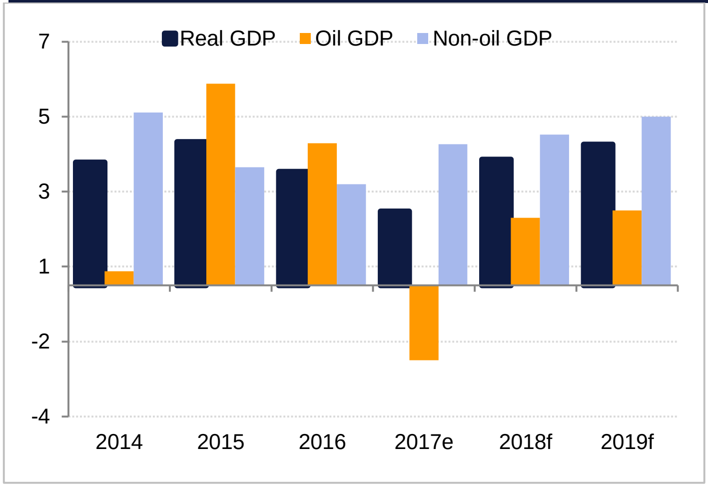
Inflation likely averaged under 2% in 2017, with very little demand driven inflationary pressure. Housing costs (around 40% of the consumer basket) were up just 1% y/y and the PMI surveys showed that on average, firms in the private sector cut selling prices last year in order to support demand. We expect inflation to accelerate to 3.0% in 2018, due to the introduction of VAT. Residential rents, public transport, healthcare and school fees are not subject to VAT, and some firms (such as those in luxury segments) are likely to absorb the additional VAT costs. As a result, we expect inflation to average 3% in 2018, less than the headline VAT rate.

Loan growth slowed in 2017

Money supply growth slowed to 3.0% at the end of 2017, after peaking at 7.4% y/y in May. Overall bank deposit growth was steady at 6-7% during the course of last year, with residents' deposit growth driven by a surge in government deposits (42% y/y in November).

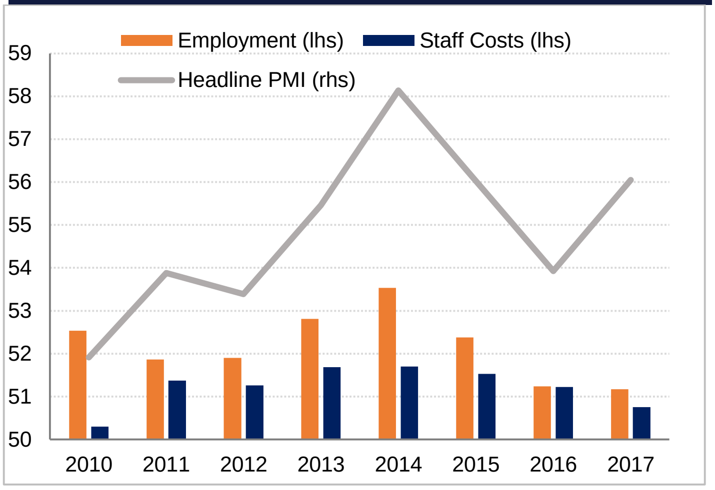
However bank loan growth slowed sharply to 1.2% y/y in November from 6.0% y/y in December. The main driver for the slowdown appears to be a decline in loans to individuals (households) last year, which was attributed to softer demand rather than stricter lending criteria. Loan growth to businesses grew at a slower rate than in 2016.

UAE Real GDP growth



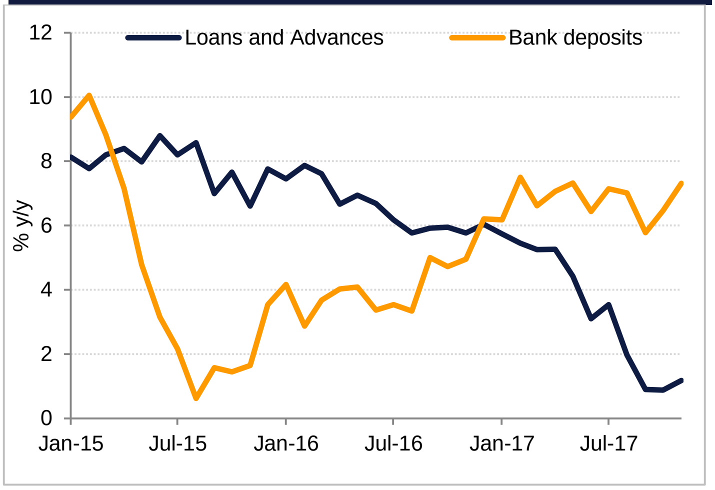
Source: Haver Analytics, Emirates NBD Research

Emirates NBD UAE PMI



Source: IHS Markit, Emirates NBD

Bank loan and deposit growth



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

DET survey points to fastest growth since 2014

Despite a lower December reading for the Dubai Economy Tracker (DET) index, the annual average for 2017 was the highest since 2014 (56.0), suggesting a faster rate of economic growth than in 2016 and 2015. Both business activity/ output and new work averaged above 60.0 in 2017, the highest annual average for these sub-indices on record (since 2010).

However, employment growth was the slowest in the survey history in 2017, so the increased volume of economic activity did not translate into similar growth in jobs in the private sector. Input costs (a proxy for producer price inflation) have been relatively subdued, and firms still have little pricing power. Selling prices declined on average for the third consecutive year in 2017; this was most evident in the wholesale & retail trade sector.

Dubai approves expansionary budget for 2018

Total government spending in Dubai is projected to rise 20% in 2018, with 43% of this spending allocated to the key sectors of transport, infrastructure and economy. Infrastructure spend alone is projected to rise by nearly 47% to an estimated AED 11.9bn next year, which includes more than AED 5bn on Expo 2020 projects.

The infrastructure allocation will cover the development of the main expo building and supporting service projects such as roads, bridges, sewage, transport and metro lines as well as preparing the area for post-expo events, according to the budget statement. The total value of Expo 2020 investment (over several years) is AED 25bn, while the metro expansion project is estimated to cost AED 10.6bn in total, again spread over several years.

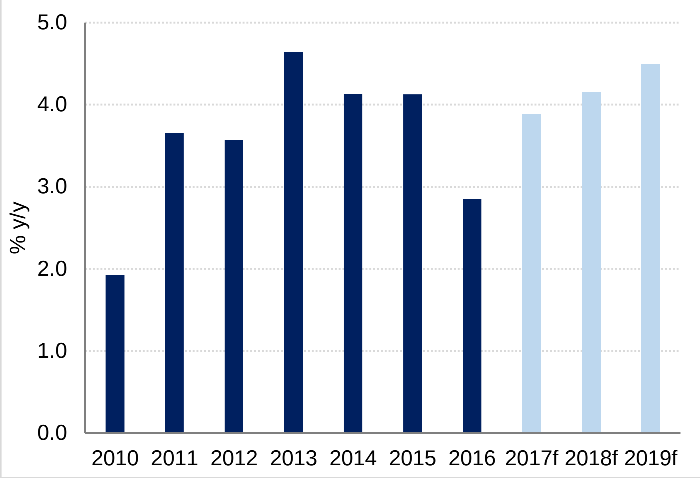
We expect this investment in infrastructure to drive Dubai's growth over the next three years, and we see the construction sector being a key beneficiary of this. Other sectors which are likely to enjoy strong growth in 2018 are transport & logistics and hospitality.

Real estate prices declined -4.7% in 2017

The latest data on Dubai's residential real estate prices (Phidar Advisory's 9/5 House Price Index) on average, prices fell another -4.7% in 2017. The total decline since the 2014 peak is -23%. Apartments fared better than villas, with apartment prices declining -3% in 2017 compared with a -11.5% decline in freehold villa prices. Mid-range properties held their values better than the premium and the lower costs segments.

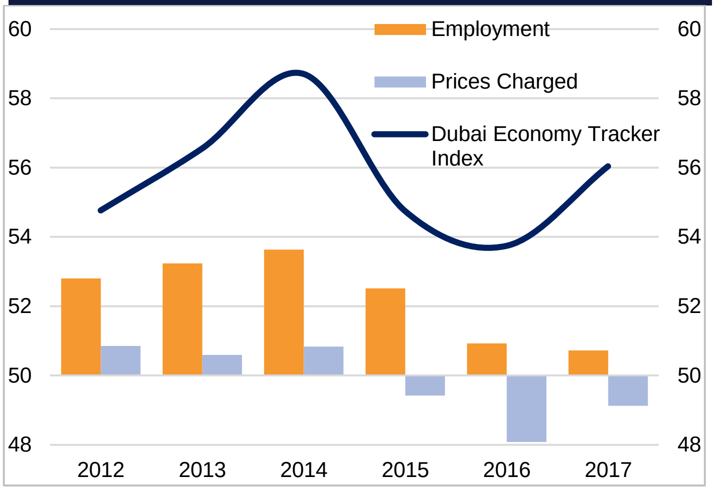
Given the more upbeat outlook for the GCC economies and oil prices, as well as better global growth prospects, we expect the downside for residential real estate is limited in 2018. Phidar Advisory projects a further modest decline in average real estate prices in 2018 followed by price growth in 2019-2021.

Dubai GDP growth



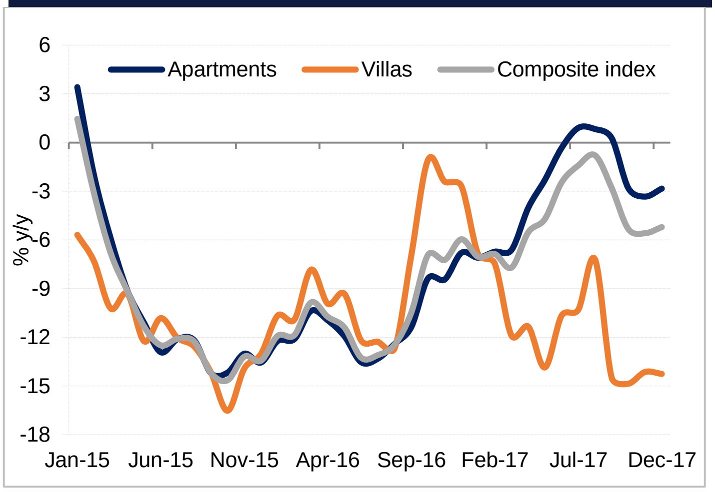
Source: Haver Analytics, Emirates NBD Research

DET survey components



Source: IHS Markit, Emirates NBD Research

Residential real estate sales prices



Source: Phidar Advisory, Emirates NBD Research

Key Economic Forecasts: Algeria

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (DZD bn)	16702	17407	19703	21746	23651
Nominal GDP (USD bn)	166.4	159.1	177.6	185.3	193.1
GDP per capita (USD)	4174	3918	4299	4410	4524
Real GDP Growth (% y/y)	3.8	3.4	2.3	3.0	2.7
Monetary Indicators (% y/y)					
CPI (average)	4.4	5.8	6.6	6.4	5.3
External Accounts (USD bn)					
Exports	38.1	32.7	36.7	40.3	44.4
Imports	63.7	60.2	60.2	61.4	64.5
Trade balance	-25.6	-27.5	-23.6	-21.1	-20.1
% GDP	*-12.1*	*-12.8*	*-14.2*	*-13.3*	*-11.3*
Current account balance	-27.3	-26.2	-22.6	-20.1	-19.0
% GDP	-12.9	-12.3	-13.6	-12.6	-10.7
Fiscal Indicators (DZDbn)					
Revenue	5105	5042	5514	6598	7195
Expenditure	7656	7384	7384	8492	8916
Budget Balance	-2551	-2342	-1870	-1893	-1722
% GDP	-15.4	-13.0	-9.5	-8.7	-7.3

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (BHD bn)	11.7	12.0	13.0	13.7	14.4
Nominal GDP (USD bn)	31.1	31.9	34.5	36.4	38.3
GDP per capita (USD)	22720	22372	23723	24569	25313
Real GDP Growth (% y/y)	2.9	3.0	3.0	3.0	3.2
Monetary Indicators (% y/y)					
M2	2.9	1.2	4.5	5.0	6.2
Private sector credit	7.6	1.5	3.0	3.5	4.0
CPI (average)	1.8	2.8	1.7	2.0	3.0
External Accounts (USD bn)					
Exports	16.5	12.8	13.9	16.0	16.3
Of which: hydrocarbons	7.7	6.1	6.9	7.5	7.4
Imports	15.7	13.6	14.3	15.0	15.2
Trade balance	0.8	-0.8	-0.4	1.1	1.2
% GDP	2.7	-2.5	-1.1	3.0	3.0
Current account balance	-0.8	-1.5	-1.7	-0.6	3.0
% GDP	-2.4	-4.7	-4.8	-1.7	7.7
Fiscal Indicators (% GDP)					
Budget balance	-13.0	-13.6	-11.7	-12.0	-11.3
Revenue	17.4	15.8	16.9	16.5	15.8
Expenditure	30.4	29.5	28.6	28.5	27.1

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (EGP bn)	2443.9	2709.4	3399.6	4215.1	4990.6
Nominal GDP (USD bn)	332.6	332.4	189.9	235.8	281.2
GDP per capita (USD)	3635	3554	1987	2414	2817
Real GDP Growth (% y/y)	4.4	4.3	4.2	5.0	5.3
Monetary Indicators (% y/y)					
M2	16.4	18.6	39.3	20.0	17.3
CPI (average)	10.4	13.7	29.6	15.0	12.0
External Accounts (USD bn)					
Exports	-39.1	-38.7	-36.2	-37.9	-39.2
Imports	13.4	13.0	15.1	17.4	19.2
Trade Balance	-52.4	-51.7	-51.3	-55.3	-58.3
% of GDP	-15.8	-15.6	-27.0	-23.4	-20.8
Current Account Balance	-12.1	-19.8	-15.4	-9.2	-9.1
% of GDP	-3.7	-6.0	-8.0	-3.8	-3.2
Reserves	20.0	23.0	30.0	35.0	40.0
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

Key Economic Forecasts: Iran

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (IRR tn)	11237	12697	14659	17108	19656
Nominal GDP (USD bn)	423.7	437.4	441.5	468.7	507.3
GDP per capita (USD)	5318	5425	5410	5676	6070
Real GDP Growth (% y/y)	3.7	13.4	3.9	4.5	4.7
Monetary Indicators (% y/y)					
CPI (average)	15.8	8.5	11.1	12.0	10.0
External Accounts (USD bn)					
Exports	64597	83978	95446	103693	112706
Imports	52419	63135	66923	71608	76620
Trade balance	12178	20843	28523	32086	36086
% GDP	2.9	4.8	6.5	6.8	7.1
Current account balance	9016	16388	24051	27554	31496
% GDP	2.1	3.7	5.4	5.9	6.2
Fiscal Indicators (IRRbn)					
Revenue	1123700	1459900	1620489	1814948	2050891
Expenditure	1716600	2070200	2194412	2348021	2535863
Budget Balance	-592900	-610300	-573923	-533073	-484972
% GDP	-5.3	-4.8	-3.9	-3.1	-2.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (IQD tn)	191716	273295	285722	327861	372293
Nominal GDP (USD bn)	164.2	233.6	244.2	280.2	318.2
GDP per capita (USD)	4312	5957	6053	6752	7455
Real GDP Growth (% y/y)	-2.4	11.1	-0.3	2.7	6.0
Monetary Indicators (% y/y)					
CPI (average)	1.2	1.3	0.9	2.0	3.0
External Accounts (USD bn)					
Exports	43441.5	39836.6	39836.6	44218.6	49524.9
Imports	33188.2	30839.7	30839.7	33923.7	37655.3
Trade balance	10253.3	8996.9	8996.9	10295.0	11869.6
% GDP	*6.2*	*3.9*	*3.7*	*3.7*	*3.7*
Current account balance	4121.3	3365.1	2280.0	2251.9	2189.4
% GDP	2.5	1.4	0.9	0.8	0.7
Fiscal Indicators (IQDbn)					
Revenue	63500	55500	83250	93240	111888
Expenditure	89000	82860	99415	109989	115540
Budget Balance	-25500	-27360	-16165	-16749	-3652
% GDP	-13.3	-10.0	-5.7	-5.1	-1.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (JOD bn)	26.6	27.6	28.6	29.6	30.6
Nominal GDP (USD bn)	37.5	38.9	40.3	41.7	43.2
GDP per capita (USD)	5509	4984	4578	4633	4685
Real GDP Growth (% y/y)	2.4	2.0	2.4	3.0	3.2
Monetary Indicators (% y/y)					
M2	7.0	4.0	10.0	11.0	10.0
CPI (average)	-0.9	-0.8	3.3	3.0	2.5
External Accounts (USD bn)					
Exports	7.8	7.5	7.9	8.4	8.9
Imports	18.2	17.1	17.7	18.4	19.1
Trade Balance	-10.3	-9.6	-9.8	-10.0	-10.2
% of GDP	*-27.5*	*-24.6*	*-24.3*	*-23.9*	*-23.6*
Current Account Balance	-3.4	-3.7	-3.5	-3.3	-3.2
% of GDP	*-9.1*	*-9.5*	*-8.7*	*-8.0*	*-7.4*
Reserves	16.5	15.7	16.0	16.8	18.0
Public Finances					
Revenue (JOD mn)	6796.2	7069.5	7424.1	7890.1	8551.2
Expenditure (JOD mn)	7722.9	7948.2	8175.4	8513.2	9069.2
Balance	-926.7	-878.7	-751.4	-623.1	-518.0
% of GDP	*-3.4*	*-3.2*	*-2.7*	*-2.3*	*-1.9*
Central Government Debt (JOD mn)	23237.2	23238.2	23239.2	23240.2	23241.2
% of GDP	*86.1*	*92.0*	*96.0*	*92.0*	*90.0*

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Kuwait

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (KWD bn)	35.3	34.2	31.1	33.2	36.1
Nominal GDP (USD bn)	117.3	113.3	102.5	108.7	120.3
GDP per capita (USD)	29091	27493	24330	25252	27338
Real GDP Growth (% y/y)	0.6	3.5	-1.2	2.1	3.2
Hydrocarbon	-0.7	3.3	-5.0	1.0	3.0
Non-hydrocarbon	2.4	3.8	4.0	3.5	3.5
Monetary Indicators (% y/y)					
M3	1.7	3.6	3.0	5.5	7.0
Private sector credit	7.9	2.5	4.0	5.5	6.5
CPI (average)	3.3	3.2	1.6	2.0	3.5
External Accounts (USD bn)					
Exports	55.3	44.9	53.6	55.5	56.1
Of which: hydrocarbons	48.8	37.9	46.1	47.5	48.1
Imports	27.3	26.5	28.0	29.5	31.0
Trade balance	28.0	18.4	25.6	26.0	25.1
% GDP	23.8	16.2	24.9	24.0	20.9
Current account balance	6.0	-1.7	4.2	3.3	3.1
% GDP	5.1	-1.5	4.1	3.1	2.6
Fiscal Indicators (% GDP)					
Budget balance	-13.1	-13.5	-9.4	-11.2	-7.9
Revenue	38.6	38.3	50.0	49.1	47.6
Expenditure	51.7	51.7	59.4	60.3	55.4

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (LBP bn)	75599	79758	86001	92440	99359
Nominal GDP (USD bn)	50.1	54.4	60.4	66.0	71.0
GDP per capita (USD)	11424	12335	13590	14782	15800
Real GDP Growth (% y/y)	1.5	1.1	1.8	1.9	2.4
Monetary Indicators (% y/y)					
M2	7.3	5.0	10.0	10.0	10.0
CPI (average)	-3.8	-0.8	4.6	4.3	4.0
External Accounts (USD bn)					
Exports	4.0	3.9	4.1	4.7	5.5
Imports	17.1	17.6	17.9	20.1	22.1
Trade Balance	-13.1	-13.6	-13.8	-15.3	-16.6
% of GDP	*-26.1*	*-25.0*	*-22.9*	*-23.2*	*-23.3*
Current Account Balance	-8.1	-9.9	-11.6	-12.9	-13.8
% of GDP	*-16.2*	*-18.1*	*-19.2*	*-19.5*	*-19.4*
Reserves	30.6	35.2	38.7	40.6	43.1
Public Finances					
Revenue (LBP bn)	14435	14959	14304	13840	13916
Expenditure (LBP bn)	2127	22412	20948	20912	21192
Balance	12308	-7453	-6644	-7072	-7276
% of GDP	*-7.9*	*-9.3*	*-9.2*	*-8.3*	*-7.7*
Central Government Debt (LBP bn)	106015	112911	128860	138911	147146
% of GDP	*140.2*	*141.6*	*149.8*	*150.3*	*148.1*

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Libya

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (LYD tn)	48	55	76	91	109
Nominal GDP (USD bn)	34.4	40.4	54.3	63.5	74.5
GDP per capita (USD)	5446	6392	8600	8683	8961
Real GDP Growth (% y/y)	-10.2	-0.9	30.4	11.6	9.5
Monetary Indicators (% y/y)					
CPI (average)	9.5	9.5	25.0	11.5	10.0
External Accounts (USD bn)					
Exports	35.8	39.4	43.4	48.1	53.9
Imports	32.0	36.8	42.3	48.6	55.9
Trade balance	3.9	2.7	1.1	-0.5	-2.0
% GDP	*11.2*	*6.6*	*2.0*	*-0.8*	*-2.7*
Current account balance	-3.2	-4.4	-6.0	-7.6	-9.1
% GDP	-9.4	-11.0	-11.1	-12.0	-12.2
Fiscal Indicators (LYDmn)					
Revenue	45906.4	46333.4	53345.3	63941.9	76687.6
Expenditure	57137.2	57137.2	62727.2	68888.8	82425.7
Budget Balance	-11231	-10804	-9381.9	-4946.9	-5738.2
% GDP	-23.6	-19.6	-12.3	-5.4	-5.3

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Morocco

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (MAD bn)	988.0	1016.1	1068.0	1120.5	1194.0
Nominal GDP (USD bn)	101.3	103.6	115.5	121.1	129.1
GDP per capita (USD)	2948	2960	3252	3365	3536
Real GDP Growth (% y/y)	4.5	1.2	4.3	2.7	3.6
Monetary Indicators (% y/y)					
M2	7.0	7.0	6.0	6.0	7.0
CPI (average)	1.6	1.6	0.8	2.2	3.0
External Accounts (USD bn)					
Exports	18.6	16.7	18.7	20.6	22.2
Imports	33.4	32.4	35.6	38.1	41.2
Trade Balance	-14.7	-15.7	-16.9	-17.5	-18.9
% of GDP	*-1.5*	*-1.5*	*-1.6*	*-1.6*	*-1.6*
Current Account Balance	-2.2	-4.0	-4.3	-3.8	-3.8
% of GDP	-1.9	-3.9	-3.6	-3.0	-2.9
Reserves	22.9	25.4	23.0	26.0	32.0
Public Finances					
Revenue (MAD mn)	207446	214696	231455	251850	276575
Expenditure (MAD mn)	207320	202365	212116	224469	239796
Balance*	-44641	-41592	-37627	-33357	-28576
% of GDP	-4.5	-4.1	-3.5	-2.9	-2.4
Central Government Debt (MAD mn)	629	657	690	725	761
% of GDP	63.7	64.8	70.3	73.8	77.5

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

Key Economic Forecasts: Oman

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (OMR bn)	26.5	25.7	28.4	30.5	32.3
Nominal GDP (USD bn)	68.8	66.7	73.8	79.3	84.0
GDP per capita (USD)	16546	15120	16396	17269	18283
Real GDP Growth (% y/y)	4.7	5.4	1.0	2.8	3.2
Monetary Indicators (% y/y)					
M2	10.0	1.8	5.3	4.8	6.2
Private sector credit	13.9	9.9	6.0	5.0	6.0
CPI (average)	0.1	1.1	1.6	2.0	3.0
External Accounts (USD bn)					
Exports	35.7	27.6	36.7	38.4	38.2
Of which: hydrocarbons	21.2	16.0	20.6	22.4	22.2
Imports	26.6	21.3	21.7	22.4	23.1
Trade balance	9.1	6.3	15.0	16.0	15.1
% GDP	13.3	9.4	20.3	20.1	18.0
Current account balance	-11.0	-12.3	-6.2	-4.5	-5.4
% GDP	-15.9	-18.5	-8.4	-5.7	-6.4
Fiscal Indicators (% GDP)					
Budget balance	-17.5	-20.6	-12.3	-11.6	-8.2
Revenue	34.2	29.6	32.4	31.1	33.0
Expenditure	51.7	50.2	44.7	42.7	41.1

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2015	2016	2017	2018f	2019f
Nominal GDP (QAR bn)	599.3	555.0	599.7	646.4	705.0
Nominal GDP (USD bn)	164.6	152.5	164.7	177.6	193.7
GDP per capita (USD)	68208	59310	61327	65132	69982
Real GDP Growth (% y/y)	3.3	2.0	2.2	3.0	3.6
Hydrocarbon	-0.5	-1.0	1.0	1.0	0.0
Non- hydrocarbon	8.2	5.6	3.5	5.0	7.0
Monetary Indicators (% y/y)					
M2	3.4	-4.6	15.0	7.0	10.0
Private sector credit	19.7	7.0	6.8	7.0	9.0
CPI (average)	1.9	2.7	0.5	2.5	3.0
External Accounts (USD bn)					
Exports	84.5	64.1	76.0	82.3	81.9
Of which: hydrocarbons	72.8	53.1	64.3	70.7	70.5
Imports	28.5	29.2	38.0	41.8	43.4
Trade balance	56.0	34.9	38.0	40.6	38.5
% GDP	34.0	22.9	23.1	22.9	19.9
Current account balance	20.9	1.8	1.8	2.1	0.5
% GDP	12.7	1.2	1.1	1.2	0.3
Fiscal Indicators (% GDP)					
Budget balance	1.2	-8.4	-4.7	-0.3	1.2
Revenue	42.7	28.1	28.3	30.8	42.7
Expenditure	41.5	36.5	33.0	31.1	41.5

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2015	2016	2017	2018f	2019f
Nominal GDP (SAR bn)	2444	2399	2510	2698	2853
Nominal GDP (USD bn)	652	640	669	719	761
GDP per capita (USD)	20478	19511	19826	21308	22532
Real GDP Growth (% y/y)	4.1	1.7	-0.5	2.5	3.0
Hydrocarbon	5.3	3.8	-3.0	1.5	1.2
Non- hydrocarbon	3.2	0.2	1.4	3.3	4.3
Monetary Indicators (% y/y)					
M2	2.5	0.8	-1.0	6.0	7.3
Private sector credit	9.2	2.4	-1.0	6.0	7.5
CPI (average)	2.2	3.5	0.0	3.5	3.0
External Accounts (USD bn)					
Exports	203.2	182.8	206.5	233.1	234.4
Of which: hydrocarbons	153.0	136.2	151.9	178.1	178.4
Imports	159.3	127.8	131.0	134.3	137.7
Trade balance	44.0	55.0	75.4	98.8	96.8
% GDP	6.7	8.6	11.3	13.7	12.7
Current account balance	-59.5	-29.6	-5.6	15.3	9.8
% GDP	-9.1	-4.6	-0.8	2.1	1.3
SAMA's Net foreign Assets	608.9	528.6	480.0		
Fiscal Indicators (% GDP)					
Budget balance	-15.0	-13.6	-9.0	-8.8	-8.0
Revenue	25.1	21.4	27.3	29.5	28.2
Expenditure	40.0	35.0	36.4	38.2	36.2
Public debt	5.8	13.2	17.2	20.7	

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Tunisia

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (TND bn)	80.8	88.8	95.9	104.3	113.3
Nominal GDP (USD bn)	41.1	41.3	40.8	44.4	48.2
GDP per capita (USD)	4329	3700	3757	3711	4036
Real GDP Growth (% y/y)	0.8	1.1	2.1	3.3	3.6
Monetary Indicators (% y/y)					
M2	5.2	10.0	8.0	8.0	8.0
CPI (average)	4.9	3.7	5.3	5.5	4.4
External Accounts (USD bn)					
Exports	14.1	13.6	13.6	15.1	17.0
Imports	19.1	18.4	18.1	19.8	21.7
Trade Balance	-5.0	-4.8	-4.5	-4.6	-4.8
% of GDP	-12.2	-11.6	-11.0	-10.4	-9.9
Current Account Balance	-3.9	-3.7	-3.3	-3.2	-3.1
% of GDP	-9.4	-8.9	-8.1	-7.3	-6.5
Reserves	7.4	6.0	5.3	5.0	5.0
Public Finances					
Revenue (TND mn)	20186	21245	22732	24551	26761
Expenditure (TND bn)	23893	26099	27665	29602	31970
Balance*	-3707	-4854	-4933	-5051	-5209
% of GDP	-5.0	-6.2	-5.7	-5.4	-5.1
Central Government Debt (TND mn)	46922	55916	67658	74424	81866
% of GDP	55.4	61.9	70.5	71.3	78.5

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

Key Economic Forecasts: UAE

National Income	2015	2016	2017e	2018f	2019f
Nominal GDP (AED bn)	1314.6	1280.8	1357.1	1460.7	1563.7
Nominal GDP (USD bn)	358.2	349.0	369.8	398.0	426.1
GDP per capita (USD)	37759	35036	35356	36244	36951
Real GDP Growth* (% y/y)	3.8	3.0	2.0	3.4	3.8
Hydrocarbon	5.4	3.8	-2.0	1.8	2.0
Non-hydrocarbon	3.2	2.7	3.8	4.0	4.5
Monetary Indicators (% y/y)					
M2	5.5	3.3	3.0	6.4	6.8
Private sector credit	9.0	3.7	0.3	3.0	5.0
CPI (average)	4.1	1.6	2.0	3.0	3.0
External Accounts (USD bn)					
Exports	300.5	291.6	312.0	331.2	338.9
Of which: hydrocarbons	61.5	50.9	57.9	63.6	63.8
Imports	223.9	226.6	241.0	253.8	259.7
Trade balance	76.6	65.0	71.0	77.4	79.2
% GDP	21.4	18.6	19.2	19.4	18.6
Current account balance	16.7	8.5	10.6	14.2	13.6
% GDP	4.7	2.4	2.9	3.6	3.2
Fiscal Indicators (% GDP)					
Consolidated budget balance	-3.4	-4.3	-2.7	-1.5	0.1
Revenue	29.0	28.3	28.5	28.3	28.4
Expenditure	32.4	32.6	31.2	29.8	28.3

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

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