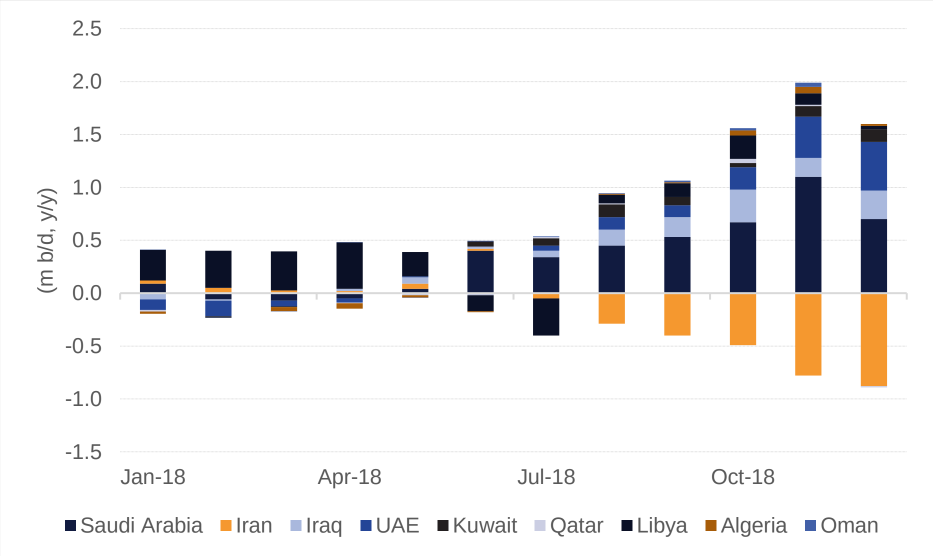
Emirates NBD

MENA Quarterly: Q1 2019

Quarterly
20 January 2019

- GCC growth rebounded last year, primarily on the back of higher oil production. In the largest economies, survey data suggests that non-oil sector growth was weaker than we had expected at the start of 2018. Fiscal deficits narrowed on higher oil revenues, even as government spending increased.
- The outlook for 2019 is cautiously optimistic, against a backdrop of slowing global growth and heightened geo-political risks globally. We expect average growth of 2.5% in the GCC this year, with the UAE and Qatar likely to see faster growth than in 2018. We expect Saudi Arabia's economy to expand 2.0% this year, slower than the government's estimate of 2.3% growth in 2018.
- We have revised our oil forecasts for 2019 lower to an average of USD 65/b for Brent (compared with more than USD 70/b previously). Softening global demand conditions and unrelenting supply growth from producers in the US, among elsewhere, are compounding pressure on OPEC countries to respond.
- Following flat growth of 5.5% in 2018/19, we anticipate that economic activity will pick up in Egypt in 2019/20, projecting real GDP growth of 6.1%. The nascent offshore gas sector will bolster both investment and net exports, the outlook for tourism remains fairly upbeat and the private sector should benefit from an anticipated easing of monetary policy.
- The key impediment to economic growth in MENA this year is domestic political risk. Whether it be elections held in 2018 which have yet to result in a fully functioning government (Iraq, Lebanon), elections coming up in 2019 which could disrupt policy making (Algeria, Tunisia), or newly elected governments struggling to implement their essential reform agendas (Jordan), states across the region are struggling to maintain stability.

Oil production leads growth again



Source: Bloomberg, Emirates NBD Research

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Overview

GCC

GCC growth rebounded in 2018, following a recession in 2017. Both the recession and subsequent recovery last year were driven by oil production: in 2017, GCC oil exporters reduced oil output in a bid to reduce the excess supply of oil in global markets, but from June 2018, production was increased as oil prices recovered. Production in Q4 2018 was much higher than we had expected and as a result, the hydrocarbons sector contributed positively to overall GDP growth in the GCC last year.

Activity in the non-oil sectors last year was surprisingly slow to benefit from both higher oil production and oil prices, as well as increased government spending across the region. PMI survey data for Saudi Arabia and the UAE pointed to non-oil GDP growth at a similar or slightly slower rate to 2017. Importantly, the survey data also indicated very little job or wage growth in the private sectors of the UAE and Saudi Arabia, which likely weighed on private consumption. The introduction of VAT, higher domestic fuel prices, rising interest rates and, in Saudi Arabia's case, taxes on expatriates would have further constrained household spending.

While government spending did rise across the GCC last year, research by the IMF suggests that the multiplier effect of government spending in the region is weaker than it was a decade ago. In Saudi Arabia's case, a significant portion of the increase in spending last year was on defence, where there is a large imported component. We now estimate GDP growth in the GCC averaged 2.4% on a GDP-weighted basis, up from -0.3% in 2017.

The outlook for 2019 in cautiously optimistic, against a backdrop of slowing global growth and heightened geo-political risks globally. We expect average growth of 2.5% in the GCC this year, with the UAE and Qatar likely to see faster growth than in 2018. We expect Saudi Arabia's economy to expand 2.0% this year, slower than the government's estimate of 2.3% growth in 2018.

Despite OPEC agreed curbs to production coming into effect in January, we still anticipate that average oil production the GCC will be higher this year than last year. We expect non-oil sector growth to be underpinned by government spending and continued execution of multi-year infrastructure plans across the region.

Pressure on GCC budgets eased in 2018 as oil prices rose to an average of USD 71/b. However, we expect budget deficits to widen modestly this year, based on our assumption of an average Brent oil price of USD 65/b and increased government spending. The introduction of VAT in Bahrain and potentially Oman (the latter expected in September 2019) should help these countries address their sizable budget deficits, although other fiscal reforms will need to be undertaken to sustain any improvement over time.

Despite the improvement in the near-term outlook for oil exporters in the GCC, significant risks remain. The recovery in growth is due entirely to a cyclical recovery in oil production and an oil price in the mid-60s. It does not reflect structural changes to the drivers of economic growth in the GCC or meaningful diversification of budget revenues away from oil. A sustained downward shock to oil prices would likely trigger another round of government spending and/or oil production cuts, with direct consequences for GDP growth.

Non-GCC MENA

The key impediment to economic growth in non-GCC MENA this year will be domestic political risk. Despite the easing pressures on EM generally, Lebanon has seen its CDS rise to record highs as the country remains without a government eight months since elections were held in May 2018. Aside from general policy uncertainty, this is also holding up the disbursement of USD 11bn in loans and grants promised in Paris in April last year. Iraq also held elections in May last year, and despite a little more progress than seen in Lebanon, it too remains without a fully formed cabinet, which also has implications for reconstruction aid and investment in the wake of the ISIS takeover.

In Algeria and Tunisia, it is upcoming elections which will shape economic progress in 2019. In April, presidential elections are scheduled to be held in Algeria, with the probability being that Abdelaziz Bouteflika will stand and win once more, despite health concerns – although there is a chance that the ruling coalition will seek to install Prime Minister Ahmed Ouyahia in his place. In any case, the government is apparently shoring up support in the run-up to the vote, with previously announced plans to cut subsidy payments cuts seemingly rolled back in the 2019 budget. Tunisia is set to hold parliamentary and presidential elections between October and December 2019, having ended 2018 in a febrile political environment both within government and on the streets.

Jordan has faced similar political pressures to Tunisia, whereby its governments have struggled to implement essential economic reforms in recent years owing to popular pushback. In 2018, this resulted in the popular dismissal of the government under PM Hani Mulki, and the new government under Omar al-Razzaz is facing similar difficulties as it seeks to cut its fiscal deficit. We expect ongoing protests will increase pressure to channel greater social spending to the less fortunate.

The relative bright spots in the region are Egypt and Morocco, where we expect political risk to be fairly minimal over the course of 2019. Since Egypt began its IMF-sponsored reform programme in late 2016, it has seen remarkably little popular push-back despite increasing hardship, and elections held in 2018 passed largely peacefully. As for Morocco, the North African country has been a bastion of relative stability throughout the past eight years of turmoil in the MENA region (there have been protests, most notably in the Rif), and we expect this to continue this year,

Khatija Haque, Head of MENA Research
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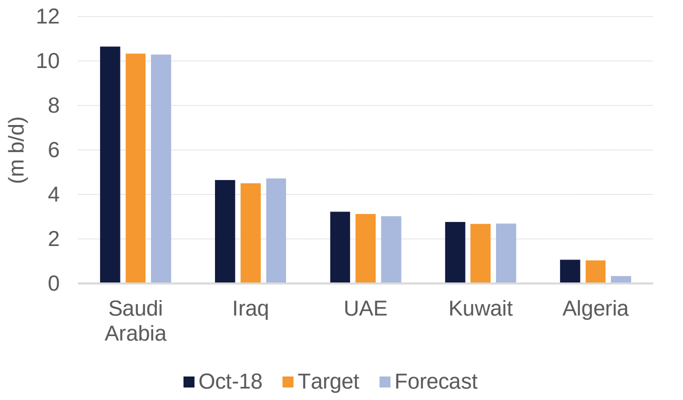
Oil market outlook

We have revised our oil forecasts for 2019 lower to an average of USD 65/b for Brent (compared with more than USD 70/b previously). Softening global demand conditions and unrelenting supply growth from producers in the US, among elsewhere, are compounding pressure on OPEC countries to respond. Production cuts are OPEC's principal tool to affect oil market balances but their impact is often more profound on the domestic economies than it is on overall oil market balances.

With an unremitting supply picture beyond their control, OPEC countries have started 2019 with another round of production cuts. Some producers got an early start to the cuts with market surveys of production showing that already in December collective OPEC production fell by 630k b/d. In order to achieve the targeted cut from October 2018 levels OPEC production should decline another 800k b/d from the obligated members (Libya, Venezuela and Iran are exempt from the cuts).

OPEC production targets



Source: IEA, OPEC, Emirates NBD Research.

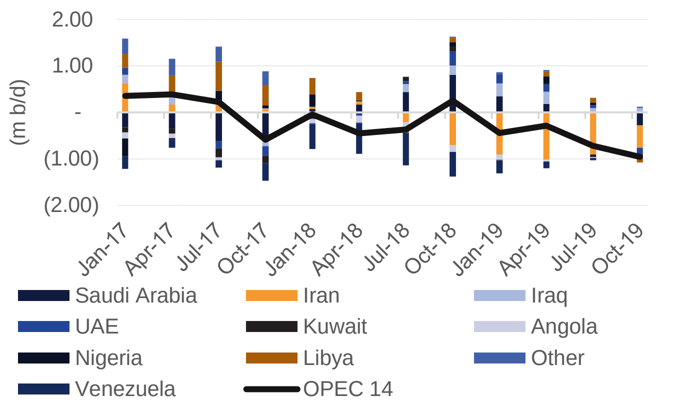
OPEC ministers, particularly from Saudi Arabia and other large producers, have stressed that they are prepared to do 'whatever it takes' to restore oil market balances to neutral. We interpret this as a pledge to cut production even further than the semi-official target of 3% cuts from October 2018 levels. OPEC producers will then return to 'over delivery' on production targets despite this having a mixed result when they tried it in 2017-18. Limiting volumes to such a degree should help to stabilize oil prices; Brent prices appear to have found a floor around USD 50/b as the year has begun. But even with compliance to the cuts in H1 coming in close to the same degree of compliance seen in 2017 and the first half of 2018, oil market balances will still keep accruing inventories.

Our expectation is that both Saudi Arabia and the UAE cut more than the apparent 3% target and will start 2019 with output 4.6% and 5.3% lower than October levels respectively. There will be an immediate near term hit on economic performance but prices still remain far below fiscal breakevens in both countries (USD 82.7/b for Saudi Arabia and USD 68.8/b for the UAE). We doubt that Iraq will participate in cutting production and that few other OPEC members will slash output as aggressively. Commitment to this round of cuts appears far less assured than the 2016 Declaration of Cooperation between OPEC countries and partners like Russia, risking that OPEC+ diplomacy will be far more fractious this year (note Qatar's decision to leave the club with effect from January).

Production from OPEC will end up lower on average in 2019 but most of the decrease will be from declining Iranian and Venezuelan production, rather than countries that have committed to cutting output. In Saudi Arabia, Iraq, the UAE and Kuwait output (assuming the new lower targets are held) still represents levels well above historic averages and close to 2016 record average output.

Cutting production runs another risk for OPEC countries: Trump's Twitter finger. The US president has repeatedly lambasted OPEC for limiting production that led to prices rallying to well over USD 80/b in Brent futures. A level between USD 70-80/b in Brent markets appears to be the range where oil prices come to the fore of the president's mind and spark a reaction. US influence over OPEC production goals is limited but politicians are evaluating a so-called 'NOPEC' bill that would remove sovereign immunity of OPEC nations to US anti-trust laws. So far president Trump hasn't stepped in to quash the bill as previous presidents have done and we don't expect he will let up pressure on OPEC this year.

OPEC production growth y/y



Source: IEA, Emirates NBD Research.

President Trump has been an unreliable ally of OPEC countries in another sense. Part of the reason Saudi Arabia, the UAE, Iraq and others raised production from May onward was to compensate for the impending drop in supplies from Iran as US sanctions on the country tightened. By granting importers of Iranian crude waivers for six months from November the US administration helped to remove one of the sources of anxiety over supply heading into this year. The waivers will expire in Q2 2019 just as the year/year decline in Iranian volumes accelerates. Other OPEC members will need to resist the urge to swamp markets with additional output in order to take advantage of the decline in Iranian volumes. Our forecasts, however, assume that production will increase in H2 and that gains in Saudi Arabia and the UAE among others will offset the declines in Iran.

Edward Bell, Commodities Analyst

Algeria

The first half of 2019 will be dominated by the upcoming elections in Algeria, reportedly scheduled to take place on April 18. The most likely outcome at present appears to be a fifth term for President Abdelaziz Bouteflika, but given his advanced years and ill health, there is mounting speculation that he will not in fact stand once more. While FLN head Djamel Ould Abbes has said that Bouteflika will be the party's candidate, he is yet to officially announce that his candidature. As the uncertainty continues, opposition candidates are biding their time, either having pledged not to stand against him out of solidarity (eg Prime Minister Ahmed Ouyahia of the RND) or as a boycott of his almost guaranteed re-election should he do so. Should Bouteflika's 30-year presidency come to an end, we expect that a managed transition by the four-party 'pro-government' bloc would be the most likely outcome, with Ouyahia among the frontrunners to succeed him.

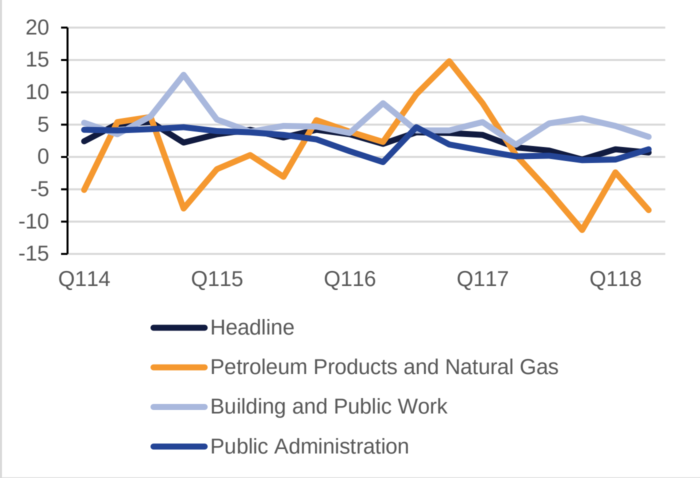
Social spending set to rise

While a peaceful transition is the most likely outcome, there remains risk of protest in Algeria in 2019. Last year already saw a number of demonstrations around the country, and with unemployment high and dissatisfaction among workers in key sectors such as health and education elevated, the elections could prove a focal point for further unrest. Likely aware of this risk, the government announced in September a boost to social spending in its 2019 budget, in a reversal of earlier fiscal consolidation efforts. Among concessions made by the government are free housing programmes, and subsidies for essential consumer goods for families. We forecast a budget deficit equivalent to 8.4% of GDP in 2019, from an estimated 6.9% last year.

Higher oil production and expansionary fiscal policy will underpin growth

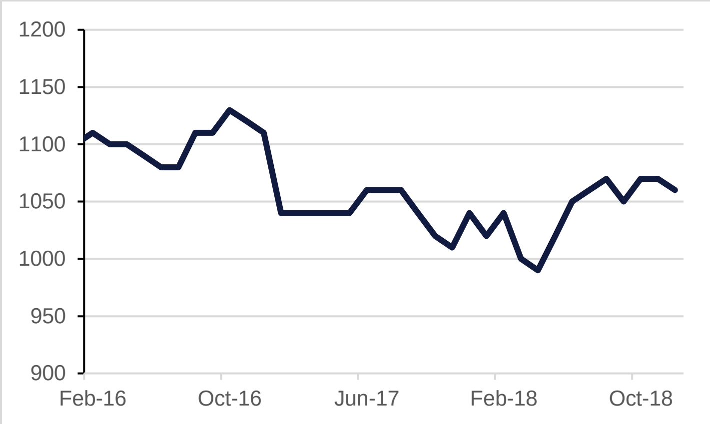
While we forecast that oil prices will average lower in 2019, at USD 65/b, we project that Algerian production will increase, providing some support to spending. From an average 1.04mn b/d in 2018, flat on the previous year, we forecast production of 1.07mn b/d in 2019, representing growth of 2.9%. This will also support real GDP growth; having averaged just 1.0% over H1 2018, we believe that this accelerated in the second half, estimating full-year growth of 1.8%. The oil sector was a drag on growth in the first half, with the Petroleum products and natural gas component of GDP contracting by an average 5.3% over Q1 and Q2. However, oil production was higher in H2 than H1. In 2019, we expect that the further increase in oil production, coupled with an expansionary fiscal policy, will see real GDP growth pick up to 2.2%.

Real GDP Growth, % y/y



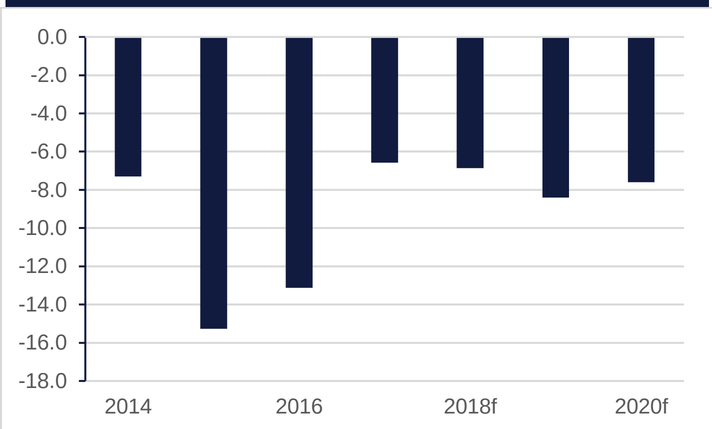
Source: Havers Analytics, Emirates NBD Research

Oil production, b/d '000



Source: Bloomberg, Emirates NBD Research

Fiscal balance, % GDP



Source: Haver Analytics, Emirates NBD Research

Bahrain

Q3 GDP slowed to 1.6% y/y

Bahrain's economy expanded 1.6% y/y in Q3 2018, down from 2.5% in Q2 and 2.8% in Q3 2017. The hydrocarbons sector contracted -1.4% y/y, but was offset by growth in manufacturing (3.0%) and government services (6.5% y/y) as well as construction and utilities. However, we have revised our full year 2018 GDP forecast down to 2.0% from 2.9% previously. We expect the economy to grow 2% in 2019 as well, as the oil sector recovers.

Execution of fiscal reforms remains key

The medium-term programme envisages a balanced budget by 2022. In order to achieve this, the government is aiming to reduce expenditure by streamlining expenditure and boosting its efficiency, streamlining and better targeting cash subsidies to eligible citizens, adjusting water and electricity tariffs, and introducing a voluntary retirement scheme for government employees. The incentives to encourage early retirement are generous and will likely result in higher staff costs in the near term. Overall, Bahrain plans to reduce government expenditure to 19.5% of GDP over the next 4 years, from an estimated 26.6% in 2018.

On the revenue side, the government recognises that non-oil revenues have not increased in line with the growth of the non-oil sector over the last decade. VAT has come into effect as of 1 January 2019, and the medium-term plan has indicated that government services and fees will be reviewed as well. The aim is to increase non-oil budget revenues to cover 34% of total spending by 2022 from 15.6% in 2018. This is an ambitious target with few specific measures (other than a 5% VAT) to indicate how it will be achieved.

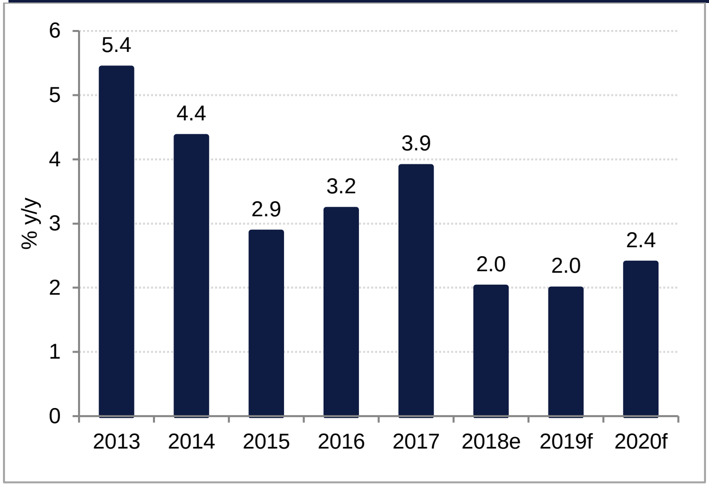
We do expect Bahrain's budget deficit narrow in 2019 and 2020, but at a slower rate than the government has indicated it would like to achieve.

Private sector credit growth has been strong in 2018

Despite only modest growth in money supply (1.5% y/y in November), private sector credit growth accelerated to 9.0% y/y in November from 2.5% at the end of 2017. This is partly due to a low base effect: private sector credit contracted for much of 2017.

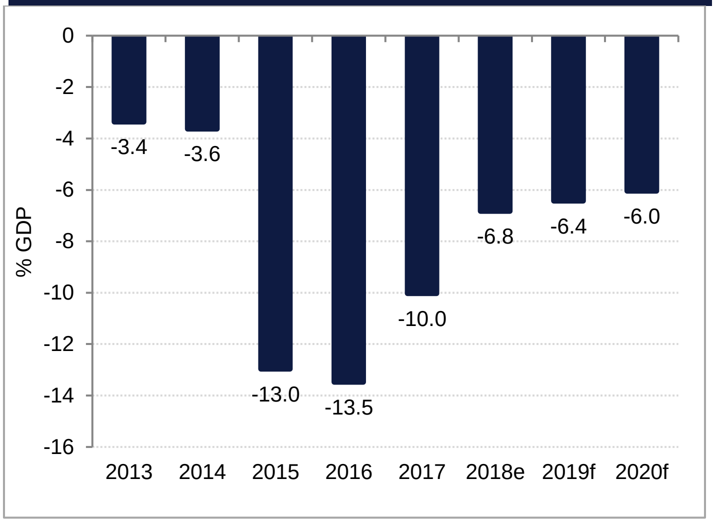
Unsurprisingly, the retail loans to deposits ratio has reached the highest level since 2012, at 52.85. Personal loan growth accelerated to 10.7% y/y in November from 3.5% at the end of 2017, driven largely by mortgage lending. Loans to the manufacturing sector have surged, reaching 31.3% y/y in November, and there was strong growth in loans to the construction and real estate sector as well.

GDP growth



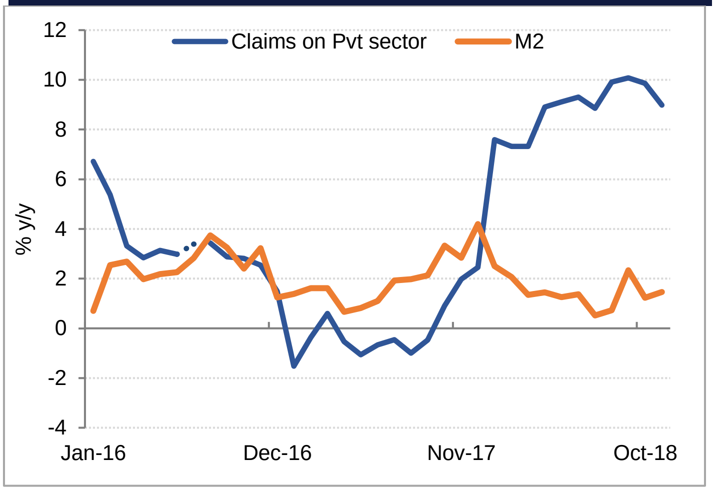
Source: Haver Analytics, Emirates NBD Research

Fiscal balance



Source: Bloomberg, Emirates NBD Research

Money supply and private credit growth



Source: Haver Analytics, Emirates NBD Research

Egypt

The Emirates NBD Purchasing Managers' Index (PMI) for Egypt closed 2018 on a positive note as it climbed to 49.6 in December, compared to 49.2 the previous month. While this is still short of the neutral 50.0 level which delineates contraction and expansion in the non-oil private sector, it is nevertheless a four-month high for the index, and there are other factors within the survey data which suggest that the Egyptian economy will begin 2019 in a relative position of strength. The annual average PMI scores have improved from 46.0 in 2016 (Egypt entered into its IMF-sponsored reform programme in November that year) to 47.5 in 2017 and 49.5 this year, and indications are that this improvement will continue in 2019.

Growth will improve in next fiscal year

The pick-up in real GDP growth seen in Egypt since its IMF-sponsored economic reform programme began in late 2016 has slowed. Growth in each of the last three quarters of 2017/18 (last available data) was within 10 bps of the 5.3% average over the fiscal year. While this is an improvement on the 4.1% averaged the previous year, (and is indeed a decade high) it is nevertheless falling short of the government's more bullish expectations.

We expect that 2018/19 will see similar levels of growth, forecasting an expansion of 5.5%. High inflation, high interest rates, and weak FDI and private investment will all serve to constrain the more positive factors, among them greater visitor numbers and strong public investment.

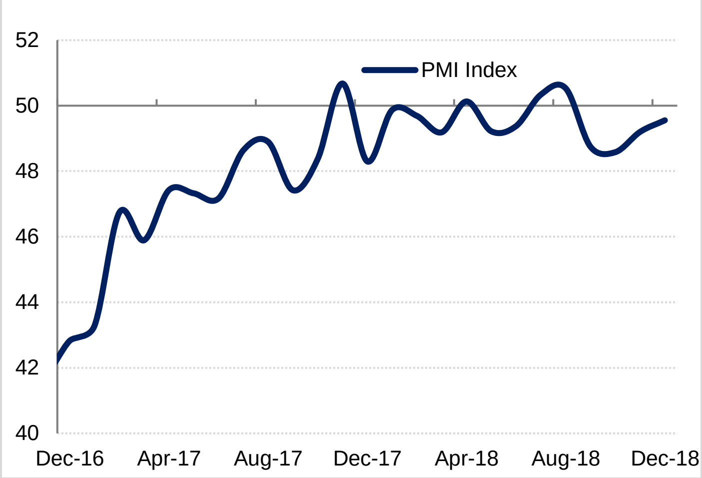
However, in fiscal 2019/20, (beginning in July), we anticipate that growth will take a leg-up, forecasting an expansion of 6.1%. The nascent offshore gas sector will bolster both investment and net exports, the outlook for tourism remains fairly upbeat (as long as the terrorist bus bomb seen in Giza in December 2018 remains an anomaly rather than heralding a new spate of tourist attacks) and the private sector should benefit from an anticipated easing of monetary policy.

Rate-cutting will resume in 2019

The Central Bank of Egypt (CBE) kept its benchmark interest rates on hold on December 28, marking the fifth consecutive meeting at which the MPC took no action. This keeps the overnight deposit and the overnight lending at 16.75% and 17.75% respectively. While at present we expect CBE caution to preclude any change to the benchmark interest rates at the first two MPC meetings of 2019 (February and March), the likelihood thereafter is for the rate-cutting cycle to resume, and we forecast 200 basis points of cuts over the course of the year, with the risk changed to the upside.

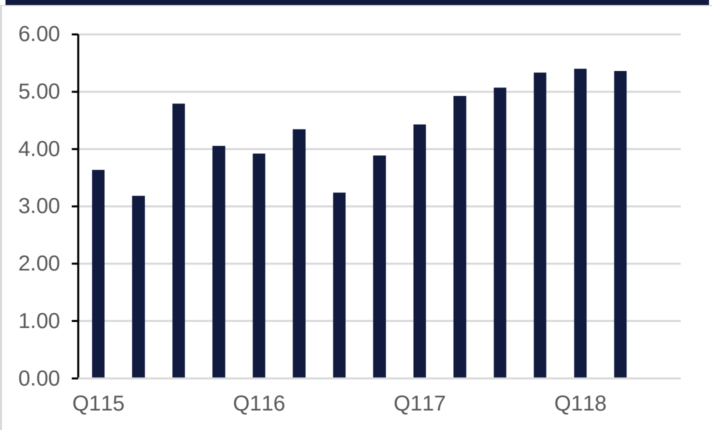
Inflation took a substantial leg lower in the latest print, and the global factors which derailed the CBE's rate-cutting cycle in 2018 – namely tightening global conditions and higher oil prices – have ameliorated over the past several months, making conditions more favourable to loosening monetary policy. This would give a substantial boost to private sector activity in Egypt, essential to bolstering headline real GDP growth and fostering an inclusive economic expansion.

Headline PMI testing 50 level



Source: Haver Analytics, Emirates NBD Research

Real GDP growth stabilising (% y/y)



Source: Haver Analytics, Emirates NBD Research

Egypt CPI inflation, % y/y

Source: Haver Analytics, Emirates NBD Research

Iran

Following an estimated -1.9% real contraction in Iranian GDP in 2018, we expect a further -4.0% decline in 2019, as the full force of renewed US sanctions comes to bear on the country.

Waivers simply prolong the collapse

Despite the US having granted last-minute reprieves to a number of countries with regards their imports of Iranian oil just before the reimposition of sanctions on Iran on November 5, we believe this represents at best a stay of execution for Iran rather than any significant lifeline. Indeed, in December, Iranian oil production had fallen to 2.9mn b/d, a y/y decline of 23.2% and down over 900,000 b/d from recent peaks, and we expect further falls to come. Those eight countries granted waivers have 180 days from November before they are up for evaluation once more, and their renewal will likely hinge on the states having made a demonstrable effort to reduce their reliance on Iranian crude. As such, we see further downside for Iranian oil production, projecting an average 2.8mn b/d over the year, but falling to 2.6mn b/d by Q4 2019.

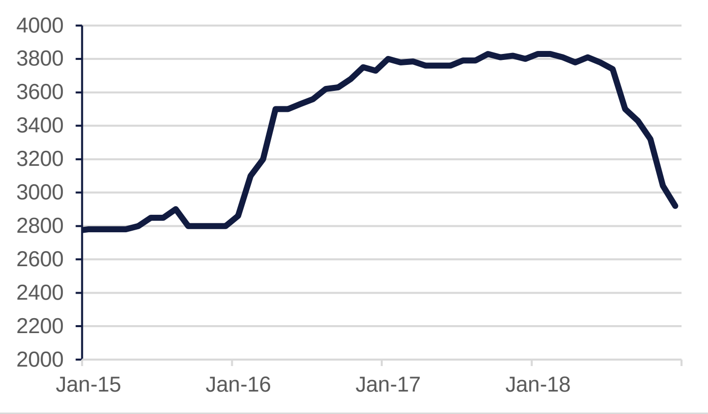
Non-oil economy will also suffer

Although the oil sector has declined as a proportion of total GDP since prior to the previous round of stringent nuclear-related sanctions through 2010-2012, it still accounted for 16.2% in H1 2018. Further, it is not only the oil sector which is affected by the sanctions, but rather all facets of the Iranian economy are facing difficulties. Financial messaging service SWIFT has cut off a number of Iranian banks, which will make it harder to process international transaction and the US has also imposed sanctions on over 700 individuals and entities, and has promised to be diligent in penalising those firms that seek to evade these. Investment has fallen, the currency has sold off sharply in the parallel market (although it has staged a modest recovery in recent months), and inflation has climbed to 42.4% y/y in December, levels not seen since 2013.

Autos production set to fall

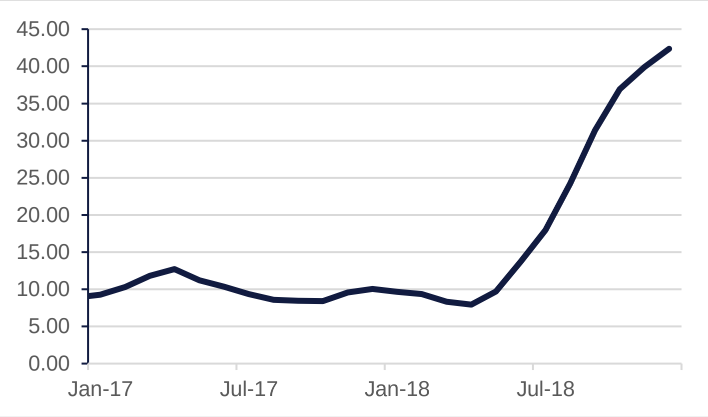
While oil is the most prominent of Iran's industries to be hit by renewed sanctions, it is by no means the only one. Automotives production looks likely to see a massive downturn in their wake, dashing its former promise. In 2017, Iran produced 1.5mn vehicles, representing growth of 30.1%, as European car makers such as the PSA Group made major commitments to the market. However, PSA announced its withdrawal from Iran in June last year owing to sanctions, and we anticipate a dramatic shift downward in output from the industry in 2018 and 2019. In 2012 and 2013, production fell by 39.4% and 25.6% respectively, and the fallout this time around is likely to be of a similar or even greater magnitude.

Oil production, b/d, '000



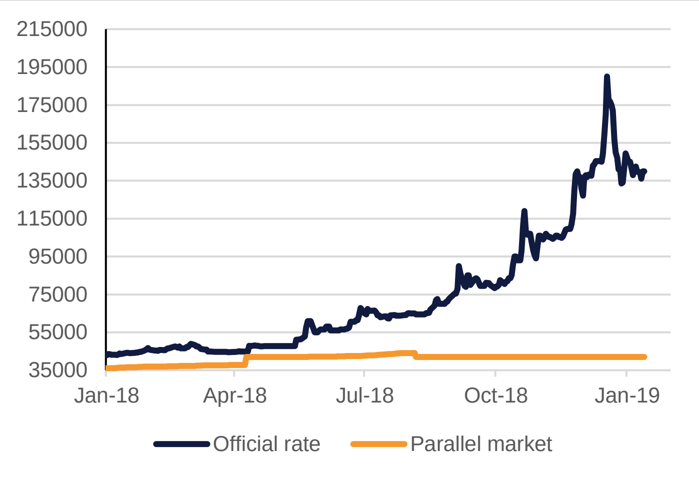
Source: Bloomberg, Emirates NBD Research

CPI inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

IRR/USD



Source: Bloomberg, Bonbast, Emirates NBD Research

Iraq

Government formation still not confirmed

Iraq is edging closer to appointing all its government ministers, but is nevertheless still without a fully formed government, eight months after elections were held in May. In December, parliament gave its approval to two more ministers in Adel Abdul Mahdi's government, but the important ministries of defence, interior and justice remain unassigned. Horse trading and contests for power between the rival Islah and Bina blocs has held up the process. This raises political uncertainty at a time when the US' apparent pullback from Syria increases potential security risks in the region.

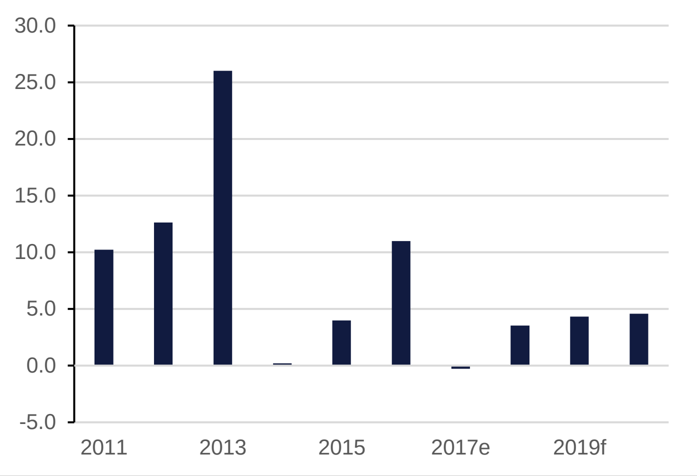
Upside potential for Iraqi oil production

Iraqi oil production averaged 4.56mn b/d over 2018, representing growth of 2.0% y/y. Despite renewed OPEC pledges to curb oil production in order to support plummeting prices in an environment of uncertain demand growth, we anticipate that Iraq will further expand its oil production in 2019, forecasting 3.9% growth to an average 4.7mn b/d this year and 4.83mn b/d in 2020. The news and rhetoric coming out of Iraq points towards an increase in production, with comments from Ihsan Abdul Jabbar, director of the Basra Oil Company, to Reuters in January suggesting that the Majnoon oil field would see output climb from 240k b/d presently to 290k b/d by year-end, and 450k b/d by end-2021.

Growth will accelerate in 2019

The anticipated increase in oil production, alongside sizeable investment in the sector, is one of the primary factors behind our expectation that real GDP growth will accelerate in 2019, to 4.3% from an estimated 3.5% last year. According to Abdul Jabbar, Iraq has earmarked around USD 7bn for development of oilfields in the Basra region. Other drivers of stronger growth will likely include accelerated reconstruction efforts once a government is finalised and policy formation moves ahead – cities destroyed during the conflict with ISIS remain in dire need of massive investment in rebuilding, a process which has reportedly seen fairly slow progress to date. A lower average oil price in 2019 will limit the government's capacity in this, but the increase in production we forecast will mitigate this risk. Further, we expect that foreign aid for reconstruction will be forthcoming, as the international community seeks to stymie any potential attempted comeback by Islamic State. France, for example, has pledged EUR 1bn.

Real GDP growth, % y/y



Source: UN, Emirates NBD Research

Oil production, b/d '000

Source: Bloomberg, Emirates NBD Research

Eurobond 2028 % yield

Source: Bloomberg, Emirates NBD Research

Jordan

While risks persist, we expect that real GDP growth in Jordan will strengthen in 2019 as some of the impediments to growth seen in 2018 will diminish, namely domestic unrest, and conflict in neighbouring Syria and Iraq. We project an expansion of 2.6% in 2019 and 2.8% in 2020, from an estimated 2.2% last year. That said, these challenges are by no means obsolete and the risks to our projections are weighted to the downside.

Tourism and Transit bright spots

Positive stories in 2019 will likely include the tourism industry and the transport sector. The introduction of new routes by major budget air carrier Ryanair over the course of 2018 and 2019, coupled with ongoing investment and promotion of Jordan as a destination by the government, should entice ongoing visitor growth over the year, following a robust expansion of 23.6% over January-September 2018. Improving regional security should also help encourage visitors, just as it is a positive for Jordan's transport sector. It averaged y/y real growth of 3.0% over Q1-Q3 2018, and transit volumes will likely continue to grow as stability improves in neighbouring Iraq and Syria, following the reopening of important border crossings.

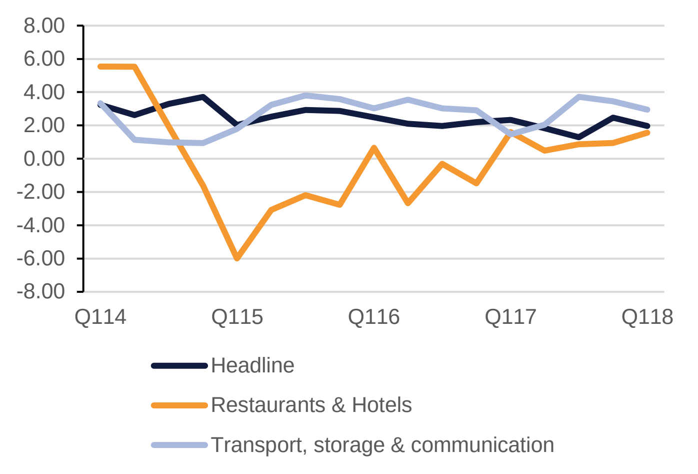
While accelerating, our forecasts only see growth improving as compared to post-2011, when a wave of protests roiled the Middle East region, the after-effects of which continue to resonate, not least in Syria. Jordan's growth over the eight years from 2011 to 2018 has averaged only 2.5% per annum, compared to a substantially more robust 6.3% over the previous decade, and there remain major challenges to the economy from the spillover. One of the primary challenges stems from supporting the massive influx of Syrian refugees who fled into Jordan, which in December numbered 671,148 according to the UN, up 2.5% y/y.

New government, same difficulties

One the most pressing issues facing the Jordanian government is pushing through its IMF-supported income tax reform programme in the face of popular opposition. This was already the downfall of the previous government in 2018, and new PM Omar al-Razzaz has faced similar protests through the final months of the year after the new legislation was passed through parliament in November. Nevertheless, we expect that these protests will not be of the same magnitude in 2019 as seen last year as efforts were made to make the legislation more progressive.

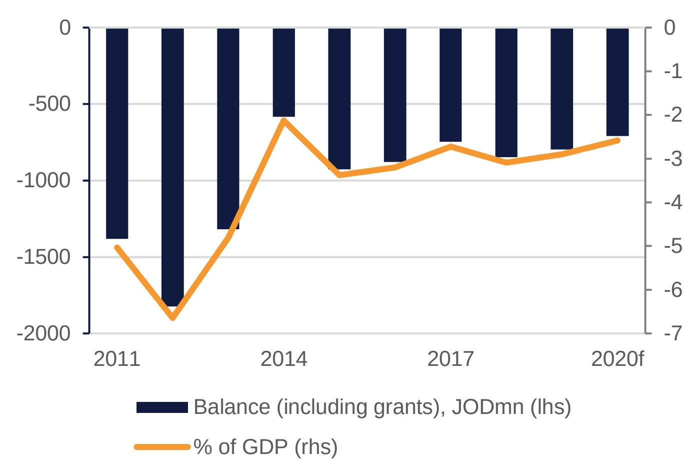
Bolstering tax receipts is crucial to reducing Jordan's fiscal deficit, which we forecast at 2.9% in 2010, from an estimated 3.1% last year. At present, income tax represents less than 3% of government income and increasing this will help slow the growth in Jordan's debt, which we project at 95% of GDP this year. That being said, persistently high unemployment (18.6% in Q3 2018) and ongoing protests will increase pressure to channel greater social spending to the less fortunate.

Real GDP growth, % y/y



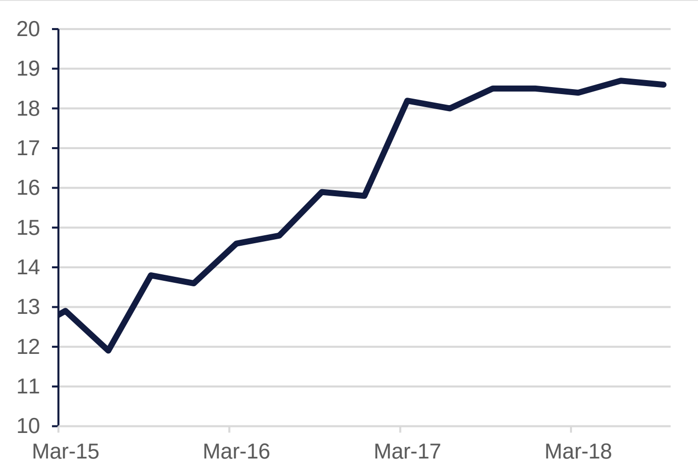
Source: Haver Analytics, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Unemployment, %



Source: Haver Analytics, Emirates NBD Research

Kuwait

Economy grew 1.8% in Q3 2018

Real GDP growth accelerated to 1.8% in Q3 2018, faster than the (revised) 0.6% growth recorded in Q2. Higher oil production in the third quarter was a key driver of faster growth, with construction and hospitality contributing as well. Transport, storage and communications contracted on an annual basis in Q3 2018, as did manufacturing.

With oil production having increased by more than anticipated in 2018, we have revised our full year GDP growth estimate higher to 2.6% from 2.4% previously. However, with OPEC agreeing on production cuts at the end of last year, Kuwait's hydrocarbon sector is likely to remain flat in 2019. We also expect slightly slower non-oil growth in 2019 relative to our estimate for last year. As a result, we expect headline GDP growth to slow to 1.6% this year, well below our prior forecast of 3.0%, which was based on further increases in oil output in 2019.

Money supply growth has recovered

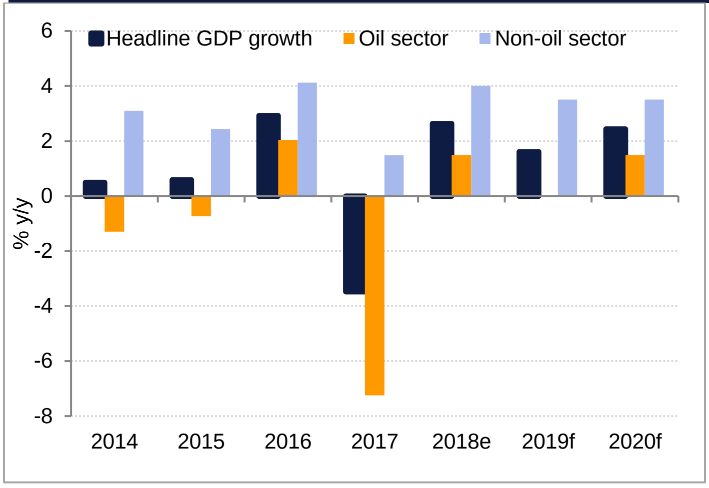
M2 growth accelerated to 4.2% y/y in the year to November, more than double the growth rate recorded in 2017. M1 growth was slower than in 2017 but quasi money (fx and longer term KWD deposits) grew at a much faster rate.

Private sector credit grew a more modest 1.9% on average in the year to November 2018, with personal loans up nearly 4%. The fastest growth in lending was to the oil & gas sector, where credit growth averaged more than 20% y/y on average in 2018.

Inflation slowed sharply in 2018

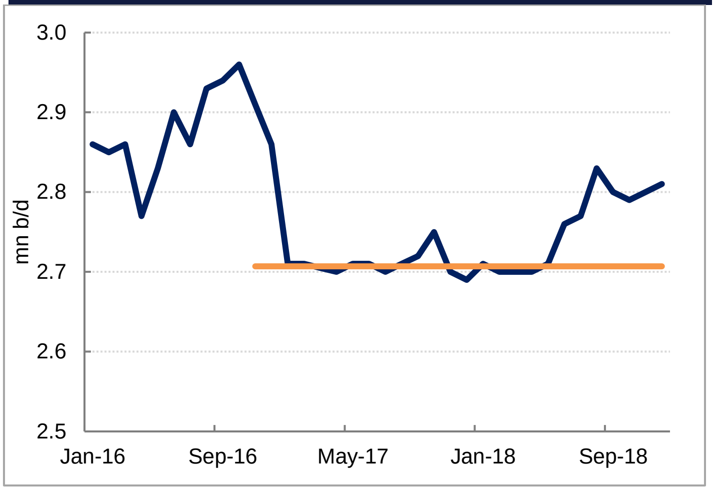
Headline inflation averaged just 0.6% in the year to November, down from 1.6% in 2017. Kuwait did not introduce VAT in January 2018 and only plans to do this in 2021. Modest increases in the costs of household goods & services, communication, recreation & culture, hospitality and miscellaneous goods and services were offset by lower housing and clothing & footwear costs. We expect inflation to remain low in 2019, averaging just 1%.

GDP growth



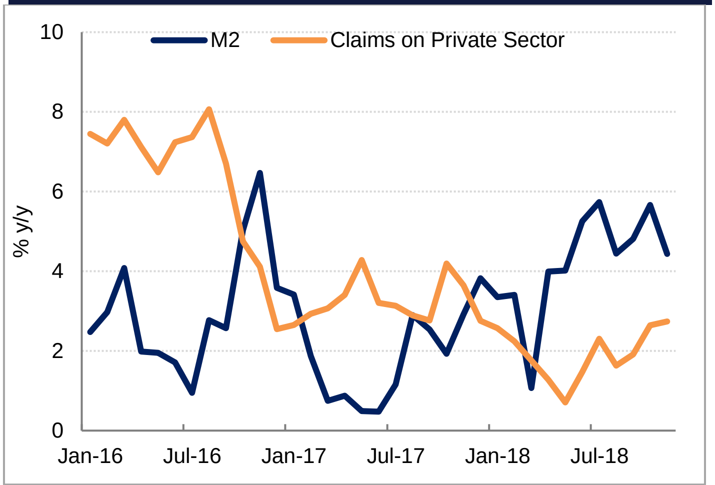
Source: Haver Analytics, Emirates NBD Research

Kuwait oil production & OPEC target



Source: Bloomberg, IMF, Emirates NBD Research

Money supply growth accelerates



Source: Haver Analytics, Emirates NBD Research

Lebanon

The risks inherent in the Lebanese economy were brought into stark relief at the start of 2019 as the five-year CDS rose to a record 900, exceeding even the previous peak of 800, recorded in 2008 in the midst of the global economic crisis. Eurobond yields have also climbed higher, and both Moody's and Fitch changed their ratings for Lebanon to negative in December. While some of the difficulties facing Lebanon are, as in 2008, external – tightening global monetary conditions, higher oil prices and conflict in Syria are primary among them – these challenges have in fact lessened since the CDS first started spiking in June. Rather, what is troubling the Lebanese economy is ongoing political inertia and the after-effects of financial engineering by the BdL implemented since 2016.

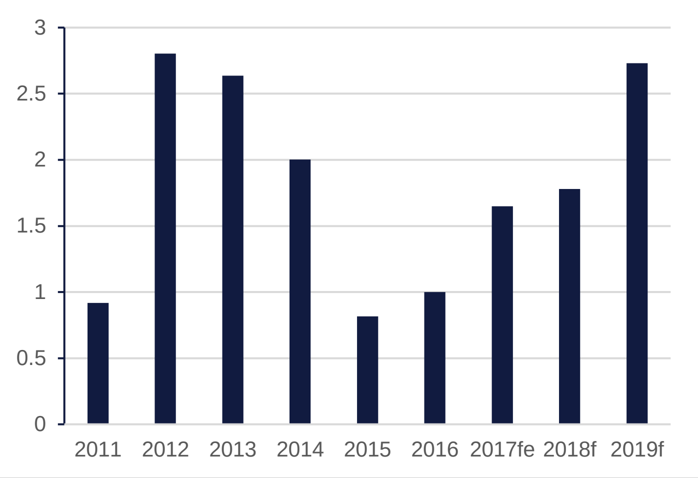
Taken together, investors are beginning to lose faith in Lebanon and the stability of the currency's peg to the dollar, and failing some decisive action, the country is edging ever nearer to a crisis. This has been called in the past, and the country has shown a remarkable ability to skirt the precipice while never quite tipping over the edge, meaning we do not anticipate a crisis as yet. However, the firepower available to the authorities is much diminished as foreign grants and diaspora deposits are less forthcoming and the risks are such that government ministers have been forced to repeatedly assure markets that the risks are overblown in the past several months, and that no debt restructuring is planned.

Lack of government hindering growth

Eight months since elections were held in May 2018, Lebanon remains without a government, and this is posing a major hindrance to economic performance. Aside from the negative economic effects of general policy uncertainty, the failure to form a government is also holding up the disbursement of USD 11bn in loans and grants promised by international lenders in Paris in April 2018. There were some positives in 2018 – visitor numbers to Lebanon through Rafic Hariri airport to November rose 7.5% y/y for instance. However, even this was offset by the fact that those visitors are not spending as much as the wealthy GCC nationals that formerly made up Lebanon's visitors did in the past. Additionally, investment looks to have been weak, with both cement deliveries and building permits seeing substantial falls over the year in a negative signal for the real estate sector. We forecast real GDP growth of 0.9% this year, following an estimated 0.8% in 2018.

The Lebanese pound's peg to the dollar has been a source of stability since 1997, but the debate around whether it has outstayed its usefulness has intensified in recent months. With growth sluggish and eurobond yields spiking, the possibility that Lebanon could in fact benefit from a devaluation has gained traction. The financial engineering implemented by the BdL in recent years has shored up reserves through enticing banks to deposit their dollars with it through the offer of high-interest generating swaps and debt exchanges. However, this has served to push up borrowing costs as banks offer increasingly high interest rates in order to entice dollar inflows, and has contributed to the massive public debt. Confidence in the peg appears to be slipping, with USD 570mn reportedly converted to dollar accounts in October alone.

Real GDP growth, % y/y

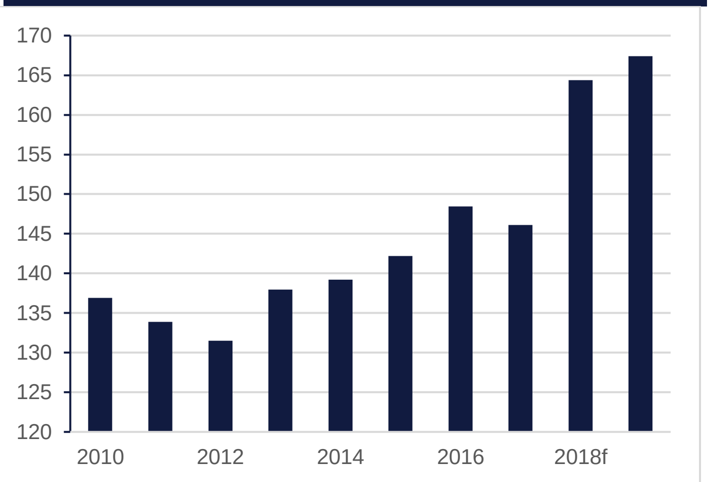


Source: Haver Analytics, Emirates NBD Research

Lebanon 2028 eurobond % yield

Source: Bloomberg, Emirates NBD Research

Debt, % GDP



Source: Haver Analytics, Emirates NBD Research

Libya

Libya's oil production chart illustrates the challenges still facing the politically divided country and its efforts to bolster economic growth. Oil production in 2018 was up 3.0% on the year, averaging 1.0mn b/d, as compared to 970k in 2017. However, this figure obscures the massive dip in output in the middle of the year, when violent escalations led to the temporary closure of two major oil terminals and a 300k b/d fall in production. In 2019, we forecast flat growth in oil production given that the challenges related to security have not abated to any significant degree, and more outages caused by disgruntled employees or feuding political factions remains a highly possible eventuality. In this environment, the expansion to production of 2.1mn b/d by 2021 mooted by Mustafa Sanalla, chairman of the National Oil Corporation (NOC), in January, remains an unlikely probability.

Dinar devaluation will weigh on business

While the meagre oil output – still far from the pre-2011 volumes of 1.6mn b/d – is the most visible of the negative effects of Libya's ongoing political and economic crisis, it is far from the only one. A widening disparity between the black market and the official exchange rates led the authorities in the internationally recognised Tripoli government to impose a fee of 183% on hard currency transactions in September last year, effectively implementing a devaluation of the dinar from LYD 1.39/USD to LYD 3.9/USD. While this should help stem the decline in FX reserves, it has stifled activity in the non-oil private sector, as import-reliant businesses have seen the cost of these shoot up. In this environment of weak growth in both the oil and non-oil sectors, we project real GDP growth of 5.4% in 2019, but it should be noted that the extremely high volatility in oil production and ongoing political divide makes this highly subject to both upside and downside risks.

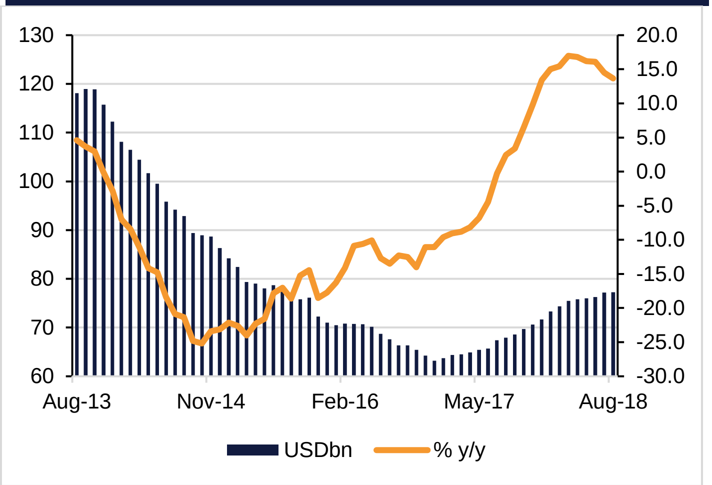
2019 elections unlikely

Seemingly breaking the political impasse which has stymied development over recent years, the Eastern House of Representatives passed a referendum law which ostensibly paves the way for a vote. However, in reality, there will likely be little meaningful progress towards a reunified Libya in 2019, given the number of factions now competing for their own maximalist aims alongside the two governments. Holding a vote in such an environment would likely be a spur for renewed unrest and violence nationwide. The ongoing division of the country is hampering its economic development, but as long as the two governments continue to cooperate in the running of the NOC, Libya should be saved from a complete implosion as oil revenues continue to come in and be distributed to stakeholders.

Oil production, b/d '000

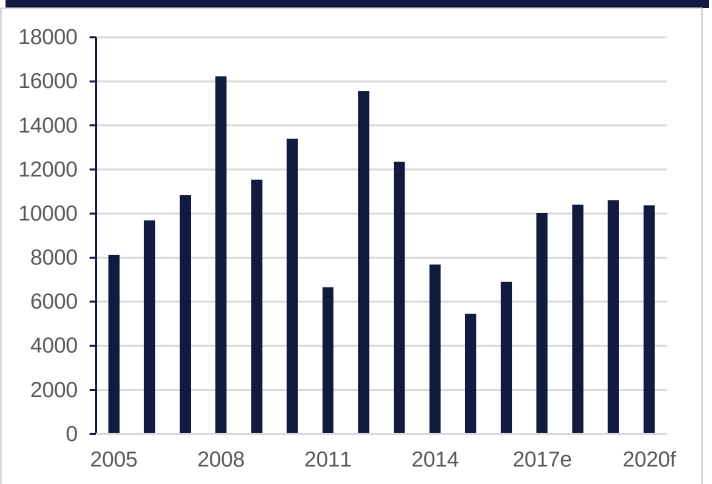
Source: Bloomberg, Emirates NBD Research

FX reserves



Source: Haver Analytics, Emirates NBD Research

GDP per capita, USD



Source: Haver Analytics, Emirates NBD Research

Morocco

Real GDP growth in Morocco has slowed in 2018, averaging just 2.8% y/y over the first three quarters, compared to 3.9% over Q1-Q3 2017. This has informed our full-year forecast of 3.0%, and we anticipate a further slowdown to 2.7% in 2019. Growth in Q2 was just 2.4%, the slowest pace since Q4 2016, as activity was impacted by protests and boycotts related to rising prices. However, the biggest determinant of Morocco's economic growth performance remains the agricultural sector, which accounts for 14.5% of total output. Although a record cereals harvest has been achieved this year, this followed an exceptional performance in 2017 also. This means that growth in the sector slowed to an average 2.9% over Q1-Q3 2018, compared to 15.0% over the corresponding period last year, and this has weighed on the headline growth figure. With such exceptional harvests unlikely to be the norm, the sector will exert a further drag on growth in 2019, leading us to forecast headline real GDP growth of 2.7% next year.

Rates on hold

Bank al-Maghrib kept its benchmark interest rate on hold at 2.25% at its September 25 meeting, the third of the year. Rates have been kept static since March 2016, when a 25bps cut was implemented, and we do not expect any action to be taken by the bank over the course of 2019 as the risks are likely to remain fairly evenly balanced. In its September communiqué the bank stated that it expected inflation to fall over 2019, averaging 1.2% from its projection of an average 2.1% in 2018. We expect that price pressures will be a little stronger, projecting averages of 2.2% and 1.9% respectively, in part owing to our expectation that Brent will average USD 73/b next year, compared to the central bank's projection of USD 63.8/b. Nevertheless, fuel prices should remain manageable given the plan to control fuel prices announced in July, which would see the government implement a price cap to be adjusted every 15 days. According to General Affairs Minister Lahcen Daoudi, the plan would run for six to 12 months. As such, we expect the fairly loose monetary policy to be maintained.

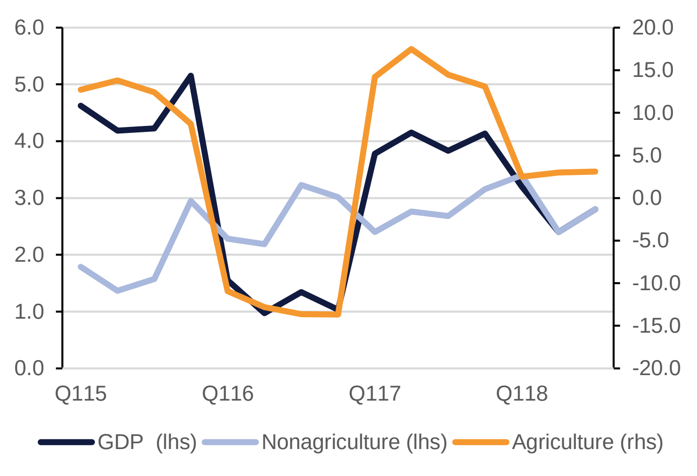
Tourism performing well

Tourism inflows have supported Morocco's balance of payments in 2018, climbing 20.1% y/y over the first three quarters. Visitor arrivals over January to July hit a total of 7.0mn, y/y growth of 6.9%, and putting the industry on course to exceed even the record 11.4mn visitors received in 2017. Given that tourism is the second-largest employer after agriculture, a strongly performing sector is positive for the economy at large. According to the World Travel & Tourism Council, the sector (directly and indirectly) accounts for 16.6% of total employment and 18.5% of GDP.

CPI inflation, % y/y

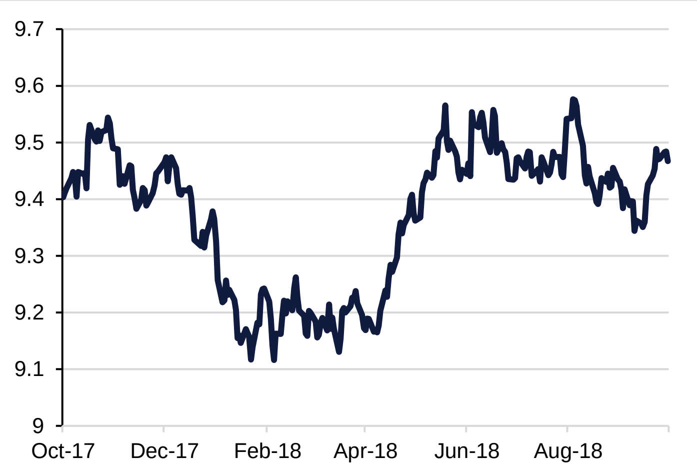
Source: Bloomberg, Emirates NBD Research

Real GDP growth, % y/y



Source: Haver Analytics, Emirates NBD Research

Exchange rate, MAD/USD



Source: Bloomberg, Emirates NBD Research

Oman

Both oil and non-oil sectors grew in 2018

After declining more than -3% in 2017, Oman's crude oil production rose 0.6% in the year to November, exceeding 1mn b/d in October. This, together with the start of natural gas production in Oman, would have contributed positively to headline GDP growth, which we estimate at 2.9% in 2018, up from -0.9% in 2017.

The main driver of GDP growth in 2018 were the non-oil sectors in our view, particularly construction, transport & communication, financial services and real estate, and these sectors are likely to underpin growth in 2019 as well. The opening of Oman's new airport last year is also likely to have boosted the tourism and hospitality sectors, and will continue to do so in 2019.

Overall, we expect headline GDP growth to accelerate to 3.1% in 2019.

Budget and external deficits narrowed in 2018

We estimate a budget deficit of -6.4% of GDP in 2018, much narrower than the -13.8% of GDP deficit recorded in 2017. Higher oil prices and natural gas exports boosted revenue. We think the government exceeded the OMR 12.5bn budget last year, with actual spending likely to have been around OMR 13.2bn.

The government has announced a budget of OMR 12.9bn for 2019, which we think will be exceeded again. Moreover, our house view of an average USD 65/b price for Brent, and broadly stable oil production implies a decline in budget revenues relative to 2018, even after we take into account modest growth in non-oil revenues. The government has indicated that VAT will come into effect in September 2019, but there are likely to be broader exemptions (or zero rated items) than in the UAE. As a result, we expect the budget deficit to widen to -8.2% of GDP this year.

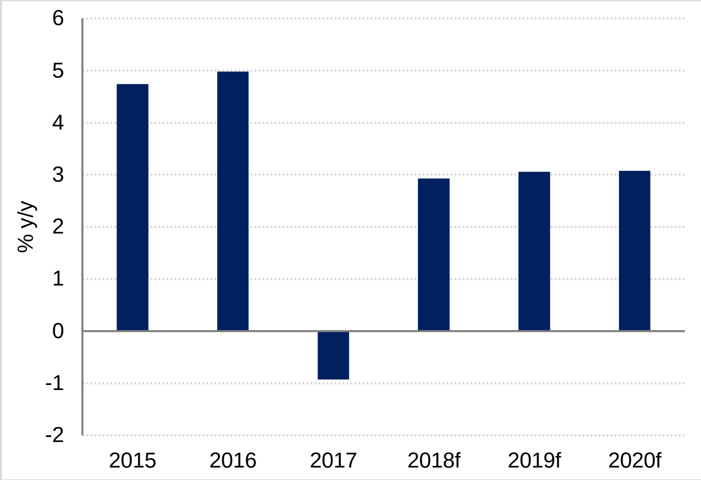
We expect the current account deficit to also widen to -7.1% of GDP from an estimated -5.7% of GDP in 2018. The sharp improvement in the external deficit relative to 2018 was likely due to higher oil revenues on the back of both increased production and higher prices.

Inflation slowed in 2018

Headline CPI averaged 0.9% in the year to November 2018, lower than the 2017 average of 1.6%. Only transport and education prices posted relatively high inflation (in excess of 4%) in 2018, with transport costs reflecting higher fuel prices as oil prices increased. These were offset by lower food and clothing prices, and only a modest 0.5% rise in housing costs. Food and housing accounts for 50% of the CPI basket.

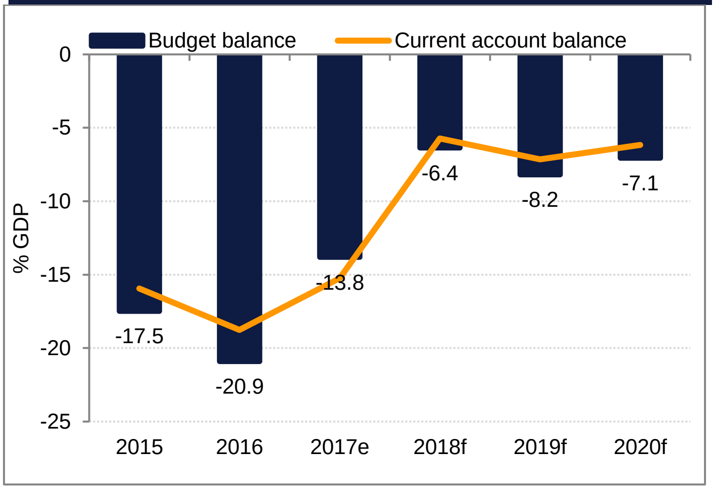
With VAT expected to come into effect in Q4, and as the inflation rate will be calculated off a low base, we expect inflation to accelerate to 1.5% on average in 2019.

GDP growth



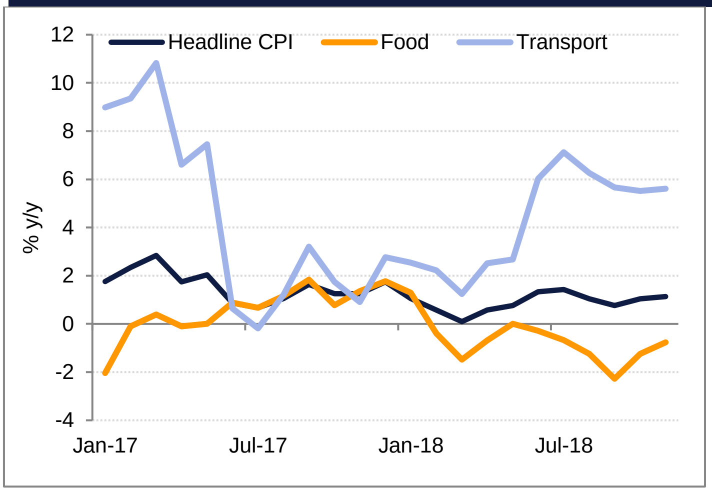
Source: Haver Analytics, Emirates NBD Research

Twin deficits to widen slightly in 2019



Source: Haver Analytics, Emirates NBD Research

Inflation remains contained



Source: Haver Analytics, Emirates NBD Research

Qatar

GDP growth to accelerate in 2019

Official data show the economy expanded 2.2% y/y in Q3 2018, with the non-oil sector growing 4.3% y/y. Non-oil growth continued to be driven by building & construction, hospitality, transport & storage, ICT and financial services. Manufacturing declined slightly y/y after posting double digit growth in H1 2018, and off a high base (sanctions were imposed at the start of Q3 2017, which drove significant investment in domestic manufacturing in Qatar).

Overall, we expect growth to average 3.1% in 2018, rising to 3.6% in 2019, making Qatar the fastest growing economy in the GCC this year.

Budget likely to record surplus in 2019

Qatar likely recorded a small budget deficit last year based on our estimates. Oil and gas revenues were likely higher than forecast in the budget, and the deficit was likely smaller than forecast.

For 2019, the official budget indicates a modest surplus, despite a slight 1.7% increase in spending compared with the 2018 budget plan. We expect revenue to be higher than the government's conservative forecast at QAR 214bn, resulting in a surplus of 1% of estimated GDP. Although excise taxes on tobacco, energy and sugary drinks have come into effect, VAT has been delayed beyond the end of this year.

Private sector credit growth remains robust

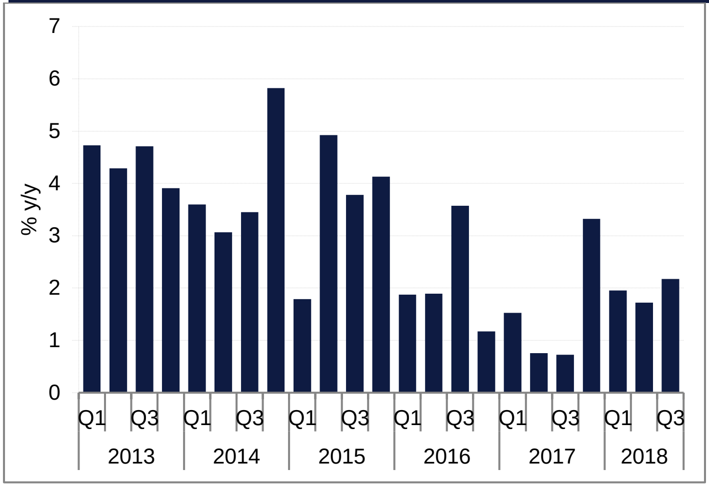
Private sector borrowing accelerated to more than 11% y/y in November, much stronger than the 6-7% growth rates seen in 2017. This may have been partly due to a decline in government borrowing over the course of last year, which would have made more liquidity available to the private sector.

Public sector bank deposits have also declined y/y since August 2018, as non-residents' deposits have recovered. Indeed, commercial banks have increased their foreign liabilities (due to banks abroad) significantly, and also increased foreign debt issuance, as the government has unwound the liquidity injected in the months following the imposition of sanctions by Saudi Arabia, the UAE, Bahrain and Egypt. Overall, bank deposit growth has slowed sharply since August 2018.

Inflation remains contained

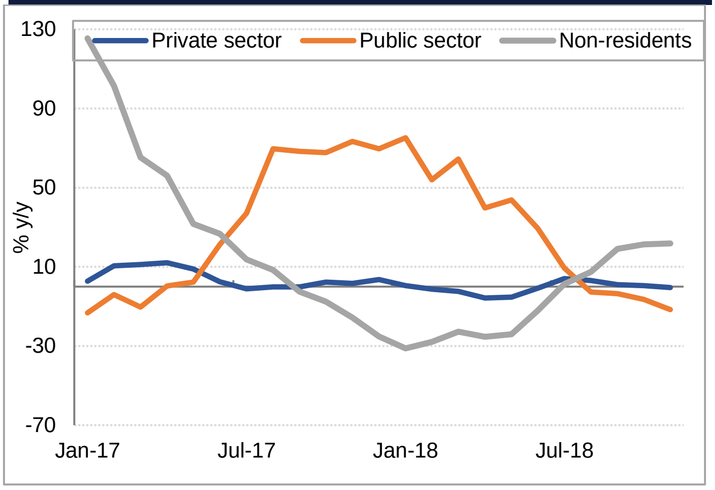
Official inflation averaged 0.3% y/y in Jan-Nov 2018, similar to the 0.4% recorded in 2017. Higher healthcare and transport prices were offset by lower housing costs (-4.0% y/y on average last year). We do expect inflation to rebound in 2019, to average 1.5% this year.

Real quarterly GDP growth



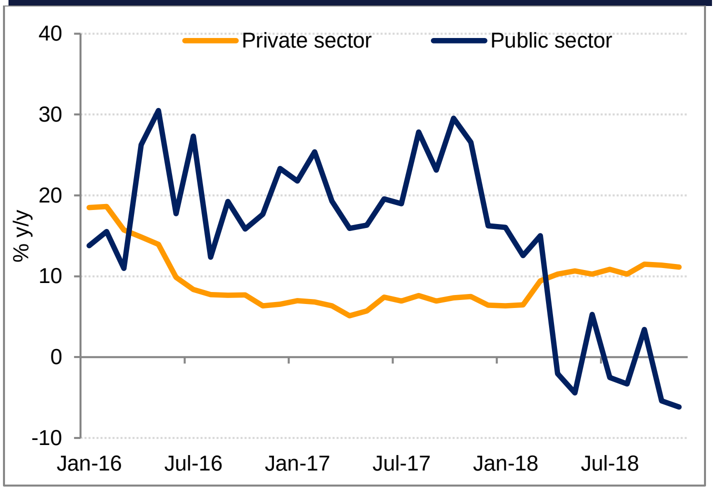
Source: Haver Analytics, IMF, Emirates NBD Research

Bank deposit growth



Source: Haver Analytics, Emirates NBD Research

Bank loan growth



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

Government estimates GDP growth of 2.3% in 2018

Bloomberg data shows oil production rose sharply in Q4 2018, exceeding 11mn b/d in November. For the year as a whole, oil output was 3.5% higher than in 2017, when it fell -4.3%. The expansion in the Kingdom's oil sector was likely more than the 2.5% we had pencilled in in our GDP forecasts, and would have offset weaker than expected non-oil GDP growth. The PMI averaged just 53.8 in 2018, the lowest in the series history. The government indicated in the 2019 budget statement that real GDP growth accelerated to 2.3% last year; our estimate is a touch lower at 2.2%.

For 2019, we expect growth to remain around 2%. Even taking the OPEC agreed production cuts which came into effect at the start of the year, we think average oil production in KSA will be at least 1% higher on average than 2018. We expect non-oil sector growth to accelerate to 2.8% as the lagged effect of higher oil prices and production feeds through to the non-oil sectors, and as government spending is likely to rise further this year. However, our GDP growth forecast is less optimistic than the government's 2.4%.

2019 official budget is ambitious

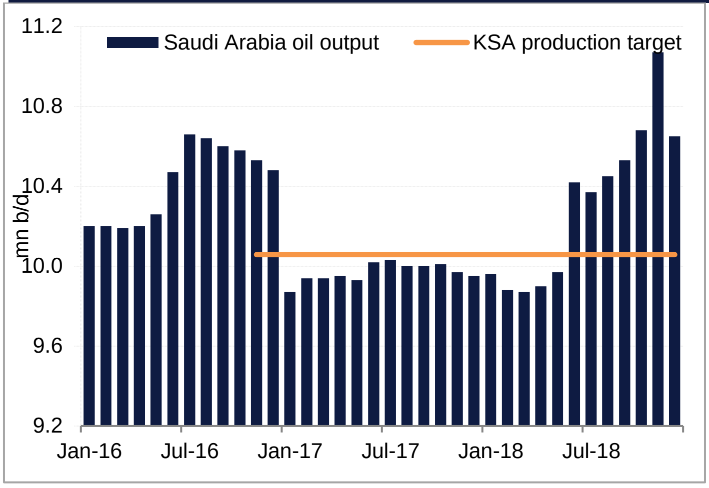
The government has budgeted for a 7.2% rise in spending this year, to SAR1.1tn. We estimate the budget is based on a USD 70/b oil price forecast, which is higher than our own view that Brent will average USD 65/b in 2019. As a result, our revenue projection is lower than the official budget, and our deficit forecast wider at -5.6% GDP (compared with the official projection of -4.2% GDP).

The largest share of the 2019 budget is allocated towards education (17.5% of the total) and military spending (17.3% of the total). However, the nominal allocations for both these sectors are lower than what was spent in 2018. The biggest increase in spending this year (aside from general budget items) will be on infrastructure and transport (+27.3% y/y) followed by economic resources (+23.6% y/y, includes mega projects, and programmes to achieve Vision 2030 initiatives).

The budget statement indicates that around 90% of this year's projected deficit is likely to be financed by debt. This is much higher than in previous years, where 50-60% of the deficit has typically been financed by debt and the balance from accumulated reserves. The stock of debt reached 19% of GDP in 2018, in line with our forecast, and we expect it to rise further to over 24% of GDP this year.

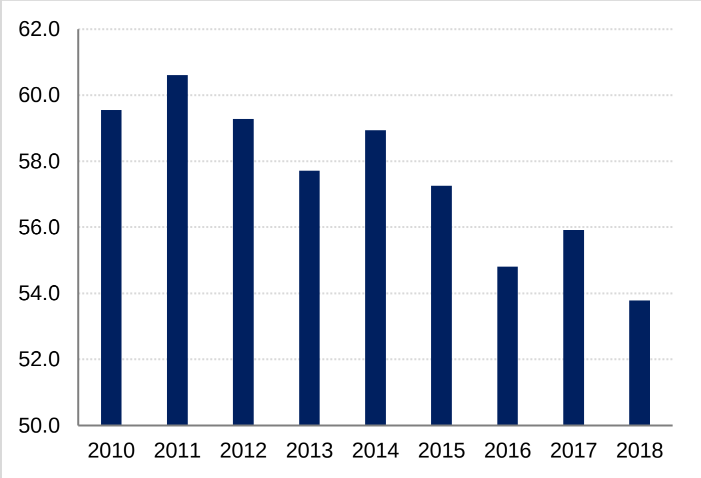
The budget statement also indicates the long awaited privatisation is expected to finally be done this year. Some progress has been made on the sale of water assets and some flour mills. Delivering privatisation would be a key signal that the government remains committed to economic reform, and also help boost inward FDI.

Oil production and OPEC target



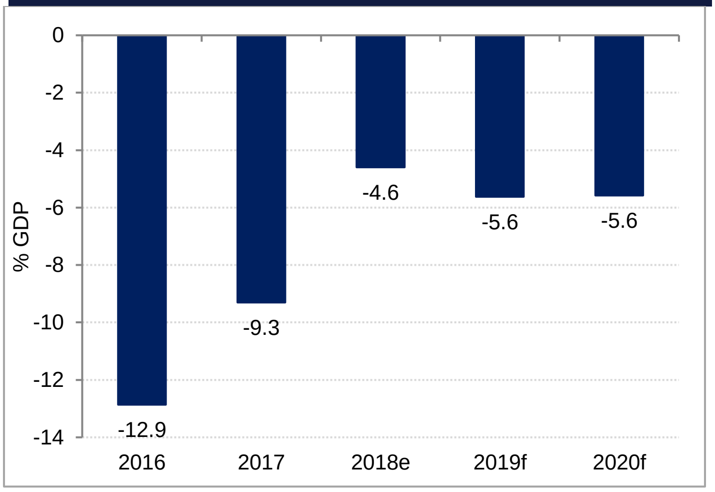
Source: Bloomberg, Emirates NBD Research

Saudi Arabia PMI (Annual average)



Source: IHS Markit, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Private sector credit recovers slowly

Bank claims on the private sector grew 2.3% y/y in November, the fastest rate since December 2016. The relatively soft growth in private sector credit likely reflects both weaker growth in the private sector (reflected in a record low average PMI in 2018) as well as public sector crowding out; although public sector credit growth has slowed from its 2016 peak, it remains high at nearly 18% y/y in November.

Domestic liquidity growth has also been muted, with M3 growth averaging 2% y/y in the three months to November, despite significantly higher oil revenues. Government deposits are broadly unchanged since December 2017. This confirms our view that higher oil revenues have not (yet) found their way into the domestic economy in a meaningful way.

Outflows on the financial account offset current account surplus in 2018

Net foreign assets at SAMA stood at USD 497.4bn at the end of November 2018, only slightly higher than the USD 489bn recorded at the end of 2017. This, despite a substantial current account surplus (we estimate it will reach USD 73.5bn for the full year 2018, the government expects USD 80bn), and external debt issuance of over USD 20bn last year.

The balance of payments data for January through September show that a current account surplus of nearly USD 58bn was offset by outflows of USD 44.2bn on the financial account. Net FDI recorded an outflow of more than USD 14bn, as Saudi investment abroad dwarfed inward FDI. Although there was a net inflow of portfolio investment in the year to September, Saudi accumulation of "other investments" abroad was significant. The "other investments" category includes loans made abroad, purchases of foreign currency and deposits and accounts receivable.

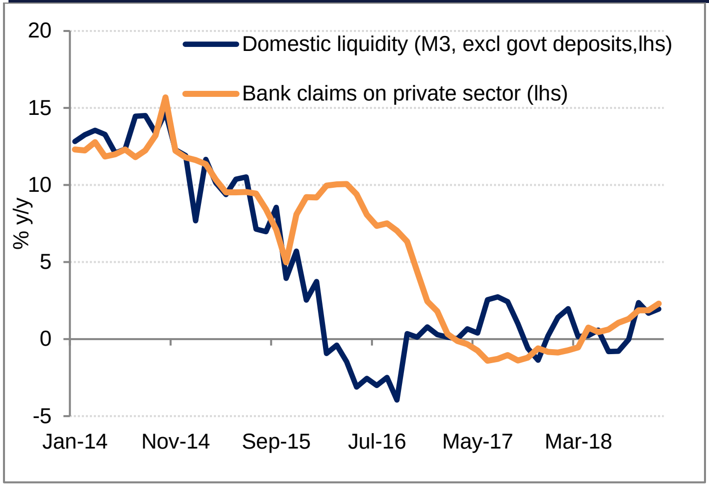
Inflation accelerated in 2018

Headline inflation averaged 2.5% in the year to November 2018, up from -0.8% in 2017. The introduction of VAT contributed to the higher cost of living, but the removal of energy subsidies and adjustment to fuel prices was also a key driver. The transport component of the cost of living index was up 12% y/y in November, and this accounts for more than 10% of the consumer basket. Food and beverages (21.7% of the basket) saw average inflation of 6.4% last year, although this was partly mitigated by lower housing costs (20.5% of the index, down -0.9% y/y on average).

Clothing and footwear was the only component of the cost of living index which recorded a decline in prices last year, despite the introduction of VAT. To some extent this likely reflected price discounting by firms facing softer consumer demand. The PMI survey showed that the annual average selling price index in 2018 fell marginally below the neutral 50-level, only the second time this has happened in the 8 year survey history.

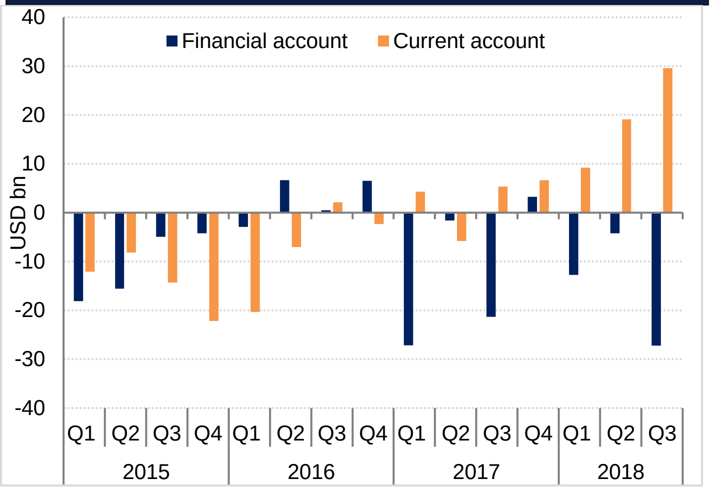
With VAT and some energy price reform now in the base, we expect inflation to slow in 2019, to 2.0%.

Money and credit growth



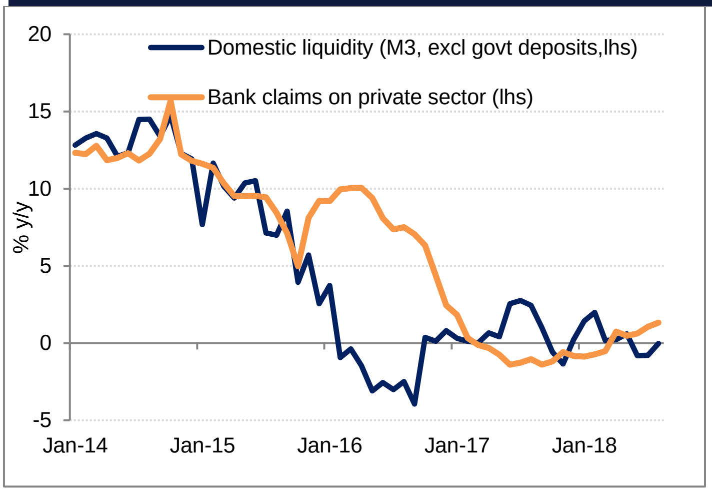
Source: Bloomberg, Emirates NBD Research

Balance of payments dynamics



Source: IHS Markit, Emirates NBD Research

Money supply and credit growth



Source: Haver Analytics, Emirates NBD Research

Tunisia

Tunisia is set to hold parliamentary and presidential elections between October and December 2019, having ended 2018 in a febrile political environment both within government and on the streets. In government, an apparent rift between PM Youssef Chahed and President Beji Caid Essebi resulted in a major cabinet reshuffle in November, which was initially blocked by the president. Chahed is among politicians behind the launch of a new political party reportedly due to be announced in January, and such an environment will make effective policy making more difficult as varying factions jockey for position in the run-up to the vote. On the streets meanwhile, Tunisia had to contend with numerous protests throughout 2018. These culminated in the self-immolation of a journalist in December, which in an echo of 2010 was the spark for renewed unrest nationwide. This political risk is one of the factors behind ratings agency Fitch confirming its negative rating for Tunisia in December.

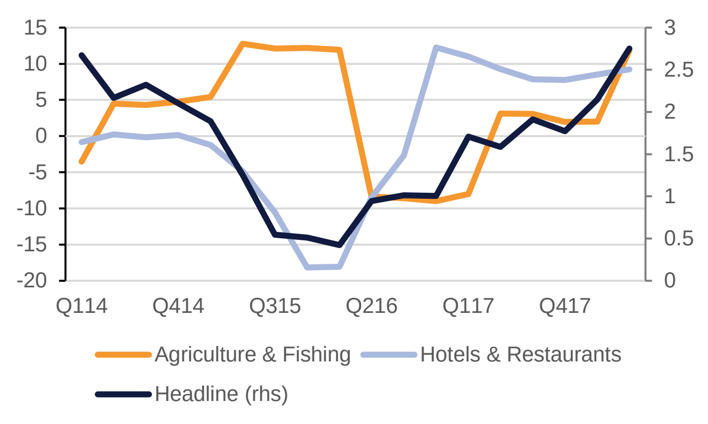
Protests will likely elicit social spending

With unemployment stubbornly high (15.5% in Q3 2018), and protests likely to continue in 2019, the current government will struggle to rein in its spending in the run-up to the vote, and pressure to boost expenditure would remain high on any newly elected government thereafter. As such, we expect limited progress on constraining transfer payments this year. These recorded y/y growth of 14.4% over January to September 2018 as oil prices rose, despite the government hiking petrol prices a number of times through the year. The subsequent collapse in oil prices will aid the government in limiting this expense, but it will likely be forced to increase social spending through other channels. As such, we anticipate fairly slow progress on fiscal consolidation, forecasting a deficit equivalent to 4.3% of GDP in 2019, from an estimated 4.8% last year.

Modest rise in growth

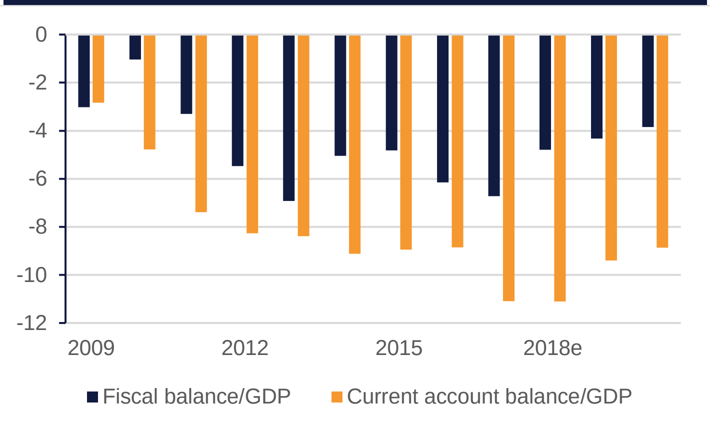
Real GDP growth averaged 2.5% over the first three quarters of 2018, in line with our forecast for the year. In 2019, we anticipate a modest acceleration to 2.7% on the back of continued strong growth in the agricultural sector, which averaged 9.7% y/y over 3Q 2018. However, we caution that household consumption is likely to remain under strain, which will put a dampener on growth. While inflation will likely moderate from the multi-year highs seen in 2018 (an average of 7.4% y/y) as oil prices have softened, social spending will introduce further inflationary pressures and we forecast an average of 6.8% over 2019. In light of this, we anticipate further tightening of monetary policy by the central bank, taking the benchmark rate from 6.75% to 7.25%.

Real GDP growth, % y/y



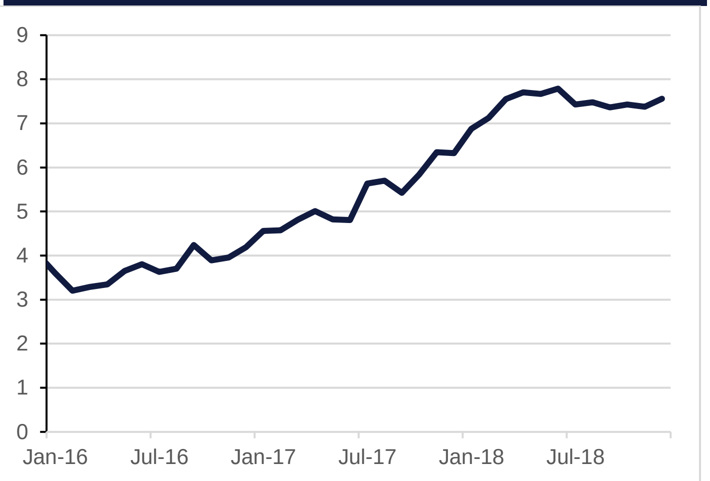
Source: Haver Analytics, Emirates NBD Research

Twin deficits, % GDP



Source: Haver Analytics, Emirates NBD Research

CPI inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

UAE

2018 GDP estimate revised higher on oil output

UAE crude oil production rose to a record high of 3.35mn b/d in December 2018, according to Bloomberg estimates, bringing the average output for last year to 3.0mn b/d, up 2.8% on 2017. This is higher than we had forecast and would likely have offset softer than expected non-oil sector growth. The UAE PMI averaged 55.5 in 2018, down from 56.1 in 2017, indicating a slightly slower rate of non-oil sector growth last year. As a result, we expect real GDP grew 2.4% in the UAE (previous estimate 2.2%), up from 0.8% in 2017.

In 2019, we expect growth to accelerate to 3.1% (down from a previous forecast of 3.6%), on higher average oil production relative to 2018 (even after OPEC's production cuts come into effect) and faster non-oil sector growth. The latter will be supported by increased government spending (both by Abu Dhabi and through the federal government budget), and preparations for Expo 2020 which are targeted for completion by end Q3 2019.

With oil prices recovering to over USD 70/b in 2018, the consolidated UAE budget was probably close to balanced, despite an increase in government spending. In 2019, we project only a small deficit (less than -1% of GDP) on the basis of a lower average oil price and a further boost to spending.

Inflation likely to moderate in 2019

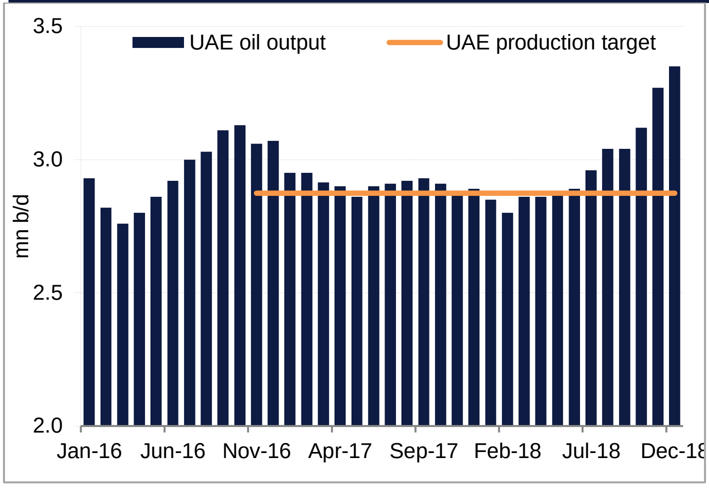
Headline inflation rose 3.3% in the year to November 2018, up sharply from 2% in 2017. However, inflation eased sharply in October and November and we expect a further decline in December 2018, bringing the average for last year to around 3%. The main driver of price growth in H1 2018 was the introduction of VAT in January, which drove inflation across almost all categories of goods and services. Fuel prices increased further on the back of higher oil prices, and this pushed transport prices up even more in the middle of 2018. However, lower rents helped to offset rising prices in the rest of the consumer basket, including utilities and household fuels.

We expect headline inflation to decline sharply in 2019, off the high base and as fuel prices remain well below their October 2018 peak. Our forecast for 2019 average inflation is 1.5%, compared to an estimated 3.0% in 2018.

Private sector credit growth recovers

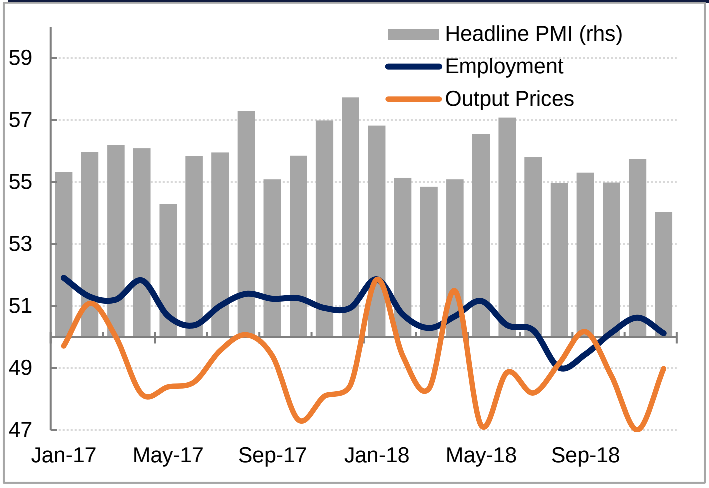
Private sector credit growth recovered over the course of last year, reaching 4.4% y/y in November, from 0.8% at the end of 2017. This was driven largely by loans to business & industry (6.2% y/y in November) with consumer loan growth remaining relatively soft. Government loan growth accelerated through 2018, reaching 8.5% y/y in October and November, although credit to GREs contracted. Bank deposit growth was relatively robust in H2 2018, averaging 7.3% compared with 3.8% in H1 2018. This was largely due to growth in government deposits and likely reflected the recovery in oil revenues in H2 2018.

UAE Oil production and OPEC target



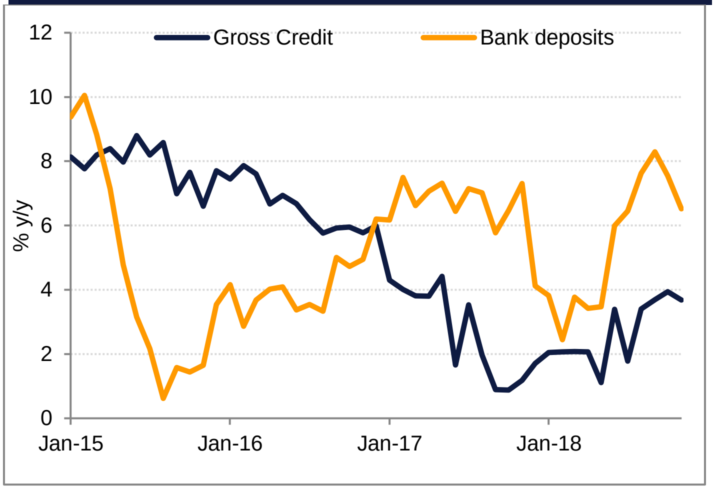
Source: Bloomberg, Emirates NBD Research

Emirates NBD UAE PMI



Source: IHS Markit, Emirates NBD

Bank deposits and loan growth



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

GDP growth estimated at 2.8% in 2018, similar to 2017

With no quarterly GDP data released for 2018, we have relied on PMI surveys for a sense of how the economy performed last year. The average Dubai Economy Tracker Index (effectively a PMI for Dubai), declined to 55.0 in 2018 from 56.0 in 2017. **Official data shows Dubai's economy expanded 2.8% in 2017 and we estimate growth in 2018 was the same.**

While the volume of output and new orders increased at a similar rate to 2017, this appears to have been driven to some extent by price discounting, which together with rising input costs, put pressure on firms' margins. This was particularly evident in the wholesale & retail trade sector, where selling prices declined the most since 2016, even as firms reported increased output and new orders.

In this context, it is unsurprising that there was very little in the way of new jobs added in Dubai's private sector last year. The employment index averaged just 50.2 in 2018, the lowest annual average since the survey began in 2010, and only marginally above the neutral 50.0 level.

Tourism and hospitality sectors face headwinds

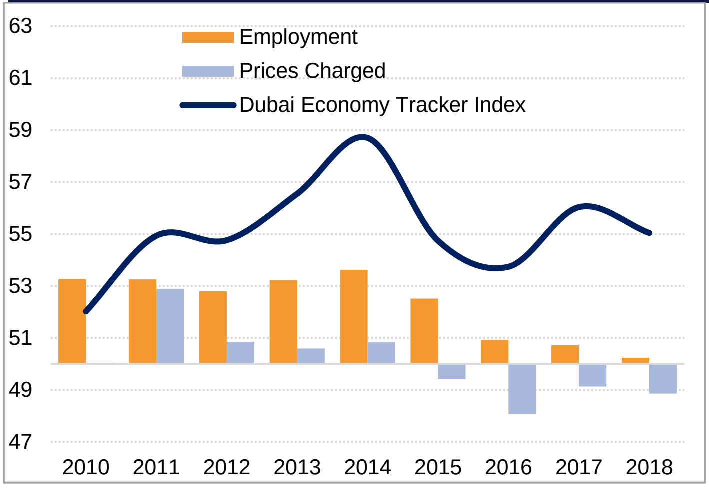
After a relatively strong start to 2018, activity in the travel and tourism sector slowed in H2 2018. Several factors likely contributed to this, including a sell-off in EM currencies relative to the USD, making Dubai a more expensive destination for visitors from those markets. The number of international visitors to Dubai was flat in the year to November, compared with the same period in 2017, even as the average daily rate for hotels in Dubai declined by nearly 6.4%. The increased supply of hotel rooms – planned in preparation for Expo 2020 – also contributed to pricing pressure in the hospitality sector.

Despite the more than 6% increase in the number of hotel rooms, hotel occupancy remained healthy, averaging 75.1% in the year to November 2018, down slightly from 77% recorded over the same period in 2017. We expect conditions in this sector to remain challenging in 2019, as more supply comes online ahead of Expo next year.

Oversupply weighs on real estate too

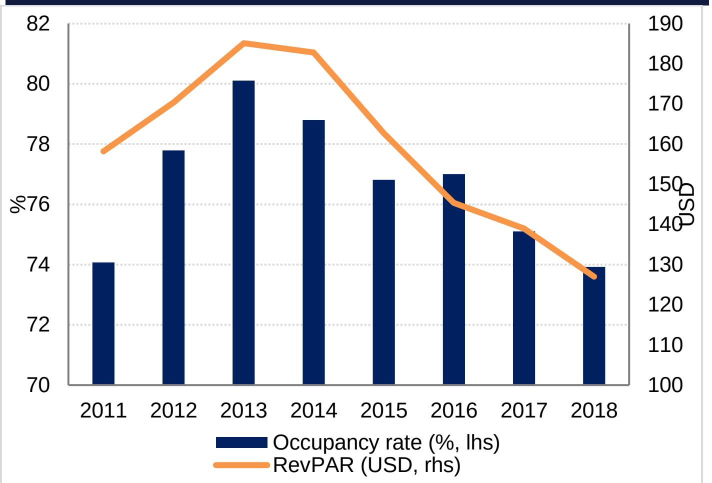
Increased supply, rising interest rates and little evidence of household income growth also contributed to a further decline in residential real estate prices in Dubai. Even though new project launches have slowed in recent months, there is still significant new supply due to come onto the market in 2019 from projects already underway. As a result, further softness in real estate prices is expected in 2019, although analysts expect the rate of price decline to slow this year.

Dubai Economy Tracker



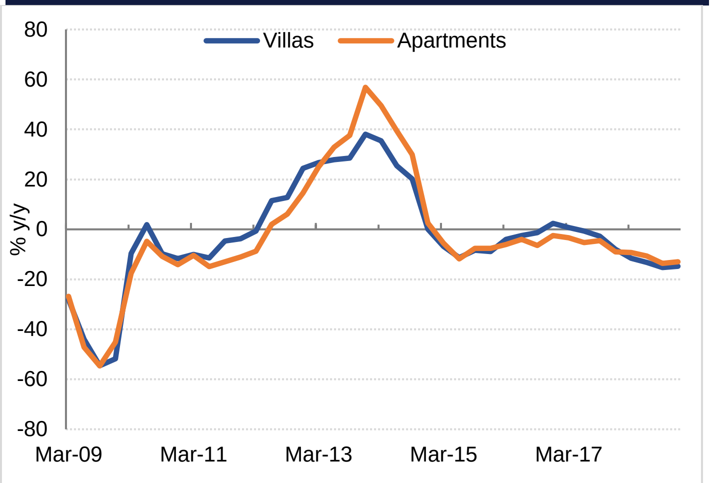
Source: IHS Markit, Emirates NBD Research

Hotel occupancy and RevPAR (Jan-Nov)



Source: STR Global, Emirates NBD Research

Dubai residential real estate prices



Source: ASTECO, Emirates NBD Research

Key Economic Forecasts: Algeria

National Income	2016	2017e	2018e	2019f	2020f
Nominal GDP (DZD bn)	17525	18363	19179	20169	21249
Nominal GDP (USD bn)	160.2	165.6	164.1	167.4	172.1
GDP per capita (USD)	3944	4007	3906	3922	3970
Real GDP Growth (% y/y)	3.3	1.6	1.8	2.2	2.0
Monetary Indicators (% y/y)					
CPI (average)	5.8	6.0	4.0	5.3	6.0
External Accounts (USD bn)					
Exports	32.7	37.5	46.9	51.6	56.7
Imports	60.2	59.9	61.7	64.8	68.1
Trade balance	-27.5	-22.4	-14.8	-13.2	-11.3
% GDP	*-12.8*	*-13.5*	*-9.3*	*-8.0*	*-6.9*
Current account balance	-26.2	-22.0	-14.3	-12.6	-10.7
% GDP	-12.3	-13.2	-8.9	-7.6	-6.5
Reserves	114.4	97.6	99.6	104.5	115.0
Fiscal Indicators (DZDbn)					
Revenue	5012	6182	7181	8076	8733
Expenditure	7297	7389	8497	9772	10358
Budget Balance	-2285	-1207	-1316	-1696	-1625
% GDP	-13.1	-6.6	-6.9	-8.4	-7.6

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (BHD bn)	12.1	13.3	14.7	15.0	15.7
Nominal GDP (USD bn)	32.3	35.4	39.1	40.0	41.7
GDP per capita (USD)	22648	23604	25548	25625	26176
Real GDP Growth (% y/y)	3.2	3.9	2.0	2.0	2.4
Monetary Indicators (% y/y)					
M2	1.2	4.2	1.8	5.5	4.9
Private sector credit	1.5	2.5	9.0	4.0	4.0
CPI (average)	2.8	1.4	2.1	3.5	2.5
External Accounts (USD bn)					
Exports	12.8	15.4	18.1	17.3	17.5
Of which: hydrocarbons	6.1	8.4	11.0	10.0	10.0
Imports	13.6	16.1	17.3	17.1	17.4
Trade balance	-0.8	-0.7	0.8	0.2	0.1
% GDP	-2.5	-2.0	2.0	0.5	0.3
Current account balance	-1.5	-1.4	-0.8	-1.7	-3.0
% GDP	-4.6	-3.9	-2.1	-4.2	-7.2
Fiscal Indicators (% GDP)					
Budget balance	-13.5	-10.0	-6.8	-6.4	-6.0
Revenue	15.7	16.5	18.4	17.0	16.5
Expenditure	29.1	26.5	25.2	23.4	22.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (EGP bn)	2709.4	3442.0	4279.4	5119.5	6059.5
Nominal GDP (USD bn)	332.4	225.8	240.1	283.6	334.8
GDP per capita (USD)	3473	2314	2416	2804	3252
Real GDP Growth (% y/y)	4.3	4.1	5.3	5.5	6.1
Monetary Indicators (% y/y)					
M2	18.6	39.3	20.3	17.5	18.1
CPI (average)	13.7	29.6	15.0	12.0	12.0
External Accounts (USD bn)					
Exports	18.7	21.7	25.8	28.4	33.1
Imports	57.4	59.0	63.1	77.0	80.8
Trade Balance	-38.7	-37.3	-37.3	-48.6	-47.7
% of GDP	-11.6	-16.5	-15.5	-17.1	-14.2
Current Account Balance	-6.4	-2.8	-6.0	-7.0	-7.0
% of GDP	-6.0	-6.3	-2.5	-2.3	-2.0
Reserves	17.6	31.3	44.3	42.0	42.0
Public Finances					
Revenue (EGP bn)	491488	659184	768940	838440	928495
Expenditure (EGP bn)	804704	1025109	1182965	1318262	1434103
Balance*	-326355	-372758	-414026	-479822	-505608
% of GDP	-12.05	-10.83	-9.67	-9.37	-8.34
Central Government Debt (EGP mn)	2285644	2685898	3500000	4000000	4000000
% of GDP	84.4	78.0	81.8	78.1	66.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iran

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (IRR tn)	12823	14408	17075	21893	#######
Nominal GDP (USD bn)	441.8	433.9	421.2	481.2	570.0
GDP per capita (USD)	5436	5276	5061	5712	6686
Real GDP Growth (% y/y)	12.4	3.3	-1.9	-4.0	3.8
Monetary Indicators (% y/y)					
CPI (average)	8.7	10.0	21.0	31.2	17.5
External Accounts (USD bn)					
Exports	83978	98142	99782	79080	73903
Imports	63135	75546	77057	73204	74668
Trade balance	20843	22596	22725	5876	-765
% GDP	4.7	5.2	5.4	1.2	-0.1
Current account balance	16388	15816	15832	-1129	-7884
% GDP	3.7	3.6	3.8	-0.2	-1.4
Fiscal Indicators (IRRbn)					
Revenue	-1.9925	-1.8746	-1.6451	-1.3472	-1.1812
Expenditure	2072300	2429400	2769516	2824906	2966152
Budget Balance	-611700	-753700	-725162	-944101	-991306
% GDP	-4.8	-5.2	-4.2	-4.3	-3.8

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (IQD tn)	189145	215970	251239	284096	293920
Nominal GDP (USD bn)	165.2	184.6	214.7	242.8	251.2
GDP per capita (USD)	4214	4575	5174	5689	5723
Real GDP Growth (% y/y)	11.0	-0.3	3.5	4.3	4.6
Monetary Indicators (% y/y)					
CPI (average)	1.3	0.7	0.4	1.0	1.1
External Accounts (USD bn)					
Exports	41298.3	57559.1	71948.9	79143.8	83101.0
Imports	29077.0	32185.6	45059.8	54071.8	64886.2
Trade balance	12221.3	25373.5	26889.0	25072.0	18214.8
% GDP	*7.4*	*13.7*	*12.5*	*10.3*	*7.3*
Current account balance	2157.8	14892.5	52653.6	46003.5	33144.8
% GDP	1.3	8.1	24.5	18.9	13.2
Reserves	49.1	52.9	60.8	66.9	70.3
Fiscal Indicators (IQDbn)					
Revenue	55500	76590	98035.2	107839	109995
Expenditure	82860	90924.8	109110	119335	121113
Budget Balance	-27360	-14335	-11075	-11496	-11118
% GDP	-14.5	-6.6	-4.4	-4.0	-3.8

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (JOD bn)	27.4	28.6	29.6	30.6	31.6
Nominal GDP (USD bn)	38.7	40.3	41.7	43.2	44.6
GDP per capita (USD)	4949	4578	4633	4685	4735
Real GDP Growth (% y/y)	2.0	2.0	2.2	2.6	2.8
Monetary Indicators (% y/y)					
M2	5.1	-2.4	-4.5	3.0	5.0
CPI (average)	-0.8	3.3	4.6	3.7	2.4
External Accounts (USD bn)					
Exports	7.5	7.5	7.4	7.6	7.7
Imports	17.1	18.2	18.9	19.9	20.9
Trade Balance	-9.6	-10.7	-11.5	-12.3	-13.2
% of GDP	*-24.8*	*-26.5*	*-27.5*	*-28.5*	*-29.7*
Current Account Balance	-3.7	-4.3	-3.9	-3.8	-3.7
% of GDP	*-9.5*	*-10.7*	*-9.2*	*-8.8*	*-8.3*
Reserves	15.7	16.0	16.8	16.0	15.0
Public Finances					
Revenue (JOD mn)	7069.5	7425.4	7947.2	8416.3	9114.0
Expenditure (JOD mn)	7948.2	8173.1	8795.1	9212.6	9822.7
Balance	-878.7	-747.7	-847.9	-796.4	-708.7
% of GDP	*-3.2*	*-2.7*	*-3.1*	*-2.9*	*-2.6*
Central Government Debt (JOD mn)	23238.2	23239.2	23240.2	23241.2	23242.2
% of GDP	*93.5*	*84.4*	*90.0*	*95.0*	*98.0*

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Kuwait

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (KWD bn)	33.1	36.3	42.4	42.3	44.4
Nominal GDP (USD bn)	109.4	119.5	140.5	141.0	148.0
GDP per capita (USD)	27009	28933	33335	32810	33764
Real GDP Growth (% y/y)	2.9	-3.5	2.6	1.6	2.4
Hydrocarbon	2.0	-7.2	1.5	0.0	1.5
Non-hydrocarbon	4.1	1.5	4.0	3.5	3.5
Monetary Indicators (% y/y)					
M3	3.6	3.8	3.7	5.0	5.0
Private sector credit	2.5	2.8	3.0	4.0	4.0
CPI (average)	3.2	1.6	0.6	1.0	1.5
External Accounts (USD bn)					
Exports	46.5	55.2	70.8	61.6	69.1
Of which: hydrocarbons	41.5	49.3	64.8	55.6	63.1
Imports	26.4	29.5	30.5	31.5	32.0
Trade balance	20.1	25.6	40.3	30.1	37.1
% GDP	18.4	21.5	28.7	21.3	25.0
Current account balance	-5.0	7.6	18.3	10.1	18.1
% GDP	-4.6	6.3	13.0	7.2	12.2
Fiscal Indicators (% GDP)					
Budget balance	-13.9	-9.0	-2.9	-5.5	-5.8
Revenue	39.6	44.1	44.2	41.7	40.4
Expenditure	53.6	53.1	47.1	47.3	46.2

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (LBP bn)	76065	81706	87315	92833	99242
Nominal GDP (USD bn)	51.1	57.3	62.4	66.3	70.9
GDP per capita (USD)	11614	12912	13963	14762	15697
Real GDP Growth (% y/y)	1.0	0.6	0.8	0.9	1.7
Monetary Indicators (% y/y)					
M2	5.3	5.0	10.0	10.0	10.0
CPI (average)	-0.8	4.5	6.3	5.4	4.8
External Accounts (USD bn)					
Exports	3.9	4.0	4.2	4.9	5.1
Imports	17.9	18.4	18.8	20.3	21.9
Trade Balance	-14.0	-14.4	-14.6	-15.4	-16.8
% of GDP	*-27.4*	*-25.1*	*-23.5*	*-23.3*	*-23.7*
Current Account Balance	-10.5	-12.1	-12.2	-12.9	-14.1
% of GDP	*-20.5*	*-21.2*	*-19.6*	*-19.4*	*-19.9*
Reserves	39.6	42.0	40.3	39.5	39.1
Public Finances					
Revenue (LBP bn)	14959	17524	13840	13916	13955
Expenditure (LBP bn)	22412	23186	20912	21192	21580
Balance	-7453	-5662	-7072	-7276	-7625
% of GDP	*-9.8*	*-6.9*	*-9.6*	*-9.9*	*-7.9*
Central Government Debt (LBP bn)	112911	119998	138014	150565	155843
% of GDP	148.4	146.9	158.1	162.2	157.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Libya

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (LYD tn)	60	88	105	121	133
Nominal GDP (USD bn)	43.6	63.3	76.1	88.2	96.7
GDP per capita (USD)	6909	10025	10403	10604	10376
Real GDP Growth (% y/y)	-6.9	34.8	7.6	5.4	10.4
Monetary Indicators (% y/y)					
CPI (average)	9.5	25.0	11.5	10.0	8.5
External Accounts (USD bn)					
Exports	39.4	43.4	52.0	58.3	65.8
Imports	36.8	42.3	46.5	53.5	61.5
Trade balance	2.7	1.1	5.5	4.8	4.3
% GDP	*6.1*	*1.7*	*7.3*	*5.4*	*4.5*
Current account balance	-4.4	-6.0	-1.6	-2.3	-2.8
% GDP	-10.2	-9.5	-2.1	-2.6	-2.9
Reserves	65.9	74.1	80.0	76.0	76.7
Fiscal Indicators (LYDmn)					
Revenue	46333.4	53345.3	61455.8	67986	75293.2
Expenditure	57137.2	62727.2	68888.8	75678.5	83158.8
Budget Balance	-10804	-9381.9	-7433	-7692.5	-7865.7
% GDP	-18.1	-10.6	-7.1	-6.3	-5.9

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Morocco

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (MAD bn)	1013.6	1063.3	1115.7	1168.3	1230.3
Nominal GDP (USD bn)	103.3	109.6	118.8	121.0	127.5
GDP per capita (USD)	2929	3066	3283	3304	3439
Real GDP Growth (% y/y)	1.1	4.1	3.0	2.7	3.0
Monetary Indicators (% y/y)					
M2	7.0	6.0	6.0	6.0	6.0
CPI (average)	1.6	0.8	1.9	2.0	2.1
External Accounts (USD bn)					
Exports	18.9	21.5	25.8	27.8	29.5
Imports	36.6	39.6	46.3	51.9	54.5
Trade Balance	-17.7	-18.1	-20.6	-24.0	-25.0
% of GDP	*-1.7*	*-1.7*	*-1.8*	*-2.1*	*-2.0*
Current Account Balance	-4.4	-4.0	-4.2	-4.2	-3.9
% of GDP	-4.2	-3.6	-3.5	-3.4	-3.1
Reserves	25.4	25.8	24.5	26.0	28.0
Public Finances					
Revenue (MAD mn)	214149	222724	257586	270975	285060
Expenditure (MAD mn)	203621	206898	212133	220398	227068
Balance*	-42316	-37630	-40888	-39883	-36991
% of GDP	-4.2	-3.5	-3.7	-3.4	-3.0
Central Government Debt (MAD mn)	657	692	727	763	801
% of GDP	0.6	0.6	73.6	77.2	81.1

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

Key Economic Forecasts: Oman

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (OMR bn)	25.4	27.2	30.8	31.2	32.4
Nominal GDP (USD bn)	65.9	70.7	80.1	80.9	84.3
GDP per capita (USD)	14920	15503	17225	17054	17417
Real GDP Growth (% y/y)	5.0	-0.9	2.9	3.1	3.1
Monetary Indicators (% y/y)					
M2	1.8	4.2	5.0	4.6	5.6
Private sector credit	9.9	6.4	6.5	6.0	5.0
CPI (average)	1.1	1.6	1.0	1.5	2.5
External Accounts (USD bn)					
Exports	27.6	32.9	40.3	39.6	40.9
Of which: hydrocarbons	16.0	19.2	24.8	23.0	23.2
Imports	21.3	24.2	24.6	25.1	25.6
Trade balance	6.3	8.8	15.6	14.5	15.3
% GDP	9.5	12.4	19.5	17.9	18.2
Current account balance	-12.4	-10.8	-4.6	-5.8	-5.2
% GDP	-18.8	-15.2	-5.7	-7.1	-6.2
Fiscal Indicators (% GDP)					
Budget balance	-20.9	-13.8	-6.4	-8.2	-7.1
Revenue	30.0	31.3	36.4	34.5	33.9
Expenditure	50.9	45.1	42.7	42.7	41.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (QAR bn)	552.3	607.6	695.1	711.1	756.6
Nominal GDP (USD bn)	151.7	166.9	191.0	195.4	207.9
GDP per capita (USD)	57913	61371	69166	69713	73082
Real GDP Growth (% y/y)	1.8	1.1	3.1	3.6	4.0
Hydrocarbon	-0.9	-0.7	1.0	2.0	2.0
Non- hydrocarbon	5.3	3.8	4.3	5.0	5.7
Monetary Indicators (% y/y)					
M2	-4.6	21.3	-5.0	6.5	7.7
Private sector credit	6.5	6.4	12.0	7.0	7.5
CPI (average)	2.7	0.4	0.4	1.5	2.0
External Accounts (USD bn)					
Exports	57.3	67.5	87.7	83.8	88.4
Of which: hydrocarbons	46.7	56.8	67.5	70.9	75.9
Imports	31.9	30.8	33.8	37.2	40.9
Trade balance	25.4	36.7	53.8	46.6	47.5
% GDP	16.7	22.0	28.2	23.8	22.8
Current account balance	-8.3	6.4	19.5	11.1	10.3
% GDP	-5.5	3.8	10.2	5.7	4.9
Fiscal Indicators (% GDP)					
Budget balance	-9.2	-5.8	-0.3	1.0	1.0
Revenue	30.8	26.3	28.7	29.0	28.7
Expenditure	39.9	32.1	29.0	27.9	27.8

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2016	2017	2018	2019f	2020f
Nominal GDP (SAR bn)	2419	2564	2938	2927	3049
Nominal GDP (USD bn)	645	684	783	780	813
GDP per capita (USD)	19693	20391	22814	22238	22666
Real GDP Growth (% y/y)	1.7	-0.9	2.2	2.0	1.6
Hydrocarbon	3.6	-3.1	2.5	1.0	0.0
Non- hydrocarbon	0.2	1.1	1.9	2.8	2.9
Monetary Indicators (% y/y)					
M2	0.8	0.2	1.0	4.8	4.9
Private sector credit	2.4	-0.8	4.0	5.0	5.0
CPI (average)	2.1	-0.8	2.5	2.0	2.0
External Accounts (USD bn)					
Exports	183.6	221.9	281.4	263.7	265.1
Of which: hydrocarbons	136.2	170.2	229.0	210.0	210.0
Imports	127.8	123.4	125.9	129.0	132.2
Trade balance	55.8	98.5	155.5	134.7	132.8
% GDP	8.6	14.4	19.9	17.3	16.3
Current account balance	-23.8	10.5	73.5	52.1	52.6
% GDP	-3.7	1.5	9.4	6.7	6.5
SAMA's Net foreign Assets	528.6	488.9	500.0		
Fiscal Indicators (% GDP)					
Budget balance	-12.9	-9.3	-4.6	-5.6	-5.6
Revenue	21.5	27.0	30.5	31.3	30.6
Expenditure	34.3	36.3	35.1	37.0	36.2
Public debt	13.1	17.1	19.1	24.2	26.3

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Tunisia

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (TND bn)	89.6	89.0	91.1	93.5	96.3
Nominal GDP (USD bn)	41.7	36.8	34.5	30.6	30.6
GDP per capita (USD)	3911	3791	3343	3136	2785
Real GDP Growth (% y/y)	1.0	1.7	2.5	2.7	3.0
Monetary Indicators (% y/y)					
M2	8.2	10.6	10.0	8.0	8.0
CPI (average)	3.7	5.3	7.4	6.8	5.5
External Accounts (USD bn)					
Exports	13.6	14.2	15.5	15.0	15.1
Imports	18.4	19.5	21.1	19.7	19.5
Trade Balance	-4.8	-5.3	-5.6	-4.7	-4.4
% of GDP	-11.5	-14.4	-16.3	-15.4	-14.3
Current Account Balance	-3.7	-4.1	-3.8	-2.9	-2.7
% of GDP	-8.9	-11.1	-11.1	-9.4	-8.9
Reserves	6.0	5.6	5.0	5.0	5.0
Public Finances					
Revenue (TND mn)	21245	23891	28431	32695	35965
Expenditure (TND bn)	26099	29546	32796	36732	39670
Balance*	-4854	-5655	-4366	-4036	-3705
% of GDP	-6.2	-6.7	-4.8	-4.3	-3.9
Central Government Debt (TND mn)	55919	68074	77604	81484	79855
% of GDP	61.9	70.3	85.2	89.5	87.7

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

Key Economic Forecasts: UAE

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (AED bn)	1311.2	1405.0	1568.2	1602.4	1685.3
Nominal GDP (USD bn)	357.3	382.8	427.3	436.6	459.2
GDP per capita (USD)	39172	41890	46661	47585	49946
Real GDP Growth* (% y/y)	3.0	0.8	2.4	3.1	3.5
Hydrocarbon	2.6	-3.0	2.5	2.0	2.0
Non-hydrocarbon	3.2	2.5	2.3	3.5	4.1
Monetary Indicators (% y/y)					
M2	3.3	3.0	2.0	5.0	5.5
Private sector credit	3.7	0.3	4.7	5.2	6.0
CPI (average)	1.6	2.0	3.1	1.5	2.0
External Accounts (USD bn)					
Exports	291.6	307.6	331.0	330.4	337.3
Of which: hydrocarbons	50.9	61.3	79.9	75.4	76.8
Imports	226.6	229.0	240.0	240.0	247.2
Trade balance	65.0	78.6	91.0	90.4	90.1
% GDP	18.2	20.5	21.3	20.7	19.6
Current account balance	13.1	26.1	30.5	34.4	30.6
% GDP	3.7	6.8	7.1	7.9	6.7
Fiscal Indicators (% GDP)					
Consolidated budget balance	-3.3	-2.9	0.4	-0.8	0.5
Revenue	27.6	27.5	29.7	29.2	29.6
Expenditure	30.9	30.4	29.3	30.0	29.1

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

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