بنك الإمارات دبي الوطني
Emirates NBD

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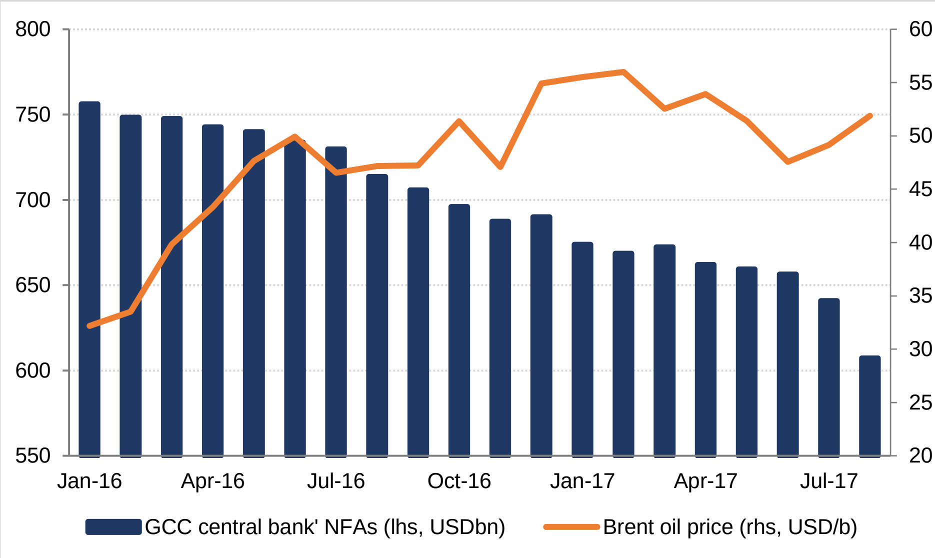
GCC Quarterly: Q4 2017

- Against an improving global macroeconomic backdrop, the outlook for the GCC economies is also broadly constructive, notwithstanding the impact of lower oil production on headline GDP growth this year. Non-oil growth has held up relatively well in an environment of tighter fiscal policy, underpinned largely by infrastructure investment.
- Fiscal deficits remain substantial in most GCC countries, with the UAE being the exception. While governments made significant cuts to subsidies and reined in spending in 2016, there has been little progress on fiscal reform this year, although some fees and taxes have been increased and businesses are preparing for the introduction of VAT in January 2018.
- As oil prices have recovered this year, authorities' focus has shifted from curbing spending to increasing public sector efficiency, privatization and other structural reforms to support increased investment and non-oil growth, but execution so far has been slow.
- Current account balances have improved in 2017 on the back of both higher oil prices and stable export volumes (despite lower crude production). However, net foreign assets at the central banks in Saudi Arabia, Qatar and Bahrain have declined year-to-date pointing to negative overall balance of payments positions in those countries.
- Oil markets have currently priced in an extension of the current deal beyond its March 2018 expiry, but this has not been assumed in our 2018 GCC growth forecasts. If the agreement is extended next year, OPEC producers will need to maintain strict discipline to keep oil markets close to balance. This could result in further contraction in oil production for countries like the UAE, and presents a downside risk to our 2018 growth outlook.

GCC central banks' net foreign assets decline even as oil price recovers



Source: Emirates NBD Research

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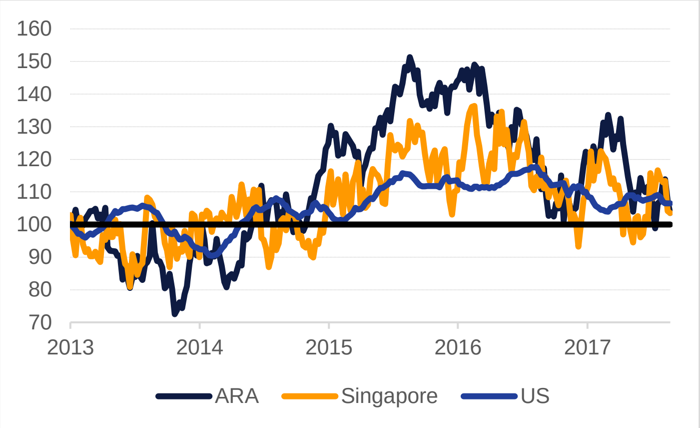
Oil market outlook

Nine months in to their production cut deal with partners outside the bloc, OPEC is between a rock and a hard place. Oil markets have largely priced in an extension of the current deal beyond its March 2018 expiry but OPEC producers will need to maintain strict discipline to keep oil markets close to balance. Even if OPEC achieves 100% compliance with their production targets, we doubt the market will shift into a seriously tight position next year.

OPEC's commitment to the production cuts has helped to stabilize oil markets, pushing the overall balance into deficit and catalyzing a draw in inventories. Floating storage, whose economics no longer make sense in a backwardated market, and transparent stocks in the US, ARA or Singapore are all drawing closer to their five-year averages, meeting one of OPEC's objectives for the deal. Oil prices have held within a relatively narrow range compared with the past few years and the cuts have helped move the Brent curve into backwardation from around August.

'Excess' are stocks drawing down

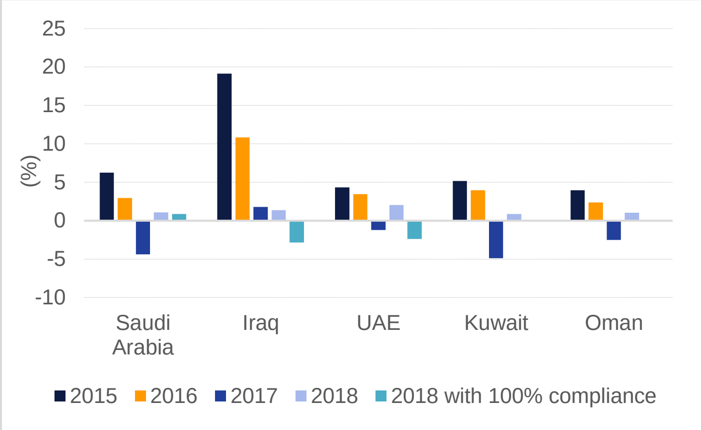


Source: EIKON, Emirates NBD Research. Note: current inventory level at each location measured as share of its five-year average.

All the major forecasting agencies expect an increase in non-OPEC supply next year, ranging from growth of 0.9m b/d estimated by OPEC itself or a more blistering 1.5m b/d expected by the IEA. Meanwhile, demand growth is expected to slow from the elevated pace the market has seen this year, even as most economies are set to grow at healthy paces. Both of these dynamics mean OPEC and its partners will be under considerable pressure to maintain strict compliance with the production cuts will be in order to keep the oil market from blowing out again. Compliance in 2017 has been good but can improve next year either by distributing it more evenly across members to take the pressure off those members how have been over-cutting, such as Saudi Arabia, or expanding the cuts.

Either of those outcomes is likely to be challenging as hitting 100% compliance would mean two consecutive years of declining oil production for some producers. We estimate oil production in the UAE would decline 2.4% from 2017 levels if it achieved 100% compliance while production in Iraq would fall by closer to 3%. While the declines are relatively small, the contraction in Saudi Arabia's economy in H1 2017 highlights how severe the impact of the cuts can be on domestic economies which are still undergoing diversification reforms.

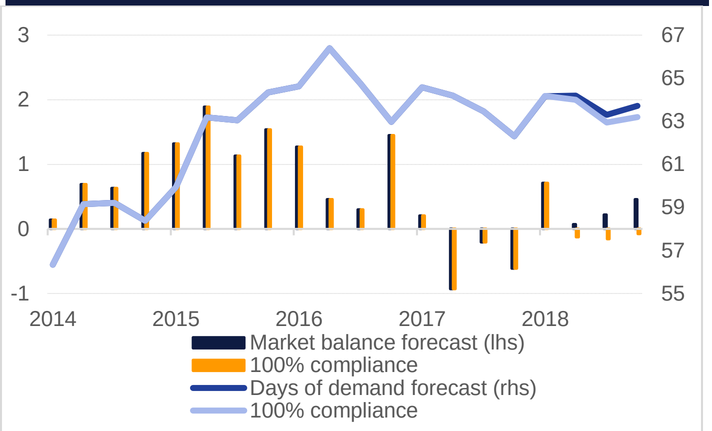
Two years of low oil growth hard to bear



Source: IEA, Emirates NBD Research. Note: oil production growth.

Even if OPEC achieved 100% compliance by all members we are doubtful how meaningful the cuts would be in terms of putting the oil market into a tight position and spark a major shift higher in prices.

Full compliance won't lead to tight market



Source: IEA, Emirates NBD Research. Note: market balance in m b/d.

Were OPEC members to comply fully, we would expect the oil market to record a deficit from Q2 2018 until the end of the year but only at an average of around 120k b/d. This compares with our core forecast of a stock build in 2018 of closer to 400k b/d on average. The impact on inventories, at least as far as we can assess OECD stocks, would be for stabilization around 3bn bbl. However, the headline figure alone does not provide a clear signal as to how tight or loose the market is. With 100% compliance we expect that inventories would still remain bloated when measured against demand, meeting around 63.6 days of demand compared with 63.8 days in our core forecast. As a result we see little upside to oil prices for 2018 and maintain our Brent forecast at an average of USD 51/b.

Edward Bell, Commodities Analyst

Bahrain

H1 GDP growth averages 3.1%

Real GDP growth averaged 3.1% in H1 2017, much higher than our 2.2% forecast for full year growth. The mining & quarrying sector, which includes oil & gas, grew q/q in both Q1 and Q2, reversing the sharp contraction in Q4 2016. On an annual basis, the sector declined -1.4% in real terms in H1 2017.

However, almost all other sectors of Bahrain's economy grew in the first half of the year, with the financial services sector (which accounts for nearly 17% of GDP) doing particularly well at 7.9% y/y. Hotels & restaurants expanded 12.9% y/y in H1 2017, although this sector accounts for just 2.5% of the economy. Transport & communication and social & personal services grew 7.0% and 8.1% y/y respectively.

Given the strong growth performance in H1, we have revised up our full year GDP growth forecast for Bahrain to 3.0% from 2.2% previously.

Central bank's NFAs decline again in Q2

CBH's net foreign assets stood at USD 1.39bn at the end of August, down from USD 2.8bn at the end of Q1. The current import cover is just over one month, well below the 3 month recommended minimum.

Broad money supply growth has accelerated this year, reaching 2.0% y/y in August, from 1.2% y/y in December 2016, even as M1 has contracted. However, private sector credit growth has contracted on an annual basis every month since April.

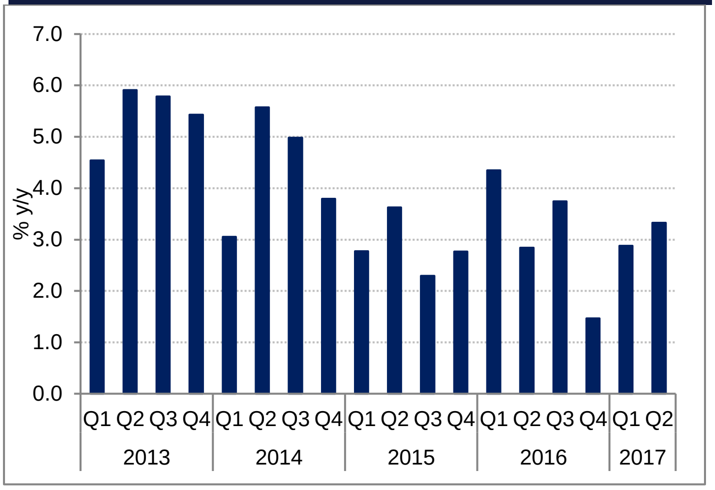
IMF calls for additional fiscal adjustment

The IMF concluded its annual Article IV consultation with Bahrain in early June, but the full report has yet to be published. A statement from the Executive Board released in late August highlights the significant fiscal and external imbalances, and calls for "additional sizable and frontloaded fiscal adjustment…urgently". However, given the difficulty in passing the 2017 budget (which was achieved six months late), and the lack of aggressive tightening measures in this year's budget, it seems unlikely that the IMF's advice will be heeded.

The IMF also indicated that the central bank may need to increase domestic interest rates in order to discourage capital outflows and rebuild foreign reserves, and in doing so to support the peg against the USD.

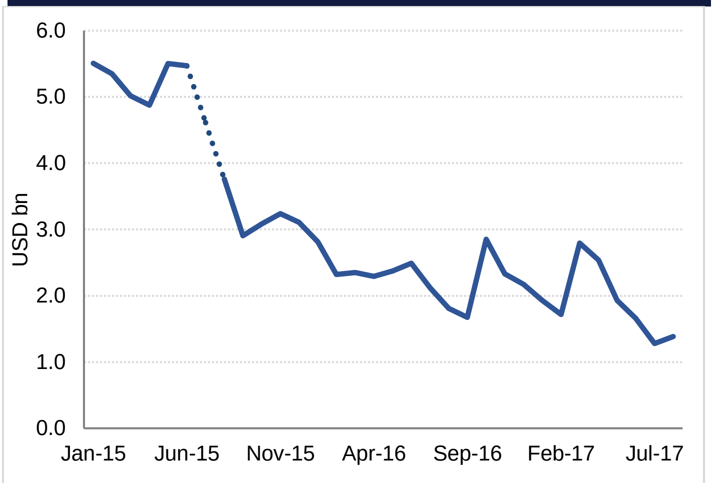
While we recognize the vulnerability of the currency peg in the context of high fiscal and external deficits, high public debt to GDP, and the very low level of foreign reserves, we expect the rest of the GCC will continue to support Bahrain's economy with financing that is required to meet its external obligations and to maintain the peg to the USD.

Quarterly GDP Growth



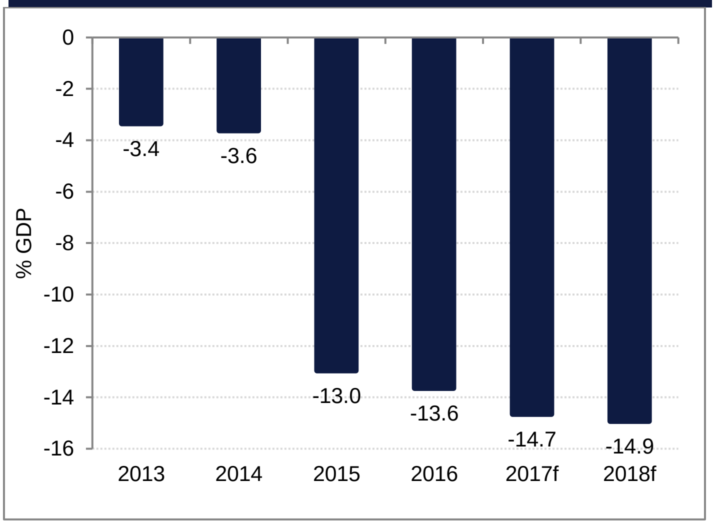
Source: Haver Analytics, Emirates NBD Research

Central Bank of Bahrain NFAs



Source: Haver Analytics, Emirates NBD Research

Fiscal balance



Source: Haver Analytics, Emirates NBD Research

Kuwait

GDP grew 3.5% in 2016

Official statistics show Kuwait's economy grew 3.5% last year, driven largely by a 3.3% expansion in the hydrocarbons sector. The 2015 growth figure was revised down to 0.6% from an initial estimate of 1.8%.

We had forecast growth of 2.1% in 2016 based on a lower estimate of oil sector growth, as Bloomberg estimates show that crude oil output rose just 0.8% y/y in 2016. Hydrocarbons still account for more than 55% of real GDP in Kuwait. Non-oil sectors grew 3.8% last year, slightly faster than our 3.5% forecast.

Kuwait has cut crude production by -5.7% in the year to September, compared with average 2016 output. Although Bloomberg estimates show a slight increase in oil production in September, average output year-to-date is broadly in line with the target agreed with OPEC in November 2016 (2.707mn bpd). This will weigh on real GDP growth in 2017, even as we expect the non-oil sector to grow around 4% this year. As a result, we retain our -1.2% forecast for 2017 GDP growth. We expect growth to rebound (along with oil production) to 2.1% in 2018.

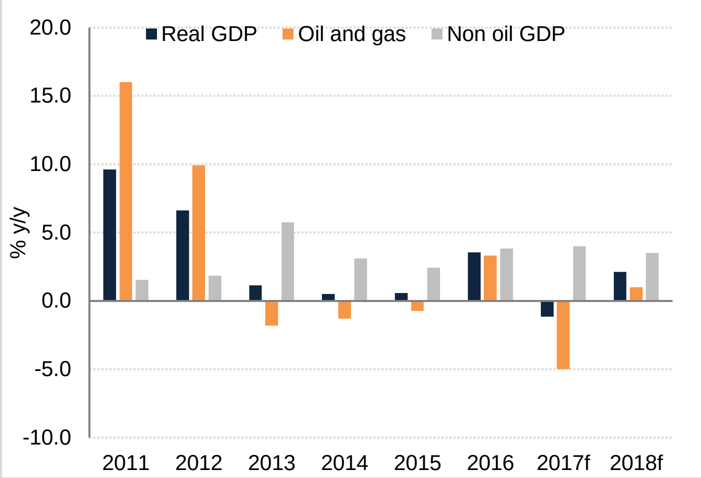
2016/2017 budget deficit lower than forecast

The estimated outcome for the 2016/2017 budget (which ended 31 March) was better than we had forecast at -13.5% of GDP. While this was partly due to a higher nominal GDP figure, expenditure over the last fiscal year was lower than we had expected at KWD 17.7bn, down -2.9% from 2015/2016. The Finance Ministry has attributed some of the undershoot to savings achieved by implementing its National Program for Fiscal and Economic Sustainability (FES), which it says yielded over KWD 1bn in savings in the last fiscal year.

Although we expect expenditure to rise in the current fiscal year, oil revenues will also be higher and we expect the deficit to narrow slightly to -KWD 3.9bn (-12.5% GDP) this year. Looking ahead, Kuwait is reportedly considering including a medium term (three year) spending cap of KWD 21bn in the next budget law (2018/2019). As this is higher than projected spending in the current fiscal year, and also higher than our forecast for 2018/2019, it doesn't suggest a tighter fiscal stance.

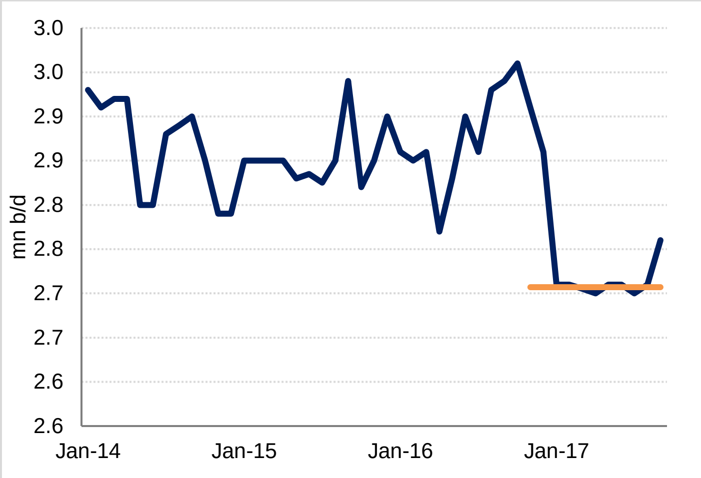
Indeed, the authorities appear to be focusing reform efforts on efficiency gains in the public sector, privatization, PPP projects and improving the regulatory environment for the private sector rather than further direct cuts to subsidies and government spending. In an interview earlier this year, Kuwait's finance minister indicated that the country's reserves (including the sovereign wealth fund KIA) stood at just over USD 500bn, and that the returns on these investments were sufficient to finance the budget deficits, even without external debt issuance.

GDP growth



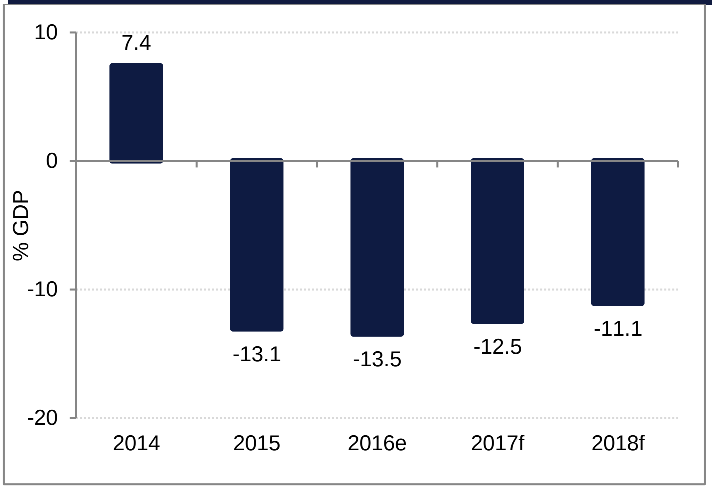
Source: Haver Analytics, Emirates NBD Research

Kuwait oil production & OPEC target



Source: Bloomberg, IMF, Emirates NBD Research

Budget balance (% GDP)



Source: Haver Analytics, Emirates NBD Research

Oman

Look beyond headline 2016 GDP growth of 5.4%

Recently released GDP statistics show that Oman's economy expanded 5.4% in real terms in 2016, up from a revised 4.7% in 2015 and making it the fastest growing economy in the GCC by far last year (the next fastest was Kuwait at 3.5%). However, the headline growth number is distorted by the significant cuts to subsidies and/or increased taxes last year.

If we simply look at the real gross value added by each sector (excluding taxes and subsidy adjustments) then **growth slowed to 1.8% in 2016 from 4.9% in 2015**, which is a sharper slowdown than we had expected. The oil sector expanded 2.3% in 2016 on the back of an estimated 3% increase in crude oil output, while the non-oil sector expanded 1.8% last year, much slower than the 5.5% growth recorded in 2015.

The slowdown in the non-oil economy last year was largely due to tighter fiscal policy, in our view. Total budget spending fell nearly 6% last year, with subsidies declining more than 45% on 2015, which in turn was down -38% from 2014. Current spending at civil ministries (wages, salaries and operating expenses) was cut nearly 4% last year, and investment spending (again primarily at the ministries) was down -11.7% on 2015.

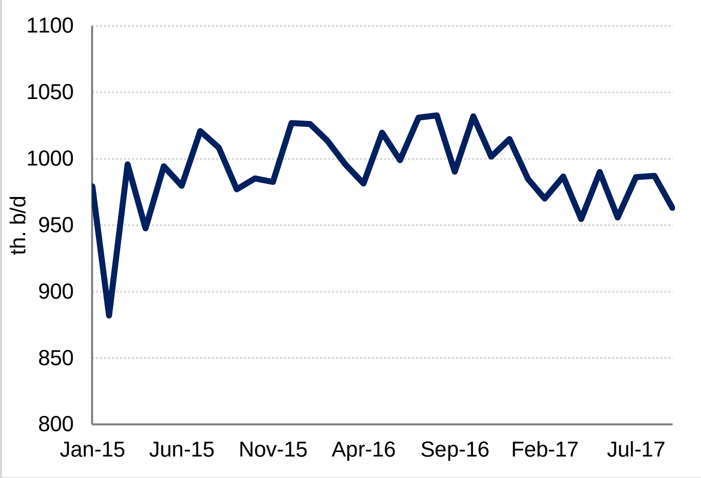
The expenditure breakdown of GDP tells a similar story: consumption (both household and government) and gross fixed capital formation declined in real terms in 2016. This was offset by an improvement in net exports and a sharp rise in the change in inventories, which more than doubled relative to 2015.

2016 non-oil growth driven by construction

Growth was strongest in the building & construction sector last year (10.4% y/y), followed by utilities (9.5% y/y). Real estate and business services grew 4.4% in 2016. However, these sectors together accounted for less than 14% of total GDP. The key sectors of public administration & defence (9.3% of GDP) and wholesale & retail trade (7.4% of GDP) contracted -1.5% y/y and -3.2% y/y respectively, as cuts to energy subsidies weighed on household consumption and government reined in other budget spending as well.

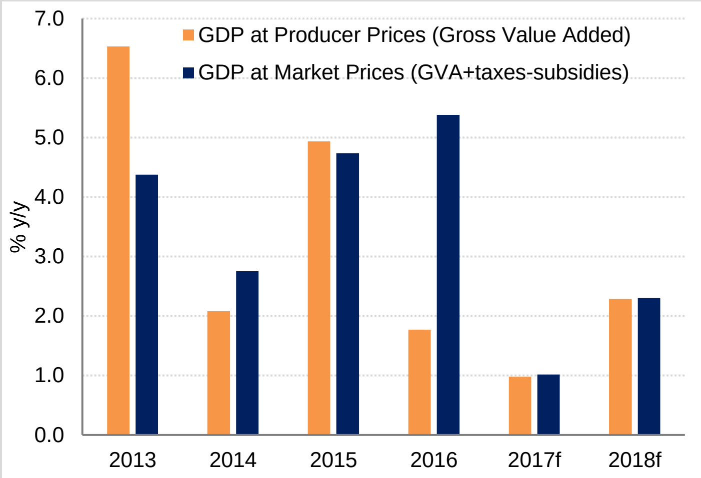
We retain our GDP growth forecast for 2017 at 1.0%, as faster non-oil growth is likely to be offset by lower crude oil production. While Oman is not a member of OPEC, it has agreed to limit its oil production to support OPEC's efforts to reduce the excess crude oil supply in the global market. Oman's crude oil output has declined more than 3.5% in the year to September, compared with average 2016 production.

Oil production



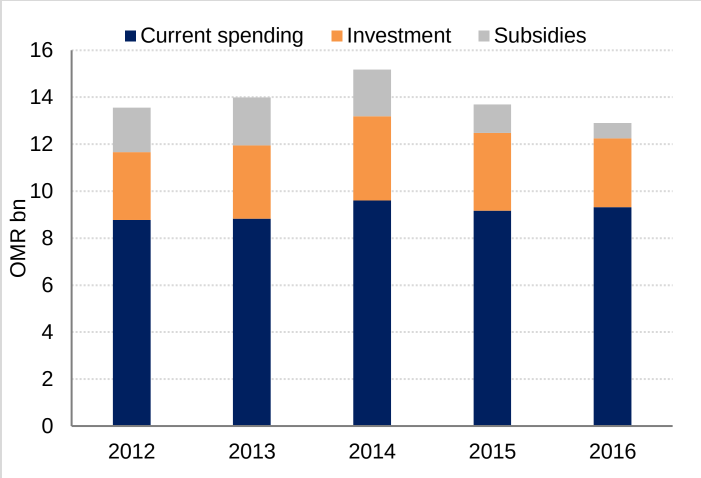
Source: Bloomberg, Emirates NBD Research

GDP growth



Source: Haver Analytics, Emirates NBD Research

Breakdown of budget expenditure



Source: Haver Analytics, Emirates NBD Research

Qatar

Q2 GDP growth slowed to 0.6% y/y

Real GDP growth slowed sharply in the second quarter, largely on the back of a -2.7% y/y contraction in the hydrocarbon sector. However, non-oil sector growth also slowed from 5.7% y/y in Q1 to 4.4% in Q2. The sharpest slowdown was in the financial and insurance services sector, which expanded 4.8% y/y, the slowest rate since at least 2012 (where the current time series begins).

While the imposition of trade sanctions by other GCC states and Egypt would have had some impact on the Q2 GDP data, the restrictions were only imposed at the start of June, so the Q3 figures should show a more complete picture of how the economy has been affected.

Domestic liquidity underpinned by public sector deposits

Broad money supply (M2) grew 1.0% m/m and 14.5% y/y in September, the fastest annual rate of growth since March 2015, despite another -4.2% m/m decline in non-resident bank deposits. Total non-resident bank deposits have declined by nearly –QAR 42bn (-22.6%) from end-May to end-September. Resident private sector deposits have also fallen –QAR 25bn (-6.6%) since the GCC trade sanctions have been imposed. However, these withdrawals from Qatari banks have been more than offset by a QAR 102.4bn (USD 28.1bn; +51%) rise in public sector deposits since the end of May.

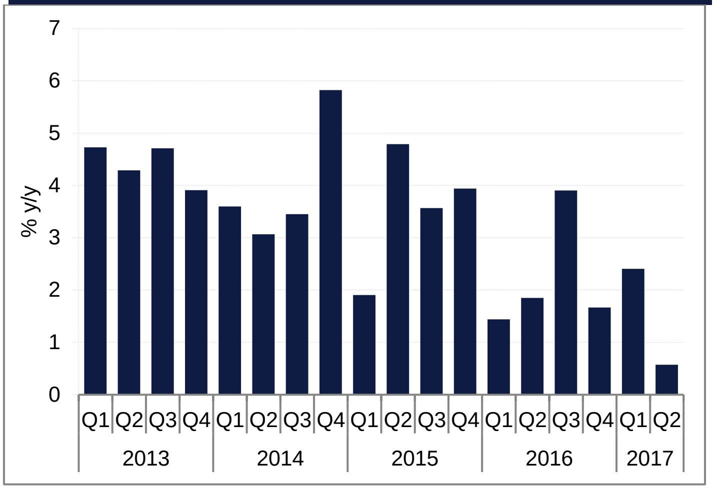
The monetary survey showed that net foreign assets at the central bank declined by –USD 15.3bn from June through August, suggesting a repatriation of some public sector funds from abroad. At the same time, the net foreign liabilities of commercial banks has declined, as non-resident banks have reduced their exposure (both deposits and loans) by a combined USD 27.5bn. At the end of August, the net foreign assets of commercial banks in Qatar stood at –USD 37.4bn, down from –USD 55.7bn at the end of May.

However, going forward Qatari banks are likely to seek non-GCC financing (including loans and bond issuance) as existing debt continues to mature and in order to reduce their reliance on the public sector for liquidity. In fact the sovereign itself is expected to come to the market to raise at least USD 9bn in Q4 2017, according to Bloomberg reports, to replenish its foreign reserves.

Domestic loan to deposit ratio eases

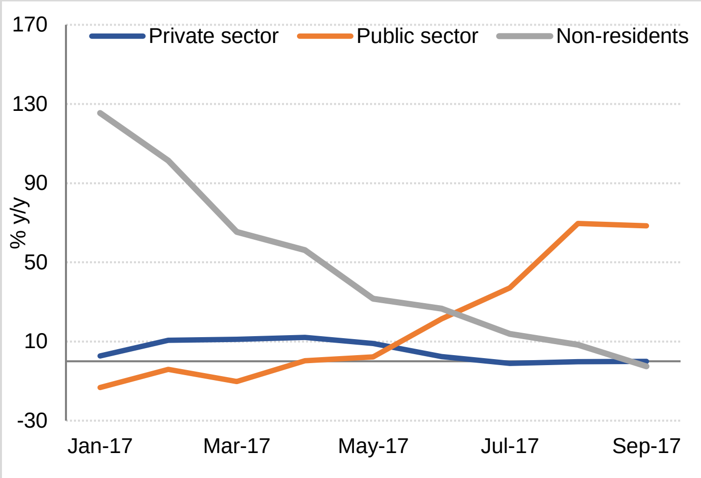
The sharp rise in public sector deposits helped push total bank deposit growth to 20% y/y in August, while loan growth was more modest (but still strong) at 14.6% y/y. The ratio of domestic loans to deposits has also declined sharply to 125.7% in August, the lowest reading since March 2016.

Quarterly GDP growth



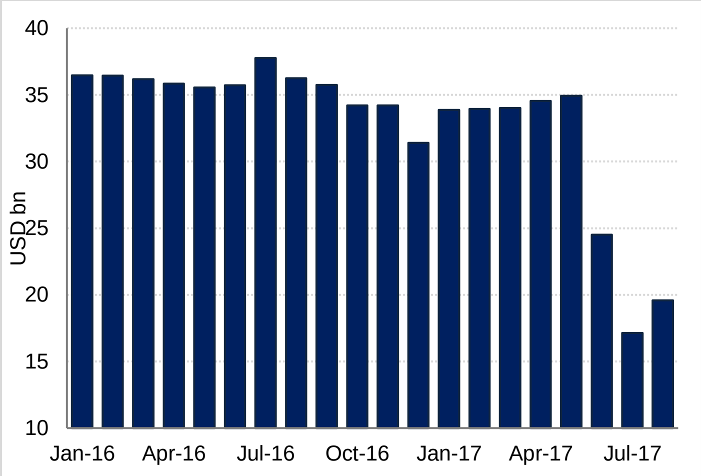
Source: Haver Analytics, IMF, Emirates NBD Research

Bank deposit growth by source



Source: Haver Analytics, Emirates NBD Research

QCB Net Foreign Assets



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

GDP contracts -1.0% y/y in Q2

Official data shows the Saudi economy contracted -2.3% q/q and -1.0% y/y in Q2. However, the decline in GDP was entirely due the oil production cuts agreed last November, with the non-oil sectors growing modestly (less than 1% y/y) in both Q1 and Q2 2017.

The quarterly GDP contraction was smaller in Q2, reflecting a modest increase in hydrocarbon growth q/q. This reflects the recovery in oil production in the second quarter, after Saudi Arabia cut by more than necessary in Q1 (see chart 1 opposite).

Average real GDP growth in H1 2017 was -0.8%, well below our forecast for full year growth of 0.5%. However, we expect oil production to stabilize or even increase modestly in H2 2017, without compromising the OPEC target, because production cuts were so aggressive at the start of this year.

Furthermore, we expect the non-oil sector growth data to improve in H2 for several reasons: 1) the PMI surveys have pointed to solid growth in the non-oil private sector through Q3; 2) the oil price increased by nearly 2.5% on average in Q3 (and tracked higher this month) which allows the government room to spend without compromising budget deficit targets; 3) the successful USD 12.5bn in debt issuance in late September will reportedly be used to pay down some arrears to the private sector which should boost activity.

Authorities remain committed to Vision 2030

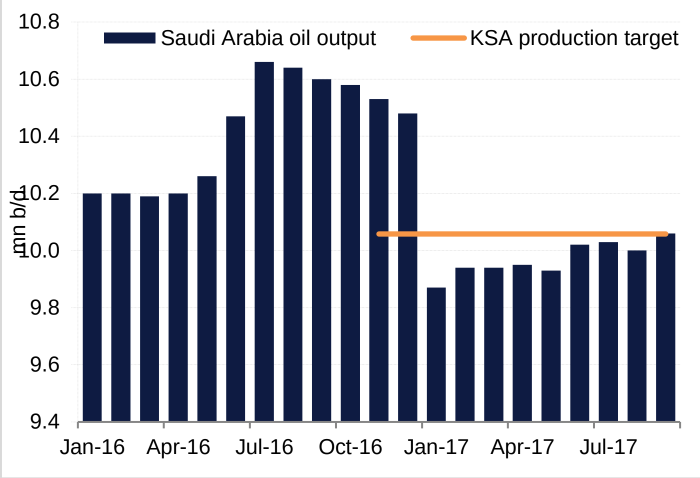
Finally, the government is expected to release a revised National Transformation Plan in the coming weeks, which should re-affirm its commitment to longer-term structural reform and economic diversification. The ‘re-branding’ of Saudi Arabia has already received a boost this week with the high profile Future Investment Initiative, sponsored by the Public Investment Fund (PIF) and attended by CEOs of the world’s biggest companies, investors and officials from IFIs.

The announcement of a new city and industrial zone (Neom) to be built on the borders with Egypt and Jordan (and spill over into those countries), and which will have its own laws and regulations in line with international standards, was another public, high level commitment to economic and social reform, diversification and openness by the Kingdom’s crown prince.

Higher oil prices help rein in budget deficit

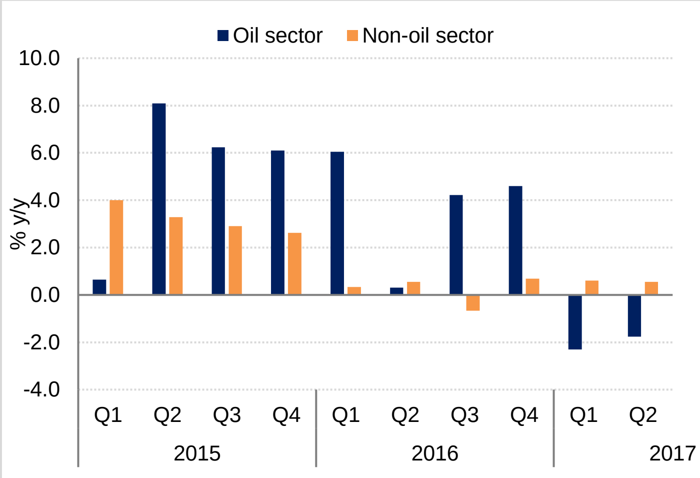
Saudi Arabia’s Q2 budget update showed a halving of the deficit in H1 2017 (to -SAR 72.7bn) relative to H1 2016. Looking beyond the headline figure however, the data is less encouraging. The rise in total budget revenue was entirely due to higher oil prices, as non-oil revenues declined nearly -12% y/y in H1 2017, suggesting little progress is diversifying budget revenue away from oil.

Oil production and OPEC target



Source: Bloomberg, Emirates NBD Research

Real GDP growth



Source: Haver Analytics, Emirates NBD Research

Budget outcome (half year)

	H1 2016 (SARbn)	H1 2017 (SAR bn)	% y/y
Oil revenue	130.9	213.0	62.7
Non-oil revenue	107.6	95.0	-11.8
Total revenue	238.6	308.0	29.1
Current spending	326.2	318.4	-2.4
o/w wages & salaries	202.5	196.9	-2.8
Capital Spending	61.8	62.3	0.9
Total expenditure	388.0	380.7	-1.9
Budget balance	-149.4	-72.7	-51.3

Source: Haver Analytics, Emirates NBD Research

On the expenditure side, current spending declined just -2.4% y/y in H1 2017, and wages & salaries still accounted for nearly 52% of total expenditure. The authorities' decision to reinstate public sector bonuses and allowances that had been cancelled in October 2016 would not have helped to contain spending on wages & salaries in H1 2017. While the amount spent on subsidies and grants have declined this year, further cuts to energy and fuel subsidies that had been expected in July have been postponed, although there is some discussion around these being applied towards the end of this year.

We expect the budget deficit to narrow to -12.8% of GDP this year from -13.6% in 2016. According to the latest IMF Article IV report, the government has indicated it wants to achieve a balanced budget by 2019. This looks overly ambitious to us and the expenditure cuts required to achieve this goal would weigh heavily on GDP growth over the next two years. The IMF has noted that such an aggressive tightening (as proposed by the government) may not be necessary as the authorities have the room to slow the pace of fiscal adjustment.

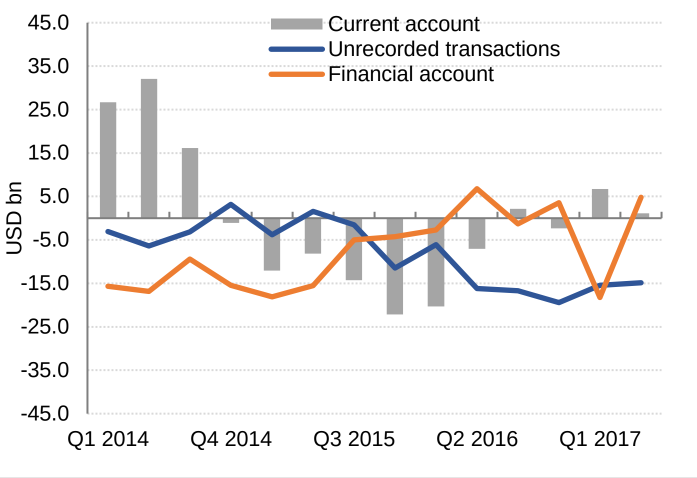
Decline in net foreign assets continues

Despite the improvement in the headline budget figure, a current account which has moved back to a surplus position in H1 2017, and a sukuk issuance of USD 9bn earlier this year, the overall balance of payments continued to reflect a net ouflow (or a decline in reserve assets) in the first half of this year. SAMAs net foreign assets had fallen by -USD 35bn by end-June.

Part of this was due to the acquisition of foreign assets (USD 13.4bn), particularly the purchase of foreign currency and deposits abroad in H1 2017. However, the biggest deficit was in the 'errors and omissions' line in the balance of payments, which showed an outflow of USD 30.3bn in H1 2017. This is basically unrecorded transactions or 'capital flight' and was 36% higher than in H1 2016.

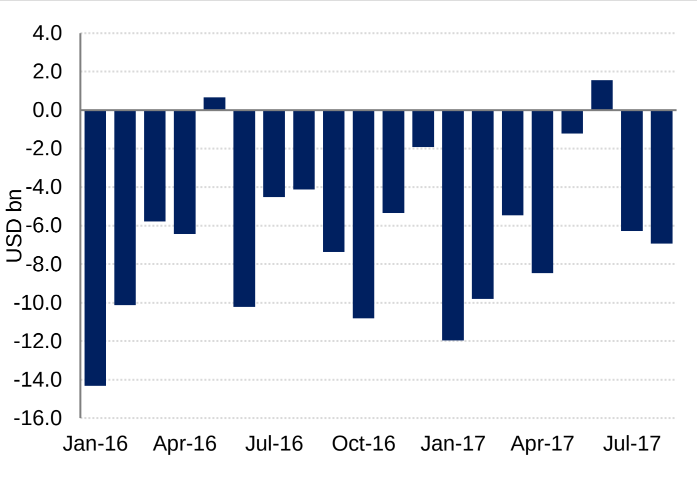
The USD 12.5bn external bond issuance in late September should have helped to shore up the net foreign assets position in H2, but the monetary survey data for July and August (showing a further USD 13.2bn in SAMAs NFAs to end-August) suggest that the underlying balance of payments dynamics hadn't changed in Q3.

Cash flows in the balance of payments



Source: Haver Analytics, Emirates NBD Research

Monthly change in SAMA's NFAs



Source: Haver Analytics, Emirates NBD Research

UAE

Oil production rises in Q3

The UAE's crude oil production rose 1.1% q/q in Q3 2017, reaching 2.93mn bpd in September according to Bloomberg estimates. Average crude output in the first 9 months of this year is about 1.4% higher than the 2.874mn bpd production limit agreed with OPEC in November 2016. When this agreement was extended through H2 2017, we downgraded our full year UAE GDP growth forecast on the assumption that the UAE would comply fully with the production cuts. Consequently, any overshoot of the OPEC-agreed production target presents an upside risk to our 2% 2017 real GDP growth forecast.

PMIs signal solid non-oil sector growth

Despite the lower heading index reading in September, the average PMI for the third quarter was 56.1, the highest quarterly average since Q3 2015. Overall, the PMI survey data in Q3 2017 points to the fastest rate of expansion in the non-oil economy in two years.

However beyond the headline index, the data is more mixed. Employment growth remains soft, with the employment index averaging 51.2 in the year to September, unchanged from 2016 despite a 2 point rise in the headline PMI. Wage pressures are also weaker than last year. Moreover, output (selling) prices have continued to decline on average, as firms compete to secure new work and boost output, putting pressure on margins in an environment of rising input costs.

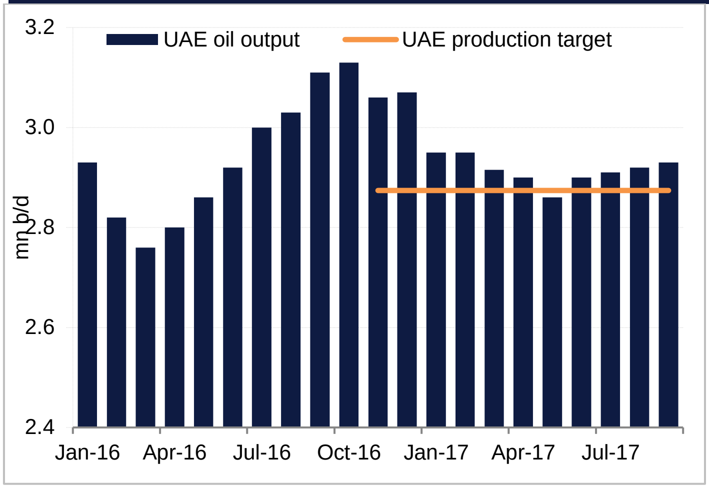
Nevertheless, we are optimistic about non-oil sector growth heading into Q4. We think households are likely to bring forward purchases of larger items ahead of the introduction of VAT in January 2018, providing a boost to consumption despite only modest jobs and wage growth.

Loan growth slowed in Q3

Bank deposits growth slowed to 6.6% y/y in Q3 (5.8% y/y in September) from an average of 6.9% in H1 2017. However, bank loan growth slowed more sharply to 2.1% y/y in Q3 (0.9% y/y in September), compared with average growth of 4.9% in H1 2017.

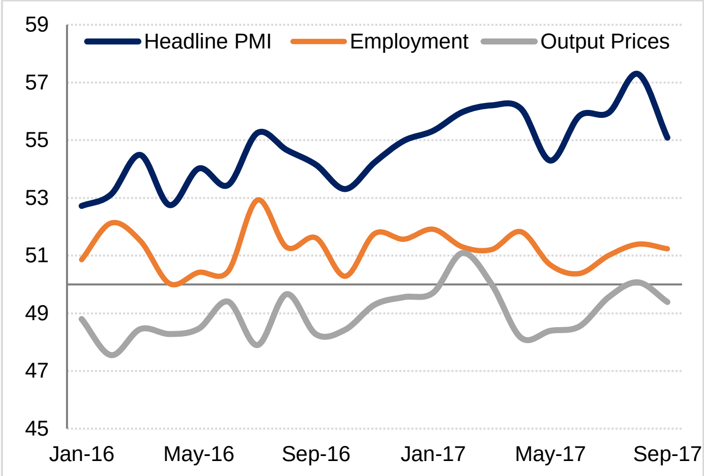
A detailed breakdown of the September loan data is not yet available, but the data for August shows a decline in lending to the private sector (mainly households) as well as a drop in lending to the public sector (GREs). Lending to businesses (which accounts for nearly half of all bank loans in the UAE) slowed over the summer, with the central bank's credit sentiment survey showing a modest tightening in lending criteria to businesses, particularly SMEs, in the third quarter. Loans to government and foreign lending increased in July and August.

Oil production and OPEC target



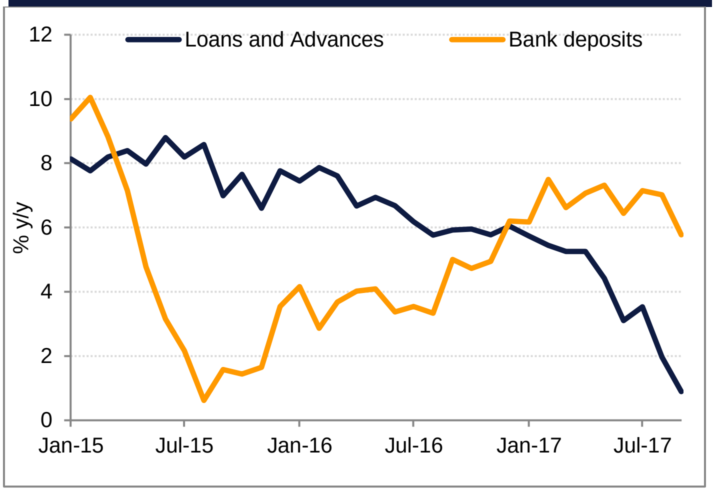
Source: Bloomberg, Emirates NBD Research

Emirates NBD UAE PMI



Source: IHS Markit, Emirates NBD

Bank loan and deposit growth



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

3.2% GDP growth in Q1 2017

Data from the Dubai Statistics Centre showed Dubai's economy grew 3.2% in the first quarter, slower than the 3.9% growth achieved in Q4 2016 but faster than the 2.4% recorded in Q1 2016. Of the largest sectors (those accounting for at least 10% of GDP), the fastest growing was transport & storage, up 4.8% y/y in Q1, followed by manufacturing (3.9% y/y). Of the smaller sectors, hotels & restaurants was among the fastest growing at 8.8% y/y in Q1 2017, while real estate services grew 7.2% y/y. Surprisingly, official statistics show that the construction sector shrank -1.7% in Q1, the fourth consecutive quarter of decline. This is at odds with the construction sector component of the Dubai Economy Tracker survey, which indicated modest expansion in Q1 2017 and faster growth in Q2 and Q3.

Dubai Economy Tracker survey suggests solid growth in Q2 and Q3

After rising sharply to 56.7 in Q1 2017, the Dubai Economy Tracker index has eased modestly in Q2 and Q3, averaging 56.4 and 55.9 respectively. However, these readings are well above the neutral 50.0-level, and indicate a solid rate of expansion in the economy. We remain comfortable with our forecast of close to 4% growth in Dubai in 2017, up from 2.9% in 2016.

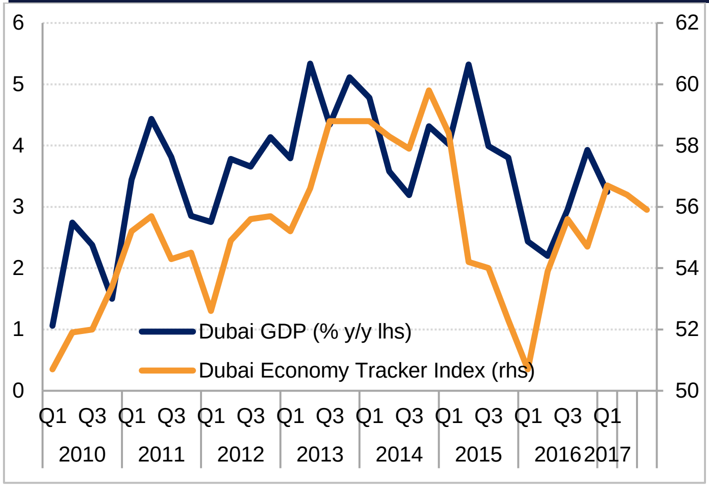
However, similar to the UAE PMI, the detail of the Dubai Economy Tracker highlights some strains in the economy including sluggish employment growth and an ongoing margin squeeze. The latter has been particularly evident in the wholesale & retail trade sector, which has seen the steepest price discounting over the last two years. However, the extent of price declines in the wholesale & retail trade sector appears to have eased, with selling prices even rising marginally in September 2017, the first time this has happened in nearly 2 years.

Apartment prices see modest growth in Q3

The latest data on Dubai's residential real estate prices (Phidar Advisory's 9/5 House Price Index) show that while apartment prices have increased modestly on an annual basis in Q3 2017, villa prices have declined sharply in September. As demand appears to be stronger for the more affordable residential units, it is unsurprising that villas have lagged the recovery in apartment prices over the last year, as they are more expensive.

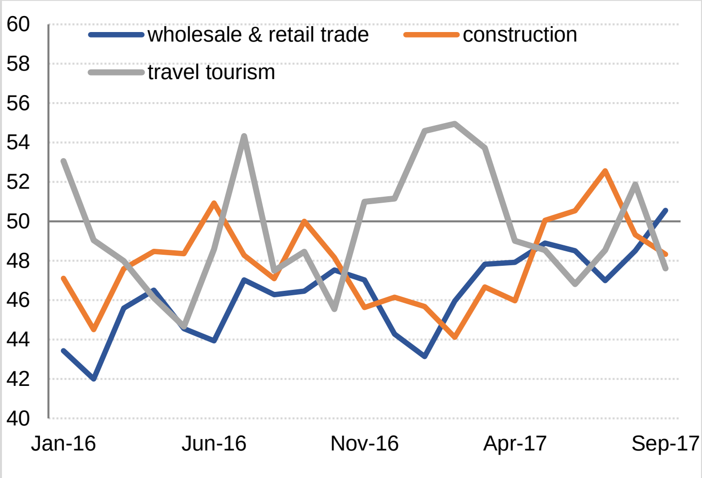
The sharp decline in villa prices has not been mirrored in rents, although these declined somewhat as well in September. Overall however, yields on villas rose to 5.1% in September, the highest level since December 2015. Gross rental yields on apartments have moderated as prices have increased, but remain attractive by global standards at over 7%.

Dubai GDP growth



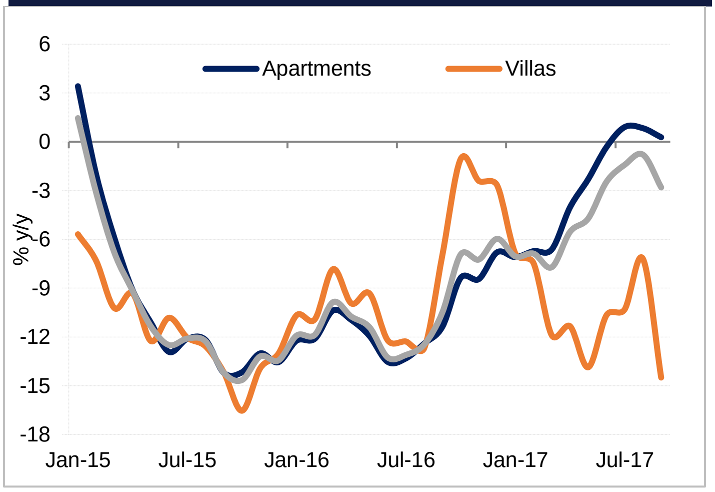
Source: IHS Markit, Haver Analytics, Emirates NBD Research

Output price indices by sector



Source: IHS Markit, Emirates NBD Research

Residential real estate sales prices



Source: Phidar Advisory, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2014	2015	2016e	2017f	2018f
Nominal GDP (BHD bn)	12.6	11.7	12.0	12.8	13.5
Nominal GDP (USD bn)	33.4	31.1	31.9	34.2	35.9
GDP per capita (USD)	25398	22720	22372	23512	24202
Real GDP Growth (% y/y)	4.4	2.9	3.0	3.0	3.0
Monetary Indicators (% y/y)					
M2	6.5	2.9	1.2	4.5	5.0
Private sector credit	-5.9	7.6	1.5	0.0	2.5
CPI (average)	2.7	1.8	2.8	1.7	2.0
External Accounts (USD bn)					
Exports	23.5	16.5	12.8	13.9	15.4
Of which: hydrocarbons	14.5	7.7	6.1	6.9	6.9
Imports	19.8	15.7	13.6	14.3	14.6
Trade balance	3.7	0.8	-0.8	-0.4	0.8
% GDP	11.1	2.7	-2.5	-1.1	2.2
Current account balance	1.5	-0.8	-1.5	-1.7	-0.9
% GDP	4.6	-2.4	-4.7	-4.9	-2.5
Fiscal Indicators (% GDP)					
Budget balance	-3.6	-13.0	-13.6	-14.5	-14.7
Revenue	24.6	17.4	15.8	13.8	13.1
Expenditure	28.2	30.4	29.5	28.3	27.8

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Kuwait

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (KWD bn)	47.4	35.3	34.2	31.1	32.0
Nominal GDP (USD bn)	166.3	117.3	113.3	102.5	104.8
GDP per capita (USD)	42127	29091	27493	24330	24349
Real GDP Growth (% y/y)	0.5	0.6	3.5	-1.2	2.1
Hydrocarbon	-1.3	-0.7	3.3	-5.0	1.0
Non-hydrocarbon	3.1	2.4	3.8	4.0	3.5
Monetary Indicators (% y/y)					
M3	3.4	1.7	3.6	1.8	5.6
Private sector credit	5.2	7.9	2.5	5.0	6.0
CPI (average)	2.9	3.3	3.2	3.0	3.5
External Accounts (USD bn)					
Exports	104.6	55.3	44.9	53.7	57.3
Of which: hydrocarbons	97.4	48.8	37.9	46.2	49.3
Imports	27.3	27.3	26.5	28.0	29.5
Trade balance	77.4	28.0	18.4	25.7	27.8
% GDP	46.6	23.8	16.3	25.1	26.6
Current account balance	54.3	6.0	-1.7	4.3	5.1
% GDP	32.6	5.1	-1.5	4.2	4.9
Fiscal Indicators (% GDP)					
Budget balance	7.4	-13.1	-13.5	-12.5	-11.1
Revenue	52.6	38.6	38.3	47.0	49.9
Expenditure	45.2	51.7	51.7	59.4	60.9

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Oman

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (OMR bn)	31.2	26.5	25.7	28.4	29.8
Nominal GDP (USD bn)	81.0	68.8	66.7	73.8	77.3
GDP per capita (USD)	20278	16896	16065	17421	17881
Real GDP Growth (% y/y)	2.8	4.7	5.4	1.0	2.3
Monetary Indicators (% y/y)					
M2	15.3	10.0	1.8	6.0	4.0
Private sector credit	14.8	13.9	9.9	6.0	6.0
CPI (average)	1.0	0.1	1.1	2.0	2.0
External Accounts (USD bn)					
Exports	53.6	35.7	27.6	37.3	37.6
Of which: hydrocarbons	35.2	21.2	16.0	21.2	21.6
Imports	27.9	26.6	21.3	21.7	22.4
Trade balance	25.7	9.1	6.3	15.6	15.2
% GDP	31.8	13.3	9.4	21.1	19.6
Current account balance	4.2	-11.0	-12.3	-5.6	3.7
% GDP	5.2	-15.9	-18.5	-7.6	4.7
Fiscal Indicators (% GDP)					
Budget balance	-3.4	-17.5	-20.6	-11.8	-10.4
Revenue	45.3	34.2	29.6	30.5	29.9
Expenditure	48.7	51.7	50.2	42.2	40.3

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (QAR bn)	750.7	599.3	555.0	601.8	637.5
Nominal GDP (USD bn)	206.2	164.6	152.5	165.3	175.1
GDP per capita (USD)	92271	68208	59310	61541	64226
Real GDP Growth (% y/y)	**3.5**	**3.3**	**2.0**	**2.5**	**3.5**
Hydrocarbon	-0.6	-0.5	-1.0	1.0	1.0
Non- hydrocarbon	9.8	8.2	5.6	4.0	6.0
Monetary Indicators (% y/y)					
M2	10.6	3.4	-4.6	15.0	7.0
Private sector credit	20.3	19.7	7.0	6.8	7.0
CPI (average)	3.3	1.9	2.7	0.5	2.5
External Accounts (USD bn)					
Exports	138.0	84.5	64.1	75.3	81.3
Of which: hydrocarbons	125.2	72.8	53.1	63.6	69.7
Imports	31.1	28.5	29.2	35.0	36.4
Trade balance	106.9	56.0	34.9	40.3	44.8
% GDP	51.8	34.0	22.9	24.4	25.6
Current account balance	60.8	20.9	1.8	5.9	7.9
% GDP	29.5	12.7	1.2	3.6	4.5
Fiscal Indicators (% GDP)					
Budget balance	12.3	1.2	-8.4	-5.2	-6.4
Revenue	45.7	42.7	28.1	27.4	25.9
Expenditure	33.4	41.5	36.5	32.6	32.3

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (SAR bn)	2836	2444	2399	2546	2667
Nominal GDP (USD bn)	756	652	640	679	711
GDP per capita (USD)	24477	20478	19511	20104	21064
Real GDP Growth (% y/y)	3.7	4.1	1.7	0.5	2.5
Hydrocarbon	2.1	5.3	3.8	-3.0	1.5
Non- hydrocarbon	4.9	3.2	0.2	3.3	3.4
Monetary Indicators (% y/y)					
M2	11.9	2.5	0.8	4.3	6.9
Private sector credit	11.8	9.2	2.4	5.0	6.0
CPI (average)	2.7	2.2	3.5	1.0	3.5
External Accounts (USD bn)					
Exports	342.2	203.2	182.8	206.5	217.6
Of which: hydrocarbons	285.2	153.0	136.2	151.9	162.6
Imports	158.5	159.3	127.8	131.0	134.3
Trade balance	183.8	44.0	55.0	75.4	83.3
% GDP	24.3	6.7	8.6	11.1	11.7
Current account balance	72.5	-59.5	-29.6	-5.6	3.8
% GDP	9.6	-9.1	-4.6	-0.8	0.5
SAMA's Net foreign Assets	724.3	608.9	528.6		
Fiscal Indicators (% GDP)					
Budget balance	-2.3	-15.0	-13.6	-12.8	-11.5
Revenue	36.8	25.1	21.4	24.5	25.1
Expenditure	39.1	40.0	35.0	37.3	36.6
Public debt	1.6	5.8	13.2	18.0	

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: UAE

National Income	2014	2015	2016	2017f	2018f
Nominal GDP (AED bn)	1480.7	1314.6	1280.8	1595.4	1698.4
Nominal GDP (USD bn)	403.5	358.2	349.0	434.7	462.8
GDP per capita (USD)	44233	37759	35036	41564	42142
Real GDP Growth* (% y/y)	3.3	3.8	3.0	2.0	3.4
Monetary Indicators (% y/y)					
M2	8.0	5.5	3.3	4.5	6.9
Private sector credit	5.2	9.0	3.7	6.0	7.0
CPI (average)	2.3	4.1	1.6	2.5	3.5
External Accounts (USD bn)					
Exports	343.0	300.5	291.6	312.0	326.2
Of which: hydrocarbons	101.9	61.5	50.9	57.9	58.6
Imports	234.6	223.9	226.6	241.0	253.8
Trade balance	108.4	76.6	65.0	71.0	72.4
% GDP	26.9	21.4	18.6	16.3	15.7
Current account balance	53.6	16.7	8.5	10.6	9.2
% GDP	13.3	4.7	2.4	2.4	2.0
Fiscal Indicators (% GDP)					
Consolidated budget balance	1.9	-3.4	-4.3	-3.0	-2.2
Revenue	35.0	29.0	28.3	23.5	23.4
Expenditure	33.1	32.4	32.6	26.5	25.6

** UAE real growth data are sourced from NBS to 2014, with Emirates NBD forecasts for 2014 and 2015. Dubai's real growth data are sourced from Dubai Statistics Centre. Abu Dhabi's real growth data are sourced from Statistics Centre Abu Dhabi.*

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

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