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Highlights

Oil markets will go through an enormous transformation from January 1, 2020 as new regulations covering the sulphur content of marine fuels take effect. For a region that produces a relatively sour barrel **the Middle East could face changes in the demand profile for its crude exports post 2020**.

Several GCC countries have now released GDP growth data for Q2 2019, allowing us to assess the performance in the first half of this year against our expectations. While there have been some bright spots (notably non-oil sector growth in Saudi Arabia), the decline in oil production in H1 2019 has weighed on headline growth numbers. **With the OPEC curb on production expected to remain in place through Q1 2020, and taking into account H1 GDP data where it is available, we have downgraded real GDP growth forecasts for 2019 in four out of the six GCC countries.**

The biggest change is in our forecast for Saudi Arabia, despite a strong rebound in non-oil sector growth in the first half of this year. Although output has recovered after the damage to Aramco's facilities in September, average crude output this year is likely to be significantly less than we had expected. As a result we now expect a -4.5% contraction in the oil sector, bringing headline GDP growth down to -0.4% this year compared with our previous forecast of 2.0%.

Lower oil production is also the main reason for downgrades to Kuwait, Oman and Qatar, although in Oman and Qatar's case, we have revised our expectations for non-oil growth lower as well.

For the UAE and Bahrain, we retain our 2019 growth forecasts at 2.0% respectively. The UAE has increased oil production 2.8% this year relative to 2018, while still meeting its OPEC-agreed production target. **On a GDP weighted basis, average GDP growth in the region this year is likely to slow to 0.5% from 1.9% in 2018**. While the headline number is soft, this is largely due to lower oil production than had been expected earlier this year.

A combination of international and domestic factors have enabled the Central Bank of Egypt to begin rate-cutting in earnest, in a move which should provide a boost to the Egyptian economy. The 100bps cut enacted by the bank's MPC in late September took the total rate cuts to 550bps so far this year, and the overnight deposit rate to 13.25% - the lowest since November 2016 when the country embarked on its IMF-sponsored reform programme.

Protests in Iraq, and in particular Lebanon, have highlighted ongoing political risk in ex-GCC MENA countries. The Lebanese protests have elicited concessions from the government, but the fiscal consolidation targets announced have little chance of being realised.

Khatija Haque
Daniel Richards
Edward Bell

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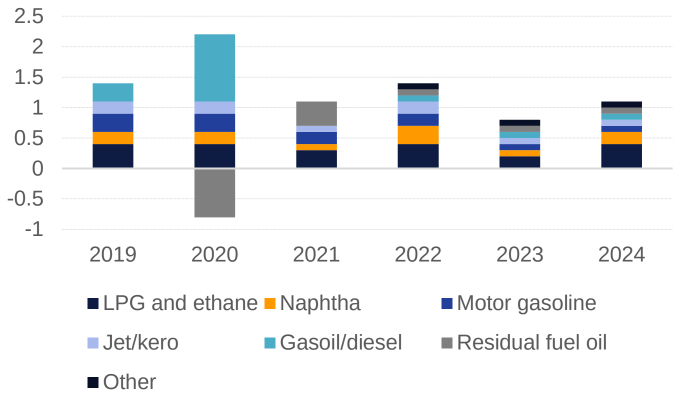
Oil market outlook

Oil markets will go through an enormous transformation from January 1, 2020 as new regulations covering the sulphur content of marine fuels take effect. The IMO 2020 rules have been estimated to affect as much as 3.5m b/d of demand for high sulphur fuel oil, the shipping industry's traditional fuel. Substantial industry attention has focused on how refiners, traders, ports and the shipping industry will adjust but the sulphur content of refined fuels is largely a function of the content in the original crude oil. For a region that produces a relatively sour barrel the Middle East could face changes in the demand profile for its crude exports post 2020.

Fuel oil demand to collapse in 2020



Source: IEA, Emirates NBD Research.

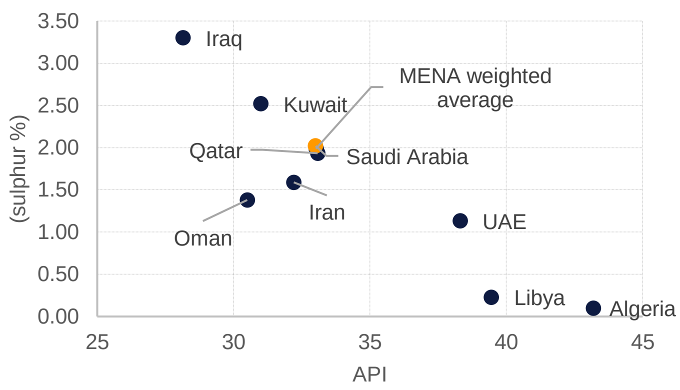
As of January 2020, ship operators will only be able to use fuel that has less than 0.5% sulphur by mass as per regulations from the International Maritime Organization, a UN agency. Getting fuel down to this sulphur spec can be achieved in several ways. One is to run a low sulphur fuel oil (LSFO), although consistent availability across ports is an uncertainty. A second is to directly use marine gasoil, a lighter (lower viscosity) grade of fuel that will pull diesel out of availability for trucking and other industrial uses. Shippers can continue to run high sulphur fuels (HSFO) if they install scrubbers, a device which removes sulphur from ship emissions but incurs high capital costs and time out of service while the scrubbers are installed. Finally, shipping companies could switch to using LNG as a marine fuel in engines. Of all the options available, using lower sulphur fuels—whether gasoil or LSFO—appear to be the choice most refiners and shippers are turning toward.

With a market that will be moving toward lighter and sweeter (lower sulphur content) fuels, refineries will be increasingly stratified with respect to what kind of grades of crude they can run. Lower complexity refineries that don't possess upgrading facilities that can process fuel oil into lighter, sweeter—and higher value-added—products will place a premium on light, sweet crudes. These crudes generally yield more gasoil and light ends relative to residual products like fuel oil. Hence there has been a persistent premium for light sweet and medium sweet crudes this year: Tapis, a Malaysian grade had a peak premium of USD 8/b over Brent, given its very low sulphur content (0.04%) and relatively large share of gasoil yield (47%). Meanwhile, Mars Blend, a medium sour grade from the US has seen its value over benchmark WTI consistently decline throughout the year, moving from more than USD 8/b in Q1 to just USD 1/b over WTI currently.

MENA crude generally high in sulphur

Crude oil exported from the Middle East and North Africa is generally of medium to heavy gravity and sour, although there is a wide variation by country. North Africa—Libya and Algeria—produces crudes that are light, nearing on condensates, and with relatively low levels of sulphur. Both producers would be well suited to meet higher marginal demand from refiners to accommodate fuel switching although production levels are impacted by political developments in both countries. In the GCC, however, most crudes are classified as sour and yield a relatively larger share of fuel oil, precisely the opposite of what markets will be looking for as baseload crudes to meet IMO rules. On a weighted average production basis, the UAE's main grades come in at an API of 38 and sulphur content of 1.1%. For export markets, the UAE's crude quality is likely to become lighter as Murban (39.7, 0.8% sulphur) takes up more of the share of exported barrels as grades such as Upper Zakum (33.9, 1.8% sulphur) are fed into an upgraded and expanded refinery at Ruwais.

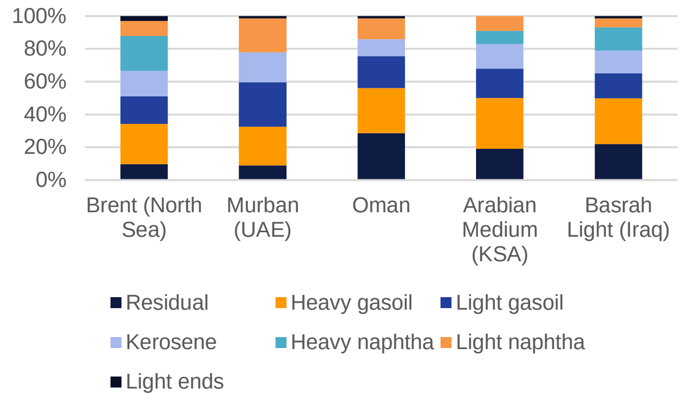
MENA crudes are sour and medium/heavy



Source: BP, Exxon, Equinor, Emirates NBD Research.

As MENA grades are on average heavier and sour, their long-term demand will be a function of the appetite of highly complex refineries, mainly located in Asian markets. Most of the world's hydrocracking (breaking heavier products such as fuel oil into middle distillates like gasoil) or desulphurization capacity additions will be taking place in Asia and the Middle East, locking Middle East exporters further into their dependency on Asian oil demand trends. China in particular is seeing a significant shift away from 'industrial' fuels like gasoil or fuel oil and increasingly toward more 'consumer' oriented products such as jet, gasoline and petrochemical feedstocks. Crude grades that yield relatively more of these lighter components are likely to be the main beneficiary of sustained oil demand in China. Of note among MENA grades is Murban, one of the UAE's flagship grades, which has a relatively large share of lighter products with comparatively lower yield of residuals (such as fuel oil).

Refinery yield by crude



Source: BP, Exxon, Equinor, Emirates NBD Research.

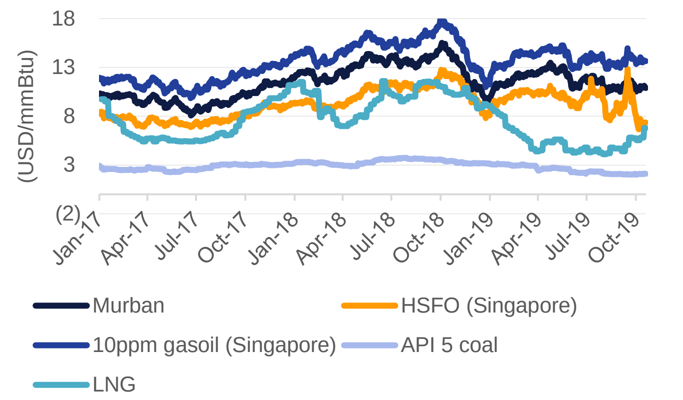
Dubai crude prices impacted by OPEC cuts

Dubai crude prices, as a benchmark for medium/heavy, sour barrels have traditionally priced at a discount to Brent given it yields relatively more lower value products such as fuel oil. In a context of tightening emission standards and waning demand for HSFO, markets would be expecting to price crudes which yield a relatively higher amount of sour fuel oil at a widening discount. However, with most of the crude in the Middle East impacted by OPEC production decisions, 2019 has actually seen the opposite. The discount for Dubai against Brent narrowed significantly in Q1 and actually traded at times at a premium as the market grew exceptionally short on heavy, sour barrels as OPEC+ cuts and sanctions on Iran and Venezuela tightened the market. Even as the deadline for IMO 2020 has neared, the value for Dubai has held up, trading at a discount of only around USD 1/b in mid-October.

With little apparent change in OPEC production policies expected in 2020, the tightness of the medium/heavy sour market will persist and likely help to keep discounts for high sulphur crudes contained. Additionally, substantial investments into refineries across the UAE and Saudi Arabia in recent years should help to minimize the impact of the fuel specification change. Regional refineries are optimized to produce substantial volumes of gasoil/diesel as their economic rationale focused on meeting Asian demand. However, a declining share of gasoil in the Asian demand mix, and substantial investment in Chinese refineries, has limited flows of middle distillates from the Middle East to Asia, particularly to China. A change to greater use of gasoil in marine applications could help to soak up some of this excess gasoil supply from Middle East producers.

But some HSFO will still be produced by refineries running MENA crude even though it will have limited demand. One destination for the 'unwanted' HSFO may be into power generation: fuel oil has a higher specific energy than coal and emits lower levels of carbon (675g C02/kWh compared with 870g CO2/kWh for bituminous coal). On an USD/mmBtu basis, HSFO remains substantially more expensive than coal and diversion into power generation would mean prices correcting downward by as much as USD 5.25/mmBtu (around USD 85/tonne) from current prices. Moreover, fuel oil power generation is limited, accounting for just over 3% of total electricity generation in 2018. Faced with a relatively narrow market then on which to offload the HSFO, refiners and traders may react by discounting HSFO-rich crudes.

Scope for HSFO to correct lower



Source: EIKON, Platts, Emirates NBD Research.

The full impact of IMO 2020 on Middle East exporters will be clouded so long as OPEC production cuts remain in place. However, emission and fuel quality standards around the world are only moving in one direction: greener not browner. China, for example, has introduced rules requiring sulphur content of just 0.1% in its inland waters for freight ships, bringing it in line with standards in Europe and North America. MENA exporters of sour crude grades will need to maintain their investment in upgrading refineries or targeting export markets capable of processing their crude in order to remain competitive in a post IMO world.

Edward Bell, Commodities Analyst

Algeria

Protestors in Algeria continue to hold weekly demonstrations, as they have done since ousting long-serving President Abdelaziz Bouteflika in April following his announcement to stand again in elections initially planned for the start of the year. As it stands, the country remains in the hands of a caretaker administration, and new elections are currently scheduled to take place on December 12. The army, which has considerable power at present, wishes for elections to be held as swiftly as possible. However, many of the protestors continue to seek an overarching overhaul of the country's political institutions prior to any vote. Other issues which have attracted the particular ire of protestors include the continued presence of individuals connected with the previous regime in government, and in October many protested against draft changes to the energy law which they argue the caretaker regime has no right to implement.

Growth will be stronger in 2020

Given the ongoing uncertainty in Algeria, and the disruption caused by regular protests, we anticipate only weak real GDP growth in 2019. We forecast an expansion of 1.0%, following a 1.5% expansion in 2018. This is below consensus expectations, but given the political risk and uncertainty, Q1 growth of just 1.1%, and oil production which has averaged 1.0% less over the first nine months of the year as compared to 2018, we believe that a slowdown is inevitable.

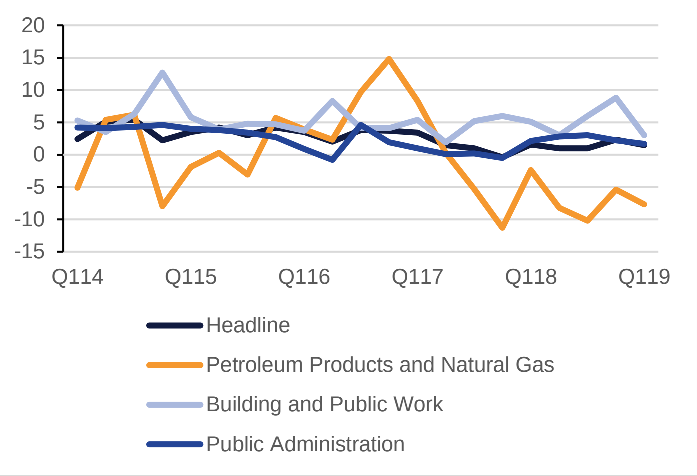
In 2020 we expect that there should be greater political stability, which will help to bolster real GDP growth to 2.0%. The risk to this projection is to the upside, and will depend in part on what route the new government takes with regards to its openness to foreign participation. Under the Bouteflika regime, Algeria was fairly resistant to foreign investment, and preferred to monetise its debt rather than seek funding externally. Should the new government encourage greater foreign investment – and the current caretaker administration has been talking to IOCs such as Chevron and Exxon Mobil – then there would be a significant boost to FDI and the capital formation component of GDP.

Since global oil prices began their decline in 2014, Algerian FX reserves have wilted sharply, falling from nearly USD 200bn at their peak, to just USD 70bn presently. We forecast that they will decline to USD 60bn by year end. However, this will likely be the bottom, and we expect a modest rise to USD 62bn next year, with scope to expand further thereafter.

Key to this projection is the news that the government will seek to borrow money from abroad for the first time since 2005, when foreign debt was banned. Finance minister Mohamed Loukal said that the government would seek 'long-term loans that will be allocated only to finance strategic projects.'

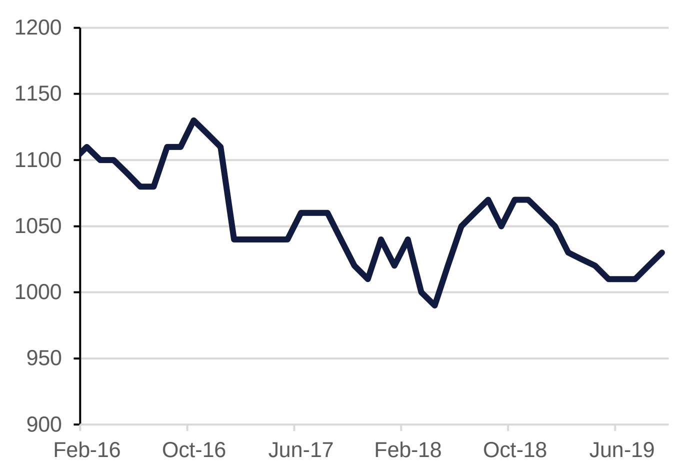
While the dust from Bouteflika's departure is still far from settled, it is already clear that Algeria will be a far more open economy than it has been for the past several decades.

Real GDP Growth, % y/y



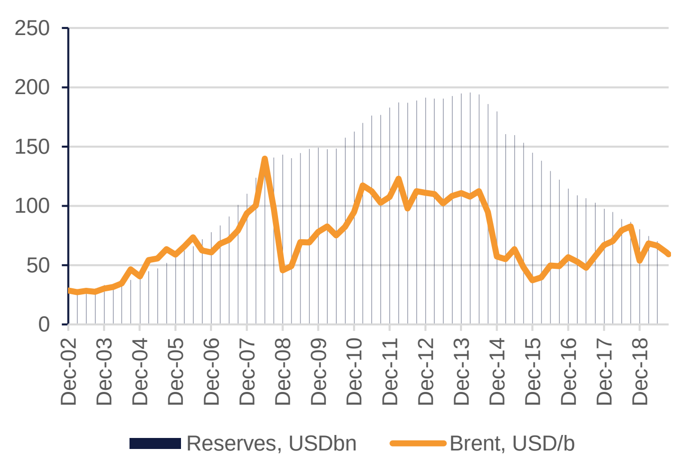
Source: Haver Analytics, Emirates NBD Research

Oil production, b/d '000



Source: Bloomberg, Emirates NBD Research

Reserves driven by oil price



Source: Bloomberg, Emirates NBD Research

Bahrain

Growth slowed to 0.8% y/y in Q2 2019

Bahrain's economy expanded expanded 0.8% y/y in the second quarter, slower than the 2.6% growth recorded in Q1 2019. The main driver was an annual decline in the mining & quarrying sector (crude oil extraction), although manufacturing contracted as well. The financial services sector grew 2.6% y/y in Q2, the weakest rate since Q3 2018, while government services contracted for the second quarter in a row, likely reflecting spending cuts as the authorities aim to rein in the budget deficit.

Encouragingly, the hospitality sector grew 8.7% y/y in Q2, after a strong rise in Q1 as well. Transport & communication and construction also contributed positively to headline GDP growth. At this stage, we retain our 2% forecast for 2019 real GDP, although we recognise that risks are on the downside.

Money supply growth surges

Broad money (M2) growth accelerated to 11.5% y/y in August, up from 2.4% at the end of last year. Growth has averaged 1.1% m/m so far this year, with the strongest growth in time and savings deposits.

Private sector credit growth has continued to slow however, easing to 5.4% y/y from 9.9% y/y in December 2018. In contrast, claims on government have increased sharply this year, reaching 20.2% y/y in August.

Central bank FX reserves declined to USD 2.78bn in August , although they are likely to recover on receipt of the next tranche of GCC financial aid.

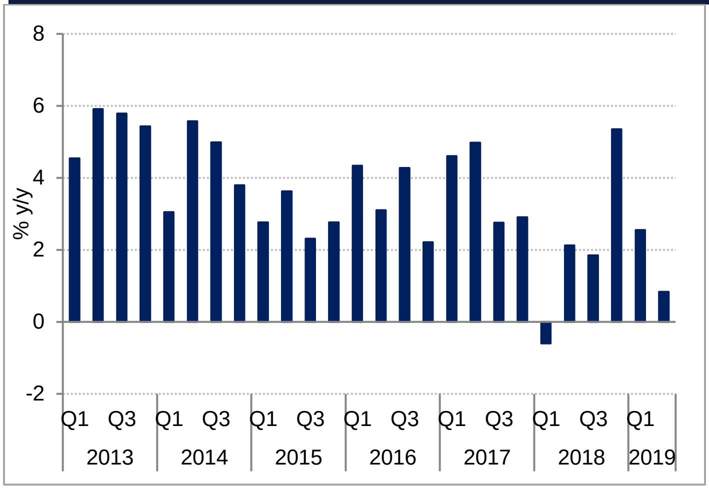
Inflation likely to accelerate in Q4

Headline inflation rose to 1.3% y/y in August, after the summer low of -0.4% y/y recorded in July. Food prices rose at the fastest rate since April 2016 in August at 5.4% y/y. However, this was offset by continued deflation in most tradables including clothing & footwear, furnishing & household equipment as well as some services (health care, recreation & culture). We expect headline CPI to continue to rise in Q4 off a low annual base, averaging 1.4% this year.

Budget deficit narrows in H1 but full year target likely to be missed

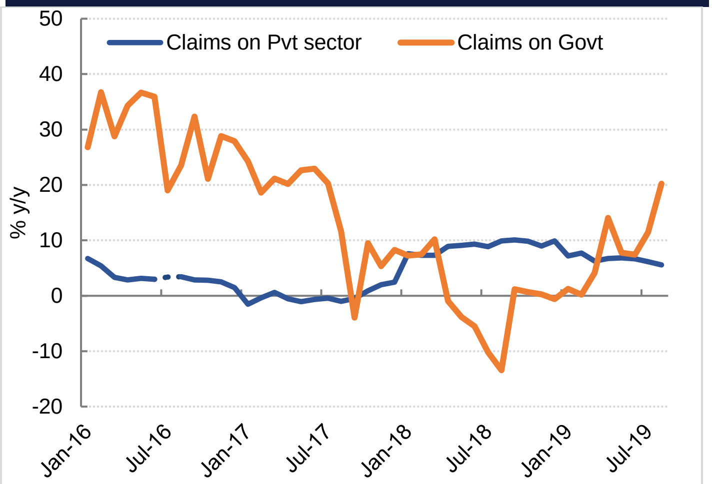
The finance ministry reported that the budget deficit in H1 2019 was nearly 37% smaller than that recorded in H1 2018, although most of the improvement was due to higher revenues. Nevertheless, expenditure had declined -2.3% y/y. We think the full year deficit target of -4.1% of GDP will be difficult to achieve however, and we expect the deficit to reach -6.6% of GDP this year.

GDP growth



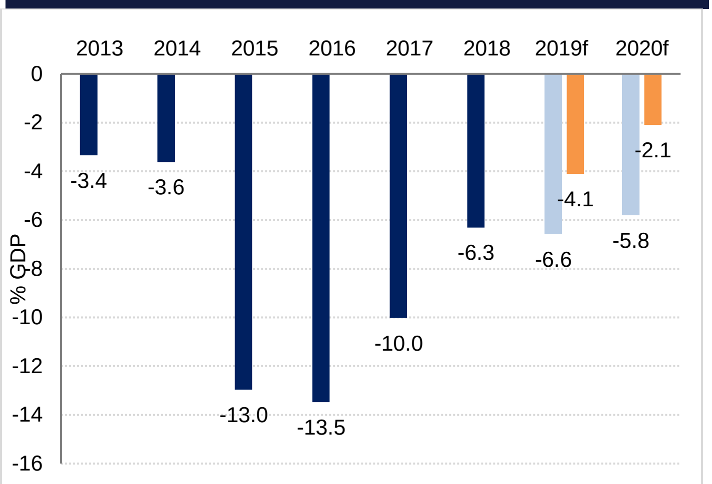
Source: Haver Analytics, Emirates NBD Research

Credit growth



Source: Haver Analytics, Emirates NBD Research

Fiscal balance



Source: Haver Analytics, Emirates NBD Research

Egypt

Further rate cuts to come

A combination of international and domestic factors have enabled the Central Bank of Egypt to begin rate-cutting in earnest, in a move which should provide a boost to the Egyptian economy. The 100bps cut enacted by the bank's MPC in late September took the total rate cuts to 550bps so far this year, and the overnight deposit rate to 13.25% - the lowest since November 2016 when the country embarked on its IMF-sponsored reform programme.

The bank has room to implement further rate cuts still, as the pass-through of previous subsidy reforms and a strengthening exchange rate have seen headline inflation fall to just 4.8% in September, levels not seen since 2012. At the same time, rate-cutting in other developed and emerging markets around the world means that Egypt has room to cut while still remaning attractive to carry trade investors, and maintaining portfolio inflows.

Fiscal consolidation on track

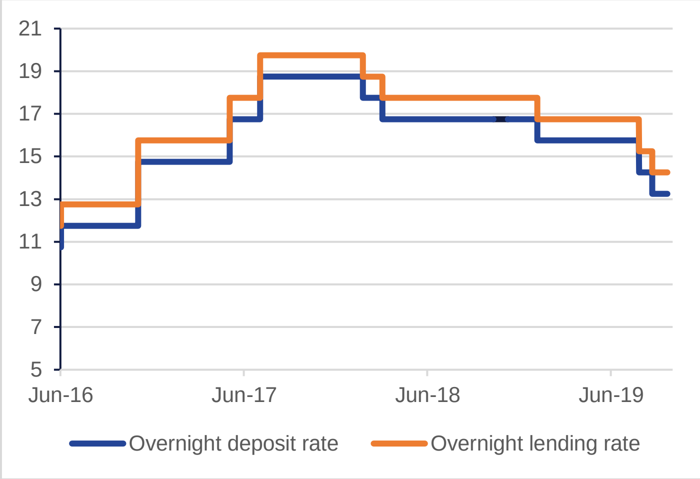
Rate-cutting by the CBE will help curb the government's sizeable debt-servicing costs, enabling it to substantially reduce its fiscal deficit. Egypt has run primary surpluses for the past two years, but its high debt levels and associated servicing costs have kept the headline figure at -8.2% of GDP in 2018/19. Much of government debt is domestic, and lower rates will enable a drawdown of this shortfall. Further, the government has announced further plans to issue further Eurobonds in this fiscal year. We forecast a fiscal deficit of -7.1% of GDP in 2019/20. These developments should help boost growth through minimising crowding out of the private sector in the domestic market, and through freeing up government spending for more productive channels.

PMI survey remains contractionary

From a real GDP growth perspective, the headline figure climbed to 5.6% in 2018/19, the highest level since 2007/08. This is especially impressive when compared to the seven years from 2011/12 to 2017/18, when growth averaged just 3.3%. We project similar growth rates over the next several years, forecasting a 5.8% expansion in 2019/20. Growth remains driven by public spending, while the private sector continued to underperform.

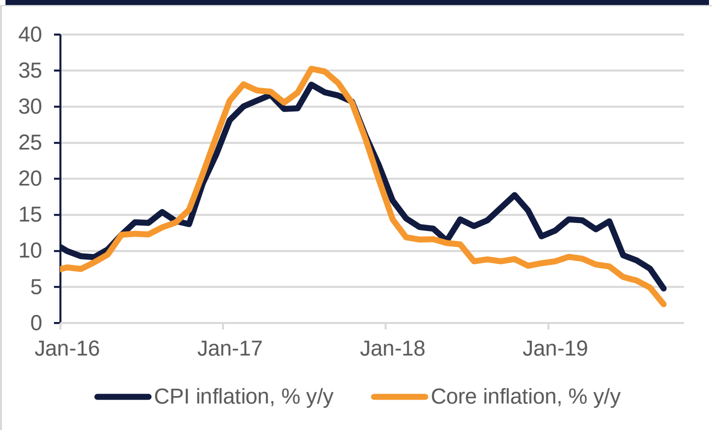
The headline PMI for Egypt was fractionally higher in September at 49.5 but remains in contractionary territory. Both output and new work declined in September, and new export order growth slowed. However, the employment index rose to 51.5 last month, the highest reading since August 2018 and marks the second consecutive month of private sector job growth. Staff costs also rose at the fastest rate this year, pointing to some wage growth. Firms saw input cost inflation ease, although margins remain under pressure.

Rate-cutting in progress



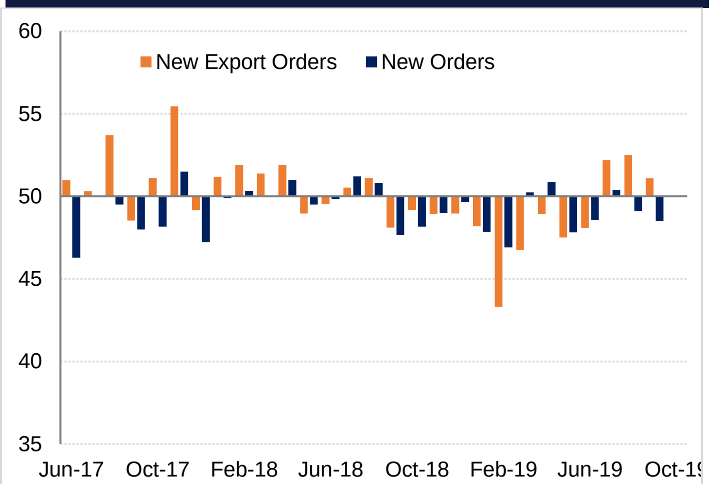
Source: CBE, Emirates NBD Research

Inflation slows to multi-year lows



Source: Haver Analytics, Emirates NBD Research

New Orders and New Export Orders



Source: IHS Markit, Emirates NBD Research

Iran

As the Central Bank of Iran has ceased releasing data, it is increasingly difficult to draw a comprehensive conclusion as to how the Iranian economy is faring. There is little doubt, however, that it remains under significant pressure from US sanctions, and will likely continue to deteriorate through 2019. European governments continue to pay lip service to providing Iran with a lifeline and enabling trade and investment to take place through a mechanism which protects firms from falling afoul of the US sanctions. However, it is harder to convince multinational firms with an international presence to jeapordise their US dealings, and as such we expect inward investment and participation in the Iranian economy from major European companies to be minimal. Thus, the much-touted autos sector renewal, among others, will remain on hold.

Another growth downgrade

We have downgraded our real GDP growth forecast for Iran, now projecting a decline of -7.6% compared to our previous outlook for a -6.4% contraction. The IMF and World Bank have also revised their projections downward. While data releases have been patchy, Bloomberg's oil production chart shows that output has continued to fall off over recent months, falling to just 2.1mn b/d in September – this compares to 3.7mn b/d in July last year, while production over the first nine months of the year has averaged 34.5% less than over the same period in 2018. While the oil sector accounts for less than 15% of GDP, comparing favourably to other regional economies in terms of diversification, it is nevertheless crucial for generating FX inflows.

Inflation remains high

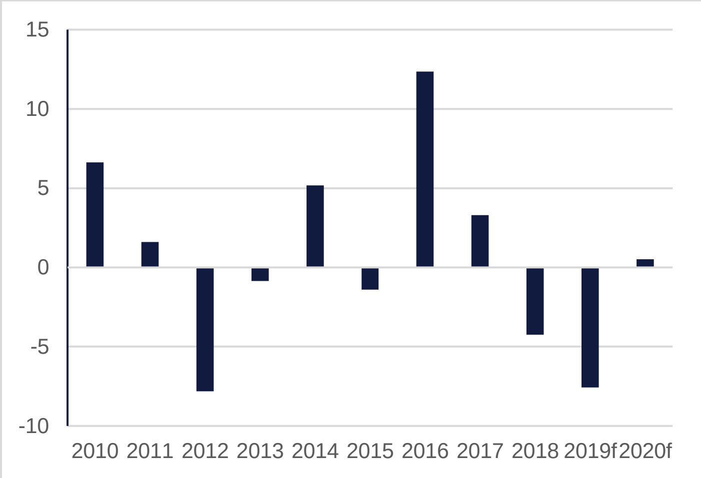
Iranian inflation remains at eye-watering levels as the economy absorbs the effects of renewed US sanctions on the currency and goods supplies. In September, y/y CPI inflation stood at 42.7%, compared to 42.2% the previous month, according to the Iranian Statistical Centre, and it could in reality be even higher. Import price inflation has reportedly hit levels as high as 150% this year, as the economy struggles to cope with both the massive depreciation of the rial since sanctions were re-implemented, and the increased costs related to delivery as international shipping firms shy away from calling at Iranian ports.

The Iranian rial continues to trade at a significant discount to the official rate on the parallel market as compared to the official rate of IRR 42,000/USD. At the time of writing on October 21 it stood at IRR 114,600/USD – although this is 15.7% stronger than its level 12 months earlier.

Oil production, b/d, '000

Source: Bloomberg, Emirates NBD Research

Real GDP growth, %



Source: Bloomberg, Emirates NBD Research

Iraq

Oil production continues to grow

Iraqi oil production over the first nine months of 2019 expanded by 4.2%, with OPEC+ production curb agreements having done nothing to reduce the country's output. With over 90% of government revenues stemming from the proceeds from oil exports, the government will be loath to reduce output by any more than it can get away with in a bid to maximise this revenue. This is even more important for the government in the wake of the protests seen in October, which will likely result in some increased spending on social protections in a bid to placate widespread discontent.

The government continues to plan new investment in production capacity as it seeks to boost output to 7.5mn b/d by 2025. To this end, Indian oil and gas companies were in September invited to invest in the country, with talks over implementing a double taxation avoidance agreement in order to stimulate interest.

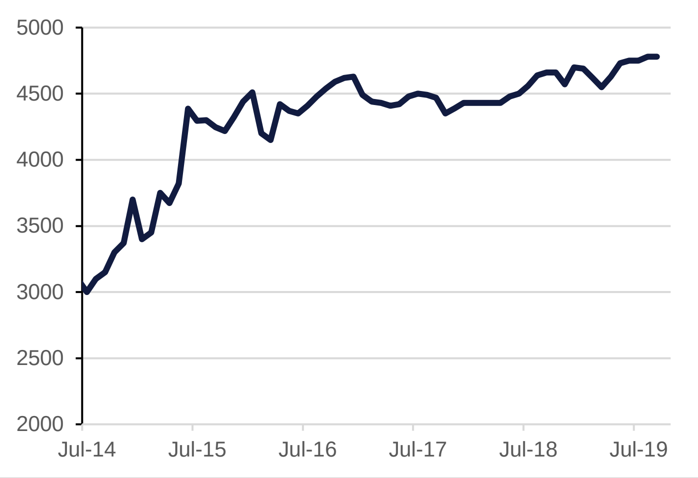
2019 growth rebound will be maintained next year

We are maintaining our 4.2% real GDP growth forecast on the back of the oil production data so far this year, and project a similar expansion of 4.1% next year. This marks a strong improvement on the 1.0% and 0.3% seen over the previous two years, but is nevertheless somewhat below what is likely needed in order to recover fully from the years of disruption under the ISIS conflict. Aside from the oil sector, ongoing reconstruction efforts following the structural damages caused by the war will help to underpin the expansion, but there have been delays in much of the necessary work so far.

Protests present downside risk

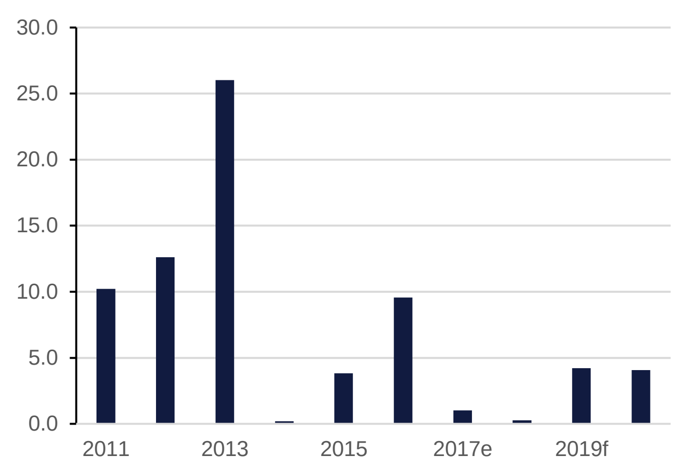
Protests took place in Iraq in October as frustrations with a dearth of opportunity, combined with perceptions of economic mismanagement and corruption combined to bring people out onto the streets. Unemployment is around 13% with youth unemployment almost double that, and job generation will be critical in preventing more such unrest over the coming years.

Oil production, b/d '000



Source: Bloomberg, Emirates NBD Research

Real GDP growth, % y/y



Source: UN, Emirates NBD Research

Eurobond 2028 % yield

Source: Bloomberg, Emirates NBD Research

Jordan

IMF dispute denied

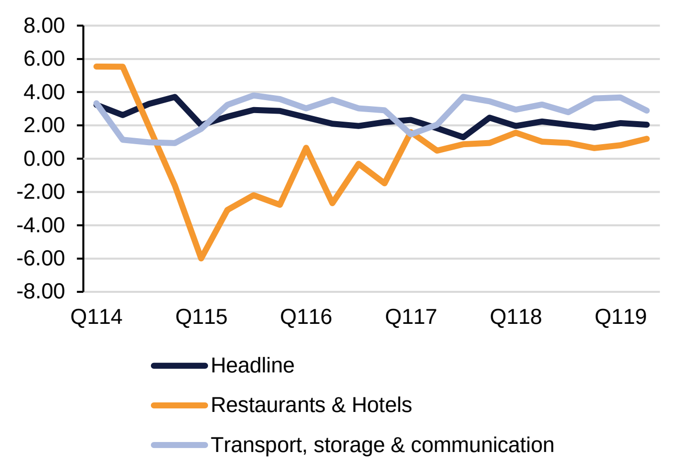
We have made a moderate downward revision to our 2019 real GDP growth forecast – from 2.5% to 2.3% - on the back of first half data which averaged y/y growth of 2.1%. This still represents a faster growth rate than the 2.0% expansion seen in 2018. We continue to expect a slight acceleration through the second half of the year as greater regional stability contributes to increased trade flows and tourism numbers. The IMF expects a slightly weaker growth rate of 2.2% this year, and was in Jordan in late September assessing the country's economic reform programme – the third review is scheduled for release in November.

In the wake of the IMF's appraisal meetings, the ministry of finance denied rumours that there were disputes during the visit. However, Jordanian finance minister Izzeddin Kanakrieh did say in October that Jordan would not accept any proposals which the government did not deem as consistent with Jordanian national interests.

Tourism remains a bright spot

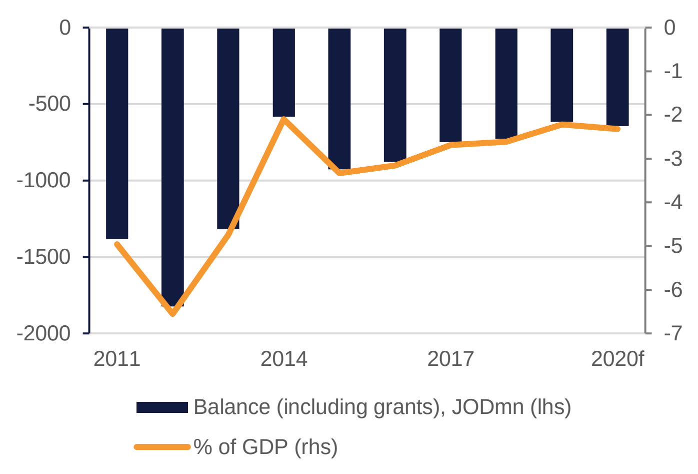
Tourism has been a bright spot in the Jordanian economy for some time, and we expect that it will continue to boost activity through the close of 2019 and into 2020. Visitors over the first six months of 2019 totalled 2.4mn, a 6.0% gain on the 2.3mn visitors to the country over the corresponding period in 2018. Growth in restaurants and hotels averaged 1.0% y/y over the first half of 2019 according to GDP data, while transport, storage and communication averaged a robust 3.3%. Crucially, the sector is an important labour-intensive generator of jobs – especially important given that the jobless rate is just shy of 20%. It is also an important generator of FX inflows, and the balance of payments data shows that travel receipts expanded 8.3% y/y in the first half.

Real GDP growth, % y/y



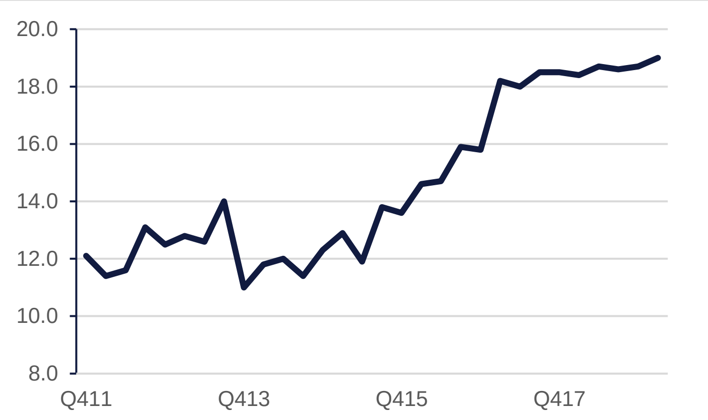
Source: Haver Analytics, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Unemployment, %



Source: Haver Analytics, Emirates NBD Research

Kuwait

Growth slows in H1 2019

Preliminary estimates show the economy grew 0.9% y/y in Q1 2019 and slowed to 0.4% y/y in Q2. While non-oil sector growth accelerated slightly in Q2 to 1.4% y/y, the oil sector contracted by -0.4% y/y. On average, non-oil sector growth in H1 was 0.8% y/y, while the oil sector expanded 0.6%.

Oil production dips in Q3

Bloomberg data shows average crude output declined -1.2% q/q in Q3, with production in August the lowest since December 2011. Year-to-date, Kuwait's oil production is down -2.1% from average 2018 output. Our 2019 growth forecast had assumed no change in oil sector GDP this year, but this now looks optimistic.

Even assuming non-oil sector growth continues to accelerate in H2 2019, we have had to revise our annual real GDP growth forecast for Kuwait down to 0.1% this year, from 0.9% previously. We have also revised our 2020 forecast down to 1.4% from 2.0% previously.

Private sector credit growth slows in Q3

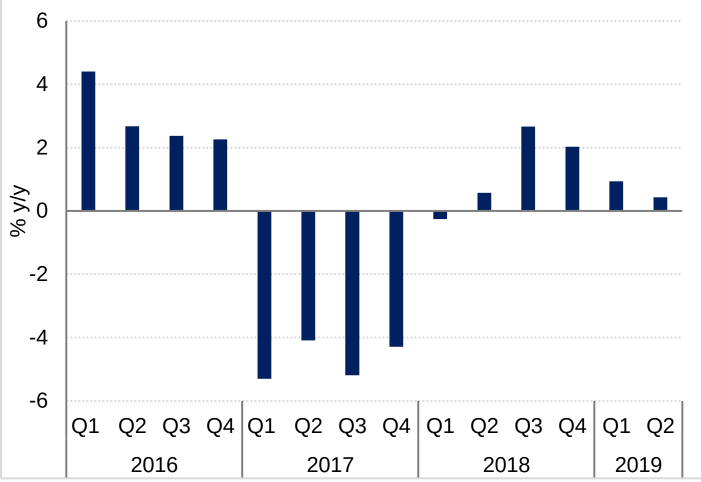
While private sector credit growth accelerated in H1 2019, momentum has slowed slightly in the third quarter. While personal loan growth has held steady year-to-date at around 3.7% y/y, loans to the trade sector have slowed, and real estate loans have contracted further. Bank loan growth to the oil & gas sector has picked up this year, reaching 26.7% y/y in August.

Broad money supply contracted -0.3% y/y in August, as quasi money declined. The main driver was a decline in private sector time deposits (-2.7% y/y). Government deposits at local banks have increased (8.3% y/y in August) but account for a much smaller share of total bank deposits than the private sector.

Inflation picks up

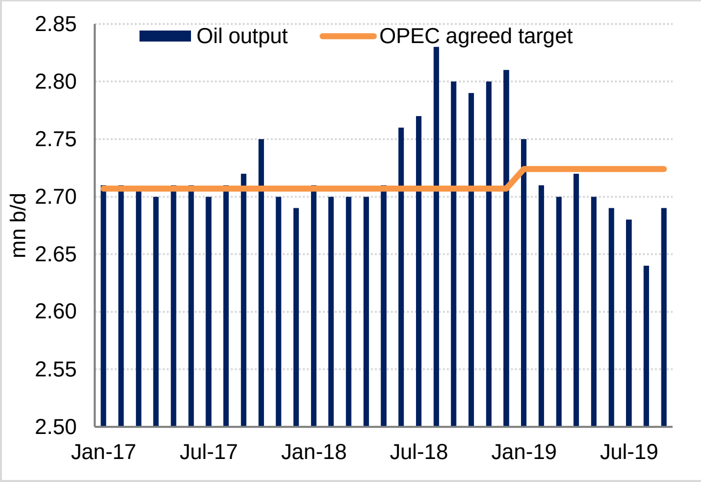
Headline inflation accelerated in June through August, averaging 1.2% y/y over the three months, compared with 0.7% y/y in January to May. Food costs rose 1% y/y in July and August, while prices for transport, clothing & footwear and household goods & services also increased at a faster rate. However, housing costs continued to decline, which has kept the headline rate relatively low. We expect CPI to continue to rebound in Q4, averaging around 1% for the whole of 2019.

Quarterly GDP growth



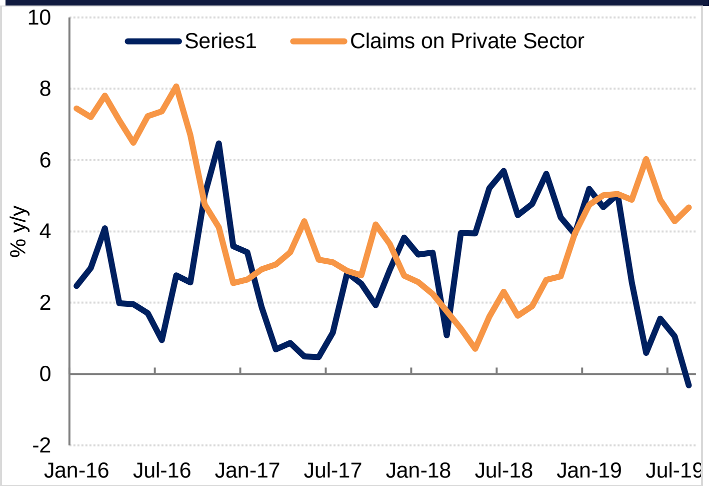
Source: Haver Analytics, Emirates NBD Research

Oil production & OPEC target



Source: Bloomberg, Emirates NBD Research

Money supply and private sector credit



Source: Haver Analytics, Emirates NBD Research

Lebanon

Following five days of significantly large and bipartisan street protests all over Lebanon, Prime Minister Saad al-Hariri announced a number of measures aimed at appeasing the protester's concerns on October 21. The protesters have been railing against corruption and economic mismanagement in the country, where financial stresses are starting to have a real impact on daily lives as apparent dollar shortages are coming to the fore. According to Hariri, ministers would take a 50% pay cut, and a new tax on banks would also be introduced. At the time of writing on October 27 these concessions have been insufficient to curb the unrest, given the fairly disparate demands being made with regards the government. Indeed, Hariri acknowledged in his announcement that these reforms might not meet all demands and recognised the legitimacy of the protests, but maintained that the government actions were a step in the right direction.

The problem for the Lebanese government is that a drawdown of its fiscal deficit is essential for it to get back on an even keel, but it is hard to do this given its current lack of political capital. Any significant challenge to elements of parliament and their control of certain sectors will run up against pushback, while these protests have illustrated that austerity measures will be met with a similar response; one of the sparks which ignited these demonstrations was a plan to tax calls on Voice over Internet Protocol service WhatsApp.

Ambitious fiscal consolidation plans

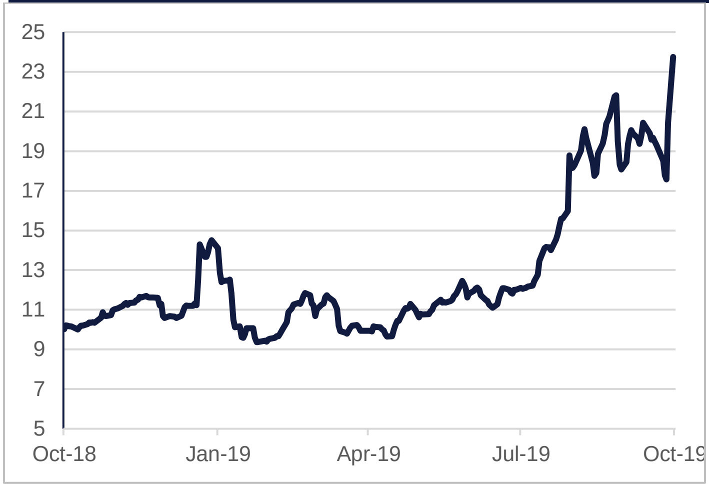
Alongside the pay cuts and bank tax, part of the emergency plan announced by the government encompassed setting a fiscal deficit target for 2020. This is somewhat reassuring given that the 2019 budget was only passed by parliament over halfway through this year, extending the policy paralysis which has blighted fiscal consolidation efforts. A concrete spending plan is crucial to reassure investors, multilateral agencies, and CEDRE contributors that the government is serious about implementing meaningful reforms and drawing down its eye-watering debt levels (around 150% of GDP). However, the somewhat unrealistic objective of hitting a deficit equivalent to just -0.6% of GDP in 2020 could prove to be more of a hindrance than a help as it is almost certain to be missed.

For 2019, reported aims of revenues of LBP 19tn and spending of LBP 23tn would result in a fiscal shortfall equivalent to 6.4% of GDP. However, our expectations of LBP 17tn and LBP 24tn respectively would see the deficit more in the region of 8.7%, following 10.8% in 2018.

Growth looks weak

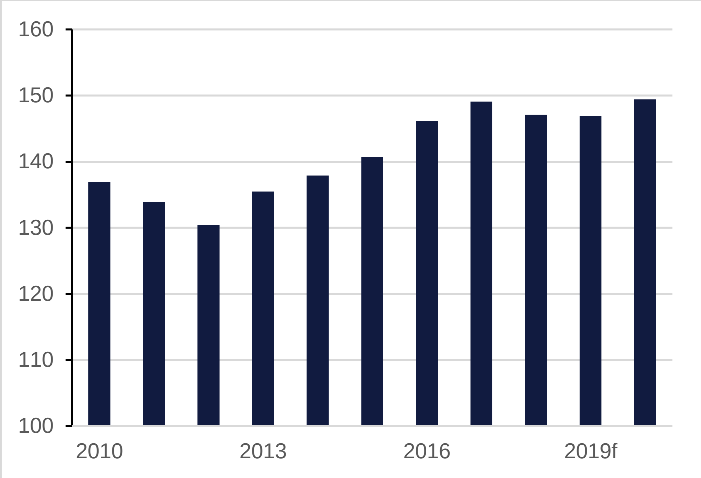
Growth in 2019 is unlikely to exceed the 0.2% seen in 2018, and the risks to our growth projection are to the downside. Short-term indicators including cement sales, PMI surveys, coincident indicators and new building permits all indicate an economy under pressure. That said, the tourism sector has been robust in 2019, and the removal of a travel ban on UAE citizens in October should ensure it remains a bright spot in 2020, when we forecast an acceleration in real GDP growth to 1.3%.

Markets unconvinced (Eurobond 2028 %)



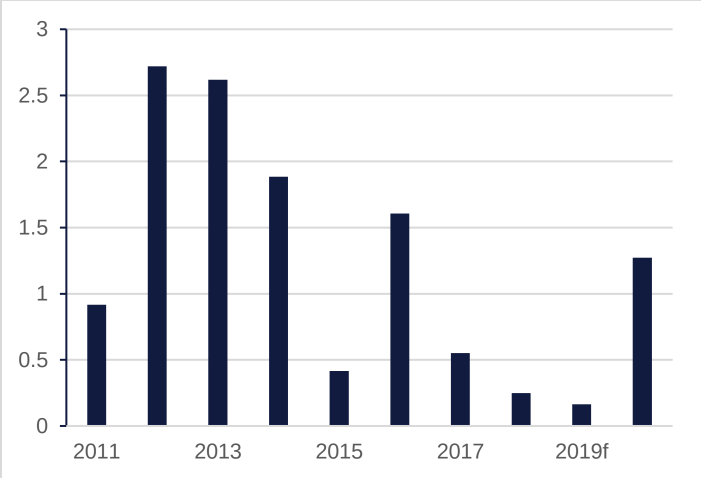
Source: Haver Analytics, Emirates NBD Research

Action required to bring down debt/GDP



Source: Haver Analytics, Emirates NBD Research.

Real GDP growth will pick up in 2020



Source: Haver Analytics, Emirates NBD Research

Morocco

Quarterly GDP data confirms our expectation of an agriculture-driven slowdown in growth this year, as base effects following several years of extraordinary harvests have been brought to bear – this year's cereal crop is reported to be around half the previous year's.

Over Q1-Q3, headline growth averaged 2.6%, leading us to maintain our 2019 forecast of 2.7%, as compared to 4.2% and 3.0% respectively in 2017 and 2018. This slowdown has been driven by the agriculture sector (around 13% of GDP), which has averaged y/y declines of 2.9% so far. The non-agricultural sector has been far more robust, averaging y/y growth of 3.4% over the first three quarters, with the greatest contributors to the expansion Electricity & water, Business & personal services and Industry.

Our expectation is that the Moroccan economy will strengthen in 2020, with a more positive outlook for agriculture, alongside greater private consumption, set to boost growth to 3.4%. A wage and benefits deal agreed by the government in April should contribute to greater household spending, while ongoing foreign investment inflows – into the automotives sector in particular – will help maintain growth at a robust rate over the medium term.

Wage deal pushes deficit wider

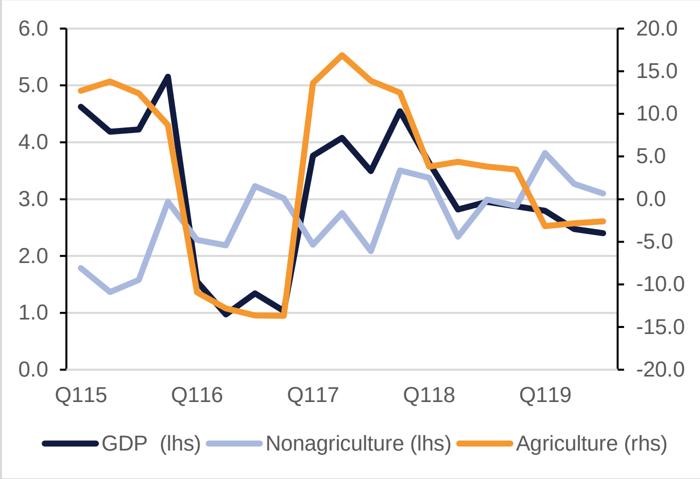
While positive for growth, the wage deal agreed earlier in 2019 is pushing Morocco's budget deficit wider; we forecast a shortfall equivalent to -4.2% of GDP this year, compared to -3.4% in 2018. Over the nine months to September, government compensation of personnel was up 4.4% y/y, while subsidies and transfers spending had risen 22.2% - by comparison, this metric declined 2.1% in 2018. This deficit would likely be wider if not for the ongoing privatisation policy being pursued by the Moroccan government, including the sale of an 8% stake in Maroc Telecom which took place in June. There are plans to issue two international bonds this year and next.

Bank al-Maghrib extends neutral stance

Bank al-Maghrib has maintained its neutral interest rate stance, with its benchmark rate unchanged at the September MPC meeting, marking three and a half years at 2.25%. Inflation has remained negligible, averaging just 0.2% y/y over the first eight months of 2018. However, we do expect that price growth will accelerate on the back of greater household demand following the wage deal earlier this year. Indeed, inflation had climbed to 0.8% in August, and as such we would not expect a cut from the central bank, even as global (and key trade partner Eurozone) monetary policy turns more dovish.

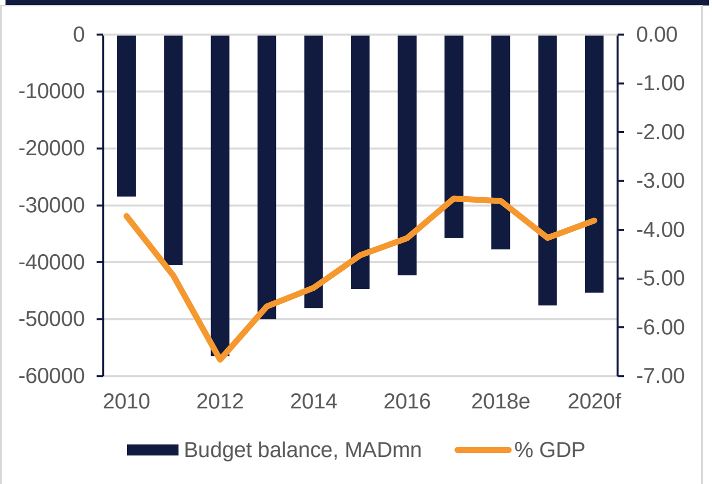
Although the benchmark rate was unchanged, the central bank did halve its monetary reserve rate in order to shore up liquidity.

Real GDP growth, % y/y



Source: Haver Analytics, Emirates NBD Research

Wage hikes will weigh on fiscal balance



Source: Haver Analytics, Emirates NBD Research

CPI (% y/y) should accelerate

Source: Haver Analytics, Emirates NBD Research

Oman

2018 growth was slower than expected

Official data put real GDP growth at 1.8% in 2018, lower than our forecast of 2.1%. The hydrocarbons sector grew 2.8% last year, but non-oil sector growth was disappointing at just 2.0%, slower than the 3.3% recorded in 2017.

Demand side data show that household consumption growth was the weakest since 2011 at just 1.0% in 2018, while government consumption contracted slightly at -0.2%. Gross fixed capital formation contracted for the second year running, at -5.1% y/y. This is somewhat surprising considering the increase in FDI reported in 2018 as well as the continued investment in developing ports and other infrastructure in the Sultanate. Nevertheless, the main driver of GDP growth last year was net exports, largely reflecting increased oil production and exports.

2019 GDP forecast revised lower

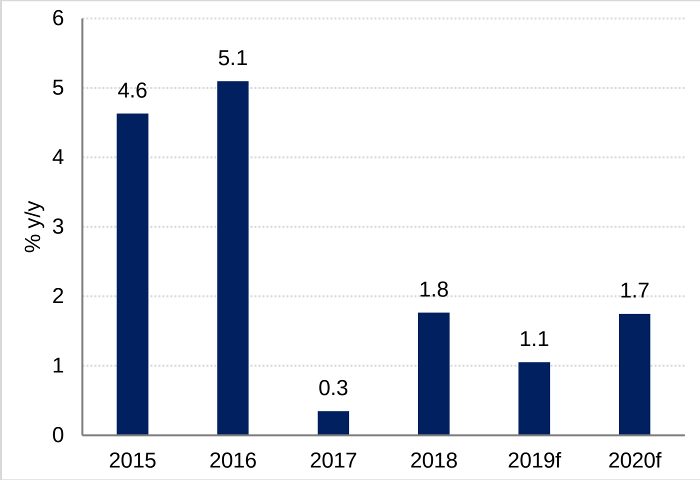
Oil production in the year to August has declined -0.6% compared to average 2018 output. We have adjusted our full year estimate for oil sector growth down, and also revised our outlook for non oil sector growth slightly lower to 2.0%. Overall, we expect GDP growth of 1.1% this year, down from our previous forecast of 1.7% but still higher than the 0% growth the IMF is expecting. We think growth will likely accelerate to 1.7% in 2020, as the hydrocarbons sector recovers.

Budget dynamics deteriorate in Q3

Official budget data shows that the deficit has narrowed in the year to August, compared with the same period in 2018. Total revenue was up 6.9% y/y while expenditure was flat. As a result, the budget deficit in the first 8 months of this year reached OMR 1.4bn, -7.5% smaller than the deficit recorded in Jan-Aug 2018. However, most of the improvement was recorded in H1 2019; the data for July and August show the deficit widened by OMR 718mn compared to a OMR 427mn increase in the deficit in July-August 2018.

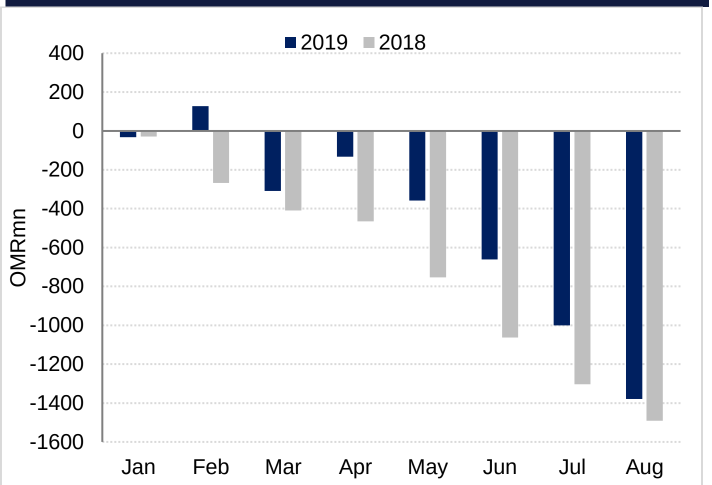
Perhaps unsurprisingly in this context, bank credit to government increased sharply in recent months, rising 162.5% y/y in August even off a high annual base. In contrast, private sector loan growth has slowed to 3.3% (August 2019), down from 4.9% at the end of last year.

GDP growth



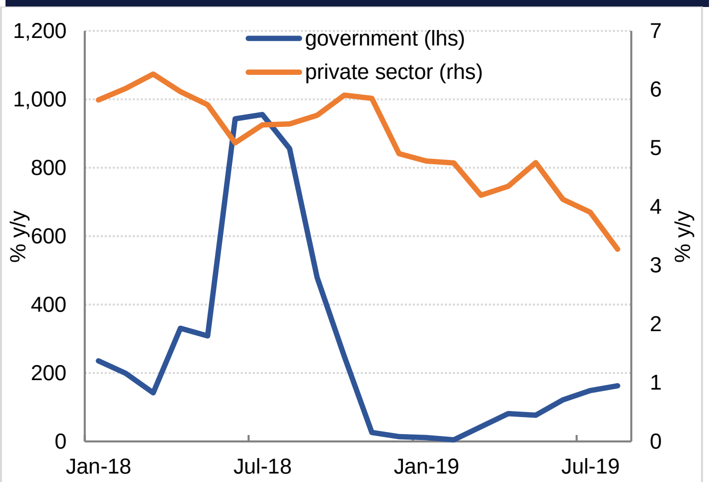
Source: Haver Analytics, Emirates NBD Research

Cumulative budget deficit



Source: Haver Analytics, IMF, Emirates NBD Research

Public sector borrowing gains momentum



Source: Haver Analytics, Emirates NBD Research

Qatar

GDP contracts -1.4% y/y in Q2 2019

Qatar's real GDP has contracted q/q for the last three quarters, and annual GDP growth turned negative in Q2 2019 for the first time in at least seven years. Real GDP declined -1.4% y/y in Q2 with the hydrocarbon sector contracting -1.9% y/y, and the non-oil sector down -1.1% y/y.

The steepest decline was in the manufacturing sector (-7.4% y/y). Manufacturing increased sharply immediately after sanctions were imposed by other GCC countries in mid-2017, resulting in double digit growth in this sector last year. This is now in the base, which is why the y/y decline looks large in Q2 2019. Building & construction GDP contracted for the second quarter in a row (-3.5% y/y), as did wholesale & retail trade (-1.2% y/y). However, there was growth in financial & insurance services, transport & storage, accommodation & food services, utilities and the smaller services sectors.

The outlook for Q3 is only a little better, with the headline PMI recovering to a six month high in September, although it remained in contraction territory at 49.0. Output and new work declined at a slower rate and private sector employment was broadly unchanged after declining for the previous six months.

2019 GDP estimate revised lower

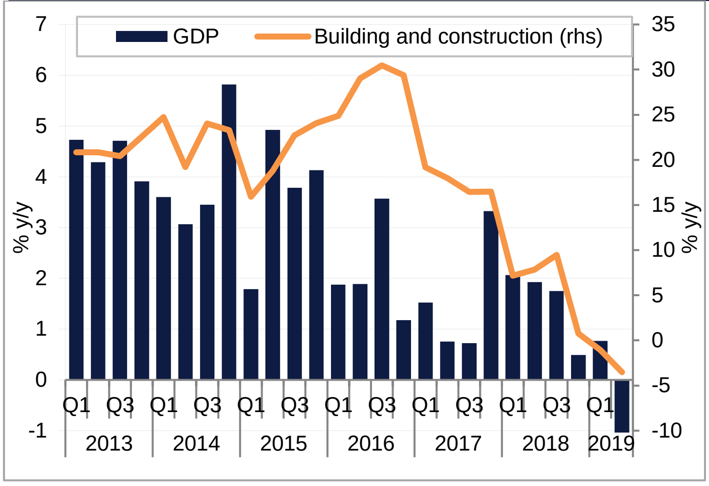
The performance of the economy so far this year is weaker than we had anticipated: we had estimated GDP growth of 2.4% on the back of increased investment in the hydrocarbons sector as well as continued infrastructure investment and sustained government spending. The IMF's now projects GDP growth in Qatar, down from 2.6% in June. However, given the official data for H1 and the relatively soft PMI surveys in Q3, we have revised down our growth forecast for 2019 to 0.7%.

Public sector credit shrinks

Bank lending to the government and public sector has declined at a faster rate this year, which has likely been a contributing factor to softening non-oil sector growth.

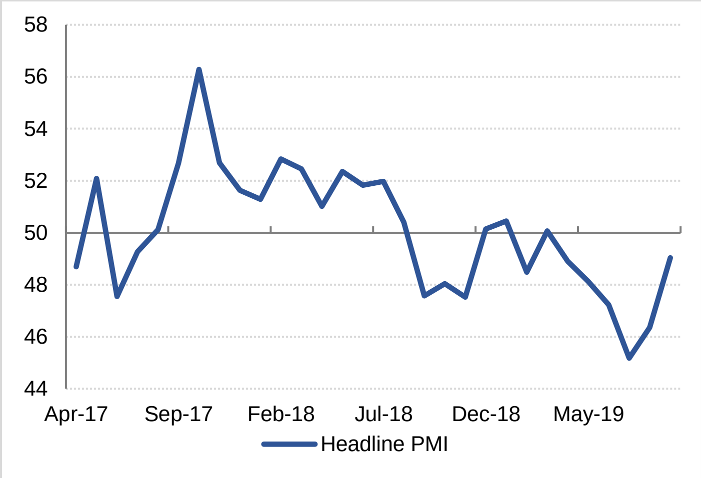
However, private sector borrowing has accelerated to 20.3% y/y in in August, the fastest growth since November 2015. The main driver has been growth in lending to "general trade" and "services". Loans to industry and contractors have declined on an annual basis. Consumer loan growth has also slowed sharply this year, averaging 1.8% y/y in the year to August.

Real GDP growth



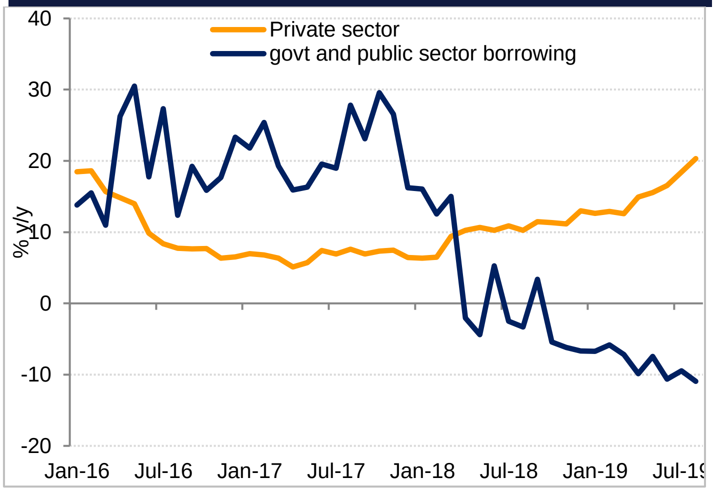
Source: Haver Analytics, Emirates NBD Research

Qatar PMI



Source: Haver Analytics, Emirates NBD Research

Growth in commercial bank lending



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

Q2 headline GDP growth slows on oil cuts

Real GDP growth slowed to 0.5% y/y in Q2 2019, the weakest since 2017 as the oil sector contracted -3.0%. Bloomberg estimates show Saudi crude production declined more than 2% q/q in Q2 as oil prices fell. The attack on Aramco processing facilities further disrupted production and crude oil output declined to 8.36mn b/d in September. Year-to-date, the kingdom's oil output is down -5.7% from the 2018 average, and even with the normalisation of production in Q4, the oil sector will likely contract by around -4.5% this year, significantly worse than we had anticipated.

Non-oil sector growth accelerated to 2.9% y/y in Q2, the fastest growth rate in four years. Strong growth was recorded in trade & hospitality sectors, transport & communication, financial services and construction. In our view, this was largely driven by increased government spending, particularly capital spending, which grew 27% y/y in Q2 2019.

2019 growth forecast revised lower to -0.4%

The PMI survey data for July and August suggest that non-oil sector growth momemtum has been maintained into Q3 and we think overall non-oil sector growth of 2.7% can still be achieved in 2019, up from 2.1% in 2018. However, our previous 2% real GDP growth forecast was predicated on higher oil production than we will likely see this year**.** As a result, we have revised our estimate for headline GDP growth down to -0.4% in 2019. We retain our 1.6% GDP growth forecast for 2020.

Budget deficit likely to widen further

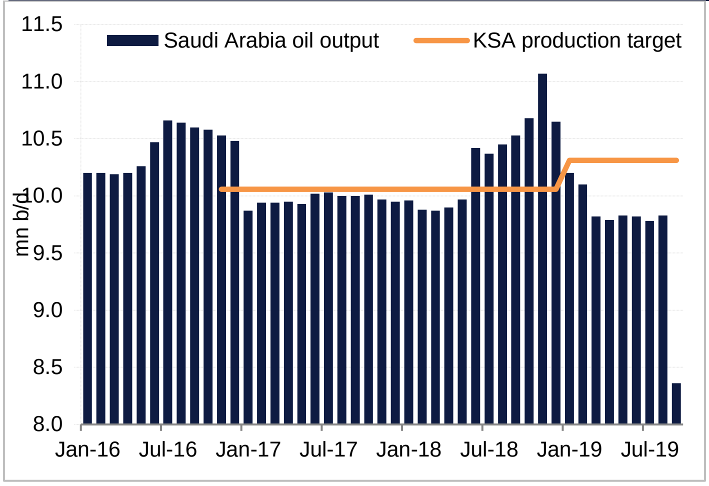
We had always thought the official budget deficit projection of -4.2% of GDP for this year was optimistic, and we had forecast a deficit of -5.5% of GDP. With oil revenues now likely to come in below our initial estimates, we think the deficit will widen to -6.6% of GDP in 2019.

BoP dynamics improved in H1 2019

The current account recorded a smaller USD 12.4bn surplus in Q2 2019, compared with the previous year and the H1 current account surplus of USD 26.1bn was down -9.5% y/y.

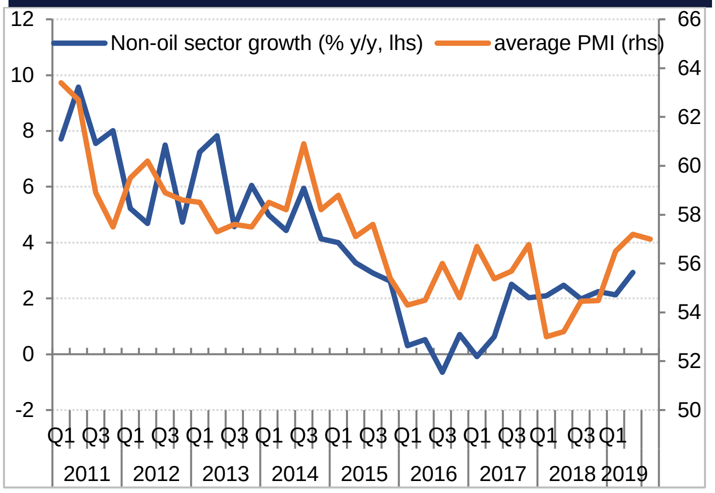
However, the dynamics on the financial account have improved this year, as the net outflow of investment funds from the kingdom declined by half relative to H1 2018. While direct investment abroad continued to exceed inward FDI to KSA, the net figure was down by -30% y/y in H1 2019. In addition, the "other investments" component of the financial account showed a -24% decline in the acquisition of currency & deposits abroad in H1 2019.

Oil production and OPEC target



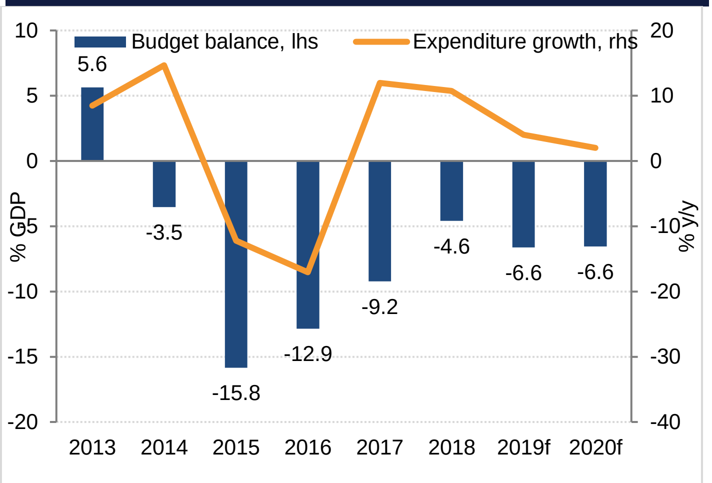
Source: Bloomberg, Emirates NBD Research

Saudi Arabia PMI and non-oil GDP growth



Source: Haver Analytics, IHS Markit, Emirates NBD Research

Budget balance and expenditure growth



Source: Haver Analytics, Emirates NBD Research

Tunisia

The outlook for Tunisian real GDP growth in 2019 continues to deteriorate, and we have made a further substantial downgrade to our projections. We now project an expansion of just 1.5%, compared to 2.5% in 2018. Growth over the first two quarters averaged just 1.2% y/y, and the high-frequency indicators suggest that the third quarter started on a similarly weak footing – headline industrial production declined 2.9% y/y in July, marking the 11th consecutive month of contraction. Further, disruption owing to suicide bombings seen at the end of June, and presidential elections held over September and October, will have added further headwinds.

Looking at specific sectors, manufacturing has been particularly weak, declining by an average 0.9% over Q1-Q2. Tourism remains the brightspot, with hotels and restaurants posting an average growth rate of 7.2%. Agriculture, meanwhile, accelerated in Q2, as we anticipated, rising from -0.7% to 2.8%. Base effects following an average 9.5% expansion in 2018 were always going to weigh on growth in 2019. However, with above-average rainfall expected to produce another year of record harvests, some growth is likely over the remainder of the year.

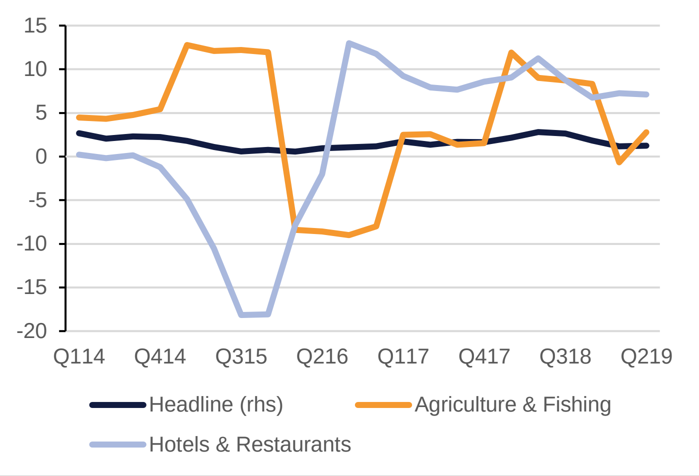
New president wins resounding victory

Presiential elections held in Tunisia have returned an independent candidate as the new leader. Law professor Kais Saied defeated tycoon Nabil Karoui in the seond-round run-off held in October, in a landslide victory notable for a comparatively large turnout compared to recent elections in which Tunisan voters have appeared increasingly disinterested Without the backing of a policital party apparatus it is unlikely the new president will be particularly effective in pushing through any of his reform agenda relating to a new system of electing representatives, and beyond that he has been fairly vague on his programme.

Fiscal slippage could jeopardise IMF programme

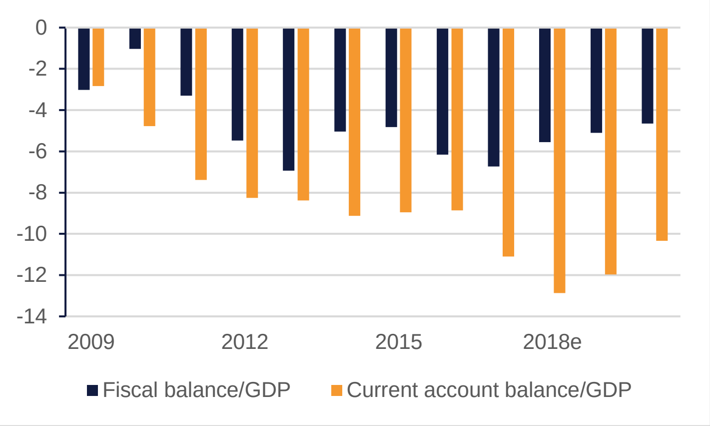
Tunisia runs the risk of falling afoul of the IMF after the government went against the Fund's advice in measures which will likely see the fiscal deficit widen this year. On the back of January-July data, a pause in energy price hikes and a hike in civil servant wages – alongside a sizeable downgrade to GDP growth – we now project a year-end fiscal shortfall equivalent to 5.1% of GDP this year. This would miss the government's target of 3.9%. The IMF have previously suspended the allocation of funds to Tunisia under its programme after targets were missed.

Real GDP growth, % y/y



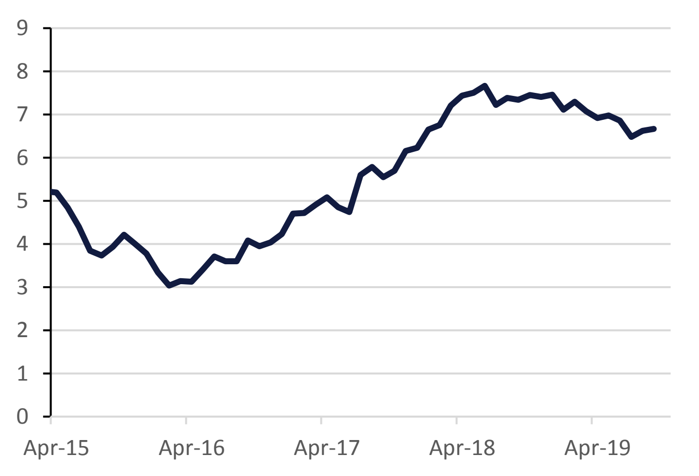
Source: Haver Analytics, Emirates NBD Research

Twin deficits, % GDP



Source: Haver Analytics, Emirates NBD Research

CPI (% y/y) will ease



Source: Haver Analytics, Emirates NBD Research

UAE

Oil production up 2.8% year-to-September

The UAE's crude oil output has been steady around 3.07mn b/d for most of this year, which is nearly 3% more than the average production in 2018. The positive contribution of the oil sector to GDP growth in the UAE is in stark contrast to most of the other GCC countries, where production has declined this year.

PMI survey data also point to non-oil sector growth in H1 2019, although this appears to have been largely driven by external (export) demand. Official GDP data for Q1 shows the non-oil sectors grew 4.2% q/q (after contracting in the prior two quarters). However, annual non-oil GDP growth was just 0.3% y/y in Q1 2019. As Abu Dhabi's non-oil GDP contracted in Q1 2019, we continue to view Dubai as the engine for non-oil growth in the UAE. The headline UAE PMI averaged 52.6 in Q3 2019, down from 58.2 in Q2, and indicating a slower rate of non-oil sector expansion relative to H1.

Overall, we remain comfortable with our 2.0% real GDP growth forecast for the UAE this year, underpinned by growth in the oil sector as well as expansion in Dubai's largely non-oil economy.

Money supply growth accelerates in Q3

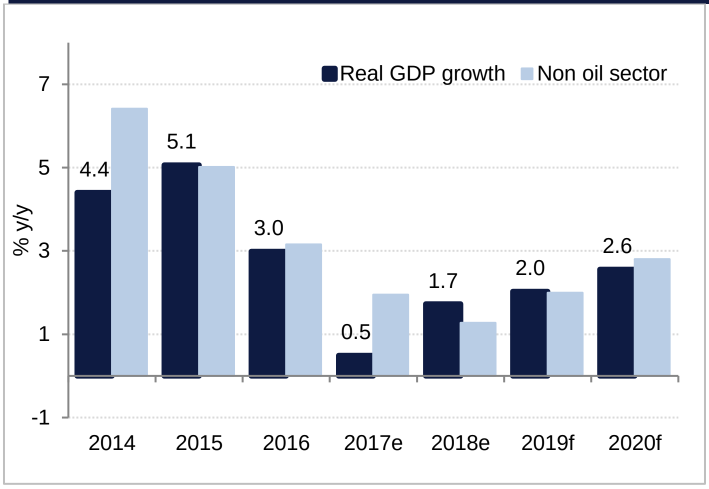
Broad money supply grew 6.5% y/y in August, the fastest rate of growth since June 2017. Both M1 – and in particular cash in circulation which has grown at an average 10.2% y/y in May to August - and quasi money (longer term dirham and FX deposits) grew at a faster rate in August. The breakdown of bank deposits shows that while government and GRE deposit growth has slowed, business and individuals' deposit growth picked up in August.

Gross credit growth has ranged between 4-5% this year. Government borrowing from banks has increased at a faster rate in recent months, while private sector credit growth has slowed, reaching 2.0% y/y in August; the slowest since April 2018.

Housing, food weigh on CPI

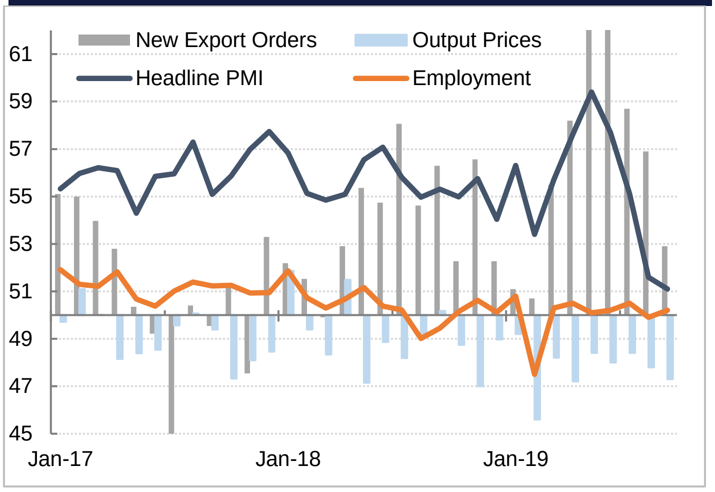
Consumer prices in the UAE have declined this year as lower housing and food costs, which together account for nearly half of the CPI basket, have offset modest increases in services prices. The introduction of VAT in 2018 is now in the base when y/y price changes are calculated and the strong USD together with price discounting by local suppliers have all contributed to the deflationary environment not just in the UAE but across many GCC countries. The average inflation rate year to date is -2.0% and while we expect the rate of deflation to slow in the remaining months of this year, we have revised our annual CPI estimate down to -1.6% from 0.0% previously.

UAE GDP growth



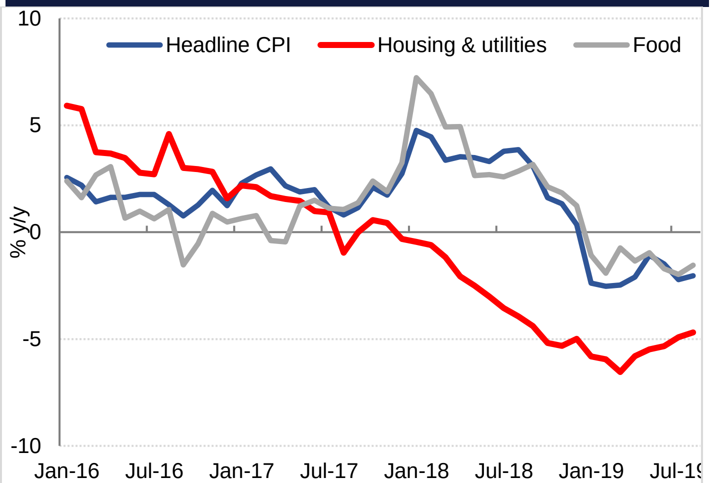
Source: Bloomberg, Emirates NBD Research

UAE PMI



Source: Haver Analytics, Emirates NBD

Consumer prices in deflation territory



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

Tourism and hospitality

The number of international visitors to Dubai grew 3.9% y/y in January through August, much faster than the growth recorded over the same period last year. The number of visitors from India, the largest source market, declined -5.5% y/y in the year to August, and the number of British visitors fell -2.2% y/y as well. Other markets which sent fewer visitors this year include Iran (-25.3% y/y) and Russia (-6.0% y/y). However, visitors from other GCC countries rose 8.5% after declining in 2018, while visitors from China increased 12.5% y/y. There was also strong growth in the number of visitors from Nigeria (33% y/y), Philippines (30% y/y), Egypt (9% y/y) and France (11% y/y).

That the number of visitors to Dubai has grown despite further strength in the USD this year partly reflects continued price discounting in the hospitality sector. Hotels have seen RevPAR decline -14.6% y/y in the year to September, the fifth consecutive year of decline. Hotel occupancy has also slipped, reaching 72.8% in the first nine months of this year, compared with 79.1% in Jan-Sep 2013. Hotel room supply continues to rise ahead of Expo 2020 – as planned – but the rate of supply growth has slowed to 6.4% y/y in August 2019, compared with 8.7% in February this year.

Foreign trade

The slowdown in global trade is reflected in Dubai's H1 foreign trade data. The value of re-exports declined -0.6% y/y in Q2 2019, the first annual contraction since Q4 2016. For H1, the value of re-exports was up 3.0% y/y, much slower than the 14% growth recorded in H1 2018.

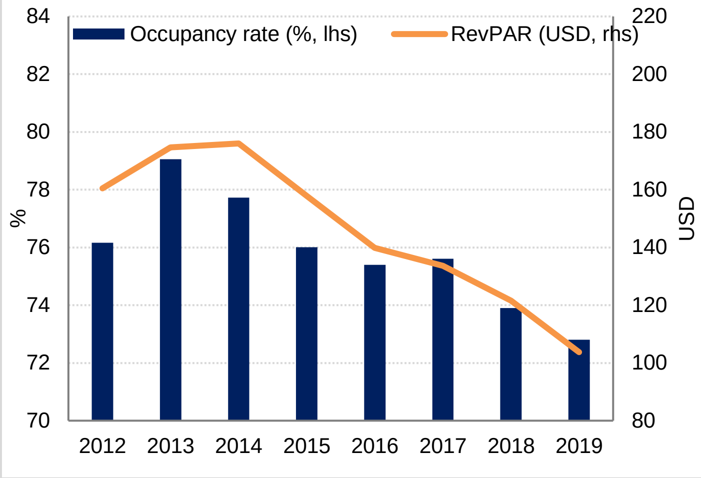
Dubai's direct exports to the rest of the world grew 17.3% in H1 2019 however, after contracting last year. Imports to Dubai also increased 3.7% in H1, after declining in 2018. Overall, the value of Dubai's total non-oil foreign trade was up 4.8% y/y in H1 2019, but the growth in Q2 was 2.4% y/y, slower than the 7.3% y/y growth recorded in Q1 2019.

Real estate prices decline in Q3 2019

Data from ASTECO showed that both villa and apartment prices declined further in Q3 2019, although the rate of decline was slower than in previous quarters. Apartment prices declined -2.9% q/q and -14.1% y/y, while villa prices fell -2.5% q/q and -13.0% y/y.

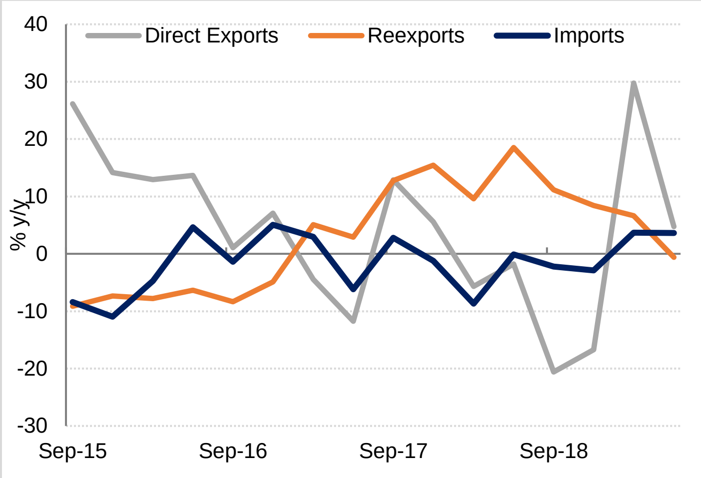
Rents have also declined by around -3.0% y/y for all residential units in Q3 2019. With rents declining at a slower rate than sales prices, gross yields have likely improved on average.

Hotel occupancy and RevPAR (Jan-Sep)



Source: IHS Markit, Emirates NBD Research

Value of foreign trade rises 2.4% y/y in Q2



Source: Haver Analytics, Emirates NBD Research

Dubai residential real estate prices

Source: ASTECO, Emirates NBD Research

Key Economic Forecasts: Algeria

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (DZD bn)	17525	18594	19307	19548	20247
Nominal GDP (USD bn)	160.2	167.6	165.5	165.0	166.6
GDP per capita (USD)	3944	4057	3941	3865	3846
Real GDP Growth (% y/y)	3.2	0.4	1.6	1.0	2.0
Monetary Indicators (% y/y)					
CPI (average)	5.8	6.0	3.5	2.6	3.3
External Accounts (USD bn)					
Exports	32.7	37.7	44.4	43.5	47.9
Imports	60.2	60.1	60.0	57.0	59.9
Trade balance	-27.5	-22.4	-15.6	-13.5	-12.0
% GDP	*-12.8*	*-13.5*	*-9.8*	*-8.1*	*-7.3*
Current account balance	-26.2	-22.1	-16.7	-14.6	-13.2
% GDP	-12.3	-13.3	-10.4	-8.7	-7.9
Fiscal Indicators (DZDbn)					
Revenue	5012	6183	6504	6830	7172
Expenditure	7297	7389	8273	8687	9295
Budget Balance	-2285	-1206	-1769	-1856	-2123
% GDP	-13.0	-6.5	-9.2	-9.5	-10.5

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	14.2	14.7	15.3
Nominal GDP (USD bn)	32.3	35.4	37.7	39.0	40.6
GDP per capita (USD)	22648	23604	25112	25685	26493
Real GDP Growth (% y/y)	3.5	3.8	1.8	2.0	2.4
Monetary Indicators (% y/y)					
M2	1.2	4.2	2.4	11.0	4.4
Private sector credit	1.5	2.5	9.9	4.0	4.0
CPI (average)	2.8	1.4	2.1	1.5	2.0
External Accounts (USD bn)					
Exports	12.8	15.4	18.3	17.7	17.1
Of which: hydrocarbons	6.1	8.4	10.8	10.1	9.3
Imports	13.6	16.1	19.1	18.7	18.5
Trade balance	-0.8	-0.7	-0.9	-1.0	-1.4
% GDP	-2.5	-2.0	-2.3	-2.4	-3.4
Current account balance	-1.5	-1.6	-2.2	-2.5	-2.9
% GDP	-4.6	-4.5	-5.9	-6.3	-7.1
Fiscal Indicators (% GDP)					
Budget balance	-13.5	-10.0	-6.3	-6.6	-5.8
Revenue	15.7	16.5	19.6	17.4	17.7
Expenditure	29.1	26.5	25.9	24.0	23.5

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2016	2017	2018	2019f	2020f
Nominal GDP (EGP bn)	2709.4	3441.8	4305.0	5111.8	5938.7
Nominal GDP (USD bn)	332.4	225.8	241.6	300.7	377.1
GDP per capita (USD)	3473	2314	2431	2972	3663
Real GDP Growth (% y/y)	4.3	4.1	5.3	5.6	5.8
Monetary Indicators (% y/y)					
M2	18.6	39.3	19.7	16.0	13.8
CPI (average)	13.7	29.6	14.4	10.4	8.0
External Accounts (USD bn)					
Exports	18.7	21.7	25.8	29.7	32.3
Imports	57.4	59.0	63.1	68.6	71.9
Trade Balance	-38.7	-37.3	-37.3	-38.9	-39.6
% of GDP	-11.6	-16.5	-15.4	-12.9	-10.5
Current Account Balance	-6.4	-2.8	-6.0	-8.2	-9.9
% of GDP	-6.0	-6.4	-2.5	-2.7	-2.9
Reserves	17.6	31.3	44.3	42.0	42.0
Public Finances					
Revenue (EGP bn)	491488	659184	821134	987867	1093811
Expenditure (EGP bn)	804704	1025109	1235101	1408236	1517363
Balance*	-326355	-372758	-423273	-420369	-423552
% of GDP	-12.05	-10.83	-9.83	-8.22	-7.13
Central Government Debt (EGP mn)	2285644	2685898	3121804	4000000	4500000
% of GDP	84.4	78.0	72.5	78.3	75.8

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iran

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (IRR tn)	12823	14841	17124	22441	27814
Nominal GDP (USD bn)	441.8	446.9	422.4	493.2	604.6
GDP per capita (USD)	5436	5391	5035	5542	6378
Real GDP Growth (% y/y)	12.4	3.3	-4.2	-7.6	0.5
Monetary Indicators (% y/y)					
CPI (average)	8.7	10.0	21.0	38.7	25.0
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	5.1	5.4	1.2	-0.1
Current account balance	16388	15816	15832	-1129	-7884
% GDP	3.7	3.5	3.7	-0.2	-1.4
Fiscal Indicators (IRRbn)					
Revenue	-1.9925	-1.82	-1.6404	-1.3778	-1.228534977
Expenditure	2072300	2429400	2769516	2824906	2966151.636
Budget Balance	-611700	-753700	-725162	-944101	-991305.672
% GDP	-4.8	-5.1	-4.2	-4.4	-3.9

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (IQD tn)	190928	215516	252128	284719	293334
Nominal GDP (USD bn)	165.2	166.2	215.5	243.3	250.7
GDP per capita (USD)	4239	4120	5192	5701	5712
Real GDP Growth (% y/y)	9.6	1.0	0.3	4.2	4.1
Monetary Indicators (% y/y)					
CPI (average)	1.3	0.7	0.4	0.0	0.6
External Accounts (USD bn)					
Exports	41298.3	57559.1	87260.0	92495.6	#######
Imports	29077.0	32185.6	38875.7	46650.8	55981.0
Trade balance	12221.3	25373.5	48384.3	45844.8	55013.7
% GDP	*7.4*	*15.3*	*22.4*	*18.8*	*21.8*
Current account balance	2157.8	14892.5	35269.6	27966.6	27455.8
% GDP	1.3	9.0	16.3	11.4	10.9
Fiscal Indicators (IQDbn)					
Revenue	55500	76300	105600	107300	113100
Expenditure	84200	80100	84700	118000	123100
Budget Balance	-28700	-3800	20900	-10700	-10000
% GDP	-15.0	-1.8	8.3	-3.8	-3.4

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (JOD bn)	27.8	28.9	29.5	30.2	30.9
Nominal GDP (USD bn)	39.2	40.7	41.5	42.5	43.5
GDP per capita (USD)	5019	4621	4610	4615	4620
Real GDP Growth (% y/y)	2.1	2.1	2.0	2.3	2.3
Monetary Indicators (% y/y)					
M2	5.1	-2.4	-4.5	3.0	5.0
CPI (average)	-0.8	3.3	4.5	0.5	1.3
External Accounts (USD bn)					
Exports	7.5	7.5	7.8	8.4	8.5
Imports	17.1	18.2	18.0	18.9	20.0
Trade Balance	-9.6	-10.7	-10.2	-10.5	-11.5
% of GDP	*-24.5*	*-26.3*	*-24.6*	*-24.7*	*-26.5*
Current Account Balance	-3.7	-4.3	-2.9	-1.4	-1.3
% of GDP	*-9.4*	*-10.6*	*-6.9*	*-3.2*	*-3.0*
Reserves	15.7	16.0	16.8	16.0	16.0
Public Finances					
Revenue (JOD mn)	7069.5	7425.1	7839.8	8294.4	8842.2
Expenditure (JOD mn)	7948.2	8172.6	8567.2	8910.6	9487.0
Balance	-878.7	-747.9	-727.5	-616.2	-644.8
% of GDP	*-3.2*	*-2.7*	*-2.6*	*-2.2*	*-2.3*
Central Government Debt (JOD mn)	23238.2	23239.2	23240.2	23241.2	23242.2
% of GDP	*87.0*	*87.4*	*87.6*	*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	42.8	42.0	43.6
Nominal GDP (USD bn)	109.4	119.5	141.5	139.9	145.4
GDP per capita (USD)	24807	26563	30637	29696	30256
Real GDP Growth (% y/y)	2.9	-3.5	1.2	0.1	1.4
Hydrocarbon	2.0	-7.2	1.3	-1.5	0.5
Non-hydrocarbon	4.1	1.5	1.1	2.0	2.5
Monetary Indicators (% y/y)					
M3	3.6	3.8	3.9	0.0	4.0
Private sector credit	2.5	2.8	3.9	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	72.2	61.6	63.8
Of which: hydrocarbons	41.5	49.6	65.4	55.6	57.8
Imports	27.0	29.5	31.3	31.5	32.0
Trade balance	19.5	25.7	40.9	30.1	31.8
% GDP	17.8	21.5	28.9	21.5	21.9
Current account balance	-5.1	9.6	20.4	10.1	12.8
% GDP	-4.6	8.0	14.4	7.2	8.8
Fiscal Indicators (% GDP)					
Budget balance	-13.9	-9.0	-3.0	-5.6	-7.0
Revenue	39.6	44.1	48.1	41.9	38.5
Expenditure	53.6	53.1	51.1	47.5	45.5

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (LBP bn)	77243	80491	87253	92575	98714
Nominal GDP (USD bn)	51.1	52.1	62.3	66.1	70.5
GDP per capita (USD)	11614	11802	13953	14721	15613
Real GDP Growth (% y/y)	1.6	0.6	0.2	0.2	1.3
Monetary Indicators (% y/y)					
M2	5.3	-3.5	-2.8	3.0	5.0
CPI (average)	-0.8	4.5	6.1	2.9	2.9
External Accounts (USD bn)					
Exports	3.9	4.0	3.8	3.7	3.9
Imports	17.9	18.4	19.0	20.1	21.1
Trade Balance	-14.0	-14.4	-15.1	-16.4	-17.2
% of GDP	*-27.4*	*-27.6*	*-24.3*	*-24.8*	*-24.3*
Current Account Balance	-10.5	-12.1	-12.4	-13.1	-13.7
% of GDP	*-20.5*	*-23.3*	*-19.9*	*-19.8*	*-19.4*
Reserves	39.6	42.0	40.3	39.5	39.1
Public Finances					
Revenue (LBP bn)	14959	17524	17405	13916	13955
Expenditure (LBP bn)	22412	23186	26821	21192	21580
Balance	-7453	-5662	-9416	-7276	-7625
% of GDP	*-9.6*	*-7.0*	*-10.8*	*-8.7*	*-7.7*
Central Government Debt (LBP bn)	112911	120007	128338	135991	147521
% of GDP	146.2	149.1	147.1	146.9	149.4

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Morocco

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (MAD bn)	1013.2	1063.4	1106.8	1141.4	1189.5
Nominal GDP (USD bn)	103.3	109.6	117.9	119.2	124.2
GDP per capita (USD)	2928	3066	3257	3253	3351
Real GDP Growth (% y/y)	1.1	4.2	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	1.8	0.4	0.8
External Accounts (USD bn)					
Exports	19.1	21.5	24.6	25.6	28.1
Imports	36.7	39.5	44.8	46.1	48.4
Trade Balance	-17.6	-18.0	-20.2	-20.6	-20.3
% of GDP	*-1.7*	*-1.7*	*-1.8*	*-1.8*	*-1.7*
Current Account Balance	-4.2	-3.7	-6.5	-6.3	-4.5
% of GDP	-4.1	-3.4	-5.5	-5.3	-3.7
Reserves	25.4	25.8	24.5	26.0	28.0
Public Finances					
Revenue (MAD mn)	214149	231083	266899	269346	282910
Expenditure (MAD mn)	203621	213655	219833	227223	234085
Balance*	-42316	-35729	-37741	-47582	-45365
% of GDP	-4.2	-3.4	-3.4	-4.2	-3.8
Central Government Debt (MAD mn)	657	692	723	759	797
% of GDP	64.9	65.1	0.6	76.8	80.6

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)	25.2	27.1	30.5	30.5	31.3
Nominal GDP (USD bn)	65.4	70.5	79.2	79.2	81.3
GDP per capita (USD)	14815	15462	17022	16686	16803
Real GDP Growth (% y/y)	5.1	0.3	1.8	1.1	1.7
Monetary Indicators (% y/y)					
M2	1.8	4.2	8.3	5.0	4.2
Private sector credit	9.9	6.4	5.1	5.0	5.0
CPI (average)	1.1	1.6	0.9	1.0	2.5
External Accounts (USD bn)					
Exports	27.6	32.9	41.8	39.9	40.9
Of which: hydrocarbons	16.0	19.2	27.3	23.3	23.2
Imports	21.3	24.2	23.7	24.2	24.6
Trade balance	6.3	8.8	18.1	15.8	16.3
% GDP	9.6	12.4	22.9	19.9	20.0
Current account balance	-12.6	-11.0	-4.4	-4.7	-4.4
% GDP	-19.2	-15.6	-5.5	-6.0	-5.4
Fiscal Indicators (% GDP)					
Budget balance	-21.1	-13.9	-6.6	-8.2	-9.0
Revenue	30.2	31.4	34.9	34.9	33.5
Expenditure	51.3	45.2	41.6	43.1	42.5

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	698.9	693.9	724.9
Nominal GDP (USD bn)	151.7	166.9	192.0	190.6	199.2
GDP per capita (USD)	57913	61371	69548	68025	70021
Real GDP Growth (% y/y)	1.8	1.1	1.3	2.4	2.5
Hydrocarbon	-0.9	-0.7	-2.0	1.0	2.0
Non- hydrocarbon	5.3	3.8	4.7	3.0	3.0
Monetary Indicators (% y/y)					
M2	-4.6	21.3	-6.5	-3.0	5.0
Private sector credit	6.5	6.4	13.0	20.0	7.5
CPI (average)	2.7	0.4	0.2	-0.5	2.0
External Accounts (USD bn)					
Exports	57.3	67.5	84.3	78.4	71.9
Of which: hydrocarbons	46.7	56.8	72.5	70.8	69.3
Imports	31.9	30.8	33.3	34.0	35.0
Trade balance	25.4	36.7	51.0	44.4	36.9
% GDP	16.7	22.0	26.6	23.6	18.7
Current account balance	-8.3	6.4	16.7	8.0	2.2
% GDP	-5.5	3.8	8.7	4.2	1.1
Fiscal Indicators (% GDP)					
Budget balance	-9.2	-6.6	2.2	1.9	-0.1
Revenue	30.9	26.9	29.8	32.4	29.5
Expenditure	40.1	33.5	27.7	30.5	29.7

Source: Haver Analytics, IMF, Emirates NBD Research

Emirates NBD

Key Economic Forecasts: Saudi Arabia

National Income	2016	2017	2018	2019f	2020f
Nominal GDP (SAR bn)	2419	2582	2934	2897	3018
Nominal GDP (USD bn)	645	689	782	772	805
GDP per capita (USD)	20287	21155	23421	22624	23060
Real GDP Growth (% y/y)	1.7	-0.7	2.2	-0.4	1.6
Hydrocarbon	3.6	-3.1	2.8	-4.5	0.0
Non- hydrocarbon	0.2	1.3	2.1	2.7	2.9
Monetary Indicators (% y/y)					
M2	0.8	0.3	2.7	5.0	5.0
Private sector credit	2.4	-0.9	2.8	5.0	5.0
CPI (average)	2.1	-0.8	2.5	-1.0	2.0
External Accounts (USD bn)					
Exports	183.6	221.9	294.4	250.8	252.2
Of which: hydrocarbons	136.2	170.2	170.2	198.5	198.5
Imports	127.8	123.4	125.6	128.8	132.0
Trade balance	55.8	98.5	168.7	122.1	120.2
% GDP	8.6	14.3	21.6	15.8	14.9
Current account balance	-23.8	10.5	70.6	37.1	47.7
% GDP	-3.7	1.5	9.0	4.8	5.9
SAMA's Net foreign Assets	528.6	488.9	500.0		
Fiscal Indicators (% GDP)					
Budget balance	-12.9	-9.2	-4.6	-6.7	-8.2
Revenue	21.5	26.8	30.5	30.3	28.0
Expenditure	34.3	36.0	35.1	37.0	36.2
Public debt	13.1	17.1	19.1		

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	92.4	94.5
Nominal GDP (USD bn)	41.7	36.8	34.5	31.9	33.5
GDP per capita (USD)	3911	3791	3343	3136	2897
Real GDP Growth (% y/y)	1.0	1.7	2.5	1.5	2.3
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	6.3
External Accounts (USD bn)					
Exports	13.6	14.2	15.5	15.0	15.7
Imports	18.4	19.5	21.5	20.6	21.2
Trade Balance	-4.8	-5.3	-6.0	-5.6	-5.5
% of GDP	-11.5	-14.4	-17.3	-17.6	-16.3
Current Account Balance	-3.7	-4.1	-4.4	-3.8	-3.5
% of GDP	-8.9	-11.1	-12.9	-12.0	-10.3
Reserves	6.0	5.6	5.0	5.0	5.0
Public Finances					
Revenue (TND mn)	21245	23891	27942	34369	37806
Expenditure (TND bn)	26099	29546	32621	38819	41924
Balance*	-4854	-5655	-4679	-4450	-4118
% of GDP	-6.2	-6.7	-5.5	-5.1	-4.6
Central Government Debt (TND mn)	55921	67830	81345	82972	81313
% of GDP	62.4	70.2	76.7	91.1	89.3

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

Emirates NBD

Key Economic Forecasts: UAE

National Income	2016	2017	2018e	2019f	2020f
Nominal GDP (AED bn)	1311.2	1387.1	1521.1	1550.8	1615.8
Nominal GDP (USD bn)	357.3	378.0	414.5	422.6	440.3
GDP per capita (USD)	39172	41357	45260	46054	47888
Real GDP Growth* (% y/y)	3.0	0.5	1.7	2.0	2.6
Hydrocarbon	2.6	-2.8	2.8	2.1	2.0
Non-hydrocarbon	3.2	1.9	1.3	2.0	2.8
Dubai	3.1	3.1	1.9	3.0	3.7
Monetary Indicators (% y/y)					
M2	3.3	4.1	2.5	4.0	4.6
Private sector credit	3.7	0.8	4.0	4.0	5.0
CPI (average)	1.6	2.0	3.1	-1.6	2.0
External Accounts (USD bn)					
Exports	295.0	313.5	316.9	318.5	323.8
Of which: hydrocarbons	46.4	58.1	63.2	71.2	66.9
Imports	239.9	246.3	235.3	245.6	252.3
Trade balance	55.1	67.2	81.5	72.9	71.5
% GDP	15.4	17.8	19.7	17.2	16.2
Current account balance	13.2	27.5	37.8	31.6	23.9
% GDP	3.7	7.3	9.1	7.5	5.4
Fiscal Indicators (% GDP)					
Consolidated budget balance (IMF)	-2.0	-1.4	1.2	-1.6	-2.8
Consolidated budget balance (MinFin)	-3.2	-0.2	3.9	3.9	-0.3

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

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