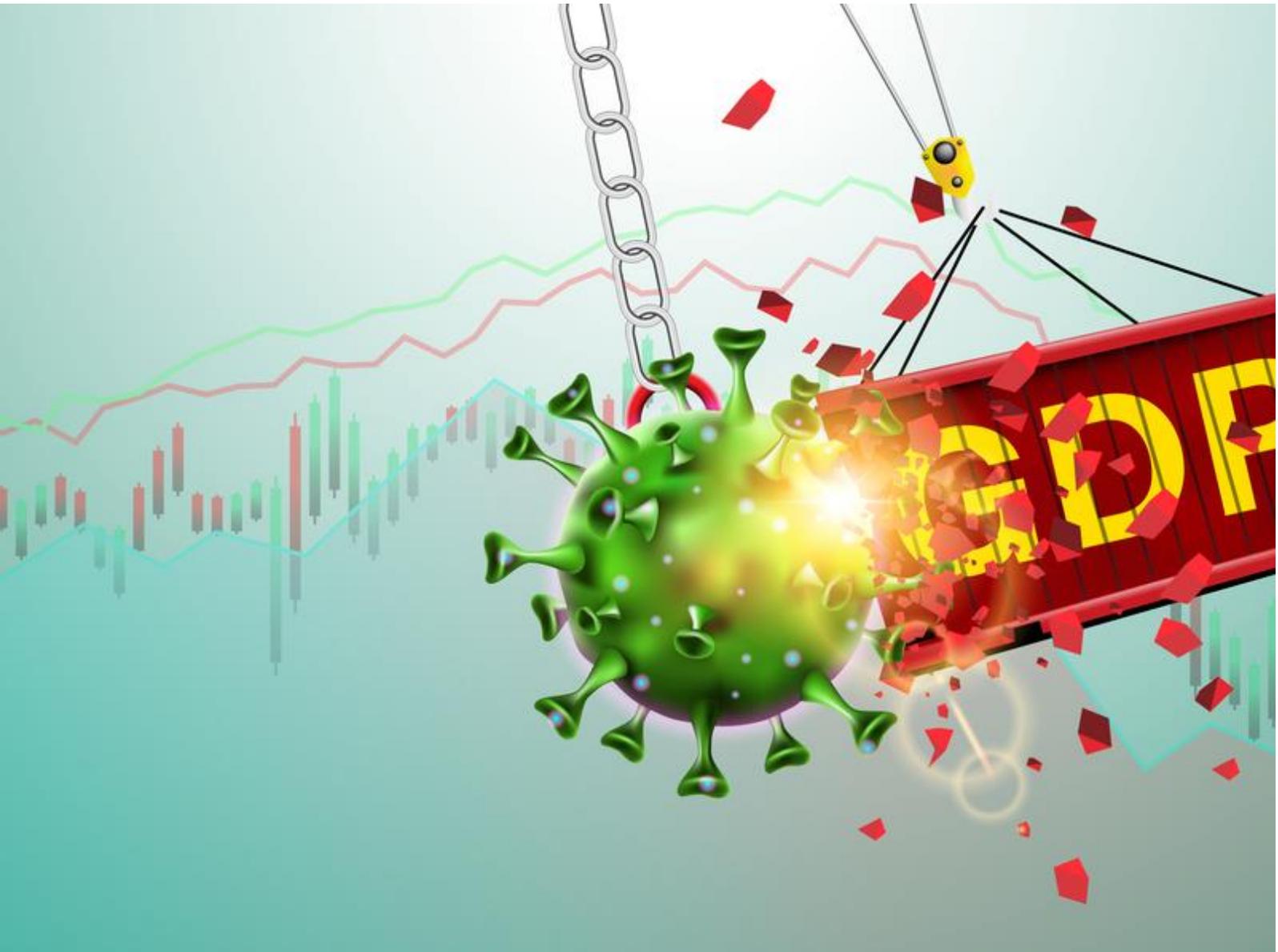


MENA Quarterly



July 2020

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Taking stock

At the half-way mark of what has been an extraordinary – and not in a good way – year, we are starting to see some tentative signs of recovery in economic data around the world. Global PMIs appear to have bottomed, although most remain in contraction territory. China's economy recorded growth in Q2, and consumption activity in the major economies has recovered as lockdowns were eased in May. However, the spike in coronavirus infections in countries that had previously appeared to have contained the pandemic (Australia, Japan) and the surge in infections in the US has led to restrictions being re-imposed in many areas. High frequency data suggests that this may already be weighing on the recovery in the US.

In the GCC, the impact of the coronavirus-related disruptions on the economy, particularly to transport, logistics and tourism, has been compounded by the negative impact of sharply lower oil prices and production on budgets resulting in announcements of cuts to spending plans in most countries in the region. This pro-cyclical tighter fiscal policy is in marked contrast to expansionary fiscal policies in the world's largest economies, which have provided eye-watering levels of support to businesses and households. The UAE is the exception in the region however, and while direct fiscal stimulus has been smaller as a percentage of GDP than in developed economies, the UAE is the only country in the GCC where we expect total government spending to rise this year.

We have revised our oil outlook higher for 2020 and now expect Brent prices at an average of USD 42.55/b. However, supply-side factors are likely now well incorporated into the price and demand dynamics will exert a more meaningful influence over the rest of the year. MENA oil exporters will be exposed to changing demand patterns caused by the Covid-19 pandemic.

Several MENA countries have tapped the IMF for support to help mitigate the impact of the pandemic on their economies and balances of payments. These funds have helped to finance emergency spending, tax cuts and furlough schemes to mitigate the impact of unemployment and support domestic demand. While oil-importing countries will benefit from lower oil prices, the negative impact from the disruption to tourism and trade will weigh on growth and external balances.

In its latest Regional Economic Outlook (July), the IMF downgraded its forecast for the MENAP region by 3.1pp to -7.3% in 2020, with most of the adjustment due to a weaker outlook for oil exporting countries. We have also downgraded our MENA growth forecasts to take into account the likely sharp economic contraction in Q2, and expect only a modest recovery by year-end and into 2021. However, the uncertainty around our forecasts remains high, as the global pandemic and policy responses to it continue to evolve.

Khatija Haque
Chief Economist and Head of Research

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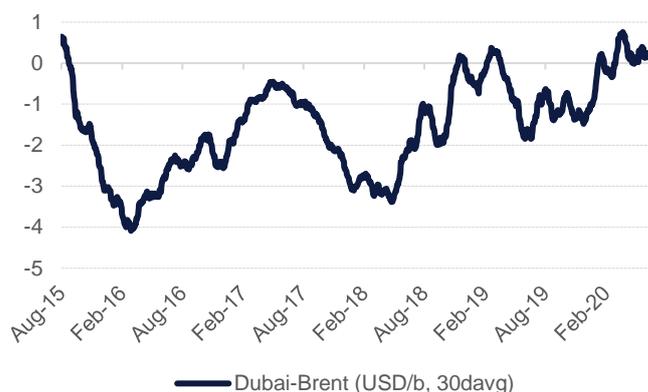
Oil market outlook

We have revised our oil price assumptions for 2020 higher as OPEC+ cuts and a recovering demand picture should help markets tighten in the second half of the year. At USD 42.55/b for Brent futures oil prices will still be down by 34% y/y and well below levels that allow governments across MENA to run balanced budgets, let alone expenditure that will help offset the economic effects of the coronavirus pandemic. Downside risks to our forecast remain considerable with a potential for a relapse into lockdowns a major threat to the sustainability of oil demand.

Supply-side adjustments from OPEC+ and other market-oriented producers, such as the US shale patch, will help to push the oil market into deficit in H2 2020 after an enormous build in inventories in Q2 2020. However, from here on out the impact on balances from the supply side will be more muted. Oil prices managed an extensive rally in Q2 2020 to trade in the low USD 40/b range for Brent futures thanks to the OPEC+ agreement which saw nearly 10m b/d removed from the market. From August production from OPEC+ countries is actually set to increase as the deep level of cuts is tapered. Another sizeable cut to output appears unlikely to us, even if prices stumble. According to the terms of the OPEC+ agreement, exporters will be producing below their baseline levels until the middle of 2022—an additional cut beyond these already depressed levels would sap the economic momentum away from OPEC+ economies.

public transport vehicles—many crude grades from MENA will be at a disadvantage. The heavy, sour grades that dominate the GCC’s production are geared toward production of heavier—industrial—fuels like diesel or jet/kerosene. OPEC(+) production cuts tend to exert an upward pull on Dubai-linked crudes and this year heavy, sour grades have been trading at a premium to Brent (all the more surprising considering that the IMO 2020 marine fuel regulations came into effect at the start of the year and should have widened the sweet/sour spread in favour of sweeter crudes).

Heavy, sour premium at an end?



Source: Bloomberg, Emirates NBD Research.

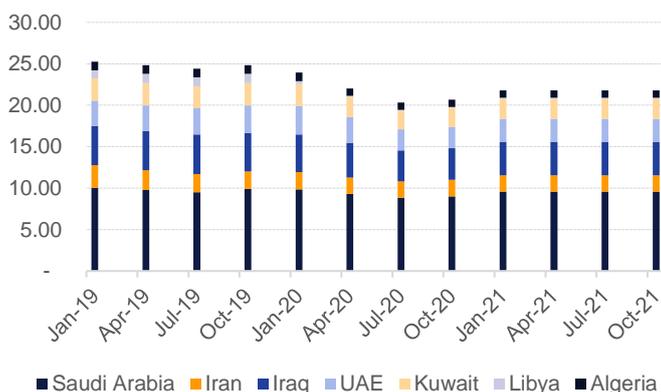
As OPEC+ tapers its cuts we expect the discount for Dubai-linked (heavy, sour barrels) to widen again as these grades become more available. Disruptions to production in Venezuela and Iran have also helped support the heavy, sour barrel in the past few years but we don’t expect there to be much additional support from sanctions on these countries’ oil industries.

Increasing output from OPEC should also help to dampen time-spreads in the Dubai market. After plunging into a contango of as much as USD 6/b during the height of coronavirus lockdowns in April, 1-3 month time spreads for Dubai swaps have strengthened and moved into a tentative backwardation—stronger than either Brent or WTI futures. Increasing volumes from OPEC+ amid a wall of product inventories and weak refining margins—particularly in Asia—should help to push time spreads back into contango even as headline oil market balances are in deficit.

This combination of a widening discount and contango structure for heavy, sour barrels, along with soft refining margins in key export markets, means that the upward push in GCC OSPs may be at an end. OSPs were slashed in April-May during the peak of the Saudi-Russia oil price war and any sign that either side is trying to gain an advantage amid limited production (and export) volumes could damage some of the oil market diplomacy that has been built up during the period of OPEC+ cooperation.

Edward Bell
Senior Director, Market Economics

MENA production (m b/d)



Source: OPEC, Emirates NBD Research.

Beyond OPEC+ the major cut to output has also already occurred. The EIA’s projections expect that May 2020 will have borne the brunt of the decline in US output and that from June 2020 until the end of 2021 production will hold relatively flat at around 11m b/d. The recent tapering-off of the US drilling rig count would suggest that most of the blood-letting has already happened in the US and that stabilization, if not necessarily growth, will be the trajectory for the next several months.

As the oil demand profile shifts to favour gasoline—oriented around private transport—rather than diesel—more likely to be used in

Algeria

Algeria will suffer a deep economic contraction in 2020, driven by both OPEC-mandated oil production curbs, and by the lower domestic and external demand associated with the coronavirus pandemic. We forecast that GDP will shrink by 7.1% this year, rebounding by 6.2% in 2021 provided that the country does not see a protracted struggle with the virus, or indeed that the stresses it causes do not prompt another bout of political and social insecurity, driving protesters back onto the streets as seen through 2019.

Oil production in Algeria has fallen sharply over the past two months, in line with new OPEC production cuts agreed in a bid to try and raise prices once more after several months of cripplingly low levels. Algeria's oil production had been steady at around 1mn b/d for the past several years, but this has fallen by some 20% to just 815,000 b/d over May and June. This will compound the negative effects the coronavirus pandemic has had on the economy, as most activity was shut down from mid-March as the authorities sought to curb the disease's spread. These measures were eased in June, but there remains a risk of their being reimposed should local flare-ups take hold; on July 10, travel restrictions were reintroduced barring people from travelling to and from different provinces, including the capital Algiers.

A new economic model

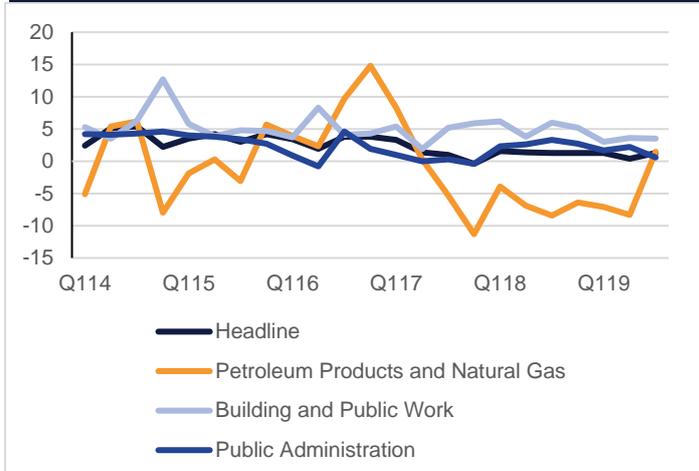
Facing this crisis on two fronts, the Algerian government has announced that it will look to develop a new 'economic and social revival plan', one which is less reliant on the hydrocarbons sector and that will allow the private sector greater influence. Algeria has been run on the developmental state model for the past several decades, with very little foreign or private sector participation allowed. However, the protests which swept long-serving President Abdelaziz Bouteflika from power last year have brought in a new government which is prepared to break with the past.

President Abdelmdjid Tebboune was talking up the necessity of diversification even before the recent oil price drop, and the events of the past several months will have made it even more pressing. According to a statement from Tebboune, 'no distinction must be made between the public and private sectors in creating wealth and jobs.'

FX depreciation

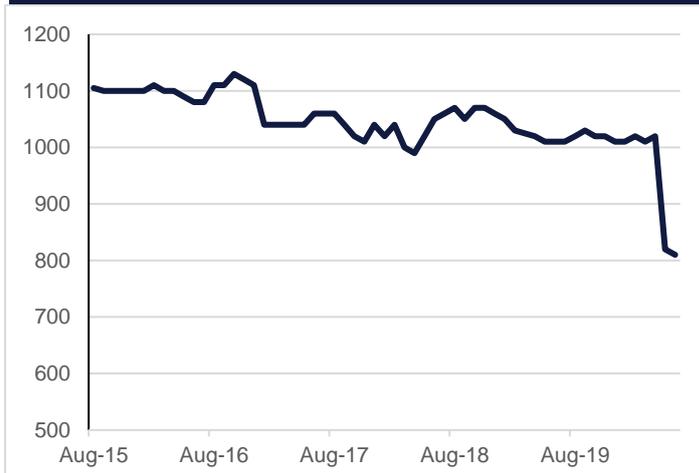
The Algerian dinar has depreciated some 9% since the start of the year, falling to USDDZD 129, from the USDDZD 120 level it had maintained through most of H2 2019. With reserves continuing their sharp decline which began in 2014, and with renewed stresses on the external position this year, downward pressure on the currency was inevitable, even as the government has sought to limit imports. This will induce greater inflationary pressures in Algeria, although this has to now been fairly benign at an average of just 1.9% y/y over January to May. In April, the Bank of Algeria cut its benchmark rate by 25bps to 3.0%.

Real GDP Growth, % y/y



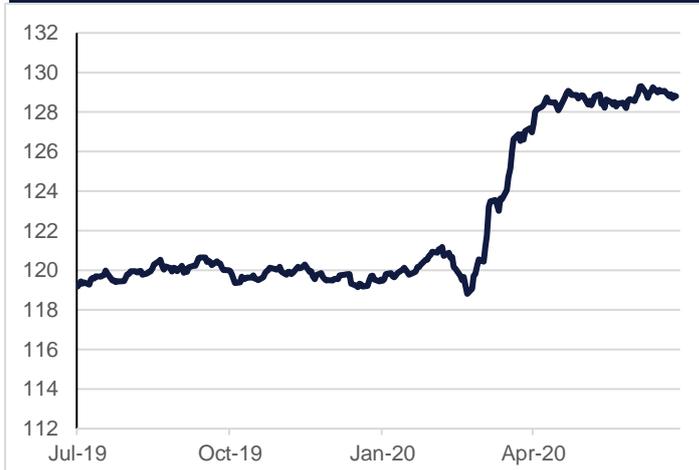
Source: Haver Analytics, Emirates NBD Research

Oil production, b/d '000



Source: Bloomberg, Emirates NBD Research

USDDZD depreciation



Source: Bloomberg, Emirates NBD Research

Bahrain

Economy contracted in Q1 2020

Bahrain's economy contracted -2.2% q/q and -1.1% y/y in the first quarter of 2020 as the impact of coronavirus was already being felt in both the oil and non-oil sectors. Mining & quarrying – a proxy for crude oil production – contracted -7.9% q/q but was still slightly higher y/y. In the non-oil sectors, hotels & restaurants contracted -36.0% y/y in Q1 2020, while transport & communications declined -6.3% y/y. Financial services and government services GDP also contracted in Q1. While we expect GDP to contract more sharply in Q2, our base case scenario for the region is one of stabilisation in Q3 and a modest recovery in Q4. For the year as a whole we expect GDP to contract -3.7% in 2020, compared with 1.8% growth in both 2018 and 2019.

Fiscal deficit likely to widen in 2020

The government announced in April that operating budgets for ministries would be cut by 30% and that a number of construction and other projects would be delayed. However, increased government spending on prevention and response to the coronavirus pandemic will likely offset some of these savings. Indeed, the cabinet recently approved a draft law to boost emergency spending by BHD 177mn this year as infection rates remain relatively high.

On the positive side, the upward revision to our house view on oil prices this year has improved the budget revenue forecast. We expect the budget deficit to widen to -10.4% of GDP this year from -4.8% in 2019. The sovereign raised USD 2bn in 10yr and 4.5yr sukuk in May, and in July the government approved a one-time withdrawal of USD 450m from the Future Generation Reserve Fund (FGRF). All normal contributions to the FGRF will be suspended until the end of this year.

Private sector credit growth has accelerated

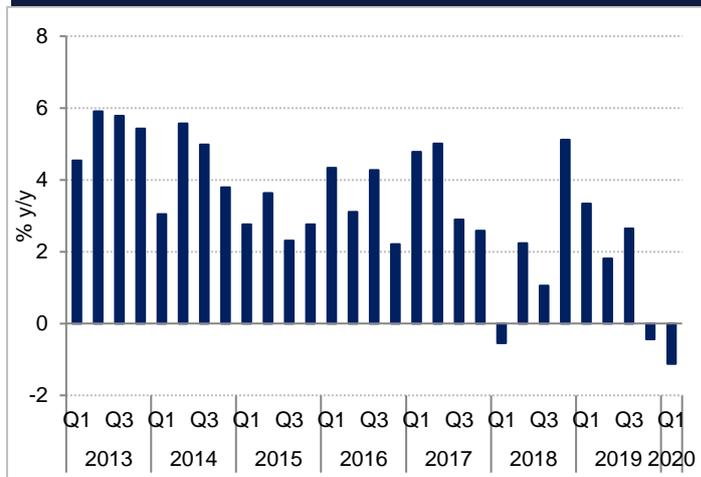
Private sector credit growth accelerated to 5.0% y/y in May from just 1.1% in December 2019. Loans to businesses grew 5.5% y/y in May, from less than 1% in December and January, while loans to individuals picked up slightly as well. Government loans from retail banks were also much higher than a year ago in February and March but were a very small proportion of total loans.

The central bank's net foreign assets rose in May to USD 1.8bn from just USD 0.8bn in April but still only covering around five weeks of imports.

Consumer prices decline in 2020

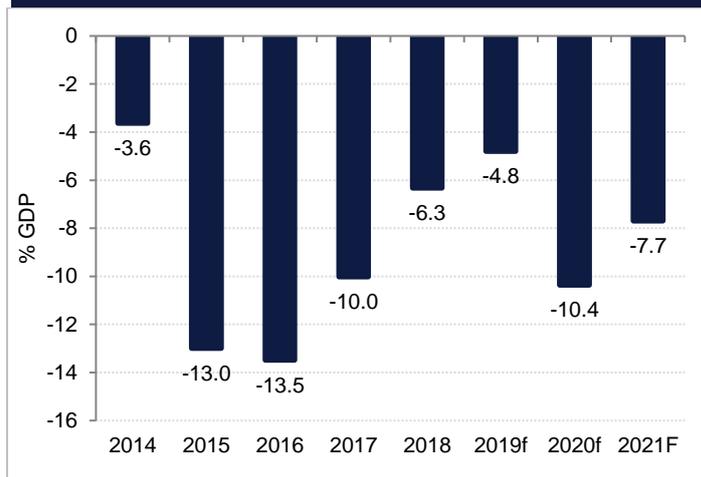
CPI averaged -1.6% y/y in the first five months of 2020, with prices falling m/m in March and April at the peak of the coronavirus disruption and lockdown. We have revised our forecast for annual average inflation down to -2.0%.

GDP growth



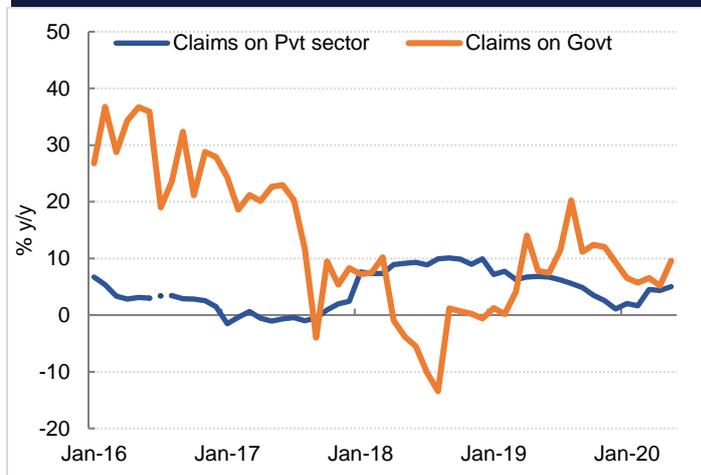
Source: Haver Analytics, Emirates NBD Research

Budget deficit



Source: Haver Analytics, Emirates NBD Research

Credit growth



Source: Haver Analytics, Emirates NBD Research

Iran

Iran was one of the earliest countries globally to report a significant outbreak of Covid-19, and the authorities have struggled over the past five months to reconcile efforts to curb the virus' spread with maintaining economic output. The country's economy was already under significant pressure following the reinstatement of US sanctions in 2018, which saw oil production fall off a cliff and halted the nascent recovery in sectors such as autos production. This prompted an estimated economic contraction of -8.7% last year. Then the US imposed further sanctions following a rise in geopolitical tensions in early 2020, aimed specifically at the construction, manufacturing, textiles, and mining sectors, which led us to forecast a further contraction of -2.8%. With the economic damage wrought by the pandemic, we are now even more bearish, forecasting a contraction of -6.0%, with risks to the downside.

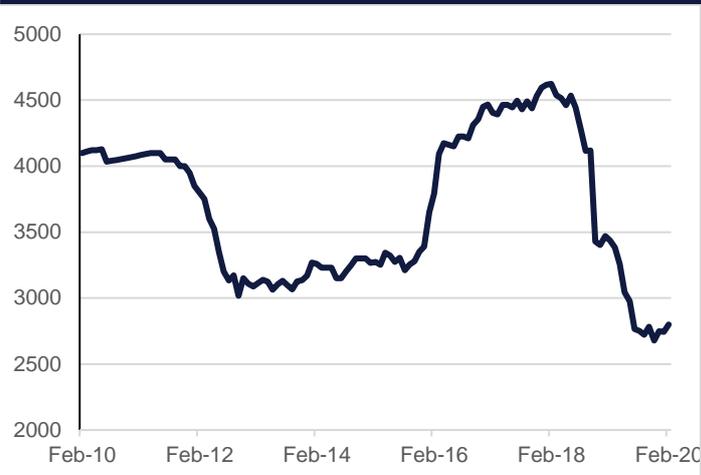
Iran eased some of its strict lockdown measures in April, but it has since seen a renewed surge in new cases as a second wave has struck, jeopardising any economic recovery. President Hassan Rouhani has cautioned that the country 'cannot afford' to shut down the economy once again, but in either case the renewed spread of the virus will no doubt weigh further on activity. Even if people are allowed to operate as normal, there will no doubt be many who are reluctant to do so.

Inflation will further curb consumption

The Iranian rial has collapsed further on the parallel market since the onset of the coronavirus pandemic. It is now trading at a record-low of USDIRR 227,500, compared with the official rate of USDIRR 42,000, and the USDIRR 133,200 at which it was trading at the start of the year.

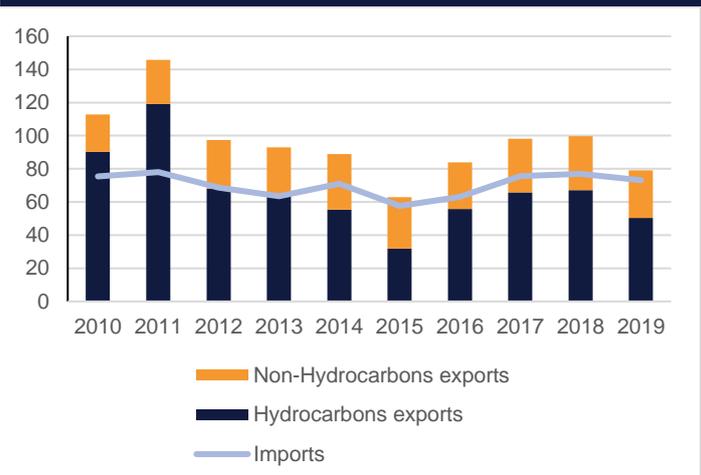
The government has been looking to reduce the number of goods which can be purchased using the official rate in a bid to conserve funds, and this could prompt an increase in inflation in the coming months. Iranian inflation stood at 22.5% y/y in June, according to the Statistical Centre of Iran.

Oil production, b/d, '000



Source: Bloomberg, Emirates NBD Research

Goods imports/exports, USDbn



Source: Haver Analytics, Emirates NBD Research

USD/IRR



Source: Bonbast, Emirates NBD Research

Iraq

Oil production curb will hit GDP

The oil sector will weigh heavily on Iraq's GDP growth this year as it is encouraged by the rest of the OPEC producers' bloc to adhere more strictly to its mandated production curbs than it has in the past. There has actually already been greater compliance over the past two months – Iraq produced just 3.9mn b/d in June, the lowest level since H1 2015 – but this looks set to head lower still. Even as OPEC looks to ease back on some of its recent cuts from August, Iraq has pledged to cut further until September in order to make up for not being fully compliant with its cuts target in May and June – June was just 90% compliant. Iraq's oil production averaged 4.7mn b/d in 2019, and given the sector accounts for over half of GDP, these substantial cuts will weigh heavily on the headline GDP figure.

We forecast a contraction of -9.0% this year, with the oil sector not the only factor contributing to this. Iraq has not been immune to the coronavirus pandemic, and first implemented a curfew and lockdown on March 22. This was eased to coincide with Ramadan, but a subsequent resurgence in new case numbers saw restrictions reimposed in late May. There has been a partial easing of these once again in June, but there remain significant restrictions, and the non-oil sector is set to shrink considerably. In addition to the restrictions on activity, the non-oil sector will also suffer owing to the much-diminished inflows to the oil sector, due to the double whammy of both lower production and lower prices.

Borrowing spree needed to cover shortfall

Iraq's government relies massively on the oil sector for its spending, with over 90% of revenues coming from hydrocarbons. As such, Iraqi finances are going to be severely constrained this year given the lower production and lower prices, which will be far off the IMF's Iraq breakeven estimate of USD 60.4/b. This is especially the case given the additional spending requirements which are being generated by the coronavirus crisis – for instance an additional USD 42m to the Ministry of Health to help fight the pandemic. We forecast that the fiscal deficit will widen from an estimated -1.1% of GDP last year to -20.3% in 2020. An improvement in the oil sector will see this narrow next year, but still remain wide at a projected -13.9%. In order to cover this shortfall, the Iraqi parliament in late June approved for the government to borrow USD 5bn on international debt markets, in addition to a further USD 13bn in local debt.

New prime minister facing a myriad of challenges

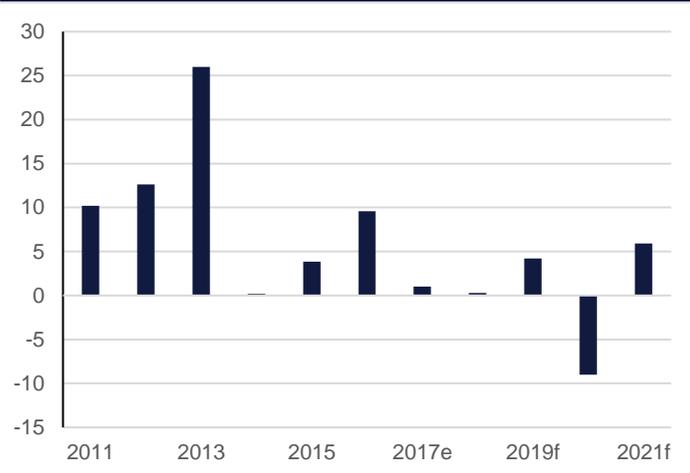
Iraq's parliament approved a new prime minister in early May. Mustafa al-Kadhimi has pledged to fight corruption, end foreign interference in Iraq and to check the power of militias.

Oil production, b/d '000



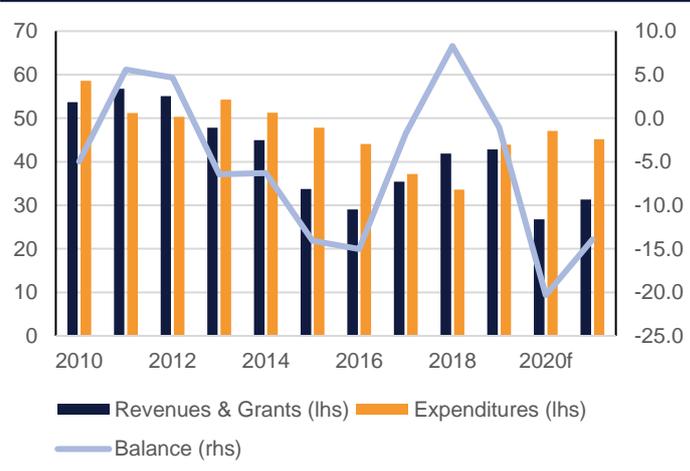
Source: Bloomberg, Emirates NBD Research

Real GDP growth, % y/y



Source: UN, Emirates NBD Research

Fiscal position, % GDP



Source: Bloomberg, Emirates NBD Research

Jordan

The complete shutdown of various industries in Jordan owing to the pandemic, not least the tourism sector, has weighed heavily on the economy over the past several months. The country was swift to implement one of the strictest lockdowns globally on March 17, only starting to ease restrictions two and a half months later on June 6. While this helped contain the virus, it has generated other economic hardships, and the country is among several in the MENA region that turned to the IMF for emergency funding in the form of a Rapid Financing Instrument.

Tourism sector on pause

The tourism sector accounted for some 36% of Jordan's goods and services exports in 2019, so the complete halt of visitors to the country over the past several months has generated stresses in Jordan's external position. These will have been compounded by a decline in remittances from workers in the GCC and elsewhere, and by a drop in transit trade. We forecast that Jordan's current account deficit will widen from an estimated -2.8% in 2019 to -7.3% this year as a result. In this environment, Jordan requested emergency IMF assistance in the form of a USD 396m RFI in May to address the balance of payments needs and also allow for greater spending on healthcare and other Covid-19-related necessities. This IMF support followed a new USD 1.3bn four-year Extended Fund Facility agreed in March.

Returning to international debt markets

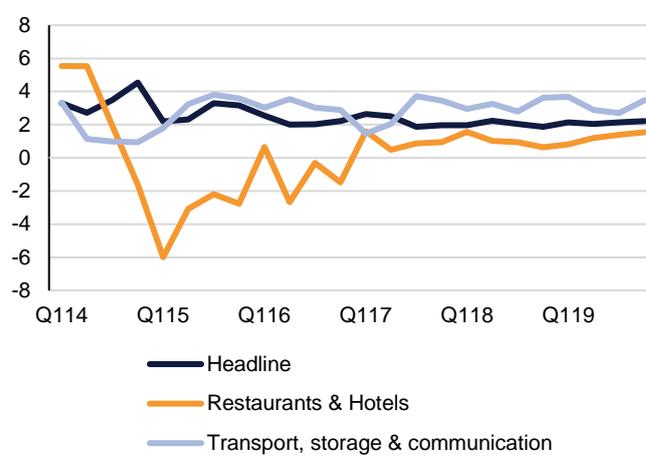
Alongside the pressures on the current account balance, the fiscal balance will also come under pressure this year as a result of the crisis, and we forecast that Jordan's budget balance will widen from -2.2% in 2019 to -6.9% this year. Given the need to source more funding, Jordan issued dollar-denominated debt for the first time since 2017 in July. The double-tranche issuance consisted of a 5yr USD 500m Eurobond at 4.95% and a 10yr USD 1.25bn at 5.85%. According to the Ministry of Finance, the issuance was 6.25 times oversubscribed, and was at lower cost compared with the last Eurobond issuance which the Jordanian authorities cited as testament to their progress in containing the coronavirus pandemic.

The government under Prime Minister Omar al-Razzaz has also pledged to clamp down on tax dodging in a bid to fill the country's coffers. Speaking on July 12, he said that 'Protecting public money and fighting corruption is a national duty', and the authorities have been raiding hundreds of businesses in their hunt for malfeasance.

Recession will hit labour market

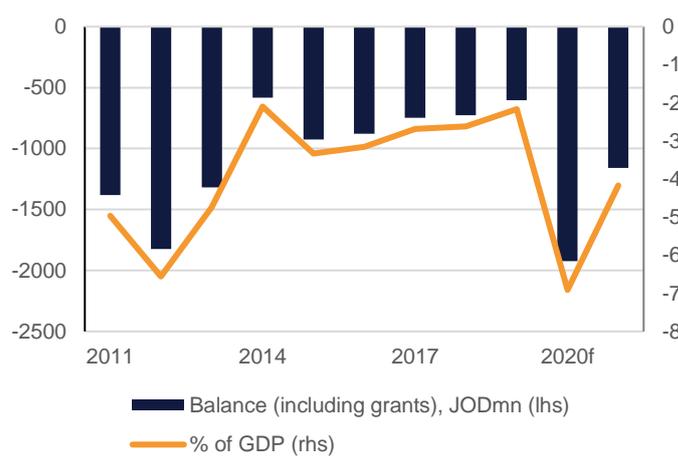
Given the protracted lockdown, ongoing restrictions, and the ongoing impact of the pandemic on tourism – which is unlikely to abate in the next several months – we forecast that Jordan's economy will endure a real contraction of -3.9% this year. Next year we project the start of the recovery, forecasting growth of 2.9%, but this will be dependent on getting people back in unemployment. Jordan has struggled with high levels of joblessness for years (19.3% in Q1), and this will no doubt have risen further since the lockdown began.

Real GDP growth, % y/y



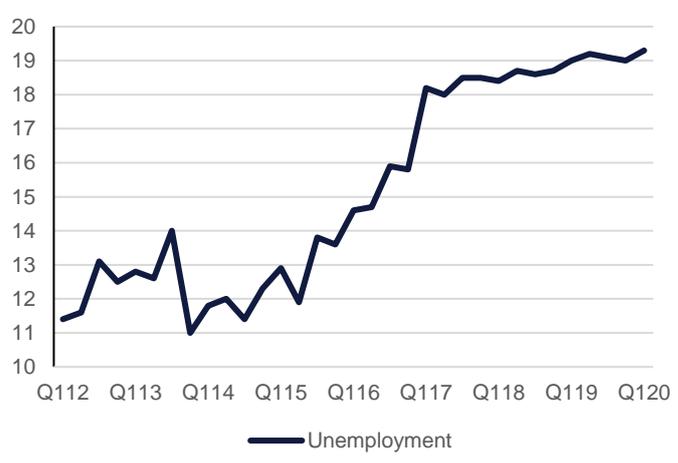
Source: Haver Analytics, Emirates NBD Research

Budget balance



Source: Haver Analytics, Emirates NBD Research

Unemployment, %



Source: Haver Analytics, Emirates NBD Research

Kuwait

Oil production to decline sharply in 2020

Kuwait has cut oil output by more than -25% since April to 2.15mn b/d in June. With output expected to remain at this low level through July, and then increase only gradually, we have pencilled in a contraction of -9% in the hydrocarbon sector for 2020.

The impact of coronavirus restrictions will weigh on the non-oil sectors as well, and we now expect these to contract by -4% this year. Overall, we forecast 2020 GDP growth at -6.6%, with a rebound of 2% expected next year.

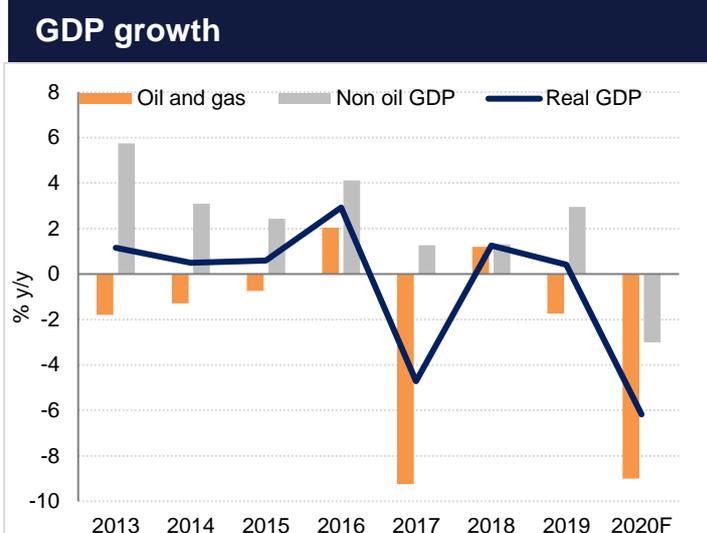
Budget deficit set to widen sharply this year

Kuwait, along with several other countries in the region, has taken steps to reduce spending in some areas this year, as oil revenues to the budget have been negatively affected by lower prices and production. Investment spending is likely to bear the brunt of the budget cuts. Nevertheless, we expect the budget deficit to widen sharply to -22.5% of GDP in the fiscal year 2020/2021.

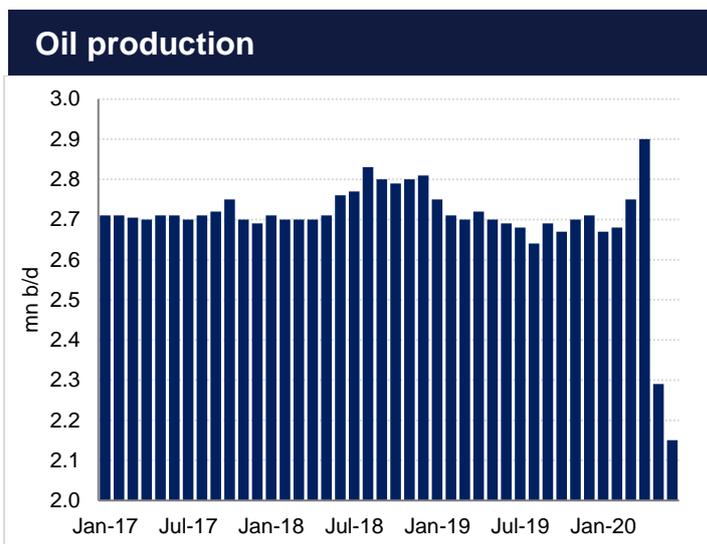
Parliament has yet to approve a new public debt law which would allow the government to issue debt in order to finance the budget deficit. The government recently submitted a draft law to parliament, asking it to approve borrowing of KHD 20bn (USD 65bn) over 30 years, including KWD 8bn to finance this year's budget deficit. If parliament fails to approve the debt law, the government is reportedly considering selling assets held by the General Reserve Fund to the Future Generations Fund to release the funds needed.

Kuwait to disburse KD 240mn to support citizens in the private sector

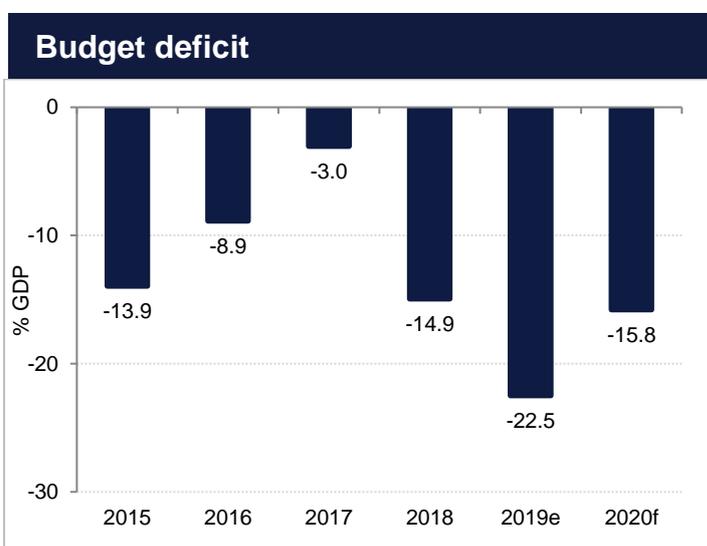
Kuwait will disburse KWD 240.5m dinars (USD 780m) to support its citizens employed in the private sector. The Ministry of Finance said the Public Authority for Manpower will transfer sums to Kuwaiti business owners and private sector employees for six months effective June. While most Kuwaiti citizens are employed in the public sector which has not experienced mass layoffs, only around 70,000 Kuwaiti citizens work in the private sector, where most employees are foreigners, and the government is seeking to shield those Kuwaiti workers from layoffs.



Source: Haver Analytics, Emirates NBD Research



Source: Bloomberg, Emirates NBD Research



Source: Haver Analytics, Emirates NBD Research

Lebanon

The coronavirus crisis could not have come at a worse time for Lebanon, which was already in the midst of an economic, political and social crisis even before lockdowns began. A failure to implement essential reforms over the past several years led to the house of cards the authorities had built up through financial engineering schemes starting to wobble as protests began last October. The political strife prompted a rapid deterioration in conditions and the first default on its debt in March, and this has only been exacerbated by recent events.

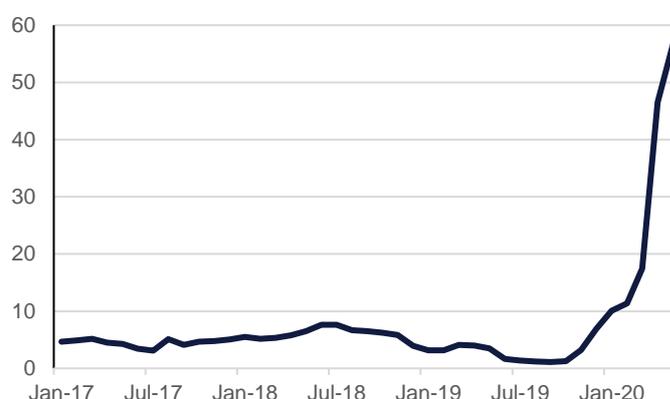
The country has taken some initial steps toward resolving its situation through approaching the IMF for USD 10bn in assistance at the start of May. However, with ongoing disputes over whether or not the financial sector should bear the brunt of any reform programme, there has been little progress in the meantime. The Lebanese banking sector has been at the centre of this crisis, and its representatives have made clear their opposition to the substance of the plan, which will hit them hard. A restructuring of the central bank and commercial banks is planned, with a 'transitory exceptional contribution from large depositors', alongside a fund that will compensate depositors down the line. The banks, however, object that the plan is too vague, and exerts too great a cost from them, especially given that the financial sector has been financing the government's deficits for years. The IMF has in mid-July urged the various Lebanese stakeholders to unite behind the government's rescue plan so that negotiations for a deal can be initiated.

Currency collapse will fuel inflation

With tourism and remittance inflows having been curtailed by the coronavirus crisis, the economic situation in Lebanon has deteriorated further, and this has been illustrated by the collapse of the Lebanese pound. The currency had been pegged at USDLBP 1,507 for decades – arguably considerably overvalued – and it has been a primary casualty of recent events. According to reports, the pound has been trading as low as nearly USDLBP 8,000 on the parallel market in recent weeks.

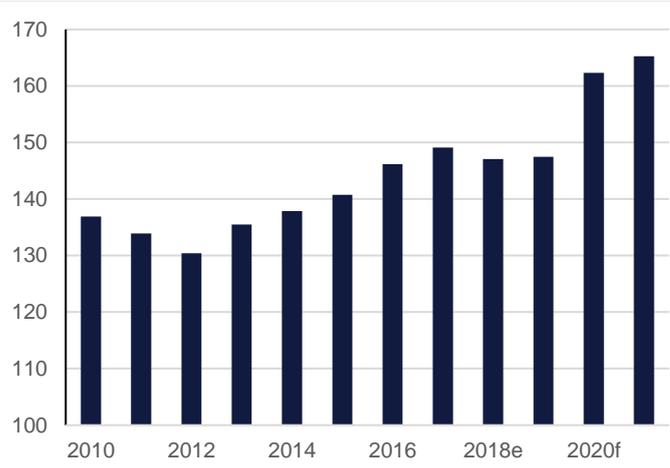
The decline of the pound has prompted the authorities to raise the price of subsidized bread for the first time in eight years in July, from LBP 1,500 to LBP 2,000. More such measures are likely, which will see prices rise even more rapidly. The currency's collapse has already fuelled rapid inflation, which hit 56.6% in May, and this is generating additional social issues as protests flare up again. It will also weigh on private consumption, further dampening economic activity in 2020. We forecast a real GDP contraction of -12.9% this year.

CPI inflation (% y/y) is soaring



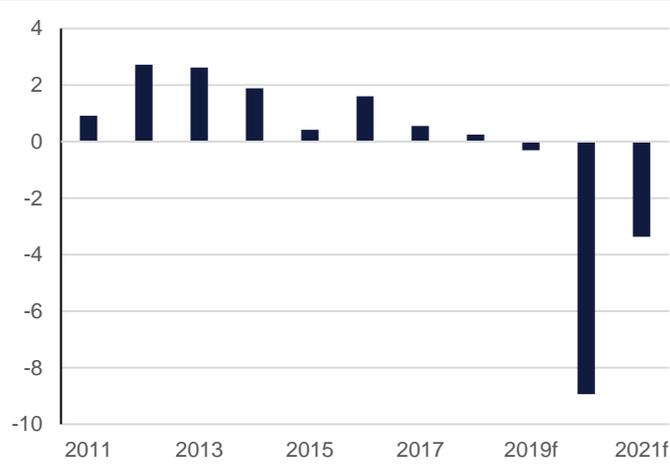
Source: Haver Analytics, Emirates NBD Research

Debt/GDP among world's highest



Source: Haver Analytics, Emirates NBD Research.

Real GDP will contract in 2020 (% y/y)



Source: Haver Analytics, Emirates NBD Research

Morocco

We forecast that Morocco will see an economic contraction to the tune of -5.8% in 2020, which would be its first recession since 1997. The economy will be hit by both domestic and external factors, not least those stemming from the ongoing coronavirus pandemic, which remains a salient threat to global growth. This has not only affected the tourism sector – some 20% of GDP, according to the World Travel & Tourism Council, and a major employer and source of FX – but also the food processing sector in particular. There have been a number of concerted outbreaks of Covid-19 in food processing plants, including fish canning factories, and strawberry processing units, forcing their closure. In early indications of the impact, in April, there was a 19.7% (nominal) y/y decline in exports, and 12.8% in travel receipts.

Morocco implemented a lockdown from March 20 and only started easing on June 10. While this is a positive step, cafes and restaurants etc can only operate at half capacity. Further, even as travel rules are eased, there will inevitably be a lower proportion of people prepared to take foreign holidays this year. Nevertheless, we project the recovery to start in 2021, when we forecast growth of 4.3%.

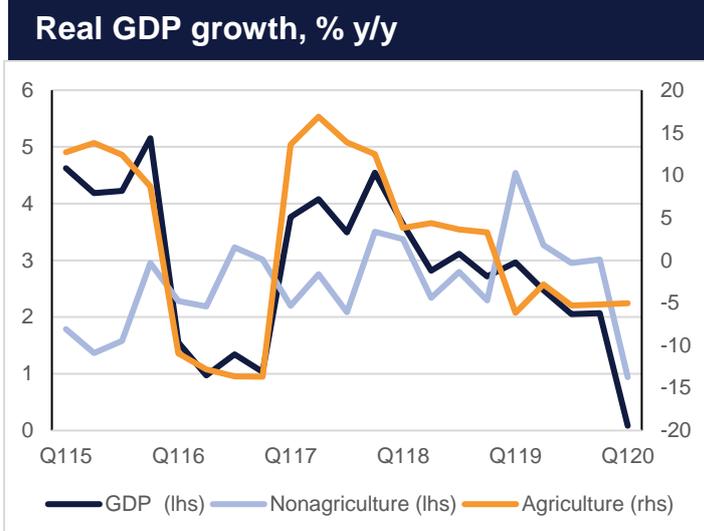
Poor harvest compounding woes

It is not only the pandemic which is weighing on the Moroccan economy this year; the agricultural sector (12.0% of GDP in 2019) is also struggling due to poor rains. The country is expected to see a record low harvest which will weigh substantially on the economy generally. The sector contracted by 5.0% in the first quarter, keeping the headline expansion rate at just 0.1%.

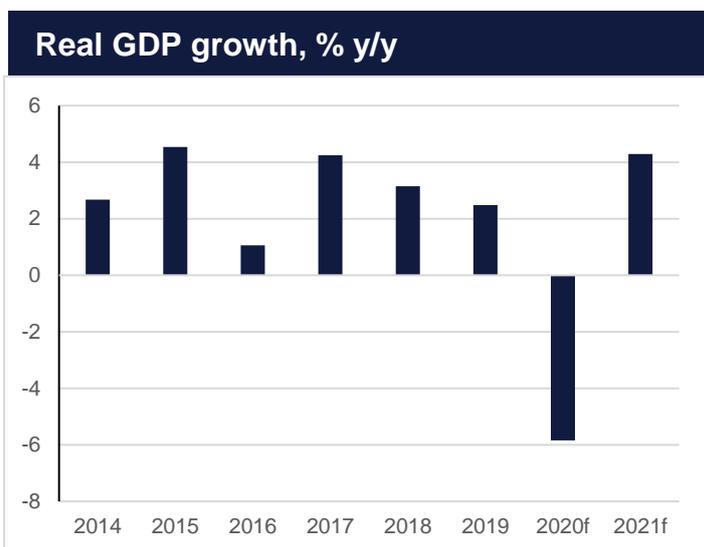
Under these trying circumstances, Morocco has drawn on its pre-existing IMF Precautionary and Liquidity Line (PLL) for the first time since it first arranged the provisional instrument in 2012. This will help Morocco cover its unexpected outlays; a special fund initiated for coping with the pandemic amounted to around 3% of GDP, the same as the PLL from the IMF.

Bank al-Maghrib cuts rates to record low

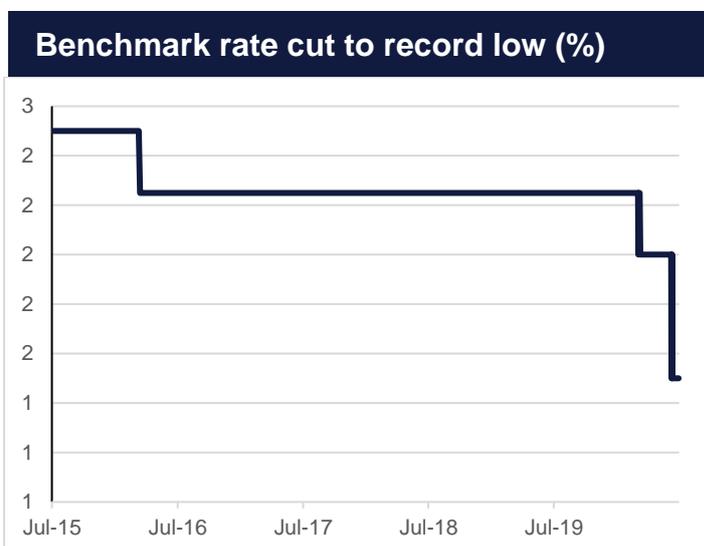
Having kept its benchmark interest rate on hold at 2.25% since 2016, the Bank al-Maghrib has slashed rates since the crisis began as it looks to shore up the economy. A 25bps cut in March was followed by a further 50bps in June, taking it to the record low of 1.50%. The central bank has also tried to boost liquidity through cutting banks' common equity tier 1 ratio from 8.5% to 8.0% and doing away with a requirement to set aside 2% of deposits. The bank projects a 5.2% contraction this year. This is more bullish than our outlook, but the fact that it has said that it may call an unscheduled meeting prior to its next quarterly appointment in September is testament to the risks and uncertainties currently prevalent.



Source: Haver Analytics, Emirates NBD Research



Source: Haver Analytics, Emirates NBD Research



Source: Bloomberg, Emirates NBD Research

Oman

GDP growth forecast revised lower

Oman's crude oil production fell to 870k b/d in May from 1,100k b/d in March and April. While Oman is not an OPEC member, it has usually fallen in line with what OPEC agrees on production targets. However, we had not expected Oman to reduce output quite so aggressively as it is a relatively small producer. If these lower production levels are sustained through July, and then only gradually increased from August, the oil sector is likely to contract -5% this year, rather than the -2% we had earlier assumed.

Oman has seen its number of coronavirus cases rise sharply in recent weeks, with a new daily high of 2,164 cases reached on 13 July. While some of this rise is due to increased testing, the government has again restricted the number of government employees reporting into work to 30% and urged people to avoid family gatherings particularly ahead of the upcoming Eid holidays. As a result of a likely deeper contraction in both the oil and non-oil sectors, we have downgraded our growth forecast for 2020 to -4.4% from -2.1% previously.

Budget spending has declined sharply ytd

Data for January-April showed total spending down -18% over the same period last year, with investment expenditure down -25% y/y and defence spending down -17% y/y over the period. Total revenue was down just -0.5%, and the budget actually recorded a small surplus of OMR 152.9mn by the end of April.

The government announced a 10% cut to the budgets of ministries in March and another 5% cut in April. Salaries of new civil servants were reduced by up to 23% in May. We have revised down our estimate for full year spending to OMR 12.0bn (the original budget was OMR 13.2bn), but the deficit is still likely to widen to -15.4% of GDP this year from an estimated -9.1% in 2019.

Oman will likely continue to rely on a mix of debt, asset sales and drawing down its reserves to finance its budget shortfall this year. The stock of debt stands at around 59% of GDP but is expected to rise over the next couple of years as larger deficits need to be financed. Deteriorating debt dynamics were one one factor cited by Moody's when it downgraded Oman's sovereign rating for the second time this year in June, to Ba3, and retained a negative outlook. Moody's also cited the country's reliance on oil revenues when oil prices are likely to remain lower for an extended period, noting that Oman will find it difficult to offset this loss in revenue.

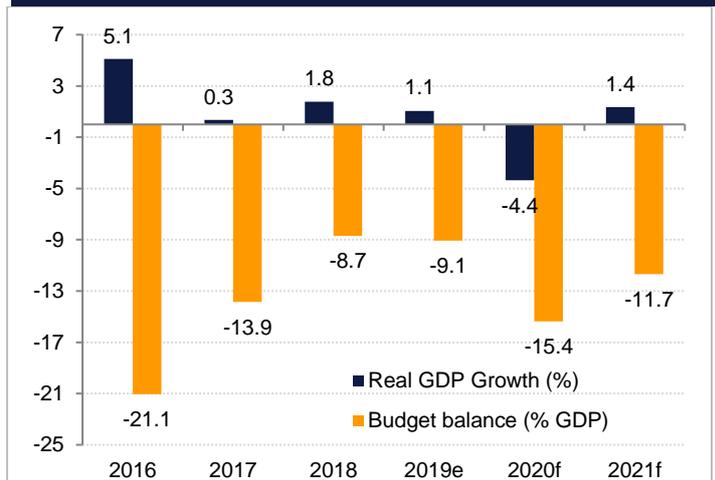
Oman has reportedly engaged in a high-level discussion with other Gulf countries on possible financial support, although no further details have been made available.

Oil production



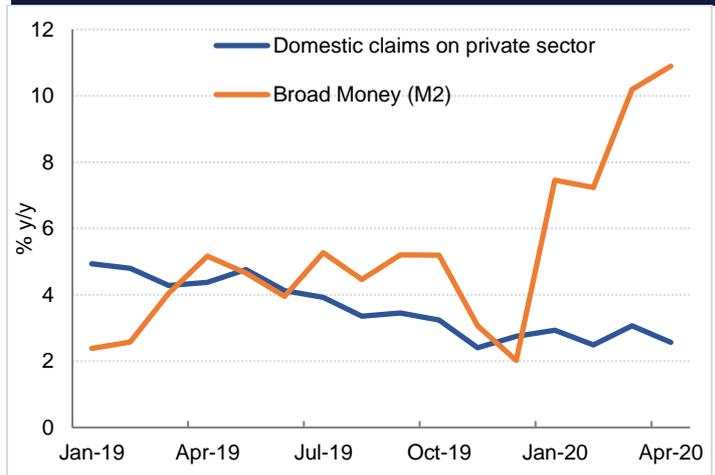
Source: Bloomberg, Emirates NBD Research

GDP growth and budget balance



Source: Haver Analytics, Emirates NBD Research

Money supply growth rises sharply



Source: Haver Analytics, Emirates NBD Research

Qatar

PMI still in contraction territory in June 2020

Qatar's PMI rose to 42.1 in June, from 36.6 in May. At 5.5 points, the month-on-month gain in the headline figure was the largest recorded since the series began in April 2017. However, the overall level of the PMI was still the third-lowest since the survey's inception and is reflective of a challenging business environment for non-energy private sector firms in Qatar. The jump in the headline PMI figure in June was largely driven by the gradual reopening of the economy following the Covid-19 lockdown. The key components of the headline PMI, new orders (30%) and output (25%), both registered record month-on-month gains in June, of 7.6 points and 15.6 points respectively. However, companies have been shedding jobs at a faster rate in June as they are adjusting their workforce capacity for challenging conditions ahead. We expect Qatar's economy to contract -4% this year, following a -0.2% contraction in 2019.

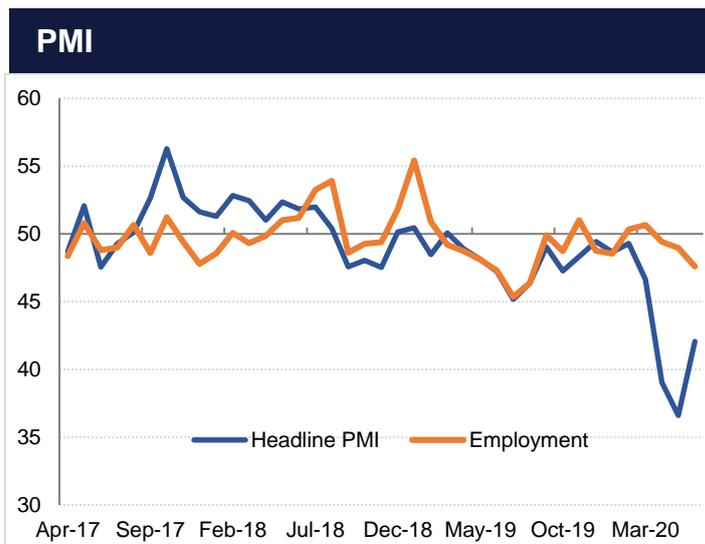
Public sector borrowing has increased

Commercial bank lending to government and public sector entities accelerated sharply in April and May relative to a year ago. Private sector loan growth slowed slightly but remains relatively high. Money supply growth peaked in March at 7.1% y/y and has eased to 5.1% y/y in May. As with other economies in the region, it was strong growth in cash in circulation and demand deposits in the last couple of months that drove overall money supply growth. Qatar Central Bank has taken steps to boost the liquidity available to combat the effects of the pandemic on the economy, including postponing loan repayments for affected companies and a QAR 50bn zero rate repo facility for banks. The authorities also provided some loan guarantees for affected private sector firms.

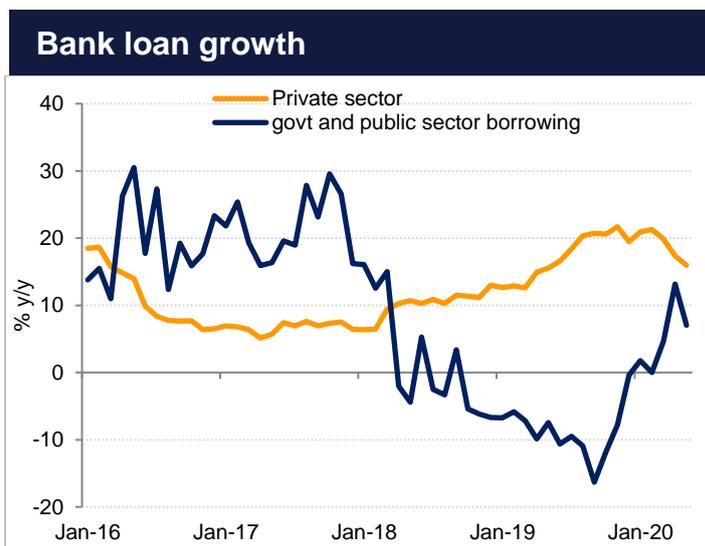
CPI fell to -3.1% y/y in May

Consumer prices declined -0.6% m/m and -3.1% y/y in May, as coronavirus restrictions shut down most key sectors of the economy. Food prices fell -2.4% m/m in May but were broadly unchanged y/y. Housing and utilities, which is the largest component of the CPI basket, declined m/m for the seventh straight month, registering an annual decline of -3.9% y/y.

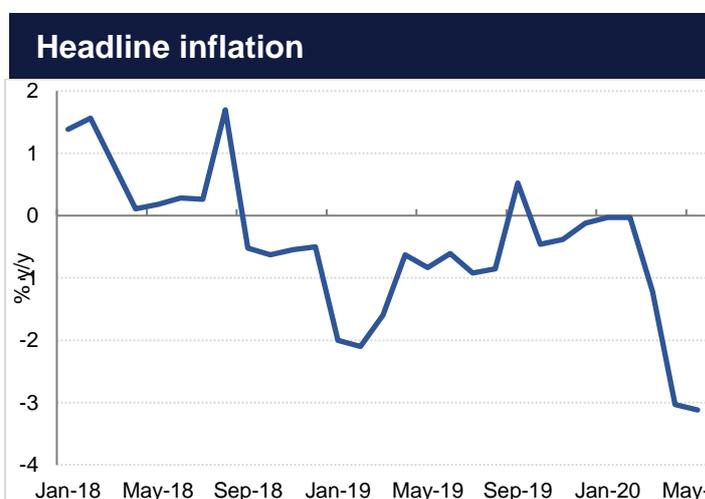
Inflation averaged -1.5% y/y in Jan-May, and we have revised our annual CPI forecast lower to -1.5%.



Source: Haver Analytics, Emirates NBD Research



Source: Haver Analytics, IHS Markit, Emirates NBD Research



Source: Haver Analytics, Emirates NBD Research

Saudi Arabia

Oil production declines sharply in Q2

Crude oil production fell to 7.5mn b/d in June (Bloomberg estimates) from an April peak of 11.6mn b/d, as OPEC+ agreed deeper cuts in response to sharply lower oil prices and demand during the global lockdown. While output is likely to start to recover from August, average oil production this year is likely to be more than -5.5% lower than last year, which will weigh on headline GDP growth.

Fiscal policy tightened...

Lower oil production combined with an expected -34% decline in the Brent oil price this year will have a significant negative impact on budget revenues. In response, the government announced it would curb spending by more than originally planned in the 2020 budget and would reallocate funds to healthcare and other services essential to tackling the coronavirus pandemic.

Furthermore, the government announced the cancellation of the cost of living allowance (SAR 1,000 per month for public sector workers and the military, and SAR 500 per month for retirees and social security beneficiaries), increased customs duties on a range of goods including food items, and tripled the VAT rate to 15% from 1 July. Nevertheless, we expect the budget deficit to widen to -13.7% of GDP this year from -4.5% in 2019.

...despite likely economic contraction

While Q1 GDP data showed the non-oil sectors of the economy expanding 1.6% y/y in Q1, PMI survey data point to a contraction in Q2. The average PMI reading fell to 46.7 in the second quarter compared to 49.9 in Q1 2020.

Employment and wages have declined in the non-oil private sector in Q2, as firms cut costs in the face of lower revenues. This is likely to be a further headwind to consumers who are already facing the loss of some allowances and higher prices for goods and services in H2.

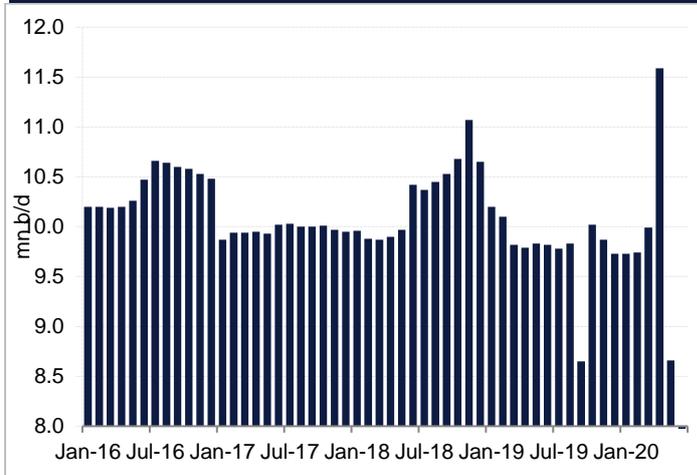
The value of point of sale transactions declined sharply in April during the lockdown, but even as it rebounded 45% m/m in May as restrictions were eased, spending on cards remained almost -16% lower than a year ago. We expect sales to rise further in June as consumers bring forward purchases before the higher VAT rate takes effect, but this increase is likely to prove temporary.

Overall, the increase in taxes, removal of the cost of living allowance and uncertainty around private sector jobs is likely to mean a slower recovery in consumer spending than might have otherwise been evident.

Inflation is likely to accelerate

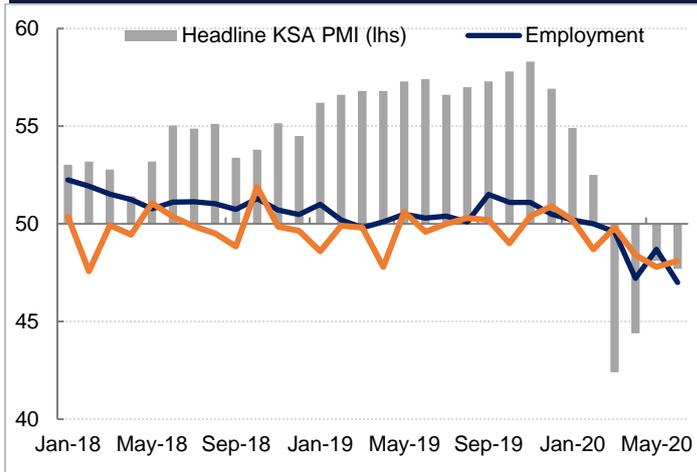
Inflation averaged 1.1% y/y over January to May, but we expect this to accelerate in H2 as higher VAT and customs duties are passed on. We forecast average CPI at 1.8% in 2020, up from -2.1% in 2019.

Oil production



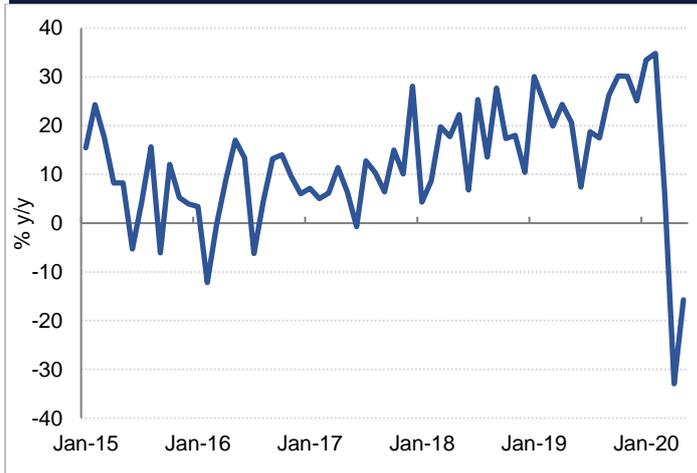
Source: Bloomberg, Emirates NBD Research

Saudi Arabia PMI



Source: IHS Markit, Emirates NBD Research

Point of sale transactions



Source: Haver Analytics, Emirates NBD Research

Tunisia

We forecast a -6.2% contraction in Tunisia's real GDP in 2020 as the coronavirus pandemic weighs on domestic and external demand. Tunisia already reported a negative first quarter, contracting -1.3% y/y, even having only shutdown from mid-March onward, and the second and third quarters will likely prove even harder. In March, industrial production was already down by 13.8% y/y, driven in large part by the textiles sector which saw a 42.0% contraction in output. The hotels and restaurants component of GDP contracted by -16.8% in Q1, and transport by -12.1%, and these will have both deteriorated even more sharply in Q2. Tourism accounts for some 15-20% of GDP, and the closure of borders to international travel will have seen the industry grind to a halt.

There is positive news in Tunisia in that the country has largely curbed the disease, and it reopened for tourism in June. The country has also, crucially, been deemed safe for travel to by the EU, the primary source of Tunisia's visitors. Nevertheless, the number of visitors will no doubt remain far off the previous year's, with implications for employment also. Both tourism and the textiles sectors are major employers, and Prime Minister Elyes Fakhfakh—who resigned in mid-July—has cautioned that as many as 130,000 jobs could be lost. Unemployment stood at 15.1% in Q1 but will likely head higher in the present circumstances. This increases the risk of further protests, as already seen in some southern towns in recent weeks.

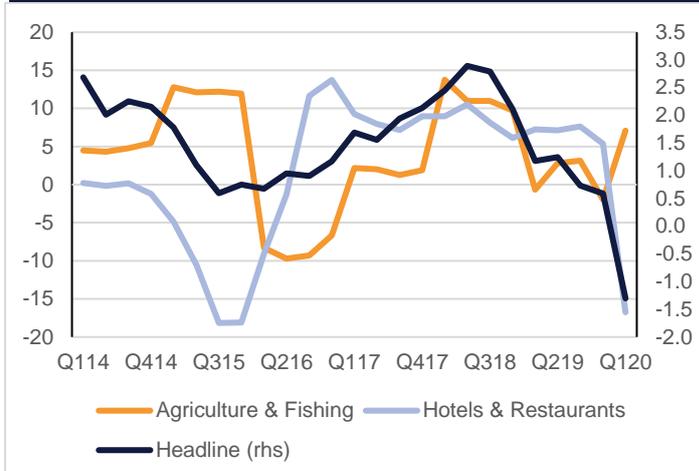
No more external borrowing?

Previous Prime Minister Fakhfakh had called for an end to borrowing on external debt markets, even as the pandemic weighs on government finances. He told local television that Tunisia's external debt was at 'dangerous levels', and would seek to raise funding domestically instead. However, Fakhfakh resigned on July 15 on President Kais Saied's request as the PM's position had become increasingly untenable. A conflict of interest dispute had led to 105 parliamentarians filing a no-confidence motion in the premier. Tunisian politics has been characterised by relative uncertainty since elections last year which failed to return any party with a working majority, and this could weigh on efforts to initiate an economic recovery this year.

Central bank cuts rates

The Banque Centrale de Tunisie cut its benchmark interest rate by 100bps to 6.75% in March, drawing to a close a multi-year hiking cycle. The IMF had been supportive of tighter monetary policy in order to curb inflation which had steadily risen to a more-than-ten-year high in 2018. However, since then headline inflation took a broadly downward trend, giving the BCT room to implement essential stimulus when the pandemic hit. In its statement, the bank stipulated its willingness to 'take the necessary measures to meet banks' liquidity needs and to support all efforts to contain this crisis and its implications for economic activity in general and for businesses in particular.' Having seemingly come through the worst of the crisis, we expect that rates will now remain on hold through the remainder of the year given that inflationary pressures are mounting once more.

Real GDP growth, % y/y



UAE

Lower oil production to weigh on growth

Oil production declined to 2.43mn b/d in June, down -9.3% since the April peak of 3.68mn b/d as OPEC+ implemented deeper production cuts from May in response to the collapse in oil demand and sharp decline in prices in April. These additional cuts will continue through July. Thereafter, UAE oil production is likely to start recovering, although output will remain well below 3mn b/d until 2022 under the existing OPEC+ framework. We expect the oil sector to contract by -7.5% this year, with a smaller contraction in 2021 as investment in the hydrocarbons sector is expected to recover.

Non-oil economy appears to have stabilised

PMI data suggest that the non-oil sectors stabilised in June following five months of deteriorating business conditions, particularly during the lockdown period of March to May. While business activity has picked up following the relaxation of coronavirus restrictions, new work growth was relatively muted, suggesting underlying demand conditions remain weak. Employment in the private sector continues to decline however as firms look to cut costs in the face of lower revenues, and this is likely to weigh on consumption and investment going forward.

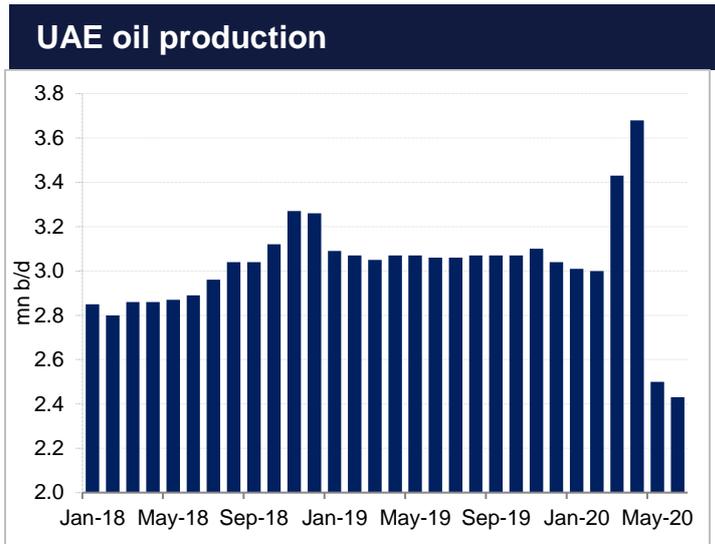
CPI averages -1.8% y/y in January - May

UAE CPI moved further into deflation in May, declining -2.7% y/y even as prices rose 0.1% m/m. Housing costs (34% of the consumer basket) continue to be a key driver of deflation, although transport costs have also declined on the back of lower oil prices (relative to a year ago). However, food price inflation has accelerated in recent months, reaching 6.2% y/y in May, while prices for clothing & footwear have jumped m/m since February. The latter may be due to supply chain disruptions and the absence of promotions during the lockdown period.

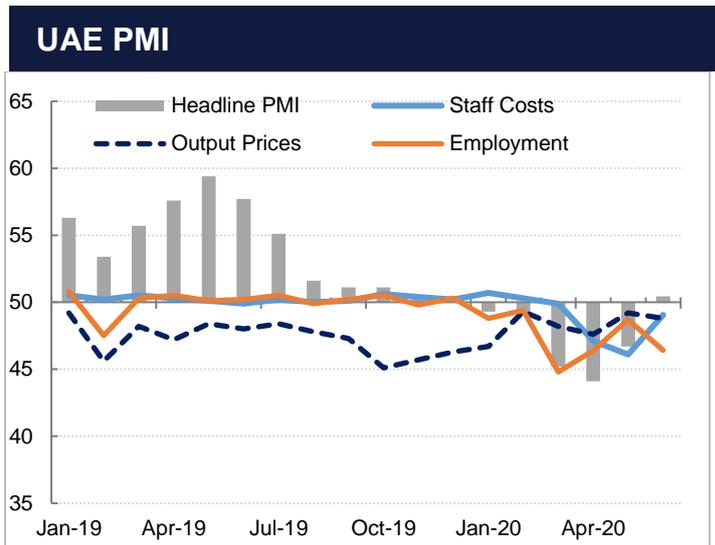
Public sector the main beneficiary of loan growth

Gross bank loan growth picked up in Q2, reaching 5.8% y/y in May compared with 4.5% in January. However, the fastest growth has been in lending to public sector entities (24.6% y/y in May) and to government (16.4% y/y in May). Private sector loans have declined slightly on an annual basis in both April and May, although this is largely due to deleveraging by individuals. Private sector business loan growth averaged 1.3% y/y in January through May compared with 5.4% growth in the same period last year.

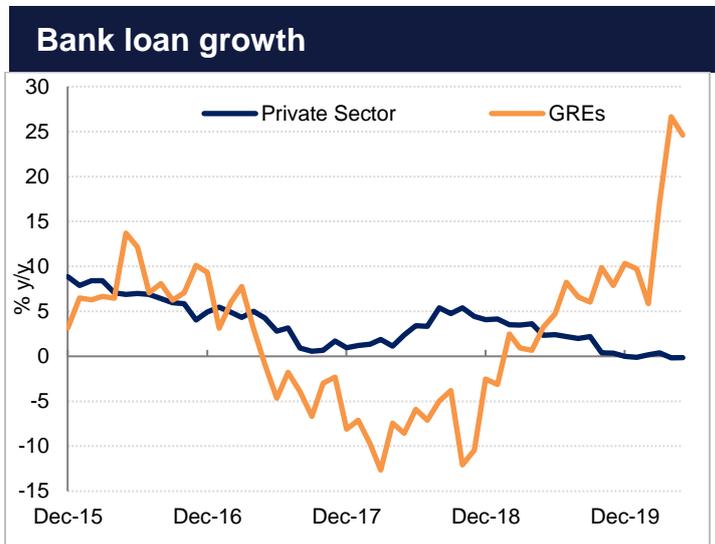
Broad money supply growth in the UAE has accelerated – as it has in many other economies around the world – as the central bank has taken steps to boost liquidity to help mitigate the impact of the coronavirus on the economy.



Source: Bloomberg, Emirates NBD Research



Source: IHS Markit, Emirates NBD



Source: Haver Analytics, Emirates NBD Research

UAE - Dubai

Business conditions stabilise in June

Business conditions in Dubai stabilised in June, with the headline Dubai PMI rising to 50.0 from 46.0 in May. While business activity recovered as restrictions on movement and business operations were further eased last month, new work increased only slightly. Firms continued to reduce headcount last month as they looked to curb costs on the back of lower revenues during the lockdown period. The employment index fell to 45.7 in June from 46.8 in May. However, business expectations improved with more panellists anticipating higher business output in a year's time than in May. The sector surveys showed business conditions in the wholesale & retail trade and construction sectors starting to improve in June, but travel & tourism remained in contractionary territory.

Dubai's economy contracted in Q1

GDP contracted -3.5% y/y in Q1 2020 compared with growth of 2.2% in the same period last year. The key sectors of wholesale & retail trade, transport & storage contracted in the first quarter, and the contraction likely worsened in Q2 as most the economy was shut down for much of April and only partially reopened in May. We expect Q3 to be a period of stabilisation for the economy and expect a modest recovery in Q4, provided the external environment improves.

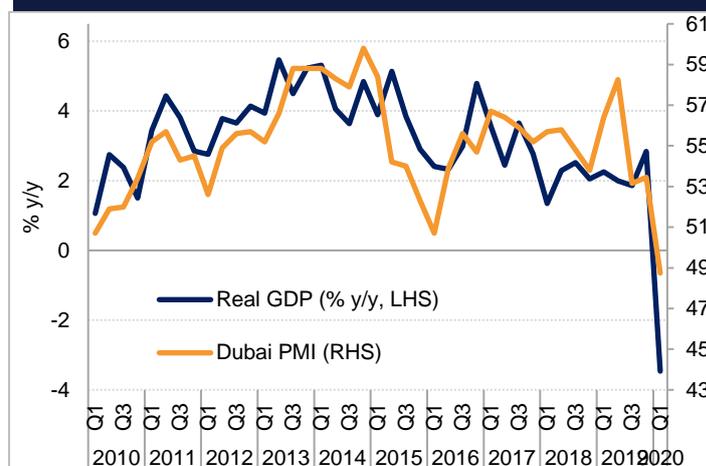
The Dubai government announced a third fiscal stimulus package worth AED 1.6bn in July to support businesses in the emirate. The latest measures waive penalties owned by some businesses as well as releasing construction sector deposits/guarantees and customs clearance deposits back to businesses. The latter measure should provide a cash boost to businesses, improving their liquidity positions. In addition, hotels will be allowed to retain 50% of the municipality tax and tourism fee they collect on behalf of the government.

Real estate prices decline in Q2 at a slower rate

Both residential and commercial real estate prices in Dubai declined in Q2, albeit at a slower annual rate, according to data from Asteco¹. Villa prices fell -2.9% q/q and -10% y/y, compared with an -11.3% y/y decline in Q1 2020. Apartment prices declined -3.8% q/q and -11.2% y/y. The price per square foot of office space sold declined -8.5% y/y in Q2, much slower than the -10.6% y/y drop in Q1.

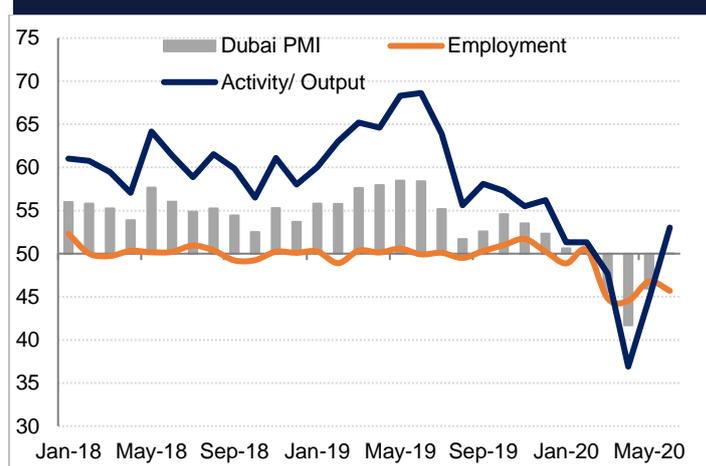
Transaction volumes likely slowed during Q2 as movement restrictions were imposed. 1,824 transactions were recorded in April however, with the majority of these being off-plan sales. An increase in the supply of residential units while demand is likely to remain muted will continue to weigh on prices in the coming months.

Dubai GDP growth and PMI



Source: Haver Analytics, IHS Markit, Emirates NBD Research

Dubai PMI



Source: IHS Markit, Emirates NBD Research

Dubai residential real estate prices



Source: ASTECO, Emirates NBD Research

¹ The residential data covers 18 villa communities and 27 apartment districts in Dubai.

Key Economic Forecasts: Algeria

National Income	2017	2018	2019e	2020f	2021f
Nominal GDP (DZD bn)	18594	19307	19490	17955	19504
Nominal GDP (USD bn)	167.6	165.5	163.2	141.3	136.9
GDP per capita (USD)	4057	3941	3824	3261	3113
Real GDP Growth (% y/y)	0.4	1.6	1.0	-7.1	6.2
Monetary Indicators (% y/y)					
CPI (average)	6.0	3.5	2.3	2.5	3.2
External Accounts (USD bn)					
Exports	37.7	44.4	43.5	41.3	50.4
Imports	60.1	60.0	57.0	57.0	65.6
Trade balance	-22.4	-15.6	-13.5	-15.7	-15.2
% GDP	-13.5	-9.8	-8.1	-9.5	-9.3
Current account balance	-22.1	-16.7	-14.6	-16.8	-16.4
% GDP	-13.3	-10.4	-8.7	-10.2	-10.0
Reserves	97.6	80.2	60.2	62.0	65.1
Fiscal Indicators (DZDbn)					
Revenue	6183	6504	6830	6244	6836
Expenditure	7389	8273	8687	9121	9577
Budget Balance	-1206	-1769	-1856	-2877	-2741
% GDP	-6.5	-9.2	-9.5	-16.0	-14.1

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Bahrain

National Income	2017	2018	2019e	2020f	2021f
Nominal GDP (BHD bn)	13.3	14.2	14.5	13.7	14.3
Nominal GDP (USD bn)	35.5	37.7	38.6	36.4	38.0
GDP per capita (USD)	23632	25052	25993	24556	25375
Real GDP Growth (% y/y)	4.3	1.8	1.8	-3.7	1.0
Monetary Indicators (% y/y)					
M2	4.2	2.4	11.1	9.0	4.0
Private sector credit	2.5	9.9	1.1	6.0	5.0
CPI (average)	1.4	2.1	1.0	-2.0	1.0
External Accounts (USD bn)					
Exports	15.5	18.0	18.1	13.5	15.6
Of which: hydrocarbons	8.6	10.6	9.9	6.5	7.6
Imports	16.1	19.1	17.3	13.2	14.9
Trade balance	-0.6	-1.1	0.9	0.3	0.8
% GDP	-1.6	-2.8	2.2	0.7	2.1
Current account balance	-1.5	-2.4	-0.8	-1.5	-0.6
% GDP	-4.1	-6.5	-2.1	-4.2	-1.6
Fiscal Indicators (% GDP)					
Budget balance	-10.0	-6.3	-4.8	-10.4	-7.7
Revenue	16.5	19.6	19.6	13.8	16.3
Expenditure	26.5	25.9	24.4	24.2	24.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Egypt

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (EGP bn)	3441.7	4303.0	4951.0	5425.6	5791.0
Nominal GDP (USD bn)	225.8	241.5	291.7	328.2	330.9
GDP per capita (USD)	2314	2430	2882	3188	3161
Real GDP Growth (% y/y)	4.1	5.3	5.6	3.2	2.0
Monetary Indicators (% y/y)					
M2	23.3	12.5	26.0	10.2	10.0
CPI (average)	29.6	14.4	9.4	7.0	8.0
External Accounts (USD bn)					
Exports	21.7	25.8	28.5	30.4	32.5
Imports	59.0	63.1	66.5	67.3	68.7
Trade Balance	-37.3	-37.3	-38.0	-36.9	-36.2
% of GDP	-16.5	-15.4	-13.0	-11.2	-10.9
Current Account Balance	-2.8	-6.0	-10.9	-15.7	-14.0
% of GDP	-6.4	-2.5	-3.7	-4.7	-4.1
Reserves	31.3	44.3	44.4	40.0	42.0
Public Finances					
Revenue (EGP bn)	659184	821134	941910	983096	1031885
Expenditure (EGP bn)	1025109	1235101	1367878	1462942	1652190
Balance*	-372758	-423273	-425968	-479846	-620304
% of GDP	-10.83	-9.84	-8.60	-8.84	-10.71
Central Government Debt (EGP mn)	2685898	3121804	3730857	4500000	4600000
% of GDP	78.0	72.5	75.4	82.9	79.4

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iran

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (IRR tn)	14841	17124	22199	26339	30905
Nominal GDP (USD bn)	446.9	422.4	528.6	627.1	735.8
GDP per capita (USD)	5391	5035	6226	7299	8463
Real GDP Growth (% y/y)	3.3	-4.2	-8.7	-6.0	1.7
Monetary Indicators (% y/y)					
CPI (average)	10.0	21.0	38.7	27.5	20.0
External Accounts (USD bn)					
Exports	98142	99782	79080	67861	72589
Imports	75546	77057	73204	74668	81388
Trade balance	22596	22725	5876	-6807	-8799
% GDP	5.1	5.4	1.1	-1.1	-1.2
Current account balance	15816	15832	-1129	-13926	-16031
% GDP	3.5	3.7	-0.2	-2.2	-2.2
Fiscal Indicators (IRRbn)					
Revenue	-1.82	-1.6404	-1.3287	-1.166258023	-1.0432
Expenditure	2429400	2769516	2824906	3107396.952	3293841
Budget Balance	-753700	-725162	-944101	-1602752	-1759103
% GDP	-5.1	-4.2	-4.3	-6.1	-5.7

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Iraq

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (IQD tn)	215516	252128	284719	261317	287566
Nominal GDP (USD bn)	166.2	215.5	243.3	223.3	245.8
GDP per capita (USD)	4120	5192	5701	5089	5447
Real GDP Growth (% y/y)	1.0	0.3	4.2	-9.0	5.9
Monetary Indicators (% y/y)					
CPI (average)	0.7	0.4	-0.2	0.9	1.0
External Accounts (USD bn)					
Exports	57559	86360	81585	69347	83217
Imports	32186	38876	49418	55348	60882
Trade balance	25374	47484	32168	14000	22334
% GDP	15.3	22.0	13.2	6.1	9.0
Current account balance	14893	34370	15763	-11644	-8435
% GDP	9.0	15.9	6.5	-5.1	-3.4
Fiscal Indicators (IQDbn)					
Revenue	76300	105600	122000	70000	80000
Expenditure	80100	84700	125000	123100	130000
Budget Balance	-3800	20900	-3000	-53100	-50000
% GDP	-1.8	8.3	-1.1	-19.7	-17.1

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Jordan

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (JOD bn)	28.9	30.0	31.0	31.0	33.0
Nominal GDP (USD bn)	40.7	42.3	43.7	43.7	46.5
GDP per capita (USD)	4621	4690	4741	4640	4837
Real GDP Growth (% y/y)	2.1	2.0	2.1	-3.9	2.9
Monetary Indicators (% y/y)					
M2	-0.8	2.3	4.8	4.0	3.2
CPI (average)	3.3	4.5	0.3	2.4	3.0
External Accounts (USD bn)					
Exports	7.5	7.7	8.3	8.4	8.8
Imports	18.2	18.1	17.2	17.9	18.6
Trade Balance	-10.7	-10.3	-8.9	-9.5	-9.8
% of GDP	-26.3	-24.4	-20.4	-21.7	-21.1
Current Account Balance	-4.4	-3.0	-1.2	-3.2	-2.7
% of GDP	-10.8	-7.0	-2.8	-7.3	-5.8
Reserves	15.0	12.9	16.0	16.0	16.0
Public Finances					
Revenue (JOD mn)	7425.1	7839.8	8032.4	7914.7	8441.7
Expenditure (JOD mn)	8172.6	8567.2	8635.1	9837.9	9600.8
Balance	-747.9	-727.5	-602.7	-1923.2	-1159.0
% of GDP	-2.7	-2.6	-2.2	-6.9	-4.2
Central Government Debt (JOD mn)	23239.2	23240.2	23241.2	23242.2	23243.2
% of GDP	87.4	86.5	81.9	100.0	105.0

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Kuwait

National Income	2017	2018	2019e	2020f	2021f
Nominal GDP (KWD bn)	36.6	42.5	40.9	32.8	35.5
Nominal GDP (USD bn)	120.7	140.6	134.6	108.1	116.8
GDP per capita (USD)	26819	30431	28571	22490	23817
Real GDP Growth (% y/y)	-4.7	1.2	0.4	-6.6	2.0
Hydrocarbon	-9.2	1.2	-1.7	-9.0	1.5
Non-hydrocarbon	1.3	1.3	3.0	-4.0	2.5
Monetary Indicators (% y/y)					
M3	3.8	3.9	-1.2	11.0	4.0
Private sector credit	2.8	3.9	4.4	5.0	5.0
CPI (average)	1.6	0.6	1.1	1.5	1.5
External Accounts (USD bn)					
Exports	55.2	72.1	64.7	39.1	46.3
Of which: hydrocarbons	49.6	65.3	58.6	35.1	41.8
Imports	29.5	31.1	29.4	28.0	30.0
Trade balance	25.7	41.0	35.3	11.1	16.3
% GDP	21.3	29.2	26.2	10.3	14.0
Current account balance	9.6	19.9	22.1	-7.9	-2.2
% GDP	8.0	14.1	16.4	-7.3	-1.9
Fiscal Indicators (% GDP)					
Budget balance	-8.9	-3.0	-14.9	-22.5	-15.8
Revenue	43.7	48.4	39.6	35.3	37.8
Expenditure	52.6	51.4	54.5	57.8	53.5

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Lebanon

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (LBP bn)	80491	87253	92221	86793	89272
Nominal GDP (USD bn)	52.1	62.3	65.9	62.0	63.8
GDP per capita (USD)	11802	13953	14665	13728	14120
Real GDP Growth (% y/y)	0.6	0.2	-0.3	-12.9	-3.4
Monetary Indicators (% y/y)					
M2	-3.5	-2.8	-17.0	-2.0	10.0
CPI (average)	4.5	6.1	10.1	40.0	20.0
External Accounts (USD bn)					
Exports	4.0	3.8	4.8	4.5	4.9
Imports	18.4	18.9	18.2	16.7	15.9
Trade Balance	-14.4	-15.1	-13.4	-12.2	-11.0
<i>% of GDP</i>	-27.6	-24.2	-20.3	-19.0	-16.7
Current Account Balance	-12.1	-13.4	-11.5	-12.2	-10.2
<i>% of GDP</i>	-23.3	-21.4	-17.5	-19.1	-15.4
Reserves	42.0	39.7	38.9	37.0	37.7
Public Finances					
Revenue (LBP bn)	17524	17405	16680	13955	13922
Expenditure (LBP bn)	23186	26821	25479	21580	21694
Balance	-5662	-9416	-8799	-7625	-7773
<i>% of GDP</i>	-7.0	-10.8	-9.5	-12.2	-11.7
Central Government Debt (LBP bn)	120007	128338	135991	150070	162824
<i>% of GDP</i>	149.1	147.1	147.5	166.9	176.1

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Morocco

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (MAD bn)	1063.0	1108.5	1151.2	1095.5	1151.2
Nominal GDP (USD bn)	109.6	118.1	119.7	115.5	122.5
GDP per capita (USD)	3065	3262	3267	3116	3266
Real GDP Growth (% y/y)	4.2	3.1	2.5	-5.8	4.3
Monetary Indicators (% y/y)					
M2	7.4	5.5	2.0	6.0	5.0
CPI (average)	0.8	1.8	0.3	1.0	0.8
External Accounts (USD bn)					
Exports	21.5	24.6	24.7	25.4	26.7
Imports	39.5	44.9	44.7	46.9	49.7
Trade Balance	-18.0	-20.3	-20.0	-21.5	-23.0
<i>% of GDP</i>	-1.7	-1.8	-1.7	-2.0	-2.0
Current Account Balance	-3.7	-6.2	-4.9	-7.0	-6.1
<i>% of GDP</i>	-3.4	-5.3	-4.1	-6.1	-5.0
Reserves	25.8	24.5	26.4	26.0	26.0
Public Finances					
Revenue (MAD mn)	231083	264276	253380	229825	243349
Expenditure (MAD mn)	213655	219577	239772	240920	250675
Balance*	-35729	-40892	-46674	-77770	-78002
<i>% of GDP</i>	-3.4	-3.7	-4.1	-7.1	-6.8
Central Government Debt (MAD mn)	692	723	759	797	837
<i>% of GDP</i>	65.1	0.7	76.8	80.6	84.7

Source: Haver Analytics, Emirates NBD Research

Note: * includes balance of treasury accounts and minus investments

Key Economic Forecasts: Oman

National Income	2017	2018	2019e	2020f	2021f
Nominal GDP (OMR bn)	27.1	30.5	29.3	25.9	27.2
Nominal GDP (USD bn)	70.5	79.2	76.0	67.2	70.7
GDP per capita (USD)	15462	17022	16028	13881	14316
Real GDP Growth (% y/y)	0.3	1.8	1.1	-4.4	1.4
Monetary Indicators (% y/y)					
M2	4.2	8.3	2.0	10.0	4.0
Private sector credit	6.4	5.1	2.8	4.0	4.0
CPI (average)	1.6	0.9	0.1	0.0	1.0
External Accounts (USD bn)					
Exports	32.9	41.8	39.4	28.6	33.6
Of which: hydrocarbons	19.2	27.3	22.8	15.9	19.1
Imports	24.2	23.7	24.2	22.9	21.8
Trade balance	8.8	18.1	15.2	5.6	11.8
% GDP	12.4	22.9	20.0	8.4	16.7
Current account balance	-11.0	-4.4	-5.3	-12.6	-5.7
% GDP	-15.6	-5.5	-6.9	-18.7	-8.0
Fiscal Indicators (% GDP)					
Budget balance	-13.9	-8.7	-9.1	-15.4	-11.7
Revenue	31.4	35.9	35.6	31.0	34.3
Expenditure	45.2	44.6	44.6	46.4	45.9

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Qatar

National Income	2017	2018	2019e	2020f	2021f
Nominal GDP (QAR bn)	607.6	696.6	667.8	538.7	649.2
Nominal GDP (USD bn)	166.9	191.4	183.5	148.0	178.4
GDP per capita (USD)	61371	71138	68254	54247	64404
Real GDP Growth (% y/y)	1.6	1.5	-0.2	-4.0	2.6
Hydrocarbon	-0.7	-0.3	-1.8	-4.0	1.0
Non- hydrocarbon	3.8	3.2	1.3	-4.0	4.0
Monetary Indicators (% y/y)					
M2	21.3	-6.5	2.5	8.0	6.0
Private sector credit	6.4	13.0	19.5	10.0	7.0
CPI (average)	0.4	0.3	-0.8	-1.5	1.0
External Accounts (USD bn)					
Exports	67.5	84.3	72.9	51.3	60.5
Of which: hydrocarbons	56.8	72.5	70.6	42.3	50.5
Imports	30.8	33.3	31.4	30.4	31.3
Trade balance	36.7	51.0	41.6	20.9	29.1
% GDP	22.0	26.6	22.7	14.1	16.3
Current account balance	6.4	16.7	4.2	-7.6	-1.9
% GDP	3.8	8.7	2.3	-5.1	-1.0
Fiscal Indicators (% GDP)					
Budget balance	-6.6	2.2	0.9	-10.5	-5.1
Revenue	26.9	29.8	32.2	26.6	25.7
Expenditure	33.5	27.7	31.2	37.1	30.8

Source: Haver Analytics, IMF, Emirates NBD Research

Key Economic Forecasts: Saudi Arabia

National Income	2017	2018	2019	2020f	2021f
Nominal GDP (SAR bn)	2582	2949	2974	2601	2805
Nominal GDP (USD bn)	689	787	793	694	748
GDP per capita (USD)	21155	23542	23224	19875	21435
Real GDP Growth (% y/y)	-0.7	2.4	0.3	-4.2	2.6
Hydrocarbon	-3.1	3.1	-3.6	-5.0	3.0
Non- hydrocarbon	1.3	2.2	3.3	-3.7	2.3
Monetary Indicators (% y/y)					
M2	0.3	2.7	7.1	10.0	5.0
Private sector credit	-0.9	2.8	7.0	7.0	5.0
CPI (average)	-0.8	2.5	-1.2	1.8	2.0
External Accounts (USD bn)					
Exports	221.9	294.4	261.5	167.7	196.4
Of which: hydrocarbons	170.2	231.6	231.6	122.7	150.3
Imports	123.4	125.6	132.2	125.6	128.8
Trade balance	98.5	168.7	129.3	42.1	67.6
% GDP	14.3	21.5	16.3	6.1	9.0
Current account balance	10.5	70.6	49.8	-25.9	-10.4
% GDP	1.5	9.0	6.3	-3.7	-1.4
SAMA's Net foreign Assets	488.9	500.0	494.0		
Fiscal Indicators (% GDP)					
Budget balance	-9.2	-5.9	-4.5	-13.7	-9.0
Revenue	26.8	30.7	31.2	24.0	25.9
Expenditure	36.0	36.6	35.6	37.7	35.0
Public debt	17.1	19.0	22.8		

Source: Haver Analytics, Emirates NBD Research

Key Economic Forecasts: Tunisia

National Income	2017	2018	2019f	2020f	2021f
Nominal GDP (TND bn)	96.9	94.2	94.8	88.7	93.0
Nominal GDP (USD bn)	40.1	35.7	33.4	32.2	33.8
GDP per capita (USD)	3800	3643	3245	3037	2932
Real GDP Growth (% y/y)	2.0	2.6	0.9	-6.2	5.0
Monetary Indicators (% y/y)					
M2	11.7	7.1	8.0	8.0	8.0
CPI (average)	5.3	7.4	6.7	6.0	5.8
External Accounts (USD bn)					
Exports	14.2	15.5	15.4	17.2	18.8
Imports	19.5	21.5	21.1	23.0	24.7
Trade Balance	-5.3	-6.0	-5.6	-5.8	-5.9
% of GDP	-13.2	-16.7	-16.8	-18.1	-17.4
Current Account Balance	-4.1	-4.5	-3.5	-3.7	-3.3
% of GDP	-10.2	-12.5	-10.6	-11.4	-9.8
Reserves	5.6	5.2	7.3	6.0	6.0
Public Finances					
Revenue (TND mn)	23891	27942	32367	32043	31082
Expenditure (TND bn)	29546	32624	35858	39443	38260
Balance*	-5655	-4682	-3491	-7400	-7178
% of GDP	-6.2	-5.4	-4.2	-8.3	-7.8
Central Government Debt (TND mn)	67830	81345	87853	89610	91402
% of GDP	70.2	77.9	93.2	95.1	97.0

Source: Haver Analytics, Emirates NBD Research

Note: * does not include privatizations fees and grants

Key Economic Forecasts: UAE

National Income	2017	2018	2019e	2020f	2021f
Nominal GDP (AED bn)	1416.1	1550.6	1546.6	1345.6	1415.0
Nominal GDP (USD bn)	385.9	422.5	421.4	366.6	385.6
GDP per capita (USD)	41472	45411	45295	40211	42075
Real GDP Growth* (% y/y)	2.4	1.2	1.7	-5.5	1.2
Hydrocarbon	-3.2	2.5	3.4	-7.5	-2.0
Non-hydrocarbon	4.8	0.7	1.0	-4.6	2.5
Dubai	3.1	1.9	2.0	-5.0	2.5
Monetary Indicators (% y/y)					
M2	4.1	2.5	8.0	10.0	2.0
Private sector credit	0.8	4.0	0.1	2.0	2.5
CPI (average)	2.0	3.1	-1.9	-2.0	0.0
External Accounts (USD bn)					
Exports	313.5	321.0	315.9	278.5	297.1
Of which: Oil & petroleum	50.6	57.9	49.6	30.9	36.3
Imports	246.3	235.3	241.1	233.9	238.6
Trade balance	67.2	85.6	74.8	44.6	58.6
% GDP	17.4	20.3	17.7	12.2	15.2
Current account balance	27.5	40.5	29.7	5.0	16.0
% GDP	7.1	9.6	7.0	1.4	4.2
Fiscal Indicators (% GDP)					
Consolidated budget balance (IMF)	-2.0	2.0	-0.9	-11.1	-7.1
Consolidated budget balance (UAE FCSA to 2019, Emirates NBD forecasts)	-0.2	5.8	5.5	-6.8	-4.8

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

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