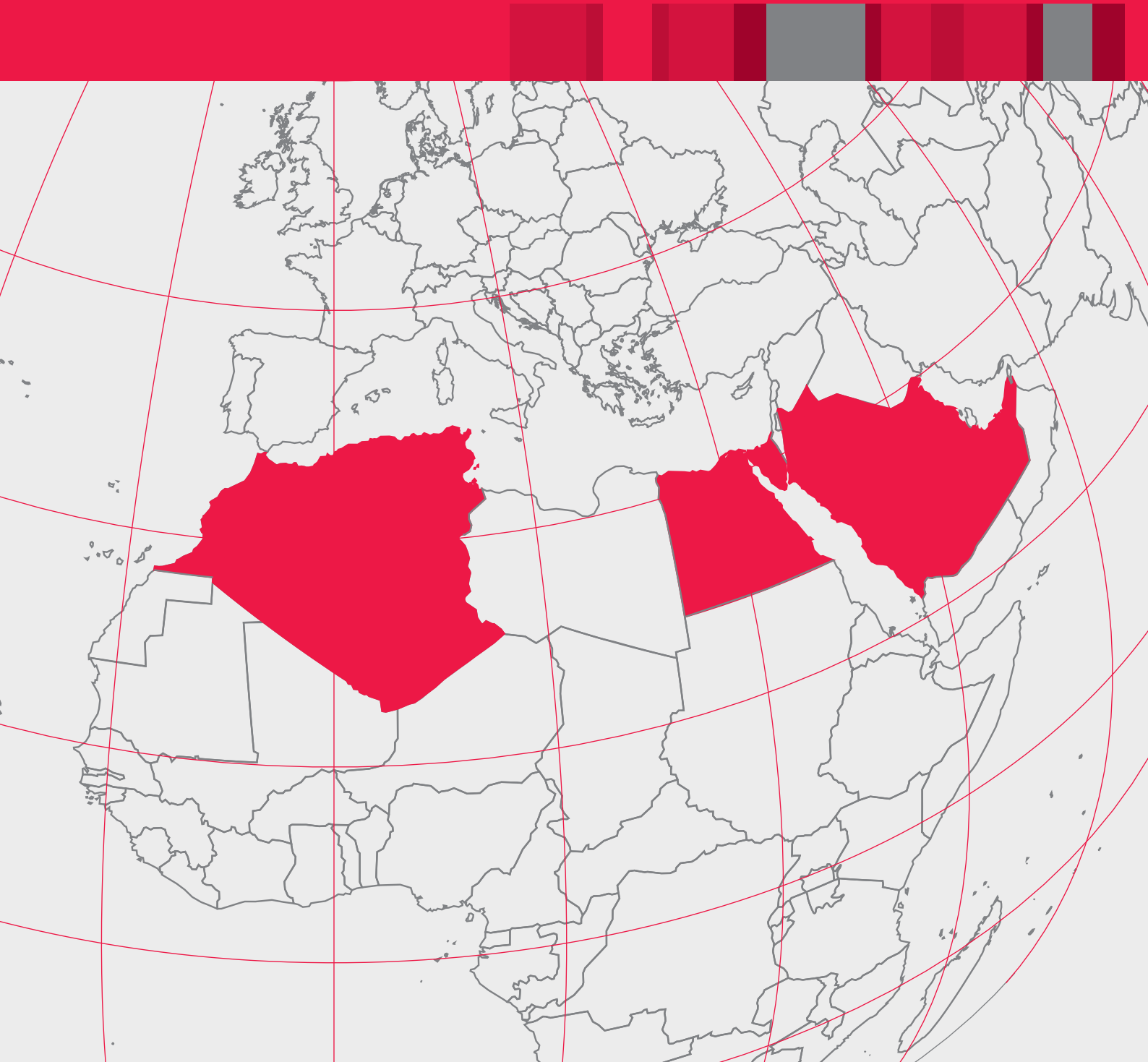


Atradius Country Reports

Middle East and North Africa – July 2016



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Middle East and Northern African economies: Atradius STAR Political Risk Rating*:

Algeria:	6 (Moderate-High Risk) - Positive
Egypt:	6 (Moderate-High Risk) - Negative
Jordan:	5 (Moderate Risk) - Negative
Kuwait:	3 (Moderate-Low Risk) - Positive
Morocco:	5 (Moderate Risk) - Positive
Saudi Arabia:	3 (Moderate-Low Risk) - Negative
Tunisia:	6 (Moderate-High Risk) - Positive
United Arab Emirates:	3 (Moderate-Low Risk) - Positive

* The STAR rating runs on a scale from 1 to 10, where 1 represents the lowest risk and 10 the highest risk.

The 10 rating steps are aggregated into five broad categories to facilitate their interpretation in terms of credit quality. Starting from the most benign part of the quality spectrum, these categories range from 'Low Risk', 'Moderate-Low Risk', 'Moderate Risk', 'Moderate-High Risk' to 'High Risk', with a separate grade reserved for 'Very High Risk.'

In addition to the 10-point scale, rating modifiers are associated with each scale step: 'Positive', 'Stable', and 'Negative'. These rating modifiers allow further granularity and differentiate more finely between countries in terms of risk.

For further information about the Atradius STAR rating, please [click here](#).

Algeria

Main import sources (2014, % of total)	
China:	14.1 %
France:	10.8 %
Italy:	8.6 %
Spain:	8.6 %
Germany :	6.5 %

Main export markets (2014, % of total)	
Spain:	15.2 %
Italy:	13.2 %
France:	11.0 %
United Kingdom:	8.8 %
Netherlands:	8.1 %

Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	2.8	3.8	2.8	2.5	2.8
Inflation (y-on-y, % change)	3.2	2.9	4.8	4.7	6.2
Real private consumption (y-on-y, % change)	5.0	4.4	3.7	3.3	2.9
Real exports of goods & non-factor services (y-on-y, % change)	-5.7	0.2	0.2	0.6	-0.6
Fiscal balance (% of GDP)	-0.4	-7.3	-17.3	-12.5	-8.7
Current account/GDP (%)	0.5	-4.4	-15.0	-14.5	-9.5
Foreign debt/GDP (%)	2.5	2.5	2.8	3.4	3.3
Foreign debt/export of goods and services (%)	7.2	8.1	11.9	15.6	13.0
Short-term debt/international reserves (%)	0.7	1.1	1.2	1.7	1.7
International reserves (in months of merchandise imports)	35.6	30.2	28.0	26.4	21.6

* forecast Sources: EIU, IHS, IMF

Algeria industries performance outlook

July 2016



Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.



Good:
The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.



Fair:
The credit risk credit situation in the sector is average / business performance in the sector is stable.



Poor:
The credit risk situation in the sector is relatively high / business performance in the sector is below long-term trend.



Bleak:
The credit risk situation in the sector is poor / business performance in the sector is weak compared to its long-term trend.

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
Metals	Paper	Services	Steel	Textiles

Political situation

Head of state:

President Abdelaziz Bouteflika
(since April 1999)

Form of government:

Democratically elected government, but military has strong political influence.

Population:

41.1 million (est.)

Currently stable situation, but risks remain

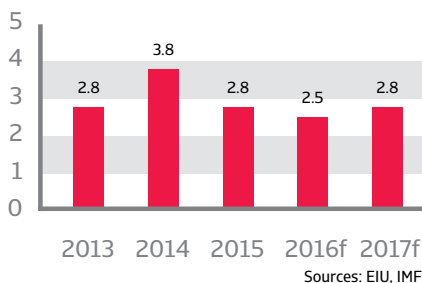
In Algeria, political power rests mainly with President Bouteflika, who is widely credited with restoring peace to the country after a year-long civil war between the government and militant Islamists in the 1990s. He won overwhelming endorsement for a reconciliation plan in 2005.

President Bouteflika is now in his late seventies and not in particularly good health and it remains uncertain whether he will serve his whole term, which runs until 2019. There is no obvious successor at hand and it cannot be ruled out that tensions within the political elite could increase if Bouteflika unexpectedly steps down.

Currently the internal security situation is stable, but the risk of terrorist attacks has increased due to political turmoil in neighbouring Libya and Mali. Endemic 'cronyism', the high unemployment rate and a lack of affordable housing could fuel social unrest and lead to increasing support for militant Islam, especially among younger people. While the government tries to diversify the economy, success has been limited so far. The government is challenged with creating enough jobs to reduce the very high youth unemployment. In early 2016 the parliament passed a couple of constitutional reforms to strengthen democratic elements.

Economic situation

Real GDP growth (y-on-y, % change)

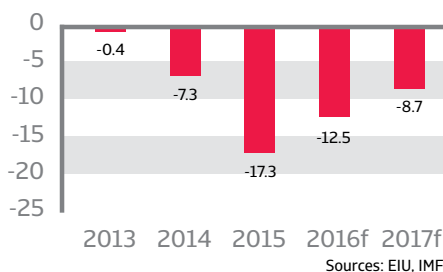


Government budget hit by lower oil price

Algeria's economy is underpinned by the oil and gas sector, which accounts for more than 95% of export revenues. GDP growth slowed down to 2.8% in 2015, and is expected to decrease to 2.5% in 2016, as the currently low oil price continues to have a negative impact on the economy; mainly on government budget and external finances. Energy earnings decreased by nearly 50% in 2015.

In order to trim the high budget deficit, the administration has started to curb spending by cutting some subsidies and suspending some infrastructure projects. But tackling the vast welfare system is sensitive, given the potential for social unrest.

Fiscal balance (% of GDP)



Running a deficit in the short term should be manageable as both government debt and foreign debt are still low. The country still holds more than USD 140 billion in foreign reserves, despite major decreases in 2015 and 2016. If the oil price remains subdued for a longer term, the Algerian government would be forced to reduce its spending much more.

Algeria is trying to move towards a market economy but, because of its massive oil and gas reserves, its socialist history and many years of civil war, the government still exercises tight control over the economy (it is estimated that 90% of Algeria's GDP is still controlled by the state). The economy is still too dependent on the oil sector and needs to diversify further. Growth in other sectors has been insufficient to create new jobs so far. Government intervention, an underperforming banking sector, red tape and corruption still hamper foreign investment and private enterprise initiatives.

Egypt

Main import sources (2014, % of total)	
China:	11.3 %
Germany:	7.8 %
USA:	7.3 %
Kuwait:	4.9 %
Italy:	4.6 %

Main export markets (2014, % of total)	
Italy:	9.2 %
Saudi-Arabia:	7.4 %
India:	7.2 %
Turkey:	5.4 %
USA:	4.2 %
















Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	2.1	2.2	4.2	3.8	3.9
Inflation (y-on-y, % change)	9.5	10.0	10.4	11.9	12.2
Real private consumption (y-on-y, % change)	2.6	4.1	2.8	3.0	3.7
Real exports of goods & non-factor services (y-on-y, % change)	6.0	-11.9	-0.4	2.2	8.1
Fiscal balance (% of GDP)	-13.0	-11.4	-12.3	-11.5	-10.8
Current account/GDP (%)	-1.3	-2.0	-4.4	-4.8	-4.4
Foreign debt/GDP (%)	16	13	15	18	19
Foreign debt/export of goods and services (%)	71	59	76	108	120
Short-term debt/international reserves (%)	17	23	23	23	24
International reserves (in months of merchandise imports)	3.0	2.3	2.9	3.5	3.5

* forecast Sources: EIU, IHS, IMF

Egypt industries performance outlook

July 2016

- 
Excellent:
 The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
- 
Good:
 The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.
- 
Fair:
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Bleak:
 The credit risk situation in the sector is poor / business performance in the sector is weak compared to its long-term trend.

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
				
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

Political situation

Head of state:

Abdel Fattah Saeed Hussein Khalil El Sisi (since June 2014)

Form of government:

De facto military government

Population:

90.2 million (est.)

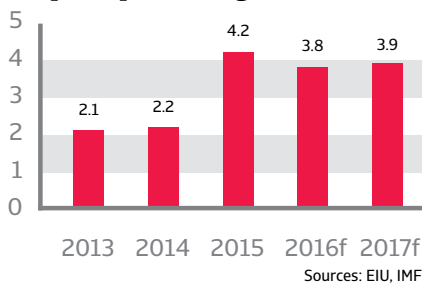
The internal security situation remains tense

After the coup d'état of the Egyptian army against the Muslim Brotherhood government in July 2013, the political situation has stabilised again. But this stability came at the price of increased repression (curbed media freedom) and restrictions on demonstrations. Especially the Muslim Brotherhood movement has been suppressed and banned from the political process, with many leaders jailed.

The internal security situation remains tense, as the military crackdown has pushed the Muslim Brotherhood underground, risking a further radicalisation of some elements. In the Sinai Peninsula and the border region to Libya Jihadist forces are stirring unrest. The largest of those groups is the so-called "Sinai Province", an affiliate of the Islamic State. This group claimed responsibility for causing the crash of a Russian airliner in October 2015.

Economic situation

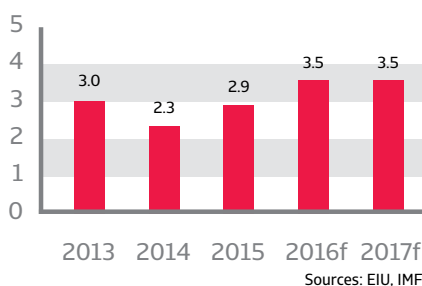
Real GDP growth (y-on-y, % change)



Weak economic situation and uncertain outlook

In 2015 domestic security issues, especially the bombing of a Russian airliner in October, have had a very negative impact on tourism and the economy in general. This has increased the negative impact that political instability has had on tourism and foreign investments, the key sources of foreign exchange, over the past years resulting in a shortage of US dollars in the economy. International reserves are low and the import cover is just around three months. As a consequence, investments are being withheld and some companies had to stop production due to lack of imported goods. In 2016 economic growth is expected to decelerate to below 4%.

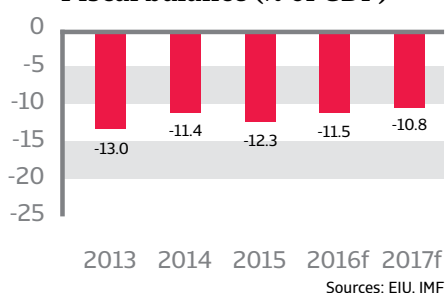
International reserves (in months of merchandise imports)



Although a recent devaluation of the Egyptian pound by the Central Bank could ease the pressure on foreign reserves, US dollar shortages are expected to remain in the short term. This will have a negative impact on the business sentiment. The weaker currency will increase inflation which in 2016 is expected to rise to nearly 12%. In order to contain the inflation increase, the Central Bank raised the interest rate to 11.25% in early 2016.

Other vulnerabilities are the weak government finances and the high external financing requirement. The budget deficit remains high and public debt amounts to more than 90% of GDP. The budget deficit is expected to decrease only gradually in the coming years. It will be politically difficult to implement additional measures to sharply reduce the deficit, especially to cut spending on social projects, as a large part of public spending is still geared towards maintaining social stability. Local banks' high level of exposure on the sovereign is a risk for the financial sector. The external financing requirement remains high (2016: more than 120% of reserves), mainly due to the high current account deficit caused by lower tourism revenues and exports.

Fiscal balance (% of GDP)



Currently Gulf countries like Kuwait, Saudi Arabia and the United Arab Emirates are Egypt's main financial supporters, but the country will increasingly need more help, as financial support from the Gulf could decline due to lower oil revenues in those countries.

In the medium term, Egypt's economic outlook seems to be more positive due to the discovery of large offshore gas fields. Increasing domestic gas production should improve the electricity supply and support the economic activity in coming years.

Jordan

Main import sources (2014, % of total)	
Saudi Arabia:	19.6 %
China:	10.5 %
USA:	5.8 %
India:	5.5 %
UAE:	4.8 %

Main export markets (2014, % of total)	
USA:	15.8 %
Iraq:	15.3 %
Saudi Arabia:	12.4 %
India:	7.8 %
UAE:	4.0 %

Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	2.8	3.1	2.5	2.7	2.8
Inflation (y-on-y, % change)	4.8	2.9	-0.9	0.5	2.5
Real private consumption (y-on-y, % change)	5.7	-1.6	-0.9	1.7	2.8
Real exports of goods & non-factor services (y-on-y, % change)	3.3	9.4	-1.4	3.5	3.8
Fiscal balance (% of GDP)	-8.2	-7.2	-6.6	-6.3	-6.3
Current account/GDP (%)	-10.4	-7.3	-5.1	-4.2	-6.2
Foreign debt/GDP (%)	69	67	64	65	67
Foreign debt/export of goods and services (%)	127	123	135	144	148
Short-term debt/international reserves (%)	79	68	59	58	60
International reserves (in months of merchandise imports)	6.9	7.7	8.7	8.7	8.2

* forecast Sources: EIU, IHS, IMF

Jordan industries performance outlook

July 2016



Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.



Good:
The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.



Fair:
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Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
Metals	Paper	Services	Steel	Textiles

Political situation

Head of state:

King Abdullah bin Hussein al-Hashemi (since February 1999)

Form of government:

Jordan is a constitutional monarchy, but the parliamentary power is heavily circumscribed. Despite some recent reforms most executive and legislative powers still lie de facto with the King, who is empowered to dismiss the government and dissolve the parliament.

Population:

7.0 million (est.)

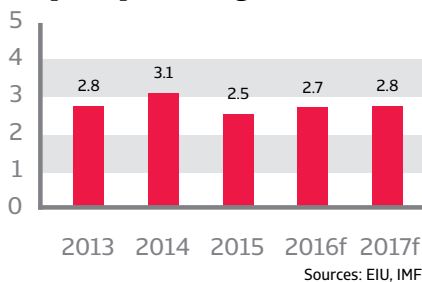
Severely impacted by the conflicts in neighbouring states

King Abdullah II appears to be firmly in power again following the public protests in 2011 and 2012. The King is also considered to be secure as he is rather popular and has strong support from the effective security forces and the army.

That said, Jordan's security situation has worsened in recent years as the country is immediately affected by the on-going sectarian conflict in Iraq and the civil war in Syria, together with the rise of the Islamic State (IS) in both neighbouring countries. Tourism, services and cross border trade have been negatively impacted. The share of refugees in Jordan has reached about 15%-20% of the country's total population, which has increased pressure on infrastructure (e.g. water and electricity resources) and public finances. It has also led to some tensions between refugees and Jordanians due to the already high unemployment rate in the country.

Economic situation

Real GDP growth (y-on-y, % change)

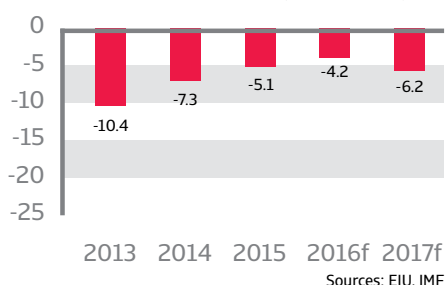


A modest rebound expected in 2016

Jordan's economic growth continues to be negatively affected by the on-going conflicts in the region. Trade flows with Iraq as a major export destination have decreased and tourism and investments are negatively impacted by security concerns. In 2015 tourism revenues alone declined 6%. That said, growth is expected to rebound somewhat in 2016, helped by low oil prices (Jordan imports all of its energy) and government investments in infrastructure. After 0.9% deflation in 2015 due to lower oil prices and subdued private demand, a modest inflation rate of 0.5% is expected in 2016.

Government debt is high and expected to reach 90% of GDP this year. The budget deficit is also high, but expected to decrease to 6.3% of GDP in 2016. Fiscal consolidation is difficult due to the massive influx of refugees. However, some improvement is expected due to reforms (lowering subsidies) and the low oil price.

Current account (% of GDP)



Since 2014, the current account deficit has decreased sharply due to lower oil prices, reducing the gross external financing requirement to 82% of reserves. Nevertheless, the financing requirement remains high, mainly due to the high short-term debt, which is related to trade. Financing the current account deficit is no problem due to good access to the international capital markets and financial support. The liquidity situation is good, as foreign reserves have increased due to external financial aid. Import cover amounts to more than eight months in 2016. Jordan remains heavily dependent on foreign donor support from its Arab allies (especially Saudi Arabia), the US and multilateral institutions.

Kuwait

Main import sources (2014, % of total)	
China:	10.9 %
USA:	10.5 %
Saudi Arabia	7.9 %
Japan:	7.6 %

Main export markets (2014, % of total)	
South Korea:	17.1 %
India:	16.0 %
Japan:	12.3 %
USA:	11.7 %
















Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	1.1	-1.6	1.1	1.1	2.2
Inflation (y-on-y, % change)	2.7	2.9	3.3	2.9	2.8
Real private consumption (y-on-y, % change)	4.9	2.8	1.7	1.6	2.5
Real exports of goods & non-factor services (y-on-y, % change)	-4.0	-3.1	0.1	0.4	2.4
Fiscal balance (% of GDP)	26.5	8.0	-12.8	-14.6	-0.4
Real fixed investment (y-on-y, % change)	15.2	2.1	-1.7	0.7	1.2
Foreign debt/GDP (%)	21	22	32	37	31
Foreign debt/export of goods and services (%)	21	22	32	37	31
Short-term debt/international reserves (%)	75	78	97	113	114
International reserves (in months of merchandise imports)	7.6	7.0	5.8	7.5	4.7

* forecast Sources: EIU, IHS, IMF

Kuwait industries performance outlook

July 2016

- 
Excellent:
 The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
- 
Good:
 The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.
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Fair:
 The credit risk credit situation in the sector is average / business performance in the sector is stable.
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Poor:
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Bleak:
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Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
				
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

Political situation

Head of state:

Emir Sabah Al-Ahmad Al-Jaber Al-Sabah (since January 2006)

Head of government:

Prime Minister Jaber Al-Mubarak Al-Hamad Al-Sabah (since November 2011)

Government type:

Constitutional emirate

Population:

4.2 million (est.) - immigrants make up about 70% of the total population

Stable, although domestic tensions have increased

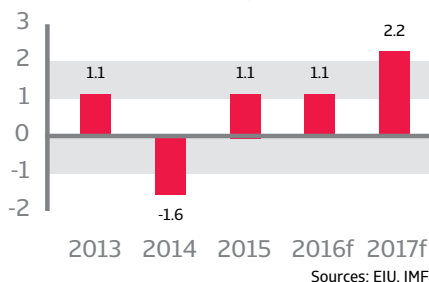
The political situation in Kuwait is relatively stable. Sheikh Sabah and his ruling Al-Sabah family are still firmly in power, holding most of the cabinet posts. The Emir is chosen from within the ruling family and confirmed by parliamentary vote; the Emir appoints the Prime Minister and Deputy Prime Ministers. While crown prince Sheikh Nawaf Al-Ahmad Al-Sabah is expected to succeed the Emir (who is 87 years of age) in the coming years, the appointment of a new crown prince could then lead to a power struggle within the ruling family.

The government pursues a hardline response on people who are critical of the government and who demand more political reforms. Protests could increase as the government plans to cut fuel and water subsidies in order to decrease government expenditure. In April 2016 there were already strikes in the oil sector due to cuts in government spending for this industry.

The risk of sectarian tensions between Sunnis and Shiites has increased after the bombing of a Shia mosque in June 2015 by the IS. Shiites make up about 30% of Kuwait's indigenous population.

Economic situation

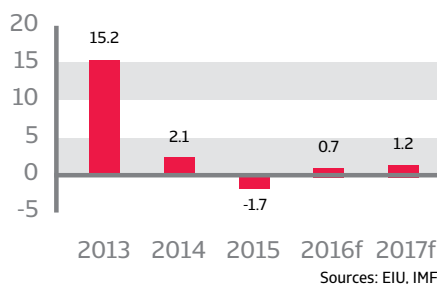
Real GDP growth (y-on-y, % change)



Modest growth, but still strong financials

The Kuwaiti economy is highly dependent on oil and gas sales, which account for 50% of GDP, 90% of export revenues and 85% of government earnings. Economic growth is expected to remain modest in 2016, at 1.1%, due to the lower oil price and decreased oil production. However, investments in infrastructure will support economic growth. The budget deficit is expected to increase to 15% of GDP in 2016. Although the government will cut its overall spending and certain subsidies, spending on capital projects will continue as diversification of the economy is high on the agenda.

Real fixed investment (y-on-y, % change)



Due to the still low oil price the current account is expected to show a deficit of 7.6% of GDP in 2016, leading to an increase in the gross financing requirement. However, this financing requirement will not be a problem, as Kuwait has a large sovereign wealth fund with estimated assets of more than USD 590 billion and sufficient foreign exchange reserves. Foreign debt is forecast to increase to 37% of GDP in 2016 from 22% of GDP in 2014, but this is mainly due to the decline in nominal GDP. Public debt remains low at 14% of GDP in 2016. Therefore, Kuwait is capable of managing the lower oil price for the time being. The Kuwaiti dinar is pegged to a basket of currencies, dominated by the US dollar. A devaluation is not expected as the government is able to support the peg due to its ample reserves.

Morocco

Main import sources (2014, % of total)	
Spain:	13.5 %
France:	13.3 %
China:	7.6 %
USA:	7.0 %
Saudi Arabia:	5.4 %

Main export markets (2013, % of total)	
Spain	21.9 %
France:	20.8 %
Brazil:	4.6 %
Italy:	4.3 %
USA:	3.6 %

Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	4.7	2.4	4.4	3.0	4.5
Inflation (y-on-y, % change)	1.9	0.4	1.6	1.4	2.4
Real private consumption (y-on-y, % change)	3.6	3.3	4.5	4.1	4.6
Real exports of goods & non-factor services (y-on-y, % change)	0.9	6.3	4.0	3.5	4.3
Fiscal balance (% of GDP)	-5.1	-4.9	-4.3	-4.1	-3.6
Current account/GDP (%)	-8.1	-5.9	-1.7	-2.3	-3.2
Foreign debt/GDP (%)	37	39	42	41	40
Foreign debt/export of goods and services (%)	98	100	101	101	103
Short-term debt/international reserves (%)	28	37	28	27	27
International reserves (in months of merchandise imports)	4.8	5.1	6.5	6.7	6.6

* forecast Sources: EIU, IHS, IMF

Morocco industries performance outlook

July 2016

- 
Excellent:
 The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
- 
Good:
 The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.
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Fair:
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Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
Metals	Paper	Services	Steel	Textiles

Political situation

Head of state:

King Mohammed VI
 (since July 1999)

Form of government:

Constitutional monarchy.
 The King has far-reaching executive and legislative powers in Morocco.

Population:

33.5 million (est.)

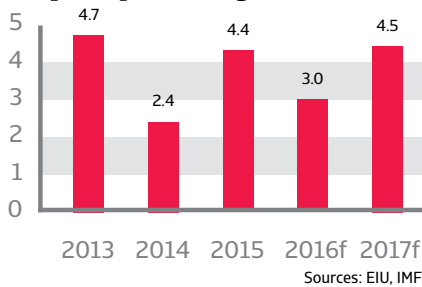
A stable monarchy, but risks persist

The political situation is rather stable. King Mohammed VI holds most political power in his hands. There is no immediate threat to the monarchy and establishment as the King is popular with the people. He continues to cautiously liberalise the political system and to reform the economy. Maintaining political stability is highly dependent on reducing the high levels of poverty and youth unemployment in Morocco, otherwise an increase in social tensions cannot be ruled out.

Morocco remains vulnerable to the threat from Islamic extremism. Especially Moroccan fighters returning from Libya and Syria are a concern for the authorities. Preserving security to avoid a negative impact on tourism is very high on the government's agenda.

Economic situation

Real GDP growth (y-on-y, % change)

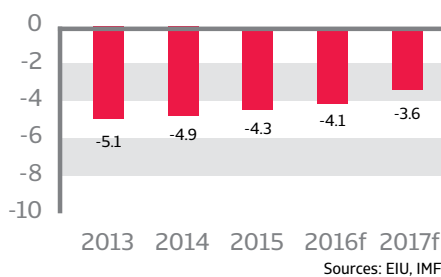


Lower growth due to less agriculture output and decreasing exports

In 2016 economic growth is expected to slow down 3%, mainly due to a drought affecting the agriculture sector. The country is still highly dependent on agriculture, which employs some 40% of the workforce, and swings in agriculture output have a major impact on private consumption and the economy. Exports will be affected by weaker external demand, especially from the Middle East and Africa.

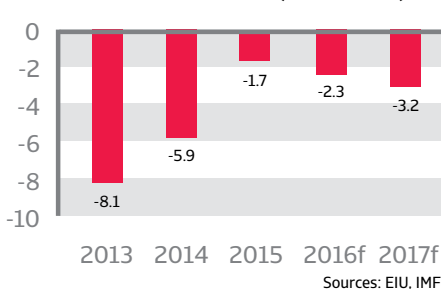
In recent years, the government has increased efforts to diversify the economy by developing industrial manufacturing, especially export-driven sectors (cars, aeronautics and electronics). Those efforts are increasingly paying off, with the favourable investment environment attracting foreign investment, especially in the car and electronics industries. Large investments in renewables and gas-fuelled power plants are boosting electricity production.

Fiscal balance (% of GDP)



Government finances have improved due to consolidation efforts, e.g. in 2015 fuel subsidies have been cut. The fiscal deficit decreased to 4.3% of GDP in 2016, and further decreases are forecast in 2016 and 2017. In 2015 the current account deficit decreased to 1.7% of GDP due to cheaper oil imports and rising exports. However, in 2016 an increase to 2.3% of GDP is expected due to weaker exports and increased food imports. Financing the structural current account deficit with foreign loans and foreign direct investment has been no problem so far. In the long term, it is expected that the high dependency on oil imports will decline as the government is investing in renewable energy.

Current account (% of GDP)



Morocco's solvency position is acceptable, with foreign debt amounting to 41% of GDP in 2016. The liquidity position is good and expected to remain stable at more than six months of import cover in 2016. Morocco has access to a two-year precautionary liquidity line (PLL) with the IMF, and while it is not expected that the government will access the facility, it nevertheless helps Morocco's reform programme and signals creditworthiness. Currently the dirham is tightly managed against a basket of currencies, but it will move to a more flexible exchange rate mechanism, as the central bank is planning to change the exchange rate regime gradually.

A potential downside risk to the Moroccan economy remains any deterioration in the eurozone, which is a major export destination, for workers' remittances and tourism inflow.

Saudi Arabia

Main import sources (2014, % of total)	
China:	13.4 %
USA:	12.9 %
Germany:	7.2 %
Japan:	5.7 %
South Korea:	4.9 %

Main export markets (2014, % of total)	
USA:	12.7 %
China:	12.5 %
Japan:	12.2 %
South Korea:	9.6 %
India:	8.9 %

Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	2.7	3.6	3.4	1.7	2.7
Inflation (y-on-y, % change)	3.5	2.7	2.2	4.3	4.4
Real private consumption (y-on-y, % change)	3.2	6.1	3.4	2.6	2.9
Real exports of goods & non-factor services (y-on-y, % change)	0.2	1.7	7.3	3.4	4.9
Fiscal balance (% of GDP)	6.5	-2.3	-17.8	-16.8	-9.3
Real fixed investment (y-on-y, % change)	5.6	7.5	-2.8	1.1	4.6
Foreign debt/GDP (%)	21	22	26	28	26
Foreign debt/export of goods and services (%)	38	44	64	76	67
Short-term debt/international reserves (%)	9	10	11	11	12
International reserves (in months of merchandise imports)	37.8	33.4	29.2	28.4	28.0

* forecast Sources: EIU, IHS, IMF

Saudi Arabia industries performance outlook

July 2016



Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.



Good:
The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.



Fair:
The credit risk credit situation in the sector is average / business performance in the sector is stable.



Poor:
The credit risk situation in the sector is relatively high / business performance in the sector is below long-term trend.



Bleak:
The credit risk situation in the sector is poor / business performance in the sector is weak compared to its long-term trend.

Agriculture	Automotive/Transport	Chemicals/Pharma	Construction	Consumer Durables
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/Engineering
Metals	Paper	Services	Steel	Textiles

Political situation

Head of state/government:

King and Prime Minister
 Salman bin Abdulaziz Al Saud
 (since January 2015)

Form of government:

Monarchy

Population:

32.0 million (est.) - immigrants
 make up more than 30% of the total
 population

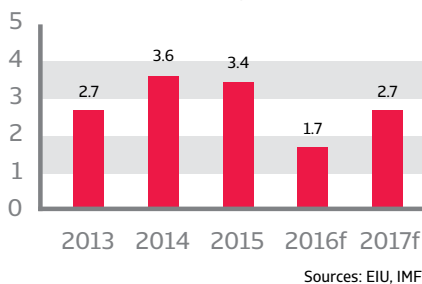
A more assertive foreign policy

The on-going political turmoil in the Middle East is a challenge for the Saudi rulers, with major security problems due to the current situation in neighbouring Iraq and Yemen. Saudi Arabia feels increasingly challenged by growing Iranian influence, its traditional rival for hegemony in the Gulf region. Therefore, Saudi foreign policy has turned to become more assertive, mainly in order to counter Iranian influence, e.g. by supporting oppositional (Sunni) forces in Syria and, since March 2015, by a direct military intervention in Yemen against the advancing Houthi rebels, who as a Shia tribe are allegedly backed by Iran.

Domestically, political and social reforms are expected to remain cosmetic, as the ruling Saud family and the clerical establishment will remain in firm control.

Economic situation

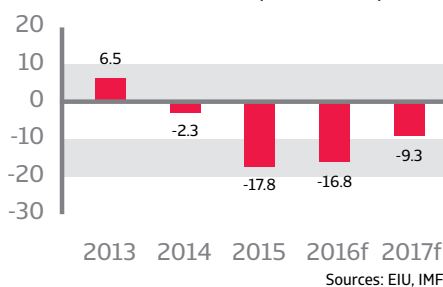
Real GDP growth (y-on-y, % change)



The economy still has room to absorb the oil price decrease

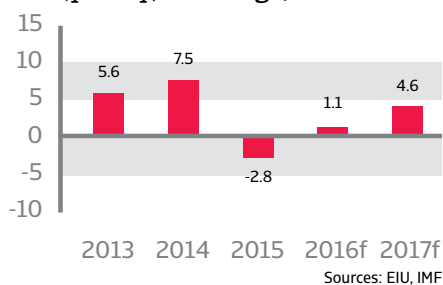
Saudi Arabia has an oil-dependent economy with strong government controls over all major economic activities. Economic growth has been negatively affected by decreased oil prices, and GDP growth is expected to slow down to 1.7% in 2016 following growth of 3.4% in 2015. Support for economic activity comes from on-going large investments in infrastructure (metro Riyadh) and new industrial projects (e.g. Sadara petrochemicals complex). The banking sector is still sound, but the lower oil price has affected the financial sector through tighter liquidity. Credit growth has decelerated and balance sheets have deteriorated somewhat.

Fiscal balance (% of GDP)



Given that oil accounts for 80% of government revenues, it comes as no surprise that the decline in the price of oil has a large negative impact on public finances. In 2015 the budget deficit increased to nearly 18% of GDP, while the expected decrease to a GDP deficit of 9% in 2017 is mainly due to austerity measures. Petrol prices have been sharply increased and subsidies on electricity, water and fuel for the wealthy Saudis have been reduced, while privatisations are planned and capital spending will be cut.

Real fixed investment (y-on-y, % change)



The current account turned from high surpluses in previous years to a 5.4% deficit in 2015, and in 2016 another deficit of 9.3% is expected. That said, due to its very large international reserves and low public debt (14.7% of GDP in 2015), Saudi Arabia is able to easily fund those deficits. Import cover amounts to almost 30 months in 2016. The external financing requirement is only 15% of foreign reserves in 2016.

While Saudi Arabia is able to sustain high spending for some years, a structural shift to a long-term period of lower oil prices would at last pose a risk for the economy. A comprehensive diversification of the economy away from oil dependency is high on the political agenda. Every year many young Saudis enter the workforce, while the economy does not generate enough jobs to absorb population growth.

Tunisia

Main import sources (2014, % of total)	
France:	16.4 %
Italy:	14.7 %
China:	7.2 %
Germany:	7.0 %
Algeria:	6.3 %

Main export markets (2014, % of total)	
France:	27.9 %
Italy:	18.7 %
Germany:	10.0 %
Libya:	3.8 %
Spain:	3.4 %

Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	2.4	2.3	0.8	2.4	3.4
Inflation (y-on-y, % change)	5.8	4.9	4.9	3.9	4.4
Industrial production (y-on-y, % change)	-1.5	-0.7	-1.4	1.5	2.5
Real exports of goods & non-factor services (y-on-y, % change)	1.9	-1.5	-2.5	3.0	3.3
Fiscal balance (% of GDP)	-4.6	-4.5	-4.4	-4.6	-4.2
Current account/GDP (%)	-8.4	-9.0	-9.1	-9.4	-8.8
Foreign debt/GDP (%)	55	55	59	63	66
Foreign debt/export of goods and services (%)	105	110	129	151	155
Short-term debt/international reserves (%)	90	95	91	95	100
International reserves (in months of merchandise imports)	3.4	3.3	3.8	3.8	3.5

* forecast Sources: EIU, IHS, IMF

Tunisia industries performance outlook

July 2016



Excellent:
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Good:
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Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
Metals	Paper	Services	Steel	Textiles

Political situation

Head of state:

President Beji Caid Essebsi
(since December 2014)

Head of government:

Prime Minister Habib Essid (since
February 2015)

Form of government:

Coalition government of secular and
Islamic parties.

Population:

11.2 million (est.)

Fragile security situation persists

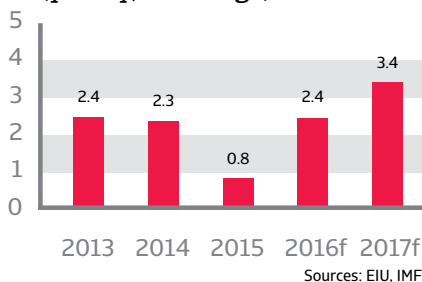
In Tunisia, the October 2014 parliamentary and presidential elections were peaceful. A four-party coalition is ruling the country since the beginning of 2015. However, this broad coalition government is prone to tensions and difficult decision making as it consists of both secular and (moderate) Islamist parties.

The internal security situation remains tense and the risk of additional terrorist attacks after several assaults in 2015 remains high. It is estimated that some 3,000 Tunisians have fought or are still fighting for IS in Syria and Libya, and some of them returned home, posing a high security risk. Tunisia remains negatively affected by the on-going civil strife in neighbouring Libya.

The new government faces enormous challenges in improving social and economic conditions, as unemployment is still very high and a failure to improve general living standards could create social unrest.

Economic situation

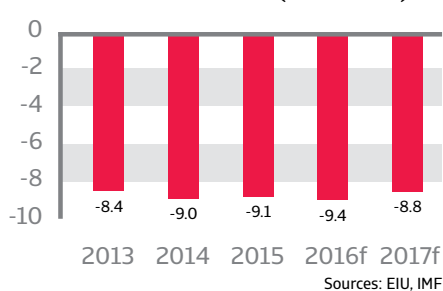
Real GDP growth (y-on-y, % change)



A moderate rebound expected in 2016

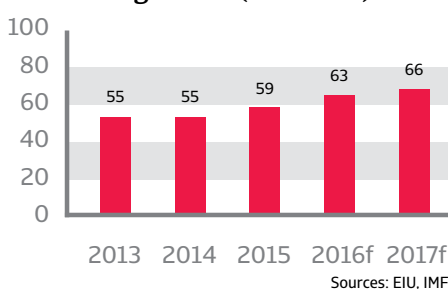
In 2015, GDP growth slowed down to 0.8% as the fragile security situation affected the business environment and hurt the economy. Especially the tourism sector was hit by terrorist attacks last year. In 2016 GDP is expected to grow 2.4%, however this rebound is heavily dependent on the security situation, as any further deterioration could again severely hurt domestic demand (private consumption and investments) and tourism. Government spending, especially in undeveloped regions, will contribute positively to growth.

Current account (% of GDP)



The budget deficit is large (4.4% of GDP in 2015) due to increased social spending and investments. However, it is expected that lower oil and food prices will relieve government finances in 2016 and 2017. At the same time, the current account deficit is high (more than 9% of GDP in 2015 and 2016), due to fewer exports, lower remittances (many Tunisians worked in Libya) and decreased tourism revenues. In order to finance the twin deficits, external borrowing has increased, resulting in high external debt (59% of GDP in 2015).

Foreign debt (% of GDP)



Foreign exchange reserves are still sufficient in terms of import cover in months, as imports have decreased due to weak domestic demand. However, short-term debt in relation to international reserves remains high in 2016, at 95%. Foreign reserves are not covering Tunisia's high external financing requirement, and the country will remain dependent on multilateral and bilateral support. It receives major financial assistance from the IMF, World Bank, European countries and the US. It is expected that this support will continue, as international donors want to bolster the on-going transition process towards a stable democratic system. However, in order to keep external debt sustainable in the long-term the government has to reduce the budget deficit and introduce reforms to accelerate economic growth.

More structural reforms are necessary to accelerate economic growth and to reduce the high unemployment. Tackling bureaucracy, reducing corruption, reforming the tax and subsidy system are necessary to improve the economic conditions. However, given the current political and social conditions, it seems that progress will remain slow for the time being.

UAE

Main import sources (2014, % of total)	
China:	15.7 %
India:	13.4 %
USA:	8.9 %
Germany:	5.3 %
Japan:	4.7 %

Main export markets (2014, % of total)	
Japan:	14.8 %
India:	11.4 %
Iran:	9.6 %
South Korea:	5.7 %
China:	5.5 %
















Key indicators	2013	2014	2015	2016*	2017*
Real GDP growth (y-on-y, % change)	4.3	4.6	3.3	2.0	3.0
Inflation (y-on-y, % change)	1.1	2.3	4.1	2.8	4.2
Real private consumption (y-on-y, % change)	6.0	-0.3	2.6	2.4	3.9
Real exports of goods & non-factor services (y-on-y, % change)	4.5	8.2	3.9	4.0	5.3
Fiscal balance (% of GDP)	10.4	5.0	-3.7	-6.6	-1.9
Real fixed investment (y-on-y, % change)	8.3	3.6	2.5	1.7	7.1
Foreign debt/GDP (%)	46	48	55	65	61
Foreign debt/export of goods and services (%)	43	47	54	64	65
Short-term debt/international reserves (%)	95	85	71	79	79
International reserves (in months of merchandise imports)	3.6	4.0	4.6	4.1	4.0

* forecast Sources: EIU, IHS, IMF

UAE industries performance outlook

July 2016

- 
Excellent:
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- 
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Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Consumer Durables
				
Electronics/ICT	Energy (oil, gas)	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

Political situation

Head of state:

President Sheikh Khalifa bin Zayed Al Nahyan (since November 2004), Emir of Abu Dhabi

Head of government:

Vice President and Prime Minister Mohammed bin Rashid Al Maktoum (since December 2006), Emir of Dubai

Government type:

Federation of seven Emirates: Abu Dhabi, Ajman, Al Fujayrah, Dubai, Ra's al-Khaymah, Umm al-Qaywayn, and Sharjah

Population:

9.9 million (est.) - immigrants make up more than 80% of the total population

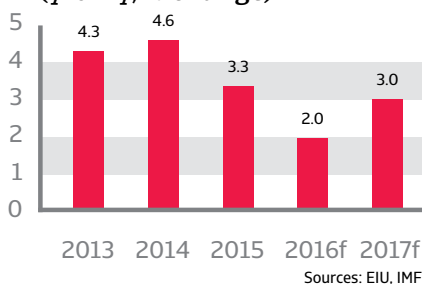
The internal political situation remains stable

Domestic politics are influenced considerably by the ruling families and traditional tribal structures. Political parties or trade unions are not permitted and opposition is virtually non-existent. The Federal National Council (FNC) as a legislative body has only an advisory role. However, political liberalisation has seen some limited progress, at least when compared to other states in the region.

The UAE is part of the alliance against the Islamic State (IS), and as such it has launched air strikes against IS in Syria and Libya. This engagement has principally increased the risk of terrorist attacks in the UAE. However, the security forces are considered competent and effective. Overall, there is no indication of large scale concerns about security.

Economic situation

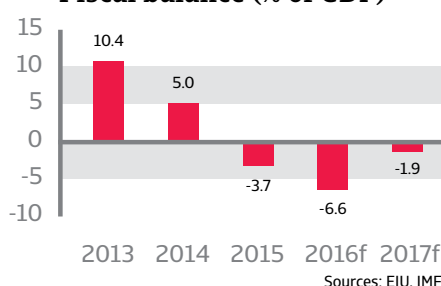
Real GDP growth (y-on-y, % change)



Increasing troubles for many industries

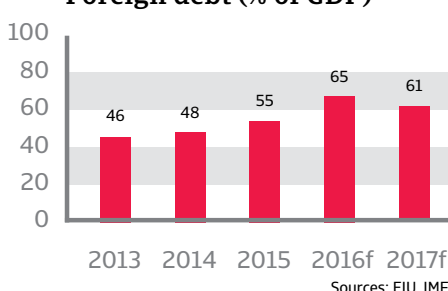
Despite its diversification, (70% of total GDP coming from non-oil sectors) the UAE's economy has been impacted by the direct and indirect consequences of the oil price decrease. Lower oil prices have impacted government revenues, which in turn has affected government deposits in the banking sector, resulting in tighter lending conditions. Due to lower fiscal revenues, declining liquidity in the banking sector and weaker business sentiment, GDP growth is expected to decrease to 2% in 2016. Since Q4 of 2015 the businesses in the IT, consumer durables, food, metals, steel and construction sectors face increasing troubles. The services sector in Dubai is affected by decreasing tourist visits (from Russia and other Gulf countries), weaker demand for housing and lower investments. Commodity price volatility (especially steel, metals, food commodities) in 2015 has negatively impacted various traders and distributors, who are facing liquidity/cash flow issues and have either delayed payments to suppliers or, in some cases, just shut down their businesses.

Fiscal balance (% of GDP)



The budget deficit is expected to increase to 6.6% of GDP in 2016 from 3.7% of GDP in 2015. While spending has been cut, it is not enough to offset the decline in revenues. It is expected that subsidies on fuel, water and electricity will be further reduced and new taxes introduced. This, together with a gradually rebounding oil price should lead to a much lower deficit in 2017.

Foreign debt (% of GDP)



The current account is expected to turn into a deficit of 2.5% of GDP in 2016 due to lower export revenues. As a consequence of this and high debt service, the UAE's external financing requirement is high (120% of foreign reserves). However, due to its ample foreign currency assets (reserves and sovereign wealth funds) the UAE is able to easily finance increased spending.

Although the UAE's solvency position is considered to be strong, Dubai's government and government-related entities are still highly leveraged. With a debt level of USD 143 billion, there are still concerns that Dubai could face financing difficulties. However, through a combination of refinancing, sale of assets and repayments, this should be manageable – as long as investor sentiment does not significantly deteriorate in the future.

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