

Atradius Country Reports

Middle East and North Africa – July 2015



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Middle East and North Africa 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) - Stable
Morocco:	5 (Moderate Risk) - Positive
Saudi Arabia:	3 (Moderate-Low Risk) - Negative
Tunisia:	5 (Moderate Risk) - Negative
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:	12.4 %
France:	11.4 %
Italy:	10.3 %
Spain:	9.3 %
Germany :	5.2 %

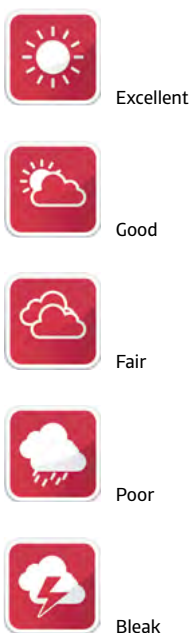
Main export markets (2014, % of total)	
Spain:	15.7 %
Italy:	13.7 %
United Kingdom:	10.9 %
France:	10.3 %
USA:	8.1 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	2.5	2.8	2.9	2.6	3.1
Inflation (y-on-y, % change)	8.9	3.3	2.9	5.2	4.8
Real private consumption (y-on-y, % change)	5.0	5.0	5.8	4.0	3.9
Real exports of goods & non-factor services (y-on-y, % change)	-3.8	-5.8	0.3	1.0	-0.9
Fiscal balance (% of GDP)	-4.5	-0.9	-7.6	-10.0	-7.0
Current account/GDP (%)	6.6	0.4	-4.4	-11.7	-9.9
Foreign debt/GDP (%)	2.9	2.6	2.3	2.2	2.1
Foreign debt/export of goods and services (%)	6.9	7.3	7.1	7.9	7.2
Short-term debt/international reserves (%)	0.6	0.6	0.7	0.8	1.0
International reserves (in months of merchandise imports)	49.0	46.8	40.0	35.0	30.1

* forecast Sources: EIU, IHS, IMF

Algeria industries performance outlook

July 2015



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:

38.7 million (est.)

Currently stable situation, but risks remain

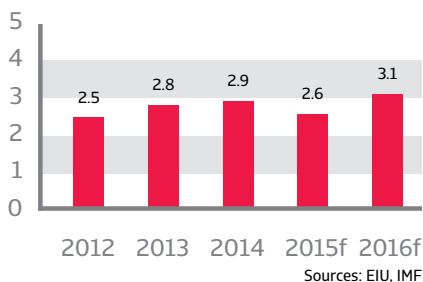
In Algeria, political power rests mainly with President Bouteflika, who is widely credited with restoring peace to the country after a year-long civil war between the government and militant Islamists in the 1990s, having won overwhelming endorsement for a reconciliation plan in 2005.

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 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 would unexpectedly step down.

Currently the internal security situation is still 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.

Economic situation

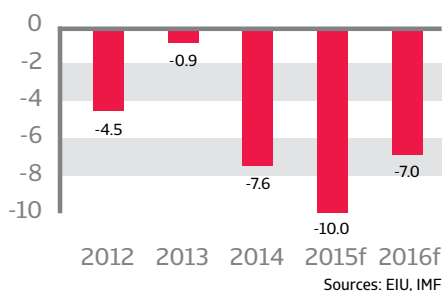
Real GDP growth (%)



Government budget hit by lower oil price

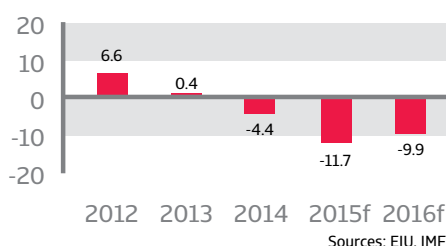
Algeria's economy is underpinned by the oil and gas sector, which accounts for more than 95 % of export revenues. GDP growth is expected to slow down modestly to 2.6 % in 2015, followed by 3.1 % in 2016. Given its dependency on oil exports, the currently lower oil price will have a negative impact on the economy; mainly on government budget and external finances. In 2015 the budget deficit is forecast to increase to 10.0 % of GDP, as the administration has not yet taken measures to curb spending: investments in infrastructure and social spending on wages and subsidies remain high to prevent social unrest.

Fiscal balance (% of GDP)



That said, running a deficit for a few more years should be manageable as government debt is very low (approx. 11% of GDP in 2014) and foreign debt amounts to just around 2 % of GDP. Algeria would also be able to sustain a longer period of lower oil prices due to its large foreign reserves, which amounted to USD 179 billion at the end of 2014. In 2015 and 2016 those reserves are expected to decline, but remain sizeable. If the oil price remains subdued for a longer term, the Algerian government would be forced to reduce some of its spending.

Current account (% of GDP)



The economy needs to diversify further

The current account deficit is forecast to increase to more than 11 % of GDP in 2015 as oil revenues decline and imports become more expensive due to a weaker dinar exchange rate. However, expectations of a rebound in the oil price in the future and new gas production coming on stream, a reduction in the deficit is forecast for the coming years. Imports are also expected to increase due to higher capital imports related to the development of gas projects and ambitious public investment programmes.

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	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	2.2	2.1	2.2	4.7	4.1
Inflation (y-on-y, % change)	7.1	9.5	10.1	10.1	9.1
Real private consumption (y-on-y, % change)	6.5	2.8	3.5	4.0	4.2
Real exports of goods & non-factor services (y-on-y, % change)	-2.3	4.1	1.5	4.8	6.0
Fiscal balance (% of GDP)	-10.6	-13.7	-12.0	-11.6	-9.7
Current account/GDP (%)	-3.7	-1.5	-2.2	-1.2	-1.5
Foreign debt/GDP (%)	15	16	17	16	15
Foreign debt/export of goods and services (%)	85	99	98	109	111
Short-term debt/international reserves (%)	45	17	27	19	17
International reserves (in months of merchandise imports)	3.3	3.8	3.0	4.7	4.5

* forecast Sources: EIU, IHS, IMF

Egypt industries performance outlook

July 2015

	Excellent
	Good
	Fair
	Poor
	Bleak

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:

85.4 million (est.)

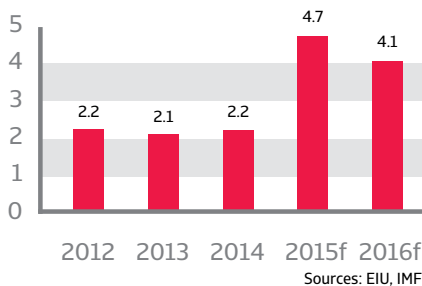
Regained stability after the military coup

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, and some (including former President Mohamed Morsi) even facing capital punishment. Parliamentary elections were due to be held in March and April 2015, but were postponed indefinitely.

The internal security situation remains tense, as the military crackdown has pushed the Muslim Brotherhood underground, risking a further radicalisation of some elements. Scattered bombing attacks occur from time to time, especially in the Sinai Peninsula and the border region to Libya, where Jihadist forces are already stirring unrest.

Economic situation

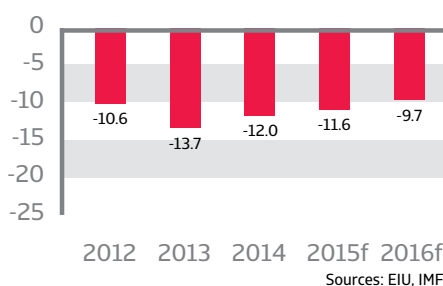
Real GDP growth (%)



Stronger growth and increasing foreign investments

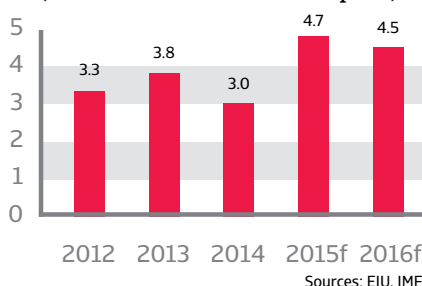
After the military coup, Egypt's economic situation has improved, and growth is expected to accelerate due to improved business and consumer confidence and rising investments. The business-friendly Sisi-administration focuses on ensuring economic stability by attracting foreign investments (e.g. in energy and infrastructure projects) and has launched some reforms to improve the business environment, such as cutting red tape and improving the legal system. The regained political stability and the administration's programme of economic development has indeed increased foreign investors' confidence.

Fiscal balance (% of GDP)



In 2015 and 2016 the economy is expected to grow by more than 4 %, as improved stability in the country will boost domestic demand. The government has also liberalised its exchange-rate regime slightly, allowing the Egyptian pound to depreciate, which supports export and tourism growth. Since June 2014 tourist arrivals have increased again year-on-year each month (tourism contributes more than 10 % to GDP). Foreign direct investment (FDI) increased 140 % year-on-year in H2 of 2014, although from a very low level seen in the years of political uncertainty. Egypt urgently needs FDI in order to improve its under-developed infrastructure and power supply and requires more housing for its fast-growing population (predicted to grow to more than 110 million by 2030).

International reserves (in months of merchandise imports)



The budget deficit amounted to 12 % of GDP in 2014 and is expected to gradually decrease in the coming years, mainly due to a comprehensive cut in fuel subsidies in mid-2014 (in the past those subsidies accounted for more than 20% of government spending). At the same time some taxes have been raised. However, 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.

Since the military takeover, more than USD 20 billion in new aid and investments has come from several Gulf states to support the Egyptian economy. This financial support is still necessary given the budget and current account deficit and the low level of foreign reserves, with was just about three months of import cover in 2014. Domestic debt is very high at 94 % of GDP, but external debt is low at 17 % GDP. Debt service additionally weights on the public budget.

Jordan

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

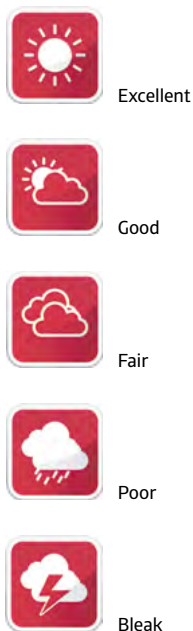
Main export markets (2014, % of total)	
USA:	15.8 %
Iraq:	15.3 %
Saudi Arabia:	12.4 %
India:	7.8 %
UAE:	4.0 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	2.7	2.8	3.1	4.3	4.8
Inflation (y-on-y, % change)	4.5	4.8	2.9	0.0	3.4
Real private consumption (y-on-y, % change)	6.5	-0.3	-0.5	1.9	2.3
Real exports of goods & non-factor services (y-on-y, % change)	-3.4	10.0	3.1	5.5	3.9
Fiscal balance (% of GDP)	-9.8	-8.2	-7.2	-6.4	-6.1
Current account/GDP (%)	-15.2	-10.3	-6.8	-0.8	-8.2
Foreign debt/GDP (%)	58	56	67	66	58
Foreign debt/export of goods and services (%)	119	125	146	150	140
Short-term debt/international reserves (%)	110	82	73	64	66
International reserves (in months of merchandise imports)	6.3	9.3	10.5	11.7	11.1

* forecast Sources: EIU, IHS, IMF

Jordan industries performance outlook

July 2015



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 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. While the Chamber of Deputies is elected by popular vote, the Senate members are appointed by the King.

Population:

6.7 million (est.)

Severely impacted by the conflicts in neighbouring states

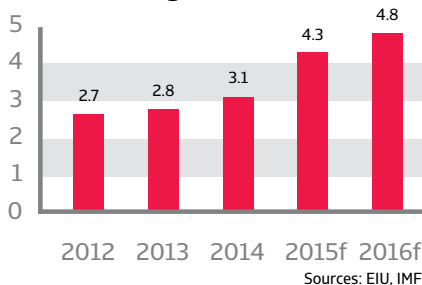
King Abdullah II appears to be firmly in power again following the public protests in 2011 and 2012 (mainly led by the Islamic Action Front, the political wing of the Muslim Brotherhood in Jordan) ebbed. The position of the King is also considered to be secure as he is rather popular and has strong support 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. According to the United Nations, Jordan currently accommodates about 600,000 Syrian refugees, i.e. close to 10 % of Jordan's total population, which has increased pressure on water and electricity resources. Tourism, services and cross border trade have also been negatively impacted by the conflicts in Iraq and Syria.

Jordan is stuck between its interest in good relationships with Israel (Jordan and Israel concluded a peace agreement in 1994 and maintain diplomatic relations) and the need for official solidarity with the Palestinians in their conflict with Israel (about half of Jordan's population consists of Palestinian refugees). The country receives massive military and financial support from the US and benefits from a bilateral free trade agreement with Washington.

Economic situation

Real GDP growth (%)

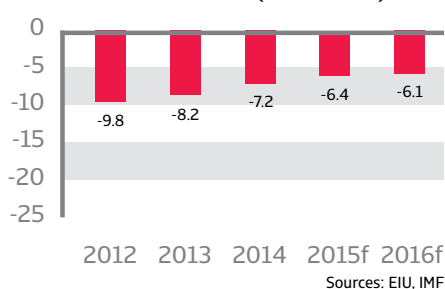


Stronger growth despite the on-going security issues

Jordan's economic growth is negatively affected by the on-going conflicts in the region. Trade flows with Iraq as a major export destination have decreased and tourism and investment are negatively impacted by security concerns. The Institute of International Finance (IIF) estimates that the economic costs of the regional unrest for Jordan amounted to USD 11.1 billion (7.9 % of GDP) in the period 2011-2014.

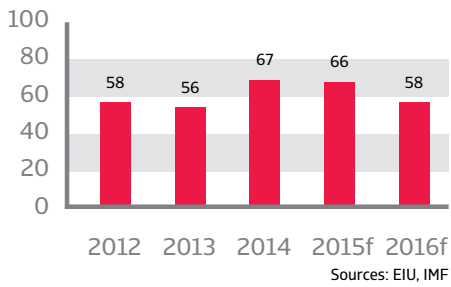
However, economic growth is expected to accelerate from 3.1 % in 2014 to 4.3 % in 2015, due to increasing activity in construction (infrastructure and tourism expansion projects), economic reforms and financial aid from Gulf states and the International Monetary Fund (IMF). Private consumption is also expected to sustain growth, despite high unemployment (about 14 % in 2014). On the supply side, services (two thirds of GDP, particularly finance) and transport will continue to make a key contribution. Inflation is expected to decrease to 1.1 % in 2015.

Fiscal balance (% of GDP)



The budget deficit is high but expected to decrease to 6.4% of GDP in 2015. Fiscal consolidation is difficult due to the massive influx of refugees. Jordan is highly dependent on energy imports and benefits from the lower oil price: the current account deficit is forecast to decrease from 6.8 % of GDP in 2014 to 0.8 % in 2015.

Foreign debt/GDP (%)



Jordan has a high gross external financing requirement of 84 % of reserves in 2015. Foreign debt is high at 66 % of GDP and 150 % of exports of goods and services. Additionally, and the debt structure is not favourable as the short-term share is high. Despite this, the liquidity situation is good, as foreign reserves have increased due to external financial aid. Import cover amounts to more than 11 months in 2015.

Jordan remains heavily dependent on foreign donor support from its Arab allies (especially Saudi Arabia), the US and multilateral institutions. However, such foreign grants are a factor afflicted with uncertainty and therefore a potential economic risk.

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	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	6.6	1.5	2.3	1.7	2.0
Inflation (y-on-y, % change)	4.5	2.7	2.9	3.0	3.2
Real private consumption (y-on-y, % change)	8.3	2.4	4.9	1.5	1.4
Real exports of goods & non-factor services (y-on-y, % change)	7.7	-2.5	2.1	2.7	2.1
Fiscal balance (% of GDP)	26.1	25.9	10.0	4.1	10.8
Current account/GDP (%)	43.8	38.8	28.8	14.4	10.0
Foreign debt/GDP (%)	21	21	20	25	24
Foreign debt/export of goods and services (%)	26	28	28	39	42
Short-term debt/international reserves (%)	72	80	71	70	67
International reserves (in months of merchandise imports)	15.8	15.2	15.5	16.2	16.9

* forecast Sources: EIU, IHS, IMF

Kuwait industries performance outlook

July 2015

	Excellent
	Good
	Fair
	Poor
	Bleak

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:

4.1 million - immigrants make up about 70 % of the total population

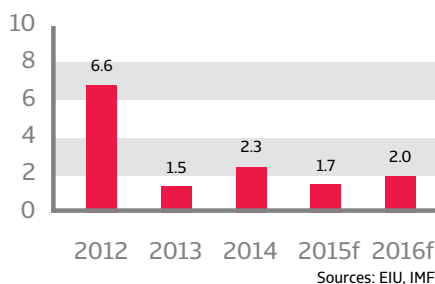
Risk of sectarian tensions has increased

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. In recent years, tensions between the government and the parliament have increased after crackdowns of people critical of the government and demanding more political reforms.

While there were no instances of terrorism until recently, in June 2015 a suicide bomber killed more than 20 worshippers at a Shiite mosque in Kuwait, increasing the risk of sectarian tensions between Sunnis and Shiites, which make up about 30% of Kuwait's indigenous population.

Economic situation

Real GDP growth (%)

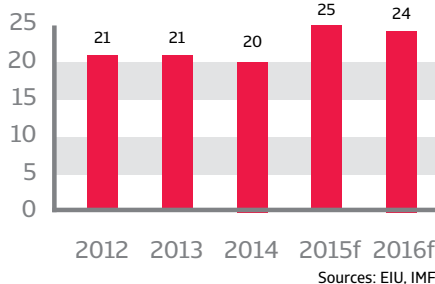


Still a budget surplus despite decreasing oil revenues

The Kuwaiti economy is highly dependent on oil and gas sales, which account for 50 % of GDP, 95 % of export revenues and 85 % of government earnings. Economic growth is expected to decrease to 1.7 % in 2015 due to the lower oil price and decreased oil production. However, in the medium term, investments in infrastructure will support economic growth.

Despite its high dependence on oil revenues, the public budget is not expected to record a deficit in 2015. The budget surplus, however, is forecast to decrease to 4 % of GDP (from more than 25 % of GDP in 2013). Government spending has increased sharply in the past years, but is expected to decrease in 2015.

Foreign debt (% of GDP)



Kuwait's external position remains very strong, with large current account surpluses, low foreign debt (25 % of GDP in 2015) and high foreign exchange reserves. Additionally, Kuwait has a sovereign wealth fund with estimated assets of more than USD 548 billion. Therefore, it is capable of easily managing the lower oil price for the time being.

Morocco

Main import sources (2014, % of total)	
Spain:	13.5 %
France:	12.9 %
USA:	7.5 %
China:	6.9 %
Saudi Arabia:	6.2 %






Main export markets (2014, % of total)	
France:	21.5 %
Spain:	18.9 %
Brazil:	6.0 %
USA:	4.2 %
Italy:	3.8 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	2.7	4.4	2.0	4.6	4.0
Inflation (y-on-y, % change)	1.3	1.9	0.4	1.0	1.7
Real private consumption (y-on-y, % change)	3.7	3.7	3.2	4.6	6.1
Real exports of goods & non-factor services (y-on-y, % change)	2.7	0.9	6.3	3.0	4.4
Fiscal balance (% of GDP)	-7.5	-5.5	-4.9	-4.2	-4.7
Current account/GDP (%)	-10.2	-8.3	-6.2	-3.7	-4.8
Foreign debt/GDP (%)	35	38	43	49	49
Foreign debt/export of goods and services (%)	103	119	129	128	129
Short-term debt/international reserves (%)	24	28	41	36	35
International reserves (in months of merchandise imports)	6.0	6.4	6.7	7.5	7.4

* forecast Sources: EIU, IHS, IMF

Morocco industries performance outlook

July 2015

	Excellent
	Good
	Fair
	Poor
	Bleak

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:

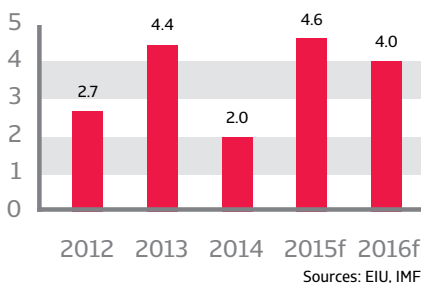
33.2 million (est.)

A stable monarchy

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.

Economic situation

Real GDP growth (%)

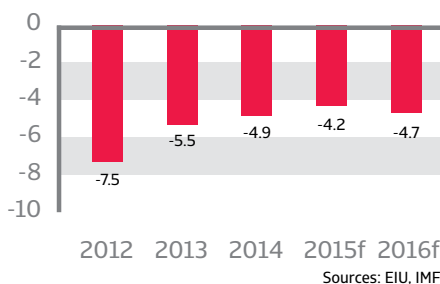


Higher growth due to agriculture rebound and increasing exports

In 2014 economic growth slowed to 2.0 %, mainly due to a disappointing harvest. 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. An expected rebound in agriculture will lead to higher GDP growth in 2015, forecast to increase 4.6 %. Growth is also sustained by increasing exports, mainly to the eurozone.

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, as exports of those goods are increasing. Economic reforms have lifted efficiency and attracted greater levels of foreign investments.

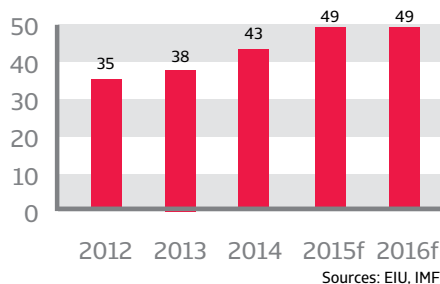
Fiscal balance (% of GDP)



Public finances are weak, as government debt increased to 77 % of GDP in 2014 and the public deficit was 4.9 % of GDP. That said, the government has cut subsidies on petroleum products and is introducing more reforms in order to lower the public deficit.

In 2015 the current account deficit is expected to decrease to 3.7 % of GDP due to cheaper oil imports and rising exports. 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.

Foreign debt (% of GDP)



Morocco's solvency position is acceptable, with foreign debt amounting to 49 % of GDP in 2015. The liquidity position is good and expected to improve to more than seven months of import cover in 2015. Morocco has extended a two-year precautionary liquidity line (PLL) with the IMF until 2016, and while it is not expected that the government will access the facility, it nevertheless helps Morocco's reform programme and signals creditworthiness.

A potential downside risk to the Moroccan economy remains another deterioration in the eurozone, which is of major importance as an export destination, for workers' remittances and tourism inflow.

Saudi Arabia

Main import sources (2014, % of total)	
USA:	13.2 %
China:	12.8 %
Germany:	7.2 %
South Korea:	5.8 %
Japan:	5.7 %






Main export markets (2014, % of total)	
USA:	14.1 %
China:	13.4 %
Japan:	12.6 %
South Korea:	9.3 %
India:	9.2 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	5.4	2.7	3.6	3.0	2.7
Inflation (y-on-y, % change)	2.9	3.5	2.7	2.4	3.3
Real private consumption (y-on-y, % change)	11.7	3.2	5.2	4.2	4.5
Real exports of goods & non-factor services (y-on-y, % change)	3.4	0.2	2.8	4.0	3.8
Fiscal balance (% of GDP)	13.6	6.5	1.2	-14.3	-7.1
Current account/GDP (%)	22.4	17.8	12.6	-4.2	1.1
Foreign debt/GDP (%)	19	21	22	27	25
Foreign debt/export of goods and services (%)	33	38	43	63	56
Short-term debt/international reserves (%)	10	9	10	10	11
International reserves (in months of merchandise imports)	61.1	62.5	61.5	57.0	55.2

* forecast Sources: EIU, IHS, IMF

Saudi Arabia industries performance outlook

July 2015

-  Excellent
-  Good
-  Fair
-  Poor
-  Bleak

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:

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

A more assertive foreign policy

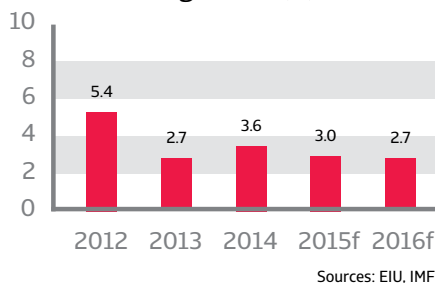
The on-going political turmoil in the Middle East is a challenge for the Saudi rulers, with major security problems due to the current situation in neighbouring Iraq and Yemen. Saudi Arabia feels increasingly challenged by growing Iranian influence, its traditional rival for hegemony in the Gulf region. At the same time, Riyadh increasingly perceives the US policy in the Middle East as too reluctant and too focused on a rapprochement with Iran (recent closure of a deal over Teheran's nuclear programme).

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, which as a Shia tribe is allegedly backed by Iran.

Domestically, the crown succession issue went smoothly, with Salman bin Abdulaziz Al Saud following his half-brother Abdullah on the throne in January 2015, after the latter passed away in December 2014. Any further 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 (%)

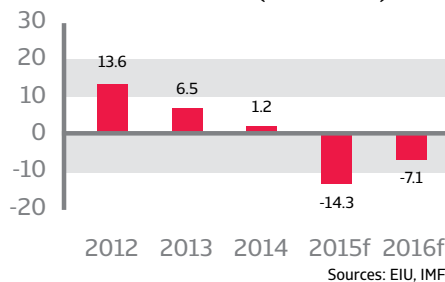


A high fiscal deficit in 2015

Saudi Arabia has an oil-dependent economy with strong government controls over all major economic activities. Economic growth will be negatively affected by decreased oil prices, and GDP growth is expected to slow down to 3.0 % in 2015 following growth of 3.6 % in 2014.

Given that oil accounts for 93 % of government revenues, it comes as no surprise that the decline in the price of oil will have a large negative impact on public finances. Since 2011 the government has increased its spending on public salaries, social services and investments, mainly in order to prevent the emergence of political opposition and social unrest. As a result, the fiscal break-even oil price to meet spending commitments has risen to almost USD 100 per barrel in 2014 (while in mid-2015 the oil price was down to USD 65 per barrel).

Fiscal balance (% of GDP)



Nevertheless, the government passed another expansionary budget for 2015, with spending remaining at a high level. While this will strongly support non-oil related economic activities, it is expected to lead to a budget deficit of 14.3 % of GDP in 2015 (after a 1.2 % surplus in 2014). At the same time, the current account deficit is forecast to turn from high surpluses in previous years to deficit in 2015.

That said, due to its very large international reserves of more than USD 700 billion, Saudi Arabia is able to easily fund those deficits. Import cover amounts to almost five years in 2015. Due to this and a low public debt of 2 % of GDP, Saudi Arabia is even able to sustain high spending for some years. However, a structural shift to a long-term period of lower oil prices would at last pose a risk for the economy.

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	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	4.7	2.5	2.2	2.6	3.2
Inflation (y-on-y, % change)	5.1	5.8	4.9	5.1	4.6
Industrial production (y-on-y, % change)	2.1	1.4	0.5	2.0	4.2
Real exports of goods & non-factor services (y-on-y, % change)	4.3	1.9	1.5	4.3	4.7
Fiscal balance (% of GDP)	-2.7	-4.6	-4.5	-4.1	-3.6
Current account/GDP (%)	-8.3	-8.4	-9.2	-8.7	-9.7
Foreign debt/GDP (%)	56	56	60	61	64
Foreign debt/export of goods and services (%)	112	115	128	131	135
Short-term debt/international reserves (%)	75	84	88	75	72
International reserves (in months of merchandise imports)	4.8	4.3	4.2	4.9	4.9

* forecast Sources: EIU, IHS, IMF

Tunisia industries performance outlook

July 2015

	Excellent
	Good
	Fair
	Poor
	Bleak

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:

11.1 million (est.)

A rather smooth transition to democracy, but many problems persist

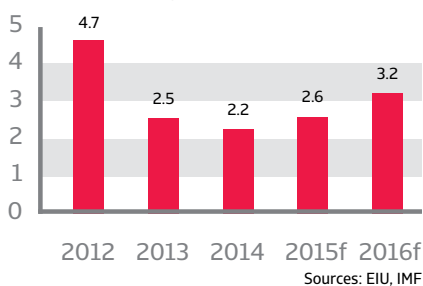
Looking at the outcome of the so-called 'Arab Spring', Tunisia experienced, a smooth transition towards parliamentary democracy. In all other affected Arab countries, the civil uprising and mass protests have either ended in civil wars (e.g. Libya and Syria) or suppression of the uprising by the military and old elites (e.g. Egypt).

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 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 again. The Tunisian economy has become more fragile since 2011, and like other countries in the region, the country has a large pool of unemployed young men who may be susceptible to radicalisation.

The internal security situation remains very unstable, as was proven by two major Islamist terrorist attacks, one in March 2015 in Tunis, and one attack on a seaside resort in Sousse late June, with many tourists killed. The risk of additional terrorist attacks 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.

Economic situation

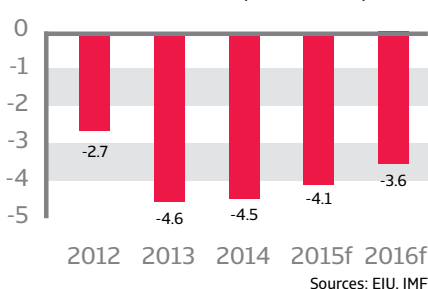
Real GDP growth (%)



Will growth be negatively affected by decreasing tourist arrivals?

The economy is expected to grow moderately in 2015 and 2016, supported by increased demand from the Eurozone. GDP grew a modest 1.7 % in Q1 of 2015. However, after the recent terrorist attacks it seems very probable that tourist arrivals (which have just improved in 2014) will decrease again, which would negatively affect the economic recovery after the transition to democracy. Tourism is a very important factor for the economy, accounting for about 7 % of Tunisia's economic output and employing about 15% of workforce either directly or indirectly, according to the International Monetary Fund (IMF). It is also one of the country's largest foreign-currency sources.

Fiscal balance (% of GDP)

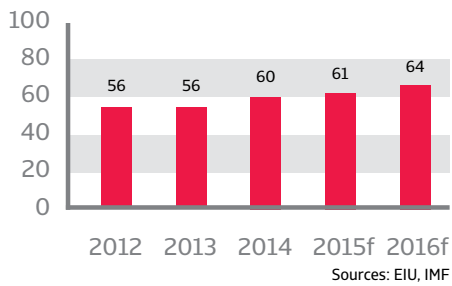


The budget deficit is large (4.5 % of GDP in 2014) due to increased social spending and investments. However, it is expected that lower oil and food prices will relieve government finances in 2015 and 2016.

The exchange rate of the Tunisian dinar has depreciated sharply against the US dollar since May 2014 (by approximately 20 %). The persistently high account deficit should continue to trigger downward pressure on the dinar.

Tunisia's foreign debt is expected to increase further, to 61 % of GDP and 131 % of export and services in 2015. Short-term debt in relation to international reserves was high in 2014, at 88 %. Tunisia has a high external financing requirement, and the country 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 and to avoid a spill-over of radical Islamism from Libya.

Foreign debt (% of GDP)



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)	
India:	10.7 %
USA:	10.4 %
China:	9.4 %
Germany	5.5 %
UK:	5.4 %

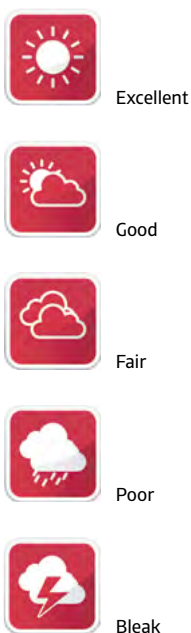
Main export markets (2014, % of total)	
Japan:	14.6 %
India:	11.4 %
Iran:	10.2 %
South Korea:	6.2 %
Thailand:	5.9 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP growth (y-on-y, % change)	4.7	5.2	4.6	3.2	3.4
Inflation (y-on-y, % change)	0.7	1.1	2.3	3.0	2.6
Real private consumption (y-on-y, % change)	2.6	11.7	5.3	3.7	4.1
Real exports of goods & non-factor services (y-on-y, % change)	13.1	5.7	6.0	2.8	4.1
Fiscal balance (% of GDP)	8.8	6.6	4.1	-5.5	-2.9
Current account/GDP (%)	18.5	16.1	11.3	0.7	0.6
Foreign debt/GDP (%)	43	42	41	44	43
Foreign debt/export of goods and services (%)	42	40	41	44	42
Short-term debt/international reserves (%)	71	51	42	37	34
International reserves (in months of merchandise imports)	2.9	3.7	4.1	4.0	3.8

* forecast Sources: EIU, IHS, IMF

UAE industries performance outlook

July 2015



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. Specified powers are delegated to the UAE federal government (foreign affairs, defence, currency, infrastructure, and healthcare), while other powers are reserved to member Emirates (especially economics).

Form of government:

The Federal Supreme Council (FSC), composed of the seven Emirate rulers, is the highest constitutional authority in the UAE. The President and Vice President are elected from among the seven FSC members by the FSC for five-year terms. The FSC determines general policies and sanctions federal legislation. Both the Abu Dhabi and Dubai Emirs have an effective veto.

Population:

9.4 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.

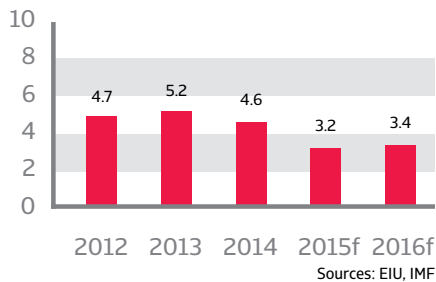
A foreign policy that supports the UAE's commercial interests

The UAE has a major interest in regional stability to encourage and ensure continued trade, foreign direct investment inflow and tourism. To achieve this objective, it pursues a balanced foreign policy. Political and economic relations with the US and Europe are close and the UAE supports a regional US military presence, as Washington is perceived to be the ultimate security guarantor.

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. A wave of arrests and convictions of Islamic activists over the past years is said to have reduced the influence of parties such as the Muslim Brotherhood. Overall, there is no indication of large scale concerns about security.

Economic situation

Real GDP growth (%)

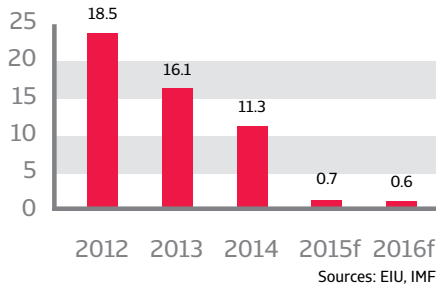


Lower oil price takes its toll on growth

The economy of the UAE is the second largest in the Arab world (after Saudi Arabia). It has been successfully diversified, with 71 % of UAE's total GDP coming from non-oil sectors. While Abu Dhabi's economy is still highly dependent on oil, Dubai is an important regional hub for trade and services (oil accounts for only 5 % of Dubai's GDP).

Despite the overall diversification, the lower oil price is expected to take its toll on economic growth, not only through lower oil export revenues, but also due to the fact that the lower oil price will affect Dubai as service provider (tourism, trade and investments) for other oil-exporting countries in the region. After increasing 4.6 % in 2014, it is expected that GDP growth will slow to 3.2 % in 2015.

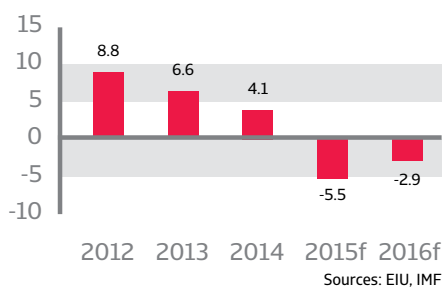
Current account (% of GDP)



That said, government spending on infrastructure should support growth, mainly in Abu Dhabi and Dubai. In Abu Dhabi, the government is expected to continue to invest in oil, gas and aluminum industries. The rebound of Dubai's property market after the severe crisis in 2009 also boosted economic activity. Concerns of a renewed bubble in the property market have eased, as in recent months real estate prices have decreased again after the government has taken steps to cool the market (e.g. by capping loan amounts). Major projects related to World Expo 2020 in Dubai should support economic growth in the coming years. Dubai's economy, which accounts for 30 % of the UAE's economy, is expected to grow about 5% in 2015. In view of the ongoing political turmoil in the Middle East, the UAE's appeal as a safe and stable destination helps to underpin its attractiveness to investors.

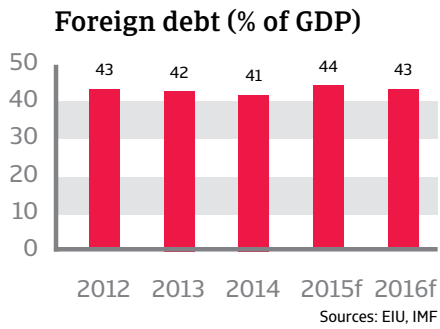
Dubai in particular has close business ties with Iran, although this comes with some political tensions. As a result, Dubai will benefit from a lifting of sanctions against Teheran as a final nuclear deal between Teheran and the five permanent members of the UN Security Council plus Germany has been reached at last.

Fiscal balance (% of GDP)



Increased public spending can be easily financed due to substantial assets

The UAE's fiscal balance will likely become a deficit in 2015 and 2016 due to increased government spending and lower oil revenues. The fiscal break-even oil price to meet spending commitments should rise to USD 78 per barrel in 2015. But given its ample foreign currency assets (reserves and sovereign wealth funds) the UAE is able to easily finance the increased spending. The UAE in general, and Abu Dhabi in particular, have extensive sovereign wealth funds (SWFs), established to secure and maintain the future welfare of the country. All SWFs are estimated to be worth USD 970 billion. With assets estimated at USD 650 billion, UAE's Abu Dhabi Investment Authority (ADIA) is the second-largest SWF in the world, investing in a wide range of assets, from equities and fixed-income securities to infrastructure. It also plays a leading role in the development and governance of industries.



Given the size of the SWFs and the relatively modest amount of foreign debt (USD 175 billion in 2015), the UAE's solvency position is considered to be strong. However, Dubai's government and government-related entities are still highly leveraged. With a debt level of USD 135 billion (132 % of GDP), 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.

The UAE's financial sector is well capitalised and profitable. The industry has profited from the unrest in other countries in the region, as private capital flows have increased sharply since 2011. The monetary indicators are stable: since 1980, the dirham has been pegged to the USD, and this is set to continue. Asset quality has improved after the Central Bank issued new rules to curb the kind of irresponsible lending seen before 2009 and state-linked companies must apply for sovereign guarantees to ensure government support for their debts.

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