

Middle East Outlook – Amidst Uncertainty

Anna Zabrodzka, Assistant Director - Economist
Dr. Guillaume A. Khayat, Economist

Presenters



Anna Zabrodzka

Anna is responsible for macroeconomic, market and credit risk forecasting. She is the key analyst for Germany and Poland responsible for macroeconomic baseline and scenario forecasting, and narrative development, and contributes to European regional forecasting services. She also provides commentary and research on the euro zone and Central and Eastern Europe for the Economy.com website.



Dr. Guillaume A. Khayat

Guillaume is the key analyst for Jordan responsible for macroeconomic baseline and scenario forecasting, and narrative development. His responsibilities include providing commentary and research on economies in the Middle East and North Africa, with a special focus on Middle East.

Agenda

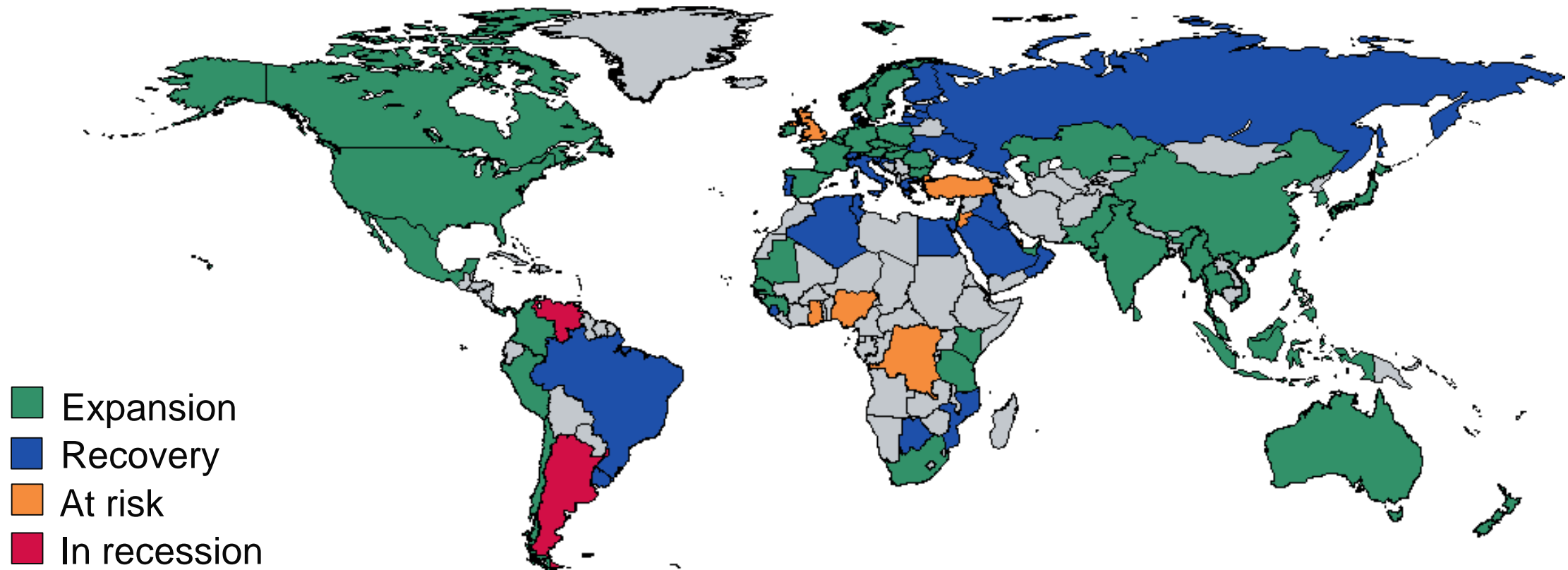
1. Global Outlook
2. Middle East Outlook

1

Global Outlook

Broad-Based Global Expansion

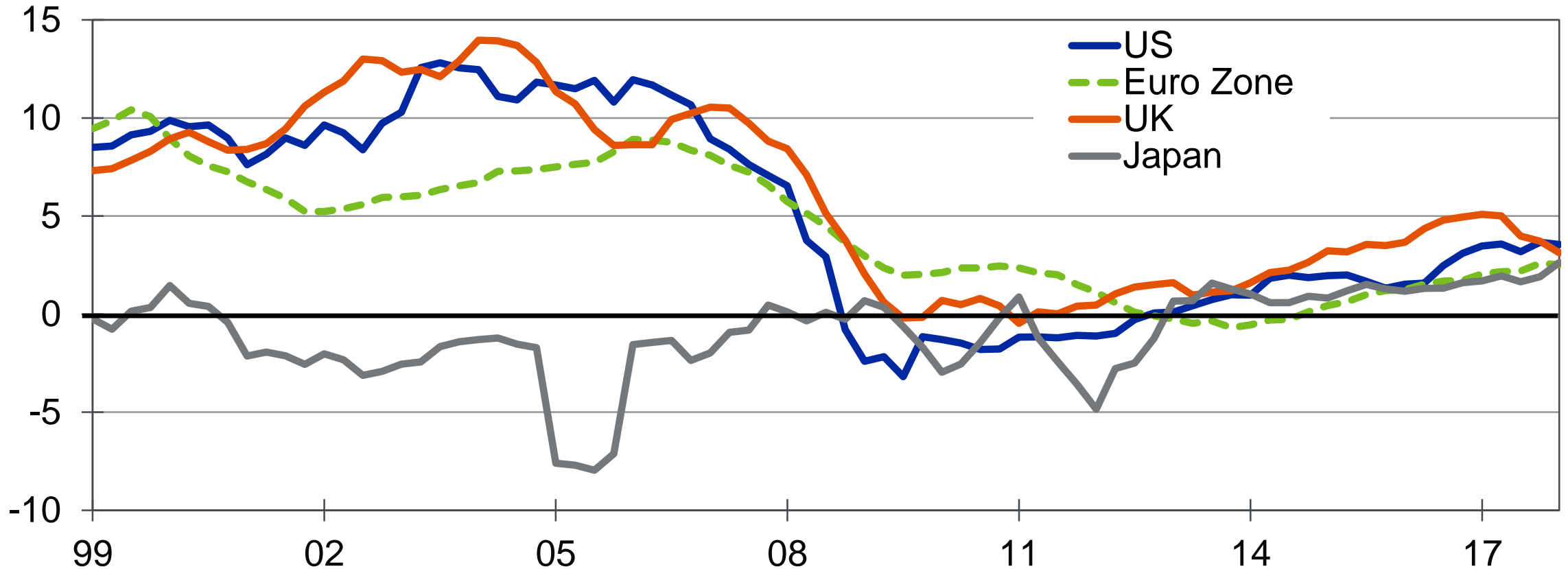
November 2018



Source: Moody's Analytics

Financial Conditions Ease in Europe

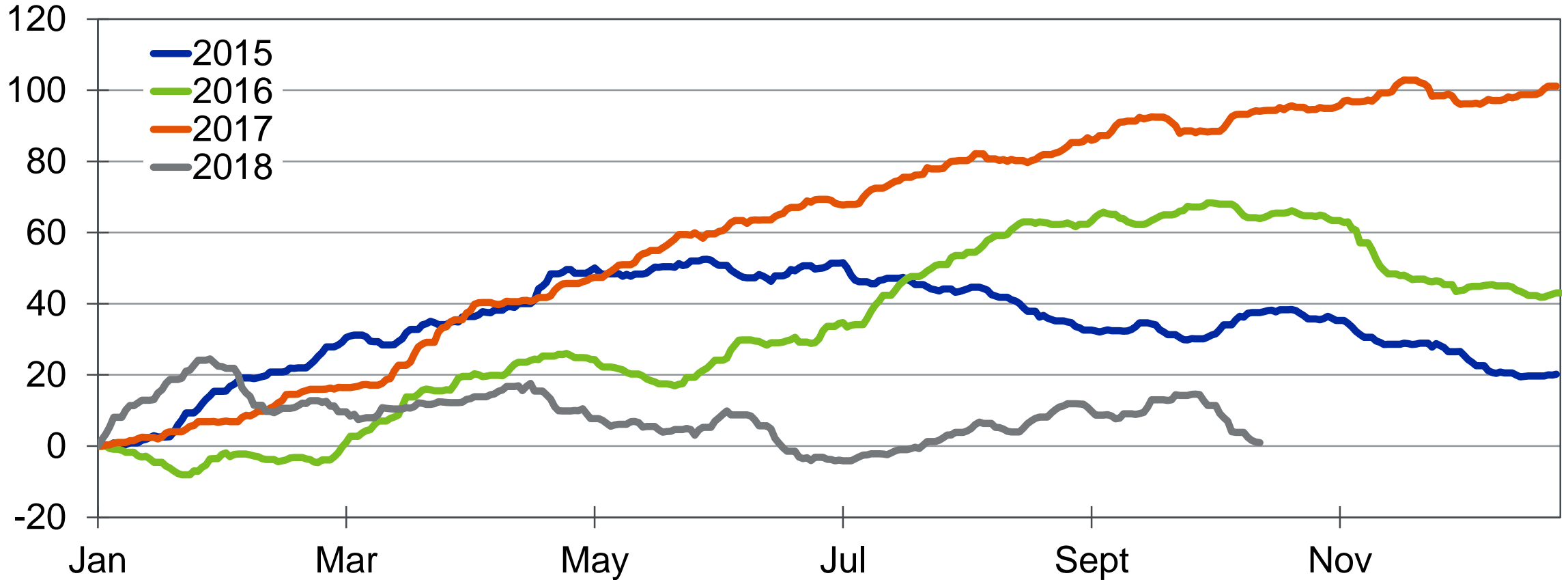
Household credit growth, domestic currency, % change yr ago



Sources: Bank for International Settlements, Moody's Analytics

Rising Fed Rates Pressure Emerging Markets...

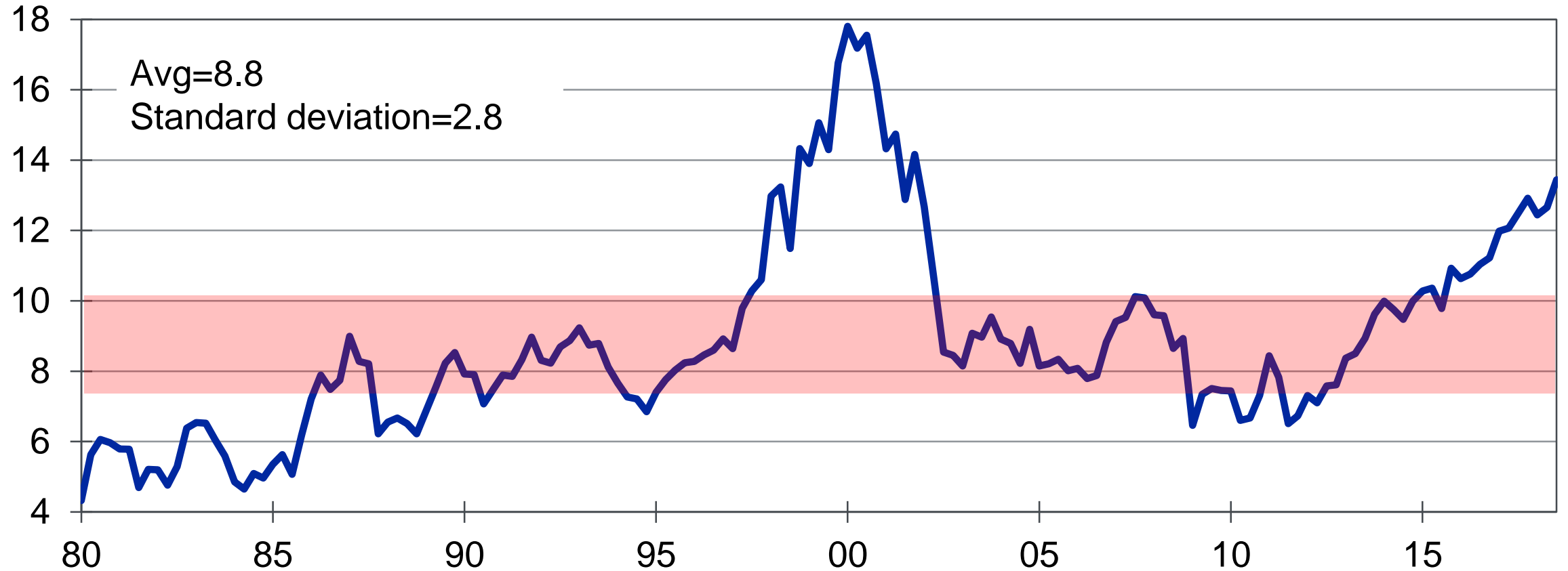
Nonresident cumulative portfolio flows to emerging markets, \$ bil



Sources: Institute of International Finance, Moody's Analytics

...And Threaten Overvalued Asset Markets

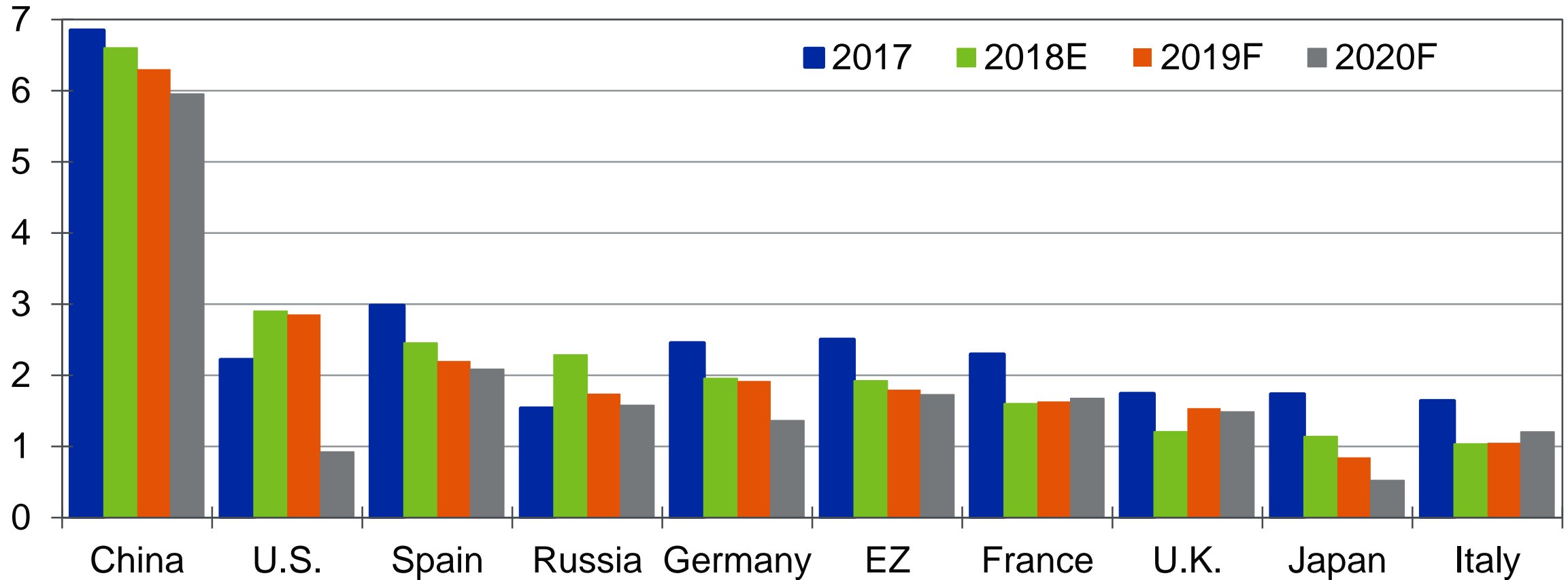
Ratio of Wilshire 5000 to corporate profits



Sources: Wilshire, BEA, Moody's Analytics

Growth Is Expected to Gradually Weaken

Real GDP growth, % change yr ago



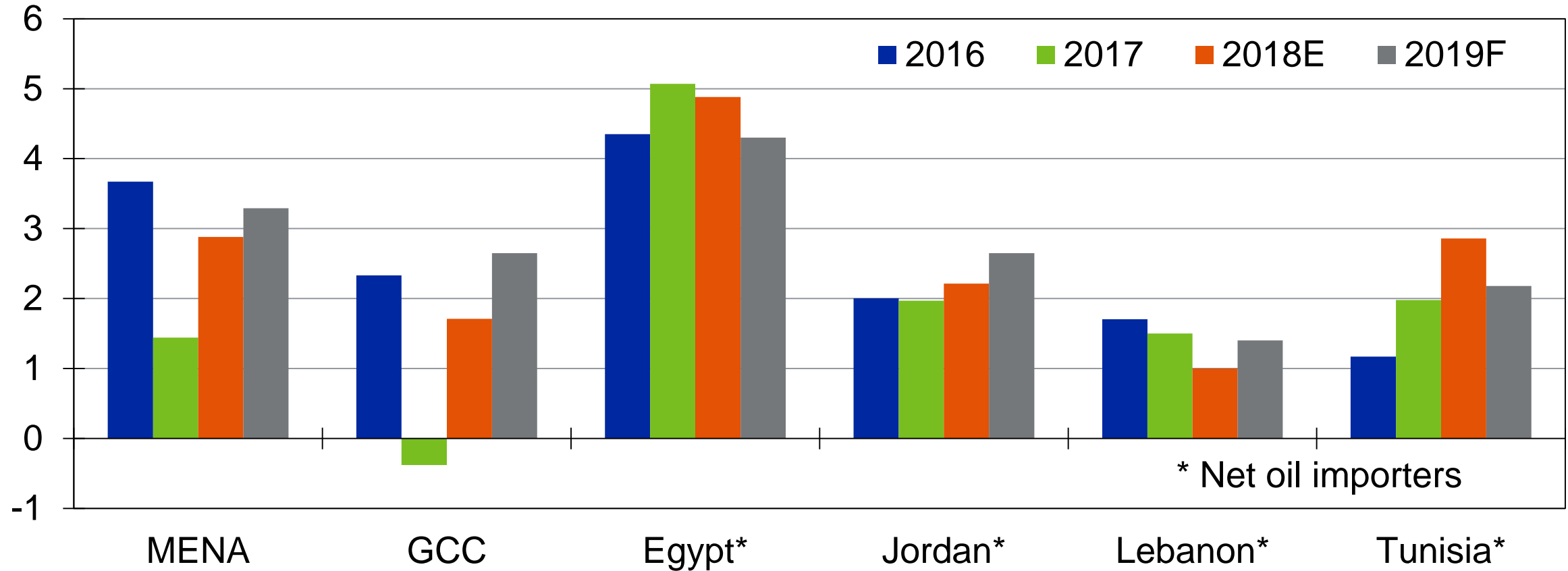
Source: Moody's Analytics

2

Middle East Outlook

Heterogeneity Dominates the Region

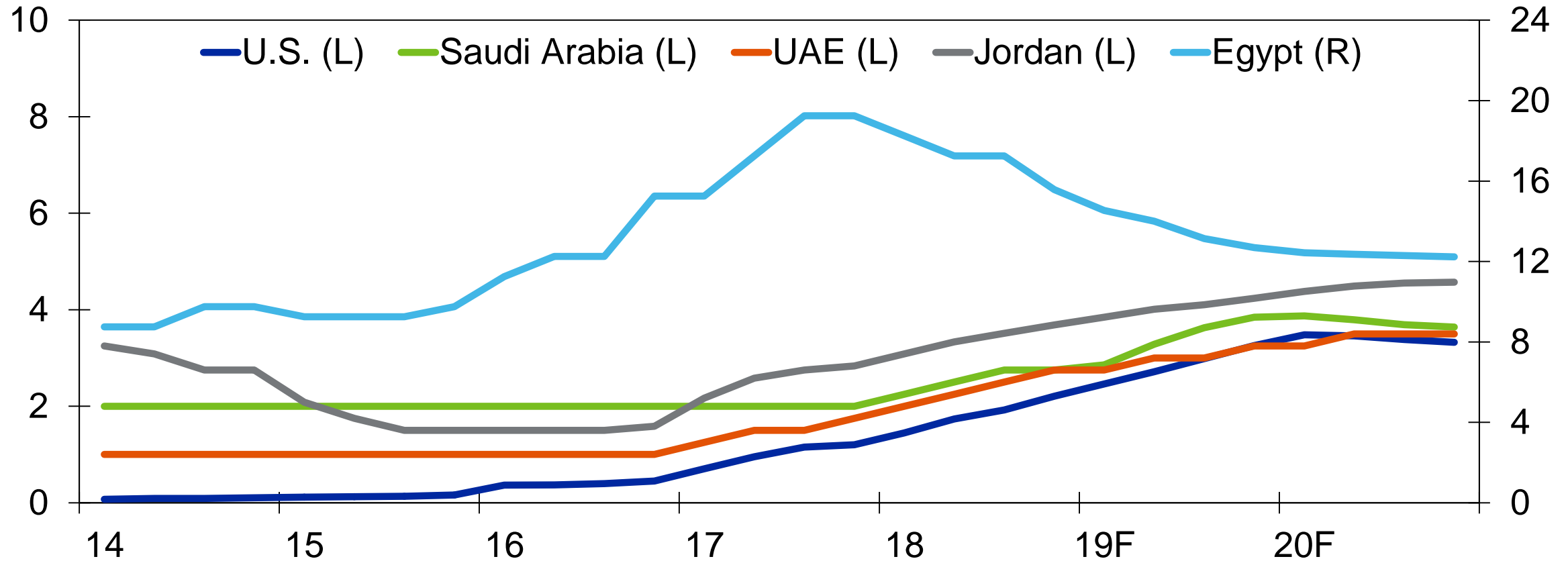
Real GDP growth, % change yr ago



Sources: World Bank, Moody's Analytics

Central Banks Are Raising Their Rates

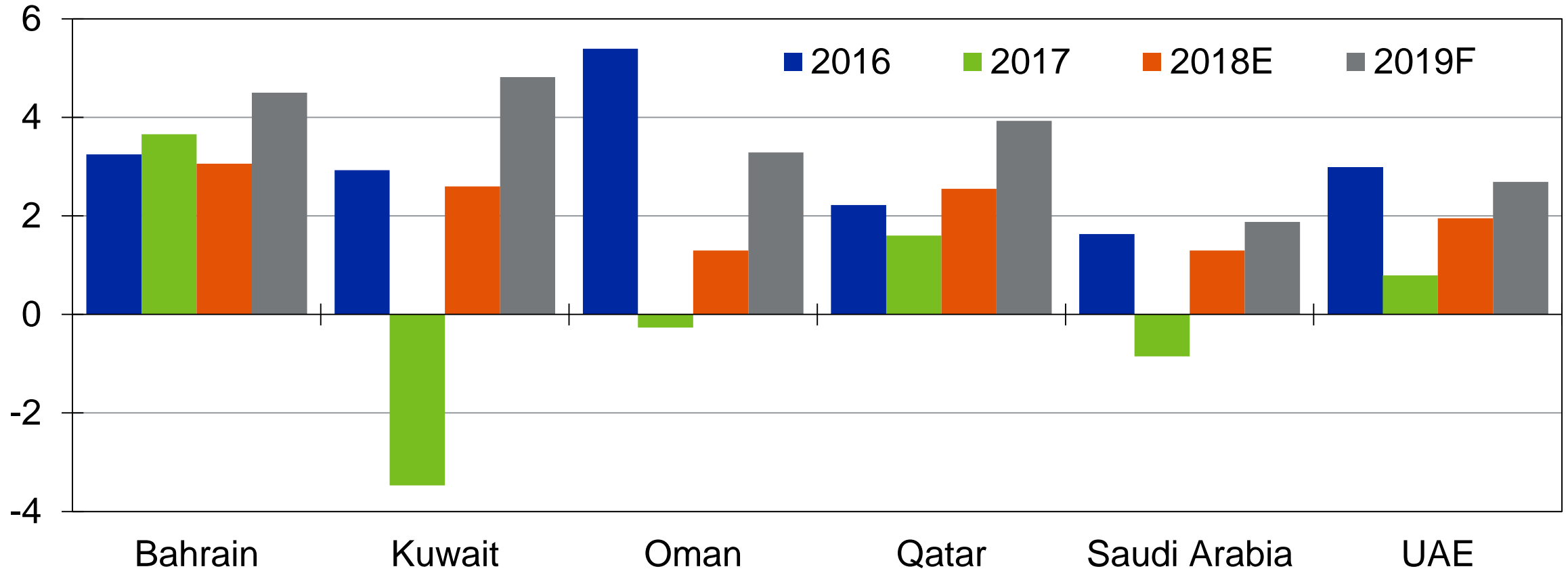
Monetary policy main interest rate, %



Sources: Central Banks, Moody's Analytics

Growth Picks Up in the GCC

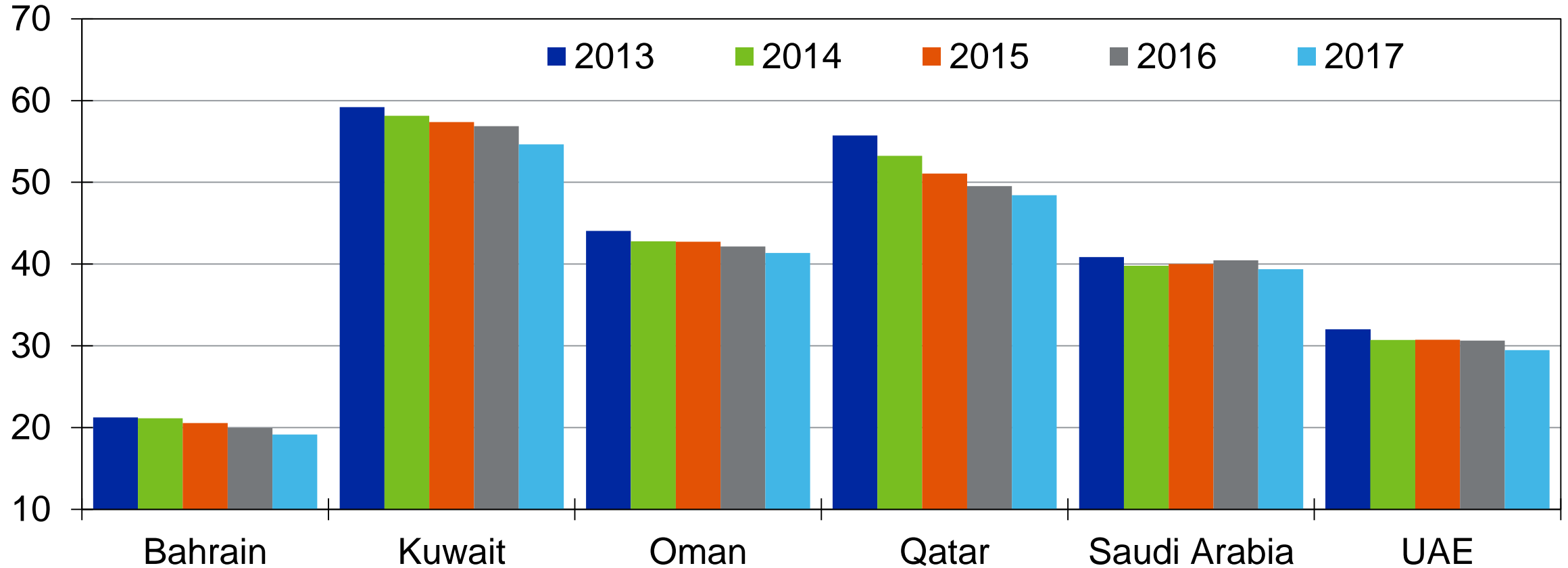
Real GDP growth, % change yr ago



Sources: World Bank, Moody's Analytics

Heavy Dependence on Oil

Crude oil & natural gas sector, % of GDP



Sources: GCC-Stat, Moody's Analytics

UAE Roadmap

Ambitious long term programs

» **Mars 2117 project:**

- Establish the first inhabitable human settlement on Mars by 2117
- Launching a locally designed and produced probe to explore Mars in 2020

» **UAE Energy Strategy 2050:**

- Increase the contribution of clean energy in the total energy mix from 25% to 50% in 2050
- Reduce carbon footprint of power generation by 70% in 2050

» **Vision 2021:**

- Non-oil real GDP growth
- Research expenditure as % of GDP

Saudi Vision 2030

Clear targets to attain

- » Lower the unemployment rate from 11.6% to 7%
- » Raising the Saudi ranking in the Logistics Performance Index from 49 to 25
- » Increase the private sector's GDP share from 40% to 65%
- » Raise the share of non-oil exports in non-oil GDP from 16% to 50%

Strategic Objective

Key Performance Indicator

Baseline

2020

**Facilitate Doing
Business**

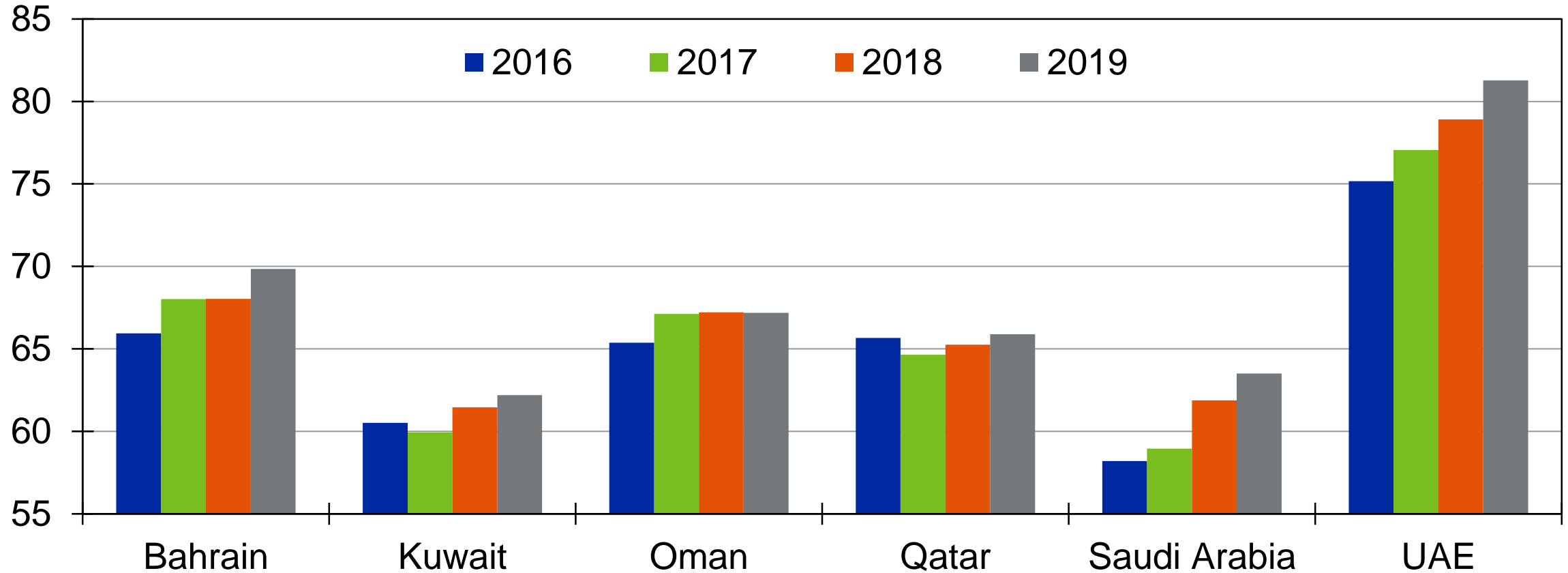
Proximity to the best
performing country in World
Bank Indicators Report

62.5%
(2018)

79%

Sustaining the Short Term Success?

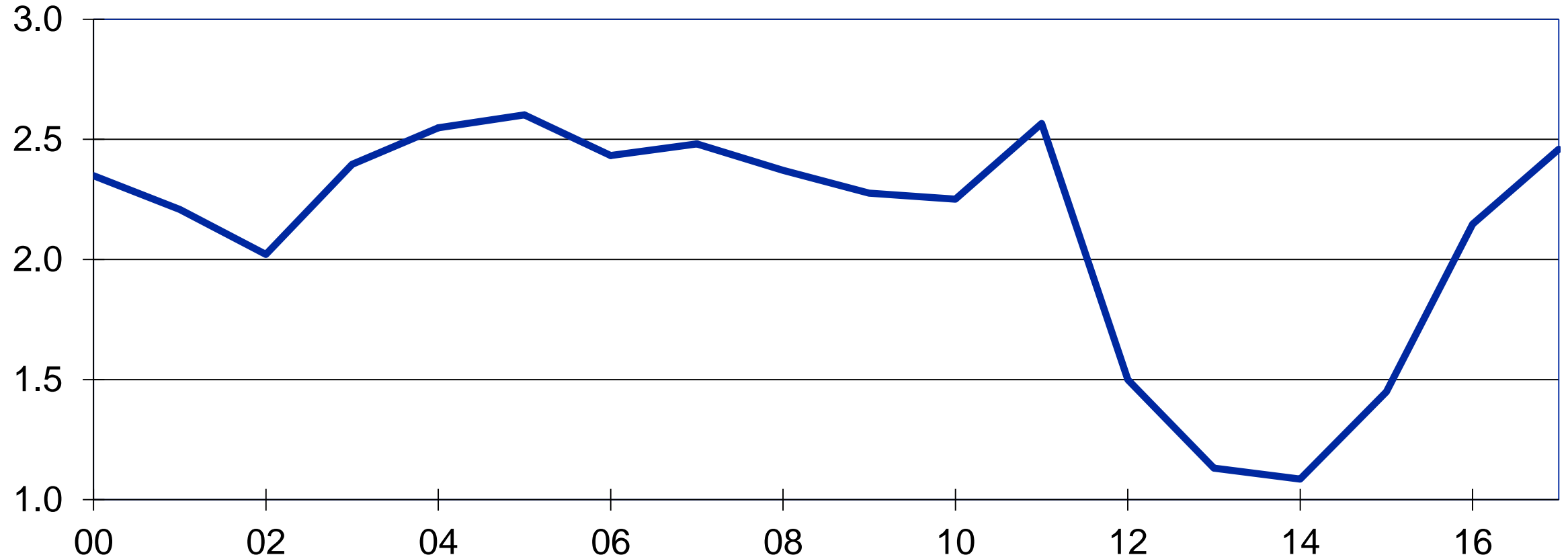
Ease of Doing Business



Sources: World Bank, Moody's Analytics

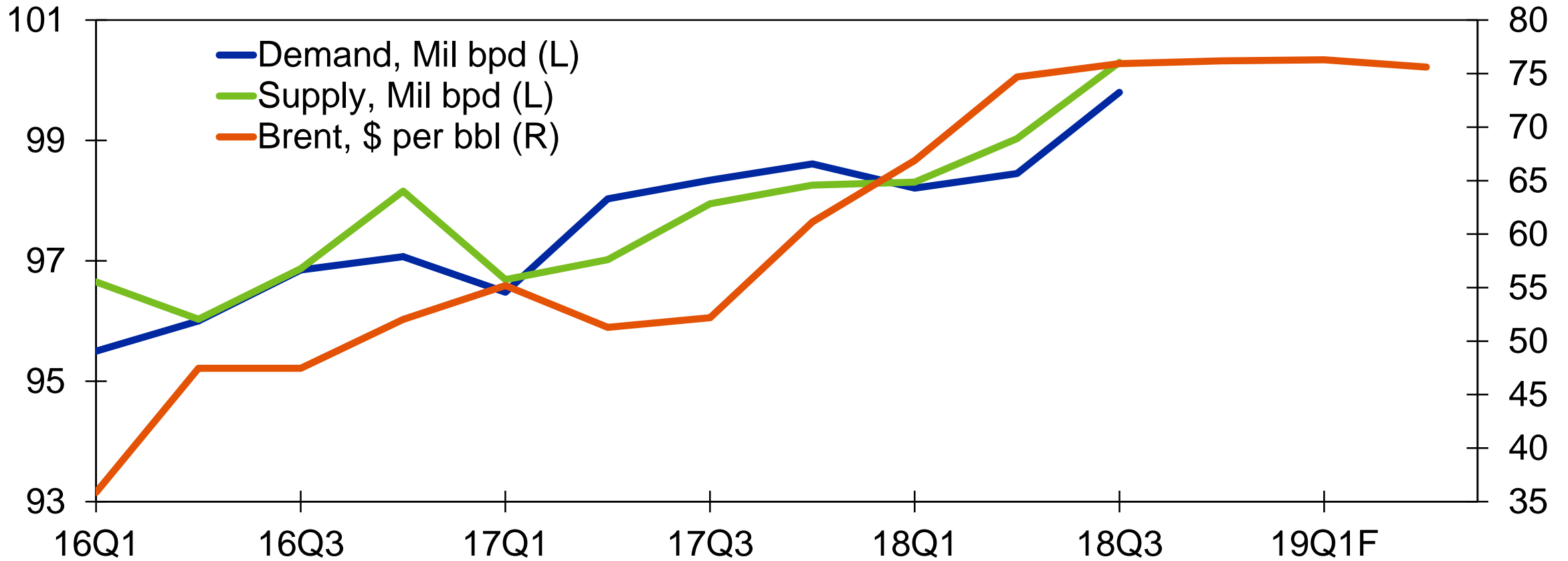
Iran's Oil Exports Will Come Off Their Peak

Iran's crude oil exports, mil bpd



Sources: IMF, Moody's Analytics

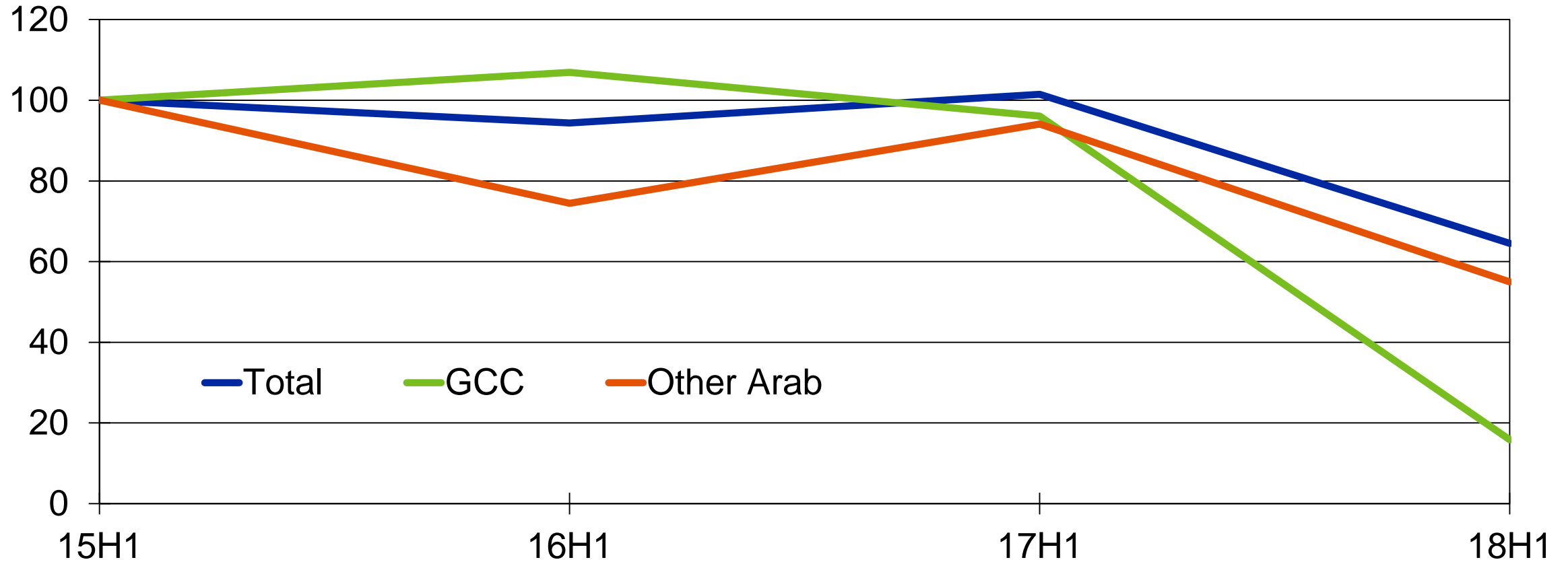
Oil Prices Are Expected to Stabilize



Sources: IEA, Moody's Analytics

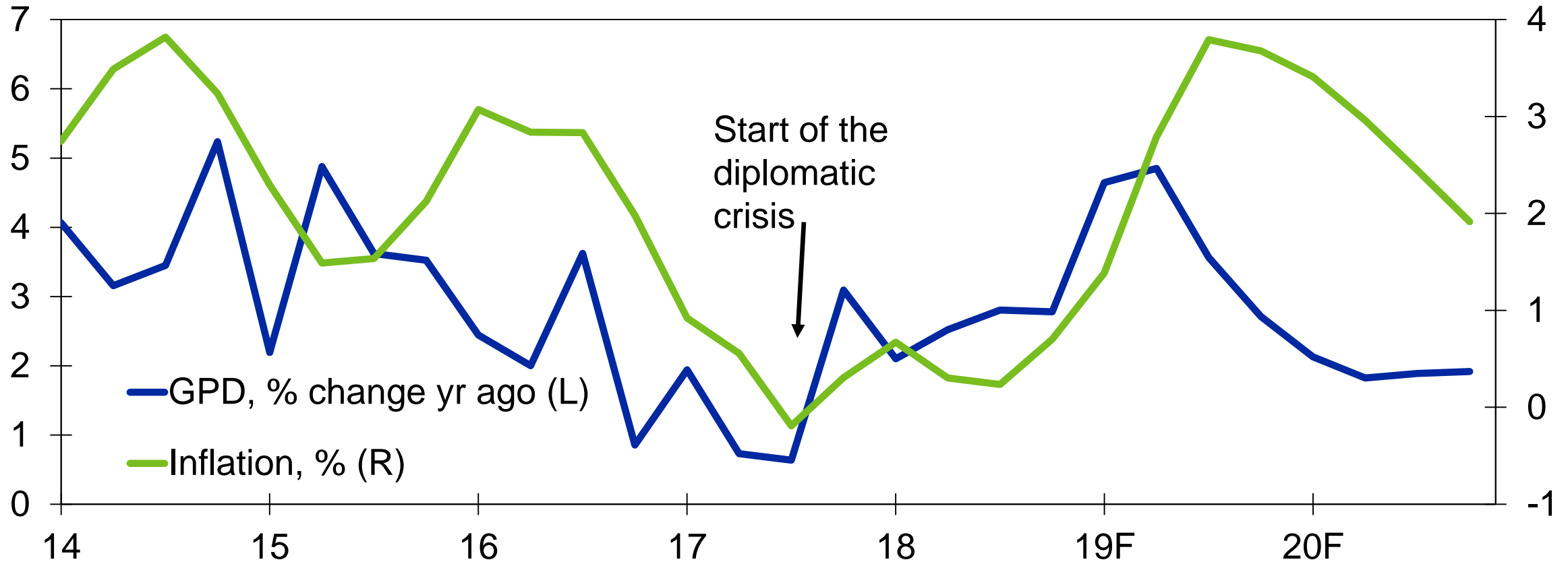
Qatar Is Hurt...

Arrivals by nationality, 2015H1=100



Sources: Qatar Tourism Authority, Moody's Analytics

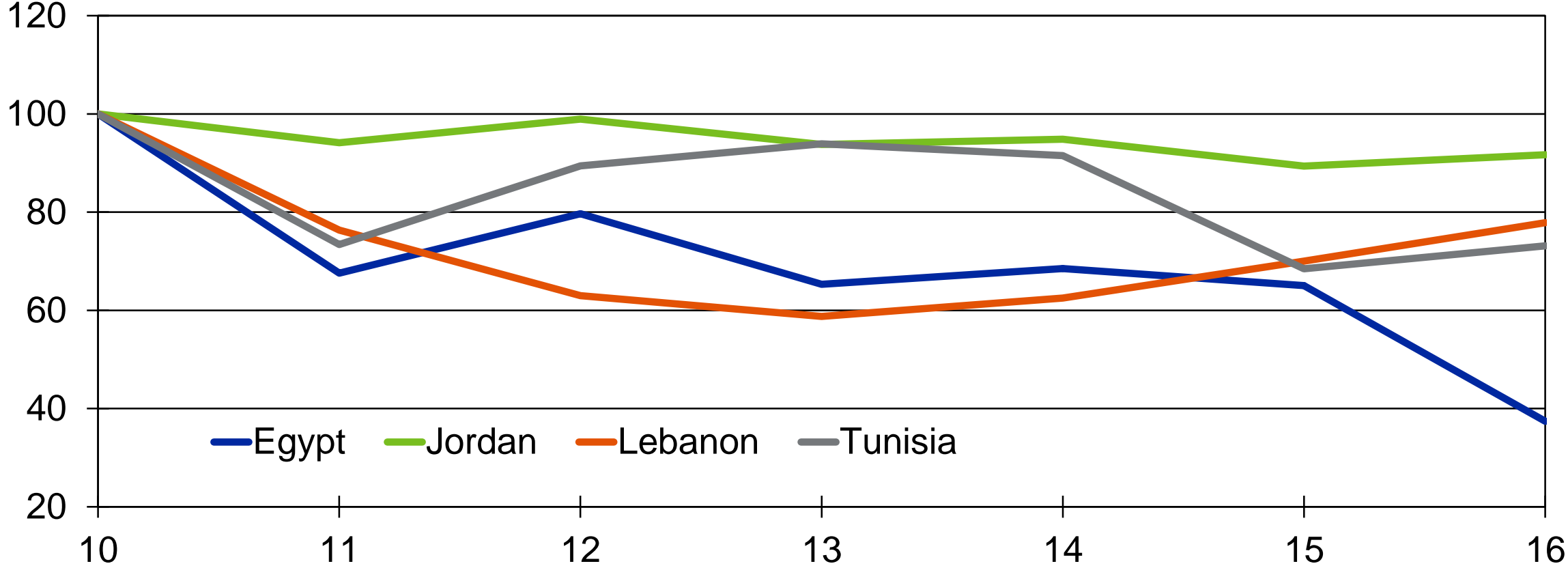
...But Not Knocked Out



Sources: World Bank, Moody's Analytics

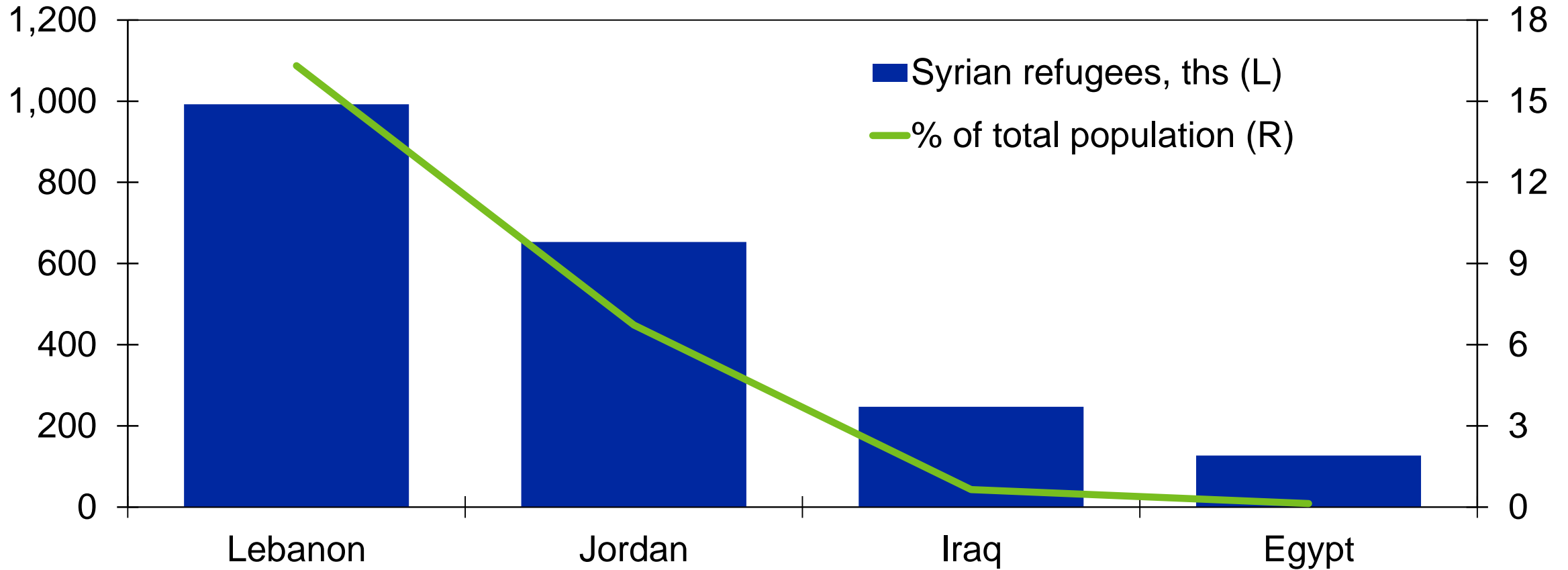
The Cost of Instability & Violence

International tourist arrivals, 2010=100



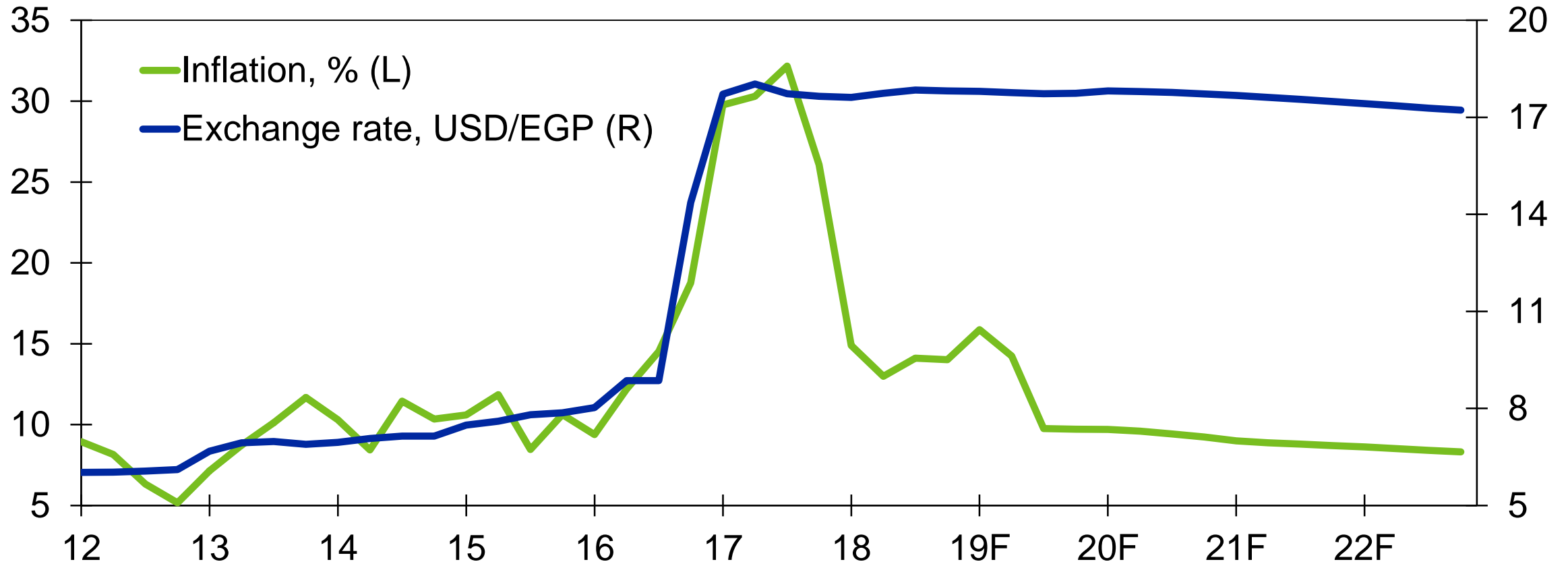
Sources: World Bank, Moody's Analytics

Large Refugee Inflows



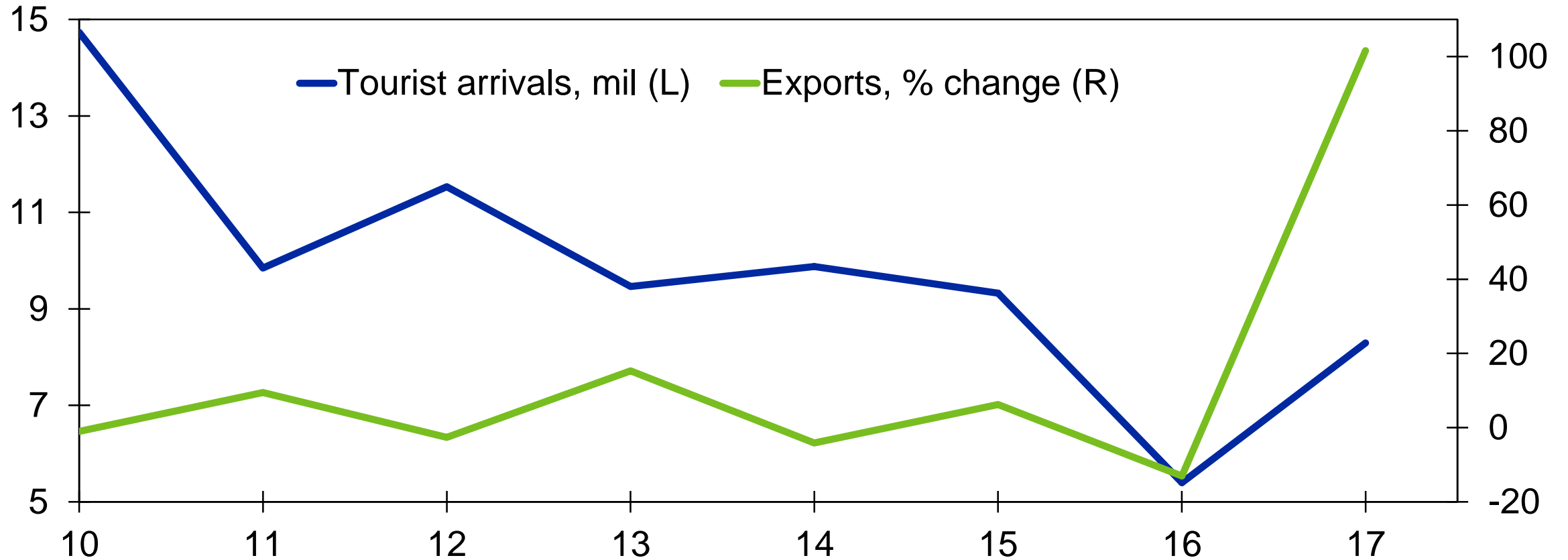
Sources: UNHCR, World Bank, Moody's Analytics

Floating the Egyptian Pound Shoots Up Inflation...



Sources: World Bank, Moody's Analytics

...But Helps the Economy



Sources: CAPMAS, Moody's Analytics

Summary

- » Oil exporters recover from a difficult year in 2017
- » Regional conflicts continue to weight on neighboring countries
- » A global trade war and geopolitical tensions in the Middle East could cost the region dearly

Q&A

Questions?

Email us at help@economy.com

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services

rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

United States
121 North Walnut Street
Suite 500
West Chester PA 19380
+1.610.235.5299
help@economy.com

United Kingdom
One Canada Square
Canary Wharf
London E14 5FA
+44.20.7772.5454
help@economy.com

Australia
Level 10
1 O'Connell Street
Sydney, NSW, 2000
Australia, +61.2.9270.8111
help@economy.com

Prague
Washingtonova 17
110 00 Prague 1
Czech Republic
+420.22.422.2929
help@economy.com