

# Middle East Outlook – Rising Geopolitical Risks

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**Brendan Meighan**, Economist  
**Thomas Nichols**, Associate Economist

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# Presenters



## **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.



## **Brendan Meighan**

Brendan is the key analyst for Egypt, Oman and Qatar and contributes to commentaries on the Middle East. He received his master's degree in international relations and economics from the Johns Hopkins University's School of Advanced International Studies and his bachelor's degree in international affairs and economics from Lafayette College.



## **Thomas Nichols**

Thomas Nichols is the key analyst for Russia and part of the team that forecasts oil prices. Before joining Moody's Analytics, he worked in money management for Fisher Investments. Thomas earned bachelor's degrees in economics and history from Pennsylvania State University, where his honors thesis addressed oil price forecasting.

# Agenda

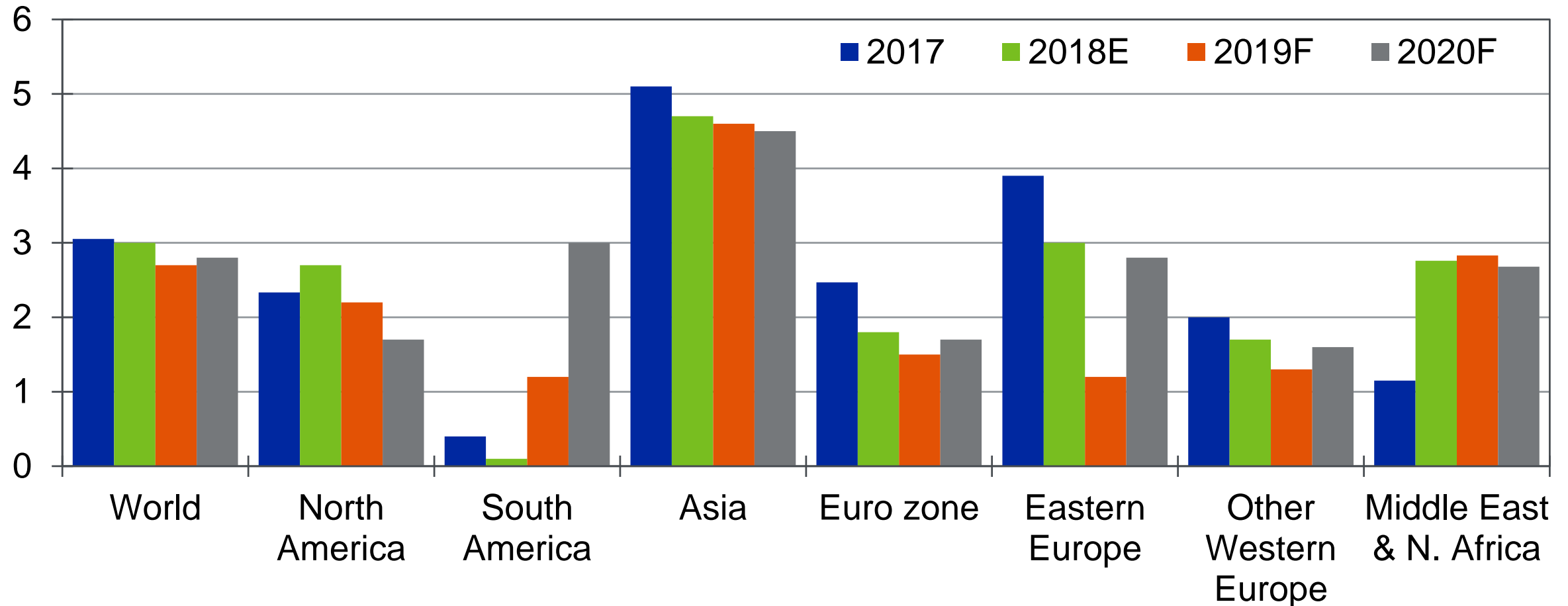
1. Global & Middle-East Outlook
2. Oil Market Outlook
3. Egyptian Outlook

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Global & Middle-East Outlook

# Global Slowdown Bottoms in 2019

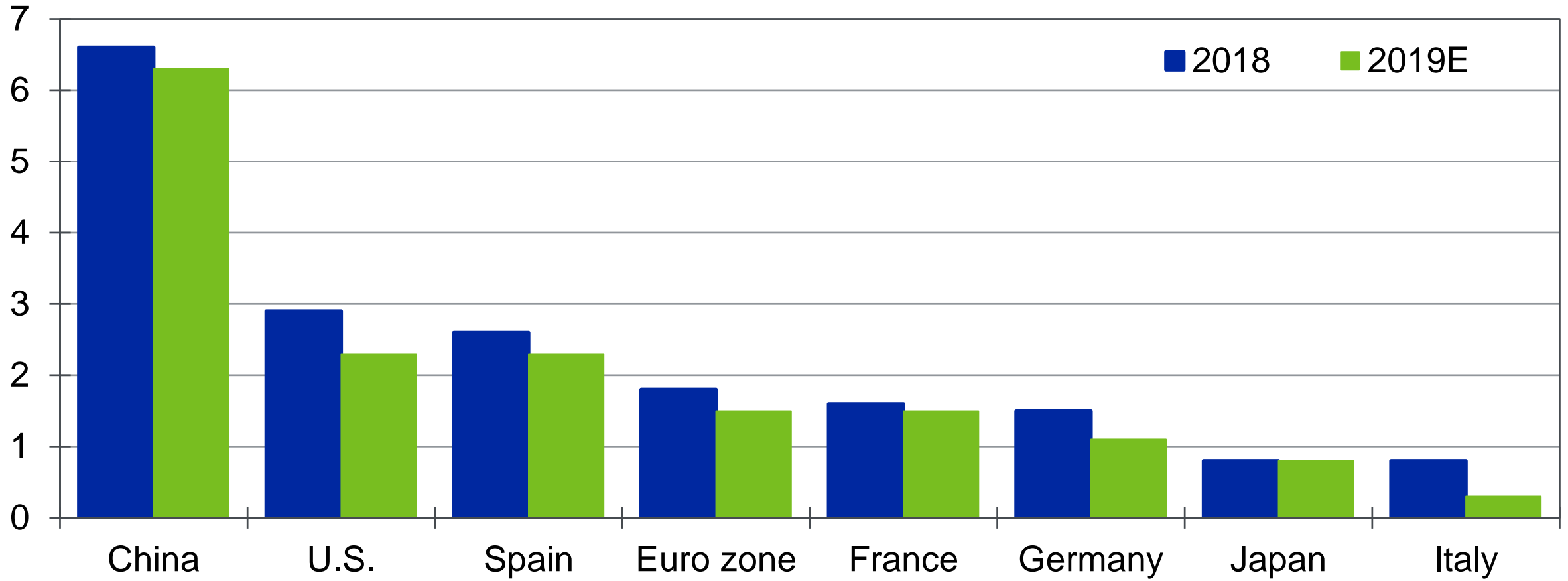
Real GDP growth, % change yr ago



Source: Moody's Analytics

# Major Markets Slow in Unison

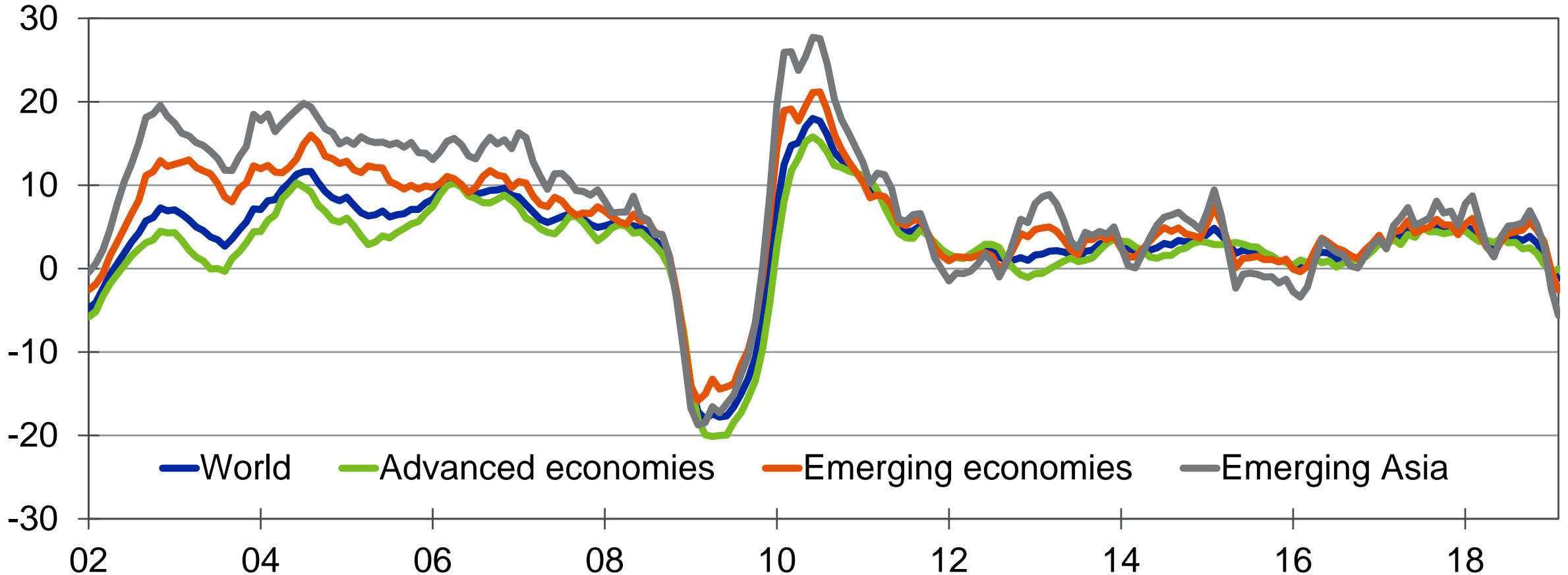
Real GDP growth, % change yr ago



Source: Moody's Analytics

# Global Demand Growth Softens Further

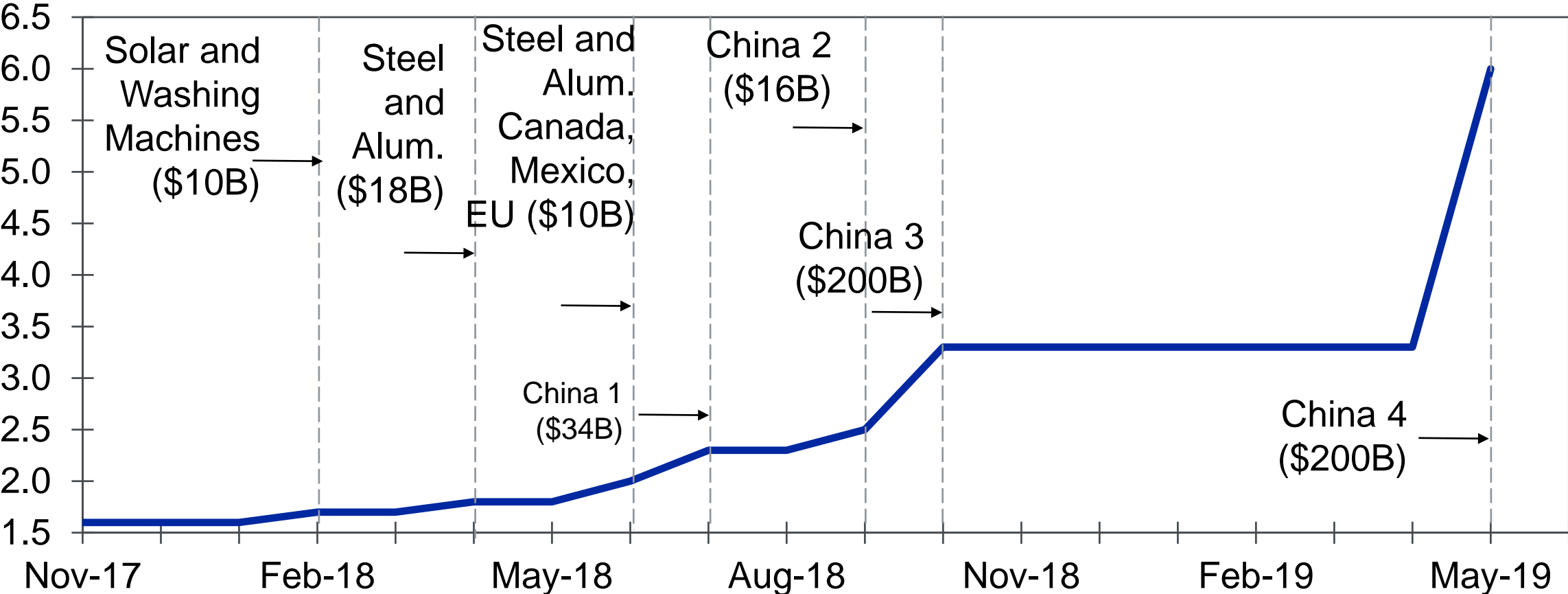
World export volumes, % change yr ago, 3-mo MA



Sources: CPB Netherlands Bureau for Economic Policy Analysis, Moody's Analytics

# The Trade War Intensifies

U.S. effective tariff rate, %

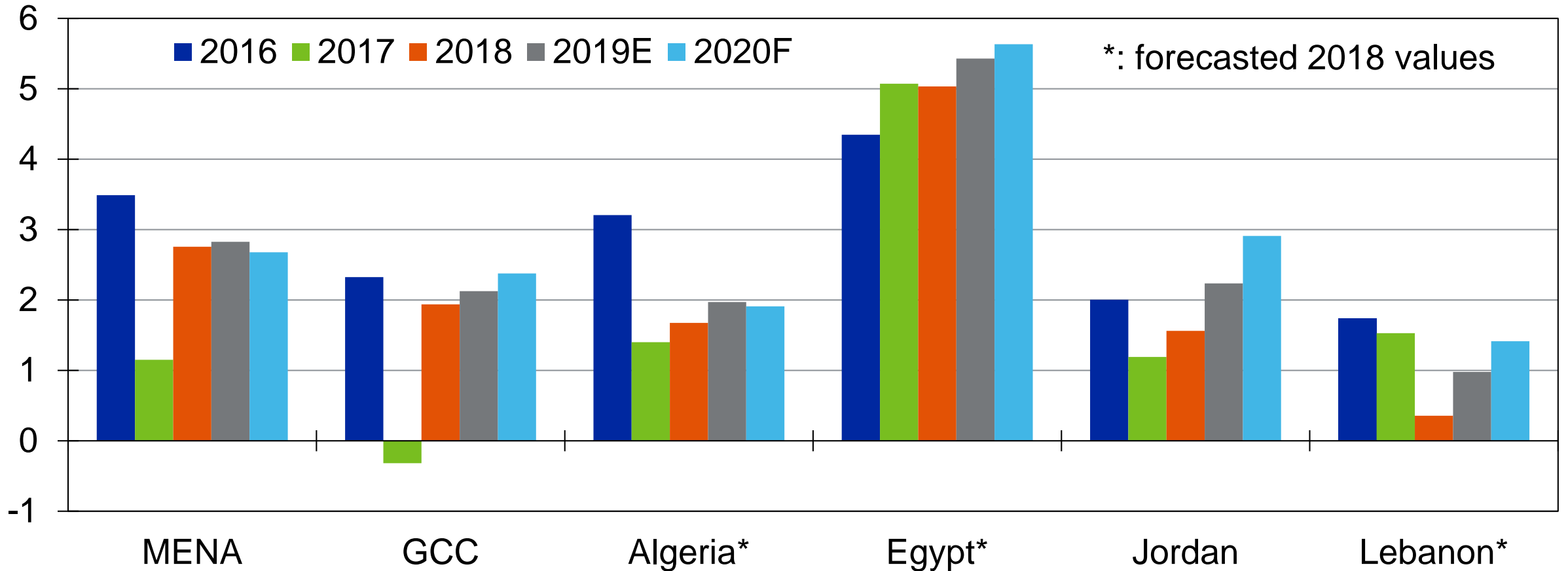


Sources: U.S. Census Bureau, USTR, USITC, Moody's Analytics



# Steady Performance in 2019

Real GDP growth, % change yr ago



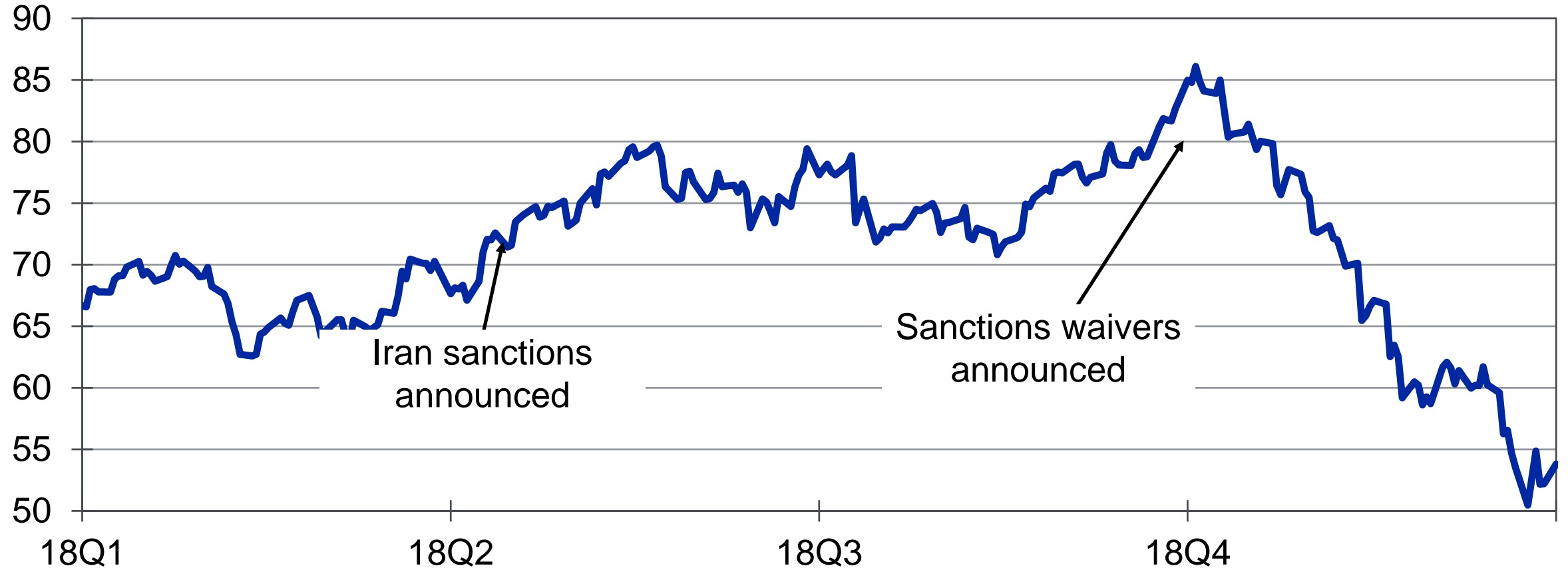
Source: Moody's Analytics

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Oil Market Outlook

# U.S. Policy Rocks 2018 Oil Prices

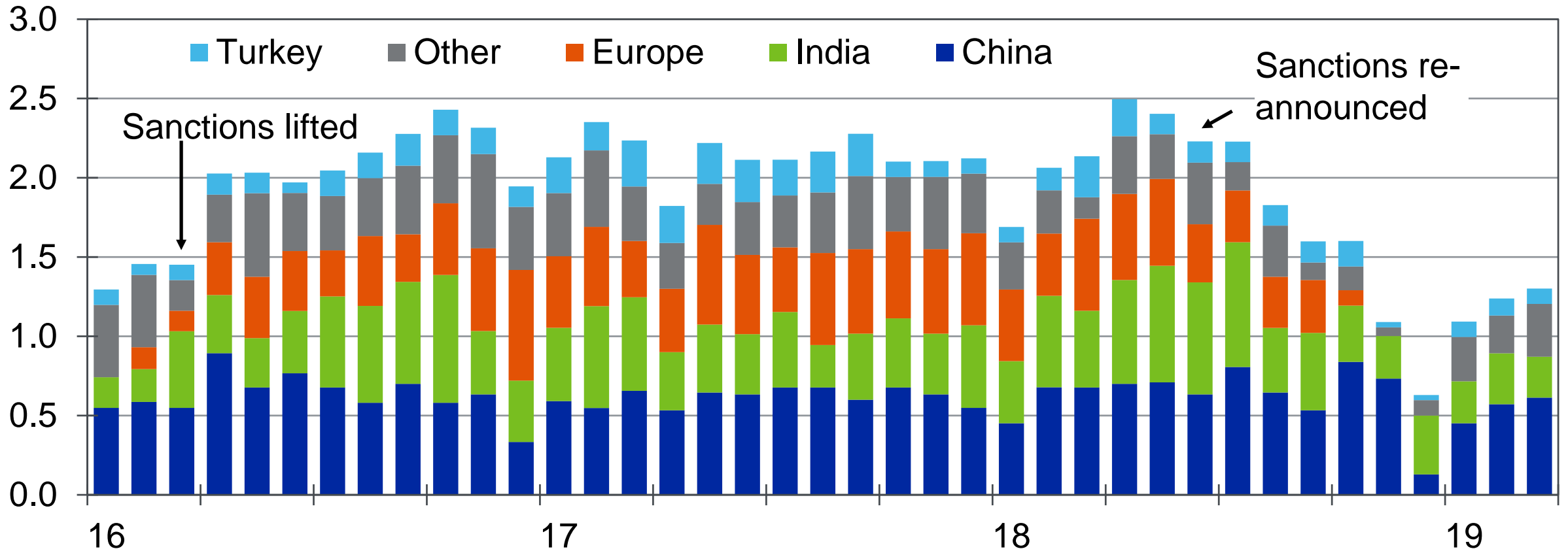
Brent crude oil prices, \$/bbl



Sources: SIX Financial Information, Moody's Analytics

# Iran Oil Sanctions Are Already Biting

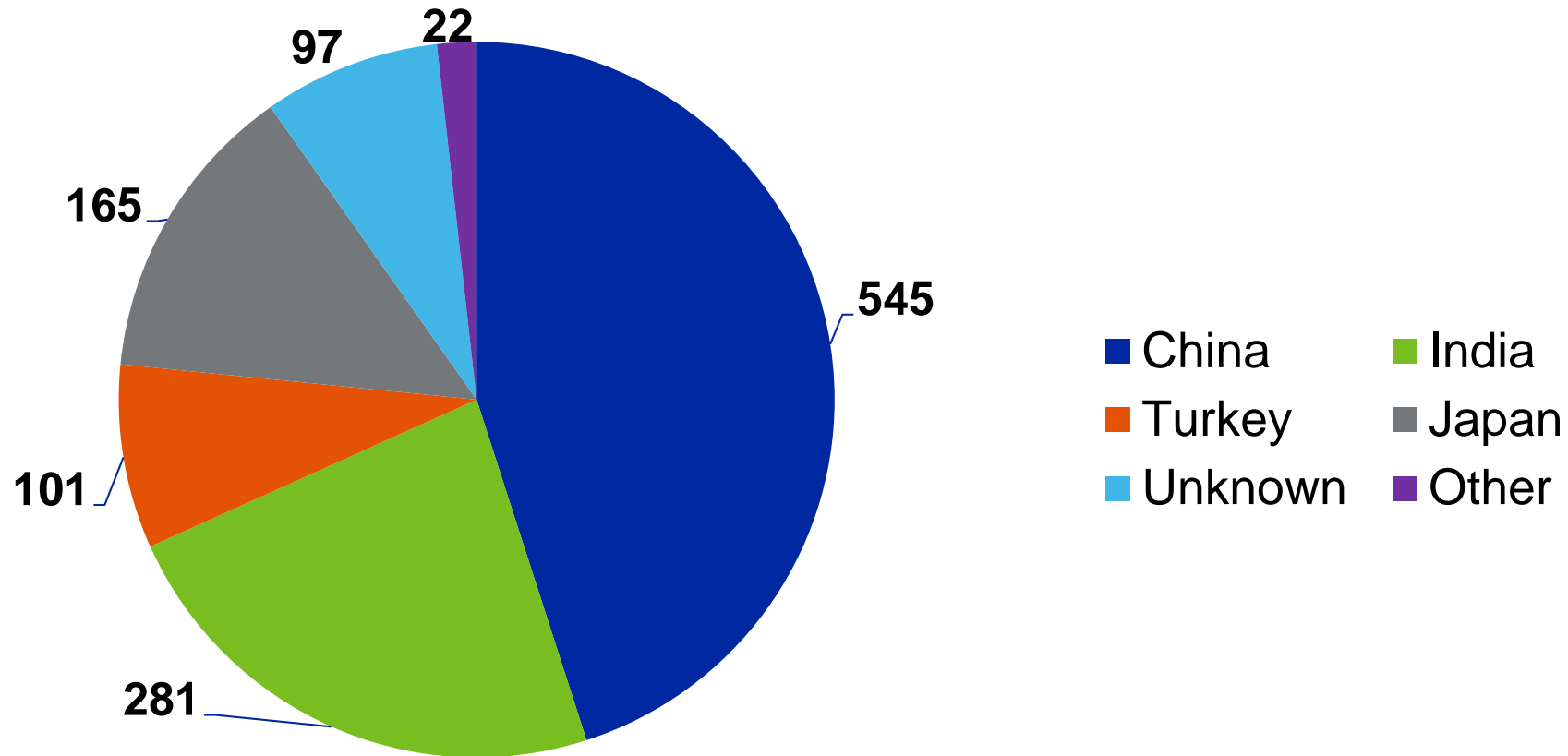
Iran crude oil exports by country, mil of bbl per day



Sources: Bloomberg, EIA, IEA, Moody's Analytics

# Iranian Oil Exports by Country

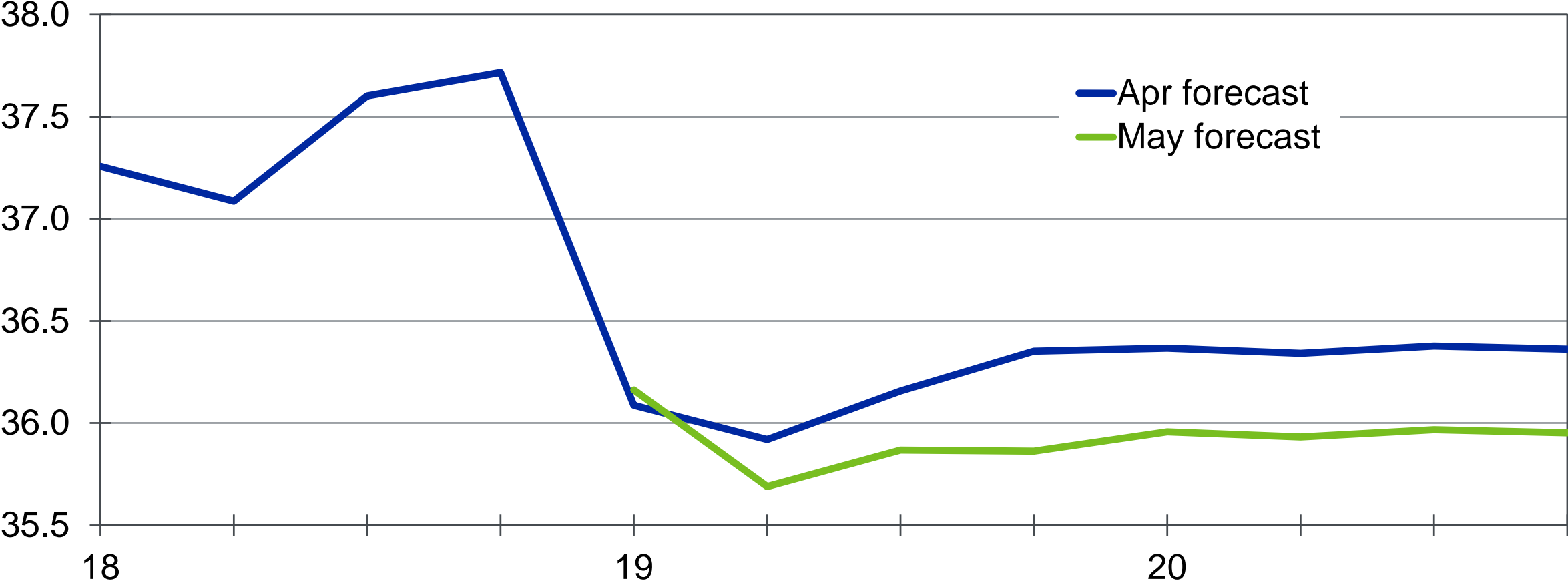
Ths bbls per day, 3-mo MA



Sources: Bloomberg, Moody's Analytics

# OPEC Cut More Important Than Sanctions

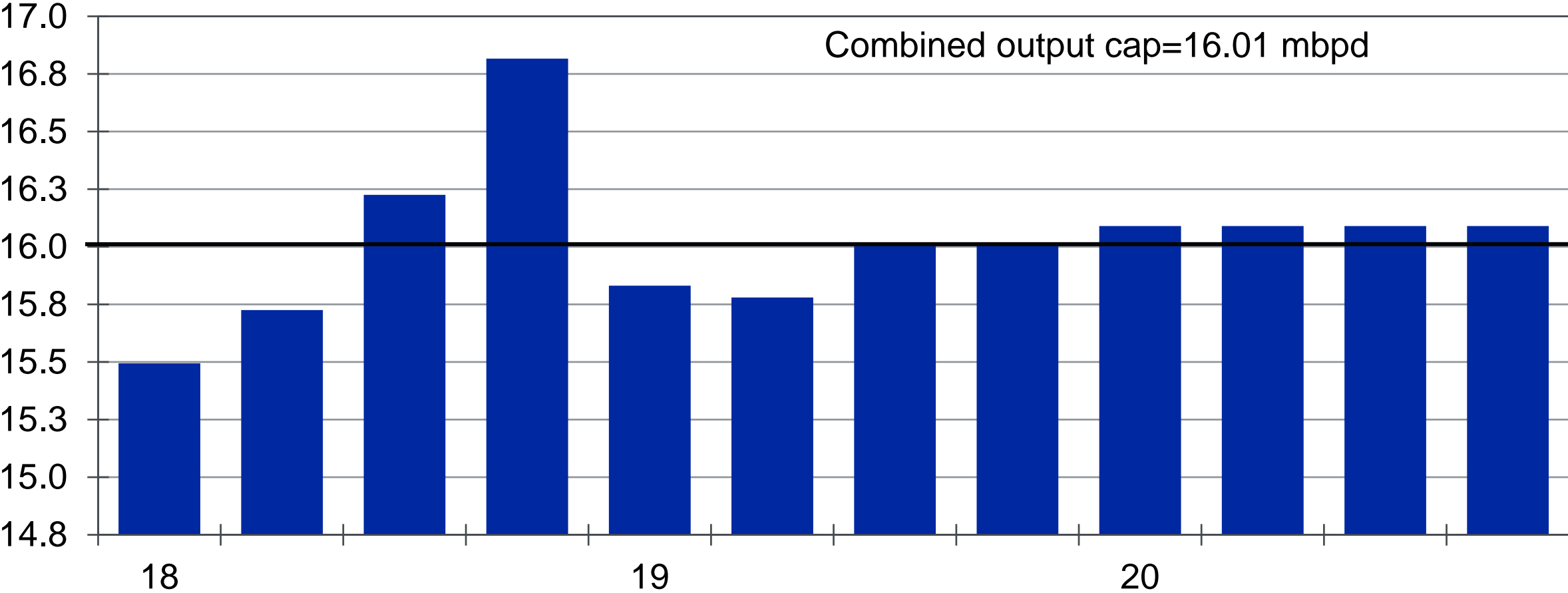
OPEC total oil production, mil, bpd



Sources: IEA, Moody's Analytics

# Gulf Producers Below Output Cap

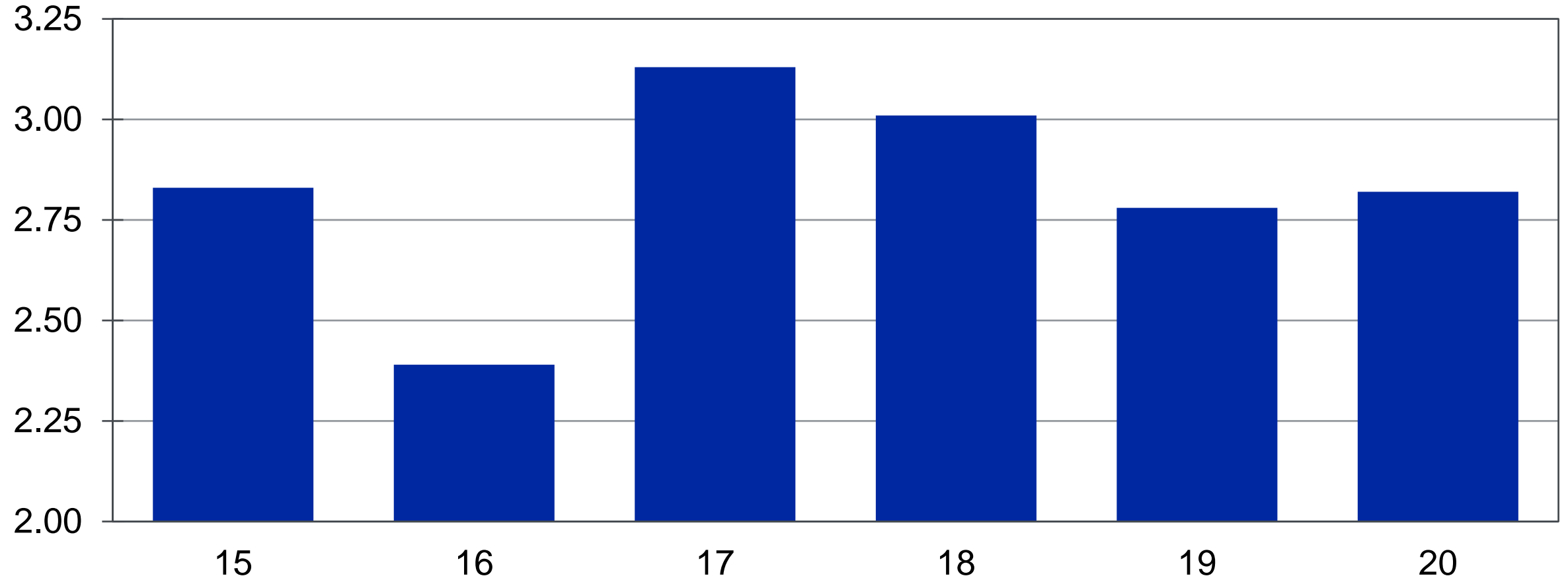
Saudi Arabia, Kuwait, and UAE oil production, mil bpd



Sources: IEA, Moody's Analytics

# Demand Growth Linked to Macroeconomy

Real global GDP growth



Source: Moody's Analytics



# Oil Market Is Expected to Stay Balanced

Price, demand, and supply forecasts

		2019 Q1	2019 Q2	2019 Q3	2019 Q4
<b>Price (Brent) (\$/bbl)</b>		<b>63.82</b>	<b>71.30</b>	<b>68.81</b>	<b>68.54</b>
<b>Demand (mbpd)</b>	<b>Total</b>	<b>99.42</b>	<b>100.31</b>	<b>101.13</b>	<b>101.07</b>
	OECD	47.64	47.57	48.30	48.17
	Non-OECD	51.80	52.74	52.83	52.90
<b>Supply (mbpd)</b>	<b>Total</b>	<b>99.61</b>	<b>99.87</b>	<b>101.03</b>	<b>101.58</b>
	OPEC	36.16	35.69	35.87	35.86
	Non-OPEC, ex US	46.88	46.93	47.64	47.97
	US	16.56	17.26	17.52	17.75
<b>Excess supply</b>		<b>0.18</b>	<b>-0.44</b>	<b>-0.09</b>	<b>0.51</b>

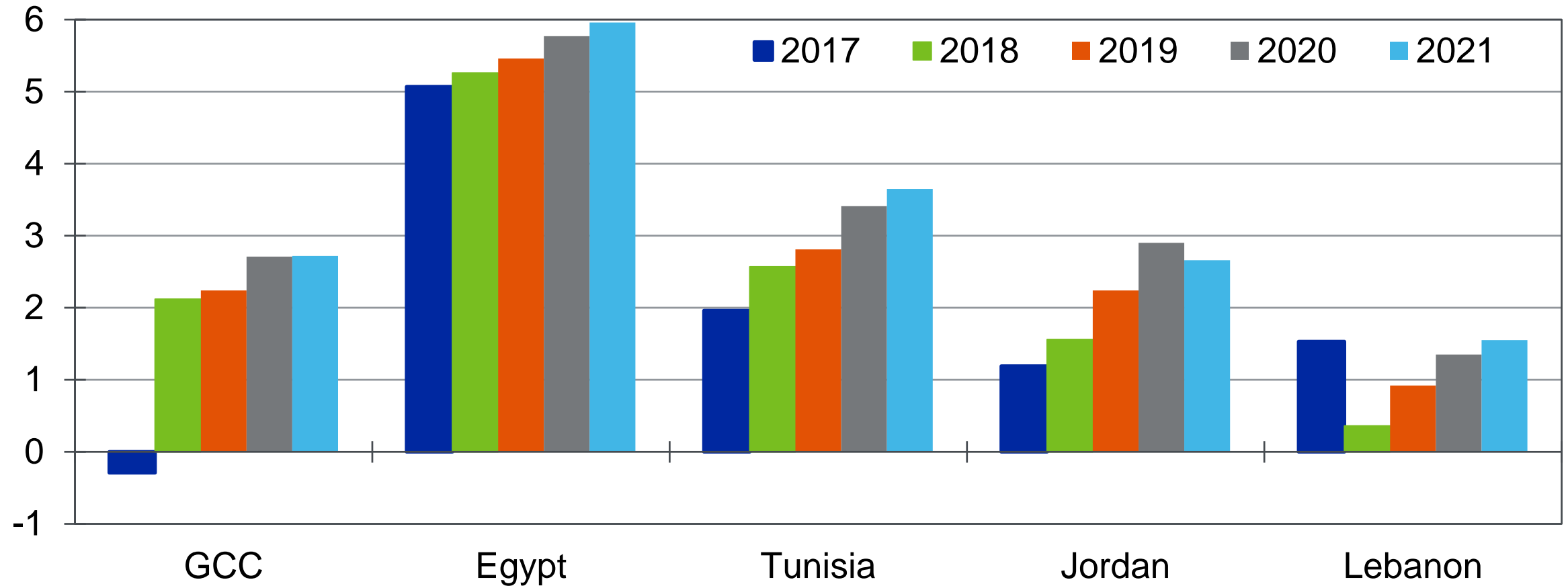
Source: Moody's Analytics

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## Egypt's Outlook

# Egypt's Growth Leads the Region

Real GDP growth, % change yr ago



Sources: World Bank, Moody's Analytics

# Import Coverage Is Improving

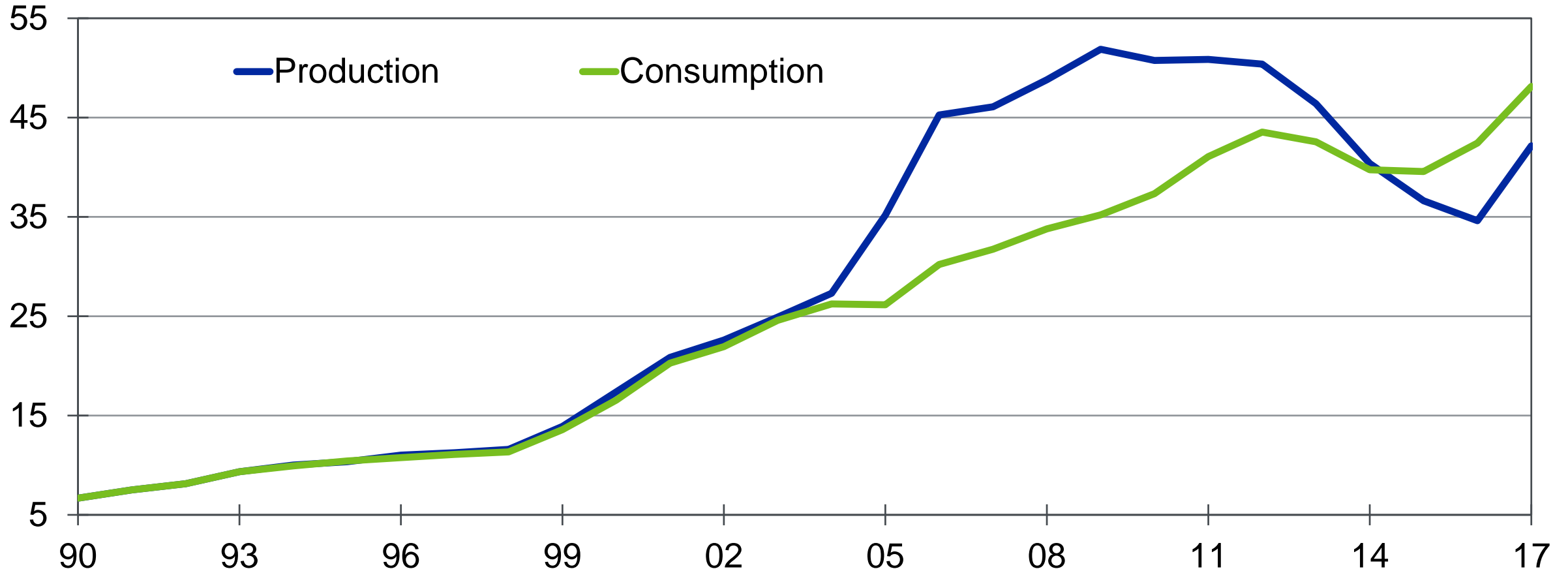
Mo of imports



Sources: Central Bank of Egypt, World Bank, IMF, Moody's Analytics

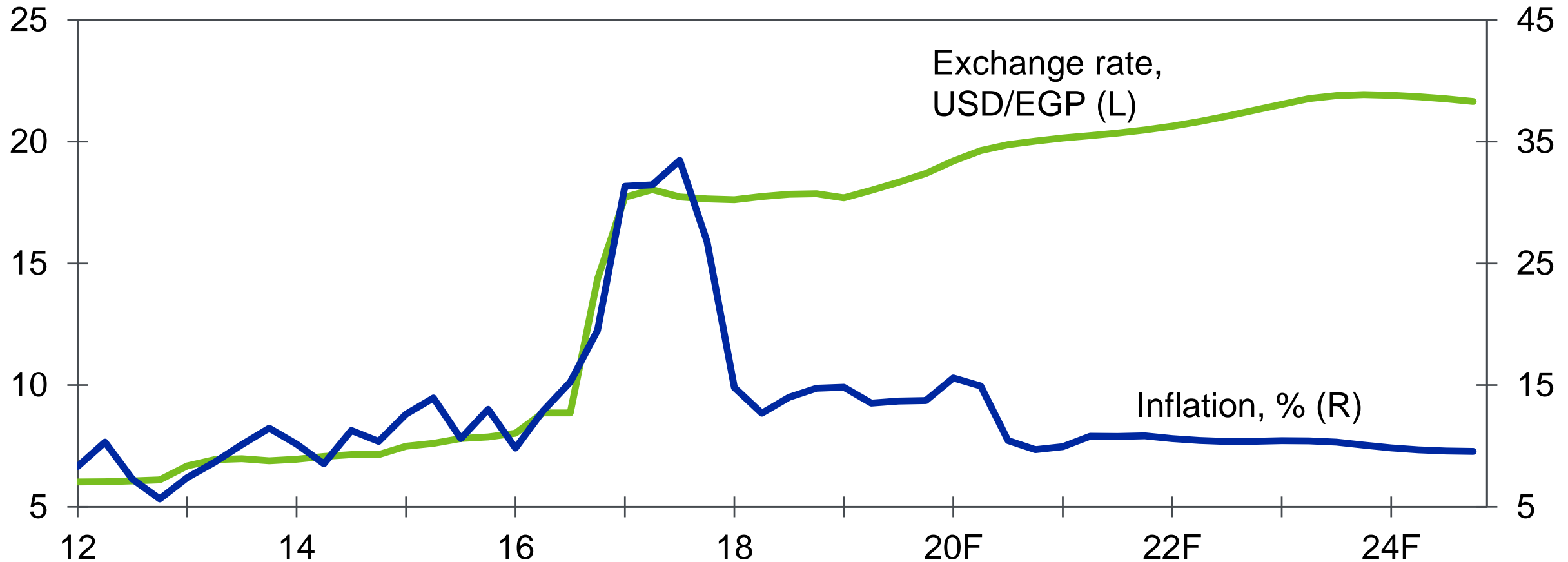
# Egypt Faced an Energy Shortage

Natural gas, mtoe per yr



Sources: BP Statistical Review of World Energy 2018, Moody's Analytics

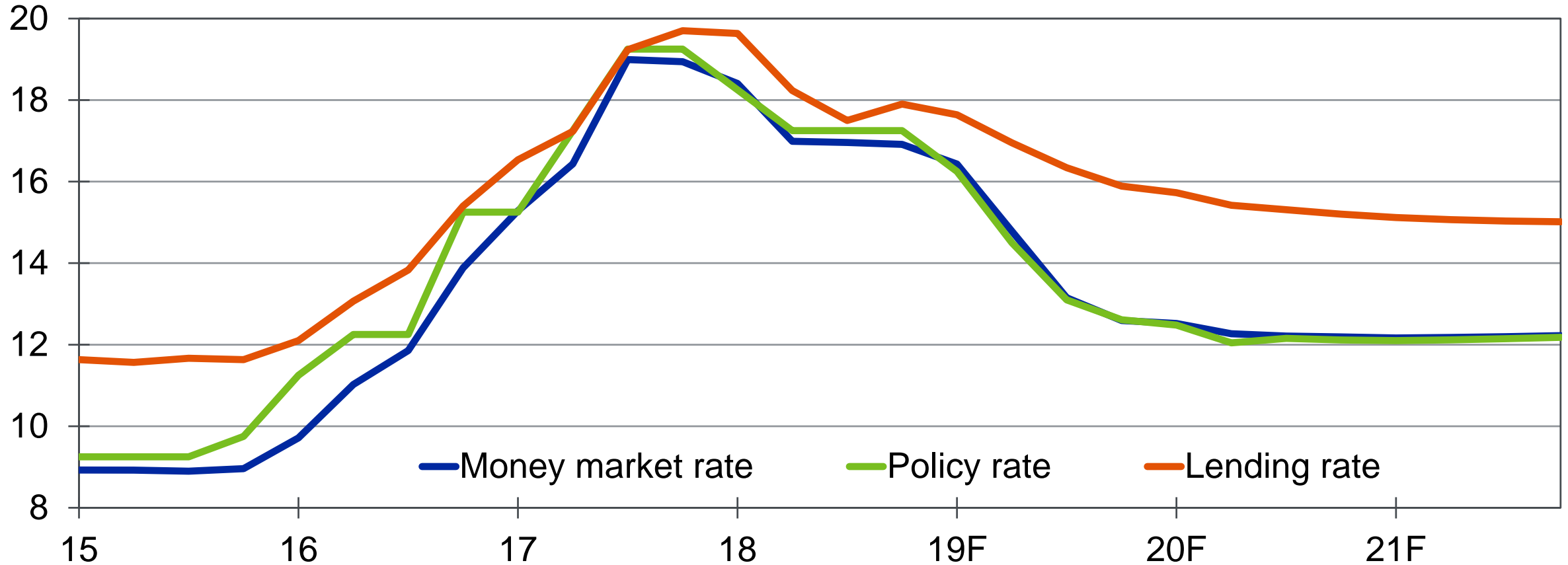
# The Exchange Rate Has Driven Inflation



Sources: IMF, CAPMAS, Moody's Analytics

# The Cost of Borrowing Is Falling

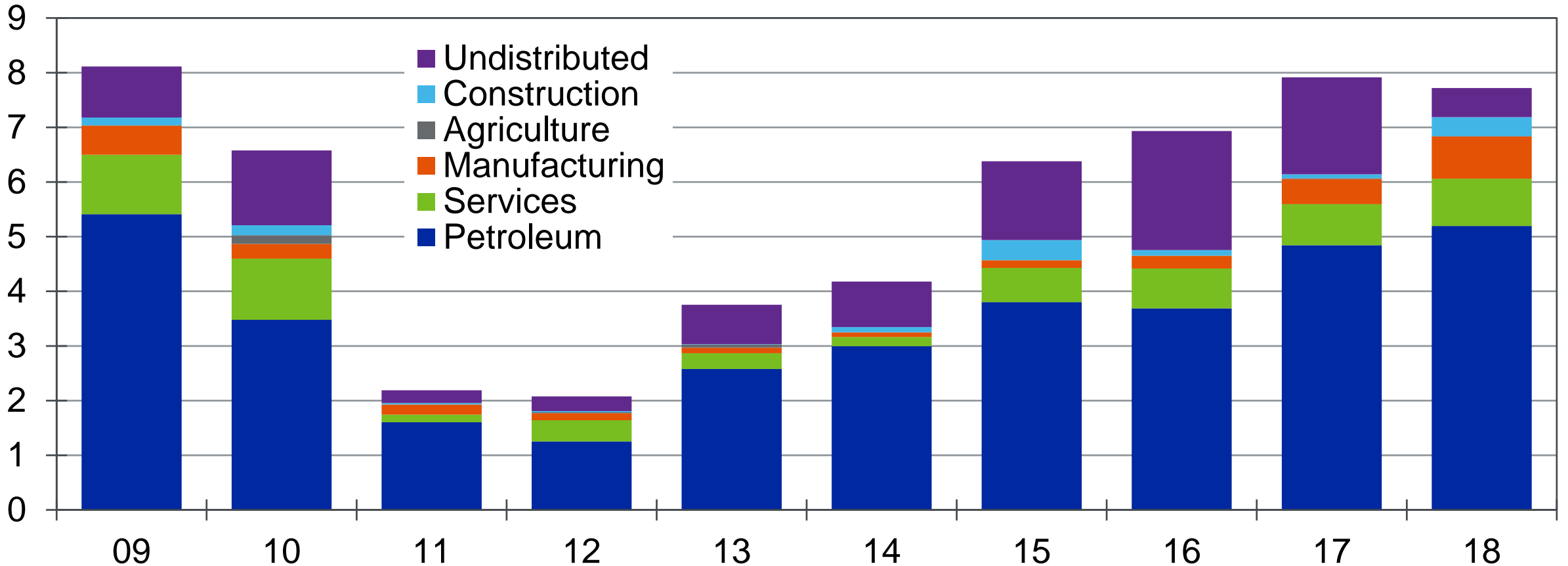
Interest rate, %



Sources: Central Bank of Egypt, IMF, Moody's Analytics

# Most FDI Goes Into Oil and Gas

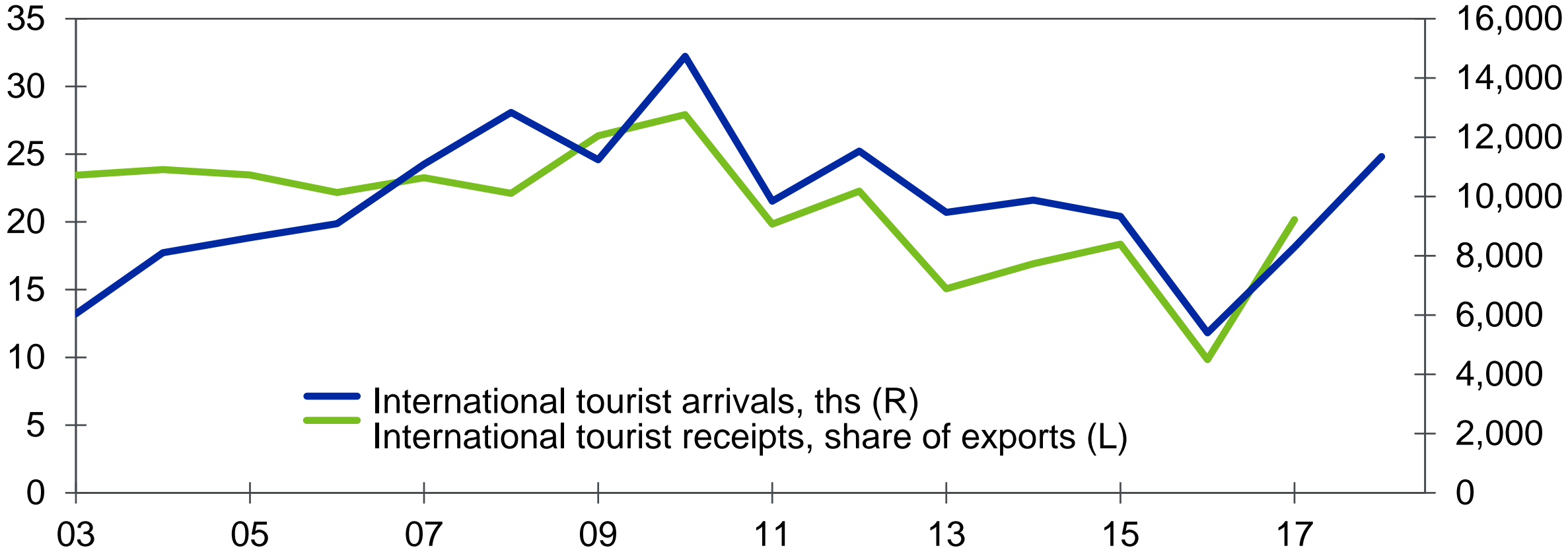
\$ bil



Sources: Central Bank of Egypt, Moody's Analytics



# Tourism Is Picking Back Up...



Sources: Central Bank of Egypt, World Bank, Moody's Analytics

# Summary

- » We expect the region to grow robustly in 2019
- » The global oil market will remain roughly balanced in 2019 after a turbulent year in 2018
- » Egypt's future is bright, despite the fact that the country has been slow to take advantage of its competitive exchange rate and sizable labor force
- » Significant downside risks are due mainly to rising regional geopolitical tensions

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