The MENA WEEKLY MONITOR

Economy

p.2 **IIF SEES SLIGHT DECELERATION IN MENAP GROWTH TO 2.2% IN 2019**

In a report presenting its analysis and projections of 16 economies in the MENAP region, the IIF said average growth in MENAP is foreseen to decelerate slightly to 2.2% in 2019, below population growth. This aggregate picture, however, hides considerable heterogeneity in economic paths across the region.

Also in this issue

p.3 Egypt's Emirates NBD PMI falls to 17-month low of 48.2 in Feb 2019
p.3 Road development projects among largest infrastructure investments across the GCC, says Orient Planet Research
p.4 Fitch affirms Bahrain's Long-Term FC Issuer Default Rating at "BB-" with a "stable" outlook

Surveys

p.5 **ABU DHABI TOPS MIDDLE EAST CITIES IN OCCUPANCY RATES IN 2018, AS PER EY**

EY issued its latest Hotel Benchmark Survey for 2018 (four and five star hotels), according to which occupancy rates increased in seven cities within the region and decreased in the remaining seven.

Also in this issue

p.6 MENA IT spending to hit US$ 160 billion in 2019, as per Gartner
p.6 Smart cities drive GCC's US$ 33 billion smart grid market, as per Schneider Electric

Corporate News

p.7 **ADNOC BUILDS US$ 1.2 BILLION UNDERGROUND CRUDE OIL STORAGE**

ADNOC said that it is building the world's largest single underground project ever awarded for oil storage, with a capacity of 42 million barrels of crude oil, in Fujairah on the eastern coast of the UAE.

Also in this issue

p.7 ACWA Power signs agreements for US$ 700 million Saudi IWP project
p.7 McDermott wins big EPCI contract from Saudi Aramco
p.7 Spain's Acciona and KSA's Swicorp eye Egypt solar project completion
p.8 Italy's Maire Tecnimont wins EPC deal for Yanbu plant
p.8 Qatar's Nebras Power to acquire AES Corp stakes in Jordan power projects
p.8 Saudi's Al Kathiri ties up with Italy group for 3D construction tech

Markets In Brief

p.9 **SHY WEEKLY PRICE RETREATS IN EQUITIES, BOND PRICES MOSTLY UP**

MENA equity markets saw shy price retreats this week, as reflected by a 0.2% decrease in the S&P Pan Arab Composite Index. The heavyweight Saudi Tadawul and the Egyptian Exchange registered price falls of 0.5% and 2.0% respectively, driven by some unfavorable company-specific factors and oil price declines, while the Qatar Exchange and the UAE equity posted weekly price gains of 0.7% and 0.8% respectively, mainly helped by some favorable company-specific factors. In contrast, MENA fixed income markets saw mostly upward price movements amid a decent bid, as investors continued to see a buying opportunity in downbeat regional bonds. Concurrently, regional sovereign five-year CDS spreads contracted by 12 bps week-on-week.

MENA MARKETS: WEEK OF FEBRUARY 24 - MARCH 02, 2019

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.2%	Weekly Z-spread based bond index	-5.0%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+5.6%	YTD Z-spread based bond index	-14.2%

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Nadine Akkawi
(961-1) 977401
nadine.akkawi@bankaudi.com.lb

Private Banking

Toufic Aouad
(961-1) 954922
toufic.aouad@bankaudipb.com

Corporate Banking

Khalil Debs
(961-1) 977229
khalil.debs@bankaudi.com.lb

RESEARCH

Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

Gerard Arabian
(961-1) 964047
gerard.arabian@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

ECONOMY

IIF SEES SLIGHT DECELERATION IN MENAP GROWTH TO 2.2% IN 2019

In a report presenting its analysis and projections of 16 economies in the Middle East, North Africa and Pakistan (MENAP) region, the Institute of International Finance (IIF) said it expects Brent oil prices to average US$ 65 a barrel in 2019. With US oil shale fields facing an average breakeven price of around US$ 50 a barrel, expansion of drilling could lower oil prices further to US$ 60 a barrel in 2020. Average growth in MENAP is foreseen to decelerate slightly to 2.2% in 2019, below population growth. This aggregate picture, however, hides considerable heterogeneity in economic paths across the region, as per the IIF.

In the six GCC countries, overall real GDP growth is set to ease from 2.2% in 2018 to 1.8% in 2019, dragged down by compliance with the recent OPEC+ deal. However, the IIF sees non-oil growth accelerating from 2.7% in 2018 to 3.3% in 2019 supported by fiscal expansion, including the implementation of major public investment projects. The IIF expects the UAE to register the highest growth at 3.2% among the six GCC countries. Headwinds from tight financial conditions and a tense geopolitical environment continue to dampen private sector economic activity. Among other oil exporters, the IIF sees strong recovery in Iraq driven by reconstruction after three years of war with ISIS, while Iran's economy is expected to contract by at least 3% in 2019 due to renewal of US sanctions.

The further increase in spending combined with lower oil revenues will widen fiscal deficits in oil exporters. However, the deficits should be comfortably financed by external and domestic debt issuance. External pressure on Algeria, Bahrain and Oman will persist, as fiscal and current accounts remain in large deficit while official reserves are declining rapidly. Fiscal breakeven oil prices, which balance the respective budgets in 2019, will remain well above current oil prices particularly in Bahrain, Algeria, Saudi Arabia and Oman, as per the report. The IIF sees the aggregate current account surplus of the 10 MENAP oil exporters declining from US$ 172 billion in 2018 to US$ 60 billion in 2019.

SELECTED MENA ECONOMIC INDICATORS

	Real GDP growth			Fiscal balance/GDP			Current account balance/GDP		
	2018e	2019f	2020f	2018e	2019f	2020f	2018e	2019f	2020f
Bahrain	1.4%	2.2%	2.4%	-8.4%	-6.0%	-5.3%	-4.1%	-5.0%	-4.9%
Kuwait*	1.2%	1.1%	3.0%	9.5%	3.8%	2.1%	19.7%	10.0%	6.8%
Oman	2.4%	3.0%	3.0%	-8.7%	-7.3%	-7.9%	-5.2%	-7.8%	-9.9%
Qatar*	1.8%	1.6%	2.8%	-0.4%	-2.1%	-1.1%	11.7%	7.3%	4.2%
Saudi Arabia	2.2%	1.1%	2.2%	-3.9%	-8.8%	-8.4%	10.0%	6.0%	3.1%
UAE*	2.9%	3.2%	3.0%	0.6%	-1.2%	-2.0%	8.0%	4.6%	3.8%
Algeria	2.8%	2.7%	2.4%	-7.4%	-7.7%	-8.5%	-5.9%	-8.8%	-10.7%
Iran	-1.6%	-3.0%	2.1%	-2.2%	-3.1%	-2.0%	0.7%	-4.1%	-2.1%
Iraq	2.3%	4.0%	4.0%	2.4%	0.9%	-3.0%	10.9%	2.3%	-2.3%
Egypt	5.3%	5.8%	5.1%	-9.5%	-8.2%	-7.1%	-2.4%	-1.4%	-1.0%
Jordan	2.3%	2.7%	3.0%	-2.7%	-2.4%	-1.5%	-9.3%	-7.7%	-6.5%
Lebanon	0.8%	1.7%	1.9%	-10.6%	-9.3%	-8.9%	-22.6%	-19.9%	-18.0%
Morocco	3.0%	3.0%	3.1%	-2.9%	-3.1%	-2.5%	-4.5%	-3.3%	-2.7%
Pakistan	5.4%	4.5%	4.8%	-6.6%	-7.0%	-6.1%	-6.1%	-5.0%	-4.4%
Sudan	-1.1%	-0.2%	2.3%	-3.2%	-3.7%	-3.3%	-12.4%	-13.2%	-10.9%
Tunisia	2.5%	3.0%	3.2%	-5.7%	-4.7%	-4.0%	-9.8%	-7.9%	-6.2%

* fiscal balance includes investment income from SWFs in non-hydrocarbon revenues

Source: IIF

The banking systems in the GCC remain sound, with strong capitalization and adequate liquidity. The projected gradual pick-up in non-oil growth will improve private sector credit demand. The IIF does not expect a change in the exchange rate regime in the GCC, Jordan, Iraq, and Lebanon in the short term given still-ample foreign assets and the role the pegs play as an anchor for price and financial stability.

Among oil importers, the gradual recovery will continue, driven by Egypt. Progress from recent reforms and de-escalation of conflicts in the region will support the recovery, says the IIF. However, the pace of growth will still be insufficient to significantly reduce the high unemployment rate. Fiscal and current account deficits remain very high, and government debt has risen rapidly.

While some progress has been made, IIF believes MENAP countries need to pursue deeper structural reforms to strengthen the business climate, improve competitiveness, and foster diversification and job creation. These could be achieved by reforming the labor market, overhauling the educational system to ensure adequate skill-building that meets the needs of private employers, and enhancing access to finance for SMEs to help catalyze entrepreneurship and private investment, added the IIF. Concrete steps to empower the private sector would make sustained higher growth more likely. To this end, laws and regulations governing business and investment should be revamped to draw on best practices in successful emerging economies and promote fairness, transparency, and predictability.

EGYPT'S EMIRATES NBD PMI FALLS TO 17-MONTH LOW OF 48.2 IN FEB 2019

Egypt's non-oil private sector got off to a weak start in 2019, with the Emirates NBD Purchasing Managers' Index (PMI) falling to a 17-month low of 48.2 in February, from 48.5 the previous month.

The index has remained stubbornly in sub-50.0, contractionary territory for six months now, and while an improvement in conditions is expected over the course of 2019, Egyptian firms clearly remain under pressure, as per Emirates NBD.

Output also fell at the fastest rate since September 2017, with survey respondents attributing this to cash flow issues and poor weather conditions. Troublingly for future readings, new orders also looked fairly weak, falling at the fastest pace since June 2017. They would likely have been even weaker if not for price discounting undertaken by firms, which slashed output prices for the second month running, as per the report.

This is reinforced by the fact that export orders fell at an even more rapid pace than total new orders, with the weakest reading since October 2016, just prior to the removal of the pound's peg to the dollar the following month. While services exports and remittances inflows have seen substantial growth since the rapid depreciation of the pound in late 2016, goods exports have to date failed to deliver.

With output prices being cut to maintain output, firms are being squeezed by both sides. Although input prices are expanding at a comparatively slow pace compared to series averages, they nevertheless remain solidly over 50.0. Cost-saving is being achieved elsewhere, with employment reduced for the fifth month in a row, and staff costs falling for the first time since April 2015.

Although conditions are difficult presently, over 44% of respondents expect output to be higher in 12 months' time. The interest rate cut enacted by the Central Bank, the first since March last year, should help stimulate some private sector demand, which has lagged public investment in driving Egypt's growth recovery over the past two years.

ROAD DEVELOPMENT PROJECTS AMONG LARGEST INFRASTRUCTURE INVESTMENTS ACROSS THE GCC, SAYS ORIENT PLANET RESEARCH

Road development projects continue to be among the largest infrastructure investments across the GCC region and remains a top priority for governments in line with their urban planning initiatives, as per a report by Orient Planet Research, a company that develops comprehensive macro-level reports on media, communications, business, technology and other key sectors in the Arab world.

The report added that GCC countries are among the world’s most ambitious when it comes to developing mega infrastructures, driven by the vision to become a regional powerhouse that would attract investments and further diversify from oil, as per the same source.

According to the report, a total of 1,069 road projects are currently under way in the region, the highest number among all infrastructure projects, with a combined value of US$ 122.6 billion.

At the global level, the UAE and Saudi Arabia rank among the top 12 global markets for infrastructure investment, stated the report.

The expenditure on road infrastructure has been a major growth factor in the region and governments continue to find these investments as vital to social and economic growth.

To address budget concerns, there is a growing consensus towards tapping financing through public-private partnership as alternatives to ensure continuous delivery of transport-related projects.

The regional heavyweights, Saudi Arabia and the UAE, are leading in the infrastructure spending across the GCC. Saudi Arabia completed 55 road projects worth SR 4.98 billion and approved another 70 new projects, while the UAE has ongoing road development projects worth AED 9.7 billion aimed at meeting the 2021 targets.

According to the report, Kuwait is also investing heavily with US$ 13.2 billion already pumped into 24 major road infrastructure projects. Meanwhile, Bahrain is boosting its infrastructure spend and aims to complete 11 new roads by 2022.

It is worth noting that some of the major projects across the region include Dubai’s allocation of AED 15.0 billion (US$ 4.8 billion) to complete key projects for serving the upcoming Expo 2020, including the upgrade of roads, ramps and flyovers.

In Saudi Arabia, over US$ 400 million is being pumped into nine major road projects including the King Hamad Causeway, while Kuwaiti government is set to kick off the construction work on the Seventh Ring Road Project, a 93-km road network development.

Apart from individual projects within each GCC country, there are numerous planned and existing roads, bridges, and tunnels across the region. The major ones include the Saudi-Oman Highway, a 680-km road which will link the two countries and also cut down the travel time.

FITCH AFFIRMS BAHRAIN'S LONG-TERM FC ISSUER DEFAULT RATING AT “BB-” WITH A “STABLE” OUTLOOK

Fitch affirmed Bahrain's Long-Term Foreign-Currency Issuer Default Rating (IDR) at “BB-” with a “stable” outlook.

Bahrain's ratings are supported by strong financial backing from richer neighbors in the GCC, a large and developed financial sector and high GDP per capita and human development indicators relative even to the “BBB” median.

Weak public finances, high fiscal dependence on oil revenue and political constraints on enacting reforms all weigh on the ratings. The government's Fiscal Balance Plan (FBP) announced in October 2018 and supported by US$ 10 billion funding from Saudi Arabia, Kuwait and the UAE present a credible opportunity for Bahrain to stabilize its public finances. The FBP, which aims to eliminate the fiscal deficit by 2022 and put government debt on a downward trajectory, is Bahrain's clearest medium-term plan in recent years, but there are still significant risks to implementation, in Fitch's view.

The US$ 10 billion Gulf support package of long-term interest-free loans to be disbursed in 2018-2022 is significant in the context of Bahrain's annual financing needs and will help contain interest costs for the government, which had risen sharply, as per Fitch.

SURVEYS

ABU DHABI TOPS MIDDLE EAST CITIES IN OCCUPANCY RATES IN 2018, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for 2018 (four and five star hotels), according to which occupancy rates increased in seven cities within the region and decreased in the remaining seven.

Occupancy rates increased in seven of the 14 cities considered in the survey with Cairo registering the most significant increase of 7.6%. In contrast, occupancy rates declined in seven cities, with the highest decrease of 10.4% registered by Muscat.

According to the survey, the cities of Abu Dhabi, Dubai and Cairo took over the first three ranks amongst peers in hotel occupancy, with 77.8% for Abu Dhabi, 75.8% for Dubai and 73.0% for Cairo.

At the lower end of the regional scale were Kuwait (56.2%), Riyadh (56.1%) and Manama (51.6%).

Furthermore, a total of five cities reported increases in the average room rate, registering 9.8% in the case of Cairo. The most significant upward movements after Cairo were posted by Jeddah (+9.5%) and Ras Al Khaimah (+4.1%). The most significant decreases were registered by Doha (-16.7%), Muscat (-14.6%) and Riyadh (-10.1%).

Jeddah, Dubai and Kuwait reported the highest average room rates of US$ 284, US$ 259 and US$ 190 respectively. At the lower end were Doha, Cairo and Abu Dhabi with US$ 122, US$ 105 and US$ 103 respectively.

In this context, the rooms' yield decreased in nine cities while the other five reported an increase. The most significant decreases were seen in Muscat, Doha and Madinah with -27.2%, -15.2% and -12.1% respectively.

Cairo, Jeddah and Beirut reported the highest increases of 22.5%, 8.2% and 4.5% respectively. Dubai (US$ 196), Jeddah (US$ 166) and Beirut (US$ 122) had the highest rooms' yields, while those of Muscat (US$ 79), Cairo (US$ 77) and Doha (US$ 74) were the lowest.

ERNST & YOUNG MIDDLE EAST BENCHMARK SURVEY

	Occupancy (%)		Average Room Rate (US$)		Room Yield (US$)	
	2018	2017	2018	2017	2018	2017
Abu Dhabi	77.8	79.5	103	108	80	86
Dubai	75.8	78.7	259	252	196	198
Cairo	73.0	65.4	105	95	77	62
Ras al Khaimah	72.4	74.5	164	158	119	118
Beirut	65.1	63.7	188	184	122	117
Madinah	63.1	66.8	145	156	92	105
Makkah	61.4	58.6	178	196	110	115
Doha	60.3	59.3	122	147	74	87
Amman	59.7	56.4	141	146	84	82
Jeddah	58.2	58.9	284	260	166	153
Muscat	57.2	67.5	139	163	79	110
Kuwait	56.2	58.8	190	191	107	112
Riyadh	56.1	54.2	173	192	97	104
Manama	51.6	51.2	160	177	83	90

Sources: Ernst & Young, Bank Audi's Group Research Department

MENA IT SPENDING TO HIT US$ 160 BILLION IN 2019, AS PER GARTNER

IT spending in the MENA region is projected to reach US$ 160 billion in 2019, a 1.8% increase from 2018, according to the latest forecast by research and advisory company Gartner.

In 2019, businesses in MENA are set to increase their IT spending in all segments except for the devices segment, as per the same source. The achievement of a 1.8% growth rate this year is placing MENA as 7th out of the 11 regions tracked by Gartner in 2019.

According to Gartner, consumer spending in the MENA has reached a tipping point. Consumers are on pace to spend US$ 532 million on upgrading or replacing their mobile phones in 2019, and expect to spend US$ 63.7 billion on mobile services in 2019, up by US$ 1 billion from 2018.

In the enterprise sector, organizations are increasing their spending on software, which continues to be the fastest growing sector in 2019. Nevertheless, despite the rapid growth of software as a service in the region (25.8% in 2019), the region is below the global average for the percentage of total cloud spending, as per the same source.

According to Gartner, rnterprise software would achieve double-digit growth in 2019. Software and IT services are projected to exhibit the strongest growth in 2019, with an 11.5% and 7.5% increase year-on-year respectively.

Most organizations in the MENA region are paying off years of technology deficits, and implementing software systems that standardize and automate existing business processes, as per the same source.

The communications services segment, the largest spending segment in MENA and the fourth fastest growing segment in the world, is set to increase 1.8% year-on-year. Organizations in the MENA region plan to reduce spending on their fixed line. However, the expected decline in the fixed line market (-1.8% in 2019) will not lead the communications services market to a decline.

The devices market is projected to exhibit a decline of 2.2% in 2019. While coverage continues to expand throughout the region, sales of mobile phones, particularly among consumers have stalled or declined in some countries. In addition, it is worth noting that the stabilization of the mobile phone installed base for consumers and businesses has not yet led to a price war among local providers, as per the same source.

Furthermore, the banking and securities industry is projected to total US$ 13.2 billion in 2019, the largest IT spending among 11 industries. It will also exhibit the fastest growth rate at 5% year-on-year, as per the same source.

The transportation, education and wholesale trade sectors are on pace to achieve growth of 1.0%, 2.4% and 2.8% this year respectively, and are set to be the three industries achieving the weakest IT spending growth rates in 2019.

SMART CITIES DRIVE GCC'S US$ 33 BILLION SMART GRID MARKET, AS PER SCHNEIDER ELECTRIC

Schneider Electric, one of the leader in digital transformation of energy management and automation, announced that Smart Cities are driving the GCC's smart grid market to US$ 33 billion by 2042. GCC nationwide digital transformation and Smart Cities are weaving energy efficiency throughout every project – across renewable energy generation, more efficient power distribution using the Internet of Things and Big Data analytics, and making smart buildings more energy efficient.

One of the region's biggest opportunities is in governments launching smart grids between countries to boost cross-border electricity trade. Over the next 25 years, GCC smart grid inter-connectivity could drive US$ 33 billion worth of investments, according to a recent report from Ventures Onsite.

CORPORATE NEWS

ADNOC BUILDS US$ 1.2 BILLION UNDERGROUND CRUDE OIL STORAGE

Abu Dhabi National Oil Company (ADNOC) said that it is building the world's largest single underground project ever awarded for oil storage, with a capacity of 42 million barrels of crude oil, in Fujairah on the eastern coast of the UAE.

An engineering, procurement and construction (EPC) contract has been awarded to South Korea's SK Engineering and Construction (SKEC) to construct the three underground storage caverns, each with a capacity of 14 million barrels, deep below ground level. The EPC contract is valued at AED 4.4 billion (US$ 1.2 billion) with approximately 50% of the contract spend feeding back into the UAE economy through ADNOC's In-Country Value program.

ACWA POWER SIGNS AGREEMENTS FOR US$ 700 MILLION SAUDI IWP PROJECT

ACWA Power, a leading developer, owner and operator of power generation and water desalination plants, said its consortium with Saudi Brothers Commercial Company (SBCC), has signed senior financing and hedging agreements for the SR 2.6 billion (US$ 700 million) Rabigh-3 IWP.

Once completed, the Saudi plant will generate 600,000 cubic meters of water per day, thus making it one of the largest seawater reverse osmosis (SWRO) desalination projects in the world. The engineering, procurement and construction (EPC) contract for the project was awarded to a consortium of Sepco III (Power China), Abengoa and Sidem (Veolia). The operations and maintenance agreement was signed with Rabigh Water Production Services Company, an affiliate of First National Operations & Maintenance Company (Nomac), while Saudi Water & Electricity Company (WEC) will act as the off taker of the project.

A new entity, Rabigh Three Company (RTC) has been established with ACWA Power as the 70% stake holder and the rest by SBCC for ownership of the Rabigh 3 IWP Plant.

The transaction is financed through limited recourse ring fenced project financing with Natixis, MUFG, Samba and Riyad Bank being the initial mandated lead arrangers. In addition, Riyad Bank has already provided an equity bridge loan for the transaction earlier this month.

Rabigh 3 IWP will utilize reverse osmosis technology to yield a 600,000 cubic meters capacity that will cater to the water demand of Makkah and Jeddah areas.

MCDERMOTT WINS BIG EPCI CONTRACT FROM SAUDI ARAMCO

US-based McDermott International received a large contract award from Saudi Aramco for engineering, procurement, construction and installation (EPCI) services in the Marjan field, offshore Saudi Arabia.

The contract includes the full suite of EPCI services for the upgrade of two existing platforms related to the installation of associated equipment for electrical submersible pumps (ESPs) and space for a future high integrity pressure protection system (HIPPS), subsea composite cable lay and topside cable tie-ins. Work on the project will begin immediately.

SPAIN'S ACCIONA AND KSA'S SWICORP EYE EGYPT SOLAR PROJECT COMPLETION

Saudi company Swicorp said the work on three solar photovoltaic plants being jointly developed by Spanish conglomerate Acciona Group in Egypt is nearing completion with the first plant set to enter commercial service soon.

The facilities, which will be 50% owned by both companies - Enara Bahrain Spv (Enara), the renewable energy platform of Swicorp and Acciona Energía, the renewables subsidiary of the Spanish conglomerate - is being built at a cost of around US$ 180 million.

On completion, these photovoltaic plants, located at the Benban complex set up by the Egyptian Government in the Aswan region, will have a maximum capacity of 186 MWp (150 MW rated). These plants cover a surface area of 2.88 square kms.

With these facilities, Acciona will reach total installed capacity in photovoltaic power of more than 1,000 MWp (633 MWp net), as per the same source.

The three projects in Benban come under the feed-in tariff system established by the Egyptian Administration in call for tender Round 2 published in October 2016.

Overall, they will produce clean energy equivalent to the consumption of around 150,000 Egyptian homes and avoid the emission of 297,000 tons of CO2 per annum from fuel-oil power plants, as per the same source.

As per the deal, the power generated will be supplied to the utility Egyptian Electricity Transmission Company (EETC) under a long-term PPA contract (25 years) governed by the conditions set in Round 2.

ITALY'S MAIRE TECNIMONT WINS EPC DEAL FOR YANBU PLANT

Italy-based Maire Tecnimont said that its subsidiary has been awarded a US$ 65 million EPC contract for the reinstatement of the existing polypropylene plant located in Yanbu Industrial City on the west coast of Saudi Arabia.

The subsidiary, Tecnimont S.p.A., through its affiliate Tecnimont Arabia, won the reimbursable contract from National Petrochemical Industrial Company (NATPET).

The project scope of work entails engineering and procurement services, material supply, construction supervision services and construction works. The project has an estimated execution schedule of about seven months, up to Ready for Start Up.

QATAR'S NEBRAS POWER TO ACQUIRE AES CORP STAKES IN JORDAN POWER PROJECTS

Qatar's Nebras Power is to acquire US-based AES Corp's stakes in three Jordanian power generation projects.Nebras currently owns 24% of these projects and Japan's Mitsui & Co has a 40% stake. The three projects together account for 650 megawatts or 14% of Jordan's power production capacity.

SAUDI'S AL KATHIRI TIES UP WITH ITALY GROUP FOR 3D CONSTRUCTION TECH

Saudi-based Al Kathiri Holding Company said one of its subsidiary companies - Alian Industry Co - signed a non-binding agreement with leading Italian company Emmedue (M2) for the transfer of modern construction technology.

The company, which is based in Fano (Pesaro-Urbino), Italy, has developed and commercialized the Emmedue Advanced Building System globally over the last 35 years.

It is a world-class building technology that is unique to traditional construction methods, saving cost and time spent in construction, flexibility in applying modern architectural designs, and achieving the highest standards of acoustic and thermal insulation.

As per the MoU, the Italian group will help transfer the technology for the production of three-dimensional concrete panels to Al Kathiri Holding Company.

The transaction also involves the sale of machinery and equipment by M2 for the process of manufacturing the panels and transfer of expertise and the processing and training of employees on the mechanism of manufacturing and construction, said Al Kathiri Holding Company.

CAPITAL MARKETS

EQUITY MARKETS: MENA STOCK PRICES SLIGHTLY DOWN WEEK-ON-WEEK

MENA equity markets saw shy price retreats this week, as reflected by a 0.2% decrease in the S&P Pan Arab Composite Index. The heavyweight Saudi Tadawul and the Egyptian Exchange registered price falls of 0.5% and 2.0% respectively, driven by some unfavorable company-specific factors and oil price declines, while the Qatar Exchange and the UAE equity posted weekly price gains of 0.7% and 0.8% respectively, mainly helped by some favorable company-specific factors.

The heavyweight Saudi Tadawul registered a 0.5% retreat in prices week-on-week, mainly driven by oil price drops and some unfavorable company-specific factors. Brent oil prices contracted by 3.2% as weaker-than-expected US manufacturing data and a fall in Chinese factory activity to its lowest in three years raised concerns about global energy demand. Within this context, some petrochemicals traced a downward slope over this week. Petrochemicals giant SABIC's share price declined by 0.8% to SR 122.40. Sahara Petrochemical Company's share price decreased by 0.9% to SR 15.96. Petrochem's share price closed 0.7% lower at SR 27.05.

Also, Dallah Healthcare's share price shed 4.6% over the week to SR 51.0. Dallah Healthcare Company reported a 49% year-on-year drop in its 2018 fourth quarter net profits to reach SR 33 million. Saudi Vitrified Clay Pipes Company's share price closed 2.4% lower at SR 48.80. The company announced 2018 net profits of SR 4.4 million as compared to net profits pf SR 28.9 million in the previous year. Saudi Airlines Catering's share price edged down by 0.1% to close at SR 83.90. The firm announced 2018 net profits of SR 459 million as compared to net profits of SR 482 million a year earlier.

The Egyptian Exchange registered a 2.0% fall in prices week-on-week, mainly dragged by some unfavorable company-specific factors. Ezz Steel's share price plunged by 8.6% to LE 19.21. Araqaam Capital said that it expects Ezz Steel to incur losses of LE 646 million during the fourth quarter of 2018, as margins are weighed down by subdued prices. Palm Hills Development's share price dropped by 1.4% to LE 2.77. The company reported 2018 fourth quarter net profits of LE 172 million as compared to net profits of LE 339 million during the corresponding period of 2017. Commercial International Bank's share price shed 5.3% to LE 70.18. Prime Holding cut its recommendation for CIB's stock to "Reduce" with a price target of LE 65.78.

EQUITY MARKETS INDICATORS (FEBRUARY 24 TILL MARCH 02, 2019)

Market	Price Index	Week-on Week	Year- to Date	Trading Value	Week-on Week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	81.4	0.7%	-2.9%	6.0	209.0%	0.7	8,851.0	3.5%	5.0	0.67
Jordan	395.8	0.5%	3.7%	35.0	46.3%	23.9	23,397.5	7.8%	13.7	1.68
Egypt	326.8	-2.0%	18.7%	282.0	-21.0%	1,675.2	49,120.9	29.9%	11.1	2.45
Saudi Arabia	370.8	-0.5%	9.5%	2,896.5	8.7%	505.5	537,183.2	28.0%	17.2	2.39
Qatar	182.6	0.7%	-3.2%	432.1	-2.5%	48.9	158,382.9	14.2%	13.7	1.99
UAE	118.4	0.8%	4.7%	621.1	17.3%	1,010.4	244,951.9	13.2%	11.7	1.76
Oman	203.8	1.4%	-4.3%	41.9	36.8%	132.1	17,907.0	12.2%	9.5	0.98
Bahrain	132.7	0.2%	10.8%	14.8	7.6%	22.3	22,502.3	3.4%	10.1	1.27
Kuwait	96.6	-0.4%	2.0%	137.0	-56.5%	157.9	86,957.0	8.2%	14.6	1.62
Morocco	264.9	-0.9%	-1.7%	42.0	-8.9%	1.8	60,125.1	3.6%	17.7	2.88
Tunisia	68.8	0.0%	-2.1%	10.6	-1.2%	7.0	7,948.0	7.0%	15.0	2.90
Arabian Markets	**769.9**	**-0.2%**	**5.6%**	**4,519.2**	**1.8%**	**3,585.8**	**1,217,326.8**	**19.3%**	**14.8**	**2.12**

Values in US$ million; volumes in millions   * Market cap-weighted averages

Sources: S&P, Bloomberg, Bank Audi's Group Research Department

In contrast, the UAE equity markets posted a 0.8% rise in prices week-on-week, mainly supported by some favorable company-specific factors. In Dubai, Aramex's share price went up by 2.1% to AED 4.39. Aramex announced a 13.1% year-on-year increase in its 2018 net profits to reach AED 493 million. Also, the firm's Board of Directors proposed a cash dividend of 16.5% of paid-up capital for the year 2018, as compared to a dividend of 16.3% for the year 2017. Emaar Properties' shares remained on the rise for the third consecutive week, posting a 5.2% surge in prices to close at AED 4.90. The real estate developing company has recently announced a 30% year-on-year increase in its 2018 net profits to reach AED 7.2 billion.

In Abu Dhabi, First Abu Dhabi Bank's share price rose by 1.6% over the week to AED 15.20. First Abu Dhabi Bank's General Assembly approved an increase to the bank's foreign ownership limit to 40%, up from 25% subject to the Securities and Commodities Authority and other competent authorities' approval. Abu Dhabi Islamic Bank's share price edged up by 0.7% to AED 4.50. ADIB appointed former Credit Agricole banker as CEO.

The Qatar Exchange recorded a 0.7% increase in prices week-on-week, mainly helped by some favorable company-specific factors. Barwa Real Estate Company's share price edged up by 0.5% to QR 39.60. Barwa Real Estate Company announced 2018 net profits of QR 1.9 billion as compared to net profits of QR 1.7 billion in 2017. Also, the firm signed a QR 800 million financing accord with a Qatari bank to cover its 2019 capital expenditures. Al Meera Consumer's share price surged by 5.8% to QR 154.50. The company's Board of Directors recommended the distribution of dividends at a rate of QR 8.5 per share for the year 2018, with no change relative to the previous year, despite announcing a 6% year-on-year fall in its 2018 net profits to reach QR 182 million.

FIXED INCOME MARKETS: REGIONAL BONDS ON THE RISE THIS WEEK AMID A DECENT BID

MENA fixed income markets saw mostly upward price movements this week amid a decent bid, as investors continued to see a buying opportunity in downbeat regional bonds. Concurrently, regional sovereign five-year CDS spreads contracted by 12 bps week-on-week.

In the Saudi credit space, sovereigns maturing between 2021 and 2029 posted price gains of up to 0.38 pt week-on-week. Longer-term sovereigns maturing in 2046, 2047, 2049 and 2050 registered price increases of 0.25 pt to 0.75 pt. Prices of SABIC'23 and '28 rose by 0.13 pt and 0.38 pt respectively. SECO papers maturing in 2023, 2024, 2028 and 2044 closed up by 0.08 pt to 0.28 pt. Dar Al Arkan'22 was up by 0.25 pt. As to new issues, Almarai priced a US$ 500 million Sukuk offering at 180 bps above midswaps, noting that the issue was 10 times oversubscribed. Meanwhile, several new bond issues are waiting in the pipeline. Jabal Omar plans to issue SR 2.0 billion worth of Sukuk in private placement. Also, The Islamic Development Bank plans to raise around US$ 2 billion through multiple Sukuk issuances over the year 2019.

In the Bahraini credit space, sovereigns maturing between 2025 and 2047 posted price improvements of 0.13 pt to 1.75 pt this week. As to credit ratings, Fitch affirmed Bahrain's long-term foreign currency Issuer Default Rating at "BB-" with a "stable" outlook. Bahrain's ratings are supported by strong financial backing from richer neighbors in the GCC, a large and developed financial sector, and high GDP per capita and human development indicators relative even to the "BBB" median, as per Fitch. Also, NOGA'24 and '27 were up by 0.25 pt each. NOGA'28 traded up by 0.50 pt.

In the Qatari credit space, prices of sovereigns maturing between 2023 and 2048 expanded by 0.10 pt to 0.63 pt week-on-week. Ooredoo papers maturing between 2021 and 2043 registered price increases of up to 0.75 pt. As to papers issued by financial institutions, Commercial Bank of Qatar'21 and '23 closed up by 0.25 pt and 0.50 pt respectively. Prices of Qatar Islamic Bank'20 and '22 improved by 0.13 pt and 0.25 pt respectively. As to plans for new issues, Ahli Bank plans to issue bonds worth US$ 500 million in the second quarter of 2019, as part of a US$ 2 billion program.

In the Iraqi credit space, prices of sovereigns maturing in 2028 improved by 0.13 pt this week. Standard & Poor's affirmed its "B-" long-term and "B" short-term foreign and local currency sovereign credit ratings on Iraq, with a "stable" outlook. The "stable" outlook reflects S&P's opinion that risks to Iraq's fiscal performance would be contained.

In the Omani credit space, prices of sovereigns maturing between 2021 and 2025 increased by 0.12 pt to 0.63 pt week-on-week. Omantel'23 was up by 0.13 pt. Prices of Oman Manufacturing Group'25 and '27 rose by 0.50 pt and 0.25 pt respectively. National Bank of Oman'23 traded up by 0.25 pt, while National Bank of Oman'19 was down by 0.13 pt. CI Ratings lowered National Bank of Oman's long-term foreign currency rating and financial strength rating to "BBB-" from "BBB". At the same time, CI Ratings affirmed NBO's short-term foreign currency rating at "A3", and revised the outlook for the ratings to "stable" from "negative". This action follows the recent downgrade of Oman's sovereign rating, as well as the weakening of a number of the bank's key financial metrics, as per CI Ratings.

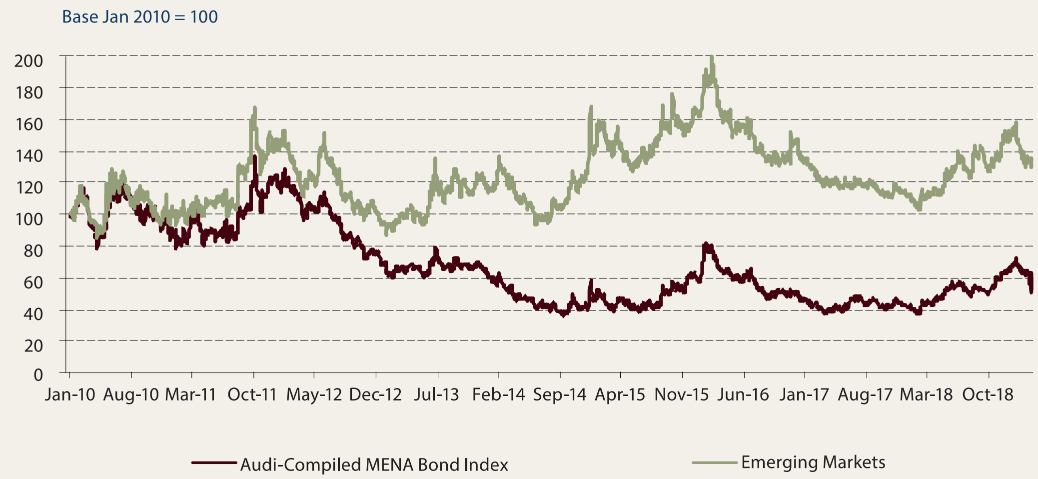
Finally, in the Egyptian credit space, US dollar-denominated sovereigns maturing between 2022 and 2049 posted weekly price gains ranging between 0.13 pt and 2.25 pts. Euro-denominated sovereigns maturing in 2026 and 2030 were up by 1.0 pt and 1.50 pt respectively.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	01-Mar-19	22-Feb-19	31-Dec-18	Week-on-week	Year-to-date
Abu Dhabi	59	61	67	-2	-8
Dubai	122	128	129	-6	-7
Kuwait	64	67	66	-3	-2
Qatar	67	75	82	-8	-15
Saudi Arabia	79	88	105	-9	-26
Bahrain	243	251	293	-8	-50
Morocco	97	102	111	-5	-14
Egypt	318	347	391	-29	-73
Lebanon	690	698	770	-8	-80
Iraq	346	387	519	-41	-173
Middle East	**209**	**221**	**254**	**-12**	**-45**
Emerging Markets	**120**	**125**	**188**	**-5**	**-68**
Global	**159**	**161**	**189**	**-2**	**-30**

Sources: Bloomberg, Bank Audi's Group Research Department

Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS



Sources: Bloomberg, JP Morgan, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	B-/Negative/B	Caa1/Stable	B-/Negative/B
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	NR
Egypt	B/Stable/B	B3/Positive	B/Positive/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Stable/A-2	A1/Stable	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA/Stable/F1+*
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+
Bahrain	B+/Stable/B	B2/Stable	BB-/Stable/B
Oman	BB/Stable/B	Baa3/Negative	BB+/Stable/F3
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BBB-/Stable/A-3	Ba1/Stable	BBB-/Stable/F3
Tunisia	NR	B2/Stable	B+/Negative/B
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated   RWN= Rating Watch Negative   * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	01-Mar-19	22-Feb-19	31-Dec-18	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	17.51	17.54	17.92	-0.2%	-2.3%
Iraqi Dinar (IQD)	1,183.52	1,182.28	1,192.68	0.1%	-0.8%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.75	0.0%	0.0%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.66	3.65	3.65	0.1%	0.0%
Kuwaiti Dinar (KWD)	0.30	0.30	0.30	0.0%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.39	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	119.05	119.05	117.65	0.0%	1.2%
Moroccan Dirham (MAD)	9.56	9.56	9.54	0.0%	0.2%
Tunisian Dinar (TND)	3.02	3.04	3.05	-0.6%	-0.7%
Libyan Dinar (LYD)	1.38	1.39	1.40	-0.4%	-1.3%
Sudanese Pound (SDG)	47.62	47.62	47.62	0.0%	0.0%

Sources: Bloomberg, Bank Audi's Group Research Department