

## MIDDLE EAST & AFRICAN MONITOR

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### REGIONAL COMMENTARY

#### **Latest Unrest In Iran Highlights Rising Economic Pressures.**

Despite the jump in Iran's oil exports since a number of sanctions were lifted at the beginning of 2016, the country's economy is still struggling and the average Iranian is yet to see a major improvement in their standard of living. Unemployment amongst 15-30 year-olds (who make up close to 60% of the overall population) remains high at 24%, whilst inflation which admittedly is down from its prior peak of 34% is still in double digits. Meanwhile and although not officially published, Iran's material and financial support for its allies and proxy groups in the region (such as the Assad regime and Hezbollah) has reportedly risen substantially in recent years, and is conservatively estimated to cost the country more than US\$ 7 bio per annum. The weak economic situation, together with frustration over the government's tough austerity measures, a rising crime rate and the soaring cost of living, seem to have been the primary triggers for the latest round of unrest which first began in the city of Mashhad, but has since spread across the country this past week and led to the deaths of up to 12 people as well as hundreds of arrests so far according to the NPR media outlet. There are also rumours doing the rounds that certain protests against the Rouhani administration specifically, were allegedly being encouraged by hardliners within their regime who are looking to weaken the more 'reform' minded President. This may or may not be true, however looking at various internal and external coverage of these recent events, many protestors appear to be displaying their unhappiness with the regime in general especially in terms of corruption and some of its repressive domestic policies. On Sunday President Rouhani stated that; "According to the constitution and citizens' rights, people are free to express their criticism and to protest," but warned too that; "The government will show no tolerance for those who damage public properties, violate public unrest and create unrest in the society." He also criticized a tweet by his US counterpart Donald Trump which was published the same day and that read; "Iran is failing at every level despite the terrible deal made with them by the Obama Administration. The great Iranian people have been repressed for many years. They are hungry for food & for freedom. Along with human rights, the wealth of Iran is being looted. TIME FOR CHANGE!"

#### **Crude Prices Retain Bullish Mood As New Year Kicks Off.**

Oil prices have begun the year on a firm footing displaying their strongest January start for almost 4 years and driven by the ongoing fall in global

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inventories, the latest protests in Iran and yet another disruption of output in Libya. Meanwhile the brighter outlook in global economic growth and in turn the rising natural demand for crude also remain supportive factors.

#### **Saudi Arabia Hikes Fuel Prices & Implements VAT.**

In line with its drive to reduce its budget deficit, remove subsidies and promote the more efficient use of energy resources Saudi Arabia increased domestic petrol prices from the 1st of January 2018 by as much as 126% and began implementing a Value-Added-Tax. 91 Octane fuel is now SAR1.37 per litre at the pump (an increase of 82%) while 95 Octane is up 126% and now costs SAR 2.04 per litre. The cost of diesel however remains unchanged for now. Meanwhile an official from the department of Zakat and Tax was quoted on the 'Trade Arabia' website as saying that the government expected to raise up to SAR 35 bio in fresh revenue this year directly from VAT, which like the UAE became effective from yesterday. In Saudi Arabia the 5% VAT rate will be applied to a broad range of goods and services including; food, clothing, electronics, petrol, electricity, and hotel bills.

#### **Egypt Prepares For US\$ 4 Bio Bond Issuance.**

Egypt's Finance Minister, Amr El Garhy, announced late last week that his department had selected 5 banks to manage its impending Eurobond issuance of around US\$ 3-4 bio. The sale is set to take place by the end of this month. Meanwhile the CB said that the country had repaid around US\$30 bio in foreign debt last year whilst the trade ministry revealed that Egypt's trade deficit for 2017 had dropped by 26% compared to the previous year. This deficit improvement was reportedly driven primarily by a drop in imports.

#### **Abu Dhabi Plans T-Bill Sales.**

According to a recent Bloomberg article the government of Abu Dhabi may begin selling treasury bills at some stage this year. Bloomberg quotes an unnamed source as suggesting that the authorities are currently working on the regulatory framework covering such instruments, although he/she did not mention a specific launch date.

#### **Nigeria's FX Reserves Rise.**

Nigeria's FX reserves rose by US\$12.9 bio during 2017 to reach US\$38.73 bio at the end of last month according to the latest Central Bank data, but is still far below its peak of US\$64 bio recorded back in 2008. Last year's increase in reserves was driven primarily by firmer oil prices, a US\$ 3 bio Eurobond issuance and a rise in incoming remittances from Nigerian expatriates. The country's CB governor, Godwin Emefiele, was quoted by the local 'Leadership' newspaper as saying; "It is my belief that if we remain resolute with our efforts, policies and actions we can attain a foreign exchange reserve position of about US\$40 billion by end 2018".

#### **Kuwait Takes UN Security Council Seat.**

Kuwait yesterday took its temporary seat at the UN Security Council, a position that was previously held by Egypt. The Kuwaiti Minister for Foreign Affairs, Sheikh Sabah Khaled Al Ahmad Al Sabah, was quoted by the Arab Times newspaper underlining the importance of having a voice for the Arab world on the council and not only called for the UN to consider providing Arabs with a permanent seat on the body, but also to give new members the right of veto.

#### **Oman Set To Spend More In 2018.**

Oman's state budget for 2018 was approved yesterday by the country's ruler and shows that public spending is set to rise to OMR 12.5 bio this year from OMR 11.7 bio in 2017. The predicted deficit is set to remain unchanged at OMR 3 bio despite a forecast rise in revenues of OMR 800 mio. According to a Reuters article the Finance Ministry has said the increase in spending is required in order to boost economic growth and support the poorer sections of Omani society.

#### **Inflation In Uganda Eases.**

Inflation in Uganda dipped to 3.30% y/y last month compared to 4% in November 2017 according to the country's statics agency.

Continued...

## FX/RATES & CRUDE MARKETS:

Indication Levels Only – Please Contact us on Reuters Dealing Code NBAD for any pricing or information.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.6730/31	1/6	5/10	10/20	25/40	45/60	65/85	200/250
USD/SAR**	3.7503/05	5/10	12/22	20/35	45/60	70/90	120/150	475/525
USD/QAR**	3.6600/6800	-10/+10	-20/+20	-25/+25	-15/+35	10/60	35/85	50/250
USD/KWD	0.30115/145	-10/Par	-15/-5	-15/-5	-15/+15	Par/+50	20/70	50/150
USD/OMR	0.38480/500	25/55	60/110	100/200	250/400	450/600	650/850	1600/1900
USD/BHD	0.37700/710	5/15	20/35	30/60	70/170	130/230	225/325	750/1050
USD/MAD	9.2900/3100	500/800	850/1350	1300/2300	2500/3500	3000/5000	4000/6000	7500/10500
USD/EGP NDF	17.72	17.70/17.80	17.72/17.82	17.75/17.85	18.30/18.40	18.77/18.87	19.25/19.35	-
USD/JOD	0.7097/7107	40/80	50/150	75/175	100/300	200/500	275/675	500/2000
USD/NGN NDF	331.15	335.00/345.00	340.00/350.00	343.00/353.00	358.00/368.00	370.00/380.00	382.00/392.00	(NIFEX)
USD/GHS NDF	4.5425	4.55/4.65	4.60/4.70	4.63/4.73	4.76/4.86	4.88/4.98	4.99/5.14	-
USD/TND	2.4800/5100	200/300	350/450	550/750	1000/1500	1500/2500	2000/3000	4000/6000
<b>Crude Oil</b>	<b>Futures</b>							
WTI	60.25							
Brent	66.70							

NOTE: \*\* (offshore levels)

## AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+20/26	+31/37	+44/50	+58/64	+72/78	+85/91	+97/103	+122/130
SAR SPREAD	+30/36	+47/53	+61/67	+73/78	+84/90	+94/101	+104/112	+125/133

Note: We can quote options in the AED, SAR & KWD.

## AND FINALLY...

Did you know that Abu Dhabi in Arabic means “Father of the Gazelle” ?

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