

MIDDLE EAST & AFRICAN MONITOR

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REGIONAL COMMENTARY

“Saudi Arabia Will Be Quite Different In 5 Years” – Crown Prince.

Saudi Arabia’s Crown Prince, Mohammed bin Salman, stated during his speech at the ‘Future Investment Initiative’ forum on Wednesday, that the Kingdom has already made progress in diversifying its economy and that these changes will become more obvious over the next five years. He also commended other countries within the region for their own economic reform plans and initiatives. “The numbers are talking and changing every day for the better, when we look at figures in the last two or three years, for example, non-oil revenues have almost tripled and we find that the current budget is the largest budget in the history of Saudi Arabia. We want to compete to raise the ambition in Saudi Arabia, we want everyone to raise the ambition. We can see that Abu Dhabi and the whole of UAE has moved very strongly in recording fast achievements. Since the Bahraini Crown Prince came to office in 1999, the Kingdom has achieved great and huge strides, this is nothing compared to what will happen in the next five years in Bahrain. Today Kuwait has a vision 2035, it has wonderful people and very large financial resources, with great ease it will be able to record huge achievements. Saudi Arabia will be quite different in the next five years, Bahrain will be quite different, also Kuwait, and Qatar with which we are at odds have a strong economy and will be completely different after five years, as will the UAE, Oman, Lebanon, Jordan, Egypt and Iraq. If we succeed in the next five years, more countries will join us. In the next 30 years the Middle East will make history, God willing. Prince Mohammed was quoted as saying by the Saudi Gazette newspaper, he also described the Jamal Khashoggi incident as “Completely heinous and unjustified. The Kingdom of Saudi Arabia is taking all legal measures to probe and complete all investigations, in cooperation with the Turkish government in order to reach findings and bring all culprits to justice to receive deterrent punishment. This measure is what any government should do in such cases, the cooperation between the Saudi and Turkish governments is distinct. We know that many are trying to exploit this painful situation to drive a wedge between Saudi Arabia and Turkey, I want to send a message to them from this platform. They will not be able to do so as long as King Salman, Crown Prince Mohammed bin Salman and President Erdogan are in office. Such a rift

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from this platform. They will not be able to do so as long as King Salman, Crown Prince Mohammed bin Salman and President Erdogan are in office. Such a rift will not happen and we will prove to the world that the two governments are cooperating to punish any criminal and culprit. Justice will prevail." You can read more on this story [here](#).

Schlumberger CEO Raises Concerns Over Future Shale Output.

The Chairman and CEO of Schlumberger Ltd, Paal Kibsgarrd, warned recently that an increase in global crude exploration and production was needed in order to avoid a potential supply crunch in the coming years. He also suggested that US shale production may not continue to grow at the rate that some people have come to expect. The international production base still accounts for around 80% of global supply and its critical to the stability of the oil market as a mere 1% net decline would represent around 800,000 barrels per day of lower production. Production growth from the international market has, since 2013, been driven by Saudi Arabia, Iraq, Iran and Russia, which combined have added 3.7 million barrels per day, while the rest of the international production base is down by 1.5 million barrels per day over the same period. Since 2014, many of the international operators have focused on maximizing cash flow by producing their fields harder and by prioritizing short-term actions at the expense of the required full cycle investments. The North American production base, which makes up the remaining 20% of global supply, has absorbed close to 70% of the demand growth since 2010 initially supported by the Eagle Ford and Bakken and more recently by the Permian basin. However, the well-established market consensus that the Permian can continue to provide 1.5 million barrels per day of annual production growth for the foreseeable future is starting to be called into question. In this respect, we do not believe that the temporary off-day constraints are the main issue as this will largely be addressed within the next 12 to 18 months. Instead, we believe the main challenge in the Permian going forward is more likely to be reservoir and well performance as the rate of infield drilling continues to accelerate," Kibsgaard was quoted as saying by the 'Seeking Alpha' website during an earnings call. You can access the full transcript of the call [here](#).

KSA's Spare Oil Production Capacity "Will Not Be Tapped Until There Is Demand For It."

The Saudi OPEC Governor, Adeb Al Aama, said yesterday during a Reuters interview, that the global crude market appears to edging towards a potential level of oversupply during the last quarter of this year and that producers need to cautious not to trigger an over-correction on the downside for prices. "We are of the view that the market in the fourth quarter could be shifting towards an oversupply situation as evidenced by rising inventories over the past few weeks, so we want to be watchful not to over-correct and cause a substantial inventory build," he warned, adding however that slowing economic growth in countries like China also needs to be taken into account. "Growth risks are a concern particularly in emerging countries ,we are aware that oil demand responds to global macroeconomic factors and will be responding with our partners proactively. Saudi Arabia produces only what its customers ask for, not more. We saw strong demand for our crudes in the third quarter and we have increased our production accordingly, However, in the case of Saudi Arabia, while the remaining spare capacity will tighten further in November, it will definitely not be tapped until there is market demand for it."

UN Inspectors Examine Weapons Seized By US Navy Off Yemen.

The US has reportedly invited UN inspectors to examine the origin of thousands of AK-47 rifles and other weapons which were seized by the USS destroyer Jason Dunham from a dhow off the coast of Yemen in August. The US administration has repeatedly accused Iran of illegally smuggling weapons to the Houthi rebels. According to an article published on the RFERL news website the destroyer was on routine patrol in the region when it noticed large bags being transferred from a dhow about 70 miles off the coast of Yemen into a smaller skiff. The navy intercepted the skiff and, after talking to the crew on board, determined they were smuggling weapons. The rifles, in bundles of four or five, were wrapped in plastic, then wrapped in styrofoam and hidden in green burlap bags.

South Africa's New Finance Minister Calls For Urgent Action On Debt Load.

South Africa's recently appointed Finance Minister, Tito Mboweni, warned yesterday during his maiden medium-term budget statement, that his country will need to reduce its debt level as quickly as possible to avoid having to eventually approach the IMF for assistance. "Whether or not you like the IMF, ideologically or practically, it doesn't matter, if you get into a debt trap that's where you end up. We must choose a path that

stabilizes and reduces the national debt. We cannot continue to borrow at this rate, we must choose to reduce the structural deficit, especially the consistently high growth in the real public-service wage bill,” he stated whilst also calling for a crackdown on corruption, “The financial challenges faced by municipalities are a reflection of weaknesses in governance, or even fraud and outright corruption.” Mboweni is having to walk the tight rope of balancing the demands of South Africa’s unemployed, re-igniting a sluggish economy and at the same time reducing the high level of government debt, which rose to 52.70% of GDP under the Zuma administration. The budget itself does not appear to include enough measures in dealing with the latter problem and predicts that this debt will expand further to 55.80% of GDP this year. Although more aggressive measures may be considered after national elections are held in 2019, Moodys, which is the only agency to still list South Africa as investment grade, said this morning that the budget “projects larger fiscal deficits and higher government debt, slower growth, a weaker Rand and higher interest rates than expected in February, a credit negative. In response President Cyril Ramaphosa addressed the ratings agencies directly today saying, “we are turning this ship around,” he also said that his government was committed to protecting property rights. You can read Mboweni’s full mini-budget speech here.

Kuwait Wants Public Sector Expatriate Employees Replaced By Citizens.

Kuwait’s Minister of Commerce and Industry, Khaled Al Roudhan, was quoted by the Arabian Business magazine as saying that the country’s public sector will eventually be staffed by Kuwaiti nationals only. In this regard Kuwait’s National Assembly has formed an employment committee to examine the possibility of combating unemployment among nationals by removing expats from public sector roles and replacing them with Kuwaitis. The Civil Service Commission reportedly already laid off 1,600 expatriates from the public sector in July this year.

Sudan To Lift Ban On Imports From Egypt.

The President of Sudan, Omar Al Bashir, announced late yesterday that his government will lift its partial ban on the import of Egyptian products and remove remaining obstacles linked to the movement of people and goods between the two countries. This announcement came soon after a meeting between Al Bashir and his Egyptian counterpart President Abdel Fattah al Sisi according to a Reuters report.

Tunisia Raises EUR 500 Mio Via Bond Issue.

Tunisia raised EUR 500 mio via a Eurobond issuance earlier this week. The issue attracted a decent order book according to Reuters but the rate of 6.75% was higher than the country’s previous bond sale which paid 5.75% last year.

Oman Sells 7-Year US\$ SUKUK.

Oman raised US\$1.5 bio via a seven-year Islamic bond issue on Wednesday. The bond priced at 280bp above mid-swaps compared to an initial price guidance of MS+300 bp, and the order book totaled over US\$3.5 bio according to a Reuters report.

Zambia’s Economy Expands But So Does Its Debt.

Zambia recorded GDP growth of 3.30% during H1 of this year according to data released by the national statistics office this week. This growth was driven primarily by the mining, finance and insurance sectors, but Zambia’s debt load remains a concern, with FITCH expecting the country’s debt to GDP ratio to hit 69% of GDP by the end of this year. FITCH already reduced its credit ratings on the country to B- with a negative outlook earlier this month.

Construction Of Hyperloop In Abu Dhabi Set To Begin.

The construction of a commercial Hyperloop track, as well as an innovation and experience centre in Abu Dhabi is due to begin next year according to an article in the Khaleej Times newspaper. These facilities will be built near the border with the Emirate of Dubai and close to Al Maktoum International airport.

Continued...

FX/RATES & CRUDE MARKETS:

Indication Levels Only – Please Contact us on Reuters Dealing Codes FABA/FABU for any live pricing and/or information.

Currency	Spot	1M	2M	3M	6M	9M	12M	2Y
USD/AED	3.67295/305	Par/+3	3/6	4/9	12/17	20/30	30/40	90/120
USD/SAR	3.7509/12	-3/Par	-3/Par	-2/+1	7/17	25/40	45/65	210/260
USD/QAR	3.6580/6610	-15/-5	-22/-12	-30/-15	-50/-30	-70/-50	-90/-60	-120/-20
USD/KWD	0.30370/380	-15/-5	-25/-15	-35/-20	-70/-40	-130/-100	-150/-100	-170/-120
USD/OMR	0.38499/502	15/25	30/50	55/75	110/140	190/240	280/320	600/700
USD/BHD	0.37693/698	15/25	30/50	40/60	80/110	110/160	180/230	380/480
USD/MAD	9.4900/5100	600/900	800/120	1100/1700	1800/2800	2400/3400	3000/4500	3500/6500
USD/EGP NDF	17.91	18.03/18.09	18.17/18.23	18.35/18.41	18.84/18.90	19.34/19.40	19.86/19.92	-
USD/JOD	0.70957/105	40/90	45/145	100/200	150/350	250/500	350/750	750/1750
USD/NGN NDF	363.50	364.50/365.50	365.00/367.00	367.00/369.00	372.50/375.50	379.50/383.50	387.50/392.50	(NAFEX)
USD/GHS NDF	4.8200	4.83/4.87	4.85/4.88	4.90/5.00	5.03/5.13	5.20/5.35	5.38/5.53	-
USD/TND	2.9100/9400	350/550	700/1000	1000/1500	1500/2500	2000/3500	3000/4500	5000/8000
Crude Oil	Futures							
WTI	66.58							
Brent	76.20							

** (offshore levels only)

AED AND SAR IRS SPREADS

Currency	1Y	2Y	3Y	4Y	5Y	6Y	7Y	10Y
AED SPREAD	+27/33	+31/37	+41/47	+52/58	+63/69	+74/80	+86/92	+113/121
SAR SPREAD	+32/38	+35/41	+42/48	+49/55	+57/63	+65/71	+73/79	+95/103

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

AND FINALLY...

Did you know that the Date Palm is one of the oldest trees in the world ? Egypt and Saudi Arabia are amongst the world's largest producers of dates of which there are over 300 varieties. Dates are also an extremely good source of carbohydrates, fibre, potassium and vitamin C.

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