

JUNE 2018

US withdraws from Iran nuclear deal and reimposes sanctions;
Oil prices spike; Al-Sadr bloc pushes out Iraqi PM Haider al-Abadi;
IMF to approve additional \$2bn loan to Egypt



US President Donald Trump holds up a proclamation declaring his intention to withdraw from the Iran nuclear agreement



IRAN

US withdraws from Iran nuclear deal and reimposes sanctions

On 8 May, President Donald Trump announced the withdrawal of the US from the Iran nuclear deal, which was signed in January 2015 by the five permanent members of the UN Security Council plus Germany and Iran. Trump described the agreement, which saw the lifting of sanctions on Iran in return for the suspension of Tehran's nuclear programme, as "rotten" and an "embarrassment", and said the full weight of US sanctions would be reimposed. Sanctions on currencies and metals will return on 6 August and those on the oil, energy and financial sectors will be reinstated on 4 November.

OIL PRICE

Brent crude oil prices experience a continued rise

The price of a barrel of Brent crude oil hit \$80 on 17 May. This followed a rise to about \$78 a barrel seen on 8 May following the announcement of the reimposition of US sanctions on Iran. This upswing follows months of gradual price rises driven by the Opec-led cuts to supply, backed up by the strong performance of the global economy, and the disruption of supply in Venezuela. Some analysts, including those at Bank of America (BoA), now predict prices could rally to \$100 a barrel next year. BoA analysis still suggests that prices could hit \$90 in the second quarter of 2019.

6 August

Date US sanctions on currencies and metals will be reimposed

4 November

Date US sanctions on oil, energy and financial sectors will return

IRAQ

Al-Sadr bloc pushes out PM Haider al-Abadi

The Saeroun alliance, led by Shia cleric Moqtada al-Sadr, has won the parliamentary election in Iraq. Final results, which were released on 19 May by Iraq's electoral commission, gave the Saeroun bloc 54 seats. The Victory Alliance, which was headed by incumbent prime minister Haider al-Abadi, was pushed back into third place with

42 seats. The pro-Iranian Al-Fatah bloc, led by Hadi al-Amiri, came in second place, with 47 seats. Al-Fatah combines the political wings of militias in the Shia-led paramilitary Hashd al-Shaabi (Popular Mobilisation) force and is led by the country's former transport minister, Hadi al-Amiri.

Al-Sadr, a long-standing opponent of US involvement in Iraq, who also opposes Iranian

influence in the country, cannot become prime minister himself, as he did not stand as a candidate in the election. However, his bloc's victory in the election means that he will be heavily involved in negotiations regarding the formation of Iraq's new government.

According to Iraq's constitution, a government must be formed within 90 days of the election results being announced.

LEBANON

Hezbollah declares election victory for its alliance

Hezbollah's leader says the Shia group and its allies have achieved victory in Lebanon's first parliamentary elections since 2009. Hezbollah and its allies won at least 67 of the 128 seats in parliament, although Hezbollah itself only won one additional seat.

Prime Minister Saad Hariri said his Western-backed Future Movement had lost a third of its seats.

However, Hariri is expected to be asked to form a new unity government, as the Sunni Muslim leader with the most seats. A power-sharing system stipulates the prime minister must be a Sunni Muslim, the speaker of parliament a Shia and the president a Maronite Christian.

Hezbollah's Hassan Nasrallah declared what he called a "great political and moral victory for the resistance option that protects the sovereignty of the country".

ECONOMY

Riyadh's first-quarter budget deficit in line with targets

Saudi Arabia has registered a budget deficit of SR34.3bn or \$9.14bn in the first quarter of 2018, or about 18 per cent of the total gap forecast for this year, the Finance Ministry has announced.

The kingdom has projected a deficit of \$52bn, or 7.3 per cent of GDP this year, down from \$61bn last year. First-quarter revenues reached \$44.34bn, up 15 per cent from the same period last year, the ministry said. This was in part due to a 63 per cent rise in non-oil

revenues to \$14bn, mainly due to the 5 per cent VAT and fees on foreign workers introduced by the government in January. Total expenditure during the period reached \$53.49bn, up 18 per cent.

Riyadh, which is making progress with its economic diversification agenda, aims to balance the budget by 2023. Commenting on the growth in contribution of the non-oil sector to GDP, Finance Minister Mohammed al-Jadaan said the first quarter figures "reflect rapid and significant progress in economic reform".


EGYPT

IMF to approve additional \$2bn loan to Egypt

The IMF has said it will approve the payment of a further \$2bn of a \$12bn loan to Egypt as the country undertakes tough economic reforms. It cited accelerating growth and a declining current account deficit as reasons for the decision. "Egypt has begun to reap the benefits of its ambitious and politically difficult economic reform programme," the IMF said.

The payment comes after a review of the economic reforms agreed in late 2016 was carried out in May. When the transfer is made, it will take the total amount paid to \$8bn. The IMF said the reforms were critical to stabilise the economy and improve living standards for all Egyptians.



 Egypt has begun to reap the benefits of its economic reforms

GAZA/WEST BANK

UN condemns killing of Palestinian demonstrators

Violence in the Gaza strip escalated this month with the killing of 60 Palestinian protesters. The killings took place on 14 May during demonstrations at the Gaza border fence, which coincided with a high-profile ceremony to mark the transfer of the US embassy from Tel Aviv to Jerusalem, overturning decades of US foreign policy.

UN officials have condemned the recent killings as an “outrageous human rights violation”. Russia and China also expressed their concern over the killings.

According to the Hamas-run Gaza health ministry, those killed on 14 May included eight children under the age of 16. At least 2,400 people were wounded.

UAE VAT

UAE approves VAT refunds for exhibitions and conferences

The UAE Cabinet has approved a resolution conferring the right to VAT refunds for meetings, incentives, conferences and exhibitions (MICE) operators serving visitors with no permanent presence in the UAE.

The resolution pertains to any exhibition or meeting held for no more than seven days.

The timely measure is naturally supportive of the UAE’s MICE industry, whose annual contribution to the UAE economy stands at \$650m and is expected to rise to \$1.38bn by 2020.

A government statement said the resolution would “guarantee ease of doing business and competitiveness in this sector”.

SYRIA

US set to withdraw aid from northwestern Syria

The US is withdrawing assistance from northwest Syria as President Donald Trump’s administration reviews stabilisation aid to the country, a State Department official told CNN. The withdrawal of assistance comes as the US-led military coalition battles the remaining elements of Isis in the Middle Euphrates River Valley along the Syrian border of Iraq.

“\$200m of stabilisation assistance for Syria is currently under review at the request of the president,” the official said in a statement to CNN. “Distinct from that amount, US assistance for programmes in northwest Syria are being freed up to provide potential increased support for priorities in northeast Syria.”

\$650m

MICE’s annual contribution to the UAE’s economy

\$1.38bn

MICE’s anticipated contribution by 2020

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State-owned Saudi Basic Industries Corporation

has formed a joint venture with downstream major ExxonMobil Chemical Company for its Gulf Coast Growth Ventures project in the US. The project, to be located in Texas, is expected to include a 1.8 million tonne ethane cracker, a monoethylene glycol unit and two polyethylene units.

State-owned Petroleum Development Oman

is planning to invest more than \$20bn in exploration and production activities by 2021 with the objective of sustaining its long-term hydrocarbon output. For 2018, the capital budget is \$4.1bn, according to the company.

Saudi British Bank (Sabb)

has confirmed that merger talks with local firm Alawwal Bank are at an advanced stage and that the boards of directors of both banks have reached a preliminary, non-binding agreement on the share exchange ratio. Sabb first announced the possible merger on the Saudi Stock Exchange website on 25 April.

Lebanon’s High Council for Privatisation and PPP

has appointed international advisers for the development of national data centres, a new expressway and the expansion of Beirut Rafic Hariri International airport. The total planned budget for the three projects is estimated at approximately \$4bn.