

AUGUST 2019

Tehran's actions in Strait of Hormuz waters cause tensions to rise; IMF projects non-oil growth in Saudi Arabia at 2.9 per cent for 2019; Egyptian economy registers growth of 5.6 per cent; UAE VAT revenues exceed estimates



Stena Impero, a UK-flagged vessel owned by Stena Bulk, was seized by the Iranian Revolutionary Guard on Friday 19 July



IRAN TENSIONS

Tehran tanker seizures raise tensions in Strait of Hormuz

Tensions in the Gulf flared in mid-July when Iran seized three oil tankers in the Strait of Hormuz. Although Iran's Revolutionary Guards later released one, a Liberia-registered vessel, it retained control of the UK-flagged Stena Impero, which had 23 crew members on board, alleging that the vessel caused an accident with an Iranian fishing boat. On 18 July, Iran seized a Panamanian-flagged oil tanker, accusing it of smuggling oil.

On 20 July, Iran declared the seizure of the Stena Impero to be a reciprocal move to the British seizure and detention of the Iranian-owned Grace1 super tanker in Gibraltar.

OIL PRICES

Brent crude falls despite Gulf tensions and Opec cuts

The price of Brent crude oil fell by 7 per cent to below \$62 a barrel in the third week of July despite Iran's seizure of three tankers in the Strait of Hormuz and US plans to deploy troops to Saudi Arabia. The drop suggests that the markets are more concerned over the troubled outlook for Chinese and global growth and the likely impact on oil demand than they are about disruptions to Gulf oil supplies.

On the supply side, the Opec+ agreement has been extended to March 2020, but even with full implementation the production of US shale oil is expected to continue to rise.

\$61.93

Closing price of a barrel of Brent crude oil on 18 July

March 2020

End of renewed extension of production cuts by the Opec+ group

SAUDI ARABIA

IMF projects 2.9 per cent non-oil growth in Saudi Arabia in 2019

Saudi Arabia's real non-oil growth is expected to strengthen to 2.9 per cent in 2019, sailing past the IMF's April forecasts for 2.6 per cent growth, the IMF has concluded following its latest Article IV consultation.

Overall real GDP growth is likewise projected to rise to 1.9 per cent, 0.1 per cent higher than the IMF's April forecast for 1.8 per cent real GDP growth – although

still down from the 2.2 per cent real GDP growth in 2018.

Real oil growth is expected to hit its original 2019 forecast of 0.7 per cent, down from 2.8 per cent in 2018 due to the weakening of oil prices and extension of production cuts under the Opec+ agreement.

The fiscal deficit is meanwhile projected to widen to 6.5 per cent of GDP, up from 5.9 per cent in 2018, but below the IMF's April 2019 forecast for a widening of the deficit to 7.9 per cent.

EGYPT

Egyptian economy registers growth of 5.6 per cent

Egypt's economy grew 5.6 per cent in the 2018-19 fiscal year ending June 2019, and is "on the right track" as it completes IMF-backed reforms, Prime Minister Mustafa Madbouli has said.

The budget deficit came in at 8.2 per cent of GDP, which was slightly below an official forecast of 8.4 per cent. Egypt is emerging from a three-year economic reform programme hinged on a \$12bn loan from the IMF.

Madbouli said Egypt's primary surplus stood at 2 per cent for the fiscal year, and also pointed to a recent drop in inflation as positive signs.

Economic growth was up from 5.3 per cent in 2017-18 and in line with a government forecast.

Egypt has been praised by international lenders for the swift reforms Cairo has implemented since 2016, although austerity measures and inflation have left much of the Egyptian population struggling to get by.

OMAN

Expats leave the sultanate as Omanisation policies take effect

More than 65,000 expatriates left Oman between May 2018 and May 2019, according to the National Centre for Statistics & Information. This leaves a total expatriate population of 2 million people and expatriate workforce of 1.79 million people in the country. Oman has imposed an expatriate visa ban on 87 job roles since 28 January 2018,

and in May 2019 it extended this ban to all clerical, administrative and some managerial positions.

The departure of expatriates from Oman has led to a drop in rental prices by as much as 60 per cent in some areas of Muscat over the past 12 months.

Between January 2018 and May 2019, more than 67,000 jobs were provided to Omanis by the private sector.

UAE

VAT revenues in 2018 exceed government estimates

The UAE has released data revealing that VAT collections were far higher than expected, reaching \$7.4bn in 2018, compared with the government's original projection of \$3.3bn, and higher even than the government's 2019 projection of \$5.5bn. The federal government will retain \$2.2bn or 30 per cent of collected revenues, while the remaining \$5.14bn will be divided among the emirates.

Despite earlier indications that the government would develop a formula to distribute VAT revenues across the emirates based on a combination of the share of population and non-oil GDP, the revenues have been distributed according to their source. In nominal terms, the biggest beneficiary from the introduction of VAT was Dubai, which is estimated to have received about 60 per cent of the share of revenues attributed to the emirates and 42 per cent of total VAT revenues in 2018.



 The UAE's 2018 VAT collections were far higher than expected

\$7.4bn

Total value of VAT collected in the UAE in 2018

30%

Proportion of VAT revenue retained by the federal government

SAUDI ARABIA

Shura Council approves draft competition law

Saudi Arabia's Shura Council has approved a draft competition and government procurement law aimed at combating anti-competitive business practices and the peddling of influence in procurement procedures. The new law prohibits 'economic concentration' and requires companies to notify the General Authority for Competition if their share of a market exceeds 40 per cent of the total sales of a given good or service for a period of 12 months (a so-called 'dominant position'), or if their turnover exceeds a certain amount.

The council is also reported to have commenced discussions about a draft law relating to the periodic inspection of vehicles.

SAUDI-US RELATIONS

Saudi king gives green light to hosting US troops in kingdom

Saudi Arabia's King Salman has approved the stationing of American troops in the kingdom in order to boost regional security. The US Defence Department has confirmed the new deployment. It said troops and resources would be sent to Saudi Arabia to "provide an additional deterrent" in light of "emergent, credible threats".

The move comes amid rising tensions between the US and Iran that have impacted global oil markets. The decision to host US forces is intended "to increase joint cooperation in defence of regional security and stability and to preserve its peace," the official Saudi Press Agency quoted a Ministry of Defence official as saying.

UAE

Abu Dhabi cancels fees on a range of government services

The UAE Ministry of Economy has cancelled fees on more than 100 government services and reduced the charges for others in an effort to lower the cost of doing business in the country. The ministry has amended the fee and fine structure for 110 services, cancelling fees for 102 and reducing them for eight services by as much as 50 per cent.

The initiative will be implemented on the services extended by the ministry's customer happiness centres and through its website, although the services on which fees no longer apply have yet to be identified. The amended fees are understood to constitute 47 per cent of the total fees levied by the ministry.



 The Pentagon previously said it would deploy 1,000 troops to the Middle East, but did not say where

500

Number of US military personnel the deployment to Saudi Arabia will include, according to a US official

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Dubai-based ports operator DP

World listed a \$1bn sukuk and \$300m conventional bond on Nasdaq Dubai on 18 July. These listings make DP World the UAE's largest debt issuer by value on the region's international exchange, with sukuk and conventional bond listings totalling \$8.09bn.

Local developer Aldar Properties

has partnered with the Abu Dhabi government to deliver AED5bn (\$1.36bn) of projects in the emirate. The work includes AED2bn of infrastructure on Saadiyat Island, an AED2bn, 899-villa expansion of the Al-Falah development, and an AED1bn contract from Twofour54 to develop its Yas Island campus.

Abu Dhabi National Oil Company

(Adnoc) has issued an invitation to bid to contractors for two packages, as part of its Hail and Ghasha sour gas megaproject. The scheme to produce 1 billion cubic feet of gas a day from the Hail and Ghasha offshore field by 2024 is estimated to be worth more than \$10bn.

Kuwait plans to launch

a tender for the 2GW next phase of its Shagaya renewable energy complex in the current fiscal year, which runs until March 2020. The third phase will include thermal concentrated solar power and wind projects. The breakdown between the technologies has not been disclosed.