

MARCH 2019

Crude prices rise as Opec-plus deal begins to impact markets; Algeria's Bouteflika seeks fifth presidential term; EU countries take steps to bypass US sanctions on Iran; Syria and Iran elevate economic cooperation



Supporters of Algeria's National Liberation Front party gather in Algiers on 9 February to call upon the current President Abdelaziz Bouteflika to run for a fifth term in office



OIL PRICES

Crude prices rise as Opec-plus deal begins to impact markets

Brent crude rose above \$66 a barrel in mid-February – its highest price since November – after a partial shutdown at the world's largest offshore oil field, Saudi Arabia's Safaniya, led to a tightening of supply. Progressing US-China trade talks also strengthened demand sentiment.

Brent has remained above \$60 a barrel during February after the Opec-plus deal that came into effect on 1 January began to yield results. Saudi Arabia produced about 10.1 million barrels a day (b/d) in February, significantly below its 10.33 million b/d cap. Riyadh said it will further reduce output by 500,000 b/d in March.

ECONOMY

Stable outlook for Levant and North Africa sovereigns

The 2019 stable outlook for sovereign creditworthiness in the Levant and North Africa region reflects support from modest domestic growth and some expected progress on fiscal consolidation, set against the slowing pace of structural and fiscal reforms in most countries, Moody's Investors Service has said.

The regional median debt ratio peaked at 83 per cent of GDP in 2018, but higher interest rates will further erode debt affordability in all countries, Moody's noted, adding that external vulnerability remains in much of the region due to large external imbalances and reliance on external funding.

\$66.25

Price of a barrel of Brent crude on 15 February 2019

500,000

Barrel-a-day reduction expected in Saudi Arabia's output in March

ALGERIA

Algeria's Bouteflika seeks fifth presidential term

Incumbent Algerian President Abdelaziz Bouteflika has declared his intention to seek a fifth term in the country's presidential elections in April, after he was endorsed by his party and the ruling coalition. State media reported the president's "unwavering desire to serve" despite not being "the same physical force as before".

The announcement came amid growing concerns over the ailing health of Bouteflika, who is 81 years old, uses a wheelchair, and has rarely been seen in public since suffering a stroke in 2013. Yet Bouteflika retains widespread respect among the Algerian people for his role in ending the country's decade-long civil war, which killed hundreds of thousands of people according to some estimates.

OIL & GAS

Middle East greenfield investment to surge

The global oil and gas industry's investment in new projects is set to double in 2019, with the UAE and Saudi Arabia fuelling growth. Rystad Energy forecasts that projects involving more than \$240bn in greenfield investments will be sanctioned in 2019, with almost

25 per cent expected to come from the Middle East.

Regional greenfield investments will reach about \$56bn in 2019, more than six times the investments sanctioned in 2018.

Investments in gas developments alone are expected to jump to \$30bn this year from about \$1.7bn in 2018.

EUROPEAN UNION

Brussels warns of Saudi money laundering risk

The European Commission has added Saudi Arabia and 22 other countries to a list of states deemed a threat over their alleged lax

controls on terrorism financing and money laundering. The move is part of a wider crackdown on money laundering after several scandals at EU banks, but has been criticised by several EU countries, including the UK, which are worried about their economic relations with the listed countries, notably Saudi Arabia.

In a statement published by the Saudi Press Agency, the Saudi government said it was disappointed by the decision to include it in the list, adding: "Saudi Arabia's commitment to combating money laundering and the financing of terrorism is a strategic priority."



 Saudi Arabia says it is committed to combating money laundering

IRAN

EU countries take steps to bypass US sanctions

France, Germany and the UK have set up a financial mechanism designed to avoid US sanctions against Iran and keep the 2015 nuclear deal afloat. Through the Instex trade vehicle, the three countries aim to assert European economic sovereignty in the face of Washington's determination to impose its foreign policy on Europe. The strategy would initially focus on trying to ease the flow of humanitarian supplies to Iran, said German Foreign Minister Heiko Maas. Eventually, the plan is for the vehicle to expand to allow European firms to trade more freely with Iran in a range of goods.



 France, Germany and the UK aim to ease the flow of aid to Iran

\$56bn

Middle East oil and gas greenfield investments forecast in 2019

\$30bn

Predicted level of investments in gas developments in the region this year

23

Nations added to list of countries that pose money-laundering and terrorism financing threats

YEMEN

Houthi rebels to withdraw forces from port of Hodeidah

Yemen's government and Houthi rebels have agreed on the first phase of a withdrawal from the city of Hodeidah.

The UN described the deal as "important progress" towards ending the conflict in the country. The first phase includes a pullback of troops from the ports of Hodeidah, Saleef and Ras Issa.

The UN Security Council had urged the warring parties to withdraw their forces from the three ports on 14 February. The call came after representatives from both sides met for UN-led talks after the troop withdrawal that had been agreed in December stalled in January over disagreements about who should control the city and ports.

LEBANON

Government formation clears way for external investment

Lebanon's disparate political factions finally agreed on the formation of a new government on 31 January, almost nine months after parliamentary elections in May 2018 resulted in net gains among pro-Hezbollah political forces. The breakthrough came a week after Lebanon's credit rating was downgraded by Moody's to Caa1 to reflect Beirut's rising risk of default.

Moody's called the announcement credit positive because it expects that the new government will implement necessary fiscal reforms to unlock the \$11bn, five-year investment package committed by international donors at a conference in Paris in April last year.

SYRIA

Syria and Iran elevate economic cooperation

Syria and Iran signed 11 agreements and memorandums of understanding (MoUs) on 28 January to build cooperation between the two countries.

The sectors covered by the agreements include the economy, culture, education, infrastructure, investment and housing, according to Iran's official Sana news agency.

The agreements were signed during Iran's first vice-president Eshaq Jahangiri's visit to Damascus and included two MoUs between the railway authorities of the two countries as well as between their investment promotion authorities. Rehabilitation of the Syrian ports of Tartus and Latakia and the construction of a 540MW power plant were also included.



 The new government is expected to implement fiscal reforms

\$11bn

Value of the five-year investment package committed to Lebanon by international donors last year

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Egypt has awarded 12 oil and gas blocks as part of its latest licensing round. Egyptian General Petroleum Council awarded seven oil blocks, while Egyptian Natural Gas Holding signed contracts for five gas blocks. US-based Exxon made its entry into Egypt by winning a gas exploration block.

Procurement and negotiations for Saudi Arabia's multibillion-dollar urban rail schemes, particularly the Mecca Metro, are likely to advance in 2020, which will be "the year of transport and logistics projects in Saudi Arabia", a source tells MEED, adding that Riyadh aims to finish ongoing megaprojects before moving on to other projects.

Saudi Arabia and Pakistan have signed an agreement to set up a \$10bn oil refinery that will process crude oil from Saudi Aramco in the Pakistani port city of Gwadar. Aramco will build the refinery with state-owned Pakistan State Oil. The investment commitment of the two parties is yet to be revealed.

Dubai-based Emirates Airline has abandoned its additional Airbus A380 order in favour of smaller, more efficient Airbus aircraft. It has placed an order for 40 A330-900 aircraft and 30 A350-900 aircraft with France's Airbus. The order is worth an estimated \$21.4bn based on list prices.