SEPTEMBER 2019

GCC fiscal reform progress to remain slow; Saudi Arabia disassembles elements of its guardianship system; STC leader in reconciliatory talks following occupation of Aden; Bahrain set to join maritime security coalition

GLOBAL OIL PRICES

Oil falls below $60 a barrel with persistent downward pressure

The price of Brent crude dropped to nearly $56 a barrel on 8 August following the announcement that the US was to impose 10 per cent tariffs on $300bn of Chinese goods, fears rose that an escalation in the US-China trade war would hit global economic growth. The latest tensions knocked share prices around the world, with many bourses seeing big falls. Global economic concerns have been further exacerbated by the 0.1 per cent downgrade of global economic growth projections by the IMF in July and by expectations that Germany, the economic heart of the EU, could be heading for recession.

GCC ECONOMY

Lower oil price and weak global growth weigh on GCC

GCC countries’ fiscal reform progress will remain slow, according to Moody’s Investors Service. A report notes that, although policy measures have slowed fiscal deterioration linked to lower oil prices in the GCC, most GCC sovereigns will continue to run deficits if crude prices remain moderate. While fiscal break-even oil prices have generally declined since 2014, they are still too high to balance national budgets, unless there is a price rise to above $70 a barrel in the medium term.

The kingdom is planning to sell 5 per cent of Saudi Aramco shares to raise up to $100bn based on a $2tn overall valuation of the company.

Several banks, analysts and global financial institutions have said they estimate the state-owned firm to be worth much less than that, however. Sources have not specified which banks were approached to bid for the advisory roles.

EGYPT

IMF approves $2bn in funds to boost Egypt’s economy

The International Monetary Fund (IMF) said its executive board has completed the fifth review of Egypt’s $12bn loan programme, allowing Cairo to draw another $2bn in funds to help boost North Africa’s biggest economy.

The draw down represents the final instalment in a three-year loan programme agreed in 2016 to support Egypt’s economic reforms, the Washington-based lender has said.

Egypt, the most populous Arab nation, met its 2018-19 primary surplus target of 2 per cent of the country’s GDP. The IMF also noted the importance of maintaining primary surpluses over the medium term to keep public debt on a downward trajectory.

SAUDI ARAMCO IPO

Saudi energy giant tenders advisory roles to banks

Saudi Aramco has asked several banks to bid for advisory roles for its planned initial public offering (IPO) exercise.

Aramco has reportedly decided to renew efforts to proceed with its IPO following the positive reaction to its heavily oversubscribed debut sukuk offering in April, which drew $100bn-worth of orders.

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Social Change

Saudi Arabia removes several restrictions on women

The Saudi Arabian government has partially disassembled certain legislative elements of its controversial guardianship system, which treats women as legal minors and bars them from various activities without permission from a close male relative.

A new set of laws published on 1 August, and set to take effect later this month, will ostensibly permit all citizens aged 21 and older – including women – to register children, run businesses, work without permission, apply for passports and travel independently. The new rules also protect women from workplace discrimination on the basis of gender and stop employers from firing women during pregnancy or maternity leave.

The legislation is not holistic, and does not address important issues such as the right of women to choose who to marry, or the right to pass on their citizenship to their children.

Yemen

Riyadh mediates between Yemeni rivals

The leader of Yemen’s separatist Southern Transitional Council (STC), Aidaroos al-Zubaidi, arrived in Jeddah on 20 August, after being invited to Saudi Arabia for reconciliatory talks with the government of President Abd-Rabbu Hadi following a standoff over the STC’s occupation of Aden.

The city had been the interim local headquarters of the Hadi government, so its loss is a major blow to the Saudi-backed government, leaving it without a foothold in either of the two largest Yemeni cities.

Saudi Arabia and President Hadi called for the STC to withdraw from Aden as a precondition to talks, but the STC has only vacated government buildings and remains in control of military installations.

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SUDAN

Sudanese economist appointed as new prime minister

A senior Sudanese economist, Abdalla Hamdok, was appointed as transitional prime minister on 17 August, after the military and protesters signed a constitutional declaration on 4 August paving the way for the formation of a new transitional government.

“The government’s top priorities are to stop the war, build sustainable peace, address the severe economic crisis and build a balanced foreign policy,” he told reporters. His appointment came as the country’s former military leader Lt-Gen Abdel Fattah Abdelrahman Burhan was sworn in as head of a new Sovereign Council, which replaces the Transitional Military Council that took charge after the Islamist ruler was toppled after mass protests.

SYRIA

Rebels abandon position as pro-government troops advance

Insurgent groups have withdrawn from Khan Sheikhun in northwest Syria, clearing the way for pro-government forces to enter the town, in a milestone moment in the war for Idlib province, Syria’s last major rebel stronghold.

The development came hours after Turkey deployed tanks and armoured vehicles deep into Syria, partly in response to days of advances by forces fighting on behalf of the Syrian President Bashar al-Assad.

Khan Sheikhun has been a key target in a military campaign launched in late April. The campaign had stalled until recently, despite numerous Russian-led airstrikes on areas in southern Idlib.

BAHRAIN

Bahrain is first Gulf country to join US-led maritime coalition

Bahrain has announced it will join a US-led maritime coalition to counter Iranian threats to the freedom of navigation in the Gulf.

King Hamad bin Isa al-Khalifa announced the decision during a meeting in Manama with the head of the US Central Command, General Kenneth McKenzie.

Bahrain, which hosts the US Navy’s 5th Fleet, is the first Gulf country to officially join the coalition. The US initiative was launched after several attacks on tankers in the region’s waters since May, in what Washington regards as a coordinated effort by Iran’s Islamic Revolutionary Guard Corps to threaten freedom of navigation near the Strait of Hormuz.

500,000

Number of people in southern Idlib forced to leave their homes by Russian airstrikes

FURTHER READING

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Abu Dhabi-based Etihad Rail has received bids for the railway integration and systems contract for stage 2 of the 1,200-kilometre federal railway. The selected contractor will be responsible for the design, procurement, manufacture, installation and systems integration.

Dubai Electricity & Water Authority (Dewa) has awarded a AED1.437bn ($391.2m) contract to a consortium of Austrian firms Strabag and Andritz and Turkey’s Ozkar to build the GCC’s first hydroelectric project in the Hatta area. The project will have the capacity to generate 250MW of electricity, and is scheduled to be commissioned by February 2024.

Saudi Aramco is considering a $15bn investment to acquire 20 per cent of the oil-to-chemicals business of India’s Reliance Industries. Aramco and Reliance have agreed to a non-binding Letter of Intent regarding a proposed investment in the Indian company’s oil-to-chemicals division.

The clients for the King Hamad Causeway expect to appoint the project’s transaction advisory contract in September. The 25-kilometre road and rail causeway, which has an estimated budget of between $5bn and $6bn, is the second crossing to link Saudi Arabia and Bahrain.