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Volume 1, Week 20 & 21

STRATEGIC SAUDI ARABIA UPDATE

- Strategic Analysis
- Insight News

SAUDI ARABIA STRATEGIC UPDATE

Volume 1, Week 20 + 21

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SAUDI ARABIA STEPS UP DEFENSE SECTOR DEVELOPMENTS

STRATEGIC ANALYSIS

After years of discussions and investments in Saudi Military Industries Corporation (MIC), the Kingdom has decided to develop a local defense industry capable of competing with other regional producers, such as the UAE, Egypt and Turkey. In a statement made by Saudi Arabia's Public Investment Fund (PIF), the latter announced the launch of a state-owned military industrial company aimed at contributing more than 14 billion riyals (\$3.7 billion) to the Kingdom's gross domestic product by 2030.

The new entity, called Saudi Arabian Military Industries (SAMI), is expected to set up a work program able to provide over 40,000 jobs by 2030. SAMI "aims to become one of the world's top 25 defense companies by 2030," a statement from the Public Investment Fund (PIF) said. SAMI will be both a manufacturer and service provider, which will include maintenance and repair of fixed-wing aircraft, production of drones, and military vehicle repair and manufacture. The company will also be involved with weapons and missiles, plus radars and other defense electronics. Based on the plans presented, SAMI will contribute about \$3.7 billion to the kingdom's gross domestic product and invest more than \$1.6 billion in research and development by 2030.

As indicated before by Saudi Deputy Crown Prince and Minister of Defense Mohammed Bin Salman, the main driver for the new company is to decrease the immense international defense procurement programs of the Kingdom in the future. At present, Saudi Arabia's defense spending of around \$70 billion per year is spent almost totally outside of the Kingdom. MBS has now given the PIF, which is

the country's top sovereign wealth fund, with the task of setting this up. Part of the money needed will be coming from the expected revenues of the upcoming Saudi Aramco IPO and other companies.

One other major issue will be that Saudi Arabia could be changing the historical balance between the West and Arab countries dramatically. Since the end of WWII, the Gulf region, including Iran until 1978, has been a money generator for Western and FSU military industries. Until now Saudi Arabia has been recycling back part of its vast oil revenues and wealth to the West. Arms deals and multibillion investments have been paid for by Saudi Arabia via its SWFs and oil revenues of the government. This however is to change 180 degrees, as MBS's Saudi Vision 2030 already has instigated. The deputy crown prince has openly stated that his Vision 2030 was not only a structural reform program for the Saudi economy, but also would be focusing on investing and generating wealth inside of the Kingdom. The latter is needed partly to counter possible lower future hydrocarbon revenues, due to the increase of renewables but also due to the fact that oil and gas reserves will end. The need to increase local content (products and people) is also needed to counter the expected substantial increase of young people entering the labor markets until 2030. The set-up of Saudi industrial sectors, such as SAMI, is a normal way of diversifying the currently hydrocarbon based economy into a multipolar economy, able to compete with global markets, while at the same time reducing the outflow of capital to other countries.

As MBS indicated to the Saudi press, SAMI will be a key catalyst in the future of the economy, mainly also by increasing the local content percentage in the company, but also by forcing 50% of total military spending of the government in the Kingdom by 2030. At present, MBS indicated local defense spending was only at around 2%. Saudi Arabia also wants SAMI to become a major factor in export growth while at the same time bringing foreign investments into the Kingdom. Part of new



military contracts with Saudi Arabia will be the necessity to enter into joint ventures with major international military industry companies, forcing the latter to manufacture or produce in Kingdom. First focus of SAMI will be on repair and maintenance of planes as well as in the manufacture of unmanned aircraft. Additionally, it will do work on military vehicles, ammunition, radar, communications systems and electronic warfare. If this will be put in place, the role of Saudi MIC is still not redundant. The latter is focusing at present on the development of artillery, ammunition and other research sectors.

A Saudi defense industry will be a new competitor for these still young industries in the region. The still unknown factor in the whole assessment will be still what the future will hold when looking at the immense defense investments being done already in the UAE, Qatar, Turkey and Egypt. Leaving the mature defense conglomerates in Egypt and Turkey aside, the UAE and Turkey has heavily invested in setting up a military vehicles and drones sector. At the same time, the whole GCC is looking at the development of a Navy focused defense sector, where Turkey and Qatar already hold a portion off. Competition in the GCC will not only be a possible constraint to some of the plans of MBS, but also could again lead to increased political friction between the already not fully stable Arab multilateral cooperation efforts.



SAUDI ECONOMY MOVES TO RENEWED GROWTH

The International Monetary Fund (IMF), one of the world's leading financial institutions, has become remarkably optimistic about the future of the Saudi economy and the government budget situation. IMF's Saudi mission chief Tim Callen has stated in his latest report after completing the Article IV mission to the Kingdom, that he has offered to the Saudi government that they can slow down the pace of fiscal consolidation in order to reduce the effects on economic growth in the near-term. Callen even stated that given the Kingdom's strong financial asset position and reasonably low debt, it does not need to ensure budget balance by 2019. In its report the IMF only has suggested that there should be a "well-paced" fiscal adjustment to achieve budget balance over the medium-term.

The IMF report has come just a week before the Saudi Central Bank (SAMA) reported a new drawdown of Saudi foreign assets. At present the Kingdom is going through a process of restructuring its fiscal policy. Lower oil prices and high demand for government investments has been behind this move since 2014. The cutting of subsidies on fuel or salaries has already been put in place, while major government projects have been put on ice. Energy price reforms are already showing a positive impact on the Saudi

government budget. Riyadh also has agreed to the implementation of excises and VAT, which will increase government income too.

The IMF's overall assessment on Saudi Arabia is largely positive. The impact of the Saudi reform program or Saudi Vision 2030, which is meant to diversify the economy and wean it off hydrocarbons, is clearly having an impact on the role of the private sector in the coming years. The latter will be the job motor of the Kingdom, as government jobs or projects will be partly faced out. A more stable and rational macro-economic situation should be the end result, in which the private sector, in cooperation with the government (and its large national entities, such as Aramco, SABIC or ACWA), will be supporting new job-creating opportunities. The IMF stated that "the reforms are ambitious and further efforts on effective prioritization, sequencing, coordination, and communication will be needed to maximize the chances of their successful implementation". Callen in his report recommended that Saudi Arabia will improve employment generating initiatives, especially to include women in the work-force. He stated to the press that "creating more jobs for Saudi nationals in the private sector is essential".

The Article IV report is very positive about the steps taken towards the improvement of the regulatory framework for private sector, while the Saudi government is also working towards an "ambitious" privatization and public-private partnership (PPP) program to reduce the role of the government in the economy". The fact that Riyadh has been able to effectively mitigate the impact of lower government revenues, due to the oil price collapse, via its foreign assets, has been a positive step. Callen also reiterated that Saudi Arabia's decision to maintain its exchange rate peg to the US dollar continues to serve the country well, given the structure of the economy.

Still to be very effective in dealing with its future economic challenges, the Kingdom will have to not only step up its diversification programs, but also



proceed with its targeted almost 100 IPOs in the coming 2-3 years. The Aramco IPO is making headlines, as is normal looking at the overall size of the company and its potential revenues (\$100-150 billion). For the Saudi economy however the Aramco IPO is only an instrument to be used to leverage other investment projects. Riyadh will need to address these projects more in the media

or when talking to the financial world in London, Washington, Frankfurt or Hong Kong. Diversification of the Saudi economy is needed, but until now attention has been put on the role of oil and gas, still the old guard is making headlines, while the young still need their parents support.



ARAMCO PREPARATIONS CONTINUE, MANAGEMENT SHAKEUP LINKED TO MARKETS

The Saudi Aramco IPO process is showing progress. Not only are discussions being held with a wide range of international stock-exchanges (LSE, Hong Kong, NYSE, Frankfurt) but also internal steps are being taken to support a successful IPO placement. The last weeks, Saudi Aramco has shown its intentions when it announced a major reshuffle in its management. Main focus by the press has been on the appointment of Abdulaziz Al Judaimi as senior deputy chairman for downstream operations.

The latter shows Aramco's long-term commitment and strategy to increase its downstream businesses, especially with regards to the Motiva operations in the USA. By increasing its overall operational base in downstream (petrochemicals/fuels), the Saudi giant shows to the market that it not only wants to be heavily involved in the total value chain of the oil and gas business, but additionally also wants to increase its international reach. Some analysts have been stating already that Aramco at present is changing from a National Oil Company (NOC) to become an International National Oil Company (INOC).

At the same time, the company has appointed eight executives as it seeks to improve its production capacity and expand its natural gas and chemical businesses. The oil company also stated that it has appointed six deputy chairmen and two associate general councils. In an initial

Memorandum of Understanding (MOU), which was signed by Aramco CEO Amin Nasser, these changes were stated too. Without showing a real structural change to the management, at least when looking at the long-term strategy, the new appointments are definitely meant to support the current preparations for the Aramco IPO in 2018. The appointments are effective May 1. Saudi Aramco declined to comment, and the company website later confirmed the appointments of the two senior vice- presidents.



Even that direct assessments have been done of the Aramco reshuffle until now, it seems clear that the changes are supported by Deputy Crown Prince Mohammed Bin Salman. After changing the Saudi Ministry of Oil and the Aramco leadership, MBS again is putting his power at work. The total workflow and strategy already is in the hands of MBS, as he is leading a supreme board that oversees Aramco affairs.

In addition to the appointment of Al Judaimi as SVP Downstream, Nabeel Al Mansour was appointed senior vice-president, general counsel and corporate secretary. The company has four other senior vice-presidents. Yasser Mufti, Ahmad Al Khowaiter, Abdullah Al Baiz, Abdullah Al Ghamdi, Abdul Hameed Al Rushaid and Yousef Al Ulyan were promoted to vice president. Without forgetting the impact of Al Judaimi or Al Mansour, insiders are keeping an eye on the other appointments too. Mufti, a former OPEC governor for Saudi Arabia, will head the corporate planning unit, while Al Khowaiter will be responsible for Aramco's technology push. Al Rushaid will lead Aramco's multibillion-dollar drilling department,



Al Baiz the gas operations, Al Ghamdi engineering services and Al Ulyan information technology. Ziad al-Murshed, who was responsible for developing business transactions including mergers and acquisitions at Aramco, will replace Mufti as executive director of new business development.

These high profile appointments show that Aramco not only will be focusing on an expansion of its downstream, which has been gaining a large volume of media attention. For the future of the oil giant, its ongoing and future upstream operations are still of immense importance. Looking at the growing production challenges on the existing fields, and new challenges due to sour crude/gas, slugging or other issues, a strong technology position and investment drive is needed. The appointment of Al Khowaiter, Al Ghamdi and Al Ulyan are an indicator that the company has recognized these challenges and the need to act too.

Aramco's drive to also integrate a new department, offshore drilling and maritime, into its existing operations is going to be a challenge. The NOC has never been fully engaged in setting up and dealing on an operational level with a full-fledged offshore drilling group and yard (Ras Al Khair). Al Rushaid's appointment is a clear drive for excellence, but success is still not guaranteed. Of all appointments, Al Rushaid is being confronted by some of the most difficult challenges in the company at present.



US-SAUDI DEFENSE DEALS SHOW OF FORCE TRUMP OR DEAL MAKING MBS?

The dust has settled that the Trump whirlwind has caused to block real assessments of the US-Saudi deals presented last week. After the much quoted hype of the multibillion arms and energy deals, reality is now kicking in, indicating that the success of Trump's Saudi strategy should not be overrated totally.

US president Trump's \$110 billion weapons deal with Saudi Arabia, which has had a major effect on the stock prices of American defense conglomerates Boeing or Lockheed Martin, has been assessed as a major sign that Washington and Riyadh are again back as friends. The fight against Daesh and Iran has been presented as a redline that the two have in common. Greater regional security and stability is being promoted via Trump's rapprochement with the House of Saud. As an outsider the media storm around the Trump visit can be assessed as a major triumph of Trumpian geopolitics, as the immense arms and energy deals present a major opportunity for US companies to get back in business in the Kingdom, bringing thousands of jobs to the US based on the many years of supplying high-tech armory to the Saudis. Greater security cooperation has also been discussed between the two, and analysts have been very positive about the good vibes shown between the Trump Administration and the family members of King Salman. The era of Obama's more critical views and policies with regards to Iran, Daesh and the Kingdom, seems to be a thing

of the past. Still, a lot of work still needs to be done and the deals will only be a first stepping stone.

First of all, people tend to forget the fact that most arms deals were already being discussed under the Obama Administration. Trump's major success stories are not his work at all, but discussed and assessed by the Obama team in the years before. No real discussions have even been held the last months that have changed the strategic military approach and sales aspects of the deals as presented now during the Trump visit. For most defense contractors and for the Saudi officials the Trump visit presented a very interesting media moment.

Washington's cozying up to the Saudi strategic views with regards to Iran, Syria and even Russia, is seen in Riyadh as a major opportunity. After decades of difficult discussions with the former US Administrations, the Trump Administration is looked upon as an easier compatriot when talking about Iran or Syria. In stark contrast to Obama or Clinton, Trump's team is almost totally in line with Riyadh wishes with regards to an anti-Iranian regional strategy. The "America First" approach being presented by Trump and his team doesn't constrain the "Saudi First" strategy of deputy crown prince Mohammed Bin Salman, as presented in Vision 2030. Both are setting up geopolitical strategies and alliances based on national issues and priorities.



The perceived anti-Iranian stand of the Trump Administration, as presented mainly by Mattis, is very favorable for the Saudi regional strategy. Washington is not blocking any anti-Iranian alliances for Riyadh, but has now shown a willingness to support part of it in the open. MBS anti-Iranian policies are being reinforced, helping Riyadh even to become the Arab Sunni Gulf leader, the bulwark against any new Iranian interference in the region.

Economically, the Trump visit still needs to become a real success. As already indicated before, the \$110 billion arms deals presented by Trump will

not have come without any Saudi ties attached. Riyadh will not be willing to hand over \$110 billion to Washington without demanding a hefty reimbursement for the Saudi local economy. MBS has already reiterated that Saudi defense spending needs to be redirected to the local economy. US based defense contractors will need to read the small print of their contracts very well, as there will be large investment requirements incorporated in these deals to increase and diversify the Saudi economy. It would not be surprising if these deals will be directly linked to SAMI, the new Saudi defense conglomerate. US technology transfer to Saudi Arabia and manufacturing will be demanded without any real other options than to comply.

Saudi energy and infrastructure investments, as presented in the media as another major success story for Trump, also will be linked to a multibillion investment spree inside of the Kingdom. The times that Saudi Arabia would recycle its hydrocarbon revenues via deals with the West, especially with the US and the UK, are over. A quid pro quo strategy is in place, and MBS is the Grand Master it seems.

The next months will show what will be the real deals, expect major US investments in energy, defense and infrastructure to be announced in Saudi Arabia. Another opportunity has not been touched at all in the media. Saudi Arabia's appetite for high and fintech projects is clear. Several major discussions are being held not only in Silicon Valley but also other places already in the US, as Riyadh wants to invest in these sectors heavily, but again linked to setting up shop in the Kingdom. MBS' Vision 2030 is now being implemented, as Riyadh sees an opportunity to craft an ambitious and politically aggressive strategy to exchange its reliance on oil revenues for military-industrial revenues. For both parties it is a mutual beneficial approach. Trump has been able to head home showing his skills as deal maker, while MBS is able to link Vision 2030 to the hard needed US technical capabilities and prowess.

The American military umbrella is needed to protect the House of Saud and its neighbors. Trump's current geopolitical views are in line with MBS and King Salman. Saudi cash is needed to address some of the pressing infrastructural issues in the USA, but it will be based on a technology transfer of unknown order to the Kingdom. Riyadh's cash is not any more available for free.



GCC UNDER PRESSURE AS QATAR CRISIS INCREASES

The cohesion of the Gulf Cooperation Council (GCC), which includes all Arab Gulf countries, seems to be cracking. UAE Minister of State for Foreign Affairs Anwar Gargash openly has stated that the GCC was facing a major crisis, as one of its members Qatar seems to be opening up to Iran. Gargash made his comments on Twitter less than a week after Saudi Arabia and the UAE signaled frustration at Qatar. The simmering conflict between the UAE-Saudi Arabia on one side and Qatar on the other has again been heating up after that Qatar's News Agency (QNA) was purportedly hacked. The Qatari agency has published remarks by Qatari Emir Tamim bin Hamad al-Thani criticizing Gulf rhetoric against Iran and suggesting strains between the emir and US President Donald Trump. Qatar has vehemently denied these quotes, but the Saudi, Emirati and Egyptian government have reacted by blocking Qatari news sites and TV stations, including Al Jazeera.

The current crisis is not new to the region. Qatar's perceived independent political strategies of talking to Iran, supporting the Muslim Brotherhood in Egypt, keeping close relations to Hamas or others, has put the relationship with its Arab neighbors under severe pressure. The fact that Doha has even openly shown an interest to discuss better relations with Iran, at a time that Tehran is in a proxy-war with Saudi Arabia, Bahrain and the UAE, in Yemen and Syria, is not looked upon very favorably.



A possible open confrontation between Saudi-UAE and Qatar is not yet expected but tensions are heating up. The rift has emerged shortly after that US president Trump has visited Saudi Arabia and Israel. The current crisis seems to be based on the same issues of the 2014 crisis between Qatar and the other Arab countries. At that time, Qatar was openly accused by Riyadh, Abu Dhabi and Cairo, of supporting Islamists outlawed by Saudi Arabia and the UAE as terrorist organizations. Qatar's still clear support of the Egyptian Muslim Brotherhood is a major bone of contention. The 2014 rift ended after that Qatar promised to end its support for the Muslim Brotherhood, but facts on the ground show that this in reality has not yet happened.



A potential military conflict between Saudi Arabia and Qatar also cannot be ruled out. The last days even religious conflicts have arisen, as descendants of the founding father of Saudi Arabia's Wahhabi brand of Islam published a statement in Saudi media distancing themselves from Qatar's ruling family. The latter can be seen as an unofficial attack on the religious power position of the Qatari Emiri Al Thani family, as the latter claims to be from the Al Najd region, which is the central and northern part of Saudi Arabia, where Ibn Abd Al Wahhab was from. The fact that Saudi religious leaders now are denouncing the Qatar Emiri family historical claims can be seen as a major attack on the latter's position.

Qatar's Sheikh Tamim bin Hamad Al Thani also has the last week called newly elected Iranian president Rouhani. The latter call will also strain the GCC relations. According to IRNA, the Iranian national news agency, Rouhani has stated to the

Qatari Emir that "the countries of the region need more cooperation and consultations to resolve the crisis in the region and we are ready to cooperate in this field". IRNA quoted Sheikh Tamim as saying that "talks between Iran and Arab Gulf states should continue". Riyadh and Abu Dhabi will not be happy about this discourse. Saudi Arabia's ally Bahrain also is under severe pressure by Iran and its Shi'a proxies.

Doha currently is openly questioning the US-Saudi views on Iran. As US president Trump has accused Iran of supporting terrorism in the Middle East, Qatar was angry about the fact that US based organizations still accuse Doha of supporting extremist groups. It is rather coincidental that the stories on Qatar News Agency quoting the emir appeared days after the Riyadh summit ended.

DECLINE FOREIGN ASSETS CONTINUE, WHILE BUDGET PRESSURES RIYADH ON OIL PRICE

The financial situation of Saudi Arabia is still volatile, even that doomsday scenarios are not applicable in case of Riyadh's foreign assets and hydrocarbon revenues. Last week's OPEC production cut extension by 6+3 months, in cooperation with several non-OPEC members, has been put in place by Saudi Arabia. Even that Riyadh will be shouldering the lion's share of the production cuts, the extension agreement was necessary to bolster the Kingdom's fledgling hydrocarbon revenues.

Stable or higher oil prices will be giving Saudi Arabia the hard needed additional oxygen to support its ongoing economic diversification. An immense amount of revenue is needed not only to support the still sluggish economic growth in Kingdom, but also to step up the implementation of several parts of Vision 2030, the main economic diversification program.

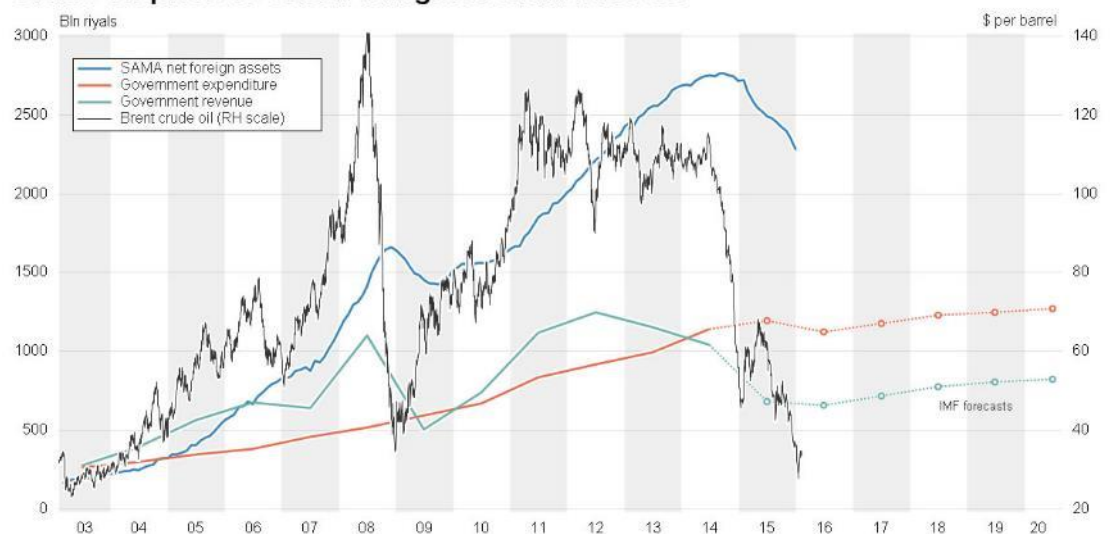
A success at the OPEC meeting in Vienna was also necessary to support the highly anticipated Aramco IPO in 2018, which will target a revenue base of around \$100-150 billion, based on an initial \$2 trillion valuation of Saudi Aramco. Higher oil prices, stronger revenue base and a stabilizing

global crude oil market, will be supporting a successful IPO introduction in 2018. The future of several high-ranking Saudi officials depends on it, so all efforts have been made to convince or force other OPEC and non-OPEC members to stay behind the Saudi proposals.

As indicated by Saudi officials and market reports, Saudi Arabia has totally complied with the agreement since its implementation. Riyadh has already cut production by more than it agreed in that deal. Its cuts in April equated to 118 percent of its quota.

Still, the effects of the oil market stabilization have not yet been enough to quell a continuing drawdown of Saudi foreign assets the last months. Since last year Riyadh has averted financial crisis partly by borrowing abroad. Foreign investors are happy to lend it tens of billions of dollars, but Riyadh is not very happy with the renewed debt position. Figures now are predicting that the budget deficit for 2017 comes close to Riyadh's original projection of 198 billion riyals. Though that would be a marked improvement from last year's 297 billion riyals, at about 8 percent of gross domestic product it would still be too high for

Crude oil price vs Saudi budget & SAMA assets



Source: Thomson Reuters Datastream, IMF, SAMA

V. Flasseur | ReutersGraphics

comfort. At present, \$1 increase in average of oil prices over one year reduces the Saudi budget deficit by 0.3-0.4 percentage points if spending remains steady. When looking at the Aramco IPO, some even indicate that Aramco would make a net profit of \$13.30 a barrel on its upstream production with oil at \$50, but \$16.90 at \$60. If this is being put in relation to the IPO valuation, a \$10 swing in the oil price could conceivably make a difference of hundreds of millions of dollars to Aramco's IPO valuation.

Still it seems a long way to go for Saudi Arabia at present. A new report by SAMA, Saudi Arabia's central bank, shows that the foreign assets of the bank have fallen to below \$500bn, reaching their lowest level since 2011. Statistics published show that total foreign assets shed \$8.5bn in April, decreasing to a total of \$492.9bn. The figure is 13.9 percent below the same month last year. Main reason behind this is still the fact that the Saudi government still bring money home to fill its coffers. At the same time, Riyadh also has increased its borrowing from abroad, including record Islamic bonds. Last month it raised \$9bn. Government deposits also rose slightly, to \$213.6bn, although they remain well below previous averages.

STRATEGIC
INSIGHT
NEWS

Saudi Arabia, Russia push to extend oil output cuts until March 2018

15 May 2017

Saudi Arabia and Russia, the world's two top oil producers, agreed on Monday on the need to extend oil output cuts for a further nine months until March 2018 to rein in a global crude glut, pushing up prices.

The timing of the announcement ahead of OPEC's next official meeting on May 25 and the statement's strong wording surprised markets, and the comments are expected to go a long way to ensure that other OPEC members and producers who participated in the initial round of cuts fall into line.

In a joint statement that followed an earlier meeting, Saudi energy minister Khalid al-Falih and his Russian counterpart Alexander Novak said they had agreed on the need to prolong an existing deal until March next year.

The ministers pledged "to do whatever it takes" to reduce global inventories to their five-year average and expressed optimism they will secure support from producers beyond those in the current deal, the statement said. "There has been a marked reduction to the inventories, but we're not where we want to be in reaching the five-year average," Falih told a briefing in Beijing alongside Novak. "We've come to conclusion that the agreement needs to be extended."

Saudi, the defacto leader of OPEC, and Russia, the world's biggest producer, together control a fifth of global supplies, but have been spurred into action as crude futures have languished around \$50 per barrel.

Under the current agreement that started on Jan. 1, the Organization of the Petroleum Exporting Countries (OPEC), and other producers including Russia pledged to cut output by almost 1.8 million barrels per day (bpd) during the first half of the year. While it was broadly expected that OPEC and Russia would agree to extend the cut, the timing and wording of the statement sent crude prices up

more than 1.5 percent in Asian trading. Russia's top producer Rosneft helped prepare the deal and is ready to comply with the extension, according to Russian media.

If producers maintain their cuts at the current pace, it could push the market into a small deficit by the fourth quarter, said Edward Bell, director for commodity research at Emirates NBD in Dubai. But one major unknown will be the response of low-cost U.S. shale producers, which could undermine the unified effort to prop up the market.

The United States did not participate in the original agreement to cut supplies and producers there have ramped up output this year, buoyed by the recovery in prices from multi-year lows hit in January 2016. U.S. drilling activity RIG-OL-USA-BHI last week rose to its highest in two years, while U.S. production has jumped more than 10 percent since its mid-2016 trough. A jump in U.S. exports to Asia, the world's biggest and fastest growing market and the last region in which OPEC supplies dominate, is a particular worry for the producer club.

"Russia and Saudi Arabia may be trying to coordinate a push to keep access to their most important market (China) in their favour and encourage Chinese importers to displace alternative cargoes," said Bell. An OPEC source familiar with the market situation told Reuters earlier on Monday that oil inventories in floating storage have declined by one-third since the start of the year.

<http://www.reuters.com/article/opec-saudi-russia-idUSL4N1IH0YW>

Saudi PIF-backed Noon.com to be launched this year, says Alabbar

16 May 2017

E-commerce platform Noon.com is on track to be launched this year, said billionaire businessman Mohamed Alabbar, founding partner of the Dubai-based website. "Our beta program has been very insightful, and all the feedback we received from our early customers has allowed us to test and

refine our technology and fulfilment model," Alabbar said in a statement. "It is vital that all our systems and processes work at the highest possible level. The coming months will be spent to ensure this, particularly with some of the many supply chain innovations we have been developing," he added. Alabbar said he is in the process of establishing strategic partnerships with a range of regional retailers, distributors and global brands that will allow Noon.com to provide its customers with a broad catalogue of product across categories.

Noon.com is 50 percent-owned by the Saudi sovereign wealth fund, Public Investment Fund, while the other half is owned by Alabbar and other regional private investors. The portal's permanent operational base will be in Riyadh, Saudi Arabia, and the company is currently scaling up its resourcing and operations in the Kingdom. The Middle East's e-commerce sector has seen some major acquisitions recently, with US tech giant Amazon inking a deal to buy Dubai-based Souq.com in March this year.

Alabbar, who is the chairman of Dubai-listed Emaar Properties, also recently acquired JadoPado – another UAE-based e-commerce website.

<http://www.argaam.com/en/article/articledetail/id/486691>

Saudi Q1 deficit narrows on higher oil revenue: Jadwa Investment

16 May 2017

Saudi Arabia's first-quarter budget showed a major improvement over last year, primarily as a result of higher oil revenues and lower expenditure, Jadwa Investment said in a report. Government revenue rose 72 percent year-on-year (YoY), as oil revenues surged 115 percent on a rebound in crude prices, following the output deal between OPEC and non-member producers in December last year. "Based on oil export data from GaStat, we estimate that Saudi oil export revenue in Q1 2017 was around SAR 160 billion," Jadwa said.

Meanwhile, total non-oil revenue edged up 1 percent YoY, the report added. On the expenditure side, employee compensation – the biggest contributor to government spending – dropped 5 percent (by SAR 5.1 billion) YoY in Q1. Around 51 percent of this figure was directly as a result of cuts in public sector allowances, Jadwa estimates. Accordingly, Saudi Arabia's Q1 fiscal deficit came in at SAR 26.2 billion, nearly half the pro-rata quarterly figure of SAR 50 billion, based on the 2017 fiscal budget figure of SAR 198 billion, Jadwa said.

Looking ahead, the firm expects strict Saudi compliance with OPEC production cuts, which will result in lower crude exports and consequently "less dramatic yearly upswings in oil revenue." "That said, in the following quarters we do also expect to see year-on-year improvements in non-oil revenue, especially as white land tax, excise tax on harmful products and expat levies take effect throughout 2017," Jadwa added.

Meanwhile, cuts in expenditure may be tougher to sustain going forward, following the government's move to restore allowances for public sector workers. The Kingdom's spending will also increase as its household allowance program comes into effect from mid-2017, and capital expenditures are expected to increase substantially in the months ahead, the report added.

<http://www.argaam.com/en/article/articledetail/id/486632>

Saudi consumer price deflation deepens in April

16 May 2017

Saudi Arabia's Central Department of Statistics released the following April consumer price data on Tuesday, showing consumer prices dropping year-on-year for a fourth straight month. In January, inflation turned negative for the first time in over a decade.

SAUDI CONSUMER INFLATION	Apr-17	Mar-17	Apr-16
pct change month/month	0.1	-0.1	0.2
pct change year/year	-0.6	-0.4	4.2

Food and beverage prices fell 2.6 percent from a year earlier in April, partly because of a strong U.S. dollar, to which the Saudi riyal is pegged, compared to year-earlier levels. Prices of housing and utilities rose 0.5 percent but transport costs dropped 2.2 percent.

<http://www.reuters.com/article/saudi-inflation-idUSL8N1I1BE>

Saudi Aramco, Chinese groups sign deal to build refining, chemicals complex

16 May 2017

Saudi Aramco, China North Industries Group Corp. (Norinco) and Panjin Xincheng Industrial Group signed an agreement and performed the ground-breaking ceremony for a refining and chemicals complex in northeast China, according to the official Saudi Press Agency (SPA). Saudi Energy Minister Khalid Al-Falih, who was in Beijing to participate in the Belt and Road Forum for International Cooperation, attended the ceremony where the deal was signed to build Saudi Aramco-Norinco Refining, Petrochemical and Retail project in Panjin.

Later, Abdulaziz M. Al-Judaimi, senior vice president downstream at Saudi Aramco attended a ground-breaking event. Yin Jiaxu, chairman of Norinco group, Zhang Lei, Liaoning executive deputy governor, Nabil Al-Nuaim, president of Aramco Asia and Gao Ke, Panjin Municipal Party Secretary were also present at the event, which was held at the site of the proposed project.

Al-Judaimi said that there might be some challenges in the implementation of this project. "But I am confident that we will be able to overcome those issues taking into consideration Saudi Aramco's proven record of project

management skills and the strong commitment of all the stakeholders."

The goal of the project is to build a world-class refining and chemical integration base.

<http://www.arabnews.com/node/1100596/business-economy>

Saudi Minister expects 'expansionary' 2018 budget based on savings

17 May 2017

Saudi Arabia's budget next year will be "expansionary but not significantly" and in line with plans to balance state finances by 2020, Finance Minister Mohammed Al-Jadaan said. "Where the expansion will come is from the efficiency," Al-Jadaan said in an interview in Jeddah on Tuesday. "So we are working on that - reducing a lot of the fat that is not necessary and then utilising that in more productive investments."

The target for a balanced budget is central to the kingdom's long-term plan to wean the economy off oil, which includes creating the world's biggest sovereign wealth fund and privatising some state assets. The Finance Ministry reported this month that the first-quarter deficit narrowed on higher oil revenue, boosting efforts to repair public finances. Deputy Crown Prince Mohammed bin Salman is trying to transform the Saudi economy as the plunge in oil prices squeezes state coffers. The government initially implemented an austerity drive that included reducing subsidies and temporarily trimming the wage bill. That led to rare public grumbling among some citizens and more privately from companies reliant on state spending. The government started preparing the 2018 budget in January, Al-Jadaan said. The first draft should be ready in two months, he said.

The country is also shifting to quarterly reports on economy from annual to boost transparency as it implements the economic plan, dubbed Saudi Vision 2030. In December, the government said it planned to spend 890 billion riyals (\$237 billion) in

2017, with revenue at 692 billion riyals and a full-year deficit of 198 billion riyals.

Austerity measures, combined with the drop in oil prices that prompted them, have caused the kingdom's worst economic slowdown since the global financial crisis. There are plans to impose an excise tax on soda and tobacco from the second quarter of 2017 and a 5 percent value-added tax in the first quarter of 2018 to boost government revenue.

The plan for the excise tax "is still on," Al-Jadaan said. "We are preparing the market, we are preparing participants and coordinating with other" Gulf Cooperation Council countries, he said. <http://www.arabianbusiness.com/saudi-minister-expects-expansionary-2018-budget-based-on-savings-674384.html>

Iraq replaces Saudi Arabia as top oil supplier to India in April

17 May 2017

India's April imports from Iraq topped 1 million barrels per day (bpd) for the first time, up by about a third from March and 8% from a year ago. India's crude mix is highly diverse as a result, with just over 15 % of its flows stemming from Africa in April, nearly 13% from Latin America, and most of the rest coming from the Middle East.

"Basra heavy is good for refineries with coker units, it is also good for conventional refiners that make bitumen as that is in demand in India. Also (the crude) is available at discounts so it is value for every dollar that we spend," said M. K. Surana, chairman of Hindustan Petroleum Corp.

Indian refiners in recent years have invested heavily in modernizing plants to more efficiently process low grade crudes into diesel and gasoline, helping to boost operating margins and giving greater flexibility in the oil grades they can buy. This has allowed refiners in the third-largest oil consumer to shop around during periods of tightness, and remain profitable in a fast-growing, cost-sensitive market.

India's crude mix is highly diverse as a result, with just over 15 percent of its flows stemming from Africa in April, nearly 13% from Latin America, and most of the rest coming from the Middle East. Saudi Arabia, usually India's main supplier, shipped about 750,000 bpd to the South Asian nation in April, a decline of about 5 percent from the previous month and 8 percent from a year ago, the data showed.

With each barrel of Iraq's Basra Heavy oil trading at roughly \$2.85 less than a barrel of Saudi Arabia's Arab Heavy mix when the deals were done, Indian importers were able to realize a substantial cost-savings by making the switch, without much impact on product output. India's lower Saudi purchases were partly due to firmer Saudi prices following the production cuts by the Organization of the Petroleum Exporting Countries (OPEC) since January.

Iraq is OPEC's second-largest producer after Saudi Arabia, but so far has been resistant to an aggressive cut given its reliance on oil revenues to fund its economy. "Iraqi oil is a good alternative to other heavy grades from OPEC. Basra is sold at a huge discount to Dubai or other heavy grades in spot markets, whereas Saudi oil is available only at the OSP (Official Selling Price)," said Ehsan Ul Haq, Senior Analyst at KBC Energy.

A delay to Venezuelan oil loadings due to problems at a major port helped to boost India's demand for Iraqi oil, and India also took more Russian Urals crude. Iran emerged as the third-biggest oil supplier to India in April, replacing Venezuela, which slipped to the fifth spot, behind Nigeria, the data showed.

<http://www.hindustantimes.com/india-news/iraq-replaces-saudi-arabia-as-top-oil-supplier-to-india-in-april/story-uw7c7gzJLfD0n5cLzBgyUM.html>

China, Saudi Arabia begin HTGR feasibility study

17 May 2017

China and Saudi Arabia have held their first meeting to discuss the feasibility of constructing high-temperature gas-cooled reactors (HTGRs) in the Middle Eastern country. The joint working group aims to complete the feasibility study report later this year. China Nuclear Energy Engineering Group (CNEC) president Jun Gu met with Walid bin Hussein Abu al-Faraj, vice-president of King Abdullah City for Atomic and Renewable Energy (KA-CARE), in Beijing on 15 May. During the meeting they reviewed and discussed the terms of the joint feasibility study.

Al-Faraj told Gu he hopes to take this joint feasibility study as the starting point to accelerate full cooperation between Saudi Arabia and China on the high-temperature gas-cooled reactor supply chain and to push through the Saudi HTGR project "as soon as possible".

Following the meeting, Gu and al-Faraj co-chaired the first meeting of a joint working group, marking the start of the feasibility study. The three-day meeting was attended by about 40 experts from Saudi Arabia and China, including from Tsinghua University's Institute of Nuclear and New Energy Technology. During the meeting, discussions were held on the application of the Saudi HTGR project, cooperation in intellectual property and the supply chain, financing of the Saudi project, as well as the country's nuclear regulatory system.

CNEC said China will fully share with Saudi Arabia its experience in developing and constructing high-temperature reactors. It will also assist Saudi Arabia in training personnel for the operation of HTGRs and in supply chain localisation. They aim to complete the joint feasibility study report and submit it to the Saudi cabinet this year to obtain preliminary approval for the HTGR project.

China and Saudi Arabia signed a cooperation agreement for the joint study in March. The signing of that agreement was witnessed by Chinese President Xi Jinping and Saudi Arabia's King Salman. It followed the signing in January of

a memorandum of understanding between China and Saudi Arabia on the construction of HTGRs. A demonstration HTR-PM unit under construction at Shidaowan near Weihai city in China's Shandong province. That plant will initially comprise twin HTR-PM reactor modules driving a single 210 MWe steam turbine. Construction started in late 2012 and it is scheduled to start commercial operation later this year.

<http://www.world-nuclear-news.org/NN-China-Saudi-Arabia-begin-HTGR-feasibility-study-1705174.html>

Work injuries cost over SR370 million in Saudi Arabia

17 May 2017

Saudi Arabia's Health and Safety Association said that work injuries in the private and public sectors amounted to over 67,000 in 2016, costing over SR370 million in medical treatment. The highest number of work injuries recorded last year were of workers falling off high platforms at construction sites, while digging excavations and working in factories. Collisions came second. Suffocation inside underground septic tanks was the third cause of death or injury. The numbers are based on the data provided by the General Organization for Social Insurance.

<http://www.arabnews.com/node/1100966/saudi-arabia>

Boeing awarded \$26M support contract for 24 Saudi AH-6i helicopters

17 May 2017

The Boeing Co., Mesa, Arizona, was awarded a \$25,522,594 firm-fixed-price foreign military sales (Saudi Arabia) contract for post-production service support for the Saudi Arabia National Guard for 24 AH-6i helicopters. Bids were solicited via the Internet with one received. Work will be performed in Mesa, Arizona; and Saudi Arabia, with an estimated completion date of April 28, 2018. Fiscal 2016 other funds in the amount of \$12,506,070 were obligated at the time of the award. U.S. Army Contracting Command, Redstone Arsenal, Alabama is the contracting activity.

<http://helihub.com/2017/05/17/boeing-awarded-26m-support-contract-for-24-saudi-ah-6i-helicopters/>

Saudi Arabia Introduces Flexible Work Options for Saudis

17 May 2017

Saudi Arabia is planning to turn over 374,000 job opportunities in the private sector into jobs that can be performed from a distance and paid by the hour. The Ministry of Labor and Social Development (MLSD) is planning to introduce a new system of employment for Saudis. The private sector can employ Saudis by the hour and pay them weekly, local daily Al-Madina reported. The new system called "flexible work" will provide both the employee and the employer more flexible work contracts.

Employers in this case will not have to give workers paid leaves, register them with the General Organization of Social Insurance (GOSI), provide them medical insurance coverage or pay them their after-service benefits. However, they will have to insure job security and vocational health for their workers. According to labor market sources, the new system will boost the employment of Saudis in various sectors and will also satisfy the need of some citizens who do not want to work on long contracts. The private sector offers 35,250 remote job opportunities annually.

The Ministry of Labor and Social Development said the private sector would turn 374,769 available openings, representing 3.5 percent of the total opportunities, into jobs that can be performed from a distance. Saudis will hold about 21.5 percent of such jobs, it said. The private sector will offer some 141,000 remote jobs by 2020, the ministry said, adding that this will raise the percentage of the Saudi working women to 28 percent.

It said a part-time distance worker would be considered half a Saudi employee for the Nitaqat purposes but special needs people will each be considered equal to one Saudi employee, irrespective of whether they worked part-time or full-time. According to the ministry, the private sector employs a total of 10,617,190 workers, including 1,739,074 Saudis.

<http://www.albawaba.com/business/saudi-arabia-introduces-flexible-work-options-saudis-975562>

Saudi Arabia to Sign At Least 10 Oil Deals With US During Trump's Visit: Aramco

17 May 2017

Saudi Aramco intends to sign around 10 energy agreements during US President Donald Trump's visit to Saudi Arabia, sources told Bloomberg. The agency noted that the most prominent companies with which Aramco may enter into agreements are General Electric Co, Schlumberger Ltd, and Halliburton Co. Other reports said that a New York Stock Exchange (NYSE) delegation is also expected to seek to lure Saudi Aramco's 2018 listing.

Sources added that the Saudi oil giant also plans to sign accords with Baker Hughes Inc., KBR Inc., Jacobs Engineering Group Inc., Nabors Industries Ltd, Weatherford International Plc, McDermott International Inc, and Rowan Companies Plc. The deals will be signed on 20 May during Trump's first foreign trip as president, Bloomberg reported. The Saudi sovereign wealth fund intends to invest as much as \$40 billion into US infrastructure; plans may be announced during Trump's visit, the agency highlighted.

<http://www.albawaba.com/business/saudi-aramco-plans-10-oil-deals-us-during-trumps-visit-975530>

Factbox: Saudi Arabia's privatization plans

17 May 2017

Saudi Arabia has said it aims to raise around \$200 billion in the next several years through privatization programs in 16 sectors ranging from oil to healthcare, education, airports and grain milling.

Following is a list of major privatization plans currently underway.

SAUDI ARAMCO. The government has said it plans to sell close to 5 percent of the national oil giant next year through an initial public offer, with the shares to be listed in Riyadh and at least one foreign exchange. Officials have said the sale will value Aramco at \$2 trillion or more, though some

private analysts have suggested a lower range, perhaps \$1-1.5 trillion.

SAUDI POSTAL CORP. In February, Riyadh invited banks to pitch for an advisory role in the sale of the government-owned postal service, sources said.

SAUDI GRAINS ORGANIZATION. State-owned Saudi Grains Organisation, which handles the kingdom's grains purchases, is preparing to sell off its milling operations by placing them in four specially formed corporate entities while retaining other functions. A partnership of U.S. agribusiness giant Archer Daniels Midland Co (ADM.N) and Saudi foods group Almarai 2280.SE is among potential bidders, sources said in March.

SOCCER CLUBS. Saudi Arabian investment bank Jadwa Investment was appointed to advise on the privatization of as many as five soccer clubs in the Saudi Professional League, sources told Reuters in February.

SAUDI ARABIAN AIRLINES. State-owned Saudi Arabian Airlines has started the sale of its medical services business in Jeddah, valued at around \$500 million, sources said this month.

HEALTHCARE. Among the first assets to be privatized will be one of Saudi Arabia's top hospitals, King Faisal Specialist Hospital and Research Centre in Riyadh, an official said. The process is in a "very advanced stage", Vice Minister for Economy and Planning Mohammed al-Tuwajri told Reuters last month.

Also, the Ministry of Health has received at least six bids to act as financial adviser for the privatization of 55 primary healthcare centers in Riyadh, sources said.

EDUCATION. Saudi Arabia hired HSBC as financial adviser to privatize construction and management of school buildings, the chief executive of Tatweer Buildings Co, a state firm affiliated with the Ministry of Education, said in January.

SAUDI ELECTRICITY CO. Riyadh plans to split state-controlled utility Saudi Electricity Co 5110.SE into separate companies that would be offered either to local citizens through IPOs or to local or

international corporate partners. Riyadh-based ACWA Power chief executive Paddy Padmanathan told Reuters in March he expects the first of four power generation companies owned by Saudi Electricity will be offered by year-end.

SALINE WATER CONVERSION CORP. Officials last year outlined plans to privatize Saline Water Conversion Corp, which desalinates water and produces electricity. It would be transformed into a joint-stock holding company served by local production units; investment partners for the units would then be sought, followed by an IPO for the holding company.

SADARA CHEMICAL. Saudi Aramco plans to cut its stake in Sadara Chemical Co IPO-SACH.SE, a joint venture with Dow Chemical (DOW.N), to 35 percent from 65 percent via an IPO, Sadara chief executive Ziad al-Labban said this month, without giving a timeline.

<http://www.reuters.com/article/us-saudi-economy-investment-factbox-idUSKCN18C1JE>

Ten smart cities to be set up in Saudi Arabia

17 May 2017

Minister of Municipal and Rural Affairs Abdullatif Al-Asheikh on Tuesday unveiled plans to establish 10 smart cities in the Kingdom. "The ministry will create partnerships to implement smart city project in 10 cities across the Kingdom as part of realizing the goals of the National Transformation Program of 2020. The highest authorities have entrusted the ministry to implement the smart city projects," he said while inaugurating the First Saudi Conference for Smart Cities at Riyadh InterContinental Hotel organized by the ministry. The theme of the three-day event is "Smart solutions for a better living." Al-Asheikh noted that a study carried out by the ministry in 2015 envisages making available of smart facilities in 17 major cities that host around 75 percent of the Saudi population.

https://www.zawya.com/mena/en/story/Ten_smart_cities_to_be_set_up_in_Saudi_Arabia-ZAWYA20170517044308/

Banque Saudi Fransi's Q1 profit beat estimate, says Riyadh Cap

17 May 2017

Banque Saudi Fransi's (BSF) net profit of SAR 1.1 billion in Q1 2017 came ahead of Riyadh Capital's forecast of SAR 990 million and the consensus estimate of SAR 959 million respectively, the brokerage said in an earnings review. The bank's provisions have returned to normal, Riyadh Capital said, adding that extraordinary provisions in Q4 2016 at SAR 636 million have likely cleaned up most infected assets. "However, anticipate provisions to remain above average in 2017 as economic conditions are not optimal," the brokerage added.

BSF's net loans were almost flat quarter-on-quarter, with the loan-to-deposit ratio (LDR) remaining more or less stable at around 78 percent, giving the lender room to grow its loan book with selective exposure. Riyadh Capital maintained a "buy" recommendation on the stock, with a target price of SAR 33. "BSF has been a preferred name in our banking coverage; we believe Q1 results justify our bullish stance," the brokerage said.

<http://www.argaam.com/en/article/articledetail/id/486931>

Al-Kathiri Holding gets CMA nod to list 26% stake on Nomu

17 May 2017

Al-Kathiri Holding Co. obtained the approval of Saudi Arabia's Capital Market Authority (CMA) to offer 819,000 shares, or a 26.1 percent stake, in the Kingdom's Nomu parallel market, the CMA said in a statement. Shares will be only offered to qualified investors. Prequalified investors are required to conduct their own due diligence and hire an authorized financial advisor, if needed, before making any investment decisions. The approval will be valid for six months from the CMA's resolution date and will be cancelled if the offering and listing of the company's shares are not completed within this period.

<http://www.argaam.com/en/article/articledetail/id/486921>

Saudi Arabia sets Sept deadline for 300 MW solar project bids

17 May 2017

Saudi Arabia will receive bids for its 300 megawatt (MW) solar photovoltaic project in Sakaka no later than September and will announce winners in November 2017, the state-owned Saudi Press Agency (SPA) reported on Wednesday, citing Turki Al-Shehri, head of the National Renewable Energy Program. A total of 27 companies were prequalified to compete for the Kingdom's first renewable energy project, Al-Shehri added at a press conference held by the ministry of energy, industry, and mineral resources.

A power purchase agreement will be concluded for 25 years under the solar plant. The world's top oil exporter Saudi Arabia had earlier shortlisted companies for its solar and wind power projects, as part of the first round of its renewable energy initiative, energy ministry Khalid Al Falih said. Saudi Arabia is targeting 9.5 GW of renewable energy by 2023 in line with Vision 2030. The renewables program involves investment of between \$30 billion and \$50 billion by 2023.

<http://www.argaam.com/en/article/articledetail/id/486918>

Saudi pension fund may see asset erosion, warns Shura member

17 May 2017

Saudi Arabia's Public Pension Agency (PPA) may suffer an asset erosion in 16 years and will unlikely be able to pay pensions over the coming years, Al Hayat newspaper has reported, citing a Shura council member. The new pension subscriptions which reached SAR 14.2 billion failed to cover the pensioners' payments amounting to SAR 25 billion, Said A. Al-Sheikh, a member at the Shura Council's Committee of Economy and Energy said. This means that the PPA liquidated assets to offset the deficit and pay the retirement pensions, which will likely weigh on the investment assets' value. Also, in such case, no new pension subscriptions will be added to the investment portfolio, and this

will reflect negatively on the money market, and will represent new financial burdens for the Kingdom, he added. The PPA's return on investment (ROI) reached 1.9 percent, compared to 6.4 percent in Australia and 5.1 percent in Canada.

<http://www.argaam.com/en/article/articledetail/id/486833>

Saudi holdings of US Treasuries up \$600 mln in March

17 May 2017

Saudi Arabia's holdings of US Treasuries grew for the sixth consecutive month to \$114.4 billion, up by \$600 million at the end of March, new data released by the US Treasury showed. The kingdom ranked as the 12th largest holder of US debt in March. Japan and China topped the list with \$1.11 trillion and \$1.05 trillion, respectively. Meanwhile, the United Arab Emirates (UAE) raised its holding by \$800 million to \$60.7 billion in the same month.

Saudi Holdings of US Treasuries		
Month	Value (\$ bln)	Change
July 2015	110.1	+0.6
August	112.8	+2.7
September	112.3	(0.5)
October	113.0	+0.7
November	114.7	+1.7
December	118.9	+4.2
January 2016	123.6	+4.7
February	119.8	(3.8)
March	116.8	(3.0)
April	113.0	(3.8)
May	103.7	(9.3)
June	98.3	(5.4)
July	96.5	(1.8)
August	93.0	(3.5)
September	89.4	(3.6)
October	96.7	+7.3
November	100.1	+3.4
December	102.8	+2.7

January 2017	112.3	+ 9.5
February	113.8	+ 1.5
March	114.4	+ 0.6

<http://www.argaam.com/en/article/articledetail/id/486816>

Saudi Arabia: We could live with \$40 oil in 2020

17 May 2017

Saudi Arabia still loses sleep over the price of oil. Not for much longer. The kingdom says it is making good progress on a plan to break its oil dependency and won't be bothered if the price drops to \$40 a barrel by 2020. "We will not really care much whether the price is 40, 45, 50, 55 at that time because we have gone significantly out of our way to be independent of the oil price," Saudi finance minister Mohammed Al Jadaan told CNNMoney's Emerging Markets Editor John Deferios.

"We are planning to totally [end] that dependency that we have been living for the last 40, 50 years. Hopefully by 2030, I wouldn't care if the oil price is zero," he said in an interview in Jeddah. Saudi Arabia set out an ambitious plan last year to wean the economy off oil after prices dropped to \$26 a barrel, blasting a huge hole in the country's budget. Since then, Saudi Arabia has stabilized its economy. It has cut government subsidies, announced new taxes and borrowed billions to balance its books.

It also cut wages for top ministers and public workers. That policy was reversed six months later, a move Al Jadaan said was designed to boost growth.

"It was done at a time [when] we were really worried about oil prices, worried about other stresses in the economy," he said. "Now that we have seen how the plan is unfolding... maybe it's time to inject more funding into the people's hand."

Higher oil prices now hovering around \$50 have helped. OPEC, led by Saudi Arabia, and Russia have

curtailed output for the first half of 2017 to reduce a supply glut. They may extend those production cuts until March 2018. But the U.S. continues to ramp up production, keeping a lid on prices. The number of rigs in operation there has doubled over the past year.

Analysts at UBS estimate that U.S. producers can now make money as long as prices remain above \$40 per barrel. That's down from \$65 in early 2014. Saudi Arabia expects to run a budget deficit of 7.7% of GDP in 2017, down from 11.5% last year. The IMF estimates the kingdom would need oil prices of \$84 a barrel to run a balanced budget in 2017. That budget breakeven price falls to \$74 next year.

<http://money.cnn.com/2017/05/17/news/economy/saudi-arabia-40-oil-finance-minister/>

Saudi Aramco to set up tourism training center

18 May 2017

State-owned oil giant Saudi Aramco has signed a memorandum of understanding (MoU) to establish a center to train workers in the tourism industry, as part of the Kingdom's wider economic diversification drive. The National Training Center for Facilities and Hospitality Management (NTCFHM) will invest in the facilities and hospitality management sectors to create jobs for Saudis, Aramco said on its official Twitter account on Wednesday.

The center aims to train 5000 male and female trainees over the next four years. The value of Aramco's investment was not disclosed. Saudi Arabia is looking to increase investment in its tourism industry, as part of reforms under the Vision 2030 plan unveiled last year to diversify the oil-rich country's economy. According to the official Vision 2030 document, the Kingdom plans to create more tourist attractions, improve visa issuance procedures for visitors, and develop historical and heritage sites.

<http://www.argaam.com/en/article/articledetail/id/487132>

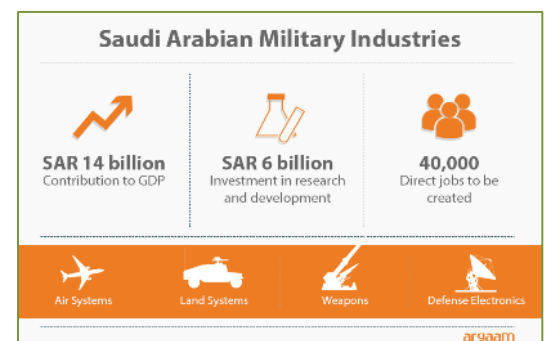
Saudi Arabia to establish military industries firm

18 May 2017

Saudi Arabia's Public Investment Fund (PIF) will set up a new national military industries company, Saudi Arabian Military Industries (SAMI), state news agency SPA reported. The wholly government-owned entity seeks to become one of the world's top 25 defense companies by 2030. SAMI will help attract foreign investment to the Kingdom, and directly contribute around SAR 14 billion to GDP.



The company is expected to invest SAR 6 billion in research and development, and create over 40,000 direct jobs, mostly in the technology and engineering sectors. It will also generate over 30,000 indirect jobs and contribute to the creation of hundreds of small and medium enterprises (SMEs).



Saudi Deputy Crown Prince Mohammed bin Salman said SAMI will help achieve goals outlined under the Vision 2030 initiative, which aims to localize 50 percent of Saudi Arabia's military procurement spending. Although the Kingdom is one of the world's top five spenders on defense and security, only 2 percent of its military expenditure is spent locally, the prince added. The firm's products and services will be offered in four main areas: Air Systems; Land Systems; Weapons and Missiles (including ammunitions); and Defense Electronics. SAMI will establish subsidiaries in each of these four fields through joint ventures with original equipment manufacturers (OEMs).

It will also enter into joint ventures with major international military industry companies, and increase demand for local products and raw materials such as iron, aluminum, logistics and training services. Going forward, the company may also set up additional business units, it was reported.

<http://www.argaam.com/en/article/articledetail/id/487083>

SAMA sees positive CPI figures in Q2

18 May 2017

Saudi Arabia's consumer price index (CPI) will likely edge up in the second quarter of 2017, according to the Saudi Arabian Monetary Authority (SAMA), the Kingdom's central bank. The CPI could rise on the back of rolling back wage and benefit cuts imposed on top ministers and other public workers, in addition to other seasonal factors, including the holy month of Ramadan, summer vacation, and Eid Al Fitr. Saudi Arabia's consumer prices dropped for a fourth consecutive month in April, declining 0.6 percent year-on-year (YoY).

<http://www.argaam.com/en/article/articledetail/id/487124>

Saudi Aramco to set up new chemicals unit

18 May 2017

Saudi Arabian Oil Co. (Saudi Aramco), the world's largest crude exporter, plans to set up a new chemicals unit, the company said in its official

magazine, The Arabian Sun. The magazine didn't give any other details. The oil giant is planning to develop an oil /chemicals project with Saudi Basic Industries Corp (SABIC) that is expected to cost around SAR 75 billion. Saudi Aramco also aims to triple its chemicals production to 34 million mtpa by 2030. Aramco's board met last week in Shanghai to discuss the company's plans and appointed a new downstream head as well as several vice presidents in other key positions.

<http://www.argaam.com/en/article/articledetail/id/487087>

Saudi Arabia approves 4 MoUs with Egypt

18 May 2017

The Kingdom of Saudi Arabia's government has approved four memoranda of understanding with the Egyptian government, Saudi ambassador to Cairo Ahmed Abdul Aziz Qattan said. The agreements included a memorandum of understanding in the field of civil defense between the two countries' Ministries of Interior, a MoU in agriculture, a MoU in the field of maritime transportation and ports and a MoU to avoid double taxation and prevent tax evasion, according to Qattan. Saudi Arabia's approval of these agreements comes in light of the qualitative shift in cooperation between the two countries in all fields, Qattan mentioned.

<http://www.egyptindependent.com/saudi-arabia-approves-4-mous-egypt/>

Saudis said to forge US\$6b Lockheed deal for littoral ships

19 May 2017

Lockheed Martin Corp has reached a US\$6 billion deal to sell Saudi Arabia four of its Littoral Combat Ships as US President Donald Trump travels to the kingdom, people familiar with the transaction said. The final letter of agreement includes a better-armed version of the ships, support equipment, munitions and electronic-warfare systems, according to the people, who asked not to be identified in advance of an announcement that may come as early as Saturday morning

Washington time. That's when Mr Trump is scheduled to arrive in Riyadh on the first leg of an eight-day trip that will take him across the Middle East and to Rome.

The Trump administration is promising to improve relations with the Saudis that were strained under former President Barack Obama. For its part, Saudi Arabia has pledged to buy billions of dollars of US military equipment in the next decade and invest about \$40 billion from its sovereign wealth fund in American companies.

The littoral ships, designed for shallow coastal waters, are part of a package of agreements on weapons sales that already had been approved in late 2015 by the US State Department, which oversees the Foreign Military Sales program. Congress also approved the sale, but it wasn't completed under Mr Obama. From 2009 to 2016, the Obama administration approved US\$115 billion in potential sales to the Saudis.

Saudi Embassy spokesman Nail Al-Jubeir didn't return an email and phone call seeking comment. Lockheed spokesman John Torrisi said in an email that "Foreign Military Sales are government-to-government decisions, and the status of any potential discussions can be best addressed by the US Government."

The announcements will include a letter of agreement completing a sale approved in August 2016 for about 115 M1A2 tanks made by General Dynamics Corp, as well as munitions, and heavy equipment recovery systems, according to two of the people. A formal agreement is expected for Lockheed to sell more Pac-3 Patriot hit-to-kill missiles, which already have been approved by Congress.

In addition, announcements are expected on intentions to proceed with a number of deals. They include a multibillion-dollar program to upgrade Saudi Arabia's military command-and-control structure and the sale of about 60 UH-60 helicopters from Lockheed for about US\$5 billion, according to one of the people.

Also anticipated is an announcement of the Saudi intention to buy Lockheed's Thaad anti-missile

system, which intercepts incoming missiles at higher altitudes than the Patriot. Thaad already has been sold to the United Arab Emirates, the first international customer, and its deployment by the US to South Korea has created tension with China. But the highest-profile deal will be for the modified Littoral Combat Ships, known as "Multi-Mission Surface Combatant Ships," that were first proposed by the Obama administration in late 2015. It would be the first international sale of the vessel, which includes munitions such as Raytheon Co's Evolved Sea Sparrow air defense missile.

The Saudi-bound ships are better-armed - and thus more expensive - versions of the Littoral Combat Ship, which has drawn withering criticism from some lawmakers and Pentagon testing officials in recent years over its reliability and its capacity to survive in combat.

"I have seen most of the same details, and they make sense," John Cappello, a senior fellow for Middle East issues and missile defense issues, with the Foundation for Defense of Democracies, said of the planned deals in an email. "Missile defense is a Saudi priority, and we have been trying to get them to improve capability, especially naval capability, for some time," he said.

Until recently, the Saudis were prepared to sign a letter of agreement for two vessels, but that's been increased to four, said a US official. Lockheed says on its website that the modified version includes over-the-horizon missiles, remotely fired 20mm guns, the capability to fire Sea Sparrow anti-aircraft missiles and a new torpedo defense system.

Parts of the package may draw congressional criticism. A resolution to block the tank sale was introduced in September by several US senators, including Rand Paul of Kentucky and Chris Murphy of Connecticut. They cited allegations that Saudi aircraft were killing civilians in Yemen with US-supplied munitions in attacks on Iranian-backed Houthi rebels. That resolution was defeated in September 2016 on a 71-27 vote.

<http://www.bustimes.com.sg/government-economy/saudis-said-to-forge-us6b-lockheed-deal-for-littoral-ships>

US imposes sanctions in joint action with Saudi Arabia

19 May 2017

The Trump administration imposed its first terrorism sanctions jointly with Saudi Arabia on Friday as President Donald Trump travels to the kingdom on his first overseas trip. The State Department announced sanctions on senior Hezbollah leader Hashem Safieddine and Muhammad al-Isawi, a leader of the Islamic State group's operations on the Sinai Peninsula in Egypt. Saudi Arabia joined the U.S. in targeting Safieddine, who is said to oversee the financial empire of the Lebanon-based party.

"As a result, any of his assets held in Saudi Arabia are frozen, and transfers through the kingdom's financial sector are prohibited," the State Department said in a statement.

Hezbollah is close to Iran, Saudi Arabia's main rival for power in the region, and has played a key role in boosting the Syrian government of President Bashar Assad. The Saudis also accuse Iran and Hezbollah of fanning the war in Yemen by supporting the Houthi rebels. Hezbollah, which has members in Lebanon's parliament and Cabinet, is considered a terrorist organization by the U.S. government.



Also Friday, the Treasury Department imposed sanctions on two Yemen-based tribal leaders, Hashim Muhsin Aydarus al-Hamid and Khalid Ali Mabkhut al-Aradah. It said the two men facilitated the transfer of weapons and money and the movement of people in support of al-Qaida in the Arabian Peninsula, which has plotted attacks

against the U.S. The Trump administration said the four men have "committed, or pose a serious risk of committing, acts of terrorism" and threaten U.S. national security. In all cases, the sanctions work to restrict those targeted from accessing funding or property.

<http://www.sfgate.com/news/article/US-imposes-terror-sanctions-on-4-militants-in-11158709.php>

SoftBank Boss Following Trump to Saudi Arabia to Launch \$100 Billion Fund

19 May 2017

Some six months after his visit to Donald Trump's Manhattan mansion cheered investors, Masayoshi Son, Japan's richest man, is set to follow his friend to Saudi Arabia as the new U.S. president makes his first overseas trip since taking office.

Son, head of Japan's SoftBank Group, travels to Riyadh this weekend where he is expected to announce the close of the first fundraising round for what will be the world's biggest private equity fund, backed by Saudi Arabia's sovereign wealth fund and Apple.

His appearance in the Saudi capital and the expected launch of the \$100 billion Vision Fund coincide with Trump's official visit to the kingdom, one leg of a presidential trip that also includes Israel, Belgium and Italy. Son describes the fund as essential for setting up SoftBank for a data "gold rush" which he expects to happen as the global economy becomes increasingly digitized.

"The Vision Fund has created a framework for SoftBank to grow over the next 100, 200, and 300 years," Son said in February. "The next 10 years would be the time for me to put the plan into practice while grooming successors."

Son is scheduled to attend a forum of global chief executives in Riyadh on Saturday to be held on the sidelines of the Trump visit, a list of attendees showed. A SoftBank spokesman declined to comment on Son's schedule. The aggressive dealmaker made headlines in early December when he appeared in the marble lobby of Trump

Tower in New York alongside the then president-elect, dressed in a red vest and near-identical red tie to the tycoon-turned-commander-in-chief.

He was among the first in a series of Asian billionaires and leaders to pay tribute to Trump, who won office in November on a platform that focused heavily on national security and protecting American jobs. Son's pledge to Trump to invest \$50 billion in the United States and create 50,000 new jobs was light on details but spoke to the president's election promise to boost economic growth by making deals with individual companies, rather than through complicated trade deals.

SoftBank Group shares surged after Son's December meeting with Trump and his announced investment. Foreign tycoons who paid homage to Trump after Son include Foxconn founder Terry Gou and Alibaba boss Jack Ma, who are both close business partners of Son. In November, Japanese Prime Minister Shinzo Abe visited Trump in New York, less than two weeks after the U.S. election.
<http://fortune.com/2017/05/19/softbank-trump-saudi/>

Smart Link creates Saudi jobs, invests in KSA skills development with Avaya

19 May 2017

Smart Link Contact Centers, a business process and contact center outsourcing provider in Saudi Arabia, has announced the completion of an expansion project for its contact center in the Kingdom. The project, undertaken with Avaya, resulted in the addition of 600 agent seats creating employment opportunities for Saudi citizens. The company is deploying contact center solutions from Avaya to meet growing demand from public-sector organizations to engage more effectively with citizens, as the Kingdom launches a range of initiatives in line with Vision 2030.

Smart Link delivers flexible solutions and services to more than 50 organizations in the Kingdom, and the expansion of its operations will enable the government to increase the deployment of digital services. Smart Link, the largest business process outsourcing center in the Middle East, is

committed to the recruitment and training of Saudi women, with over 70 percent of its workforce being women. Smart Link is a subsidiary of Al-Khaleej Training & Education, the largest network of training centers in Saudi Arabia.

<http://www.arabnews.com/node/1101691/corporate-news>

Saudi Arabia pledges \$20 billion to Blackstone for American infrastructure

22 May 2017

Saudi Arabia is pledging \$20 billion to an American private investment firm to pay for infrastructure projects in the United States. The firm at the center of the deal, the Blackstone Group, has a close connection to President Trump. Blackstone CEO Steve Schwarzman advises the president on policy issues ranging from trade to infrastructure.

The \$20 billion in Saudi money is part of a larger effort by Blackstone to invest stateside in toll roads, airports and other public works. The firm said Saturday that it will raise another \$20 billion from other investors. With debt financing, Blackstone hopes eventually to bring the total to \$100 billion.

The announcement Saturday was a year in the making, but the timing was significant. It came as Trump kicked off his first overseas trip this weekend in Saudi Arabia, where he touted his ability to attract foreign investment in the United States.

The announcement also came days before the Trump administration is expected to reveal its 2018 budget proposal. And further details about his long-awaited \$1 trillion infrastructure plan could come by the end of the month. For that plan to work, the administration needs to attract private capital.

Late last year, Schwarzman, who doesn't hold an official White House position, helped put together a team of corporate executives to advise Trump on jobs and the economy. The group includes

JPMorgan Chase CEO Jamie Dimon, Walt Disney boss Bob Iger and former GE leader Jack Welch. President Obama put together a similar panel of CEOs to advise him on the economy in 2009. When CNNMoney asked Schwarzman about Trump's priorities at a meeting with the CEO group in April, he said infrastructure was high on the list.

The Saudi investment will come from the country's Private Investment Fund, which was created in 1971 to manage the Saudi government's investments at home and abroad. Deputy Crown Prince Mohammed bin Salman, who has led PIF since May 2015, has supported the fund's diversification away from oil. Last fall, the kingdom committed \$45 billion from the fund to investments in the tech industry. The deal was made with the Japanese tech conglomerate SoftBank, which recently said it is nearing its goal of raising \$100 billion.

<http://wtkr.com/2017/05/22/saudi-arabia-pledges-20-billion-to-blackstone-for-american-infrastructure/>

National Oilwell Varco announces joint venture with Saudi Aramco

22 May 2017

NOV announces joint venture with Saudi Aramco to manufacture high-specification drilling rigs and advanced drilling equipment. National Oilwell Varco Inc - memorandum of understanding, which includes a detailed commercial term sheet, remains subject to final negotiation. National Oilwell Varco Inc - entering into a memorandum of understanding with Saudi Aramco to form a joint venture in Saudi Arabia. National Oilwell Varco Inc - NOV will own a 70pct interest in joint venture, while Saudi Aramco will own 30pct

<http://www.reuters.com/article/brief-national-oilwell-announces-joint-v-idUSFWN1IO06E>

Saudi Aramco plans up to \$30 bln investment in Motiva by 2023

23 May 2017

Saudi Aramco plans an investment of up to \$30 billion in its U.S. subsidiary Motiva Enterprises LLC,

the company said in an announcement at a business summit in Saudi Arabia. The company said that \$12 billion would be the initial investment in a project to expand refining capacity at Motiva's Port Arthur, Texas, refinery and extend Motiva's operations in the petrochemical value chain. A likely additional investment of \$18 billion is expected into Motiva by 2023, it said.

<http://www.reuters.com/article/motiva-investment-saudi-aramco-idUSL1N1IP28I>

SoftBank inks \$90bn fund with Saudi Arabia to invest in AI

23 May 2017

SoftBank Group has launched a 10 trillion yen (\$89.9 billion) investment fund jointly with the Saudi Arabian government and other entities in a bid to change the landscape of the global high-tech industry and capitalize on its future. The fund will invest in promising venture businesses across the world to create an extensive network of companies that will lead their fields and create opportunity.

But the establishment of the fund means that SoftBank will have new vested interests with the Saudi government and the other partners at a time when the company's core mobile phone business is facing a growth ceiling. SoftBank CEO Masayoshi Son is thus taking a huge gamble at a critical juncture.

Son signed the agreement last Saturday in front of Saudi Arabia's King Salman and U.S. President Donald Trump in the royal palace in Riyadh. While Saudi Arabia's sovereign wealth fund will be the biggest investor in the fund, other entities, including Apple and Sharp, are also involved.

A top Japanese businessperson being among American business leaders accompanying Trump on the president's first overseas trip was particularly unusual. In addition it is noteworthy that the deal was inked in front of the U.S. and Saudi leaders. "Artificial intelligence will cause the first paradigm shift in human history," Son said in reference to the aim of the investment fund. He

has listed nearly 30 companies in health care, robotics, agriculture and other fields as candidate destinations for investment. In short, Son is looking to bear fruit from the coming information technology revolution that will be sparked by artificial intelligence.

Son founded Softbank in 1981 as a wholesaler of computer software. The company has since changed its core business to the internet, telecommunications and mobile phone services through huge mergers and acquisitions. In 2016, SoftBank purchased ARM Holdings, a British company dominant in designing semiconductors. All these moves reflect Son's strategy foreseeing the advent of the AI era. SoftBank inks \$90bn fund with Saudi Arabia to invest in AI.

Masayoshi Son hits a critical juncture yet again in his grand plan for the future. As a result, though, SoftBank's debt has soared to 14 trillion yen -- or about the size of Sweden's annual budget. Son himself has admitted that SoftBank cannot shoulder any more debt.

Son thus turned to oil money. Along with the acquisition of ARM, Son visited Middle Eastern countries and grew confident in his plan. He then got acquainted with Saudi Deputy Crown Prince Mohammed bin Salman.

When the deputy crown prince visited Japan in September last year, Son abruptly canceled his plan to accompany Japanese Prime Minister Shinzo Abe on a trip to the Russian port city of Vladivostok. Instead, Son met Deputy Crown Prince Mohammed at the state guest house in Akasaka, in central Tokyo. During the 45-minute meeting, the Saudi prince agreed to invest \$45 billion in the fund.

But Saudi Arabia, which wants to reduce its reliance on oil, will not invest such a sum without stipulations. Negotiations over setting up the fund were supposed to wrap up in March, but they continued beyond because Saudi Arabia demanded a hand in selecting investment

destinations. It is possible that the kingdom will oppose SoftBank's investment strategy.

Son's pledge to Trump to invest \$50 billion in the U.S. will be partly financed by the Saudi fund. Now that the Trump administration is expected to promote deregulation, Son is taking aim at shaking out the U.S. telecom industry via SoftBank's subsidiary Sprint.

SoftBank will add the investment fund to its consolidated account. SoftBank has logged a 44% return on its investment, and the new fund will become a cash cow if it yields such a return. But any missteps could be catastrophic. In fact, SoftBank incurred a loss on an investment business in India in the fiscal year ended in March.

<http://asia.nikkei.com/Business/Companies/SoftBank-inks-90bn-fund-with-Saudi-Arabia-to-invest-in-AI?page=2>

General Electric signs 1 billion riyal deal to build gas turbines in Saudi Arabia

24 May 2017

General Electric (GE) signed a one billion riyal (\$267 million) joint venture agreement on Wednesday with Saudi Arabia's state-backed Dussur industrial development company to manufacture gas turbines in the eastern city of Dammam. The agreement, announced at a press conference in Riyadh, follows an announcement by GE during U.S. President Donald Trump's visit last weekend of \$15 billion of business deals, including memorandums of understanding which would require further agreements to materialize.

GE and Dussur signed a memorandum of understanding last year that is expected to result in nearly 3.75 billion riyals of investment by the two companies across multiple sectors in 2017.

<http://www.reuters.com/article/us-saudi-industry-general-electric-idUSKBN18K10C>

U.S. lawmakers to fight massive Trump Saudi arms deal

25 May 2017

U.S. lawmakers introduced legislation on Thursday seeking to stop at least a portion of President Donald Trump's sale of weapons to Saudi Arabia. Republican Rand Paul and Democrats Chris Murphy and Al Franken introduced a resolution of disapproval in the Senate to force a vote on whether to block part of the sale. The Senate Foreign Relations Committee received formal notice of the pending sale on May 19.

The Arms Export Control Act of 1976 allows a senator to force a vote on an arms sale, once Congress is formally notified of plans to go ahead. The same three senators introduced a similar resolution last year seeking to block the sale of \$1.15 billion of tanks and other equipment to Saudi Arabia. That measure was defeated overwhelmingly.

Saudi Arabia was the first stop on Trump's first international trip this week, and he marked the visit by announcing the arms deal in Riyadh on May 20. Saudi Arabia agreed to buy \$110 billion of U.S. arms, with options running as high as \$350 billion over 10 years.

The lawmakers aim to block about \$500 million of the sale, the portion including precision-guided munitions and other offensive weapons.

"Given Saudi Arabia's past support of terror, poor human rights record, and questionable tactics in its war in Yemen, Congress must carefully consider and thoroughly debate if selling them billions of dollars of arms is in our best national security interest at this time," Paul said in a statement.

Members of the U.S. House of Representatives also took action on the planned sale on Thursday. Republican Representative Ted Yoho and Democrat Ted Lieu wrote to the chairman of the House Foreign Affairs Committee asking for a hearing to review the sale of precision-guided munitions to Riyadh.

Democratic President Barack Obama's administration suspended the planned sale of precision-guided munitions in December because of concerns over the Saudi-led military campaign in Yemen and civilian casualties. But Trump has said he wants to encourage international weapons sales as a way to create jobs in the United States. <http://www.reuters.com/article/usa-saudi-arms-congress-idUSL1N1IR21B>

Zain Saudi says Saudi Fransi Capital to advise on financial position

25 May 2017

Zain, one of Saudi Arabia's leading mobile companies has appointed Saudi Fransi Capital (SFC) as financial advisor to strengthen its financial position. SFC to explore options which may include conversion of some of liabilities to equity or rights issue or capital reduction or combination of these. <http://www.reuters.com/article/brief-zain-saudi-says-saudi-fransi-capit-idUSFWN1IROGO>

Saudi Telecom's fund expects first deal by Q4, says CEO

25 May 2017

Saudi Telecom Co's (STC) \$500 million venture capital fund expects to complete its first transaction by Q4 2017, chief executive Abdulrahman Tarabzouni told reporters in Riyadh. STVentures' initial investments were currently being studied, he added. STC CEO Khaled Biyari said the \$500 million would be invested over the next four to five years.

<http://www.argaam.com/en/article/articledetail/id/488314>

Al Kathiri Holding issues prospectus for IPO on Nomu Market

25 May 2017

Al Kathiri Holding Co. has issued a prospectus for its initial public offering (IPO) on the Nomu Parallel Market after obtaining approval from the Saudi market regulator. The company plans to offer 26.1 percent of capital, or 819,000 shares, it said in a

statement. Last week, Al Kathiri obtained the approval from the Capital Market Authority (CMA) for the IPO that will run from May 30 to June 6, 2017. Shares will be offered only to qualified investors.

Last April, the company's board of directors approved to raise capital from SAR 27.3 million to SAR 31.4 million, after the IPO is completed. The company's ownership structure is divided between Mishal Alkathiri who owns a 72.4 percent stake, and others (27.5 percent). The Saudi contractor reported net earnings of SAR 7.91 million in 2016, compared to SAR 7.78 million in a year earlier. The company, which is capitalized at SAR 27.3 million, is engaged in the field of contracting, wholesale as well as retail sale of building materials.

<http://www.argaam.com/en/article/articledetail/id/488291>

Saudi agricultural fund approves loans worth SAR 87 mln

25 May 2017

Saudi Agricultural Development Fund's board of directors headed by the Saudi minister of environment, water and agriculture, Abdul Rahman Al Fadhli, approved loans worth SAR 87 million for total investments of over SAR 161 million, Saudi Press Agency Reported. Aquaculture sector, with over SAR 86 million investments, took over the largest share of the loans at SAR 43 million. The remaining sectors included poultry and greenhouses projects in different cities such as Riyadh, Medina, Qassim, Hail, Eastern Province and Aseer.

The board also approved raising the fund's maximum financing limit for projects using modern technologies to 70 percent. Furthermore, the fund agreed to pay SAR 5 million to finance a natural cool project in Qassim with total investment of SAR 9 million, SPA added.

<http://www.argaam.com/en/article/articledetail/id/488275>

Saudi Aramco invests SAR 6 mln in smart control start-up

25 May 2017

State-owned Saudi Aramco has invested up to SAR 6 million in a strategic partnership with Smart Control Co. (SCC), a start-up firm of Badir Program for Technology Incubators, the Saudi Press Agency (SPA) reported. The move comes as part of the oil giant's strategy to enhance local content through partnership between the private sector and entrepreneurs.

Under the deal, SCC was valued at SAR 24 million. The company develops low-cost smart systems to control electric devices using a facility's power network. The Badir scheme is a program of King Abdulaziz City for Science and Technology (KACST), which aims to boost local content in line with the Kingdom's National Transformation Plan 2020.

<http://www.argaam.com/en/article/articledetail/id/488269>

Saudi population estimated at 32.6 mln H1

25 May 2017

The total population in Saudi Arabia rose by 870,000 year-on-year (YoY) to 32.6 million people in the first half of 2017, according to the Saudi General Authority for Statistics. The number of Saudi males and females stood at 20.4 million, or 63 percent of total population, in the first six months. Meanwhile, the number of non-Saudi citizens was 12.2 million, or around 37 percent of total population.

<http://www.argaam.com/en/article/articledetail/id/488253>

Al-Qahtani Auction wins new contracts

25 May 2017

Al-Qahtani Auction Co. has been awarded a contract by Saudi Arabia's General Authority for Civil Aviation (GACA) and Security Aviation Command (SANC) to perform public auctions for 13 airports around the Kingdom, it said in a

statement. The company will be responsible for preparing all sites and organizing public auctions for the following airports: Abha, Rabgh, AlDawadmi, AlAhsa, AlWajh, Yanbu, Najran, AlJaof, Tabuk, Arar, Alqaisoma, AlBaha, and AlQassem. These auction projects are slated to take place this year, while the rest of 24 airports are planned for 2018, said managing director FalehAlQahtani.

Al-Qahtani Auction has also won a new contract from Al-Rajhi Agriculture and Infrastructure Co. (AlWatania) to perform an auction at Al-Lith city in Q3 2017. In addition, the company secured a contract from Yanbu Court to carry out a real estate auction, said general manager Saeed AlQahtani.

Al-Qahtani Auction plans to auction a land plot exceeding 300,000 square meters in area in July, 2017. Meanwhile, the firm is also bidding for an auction contract from the Execution and Implementation Court in Khobar, it said. "Al-Qahtani are working on leading a conglomerate of companies to organize, manage, and operate the auction as per the requirements of the Court," the statement added.

<http://www.argaam.com/en/article/articledetail/id/488194>

Saudi Arabia defends Bahrain's crackdown on violent protest

25 May 2017

Saudi Arabia defended the actions of Bahraini authorities who opened fire on a protest by supporters of a top Shiite cleric, killing five people. The security of Bahrain "is an integral part" of Saudi security, the Saudi Press Agency (SPA) quoted a source in the Kingdom's Foreign Ministry as saying. "The source affirmed the support of the Kingdom of Saudi Arabia for the measures being taken," including in Diraz village near the capital Manama, it said. These measures are to "address all terrorist attempts aimed at destabilizing and damaging" security and order, it added.

Bahrain's Interior Ministry said in a Twitter message: "Five deaths have been registered

among the outlaws" in Diraz, near the capital of Manama, where the police opened fire to disperse the sit-in outside the home of cleric Isa Qassim. "A total of 286 arrests were made, including fugitives that had escaped from Jau Prison," the ministry said. "Several terrorists and convicted felons were also apprehended with a large number of them hiding in the residence of Isa Qassim," it added. Several members of the security forces were injured, it said.

A US State Department official told AFP: "We urge restraint on all sides in responding to today's developments and call on all parties to contribute to a climate conducive for dialogue and reconciliation." A court last year ordered the dissolution of Bahrain's main opposition group Al-Wefaq after authorities accused it of "harboring terrorism." Bahrain's Parliament in March voted unanimously to grant military courts the right to try civilians charged with any act of "terrorism."

<http://www.arabnews.com/node/1104551/saudi-arabia>

Saudi Arabia sets up first advanced construction tech plant in Dammam

28 May 2017

The Saudi housing ministry has signed a contract to set up a first-of-its-kind factory that will build residential units using new construction technology in Dammam, Al-Eqtisadiah newspaper reported on Sunday, citing Saif Al-Swailem, ministry spokesperson. When the factory is operated, Saudi Arabia is expected to add 7,000 homes annually.

The new facility will manufacture pre-fabricated innovative residential units that will be transferred to the built-up area for installation. Al-Swailem added that similar plants will be established and will be 100 percent Saudized. New construction technologies will not only provide job opportunities for Saudi citizens, but also cut construction time and costs by 30 percent to 50 percent, he added.

Housing minister Majed Al Hogail had expected new technologies to cut construction time to two

days only in 2019, Argaam earlier reported. The ministry is targeting to deliver 120,000 units under the "Sakani" housing scheme. Prices will range between SAR 250,000 and SAR 750,000 per unit in the current year.

<http://www.argaam.com/en/article/articledetail/id/488571>

100% tax on cigarettes, energy drinks in Saudi from June 10

28 May 2017

Saudi Arabia will impose a selective tax on cigarettes, energy drinks and carbonated drinks from June 10. The decision will make Saudi the first country in the Gulf Co-operation Council to fix the implementation date, a Saudi Gazette report said quoting the General Authority of Zakat. The General Secretariat of GCC on May 23 took a decision to impose 100 per cent tax on cigarettes, and energy drinks. The carbonated drinks will attract a tax of 50 per cent. The country will implement the value-added tax (VAT) from January 1. The selective taxes that will be implemented by all Gulf countries target several items, including tobacco products and power drink by 100 per cent and fizzy drinks by 50 per cent.

The Zakat Authority is responsible for collecting VAT and ST, ensuring that all taxpayers comply with relevant laws and that no one evades taxes. Those who withhold information or violate regulations or obstruct Zakat Authority's employees from carrying out their duties will be fined up to SR50,000, the report added.

<http://www.khaleejtimes.com/region/saudi-arabia/100-tax-on-cigarettes,-energy-drinks-in-Saudi-from-June-10>

Saudi Arabia's Central Bank assets hit five-year low in April

28 May 2017

Assets held by the Saudi Arabian Monetary Authority (SAMA), Saudi central bank, fell by SAR 15.3 billion month-on-month to SAR 1.956 trillion in April, hitting a five-year low. Assets had fallen to SAR 1.926 trillion in August 2011,

official data showed. When compared to the same month a year earlier, assets this April fell by SAR 265.2 billion.

SAMA's Asset (Billion)

Period	SAMA's Asset	Change
2017-January	2,028.64	(48.23)
2017-February	2,000.19	(28.45)
2017-March	1,971.40	(28.79)
2017-April	1,956.06	(15.34)

SAMA's investments in foreign securities, which account for about 65 percent of its assets, declined 12 percent year-on-year to SAR 1.27 trillion in April.

Aggregated SAMA (Billion)

Period	2016-April	2017-April	Change
Foreign currencies and gold	231.43	231.69	0.11 %
Cash in vault	32.23	31.80	(1.33 %)
Deposits with banks abroad	484.68	357.57	(26.23 %)
Investments in foreign securities	1,448.23	1,277.70	(11.78 %)
Other miscellaneous assets	24.67	57.28	132.18 %

<http://www.argaam.com/en/stats-report-assets-sama/3/720>

Saudi Arabia is a 'cow being milked' by US, says Iran's supreme leader

29 May 2017

Iran's supreme leader has claimed Saudi Arabia is a "cow being milked" by the US. Ayatollah Ali Khamenei condemned its regional rival for signing multibillion-dollar deals with "infidel" Americans - and described its government as "stupid". He added that the cash Saudi Arabia used to pay for weapons worth \$110bn (£86bn) should have been used to "improve the lives of their own people" instead. Khamenei said: "The stupid Saudi government thinks it can attract the friendship of enemies by giving them money. "But in reality there is no closeness and, as the Americans have said, they are just there to pump them for money like a milking cow, and later slaughter them."

The hard-line supreme leader went on to warn that Saudi Arabia's rulers are facing a "certain downfall" for aligning themselves with the US. Sunni-led Saudi Arabia and Shia-majority Iran are on opposing sides of several conflicts across the Middle East - including the wars in Syria and Yemen.

Their poor relationship suffered a fresh blow last week when President Donald Trump accused Tehran of supporting terrorism in the Middle East during his visit to Saudi Arabia.

Despite tensions with Iran, Mr Trump has been proudly trumpeting the trade deal he secured in Riyadh, tweeting on Saturday: "Bringing hundreds of billions of dollars back to the U.S.A. from the Middle East - which will mean JOBS, JOBS, JOBS!" <http://news.sky.com/story/saudi-arabia-is-a-cow-being-milked-by-us-says-irans-supreme-leader-10896432>

GCC banks to manage impact of IFRS adoption, says S&P

29 May 2017

S&P Global Ratings said in a recent report that GCC banks under its coverage will show resilience to the adoption of International Financial Reporting Standard (IFRS) 9. Under the new standard "Financial Instruments", which will come into effect on January 1, 2018, banks are required to set aside provisions in advance, based on their loss expectations.

"Our view that the impact of IFRS 9 will be manageable is due in part to the relatively conservative approach that GCC banks already take to calculating and setting aside loan-loss provisions," S&P Global Ratings credit analyst, Mohamed Damak, said. Following the adoption of IFRS 9, rated GCC banks will have to set aside additional provisions of up to 17 percent of their net operating income on average.

Excluding banks with no shortage in provision, the additional provisions would represent 27 percent of net operating income. Banks in Kuwait would see the least impact, as they are required by the

central bank to take a general provision on their performing facilities equivalent to 1 percent of cash facilities and 0.5 percent of non-cash facilities.

Meanwhile, the most affected rated banks would be in Qatar, primarily due to the specific cases of a couple of Qatari banks that have either seen a significant deterioration in their asset quality indicators, or an increase in past due but not impaired loans, over the past couple of years.

The rating agency added that its calculations were based on the quality of banks' lending portfolios. Other assets were excluded in scope of IFRS 9 when estimating lifetime expected losses due to a lack of public disclosure.

<http://www.argaam.com/en/article/articledetail/id/488712>

Canada plays up its natural resources to attract Saudi Aramco listing

29 May 2017

The Toronto Stock Exchange (TSX) is vying to win part of Saudi Aramco's initial public offering (IPO) and Canada is capitalizing on its experience in natural resources in its bid to compete for the much-anticipated listing, Reuters reported, citing pitch documents. Seeking a slice of the massive share sale, TSX cited a customized regulatory environment for resource issuers, its leading position in oil and gas equity capital raising, and strong trading interest from outside the country.

The pitch documents aim to convince Saudi officials that Canada excels in 10 of the 12 areas they have targeted for development under that plan, including mining and infrastructure, an unnamed source close to the matter said. "We feel that we have put TMX and Canada's best foot forward and we continue to promote our strengths in pursuit of business opportunities in the region and around the world," TMX said in the statement carried by Reuters.

During several visits to the Kingdom, the most recent in late March, executives from TMX Group, the parent of TSX, along with other officials from some of Canadian biggest banks, brokerages and

other financial players as Canada Inc seeks a role in delivering the Saudi Vision 2030.

While TSX has a late start in competing among other exchanges in London, New York, Tokyo, Hong Kong and Singapore, a recent change in U.S. law that allows those affected by the September 11, 2001 attacks to sue the Saudi government could enhance Toronto's position.

Canada-listed oil and gas companies raised 22 percent of global energy financing over the past five years, the TMX pitch documents showed. It followed New York Stock Exchange (NYSE) with 44 percent.

Meanwhile, Canada came in third place behind Chinese and Hong Kong exchanges, and the United States for total capital raised in 2016, the documents showed. Toronto-listed oil and gas producers and the junior TSXV have a total market capitalization of CAD325 billion (\$239 billion), TMX said. The market cap of oil and gas firms in NYSE - which include super majors ExxonMobil Corp, Chevron and secondary listings for Royal Dutch Shell and Total - stand at \$3.3 trillion.

The Saudi government plans to list up to 5 percent of Aramco on Tadawul and one or more international markets in Q2 2018.

<http://www.argaam.com/en/article/articledetail/id/488691>

Saudia includes 30 female grads into its aviation scholarship

29 May 2017

Saudi Arabian Airlines (Saudia) has included 30 female graduates from the fields of science, math, and computer in its aviation scholarship program, it said in a statement. "In the near future, we will witness the presence of Saudi women at the heart of Saudia's operations and on board its flights as pilots and co-pilots of the latest aircrafts in the world," the statement added.

About 500 women currently work across various sectors in the airline.

<http://www.argaam.com/en/article/articledetail/id/488686>

Saudi oil exports hit SAR 53.9 bln in March

29 May 2017

The value of Saudi Arabia's oil exports reached around SAR 53.9 billion during March 2017, up 43 percent year-on-year (YoY), official data showed. In March, oil exports increased by around SAR 699 million month-on-month (MoM). Oil exports accounted for 76.7 percent of total exports for the month which reached SAR 70.2 billion. According to the General Authority for Statistics, the Kingdom's oil exports for Q1-2017 stood at SAR 162.1 billion, a rise of 67 percent YoY.

Saudi Oil Exports			
Period	Value (SAR mln)	Y-o-Y Variance	Exports / tot. exports
January 2016	29,231	(30.1%)	69.7%
February	30,321	(35.6%)	68.7%
March	37,605	(33.1%)	70.2%
April	38,452	(32.9%)	73.0%
May	46,622	(23.7%)	73.8%
June	45,237	(16.5%)	75.3%
July	45,121	(14.1%)	78.4%
August	44,339	(2.1%)	73.4%
September	43,924	+7.2%	76.4%
October	51,513	+28.8%	76.5%
November	46,220	+15.2%	75.2%
December	52,146	+41.6%	76.6%
January 2017	55,109	+88.5%	79.7%
February	53,164	+75.3%	80.8%
March	53,863	+43.2%	76.7%

<http://www.argaam.com/en/article/articledetail/id/488582>

VIP Coatings closes in on Saudi Arabian water park deal

29 May 2017

VIP Coatings revealed that it is close to finalising a deal to provide surface protection and coating solutions for a water park in Saudi Arabia. As part of the large-scale entertainment city currently being built in the north of Riyadh, the new water park will be the first to open in the conservative

gulf state. The water park is also being built alongside a six flags theme park. VIP Coatings recently provided repair and surface protection solutions for the Legoland theme park and water park in Dubai.

Speaking to Construction Week, Sami Saleem of VIP Coatings, said: "We are working with some contractors there and some of our products have been specified, judging by our success with Legoland." Saleem said that he is seeing rapid change in the kingdom and that he believes the venture will prove "very" successful, though he did not provide further details on a completion date for the project. "I am seeing so much change right now in the Saudi market," he said.

Saleem added that the company is also bidding on water parks in Oman, though he did not disclose any additional information on the projects.

<http://www.constructionweekonline.com/article-44606-vip-coatings-closes-in-on-saudi-arabian-water-park-deal/>

Dow signs agreements for investments in Saudi Arabia

29 May 2017

The Dow Chemical Company has signed two agreements to advance the company's strategic, innovation agenda in the Kingdom of Saudi Arabia (KSA) which will bring leading edge technologies to KSA. An agreement has been signed to construct a manufacturing facility to produce a range of polymers for coatings, and a memorandum of understanding for a feasibility study related to a proposed investment in the company's Performance Silicones franchise.

"Dow has been a long-term strategic partner in Saudi Arabia for nearly four decades and is the largest foreign investor in the country," said Andrew Liveris, Dow's chairman and CEO. "Through our global and regional experience and expertise, we have unmatched capabilities to deliver high value, innovative solutions that support the Kingdom in key growth areas that help advance the Saudi's Vision 2030 plan designed to

create a vibrant society and a thriving diversified economy."

Located in the PlasChem Park in Jubail, the coatings facility will service the needs of the Saudi Arabian market with an innovative range of acrylic-based polymers for industrial and architectural coatings. The investment will create approximately 1,000 jobs during peak construction and approximately 100 high-skilled, full-time operations jobs in the Kingdom, ultimately growing local manufacturing and sustainable economic growth. The new coatings facility will complement Dow's existing coatings capabilities in the Middle East, which include an existing facility at Jebel Ali, in Dubai, United Arab Emirates.

The proposed silicones investment will include constructing a fully integrated, world-scale siloxanes and high performance silicones complex geared towards markets and industries such as home and personal care, automotive, high performance building and construction, solar energy, medical devices, and oil and gas. When complete the complex will support the economic impact of KSA through the creation of approximately 350 full-time, technology-skilled jobs.

<http://www.european-coatings.com/Markets-companies/Raw-materials-market/Dow-signs-agreements-for-investments-in-Saudi-Arabia>

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ABOUT THE CHIEF EDITOR

Dr. Cyril Widdershoven is director and founder of Verocy. He is a long-time observer of the global energy market and presently holds several advisory positions with international think tanks in the Middle East and energy sectors in the Netherlands, the United Kingdom, and the United States. He earned his post graduate degrees at King's College, University of London, Department of War Studies, and an MA in Middle East Studies at the University of Nijmegen, Netherlands.

Main focus of his work has been on geopolitical risks, terrorism, fundamentalism and military/defense related issues in the MENA region. He held several senior publishing positions in leading energy publications such as Afroil, Middle East Oil and Gas, and North Africa Oil and Gas Magazine Cairo, and he continues to oversee the Mediterranean Energy Political Risk Consultancy.

Dr. Widdershoven worked on M&A operations in Egypt, Libya, Sudan, and Iran, he studied the pipeline operations in Libya, Algeria, Nigeria and Turkey, and he assessed risk for institutional investors and banks in Libya, Egypt, Saudi Arabia, Oman and Iraq, all while advising the Dutch government and international organizations on related issues. In earlier career assignments, he held positions at Capgemini Consulting (Principal Consultant Centre of Excellence Oil and Gas International (Calgary, Canada), Deloitte Financial Advisory Services (Senior Manager, Oil & Gas), and as Senior Financial Analyst Oil & Gas Sector FDA, where he managed and advised the oil and gas department on equity and bond markets.

Dr. Widdershoven has throughout his career lived and worked in numerous Middle East countries, with a home base in Egypt, where he was Head of Investment and Research at ARTOC Group for Investment and Development in Cairo. He is also has founded North Africa's first English language oil and gas monthly North Africa Oil and Gas Magazine, now called Petroleum Africa, and was one of the founders of the Middle East Oil Gas Newsletter and Africa Oil Newsletter at Newbase (UK).

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