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TAG-Consult

Newsletter

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Welcome

Welcome to the First issue of TAGConsult 2013 newsletter, which aims to provide informative articles on topics relating to Management & Financial Consultancy. In this issue, we analyze and discuss the potentials of the Middle East economies. We welcome your thoughts and suggestions, and hope that this issue provides you with useful information.

Talal Abu Ghazaleh organization

UAE's safe haven status helps real estate recovery in 2012
25 December 2012

DUBAI - The UAE's real estate sector showed good stabilisation prospective for the last quarter of 2012, according to a recent market intelligence report issued by Tasweek Real Estate Marketing and Development.

Among the key trends for 2012 confirmed by the report are more realistic market movements, an expansion of choices and sustainability concepts, enhanced quality, better management and an increase in transactions.

Abu Dhabi

The capital values of Abu Dhabi's apartments and villas have stabilised with some fluctuations in pricing decline in various areas between two-five per cent since the third quarter. At this point in the development cycle, better-quality inventory are entering the market, though, and are exerting pressure on inferior and ageing units.

However, the capping of the emirate's annual rent increase at five per cent and the extension to tenancy contracts through November 2013 as stipulated by the local rent law are expected to help further stabilise the rental market going towards 2013. A new regulation announced by the Executive Council mandating all government employees to live within the emirate — planned to take effect in 2013 — could have an even more balancing effect on the local residential market. Around 3,000 new residential units have entered the market since last quarter, most of them representing apartment development. Moreover, around 38,000 housing units are in pipeline for delivery by 2014, making the reality sector more competitive. Their release will influence land owners to lower rents and agree to more flexible contract terms.

As for the commercial and industrial segments, prime office rental rates in premium developments were flat at between Dh1,600 and Dh1,900 per metre square. Office rents in the emirate are expected to fluctuate and stabilise in the next six months, as new commercial developments continue to further swell supply. Retail and office performance will depend on the development, with tailored, well-serviced buildings be able to maintain their prices as those of others soften.

Dubai

Announcements of several mega projects are contributing to a steady return to confidence in Dubai. Nakheel, for example, has sold out 122 residential plots in the Jumeirah Village circle, while Emaar has sold out its three key projects. However some pressure over the expected entry of more property supply through next year. Rallying sales and rental prices are being reported by projects and various companies in areas such as Emirates Living, Palm Jumeirah, Arabian Ranches and Downtown.

khaleejtimes.com

World Renewable Energy Agency Says GCC Countries Can Achieve Up To $200 Billion In Returns By 2030

22 December 2012

IRENA declares that future energy projects provide growth opportunities for many countries.

World Future Energy Summit in Abu Dhabi from 15 – 17 January 2013 to encourage further investment at the Project & Finance Village.

The International Renewable Energy Agency (IRENA) is adding momentum to the recent increase in investment in renewable energy with the roll out of the first allotment of its US$350 million funding cycle in conjunction with the Abu Dhabi Fund for Development (ADFD).

The two Abu Dhabi-based institutions are working together to incentivize innovative renewable energy projects in developing countries. IRENA is accepting applications from such projects until 12 January 2013 for US$ 50 million in ADFD concessional loans in the first of its seven funding cycles.

"This financing from ADFD, administered with the support of IRENA, will help projects that are innovative and replicable to get off the ground," says IRENA's Deputy Director-General, Frank Wouters. "By making such projects bankable, we believe we can create substantial growth opportunities for renewables in energy-poor countries."

The unprecedented rise in recent investment is injecting a much needed impetus to the clean energy sector, and the Project & Finance Village at the sixth World Future Energy Summit (WFES) in Abu Dhabi will provide an avenue for investors to evaluate new projects. An almost twofold increase is expected in the number of international cleantech and renewable energy projects on display at the village from 15-17 January, 2013.

Global investment in clean energy in the third quarter of 2012 has totaled US$56.6 billion according to Bloomberg New Energy Finance, with many new projects being located in emerging markets.

It has been widely reported that Qatar is currently working on a solar energy project which will account for 16% of the country's total electrical output by 2018, while Saudi Arabia is seeking investors for a US$109 billion solar energy program which will provide a third of electricity needs by 2032 to add to their

planned nuclear, wind and geothermal output.
IRENA estimates that GCC countries can achieve up to US$ 200 billion in returns as early as 2030 through renewable energy integration. Countries in the Gulf region continue to establish many ambitious clean energy projects which are supported by innovative research and development as well as investment. IRENA reports that there are presently 30 such projects which are in planning stage, under construction or have been completed in the region.

The trend marks a shift in the demand for new resources of energy to developing countries, which was echoed through the projects that were showcased from the Middle East, India and North Africa at the 2012 WFES.

According to WFES 2013 Show Director Naji El Haddad, the time for developing and implementing new and sustainable forms of energy is now, and WFES 2013 is an essential global platform for project developers, entrepreneurs, banks and financiers to connect and create viable energy solutions for the future.

"Demand for renewable energy sources from developing countries is on the rise and many countries lack the funds to develop these resources. Development on a global scale is not possible without powering communities lacking access to a traditional energy supply and many countries from the Middle East, Asia and Africa are highly interested in the outcomes of the summit."

The third session of the IRENA Assembly —which gathers delegates from the Agency's nearly 160 member or participating countries worldwide – will kick start Abu Dhabi Sustainability Week and lead up to the sixth World Future Energy Summit (WFES), the world's foremost gathering dedicated to promoting sustainable technologies.

Titled 'Powering the Future of Energy Innovation', WFES 2013 will be co-located with the first International Water Summit at the Abu Dhabi National Exhibition Centre, which will also be the host venue for the International Renewable Energy Conference (ADIREC).

Qatar, the world's biggest liquefied natural gas exporter, has raised its forecasts for economic growth this year and in 2013 as non-energy industries expand.

The nation's real gross domestic product will increase 6.3 percent in 2012, compared with a previous forecast of 6.2 percent, while economic growth in 2013 may rise to 4.8 percent compared with an estimate of 4.5 percent in June, the General Secretariat for Development Planning said in a statement today.

Half of Qatar's economy will be based on petroleum production next year, the government said. The country's economic growth was the fastest in the world in 2011 and 2010, according to the International Monetary Fund. The expansion was driven by the completion of 14 gas liquefaction plants, raising exports of the fuel. No further plants are planned amid a moratorium on development of the North Field, the world's largest gas reservoir.

Construction will pick up as infrastructure projects begin to take effect after delays "and we are also expecting growth in high value-added services such as financial services, transportation and communication," Frank Harrigan, director of the department of economic development at the planning body, told reporters today. "All of the growth will come from non-oil and gas" until about 2015, when a natural gas project called Barzan begins operation, he said.

'Robust' Growth

Qatar's economic expansion is based on "robust" growth in the non-oil and gas industries, the government body said. The government forecasts 9.3 percent expansion in those industries this year, and 9.6 percent in 2013. The government revised its 2012 nominal GDP, which reflects the cost of oil, to 14.7 percent from 11.2 percent amid higher-than-

forecast crude prices. The country's 2012 fiscal surplus is estimated at 7.9 percent of GDP, and 5.3 percent of GDP in 2013, the planners said.

Qatar, which is hosting the 2022 soccer World Cup, plans to spend $138 billion on infrastructure from 2011 to 2016, greater than 10 percent of GDP through 2016, the government said today. The spending amounts to a 42 percent increase from what was projected by the planners in 2010. The country is building a $35 billion rail and metro network, new highways, sports stadiums, an international port and an international airport.

Infrastructure 'Challenges'
The planning department reported "challenges to ensuring delivery" of infrastructure projects amid rising costs and planning delays caused by the large volume of projects during the next decade.

Risks to economic expansion are "mainly external" including the debt crises afflicting countries in the euro area and "geopolitical developments" that threaten shipping of oil and gas, the government said. At the start of this year, Iran threatened to shut the Strait of Hormuz, through which Qatar exports all its gas. The planners warn that "demand and supply" fundamentals suggest "downside risks" for oil prices.

Still, Qatar's exposure to the euro-area crisis is "limited and contained," Harrigan said. Crude oil would have to fall below $50 per barrel "to shift the projected fiscal surplus for 2013 to deficit," the planners said in the report.
Source: bloomberg

Budget surplus to reach KD 11-13 bln this fiscal yr

Dec 22 2012: After the volatility seen for much of the year, November was a quieter month for crude oil prices. The price of Kuwait Export Crude (KEC) traded in the narrow range of $105 to $108 per barrel (pb) for most of the month, with modest upward pressure in the middle of the month fading out by early December. Brent crude traded in a similarly narrow range of $108-111 pb for most of November. West Texas Intermediate (WTI) — the benchmark US blend — remained at a significant discount, at $85-$90. The average November WTI spread below Brent reached a 2012 record of $23. Against KEC, it reached an all-time high of $20.

The broad stability of prices can be linked to a receding — for now at least — of both the European sovereign debt crisis and geopolitical tensions in the Middle East. But these issues have not been resolved, and either could emerge as a dominant market theme in early 2013. Attention has now shifted to the US 'fiscal cliff', which could potentially tip the US economy into recession next year. But even here, the complexity of the negotiations and the seeming intransigence of both sides of the debate have encouraged market participants to adopt a wait-and-see approach.

Meanwhile, oil market fundamentals remain evenly balanced. Although a loosening of the supply-demand balance is widely anticipated for 2013, the extent of the shift is uncertain. One key factor in this is OPEC policy. At the organization's meeting on December 12th it decided to leave its overall production levels unchanged — officially at least. Its ability to make a coordinated and decisive policy move is complicated by internal political dynamics as well as external forces affecting some of its members' output. These include Baghdad-Kurdistan relations in Iraq, international sanctions on Iran and supply disruptions in some African states. The consensus is that OPEC will need to cut output significantly to prevent prices from falling next year.

Oil demand outlook

A weak global economy means that oil demand growth is seen improving only slightly in 2013, following a modest rise in 2012. Analysts expect incremental oil demand of around 0.7 to 0.9 million barrels per day (mbpd), or 0.8% to 0.9%, up from 0.7 to 0.8 mbpd this year. Surprisingly, the improvement comes from OECD markets where demand — though still seen falling — is expected to do so at a slower pace than in 2012. Growth in emerging economies on the other hand, is positive at 1 mbpd or more, but expected to slow. A combination of fiscal austerity, structurally weak growth in the Eurozone, banking sector weakness, and growth in alternative fuels are forecast to undermine oil demand in developed markets for the foreseeable future. In emerging markets, however, there is still scope for oil demand growth to remain solid, particularly through the use of looser policy to offset weakness in major export markets.

Oil supply outlook

Crude output of the OPEC-11 (i.e. excluding Iraq) fell slightly by some 64,000 bpd in October to just under 27.8 mbpd, a 12-month low. The bulk of this decline came from Nigeria, where output plunged to its lowest level in 3 years. This was the second month of 100,000 bpd, or larger, declines in the country, due to a combination of severe flooding in the oil producing Niger River Delta region and a force majeure declared by Shell following a series of sabotage and vandalism incidents. Iran has also seen significant declines with output falling to 2.6 mbpd in October, almost 1 mbpd lower than a year ago. Iranian oil production levels have now been overtaken by Iraq, Kuwait and more recently the UAE. Elsewhere, there were some considerable production gains, notably in Angola where output was up by 108,000 bpd following the completion of field maintenance work.

Total OPEC production (including Iraq) was down for the second consecutive month to just under 31 mbpd. Iraqi oil output, which has seen significant production increases this year, was down only slightly by some 5,000 bpd to 3.2 mbpd. However, data from 'direct communication' or official government figures, point to much larger declines of 200,000 bpd. Further expansion of Iraq's upstream capacity will depend on the development of key infrastructure projects, which so far have seen slow progress.

Following significant increases in the final quarter of this year, non-OPEC supplies are seen rising further by 0.1-0.3 mbpd in 1Q13. At least one-third of this increase will come from OPEC natural gas liquids (NGLs). Non-OPEC supplies have been driven by the continued surge in North American production. In total, global oil supplies are expected to have risen by more than 2 mbpd this year, and are seen rising more modestly in 2013 as lower OPEC production partially offsets continued increases in non-OPEC supplies.

Price projections

Our forecast horizon covers the relatively short period to 1Q13. Given soft demand and rising non-OPEC supplies, oil market fundamentals are expected to loosen over this period. Based upon a 0.1 mbpd quarter-on-quarter decline in global oil demand in 1Q13, and a non-OPEC supply increase at the higher end of expectations and a modest cut in OPEC supply of 0.2 mbpd, global oil inventories are seen rising by a large 1.3 mbpd in the first quarter. In this scenario, the price of KEC is expected to fall in early 2013, but remain close to $100 pb.

If, on the other hand, expected cuts in OPEC production are not realized in 1Q13, then stock levels would rise even further to some 1.5 mbpd. In this case, the price of KEC would fall steeply to under $100 pb in 1Q13 and further thereafter. This would subsequently prompt OPEC members to lower production levels before the end of the year.

Alternatively, growth in non-OPEC supplies could turn out below expectations in the first quarter — or oil demand could turn out stronger, perhaps receiving a boost from a cold winter. In this case, the price of KEC remains supported at above $100 pb in early 2013 and rises thereafter.

Budget projections

The three scenarios described above would generate average oil prices of $104 — $105 pb for this fiscal year. Together with high oil production rates, this indicates another bumper year for government budget revenues. Indeed, official figures for the first half of FY2012/13 reveal that revenues reached KD 16.0 billion, above the government's projection for the entire year. If as we expect, spending comes in 5-10% below the government's forecast and revenues much higher, this year's budget surplus could end up between KD 10.8 billion and KD 12.6 billion before allocations to the Reserve Fund for Future Generations (RFFG). This would equate to 22% to 25% of forecast 2012 GDP.

Source: Arab times