CELEBRATING 40 YEARS
OF ENGAGING TREASURERS

ACT MIDDLE EAST TREASURY SUMMIT: PRE-CONFERENCE WEBINAR

PUSHING TREASURY BOUNDARIES

8 April 2019

Additional Q&As

Please see below the sanswers* that were kindly provided by **Rory Fyfe**, Managing Director, **MENA Advisors** to additional questions, submitted during the webinar but didn't get answered during the live session.

* answers provided below don't necessarily reflect the ACT's opinion.

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1 Should we expect a further rise in Fed rates in 2019 and 2020. Where is the trend expected to move?

"We do not expect further interest rate hikes by the Fed in 2019 and 2020. It currently looks like global growth and growth in the US has peaked and inflation has remained below the Fed's target. It's very hard to predict whether the next move will be up or down, it could go either way depending on US and global economic developments. "

2 As already mentioned, many GCC countries are seeking to diversify away from oil, what's the panel's view on the success of this strategy and what sectors do the panel see as the growth areas?

"Success of diversification strategies across the region have been mixed. Dubai has perhaps been the most successful diversification story, building a hub in the region for trade, logistics, manufacturing, business, finance, travel and tourism. Other countries in the region are looking to replicate many aspects of this strategy, often with some tweaks. Some diversification strategies have left the region still exposed to lower hydrocarbon prices, such as the development of petrochemical industries or energy-intensive production such as aluminum or steel. Some grand and ambitious projects have met limited success with the creation of new cities or economic zones that have proved unproductive. As these largely wealthy countries liberalise their labour markets and improve the business environments, the likely areas to benefit are high value service industries such as travel, tourism, sports, media and technology."

3 How long fiscal consolidation and market slowdown is expected in ME and specifically GCC region?

“We think the outlook for oil prices is "lower for longer", averaging around the $65/barrel mark (our estimate for the US shale breakeven price). At this level, most countries in the GCC including the largest, Saudi Arabia, are going to need to show continued fiscal restraint for the foreseeable future. We do not expect a return to the massive oil revenue surpluses and economic booms of past years. We are in a new reality of lower oil prices, higher debt and more stable government spending. We would expect real growth to stabilise at around 1% to 3% for most of the region for the medium term. There is one main exception to this story, Qatar, with its massive expansion of LNG production and strong balance sheet, we expect considerably higher growth there over the next 10 years as we outline in our report, *The Blockade is behind us, the future is LNG*”

4 How do you see NOPEC bill impacting the global economic dynamics?

“The bill is unlikely to be passed, but, according to economic theory, it should lead to more stable oil prices. However, the geopolitical tensions likely to emerge as a result of the bill could have the opposite outcome.”

5 Do you think the Consolidation of the Banks that we are seeing, in the region, is beneficial?

“The GCC region is over-banked and has a number of small, weaker banks. Consolidation is therefore needed to strengthen banking sectors across the region and to improve the offering to consumers. We think this is a much-needed and overdue development.”

6 What would you argue are the key factors in keeping growth at this lower 'normal' rate?

“Lower oil prices, lower government spending, political tensions in the region and slow progress with reforms to improve the business environment.”