vote gives Turkey chance for economic reform

Turkey's return to single-party rule gives it a window of opportunity to push ahead with long-neglected economic reforms, but success will depend on the shape of its new cabinet and whether President Tayyip Erdogan tries to intervene.

Sunday's vote saw the ruling AK Party regain the majority it lost in June and marked the end of an almost two-year election cycle in which economic policy has been driven more by vote-seeking populism than structural reform. Turkey will, in all likelihood, not now face another election until 2019, meaning policy makers have a chance to push through potentially unpopular reforms without fearing a backlash at the ballot box.

"The top priority should be redesigning the country's industrial policy and changing the production structure to shift to more value-added exports," said Umit Ozlale, economics professor at Istanbul's Ozyegin University. "Fiscal discipline and central bank independence are also crucial."

Turkish assets rallied on Monday, with the lira on track for its biggest one-day gain in seven years and stocks up 5 percent, after the election result ended months of uncertainty. But some analysts voiced concern that the outcome may embolden Erdogan, who has made fuelling growth his overriding economic objective, lobbying for interest rate cuts despite rising inflation and equating high borrowing costs with treason.

Erdogan delivered weeks of stinging criticism of the central bank earlier this year for failing to slash rates, unnerving investors, sending the lira to record lows, and fuelling speculation that its governor might resign. (RTRS)

NBO to roadshow ahead of bond sale

National Bank of Oman has mandated five banks to arrange investor meetings starting Thursday ahead of a potential capital-boosting bond sale, a document from lead arrangers showed on Monday.

The sultanate's third-largest bank by assets has mandated Bank of America-Merrill Lynch, Citigroup, Credit Agricole, National Bank of Abu Dhabi and Standard Chartered for the potential offering, the document showed.

The US dollar-denominated bond would boost the bank's Tier 1, or core, capital.

The announcement confirms a Reuters story in June saying the lender had picked banks for a Tier 1 issue after the summer.

National Bank of Oman, rated A3 by Moody's and BBB by Fitch, will meet investors in Hong Kong on Thursday, Singapore on Friday, the United Arab Emirates on Monday and London on Tuesday, according to a banker aware of the transaction.

It will issue a bond after the meetings if the market conditions are conductive, the document showed. (RTRS)

Market Movements 02-11-2015

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+67.30	5,221.30
S. KOREA	-	KRX 100	+23.67	4,011.67
PHILIPPINES	-	All Shares	+33.07	4,152.35
GERMANY	-	DAX	+100.53	10,950.67
FRANCE	-	CAC 40	+18.55	4,916.21
EUROPE	-	Euro Stoxx 50	+16.27	3,434.50

			Change	Closing pts
INDIA	-	Sensex	-97.68	26,559.15
JAPAN	-	Nikkei	-399.86	18,683.24
HONG KONG	-	Hang Seng	-270.00	22,370.04

Business

Industry braces for Iranian exports increase

Gulf oil producers delay field work, see weaker 2016 prices

DUBAI, Nov 2, (RTRS): Gulf oil producers are delaying some field maintenance until next year to keep production high and reduce costs as they forecast weaker oil prices in 2016, industry sources said.

It was not possible to clarify which fields were affected — information which is highly sensitive.

But it showed that Gulf oil producers aim to keep pumping hard as they expect weak oil prices next year when sanctions on Iran are lifted allowing it to export more to an oversupplied market, the sources said.

They told Reuters that OPEC members Saudi Arabia, United Arab Emirates and Qatar are rescheduling non-essential maintenance work at oilfields originally planned for the last quarter of this year later into 2016 due to low oil prices.

"The non-urgent maintenance is definitely being pushed. We see huge focus on production in Qatar, Abu Dhabi and Saudi Arabia," said one industry source.

"They are delaying to keep production high, if they shut down now they will not produce, and they also have to preserve cash," the source said.

Two more sources also said that Gulf oil producers are pushing forward some of their maintenance plans for oil rigs, wells and pipes that are not critical to production or safety of operations, but declined to give details.

"There is delay. The reason is low oil prices, they are trying to have some control over the cost," another industry source said of Saudi Aramco's maintenance plans this year.

A Gulf industry source said: "Companies are trying to benefit from higher margins now as they expect oil prices to drop next year, when Iran comes back."

Iran will notify OPEC in December of its plans to raise its output by 500,000 barrels per day (bpd), its oil minister said on Saturday.

The sources said delayed maintenance was also a way to rein in spending, when the work often involves bringing in specialist foreign companies.

"I think what people are doing is spacing out some maintenance, or being smarter about combining maintenance schedules as a way of bring prudent on costs," said one senior oil executive working in the Middle East.

State oil firms Saudi Aramco, Abu Dhabi National Oil Company (ADNOC) and Qatar Petroleum did not respond to enquiries.

One industry source said he had not heard of any upcoming planned maintenance at ADNOC's oilfields and expects production from Abu Dhabi to hold steady in the fourth quarter. The UAE pumped 3 million bpd in September.

Saudi-based sources have said the kingdom's level of crude production was likely to stay around current levels in the fourth quarter as a decline in domestic crude burning for electricity would be offset by rising global demand.

Saudi Arabia pumped 10.225 million bpd of crude oil in September. Qatar's production was 663,000 bpd in September, according to official figures submitted to OPEC.

The collapse in crude prices since last year has prompted oil majors, service companies and even wealthy oil producers to cut spending and shelve some projects.

Even Middle East OPEC producers were reviewing oil investments plans and asking for cost cuts.

Iraq has told foreign companies that they may need to slash development spending next year.

Saudi Arabia's finance ministry is telling government bodies to return unspent money which they were allocated in this year's budget.

Saudi Aramco has said it would renegotiate some contracts and postpone some projects due to falling oil prices. It has asked international oil service companies for 25 percent discounts, industry source have said.

OPEC squabbles over oil price, maximizing revenue – report

Iran, Algeria say cartel should dust off quota system

VIENNA, Nov 2, (RTRS): Internal OPEC squabbles are on the rise as members argue about the need to support a fair oil price and boost revenues just as they feel more pain from low crude prices, an internal OPEC report seen by Reuters this week showed.

A draft report of OPEC's long-term strategy (LTS) carries annotations by Iran, Algeria and Iraq, and suggestions from Iran and Algeria for measures to support prices such as a price target or floor and a return to OPEC's quota system.

Oil prices have more than halved to below $50 a barrel since June 2014 in a drop that deepened after the Organization of the Petroleum Exporting Countries in 2014 changed strategy to protect market share, rather than cut output to prop up prices as it did in the past.

The strategy shift was led by Saudi Arabia, supported by other relatively wealthy Gulf members. Others, including Venezuela, Iran and Algeria, had misgivings and have continued to call for output cuts.

These differences over short-term policy are informing the group's updating of its long-term strategy, the document indicates, and may not bode well for a harmonious meeting on Dec 4, when OPEC oil ministers meet to review output policy.

The 44-page document has 11 pages of comments from member countries added as an annex.

"OPEC should be prepared to establish and defend a price floor, in particular, and to accept a temporary trade-off between lower market share and higher revenues," Algeria commented in the draft report.

"It is our recommendation to agree upon a fair and reasonable price (band) then try to support it as long as this price seems a fair and reasonable price," read one of Iran's comments.

Top producer Saudi Arabia, however, says the market determines oil prices. The kingdom did not make a comment on the draft report.

OPEC governors, official representatives of the member-countries, are meeting at the group's Vienna headquarters this week to agree on the final draft of the report.

Iran, Algeria and Iraq, among the OPEC countries most hurt by a drop in oil prices, want to include different versions of the need for OPEC to maximise revenues as one of OPEC's first long-term objectives in the report.

They note that discussions among the OPEC governors who have been meeting to agree on the long-term strategy report have not resulted in an agreement on some objectives.

"Maximize long-term petroleum revenue of member-countries and safeguard their interests, individually and collectively, while enhancing the role of oil in meeting future energy demand," was what Algeria suggested as an OPEC objective.

Algeria, referring to OPEC's decision of November 2014 to not cut supply said: "an additional element of uncertainty is represented by OPEC's behavior," according to the draft report.

Iraq, boosting production and exports with the help of foreign oil companies, had its own suggestion.

"OPEC member-countries should determine their own policies regarding the long term strategy (LTS) by creating a model for achieving maximum revenue through a balance between market share and prices," was one of Iraq's comments.

In its comments Iran, which is also preparing to boost exports and regain market share once sanctions are lifted, is also pressing to restore the OPEC quota system dropped in 2011.

Continued on Page 31

Kuwait oil production hits 2.8mn bpd in 2014/15

KUWAIT CITY, Nov 2, (KUNA): Kuwait's crude oil production hit 2.8 million barrels per day (bpd) by the end of the fiscal year 2014-2015, less than the targeted 2.9 million bpd, the Kuwait Oil Company (KOC) said on Monday.

In its recently-issued 2014-2015 annual report, the company noted that the 140,000bpd shortage in output, was mainly due to the decline of production capacity south, east and north of Kuwait. The report attributed the decrease to the delay of contracts for derricks and maintenance of new wells, the latter for reasons related to deep drilling and repeatedly irregular electricity from the Ministry of Electricity and Water power distribution points.

The company noted that they had dug 376 new wells for crude oil and non-associated gas, 33 wells more than the targeted 343 ones for the past fiscal year, thanks to the enhanced performance of derricks.

As for the production of associated and non-associated gas, the company said that it hit 1.596 billion cubic feet daily, marking a rise of 187 million more than the targeted 1.409 billion cubic feet.

Technology to boost reserves

World energy resources to nearly double by 2050: BP

LONDON, Nov 2, (RTRS): The world is no longer at risk of running out of oil or gas for decades ahead with existing technology capable of unlocking so much that global reserves would almost double by 2050 despite booming consumption, oil major BP said on Monday.

When taking into account all accessible forms of energy including nuclear, wind and solar, there are enough resources to meet 20 times what the world will need over that period, David Eyton, BP Group Head of Technology said.

"Energy resources are plentiful. Concerns over running out of oil and gas have disappeared," Eyton said at the launch of BP's inaugural Technology Outlook.

Oil and gas companies have invested heavily in squeezing the maximum from existing reservoirs by using chemicals, super computers and robotics. The halving of oil prices since last June has further dampened their appetite to explore for new resources, with more than $200 billion worth of mega projects scrapped in recent months.

Demand

By applying these technologies, the global proved fossil fuel resources could increase from 2.9 trillion barrels of oil equivalent (boe) to 4.8 trillion boe by 2050, nearly double the projected 2.5 trillion boe required to meet global demand until 2050, BP said.

With new exploration and technology, the resources could leap to a staggering 7.5 trillion boe, Eyton said.

"We are probably nearing the point where potential from additional recovery from discovered reservoir exceeds the potential for exploration."

The world is however expected to reduce its reliance on fossil fuels in favour of cleaner sources of energy as governments introduce policies limiting carbon emissions in order to combat global warming.

"A price on carbon would advantage certain resources," Eyton said.

Governments are expected to agree on a framework to limit global warming by limiting carbon emissions at the United Nation's climate summit in Paris starting this month. European oil companies have urged policy makers to introduce a global price on carbon that will favour the use of less dirty natural gas at the expense of coal.

Policies

"Ultimately, national and international policies will determine how much of and which resources will be produced."

"We envisage increasing competition between energy resources," he said. "This will likely result in increased competition in the energy market and disruption for the incumbent."

In North America, a price of $40 per tonne of carbon would make gas turbine power plants more cost-effective than coal, BP said.

However, an $80 per tonne price on carbon would make onshore wind technology competitive with gas-fired power and would also make carbon capture and sequestration with gas-fired power economic.

And while oil is expected to be the main source fuelling the transport sector by at least 2035, electric vehicles could approach cost-parity with the internal combustion engine, due to advances in battery technology, BP said.

BP, the largest operator of solar and wind power among its peers, will see its investment portfolio evolve over time in line with government policies, Eyton said.

Hurt by cheap oil, govt will make water more expensive

Saudi deficits will drive further debt issuance: Moody's

NEW YORK, Nov 2, (Agencies): Saudi Arabia's (Aa3 stable) fiscal position is weakening but is still relatively strong. Volatile oil prices will continue to weigh on the government's balance sheet, says Moody's Investors Service in a recently published report. It expects that lower oil revenues will result in continued large budget deficits, a drawdown in reserves, and increased sovereign debt issuance. Although the government has begun to cut back on expenditures, further cuts are likely to reduce the fiscal deficits. Without such cuts and/or non-oil revenue increases, the Kingdom's creditworthiness will be affected.

"Given Saudi Arabia's dependence on the volatile hydrocarbon sector, we expect that low oil prices will continue to drive fiscal deficits for several years. While the kingdom's large assets provide a cushion, we believe that further measures to address the deficit will be forthcoming," says Steven Hess, a Moody's Senior Vice-President.

Revenues

With Saudi Arabia's 2015 budget estimating that 80 percent of revenues will be derived from the oil industry, Moody's expects a 2015 fiscal deficit of SR 411 billion ($110 billion), or 17 percent of GDP. As a result, the rating agency projects that Saudi Arabia's debt issuance will continue to increase, with the ratio of government debt to GDP rising to 6.4 percent at end-2015, from 1.6 percent at end-2014.

However, Moody's also notes that the Saudi government's financial reserves accumulated before the oil price decline provides a solid buffer, with a decade of considerable fiscal surpluses allowing it to finance large deficits without undermining its fiscal strength in the near term.

A slowdown in government capital spending will negatively impact wider economic growth, according to Moody's. The rating agency estimates real GDP growth of 2.5 percent-3.0 percent over the next two years, down from the 5.5 percent decade average, as the government adapts to lower oil revenues and as some government-financed projects are wrapped up.

Moody's notes Saudi Arabia's vulnerability to regional geopolitical developments, which exposes the country to moderate political risk.

Meanwhile, Saudi Arabia will raise the price of water for non-residential consumers, local media reported, a sign the government is cutting back an expensive system of subsidies as low oil prices strain its finances.

The rate for industrial, government or large corporate users will rise to 9 riyals ($2.40) per cubic metre from 4 riyals now, starting on Dec 16, the local newspaper al-Watan reported in an article posted on the website of the Ministry of Water and Electricity.

A ministry spokesman could not be contacted to comment on Monday. Some other Saudi newspapers carried similar reports, quoting unnamed sources in the ministry as saying the government aimed to reduce the growth of water consumption and discourage waste.

Residential users, who have long enjoyed cheap water as part of lavish social welfare benefits provided by the government, will not pay higher prices, the reports said.

The plunge of oil prices since last year has saddled Saudi Arabia with an annual state budget deficit exceeding $100 billion, putting pressure on it to reduce spending, although the government is reluctant to make politically sensitive cuts.

The oil minister said last week the kingdom was considering whether to reduce domestic fuel price subsidies; he did not elaborate.

The media reports did not say how much money the government might save by raising water prices. The move could help to limit energy use, because much of the desert country's water is produced by desalination plants.

Housing may escape cutbacks as social priority

Saudi Dar sees new era of govt cooperation

RIYADH, Nov 2, (RTRS): Saudi Arabia's Dar Al Arkan Real Estate Development Co thinks it can keep growing next year despite low oil prices, as the government prioritises spending on housing and tries to increase the private sector's role in ending a shortage of homes.

Overall growth in government expenditure is widely expected to slow or even go into reverse next year as the world's largest oil exporting country grapples with a huge state budget deficit caused by cheap oil.

But the housing industry may escape cutbacks as authorities have said they will not cut "essential" spending. Supply of housing lags demand because of rapid population growth and slow progress in government building programmes due to red tape and difficulties obtaining land.

While government data shows home ownership among roughly 21 million Saudi citizens at 60 percent, the International Monetary Fund has estimated that excluding people living in "traditional" housing, the rate is 36 percent.

"We are optimistic regarding the attractiveness of the Saudi real estate market over the coming years, and that the company will deliver growth and better performance in 2016 despite the current uncertainty", said Dar Chairman Yousef al-Shelash.

"Although the government is rationalising spending on some projects and is trimming other expenses, providing housing projects remains a top priority for development and government spending", he added in an interview at the Reuters Middle East Investment Summit.

Biggest

Dar, one of the kingdom's biggest listed developers, has built more than 18,000 housing units and has a land bank of 30 million square metres in Jeddah, Mecca, Riyadh and Eastern Province.

Dar focuses mainly on developing basic infrastructure on undeveloped land and selling such land. To insulate itself from the volatility of the Saudi market, it wants to obtain more revenue from leasing housing and commercial units.

A new administration appointed by King Salman, who took the throne in January, has shown signs of taking a more dynamic, private sector-oriented approach than its predecessor.

Majed al-Hogail, former managing director of Rafal Real Estate Development Co, a private firm owned by Saudi family interests, was chosen by Salman in July to head the housing ministry.

"The new minister is aware of the sector and developers' problems — he knows it is a supply problem, not demand, and is working on facilitating more supply into the market," Shelash said.

Local media have quoted Hogail as saying the market needed 1.5 million housing units to meet demand, and that the ministry would stop trying to develop projects by itself and enlist the cooperation of the private sector.

Shelash said his company and other private developers were discussing projects with the ministry, adding that the ministry planned to establish a body to grant project approvals to developers swiftly. In the past, obtaining approval could take years.

"I expect when developers' financing problems are handled and when development procedures are facilitated, the market will be in a much better condition than it was when oil prices exceeded $100," Shelash said.