fund led by Alabbar buys UAE website JadoPado

United Arab Emirates e-commerce and online marketplace website JadoPado has been acquired by a technology fund led by Dubai billionaire and Emaar Properties chairman Mohamed Alabbar, his spokesperson said in a statement to Reuters on Thursday.

The transaction comes soon after Amazon's acquisition last month of regional e-commerce website Souq.com, described by advisor Goldman Sachs as "the biggest-ever technology M&A transaction in the Arab world".

"JadoPado has been acquired by the tech-fund launched by Mohamed Alabbar, in the first of several acquisitions and partnerships as part of his digital/tech investments in the region," the spokesperson said, without disclosing a value for the transaction.

Alabbar is the founder and chairman of Dubai's Emaar Properties, developer of the world's tallest tower, the Burj Khalifa. In August, a consortium of investors led by Alabbar were set to launch the region's largest technology fund that will hold $1 billion in investments and drive tech-entrepreneurship. (RTRS)

Dana begins refinancing talks on $700 mln sukuk

United Arab Emirates'energy producer Dana Gas has started refinancing discussions with the holders of its $700 million sukuk maturing in October this year, the company said in a statement on Thursday. The company, which has faced a cash shortage after failing to receive payments from investments in Egypt and Kurdistan, had recently announced a plan to begin talks on the restructuring of the sukuk which was issued in May 2013.

The lack of collections had raised concerns over the company's ability to repay the dollar sukuk over the past few months, which put downward pressure on the price of the company's outstanding Islamic debt.

Dana Gas' chief executive Patrick Allman-Ward did not respond to questions related to the state of the restructuring talks during a media call on Thursday.

The energy producer in April repaid an outstanding $60 million loan for its Zora gas field project in the UAE to avoid a covenant breach on the facility, the CEO told reporters after the company published its first-quarter results.

The company reported net profit of $11 million in the three months ending March 31 versus $6 million during the same period a year earlier. Profits rose by $4 million quarter on quarter. (RTRS)

Market Movements 11-05-2017

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+0.90	5,912.00
JAPAN	-	Nikkei	+61.46	19,961.55
S. KOREA	-	KRX 100	+65.78	4,652.97
PHILIPPINES	-	All Shares	+12.93	4,656.88
INDIA	-	Sensex	+2.81	30,250.98
HONG KONG	-	Hang Seng	+110.13	25,125.55

			Change	Closing pts
GERMANY	-	DAX	-46.40	12,711.06
FRANCE	-	CAC 40	-17.04	5,383.42
EUROPE	-	Euro Stoxx 50	-22.19	3,623.55

Business

Saudi budget deficit drops 71% in Q1

Helped by cuts, oil revenue surge

RIYADH, May 11, (AFP): Saudi Arabia's budget deficit dropped by 71 percent in the first quarter of the year, the government said Thursday, after spending cuts and a major rebound in oil revenues.

The world's top crude exporter has made an aggressive push to diversify its traditionally oil-dependent economy after the drop in global prices since 2014 slashed its revenues.

Finance Minister Mohammed al-Jadaan on Thursday said the deficit had dropped to 26 billion Saudi riyals ($6.93 billion) in the first three months of the 2017 fiscal year.

Saudi Arabia's budget deficit was initially projected at $53 billion for the whole year, after an even bigger deficit last year that prompted subsidy cuts, delays in projects and a temporary government salary freeze.

"This is a very encouraging figure and clearly reflects our aim to achieve a balanced budget in 2020," Jadaan said.

This is the first time that Saudi Arabia has released budget figures on a quarterly basis, a measure it says is aimed at boosting transparency.

Total revenues for the first quarter were at 144.076 billion riyals ($38.41 billion), an increase of 72 percent from the same quarter last year.

Oil revenues were notably up in the first quarter at 112 billion riyals ($29.86 billion) with a growth rate of 115 percent from the same quarter last year, driven by a hike in crude prices in international markets.

Non-oil revenues for the first quarter were reported at 32 billion riyals ($8.53 billion), a one percent increase from the same quarter last year.

Expenditure stood at 170 billion riyals ($45.3 billion) for the first quarter of this year, down three percent from the corresponding period last year.

Expenditure is projected at $237 billion for this year, down from $260 billion last year.

The Saudi government last year announced a sweeping "Vision 2030" plan aimed at developing its industrial and investment base and boosting small- and medium-sized businesses in a bid to create more jobs for Saudis and reduce reliance on oil revenue.

The plan also aims to include more women in the workforce in Saudi Arabia, which has some of the world's tightest restrictions on women. It is the only country where women are not allowed to drive.

In September, the state froze salaries and reduced benefits for civil servants — who comprise the bulk of the workforce — as part of a package of austerity measures.

King Salman revoked the measures in a royal decree last month.

High on the diversification agenda is the kingdom's plan to sell some five percent of state oil giant Aramco to private owners next year.

Saudi Arabia has also announced foreigners would no longer be allowed to work in Saudi Arabia's numerous shopping malls, in a measure to boost employment of Saudis.

About nine million foreigners worked in the kingdom at the end of 2015, the most recent official figures available.

Bid to make changes to sector as part of Vision 2030

Saudi Electricity in market for $1bn loan

LONDON, May 11, (RTRS): Saudi Electricity Company (SEC) is in the market for a US$1bn syndicated loan, banking sources close said.

The company has sent out a request for proposals for a five-year bullet loan, one of the sources said.

SEC had initially considered the bond market but decided to tap the loan market instead after bankers decided that changes to the electricity sector as part of Saudi's national transformation program, called Saudi Arabia's Vision 2030, which is aimed at diversifying Saudi's economy away from pure oil dependency might make it too hard to sell to bond investors.

"Saudi Arabia's national transformation programme is going to mean a lot of changes for the electricity sector," another banker said. "If the conversation with investors is that the credit profile is this today, but might be something else tomorrow, then it can make the conversation difficult. I understand they are just going to be doing a loan."

SEC did not immediately reply to a request for comment.

In June last year SEC signed a US$1.5bn five-year financing from Industrial and Commercial Bank of China, one of the largest loans ever extended by a Chinese bank in the Gulf.

In January 2016 it signed a US$1.4bn three-year revolving credit facility with a group of seven banks: MUFG, Mizuho Bank, SMBC, HSBC, JP Morgan, Credit Agricole and Deutsche Bank.

That US dollar tranche was part of a wider SR7.75bn (US$2.07bn) facility that also comprised a SR2.5bn tranche which signed in December 2015 with local lenders National Commercial Bank and Samba Financial Group.

NBK mandates banks for a 'potential' dollar bond

DUBAI, May 11, (RTRS): National Bank of Kuwait has mandated banks to arrange a series of fixed income investor meetings ahead of a potential five-year senior unsecured dollar bond, a document issued by one of the banks leading the deal showed on Thursday.

Citi, HSBC, J.P. Morgan and NBK Capital are the coordinators and are joined by First Abu Dhabi Bank and Standard Chartered as joint lead managers. Meetings will be held in the Middle East, Europe and the United States starting on May 15.

The potential 144 A, Regulation S transaction would be of benchmark size, which usually means upwards of $500 million, according to the document.

JPMorgan to add bankers in Saudi

DUBAI, May 11, (RTRS): JPMorgan will increase the number of bankers it has in Saudi Arabia to around 80 by the end of the year to capitalise on the increase in equity market activity and mergers and acquisitions in the kingdom, a senior executive said.

Saudi Arabia has unveiled about $200 billion of privatisation of state-owned companies over the next few years, selling stakes in everything from hospitals to airports. The kingdom is also listing oil company Saudi Aramco, which it expects will raise another $100 billion.

"We're invested in investment banking and our equities brokerage capabilities as we expect more activity in the equity market with all the changes that are going on," Sjoerd Leenart, head of JPMorgan's regional head for the Middle East, Turkey and Africa, told Reuters on Thursday.

"We have about 70 people now and will go to around 80 at year end."

Leenart said the bank can also draw on expertise from outside the region.

"There's a very important balance to maintain between having expertise on the ground and drawing on industry expertise sitting in the US or UK," he said.

JPMorgan, which sources have told Reuters has been appointed as a financial adviser to help in the listing of Aramco, has been in kingdom for more than 80 years.

JPMorgan has declined to comment on its advisory role.

Cartel sees 'rapid' growth in US shale this year

OPEC sees more oil supply outside the group

LONDON, May 11, (RTRS): OPEC on Thursday sharply raised its forecast for oil supply from non-member countries in 2017 as higher prices encourage US shale drillers to pump more, hampering the producer group's efforts to clear a glut and support prices by cutting output.

In a monthly report, the Organization of the Petroleum Exporting Countries said outside producers would boost supply by 950,000 barrels per day (bpd) this year, up from 580,000 bpd expected previously.

As a result, OPEC cut the forecast 2017 demand for its crude by 300,000 bpd.

The 13-country OPEC is curbing its output by about 1.2 million bpd from Jan 1 for six months, the first reduction in eight years. Russia and 10 other non-OPEC producers agreed to cut half as much.

The report will add to a debate about the effectiveness of the cut, which is expected to be extended when producers meet later this month. While oil prices have gained support, higher rival supply is limiting further gains and an inventory glut has proved slow to shift.

"US oil and gas companies have already stepped up activities in 2017," OPEC said in the report. "US tight crude output is expected to rise rapidly and increase by 600,000 bpd in 2017," OPEC said, using another term for shale.

Oil prices pared gains on Thursday after the release of the report to trade at less than $51 a barrel, below the $60 level that top OPEC producer Saudi Arabia would like to see. Prices are still up from about $48 a year ago.

In the report, OPEC pointed to continued high compliance by its members with the supply deal and said oil stocks in industrialised nations fell in March – although they are still 276 million barrels above the five-year average.

Supply from the 11 OPEC members with production targets under the accord – all except Libya and Nigeria – fell to 29.674 million bpd last month, according to figures from secondary sources that OPEC uses to monitor output.

That means OPEC has complied 111 percent with the plan, according to a Reuters calculation, up from an estimate in March of 104 percent. OPEC did not publish a compliance number.

OPEC said its production, including Nigeria and Libya, fell by about 18,000 bpd in April to 31.73 million bpd, according to the secondary sources.

Saudi Arabia increased output by about 50,000 bpd, according to the secondary sources and Saudi figures, although Riyadh continues to produce less than agreed under the deal.

Some of the larger OPEC producers told the organisation that their output was higher than the secondary-source figures, meaning compliance is lower if these numbers are used.

The United Arab Emirates reported a 15,000-bpd increase in its output to 2.988 million bpd – more than its OPEC target of 2.874 million bpd. Iraq said it pumped 4.53 million bpd, above its target of 4.351 million bpd.

Due to the higher supply expected from outside producers, OPEC trimmed forecast demand for its crude in 2017 to 31.92 million bpd, down 300,000 bpd from the previous forecast and not far from current production.

Any more supply from OPEC or non-OPEC could return the market to surplus. However, officials from member countries have questioned the sustainability of the rebound in shale.

Egypt expects to receive Iraqi crude in mid-May

Iraq, Algeria back oil cut extension

BAGHDAD, May 11, (Agencies): Iraq and Algeria support the extension of oil production cuts by OPEC and non-OPEC producers through the end of the year to try to boost prices, they said in a joint statement Thursday.

The oil ministers of the two countries held a press conference in Baghdad where Iraqi Oil Minister Jabar Ali al-Luaibi said "there might be new ideas to be presented" at an OPEC meeting on May 25, without providing further details.

In late November, the Organization of the Petroleum Exporting Countries agreed to cut production by 1.2 million barrels a day, the first such reduction agreement since 2008. The following month, 11 non-OPEC oil-producing countries pledged to cut an additional 558,000 barrels a day, reaching an overall reduction of 1.8 million.

In March, OPEC announced the possibility that such cuts would be extended.

Iraq — OPEC's second-largest producer and a country that relies on oil revenues for nearly 95 percent of its budget — committed to reduce daily production by 210,000 barrels to 4.351 million.

Meanwhile, Egypt expects the first crude oil shipment from Iraq under a bilateral agreement to arrive in mid-May, an Egyptian oil ministry official said on Thursday.

Iraqi Oil Minister Jabar Ali al-Luaibi (right), welcomes Algerian Energy Minister Noureddine Boutarfa, in Baghdad, Iraq on May 11. Iraq and Algeria said Thursday that they support the extension of oil production cuts by OPEC and non-OPEC producers through the end of the year to try to boost prices.

Under the agreement reached last month by Egypt and Iraq, Baghdad is to sell 12 million barrels of oil to Egypt for a year. Iraq began last Thursday to load a tanker with 2 million barrels of crude oil for export to Egypt.

In the meantime, Saudi Aramco has resumed supplying Egypt with about 700,000 tonnes of petroleum per month at the end of March after it stopped in October, the official said.

The resumption follows a statement in March by the Egyptian Petroleum Ministry, which said it expected Saudi Arabia to resume oil product shipments by the end of March or early April.

Move follows output surge

Egypt starts 'weaning' itself off foreign gas

AMSTERDAM, May 11, (RTRS): Egypt is holding talks with its liquefied natural gas (LNG) suppliers to defer contracted shipments this year and aims to cut back on purchases in 2018, as surging domestic gas production squeezes out demand for costly foreign imports.

Cairo's desire for gas self-sufficiency by the end of 2018 bodes ill for traders having to reshuffle LNG out of the country amid concern over the impact on global gas prices if replacement markets for the world's eighth-biggest importer of the super-cooled fuel are not found fast enough.

State-run importer EGAS aims to defer dozens of liquefied natural gas (LNG) cargoes due this year, analyst, trade and industry sources say.

It is also scaling back LNG purchase plans for 2018 from 70 to as low as 30 cargoes, one Egyptian industry source added, signalling the withdrawal of one of the fastest-growing LNG importers from the global stage.

EGAS did not respond to requests for comment.

"Obviously we will definitely be deferring but I cannot recall the numbers," Egypt's Petroleum Minister Tarek El Molla told Reuters.

As demand growth among the old guard of Asian gas-consuming nations such as Japan slows, new entrants — led by Egypt — have accounted for 86 percent of net growth since mid-2014, EDF's head of energy market analysis Teddy Kott said.

Demand

"That was a demand disruption that not only exceeded Fukushima in terms of scale but rivalled it in terms of pace," he said, referring to Japan's 2011 nuclear meltdown, and resulting reactor closures that lifted the LNG out of its last downturn.

A trader said: "Egypt was the biggest short going."

Global LNG output is set to jump by a third, hitting 452 million tonnes by 2020, and with Asian spot prices down by 72 percent since early 2014, adding new markets to soak up the glut is key to stemming the rout.

At the heart of Egypt's revival is a stunning run of discoveries, a potential boon for the government as it embarks on politically sensitive economic reforms and struggles to rein in inflation running at a three-decade high.

"Test flows from (BP's) West Nile Delta have started ahead of schedule and Eni's giant Zohr find is progressing quickly on track for first gas later this year, but it's output from the Nooros field that has surprised everyone this year," said Adam Pollard, senior North Africa oil and gas analyst at Wood Mackenzie.

Eni's Nooros is churning out 900 million cubic feet of gas daily, Pollard said, becoming Egypt's biggest producing field since it came on stream late in 2015.

Production from two BP fields in the West Nile Delta development, Taurus and Libra, just started eight months ahead of schedule. Its North Alexandria gas fields are set to boost output as well.

"Talks with Egypt on deferring cargoes are ongoing," a LNG trader said. "And there are also talks between the traders and producers on where to divert these supplies to," he added.

Exporter

Once a top-10 LNG exporter, the Arab country of 92 million people has so far consumed around 12.5 million tonnes since it started importing in 2015, according to Reuters data.

Benefiting from several multi-billion-dollar LNG buying sprees, commodity traders from Trafigura to Glencore carved out a niche for themselves by shouldering credit risks for producers, including Qatar, averse to supplying Egypt directly.

Any deferments therefore will disproportionately hit trade houses who must wrangle approvals from producers before diverting the cargoes into other markets.

Already this year EGAS has deferred about ten shipments, with about 10-15 shipments left to go, trade sources said.

The scale and speed of Egypt's turnaround suggests the government may yet wean itself off foreign gas but how sustainable that turns to be will depend on domestic pent-up demand.

"Natural gas demand in Egypt has been constrained from power generation to fertilizer production so gas demand could potentially rebound much more than initially anticipated," Anne-Sophie Corbeau, research fellow at the King Abdullah Petroleum Studies and Research Centre said.

"The appetite for LNG in that region is going to be challenged but will not disappear."

Emirates profit falls for first time in 5 years

DUBAI, May 11, (RTRS): Emirates, the Middle East's largest airline, reported a drop in annual profit on Thursday for the first time in five years and criticised President Donald Trump's restrictions on some US flights as "destabilising" for travel.

The Dubai-based company said net profit at its airline business plunged 82 percent to 1.3 billion dirhams ($354 million) in the year to March 31. That is the first time since its 2011-12 fiscal year that annual airline profit has fallen.

Airlines around the world have reported pressure on fares over the last couple of years due to volatile demand and cut-throat competition, though Europe's major carriers have recently noted signs of the pressure easing.

Emirates also added more seats than it could fill, leading to a drop in the average yield per passenger.

The Middle Eastern carrier said a series of "destabilising events," including Britain's vote to leave the European Union and restrictions on travel to the United States from the Middle East, affected demand for flights during the year.

Emirates did not say how those events impacted demand, though last month signalled its US expansion plans were on hold after announcing flights to five US cites would be cut due to weakened demand that it blamed on the travel restrictions by President Trump's administration.

Emirates Chairman Sheikh Ahmed bin Saeed al-Maktoum said the company expected "the year ahead to remain challenging".

Middle East carriers have seen slower growth over the past two years as regional travel budgets tightened due to lower oil prices and a wave of militant attacks in Europe and Turkey weakened east to west traffic flows.

The airline's revenue was flat at 85.1 billion dirhams. Emirates said the "relentless rise" of the dollar in key markets cost the airline 2.1 billion dirhams in revenue.

Its fuel bill increased 6 percent on the year to 21 billion dirhams and made up 25 percent of its operating costs compared with 26 percent last year.