Comments on Surviving the Covid-19 economic crisis in MEED, 24 Mar 2020

Dr. Nasser Saidi's comments appeared an article titled "Surviving the Covid-19 economic crisis" that appeared in MEED on 24th Mar 2020.

Comments from the article are posted below. The full article can be accessed here.

"It looks like the oil price war that is now launched is a strategic move by Saudi Arabia to weaken or destroy shale oil," says economist Nasser Saidi, founder and president of Nasser Saidi & Associates.

"It was bound to happen. There are two factors negatively effecting oil – renewables and shale. Shale was eating into the Opec plus share. They either wait and continue to lose market share or they act. They could choose now or later. They chose now."

"I estimate that because of the losses, the GCC needs to raise $160bn-180bn in 2020 to maintain current spending deficits and provide financial support to some industries such as aviation," says Saidi.

No significant announcements have been made about projects being delayed or cancelled in the region, but the projects sector will be significantly affected by cuts to capital spending. *"The likelihood is that many will be delayed or postponed," says Saidi. "And the net result is that structural adjustment, in terms of diversification, will be more difficult unless they bite the bullet and open up privatisation and public-private partnerships (PPPs). To me, this is the time to provide incentives."*

Comments in Qatar Today's article on the latest developments in the energy market, Jun/Jul 2018 issue

The below quotes from Dr. Nasser Saidi appeared in the cover story titled “Oil Price Hike: Shot in the Arm for GCC”, in Qatar Today’s Jun/July 2018 edition. The full article can be downloaded here.

Dr Nasser Saidi, President of the Dubai-based Nasser Saidi & Associates, too says the latest developments [in the energy markets] will definitely ease the fiscal pains in the GCC which have in the recent past seen removal of subsidies in a phased manner as well as the introduction of VAT and excise taxes.

While higher oil prices and thereby higher oil revenues will help soften the effects of fiscal austerity, it still remains lower than breakeven prices projected for most GCC nations. It therefore remains critical that further structural reforms be undertaken for greater economic diversification.

There have been some positive reforms in the labour market, announcements of residency (in the UAE, Qatar and Bahrain) as well as opening up sectors for 100% foreign ownership. There will be spillover effects into the non-oil sector also, alongside improvements in business and consumer confidence (already visible with the uptick in indicators like PMIs, GCC projects, slow pickup in credit growth, etc). The UAE government recently also announced several measures to reduce business costs, which will also have a positive impact on non-oil growth, says Dr Saidi.

Dr Nasser Saidi, President of the Dubai-based Nasser Saidi & Associates, says that though the markets for crude oil and gasoline are closely linked, it was not automatic as the prices of both products moved in tandem till 2008, and there has been some divergence ever since.

He says that oil continued to remain a global commodity versus the dominance of natural gas in regional pockets (which is influenced by factors like infrastructure, storage, inventories, etc). The natural gas price shocks post-2008 were attributed to commodity-specific events (e.g., weather-related events like hurricanes) or bottlenecks at refineries, while oil price changes are affected by geo-political changes and global tensions.

"For Qatar, which supplies almost 25% of the world's LNG demands, there remains a strong demand from Asian economies (especially China) and Europe. Qatar has already announced expansion plans to increase its LNG export capacity to 100 million MTPA by 2024 as against the present output of 77 MTPA," says Dr Saidi, who was former Minister of Economy and Trade and Minister of Industry of Lebanon.

Saidi believes that oil prices will settle around the $55-$65 per barrel mark in the medium term and there are various supply and demand-side factors that affect the oil prices, including factors like production of shale oil, competitive renewable energy, energy efficiency policies, meeting commitments of COP 21 and beyond, etc.