

# SAUDI SHARES HIT BY Q3 EARNINGS, REGION WEAK

## MIDEAST STOCK MARKETS

**DUBAI:** Saudi Arabia's stock market fell yesterday after another set of disappointing third-quarter earnings, while other markets in the region were also weak, in line with the global trend. The Saudi index slipped 1.2 percent as Alinma Bank, the most heavily traded stock, dropped 2.9 percent.

Alinma was the latest in a string of Saudi banks to report weak quarterly earnings as the slow economy increases impairment charges on loans; it posted a 16.8 percent fall in third-quarter net profit to 312 million riyals (\$83.2 million). Analysts had on average forecast 409.1 million riyals.

Medical insurer BUPA Arabia, which had dropped 4.7 percent on Sunday after posting an 8.9 percent drop in its third-quarter net income, fell a further 2.9 percent. Najran Cement lost 3.1 percent after reporting a 52 percent year-on-year drop in third-quarter net profit. Petrochemicals generally outperformed, with top producer Saudi Basic Industries, which is expected to report quarterly earnings in the next few days, dropping only 0.6 percent.

Saudi Company for Hardware was one of the few gainers, rising 2.3 percent after reporting a 10.1 percent rise in quarterly net profit. Dubai's stock index

fell 0.9 percent in a broad-based decline, although the two most heavily traded stocks, GFH Financial and builder Drake & Scull, rose 3.9 percent and 1.1 percent. Abu Dhabi's index sank 2.2 percent because of a steep decline by First Gulf Bank, which lost 4.9 percent. The only Gulf market to gain was Qatar, which rose 0.6 percent on the back of Qatar National Bank's 1.5 percent gain. The bank reported a 10 percent rise in third-quarter profit last week.

Egypt's index lost 2.2 percent as investment bank EFG Hermes pulled back 2.9 percent. Shares in Beltone Financial were briefly suspended and then

resumed trading after the stock's fair value was misstated in a report given to the financial regulator on Sunday. They last traded at 10.71 pounds, level with Sunday's close.

The stock has been dogged by controversy. In August, Egypt's regulator requested that Beltone appoint a third party to assess the fair market value of its stock after it jumped more than 550 percent. In June, Beltone filed a lawsuit against the heads of the Cairo stock exchange and the financial regulator over the repeated cancellation of trades in its stock. —Reuters



**NEW YORK:** Trader Thomas Cicciari (right) works on the floor of the New York Stock Exchange yesterday. —AP

## UNION NATIONAL BANK Q3 PROFIT FALLS 15%

**ABU DHABI:** Union National Bank, 50 percent owned by the Abu Dhabi government, yesterday posted a 15 percent drop in third-quarter net profit, missing analysts' forecasts as interest income fell. It was the sixth successive quarter of weaker earnings, squeezed by government spending cuts in the United Arab Emirates and tighter liquidity due to lower oil prices.

The fifth largest lender in the emirate by assets reported a net profit of 410 million dirhams (\$110 million) in the three months to Sept. 30, compared to 483 million dirhams in the same period a year ago. Net profit attributable to equity holders in the third quarter was 406.64 million dirhams versus 480.59 million dirhams in the prior-year period, according to a bourse statement.

The average forecast of three analysts polled by Reuters had been for a quarterly profit of 456.7 million dirhams. Net interest income and income from Islamic financing in the quarter ending Sept. 30 fell 13 percent year-on-year to 667.20 million dirhams.

Net interest income was squeezed by the higher costs of deposits and also bad loans from the small and medium-sized enterprise portfolio, the bank said. Loans and advances reached 73.6 billion dirhams for the nine month period ending September 2016, up 7 percent from the same period of last year. Customer deposits edged up 2 percent to 74.8 billion dirhams over the same time frame.

Earlier this month, UNB sold a \$600 million, five-year international bond at 170bp over mid-swaps. —Reuters

# IRAN HOPES TO REACH QATAR'S GAS OUTPUT LEVEL BY 2017

## TEHRAN AIMS FOR OIL, GAS FIELDS TENDER IN NOVEMBER

**TEHRAN:** Iran hopes by early next year to boost its natural gas production to Qatar's level, Iranian oil minister Bijan Zanganeh told an energy conference yesterday. He said Iran's priority was developing the giant South Pars gas field which it shares with Qatar, as well as shared oil fields.

Iran plans to increase its crude oil production to 4 million barrels per day in 2019 and 4.28 million bpd in 2020, while boosting condensate output to 1 million bpd as early as 2018, Zanganeh told the conference. Crude output is currently 3.8 million bpd and condensate output 688,000 bpd, he said.

The minister also said new oil and gas contracts for international and domestic companies would focus on enhancing rates of oil recovery. Earlier in the day, the managing director of the National Iranian Oil Company, Ali Kardor, said Iran expected to tender the new contracts by the end of November. He gave a marginally different figure for current oil production, of 3.9 million bpd.

Iran will launch next month its first new style tender to develop oil and gas fields since the lifting of international sanctions, a leading oil official said yesterday, after months of internal discussions over the terms, intended to be more

alluring to foreign companies.

OPEC's third largest oil producer hopes to revive its energy sector following the lifting of the sanctions in January after years of under investment and to achieve production levels last seen in 2012.

Other US sanctions that remain in place, particularly on the banking sector, have dampened hopes for a rapid resumption of investment. Iran expects to tender new oil and gas contracts, known as IPCs, in November, Ali Kardor, the managing director of the National Iranian Oil Company (NIOC) said on the sidelines of an oil conference in Tehran. Oil companies will be able to bid for a contract to develop the South Azadegan oil field as early as November 19, and NIOC will award the contract by early 2017, he said. After South Azadegan, NIOC will start tendering one field month by month, Kardor said. There are total 11 oil and gas fields available for tendering, he said.

The launch of the Iran's new oil and gas contracts was postponed several times as hard line rivals of pragmatist President Hassan Rouhani resisted any deal that could end the so-called buy-back system, under which foreign firms were banned from owning stakes in Iranian companies.

NIOC signed the first oil output contract under IPC earlier this month with a company identified by the United States as part of a conglomerate controlled by Iran's supreme leader. NIOC began taking applications yesterday for its upstream oil and gas projects as Iran hopes to sign exploration and production contracts early next year. The oil companies will upload on to NIOC's website the pre-qualification documents. NIOC will then evaluate the companies within two weeks and will select some for the first tender in November.

Some analysts said Iran's IPCs do not seem to be attractive enough to raise billions of dollars in foreign direct investment at a time of low oil prices, especially when compared with neighboring Iraq's new oil contracts that enabled it to boost its output. However Vice President Eshaq Jahangiri said yesterday that Iran's security and business climate is better than other neighboring countries.

"Some countries are run by tribes, Iran is different than that," Jahangiri told the petroleum conference, addressing representatives of oil majors such as Total and BP. "Even if Iran's contracts are not as attractive as others signed in neighboring countries, Iran has its own advantages." —Reuters

# US INDUSTRIAL OUTPUT RISES MARGINALLY, UTILITIES WEIGH

**WASHINGTON:** US industrial production barely rose in September as a rebound in manufacturing output was offset by a decline in utilities production, suggesting a moderate acceleration in economic growth in the third quarter. The Federal Reserve said yesterday industrial output edged up 0.1 percent last month after a downwardly revised 0.5 percent decline in August.

Economists polled by Reuters had forecast industrial production gaining 0.1 percent last month after a previously reported 0.4 percent fall in August. Industrial production rose at an annual rate of 1.8 percent in the third quarter, the first quarterly increase since the third quarter of 2015. The report came on the heels of data on Friday showing a mild increase in core retail sales in September, which prompted the Atlanta Fed to lower its third-quarter gross domestic product estimate to below a 2.0 percent annualized rate. The economy grew at a 1.4 percent pace in the second quarter.

The industrial sector continues to be hobbled by the lingering effects of the dollar's surge and oil price plunge between June 2014 and December 2015. The sector has also been hurt by business efforts to reduce an inventory overhang, which has resulted in fewer orders being placed with factories. But with the dollar's rally fading and oil prices stabilizing, the worst of the industrial downturn is probably over. A survey early this month showed an acceleration in factory activity in



**SEATTLE:** A group of workers at the C C Filson Co manufacturing facility work at their sewing machines, in Seattle. The Federal Reserve reported yesterday on US industrial production for September. —AP

September, and new orders for manufactured capital goods have increased since June. While other data on Monday showed factory activity in New York State weakened further in October, manufacturers were more upbeat about the sector's prospects over the next six months.

The dollar rose slightly against a basket of currencies after the report, while prices for US Treasuries were little changed. Last month, industrial production was supported by a 0.2 percent rise in manufacturing output, which followed a 0.5 percent drop

in August. Manufacturing output was boosted by the production of goods such as textiles and plastics.

Motor vehicle and parts production edged up 0.1 percent, while the output of machinery and primary metals fell. Manufacturing production rose at a 0.9 percent rate in the third quarter.

In September, mining production increased 0.4 percent as gains in oil and gas well drilling offset a drop in crude oil extraction. That left mining output rising at a 3.7 percent rate in the

third quarter following six consecutive quarterly declines. Utilities production dropped 1.0 percent last month after slipping 0.3 percent in August.

With output barely rising last month, industrial capacity use edged up 0.1 percentage point to 75.4 percent, and is 4.6 percentage points below its long-run average. Officials at the Fed tend to look at capacity use as a signal of how much "slack" remains in the economy and how much room there is for growth to accelerate before it becomes inflationary. —Reuters



**FLORANGE:** Workers - members of French trade union CGT (Confederation generale du travail - General Confederation of Labour) stand during a demonstration yesterday outside the ArcelorMittal steel factory in Florange, eastern France. —AFP

## JORDAN ISSUES LOCAL CURRENCY SUKUK IN BOON FOR BANKS

**DUBAI:** Jordan's government has raised 34 million dinars (\$47.9 million) in its first issue of a local currency sukuk for its own funding purposes, a deal that will benefit the country's Islamic banks, the government said yesterday. The Islamic bonds, which use a common sale and lease-back format known as ijara, have a tenor of five years and an expected profit rate of 3.01 percent.

Jordanian finance minister Omar Malhas said the issue, which was more than three times subscribed, priced inside the country's conventional bond curve - a sign of strong demand.

"The sovereign issuance is of great significance for the kingdom's four full-fledged Islamic banks, because it will give them a badly needed tool to manage

their excess liquidity, estimated to be 1.4 billion dinars," he said in a statement. The issue was conducted with help from the Islamic Corporation for the Development of the Private Sector, an affiliate of the Jeddah-based Islamic Development Bank, which said Jordan would now be able to conduct more sukuk sales on its own using the same documentation.

Jordan has a small but growing Islamic finance industry. In 2011, the local company Al-Rajhi Cement issued 85 million dinars of seven-year sukuk, the first Islamic bonds in the country. In May this year, the central bank said it had auctioned its first sukuk, a five-year, 75 million dinar deal to help finance purchases by state utility firm National Electric Power Company. —Reuters

# HAVANA SUSPENDS NEW LICENSES FOR PRIVATE RESTAURANTS

**HAVANA:** Havana's city government has temporarily suspended issuing licenses for new private restaurants in the city and warned existing ones to obey tough regulations, according to several owners of the businesses popular with foreign tourists.

The tougher line could put a crimp in Havana's food offering during the upcoming tourism season when both Americans and Europeans are expected to flock to the city in record numbers.

It is also a new sign that Cuba's Communist-run government is hesitant to further open up to private business in a country where it still controls most economic activity. Last year, Cuba backtracked on a series of market-oriented reforms in agriculture and this year has imposed price controls on private transportation services. Since President Raul Castro loosened restrictions on small businesses six years ago, private restaurants have flourished, especially in the capital where income is higher and an increasing flow of tourists demand better fare and service than

what is available in most state-run establishments. There are hundreds of private restaurants in Havana and more than 1,700 across the country, the tourism ministry says. Over the last six weeks, owners of some of the better-known eateries have been called to meetings where Havana city officials first praised their contributions to the economy and tourism, then listed all the regulatory violations some commit, warning them to cease and desist.

"Of course they are technically right, we all bend the rules, we have little choice," said the owner of one of Havana's more popular restaurants, like others asking to remain anonymous for fear of reprisals. "They were civil about it all and made no mention of what they planned to do, but we assume a big wave of inspections is coming," he said.

Paladares may only have a maximum of 50 seats and must buy all their supplies at state-run retail stores and markets, often at huge mark-ups, unlike state-run competitors which have access to whole-

sale markets and no seating restrictions. Many experts inside and outside Cuba consider the tax burden on successful small businesses onerous. The list of violations that officials read out included paladares not paying taxes, buying supplies on the black market, labor code violations and having more than 50 seats, according to two restaurant owners who attended meetings.

Other alleged violations were running bars masquerading as restaurants and contracting entertainment outside official channels, staying open after 3 am, disturbing neighbors, dubious sources of capital and illegal purchases of buildings.

Reading from notes, the local entrepreneur quoted the chair of one meeting stating: "We are not going to authorize licenses for now, so that when we do in the future these problems will have been taken care of." Neither the national nor local government responded to a request for comment. —Reuters