Shale drilling expands far from Permian pipeline pinch

Shale explorers added the most oil rigs in a month last week, even as pipe- line bottlenecks depress prices in America's busiest basin while growth migrates to other plays. Working oil rigs rose by 7 to 867, according to data released on Friday by oilfi eld service provider Baker Hughes. That was the big- gest increase since the week end- ed August 10.

Still, the count has mostly plateaued since late May, after a ramp-up that more than doubled the number from little more than 300 in mid-2016. A pipeline bottleneck in the Permian Basin of West Texas and New Mexico is restricting frack work there and forcing the region's exploration and pro- duction companies to sell their crude at a large discount to the West Texas Intermediate bench- mark. But the crunch is encour- aging drilling in other areas.

"E&Ps will start drilling again to adjust to bottlenecks," Bloomberg Intelligence analyst Mark Rossano said on September 10. "While some work picks up again, a ma- jority will be pushed into 2019 to match new pipeline capacity." Though the number of active rigs fell in the Permian, by one to 483, two were added in the Denver-Ju- lesburg Niobrara play in Colorado and another was activated in the Bakken of North Dakota.

Ministry observes World Ozone Day

Qatar, represented by the Ministry of Municipality and Environment, celebrated International Day for the Preservation of the Ozone Layer, which falls on September 16, and aims at urging global efforts to preserve the ozone layer and its vital role on planet Earth.

As part of this year’s celebration, which held under the slogan “Keep Cool and Carry On”, a United Nations Environment Programme (UNEP) delegation visited the ministry yesterday, as an expression of the great efforts and outstanding level achieved by Qatar in its obligations to implement the Montreal Protocol on Substances that Deplete the Ozone Layer, 31 years after the protocol was announced in Montreal.

On January 22, 1996, Qatar acceded to the 1985 Vienna Convention on the Preservation of the Ozone Layer, the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer and the London and Copenhagen Amendments. On January 29, 2009, Qatar ratified the Montreal and Beijing amendments to the Montreal Protocol.

Dr Aisha Ahmed al-Baker, director, radiation and chemicals protection department at the Ministry of Municipality and Environment, the body responsible for following up the implementation of the UN multilateral conventions on the protection of the ozone layer, said Qatar made achievements in several axes in this regard, adding that the multilateral fund of the protocol has approved several projects of the Qatar.

Al-Baker reviewed the projects and achievements in the issuance of a number of legislations and laws to implement several agreements.

She pointed out that in the framework of Qatar’s commitment to protecting the ozone layer, it issued Law No (21) of 2007 on the control of substances that deplete the ozone layer was recently updated by Law No (19) of 2015 on the issuance of the common system on substances that deplete the ozone layer for the GCC
countries.

She added that the law aims to regulate the import, re-export, transfer, and storage of devices, equipment, and products that have been monitored and complete disposal of these substances and to be replaced with safe alternatives.

She added that the State party regularly reported to the Secretariat of the Convention and the Multilateral Fund Secretariat on the total and sectoral consumption of each substance.

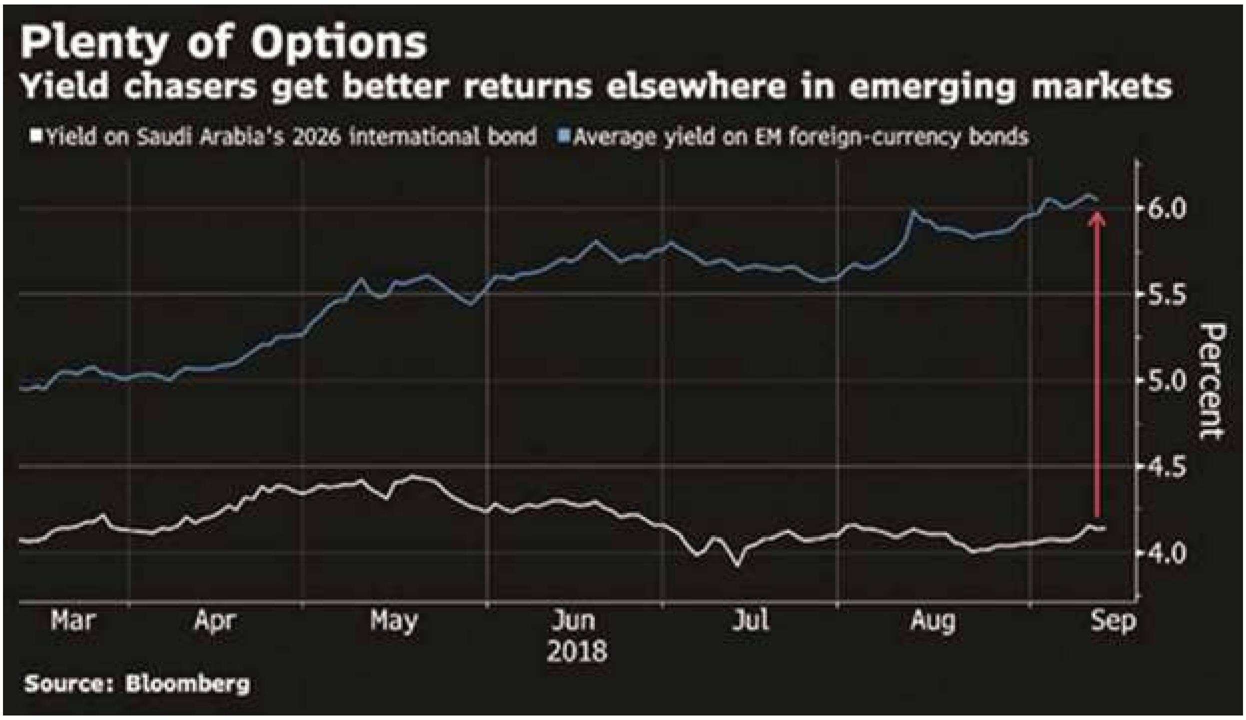
“The ministry co-operated with State bodies concerned with monitoring imports and exports of hydro chlorofluorocarbons (HCFCs) ozone-depleting substances, as well as monitoring their illegal trade practices, tighten market controls, and hold training programs for various stakeholders.

With regards to plans, she said a national strategy has been put in place to deal with the mentioned hydro chlorofluorocarbons (HCFCs) which runs till 2030. “Qatar’s consumption to these materials includes two main sectors: industry of insulating materials (foam) and the refrigeration and air-conditioning services industry.”

Hussein al-Kibisi, manager, department of environmental observation said the ministry has implemented Article No 3 of Law No 19 of 2015, setting standards, registration and quota system for importing companies for these controlled substances.

Al-Kibisi said Qatar started preparing to implement the Kigali Amendment by requesting from the Multilateral Fund to finance a project for enabling activities to push the validation process into the Kigali Amendment, through a number of survey, legal and technical programs which reviews the implications of the state’s commitment to the amendment and its impact on different
sectors. (QNA)

After shelving biggest-ever IPO, Saudi faces a tough bond sale



Source: Bloomberg

Bloomberg Brussels

Aramco needs to raise up to $70bn, but bond investors could prove tough customers

Two months after Saudi Arabia pulled a share sale that could have raised $100bn for its sovereign wealth fund, the kingdom faces a tough sell in convincing bond investors to pick up the tab.

Saudi financial engineers are cooking up a plan to raise as much as $70bn for the Public Investment Fund by having state oil giant Aramco buy PIF’s entire stake in sister company Sabic. That could include a bond sale the likes of which the world has never seen.

Problem is, this year’s selloff in emerging markets has sent borrowing costs surging and new debt issuance has dried up, with offerings down 14% from last year.

And yet Crown Prince Mohammed bin Salman needs to flood PIF with cash so it can accelerate a buying spree that’s seen it snap up stakes in Tesla Inc and Uber Technologies Inc since 2016. His vision is that by 2030, PIF will control $2tn in assets just as oil’s dominance worldwide starts waning.

Since shelving plans in July to sell 5% of oil giant Aramco to the public, the prince has shifted gears and now wants to keep ownership in the kingdom's hands with the Sabic deal. As Aramco met bankers in London last week to figure out how to pay for the acquisition, the question on everyone's mind is: Can the Saudis pull it off?

1) How much could Aramco feasibly raise in the bond market?
Aramco's issuance could conceivably be the biggest corporate bond sale if it surpasses the $49bn Verizon Communications Inc raised in 2013 to buy a stake in Verizon Wireless Inc. Bond brokers are divided on how much appetite there will be. Some say Aramco won't be able to raise more than $10bn at the price it wants; others think it can pull off $50bn or even $70bn.
That may be ambitious. Once person with direct knowledge of the financing talks said Aramco is likely to arrange a short-term bridge loan with a group of banks of potentially $40bn. Bankers would then aim to raise at least part of that amount in the bond market.
To be sure, Saudi Arabia isn't afraid to go big. Since Prince Mohammed first unveiled a plan to transform the kingdom's economy in 2016, the sovereign has raised upwards of $50bn on international bond markets, including the biggest-ever EM sale of $17.5bn that year.

2) Can the market absorb a mega Saudi bond?
Markets are in a different place now than they were in 2016. It's not as compelling for investors hunting for yield to venture into emerging markets when US interest rates are on the rise. Add to that concerns that major developing economies are either facing slowing growth of entering recessions, and the argument in favor of taking on EM risk has fallen apart.
"It'll be a big stretch on the market, if they want to do more than $20bn by year-end," said Pavel Mamai, the co-founder of hedge fund Promeritum Investment in London.
3) Who is likely to buy the Aramco bond?
Given that Saudi Arabia is an investment-grade issuer, some of the world's biggest sovereign wealth funds are likely to back

the Aramco offering nonetheless. This is especially true because the notes are likely to be eligible for inclusion in the JPMorgan Emerging Market Bond Index tracked by $360bn of investors. That said, since Aramco may be deemed a quasi-sovereign issuer, loading up on this much debt could prompt ratings companies to reconsider their grades. Since 2016, the three major ratings firms have knocked down Saudi Arabia’s at least one notch.

4) Why might traditional
emerging-market investors hesitate?
Demand could be capped because investors have plenty of options in EM. The yield on Saudi Arabia’s $5.5bn of 10-year debt sold in 2016 is now at 4.14% – almost two percentage points less than the average for sovereign Eurobonds on the Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index.
Buyers are better off in places like Argentina, Russia and Turkey – where 10-year debt yields as high as 10%, according to Lutz Roehmeyer, chief investment officer at Capitulum Asset Management in Berlin. “So many bonds get completely destroyed in the recent selloff that you can pick up now so many cheap bonds that high grade issuer will face little crossover inflows.”

5) But those issuers are junk-rated surely investors chasing high-grade debt will be keen on Aramco?
True, Saudi Arabia offers investors seeking stability a place to park their cash. The sovereign holds an A1 rating at Moody’s Investors Service, the fifth-highest investment grade. Oil prices are up 18% this year and the Saudi central bank has almost $500bn in foreign assets.
Aramco isn’t rated though, and investors may not be keen to hold long-term debt in a pure oil play when oil demand is forecast to increasingly be replaced by renewable energy. There was also a broad selloff in investment-grade debt in the past year, with companies like Apple Inc offering 3.57% yields

on notes due in 2026.
Saudi Arabia will have to give a competitive first-issuer premium to woo this segment of buyers. Angad Rajpal, a senior fund manager at Emirates NBD Asset Management, said anywhere from 25 basis points to 40 basis points above equivalent-maturity Saudi sovereign debt would do the trick.

6) Where does this leave banks?
If Aramco can pull off a mega bond sale, it could mean a fee bonanza for bankers reeling from the cancellation of the IPO, according to Jeff Nassof, a director at Freeman & Co in New York. If it can raise $70bn of bonds to fully fund the Sabic purchase at a fee rate of 0.1%, for instance, banks could get a $70mn windfall, the largest underwriting fee ever paid in the Middle East.
But that's a big if. Whatever Aramco can't raise in bonds it will presumably need to borrow in loans, which means more Saudi risk on bank balance sheets. Lenders have already extended tens of billions of dollars in loans to help the kingdom weather the downturn in oil since 2014.

The Global Economy's Fundamental Weakness

Sep 13, 2018 RICHARD KOZUL-WRIGHT

Over the course of the past decade, the global economy has recovered from the 2008 financial crisis by riding a wave of debt and liquidity injections from the major central banks. Yet in the absence of steady wage growth and productive investments in the real economy, the only direction left to go is down.

GENEVA – When Lehman Brothers declared bankruptcy ten years ago, it suddenly became unclear who owed what to whom, who couldn't pay their debts, and who would go down next. The result was that interbank credit markets froze, Wall Street panicked, and businesses went under, not just in the United States but around the world. With politicians struggling to respond to the crisis, economic pundits were left wondering whether the "Great Moderation" of low business-cycle volatility since the 1980s was turning into another Great Depression.

In hindsight, the complacency in the run-up to the crisis was clearly unconscionable. And yet little has changed in its aftermath. To be sure, we are told that the financial system is simpler, safer, and fairer. But the banks that benefited from public money are now bigger than ever; opaque financial instruments are once again de rigueur; and bankers' bonus

pools are overflowing. At the same time, un- or under-regulated “shadow banking” has grown into a $160 trillion business. That is twice the size of the global economy.
Thanks to the trillions of dollars of liquidity that major central banks have pumped in to the global economy over the past decade, asset markets have rebounded, company mergers have gone into overdrive, and stock buybacks have become a benchmark of managerial acumen. By contrast, the real economy has spluttered along through ephemeral bouts of optimism and intermittent talk of downside risks. And while policymakers tell themselves that high stock prices and exports will boost average incomes, the fact is that most of the gains have already been captured by those at the very top of the pyramid.

These trends point to an even larger danger: a loss of trust in the system. Adam Smith recognized long ago that perceptions of rigging will eventually undermine the legitimacy of any rules-based system. The sense that those who caused the crisis not only got away with it, but also profited from it has been a growing source of discontent since 2008, weakening public trust in the political institutions that bind citizens, communities, and countries together.

During the synchronized global upswing last year, many in the economic establishment spoke too soon when they began to forecast sunnier times. With the exception of the US, recent growth estimates have fallen short of previous projections, and some economies have even slowed. While China and India remain on track, the number of emerging economies under financial stress has increased. As the major central banks talk up monetary-policy normalization, the threats of capital flight and currency depreciation are keeping these countries’ policymakers up at night.

The main problem is not just that growth is tepid, but that it is driven largely by debt. By early 2018, the volume of global debt had risen to nearly $250 trillion – three times higher than annual global output – from $142 trillion a decade earlier. Emerging markets' share of the global debt stock rose from 7% in 2007 to 26% in 2017, and credit to non-financial corporations in these countries increased from 56% of GDP in 2008 to 105% in 2017.

Moreover, the negative consequences of tightening monetary conditions in developed countries will likely become more severe, given the disconnect between asset bubbles and recoveries in the real economy. While stock markets are booming, wages have remained stuck. And despite the post-crisis debt expansion, the ratio of investment-to-GDP has been falling in the advanced economies and plateauing in most developing countries.

There is a very big "known unknown" hanging over this fragile state of affairs. US President Donald Trump's trade war will neither reduce America's trade deficit nor turn back the technological clock on China. What it will do is fuel global uncertainty if tit-for-tat responses escalate. Even worse, this is occurring just when confidence in the global economy is beginning to falter. For those countries that are already threatened by heightened financial instability, the collateral damage from a disruption to the global trading system would be significant and unavoidable.

Yet, contrary to conventional wisdom, this is not the beginning of the end of the postwar liberal order. After all, the unraveling of that order started long ago, with the rise of footloose capital, the abandonment of full employment as a policy goal, the delinking of wages from productivity, and the intertwining of corporate and political power. In this context, trade wars are best understood as a symptom of unhealthy hyper-globalization.

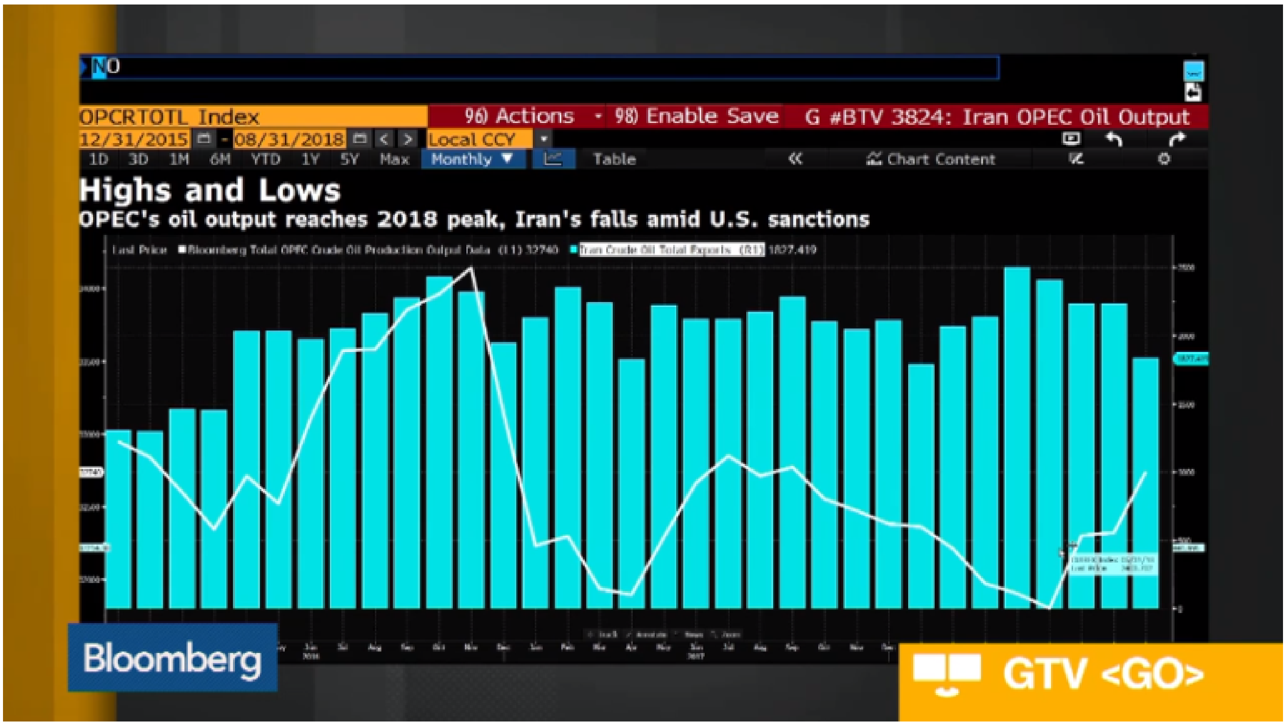
By the same token, emerging economies are not the problem. China's determination to assert its right to economic development has been greeted with a sense of disquiet, if not outright hostility, in many Western capitals. But China has drawn from the same standard playbook that developed countries used when they climbed the economic ladder.

In fact, China's success is exactly what was envisioned at the 1947 United Nations Conference on Trade and Employment in Havana, where the international community laid the groundwork for what would become the global trading system. The difference in discourse between then and now attests to how far the current multilateral order has moved from its original aims.

At first, the Lehman crisis did trigger a revival of the post-war multilateral spirit; but it proved fleeting. The tragedy of our times is that just when bolder cooperation is needed to address the inequities of hyper-globalization, the drums of "free trade" have drowned out the voices of those calling for a restoration of trust, fairness, and justice in the system. Without trust, there can be no cooperation.

RICHARD KOZUL-WRIGHT

IEA Warns of Higher Oil Prices as Iran, Venezuela Losses Deepen



The International Energy Agency warned that oil prices could break out above $80 a barrel unless other producers act to offset deepening supply losses in Iran and Venezuela.

Iranian crude exports have fallen significantly before U.S. sanctions even take effect, the IEA said in a monthly report. The Middle Eastern nation will face further pressure in coming months and the economic crisis in Venezuela is pushing output there to the lowest in decades. It's uncertain whether Saudi Arabia and other producers will fill any shortfall, or how far they're able to, the agency said.

"Things are tightening up," said the Paris-based IEA, which advises most major economies on energy policy. "If Venezuelan and Iranian exports do continue to fall, markets could tighten and oil prices could rise" unless there are offsetting production increases elsewhere, it said.

Oil climbed to a three-month high above $80 a barrel in London on Wednesday as fears of a supply crunch eclipsed concern about the risks to demand such as the U.S.-China trade dispute. While the Organization of Petroleum Exporting Countries and allies including Russia pledged to boost supply, the IEA said it remains to be seen how much will be delivered.

Saudi Arabia lifted output by 70,000 barrels a day to 10.42 million last month, but that remains “some distance from the 11 million barrels a day level that Saudi officials initially suggested was on the way,” the IEA said.While the agency warned that “there is a risk to the 2019 outlook” for demand from challenges in emerging markets such as currency depreciation and trade disputes, it kept forecasts for consumption unchanged.

In the meantime, supply risks dominate. Oil inventories in developed economies are already below-average and will decline further in the fourth quarter, the IEA predicted.

Venezuela, which is pumping at just half the rate it managed in early 2016, could see its output slump another 19 percent to 1 million barrels a day this year as infrastructure deteriorates and workers flee, the agency predicted.

Iranian production has already fallen to the lowest since July 2016, at 3.63 million barrels a day, as buyers retreat ahead of U.S. sanctions that come into force on Nov. 4.

Although Russia, Saudi Arabia and other Gulf members of OPEC promised to bolster production by about 1 million barrels a day, the IEA remained cautious on whether the full amount would be delivered. It’s unclear how quickly OPEC’s spare capacity, which stands at about 2.7 million barrels a day, can be activated, it said.

“We are entering a very crucial period for the oil market,” which could push prices out of the $70-to-$80 a barrel range seen in the past few months, the IEA said.

Russia ready to pump oil at record if market requires

A worker checks the valve of an oil pipe at field owned by Russian state-owned oil producer Bashneft near the village of Nikolo-Berezovka, northwest of Ufa, Bashkortostan, Russia (file). Russia has the capacity to set a new oil-production record, but won't decide whether the market needs those additional supplies before a meeting later this month with its Opec allies, according to Bloomberg. The country could boost output by as much as 300,000 bpd in the medium-term, which would beat the post-Soviet record set in October 2016, Russian Energy Minister Alexander Novak said on Wednesday. It's in everyone's interest to keep the oil market balanced, so Russia will discuss supplies with the Organisation of Petroleum Exporting Countries in Algiers on September 23, he said. "We have not yet taken any decisions on production growth, we've just spoken about the potential we have and the spare capacity," Novak said in an interview with Bloomberg in Vladivostok, Russia. "We will be discussing these decisions and steps we plan to take in Algeria." Russia is officially disclosing its spare crude-production capacity for the first time.

Banks tap $4.5bn gold reserves to shore up finances

Commercial lenders in Turkey have pulled as much as $4.5bn worth of gold reserves since mid-June in an eff ort to avert a liquidity crisis as the lira plunged. Weekly holdings reported by the Central Bank of Turkey fell by almost a fifth since June 15 to 15.5mn ounces with the lion’s share – $3.3bn – of the exodus sparked by the monetary authority’s August 13 move to lower reserve requirements. “The commercial banks were probably switching to more liquid assets, given what has happened to the lira,” Jason Tuvey, a senior emerging markets economist at Capital Economics in London said by phone yesterday.

“There’s been concern at the commercial banks over their external debt burden, which has been reflected in the rising bank bond yields.” Turkish lenders are allowed to meet reserve requirements with bullion deposits, unlike in most other countries. Turkey is one of the 20 largest sovereign owners of the precious metal and boasts the fifth-biggest consumer demand in the world, according to 2017 data from the World Gold Council. It refines scrap gold into jewellery sold all over the Middle East. The central bank cut the reserve requirements for banks by 4 percentage points for foreign exchange liabilities over one, two and three years, and by 2.5 percentage points over other maturities. This equated to $3bn worth of dollar- equivalent gold liquidity, it said in a statement. Policymakers increased the one-week repo rate by 625 basis points on Thursday to 24%, more than economists expected. The hike helped to arrest an almost 40-percent swoon in the lira this year.

Of the $118bn in short-term debts due by September 2019, 15% accrues to publicly owned banks, and 44% to private financial institutions, according to Nora Neuteboom, an ABN Amro Group NV economist who specialises in Turkey. The banks borrow on international markets in hard currencies, hedging dollar liabilities with gold deposits rather than the volatile lira, even though their loan assets are denominated in lira. “But, of course, you can’t repay your debt in gold, so they’re probably selling to shore up finances for when their debt becomes due,” Neuteboom said.

‘Europe is pushing for global role of the euro’

Bloomberg Madrid

The European Union wants to bolster the global role of the euro as part of an effort to avoid being pushed around by President Donald Trump, whose foreign policy actions are increasingly at odds with its trans-Atlantic partner, Spanish Foreign Minister Josep Borrell said.

It's the latest sign that European leaders are seeking to establish greater autonomy in the face of Trump's efforts to remake the global order. Since winning the White House, the American president has questioned the importance of the North Atlantic Treaty Organisation, pulled out of a nuclear accord with Iran and said, in the midst of a trade war, that the EU was a "foe" of the US.

"We have to find a way to get around the American threats," Borrell said in an interview at his offices in Madrid last week. "It's another way to get around sanctions," he said, referring to Trump's May decision to leave the Iran nuclear deal, which the EU lobbied him to preserve.

The US decision forced European companies including Daimler AG and Total SA to pull out of Iran to avoid US sanctions. French Finance Minister Bruno Le Maire and German Foreign Minister Heiko Maas have both suggested that EU countries set up payment systems independent of the US to sidestep the new regulations.

But it's not just Iran. US National Security Adviser John

Bolton last week threatened sanctions against the International Criminal Court, a UN-backed tribunal, which is considering prosecuting US servicemen over alleged abuses in Afghanistan.
By increasing the amount of international trade conducted in euros, the EU would make it easier for companies and individuals to do business beyond the reach of the US government.
Jean-Claude Juncker, president of the European Commission, on Wednesday said it is “absurd” for European companies to pay for European planes in dollars and questioned why 80% of the continent’s energy imports are paid for in the US currency.
In his annual State of the Union address to the European Parliament, Juncker promised to flesh out his ambitions with a plan by year-end.
The rift over sanctions for Iran comes with European leaders already unsettled by Trump’s assault on the global trading system. As it looks to reassure proponents of free trade, the EU is pursuing deals with countries including Japan, Australia, and the Mercosur nations of South America and is in the process of ratifying a deal with Canada.
“The Europeans are making a big effort to safeguard the multilateral approach to trade,” said Borrell, who was in Strasbourg to listen to Juncker. “Diplomacy is not the best quality of the Trump administration.”

Turkey to freeze new government projects, Erdogan says

ISTANBUL (Reuters) – Turkey is freezing new government investment projects, President Tayyip Erdogan said on Friday, to rein in spending and stem double-digit inflation after a 15-year construction boom fueled by debt.

His comments, a day after the central bank hiked interest rates by a mammoth 6.25 percentage points, mark the clearest signal yet that the government may suspend some of the big-ticket bridges, ports and railway projects that have typified Turkey's transformation under Erdogan.

But it remains to be seen if the move, like the central bank's greater-than-expected tightening, will be enough to mollify investors, who have helped send the lira TRYTOM=D3 down by 40 percent against the dollar this year.

Financial markets have long been concerned about Erdogan's control over monetary policy, which they say has undermined the central bank's ability to fight inflation, now at 18 percent. He has described himself as an "enemy of interest rates".

"We are not considering any fresh investments right now," Erdogan said in a speech on Friday. "There could be extraordinary and must-do investments, that’s another issue, but apart from this, we will start looking (at investments)”.

Projects that are more than 70 percent complete will be finished, he added, but “all our ministries will be reviewing the investment stocks they have and will conduct their work by prioritizing.”

In a decade and a half in power, Erdogan and his government have built bridges, power plants and hospitals and improved the lives of millions of lower-income, pious Turks. But some of his more ambitious mega-projects have drawn a backlash for their excessive cost and their impact on the environment.

Istanbul’s third airport is due to be one of the largest in the world when it opens in October.

Erdogan has also announced plans for a 45-kilometre (28 mile) canal that would turn the western side of Istanbul into an island and is estimated to cost around $16 billion.

The president did not say whether the canal would be among the projects frozen.

BIG HIKE

The lira TRYTOM=D3 was trading around 6.100 on Friday, a day after the central bank announced the biggest hike in its benchmark interest rate in more than a decade, to 24 percent.

Finance Minister Berat Albayrak, who will announce details of a medium-term economic plan next week, has promised cost-cutting measures and more efficient spending.

“Just a rate hike is not enough,” said Charles Robertson, Renaissance Capital’s global chief economist and head of macro-strategy, saying that Turkey needed to publish stress test parameters of banks and details of fiscal tightening, as well as secure external funding.

“The economy is entering recession, interest rates will be hurting, so the more they do to improve investor sentiment, the better.”

Erdogan also made clear on Friday his continued hostility to higher borrowing costs.

“Yesterday the central bank carried out the much talked about interest rate hike… Now we will see the result of (central bank) independence,” he said.

“Right now, personally, I am being patient, but my patience has its limits because we can’t accept a lever of exploitation.”

The slide in the lira in July and August, combined with rising fuel and energy costs, pushed up the prices of many goods, but Erdogan urged private sector companies to keep producing and said authorities would not tolerate stockpiling.

“Plenty of people who stockpile have emerged. Our interior ministry and finance ministry will be giving the necessary answer to these people… by carrying out raids,” he said.

Young Saudi pretender’s days are numbered

Hopes that Crown Prince Mohammed bin Salman would be a reformer who could heal the region have come to nothing

irst came the hype, with millions spread around like muck by western PR companies and lobbyists to trumpet Crown Prince Mohammed bin Salman's world tour last March. He was the coming Saudi strongman, you will recall, all at the age of 32.

Six months on, the realities of his soaring ascent look more uncertain, with even his father, King Salman, beginning to show signs of doubt. Maybe the crown prince has as much substance as a firework?

The king's brother, Prince Ahmed bin Abdulaziz, a former interior minister, was persuaded last week (in part by the Bahraini and Yemeni protesters outside his London home) to distance the Saud family from Salman and his ambitious heir. Though he has since downplayed his remarks, another exiled prince urged others to move against MBS, as Prince Mohammed is known.

The gap between the crown prince's hype and reality has become glaring. Remember the high-tech city of Neom, which was to be conjured up on the Gulf of Aqaba? This $80 billion project and the reconfiguration of the Saudi economy set out in MBS's "Vision 2030" depended on the flotation of 5 per cent of Saudi Aramco, the state-owned oil and gas company. The whole would be valued at $2 trillion and foreign investment would flood in for the entertainment, tech and tourism sectors.

King Salman seems to have cancelled the flotation. A New York float risked Saudi assets being seized because of an American class action against the kingdom for allegedly withholding information about the 9/11 attacks.

There was also criticism within Saudi Arabia of the decision to sell part of the "crown jewels" to foreigners, not least from princes who feared that it would shed light on their opaque perks and stipends. The economist and entrepreneur

Essam al-Zamil was arrested for merely tweeting sceptically about the flotation. As for foreign investment, after the detention and extortion of allegedly corrupt Saudi billionaires in Riyadh's Ritz Carlton hotel $150 billion has flown out of the kingdom, and foreigners are not rushing to invest their own money.

MBS's foreign policy initiatives have also damaged the kingdom. The war in neighbouring Yemen, now in its third year, is a quagmire of his own making. According to the Brookings Institution, a US think tank, it costs $5 billion to $6 billion a month to wage, with British and US connivance in the form of arms sales and diplomatic support. More than 10,000 Yemeni civilians have been killed, 8.5 million face starvation, and the Houthi rebels targeted by Riyadh are growing stronger, not weaker, thanks to support by regional Shias.

The Houthi continue to lob cheap missiles into Saudi Arabia. Each time a US-supplied Patriot missile intercepts them, it costs Riyadh $3 million. How long before a British-supplied and maintained fighter bomber hits a Yemeni bus, hospital or school? Jeremy Hunt, the foreign secretary, will have his mettle tested in a way that his chaotic predecessor never did.

The crown prince's capricious isolation of Qatar for allegedly supporting terrorism has also failed. It has, however, wrecked the Gulf Cooperation Council in favour of a dodgy duopoly of Saudi Arabia and the United Arab Emirates. There is now desperate talk of excavating a 68-mile canal, costing $750 million, to cut Qatar off from the peninsula, leaving a toxic waste dump and a garrison on the Saudi side.

The Qatari economy has weathered the initial shock of the regional boycott, and Doha has diplomatic support from the likes of China, Iran and Russia, including a deal to supply Beijing with gas for 20 years. Even he Trump administration has thought better of its initial backing of the boycott, much to the embarrassment of Riyadh.

Not much survives either of MBS's claims as a moderniser. Repression of the Saudi Shia in Eastern Province continues: the latest outrage is the seeking of the death penalty for Israa al-Ghomgham, the first female human rights activist to be beheaded if sentence is carried out.

Allowing women to drive was well advertised, but less publicised was the arrest of 13 women activists who want to abrogate other forms of sexual tutelage that effectively render them children under the law.

There is also repression of prominent Sunni clerics (including an imam and judge in Mecca itself) who have enormous social media followings in the kingdom and beyond. The cleric Salman al-Awda was among dozens detained last year by the new Presidency of State Security after MBS's designation as crown prince.

The capital charges against al-Awda coincided with the trials of others for alleged association with the Muslim Brotherhood and their Qatari "patron". Sundry charges include "mocking government achievements" and "offending patriotism and loyalty to the government and the country". When Awda's brother Khalid tweeted about the arrest, he too was detained, thanks to the new National Authority for Cyber Security.

MBS is not a reformer and nor is he a strongman since, with a stroke of a pen, his father can alter the succession and strip him of his power. That may happen soon, given the growing clamour from angry princes. Perhaps that is why MBS slept on a heavily guarded yacht moored off Jeddah all summer.

Michael Burleigh is author of The Best of Times, The Worst of Times: A History of Now