X-plus-News 63-68, 03/08-2010

Business-Monitoring (© by www.meamonitor.com)

Your macroeconomic chances .. *Arab Gulf / KSA, UAE, Qatar, Bahrain*

KSA (Kingdom Saudi Arabia)

Political Risk

We stated at the beginning of Barack Obamas US presidency that the president would not take a meterially different stance to his predecessors on relations with Saudi Arabia, with pragmatic concerns continiuing to dictate policy. This has clearly played out, with the two countries remaining on good terms in both economic and regional political matters. Indeed, the US ias apparently wirking closely with Saudi Arabia on apossible arms sale worth close to US $ 30 bn, that icludes 84 Boeing Co F-15 fighter jets.

Economic Risk

Infradtructure Driving Growth

The government continues to champion infrastructure spending and growth as it seeks to develop and diversify the Saudi economy and satisfy the demands placed on it by a growing population. According to BMI estimates, the population will rise from 24.6 mn at the end of 2009 to 27.22 mn by 2014. This investment involves a government plan to invest US$ 400 bn in social and economic infrastructure between 2009 and 2013, including the substantial expansion of passenger and freight rail networks as well as billions of dollars on upgrading airport infrastructure.

Business Environment

Road To Progress

Jeddah's Mayor's Offcie has allotted SAR 3bn (US$ 800 mn) for improvements in road infrastructure in the city in order to ease traffic, according to reports in the Saudi Gazette. The funds will be used for the construction of a 650 metre long three-lane underpass to address congestion on Sari Street. Three more underpasses which are scheduled to be competed before the end of 2010, and five flyovers and two underpasses due to be completed before the end of 2010, and five flyovers and two underpasses due to be competed within two years. During 2004-2009, US-$ 40 bn has been spent on the construction of roads, increasing the legth of the road network by more than three times from 1994 to 2008. Funds have also been allocated to construct a further 8.250 km of roads, oncluding the construction of 2.118 km of agricultural roads.

UAE (United Arab Emirates)

Political Risk

Power shortages in Sharjah illustrate the demographic challenges faced by the UAE government in the face of rapid population growth and limited resources. One worker died, cases of heat exhaustion quadrupled and thousands of residents were forced to take refuges in their cars, after the emirate suffered power cuts over a period of days at the height of the summer season. If this were to be repeated again, or replicated in Dubai or Abu Dhabi, the there could be some serious unrest as workers.

Economic Risk

The Federal Customs Authority said recently that growth in non-oil trade rose by 14 % y-o-y (from AED 52.0 bn to AED 59.6 bn) in May, with exports growing by 65 % y-o-y, imports by 6 % and re-exports by 22 %. The latter's relative underperformance may reflect the lower incidence of shipments to Iran, as the UAE has adopted a stance which is more compliant with that of the US of late. In general, both oil and non-oil trade are key growth drivers, as the UAE leverages off demand in the rest of the world, even as ist own consumer picture remains weak.

.. ./. 2

VfdI und ViSdP ist, being responsible of content Stephan Ohms – ohne Gewähr für Druckfehler – any liability of misprints excluded

.. ./. 2

Business Environment
Rule of Law Improving
One of the positive by-products of the financial crisis has been the ralisation that transparency is essential, a point that was played up again and again at a recent Middle East Association conference atended by BMI in London. One speaker was Sir Anthony Coleman, the British deputy Chief justice at the DIFC courts, who emphasised the transparency and clarity of proceedings at that institution. Indeed, details of cases are now available for download from the DIFC courts website, and Coleman recently ruled that one case would not be heard in private (as requested by both parties), in another landmark move for transparency.

Qatar

Economic Outlook in Banking
Banking Recovery delayed, Qatar stil forging ahead
BMI-View
MEA Monitor continue on expect the Qatar banking sectors to lead the recovery with Bahrain, UAE and Kuwait the mos at risk of fruther nasty financial surprises.
The macro recovery has failed to translate into a revival in bank lending or asset growth in the Gulf Cooperation Council (GCC) so far this year, and although we will see overall positive y-o-y expansion, this is more a reflection of a low base than an improvement in appetite for financial services. That said, the prospects for Qatar look more encouraging than those for banks in Kuwait, UAE and Bahrain (where there are greater stability issues, albeit with no major systemic threat). Outisde of the arabic-speaking region, Iran‘s banking sector is in particular danger, while Israel‘s lenders remain somewhat at the whim of the global economic recovery – something BMI remains sceptical about, particularly as we go into the second half of the year. We expect to see GCC banks continuing to look to Iraq, Syria, Egypt and Libya for untapped growth potential.

Bahrain

Political Risk
Election Time
Voters will go to the polls in September or October 2010, and political noise is already rising. Members of the predominant opposition „society“ al –Wefaq claim that the electoral system is biased in favour of government loyalists, while less-represented societies and independents say they do not stand a chance under the current system. It is hard to assess how al-Wefaq are doing with no opinion polls. But sectarian dnamics will ensure it retains significant support.

Economic Risk
A Cry for Help ?
Bahrain is pushinh for the creation of a GCC „stability fund“ to provide support to struggling members of the bloc, a move we find somewhat ominous. „The proposal aims mainly at creating a mechanism that would provide necessary support to member states if needed, in a way that would ensure both a convergence of economic models within the GCC and similar standards of living for ist citizens,“ according to Finance Minister Sheikh Ahmed bin Mohammed al-Khalifa, in a recent interview. This adds to our concerns about financial and fiscal stability in Bahrain, the least well endowed GCC statein terms of oil revenues.

Business Environment
Good Intentions
Crown Prince Salman bin Hamad Al Khalifa has backed a new proposal to reduce the minimum capital requirement for commercial companies, which he said would „promote Bahrain‘s competitiveness as an ideal location for investment projects“. At the same meeting, officials reviewed a project for developing procedures to set up commercial activities, including a cmprehensive electronic system to register commercial companies and institutions. The government is looking to encourage small and medium sized enterprises in particular, but the proposlals must first be approved by parliament and this process could take some time.

VfdI und ViSdP ist, being responsible of content Stephan Ohms – ohne Gewähr für Druckfehler – any liability of misprints excluded