



جدوى للاستثمار  
Jadwa Investment

# The GCC as a Global Economic Player

Presented to GCC and The City conference

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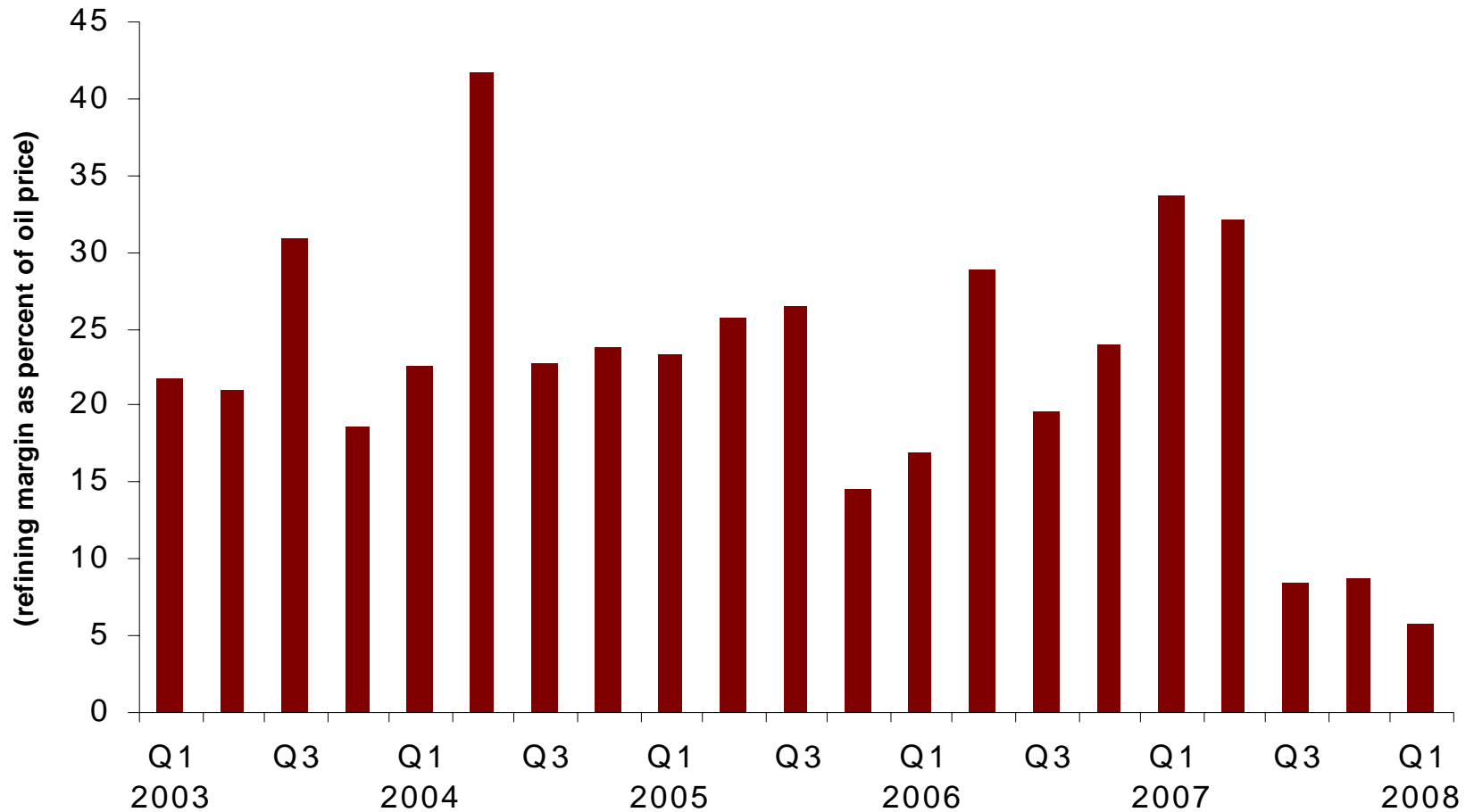


## Oil price near an all-time high



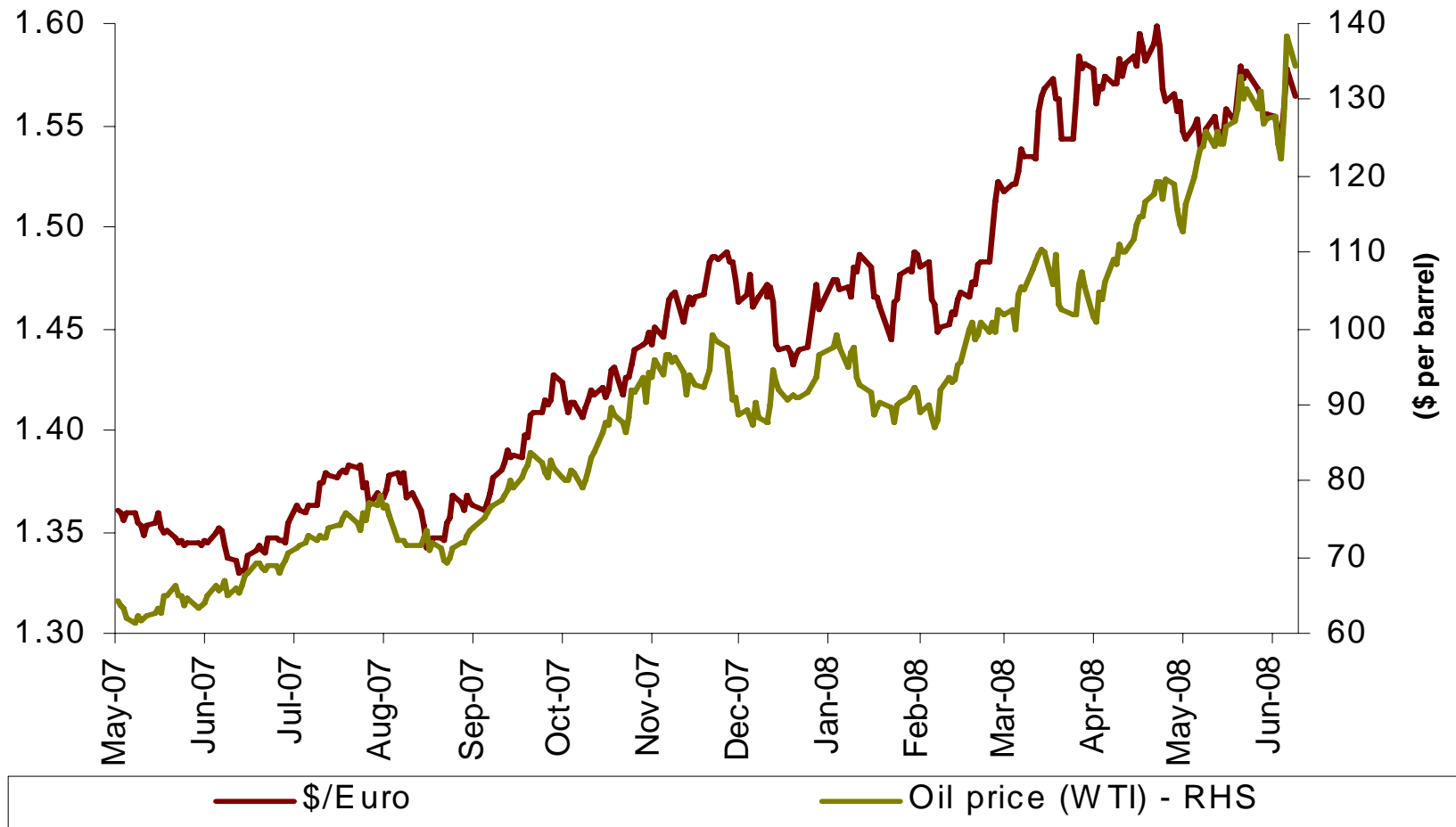


## US refining margins are being squeezed





## Oil used as hedge against dollar weakness





# Projected oil revenues to 2030

(\$ trillion; based on IEA production assumptions)

	\$50/barrel	\$100/barrel	\$150/barrel
Saudi Arabia	5.5	11.0	16.6
Kuwait	1.5	3.0	4.5
UAE	1.5	3.1	4.6
<b>Total</b>	<b>8.6</b>	<b>17.2</b>	<b>25.7</b>



# GCC: Sovereign wealth funds

Country	Institution	Purpose	Foreign assets (\$ billion)
UAE	Abu Dhabi Investment Authority	Invest government surplus	1300
	Abu Dhabi Investment Company	Private equity and real estate	
	Mubadala	High tech and aerospace	10
	International Petroleum Investment Company	Oil and chemicals	6.5
	TAQA	Energy investment	9
	Emirates Investment Authority	Invest surplus of Federal government	1
	Istithmar	Investment in industrial and financial sectors	5
	Dubai Holding	Private equity	5
	RAK Investment Authority	Invest surplus of RAK government	2
Saudi Arabia	SAMA	Invest government surplus	350
	Public Investment Fund	Vehicle for new foreign asset fund	0
	General Organization for Social Insurance	Private sector pension fund	
	Public Pension Agency	Public sector pension fund	
Kuwait	Kuwait Investment Authority	Invest government surplus	250
Qatar	Qatar Investment Authority	Invest government surplus	60
Oman	State General Reserve Fund	Invest government surplus	2



## Financial services: an area of future growth

- Vast inflow of revenue in the years ahead needs to be managed and matched with an array of domestic investment opportunities.
- Strong preference for dealing with firms with a local presence means the era of 'suitcase banking' is over.
- Regulatory environment continues to improve.
- Employment opportunities aligned with expectations of GCC nationals.
- Liberalization has dramatically eased barriers to entry.



## Liberalization is transforming the financial sector

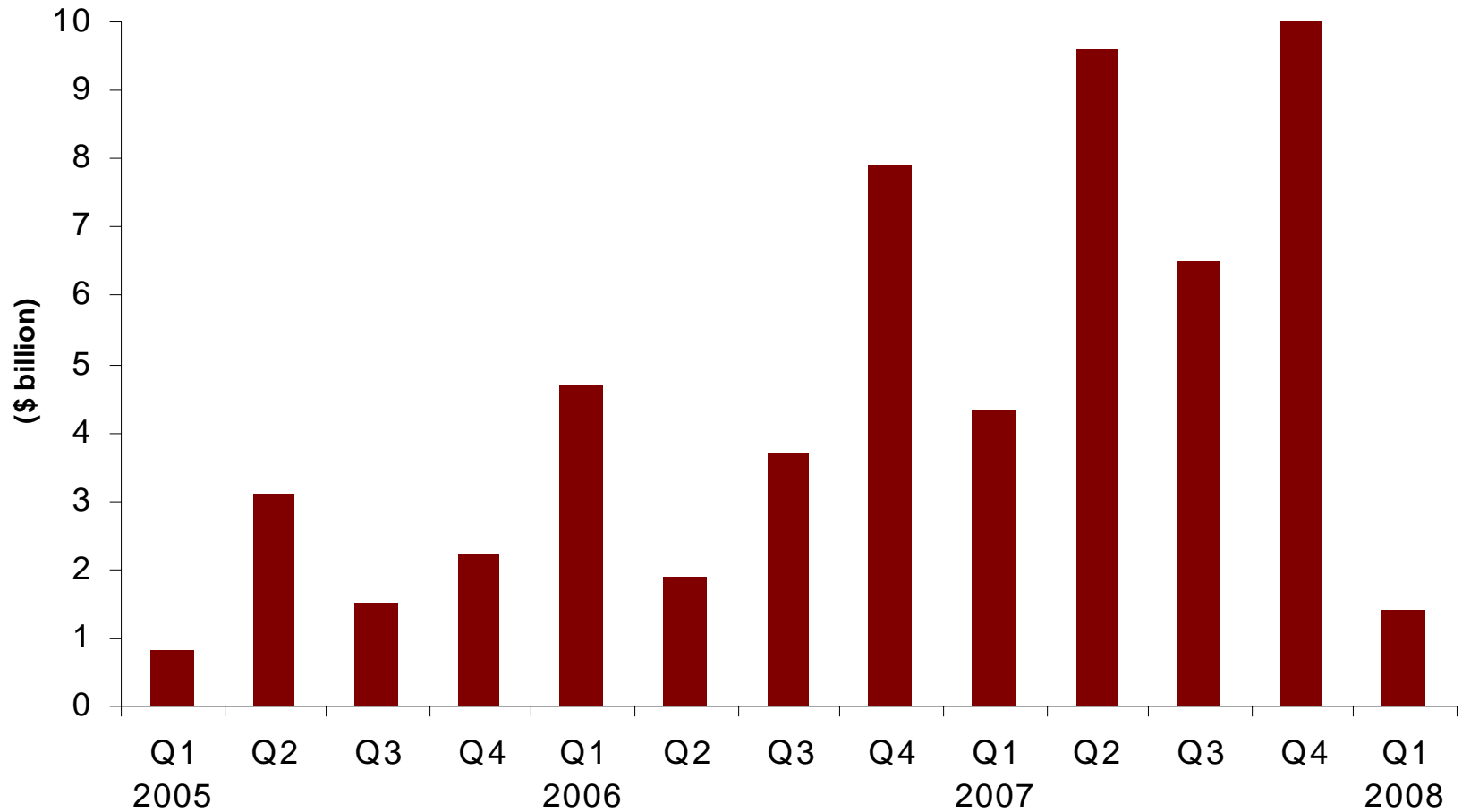
- 652 licenses awarded to firms in the Dubai International Financial Center since 2004
- 82 licenses awarded to financial service providers in the Qatar Financial Center since 2005
- 91 investment companies licensed in Saudi Arabia since 2006
- 143 commercial banks currently licensed in the GCC

### Saudi Arabia's Financial Sector

	End 2004	May 2008
Commercial banks	10	18
Investment companies	0	90
Licensed insurance companies	1	16
<b>Total</b>	<b>11</b>	<b>124</b>

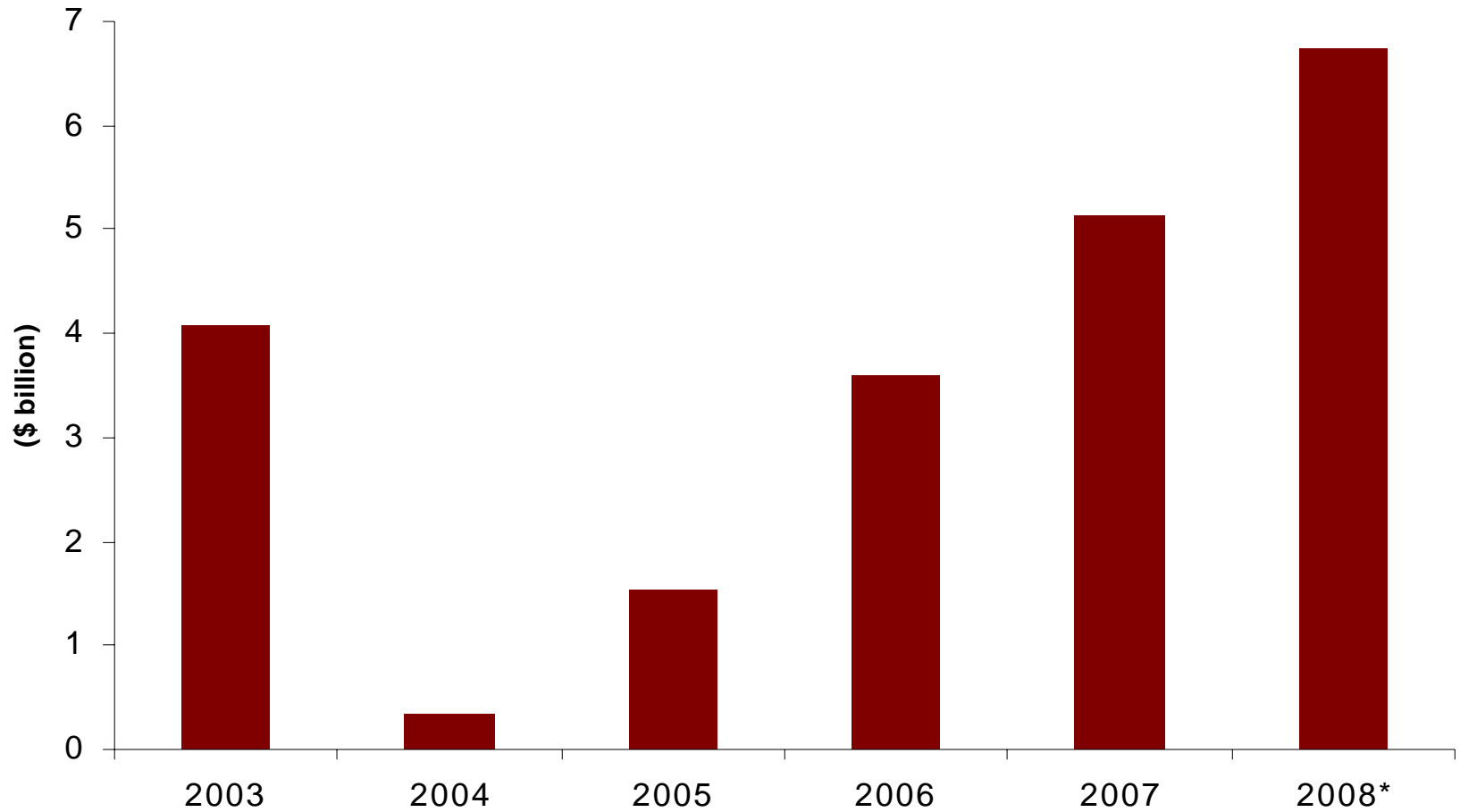


# Global sukuk issuance





## Funds raised through IPOs



\* To end May

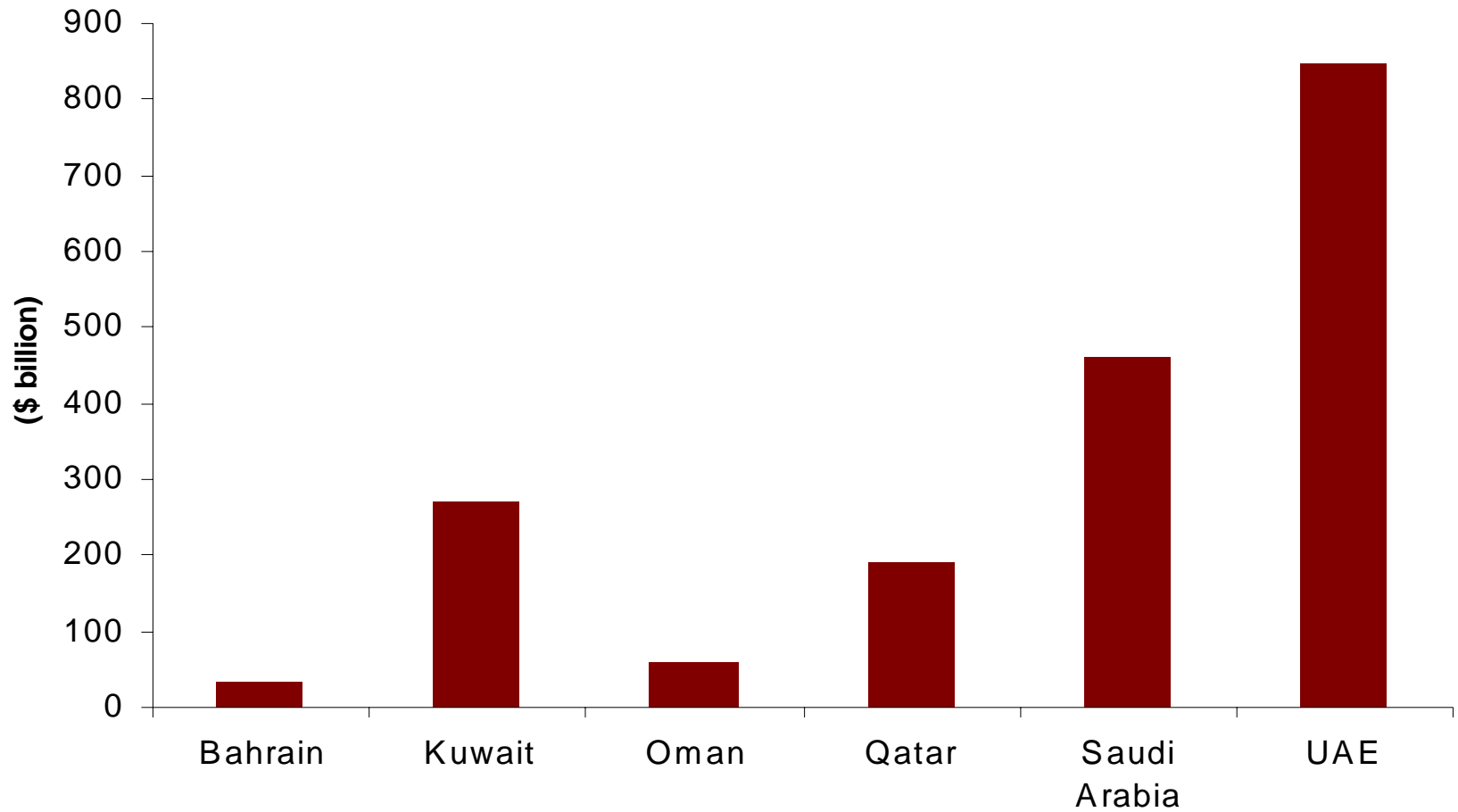


## GCC economic forecasts (2008)

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Nominal GDP (%)	16.1	22.1	17.2	26.9	21.9	24.3
Real GDP (%)	6.0	5.1	5.5	8.3	5.4	7.5
Current Account (% GDP)	1.7	42.2	12.4	24.0	27.9	18.8
Budget (% GDP)	5.9	32.5	15.2	7.5	14.9	21.2
Inflation (%)	6.0	9.5	12.0	15.0	8.2	12.0

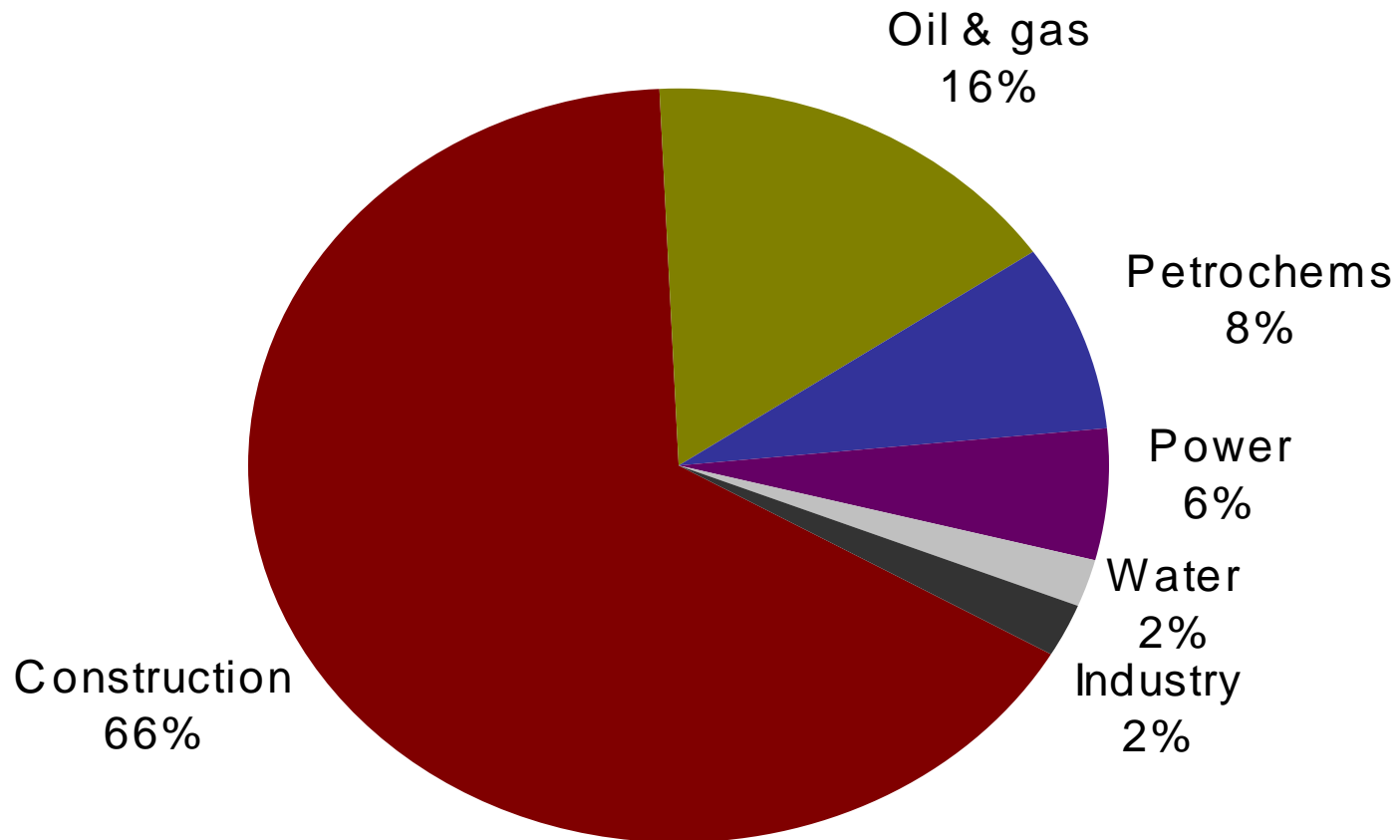


## GCC: Project spending





## GCC: Projects planned or underway by sector (percent of \$1.9 trillion total)





# GCC: Fast growing economic sectors

## Petrochemicals

- Very cheap feedstock (around one-seventh of US price)
- Proximity to fast growing markets of Asia
- New technologies allowing diversification from basic petrochemicals to more specialised products

## Construction

- Construction projects worth \$1.25 trillion planned and under way
- Major new cities are being developed
- Upgrade of essential infrastructure has been prioritised



# GCC: Fast growing economic sectors

## Real estate

- Significant existing property shortage needs to be addressed
- High local population growth, reduction of average household size and rapid influx of expatriate workers creating new demand
- Regulations that allow foreigners to own property and formalise the mortgage market further support the sector

## Manufacturing

- Low local energy costs make energy-intensive heavy manufacturing attractive
- Industries supporting the construction boom, such as cement, will also grow strongly
- Clustering policy, whereby downstream manufacturing industries are being developed around major sources of raw materials or infrastructure hubs



# GCC: Fast growing economic sectors

## Tourism

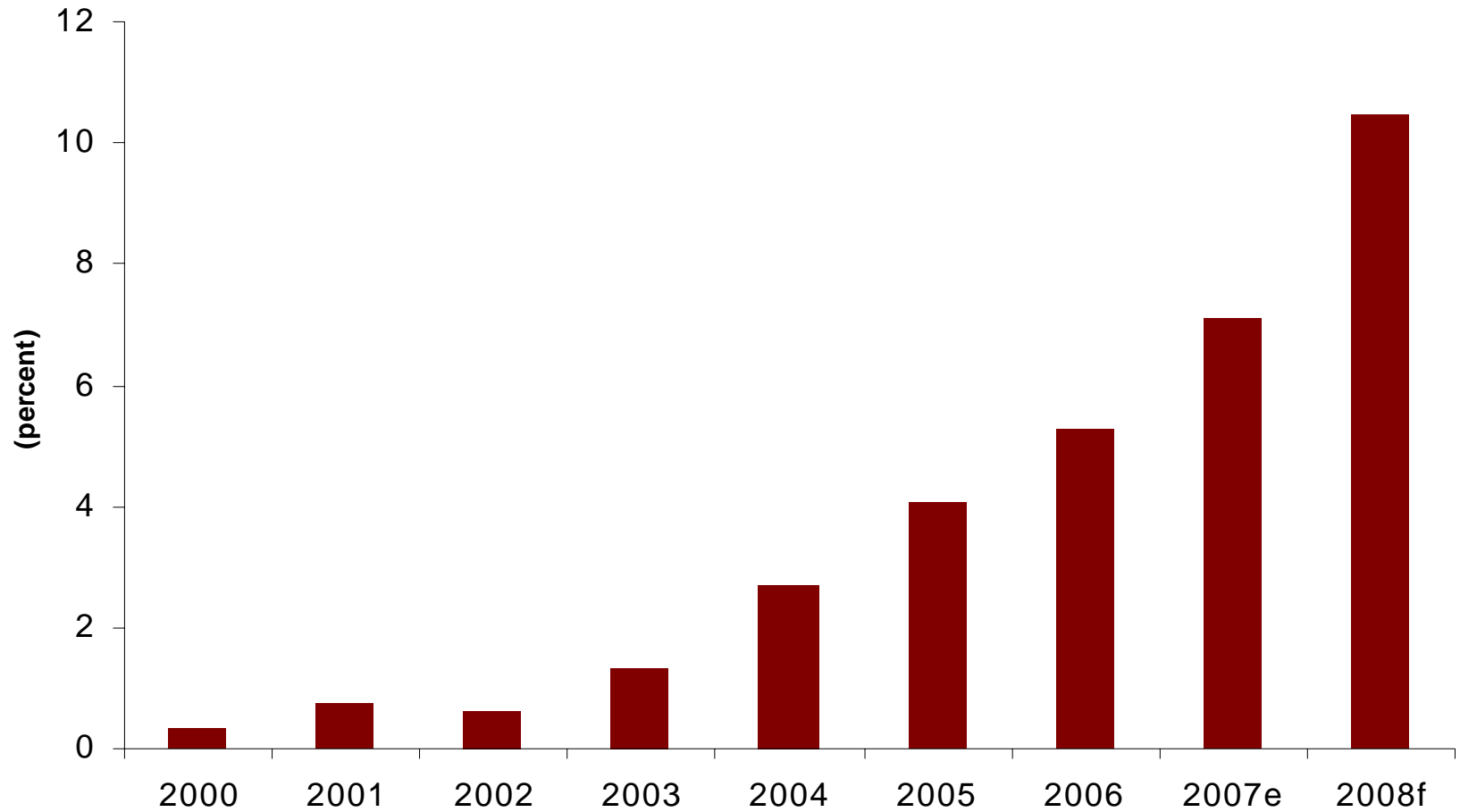
- Viewed as source of jobs and economic diversification
- Appeal rests on good winter weather, long sandy beaches, tax-free shopping, augmented by high-profile sporting events and unique facilities
- Aggressive marketing campaigns and competitive pricing by local airlines play an important role in attracting visitors

## Telecoms

- Benefits from liberalization, a fast growing young population and the rapid take-up of internet and mobile services
- Until 2003 each GCC countries had a single operator; now, all have at least two licensed fixed line and GSM providers
- Internet and fixed line services will be main growth areas



## GCC: Inflation has taken off





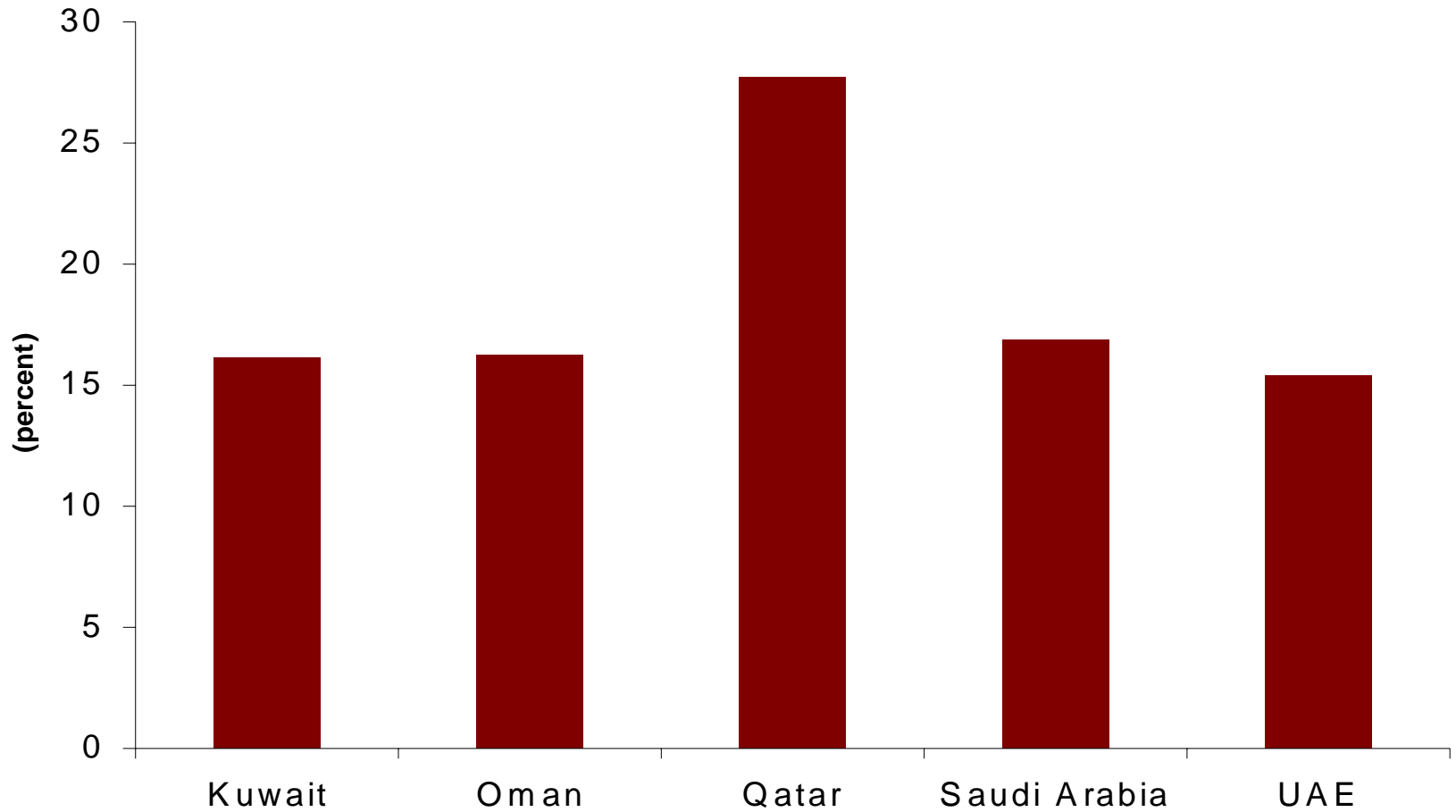
## GCC: Inflation

	<b>Latest</b>	<b>Comment</b>	<b>Average 2000-2006</b>
Qatar	14.8	Just below all-time high	4.7
Oman	12.4	16-year high	0.3
UAE	10.9	20-year high	4.2
Saudi Arabia	10.5	27-year high	0.3
Kuwait	10.1	All-time high	2.0
Bahrain	6.2	Rising	0.9



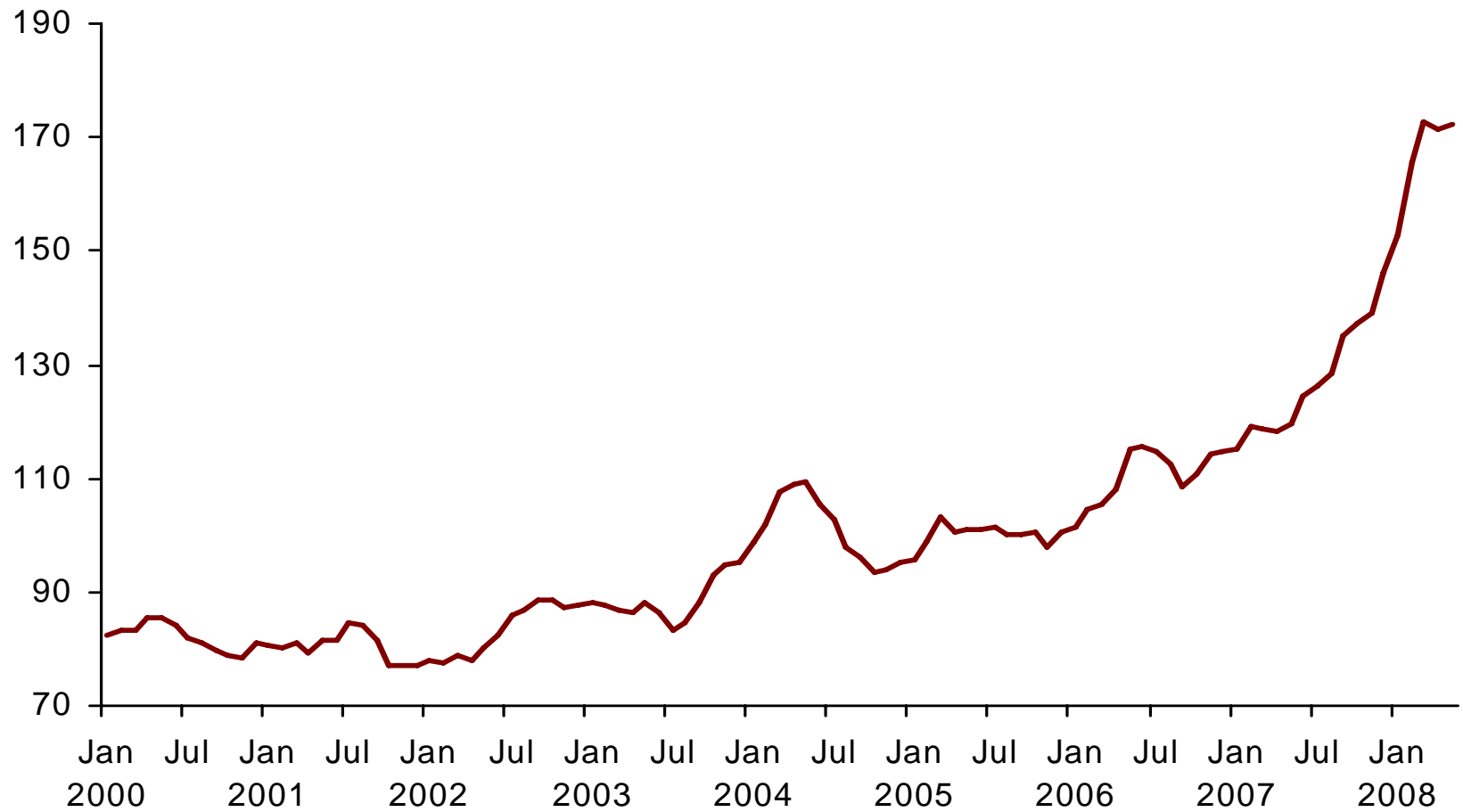
# GCC: Rental inflation

(latest data)





## IMF food price index





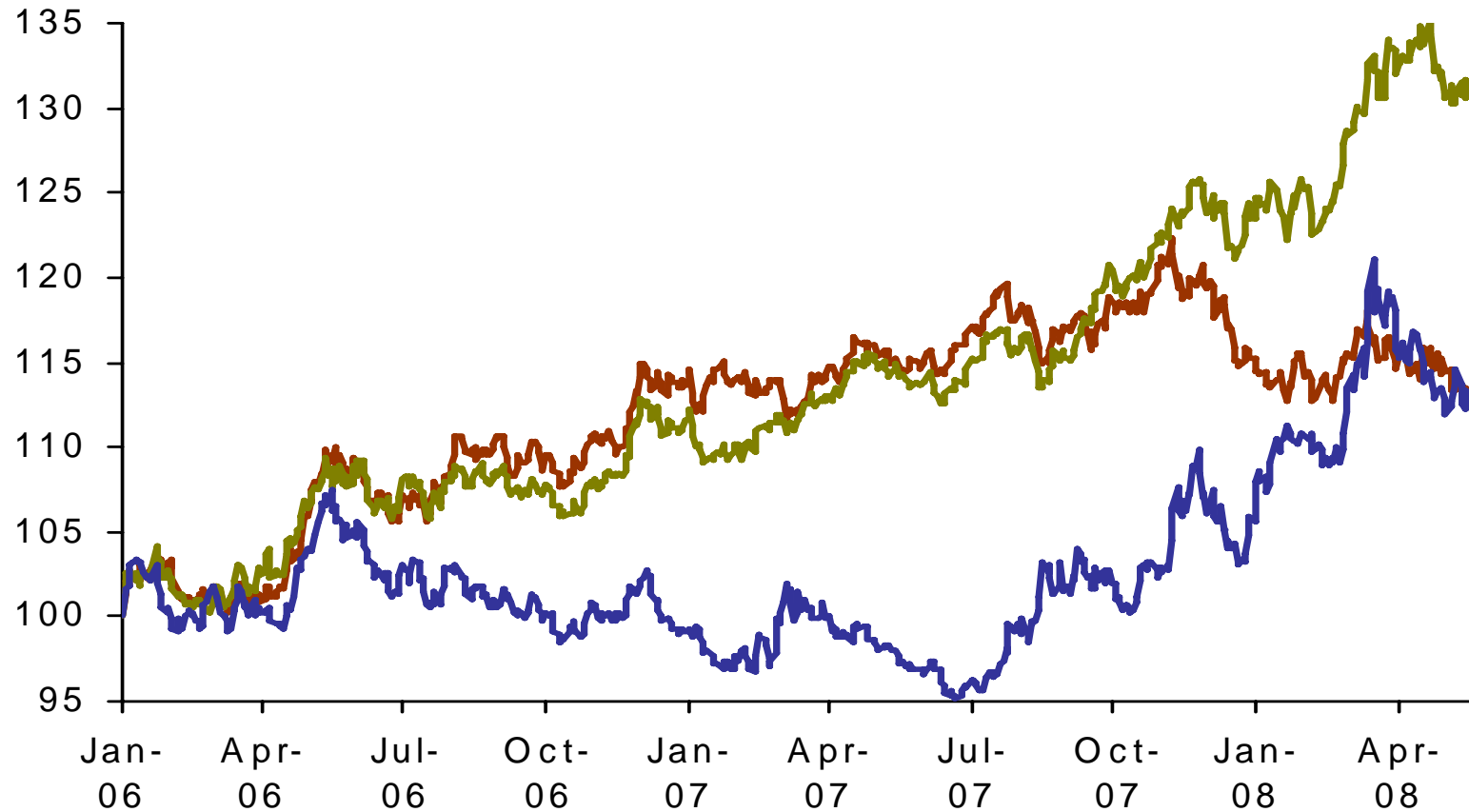
## GCC: exchange rate mechanisms

- Bahrain: Dinar pegged to US dollar at 0.376 since 1980.
- Kuwait: moves against a basket of currencies with a heavy dollar weighting. Four-year old peg to the dollar was dropped in May 2007.
- Oman: Riyal pegged to US dollar at 0.385 since 1986.
- Qatar: Riyal pegged to US dollar at 3.64 since 1980.
- Saudi Arabia: Riyal pegged to US dollar at 3.75 since 1986.
- UAE: Dirham pegged to US dollar at 3.67 since 1980.



# Fixed GCC currencies have fallen against leading currencies

(1 January 2006 = 100)



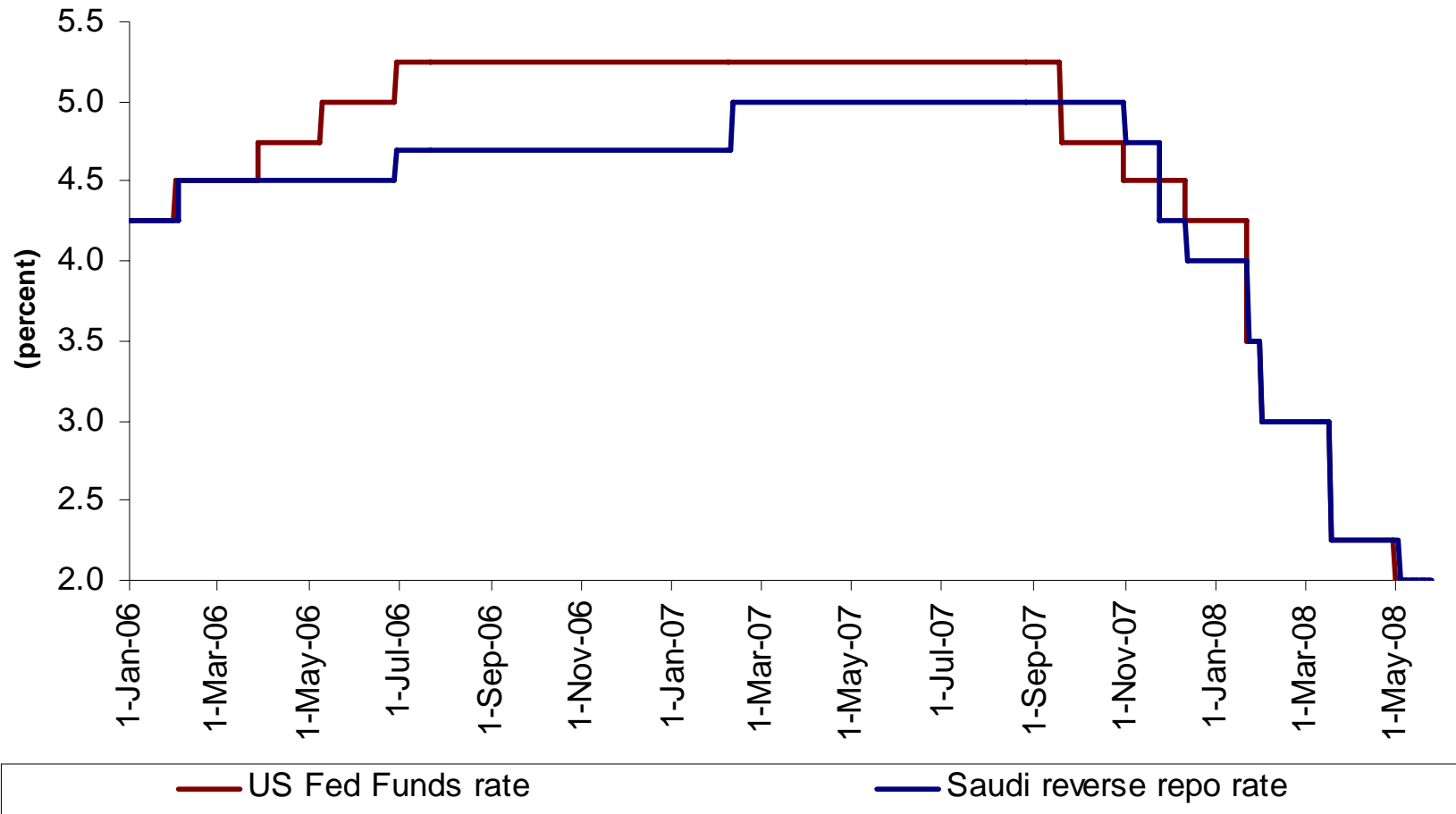
— Pound

— Euro

— Yen



## GCC forced to follow US in cutting interest rates





# Summary

- Massive inflow of oil revenues for years to come, leading to sustained high growth, and increasing GCC weight in the global economy
- Financial services emerges as a strong growth sector beyond oil (with strong links to London)
- Several sectors besides oil now experiencing high growth, especially construction, real estate
- Megaprojects just getting underway
- High growth comes with the twin challenges of inflation and exchange rate pressures