

The Economies of Arab Gulf States: News Analysis

18 January 2008

1. Saudi Arabia:

Finance

Tips to small-scale investors:

Abdul Hamid Al Amari, writing in *Al Iqtisadia*, on Wednesday, advised small-scale investors to rid their portfolios of unsold shares, saying “take the appropriate investment decisions...you have many investment opportunities.. don’t let the chance slip between your fingers.” “Don’t listen to rumours which could cost you your fortune” he added. In the same vein, Abdiaziz Al Suwiad, writing in *Al Hayat*, called the attention of his readers to a previous suggestion to give individuals ample chance in the Initial Public Offerings. “The IPOs should be opened for companies and institutions, only after the subscriptions of individuals have been completed,” he said.

Inma seeks \$2.8bn in largest Saudi IPO:

Asharq al-Awsat: The Saudi Capital Market Authority (CMA) announced on Tuesday the largest IPO in its history. Around 1, 050 billion shares, representing 70% of the bank’s value would be floated in an initial public offering. Inma valued at 15 billion Riyals plans to raise 10.5bn Saudi Riyals (US \$2.8 billion) from the offering.

Increase of GDP Deflator:

Al Jazeera: On Tuesday, the Saudi Arabian Monetary Agency SAMA – the central Saudi Bank - announced that the average growth of Saudi Arabia's nominal gross domestic product (GDP), the index of future inflation, is estimated to have grown by 21.6% in November. According to the SAMA website, the available cash grew by 21.1% in October.

External Investments:

Asharq al-Awsat: The Saudi Arabian Monetary Agency (SAMA) - Central Bank- disclosed that the external assets net recorded an increase of 32.1 percent in last 30 November to 1.07 trillion riyals (\$ 285.3 billion), compared to the same period in 2006.

Energy

Oil production:

The Kingdom continues its oil production levels of last December, producing 9 millions barrels a day (mbd) according to an informed Saudi source, adding that the current production capacity stands at 11.3 mbd. On Wednesday, *Asharq al-Awsat* revealed that the Kingdom is planning, in a twenty year plan, to launch a special strategy to ‘Saudi-ize’ the oil and gas exploration and production sector.

Supplying gas to industrial zones:

Riyadh, Mohamed Haider: Suliaman Al Khulaifi, Chairman of the Natural Gas Distribution LLC, Ministry of Petroleum and Mineral Resources, called for industrial regions throughout the Kingdom to be supplied with gas, arguing

that this could lead to significant, qualitative improvements. "Supplying industrial regions with gas would cut manufacturing costs by millions of Riyals. It could even boost small and medium scale industries and save troubled ones," said Al Khulaifi at the exhibition organised on the sidelines of the Saudi conference on oil and gas exploration techniques that ended yesterday. "The benefits of natural gas not only cut costs, but have many technical advantages in terms of equipment and production".

Properties and developments

Properties and investment regulation:

Al Riyadh: Mohammad Abduraziq Al Said: Dr Shwaish Bin Saud Al Mutairi, a member of the Economic & Energy Committee of the Shura Council, dismissed any perceived overlap between the activities of the real estate offices and the regulations of the new Real Estate Law enacted recently under the Saudi Capital Market Authority (CMA). "The issue is being taken into account" Al Mutairi said to *Al Riyadh*, indicating that the regulation has been very clear on this issue, in order to avoid conflict". "This was clarified in the regulation, namely. what is the role of the Ministry of Commerce in the system and what is the role of the Capital Market Authority. "The aim is to save the time and effort of the investor," he added. "The committee in the Shura Council has carefully examined the articles of the new Real Estate Law. Voting in the 44th session was postponed pending further contributions. Re-voting would take place after finalizing the necessary investigations".

Commercial sector, including retail

Cost of living:

Consumers feel that the steps taken by the government to ease the high cost of living are fruitless. Despite salary increases, the great surplus last year and the expected 40 billion Riyal surplus in the 2008 budget, there is widespread frustration among government employees. Perceived as an admission of the subsidiaries' system failure and weakness on the part of the Ministry of Commerce in controlling prices, the government embarked on a new policy aimed at providing long-term solutions to reduce prices. The Ministry of Commerce and its regulatory bodies are often widely accused by consumers of overlooking the actions of greedy business owners. At the same time, members of the Trade Fraud Committee stressed that increases in prices are driving consumers to procure fake commodities. In *Al Riyadh* on Wednesday, Yousif Al Kwaitait, voiced objections to the conglomerate that it is proposed will import rice. "If the intention is to establish a rice importing company, then it should not be monopolized by a small group" he said. "The said company could be a joint stock company including retirement funds, social funds and individuals as shareholders supported by the government."

Development of "Kafala" Financing program:

Asharq al-Awsat: Ahmad Al Ansari: Fahad Al Shabibi, Team Leader of the Kafala programme (for the financing of small and medium-size enterprises) revealed that the programme is studying the possibility of involving Saudi Arabia-based, Gulf and foreign bank branches in addition to local banks, indicating that talks are currently underway. Al Shabibi predicted that the programme funding will increase three-fold during 2008. "We are in the process of inviting local banks and their foreign and Gulf counterparts to join the programme," Al Shbibi said to *Asharq al-Awsat*. "However this is

contingent on a decision by the consultative council and the board of directors” he added.

Saudi Telecom to buy 25% stake in Malaysian mobile firm:

Al Jazeera: The Saudi Telecom Co, the largest Arab telecommunications firm by market value, has agreed to buy a majority stake in Maxis Communications, Malaysia's biggest mobile operator, sources familiar with the matter said. Saudi Telecom Co. has received a \$450m loan from Al-Rajhi Bank to help fund the investment. Malaysia's Maxis Communications' 51 % stake in Maxis would be worth about \$5.7 billion at the stock's last traded price.

2. UAE:

Finance

Investment in Dubai:

According to Aswaq.net, the 2007 property boom has enabled three Dubai-based businessmen to be added to the list of the richest Arabs. “Dubai is opening chances for investors to reach the highest horizons,” said the site that is used to interview developers and to publish success stories. The most prominent figures of the year were; Husain Sajwani of DAMAC, Omar Aish of Taameer, Al Sheikh Suliaman Al Majid of Tanmiat and Moafaq Al Qadah of MAQ Properties. The wealth of the four was estimated at \$6.2bn, according to *Arabian Business*.

External UAE investments:

Dubai Ports World, the world's fourth-largest container-port handler, said on Monday that it spent around \$32 million to buy 48.5% of Portus Indico-Sociedade de Servicos Portuarios, which manages the port of Maputo in Mozambique. DP World won a concession to run this port. Earlier, the company won a contract to invest more than US\$134 million in a future project at the Port Authority of Dakar. This is in addition to a new development in the container terminal at Port du Futur. On a different note, Al Maghari Al Saqal, Director General of Bouregreg River Development Agency in Rabat, rejected reports suggesting that Sama Dubai was withdrawing from Morocco.

Banking Sector:

Noor Islamic Bank, a new Sharia-compliant bank, was launched in Dubai. The organisers promise to make the \$865 capital bank the world's largest Sharia-compliant lender within five years by pursuing international acquisition projects.

Energy

Ruwais Green Diesel Complex:

MEED Business and *Al Bayan:* Abu Dhabi Oil Refinery (Takreer) has awarded SK GS engineering and construction a \$1.14bn contract to build a diesel factory in Ruwais. GS was widely expected to win the engineering, procurement and construction contract after submitting the lowest bid for the work last year, beating competition from its compatriot SK Engineering & Construction and Spain's TR. The contract covers the construction of a

37,000-barrel-per-day (b/d) hydrocracker and a 42,000-b/d sulphur hydrocracker unit, as well as the revamping of the existing gas oil hydrotreater. The scheme is the second phase of a wider project to produce more low-sulphur gas oil. The USA's Mustang Engineering is the front-end engineering and design contractor. The project management consultant is Australia's Worley Parsons.

Properties and Development

Excellence ambitions:

Isla Moda, The world's first 'Fashion Island,' was launched in Dubai by Dubai Infinity Holdings. The aim of the fashion island is to establish Dubai as a global fashion hub. Renowned fashion designers from various continents will take up the design of each element of the development.

Housing projects:

Al Bayan: The first half of this year sees RAK Properties, Ras Al Khaimah's largest property developer's plans to sell up to \$1bn of Islamic Sukuk to fund projects that could cost up to \$10bn. At present, RAK Properties is developing the Mina Al Arab project that includes 200 villas, 150 housing units and 2,500 apartments, in addition to 25,000 sq. meters of commercial land. The project, estimated to cost 10 billion UAE Dirhams, was announced in May 2006 with a completion date of 2012. In Ajman, Kasp has launched its state-of-the-art project, the Asalam tower, a 30 storey building costing 170 UAE Dirhams.

3. Qatar:

Finance

The Qatari Stock Market:

Al Rai: On Wednesday, the Qatari stock market witnessed a great surge compared to its Gulf counterparts. The market recorded its highest level in 13 months, reaping its biggest profits for one day in more than a year. This comes as investors rush to buy shares amid speculations of high profits. Doha stock market soared by 3.54% to 10425 points, its highest value since 24 December 2006. Meanwhile Oman, Dubai and Kuwait markets fluctuated and the Abu Dhabi, Saudi Arabia and Bahrain markets slumped.

Properties and Development

Housing:

Al Rai's economic editor said that at present, a study is being carried out to find ways to reduce Qatari rents by 7%. A registration body to register leases would be established, but non-registered contracts would not be recognized. Government institutions would be exempted from these rules.

Cost of building material:

Experts and investors estimated that the price of building materials have increased by 100% in the last 5 years, particularly cement and iron. The surge has been attributed to many local and international factors including the boost in demand - particularly in Dubai and Abu Dhabi -, the inflation resulting from the fall of the US dollar and the rise in fuel prices and transportation costs around the world. Al Abdulla, the properties businessman, explained that the rise in building material prices has had a heavy toll on different

sectors. "It affects mostly contractors and developers," he said. "The high prices have driven rents up, which has forced companies and corporations to increase their staff salaries to cope with the increases," he added.

4. Kuwait:

Finance

Kuwaiti investments in Saudi Arabia:

Asharq al-Awsat, Tahani Mahran: Khalid Faraj Al Said, a member and general manager of the Kuwait ITS, announced that the company will sign new project contracts in Saudi Arabia, but he did not elaborate. Al Said indicated that his company would increase its investments in 2008 to \$70 million from \$60 million.

Development plans for the Kuwaiti stock Exchange:

Al Watan, Jamal Ramadan: An informed source in the Kuwaiti stock market revealed that the aim of the market is no longer restricted to regulations or trading controls. It is being extended to include many initiatives currently being discussed with consultants to transform the stock market, within the next five years, into an international capital market. The proposed market should allow trade in different financial products, including metals such as gold and silver. The proposed plan will cover 2007 - 2012.

KAMCO's IPO:

Al Watan, Al Ameer Yusri: Subscription rates in the IPO issued by Araya Investment Company with the KIPCO Assets Management Company were estimated at 15% and the IPO was oversubscribed by 400%. The director of the company's founders' committee declared that the company's capital increased from 17 to 25 million Kuwaiti Dinars during the IPO. Some rumours suggested an unidentified investor as a main contributor. Subscriptions were kept only for those invited by the Director of the IPO.

Properties and Development

Nasir Ali Al Attar, CEO Maydeen National Company said to *al-Qabas* that the size of the company has jumped to \$1bn in record time. "This is after increasing the company's capital and focusing on property developments," he explained. "The increase signals more developments in the future," he added, "and the most prominent projects at present are Shams Abu Dhabi". Maydeen is a limited stock company listed in Kuwait Securities with a capital of 1 million Dinars.

Inflation and its impact on the property market:

al-Qabas: Participants at the 6th Kuwait's Properties Fair called for the encouragement of non-nationals to own Kuwaiti properties. "Foreign ownership," they argued, "would transform Kuwait into a leading financial hub in the region, and strengthen the competitiveness of the property market." They stressed that this would pave the way for more openness and investments. It would also equip Kuwait with additional leverage ahead of the launch of the Gulf common market this January.

Commercial sector including the retail sector

Loans violations:

The economic editor of *al-Qabas* said that the Kuwait Central Bank is seeking explanations from other banks over violations. The accumulation of violations prompted bankers to question the usefulness of the credit bureau operated by Ci-Net. This company uses state-of-the-art technology to provide accurate and secure information on-line to the lending community in Kuwait.

Selling of the loss-making Kuwait Airways Corporation (KAC):

Kuwait's parliament on Wednesday approved a long-delayed government plan to sell 40% of its embattled Kuwait Airways Corporation in IPO and 35% to strategic investors within two years. The auction for a 35% stake will be open to "specialist foreign firms" and listed Kuwaiti firms but not to domestic aviation companies, the bill stipulates. Kuwait will appoint advisers to value the carrier ahead of the sale.

5. Bahrain:

Finance

Bahrain Stock Exchange Extends its Trading Session to 3 Hours:

The Chairman of the Board of Directors of the Bahrain Stock Exchange (BSE) issued a resolution to set the trading hours at the Exchange. According to this resolution, the official trading session on the Exchange is to start at 9.30 am and close at 12.30 noon as of Sunday 13 January 2008, from Sundays to Thursdays while the pre-opening period will run from 9.15 am until 9.30 am. Commenting on the resolution, the Director of BSE Mr. Fouad Rashid expressed the hope that the new regulation will add more momentum to the market.

Commercial sector including the retail sector

Personal loans:

Gulf News' economic editor wrote: By the end of last November, Bahrain's money supply (N3) had increased by more than 3.23% compared to end of January 2006, suggesting a rising inflation rate. The inflation rate is reflected in the rise in import prices in the Kingdom and the increase in cash traded outside banking channels. Bank liquidity also witnessed a rise from 451 million Bahraini Dinars to an estimated 549 million Dinars.

Subsidies to offset rise in prices:

Al Waqt's: Officials at the Ministry of Industry and Commerce estimated the governmental subsidies for foodstuffs last year at 17 million Dinars, an increasing by 41% over the predicted 12 million Dinars. The value of government subsidies was expected to reach 30 million Dinars. Participants in a workshop organised by *Al Waqt* on the rise in prices said the current year would be difficult in terms of prices and they called for mechanisms be put in place, including distribution mechanisms to ensure the delivery of subsidies to the needy.

6. Oman:

Capital

Muscat securities index soared

Al Watan, Khalfan Al Rahbi wrote: Yahia Bin Said Al Amri, Executive Director of the Muscat Securities Market (MSM) Authority announced that the net profit of the companies listed in MSM, had risen by the end of the third quarter of 2007 by 40% compared to the same period in the previous year. The Listed net profit at the end of the period exceeded 448 million Omani Rials compared to 320 million in the same period last year.

Omani markets:

On Tuesday, Omani Investors bought shares offered by Muscat Bank and Raysout Cement. This boosted the index after Monday's losses, the highest for one day in seven months.

Muscat Securities Market:

Oman, Mahmood Al Mahrazi wrote - Following some decline in profits early yesterday, MSM continues its upward trend, after it had seen some regression. In the meantime, stock companies started to disclose their financial results, showing profits. In a cautious environment, investors focused on potentially profitable shares. The MSM 30 share index closed up 65 points, or 0.68 per cent, at 9,696 points after dropping 224 points (2.27 per cent) on Monday, closing on that day at 9,631 points. The banking index rose by 0.75%, insurance and services by 0.72%, and the industry index closed up by 1.14%.

Energy

Energy investments :

GulfCap Group has acquired Dalma Energy from Aabar for \$446 million. Oman-based Dalma is a wholly-owned, drilling services subsidiary of Aabar. GulfCap is owned by a consortium of Saudi, Bahraini and Omani investors. Dalma operates 22 land drilling rigs in Oman, Saudi Arabia, Qatar, India and Algeria. The company's fleet comprises seven light rigs of less than 1,000 horsepower (hp), four medium rigs of 1,500 hp and 11 heavy rigs of 2,000 hp. Last year average production of the three Indonesian fields and the field in Thailand was 20m barrels a day.

7. The Gulf Co-operation Council states (GCC) as a group:

Finance

Unified Gulf currency

In an interview with *Asharq al-Awsat*, Dr. Nasir Al Saad, Senior Economist at Dubai Financial Center (DFC), urged the GCC to adopt more relaxed policies towards the exchange rates of its dollar-pegged, national currencies. He called on the member states to adopt a basket of currencies in which the dollar would be dominant. "The peg to the dollar has hampered the development of effective financial and capital markets in the region" he said.

“It has also prevented central banks from acquiring the necessary financial instruments to mobilize the market,” added Al Saad, who was the former consultant at the Ministry of Economics in Lebanon at the time of Saleem Al Hus. “A commitment to the timing of the single currency by 2010 is vital”. “Any GCC’s common securities market would be international market,” he added. “The GCC single currency could be the third or fourth currency in the world. The GCC could become, within the next 20 years, the fifth economic power worldwide if the current growth rates continue” Al Saad concluded.

Sukuk repurchases Fatwa, aswaq.net

Bankers considers the Fatwa, issued by the Bahrain-based Accounting and Auditing Authority, that the repurchase of bonds is Haram (the Arabic word for ‘that which is forbidden’), could cause a serious setback to the industry. With the absence of repurchase agreements, at a certain price, the Sukuk returns would depend on the performance of the Sukuk under the contract, which could drive investors who are looking for stable revenues away. Al Sheikh Mohammad Ali Al Qari, a member of the Accounting and Auditing Authority, has said, in a report published in the Saudi *Business* newspaper, that some Sharia compliant regulators, to allow for more expansion, have turned a blind eye to the repurchase article, “but time has come now for a revision.”

External GCC deals:

Asharq al-Awsat: An economic report published on Tuesday revealed that the GCC will continue its acquisitive trend and buy major stakes in western financial and economic organisations, fuelled by the rise in the oil price. The report released by Zephyr, the Expert Merger & Acquisition firm, said that GCC countries have spent \$83 billion on foreign businesses, doubling the comparative spending in 2006.

Properties and Development

Tourism Investments:

Reed Exhibitions, the world's leading organiser of trade and consumer events, said the total tourism projects planned by the Gulf till 2018, amounted to one trillion UAE Dirhams. The UAE’s share is 858 billion.

Commercial sector including the retail sector

Gulf business security:

Al Hayat’s: Abdulfatah Faïd wrote - International reports observed a steady increase in the sector of security and safety in the GCC. This is considered an important step in coping with the wide, economic development pace across different business sectors. The annual average growth was estimated by these reports at more than 25%, which means the region will double its investments in this area in a short time. This record growth has attracted international and regional investors who specialise in security equipment, and fire control. The growth estimated by 27% was apparent at the “Intersec Middle East” Security exhibition and its conference that was attended by more than 800 exhibitors and more than 2000 companies from 53 countries. In addition 13 countries had national pavilions, including Germany, Austria, Singapore, Taiwan, Italy, Spain, South Korea and Canada.

Islamic development bank’s new Fund:

Asharq al-Awsat, Kamal Idris, wrote.-.The Islamic Development Bank (IDB), with its headquarters in Saudi Arabia, on Thursday launched a \$3 billion international fund for financing and trade. The institution's objectives are to develop and increase business activities in the member states. The bank dedicated \$1 billion for the International Islamic Foundation to coincide with the beginning of the new Hijri year. An insider said the amounts aimed to increase the volume of trade between the member states.