Dr Seetharaman delivering his keynote address at a conference hosted by the ICAI Abu Dhabi Chapter recently.

GCC economies are dominated by SWFs, says Seetharaman

The GCC economies are dominated by Sovereign Wealth Funds that account for more than 30% of the global SWF assets, valued at $6tn, said Doha Bank Group CEO, Dr R Seetharaman.

He was delivering the keynote address on "Uncertain times – can GCC banking take off?" at a conference hosted by the ICAI Abu Dhabi Chapter recently.

Gulf SWFs have invested in a wide range of industries and high-risk assets with higher expected return. Qatar has made investments in the UK, France and Germany. The assets under management growth in the GCC will be mainly driven by positive economic outlook, family businesses & entrepreneurship and the population demographics, Seetharaman said.

On global and GCC economies, Seetharaman said, "According to IMF October outlook, the fund forecasts global growth to average 3.3% in 2014 and to rise to 3.8% in 2015. The weaker growth outlook for 2014 reflects setbacks to economic activity in the advanced economies during the first half of 2014, and a less optimistic outlook for several emerging market economies. The growth for Middle East, North Africa, Afghanistan and Pakistan is expected to be 2.7% in 2014 and 3.9% in 2015. GCC GDP at current prices is expected to grow by 3.7% in 2014. The current account balance as a percentage of GDP at current prices is expected to be 18% in 2014."

Highlighting the current trends in GCC banking sector Seetharaman said, "Banks in the UAE have been prime beneficiaries of a revival in which the economy grew by more than 4% as interest rates reached new lows and credit growth rebounded. Key sectors, such as tourism and corporate services, are performing strongly and a strong rebound in real estate prices has improved the loan demand.

"Loan growth in the United Arab Emirates is set to jump at least by 8% in 2014. In Saudi Arabia, private sector lending had grown by more than 11% until September. Public sector lending had gone up by close to 9% until September. And in that month, Saudi Arabia's bank watchdog had introduced new regulations that cap retail lending and curb the fees that lenders can charge. In Oman, credit off take was close to 9% until September. In Kuwait bank lending to the private sector grew close to 4% until September. In Qatar, lending growth was more than 10% until September. The retail, contract and services sector are the key sectors, which contribute to growth in Qatar in 2014. GCC has projects worth more than $529bn in 2014, which contribute to surge in contract financing and project financing. SME sector is also an area which is given thrust by GCC Banks. UAE property sector has seen revival after winning bid for expo 2020."

On GCC capital markets, he said "Qatar and UAE markets had surged this year after MSCI upgrade. All GCC markets witnessed correction recently on account of fall in oil prices but have stabilsed again. Positive results during earnings season gave cushion to markets. The MSCI upgrade of Qatar and UAE would entice family-owned companies to go public. The MSCI upgrade is an opportunity for Qatar & UAE companies to refocus on corporate Governance, encourage foreign ownership and thereby improve their market capitalisation.

"Qatar Exchange is also planning to introduce margin trading and covered short selling in the near future. In 1st half of 2014 GCC region witnessed 10 IPOs, which was worth $2.26bn. The third quarter of 2014 witnessed a major IPO from Emaar Malls Group. In July, Saudi Arabia Cabinet's approved to open the stock market for direct foreign investments. The actual opening of the market is seen during the first half of 2015. In 2014 GCC bond issues are worth more than $38bn. In July, the UAE published new rules allowing firms in the country to use existing shares when listing on local exchanges or raise fresh equity capital. Private equity groups are expected to be among the main beneficiaries of the new law."