OPINION

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Diversification an opportunity for sustainable growth

THE GCC's nominal GDP is expected to grow by four per cent in 2012 due to reduced contribution from oil sectors. The GCC economic growth will be mainly driven by Qatar, Saudi Arabia and the UAE in 2012. The spike in oil prices due to positive data from US and China can contribute to the current account surplus of the GCC economies. The SWOT analysis of the GCC economies reveals opportunities in the areas of infrastructure and Non-Renewable Energy. The rationale for diversification includes supporting economic growth, complement hydrocarbon sector, generate employment, make the economy more resilient to external shocks, improve infrastructure and support climate change.

Saudi Arabia's Vision 2020 is best realised by diversifying the economy into manufacturing sector and in SME segments. Cluster development will help building up SMEs. The ninth five-year development plan of Saudi Arabia between 2009 to 2014 allocates more than 50 per cent to Human Resources. The other major sectors, which were emphasised include Social and Health, Economic Resources, Transportation and Communication, Municipal and Housing Services. The recent fiscal policies also gave emphasis on education and infrastructure. The ninth five-year plan seeks to raise that to 53.6 for every 100 people. Broadband coverage will also increase from 7.8 to 11.4 for every 100 people. To address the lack of affordable housing in the kingdom, the ninth five-year plan increased its allocation for municipal and housing services by nearly 53 per cent over the previous plan.

Oman National Vision 2020 aims to shift crude oil contribution to below 10 per cent of the GDP and increase natural gas and industrial to above 10 per cent and 20 per cent respectively. Oil's share of total GDP is expected to drop to nine per cent in 2020 as compared to 41 per cent in 2009. Oman is expected to be a non-oil dependent country as it increases the measures of diversification into the services, industrial and financial sectors. The eight five year plan of Oman of 2011 to 2015 gives emphasis on infrastructure. The recent fiscal policies of Oman also focus on education, health and civil development expenditure. Dubai is introducing a master plan for urban development that is expected to open up about 950,000 jobs by 2020. In 2012 Dubai Budget higher allocation was given for healthcare, education and infrastructure. Jebel Ali will be one area, which will see major development growth. The Qatar National Development Strategy (NDS) 2011-2016 will set a path towards achieving the goals of Qatar National Vision 2030. Aggregate GDP growth in 2012-2016 is expected to average to 6.9 per cent with hydrocarbon GDP growth expected to be 4.4 per cent and non-hydrocarbon GDP to be at 9.1 per cent. Services will be one of the major drivers of the economy. Qatar's investment pattern will reflect the decline in hydrocarbon capital spending. The ratio of non-hydrocarbon private investment to total GDP could reach 15 per cent by 2016 which is nearly double its share of 2009. The 2011-12 budgets gave higher allocation to education, health and public projects. The upcoming budget can also give importance to this.

Dubai is introducing a master plan for urban development that is expected to open up about 950,000 jobs by 2020. — *Bloomberg*

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to be invested in infrastructure by the GCC

Projects prevail in Qatar non-hydrocarbon sector mainly in real estate and infrastructure. In Saudi Arabia the major projects in non-hydrocarbon sector include King Abdullah Economic City and Jizan Economic City. Major projects in the UAE are witnessed in Jebel Ali area. Major projects in Oman include Duqm New town and Deep water Gas line worth $24 billion. In Kuwait the major projects include "City of Silk". The ambitious $19 billion Masdar City is already six years into production and has been set a completion date of between 2020 and 2025. Bahrain was set to build two new 'hybrid' power plants for solar and wind energy at a cost of around $8 million, which will produce five megawatts of energy. The GCC states would invest close to $100 billion for infrastructure development and explore new ways to ensure uninterrupted supply of drinking water to its residents in the next five years. The diversification in various sectors namely power, transportation, communications, real estate and renewable energy is an opportunity for sustainable growth in the GCC.

The writer is the Group CEO at Doha Bank. Views expressed by the author are his own and do not reflect the newspaper's policy