
Crisis hit Middle East sees first recovery signs

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Reuters reported that the Middle East faces its biggest challenge in years with the worst financial crisis since the 1930s threatening oil exporters but investor appetite is returning after state intervention and recovering crude prices.

Mr Simon Williams chief economist at HSBC Middle East said that the Gulf not only looks to have braved the downturn but also to have been well placed to catch early the tail wind of recovery. But the impact of the crisis continues to be felt. Interbank lending across the Gulf Arab region continues to stutter, despite a pick up in government and quasi government bond issuance as overseas investors look for high rated emerging market paper.

The property sector crash in the commercial hub Dubai, which saw prices tumble 50% and an exodus of expatriates, still sends jitters among investors eagerly awaiting government plans to repay about USD 6 billion of debt 2009. The credit crisis and following liquidity crunch has also shaken the very core of Gulf Arab region's trading dominated by family businesses, bringing to surface questions of transparency and corporate governance.

Mr Timothy Fox chief economist at Emirates NBD said that “We are still struggling with the legacy of over lending to some extent and financial institutions have not taken care, there are imbalances in the financial system and that is having an impact in terms of the access to credit by companies. It is taking a while for these imbalances to correct, it may take a little bit longer.”

A survey this week from HSBC showed that while business confidence in the Gulf Arab region has risen to its highest level since October 2008, the optimism in the United Arab Emirates remains the lowest. With oil near USD 80 per barrel, the Gulf is still positioned to outperform the rest of the world amid the global recession, given its status as the largest energy exporting region.

Mr Fox said that “There are positive impacts from the oil price in terms of regional and government fiscal positions and current accounts. If oil prices stabilize around today's levels it won't be long before we start to see economies and governments start to save again and restore fiscal balances.”

(Sourced from Reuters)

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