

Middle East growth potential still strong

By Eric Swats

The financial tremors emanating from the United States and being felt around the world are expected to have only a marginal impact on the economies of the Middle East and North Africa. For the most part, the economies and banking systems of the oil producing countries remain strong which is in stark contrast to what is seen in the US, Europe and certain parts of Asia. For 2009, economic activity in the GCC is expected to range between 5 and 6 per cent. With such strong fundamentals, investors are finding the region an even more interesting destination for their emerging market investments.

The Middle East is favorable right now for investors with a long-term outlook. Given the recent decline in many of the region's equity markets, investors are able to enter at valuation levels which have not been available for years. Many markets are trading at below 10 times earnings even though earnings growth is likely to remain strong for the next several years.

Private equity is also seeing an opportunity in the region as demonstrated by the presence of some of private equity's most powerful tycoons, including Blackstone founder Steve Schwarzman, KKR's Henry Kravis and David Rubenstein of Carlyle Group, at a recent event in Dubai to lure investors from and to the cash-rich Gulf States.

Deutsche Bank's annual alternative investment survey states that the investors who were surveyed planned to increase their allocations to the emerging markets, with the Middle East predicted to be the top performer amongst all regions. By region, about 45% of investors surveyed said they think funds investing in the Middle East



Eric Swats, Head of Asset Management, Rasmala Investments

and North Africa will be the top performers in 2009

Even the International Monetary Fund (IMF), in its regional economic outlook, said that the Middle East has continued to see strong growth in 2008, outpacing global growth for the ninth year in a row. Growth is underpinned by high commodity prices, strong domestic demand, and also the credibility of regional economic policies. So far, economic activity in the Middle East and Central Asia region has been largely resilient to the ongoing international credit crisis and the downturn in the United States and other advanced economies, it said.

With the Western Hemisphere in for a sharp economic contraction, coupled with the uncertainty in established emerging markets such as Russia, India and China, the Middle East is now being seen as an attractive, long-term investment destination for many types of investors. Certainly, there is earnings growth potential of 20-25 percent in the next several years and Rasmala Investments, with its expertise and experience in the region, is well-positioned to serve interested parties. Rasmala, being a regional leader in investment banking, marries best practices with a deep understanding of the Middle East, thus adding a lot of value to its client base in managing their regional investments. We serve institutions and high net-worth individuals throughout the region and internationally, and have a longer experience than most in assessing the merits and quality of investment opportunities available in the MENA countries. We feel strongly that those investors willing to study and learn about the region's investment opportunities will be very well rewarded. ■