

The bigger picture



IN LAST MONTH'S *TALKING TREASURY* EVENT IN ABU DHABI, NO FEWER THAN 11 CORPORATE SPEAKERS WERE ON HAND FOR THREE PANEL DISCUSSIONS THAT ENTERTAINED AND CHALLENGED A LARGE AND INVOLVED AUDIENCE. **PETER MATZA** WAS THERE.

It is sometimes easy to forget that in their day-job treasurers need to have a full awareness of how the world around them is developing both politically and economically. Liz Martins, HSBC ME chief economist, opened the *talkingtreasury* day with a comprehensive overview of the world economy before focusing on regional issues. HSBC's opinion is that a euro zone break-up is neither fully understood nor priced by world markets and could be very damaging to the global economy. On a barely more positive note, HSBC believes that growth is modest at best in the old economies (the US, Japan, the EU) and patchy even in developing markets (China and Brazil are doing better than India, for example).

Strong oil prices continue to sustain the GCC economies, bringing in total revenue of around \$700bn in 2012. Saudi Arabia is planning large-scale public expenditure and is building up substantial reserves to fund future development. The UAE is more muted but has mostly recovered from its 2008–09 property slowdown, with real estate prices even showing some increases for prime commercial sites. Oil importers in the MENA region by contrast are suffering – especially Tunisia and Egypt following their political upheavals.

The cash forecasting discussion looked at the management implications of a process where there's more than meets the eye. The panel of experienced treasurers all believed that the key issue for treasurers is to have a deeper appreciation of what drives the business rather than what drives the numbers in a spreadsheet. When asked whether treasurers should control more of the levers of business practices – contract terms, for example – one panel member suggested: "At the very least treasury should be in the discussion to create some positive tension between treasury and operational teams."

The value in long-term forecasting is seeing where the real gaps could be and therefore what financing is needed in terms of short and long-term capital needs. The panel also took the view that forecasting is useful for risk exposures and the potential hedging of underlying business – especially when looking across currencies. In response to a question from the audience about whether a

treasury management system was sufficient for forecasting, the general view was that a mix of systems including a TMS was required for a full overview.

The discussion that followed focused on counterparty risk in terms of financial metrics and operations. The key issue is that any business can create a risk framework to suit itself but that treasury and operational management should all be involved in risk appreciation, policy setting and risk mitigation. Even where there aren't obvious risk measurement tools – such as considering counterparty risk – boards will increasingly expect a reasoned assessment of risk issues. Clearly, for many businesses in the region these concepts are not yet fully understood nor actioned, but the panel's message was that if they wish to remain competitive, businesses must become active in their approach to risk.

The panel on funding options made some gloomy comments initially on bank lending prospects. Given that volatility remains in the financial system, treasurers need to stay close to their existing relationships. One panellist said: "When credit is scarce, treasurers need to keep their companies at the front of any queue for finance. This needs consistent effort and for treasurers to be inventive."

The panel agreed that treasurers should contribute to the development of coherent corporate business and financial strategy. This means that treasury should be a source of business ideas. One panellist said: "Treasurers need to be directly involved with the creation of partnerships and joint ventures, which can share the cost and burdens of capital provision." One area of funding that attracted considerable comment from the audience was that there is a growing private placement market in Saudi and Qatar – especially for Islamic structures – although its availability is limited for non-government borrowers.

As always, the opportunities for networking, sharing ideas and experience were gratefully accepted by treasurers. As one remarked: "The opportunity to get away from the office, to sit, listen and think, is all too rare."



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