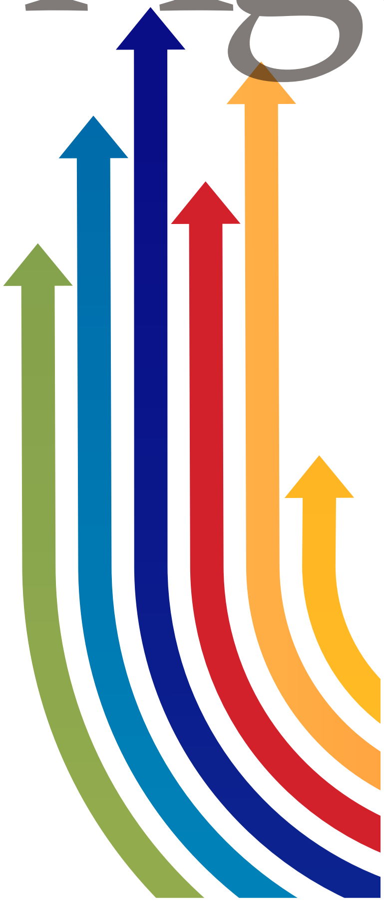
Agenda



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{ INSIGHT }

MIDDLE EAST CEOs ARE UPBEAT ABOUT GROWTH

Middle East CEOs feel confident about their companies' growth prospects over the next year, with 60% describing themselves as 'very optimistic'. Their positive outlook is despite the lingering after-effects of the Arab spring and a potentially worsening eurozone debt crisis.

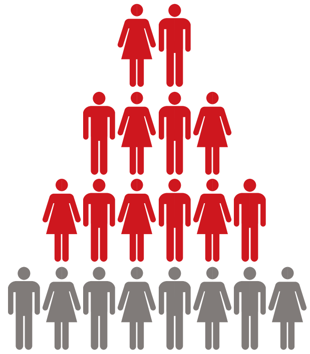
These are the findings of PwC's 15th annual global CEO survey (see right), which says that a recovery in oil prices and responsive government policies are buttressing the region's economic outlook.

Nevertheless, three-quarters of Middle East CEOs expect to embark on a cost-reduction programme this year due to a squeeze on margins and increased risk. They are likely to focus their cost-reduction efforts on labour and overhead costs – for example, consolidating offices, limiting bonuses and reducing their reliance on expensive consultants and expatriate workers.

Nearly half of Middle East CEOs believe hiring is becoming more difficult within their industry, making talent management a top business prerogative. As a result, a third plan to make substantial changes to the way talent is managed within their organisation. Finding high-potential middle managers is the biggest concern for CEOs, with 67% saying this group presents some of the greatest challenges regarding recruitment and retention.

{ PWC 15TH ANNUAL GLOBAL CEO SURVEY 2012 }

Feedback from Middle East CEOs



60% of CEOs feel very confident of their revenue growth prospects in 2012, compared with 56% a year ago

Two-thirds (67%) of CEOs saw their companies financially impacted by the Arab spring

37% of CEOs say their company had been hit by the ongoing sovereign debt crisis in Europe

Three-quarters (77%) of CEOs expect to implement a cost reduction this year as a result of pressures on margin and increased risk

{ TECHNOLOGY }

NEW IT PRODUCTS GIVE TREASURERS THE EDGE

Treasurers in the Middle East must harness new technologies to help their companies gain an edge over competitors. This was the message from Harshit Jain, a former banker and SME consultant, who advised ACT members on new cash management trends at a treasury update breakfast in Dubai last month.

He said that treasurers needed to demand leading-edge products and consistent levels of service from their technology providers so that they could enjoy more efficient cash processes, including payments, forecasting, credit control and relationship management.

Treasurers in the Gulf Cooperation Council (GCC) face a number of developing-market issues in cash management related to delegation of responsibilities, banking infrastructure, corporate structure and corporate governance, said Jain.

But the GCC and developing economies do have the advantage of not having to manage legacy technologies and processes, meaning their companies can be early adopters of tomorrow's technology.

Also speaking at the breakfast, HSBC Middle East senior economist Liz Martins said that a number of risks remained at macro level, including the crisis in Europe and the continuing fallout from the Arab spring.

Harshit Jain explains how treasurers can get the best from their banks on page 18

For more on technology, see pages 32-38

{ CAPITAL MARKETS AND FUNDING }

FUNDING DIVERSIFICATION AWAITS OMAN

Oman needs to diversify its funding sources and make better use of bonds, attendees at an ACT treasury update breakfast learned last month. Sayyid Wasfi Jamshid Al Said, head of investment banking at the National Bank of Oman, said that Oman was a modest issuer compared with its close neighbour, Qatar. Qatar has been a heavy issuer of government bonds in order to raise its profile, encourage a domestic capital market and foster liquidity.

Al Said told attendees that government entities accounted for 41% of bond issuance in both sukuk and conventional bonds across the Gulf Cooperation Council (GCC) countries in 2011/12. Sukuk make up nearly half of new issuance, with the majority of those bonds issued by governments, government entities and foreign institutions.

Banks continue to be the main suppliers of capital to companies in Oman, said Al Said. But he pointed out that bank regulatory change, particularly the Basel III rules on capital, will affect companies. As a result, they will need to overcome their reluctance to providing business information so that they can access developing debt and equity capital markets. They should also look at securitisation, trade finance and supply chain finance. And while equity markets are an option for companies in the GCC, they remain a limited one as investors continue to have concerns over the volatility of the region.

Gary Slawther, group treasurer at packaging manufacturer OCTAL, said that diversification in debt and equity sources was "a sensible policy" even if it entailed extra cost. "When dealing with lenders, be clear about risk, be transparent and negotiate hard," he advised attendees. He added that treasurers should do their own thinking and not rely on bankers.

Macro issues were inevitably another focus of the breakfast. Gus Freeman, director of economic research at Ernst & Young MENA, told attendees that economic growth and development would move towards the south and east of the world over the coming decade, away from the traditional Western centres.

See Rise of the renminbi, page 16

NUMBERS

SAR 1.4bn
the value of the private placement sukuk that Saudi Hollandi Bank is planning to issue, according to Reuters

9.5%
the potential growth rate in GCC banking sector loans in 2012, as predicted by Kuwait Finance House

24
the number of additional countries that remittance and FX company UAE Exchange wants to operate in by 2014

77.2%
the stake in Egyptian bank National Société Générale Bank that QNB will have if it buys out Société Générale's holding

9%
the annual increase in written insurance premiums posted by the Association of Insurance Companies in Lebanon at the end of June

MAKING THE NEWS

UAE discount window

The United Arab Emirates (UAE) is to launch a discount window to enable banks to borrow intraday and overnight funds, it was revealed last month. In its inaugural financial stability review, the central bank said that the facility would "improve liquidity management practices within the UAE and support money markets if there are liquidity shortfalls". The central bank has not confirmed when it will launch the window, which will be known as 'the marginal lending facility'.

Chinese risk management

Large financial institutions in China need better risk management systems, a new survey reveals. The research by analyst Celent, which was sponsored by technology company SunGard, found that just 11% of large financial institutions believed their existing systems could meet their risk management needs. The biggest risks they face are the challenges posed by competitors and a more complex financial environment. The survey also found that 100% of risk managers interviewed recognised the need to improve the functionality of their existing risk management IT systems.

Islamic capital finance

The growing significance of the Islamic capital market has triggered a need for stronger oversight, greater transparency and more robust disclosure requirements.

This was the finding reached by standard-setters the International Organization of Securities Commissions (IOSCO) and the Islamic Financial Services Board at a roundtable in Malaysia last month.

"As the Islamic capital market expands and becomes more global, it is increasingly important that issues surrounding investor protection and market integrity are addressed from a cross-jurisdictional perspective. It is therefore critical for regulators and standard-setters to further examine disclosure regimes for Islamic capital market products, with a view to allowing more informed investment decision-making and to promote the further growth of the Islamic capital market," said Datuk Ranjit Ajit Singh, chairman of the Securities Commission Malaysia and an IOSCO board member.