Ranking the Gulf in the global financial league

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Outline of key points

• The 2008-2009 crisis: new risks but new opportunities as well
• The importance of the new global economic and financial order: axis of activity and wealth across Asia-Mideast
• Look forward to meeting the region’s capital and investment needs in a better way
• Skills, intermediation, products will also grow - Tokyo already advanced, others such the Gulf are just emerging
Risk factors now overwhelming

- **SIMULTANEITY and MULTIPLICITY**

- The simultaneous slowdown in the major OECD economies - all sliding into recession from mid-2008 even before the financial storm hit in September

- The simultaneous cycle in property markets worldwide - the most coordinated since the 1970s? And even more global today

- The global nature of the financial crisis - banking, credit and stock market effects have spread
What type of OECD recession?

% year

1982 Recession

1991 Recession

2001 Recession

Dow nside scenario

IMF FORECAST

2008 2009 2010 2011
But there has been a favourable global background over last five years

- Emerging markets, especially Asia-Mideast, have accounted for most of the world’s growth
- Even more of the growth in commodity demand - 90% of the increase in oil demand over the last five years
- Apart from short term cycles, this trend will continue, increase links across region
- Size matters - increasing share in global GDP is pushing up average global growth rate
High growth in non-OECD world
Contributions to global GDP

$ current trillions

1987 1997 2007 2017

OECD 55
non OECD 44
The Gulf “GCC” is amongst the world’s top ten economies

- GCC total GDP set to rise well above $1trillion in 2008
- GDP/capita average will be about $30000 - well above emerging market levels of $10000 or less
- Fifth largest exporter and eighth largest importer
- Supports strong position in global finance
## Economy rankings by size of GDP

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>GDP estimates for 2007 (US$ trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EU (inc UK)</td>
<td>17</td>
</tr>
<tr>
<td>2</td>
<td>US</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>4.4</td>
</tr>
<tr>
<td>4</td>
<td>China</td>
<td>3.3</td>
</tr>
<tr>
<td>5-9</td>
<td>Canada, Brazil, Russia, India, Korea</td>
<td>1-1.4</td>
</tr>
<tr>
<td>=10</td>
<td>GCC total, Mexico, Australia</td>
<td>0.8-0.9</td>
</tr>
<tr>
<td></td>
<td>World total</td>
<td>54</td>
</tr>
</tbody>
</table>
World Trade Rankings - top 10

Goods Exports $bn

- EU
- US
- China
- Japan
- GCC total
- Canada
- Korea
- Hong Kong
- Russia
- Singapore
IFC RANKINGS, City of London survey
September 2008

London 1
New York 2
Singapore 3
Hong Kong 4
Zurich 5
Geneva 6
Tokyo 7
Chicago 8
Frankfurt 9
Sydney 10
Boston 11

Toronto 12
Dublin 13
Jersey 14
Luxembourg 15
Guernsey 16
San Francisco 17
Edinburgh 18
Isle of Man 19
Paris 20

Dubai 23 (14 ranked by red)
Bahrain 43
Qatar 45
Financial Centres (CoL) vs Financial Development (WEF) - excluding US and Europe

CoL
1 Singapore (3)
2 Hong Kong (4)
3 Tokyo (7)
4 Sydney (10)
5 Cayman Islands (21)
6 Dubai (23)
12 Bahrain (43)
14 Qatar (45)

WEF
1 Tokyo (4)
2 Hong Kong (8)
3 Singapore (10)
4 Sydney (11)
5 Dubai (16)
11 Kuwait (26)
12 Saudi Arabia (27)
13 Bahrain (28)
### IFC rankings by centre/region: CoL GFCI vs WEF Financial Development Index

<table>
<thead>
<tr>
<th>CoL GFCI</th>
<th>WEF</th>
<th>WEF region</th>
</tr>
</thead>
<tbody>
<tr>
<td>London/EU 1</td>
<td>US 1</td>
<td>US</td>
</tr>
<tr>
<td>New York/USA 2</td>
<td>UK 2</td>
<td>UK/EU</td>
</tr>
<tr>
<td>Singapore/SE Asia 3</td>
<td>Germany 3</td>
<td>Japan</td>
</tr>
<tr>
<td>Hong Kong/China 4</td>
<td>Japan 4</td>
<td>Canada</td>
</tr>
<tr>
<td>Switzerland/Europe 5</td>
<td>Canada 5</td>
<td>Switz.</td>
</tr>
<tr>
<td>Tokyo/Japan 6</td>
<td>France 6</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Sydney/Australia 7</td>
<td>Switzerland 7</td>
<td>Singapore</td>
</tr>
<tr>
<td>Toronto/Canada 8</td>
<td>Hong Kong 8</td>
<td>Australia</td>
</tr>
<tr>
<td>Cayman Is./Caribbean 9</td>
<td>Netherlands 9</td>
<td>UAE</td>
</tr>
<tr>
<td>Dubai/GCC 10</td>
<td>Singapore 10</td>
<td>Korea</td>
</tr>
</tbody>
</table>
## Rankings by wealth

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>1997</th>
<th>2007</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 3</td>
<td>75</td>
<td>162</td>
<td>315</td>
</tr>
<tr>
<td>US</td>
<td>33</td>
<td>65</td>
<td>120</td>
</tr>
<tr>
<td>EU (inc UK)</td>
<td>25</td>
<td>65</td>
<td>150</td>
</tr>
<tr>
<td>Japan</td>
<td>17</td>
<td>32</td>
<td>45</td>
</tr>
<tr>
<td>Rest</td>
<td>17</td>
<td>38</td>
<td>95</td>
</tr>
<tr>
<td>China</td>
<td>3-5</td>
<td>10-11</td>
<td>30</td>
</tr>
<tr>
<td>GCC</td>
<td>1-2</td>
<td>4-5</td>
<td>15</td>
</tr>
<tr>
<td>Global Total</td>
<td>92</td>
<td>200</td>
<td>410</td>
</tr>
</tbody>
</table>
Wealth, jobs and financial services

Financial services still a key sector to specialize in:
- Wide range of high-income, high-value added activities - still good growth potential
- Good complement to position in world trade, wealth and GDP
- Serves need for more value-added jobs and other development goals
- Skills to better understand wealth and finance management

From users to providers of financial services?
GCC punching below its weight?

• The GCC economy ranks in the top 10
• In principle, its equity market capitalisation and banking sectors are both in-line with GDP, in the top rankings
• But market trading activity is still low and much business is unsophisticated - need to move up the curve
• And the position in debt markets is weak - like Asia, it relies on the banking system
Debt markets and the hinterland

• Need a large and liquid debt market, with government issues to act as benchmark - critical for attaining a top rank as a GFC and to empower currency

• A large “Hinterland” can be created across the wider Asia-Mideast region

• New issues have potential to rise dramatically - $1 trillion per annum?

• Need skills and backing to achieve this
Bond Market undeveloped

$ trillion

World
US
EU
Japan
Rest
Rest - Potential

Other
Government
Summary - GCC development

- Background based on the rise of the mega-emergers - trend will continue, supporting energy prices and demand
- GCC has been and remains a beneficiary
- Rising incomes and wealth - “centres of HNW”
- Need to use this position to develop the GCC economies and financial sector
- Supports emergence as an IFC - possibly as a GFC given impetus
Thank-you

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