



CHATHAM HOUSE

# 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

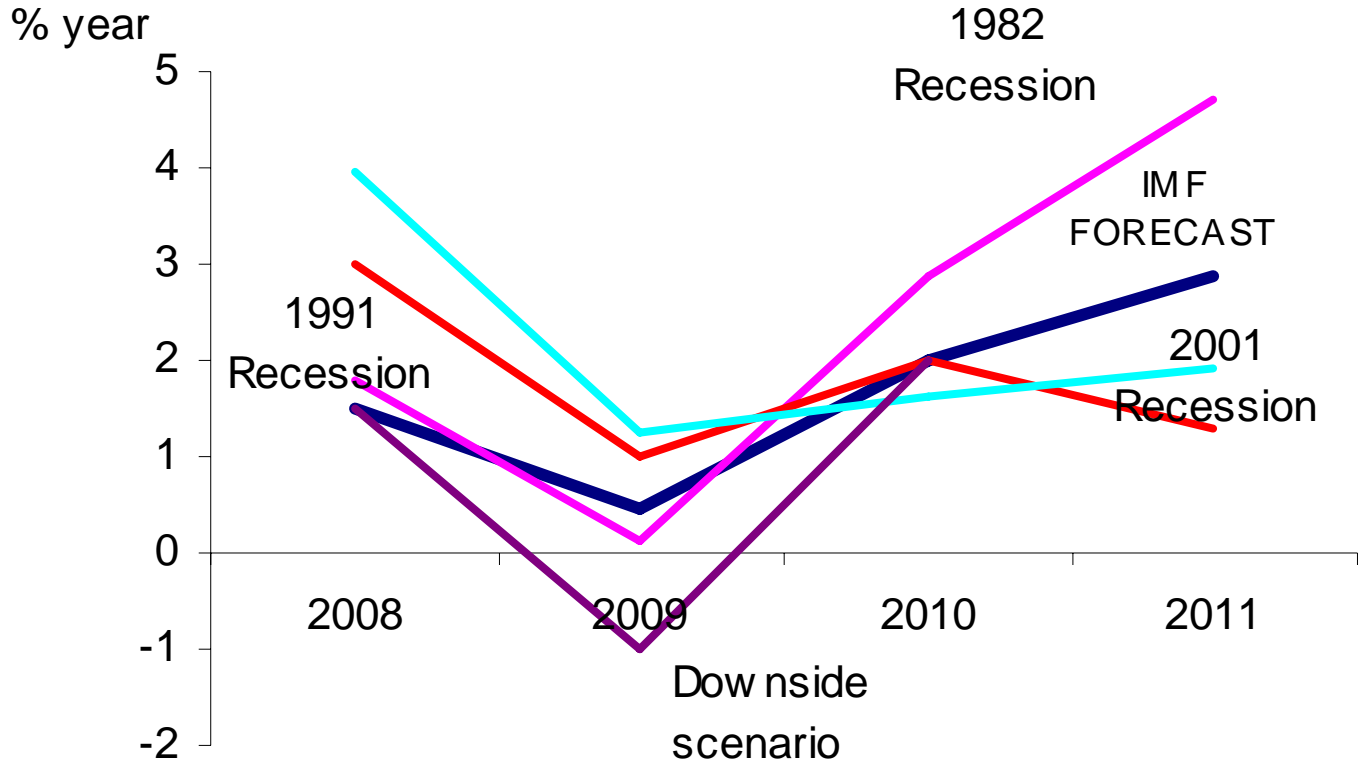


# Risk factors now overwhelming

- 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?

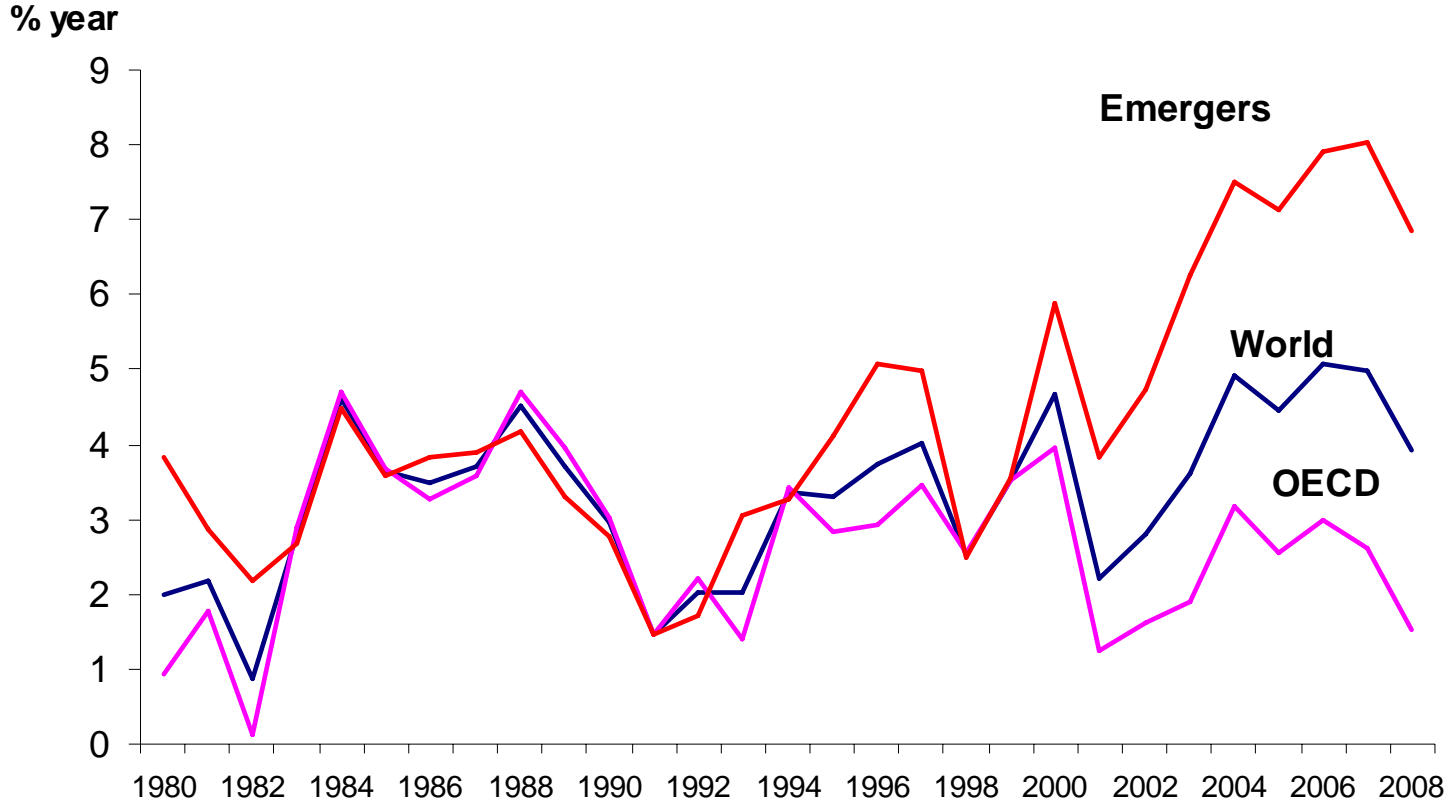


## But there has been a favourable global background over last five years

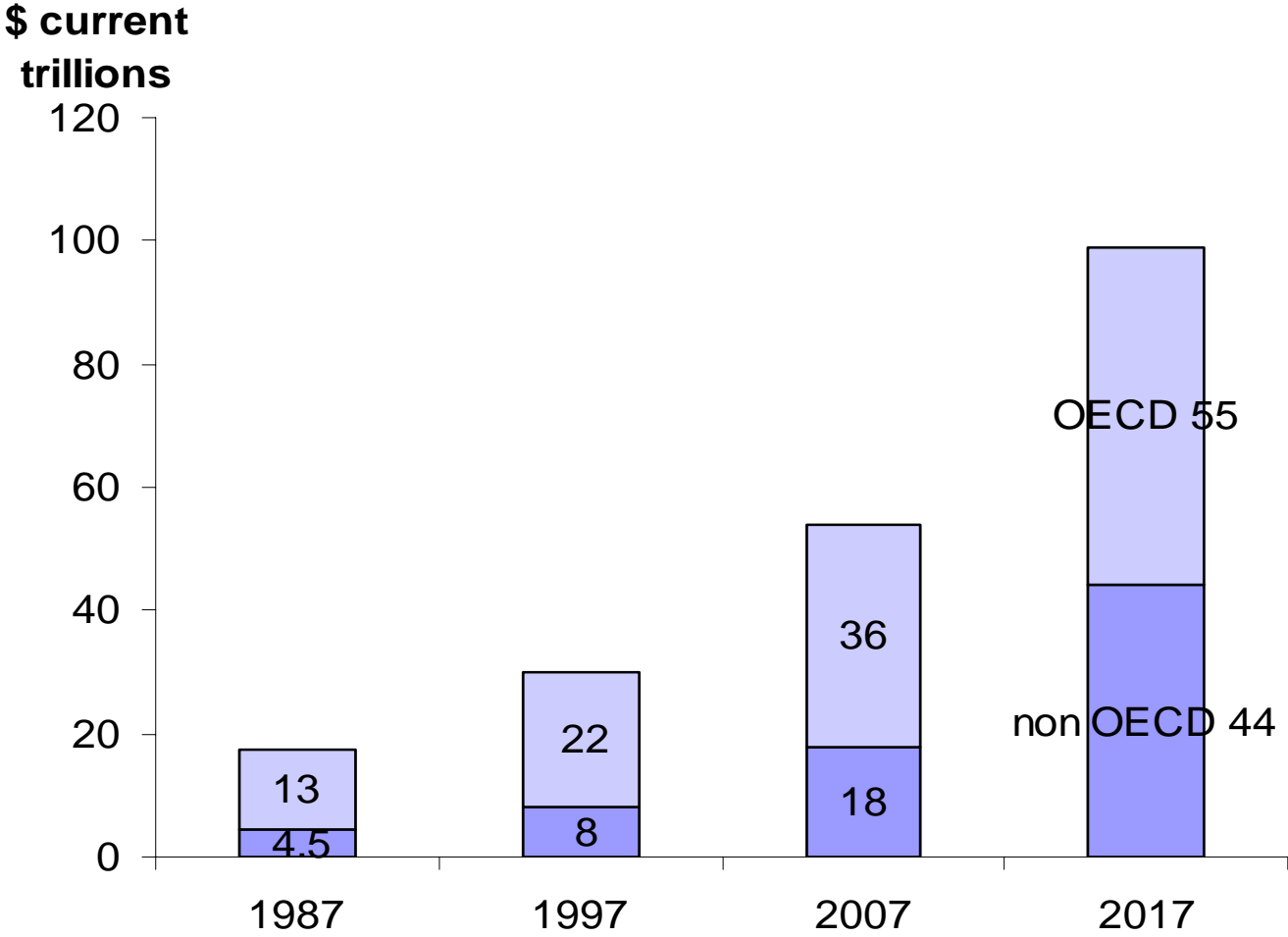
- Emerging markets, especially Asia-Mideast, have accounted for most of the world's growth
- Even more of the growth in commodity demand - 90% of the increase in oil demand over the last five years
- Apart from short term cycles, this trend will continue, increase links across region
- Size matters -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



# High growth in non-OECD world



# Contributions to global GDP



# 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*





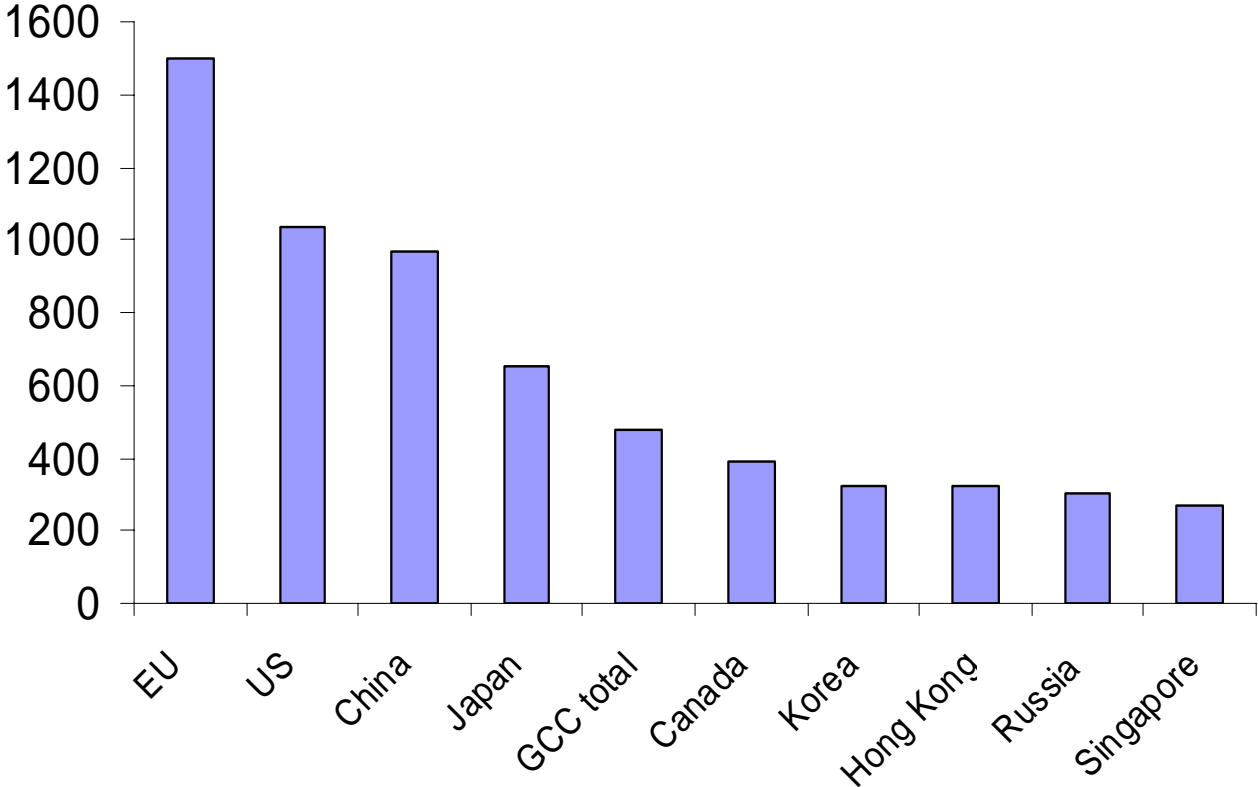
## Economy rankings by size of GDP

Rank	Region	GDP estimates for 2007 (US\$ trillion)
1	EU (inc UK)	17
2	US	14
3	Japan	4.4
4	China	3.3
5-9	Canada, Brazil, Russia, India, Korea	1-1.4
=10	GCC total, Mexico, Australia	0.8-0.9
	World total	54

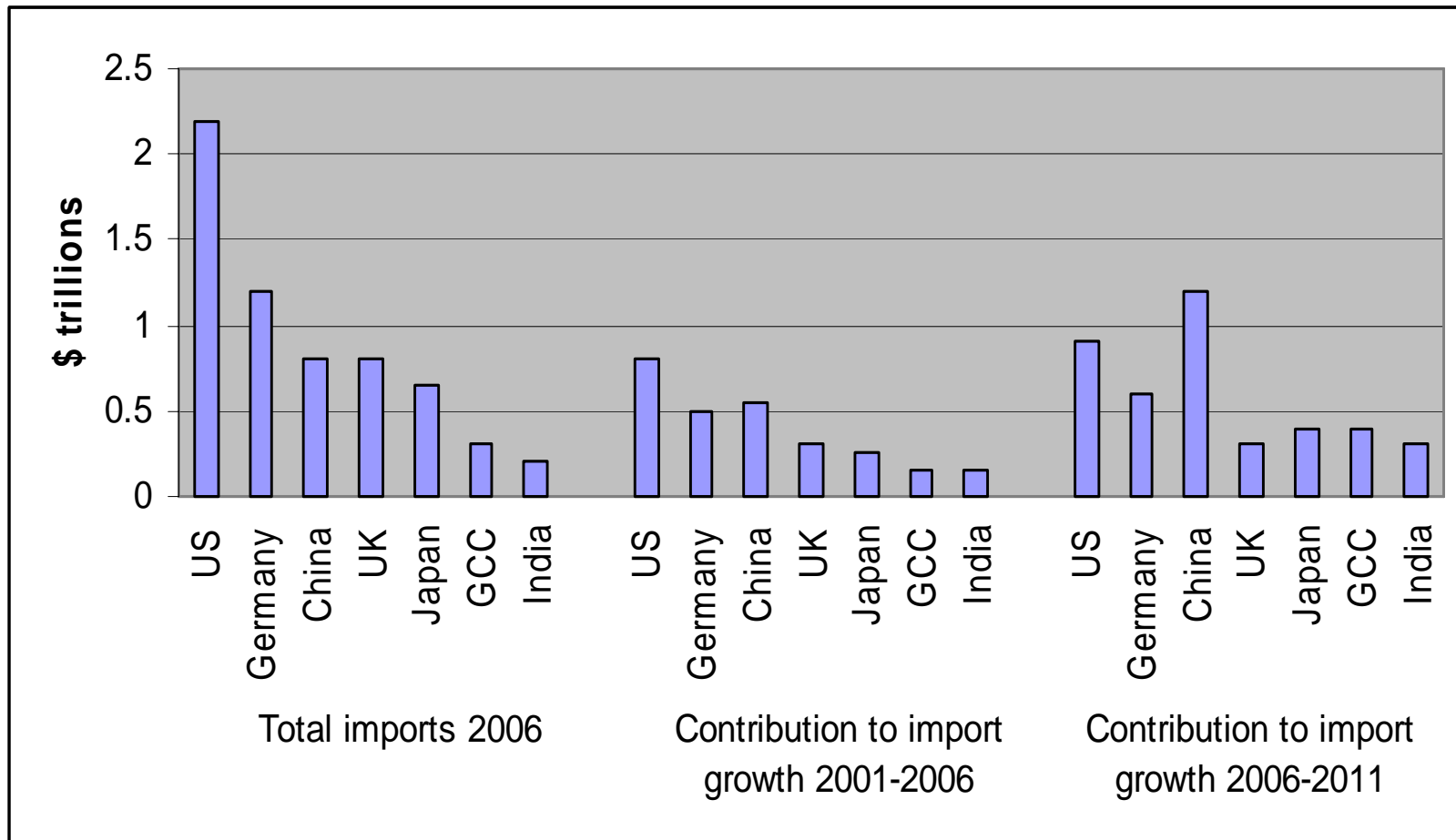


# World Trade Rankings - top 10

Goods Exports \$bn



# Contributions to imports 2001-2011



# 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

CofL GFCI	WEF	WEF region
London/EU 1	US 1	US
New York/USA 2	UK 2	UK/EU
Singapore/SE Asia 3	Germany 3	Japan
Hong Kong/China 4	Japan 4	Canada
Switzerland/Europe 5	Canada 5	Switz.
Tokyo/Japan 6	France 6	Hong Kong
Sydney/Australia 7	Switzerland 7	Singapore
Toronto/Canada 8	Hong Kong 8	Australia
Cayman Is./Caribbean 9	Netherlands 9	UAE
Dubai/GCC 10	Singapore 10	Korea



## Rankings by wealth

Country/Region	1997	2007	2017
Top 3	75	162	315
US	33	65	120
EU (inc UK)	25	65	150
Japan	17	32	45
Rest	17	38	95
China	3-5	10-11	30
GCC	1-2	4-5	15
<b>Global Total</b>	<b>92</b>	<b>200</b>	<b>410</b>



# 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

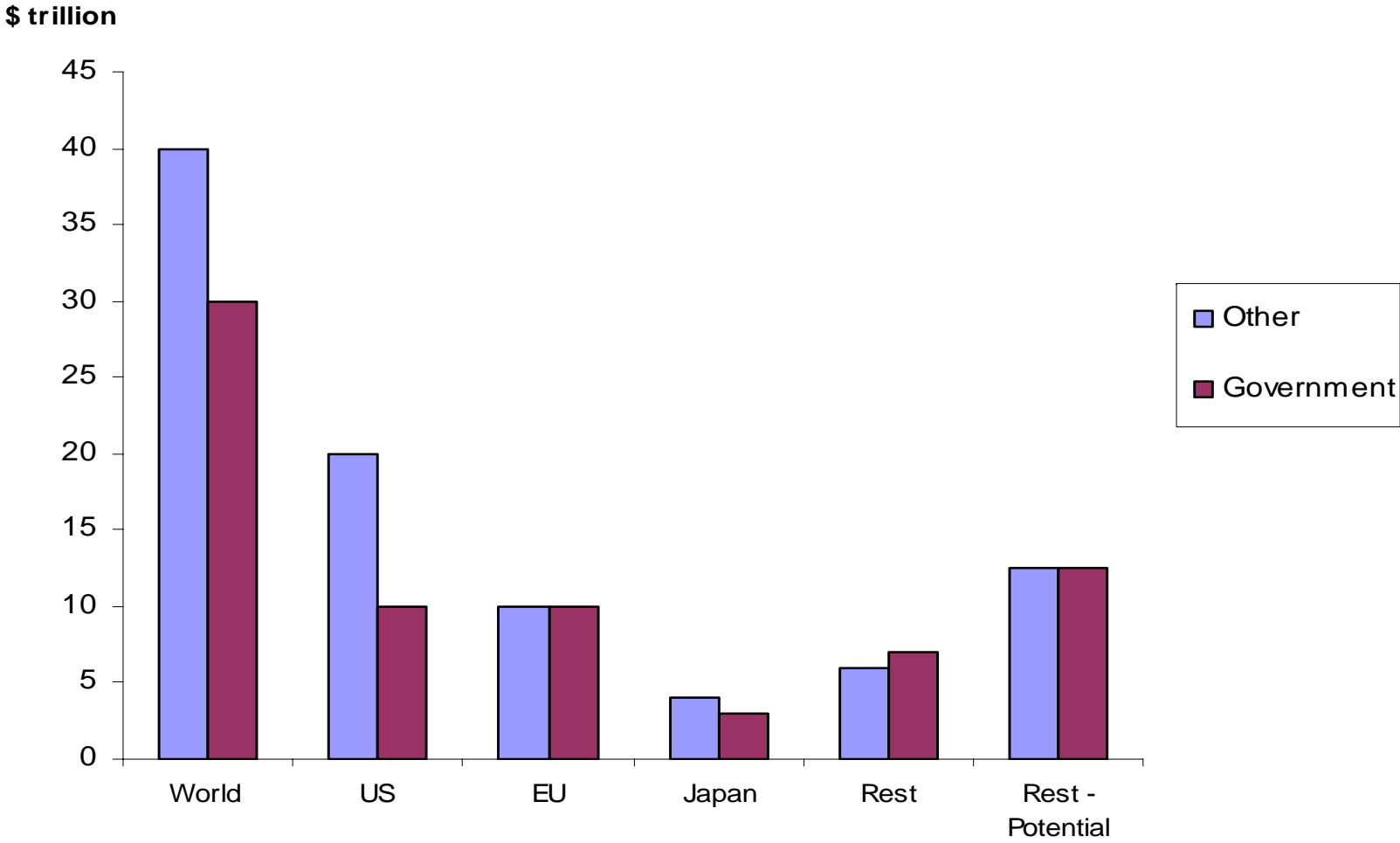


## Debt markets and the hinterland

- 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 - \$1trillion per annum?
- Need skills and backing to achieve this



# Bond Market undeveloped



## 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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