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OECD sees clear signs of recovery in most major economies

The economic outlook is improving in most of the 30 nations that belong to the Organization for Economic Cooperation and Development, the Paris-based research organization said this month. The composite leading indicator for the OECD-area rose to 97.8 in July from 96.3 in June, and there are clear signs of recovery in most of the seven largest economies, where the CLI rose to 97.5 from 95.9, the OECD said.

The same indicator for Japan rose to 94.9 in July from 93.5 in June; in the United States, to 96 from 94.4 in June; and in Britain to 100.6, from 99.3 in June. The indicators for China, India and Russia all rose. Brazil's indicator moved up only slightly, to 97.4 from 97.2 in June. "The signs from Brazil, where a trough is emerging, are also more encouraging than in last month's assessment," the OECD report said.

The CLI is designed to provide early signals of turning points in business cycles. An increasing CLI below 100 indicates recovery. As it rises above 100, an increasing CLI indicates expansion of the economy.

The OECD forecasts economic growth across the Group of Seven countries to fall by 3.7% this year a less brutal contraction than the 4.1% drop projected in June 2009. The latest GDP forecasts for this year provide slightly improved outlooks for Japan and the Euro area and an unchanged overall projection for the US. The lower annual growth projection for the UK this year is due to downward revisions to GDP in the final quarter of last year and first quarter of 2009.

GCC Outlook

Qatar and the UAE are likely to see negative inflation this year due to falling house prices, while inflation rates will slow sharply in Saudi Arabia and Kuwait, EFG-Hermes said in a note yesterday. Inflationary pressures have dropped off rapidly across the oil-exporting region as crude prices fell from peaks of \$147 a barrel in July last year and the dollar strengthened, easing import costs for states that peg their currencies to the US currency. "The UAE and Qatar will see the

greatest reversal in inflation trends," EFG-Hermes said in the research note. But Qatar's drop in rental prices was due primarily to an increased in housing supply last year, the UAE housing market was seeing a "structural correction," the note said. It added that a decline in population-due to an exodus of expatriate workers as the financial crisis led to thousands of job cuts - was also a contributing factor in both nations, the note said.

"We are forecasting the rental prices (in the UAE) will drop further in the second half of 2009, resulting in overall rental prices falling in Dubai by around 23 per cent and in Abu Dhabi by 5pc in 2009," EFG-Hermes said. Housing, which includes rents and utilities, accounts for 39.3pc of the UAE's overall consumer price index. EFG-Hermes forecast negative inflation of 5.3pc in the UAE this year, compared to 12.3pc last year. It said that an estimated 5pc contraction in rental prices in Dubai next year would push the inflation rate back up to 1.5pc that year. The investment bank forecast Qatar would have negative inflation of an estimated 4.6pc this year before resuming an upward tick to a positive rate of 2.7pc next year. Qatar inflation soared to 15.2pc last year. The bank said the decelerating pace of rental price growth in Saudi Arabia and Kuwait would slow inflation in those countries. "The slowdown in housing costs is contributing to the disinflation, but it will nevertheless be the central reason for Saudi Arabia avoiding negative inflation in 2009," the bank said, noting that rental prices are still rising in Saudi Arabia, albeit at a slower pace. Saudi Arabia will see inflation of around 4.8pc this year, EFG-Hermes predicted. This compares to 9.2pc last year

UAE on the way to overcoming global crisis

The UAE is solidly on its way to overcoming the current global financial crisis which "will not last for long" His Highness Shaikh Mohammad Bin Rashid Al Maktoum Vice-President and Prime Minister of the UAE and Ruler of Dubai has said. "The crisis will not last long despite the

sceptical analyses and speculation of economic and financial experts" Shaikh Mohammad was quoted by WAM as saying during a meeting with leaders of UAE-based Arab and international companies including key technical and financial institutions at Za'abeel palace on the occasion of Ramadan. The Vice-President expressed confidence that "the UAE government in cooperation with the private sector will overcome this crisis." He urged business leaders to "always look forward and embrace change for the best". He also was briefed by his guests on the status of their companies. "They affirmed to Shaikh Mohammad that the current conditions are only temporary" and expressed their trust in "the procedures taken by the UAE government to stimulate the national economy which led to its recovery and with minimal losses" WAM said.

UAE economy to post 3% growth

The government unveiled financial stimulus packages to revive the economy hit by the global slowdown. Stocks in the UAE hit a three-month high this month after a government minister predicted the economy would expand this year, countering widespread expectations of a contraction. The country's economy is on track to achieve 3 per cent growth by the end of the year, with the recovery propelled by the private sector, according to Sheikha Lubna Al Qasimi, the Minister of Foreign Trade. The forecast, one of the most upbeat to be made by a minister this year, comes after comments from Sultan al Mansouri, the Minister of Economy, who said the country's economy would start to grow again by the fourth quarter of this year.

But the assessment that the UAE is close to following other economies out of a severe downturn contrasts sharply with the predictions of the IMF and most local economists, who expect to see the economy contract this year. The IMF said in May that growth in the Middle East this year would halve, and that the UAE economy would contract 0.6 per cent. That is still better than an expected 1.3 per cent contraction in the global economy.

EFG-Hermes offers the bleakest forecast among local banks, predicting a contraction of 4 per cent this year. Credit Suisse sees a 2.5 per cent decline in the economy, while a 1.1 per cent contraction is forecast by National Bank of Abu Dhabi.

HSBC has a more optimistic view, predicting growth of 1.5 per cent this year, while Standard Chartered also expects the economy to end the year in positive territory.

“We forecast 0.5 per cent growth this year, more conservative than the government estimate,” said Philippe Dauba-Pantanacce, a senior economist at Standard Chartered in Dubai.

“Government stimulus packages and a boost in government spending have helped boost the economy this year.” Turmoil in global financial markets and declining oil revenues contributed to dragging the UAE into the world economic crisis at the end of last year, while tumbling property prices this year have dampened hopes of an early rebound.

The latest predictions of economic growth may mask substantial differences between emirates, analysts say. “We have to make a difference between Dubai and Abu Dhabi,” Mr Dauba-Pantanacce said. “Abu Dhabi is leading the growth and making up for Dubai, where the economy will be more sluggish in 2009.”

In an effort to revive the UAE economy, the Government unveiled financial stimulus packages amounting to US\$52.6 billion (Dh193.2bn) between July last year and July this year, according to data published by the American research firm Grail Research. This included a \$20bn bond programme for Dubai, which has been particularly hard hit by falling property prices.

Sheikha Lubna praised the role of local, regional and multinational companies, as well as business councils, in driving trade and economic success in the UAE, in a speech last week in Dubai, according to the WAM news agency. The country expects to record investment income of about Dh40.6bn this year, surpassing last year’s Dh30.6bn.

Sheikha Lubna said the country’s seventh place in a recent Nielsen survey of global consumer confidence was evidence that confidence was returning. Mr Al Mansouri said last month that key indicators showed that economic growth would be back on track by the last quarter of this year and the start of next year.

But some analysts remain sceptical of such a swift economic turnaround. “I think most likely for the year we are looking at just slightly above flat growth on a good note,” said Robert McKinnon at Al Mal Capital. “But there’s always the buffer for the UAE economy of oil.”

The countries that have been leading the global exit out of economic contraction are Japan, Germany, France and Australia, which all recorded growth in the second quarter of this year. Other predictions of growth are also emerging from economies in the Gulf region. Saudi Arabia is expected to see a recovery in the fourth quarter, the Riyadh-based Jadwa Investment said yesterday. “Confidence is rising and growth should pick up modestly over the remainder of the year,” it said.

\$26bn projects 'to turn UAE into logistics hub'

The \$26bn worth of air and sea infrastructure projects under development in the UAE will strengthen the country's position as a logistics hub, a role that may be its biggest asset outside oil, Standard Chartered has said. Major developments include the Dubai Civil Aviation Authority's \$7bn Dubai World Central airport, the Abu Dhabi Airport Company's \$6.5bn expansion of the capital's airport, and the Dubai Ports Authority's \$1.6bn expansion of Jebel Ali Port. "More than a stop-off point, the UAE is becoming a logistics hub serving a vast population basin," senior economist Philippe Dauba-Pantanacce said in a research note.

While hydrocarbons is likely to remain the country's predominant GDP contributor in the short to medium term – it accounted for 43 percent of exports in 2008 – developing other economic sectors is seen as crucial to the UAE's long-term growth.

One third of the world's population is located within four hours by plane, and the country lies at the crossroads of shipping routes between Europe, Asia, Africa, and the Middle East.

Jebel Ali, the world's largest man-made Harbour and the third largest re-export hub after Singapore and Hong Kong, currently accounts for a third of Dubai's GDP. Dauba-Pantanacce said the economic benefits of turning the country into a logistics hub include more firms setting up regional headquarters in the UAE and the meetings, incentives, conferences, and exhibitions (MICE) sector getting a boost. "Apart from oil, the UAE's central location on the global map is the other natural asset it can bank on with certainty," he said.

World's top carriers' active fleet falls four per cent

THE total "active" fleet of container ships operated by the top 24 ocean shipping liners has fallen by four per cent over the last 12 months, according to a survey by Alphaliner.

The Paris-based agency said the combined active fleet stands at 10.43 million TEU, down from 10.86 million TEU in September 2008. The report said the total operated containership fleet stands at 11.10 million TEU today when the current idle fleet of the 24 carriers surveyed is added to the numbers.

DP World's first half container volumes down 10pc

DUBAI's DP World has suffered a 10 per cent decline in container cargo at its terminals in the first half of the year, amounting to an aggregate volume of 12.3 million TEU. "The first six months of 2009 have seen some of the most challenging operating environments our industry has ever known," DP World CEO Mohammed Sharaf said in an Associated Press report.

Mr Sharaf is predicting "an inevitable decline" in first-half profit on the back of the decline in business despite cost-cutting measures. Yet he forecasts full-year results will meet expectations, "The unpredictable trends in global trade we have seen in the first half of the year continue into the second half of the year," he said.

The report noted that the company's largest revenues came from Dubai's Jebel Ali port and other smaller ports in the United Arab Emirates. DP World said business at ports in the UAE had fallen seven per cent in the first six months of the year. But the results were better than expected, with London's Drewry Shipping Consultants forecasting that ports globally will experience container throughput declines in the first half of 14.2 per cent, and a drop of about 10 per cent for the full year.

"Without a doubt, 2009 will be the worst year the container industry has ever seen," said Drewry's ports director Neil Davidson, adding that he did not expect freight volumes to return to 2008 levels until at least 2012. This means that 6.1 per cent of the carriers' fleet is currently idle. "The idle figure would have been higher if carriers had not undertaken measures to trim tonnage: returning chartered vessels to their owners, delaying the delivery of new vessels and disposing of old ships which were sent to the breakers," the authors of the report said.

"Despite the size reduction in the overall active fleet, seven carriers managed to increase their active capacity. In case of most of the gainers however, the size gain, which was more or less forced upon them, since both owned and chartered tonnage, fixed before the start of the current crisis, was delivered. These carriers have little or no idle capacity and they have managed to increase their market share in the process," they added.

DP World reported net profit of US \$188 million for the first half of 2009, down from US \$287 million a year ago. Revenue was US \$1.384 billion, compared with US \$1.598 billion in the same period last year. TEU throughput at the 49 terminals that were operational in the period was 12.3 million, compared with 13.6 million last year.

The company appeared pleased with the results. “Our business has responded well to the very challenging macroeconomic environment in the first half of this year, which resulted in a 10% decline in container volumes,” said Mohammed Sharaf, chief executive officer.

“All our terminals around the world have worked very hard to improve efficiencies for customers and remove costs from the terminals to ensure we continue to operate efficient and profitable terminals. The quick action of management has resulted in a more positive outcome than might otherwise have been.” In the first half of 2009, DP World was awarded new concession agreements for ports in Algiers and Djen-Djen, which began operating in the second quarter. It renewed two concessions in Australia in Adelaide and Sydney, for a further 30 years and 15 years respectively, and it began operations at Doraleh in Djibouti.

“Looking ahead, the unpredictable trends in global trade we have seen in the first half of the year continue into the second half of the year,” said Sharaf. “Our terminals remain focused on improving efficiencies for our customers and cutting costs to minimise the impact of declining volumes on profitability.”

Asian Shippers slam surcharges

Asian shippers continue to be hit disproportionately hard by container surcharges, although new legislation in China and India could put a stop to what the Asian Shippers’ Council (ASC) calls “unfair practices by liner cartels”. The ASC also claimed terminal handling charges lacked transparency and the practice by lines of breaking freight into numerous chargeable components continued unabated. “Malaysia now has 23 surcharges and Sri Lanka has reported 11 new surcharges since 2007,” said the ASC. “The percentage of surcharges on freight can differ from one trade lane to another. “In a world caught in recession, where shippers are finding volumes declining, shipping tonnage piling up and excess container space, carriers are still finding it reasonable to levy a peak season surcharge, which questions the very logic of market-driven prices.” The council claimed some lines were now even charging for the processing of bills of lading. “The bill of lading is the receipt for goods given by the carrier when cargo is handed over to the carrier or its agent,” it said. “In what other trade could you find that if a receipt is issued, a separate fee for it is charged? This is unimaginable and unacceptable to shippers.”

The ASC welcomed new competition regulations in China and India that could eventually be applied to the liner shipping sector. The Competition Commission of India (CCI) became fully functional in May and shippers in India want it to investigate “cartelistic activities in the liner shipping industry”, a spokesman for the ASC told IFW. “The CCI Act 2002 does not have any specific provision for granting anti-trust immunity per se to any industry.”

China’s anti-trust law became valid in August last year, and gives no privileges to liner collective agreements. However, conferences have been able to continue to operate under cover of separate maritime regulations which the China Shippers’ Association is challenging. “There is still a lot to do before the liners’ collective agreements are completely abolished, but ministries are strengthening supervision,” said the ASC spokesman.

Forwarders and Shipping Lines vying for the same service as Logistic providers

Forwarders may now find carriers to be tough competitors in the logistics sector going forward. The shipping industry has been long plagued by low margins, which has led an increasing number of carriers to branch into logistics. While carriers have in times past been viewed as relatively amateurish in this field compared to freight forwarders, they do have the potential to present a serious challenge to forwarders in the future.

Margins are much lower for ocean freight services, as opposed to inland transportation services. This is largely because the ocean freight service is more transparent and customers understand it well, while their knowledge of the inland transportation costs for trucking, warehousing and distribution is rather hazy. This is usually where forwarders make most of their money.

By tapping into this shipping company’s rich customer base, one executive whose company has merged its liner and logistics businesses explained his firm’s strategy was to try and identify potential customers most likely to be interested in a package of services combining both the liner and logistics parts of the service.

“Not all customers want it, but there is a group which has shown interest. So we’re trying to use that to our advantage to go to these customers, looking at pieces of their business we’re able to fit into packages. We add trucking, warehousing in the US or Asia. Now we have a relationship to talk about other services,” he said.

This executive said that this strategy could sometimes help the company overcome deficiencies in its product portfolio. For example, with a better package overall thanks to its integrated logistics services, his firm's weakness in airfreight would not prevent his salesmen from seeking airfreight clients if other parts of the service mix were attractive to the client. Nonetheless, he conceded that such a strategy wouldn't compensate for such weaknesses totally.

"These are areas [seafreight, consolidation, car carrier] we have already shown success in, so we will focus on these customers who have airfreight needs. But it will not be a significant portion of the business for some time," he said.

Lighter Column

Facts worth knowing:

Q: Why are many coin banks shaped like pigs?

A: Long ago, dishes and cookware in Europe were made of a dense orange clay called 'pygg'. When people saved coins in jars made of this clay, the jars became known as 'pygg banks.' When an English potter misunderstood the word, he made a bank that resembled a pig. And it caught on. //

Q: Did you ever wonder why dimes, quarters and half dollars have notches, while pennies and nickels do not?

A: The US Mint began putting notches on the edges of coins containing gold and silver to discourage holders from shaving off small quantities of the precious metals. Dimes, quarters and half dollars are notched because they used to contain silver. Pennies and nickels aren't notched because the metals they contain are not valuable enough to shave.//

Q: Why do men's clothes have buttons on the right while women's clothes have buttons on the left?

A: When buttons were invented, they were very expensive and worn primarily by the rich. Because wealthy women were dressed by maids, dressmakers put the buttons on the maid's

right.! Since most people are right-handed, it is easier to push buttons on the right through holes on the left. And that's where women's buttons have remained since//////////

Q: Why do X's at the end of a letter signify kisses?

A: In the Middle Ages, when many people were unable to read or write, documents were often signed using an X. Kissing the X represented an oath to fulfill obligations specified in the document. The X and the kiss eventually became synonymous//////////

Q: Why is shifting responsibility to someone else called 'passing the buck'?

A: In card games, it was once customary to pass an item, called a buck, from player to player to indicate whose turn it was to deal. If a player did not wish to assume the responsibility, he would 'pass the buck' to the next player//////////

Q: Why do people clink their glasses before drinking a toast?

A: It used to be common for someone to try to kill an enemy by offering him a poisoned drink. To prove to a guest that a drink was safe, it became customary for a guest to pour a small amount of his drink into the glass of the host. Both men would drink it simultaneously. When a guest trusted his host, he would then just touch or clink the host's glass with his own//////////

Q: Why are people in the public eye said to be 'in the limelight'?

A: Invented in 1825, limelight was used in lighthouses and stage lighting by burning a cylinder of lime which produced a brilliant light. In the theatre, performers on stage 'in the limelight' were seen by the audience to be the center of attention//////////

Q: Why do ships and aircraft in trouble use 'mayday' as their call for help?

A: This comes from the French word m'aidez -meaning 'help me' -- and is pronounced 'mayday.'

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Q: Why is someone who is feeling great 'on cloud nine'?

A: Types of clouds are numbered according to the altitudes they attain, with nine being the highest cloud. If someone is said to be on cloud nine, that person is floating well above worldly cares..

Q: Why are zero scores in tennis called 'love'?

A: In France, where tennis first became popular, a big, round zero on scoreboard looked like an egg and was called 'l'oeuf,' which is French for 'egg..' When tennis was introduced in the US, Americans pronounced it 'love.'

Q: In golf, where did the term 'Caddie' come from?

A. When Mary, later Queen of Scots, went to France as a young girl (for education & survival), Louis, King of France, learned that she loved the Scot game 'golf.' So he had the first golf course outside of Scotland built for her enjoyment. To make sure she was properly chaperoned (and guarded) while she played, Louis hired cadets from a military school to accompany her. Mary liked this a lot and when she returned to Scotland (not a very good idea in the long run), she took the practice with her. In French, the word cadet is pronounced 'ca-day' and the Scots changed it into 'caddie.'

Any feedback or views, pls feel free to mail Prabhu Williams dxbgene1@owl.ae.
See you next month..cheers!