

Saudi stimulus boosts deal flow: expert

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Saudi Arabia is witnessing increased deal flow as high government expenditure and development programmes stimulate financing requirements across the private sector, says an expert.

"Not only has the government's programme of fiscal stimulus increased deal flow by helping the private sector with a confirmed flow of state-sponsored projects, it has served to increase confidence in uncertain global market conditions," says Jeddah-based Awadh Qahtan, Saudi Arabian country manager for Falcon Trade Corporation, a specialist trade services provider.

"It has also improved the sophistication and breadth of the deals we are dealing with - particularly as the private sector becomes more competitive due to the increasing presence of foreign banks and corporates."

Qahtan also believes that such projects mean the country is well-placed to capitalise on its growth position in the world economy.

"Saudi Arabia is a key growth market globally," says Qahtan. "This has been spurred on by its youthful population and supported by its accession to the World Trade Organisation and G-20 within the past few years - resulting in improved access to foreign markets."

However, private sector development will be key to future growth, says Qahtan. It will also help the government move towards its stated aim of economic diversification. Currently, around 40 per cent of Saudi gross domestic product (GDP) is derived from the private sector, with 45 per cent of GDP produced from petrochemicals (as well as 90 per cent of exports and 75 per cent of government revenues).

"The stimulus package is well targeted," says Qahtan, referring to the government's SR475 billion economic stimulus budget for 2009 to help combat the global recession - the largest of any G-20 country relative to GDP.

"And despite the global credit crunch, liquidity to support the increased activity of the private sector across Saudi Arabia's domestic and foreign banks has remained accessible. Indeed, one of the most significant measures pursued throughout the crisis has been to encourage domestic banks to channel liquidity towards lending."

Furthermore, as deal flow and its subsequent financial requirements increase, both domestic and foreign banks are well capitalised to cater for the funding demands in the short-term, says Qahtan.

"As a result of the strong financial position of Saudi Arabia during the global credit crisis, the private sector is coping well and is focused on making use of innovative structured financial solutions, with long-term financing being the most important consideration for many," he adds. "This, along with off-balance sheet finance, project finance, bridge finance and, of course, trade finance, is where we have noticed the greatest concentration of client requirements across the manufacturing and corporate sectors - our main client base in Saudi Arabia. The concern is that both domestic and foreign banks are able to continue to provide financing in the short-term, while also providing long-term financing to further support the resurgent private sector."

Yet Qahtan is well aware of the increasing need for sophistication from financiers, as corporates and manufacturers look for innovative ways to finance deals and capitalise on available liquidity, while also demanding forward and backward integration along the supply chain.

"Saudi Arabian corporates are increasingly looking for solutions that integrate both their balance sheet and their supply chain needs," he adds. "And it is specialist finance providers such as Falcon who are increasingly stepping in to provide innovative financing structures to the private sector, across a range of situations and along the entire supply chain."
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