

 [Sign in](#) | [Register](#) | [Mobile version](#) | **A** [Text larger](#) | [smaller](#)



**Most €100k+ jobs in Europe**

- ➔ Connect with over 4,000 headhunters
- ➔ Personalised matching with senior jobs

[www.experteer.com](http://www.experteer.com)

Join  
for FREE!



Feedback - Ads by Google

www.Experteer.com

**guardian.co.uk**

Search:

[guardian.co.uk](#)

[News](#) | [Sport](#) | [Comment](#) | [Culture](#) | [Business](#) | [Money](#) | [Life & style](#) | [Travel](#) | [Environment](#) | [Blogs](#) | [Video](#) | [Community](#) | [Jobs](#)

**Business** | [Markets](#) | [Credit crunch](#) | [Green shoots](#) | [Economics](#) | [Recession](#) | [Dan Roberts on business](#) | [Viewpoint](#) | [On America](#)

## Oil helps investors look past Saudi regulatory risk

 [Buzz up!](#)

 [Digg it](#)

Reuters, Monday June 8 2009



**A** [larger](#) | [smaller](#)

[Business](#)

- \* Investors stay bullish about Saudi Arabia
- \* Oil, infrastructure spending key attractions
- \* Worries over transparency and regulation lurk

By Ulf Laessing

RIYADH, June 8 (Reuters) - Foreign investors are set to stay bullish on Saudi Arabia despite the opaque nature of the kingdom's markets as opportunities from a buoyant crude price and infrastructure spending outweigh regulatory risk.

But analysts say the case of unlisted Saad Group, which credit agencies stopped covering due to a lack of information, underline the need for stricter regulation and transparency at the world's largest oil exporter. Saad has said it needs a debt restructuring after bankers said the accounts of its chairman and several relatives were frozen.

Saudi Arabia, which controls more than a fifth of global crude reserves, has pledged to spend \$400 billion to improve its infrastructure and diversify its economy, hit by global turmoil to a much lesser extent than other Gulf states.

Investors see plenty of opportunities, and are willing to overlook some of the problems associated with doing business in the country.

"Problems in the Saad Group won't have a negative impact on the overall picture," said Birgit Ebner, who manages a Middle Eastern equity fund at Germany's Frankfurt Trust and has 30 percent of the fund invested in the kingdom.

"Saudi Arabia offers very interesting growth opportunities," she said.

Equities investors are unlikely to be worrying much about the Saad case specifically, another asset manager said.

"What happened with the Saad Group is regrettable, but it impacts bond investors far more than equity investors," said Daniel Broby, Chief Investment Officer at Britain's Silk Invest, which is also invested in Saudi stocks.

"The latter prefer to focus on the opening up of the market and obvious opportunities afforded by the kingdom's infrastructure roll out," he added. But all this doesn't alter the fact that investors are often in the dark about problems at Saudi firms, and this could store trouble for the future.

The central bank (SAMA) has not confirmed that accounts of Saad's chairman, billionaire Mana al-Sanea, have been frozen, as bankers say. Despite cuts by rating agencies Saad has declined to specify the size of its debt problem.

NO CLARITY

"SAMA should have come up with the truth," influential commentator Abdullah al-Fowzan wrote in Saudi daily al-Watan.

And it was Gulf neighbour Bahrain who first made public the problems at a Manama unit of unlisted Saudi firm Ahmad Hamad Algosaibi and Brothers Co (AHAB), urging shareholders to meet over debt restructuring -- the Saudi parent stayed mum for weeks.

Abdulhamid al-Amri, a member of the Saudi Economic Association think tank, said it was too easy for firms to hide the size of debts or levels of cashflow due to lax disclosure.

"At the time when Sanea was getting loans, there was strong competition among banks for loans. It got out of control...many banks exceeded the regulatory 80 percent loan to deposit ratio."

The Arab world's largest bourse is dominated by a few local speculators with blue chips such SABIC and the index often sharply rising or falling without any fundamental reason.

Company statements are made only in Arabic with stocks often moving beforehand -- with the exception of Kuwait all other Gulf bourses also release corporate filings in English.

#### OIL AS LUBRICANT

Oil trading just below seven-month highs of \$70 a barrel, in a sense, masks the problem.

"As access improved, we would expect further gains in the Saudi market so long as oil prices remain reasonably strong," Merrill Lynch said in a note.

The biggest Arab economy has unveiled plans to set up a bond market, while analysts also expect the bourse to be fully open one day -- investors now need a Saudi intermediary to trade.

Banks such as UBS, HSBC and JPMorgan Chase have arrived, covering Saudi stocks, the economy or offering investment bank services. Abraaj Capital, the Middle East's largest private equity firm, just opened a Riyadh office.

Firms such as SABIC or Saudi Islamic banks have appeared in international research notes.

Growth prospects are seen to be strong as the Saudi bourse has been relatively sheltered from global turmoil. The biggest Islamic lender al-Rajhi Bank trades at 14.7 times 2009 earnings compared to 9.6 for Akbank, Turkey's biggest bank, according to Reuters data.

One positive is that some investors feel efforts are being made to bring the kingdom's regulatory standards up to scratch.

"Investor relations is a new concept to Saudi companies...(but) with international investors flocking in to this market, companies are becoming more and more aware of the concept," said Rami Sidani, head of Middle East and North Africa at Schroders, which is also upbeat about Saudi stocks.

The government has moved to reform commercial laws for Saudi Arabia's entry to the World Trade Organisation (WTO) in 2005 but Muslim clerics suspicious of changes still dominate courts.

"Transparency is less developed than in other Gulf states but this doesn't mean it is impossible to invest there," said Ebner at Frankfurt Trust.

(Editing by Sitaraman Shankar and Thomas Atkins)

---

 [Printable version](#)

---

#### Ads by Google

---

##### Invest In Oil

High Profit Potential In Oil We Show How. Start Here  
[www.seismaresearch.com](http://www.seismaresearch.com)

---

##### Capgemini: Technology

Technologie maakt veel mogelijk, samenwerking nog meer.  
[www.nl.capgemini.com/Technology](http://www.nl.capgemini.com/Technology)

---

##### Enhance your portfolio

Solid performance in the credit crisis. Diversify and protect.  
[www.ManInvestments.nl](http://www.ManInvestments.nl)