Press release

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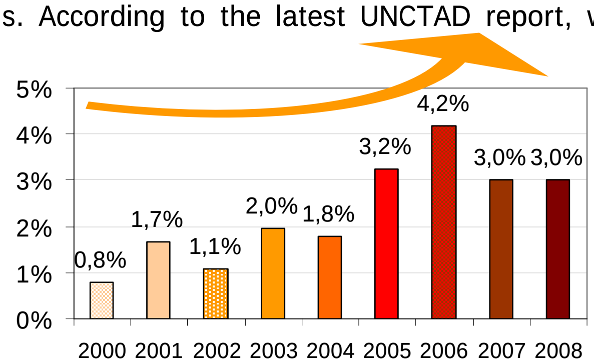
Crisis: Med countries stand firm despite relative slowdown in inward FDI

On the occasion of the MedInvest 2009 conference, which gathers a thousand of international investors on the 20th and 21st of February 2009, in Beirut, ANIMA unveils the first results of its 2008 survey of foreign investments in Med countries. ANIMA's analysis shows that the region is not fully spared from the global economic crisis in terms of Foreign Direct Investment (FDI), in particular in the traditional sectors boosting job creation.

After its outbreak in Wall Street, the financial crisis turned into the current global economic crisis, with severe repercussions in developed countries. In addition to a confidence crisis hitting the national and international banking and financial systems, the bad results of large and medium sized companies led to the growth of unemployment and to the fall of demand in industrialised countries. Large companies have consequently reduced the volume of their FDIs. According to the latest UNCTAD report, world FDIs witnessed a strong decrease in 2008 (-22%). They are expected to even loose more ground in 2009. As a recently emerging region, the Med area can hardly escape such a global turnaround. However and so far, it is proving resistant, as shown by figures from ANIMA's Mediterranean FDI observatory. In 2008 the region attracted 770 new projects (-7% compared with 2007).



The share of Med countries in world FDI

The attractiveness of Med countries should be preserved along 2009 with the World Bank foreseeing a 3.9% regional growth whereas this figure should not be more than 0.9% worldwide... The impact of the crisis in Med countries should therefore be felt more in terms of the volume of the invested amounts. "Only" EUR 40.6bn were captured by Med countries in 2008 (as opposed to EUR 61bn of inward FDIs received in 2007, and EUR 68bn in 2006). On the ground, the diminution of FDI translates into a revision of many projects, including in the automotive sector (*e.g.* withdrawal of Nissan from its joint Tangiers Med factory project with Renault). Project cancellations are also recorded in real estate (*e.g.* Emaar Properties' Algerian projects or those of Damac in Morocco).

Less real estate, more energy, still insufficient job creation

The energy sector attracted EUR 11.3bn in FDI projects over 2008, double the amount recorded in 2006. In 2008, Azerbaijan's oil company Socar invested USD 5bn in Turkey in a project to open a new route for Caucasian oil. Libya and Egypt altogether attracted EUR 3.4bn in FDI, mainly in onshore and offshore concessions.

The real estate sector, which has long been privileged by Gulf investors, experienced a strong slow down in 2008 and represented only 19% of the total FDI amount for that year (the invested amounts were divided by two: EUR 7.6bn in 2008 vs. EUR 15.3bn in 2007). Despite the credit shortage, several projects, some of them ambitious, were maintained. They include Saudi Arabia's Snasco project on the Oran waterfront, Algeria (EUR 400m), as well as the two projects of Qatar's Diar in Egypt (EUR 657m).

The banking sector only represents 9% of the Med FDI stock. It is followed by distribution (8.8%) and chemicals (7.5%).

With no more than 76,000 new direct jobs created in 2008 (down from 101,000 jobs in 2007), employment is more than ever at stake in this part of the world where millions of youth land on an already saturated job market every year. In Morocco, the decrease of exports in textile would have led to the destruction of around 50,000 jobs in 2008...

Turkey withstanding, Egypt decelerating

The Maghreb region (198 projects, or 20% of the total Med region FDI inflow in 2008) and Mashreq (266 projects, or 18%) experienced a sharp slowdown. Yet Turkey and Israel managed to attract more than 60% of the total regional FDI inflow (304 FDI projects for the two of them in 2008, including 197 for Turkey).

The Maghreb region strongly reinforces its shipping infrastructures (*e.g.* new container terminal managed by Maersk and PSA in Tangiers Med; new concession of the ports of Algiers and Djen Djen for DP World; development of a deep-water port at Enfidha, Tunisia).

The liberalisation of the Turkish energy sector in 2008 shall allow the country to modernise its electricity infrastructures and meet a rising domestic demand. In Turkey, Enerjisa, a JV formed by local Sabanci and Austria-based Verbund invested EUR 500m in a gas-run power plant in Bandirma, while Czech electricity group CEZ acquired a 37.4% stake in local Akerneji.

Egypt shall see its growth rate divided by 2 in 2009 (down to 3.5%) and is experiencing an economic slowdown for the very first time since the launch of economic reforms in 2004. The impact of the current global crisis on the Gulf region has a direct impact on the country as well: besides the reduction of investments towards the Egyptian property sector, the deceleration in Gulf states' activity hits Egyptian workers, which in return impacts the billions of USD in remittances received yearly. Egypt nonetheless attracted 102 projects in 2008, representing EUR 5 billions (*e.g.* concession of the Ein Sokhna port, Red Sea, to UAE's DP World for USD 1.3 billion).

Investors' origin: Europe moving ahead, Gulf losing ground

In such a context, the wealthy years (partly fuelled by Gulf-based oil monarchies that are now being struck by a fall in oil prices and the financial crisis) are seemingly coming to an end. A new economic geography is setting up with Europe now playing the key part. Overtaken by Gulf countries in recent years, Europe regained in 2008 its position as the first issuer of FDI towards Med countries (41%). The Gulf economies now represent only 17% of FDI flows towards the Med region.