

## **Gulf Arab construction sector challenged, despite gradual rebound**

DUBAI, Nov. 11 (Xinhua) -- The Gulf Arab construction, albeit in a modest comeback mode, suffers from a rough business and financial climate, said the CEO of Dubai-based maintenance and plumber firm Drake and Scull International (DSI) in an interview with Gulf Business on Sunday.

Khaldoun Tabari said the industry shall not be blended by recent reports of a pickup in real estate activity in the Gulf Arab region. "It will remain a challenging market," he told the Dubai weekly Gulf Business.

While Tabari affirmed that the construction sector was on a revival track, "a lack of funding options" was weighing on the market, he said, adding that DSI's biggest problem was the collection of payments from customers.

Earlier in the day, the International Monetary Fund (IMF) said that economic growth in the six member countries of the Gulf Cooperation Council (GCC), namely Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates (UAE) and Oman, reached 7.5 percent in 2011, adding that the growth will remain "robust" this year.

Research figures from different sources confirm that all that glitters is not gold. According to Middle East Economic Digest (MEED), in 2011 alone real estate projects worth 188.7 billion U.S. dollars were cancelled. Research firm BNC Network said in mid-September that 43 percent of projects in the GCC were on hold.

In the first six months of 2012, DSI's net profit shrank by 34 percent year-on-year, amounting to 63.63 million Dirham (17.35 million U.S. dollars). DSI's rival Arabtec Construction said last week its net profit for the first quarter declined by 10.5 percent to hit 35 million Dirham (9.54 million U.S. dollars).

Comments from industry experts to Xinhua on the industry outlook sound similar. Royee Han, who is an account manager at China National Building Material Company or CNBM said that whilst the Gulf region was "promising," growth was still slow. "We still feel the fallout from the financial crisis," said Han.

Thorsten Schneider, business unit manager Gulf region at Germany's industrial giant Henkel Group and the world's largest producer of glues, said he was more bullish on Saudi Arabia than on the UAE, not only because Saudi Arabia has the region's largest population, but also "The kingdom has a housing gap of 5 million homes, while residential construction in the UAE is much more volatile and speculative," said Schneider.

The UAE is DSI's home market. Since its 2012-peak the DSI share hit in April, the stock lost 18 percent in value.

